

TUAC comments on the OECD Interim Economic Outlook

30 March 2026

The [OECD Interim Economic Outlook](#) published on 26 March considers potential scenarios arising from the war waged by the United States and Israel against Iran, its spillover across the Middle East and the implications for commodity prices.

The OECD portrays a global economy that proved resilient throughout 2025, avoiding much-feared levels of disruption, despite heightened geopolitical tensions and trade frictions. Investment in AI and related sectors has so far driven economic expansion, but its contribution to GDP is being offset by the impact of the Middle East conflict on commodity markets. The Outlook confirms global GDP growth for 2026 at 2.9%, in line with the December 2025 projections, noting however that without the war in Iran it could have accelerated to 3.2%. Inflation in 2026 is expected to rise above previous forecasts, reaching 3.1% in G20 countries (excluding Turkey and Argentina), 2.6% in the euro area, 4% in the United Kingdom and 4.2% in the United States.

The OECD remains cautious in its assessment of whether the energy shock triggered by a potential closure of the Strait of Hormuz will have short-term or lasting effects on energy prices, maintaining a broadly neutral – albeit mildly hawkish – stance on fiscal and monetary policy.

In particular, the OECD endorses “well-targeted” measures to support the most vulnerable households and exposed sectors – which means limited interventions in scope and time. With respect to interest rate policy, the OECD calls on central banks to “remain vigilant” in the face of potential longer-term inflationary effects, noting that “[t]he current supply-induced rise in global energy prices can be looked through provided inflation expectations remain well-anchored, but policy adjustment may be needed if there are signs of broader price pressures or weaker labour market conditions.” In practice, this suggests that policy rates could move in either direction: upwards if inflation proves persistent, or downwards if economic slowdown prevails and unemployment rises.

From TUAC’s perspective, the OECD’s central projections underestimate the magnitude of the crisis unfolding, because they rely on a narrow assumption of a temporary price shock confined to the oil sector, implicitly discounting volume constraints, as well as the impact of broader supply bottlenecks and spillovers to other commodity markets.

In reality, the Strait of Hormuz accounts for around 25% of global seaborne oil trade. Asian economies are particularly dependent on this route, while virtually all liquefied natural gas (LNG) produced by Qatar and the United Arab Emirates – together representing around one fifth of global LNG output – also transits through it. On top of that, experts estimate that the damage inflicted by both sides on oil and gas extraction,

as well as storage facilities, will require not months but rather [years](#) to recover, even in the event of a rapid and lasting ceasefire. Other commodities transiting through the Strait of Hormuz include helium and fertilisers, indicating that supply disruptions are unlikely to remain confined to energy markets. Instead, they will affect a wide range of sectors, from semiconductors to agri-food production, propagating the shock further.

TUAC sees two key shortcomings in the OECD's response: insufficient fiscal action in the face of a major economic shock, and over-reliance on monetary policy to manage supply-side price shocks imported from abroad.

Firstly, regarding fiscal policy: not only is there a stark trade-off between designing targeted support measures and implementing them in a timely manner, but as the latest [OECD Wage Bulletin](#) highlights, the cost-of-living crisis is far from over, nor is it confined to the most vulnerable households. In around half of OECD countries, real wages have yet to recover to early 2021 levels. Notably, average and median wages have lagged behind in adjusting to new price levels, particularly in comparison to statutory minimum wages.

Combined with rising industrial energy costs – especially in Europe – this will further strain households' and firms' capacity to absorb additional price increases.

As for monetary policy, it is an ill-suited instrument for addressing disruptions in energy markets or global supply chains. The primary effect of potential interest rate hikes is to compress demand by reducing investment and increasing unemployment, which is even riskier today than it was when rates were hiked in 2022, at a time when the global economy was rebounding strongly from the COVID-19 pandemic, supported by high household savings, substantial public support measures and rapidly improving labour markets.

Today, labour markets face the incoming shock from a weaker vantage point. While headline unemployment remains low, there are clear signs of cooling in both the United States and Europe. Recent [US labour market data](#) show an unexpected decline in employment of 92,000 units in February. In the [European Union](#), transitions from unemployment to employment have slowed to pre-pandemic lows, while the reintegration of long-term unemployed workers has weakened indicating fewer job openings and reduced hiring momentum. Under these conditions, even maintaining policy rates at current levels effectively constitutes a restrictive monetary stance.

TUAC calls for a countercyclical economic strategy focused on boosting growth at a time of likely slowdown compared to previous expectations, due to rising levels of uncertainty and the negative spillovers of the conflict in the Middle East, while avoiding another speculative and profit-driven cost-of-living crisis. This includes accommodative monetary policy to support higher levels of public and private investment – even more so as economic growth slows further. On the fiscal side, mitigating imported energy inflation in the short term requires transfers to households, action to address price gouging and profiteering by energy companies and the introduction of energy price caps – similar to those implemented by [Spain in 2022](#). In the longer term, sustained investment in renewable energy, energy efficiency, and alternative sources is proving all the more essential to reduce exposure to external commodity markets, particularly in energy-importing economies, and support the green transition objectives.