

Strait of Hormuz Blockade Snarls Supply Chains for Manufacturers



The Iran war and the blockade of the Strait of Hormuz aren't just disrupting energy supply chains—causing prices for oil and LNG to rise—they are also halting or delaying shipments of other essential inputs, including fertilizer, helium and aluminum.

As manufacturers grapple with these shortages, here's a look at what's going on.

Oil: With the route for [about 20%](#) of the world's oil supply blocked, the average price of gasoline in the U.S. rose above \$4 this week for the first time since 2022 ([The Wall Street Journal](#), subscription).

- Meanwhile, the price of Brent crude increased in March at a record pace by over 60% ([CNBC](#)). The price of West Texas Intermediate rose by about 51% last month, the biggest jump since May 2020.
- Oil executives had a realistic message for attendees at the CERAWEEK energy conference, warning that markets were understating the scope of the disruption, which would likely continue even after the war ends ([CNBC](#)).
- Chevron CEO Mike Wirth said the physical supply of oil is much tighter than prices in the futures market indicate. “The market is reacting based on scant information and ‘perception,’ the CEO said,” according to CNBC.

LNG: About 20% of the global LNG supply also transits the strait, and the blockage is hitting gas-dependent Asian countries particularly hard ([Procurement Magazine](#)).

- “Reports from Drewry, a leading international provider of research and consulting services, indicate that this move immediately chokes off approximately two million tonnes of weekly supply from Qatar and the UAE, a figure that could climb to 5-6 million tonnes per month if tensions do not subside.”
- Asia gets 80 to 85% of its LNG from the Middle East, and a continued blockade would force them to seek new suppliers.

Fertilizer: About one-third of the world’s seaborne fertilizer imports travel through the Strait of Hormuz, largely produced by Arab Gulf countries ([CNBC](#)).

- “Oxford Economics’ Alpine Macro said [last week that] urea and ammonia prices had surged by around 50% and 20%, respectively, since the war began. Other fertilizers, like potash and sulfur, have also risen in price.”
- The effects of this shortage may show up in lower crop yields later in the year.

Sulfuric Acid: The rise in sulfur prices also impacts sulfuric acid, battery-material processing, semiconductor fabrication and processing critical minerals like copper, nickel and cobalt ([Modern War Institute](#)).

- 50% of global seaborne sulfur trade flows pass through the Strait of Hormuz.
- Per S&P Global Energy, “a 2-3 month effective blockade would likely become a severe supply shock” ([CNBC](#)).

Aluminum: Qatar has also shut down its production of aluminum due to the war, which has raised global prices ([The Wall Street Journal](#), subscription).

- “Although prices for most metals have declined this month due to fears that the energy shock will slow economic growth, the blocked shipping lane has pushed aluminum 5% higher in London’s trading pits.”

Helium: The stoppage of Qatari exports of helium, a byproduct of natural gas, has hurt the global market as well. Thanks to its use in cooling applications, helium is essential to the production and use of a large range of products from chips to MRI machines to aerospace technologies ([The Wall Street Journal](#), subscription).

- Though the U.S. largely produces its own helium, the turmoil in the market is threatening to harm allies like chip-producing South Korea, which depends on Qatari supplies.
- In addition, the effects of this shortage may persist for a while: “Qatar said Iranian strikes on its Ras Laffan LNG plant earlier in March caused extensive damage that cut its annual helium exports by 14% and could take up to five years to repair.”