



# **The Global and Thai Economies Amid the Uncertainty of the Middle East War**

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## KEY SUMMARY

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### **Under the base case, SCB EIC assesses that shipping through the Strait of Hormuz will be disrupted for 2–6 weeks.**

- Under the base case, some energy infrastructure will be attacked, and Iran will close the Strait of Hormuz for 2–6 weeks, resulting in the average Brent crude oil price rising to USD 75/bbl.
- If the conflict escalates into a regional war, disrupting energy transportation across the region to be disrupted, the average Brent crude oil price could rise significantly to USD 107/bbl.

### **The global economy faces downside risks from the war in the Middle East.**

- Under the base case, in which Brent crude averages USD 75/bbl this year, global inflation would rise by around 0.4 percentage points (pp), while global GDP could decline by around 0.2–0.4 pp.
- Rising inflationary pressures may lead major central banks to delay further monetary policy easing. The U.S. Federal Reserve may adopt a more cautious wait-and-see approach and postpone policy rate cuts amid heightened inflation risks, in addition to the effects of higher global import tariffs.

### **Thailand's economy in 2026 may grow 0.3–0.8 pp more slowly, while inflation may return to the target range sooner.**

- SCB EIC assesses that, under the base case in which the average Brent crude oil price rises to USD 75/bbl this year, Thailand's economy may expand 0.3 pp more slowly. Under the worst-case scenario, the average Brent crude oil price may reach USD 107/bbl, and Thailand's economy may slow by as much as 0.8 pp.
- Thailand's inflation in 2026 is likely to rise to 1.5%, returning to the 1–3% target range sooner as a result of rising global energy prices. However, if the situation escalates into a regional war, inflation could rise to above 4%.
- SCB EIC assesses that the Monetary Policy Committee (MPC) may have room to further ease the policy interest rate in response to risks arising from the war in the Middle East.

## The business sector faces risks of disruption in energy, transportation, and raw materials.

- Thai businesses are affected by the war in the Middle East through both direct and indirect channels. Although exports to this region account for only a limited share, some industries rely relatively heavily on this market, such as certain agricultural and food products and passenger vehicles. Other businesses, meanwhile, face pressure from rising energy costs, transportation disruptions, and accelerating raw material prices, which will have knock-on effects throughout related supply chains. At the same time, the tourism and healthcare sectors remain at risk of slowing due to travel disruptions and safety concerns.
- However, essential agricultural and food products, as well as certain energy crops, may benefit from stockpiling demand and rising global prices.

### 1. Middle East War Scenarios and the Outlook for Global Oil Prices

Scenarios	Duration of the strait closure	Peak price range during the event (USD/barrel)	Brent Annual Average price (USD/barrel)	Likelihood of occurrence
1. Quick De-escalation	Less than 2 weeks	90	72	Low
2. Extended Strait Disruption (Base case)	2–6 weeks	100	75	Highest
3. Prolonged war and Strait Disruption	6–12 weeks	140	85	Moderate
4. Regional War (Worst case)	Indefinitely	>140	107	Lowest

The war among the United States, Israel, and Iran, which has been unfolding since late February, has begun to spread to several countries across the Middle East, pushing Brent crude oil prices above USD 80/bbl (+30% from the low in January) amid risks to energy shipments through the Strait of Hormuz, a key waterway through which more than 20% of global energy supplies are transported. SCB EIC assesses global crude oil price scenarios under the conflict in the Middle East by considering the severity of the situation and the duration of disruptions to energy transportation, as follows.

#### 1. The conflict is resolved within 2 weeks (Quick De-escalation)

Tensions in the Middle East ease within a short period through negotiations, with pressure from key oil-importing countries purchasing from Iran (such as China) to reopen the Strait of Hormuz. Energy transportation through this route is only temporarily disrupted and returns to normal within 2 weeks. The rise in oil prices therefore reflects only a short-term geopolitical risk premium.

## 2. Shipping disruptions in the Strait of Hormuz persist for 2–6 weeks (Extended Strait Disruption – Base Case)

Iran closes the Strait of Hormuz, and some energy infrastructure in the region comes under attack. The likelihood of this scenario has increased significantly after the President of the United States stated that military operations against Iran could last around four weeks in order to destroy Iran's military capabilities and naval forces. As a result, commercial shipping through the Strait of Hormuz faces elevated risks during this period.

## 3. Prolonged conflict with an extended closure of the Strait of Hormuz (Prolonged War and Strait Disruption)

Geopolitical tensions are likely to become more prolonged and severe, with additional attacks on energy infrastructure in the region. U.S. military operations against Iran last longer than initially announced, leading to further attacks on energy infrastructure and broadly undermining the security of energy transportation across the Persian Gulf region.

## 4. The conflict escalates into a regional war (Regional War – Worst Case)

Tensions escalate from a localized conflict into a regional war, causing disruptions to the region's entire energy logistics system. The duration of the war is unpredictable and could lead to demand destruction at crude oil prices of as high as USD 100–110/bbl.

## 2. Impact on the Global Economy

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Heightened tensions in the Middle East could affect the global economy through multiple transmission channels. The main impacts are as follows.

1. **Global inflation will rise due to higher energy prices.** If average global oil prices increase by 10%YOY, inflation in major economies would rise by around 0.2 percentage points. SCB EIC estimates that, under the base case where Brent crude averages USD 75/bbl, global inflation would increase by around 0.4 percentage points. If Brent crude averages USD 100/bbl, global inflation could rise by 0.6–0.7 percentage points, driven by higher energy costs that weigh on household purchasing power and raise production costs for businesses.

2. **The global economy will weaken.** Heightened tensions in the Middle East could affect the global economy through several channels, including higher global energy prices, weaker global trade, declining business and consumer confidence, and greater volatility in global financial markets. If oil prices increase by 10% from the baseline, global GDP could decline by around 0.1–0.3 percentage points. SCB EIC estimates that under the base case where Brent crude averages USD 75/bbl, global GDP growth this year could be reduced by around 0.2–0.4 percentage points.

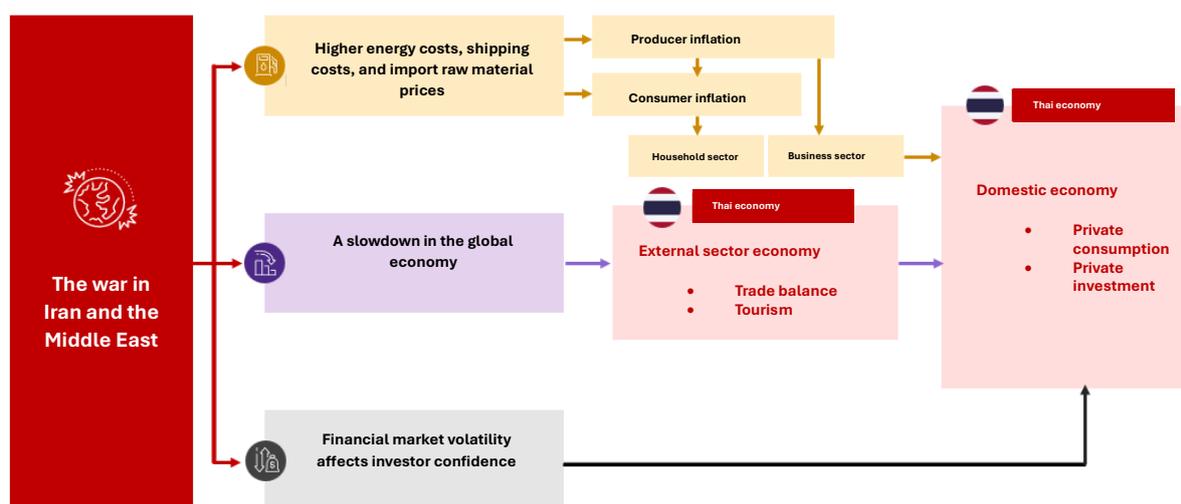
**Implications for global monetary policy:** Major central banks are likely to delay policy rate cuts this year, particularly in emerging markets, which are highly sensitive to commodity price volatility. At the same time,

the U.S. Federal Reserve may adopt a more cautious wait-and-see approach to assess the war’s severity, duration, and implications for the U.S. economy. This could delay policy rate cuts amid concerns that U.S. inflation may accelerate in line with global energy prices, compounding the effects of existing U.S. tariff measures.

### 3. Impact on the Thai Economy

SCB EIC assesses that the Thai economy is highly sensitive to global oil price factors because Thailand is a net oil importer. Thailand’s net imports of crude oil and natural gas amount to around 8% of GDP on average during 2022–2024, which is higher than the average among Asian economies. In addition, Thailand’s energy efficiency remains weaker than that of its regional peers, as reflected in Thailand’s higher energy intensity than many other countries.<sup>1</sup>

SCB EIC assesses that the Thai economy will be affected by heightened tensions in the Middle East through four main channels:



#### 1. Inflation and Private Consumption

Accelerating global energy prices will have a direct impact on Thailand’s inflation through energy prices (Energy CPI), which account for around 12% of Thailand’s consumer inflation basket, as well as through certain other items in the core inflation basket that are also affected by oil prices, such as prepared food and transportation costs. SCB EIC assesses that, under the base case in which the average Brent crude oil price rises to USD 75/bbl, Thailand’s inflation in 2026 will increase to around 1.5%. Under the worst-case scenario, in which tensions escalate into a regional war and average global oil prices rise to as high as

<sup>1</sup> Energy intensity refers to the ratio of energy consumption to economic output, measured by GDP. It is an indicator of a country’s energy efficiency. A lower figure indicates more efficient energy use, or less energy being used in the production process.

USD 107/bbl, Thailand's inflation rate will accelerate to above 4%, exceeding the upper bound of Thailand's inflation target.

In the short term, the government may intervene to subsidize domestic energy prices through the Oil Fuel Fund, which would help limit the initial rise in inflation. However, if global oil prices remain substantially elevated for a prolonged period, the financial position of the Oil Fuel Fund will face greater risks of deficit, potentially creating pressure to reduce the burden of energy price subsidies and gradually raise capped domestic oil prices. **Households may be affected through higher expenditures**, particularly in the energy category, which accounts for around 11% of Thai household spending (NSO, 2025). **As purchasing power declines, private consumption will slow accordingly.**

## **2. International Trade**

Thailand's trade balance is likely to deteriorate in both imports and exports. On the import side, although Thailand's imports from the Middle East account for only a limited share at 9.2% of total imports in 2025, Thailand is a net oil importer and relies on the Middle East as its main source of energy imports, particularly crude oil, which accounts for 58% of imports from the Middle East and 59% of Thailand's energy imports from all sources. On the export side, Thailand may face only limited direct effects from exports to the Middle East, as exports to the region account for just 3.7% of total exports. However, Thai exports may be affected more considerably through indirect channels from a slowdown in the global economy, particularly in Asian and European markets that rely heavily on energy from the Middle East. In addition, the war in the Middle East is likely to increase freight costs and the prices of other imported raw materials, adding further pressure on Thailand's trade balance.

## **3. Tourism**

Thailand's tourism sector is likely to be affected by slower foreign tourist arrivals due to the following factors:

**3.1 The decline in tourists from the Middle East.** Several countries in the region have announced airspace closures, prompting airlines around the world to cancel flights and avoid Middle Eastern routes. However, Thailand's tourism sector relies on Middle Eastern tourists for only 2% of total foreign tourist arrivals. In addition, this period coincides with Ramadan, during which international travel by this group already tends to slow down.

**3.2 A slowdown in tourists from other countries.** This includes travelers using Arab airlines such as Emirates, Qatar Airways, and Etihad, who account for around 8% of total arrivals to Thailand and are mostly from Europe. In addition, higher travel costs resulting from rising oil prices, flight rerouting, and limited flight availability may further weigh on demand for other routes. Moreover, some tourists may decide to postpone travel due to safety concerns.

#### 4. Financial Markets

From the outbreak of the war in the Middle East through March 6, the Thai baht depreciated sharply by 2.2%, while the U.S. dollar index appreciated by 1.4%, mainly reflecting the depreciation of major currencies against the U.S. dollar, such as the euro and the yen. **In the short term, as long as the war remains unresolved, the baht is likely to continue weakening** due to the deterioration in Thailand's trade balance and current account balance. **If the war is not prolonged, the short-term USD/THB outlook is seen at 31.25–31.75**, and it may move within a range of 31.00–31.50 baht per U.S. dollar by year-end. **In the event of a severe and prolonged war, with average global oil prices rising above USD 100 per barrel, the baht could weaken to 32.50–33.50 per U.S. dollar**, as global investors may sell off risk assets and shift toward holding more U.S. dollars, thereby strengthening the U.S. dollar index.

SCB EIC assesses the impact on the Thai economy through the main transmission channels. Under the base case, in which the war ends within 2–6 weeks, Thailand's economy in 2026 is likely to grow around 0.3 percentage points less than previously projected. However, if the war escalates into a regional war, Thailand's economic growth could be reduced by as much as 0.7–0.8 percentage points from the previous projection.

#### 4. Impact on the Thai Business Sector

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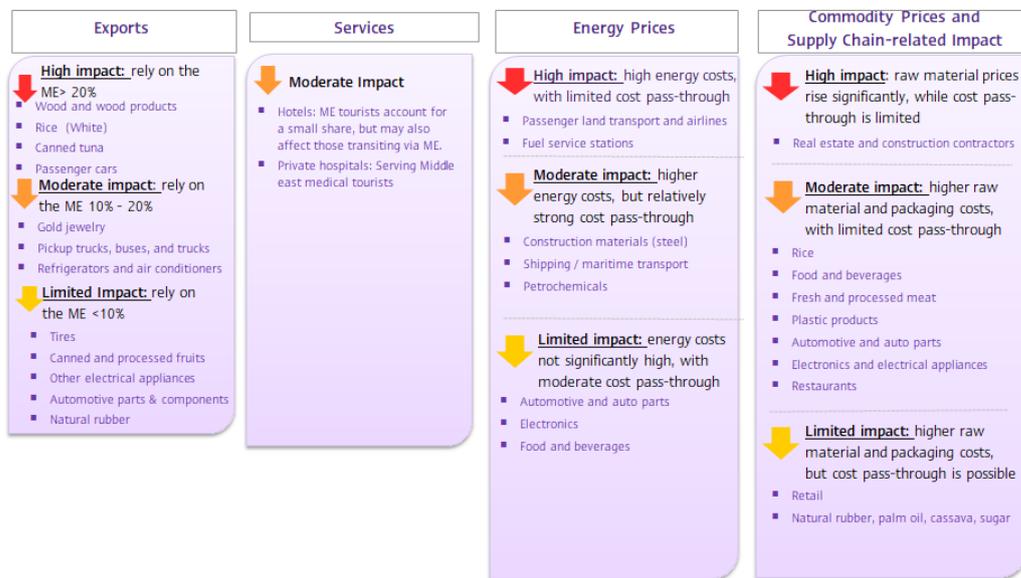
SCB EIC assesses that the war in the Middle East will affect the Thai business sector in multiple dimensions, both directly and indirectly. Overall, although Thailand's exports to the Middle East are relatively limited, some industries depend on the Middle Eastern market to a considerable extent and will therefore remain affected, such as **certain agricultural and food products, as well as passenger vehicles**. Meanwhile, other businesses, although not heavily reliant on the Middle Eastern market, may still be affected by cost pressures from energy prices, which are likely to increase, particularly in sectors with high oil dependence, **such as energy, transportation, construction, and construction materials**. Export-oriented businesses may also face transportation disruptions that could lead to delays and higher costs.

In addition, higher energy costs will have spillover effects on related commodity prices, putting upward pressure on the costs of key raw materials and production inputs such as minerals, agricultural products, and fertilizers. These effects are interconnected in a chain reaction and may continue to affect many Thai businesses across the supply chain. However, the severity of the impact will also depend on businesses' ability to pass on higher costs. Meanwhile, the effects on the service sector, such as tourism and healthcare, still need to be monitored. If the situation becomes prolonged, foreign tourist arrivals could continue to slow due to travel disruptions and safety concerns.

**However, although many businesses may be negatively affected by the war in the Middle East, some business groups may benefit.** These include essential agricultural and food products needed for daily living during a crisis, as many countries in the Middle East may need to accelerate stockpiling, thereby creating greater opportunities for Thai exporters to capture growth if export channels can be secured. Similarly,

certain agricultural products, particularly energy crops, may benefit from prices rising in line with global energy prices.

**Figure 1: Transmission Channels of the Impact of the Middle East War on Sectoral Businesses**



**Note:** This assessment is based on a Base Case scenario across various transmission channels; should the situation escalate, impacts could be more severe than anticipated.  
 \* Impact on Middle Eastern purchasing power is assessed based on product groups with exports >\$100M to the region in 2025 (average 10% market dependency per category)  
 \*\* Continued monitoring is required if the situation is prolonged; it may disrupt oil procurement, leading to supply shortages or stock losses if prices decline. Risks also include government requests for refinery margin contributions to the Oil Fund to stabilize the market.

Source: SCB EIC analysis.

## 5. Policy Implications

SCB EIC assesses that the government will play a greater role in safeguarding energy security. At present, Thailand's domestic oil reserves and oil currently in transit (having already passed through the Strait of Hormuz) are sufficient to meet demand for 95 days (as announced by the Ministry of Energy on March 5). In addition, measures have been introduced to suspend exports of crude oil and refined petroleum products, accelerate procurement of oil and natural gas from alternative sources, increase gas production from fields in the Gulf of Thailand and Myanmar as substitutes, and require power plants to reduce gas usage and switch to coal and renewable energy to the fullest extent possible. **The government is also using the Oil Fuel Fund mechanism to help support the cost of living and business costs.** Most recently, as of March 3, the Thai government announced a 15-day diesel price cap at 29.94 baht per liter.

SCB EIC views the war in the Middle East as a new risk to the Thai economy, increasing the likelihood of further monetary policy easing. The degree of easing will depend on how the conflict in the Middle East unfolds.

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