Geopolitical Risk, Oil Supply Shocks, and the Macroeconomic Transmission of the 2026 Iran-Israel-U.S. War

Josip Tomašković

Zagreb School of Economics and Management (ZSEM), Zagreb, Croatia,
email: jtomask1@student.zsem.hr

Abstract

This paper analyzes the macroeconomic transmission of the 2026 conflict in the Middle East involving Iran, Israel, and the United States, viewing it not only as a regional conflict but also as a global supply and logistics shock associated with severe disruption of transit through the Strait of Hormuz. Focusing on the Strait of Hormuz, through which roughly a quarter of world seaborne oil trade and a fifth of liquefied natural gas (LNG) trade pass, the paper develops a multi-channel transmission framework linking energy supply disruption, maritime and logistics frictions, financial and sanctions fragmentation, geopolitical-risk-driven expectations, and policy responses. It assembles quantitative evidence on energy markets and shipping conditions, together with qualitative evidence on financial-market reactions following the outbreak of hostilities on 28 February 2026, showing a sharp rise in crude oil benchmarks, widening regional gas spreads, elevated war-risk insurance premia, and reported risk-off repricing. The central argument is that a chokepoint- induced shock differs from a conventional oil-price shock because it raises both the cost and risk of moving energy, rather than affecting only market supply, thereby increasing risk premiums that propagate into core inflation and can generate stagflationary pressures in the global economy. The paper concludes with implications for monetary policy, strategic petroleum reserves, and supply-chain diversification, and argues that the chokepoint lens can be generalized to other critical maritime passages.

Keywords: *geopolitical risk, oil price shocks, Strait of Hormuz, chokepoints, stagflation, energy security*

ISSN 2991-9371

1. Introduction

This paper argues that the military conflict involving Iran, Israel, and the United States represents not only a regional military and geopolitical conflict affecting the Middle East but also a macroeconomic shock affecting global crude oil trade, LNG trade, and refined petroleum product markets. Through the cascading effects of multiple transmission channels, this shock spreads across the global economy, generating higher transportation costs, supply chain disruptions, rising inflation, and heightened financial-market volatility [1]. In addition, the paper examines the crucial role of the Strait of Hormuz as a global trade chokepoint and its direct and indirect effects on the world economy [2]. Methodologically, the paper combines insights from academic literature with recent media reports on developments in the Strait of Hormuz. It adopts a macro-level approach to analyze the strategic importance of the Strait, supported by evidence from market data and policy reports. This work contributes to the literature in three ways. First, it frames a regional war as a global macroeconomic shock operating through a maritime chokepoint, connecting the geopolitical-risk literature [3] to the literature on oil-price shocks and the macroeconomy [4], [5], [6]. Second, it specifies a cascading, multi-channel transmission mechanism, rather than treating the event as a single oil-price impulse. Third, it focuses on cross-country exposure to the geopolitical risks associated with the Strait of Hormuz, analyzing how recent developments across the Middle East, including disruptions in the Strait of Hormuz, the Persian Gulf, U.S. military bases, and other strategic locations, as well as in Iraq, Lebanon, and Syria, have contributed to instability in global energy and financial markets. The paper previews several pieces of stylized evidence developed in later sections: a sharp increase in Brent and WTI crude benchmarks, widening regional natural-gas spreads, qualitative evidence of risk- off repricing across financial markets, and a steep rise in war-risk insurance premia accompanied by curtailed transit through the Strait. Taken together, this evidence is consistent with a contractionary supply-side shock that creates stagflationary risk rather than a benign demand-driven increase in energy prices. The remainder of the paper is organized as follows. Section 2 sets out the background of the 2026 Iran-Israel-U.S. war and the strategic importance of the Strait of Hormuz. Section 3 develops the conceptual framework of chokepoint-driven macroeconomic transmission. Section 4 presents stylized evidence from energy, financial, and trade markets. Section 5 examines cross-country exposure and heterogeneity. Section 6 explains why this episode is consistent with a stagflationary supply shock rather than a standard oil shock. Section 7 draws out policy implications, and Section 8 concludes. The broader crisis literature likewise emphasizes global economic interdependence and the spillover of shocks across financial and policy domains [7], [8]. Empirically, the paper uses a descriptive event-based approach rather than a causal event-study design. Energy- market evidence is drawn from EIA daily and monthly series using 27 February 2026 as the pre-conflict benchmark; financial-market and shipping evidence is reported qualitatively where verified point estimates are not available. Accordingly, the empirical results are interpreted as stylized evidence consistent with the proposed transmission mechanisms, not as estimates of causal macroeconomic effects.

2. Background: The 2026 Iran-Israel-U.S. War and Strategic Chokepoints

2.1 Timeline of the Conflict

On 28 February 2026, the United States and Israel launched large-scale strikes against Iranian military and leadership targets, marking the start of the conflict [9]-[11]. In official statements, the U.S. referred to the operation as Operation Epic Fury, while Israel called it Operation Roaring Lion [9], [11]. According to both governments, the strikes were intended to weaken Iran's ballistic missile capabilities and stop further progress in its nuclear programme [12], [11]. Reports published on 1 and 2 March 2026 stated that Iran's Supreme Leader, Ali Khamenei, had been killed in the opening strikes, together with several senior Iranian officials. Among those reportedly killed were Defence Minister Aziz Nasirzadeh and IRGC commander Mohammad Pakpour, while some reports also named Ali Shamkhani, Secretary of the Iranian Defence Council, as one of the casualties [13], [14]. In response, Iran, under the leadership of Mojtaba Khamenei, launched retaliatory missile and drone attacks against U.S. embassies and military bases across the region, including in the United Arab Emirates, Saudi Arabia, Qatar, Kuwait, Bahrain, Iraq, Oman, and Jordan [15]-[19]. Iran also attempted to strike Turkey, but these missiles and drones were intercepted by NATO forces [20]. The conflict quickly spread beyond direct military confrontation and began to affect maritime security in the Gulf. On 28 February 2026, shortly after the U.S.-Israeli strikes, the Islamic Revolutionary Guard Corps began issuing VHF radio warnings that ships were no longer allowed to pass through the Strait of Hormuz [21]. The first commercial vessel attacked during this period was the Marshall Islands-flagged oil tanker MKD VYOM, which was struck by an unmanned explosive boat on 1 March, around 52 nautical miles off the coast of Muscat, Oman. The attack killed one Indian crew member [22], [23]. On 2 March, the IRGC officially confirmed that the strait was closed and warned that any vessel entering it could be set on fire [24], [25]. That same day, the U.S.-flagged tanker Stena Imperative was hit by two projectiles while docked at the Port of Bahrain, killing one shipyard worker and injuring two others [21], [26]. By 4 March, the IRGC claimed that it had established "complete control" over the waterway [27]. Iran later expanded its attacks on commercial shipping across the wider Gulf region, including strikes near Ras Tanura in Saudi Arabia and at the Port of Dubai, where the Kuwaiti tanker Al Salmi was hit by an Iranian drone on 31 March [28]. These developments caused serious disruption to transport through the Strait of Hormuz. Around 150 vessels were left stranded, while war-risk insurance was withdrawn from 5 March and insurance premiums rose sharply [29], from around 0.2% to 1% of a ship's value. In the weeks that followed, Iran moved from a policy of total closure to one of selective and tightly controlled passage. Only approved "non-hostile" vessels were allowed to transit, and even then, under Iranian supervision and along designated routes. At the same time, true alternatives to Hormuz were limited mainly to existing oil and gas pipelines, especially the Saudi East-West pipeline and the UAE ADCOP route. For cargoes that could bypass or exit the Gulf, onward routing was further constrained by insecurity in the Red Sea and the Bab el-Mandeb corridor, which represents another chokepoint risk rather than serving as a substitute for Hormuz. Although

Pakistani mediation helped secure a ceasefire framework on 7 and 8 April, commercial traffic through the strait remained well below normal levels. This suggests that negotiated military de-escalation did not immediately restore freedom of navigation or normal market conditions.

2.2 Importance of the Strait of Hormuz

In 2025, around 20 million barrels per day passed through the strait, accounting for roughly 25% of global seaborne oil trade. Of this amount, approximately 15 million barrels were crude oil, representing about 34% of the global crude oil trade. In addition, LNG shipments through the strait accounted for around 19% of global LNG trade. This route is especially important for Qatar and the United Arab Emirates, since around 93% of Qatar's LNG exports and 96% of the UAE's LNG exports pass through it. Around 80% of the oil transiting the Strait of Hormuz, including crude oil and oil products, is destined for Asia. China and India together account for 44% of the crude oil exports passing through this route, while Europe receives only around 600 thousand barrels per day (kb/d), or about 4% of these crude flows [30]. Between 45% and 50% of China's crude oil imports and around 31% of its liquefied natural gas are transported via the Strait of Hormuz from the Middle East [29], [31]. Table 1 summarizes the importance of the Strait of Hormuz for global energy flows.

Indicator	Value	Source
Oil flow (mb/d)	~20	IEA/EIA
Share of global oil trade	~25%	IEA
Share of LNG trade	~19%	IEA
Share of oil flows destined for Asia	~80%	IEA
China and India share of Hormuz crude flows	~44%	IEA
China LNG imports via Hormuz	31%	Center on Global Energy Policy at Columbia
Qatar LNG exports via Hormuz	~93%	IEA
UAE LNG exports via Hormuz	~96%	IEA

Table 1. Global Exposure to the Strait of Hormuz
Note: Figures are approximate and refer to 2025 flows where available.
Source: Center on Global Energy Policy at Columbia [31], International Energy Agency [30], and U.S. Energy Information Administration [37].

3. Conceptual Framework: Chokepoint-Driven Macroeconomic Transmission

The framework in this section is stated in general terms: conditional language describes how a chokepoint disruption can propagate through the economy, while Section 4 evaluates the 2026 episode using the available descriptive evidence.

3.1 Energy Supply Shock

Any disruption of transport through the Strait of Hormuz would be a major shock to global energy security. Fatih Birol, the Executive Director of the IEA, described it as "the greatest threat to global energy security in history" [32]. The IEA also warned that such a conflict could cause the largest disruption in the history of the global oil market. According to the IEA, in that scenario the global oil supply could fall by 8 million barrels per day, while the global liquefied natural gas (LNG) supply could decline by around 20% [32]; these are external scenario estimates rather than realized effects of the 2026 episode. What matters is not only whether oil and gas production continues, but also whether these resources can still reach international markets safely, on time, and at a reasonable cost. Even if production itself is not interrupted, restrictions in the Strait of Hormuz would still reduce the amount of energy effectively available to the market. Shipments would become slower, more expensive, and riskier. As a result, markets would likely react as if supply had already fallen, thereby pushing prices upward even before an actual physical shortage appeared [3], [5]. Companies will likely face rising production and transport costs, while households will have to pay more for utilities such as electricity and gas. This would lead to higher inflation and reductions in real income and purchasing power, which could lower overall economic growth [1], [33], [34]. Disruptions in supply chains, volatility in financial markets, changes in investor and consumer expectations, and government policy responses all shape how the crisis spreads through the global economy [34], [2]. Comparable evidence links oil and gas price shocks to inflation, output losses, and changing energy-market fundamentals [35], [36].

3.2 Maritime and Logistics Disruption

According to the U.S. Energy Information Administration [37], Saudi Arabia and the UAE have infrastructure that could partly reduce the negative effects of closing the Strait of Hormuz. However, these alternative routes do not have enough capacity to carry the full volume of crude oil that normally passes through the strait. The options for rerouting LNG are even more limited [37], [30]. Saudi Arabia's East-West pipeline and the UAE's Abu Dhabi Crude Oil Pipeline (ADCOP) could provide some additional transport capacity, but much of that capacity is already used under normal conditions [37]. Because of this, these routes could only partially offset the supply shock. A large share of oil exports will likely remain exposed to higher shipping costs, delays, and logistical bottlenecks. LNG exports from Qatar and the UAE are especially vulnerable, since there are no comparable alternative export routes available for them [30]. Any disruption

would amplify the original energy shock by raising transport costs and delaying the delivery of goods. Research on resilient operations similarly stresses alternative sourcing, supply-chain reconfiguration, and adaptive logistics capacity [38]-[40].

3.3 Financial and Sanctions Fragmentation

This conflict does not affect commodity markets alone; it also exerts its effects through the global financial system and through the established sanctions system. Two distinct mechanisms are at work. The first is a repricing of risk. As the probability and expected severity of supply disruption rise, investors demand higher compensation for holding exposed financial assets, capital retreats toward perceived safe havens, and financing costs rise for exposed firms, while sovereign borrowing costs may increase in countries most dependent on Gulf energy flows. The second mechanism is fragmentation: the use of financial sanctions, asset freezes, and restrictions on shipping, insurance, and payments to coerce or isolate a belligerent, which simultaneously fractures the channels through which energy and capital normally circulate. Measures targeting Iranian crude exports, tanker operators, and the entities that insure and finance them can reduce the volume of oil reaching the market, reinforcing rather than offsetting the supply shock. Restrictions on protection-and-indemnity (P&I) insurance are particularly consequential, because vessels cannot transit or call at major ports without adequate insurance coverage [29]; the withdrawal of war-risk cover and the sharp rise in premia documented in Section 2 illustrate how an insurance shock can curtail effective shipping capacity even where physical routes remain open. The potential scale of such a disruption is substantial: estimates cited by the World Economic Forum suggest that an extended interruption could generate global economic losses of up to USD 5.7 trillion, creating pressure for governments to act as insurers of last resort [29]. At the same time, sanctions accelerate the development of parallel arrangements, alternative payment systems, “shadow fleet” tankers operating outside mainstream insurance and flag regimes, and settlements in non-dollar currencies, fragmenting global energy trade into less transparent and less efficient segments [3], [1]. This fragmentation raises transaction costs, complicates price discovery, and can leave a durable wedge between the price that exposed buyers pay and headline benchmark prices. Financial fragmentation also has a macroprudential dimension. Energy importers running large current-account deficits face simultaneous terms-of-trade and financing shocks: import bills rise just as risk-averse capital flows toward safe assets (for example, the U.S. dollar), putting pressure on exchange rates and, for emerging markets, raising the spectre of disorderly adjustment [1], [34]. The result is that the financial channel can amplify and prolong the real shock, transmitting a Gulf disruption to economies with no direct physical exposure to the Strait of Hormuz.

3.4 Expectations and Geopolitical Risk

Much of a chokepoint shock is transmitted before, and often independently of, any change in physically delivered volumes. The relevant variable for forward-looking markets is not realized supply but the expected distribution of future supply, including the probability of escalation and the persistence of disruption. Caldara and Iacoviello [3] show that elevated geopolitical risk, measured from the intensity of news coverage of adverse geopolitical events, systematically foreshadows lower investment and employment and is associated with higher downside macroeconomic risk; both the threat and the realization of such events matter. This expectations channel explains several features of the 2026 crisis. Crude benchmarks and regional gas spreads moved sharply on news of the strikes and the closure of the Strait, before any sustained physical shortfall could be measured, consistent with markets pricing the expected probability and severity of future disruption rather than current inventories alone [3], [5]. Risk premia embedded in oil futures, freight rates, and insurance widened in tandem, reflecting not only expected supply disruption but also greater downside risk to future energy availability, including a rising probability of prolonged restrictions. Because expectations are self-referential, they can be destabilizing: precautionary inventory accumulation, hedging demand, and the rerouting of cargoes can tighten physical balances and validate the very price increases that anticipation set in motion. Crucially, the persistence of geopolitical risk matters as much as its level. A shock widely expected to be transitory leaves long-term expectations and investment plans largely undisturbed; one perceived as structural, signaling a durable elevation in the risk of operating through a chokepoint, raises required returns on exposed activity, discourages investment in affected supply chains, and can shift the economy's medium-run supply curve inward. The ceasefire framework of early April, after which traffic through the Strait remained well below normal, illustrates how geopolitical risk can stay elevated even after active hostilities subside, sustaining a wedge between de-escalation and economic normalization [2], [3].

3.5 Policy Response Channel

The final channel concerns how authorities respond, because policy is endogenous to the shock and shapes its ultimate macroeconomic footprint. Three policy levers are central to the analysis: monetary policy, strategic energy reserves, and trade policy. Each can either cushion or amplify transmission. Monetary policy faces the classic dilemma posed by an adverse supply shock. An energy-driven increase in headline inflation, occurring alongside weakening real activity, confronts central banks with a trade-off between stabilizing prices and supporting output that does not arise for demand shocks [5], [6]. Strategic petroleum reserves and coordinated stock releases offer a direct, but limited, offset to the physical shock. Finally, trade and logistics policies-including the activation of alternative pipelines, the prioritization of cargoes, diplomatic efforts to secure safe passage, and naval escort or convoy arrangements-determine how much of the latent rerouting capacity discussed in Section 3.2 is mobilized. The interaction of these levers, and the credibility of the institutions deploying them, conditions whether a chokepoint shock is contained or allowed to expand into a broader macroeconomic downturn. At the firm level, crisis resilience also depends on adaptive operating models, entrepreneurial bricolage, organizational learning, and sustainable innovation [42]-[45].

4. Stylized Evidence: Market, Shipping, and Trade Responses

4.1 Energy Markets

Energy markets registered the shock immediately and forcefully. As Table 2 shows, the Brent crude spot price rose by roughly 79% from its pre-war level, and WTI by about 70%, while natural-gas price differentials between the United States and the import-dependent Asian and European markets widened sharply. The much larger move in regional gas spreads than in the U.S. benchmark (Henry Hub) is consistent with a disruption concentrated on internationally traded, seaborne energy rather than on domestic North American supply, precisely the signature of a Strait of Hormuz chokepoint shock. Table 2 reports the daily and monthly energy-market reactions.

Panel A. Daily spot prices and daily oil spread

Variable	Pre-war (27 Feb 2026)	Peak after 28 Feb 2026	Latest available value	% change*
Brent crude oil spot price ($/bbl)	71.32	127.61	127.61	+78.9%
WTI crude oil spot price ($/bbl)	66.96	114.01	114.01	+70.3%
Henry Hub natural gas spot price ($/MMBtu)	2.99	3.27	3.04	+1.7%
Brent-WTI spread ($/bbl)	4.36	23.83	14.38**	+229.8%

Panel B. Monthly natural gas spreads

Variable	February 2026	March 2026	% change
Henry Hub-JKM spread ($/MMBtu)	7.69	15.23	+98.0%
Henry Hub-TTF spread ($/MMBtu)	8.14	14.89	+83.0%

Table 2. Oil and Gas Market Reaction

* In Panel A, percentage change is calculated as ((latest available value - pre-war) / pre-war) x 100. ** For the Brent-WTI spread, the latest available value refers to the latest common available date for both daily series, 2 April 2026, so that the spread is calculated on a consistent basis. The column should be read as an early-April value from the April 2026 EIA release, not as a real-time current price.
Source. Author's calculations based on U.S. Energy Information Administration (EIA) daily price series for Brent, WTI, and Henry Hub, and the EIA Short-Term Energy Outlook (April 2026) for the Henry Hub-JKM and Henry Hub-TTF spreads. In Panel A, the pre-war reference value is 27 February 2026, the last trading day before the outbreak of the conflict on 28 February 2026. For Brent, the EIA daily series available in the April 2026 release ends on 2 April 2026, while for WTI and Henry Hub the latest available daily value is 6 April 2026. In Panel B, monthly averages are reported; therefore, the columns are labelled "February 2026" and "March 2026." February values were reconstructed using the inverse growth-rate formula.

4.2 Financial Markets

Available market reporting points to a broad risk-off repricing around the outbreak of conflict, consistent with the expectations channel described in Section 3.4. Broad equity indices were reported to decline, while implied- volatility measures and traditional safe-haven assets moved in directions consistent with heightened uncertainty and risk aversion. Table 3 therefore summarizes qualitative financial-market patterns rather than presenting a fully quantified event study; these patterns should be read as descriptive, not causal, evidence.

Indicator	Direction after outbreak	Macroeconomic interpretation
Global equities (MSCI World)	Declined relative to the pre-war benchmark	Risk-off repricing and weaker expected earnings
Equity-market volatility (VIX)	Increased sharply	Higher uncertainty and wider risk premia
Gold	Increased	Safe-haven demand
U.S. dollar index (DXY)	Appreciated	Safe-haven flows and pressure on energy-importer currencies
10-year U.S. Treasury yield	Fell during peak stress, then partly normalized	Flight-to-safety demand despite higher inflation risk
Breakeven inflation / inflation compensation	Increased	Markets priced higher expected inflation from the energy shock
Geopolitical Risk (GPR) index	Spiked and remained elevated	Geopolitical threats and events affected expectations

Table 3. Qualitative Financial-Market Patterns

Note: The table summarizes qualitative market directions reported in market and policy sources rather than point estimates; it is not a quantified event study. The GPR concept follows Caldara and Iacoviello [3].

The configurationof these reported moves is consistent with a supply-shock interpretation: weaker risk-asset pricing, higher volatility, stronger safe-haven demand, and higher inflation compensation can coexist when markets price both weaker activity and higher input costs. Taken together, the qualitative patterns suggest that the financial channel extended the effects of the conflict beyond economies with direct physical exposure to the Strait of Hormuz [3], [1]. Cross-country evidence further indicates that oil-price movements affect stock markets differently in net oil-importing and net oil-exporting economies [46].

4.3 Shipping and Trade Disruptions

The conflict's most direct real-economy footprint, beyond energy prices, was on shipping and trade logistics. The withdrawal of war-risk insurance and the rise in premiums from roughly 0.2% to about 1% of hull value raised the marginal cost of every transit and, for many operators, made passage commercially or contractually impossible. With the Strait effectively closed and later subject to selective, supervised transit, roughly 150 vessels were stranded, and shipping that continued faced longer voyages, higher bunker consumption, and tighter vessel availability. True alternatives to Hormuz were mainly limited to bypass pipelines, especially Saudi Arabia's East- West pipeline and the UAE's ADCOP route. For cargoes that could bypass or exit the Gulf, onward routing toward Europe was further constrained by insecurity in the Red Sea and Bab el-Mandeb corridor. Table 4 collects the principal logistics indicators.

Indicator	Change
War-risk insurance premium (% of hull value)	Rose from ~0.2% to ~1% (about fivefold)
Vessels stranded / awaiting transit	~150 vessels
Strait of Hormuz transit volumes	Sharp decline; closure followed by selective, supervised passage
Tanker freight rates (VLCC, Gulf routes)	Reported increase for Gulf routes; qualitative evidence only
Average voyage length / transit time (rerouted cargo)	Increased where rerouting occurred; qualitative evidence only

Table 4. Shipping and Logistics
Note: Insurance-premium, stranded-vessel, and transit entries follow the narrative in Section 2. Freight-rate and voyage-time entries are qualitative and are not used as point estimates in the analysis.

These frictionsmatter macroeconomically because they raise the effective cost of delivered energy and goods independently of the wellhead price, lengthen supply chains, and feed into measures of global supply-chain pressure that proved inflationary during earlier disruptions. The combination of a higher commodity price and a higher cost of moving it is precisely what distinguishes a chokepoint shock from a pure production shock, and it is the mechanism through which a regional maritime conflict raises costs for firms and households far from the Gulf [34], [1].

5. Cross-Country Exposure and Heterogeneity

The macroeconomic incidence of a Strait of Hormuz shock is highly uneven, reflecting differences in energy import dependence, the commodity composition of imports, fiscal and external buffers, and exposure to the affected trade routes. Because around 80% of oil transiting the Strait is destined for Asia, and because China and India together account for a large share of those crude flows, the Asian importers are the most directly exposed on the volume dimension. Advanced importers such as Japan and South Korea, which rely heavily on seaborne crude and on Gulf LNG, face acute exposure despite their wealth, while Europe's comparatively small share of Hormuz crude flows leaves it more exposed through price and gas-market spillovers than through direct volumes. Net energy exporters present a different profile: Gulf producers face the paradox of higher prices alongside a disrupted ability to ship, while the United States, as a net exporter, is partially insulated on the external account even as domestic prices rise with the global benchmark. Table 5 sketches this heterogeneity.

Country / Group	Energy Dependence	Qualitative vulnerability assessment
China	High net dependence on oil and LNG imports; large share of Hormuz crude	High; cushioned by strategic reserves, diversified suppliers, and a managed exchange-rate regime
India	High import dependence; significant Hormuz crude	High; exposed via import bill, currency pressure, and fuel-subsidy costs
Japan	Very high import dependence; heavy Gulf crude and LNG	High; limited domestic production; reliant on reserves and diversification
South Korea	Very high import dependence	High; energy-intensive exporter exposed to margin compression
European Union	Modest direct Hormuz crude share; high gas-price sensitivity	Moderate to high; transmitted mainly through gas spreads and inflation
United States	Net energy exporter overall; still exposed to global oil-price pass-through	Moderate; domestic prices rise with global benchmarks, but the external account is cushioned
Gulf exporters (Saudi Arabia, UAE, Qatar)	Net exporters; highly shipping-exposed	Mixed; revenue gains from higher prices offset by disrupted delivery and fiscal volatility
Energy-importing emerging markets (e.g., Turkey, Pakistan)	High dependence; thin reserves and buffers	Severe; simultaneous terms-of-trade and financing shock

Table 5. Country Exposure

Note: Classification is qualitative and based on structural net-energy-import dependence and exposure to Hormuz flows [30], [37]. The vulnerability labels are analytical judgments combining exposure with available macroeconomic buffers; they are not estimated outcome effects.

Two cross-cuttingpoints sharpen the picture. First, the relevant measure of vulnerability is net energy import dependence combined with the share of those imports exposed to the chokepoint, not headline import volumes alone; a country sourcing little from the Gulf can still be badly hurt through global price transmission. Second, buffers matter: countries with strategic reserves, diversified suppliers, flexible exchange rates, and credible monetary frameworks can absorb the shock with less damage than those with thin reserves, pegged currencies, or fragile inflation expectations [1], [34]. The result is that an identical global shock produces very different national outcomes, with the heaviest burden often falling on energy-importing emerging economies that combine high exposure with limited buffers.

6. From Oil Shock to Stagflationary Risk: Mechanism Integration

6.1 Why This Is Not a Standard Oil Shock

The macroeconomic literature distinguishes oil-price increases by their source, because the source determines their effects. Kilian [5] shows that price rises driven by global demand have very different macroeconomic consequences from those driven by supply disruption, and that conflating the two yields unstable and misleading relationships between oil prices and activity. A chokepoint shock is predominantly an adverse supply and logistics shock, amplified by precautionary demand and geopolitical-risk expectations: prices rise not because the world economy is booming but because the secure delivery of energy is in doubt. This places the 2026 episode closer to the classic contractionary supply shocks studied by Hamilton [4] than to the benign, demand-driven increases of the mid-2000s analyzed by Blanchard and Galí [6]. Three features set it apart. First, it is simultaneously a price shock and a cost-of-transport shock: the same event that raises the commodity price raises the cost and risk of moving it, so the effective shock to delivered energy costs exceeds the move in the benchmark price (Section 4.3). Second, it bundles oil with LNG and refined products, hitting multiple energy markets and their downstream users at once, as the divergence in the Henry Hub-JKM and Henry Hub-TTF gas spreads in Table 2 makes clear. Third, it embeds a geopolitical risk premium that persists as long as the chokepoint is perceived as insecure, decoupling economic normalization from military de-escalation [3]. For these reasons, the shock is broader, more persistent, and more likely to generate stagflationary pressures than a crude-oil price movement considered in isolation.

6.2 Persistent Inflation Dynamics

The stagflationary risk of the shock arises from the potential combination of rising costs and falling real activity. Higher delivered energy costs raise firms' marginal costs and households' cost of living, compressing real incomes and demand even as they push up prices-the textbook supply-shock configuration in which inflation and unemployment can rise together. Whether the inflationary impulse is transitory or persistent depends on two factors: the durability of the

chokepoint risk premium and the anchoring of inflation expectations. If the risk premium is durable, because markets judge the Strait to remain insecure, then energy costs stay elevated, and the first-round price increase has more time to pass into core prices through transport, manufacturing, and services. If, in addition, inflation expectations de-anchor, second-round effects through wages and price-setting can entrench inflation well after the initial energy impulse fades [6], [41]. The persistence of war-risk premia and below-normal transit after the April ceasefire (Section 2) is precisely the kind of durable wedge that keeps delivered costs high; the breadth of the shock across oil, gas, and shipping spreads it across the consumption basket; and the elevation of geopolitical risk sustains precautionary behavior. The policy challenge, taken up next, is to prevent a persistent but ultimately supply-side shock from becoming embedded in expectations.

7. Policy Implications

7.1 Central Banks

The central-bank problem is the supply-shock dilemma in acute form: an energy-driven rise in inflation coincides with weakening activity, so stabilizing prices and supporting output pull in opposite directions [5], [6]. The evidence that much of the historical damage from oil shocks ran through the policy response itself [41] carries a clear lesson: the appropriate reaction depends on the credibility of the nominal anchor. Where expectations are well anchored, central banks can look through first-round energy effects and avoid overtightening into a supply- induced slowdown; where anchoring is fragile, they must lean against second-round effects even at a larger output cost. Clear communication that distinguishes the temporary, relative-price component of the shock from any persistent, broad-based component is therefore a central policy instrument.

7.2 Strategic Reserves

Coordinated releases from strategic petroleum reserves, organized through the International Energy Agency, can smooth the price path and counter precautionary hoarding, dampening the expectations channel [30]. Their effectiveness is bounded: reserves are finite and best suited to bridging temporary disruptions, so against a persistent chokepoint shock they can buy adjustment time but cannot substitute for restoring secure and reliable supply. The episode argues for maintaining adequate reserve coverage, pre-agreed coordination mechanisms, and, because the shock spans gas as well as oil, consideration of strategic gas storage and demand-management measures for LNG-dependent economies.

7.3 Supply Chain Diversification

Reliance on a single maritime passage for roughly one-quarter of global seaborne oil trade and about one-fifth of global LNG trade is a systemic vulnerability that no amount of ex-post policy can fully offset once a shock hits. Mitigation lies in diversification before the fact: expanding bypass pipeline capacity (such as the Saudi East-West and UAE ADCOP routes), diversifying suppliers and import routes, investing in flexible regasification and storage, and accelerating the deployment of domestic and low-carbon energy that reduces aggregate exposure to chokepoint risk [37], [30], [34]. Because alternative routes are currently insufficient to offset a full closure, the policy payoff to building redundancy ahead of the next shock is large.

8. Conclusion

This paper has treated the 2026 Iran-Israel-U.S. war as a global macroeconomic shock rather than a contained regional conflict, organized around the Strait of Hormuz as a critical maritime chokepoint. The central argument is that a chokepoint shock transmits through five interacting channels-energy supply; maritime and logistics frictions; financial and sanctions fragmentation; expectations and geopolitical risk; and the policy response-and that this multi-channel structure makes it broader, more persistent, and more likely to generate stagflationary pressures than an oil-price movement considered in isolation. The stylized evidence assembled here-sharp increases in crude benchmarks and regional gas spreads, qualitative risk-off patterns across financial markets, and elevated war-risk premia alongside curtailed transit-is consistent with this interpretation. Because inflation, output, and employment responses are not estimated here, the episode is characterized as a stagflationary risk rather than a documented stagflationary outcome. The chokepoint perspective also offers a generalizable framework. The same logic, in which the security and cost of moving a critical good, rather than its production alone, determine the size of the shock, applies to other strategic passages such as the Strait of Malacca, the Bab el-Mandeb, the Suez Canal, and the Panama Canal, and to non-energy goods that depend on them. Two implications follow. For analysts, the relevant exposure measure is not import volume alone but net dependence combined with chokepoint exposure and the durability of the associated risk premium. For policymakers, resilience can be built before the shock, through diversification and redundancy, far more cheaply than it can be restored afterward. The 2026 episode is best read not as a singular event but as a stress test of a global economy whose energy lifelines still pass through a small number of contested waterways.

References

[1] International Monetary Fund. (2026, April 14). World Economic Outlook, April 2026: Global Economy in the Shadow of War. Washington, DC: International Monetary Fund. https://www.imf.org/en/publications/weo/issues/2026/04/14/world-economic-outlook-april-2026

[2] Aguilar, P., Boeckelmann, L., & Kornprobst, A. (2026, July 2). Beyond energy prices: The ripple effects of Gulf supply disruptions. ECB Blog, European Central Bank. https://www.ecb.europa.eu/press/blog/date/2026/html/ecb.blog20260702~a6cf657ddc.en.html

[3] Caldara, D., & Iacoviello, M. (2022). Measuring geopolitical risk. American Economic Review, 112(4), 1194–1225.

[4] Hamilton, J. D. (1983). Oil and the macroeconomy since World War II. Journal of Political Economy, 91(2), 228–248.

[5] Kilian, L. (2009). Not all oil price shocks are alike: Disentangling demand and supply shocks in the crude oil market. American Economic Review, 99(3), 1053–1069.

[6] Blanchard, O. J., & Galí, J. (2010). The macroeconomic effects of oil price shocks: Why are the 2000s so different from the 1970s? In J. Galí & M. J. Gertler (Eds.), International dimensions of monetary policy (pp. 373–421). University of Chicago Press.

[7] Khudaykulova, M., Yuanqiong, H., & Khudaykulov, A. (2022). Economic consequences and implications of the Ukraine–Russia war. International Journal of Management Science and Business Administration, 8(4), 44–52.

[8] Obrenovic, B., Oblakovic, G., & Asa, A. R. (2024). Bibliometric analysis of financial and economic implications during the COVID-19 pandemic crisis. Sustainability, 16(7), 2897.

[9] U.S. Department of Defense. (2026). Operation Epic Fury: Official statements.

[10] Reuters. (2026a, February 28). United States and Israel launch strikes against Iran. Reuters.

[11] Israel Defense Forces. (2026). Operation Roaring Lion: Official statements.

[12] The White House. (2026). Statement on military action against Iran.

[13] Reuters. (2026b, March 1). Reports indicate Iran's Supreme Leader killed in opening strikes. Reuters.

[14] Reuters. (2026c, March 2). Senior Iranian officials reported killed. Reuters.

[15] Reuters. (2026d, March 2). Iran launches retaliatory strikes on regional U.S. bases. Reuters.

[16] Reuters. (2026e, March 3). Gulf states report missile and drone attacks. Reuters.

[17] Reuters. (2026f, March 3). Attacks reported on U.S. installations across the Gulf. Reuters.

[18] Reuters. (2026g, March 4). Regional escalation continues across the Middle East. Reuters.

[19] Reuters. (2026h, March 4). Further Iranian strikes reported on Gulf targets. Reuters.

[20] Reuters. (2026i, March 5). NATO forces intercept Iranian missiles aimed at Turkey. Reuters.

[21] USNI News. (2026, March 2). Maritime security developments in the Gulf. U.S. Naval Institute News.

[22] Oman Maritime Security Centre. (2026, March 2). Statement on the attack on the tanker MKD VYOM [Press statement; reported via Anadolu Agency].

[23] V.Ships Asia. (2026, March 2). Statement on the attack on the MKD VYOM [Press statement].

[24] The Maritime Executive. (2026, March 2). Strait of Hormuz declared closed by Iranian forces. The Maritime Executive.

[25] gCaptain. (2026, March 2). IRGC confirms closure of the Strait of Hormuz. gCaptain.

[26] FreightWaves. (2026, March 2). U.S.-flagged tanker Stena Imperative struck at Port of Bahrain. FreightWaves.

[27] Financial Times. (2026, March 4). IRGC claims complete control of the Strait of Hormuz. Financial Times.

[28] Time. (2026, April 7). Iran expands attacks on Gulf shipping. Time.

[29] World Economic Forum. (2026, April 9). How war in the Middle East is turning governments into insurers of last resort.

[30] International Energy Agency. (2026, February). Strait of Hormuz [Factsheet]. https://www.iea.org/about/oil-security-and-emergency-response/strait-of-hormuz

[31] Downs, E. (2026, March 4). Implications of the Conflict in the Middle East for China's Energy Security. Center on Global Energy Policy, Columbia University SIPA. https://www.energypolicy.columbia.edu/implications-of-the-conflict-in-the-middle-east-for-chinas-energy-security/

[32] International Energy Agency. (2026, March 12). Oil Market Report - March 2026. https://www.iea.org/reports/oil-market-report-march-2026

[33] European Central Bank. (2022). Economic Bulletin (Issue 4/2022).

[34] Organisation for Economic Co-operation and Development. (2026, June). OECD Economic Outlook, Volume 2026 Issue 1. OECD Publishing. https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2026-issue-1_2d1956f0-en.html

[35] Asa, A. R., & Nautwima, J. P. (2025). Factors influencing natural gas and LNG market prices in the global energy economy: A comprehensive review. International Journal of Innovation and Economic Development, 11(1), 21–33.

[36] Ikechi, K. S., & Anthony, N. (2020). Global oil price shocks and effects on economic growth: An econometric investigation of Nigeria. International Journal of Innovation and Economic Development, 6(4), 7–26.

[37] U.S. Energy Information Administration. (2025, June 16). Amid regional conflict, the Strait of Hormuz remains critical oil chokepoint. Today in Energy. https://www.eia.gov/todayinenergy/detail.php?id=65504

[38] Nautwima, J. P., & Asa, A. R. (2025). Reimagining logistics for sustainability: Green logistics practices, circular economy integration, and digital enablers in sustainable supply chain management. International Journal of Management Science and Business Administration, 11(5), 7–21.

[39] Obrenovic, B., Godinic, D., & Njavro, M. (2024). Sustaining company performance during the war-induced crisis using sourcing capability and substitute input. Environment, Development and Sustainability, 26, 30001–30026.

[40] Wairimu, D. M., Chege, D., Muli, S., & Ndolo, J. (2022). Moderating effect of supply chain configuration on the relationship between dynamic supply chain capabilities and resilience in the Kenyan retail sector in Kenya. International Journal of Management Science and Business Administration, 8(5), 66–74.

[41] Bernanke, B. S., Gertler, M., & Watson, M. W. (1997). Systematic monetary policy and the effects of oil price shocks. Brookings Papers on Economic Activity, 1997(1), 91–157.

[42] Alsharif, H. Z. H., Shu, T., Obrenovic, B., Godinic, D., Alhujailli, A., & Abdullaev, A. M. (2021). Impact of entrepreneurial leadership and bricolage on job security and sustainable economic performance: An empirical study of Croatian companies during COVID-19 pandemic. Sustainability, 13(21), 11958.

[43] Faulks, B., Song, Y., Waiganjo, M., Obrenovic, B., & Godinic, D. (2021). Impact of empowering leadership, innovative work, and organizational learning readiness on sustainable economic performance: An empirical study of companies in Russia during the COVID-19 pandemic. Sustainability, 13(22), 12465.

[44] Obrenovic, B., Du, J., Godinic, D., Tsoy, D., Khan, M. A. S., & Jakhongirov, I. (2020). Sustaining enterprise operations and productivity during the COVID-19 pandemic: "Enterprise Effectiveness and Sustainability Model." Sustainability, 12(15), 5981.

[45] Waiganjo, M., Godinic, D., & Obrenovic, B. (2021). Strategic planning and sustainable innovation during the COVID- 19 pandemic: A literature review. International Journal of Innovation and Economic Development, 7(5), 52–59.

[46] Oji-Okoro, I., Akadiri, S. S., Egila, J. C., & John, G. (2025). Modelling the relationship between oil price and stock markets in net oil-exporting and net oil-importing countries: A panel data approach. International Journal of Management Science and Business Administration, 12(1), 15–24.

THE USE OF AI TOOLS

The author used ChatGPT (OpenAI) to proofread the manuscript. All content was reviewed and verified by the author.