BOX II.2:

Effects of the War on the global economy

The near-complete halt in traffic along this route, coupled with damage to oil infrastructure, has restricted the supply of oil and other key commodities, driving up logistics costs and international prices. In this context, oil prices have risen by more than 50%, reflecting supply constraints and a higher geopolitical premium. Significant increases have also been observed in the prices of fertilizers, natural gas, sulfur (a key input to produce sulfuric acid, used in copper refining), and aluminum (Figure II.14). At the same time, financial markets are seeing increased volatility, rising long-term interest rates, and widespread currency depreciation against the dollar. Of particular note is the rise in U.S. and European 10-year yields, driven by fiscal risks associated with prospects of higher defense spending and rising inflation expectations. This box describes the expected impacts of this new scenario on the global economy and outlines the effects of a more adverse alternative scenario[1]/.

Future scenarios

The central scenario of this IPoM uses an oil price path consistent with that implied by the average of futures contracts for the five business days between 13 and 19 March. This means a peak of just over US$100 per barrel in April—measured as the daily average of the Brent-WTI midpoint—and around US$100 in the second quarter of this year (60% above the December forecast). For 2026, this scenario projects an average of US$86 (40% higher than assumed in December) (Figure II.15). Going forward, prices are expected to stabilize at levels slightly higher than those considered in December, reflecting a higher geopolitical premium. This oil price scenario is consistent with a situation in which, even if the conflict were to drag on, its intensity would ease in the coming weeks. Furthermore, it would be consistent with the assumption that damage to production capacity would not increase further, allowing production and trade to resume relatively quickly. In this context, it is estimated that, in the central scenario, global uncertainty would decrease in the short term, mitigating the effects on economic activity and demand.

In this scenario, the macroeconomic effects would be reflected in higher global inflation and somewhat slower growth among trading partners compared to a scenario with no war. World inflation would rise by about 0.6 pp on average in 2026, while trading partners' growth would decline by about 0.3 pp. In the central scenario, our trading partners' growth is thus revised marginally upward in 2026, as the stronger growth observed toward the end of 2025 more than offsets the downward revision due to the War. These calculations factor in the lesser intensity of oil use observed in recent decades (Figure II.16) and the temporary nature of the increase in uncertainty.

This scenario is highly uncertain, and more adverse outcomes cannot be ruled out. On the one hand, Iran faces few obstacles in keeping the Strait of Hormuz closed; the Strait can be targeted with low-cost missiles and drones, which are produced in a decentralized manner and are difficult to detect. On the other hand, the United States' capabilities to neutralize such threats are more costly, and so far its efforts to form a broader coalition to defend the route have not borne fruit. In turn, internal political dynamics and the renewal of radical leadership reduce Iran's incentives for de-escalation. On top of this is the lack of clarity regarding an exit strategy. All of this could keep the conflict more intense than is implied in the central scenario.

In this context, Álvarez *et al.* (2026) outline an alternative scenario that envisions a more adverse course of the conflict, with a greater impact on the global economy. Said scenario assumes a significant and prolonged disruption to supply,

[1]/ For details on the analysis of this box, see Álvarez *et al.* (2026).

for example, if the Strait of Hormuz remains closed for a longer period or if damage to infrastructure is more severe. This scenario would also lead to greater and more persistent increases in uncertainty and risk aversion, tightening financial conditions and adversely affecting global aggregate demand and economic activity.

In this scenario, the authors assume that the Strait of Hormuz remains closed for three months and estimate an oil price (Brent-WTI average) to peak near US$150 per barrel on average in May (US$140 on average in the second quarter) and an annual average of US$110, driven by lower supply and a higher geopolitical risk premium. For global inflation, they estimate an impact of around 1.5 pp on the 2026 average, compared to a no-war scenario. Meanwhile, our trading partners' economic activity would decline by around 0.6 pp due to this factor, which would more than offset the higher growth for 2026 that would be expected in the absence of the conflict.

Conclusion

The war in the Middle East has sparked strong market reactions, worsening global financial conditions, particularly for emerging economies. The central scenario in this IPoM examines the negative effects of this conflict on various real and financial variables, as well as its spillover effects on the Chilean economy. However, uncertainty regarding the war's progression makes it necessary to continually analyze alternative scenarios.

FIGURE II.14

Affected commodity prices (1)
(index 100 = 02.Jan.2026)

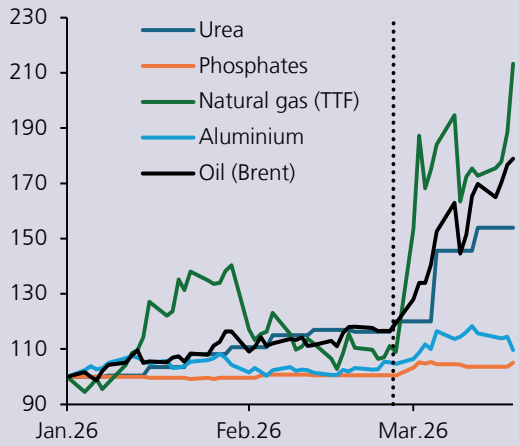
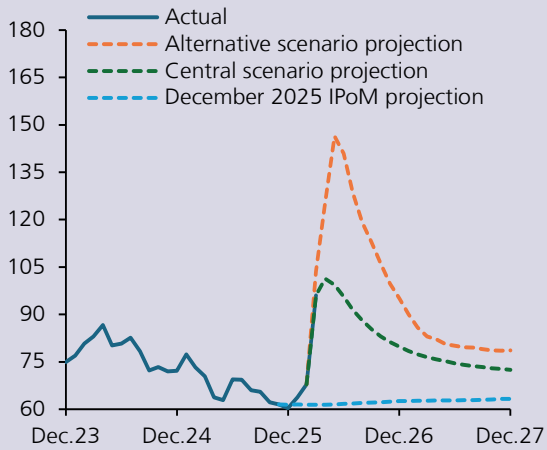


FIGURE II.15

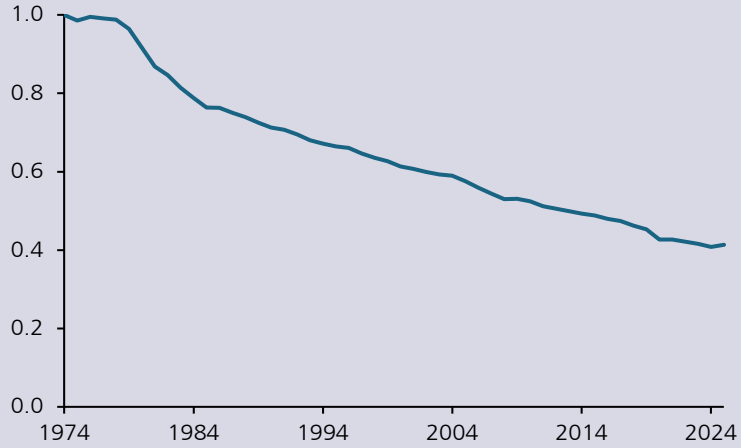
Oil prices and projections (2)
(dollars per barrel)



(1) Prices correspond to the front-month futures for each commodity. For urea and phosphates, NOLA (New Orleans) futures are used; for natural gas, TTF (Title Transfer Facility) futures; for aluminium, futures from the London Metal Exchange (LME); and for oil, futures traded on ICE (Intercontinental Exchange). The dotted vertical line indicates the onset of the war in the Middle East. (2) Average price between Brent and WTI. Dotted lines correspond to the monthly projections of the central scenario, the alternative scenario from the March 2026 IPoM, and the central scenario from the December 2025 IPoM.
Sources: Álvarez *et al.* (2026) and Bloomberg.

FIGURE II.16

World oil consumption/Global GDP (1)
(index 1974 = 1)



(1) Global oil consumption is measured in barrels per day. Global GDP is expressed in constant 2015 prices, in USD.
Sources: U.S. Energy Information Administration (EIA) and the World Bank.