

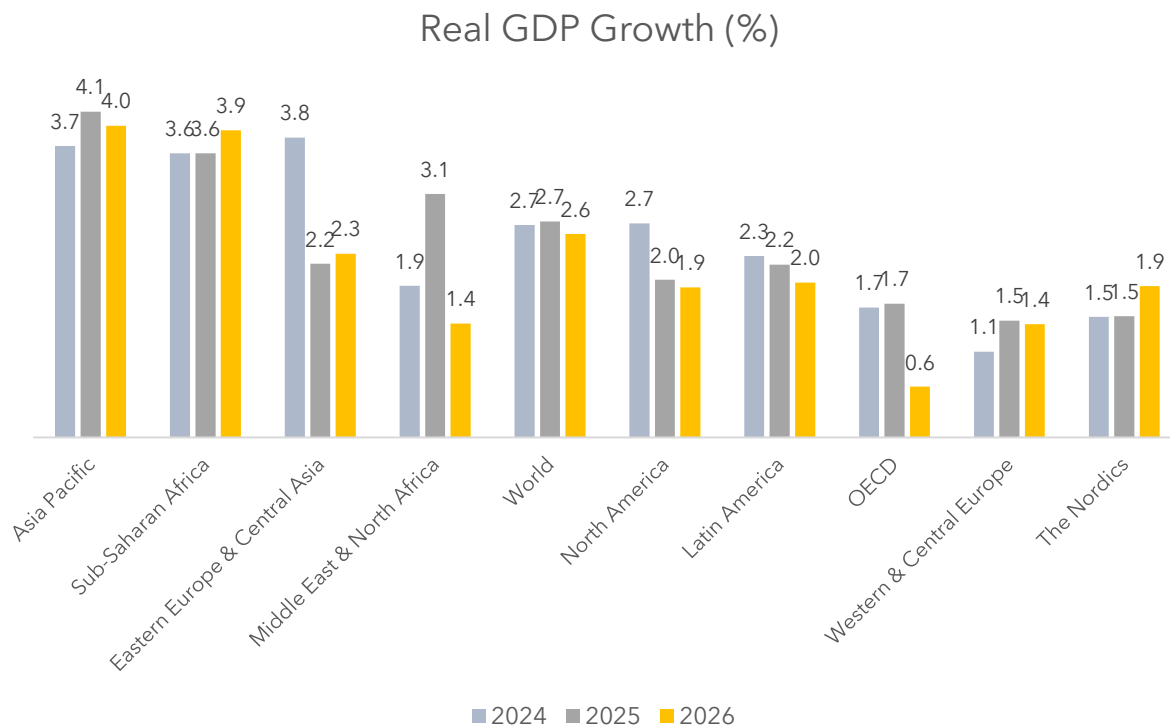
Quarterly Global Economic Outlook: Q2 2026

Middle East Conflict Transmits Global Shock

Global growth is slowing and the balance of risks has shifted further to the downside. The Iran conflict is increasingly acting as a global supply and confidence shock. The International Energy Agency (IEA) describes the current conditions as the largest oil supply disruption on record, with Hormuz flows reduced to a trickle and the knock-on effects spreading through refined fuels and liquefied natural gas (LNG). At the same time, aviation disruption and elevated risk premia are weakening services activity and adding uncertainty to investment decisions.

A large share of global energy flows through the Strait of Hormuz, so shipping disruptions and insurance constraints are feeding directly into higher landed costs, supply chain delays, and greater output risk for energy-intensive manufacturing. The policy mix is, therefore, becoming more difficult: growth support is needed, but renewed cost-push inflation (energy, freight, and eventually food inputs) limits room for faster monetary easing.

Regional Growth: Exposed to Conflict Spillovers



Sources: Haver Analytics, Dun & Bradstreet.

Risk Mitigation Priorities for Businesses

Build a “Plan B route” for critical lanes (air and sea):

Pre-agree alternatives with forwarders and lock in decision rules (when to reroute, when to pause). Use [Dun & Bradstreet Country Insight Solutions](#) to help track corridor-linked shifts in country risk ratings and business continuity signals, and [D&B Shipping Insights](#) to monitor shipment flows, carrier/port exposure, and early disruption signals across maritime routes.

Map supplier exposure beyond tier 1 for Gulf/Levant touchpoints:

Identify single points of failure (ports, feedstock, key subcontractors) and shortlist alternatives. D&B’s [Supplier Risk Management Solutions](#) can help you to monitor supplier viability and disruption risk, and receive alerts.

Re-check counterparty strength before extending credit or longer payment terms:

Protect cash and avoid surprises, because during disruptions, the underprepared fail first. Use [D&B Finance Analytics - Credit Intelligence](#) to standardize credit decisions, set terms, and monitor portfolio risk, and [RA - Compliance Intelligence](#) to strengthen onboarding and ongoing monitoring (KYC/KYB, adverse media, sanctions and watchlists) for higher-risk counterparties.

Create a “rapid replacement” list of suppliers/customers and the right decision-makers:

Pre-build lists — when routes break, speed matters. [D&B Hoovers](#) can help to find alternatives and reach decision-makers fast, and [D&B analytic services](#) can help model exposure, prioritize substitutions, and stress-test supplier and customer options using your internal data combined with D&B data.

Global Overview

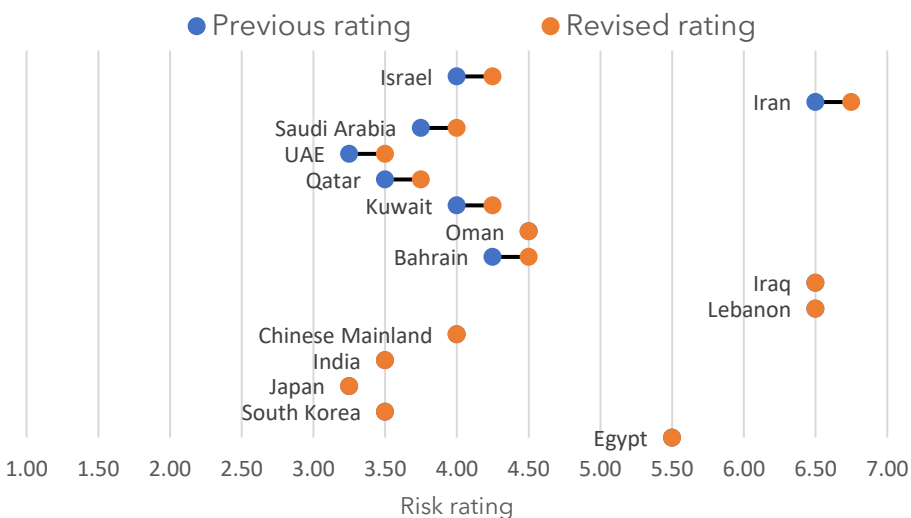
The Iran Conflict Through a Country Risk Lens

The conflict between Israel/the U.S. and Iran that started in February has expanded into a global shock to transport, trade, and security planning. The war has led to periodic closures and restricted access to airspace across Israel and parts of the Gulf, and has severely disrupted shipping through the Strait of Hormuz, a route that normally carries around 20 million barrels per day (b/d) of oil and oil products (about one-fifth of global consumption) and a major share of LNG. The disruption has been particularly hard for Asia because a large share of Hormuz-linked oil flows is destined for Asian importers, raising exposure for energy-dependent manufacturing supply chains. The immediate business effect has been longer and less reliable supply lines, higher freight and insurance costs, and more frequent “stop-go” operating conditions for firms with Gulf/Levant exposure, with international shipping bodies calling for urgent safe-passage arrangements and warning of heightened risks to civilian shipping.

Reflecting this, our overall country risk ratings¹ have moved up (becoming riskier) for Israel, Kuwait, Iran, the UAE, Qatar, and Bahrain, while Lebanon (already very high risk) and Oman (better routing options) remained unchanged overall. In Asia, the conflict has thus far primarily shown up through supply disruptions rather than a change in overall ratings, as higher energy and logistics uncertainty is weighing on import-dependent economies. However, the outlooks for overall risk ratings for key Asian economies are at ‘deteriorating’ as near-term cost pressures build, impacting investor and consumer confidences.

The changes can be best understood through three transmission channels captured by our Multi-risk Dimensional Analysis (MDA) scores – Business Continuity, Short-term Economic Outlook, and Political/Insecurity Risk – which explain most of the conflict’s operational and financial impact. Our rating scale runs from 1 (lowest risk) to 7 (highest risk), with risk measured in 25 basis point increments.

Overall Country Risk Ratings



Source: Dun & Bradstreet.

¹ These cover countries with published or imminent risk rating updates. We are also reviewing risk ratings for other affected markets.

Transport Upheaval Affects Business Operations

Business continuity risk across the Middle East has risen because the Iran war has made transport less available and less predictable, even when facilities remain open. In aviation, shifting airspace restrictions and risk advisories across parts of the Gulf and the eastern Mediterranean have forced frequent cancellations and rerouting, disrupting passenger flows and air cargo connections. This weakens hub reliability (including Dubai/Doha/Abu Dhabi) and slows time-critical shipments that depend on belly-hold capacity and stable flight corridors.

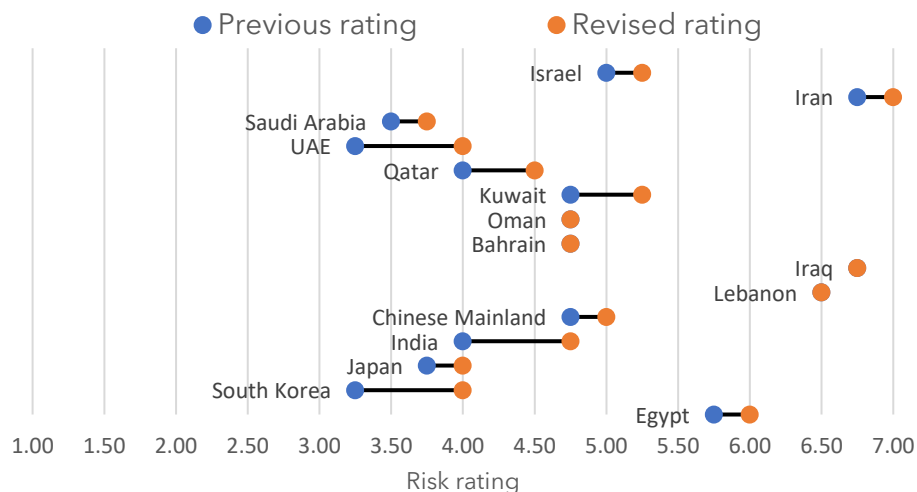
The bigger shock is at sea. Traffic through the Strait of Hormuz has effectively come to a halt as operators avoid the area and war-risk cover has surged, which can halt voyages even if ports are physically able to load. Iran has also tightened operational uncertainty by moving toward “permissioned” transit – including a toll/controlled passage model – which reinforces the stop-go nature of routing decisions for commercial operators. This is critical because Hormuz is the main outlet for Gulf energy exports, and the disruption has been severe enough to trigger a record coordinated emergency stock release by the 32 IEA countries.

Limited alternatives exist. Saudi Arabia can bypass the strait via the East-West pipeline (design capacity ~7 million b/d) and the UAE via the Habshan-Fujairah pipeline (~1.5-1.8 million b/d), both meaningful but small compared with normal Hormuz flows. Others, such as Kuwait, lack comparable bypass capacity and are structurally more exposed to chokepoint disruption risk.

Spillovers extend beyond the Gulf, with business continuity and prices already affected in Asia. A large share of Hormuz-linked volumes typically goes to Asian importers, so reduced transits and selective passage have increased lead-time uncertainty for crude, refined fuels, and LPG/LNG feedstocks used in power, transport, and petrochemicals. This has pushed several Asian governments and firms into contingency mode (fuel supply planning, diversifying procurement, and launching emergency coordination), reflecting concern that logistics disruptions could outlast the initial military phase.

Major liner operators have suspended Hormuz crossings and paused Suez sailings via Bab el-Mandeb, rerouting around the Cape of Good Hope, which raises lead times and costs on Asia-Europe and Asia-US East Coast routes, and could weigh on Egypt’s Suez trade flows.

Business Continuity Risk Ratings



Source: Dun & Bradstreet.

Short-term Growth Impacted

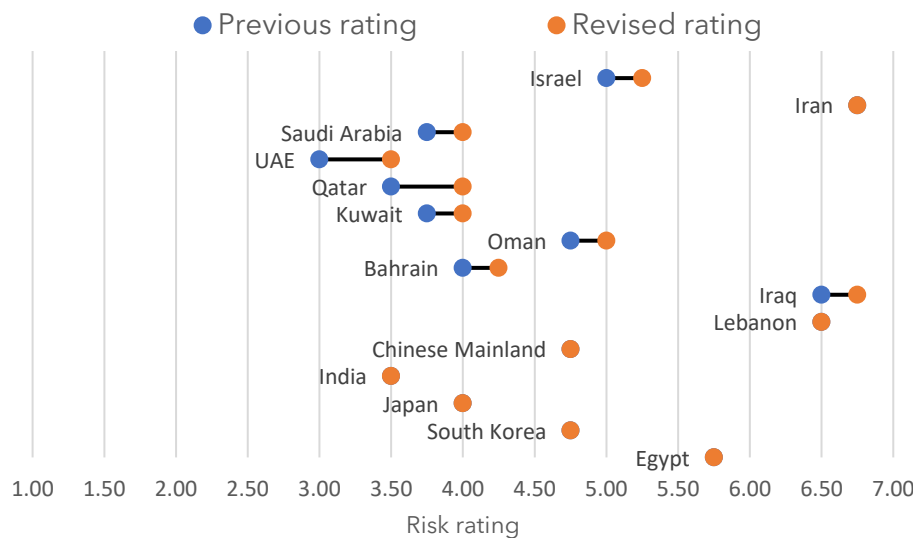
The near-term growth outlook has softened because the conflict is impacting demand and costs at the same time. The shock has become two-track: disruption to the oil channel (moving crude, related products, and LNG reliably) is colliding with pressure on the non-oil growth story, as travel and services weaken and risk premia rise.

Airspace disruption is the quickest transmission mechanism. Reduced flight volumes and longer routings raise operating costs and make travel plans less dependable, which typically hits tourism, business travel, and major events first across hub markets. Asia has already been impacted, with connections between Europe and Asia disrupted via hub upheaval and longer routes, while higher jet fuel costs add to margin pressure across carriers and freight forwarders.

Investment is the next pressure point. As uncertainty rises, investors and lenders price a higher regional risk premium into deals - insurance, shipping, hedging, and working-capital buffers all get more expensive. This is most visible in Asia's import-dependent manufacturing economies, where governments have already shifted into contingency mode for worst-case energy and trade outcomes, reflecting the risk of second-round hits to output and sentiment.

Inflation risk is rising through logistics and key inputs. With Hormuz disruption and rerouting, transport costs are increasing and supply chains are slower, which could keep core inflation sticky even if domestic demand softens. A key "lagged" channel is food: the Hormuz disruption is constraining globally traded fertilizers (and related inputs such as sulfur), creating a "double shock" for farmers from higher fuel and fertilizer costs, which could then feed through into food inflation with a delay.

Short-term Economic Outlook Risk Ratings



Source: Dun & Bradstreet.

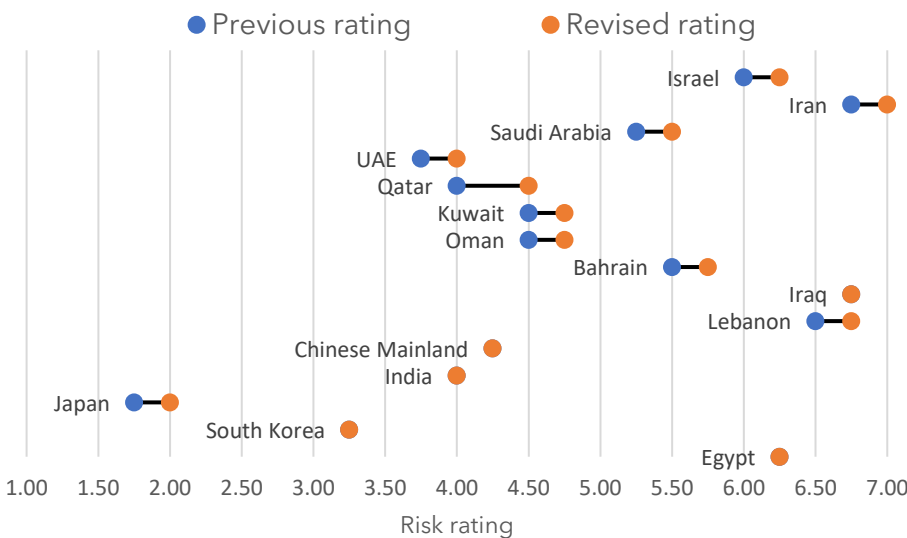
High Geopolitical Instability

Political/insecurity risk for Middle Eastern economies has risen following the outbreak of the conflict and subsequent spillover across the region. The risk of further escalations that trigger tighter security checks, port/airport restrictions, and abrupt changes in routing and insurance terms has increased.

We also see a higher probability of actions by regional armed groups that could affect critical corridors and infrastructure. The risk environment in the Red Sea/Strait of Bab el-Mandeb has become more fragile, increasing the chance of disruption to routes that connect Asia with Europe and the Mediterranean, especially as shipping patterns adjust under stress. The conflict has also raised the likelihood of further activity by groups such as the Houthis; this would further complicate security planning for Gulf and Red Sea operations and extend the conflict’s risk footprint beyond Hormuz.

In the Levant, the spillover is already visible: the Israel-Hezbollah front in Lebanon has intensified alongside the wider conflict, increasing risks to personnel safety, business mobility, and continuity of essential services.

Political/Insecurity Risk Ratings



Source: Dun & Bradstreet.

The impact is not limited to the channels above, neither is the country list exhaustive. In Asia, the energy shock is already spilling over into financial conditions: several Asian currencies came under sustained selling pressure in March, adding to foreign exchange volatility risk and complicating pricing, hedging, and funding decisions for import-dependent firms. Further, some of the most material second-round effects sit outside the countries discussed here. For example, several economies are heavily reliant on fertilizers shipped from the Persian Gulf via Hormuz-linked routes – including Sudan, where 54% of fertilizer imports are sourced via the Persian Gulf – meaning the conflict could translate into higher farm input costs and food security stress.

Regional Insights

North America

North America enters Q2 with domestic demand still positive, but the operating environment has become less supportive. Higher energy and freight costs, shipping disruption, and trade policy uncertainty are feeding into business planning. While the U.S. remains better cushioned than Canada, firm-level conditions were already weakening before the latest shock was fully transmitted.

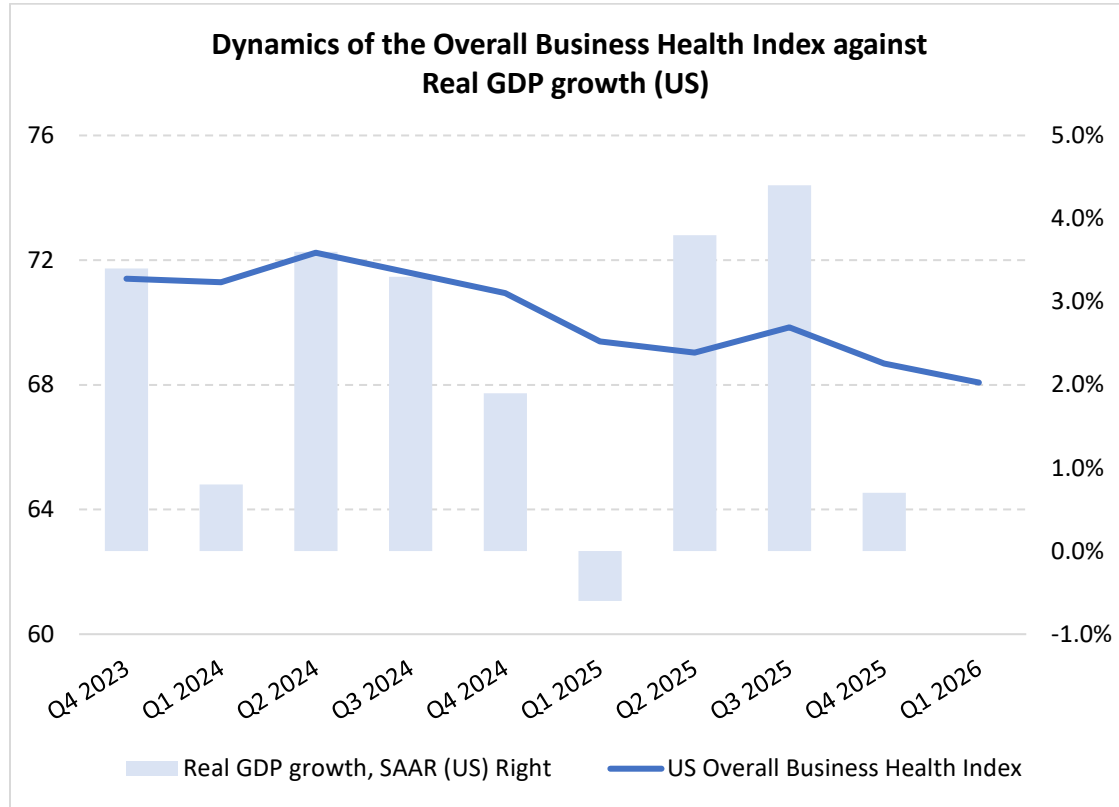
Energy costs and logistics remain the major concerns. The price of Brent Crude surged in March as disruption around the Strait of Hormuz reduced flows and production. Direct U.S. exposure remains limited, but [Dun & Bradstreet shipping data insights](#) show delayed arrivals and booking cancellations among shipments using Iran-adjacent routes, and higher working-capital pressure across input-sensitive sectors such as transportation, chemicals, and wholesale trade.

In March, both the Federal Reserve and the Bank of Canada left rates unchanged. February headline inflation remained moderate, but U.S. upstream price pressures rose, with producer and import prices up, according to the Bureau of Labor Statistics (BLS). February activity data from the Institute of Supply Management (ISM) still pointed to expansion in manufacturing and services, but March forward indicators softened. Instead of falling demand, elevated costs are putting pressure on profitability, cash flow, and investment.

The [Dun & Bradstreet Overall Business Health Index](#) fell again in February 2026, reaching a new low since 2025. The weakness was driven mainly by lower transaction activity and softer payment dynamics, pointing to slower commercial throughput and tighter cash flow cycles. The March energy and logistics shock is more likely to intensify margin pressure and extend payment delays.

Looking ahead to the next quarter, the outlook will depend less on whether growth remains positive and more on how quickly energy markets stabilize, shipping disruptions ease, and upstream inflation pressures stop broadening. The U.S. retains more domestic support, while Canada appears more exposed to weaker external demand and cross-border trade friction.

Dynamics of the Overall Business Health Index Against Real GDP Growth (U.S.)



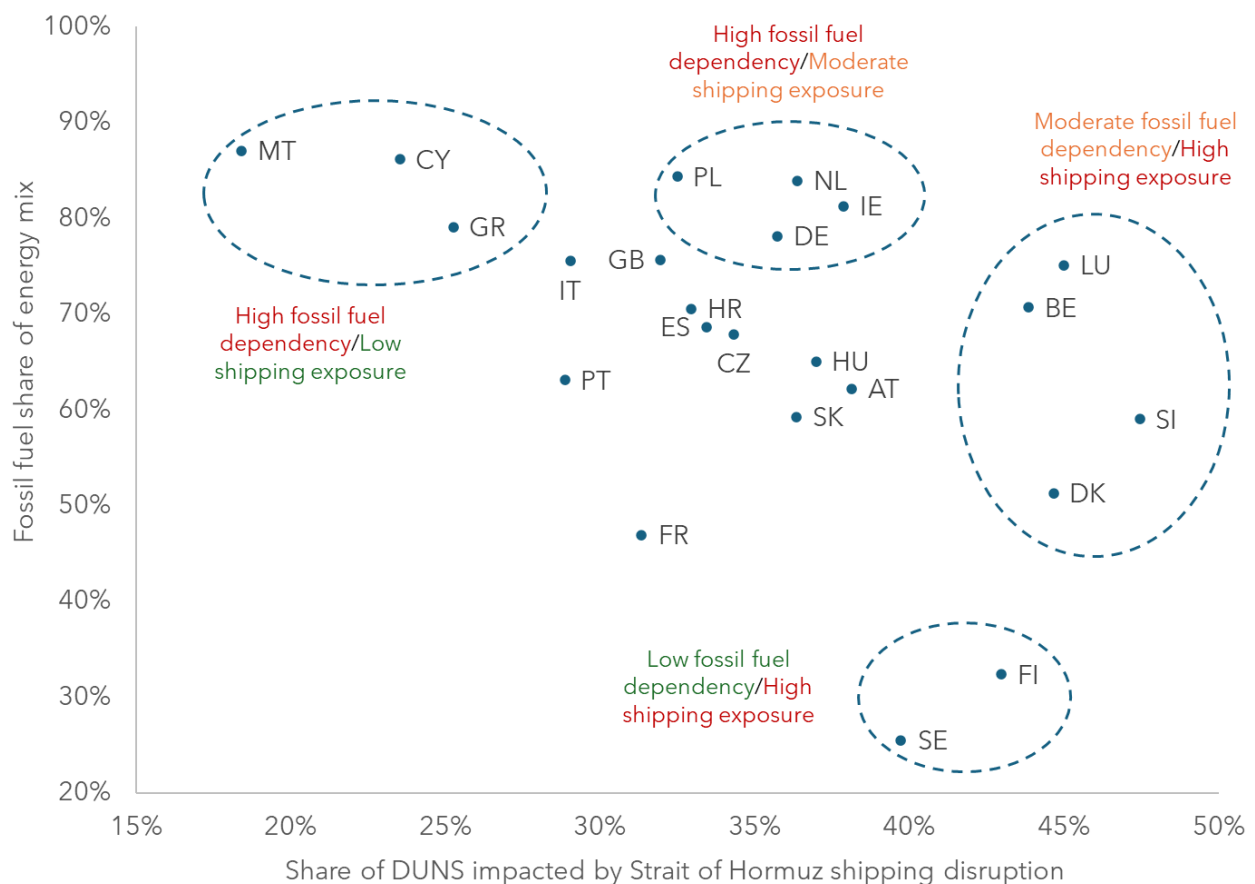
Source: Dun & Bradstreet.

Western Europe

The impact of the conflict in the Middle East has two primary transmission pathways into European economies: first, countries that depend heavily on fossil fuels will experience a spike in energy costs as the price of oil and gas on international markets has increased sharply. These countries include Malta (MT), Cyprus (CY), Greece (GR), Poland (PL), the Netherlands (NL), Ireland (IE), and Germany (DE). Second, besides energy, businesses have already faced and will continue to face delays to and cancellations of non-energy shipments in and out of the Strait of Hormuz. [Our analysis](#) identified Slovenia (SI), Luxembourg (LU), Denmark (DK), Belgium (BE), Finland (FI), and Sweden (SE) as having high maritime trade exposure; over 40% of DUNS identified by Dun & Bradstreet in these countries have faced or are likely to face disruption to shipments through the strait.

Looking ahead to the next quarter, we expect the Bank of England (BoE) to hold rates at both its April and June meetings, in a sharp reversal of previously widely held expectations for at least one rate cut in H1 2026. The decision is complicated for the central bank: inflation was last recorded well above target (3.0% in January and February 2026) but lackluster economic growth and slack in the labor market are likely to prevent wage pressures from building and prolonging the inflationary wave. Our view differs from financial markets, which are pricing in up to four rate hikes in 2026; the dilemma for rate-setters, including at the ECB, is whether the risk of a fresh inflationary spiral will outweigh recessionary risks as supply frictions grind activity to a halt.

European Exposure to War in the Middle East Is Two-Fold



Sources: Dun & Bradstreet Shipping Insights, IEA, Eurostat.

Asia Pacific

The Iran conflict has created lasting stress for business continuity in the Asia Pacific region. Even with fighting paused, energy availability, shipping disruption, and insurance costs have exposed vulnerabilities that will continue to weigh on operations over the next quarter.

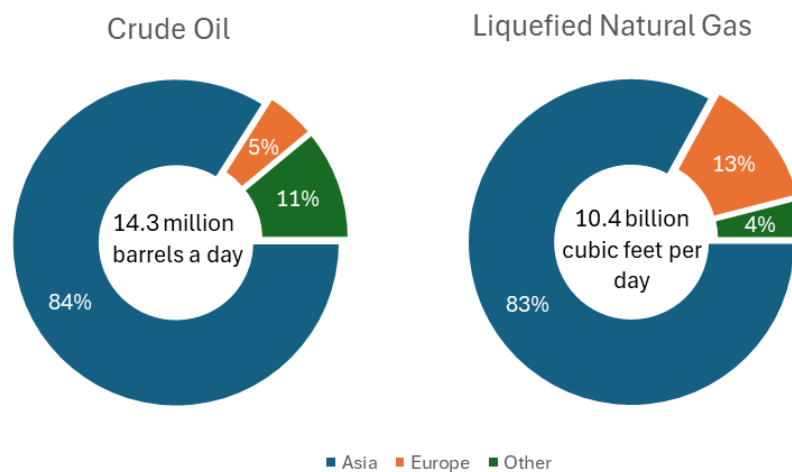
Impact has primarily been transmitted via energy and logistics. Oil prices remain well above January levels despite easing from March peaks, as war-risk insurance, tighter tanker availability, and rerouting costs stay elevated. Several Asian economies dependent on imported fuel – Japan, South Korea, India, and parts of Southeast Asia – have faced power-conservation measures and fuel rationing, raising the risk of operational downtime in energy-intensive sectors. For businesses, higher freight and power costs are now likely to be embedded even without renewed escalation in the conflict.

Shipping and supply chains are facing second-round effects. Many Asia-Europe shipments have been diverted via the Cape of Good Hope, lengthening lead times by 10-14 days. Although some routes have reopened, schedules are compressed and insurers cautious. This raises delivery deadline risk across manufacturing, with chemicals, electronics, and pharmaceuticals especially exposed.

Inflation risks are elevated. Volatility in input supplies is contributing to fluctuations in manufacturing costs, particularly chemicals and petrochemicals, while disruption in the fertilizer supply chain threatens agricultural production and food prices later in the year. This has complicated the policy outlook. Most regional central banks are toward the end of their monetary easing cycle, but upside inflation risks, combined with delayed easing by the Federal Reserve, have pushed rate cut expectations further into the future.

Looking ahead to the next quarter, Asia Pacific’s growth will hinge less on underlying demand and more on the pace at which energy markets stabilize and shipping routes and critical input flows normalize. Elevated fuel and logistics costs, along with delayed deliveries, are likely to keep margin and output pressures in place even as consumption holds up.

Crude Oil and LNG Transported Through the Strait of Hormuz in 2024



Sources: UN Trade and Development, based on U.S. Energy Information Administration (2025), Dun & Bradstreet.

Eastern Europe & Central Asia

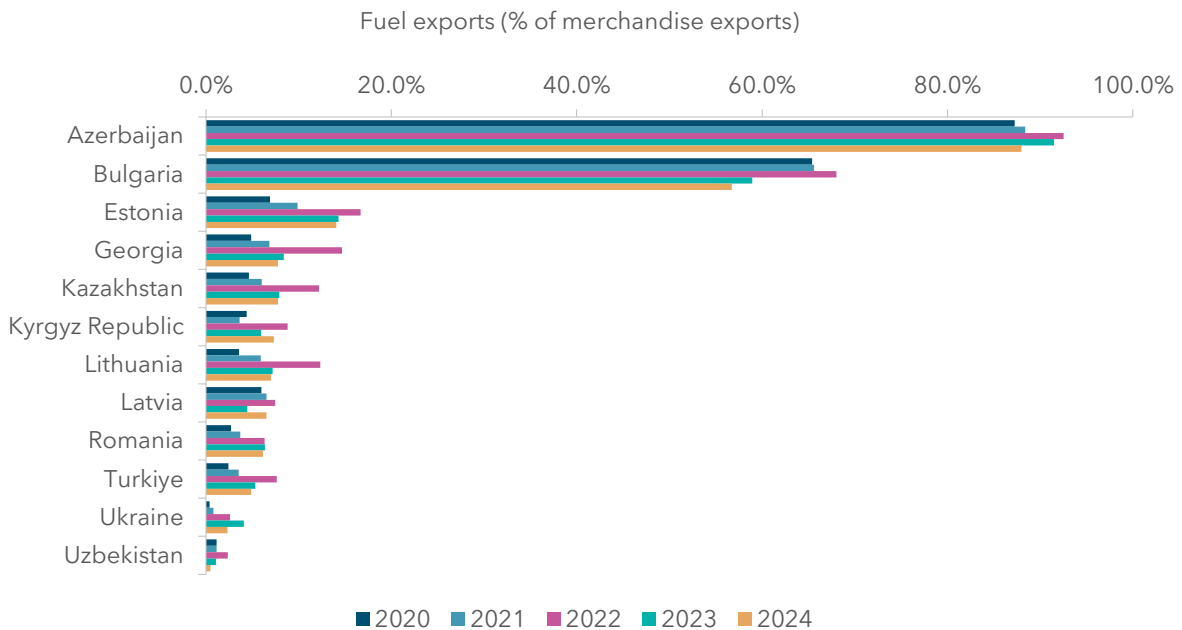
Economic conditions across Eastern Europe and Central Asia remain mixed as the region adjusts to subdued global growth, elevated geopolitical risks, and ongoing energy and trade reorientation. Growth in developing European economies is projected at 2.4-2.6% in 2026, reflecting weaker momentum in Russia and slowing household demand in parts of Eastern Europe, notably Romania and Belarus. In contrast, Central Asia continues to outperform, with growth of 5.6-5.8% supported by energy, construction, and mining-related investment.

The Middle East conflict and renewed supply chain disruptions are increasing pressure on energy markets, trade routes, and transit infrastructure. Risks are especially pronounced in the South Caucasus, where Azerbaijan, due to its location, is highly exposed to spillover from the Iran war and Georgia remains vulnerable due to its role as a key energy transit corridor (via the Baku-Tbilisi-Ceyhan pipeline). In Central Asia, economies such as the Kyrgyz Republic and Tajikistan are exposed to fuel price volatility, given their reliance on imported energy and southbound trade routes linked to Iran and the Gulf.

Policy responses continue to prioritize infrastructure, connectivity, and energy security. Governments are redesigning trade corridors, expanding energy diplomacy, and accelerating investment in rail, ports, and digital networks. In Eastern Europe, EU funding is an important anchor for infrastructure upgrades, energy-transition efforts, and manufacturing resilience.

Looking ahead to the next quarter, growth will be contingent on energy price stability, trade route reliability, and progress in reducing external vulnerabilities. The region’s strategically important location, natural resources, and sustained engagement from the EU, Gulf partners, and international financial institutions support a cautiously constructive medium-term outlook.

Fuel Export Exposure Highlights Geopolitical Sensitivity



Sources: World Bank, UN Comtrade, Dun & Bradstreet.

Latin America

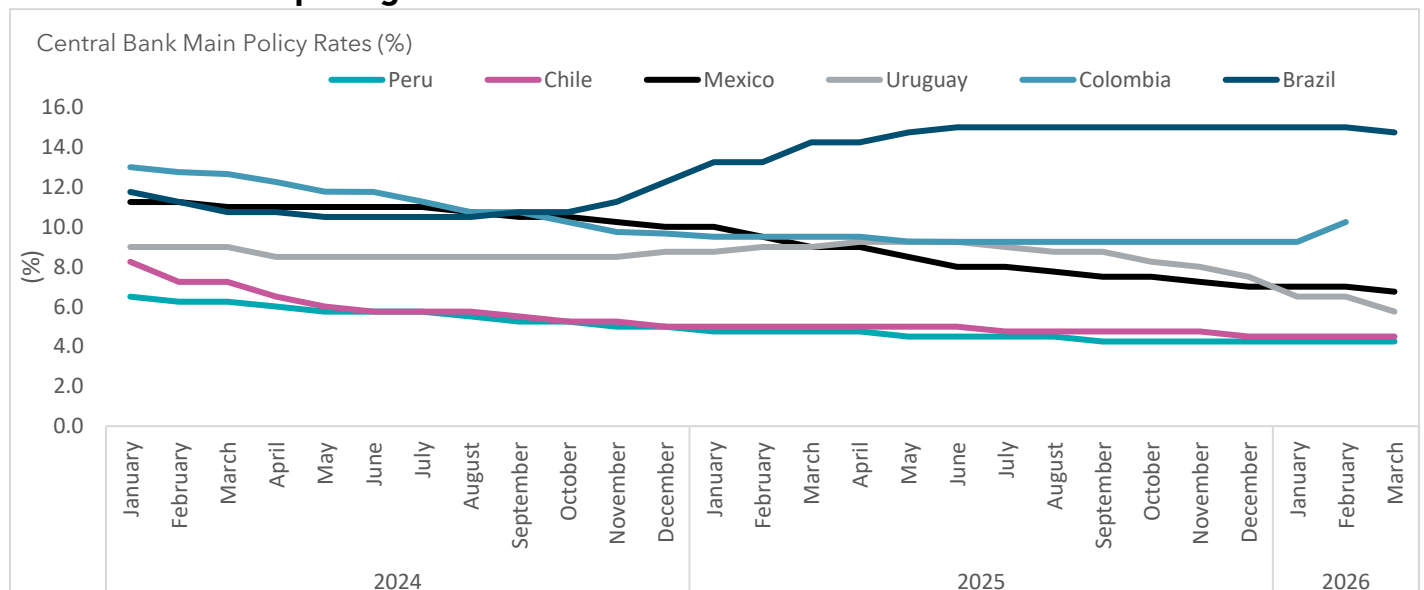
Latin America enters Q2 2026 facing heightened geopolitical and macroeconomic pressures. The U.S.-Israel-Iran war has delivered an immediate shock to energy markets, with higher Brent Crude prices lifting input costs and inflation risks across the region. Net hydrocarbon exporters such as Brazil, Colombia, and Ecuador are benefiting from improved external balances, while net energy importers — including Panama, Chile, and much of Central America — face rising import costs. Elevated fertilizer prices, driven by supply disruptions, are weighing on agricultural output and margins, including in Brazil and Argentina. Governments have responded with fuel subsidies and price controls. Brazil announced diesel subsidies and tax exemptions on March 12 — to be partly financed by a new 12% tax on crude exports — while Mexico has capped regular petrol prices at MXN24 per liter for six months, effective March 11. While comparable measures may dampen short-term inflation, they risk increasing fiscal strain if high oil prices are sustained.

Monetary policy signals have become more cautious. Brazil’s 25bps Selic cut to 14.75% in March marked the start of an easing cycle, though energy-driven inflation risks are likely to constrain the pace and weigh on domestic demand. Separately, Chile and Peru held rates at 4.50% and 4.25%, respectively, in March, reflecting caution amid global volatility.

Looking ahead to the next quarter, growth is likely to remain subdued and uneven, with inflation risks biased upward. Trade diversification offers partial offsets. Provisional application of the EU-Mercosur trade agreement from May 1 will support medium-term exports, while Argentina’s first long-term LNG export contract, signed with Germany in March, underscores momentum in energy and critical minerals.

Geopolitical, security, and political risks are elevated. The U.S.-led launch of the Americas Counter Cartel Coalition in March signals a shift toward a more militarized regional security posture. Risks are compounded by deteriorating U.S.-Cuba relations — where an effective fuel blockade and the suspension of external oil shipments have triggered acute energy shortages and blackouts — evolving U.S.-Venezuela dynamics, and forthcoming presidential elections in Peru in April and Colombia in May.

Potential Inflation Upswing in Q2 2026 Points to Hawkish Central Bank Pivot



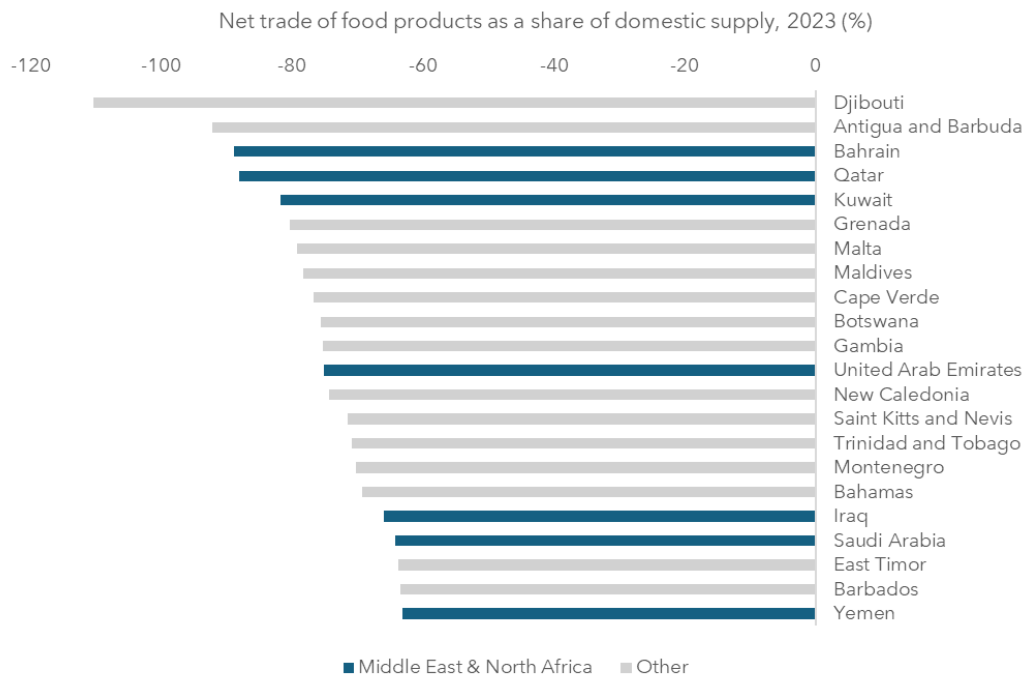
Sources: Haver Analytics, Dun & Bradstreet.

Middle East & North Africa

War continues to impact the region, with many countries subject to missile and drone attacks from Iran, fired in response to attacks by the U.S. and Israel on Iran. In the short term, we anticipate that economic growth will slow sharply as exports collapse, uncertainty prevents spending, and governments postpone investment initiatives. Beyond the direct loss of export revenues due to the closure of the Strait of Hormuz, a sharp reduction in food imports will have a large impact on countries with limited production capacity. In 2023, imports accounted for more than 80% of domestic food supply in Bahrain, Qatar, and Kuwait; a share only surpassed by Djibouti and Antigua and Barbuda out of 184 countries globally. Given their location, these three Middle Eastern countries are almost exclusively dependent on imports via the Strait of Hormuz and, therefore, a prolonged period of near-zero trade creates the risk of food shortages and concerns for social stability.

Looking ahead to the next quarter, a swift resolution to the war would be the first step on a long road to restoring economic certainty. The targeting of energy infrastructure will substantially prolong the impact on energy markets even post-war; most notably, 17% of capacity at Ras Laffan Industrial City in Qatar, the world’s largest LNG hub, has been damaged by Iranian strikes. Further, maritime insurers are likely to maintain elevated risk premia for Hormuz voyages, which could stop or delay sailings even after an agreement is reached to end military hostilities. Air traffic through the region will continue to operate below full capacity; flight cancellations are common and many routes have been suspended for a few months.

Reliance on Imported Food



Sources: Food and Agriculture Organization of the United Nations, Our World in Data, Dun & Bradstreet.

Nordics

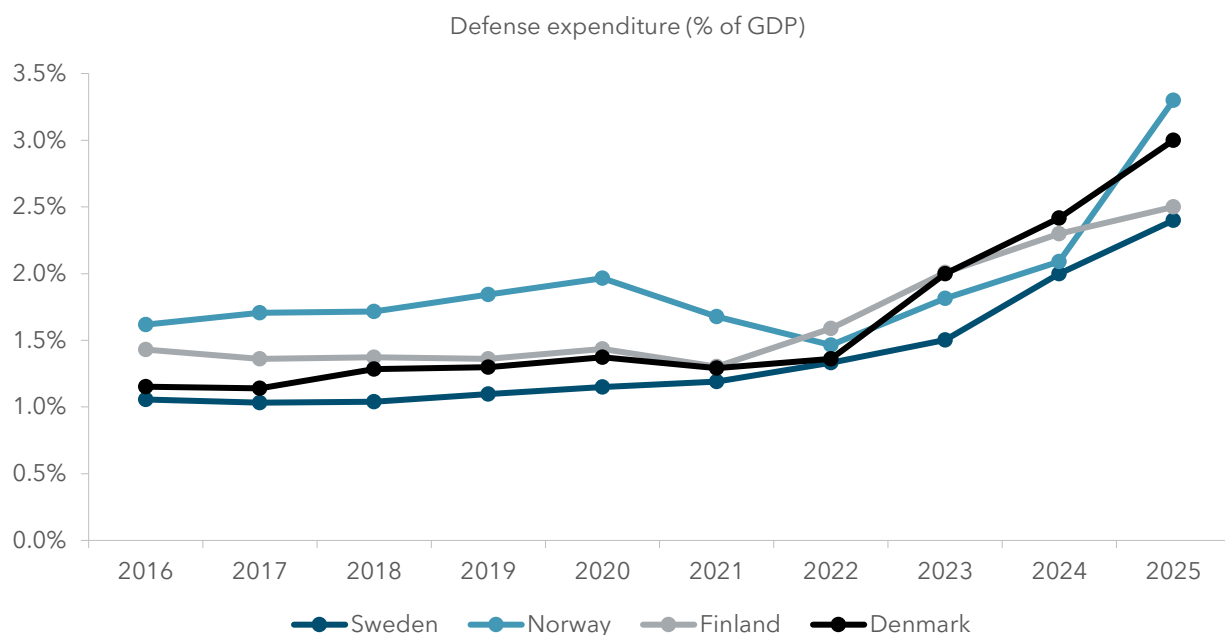
Economic conditions across the Nordic region are gradually improving as inflation eases, real wages recover, and household purchasing power strengthens. Domestic demand is stabilizing, with consumption and investment benefiting from resilient labor markets and improving financial conditions. Export momentum is also firming as European demand picks up, supporting activity in manufacturing, technology, and energy-related sectors.

Externally, geopolitics has become a more decisive driver of economic strategy and capital allocation. Shifting security priorities have increased the focus on defense preparedness, supply chain resilience, and energy security. Governments are channeling resources toward defense-related industries, strategic infrastructure, and grid modernization. This trend intensified following a March 2026 commitment by Nordic governments and Canada to deepen cooperation on Arctic security and defense-industrial capacity, tying economic resilience more closely to security planning.

Domestically, political stability is a core regional strength, even as global uncertainty weighs more heavily on policymaking. In Denmark, the March 2026 election resulted in a fragmented parliament, introducing near-term uncertainty during coalition negotiations. Nonetheless, the consensus-driven nature of Nordic politics continues to support continuity in defense spending, energy security, and Arctic engagement.

Looking ahead to the next quarter, regional growth is expected to be underpinned by improving real incomes and sustained public and private investment, particularly in defense, energy-transition projects, and strategic infrastructure. While energy price volatility and geopolitical risks remain elevated, strong institutions and coordinated policy frameworks should help limit execution risks.

Nordic Defense Spending Rises Steadily Amid Shifting Security Priorities



Note: 2025 values represent preliminary estimates.

Sources: World Bank, Dun & Bradstreet.

Sub-Saharan Africa

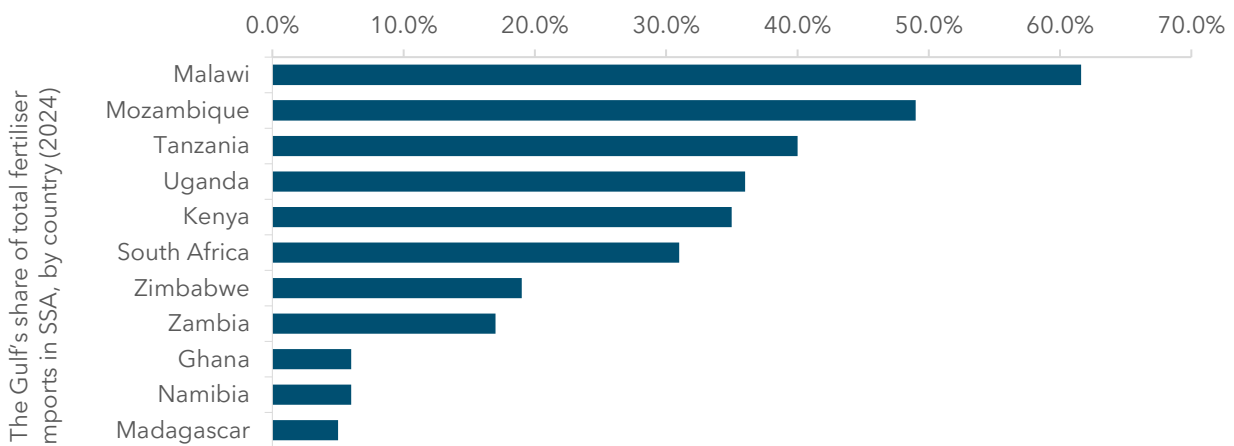
Sub Saharan Africa remains under strong external pressure as the U.S.-Israel-Iran war disrupts energy and fertilizer supply chains. The effective closure of the Strait of Hormuz has pushed up global oil prices, sharply increasing fuel and transport costs for import-dependent economies such as Kenya, Uganda, Ethiopia, and Ghana. Policy response has varied across the region. While Ethiopia introduced emergency fuel subsidies in mid-March to contain domestic price rises, Kenya is experiencing much stronger pass-through from higher fuel costs, which, in turn, is weighing on aviation, logistics, and export activity.

Shipping diversion around the Cape of Good Hope has further raised freight costs for East African exporters, even as ports in South Africa, Namibia, and Mauritius benefit from higher bunkering demand, albeit constrained by infrastructure and operational limits. In parallel, gradually evolving regional energy supply dynamics offer a glimmer of hope. Nigeria’s Dangote Petroleum Refinery has reached full capacity of 650,000 b/d and on March 23 launched its first gasoline export shipments, totaling 456,000 metric tons, to Ghana, Cameroon, Ivory Coast, Togo, and Tanzania. Although this marks a structural shift, the impact on regional supply pressures will be gradual. Moreover, expanded market access under the Chinese Mainland’s zero-tariff scheme, effective from May 1, is likely to bolster external trade flows.

Looking ahead to the next quarter, food security risks are likely to remain especially high for sub-Saharan Africa; the region imports more than 80% of its fertilizers, and ongoing disruptions to global urea trade have driven sharp price hikes. In March, Ghana (a key cocoa exporter) replaced its fertilizer subsidies with free distribution to stabilize planting and yields. Fragile and agriculture-dependent economies, particularly Sudan and Somalia, face the greatest exposure as rising food prices intensify humanitarian pressures.

At the same time, heightened political and security risks will continue to weigh on investor confidence and supply chain reliability. On the security front, U.S.-mediated de-escalation efforts in March between Rwanda and the Democratic Republic of the Congo (DRC) point to a narrow window for stabilization, particularly around strategically important mining corridors critical to regional exports. However, implementation risks remain high amid weak enforcement capacity and the persistent presence of armed groups.

Eastern and Southern Africa are Most Exposed to Fertilizer Supply Disruptions



Source: Trademap via International Trade Centre.

Global Risks

The balance of risks remains tilted to the downside. The dominant theme is that a security shock has become a trade, inflation, and confidence shock.

1. **Prolonged disruption in the Strait of Hormuz remains the key global tail risk.** With crude and product flows sharply reduced and limited bypass capacity, energy prices and availability risks could persist even without a major new development in the conflict, keeping freight and insurance costs elevated.
2. **Fertilizer and food inflation is building with a lag.** The UN Food and Agriculture Organization (FAO) warns that Hormuz disruption is constraining supplies of fertilizer and related inputs, creating a “double shock” for farmers (fuel and fertilizer) that could feed into food prices in subsequent months.
3. **Wider corridor fragility is rising, not falling.** The shift of shipping away from the Strait of Hormuz and pressure on alternative routes increase exposure to disruption in adjacent chokepoints and raises the operational risk of “stop go” logistics planning for global supply chains.
4. **Escalation by regional armed groups (including the Houthis) is a material downside risk.** Any renewed attacks or credible threats around the Red Sea and the Strait of Bab el-Mandeb would amplify delays in Asia-Europe trade lanes and further raise supply chain inflation.
5. **Policy tradeoffs are worsening across regions.** Central banks face a tough mix of weaker growth and renewed cost push inflation, while governments may lean more on subsidies/controls that could worsen fiscal strains if high prices persist.
6. **Asia’s import-dependent manufacturing hubs are a key vulnerability point.** Higher landed energy costs and unreliable shipping schedules are putting pressure on output, margins, and sentiment, with second-round spillovers into global electronics, chemicals, and industrial supply chains.

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