



LogicSource®

OIL MARKET VOLATILITY: COST DRIVERS, ECONOMIC IMPLICATIONS, AND INDIRECT SPEND IMPACT

Produced by LogicSource Indirect Category Leaders and Center of Excellence

This report leverages insights from 200+ indirect category experts and \$200B+ in pricing data to provide actionable strategies for optimizing procurement, mitigating risks, and addressing the impacts of a volatile market.

Learn more at logicsource.com.

TABLE OF CONTENTS

Overview 2

Oil Price Key Drivers 3

Broader Economic Implications 4

Impact on Key Indirect Spend Categories 5

Recommended Procurement Approach 8

Conclusion 9

About LogicSource 10

About the Authors 10



OVERVIEW

Oil prices are climbing again, largely due to escalating tensions in the Middle East, particularly involving Iran, Israel, and the U.S. military presence in the region. Crude oil prices have increased 15%–20% since January 1, 2026. Markets are reacting to the risk of supply disruption, especially through critical transit points like the Strait of Hormuz, where a significant portion of global oil flows. Even without an actual shutdown, the threat alone adds a risk premium to prices.

Layer that on top of disciplined output from OPEC+ and limited global spare capacity, and the result is a market that doesn't have much cushion. Prices move quickly when uncertainty rises.

For most U.S. corporations, higher oil prices don't show up neatly in one line item. It works its way through freight rates, utilities, packaging, travel, and outsourced services, quietly pressuring margins. In this kind of environment, procurement shifts from driving savings to protecting margin, making cost control and supplier scrutiny more important than ever.



OIL PRICE KEY DRIVERS

Oil prices have climbed meaningfully since mid-December, after a stretch of relative stability. Much of the recent move reflects growing geopolitical risk, with analysts at Barclays and RBC warning that a broader conflict involving Iran could push prices above \$100 per barrel. At the same time, underlying structural factors in the oil market are amplifying the impact, making prices more sensitive to disruption than in prior cycles.

1

GEOPOLITICAL TENSION IS BACK IN FOCUS

Ongoing conflict and instability in the Middle East, particularly involving Iran, Israel, and U.S. military activity, have markets on edge. A major concern is the Strait of Hormuz, which moves roughly 20% of the world's oil supply. If that route were disrupted, even temporarily, the impact would be significant.

2

SPARE CAPACITY IS LIMITED

Major producers aren't opening the taps in a meaningful way. While OPEC+ has signaled a modest increase of about 206,000 barrels per day, that's relatively small in the context of global demand.

Analysts note that the group doesn't have much spare capacity to bring online quickly, outside of Saudi Arabia and the UAE. Even then, both countries face practical constraints; moving additional barrels to market will remain challenging as long as shipping conditions in the Gulf stay disrupted.

3

PRODUCTION HASN'T KEPT PACE WITH LONG-TERM DEMAND

Over the past several years, investment in new oil production has been more cautious. That means supply can't ramp up as quickly as it used to when prices spike. The system is simply less flexible than it was in prior cycles.

4

DEMAND HASN'T FALLEN OFF

Even with economic uncertainty in parts of the world, global oil demand remains solid, especially in transportation and emerging markets. We're not in a demand collapse scenario.

The combination of tight supply buffers and geopolitical uncertainty creates a structurally more volatile pricing environment.

BROADER ECONOMIC IMPLICATIONS

Oil prices have an outsized influence on macroeconomic conditions because they directly and indirectly affect nearly every sector.

1

INFLATIONARY PRESSURE

Higher crude prices translate into higher gasoline, diesel, jet fuel, and petrochemical costs. These increases feed into:

- Transportation costs
- Goods pricing
- Utility rates
- Food production and distribution

Energy price increases typically show up quickly in headline inflation metrics. Sustained increases may delay interest rate easing.

2

CONSUMER SPENDING IMPACT

Rising fuel costs reduce household disposable income. For discretionary sectors (retail, hospitality, travel, consumer goods), this can result in softened demand and margin pressure.

3

CORPORATE MARGIN COMPRESSION

Corporations experience impact through:

- Direct energy inputs
- Higher supplier pricing
- Wage pressure (secondary inflation effects)
- Demand volatility

Non-energy producing companies are facing cost headwinds.





IMPACT ON KEY INDIRECT SPEND CATEGORIES



Oil price increases impact indirect spend categories in varying degrees and timeframes, often as a result of rising gas prices. Gas prices have been easing over the past several months, settling at a current national average of about \$2.99 per gallon. However, increases in crude oil typically flow through to the pump with a lag of roughly 2–3 weeks. As a general rule of thumb, every \$10 increase in the price of a barrel of oil translates to about a \$0.25 per gallon increase in gasoline prices, according to research from the Federal Reserve Bank of Dallas (2019).

The critical issue for the global economy is whether this disruption lasts more than a few weeks. A prolonged interruption to oil and gas exports would weigh on global growth and push inflation higher in a noticeable way. At the same time, there would likely be significant political pressure to prevent a sustained surge in energy prices, particularly with U.S. midterm elections approaching in November.

Some analysts believe that even if prices spike in the near term, oil could eventually settle back into the \$65–\$70 per barrel range once immediate tensions ease. If that occurs, the overall cost impact on indirect spend will be limited.

Category	Exposure Level	Timing	Key Driver	Corporate Impact & Mitigation Strategy
Logistics & Freight (High Impact, Immediate) 	High	Immediate to 60 days	Fuel represents a major cost component for: <ul style="list-style-type: none"> • Parcel Carriers • Less-Than Truckload & Full-Truckload • Ocean Freight • Air Cargo Most freight contracts contain fuel surcharge mechanisms indexed to diesel or jet fuel benchmarks. As market rates rise, fuel adjustment factors increase automatically.	Corporate Impact: <ul style="list-style-type: none"> • Rising distribution costs • Budget variance in transportation-heavy industries (retail and manufacturing) <hr/> Mitigation Strategy: <ul style="list-style-type: none"> • Audit fuel surcharge calculations for accuracy • Separate base rate renegotiation from fuel indexation • Optimize mode selection (e.g., shift air to ground, and priority overnight to non-priority 2nd-day, where feasible) • Conduct network optimization studies • Consolidate freight volume to improve leverage • Manufacture closer to the delivery destination, potentially split manufacturing orders to optimize delivery routes

Category	Exposure Level	Timing	Key Driver	Corporate Impact & Mitigation Strategy
Facilities & Utilities (High Impact, Lagging) 	High for multi-site businesses (e.g., Retail, Health Systems)	1-3 months lag	<ul style="list-style-type: none"> Electricity and natural gas pricing often follow broader energy market trends. Diesel costs also affect backup generators and site operations. 	<p>Corporate Impact:</p> <ul style="list-style-type: none"> Increased facility operating expenses Margin pressure for energy-intensive sites (distribution centers, data centers, healthcare) <hr/> <p>Mitigation Strategy:</p> <ul style="list-style-type: none"> Evaluate fixed-rate or hedged energy contracts Accelerate energy efficiency initiatives (LED retrofits, HVAC optimization) Implement centralized energy monitoring Consider demand-response programs Energy efficiency investments often deliver 12-24-month payback periods in elevated oil environments
MRO, Packaging & Industrial Supplies (Moderate Impact) 	Moderate	1-6 months	Petrochemicals, plastics, lubricants, and adhesives are oil-linked inputs. Suppliers frequently cite “commodity inflation” when requesting price increases.	<p>Corporate Impact:</p> <ul style="list-style-type: none"> Broad-based price increase requests Margin creep across maintenance and production support categories <hr/> <p>Mitigation Strategy:</p> <ul style="list-style-type: none"> Require cost breakdown transparency before approving increases Distinguish between true commodity exposure and margin expansion Use competitive sourcing events to validate market pricing Lock in contracts where volatility risk is high

Category	Exposure Level	Timing	Key Driver	Corporate Impact & Mitigation Strategy
Corporate Travel & Fleet (Moderate, Immediate) 	Moderate	Immediate	Jet fuel price increases affect airline pricing. Rental car rates and corporate fleet fuel expenses also rise.	Corporate Impact: <ul style="list-style-type: none"> Travel budget inflation Mitigation Strategy: <ul style="list-style-type: none"> Revisit travel policies Increase use of virtual meetings Renegotiate TMC agreements Explore consolidated airline agreements Book airfare at least 21 days in advance (typically \$200 per ticket less than booking within 7 days)
Outsourced Services & Temporary Labor (Secondary Impact) 	Moderate (lagged)	3-9 months	<ul style="list-style-type: none"> As transportation and cost-of-living pressures rise, labor providers may seek bill rate increases. On-site services (janitorial, security, food services) also experience higher operating costs. 	Corporate Impact: <ul style="list-style-type: none"> Wage inflation pressure Escalation clauses may be triggered in service agreements Mitigation Strategy: <ul style="list-style-type: none"> Review contractual escalation mechanisms Implement workforce demand controls Conduct benchmarking exercises Consolidate service providers for leverage



RECOMMENDED PROCUREMENT APPROACH

When energy prices rise, procurement quickly moves from a support function to a strategic control point. In these environments, strong cost governance becomes essential. Organizations should:

- + Centralize approval of supplier price increases
- + Increase audit rigor for fuel and surcharge pass-throughs
- + Require documented commodity index linkage
- + Use the “over budget” pressure as leverage in negotiations. When fuel surcharges rise, push to offset the increase by improving base unit pricing or other cost components, with the goal of driving a net-neutral overall impact.
- + Implement structured escalation review frameworks

At the same time, sustained mitigation rarely comes from tactical negotiations alone. Oil volatility often exposes structural inefficiencies that were previously tolerated. This is the moment to accelerate broader initiatives:

- + Distribution network redesign
- + Demand management efforts that reduce consumption
- + Supplier consolidation to improve leverage and simplify cost control
- + Payment term optimization to protect cash flow

Historically, energy-driven inflation creates the executive urgency needed to push through transformation efforts that may have stalled in more stable periods.



CONCLUSION

Recent oil price increases reflect a combination of geopolitical risk, constrained supply, and continued demand. While energy producers benefit, most corporations face increased operating costs, inflationary pressure, and margin compression.

Indirect spend categories most exposed include logistics, facilities, MRO, travel, and outsourced services. The impact varies in timing but is broad-based and material.

For procurement leaders, the current environment presents both risk and opportunity. Organizations that respond with disciplined cost governance, supplier transparency, and structural optimization will be better positioned to mitigate volatility and protect margins.

In energy-inflation cycles, procurement transitions from a savings function to a margin defense function, often becoming a strategic lever for enterprise resilience.





LogicSource®

ABOUT LOGICSOURCE

The innovative leader in procurement services and technology, LogicSource is purpose-built to drive profit improvement, mitigate risk, and ensure supply chain continuity through better buying. LogicSource focuses exclusively on the sourcing and procurement of indirect goods and services, which typically represent 20% of an organization's revenue and the area of greatest spending inefficiency.

These include complex categories like marketing, packaging, corporate services, facilities, information technology, distribution and logistics, and more, for which organizations often lack the capacity, focus, and scale to achieve best-in-class buying. Unlike traditional advice-based consultants, LogicSource is a purpose-built buying utility with assets that are configurable to their clients' needs and ready to deploy.

By combining decades of sourcing and procurement expertise, superior market intelligence, cross-portfolio spending leverage, and their OneMarket® Source-to-Pay technology, LogicSource executes customized solutions that deliver immediate savings and sustainable value. For more information, visit logicsource.com.

ABOUT THE AUTHORS

This report was produced by the LogicSource Indirect Category Leaders and Center of Excellence, which leverages decades of expertise and data to help organizations navigate global trade challenges and optimize their procurement strategies. With a dedicated team of 200+ indirect category experts and access to \$200B+ in indirect pricing data, LogicSource equips our clients with the insights and tools needed to make informed decisions, mitigate risk, and drive sustainable value.

For more information or to discover how LogicSource can help your organization achieve best-in-class buying, visit logicsource.com.