

**Sixty Days In: The Extended Business Impacts of the Middle East Conflict**  


I [wrote to you four weeks ago](#) about the conflict in the Middle East, its impact on energy, and what that means for business leaders. Now we're two months in, and the long-term effects are coming into view.

BCG's geopolitical experts, including Aparna Bharadwaj, who recently [spoke about this on Bloomberg TV](#), see the business implications as broader, deeper, and longer lasting than many anticipated. The Strait of Hormuz is a lifeline for a remarkable range of sectors, and the impact of its effective blockage has already extended beyond the Gulf Cooperation Council (GCC) to emerging markets in Asia and other parts of the Global South. The longer that blockage continues, the longer the eventual recovery will take.

**Energy markets captured initial attention, but the disruptions extend far beyond.**

Consider four examples:

- **Agriculture is facing a slow-moving crisis.** Urea is a critical fertilizer in agricultural production, and the GCC and Iran together account for roughly 20% of its production and 40% of its global trade. The primary planting season in the Northern Hemisphere is already being affected, both by the availability and the cost of nitrogen fertilizers like urea. If the crisis persists, those pressures will intensify across more seasons, regions, and crops. The effects on food availability and prices could be felt by yearend and persist well into next year.
- **Metals markets tell a similar story.** GCC nations account for more than 20% of global aluminum exports—a natural outgrowth of the region's energy abundance, which makes it an ideal location for the power-intensive industry. The conflict has pushed up prices on this metal used in everything from automotive parts to packaging, and supply constraints are likely to last.
- **Aviation is also feeling the impact.** Twenty percent of all air cargo moves through the GCC; Emirates and Qatar Airways alone represent nearly 10% of global air cargo capacity. Each year, 450 million passengers move through the region's nine major airports.

The price of jet fuel, which represents about 27% of an airline's operating costs, has surged sharply. Airlines are already beginning to pass these costs along to passengers.

- **Emerging markets are feeling compounding pressure.** In recent weeks, several countries, including Nigeria and Bangladesh, have signaled financial stress. More expensive oil imports, weakened currencies, and rising debt-servicing costs create a heavy burden. As the conflict continues, more economies could face similar pressure.

The cumulative economic impact is extensive—wider in scope and, in some ways, more severe in impact than the early stages of the war in Ukraine. Companies are feeling the downstream effects. For example, one large consumer company has already seen a 30% to 40% increase in the cost of some now difficult-to-secure packaging materials, despite long-term contracts.

**Even a best-case resolution will take time to translate into recovery.**

The physical clearance of maritime corridors will require months of careful work after the cessation of hostilities. Even when shipping lanes fully reopen, the path back to normal will be measured in months and years, not weeks.

Liquefied natural gas infrastructure damaged in the conflict faces among the longest recovery timelines, requiring extensive repair and recommissioning. Aluminum smelters that have gone cold will take around one year to bring back online, source feedstock, and fully restart.

Leaders need to think through not just the impact of the disruption on their business but the shape of the recovery: which sectors will lag, where bottlenecks will form, and how long the transition will realistically take.

Three things I'd encourage leaders to think about:

- **First, map the full exposure, not just the obvious one.** This means examining every dimension of operations: cost of goods, borrowing costs if credit tightens, and demand trends as consumers feel the pinch of inflation. The energy exposure may be the most visible, but the knock-on effects run deeper.
- **Second, plan to the recovery timeline, not to the cease-fire.** Even if conditions improve faster than current expectations, the operational and supply chain disruptions already set in motion will outlast the headlines. Business continuity planning should reflect that.
- **Third, think carefully about the new baseline.** This is a global shock that will prompt governments and businesses to revisit fundamental assumptions: how they source energy and from where, how much to depend on a handful of chokepoints, even how force majeure clauses are written. Shipping, energy policy, and political alliances may never be the same.

One additional point. Every significant disruption can be a time to reimagine your business. The math on renewables, nuclear, and coal is already shifting as security of supply moves to the forefront. Shipping companies are rethinking their dependence on the world's major chokepoints—Hormuz, the Red Sea, Taiwan, Malacca—in ways that could reshape maritime investment. The leaders who not only absorb the shock but also use this moment to question fundamental assumptions about the structure of their businesses will be better positioned to adapt to changing market conditions over time.

We'll continue to monitor the situation and share what we learn. No matter what, organizations will need to factor this conflict into their strategic planning for the foreseeable future.

Until next time,



**Rich Lesser**  
Global Chair

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