



# Impact of the Middle East conflict on global supply chains

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A MARSH BUSINESS

# Executive summary

This report examines the supply-chain implications of the current Middle East conflict and the wider disruption across the Gulf Cooperation Council (GCC). As the situation is changing fast, any statements in this report should be clearly understood to be based only on information available as of March 11. Potential updates could follow.

Although the geopolitical trajectory remains uncertain and is outside the scope of this paper, the consequences for global supply chains are already becoming visible. The clearest transmission channels are energy prices, critical industrial inputs sourced from the Middle East, and transport disruption affecting Asia-linked trade flows.

Taken together, these create a broader risk to input costs, lead times, cash flow, and supply continuity across multiple sectors.

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# Energy

The first and most visible supply-chain effect is the energy shock emanating from the GCC. The Strait of Hormuz is a global energy choke point, being the transit route for:

~20%

of global **petroleum** liquids consumption

~25%

of global seaborne **oil** trade

~20%

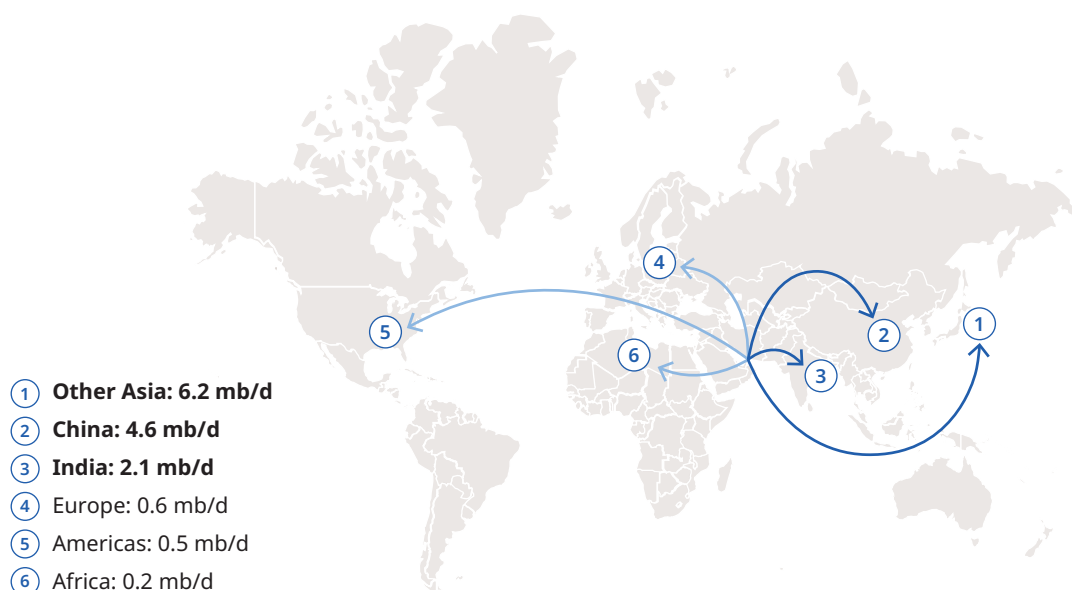
of global **liquefied natural gas (LNG)** trade

Bypass capacity for oil exists in the form of overland-pipeline capacity via Saudi Arabia and the UAE pipeline. However, this bypass capacity is only sufficient for approximately half of the oil produced in the Gulf, meaning substantial volumes would remain exposed to potential disruptions. No such bypass capacity exists for LNG.

Hormuz is primarily an Asia energy supply corridor for both oil (~84%) and LNG (~83%). Still, due to the global and crucial nature of the markets:

- **Brent** has risen by 25% (91 USD per barrel as of March 11 versus 73 USD/bbl as of February 27 — after a temporary spike over 100 USD/bbl).
- **European gas** futures have risen by 56% (50 EUR per megawatt-hour as of March 11 versus 32 EUR/MWh as of February 27 — after a temporary spike over 60 EUR/MWh).
- **Jet fuel prices** have increased by 58% (157 USD per barrel weekly average as of March 6 versus 99 USD/bbl as of February 27), with a crack spread increase of 157% (72 USD/bbl weekly average as of March 6 versus 28 USD/bbl as of February 27).

**Exhibit 1: Crude oil exports transiting the Strait of Hormuz by destination (2025)**



Source: EIA

# Other key input commodities

The shock extends beyond oil and gas markets. The GCC is also a major source of industrial inputs that sit upstream in the food, manufacturing, and healthcare supply chains. Concretely, the region is a major exporter of key inputs such as fertilizers for crops, aluminium for cars, or helium for the production of semiconductors.

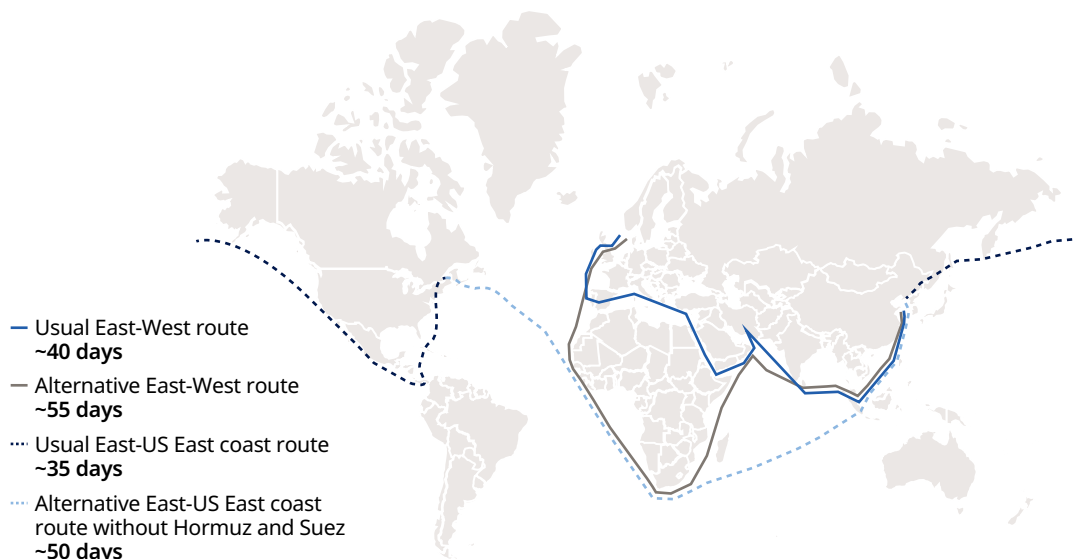
- **Urea** is a critical commodity for global food systems, with more than 33% of global urea shipments passing the Strait of Hormuz. Qatar closed its largest facility after a drone attack, and urea prices have risen by more than 26% (585 USD per ton as of March 11 versus 466 USD/T as of February 27).
- **Methanol** is a traded industrial feedstock, with Saudi Arabia and Iran producing ~20% of global supply. Prices have gone up 17% (2,539 CNY per ton as of March 11 versus 2,165 CNY/T as of February 27).
- **Phosphate** fertilizers are critical inputs for food systems, with Saudi Arabia-based Ma'aden alone supplying 20% of the global phosphate trade. Prices have risen by 4% (653 USD per ton as of March 11 versus 628 USD/T as of February 27).
- **Ammonia** is a fertilizer- and chemicals-critical feedstock, used directly in fertilizers and as an upstream input for urea, ammonium phosphates, and industrial chemicals. Saudi Arabia is the world's second-largest ammonia exporter.
- **Sulphur** is a critical industrial input, used mainly to make sulphuric acid for fertilizers and metals processing. The UAE are the world's biggest exporter, with a share of ~23%. Prices have risen by 23% (4,750 CNY per ton as of March 11 versus 3,877 CNY/T as of February 27).
- **Polymers** are critical industrial inputs for supply chains — used in packaging, automotive parts, construction materials, consumer goods, and electrical applications. Saudi Arabia and the UAE account for ~20% of global polyethylene (PE) trade and ~18% of global polypropylene (PP) trade. Prices for polyethylene are up 15% (7,601 CNY per ton as of March 11 versus 6,596 CNY/T as of February 27) and 16% for polypropylene (7,689 CNY/T as of March 11 versus 6,602 CNY/T as of February 27).
- **Primary aluminum** is a manufacturing-critical input used in transport, construction, packaging, and electrical applications. The six members of the Gulf Cooperation Council (GCC) account for ~8% of global supply, with Europe depending on the region for ~20% of its imports. Prices are up 9% (3,440 USD per ton as of March 11 versus 3,147 USD/T as of February 27).
- **Helium** is a high-criticality industrial gas, used in magnetic resonance imaging (MRI) systems, semiconductors, fiber optics, welding, and scientific/cryogenic applications. Qatar delivers ~30% of global supply. After the direct attack on — and subsequent shut down of — the key production complex Ras Laffan, prices have risen by 35%.

# Asia-Europe transportation and logistics

The crisis is not limited to commodity markets. It is already feeding directly into freight availability, transit times, and transport costs in Asia-Europe corridors. Various closures of the Red Sea have been observed over recent years, and the corridor is significant for global supply chains designed for an optimized flow of goods:

- **Longer shipping routes:** Maersk is rerouting via the Cape of Good Hope and suspending all vessel crossings in the Strait of Hormuz until further notice, adding 8 to 15 days to Asia-Europe container transit times.
- **Insurance and booking constraints:** CMA CGM introduced an emergency conflict surcharge of \$2,000 per 20-foot container, \$3,000 per 40-foot container, and \$4,000 per reefer/special container for specified Middle East cargo scope as of February 28. After protection & indemnity (P&I) clubs canceled war-risk cover, most shipping lines stopped accepting new bookings to and from the Middle East.
- **Transport costs:** CMA CGM introduced an emergency fuel surcharge of \$150 per 20-foot equivalent unit (TEU) for headhaul dry cargo, \$180/TEU for headhaul reefer, \$75/TEU for backhaul dry cargo, and \$90/TEU for backhaul reefer, effective March 16. For a 40-foot container, that equates to an 11% to 14% increase on baseline prices of \$2,094/FEU for Shanghai to Rotterdam and \$2,826/FEU for Shanghai to Genoa as of February 28.
- **Dubai, the world's largest airport,** shut down and had only partially resumed operations as of March 7. Capacity constraints, delays, cancellations, and short-notice rate adjustments on Far East-Europe and Asia-Middle East air corridors continue. Cargo from Southeast Asia, the Indian Subcontinent, and Oceania is being rerouted via China and Hong Kong.

**Exhibit 2: Major global east-west shipping routes**



Source: EIA

# The bigger picture

While the geopolitical outlook remains uncertain and is outside the scope of this paper, the broader implications for global supply chains are becoming clear. Taken together, the immediate effects described above point to a broad and potentially long-lasting supply-chain shock:

- First, as seen during the 2021–22 energy shock, energy spillover becomes a measurable driver of **broader inflation**.
- Second, the disruption of fertilizers, chemicals, polymers, metals, and helium etc. has significant downstream impacts across **agriculture/food** (crop yields, farm input costs, food prices), **manufacturing** (autos, appliances, construction), **packaging**, and **high-tech/healthcare** (semiconductors, MRI systems, and scientific and industrial applications). These impacts could result in shortages and further price rises.
- Third, the increase of transport times and prices will directly impact **margin, working capital, and cash flow**, as seen during the Ever Given Suez blockage in 2021 and the Houthi Red Sea crisis in 2023.

The end of active conflict would not mean an immediate return to normal. Past crises suggest that even where a triggering event is short-lived, commercial disruption typically takes between days and weeks to unwind, as insurers, carriers, traders, and industrial buyers reopen flows gradually rather than all at once. In this case, normalization is likely to be shaped not only by the reopening of physical routes but also by the time needed to restore war-risk cover, reposition vessels and aircraft, clear backlogs, and restart or rebalance supply across energy and upstream input markets.

For companies, this means that the “day-after” risk is about an extended period of uneven availability, elevated cost, and lead-time volatility. Energy markets may stabilize faster than some physical supply chains, but the downstream effects across fertilizers, chemicals, polymers, metals, helium, and Asia–Europe logistics could continue to work through inventories, contracts, production plans, and customer deliveries for some time after hostilities end. The practical implication is that exposure management should continue beyond a ceasefire, with particular focus on critical inputs, transport capacity, and working-capital pressure during the normalization phase.

# Practical next steps

For company leadership teams, the immediate priority is not to predict the geopolitical path of the war but to quantify exposure and tighten decision rights around the main transmission channels: energy, critical inputs of Middle East origin, and Asia-linked transport flows. Companies should rapidly identify where they are single-sourced, inventory-thin, or contractually exposed, and translate those risks into a small set of operational and financial triggers. The businesses likely to navigate this best will be those that connect supply-chain, procurement, treasury, commercial, and risk teams early, so that sourcing moves, customer commitments, freight decisions, and liquidity actions are made off a single shared fact base.

In practical terms, that means securing supply for the most critical materials, confirming alternative routings and logistics options, reviewing supplier and site contingency plans, and reassessing working-capital, insurance, and contractual exposure as lead times and war-risk costs change. Not every company will need to act on all of these fronts immediately. But most global businesses should be refreshing their scenarios and pre-agreeing response actions now, before disruption becomes visible in orders, shipments, margins, or quarterly cash flow.

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