PEAK SEASON OUTLOOK 2026

Middle East and Russia–Ukraine conflicts: what they mean for freight costs, fuel and capacity in the run-up to Christmas 2026

Position as at 23 October 2026. Prepared by MEA Solutions for general circulation across the logistics and freight sector.

US$116	US$4,585	US$3.55/kg	C$2.64/L
Brent crude, 23 Oct. (about +61% vs. pre-war)	Drewry WCI per 40ft, 22 Oct. (15-week high)	Global air cargo spot rate (+34% year on year)	Canadian retail diesel, late Sept. (+59% vs. pre-war)

EXECUTIVE SUMMARY

The run-up to Christmas 2026 is shaping up as one of the most expensive and least predictable peak seasons in recent years, driven by two conflicts. In the Middle East, the Strait of Hormuz has been closed for more than 230 days and attacks on shipping hit a record in October. In the Black Sea, Russia is attacking merchant ships and Ukraine is striking Russian refineries. Together they have pushed fuel to near-record levels, raised war-risk and insurance costs, and made schedules less reliable.

For freight and logistics businesses, the effects show up in four places: fuel surcharges that will stay high into 2027, ocean rates that are rising now but should ease on Asia–Europe in December, air cargo that is tight and getting tighter, and warehouse space that is filling up as businesses hold more stock. The firms that come through peak best will be those that book freight and storage early, agree how fuel costs are passed on, and keep a second routing ready for any lane that touches the Gulf, Red Sea or Black Sea.

KEY MESSAGES

- **Fuel is the biggest cost driver this peak.** Hormuz has been closed for over 230 days, and Ukrainian strikes on Russian refineries have cut global diesel supply. Brent is back above US$110 and diesel and jet fuel are near record levels. Expect fuel surcharges to stay high through Christmas, even if a deal is reached.
- **Ocean rates are rising, but more capacity is coming.** Rates are at a 15-week high. As more ships return to the Suez route, Asia–Europe rates should ease in December, but Gulf lanes stay expensive.
- **Air cargo is tight and getting tighter.** Demand is up 9% year on year while capacity is up only 1%. Gulf hub capacity is still 20% below February, and closed airspace over Russia and parts of the Middle East adds time and cost on Asia–Europe routes.
- **Warehouse space is tightening for peak.** Longer, less reliable lead times are pushing businesses to hold more stock, and US warehouse capacity shrank in September at one of the fastest rates on record. Short-term storage and overflow space will be scarce and expensive through December.
- **Book early and build in flexibility.** Lock in freight and storage space now for Christmas stock, agree how fuel surcharges are passed on, and plan for at least two routings on any lane that touches the Gulf, Red Sea or Black Sea.

1. THE TWO CONFLICTS AT A GLANCE

	Middle East (Iran war, Gulf and Red Sea)	Russia–Ukraine
Shipping	Container lines have largely stopped calling inside the Gulf; cargo moves via Oman, the UAE east coast and Saudi land bridges. Suez transits are back above 50% of pre-war levels, with a full return expected by Q1 2027.	Shipowners are avoiding the Black Sea, and war-risk insurance is rising there. Little direct effect on container trades to North America, but tanker and bulk markets are disrupted.
Fuel	Brent around US$105–116 in October, against about US$72 before the war. War-risk insurance for tankers is estimated at over 30 times pre-crisis levels.	Less Russian diesel on world markets is pushing up diesel prices in Europe and North America, and buyers such as Brazil are turning to US supply.
Aviation	Gulf air cargo capacity is still about 20% below late February. Saudi airports have had repeated closures in October.	Russian airspace remains closed to most Western airlines, adding flight time and fuel on Asia–Europe routes and favouring carriers that can still overfly.

Sources: Straits.live, IMO via Cyprus Mail, Seatrade Maritime, Euromaidan Press, Axios, WorldACD. Status changes daily.

2. FUEL: THE BIGGEST COST DRIVER

Two separate supply shocks are hitting fuel at once. The Hormuz closure has removed shipping capacity and raised insurance costs for Gulf crude, while Ukrainian strikes on Russian refineries and Russia's diesel export ban have taken refined diesel off world markets. Refined products such as diesel and jet fuel have risen faster than crude.

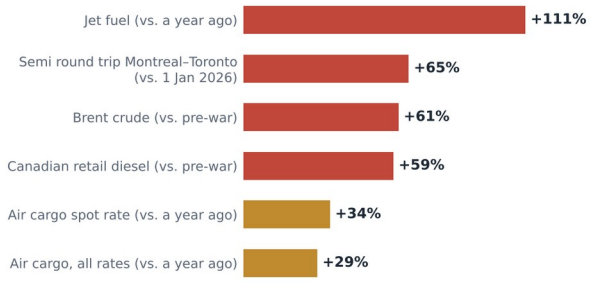
- **Crude:** Brent was about US$105 in mid-October and US$116 on 23 October. Forecasts for Q4 range from about US$90 to US$105, with an escalation risk well above that.
- **Diesel:** Canadian retail diesel averaged C$2.64 a litre in late September, 59% above pre-war and above the 2022 record. A Montreal–Toronto semi round trip has risen from about C$850 in January to C$1,400. US diesel is around US$6.18 a gallon, with stocks about 14% below normal heading into winter.
- **Jet fuel:** up 111% year on year in early October. IATA expects a 2026 average of about US$152 a barrel, against US$90 in 2025.
- **Marine fuel:** Singapore VLSFO was about US$869 a tonne and low-sulphur gasoil about US$1,312 on 2 October. Expect bunker adjustment factors to stay high.

Brent crude, US$ per barrel



*Reported price points. *August midpoint of a US$87–97 range.*

How much key costs have risen



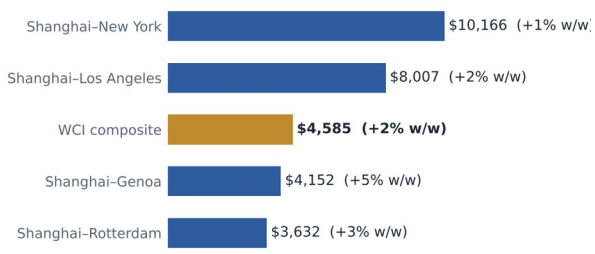
Comparison periods differ, as labelled.

3. OCEAN FREIGHT: RISING NOW, EASING LATER

Container rates have risen for two weeks in a row to a 15-week high. Carriers are cancelling sailings to support Asia–Europe prices (eight blank sailings next week, up from two), while strong US imports are holding up transpacific rates.

- **Asia–Europe:** firm into mid-November. As more ships return to the Suez route, the extra capacity freed from the longer Cape voyages should push rates down in December.
- **Transpacific:** stable to firm. Asia–US West Coast schedule reliability fell from 56% in May to 26% in September, so plan around ranges, not fixed dates.
- **Gulf and Middle East:** still the most expensive and least reliable lanes, with emergency, war-risk and peak surcharges. For example, Maersk charges a US$2,000 peak surcharge per 40ft from Asia to India and Pakistan.

Drewry World Container Index, 22 Oct. 2026, US$ per 40ft



Source: Drewry via DCN. w/w = change on previous week.

4. AIR FREIGHT: DEMAND AHEAD OF CAPACITY

Air cargo is heading into peak season with demand growing much faster than capacity. Global tonnage is up 9% year on year, driven by AI, data-centre and semiconductor equipment, while capacity is up only about 1%. Spot rates averaged US$3.55 a kilo in early October, 34% higher than a year ago.

- **Gulf hubs:** capacity is still about 20% below late February, and repeated closures at Riyadh and Dammam airports in October have cut freighter services.
- **Asia–Europe:** loss of Gulf stopovers and the continuing closure of Russian airspace to most Western airlines mean longer flights, payload limits and higher fuel use.

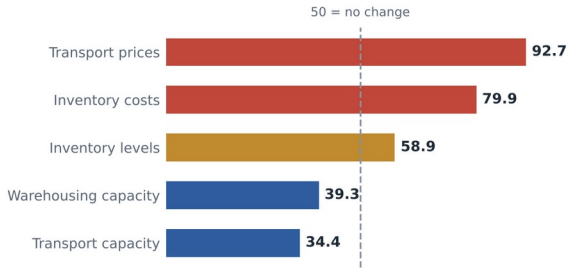
- **Transpacific:** the tightest market. Load factors out of Asia are near 90%, and China–US volumes rose 17% year on year in September. Some large technology shippers have not yet booked their peak needs.
- **Outlook:** moderate rises through November into early December, led by Asia–North America. Europe-bound demand is weaker due to e-commerce and tariff changes.

5. INVENTORY AND STORAGE: CAPACITY AND RATES

The conflicts affect warehousing indirectly but strongly. When lead times get longer and less reliable, businesses hold more stock to protect sales, and that stock needs space just as Christmas inventory arrives. In May, safety stockpiling reached its highest level since January 2023, with buyers citing the Hormuz closure and expected price rises.

- **Capacity:** the US Logistics Managers' Index shows warehouse capacity shrinking in September at one of the fastest rates in its history (39.3, where under 50 means contracting), while inventory levels rose to 58.9. Stock is sitting with wholesalers and distributors and starts moving to retailers in October and November.
- **Cost of holding stock:** inventory costs are rising fast (79.9). Higher goods prices, fuel and interest all add to the cost of every extra week of stock.
- **Bunched arrivals:** delayed and rerouted sailings arrive in clusters, creating sudden needs for overflow space, transloading and extra receiving labour, and raising the risk of port storage and demurrage charges.

US Logistics Managers' Index, Sept. 2026



Above 50 = rising or expanding; below 50 = falling or contracting. Source: LMI via MarketScale.

Long-term leases versus short-term peak space

The lease market and the peak storage market are moving differently. Long-term warehouse rents are rising modestly in the US and are flat to slightly lower in Canada, where new buildings are still completing. Short-term space for peak is a different story: it is tight in both countries, and 3PLs are charging peak surcharges on top of normal storage rates.

Market (Q3 2026)	Vacancy / availability	Average net rent	What it means for peak
United States (national)	6.8% vacancy	US$10.55 /sq ft, +3.2% y/y	Tightening. Vacancy down 0.8 points in a year; largest warehouses (1m+ sq ft) down from 9.5% to 5.4%. Record leasing, led by 3PLs.
Canada (national)	5.2% availability	C$14.77 /sq ft, –2.4% y/y	Balanced. Five straight quarters of positive absorption, but new supply and tariff caution are holding long-term rents down.
Metro Vancouver	5.8% availability	C$18.87 /sq ft net	Firm. Land limits new supply; the most expensive Canadian market for both leases and 3PL storage.
Greater Toronto	5.0% availability	C$16.07 /sq ft net	Tenant-friendly for long leases as new buildings complete, but short-term peak space is still tight.

Sources: JLL US Industrial Q3 2026; CBRE Canada Q3 2026 via REMI Network. Rents are average net asking rents per year and exclude operating costs.

Storage rates to Christmas

- **3PL pallet storage:** typically C$14–28 per pallet per month in Metro Vancouver and C$13–24 in the GTA, with Q4 peak surcharges of 15–30% in Vancouver and 15–25% in Toronto. Expect quotes at the top of those ranges this year.
- **Overflow and container storage:** scarce close to ports in November and December; book now or pay spot premiums.
- **January risk:** if demand softens or conflicts ease, excess safety stock will need to be cleared, and short-term space may become cheaper in Q1 2027.

3PL storage ranges: Warehouse Bridge network data, Q2 2026.

Illustration: the cost of extra stock

A business with C$1 million of monthly sales at cost that adds two weeks of safety stock holds about **C$460,000** more inventory. At a typical carrying cost of 20–25% a year (storage, capital, insurance, shrinkage), that costs roughly **C$90,000–115,000** a year, before any peak storage surcharges.

MEA illustrative calculation; carrying cost rates vary by business.

6. CAPACITY MANAGEMENT: THE PEAK CALENDAR

Now to early Nov.	Final window to book ocean freight for Christmas retail stock from Asia. Cargo should be on the water by mid-November for North American West Coast delivery, earlier for Europe and the US East Coast (MEA estimate).
11 November	Singles Day: surge in e-commerce air cargo out of China.
27–30 November	Black Friday and Cyber Monday: peak for parcel, last-mile and cross-border trucking.
Early to mid Dec.	Air capacity at its tightest. Allow for last air bookings for Christmas delivery around 10–14 December (MEA estimate).
Mid to late Dec.	Carrier holiday cut-offs and winter weather add risk to road and rail schedules.
January 2027	Pre–Chinese New Year rush ahead of 6 February 2027; expect a second rate rise on Asian exports.

Cut-off dates are MEA estimates for planning only. Confirm actual cut-offs with your carriers.

7. SCENARIOS TO CHRISTMAS

Scenario to Christmas	Brent crude	Diesel and jet fuel	Ocean freight	Air freight	Warehousing
Base case: conflicts continue at today's level (most likely)	US$100–120	Stays high; may rise further with winter heating demand	Asia–Europe firm into mid-Nov., then easing in Dec. as Suez capacity returns. Transpacific stable to firm. Gulf lanes stay high.	Moderate rises into early Dec.; transpacific tightest.	Peak storage tight to late Dec.; 3PL peak surcharges at the top of their range.
Escalation: wider attacks in the Gulf or Red Sea, or more refinery strikes	US$130+	New highs; emergency fuel surcharges	Ships divert back around the Cape (+10–14 days); Asia–Europe rates jump sharply.	Sharp spike; capacity rationed to contract customers.	Further stock-building and bunched arrivals; overflow space scarce, port storage and demurrage costs rise.
De-escalation: Hormuz deal or Black Sea ceasefire	Falls towards US$85–95	Eases only slowly; refined fuel lags crude by months	Gulf services take 6–10 weeks to return; short-term congestion as backlogs clear.	Slow easing; fuel surcharges lag.	Safety stock unwinds in Q1 2027; risk of excess stock and cheaper short-term space in January.

MEA view as at 23 October 2026. Price ranges are indicative only and are not forecasts to be relied on.

8. WHAT TO DO NOW

For shippers and cargo owners

- ✓ Confirm Christmas bookings now, and agree allocations with carriers or forwarders rather than relying on the spot market.
- ✓ Check how fuel and emergency surcharges are calculated and passed on, and budget for them to stay high into Q1 2027.
- ✓ Hold extra safety stock for items sourced through the Gulf, Red Sea or Black Sea.
- ✓ Move urgent or high-value items to air early, before December capacity runs out.
- ✓ Book peak storage and overflow space now, and set a plan to run down extra safety stock in Q1 2027.
- ✓ Check Incoterms and cargo insurance for war risk, transshipment and rerouting.

For carriers, forwarders and trucking firms

- ✓ Review fuel surcharge tables weekly; link them to a published diesel or jet fuel index where contracts allow.
- ✓ Secure trucking, drayage and warehouse capacity for late November and December, and agree peak storage rates in writing.
- ✓ Plan at least two routings for lanes touching the Gulf, Red Sea or Black Sea, and agree who pays if cargo is rerouted.
- ✓ Watch cash flow: higher fuel and surcharges increase working capital before customers pay.
- ✓ Check contracts for force majeure, rate review and fuel clauses before 2027 tenders.

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