

SITUATION OVERVIEW

Brinkmanship, Reinforcements and Costly Regional Adjustment

The regional picture remains volatile, with diplomacy, military reinforcement and economic disruption advancing in parallel rather than producing a clear path to de-escalation. Iran has hardened its negotiating stance while Washington continues to add forces to the region, reinforcing concerns that pressure will intensify if diplomacy fails. Gulf states are condemning direct and proxy attacks more openly, while Kuwait's airport fuel-tank strike and continuing missile and drone activity show critical infrastructure remains exposed. At the same time, businesses and governments are adjusting through alternative land routes, uneven flight recovery and selective maritime access rather than restored normality. Oil prices have eased from peak panic, but fuel, fertiliser and freight pressures continue feeding into global costs.

COUNTRY KEY DEVELOPMENTS

Iran

- Warns regional states against aiding island seizures; threatens infrastructure retaliation.

Israel

- Conflict still active as diplomacy remains unverified and regional attacks continue.

United Arab Emirates

- Air defences engaged nine drones; cumulative intercept totals continue climbing.

Saudi Arabia

- Rejects claims it wants prolonged war; says policy remains defensive.

Kuwait

- KPC says Iran attacked Kuwaiti sovereignty, people and critical facilities.

Qatar

- Reaffirms neutrality and refusal to be drawn into escalation.

Oman

- Flood disruption adds another layer of operational stress.

Iraq

- PMF-linked strike fallout keeps cross-border escalation risk elevated.

Lebanon

- Israeli security-zone plans point to prolonged instability.

Turkey

- Passes messages between Washington and Tehran to encourage talks.

Yemen

- Ansarullah signals readiness to pressure Bab el-Mandeb in support of Iran.

Egypt

- Maintains diplomatic contacts as wider mediation efforts expand.

Syria

- Spillover risks persist as conflict broadens on neighbouring fronts.

RISK INDICATORS

Security Risk: Gulf states now face a dual threat from direct strikes and proxy-origin attacks from Iraq. US troop reinforcements are widening escalation options rather than narrowing them.

SEVERE

Aviation Risk: Uneven airline recovery means some hubs are functioning, but regional aviation resilience remains fragmented.

HIGH

Maritime Risk: "Non-hostile vessel" rules are turning Hormuz access into a political clearance problem. Red Sea experience suggests securing Hormuz will be slower, costlier and less reliable than markets want to assume.

SEVERE

Energy Risk: Fuel shocks are now hitting overseas consumers directly, showing Gulf disruption is transmitting globally. Fertiliser disruption is raising food-inflation risk, expanding the crisis beyond crude and LNG.

HIGH

OPERATIONAL IMPACT

Aviation

- Philippine Airlines says it has secured enough jet fuel to maintain operations, showing some Asian carriers are now prioritising fuel resilience over network expansion.
- Wizz Air continues to suspend Abu Dhabi, Dubai, Jeddah and Amman services from mainland Europe.

Logistics & Supply Chain

- The US Postal Service is seeking a temporary 8% package surcharge because of higher fuel costs, illustrating how Gulf-linked energy disruption is now feeding directly into downstream delivery pricing.
- Maersk says the region's reliance on imported food remains a pressing issue, keep food-security logistics under pressure.

Maritime

- DP World is expanding Red Sea handling capacity at Jeddah as cargo flows shift west of Hormuz, showing Saudi routes are absorbing traffic that would normally serve Gulf ports more directly.
- MSC said all Gulf-bound cargo would be offloaded at the nearest safe seaport, showing some carriers are still redesigning delivery chains around security constraints.

Energy Markets

- Saudi Aramco's SAMREF refinery in Yanbu was targeted in an aerial attack, reinforcing that even Red Sea workarounds remain exposed to selective strikes.
- Refineries and petrochemical firms across Asia have cut runs, shut units or declared force majeure as Middle East crude and feedstock disruption spreads into downstream industrial activity.

OUTLOOK (NEXT 72–96 HOURS)

The near-term outlook remains unstable rather than clearly de-escalatory. Over the next several days, the region is likely to face a combination of guarded diplomacy, harder political positioning and widening commercial adjustment rather than a decisive move toward normalisation. Gulf states are becoming more explicit in linking their security concerns not only to direct Iranian strikes but also to proxy activity originating from Iraq, which raises the risk of diplomatic pressure and continued scrutiny of militia-linked threats. At the same time, Turkey and Egypt are likely to remain active in mediation and message-passing, but those efforts still sit alongside Iran's insistence on politically conditioned Hormuz access and its broader push for regional leverage. For businesses, that means logistics and maritime disruption are likely to persist through rerouting, higher freight costs, insurance pressure and slower delivery cycles. Yemen and Red Sea insecurity will remain an added burden rather than a separate theatre, reinforcing strain on food imports, shipping schedules and supply chains across the Gulf. The most likely trajectory is therefore continued uneven adaptation, with business continuity possible but more expensive, less predictable and heavily shaped by geopolitics rather than market logic.

ADVISORY NOTE

Businesses operating in or through the Gulf should continue planning for an environment that is functioning, but uneven, politically sensitive and vulnerable to sudden disruption. Partial workarounds such as land-based rerouting, selective maritime access and gradual reopening in some sectors should not be mistaken for a full return to normal operating conditions. Companies should keep monitoring official government, civil-defence, aviation and maritime advisories in real time; confirm internal authority for cargo rerouting, travel restrictions, remote-working activation and customer communications; and review exposure to food imports, fuel costs, supplier concentration, inventory cover and working-capital pressure. Firms with regional footprints should also ensure country-level decisions can diverge quickly, as operating conditions in the UAE, Saudi Arabia, Kuwait, Qatar, Iraq and Oman may not move in parallel. The practical assumption should remain continuity with friction: business can continue, but with higher costs, slower logistics and less warning time if conditions worsen.