

# Global economy reels from month of deadlock in Middle East crisis

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**The answer to the biggest economic and geopolitical question of the year, when will the Middle East crisis end, continues to prove elusive as it is about to pass the three-month mark.**

May saw hopes rise and fall, as diplomatic deadlocks persisted. A two-month extension of the ceasefire appears to be the basis of the next phase of de-escalation, as talks continue towards a future peace agreement.

The ceasefire has been severely tested after direct clashes broke out on 7 to 8 May when Iran launched missiles at US destroyers, claiming the US violated the truce by striking an Iranian oil tanker. Iran later accused the US of launching fresh strikes.

Earlier in the month, Iran targeted the UAE and accidentally struck Oman, explicitly targeting Abu Dhabi for its alignment with Israel and the US, while renewed Israeli airstrikes have systematically hit southern Lebanon, Tyre, and Beirut.

Meanwhile, the major sticking point, the safe resumption of shipping through the Strait of Hormuz, has not been resolved, impacting the global economy. The optimism that accompanied the ceasefire on 8 April has given way to more widespread concern.

A World Economic Forum paper released this month has charted the rising severity with each month that passes.

The closure of the strait has substantially reduced the globally available supply of fertiliser, which in turn will likely have dramatic effects on future harvests. Trade tracking showed a simultaneous break in shipments of sulphur, ammonia and other fertiliser-related products, and the impact on helium has been wide-ranging.

***"This concentration renders the global supply chain exceptionally vulnerable to regional geopolitical tensions, and historical helium shortages have typically been long-lasting, often spanning two to three years before supply and demand reach equilibrium again."***

Nick Lawson, Founder and Executive Chair, Ocean Wall

Nick Lawson, Founder and Executive Chair of Ocean Wall, a London-based merchant bank, said the global helium market is structurally an oligopoly, with production heavily concentrated in the US, Qatar, Russia, and

Algeria.

Alongside semiconductors, major helium-consuming sectors such as aerospace are also being heavily impacted. Even if the Strait of Hormuz opens tomorrow, disruptions to the space industry are likely to persist for at least the next 18 months.

Roughly one third of the world's seaborne crude oil trade passes through the Strait of Hormuz, along with 20% of liquefied natural gas shipping and 13% of seaborne chemicals trade, among many other vital commodities. The scramble for replacement gas has sent Asian and European LNG prices surging.

Inflationary pressures are expected to intensify, with 94% of World Economic Forum-surveyed chief economists anticipating higher global inflation in the coming year.

The conflict in the Middle East and the ongoing disruptions in the strait have erased the cautious optimism of the beginning of the year, as supply shortages of fuel, fertiliser and other essential goods ripple through the global economy.

***"The Strait of Hormuz is the most critical chokepoint in global energy markets, and a prolonged closure would become far more than an energy crisis. The longer disruption persists, the greater the impact on energy prices, industrial activity, trade flows and global economic growth."***

Peter Martin, Head of Economics, Wood Mackenzie

Europe, southeast Asia, Japan and India are all forecast to see significant increases in energy prices. The Hydrogen Council is pressing governments to accelerate hydrogen deployment as renewed instability in the Middle East revives concerns over energy security and fossil fuel dependence.

Iran maintains that it will only reopen the waterway to civilian shipping under its own strict clearing mechanisms, though it is unclear how they will be received by all parties. President Trump has insisted no one will control the strait under any final deal.

Gulf states, still reeling from being dragged into a conflict they did not start and seeing their security and business models upended, will need to forge a new path, and the geopolitical and economic permutations will be profound. The UAE has already made a significant move by exiting OPEC.

#### KEY STRAITS DATA

<b>Seaborne crude oil</b>	~33% of global trade
<b>LNG shipping</b>	~20% of global trade
<b>Seaborne chemicals</b>	~13% of global trade
<b>Chief economists forecasting higher inflation</b>	94%
<b>Projected helium disruption window</b>	18 to 36 months

Khalid Azim, Director of the MENA Futures Lab at the Atlantic Council's Rafik Hariri Center for the Middle East, said economies that have made meaningful progress in diversification are not always fully differentiated in market pricing, while those that remain exposed to legacy risks may still benefit from historical assumptions of strength.

"In a post-conflict environment, this gap may prove increasingly consequential. The next phase of Gulf economic development will not be defined by energy alone, but by the ability of these economies to generate sustainable growth independent of it and by the willingness of markets to recognise that shift."

Inevitably, the regional crisis is spurring a new international drive, be that in the US LNG sector or in critical minerals.