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US – ISRAEL – IRAN CONFLICT

MACROECONOMIC DEVELOPMENTS AND IMPACT ASSESSMENT

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MAIN DEVELOPMENTS

On February 28, 2026, the US and Israel launched a large-scale military campaign against over 500 targets in Iran. The stated objective is to dismantle Iran's missile capabilities, prevent nuclear proliferation, and overthrow the current regime. On March 1, Iranian media confirmed the death of Supreme Leader Ali Khamenei, creating a significant power vacuum—the largest since the 1979 Islamic Revolution. Iran retaliated with missile strikes against Israel and US military bases in several Gulf countries. The Islamic Revolutionary Guard Corps (IRGC) has vowed to respond with "the most devastating retaliatory attacks in the history of the Islamic Republic."

POTENTIAL SCENARIOS IN THE NEAR TERM

President Trump's public declaration regarding regime change in Iran and his call for Iranian citizens to take control suggests that the window for diplomatic solutions has narrowed. However, the probability of immediate regime change is assessed as low, as the IRGC still maintains tight control over the military, security apparatus, and key economic structures.

For global markets, the most critical risk is a potential blockade of the Strait of Hormuz, a vital global energy transit hub. Furthermore, the expansion of the conflict through proxy forces in Lebanon, Yemen, or Iraq could further complicate and prolong regional instability.

The Impact on the Oil & Gas Market

- The Middle East accounts for 34% of global oil production.
- The Strait of Hormuz alone transships approximately 20% of oil consumption and 25% of seaborne oil trade.
- A blockade of the Strait of Hormuz for even a few days could drive oil prices above US\$120/ barrel.
- If such a blockade is prolonged, the risk of a global recession will increase.
- Even without a total blockade, localized disruptions are enough to sharply increase marine insurance premiums and cause major price volatility.
- LNG faces particularly high risk because all of Qatar's exports pass through the Strait of Hormuz.

The Impact on the Fertilizer & Chemical Market

- The Middle East accounts for 45% of global urea exports and 20% of ammonia exports.
- Supply disruptions in this region could drive prices up sharply.
- Rising input gas prices will increase fertilizer production costs.
- The risk of sulfur supply disruptions from the Gulf could spread to the entire phosphate (DAP/MAP) chain.

IMPACT ASSESSMENT ON THE GLOBAL ECONOMY

Impact on Commodity and Service Prices:

- If the Strait of Hormuz is blocked, crude oil, natural gas, and fertilizers will be the three hardest-hit commodities, as the Middle East accounts for a significant share of global supply.
- Coal prices may rise as it becomes a substitute energy source when oil and gas supplies are disrupted.
- Industries with high energy consumption or reliance on petrochemical feedstocks (steel, cement, plastics) will face upward price pressure.
- Precious metals (gold, silver, palladium) are supported by safe-haven demand.
- Shipping rates are rising due to higher fuel costs, rerouting, and

Impact Assessment on Vietnam

- Macro instability increases the demand for gold and foreign currencies, putting pressure on exchange rates and monetary policy management. Exchange rate pressure in the short term is present, but it is primarily psychological and can be controlled. In the medium to long term, the global de-dollarization trend will weaken the position of the USD, thereby reducing the domestic sentiment of hoarding foreign currencies. At the same time, geopolitical tensions will further drive the trend of global supply chain diversification, opening up opportunities for Vietnam to increase its export market share and promote the attraction of foreign investment flows. The international tourism industry is also likely to benefit thanks to Vietnam's advantage as a safe and friendly destination. With the outlook for foreign currency supply reinforced by multiple pillars—exports, foreign investment, tourism, and remittances—the exchange rate will be more positively supported in the future.
- Rising global fuel prices increase inflationary pressure, in a context where Vietnam still relies on imports for 30% of its petroleum demand. Domestic oil refineries meet 70% of the demand but must import 70-80% of crude oil for refining. In 2025, Vietnam spent more than US\$23.2 billion on importing crude oil, LPG, and coal. Thanks to the focus on developing renewable energy in recent years, Vietnam has significantly reduced its dependence on fossil fuels in electricity production. By the end of 2025, renewable energy—including hydropower, wind power, solar power, and biomass power—accounted for approximately 56% of the total installed capacity of the entire system, creating a significant buffer that helps limit the pass-through from imported fuel prices into domestic electricity production costs. As a result, the pressure of increasing input costs for manufacturing enterprises as well as living costs for households will be controlled at a moderate level, instead of being fully impacted by global energy price fluctuations.
- Prolonged conflict and supply chain disruptions could affect global trade and, accordingly, affect Vietnam's exports. However, the impact may be limited as Vietnam may gain export market share, particularly in the US market, due to its relatively stable energy costs and lower logistics disruption risk.