

# Industry Update

## From Crude to Construction: The Cost of the Current Energy Conflict

### Situation Overview

- The U.S.–Israel military campaign against Iran has severely limited energy exports through the Strait of Hormuz, disrupting roughly 20% of global oil supply
- Oil markets reacted sharply, with WTI crude spiking above \$100/bbl for the first time since 2022, raising inflation and growth concerns. While U.S. leadership suggests the conflict may be nearing resolution, ongoing low-cost drone threats could keep the Strait partially disrupted for months
- Higher energy prices can be expected to flow through most building materials over time, with certain products impacted almost immediately. Initial impacts to manufacturers / suppliers may be partially offset by surcharges or price hikes, but a prolonged conflict would pose broader economic risks that could weaken overall demand

**WTI Crude**  
**~\$98/bbl**  
 +46% from 02/27/26

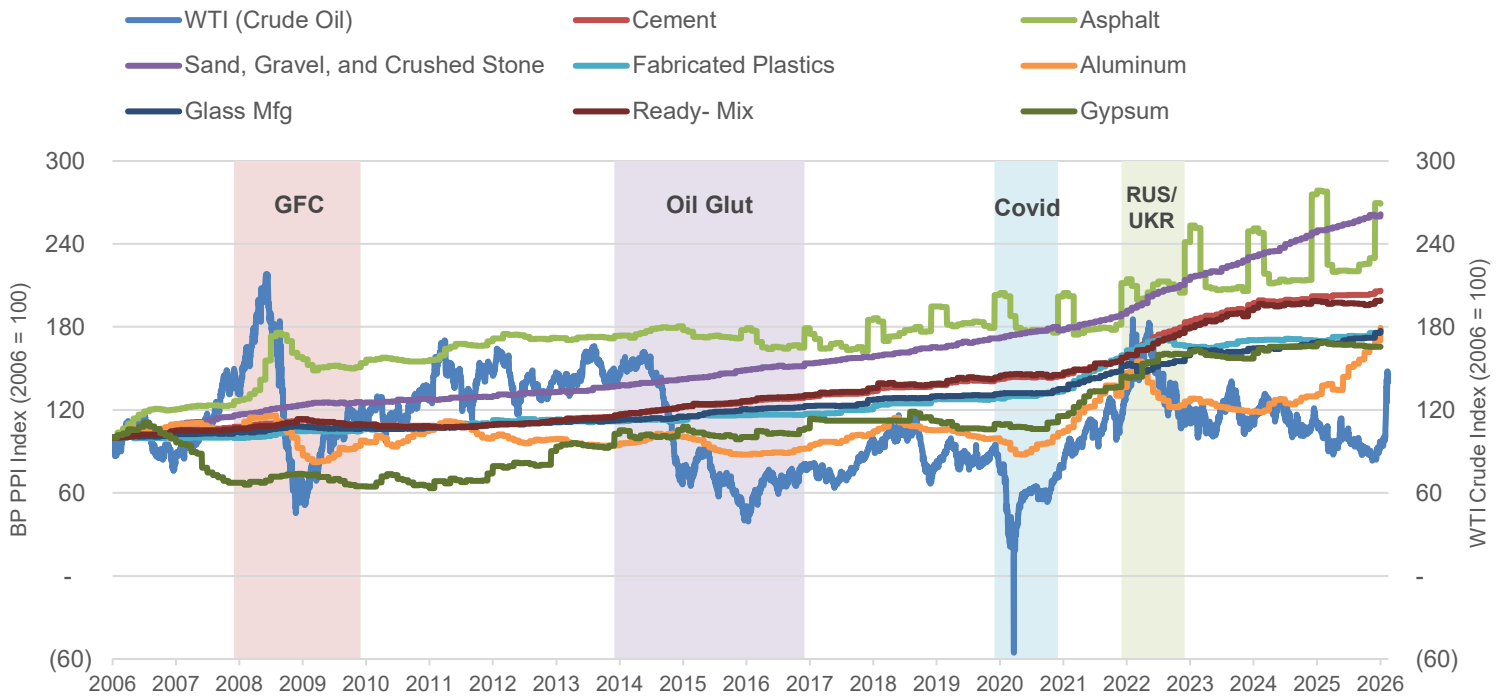
**Strait of Hormuz**  
**Near-Halt**  
 20% of global oil supply

**U.S. Gasoline**  
**Avg \$3.88/gal**  
 Highest since 2022

**U.S. Diesel**  
**Avg \$5.07/gal**  
 +33% from 02/23/26

Data as of 03/19/2026

### 20-Year Oil & Building Materials Price Correlation



Data as of 03/19/2026  
 \*PPI data as of February 1, delayed due to government shutdown; all data reported monthly, WTI (crude oil) data reported daily



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Material-Level Impact Assessment

| Material   | Oil Sensitivity | Transmission Channel & Current Risk   |
|------------|-----------------|---|
| Asphalt    | Very High       | <ul style="list-style-type: none"> <li>Asphalt is a direct petroleum derivative.</li> <li>Paving mix prices historically track WTI crude almost immediately; early 2026 BLS PPI data already shows increases of ~17%.</li> <li>Asphalt shingles used in approximately 75%-80% of all residential roofing.</li> <li>Diesel-linked freight costs to jobsites are adding to overall inflation in project costs.</li> </ul> |
| PVC        | High            | <ul style="list-style-type: none"> <li>PVC depends on ethylene and chlorine feedstocks, which are tied to natural gas and naphtha markets.</li> <li>European natural gas benchmark up 60%+ since the onset of the war.</li> <li>PVC resin and pipe &amp; fittings PPI continues to increase as higher feedstock and energy costs flow through the supply chain.</li> </ul>  |
| Aluminum   | High            | <ul style="list-style-type: none"> <li>Gulf region produces ~9% of global primary aluminum; smelters depend on imported alumina transiting Hormuz routes.</li> <li>Aluminum futures are rising on supply-disruption concerns.</li> <li>Creates structural risk for U.S. and European construction buyers.</li> </ul>  |
| Cement     | Moderate        | <ul style="list-style-type: none"> <li>Energy-intensive kiln process (using petcoke, coal, natural gas).</li> <li>Global cement equities sold off on petcoke supply concerns.</li> <li>U.S. producers hedged near-term but will pass through costs within 2–3 quarters.</li> </ul>  |
| Concrete   | Moderate        | <ul style="list-style-type: none"> <li>Ready-mix driven by cement cost + diesel delivery.</li> <li>Aggregate hauling distances amplify fuel surcharges.</li> <li>BLS PPI for ready-mix up ~40% since 2020 base; further acceleration likely.</li> </ul>   |
| Aggregates | Low–Mod         | <ul style="list-style-type: none"> <li>Domestically sourced but energy-intensive to extract and haul.</li> <li>Diesel is primary variable cost driver.</li> <li>Quarry operators will pass through fuel surcharges on a lag of ~1 quarter.</li> </ul>   |
| Gypsum     | Low–Mod         | <ul style="list-style-type: none"> <li>Synthetic gypsum from power plants; energy cost matters for calcination.</li> <li>Gypsum PPI already elevated (+66% vs. 2006). Incremental risk from freight cost pass-through.</li> </ul>   |
| Glass      | Low–Mod         | <ul style="list-style-type: none"> <li>Float glass furnaces run on natural gas.</li> <li>Natural gas price spike is the primary risk vector.</li> <li>Flat glass PPI has been on a secular uptrend (+77% vs. 2006); war adds freight and fuel cost layer.</li> </ul>  |

Sources: U.S. Bureau of Labor Statistics, U.S. Energy Information Administration, ICIS, Plastics Today, International Energy Agency, U.S. Department of Energy, U.S. Geological Survey, FRED, MarketWatch, WSJ