NO TIME TO RECOVER:

COMPOUNDING CRISES, DEPLETED FISCAL BUFFERS AND WHAT IT MEANS FOR DEVELOPING ECONOMIES

12 October 2026

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United Nations Development Programme

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Executive summary

This third update on the socio-economic effects of the military escalation in the Middle East describes a situation that has moved from a single shock to a compounding one. Seven months into the crisis, three global pressures are proving especially challenging in many countries: energy prices are surging again after the break down of the U.S.-Iran ceasefire in July; El Niño is on course to be the strongest on record with impacts that will not peak until early 2027; and global benchmark interest rates have reached multi-decade highs.

First, price cushioning is weakening. Since February, governments have acted to contain the pass-through of higher international energy prices at great fiscal cost and the number of countries using such cushioning measures has grown steadily. With international energy prices at current levels, global explicit fossil fuel subsidies could surpass $1 trillion this year. But cushioning is becoming unsustainable in many countries, and higher fuel prices have contributed to protests and social unrest in recent months. Across 130 countries, retail gasoline and diesel prices are up by 26 and 38 percent on average since the conflict began, and only about one in ten countries have kept pump prices unchanged, - and between June and September the cumulative increase in prices widened in close to two-thirds of countries.

Second, the stakes of weakening containment are large. In a counterfactual where every country let the 2026 energy and food price shock pass fully through to households, UNDP estimates that about 130 million more people would fall below the $6.85-a-day poverty line this year (80 to 200 million across low and high shock assumptions), 121 million more below $3.65-a-day poverty line and 66 million more below the extreme poverty line of $2.15-a-day - and almost all in developing countries. This is the exposure that price containment has been shielding households from, not a reversal already avoided: with pass-through rising, part of it is likely under way, and the counterfactual shows the scale of what is at stake if containment gives way entirely. At the $6.85 line the additional poor are concentrated in East Asia and the Pacific and South Asia; in extreme poverty, more than half are in Sub-Saharan Africa. On the other hand, fully compensating households for the shock, the cash equivalent of blanket price containment, would cost about 1.1 percent of developing-country GDP in aggregate. Compensating only households below the $6.85 line would protect the poor at about a quarter of that cost, 0.3 percent of GDP. Many vulnerable developing economies are struggling to find the resources needed to protect their populations from the adverse impacts of these latest shocks. Years of external shocks continue to contribute to a deepening of the debt-development trade-off where countries are forced to spend money on emergency relief measures and a growing debt service burden, instead of the investments needed to make long-term progress on sustainable development.

Third, UNDP country offices report the same picture from the ground. All 26 offices surveyed in September judge that the worst is yet to come; 25 expect the crisis to remain or become a higher priority over the next six months; half of countries are managing it on top of pre-existing economic or fiscal stress; and ten are already preparing for the coming El Niño. Their calls are for sustained support to governments and deeper engagement by international financial institutions and the wider UN system.

The policy conclusions of the April and June briefs stand, with greater urgency: temporary and targeted support, not open-ended price cushioning, and affordable multilateral finance for the countries that cannot carry either.

1. Introduction: from one shock to three

When UNDP published its first assessment of the military escalation in the Middle East in April, the shock was a single one: the "most severe oil supply shock in history", transmitted to developing economies through energy, fertiliser and food prices and through weaker global growth.[1] The June update found that governments had largely avoided development reversals by cushioning the pass-through of international prices, at great fiscal cost, and that the Memorandum of Understanding between Iran and the United States of 18 June offered breathing room.

That breathing room did not last. The ceasefire broke down in July and oil prices have surged again. At the same time, two additional challenges are emerging which challenge the capacity of developing countries to manage the energy shock. One is a very strong El Niño developing in the Pacific and with an expected peak towards the end of the year, with impacts on harvests, food prices and public health that will persist through 2027. Another is the upwards pressure on already high borrowing costs as global benchmark interest rates have risen sharply since the conflict started and some now at a multi-decade high.

This brief describes this triple shock (Section 2), documents how policy responses are evolving and why price cushioning is weakening (Section 3), quantifies what is at stake if containment gives way to a counterfactual with no policy mitigation (Section 4), and reports what UNDP country offices are seeing and asking for on the ground (Section 5). Section 6 discusses the policy implications. The simple message is that the compounding effects of surging energy prices, a record El Niño, and upwards pressure on already high borrowing costs will affect poor and vulnerable people everywhere, and that most low-income and some middle-income countries will have trouble funding their policy responses in the months ahead.

2. A triple shock that will not ease before 2027

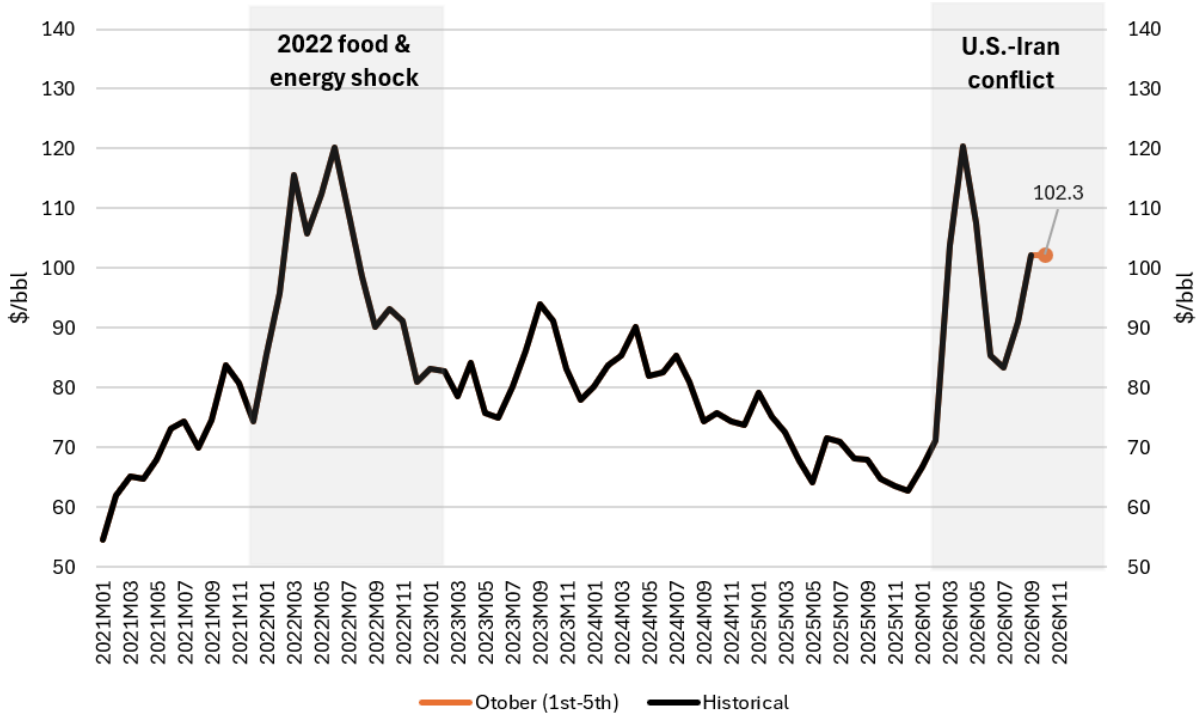
Oil above $100 per barrel, an El Niño on course to be the strongest since 1950, and global benchmark interest rates at multi-decades high. None of the three are expected to ease soon, and while all three hit the world economy, they hit hardest in the highly energy import-dependent and debt-vulnerable developing economies.

2.1 Energy prices: elevated and rising again

Global oil prices spiked at the onset of the U.S.-Iran conflict in late February and have remained highly sensitive to developments since: the late-April ceasefire, the negotiations that followed, their eventual breakdown, and the broader push and pull between potential resolution and further escalation. Brent crude averaged $102 per barrel in the month of September, up 22 percent since July, when the ceasefire broke down (Figure 1). The last time oil prices were this high was during the 2022 energy and food price shock.

[1] UNDP, Military Escalation in the Middle East: Reversals in Global Development, Policy Response Options, 13 April 2026; and Military Escalation in the Middle East: Cushioning the Global Shock, 24 June 2026.

Figure 1. Brent crude, average monthly price (USD/bbl.), 2021-2026



Source: UNDP based on the Federal Reserve Bank of ST. Louis (FRED data) and the Financial Times (Markets data).

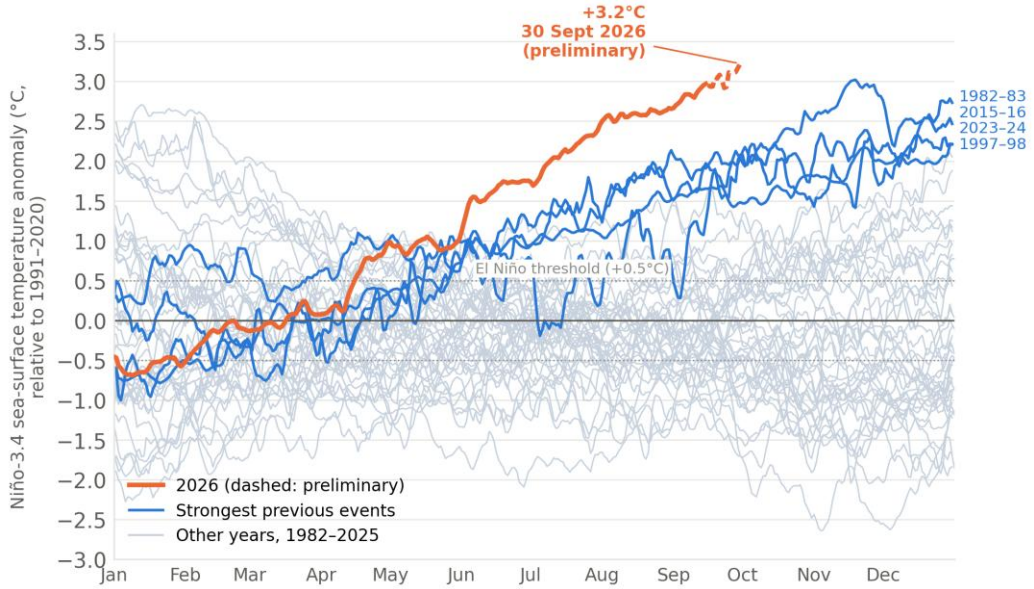
2.2 El Niño: on course to be the strongest on record

The second shock is climatic. El Niño is now very strong and still intensifying. Sea-surface temperatures in the central equatorial Pacific (the Niño-3.4 region) rose from 2.2-2.6°C above normal in late July and mid-August to 3.0°C above normal by mid-September, and the preliminary daily reading for 30 September stood at 3.2°C (Figure 2).[2] The US National Oceanic and Atmospheric Administration (NOAA) puts the chance of a very strong event during the Northern Hemisphere autumn and winter above 90 percent, and gives a 75 percent chance that the event exceeds the strength of every El Niño since 1950, as measured by its relative oceanic index (Figure 3).[3] The event is expected to peak towards the end of the year and to persist to at least February 2027, with a likelihood that the World Meteorological Organization (WMO) puts at close to 100 percent.

[2] WMO, El Niño/La Niña Update, 3 September 2026 (weekly values of 2.2-2.6°C above average in late July to mid-August); IRI/Columbia Climate School, ENSO forecast, 21 September 2026 (weekly Niño-3.4 index at +3.0°C in mid-September).

[3] NOAA Climate Prediction Center, ENSO Diagnostic Discussion, 10 September 2026: "El Niño is strengthening, with a greater than 90% chance of a very strong event during the Northern Hemisphere fall and winter 2026-27" and, for October-December 2026, "a 75% chance of a historic event that would exceed the strength of previous El Niño events dating back to 1950 (+2.5°C or more for a 3-month RONI value)". The +3.0°C reading cited above is the weekly Niño-3.4 sea-surface temperature anomaly; NOAA's record threshold refers to the Relative Oceanic Niño Index, which runs lower, so the two figures are not directly comparable.

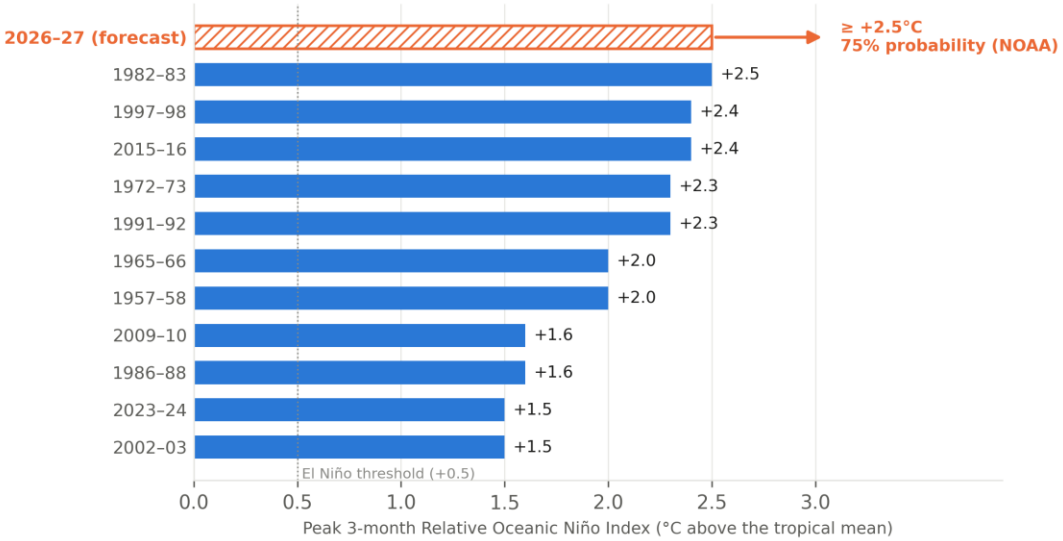
Figure 2. Daily Niño-3.4 sea-surface temperature anomaly, 2026 against every year since 1982 (°C, relative to 1991-2020)



Source: UNDP based on NOAA OISST v2.1 daily Niño-3.4 sea-surface temperatures via Climate Reanalyzer (climatereanalyzer.org), anomalies relative to the 1991-2020 daily climatology; 2026 through 30 September (values after 15 September are preliminary). The four strongest previous events are highlighted; all other years 1982-2025 in grey.

On this daily index, 2026 has already surpassed the peak reached by every previous event, including 2015-16 (3.0°C) and 1982-83 (2.8°C), and it has done so three months before El Niño events normally peak. The weekly values published by NOAA tell the same story: 2.9°C in the week of 9 September, 3.0°C on 16 September, and 3.1°C on 23 September.[4]

Figure 3. El Niño events since 1950, ranked by peak strength (°C)



Source: UNDP based on NOAA Climate Prediction Center, Relative Oceanic Niño Index (RONI) table (bars: highest 3-month value of each event) and ENSO Diagnostic Discussion of 10 September 2026 (forecast: 75 percent chance that October-December 2026 reaches +2.5°C or more).

[4] NOAA Climate Prediction Center, weekly Niño-region sea-surface temperatures (file wksst9120.for), weeks centred on 9, 16 and 23 September 2026. The daily and weekly series differ by at most 0.2°C on the same dates.

WMO expects above-normal temperatures over nearly all land areas through November, with heavy rain and flooding in some regions and drought in others, and names agriculture, public health, energy and water supplies as the sectors most exposed.[5] The World Food Programme projects that the 2026-27 El Niño could push at least 49 million more people into acute food insecurity across 45 already food-insecure countries by the end of 2027, raising the acutely food-insecure population in those countries from about 225 million to 274 million, an increase of 22 percent. The largest additions are expected in East and Southern Africa (more than 18 million) and Latin America and the Caribbean (more than 16 million), with Central America facing the largest proportional increase, followed by Asia and the Pacific (8.2 million) and West and Central Africa (nearly 6 million). Because the shock works through harvest cycles, its effects will persist well after the ocean has cooled.[6]

2.3 Borrowing costs: global benchmark rates at multi-decade highs

The third shock is financial. The yield on the 10- and 30-year US Treasury bonds (a global risk-free benchmark) have now reached a multi-decade high (Figure 4) – a pattern observable across many Advanced Economies (AEs) - on account of persistent inflation and expectations of higher policy rates, large deficits and rising debt, and greater competition for long-term capital. On September 29th the 10-year Treasury yield reached 5.26 percent and the 30-year 5.59 percent last observed this high in the years 2002 and 2004, respectively.

Figure 4. 10-year US Treasury yield, 2023–2026 (percent)

Source: UNDP based on Federal Reserve Bank of ST. Louis (FRED data), series DGS10 and DGS30. Note: Latest available observation: 29 September 2026.

Rising AE bond yields increase the pressure on already high borrowing costs for emerging and developing economies (EMDEs) even though their risk spreads have so far remained comparatively resilient (Box 1). The

[5] WMO, "El Niño set to become very strong, raising risks of extreme weather into 2027", 3 September 2026; UN News, 3 September 2026.

[6] WFP, "World Food Programme ramps up preparedness and response plans as El Niño threatens to push tens of millions into acute hunger", 5 August 2026. The 2015-16 El Niño affected an estimated 60 to 100 million people.

burden is nonetheless likely to be greatest for lower-rated and highly indebted countries, where refinancing needs, limited reserves and already-constrained market access leave little capacity to absorb a prolonged period of elevated global interest rates.

Box 1: Implications of higher benchmark yields for developing economies

Everything else equal, higher global benchmark yields also imply that already elevated borrowing costs across developing economies will go higher – especially for the group of lower rated (non-investment grade) countries.

Analysis from the World Bank shows that despite sharply higher AE yields, EMDE borrowing costs have so far risen by less because sovereign spreads have narrowed, reflecting continued investor risk appetite and no broad reassessment of EMDE creditworthiness. However, yields remain high - around 9 percent (10Y) for the median weak-credit country. The World Bank also warns that the situation can quickly deteriorate, especially in economies with poor (below investment-grade) ratings or substantial short-term debt, as these are particularly exposed to refinancing risks and changes in global market sentiment.

This increased risk of higher borrowing costs also comes at a time where the debt service burden (relative to revenue) of developing economies has not been higher in decades. The median developing economy government now spends about 9.5 percent of revenue on interest payments alone, which is more than three times higher than in the median high-income country, and not seen this high since the year 2001.

With already historic high debt servicing levels, renewed pressure on interest rates, and risk of further slowdowns in economic growth from the spillovers of the Middle East crisis and other external shocks, the debt-development trade-offs facing many developing economies are set to intensify: a growing debt service burden and emergency relief measures are siphoning funds away from long-term sustainable development investments.

Source: 'Why have rising sovereign bond yields in advanced economies not hit developing economies harder?', the World Bank, October 1, 2026. 'UNDP debt update: Development gives way to debt', UNDP, 2025.

3. Price cushioning is weakening

Retail gasoline and diesel prices are up 26 and 38 percent on average across 130 countries since the conflict began; only one country in ten has kept pump prices unchanged, and between June and September the increase widened further in close to two-thirds of countries.

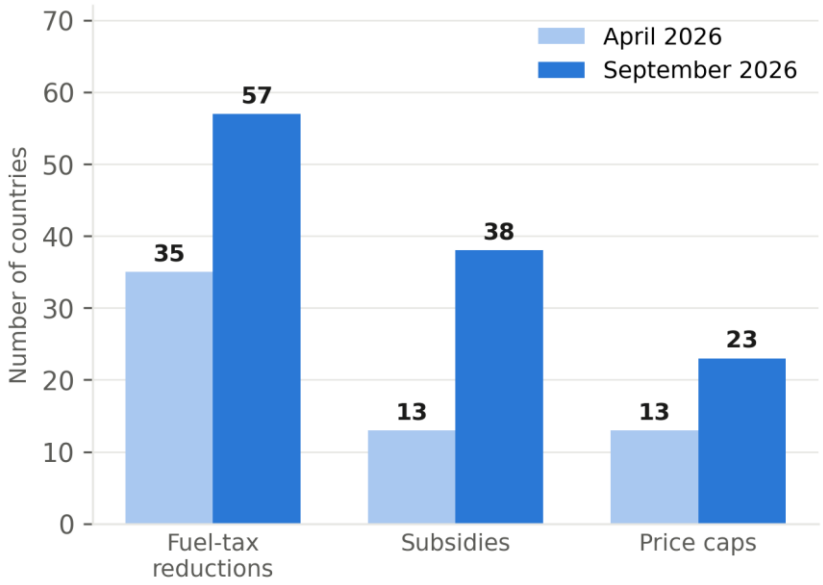
3.1 What the policy trackers show

Price cushioning remains the dominant response. The IMF's global policy tracker records 879 policy measures across 167 countries, with fiscal interventions (subsidies, transfers and fuel-tax reductions) dominating. The latest International Energy Agency (IEA) tracker identifies consumer-support measures in 95 countries, compared with energy-conservation measures in 59 and structural policies in 33. Fuel-tax reductions are the most widespread consumer measure, followed by subsidies, other financial support and price caps.[7]

[7] IMF Global Policy Tracker, updated June 2026; IEA Energy Crisis Policy Response Tracker, updated 9 September 2026.

Policies are broadening, with little evidence of targeting. Policy announcements peaked immediately after the shock and then slowed, but consumer support has continued to expand. Between April and September, the number of countries using tax measures rose from 35 to 57, subsidies from 13 to 38, and price caps from 13 to 23 (Figure 5). Structural responses are also emerging: nearly 20 countries had announced such measures by May, rising to 33 tracker entries by September, particularly in electrification, efficiency and renewable energy. But early measures were overwhelmingly broad-based: in April, 12 of 13 price-cap measures and 33 of 35 tax measures were untargeted. The evidence therefore points to an accumulation of structural measures alongside, not yet instead of, costly price cushioning.

Figure 5. Number of countries with consumer-support measures, April versus September 2026



Source: UNDP based on the IEA Energy Crisis Policy Response Tracker (updated 9 September 2026); number of countries with at least one measure of each type.

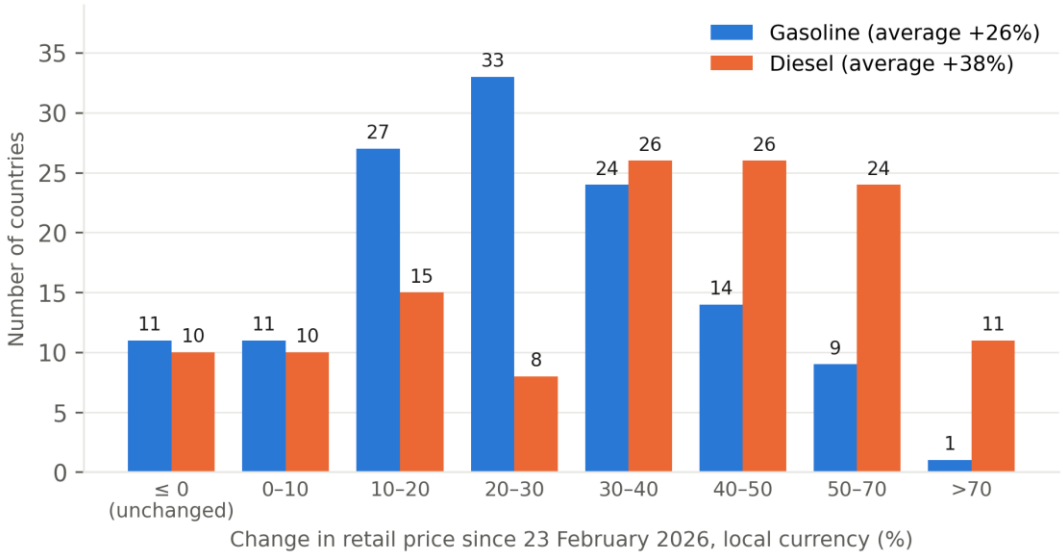
Fiscal space produces systematic differences. AEs rely heavily on fiscal instruments: almost half of their recorded measures involve subsidies to producers or distributors, and roughly one-third involve fuel-excise reductions; in the September IEA data, tax reductions appear in 24 of 29 AE entries, compared with 33 of 65 entries for EMDEs. Developing countries on average deploy a more varied, and often more restrictive mix of measures, including price controls, rationing, remote work, limits on official travel and reduced operating hours, etc. Countries with high debt and limited fiscal space are more likely to suppress demand or manage prices administratively because they cannot sustain large costly support packages. Import dependence shapes both exposure and the longer-term response: energy importers face the greatest pressure to contain domestic prices, but subsidies and tax cuts become increasingly difficult to finance when import prices stay elevated, and import-dependent countries are increasingly pursuing electrification, renewables, efficiency, and alternative domestic fuels to reduce structural exposure, - a transition that high financing costs constrain in many developing economies.

3.2 Pass-through is rising

Protecting households and businesses from severe price spikes while safeguarding fiscal sustainability, and preventing social unrest, is a difficult balancing act, and the balance is shifting. Based on data for 130 countries, average retail prices for gasoline and diesel have risen by 26 and 38 percent, respectively, since the conflict

broke out in late February, and only about one country in ten has kept pump prices unchanged (Figure 6).[8] The distribution is wide: for diesel, nearly half of the countries have seen increases above 40 percent, and eleven have seen prices rise by more than 70 percent.

Figure 6. Change in retail gasoline and diesel prices since 23 February 2026, 130 countries (number of countries by size of change)



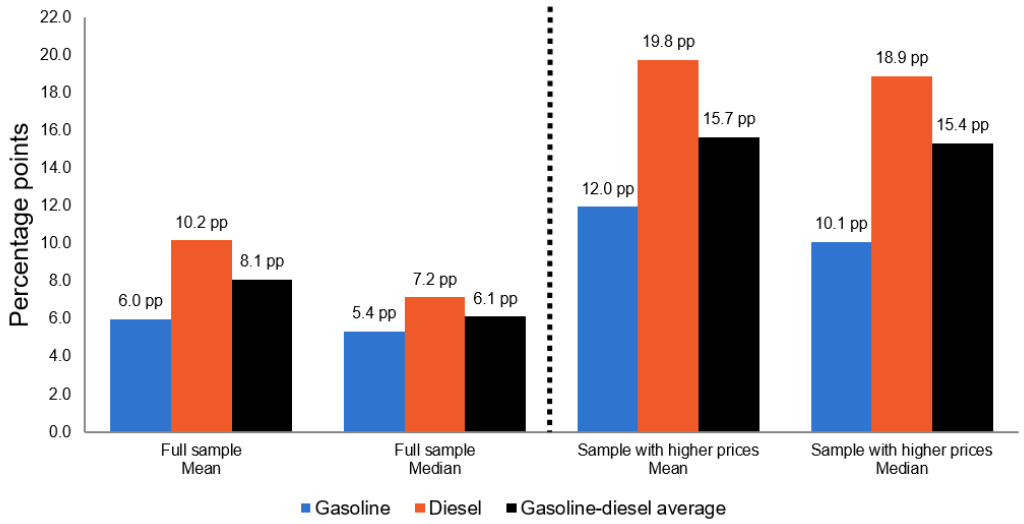
Source: UNDP based on GlobalPetrolPrices.com, latest weekly data as of 28 September 2026. Simple averages across countries.

The pass-through is also increasing over time. Comparing the same countries between June and September, the combined gasoline-diesel price increased further in close to two-thirds of 128 countries with available data, consistent with greater pass-through of international prices. Across the full sample, the cumulative retail price increase since the conflict began widened by an average of 8.1 percentage points; among the 83 countries that recorded further increases, it widened by almost 16 percentage points (Figure 7).[9]

[8] GlobalPetrolPrices.com, "Fuel price changes after the start of the Iran war", change in retail prices in local currency relative to 23 February 2026, the last weekly data point before the war; data accessed on 8 June and 28 September 2026. Averages are simple averages across the 130 countries with data.

[9] Of the 128 countries with comparable retail prices in June and September, 83 recorded an increase in the combined average diesel and gasoline price, 28 a decrease and 17 no change.

Figure 7. Additional increase in retail fuel prices between June and September 2026 (percentage points)



Source: UNDP based on GlobalPetrolPrices.com, data accessed on 8 June and 28 September 2026. Left panel: all 128 countries with comparable data. Right panel: the 83 countries where the combined gasoline–diesel price rose further.

3.3 Eroding buffers and rising social costs

With current energy prices, UNDP estimates that global explicit fossil fuel subsidies could surpass $1 trillion this year alone.[10] Across developing economies, the debt-development trade-off is deepening as scarce fiscal and financial resources are funnelled toward emergency relief measures and a rising debt-service burden instead of the long-term investments needed for sustainable development.

The social costs are also rising. Rising energy prices have already contributed to protests and social unrest in at least ten countries in September, from Syria, Guatemala and the Philippines to France and Portugal, as governments find it increasingly difficult to maintain costly price-cushioning measures amid widespread fiscal stress.[11] Governments are being pushed from both sides: the cost of holding prices down rises, while the political cost of letting them rise is already visible on the streets.

4. What is at stake: a counterfactual without mitigation

If every country let prices pass through, about 130 million more people would fall below the $6.85 line this year. Protecting everyone would cost about 1 percent of developing-country GDP; protecting the poor would cost about a quarter of that

How much has price containment actually been worth, and what would it cost to replace it? We construct a counterfactual rather than a forecast. We take the IMF's April 2026 growth baseline for 159 countries, covering

[10] UNDP, Cushioning the Global Shock, June 2026, Table 1: $1.1 trillion at the January-May average oil price of about $89 per barrel, rising to $1.27 trillion at $100 per barrel and $1.43 trillion at $110 per barrel, equivalent to 0.9-1.2 percent of 2025 world GDP.

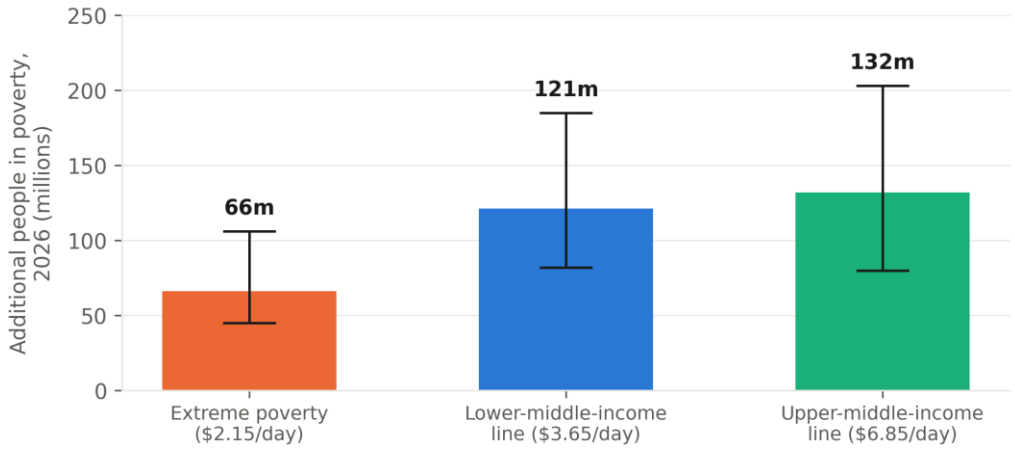
[11] CNN, 15 September 2026; The Soufan Center, 22 September 2026; Ynet, 17 September 2026.

about 97 percent of the world's population, and let the 2026 energy and food price shock pass fully through to household budgets, with no subsidies, price caps or transfers. In the central case, retail energy prices rise by 30 percent and food prices by 10 percent; a low case (+20 and +5 percent) and a high case (+45 and +15 percent, at or above full pass-through of the rise in crude) bound the result.[12] The real income of each household falls by its budget share of food times the food price change plus its budget share of energy times the energy price change, with shares that are higher for poorer households and poorer countries. The method, data and projection are the same as in UNDP's April brief.

4.1 The exposure behind price containment

In the central case, 132 million more people fall below the $6.85-a-day poverty line in 2026 than in the IMF baseline, with a range of 80 to 200 million across the low and high cases; 121 million more fall below the $3.65 line and 66 million more into extreme poverty below $2.15 (Figure 8). Virtually all of them are in developing countries. This is not an estimate of what has already happened; it is the exposure that price containment has been shielding households from. With retail fuel prices already up 26-38 percent on average, part of that shock has reached households and part of this reversal is likely under way. The counterfactual measures what is at stake if containment gives way entirely. Box 2 shows where they are.

Figure 8. Additional people in poverty in 2026 under full pass-through of the price shock, by poverty line (millions)



Source: UNDP calculations on binned income distributions (World Bank Poverty and Inequality Platform) for 159 countries projected to 2026 with IMF WEO April 2026. Bars: central case (retail energy +30 percent, food +10 percent); whiskers: low (+20/+5 percent) to high (+45/+15 percent). Poverty lines in 2017 PPP.

The figure updates the 32.5 million additional people below the $6.85 line that the April brief projected under its severe scenario. The difference is the shock, not the method: April combined a growth downturn with a modelled energy price increase of about 13 percent for oil and 7 percent for gas and essentially flat food prices; the counterfactual here uses the shock that has since materialised and assumes no policy response at all.[13]

[12] The calibration follows the observed shock: Brent rose from about $72 per barrel on 27 February to a September average of about $102, roughly 40 percent, while retail fuel prices rose by 26-38 percent on average across 130 countries with containment in place; the World Bank's April 2026 Commodity Markets Outlook projected food prices up 10 percent and fertiliser up 31 percent in 2026. The method, data and caveats are summarised in the Annex.

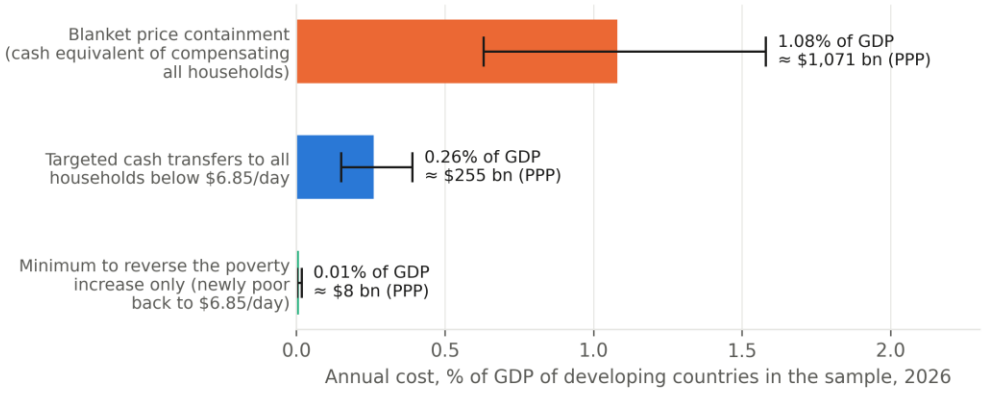
[13] UNDP, Reversals in Global Development, April 2026, Table A1 and Section 2.2.

4.2 The fiscal fork

Either way, there is a bill (Figure 9). Holding every household's real income constant in the face of the shock, which is the cash equivalent of blanket price containment, would cost about 1.1 percent of developing-country GDP in 2026 (0.6 to 1.6 percent across the low and high cases), about $1.1 trillion in 2017 purchasing-power-parity (PPP) dollars. That is of the same order as UNDP's June estimate of the global fossil fuel subsidy bill at $100-plus oil, 1.1 to 1.2 percent of world GDP, reached by an independent method.

Compensating only households below the $6.85 line for their real-income loss would cost about 0.3 percent of GDP (0.15 to 0.4 percent), about $255 billion PPP: the same protection for the poor at roughly a quarter of the cost. The bare minimum, lifting only the newly poor back to the line, which is the measure used in the April brief, would cost about 0.01 percent of GDP, about $8 billion, a floor rather than a policy.

Figure 9. Annual cost of three responses to the price shock, percent of developing-country GDP, 2026



Source: UNDP calculations, 159 countries, 2026. Central case retail energy +30 percent and food +10 percent; whiskers show +20/+5 percent to +45/+15 percent. Costs are annual, in 2017 PPP dollars, for the 128 developing countries in the sample (all except 31 advanced economies); shares of GDP use IMF WEO PPP GDP of the same countries. Blanket containment is valued as the cash needed to hold every household's real income constant.

Most low-income and many middle-income countries cannot pay either bill from a budget where interest payments already consume 9.5 percent of revenue for the median country and more than 20 percent for about 17 percent of countries. The fork is therefore not a choice between a cheap option and an expensive one; it is a choice between a bill that can be targeted and a bill that cannot, in countries that will struggle to fund the smaller of the two without external support.

Three cautions apply. The estimates are partial equilibrium and first-round only: they allow no behavioural response, substitution, wage adjustment, second-round inflation or growth feedback. In particular, households are assumed not to substitute toward cheaper staples or fuels, or to cut non-essential spending, as relative prices change; with such adjustment the first-round real-income loss, and hence the poverty increase, would be smaller, so the estimates for a given price shock should be read as an upper bound. The ranges reported reflect the size of the shock, not behavioural response, which would push outcomes toward the lower end. They are not a forecast: the counterfactual describes what a containment has been worth. And the shock is applied uniformly: the same price increases are imposed on net energy importers and exporters alike, although exporters benefit from terms-of-trade gains, revenue windfalls and, sometimes, stronger currencies that can offset part of the household loss, so their exposure is overstated. Of the 132 million, 107 million (81 percent) are in the net oil and gas importers for which the April brief compiled trade data; the remainder is split between net exporters and importers without comparable data, so the importer figure is a lower bound. The Annex sets out the data, the price channel and the three cost concepts.

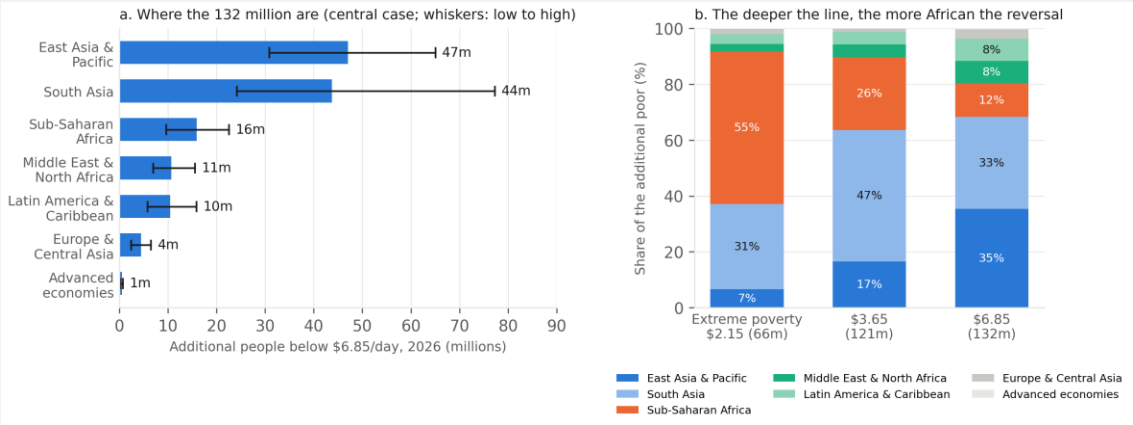
Box 2: Who is hit the hardest

The 132 million additional people below the $6.85 line in the no-mitigation counterfactual are not spread evenly. They are concentrated where large populations sit just above the line, and the picture changes with the poverty line used (Figures B1 and B2).

By region, East Asia and the Pacific (47 million) and South Asia (44 million) account for more than two-thirds of the total at $6.85. Sub-Saharan Africa adds 16 million, the Middle East and North Africa 11 million, Latin America and the Caribbean 10 million and Europe and Central Asia 4.5 million; the advanced economies add under 1 million. Relative to population, the largest increases in the $6.85 headcount are in the Middle East and North Africa (+2.6 percentage points), South Asia (+2.3 points) and East Asia and the Pacific (+2.2 points). Sub-Saharan Africa's increase at this line is smaller (+1.2 points) only because 84 percent of its population is already below it, and the same applies to South Asia, where 71 percent already live below $6.85.

The deeper the line, the more African the reversal. Of the 66 million pushed into extreme poverty (below $2.15), 36 million are in Sub-Saharan Africa, 55 percent of the total, and 20 million in South Asia (31 percent of the total); East Asia and the Pacific contributes 4 million (7 percent of the total). Sub-Saharan Africa's extreme-poverty headcount rises by 2.8 points, more than twice the increase in any other region. At $3.65, South Asia (57 million) and Sub-Saharan Africa (32 million) lead, followed by East Asia and the Pacific (20 million).

Figure B1. Additional people in poverty under full pass-through, by region, 2026



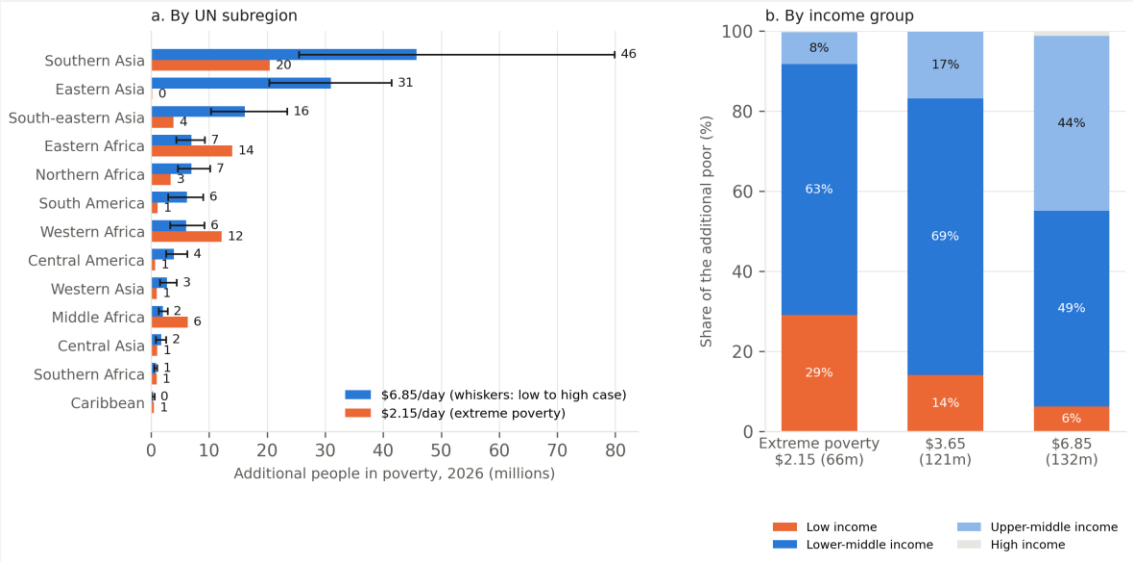
Source: UNDP calculations. Panel a: central case (retail energy +30 percent, food +10 percent), whiskers low (+20/+5 percent) to high (+45/+15 percent) case. Panel b: regional composition of the additional poor at each line, central case. Regions follow the development-region grouping of UNDP's April and June briefs, with the 31 advanced economies shown as one group.

By income group, lower-middle-income countries carry the largest share at every line: 65 of the 132 million at $6.85 (49 percent), 84 of the 121 million at $3.65 (69 percent) and 42 of the 66 million at $2.15 (63 percent). Low-income countries account for 29 percent of the increase in extreme poverty (19 million) but only 6 percent at $6.85, where almost nine in ten of their people are already below the line. Upper-middle-income countries matter mainly at the $6.85 line, where they add 58 million (44 percent), and barely at all in extreme poverty (5 million). In relative terms, low-income countries see the largest rise in extreme poverty (+3 points), lower-middle-income countries the largest rise at $3.65 (+2.7 points).

By subregion, the UN aggregates sharpen the picture. At $6.85, Southern Asia (46 million), Eastern Asia (31 million) and South-eastern Asia (16 million) account for 70 percent of the total; Eastern Africa and Northern Africa add 7 million each, South America and Western Africa 6 million each, Central America 4 million, Western Asia 3 million, Middle Africa and Central Asia 2 million each. The steepest headcount

increases at this line are in Northern Africa (+2.7 points), South-eastern Asia (+2.4), Southern Asia (+2.3), and Central Asia and Central America (+2.1 each). In extreme poverty the ranking inverts: Southern Asia (20 million), Eastern Africa (14 million), Western Africa (12 million) and Middle Africa (6 million) lead, with headcount increases of 3 points in Middle Africa, 2.8 in Eastern Africa and 2.6 in Western Africa, while Eastern Asia contributes almost none.

Figure B2. Additional people in poverty under full pass-through, by UN subregion and by income group, 2026



Source: UNDP calculations. Panel a: central case at $6.85 (whiskers: low to high case) and at $2.15; Europe, Northern America and Oceania omitted (under 2 million combined at $6.85). Panel b: composition of the additional poor by World Bank income group (2025 classification) at each line, central case. Subregions follow the UN M49 geoscheme (Southern Asia includes Iran; Northern Africa includes Sudan).

In 87 of the 128 developing countries in the sample, the $6.85 headcount rises by at least one percentage point, and in 44 by at least two; at $2.15, 53 countries see a rise of one point or more. This matches the widening observed on the ground: retail gasoline prices are higher than before the war in 119 of the 130 countries with data and diesel prices in 120, both fuels are up by more than 20 percent in 79 countries, and 83 of 128 countries saw a further increase between June and September. UNDP's April brief focused on 37 net energy importers in the Gulf, Africa, Asia and small island states; by September the price shock, and the poverty exposure behind it, is global.

Note: Central case unless stated; ranges in brackets are the low and high cases. The shock is applied uniformly to all countries, so the exposure of energy exporters is overstated relative to importers. Poverty lines in 2017 PPP. Sources: UNDP calculations; GlobalPetrolPrices.com for retail prices.

5. The view from country offices: UNDP's September survey

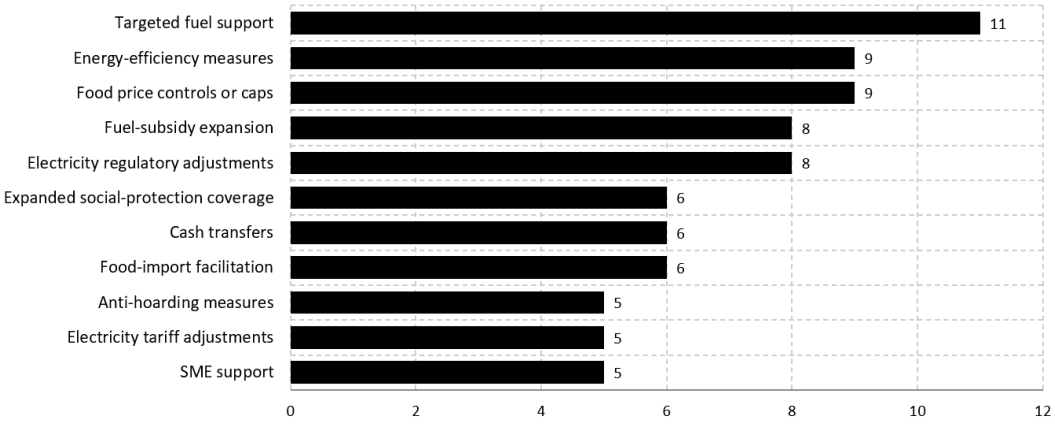
All 26 country offices surveyed judge that the worst is yet to come; 25 expect the crisis to remain or become a higher priority over the next six months; 13 face it on top of a pre-existing economic or fiscal crisis

In mid-September, UNDP surveyed 26 country offices on the spillover effects of the Middle East crisis and the policy responses under way.[14] The 26 countries span five regions (14 in Sub-Saharan Africa, 1 in Asia and the Pacific, 3 in the Arab States, 4 in Latin America and the Caribbean and 4 in Europe and Central Asia) and cover 3 low-income, 11 lower-middle-income, 10 upper-middle-income, and 2 high-income countries. Survey results describe conditions in the responding countries and are indicative rather than representative.[15]

Twenty-two (85 percent) country offices rated the crisis a high or medium priority, 25 (96 percent) expect that priority to remain unchanged or to increase over the next six months, and none judged that the worst is over.

Government responses remain broad-based. Governments are deploying a broad but uneven mix of measures, concentrated most heavily in fuel, electricity and food policies: eleven country offices reported targeted fuel support, nine each noted energy-efficiency measures and food-price controls, eight each highlighted fuel-subsidy expansions and regulatory adjustments in the electricity sector, six reported expanded social protection, cash transfers and food-import facilitation, and five cited anti-hoarding measures, electricity-tariff adjustments and support to small and medium-sized enterprises (Figure 10).

Figure 10. Most frequently reported government policy responses (number of country offices)

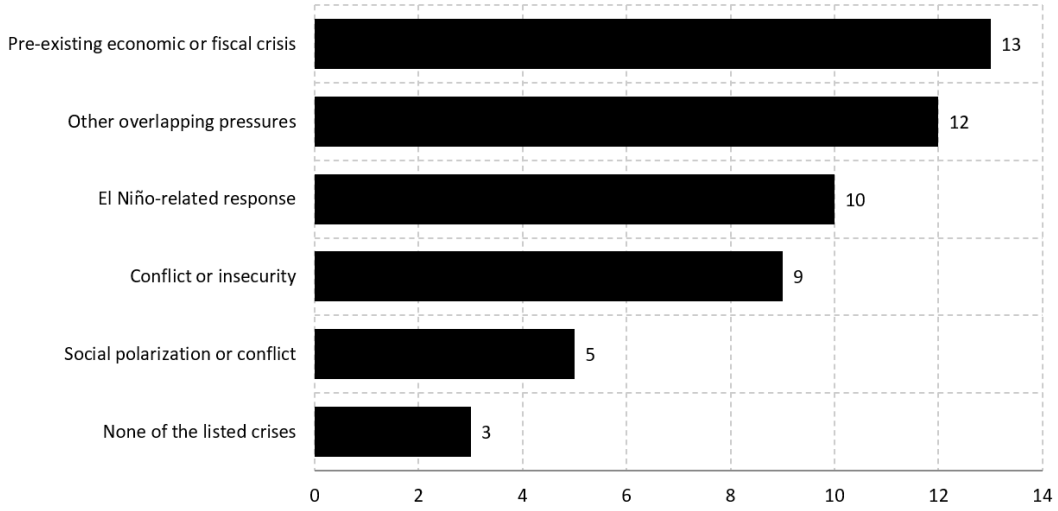


Source: UNDP Middle East Response Survey, September 2026. N = 26; multiple responses permitted.

Crucially, the spillovers are compounding existing stresses rather than arriving as isolated shocks. Thirteen country offices (50 percent) identified a pre-existing economic or fiscal crisis, ten noted an El Niño-related response, nine cited ongoing conflict or insecurity and five pointed to social polarisation; only three (12 percent) selected none of the listed overlapping crises (Figure 11).

[14] UNDP Middle East Response Survey, September 2026 (N = 26 country offices; multiple responses permitted; counts reflect country-office reporting). The survey was a rapid consultation of offices in countries considered highly exposed to the spillovers (with 26 responding by the cut-off date) rather than a representative sample of UNDP's programme countries.
[15] ibid

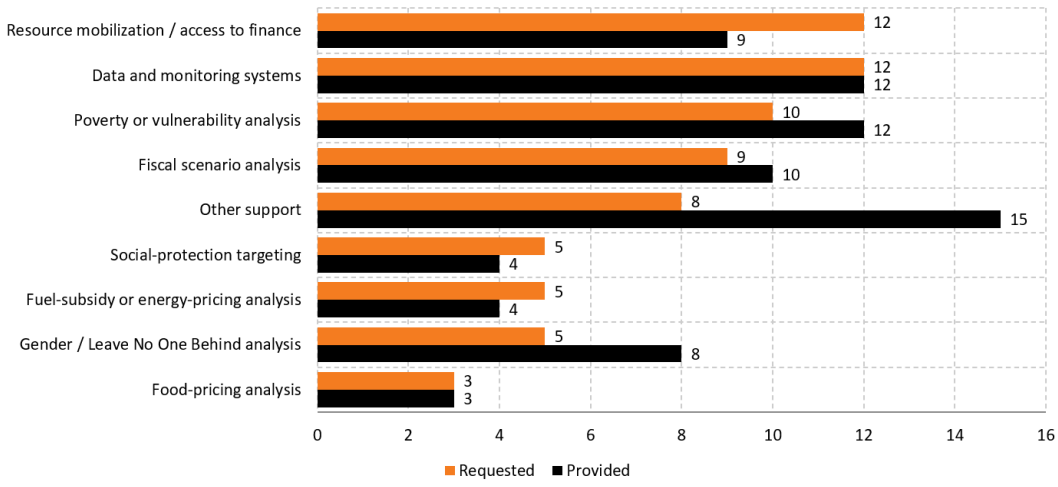
Figure 11. Other crises overlapping with the Middle East spillovers (number of country offices)



Source: UNDP Middle East Response Survey, September 2026. N = 26; multiple responses permitted.

Support provided by UNDP broadly mirrors national requests. Twelve country offices (46 percent) reported conducting poverty or vulnerability analyses, twelve provided data and monitoring support, ten engaged in fiscal analysis, nine offered resource-mobilisation or access-to-finance support and eight focused on gender or "Leave No One Behind" analyses; fifteen reported cross-cutting support including socio-economic impact assessments, vulnerability studies and dashboards, renewable-energy investment appraisal, financing and resilience planning, and support to vulnerable groups and small businesses (Figure 12).

Figure 12. Support requested from and provided by UNDP (number of country offices)



Source: UNDP Middle East Response Survey, September 2026. N = 26; multiple responses permitted.

The survey confirms the need for sustained, coordinated engagement. Twenty-four country offices (92 percent) called for continued support to governments, 20 urged deeper engagement by international financial institutions and the UN system, 14 requested increased UNDP support and seven highlighted the importance of global or regional forums.

6. Policy implications

The findings of this update reinforce, with greater urgency, the conclusions of the April and June briefs. Four implications follow.

First, price cushioning has bought time, but time is running out. Containment has been shielding households from a poverty reversal of up to about 130 million people, but the shield is thinning: its cost rises with every month of $100 oil, the shock is increasingly being passed on to consumers, and protests and unrest are following where support is withdrawn. The question for governments is not whether to respond but how to shift from a large untargeted bill to a more targeted and sustainable one.

Second, targeted and temporary support remains the preferred instrument, and the counterfactual puts a number on the saving. Compensating households below the $6.85 line for their real-income loss delivers the same protection for the poor as blanket containment at roughly a quarter of the cost, 0.3 percent of developing-country GDP against 1.1 percent. Countries with social registries and payment systems should shift support toward cash transfers or lifeline tariffs; countries without them may need temporary consumption blocks for electricity or cooking gas, but should avoid open-ended gasoline and diesel subsidies that disproportionately benefit richer households and firms.[16] The second route will be the relevant one for many countries, particularly in Sub-Saharan Africa, which do not yet have an operational social registry or a unified digital or mobile payment system through which targeted cash transfers could reach poor households within a three- to six-month window. For them the realistic sequence is consumption blocks and lifeline tariffs now, delivered through whatever registries and payment channels already exist, including those built during the pandemic response, while the systems needed for targeting are put in place.

Third, the El Niño changes the sequencing. A record-strength event peaking into early 2027 means that the food-price and harvest shock will arrive while the energy shock is still being absorbed, in many of the same countries. Anticipatory action, protecting input access during planting windows, and keeping food assistance and adaptive social protection ready to scale are the counterparts, on the climate side, of targeted transfers on the energy side. The country offices already responding to El Niño alongside the Middle East spillovers will need both.

Fourth, many low-income and some middle-income countries will struggle even to fund a targeted response as budgets are already under severe pressure and fiscal stress is high. The prospect of higher global benchmark rates further pushing up their borrowing costs will only worsen an already bad situation. Transitioning to well-targeted social protection takes time and is difficult in the middle of a crisis. Access to affordable budget and balance-of-payments support from international financial institutions is therefore the central priority for fiscally constrained countries: it is what allows them to weather the shock while building the systems that would let them target the next one. UNDP country office requests for continued support to governments and deeper engagement by the international financial institutions and the wider UN system, point in the same direction.

[16] See UNDP, Reversals in Global Development, April 2026, Executive Summary, and Cushioning the Global Shock, June 2026, Sections 3.3 and 4.3.

Annex. Method and assumptions of the counterfactual

Data. Binned per-capita income or consumption distributions for 159 countries (about 97 percent of the world's population, including 31 advanced economies), reconstructed from the World Bank Poverty and Inequality Platform in $0.10 bins; projected from the survey year to 2026 with IMF WEO April 2026 GDP-per-capita growth (85 percent pass-through) and population growth; distribution-neutral. Same data and projection as UNDP's April and June 2026 briefs.

Price channel. The real income of each bin falls by (food share × food price change) + (energy share × energy price change). Shares by income group decline linearly from the poorest to the richest bin: food 50 to 25 percent (low-income countries), 40 to 20 percent (lower-middle-income), 30 to 15 percent (upper-middle-income) and 20 to 10 percent (high-income); energy 12 to 6, 10 to 5, 8 to 4 and 6 to 3 percent, respectively.

Shock calibration. Brent rose from about $72 per barrel on 27 February to a September average of about $102, roughly 40 percent. Retail fuel prices rose by 26-38 percent on average across 130 countries with containment in place. The central case takes +30 percent at retail and +10 percent for food (World Bank Commodity Markets Outlook, April 2026: food +10 percent, fertiliser +31 percent). Low: +20 and +5 percent; high: +45 and +15 percent (at or above full crude pass-through).

Three cost concepts, all annual. (A) Poverty reversal: the transfer that returns the newly poor to the line (the April brief's definition). (B) Targeted compensation: a transfer to every household below the line equal to its real-income loss. (C) Universal compensation: the same transfer for every household, the cash equivalent of blanket price containment.

Caveats. Partial equilibrium and first-round only: no behavioural response, substitution, wage adjustment, second-round inflation or growth feedback. Not a forecast but a counterfactual. No substitution toward cheaper staples or fuels, or reduction of non-essential consumption, is allowed, so the real-income loss for a given price shock is an upper bound. The price shock is applied uniformly to all countries; for net energy exporters, terms-of-trade gains, revenue windfalls and currency appreciation would offset part of the household loss (see Section 4.2).

Units. Dollar figures are in 2017 PPP and would be lower at market exchange rates. Shares of GDP are recommended. "Developing" refers to the 128 countries in the sample other than the 31 advanced economies, following UNDP's April and June briefs; "world" refers to all 159.

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