PRESS RELEASE

COUNTRY AND SECTOR RISKS
Hydration break in the Persian Gulf

Paris, 23 June 2026 – **As the Middle East moves towards a fragile lull in hostilities, the economic shock caused by the conflict – supply chains perturbation, inflation... - is already spreading to the global economy. Against this backdrop, Coface has carried out 8 country downgrades and 45 sector rating changes (41 downgrades, compared with just 4 upgrades).**

Key figures:

- **+2.3 per cent:** expected global growth in 2026
- **-0.6 percentage points:** cumulative revision to the global growth forecast for 2026 and 2027
- **USD 85 per barrel:** expected average price of Brent in 2026

A lull in geopolitical tensions does not mean a return to normality

After more than **fifteen weeks** of conflict, the signing of the memorandum of understanding between the US and Iran heralds a period of calm for the Middle East, in a regional environment thwarted by fragility. But the hiatus cannot conceal the key issue: the duration and intensity of the conflict, which far exceeded initial expectations, have profoundly disrupted a crucial region of the global economy.
The Strait of Hormuz is a strategic chokepoint for the supply of hydrocarbons and their derivatives. Very few countries – particularly in South-East Asia and on the East African coast – have been able to sidestep these disruptions. Any return to normality – if one is actually possible – will take time.

The global economy is holding up but slowing down

The global economy has so far absorbed the shock, notably thanks to prior stock-building and adjustments to demand. But this phase is reaching its limits. Production stoppages in certain sectors, the return of inflationary pressures, the tightening of financial conditions are the first indicators of these difficulties whilst governments have very little room for manoeuvre when it comes to supporting economic activity and incomes.
Against this backdrop, Coface is revising its growth forecasts downwards to **2.3%** for 2026 and **2.5%** for 2027, a reduction of 0.6 percentage points over two years.

Supply chains under strain

The virtual closure of the Strait of Hormuz – **145** vessels transited the passageway in May compared with over 3,300 a year earlier – has disrupted global transport and once again put supply chains under strain. Companies are already reporting longer delivery times, rising costs and early signs of shortages, prompting them to build up precautionary stocks at the expense of increased pressure on cash flow and margins. Against this backdrop, corporate insolvencies are expected to continue rising this year (+6% globally), with some countries seeing particularly sharp increases (notable the US, France and Japan).

In detail, the impacts vary from region to region

The shock is global, but the intensity varies significantly by region.

- In **the Middle East**, the Gulf states have been the most directly affected, with sharp contractions as a result of their dependence on the Strait.
- In **Europe**, rising energy prices and prolonged uncertainty are weighing on domestic demand, with growth of just **0.7 per cent** expected for the eurozone.
- In **the US**, inflation is rising again (from 2.4% in February to 4.2% in May), weighing on purchasing power and consumption by low-income households.
- In **Asia**, the picture is mixed, with some sectors still performing strongly (South Korean semiconductor exports **up 153 per cent** since the start of the year) whilst others are having to cope with squeezed margins.
- Last, in **emerging economies**, particularly in Latin America, the shock has been materialised by a resurgence of inflation and more restrictive monetary policies, which is the case in Brazil, where the key interest rate stands at **14.5%.**

Jean-Christophe Caffet, Chief Economist at Coface
"The lull in hostilities in the Middle East is good news, but it cannot conceal the key issue: the disruptions that are already under way will drag on business activity, income and employment. An unprecedented total of 41 sector downgrades across 19 countries underscores the global impact of a conflict whose consequences for trade flows and corporate profitability will continue to weigh heavily in the coming months".

Read the full report **here**

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