

MASHREQ GLOBAL DIGEST

GCC

March 1 – March 7



This edition of the Market Digest highlights recent macroeconomic and financial developments across the GCC region, providing a clear snapshot of the region's evolving economic landscape.

Macroeconomic News

JPMorgan Cuts GCC Non-Oil Growth Outlook Amid Conflict

JPMorgan has slightly lowered its 2026 non-oil growth forecasts for GCC economies following the escalations, citing rising geopolitical risks and uncertainty. The bank reduced regional non-oil growth expectations by 0.3 percentage points, with the largest downward revisions in Bahrain (-0.5 pp) and the UAE (-0.4 pp). Analysts warn that further revisions could follow depending on how the conflict evolves, as tensions may affect investor confidence, economic activity, and regional stability.

Reference: [Reuters](#)



Gulf States May Review Investments Amid War Pressures

Gulf states may reassess their overseas investments and financial commitments as the war begins to strain regional budgets, according to the Financial Times. Officials say governments are reviewing investment pledges, sponsorships, contracts, and potential asset sales to manage rising economic pressures if the conflict continues. The war has also challenged key pillars of the Gulf's economic model—regional stability and uninterrupted energy exports—prompting some countries to evaluate whether force majeure clauses could be invoked in existing agreements.

Reference: [Reuters](#)



GCC Projects Largely Unaffected by Regional Conflict

The ongoing conflict has so far had limited impact on construction projects across the GCC, with most of the region's 6,700+ active projects—worth about \$951 billion—continuing operations normally, according to MEED. Only a few sites temporarily halted work due to security concerns or nearby incidents. However, contractors warn that supply chain disruptions, shipping delays through the Strait of Hormuz, and rising oil prices could increase project costs in the coming months. While some companies fear the pace of future project awards may slow amid uncertainty, others say clients are accelerating contracts to lock in resources before costs rise.

Reference: [MEED](#)



Middle East Conflict Disrupts GCC Aviation and Tourism

Regional airspace closures following the Iran conflict have disrupted aviation across the GCC, with over 23,000 flights cancelled since February 28, affecting millions of passengers and forcing airlines to reroute flights and adjust schedules. While the impact may remain limited if the conflict is short-lived, prolonged disruptions could weigh on airlines, airports, and tourism. According to Oxford Economics, under its downside scenarios, international arrivals to the Middle East could decline by 11%–27% in 2026, equivalent to 23–38 million fewer visitors and \$34–\$56 billion in lost tourism spending, with GCC economies likely to face the largest impact due to their strong reliance on tourism and their role as major global transit hubs.

Reference: [Gulf News](#), [Oxford](#)



Gulf Food Security Tested as War Disrupts Shipping

The current war is testing Gulf food security as disruptions in the Strait of Hormuz threaten shipments in a region that relies on 80–90% food imports. Key ports like Dubai's Jebel Ali have faced disruptions, while alternative routes have limited capacity. Although GCC countries hold reserves covering several months, prolonged shipping disruptions could lead to higher food prices and supply delays across the region.

Reference: [Reuters](#)

Financial News

GCC Bond Markets Show Resilience Amid Regional Tensions

GCC corporate bond spreads, which widened briefly at the start of the Middle East conflict, have begun to retrace and are now trading flat to slightly tighter as investor sentiment improves. The early volatility was driven by a short risk-off reaction from international fund managers, but buying interest soon returned, highlighting the region's strong fundamentals. Regional banks outperformed corporate issuers during this period, while high-yield real estate credits underperformed due to security concerns. Meanwhile, the bond issuance market remains temporarily paused due to Ramadan and ongoing uncertainty, with activity expected to resume once conditions stabilize.

Reference: [Zawya](#)

Fitch: Sovereign Strength Anchors GCC GRE Stability

Fitch Ratings says the credit outlook for GCC government-related entities (GREs) remains closely tied to the strength of their sovereign governments. The agency expects GCC sovereigns to withstand a short regional conflict without major rating pressure, though prolonged tensions or damage to key energy infrastructure could pose risks. GREs will likely remain central to national diversification and resilience strategies, and while the conflict could slightly tighten financing conditions, strong sovereign support and solid balance sheets should help maintain overall stability.

Reference: [Zawya](#)



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Fitch: GCC Banks Well-Positioned to Iran Conflict Risks



Fitch Ratings expects GCC banking systems to remain resilient despite the ongoing regional tensions, noting that banks across the Gulf maintain strong financial metrics, ample liquidity, and solid capital buffers. The agency believes the conflict is likely to be short-lived and therefore unlikely to materially affect banks' credit profiles. In addition, bank ratings in the GCC are largely supported by expectations of sovereign backing, providing an additional layer of stability if conditions worsen. However, S&P warns that prolonged tensions could strain credit channels through potential capital outflows, with Bahrain and Qatar more exposed, while larger systems like the UAE and Saudi Arabia are better positioned to absorb shocks.

Reference: [Arabian Business](#), [Zawya](#)

Moody's: Iran Conflict Has Limited Impact on GCC Insurers

Moody's says the ongoing Iran conflict is expected to have limited immediate credit impact on GCC insurers, assuming the conflict remains relatively short-lived. The agency's baseline scenario anticipates disruptions to air traffic and shipping routes—such as through the Strait of Hormuz—to be temporary, with operations gradually resuming. However, the duration and intensity of the conflict remain key uncertainties, and prolonged disruptions could increase insurers' exposure and potential losses over time.

Reference: [Arabian Business](#)



Foreign Investors Pour \$1.9B into GCC Equities in February

Foreign investment into GCC equity markets remained strong in February 2026, reaching \$1.9 billion in net inflows, led by Saudi Arabia with \$1.0 billion, followed by the UAE with \$560 million and Qatar with \$259 million, while Kuwait recorded \$27 million, ending six months of foreign outflows. Despite these inflows, overall market sentiment weakened, reflecting rising geopolitical uncertainty following regional tensions. Analysts stress that companies must maintain transparency, strong liquidity, and clear communication on operational risks to sustain investor confidence in the current environment.

Reference: [Economy Middle East](#)

Energy Markets

Hormuz Disruptions Threaten Oil Output Across GCC

The Iran conflict is beginning to affect GCC oil exports, with Kuwait Petroleum Corporation declaring force majeure and cutting crude oil output as disruptions continue in the Strait of Hormuz, a route handling about 20% of global oil and LNG supply. In response to the shipping constraints, Saudi Arabia has started diverting some crude shipments to the Red Sea port of Yanbu, while the UAE's ADNOC said it is managing offshore output levels to address storage constraints while maintaining onshore operations. These developments highlight growing pressure on Gulf energy exporters, as prolonged disruptions could force further production adjustments across the GCC and impact regional supply flows.

Reference: [Reuters](#), [Reuters](#)

Markets

Market Dashboard

- Global equity funds recorded their first outflow in eight weeks as escalating Middle East tensions reduced investor risk appetite. Investors pulled \$1.44 billion from global equity funds, with U.S. equities seeing the largest outflows at \$21.9 billion, the biggest since early January. The MSCI World Index fell more than 2.5% during the week, marking its worst performance since April 2025 as rising oil prices and inflation concerns weighed on global stocks. On Wall Street, major indexes also declined, with the Dow Jones falling 0.95%, the S&P 500 dropping 2.02%, and the Nasdaq losing 1.59%, pressured by a spike in oil prices and concerns about a cooling U.S. labor market.
- Bitcoin still ended the week higher despite late volatility, supported by earlier gains during the week. Prices pulled back on Friday to around \$68,000 after the U.S. jobs report, but the cryptocurrency remained up on a weekly basis, reflecting continued investor interest in digital assets even as macroeconomic uncertainty and geopolitical tensions increased market volatility.
- Gold rose on Friday following weaker U.S. payroll data that supported expectations for future Federal Reserve rate cuts, but the metal remained on track for its first weekly decline in five weeks, falling about 2% for the week as a stronger U.S. dollar limited gains. Despite geopolitical tensions in the Middle East and rising oil prices, the dollar's strength weighed on gold, making it more expensive for overseas buyers.
- Oil prices rose sharply this week as escalating tensions in the Middle East disrupted supply flows through the Strait of Hormuz, a key route for global crude shipments. Brent crude climbed to more than \$92 per barrel, its highest level since October 2023, while U.S. crude also advanced as supply concerns intensified. The conflict forced several Middle Eastern producers to curb output and pushed refiners to seek alternative barrels, driving U.S. Gulf Coast heavy crude prices to their highest levels since 2020. Analysts noted that disruptions to Gulf exports and reduced availability of medium and heavy crude grades significantly tightened the market, supporting higher oil prices.
- The U.S. dollar strengthened this week as escalating tensions in the Middle East boosted demand for safe-haven assets. The dollar index was on track for a 1.4% weekly gain, its strongest performance in more than a year. Meanwhile, the euro fell about 1.7% against the dollar, while the Japanese yen weakened to around 157.8 per dollar, as rising oil prices and geopolitical uncertainty increased inflation concerns and pushed investors toward the greenback.

Indicators	27-Feb-26	6-Mar-26	% Change
S&P 500	6,878.88	6,740.02	-2.02%
Bitcoin	65,881.80	68,136.49	3.42%
Gold	5,277.90	5,171.12	-2.02%
Crude Oil	72.48	92.69	27.88%
EUR/USD	1.1803	1.1608	-1.65%

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