Middle East Tension & Implication: Update on US-Israel-Iran Conflict

LH Bank Business Research

27 March 2026

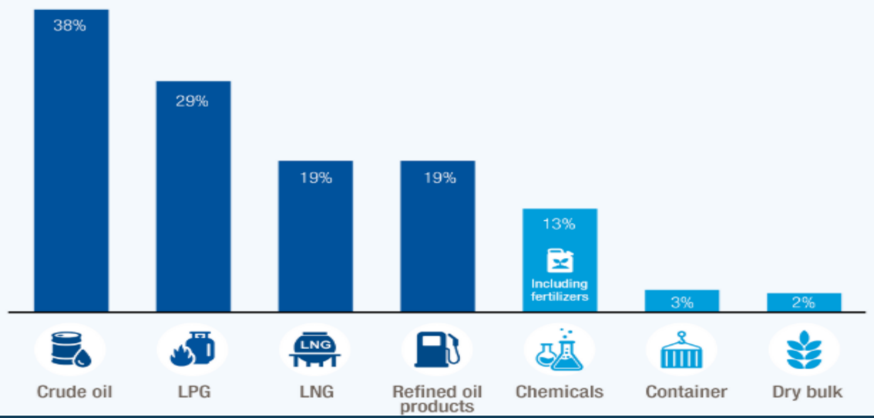

US-Israel-Iran Conflict:
Impact on Global Economy
and Financial Market

US-Israel-Iran Conflict: Economic Impact

Disruptions in the Strait of Hormuz pose a systemic risk to global trade, driving up the costs of energy, transportation, and food simultaneously and severely impacting import-dependent and vulnerable economies.

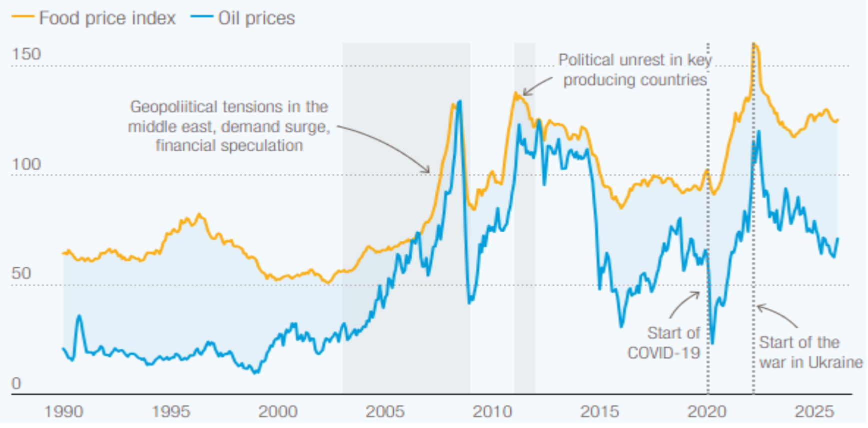
The Strait of Hormuz is a vital passage for world trade

Share of global trade passing through the Strait, based on average flows during the week before the military escalation that began on 28 February.



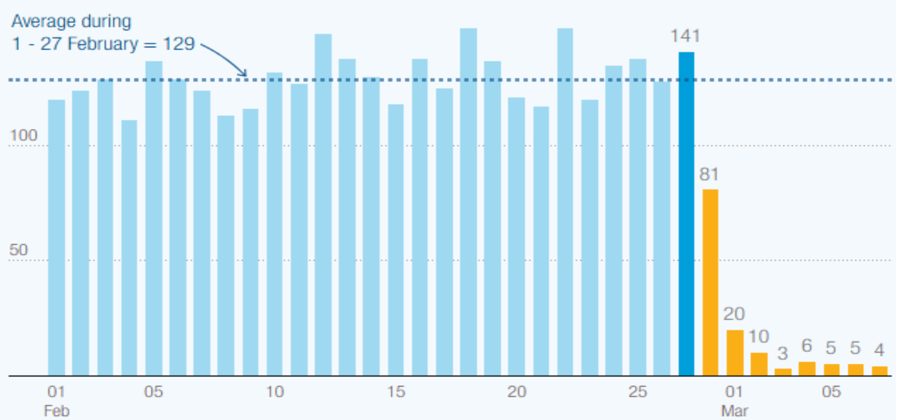
When oil prices go up, food prices often go up

Monthly food price index and crude oil prices, January 1990 to February 2026



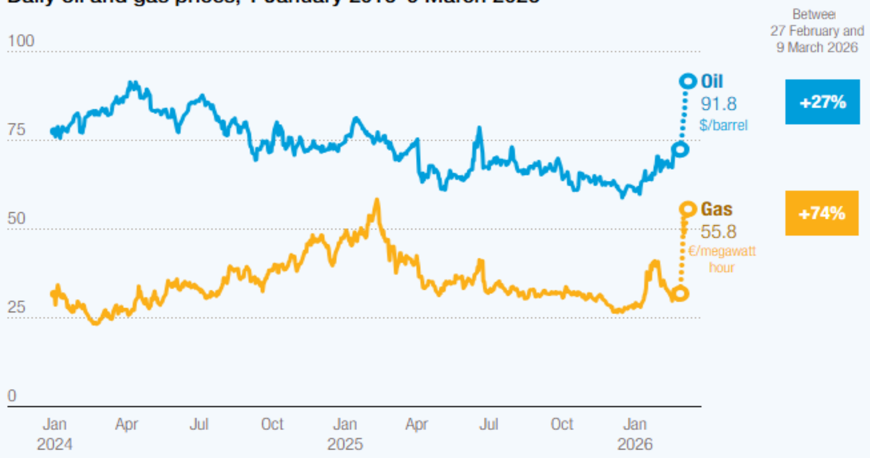
Ship transit through the Strait of Hormuz have come to a near halt

Total number of daily ship transits through Strait of Hormuz



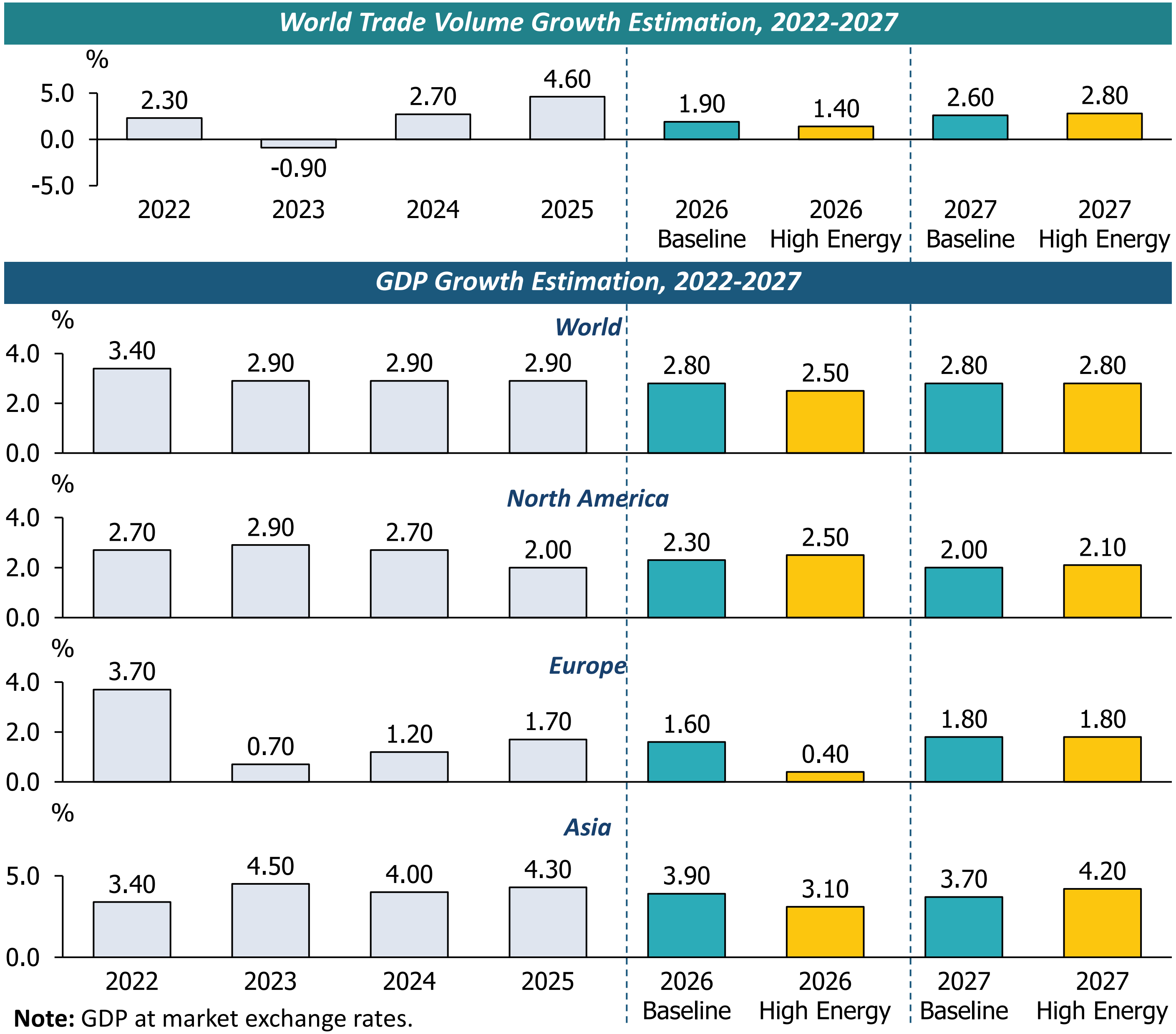
Energy markets have immediately reacted to the shock

Daily oil and gas prices, 1 January 2016–9 March 2026



- **The Strait of Hormuz is one of the world's most critical maritime chokepoints**, carrying around a quarter of global seaborne oil trade and significant volumes of liquefied natural gas and fertilizers.
- **The ongoing military escalation in the region has disrupted shipping** through this narrow channel. The resulting ripple effects extend far beyond the region, impacting energy markets, maritime transport, and global supply chains.
- **These developments raise concerns about the prospects for global trade and development.** Oil markets have reacted quickly, with Brent crude prices rising above USD 100 per barrel.
- **Higher energy, fertilizer, and transportation costs, including freight rates, bunker fuel prices, and insurance premiums, may increase food prices and intensify cost-of-living pressures, especially for those who are most vulnerable.**

Could Middle East conflict slowdown world trade ?

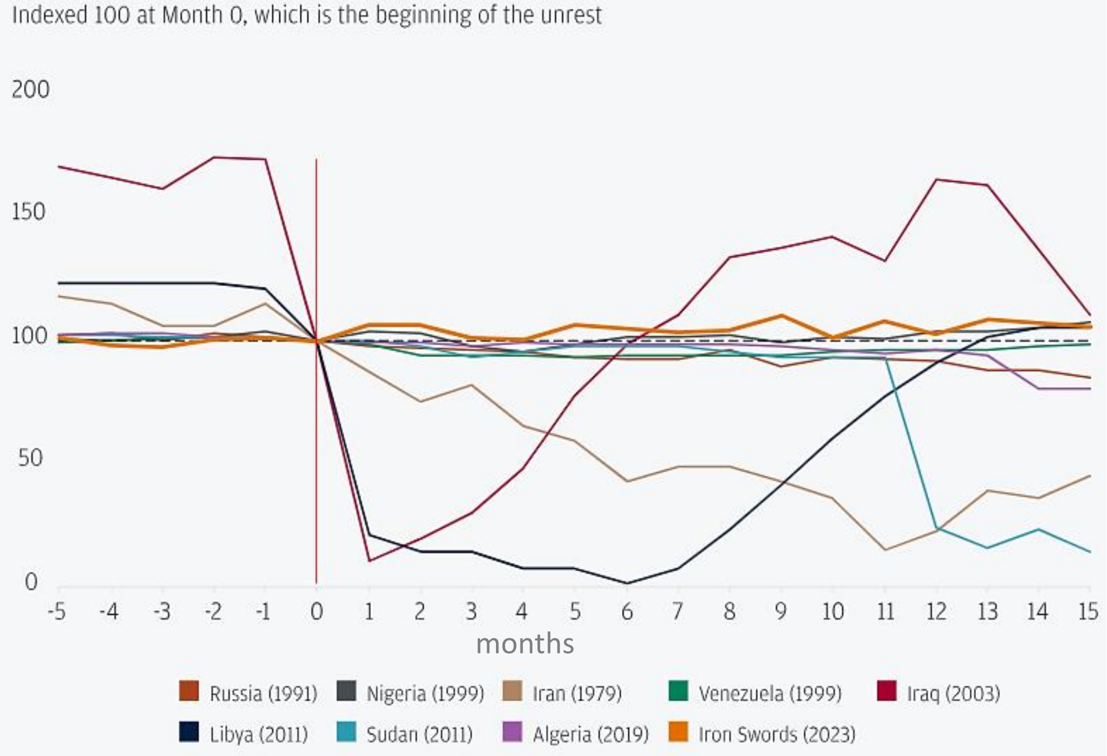


Note: GDP at market exchange rates.

- **Under the baseline scenario—excluding energy price shocks—global merchandise trade volume is projected to slow down to 1.9% in 2026, then expand by 2.6% in 2027.** Meanwhile, global GDP growth is expected to ease slightly from 2.9% in 2025 to 2.8% in both 2026 and 2027.
- However, **if crude oil and LNG prices remain elevated throughout 2026,** global GDP growth could be reduced by 0.3 percentage points. This would in turn **lower global trade growth by 0.5 percentage points,** with a more pronounced impact of up to 1.0 percentage point in energy-import-dependent regions.
- Prolonged increases in energy prices could heighten risks to global trade, with **potential spillovers to food security and intensifying cost pressures** for both consumers and businesses.

Historically, geopolitical conflicts have driven oil prices higher primarily when they disrupt major oil-producing countries or critical export infrastructure. Otherwise, the impact tends to be limited to short-term market sentiment and a temporary rise in risk premiums.

Major Geopolitical Events Can Curtail Oil Production



Response of oil prices to geopolitical events

Events	Oil Price at Conflict Onset (USD/bbl)	Peak Oil Price (USD/bbl)	Price Increase from Onset to Peak (%)	Time to Peak (Months)
Arab–Israeli War (Oct 1973)	2.1	13.0	519	13
Iranian Revolution (Jan 1979)	15.9	39.8	150	23
Iraq War (Oct 2003)	27.9	56.6	103	21
Arab Spring (Nov 2010)	83.7	122.3	46	17
Russia–Ukraine War (Jan 2022)	93.1	115.7	24	6
Israel–Hamas War (Oct 2023)	83.4	89.4	7	5

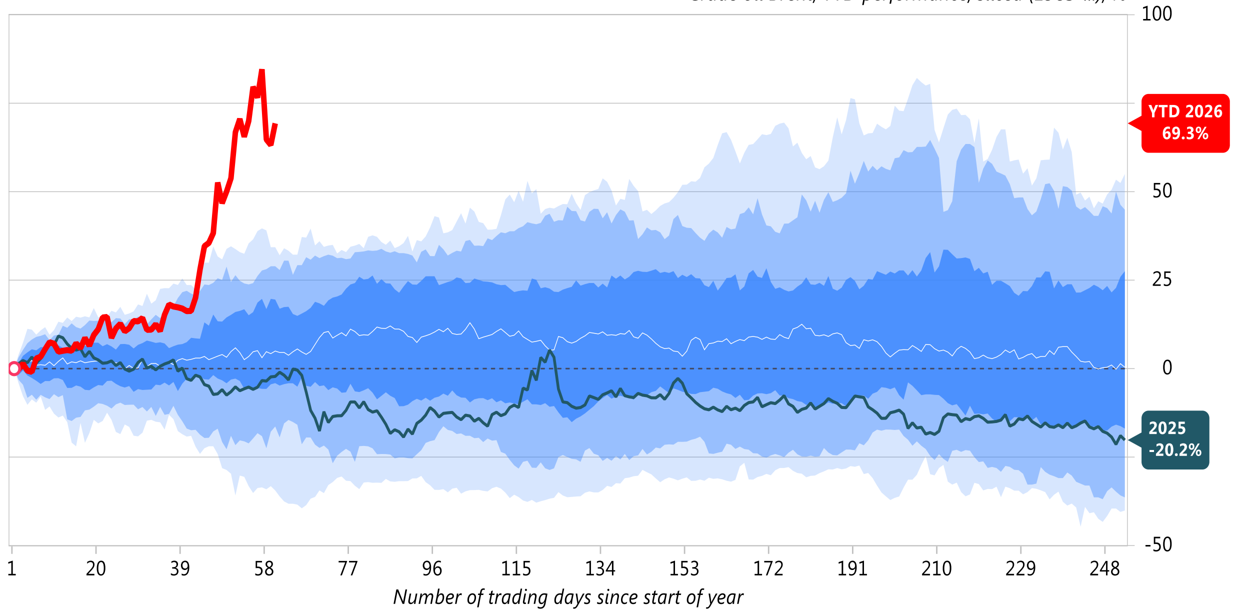
- Past events, such as the Iranian Revolution of 1979 and the Iraq War of 2003, demonstrate how such shocks can significantly reduce production and increase oil prices by more than 100% from the beginning of the crisis.
- **In the absence of any significant disruption to the physical supply of oil,** conflicts such as the war between Israel and Hamas are likely to cause only a modest and short-lived increase in oil prices. **This increase would be driven primarily by precautionary risk premiums** rather than by any substantial weakening of the underlying market fundamentals.

The 2026 Middle East Conflict and Global Oil Prices

*Brent crude oil has experienced extreme volatility, surging by **69.3% YTD in 2026***

Oil prices drop amid de-escalation in the Middle East

Crude oil Brent, YTD performance, sliced (1985-...), %

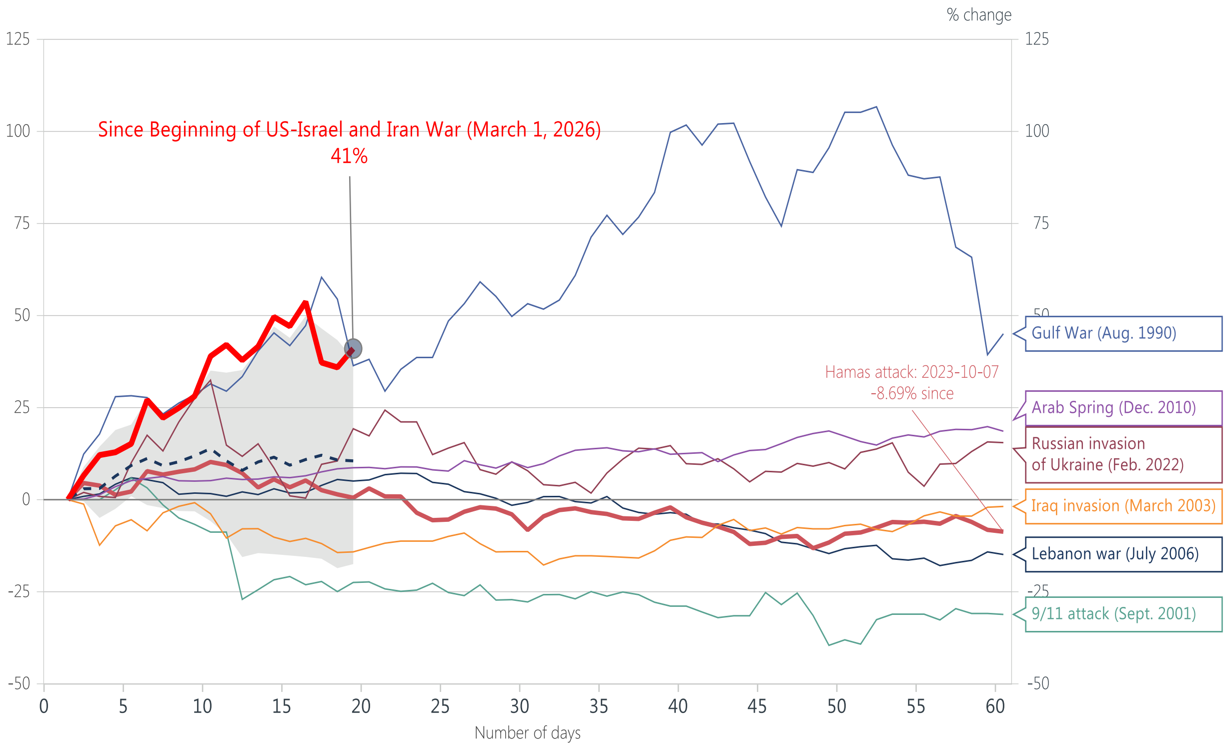


World, Crude Oil, Brent, Spot, FOB North Sea, ICE, Close, USD, 2026 — 2025 — 25-75th percentiles — 10-90th percentiles — 5-95th percentiles

Data source: ICE (As of: 26/03/2026)

*Since the onset of the US-Israel and Iran war on **March 1, 2026**, prices have spiked by **41%**, showing a much steeper short-term impact compared to many past geopolitical events*

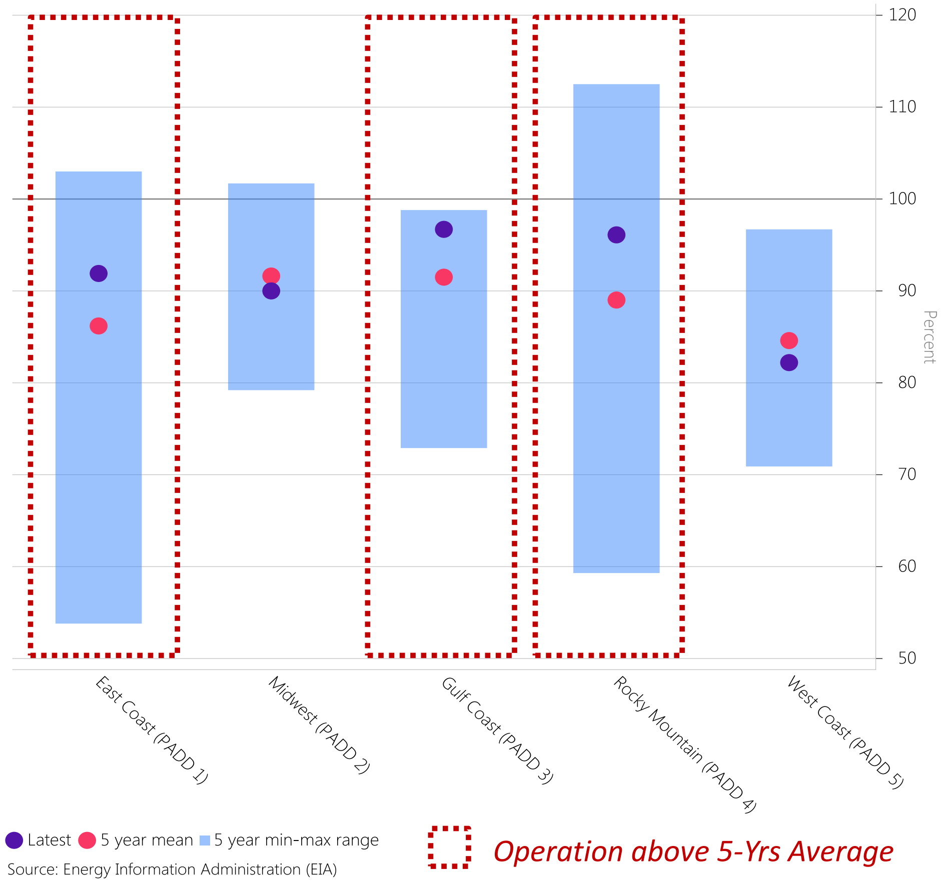
Short-term impact of various geopolitical events on Brent prices



Source: ICE (As of: 26/03/2026)

- Based on conflict data since 1980, **both crude oil prices and the S&P 500 typically take about <u>4-5 months on average</u> to normalize after major geopolitical events.**
- On a positive note, global oil reserves remain at high levels, and global oil demand is projected to be lower than market supply for the next 12-15 months

Oil Market Squeeze: Panic Buying from Middle East Tensions Collides with Maxed-Out U.S. Capacity

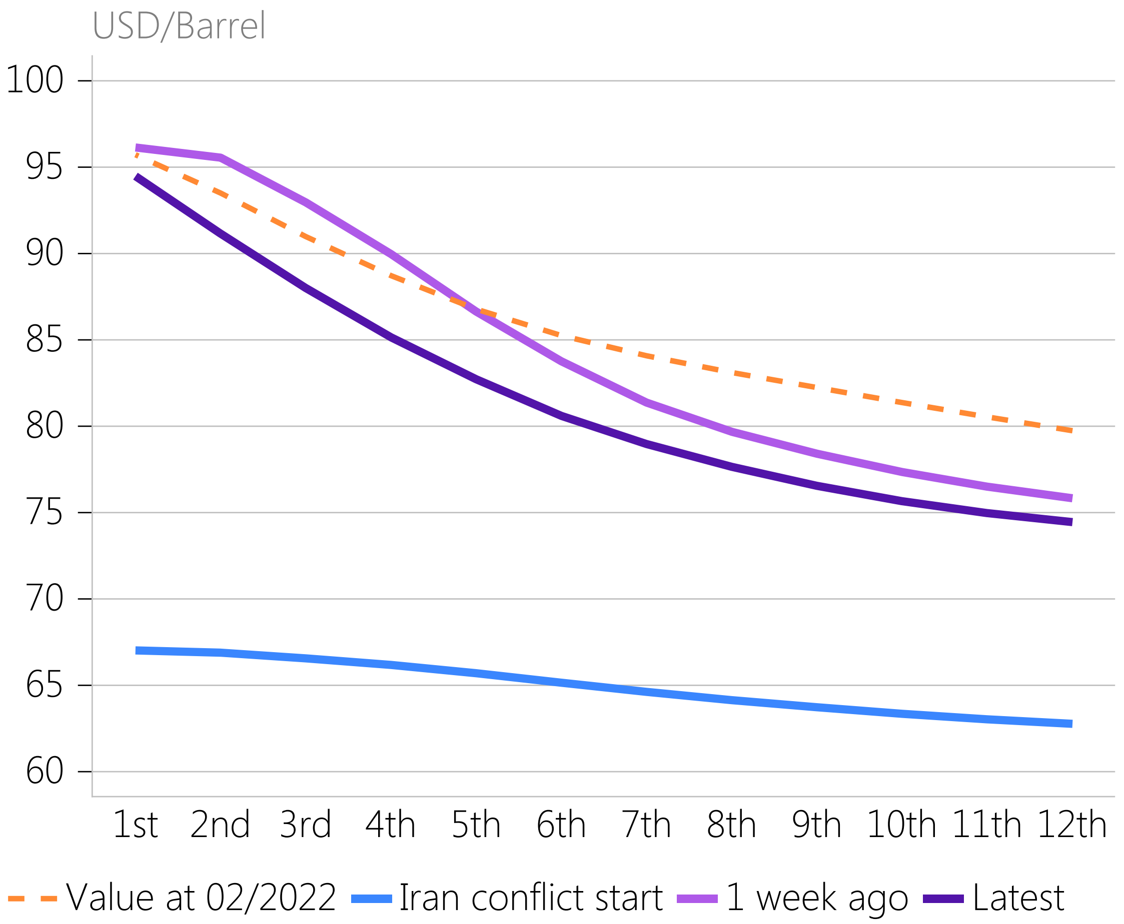


*Normally, during global supply shocks, the market looks to the U.S. to provide a supply buffer. However, most U.S. refineries are currently operating above their 5-year historical averages capacity. This suggests that **U.S. have limited spare capacity to act as a shock absorber.***

The chart tracks the spread between the 1st-position and 12th-position futures contracts for ICE Brent (blue) and ICE WTI (orange) crude oil.

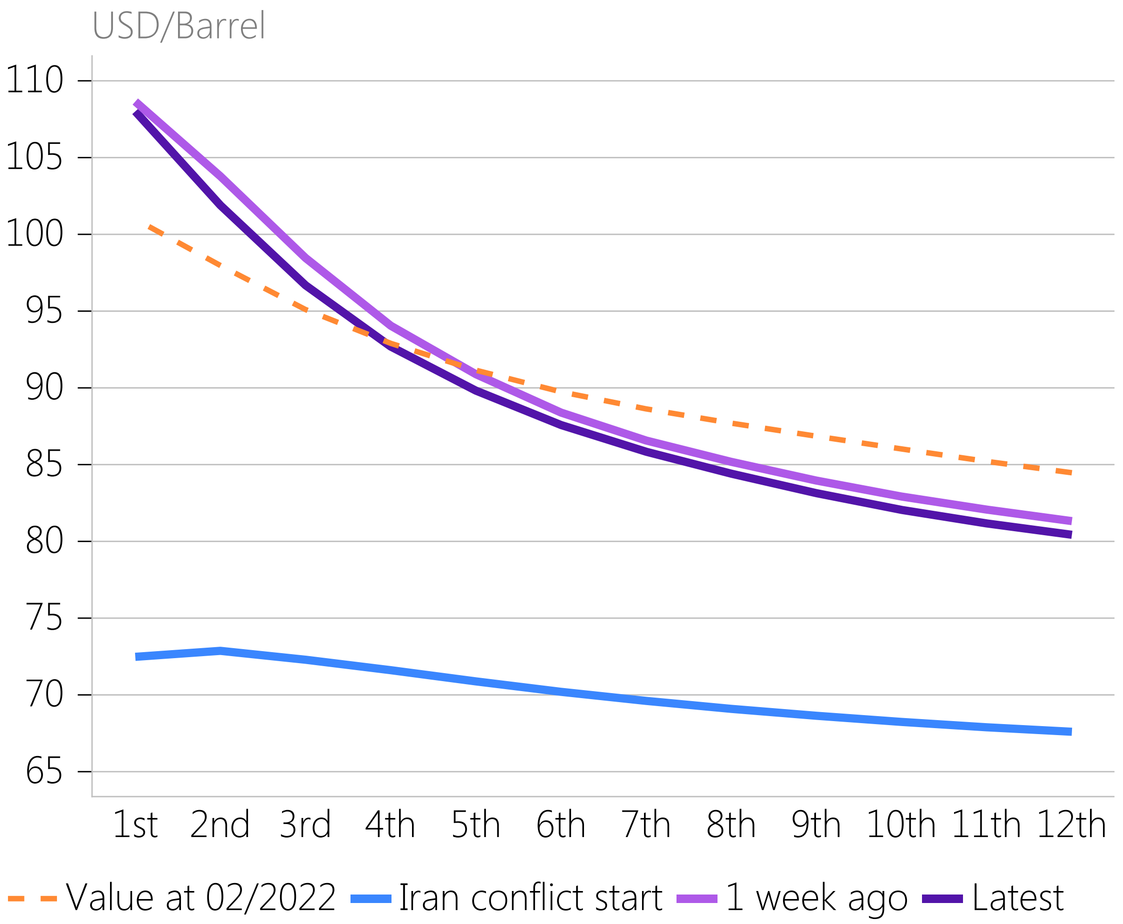
Crude Oil Futures Curves - Steep backwardation in crude futures curves suggest that investors do not expect a prolonged supply disruption

WTI: Futures Curve



Source: Intercontinental Exchange (ICE)

Brent: Futures Curve



Source: Intercontinental Exchange (ICE)

Global Macroeconomic Scenarios : Assessing Impacts of the Iran Conflict on Global Growth, Inflation, and Policies

	Scenario 1: Short-lived conflict, no significant infra damage	Scenario 2: Limited conflict, limited infrastructure damage	Scenario 3: Prolonged conflict, lasting infrastructure damage
Overview & Duration	**Ends by end-March** via rapid defeat or ceasefire. No damage to energy infrastructure	**Continues through to end-Q2.** Limited attacks on energy infrastructure, quickly repaired	**Continues through to end-Q3.** Lasting damage to production capacity in the Gulf and Iran (particularly Kharg Island)
Energy Prices	**Brent: Trades > $100 pb initially, falls to $80pb in Q2, and $65pb by end-year**	**Brent: Rises to $130 pb in Q2, ends year at $90 pb**	**Brent: Rises to 150 pb in Q2, slower to fall, ends year at $130 pb**
GDP Impact	**Limited impact** • US expands ~2.5% in 2026 • Europe/Asia hit hardest but avoid recessions	**Significant slowdown** • US outperforms (~2.25%) • Euro-zone slows to 0.5% (H2) • China falls <3%	**Global recession** (~1% global growth in H1) • US dips <2% • Euro-zone minor recession
Inflation Impact	**Minimal effect** Euro-zone peaks <3% in Q2 US annual average broadly unchanged China stays positive but very low	**Rises & peaks in Q2/Q3** Euro-zone: 4%, US: 3%, Japan: 2.5%, China: 1.5-2.0%	**Surges & peaks in Q2/Q3** Euro-zone: >5%, US: 4%, Japan: 3.5%, China: >2%
Central Bank Policy	• DM: **No material impact** • EM: **Most "look through“** the energy shock	• DM: **Fed/BoE abandon rate cuts**; ECB raises slightly above neutral; BoJ brings forward hikes • EM: **Rate cuts off the table**	• DM: **Broad hikes** (ECB 2x50bps, Fed/BoE 1x25bps, BoJ hikes more than anticipated) • Some EM Asia (e.g., Philippines) turn to **tightening**

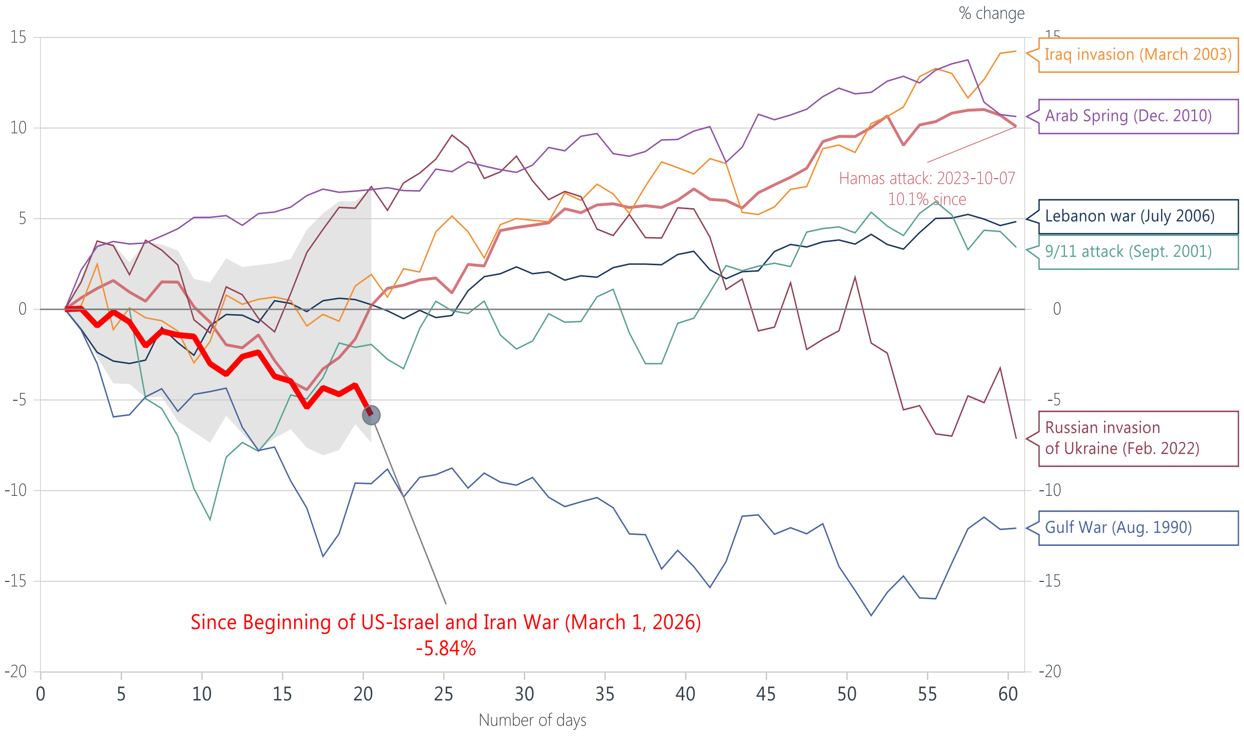
Note: Capital Economics released the analysis on 10 Mar 2026.

US-Israel-Iran Conflict: Market Impact

The Impact of the 2026 Middle East Conflict on Investment Asset Classes

- *Historical data shows asset classes typically normalize within 4–5 months following geopolitical conflicts since 1980.*
- *The current situation carries higher risk, as S&P 500 Forward P/E at over 20x is elevated compared to previous conflict periods*
- *Risk of sector rotation from small- to large-cap stocks, from growth to value stocks, and a shift in capital flows from U.S. equities to global equities.*

Short-term impact of various geopolitical events on S&P 500



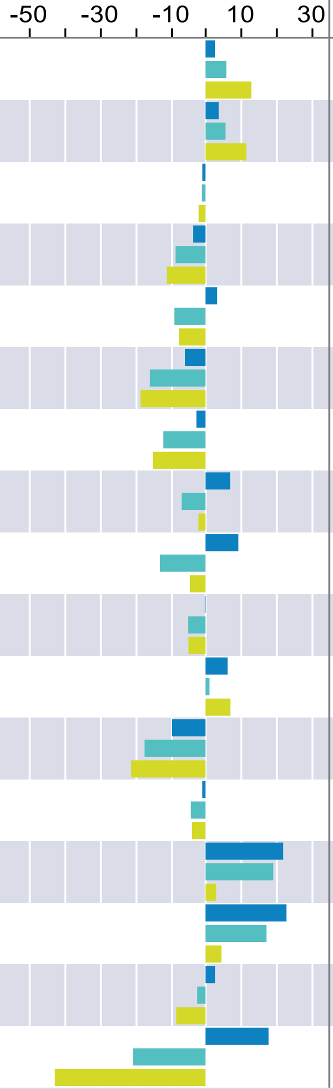
Source: S&P Global (As of: 27/03/2026)

Asset Classes Annual Performance Ranking

Rank	2019	2020	2021	2022	2023	2024	2025	2026
1	Bitcoin 92 %	Bitcoin 303 %	Bitcoin 60 %	Oil 8.7 %	Bitcoin 155 %	Bitcoin 121 %	Platinum 144 %	Oil 69 %
2	S&P 500 Value 32 %	S&P 500 Growth 33 %	Oil 53 %	Platinum 7.5 %	S&P 500 Growth 30 %	S&P 500 Growth 36 %	Gold 67 %	EM Equities 3.5 %
3	S&P 500 31 %	Gold 25 %	S&P 500 Growth 32 %	Gold 0.44 %	S&P 500 26 %	Gold 26 %	EM Equities 34 %	Gold 2 %
4	S&P 500 Growth 31 %	S&P 500 18 %	S&P 500 29 %	US Treasury 1-3 Year -3.9 %	S&P 500 Value 22 %	S&P 500 25 %	S&P 500 Growth 22 %	US Treasury 1-3 Year 0.062 %
5	Oil 22 %	EM Equities 18 %	S&P 500 Value 25 %	S&P 500 Value -5.2 %	Gold 15 %	S&P 500 Value 12 %	S&P 500 18 %	S&P 500 Value -0.49 %
6	Gold 18 %	Platinum 17 %	US Treasury 1-3 Year -0.71 %	S&P 500 -18 %	EM Equities 9.8 %	EM Equities 7.5 %	S&P 500 Value 13 %	S&P 500 -5.1 %
7	EM Equities 18 %	US Treasury 1-3 Year 3 %	EM Equities -2.5 %	EM Equities -20 %	US Treasury 1-3 Year 3.8 %	US Treasury 1-3 Year 3.6 %	US Treasury 1-3 Year 5 %	S&P 500 Growth -9.1 %
9	Platinum 16 %	S&P 500 Value 1.4 %	Gold -4.3 %	S&P 500 Growth -29 %	Platinum -3 %	Oil -2.9 %	Bitcoin -6.3 %	Platinum -16 %
8	US Treasury 1-3 Year 3.4 %	Oil -22 %	Platinum -10 %	Bitcoin -64 %	Oil -10 %	Platinum -8.7 %	Oil -19 %	Bitcoin -19 %

Performance Comparison on Investment Asset Classes – 2022 Russia Ukraine War VS 2026 Middle East Conflict

	Stat During Beginning of 2022 Russia Ukraine War (Feb 24, 2022)					*2026 Conflict*
	% 1-Month (RUS-UKR War)	% 3-Month (RUS-UKR War)	% 6-Month (RUS-UKR War)	6 Month Low (RUS-UKR War)	6 Month High (RUS-UKR War)	% Change Since (Mar 1, 2026)
Dollar Index	2.70	5.89	12.98	96.6	109.1	2.34
USDTHB	3.77	5.67	11.55	32.5	36.9	6.00
(1-3Y) US treasury (ETF)	-0.90	-1.01	-1.94			-0.67
EM Bond (ETF)	-3.51	-8.47	-10.94			-2.98
MSCI ACWI	3.29	-8.82	-7.47	584.5	723.2	-7.31
MSCI EM	-5.79	-15.73	-18.37	961.9	1176.4	-10.08
MSCI Asia Ex. Japan	-2.56	-11.95	-14.86	154.1	183.3	-9.81
S&P 500	6.97	-6.72	-2.01	3666.8	4631.6	-5.84
NASDAQ 100	9.30	-12.88	-4.38	11127.6	15239.3	-5.50
STOXX 600	-0.17	-4.91	-4.81	400.7	463.1	-8.36
NIKKEI 225	6.28	1.13	7.05	24717.5	29222.8	-8.92
HSCEI	-9.49	-17.24	-21.06	6123.9	8053.0	-5.30
SET Index	-0.92	-4.14	-3.83	1533.4	1702.9	-5.58
WTI Crude	21.98	19.19	3.03	86.5	123.7	40.97
Brent Crude	22.91	17.27	4.52	92.3	128.0	49.02
Gold	2.71	-2.36	-8.29	1700.2	2043.3	-16.61
Bitcoin	17.87	-20.49	-42.64	19017.6	47465.7	8.48

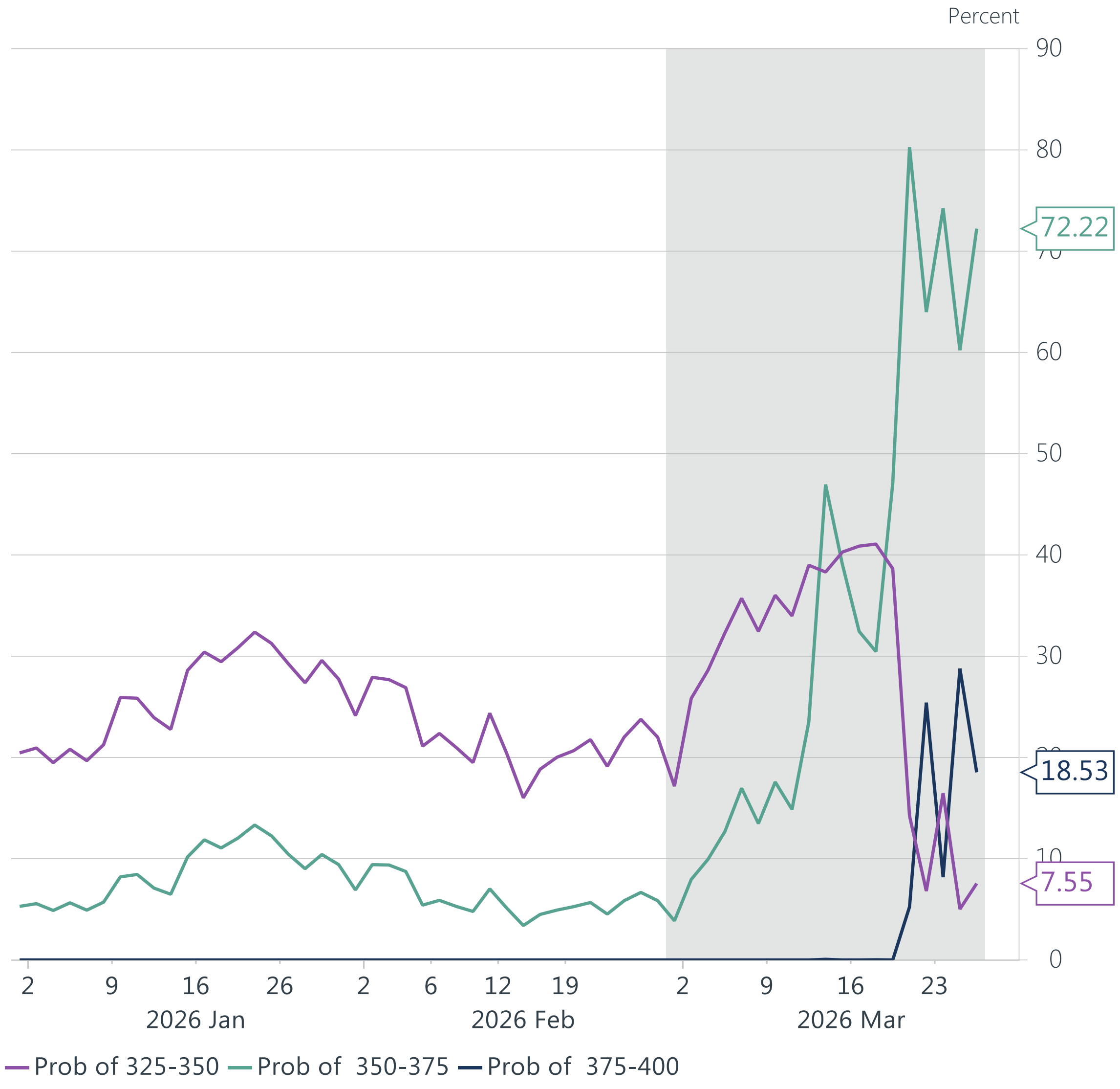


Futures Based Probability of Fed Rate Cuts – CME Group

Probability of Fed rate - June 2026 FOMC Meeting

Source: CME Group

Probability of Fed rate - December 2026 FOMC Meeting

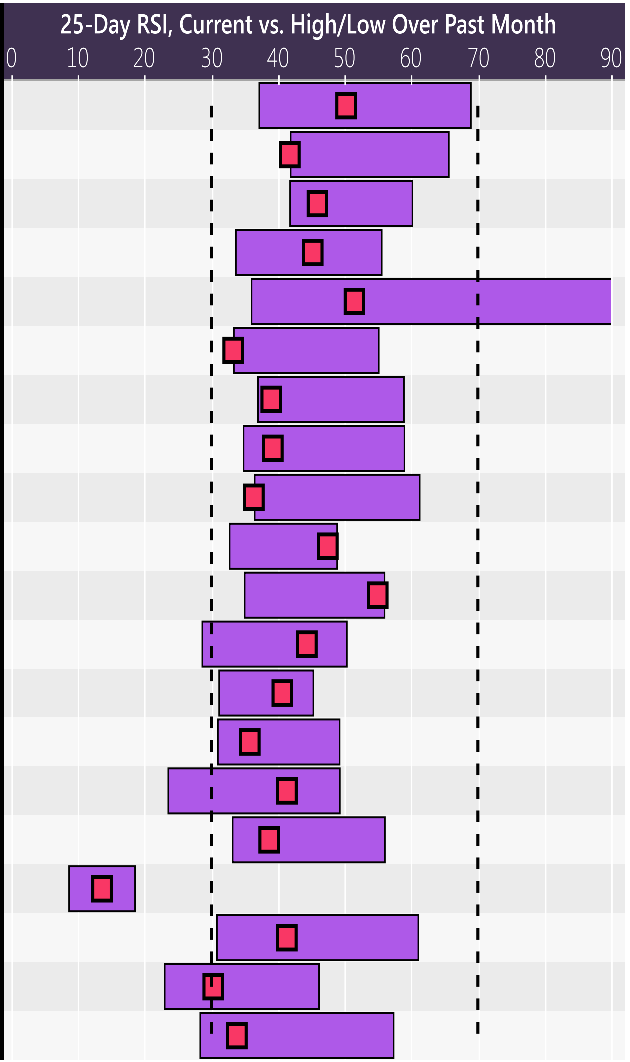


Source: CME Group

Performance of USD vs Major Currencies

Performance of Major Currencies Against US Dollar

▲	Currency		YTD, %
1	Brazilian Real	BRL	5.32
2	Australian Dollar	AUD	4.34
3	Norwegian Krone	NOK	4.06
4	Mexican Peso	MXN	1.51
5	Chinese Yuan	CNY	1.50
6	New Zealand Dollar	NZD	0.40
7	Swiss Franc	CHF	0.24
8	Singapore Dollar	SGD	0.17
9	Canadian Dollar	CAD	-0.54
10	British Pound Sterling	GBP	-0.57
11	Indonesian Rupiah	IDR	-0.96
12	Euro	EUR	-1.39
13	Japanese Yen	JPY	-1.42
14	Swedish Krona	SEK	-1.95
15	Polish Zloty	PLN	-2.88
16	South African Rand	ZAR	-2.88
17	Turkish Lira	TRY	-3.17
18	South Korean Won	KRW	-3.65
19	Indian Rupee	INR	-4.09
20	Thai baht	THB	-4.24

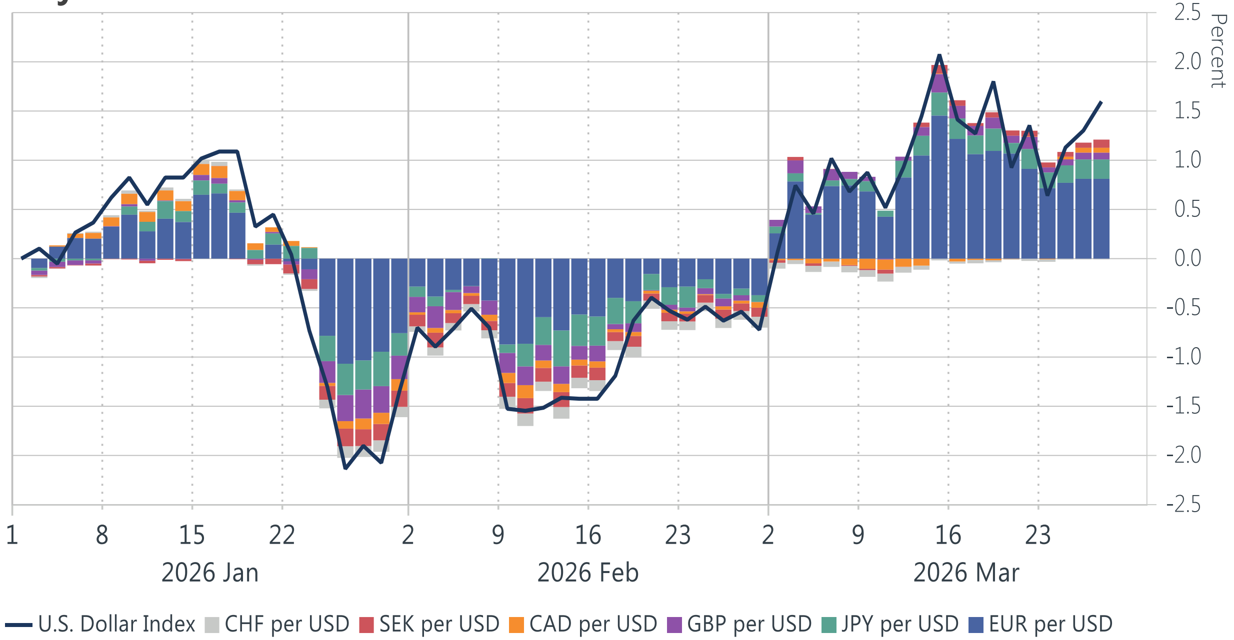


Source: Macrobond

Note: Current 25-Day RSI

RSI =< 30 = Oversold | RSI >= 70 = Overbought

Major Contributors to DXY - Year to Date



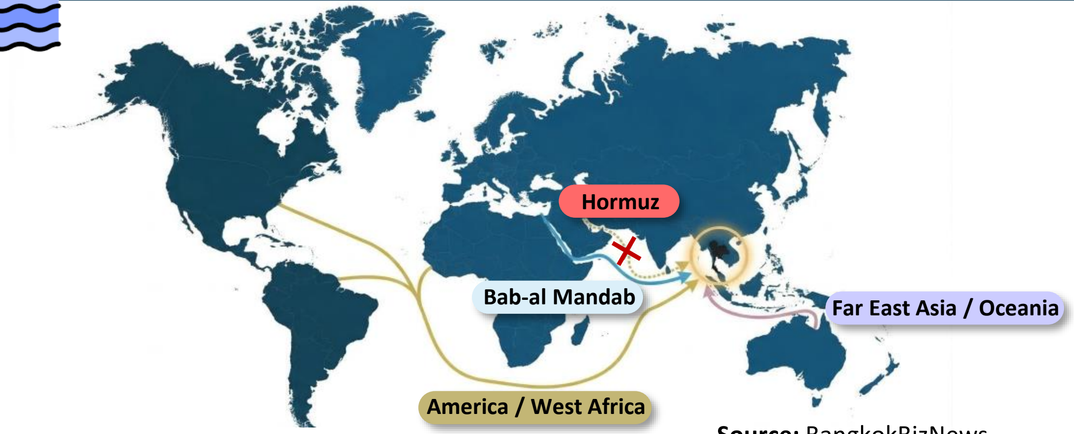
Key Takeaways

- **DXY initiated a recovery in late January 2026**, signaling a USD appreciation trend driven by heightened geopolitical tensions in the Middle East.
- Despite this broader rebound, commodity-linked currencies (e.g., AUD, NOK, BRL) have continued to outperform the USD, bolstered by elevated global commodity prices.
- **THB has depreciated by 4.24%YTD against the USD.** 25-day RSI suggests THB has not yet entered severely oversold territory, leaving room for further depreciation if adverse macroeconomic headwinds persist.

US-Israel-Iran Conflict: Impact on Thailand Economy

As of March 23, 2026, Thailand holds oil reserves sufficient to meet domestic demand for another 103 days. However, more than half of these reserves are still in transit to Thailand.

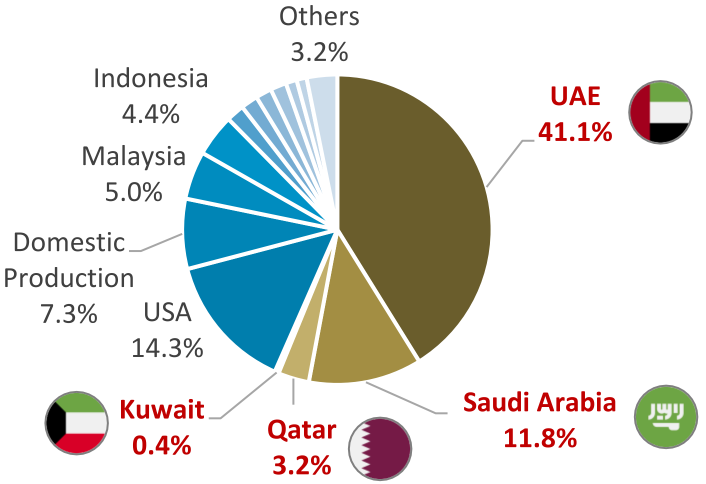
Global Crude Oil Supply Network to Thailand



Source: BangkokBizNews

- **In 2025, 54.2% of Thailand's total crude oil imports flow through the Strait of Hormuz**, with the UAE supplying nearly 40% of total volume. This represents a significant source concentration risk.
- **The Ministry of Energy confirmed Thailand's oil reserve coverage of 103 days.** However, ~7.9 billion liters, covering 63 days of domestic consumption, are still in transit to Thailand.
- Despite adequate national-level stocks, a survey of 1,502 service stations conducted on 15–16 March 2026 revealed severe last-mile distribution stress. **Only 21% of operational stations had sufficient fuel, while 10% were forced to close entirely.**

Thailand Crude Oil Import Sources (2025)

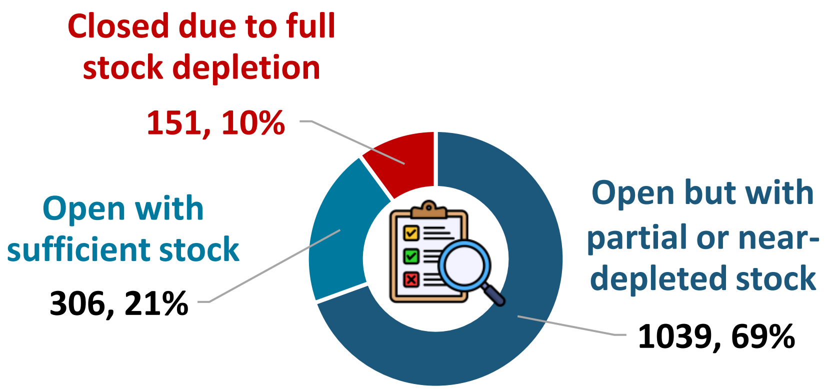


Thailand's Total Oil Reserve

(Data as of 21 Mar 2026)

Reserve Category	Oil Reserve (Mn Liters)	Days of Coverage
Statutory (legal) reserve	3,389	25 days
Commercial reserve	1,504	15 days
In-transit shipments	4,206	33 days
Confirmed future procurement	3,700	30 days
Total	**12,799**	**103 days**

Last-Mile Oil Retail Distribution Survey Results

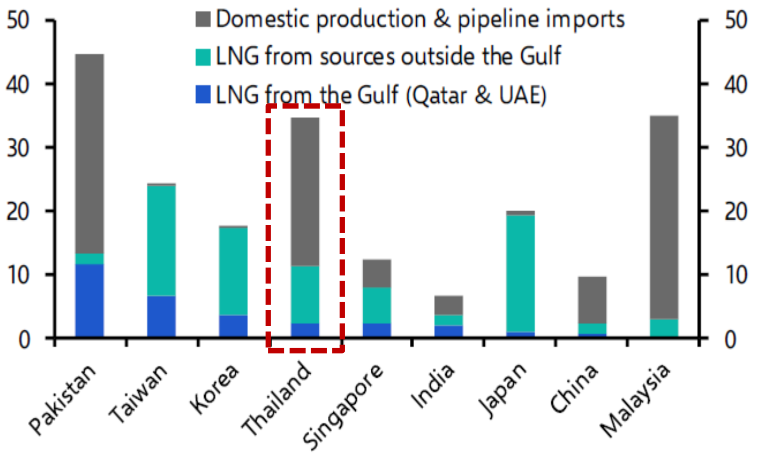


Note: A survey of 1,502 service stations nationwide during 15–16 Mar 2026.

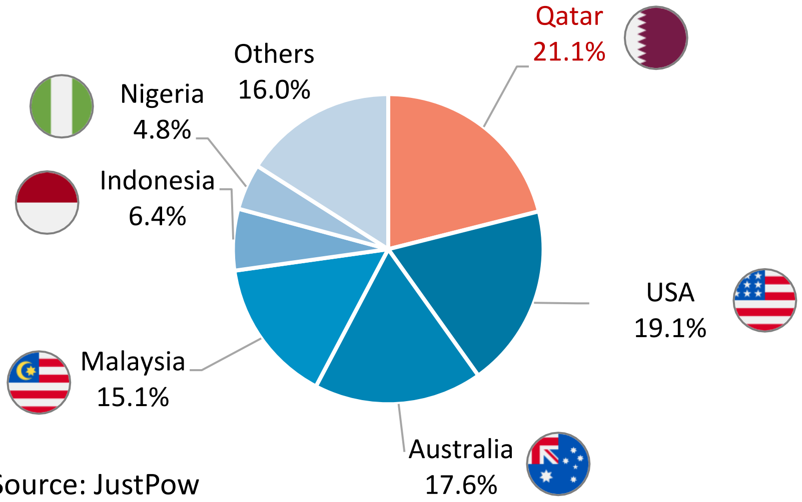
Source: LH Bank Business Research analysis based on data from DOEB, Ministry of Energy, BangkokBizNews, The MATTER (Data as of 23 Mar 2026)

Thailand may be vulnerable to an energy shock. However, its exposure to natural gas supply disruption remains limited, as Qatar accounts for only around 20% of LNG imports and Thailand can diversify to alternative sources such as the U.S., Australia, and Malaysia.

Share of Energy From Natural Gas



Thailand Natural Gas (LNG) Import Sources (2024)



Source: JustPow

EM Macro Vulnerability to Rising Oil/Gas Prices

Poland, Turkey, Thailand, South Korea, and South Africa may be the most directly exposed to high energy prices due to their heavy reliance on oil and gas consumption.

	% of primary energy consumption from oil and gas	fiscal vulnerability ranking	Change in primary fiscal balance vs Q1-22	Real GDP sensitivity to a 10% sustained rise in oil/gas prices (bps)	Broad basic balance (CA+FDI+E&O)	EM inflation vulnerability ranking	Oil and gas trade balance/GDP	Average rank
Poland	54%	3	-5.5%	-30	-0.8%	9	-1.7%	6.7
Turkey	56%	17	0.5%	-40	-2.4%	4	-3.1%	7.4
Korea	60%	13	-0.4%	-20	4.6%	3	-3.6%	8.0
Thailand	81%	6	4.6%	-35	7.4%	8	-5.5%	8.0
S Africa	23%	1	2.3%	-20	-1.0%	12	-3.5%	8.4
Philippines	46%	10	3.5%	-45	-2.9%	11	-2.6%	8.9
Colombia	63%	5	-0.4%	20	-0.4%	2	1.5%	9.0
Singapore	99%	8	-	-30	27.3%	6	0.3%	9.0
Mexico	87%	11	-0.1%	-6	1.5%	5	-1.4%	9.7
Hungary	68%	7	2.4%	-20	0.3%	19	-2.6%	9.9
Israel	78%	-	-3.4%	-	2.3%	17	-0.6%	10.2
Chile	60%	14	3.9%	-15	-1.6%	18	-3.8%	10.4
Brazil	44%	2	-1.8%	20	-0.9%	14	1.3%	10.7
India	33%	12	3.1%	-15	-0.3%	7	-3.2%	10.7
Taiwan	59%	-	-1.3%	-10	15.5%	15	-3.2%	10.8
China	27%	4	-1.3%	-10	3.3%	13	-1.8%	10.9
Indonesia	45%	16	0.7%	-10	0.7%	1	-1.4%	11.0
Malaysia	69%	9	2.1%	-10	3.7%	10	1.1%	11.4
Czech	46%	15	1.8%	-20	1.2%	16	-2.4%	11.7

Higher vulnerability

Lower vulnerability

The government is expected to intervene in oil prices by allocating funds from the Oil Fuel Fund and reducing the excise tax rate, especially for diesel, which is a major cost in transportation and goods production.

Price Structure of Petroleum Product in Bangkok on 26 Mar 2026

UNIT: BAHT/LITRE	EX-REFIN.	EXCISE TAX	M. TAX	OIL FUND	CONSV. FUND	WHOLESALE (WS)	VAT (WS)	WS&VAT	MARKETING MARGIN	VAT (MM)	RETAIL
ULG95	29.0001	7.5000	0.7500	2.5000	0.0500	39.8001	2.7860	42.5861	6.5924	0.4615	49.64
GASOHOL95 E10	28.1577	6.7500	0.6750	-3.2600	0.0500	32.3727	2.2661	34.6388	5.9918	0.4194	41.05
GASOHOL91	27.7507	6.7500	0.6750	-3.2600	0.0500	31.9657	2.2376	34.2033	6.0530	0.4237	40.68
GASOHOL95 E20	26.9891	6.0000	0.6000	-5.9400	0.0500	27.6991	1.9389	29.6380	5.9925	0.4195	36.05
GASOHOL95 E85	22.7241	1.1250	0.1125	2.2900	0.0500	26.3016	1.8411	28.1427	4.3433	0.3040	32.79
H-DIESEL	42.7553	6.9200	0.6920	-19.1200	0.0500	31.2973	2.1908	33.4881	5.0952	0.3567	38.94
FO 600 (1) 2%S	25.0153	0.6400	0.0640	0.0600	0.0500	25.8293	1.8081	27.6374			
FO 1500 (2) 2%S	21.5259	0.6400	0.0640	0.0600	0.0500	22.3399	1.5638	23.9037			
LPG (BAHT/KILOGRAM)	19.7062	2.1700	0.2170	-1.1753	0.0000	20.9179	1.4643	22.3822	3.2566	0.2280	25.87

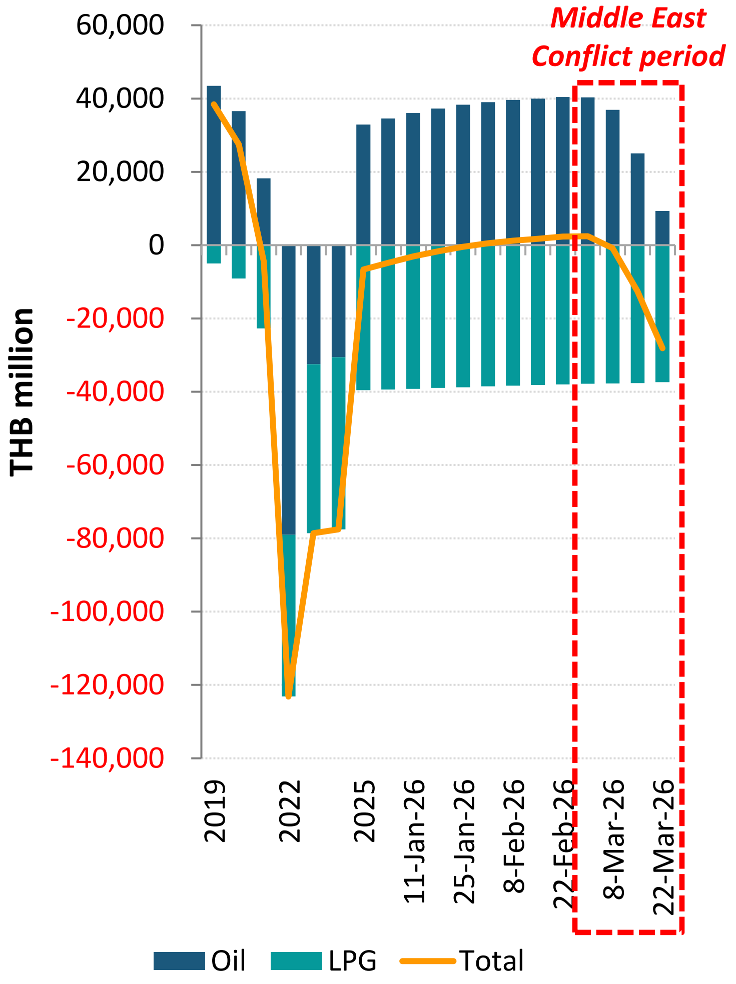
- In response to the surge in oil prices triggered by the Russia-Ukraine war in 2022, **the government reduced the excise tax on diesel by THB 5 per liter from May 2022 to July 2023** to ease the upward pressure on retail diesel prices.
- Reducing the excise duty on diesel or gasoline by THB 1 per liter would result in a loss of approximately THB 2,800 million of government revenue per month.

- **As of 26 Mar 2026, the Oil Fuel Fund subsidizes high-speed diesel by up to THB 19.1 per liter,** down from the peak subsidy of THB 27 per liter. Without this subsidy, the retail price of diesel would exceed THB 58 per liter.
- In addition, the Oil Fuel Fund subsidizes gasohol prices by approximately THB 2–6 per liter, lower than the peak subsidy range of THB 10–12 per liter.
- Meanwhile, the Oil Fuel Fund is currently in a deficit position.

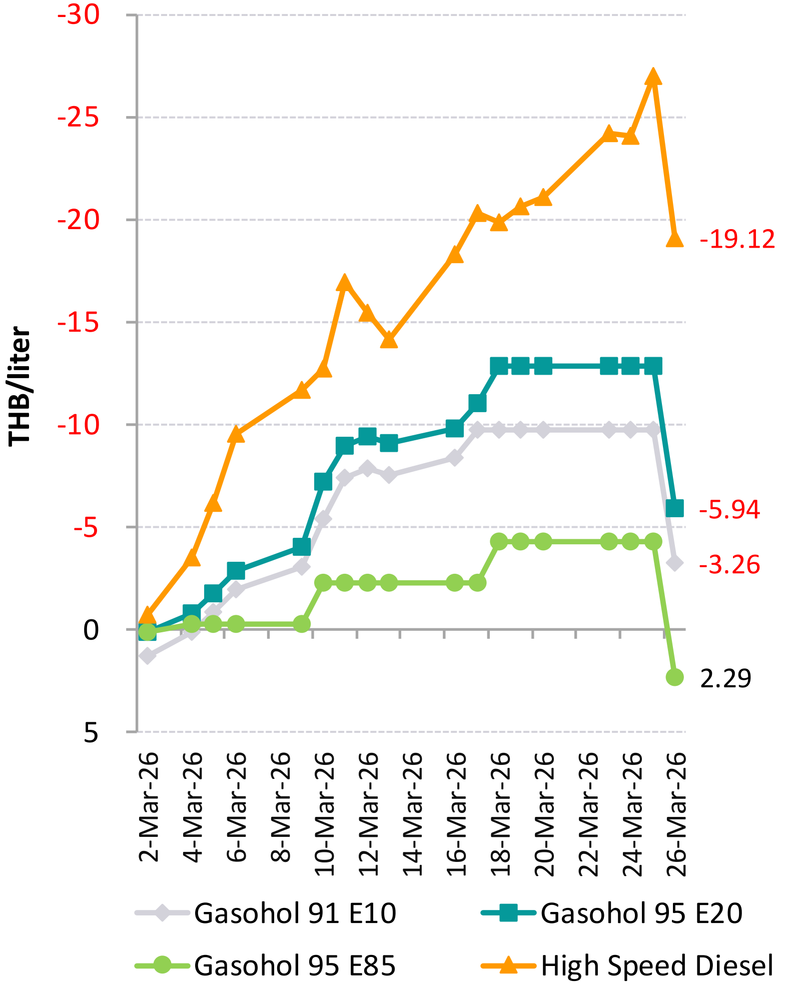
Source: LH Bank Business Research analysis based on data from EPPO and FPO (Data as of 26 Mar 2026)

The Oil Fuel Fund fell back into deficit as the Middle East conflict pushed oil prices higher. The government decided to float retail fuel prices to prevent a further deepening of the Fund’s deficit. However, targeted support measures will remain in place to cushion the impact on vulnerable groups.

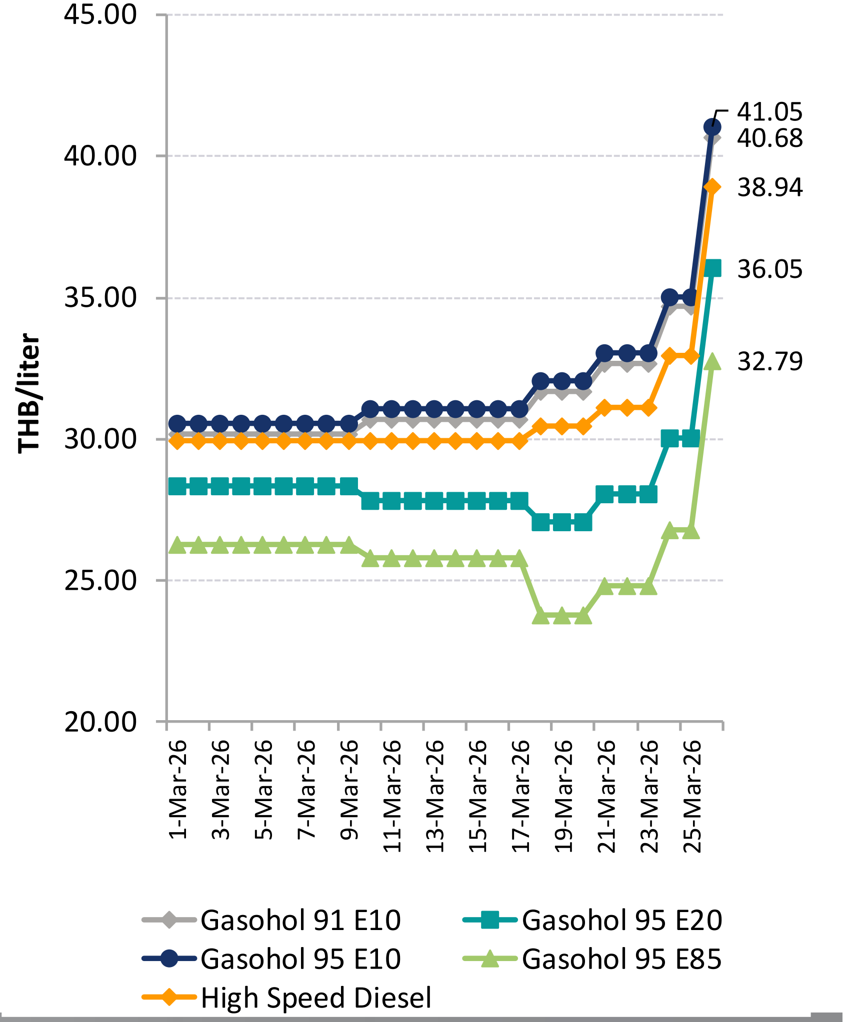
Oil Fuel Fund Status



Price Subsidies



Retail Prices



Source: LH Bank Business Research analysis based on data from Oil Fuel Fund Office, CEIC (Data as of 26 Mar 2026)

Although the Oil Fuel Fund is currently operating at a deficit, the government is authorized to borrow up to 20 billion baht to support the fund's liquidity. Additionally, the government can issue an emergency decree to borrow more funds.

Situation Leading to Higher Oil Prices	Borrowing Amount	Legal Authority
Recovery after COVID-19 (2021): Rapid recovery in global economic activity increased energy demand, **while supply recovered more slowly** (OPEC+ maintained production controls).	~THB 20 bn	Oil Fuel Fund Act B.E. 2562 (2019), which authorizes the Oil Fuel Fund to borrow up to 20 billion THB for liquidity management. **Do not include in the public debt.**
Russia–Ukraine war (2022–2023): The war and sanctions on Russian energy exports have tightened the oil supply.	THB 120 bn (Borrowing framework up to THB 150 bn)	Emergency Decree Authorizing the Ministry of Finance to Guarantee Borrowings for Oil Fuel Fund Liquidity Support B.E. 2565 (2022) **Include in the public debt.**

- The Ministry of Energy and the Ministry of Finance are currently discussing the issuance of an Emergency Decree that would authorize the Ministry of Finance to guarantee the Oil Fuel Fund's borrowings. **The proposed borrowing framework is expected to total approximately THB 150 bn.**
- **Thailand's public debt-to-GDP ratio stood at 65.96% in January 2026**. **Additional borrowing would raise the ratio to around 66.7%, which is still below the sustainable level of 70%.**
- As a result, there is only room for around THB 600 billion of public debt before hitting the sustainability level.

Timeline for Issuing an Emergency Decree for Oil Fuel Fund Borrowing
Total Time to Liquidity: Approximately 1–3 Months

Step 1 Situation Assessment: The Oil Fuel Fund Office and the Ministry of Energy evaluate the Fund's financial position and establish the case for "urgent necessity."

Step 2 Cabinet approval: The Ministry of Energy, in coordination with the Ministry of Finance, submits the proposed borrowing framework to the cabinet for approval.

Step 3 Legal Review: The Council of State examines the draft Emergency Decree to ensure it aligns with constitutional requirements, particularly Section 172 on emergency necessity.

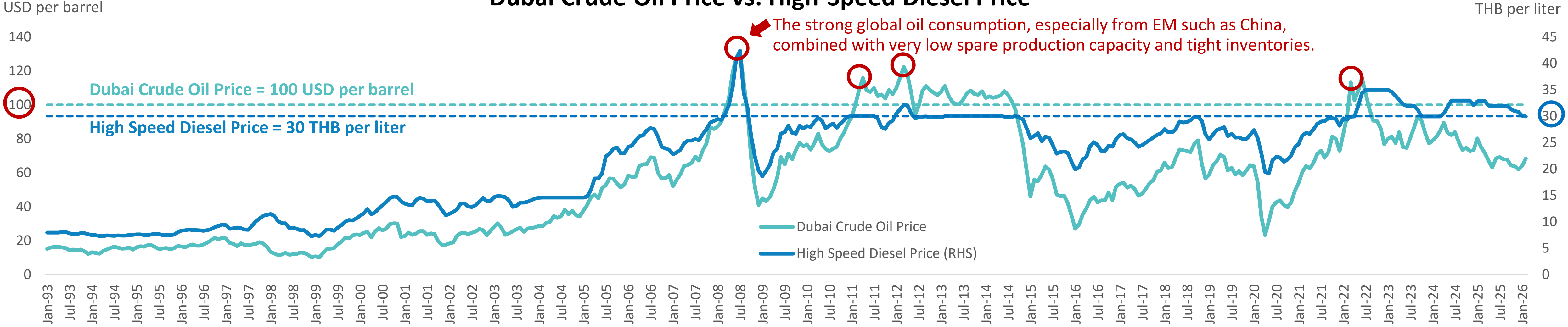
Step 4 Promulgation: The Prime Minister submits the decree to the King for endorsement. After endorsement, the decree is published in the Royal Gazette and becomes effective immediately.

Step 5: Parliamentary Consideration: The decree is presented to Parliament at the next session for acknowledgment.

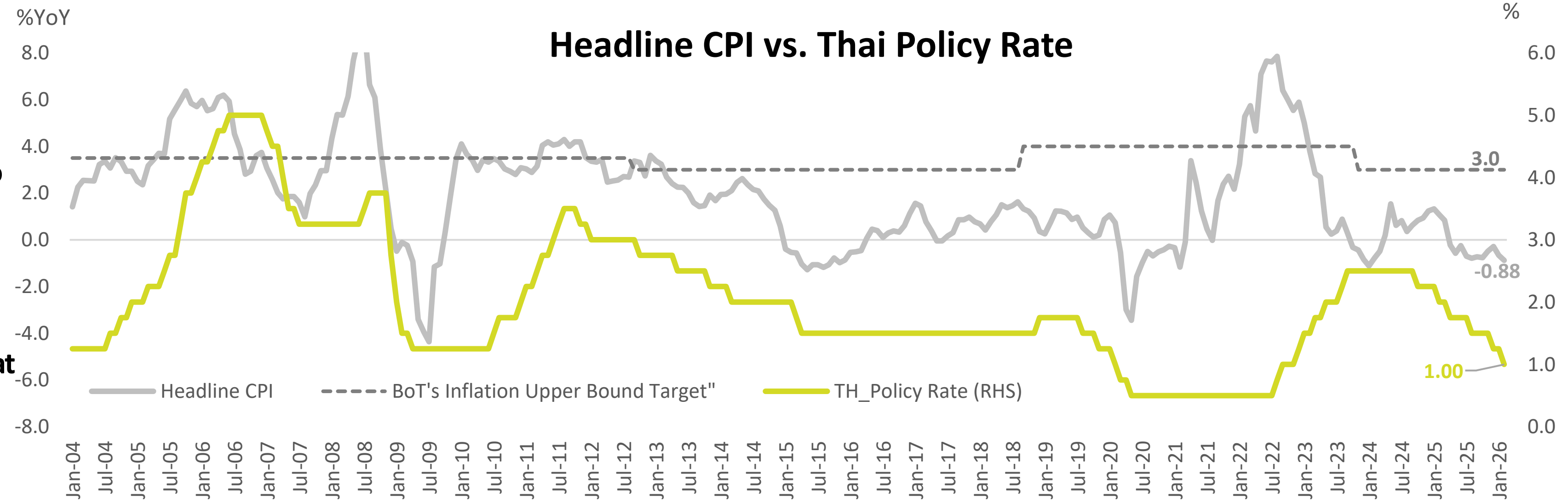
Step 6: Fundraising and Execution: The Ministry of Finance, through the Public Debt Management Office (PDMO), arranges financing and executes the borrowing, typically via **syndicated bank loans or bond issuance.**

Rising crude oil prices often push up the price of diesel, leading to cost-push inflation. However, the MPC is expected to maintain the policy rate at 1.00% if the latest conflict eases within three months and keeps headline inflation below the upper bound of the inflation target.

Dubai Crude Oil Price vs. High-Speed Diesel Price



- **The price of diesel tends to rise along with the price of crude oil,** but it is often capped around policy thresholds (approximately THB 30–35 per liter) due to government intervention via the oil fund and tax adjustments.
- Diesel is a core cost driver for transportation and logistics, so **higher diesel prices lead to cost-push inflation.**
- If oil-driven inflation becomes persistent or widespread, **the central bank will typically raise policy rates to anchor inflation expectations.**
- **However, the MPC is expected to maintain the policy rate at 1.00% if the latest conflict eases in the short term (within three months), as the domestic economy remains fragile and the Bank of Thailand has a dovish policy stance.**



The Cabinet approved seven key measures to mitigate the impact of rising oil prices and assigned the relevant authorities to work out the implementation details.

7 measures to relieve rising oil prices due to the conflict in the Middle East

1) Excise Tax Reduction on Fuel

- Cabinet Directs Ministry of Finance to Determine **Excise Tax Reduction** and Timeline for Fuel Cost-of-Living Relief.

2) Vulnerable Individuals

- Approximately **13.4 million** state welfare card holders
- **Increase the consumer goods purchasing allowance** from 300 THB **to 400 THB per person per month.**

3) Transportation Group

- The Ministry of Transport will determine the implementation of relief measures and provide further details.
- Approximately **30,000 public transport operators** nationwide and around **360,000 freight truck operators**
- This includes **van drivers, taxis, and motorcycle taxis**.

4) Farmer Group

- Promote **the use of alternative and organic fertilizers**, reducing dependency on imports.
- Implement **the "Green Flag" (Thong Khiao) program and the "Good Soil" (Din Dee) card scheme**.

5) Fisheries Group

- Promote **the use of B20 biodiesel** as a measure to reduce operating costs for fishing industry operators.
- The price of B20 biodiesel is approximately THB 5–6 per liter lower than that of standard diesel.

6) Government contractor group

- **Extend work inspection and acceptance periods** as appropriate for construction contractors whose projects have been delayed due to fuel shortages.
- **Disbursing K-factor compensation payments more quickly to strengthen liquidity.**

7) Soft Loan Measures for SMEs

- The Government Savings Bank (GSB) has allocated **THB 10 bn for soft loans to support the liquidity of SME** across the supply chain affected by current economic pressures.

Source: LH Bank Business Research analysis based on data from bangkokbiznews and moneyandbanking (data as of 26 Mar 2026)

Pre-War: Thailand's economy is expected to grow by 1.8% in 2026 due to softening exports and slowing public investment. The escalating conflict in the Middle East is expected to push up energy prices and hinder economic recovery.

Key Indicators	2025	2026F			2027F
		BoT (Dec 25)	NESDC (Feb 26)	LH Bank (Feb 26)	BoT (Dec 25)
GDP (%YoY)	**2.4**	1.5	1.5 - 2.5	**1.8**	**2.3**
Private Consumption (%YoY)	**2.7**	1.9	2.1	**2.0**	**2.0**
Government Consumption (%YoY)	**0.6**	0.0	1.2	**1.2**	**1.6**
Private Investment (%YoY)	**3.5**	2.2	1.9	**1.9**	**2.8**
Public Investment (%YoY)	**8.9**	0.8	1.7	**2.0**	**5.7**
Export of Goods (USD BOP) (%YoY)	**12.7**	0.6	2.0	**3.0**	**1.7**
No. of Tourists (mn persons)	**33.0**	35.0	35.0	**34.0**	**36.0**
Headline Inflation (%YoY)	**-0.1**	0.3	(-0.3) – 0.7	**0.2**	**1.0**
Dubai Oil Price (USD/bbl)	**68.3**	63.0	58.0 – 68.0	**65.0**	**66.0**
Policy Rate (%eop)	**1.25**	n.a.	n.a.	**1.00**	n.a.
Exchange Rate (THB/USD,eop)	**31.5**	n.a.	31.0 – 32.0	**32.0-33.0**	n.a.

Key Tailwinds:

- **Private consumption continues to grow at a moderate pace,** supported by low inflation, more accommodating interest rates, and economic stimulus.
- **FDI inflows into potential sectors continue to increase,** supported by the growth in platform, software, data center, digital, semiconductor, EV, and E&E businesses.
- **The tourism sector is recovering slowly,** driven by a gradual rebound in Chinese tourists as safety concerns ease.

Key Headwinds:

- **Trump's tariffs will continue to worsen global trade.** Despite the court's ruling on IEEPA, Trump maintains a 15% tariff for 150 days and has invoked Section 301 to investigate Thailand's adoption of unfair trade measures against the U.S. in the automotive, machinery, and rubber product sectors.
- **A U.S.-Iran war could lead to volatility in global energy prices,** higher inflation rates and exchange rate fluctuations.
- **Influx of US and Chinese goods is affecting Thai exports and domestic production,** especially in the metals, electrical appliances, automotive, and textile sectors.
- **The household debt-to-GDP ratio remains high at 86.8% (as of 3Q2025),** which will pressure consumer spending.
- **Rising public debt increases the risk of a sovereign credit rating downgrade,** raising private sector borrowing costs.
- **The approval of the FY2027 budget is likely to be delayed by two months,** potentially slowing down private and public investments.

Ongoing conflicts in the Middle East pose high risks to the Thai economy in 2026. Elevated oil prices and increasing inflation will put pressure on domestic consumption, exports of goods, and foreign tourism.

Key Indicators	2022	2025	2026F		
			Pre-War (Feb 26)	Limited (Mar 26)	Prolonged (Mar 26)
GDP (%YoY)	2.6	2.4	1.8	**1.4**	0.8
Private Consumption (%YoY)	6.3	2.7	2.0	**1.8**	1.2
Government Consumption (%YoY)	0.1	0.6	1.2	**1.0**	0.8
Private Investment (%YoY)	4.6	3.5	1.9	**1.5**	0.7
Public Investment (%YoY)	-3.9	8.9	2.0	**1.8**	1.5
Export of Goods (USD BOP) (%YoY)	1.1	12.7	3.0	**2.4**	0.1
No. of Tourists (mn persons)	11.1	33.0	34.0	**32.0**	28.0
Headline Inflation (%YoY)	6.1	-0.1	0.2	**1.2**	3.6
Brent Oil Price (USD/bbl, avg.)	99.8	69.0	65.0	**85.0**	130.0
Policy Rate (%eop)	1.25	1.25	1.00	**1.00**	0.75
Exchange Rate (THB/USD,eop)	34.8	31.5	32.0-33.0	**32.5-33.5**	33.5-34.5

Limited (Worse Scenario)

- **Temporary Escalation of Geopolitical Tensions:** Short-term conflict pushes oil prices up to average around $85 per barrel.
- **Rising costs and moderate inflation :** Higher energy and logistics costs increase inflation and reduce purchasing power.
- **Slower external demand:** Global trade, exports, and tourism have softened amid higher uncertainty and transportation costs and routes.
- **Moderate impact on Thailand:** Tourism will slow slightly, with an estimated 32 million tourists, and GDP growth will moderate to around 1.4%.

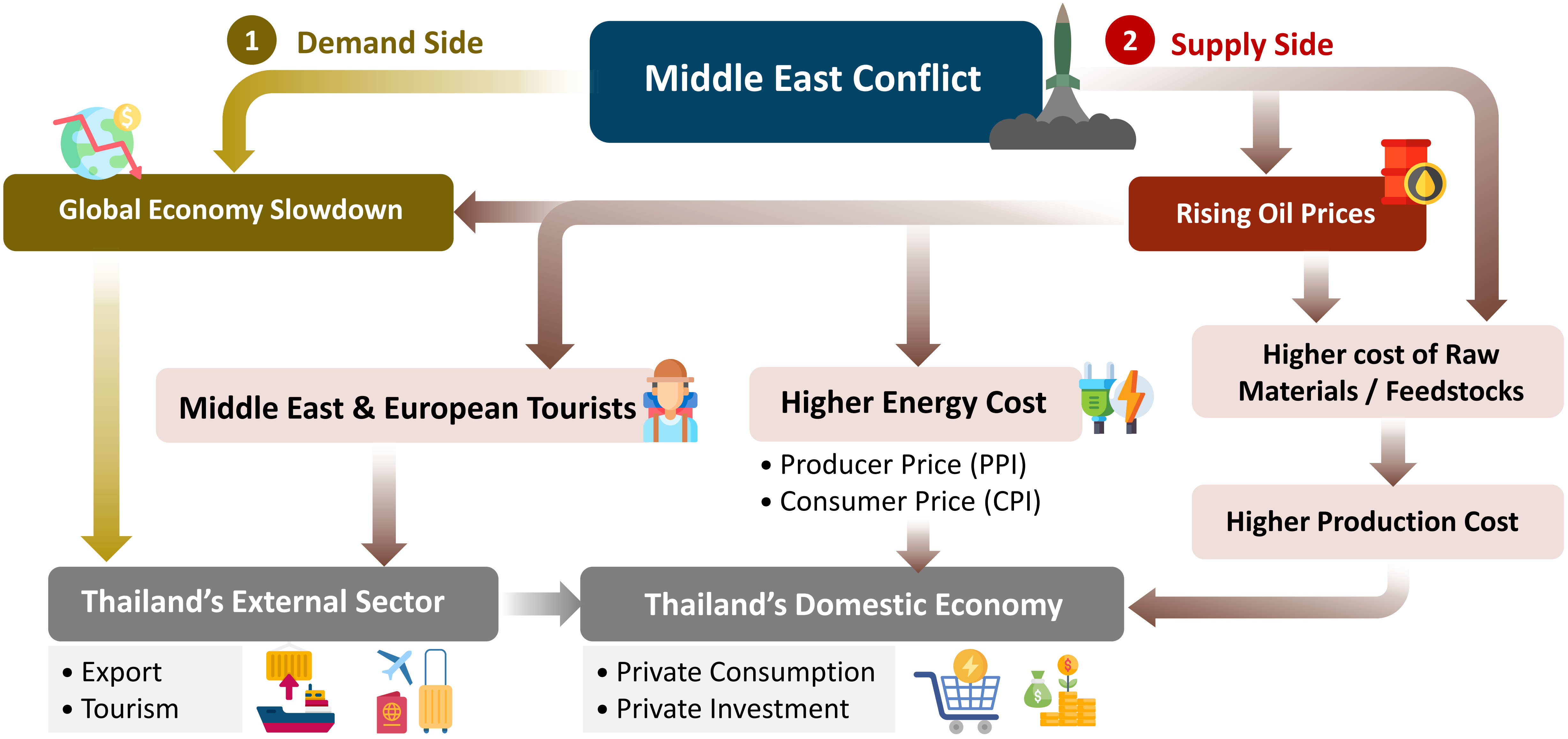
Prolonged (Worst Scenario)

- **Prolonged Geopolitical Conflict:** Prolonged disruption to the global energy supply extends, pushing oil prices increase to USD 130/bbl.
- **Stronger Inflationary Pressures:** Surging energy costs have pushed the headline inflation rate above the BoT's upper bound of 3.6%, which increases living costs and reduces household spending.
- **A deterioration in external demand:** Higher global uncertainty and elevated transportation costs slow global trade and travel. This leads to weaker Thai exports and a notable drop in tourist arrivals.
- **The impact on Thailand's economy is severe:** Weaker exports, reduced tourism activity, and slower private consumption have contributed to a significant slowdown in economic growth, with GDP expanding by 0.8%.

Source: LH Bank Business Research analysis based on data from CEIC, NESDC, MOT and BoT (Data as of 27 Mar 2026)


US-Israel-Iran Conflict:
Impact on Thailand Industry

Transmission channels of impacts on the Thai economy and businesses.



Source: Compiled by LH Bank Business Research

Impact of the US-Israel-Iran Conflict on Thai Industries

Transportation & Logistics sector is expected to be the most adversely affected by surging energy costs, which are likely to pressure profitability and may increase non-performing loan (NPL) risks for financial institutions.

Positive Impact

Upstream Oil & Gas

Directly benefits from the surge in crude oil prices, which will be directly reflected in the average selling price.

Refineries

Benefit from short-term inventory gains and higher gross refining margins (GRM), which are expected to increase in line with rising global demand for refined products amid supply concerns.

Energy Crops

Agricultural sectors benefit from higher commodity prices following the oil price uptrend. These include agricultural energy products such as palm oil, cassava, sugarcane, etc., which serve as a key feedstock for bioenergy.

Negative Impact

Logistics & Transportation

Surging fuel costs and significantly higher risk insurance premiums, along with longer transit times resulting from the need to reroute shipments through safer, alternative routes.

Aviation & Tourism

Surging jet fuel costs and heightened safety concerns will **reduce international tourist arrivals**, which negatively impacts airlines, hotels, and hospitals.

Petrochemicals

Higher naphtha feedstock costs in line with rising crude oil prices, while selling price adjustments remain limited amid slowing global demand, resulting in **narrower product spreads.**

Middle East-Focused Exporters

Directly affected by potential strait closures, particularly in **automotive (passenger cars), electrical appliances (air conditioners), and processed food (rice and halal products),** with risks of shipment delays, higher freight rates, and delayed payments.

Power Generation

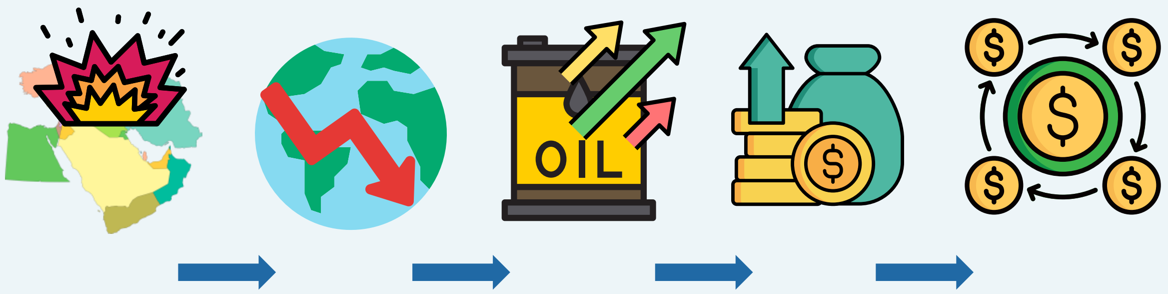
Rising LNG costs, given Thailand's reliance on imported LNG for power generation; **margins may be affected if Ft tariff adjustments lag behind fuel cost increases.**

Consumer Goods

Facing cost-push inflation, while weakening consumer purchasing power limits the ability to pass through higher costs.

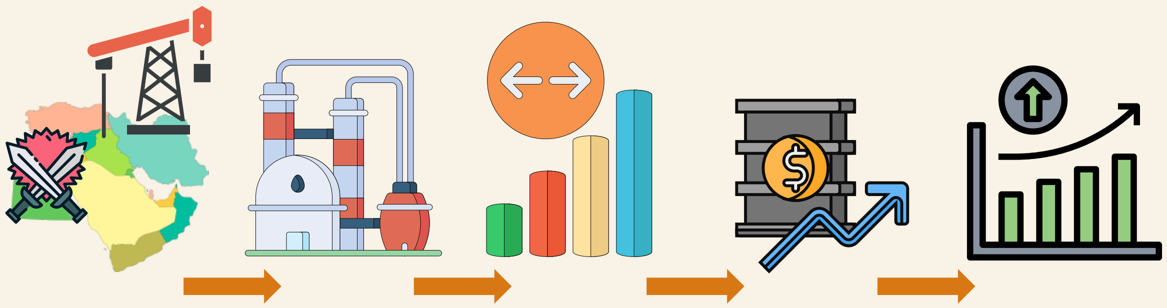
How the Crisis Creates Opportunity for Thailand

Petroleum Exploration and Production (E&P)



Middle East Conflict → Global Oil Supply Shock → Crude Oil Price Surge → Higher Revenue and Margin → Cash Flow Expansion

Oil Refinery



Middle East Conflict → Refining Capacity Loss → Crack Spread Widens → Inventory Gain → Short-term Profit Boost

Duration Assessment (How Long Will It Last?)

E&P

Medium-term (1-3 years)

Supporting Factors

- Infrastructure damage requires months-to-years of restoration.
- Conflict-depleted energy stocks drive accelerated restocking demand.

Oil Refinery

Short-term (1-2 quarters)

Limiting Factors

- Inventory gains are one-time; higher feedstock costs compress margins.
- Prolonged high crude prices trigger inflation and demand destruction.

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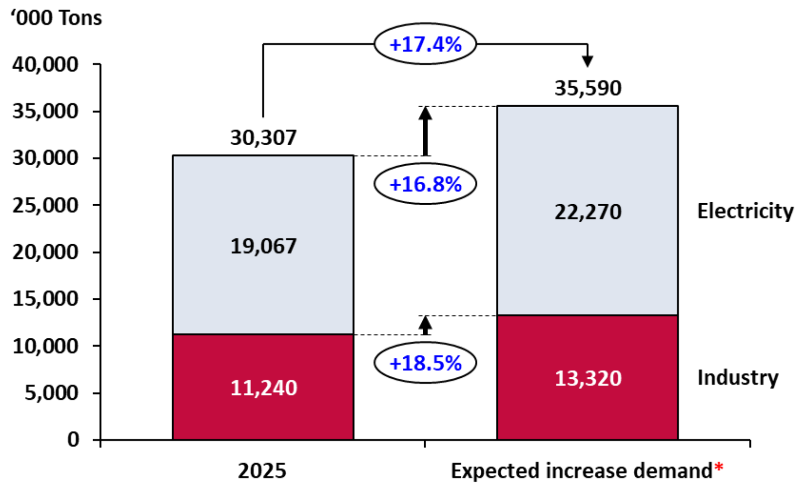
Source: LH Bank Business Research analysis

Rising energy costs are catalyzing a shift toward alternative fuels, supported by both economic incentives and government policy. This creates near-term opportunities in coal and biofuels, particularly for players with available capacity.

Coal & Lignite

Amid rising natural gas prices, coal is likely to play an increasingly important role as a cost-competitive substitute, supporting power generation and helping to contain electricity costs, thereby **creating short-term opportunities for the coal sector.**

Coal & Lignite Consumption

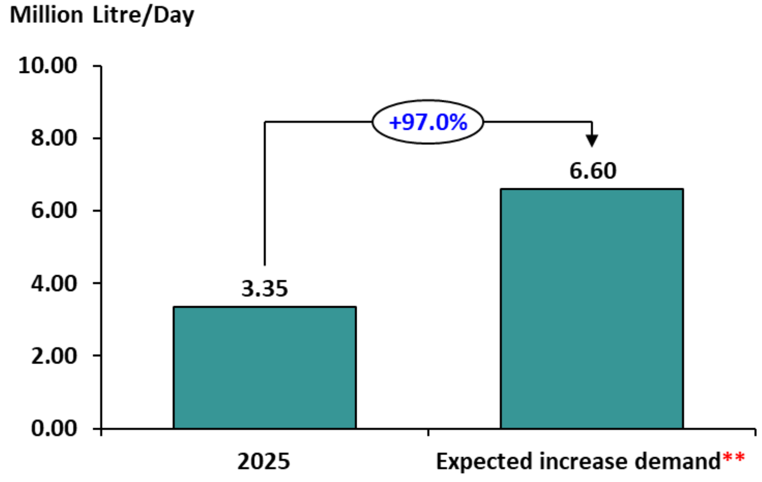


Note: *Expected increase in coal demand, referencing consumption patterns during the gas price crisis 2022.

Biodiesel

An increase in the blending mandate from B7 to B10 could drive biodiesel demand to 6.6 million liters per day (~3 million liters), unlocking substantial utilization upside and positioning the sector as a key beneficiary under higher oil price scenarios.

Biodiesel Consumption

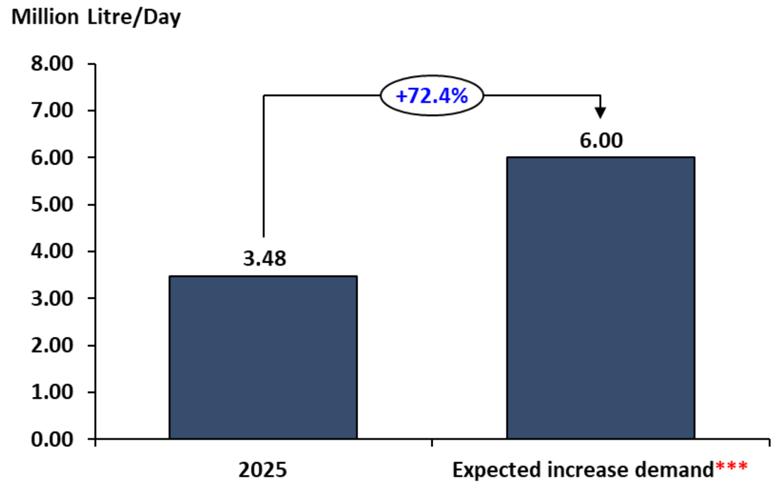


Note: **Estimate by the Thai Ethanol Manufacturers Association.

Ethanol

A shift from E10 to E20 could increase ethanol demand to approximately 6 million liters per day (~2.6 million liters), unlocking meaningful utilization upside and positioning the sector as a key beneficiary of higher oil prices and supportive blending policies.

Ethanol Consumption



Note: ***Estimate by the Thai Ethanol Manufacturers Association.

Source: LH Bank Business Research Analysis based on data from EPPO and DEDE.

Key businesses in LHB's portfolio (outstanding exposure around 1,000 MB as of Dec 2025) that would be severely affected if the Middle East conflict becomes prolonged.

Energy Cost

Sectors impacted by high energy costs.

- **Electric Power Generation**
- **Construction & Materials**
- **Passenger Air Transport**

Tourism

Sectors impacted by declining tourist arrivals.

- **Hotels & Resorts**
- **Private Hospitals**
- **Passenger Air Transport**

Raw Materials

Sectors impacted by upstream raw material shortages.

- **Petrochemical**
- **Plastic Packaging**
- **Fertilizers**

Export

Sectors with high export dependency on the Middle East market.

- **Automotive & Auto Parts**
- **Rubber & Rubber Products**

Direct cost pass-through from surging global oil & gas prices.

Sectors impacted by higher energy costs

Electric Power Generation

- **Fuel Cost Pressure :** Rising fuel costs due to LNG supply risks via the Strait of Hormuz (~24% of Thailand's imports).
- **Gas Dependency Risk :** Heavy reliance on natural gas (>60% of power generation mix) increases exposure to cost shocks.
- **Limited Cost Pass-Through :** Gov. price controls restrict cost pass-through, squeezing margins.
- **Profitability Pressure :** Earnings outlook weakens as conflict prolongs and costs stay elevated.

Construction & Materials

- **Rising Production Costs :** Higher energy prices increased cement, steel, and logistics costs.
- **Private Investment Delays :** Inflation pressures led to postponed private sector projects.
- **Public Spending Constraints :** Fiscal concerns may delay government infrastructure projects.
- **Cost Overrun Risks :** Energy volatility raises cost overruns, pressuring contractor liquidity and margins.

Passenger Air Transport

- **Higher Fuel Costs :** Rising oil prices increased jet fuel expenses, the main cost driver.
- **Weaker Tourist Demand :** Conflict reduced arrivals from the Middle East and Europe (~25% of total tourist arrivals in 2025).
- **Costly Rerouting :** Longer flight paths raised fuel use and ticket prices.
- **Margin Pressure :** Higher costs and weaker demand squeezed airline revenues and profits.

Airspace closures, route disruptions & safety concerns suppress inbound arrivals.

Sectors impacted by declining tourist arrivals

Hotel and Resort

- **Declining Tourist Arrivals :** Fewer visitors from the Middle East and Europe due to safety concerns and higher travel costs.
- **Lower Occupancy & RevPAR :** Reduced tourist demand weakened occupancy rates and revenue per room.
- **Higher Operating Costs :** Rising energy prices increased utility expenses.
- **Margin Squeeze :** Costs rose while room rates stayed limited amid weak demand.

Private Hospital

- **Fewer Middle East Patients :** Travel disruptions reduced visits from a key high-end segment.
- **Delayed Treatments :** Foreign patients postponed non-urgent procedures, lowering high-margin revenue.
- **Rising Operating Costs :** Higher energy and import costs increased expenses.
- **Margin Pressure :** Reliance on foreign patients led to weaker margins and growth risks.

Passenger Air Transport

- **Declining Key Markets :** Fewer arrivals from Europe and the Middle East (~25% of total international tourists in 2025).
- **High Airfare Impact :** Expensive tickets reduced demand from key Asian markets.
- **Rerouting Obstacles :** Longer flights and less reliable schedules weakened connectivity.
- **Weaker Travel Sentiment :** Ongoing Uncertainty led to delayed bookings and shorter planning periods.

Hormuz closure disrupts crude oil, LNG & chemical feedstock from Middle East suppliers.

Sectors impacted by upstream raw material shortages

Petrochemical

- **Supply Tightening Risk :** Prolonged conflict may disrupt upstream supply and raw materials.
- **Higher Feedstock Costs :** Oil and gas price spikes increased input costs (e.g., naphtha).
- **Profitability Pressure :** Spread volatility and capacity limits weighed on margins.

Plastic Packaging

- **Raw Material Risk :** Supply disruptions may lead to shortages of key petrochemical inputs.
- **Rising Input Costs :** Higher resin, energy, and logistics costs increased overall expenses.
- **Margin Compression :** Limited cost pass-through and weak demand pressured margins.

Fertilizer

- **Import Dependency Risk :** Heavy reliance on Middle East inputs raised supply and cost risks.
- **Higher Production Costs :** Rising gas prices increased global fertilizer costs and price volatility, particularly for urea.
- **Demand Weakness :** High prices led farmers to delay purchases, reducing sales and margins.

Source: Compiled by LH Bank Business Research

Reduced Middle East purchasing power & logistics disruptions hit export demand.

Sectors with high exposure to middle east markets

Automotive and Parts

- **Key Export Market :** The Middle East accounted for ~13% of Thailand's vehicle export value in 2025.
- **Revenue at Risk:** Conflict threatened revenues if order volumes or distributor inventory declined.
- **Rising Logistics Costs:** Higher freight, insurance, and riskier routes added cost pressure.
- **Margin Compression Risk:** Prolonged conflict risked softer exports and squeezed margins, especially for pickup truck and parts producers.

Rubber and Rubber Products

- **Limited Export Exposure :** Middle East accounts for a small share (~3%) of tire exports.
- **Supply Chain Disruption Risk :** Hormuz closure could disrupt or halt exports to the region.
- **Higher Input Costs :** Rising oil prices increased synthetic rubber costs.
- **Logistics Cost Pressure :** Higher freight and insurance costs raised export expenses.

Industry Risk and LHB's Implications

Industry	Impact Channel
Electric Power Generation	Energy cost surge
Passenger Air Transport	Fuel costs and tourism slowdown
Construction & Materials	Energy and input cost pressure
Petrochemical	Feedstock shortage
Plastic Packaging	Feedstock and input cost pressure
Fertilizer	ME import dependency
Hotel & Resort	Tourist arrivals slowdown
Hospital	ME & EU medical inbound weakness
Automotive & Parts	ME export dependency
Rubber & Rubber Products	ME export contraction

Credit Risk

- Intensify monitoring on **energy-sensitive sectors (power, construction, airlines)** — higher fuel and energy costs are likely to compress margins.
- Conduct targeted review **on feedstock-dependent sectors (petrochemical, plastic packaging, fertilizer) and ME-linked demand sectors (hotels, hospitals, automotive, rubber)** — input disruption and weaker demand may pressure cash flow.

Portfolio Strategy

- Prioritize watchlist names in sectors exposed to **energy cost shocks, feedstock risk, and Middle East-linked demand channels.**
- Focus early engagement on borrowers **with limited cost pass-through, volatile margins, and high dependence on external demand**, particularly those with high exposure to **Middle East markets.**

Business opportunities

- **Provide working capital and liquidity support** to help clients manage short-term pressure from higher fuel, logistics, and input costs.
- **Expand FX, trade, and risk-management** solutions for clients exposed to import cost volatility and Middle East-related export disruption.

End of Presentation

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