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Beyond the Battlefield: The Unseen Supply Chain Price of the Iran War to American Businesses and Consumers

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Abstract - The 2026 Iran War, which began with U.S./Israeli air strikes on February 28, 2026 (codenamed Operation Roaring Lion and Operation Epic Fury, respectively) has created what numerous credible sources describe as the greatest geopolitical oil shock in history. This systematic review integrates 13 sources in examining the economic effects of the war's shock transmission via U.S. supply chains to U.S. businesses and households. The review employs PRISMA 2020 standards, categorizes evidence to five broad themes: (1) energy price transmission and the oil shock; (2) maritime freight disruption and rerouting; (3) critical material shortages and input scarcity; (4) firm-level impacts and asymmetry (large firms vs. SMEs); and (5) consumer welfare effects across multiple channels. A well-supported sixth theme, uncertainty, fragility of legal-contractual frameworks, and governance risk as independent channels, emerges from nine of the 13 sources and is formally recommended for inclusion. A cross-cutting empirical evidence of asymmetric market governance across transmission channels is revealed across four market layers: the commodity (oil), maritime freight, specialty inputs and consumer retail food prices. The studies reveal that the closure of the Strait of Hormuz, through which 20% of global oil and liquefied natural gas (LNG) normally passes, has led to a near-complete shut-down of tanker traffic (97%), 27-35% spike in Brent crude for the first week following the geopolitical shock, 74% spike in European natural gas futures, and downstream food-price transmission that is expected to extend 12-18 months after the geopolitical disruption subsides. The distributional evidence reveals U.S. households in the lowest income quintile are especially impacted, allocating 25-35% of after-tax income on food, versus 7-10% in the highest quintile. The review reveals key remaining gaps, particularly evidence on U.S. SMEs, and offers a quality-stratified synthesis of evidence from Federal Reserve working papers to low-quality open-access articles.

Keywords: Iran War 2026; Strait of Hormuz; supply chain; consumer; U.S.

I. INTRODUCTION

The U.S. and Israeli simultaneous air strikes (codenamed Operation Roaring Lion and Operation Epic Fury, respectively) targeted Iranian nuclear plants, Revolutionary Guard headquarters, and naval targets throughout the Persian Gulf region (CSIS, 2026). Within hours, the Strait of Hormuz was effectively shut down as an international energy thoroughfare (Ali, 2026). The war's effects are not just energy-related; the Strait of Hormuz is not just an oil transit; it is the densest maritime choke point for a wide range of cargo including LNG, petrochemical feedstocks, nitrogen fertilizers, aluminum and, to some extent, container cargo. Its disruption also assaults the cost structure of U.S. firms simultaneously along three fronts: energy cost shocks that increase the cost of every input, including labor; shipping cost shocks that extend supply chains and penalise small shipments; and shortages of essential materials in industrial inputs, including fertilizers, petrochemical packaging materials, and specialty gases that ripple through manufacturing, agricultural and IT supply chains with lags that outlive the geopolitical crisis itself.

For American households, the impact is multi-faceted: higher fuel prices; higher food costs from the pass-through of energy costs along the entire food supply chain; higher air travel prices from jet fuel surcharges; and higher mortgage and lending rates (through the constrained policy response of the Federal Reserve and the divergent inflation and employment signals it receives). A study by Kilian et al. (2026) suggests that a one-quarter Strait closure would add 0.35% points to year-over-year (YoY) Personal Consumption Expenditures (PCE) prices in the U.S. with a three-quarter closure adding 1.47% points. This estimates explicitly exclude the compounding effects of the fertilizer, aluminium, natural gas and shipping channels. This systematic review draws on the academic, institutional, practitioner and policy-analytic literature on these issues. It uses 13 sources to map evidence against a thematic structure, inductively derived from the sources, to identify evidence gaps and provide the analytical framework for the study.

II. METHODS

This is a systematic review of complex evidence, adhering to the PRISMA 2020 standards. The primary event is of unprecedented recentness; the evidence base is therefore necessarily mixed in source and method, and in time frame. Accordingly, the review protocol employs explicit stratification criteria, rather than a binary inclusion/exclusion rule, to allow the synthesis to include valuable practitioner and institutional sources, such as Federal Reserve working papers, UN institutional publications and investment-bank research, in addition to peer-reviewed research, while transparently delineating the value of each level of evidence.

2.1 Eligibility Criteria

The included sources addressed one or more of the following:

- the economic, financial or supply chain impacts of the 2026 Iran War or the 2024 Israel-Iran escalation as a relevant predecessor event;
- the pass-through of energy price shocks along U.S. supply chains to firms or consumers;
- freight markets in the Persian Gulf and Hormuz;
- critical material supply in markets associated with the Persian Gulf supply base; or
- firm-level or household-level welfare impacts of any of the above. Sources that address other geopolitical conflicts were eligible only to the extent that the authors explicitly propose that their findings can be applied to the 2026 scenario or the Hormuz chokepoint mechanism.

2.2 Information Sources

Searched four categories of sources:

- Academic journals: Scopus, Web of Science, ScienceDirect, and SSRN for theoretical and methodological precedents.
- Think tank reports: Center for Strategic and International Studies (CSIS), Council on Foreign Relations (CFR), London School of Economics Middle East Centre, Brookings Institution, Oxford Economics, Deloitte Insights, Morgan Stanley Research, and the Center for American Progress.
- Government and quasi-governmental reports: Congressional Research Service, International Monetary Fund, International Energy Agency and Federal Reserve Bank publications.
- Trade press and business media: CNBC, Bloomberg (secondary), Fortune, Associated Press, Supply Chain Dive, Packaging Dive, Food Manufacturing, PARCEL Industry, Global Trade Magazine, and logistics-specific magazines (Z2Data, Sea Vantage, Carra Globe).

2.3 Search Strategy

Search is conducted following a systematic approach. Main search terms included conflict descriptors with supply chain and economic impact descriptors, with Boolean operators specific to each source. The primary search string was:
("Iran war" OR "Iran conflict" OR "Strait of Hormuz") AND (2026) AND ("supply chain" OR "logistics" OR "shipping" OR "freight" OR "inflation" OR "consumer" OR "small business") AND ("United States" OR "U.S." OR "American")
This transparent and systematic formulation ensures reproducibility of the search, which is one of the core pillars of a proper systematic review methodology (Boland et al., 2017).

2.4 Quality Assessment

Sources varied in type, so a typology-specific quality rubric was used. Academic sources were scored for methodological clarity, sample size and rigidity of analysis. Government reports were rated on data and analysis independence, and claim reproducibility. News and trade press articles were rated on sourcing, corroboration, and presence of specific quantitative data versus speculation. Sources were assessed on a three-point scale:

- High (good methodology or data independently corroborated);
- Medium (acceptable methodology or single-source but specific); and
- Low (speculative or poorly sourced).

Only High and Moderate sources were used in the synthesis.
Two sources - Peprah (2026) and Morvadia (2026) - were rated Low because of inconsistencies between claimed methodology and execution; unverifiable quantitative claims; and writing style. These sources are kept in the synthesis for historical completeness and to depict a trend in the early (hastily-written)

literature on the conflict, but do not make any substantive empirical claims based on them.

2.5 Temporal Scope

The sources represent three distinct temporal segments: (a) pre-escalation (long-run data in statistical samples, and analogs); (b) the active conflict (late February to about mid-April 2026); and (c) the ceasefire and fallout (post-April 9 2026, when a Pakistan-brokered ceasefire was announced but whose duration was unclear at the time of the latest source). One source (Liu 2025) refers to the 2024 Israel-Iran escalation instead of the 2026 war; this is noted in all citations of Liu (2025).

PRISMA 2020 Flow Summary

An initial study of 138 potentially relevant sources was identified. Title and abstract screening reduced this to 74 sources. Full-text review applying the eligibility criteria retained 13 sources for data extraction and synthesis. The PRISMA flow is summarized in Table 1.

Table 1. PRISMA Flow of Study Selection

Stage	Description	Count (n)
Identification	Records identified across all databases and sources	138
Duplicates removed	Cross-source and syndicated duplicates removed	19
Screened (title/abstract)	Records passed to title/abstract screening	119
Excluded at screening	Insufficient relevance or methodology	74
Full-text assessed	Records reviewed in full	45
Excluded at full-text	Did not meet eligibility criteria	32
Included in synthesis	Final study	13

III. THEMATIC FRAMEWORK

The thematic framework was inductively developed from a scoping pass through the general supply chain and geopolitical risk literature, and tailored to the specific channels of transmission in the 2026 conflict. Six themes were established from the analysis:

Theme 1: Energy Price Shock and the Oil Shock

This includes the direct and indirect price impacts of the Strait of Hormuz event for crude oil, refined oil products, and natural gas. This includes the direct choke point effect, the geopolitical risk price premium in commodity markets, and the indirect effects of energy price increases on financial conditions, Treasury yields, mortgage rates, and Fed policy.

Theme 2: Freight Transport Effects and Diversions

This includes the impacts of container freight rates, war risk insurance premiums, tanker markets, Cape of Good Hope diversions, port congestion and carrier retrenchment. This includes charter party legal risks (such as force majeure, Restraint of Princes and other doctrines), as well as the disparate pace of commercial recovery relative to political ceasefires.

Theme 3: Shortages of Critical Materials and Inputs

This includes aluminum, nitrogen fertilizers (urea, DAP, MAP), sulfur, helium, petrochemical feedstocks and other specialty inputs that have outsized downstream impacts. It includes downstream consequences into packaging, agricultural, semiconductor and manufacturing sectors where these inputs are critical.

Theme 4: Heterogeneous impacts on firms

This maps the size of firms in the ability to absorb, hedge or pass through supply chain disruptions. This includes evidence on margin compression for SMEs, hedging options of large firms, geography-based exposure in the Gulf Cooperation Council (GCC), and the difference between revenue-source and asset-location exposure.

Theme 5: Consumer Welfare Impacts through Various Channels
This covers direct (fuel, food, packaging), indirect (discretionary-income compression, airfares) and financial (mortgage rates, Treasury yields) channels that affect US households. This includes distributional impacts across the income quintiles, aggregate and sectoral inflation dynamics under alternative durations of conflict.

Theme 6: Uncertainty, Legal-Contractual Fragility, and Governance Risk as Independent Channels
This theme suggests that uncertainty over economic policy, legality of commercial contracts, and governance risk are independent, non-price/quantity channels for transmitting shocks. This mechanism is corroborated by different studies. This transmission mechanism is empirically orthogonal to the price and quantity effects of Themes 1-5.

IV. RESULTS

4.1 The Strait of Hormuz as the Analytical Spine
The most robust empirical finding in the study is the Strait of Hormuz as the proximate global economic disruption mechanism. Six independent sources: Wasel & Wasel (2026), Applebaum et al. (2026), Ramírez (2026), Liu (2025), UNCTAD (2026) and Nathan et al. (2026), independently report that the Strait is normally home to 20 million barrels of oil per day and 20% of world LNG exports. UNCTAD (2026) and Nathan et al. (2026) independently calculate the same 97% decline in transit in the immediate aftermath of the February 28, 2026 military strikes. Kilian et al. (2026) officially describe the disruption as "the largest geopolitical oil supply disruption in history," estimated to be two to three times the size of the 1973 Arab-Israeli embargo and the 1990 Gulf War disruption.

Plenty of attention is paid to the inadequacy of bypass options. Wasel & Wasel (2026) estimate that with Saudi and UAE overland pipeline capacity combined, approximately 2.6-3 million barrels per day could be diverted - less than 15% of the Strait's usual throughput. Nathan et al. (2026) quote retired U.S. Fifth Fleet Commander Vice Admiral Kevin Donegan, who stated: "Even if you have full protection of the convoys, that would probably only flow about 20% of the flow, and probably an additional 15-20% through the overland pipelines, so you're talking about two-thirds of the flow that would be down for the duration of any sustained disruption." Ramírez (2026) offers a date-stamped, country-by-country chronology of the production cut cascade over the first two weeks of conflict: Iraq cut production by 1.5 million barrels per day on March 3; Kuwait imposed force majeure on oil exports four days later; Bahrain two days later. By March 10, output cuts in Saudi Arabia, Iraq, UAE, and Kuwait amounted to 6.7 million barrels per day. Nathan et al. (2026) extrapolates these numbers into a 17.6 million barrel-per-day cumulative loss to Persian Gulf exports, described as 18 times the peak loss of Russian production following the February 2022 Russian invasion of Ukraine.

4.2 Energy Price Transmission (Theme 1)
Ramírez (2026) reports first-week oil price dynamics: a 35% increase in WTI crude and 27% increase in Brent in the week following the strikes, with oil prices reaching a peak of $117-$120 per barrel, and ultimately settling around $100 per barrel. This reflects a '$30-40 per barrel war premium' as a signifier of instability rather than a pricing equilibrium. Nathan et al. (2026) simulate three price scenarios for fourth-quarter 2026 Brent crude oil, relative to a $62 per barrel counterfactual without Iran: a 21-day disruption with approximately $71 per barrel; a 60-day disruption with full recovery with approximately $93 per barrel; and a 60-day disruption with ongoing 2 million barrel per day Middle East supply loss with approximately $110 per barrel to fourth-quarter 2027.

UNCTAD (2026) reports Dutch TTF natural gas futures prices up 74% over the twelve days from February 27 to March 9, 2026, while Ramírez (2026) reports that European gas prices spiked 75% following Qatar's shutdown of all LNG production and exports on March 2. According to Nathan et al. (2026), TTF gas prices are more than 90% above pre-war levels as of March 20, with a potential to reach €100 per megawatt-hour if the disruption lasts longer than two months. Damage to Qatar's Ras Laffan LNG facility - confirmed by both Nathan et al. (2026) and Jones & Kirk (2026) - is likely to result in the idling of 17% of Qatar's LNG production capacity for two to three years.

Kilian et al. (2026) deliver the closest-to-best and most transparent U.S. inflation projections, integrating a calibrated nonlinear dynamic stochastic general equilibrium (DSGE) model with a Bayesian-estimated structural vector autoregression (VAR).

With their base case 20% global supply shortfall, year-over-year fourth-quarter 2026 PCE inflation effects range from 0.35% points (one-quarter Strait closure) to 1.47% points (three-quarter closure), and core PCE effects of 0.18-0.49% points. Longer-term inflation expectations (five to ten years) are unaffected in all cases, with effects of zero to 0.07% points (an explicit repudiation of any 1970s-style wage-price-spiral interpretation). Importantly, the authors acknowledge that: 'our analysis does not incorporate the impact of rising prices for fertilizer, aluminum, and natural gas or the supply chain disruptions in global shipping' – hence, the inflation effects are a lower bound on the full macroeconomic effects of the war.

Applebaum et al. (2026), reporting expert panel testimonies from Stanford uncertainty economist Nicholas Bloom, identify two key anomalies in the U.S. macroeconomic outlook. First, the Federal Reserve faces a supply-shock dilemma in which it has a single monetary tool to combat both inflation and unemployment - a constraint Bloom describes as fundamentally different from demand-side inflation. Second, less commonly, the U.S. dollar has depreciated rather than appreciated during both Trump administration spikes in uncertainty, defying its previous role as a safe-haven currency and implying that political risk is being factored into the dollar.

4.3 Freight Disruption and Diversion (Theme 2)

UNCTAD (2026) offers the best quantitative assessment of the freight market disruption. Between February 27 and March 6, 2026, the Baltic Dirty Tanker Index (BDTI) increased by 54%, and the Baltic Clean Tanker Index (BCTI) by 72%. Fuel prices in Singapore - the cost driver for vessel operators - increased 99-100% over the same period, with low-sulphur fuel at $874 per tonne and high-sulphur fuel at $1,020 per tonne. War-risk insurance premiums, which were at around 0.25% of the vessel value per voyage pre-crisis, are reported to be scalable to 1.00% or more for a $100 million Very Large Crude Carrier (VLCC) vessel (a four-fold increase in the insurance component of voyage cost).

Jones & Kirk (2026) note that more than 34,000 vessels were rerouted in the first month of the war, "effectively closing most shipping activities from the Persian Gulf". The Logistics Managers Index hit a high of 65.7% in March 2026, its tightest constriction since May 2022, Russia's full-scale invasion of Ukraine. Liu (2025), studying the precursor escalation in 2024, documents a key insight: while commodity prices responded rapidly to the geopolitical shock (stabilising in a relatively short period of time via OPEC+ coordination and US petroleum reserve releases), global shipping prices continued to increase (by 45% between October 2024 and April 2025), showing that commodity and shipping markets react to a geopolitical event at different times and different governance structures.

Jones & Kirk (2026) extend this analysis into the post-ceasefire period, documenting that commercial restoration lags diplomatic events: insurance markets, tanker-owner confidence, and mine-clearance uncertainty all have real costs even in the post-ceasefire environment, and full-flow restoration depends on "a more formalized negotiation and end of hostilities" rather than a ceasefire. This insight directly operationalizes Nathan et al. (2026) assessment by former Fifth Fleet Commander Donegan that 'no switch exists to just turn on flows when the conflict ends.'

Wasel & Wasel (2026) offer the legal-framework component of the freight disruption, documenting 14 historical and modern precedents in arbitration that apply to the 2026 corporate risk environment. The Restraint of Princes doctrine, force majeure clause interpretation in a state of extreme disruption and war-risk insurance exclusions are illustrated in the cases of Sanko Steamship v. Navios, UTI v. Iran and GÜRİŞ v. Syria. The document reports that Additional Premium regions can add several percentage points to insurance costs (of the hull value), and that Brent crude geopolitical risk premiums were projected at over $100-120 per barrel at the time of the document.

4.4 Shortages and Scarcity of Critical Materials and Inputs (Theme 3)

UNCTAD (2026) has the most comprehensive yield estimate of the fertilizer chokepoint. The Strait of Hormuz carries about one-third of global seaborne fertilizer. The concentration of fertilizer dependence among developing and lower-income countries is high, but the transmission mechanism to the US agricultural sector is via urea (nitrogen) fertilizer prices: as Foster & Dalheimer (2026) note, natural gas, the major feedstock for producing nitrogen fertilizers, is also affected by Hormuz closure, placing a compounded cost on US farmers.

Jones & Kirk (2026) estimate that before the conflict, some $20-25 billion in petrochemical products flowed through the Strait of Hormuz each year, and that the conflict has caused price increases in electronics, synthetic fiber textiles and toys. Semiconductor manufacturers are expressly identified as receiving helium. Gupta (2026) notes that petrochemical refineries have the greatest supply-chain vulnerability to geopolitical events in the GCC of any U.S. industry sector, followed by state and local electric utilities and petrochemical manufacturing.

Foster & Dalheimer (2026) map out the energy-as-substitution-escape-blocker channel of the food system: all food is transported by diesel-fuelled trucks, the petrochemical industry is the source of all plastic packaging, refrigeration is done with electricity mostly produced by natural gas, food processing is energy-intensive, and restaurants are directly affected by higher utilities and cooking expenses. This structure implies that a price shock at the source has a wide reach across the consumer food dollar (about 27-28 cents of the food dollar is directly impacted by energy costs in these ways), and that it is difficult for consumers to substitute away from the downstream food price increases even if they reallocate purchases within the food category.

Another key input channel described by Jones & Kirk (2026) and Foster & Dalheimer (2026) is the biofuel demand-side effect: as oil prices increase, corn-based ethanol and vegetable-oil-based biodiesel and sustainable aviation fuel (SAF) become more attractive production alternatives, increasing the demand for crop feedstocks (especially corn and soybean oil) for biofuel production and driving demand-side price effects in addition to the supply side price effects. So-called "soy oil" prices reportedly spiked more than 5% and palm oil prices surged in the days following the onset of conflict.

4.5 Unbalanced Firm-Level Consequences (Theme 4)

The most detailed estimates of exposure of U.S. corporations are found in Gupta (2026), derived from MSCI GeoSpatial Asset Intelligence and Economic Exposure databases. U.S. firms alone operate roughly 3,000 facilities in the Gulf Cooperation Council (GCC) region in retail, leisure and office premises, an exposure that is largely concealed in conventional equity portfolio analysis metrics as direct investment in the GCC is just 0.6% of global equity market capitalisation. Analysis of revenue-source data, however, reveals a structurally different picture: emerging-market companies have three to four times the revenue exposure to the GCC economies as developed-market companies.

Wasel & Wasel (2026) map Fortune 500 scale exposure in 10 thematic risk categories including force majeure and contract frustration scenarios, war-risk insurance "melting," expropriation and nationalization risk, sanctions compliance under secondary tariff structures, and cyber risk from Iranian advanced persistent threat groups (APT33 Elfin, APT34 OilRig, APT35 Charming Kitten) transitioning to "wiper" malware attacks on operational technology and industrial control systems.

The most critical need in the evidence base is on SME-specific impacts. Liu (2025) reports the only quantitative SME-specific data point: a Coface BDI projection of 60,000 Israeli companies (mostly small) that could be forced to close by end of 2024 due to the 2024 escalation. No quantitative evidence on SME-specific impacts has been identified from the U.S.. The review's analysis of U.S. SME impacts is thus inferential: small firms do not have the hedging ability, contract diversification ability and balance-sheet depth of large firms to withstand sudden energy, shipping and input-cost shocks, and the absence of evidence is not evidence of absence.

The most relevant theoretical analysis of firm-level heterogeneity - uncertainty economics - is found in Bloom's study in Applebaum et al. (2026). Using the British exit from the European Union (Brexit) as a natural experiment, Bloom shows that economic policy uncertainty can lead to a 5% decline in GDP over ten years (equivalent to about $3,000 per person in the UK case) owing to lower investments, hiring delays, and more generally, a "great hesitation" across strategic decision-making. At the firm level, this "great hesitation" where U.S. hiring rates have already fallen to near zero by mid-March 2026 is more acute for smaller firms that lack the option value of waiting, while larger firms hoard cash in this time of uncertainty.

4.6 Consumers' Welfare (Theme 5)

Foster & Dalheimer (2026) offer the most analytical clear and U.S. consumer-focused framework in the corpus for the food price channel. They report using the USDA Economic Research Service (ERS) Food Dollar Series as the accounting framework that the farm share of every dollar spent on consumer food in 2023 was 15.9 cents, while the marketing system share is 84.1 cents. The farm share is much higher for food at home (24 cents per dollar) and much lower for food away from home (5.4 cents per dollar). A 20% increase in farm commodity prices (historically large) translates into a first-order 4-5% increase in retail food-at-home prices, but this is an underestimate of the total energy-channel impact, as the marketing-system components are also energy-intensive.

Foster & Dalheimer (2026) use a distributed-lag pass-through model similar to Baumeister and Kilian (2014) and Moessner (2025) to project U.S. food price responses under three scenarios for conflict duration. In the central scenario (eight-week Strait disruption, central elasticity of 0.10), the food-at-home CPI is projected to reach a peak of approximately 6-7% year-over-year around month six of the shock - between the 2007-08 historical analog (approximately 6.4%, a pure energy shock) and the 2022-23 Russia-Ukraine upper bound (11.4%, compounded by direct grain supply disruption from Ukraine). The 2022-23 event is explicitly referred to as a ceiling rather than a historical analog because Iran is not a major grain exporter, while Ukraine represented 10-12% of global wheat exports.

The rockets-and-feathers asymmetric price transmission mechanism (Foster & Dalheimer, 2026, Peltzman, 2000, Meyer and von Cramon-Taubadel, 2004) is a key finding for the review's duration estimate: cost shocks take three to six months to fully pass through to grocery shelves, and for products relying on seasonally stored commodities (grains, canned and frozen vegetables), lags can reach 12 months or longer. The institutional structure that slowed the upward transmission (menu costs, retailer margin restoration, period-stored inventories of seasonally produced products) also slows the downward food-price adjustment, imposing 12–18-month welfare loss from food prices, even after the geopolitical shock subsides. This insight is confirmed by the 2022 Russia-Ukraine conflict, with U.S. food-at-home CPI still significantly above its pre-crisis trend in mid-2024 (about 18 months after peak energy prices).

The distributional aspects are reported by Foster & Dalheimer (2026): U.S. households in the bottom quintile of income spend 25-35% of their after-tax income on food whereas the top quintile spends 7-10%. Across-the-board energy-driven food inflation is especially adverse for low-income households because it eliminates the "trading down" escape channel they normally have: when energy price increases are embedded throughout the food supply chain, lower-quality substitutes are no longer cheaper than higher quality products, and the quality-ladder adjustment that typically protects low-income households from food price shocks is no longer available.

Across all channels of impact on consumer welfare, Nathan et al. (2026) report retail gasoline reaching close to $4 per gallon in the U.S. by late March 2026, while Kilian et al. (2026) project headline PCE inflation effects for the fourth quarter of 2026, ranging between 0.35 and 1.47% points depending on duration of the conflict, effects that are significant add-ons to the pre-war baseline of 2.8% CPI (Applebaum et al. 2026). Applebaum et al. (2026) also report the policy problem: the Federal Reserve cannot fix both the inflationary and unemployment effects of a supply shock with only one interest rate policy instrument, especially when there are pre-supply shock doubts about Fed independence and the nomination of a Fed chair sympathetic to White House interests.

4.7 Uncertainty, Contractual-Legal and Governance Risk (Theme 6)

The case for an independent role of Theme 6 as a transmission channel is based on the convergence of nine sources drawing eight distinct methodologically lines of evidence. Three empirical manifestations are especially relevant in demonstrating that this channel is independent of Themes 1-5.

First, Ramírez (2026) shows that verbal statements by US President Donald Trump on March 9-11 that the war would "be over very soon" drove oil prices below $100 per barrel in the absence of any physical-supply change. This is an empirical manifestation of uncertainty as a price driver independent of quantity effects - Bloom's model (in Applebaum et al., 2026) in action in real-time commodity trading.

Second, UNCTAD documents that sovereign bond yields in the GCC and Levant are up in a way that is analytically different from commodity prices: the escalation-phase component of bond-yield increases is pricing of governance and/or sovereign risk in capital markets and not pricing of energy. Nathan et al. (2026) also document that this is happening in currency markets, which indicate the Japanese Yen is a preferred safe-haven currency, and that markets have priced an inflation shock but "not yet a growth shock" (with Trivedi analyst labeling the latter as "the next shoe to drop").

Third, Jones & Kirk (2026) offer the ceasefire-phase version: even following the Pakistan-mediated cessation of hostilities on or about April 9, 2026, a return to full commercial flow was postponed by the hesitancy of insurance markets, confidence lags in tanker owners, and uncertainty over mine-clearance procedures: costs that remain real even after the cessation of hostilities and that are governed by governance and contractual mechanisms rather than commodity prices. This is exactly the 'social-economic distrust' dynamic described by Liu (2025) as a residual of escalation in 2024, and formulated by Foster & Dalheimer (2026) in the retail-food market as price stickiness.

V. CROSS-CUTTING EMPIRICAL FINDINGS

5.1 Symmetric and Asymmetric Governance by Channel

An empirical regularity observed across four layers of markets is worth naming in the synthesis: the speed and symmetry of price adjustment is associated with market governance, with commodity markets adjusting most rapidly and symmetrically, maritime freight markets adjusting at a slower speed, specialty inputs markets adjusting more slowly, and consumer retail markets adjusting more slowly and asymmetrically.

At the commodity layer, oil prices (despite initially surging) were partially moderated by policy actions: the G7 and International Energy Agency released 400 million barrels from reserves (Ramírez, 2026), the United States withdrew 172 million barrels over 120 days (Nathan et al., 2026), and OPEC+ announced a 200,000 barrel per day increase in production from April (Ramírez, 2026). These measures reflect market governance mechanisms that are explicitly focused on commodity markets and that allow relatively quick pricing adjustments despite the size of the shock.

There is no such governance mechanism at the maritime-freight layer. The Baltic Dirty and Clean Tanker Indices continued to increase while oil prices moderated (UNCTAD, 2026), and Liu (2025) reports global shipping prices increased by around 45% between October 2024 and April 2025 after the 2024 escalation, while oil prices stalled. Jones & Kirk (2026) report that the relationship holds for the aftermath of the 2026 conflict: freight recovery lagged diplomatic developments because insurance, owner confidence, and mine-clearance forecasts were determined by private contractual arrangements that did not involve coordinated policy processes.

At the specialty inputs layer, Jones & Kirk (2026) report that the $20-25 billion per year petrochemical trade through the Strait presents repricing timescales dictated by the contractual, inventory, and supply-chain adjustments, all much slower than the commodity spot price. Fertilizer markets, documented by UNCTAD (2026) and Foster & Dalheimer (2026), are governed by seasonal crop cycles and add to the timeframe.

At the retail consumer food price layer, Foster & Dalheimer (2026) document the most lopsided adjustment: a three-to-six-month lag in price adjustment (12 months for seasonally stored commodities) and a 12-18 months lag in normalization. This "rockets and feathers" lag is built into the cost structure of the food marketing system, and lasts well after the underlying energy price has returned to normal.

The take-away message for economic policy and business planning is that the economic duration of a Hormuz closure is materially greater than the geopolitical duration of the event, and the excess duration grows from the commodity trading through the retail consumption phase of the food supply chain.

5.2 Three-Phase Temporal Structure

The literature justifies a three-phase temporal structure for the narrative synthesis that aligns with the different economic factors at play in each phase:

Phase I: Before the Escalation (until February 27, 2026). This is marked by a rising geopolitical risk premium in commodity markets, heightened economic policy uncertainty under twin domestic and global pressures, and a U.S. macroeconomic baseline of 2.8% CPI and 4.4% unemployment (Applebaum et al., 2026) with hiring rates approaching near-zero.

Phase II: War (February 28 to around April 9 2026). Characterized by the 97% Hormuz transit shutdown, the energy and freight price shocks, the policy actions (SPR releases, OPEC+ production cuts, Jones Act waiver), and the evidence of the effects on downstream markets (food, fertilizer, and other industrial inputs). The Fed's policy dilemma (unable to simultaneously tackle inflation and unemployment) intensifies in this phase.

Phase III: Ceasefire and Aftermath (April 9, 2026 onwards). Notably, Pakistan-brokered ceasefire uncertainty, Iran's asserted dominance of Strait commerce (Jones & Kirk, 2026), gradual but uneven commercial recovery, and the long-term food-price and consumer-welfare impacts that are likely to last 12-18 months after the geopolitical event (Foster & Dalheimer, 2026). The Qatari LNG facility damage - expected to reduce operating capacity by 17% for two or three years - is the best example of economic scarring that will outlive the peace deal.

VI. DISCUSSION

6.1 Magnitude and Persistence of Consumer Impact

The synthesis evidence suggests the economic damage to US businesses and consumers from the 2026 Iran War will be much broader and more persistent than the sale prices of commodities indicate. The oil shock itself - though unprecedented in size - can be partially alleviated by reserve releases and OPEC+ production changes. The indirect effects, on the other hand, are more difficult to manage.

Foster & Dalheimer's (2026) rockets-and-feathers model, consistent with historical experience of the 2022-3 Russia-Ukraine crisis, suggests that U.S. grocery prices will remain high into 2027 even in a case where the Strait re-opens and oil prices return to normal by mid-2026. The conservative estimates of 0.35-1.47% points of headline PCE inflation via the energy channel only (Kilian et al., 2026) ignore the fertilizer, natural gas and shipping channels that enhance the overall impact: the inflationary effect is greater than these estimates but still likely below the 2022-23 peak as the contribution of Iran as a grain-grower is limited.

The distributional effect compounds these concerns: Foster & Dalheimer (2026) report a 25-35% share of food spending for the lowest quintile of the income distribution: the food price channel alone therefore delivers a welfare shock of considerable size to the poorest households - especially given that the energy-driven nature of the inflation shuts off the trading-down effect that would normally cushion the impact on these households.

6.2 Theoretical Contributions

The study has a number of theoretical contributions that should be emphasised in the review. First, Bloom's (in Applebaum et al., 2026) uncertainty-as-supply-shock theory, corroborated by Kilian et al.'s (2026) DSGE formalization of time-varying disaster probability, demonstrates that uncertainty is not just an interpretation of price and quantity effects, but also an economic mechanism in its own right, capable of lowering GDP and investment through deferral effects. The empirical case study - Trump "talk" moving oil prices without corresponding oil supply adjustment (Ramírez, 2026) - offers rare evidence in real-time of this mechanism at daily frequency.

Second, Liu's (2025) oil-stabilizes-but-shipping-keeps-rising finding adds an important theoretical dimension to the standard commodity-shock literature: different market governance structures yield different adjustment speeds and asymmetries, and a full theory of geopolitical supply shock impacts needs to account for all layers of the market structure of the supply chain, not just the commodity layer.

Third, the Foster & Dalheimer (2026) farm-share arithmetic and distributed-lag analysis brings quantitative rigor to the commentary-based food-price transmission analysis that has come before it. The breakdown of the consumer food dollar, the historical benchmarking discipline that indicates 2007-08 as the correct structural comparison (rather than 2022-23), offers a replicable approach that can be used as a monitoring tool.

6.3 Gaps and Limitations

1. The study lacks evidence specific to U.S. SMEs. The 60,000 Israeli firm closures estimate from Coface BDI (cited in Liu,

2025) is the closest estimate in the literature, but it is for a different country, conflict stage, and SME landscape. The review cannot make specific quantitative assertions about the impact of the crisis in U.S. small businesses.
2. The study provides more detail on energy and food transmission than non-food industrial supply chains. Packaging (paper, plastic), semiconductors and automotive, and aerospace (aircraft, missiles) supply chains, all of which are exposed to Persian Gulf supply disruption of aluminum, petrochemicals, or special gases, are documented at the sector level (Gupta, 2026; Jones & Kirk, 2026), but not with the quantitative transmission detail of Kilian et al. (2026) and Foster & Dalheimer (2026) for energy and food.
3. There is only one source documenting the ceasefire and recovery phase (Jones & Kirk, 2026). The review's analysis of Phase III will need to be heavily revised as more institutional and academic analysis of the ceasefire period starts to emerge.
4. The quality diversity of sources is broad. Two of the thirteen sources have methodology-execution misalignments. The review addresses this by explicitly stratifying quality (rather than excluding) but readers should be aware that the early body of rapidly-published literature on the 2026 conflict is heavily populated by lower-quality work which must be cross-checked against the higher-quality sources before quantitative claims are invoked.

VII. CONCLUSIONS

The 2026 Iran War has resulted in what multiple credible sources describe as the world's biggest geopolitical oil supply disruption on record, but the supply chain price that American businesses and households pay for the disruption reaches far beyond the energy sector. This review of 13 sources identifies five main channels through which the Hormuz disruption impacts U.S. households. A well-supported sixth channel, uncertainty, legal-contractual vulnerability and governance risk, is independent of price and quantity dynamics and manifests economic losses via investment deferral, contract frustration and price stickiness. A cross-cutting empirical evidence of asymmetric market governance across transmission channels suggests that the timeframe for consumer impacts will be longer than the geopolitical event. Food prices are expected to remain high 12-18 months after the event. Distributional evidence suggests that the consumer welfare effect of the shock will be largest for the poorest U.S. households, who spend 25-35% of their after-tax income on food and who lose an important response mechanism (trading-down) when energy price increases are passed through the food supply chain.

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