



MAYBERRY
INVESTMENTS LIMITED

RISK NEWSLETTER

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GLOBAL

CONFLICT AND ITS
ECONOMIC
IMPACT ON JAMAICA



Overview

The recent escalation in geopolitical tensions following the U.S.-Israeli military strikes on Iran on February 28, 2026, has begun to ripple through global markets. One of the most significant transmission channels is the increased risk to shipping flows through the Strait of Hormuz, a strategic passage responsible for nearly 20% of global oil and liquified natural gas (LNG) shipments and roughly one-third of the world's fertilizer supply.

While the situation continues to evolve, markets are already adjusting to the possibility of sustained energy price volatility and tighter global supply conditions. As a result, energy and commodity prices have risen sharply, and early spillover effects are beginning to emerge in Jamaica.

Energy and Transportation Costs Rising

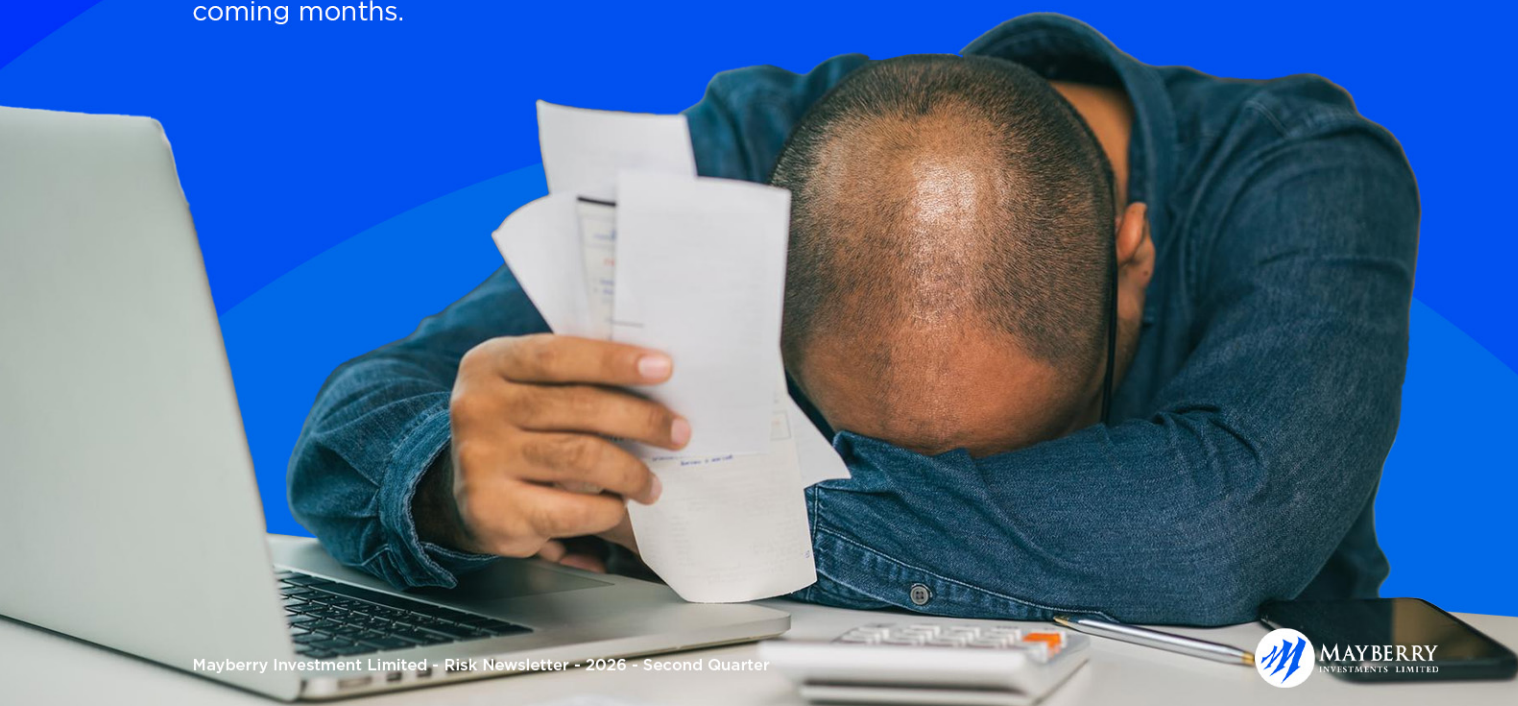
Jamaica relies heavily on imported fuel, making the economy particularly sensitive to global energy price fluctuations. Since the conflict began, Brent crude prices have surged by more than 39%, rising above US\$100 per barrel, while LNG benchmark prices have increased by approximately 8.7%.

Locally, Petrojam reported a 5.8% increase in retail petroleum prices within two weeks, representing one of the sharpest short-term adjustments since 2022. These developments are contributing to higher transportation costs and increasing operating expenses across multiple sectors.

Potential Increase in Electricity Bills

Approximately 60% of Jamaica's electricity generation depends on LNG. Because fuel charges typically account for more than half of electricity bills, the recent increase in LNG and oil prices is expected to translate into higher energy costs for households and businesses.

Organizations may begin to see increased operating expenses related to electricity in the coming months.



Pressure on Food Prices

The conflict has also affected global fertilizer markets. Urea prices have increased by roughly 35% since the strikes began. Jamaica imports most of its fertilizer, and higher costs, combined with increased shipping insurance premiums and potential supply chain delays, are expected to place upward pressure on domestic agricultural production costs and food prices.

Inflation Outlook

Inflation had recently moderated to 3.9% in February 2026, but rising energy and food prices could reverse that progress. Analysts now expect inflationary pressures to increase, potentially pushing inflation toward or beyond the Bank of Jamaica's 4-6% target range.

Monetary Policy Implications

Earlier in February, the Bank of Jamaica began easing monetary policy by lowering its policy rate to 5.50%. However, the uncertainty created by the geopolitical situation may limit the scope for additional rate reductions in the near term.

Market expectations suggest the central bank may hold the policy rate at its upcoming March 31 decision while monitoring inflation risks and developments in global energy markets.



Financial Market Reactions

The Jamaica Stock Exchange has shown mixed responses to the evolving situation. Trading volumes have been uneven, though energy-related stocks have experienced notable gains. FESCO shares have risen by approximately 27.5%, while West Indies Petroleum has increased by about 8.9%, partly fueled by speculation around local offshore oil and gas exploration.

Currency Movements

The Jamaican dollar has shown modest depreciation against the U.S. dollar during the week ending March 27, 2026, weakening by approximately J\$0.55. This movement reflects continued demand for foreign currency amid elevated global uncertainty and higher expected import costs.

Looking Ahead

While the situation continues to evolve, the primary risks for Jamaica remain tied to sustained high energy prices, supply chain disruptions, and renewed inflationary pressures. Businesses and households alike may need to prepare for higher operating and living costs in the near term. Monitoring energy markets, inflation trends, and policy responses from the Bank of Jamaica will be critical in the weeks ahead.





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