

Iran Conflict Increases the Risk of Recession

The Sullivan Report Assigns a 40% Chance of Recession this Year.

GLENVIEW, IL, UNITED STATES, March 26, 2026 /EINPresswire.com/ -- "The U.S. economic and construction outlook has been materially downgraded as the Iran conflict presents the central risk to more somber expectations for inflation, interest rates, consumer spending, and overall economic growth. These conditions will push back the anticipated recovery across construction and cement markets," said [Ed Sullivan](#), Chief Economist at [The Sullivan Report](#).



According to The Sullivan Report's newly released [Alternative Scenarios - Spring 2026: U.S. Construction and Cement Outlook](#), what had been shaping up as a gradual construction rebound in 2026 is now increasingly unlikely.

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*The Sullivan Report
Economist, Ed Sullivan*

“After three years of decline, the year offered hope of a modest recovery for construction and cement consumption volume. The enduring Iran conflict and its impact on oil prices and inflation has minimally postponed that recovery to 2027. At worst, it could result in an economy-wide recession and a significant reduction in already depressed construction and cement consumption activity,” said Sullivan. “The path to recovery is no longer purely cyclical. It is now heavily influenced by geopolitical

developments.”

Oil, Inflation, and Interest Rates Drive the Outlook

The report outlines three alternative scenarios - Optimistic, Baseline, and Pessimistic - based on the duration of the conflict and the severity of U.S. and global energy supply disruptions:

* **Baseline Scenario (50% probability):** Limited disruption lasting two to three months. Oil prices rise modestly before stabilizing. Inflation remains elevated, and interest rate cuts are delayed until late 2026. Construction activity remains subdued, with cement consumption stabilizing but showing limited growth.

* **Pessimistic Scenario (40% probability):** Prolonged disruption of six months or more. Oil prices surge to \$140–\$150 per barrel, fueling inflation above 4% and raising recession risks. Interest rates remain elevated, credit conditions tighten, and both residential and nonresidential construction decline further. Cement consumption weakens into 2027.

* **Optimistic Scenario (10% probability):** Rapid de-escalation with minimal disruption. Oil prices retreat quickly, inflation moderates, and the Federal Reserve begins easing policy by mid-2026. Lower interest rates support a rebound in construction and cement demand beginning in late 2026 and strengthening into 2027.

“The longer the shipping is curtailed through the Strait of Hormuz, the higher oil prices and inflation remains elevated. That means interest rates stay higher for longer. Combined these factors work against consumer spending, business hiring, a recovery in homebuilding, and a slowdown in a nonresidential recovery. In this context, a 2026 recession cannot be ruled out.” Sullivan noted.

The new report assigns a higher probability to downside outcomes, reflecting uncertainty around the duration of the conflict and the absence of a clear resolution to shipping disruptions.

About The Sullivan Report

Founded by award-winning economist Ed Sullivan, The Sullivan Report provides economic forecasts, research, and market intelligence for the cement, concrete, construction, and building materials industries—helping leadership teams anticipate demand shifts, manage risk, and plan with confidence.

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Diane Busman

The Sullivan Report

+1 630-215-3378

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