



Middle East Conflict Update Impact Assessment

16 April 2026

Middle East Conflict – Day 48 – Apr 16, 2026

A fragile pause with asymmetric escalation risk

Escalations have shifted from air and missile confrontation to economic pressure at sea, with Strait of Hormuz, Insurance, Freight, Energy and Sanctions channels now driving the economic shock. Diplomacy remains active, but maritime pressure and sanctions enforcement are still tightening.

STATUS: HIGH UNCERTAINTY

NEGOTIATION: ONGOING

Key Risks

- Ceasefire durability
- **Second round talks under discussion - April 22nd deadline**
- The US is enforcing a **tighter maritime blockade** on vessels linked to Iranian ports.
- Washington is also considering secondary sanctions on buyers of Iranian oil and on financial intermediaries.
- US sanctions waiver on Russian oil is set to lapse on 19 April, raising near-term pressure.
- Even under a ceasefire scenario, residual impacts on growth and inflation are likely to persist.
- Strait of Hormuz risk remains central as it carries about one-fifth of global crude and LNG flows.

Scenario Analysis	Scenario 1 – Ceasefire Holds - Second round of talks underway ahead of April 22 expiry; No deal yet	Scenario 2 – Beyond the Deadline - April 22 passes without agreement; Ceasefire ends, and Regional disruptions intensify
Trigger conditions	<ul style="list-style-type: none"> • Ceasefire holds through the deadline. • Second round of talks begins or is clearly scheduled. • Iran preserves a limited shipping corridor and avoids fresh maritime escalation. 	<ul style="list-style-type: none"> • Ceasefire expires with no follow-on framework. • Maritime pressure intensifies and ships become more cautious or are turned back. • Retaliatory actions target US-linked or Israel-linked shipping and infrastructure.
Macro Impact	<ul style="list-style-type: none"> • Oil and freight risk premium ease, though remain above pre-crisis norms. • Inflation pressure softens from the peak but stays sticky for goods and transport. • Growth damage becomes more manageable, especially outside energy-importing economies. • Central banks keep a cautious tone, but emergency tightening fears recede. 	<ul style="list-style-type: none"> • Oil prices spike sharply, with physical supply tightening faster than futures market repricing. • Freight, insurance and trade finance costs rise together, amplifying imported inflation. • Recession risk rises in energy-importing economies and in highly levered sectors. • Food insecurity worsens if fertilizer and transport bottlenecks persist.

Economic and Industrial Impact

Energy

- Crude and LNG flows through Hormuz remain the key pricing channel.
- Tighter physical barrels can lift spot prices faster than futures.
- Refining margins and energy-intensive sectors face the earliest squeeze.



Shipping

- War-risk premium rise across tanker routes and marine insurance.
- Port access uncertainty encourages rerouting and longer transit times.
- Delays lift freight rates and disrupt delivery schedules.



Food and Inputs

- Fertilizer, farm inputs and food logistics become more expensive.
- Farmers delay or reduce input use when supply visibility weakens.
- The shock is regressive, likely hitting lower-income households first.



Trade

- Sanctions risk tightens payment channels and trade credit.
- Asia and EU economies most exposed, driven by high dependence on Gulf crude imports and constrained short-term substitution options



Ceasefire status:

Fragile – Expires April 22nd, 2026

Strait of Hormuz:

Effectively shut; US blockade Active

Crude Oil Prices:

~\$99-\$102/bbl

Surging LNG/ Fertilizer prices

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Categories/ Industries	Scenario 1 - Ceasefire Holds Second round of talks underway ahead of April 22 expiry; no deal yet		Scenario 2 - Beyond the Deadline April 22 passes without agreement; ceasefire ends, and regional disruptions intensify	
	Key Updates	Supply Chain Disruption Risk	Key Updates	Supply Chain Disruption Risk
Energy	<ul style="list-style-type: none"> Crude oil prices expected to remain high due to uncertainty over restoration of flow of tankers in Strait of Hormuz. 	High	<ul style="list-style-type: none"> Crude oil prices expected to increase further due to escalations risking energy facilities in the region. 	High
Logistics	<ul style="list-style-type: none"> Carriers are expected to remain cautious and continue avoiding high risk routes until greater clarity emerges. Logistics hubs across the Persian Gulf region are expected to remain operational, but with reduced international traffic volumes. Crisis related surcharges are likely to remain in effect as fuel prices continue to be elevated. 	High	<ul style="list-style-type: none"> Carriers are expected to continue avoiding the Strait of Hormuz for a prolonged period. Rising operational and fuel related costs are likely to keep surcharges elevated, placing upward pressure on freight rates. Further airspace closures are also expected in case regional tensions escalate beyond control. Moreover, any structural damage to logistics infrastructure could significantly delay recovery efforts, even in the event of a subsequent ceasefire or de-escalation agreement. 	High
Oil and Gas (Upstream)	<ul style="list-style-type: none"> Procurement conditions remain relatively stable but cautious, with manageable cost pressures and limited supply risks, underpinned by the continued, though fragile, functioning of key logistics and supply routes. 	High	<ul style="list-style-type: none"> Key categories such as OCTG, drilling chemicals, valves, and engineered components could go through accelerated cost inflation, driven by a combination of logistics surcharges, raw material volatility, and constrained availability. 	High

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	Key Updates	Supply Chain Disruption Risk	Key Updates	Supply Chain Disruption Risk
Pharma R&D	<ul style="list-style-type: none"> Recruitment slows in EMEA, logistics costs rise, but trials continue with remote monitoring, site rebalancing etc., Main impact is higher costs and trial timeline delays 	Moderate	<ul style="list-style-type: none"> Patient recruitment and trial supply face major disruption, with potential site shutdowns and enrollment reallocation. Shifts from cost/timeline issues to program instability, requiring redesign of trial footprint and sourcing strategy. 	High
Pharma	<ul style="list-style-type: none"> Crude prices have increased again and hence API costs remain elevated at 8-15%, intermediates at 6-12%, excipients at 10-20% vs baseline. Under a ceasefire collapse, the biologics supply chain remains strained but manageable, with logistics inefficiencies driving moderate cost and lead-time increases. 	Moderate	<ul style="list-style-type: none"> Continued escalation can disrupt feedstock supply, longer lead times, increased logistics costs and drug shortages. Widening conflict will result in increased costs across the supply chain for commercial critical drugs. A widening conflict would push the system into high disruption mode, where freight constraints, energy shocks, and raw material shortages converge, significantly impacting biologics availability, timelines, and pricing globally. 	High

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Facilities Management	<ul style="list-style-type: none"> • Strait of Hormuz disruptions resume; shipping volumes decline sharply • Fuel and energy prices spike again, increasing FM operating costs • Spare parts and consumables shortages re-emerge across regions • Workforce mobility declines due to heightened security risks • Vendor reliability weakens; delays and service inconsistency increase 	Moderate	<ul style="list-style-type: none"> • Sustained logistics disruptions and rerouting increase lead times • Energy markets remain highly volatile; costs stay elevated • Vendor ecosystem shifts toward regional sourcing but remains unstable • Increased reliance on subcontractors and localized service delivery • Capex delays and reactive maintenance increase across sites 	Moderate

Oil and Gas (Upstream)

<p>EMEA</p> <p>Critical Strong dependency on Middle East supply routes and equipment flows continues to elevate risk levels.</p>	<p>APAC</p> <p>Critical APAC remains heavily reliant on Middle East-origin equipment, consumables, and services, especially for import-driven markets.</p>	<p>NORTH AMERICA</p> <p>Low Risk North America is relatively insulated from direct supply disruptions due to strong domestic supply chains and local service ecosystems.</p>	<p>LATAM</p> <p>Moderate Risk LATAM shows mixed exposure depending on country and project structure. Brazil relatively insulated due to local supply chain depth</p>
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Supply Chain Disruption Risk

Category	Supply-Demand Impact	Price Impact	Impact Assessment
Upstream Services			<ul style="list-style-type: none"> The upstream services market is moving toward a capacity-tight environment, where supply-side constraints are driving pricing and availability dynamics. Service providers are gaining moderate pricing leverage due to reduced operational flexibility and increased cost bases, particularly in offshore and logistics-intensive segments. Operators are expected to focus on execution reliability and risk mitigation, which may sustain demand for core production and maintenance services while deferring non-critical or expansion-related activities. If current conditions persist, the market is likely to see continued service rate inflation and extended project timelines, especially in asset-intensive and offshore operations.
Oil and Gas Equipment & Consumables			<ul style="list-style-type: none"> Crude oil prices remained elevated and volatile during the week, driven by heightened supply-side uncertainty and constrained flows through key Middle East export corridors. This continued to support a strong risk premium across global benchmarks. In the oilfield equipment and consumables segment, supply chains experienced significant disruption, particularly for materials moving through the Red Sea and Gulf shipping routes. Limited vessel availability, extended transit times, and higher freight premiums led to tightening supply conditions. Lead times extended across imported equipment, with increased variability in delivery schedules. Inventory replenishment cycles lengthened, creating localized supply gaps for high-consumption consumables and project-critical components.

Price Impact
 Low – Price /Price increase less than 2%
 Moderate – Price Increase 2-5%
 High – Price Increase >5%

Supply-Demand Impact
 Low - Adequate insurer capacity
 Moderate - Selective capacity tightening
 High – Capacity constraints



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