

# Consumer products giants cite rising costs, supply chain pressures from Middle East conflict



Newell Brands executives said its products that rely on polyethylene and polypropylene, such as the Brute-brand trash containers, are affected by price increases driven by war in the Middle East. (Newell Brands)

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Major consumer products companies are reporting higher costs and growing supply chain challenges tied to the conflict in the Middle East, although executives say they have largely avoided significant disruptions to production and product availability.

Executives from Procter & Gamble Co., Clorox Co. and Newell Brands discussed the affect of the conflict during presentations June 3 at Deutsche Bank's 23rd annual Global Consumer Conference.

The comments offer a view from some of the plastics industry's largest downstream customers as disruptions affecting oil, feedstocks and global logistics continue to ripple through supply chains.

Procter & Gamble is seeing rising costs from the Middle East conflict, with the company estimating a \$150 million after-tax hit this fiscal year from higher raw material, feedstock and logistics expenses. Executives also said oil at \$100 per barrel could add as much as \$1.3 billion in annual costs before mitigation efforts.

Chief Financial Officer Andre Schulten said the closure of the Strait of Hormuz has constrained supplies of key raw materials used to make surfactants, which are widely used in detergents and cleaning products.

"The industry lost around 20 percent of primary feedstock used to make surfactants across the world when factoring in logistical constraints," Schulten said.

He added that P&G has so far avoided product shortages despite disruptions affecting surfactants, nonwovens, polyethylene and polypropylene through a combination of business continuity planning, supplier relationships and manufacturing flexibility.

Clorox reported similar concerns.

CFO Luc Bellet said the company expects the Middle East conflict to add \$20 million to \$25 million in supply chain costs in its fiscal fourth quarter, putting additional pressure on margins.

Bellet said the company's current estimates reflect only the initial impact of the conflict and that costs could rise further if disruptions continue.

"As the conflict potentially persists longer, these numbers could be bigger," he said.

Newell Brands, whose portfolio includes Rubbermaid and Coleman products, discussed the direct impact of higher oil prices on both transportation and resin costs.

CFO Mark Erceg said the company has already implemented selective price increases in businesses exposed to resin inflation, including polyethylene-intensive product lines. He specifically cited coolers and Rubbermaid's Brute-brand refuse containers among the products affected.

The company also moved to increase inventories after the start of the Iran conflict to help protect against potential supply disruptions.

Despite the cost pressures, all three companies said they have so far maintained supply continuity.

The comments come as North American resin markets have seen sharp price increases in recent weeks, driven in part by disruptions to global energy and petrochemical supply chains tied to the Middle East conflict.