iXRT

Air Market News by Xeneta

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The Xeneta Air iXRT provides an overview of market movements, the key risks and issues to be aware of and insight on how these may develop in the coming weeks and months.

Topics covered in this iXRT Report include:

- Middle East conflict: a different kind of air freight crisis
- February 2026: demand resilience before the storm
- Gulf capacity recovery stalls — only halfway there by late March
- Spot rates surge 20–85% across Asia corridors
- Tender season caught mid-crisis: shorter deals and index models gain ground
- E-commerce from China: growth evaporates
- US trade flows: Taliwan and Vietnam overtake China — China+1 in the data
- Looking ahead

Global air cargo demand, measured in chargeable weight, entered March 2026 on a strong note. In February, demand rose +6–7% year-on-year — well above the consensus expectation of +2–3% growth for the full year — while capacity grew a more modest +4%. The dynamic load factor reached 62%, close to levels typically seen only in Q4 peak season. Spot rates posted their first year-on-year increase since May 2025, up +5% to USD 2.58 per kg.

Then, on 28 February, US and Israeli military strikes on Iran commenced. Iran's retaliatory response targeted its neighbours, bringing Middle East commercial air space to a near standstill. What followed was a rapid and severe disruption to global air freight — one with no direct parallel in recent history.

February 2026: resilience before the storm

The air freight market delivered a surprisingly robust performance in the first two months of 2026, demonstrating resilience in the face of ongoing trade turbulence — US tariff uncertainty, de minimis rule changes, and shifting supply chains. Demand outpaced capacity for the third consecutive month, tightening load factors to levels more commonly associated with peak season.

Boosted by a mini-peak rush ahead of Lunar New Year, air cargo spot rates recorded their first monthly increase since May 2025. The continued depreciation of the US dollar versus year-ago levels also supported the dollar-denominated rate reading. At corridor level, Europe–North America saw the biggest year-on-year spot rate increase in February at +21%, while semiconductor demand continued to invigorate Northeast Asia–North America rates at +10%.

Tariff impacts weighed on China-to-US demand, while China-to-Europe volumes remained relatively stable but without the typical pre-holiday cargo rush seen in early 2025 — a hint at what 2026 may hold. Even before the Middle East conflict escalated, some freight forwarders were signalling caution for the year ahead, anticipating downward rate pressure as carriers chased market share.

Middle East conflict: a different kind of air freight crisis

Historically, air freight has served as an equalizer during supply chain disruptions — think Covid or the Red Sea crisis. When ocean shipping faltered, air stepped in. This time is different. Unlike previous crises, the airlines and air cargo industry are being hit harder than ocean container shipping.

Cities like Dubai and Doha sit at the mid-points between the Americas, Asia, and Europe. This geography has been the engine behind the rise of super-connectors — Emirates, Etihad, and Qatar Airways. Today, those same hub airports have been targets, leaving these carriers struggling to restore even limited services. The geographic advantage has become a vulnerability.

The ripple effects go further. An oil shock drove jet fuel spot rates to nearly double by end of March versus pre-war levels — the highest level since January 2023. Jet fuel typically accounts for around 20% of total air freight costs. Airlines carrying forward-fuel contracts may have limited protection in the near term, but the full impact will feed into long-term contract rates within a month. War-risk surcharges have been layered on top.

The goods at risk span the full breadth of global trade: semiconductors from Taiwan bound for Europe, smartphones manufactured in India moving via Qatar or Emirates to the US, perishables and retail goods from Bangladesh, Sri Lanka, and India. In total, 16–18% of global air cargo capacity was impacted in the immediate aftermath of the escalation — before falling back to currently around ~8%.

Major air cargo hubs were not merely disrupted — they were severed from the global supply chain. A Middle Eastern airline cannot simply reroute through an alternative hub: even before the logistical and commercial challenges, they do not have the air traffic rights to operate direct services to many destinations. This is a structural constraint that limits rapid recovery.

This also reduces the flexibility shippers previously relied on during Red Sea disruptions. When Houthi-related risks disrupted ocean routes, volumes shifted from ocean to air. This time, that option is more limited — ocean carriers such as MSC and Maersk, which had signalled a return to the Red Sea, have now suspended Suez Canal routings and reverted to diversions around Cape of Good Hope.

It is worth noting the speed of this pivot. On 21 February, the dominant talking point for the month was the US Supreme Court ruling to strike down the Trump administration's broad 'emergency' tariffs, the subsequent introduction of temporary 10% tariffs, and the implications for China and India air cargo flows. A week later, the strikes on Iran began and the market reset was near-instantaneous.

Gulf capacity recovery: only halfway there

Four weeks into the conflict, overall Gulf air cargo capacity remained at just 47% of pre-war levels as of 24 March. The recovery has been strikingly uneven across airports — revealing a geography of vulnerability dictated by proximity to conflict zones and the economics of each hub.





Note: Figures include all freighters and widebody passenger flights only, analysis considers international sectors only. © Gulf region including Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and Qatar. ① Compared the average capacity in week 3 to week 7 in 2026 (see chart). Source: Rotate Live Capacity, Rotate analysis (March 2026)

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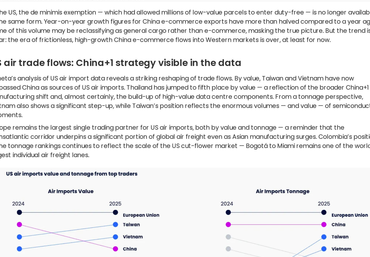
Muscat (MCT) and Jeddah (JED) have not only recovered but now exceed pre-war levels — benefiting from traffic diverted from stricken hubs. Abu Dhabi (AUH) is close to full recovery at 98%, while Dubai's main passenger hub (DXB) sits at around 50%, reflecting a partial return of belly-hold capacity. Al Maktoum (DWC), Emirates' dedicated freighter hub, remains far lower at just 25%.

Doha (DOH) sits at just 20%, with Bahrain and Kuwait near zero — reflecting their proximity to active conflict zones. The divergence between Dubai and Doha is notable: Emirates has recovered faster than Qatar Airways, possibly because Dubai's entire economy is more dependent on its airport as a lifeline, while Qatar — with its substantial natural resource revenues — can afford a more cautious approach to resuming operations.

Ocean schedule reliability in the region has also deteriorated sharply, with the average delay on Middle East trade reaching +5.9 days and on-time performance collapsing to below 20%. A return to the Suez Canal is considered unlikely in 2026, with Houthis resuming threats and 2.5 million TEU of capacity locked into longer round-Africa transits.

Spot rates surge across Asia corridors

The rate impact has been swift and severe on corridors heavily reliant on Middle Eastern carrier capacity, particularly those touching South and Southeast Asia. Comparing Week 12 (16–22 March) to the pre-war benchmark of Week 9, spot rates have risen double-digits across virtually every Asia-outbound corridor.



Source: Xeneta

South Asia to Europe is up at +95%, followed by South Asia to Middle East at +84%,and Southeast Asia to Europe at +64%. South Asia to North America is up +59%, reflecting the fact that shipments from India, Bangladesh, and Sri Lanka to the US typically route westbound through Middle Eastern hubs. Northeast Asia (China, Japan, South Korea), which has lower reliance on Gulf carriers, has seen more moderate increases: +22% to Europe, +9% to North America.

Crucially, these are spot rate increases — the market for capacity procured outside existing long-term agreements. Many airlines and freight forwarders continue to honour their contracted rates where the carrier is still operating. The sharp spikes occur when forwarders need to source alternative lift. Short-term cargo rates have risen close to 40% on certain lanes, with reports of rates doubling on some corridors.

The transatlantic corridor (Europe-North America, –6%) has so far seen no meaningful impact — though the approaching summer season, with its natural capacity increase, may also be a moderating factor.

Tender season caught mid-crisis

The timing could hardly be worse with the conflict escalating in the middle of tender season for annual air freight contracts. Rate volatility is already contracting Q1 2026 has seen a significant shift toward three-month agreements rather than annual contracts.

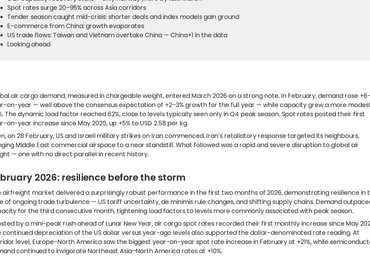
Two broad shipper responses are emerging. Some have paused negotiations entirely, adopting a wait-and-see approach until there is more clarity on how the conflict evolves. Others want to keep negotiations moving, but are pushing to ring-fence surcharges — treating fuel and war-risk premiums as separate line items outside the core tender scope.

A third option is gaining traction: index-linked contracts. The Middle East conflict has accelerated interest in linking freight agreements to market indices, providing both shippers and forwarders with a degree of protection against extreme volatility. This is an area where air freight is beginning to follow a path already well-trodden in ocean freight.

The value of locking in a one-year contract rate is limited when the market could double if the conflict continues — or fall sharply if it resolves. The data supports a practical approach: extend current agreements by 2–3 months where possible, allow the situation to clarify, and then pursue longer-term contracts from a more informed baseline. Index-linked models offer a further option for those seeking structural protection against ongoing volatility.

E-commerce from China: growth has evaporated

Separate from the Middle East crisis, a structural shift has been under way in one of air freight's most important demand drivers. China's cross-border e-commerce growth — which powered double-digit expansion for much of 2023 and 2024 — has plateaued since October 2025, when de minimis rule changes took effect in the US and scrutiny intensified in Europe.



Source: Xeneta and Trade and Transport Group analysis of China Customs data

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In the US, the de minimis exemption — which had allowed millions of low-value parcels to enter duty-free — is no longer available in the same form. Year-on-year growth figures for China e-commerce exports have more than halved compared to a year ago. Some of this volume may be reclassifying as general cargo rather than e-commerce, masking the true picture. But the trend is clear: the era of frictionless, high-growth China e-commerce flows into Western markets is over, at least for now.

US air trade flows: China+1 strategy visible in the data

Xeneta's analysis of US air import data reveals a striking reshaping of trade flows. By value, Taiwan and Vietnam have now surpassed China as sources of US air imports. Thailand has jumped to fifth place by value — a reflection of the broader China+1 manufacturing shift and, almost certainly, the build-up of high-value data centre components. From a tonnage perspective, Vietnam also shows a significant step-up, while Taiwan's position reflects the enormous volumes — and value — of semiconductor shipments.

Europe remains the largest single trading partner for US air imports, both by value and tonnage — a reminder that the transatlantic corridor underpins a significant portion of global air freight even as Asian manufacturing surges. Colombia's position in the tonnage rankings continues to reflect the scale of the US cut-flower market — Bogotá to Miami remains one of the world's largest individual air freight lanes.

Source: Xeneta analysis of US Census Bureau data

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Looking ahead

Three scenarios shape the near-term outlook for air freight, all contingent on the trajectory of the Middle East conflict:

- **Rapid de-escalation:** If conflict subsides quickly and Middle Eastern carriers resume normal operations, rates on affected corridors will normalise rapidly. The fundamental demand picture remains positive — the +6–7% growth in February is encouraging and the industry would revert to managing tariff and e-commerce headwinds.
- **Prolonged disruption (weeks/months):** If Gulf capacity recovery plateaus or worsens, short-term rates could double or triple. Ocean port congestion in the region may push additional emergency cargo to air. Fuel surcharges will fully crystallise in long-term contracts within weeks. The industry will find solutions — it always does — but at a significant premium.
- **Wider escalation / global energy shock:** A further escalation targeting oil production infrastructure could trigger a global energy shock. Stagflationary pressures, sharply higher oil prices, and a significant equity correction would weigh on global trade volumes and shipping demand across all modes.

Goods are still flowing. Solutions are being found — whether that is dropping cargo in the nearest feasible nation for onward trucking, or chartering aircraft. The air freight industry has demonstrated its ability to absorb major supply chain shocks in the past five years. But the price of those solutions is being passed to shippers, and that cost is rising. In the coming weeks, as the conflict's trajectory becomes clearer, the air freight market will once again demonstrate both its vulnerability to external shocks and its remarkable capacity to adapt.