



The Cost of Instability: How global volatility is reshaping costs across every sector



Instability is no longer something happening “out there” in the global economy.

It is arriving directly through freight surcharges, packaging increases, supplier letters, insurance renewals, longer lead times, tighter capacity and business interruption assumptions that may no longer reflect reality.

Across global markets, the pressures facing businesses are no longer separate. Middle East disruption, Red Sea and Suez Canal rerouting, fuel volatility, cybercrime, tariffs, raw material movement, driver shortages, insurance exposure and supplier behaviour are increasingly connected.

They influence how goods move, how suppliers price, how insurers assess risk, and how quickly organizations can recover when something goes wrong. The challenge for business leaders is not simply that costs are rising. It is that they are moving faster, appearing with less warning, and becoming harder to validate.

Businesses cannot control global volatility. But they can control how exposed they are to it.

That is where visibility, cost intelligence and supplier challenge become essential.





Instability has entered the cost base

For many organizations, global volatility used to feel like something for economists, markets and policymakers to worry about. Today, it feels much closer.

It arrives as a freight surcharge that has changed since the last invoice. A packaging quote that is only valid for 72 hours. A supplier letter announcing blanket increases. A delayed shipment. A cancelled sailing. A tighter insurance renewal. A continuity plan based on lead times that no longer exist.

Instability is arriving in the cost base - line by line, surcharge by surcharge, renewal by renewal.

The global picture explains why. The Red Sea disruption showed how quickly one pressure point can ripple through international trade. The IMF reported that in the first two months of 2024, Suez Canal trade dropped by 50% year-on-year, while trade routed around the Cape of Good Hope surged by an estimated 74%. The Suez Canal normally carries around 15% of global maritime trade volume, and rerouting around Africa can add 10 days or more to delivery times.

The Strait of Hormuz is another critical pressure point as volatility rarely stays in one category. Oil affects fuel. Fuel affects freight. Freight affects packaging. Packaging affects working capital. Supply chain disruption affects business interruption. Cyber risk affects insurance. Tariffs affect routes, sourcing and supplier strategy.

The cost of instability is not one cost. It is a chain reaction.

For ERA Group's consultants, this is now visible across several categories at once: freight, logistics, packaging, insurance, risk, cyber, fuel, raw materials and business continuity.

In a more unstable world, waiting to "see what happens" is no longer a neutral position. It is a risk strategy and often an expensive one.

Freight - the first place volatility shows up

Freight is often where global instability becomes visible first.

When routes change, fuel moves, capacity tightens or conflict escalates, the impact can appear quickly in freight pricing. For business leaders, that means logistics is no longer just an operational cost.

As ERA Group consultant Robb Lusk explains: *“Freight used to be a pretty static and predictable cost centre. It is now very volatile and it changes all the time.”*

The numbers behind that volatility are striking. Drewry’s World Container Index showed Shanghai to Rotterdam freight rates rising 25% to \$3,579 per 40ft container in early June 2026, while Shanghai to Genoa rose 20% to \$5,089. Drewry also noted that continued Red Sea diversions are extending transit times and encouraging importers to place orders earlier than normal.

That reflects what consultants are seeing on the ground. ERA Group consultant Alan Birse highlighted one fuel surcharge that rose from 8.9% in week nine of the year to 25.4% by week 15 - a significant change in just six weeks.

ERA consultant Rikesh Nichani noted that FedEx fuel surcharges had been seen at around 50%, and that surcharges are increasingly being reviewed weekly rather than monthly.

The issue is not that every surcharge can be avoided. In a volatile market, some increases are real. The issue is whether they are transparent, reasonable, and reduced when conditions improve.

As Rikesh puts it: *“Suppliers are often very quick to put surcharges up, but potentially less keen when things come down.”*

Increases can be applied quickly, and reductions may need to be chased. Without active review, temporary market movements can become embedded costs.

And often, businesses only notice when it is too late.

“Most businesses won’t see the impact until it lands on the invoice,” Rikesh says. *“By then, it has already become part of the cost base.”*

It is not enough to know that a surcharge exists. Businesses need to know how it is calculated, whether it reflects the market, whether it is being applied consistently, and whether it comes back down when the underlying driver eases.





The route itself has become a risk

Freight volatility is not only about price. It is also about physical movement.

Middle East instability, the Red Sea crisis, Suez disruption, Russia/Ukraine airspace restrictions and pressure around the Strait of Hormuz are all changing the way goods move around the world. That creates longer routes, higher fuel usage, insurance implications, capacity constraints and more complex planning.

Alan Birse points out that air freight faces similar disruption. Carriers cannot fly freely over Russia, Ukraine or Iran, which means routes must be planned through narrower available corridors. When the route changes, the cost structure changes with it.

Andrea Cosentino, ERA Group consultant, sees the same pressure in sea freight, especially on Far East to Europe and Far East to US routes. He highlights the impact of blank sailings, cancellations of planned vessel departures, which can quickly create scarcity.

"If a sailing is cancelled, your container waits,"

Andrea explains. *"More containers arrive behind it. By the following week, the vessel is full and, when there is no space, the price goes up."*

Andrea describes this as a kind of artificial demand. The goods have not disappeared. The need has not changed. But the available vessel space has tightened, and the market responds.

In this environment, a client may only see the answer from the suppliers they already know. One supplier may say there is no space for two weeks and another may still have capacity. Knowing where to look becomes a commercial advantage.

That is where broader market visibility can change the outcome. Andrea described a Middle East shipment where a mini-tender across several suppliers delivered a saving of \$2,500 on a single container.

Even in a difficult market, the first price is not always the only price.

The danger of chasing the spot market

When markets become volatile, some businesses respond by chasing the lowest available rate on the day. That can work in the short term, but over time, it can also increase exposure.

Robb Lusk uses a golf analogy to capture the issue.

“Relying on the spot market is like pulling out the driver on every tee,” he explains. *“Sometimes you hit it 300 yards down the middle. Many times, you end up in the woods.”*

A stronger carrier strategy may be less dramatic. It may be more like hitting it 250 yards - but hitting the fairway every time.

That is the point. In volatile markets, the real prize is not always the lowest rate, it is predictability.

(Breakout box) Robb described a current client that had been buying freight on the spot market day by day. ERA Group is helping move that client towards a 3PL arrangement designed to provide greater stability around capacity, cost and service.

This is not about pretending freight costs can be pushed back to where they were 10 years ago. As Robb notes, those days are gone. The objective is to create enough control for the business to plan.

Fuel is a key part of that challenge. Robb notes that fuel can represent 30-40% of truckload or intermodal costs, and 20-30% of ocean freight costs. Driver shortages are another structural pressure. The IRU reports that more than 3.6 million truck driver positions are unfilled globally, with more than 3.4 million drivers projected to retire over the next five years.

So even when headline disruption eases, underlying freight pressure may remain. This is why logistics strategy now needs to balance price, resilience, capacity and predictability. The cheapest option on the day is not always the lowest-cost option over time.





Packaging: when raw materials move faster than budgets

Packaging is another category where instability is being felt quickly and directly.

At the start of the year, Iain Clements, ERA Group consultant, expected the market to soften. Demand was not especially high; there was spare capacity and prices looked as though they might come down.

Then the market changed.

“With oil spiking the way it has, that directly affects a lot of plastic packaging,” Iain explains. “But it also indirectly affects a lot of other packaging where there’s high energy usage and transportation.”

Flexible Packaging Europe reported that prices for flexible packaging materials increased almost across the board in Q1 2026 compared with the previous quarter, driven by rising energy and raw material costs combined with escalating geopolitical tensions. Within polyethylene, HDPE rose 12% and LDPE rose 16%.

Iain’s own market tracking shows even sharper movement later in the period. He monitors LDPE as a marker for plastic packaging and EUWID for paper and corrugate markets. From January to the end of May, LDPE had risen by 67.5%, mainly through March and April.

That kind of movement changes how businesses buy. Suppliers replenishing stock may be given only 48 to 72 hours to accept a price. That

pressure then moves through the chain to clients.

“They tell you this is the price,” Iain says. *“Take it or leave it. In 72 hours, it could be different again.”*

When a quote only lives for 72 hours, budgeting becomes guesswork and the impact is already visible. Iain says consumable plastic packaging has seen increases of around 10–15%, while pallet wrap and shrink film have risen much more sharply, with increases of 30–40% in some cases. Paper and corrugate are also moving. Iain notes test paper rising by £80 per tonne in April, and kraft paper by £37.50 per tonne in May, with client-facing corrugate increases landing at around 8–10% in some cases.

Alan Birse sees similar pressure in packaging and raw materials. *“Prices you get quoted today may only be valid for a few days - the end of next week, if you’re lucky,”* he says. He also noted sharp movement in plastic raw materials since the beginning of the year.

In other words, the old rhythm of buying, budgeting and tendering is being disrupted. Procurement teams are being asked to make decisions faster, with less certainty, while suppliers are also trying to protect their own exposure.

The right decision is not always to tender immediately

The packaging market also shows why cost optimization cannot be reduced to “go out to tender”.

In a stable market, a tender can create clarity. It allows businesses to benchmark, compare suppliers and test the market properly. But in a volatile market, it can create a new risk.

If the market moves between quote and implementation, the price a business thought it had secured may no longer be available. If lead times are stretched, switching supplier may increase operational risk. If a merchant holds several months of stock, their price increases may lag the market. If a manufacturer is buying materials in real time, increases may land faster.

Iain's advice to some clients has therefore been deliberately pragmatic. Where possible, work with existing suppliers in the short term. Monitor the market and challenge unreasonable increases. Wait for enough stability to understand what the benchmark price actually is.

In a calmer market, tendering can create savings. In a volatile market, the first job may be to protect continuity, understand the increase and stop temporary pressure becoming permanent margin.

Good cost management is not always about moving supplier, sometimes it is about knowing exactly when not to.



Risk and insurance: the threats are changing shape

Not every cost of instability arrives in a container, a pallet or a packaging quote. Some arrive through risk.

From a risk and insurance perspective, Paul Gravatt, ERA Group consultant, sees cyber as the biggest global threat facing organizations. Not because cyber is new, but because the nature of the threat has changed.

“Cybercrime is no longer someone sitting in a bedroom causing mischief,” Paul says. “It is organized, sophisticated and, in some cases, politically motivated.”

Allianz ranks cyber incidents as the top global business risk for 2026, with cyber at number one for the fifth year in a row and cited by 42% of respondents in its Risk Barometer.

But the insurance market tells a more nuanced story. Paul notes that while cyber attacks are

becoming more severe, many organizations are becoming more resilient. As a result, cyber premiums are coming down in some areas.

The point is not necessarily to spend less on cyber. It may be to use savings elsewhere in the insurance programme to buy better protection while market conditions allow it.

Paul recommends reviewing the total cost of risk and looking at whether savings from other insurances can be used to improve cyber cover - through higher limits, wider coverage or better alignment with the organization's actual exposure.

In other words, the smartest move may not be reducing insurance spend, it may be reallocating it.



Business interruption: old assumptions may no longer hold

Many businesses have continuity plans and many also have business interruption insurance. But the assumptions behind those plans may now be out of date.

Because of supply chain disruption, replacement equipment, building materials and stock can all take longer to source than they did a year ago. A recovery timeline that once felt reasonable may now be optimistic. A business interruption indemnity period that once looked adequate may no longer match reality.

“What was fit for purpose a year ago may not be fit for purpose now,” Paul says.

The same could be said of freight contracts, packaging benchmarks, supplier agreements, route planning, cyber cover and continuity plans.

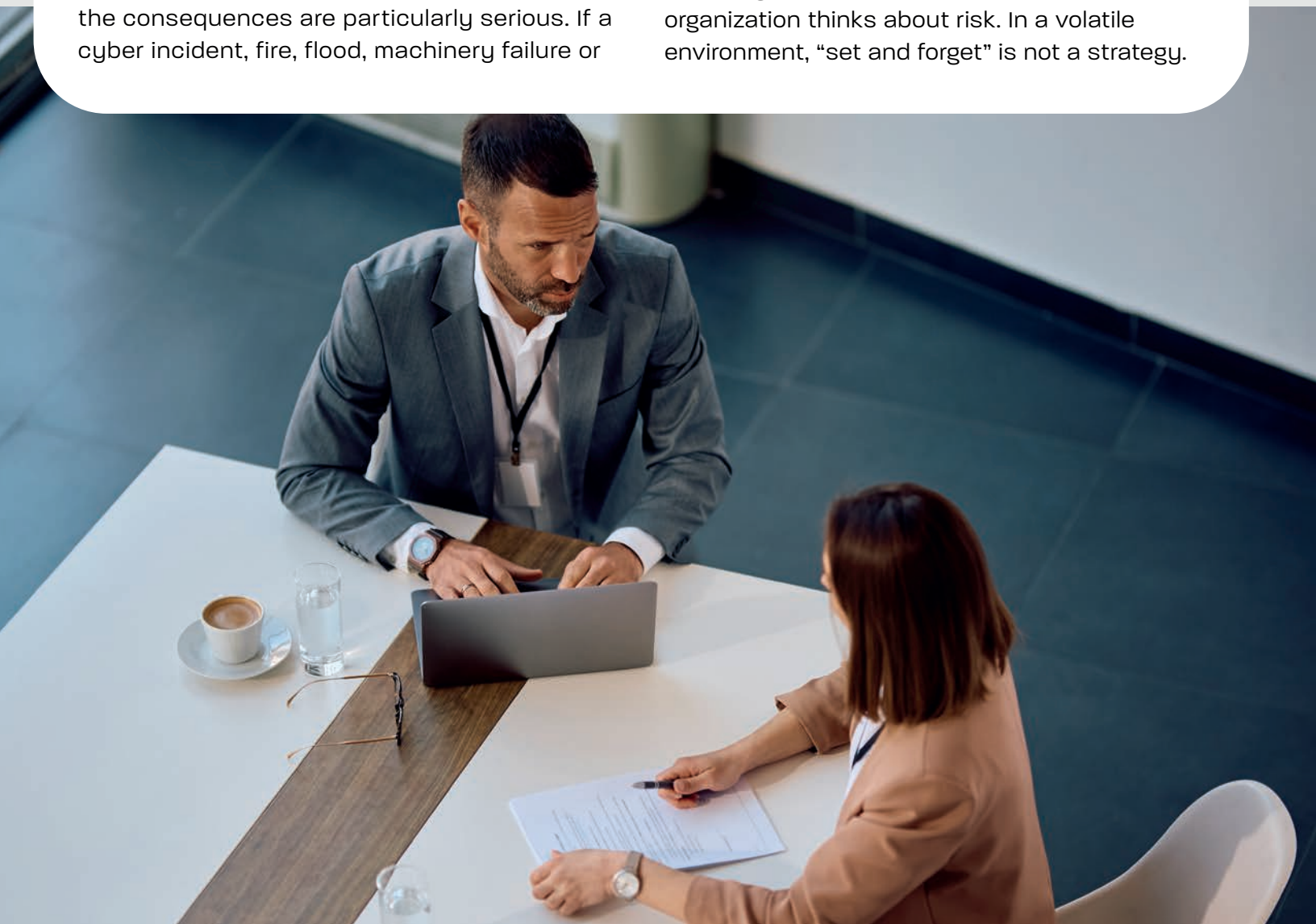
But in the context of business interruption, the consequences are particularly serious. If a cyber incident, fire, flood, machinery failure or

supplier collapse interrupts operations, the business does not recover in theory. It recovers in the market that exists at that moment.

Can the replacement equipment be sourced? Are the materials available? How long will stock take to replenish? Are suppliers still operating to the same lead times? Does the insurance policy reflect the real time needed to recover?

A business interruption policy is only as strong as the assumptions behind it.

That is why Paul argues for an ongoing watching brief - a constant review of how the organization thinks about risk. In a volatile environment, “set and forget” is not a strategy.



From reaction to control

Businesses cannot control the Strait of Hormuz. They cannot decide whether a carrier cancels a sailing. They cannot stop a cybercriminal from developing new methods. They cannot single-handedly move oil prices, polymer markets, tariffs or global trade policy.

But they can control how prepared they are.

They can:

- Challenge whether supplier increases are justified
- Benchmark against the market
- Review contract structures
- Monitor surcharges
- Reassess business interruption cover.
- Reduce reliance on reactive buying.
- Identify where volatility is being passed through fairly and where it is being used opportunistically.

That is the shift from reaction to control.

ERA Group works with clients across cost categories, sectors and geographies, giving businesses a wider view of market behaviour than they may have from their own supplier base alone.

A single organization may see the response from its existing suppliers. ERA Group sees patterns across markets, categories and supplier networks.

That matters when the first answer is “there is no space”, “the increase is unavoidable”, or “this is the price”.

Let's Talk

For many organizations, the instinct is to wait for things to calm down.

But what if volatility is no longer a passing phase? What if instability is now part of the operating environment?

Freight will continue to be shaped by geopolitics, fuel, labour, airspace restrictions and vessel capacity. Packaging will continue to move with oil, energy, paper, polymers and transport. Insurance will continue to respond to cyber, climate, supply chain and business interruption risk. Trade policy will continue to influence where goods move and how much they cost.

The businesses that perform best will not be those that predict every shock. They will be those that can see the impact sooner, challenge it faster and adapt with more confidence.

Stability may no longer be something the market gives you. Increasingly, it is something businesses have to build.

ERA Group helps organizations understand where volatility is affecting their cost base, challenge what is justified, identify where exposure can be reduced, and create greater control in a more unstable world.

Because when the world becomes harder to predict, cost intelligence becomes more valuable than ever.

If your organization is seeing cost increases across freight, logistics, packaging, insurance or other supplier categories, ERA Group can help you understand what is driving them, where they are justified, and where greater control may be possible.

Speak to ERA Group to explore how cost intelligence can help your business build resilience in a more volatile world.



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