



# How conflict is reshaping the GCC private capital markets

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A MARSH BUSINESS

# Executive summary

Recent conflict in the Middle East is reshaping risk across Gulf Cooperation Council (GCC) private capital markets. Amid energy market disruption, shipping uncertainty, and broader geopolitical volatility, investors are becoming more selective in their overall investment approach, leaning increasingly towards sectors that offer resilience and strategic relevance.

Private capital, including private equity, private credit, venture capital, infrastructure, and real estate, plays an increasingly important role in the GCC's investment landscape. Sovereign wealth funds (SWFs) are central to this market, with their scale, long investment horizons and influence on regional capital deployment making them key actors in how the region responds to periods of volatility and dislocation.

This environment is expected to drive a more focused deployment of capital toward strategic sectors such as energy and infrastructure, including ports and logistics, defense and security, and technology and digital infrastructure — areas which benefit from stronger demand visibility, policy alignment and strategic relevance. By contrast, sectors more exposed to discretionary demand, sentiment or execution complexity, such as consumer-facing businesses, hospitality-linked assets or tourism-linked real estate, are expected to experience short-term pressure and higher scrutiny — though many continue to be supported by strong long-term structural fundamentals and commitments. As such, the extent and intensity of this increased selectivity and sector reprioritization will depend on the evolution of the geopolitical environment.

Against this backdrop, GCC sovereign wealth funds are expected to play a stabilizing role in the regional economy, leveraging their ability to deploy capital counter-cyclically and sustain long-term investment programs. Periods of de-escalation may help ease near-term volatility and support a gradual recovery in market activity, but amid a cautious overall picture, the market is likely to remain more selective and increasingly sensitive to geopolitical developments.

Looking ahead, we outline three potential scenarios for how the broader regional outlook may evolve, each carrying distinct implications for capital deployment, sector focus, and recovery dynamics.

- 1. Prolonged conflict and disruption:** In this scenario, elevated risk premiums are likely to persist, with capital remaining prioritized toward resilient and strategic sectors such as infrastructure, defense and security, and technology. By contrast, more cyclical and execution-intensive sectors — including consumer, hospitality, and segments of real estate — would face sustained pressure, driving greater need for restructuring and active value creation.
- 2. Rapid de-escalation and stabilization:** Improving sentiment would progressively ease risk premiums and expand the investable universe. While strategic sectors would continue to anchor deployment, capital would progressively rotate towards a broader set of growth and cyclical sectors as confidence returns.

**3. Shifts in regional positionings and evolving power dynamics:** A more sustained easing in regional tensions could compress risk premiums more materially and may open new investment frontiers, especially in underinvested sectors such as energy, transport, and industrial infrastructure, as well as assets linked to key energy flows and trade corridors. However, the pace of capital deployment will depend on how regulatory frameworks, market access and investor confidence evolve.

## Key implications for GCC private capital

Against this backdrop, four implications are likely to shape private capital deployment across the GCC: increased risk selectivity, sharper sector prioritization, a stabilizing role for sovereign investors, and scenario-dependent recovery dynamics.

### Risk repricing and selective deployment

The early 2026 escalation of conflict in the Middle East — including strikes on infrastructure and disruption to key energy corridors such as the Strait of Hormuz — **has brought geopolitical risk to the center of capital allocation decisions across the GCC.**

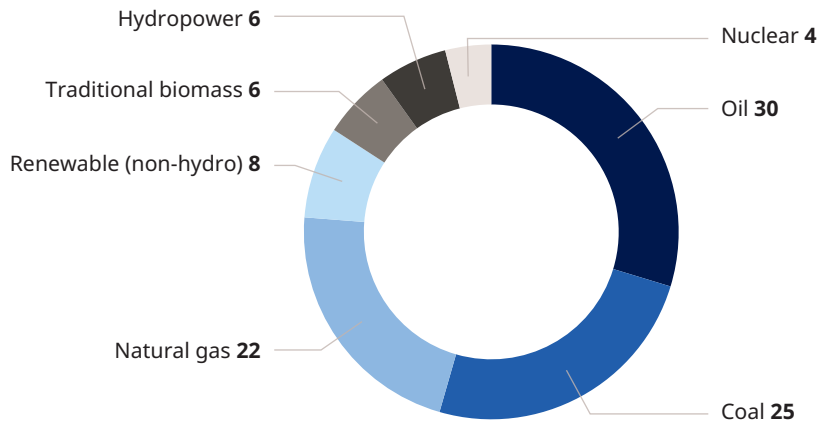
What differentiates the current episode from recent past tensions is the scale and persistence of energy market disruption, particularly against a backdrop of continued heavy reliance on fossil fuels, where renewables continue to account for a relatively small share of the energy mix (Exhibit 1). The Strait of Hormuz, which typically carries one-fifth of global oil and liquefied natural gas (LNG) supply (Exhibit 2), remains a critical chokepoint, and its exposure to military activity, elevated security risks, and shipping flow disruption has reinforced concerns over the reliability of supply and the continuity of cross-border commerce.

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Regional instability is expected to raise geopolitical risk premiums across GCC private capital markets, leading to tighter underwriting and more selective dealmaking

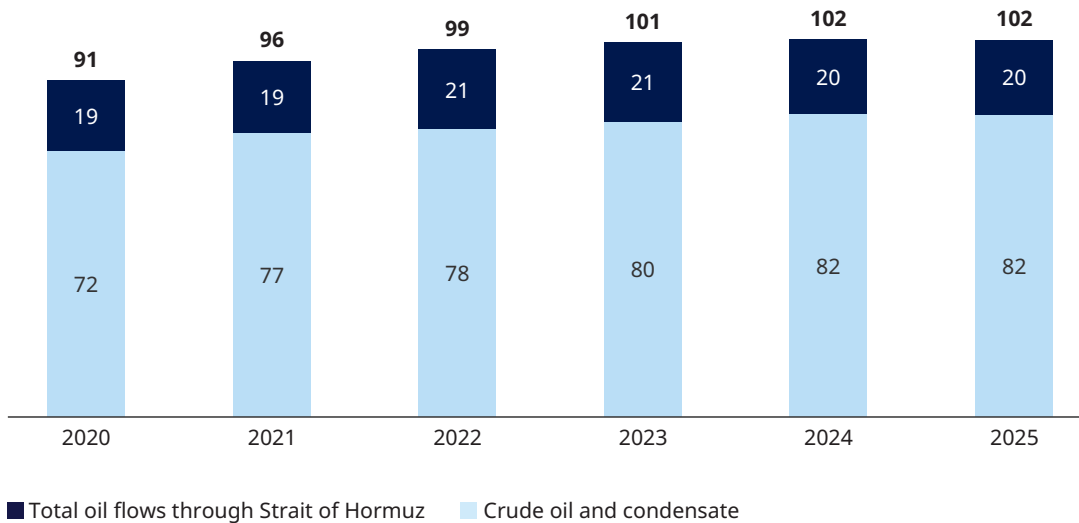
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**Exhibit 1: Global primary energy consumption by source, 2024**



Source: Energy Institute, [Statistical Review of World Energy](#), 2025

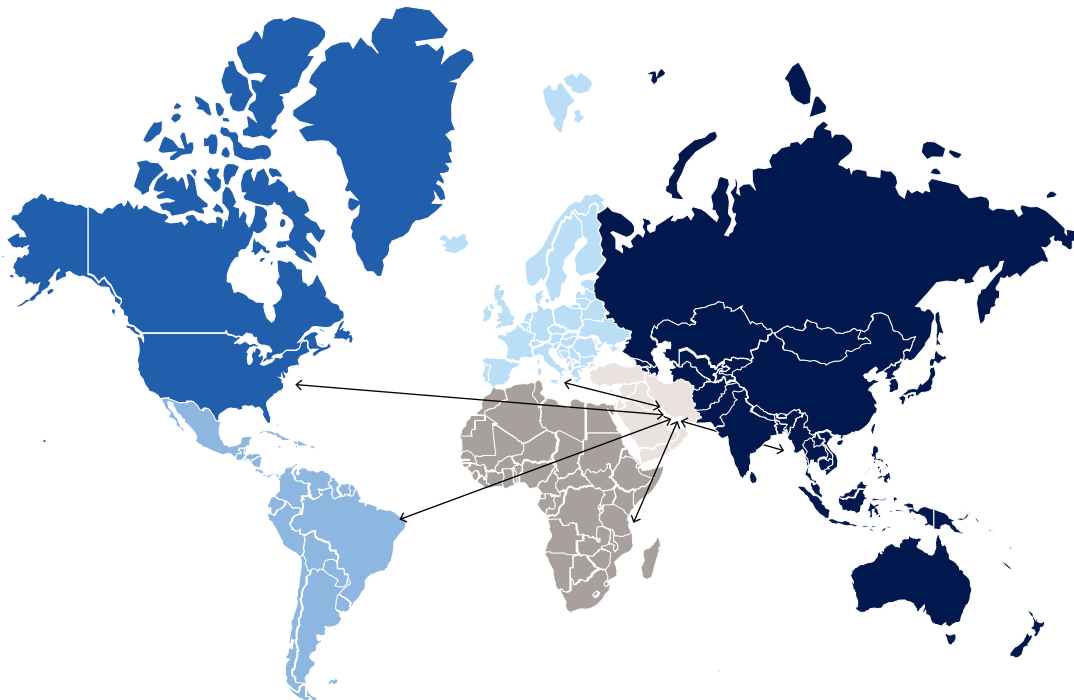
**Exhibit 2: Global consumption of petroleum and other liquids, million barrels per day**



Source: US Energy Information Administration (EIA), [Today in Energy: Strait of Hormuz oil trade analysis](#), 2025

More broadly, the possibility of intermittent disruption across transport, trade, and industrial linkages is expected to sustain and reinforce a sense of regional operating uncertainty in the near to medium term (Exhibit 3). This matters not only because of the direct implications for energy markets, but because energy market disruption acts as a wider amplifier of risk, both regionally and globally. It increases volatility in global oil and gas prices, raises uncertainty around shipping and input costs, and deepens concerns over business continuity, project delivery, and cross-border execution. It also reinforces global inflationary pressures and keeps financing conditions tighter for longer, adding a further layer of caution to private capital underwriting.

**Exhibit 3: GCC trade volumes reinforce the strategic importance of maritime infrastructure**



**Asia-Pacific ●**

Imports		Exports	
1. Cons. goods	18%	Fuel	18%
2. Capital goods	15%	Int. goods	16%
3. Int. goods	14%	Misc.	15%
4. Electronics	13%	Raw materials	13%
5. Stones/glass	11%	Capital goods	7%
<b>\$245 billion (100%)</b>		<b>\$388 billion (100%)</b>	

**North America ●**

Imports		Exports	
1. Cons. goods	19%	Fuel	65%
2. Capital goods	15%	Int. goods	13%
3. Electronics	11%	Plastic/rubber	6%
4. Int. Goods	11%	Chemicals	6%
5. Transportation	8%	Cons. goods	3%
<b>\$135 billion (100%)</b>		<b>\$295 billion (100%)</b>	

**South America ●**

Imports		Exports	
1. Cons. goods	21%	Fuel	45%
2. Capital goods	15%	Raw materials	36%
3. Electronics	13%	Capital goods	10%
4. Int. goods	10%	Chemicals	2%
5. Transportation	6%	Int. goods	2%
<b>\$35 billion (100%)</b>		<b>\$71 billion (100%)</b>	

**Europe ●**

Imports		Exports	
1. Capital goods	17%	Cons. goods	23%
2. Cons. goods	13%	Int. goods	12%
3. Electronics	16%	Capital goods	10%
4. Int. goods	10%	Transportation	9%
5. Transportation	9%	Textiles	8%
<b>\$32 billion (100%)</b>		<b>\$74 billion (100%)</b>	

**Africa ●**

Imports		Exports	
1. Capital goods	17%	Fuel	64%
2. Cons. goods	13%	Raw materials	12%
3. Electronics	16%	Cons. goods	7%
4. Int. goods	10%	Chemicals	5%
5. Transportation	9%	Metals	3%
<b>\$32 billion (100%)</b>		<b>\$74 billion (100%)</b>	

Source: The World Bank, Oliver Wyman Analysis

For GCC private capital markets, the effect is therefore expected to be felt less through immediate market dislocation and more through a gradual repricing of risk. **Investors are likely to assign a higher geopolitical and execution risk premium to transactions in the region**, particularly where assets are exposed to cross-border supply chains, external financing, discretionary demand or complex delivery timelines.

**The result is that capital is expected to become more selective** in the region. Return thresholds are likely to rise, underwriting assumptions may become more conservative, and investors are likely to place greater emphasis during diligence on downside protection, cash-flow resilience, and the ability of assets to withstand prolonged uncertainty. The implication is not that GCC dealmaking stops, but that transactions will increasingly need to demonstrate stronger strategic relevance and greater resilience in order to secure capital.

**Exhibit 4: Global consumption of petroleum and other liquids, million barrels per day**



Source: US Energy Information Administration (EIA), [Today in Energy: Strait of Hormuz oil trade analysis](#), 2025

## Sector reprioritization

As investors recalibrate risk and underwriting assumptions, capital deployment is also likely to gravitate towards selected strategic sectors and investment themes across GCC private capital markets. **In a higher-risk environment, investors in the region are highly likely to prioritize sectors that combine strategic relevance, policy alignment, and greater visibility on long-term demand.**

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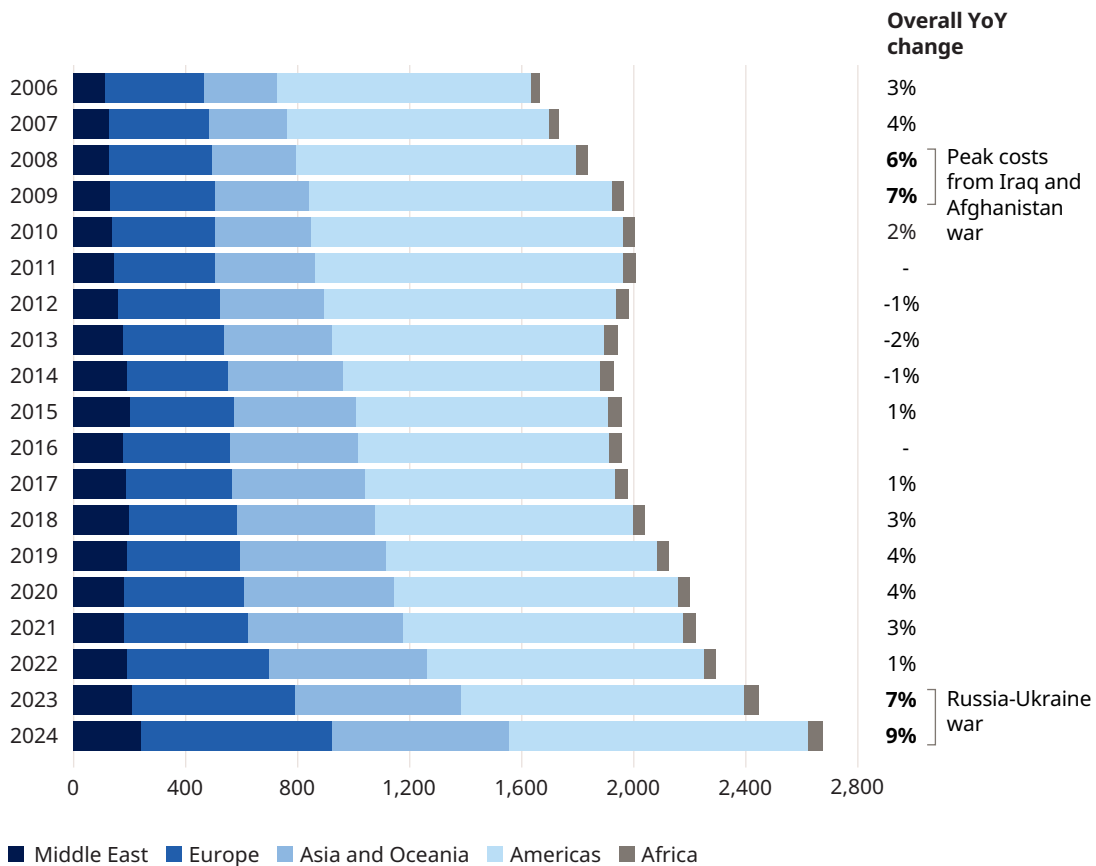
Investment is expected to be prioritized toward resilient and strategic sectors, while selected consumer, hospitality, and real estate segments may face greater pressure and will require focused deal selection and value creation efforts during this period of geopolitical tensions

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**Infrastructure** is expected to remain the primary beneficiary of this shift. While these assets may face heightened physical and operational risk in the near term, their strategic importance is likely to reinforce demand for repair, resilience, redundancy and, over time, new capacity. The current environment reinforces the strategic importance of assets that support energy security, supply chain resilience, and industrial continuity and, as a result, capital is likely to focus on energy and energy-adjacent infrastructure, including power, storage and distribution assets, as well as logistics and transport properties such as ports, warehousing, and freight-linked infrastructure.

**Defense and security-related sectors** are also expected to remain a key area of focus across the GCC. While investor interest in these areas was already high, driven by the broader rise in geopolitical uncertainty and the growing importance of resilience, cybersecurity, and protection of critical infrastructure, the current environment is likely to further reinforce this trend, supporting continued investment in defense, cybersecurity, and selected dual-use capabilities as resilience and protection of critical infrastructure move higher up the regional agenda.

**Exhibit 5: Stockholm International Peace Research Institute (SIPRI) military expenditure index, 2006–2024**



Source: Stockholm International Peace Research Institute (SIPRI), [Military Expenditure Database](#), 2026

**Technology-enabled and digital infrastructure assets** are also expected to attract increased capital allocation, including data centers, fiber networks, telecoms infrastructure, and broader digital ecosystems that support economic digitization. These assets benefit from strong demand visibility, long-term structural growth, and increasing strategic importance across GCC economies.

Investment appetite is also likely to remain stronger across essential sectors in the region, including healthcare, utilities and other services tied to core economic activity. These are expected to be viewed as more resilient across GCC private capital markets, particularly in an environment characterized by uncertainty and tighter underwriting, aligning with investor preference for stable demand, visible cash flows, and downside protection.

By contrast, capital deployment is expected to decline, at least temporarily, in sectors more exposed to discretionary demand, sentiment-driven consumption, speculative growth assumptions, and refinancing dependency across the GCC. **Consumer-facing businesses, hospitality and tourism-linked assets, selected real estate segments** and more speculative growth plays may face greater scrutiny, particularly where performance is vulnerable to imports, cost volatility, softer demand, execution complexity or less transparent cash flows. **While these sectors may face near-term pressure, many continue to represent underlying long-term growth potential for the region.** In some instances, the environment may also increase the need for focused value creation and strategic realignment, including asset repositioning, refinancing, operational improvement and more active portfolio management to preserve value and restore investor confidence.

Taken together, the effect is expected to be a narrower and more strategic deployment of capital across the GCC private capital landscape, favoring sectors that are essential, resilient and closely aligned with the region's long-term economic and infrastructure priorities.

## Sovereign Wealth Funds as stabilizers

In GCC private capital markets, sovereign wealth funds are especially important given their scale, long investment horizons, and influence on regional investment activity. Gulf sovereign wealth funds collectively manage approximately **US\$6 trillion in assets**,<sup>1</sup> representing over 40% of global SWF assets under management.

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GCC sovereign wealth funds are expected to support market stability through their scale, available cash reserves, and counter-cyclical behavior.

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<sup>1</sup> [Global SWF Website: March 2026 Data](#)

This makes them a defining feature of GCC private capital markets — not only as providers of capital, but also as institutions that shape market confidence, investment momentum and the overall pace of deal activity.

**Gulf SWFs historically demonstrate counter-cyclical investing.** During the 2008-2009 financial crisis, GCC SWFs provided critical capital to major Western financial institutions when private capital withdrew, deploying tens of billions in recapitalization efforts despite suffering significant portfolio losses themselves. As an example, Abu Dhabi's investment in Citigroup alone reached \$7.5 billion.<sup>2</sup>

Similarly, during COVID-19, Gulf SWFs repeated their counter-cyclical approach, increasing allocations to technology, healthcare, and life sciences while many international institutional investors reduced commitments.

The current geopolitical environment appears to be producing a similar pattern. While many international investors are likely to adopt a more cautious stance during periods of crises or disruption, Gulf funds usually accelerate opportunistic investments in discounted sectors and expand participation in consortia.

In the current environment, that counter-cyclical posture is expected to reinforce their stabilizing role across GCC and global private capital markets. As geopolitical uncertainty rises and regional transactions face greater selectivity, **sovereign wealth funds are well positioned to continue deploying capital selectively**, supported by substantial capital reserves and long investment horizons. In doing so, they will help sustain liquidity in the regional market, preserve confidence in deal activity, and reduce the risk of a sharper slowdown in private capital deployment across the GCC.

## Scenario-dependent recovery paths

The evolution of GCC private capital markets will depend on how the conflict unfolds. Three scenarios illustrate distinct paths for risk, capital deployment, and sector dynamics.

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While scenarios differ, GCC private capital markets are expected to remain more sensitive to geopolitical risk than before the escalation, although the pace of recovery and degree of investor selectivity will vary by scenario

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<sup>2</sup> CitiGroup Press Release 2007: Citi to Sell \$7.5 Billion of Equity Units to the Abu Dhabi Investment Authority

### **Scenario 1: Prolonged conflict and structural disruption**

- A prolonged conflict would keep geopolitical and business continuity risks elevated across the GCC, sustaining higher risk premiums and tighter financing conditions.
- In this environment, private capital markets would likely remain highly selective, with investors prioritizing resilience, cash-flow visibility, and execution certainty. More exposed assets could face continued pressure, increasing the need for restructuring, recapitalization, and operational repositioning across parts of the market.
- At the same time, capital deployment would remain prioritized towards strategic sectors. Infrastructure (particularly energy and logistics), defense and security, technology and digital infrastructure, and essential services would likely continue to attract significant investment, supported by their role in maintaining economic resilience and continuity.

### **Scenario 2: Rapid de-escalation and return to status quo**

- Rapid de-escalation would improve sentiment and gradually reduce geopolitical risk premiums, although residual uncertainty would persist.
- Private capital activity would recover progressively, with selectivity easing relative to a prolonged conflict scenario, while still remaining above pre-conflict levels. Capital deployment would broaden to a wider set of opportunities as investor confidence improved and financing conditions stabilized.
- Investment in strategic sectors would continue, but at a more measured pace compared to a disruption scenario, as capital is gradually reallocated beyond core defensive themes toward a balanced opportunity set.

### **Scenario 3: Shifts in regional position and evolving power dynamics**

- A scenario involving broader geopolitical stabilization could materially reshape the investment landscape across the GCC, opening up new investment corridors for regional and global markets.
- Improved market access and an easing of energy-related disruptions would likely support a significant reduction in geopolitical risk premiums. From a private capital perspective, this scenario could be expected to introduce a significant new investment frontier in the region. Years of underinvestment across parts of the region — particularly in energy, transport, and industrial infrastructure — would create substantial demand for capital deployment in assets linked to critical regional energy flows and trade corridors, particularly those associated with the Strait of Hormuz, which would see strong investment interest due to their global strategic importance.
- While the opportunity set is significant, the pace of capital deployment would depend on the evolution of regulatory frameworks, market accessibility, and investor confidence over time.

# Conclusion

The current geopolitical environment is reinforcing a more disciplined and selective approach to private capital deployment across the GCC. The market is not contracting — and sovereign wealth funds may continue to provide stability through selective counter-cyclical deployment — but investment decisions are becoming more explicitly shaped by geopolitical risk, resilience, and downside protection.

This shift is likely to persist beyond the immediate conflict, even in a rapid de-escalation scenario. Investors are unlikely to fully revert to prior underwriting assumptions, suggesting that higher selectivity and a preference for resilience may become embedded features of the market. Capital will continue to differentiate more sharply between assets that can withstand uncertainty and those that are more exposed to volatility in demand, financing or execution.

At the same time, the opportunity set is being redefined. Strategic sectors — particularly infrastructure, defense, technology, and essential services — are becoming increasingly central to capital deployment, while periods of disruption are likely to accelerate restructuring and repositioning across weaker segments of the market. In parallel, a sustained de-escalation of regional tensions could open up new investment corridors, especially in historically underinvested markets.

In this more selective and geopolitically-driven environment, GCC sovereign wealth funds will remain critical in shaping market outcomes — not only as providers of capital, but as anchors of confidence and long-term investment direction.

Ultimately, GCC private capital markets are entering a phase where **geopolitics is no longer a backdrop, but one of the key drivers of capital allocation** — influencing not just where capital flows, but how it is priced, structured and deployed.

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