PRUDENCE
BUSINESS SCHOOL
Risk Wisely. Lead Boldly.

EXECUTIVE BRIEFING

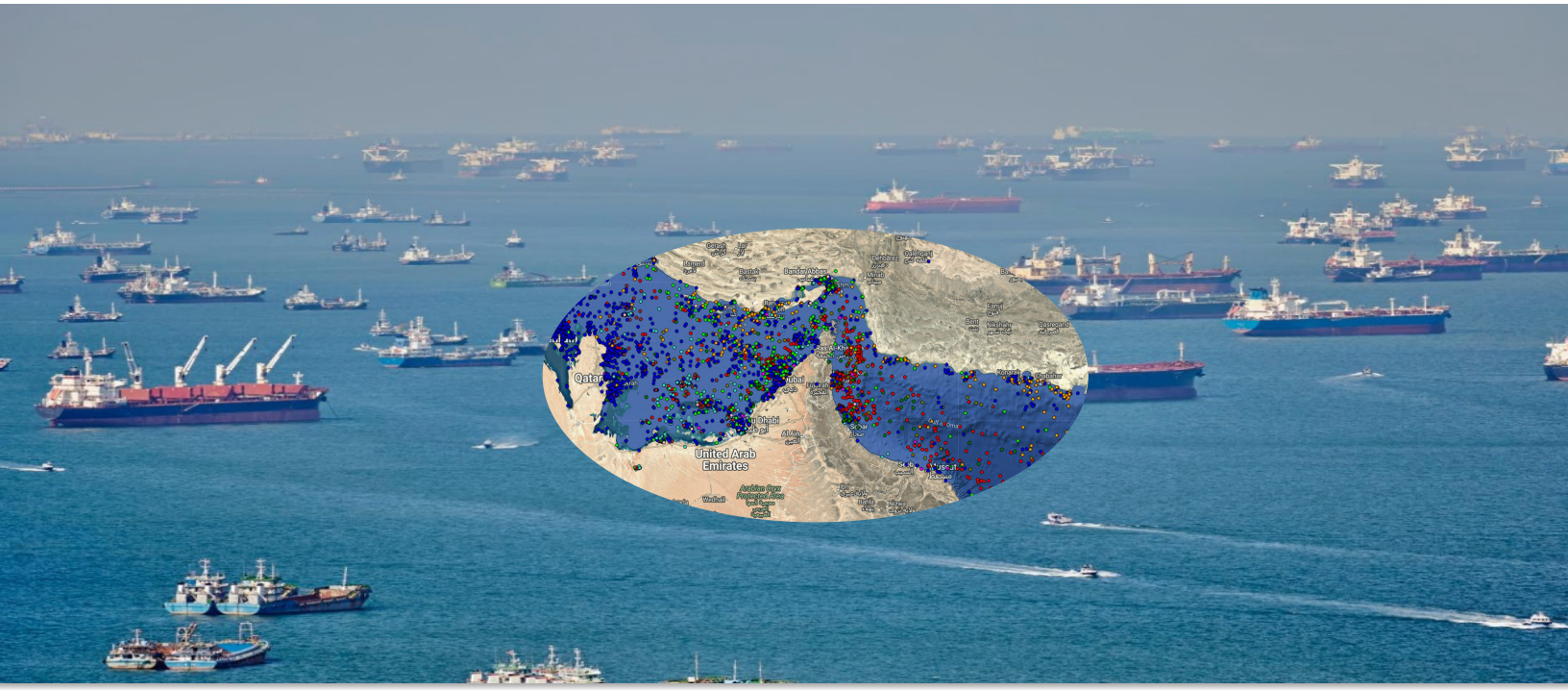
ECONOMIC COST OF THE 2026 GULF WAR

28 February 2026 to 12 August 2026

Direct War Costs • Regional Spillovers • Global Economic Transmission

CENTRAL ESTIMATE	DEFENSIBLE RANGE	FULL-YEAR RISK
US$1.2tn	**US$0.9–1.6tn**	**US$1.5–2.5tn+**

From 28 February to 12 August 2026, the Gulf/Iran war and its spillovers have likely imposed US$0.9–1.6 trillion in global economic costs, with a central estimate near US$1.2 trillion. The largest burden is no longer confined to military expenditure: it is being transmitted through energy, shipping, insurance, aviation, inflation, investment and lost output.



Prepared for executive education and risk-governance discussion

Prudence Business School | www.prudence.academy

1. Executive Summary

Headline conclusion. As of 12 August 2026, the conflict that began on 28 February has likely generated approximately **US$0.9–1.6 trillion** in direct and indirect global economic costs, with a central working estimate near **US$1.2 trillion**. This is an analytical estimate, not an audited war-cost ledger.

The framework deliberately separates observable fiscal and physical costs from modeled macroeconomic spillovers. It also avoids simply adding every category in the detailed matrix because several categories overlap economically (for example, lost hydrocarbon exports, business interruption and GDP loss). The country headline ranges therefore represent de-duplicated analytical estimates.

Country-Level Headline Assessment

Economy	Estimated Cost US$ bn	Primary Transmission	Relative Exposure	Confidence
United States	130–195	Military outlays, energy/inflation, aviation, replenishment	High absolute	B
Israel	20–30	Defence, compensation, property damage, lost activity	High	B
Iran	120–180	Oil blockade, infrastructure, industrial damage, inflation	Extreme	B/C
UAE	30–45	Trade, aviation, logistics, Hormuz, investment	High	C
Saudi Arabia	40–65	Oil/logistics, defence, project delays; partial bypass	Medium-high	C
Qatar	28–42	LNG/Hormuz concentration, aviation and trade	Extreme	C
Kuwait	23–36	Oil/Hormuz concentration, imports and output	Extreme	C
Bahrain	6–11	Trade, finance, fiscal vulnerability	High relative	C
Oman	4–8	Regional spillover; ports largely outside Hormuz	Lower	C

Interpretation of confidence grades: A = official/audited or near-official; B = strong public anchor plus limited estimation; C = modeled/analytical range with material uncertainty.

Key Public Anchors

United States: Pentagon stated US$37.5bn in war costs by 21 July 2026, providing the strongest direct fiscal anchor.

GCC: UNDP modeled a US$103–168bn GDP loss for the six GCC states after roughly one month under its conflict scenarios.

Gulf outlook: Reuters' July economist poll projected 2026 contractions of 8.1% for Qatar and Kuwait, 5.1% for Bahrain and 0.5% for the UAE; Saudi Arabia and Oman retained positive growth.

Iran: Recent reporting placed the cumulative economic toll around US$144bn, with oil exports sharply impaired and inflation extremely elevated.

Global: World Bank cut 2026 global growth to 2.5%; IMF described the Hormuz/energy shock as the largest disruption to the global oil market in history.

2. Methodology and Guardrails

This briefing uses a three-layer methodology: (1) hard public anchors from governments and multilateral institutions; (2) sector transmission evidence from energy, shipping, aviation and financial markets; and (3) bounded analytical estimates where no country-level audited figure exists. All monetary values are shown in US dollars.

Direct fiscal cost. Military operations, munitions, air/missile defence, emergency fiscal support and compensation.

Physical damage. Damage to utilities, transport, industrial plants, commercial property and other fixed assets.

Trade/energy loss. Foregone oil/LNG revenue, refining disruption, shipping delays, freight rerouting and insurance.

Macro spillover. Inflation, lost productivity, investment deferral, financing costs and output loss.

Reconstruction provision. Expected replacement/repair burden for damaged public and private assets.

De-duplication rule. Headline country totals are not the arithmetic sum of the 23 category ranges because GDP loss and sector losses overlap.

Important Limitations

War-cost accounting is inherently provisional. Government military spending can be revised; private losses may be insured, uninsured or merely deferred; market-capitalization declines can reverse; and GDP forecasts measure foregone output rather than cash expenditure. The ranges in this report should therefore be used for executive risk analysis, scenario planning and communication, not as audited claims or legal-loss quantification.

3. Cost Architecture

Cost Layer	Illustrative Global Burden	Examples	Double-Count Risk
Direct military/fiscal	~US$80–130bn	Operations, interceptors, munitions, compensation	Low
Physical damage/reconstruction	~US$80–150bn	Iran/Israel/Gulf infrastructure and industrial assets	Medium
Regional economic spillover	~US$180–300bn	Energy exports, aviation, shipping, tourism, investment	High
Rest-of-world macro spillover	~US$450–900bn	Energy/import shock, freight, inflation, lost output	High

The global range of US$0.9–1.6tn is therefore best understood as an economic-loss envelope. It combines direct costs and de-duplicated spillovers rather than treating every observed price movement or market decline as a permanent loss.

4. Detailed Economic Cost Matrix — 23 Categories

Units: US$ billions, estimated range. These category ranges are diagnostic and may overlap. They should not be summed to derive the headline country totals.

Cost Category	US	Israel	Iran	UAE	Saudi	Qatar	Kuwait	Bahrain	Oman
1. Military operations & force deployment	37.5–45	8–11	15–25	1–2	2–4	0.5–1.5	0.3–1	0.2–0.6	0.2–0.5
2. Munitions depletion & replenishment	8–15	2–4	5–10	0.3–0.8	0.8–1.8	0.2–0.5	0.2–0.4	0.1–0.3	0.1–0.2
3. Air/missile defence & base protection	3–6	1.5–3	2–5	0.5–1.5	1–2.5	0.5–1.2	0.3–0.8	0.2–0.5	0.2–0.5
4. Civil infrastructure & utilities damage	0–1	1.5–3	12–20	1–3	1–3	0.5–2	0.5–2	0.3–1	0.1–0.5
5. Industrial & commercial property damage	0–0.5	1–2	8–15	0.5–2	0.5–2	0.3–1	0.2–1	0.2–0.6	0.1–0.4
6. Oil production/export revenue losses	2–5	0–0.5	35–55	5–9	10–18	0–0.5	7–12	0.5–1.5	0.5–1.5
7. LNG/gas production & export losses	1–3	0–0.3	3–6	1–3	1–2	12–20	0–0.3	0.2–0.5	0.5–1
8. Refining/petrochemical disruption	2–4	0.2–0.5	5–10	1–3	3–6	1–2	1–2	0.3–0.8	0.3–0.8
9. Shipping/freight rerouting & delay	4–8	0.5–1	3–6	3–5	2–4	1.5–3	1.5–3	0.5–1	0.5–1
10. Marine war-risk insurance & P&I costs	1–3	0.2–0.5	1–3	1.5–3	1–2	1–2	0.8–1.5	0.2–0.5	0.2–0.5
11. Aviation disruption & jet-fuel costs	8–15	1–2	1–3	3–5	2–4	2–4	0.5–1	0.3–0.8	0.3–0.8
12. Tourism & hospitality losses	1–3	1–2	1–3	2–4	2–4	1–2	0.5–1	0.3–0.7	0.5–1
13. Trade/import disruption & inventories	5–10	1–2	5–10	2–4	2–4	1.5–3	1–2	0.5–1	0.5–1
14. Food/water security & emergency logistics	0.5–1.5	0.2–0.5	2–5	0.5–1.5	0.5–1.5	0.5–1.5	0.5–1.5	0.2–0.5	0.2–0.5
15. Cybersecurity & business-continuity costs	2–5	0.5–1	1–3	0.5–1.5	0.5–1.5	0.3–1	0.2–0.7	0.1–0.4	0.1–0.4
16. Financial-market/valuation shock*	15–30	2–4	5–10	4–8	5–10	2–5	2–5	0.5–1.5	0.3–1
17. Higher borrowing & sovereign funding costs	3–7	1–2	4–8	1–2	1–3	0.5–1.5	0.5–1.5	0.3–0.8	0.2–0.6
18. Inflation / household purchasing-power loss	25–45	2–4	12–20	2–4	3–5	1–3	1–3	0.5–1	0.5–1
19. Business interruption & lost productivity	8–15	2–4	8–15	2–4	3–5	2–4	1.5–3	0.5–1.2	0.5–1
20. FDI/project delays & capex deferral	2–5	0.5–1.5	3–7	2–4	3–6	1–2	0.5–1.5	0.3–0.8	0.3–0.8
21. Fiscal support, subsidies & compensation	2–5	2–4	3–6	1–2	2–4	1–2	1–2	0.5–1	0.3–0.8
22. Reconstruction & asset replacement provision	0–0.5	2–4	15–25	1–3	1–3	0.5–2	0.5–2	0.3–1	0.2–0.8
23. Net GDP/output loss not captured above**	15–30	4–8	20–35	8–15	10–18	8–14	6–11	2–4	1–3

*** Financial-market/valuation shock:** illustrative economic/wealth effect, not a realized cash loss. **** Net GDP/output loss:** residual macroeconomic loss after attempting to avoid obvious duplication with separately identified sector losses.

5. Country Risk Interpretation

Economy	Dominant Cost Drivers	Structural Mitigants	Key Vulnerability	Headline Range
United States	Military operations; munitions; household energy/inflation; aviation	Large diversified economy; domestic energy base	Duration, replenishment, inflation persistence	US$130–195bn
Israel	Defence; missile interception; compensation; business interruption	Mobilization capacity; external support	Small economy; repeated infrastructure/business disruption	US$20–30bn
Iran	Oil export collapse; industrial damage; inflation; infrastructure	Domestic rationing/adaptation; sanctions experience	Oil dependence, blockade, currency and capital constraints	US$120–180bn
UAE	Aviation; logistics; trade; energy exports; investment	Diversification; Fujairah/Habshan bypass capacity	Hormuz-linked trade and global hub exposure	US$30–45bn
Saudi Arabia	Oil/logistics; defence; project delays	East-West pipeline and Red Sea terminals	Large project pipeline and regional security burden	US$40–65bn
Qatar	LNG export disruption; aviation; shipping	Strong fiscal buffers	Concentrated LNG dependence through Hormuz	US$28–42bn
Kuwait	Oil export disruption; imports; output	Large sovereign assets	Very high Hormuz dependence	US$23–36bn
Bahrain	Finance/trade; fiscal support; logistics	Regional support	High debt and limited fiscal space	US$6–11bn
Oman	Trade/aviation; regional risk premium	Ports and export routes outside Hormuz	Regional demand and security spillovers	US$4–8bn

6. Sector-by-Sector Executive Assessment

Military and defence

The most observable direct cost. U.S. public reporting provides a US$37.5bn anchor by 21 July. Israel, Iran and GCC defence burdens are less transparent and therefore require ranges.

Oil and LNG

The principal macro transmission channel. Hormuz disruption affects both export volumes and import-dependent economies. Qatar and Kuwait are especially concentrated; Saudi Arabia and the UAE retain partial bypass options; Oman is structurally better positioned outside the Strait.

Shipping and marine insurance

War-risk premiums, P&I exposure, vessel diversions, convoy/security requirements, port delays and higher charter/freight costs transmit the conflict into almost every traded commodity.

Aviation

Airspace restrictions, rerouting, jet-fuel inflation, cancellations and reduced connecting traffic disproportionately affect Gulf hub carriers and tourism ecosystems, while higher jet fuel raises global ticket prices.

Tourism and hospitality

Conflict perception reduces leisure and business travel, creates cancellations and raises travel-insurance and operating costs. The burden is concentrated in regional hubs but spills into Mediterranean and European operators.

Financial markets and funding

Equity losses are volatile and should not be treated as permanent cash losses. More durable effects include sovereign/corporate risk premia, higher borrowing costs and delayed capital raising.

Inflation and household welfare

Higher fuel, food, freight and insurance costs reduce real household purchasing power. This is economically significant in the U.S. and globally, but must be separated from direct fiscal war costs.

Reconstruction

Iran carries the largest prospective reconstruction burden. Israel and affected Gulf infrastructure also require repair/replacement provisions. Final costs depend on damage surveys and duration.

7. Global Spillover Beyond the Nine Economies

The report's US$450–900bn rest-of-world range reflects a de-duplicated envelope for foregone output and higher costs rather than a simple sum of stock-market declines. The principal channels are higher oil and LNG prices, shipping and insurance, aviation fuel, food/fertilizer costs, delayed monetary easing, weaker investment and disrupted industrial supply chains.

Global Channel	Indicative Burden	Why It Matters
Energy-import shock	US$180–350bn	Acts like a tax on oil/LNG-importing households and industry.
Trade/freight/insurance	US$70–140bn	Raises landed cost and working-capital needs across supply chains.
Aviation/tourism	US$30–70bn	Fuel, rerouting, cancellations and destination substitution.
Financing/inflation/output	US$170–340bn	Higher inflation and rates suppress consumption, investment and growth.

8. Executive Risk-Governance Implications

- Treat geopolitical and maritime chokepoint risk as a balance-sheet risk, not merely a logistics issue.
- Stress-test trade receivables, supplier concentration, energy exposure and working-capital needs under prolonged Hormuz disruption.
- Reassess vessel, flag, class, P&I, sanctions and war-risk insurance due diligence for Gulf and Red Sea voyages.
- Review business-interruption limits, contingent business interruption, political violence/war exclusions and supply-chain insurance gaps.
- Build alternative routing, inventory and financing plans before a disruption becomes a liquidity event.
- Separate insured physical loss from uninsured economic loss when communicating board-level exposure.

9. Sources and Evidence Base

Priority was given to government statements, multilateral institutions and major financial-news reporting. The following sources support the public anchors used in this briefing; the analytical ranges remain Prudence Business School estimates.

1. Reuters — "War in Iran has cost the US $37.5 billion so far, Pentagon says" (21 July 2026). https://www.reuters.com/world/middle-east/us-war-iran-has-cost-375-billion-so-far-pentagon-says-2026-07-21/ Direct U.S. fiscal/military anchor.

2. UNDP — "Escalation in the Middle East reverses more than a year of economic growth in Arab States region" (31 March 2026). https://www.undp.org/arab-states/press-releases/escalation-middle-east-reverses-more-year-economic-growth-arab-states-region-according-new-un-development-programme Regional GDP-loss scenarios, including GCC.

3. Reuters — "Most Gulf area economies face deeper downturns this year on Hormuz disruption" (16 July 2026). https://www.reuters.com/world/middle-east/most-gulf-area-economies-face-deeper-downturns-this-year-hormuz-disruption-2026-07-16/ Country growth outlook for UAE, Saudi Arabia, Qatar, Kuwait, Bahrain and Oman.

4. IMF — World Economic Outlook, April 2026. https://www.imf.org/en/publications/weo/issues/2026/04/14/world-economic-outlook-april-2026 Global growth and conflict assumptions.

5. IMF — "How the War in the Middle East Is Affecting Energy, Trade, and Finance" (30 March 2026). https://www.imf.org/en/blogs/articles/2026/03/30/how-the-war-in-the-middle-east-is-affecting-energy-trade-and-finance Energy, trade and financial transmission channels.

6. World Bank — Global Economic Prospects press release (11 June 2026). https://www.worldbank.org/en/news/press-release/2026/06/11/global-economic-prospects-june-2026-press-release 2026 global growth downgrade.

7. Reuters — "Gulf companies are set to reveal the unequal toll of Iran war" (9 July 2026). https://www.reuters.com/world/middle-east/gulf-companies-are-set-reveal-unequal-toll-iran-war-2026-07-09/ Corporate and equity-market effects across Gulf economies.

8. Reuters — "Iran war deals blow to global markets' 'Gulf put'" (27 May 2026). https://www.reuters.com/markets/asia/iran-war-deals-blow-global-markets-gulf-put-2026-05-27/ GCC sovereign wealth and global-market spillovers.

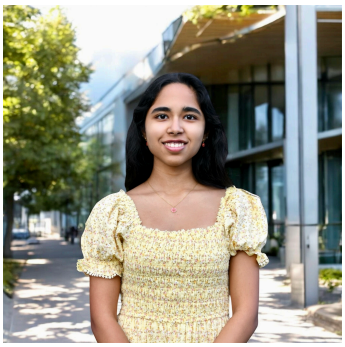
9. Reuters — "New attacks on shipping as Iran war talks hit fresh impasse" (11 August 2026). https://www.reuters.com/world/middle-east/pakistan-says-us-iran-close-some-sort-deal-despite-attacks-shipping-2026-08-11/ Current shipping/security status and continued Hormuz risk.

10. Business Insider — "5 charts show how nearly 6 months of war have hammered Iran's economy" (11 August 2026). https://www.businessinsider.com/iran-economy-war-impact-oil-exports-inflation-unemployment-gdp-currency-2026-8 Iran cumulative economic toll and macro indicators; used as a secondary-source anchor.

10. Disclaimer

This document is prepared for executive education and general risk-governance discussion. It does not constitute investment, legal, insurance, accounting, sanctions or financial advice. Estimates are based on public information available as of 12 August 2026 and are subject to significant revision as official data, damage assessments and macroeconomic outcomes develop. Category-level estimates may overlap and must not be mechanically aggregated. Prudence Business School makes no representation that the figures constitute audited losses, insured losses or legally recoverable damages.

Prepared by:



Email:
admissions@prudence.academy
barke@prudence.academy

Contact:
+1.415.900.8772
+1.415.900.8797

www.prudence.academy

12 August 2026

Priya Barke
International Award-Winning Entrepreneur & Researcher
1st Place International - Youth Biz Case Competition
1st Place (Nationals) - HARVARD Pre Collegiate Economics Competition (Written)
1st Place - UCLA Comparative Advantage Award
2nd Place - International-Fair Tech Policy Proposal Challenge (AI Governance)
4th Place NorCal. State Finals -The National Economics Challenge-Federal Reserve, SFO-California Council on Economic Education
Top 20% Internationally - Economics World Cup, University of Oxford
Honors Recipient, Champion in North America & USA,
Global Semi-Finalist Team -The Harvard Crimson Global Quiz Bowl 2025 (Economics & Business)
ICDC Qualifier - DECA PMCD
8th Place - DECA International Business Plan SVCDC
Top 10 - Earth Prize, Scholars Award
NorCal. State Finals - The Personal Finance Challenge held at VISA, SFO, California Council on Economic Education
Tournament of Champions at YALE University, World Scholars Cup
Gold Certificate, Silver Medal - Congressional Award
(Gold x 2) PVSA – Presidential Volunteer Service Award
Gold & Summit Award - Girl Scouts
Published Research - Journal of Financial Risk Management
MatchNice Intern
BCG Intern

Professional Certifications:
WHARTON Leaders in Business World
WHARTON Startups in Business World
WHARTON Essentials of Finance
WHARTON Advanced Management Partners Program
University of Chicago – The Politics of Economic Development
YALE Entrepreneurial Society's High School Fellowship
BABSON Entrepreneurial Thought & Action
UCLA Economics Summer Institute
UCSD Multivariable Calculus (98%)
UCSD Linear Algebra
Inspirit AI Scholars Program
Teach Me Wall Street: Investing & Trading

PRUDENCE BUSINESS SCHOOL

Risk Wisely. Lead Boldly.