

# Impact of Middle East Conflict on Global Supply Chains

## Escalating Costs Across Key Sectors



## Middle East Conflict Sending Shockwaves Through Supply Chains

The conflict involving the United States, Israel, gulf nations, and Iran has upended trade in the Middle East. The effects are now cascading across global supply chains. The shock is being transmitted first through energy markets. Oil prices have surged, pushing up the cost of gasoline, diesel, and jet fuel — three inputs that underpin nearly every stage of industrial production and logistics.

### FREIGHT COSTS

For manufacturers, the implications are immediate. The cost of diesel — a primary driver in both trucking and sea freight — has increased nearly 50 percent since the start of hostilities. Jet fuel costs, which have increased by more than 60 percent in recent weeks, determine the economics of air freight. As transportation costs rise quickly and sharply, transportation rates are increasing across modes, with surcharges and rate adjustments working their way into contracts.

### MATERIAL COSTS

At the same time, higher crude prices are feeding directly into petrochemical markets. Elastomers and other engineered materials rely on oil- and gas-derived feedstocks. As those inputs become more expensive, compounders and converters are facing rising material costs, tighter margins, and are passing increases downstream.

### CUMULATIVE EFFECTS

These effects are cumulative and significant. Higher fuel costs increase the price of moving goods. Higher petrochemical costs increase the price of making them. Together, these conditions are creating a broad-based inflationary push across industrial supply chains.

This dynamic is not limited to companies with direct exposure to the Middle East. The global nature of energy and chemical markets ensures that price shocks move quickly across regions, affecting domestic and imported products alike.

**BOTTOM LINE**

For OEMs and procurement teams, the takeaway is straightforward: the current disruption is less about isolated delays and more about systemic cost escalation. Energy, materials, and logistics are moving in the same direction — up.

For more a briefing on how the current volatility impacts you, contact your Archer sales representative.