

SITUATION OVERVIEW

Gulf Conflict Escalation and Economic Impact

Regional conflict between Israel, the United States and Iran has entered its third week, with attacks spreading across the Gulf and the Levant. Qatar's Foreign Ministry says Iranian strikes have targeted residential areas and Hamad International Airport, contradicting Tehran's claims that it is avoiding civilian infrastructure. Drone and missile attacks have disrupted aviation and energy facilities in the UAE while Israel has expanded operations into southern Lebanon. Maritime disruption in the Strait of Hormuz continues to restrict energy shipments affecting roughly one-fifth of global oil supply. Oil prices remain volatile, with analysts warning that even temporary shipping interruptions could create supply shortages and sustained price pressure across global energy markets. Energy companies have also begun shutting down offshore production in parts of the Gulf as risks increase.

COUNTRY KEY DEVELOPMENTS

Iran

- Deploying drones, missiles and mines to pressure shipping through Strait of Hormuz.

Israel

- Gaza airstrikes and West Bank shootings increase tensions across Palestinian territories.

United Arab Emirates

- Drone attacks disrupt aviation and energy infrastructure across the UAE.

Saudi Arabia

- Air defences intercept Iranian drones targeting energy infrastructure and military facilities.

Kuwait

- Oil production cuts and Hormuz disruption raise economic slowdown risks.

Qatar

- Doha maintains Iran targeted civilian infrastructure including Hamad International Airport.

Oman

- Tanker traffic declines near Muscat as Hormuz shipping disruption intensifies.

Iraq

- Baghdad and Kurdish authorities remain in dispute over pipeline access affecting exports.

Lebanon

- Southern Lebanon displacement rises as Israeli offensive expands.

Turkey

- Ankara pushes diplomacy while monitoring regional war and protecting Turkish airspace.

Yemen

- Analysts warn Houthis could threaten closure of Bab el-Mandeb shipping corridor.

Egypt

- Egypt raised fuel prices by up to 30% due to global energy disruptions linked to the conflict.

Syria

- Humanitarian crisis deepens as conflict displacement and security instability persist.

RISK INDICATORS

Security Risk: Drone or missile strikes targeting Gulf oil terminals, storage facilities or logistics hubs. Israeli ground operations expanding beyond southern Lebanon into broader regional confrontation.

SEVERE

Aviation Risk: Continued drone and missile activity increases disruption risk for Gulf airspace and major regional airports.

HIGH

Maritime Risk: Continued mining threats and attacks severely restricting commercial traffic through the Strait of Hormuz.

SEVERE

Energy Risk: Sustained shipping disruption triggering prolonged oil price spikes and global supply shortages.

HIGH

OPERATIONAL IMPACT

Aviation

- A drone strike ignited a fuel tank fire near Dubai International Airport, forcing a temporary suspension of flight operations before limited services resumed. Airlines including Emirates and flydubai cancelled or diverted flights while authorities restored operations.
- Regional air travel volumes have dropped to roughly half normal levels.

Logistics & Supply Chain

- The conflict is disrupting pharmaceutical supply chains to the Gulf as air cargo routes through Dubai, Abu Dhabi and Doha face restrictions. Logistics companies warn that delays in temperature-controlled shipments could create shortages of critical medicines, including cancer treatments, within weeks if disruption continues.

Maritime

- Japanese shipping companies including NYK Line and Mitsui O.S.K. Lines (MOL) are diverting vessels and delaying tanker movements linked to Gulf crude cargoes.
- Oil tankers and bulk carriers are waiting near Fujairah, Sohar and the Gulf of Oman as operators delay Gulf entry until security conditions stabilise.

Energy Markets

- TotalEnergies confirmed that conflict-related disruptions have forced the shutdown of oil and gas production in Qatar, Iraq and offshore UAE, representing roughly 15% of the company's global output. They stated that the shutdowns are linked to the widening conflict and security risks affecting energy infrastructure across the region.

OUTLOOK (NEXT 72–96 HOURS)

Military activity across the Gulf and the Levant is expected to remain elevated as the conflict enters its third week with no immediate diplomatic resolution. Israeli operations in Lebanon and continued Iranian drone and missile activity suggest the conflict could expand geographically if additional regional actors become involved. Maritime disruption around the Strait of Hormuz will likely remain the central economic risk. Shipping traffic through the corridor has dropped sharply, indicating that commercial shipping remains severely constrained.

Energy markets are expected to remain volatile. Oil prices have already moved above \$100 per barrel as the conflict disrupts supply and shipping routes. Analysts warn that prolonged disruption could affect up to one-fifth of global oil and gas supply, increasing economic pressure globally. Even if shipping partially resumes, delayed cargoes and production shutdowns could still create a temporary global energy supply gap.

ADVISORY NOTE

Organisations operating across the Gulf should maintain heightened vigilance as the regional conflict continues to affect aviation, maritime routes and energy infrastructure. Companies relying on shipping through the Strait of Hormuz should prepare for ongoing delays, higher insurance costs and potential cargo rerouting while maritime security conditions remain uncertain.

Businesses with regional operations should review contingency plans for supply chain disruptions, energy price volatility and possible travel interruptions affecting staff movement. Organisations are also advised to strengthen crisis communication protocols and ensure employees rely only on official government guidance for security updates.

Employees should avoid sharing travel details, operational information or sensitive locations on social media during the current security environment.