

Wider Middle East Conflict Could Have Dramatic Impact On Inflation

October 31, 2023 — Ever since Hamas attacked Israel earlier this month, there has been speculation that their conflict could spiral out of control. As it stands right now, the conflict only involves Israel and Hamas, but other parties are threatening to get involved. Among these are Iran and Turkey, but it could also expand to Arab nations. And if that happens, the World Bank is warning that the price for a barrel of oil could jump to \$157; more than 75% above current prices. That would mean that the price of virtually everything would skyrocket.

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To be clear, most analysts are betting that the conflict doesn't widen. But it's only been a day since Turkey's President threatened to enter the conflict on the side of Hamas. So there is a very real chance that the analysts are wrong.

A wider conflict would be a financial disaster for American consumers. Everything we purchase in stores requires transportation. Increases in fuel costs for that are passed directly on to consumers. Furthermore, many of the products we purchase are made from or with petroleum byproducts. Things like plastic, rubber, synthetic fabrics. Those costs will jump.

All of our food requires transportation, so food prices will jump. In short, American households which are already stretched thin financially, could be viewing today's inflation rates as "the good old days" within weeks if the conflict gets out of control.

According to the World Bank predictions, a wider conflict could reduce global oil output by as much as 2 million barrels per day. That would likely lead to fuel prices in the \$6 per gallon range for most of the country, but in certain markets like California, they could go much higher.

by Jim Malmberg

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