The Iran War and the Limits of Resilience

From geopolitical shock to country trajectory and investment cash flow

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Executive summary

Eight months into the Iran War, the global economy looks resilient. This paper asks whether that stability reflects genuine adaptation or the postponement of adjustment. Applying the Investor's Rutter, it follows one geopolitical shock along different routes through three countries (Kenya, Nigeria and Malaysia) and then into the cash flow of two stylised investments: a domestic food processor and an outpatient healthcare provider. Two conditional scenarios frame the analysis, de-escalation with a persistent risk premium and escalation with a prolonged high-price regime. They are not forecasts.

Main findings. Exposure to the same shock differs from the start, through the weight of energy in consumer spending and through dependence on Middle Eastern supply. Beyond that, outcomes depend on fiscal space, institutional capacity and the credibility of policy. Kenya's energy dependence meets limited fiscal room; Nigeria's oil endowment strengthens the national accounts without necessarily improving domestic purchasing power or business liquidity; Malaysia's stronger capabilities moderate the shock, but the durability of policy support becomes an investment risk. For the investor, stable earnings can reflect absorption, adaptation or transformation, and telling these apart matters more than the first observed effect. The Rutter works as a sequence of questions, not a ranking, and keeps each judgement open to revision as buffers are consumed.

Contents

Click an entry to jump to that section.

Introduction: purpose, method and limits
1. The question: resilience or deferred adjustment?
2. Two war scenarios: different durations and supply consequences
3. Transmission from geopolitical shock to country trajectory and investment cash flow
4. Comparable investments: from country shock to cash available for debt service
5. Kenya: Energy dependence, fiscal constraints and policy capacity
6. Nigeria: Oil endowments, policy transmission and domestic purchasing power
7. Malaysia: Institutional capacity, policy choices and the durability of support
8. Time matters: from absorption to adaptation and transformation
9. What the three country applications reveal
10. Applying the Rutter under uncertainty
Closing Remarks

Introduction: purpose, method and limits

Eight months into the Iran War, the apparent resilience of the global economy raises a question of immediate relevance to investors: does observed stability indicate genuine adjustment, or merely the postponement of its consequences? This companion paper applies the Investor's Rutter to that question. It demonstrates how the same geopolitical shock can affect country trajectories differently and how those trajectories reach the cash flow of individual investments. The purpose of this paper is to illustrate a method of investor judgement in this context. We are not attempting to estimate the war's aggregate economic costs or the detailed effects on a specific investment's performance.

The method employed here follows the Rutter's four dimensions:

- *Endowments* establish initial exposures and resources
- *Enablers* determine the capacity of institutions, markets and firms to respond
- *Context* describes the shock and the choices it creates
- *Outcomes* reveal whether absorption is giving way to adaptation or transformation.

Two conditional war scenarios are considered for three countries - Kenya, Nigeria and Malaysia. In each country, two stylised investments—a domestic food processor and an outpatient healthcare provider—illustrate contrasting direct-input cost and effective-demand channels. Holding the investment types broadly constant helps make the country-to-investment transmission visible.

Our discussion moves from the meaning of resilience to the scenarios, feedback mechanisms and investment cash-flow tests. We then apply the Rutter across the three countries and consider how investment judgement changes over time. We stress the cases are illustrative rather than country and company forecasts or assessments. The objective is to show what an investor should ask, how the answers interact, and what developments would cause a judgement to change.

1. The question: resilience or deferred adjustment?

Stable output or reported earnings can reflect genuine adaptation to changing conditions, but may also conceal the depletion of financial and operational buffers. Households draw down savings; governments subsidise fuel or defer spending; companies run down inventory, stretch suppliers or postpone maintenance. These actions preserve activity for a time without establishing its viability at the new cost of energy, food and finance.

The Investor's Rutter is concerned not only with condition but also with trajectory, and the route by which country circumstances affect a particular investment. Endowments establish initial exposures; Enablers—institutions, administrative capacity, infrastructure, finance and the ability to implement policy—shape responses; Context governs external pressures and available choices; Outcomes reveal what is actually achieved. The framework is a sequence of judgements, not a score.

Resilience therefore has three meanings:

1. *Absorption* withstands the immediate blow, often by consuming buffers.
2. *Adaptation* changes sourcing, pricing, operations and financing to sustain activity under altered conditions.
3. *Transformation* builds new productive and institutional capabilities that reduce vulnerability to future shocks.

For investors, the distinction between these three conditions is critical. An enterprise can absorb without adapting, adapt without transforming, or invest in transformation while temporarily weakening its own liquidity. The distinction sets up the scenarios: duration, physical damage and the policy response determine whether initial absorption can develop into sustainable adaptation or transformation.

2. Two war scenarios: different durations and supply consequences

Two scenarios follow. These are not forecasts. They are designed to distinguish between alternative geopolitical and supply conditions, allowing the same country and investment to be examined under different pressures. Neither implies one oil-price path, and each may contain uneven adjustment across oil, natural gas, fertiliser, shipping and electricity.

Scenario 1 — De-escalation with a persistent risk premium

The conflict ends through US retreat or negotiated de-escalation while Iran retains leverage over the Strait of Hormuz. Tanker movements recover, but freight, insurance and energy prices retain a risk premium. Natural-gas and LNG flows may normalise at a different pace from crude oil; ammonia and urea production and distribution may lag further. Contract resets, inventories, exchange rates and domestic administered prices delay relief to firms and households. Missed fertiliser application windows may continue to affect harvests after shipments resume.

Scenario 2 — Escalation and a prolonged high-price regime

Further escalation and Iranian retaliation prolong restrictions on shipping, insurance and energy production. Oil and gas costs remain elevated, and countries still heavily dependent on Middle Eastern supply face the risk of physical shortage as well as higher prices; nitrogen fertiliser faces both higher natural-gas feedstock costs and possible physical shortages. Higher transport and food costs compress real income, fiscal resources and external balances. Suppliers tighten credit and lenders reassess exposures as buffers run down. For food processors, the immediate impact of higher fuel and freight costs may be compounded, months later, by reduced agricultural production resulting from disruptions to fertiliser supply.

A critical cross-scenario contingency: destruction of productive infrastructure

Physical damage to oil and gas fields, processing facilities, LNG terminals, pipelines, ports or power systems would change the analysis from temporary market interruption to potential long-duration capacity loss. Damage to desalination plants, water systems or the electricity networks that support them could be still more consequential, with humanitarian, industrial and agricultural effects. Repair time, specialist equipment, security and financing—not merely reopening the Strait—would determine recovery. Such damage is a contingent risk, not an asserted event in the present evidence base.

In both scenarios, the consequences extend beyond oil prices and shipping costs. Disruptions to natural gas supplies can affect electricity generation and fertiliser production, while damage to energy or water infrastructure may prolong supply constraints even after hostilities cease. In agriculture, higher fertiliser prices, physical shortages or missed application windows can affect crop yields months later. The significance of these disruptions depends not only on their severity and duration, but also on each country's exposure and capacity to respond. Exposure itself varies: the weight of energy in consumer-price baskets determines how much of a given price rise becomes inflation, and initial dependence on Middle Eastern supply determined how exposed a country was to early disruption and how much it has needed to adapt since. It is these differences that shape country trajectories and, ultimately, the consequences for individual investments.

3. Transmission from geopolitical shock to country trajectory and investment cash flow

"Transmission" means the sequence from external disruption to national prices, output, fiscal and external balances, policy choices and financial conditions—and from these to a firm's revenue, operating costs, working capital, investment requirements and cash available for debt service. A change in international oil prices is not itself an estimate of the impact on a borrower.

Five mechanisms require tracing:

1. Direct input costs—fuel, electricity, gas, fertiliser, freight and imported materials
2. Effective demand—real incomes, employment, remittances and household spending choices
3. Pricing and quantities—pass-through, volumes, pack sizes and product mix
4. Working capital—inventory replacement costs, receivable collections and supplier credit
5. Financing—interest rates, access to credit, refinancing and covenant headroom.

Public finance and external financing conditions are a sixth, cross-cutting mechanism, influencing the other five.

Exposure to the same shock also differs across countries before any policy response. Two differences matter at the outset. First, energy and energy-intensive goods carry different weights in national consumer-price baskets, and administered pricing governs how much of an international price movement reaches consumers. The same rise in energy prices can therefore add materially more to inflation in one country than in another, with correspondingly different effects on real incomes, interest rates and the demand facing a borrower. Second, countries differ in how much of their oil and refined products they sourced from the Middle East when the conflict began. Where supply was concentrated, the early risk was not only a higher price but physical interruption. Eight months on, the relevant question is how far sourcing has since adapted: diversifying suppliers, routes and contracts can restore availability, but often at a higher cost and with arrangements that may prove less durable than those they replace. Initial dependence is an Endowment-level exposure; the speed and cost of re-sourcing reflect Enablers.

These are not independent, one-way channels. They operate through multiple, recursive feedback loops, some reinforcing and others offsetting. A fuel-price increase raises a processor's delivered costs; a price increase reduces sales; lower throughput raises unit fixed costs; slower inventory turnover increases borrowing; higher financing costs force further price or production changes. Meanwhile a subsidy may protect demand but increase fiscal borrowing, crowd out credit or create later tax and tariff adjustments. The sequence, timing and strength of each loop depend on country Enablers and company choices.

Agriculture adds a delayed supply loop:

gas and fertiliser disruption → price or delivery constraints → application decisions → yields and crop mix → farm-gate prices and processor utilisation → food inflation and household purchasing power.

Timing matters because a missed planting window cannot be recovered merely by a subsequent fall in shipping costs.

The analytical task is to identify which loops dominate, where buffers intervene, and when apparent stability ceases to be self-sustaining. The next section converts this transmission map into two comparable investment cash-flow tests.

4. Comparable investments: from country shock to cash available for debt service

Two illustrative investments are considered in each country. By using investments with broadly similar characteristics, we can examine how differences in national conditions affect the severity and timing of the same shock, and its consequences for financing and cash flow. The objective is not to produce hypothetical numerical estimates, but to understand how these effects are transmitted to each investment. Reported EBITDA provides only part of the picture. What ultimately matters to the investor is whether the investment can generate sufficient cash to cover working capital requirements, taxes, necessary maintenance and contractual debt service on a sustainable basis.

Investment A — Domestic food processor

Assume a medium-sized processor buying domestic crops, some imported packaging and additives, using diesel-dependent distribution and short-term bank finance. Immediate risks are fuel, freight and replacement input costs. Delayed risks arise when fertiliser affordability or delivery reduces crop yields, constraining supply and plant utilisation. Higher selling prices may preserve nominal margins while reducing volumes and shifting customers to cheaper products. Customers may take longer to pay while suppliers demand earlier payment, increasing working-capital requirements and putting additional pressure on liquidity. The investor must therefore look beyond reported earnings to assess whether the business can maintain production and margins, secure sufficient raw materials, finance its working-capital requirements and generate enough cash to service its debt.

Investment B — Outpatient healthcare provider

Assume a clinic network providing consultations, diagnostics and elective procedures to a mix of cash-paying patients, employers and insurers. Electricity, transport and imported consumables create direct exposure, but the larger risk may be declining effective demand. Households preserve an initial consultation yet postpone diagnostics or treatment completion. Patient visits may therefore hold up while revenue per completed episode and contribution per clinical slot fall. Insured patients may be less price-sensitive, but reimbursement delays and tariff negotiations affect cash. Fixed staffing, rent and equipment debt constrain adjustment.

Fiscal constraints, sovereign debt and private credit

Governments can temporarily cushion energy and food prices through subsidies, transfers, tax reductions or administered tariffs. The fiscal cost depends on the size, targeting and financing of support. Where fiscal space is limited, higher import bills, weaker growth, rising interest costs and support measures can widen financing needs. Debt-service burdens may restrict further support; additional domestic borrowing may compete with private credit; exchange-rate pressure may increase foreign-currency debt burdens; and delayed public payments may weaken contractor or insurer receivables. Conversely, credible reprioritisation and effective targeting can reduce the cost of stabilisation. These are contingent links, not a claim that every shock produces sovereign distress.

The two investments therefore face both sector-specific effects and a shared country-financing environment. Kenya, Nigeria and Malaysia differ principally in the starting fiscal and external positions, institutional transmission and capacity to turn policy measures into reliable business conditions. The following country analyses examine these differences.

5. Kenya: Energy dependence, fiscal constraints and policy capacity

Kenya's dependence on imported petroleum makes it particularly exposed to higher global energy prices. Rising fuel and transport costs can increase inflation, weaken household purchasing power and raise costs across the economy. How strongly this reaches inflation depends on the weight of fuel, transport and food in household spending; how exposed supply is depends on how concentrated import sourcing is and how far it has since adapted. Pressure on the import bill may also affect the exchange rate, further increasing the local-currency cost of energy and other imports. The consequences extend well beyond the energy sector, affecting domestic demand, business profitability and the capacity of firms to service their debt.

Kenya enters this shock with limited fiscal space, substantial public debt obligations and significant financing requirements. This constrains the government's ability to cushion households and businesses against higher energy prices. Additional subsidies or targeted assistance would place further demands on the budget, while withdrawing support or increasing taxes could weaken economic activity and government revenues. Higher borrowing costs or reduced access to external financing would compound these pressures. Increased government borrowing from domestic banks could also compete with private-sector credit, raising financing costs for businesses already struggling with higher operating expenses.

Kenya's institutional and political environment is therefore central to how these pressures develop. The government faces difficult choices between protecting living standards, maintaining essential public services and preserving fiscal and debt sustainability. Its capacity to implement these choices depends not only on the technical quality of economic policy but also on administrative effectiveness, public confidence and political acceptance. Kenya's experience of public opposition to tax increases and fiscal adjustment illustrates how political constraints can limit the government's room for manoeuvre, even where measures are economically justified. The credibility and sustainability of the policy response therefore depend as much on public acceptance and effective implementation as on its technical design. Credible fiscal management, effective targeting of assistance and continued engagement with external financing partners could help contain the shock. Delayed or inconsistent policy responses, by contrast, could undermine confidence and increase the eventual cost of adjustment.

These pressures can reinforce one another. Higher energy prices weaken demand and economic activity, reducing government revenue and increasing financing needs. Further fiscal adjustment or delays in government payments can then place additional pressure on households and businesses, while higher interest rates make private borrowing more expensive. Conversely, credible policies, effective institutions and access to external support may help preserve confidence and create space for businesses to adjust. The distinction matters particularly under the two war scenarios: a relatively short disruption may be manageable through existing financial and policy buffers, whereas a prolonged shock would place greater demands on Kenya's fiscal resources, institutional capabilities and political capacity to sustain adjustment.

The Investor's Rutter directs attention beyond Kenya's immediate exposure to imported energy. The central question is how the country's fiscal and external position, institutional capabilities and political constraints influence its response, and whether that response contains or amplifies the shock as it reaches individual investments. The implications for a food processor or healthcare provider depend not simply on higher energy prices, but on the resulting trajectory of household demand, input costs, access to credit and cash generation. The following two investments illustrate how these pressures can affect businesses differently, and how their capacity to respond influences the durability of their cash flows.

Food processor — Scenario 1

As shipping conditions normalise, fuel and imported packaging become more readily available and their costs may begin to decline. However, the processor's financial position may recover more slowly. Inventories purchased at elevated prices still need to be sold, borrowing costs remain high, and households whose purchasing power has been eroded may continue to favour cheaper products.

Earlier disruptions to fertiliser supplies may also have caused farmers to reduce applications or miss critical application windows. The resulting effects on crop yields could emerge months later, leaving processors facing shortages or higher raw-material prices even after energy markets stabilise.

Kenya's constrained fiscal position may limit the government's capacity to support household purchasing power, delaying the recovery in domestic demand. Nevertheless, processors with diversified suppliers, efficient inventory management and sufficient liquidity may be better placed to adjust than competitors with weaker financial and operational capabilities.

The investor must therefore look beyond improving profit margins to assess whether the business can replenish its inventories at sustainable prices, maintain sales volumes and generate sufficient cash to meet its financial obligations. A recovery that depends on continued supplier credit or additional borrowing may prove less durable than reported earnings suggest.

Food processor — Scenario 2

A prolonged disruption would place greater pressure on the processor from several directions. Higher fuel and transport costs increase the expense of obtaining raw materials and distributing finished products, while shortages or higher prices for fertiliser may reduce agricultural production and raise procurement costs further. The processor may respond by increasing its selling prices, but households facing declining purchasing power may buy less or switch to cheaper products. Lower sales volumes, combined with higher input costs, could weaken margins and leave production capacity underutilised.

These pressures also affect cash flow. The processor needs more money to purchase and maintain inventories, even if production volumes remain unchanged. At the same time, customers may take longer to pay while suppliers demand earlier payment. Kenya's fiscal and financing constraints could compound the problem if increased government borrowing contributes to higher interest rates or restricts the availability of private-sector credit. The combined effect may weaken the processor's ability to service its debt well before it reports an accounting loss.

The processor's capacity to respond becomes increasingly important as the shock persists. Alternative sourcing, more efficient production and better working-capital management may help contain the damage, but these adjustments take time and may require additional investment. Firms with stronger balance sheets and established banking relationships may therefore be better positioned to withstand prolonged disruption.

The investor must assess not only whether the business can pass higher costs on to customers, but whether it can sustain production, protect margins and finance its operations through an extended period of weaker demand and more expensive credit. The distinction is between a business temporarily absorbing the shock and one demonstrating a durable capacity to adapt.

Outpatient clinic — Both scenarios

Under the first scenario, easing inflation may gradually relieve pressure on household budgets, but demand for healthcare services may recover more slowly. Families whose savings have been depleted may continue to postpone diagnostic procedures, preventive screening and other treatments they consider less urgent. Under the second scenario, sustained increases in food and transport costs would place greater pressure on household purchasing power, potentially reducing both patient visits and the completion of recommended treatments. Meanwhile, clinics must continue to meet staffing, rental and equipment costs, limiting their ability to adjust expenses as revenues decline.

Kenya's fiscal and financial constraints could compound these pressures. Clinics dependent on public-sector payments may face delayed reimbursement if government finances deteriorate, while insurers facing their own financial pressures may seek to contain costs or extend payment periods. The consequences will differ considerably across providers. Clinics serving predominantly insured patients may be better protected against declining household demand, while those relying on direct patient payments may experience a sharper reduction in higher-value services. Strong financial management, a diversified patient base and sufficient liquidity can help clinics withstand these pressures, although prolonged disruption may eventually test even relatively resilient providers.

The investor must therefore look beyond patient numbers to assess whether clinics can maintain demand for their higher-value services, collect payments promptly and generate sufficient cash to cover operating costs and service debt. The distinction is between maintaining activity through a difficult period and demonstrating the capacity to sustain financially viable operations as economic conditions change.

Kenya — Overall assessment

The Kenya cases illustrate how an external energy shock can be amplified by existing fiscal and financial vulnerabilities, but also how its consequences depend on institutional capabilities, policy choices and the characteristics of individual investments. The food processor faces direct pressures on input costs, agricultural supply and working capital, while the outpatient clinic is exposed principally through household purchasing power and demand for healthcare services. Both may also be affected by tighter credit conditions.

The Investor's Rutter helps distinguish these different transmission mechanisms and assess whether the resulting pressures are temporary or likely to persist. The central question is whether Kenya's policy response and the businesses' own capacity to adapt can prevent an initial shock from developing into a more prolonged deterioration in investment cash flow. A longer disruption would increase the importance of fiscal credibility and continued access to finance as initial buffers are exhausted.

Nigeria provides an instructive contrast. As an oil producer, it may benefit from higher global energy prices, but stronger export earnings do not necessarily translate into improved conditions for domestic businesses. The distinction between national economic gains and their transmission to individual investments provides the starting point for the next country analysis.

6. Nigeria: Oil endowments, policy transmission and domestic purchasing power

Nigeria provides a different test of resilience. As an oil producer, it may gain from higher international prices through export receipts and foreign-exchange earnings. But the size of that benefit depends on production volumes, operating disruptions, fiscal arrangements and the costs of producing and exporting oil. Higher prices can improve the external position without improving the circumstances of households and businesses that purchase fuel, transport and imported goods at elevated prices. How far higher energy prices feed into inflation also depends on the weight of fuel, transport and food in household spending and on how closely domestic prices follow international ones.

The fiscal and external context matters. Additional oil receipts could ease financing pressures and support foreign-exchange availability, but their effect depends on how much revenue reaches the public budget, how it is used and whether confidence in economic policy is maintained. Domestic inflation, debt-service costs and exchange-rate volatility may continue to constrain spending and private investment. A stronger national external position is therefore not equivalent to an improvement in the financial position of a domestic borrower.

Nigeria's Enablers determine how effectively these potential gains reach the wider economy. The reliability of oil production and gas infrastructure, revenue collection, foreign-exchange arrangements, fuel distribution and the banking system all matter. Policy credibility and administrative execution are especially important where households and businesses have already adjusted to substantial changes in domestic prices. Decisions over public spending, energy pricing and foreign-exchange allocation also have political consequences that may constrain the pace and durability of adjustment.

Under de-escalation, more reliable shipping and stronger foreign-exchange availability could ease some import constraints. Under prolonged escalation, export earnings might rise further, but so could the domestic costs of fuel, imported inputs and finance. Supply interruptions or infrastructure damage could also limit the volumes available for export. Domestic supply risk depends on how much of the country's fuel is imported and on how its sourcing has adapted. The Investor's Rutter therefore asks whether Nigeria can convert favourable energy endowments into more stable domestic conditions, and whether that improvement reaches the cash flow of individual investments.

Food processor — Scenario 1

As international shipping becomes more reliable, a Nigerian food processor may find it easier to obtain imported packaging, additives and equipment. Improved foreign-exchange availability could reduce procurement delays, but this would not necessarily lower domestic transport costs or restore household purchasing power. Customers may continue to favour lower-priced products, while expensive existing inventories and borrowing costs delay the recovery in cash generation.

Nigeria's natural-gas resources and fertiliser production capacity could help protect agricultural supply. That advantage depends, however, on reliable plant operations, domestic distribution and farmers' ability to obtain fertiliser in time for application. The investor should assess whether improved national supply conditions actually permit the processor to secure raw materials at sustainable prices, maintain sales and collect enough cash to meet its obligations.

Food processor — Scenario 2

A prolonged conflict presents a more complicated picture. Higher oil export prices could strengthen national receipts while domestic businesses continue to face expensive fuel, transport and imported materials. Disruption to gas or fertiliser production, or difficulties distributing fertiliser to farmers, could reduce agricultural yields and increase the processor's raw-material costs. Higher selling prices may then weaken demand, leaving the business with lower volumes and underused production capacity.

The financial consequences can reinforce the operational pressures. More cash is needed to purchase the same quantity of inputs, customers may pay more slowly and suppliers may demand earlier payment. If inflation or policy uncertainty keeps domestic borrowing expensive, the processor could struggle to finance its operations despite a favourable national oil-price environment. Strong sourcing relationships, efficient production and access to dependable credit may help some businesses adapt, but they cannot be inferred from Nigeria's oil endowments alone.

The investor must distinguish the benefit to the sovereign from the benefit to the borrower. The relevant question is whether higher export earnings are translated into affordable inputs, reliable supplies, sustainable demand and cash generation—not simply whether the oil price has risen.

Outpatient clinic — Both scenarios

Under de-escalation, improved access to foreign exchange and shipping could make imported medicines, equipment and consumables easier to obtain. Yet households whose purchasing power has been weakened may continue to postpone diagnostic tests and elective treatment. Under prolonged escalation, further increases in food and transport costs could reduce treatment completion even if initial consultations remain relatively stable. Clinics must meanwhile continue to meet staffing, premises and equipment costs.

The effects will vary with the clinic's patients and payment arrangements. Employer-sponsored or insured patients may be better protected than those paying directly, although insurers and employers can also face pressure on their budgets and payment schedules. A clinic with a broad payer base and dependable collections may adjust more successfully than one dependent on discretionary cash-paying demand. The investor should examine completed treatments, the mix of services and actual cash collections rather than patient visits alone.

Nigeria — Overall assessment

Nigeria illustrates a central distinction in the Investor's Rutter: favourable endowments create opportunities, but Enablers determine whether those opportunities translate into better outcomes. Oil and gas resources may support the external accounts without relieving the pressures on domestic demand, input costs or financing. The food processor is particularly exposed to distribution, agricultural supply and working-capital conditions; the clinic is more directly exposed to household purchasing power and the reliability of payments. The investor must therefore follow the conversion of national gains into conditions experienced by the business. Under prolonged escalation, the benefits of higher export prices may be increasingly offset for domestic firms by persistent distribution constraints, elevated costs and expensive credit.

We see below how Malaysia offers a further contrast: a country where more developed financial and administrative capabilities may moderate the shock, but where the design and durability of policy support become important investment risks.

7. Malaysia: Institutional capacity, policy choices and the durability of support

Malaysia combines energy production with a diversified manufacturing and trading economy, established infrastructure and relatively developed financial intermediation. These endowments provide several ways to absorb external disruption, but do not remove exposure to imported inputs, international freight, food prices or weaker demand in trading partners. The effects of higher global energy prices also depend on how domestic fuel and electricity prices are set and which households and businesses receive support. Subsidies can damp the consumer-price effect of a given energy price rise, but at a cost to the budget. Exposure to physical supply disruption likewise depends on how much oil and refined product is sourced from the Middle East and on how far suppliers and routes have been diversified.

Malaysia's fiscal and external context shapes the choices available to policymakers. Energy-related revenues may provide some offset to higher costs, while subsidies or other protective measures can help preserve purchasing power and business activity. But support has a fiscal cost, and its benefits differ across consumers and firms. Maintaining it indefinitely may compete with other priorities; narrowing eligibility or adjusting tariffs can transfer costs abruptly to previously protected businesses.

Institutional capabilities are an important part of the explanation. Administrative capacity, financial depth, infrastructure reliability and the ability to communicate and implement policy can help businesses plan and adjust. Yet policy decisions also involve political trade-offs, particularly where changes to subsidies or household costs are sensitive. The relevant question is not whether Malaysia can prevent every price increase, but whether it can manage adjustment predictably while preserving fiscal credibility and the conditions for private investment. Recent efforts to balance fiscal costs, subsidy targeting and household protection suggest a potentially more effective approach to managing these competing pressures. Whether this improvement can be sustained under a prolonged shock remains an important test.

Under de-escalation, reliable logistics and financing may allow businesses to recover more quickly, although earlier inventory and agricultural disruptions can persist. Under prolonged escalation, the durability of policy protection and the ability of firms to improve efficiency become more important. The Investor's Rutter asks whether Malaysia's institutional and financial Enablers support genuine adaptation or merely postpone costs through continuing public support.

Food processor — Scenario 1

As freight and insurance costs ease, a Malaysian food processor may be able to obtain imported ingredients and packaging more reliably. Yet contract prices and inventories purchased during the disruption may delay

cost relief. Earlier fertiliser shortages or high prices could also affect the availability and price of particular domestic crops after shipping conditions improve.

Processors with diversified suppliers, efficient logistics and sufficient liquidity may be able to restore cash generation more quickly. Others may appear equally resilient because they continue to benefit from preferential energy prices or other support. The investor must distinguish improvements arising from the business's own capabilities from those dependent on policy arrangements that could change.

Food processor — Scenario 2

A prolonged shock would increase transport, refrigeration, packaging and potentially electricity costs, while higher fertiliser prices or delayed deliveries could affect upstream agricultural production. The severity would depend on the crops purchased, the relevant fertiliser supply chains and the processor's exposure to market-priced energy. Higher selling prices may protect some margins but weaken demand, particularly among more price-sensitive consumers.

Public support may soften these pressures, but it does not eliminate their cost. If eligibility rules, quotas or tariffs change, a processor's expenses could rise quickly. Businesses that can reduce energy use, diversify sourcing and adjust their product mix may be better placed to adapt than those relying on unchanged subsidies. Such improvements, however, require time and may call for investment while operating cash is already under pressure.

The investor should therefore ask whether the processor can sustain production, margins and debt service if part of its current protection is withdrawn. The stronger indication of resilience is not simply stable earnings during the shock, but a credible capacity to operate profitably under less favourable policy conditions.

Outpatient clinic — Both scenarios

Under de-escalation, more stable employment, insurance coverage and financing conditions could help sustain demand for outpatient services. Nevertheless, households may take time to restore spending on preventive screening or elective diagnostics. Under prolonged escalation, higher living costs could lead some patients to defer treatment, while imported medicines, equipment and consumables become more expensive.

Malaysia's financial and administrative capabilities may moderate these pressures, but the protection experienced by a particular clinic depends on its patient mix, insurance contracts, co-payments and reimbursement arrangements. A provider serving predominantly insured patients may be less exposed to immediate household spending cuts, yet still face limits on coverage or pressure on payment terms. The investor should assess whether the clinic can maintain completed treatments and timely collections while covering fixed costs and debt service.

Malaysia — Overall assessment

Malaysia illustrates how stronger Enablers can moderate the transmission of a geopolitical shock without eliminating the need for adjustment. Recent efforts to balance competing economic and political pressures suggest an improving capacity to manage external shocks, although the durability of that approach remains to be tested. The food processor's resilience depends partly on its capacity to manage energy and agricultural costs without permanent policy protection. The clinic's resilience depends more on household demand, insurance coverage and reliable payments. In both cases, national institutional capacity is an advantage, but the durability of investment cash flow ultimately depends on the business model and its capacity to adapt. Under prolonged escalation, the sustainability and targeting of public support would become increasingly important, even for firms benefiting from reliable infrastructure and credit.

Taken together, the three countries show why resilience cannot be inferred from the first observable effect of a shock. The next question is how these different trajectories evolve as buffers are consumed, responses are implemented and new capabilities are developed.

8. Time matters: from absorption to adaptation and transformation

A country or business can appear stable in the early stages of a shock because it is drawing on resources accumulated beforehand. Households use savings, firms draw on inventories and credit lines, and governments provide relief or defer expenditure. These responses may be sensible, but they do not establish that activity can continue indefinitely under the new conditions.

As disruption persists, the costs become harder to contain. Inventories must be replaced, household savings diminish, suppliers reassess credit and governments face competing demands on limited fiscal resources. In agriculture, the effects of disrupted fertiliser supply may not appear until the next harvest. Physical damage to energy, port or water infrastructure could extend the recovery well beyond the reopening of shipping routes.

Enablers influence every stage of this process. Effective institutions can target support, maintain essential services, preserve confidence and help firms adjust. Reliable infrastructure, capable banks and predictable policy may shorten the period between an initial shock and sustainable adaptation. Weak implementation or political resistance may have the opposite effect, turning temporary pressures into a longer deterioration in production, financing and living standards.

Adaptation occurs when businesses and governments change how they operate rather than simply use up existing buffers. Firms may diversify suppliers, improve energy efficiency or alter their products; governments may improve the targeting of assistance and the reliability of infrastructure. Sourcing is a clear example: a country that has replaced Middle Eastern supply with other routes and contracts has adapted, but the investor should ask what this costs, how secure it is, and whether any saving or premium reaches the borrower. Transformation goes further by building capabilities that reduce vulnerability to future shocks. For example, improving energy efficiency may help a processor adapt to higher costs, while developing a fundamentally different and more reliable energy or agricultural supply system could change its exposure to future disruptions. Both require investment and can temporarily increase financing needs, making the ability to fund change part of the assessment.

The Investor's Rutter therefore asks not only how much damage has occurred, but whether the response is preserving future choices. This distinction provides the basis for comparing the three country cases without ranking them by a single measure of resilience.

9. What the three country applications reveal

The three countries face a common external shock but enter it with different endowments, constraints and capabilities. Kenya's dependence on imported petroleum can reinforce existing fiscal and financing pressures. Nigeria's oil resources may improve export receipts without necessarily improving domestic purchasing power or business liquidity. Malaysia's financial and administrative capabilities, together with recent efforts to balance competing policy pressures, may moderate the shock, although fiscal constraints and the design of policy support remain important considerations. The countries also differ in how hard the same shock lands: energy carries different weights in national consumer-price baskets, each began with a different dependence on Middle Eastern supply, and the pace and cost of adjusting sourcing have differed. These are distinct mechanisms, not a ranking of national performance.

The comparison also shows why Context cannot be separated from Enablers. A constrained fiscal position limits the range of available responses, but institutional credibility and political capacity influence which responses can actually be sustained. A favourable resource endowment creates potential benefits, but distribution systems, financial markets and policy execution determine who receives them. Outcomes emerge through this interaction and can change as the shock continues.

For the food processor, country conditions alter the same basic operating problem in different ways. In Kenya, expensive imported energy and financing may coincide with pressure on agricultural supply and household demand. In Nigeria, better foreign-exchange receipts may ease imports while domestic fuel, distribution and financing costs remain burdensome. In Malaysia, more dependable logistics, access to credit and relatively effective policy management may help businesses absorb higher costs and adapt. Nevertheless, changes in energy subsidies or other forms of policy support could increase operating costs. Similar reported margins could therefore conceal very different prospects for sustainable cash generation.

For the outpatient clinic, the principal route is different. Household purchasing power and the reliability of payment arrangements matter more than direct fuel use. Kenyan fiscal pressures could weaken demand and, for some providers, delay payments. Nigerian oil receipts may leave cash-paying patients little better off if inflation persists. Malaysian insurance and financial arrangements may cushion demand, although coverage limits and reimbursement terms remain important. The relative exposure of any actual clinic would depend on its patients, services and financing arrangements.

The Investor's Rutter changes the question from "which country is most resilient?" to "which features of this country most influence the future cash flow of this investment?" It also keeps that judgement open to revision. Stability may reflect the consumption of buffers, successful adaptation or the development of new capabilities. The challenge for investors is to distinguish among these explanations rather than assume that similar outcomes reflect similar underlying conditions. A country may manage a shock relatively well while individual businesses face deteriorating cash flows; conversely, a capable business may remain resilient despite adverse national conditions.

10. Applying the Rutter under uncertainty

The country comparisons illustrate both the value and the limitations of analysing geopolitical shocks through their effects on investment cash flow. In practice, investors rarely have complete information about the scale, duration or transmission of a shock. The Investor's Rutter provides a way to structure judgement under these conditions, identifying the country characteristics and transmission mechanisms most likely to matter for a particular investment. For the cases considered here, these include exposure to energy and agricultural inputs, the weight of energy in the consumption basket, initial dependence on Middle Eastern supply and the extent of re-sourcing, fiscal and external financing constraints, institutional capacity, household purchasing power and the availability of private credit.

Where evidence is limited, the investor should distinguish what is known from what is plausible. A disruption to fertiliser supply, for example, affects a processor only if it changes the availability or cost of crops the business actually purchases. A subsidy matters only if the firm or its customers benefit from it and that support can be maintained. Rather than imply numerical precision, the analysis should explain the conditions under which each proposed effect would arise.

The most useful follow-up question is often what observation would change the judgement. Are suppliers delivering the expected harvest? Are customers buying less or merely switching products? Is operating cash improving without additional borrowing? Is policy support being sustained through credible financing, or at the expense of other obligations? Answers to a few such questions can help distinguish temporary absorption of the shock from more durable adaptation. They also allow investors to revise their assessments

as conditions change, making the Rutter a continuing monitoring discipline rather than simply an initial analytical framework.

The method complements rather than replaces transaction due diligence. Its contribution is to connect changing country conditions to the operating performance, financing requirements and sustainable cash generation of a particular investment. Even where the scale or duration of a shock remains uncertain, it helps investors identify what matters, what needs to be monitored and what developments might warrant a reassessment.

Closing Remarks

The Iran War illustrates why apparent economic resilience cannot be judged from aggregate output, energy prices or reported company earnings alone. The same geopolitical shock can produce different national trajectories, and the same national trajectory can affect individual investments through different combinations of costs, demand, financing and policy responses. Disruption to gas, fertiliser and essential infrastructure also means that some consequences may emerge long after the immediate shipping shock has eased. The Investor's Rutter offers a disciplined way to interpret these differences. Endowments influence exposure and resources; Context shapes the pressures and choices; Enablers determine the capacity to respond; and Outcomes show whether the response is sustainable. The distinction between absorption, adaptation and transformation is essential because apparent stability may conceal a progressive loss of the capacity to sustain future cash flows. The purpose is not to forecast precisely which country or business will fare best. It is to help investors understand how a shock travels, where feedback loops may amplify or contain its effects, and what would cause an initial judgement to change. The test of resilience is ultimately whether a country and an investment are preserving the capacity to operate and adapt, rather than merely postponing adjustment.