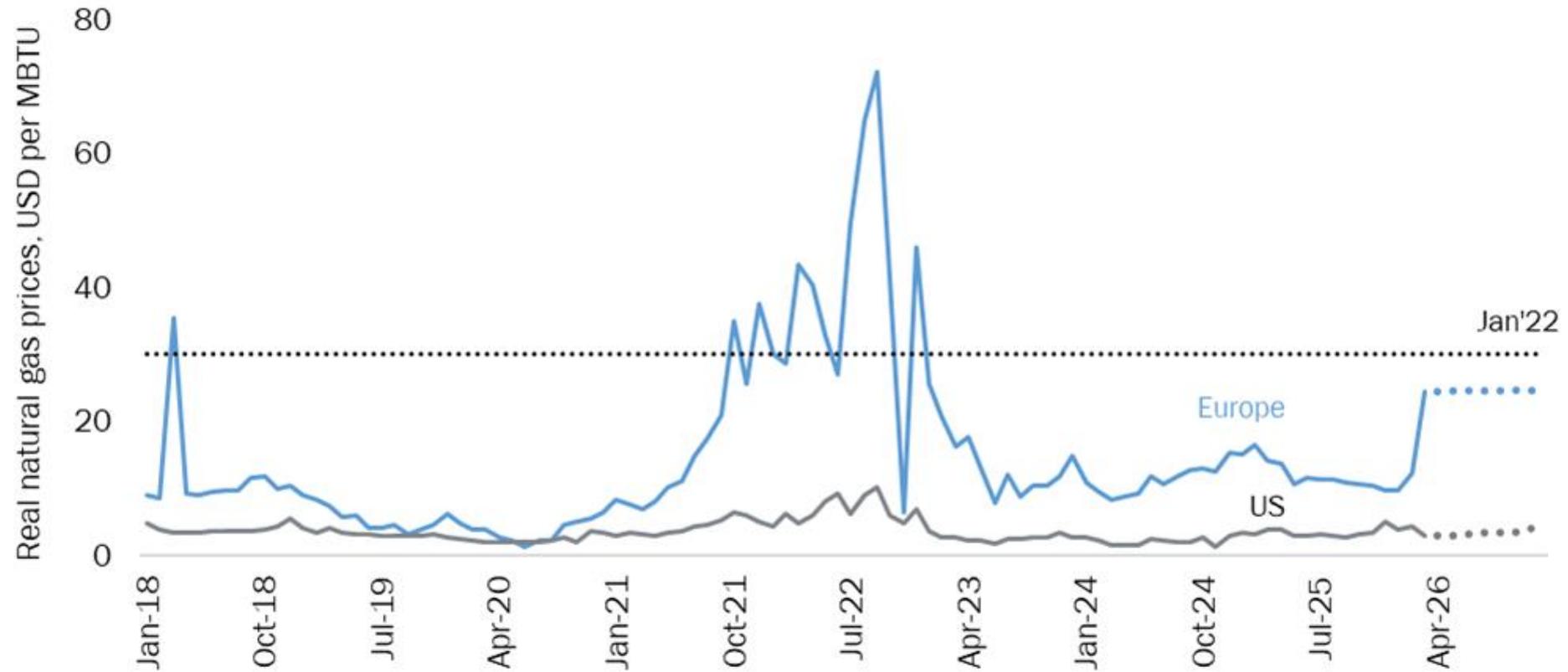REGIONAL
ECONOMIC
UPDATE

MARCH 2026

European Bank
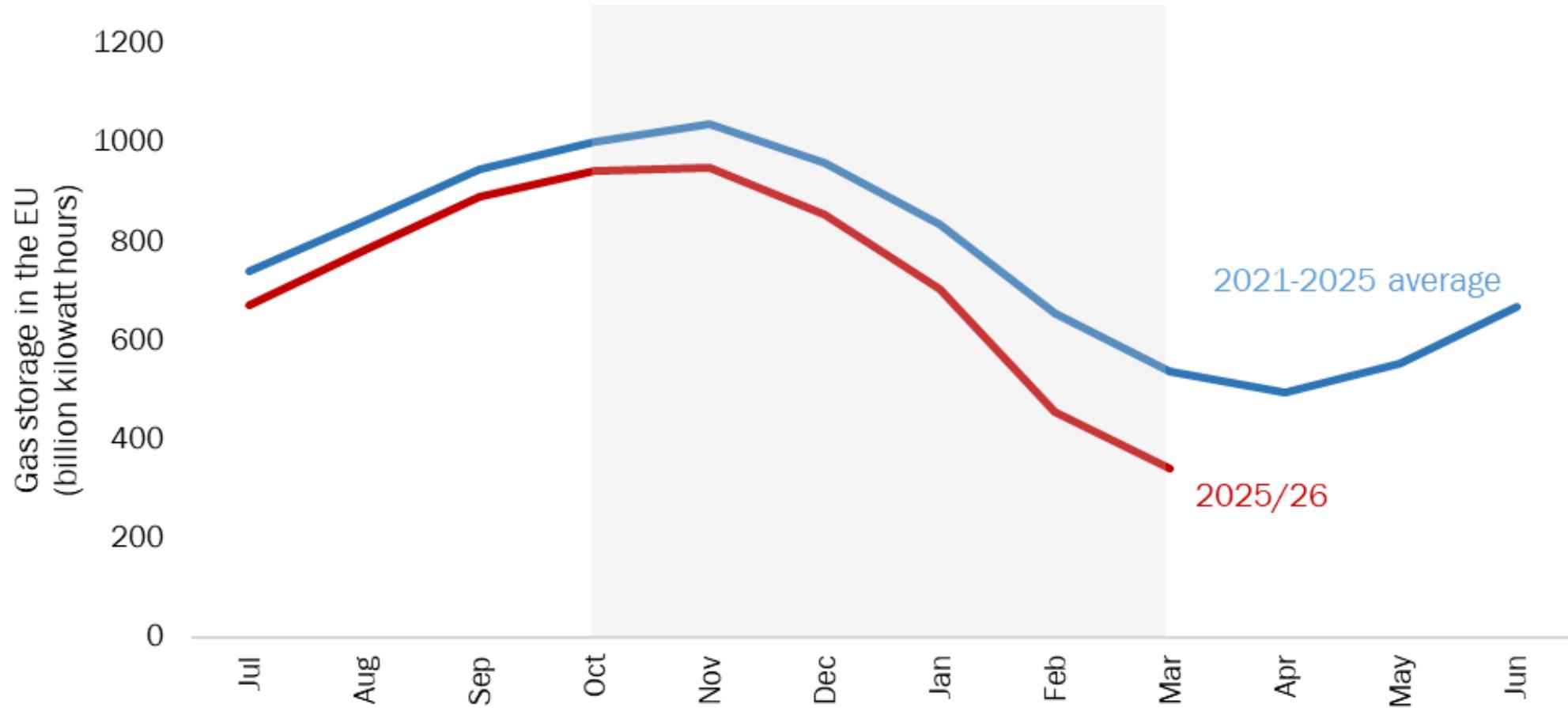for Reconstruction and Development

# Gas prices (including LNG) in Europe more than doubled between 27 Feb and 19 March

Qatar's LNG (off-market and under attacks) is 17% of world exports (and 30% of China's imports)
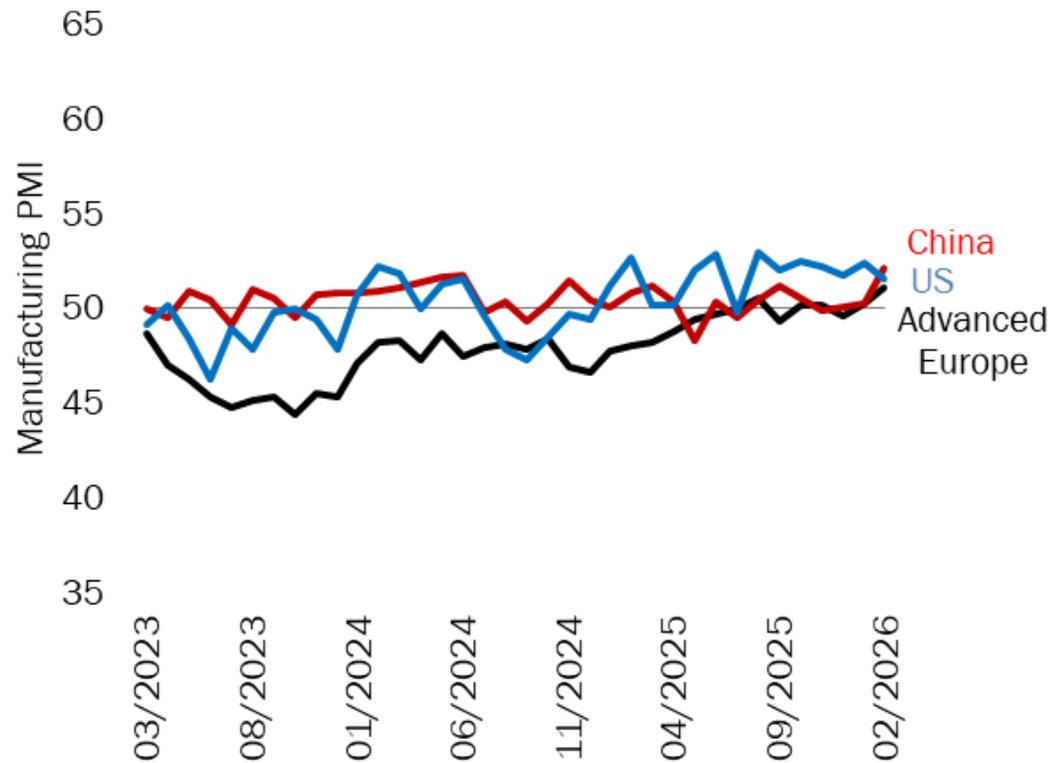
Gas storage in the EU is lower than in 2021-25 on average

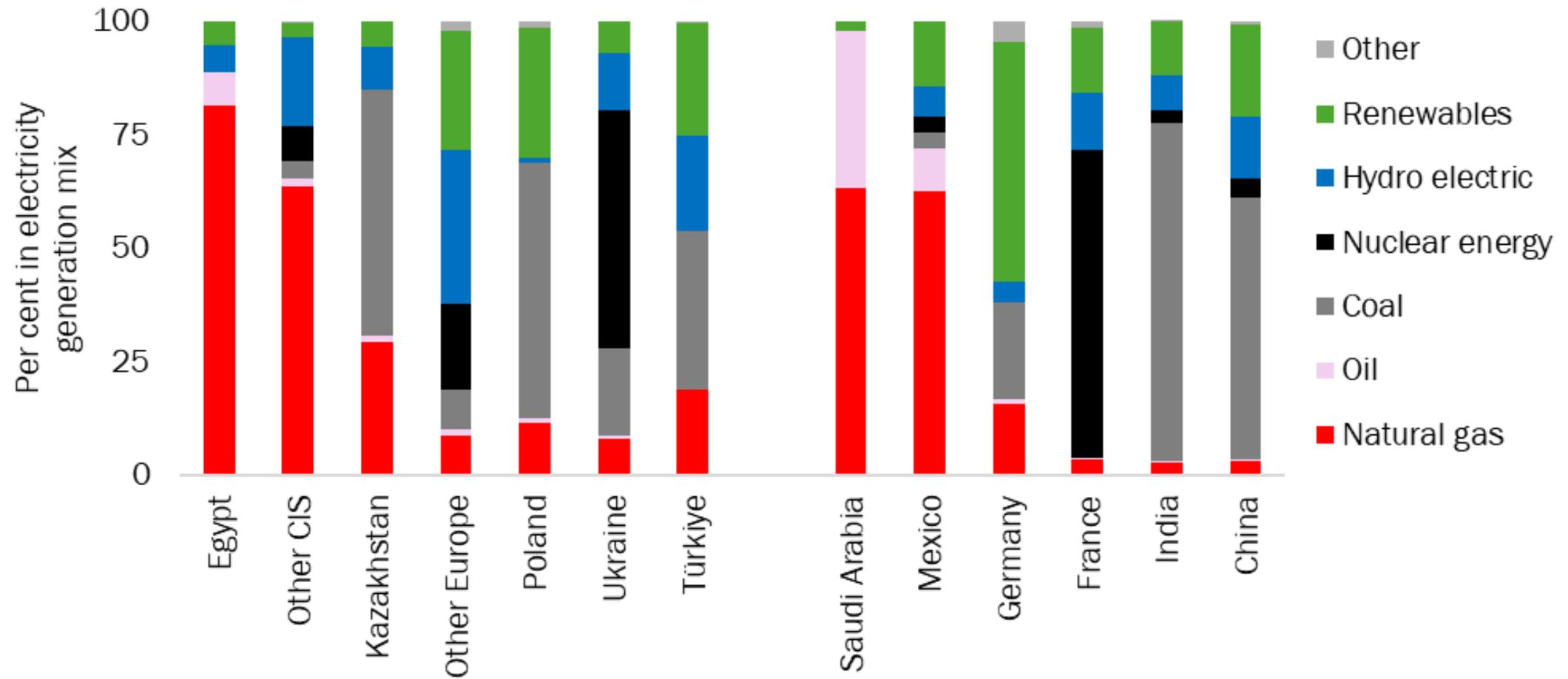Gas storage in the EU (billion kilowatt hours)

2021-2025 average

2025/26

In recent years, gas storage in the EU was only lower in early 2022, on the eve of the Russia gas cut-off
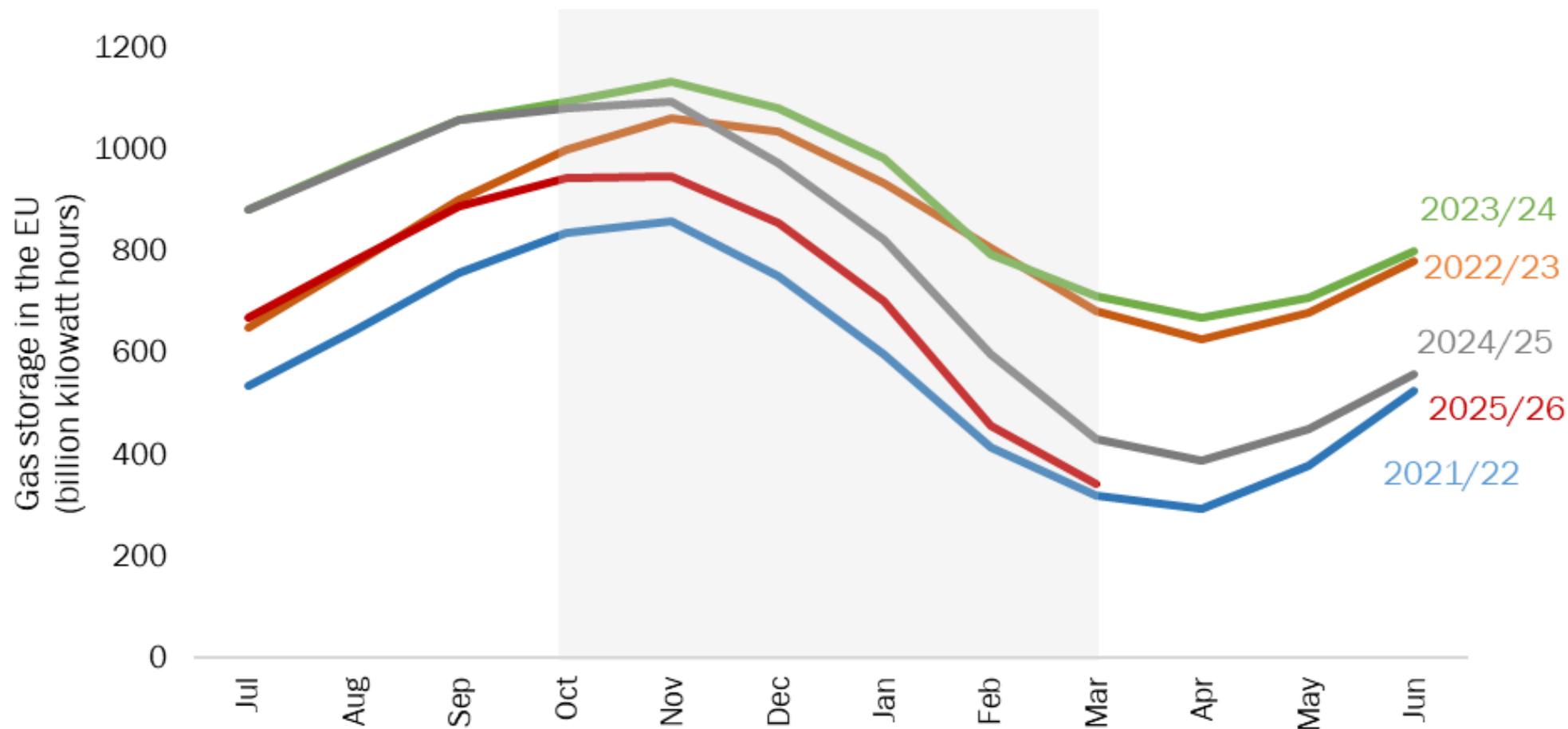
A weak momentum in manufacturing in the EBRD regions prior to the conflict in the Middle East
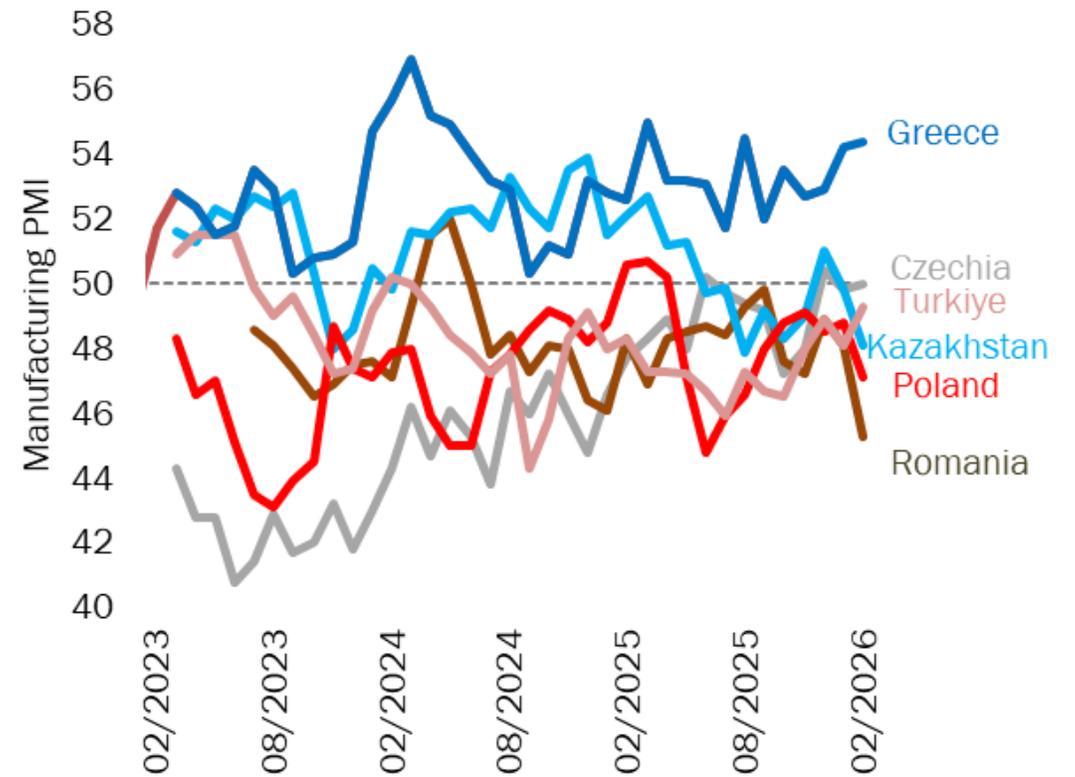
In most economies, gas price tends to be an important determinant of electricity price

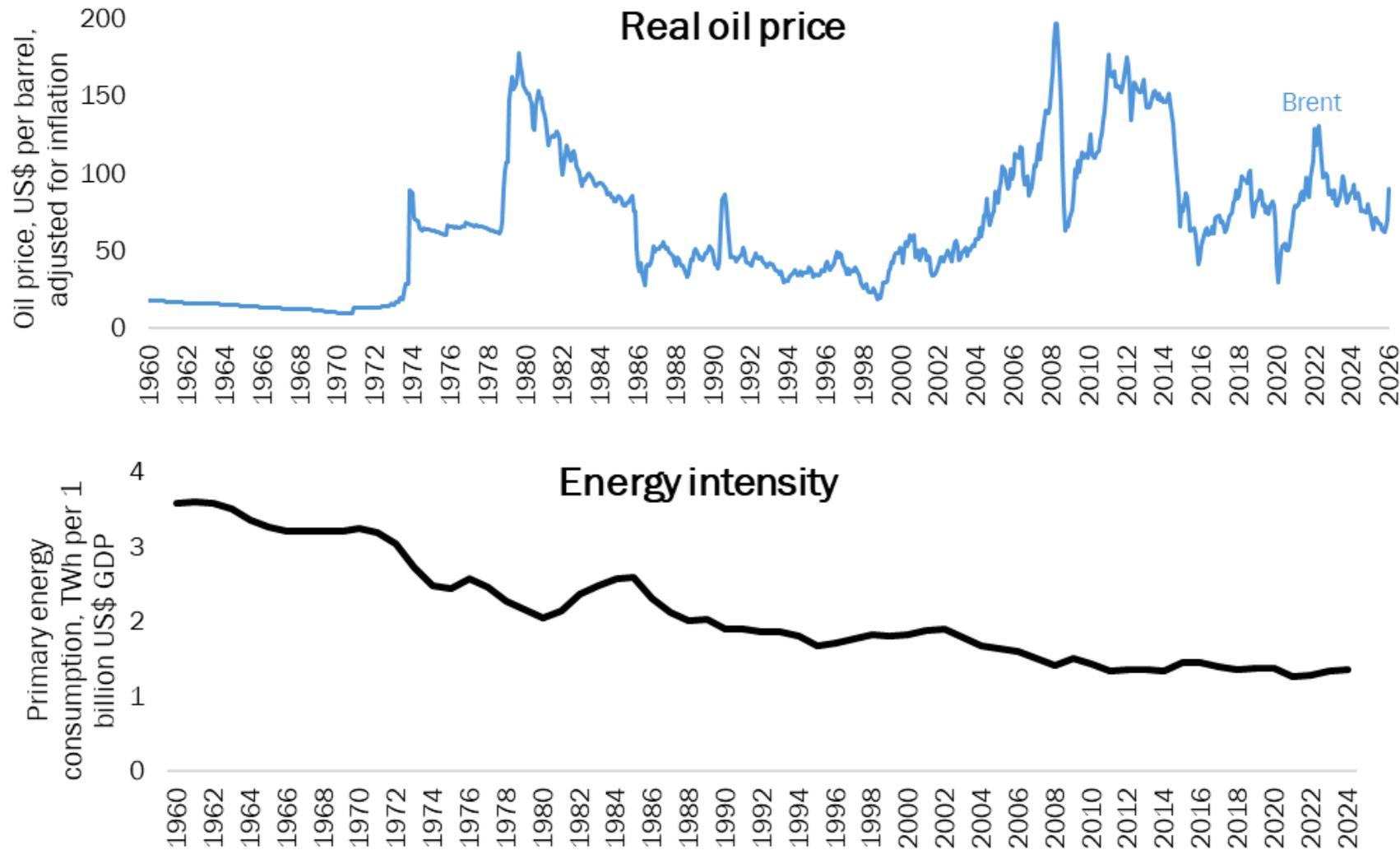# Oil prices surpassed US$ 100 on 9 March 2026, returning to the levels of early 2022 in real terms

Oil is more diversified than gas, yet 18% of world production normally passes through the Strait of Hormuz (inclusive of refined products); up to 14% of world production would be hard to reroute – further price increases are likely

Price spikes are higher for selected products: Aviation fuel, diesel, in particular in Asia
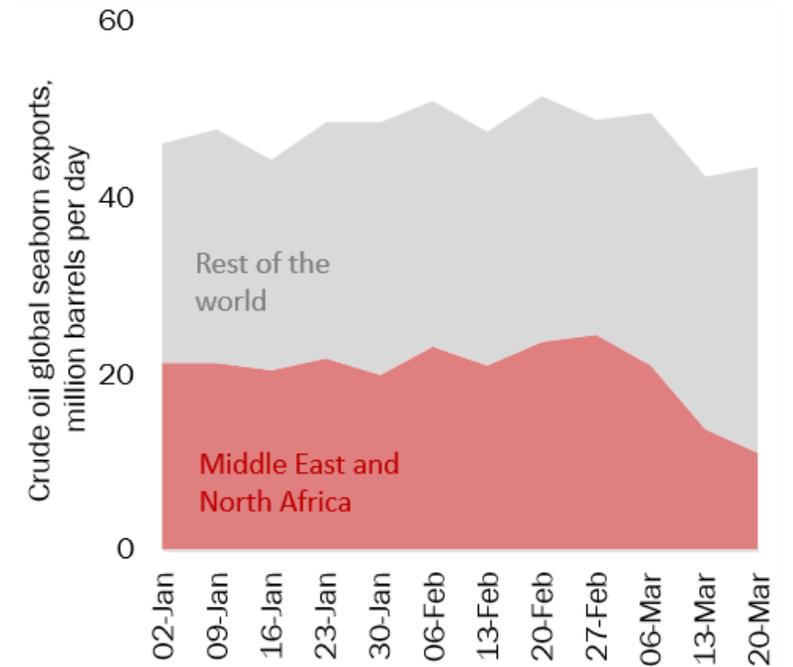
After adjusting for inflation, the spikes of 2008 and 2011–12 exceeded those of the 1970s but in the 1970s the global economy was much more dependent on hydrocarbons

Real oil price

Oil price, US$ per barrel, adjusted for inflation

Brent

Energy intensity

Primary energy consumption, TWh per 1 billion US$ GDP

Source: World Bank Commodity Price Data, FRED, and authors' calculations. Note: Prices adjusted for US inflation.

Oil price pressure (price × oil dependency) were far greater in the 1970s (they would be equivalent today if the price reached US$225 per barrel)
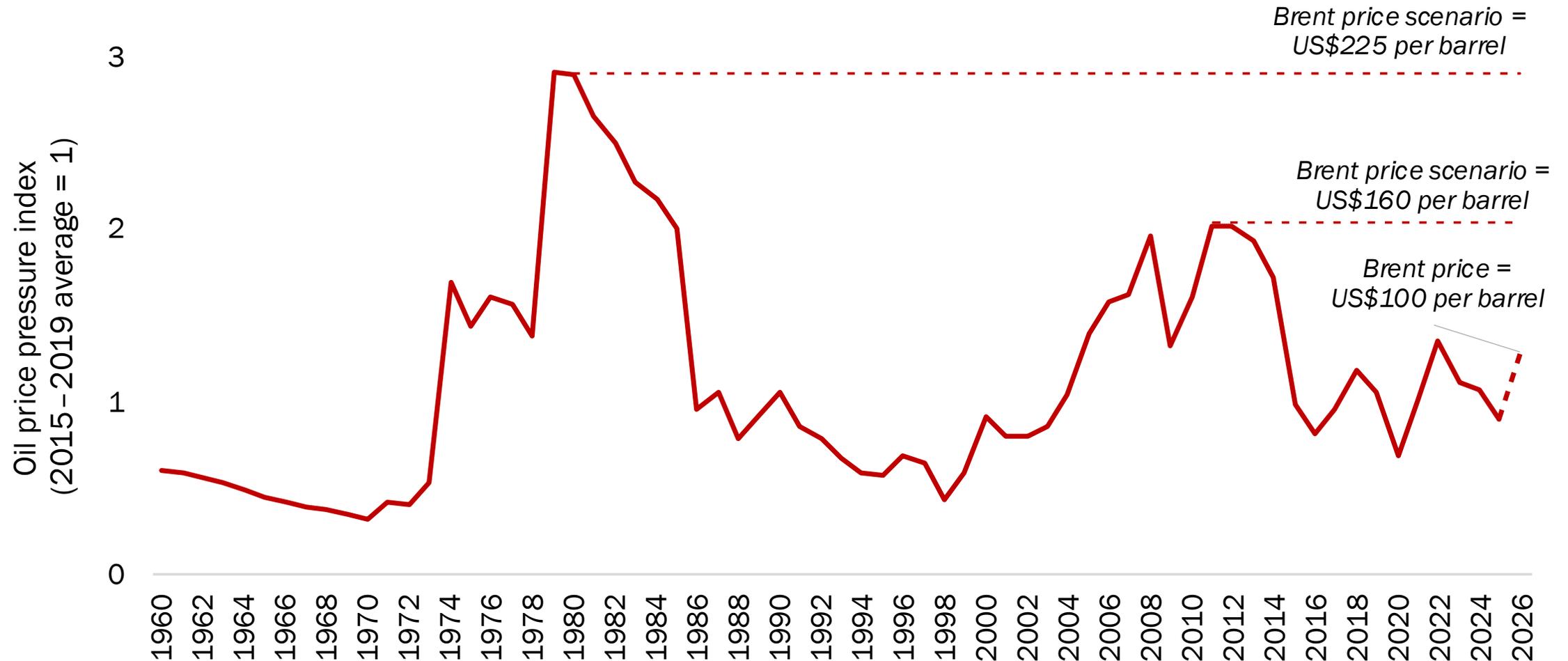
In the short term, demand is inelastic and prices could reach US$ 180 per barrel. In the longer term, high prices destroy demand, markets could clear around US$ 100

Analysts predict oil prices peaking at around US$ 150-200 per barrel before moderating if Gulf oil remains off-market

Oil added to / removed from the market since Feb 2026

Source: Bloomberg, IMF, the Economist and authors' calculations. Note: Elasticities of demand of around -0.05 in the short term and -0.2 in the longer term are assumed.
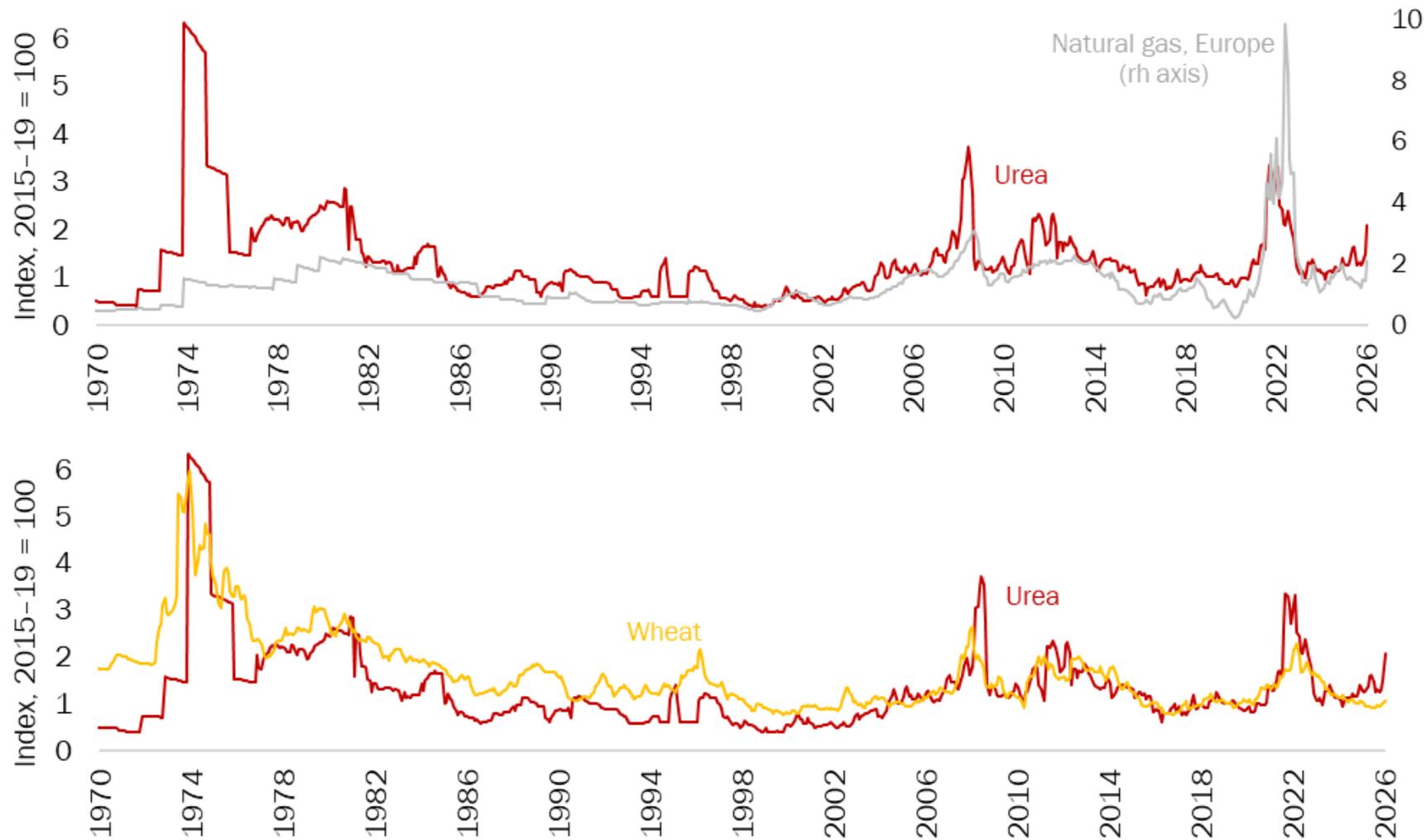
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Higher oil and gas prices would benefit energy exporters while weighing on energy importers; global GDP growth would slow down (by perhaps 0.4pp with oil at US$ 100)

Global inflation may rise by 1.5pp+ if oil prices above US$100 and disruptions to related supply chains persist
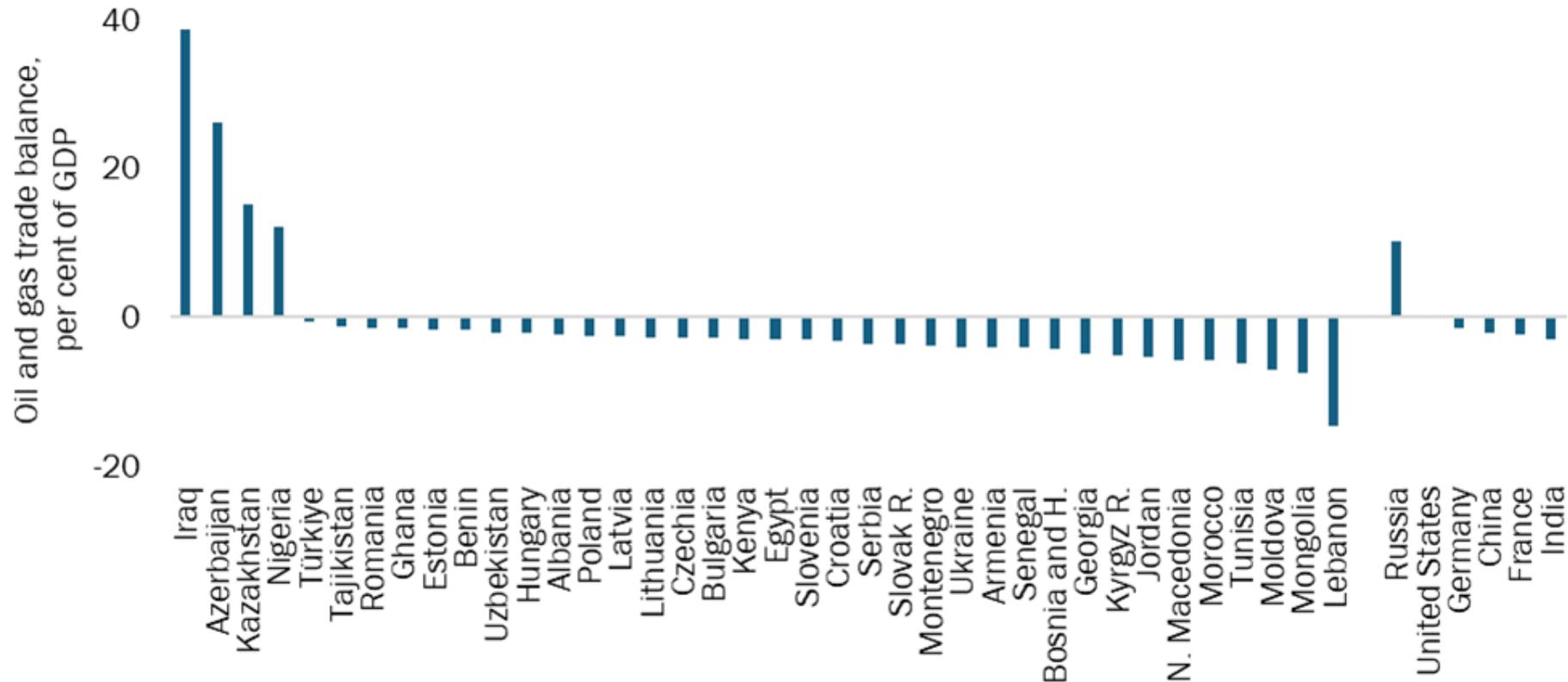
Fertiliser prices have historically followed gas prices, incl. in March 2026
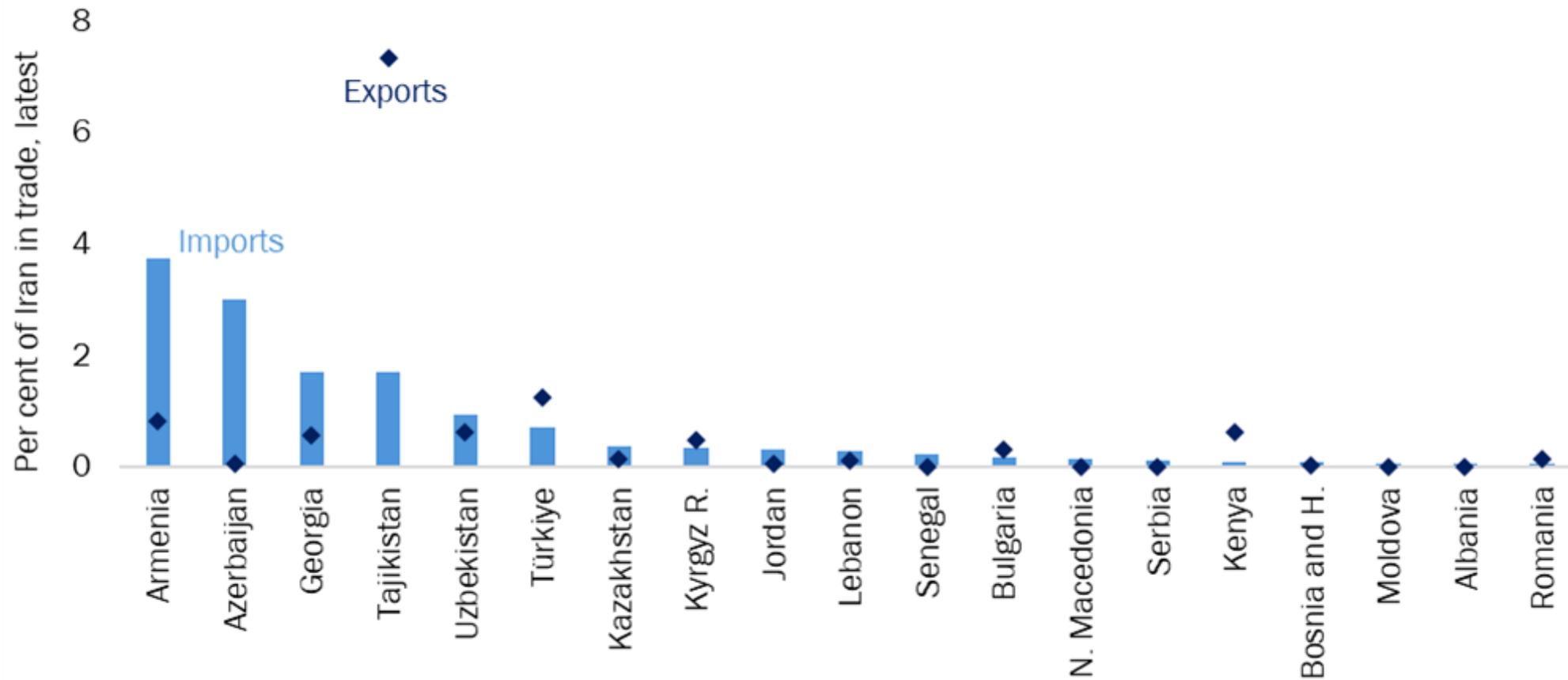# Higher fertiliser prices translate into higher prices of food staples

Source: World Bank Commodity Price Data, Investing.com, Trading Economics, International Grains Council, FRED and authors' calculations. Note: Prices adjusted for US inflation.

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Trade with GCC is significant for many economies and for aluminium, sulphur, helium (used for semiconductors), chemicals, plastics

Per cent of GCC and Iran in global exports, 2024
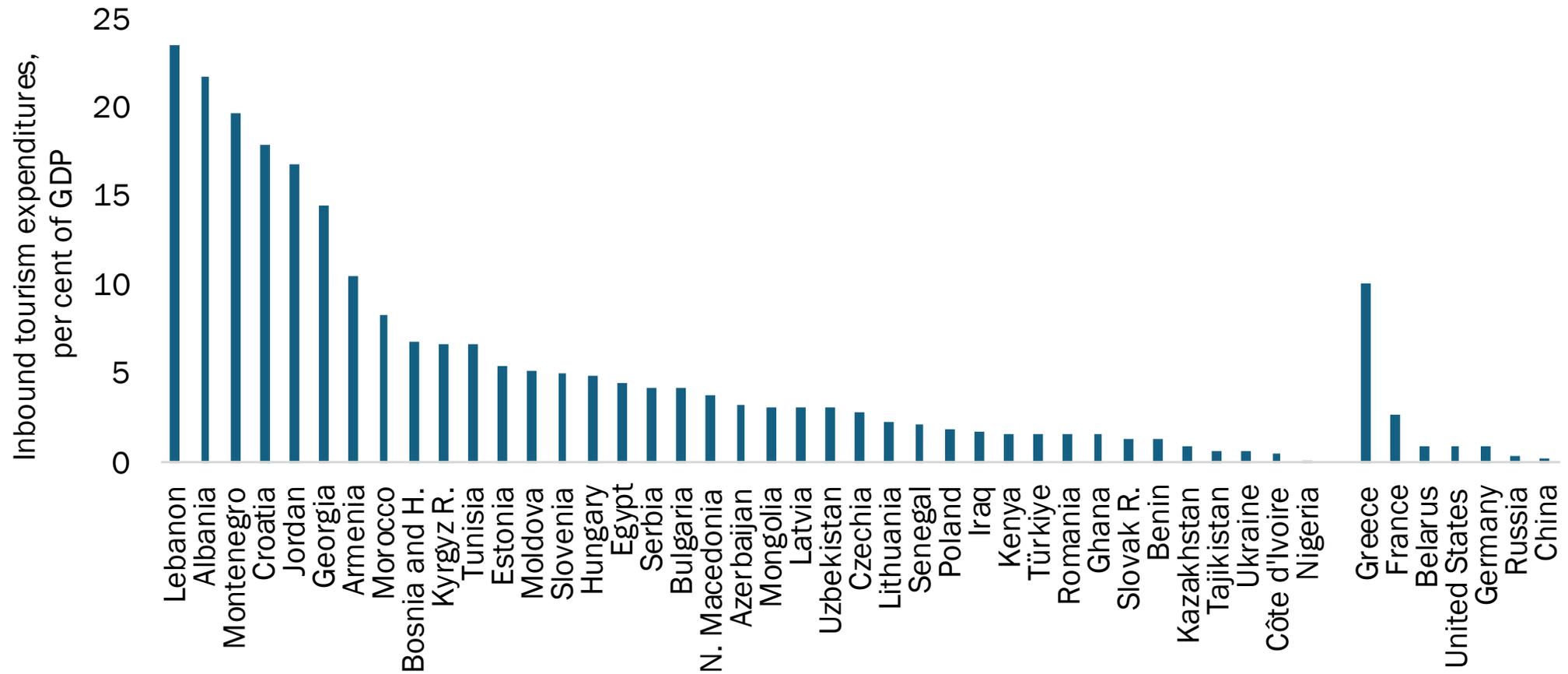
Per cent of GCC in trade, latest
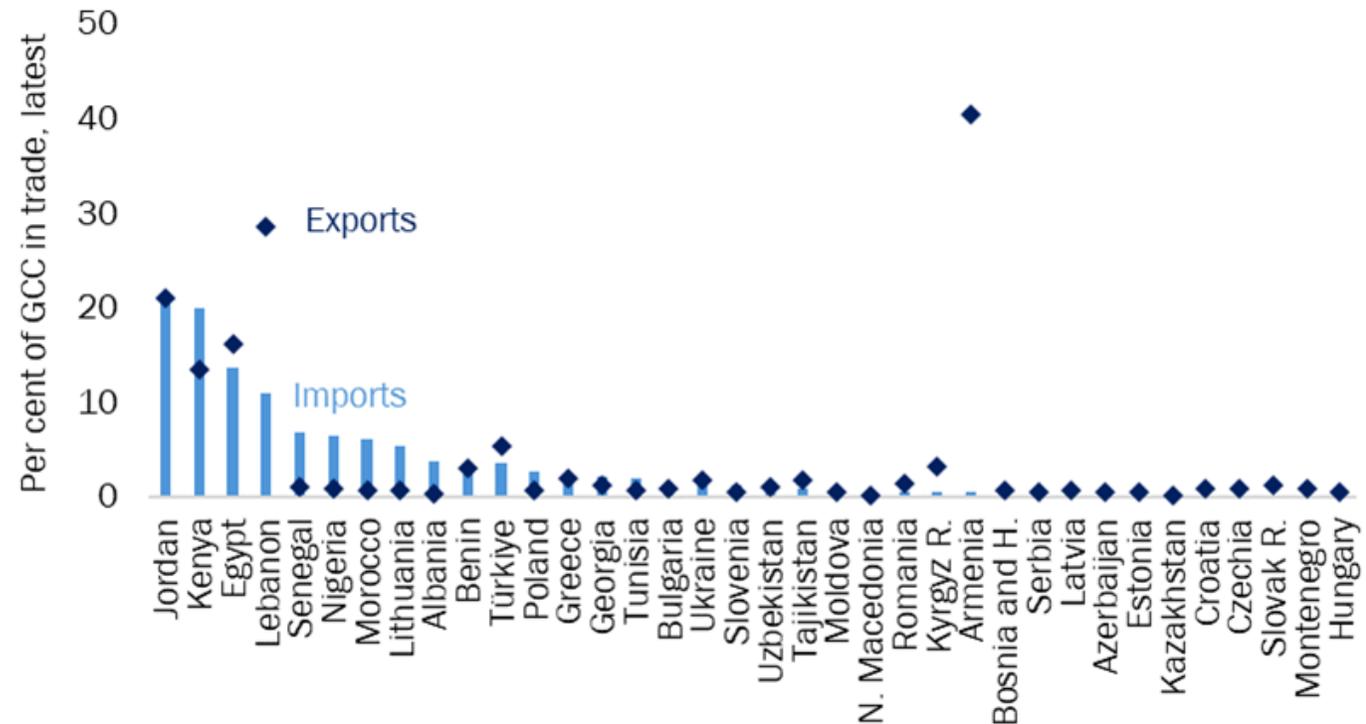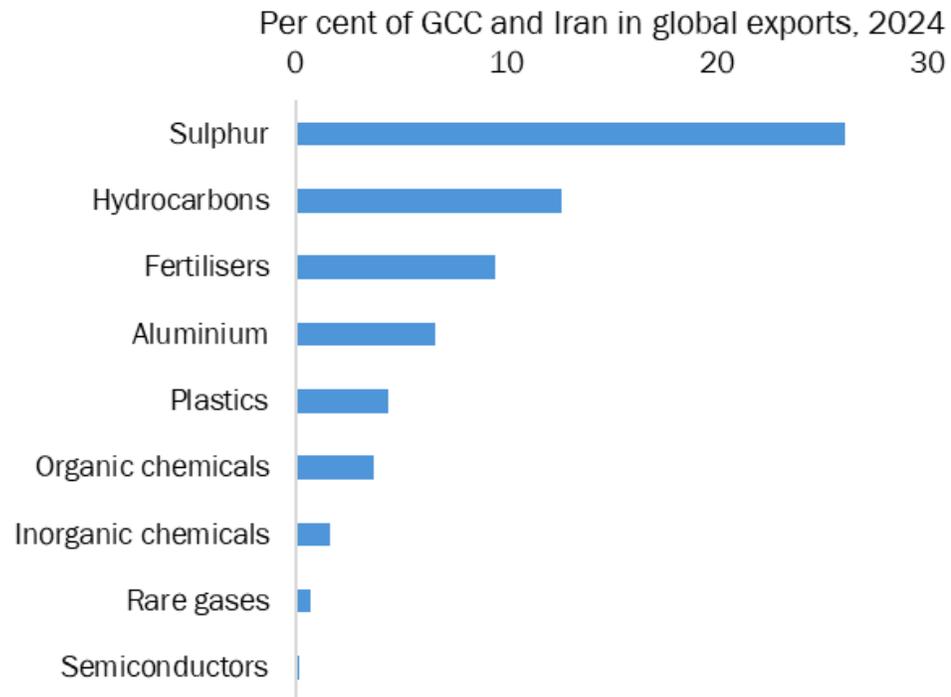
Source: ITC, UN COMTRADE and authors' calculations. Note: Sulphur is used primarily to produce sulphuric acid, used, for instance, in the production of phosphate fertilisers, detergents, pigments, dyes, pharmaceutical ingredients, also used in making synthetic rubbers, processing of metals such as copper, nickel, zinc, uranium and rare earths. Helium is used in cryogenics, the cooling of superconducting magnets (e.g. in MRI scanners), in the production of semiconductors, for arc welding, growing crystals to make silicon wafers etc.

Trade with Iran is limited for most economies in the EBRD regions and concentrated in the Caucasus and Turkmenistan (where data are patchy)


Per cent of Iran in trade, latest

Exports

Imports

Armenia, Azerbaijan, Georgia, Tajikistan, Uzbekistan, Türkiye, Kazakhstan, Kyrgyz R., Jordan, Lebanon, Senegal, Bulgaria, N. Macedonia, Serbia, Kenya, Bosnia and H., Moldova, Albania, Romania

Disruptions to travel and tourism would weigh on Jordan and add to devastation in Lebanon

Inbound tourism expenditures, per cent of GDP

Source: UN Tourism, IMF World Economic Outlook (October 2025) and authors' calculations. Note: Based on inbound expenditures of all visitors. 2024 or most recent available.

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Bond yields have risen in neighbouring economies; capital outflows have been manageable but may intensify
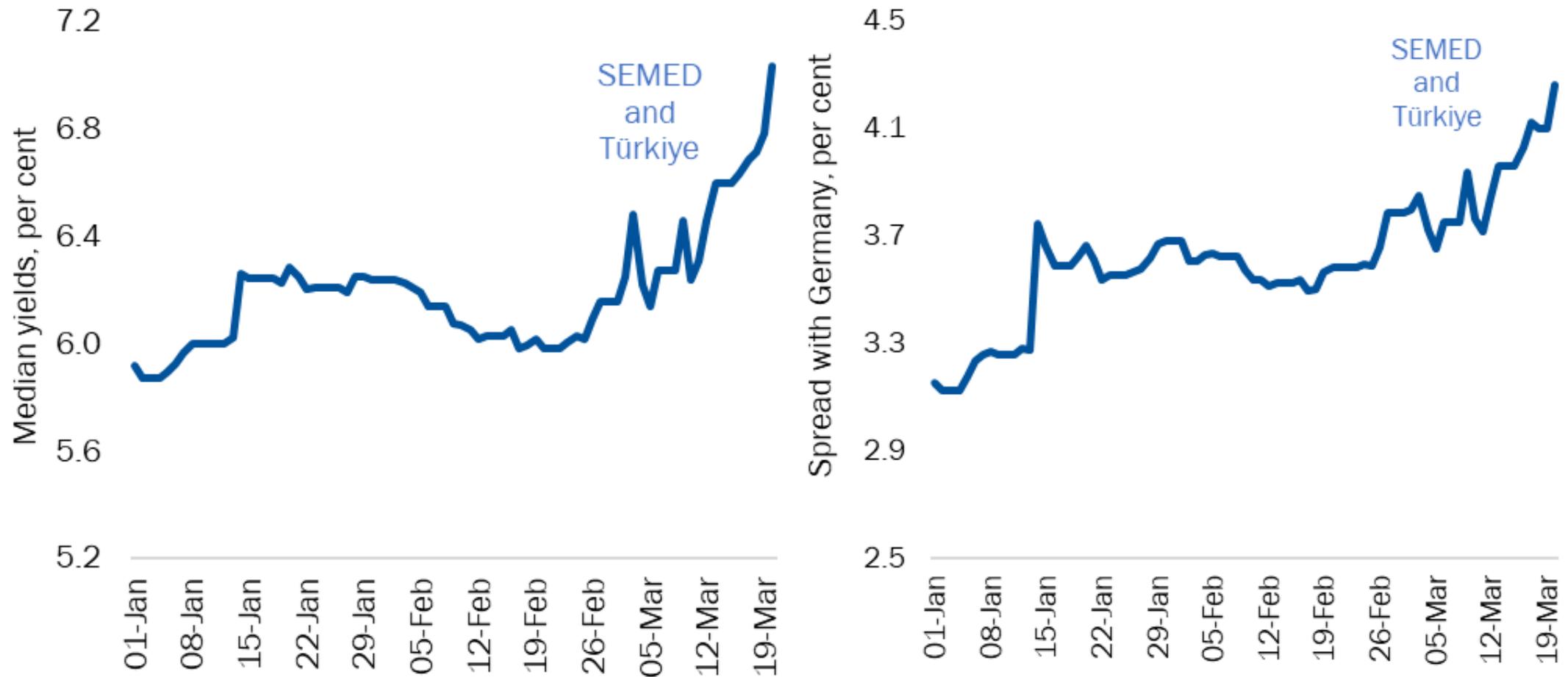
The fallout from the conflict is adding to fiscal pressures

Source: IMF and authors' calculations. Note: Data refer to 2025 or latest available.
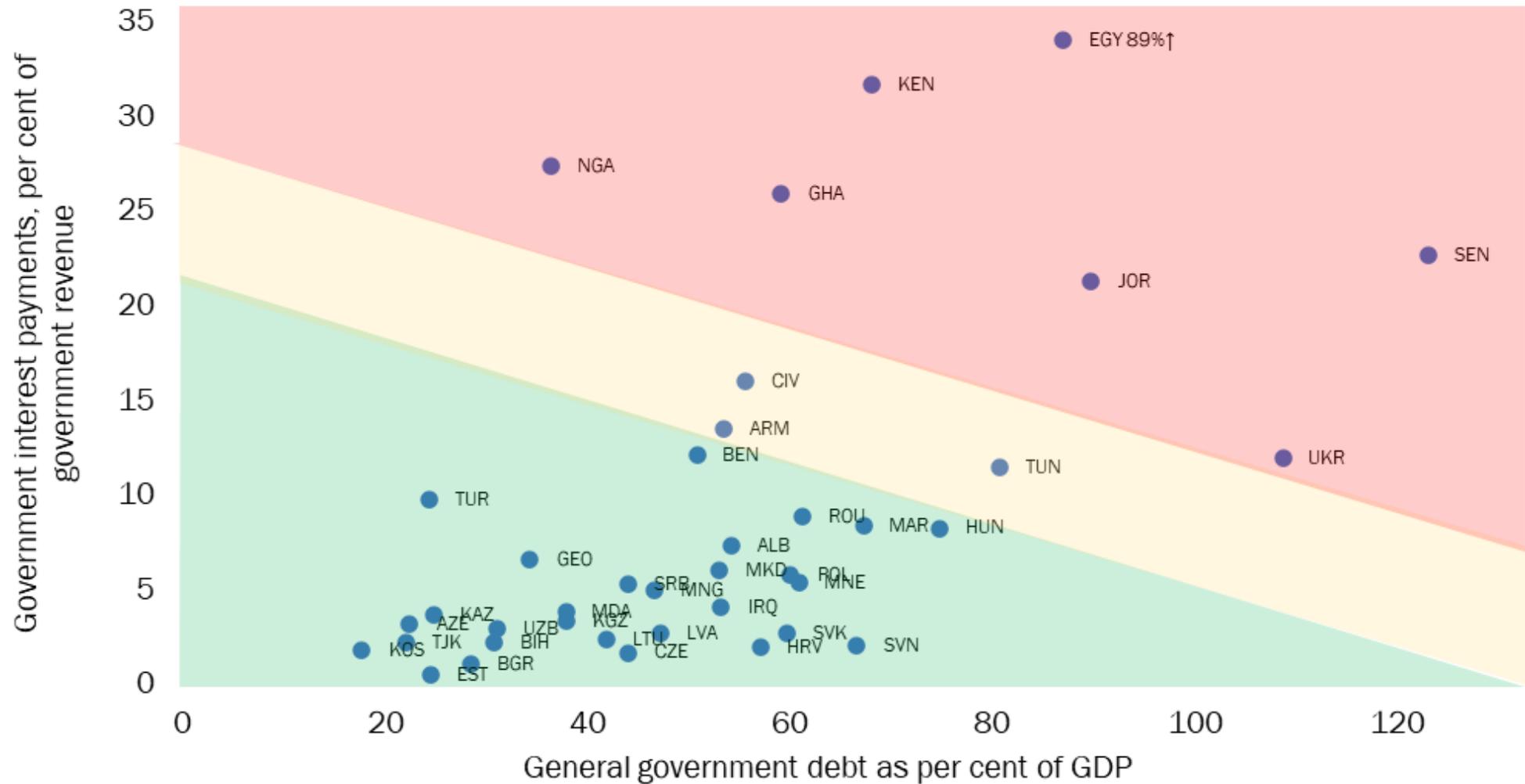
Economies most exposed to the war based on direct disruptions from conflict, energy imports, fertiliser / food import needs, remittances from GCC, fiscal capacity
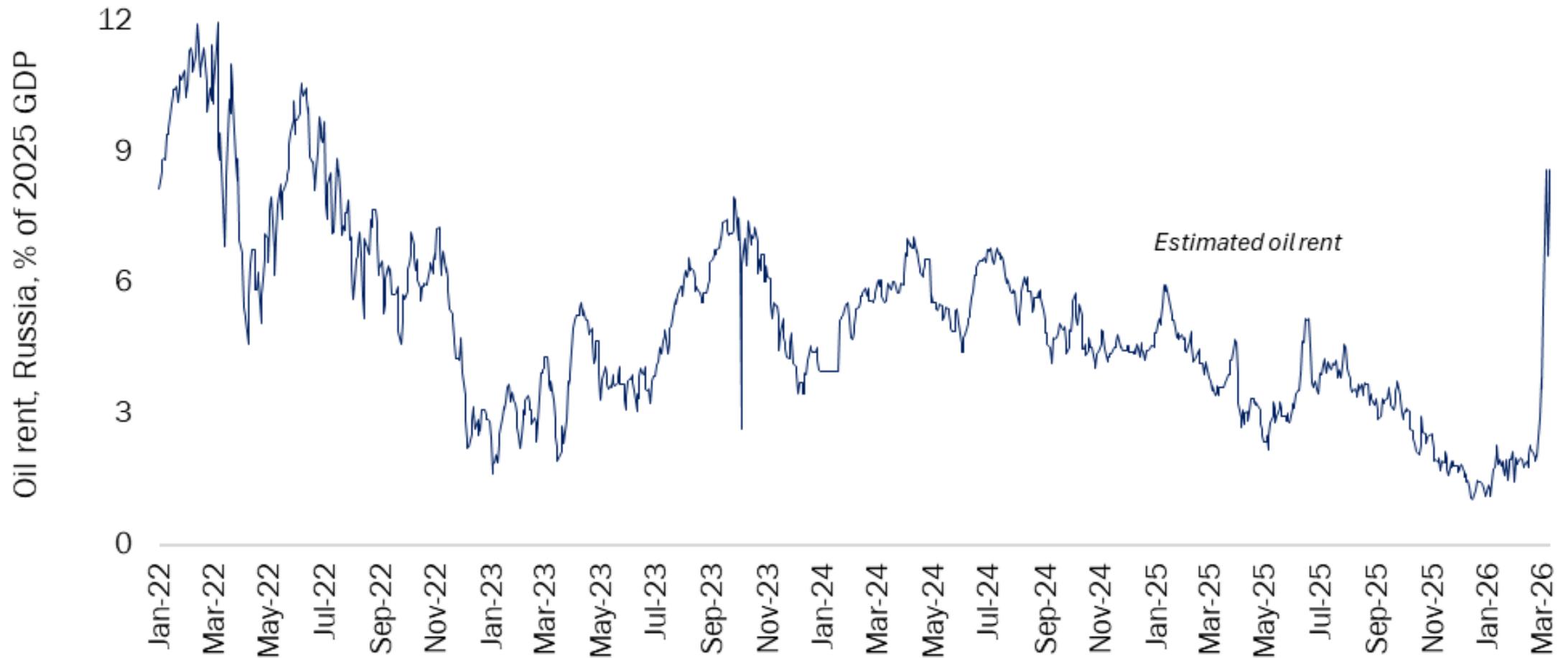
	Exposure through military impact, trade and remittances						Capacity to absorb shocks		Total effect
	Mil. impact, disrupted trade/tourism	Oil trade, % GDP	Gas trade, % GDP	Fertiliser trade, % GDP	Food trade, % GDP	Trade with Iran/GCC, % GDP	Remittances from GCC, % of GDP	Government interest bill, % GDP	External debt, % GDP	Total effect (index)
Lebanon	Yes	-14.0	-0.6	0.1	-8.5	11.3	8.3	0.6	335.6	63.4
Jordan	Yes	-4.8	-0.6	2.5	-6.3	15.8	4.1	5.6	88.0	32.5
Iraq	Yes	38.7						1.5	6.3	31.8
Egypt		-1.3	-1.5	0.5	-2.4	5.3	5.5	14.8	40.1	22.7
Ukraine	Partial	-3.6	-0.3	-0.6	9.1	0.8		5.0	101.4	19.5
Mongolia		-7.4	-0.1	-0.3	-2.1	0.3		1.7	159.8	9.5
Senegal		-3.5	-0.5	-0.1	-2.6	2.7		4.9	143.7	9.0
Tunisia		-3.0	-3.1	0.3	0.0	1.2		3.1	78.8	9.0
Moldova		-4.4	-2.5	-0.5	1.2	0.4		1.4	57.6	8.8
Kenya		-2.6	-0.3	-0.3	0.8	4.4		5.4	35.6	8.5
Türkiye	Partial	-0.5	-0.1	-0.1	0.8	2.3		2.8	37.9	8.5
North Macedonia		-4.5	-1.2	-0.2	-3.6	0.6		2.0	75.7	7.9
Armenia		-1.8	-2.1	-0.1	-1.8	23.5		3.4	63.2	7.4
Kyrgyz Republic		-4.4	-0.7	-0.2	-5.8	1.3		1.1	66.9	6.5
Georgia		-3.6	-1.3	0.3	-1.3	2.3		1.8	73.6	6.4
Montenegro		-3.7	-0.1	-0.1	-10.8	0.1		2.1	105.7	6.0
Ghana		-1.2	-0.2	-0.3	0.8	3.5		4.2	45.5	5.9
Serbia		-2.3	-1.2	-0.1	1.3	0.4		2.1	57.7	5.8
Hungary		-1.1	-1.1	-0.1	1.6	0.4		3.5	142.9	5.8
Tajikistan	Partial	-0.5	-0.7	-0.5	-8.7	1.9		0.6	49.1	5.3

Russia's windfall: Prices far above the estimated cost of production + opportunity to clear backlog of oil at sea looking for buyers, limited scope to increase production

Oil price, US$ per barrel, adjusted for inflation

Brent

Urals

Estimated cost of production
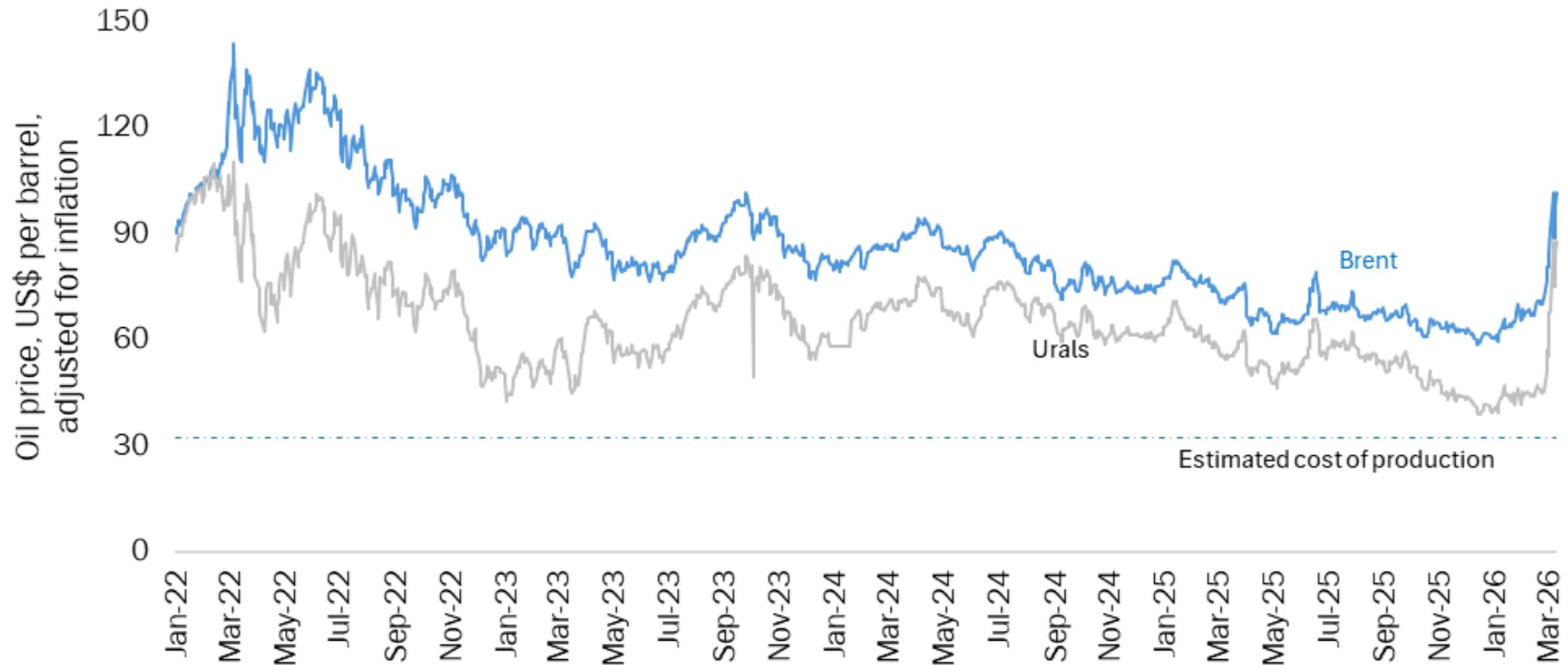
Increased oil prices raise Russia's oil rent receipts by 1.5% of 2025 GDP per US$ 10 of oil price (US$ 150-200 million per day with oil at US$ 100)

Estimated oil rent

Y-axis: Oil rent, Russia, % of 2025 GDP (0, 3, 6, 9, 12)

X-axis: Jan-22, Mar-22, May-22, Jul-22, Sep-22, Nov-22, Jan-23, Mar-23, May-23, Jul-23, Sep-23, Nov-23, Jan-24, Mar-24, May-24, Jul-24, Sep-24, Nov-24, Jan-25, Mar-25, May-25, Jul-25, Sep-25, Nov-25, Jan-26, Mar-26

Source: Bloomberg, Refinitiv and authors calculations. Note: Calculation assumes the base equivalent to potential oil production of 10.5 mbd (accounting for gas and derivative products such as chemicals and fertiliser) and average cost of extraction at US$ 32 per barrel in 2026 prices.

- The economic impact will be determined by the **duration of the conflict** and the extent of the **damage to energy infrastructure**

- **The impact likely to linger** beyond the end to hostilities

- **Direct negative effects on GDP growth** via energy costs, price of fertilisers and food, disruption to supply chains, tourism, remittances from GCC

- **Negative implications for inflation** and **government budgets, tighter financing conditions** in response to inflation

- **Spillovers from Germany**, as advanced Europe negatively affected by higher energy prices