

THE IMPACT OF THE IRAN–ISRAEL–UNITED STATES WAR ON THE GLOBAL ECONOMY: AN EX POST FACTO ANALYSIS

¹Nurilah Fitrah, Universitas Indonesia, Indonesia

E-mail: nurilahfitrah@gmail.com

ARTICLE INFO

Original Article

Received: 03,02.2026.

Revised: 05,03.2026.

Accepted: 12,03.2026.

Keywords:

*Geopolitical Conflict,
Global Economy, Iran,
Israel, United States,
Energy Security, Inflation,
Trade Disruption.*

ABSTRACT

This study examines the impact of the Iran–Israel–United States conflict on the global economy using an ex post facto research design. The conflict has generated substantial economic disruptions through energy market instability, inflationary pressures, financial market volatility, and trade interruptions. Secondary data were collected from international organizations, economic reports, and market analyses published during the conflict period. The findings indicate that the conflict significantly affected global oil and gas markets, increased inflation, disrupted supply chains, and weakened global economic growth. Energy-importing countries experienced the greatest economic burden, while some energy-exporting countries benefited from higher commodity prices. The study concludes that prolonged geopolitical conflict may increase the risk of stagflation, reduce international trade efficiency, and accelerate the transition toward alternative energy sources.

© 2026 JTK (Nurilah Fitrah). All rights reserved.

INTRODUCTION

Geopolitical conflicts have historically influenced economic performance through disruptions in trade, investment, energy supplies, and financial stability. The Iran–Israel–United States conflict represents one of the most significant geopolitical events affecting the international economy in recent years. Because the Middle East remains a major source of global energy production and transportation, military escalation in the region creates immediate consequences for global markets.

The Strait of Hormuz serves as a critical transportation corridor for approximately one-quarter to one-third of global oil trade and a significant share of liquefied natural gas exports. Disruptions in this route have contributed to increased energy prices, higher transportation costs, and greater uncertainty in financial markets. These developments have raised concerns among governments, businesses, and international organizations regarding global economic stability. (IMF)

LITERATURE REVIEW

1. Geopolitical Conflict and Economic Performance

Economic theory suggests that wars generate macroeconomic shocks through several channels:

- Energy price increases.
- Trade disruptions.
- Supply chain interruptions.
- Financial market volatility.
- Inflationary pressures.
- Reduced investment confidence.

Previous studies examining major conflicts such as the Gulf War and the Russia–Ukraine conflict indicate that geopolitical uncertainty often leads to slower economic growth and higher inflation.

2. Energy Security Theory

Energy security theory emphasizes the importance of reliable access to energy resources. Disruptions to strategic transportation routes increase production costs and reduce economic efficiency.

3. Global Trade Theory

International trade theories suggest that increased transportation costs and geopolitical risk reduce trade volume and create inefficiencies in global markets.

METHOD

1. Research Design

This study employed an ex post facto research design, which investigates existing phenomena without manipulating independent variables. The conflict had already occurred; therefore, the study analyzed its economic consequences using historical and contemporary economic data.

2. Data Sources

Secondary data were obtained from:

- a. International Monetary Fund (IMF)
- b. World Bank
- c. OECD
- d. International Energy Agency (IEA)
- e. Reuters Economic Reports
- f. United Nations Economic Reports

3. Variables

a. Independent Variable

Iran–Israel–United States Conflict

b. Dependent Variables

- 1) Global oil prices
- 2) Inflation rates
- 3) Global trade performance
- 4) Financial market volatility
- 5) Economic growth

4. Data Analysis

Data were analyzed using descriptive comparative analysis by comparing economic indicators before and during the conflict period.

RESULTS AND DISCUSSION

1. Result

a. Impact on Global Energy Markets

Analysis of international energy reports revealed significant disruptions in oil markets during the conflict period. Oil production and transportation through the Strait of Hormuz experienced substantial reductions, contributing to higher global energy prices. Reports indicated that actual Gulf-region oil flows declined significantly during the most severe stages of the conflict. (Reuters)

Table 1. Observed Energy Market Effects

Indicator	Before Conflict	During Conflict
Oil Supply Stability	High	Reduced
Shipping Risk	Low	High
Insurance Costs	Normal	Increased
Oil Price Volatility	Moderate	Very High

The findings demonstrate that energy markets served as the primary transmission mechanism through which the conflict affected the global economy

b. Impact on Inflation

Higher energy prices contributed to increasing transportation and production costs globally. Countries dependent on imported oil experienced greater inflationary pressures than energy-exporting nations. International assessments indicate that persistent energy shocks increased consumer prices and complicated monetary policy responses. (IMF)

Table 2. Inflationary Effects

Sector	Impact Level
Transportation	High
Manufacturing	High
Agriculture	Moderate–High
Consumer Goods	Moderate

c. Impact on Global Trade

Trade disruptions emerged through increased shipping costs, longer transportation routes, and higher insurance premiums. Maritime logistics experienced delays, reducing efficiency across international supply chains. Fertilizer shipments, industrial materials, and energy commodities were particularly affected. (IMF)

Table 3. Trade Effects

Variable	Effect
Shipping Costs	Increased
Freight Rates	Increased
Delivery Time	Longer
Trade Efficiency	Reduced

d. Impact on Financial Markets

Financial markets responded negatively to heightened geopolitical uncertainty. Investors shifted capital toward safe-haven assets such as gold and government securities. Stock market volatility increased, while borrowing costs rose in many countries. (IMF)

DISCUSSION

The findings confirm that the Iran–Israel–United States conflict generated significant economic consequences through multiple interconnected channels.

First, energy market disruptions represented the most influential transmission mechanism. According to IMF assessments, the conflict produced one of the largest energy shocks in modern history because of disruptions affecting the Strait of Hormuz. Higher energy prices functioned as an economic tax on energy-importing economies, reducing purchasing power and increasing production costs. (IMF)

Second, inflation increased as higher fuel prices spread throughout economic systems. Transportation, manufacturing, and agricultural sectors experienced substantial cost increases. These findings are consistent with

historical evidence from previous oil shocks, which demonstrate strong relationships between energy prices and inflation.

Third, trade disruptions created additional economic inefficiencies. Increased shipping costs and delays weakened global supply chains, reducing international trade performance. Similar patterns have been observed in other geopolitical conflicts where transportation routes become strategically vulnerable. (arXiv)

Fourth, financial markets reacted to uncertainty through increased volatility and risk aversion. Investors sought safer assets, reducing capital flows to riskier markets and contributing to tighter financial conditions.

An important finding is that the economic effects were unevenly distributed. Energy-importing countries in Asia, Africa, and Europe generally experienced negative outcomes, while some commodity-exporting economies benefited from higher oil prices. This asymmetrical impact supports international economic theories regarding terms-of-trade shocks. (IMF)

CONCLUSION

This ex post facto study demonstrates that the Iran–Israel–United States conflict has had significant impacts on the global economy. The conflict affected economic performance primarily through disruptions in energy markets, inflationary pressures, trade interruptions, and financial market volatility. The findings indicate that:

1. Energy markets were the primary channel of economic transmission.
2. Inflation increased globally due to higher fuel and transportation costs.
3. International trade efficiency declined because of shipping disruptions and increased logistics costs.
4. Financial markets experienced heightened volatility and uncertainty.
5. Energy-importing countries faced greater economic challenges than many energy-exporting countries.

The study concludes that prolonged geopolitical conflicts can generate substantial global economic costs and may increase the risk of slower growth combined with persistent inflation. Policymakers should strengthen energy diversification, improve supply chain resilience, and promote diplomatic conflict resolution to reduce future economic vulnerability.

The integration of CBT and waqf provides a powerful model for sustainable development. It promotes inclusive growth, strengthens local economies, and enhances social welfare.

REFERENCES

- International Energy Agency. (2026). Energy Market Review.
- International Monetary Fund. (2026). How the War in the Middle East Is Affecting Energy, Trade and Finance.
- OECD. (2026). Economic Outlook 2026.
- Reuters. (2026). Global Oil Market Analysis
- Reuters. (2026). OPEC+ Set for Fourth Oil Quota Hike Since Hormuz Closure.
- World Bank. (2026). Global Economic Prospects.