

# World Bank Raises Alarm that Middle East Conflict Could Propel Oil Prices Above \$100 Per Barrel

The World Bank has issued a warning that escalating tensions in the Middle East, particularly due to recent missile exchanges between Iran and Israel, could significantly impact global economic stability.

This escalation risks driving the oil price above \$100 per barrel, countering the recent downward trend in global inflation. Previously, the World Bank had anticipated an average crude oil price of \$84 a barrel for this year but now acknowledges that this estimate may be overly optimistic given the current geopolitical unrest.

The institution highlights that the surge in oil prices, influenced by fears of a full-scale war, has already seen Brent crude trading at \$87 a barrel. This increase is reflected in higher fuel costs for consumers, with the price of unleaded petrol in the UK surpassing £1.50 per liter, a peak not seen since the previous November. Such developments could push global inflation up by nearly one percentage point in 2024 if a severe disruption in oil supply occurs.

The report also notes a stark contrast in the commodity market dynamics over the past year. From mid-2022 to mid-2023, a dramatic 40% drop in global commodity prices significantly reduced global inflation by almost two percentage points. Since mid-2023, these prices have plateaued, contributing to "stickier" than expected inflation rates, which in turn could influence central banks to maintain higher interest rates longer than previously forecasted.

In addition to oil, the World Bank also cautions that natural gas, fertilizers, and food prices could rise if the conflict leads to disruptions in key shipping routes like the Strait of Hormuz, through which 20 percent of the world's liquefied natural gas exports pass. Such a scenario could dramatically increase fertilizer costs, subsequently driving food prices globally.

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