Urban Exposure: Human Development Impacts of the Middle East Conflict in Asia and the Pacific

Policy Brief

Key messages

- The economic, fiscal and social costs of the Middle East conflict could continue to generate significant urban human development losses across Asia and the Pacific. Under the modelled severe scenario – a 120-day conflict shock followed by an eight-month recovery period –urban GDP losses could hit US$73 billion, consumption losses could amount to US$143 billion, urban poverty could rise by 9.5 million people, and urban job losses could total 3.9 million.
- Governments have responded quickly, primarily through fuel subsidies, price controls, demand management measures, food affordability measures, transport support, and targeted relief, with many national measures having direct implications for urban households, services, mobility, and livelihoods.
- Policy action needs to combine immediate protection for poor and near-poor urban households with targeted recovery support for micro, small and medium-sized enterprises (MSMEs), informal workers, women in vulnerable situations, and other groups facing heightened risks, while strengthening social protection, clean energy, urban food systems, local service financing, and crisis preparedness.

I. Introduction: Urban Exposure and Human Development Risks

Serious escalation and renewed military confrontations in the Middle East have heightened uncertainty,[1] following the peace deal agreed between the United States and the Islamic Republic of Iran on 17 June 2026.[2] The ripple effects of the crisis have already been felt across Asia and the Pacific since February 2026, with socioeconomic impacts transmitted through energy markets, trade and logistics, food and fertilizer prices, exchange-rate and financing pressures, fiscal constraints, and labour market disruptions.[3]

1. UN News. "UN chief urges Iran and US to 'urgently resume negotiations' as Gulf strikes escalate." 12 July 2026.
2. CNN. "Trump signs US-Iran agreement." 18 June 2026.

Many of these pressures triggered by external shocks converge most directly in urban areas, where people and economic activity are concentrated.[4] Urban households are highly exposed to changes in the costs of food, fuel, transport, housing, and basic services. Urban economies also depend on dense networks of workers, MSMEs, markets, transport systems, logistics chains, construction activity, tourism, and services. When external shocks raise prices, disrupt supply chains or weaken demand, the effects can quickly reverberate through urban economies, affecting livelihoods, household welfare, and local economic activity.

The risks are especially significant in Asia and the Pacific, where rapid urban growth is taking place in contexts marked by persistent inequality, informality, uneven access to basic services, and gaps in social protection coverage. The region is already home to more than 2.2 billion urban residents, with this number expected to increase by a further 1.2 billion people by 2050.[5] Yet, many urban areas remain marked by structural vulnerabilities, including large numbers of people living in informal settlements, high levels of informal and insecure employment, and uneven access to affordable housing, transport, clean energy, basic services, and safe living environments. These conditions reduce the ability of poor and near-poor urban households to absorb shocks, making it critical to trace how conflict-related pressures move from global markets into urban economies and communities. Risks may be more acute in smaller and emerging urban areas, where service gaps, limited local revenues, and a reliance on intergovernmental transfers constrain local response capacity.

Table 1. Economy groupings and compositions

Region/Sub-region	Economies
Central and West Asia	Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Tajikistan, Türkiye, Turkmenistan, Uzbekistan.
East Asia	China, Mongolia.
South Asia	Afghanistan, Bangladesh, Bhutan, Islamic Republic of Iran, India, Maldives, Nepal, Pakistan, Sri Lanka.
South-East Asia	Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Timor-Leste, Viet Nam.
The Pacific	Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu.

II. Transmission Channels: From Conflict to Urban Economies and Communities

Urban impacts are transmitted through a number of interconnected economic and social channels. Energy prices, food and fertilizer costs, trade and logistics disruptions, reduced remittance flows, and fiscal and financial pressures are the main channels through which the conflict affects urban economies and communities. Together, these channels can raise living costs, disrupt employment and livelihoods, weaken public finances, reduce household income, and constrain external financial inflows. These channels are not isolated and compound one another, hitting

3. ESCAP. 2026. "The Macroeconomic, Social and Environmental Implications of the Conflict in the Middle East for Asia and the Pacific." ESCAP Policy Paper, May 2026, United Nations Economic and Social Commission for Asia and the Pacific. Bangkok.
4. 'Urban areas' can be understood broadly as cities, towns and semi-dense areas, while recognizing that official definitions vary across countries. UN-Habitat, EC, FAO, ILO, OECD and World Bank. 2021. "Applying the Degree of Urbanisation: A Methodological Manual to Define Cities, Towns and Rural Areas for International Comparisons." UN-Habitat, European Commission, Food and Agriculture Organization, International Labour Organization, Organisation for Economic Co-operation and Development and the World Bank.
5. ESCAP, ADB and UNDP. 2026. "2026 Asia-Pacific SDG Partnership Report: Inclusive Urban Futures: From Inequality to Opportunity." United Nations, Asian Development Bank and United Nations Development Programme. Bangkok.

urban households hardest when food, fuel, and transport costs rise alongside weaker earnings.

Energy markets and fuel prices

Higher energy prices are the most immediate channel affecting urban economies. Urban areas are particularly exposed as they heavily depend on commercial energy for transport, industry, services, and residential use. Transits through the Strait of Hormuz, a critical artery for global oil and LNG trade, remain severely constrained with shipping volumes still significantly lagging pre-conflict levels. Tanker traffic through the strait fell by more than 90 percent in early March, and Gulf oil production was curtailed by approximately 10 million barrels per day by 10 March.[6] Although Gulf oil exports had partially recovered by June, they remained well below pre-conflict levels, at 16.1 million barrels per day compared with around 24 million barrels per day before the conflict, while production remained 11.4 million barrels per day below pre-conflict levels.[7]

Physical delivery constraints are translating into higher oil and diesel prices across the region. Brent crude briefly reached US$115–120 per barrel, up from approximately US$70 at the start of the conflict, while retail diesel prices rose sharply across much of the region[8] to exceed 100 percent in Lao PDR, Myanmar and the Philippines.[9] These impacts are most acute for Pacific island economies, which rely entirely on imported fuel and have limited reserves.[10]

Food and fertilizer prices

Urban food security is particularly exposed because households depend heavily on market purchases for food. Low-income households typically allocate a large share of their budgets to food, leaving little room to absorb rising prices.[11] Price pressures are also building upstream: fertilizer prices surged since the onset of the conflict, reflecting higher natural gas feedstock costs and disruptions to Gulf exports. Middle East granular urea prices increased from below US$500 per metric tonne before March to US$857 per metric tonne in April and US$770 per metric tonne in May, before easing to US$453 per metric tonne in June.[12] Higher fertilizer costs raise the risk of lower application rates, weaker crop yields, and upward pressure on food prices later in the year, with the strain particularly visible in import-dependent economies.[13] South Asia and Central and West Asia are particularly exposed, due to a reliance on fertilizer imports from the Middle East.[14]

Trade, logistics, and supply chains

Trade disruptions are increasing costs for urban businesses and weakening sectors dependent on regional and global connectivity. Container freight rates have risen sharply– nearly doubling on major Asia-United States routes by June 2026, while marine bunker fuel prices increased by approximately 55 percent, contributing to higher logistics costs across global supply chains.[15] These elevated shipping costs and longer transit times are disrupting trade flows for manufactured goods, industrial inputs, petrochemicals, and agricultural products, in addition to energy.[16] These pressures are especially acute for Pacific island economies, where maritime connectivity is around one-tenth that of larger economies and has declined further over the past decade, making the supply of goods to urban markets and services more costly and less reliable.[17]

Sectoral impacts are concentrated in urban manufacturing, export-oriented industries, tourism, and MSMEs. Manufacturing and export-oriented industries face higher input costs and delivery delays. Tourism, a major source of income in many urban centres across Cambodia, Lao PDR, Malaysia, Maldives, Sri Lanka, Thailand,

6. ADB. 2026. "The Impact of the Middle East Conflict on Asia and the Pacific: An Updated Analysis." ADB Briefs No. 388. Manila: Asian Development Bank.
7. IEA. "Oil Market Report - July 2026."
8. Federal Reserve Bank of St. Louis. "Global Price of Brent Crude [POILBREUSDM]." FRED Economic Data.
9. ADB. 2026. "The Impact of the Middle East Conflict on Asia and the Pacific: An Updated Analysis." ADB Briefs No. 388. Manila: Asian Development Bank.
10. UNDP. 2026. "Military Escalation in the Middle East: Human Development Impacts Across Asia and the Pacific." 14 April 2026. United Nations Development Programme.
11. ADB. 2026. "The Impact of the Middle East Conflict on Asia and the Pacific: An Updated Analysis." ADB Briefs No. 388. Manila: Asian Development Bank.
12. World Bank. "Commodity Price Data (the Pink Sheet Data)" July 2026.
13. John Baffes and Kaltrina Temaj. 2026. "Fertilizer prices surge as Strait of Hormuz disruptions tighten supplies." World Bank Data Blog, 14 May 2026.
14. ADB. 2026. "The Impact of the Middle East Conflict on Asia and the Pacific: An Updated Analysis." ADB Briefs No. 388. Manila: Asian Development Bank.
15. Reuters. "Iran war anxiety sends global container shipping rates soaring." 10 June 2026.
16. Trade disruptions also raise costs through other channels, such as higher maritime war-risk insurance premiums, route diversions and longer transit times, and air freight cost increases. Refer to UNDP, "Military Escalation in the Middle East: Human Development Impacts Across Asia and the Pacific." 14 April 2026.
17. UNCTAD. 2024. "2024 review of maritime transport."

and several Pacific economies, faces pressure on both the demand side (travel uncertainty and higher airfares) and supply side (higher jet fuel and, where subsidized, fiscal costs). Urban MSMEs, which often operate with thin margins and limited inventory buffers, are particularly exposed to supply disruptions and input cost increases.

Remittances and labour migration

Disruptions to Gulf labour markets threaten remittance-dependent urban households across Asia and the Pacific, especially in South Asia, where Gulf remittances finance consumption, education, health, and housing.[18] The exposure is large: over 4.5 million Bangladeshis work in the Middle East,[19] sending more than US$14.1 billion in annual remittances from the region in 2025,[20] but personnel clearances fell sharply in March and April 2026 relative to pre-conflict levels.[21] In Nepal, where remittances account for around 25 percent of GDP, approximately 1.9 million workers were employed in the conflict-affected region.[23] As a result, more than 86,000 registered for emergency assistance, and the government halted new labour permits to 10 West Asian destinations.[24]

Beyond the direct income effects, prolonged labour market disruptions could also increase the risk of reverse migration from cities to rural areas, particularly among low-income and informal workers. Past crises show how job and income losses can trigger return movements from cities to places of origin; during the 1997–98 Asian Financial Crisis, many workers coped by returning from urban areas to their families in rural communities.[25] Such movements can shift some of the pressure from urban labour markets to rural households and local services.

Fiscal and financial conditions

Mounting fiscal pressures risk undermining the quality and availability of urban public services. Rising import costs, higher fuel and energy subsidy bills, and increasing debt-servicing burdens are generating fiscal pressure across the region. The shock is placing additional strain on fiscal positions already constrained in many countries. In highly indebted economies such as the Maldives, where public debt approaches 130 percent of GDP,[26] and in countries facing rising subsidy costs such as Indonesia[27] and Malaysia,[28] prolonged price pressures could narrow fiscal space. This could reduce governments' ability to support vulnerable urban households and maintain essential urban service delivery.[29] Small island economies are especially vulnerable given their thin external buffers: Fiji has estimated that an oil price rise from US$60 to US$100 per barrel could cut its foreign reserves by about US$500 million.[30]

Fiscal constraints also threaten the quality and availability of essential urban public services. Tighter budgets may leave governments with less room to finance essential services at the levels required during periods of rising demand. As lower-income urban households often rely more heavily on public services, they may be disproportionately affected by any reduction in service availability or quality.

18.World Bank. 2024. "Migration and Development Brief 40: Remittances Slowed in 2023, Expected to Grow Faster in 2024." Washington, DC: World Bank.
19.ISAS Briefs. 2026. "Bangladesh's Middle East Bind: Energy, Remittances and Diplomacy."
20.International Organization for Migration. Remittance Inflows to Bangladesh 2024-2025
21.The Business Standard, "Mideast war deals fresh blow to shrinking Gulf jobs for Bangladeshis," 17 April 2026.
22.World Bank. 2024. Nepal Development Update: International Migration and Well-being in Nepal.
23.The Kathmandu Post. 2026. "West Asia Conflict Puts Nepal's Remittance Inflows at Risk, Raises Economic Concerns." 31 March 2026.
24.The Kathmandu Post. 2026. "Nepal braces for ripple effects of Gulf conflict." 2 March 2026.
25.ASEAN 2010. Regional and Country Reports of the ASEAN Assessment on the Social Impact of the Global Financial Crisis. Jakarta: ASEAN Secretariat.
26.IMF. 2026. "General Government Gross Debt (% of GDP)." International Monetary Fund.
27.Reuters. "Indonesia will keep budget deficit below 3% of GDP as Middle East conflict lifts oil prices, minister says."
28.Bernama. 2026. "Oil Prices Stabilise, Malaysia Inflation Remains Modest."
29.UNDP. 2026. "Military Escalation in the Middle East: Human Development Impacts Across Asia and the Pacific." 14 April 2026. United Nations Development Programmme.
30.Projection was made by the Governor of the Reserve Bank of Fiji. The Fiji Times. "RBF keeps forex stable."

III. Impact Analysis: Urban Cost of Living, Poverty, Employment, and Human Development Risks

Methodology. With urban areas generating an estimated 80 percent of GDP in Asia and the Pacific,[31] the analysis draws on Computable General Equilibrium (CGE) simulation results disaggregated for 29 urban economies[32] across Asia and the Pacific supplemented by evidence from secondary data sources. All three scenarios share a common 120-day conflict period, during which shocks operate simultaneously across trade, productivity, capital, labour, and remittance channels. The scenarios differ only in the speed of recovery once the conflict ends: Scenario 1 assumes immediate adjustment, with all conditions returning to the pre-conflict baseline as soon as the conflict ends, Scenario 2 assumes a four-month recovery period during which shocks gradually decline and Scenario 3 assumes a more prolonged eight-month recovery.[33]

Urban cost of living

Urban households face a more acute cost-of-living shock than national averages suggest. Urban areas depend almost exclusively on market purchases for food, fuel, and transport, with low-income urban households typically allocating 50–70 percent of budgets to these items,[34] leaving little room to absorb simultaneous price increases across multiple categories.

Higher energy and transport costs are already eroding the purchasing power of low-income urban households. Energy-related consumer prices rose by more than 7 percentage points month-on-month in China and by around 2 percentage points across the rest of developing Asia and the Pacific following the onset of the conflict.[35] Diesel prices – which directly affect urban transport, freight, and utility costs – rose faster than petrol prices in 19 countries across Asia and the Pacific.[36]

For informal workers in cities, where commuting absorbs a substantial share of daily earnings, increasing transport costs directly reduce net take-home income. Recent inflation data from major urban centres suggest that these pressures are already feeding through to consumer prices. This is evidenced by urban inflation accelerating by 6.0 percentage points in urban Pakistan between January and May 2026,[37] by 3.2 percentage points in Colombo,[38] and by 2.9 percentage points in the Philippines' National Capital Region and surrounding urban areas over the same period.[39]

Rising food prices are creating a second wave of pressure on urban household budgets. Food price transmission is already visible in urban markets, with food inflation rising between March and April in 15 of the 19 economies covered by the available data.[40] The Philippines recorded a food Consumer Price Index (CPI) increase of 4.5 to 6.1 percent in April 2026, Nepal's food and beverage CPI rose from 2.45 to 4.01 percent year-on-year and Thailand's food CPI swung from -0.88 to +2.89 percent year-on-year.[41] Similar upward trends are evident in broader urban inflation indicators, with year-on-year inflation increasing from 4.2 to 7.1 percent in the Philippines' Areas Outside National Capital Region and from 3.5 to 5.0 percent in Metro Manila.[42] Second-round pass-throughs from fertilizer costs to food prices, amplified where

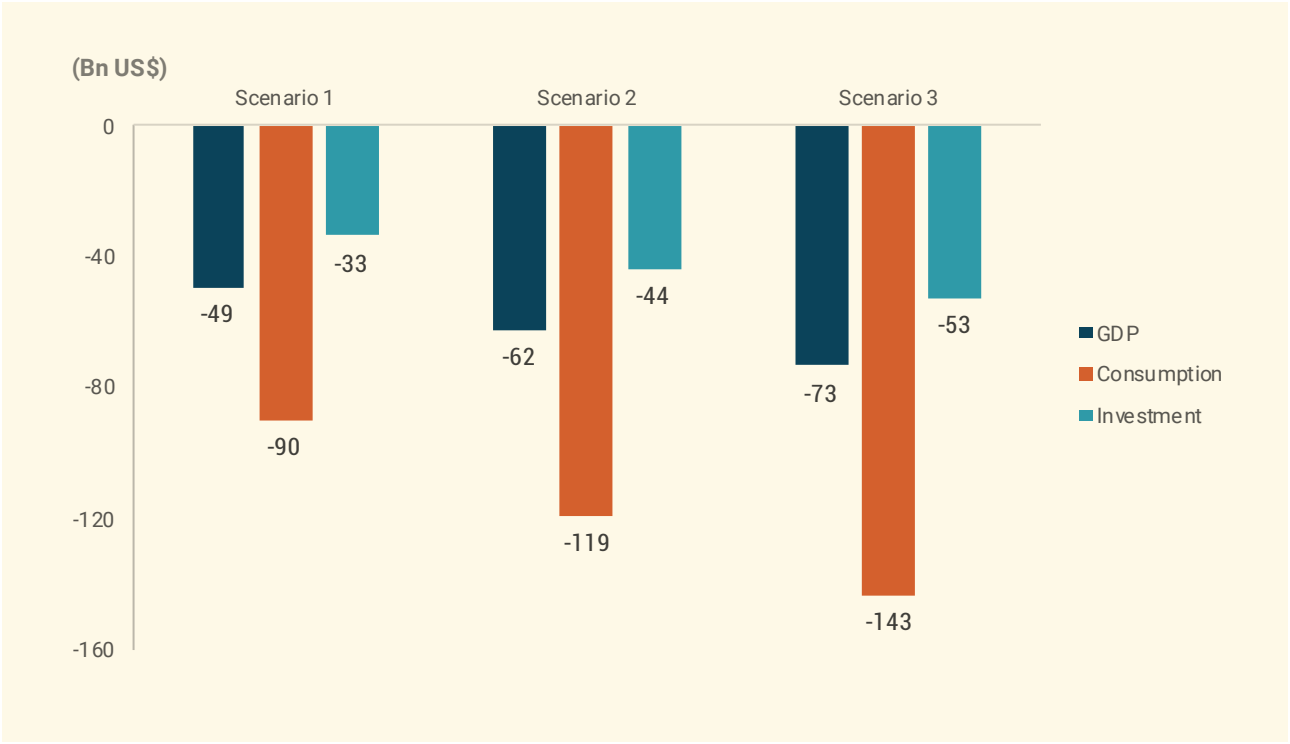
31. ESCAP. 2025. "Urban transformation in Asia and the Pacific: from growth to resilience."1 March 2025. United Nations Economic and Social Commission for Asia and the Pacific.
32. Afghanistan, Armenia, Azerbaijan, Bangladesh, Brunei Darussalam, Cambodia, China, Georgia, India, Indonesia, Iran (Islamic Republic of), Kazakhstan, Kyrgyzstan, Lao People's Democratic Republic, Malaysia, Mongolia, Myanmar, Nepal, Pakistan, the Philippines, Republic of Moldova, Singapore, Sri Lanka, Tajikistan, Thailand, Timor-Leste, Turkmenistan, Türkiye, Uzbekistan and Viet Nam.
33. Refer to the Methodology note accompanying this policy brief for more details.
34. Across developing Asia and the Pacific, low-income households devote a disproportionately large share of their budgets to food and energy, leaving them most exposed to price shocks. Food alone is typically 40–50 percent or more of spending for poorer households. Refer to World Bank, International Comparison Program (2024); ADB, "Key Indicators for Asia and the Pacific 2023"; ESCAP "Asia and the Pacific SDG Progress Report 2026."
35. ADB. 2026. "The Impact of the Middle East Conflict on Asia and the Pacific: An Updated Analysis." ADB Briefs No. 388, April 2026. Asian Development Bank
36. Ibid.
37. Pakistan Bureau of Statistics. "Price Statistics." Government of Pakistan.
38. Department of Census and Statistics, Sri Lanka. "Monthly Colombo Consumer Price Index."
39. Philippine Statistics Authority. "Consumer Price Index by Region."
40. ADB. 2026. "Asian Development Outlook, July 2026"
41. Philippine Statistics Authority. (2026a). "Consumer Price Index – April 2026." Manila. Nepal Rastra Bank. 2026, May. "Current Macroeconomic and Financial Situation." Kathmandu. Thailand Ministry of Commerce. 2026. Consumer Price Index: April 2026.
42. Philippine Statistics Authority. "Consumer Price Index by Region."

high input costs lead farmers to cut planting and fertilizer application, is expected to peak in Q3–Q4 2026 as the spring planting cycle works through to harvests. Urban food markets are likely to absorb this lag most sharply, as cities generally hold no agricultural buffer and source food largely through commercial supply chains.[43]

Urban income losses

Urban economic losses increase substantially as the duration of post-conflict disruption lengthens. Urban economies across Asia and the Pacific face substantial aggregate losses under all three scenarios, with the scale of impact rising as recovery from the conflict takes longer to materialize. Total urban GDP losses reach approximately US$49 billion under Scenario 1 (approximately 0.3 percent of the total urban GDP), rising to US$62 billion under Scenario 2, and US$73 billion under Scenario 3 (0.38 percent to 0.44 percent) (Figure 1). Urban consumption losses are considerably larger in absolute terms, US$90 billion, US$119 billion, and US$143 billion across the three scenarios, respectively (1.1 to 1.7 percent of total consumption of all these urban economies), reflecting the amplified exposure of urban households that depend entirely on markets for food, fuel, and transport. While estimated urban investment losses, at US$33–53 billion, are the smallest component in absolute terms, they carry the greatest risk for longer-term recovery trajectories as deferred private and public capital formation compounds the immediate welfare shock.

Figure 1. Total urban economic losses by component in Asia and the Pacific[44]



Source: Authors' estimations based on UNDP CGE simulations

The burden of urban economic losses is concentrated in a small number of large or highly exposed economies. Islamic Republic of Iran accounts for the largest single-country GDP loss, approximately US$42 billion under Scenario 1, rising to US$62 billion under Scenario 3, reflecting direct exposure to the crisis. China experiences the largest consumption loss in absolute terms (US$46 billion under Scenario 1) reflecting the scale of its urban economy and integration into regional and global trade and supply chains. In relative terms, however, this loss remains modest compared with the size of China's economy, suggesting greater capacity to absorb and recover from the shock.[45]

43.ADB. 2026. "The Impact of the Middle East Conflict on Asia and the Pacific: An Updated Analysis." ADB Briefs No. 388, April 2026.
44.Detailed country-level results of CGE estimations are available upon request.
45.National Bureau of Statistics of China, "Total Retail Sales of Consumer Goods in December 2023"

Smaller absolute losses in other economies may still impose a heavier relative burden. India, Pakistan, the Philippines and Viet Nam face losses that are smaller in absolute magnitude. However, these losses represent a proportionally larger burden relative to the size of their urban economies and could increase pressure on existing social protection systems. Thailand stands out among upper-middle-income economies for the scale of its urban consumption loss relative to GDP, driven by compounding energy price exposure and weakened tourism revenues. These losses could weigh on fiscal space, local service delivery, and household recovery trajectories, particularly in urban areas of lower-middle-income economies where near-poor households have limited buffers and social protection coverage remains partial.

Urban poverty

Urban poverty reduction gains could slow or reverse across many countries in Asia and the Pacific covered by the analysis. Under the severe scenario, the number of people living below international poverty lines in urban areas is estimated to increase by approximately 9.5 million across the 24 economies modelled (Table 2).

Table 2. Estimated poverty impact (under three scenarios)

Country	Income group	International poverty line (US$)	Poverty headcount rate (pre-crisis)	Number of people under poverty line (urban) (pre-crisis, thousands of people)	Estimated population pushed into poverty (thousands of people)		
					Scenario 1	Scenario 2	Scenario 3
China	UMI	8.3	0.18	167,589	1,905	2,689	3,355
Iran (Islamic Republic of)	UMI	8.3	0.37	25,807	1,224	1,224	1,224
Türkiye	UMI	8.3	0.04	3,145	109	144	173
Thailand	UMI	8.3	0.10	4,310	107	149	187
Indonesia	UMI	8.3	0.70	113,823	43	55	63
Malaysia	UMI	8.3	0.02	553	39	53	64
Kazakhstan	UMI	8.3	0.11	1,411	16	22	27
Armenia	UMI	8.3	0.57	1,109	4	6	7
Georgia	UMI	8.3	0.49	1,108	0	0	-1
Mongolia	UMI	8.3	0.21	523	-9	-12	-15
Azerbaijan	UMI	8.3	0.02	90	-12	-15	-19
Turkmenistan	UMI	8.3	0.36	1,239	-15	-21	-25
India	LMI	4.2	0.22	111,324	1,867	2,516	3,093
Pakistan	LMI	4.2	0.47	45,220	363	510	651
Viet Nam	LMI*	4.2	0.04	1,446	81	112	141
Bangladesh	LMI	4.2	0.19	10,488	79	110	145
Nepal	LMI	4.2	0.09	1,740	52	72	86
Philippines	LMI*	4.2	0.29	18,579	51	70	86
Uzbekistan	LMI	4.2	0.07	1,321	16	23	28
Lao People's Democratic Republic	LMI	4.2	0.25	757	11	14	17

Country	Income group	International poverty line (US$)	Poverty headcount rate (pre-crisis)	Number of people under poverty line (urban) (pre-crisis, thousands of people)	Estimated population pushed into poverty (thousands of people)		
					Scenario 1	Scenario 2	Scenario 3
Cambodia	LMI	4.2	0.21	1,453	10	15	19
Sri Lanka	LMI*	4.2	0.15	678	4	5	6
Tajikistan	LMI	4.2	0.18	494	0	-1	-1
Afghanistan	LI	3.0	0.47	5,004	108	144	175
Total				**519,211**	**6,053**	**7,884**	**9,486**

Source: UNDP poverty impact simulation based on Poverty & Inequality Indicators from the World Bank in 2023.

Note 1: Poverty lines are based on World Bank international poverty lines (2021 PPP): US$4.20/day (LMIC) and US$8.30/day (UMIC). The World Bank international poverty line is used to ensure global comparability, but it may not fully reflect country-specific poverty profiles captured by national poverty lines.

Note 2: Figures in table are rounded. A value of 0 or 1 indicates a magnitude that rounds to zero or one thousand at the reported precision, not the absence of an effect.

Note 3: HI, UMI, LMI, and LI refer to High-Income, Upper-Middle-Income, Lower-Middle-Income, and Low-Income countries, following the World Bank's Income Classification.

*Income classifications follow the 2023 GTAP modelling baseline. Although the World Bank reclassified the Philippines, Sri Lanka, and Viet Nam as upper-middle-income economies in July 2026, the baseline classifications are retained for consistency.

The largest absolute increases in urban poverty are concentrated in the region's most populous countries.[46] Under the severe scenario, China is estimated to experience an increase of approximately 3.4 million people living below international poverty lines in urban areas, followed by India (3.0 million), the Islamic Republic of Iran (1.2 million), Pakistan (651,000), Thailand (187,000), and Afghanistan (175,000). Together, these six countries account for nearly nine-tenths of the estimated increase in urban poverty across the countries modelled. In China and India, these increases are large in absolute terms but modest (China: 2 percent and India: 2.8 percent) relative to the size of their urban populations. The scale of these impacts reflects a combination of population size, the number of households vulnerable to economic shocks, and exposure to higher energy and food prices.

The number of people living in urban poverty is estimated to rise sharply across South Asia. In addition to India and Pakistan, urban poverty is estimated to increase in Bangladesh (145,000) and Nepal (86,000).

Urban poverty is also estimated to rise across much of South-East Asia despite smaller absolute impacts. Under the severe scenario, Thailand (187,000), Viet Nam (141,000), the Philippines (86,000), Malaysia (64,000), Indonesia (63,000), Cambodia (19,000), and the Lao People's Democratic Republic (17,000) are estimated to register increases in the number of urban poor.

The poverty impacts in Central and West Asia are more mixed, reflecting differences in exposure to higher energy prices. While the simulated increase in urban poverty is comparatively modest in absolute terms, it is still significant for some countries. Türkiye is estimated to record an increase of 173,000 urban poor under the severe scenario, while Kazakhstan and Uzbekistan register increases of 27,000 and 28,000 respectively. Armenia also experiences a small rise. By contrast, Azerbaijan and Turkmenistan record modest reductions in poverty, reflecting the potential gains accruing to hydrocarbon-exporting economies whose export routes largely bypass the Strait of Hormuz, while these gains translate into lower poverty only insofar as higher export revenues reach households.

The results highlight the vulnerability of near-poor urban households to inflation. Unlike rural households, urban residents depend overwhelmingly on purchased food, energy, transport, and housing. As inflation accelerates and labour market conditions weaken, many households situated just above the poverty line face a heightened risk of falling into poverty. Informal workers, low-wage service workers, recent migrants, women-

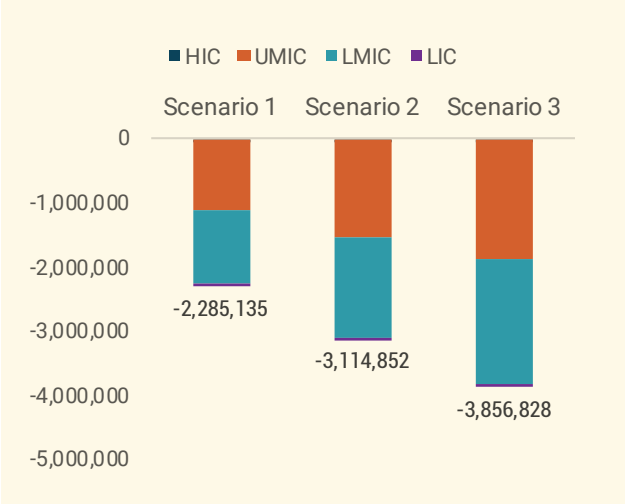
46.References to the region's most populous countries are based on total population data drawn from the World Bank World Development Indicator.

headed households, and those lacking access to social protection are likely to be particularly exposed. The findings suggest that the conflict could place additional pressure on local services, urban social protection systems, and local government response capacities, particularly in countries where fiscal space, institutional capacity, and social protection coverage are more limited.

Urban employment, wages, and livelihoods

Across all scenarios, the simulations suggest a deterioration in urban labour market conditions, with larger job losses occurring under slower recovery paths. Across 29 modelled urban economies, unemployment rates rise under all three scenarios, with total urban job losses accumulating substantially as adjustment periods extend. Under Scenario 1, simulated urban job losses are estimated at 916,677 in China, 743,111 in the Islamic Republic of Iran, 247,766 in India, 97,926 in Pakistan, 80,103 in Türkiye, and 50,990 in Indonesia. Under Scenario 3, these losses increase to 1,577,507 in China, 1,224,016 in the Islamic Republic of Iran, 411,381 in India, and 179,028 in Pakistan (Figure 2). For lower-middle-income economies with large informal urban labour markets, these simulated losses represent lower bounds: the CGE model captures formal employment effects, but does not fully capture the wage compression, hour reductions, and livelihood losses that fall disproportionately on informal workers.

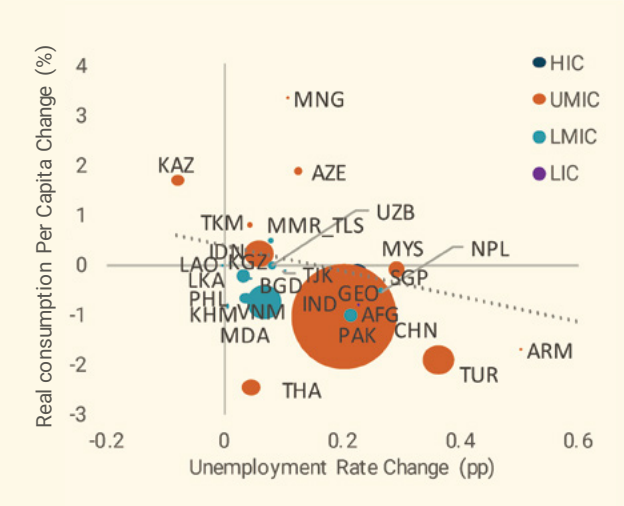
Figure 2. Estimated total urban job losses by income classification



Source: Authors' estimations based on UNDP CGE simulations

Rising unemployment may be accompanied by broader livelihood losses that extend beyond formal employment. Estimated unemployment rate increases under Scenario 1 are highest in the Islamic Republic of Iran (2.6 percentage points), Nepal (0.17 percentage points), and Afghanistan (0.13 percentage points). Pakistan's urban unemployment is estimated to rise by 0.12 percentage points under Scenario 1 and 0.21percentage points under Scenario 3, equivalent to approximately 97,900 to 179,000 additional urban unemployed. Thailand and Viet Nam each show comparatively smaller increases in unemployment, but significant declines in real consumption per capita: Thailand by 1.48 percent and Viet Nam by 0.42 percent under Scenario 1. These patterns suggest pressures on informal urban livelihoods, which may not be fully captured by unemployment indicators. Simulation results also indicate that, in urban economies, labour market conditions and household welfare move together: economies with larger increases in unemployment generally experience more significant declines in real consumption per capita, underscoring that crisis-related economic pressures are felt simultaneously through multiple channels (Figure 3).

Figure 3. Labour-market stress and household welfare losses move together



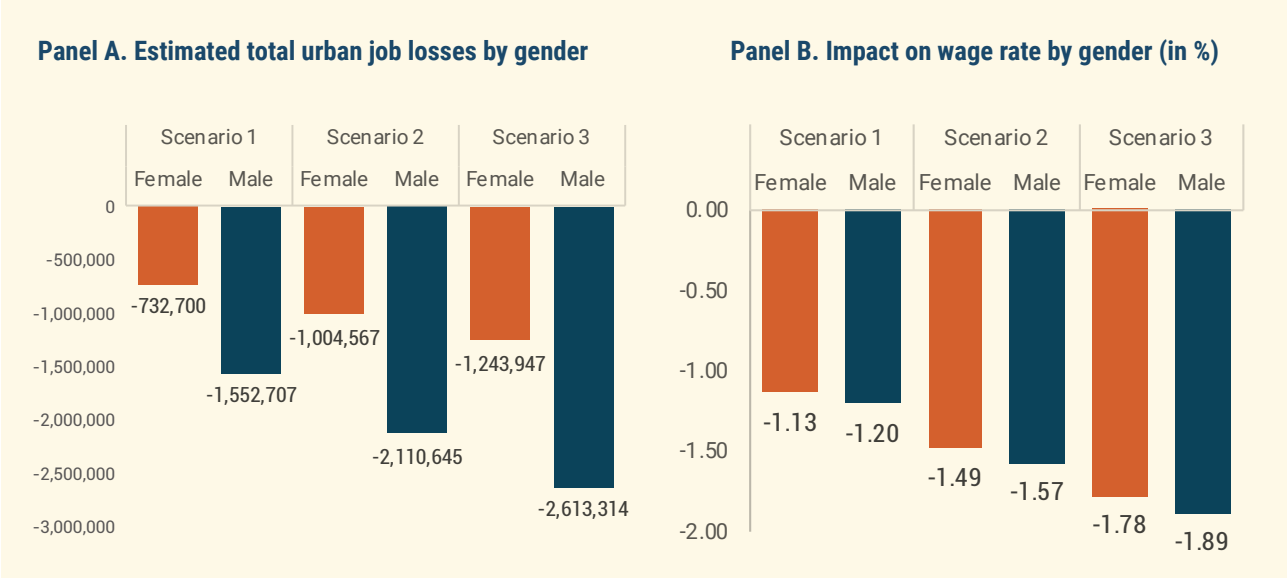
Source: Authors' estimations based on UNDP CGE simulations

Note: The figure presents results from Scenario 3, but the correlation holds across all scenarios. Bubble size represents the size of urban GDP of respective countries.

Wage impacts reveal an important gender dimension to the urban labour market shock. Across the 29 modelled economies, average female urban wages fall by 1.13 percent under Scenario 1 and 1.78 percent under Scenario 3, while male wages dip by 1.20 and 1.89 percent,

respectively (Figure 4b). Several South Asian economies illustrate these impacts. In Pakistan, female urban wages fall by 1.68 percent under Scenario 1 against 2.25 percent for males, while in Bangladesh the differential is smaller but persistent. In Nepal, female wages fall by 1.76 percent in contrast to 1.89 percent for males. Similarly, simulations also indicate that male job losses (1.5 to 2.6 million) rise more sharply than for female peers (0.73 to 1.25 million) across all three scenarios (Figure 4a).

Figure 4. Disproportionate impact through gender dimension



Source: Authors' estimations based on UNDP CGE simulations

The modelled results may understate the full impact on women. The CGE model reflects formal employment effects, but does not fully capture wage compression, reduced working hours, and livelihood losses among informal workers. This is important as around 63 percent of women workers in Asia and the Pacific are in informal employment, where earnings are more precarious and less protected from shocks.[47]

The gendered impacts of the shock extend beyond paid employment. Rising living costs and disruptions to transport, education, health, and social services can increase unpaid care work, which is disproportionately undertaken by women. As households adjust to declining incomes and reduced access to services, women may take on additional childcare, eldercare, food preparation and household management tasks, reducing time available for paid work, education, and community participation.

The full employment impact is likely to be larger than captured by the simulations. Beyond the simulated employment effects, several channels may amplify livelihood impacts, particularly for informal workers, tourism-dependent households, and migrant workers dependent on Gulf labour markets. ILO notes that labour deployments to GCC countries have declined sharply in several labour-sending economies while repatriations are rising, and remittance flows to South and South-East Asia are showing early signs of contraction.[48] In South and South-East Asian economies with established Gulf Cooperation Council labour corridors, disrupted labour mobility and returning workers could add pressure to urban labour markets and local services, as many returnees may seek work, housing, and basic services in towns and cities.

Tourism-dependent urban economies face particularly acute livelihood risks, with sustained tourism revenue drop-offs concentrated in Pacific Island Countries, the Maldives,[49] and Sri Lanka,[50] where urban service economies have limited alternative employment absorption capacity.

47.ILO. 2024. "Asia-Pacific Employment and Social Outlook 2024: Promoting Decent Work and Social Justice to Manage Ageing Societies." International Labour Organization. ILO Regional Office for Asia and the Pacific. Table 1.2. Bangkok.

48.ILO. 2026."Middle East crisis weighs on global labour markets." 18 May 2026.

49.Data released by the Ministry of Tourism, "Tourist Arrivals Drop 23% in Early March as Middle East Conflict Weigh on Travel"

50.Sril Lanka Tourism Development Authority, Weekly Report, February and March.

IV. Government Responses

Governments across Asia and the Pacific have responded swiftly, with many measures being national in design and urban in effect. Initial responses have relied largely on measures that can be deployed rapidly through existing systems, including fuel price caps, subsidy and tariff support, energy-saving directives, emergency fiscal measures, transport support and, in some cases, expanded social protection. Across the economies reviewed in this brief, fuel subsidies and tax cuts were introduced in 23 economies, price controls in 24 economies, and demand-reduction actions in 19 economies (Table 3).[51] These measures are particularly relevant in urban areas, where rising costs quickly affect mobility, food markets, local services, MSMEs, and the budgets of low-income households.

Table 3. Government responses

Policy Actions	List of Economies
Fuel subsidies and tax cuts	Azerbaijan, Bangladesh, Bhutan, Cambodia, India, Indonesia, Kyrgyz Republic, Lao People's Democratic Republic, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Papua New Guinea, the Philippines, Sri Lanka, Solomon Islands, Thailand, Türkiye, Turkmenistan, Tuvalu, Vanuatu and Viet Nam.
Price controls (such as price caps, staggered price hikes)	Azerbaijan, Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, Cook Islands, India, Indonesia, Kazakhstan, Kyrgyz Republic, Lao People's Democratic Republic, Malaysia, Maldives, Myanmar, Papua New Guinea, the Philippines, Solomon Islands, Sri Lanka, Tajikistan, Thailand, Timor-Leste, Türkiye and Viet Nam.
Demand-reduction actions (such as conservation measures)	Bangladesh, Cambodia, Cook Islands, Fiji, Georgia, India, Indonesia, Lao People's Democratic Republic, Malaysia, Maldives, Myanmar, Nepal, Pakistan, the Philippines, Samoa, Sri Lanka, Thailand, Timor-Leste and Viet Nam.

Energy and fuel measures are the most visible first line of response, with immediate implications for urban mobility and household costs. Fuel price support can help contain transport, electricity, and cooking-energy costs for urban households, while reducing operating pressures on public transport, delivery services, small traders, and urban utilities. In the Philippines, for example, the government launched a service contracting programme to support public utility vehicle operators and drivers, while providing commuters with a 20 percent fare discount.[52] Singapore introduced a support package that included cash support, utility rebates, vouchers, and targeted relief for platform workers, private hire car drivers, and taxi drivers.[53] These measures underline the importance of protecting urban mobility and livelihoods, especially where transport workers and low-income commuters are directly exposed to fuel price increases. At the same time, the widespread use of price controls, subsidies, and tax cuts across the region points to the fiscal and targeting challenges that governments face if short-term cushioning measures are extended over time.

Demand management measures have been taken to ease pressure on fuel and electricity systems. In Viet Nam, Hanoi authorities moved to secure fuel supply and prevent hoarding and speculation after fuel stations in inner-city districts recorded long queues and temporary shortages. Thailand's office-based energy-saving measures, including work-from-home arrangements,

51. ADB. 2026. "The Impact of the Middle East Conflict on Asia and the Pacific: An Updated Analysis." ADB Briefs No. 388, June 2026, Table 2, "Summary of Policy Responses (as of 24 April 2026). Asian Development Bank.
52. Philippine Information Agency. "Service Contracting Program? Here's What You Need to Know." 15 April 2026.
53. Singapore Ministry of Finance. "Enhanced Support in Response to the Middle East Situation." 7 April 2026.
54. Philippine News Agency. "Marikina, Makati implement 4-day workweek to conserve energy, fuel." 10 March 2026.
55. Philippine Information Agency. "Ipil LGU adopts 4-day work week to curb fuel consumption." 11 March 2026.

were especially relevant for Bangkok and other urban centres, where public sector activity and commuting demand are concentrated. In India, a state-led directive encouraged companies in the city of Gurgaon to adopt remote and staggered work arrangements to reduce traffic congestion, fuel consumption, and energy use. Together, these examples show how crisis measures can reduce fuel use, manage commuting demand, and stabilize urban markets, while underscoring the need to avoid shifting costs onto low-income workers, small businesses, and service users.

Governments have also used food affordability measures to cushion urban households heavily dependent on purchased provisions. Responses have combined production-side and consumer-facing measures, including fertilizer subsidies, food-distribution programmes, subsidized staple foods, price monitoring, and support to domestic production. India's fertilizer subsidy for the 2026 kharif season, for example, aims to keep key agricultural inputs affordable and reduce pressure on future food prices,[59] while the Philippines' subsidized rice programme has worked through local distribution channels to make rice more affordable for households facing rising food costs.[60] For urban areas, the key lesson is that production-side support needs to be complemented by measures that protect access to affordable food through markets, distribution systems, and targeted household support.

Social protection and targeted relief measures have been utilized to protect households, workers, and small businesses facing rising living and operating costs, with important implications for urban areas. Although targeted assistance is less widespread than fuel subsidies and price controls, it is especially important for protecting vulnerable groups while preserving fiscal space and avoiding mechanisms that predominantly benefit wealthier households. In Thailand, the Cabinet approved measures linked to the Middle East conflict that included an additional payment for state welfare card holders, subsidies for transport operators, lower priced essential goods through Blue Flag stores, and soft loans for small- and medium-sized enterprises.[61] Fiji expanded social welfare payments to vulnerable households affected by rising energy costs, including a three-month top-up payment from May to July 2026,[62] while authorities in Pakistan announced free public transport in Islamabad for 30 days to ease the impact of higher fuel prices on commuters.[63] These measures have urban relevance because low-income households in towns and cities rely heavily on purchased goods and public transport, while small firms face higher energy, logistics and input costs. They also have gender implications, as women engaged in informal, care and service-based work can be especially exposed when food, transport, and basic service costs rise.

56.Asia News Network. "Hanoi moves to curb fuel hoarding after rush at petrol stations." 11 March 2026.
57.Government Public Relations Department, Thailand. "Government Starts Measures on Work from Home and Energy Saving." 11 March 2026.
58.Economic Times, "WFH 2.0 in Gurgaon? Haryana wants companies to adopt work from home to beat traffic, save fuel," 14 June 2026.
59.Government of India, Prime Minister's Office, "Cabinet approves Nutrient Based Subsidy (NBS) rates for Kharif Season, 2026 (from 01.04.2026 to 30.09.2026) on Phosphatic and Potassic (P&K) fertilisers," 8 April 2026.
60.Philippine Information Agency, "P20 rice program eases burden on families amid rising food costs," 12 May 2026.
61.Thailand Government Public Relations Department, "Thai Cabinet Approves 7 Relief Measures Amid Middle East Conflict," 27 March 2026.
62.World Bank, Tracking Global Social Policy Responses to High Energy Prices, Version 7, 28 May 2026, p. 7.
63.Radio Pakistan. "Free public transport facility announced in Islamabad, Punjab." 3 April 2026.

V. Policy Recommendations: Protecting Urban Human Development Gains and Strengthening Resilience

These recommendations are aimed at national governments, local authorities, and development partners, recognizing that many crisis response measures are national in design but depend on local systems for urban delivery. The compounded and interlinked nature of these shocks calls for integrated action across energy, food, livelihoods, and essential urban services. The recommendations are sequenced across immediate cushioning,medium-term recovery and adjustment, and longer-term resilience building, recognizing that these phases may overlap and need to be adapted as conditions evolve.

Short-term priorities

Protect poor and near-poor urban households from sudden increases in food, fuel, transport, and basic service costs. National and local governments can prioritize temporary, targeted support for households most exposed to rising living costs, including cash transfers, top-up payments, food support, transport relief, and rental and utility bill assistance. They can also mobilize private sector and industry partners – including utilities, transport operators, retailers, employers and financial service providers – to help scale-up relief and mitigation measures. Building on the government responses reviewed earlier, broad subsidies and price controls can provide immediate relief, but time-bound design and complementary targeted measures can help ensure that support reaches low-income households, informal workers, low-income renters, households in informal settlements, women-headed households, migrants, persons with disabilities, older persons, and other groups in vulnerable situations.

Keep urban mobility and essential services functioning during periods of price and supply volatility. This is critical as urban areas depend on affordable transport, electricity, water, sanitation, health services, schools, markets, and local logistics systems. National and local authorities can help protect core service delivery, particularly for low-income and underserved communities, by supporting public transport operators, avoiding abrupt fare increases, keeping public transport safe, affordable and accessible, maintaining fuel and electricity access for essential services, and ensuring that demand management measures, such as work-from-home or reduced workweek arrangements, do not disrupt health, social welfare, disaster-risk, and other frontline services. This is especially important for women and girls, older persons, persons with disabilities, and care workers, who may face greater risks when transport services become less affordable, reliable or safe.

Medium-term recovery and adjustment priorities

Shift gradually from broad crisis cushioning to targeted urban protection and recovery support. While fuel subsidies, tax cuts, and price controls can reduce immediate pressure on households and firms, they can become fiscally costly if extended for too long. A managed, gradual phase-down can help avoid abrupt increases in transport, food, utility, and service costs that disproportionately affect low-income urban households and small businesses, while also reducing pressure on local authorities with limited fiscal capacity. This can be supported through clear timelines, transparent crisis communication, trusted local networks, feedback channels, targeted transfers, transport support as well as assistance for low-income commuters, informal workers, and MSMEs.

Support the recovery of urban MSMEs and informal workers facing higher energy, logistics, and input costs. As small firms, traders, transport providers, platform and informal workers are often the first to absorb rising operating costs and falling demand, medium-term recovery support is critical. This can encompass temporary liquidity measures, fee or tax deferrals where appropriate, targeted credit lines, support for market access, business advisory services, skills support, job matching, and energy-efficiency measures for small businesses. Designing these measures to reach women-owned enterprises, home-based workers, and workers outside formal social insurance systems can help make support more inclusive.

Strengthen urban data and monitoring systems to identify emerging risks, track recovery, and target support effectively. National price and

macroeconomic indicators are insufficient to capture the urban impacts of conflict-related shocks. Tracking food prices, transport fares, fuel availability, rental and utility pressures, MSME stress, informal livelihoods, school attendance, service disruptions, and coping strategies in urban areas can help governments and partners identify emerging risks more quickly and adjust support as recovery conditions evolve. Monitoring systems should also use sex-, age- and disability-disaggregated data and, where feasible, track gendered constraints such as unpaid care burdens, access to childcare and transport safety. Rapid poverty nowcasting, geospatial data, social registries, and vulnerability mapping can help direct support to vulnerable communities, neighbourhoods, and groups most at risk.

Longer-term resilience priorities

Build shock-responsive urban social protection systems before the next crisis hits. Urban areas need social protection systems that identify and reach informal workers, migrants, platform workers, women-headed households, and people living in informal settlements. This requires more robust social registries, interoperable data systems, digital payment mechanisms, grievance systems, and stronger linkages between national social protection programmes, local governments, and community-level delivery channels. Urban social protection can be designed not only to respond to income shocks, but also to protect access to food, transport, housing, and basic services.

Reduce urban dependence on imported fossil fuels through clean energy and efficient mobility systems. The conflict has underlined the importance of accelerating energy diversification. Urban economies can reduce exposure to external fuel shocks by investing in renewable energy, energy-efficient public buildings, distributed solar equipment for public facilities, cleaner cooking solutions, electric public transport, walkable neighbourhoods, and demand-side energy efficiency. These measures can lower long-term costs while improving air quality, service reliability, and urban resilience.

Optimize urban food systems and "last-mile" distribution to protect food access during external shocks. Urban households depend heavily on purchased food, leaving them vulnerable when energy, fertilizer, transport, and logistics costs rise. Investments in market infrastructure, storage, cold chains, wholesale and retail market monitoring, "last-mile" distribution systems, and linkages between peri-urban producers and urban consumers can help reduce disruption and protect food access. Food affordability measures can combine upstream production support with downstream measures that protect access for low-income urban households.

Strengthen local government fiscal resilience and protect essential urban service delivery during periods of fiscal stress. National-level crisis spending can reduce fiscal space for local infrastructure, public transport, housing, water, sanitation, health, and social services. Urban areas require adequate fiscal resources to maintain essential infrastructure and services during periods of economic disruption. Contingency financing mechanisms and targeted transfers can help sustain essential urban services while protecting long-term human development gains, particularly in low-income and fast-growing urban areas.

Embed crisis preparedness into urban planning, governance, and financing systems. Stronger governance, data, and financing mechanisms are essential for urban areas, alongside greater flexibility for local governments and subnational authorities to anticipate, monitor, and respond to external shocks. This includes urban risk monitoring, contingency planning for critical goods and services, continuity of service arrangements, local risk financing, pre-agreed emergency procurement and budget reallocation procedures, and coordination across government agencies, service providers, logistics providers, wholesalers, and local businesses. Accountability and oversight need to be built into these arrangements. Crisis preparedness should also strengthen safe and inclusive access to public transport, public spaces, and essential services. Together, these measures can improve preparedness not only for conflict-related shocks, but also for future energy, food, climate, health, and financial disruptions.

Copyright © UNDP and United Nations 2026. All rights reserved.

This work is co-published by the United Nations Development Programme and the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

Disclaimer

The views expressed in this policy brief are those of the author(s) and do not necessarily represent those of the United Nations, including ESCAP and UNDP, or the UN Member States. The opinions, figures and estimates set forth in this policy brief should not necessarily be considered as reflecting the views or carrying the endorsement of the United Nations.

Acknowledgement

The policy brief was prepared under the guidance of Kanni Wignaraja, Director, UNDP Regional Bureau for Asia and the Pacific, and Shombi Sharp, ESCAP Deputy Executive Secretary for Partnerships and Coordination. The core team comprises Devika Iyer, Linghui Zhu, and Amos Peters (UNDP), and Oliver Paddison and Channarith Meng (ESCAP). Data and modelling support was provided by Babatunde Abidoye, Maria Moz-Christofoletti, Edvard Orlic, and Raymond Gaspar (UNDP). The team would like to acknowledge the following reviewers: Philip Schellekens, Diana Torres, Sudha Gooty, and Smriti Aryal (UNDP), and Curt Garrigan, Sanjeevani Dilanthi Singh, and Vatcharin Sirimaneetham (ESCAP).