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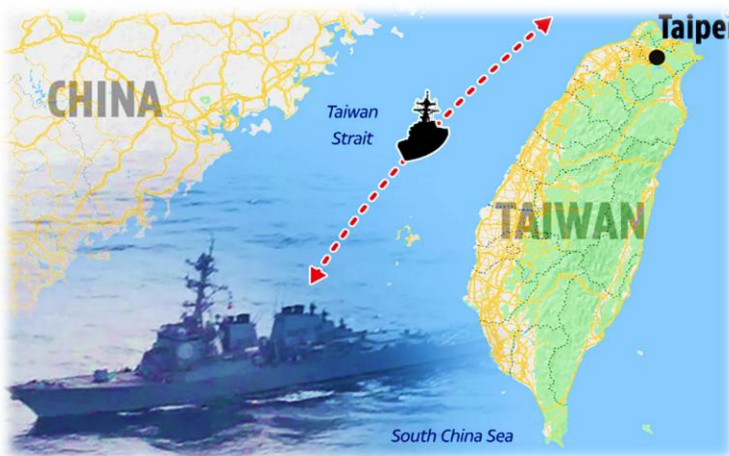
Geopolitics

US-China Rivalry and the Future of Taiwan

Tensions between the United States and China continue to evolve, with trade, technology, and Taiwan all shaping the current geopolitical landscape.



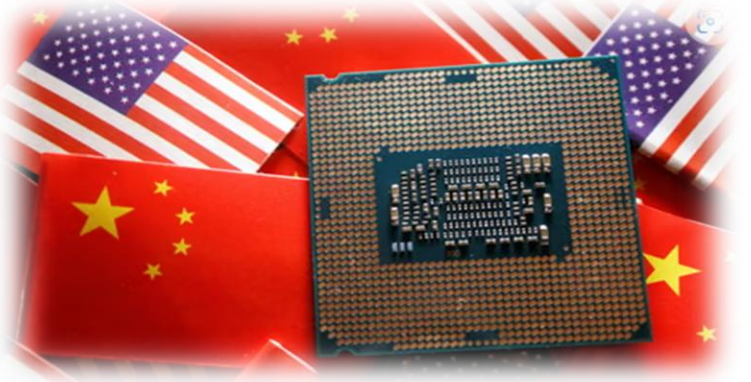
- The United States' introduction of sweeping tariff measures in April 2025, with the harshest measures targeting Chinese goods, marked one of the most aggressive trade actions in recent years. China responded quickly with retaliatory tariffs, escalating tensions between the two economies and raising concerns about global trade stability.
- Both countries have since signaled a willingness to ease tensions, agreeing to a pause on certain tariffs while entering discussions aimed at de-escalation. However, the underlying tensions continue to simmer, given the countries' ongoing rivalry, particularly in technology and supply chains, and as major trade issues remain unresolved.



- Taiwan remains a highly sensitive issue that continues to stoke tension between the US and China. The issue has its roots in the 1949 Chinese civil war, when the island became politically separate from mainland China. Nevertheless, China continues to assert its claim over Taiwan, while the United States maintains unofficial ties with the island and supports its defense capabilities.

Geopolitics

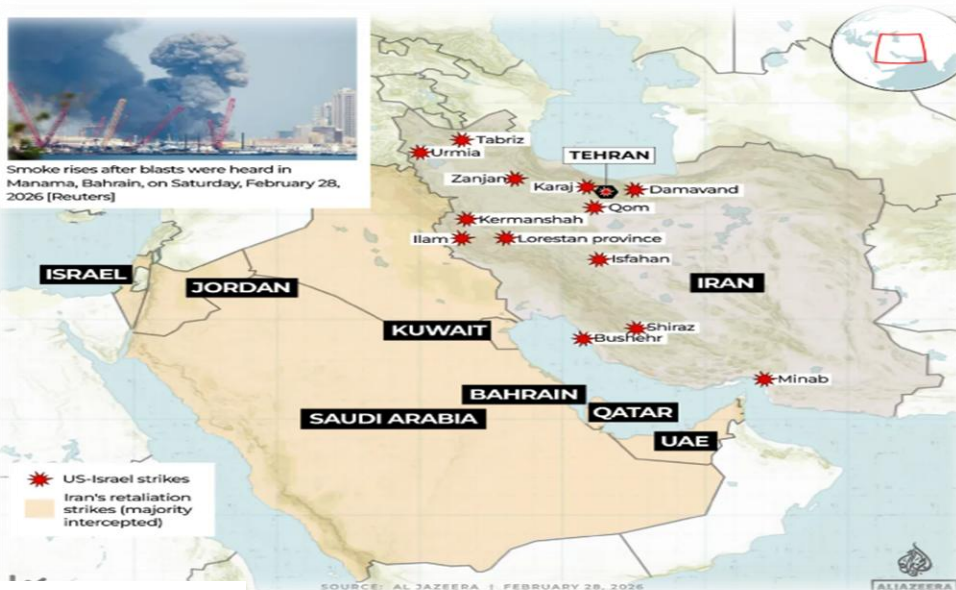
- Since August 2, 2022, when a high-level U.S. visit to Taipei prompted China to launch large-scale military exercises in the Taiwan Strait, military activity around the island has remained elevated. What initially appeared to be a temporary show of force has since evolved into a more sustained pattern, with China conducting frequent air and naval exercises near Taiwan throughout 2024–2026. In turn, Taiwan has strengthened its defense capabilities, while the United States continues to maintain a strategic presence in the Indo-Pacific region, reinforcing Taiwan’s status as one of the region’s most volatile and closely watched flashpoints.
- Taiwan’s global importance is underscored by its central role in semiconductor production. From consumer electronics to automobiles and transportation systems, modern economies rely heavily on Taiwanese-made chips, meaning any instability on the island could have far-reaching consequences well beyond the region. This dependence remains a critical concern today.



Iran-Israel-US Tensions: A High-Stakes Middle East Conflict

Long-standing tensions between Iran, Israel, and the United States have evolved into a crisis with consequences far beyond the Middle East, as military strikes, fragile ceasefires, and threats to critical shipping routes fuel concerns over regional stability and the global economy.

Figure 1: US and Israeli attacks on Iran and Tehran’s retaliatory strikes

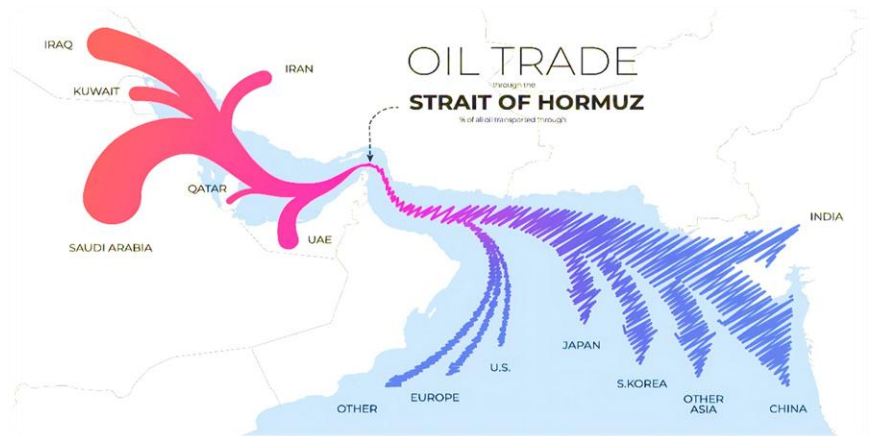


Source: Al Jazeera

- On February 28, 2026, coordinated U.S. and Israeli strikes targeted Iranian military and strategic infrastructure, marking one of the most serious escalations in recent years. Iran responded with missile and drone attacks targeting Israeli territory and U.S.-aligned positions in the Gulf region.

Geopolitics

- A major concern throughout the conflict has been the Strait of Hormuz, one of the world's most important oil transit routes. In April 2026, Iran tightened its control over the strait following U.S.-Israeli military operations, significantly disrupting shipping activity and raising fears of a global energy crisis.



Oil prices surged as uncertainty surrounding the strait intensified.

- Efforts to ease tensions in the region bore some fruit on April 16, 2026, when a U.S.-brokered ceasefire between Israel and Lebanon came into effect as part of broader regional negotiations involving Iran and the United States. The ceasefire was meant to support wider diplomatic discussions surrounding regional security and maritime stability.
- On May 6, 2026, Israel carried out airstrikes in Beirut's southern suburbs for the first time since the truce took effect, significantly undermining the agreement and reigniting fears of renewed escalation between Israel and Hezbollah. At the same time, indirect negotiations between the United States and Iran have continued, aimed at preventing a further expansion of the conflict, easing military tensions, protecting energy supplies and re-opening the Strait of Hormuz.
- While there are some signs of possible de-escalation, long-standing disagreements over Iran's nuclear programme, sanctions, and regional influence continue to prevent a long-term resolution.

Sudan's Conflict and the Strategic Importance of the Red Sea

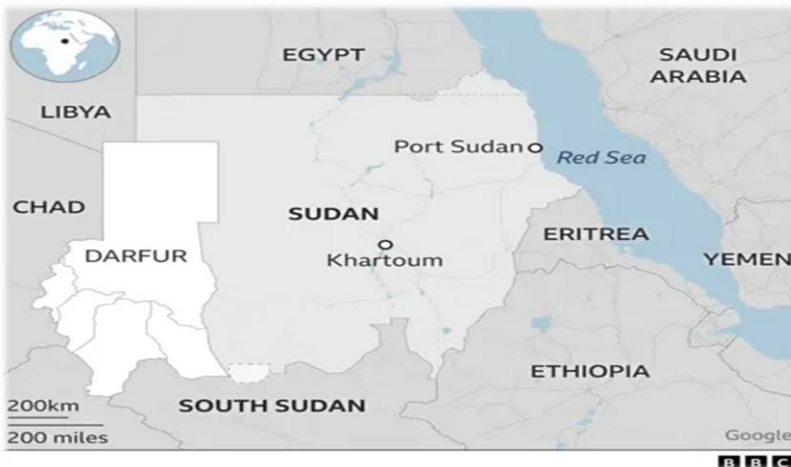
- Sudan's conflict continues to unfold as both a humanitarian crisis and a strategic concern for the wider region.
- April 15, 2026, marked three years since the outbreak of the conflict in Sudan. On April 15, 2023, fighting broke out between the Sudanese Armed Forces (SAF) and the Rapid Support Forces (RSF), after months of political tension following the removal of former president Omar al-Bashir. What started as a power struggle, quickly escalated into a nationwide crisis. The conflict has reportedly left 150,000 dead and more than 12 million displaced. Critical infrastructure has been left in ruin with rising instances of conflict-related sexual violence, food shortages, and the recruitment of children into armed groups.

Geopolitics

- By April 2026, Sudan's humanitarian crisis had deteriorated sharply, with millions surviving on minimal food and famine conditions spreading across parts of Darfur and South Kordofan. Hospitals, schools, and markets have been heavily damaged, leaving civilians increasingly reliant on international aid.



Figure 2: Red Sea/Port Sudan



- Sudan's strategic position along the Red Sea has elevated the conflict into a broader geopolitical concern. Port Sudan, now the country's primary hub for international trade after violence disrupted other routes, has grown in strategic importance. The Red Sea itself remains one of the world's most critical maritime corridors, connecting Europe, Asia, and the Middle East through global shipping routes.

- Sudan's conflict has also disrupted the export of key goods that quietly underpin global supply chains, most notably gum Arabic, a natural ingredient widely used in soft drinks, pharmaceuticals, cosmetics, and confectionery. As one of the world's largest producers and exporters, Sudan has historically supplied a significant share of the global market, but fighting across Darfur and Kordofan, regions central to production and trade, has hindered access to harvest areas and transport routes.
- Humanitarian agencies warn that wider Red Sea and Middle East tensions are also complicating aid delivery. In May 2026, the United Nations High Commissioner for Refugees (UNHCR) reported that disruptions to regional shipping routes had significantly increased transport costs for humanitarian supplies to Sudan and neighboring Chad, worsening conditions for displaced populations.

Geopolitics

Migration and Human Mobility



- As economic uncertainty, climate pressures, and political instability continue to reshape societies, migration has become one of the defining geopolitical issues of this era. Across regions such as Latin America, Africa, and parts of Asia, people are moving in search of safety, opportunity, and stability, placing increasing pressure on borders, social systems, and

international relations. In response, countries are tightening immigration policies, while simultaneously competing for skilled labour to address aging populations and workforce shortages, highlighting how migration now sits at the intersection of economics, diplomacy, and national strategy.

- Climate change is also transforming migration into a long-term geopolitical concern. Rising sea levels, droughts, hurricanes, and extreme heat are displacing communities and forcing governments to rethink resilience, housing, and regional cooperation. Small island developing states (SIDS), including those in the Caribbean, are becoming increasingly vocal in global discussions surrounding climate mobility and climate justice, highlighting how human movement is no longer only a humanitarian concern, but a growing factor in global political and economic stability.



Geopolitics

Implications

- If tensions involving Iran-Israel/U.S. continue, the conflict could place sustained pressure on global energy markets, increase military activity across the Middle East, and heighten the risk of broader regional involvement from allied states and armed groups. Prolonged instability may also disrupt international trade routes, weaken investor confidence, and contribute to rising global inflation and economic uncertainty.
- Continued migration pressures may increase political and economic strain on governments as debates surrounding border security, national identity, labour shortages, and social integration intensify. Prolonged displacement could also place sustained pressure on housing, healthcare, education, and public infrastructure, potentially reshaping immigration policies and international cooperation efforts.

Trade

Global Trade in 2025: Stronger Than Expected Performance

KEY HEADLINES 2025



**GLOBAL
TRADE
US\$35
Trillion**



**GROWTH
+7%**



**GOODS
+7%**



**SERVICES
+8%**

Stronger Than Expected Performance

- Global trade surpassed previous projections in 2025, supported by strong demand for AI-related goods and front-loaded shipments ahead of anticipated US tariffs.
- Growth was uneven among sectors, with strong gains in office, telecommunications equipment and AI-related goods offsetting declines in energy related products.
- Asia provided the bulk of the impetus for global trade growth, contributing 71 percent of volume growth.
- Trade remained resilient despite rising geopolitical tensions, policy uncertainty and higher tariffs.

Merchandise Trade (Goods)



US\$26.26 trillion

- ✓ Up 7 percent
- ✓ Growth was supported by strong demand for technology-related goods

Services Trade



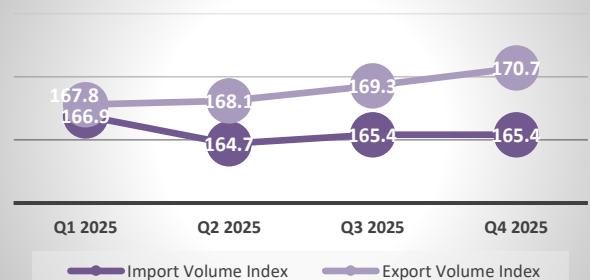
US\$9.56 trillion

- ✓ Up 8 percent
- ✓ Outpaced goods trade
- ✓ Driven by a recovery in travel and tourism related services

Fourth Quarter Developments

- In the fourth quarter of 2025, global merchandise trade remained elevated (Figure 1).
- Export volumes reached a year-end peak, while import volumes remained unchanged from the previous quarter.

Figure 1: Merchandise Trade Volume



Source: World Trade Organisation (WTO)

Trade

Trade Fragmentation and “Slowbalisation” A Structural Shift in Global Trade

Over the past decades, global trade and investment patterns have begun to shift, contributing to a more fragmented and uncertain trading environment. A series of major shocks, including the US-China trade tensions, the COVID-19 pandemic, and the Russia-Ukraine war, have exposed vulnerabilities in global supply chains and prompted countries to reassess their trade relationships. While de-globalisation has not occurred, recent developments suggest a clear shift in how trade is organised. Trade flows are increasingly being shaped on geopolitical lines, resulting in a pattern of slower globalisation or “slowbalisation”.



Deglobalisation vs. Slowbalisation

- Deglobalisation refers to a sustained decline in economic integration, where cross-border trade, investment, and movement of resources contract.
- Slowbalisation refers to a slowdown in the growth of global trade and integration, rather than a reversal.
- Global trade continues to expand, but at a slower pace.



Trade Fragmentation

- A reconfiguration of global trade patterns, where trade is increasingly shaped by geopolitical alignment rather than efficiency.
- Trade continues but becomes less globally integrated.
- Trade shifts toward allied or “friendly” countries.
- Often driven by geopolitical tensions, national security concerns, and policy decisions (tariffs etc.).

Key Global Shocks that drove the shift in trade

2018-2019 US-China Trade War

Escalating tariffs and trade tensions disrupted global supply chains and reduced direct trade growth between the two largest economies.



2020 COVID-19 Pandemic

Exposed structural weaknesses in global supply chains, leading to severe supply disruptions and higher shipping costs.



2022-Present Russia-Ukraine War

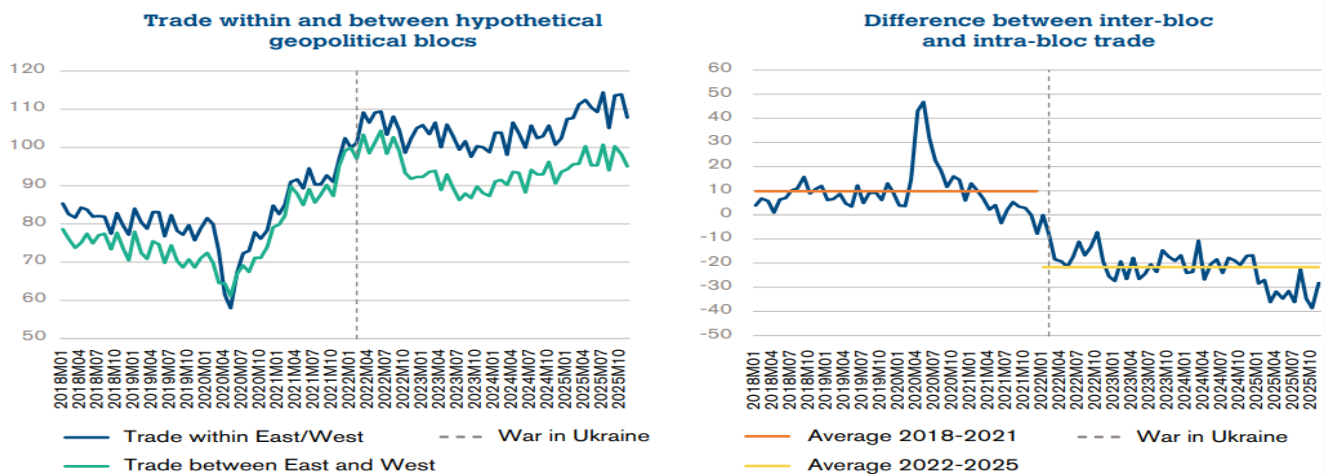
Triggered global energy and commodity shocks, disrupted trade flows, and contributed to higher shipping and production costs globally.

Trade

Trade Fragmentation: Within vs Between Blocs

- Since the start of the Russia-Ukraine war in 2022, global trade patterns have shown clear signs of fragmentation. Trade within geopolitical blocs has grown faster than trade between blocs, with cross-bloc trade estimated to be about 4 percent slower (Figure 2).
- While the divergence between intra-bloc and inter-bloc trade flows stabilised during 2023 and 2024, World Trade Organisation (WTO) data suggest fragmentation intensified again in 2025 amid rising trade tensions and further US-China decoupling.
- This reflects a shift toward geopolitically aligned trade relationships, where countries are increasingly prioritising partners perceived as more stable or strategically aligned, including through “friend-shoring” strategies.
- A key example is the evolving trade relationship between the United States and China. Between 2018 and 2024, US-China trade grew 30 percent slower than each country’s trade with the rest of the world (Figure 3).
- By 2025, US imports from China had declined by approximately 29 percent, reducing China’s share of US imports from 13.8 percent to 9.3 percent. Over the same period, the United States increased imports from countries such as Vietnam, India and Indonesia.
- Despite these shifts, global trade remains interconnected through “connector” economies. Countries such as Mexico and Vietnam are playing an increasing role in linking major trade blocs, importing more from China while exporting more to the United States and other markets. This suggests that supply chains are being re-routed, with indirect trade flows replacing some direct linkages.

Figure 2: Trade Within and Between Geopolitical Blocs, and Difference Between Inter-bloc and Intra-bloc

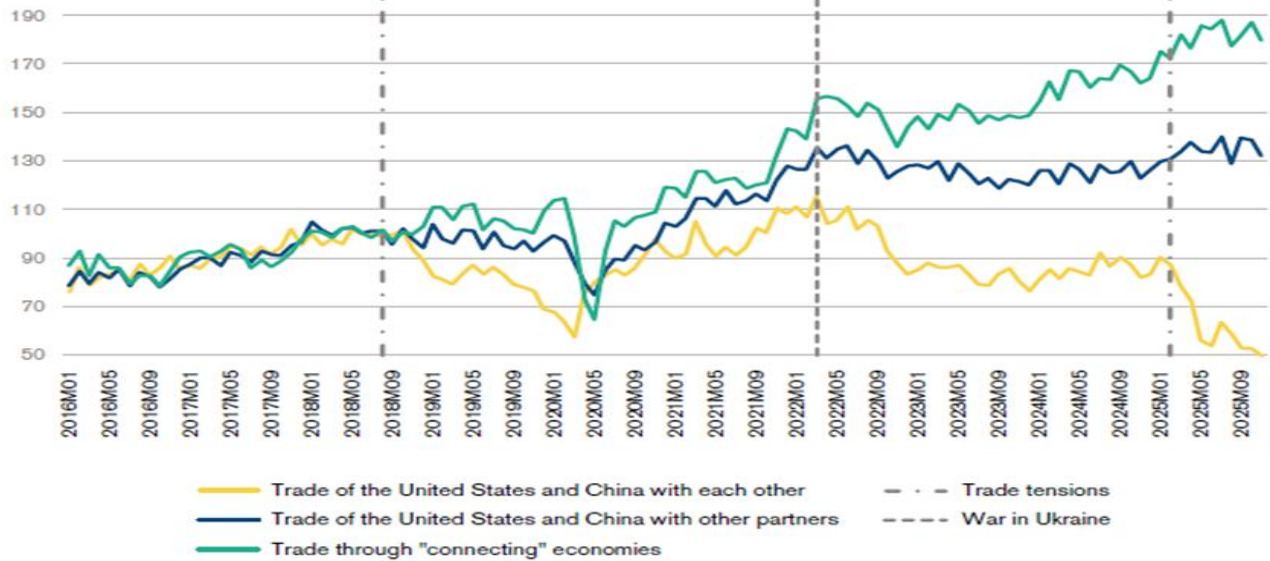


Note: Seasonally adjusted series. Belarus, the Russian Federation and Ukraine are excluded. Left-hand series indexed at 100 in January 2022. Right-hand series indexed at 0 in January 2022.

Source: Based on Blanga-Gubbay and Rubínová (2024), updated by WTO Secretariat.

Trade

Figure 3: Trade Between the US and China, and Their Trade with Other Partners



Note: Seasonally adjusted series. Belarus, the Russian Federation and Ukraine are excluded. Series indexed at 100 in June 2018. Source: Based on Blanga-Gubbay and Rubinová (2024), updated by WTO Secretariat.

Recent Major Trade Agreements

EU-Mercosur Agreement (January 2026)

- Signed on January 17, 2026, and provisionally took effect on May 1, 2026.
- Mercosur is a South American trading bloc that consists of Argentina, Brazil, Paraguay, and Uruguay.
- Creates one of the world's largest free trade areas, covering over 700 million people with a combined GDP of US\$22 trillion.
- Eliminates tariffs on over 90 percent of European Union (EU) goods exported to Mercosur, significantly expanding market access.
- Reduces barriers for EU industrial exports (such as cars, machinery, and pharmaceuticals) while increasing access for Mercosur agricultural products.

Trade

US-India Agreement (February 2026)

- Expands access to Indian's market of over 1.4 billion people.
- Includes reciprocal tariff reductions, with the US tariffs on Indian exports reduced from 25 percent to 18 percent.
- India to lower or eliminate tariffs on all US industrial goods.
- India to purchase over \$500 billion in US goods over 5 years.
- Includes commitments to expand trade in energy and technology.

Indian -New Zealand (April 2026)

- Eliminates or reduces tariffs on 95 percent of New Zealand exports to India.
- India to reduce average tariffs to around 3 percent, with phased cuts in key sectors.
- Includes NZ\$20 billion investment commitment over 15 years.

Implications

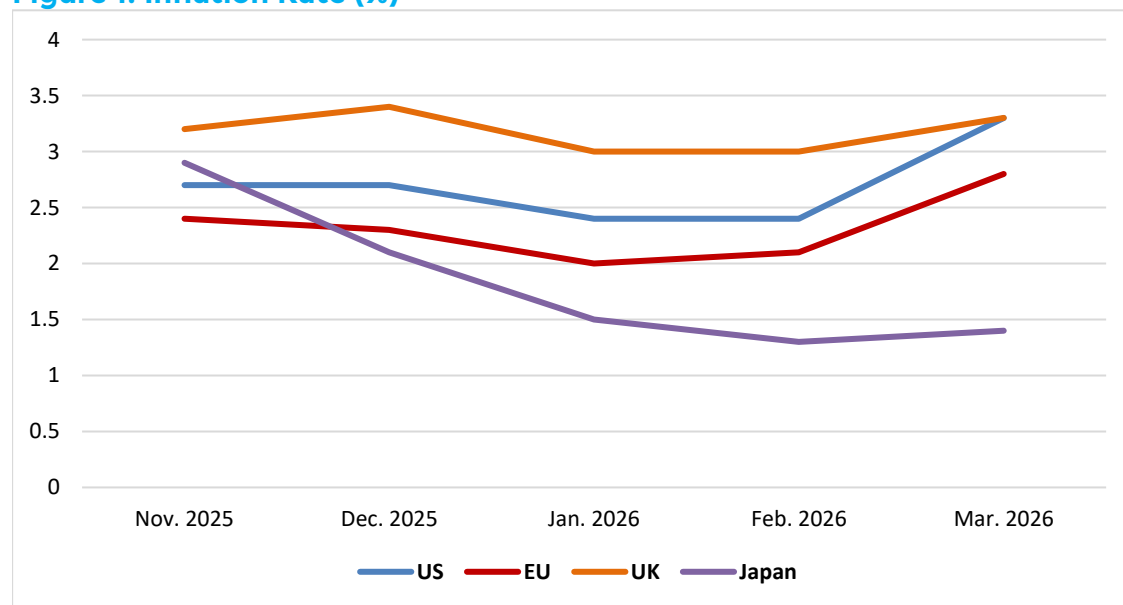
Despite the stronger than expected performance in 2025, the outlook for global trade has weakened amid rising geopolitical tensions and growing trade policy uncertainty. According to the World Trade Organisation, merchandise trade growth is projected to slow to 1.9 percent in 2026, while services trade growth is expected to moderate to 4.8 percent. The ongoing conflict involving Israel, the US and Iran is expected to weigh on trade flows through higher energy, freight, and shipping costs. At the same time, although bilateral and regional trade agreements continue to increase, the threat of tariffs and other trade barriers remain a key source of uncertainty for the global trading environment. For the Caribbean region, these developments could contribute to higher import costs and inflationary pressures, given the region's heavy dependence on imported goods and fuel.

Banking and Finance

Monetary Policy

- With the ongoing conflict in the Middle East driving up energy prices and fueling already elevated global uncertainty, most major central banks decided to leave their benchmark interest rates unchanged in their recent monetary policy announcements.
- Since the start of the war at the end of February 2026, there has been evidence of rising price pressures in most of the leading economies (Figure 1).
- At the end of April, the US Federal Reserve (Fed) announced its decision to hold the federal funds rate at the 3.5 - 3.75 percent range, citing an uncertain economic outlook, attributable to developments in the Middle East and elevated inflation, due in part to increased global energy prices.
- While the Bank of England also decided to leave its policy rate unchanged (3.75 percent), it did suggest that interest rates could rise later in the year, if the inflationary trend continues. The rate of inflation rose to 3.3 percent in March 2026 before falling to 2.8 percent in April.
- The European Central Bank held its rates at the 2 - 2.4 percent range (Figure 2) in view of intensified upside risks to inflation and downside risks to economic growth.
- The Bank of Japan left its benchmark rate unchanged at 0.75 percent in April but suggested there may be a need to increase rates if the energy shock, sparked by Israel's and the US' war with Iran, lingers.

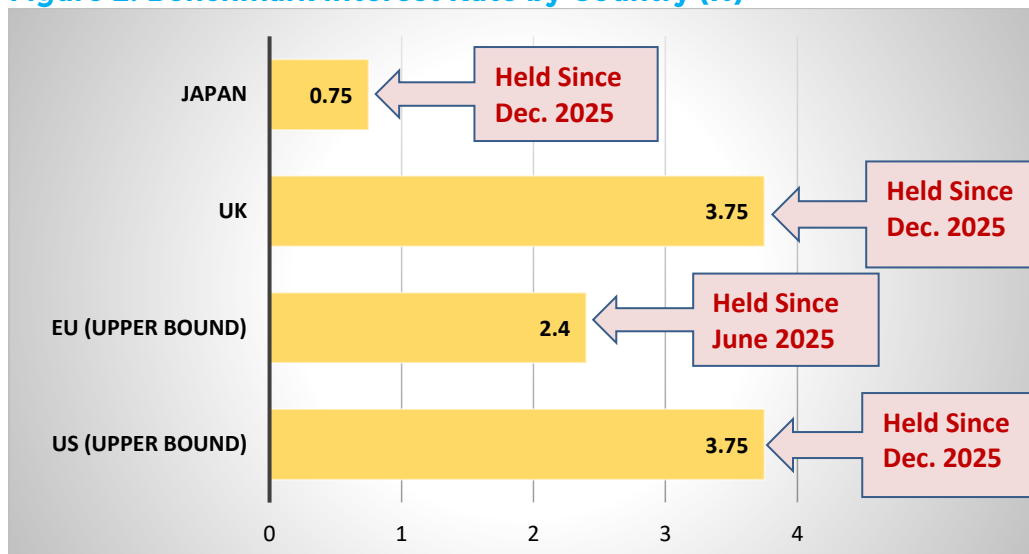
Figure 1: Inflation Rate (%)



Source: USBLS, EUROSTAT, ONS, BOS-Japan

Banking and Finance

Figure 2: Benchmark Interest Rate by Country (%)



Source: BOJ, BOE, ECB, US Fed

Key Regional Developments

Europe

- As banks in the European Union lobby policymakers to ease the planned implementation of stricter capital regulations, the European Central Bank (ECB) has advised against reducing capital requirements.
- The ECB asserts that weaker capital rules would threaten the resilience of the Euro zone's banking sector and would not necessarily result in increased lending but could instead boost shareholder payments.
- However, the banks contend that the adjustments, which are due to start in 2027, will limit their capacity to provide credit for priority sectors such as defence.
- Increased energy costs related to the war in Iran, caused inflation in the Euro zone to rise for the second successive month in April (3 percent).
- UniCredit's shareholders approved a motion to increase the bank's share capital on May 4, 2026, at an extraordinary meeting.
- The bank, which is Italy's second largest, plans to use the funding to launch a €35 billion hostile bid for Germany-based Commerzbank. UniCredit already holds a 25 percent stake in Commerzbank.
- UK-based specialist mortgage provider, Market Financial Solutions (MSF) collapsed in February 2026, impacting several banks on both sides of the Atlantic with exposure to the institution.
- The failure, which followed the prominent collapse of First Brands and Tricolor in the US in 2025, stoked fears about the stability of the private credit sector.
- The private credit market is made up of non-bank lenders, such as asset managers, that provide loans to companies.

Banking and Finance

Asia

- In late April 2026, the US Treasury Department advised that financial institutions with connections to Chinese and independent refineries that process Iranian oil, could face sanctions.
- According to the Treasury, 90 percent of Iranian oil exports go to China.
- The Malaysian central bank launched a US\$1.3 billion stabilisation relief facility for small and medium enterprises (SMEs) on April 28, 2026.
- The facility includes guarantees to support SMEs with insufficient capital as they seek credit facilities.
- It also aims to support SMEs facing operational and cash flow issues. This is expected to help prevent a significant increase in SME non-performing loans at banks.
- According to Fitch, liquidity in Indonesia's banking system is expected to remain tight throughout 2026 due to higher energy prices.
- Increased energy prices are expected to squeeze government's finances and thereby limit its ability to spend to support economic growth and liquidity.
- Borrowing costs are expected to rise given tighter liquidity, which in turn could temper loan demand.
- In February 2026, HSBC Bank (Singapore) Ltd. opened its largest wealth management centre in Singapore, taking the total to four.
- The bank has increased investment in physical locations as part of its efforts to augment its position in the high-net-worth segment of the country's financial market.

North America

- Despite increased market volatility related to the Middle East war, major US banks recorded strong results in the first quarter of 2026.
- During the period, JPMorgan Chase, Citigroup, Wells Fargo, Morgan Stanley and Bank of America posted increased profits of 12.6 percent, 42 percent, 7.3 percent, 29 percent and 16 percent, respectively.
- In May 2026, Western Union launched its US dollar-denominated payment stablecoin (USDPT), which is issued by Anchorage Digital Bank N.A.
- It operates 24 hours per day and eliminates the latency and fragmentation that traditionally defined the sector.
- Canada also launched its first stablecoin settlement system in May. The pilot is the result of a collaboration between Visa Canada and Wealthsimple.
- During the trial, Wealthsimple would be able to settle specific commitments with Visa Canada's USD Coin, a stablecoin that was launched in 2018.
- In early May, the state-owned Business Development Bank of Canada rolled out a CAD\$1 billion programme to provide loans to specific industries at reduced rates.
- The programme targets steel, aluminium and copper producers whose businesses have been impacted by escalating tariffs.

Banking and Finance

Other Regions

- With a 19 percent increase in profits and a 21 percent increase in total assets and contingencies, the African Export-Import Bank (Afreximbank) registered a strong performance in 2025.
- Total loans and advances increased by 16 percent supported by disbursements within Africa and to the Caribbean, while non-performing loans remained low, averaging 2.4 percent of gross loans.
- In March 2026, South Africa's Standard Bank announced a data breach of its administrative and document filing system by hackers. The stolen information includes select client records such as account numbers, business names, identification and registration numbers.
- The hackers later started releasing the data publicly.
- In Brazil, the government relaunched a consumer debt relief programme in May 2026, that was first implemented in 2023.
- The initiative seeks to ease the burden of high interest rates and boost the disposable income of certain citizens. It offers rate discounts up to 90 percent.
- It targets workers with a monthly income of up to five times the minimum wage.
- Mastercard and the Development Bank of Latin America and the Caribbean (CAF) have formed a partnership to expand credit to micro, small and medium enterprises (MSMEs) in the region.
- The initiative seeks to boost financial inclusion and targets women-led businesses, underserved communities and climate action projects.

Implications

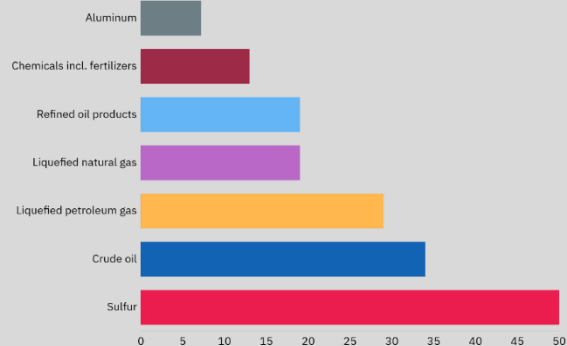
With no end in sight as it relates to the ongoing war in the Middle East, the related developments are expected to keep global energy prices elevated heading into the second half of the year. The related impact on goods and services could force major central banks to once again increase their policy rates to control inflation. This would likely impact the demand for credit and economic activity in the affected economies. Meanwhile, the rise of global interest rates would increase the cost of debt for developing countries, resulting in an intensification of their fiscal challenges, constraining real GDP growth in the process.

Commodities

Unprecedented Disruption to Global Commodity Supplies

Global uncertainty remains elevated in early 2026 amid Iran's ongoing conflict with the United States and Israel. The protracted confrontation has resulted in a near cessation of traffic through the Strait of Hormuz, a critical route for global energy and non-energy commodities. Approximately 35 percent of seaborne crude oil trade and 20 percent of the world's liquefied natural gas (LNG) supply transit this waterway (Figure 1). Downstream sectors (particularly fertilisers) across the Middle East and Asia, are experiencing production disruptions due to facility damage, closures, and constrained LNG availability. These developments add to existing supply disruptions affecting other key non-energy commodities.

Figure 1: Volume of Seaborne Trade Transiting the Strait of Hormuz (% of Global)

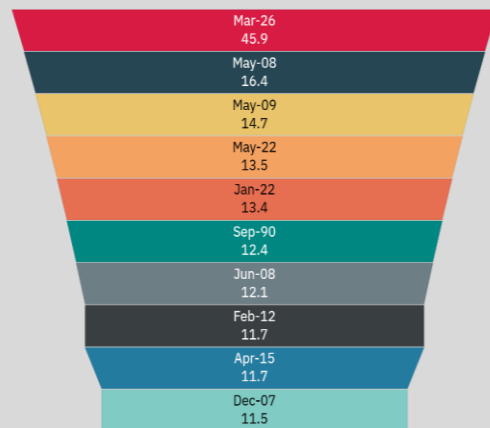


Source: World Bank

Historical Commodity Market Volatility

The fallout from this conflict was felt immediately in energy markets. Oil prices began a sustained and accelerated rise following the initial U.S. and Israeli strikes on Iran on February 28, 2026. These strikes effectively removed approximately 10 million barrels of oil per day (b/d) from global supplies, prompting the largest monthly increase in oil prices on record, in March (Figure 2). Commodity markets are now experiencing heightened volatility, with energy prices remaining persistently elevated. Meanwhile, precious metals continue to reap substantial benefits from the wave of uncertainty, with prices in the first quarter remaining well above 2025 levels. The full impact of rising global food prices has yet to be realised, as existing inventories are depleted, and higher costs continue to pass through global supply chains.

Figure 2: Largest Monthly Oil Price Increases (Brent) (%)



Source: World Bank

Commodities

Oil

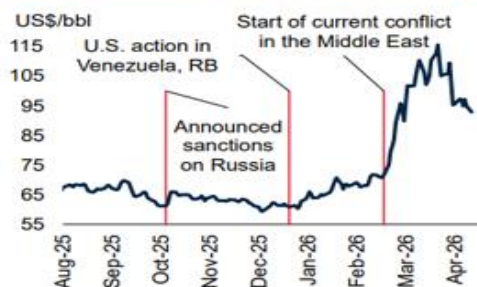
- At the beginning of the first quarter of 2026, Brent and West Texas Intermediate (WTI) prices averaged \$66.8 per barrel (pb) and \$60.3 pb, respectively. By March, prices had increased sharply, rising by 55.2 percent (Brent) and 51.2 percent (WTI).
- Markets reacted swiftly to the United States' and Israel's initial assault on Iran, with prices peaking at US\$120 pb in early March and remaining elevated through the end of the quarter (Figure 3).
- The sustained disruption of traffic through the Strait of Hormuz continues to support elevated prices. A temporary ceasefire on April 7, 2026, facilitated negotiations between the United States and Iran, prompting a brief decline in prices. However, a breakdown in negotiations on April 12 renewed upward pressure on prices.
- In the first quarter, the oil market recorded an estimated deficit of 100 thousand b/d.



- In response to elevated prices and supply shortfalls, in April, OPEC+ announced a production increase of 206 thousand b/d, partially offsetting the existing 1.65 million b/d voluntary production cut. Further, in May, a production increase of 188 thousand b/d was announced for the month of June.
- The group indicated that the increases were meant to support market stability, while noting that the 1.65 million b/d voluntary adjustment could be reinstated, in part or in full, as market conditions evolve.
- The United Arab Emirates (UAE) exited OPEC on May 1, 2026, after 59 years of membership. The UAE cited prolonged production constraints under OPEC quotas as the key factor behind the decision, while reaffirming its commitment to global energy security and market stability.



Figure 3: Oil Prices Surge after Military Action



Source: World Bank

Commodities

Gas

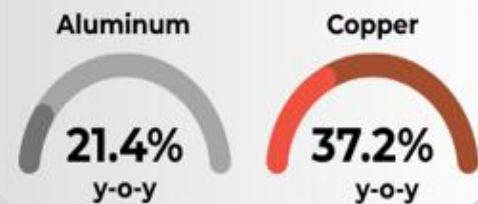
- The lingering effects of colder-than-normal temperatures and elevated heating demand extended into January 2026, with Henry Hub natural gas prices peaking at US\$7.58 per million British thermal units (MMBtu). Prices then declined sharply, falling by 59.8 percent by the end of March.
- However, European and Asian benchmarks diverged from Henry Hub prices, increasing by 35 percent and 51 percent, respectively, for the week ending April 24, 2026.
- The rise in these benchmarks reflected supply disruptions linked to the closure of the Strait and Iranian attacks on the energy infrastructure of certain Gulf states. Approximately 20 percent of global liquefied natural gas (LNG) supply, equivalent to around 10 billion cubic feet per day (Bcf/d), has been disrupted, largely from Qatar's Ras Laffan facility.



Base Metals

The base metals price index recorded a marked year-on-year (y-o-y) increase of 28.9 percent in the first quarter of 2026, led primarily by aluminum and copper. Prices continue to be supported by supply constraints stemming from production limits in China and the ongoing conflict in the Middle East. These factors, combined with rising demand, linked to the global energy transition and technological expansion, have maintained upward pressure on prices.

Price Increases



Precious Metals

- Precious metals recorded strong price gains, with the overall index increasing sharply by 83.9 percent y-o-y and reaching record highs in January 2026.
- Gold prices surpassed the US\$5,000 per troy ounce mark in February 2026, while silver prices nearly tripled on a y-o-y basis.
- Global uncertainty linked to elevated geopolitical tensions and U.S. dollar volatility continued to drive safe-haven demand for both gold and silver during the first quarter.



Commodities

- Towards the end of March, gold prices declined by 3.3 percent month on month (m-o-m) as US real interest rates were expected to stay higher for longer, which re-routed capital towards the US dollar.
- Silver prices were further supported by increased demand from fast growing sectors, particularly renewable energy and semiconductor production.
- Platinum prices were accelerated by a combination of speculative demand and multi-year low production levels.

Prices Surge in 2026 Quarter 1



Food

- The United Nations Food and Agriculture Organisation (FAO) food price index registered a second consecutive monthly increase (2.5 percent m-o-m) in March 2026 which can be attributed to not just market forces but also to increasing energy prices.
- Modest increases were recorded across price indices for meats, dairy, and cereals, meanwhile sugar and vegetable oil prices registered notable increases over the February to March period.



- Fertiliser prices surged in the first quarter of 2026. The World Bank's fertiliser price index registered a 12 percent quarter-on-quarter (q-o-q) increase, representing the sixth increase over the past seven quarters.
- The surge in the index was led by urea prices, which averaged US\$725 per metric tonne (\$/mt) in March, a 55 percent m-o-m increase and the highest since April 2022.



Commodities

How do Energy and Fertiliser Costs Impact Global Food Prices? A Simple Food Supply Chain



- Fertilisers are used in crop production
- Fuel powers irrigation systems and tractors



- Electricity powers refrigeration and storage facilities
- Insulation is made from petroleum based by-products



- Plastic wrapping and packaging are made from polyethylene which is a petroleum by-product



- Electricity powers supermarkets and retail stores

Rising costs for electricity, fuel, transport, petroleum, and fertilizers are passed through each stage of the supply chain and reflected in final prices.



Food prices will be the last among major commodities to reflect the effects of the ongoing Middle East conflict. In the near term, existing inventories produced at lower costs will continue to be sold at relatively lower prices until they are depleted. Additionally, price adjustments along the supply chain occur with a time lag, meaning that higher costs will gradually pass through and be reflected in final consumer prices in the coming months.

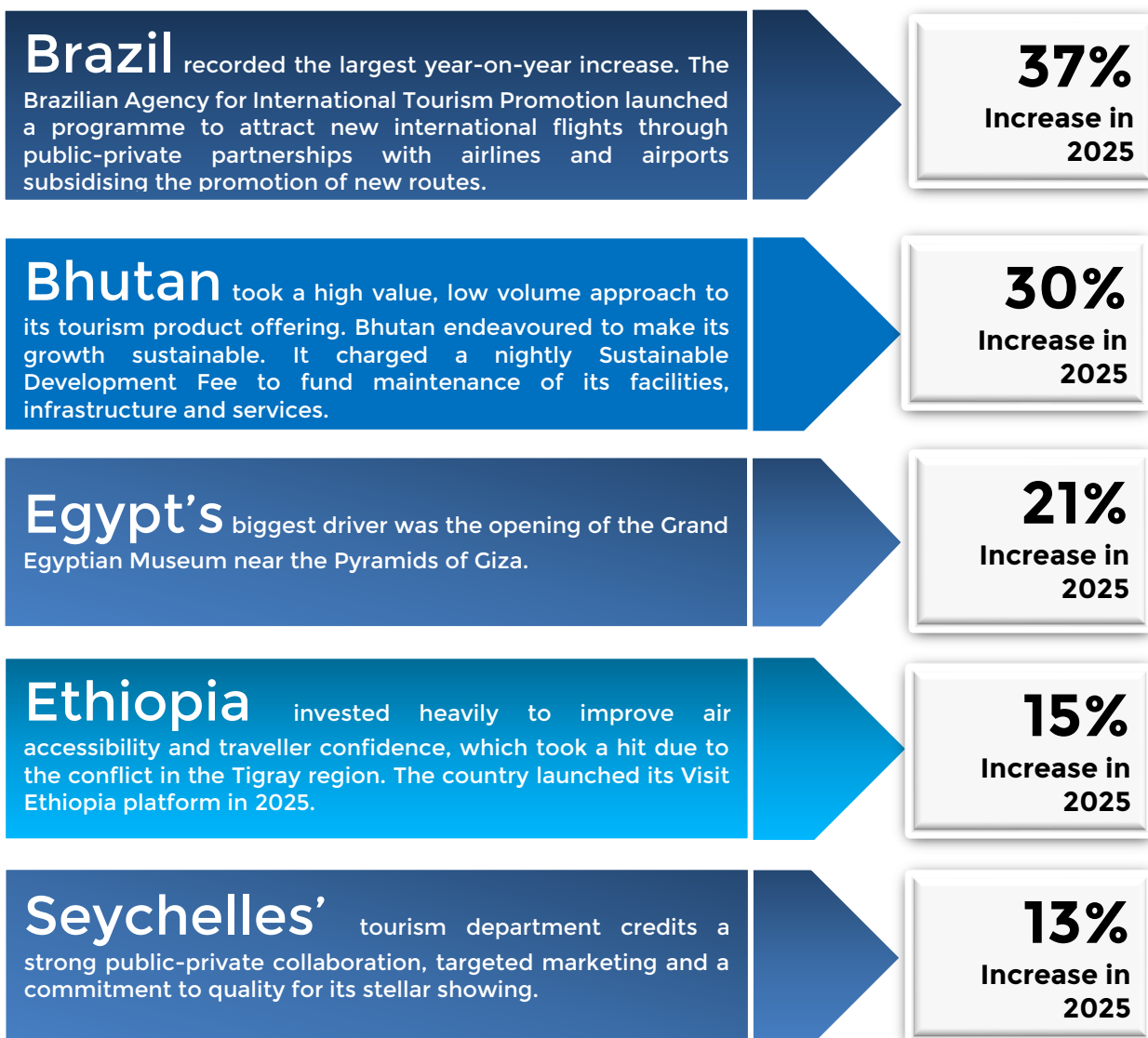
Implications

- Energy prices are expected to remain elevated in the near term. These conditions will likely persist for as long as the war and related disruptions in the Middle East continue. The forecasted oil market deficit for the second quarter of 2026 is 3.7 million b/d, the highest ever recorded. Precious metal prices are expected to reach all-time annual highs in 2026, supported by strong safe-haven demand for gold and silver. Rising energy and fertiliser costs are expected to fuel global food inflation into the latter half of 2026.
- For the Caribbean region, most countries are net energy importers and can potentially face higher imported inflation and increases in transportation and electricity costs. Tourism based economies may face reduced demand linked to increasing jet fuel and airfare costs, whereas commodity-based economies such as Guyana and Trinidad and Tobago may benefit from higher energy export earnings and stronger fiscal revenues.

Tourism

The path for global tourism so far in 2026 has not been an entirely smooth one, with geopolitical instability, economic volatility and climate-related disruptions creating a turbulent environment for international travel. These developments are expected to squeeze the sector's performance for much of the year. Sadly, for the destinations that recorded faster-than-expected growth in 2025 (Egypt, Brazil, Ethiopia etc.), this could mean a significant deceleration in growth. At the start of 2026, these destinations were poised for continued robust arrivals, but their performances may likely be curtailed.

5 Tourist Destinations to Watch in 2026



Tourism

The Caribbean

The region generally recorded a positive performance in early 2026, with both stop-over tourist arrivals (Table 1) and the number of cruise visitors (Table 2) increasing.

Table 1: Tourist (stop-over) Arrivals - 2026			
Destination	Period	Tourist Arrivals	% Change
Anguilla	Jan-Feb	29,998	21.4
Antigua & Barbuda*	Jan only	36,052	4.9
Cayman Islands	Jan-Feb	96,122	11.8
Grenada	Jan-Feb	34,306	9.6
Guyana	Jan-Feb	67,802	11.2
Saint Lucia	Jan-Feb	76,227	2.7
St. Vincent and the Grenadines	Jan-Feb	22,107	11.7
Trinidad and Tobago***	Jan-Mar	96,482	-0.9
US Virgin Islands	Jan only	91,534	4.3
<i>*Non-Resident Air Arrivals</i>		<i>*** Air Arrivals by Nationality</i>	
<i>Data as at April 27, 2026</i>			
Source: Caribbean Tourism Organization (CTO)			

Table 2: Cruise Visits - 2026			
Destination	Period	Tourist Arrivals	% Change
Antigua & Barbuda	Jan only	197,206	13.8
Cayman Islands	Jan-Feb	305,624	-1.3
Grenada	Jan-Feb	141,869	-3.3
Saint Lucia	Jan-Feb	270,452	14.3
St. Vincent and the Grenadines	Jan-Feb	105,993	8.0
Trinidad and Tobago	Jan-Feb	8,865	-74.8
US Virgin Islands	Jan-Feb	588,702	71.0
<i>Data as at April 27, 2026</i>			
Source: Caribbean Tourism Organization (CTO)			

Tourism

Middle East

- With almost 100 million international arrivals in 2025, the Middle East accounted for 7 percent of the 1.5 billion global international arrivals. This is an improvement over 2024, when it welcomed 95 million tourists, earning US\$150 billion in international tourism receipts, about 8 percent of the global total.
- The region recorded 3 percent growth in arrivals in 2025 compared to 2024, taking the total figure to 39 percent above pre-pandemic levels, the strongest regional results relative to 2019.
- International visitor spending rose 5.2 percent in 2025, compared to 3.2 percent globally, with the region's travel and tourism sector contributing US\$385.8 billion to GDP.
- The Gulf Cooperation Council (GCC) countries accounted for around 70 percent of total arrivals in the Middle East in 2025 (71 million arrivals). Saudi Arabia and the UAE alone accounted for almost 60 percent of the region's international arrivals.
- Some GCC destinations, such as Bahrain, Qatar, Saudi Arabia and the UAE, have seen extraordinary growth in arrivals in recent years, benefitting from visa facilitation, enhanced connectivity, product diversification, event hosting and major investments in infrastructure and attractions.
- Arrivals by air dominated the sector in several countries such as Qatar (90 percent of total arrivals) Saudi Arabia (80 percent) and UAE (70 percent).

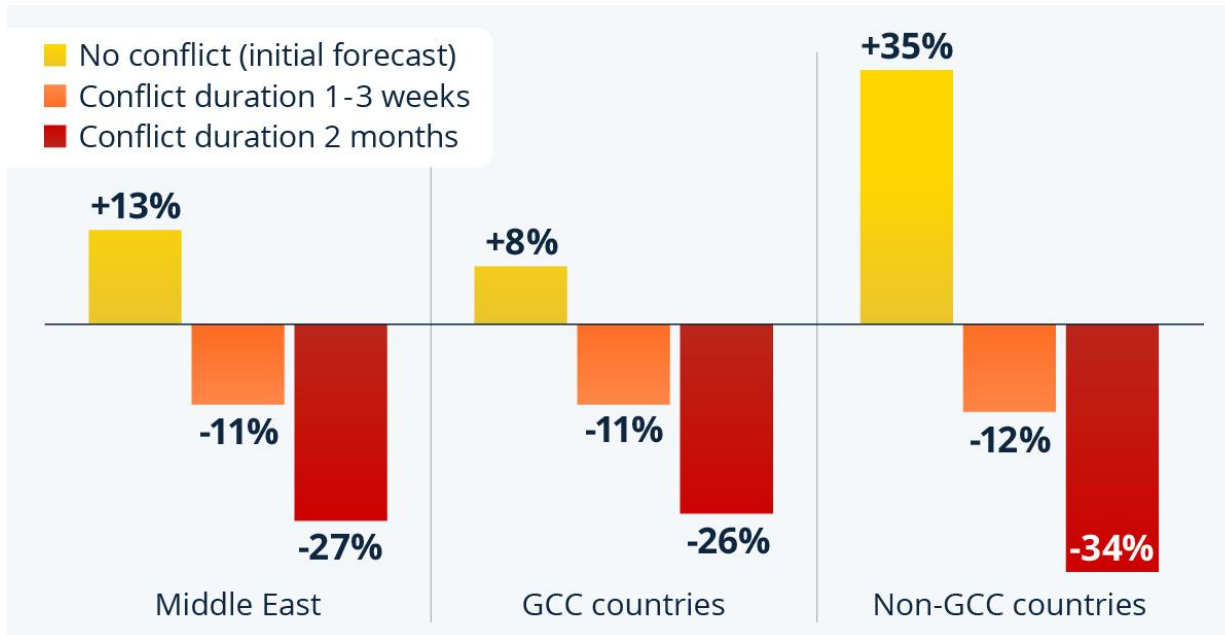
Air transport

- The airspace across parts of the Middle East and the Gulf region was subject to full or partial closures and operational restrictions when the Israel, US-Iran conflict broke out on February 28, 2026.
- Major aviation hubs, including Dubai, Abu Dhabi, Doha and Bahrain experienced closures and operational disruptions that significantly affected regional and global connectivity.
- Southeast Asia's air routes, especially those connecting Thailand and Bali to major European and Middle Eastern hubs, were severely disrupted.
- These challenges resulted in longer flight times, technical fuel stops, rerouting and selected route suspensions. Rising jet fuel costs and limited seat availability led to an increase in fares as announced by some carriers in Asia and Europe.
- Some major Middle Eastern airlines, such as Emirates and Qatar Airways have largely resumed operations.
- As of May 2026, Emirates has been operating 94 percent of its global pre-conflict flights, while Etihad is running 80 percent of its flights and Qatar Airways about 60 percent.

It is still too early to assess the full impact of the Middle East conflict on international tourism, considering the ongoing uncertainty and highly volatile nature of the crisis. However, estimates from Oxford Economics suggest that the impact could be quite severe, with the Middle East projected to experience a 27 percent contraction in arrivals should the conflict last two months.

Tourism

Projected Change in International Tourist Arrivals in the Middle East in 2026, by Conflict Duration Scenario



Projection date March 3rd

Gulf Cooperation Council (GCC) Countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE

Source: Oxford Economics

2026 Tourism Trends

The focus of the average traveller is changing, shifting from mass tourism to sustainable and responsible travel.

Anti-tourism

Anti-tourism caters to tourists who prefer to adjust their plans due to climate change, making the deliberate choice to reduce their carbon footprint. They opt to travel during the shoulder-season or off-peak seasons, staying away from major tourism hubs. This shift is giving rise to 'secondary cities', which sit outside heavily trafficked areas, offering more immersive experiences.

Decision Detox

Decision-light travel finds favour with the mentally exhausted traveller. It has become an expectation among time-deficient, high-stress travellers who opt for the high-end trips that replace endless options with curated choices. This allows ultra-luxury travellers to free themselves from focusing on the logistics of planning.

Wellness

Wellness travel has evolved beyond spa packages to science-backed longevity programmes and mental health-focused trips. Wellness tourism includes Ayurvedic programmes in India, yoga-and surf escapes in Costa Rica and silent retreats in Canada.

Tourism

Nostalgia

Millennials (1981-1996) who have become nostalgic about their childhood are seeking vacations that take them down memory lane. According to a report by Contiki, 8 in 10 Americans under the age of 35, say they either have or want to recreate childhood trips.

AI in hotel service

In 2026, the industry will expand the use of artificial intelligence (AI) to better understand guests. It will move from reacting to guests' requests, to anticipating their wants and needs. The use of predictive intelligence to personalise rooms and experiences will no longer be a nice-to-have but the default.

Implications

- Increases in the cost of travel, both by air and sea, due to diminished access to jet fuel and rising oil prices, respectively, can dampen travel demand and shift destination choice, particularly towards local or regional travel.
- Because of the war, many tourists currently deem travel to the Middle East as unsafe, making alternative destinations further away from the combat zone, such as the Caribbean region, more desirable. The implementation of targeted marketing to entice tourists to visit during the upcoming summer and winter periods would be an ideal strategy for the region.

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