

IJG Economic Update

Iran war: No Country is an Island

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Research Analyst:

Robin Sherbourne
robin@ijg.net
+264 (81) 958 3500

Background

Iran is a large country in the Middle East historically known as Persia but, since the overthrow of the US-backed Shah in 1979, officially named the Islamic Republic of Iran. Iran is majority Shia (not Sunni like its Arab Neighbours) and has been led by a Shia Supreme Leader since the revolution. It is a large country with a population of 92 million people which is multi-ethnic with non-Arab Persians in the majority but with sizeable Azerbaijani, Gilak and Mazanderani, Kurdish, Arab, and other minorities. It borders the Arabian Gulf and the Gulf of Oman in the south which are linked by the narrow Strait of Hormuz through which approximately a fifth of the world's oil (including crude condensates and fuel) and many other critical commodities pass from the surrounding oil-producing countries including Saudi Arabia, a majority Sunni country and a major power with a history of hostility towards the Islamic Republic. Iran itself is a top ten oil producing country selling almost entirely to China and is a member of the Organisation of Petroleum Exporting Countries (OPEC). The US and Iran have a history of enmity going back to the 1979 revolution with the Iranian leadership labelling the US the "Great Satan" and Israel the "Little Satan". In 1953 the US and UK organised a coup which ousted Prime Minister Mosaddegh, who had threatened to nationalise the country's British-owned oil industry, and empowered the pro-Western Shah who had been installed in 1941. The Islamic Republic provides military, political and financial support to anti-Israeli forces in the region, notably Hezbollah in Lebanon, Hamas in Gaza, and the Houthis in Yemen. There is an Iranian embassy in Windhoek and Iran owns 15% of Rossing Uranium, a hangover from 1976 and the pre-revolutionary days of the Shah. Iran joined the Brazil, Russia, India, China, South Africa (BRICS) grouping on 1 January 2024. BRICS is an organisation that Namibia is interested in being associated with.

The US-Israeli War on Iran

On 28 February 2026 the US joined Israel in a massive attack on the Islamic Republic of Iran. This followed a month of protests in Iran during which many thousands of anti-government protesters were killed or arrested. The US-Israeli attack was not a land invasion but an attack using air power (aircraft and missiles). This followed the previous year's "12 Day War" of 13-24 June 2025 in which the US joined Israeli forces in an attempt, among other things, to destroy Iran's uranium enrichment facilities at Natanz and Fordow as well as at the Isfahan nuclear research centre. The attack took place while the US was negotiating with Iran on the future of its nuclear programme. It led to significant Iranian retaliation against Israel and a US military base in Qatar using ballistic missiles and drones. The status and location of Iran's stockpile of enriched uranium following the attack, which prior to the attack the International Atomic Energy Agency (IAEA) said was enough to produce 10 nuclear bombs, was unclear. The 12-Day War did not greatly impact oil and gas prices although they did briefly touch US$80 a barrel. After the attack assessments of its success varied. While US President Donald Trump messaged that the nuclear facilities had been "completely and totally obliterated", others assessed the attack had only put back Iran's ability to produce a nuclear bomb by "a few months". The attack was therefore only partially successful at best from the US and Israeli point of view and thus the stage was set for further military action.

On 28 February 2026 the US and Israel renewed their attacks on Iran but on an even greater scale. Again, these attacks commenced while negotiations were taking place between the US and Iran. Again, the attacks employed aircraft and missiles and there was, at least initially, no question of ground troops being used in the conflict. At the time of writing, the conflict was ongoing despite an 11th hour ceasefire announced just hours before the deadline set by US President who had messaged on Truth Social that "a whole civilisation will die tonight" if Iran did not make a deal. The conflict has been marked by the following developments:

- Massive air attacks by the US and Israel using planes and missiles in thousands of sorties and strikes targeting Iran's anti-aircraft and missile defences.

- A regular stream of threats, invective and profanities from the US President which have had a significant impact on oil, gas and other markets.

- While Israel is determined to effect regime change, the US has stated various objectives, but the US President appears to have deliberately obscured its bottom line although Iran's ability to produce nuclear weapons appears to be a definite red line.

• Decapitation of the Iranian political and Iranian Revolutionary Guard Corps (IRGC) leadership including, on the first day, the aged Iranian Supreme Leader and his family. The US later injured his successor who has not been seen since taking over from his father.

• Massive retaliation by Iran not only on Israel and US military bases in the region in Jordan, Iraq, Kuwait, Saudi Arabia, Bahrain, Qatar and the United Arab Emirates but also on oil and gas infrastructure in countries of the Gulf and also at NATO allies including Turkey and a UK military base in Cyprus. This serves to demonstrate that Iran can inflict serious pain on the US, Israel and US allies in the region. Namibia has been cultivating relations with some of these countries, especially Qatar.

• Iran has targeted tankers and other shipping in the Strait of Hormuz so that traffic has shrunk from around 130 to just a handful of ships a day. At the time of writing a total of 29 ships had been attacked[1]. What is more, this has been done with relatively inexpensive mines and drones and the very threat has been enough to halt the passage of large, expensive and vulnerable tanker ships through the Strait. Shipping companies, crews and insurance companies have not been prepared to pass through the Strait of Hormuz without permission (and possibly payments to) from the Iranians.

• An invasion by Israel into southern Lebanon, ostensibly to eliminate the ability of Iranian-proxy Hezbollah to launch attacks on Israel which acts as a state within a state from which it regularly fires missiles into Israel.

• The two-man crew of a US F-15 warplane reportedly downed by the Iranians were rescued in a daring operation by US forces thus avoiding the risk of damaging hostage-taking but highlighting the sensitivity of the US towards losses of miliary personnel.

• The moving of ground forces into the region by the US with the threat of ground operations against Iran, possibly against Iran's major oil export terminal on Kharg Island.

• Russia (a close ally of Iran) and China (the major buyer of Iranian oil) have remained relatively quiet throughout the conflict although Russia has reportedly provided targeting assistance to Iran. A higher oil price and US weapons being diverted from Ukraine to the Gulf are two clear wins out of the situation for Russia.

• After a two-week ceasefire was agreed on 8 April, US and Iranian negotiators met in Islamabad on 11 April but came away without agreement after 21 hours of talks. Soon after, the US declared a blockade to prevent ships arriving at and departing from Iranian ports.

After 40 days of strikes, the US and Israel have clearly significantly degraded Iran's military capabilities and industrial capacity and also damaged Iran's ability to act in the region (through Hezbollah in Lebanon and Hamas in Gaza). However, they have not succeeded in regime change in Iran, nor in locating, extracting or destroying Iranian enriched uranium, and not in forcing Iran to open the Strait of Hormuz. Despite overwhelming US and Israeli military power, they have not been able to destroy Iran's military capacity to guard the Strait nor prevent Iran from extracting tolls which have reportedly been paid in crypto or Renminbi. It will be hard for the US to declare victory if these objectives are not achieved. Yet the US will not want to risk the lives of its service personnel by mounting a significant land operation, especially as much of the US President's Make America Great Again (MAGA) base is opposed to foreign wars and following Israel ("tail wagging the dog") and the US public as a whole is far from supportive of the war. And the question would be, what kind of land operations would be mounted? Eliminating Iran's capacity to police the Strait would involve a huge land operation which the US has shown no sign of undertaking. The US could declare victory and walk away from the conflict but would run the risk of being viewed as not having achieved important objectives which would be widely perceived as a strategic defeat for the US. This suggests either that the conflict could go on for some time or that the US and Israel would resume their attack every time they perceived Iranian military capabilities to have reached a certain level. A prolonged conflict would imply a higher oil price for longer.

[1] https://en.wikipedia.org/wiki/List_of_ships_attacked_during_the_2026_Iran_war#References

Impact on Namibia

The immediate impact of the war on Namibia will be primarily through three main channels:

1. the international price of oil and therefore of petrol and diesel fuels and other petroleum products;

2. international and domestic inflation because the increase in the price of petrol and diesel will feed through to the price of fertilizer, food, and goods and services that depend on the cost of transport;

3. the exchange rate of the Namibia Dollar against major currencies, especially the US Dollar and Euro which are both hard currencies, will weaken because of a "flight to safety" by investors to hard currencies.

The impact will depend on the following factors:

• The duration of the current "hot" conflict until ships can once again move freely through the Strait of Hormuz.

• The degree to which Iranian military capabilities have been degraded as a result of US-Israeli strikes and whether Iran is able to continue to exert control on the passage of ships and impose a toll system to raise revenue.

• The degree to which the Iranian government is willing and able to withstand the pain inflicted on the country.

• The degree of long-term damage ("economic scarring") on oil facilities in Iran and in the oil-producing countries of the Gulf and therefore reducing the volumes of oil that can be supplied from the region. As one example, following an Iranian strike on Qatar's Ras Laffan on 18 March, Energy Minister Saad Sherida al-Kaabi said that 17% of Qatar's LNG exports had been disrupted, causing damage that could take 3–5 years to repair.

• The degree to which other oil producing countries elsewhere in the world can make up for the loss of supply from the Gulf.

• The degree to which the US is prepared to withstand prolonged high oil prices given mid-term elections are due on 3 November 2026.

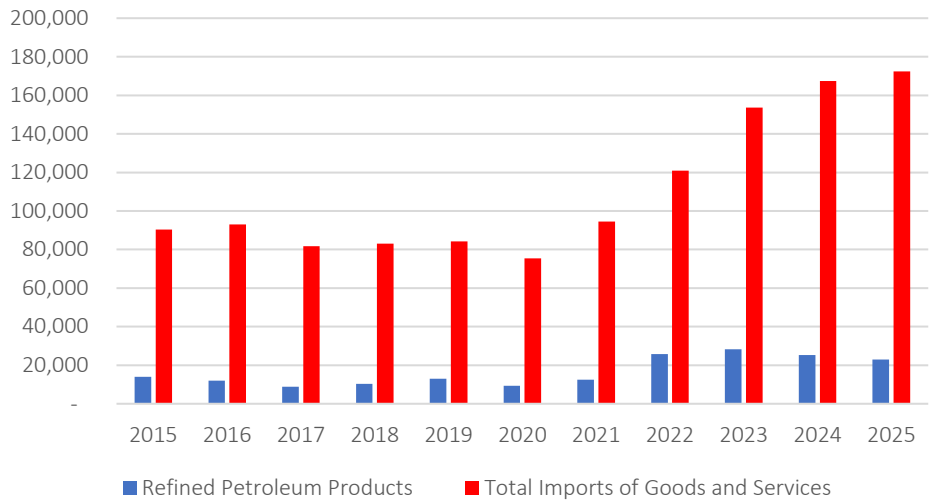
• The extent to which the US is prepared to pressurise Israel to refrain from attacks on Iran and Lebanon as part of a wider ceasefire deal with Iran. Elections to the Knesset in Israel are due to be held on 27 October 2026.

Oil is generally traded on a single international market and its price is set by global supply and demand. Although some countries have occasionally cut special deals separate from the global market (Venezuela and Cuba for example), most countries are deeply integrated into the global market. A prolonged disruption of 10%-20% of the world's oil supply will inevitably have a significant impact on prices.

Namibia imports all the refined petroleum products (including all petrol and diesel fuel) it consumes. Chart 1 presents data showing that between 2015 and 2025 refined petroleum products made up between 10.9% and 21.4% of total imports of goods and services. This proportion peaked in 2022, the year of Russia's full-scale invasion of neighbouring Ukraine. In 2025 Namibia imported refined petroleum products worth N$22.9 billion out of a total of N$172.4 billion of imported goods and services. A rise in the price of refined petroleum products would not only have a significant impact on Namibia's balance of trade but also on its terms of trade meaning Namibia would have to export more to be able to import the same quantity of goods and services. Namibia reportedly imports its refined petroleum products from Gulf countries (the UAE, Bahrain, Oman), India, and Belgium[2]. It is not clear if Namibia purchases refined petroleum products from India based on oil from Russia, which is under western sanctions.

[2] https://oec.world/en/profile/bilateral-product/refined-petroleum/reporter/nam

Chart 1: Imports of Refined Petroleum Products and Total Imports of Goods and Services 2015-2025



Source: Namibia Statistics Agency, Preliminary National Accounts 2025

Petrol and diesel prices have a significant impact on Namibian inflation. Transport-related items have a weighting of 14.2759 out of 100 in the total basket of goods in the Namibia Consumer Price Index (NCPI). The transport sub-index consists of 1) Purchase of Vehicles; 2) Operation of Personal Transport Equipment (including the cost of petrol and diesel) and 3) Public Transportation Services. The cost of petrol and diesel makes up 5.0107 of the transport weighting or 5% of the NCPI. A 10% increase in fuel prices will therefore have a direct 0.5% increase in the NCPI. However, the cost of fuel also directly affects lubrication and public Transport Services.

Table 1: Breakdown of Transport Sub-Index of NCPI

TRANSPORT	**14.2759**
Purchase of vehicles	2.8761
Motor cars	2.7490
Motorcycles	0.1031
Bicycles	0.0241
Operation of personal transport equipment	8.9627
Spare Parts and Accessories,	1.9235
Parking fees,	0.2306
Petrol/Diesel	**5.0107**
Lubrication	0.2694
Service and repair charges	1.2578
Driving lessons, license and tests	0.0314
License and registration fees	0.2391
Public transportation services	2.4371
Rail transportation	0.0909
Bus transportation	0.3623
Taxi transportation	1.8801
Air transportation	0.0618
Furniture removal and transport of goods	0.0419

International oil prices (Brent and West Texas Intermediate crude) began 2026 around US$60 per barrel and started climbing as tensions in the Gulf rose to reach US$70 per barrel on the day before the attack after which it shot up to above US$110 per barrel depending to a large extent on Truth Social messaging from the US President. These are levels last seen in the wake of Russia's full-scale invasion of Ukraine in February 2022. In that case, oil prices remained elevated for some months but ended up falling to below US$100 per barrel later in 2022

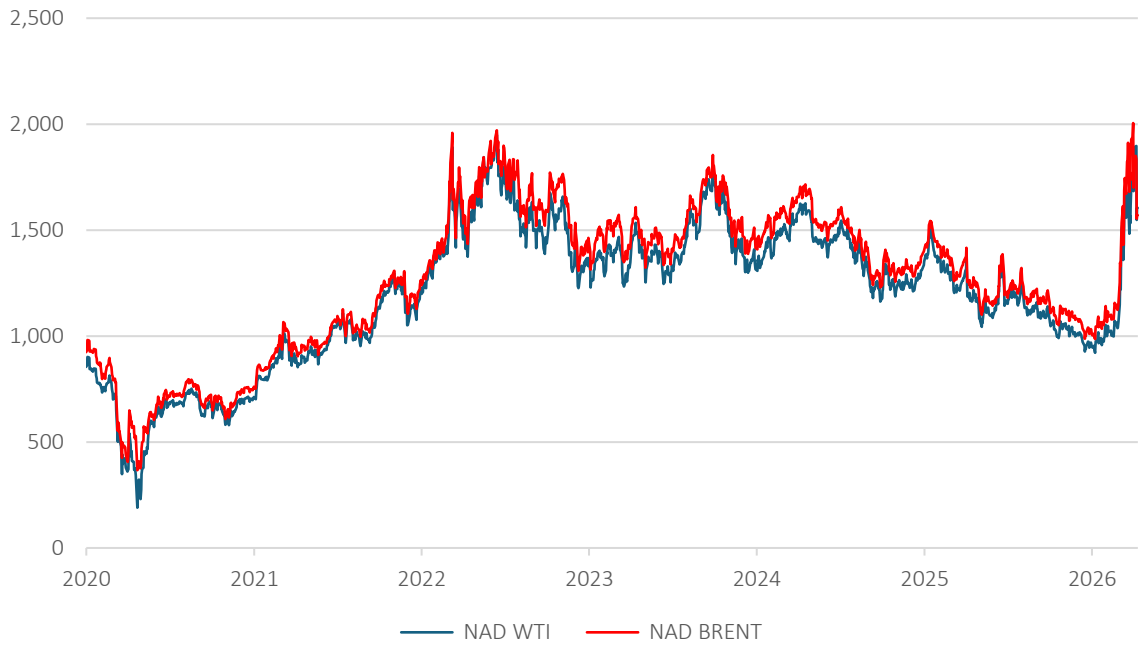
Chart 2: Brent Crude price per barrel since 1 January 2020



Chart 3: WTI price per barrel since 1 January 2020



Chart 4: Brent Crude and WTI in NAD since 1 January 2020



The exchange rate of the Rand (Namibia Dollar) against the US Dollar had strengthened in the course of 2025 weakening only a little during the "12 Day War". The Rand (Namibia Dollar) started the year at N$16.5516 to the US Dollar and continued to strengthen to N$15.9136 on the first day of the war after which it immediately weakened reaching N$17.1909 by 30 March. However, the Rand (Namibia Dollar) has recovered somewhat since.

Chart 5: Rand (Namibia Dollar) Exchange Rate since 1 January 2020

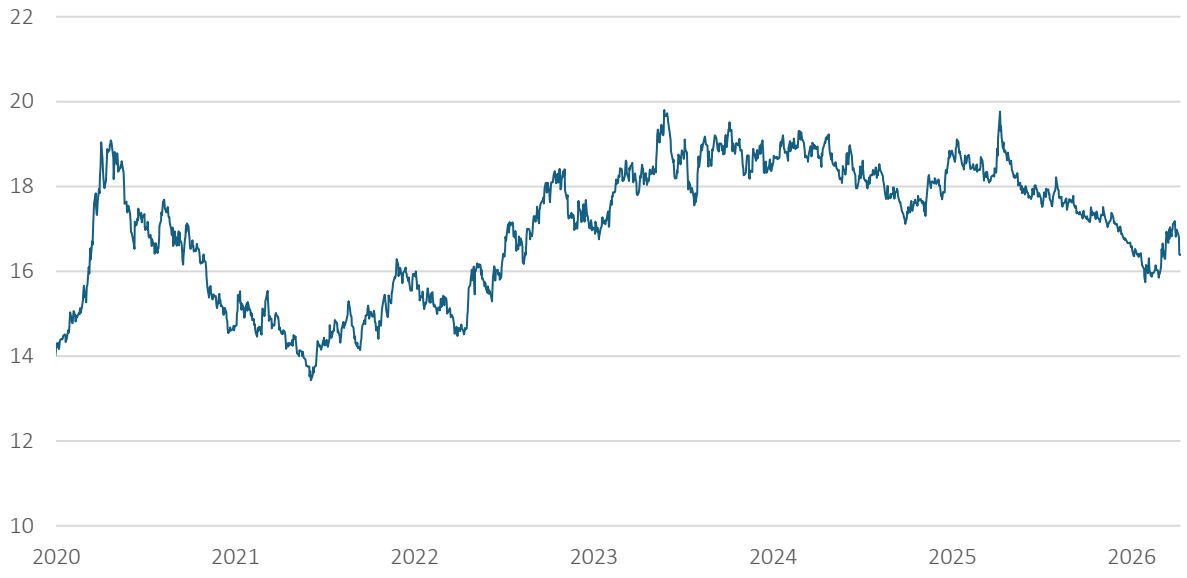
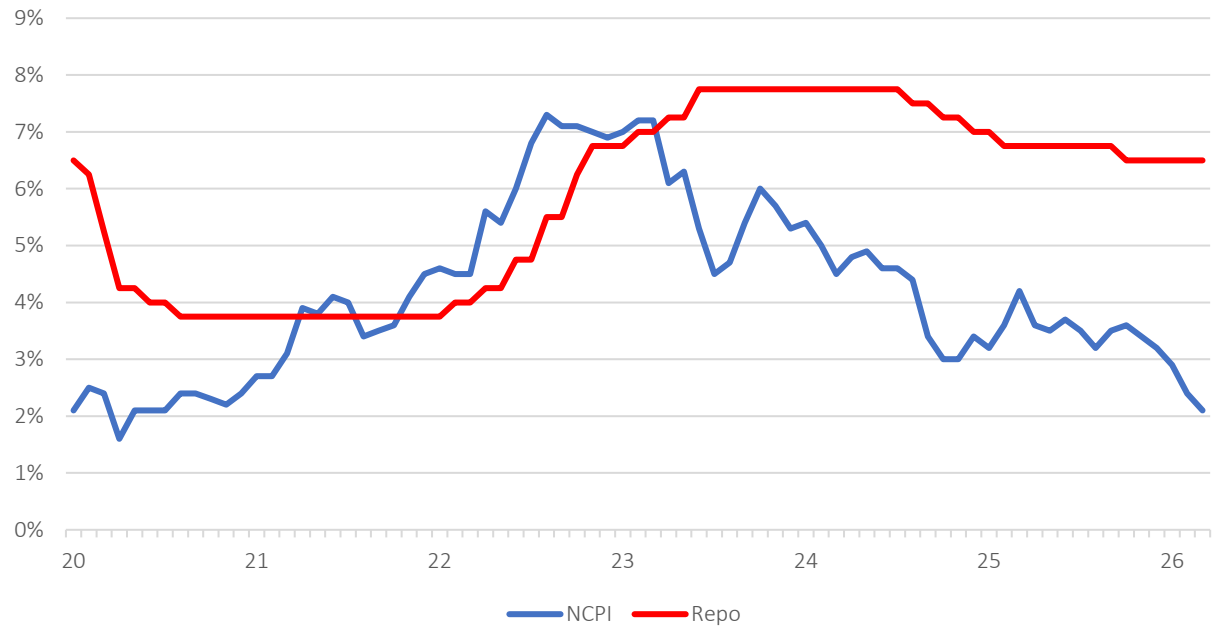


Chart 6: Change in NCPI and Repo Rate since January 2020



It has not been all that long since Namibia last suffered an oil price shock. As the after effects of Covid were still being felt, Russia's full-scale invasion commenced on 24 February 2022 and immediately sparked a sudden increase in oil prices to over US$100 per barrel. Namibian inflation reacted immediately rising from 4.5% in February 2022 to peak at 7.3% in August 2022. The Bank of Namibia raised the repo rate from 4.0% in February 2022 to 7.75% by June 2023 where it remained until a 25bp cut took place in August 2024. Noteworthy is that interest rates stayed high for months after inflation had started to fall.

The price of petrol and diesel in Namibia is regulated by government which also imposes a range of taxes and levies on fuel as shown in the table below.

Table 2: Breakdown of Fuel Price (N$c/l) for Period 4-31 March 2026

	Unleaded (ULP95)	Diesel (ADO50)	Diesel (ULSD10)
Basic Fuel Price in Walvis Bay (A)	**1534.427**	**2442.468**	**2446.439**
Dealers margin (B)	238.000	238.000	238.000
C&E duty (SACU revenue pool)	4.000	4.000	4.000
Fuel levy (NEF)	186.775	160.775	160.775
Road user charge (RFA and RA)	243.000	243.000	243.000
Fuel tax (to MoF)	90.000	90.000	90.000
MVAF levy (to MVAF)	47.700	47.700	47.700
National Road Safety Council Levy	17.600	17.600	17.600
Total Taxes and Levies (C)	**589.08**	**563.08**	**563.08**
Service differential (D)	18.180	18.180	18.180
Coastal storage (E)	2.214	2.214	2.214
Coastal stock financing cost (F)	5.754	9.159	9.174
Industry margins (G)	219.000	219.000	219.000
Walvis Bay Pump Price (H)	**1958.000**	**1963.000**	**1973.000**
Unit Over/Under Recovery H-(A+B+C+D+E+F+G)	**-9.700**	**-618.096**	**-609.560**

Source: MME

The latest breakdown of Walvis Bay pump prices show that government taxes and levies make up approximately 30% of the final price to consumers. Government therefore always has the option to reduce taxes and levies to counteract any increases in delivered fuel prices provided it is prepared to forgo the tax revenues. In the fuel price announcement for April 2026 government published on 27 March 2026 stated the following:

Furthermore, the Cabinet has resolved to temporarily reduce the number of levies imposed on fuel by 50% for three (3) months with effect from April to June 2026. This measure is necessitated due to the high price volatility of petroleum products, which resulted from the ongoing geopolitical tensions in the Middle East. Therefore, to offer relief to fuel consumers at the pumps, the Cabinet deliberated on the matter and resolved to intervene accordingly.

This will reportedly cost the government N$500 million per month in forgone revenue[3].

[3] https://www.namibian.com.na/govts-n500m-fuel-subsidy-deemed-unsustainable-by-economists/

Other impacts

Regardless of the duration of the conflict, there are likely to be other longer-term impacts which would affect Namibia.

• The first is that risks associated with oil from the Gulf region are likely to be perceived as much higher than before. As in the aftermath of the oil price shock in the 1970s, this will trigger a search for other less volatile sources of oil and gas. Namibia is likely to be able to position itself as a secure and stable supplier giving a boost to final investment decisions for discoveries and spurring greater exploration expenditure outside the Orange River basin.

• The second is that countries in the Gulf with which Namibia has cultivated closer ties (such as Qatar and the UAE) may be forced to re-evaluate their economic models, several of which are based not only on oil and gas but also on being important airport hubs, as well as an attractive tourist destination, and the location of desirable property. This may have an impact on their wealth and also on their investment strategies regarding Namibia, for better or worse.

• The third is that countries like Namibia will view the US as an unreliable, aggressive and capricious economic partner as the war comes on top of reductions in development funding, impositions of unwarranted tariff barriers, and increasingly at odds with important allies such as China and Russia. As a result, Namibia may become more reluctant to encourage US investment as the recent rejection of Starlink suggests.

• Finally, if US-desired regime change does take place in Iran, Namibia would have to establish relations with a potentially very different government.

Conclusions

It is hard to see the situation in the Gulf being resolved any time soon. On the one side, the Iranian regime is fighting an existential war. On the other side, the US would struggle to declare victory and walk away without having secured free passage in the Strait of Hormuz, ensuring highly enriched uranium cannot be used to construct nuclear weapons, and leaving the Islamic government in place. Israel too feels this is existential and will do its utmost to ensure Iran will never be in a position to produce and deliver nuclear weapons. The Iranian regime shows no sign of collapsing and appears able to withstand the military punishment meted out by the US and Israel. It can control the chokepoint of the Strait of Hormuz using relatively inexpensive weapons and therefore impose pain on US allies in the Gulf as well as on the US and the entire global economy, including Namibia. It could charge tolls to ships willing to pay them although the US blockade now makes this harder. There is a widespread perception among analysts that an oil price of even US$100 per barrel does not reflect the severity of the situation. On 14 April Fatih Birol, Executive Director of the International Energy Agency (IEA), stated the following[4] :

“Prices are already high, but they are not reflecting the severity of the problem — I agree there is a disconnect. But I think soon we will see they will converge, which is an extremely sensitive issue for the global economy.”

The US is extremely sensitive to losses of military personnel and to the price of petrol and diesel, especially in the run-up to mid-term elections in November. A long-term price of US$100-US$150 would be immensely damaging for the Namibian economy. Namibia will have to prepare for a sustained period of higher fuel prices, higher inflation, higher interest rates, lower tax revenues and lower growth. While the aftermath of Russia’s invasion of Ukraine serves as an example of what has happened in the recent past, the current situation in the Gulf has the potential to have a far greater and longer-term impact.

[4]https://www.bloomberg.com/news/articles/2026-04-13/oil-prices-will-soon-converge-to-reflect-crisis-iea-chief-says?embedded-checkout=true



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