INTERNATIONAL BUSINESS

The Hormuz Strait: Which Sectors and Regions Are Impacted Most?

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Right now, many businesses are being directly and indirectly impacted by ongoing disruption to shipping at the Strait of Hormuz.

Even if restrictions are eased, the strait remains a chokepoint that leaves many businesses vulnerable to the conflict in the Middle East.

Some 900 vessels typically transit through the Strait of Hormuz each week, accounting for ~20% of global crude oil exports.

The So What

> In addition to the human toll and deep societal impacts of the conflict, business leaders need to understand the economic impacts which are spilling over into many different industries aside from energy, shipping,and defense. The longer disruption lasts, the more sectors get impacted and the more time needed for recovery.
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> — APARNA BHARADWAJ, MANAGING DIRECTOR & SENIOR PARTNER; GLOBAL LEADER, GLOBAL ADVANTAGE PRACTICE

These are some of the ways the profitability and cash flow of businesses are affected:

- Revenue may be impacted by higher inflation and a potential economic slowdown and weaker consumer spending.
- Supply disruptions and higher transport costs, including for raw materials, may increase input costs and compress operating margins.
- Operating expenses may rise due to increased security and contingency costs.
- Lower consumption levels and operational disruptions may reduce asset utilization.
- Tighter credit conditions could limit access to debt.

Many companies will face a combination of all or some of the above. In addition, there is an asymmetrical impact across economies depending on their exposure and relative resilience.

As well as the huge impact to many countries in the Middle East, these countries also face significant disruption:

- India, Pakistan, Kenya, Tanzania, and Mauritania are among countries facing disruption to 10% or more of their total imports.

- China, Japan, South Korea, South Africa, and Namibia are among countries facing disruption to 5%-10% of their total imports.

South and East Asia and Africa are especially reliant on Hormuz for imports: some are already conserving fuel by mandating shorter working week or limiting car journeys and the use of air conditioning.

These are some of the most affected sectors:

Oil. Some 20% of global oil supply transits through Hormuz. About half of this volume can be offset via alternate routes out of the Gulf and releasing strategic stocks. The former includes the Fujairah pipeline in the UAE, allowing loading outside of the strait. The East-West pipeline in Saudi Arabia crosses the country, allowing loadings on the Red Sea. Around 400 million barrels of oil are also being released over the next several months, administered by the International Energy Agency.

Nevertheless the gap is still historic in scale and while the price impact will be felt globally, the volume impact will be felt most acutely by importers in Asia and Africa, explains Jamie Webster from BCG's Center for Energy Impact.

The full extent of damage to infrastructure, including both upstream and downstream energy operations, is also unknown, creating significant uncertainty around future supplies.

Gas. Around 17% of global LNG flows via Hormuz. Unlike oil, there are no alternate routes out of the Gulf. Global LNG liquefaction facilities were already running at 91% capacity, suggesting little ability to ramp upward in response to the lost production.Asian countries are the main recipients of LNG imports via Hormuz, and Europe also has some exposure via the spot market.

Shipping. More than 100 vessels a day usually transit through Hormuz, including tankers, gas carriers, container ships, and dry bulkers carrying oil, gas, raw materials, minerals, or other supplies.

As well as delays and increased costs, shipping firms also face increased security risks. And insurers are tightening coverage in high-risk waters with policy withdrawals or premium renegotiations. Previously coverage was 0.125% of a vessel's value or less. Recent quotes are as high as 5%.

Aviation. Middle east airports handled ~450 million passengers in 2025, about 20% of global traffic. About 70% of this volume is direct traffic while 30% is connecting traffic. Most of the airspace in the region is currently disrupted, with airlines facing route diversions, delays, cancelled flights, and increased travel costs.

For freight, ~20% of worldwide aviation cargo capacity is impacted by the airspace closures. The national carriers of Qatar and the UAE are the top two cargo operators globally with about 8% of market share.

Asia-Europe-Africa is the main cargo corridor, while Asia-Europe is the main passenger transit corridor.

Beyond Middle East routes, jet fuel prices have surged globally impacting ~25% of operating costs.

Metals. The Middle East is a major producer of aluminum. With the Hormuz Strait largely impassable, it has limited inventory of the alumina that is needed to produce the pure metal. Around 80% of trade from the Middle East is in primary aluminum, with the USA, Turkey, and Japan key customers, together accounting for 35% of the total. The modest global deficit forecast for 2026, compounded by the loss of metal from the Middle East has tightened the market balance as there are not viable alternatives to offset the loss. Premiums have risen significantly in the wake of the conflict, especially in Europe and Asia.

Chemicals and Petrochemicals. The Middle East is a critical export hub for petrochemicals and highly exposed to disruption. About 10%-30% of global capacity across key chemicals such as helium, polyethylene, methanol, and fertilizers is concentrated in the region.

Approximately 33% of global supplies of fertilizers normally pass through Hormuz.Unless the strait is reopened, this could impact the upcoming planting season, especially in countries such as Sudan, Tanzania, Sri Lanka and Australia.

The disruption in feedstock (naphtha and LPG) is driving cost inflation and reshaping competitiveness, although there is significant divergence across regions. While North America is best positioned given its ethane-based assets, Asian importers (especially Korea and Japan) are most impacted and have had to reduce asset operating rates due to lower feedstocks.

Now What

While the above sectors are facing the most disruption at present, more sectors will be impacted if the situation does not resolve. For example, consumer goods companies may face higher input costs or financial institutions may face an increase in loan defaults.

Businesses should place the safety and wellbeing of employees working in, or travelling to, the region above all else. They will also need to draw on their geopolitical expertise to assess how the conflict might evolve, acknowledging that the duration of any disruption to the Strait of Hormuz may not align with the broader timeline of the conflict itself.

In the short term companies can:

Diagnose direct and indirect exposure. Map geographic exposure of the flow of goods including second order impacts across value chains.

Run scenarios and digital simulations. Map exposure to different scenarios and model ways to best prepare for these impacts on business.

Stabilize operations and financials. Where possible, build buffers, find alternative sources of goods, and actively manage cash flows.

Orchestrate cross-functional capabilities. Establish a central coordination layer of management to align decisions across functions and business units.

In the longer term, companies can:

Review business strategy and operating model. Firms should strategically review the long-term implications on product portfolio, operating model, and target customers.

Consider reconfiguring supply chains. Firms can explore diversification and/or re-localization of vulnerable inputs as a core risk management mechanism.

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