Gexpro Services

Powerful Supply Chain Solutions

ENERGY CRISIS · 2026 OUTLOOK

NAVIGATING VOLATILITY

A conflict that reshaped global trade flows — and how Gexpro Services is turning lingering volatility into advantage

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INSIDE THIS EDITION

Contents

A three-part read on a geopolitical conflict that moved from a regional crisis into a structural shock for global supply chains — and the path from volatility to advantage.

The report at a glance

GLOBAL GOODS BY SEA	BRENT OIL RANGE	US HEADLINE CPI	STEEL PPI
>80%	**$74–150**	**3.8%**	**Elevated**
Funneled through just 6–10 maritime chokepoints	Across Q4 2026 conflict scenarios	Q4 2026 — sticky, supply-driven inflation	Year-over-year pressure across both regions

> Forward-looking views in this report reflect conditions following the June 19th peace-deal Memorandum of Understanding, and draw on the EY-Parthenon June 2026 macroeconomic outlook alongside Gexpro Services' internal market monitoring.

A Conflict That Reshaped Global Trade Flows

With the peace-deal MoU signed on June 19th, the war in the Middle East is now expected to wind down — though how durably the peace will hold remains to be seen, and a strong economic impact is expected to linger across the near future. What began as a localized military escalation cascaded into a global supply-chain disruption, extending into the critical maritime corridors that carry energy, raw materials, and finished goods across continents.

Two strategic routes under pressure — at once

Together, the Strait of Hormuz (adjacent to Iran) and the Red Sea corridor (via Bab el-Mandeb and the Suez Canal) form the backbone of trade between Asia, Europe, and the Americas. Through the conflict, both came under strain simultaneously — a rare double squeeze on the world's busiest lanes.

What these routes are experiencing

- Military tensions and direct attacks on vessels
- Sharp declines in shipping traffic
- Higher insurance costs and rerouting decisions
- Extended transit — 10–14 additional days via Africa

Why a handful of corridors carry the world's trade

A chokepoint is a narrow passage — a strait or canal — through which a disproportionately large volume of global trade must pass. Despite oceans covering roughly 70% of the planet, over 80% of global goods move by sea, and a disproportionate share funnels through just 6–10 of these corridors. That concentration makes them the critical arteries of global commerce — and single points of failure that amplify geopolitical risk.

CHOKEPOINT	REGION	SHARE OF GLOBAL TRADE / FLOW
Strait of Malacca	Asia	**~25–30% of global trade**
Strait of Hormuz	Middle East	**~20% of global oil consumption**
Suez Canal	Egypt	**~12–15% of global trade**
Bab el-Mandeb	Red Sea gateway	**~8–12% of global trade**
Panama Canal	Americas	**~5% of global trade**

> Each corridor specializes — energy and petrochemicals through Hormuz, manufactured and bulk goods through the Red Sea and Suez — so a disruption in either is felt by a different part of the economy, and a disruption in both is felt almost everywhere at once.

THE CORE ISSUE

This is not just a disruption — it is a structural shock to how supply chains operate globally. When these corridors are disrupted, the ripple effects hit energy markets, manufacturing supply chains, and freight costs immediately and simultaneously.

SECTION 01 · THE CHOKEPOINTS IN FOCUS

Strait of Hormuz & Red Sea Corridor

Two corridors carried a disproportionate share of the conflict's impact. Understanding what flows through each explains why a regional war was felt in factories and ports an ocean away.

STRAIT OF HORMUZ · ENERGY LIFELINE

The energy lifeline of the world.

OIL TRANSITING DAILY

~20M

Barrels/day — about 20% of global oil consumption.

SEABORNE OIL TRADE

~25%

Of global seaborne oil trade passes through.

Beyond crude, the strait carries LNG, fertilizer inputs such as sulphur and ammonia, and petrochemicals critical to plastics and industrial production.

> Disruption here feeds directly into energy prices, transportation costs, and industrial output globally.

BAB EL-MANDEB & RED SEA · ASIA–EUROPE GATEWAY

The Asia–Europe trade gateway.

GLOBAL TRADE

~8–12%

Routed through the corridor — ~1.6B tons of cargo a year.

OIL FLOW

~4M

Barrels/day — fell sharply during the war. Feeds the Suez Canal.

Essential for containerized goods (electronics, automotive, retail), energy flows, and bulk commodities such as grains, chemicals, and fertilizers.

> Rerouting around Africa adds 30–40% to transit times and multiplies freight cost for just-in-time industries.

Why both routes at once mattered

With Hormuz feeding energy and petrochemicals and the Red Sea carrying containerized and bulk goods, simultaneous pressure left little slack to reroute around. Vessels diverting from one corridor added load and cost to the alternatives — compounding delay rather than relieving it, and pushing the strain into lanes that were never built to absorb it.

Immediate ripple effects

- Energy markets — oil, LNG, and fuel price spikes
- Manufacturing supply chains — input shortages and production slowdowns
- Freight costs & delivery timelines — longer and far less predictable
- Insurance & security premiums — repriced for elevated war risk

The rerouting math

When ships avoid the Red Sea, the only practical alternative is the long way around the Cape of Good Hope — adding 10–14 days at sea, burning more fuel, and tying up more capital in cargo that is in transit rather than on the shelf. Fewer round-trips per vessel each year effectively shrinks usable shipping capacity at the exact moment reliability matters most, which is why a single routing decision shows up as both a cost increase and a service-level risk.

When functioning normally, these corridors enable seamless global commerce. When disrupted, the effects are immediate and far-reaching — and because both routes came under pressure at once, there was little slack in the system to absorb the shock.

Why This Matters for Manufacturing & Industry

The impact extends far beyond shipping delays — it reaches directly into production ecosystems. The commodities flowing through these chokepoints are not optional inputs; they are foundational building blocks of global manufacturing.

OIL & GAS

Energy

Powers manufacturing and general consumption.

SULPHUR

Fertilizers & Chemicals

Critical to fertilizer and chemical processing.

PETROCHEMICALS

Plastics & Packaging

Feeds plastics, packaging, and industrial goods.

METALS

Core Industry

Automotive, electronics, and construction.

Even short-term disruptions lead to

- Price volatility across raw materials and energy
- Inventory shortages and stock-outs at critical inputs
- Production slowdowns as lines wait on materials
- Cascading effects that move from one industry into the next

> Because these inputs sit at the very start of the value chain, a disruption at a single corridor does not stay contained — it propagates downstream into pricing, lead times, and the reliability of finished-goods delivery.

Sectors most exposed

- Automotive & electronics — metals, semiconductors, and just-in-time inputs
- Construction & infrastructure — steel and heavy industrial materials
- Chemicals & agriculture — petrochemicals, sulphur, and fertilizer feedstock
- Energy-intensive manufacturing — directly exposed to fuel and power cost swings

Why it forces a strategy rethink

Because these inputs sit so early in the value chain, even a brief disruption ripples into pricing and lead times — pushing manufacturers to rebuild safety stock, qualify alternate suppliers, and weigh resilience alongside cost as a core sourcing criterion rather than treating it as an afterthought.

The Supply Chain System Under Strain

A fragile global economy meets structural supply-chain stress. The Middle East war amplified existing vulnerabilities across energy, freight, and industrial supply chains — and with global growth expectations revised downward, the prolonged conflict fueled inflation through energy, commodity, and logistics channels, placing additional pressure on manufacturing demand and margins. This environment is defined not by a single disruption, but by layered, compounding risks affecting nearly every component of the supply chain.

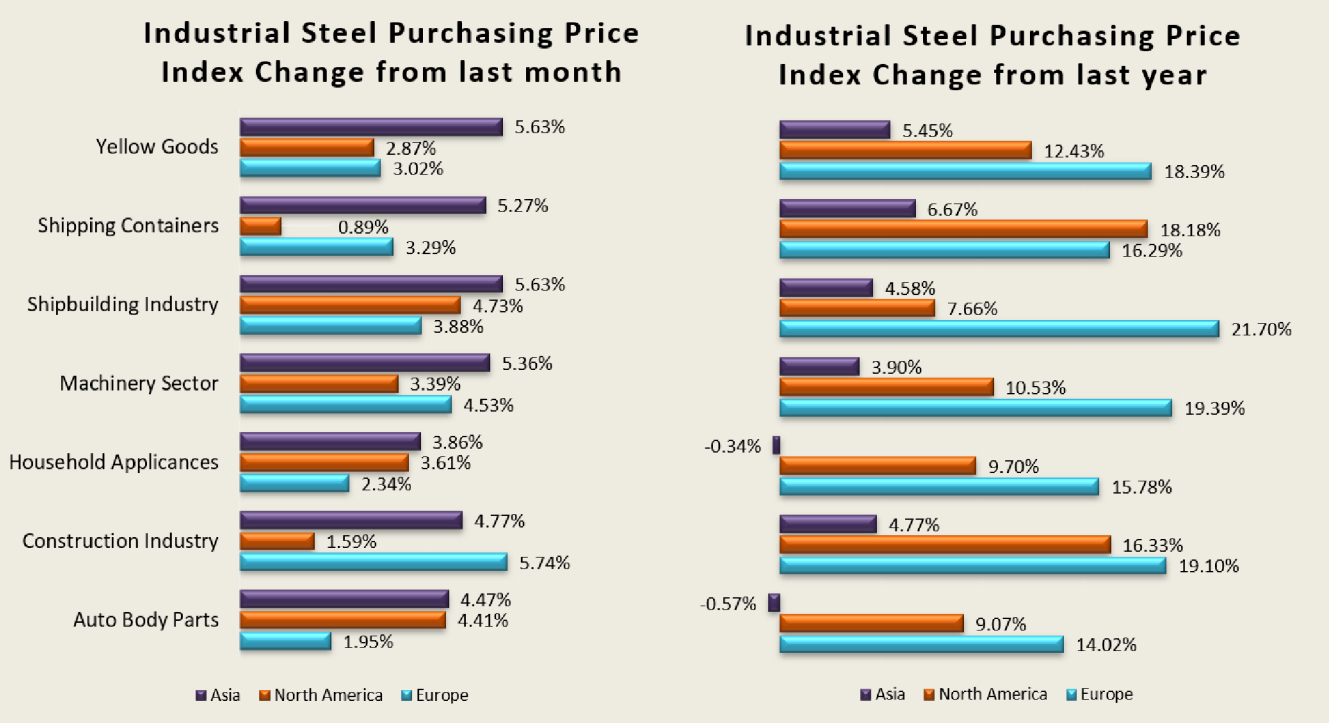

EXHIBIT — INDUSTRIAL STEEL PPI CHANGE, MONTH-ON-MONTH & YEAR-ON-YEAR · CURRENT MONTH: MAY 2026

NORTH AMERICA

Resilient demand, constrained supply. Steel prices remain elevated on tight domestic supply, limited import flexibility, and continued Section 232 protections. Cost pressures — inland transport, diesel exposure, carrier surcharges — raise total landed cost, not just material price, forcing procurement teams to rethink sourcing and inventory strategies.

EUROPE

Regulatory pressure, weak demand. Tighter UK/EU import controls support regional pricing but reshape trade flows. Margins are squeezed by higher energy and logistics costs, regulatory complexity, and lingering risk from the Middle East war — leaving profitability challenges across industrial sectors.

Across both regions, the steel PPI confirms continued year-over-year inflationary pressure — a structural cost escalation proving persistent rather than transitory, with early signals now emerging in Asia.

Volatility at the Core

At the heart of the disruption lies input-cost volatility across energy, metals, and freight — compounding risks that traditional, cost-optimized supply-chain models are increasingly misaligned to absorb.

Energy (oil & fuel)

- Middle East instability drove oil-price volatility; after-effects still feed bunker fuel and transport costs
- Energy-cost swings flow into transport, manufacturing, and production expenses
- Oil is likely to stay above pre-conflict levels through year-end, keeping a floor under transport costs

Stainless steel & nickel

- Nickel price volatility remains a key concern; Indonesia's evolving export policies add uncertainty
- Dependence on Middle Eastern sulphur introduces refining risk for stainless production
- Sourcing competitiveness shifts as commodity-linked currencies move with prices

> A multi-layered dependency risk: geopolitical disruption in one region cascades into metal pricing, production costs, and downstream manufacturing stability.

Freight & logistics — volatility without peak pricing

The global freight market is in a state of controlled volatility. Rates remain below pandemic peaks, but temporary spikes emerge from fuel surcharges, rerouting via the Cape of Good Hope, insurance premiums, and schedule unreliability. Disruptions in the Red Sea and Strait of Hormuz continue to extend transit times, reduce schedule predictability, and increase logistics complexity.

> **Costs are rising even when headline freight indices appear stable — landed cost, not material price, is where the volatility now lands.**

What this means for planning

- Build buffer into lead times rather than assuming schedule reliability
- Track total landed cost — fuel, insurance, surcharges — not just headline freight rates
- Treat input-cost volatility as a standing condition to design around, not a one-off shock

> Even with rates below pandemic peaks, the cost of unreliability — missed sailings, expedited air freight, idled production — increasingly outweighs the headline ocean rate.

A Slow-Growth, Sticky-Inflation Economy

Independent macroeconomic outlooks frame the same picture from the top down. As of June 2026, the U.S. economy remains resilient — supported in part by AI-related investment — but the conflict fueled renewed inflation pressure, producing a real income squeeze and a slow-growth, sticky-inflation environment.

US REAL GDP	HEADLINE CPI	UNEMPLOYMENT	FED FUNDS
1.8%	**3.8%**	**4.5%**	**3.625%**
2026F · 1.9% expected in 2027	Q4 2026 y/y · easing to 2.1% by Q4 2027	Q4 2026 · steady labor market	On hold; rate hikes back on the horizon

Inflation pressures are becoming broader and more supply-driven: headline CPI surged to roughly 4.2% year-over-year in May — its highest since April 2023 — as energy, transportation, and shelter costs accelerated. Higher fertilizer costs are likely to lift food inflation, while rising transportation and production costs increasingly pass through to goods and services. Renewed pressure has prompted central banks toward a more hawkish stance.

Conflict scenarios & Q4 2026 sensitivities

The path from here hinges on how durably the peace holds. Outlooks span four scenarios — from a return to severe disruption to a durable resolution — each with materially different oil, growth, and inflation outcomes.

SEVERE · ONGOING CONFLICT

Strait effectively closed

Neither side negotiates; conflict persists or expands.

Oil (Brent)	**$150**
Global GDP	**1.6%**
Global CPI	**6.9%**

ADVERSE · ASYMMETRIC

Persistent disruption

Sporadic attacks keep Hormuz traffic structurally lower.

Oil (Brent)	**$100**
Global GDP	**2.3%**
Global CPI	**5.4%**

BASELINE · COOLING

Without conclusion

Tentative stabilization; transit resumes gradually, possibly with tolls.

Oil (Brent)	**$88**
Global GDP	**2.6%**
Global CPI	**4.7%**

OPTIMISTIC · RESOLUTION

Durable resolution

Lasting settlement; Hormuz fully open, stable environment.

Oil (Brent)	**$74**
Global GDP	**2.9%**
Global CPI	**4.1%**

Beneath the headline numbers

The U.S. labor market has stabilized — payrolls are running near 70,000 jobs a month with unemployment around 4.5% — but a real income squeeze, as inflation outpaces wage growth, keeps consumer momentum soft into the second half of 2026. Business investment, led by AI-related capital spending, is the main offset, even as elevated interest rates and energy costs cap broader activity.

> Source: EY-Parthenon June 2026 macroeconomic outlook (Q4 2026 figures — Brent oil; global PPP real GDP, y/y; global CPI inflation, y/y). Our baseline planning assumption is the "cooling without conclusion" path.

Currency, Inflation & What It Means for Business

Currency markets

Currency dynamics are a critical but often underestimated factor in supply-chain economics. The U.S. dollar is expected to stay relatively strong — supported by geopolitical uncertainty, energy-driven capital flows, and conservative monetary policy — while commodity-driven and emerging-market currencies remain volatile.

The effect: fluctuating landed costs, shifts in global sourcing competitiveness, and added complexity in procurement decision-making.

What's driving the dollar

- Geopolitical uncertainty and safe-haven flows
- Energy-driven capital movements
- Conservative monetary policy

Inflation

Across geographies, one trend is consistent: inflationary pressure is persisting and spreading.

N. AMERICA & EUROPE

Sustained

Year-over-year inflation signals.

ASIA

Emerging

Early signs of inflation pickup.

> Supply-chain disruptions are no longer temporary shocks — they are becoming persistent inflation drivers.

Input costs, freight, and currency increasingly move together — widening the swing in final landed cost and compressing the window in which procurement can react.

Higher fertilizer costs are set to lift food inflation, while rising transportation and production costs pass through to goods and services — broadening price pressure well beyond energy.

> **"Volatility is no longer episodic — it is systemic."**

Organizations now operate amid multi-region disruption, input-cost instability, currency fluctuation, and demand uncertainty. Traditional supply-chain models — optimized for cost and efficiency — are increasingly misaligned with this risk environment. The global economy is not in crisis, but it operates under continuous pressure, where agility, visibility, and resilience define success.

Emerging response — technology & resilience

- ☑ **AI-Enabled Demand Forecasting**
  Adapting to non-linear demand signals in real time.
- ☑ **Scenario Planning & Risk Simulation**
  Stress-testing decisions against compounding shocks.
- ☑ **End-to-End Supply Chain Visibility**
  A connected view across every stage of the chain.
- ☑ **Closer Supplier Collaboration**
  Tighter coordination to absorb disruption together.

These capabilities are becoming essential — not optional — to navigate steel-price volatility, freight disruption, currency swings, and geopolitical uncertainty.

> The throughline: resilience is shifting from a defensive cost into a source of competitive advantage — the organizations that read and act on signals first will absorb shocks their competitors cannot.

Near-Term Outlook

Over the next 6–12 months, even as the war winds down, supply chains will operate in sustained volatility rather than full normalization. Structural pressures from geopolitics, energy, and trade realignment will continue to shape market behavior.

1 **Geopolitical pressure on trade flows**

Ceasefire taking hold, but residual risk lingers around Hormuz and the Red Sea. Partial rerouting and longer transit continue; insurance, security, and compliance costs unwind only gradually. Trade flows adjust — they do not fully stabilize.

2 **Energy & input-cost volatility**

Oil may ease but stay spike-prone, and fuel costs continue to shape freight economics. Inputs like nickel, sulphur, and petrochemicals remain exposed to supply disruption.

3 **Industrial growth: uneven, cost-constrained**

North America stable but cost-pressured; Europe facing weak demand and margin stress; Asia in gradual recovery with emerging inflation. Manufacturers face continued margin pressure and demand variability.

4 **Freight & logistics: controlled instability**

Rates stay below historical peaks, with temporary spikes from fuel costs and Cape rerouting. Ongoing variability in transit times and reliability creates structural unpredictability.

5 **Currency & inflation trends**

A strong U.S. dollar on geopolitical and energy flows; volatile commodity-linked currencies. Inflation persistent in North America and Europe, with early signals in Asia.

= **The bottom line**

A near term defined by persistent geopolitical risk, ongoing cost volatility, and the gradual adaptation — not full normalization — of trade flows.

How we plan around it

Rather than forecasting a single outcome, we plan against the full scenario range — sizing inventory, sourcing, and freight commitments to stay robust whether the peace consolidates or residual disruption returns. The aim is decisions that hold up across paths, not bets on one.

What we are watching most closely

- Hormuz transit normalization and any toll regime
- Oil and bunker-fuel price stability
- Pass-through of input costs into core inflation
- Freight schedule reliability, not just spot rates

IN SHORT

Volatility is no longer temporary — it is becoming the baseline condition for global supply chains.

SECTION 03 · FROM VOLATILITY TO ADVANTAGE

How We Are Navigating the Change

In an environment where volatility has become structural, Gexpro Services is not reacting to disruption — we are engineering resilience into our operating model, moving from reactive supply chains to predictive, data-driven ecosystems.

01 From Forecasting to Predicting — Machine Learning

ML-based forecasting models continuously adapt to changing demand signals and incorporate external variables such as market shifts, pricing trends, and macro indicators. The result: better supply–demand alignment, reduced excess and shortage, and faster response to sudden shifts.

Applied across volatile product categories, this has measurably improved forecast accuracy while cutting both excess inventory and stock-outs.

02 Speed & Consistency Through Automation (RPA)

Robotic Process Automation handles repetitive, transaction-heavy work across procurement, order management, and invoicing — reducing manual errors, improving cycle times, and freeing skilled resources for higher-value decisions, keeping operations scalable as complexity rises.

Automating order, procurement, and invoicing workflows removes manual rework and shortens cycle times without adding headcount.

03 Analytics-Driven Decision Making

Advanced analytics monitor commodity, freight, and currency signals to identify early indicators of disruption or price shifts — enabling proactive sourcing, pricing, and inventory decisions. We anticipate market changes instead of reacting to them.

Early signals on commodities, freight, and FX let us move on sourcing and pricing before the wider market fully reprices.

04 Operational Control Through Advanced Reporting

End-to-end visibility and real-time tracking of cost, service level, and lead time strengthen exception management and decision support — surfacing inefficiencies early and tightening control over cost drivers, so we manage volatility with precision.

Real-time dashboards on cost, service, and lead time turn exceptions into action rather than after-the-fact reporting.

The outcome — a more resilient, intelligent supply chain

ADAPTIVE	EFFICIENT	PREDICTIVE	RESILIENT
To shifting demand & market conditions.	In execution despite operational complexity.	Rather than reactive.	Against geopolitical & supply shocks.

CLOSING THOUGHT

Even as the guns fall silent, volatility remains the baseline — and our focus is clear: turning disruption into smarter, stronger, more future-ready supply chains.

ABOUT

About the Author

Kartik D.

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Kartik D. is a seasoned supply-chain analytics leader with over 10 years of experience driving data-driven transformation in global organizations. He specializes in predictive analytics, market research on the metals industry, and global supply-chain economics.

Kartik has led initiatives delivering multimillion-dollar business impact across procurement, demand planning, and logistics. Passionate about enabling sustainable, scalable supply-chain solutions through advanced analytics and cross-functional collaboration, he holds an MBA in Business Analytics from the University of Connecticut and is a Lean Six Sigma Green Belt certified professional.

Areas of focus

- Predictive analytics
- Metals market research
- Global supply-chain economics
- Procurement & demand planning

Sources & methodology

- Industrial Steel Purchasing Price Index (PPI), month-on-month and year-on-year, by region
- Maritime trade-flow and chokepoint volume data across the major global corridors
- EY-Parthenon June 2026 macroeconomic outlook — growth, inflation, and conflict scenarios
- Internal Gexpro Services procurement, freight, and currency monitoring

About Gexpro Services

Gexpro Services partners with industrial and manufacturing customers to deliver powerful supply-chain solutions — combining sourcing, inventory, and logistics expertise with analytics-driven planning to keep production running through volatile markets.

Gexpro Services
Powerful Supply Chain Solutions