



Air Cargo Market Analysis

November 2022

Air cargo activity continued softening in November

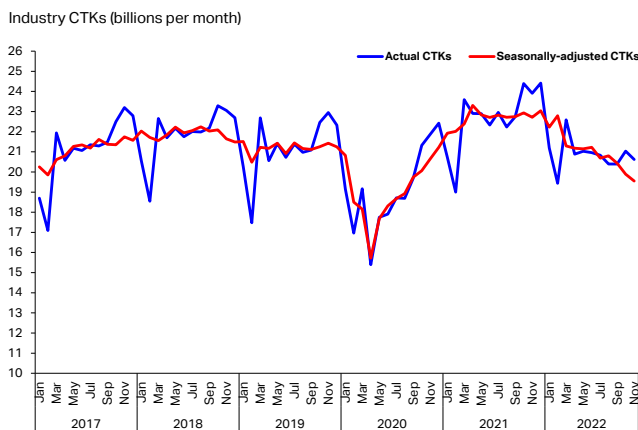
- Global air cargo tonne-kilometers (CTKs) dropped by 13.7% year-on-year (YoY) in November. This is also 10.1% lower than the CTKs for the same month in 2019. The industry performed less well than expected in a traditional peak season due to multiple headwinds in the current global economy.
- Available cargo tonne-kilometers (ACTKs) contracted by 1.9% YoY in November – a second YoY decrease in a row since April 2022. This is mainly a result of airlines responding to supply imbalances from the softening demand.
- Latin America resumed its strong performance in international CTKs, registering a 7.0% YoY growth in November compared with only 0.3% YoY growth in October. Asia Pacific (APAC) region saw the greatest YoY decline among the regions in international CTK, driven by China's rising Covid cases and shrinking export orders.
- Inflation in the G7 countries pulled back to 7.4% in November from 7.8% in October - the greatest decline so far in 2022. Oil prices also decreased in November despite the still unusually wide jet crack spread.

Air cargo demand softened in November

Industry-wide air cargo demand, measured by cargo tonne-kilometers (CTKs), slowed from 21.0 billion in October to 20.6 billion in November. This represents a 13.7% decline compared to the same month in 2021 and is also 10.1% lower than the corresponding pre-pandemic level (**Chart 1**).

Seasonally adjusted (SA) air cargo demand also softened in November. Industry-wide SA CTKs contracted by 14.0% compared with November 2021, following the decline of 13.3% YoY in October.

Chart 1: Global CTKs, actual and seasonally adjusted (SA)



Sources: IATA Economics, IATA Monthly Statistics

From a year-to-date (YTD) perspective, the global air cargo industry has achieved 229.4 billion CTKs. Although this is 7.4% lower than the same period in

Air cargo market - November 2022

	World share ¹	November 2022 (% ch vs the same month in 2019)				November 2022 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-10.1%	-8.8%	-0.8%	49.1%	-13.7%	-1.9%	-6.7%	49.1%
International	87.0%	-10.7%	-7.9%	-1.7%	54.2%	-14.2%	-0.1%	-8.9%	54.2%

¹% of industry CTKs in 2021

²Change in load factor vs same month in 2019

³Load factor level

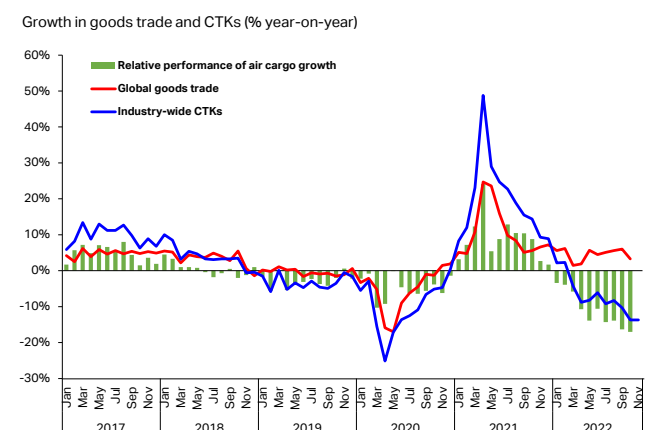
2021, it still tracks close to the pre-pandemic level with only a 1.1% contraction YTD compared with the same period in 2019.

The weaker air cargo demand is a result of multiple headwinds. Inflation remains high, curtailing the spending capacity of households. The ongoing war in Ukraine disrupts trade flows, and the unusual strength of the US dollar makes commodities traded in US dollar more expensive in local currency terms.

Global goods trade growth remained positive while air cargo's relative growth performance softened

In October, global goods trade increased by 3.3% YoY, down from 6% YoY in September (**Chart 2**).

Chart 2: Growth in global goods trade and CTKs



Sources: IATA Statistics, Netherlands CPB

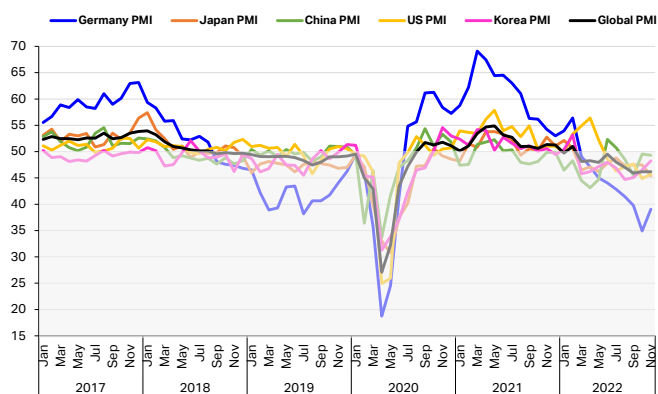
However, given that the YoY growth of global CTK in October was a negative 13.6%, this suggests that

most of the growth in global trade benefited maritime transport (**Chart 2**). Air cargo's relative growth performance compared with maritime decreased from -16.3% in September to -17.0% in October.

New export orders – historically a leading indicator for air cargo shipments – remained below the critical 50 (no change) line for major economies. Global export orders stayed at the same level as in October, suggesting continued deceleration on average. Germany saw the first improvement in its export orders since February 2022, signaling a degree of normalization after the months-long impact of the war in Ukraine. Other major economies that showed slight improvements in their export orders in November were the US and South Korea, while Japan and China registered slightly lower new export orders in November compared to October (**Chart 3**).

Chart 3: New export orders, manufacturing PMIs

New export order manufacturing PMIs (50 = No change, seasonally adjusted)

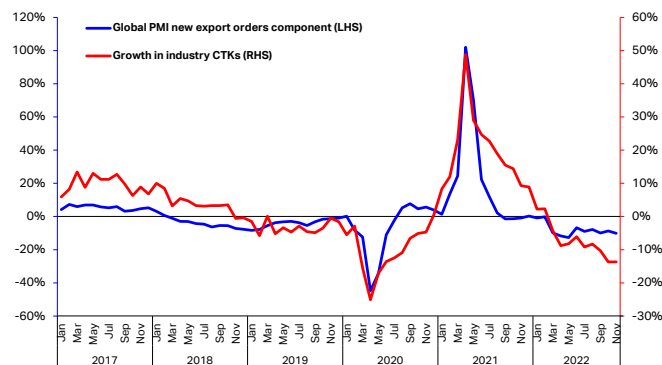


Sources: Markit

The YoY change in new export orders has been hovering around -9% since July. Owing to the historical relationship between this indicator and the industry-wide CTks, the relative stability of the former could point to a stabilization also in air cargo demand going forward (**Chart 4**).

Chart 4: CTK growth versus global new export orders

CTK growth versus global new export orders (year-on-year)

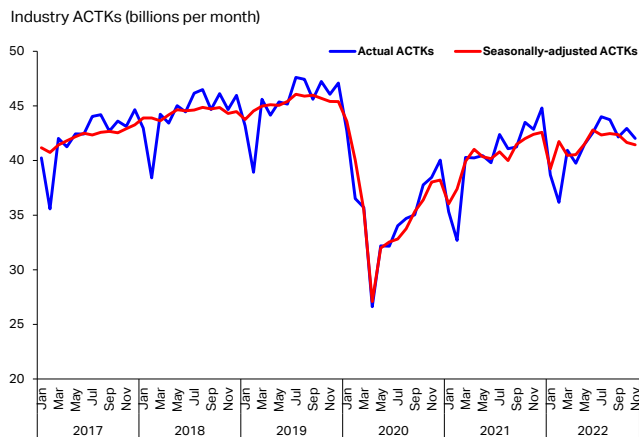


Sources: IATA Economics, IATA Monthly Statistics, Markit

Air cargo capacity pursued its decline

Global air cargo capacity, measured by available cargo tonne-kilometers (ACTKs), contracted by 1.9% YoY, following the drop in October which was the first YoY decrease since April 2022. Similarly, SA ACTKs in November were 2.2% lower than the same month in 2021 (**Chart 5**).

Chart 5: ACTK levels, actual and seasonally adjusted



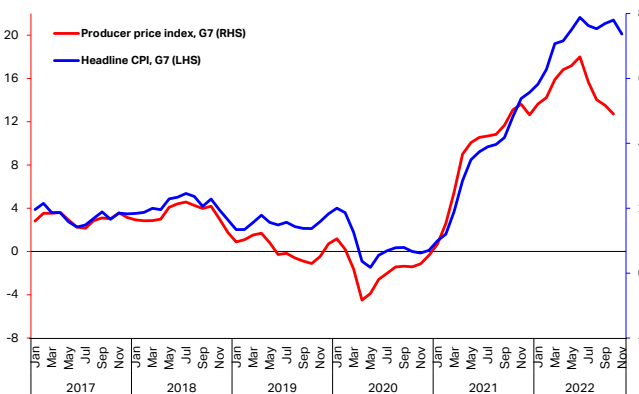
Sources: IATA Economics, IATA Monthly Statistics

Airlines reduced air cargo capacity mainly responds to the supply imbalance that has emerged as demand has fallen YoY since March. The industry SA cargo load factor (CLF) in November was 47.2%, marking the fourth month-on-month decline in a row. Therefore, it is likely that global air cargo capacity will continue to decrease in the coming months.

Inflation rates stabilized in November as the oil price fell

Year-on-year inflation, as measured by the Consumer Price Index (CPI) for the G7 countries, was 7.4% in November, down from 7.8% in October. This 0.4 percentage points (ppt) drop marks the greatest decline in the rate of inflation in 2022. Producer (input) prices continued to retreat by 0.8 ppt to 12.7% in October 2022 (**Chart 6**), recording the lowest rate year-to-date.

Chart 6: G7 headline CPI and PPI inflation

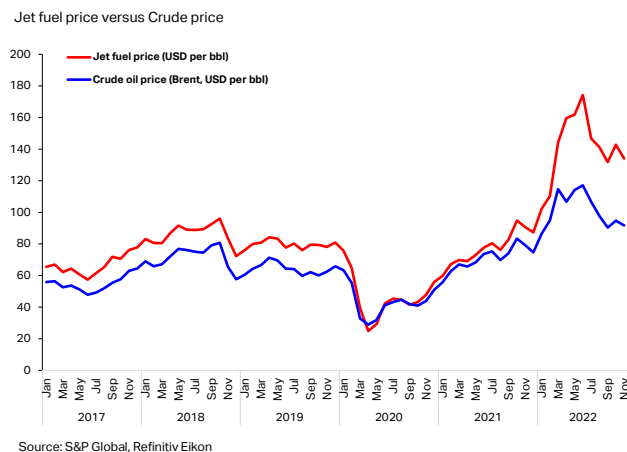


Source: Refinitiv Eikon

The declines in both CPI and PPI in the G7 countries in November reflects the decline in the price of oil. Oil is

an important contributor to producer prices, and a major cost to airlines directly. The average Brent crude oil price decreased to USD 91.7 per barrel (bbl) in November from USD 94.7 per bbl in October. However, the jet crack spread remains unusually wide. The average spread was USD 42.4 per bbl in November, compared with the peak level of USD 57.1 per bbl in June 2022 (**Chart 7**).

Chart 7: Global oil price, monthly average

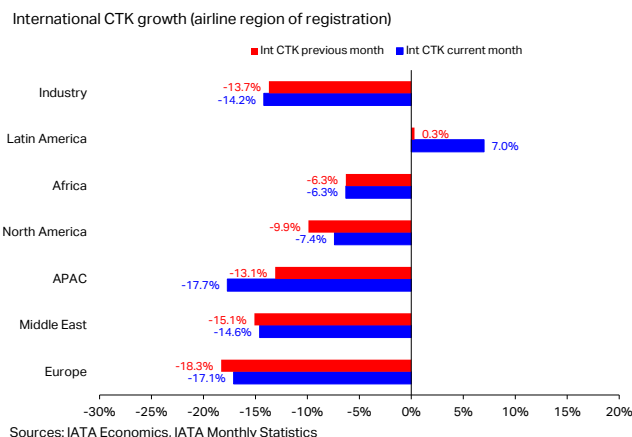


Int'l CTKs – Latin America regained momentum while APAC saw the regions' greatest decline

Industry-wide international CTKs contracted by 14.2% YoY in November, compared with a 13.7% YoY decline in the previous month. This is the biggest drop in YoY growth this year (**Chart 8**).

After the 0.3% YoY growth in October, airlines in **Latin America** resumed their momentum in international CTKs in November, and registered a 7% YoY growth. In comparison, all other regions saw negative YoY growth in international air cargo activity, contrasting their outstanding performance in 2021.

Chart 8: YoY growth in international CTK by region



Asia Pacific, which accounts for the largest share of international CTKs globally, saw the greatest YoY decline among the regions at -17.7% in November. This was mainly a result of China's rising Covid cases,

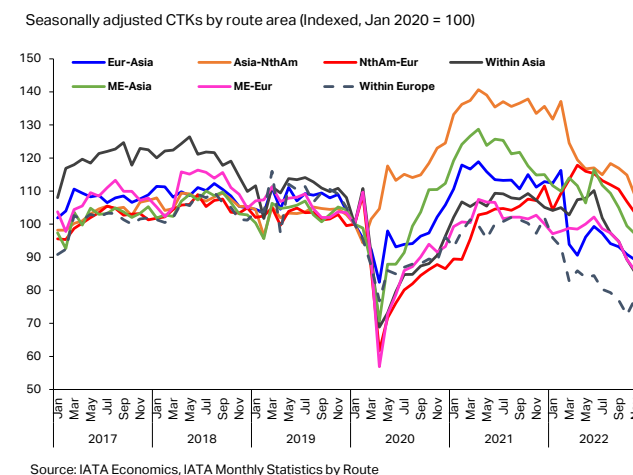
which led to a drop in export orders, cargo output delays, and disruptions in supply chains.

North America showed a smaller decline of 7.4% YoY in international CTKs in November, which is 2.5 pts lower than in October. Airlines in **Europe** continued to be most affected by the Ukraine war, suffering a 17.1% YoY contraction in international air cargo demand. Airlines in the **Middle East** faced a decrease of 14.6% YoY. Airlines in **Africa** saw a smaller decline in international CTKs of 6.3% YoY compared with October.

Air cargo activity between regions maintained downward trends

The seasonally adjusted air cargo demand by route area in November saw declines in all major region-pair markets except for the intra-Europe market (**Chart 9**).

Chart 9: Seasonally adjusted CTKs by route area



The **Within Europe** region had the first positive month-on-month SA CTK growth since June, narrowing the YoY contraction from 26.7% in October to 20.3% in November. This can be explained by the improved new export orders in Germany (**Chart 3**). Other region-pair markets that improved on their still negative growth in November compared with October were **Europe-Asia** (-19.8%) and **North America-South America** (-5.9%).

In comparison, the **Within Asia** region deepened its YoY contraction by 1.9 ppt compared with October, down to -20.4%. **North America-Europe** dropped to -3.5% YoY from -0.7% in the previous month. Additionally, the **Asia-North America** market also deteriorated to -18.7% in November from -16.7% in October, YoY. The **Middle East-Europe** too saw less traffic in November, falling by 16.3% YoY, a deterioration from the 12.1% drop seen in October. Seasonally adjusted CTKs in the **Middle East-Asia** market had largely unchanged -15.5% YoY from the October's.

Air cargo market in detail - November 2022

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TOTAL MARKET	100.0%	-13.7%	-1.9%	-6.7%	49.1%	-7.4%	3.3%	-5.8%	50.5%
Africa	1.9%	-6.3%	-11.4%	2.5%	45.8%	-0.6%	0.3%	-0.4%	46.6%
Asia Pacific	32.6%	-18.6%	-4.5%	-9.5%	54.5%	-7.5%	0.9%	-5.4%	58.9%
Europe	22.8%	-16.5%	-6.6%	-6.8%	56.9%	-11.1%	1.0%	-7.7%	56.7%
Latin America	2.2%	2.8%	19.9%	-6.4%	38.2%	14.1%	27.0%	-4.5%	39.9%
Middle East	13.4%	-14.7%	2.1%	-9.3%	47.5%	-10.5%	4.4%	-8.2%	49.3%
North America	27.2%	-6.6%	0.3%	-3.1%	41.9%	-4.8%	4.6%	-4.1%	41.7%
International	87.0%	-14.2%	-0.1%	-8.9%	54.2%	-7.6%	4.8%	-7.6%	56.5%
Africa	1.9%	-6.3%	-12.5%	3.1%	46.8%	-0.6%	-0.1%	-0.2%	47.5%
Asia Pacific	29.5%	-17.7%	1.0%	-13.3%	58.6%	-6.1%	6.6%	-8.8%	65.1%
Europe	22.4%	-17.1%	-6.9%	-7.2%	58.4%	-11.4%	1.1%	-8.3%	59.1%
Latin America	1.8%	7.0%	25.0%	-7.8%	46.7%	16.1%	27.2%	-4.6%	48.1%
Middle East	13.4%	-14.6%	2.2%	-9.4%	47.9%	-10.4%	4.5%	-8.3%	49.7%
North America	18.0%	-7.4%	2.8%	-5.6%	50.7%	-6.2%	4.9%	-5.9%	50.1%

¹% of industry CTKs in 2021

²Year-on-year change in load factor

³Load factor level

Note: the total industry and regional growth rates are based on a constant sample of airlines combining reported data and estimates for missing observations. Airline traffic is allocated according to the region in which the carrier is registered; it should not be considered as regional traffic. Historical statistics are subject to revision.

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