



RLA Chemical Market Insights – Monday, 08 June 2026

Middle East Conflict Deepens Chemicals & Feedstock Supply Strain

Recent US-Iran war developments suggest that even if the Strait of Hormuz remains open, damaged chemical capacities could take another six months to a year to fully return to production. Continued tensions between the US, Israel and Iran are also unlikely to ease within the next month.

Asian and European importers, already facing feedstock shortages, rising logistics costs and higher product prices, are expected to come under further pressure as the Middle East conflict persists. Elevated energy and feedstock costs are feeding directly into downstream products, adding to inflationary pressures in major developing Asian economies such as India, as well as across parts of Europe.

Key downstream sectors including packaging, textiles, construction, manufacturing, adhesives and coatings are likely to be affected, as higher raw material costs squeeze margins and weaken demand.

Israel's air force recently reported that it had struck several targets at the Mahshahr petrochemical complex in southwest Iran, further escalating the Middle East conflict and intensifying pressure on regional petrochemical supply chains. The wider region holds significant production capacity for ammonia, urea, sulphur, sulphuric acid, phosphoric acid, polymers and a range of chemical derivatives.

The attack reportedly damaged part of Karoon Petrochemical's plant in Mahshahr. Karoon operates a MDI and a TDI unit at the site. Both MDI and TDI are important polyurethane feedstocks used in insulation, coatings, adhesives, elastomers and flexible foam applications.

The strike came after Iran launched a fresh wave of missiles toward Israel over the weekend, which Tehran described as retaliation for Israeli actions in

Lebanon. Israel said its air defence systems intercepted the projectiles and reported no damage. Iran's Islamic Revolutionary Guard Corps warned that the latest operation could signal the beginning of a week-long campaign of continuous missile and drone attacks.

Amid these developments, shipping activity is also expected to face significant disruption. While vessel movement near the Strait of Hormuz remains limited, chemical spot freight rates on the benchmark Middle East Gulf (MEG) to West Coast India and MEG to Far East routes have risen, mainly due to higher risk premiums and restricted tonnage availability.

By contrast, freight rates on most other trade lanes have declined. This may be linked to the temporary repositioning of vessels across other regions as trade flows adjust, with exports from countries such as China increasing to help cover the supply gap created by disruptions in the Middle East.



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A monthly report covering the next four months including trends in oil supply, demand and trade, tanker demand and supply, spot, and time charter rates for MRs up to VLCCs, comparisons with FFAs plus the latest news on developments impacting the oil and tanker sectors.

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SINGAPORE OFFICE

10 Anson Road
#10-11 International Plaza
SINGAPORE 079903
T: +65-6950 7561

LONDON OFFICE

Terminal House
52 Grosvenor Gardens
London, UK SW1W 0AU
T: +44-20-3386 9413

INDIA OFFICE

SCO 10, First Floor
Sector - 79, Mohali,
Punjab, INDIA 140308
T: +91-172-4105887

E: info@wademaritime.com | research@richardsonlawrie.com

W: www.wademaritime.com | www.richardsonlawrie.com