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UK Braces for Price Hikes as Middle East Tensions Threaten Global Supply Chains

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Rising geopolitical tensions in the Middle East are poised to impact UK households, with the cost of fuel, groceries, and utilities expected to rise sharply in the coming weeks. The latest concerns stem from a U.S. airstrike on three Iranian nuclear facilities over the weekend, prompting Tehran to threaten closure of the Strait of Hormuz, a critical maritime corridor through which approximately 20% of the world's oil supply is transported.

Oil analysts warn that if Iran carries out its threat, global oil prices could surge to \$100 per barrel. Such a development would likely push UK petrol prices above £1.50 per litre, compared to the current average of £1.37. Even in the short term, market forecasts suggest

a \$3 to \$5 per barrel increase this week, placing immediate financial pressure on motorists and businesses alike.

The impact is expected to extend beyond fuel costs. A sustained increase in oil prices would raise the cost of home heating and electricity, possibly prompting the UK energy regulator, Ofgem, to approve a higher energy price cap in its next review. This would exacerbate financial strain for families already grappling with the prolonged cost-of-living crisis.

Rising transportation and production costs may also affect the prices of groceries and essential goods. Businesses, particularly small and medium-sized enterprises (SMEs), could struggle to absorb the additional financial burden. “Any disruption to the Strait of Hormuz is likely to cause a worrying spike in global energy prices and shipping costs,” said Alex Veitch of the British Chambers of Commerce.

While some organizations, such as the Confederation of British Industry (CBI), urge caution in projecting the full economic impact, others are sounding stronger warnings. Professor Gerrit Heinemann of Germany’s Niederrhein University of Applied Sciences described the potential fallout as worse than the combined effects of the COVID-19 pandemic and the Ukraine war, citing the risk of widespread inflation, disrupted supply chains, and increased unemployment.

As Iran’s Supreme National Security Council prepares to make a final decision regarding the strait’s closure, global markets remain on high alert. The situation’s outcome could have far-reaching economic consequences placing UK households and businesses at the forefront of another global supply and energy shock.