

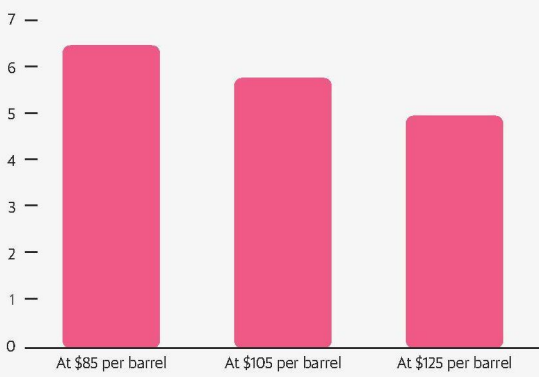
HOW IRAN WAR WILL HIT GROWTH, TRADE

BY HOWINDIALIVES.COM

Amid daily price swings in crude oil prices, based on what the US or Iran says on a given day, global growth prospects for 2026 appear grim. Even if the war ends within days, rebuilding energy infrastructure in West Asia, battered by bombings and drone attacks, will take months if not years. Economies will find alternatives, but those won't be cheap. Meanwhile, elevated fuel prices will affect demand, and therefore demand for foreign goods. Beyond essentials, demand for discretionary items—spending that households can cut back on in difficult times—could take a hit, directly affecting trade across the globe. A look at how the current crisis could impact shipments and growth, and where some silver linings exist.

Oil above \$100 per barrel will severely impact India's GDP growth for 2026-27

Projected GDP growth for 2026-27 (in %) under different India basket crude oil price scenarios



Source: Icra
mint

GLOOMY FORECAST

AT THE start of the year, a range of observers and analysts, including the International Energy Agency (IEA), had predicted a global 'glut' of crude oil in 2026. Expectations were that the supply of crude would far exceed demand, and prices would remain soft through the year. That's all out of the window.

According to credit rating agency Icra, with a baseline forecast of crude at \$85 per barrel (for the specific variants of crude that India is reliant on), projected India GDP growth is expected to drop from 7.5% in 2025-26 to 6.5% in 2026-27.

"However, the ongoing conflict in West Asia has led to a surge in energy prices and impacted availability, which would hurt corporate profitability and could lead to higher inflation, impacting consumer demand," said the agency. Accordingly, the higher crude prices are, the more muted growth is likely to be. At an average price of \$105 per barrel, Icra projects growth at 5.8%. At \$125, around 5%.

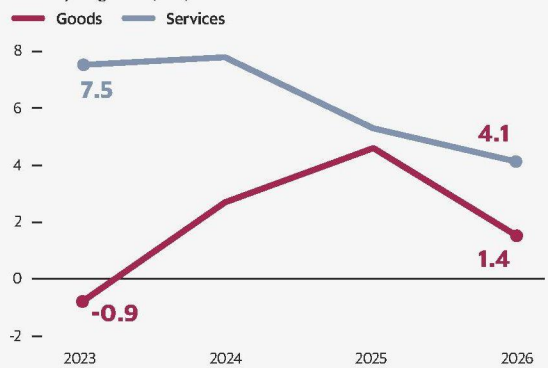
ALL AT SEA

IT'S NOT just India. The world economy and global trade will suffer. An analysis released by the World Trade Organization (WTO) after the war started, said 2025 saw higher growth in global goods trade, despite the imposition of additional tariffs by US President Donald Trump. This was because the actual tariff impact was muted due to the delay in imposing tariffs and exemptions. Further, the surge in demand for so-called 'AI-enabling' goods—such as chips, semiconductors, and data equipment, which accounted for 42% of global trade growth in 2025—offset the impact of tariffs on other sectors.

According to WTO calculations, if crude oil and LNG prices remain high through 2026, it could shave off 0.3 percentage points off the 2026 global GDP growth forecast of 2.8%, and 0.5 percentage points off global trade growth. This would mean that global goods trade (average of imports and exports) would grow around 1.4% in 2026, a sharp drop from 4.6% in 2025.

Global trade is expected to fall in 2026, more so in goods than in services

Year-on-year growth (in %) in world trade

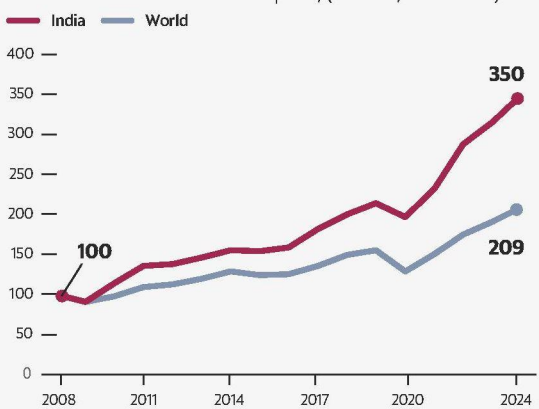


Data for goods trade is the average of exports and imports. Data for 2026 are projections.

Source: Global Trade Outlook and Statistics, World Trade Organization
mint

India's growth in services exports since 2008 has outpaced global growth

Relative movement in services exports, (rebased, 2008 = 100)



Source: World Trade Organization (WTO) statistics on balanced trade in service
mint

ON THE BRIGHT SIDE

THERE IS a silver lining for India, though small: trade in services. The WTO projects a drop in the growth of global exports of so-called commercial services, from 5.3% in 2025 to 4.1% in 2026. Yet, based on past trends, India's share of such services could remain strong, if not increase. In global exports, over the last couple of decades, India's share has stagnated in goods, but increased in services.

Since 2008, while global exports of services expanded about two times, India's services exports increased 3.5 times, having accelerated post-covid.

But the major wildcard is around AI adoption. If it grows dramatically in businesses around the globe, as expected, Indian IT firms are headed for a major phase of uncertainty. While retooling business and marketing strategies towards providing AI-enabled services could offset business losses in more 'traditional' IT services, it's anyone's guess what the impact will be on employment rates and new hiring rates in the industry.

GOING DIGITAL

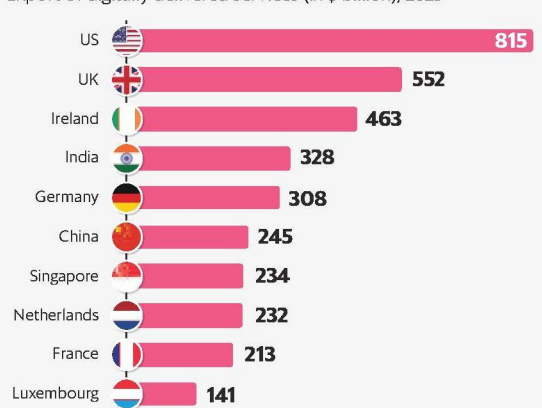
GLOBAL EXPORTS of 'digitally delivered' services grew an estimated 5.7% in 2025. Unlike most other sectors, it's expected to see strong 6.3% growth in 2026 even if energy prices remain high.

According to the WTO, digitally delivered services are those delivered remotely, through cross-border computer networks. These include financial services, computer services, and professional services.

"Among services sectors, transport and travel are the most sensitive to global business cycles, while other commercial services, among them digitally delivered services, are less so," said the WTO report. The US is the biggest exporter of such services. In 2025, it recorded exports of \$815 billion, with a share of 15.5%. India ranks fourth, with exports of \$328 billion and a share of 6.2%. A positive scenario for Indian IT amid the gloom of slowing growth and layoffs is the possibility of a rise in such services going forward. The major uncertainty is how AI uptake will impact delivery of such services.

India is the world's fourth-largest exporter of digitally delivered services

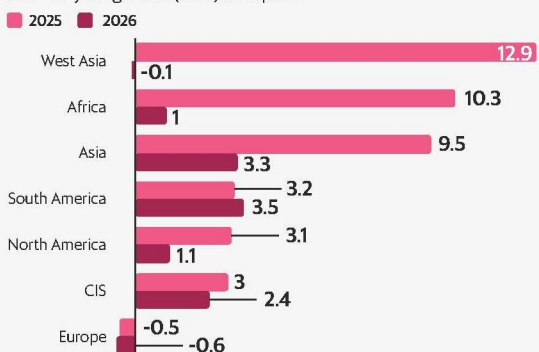
Export of digitally delivered services (in \$ billion), 2025



Source: World Trade Organization
mint

Most geographies in the world are expected to see lower export growth in 2026

Year-on-year growth (in %) in exports



CIS: Commonwealth of Independent States, including Russia. Data for 2026 are projections. Geographies are arranged in descending order of value for 2025.

Source: World Trade Outlook and Statistics, World Trade Organization
mint

OIL GAINS

ACCORDING TO the WTO, most regions are looking at lower export growth in 2026. The biggest beneficiary of the war has been Russia, which has effectively been 'de-sanctioned' by the West and allowed to sell its oil, that too at elevated prices. Demand patterns are shifting towards oil-exporting countries and away from nations dependent on oil. "Regions where petroleum represents a large fraction of exports (the Middle East, the CIS region, Africa) would see rising import volume growth consistent with increasing export revenues, while net oil-importing regions (Asia, Europe) would see import growth slowing," it said. When the war ends, damage to energy and other infrastructure in West Asia could lead to rise in demand from those countries for equipment and manpower as they look to rebuild. Remittances to countries like India could improve. However, much depends on how the war plays out.

www.howindialives.com is a database and search engine for public data.