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THE IMPACT OF THE CLOSURE OF THE STRAIT OF HORMUZ ON THE GLOBAL ECONOMY

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Absstract:
The Strait of Hormuz is a critical global energy chokepoint linking the Persian Gulf to the Indian Ocean. Approximately 20% of the world's daily oil supply and a major share of LNG (notably from Qatar and the UAE) transit this narrow waterway. Gulf producers, especially Saudi Arabia, Iraq, the UAE, Kuwait, and Iran, depend heavily on it for exports; it is the sole maritime outlet for several countries.
The paper reviews the strait's strategic and economic importance, including spare oil production capacity (Saudi Arabia dominant at 6.23 mb/d) and regional gas output (Iran, Qatar, and Saudi Arabia leading).
Drawing on data linked to a late-February 2026 military escalation, it examines disruption impacts: a sharp ~95% drop in daily ship transits, oil prices surging above $110–126 per barrel across major benchmarks, higher inflation (stronger in developing economies), slower global merchandise trade and GDP growth, currency depreciation in developing regions, and rising sovereign borrowing costs (largest increases in Developing Asia & Oceania and Africa).
The conclusion stresses that prolonged disruption would destabilize energy markets, inflate costs, and constrain global growth. Securing the strait, diversifying routes, building strategic reserves, and advancing energy transition and maritime cooperation are essential for resilience.
Keywords: Strait of Hormuz, oil , gaz , oil prices.

1- Introduction

The Strait of Hormuz is globally recognized as one of the most critical maritime chokepoints. For decades, this narrow waterway has served as a vital gateway for international commerce, connecting the Persian Gulf to the Indian Ocean. In today's global economy, its relevance is most pronounced in the energy sector; immense volumes of petroleum and natural gas from major producing nations—including Saudi Arabia, Iraq, Qatar, and Iran—traverse the

strait daily, bound for markets across Asia, Europe, and the Americas. Current data indicates that approximately 20% of the world's daily petroleum supply passes through this transit point. Amid persistent geopolitical and military volatility in the Middle East, particularly involving Iran, safeguarding maritime navigation through the strait has become an increasingly urgent global concern. Potential scenarios—such as armed conflict, targeted strikes on regional infrastructure, or deliberate disruptions to international shipping lanes—pose severe threats to global energy security. Any prolonged disruption or closure of the Strait of Hormuz would inevitably trigger catastrophic economic shocks, destabilizing energy prices, derailing international trade, and fracturing both regional and global economic stability.

Based on what has been mentioned above, we pose the following question:

To what extent would the disruption or suspension of energy shipments through the Strait of Hormuz impact the global economy?

This study includes two main axes:

1- An overview of the Strait of Hormuz.

2- The consequences of halting maritime supplies on the economies of the world.

2- An overview of the Strait of Hormuz:

The Strait of Hormuz is a narrow waterway that connects the Arabian Gulf to the Gulf of Oman and the Arabian Sea. Its width ranges between 21 and 60 nautical miles (33 to 95 km). It derives its strategic importance from being the primary route for oil exports from the Middle East. Iran and Oman are the two countries closest to the strait (**zeghouani youcef**, **othmania dalla**, **2023**, p. **120**).

The Arabian Gulf is a semi-enclosed sea, and the Strait of Hormuz is the only passage for several Gulf countries, namely Iraq, Kuwait, Qatar, and Bahrain. These countries are most connected to the strait, and their maritime connection to the outside world can only be made through the strait (**baraabbaraa**, **2020**, p. **25**).

2-1 - The economic importance of the Strait of Hormuz:

For the Gulf Arab countries and Iran, the economic importance of the strait is primarily reflected in its connection to their oil exports. For Western countries, the significance of the strait increased after the discovery of oil in the Arabian Gulf region, making it a strategic transit area.

With the discovery of oil in the Gulf region, the importance of the strait for Western countries grew significantly; as a result, it came to be seen as a strategic transit point for accessing the region's energy resources (**Ammar Abbas Shaheen**, **2026**, p. 6).

In addition, it is an important passage for petrochemicals and fertilizers produced in the Gulf region and exported to agricultural markets around the world.

From a maritime logistics standpoint, the strait is of critical significance, as any interruption to navigation could cause a surge in global shipping costs. Additionally, supply chain disruptions could occur, impacting the economies of both oil-exporting and oil-importing nations simultaneously.

3-2 Petroleum :

Data Analysis: Spare Oil Production Capacity of Gulf OPEC Countries

The table presents the effective spare oil production capacity of major Gulf OPEC producers, broken down into:

- Crude oil (including condensates)
- Petroleum products
- Total spare capacity

All figures are measured in million barrels per day (mb/d).

General Analysis

A. Saudi Arabia's Clear Dominance

Saudi Arabia leads by a significant margin with a total spare capacity of 6.23 mb/d, far exceeding all other countries.

This highlights:

Saudi Arabia's unmatched ability to rapidly ramp up oil production.

Its central role in stabilizing the global oil market.

The heavy reliance of international markets on Saudi spare capacity to respond to supply shocks.

The majority of its spare capacity comes from crude oil (5.43 mb/d), with petroleum products contributing 0.80 mb/d.

B. Iraq and the UAE as Rising Heavyweights

The second and third positions are held by:

- Iraq: 3.63 mb/d
- United Arab Emirates: 3.24 mb/d

This reflects:

Their expanding production capabilities.

Growing influence in the global energy landscape.

Sustained investment in oil infrastructure and upstream development.

The UAE particularly stands out due to its strong contribution from petroleum products (1.22 mb/d), signaling advanced refining and downstream capabilities.

C. Kuwait and Iran at Moderate Levels

Kuwait: 2.37 mb/d

Iran: 2.41 mb/d

While their total spare capacities are relatively close, key differences exist:

Kuwait's spare capacity is predominantly in crude oil.

Iran possesses substantial potential, but international sanctions and political constraints limit its ability to activate this capacity effectively.

D. Qatar and Bahrain with Limited Spare Capacity

Qatar: 1.43 mb/d

Bahrain: 0.21 mb/d
This is primarily due to:
Smaller oil reserves compared to larger Gulf producers.
Qatar's strategic focus on natural gas and LNG exports rather than crude oil expansion.

E. Saudi–Kuwaiti Neutral Zone
The table also accounts for the Saudi–Kuwaiti Neutral Zone, which holds a spare capacity of 0.35 mb/d. This underscores the value of bilateral cooperation in supporting regional oil supply stability.
Economic and Strategic Implications

- Global Energy Security

A substantial portion of the world's spare oil capacity is concentrated in the Gulf region. This makes it:
A critical buffer for stabilizing global oil prices.
A cornerstone of international energy security.

- Geopolitical Significance

Any political instability, military conflict, or tension in the Gulf can have immediate and far-reaching consequences on:

- Global oil supply
- Energy prices
- International supply chains

- Oil Market Flexibility

High spare capacity enables OPEC to:
Respond swiftly to global supply shortages.
Mitigate disruptions caused by geopolitical events, wars, sanctions, or natural disasters.

Conclusion
The data clearly demonstrates that Gulf countries — particularly Saudi Arabia — constitute the backbone of global spare oil production capacity. It also reveals notable differences in the scale and nature of spare capacity among producers, which directly shapes their influence within both the global oil market and OPEC.

Table 2-1: Petroleum Products of the Countries Neighboring the Strait of Hormuz in 2025.

	Crude oil (including condensates)	Products	Total
Bahrain	0.00	0.21	0.21
Iran	1.69	0.72	2.41
Iraq	3.32	0.31	3.63
Kuwait	1.40	0.97	2.37
Qatar	0.73	0.69	1.43
Saudi Arabia	5.43	0.80	6.23
Saudi-Kuwaiti Neutral Zone	0.35	0.00	0.35
United Arab Emirates	2.02	1.22	3.24
Total Hormuz	14.95	4.93	19.87

SOURCE : https://www.iea.org/about/oil-security-and-emergency-response/strait-of-hormuz, 25/05/2026.

2-3 gaz:

Data Analysis: Gas Production Dynamics Around the Strait of Hormuz

Based on the consolidated data from the Energy Institute Statistical Review, the gas production landscape in the region can be divided into three distinct tiers, each playing a unique role in regional and global energy security.

A. Market Dominance: The Big Three (Iran, Qatar, and Saudi Arabia)

These three countries collectively account for over 82% of the total gas produced in the immediate vicinity of the Strait of Hormuz. However, their utilization strategies vary significantly:

- Iran (251.7 bcm): Although Iran leads in production volume, it has minimal influence on the global LNG market. Due to heavy domestic subsidies, high industrial demand, and international sanctions, nearly all of its gas is consumed locally or exported via pipelines to Turkey and Iraq.
- Qatar (181.1 bcm): Qatar is the true global heavyweight in the region. Unlike Iran, it liquefies the vast majority of its output. Since all Qatari LNG tankers must pass through the Strait of Hormuz to reach international markets, Qatar is the most logistically dependent on the security of this critical maritime chokepoint.
- Saudi Arabia (114.1 bcm): The Kingdom dedicates its entire gas production to the domestic market. It uses gas to displace crude oil in power generation and to fuel its large petrochemical industry.

B. **Mid-Tier Producers (UAE and Oman)**

United Arab Emirates (61.3 bcm) and Oman (41.8 bcm): Both countries have advanced LNG export infrastructure. While Oman exports a consistent share of its gas directly to Asia, the UAE presents a unique situation: it exports LNG through the Strait while simultaneously importing pipeline gas from Qatar (via the Dolphin Pipeline) to meet its high domestic demand for cooling and industry.

C. **Domestic Consumptive Markets (Kuwait, Bahrain, and Iraq)**

These three nations have relatively modest production levels (ranging from 9.4 to 14.1 bcm) and represent the "gas-deficit" zone of the Gulf.

Iraq continues to flare a significant portion of its associated gas due to infrastructure constraints, compelling it to import gas from Iran.

Kuwait relies heavily on LNG import terminals to power its electricity plants during the intense summer heat.

D- Strategic Summary: The Hormuz Bottleneck

From a geopolitical perspective, this data clearly explains why the Strait of Hormuz is regarded as the world's most critical energy chokepoint:

Export Vulnerability: Although more than 680 billion cubic meters of gas are produced annually in this basin, the commercialized global supply depends entirely on the Strait. Unlike oil, which can sometimes be rerouted via pipelines to the Red Sea, LNG has no viable bypass.

Global Dependence: Approximately 20% of the world's liquefied natural gas trade originates from ports within this Strait (mainly from Qatar and the UAE). This makes major economies in East Asia (Japan, South Korea, China) and Western Europe highly vulnerable to any disruption in this narrow corridor.

Table 2-2 : Gas Production of Countries Bordering the Strait of Hormuz 2025.

Country	Annual Gas Production (Billion Cubic Meters - bcm)
Iran	251.7
Qatar	181.1
Saudi Arabia	114.1
United Arab Emirates	61.3
Oman	41.8
Kuwait	14.1
Iraq	9.4
Bahrain	9.7

Source : https://www.eia.gov/ 25/05/2026.

3- The consequences of halting maritime supplies on the economies of the world:

Maritime transportation plays a vital role in supporting global trade and economic stability by facilitating the movement of goods, energy resources, and raw materials across international markets. Any disruption to maritime supplies can have significant economic consequences, affecting supply chains, increasing transportation costs, and creating shortages of essential commodities. As a result, the interruption of maritime trade routes can impact both developed and developing economies, highlighting the importance of secure and uninterrupted maritime logistics.

3-1 Ships transiting the Strait of Hormuz:

Analysis of the Graph 3-1: Total Number of Daily Ship Transits Through the Strait of Hormuz

The chart shows the number of daily ship transits through the Strait of Hormuz over a period from February to March.

At the beginning of the period (roughly 1–27 February), ship traffic is high and relatively stable, fluctuating around 110 to 140 ships per day. The chart also indicates an average of about 129 ships per day, suggesting normal and consistent maritime activity through the strait.

However, at the end of February and the beginning of March, there is a sharp and sudden decline in traffic. Daily transits drop dramatically from over 100 ships to only around 5–10 ships per day on average. This represents a 95% decrease, as highlighted in the chart.

Key interpretation:

Overall trend: stable activity followed by a sudden collapse.

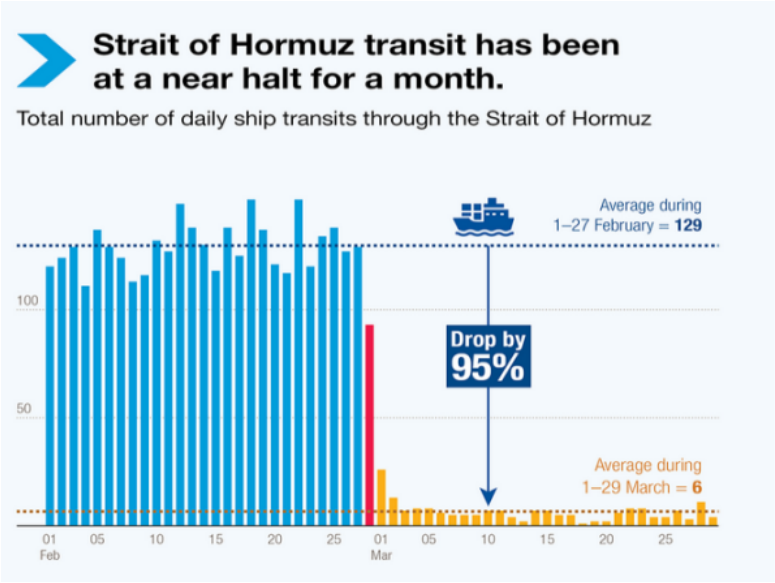
Turning point: late February.

Nature of change: abrupt rather than gradual.

Possible implication: such a drastic drop usually suggests a major disruptive event, such as geopolitical tension, security risks, or restrictions affecting navigation in the strait.

If you want, I can also explain what kinds of real-world events typically cause such a sudden drop in traffic in the Strait of Hormuz specifically.

Graph 3-1 : Total Number of Daily Ship Transits Through the Strait of Hormuz



source: https://unctad.org/publication/strait-hormuz-disruptions-growth-and-financial-implications, 25/05/2026.

3-2 The impact of closing the Strait of Hormuz on crude oil prices:

Analysis of the Graph 3-2: Supply disruptions in the Strait of Hormuz and their impact on crude oil prices.

Overview

The chart displays daily crude oil prices (in USD per barrel) from early January 2025 to late February/early March 2026. It tracks four major oil benchmarks:

Europe (Brent) — dark blue line

Northern America (WTI) — lighter blue line

Russian Federation (Urals) — greenish/blue line

Middle East (Dubai) — orange/yellow line

A prominent vertical red dashed line marks 28 February 2026, labeled as the "Start of the military escalation" (likely linked to disruptions in the Strait of Hormuz).

Key Observations

Pre-Escalation Period (Jan 2025 – 27 Feb 2026):

Prices were relatively stable but volatile throughout most of the period.

They fluctuated mostly between $60 and $85 per barrel.

There was a general downward or sideways trend from mid-2025, with prices hovering around $65–$75 in late 2025 and early 2026.

All four benchmarks moved very closely together, showing strong global correlation in oil pricing.

The Spike (Post-28 Feb 2026):

A dramatic and sharp surge occurred immediately after the marked military escalation.

Prices jumped from roughly $70–$80 range to over $110–$126 within a very short time.

The Middle East (Dubai) benchmark (orange line) reached the highest point at $126.

Brent hit $113, WTI around $110, and Urals slightly lower at $101.

This represents a ~50–70% increase in just a few days/weeks.

Post-Spike Behavior:

Prices remained elevated after the initial shock.

There is some pullback from the absolute peak, but levels stayed significantly higher than pre-escalation averages.

The gap between benchmarks widened slightly after the spike (Dubai leading, followed by Brent, WTI, then Urals).

Implications

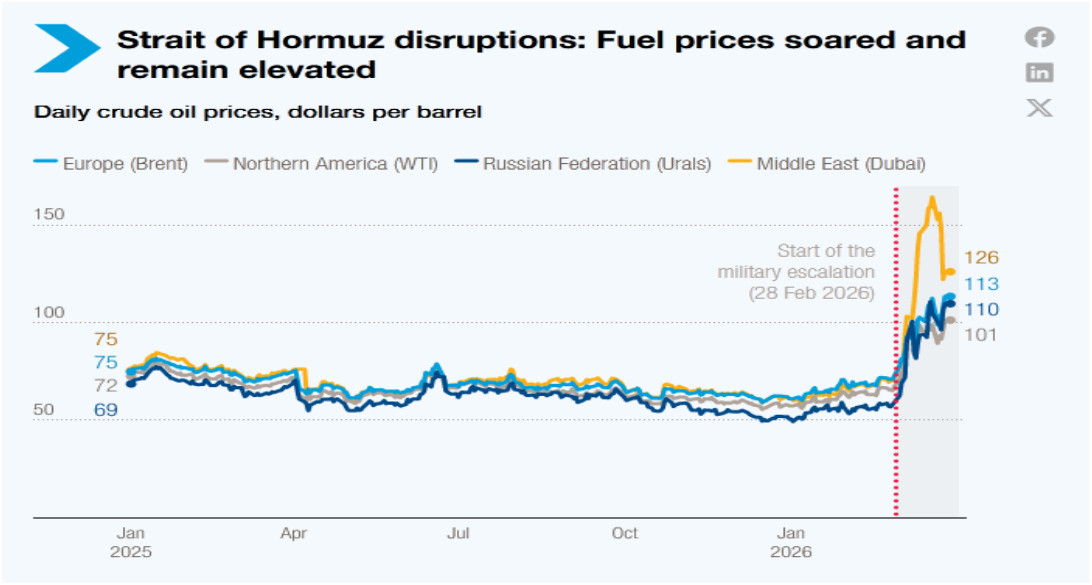
Supply Shock: The sharp rise strongly suggests a major disruption in oil flows through the Strait of Hormuz (through which ~20–30% of global seaborne oil passes). Military escalation in that region typically threatens tanker traffic and exports from Saudi Arabia, UAE, Iraq, Iran, etc.

Market Reaction: The market reacted instantly and severely — classic behavior during geopolitical supply risks.

Benchmark Divergence:
Middle East (Dubai) was most affected (proximity to the Strait).
Russian Urals was relatively less impacted (different export routes, possible discounts or alternative markets).
Brent and WTI followed global panic but remained slightly below Dubai.
Sustained Elevation: The fact that prices did not quickly revert indicates the market expects prolonged disruption or heightened risk premium.

Summary
The graph clearly illustrates how a geopolitical/military event centered on the Strait of Hormuz triggered a major oil price shock in late February 2026. What had been a relatively calm and moderately priced oil market for over a year suddenly transformed into a high-price environment, with crude jumping above $100–$126/barrel and staying elevated.
This type of spike typically leads to higher fuel prices globally, increased inflation pressure, and potential economic ripple effects, especially for oil-importing countries.
Would you like a more detailed breakdown (e.g., percentage changes, comparison with historical events, or economic consequences.

Graph 3-2: Supply disruptions in the Strait of Hormuz and their impact on crude oil prices



source: UN Trade and Development (UNCTAD), based on LSEG Data & Analytics, 25/05/2026.

3-3 The impact of declining oil prices on inflation in countries around the world: Analysis of the Graph 3-3: Oil Prices and Inflation Trends in Developed and Developing Countries.

The chart illustrates a strong and consistent relationship between oil prices and inflation, highlighting an important macroeconomic transmission mechanism.

When oil prices rise sharply, inflation tends to increase shortly afterward, especially in developing economies. This happens because oil is a key input in almost every part of the economy—transportation, manufacturing, agriculture, and electricity generation. As energy costs rise, businesses pass these costs on to consumers, leading to higher prices for goods and services.

The impact is more pronounced in developing countries compared to developed ones. This is because developing economies typically:

Rely more heavily on imported fuel,

Have less diversified energy sources,

Experience weaker monetary policy buffers.

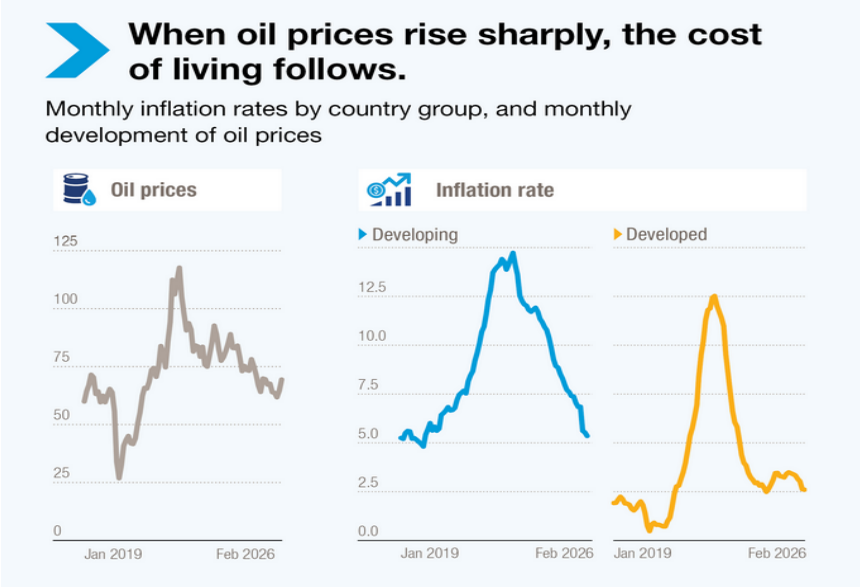
As a result, inflation spikes more sharply and remains elevated for longer periods.

In contrast, developed economies also experience inflationary pressure, but the effect is generally more moderate due to stronger energy efficiency, diversified supply chains, and more stable financial systems.

This relationship becomes especially relevant in the context of disruptions in the Strait of Hormuz. Since a significant share of global oil passes through this chokepoint, any supply disruption can trigger a global oil price shock. That shock then transmits into higher inflation worldwide, reinforcing the pattern shown in the chart.

Overall, the figure demonstrates that oil price shocks are not isolated energy events—they are powerful drivers of global inflation and cost-of-living pressures, with the strongest impact felt in emerging markets.

Graph3-3: Oil Prices and Inflation Trends in Developed and Developing Countries



Source: UN Trade and Development UNCTAD, 25/05/2026.

3-4 Impact of Disruptions in the Strait of Hormuz on Global Merchandise Trade Growth:

Analysis of the Graph 3-4: Strait of Hormuz Disruptions and Their Impact on Global Trade Growth

Overview

The chart illustrates the annual growth rate of global merchandise trade in real terms (percentage) from 2022 to 2026. It highlights how disruptions in the Strait of Hormuz (a critical chokepoint for global oil and trade flows) represent a major shock to worldwide trade, which is projected to slow significantly after 2025.

Key Trends in the Data

2022: Trade growth started at a relatively healthy level of approximately 2.5%.

2023: Sharp decline into negative territory (contraction), likely reflecting post-pandemic adjustments, geopolitical tensions, or economic slowdowns.

2024: Strong recovery, with growth rising back to around 3%.

2025: Peak growth at 4.7% — the highest point in the period shown, indicating a strong rebound phase.

2026: Clear deceleration projected, with growth dropping to around 2.5% (central forecast) and potentially as low as 1.5% according to the lower bound of the uncertainty fan.

Interpretation of the Shape

The curve shows a V-shaped recovery from 2023 to 2025, followed by a downward slope (deceleration) into 2026.

The blue line represents historical/near-term actual or baseline data.

The yellow shaded fan from 2025–2026 indicates increasing uncertainty and downside risks. The widening spread between the upper (~2.5%) and lower (~1.5%) bounds reflects potential volatility due to the Strait of Hormuz disruptions.

Main Insight

The graph warns that while global trade experienced a strong rebound through 2025, disruptions in the Strait of Hormuz are expected to act as a significant headwind, causing global merchandise trade growth to slow markedly in 2026. This slowdown could be between 1.5% and 2.5%, well below the 2025 peak.

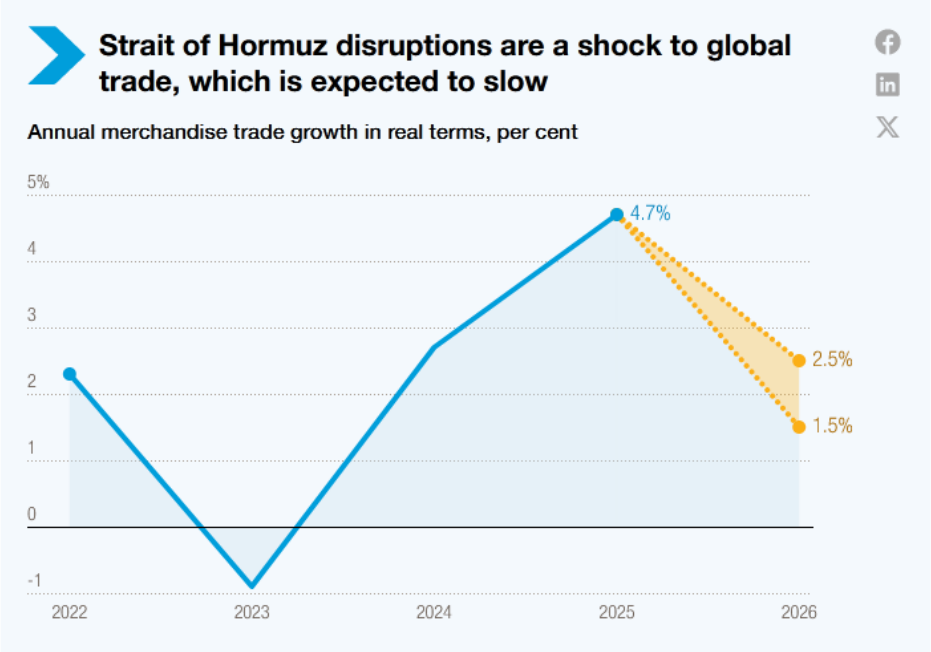
Implications

Economic: Slower trade growth usually correlates with weaker global GDP growth, higher inflation (especially energy prices), and supply chain pressures.

Geopolitical: The Strait of Hormuz is vital for oil exports from the Middle East. Any blockade, conflict, or attacks in the area can quickly ripple through global markets.

Risk: The fan chart sugge.

Graph3-4: Strait of Hormuz Disruptions and Their Impact on Global Trade Growth



Source: UN Trade and Development UNCTAD, 25/05/2026**.**

3-5- Impact of Strait of Hormuz Disruptions on Global GDP Growth:

Analysis of the Graph 3-5: Global Economic Growth Slowdown Due to Disruptions in the Strait of Hormuz

What the chart shows:

Y-axis: Annual growth rates of Gross Domestic Product (GDP), in percent (%).

X-axis: Years from 2023 to 2026 (with projections for 2025–2026).

Three lines representing:

Developing economies (blue line) — highest growth.

World average (gray dotted line).

Developed economies (orange line) — lowest growth.

Main Observations:

Global economic slowdown is expected: World GDP growth is projected to decline gradually from ~3.4% in 2023 to ~2.8% in 2026.

Developing economies remain the main engine of global growth (around 4.1–4.5%), but they are also expected to slow slightly after 2024.

Developed economies (US, Europe, Japan, etc.) show the weakest performance, with growth dropping to a low of 1.5% by 2026.

The slowdown is linked to disruptions in the Strait of Hormuz (a critical chokepoint for global oil transport). Any major disruption there would raise energy prices, increase inflation, and hurt global trade and growth.

Economic Implications:

Oil-importing countries (especially in Europe and Asia) will suffer the most from higher energy costs.

Inflation pressure is likely to return due to rising oil prices.

Central banks may face difficult choices between fighting inflation and supporting growth.

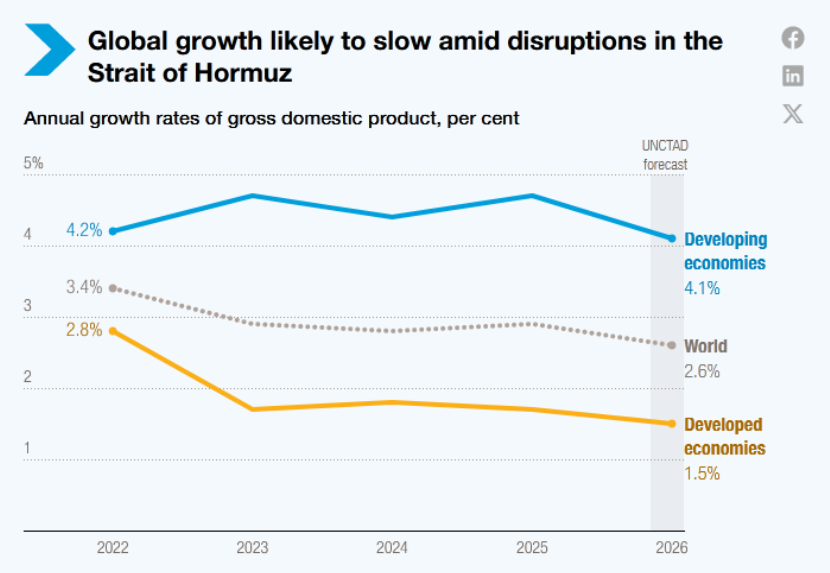
Developing countries in Asia and Africa may be relatively more resilient but are not immune.

Bottom line:

The chart warns that geopolitical risks in the Strait of Hormuz (e.g., tensions between Iran and other countries) could trigger a noticeable slowdown in the world economy, with developed nations being the most vulnerable.

Would you like me to explain any specific part in more detail (for example, reasons behind the slowdown, impact on Algeria, or oil prices)?

Graph3-5: Global Economic Growth Slowdown Due to Disruptions in the Strait of Hormuz



Source: UN Trade and Development UNCTAD, 25/05/2026.

3-6 Impact of Strait of Hormuz Disruptions on Developing Economies' Currencies:

Analysis of the Graph 3-6: Strait of Hormuz Disruptions: Exchange Rate Changes in Developing Regions.

The chart shows the percentage change in exchange rates against the US dollar for developing countries in three major regions during two distinct periods in 2026:

Blue bars: 1 January 2026 – 27 February 2026 (pre-escalation / early period)

Orange bars: 27 February 2026 – 28 March 2026 (post-military escalation)

Interpretation of the Y-Axis

Positive values = Local currencies strengthened (appreciated) against the US dollar.

Negative values = Local currencies weakened (depreciated) against the US dollar.

Main Insights

Clear Trend Reversal After Escalation:

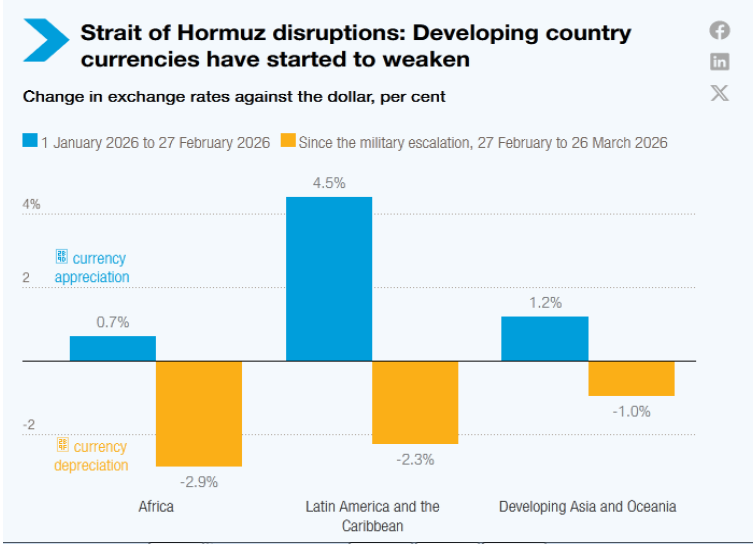
Before the military escalation (late Feb), developing country currencies were generally strengthening against the dollar — especially strongly in Latin America (+4.5%).
After the escalation linked to the Strait of Hormuz disruptions, currencies in all three regions started weakening.

Regional Differences:
Latin America showed the strongest initial appreciation (+4.5%) but still experienced a significant reversal (-2.3%).
Africa had the most dramatic shift — from mild appreciation (+0.7%) to the largest depreciation (-2.9%).
Developing Asia & Oceania had the mildest movements in both periods.

Overall Economic Impact:
The disruptions in the Strait of Hormuz (a critical oil transit route) appear to have triggered capital outflows, increased risk aversion, or higher commodity/import costs, leading to pressure on emerging market currencies.
The post-escalation period (only about one month) already shows a clear negative impact across the developing world.

Summary
The chart illustrates that developing country currencies were performing relatively well in the first two months of 2026 but began to weaken noticeably following the military escalation in late February. This suggests the geopolitical event in the Strait of Hormuz has contributed to renewed stress on emerging markets, with Africa appearing most vulnerable in the short term.
Would you like me to explain any specific part in more detail (e.g., economic implications, possible causes, or comparisons)?

Graph3-6: Strait of Hormuz Disruptions: Exchange Rate Changes in Developing Regions.



Source: UN Trade and Development UNCTAD, 25/05/2026.

3-7 Impact of Strait of Hormuz Disruptions on Developing Country Borrowing Costs:

Analysis of the Graph 3-7: Developing Countries' Borrowing Costs Surge Amid Strait of Hormuz Disruptions

Key Summary:

All three regions experienced an increase in borrowing costs (higher bond yields).
Developing Asia and Oceania recorded the largest increase (+0.70 percentage points).
Africa came in second with a significant rise (+0.64 percentage points).
Latin America and the Caribbean had the smallest increase (+0.36 percentage points).

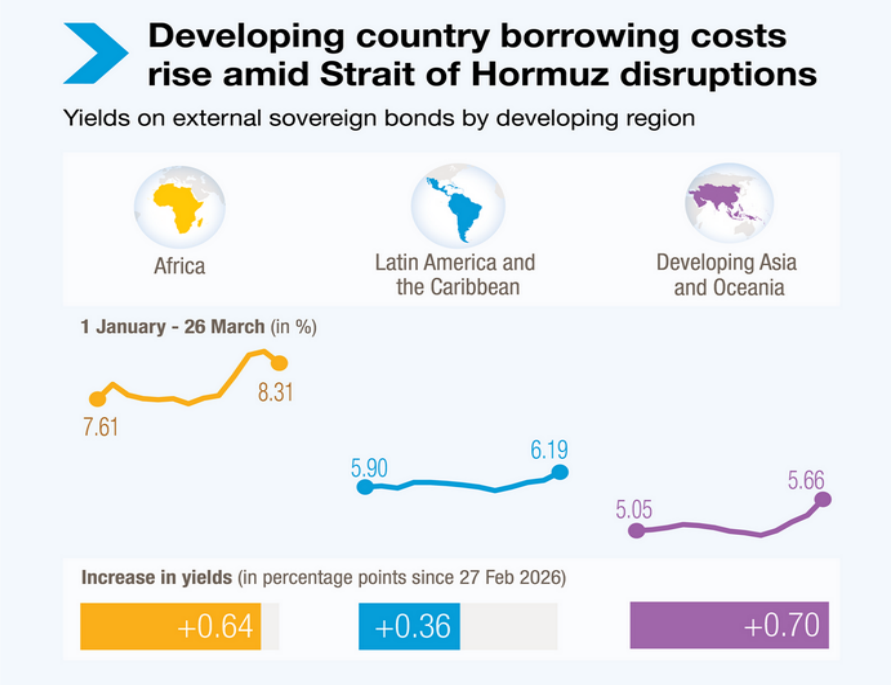
Detailed Analysis by Region:

Africa (Orange Line):
Started at 7.61%
Rose to 8.31%
Increase: +0.64 percentage points
This is a relatively large jump, reflecting Africa's high sensitivity to energy price shocks and geopolitical risks.
Latin America and the Caribbean (Blue Line):
Rose from 5.90% to 6.19%
Increase: +0.36 percentage points (the smallest rise)
Less affected, possibly due to more diversified economies or domestic oil production in countries like Brazil and Venezuela.
Developing Asia and Oceania (Purple Line):
Increased from 5.05% to 5.36%
Increase: +0.70 percentage points ← Highest increase
Although starting from lower yields, this region saw the strongest rise. This makes sense as many Asian economies (China, India, South Korea, Japan) are heavily dependent on oil imports passing through the Strait of Hormuz.

Economic Implications:

Higher borrowing costs mean governments must pay higher interest rates on their foreign debt, putting extra pressure on public budgets.
Countries with already high debt levels or large fiscal deficits will feel the pain more.
Disruptions in the Strait of Hormuz drive up global oil prices, which increases inflation and reduces investor appetite for emerging market assets (flight to safety).
Oil-importing nations in Asia and Africa are the most vulnerable.

Graph 3-7: Developing Countries' Borrowing Costs Surge Amid Strait of Hormuz Disruptions



Source: UN Trade and Development UNCTAD, 25/05/2026.

4-Conclusion

The Strait of Hormuz remains one of the world's most critical energy chokepoints, through which approximately 20% of global petroleum and a significant share of liquefied natural gas flow daily. This study has demonstrated that any major disruption to maritime traffic in the strait carries profound and far-reaching consequences for the global economy.

Recent events following the military escalation in late February 2026 have provided a clear illustration of this vulnerability. Oil prices surged dramatically, exceeding $110–$126 per barrel across major benchmarks, triggering immediate inflationary pressures worldwide. Developing economies, in particular, have borne a disproportionate burden. The data reveals a noticeable slowdown in global merchandise trade growth and GDP expansion projections for 2026, coupled with the depreciation of currencies across developing regions and a clear rise in sovereign borrowing costs.

Among developing countries, Developing Asia and Oceania experienced the sharpest increase in borrowing costs (+0.70 percentage points), followed by Africa (+0.64 percentage points), while Latin America and the Caribbean saw a more moderate rise (+0.36 percentage points). These increases reflect heightened risk premiums, capital flight, and growing concerns over energy security and inflation in emerging markets.

In summary, the Strait of Hormuz is not merely a regional waterway but a cornerstone of global energy security and economic stability. Prolonged or repeated disruptions in this narrow passage threaten to destabilize energy markets, exacerbate inflationary trends, weaken currencies, raise financing costs for developing nations, and ultimately constrain global economic growth.

As geopolitical tensions in the Middle East persist, ensuring the security and uninterrupted operation of the Strait of Hormuz must remain a top international priority. Diversifying energy routes, investing in strategic petroleum reserves, accelerating the global energy transition, and strengthening multilateral cooperation on maritime security are essential steps to mitigate future risks and build greater resilience into the global economy.

The events of 2026 serve as a stark reminder: in an interconnected world, the stability of critical maritime chokepoints such as the Strait of Hormuz is indispensable to sustainable global prosperity.

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