# Brace for hard times, experts warn about Iran war

Policy makers fear that the continued joint strikes on Iran could see pump prices rise by a minimum of Shs100 in the next few days, before getting out of hand.

ISMAIL MUSA LADU

Thanks to the US – Israel war with Iran, global oil prices have surged by 13 percent within just days of onslaughts.

Economists, researchers and policy makers interviewed yesterday expressed fear that the continued joint strikes on Iran could see pump prices rise by a minimum of Shs100 in the next few days, before getting out of hand.

However, amidst the tension in the Middle East, Uganda's fuel supply remains stable, according a Uganda National Oil Company (UNOC) statement.

In the statement issued yesterday, UNOC stated that the company, along with its supply partner Vitol, is closely monitoring the situation and has put in place measures to ensure the uninterrupted supply of petroleum products.

After just 24 hours of the joint US-Israel strike on Iran, energy markets internationally saw a northwards movement with global oil prices hitting highs above $82 (Shs293,814) per barrel, according to Brent Crude, which serves as the pricing standard for nearly 70 percent of the world's internationally traded refined oil used in Europe, Africa, and the Middle East.

The price of crude oil has been oscillating between $63 (Shs225,735) and $70 (Shs250,817) per barrel since August last year, with an average price for 2025 at $69 (Shs247,234).

This particular spike, according to the director of MUBS Economic Forum, Dr Fred Muhumuza, was triggered mainly by risk stemming from the ongoing conflict in the Middle East.

As a result of that, economist Muhumuza said there are now fears over attacks on the Strait of Hormuz, a critical route for oil and gas supplies heading to global markets.

About 20 percent of the world's oil passes through this narrow stretch of water, currently at the centre of conflict.

If Iran sustains a blockade of the Strait, Dr Muhumuza predicted crude could blow past $100 (Shs358,310) per barrel, and in a worst-case scenario involving prolonged maritime disruption, he believes prices could reach or even go beyond $150 (Shs537,465) per barrel.

### Brace yourself

And what is unfolding in the Middle East will not only significantly increase our pump price here but also our household bills."

He added: "So we are at a very high risk of having constrained supply because now the vessels will have to divert to a longer route to reach the markets.

"Also remember Iran is a major producer of crude and with the ongoing conflict within a week or two there will be supply chain disruption."

Saving grace, according to Dr Muhumuza is in the fact that both Uganda and Kenya governments are involved in the importation of fuel, noting that, unlike in the past, when the individual oil marketing companies would solely take the risk and then pass them over to the consumers.

### Supply deficit

Within a week, the economy can run out of fuel once the supply grinds to a halt. This is according to a government source charged with fuel importation.

"We don't have enough storage, and within a week, we can be in chaos once the supply is cut out completely and there is nothing much that can be done until normal supply resumes," the source, who wanted to speak freely, said.

Although the source was optimistic that before that happens, the government that imports the country's fuel batch will try its best to sustain normal pump pricing before giving up to fate.

The source noted that, combined with private dealers, the country's capacity to store fuel for more than two weeks hasn't been realised yet.

When contacted yesterday, Rev Frank Tukwasibwe, the commissioner of the Petroleum Supply Department at the Ministry of Energy and Mineral Development (MEMD), said Uganda National Oil Company (UNOC), which is mandated to supply all petroleum products, is not about to see the country run out of fuel.

"They – UNOC are very much aware of the situation and have in place alternatives in the unlikely event of supply disruption. Nonetheless, let us pray and trust God for the situation to normalise as soon as possible," he stated.

Uganda's total national fuel storage capacity is approximately 100 million litres, with a major 30 million-litre government facility in Jinja (Jinja Storage Terminal).

Total storage, including private sector capacity, covers roughly 16-20 days of national consumption, which is about 8 million litres daily, according to UNOC.

A report by the National Planning Authority indicates that UNOC continues to implement a sole-importation strategy to stabilise supply, something economist Muhumuza said could help if the Middle East situation doesn't escalate beyond two weeks.

Already, global price transmissions and local taxes, which can account for up to 31 percent of the pump price, remain primary drivers of high costs of fuel in the country. Geopolitics is only an accelerator, Dr Muhumuza noted.

### Impact

The ripple effect of fuel disruption has no boundaries. First to be hit is the transport sector, which wastes no time in hiking fares. Soaring commodities follow suit, and before long, inflationary pressures will take over because petroleum products are a critical input for nearly every production and distribution process.

While food prices could be stable due to seasonal harvests, fuel hikes create long-term pressure on the sector, denying the majority of smallholder farmers much-needed income.

Then there are manufacturing and production constraints due to fuel supply chain disruptions. Manufacturers are already dealing with the highest cost of production compared to neighboring peers in the region.

And for motorists, your disposable income will be eroded by increased pump prices, reducing your ability to support your households.

As for trade and investment researcher Mr Africa Kiiza, the escalation of hostilities between Iran, United States, and Israel has triggered volatility in global oil markets, with Brent crude briefly rising above $90 (Shs322,479) per barrel amid fears of supply disruption in the Strait of Hormuz.

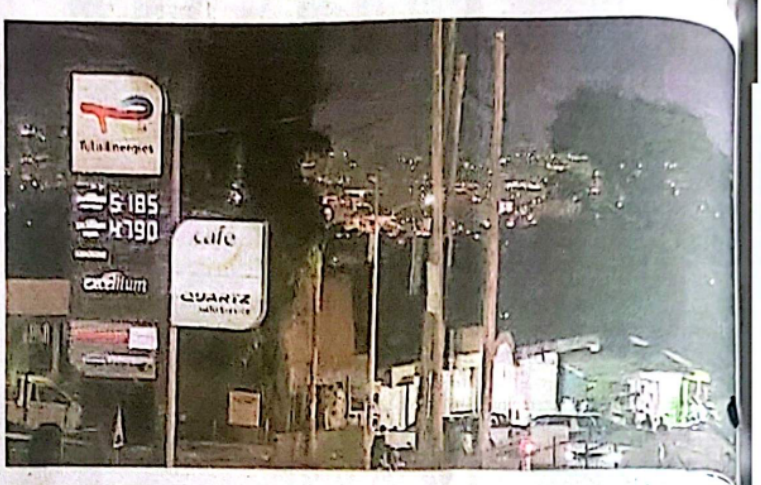
He said: "For Uganda, a net fuel importer, higher global oil prices directly raise import bills and domestic pump prices. Uganda imported petroleum products worth over $2 billion (Shs7.167 trillion) in 2023, making fuel a major driver of inflation and trade deficits. Sustained price spikes could therefore widen Uganda's current account deficit and increase transport and production costs economy-wide."

"Higher fuel prices would likely feed into inflationary pressures. Uganda's inflation rate, which had eased to single digits in 2024 after earlier energy-driven spikes, remains sensitive to global commodity shocks. Energy costs affect food prices through transport and fertiliser inputs, particularly for imported agro-inputs. If oil prices remain elevated for several months, the Bank of Uganda may face pressure to tighten monetary policy to curb inflation expectations.

"That would raise borrowing costs for businesses and households, potentially slowing private sector credit growth which has been recovering gradually since 2023," Mr Kiiza added.

The conflict also risks disrupting global trade flows and financial markets. Heightened geopolitical risk typically strengthens the US dollar as investors seek safe-haven assets. A stronger dollar would increase the cost of servicing Uganda's external debt ($14.60 billion (Shs52.31 trillion) as of December






Motorists refill at Shell Kaazi Najjanankumbi Filling Station. (above) and Total filling station in Kibuli, both Kampala City suburbs, yesterday. PHOTOS/ GEOFREY MUTUMBA/ IBRAHIM KAVUMA

**LOCAL IMPACT**

Economist Fred Muhumza says fuel prices could spike due to conflict in Iran, due to fears over attacks on the Strait of Hormuz, a critical route for oil and gas supplies heading to global markets. About 20 percent of the world's oil passes through this narrow stretch of water, currently at the centre of conflict. If Iran sustains a blockade of the Strait, Dr Muhumuza predicted crude could blow past $100 (Shs358,310) per barrel, and in a worst-case scenario involving prolonged maritime disruption, he believes prices could reach or even go beyond $150 (Shs537,465) per barrel.

CamScanner