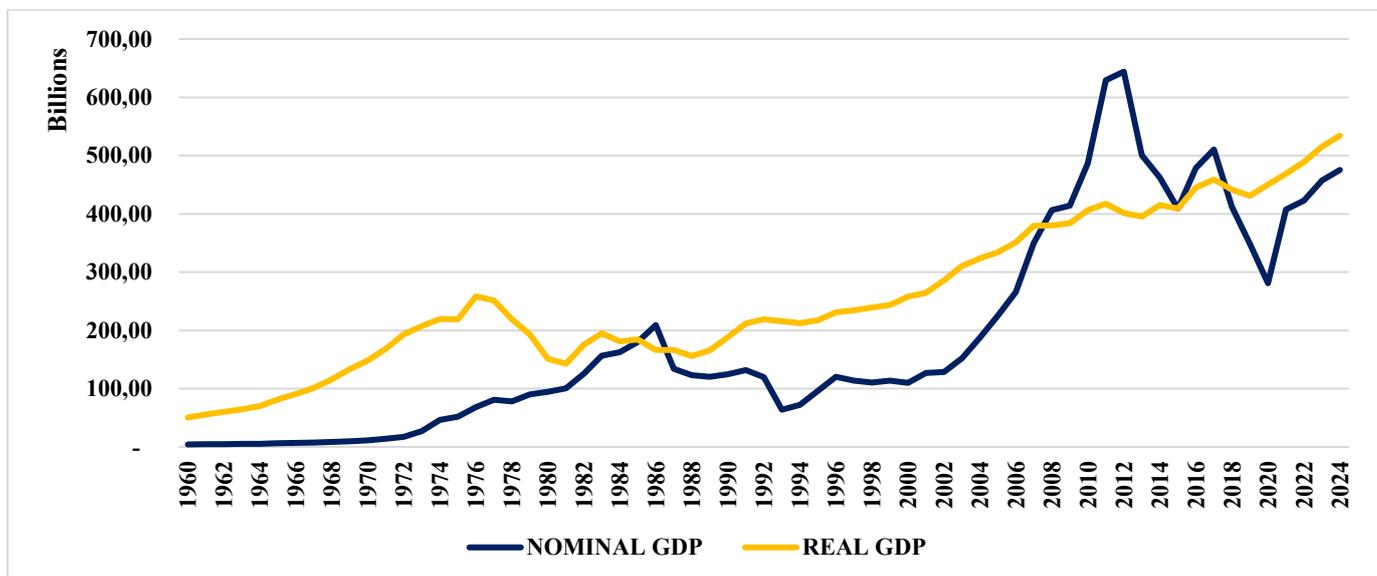


Iran, the Strait of Hormuz and the Global Oil Market

March 2026

Economic Background

Iran Nominal GDP (Current US\$) vs Real GDP (Constant 2015 US\$), 1960–2024



Source: World Bank

Iran's GDP series since 1960 highlights the dominant influence of oil revenues and geopolitical developments on the country's macroeconomic performance. Both nominal and real GDP display pronounced cyclical movements rather than a smooth industrial growth trajectory, with expansions and contractions closely aligned with oil price cycles, sanctions regimes, and regional conflict.

During the 1960s and early 1970s, Iran experienced rapid economic expansion driven by rising oil production and strengthening global energy prices. Nominal GDP increased from roughly \$4.2 billion in 1960 to about \$46 billion by 1974, while real output also expanded strongly during this period. The expansion reflected the oil boom and Iran's emergence as a major petroleum exporter, accompanied by significant infrastructure investment and rising fiscal revenues prior to the 1979 revolution.

Economic volatility intensified after the late 1970s. The Iranian Revolution in 1979 and the Iran–Iraq War (1980–1988) disrupted oil production, trade and investment flows, leading to sharp fluctuations in both nominal and real output throughout the 1980s. Although economic activity stabilised somewhat in the early 1990s, growth remained constrained by international sanctions and recurring oil market shocks.

A second major expansion occurred during the 2000–2012 global commodity boom. Rising oil prices and stronger export volumes lifted nominal GDP from approximately \$126 billion in 2000 to a peak of about \$644 billion in 2012, while real GDP increased steadily over the same period. This expansion further reinforced the strong linkage between Iran's macroeconomic performance and global energy markets.

After 2012, economic output declined as sanctions targeting Iran's energy sector and financial system reduced export capacity. Nominal GDP fell to roughly \$347 billion by 2019 and dropped further to around \$281 billion in 2020, reflecting the combined

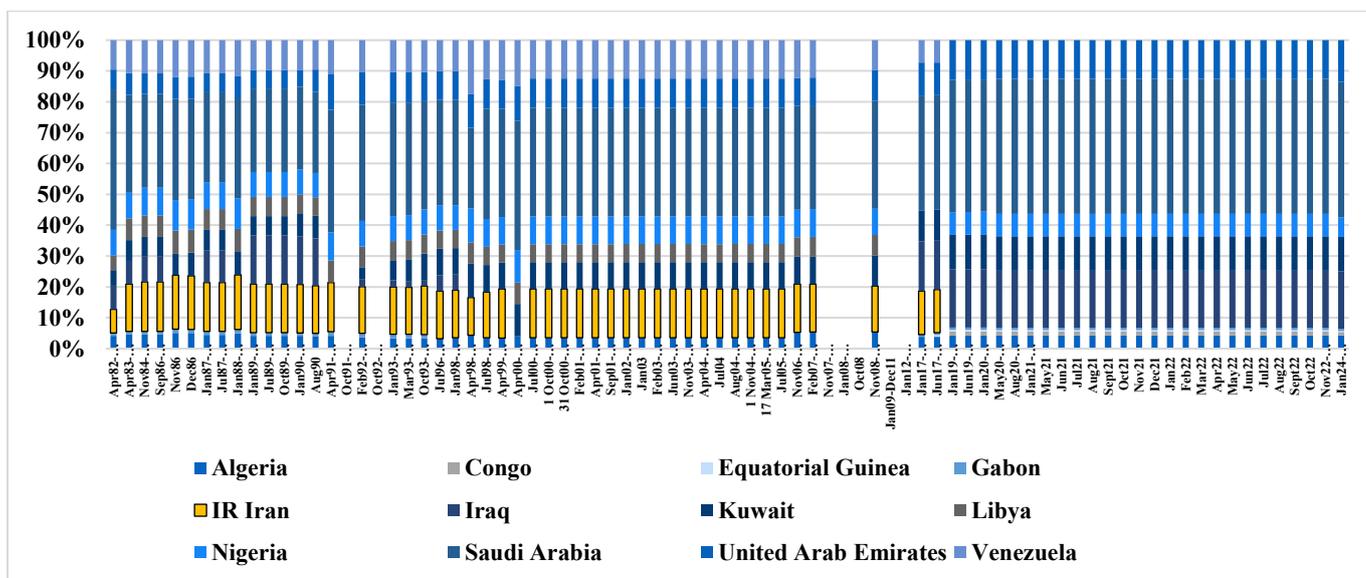
effects of sanctions and the global pandemic. Real GDP growth slowed during this period, indicating weaker underlying economic activity.

Between 2021 and 2024, GDP partially recovered, with nominal output rising to approximately \$475 billion and real GDP continuing its gradual upward trend. This recovery was supported by higher global energy prices and some stabilisation in export flows. Nevertheless, the long-term data indicate that Iran’s economic performance remains highly sensitive to oil market conditions and geopolitical developments, underscoring the strategic importance of its energy sector and export routes through the Persian Gulf and the Strait of Hormuz¹.

OPEC Structure

SUPPLY STRUCTURE

OPEC Crude Oil Production Allocations:



Source: OPEC

OPEC² production allocations since the early 1980s illustrate the concentration of oil supply among Gulf producers³, although it is important to note that OPEC does not represent the entirety of global oil production. Significant volumes are also produced by non-OPEC countries, including major producers such as the United States, Russia, Canada and Brazil. In recent years, cooperation between OPEC members and key non-OPEC producers under the OPEC+ framework has further expanded the group’s influence over global supply management.

Within OPEC itself, Saudi Arabia consistently holds the largest production quota, rising from roughly 4–5 million barrels per day (b/d) in the early quota system to more than 10–11 million b/d in recent years. This position reflects Saudi Arabia’s role as the organisation’s primary swing producer and its ability to adjust output in response to global market conditions.

A second tier of producers includes Iran, Iraq, the United Arab Emirates and Kuwait, each typically allocated between 2–4 million b/d. These producers collectively account for a large share of OPEC supply and remain central to the organisation’s production management strategy.

Quota allocations fluctuate with geopolitical conditions. Iraq’s participation has historically been disrupted by conflict and sanctions, while Iran’s production levels have periodically been constrained by international sanctions. Smaller African producers such as Nigeria, Algeria and Libya maintain comparatively lower quotas, generally below 1 million b/d.

Overall, OPEC’s production ceiling expanded from roughly 15–20 million b/d in the early quota system to around 26–27 million b/d by the mid-2010s, before declining during the 2020 pandemic demand shock and gradually recovering thereafter. While OPEC represents only part of global supply, its coordination with major non-OPEC producers through the OPEC+ arrangement has allowed the broader group to exert substantial influence over global oil market balances.

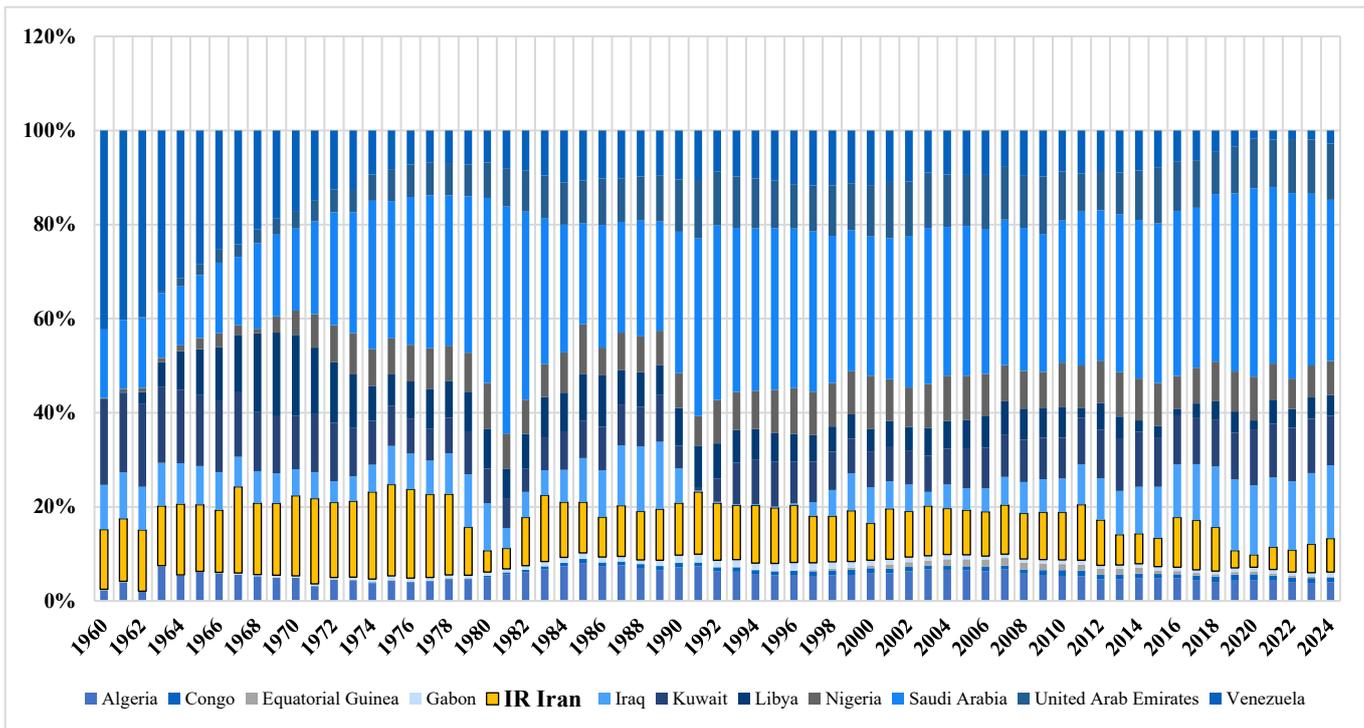
¹ A narrow shipping route between Iran and Oman that connects the Persian Gulf to global markets. A significant share of the world’s oil exports passes through this strait, so tensions involving Iran or the wider Gulf region can quickly affect global oil prices.

² OPEC refers to the Organization of the Petroleum Exporting Countries, an intergovernmental organisation founded in 1960 to coordinate petroleum policies among major oil-exporting countries. Its members manage production levels to influence global oil supply and stabilise oil markets.

³ Gulf producers refer to OPEC member states located along the Persian Gulf, primarily Saudi Arabia, Iran, Iraq, Kuwait, and the United Arab Emirates. These countries collectively account for a large share of OPEC oil production and exports and rely heavily on maritime transport routes through the Strait of Hormuz to access global markets.

EXPORT COUNTRIES

Percentage Share of OPEC Petroleum Exports in Monetary Terms



Source: OPEC

The geographic distribution of OPEC petroleum export revenues has shifted substantially over time. In the 1960s, Venezuela dominated the organisation's exports, accounting for more than 40% of total export value. As production expanded in the Middle East, the centre of gravity gradually shifted toward the Persian Gulf.

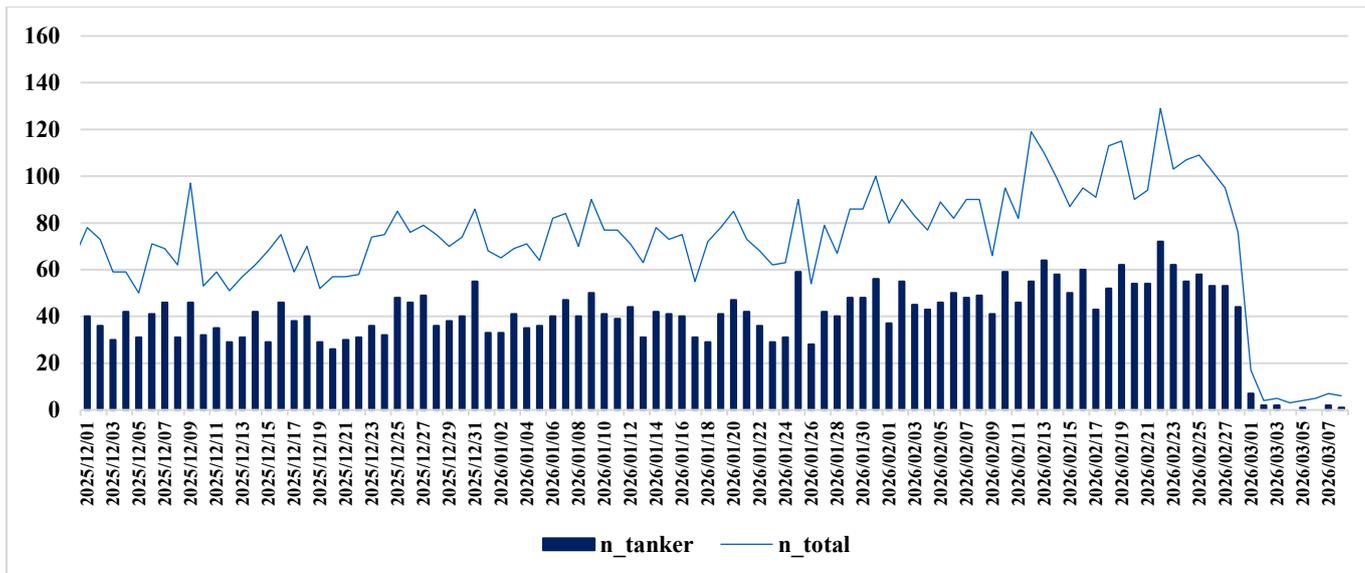
Saudi Arabia's share increased from around 15% in 1960 to over 30% by the mid-1970s, peaking near 48% in 1981. It continues to account for roughly one-third of OPEC export value today. Iran and Kuwait have historically represented important secondary exporters, though Iran's share fluctuates due to geopolitical disruptions and sanctions.

Iraq's contribution collapses during the early 1990s sanctions period before recovering in the 2000s. Other producers maintain smaller but relatively stable shares, with the UAE and Kuwait typically contributing around 10–12%, Nigeria roughly 7–9%, and Algeria about 5%.

The overall result is a strong concentration of global oil export capacity within the Persian Gulf region. This concentration increases the strategic importance of the Strait of Hormuz, through which a large share of OPEC oil exports must transit.

Current disruption

Strait of Hormuz Ship Traffic Total vs Tanker 2026*

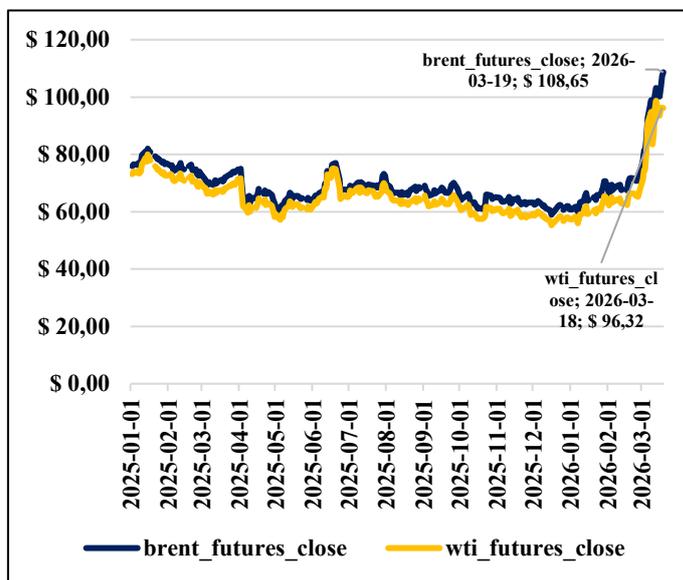
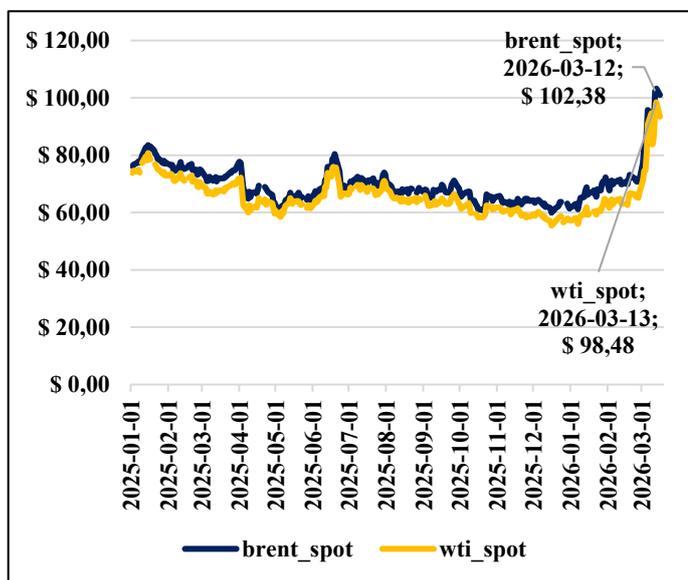


Source: IMF PortWatch

Shipping data shows that vessel traffic through the Strait of Hormuz remained consistently high throughout 2024 and most of 2025, with daily movements generally between 80 and 120 vessels. Tankers formed the dominant share, typically accounting for 40–60 vessels per day, underscoring the Strait’s role as a critical conduit for global crude oil flows.

A sharp structural break emerges in early March 2026. Between 1 and 8 March, total vessel traffic drops to single digits and the low teens, while tanker movements fall from typical levels of 40–60 vessels per day to fewer than 10. This magnitude of decline is well outside normal operational variation and signals a material disruption to transit through the chokepoint.

Various Oil Price Metrics USD per Barrel



Source: U.S. Energy Information Administration (EIA), via FRED & Market Data, via Yahoo Finance

The disruption coincides with the escalation of the Iran–U.S./Israel conflict at the end of February 2026, which significantly increased security risks in the region. Over the same period, oil markets repriced rapidly across both spot and futures benchmarks. Brent and WTI⁴ prices rose sharply, with increases of approximately 36% and 39% respectively, and prices briefly exceeding \$119 per barrel. The concurrent movement in spot⁵ prices, which reflect immediate physical supply conditions, and futures⁶

⁴ WTI (West Texas Intermediate) is a key benchmark for U.S. crude oil.

⁵ Spot prices refer to the current market price for immediate delivery of oil, reflecting present supply and demand conditions.

⁶ Futures prices are contracts for delivery at a specified future date and incorporate expectations about future supply, demand, and geopolitical risk.

prices, which capture market expectations of future supply and risk, indicates a broad-based reassessment of supply risk rather than a temporary dislocation.

The simultaneous collapse in tanker traffic and the sharp increase across oil price benchmarks suggests that markets interpreted the disruption as a credible constraint on global supply flows. Given that the Strait of Hormuz carries a substantial share of seaborne crude exports, these dynamics reflect the emergence of a pronounced geopolitical risk premium linked to impaired flows through one of the world's most critical energy chokepoints.

Outlook and Policy implications

The near-term outlook for global oil markets will largely depend on the duration and intensity of geopolitical tensions in the Persian Gulf. If the conflict remains contained and maritime security operations restore confidence in the Strait of Hormuz, tanker traffic could gradually normalise and the geopolitical risk premium currently embedded in crude prices may ease. In such a scenario, oil prices would likely stabilise, although they may remain above pre-conflict levels due to persistent uncertainty in the region.

However, the concentration of global oil exports within the Gulf means that any prolonged disruption to navigation through the Strait would have meaningful implications for global supply. Even temporary interruptions to tanker movements can trigger sharp price responses as markets reassess the availability of seaborne crude flows. The sharp decline in vessel traffic observed in early March 2026 suggests that markets are already pricing in a higher level of geopolitical risk.

For fuel-importing economies such as Namibia, this dynamic is likely to translate into upward pressure on **domestic fuel pump prices from April onwards**, depending on how international oil prices and freight costs evolve during the March fuel pricing review period. Namibia imports refined fuel products and is therefore directly exposed to global crude benchmarks such as Brent. Sustained increases in crude prices, combined with potential increases in shipping insurance and freight costs linked to Gulf tensions, would raise the landed cost of fuel.

As a result, unless global oil prices retreat materially in the coming weeks, **fuel price increases during the April adjustment cycle remain a credible risk**. The magnitude of any adjustment will depend on the persistence of the geopolitical risk premium and exchange rate movements, particularly the performance of the Namibia dollar relative to the US dollar. In this environment, vessel traffic through the Strait of Hormuz will remain a key real-time indicator of supply conditions and a leading signal for potential movements in global oil prices and, by extension, fuel pump prices in import-dependent economies.