

26 March 2026 (No. of pages: 1)

Japanese report: 18 March 2026

# A 10% Reduction in Crude Oil and LNG Imports from the Middle East Would Push the Japanese Economy into Negative Growth

*Japan and its major trade partners are heavily dependent on the Middle East and vulnerable to supply shortages of crude oil and LNG*

Economic Research Dept. **Munehisa Tamura**  
**Hirohito Hatanaka**

## Summary

- A large share of crude oil and LNG (liquefied natural gas) transported through the Strait of Hormuz is exported to Asian economies. If a de facto closure of the Strait leads to a significant reduction in supplies of Middle Eastern crude oil and LNG, it would not only directly constrain domestic production in Japan but would also indirectly weigh on the economy through spillover effects on Japan's exports stemming from production reductions in other Asian economies.
- If WTI crude oil prices were to rise to 120USD/bbl, Japan's real GDP growth rate in FY2026 is estimated to be reduced by around 0.5%pt. Furthermore, if WTI prices were to surge to 150USD/bbl and crude oil and LNG imports from countries surrounding the Strait of Hormuz were to decline by 10%—resulting in supply shortages across Japan and other Asian economies—the negative impact on Japan's GDP growth would widen to approximately 2.0%pt. Under this scenario, the Japanese economy would likely fall into negative growth in FY2026.
- In addition to Japan, China, South Korea, and Taiwan are also reported to hold a certain level of petroleum reserves. Therefore, the likelihood of a crude oil supply shortage is limited in the short term in these economies. While the Japanese government is expected to take supply-side measures, such as securing alternative sources of procurement, caution is warranted regarding household support measures that may inadvertently stimulate energy demand.