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The Implications of the Strait of Hormuz for International Trade

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ABSTRACT: The Strait of Hormuz is a vital "chokepoint" in the global economy, facilitating the transport of approximately one-fifth of global oil and (LNG) supplies, as well as over 33% of seaborne fertilizer trade. Amidst the closures which reduced transit traffic by nearly 97%. This study presents a descriptive analysis, based on prior research and reports of the economic consequences resulting from the closure of this waterway. Findings indicate a slowdown in global trade in goods from approximately 4.7% in 2025 to a range of 1.5% to 2.5% in 2026. This slowdown in the movement of goods drives macroeconomic disruptions stemming from delays, inventory depletion, and declining aggregate demand. Consequences include mandatory energy consumption restrictions in heavy manufacturing sectors and rising oil prices. Regarding global supply chains, raw material shortages triggered an acute supply crisis in the agricultural sector and drove up agricultural operating costs; 33% of global fertilizer supplies were disrupted, and global exports fell by 9%. Furthermore, additional financial costs amounting to millions of dollars per voyage drove up shipping prices borne by consumers; specifically, war risk insurance premiums rose from 0.125% to 0.4% per transit. The study recommends enhancing maritime security and diversifying energy and trade routes. For governments and companies, the issue is no longer merely about when conditions in the Strait of Hormuz will return to normal; rather, the crisis is fundamentally reshaping how states and businesses approach energy security, maritime shipping, and global supply chains issues that remain central to international trade. The post-conflict phase is likely to be characterized by the imposition of partial restrictions and a reliance on negotiated arrangements regarding transit operations. The Strait crisis demonstrates that maritime chokepoints pose risks to the global economy; global trade remains highly vulnerable to geopolitical shocks unless structural reliance on these vital corridors is systematically reduced.

KEYWORDS: Strait of Hormuz, International Trade, Global Energy Markets, Global Supply Chains

1. INTRODUCTION

International trade and energy sectors rely heavily on a limited number of maritime straits. These play a vital role in facilitating the movement of goods and energy across different regions. At the same time, this geographic concentration entails structural risks, as disruption at any single location can have ripple effects extending to supply chains, commodity markets, energy markets, and the global economy, (Khan, Lee, & Chen, 2026). At the macroeconomic level, the conflict triggers a classic supply-side shock characterized by rising input costs coupled with slowing growth. This combination of factors heightens the risk of stagflation a high inflation and weak economic activity. Several channels exist through which conflict's impact transmits to economies: The first channel involves rising energy and food costs; increases in oil and gas prices drive up production and transport costs across various sectors, leading to higher consumer goods prices. Additionally, high prices and fertilizer shortages can impact food production. The second channel concerns trade disruptions, where limited shipping capacity and rising costs hinder global trade flows. Regarding the financial tightening channel, heightened uncertainty leads to tighter financial conditions and a decline in investment. Finally, the income effects channel sees reduced remittances and tourism revenues impacting household incomes in vulnerable economies (Canuto, 2026).

The Strait of Hormuz stands as one of the most geostrategic significant points in the current global geopolitical landscape and ranks among the most vital corridors or "chokepoints" for energy supplies. Serving as a primary artery for a substantial share of global oil and liquefied natural gas (LNG) exports, the Strait plays a pivotal role in international trade, global energy, and economic stability.

The Strait's strategic importance extends beyond regional politics to encompass the global economic impact of any potential disruptions within it. Given the world's reliance on oil exports from the Gulf region, any military escalation or blockade in the Strait could trigger oil price volatility, supply chain disruptions, inflation, and financial instability in international markets. Oil importing

economies particularly in Asia and Europe remain heavily dependent on stable energy supplies from Gulf. Consequently, geopolitical concerns regarding the Strait of Hormuz transcend regional security issues, evolving into matters of international economic significance with far-reaching implications for global trade, transportation, and financial markets.

Since the crisis erupted on February 28, 2026, the Strait of Hormuz has faced a near-total standstill; Ship traffic through the strait has experienced a sharp decline, disrupting over 95% of shipping flows and driving the daily transit rate to near zero, with only limited passage permitted under special permits. The Strait is a critical artery through which 20% to 25% of the world's seaborne oil passes, alongside vast quantities of liquefied natural gas (LNG), petrochemicals, and fertilizers essential to the agricultural sector. Ongoing military escalation in the region has disrupted shipping through the Strait. Identifying alternatives for Gulf oil shipments passing through the Strait is crucial to mitigating the economic damage that oil importing countries would suffer in the event of a major disruption to shipping traffic (Brito, & Jaffe, 2005). This necessitates finding alternatives, rerouting shipments, or managing—through storage or rationing supplies of crude oil and LNG before downstream sectors in the value chain (such as refining, power and gas utilities, and energy-intensive production activities) can adapt to the new situation. Furthermore, factors such as tanker routes, freight rates, war-risk insurance, port handling operations, storage, and transport support services will all alter the final cost of energy and related inputs. Initial financial impacts will manifest across Gulf energy export hubs, refining systems, utility facilities, the maritime transport sector, and associated support services. As for the subsequent effects, they will be less apparent in trade flow indicators, given that industrial users purchase both energy and intermediate goods, the costs of which already incorporate energy, logistics, and transport support components (An, et al. 2026). The absence of effective alternative routes has exacerbated pressures on global energy markets and heightened concerns regarding supply stability; consequently, energy exporting countries face a drop in foreign currency, while energy importing countries grapple with rising costs, mounting inflationary pressures, and slowing economic growth. (Razavi, et al, 2026). To fully grasp this, it is essential to understand the pivotal role this waterway plays in international trade and the global economy.

The United Nations Conference on Trade and Development (UNCTAD) has identified 65 impoverished nations simultaneously exposed to rising fuel prices and shocks to food imports. Most of these countries import both oil and grain, leaving their economies to shoulder the burden of higher shipping rates, insurance costs, and energy bills. Approximately one billion people live in these economies, with more than 30% surviving on less than $3 a day (UNCTAD, 2 June 2026).

1.1 Research Problem

The problem lies in the region's ongoing geopolitical and security tensions, which give rise to recurring threats of closing the strait or targeting oil tankers. The impact of these threats is not limited to the littoral states; it extends to causing immediate shocks in global energy markets, record surges in shipping and maritime insurance costs, and disruptions to international supply chains. Consequently, the lack of a study assessing the scale of these repercussions and their impact on major and emerging economic powers represents a knowledge gap that threatens the stability of global economic planning, thereby necessitating an evaluation of available alternatives and solutions. The research problem lies in answering the question: How has the near-total closure of the Strait of Hormuz since February 2026 affected international trade flows, energy markets, and maritime transport costs and supply chains?

1.2 Research Objectives

The primary objective of this research is to analyze and evaluate the implications of the Strait of Hormuz for international trade. This entails the following sub-objectives:

1. Analyzing the responsiveness of global energy markets to recurring security threats and closures of the strait.
2. Monitoring and analyzing rising maritime shipping costs and changes in insurance premiums resulting from crises associated with this waterway.
3. Assessing the impact on supply chains in countries most dependent on imports passing through the strait.

1.3 Literature Review

The economic and geopolitical significance of the Strait of Hormuz has generated a vast body of research spanning diverse fields, including maritime transport economics, energy security, and international trade (Iqbal & Ikram, 2026). Previous studies analyzing the repercussions of a Strait of Hormuz closure on international trade have focused on understanding the dynamic and logistical mechanisms through which a localized disruption in the waterway escalates into a global economic crisis. This review synthesizes existing literature, categorizing it into three primary analytical approaches.

Macroeconomic impact studies: recent studies have increasingly focused on the Strait particularly following recent unrest and military activities there with some examining the repercussions on the global economy. A study by International Monetary Fund IMF, (2026) indicated that a complete closure of the strait for a period of three to six months could drive global oil prices up by

50% to 100%, causing the global economy to lose approximately 1.5% to 2.0% of its total output, while pushing major Asian importing nations into a state of severe stagflation. Rifa'i, (2026), reveals significant regional disparities; the Middle East sustains the heaviest losses in terms of GDP and welfare indicators, income, investment, and trade volume. Conversely, energy-exporting nations particularly Russia and the United States benefit from shifts in trade routes and rising global energy prices. Findings indicate an expansion in crude oil and natural gas production, whereas manufacturing and energy intensive industries experience contraction due to rising energy and logistics costs. Khan, Lee, & Chen, (2026) indicate that heightened disruptions are associated with slower trade growth and rising inflation, with more pronounced responses observed in highly exposed economies. Evidence regarding transmission mechanisms aligns with the hypothesis that impacts are transmitted through oil price pressures and maritime logistics bottlenecks. as well (Gaffor, et. el, (2026), concluded that oil supply disruptions in the Strait of Hormuz are a key factor in global oil price volatility, highlighting the need to enhance energy security and adopt diversified supply strategies.

Studies on **shipping costs, and logistics**: such as UNCTAD, 2026 indicate that closing the strait compels tankers to seek lengthy overland or maritime alternatives. Furthermore, the study demonstrates that the surge in shipping rates is not confined to the Arabian Gulf region; rather, the resulting shortage in maritime fleet capacity drives up rates for container and bulk cargo globally even on distant routes across the Pacific and Atlantic, as vessels are reallocated to address the shortfall.

Global Supply Chain Studies: Recent research has shifted focus to the intricate interconnections of international trade, specifically global supply chains. Studies by King Abdullah Petroleum Studies and Research Center (KAPSARC, 2025), indicated that the Strait of Hormuz is not merely an energy corridor but a vital artery for the export of petrochemicals and nitrogen-based fertilizers. demonstrates that any disruption to the supply of these intermediate materials adversely affects plastics manufacturing, the automotive industry, and agricultural sectors worldwide. Consequently, the non-oil exports of major industrial countries such as China and Germany suffer due to shortages in chemical inputs originating from the Gulf. The study McKinsey Global Institute**.** (2026). indicated that global stocks of refined products would be depleted within a few weeks of the strait's closure, given the absence of strategic reserves for refined products comparable to those for crude oil thereby threatening the global road and air transport sectors. Meza, et al. (2026), examine disruptions in the (LNG) trade and their repercussions across various timeframes. The results indicate that the market can absorb short-term disruptions lasting one month, as importers are able to secure alternative suppliers, However, in cases of shutdowns exceeding six months, the market experiences imbalances that prevent the needs of all importers from being met, and global LNG trade volumes decline.

Table 1: Key findings of previous studies on the repercussions of closing the Strait of Hormuz.

Author	Methodology	Scope	Key Findings
International Monetary Fund (IMF) (2026)	General Equilibrium Model.	Global Economy	Global crude oil prices rose by 50% - 100%.
			Global GDP contracts by **1.5% to 2.0%**.
			stagflation shocks in major Asian net-importing economies.
(UNCTAD) (2026)	Maritime Network Analysis	Global Maritime Trade	War Risk Insurance premiums up to **1000%**.
			The redistribution of the global fleet is driving up shipping rates along alternative trade routes.
			Power outages and industrial network failures in East Asia and Europe.
			Lack of routing flexibility due to the absence of cross-border LNG diversion pipelines.
McKinsey Global Institute (2026)	Supply Chain Simulation	Global Supply Chain	Global inventories of refined products will be depleted within weeks.
			Severe operational bottlenecks trigger downstream impacts on global petrochemicals.
			Redirecting resources toward safe-haven assets (gold and U.S. Treasury bonds).
KAPSARC (2026)	Global Energy Transit Optimization Models.	Regional (Middle East)	Terrestrial pipelines (Saudi East-West & Habshan-Fujairah) partially mitigate the shock.
			Elevated overland logistics costs and pipeline capacity caps sustain high global refinery crude costs.

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Despite the abundance of literature discussing the geopolitical importance of the Strait of Hormuz, most studies have focused on purely security and military aspects or limited themselves to tracking the immediate impact on oil prices. This study aims to bridge this knowledge gap by providing a comprehensive descriptive analysis linking international trade to the post-2026 crisis. The study addresses the issue of how the effects of a near-total closure of the Strait of Hormuz would transmit to international trade—through disrupted energy and commodity flows, increased shipping and insurance costs, and supply chain disruptions while highlighting the varying impact on energy-exporting versus energy-importing countries during 2026, employing a descriptive analysis based on prior studies and reports, as well as data from the United Nations Conference on Trade and Development (UNCTAD) and the International Energy Agency (IEA).

2. CONCEPTUAL AND GEOGRAPHICAL FRAMEWORK

The Strait of Hormuz is a narrow waterway connecting the Arabian Gulf to the Gulf of Oman and the Arabian Sea, with a width ranging from 21 to 60 nautical miles (approximately 33 to 95 kilometers). Its strategic importance lies in its role as the primary route for oil exports from the Middle East, with Iran and the Sultanate of Oman being the countries closest to the strait (Mustapha, et al, 2026). Historically, the vulnerability of the Strait of Hormuz became particularly evident during periods of regional conflict; for instance, during the Iran-Iraq War in the 1980s, attacks on commercial vessels in the Arabian Gulf highlighted how quickly tensions could disrupt international trade routes. Oil tankers and merchant ships became targets in a conflict that extended beyond traditional battlefields into the maritime domain, ultimately prompting external powers to intervene to ensure the safe passage of commercial shipping. These events demonstrated how instability in a narrow maritime corridor can generate far-reaching repercussions affecting global energy markets and international trade (Egwuatu, 2026). The Strait of Hormuz serves as a vital artery for the global energy economy and is internationally recognized as the most critical maritime "chokepoint" for oil transport. This paramount importance stems from the daily volumes of flow and the strait's role as a primary—or sole—route for exporting oil and gas from some of the world's largest fields; nations such as Iraq, Kuwait, and Qatar rely on the strait for trade with international markets, and a significant portion of Saudi and Emirati oil exports also passes through it. In 2025, approximately 15 million barrels per day (bpd) of crude oil and 5 million bpd of refined petroleum products were exported through the strait. Daily flows through the strait range between 17 and 20 million barrels of crude oil and petroleum products. This massive volume represents nearly 20% of total global oil consumption and more than a quarter of seaborne oil trade. The strait's importance extends beyond oil; it facilitates the transit of about 20% of global (LNG) trade and serves as a key route for Qatari exports to various markets. It also acts as a vital artery for Asian markets, with over 80% of the energy supplies passing through the strait destined for major Asian industrial powers such as China, India, Japan, and South Korea. Regarding global food security, oil and gas are linked to fertilizer production; approximately one-third of global seaborne fertilizer trade (including urea and ammonia produced in the Gulf region) passes through the strait, directly linking the security of this corridor to global food prices.

Estimates indicate that between 80% and 89% of the crude oil passing through the Strait of Hormuz is shipped to Asian refineries, with China and India alone receiving more than 40% of these volumes. Japan and South Korea also rely heavily on energy from the Gulf, sourcing approximately 95% and 75% of their crude oil needs from the region, respectively. Even the United States—despite significant increases in domestic production in recent years—continues to rely on the strait to meet approximately 7% of its oil consumption.

A report by (UNCTAD, 2026) highlights the strait's strategic importance in the global fertilizer trade, noting that one-third of seaborne fertilizer shipments pass through it. In 2024, approximately 16 million tons were transported from the Gulf region; urea accounted for the largest share (67%), followed by diammonium phosphate (20%), monoammonium phosphate (9%), and other types of fertilizers (4%). These figures underscore the pivotal role the strait plays in supporting global agricultural supply chains.

Table 2: Exports of petroleum products through the Strait of Hormuz in 2025.

Country	Crude oil	Products	Total
Bahrain	0	0.21	0.21
Iran	1.69	0.72	2.41
Iraq	3.32	0.31	3.63
Kuwait	1.4	0.97	2.37
Qatar	0.73	0.69	1.43
Saudi Arabia	5.43	0.8	6.23
Saudi Kuwaiti Neutral Zone	0.35	0	0.35

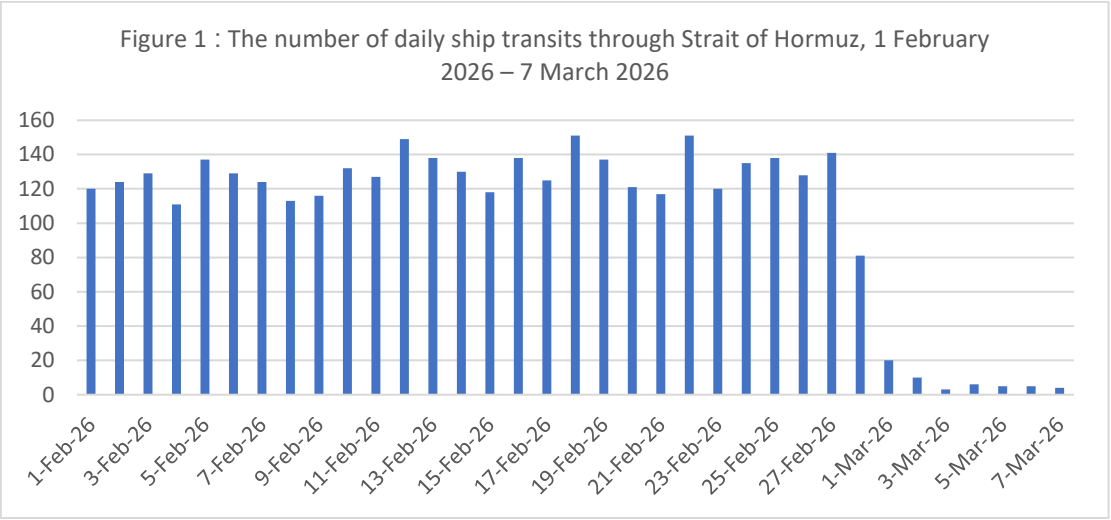
United Arab Emirates	2.02	1.22	3.24
Total Hormuz	14.95	4.93	19.87

Sources: International Energy Agency IEA

3. Repercussions of Strait Disruption or Closure on International Trade

The Strait of Hormuz is generally discussed in the context of geopolitical risks, maritime security, and international energy trade (Tur, & Bayindir, 2026). According to the (UNCTAD, 2026), approximately 25% of global seaborne oil trade passes through the Strait of Hormuz, including 38% of crude oil, 19% of liquefied natural gas (LNG), 29% of liquefied petroleum gas (LPG), 19% of refined petroleum products, and 13% of chemicals (including fertilizers). In 2024, oil volumes passing through the Strait reached about 20 million barrels per day. However, following escalating tensions, reports indicate a 97% drop in vessel traffic, falling from around 129 ships per day to just four by early March 2026. These disruptions triggered immediate market shocks: oil prices rose by 27% and gas prices by 74%, while tanker shipping cost indices surged by 54% to 72%, and war-risk insurance premiums for vessels doubled or quadrupled. UNCTAD also projected a slowdown in global merchandise trade growth, dropping from 4.7% in 2025 to between 1.5% and 2.5% in 2026, highlighting how regional conflicts can trigger waves of global inflation and shocks to the logistics sector.

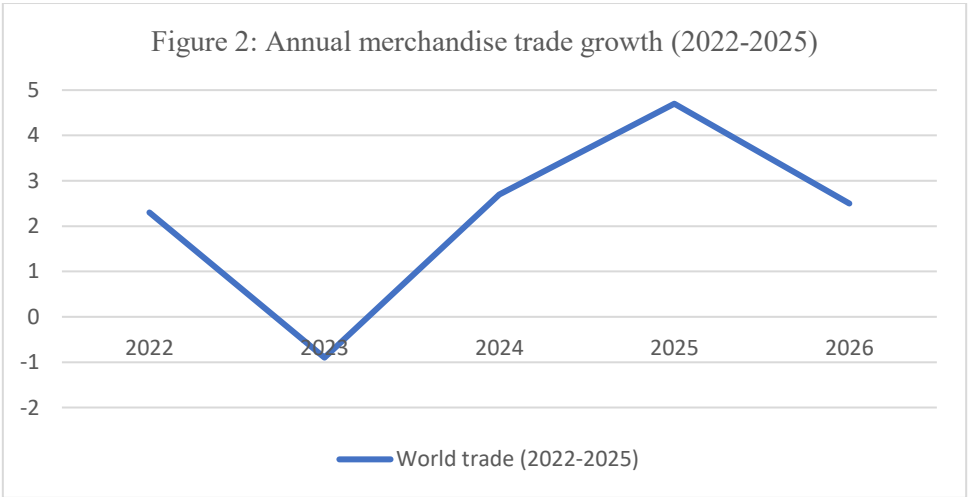
Figure 1 : The number of daily ship transits through Strait of Hormuz, 1 February 2026 – 7 March 2026



Source: UN Trade and Development (UNCTAD).

As a result of the near-total standstill in the strait, international trade networks have begun implementing a costly route-diversion program. Commercial shipping is bypassing the Middle East in favor of routes around the southern tip of Africa, a detour that adds 10 to 14 days to standard voyages between Asia and Europe. This extended transit time reduces global shipping, keeping spot rates for container shipping at extremely high levels.

Figure 2: Annual merchandise trade growth (2022-2025)



Source: UNCTAD.

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The repercussions of the closure on global imports: the shutdown triggers an immediate supply shock at the ports of importing nations and disrupts the flow of intermediate industrial inputs, such as raw materials and intermediate goods—upon which major factories in Europe and East Asia rely for petrochemicals, and fertilizers shipped through the strait (McKinsey, 2026). These disruptions slow down global production lines for textiles, plastics, automobiles, and paints due to raw material shortages (McKinsey, 2026). Furthermore, energy-importing nations (such as Japan, South Korea, and India) face a massive surge in import costs (IMF, 2026). This spike depletes the foreign currency reserves of developing nations and compels governments to curtail imports of other consumer and capital goods to cover essential oil costs (UNCTAD, 2026). Additionally, shipments of liquefied natural gas (LNG) destined for East Asia and Europe face an immediate 20% disruption, resulting in an absolute import shortfall that cannot be offset via alternative ports in the short term.

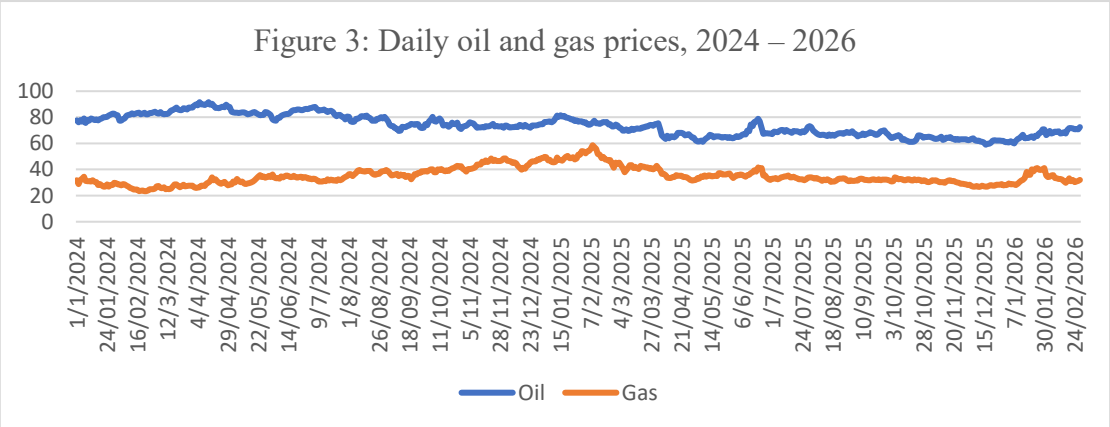
The repercussions extend beyond importing countries to affect export countries through a loss of price competitiveness. Record-high oil prices—reaching $130 per barrel under shutdown scenarios—drive up production and utility costs, as well as global maritime shipping expenses (IMF, 2026). Consequently, the prices of manufactured goods from countries like China and Germany rise, undermining their export competitiveness in international markets and dampening global demand. Furthermore, shutdowns lead to a contraction in non-oil exports from Gulf states, depriving international markets of vital supply chains and reshaping market share in favor of exporters outside the region.

3.1 Energy supply shock

The impact of a potential closure of the Strait of Hormuz is closely linked to the volume of energy flowing through it. Economic literature on oil shocks helps explain this response, demonstrating that supply disruptions can affect inflation, output, investment, and asset prices—though the severity of the impact depends on the source of the shock and the structure of the affected economy. Sirojiddinovich, et al. 2026).

According to data from the U.S. Energy Information Administration, the average flow of oil through the strait reached approximately 20.9 million barrels per day in the first half of 2025; this volume comprised about 15 million barrels per day of crude oil and condensate, with the remainder consisting of refined petroleum products. Meanwhile, International Energy Agency estimates for the full year of 2025 indicated that flows of crude and petroleum products totaled around 20 million barrels per day, supplemented by another 5 million barrels per day (in oil-equivalent terms) destined primarily for Asian markets; the agency also noted that approximately 25 percent of global seaborne oil trade passed through the strait that year. Furthermore, this waterway handles about one-fifth of global (LNG) trade, a sector dominated by exports from Qatar. (Shifaa, 2026).

Oil markets have reacted swiftly, with Brent crude prices now surpassing the $90-per-barrel. Rising costs for energy, fertilizers, and transportation, including bunker fuel prices, and insurance premiums. likely to drive up food prices and exacerbate cost of living, particularly for the most vulnerable populations. Similar repercussions were observed during recent global shocks, such as the COVID-19 pandemic and the war in Ukraine; these events demonstrated how disruptions in the energy, transport, and agricultural input sectors can propagate and intensify across interconnected markets. (UNCTAD, 2026/1)



Source: (UNCTAD).

Reports from the International Energy Agency (IEA) indicate that disruptions to (LNG) flows through the Strait of Hormuz would deal a major supply shock to the global gas market, given Qatar's pivotal role in the global LNG trade and the impossibility of rerouting these volumes to markets via alternative paths. Global LNG supplies would drop by more than 300 million cubic meters per day. Since liquefaction plants in other exporting regions are already operating near maximum capacity, compensating for these lost volumes would prove difficult. The loss of approximately 20% of global LNG supplies would trigger price volatility and

necessitate adjustments to demand levels in key import markets across Asia and Europe. Countries reliant on Qatari and Emirati LNG would be the most severely affected. (IEA, 2026)

Reports by (IEA) also indicated that Bangladesh, India, and Pakistan sourced nearly two-thirds of their total LNG supplies via the Strait of Hormuz in 2025, making them particularly vulnerable to potential supply disruptions. Furthermore, natural gas holds a dominant share of the power generation sectors in both Bangladesh and Pakistan; gas-fired power plants accounted for 50% and 25% of the electricity supply mix in these respective countries during 2024. An LNG supply shortfall would compromise electricity supply security in these price-sensitive markets and could lead to reduced production rates in gas-intensive industries, including the fertilizer sector. However, the impact of this supply shock will extend well beyond markets that rely directly on Qatar and Emirat LNG; the resulting supply shortage will inevitably intensify competition for gas shipments, exerting strong upward pressure on prices in both Asia and Europe. Ultimately, a shock of this magnitude will necessitate demand-side adjustments, including reducing reliance on gas-fired power plants, mandating energy conservation measures in public buildings, and curtailing production in gas- and energy-intensive industrial sectors. (IEA, 2026)

Oil and natural gas prices have experienced sharp volatility since the outbreak of the war. Following the largest disruption to oil supplies in history, Brent crude futures the global benchmark for crude oil prices surged, peaking in late April at levels more than 60% above pre-conflict figures. Prices retreated in late May and early June as the release of strategic reserves and weaker demand helped ease market tightness, coinciding with announcements from the United States and Iran regarding a provisional agreement to end hostilities. However, prices rebounded sharply to reach their highest levels since May following the collapse of the ceasefire agreement.

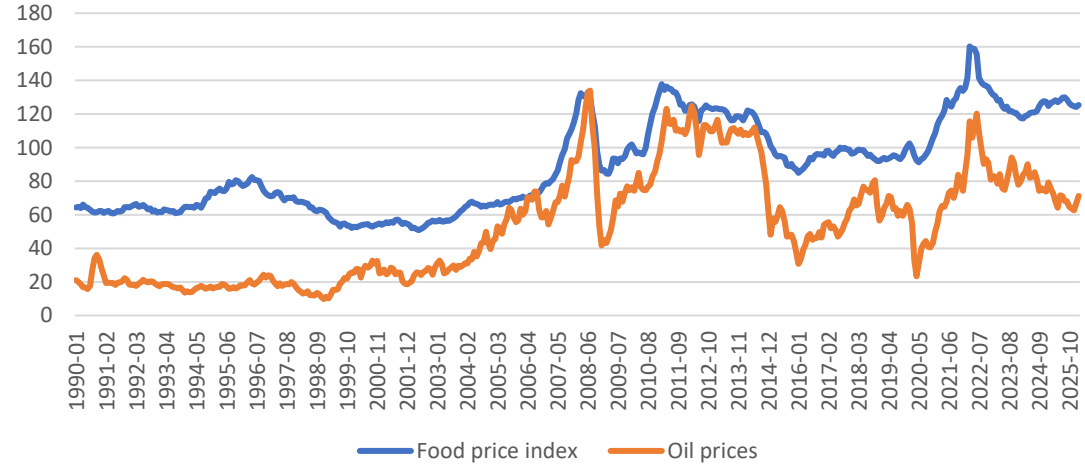
the price of diesel which accounts for approximately 30% of global oil demand—has nearly doubled in the United States compared to pre-war levels, with prices in Europe and Asia tracking closely behind. Costs associated with petrochemical feedstocks used to produce plastics, chemical products, and fertilizers are also rising.

3.2 Disruption of global supply chains

Markets for other commodities have also been affected by shipping disruptions in the Strait of Hormuz, with repercussions extending to the energy sector and beyond. Global food production relies heavily on inputs derived from Gulf hydrocarbons; natural gas is the primary feedstock for nitrogen-based fertilizers, and Gulf chemical exports underpin agricultural supply chains worldwide. When energy supplies are disrupted, the impact cascades from chemical production through to agriculture, driving up welfare costs to levels far exceeding the predictions of traditional trade models (Hinz, 2026).

Rising oil prices as well as increased costs for energy, fertilizers, and transportation (including freight rates, bunker fuel prices, and insurance premiums) could drive up food costs and exacerbate cost-of-living pressures. The following figure illustrates the relationship between oil prices and food prices.

Figure 4: Monthly food price index and crude oil prices, 1990 - 2026

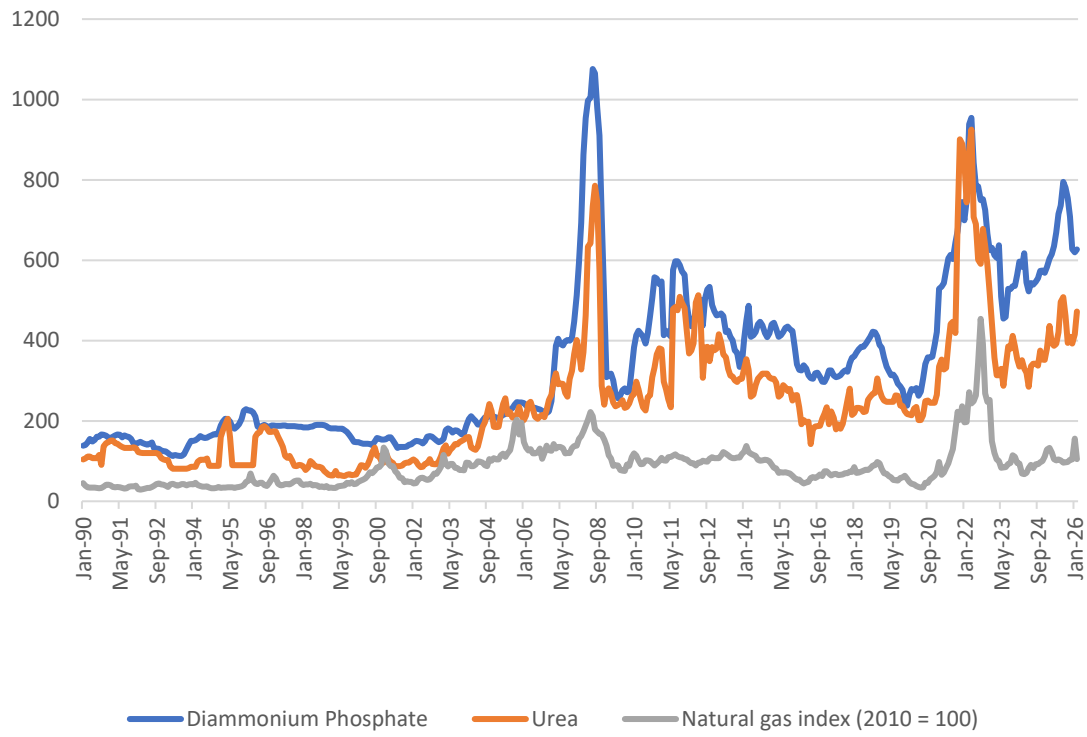


The fertilizer supply sector is particularly vulnerable; more than 30% of global urea trade along with approximately 20% of ammonia and phosphate trade passes through the Strait, posing risks to food prices and food security. Furthermore, disruptions in this sector could have indirect effects on energy markets, given that some nations rely on imported (LNG) to power domestic fertilizer plants.

Additionally, the Gulf region accounts for about 8% of global aluminum supplies—a metal used in various energy technologies as well as in the construction and manufacturing sectors. Approximately 5 million tons of aluminum are shipped annually through the Strait from smelters in Bahrain, Qatar, Saudi Arabia, and the United Arab Emirates.

About half of the global seaborne trade in sulfur also passes through the Strait of Hormuz. The applications of sulfuric acid extend beyond fertilizer and chemical production to include oil refining and the processing of vital metals such as copper, nickel, and zinc.

Figure 5: Monthly natural gas price index and prices of fertilizers in dollars, 1990 –2026



3.3 Rising logistics costs:

Geopolitical tensions in the region are driving record spikes in war-risk insurance premiums for ships and oil tankers. These additional costs are passed directly on to the end consumer, fueling global inflation rates. The 2026 crisis starkly illustrated the transmission mechanism; following the escalation that began on February 28, vessel traffic plummeted to a fraction of its usual levels. Shipping and insurance costs skyrocketed, benchmark crude oil and gas prices surged sharply, and production in the Gulf region stalled due to constraints on export outlets and storage capacities—with the repercussions extending to vulnerable importing economies. By June, the International Energy Agency had characterized the event as the largest oil supply disruption in history. The mechanism at play was not merely the physical obstruction of passage, but rather a collapse of confidence in the viability of continued transit specifically, the ability to ensure passage that was safe, insurable, financeable, and repeatable on a commercial scale. (Kovich, 2026).

According to (UNCTAD, 2026), war risk insurance premiums have surged, significantly driving up shipping costs. Prior to the crisis, a typical 0.25% premium on a $100 million vessel amounted to approximately $250,000 per voyage. As risks escalated, premiums doubled to $500,000—a 100% increase—while in higher-risk scenarios, they rose by 300% to reach $1 million per voyage. The chart illustrates how escalating geopolitical tensions can rapidly double operating costs for global shipping.

Any threat to the strait trigger's immediate spikes in the prices of Brent crude and natural gas. This surge is not limited to direct consumers; it extends to driving up production and operating costs across various industrial sectors worldwide.

Evolution of shipping costs between June 1, 2025, and June 23, 2026. The index covers 68 routes originating from key export regions, including Argentina, Australia, Brazil, the Black Sea region, Canada, the European Union, and the United States(UNCTAD, 30 Jun 2026).

International Grains Council (IGC) Grains and Oilseeds Freight Index (GOFI), 1 January 2013 = 100, 2013 – June 2026

Figure 6: International Grains Council (IGC) Grains and Oilseeds Freight Index (GOFI), 2013 – June 2026



3.4 Impact on major economies:

Many developing countries are already grappling with heavy debt-service burdens, limited fiscal space, and difficulties in accessing financing. Under these circumstances, rising energy, transport, and food costs can strain public finances and increase pressure on household budgets; this risks exacerbating economic and social strains and hindering progress toward sustainable development, particularly in economies heavily reliant on imports of energy, fertilizers, and staple foods.

Table 3: Share of certain developing countries in fertilizers imported by sea from the Gulf region 2024

Economy	Share	LDC
Sudan	53.89	Least developed
Sri Lanka	36.42	Developing
Australia	32.16	Developed
United Republic of Tanzania	31.46	Least developed
Somalia	30.1	Least developed
Pakistan	26.99	Developing
Thailand	26.77	Developing
Kenya	26.46	Developing
New Zealand	26.04	Developed
Mozambique	21.8	Least developed

Source: UNCTAD seaborne trade data.

According to United Nations (UNCTAD) reports, dozens of developing countries are vulnerable to a double shock—rising shipping fuel prices coinciding with increased costs for food and fertilizer imports—placing their budgets under severe strain.

Reports by IMF, (2026) concur that the impact of the shutdown on international trade manifests in structurally uneven ways. Regarding the balance of payments shock in East Asia, major Asian importers (Japan, South Korea, India, and China) face a dual trade shock: their energy import bills are rising sharply while the competitiveness of their industrial exports is declining due to higher domestic production costs, leading to a rapid deterioration in their trade balances (trade deficits). quantitative models show that a prolonged shutdown compels importing nations to reshape their trade partnerships and shift toward alternative energy suppliers (such as the United States, West African nations, and the North Sea); this permanently redraws the map of global trade flows and creates new centers of trade influence outside the Middle East.

Disruptions in the Strait of Hormuz have macroeconomic repercussions. However, this impact is unevenly distributed, with Asia and energy-importing economies bearing the brunt. The impact of these conditions extends to a wide range of corporate systems; precise, detailed data reveals that over 44,000 business entities—spread across 174 economies—maintain direct commercial ties to cargo shipments passing through the Strait of Hormuz. Risk concentration varies significantly by geography, with the heaviest

burden falling on nations that rely heavily on importing large volumes of containerized industrial inputs or on key export flows, specifically:

Asia emerges as the region most affected outside the Middle East; countries such as Thailand, South Korea, and the Philippines face rising import costs, deteriorating current account balances, and escalating inflation.

In China, stockpiles, domestic coal and renewable energy production capacities, and price-control mechanisms have helped mitigate the crisis's shock and provided the country with some breathing room regarding oil and gas supplies; nevertheless, weak global demand for its exports will inevitably lead to tangible consequences.

Europe faces a less severe though still significant impact; while it is not directly affected by supply disruptions, rising energy prices could lead to slower growth and higher inflation. The magnitude of this impact depends on the duration of the conflict: short-term disruption would have limited effects, whereas a prolonged conflict could lead to persistent inflation and a tightening of monetary policy.

In the United States and Canada, the impact is somewhat mitigated by domestic energy production; however, sustained high oil prices could still drive inflation and slow growth. The impact of a war with Iran would persist even after the conflict ends, as higher fuel costs filter through to the business sector and inflationary pressures remain.

Latin America and the Caribbean, meanwhile, face mixed prospects; While oil-producing nations (Argentina, Brazil, Colombia, Ecuador, Guyana, Trinidad and Tobago, and Venezuela) may benefit from rising prices, the region is likely to experience slower growth, higher inflation, and currency depreciation. For instance, although Brazil's oil production and exports would benefit from improved terms of trade, the rising costs of imported diesel and fertilizers would harm the economy (Canuto, 2026). Tourism-dependent Caribbean economies, Central American nations vulnerable to energy price volatility, and countries with current account deficits that rely on global financing will also suffer.

United Nations Development, and the Economic Commission for Africa highlights that African economies entered this crisis facing inflationary pressures, constraints on debt refinancing, and a heavy reliance on food, fuel, and fertilizer imports. The study also notes the depreciation of 29 African currencies following the outbreak of the conflict, while Africa's oil import bill—estimated at approximately $100 billion for 2024 faces mounting pressure due to rising prices (Mohamed, et. al 2026).

The repercussions resulting from disruption of the Strait of Hormuz can be categorized across four interconnected operational tracks.

Table 4: The repercussions of the disruption of navigation in the Strait of Hormuz

Affected track	Statistic indicator	Repercussion
International Trade	Global merchandise trade is expected to slow from about 4.7% in 2025 to 1.5–2.5% in 2026.	Macroeconomic disruption stems from delays, low inventory levels, and declining aggregate demand, leading to a slowdown in global GDP and the movement of goods
Energy supply shock	97% drop in vessel traffic; WTI crude projections up to $132/barrel.	Traffic came to a halt, leading to mandatory energy consumption restrictions in heavy manufacturing sectors across Europe and industrial Asia, as well as energy supply .constraints in Africa
Global supply chains	33% of global fertilizers blocked; exports down 9% globally.	A shortage of raw materials creates a supply crisis in the agricultural sector, leading to increased agricultural operating costs.
Logistics costs	War-risk insurance spiked from 0.125% to 0.4% per transit.	Additional financial costs amounting to millions of dollars per voyage, driving up shipping rates borne by the consumer

4. CONCLUSION AND FINDINGS

The Strait of Hormuz is one of the world's most critical "chokepoints," facilitating the transit of approximately one-quarter of global seaborne oil trade, alongside significant volumes of (LNG) and fertilizers. Ongoing military escalation in the region has disrupted navigation through this narrow corridor; the repercussions extend far beyond the region itself, impacting energy markets and global supply chains. Oil markets have reacted swiftly. Furthermore, rising costs for energy, fertilizers, transport, shipping, marine fuel, and insurance premiums threaten to drive up food prices and exacerbate cost-of-living pressures, particularly for vulnerable economies. These findings underscore the vital importance of the Strait of Hormuz to international

trade, the limited availability of short-term alternatives, and the rapid transmission of geopolitical risks affecting the global economy.

The repercussions of the near-total closure of the strait can be categorized into four interconnected tracks.

International Trade: Global trade in goods is expected to slow from approximately 4.7% in 2025 to a range of 1.5%–2.5% in 2026. Macroeconomic disruptions—stemming from delays, low inventory levels, and declining aggregate demand—are driving a slowdown in global GDP growth and the movement of goods.

Energy Supply Shock :Traffic through vital corridors has halted, leading to mandatory energy consumption restrictions in heavy manufacturing sectors across Europe and industrial Asia, as well as energy supply constraints in Africa. Vessel traffic has dropped by 97%, and the projected price for West Texas Intermediate (WTI) crude oil has reached $132 per barrel.

Global Supply Chains :Raw material shortages have triggered an acute supply crisis in the agricultural sector. This directly driving up agricultural operating costs, as 33% of global fertilizer supplies have been disrupted and global exports have fallen by 9%.

Logistics Costs :Additional financial costs amounting to millions of dollars per voyage have driven up shipping prices passed on to consumers; specifically, war risk insurance premiums have risen from 0.125% to 0.4% per transit.

Finally, the Strait of Hormuz crisis demonstrates that geographically confined maritime chokepoints pose systemic risks to the global macroeconomy. Unless structural reliance on these vital corridors is systematically reduced, global trade will remain highly vulnerable to geopolitical shocks. The study recommends:

1. Enhancing maritime security and diversifying energy and trade routes located outside the Arabian Gulf region (such as the "East-West" pipeline in Saudi Arabia and the "Habshan-Fujairah" pipeline in the UAE) to reduce absolute reliance on the Strait.
2. Shipping companies should develop protocols that include pre-determined alternative routes—factoring in associated costs and transit times, such as the Cape of Good Hope route or the Northern Sea Route—to avoid immediate disruptions to shipping traffic during periods of tension.
3. Urging international maritime organizations to establish regulatory frameworks that prevent insurance companies from imposing unjustified "war risk premiums," which negatively impact global consumer goods prices.

For governments and companies, the issue is no longer merely about when conditions in the Strait of Hormuz will return to normal; it goes further, raising a fundamental question: Does this crisis represent a permanent shift in how nations and corporations approach energy security, maritime shipping, and global supply chains? This issue remains of paramount importance in international trade. Experts emphasize that the post-conflict order in the Gulf is unlikely to be defined by a stark binary choice—namely, a trade-off between absolute freedom of navigation and total Iranian control. Instead, the post-conflict phase is likely to be characterized by the imposition of partial restrictions and a reliance on negotiated arrangements regarding transit (Bahgat, 2026).

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