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#Global / #Growth / #Inflation

The widening supply-chain shock of the Iran war

The closure of the Strait of Hormuz is exposing the fragility of global supply chains and the reliance on key chokepoints well beyond crude oil and natural gas. We survey the impacts on fertilisers, jet fuel, and helium.

Key Takeaways

- Beyond oil and gas, the war in Iran and the subsequent closure of the Strait of Hormuz are having significant impacts on the supply of commodities including fertiliser, jet fuel, and helium.
- Along with energy, this will compound the negative global growth shock and lead to higher inflation and increasing questions over supply-chain security and resilience.
- Emerging markets will find themselves in more difficult positions due to the high weighting of food in their inflation baskets. Indeed, previous instances of food price inflation have led to political instability in some countries.
- Airline stocks have been a significant underperformer as jet fuel prices have risen and supplies start to run low. Tourism-heavy economies will face a more pronounced hit to growth prospects.
- The loss of Qatari helium threatens the semiconductor industry and economies that have derived significant growth from it. But the top fabricators may have an advantage through diversified supply and recycling capabilities.

The significance of the Strait of Hormuz in global supply chains

The economic impact of the conflict in the Middle East is increasingly extending beyond crude oil and natural gas. The effective closure of the Strait of Hormuz has disrupted a range of critical supply chains, transforming what initially appeared to be an energy shock into a broader hit to food production, transport, and advanced manufacturing. These channels will interact with one another, amplifying the inflationary and growth consequences of the war.

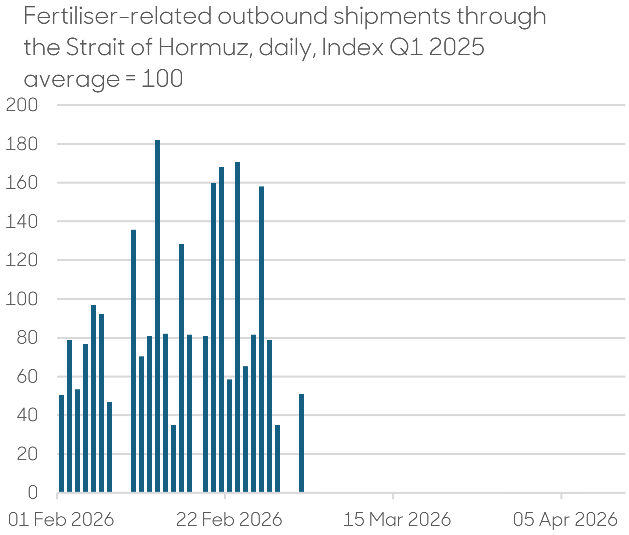
The gulf is a key source of fertiliser feedstock

Aside from energy, fertiliser and food are two of the sectors that will likely be most impacted by the war in Iran.

A third of global seaborne fertiliser feedstocks usually pass through the Strait of Hormuz, including almost half of global urea and sulphur supplies and 30% of global ammonia exports. Since the start of March, that supply has all but disappeared (see Figure 1).

And it's not just supply of fertilisers from the Gulf that is affected. Fertiliser manufacturing elsewhere depends on liquefied natural gas (LNG) from the Gulf. Supplies of LNG to Indian fertiliser plants are down around 70%; in Algeria they have been cut by 50%; four of the five state-owned fertiliser plants in Bangladesh ceased production at recent points; and Slovakia became the first European country to halt production in at least one plant.

Figure 1: Shipments of fertiliser feedstocks through the Strait of Hormuz have come to a complete halt

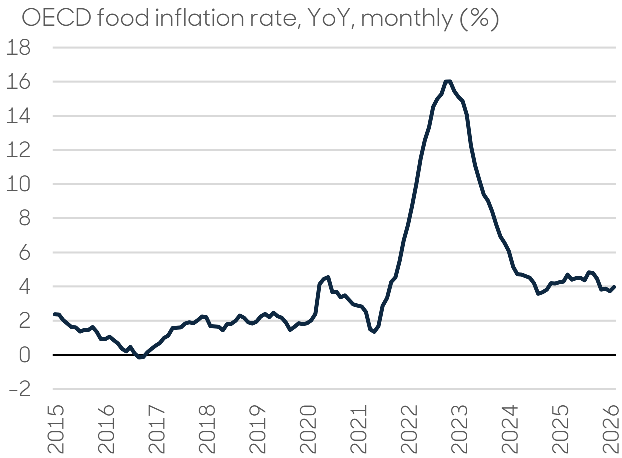


Source: Aberdeen, World Trade Organisation, April 2026

Echoes of 2022 ring loud

An obvious recent comparison is the fertiliser and food shock from the war in Ukraine. Along with the initial impact of the war on Ukrainian grain exports, Russia's role as one of the world's largest fertiliser and energy producers had a significant impact on food prices (see Figure 2). But that supply was not actually lost: it was rerouted to countries able to avoid sanctions. Supply from the Gulf, on the other hand, is facing a genuine physical shortfall.

Figure 2: The previous shock to fertiliser and energy supply from the Ukraine war fed into a substantial increase in food prices

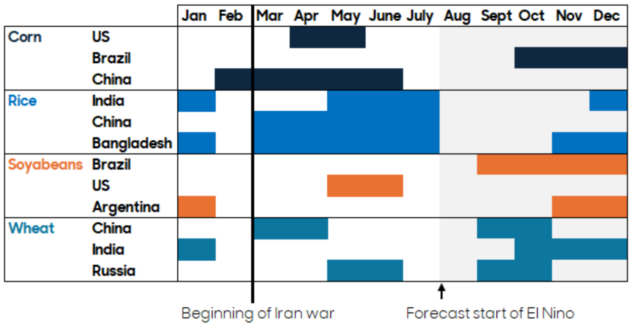


Source: Aberdeen, Haver, April 2026

This disruption comes at a particularly sensitive time for farmers preparing for planting season (see Figure 3).

Higher fertiliser prices will increase input costs for those who have not already secured supplies, and poorer countries may be unable to source supplies altogether.

Figure 3: Planting seasons for major exporters of key commodities loom



Source: Aberdeen, Financial Times, April 2026

Climate compounds the risks to crop yields

Furthermore, the return of El Niño weather conditions is predicted from August this year, leading to potential drought and flooding across some regions. That could further exacerbate the impacts on crop yields.

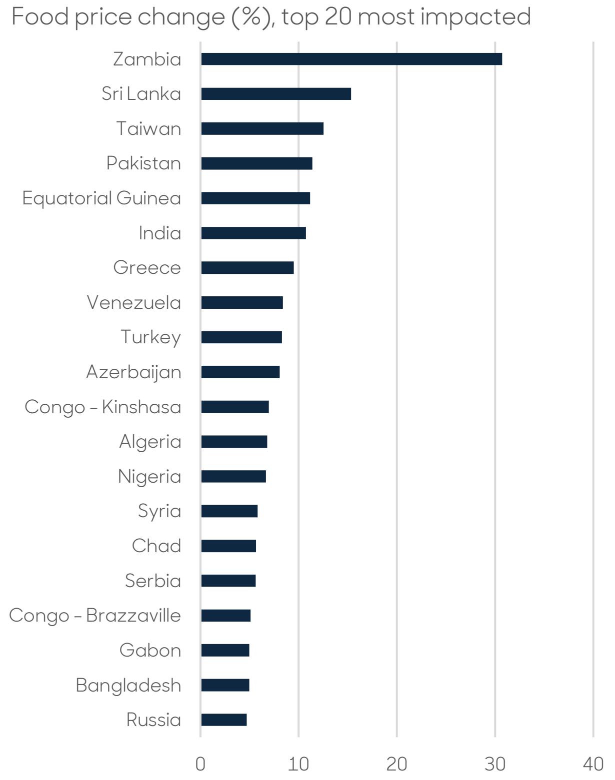
Taken together, higher prices of fertilisers, diesel for agricultural equipment, transport to end consumers, and potential higher costs for petrochemical-based packaging, will all push up on food prices.

The inflationary effects will vary across countries. Emerging markets will likely feel this more keenly, with high weights to food prices in inflation baskets (see Figure 4). Genuine food scarcity is possible in the most vulnerable countries.

Alongside energy, food prices are highly salient to how consumers experience inflation. They are high-contact prices that play a disproportionate role in setting inflation expectations. The Bank of England (BoE) in particular has been sensitive to food price inflation for this reason.

Furthermore, this inflation shock could have second-order political consequences, including increasing support for populist parties or even leading to social unrest. The 2011 Arab Spring protests were in part driven by food price spikes, as were past protests and riots in countries such as Indonesia, India, and Bangladesh.

Figure 4: Modelled estimate of increase in food prices under the Kiel Institute's "full Hormuz closure" scenario



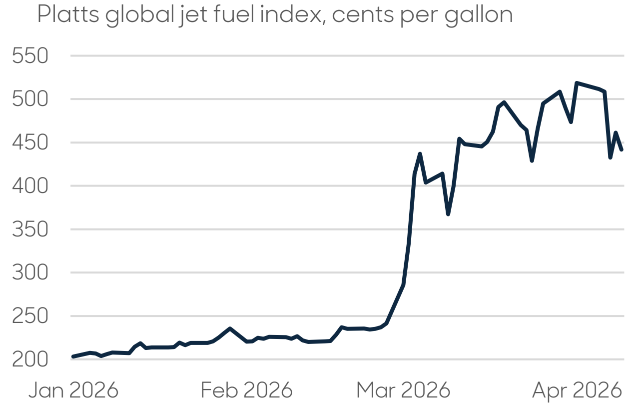
Source: Aberdeen, Kiel Institute, April 2026

The same tension can be seen in the supply of refined petroleum products such as jet fuel

Gulf refineries are responsible for a significant proportion of global jet fuel supply, and Gulf crude is the feedstock for many Asian refineries. For example, in 2025 Europe imported 53% of its jet-fuel from the Gulf, with a further 16% from Indian refineries using Gulf crude.

So, jet fuel price benchmarks have risen around 80% since the start of the conflict (see Figure 5).

Figure 5: Jet fuel prices have taken off since the beginning of the conflict putting strain on airlines and leading to flight cancellations



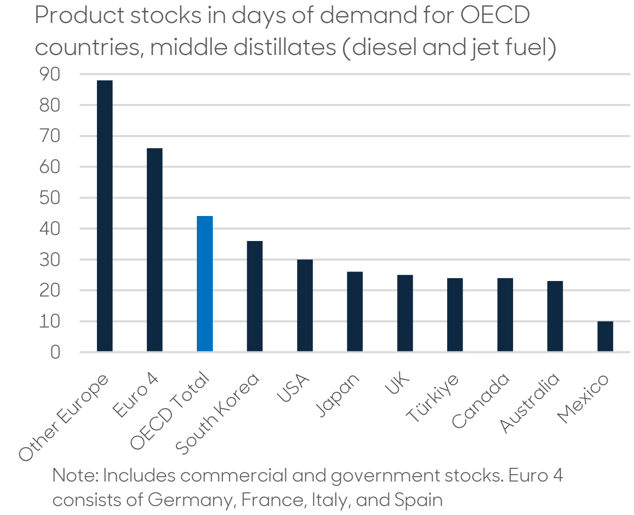
Source: Aberdeen, S&P, April 2026

The hit to refined products may be more severe than to crude for several reasons

While a proportion of Gulf crude is being rerouted, including via the Red Sea, or still finding its way out on Iranian tankers, there are no alternative routes out for refined products. And there has been significant physical damage to some Gulf refineries themselves.

Jet fuel reserves are generally much smaller than strategic petroleum reserves, because it degrades in storage after a year or so. Many countries do not have more than a few weeks' supply (see Figure 6).

Figure 6: OECD nations have varied levels of jet fuel reserves, and with the closure of the Strait surpassing the 6-week mark, these supplies will be tested



Note: Includes commercial and government stocks. Euro 4 consists of Germany, France, Italy, and Spain

Source: Aberdeen, Goldman Sachs, April 2026

Airlines are already beginning to feel headwinds from the supply disruption

Most European airlines use derivatives to hedge against potential price increases (see Figure 7). But many of these hedges would have had Asian or Middle Eastern refiners as their counterparty, now unable to physically produce and potentially declaring force majeure, rendering the hedges useless. And many major carriers in the US and China do not use hedging at all.

Figure 7: European airlines have already hedged a significant amount of their jet fuel for this year; however physical shortages may still leave them scrambling for supply

Airline	% of jet fuel hedged
Turkish Airlines	36% for 2026
Air France KLM	62% for 2026
Lufthansa	77% for 2026
British Airways	62% for 2026
Wizz Air	55% for FY27 (runs 1/4/26 – 31/3/27)
Ryanair	80% for FY27 (runs 1/4/26 – 31/3/27)
Air Baltic	10% for 2026
Pegasus	61% for 2026

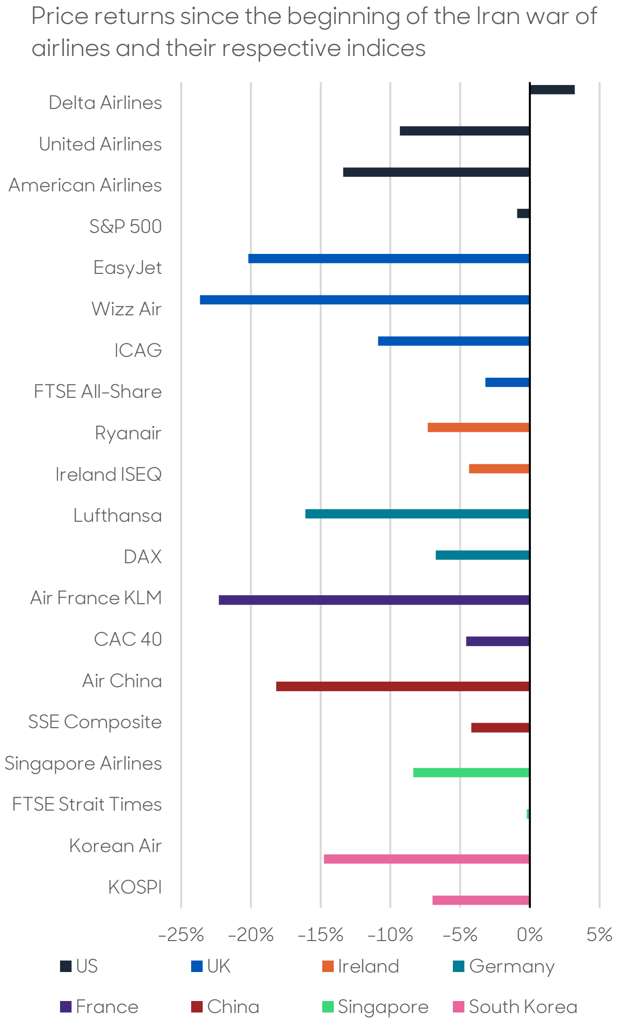
Source: Aberdeen, Fitch, April 2026

So, many Asia-Pacific airlines have started cancelling flights, while European airlines are warning about that possibility.

Fuel is 20-40% of airline operating costs. With airline operating margins often in the low single digits, there is limited scope to absorb a large cost shock. For example, the United Airlines CEO has said: "If prices stayed at this level, it would mean an extra $11 billion in annual expense just for jet fuel. For perspective, in United's best year ever, we made less than $5 billion".

Airlines' equity prices have underperformed since the beginning of the conflict (see Figure 8). Notably, Delta Airlines has outperformed because it owns an oil refinery.

Figure 8: Most airlines have underperformed since the outbreak of war amid steep rises in fuel costs



Source: Aberdeen, FactSet, April 2026

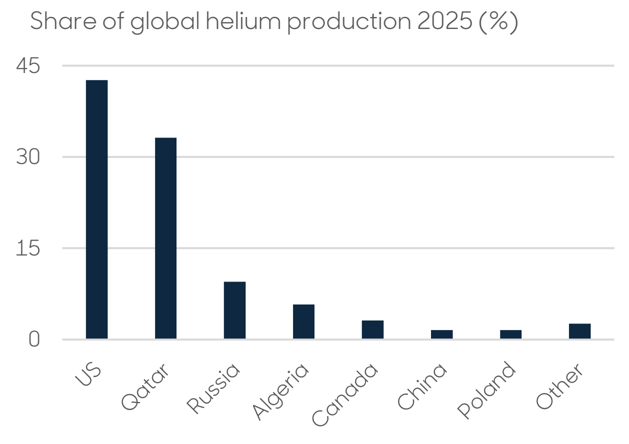
The impact to travel and trade mean the growth implications extend beyond aviation

Such a large-scale disruption to air travel would be another headwind to global growth, especially for countries where tourism is a large share of GDP, such as Southern Europe, and parts of Southeast Asia and Latin America. And the hit to international trade would be significant: while air freight is 1% of global trade volumes, it is 33% by value.

Helium shortages add pressure to technology supply chains

Helium can be present in natural gas reservoirs and is a by-product of LNG. Hence, Qatar is a major helium supplier (see Figure 9). Not only are helium tankers trapped inside the Persian Gulf, but strikes on Ras Laffan have done long-term damage to production facilities.

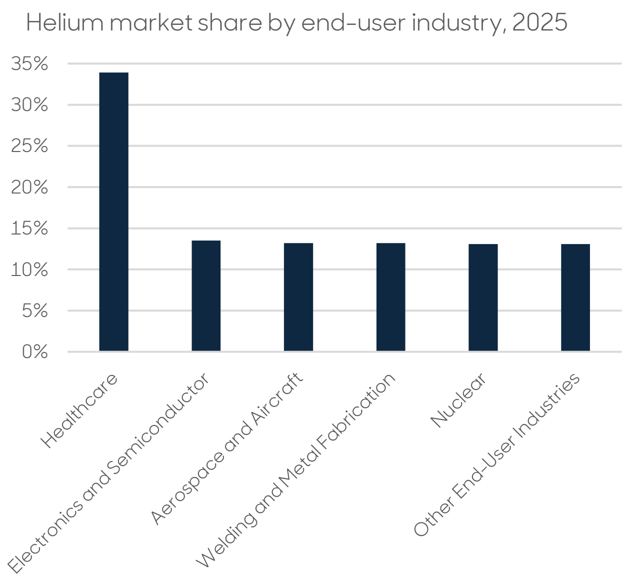
Figure 9: A third of global helium supplies pass through the Strait of Hormuz



Source: Aberdeen, US Geological Survey, April 2026

Helium's chemical properties make it integral to manufacturing processes across semiconductors, healthcare, aerospace, welding, and nuclear reactors (see Figure 10). For example, it is used to cool silicon wafers as circuits are etched, or as coolant in MRI machines.

Figure 10: Helium's plays an irreplaceable role across several industries, with no short-term substitute



Source: Aberdeen, Mordor Intelligence, April 2026

Lost supply cannot be delayed nor replaced

While the oil tankers in the Gulf would be able to deliver their cargos if-and-when the strait re-opens, the roughly 200 trapped helium tankers will likely see their supply destroyed rather than merely delayed. Liquid helium boils off in storage, creating a short transport window. Even the largest semiconductor fabrication plants only hold 30 – 90 days' supply.

And alternative supply is inelastic in the short-term. The US is already operating close to full capacity so would not be able to replace the supply gap left by Qatar (see Figure 11).

Figure 11: Even under optimistic assumptions, the US cannot replace lost supply from Qatar

Time frame	**Feasible US helium volume increase per month**	**Increase as a % of Qatar's previous supply**
One month	10 – 20mn cubic feet	5-11%
Three months	17 – 20mn cubic feet	9-11%
Six months	17 – 25mn cubic feet	9-13%

Source: Aberdeen, Eurasia Group, April 2026

Some chipmakers may fare better than others

The biggest losers from this supply shock will be chipmakers in Asia, particularly those in Taiwan and South Korea most reliant on supplies from Qatar.

Importantly though, leading fabs such as Samsung and TSMC recover 80% - 90% of helium usage, giving them more of a buffer than smaller fabs without such capabilities.

US chipmakers could be more insulated, as could be those in Japan as they source around half their helium from the US.

China also faces relatively lower risk, as it imports more than 40% of helium supplies from Russia. Much of these imports are then re-exported around Asia, but, if China stops re-exports, this could exacerbate the supply shock elsewhere.

Chipmakers may prioritise high-value production such as those for AI processing and high bandwidth memory, at the expense of memory for consumer and industrial uses, which have already seen cuts due to the AI buildout.

Loss of Qatari helium supply will have downstream consequences for an already strained semiconductor supply chain.

This would deepen the negative growth shock of the war on semiconductor-heavy economies such as Taiwan and South Korea. Alongside higher energy costs, any semiconductor supply shortages may hamper the AI buildout and impact tech equity prices.

The macro implications point to a potentially severe supply-driven inflation and growth shock

Amplified by energy, these channels point to a shock that is both inflationary and contractionary. The longer the strait remains closed, the greater the risk that this becomes a lasting stagflationary shock rather than a transitory bump in the road.

Central banks will find themselves in a difficult position; with arguments to hike rates and fight inflation or cut rates to stimulate a low-growth economy.

Similarly, many governments could struggle in providing relief to their populations. Public finances remain in a precarious fiscal position in the aftermath of the Covid pandemic and the war in Ukraine, and bond yields already display investors' angst at the prospect of more stimulus.

A key lesson is that the war is exposing the fragility of the era of globalisation and modern supply chains, optimised for efficiency and economic interconnectedness, but increasingly exposed to weaponisation and disruption.

Author:

Cameron Love

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