Exporters in dire straits as Hormuz may become chokepoint

China–Gulf spot rates climb 55% in a month as tensions mount

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Shippers and logistics firms in India, vital for the export–import (exim) activity, are apprehensive there will be no quick relief from the global shipping crisis in the Strait of Hormuz, which now is at the verge of closure. This follows the US bombing of three Iranian nuclear sites on Sunday and subsequent Iranian strikes on Israel.

"Freight rates have started rising, and the situation is volatile. With the US hitting critical Iranian nuclear sites, retaliation is expected, and tensions will stay high. This will affect oil prices and shipping charges. War risk premiums are already being added to shipments. Exporters have started feeling the heat in both air and sea freight," said Dushyant Mulani, chairman of the Federation of Freight Forwarders' Associations in India.

Iran's Supreme National Security Council will reportedly make a final decision on the strait after its parliament approved its closure on Sunday.

While the decision is not final as of Sunday evening, Iranian high command has reportedly said that it's on the agenda and will done whenever necessary.

The Strait of Hormuz — one of the busiest maritime corridors, carrying roughly 20 per cent of global crude oil — has been impacted by the Iran–Israel conflict for nearly two weeks.

"Conflict in West Asia has seen elevated risk and associated operational costs for ocean container shipping trades transiting the Arabian Gulf, such as security measures, higher bunker fuel prices, and burning more fuel due to faster sailing through high risk areas. This has contributed to a 55 per cent increase in average spot rates on the trade from Shanghai to Jebel Ali — the Arabian Gulf's largest port — compared to one month ago. Average spot rates now stand at $2,761," said Peter Sand, chief analyst at Oslo-based market intelligence firm Xeneta.

Meanwhile, exporters in India have urged the commerce and industry ministry to reroute shipments to Central Asia via Chabahar Port, instead of the widely used Bandar Abbas port in Iran, which has been affected by the crisis, said officials aware of the developments.

Industry players warn that the situation could quickly spiral into higher fuel costs and put pressure on the rupee.

"Beyond oil, container and bulk cargo moving through the Red Sea and the Gulf are delayed by rerouting, rising insurance premiums, and logistical bottlenecks. Exporters in India, especially in sectors like basmati rice, pharmaceutical, and engineering goods, are dealing with delays and margin pressures. Some shipments to Iran have already seen freight premiums rise by 20 per cent, while overall sea–air logistics costs are climbing sharply," said Jitendra Srivastava, chief executive officer of Triton Logistics & Maritime.

To manage the crisis, firms have strengthened cooperation with global maritime authorities to focus on port security, risk coverage, and regulatory alignment. Some have also started nearshoring supply chains and building buffer inventories, he added.

The challenges

- Industry players warn situation could spiral into higher fuel costs and put pressure on rupee
- 55% increase in average spot rates on the trade from Shanghai to Jebel Ali, said Peter Sand, chief analyst at Xeneta
- Costs rising due to higher bunker fuel prices, enhanced security measures
- Some shipments to Iran have already seen freight premiums rise by 20%, industry experts pointed out

Trump effect cooling

Meanwhile, the frenzy caused by the Trump tariff saga appears to be easing. For the first time in more than a month, London based Drewry's World Container Index fell 7 per cent to $3,279 per 40 feet container between June 12 and 19, after six weeks of gains.