



# CARGO CHARTBOOK

**Q1 2017**

## A strong start to 2017 for year-on-year air freight growth

- Notwithstanding an easing in the quarterly pace of growth over the past three months, year-on-year growth in air freight tonne kilometres (FTKs) has made a strong start to 2017.
- The pick-up in air freight volumes over the past nine months has been set against an upturn in global economic and trade conditions. Business surveys point to another quarter of robust annual FTK growth in Q2.
- When surveyed in January, airline heads of cargo were positive about the demand outlook over the year ahead.

### Market developments

- Industry-wide FTK growth has made a strong start to 2017, with air freight outperforming wider world trade since mid-2016. European and Asian carriers have driven the bulk of growth.
- Traffic growth has been fastest on international segment-based routes within Asia, as well as between Asia and Europe.
- Demand conditions across the Pacific have weakened over the past quarter, and broader momentum in FTKs has slowed. However, it is worth noting that there are a lot of complicating factors at this time of year, including Chinese New Year as well as the fact that 2016 was a leap year.

### Market drivers

- The pick-up in air freight over the past nine months has been set against a broad and synchronized upturn in global economic conditions. Consumer confidence has risen particularly strongly.
- More generally, the trade backdrop has also improved, particularly for emerging economies.
- The new export orders component of the global manufacturing PMI remains close to a six-year high, and is consistent with year-on-year FTK growth of 7.5% in Q2 2017.

### Capacity, costs and yields

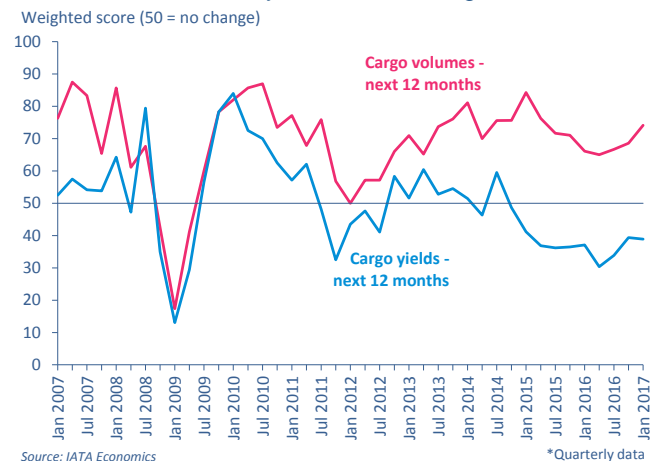
- Additional payload from wide-body belly capacity in the passenger fleet has continued to exceed that from freighter-only deliveries so far this year.
- Large freighter utilization increased into 2017, alongside a recovery in the load factor.
- Crude oil prices trended upwards during much of 2016, and are currently around US\$55/bbl. Oil prices are expected to increase just modestly from current levels over the coming years.
- The downward trend in freight yields has stabilized.

### Survey respondents positive about growth outlook

When surveyed in January by IATA, airline heads of cargo were positive about the outlook for cargo demand

over the next 12 months. (See Chart 1.) Nearly two-thirds of respondents reported that they did not expect cargo yields to change over the year ahead, although the weighted score remained below the 50-mark for the tenth consecutive quarter.

**Chart 1 – IATA survey of heads of cargo**



**Table 1 – Key data overview**

<i>Rolling 3 month periods (unless specified otherwise)</i>	<i>% year-on-year</i>	<i>% quarter-on-quarter</i>
<b>Industry-wide FTKs<sup>1</sup></b>	<b>8.2%</b>	<b>1.3%</b>
North America-Asia <sup>1</sup>	7.3%	-1.2%
Asia-Europe <sup>1</sup>	11.9%	4.0%
Europe-North America <sup>1</sup>	8.5%	1.1%
Within Asia (int'l) <sup>1</sup>	15.3%	1.8%
<b>World trade volumes<sup>2</sup></b>	<b>2.9%</b>	<b>2.4%</b>
<b>Additional widebody payload capacity (Jan-Apr period)</b>	Year-on-year change	
	<u>Tonnes</u>	<u>%</u>
Freighters	659	21.2%
Belly	2,863	2.1%
	<u>Level</u>	<u>5-yr avg</u>
<b>Global PMI new export orders<sup>3</sup></b>	52.5	50.4

<sup>1</sup> 3m ended Feb 2017

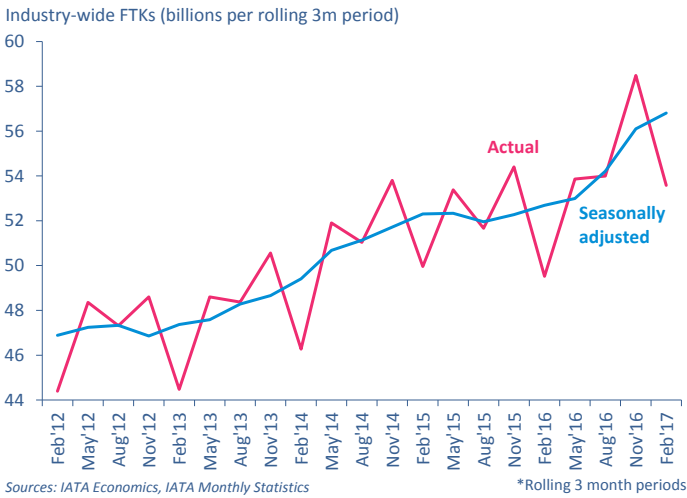
<sup>2</sup> 3m ended Jan 2017

<sup>3</sup> 3m ended Mar 2017

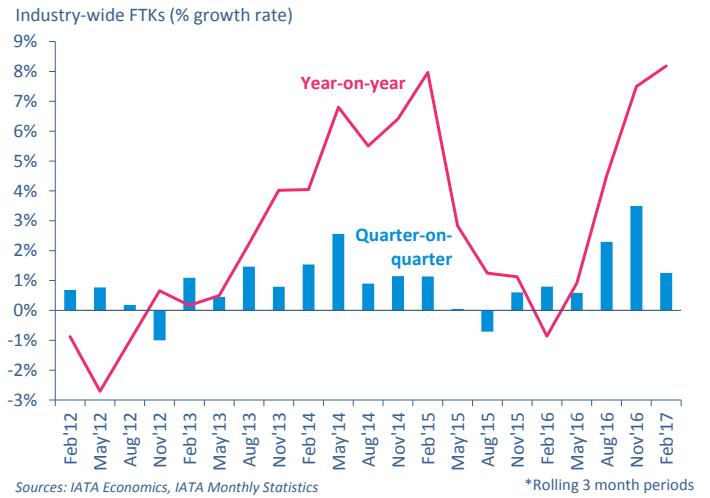
David Oxley  
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 20<sup>th</sup> April 2017

# Market developments

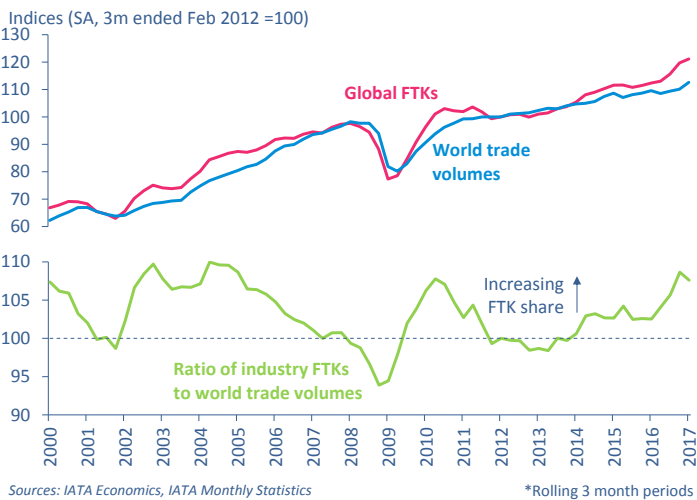
1. Air freight volumes continued to trend upwards on a quarterly basis over the three months to February. However, the quarterly pace of expansion slowed from that seen during the second half of last year.



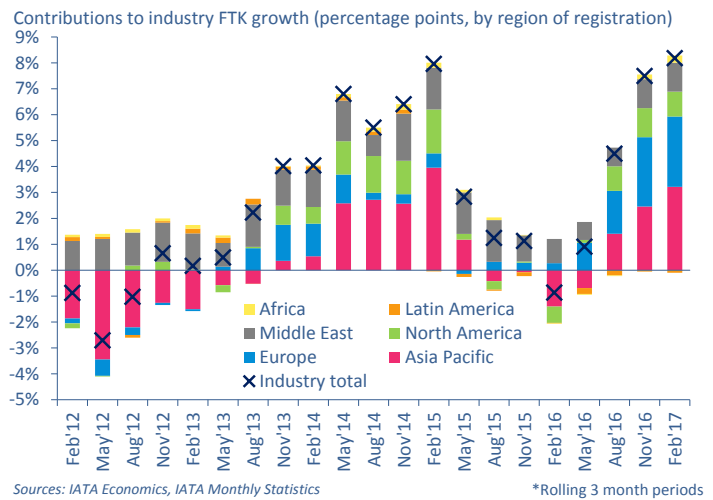
2. Indeed, while year-on-year growth in FTKs rose to 8.2% during the 3 months to February, the 1.3% quarter-on-quarter increase was well down on the 2.3% and 3.5% increases seen during the two previous periods.



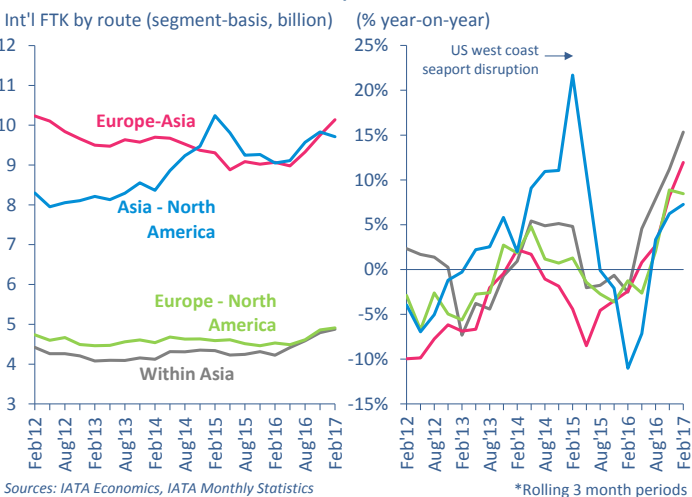
3. The pick-up in industry FTKs over the past year or so has seen air freight gain market share relative to wider world trade volumes since the middle of 2016. In the past, this has tended to occur at the start of upturns in the economic cycle.



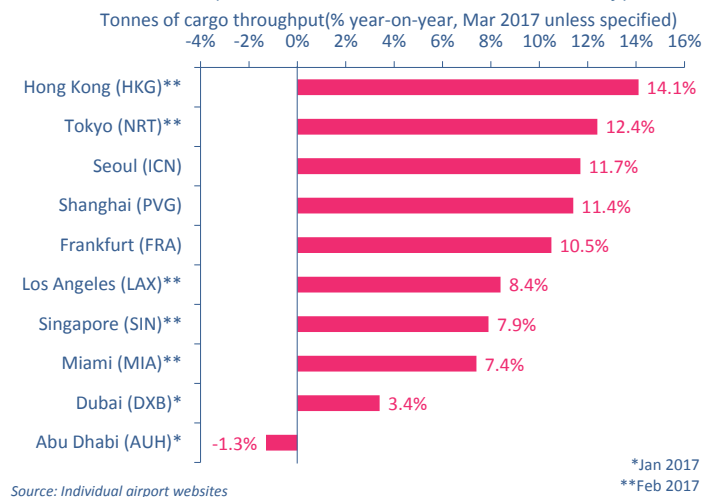
4. Asia Pacific and European airlines accounted for more than 70% of the annual growth in FTKs over the three months to February. By contrast, Latin American carriers made a negative contribution to growth for the fourth quarter in a row.



5. We have seen a broad pick-up in freight traffic on the four major segment-based trade lanes since mid-2016. Traffic increased in seasonally adjusted terms for all routes over the latest 3 months, with the exception of Asia-North America.

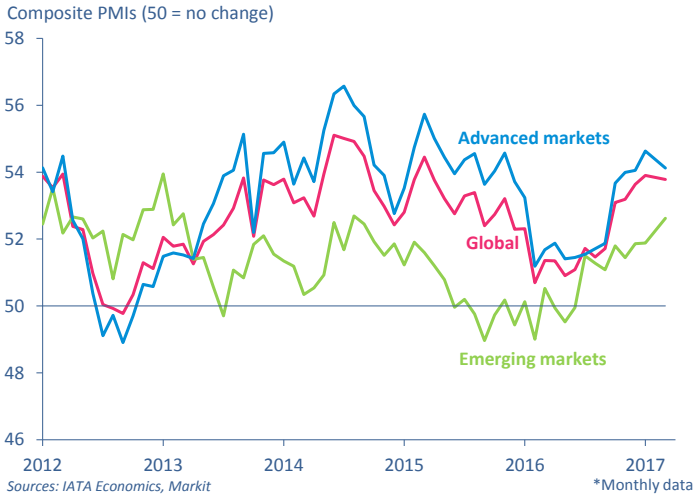


6. Cargo throughput has increased at double-digit annual paces at a handful of key freight airports at the start of 2017, mainly in Asia. By contrast, growth in cargo in the Middle East has been weaker (Abu Dhabi volumes fell in January).

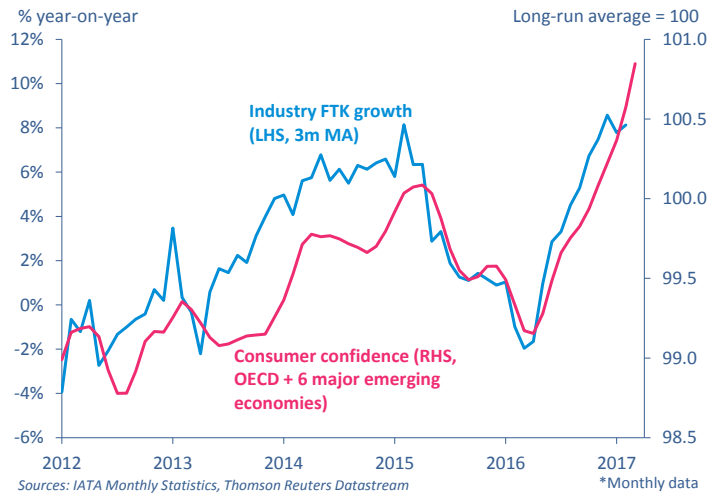


# Market drivers

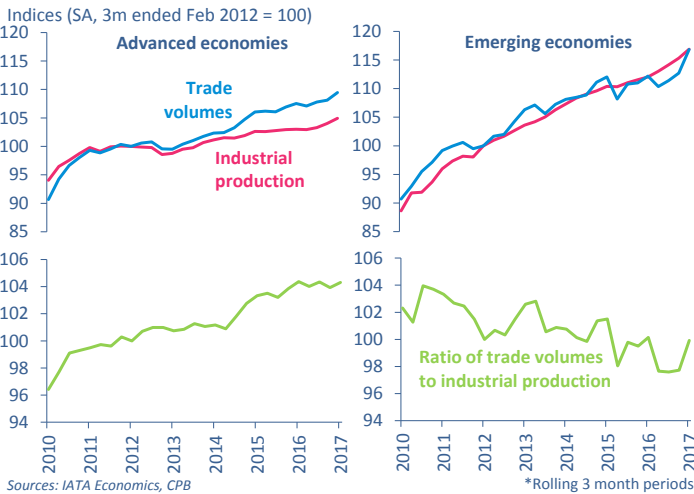
**7.** The pick-up in air freight has come against a comparatively healthy economic backdrop. Economy-wide business confidence in advanced economies has slipped slightly, but has continued to edge higher in emerging markets.



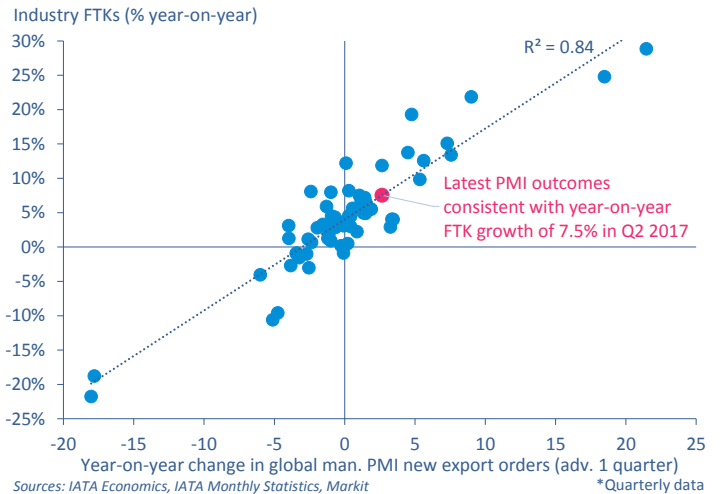
**8.** Consumer confidence in particular has continued its strong upward trend that began in early-2016. This is translating into higher consumer spending and thus demand for air freighted goods.



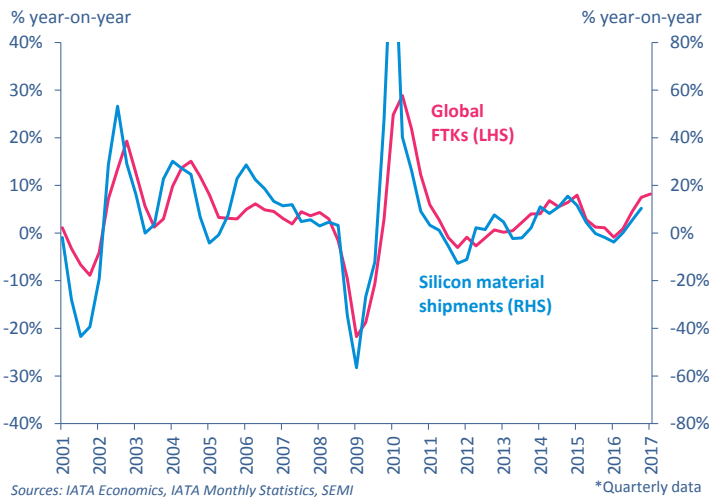
**9.** The trade backdrop has also picked up in recent months, particularly for emerging economies. This has helped to stop the trend decline in the trade/industrial production ratio for these economies that has been a feature since 2008.



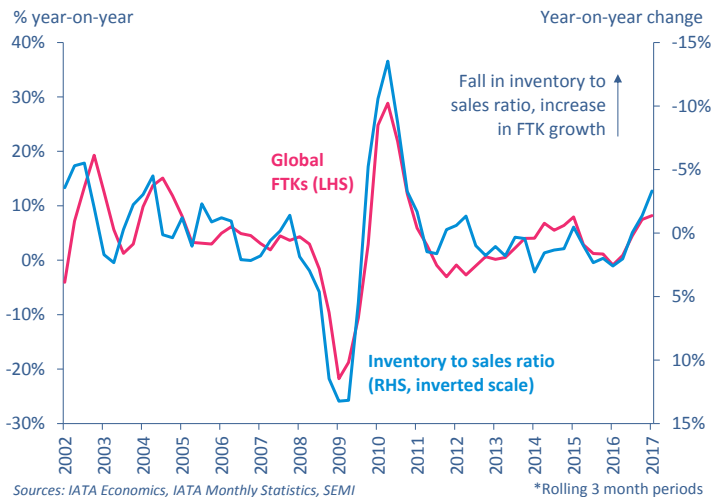
**10.** Surveys indicate that exporters' order books remain healthy: the new export orders component of global PMI is close to a six-year high and, based on past performance, is consistent with robust FTK growth of 7.5% in Q2 2017.



**11.** Traditional demand drivers for the air freight industry have also been robust. The quantity of silicon material shipments increased by 10.4% year-on-year in Q4 2016 – the fastest pace in two years.

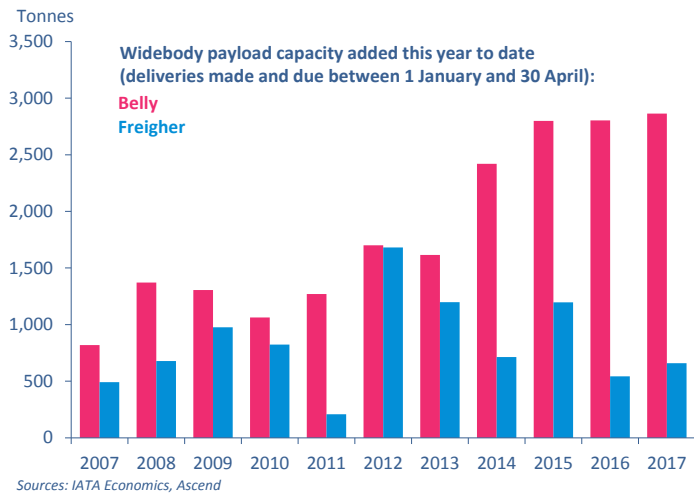


**12.** We have also seen a sharp fall in the inventory-sales ratio in the US over the past nine months or so. A large fall in this measure has traditionally been associated with a pick-up in air freight, as firms rush to restock their inventories.

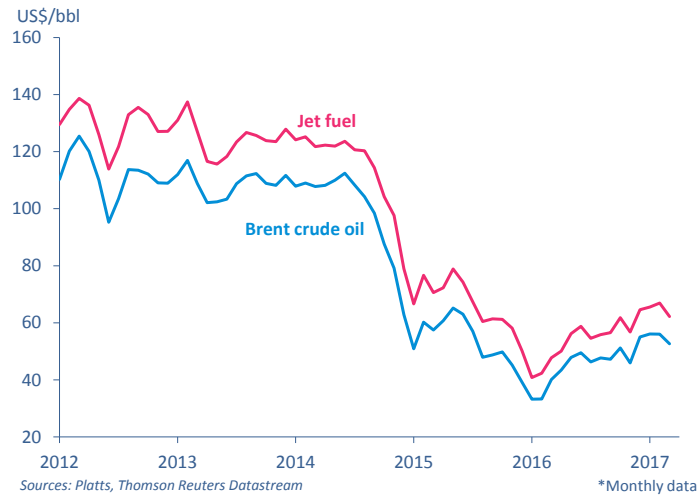


# Capacity, costs, and yields

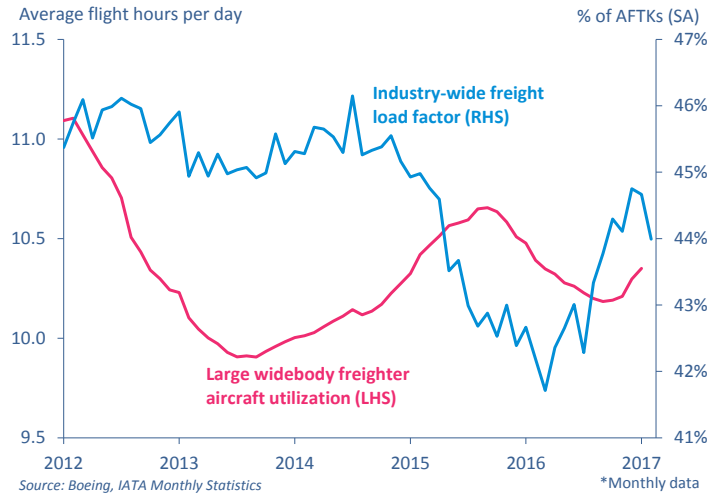
**13.** Additional payload from widebody belly capacity has continued to exceed that from freighter-only fleet so far this year to date. 659 additional tonnes of capacity have been added to the freighter fleet.



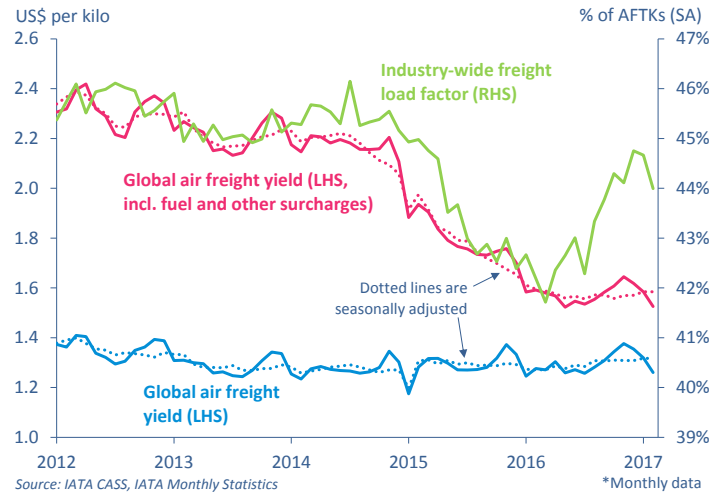
**15.** Oil prices trended upwards during much of 2016 and remain around US\$55/bbl. A rebalancing is taking place, but financial markets still expect oil prices to increase just modestly from current levels over the coming years.



**14.** Having trended downwards since late-2015, large widebody freighter aircraft utilization increased in late-2016 and into 2017 to just under 10.5 hours per day. This has followed a recovery in the freight load factor.



**16.** The fall in freight yields seen in early-2017 reflects the usual seasonal pattern: adjusting for this shows that the downward trend in yields including fuel and other surcharges has stabilized, helped by the upward trend in the load factor.



## Get the data

Access data related to this briefing through IATA's Monthly Statistics publication: [www.iata.org/monthly-traffic-statistics](http://www.iata.org/monthly-traffic-statistics)

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