



# **Transforming our Region: Future Insights – Economic Update**



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## Welcome

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## Economic Updates

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# Welcome

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# Economic Updates

Jing Teow

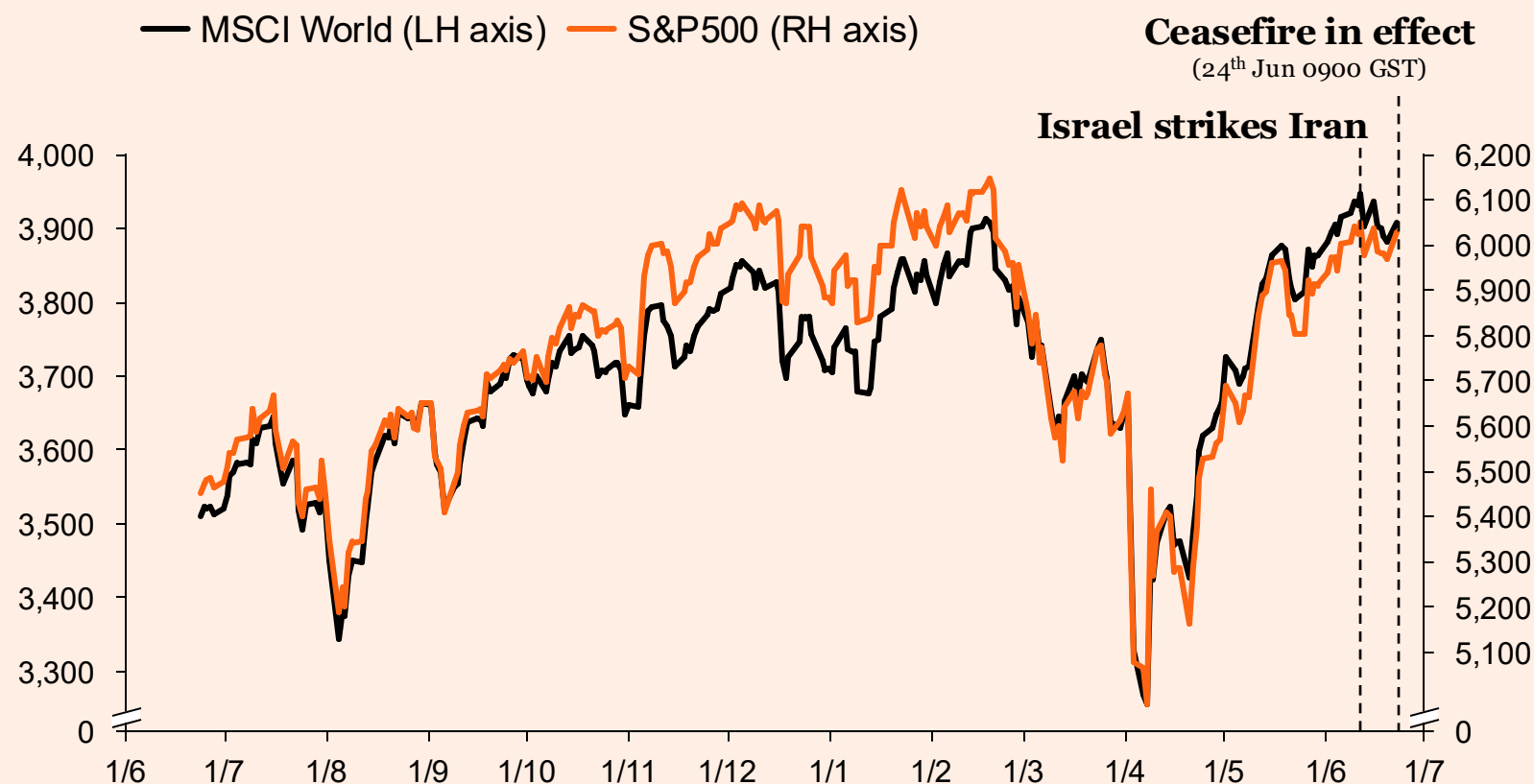
Director, Economics & Sustainability  
PwC Middle East

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# Impact of Iran-Israel conflict

Global equity markets recovering, signaling easing fears of broader escalation

## Performance of major indexes

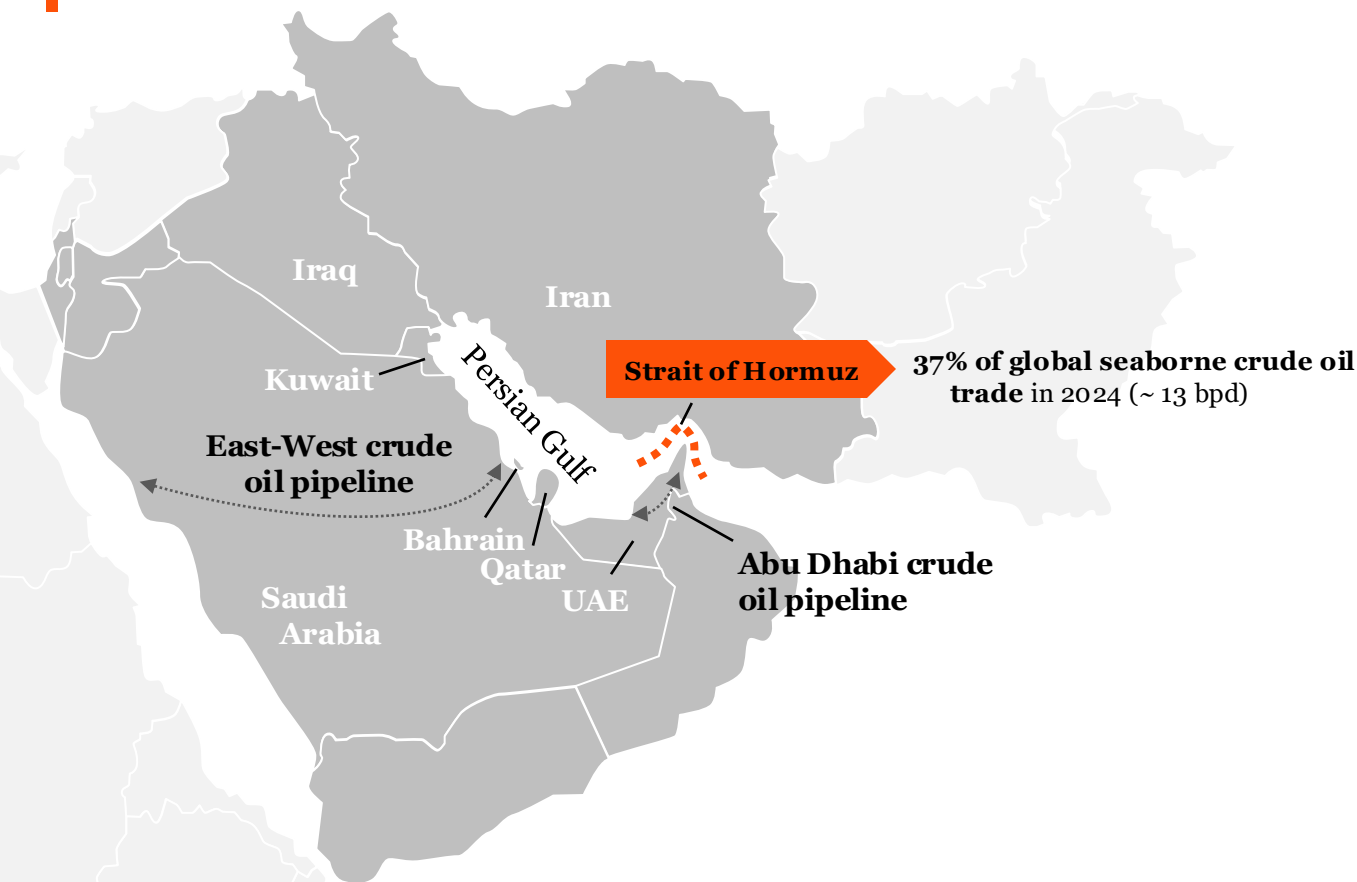


**Equities briefly wavered** after Qatar closed its airspace over fears of an Iranian strike in Qatar, but major indexes ultimately closed higher as investors interpreted the calculated strike and ceasefire as a signal of containment

# Impact of Iran-Israel conflict

Full closure of the Strait of Hormuz will be disruptive to energy markets, but remains a tail risk

## Energy markets possible chokepoint



Source: US Energy Information Administration

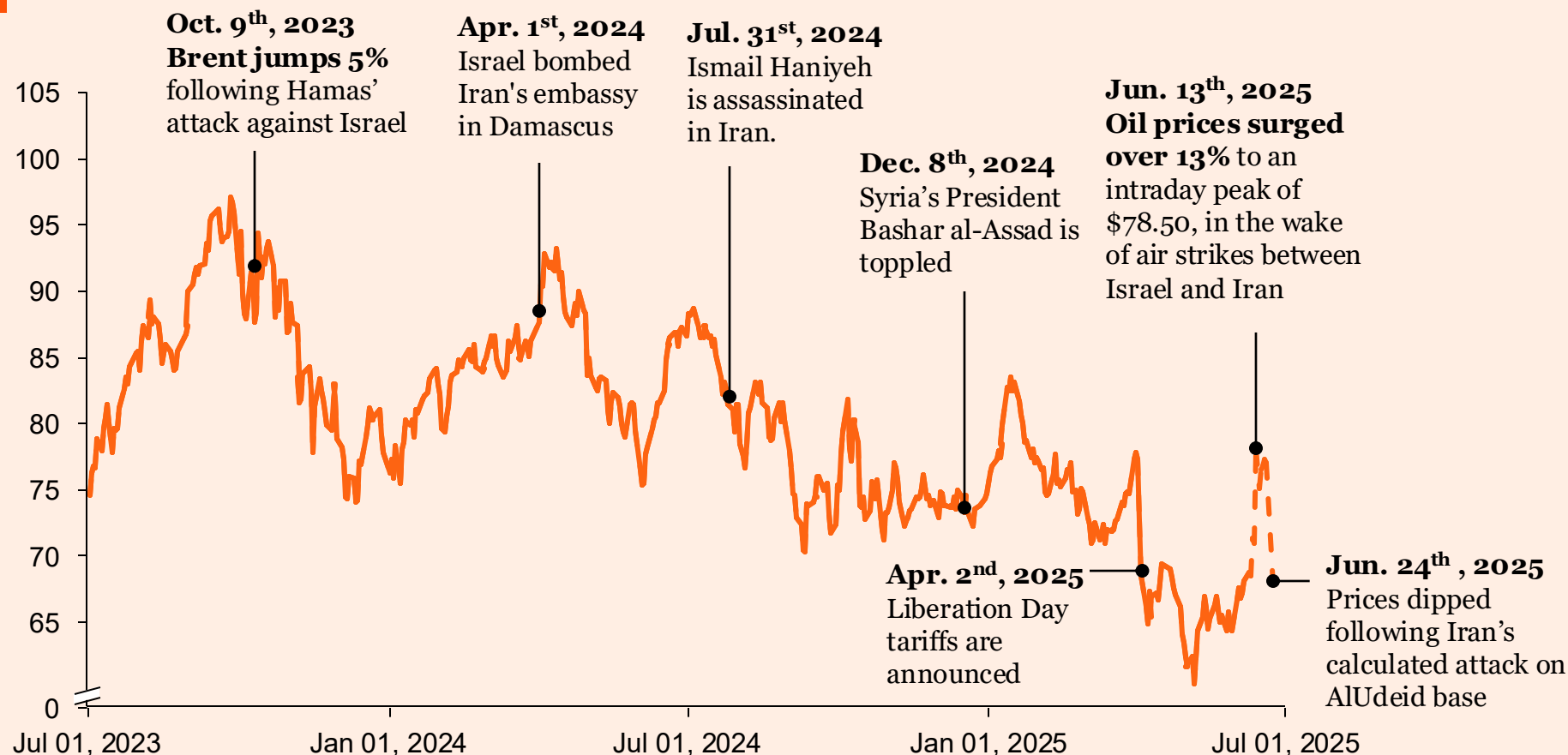
## Supply-shock impact on crude oil (%)

Event	Start	End	Impact
Arab oil embargo	Oct. 1973	Oct. 1973	7.3%
Iranian hostage crisis	Jan. 1978	Jan. 1981	8.7%
Iran-Iraq war	Sept. 1980	Aug. 1988	6.9%
Gulf war	Aug. 1990	Feb. 1991	6.6%
9/11 & Afghanistan war	Sept. 2001	Dec. 2014	-
Iraq war	Mar. 2003	Dec. 2011	3.0%
Liyan civil war	Feb. 2011	Oct. 2011	1.7%
Crimea crisis	Feb. 2014	Mar. 2014	-
Russia-Ukraine war	Feb. 2022	-	-
Israel-Iran escalations	Jun. 2025	-	20-30%

# Impact of Iran-Israel conflict

Oil prices spiked on Iran-Israel escalation, but have since eased

## Brent crude oil (\$/barrel)



**Oil prices rose sharply after Israel-Iran strikes** raised fears of a broader regional conflict and potential disruption to Middle East oil flows



**Calm has since returned to markets**, with prices easing as Iran's response appeared calibrated and a ceasefire announced



**Higher oil prices tend to push inflation up**, with a 10% rise typically adding around 0.4 pp to inflation (IMF)

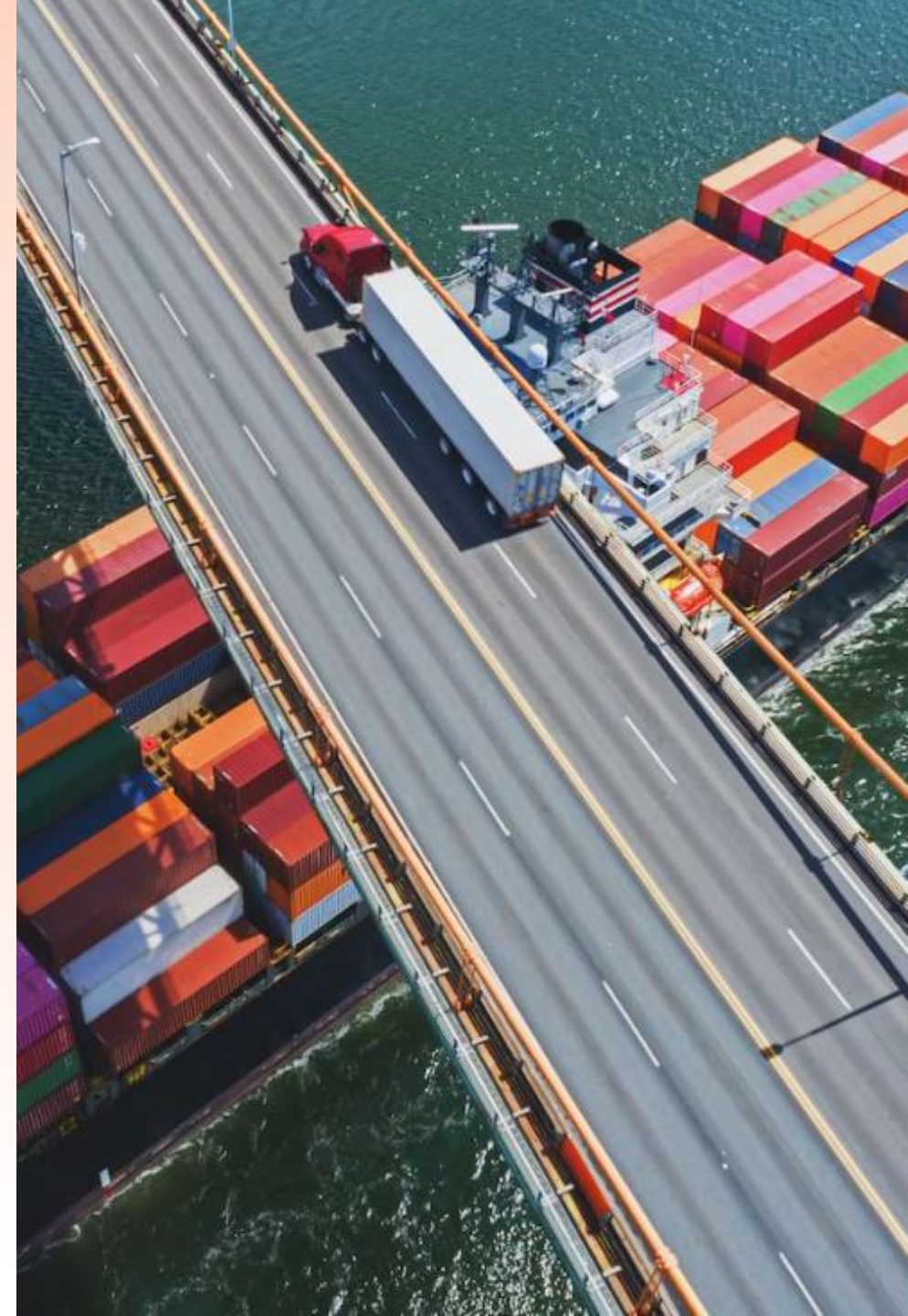


# Trump, tariffs, trade, and tapering: Understanding the strategic shifts shaping the region

**Middle East Economy Watch**



Scan to read our full report



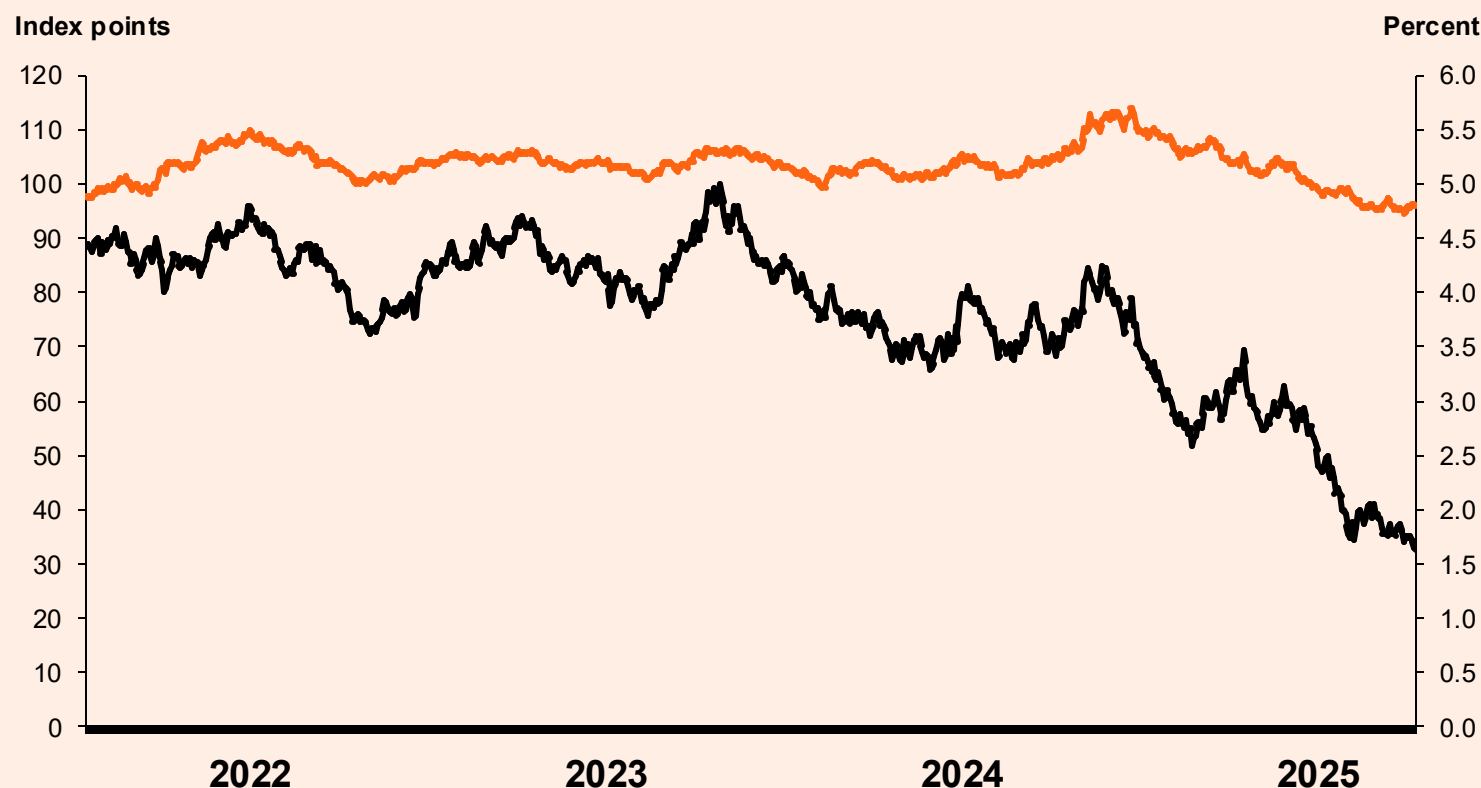


# Middle East Economy Watch

Trump's trade policies potentially creating a triple whammy for the region

## US Dollar diversion with US yields

— Dollar Spot Index — US 10-year yields



**Lower oil prices, weaker dollar, and rising borrowing costs** are the key short-term effects of Trump's policies on the GCC.



**A 9% drop in the USD** since Trump's election could result in imported inflation across dollar-pegged economies



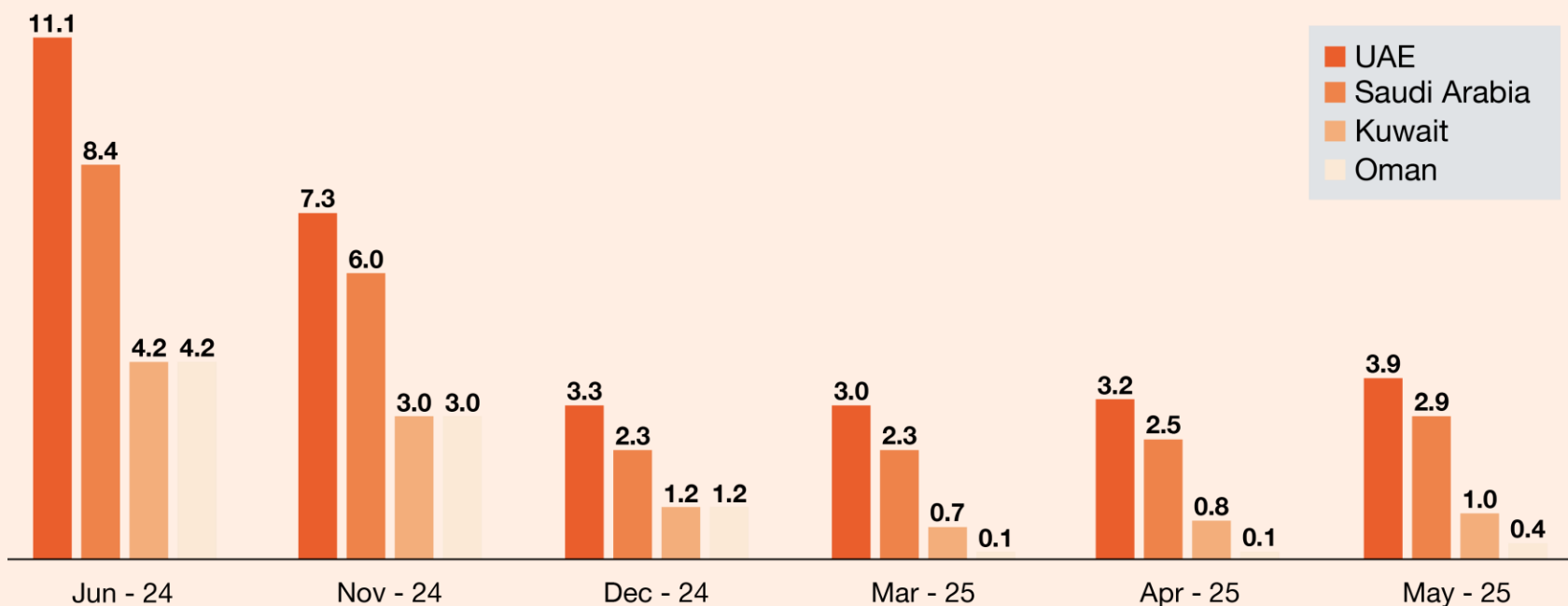
**Rising borrowing costs and elevated CDS spreads** increase the cost of financing deficits for the GCC and trigger fiscal consolidation measures



# Middle East Economy Watch

OPEC+ has intensified its tapering strategy, front-loading production hikes to counter overproduction and protect market share

**OPEC+’s evolving allocations for 2025 oil production  
(% change vs September 2024 levels)**



The IMF forecasts 1.7% oil sector growth in 2025, with OPEC+ tapering set to add another 0.5pp



**Weak oil prices**, due to increased supply, combined with high spending, **may prompt subsidy cuts or tax hikes**, though most GCC states can absorb deficits



Q&A

Thank you