AXIS BANK

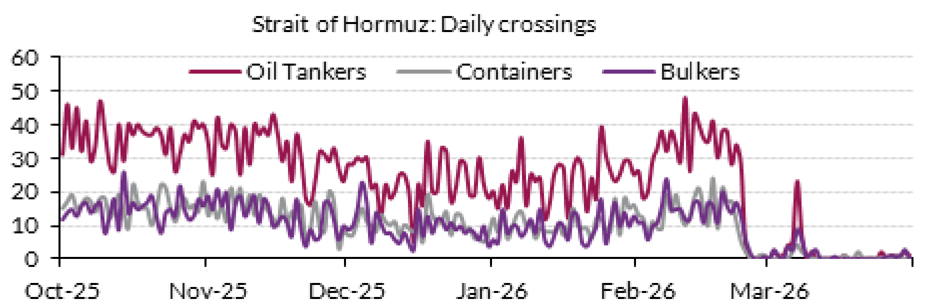
Economic Research | **Global Trade**

Ceasefire a relief for financial markets; not yet for supply-chains

The relief from the 2-week ceasefire in financial markets is for forward-looking reasons: it breaks the cycle of escalation and reveals pain limits for each side. Lower energy prices (spot and forward) also reduce headwinds to global growth. However, two weeks are insufficient for material supply-chain relief as two-way transit takes longer: only stranded ships may move. GCC is 10-47% of global trade in energy-intensive chemicals, plastics, minerals and metals, and affect supply-chains from food, textiles and packaging to construction. A sustained opening may be necessary, as supply-chain disruptions compound over time, as production cuts begin to infect other sectors too.

08 Apr 2026
Growth
Supply Chains

Exhibit 1: Supply chain impact of a closed Strait of Hormuz goes beyond energy



Source: Refinitiv; Axis Bank Research; Daily crossings are the sum of recorded North and South crossings.

2-wk ceasefire breaks cycle of escalation, but insufficient for supply-chain relief

The relief felt in financial markets is for forward-looking reasons: it breaks the cycle of escalation and reveals limits on the pain each side is willing to endure. Brent futures for Sep/Dec-2026 are just 16%/12% above 27-Feb levels; inventory-holders can demand less, so spot is down sharply. However, even if the Strait of Hormuz (SoH) opens unconditionally, 2 weeks do not suffice for supply-chain relief as two-way transit of ships takes longer.

GCC also dominates non-petrochemical but energy-intensive materials

Whereas non-petrochemical intermediate goods were just 16% of GCC (Gulf Cooperation Council: S Arabia, UAE, Kuwait, Bahrain, Oman and Qatar) exports in 2024, they were 10-47% of global trade in energy-intensive chemicals (fertilizers, textiles, methanol), plastics (packaging, battery casings), and minerals and metals (e.g., Sulphur, Aluminium, Fig 4).

A month into the war, prices of intermediate goods are already up 35-60%

As inventories dwindle, prices of plastic intermediates are up 36-40% vs. 27-Feb (Fig 5); methanol +50% (to make formaldehyde; Fig 6), ethylene glycol +36% (polyester, cooling), and nitrogen-based fertilizers +58% (Fig 7). While spot prices are down post the cease-fire, the SoH needs to be open for longer for relief on supplies. Energy inputs matter for food, where historically, global prices tend to move higher with spikes in energy prices (Fig 8); of immediate concern is rice, where we enter planting season across regions (Fig 9).

Supply-chain disruptions are contagious and compound over time

Disruptions to supply-chains from shortages first flow downstream, but as production curtailments begin, they being moving upstream, infecting sectors where the GCC may not be dominant. For material supply-chain relief, the re-opening of SoH needs to last several weeks, and even if tolled, not be selective. Readouts of the ceasefire 'agreement' from the two sides are inconsistent on how 'free' the movement through SoH would be. Even before the ceasefire, informal flows (dark fleets) were reported, which if true can buy more time.

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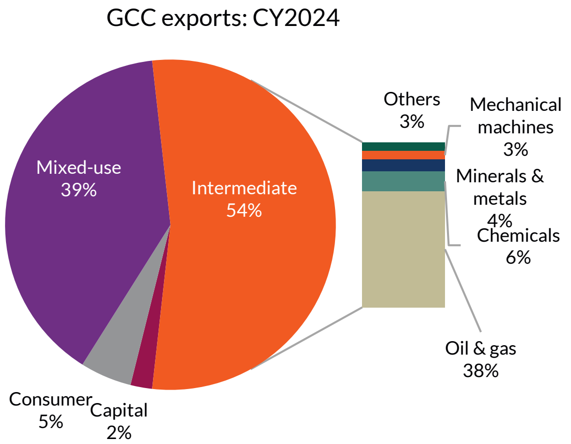
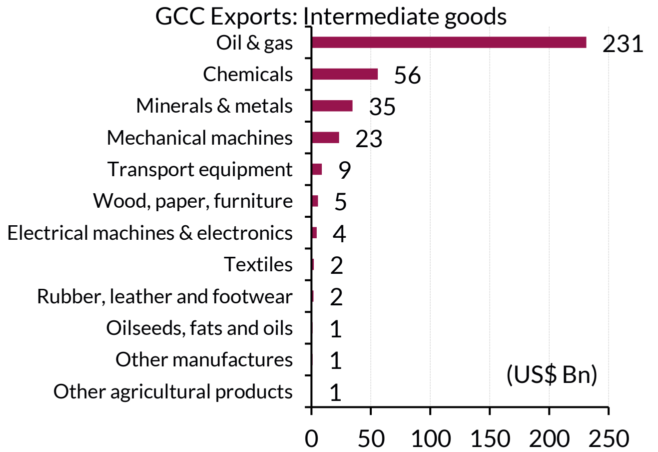
Exhibit 2: Intermediates (54%) are bulk of GCC exports; of those, ex-oil & gas, 16% exports are intermediates



Source: ITC Trademap; OECD; Axis Bank Research

Exhibit 3: By value, chemicals, metals & minerals, machines and transport equipment follow petrochem



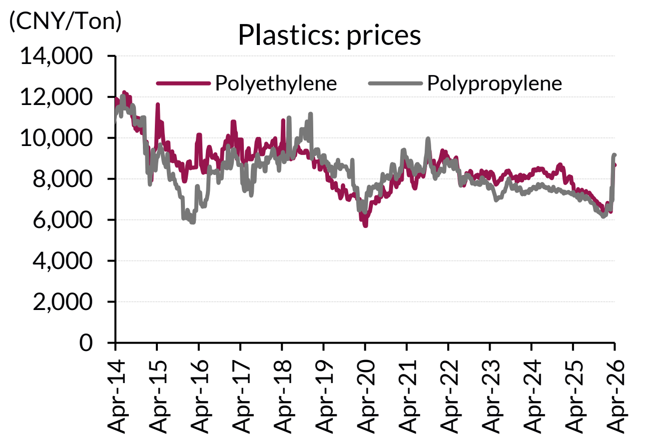
Source: ITC Trademap; Axis Bank Research

Exhibit 4: Key intermediate product exports out of GCC countries

Product Type	Product	Share of West Asia in Global trade	Inputs for which industries
		Energy	
Petrochem	Crude & Petroleum oils	12%	Petrochemicals; tyres, paints and chemicals, adhesives, autos
Petrochem	Natural gas	27%	Fertilizers, ceramics and tiles, chemicals, steel
Petrochem	LPG (Butane + Propane)	14%	Restaurants and hotels
Petrochem	Naphtha (Light Oils etc)	26%	Energy, Plastics
		Non-energy	
Chemicals	Ethylene glycol "ethanediol"	47%	Textiles, plastics (PET resins), autos (coolants)
Chemicals	Alyklbenzenes; alkalytes	29%	Detergents, cleaners, industrial solvents
Chemicals	Methanol	25%	Paints (varnishes, coating etc); plastics, resins and synthetic fibres
Chemicals	Urea/DAP/Ammonia	24%	Fertilizers
Chemicals	Styrene	16%	Paint and coating, rubber, plastics
Plastics	Polyethylene	24%	Packaging materials, plastic pipes, storage containers, consumer goods
Plastics	Polypropylene	20%	Consumer goods such as bottles, storage bags, syringes, battery casings
Metals	Unwrought aluminium	13%	Construction, autos, consumer durables and machinery
Metals	Copper wires	12%	Transmission networks, electrical machinery and renewables
Metals	Iron ores & conglomerates (pellets etc)	10%	Steel, chemicals
Minerals	Limestone	43%	Cement, steel, chemicals
Minerals	Gypsum	16%	Cement, construction, agriculture
Minerals	Sulphur	10%	Fertilizers, rubber manufacturing, autos, pharma, textiles, paper
Minerals	Cement clinkers	10%	Cement, construction
Rubber	Synthetic rubber (EPDM)	12%	Construction, automobiles, industrial manufacturing
Transport equipment	Aircraft parts	6%	Aviation

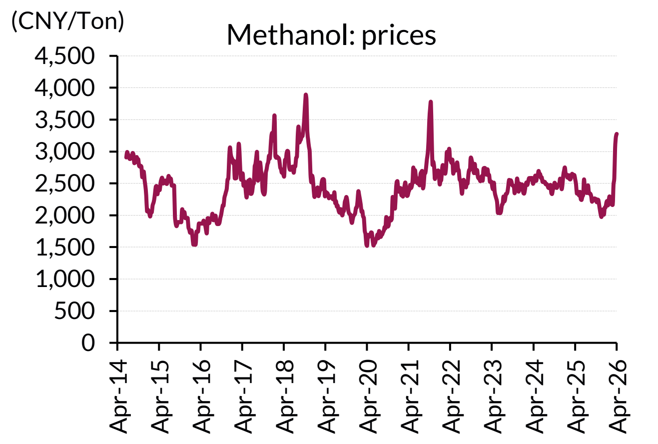
Source: ITC Trademap; Axis Bank Research compilation; Not an exhaustive list

Exhibit 5: Since the start of the Iran war, Polyethylene prices are up 36%; polypropylene prices are up 41%



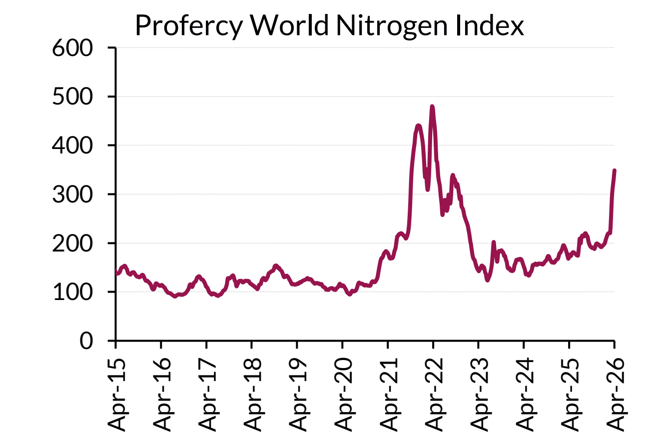
Source: Refinitiv; Axis Bank Research

Exhibit 6: Prices of methanol are up 51% vs. Feb 27, 2026



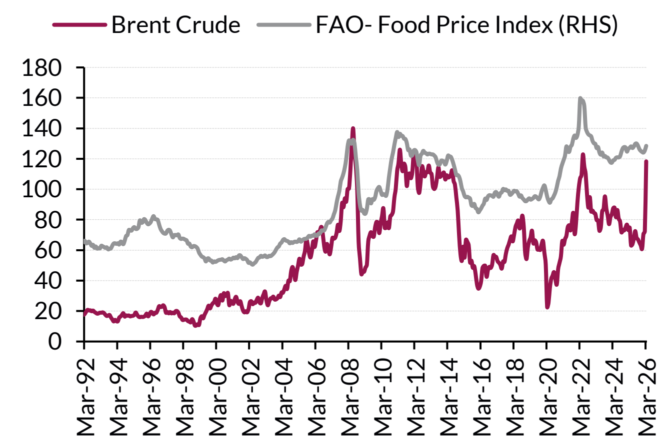
Source: Refinitiv; Axis Bank Research

Exhibit 7: Nitrogen fertilizer prices have also risen 58% since the start of the Iran war



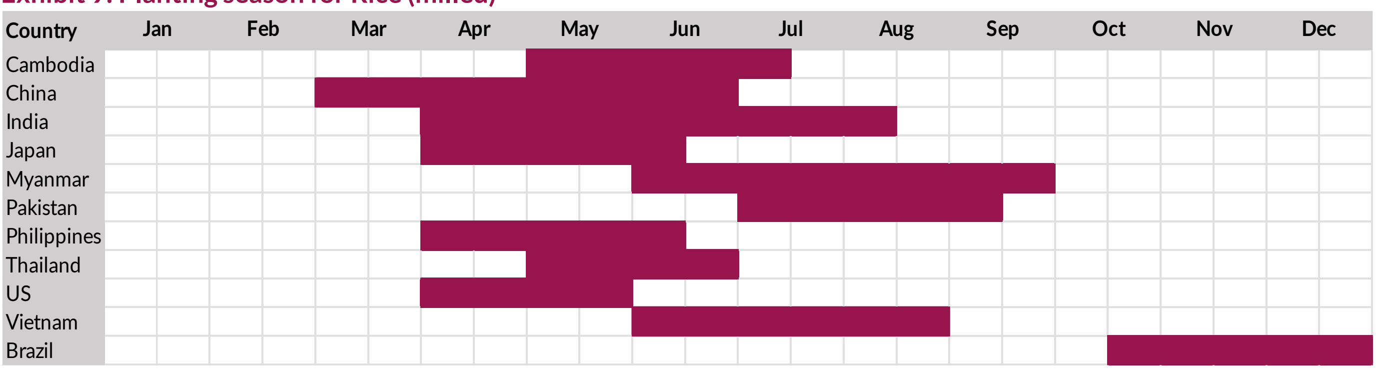
Source: Refinitiv; Axis Bank Research

Exhibit 8: Historically, global food prices have tended to move up with spikes global energy prices



Source: Refinitiv; Axis Bank Research

Exhibit 9: Planting season for Rice (milled)



Source: Refinitiv; Axis Bank Research