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Middle East Conflict:

The 2026 Supply Chain Disruptions

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Introduction

The global economy is navigating what may prove to be one of the most severe logistical disruptions in modern history. As of March 18, 2026, escalating conflict in the Middle East has evolved from a regional security crisis into a systemic threat to global trade.

At the center of this disruption lies a strategic "triple shock": the effective shutdown of the Strait of Hormuz, instability across the Red Sea corridor, and the paralysis of key Gulf aviation hubs. Together, these forces are driving a rapid and costly reconfiguration of global supply chains for energy, manufactured goods, and critical commodities.

Commodity markets have already reacted sharply. Oil prices have surged, raising fuel costs across Asia, while Europe faces second-order effects through higher import prices and mounting pressure on industrial production.

A Maritime System Under Constraint

The Strait of Hormuz—through which roughly 20% of global oil supply transits—has become the epicenter of disruption.

While not officially closed, commercial shipping activity has effectively collapsed.
1 Prior to the crisis, more than 30,000 vessels transited the Strait annually. Since March 4, daily crossings have fallen to just two outbound vessels, with virtually no inbound traffic recorded.

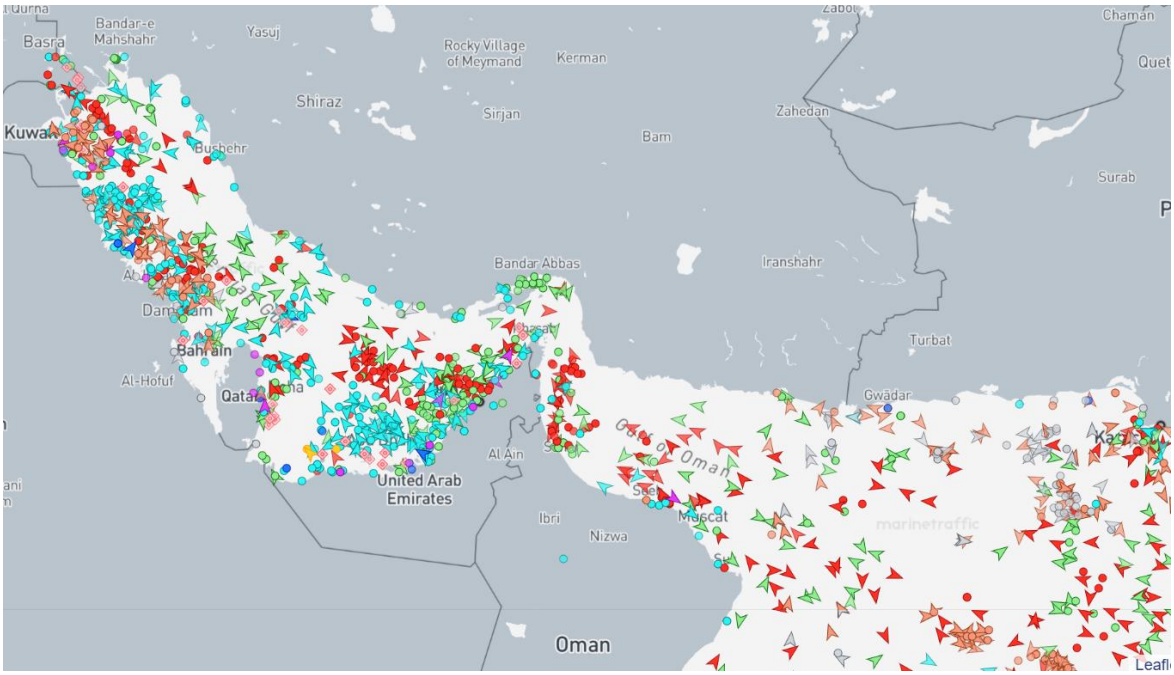

Figure 1 Live caption of Vessels in the Straight of Hormuz region, March 18th, Source: MarineTraffic

What remains is largely composed of "shadow fleet" operations—primarily Russian and Chinese-linked tankers operating under opaque tracking conditions.

2 This abrupt contraction has created a de facto maritime chokepoint.

To quantify the scale and asymmetry of this disruption, Figure 2 compares weekly vessel traffic across the Strait of Hormuz, the Suez Canal, and Bab el-Mandeb. The divergence is striking. While traffic through Suez and Bab el-Mandeb remained broadly stable throughout Q1 2026, the Strait of Hormuz experienced an exponential and near-total collapse, from over 100 vessels per week in mid-February to 6 by the second week of March 2026.

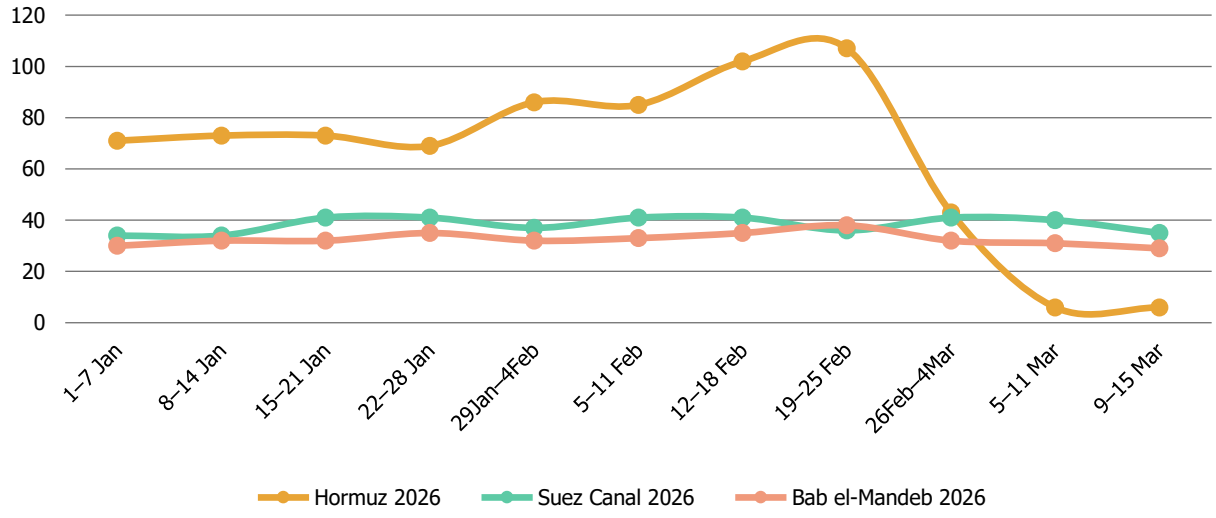

Figure 2 Comparison of Average Weekly Ships between Hormuz, Suez Canal and Bab el-Mandeb, (2026), Source: IEA

The divergence becomes even more pronounced when measured in cargo capacity rather than vessel counts (Figure 3). While Suez and Bab el-Mandeb maintain stable throughput of approximately 1.2–1.5 million metric tonnes per week, cargo flows through the Strait of Hormuz collapse by more than 97% within a three-week period—from over 4 million tonnes to nearly negligible levels.

3

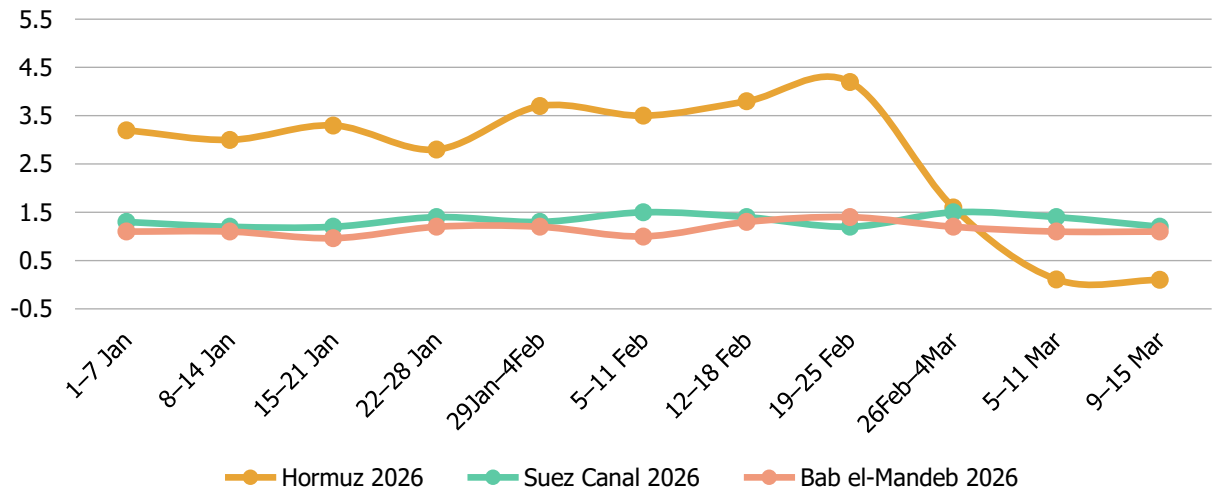

Figure 3 Comparison of Average Weekly Cargo Capacity, Suez Canal and Bab el-Mandeb, (2026), Source: IEA

This indicates not merely a reduction in traffic, but a systemic withdrawal of high-capacity vessels, and more specifically oil and gas tankers from the region, amplifying in that way the global impact of the disruption.

The cargo profile of vessels transiting the Strait of Hormuz is heavily skewed toward energy shipments. Oil and gas tankers account for the majority of traffic, representing approximately 54% of total affected vessel, while container and dry bulk vessels each contribute around 18%, and other vessel types make up the remaining 10%. This distribution underscores the Strait's critical role as a primary artery for global energy flows.

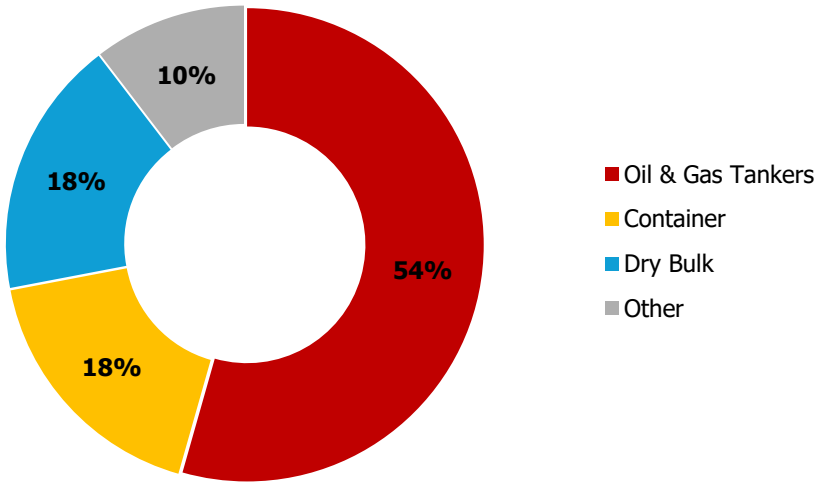

Figure 4 Daily cargo composition surpassing Hormuz (2026), Source: IEA

Shipping markets are responding accordingly. War-risk insurance premiums have surged by as much as 1,000%, transforming from a marginal cost (around 0.01% of vessel value) into a material financial burden exceeding 1% per voyage. At the same time, rerouting decisions are increasing fuel consumption and extending delivery timelines.

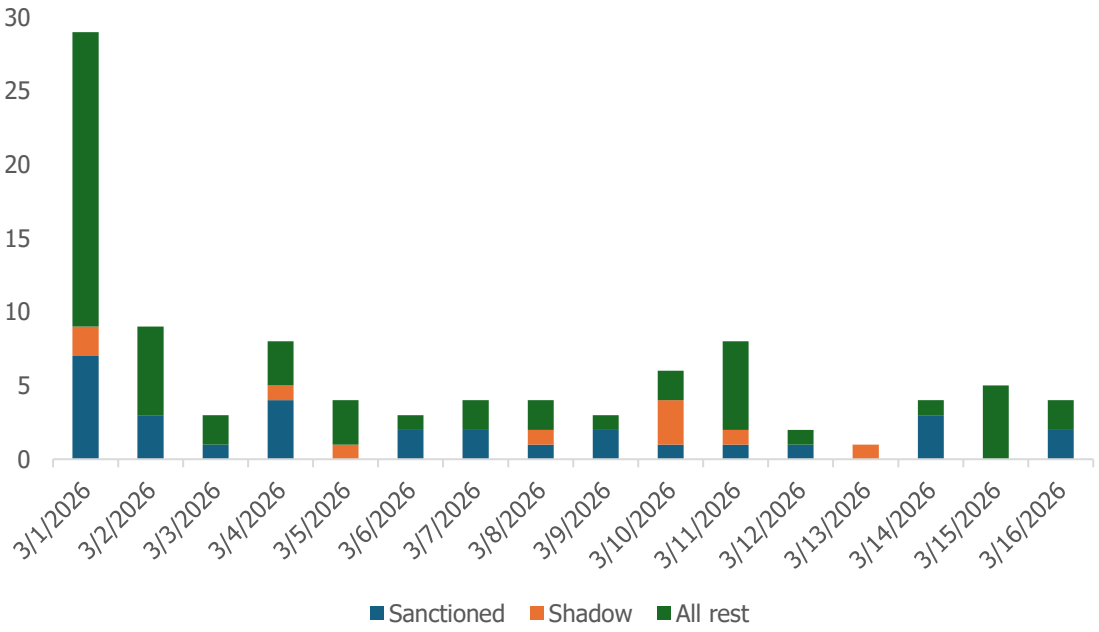

Figure 5 Vessels crossed SOH by risk level as of March 16, Source: Marinetraffic

Despite the breakdown, adaptive behavior is emerging. Some operators are experimenting with selective routing through Iranian territorial waters, while alternative export nodes—such as Kooh Mobarak—are seeing increased utilization. These shifts suggest that both state and commercial actors are adjusting to what is increasingly perceived as a prolonged disruption rather than a temporary shock.

Security risks remain elevated. Reports of AIS suppression, dark vessel activity, and incidents near anchorage zones point to a persistently unstable operating environment. Moreover, spillover effects are becoming evident, with confirmed tanker strikes in the Black Sea and anomalous vessel behavior in the Atlantic signaling a broader, multi-theater risk landscape.

Even as mainstream shipping retreats, shadow fleet activity continues under reduced visibility.

Satellite intelligence indicates that actual vessel presence within the Strait exceeds AIS-reported traffic, reinforcing the view that significant volumes are moving under "dark" conditions.

Meanwhile, direct attacks on shipping are intensifying. On March 16, the tanker Gas Al Ahmadiah was struck off Fujairah. At least 15 vessels—including the

Skylight, MKD Vyom, and Hercules Star—have been confirmed as targets in recent days.

The implication is clear: risk is no longer theoretical, it is operational and immediate.

Air Freight: From Safety Valve to Bottleneck

Historically, air cargo has acted as a buffer during maritime disruptions. In the current crisis, that buffer has largely failed. Gulf carriers such as Emirates and Qatar Airways (responsible for roughly a quarter of China, and Europe air cargo capacity) have seen operations severely curtailed.

Between late February and early March, more than 37,000 flights were canceled across the region, representing 56% of scheduled operations. At peak disruption, cancellation rates exceeded 97% at major hubs, with Doha briefly reaching 99.7%.

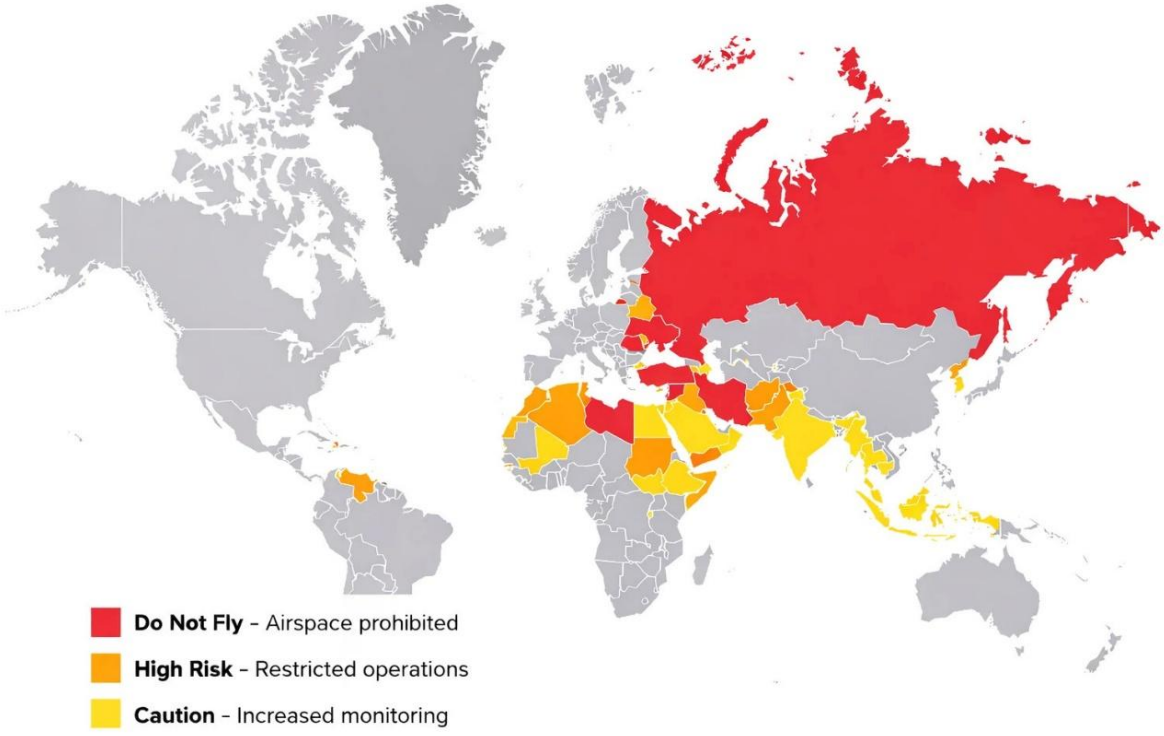

Figure 6 Airspace conditions as of March 12th, Source:GEODIS

Although key airports in Dubai, Abu Dhabi, and Doha remain technically operational, capacity is highly volatile due to airspace restrictions, rerouting, and congestion.

A narrow corridor over the Caucasus, approximately 150 km wide, has become the primary artery for east–west air traffic, now handling nearly a quarter of global demand, making it heavily congested.

Alternative routes via southern Saudi Arabia are being deployed, but at a cost: flight distances have increased by roughly 15%, adding an average of 1.6 hours per journey and significantly raising operating expenses.

For just-in-time supply chains, these constraints are critical. What begins as a maritime delay now cascades into a full-scale inventory shock.

The Energy Price Shock

For energy markets, the consequences are both immediate and severe. Crude flows through Hormuz have dropped from approximately 20 million barrels per day pre-crisis to a fraction of that level, contributing to a projected global supply loss of roughly 8 million barrels per day in March.

Prices have responded accordingly. Brent crude rose from around $70 per barrel in early February to over $105 by March 9, briefly approaching $120 at the height of escalation.

The International Energy Agency's release of 400 million barrels from emergency reserves on March 11 helped stabilize sentiment, pushing prices back toward $90. However, underlying fundamentals remain tight. Storage constraints and production disruptions in Iraq, Kuwait, and the UAE continue to drive volatility.

The volatile landscape has further intensified as the conflict has affected critical gas infrastructure. Based on reported information, missile attacks on March 18 have targeted major LNG facilities in Qatar and assets linked to Ras Laffan. Past incidents as the Freeport LNG shutdown in 2022 and the Snøhvit incident in Norway in 2020 have proven that recovery timelines for such facilities can range months to years. As Qatar represents nearly one-fifth of global LNG supply, a prolonged disruption to its export capacity would likely translate into sustained tightening in global gas markets well into 2026.

This development marks a critical shift: whereas initial market stress was driven primarily by chokepoint disruption (Hormuz), the emerging risk now includes direct impairment of production and liquefaction infrastructure. The combination

of constrained oil transit and threatened LNG supply introduces a dual energy shock, increasing the likelihood of sustained price volatility across both oil and gas markets.

Notably, natural gas markets have reacted more moderately compared to the oil shock seen during the Russo-Ukrainian conflict—reflecting both improved diversification and weaker direct exposure to the affected transit routes.

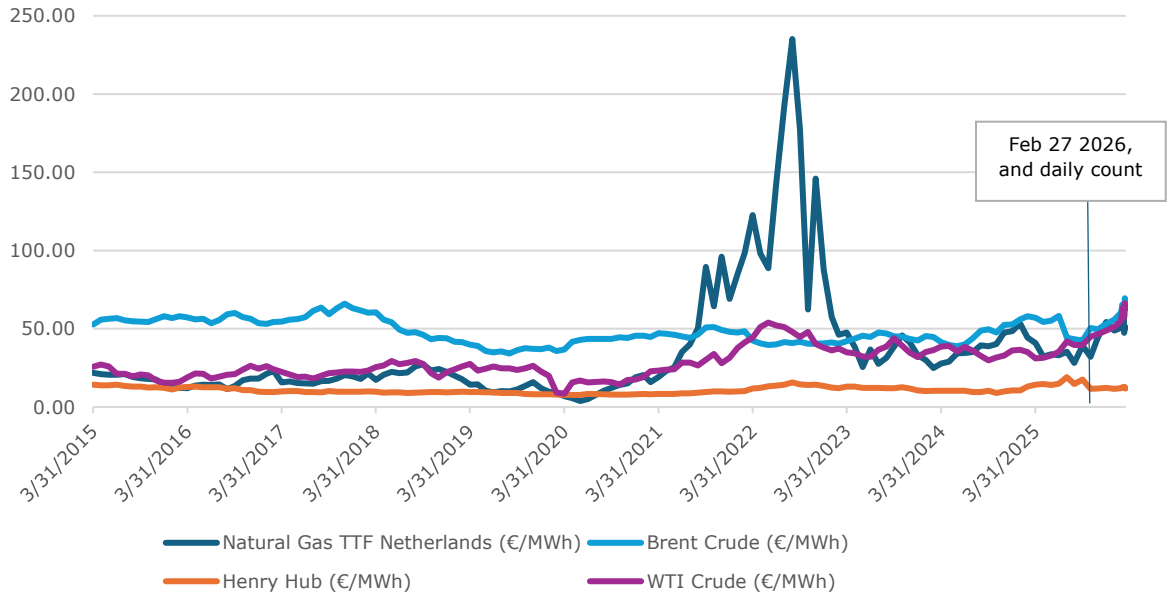

Figure7 Commodity prices in €/MWh

Qatar's declaration of force majeure on long-term LNG supply contracts, on the 19th of March 2026, to key importing economies, including China, South Korea, Italy and Belgium has reinforced the current oil and gas crisis.

The suspension of long-term contracts drives affected countries into a spot market bidding war, that will trigger upward pressure on prices, and highlight structural asymmetries between countries with economically robust economies that have strong purchasing power and differentiating sources of supply. In this context, LNG markets transition from relatively stable contract-based systems to highly competitive and price-sensitive environments.

The US appear to be presented with an unprecedented strategic and commercial opportunity, as the biggest alternative supplier that has the capacity to partially absorb displaced Qatari volumes. The concentration of supply in specific geographical regions, together with infrastructure exposure to conflict, reinforces the inherent fragility of fossil fuel–based energy networks.

As a result, the current crisis may act as a catalyst for accelerating the energy transition. Beyond short-term market rebalancing, the disruption strengthens the economic and strategic rationale for renewable energy deployment. Unlike LNG, which is subject to geopolitical risk, transport constraints, and price volatility, renewable energy sources offer domestically anchored, price-stable alternatives that enhance energy security.

Conclusion: From Efficiency to Resilience

The 2026 Middle East crisis is exposing a structural weakness in the global economy: the prioritization of efficiency over resilience. The "lowest-cost" supply chain model optimized for stability has been proven fragile in the face of geopolitical disruption. In response, companies are accelerating shifts toward diversification, regionalization, and "friend-shoring," accepting higher logistics costs as a form of strategic insurance.

This transition will not be temporary. Even if the conflict de-escalates, the recalibration of global trade routes and risk frameworks is likely to persist. While the path to stability remains uncertain, but one thing is clear: it no longer runs exclusively through the Gulf.