

# TAL SHIAR



# DEFENSE INTELLIGENCE REPORT

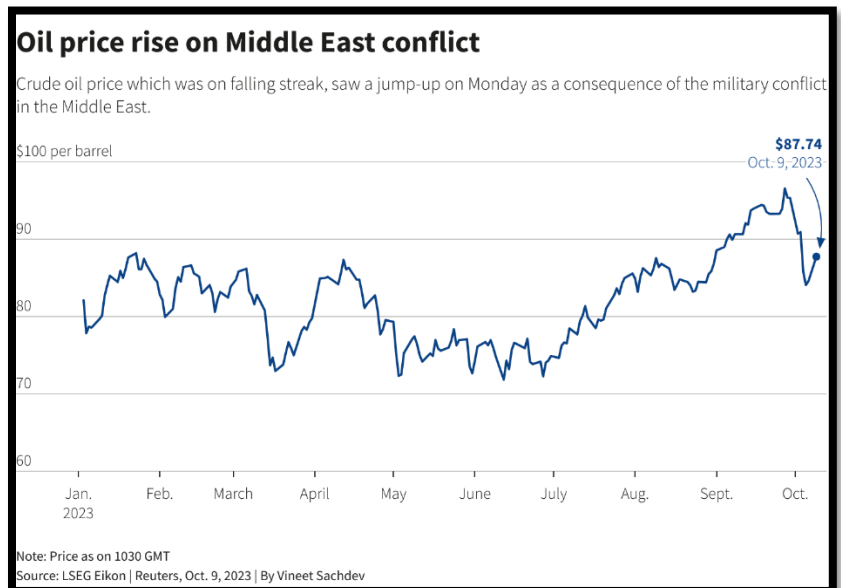
UNCLASSIFIED//AOR IRAN, ISRAEL, U.S.

## Economic Ramifications of a Prolonged U.S./Israel-Iran War on the World Economy

Produced by the Tal Shiar Directorate of Intelligence (@Tal\_Shiar\_DI), 10 March 2026

Despite the notable drop in Brent crude oil prices to around \$85 per barrel—following a recent spike amid initial Strait of Hormuz disruptions—the continuation of the US/Israel-Iran war could still exert upward pressure on energy costs if hostilities persist, potentially trimming global GDP growth by 0.3-0.5% in 2026 while fueling modest inflation in energy-reliant economies. The anticipated US-led re-opening of the Strait of Hormuz will alleviate supply constraints, restoring up to 20% of global oil transit and stabilizing markets, yet prolonged conflict risks renewed volatility, supply chain strains, and reduced investor confidence. Prolonged conflict will lead to prolonged volatility in commodity prices, supply chain disruptions, and diminished investment in volatile regions, underscoring the urgency of diversified energy sources and robust contingency planning.

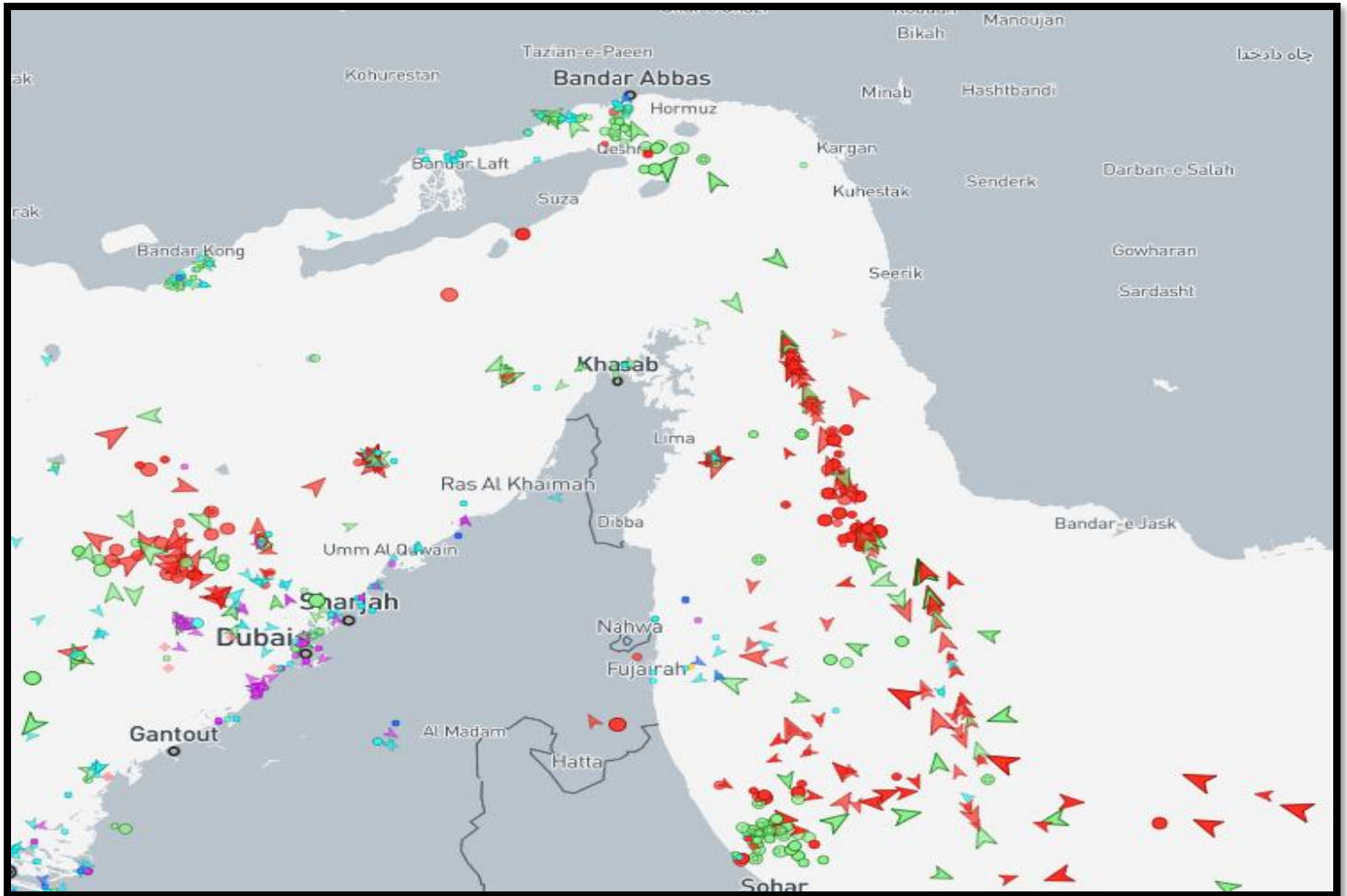
- Oil prices have retreated 15% today to \$85 per barrel after peaking near \$120, reflecting market optimism over the US's ability to secure and reopen the Strait of Hormuz. This normalizes flows and prevents sustained shortages that might otherwise add 0.4% to global inflation. This drop eases short-term pressures on consumers and businesses, but a drawn-out war could reverse gains if disruptions recur.



- Even with the Strait's re-opening, extended conflict may hinder global recovery by elevating shipping insurance and rerouting costs, potentially slowing growth in Asia and Europe where oil import dependencies amplify vulnerabilities to price swings. Historical precedents suggest limited long-term GDP impacts if disruptions are brief, but emerging markets remain at risk from persistent high energy costs.

- Central banks anticipate that a 10% sustained rise in energy prices could boost inflation by 40 basis points and curb GDP growth by 0.1-0.2%, though today's price relief and Strait re-opening prospects may allow for more accommodative policies if the war doesn't escalate further.

Ship traffic in the Straits of Hormuz on 10 March 2026



## Regional and Sectoral Economic Vulnerabilities

Beyond immediate energy shocks, a drawn-out war would exacerbate regional instability in the Middle East, straining GCC economies by halting non-oil activities such as tourism and aviation, while cascading effects on global trade could widen deficits in Asia and Europe, heighten shipping costs, and provoke broader recessions if combined with other disruptions.

- Higher oil prices from prolonged conflict would inflate transportation, electricity, and food costs, widening trade deficits in major importers like India and China, and complicating monetary policies in the US and Europe by necessitating sustained high interest rates that slow growth.
- Oil Supply disruptions are leading to delays in energy exports and imports that threaten food security in the Gulf and inflate global commodity prices. Aviation hubs in Dubai and Abu Dhabi

have suspended operations, disrupting tourism—a key economic driver for GCC states—and potentially reducing non-oil activity sharply.

- European growth faces risks from energy volatility, ranging from modest slowdowns to severe downturns if Hormuz disruptions persist, with import-dependent economies seeing higher inflation and supply-chain issues amplified by potential Houthi attacks in the Red Sea.

## Conclusion

Assessments indicate that continuation of the US-Israel-Iran war would likely entrench high energy costs and trade disruptions, heightening global recession risks through inflation and reduced growth, particularly if the Strait of Hormuz remains impeded, underscoring the imperative for swift resolution and enhanced energy resilience.



Tal Shiar was founded by Nadeem Iqbal, a national security expert who served over 16 years as an intelligence officer for the Department of Defense from 2006-2022. His career began as a counter-insurgency analyst on the Afghanistan-Pakistan Task Force (2006–2013), followed by 9 years as a military analyst in the Syria Branch (2013–2022). He deployed five times in support of combat operations (3× Afghanistan, 2× Iraq), including two rotations with

Special Operations Forces focused on counter-terrorism missions in the CENTCOM theater. Additional roles included rotations to CIA Headquarters as the military analyst for the DNI Middle East Task Force and served as the Syria Country Director for Office of Secretary of Defense Policy (OSDP). He was recognized with Joint Civilian Commendation/Achievement Medals, the NATO Medal(x3), the Secretary of Defense GWOT Medal, DoD Expeditionary Award and the OSD Excellence Award.