



ISSUE #3 | WEEK OF 28 APRIL 2026

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**+23.1% (wk 20 Apr)**  
BA100 YoY

**\$5.00/kg (+93% vs pre-conflict)**  
S.Asia-Europe

**Level 33 — Record High (eff. May 1)**  
Korean Air Surcharge

## THE VIEW FROM HERE

The Middle East conflict has now moved through three distinct phases in the space of eight weeks, and the market's rate response has been consistent throughout each one. Phase one: acute capacity shock as Gulf airspace closed and carriers cancelled or extended rotations. Phase two: ceasefire optimism — announced around 9 April — which moved sentiment but not rates. Phase three, now: a gradual, uneven capacity recovery that is producing selective easing on the most affected corridors while a new pricing floor is becoming visible underneath.

The Baltic Air Freight Index closed the week of 20 April at 2663, up 4.2% week-on-week and 23.1% year-on-year. That acceleration — the YoY comparison moving from +19.2% to +23.1% in a single week — is the important signal. It suggests the market is not yet softening meaningfully; the recovery in Gulf capacity is being absorbed by demand rather than generating rate relief. South Asia to Europe has eased fractionally from its peak — from \$5.15/kg to \$5.00/kg — but remains 93% above pre-conflict levels. Southeast Asia to Europe has come back harder, down 9% from its peak, but is still 43% above where it was before the conflict began.

Meanwhile, the cost structure is changing in ways that will outlast the conflict. Korean Air is implementing its Level 33 fuel surcharge effective 1 May — the highest tier in a system introduced in 2016, never previously reached. The benchmark behind it: Singapore MOPS jet fuel at \$214.71 per barrel for the March 16 to April 15 period. That is a cost floor event, not a conflict event. Even if airspace normalises fully over the next month, airline operating costs have re-rated materially. The rate environment will take longer to unwind than the geopolitical situation that triggered it.

## DEMAND PULSE

- IATA February 2026 remains the most current published dataset: global CTK +11.2% YoY, international +11.6%, ACTK +8.5%. Cargo load factor 46.0%, up 1.1 percentage points. March data expected late April to early May — next issue should carry the first post-conflict month of IATA data. ([IATA](#))

- Africa: +21.0% CTK in February, the strongest regional reading globally. Africa-Asia at +61.9% YoY for eight consecutive months — the most sustained corridor growth story in the current cycle. The demand mechanics remain unchanged: time-sensitive commodity export flows, Chinese consumer goods and capital equipment inbound, infrastructure investment programmes continuing to drive cargo density across East and West Africa. ([IATA](#))
- Southeast Asia to North America — Vietnam +50% YoY, Thailand +32% YoY to Europe in early 2026 — is now a structurally established lane rather than an opportunistic overflow from China-US tariff displacement. Secondary hub airports in Ho Chi Minh City and Bangkok are reporting capacity constraints. The manufacturing shift from China is creating permanent new demand, not temporary volume. ([Phaata / WorldACD](#))
- Baltic Exchange March analysis: Asia-Europe remains the market backbone — Hong Kong to Europe +8.63%, Shanghai to Europe +2.79%. Asia to North America is softening — Hong Kong to North America -3.52%, Shanghai to USA -5.91%. Hub-level differentiation is widening: Heathrow +7.54%, Chicago +12.49%, Singapore +46.31% from localised capacity shortfall. ([Baltic Exchange](#))

## TRADE LANE INTELLIGENCE

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### Southeast Asia to North America: Structural Growth, Constrained Infrastructure

The Vietnam-to-US and Thailand-to-Europe lanes are going beyond just being beneficiaries of China-US tariff displacement. Volume growth of 50% and 32% year-on-year respectively in early 2026 represents the emergence of genuinely new manufacturing capacity — electronics assembly, apparel, footwear, components — that has physically relocated and is generating recurring air cargo demand independent of what happens to China-US trade policy.

The constraint that now defines this lane is infrastructure. Secondary hub airports in Vietnam and Thailand were not designed to process these volumes. Ground handling capacity, bonded warehouse space, and cold-chain infrastructure are all running below the throughput that demand would otherwise generate. The practical effect: premium pricing for confirmed capacity, longer transit times than the lane's theoretical capability, and growing interest from forwarder and logistics capital in infrastructure plays around these airports.

Singapore's +46.31% rate movement — driven by localised capacity shortage rather than distance or conflict factors — illustrates what the hub economics of this lane look like when infrastructure bottlenecks interact with a supply-constrained market, this in a mature and advanced hub. The operators who have secured dedicated ground capacity and slot positions at these secondary hubs are in a structurally different commercial position from those who have not.

### Asia-Europe: From Acute Shock to Structural Cost Floor

The Asia-Europe corridor is transitioning from an acute supply shock story to something more durable. The conflict-driven spike has partially unwound — South Asia to Europe eased from \$5.15/kg to \$5.00/kg, Southeast Asia to Europe down 9% from its peak. But the corridor is not returning to pre-conflict rate levels, and the mechanism is changing.

- Supply driver: Gulf carrier capacity share has fallen from 12% to 4% globally. Emirates is at approximately 70% of pre-conflict capacity, Etihad at 65%, Qatar Airways at 45%. Kuwait remains fully closed. Bahrain's Gulf Air suspended. Lufthansa has suspended Dubai through May 31 and most Middle East destinations through October 24. Full recovery is not imminent. ([Phaata / Expeditors](#))

- Cost driver: jet fuel eased approximately 12% since the start of April but remains roughly double pre-conflict levels. Korean Air Level 33 surcharge confirms the cost floor. Carriers have no structural incentive to compress rates while operating costs remain materially elevated. ([Freightos / Chosunbiz](#))

*Asia-Europe rates are now supported by two separate mechanisms simultaneously — residual capacity shortage and a reset cost floor. Even when the capacity mechanism normalises, the cost mechanism will persist. The trade lane pricing level over the next six to twelve months could be determined more by fuel and surcharge policy than by the conflict duration.*

## POLICY & TRADE RADAR

- Section 122 tariff (10% US import surcharge): expires 24 July 2026. The 150-day statutory limit from the 24 February executive order cannot be extended by the President alone — Congressional action is required. USTR is running parallel Section 301 investigations targeting 16 economies as a replacement mechanism. Two legal challenges pending at the Court of International Trade. This is not a resolution on 24 July; it is a transition point into a new and potentially more complex policy landscape. ([Greenwich Mercantile](#))
- Section 232 Pharmaceuticals: 100% tariff on patented drugs and active pharmaceutical ingredients effective 31 July 2026 (large corporations) and 29 September (others). Generics and biosimilars excluded. Companies with documented US onshoring plans: 20% rate. Companies with Most Favoured Nation price agreements with the US government: 0%. Presidential status report due 1 July. The incentive structure is designed to drive onshoring commitments before July, which will affect air cargo volumes on the India-US lane during the negotiation window. ([Thompson Hine / Crowell](#))
- EU de minimis: flat EUR 3 duty on all sub-EUR 150 parcels effective 1 July 2026. 5.8 billion low-value parcels entered the EU in 2025, up 20% on 2024. The volume and the mechanism: China-origin direct-to-consumer e-commerce. The practical effect will not be felt overnight — logistics platforms and shippers are adjusting routing and fulfilment models now, ahead of the implementation date. Watch for shifts in China-EU belly cargo and freighter bookings as July approaches. ([Financial Times](#))

## THE MIDDLE EAST VARIABLE: PARTIAL RECOVERY, PERSISTENT RATES

The recovery is real but it is incomplete and it is uneven. Gulf carrier capacity has moved from the acute shock levels of mid-March — when some carriers were operating at 15% of pre-conflict capacity — to a more stable partial recovery. But the aggregate numbers mask significant variation between carriers and corridors, and the rate impact of even partial recovery has been limited.

Corridor / Carrier	Current Rate / Status	vs Pre-Conflict	Note
South Asia to Europe	\$5.00/kg	<b>+93%</b>	Easing from \$5.15/kg peak
Southeast Asia to Europe	\$4.80/kg	<b>+43%</b>	Down 9% from peak; cost floor persists
China to North America	\$6.41/kg	<b>+2% WoW</b>	Freightos wk 20 Apr; tariff-driven softness
China to North Europe	\$5.12/kg	<b>+50% vs pre-war</b>	Conflict + fuel overlay

Corridor / Carrier	Current Rate / Status	vs Pre-Conflict	Note
Emirates capacity	~70% pre-conflict	<b>Up from 60%</b>	Gradual recovery
Etiihad capacity	~65% pre-conflict	<b>Up from 15%</b>	Most rapid individual recovery
Qatar Airways	~45% pre-conflict	<b>Resuming Dubai/Sharjah Apr 23</b>	Daily service reinstated
Kuwait / Bahrain	Fully closed / suspended	n/a	No timeline for reopening
Lufthansa ME destinations	Dubai susp. through May 31	<b>Most susp. Oct 24</b>	Extended conservative posture
Gulf carrier capacity share	4% global share	<b>Was 12% pre-conflict</b>	Phaata analysis Apr 2026
BAI00 (global index)	2663.00	<b>+23.1% YoY</b>	Week to 20 April 2026

*Xeneta's assessment from early April remains on target: rates will not fall as fast as they rose. The capacity recovery mechanism and the cost floor mechanism are now operating simultaneously, pulling in opposite directions on the rate outlook. The net effect is a slow grind lower from peaks, not a correction. The market is repricing permanently, not recovering to its prior level.*

## CAPITAL & STRATEGY SIGNALS

- Korean Air Level 33 fuel surcharge: effective 1 May 2026, the highest tier on the IATA surcharge scale — the first time Level 33 has been applied since the system was introduced in 2016. Long-haul surcharge jumps 86% to 564,000 won one-way. Benchmark: Singapore MOPS at \$214.71/barrel for the March 16 to April 15 calculation period. This is a cost floor signal for the entire sector, not a Korean Air-specific event. ([Financial News Korea](#))
- Market fragmentation is accelerating. The Baltic Exchange March analysis shows a market that is no longer moving as one: Asia-North America weakening while Asia-Europe holds; Chicago outperforming while Hong Kong softens; Singapore running at a 46-point premium from localised shortage. Capital allocators and operators running route-averaged assumptions are working with a systematically misleading picture of where value is actually concentrating. ([Baltic Exchange](#))
- Freighter supply constraints are not resolving in the near term. Aircraft production delays and engine shortage programmes continue to limit fleet growth. The pipeline of new freighter capacity that was expected to ease the market through 2026 is running behind schedule. This backstops the rate environment even as conflict-related disruption gradually normalises.
- The cost-inflation pricing driver is now dominant. This is a structural shift from the demand-driven pricing that characterised the early part of this cycle. Supply-driven inflation — fuel, surcharges, extended rotations, ground handling cost escalation — means that the relationship between volume growth and rate movements has changed. Demand growth alone is no longer sufficient to predict rate behaviour. Operators modelling 2026-27 on demand forecasts without a cost-inflation overlay will be working with an incomplete framework.

**The conflict created the shock. The cost structure is creating the floor. These are two different problems requiring two different analytical frameworks.**

When the Gulf airspace returns to full capacity — and it will, at some pace — the conflict mechanism will unwind. Some rate relief will follow. But the cost floor will not unwind at the same time, because it is driven by fuel prices that reflect a global energy market reset, and by surcharge structures that carriers have now calibrated to their actual cost base.

The structural demand picture — Africa-Asia growing for eight consecutive months, Southeast Asia manufacturing shift embedding itself permanently, global CTK at +11.2% in February — supports investment in long-term network and infrastructure positions.

*The near-term commercial picture — rates easing from peaks but not normalising, fuel surcharges at record highs, policy uncertainty compounding across three major trade lanes simultaneously — requires a different and more granular response. The operators and capital allocators who navigate the next two quarters well will be those who have disaggregated the structural from the cyclical, and who are positioned accordingly on both.*

**DATA SOURCES**

Source	Coverage This Issue
<a href="#">IATA</a>	February 2026 CTK/ACTK/CLF regional data
<a href="#">TAC Index / Baltic Exchange</a>	BAI00 2663.00 week to 20 April; +23.1% YoY
<a href="#">Freightos Air Index</a>	Corridor spot rates week of 20-21 April 2026
<a href="#">Xeneta</a>	Conflict rate persistence, recovery outlook
<a href="#">Phaata / WorldACD</a>	Gulf capacity share (4%), SEA-North America demand growth
<a href="#">Expeditors</a>	Middle East carrier capacity recovery status, Lufthansa suspensions
<a href="#">Smartkarma / TAC Index</a>	Weekly BAI bulletin 20 April 2026
<a href="#">Financial News Korea / Chosunbiz</a>	Korean Air Level 33 surcharge effective 1 May 2026
<a href="#">Thompson Hine SmarTrade</a>	Section 232 pharmaceutical tariff tiered structure
<a href="#">Greenwich Mercantile / GingerControl</a>	Section 122 expiry mechanics, Section 301 replacement investigations
<a href="#">Financial Times</a>	EU de minimis EUR 3 duty, 5.8bn parcels context
<a href="#">Freightos (March 31 update)</a>	Global FAX benchmark +22% YoY; March rate context

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