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# How the Red Sea Crisis Rewired Supply Chains, Reshaped Retail, and Reached the Consumer

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## **When Geography Becomes Economics**

The disruption of maritime chokepoints — the Suez Canal, the Bab el-Mandeb Strait, and most recently Hormuz — has reminded governments, firms, and consumers that globalisation still runs on physical corridors that are narrow, vulnerable, and politically exposed. These waterways are not merely technical routes for shipping companies. They are strategic infrastructures through which energy, food, manufactured goods, and consumer products circulate. When they are interrupted, the consequences travel through corporate balance sheets, sourcing decisions, delivery schedules, retail prices, and household welfare.

This paper examines how disruption in the Red Sea corridor rewired supply chains, reshaped retail strategies, and reached the consumer. The Suez Canal and the Bab el-Mandeb Strait together carry approximately 12 to 15 percent of global trade and around 30 percent of global container shipping. The seizure of a Bahamian-flagged car carrier by Houthi militants on 19 November 2023 set off a crisis that quickly moved beyond the security domain. Within weeks, the world's largest container lines began rerouting around the Cape of Good Hope, adding ten to fourteen days to Asia-Europe voyages. What appeared as a regional security incident became a global supply-chain shock.

The central argument is that chokepoint disruptions should be understood not only as geopolitical events, but as transmission mechanisms linking conflict, corporate strategy, and consumer welfare. Longer shipping routes reduce effective vessel capacity, raise freight rates, increase insurance premiums, and force firms to reconsider the geography of production. These pressures affect companies unevenly. Some benefit from scarcity; others, whose business models depend on low-cost, long-distance supply chains, absorb the losses. Consumers, at the end of these chains, experience the cumulative effect through higher prices, delayed availability, and narrower product choice.

The paper follows the disruption through four layers of market exposure: container lines, tanker owners, European retailers, and LNG integrators. It treats apparel as the core consumer-goods case study because sourcing geography directly shapes freight exposure, cost structures, and ultimately consumer pricing. It also places Turkey at the centre of the analysis: as one of Europe's most significant textile and apparel suppliers, Turkey stands to benefit from nearshoring — yet as an importer of energy and industrial inputs, it also absorbs the inflationary consequences of the same crisis. Three contributions follow: a consumer-facing framework for maritime chokepoints; a distinction between cyclical and structural effects; and a grounded account of Turkey's dual position in this geoeconomic transformation.

## **The Corridor and the Crisis: Strategic Significance**

Since its opening in 1869, the Suez Canal has functioned as the principal shortcut between Asia and Europe. Together with the Bab el-Mandeb Strait at its southern entrance, it forms a coupled corridor connecting the Mediterranean, the Red Sea, and the Indian Ocean. Under normal conditions, approximately 12–15 percent of global trade, 30 percent of global container shipping,

and roughly 9 million barrels per day of oil pass through this route. When vessels reroute around the Cape of Good Hope, Asia-Europe voyages gain an additional 10–14 days, with significant implications for shipping costs, inventory management, and downstream prices.

Egypt's Suez Canal revenues illustrate the scale of the disruption directly. Receipts reached a historic high of \$10.25 billion in 2023, then fell to approximately \$3.99 billion in 2024 — a decline of around 61 percent. Canal traffic fell by roughly 50 percent, from more than 26,000 ships in 2023 to 13,213 in 2024. For global markets, the significance lay not only in these figures but in the effect on vessel utilisation. Cape rerouting absorbed ships into extended rotations, tightened available supply, raised freight rates, and created uncertainty in delivery schedules. The corridor's strategic significance lies in its ability to translate geopolitical insecurity into market scarcity and cost inflation.

### *A Three-Phase Crisis*

The Red Sea disruption unfolded in three analytically distinct phases. The first, from December 2023 to mid-2024, was defined by immediate disruption and carrier windfalls. Cape diversions absorbed approximately 6 percent of effective global fleet capacity, pushing spot rates up by 200 to 300 percent and generating exceptional earnings for major container lines. Disruption functioned almost paradoxically: a security shock for shippers and retailers became a short-term profit opportunity for carriers.

The second phase, from mid-2024 to December 2025, saw attempted normalisation alongside persistent caution. Some carriers began testing Suez routing again, but even after the last confirmed Houthi attack on 29 September 2025, canal traffic remained approximately 60 percent below pre-crisis levels at the start of 2026. War-risk insurance premiums, though falling, remained elevated at approximately 0.2 percent of hull value in early December 2025 — high enough to discourage full recommitment by major carriers. Growing newbuild deliveries meanwhile threatened to turn the rate boom into an overcapacity problem.

The third phase, beginning in January 2026, represented a more serious escalation. The February 2026 Hormuz crisis, triggered by US and Israeli strikes on Iranian nuclear facilities, widened the disruption from the delivery corridor to the production corridor. Hormuz carries approximately 20 percent of global oil and 17 percent of global LNG, including virtually all Qatari exports to Europe. The crisis no longer concerned only the rerouting of container traffic; it threatened energy supply itself. Taken together, the three phases show that maritime chokepoints cannot be analysed in isolation: disruption in one corridor can interact with risks in another, transforming a delivery-side shock into a production-side and energy-security shock.

## Four Layers of Market Exposure

Every company affected by the Suez crisis sits in one of four exposure layers, each of which the market treated differently.

**Container Lines (Maersk, Hapag-Lloyd, ZIM, COSCO, Evergreen)** — Windfall, then hangover

**Tanker Owners (Frontline, Scorpio, Torm, Hafnia, Teekay)** — The quiet big winners

**European Retailers (Inditex, H&M, ABF/Primark, Next, M&S)** — Nearshoring winners vs. Asia-sourcing losers

**LNG Integrations (Shell, TotalEnergies, Eni, ConocoPhillips)** — Muted — until Hormuz in early 2026

### Container Lines: Windfall First, Structural Hangover Later

The container shipping sector captures the central paradox of the crisis: disruption initially generated significant gains for carriers, but those gains were temporary, uneven, and structurally fragile. Cape diversions absorbed approximately 6 percent of global fleet capacity, pushing spot rates up by 200 to 300 percent in early 2024. Maersk's 2024 revenues reached \$55.4 billion, supported by a 38.1 percent year-on-year increase in container freight rates. Hapag-Lloyd recorded EBITDA of approximately \$5.0 billion in 2024. Industry commentary described 2024 as Maersk's third-best financial year on record. Yet this positive effect was largely the product of temporary capacity absorption rather than durable improvement in demand fundamentals.

The structural vulnerability became clearer once the rate spike faded. The global fleet carries an order book equivalent to approximately 32 percent of installed capacity, with annual deliveries of 8 to 9 percent of the fleet expected between 2024 and 2028. Cape diversions only temporarily removed capacity from the effective market; if vessels return to Suez routing, that capacity returns to a market already facing oversupply. The crisis did not eliminate the container sector's post-boom capacity problem — it temporarily disguised it.

By early 2026, this adjustment was visible in corporate guidance. Maersk warned that falling freight rates could halve its earnings, projecting full-year 2026 EBITDA of \$4.5 to 7 billion against \$9.53 billion in 2025. Its Ocean division posted an EBIT loss of \$153 million in Q4 2025, its first quarterly operating loss in years. ZIM's experience illustrates the full cycle most clearly: cumulative dividends of \$5.8 billion since its 2021 IPO (more than 25 times the amount raised at IPO) were followed by a 78 percent fall in net income when rates normalised in 2025. In February 2026, Hapag-Lloyd bid \$4.2 billion for ZIM — at a 126 percent premium — with the windfall years funding an acquisition made possible precisely by the subsequent rate downturn. Short-term disruption profits can therefore translate into long-term changes in market structure.

## **Tanker Owners: The Quiet but Durable Winners**

Tanker owners benefited through a simpler and more durable mechanism. Longer voyages increase tonne-miles, and higher tonne-miles raise revenue per cargo without requiring more ships. Crucially, tanker order books were at 27-year lows entering the crisis, meaning the sector had limited ability to add capacity quickly. The result was a more structurally favourable environment than container shipping, where a large order book undermined any scarcity rent.

Equity markets reflected this logic. Between mid-2023 lows and early-2024 peaks, Scorpio Tankers rose 78 percent, Hafnia gained 60 percent, Torm added 33 percent in six weeks, and Frontline reached a 10-year high. These moves were not merely speculative reactions to headlines. They reflected recognition that tanker owners were positioned to capture a tonne-mile rent in a supply-constrained market. Unlike container carriers, tanker owners did not face an immediate structural hangover. As long as uncertainty raises the probability of longer voyages or route inefficiencies, their model benefits from higher utilisation and stronger day rates.

## **LNG Integrators: Limited Impact Until the Crisis Reached Hormuz**

For much of the Red Sea crisis, LNG-exposed companies experienced muted financial effects. Cape diversions added approximately nine days to Qatari LNG shipments to Europe, but did not stop deliveries, and European gas storage remained healthy through 2024 and much of 2025. Shell is the largest Qatari LNG lifter at approximately 6.8 million tonnes per annum; TotalEnergies holds contractual offtake of approximately 5.2 mtpa. These exposures were manageable while alternative routing remained possible.

The calculus changed once the crisis escalated to Hormuz in early 2026. Qatar's North Field sits behind the Strait, making Hormuz not merely a delivery corridor but a production-access chokepoint. Force majeure declarations moved LNG equity prices in a way that two years of delivery-side disruption had not. This distinction is central to the paper's broader argument: Red Sea disruption raised the cost and time of delivery; Hormuz risk threatens access to supply itself. Not all chokepoints carry the same kind of economic risk, and the latter have far more serious implications for energy security and consumer prices.

## **From Retail to Consumer: The Sourcing Moat Story**

The retail sector is where the crisis becomes most visible to ordinary consumers. Freight disruption travels through delivery schedules, inventory planning, input costs, retailer margins, and eventually consumer prices. Yet the crisis did not produce a uniform outcome across European retail. It widened an existing competitive gap between companies that had already built flexible, nearshored supply chains and those more dependent on long-distance Asian sourcing — acting less as a one-off external shock than as a stress test of pre-existing business models.

Apparel and textiles serve as the core consumer-goods case study because the causal chain is relatively traceable — sourcing geography affects freight exposure, which affects delivery times and margins, which affects prices, discounting, and inventory turnover — and because Turkey's

structural role in European apparel supply chains makes the sector especially relevant to this paper's policy focus.

### ***Inditex: Nearshoring as a Competitive Moat***

Inditex entered the crisis with a major structural advantage. Approximately 55 to 60 percent of its production was already located in near-Europe countries, including Spain, Portugal, Morocco, and Turkey — a model developed to support speed and rapid inventory turnover. The crisis transformed this operational model into a geopolitical advantage. Because a large share of production was closer to European consumers, the company was less exposed to freight-rate volatility, delivery delays, and inventory uncertainty. What had been understood as a fast-fashion operating model became, under crisis conditions, a resilience architecture.

Inditex's FY2024 net income rose 9 percent to €5.9 billion. Its FY2025 EBIT margin reached 20.1 percent, up 50 basis points, and its share price reached a 12-year high. In its March 2026 earnings call, CEO Óscar García Maceiras credited “proximity sourcing and short lead times” with delivering stability despite significant supply-chain and currency disruption. The Inditex case demonstrates that resilience can become a competitive moat — one that protects margins, stabilises inventories, and strengthens market position during systemic uncertainty.

### ***H&M and Primark: The Cost of Asian Dependency***

H&M and ABF/Primark entered the crisis from a structurally weaker position, identified by Bernstein analysts as among the most exposed European apparel retailers due to their dependence on Asian sourcing. H&M's December 2023 to January 2024 like-for-like sales declined 4 percent year-on-year, and its price-to-earnings multiple has traded at a persistent discount to Inditex. Primark, with approximately 40 percent gross margins and no e-commerce channel, had less flexibility to offset freight and input cost pressures through channel diversification. Its low-price model depends heavily on cost discipline; when freight disruption increases the cost of moving goods from Asia to Europe, that model comes under direct pressure.

H&M has since announced a nearshoring programme, with its CFO confirming diversification for geopolitical and operational reasons. This is rational, but it underlines the central point: nearshoring cannot be built overnight. It requires supplier development, capital expenditure, production reallocation, and long-term commercial relationships. Companies beginning this transition only after disruption has occurred face a prolonged catch-up period. The crisis did not create the gap between Inditex and its competitors — it exposed and widened one that already existed.

### **Turkey's Dual Position**

Turkey is both a beneficiary of European nearshoring and an economy exposed to the inflationary consequences of maritime disruption. On the opportunity side, Turkey is exceptionally well placed. It is the second-largest supplier of textiles to the European Union and the third-largest supplier of apparel, with major global brands sourcing more than 15 percent of production from

Turkish suppliers. Turkey can deliver garments to major European capitals in under three days by road, operates within the EU Customs Union framework, and possesses a vertically integrated textile and apparel ecosystem extending from raw cotton to finished garments. In denim specifically, Turkey accounts for more than 25 percent of EU market share and commands export unit prices approximately 44 percent above the general apparel average — reflecting quality, speed, and proximity value rather than cost competition alone. The IFC’s \$50 million investment in Küçükçalık Tekstil in late 2024 signals growing international recognition of Turkey’s strategic relevance.

The opportunity, however, is constrained by a growing competitiveness problem. Manufacturing wages have risen sharply, approaching \$1,000 per month, compared with \$200 to \$300 in countries such as Bangladesh. The TÜSIAD Manufacturing Competitiveness Index fell to 86.1 in Q1 2025, its lowest level since 2015, and approximately 1,270 textile firms closed in early 2024. Turkey also experiences the crisis from the import side: as a significant importer of energy, industrial inputs, and consumer goods that move through or are priced in relation to the Suez corridor, it absorbed higher freight and insurance costs across multiple supply chains during the peak disruption period.

The result is a dual policy challenge. Turkey must capture the industrial opportunity created by European nearshoring while limiting the inflationary and cost pressures that undermine its own producers. This requires policies supporting productivity upgrading, affordable finance, green transformation, logistics efficiency, and the survival of small and medium-sized suppliers that form the backbone of the sector. Geography alone will not secure the advantage.

### **Structural Versus Cyclical: What Persists After the Crisis**

The central policy question raised by the crisis is not only who gained and who lost during the disruption. It is which consequences will fade when the corridor normalises and which will remain embedded in corporate strategy, market structure, and consumer pricing.

Some effects are clearly cyclical. The freight-rate windfall enjoyed by container carriers was tied to temporary capacity absorption and is already reversing as new vessels enter service. Other effects are more structural. Boards, CFOs, insurers, logistics planners, and procurement teams have now experienced the consequences of assuming that the Red Sea/Suez route is permanently reliable. Even if the corridor fully reopens, the memory of disruption will influence future decisions. Companies may hold higher inventories, diversify suppliers, build redundancy into logistics contracts, or accept higher costs in exchange for resilience. These choices will shape consumer prices and industrial geography long after the immediate security crisis has passed.

The sourcing divergence between Inditex and H&M is unlikely to reverse quickly. The crisis has shifted the risk calculus for European retailers: supply-chain resilience is now a board-level concern in a way that it was not before COVID-19 and the Red Sea crisis. This does not mean firms will abandon Asian production — Asia will remain central to global supply chains because of scale, cost, and supplier depth. What is changing is the value assigned to diversification, proximity, and optionality. Turkey, Morocco, Portugal, and parts of Eastern Europe are likely to

benefit from this rebalancing, but the gains will not be automatic. Countries that combine proximity with cost competitiveness, regulatory predictability, green compliance, and production depth will be best positioned.

The Hapag-Lloyd bid for ZIM illustrates how disruption can generate permanent changes in market structure. Windfall profits strengthened balance sheets, while subsequent rate normalisation weakened exposed firms. The broader effect is likely to be a more concentrated container shipping industry — the Gemini cooperation between Maersk and Hapag-Lloyd already covers roughly 20 percent of global container capacity. Further consolidation may improve network coordination and service reliability, but it may also strengthen pricing power and reduce competitive pressure to pass cost savings on to shippers. This creates a competition-policy dilemma that supply-chain resilience debates must address.

Finally, the embedding of geopolitical risk into insurance and logistics pricing is likely to persist. Even if the corridor fully reopens, war-risk insurance is likely to maintain a higher baseline premium than before the crisis. This shift is important because it influences inventory levels, supplier diversification, contract terms, and the willingness of firms to rely on just-in-time delivery. Each of these adjustments adds friction to the system. The cost may be small in normal periods, but it becomes embedded across millions of transactions — and the consumer ultimately absorbs part of it through higher prices, slower delivery, or reduced product variety.

### **Conclusion: Chokepoints, Markets, and the New Geography of Consumer Risk**

The Red Sea/Suez crisis demonstrates that maritime chokepoints are strategic transmission belts through which geopolitical insecurity travels into corporate balance sheets, supply-chain decisions, and consumer welfare. Container lines earned a temporary windfall because Cape diversions absorbed capacity and pushed up freight rates, but face a structural hangover linked to oversupply and normalising rates. Tanker owners captured more durable gains in a supply-constrained market. Apparel retailers with nearshored production — especially Inditex — were better positioned than competitors dependent on long-distance Asian sourcing. LNG integrators experienced limited effects while the crisis remained a delivery-side disruption, but the Hormuz escalation of early 2026 transformed the issue into a more serious production-access risk.

For Turkey, the crisis reveals both an opportunity and a constraint. Proximity to Europe, a vertically integrated textile and apparel base, Customs Union access, and fast road delivery make Turkey a natural beneficiary of sustained European nearshoring interest. Rising wages, domestic inflation, financing costs, and firm closures threaten to erode the competitiveness that makes Turkey attractive. The policy agenda is therefore clear: nearshoring should be treated not as an automatic dividend from geopolitical disruption, but as an industrial-policy opportunity that must be actively secured through productivity upgrading, accessible finance, green and digital transformation, and improved logistics infrastructure.

The broader lesson extends beyond Turkey. Chokepoint resilience cannot be reduced to naval security or emergency rerouting. It is a whole-of-supply-chain challenge involving transport infrastructure, insurance markets, industrial policy, competition policy, and consumer protection.

The Red Sea crisis is an early test of a new era in which consumer welfare is shaped by the security of narrow maritime passages. The Hormuz escalation of early 2026 confirms that this was not an isolated episode. Future shocks at Hormuz or the Taiwan Strait would not be separate anomalies; they would be part of the same structural transformation. States and firms that treat geography as economics — and resilience as a permanent cost of competitiveness — will be better prepared than those still assuming that globalisation runs on frictionless routes.

## FOOTNOTES

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