



Air Cargo Market Analysis

November 2023

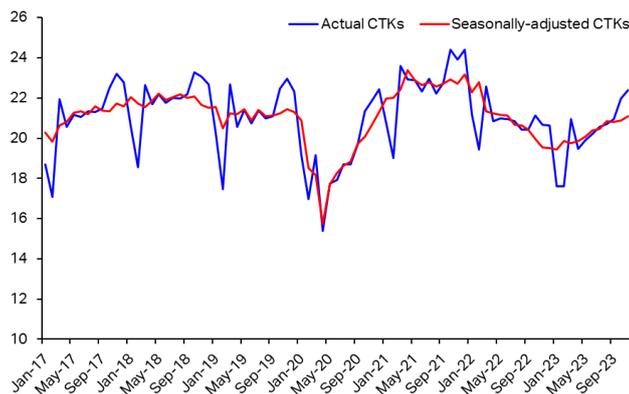
Multiple demand drivers facilitate upward trend in air cargo

- Global air cargo demand registered an impressive 8.3% year-on-year (YoY) growth in November – the highest annual growth of air cargo tonne-kilometers (CTKs) in roughly two years. At this point, industry CTKs lag 2019 levels by 2.5%.
- International CTKs expanded YoY both globally (+8.1%) as well as across all major trade lanes except intra-Europe. The annual growth is headed by routes involving Middle East and Asia.
- Available cargo tonne-kilometers (ACTKs), which measure global air cargo capacity, maintained levels above 2019 for the past seven months. The continued expansion of international passenger belly capacity contributed to an ACTK upsurge of 13.7% YoY in November.
- The expansion in global air cargo traffic is accompanied by a small uptick in load factors (month-on-month) and supported by steady global trade figures, easing inflation across most major economies, decreasing jet fuel prices, and increasing air freight yields.

November exhibits continued growth in air cargo demand

Global air cargo demand registered 22.4 billion CTKs in November. This represents a 8.3% increase on a YoY basis – the highest annual growth since December 2021. While this performance can partially be attributed to a base effect (referring to the declining CTKs throughout most of 2022), it is also a reflection of the strong, continuous YoY demand growth over the past four months. Despite this remarkable increase, the industry's performance remains 2.5% below pre-pandemic levels (**Chart 1**).

Chart 1 – Global CTKs (billions per month)



Sources: IATA Sustainability and Economics, IATA Monthly Statistics

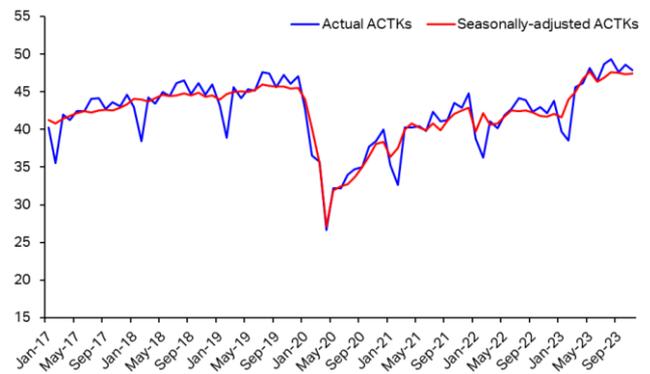
Similarly, seasonally adjusted (SA) CTKs continued their upward trend and grew by 8.0% YoY this month. The sustained annual growth in SA CTKs since August is in stark contrast with the overall declining

trend observed in 2022. This highlights the ongoing recovery of the global air cargo market and is a signal towards closing the year on a positive note.

Cargo capacity sustained double-digit growth, a trend that has been consistent throughout most of 2023

Air cargo capacity, measured by ACTKs, reached 47.9 billion in November, surpassing the 2022 and 2019 levels by 13.7% and 4.1%, respectively. Seasonally adjusted air cargo capacity maintained 47.5 billion in November, with an annual growth rate of 13.6%, and above pre-pandemic levels (**Chart 2**).

Chart 2 – Global ACTKs (billions per month)



Sources: IATA Sustainability and Economics, IATA Monthly Statistics

As was the case during previous months, the double-digit annual growth in industry ACTKs can in large part be attributed to the strong return in air passenger belly capacity. In particular, the international belly capacity registered 18.9 billion ACTKs in November. While this is the lowest value since June, it still corresponds to a

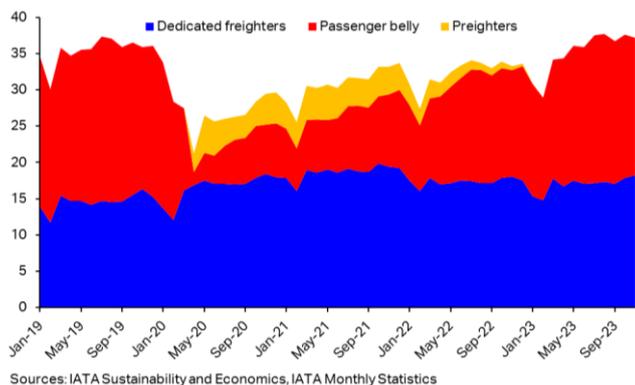
Air cargo market in detail - November 2023

	World share ¹	November 2023 (% year-on-year)			November 2023 (% ch vs the same month in 2019)			
		CTK	ACTK	CLF (%-pt)	CTK	ACTK	CLF (%-pt)	CLF (level)
TOTAL MARKET	100.0%	8.3%	13.7%	-2.3%	-2.5%	4.1%	-3.1%	46.7%
International	86.9%	8.1%	11.6%	-1.7%	-3.3%	3.3%	-3.6%	52.3%

¹% of industry CTKs in 2022

remarkable 28.8% annual growth. In comparison, global international cargo capacity for dedicated freighters increased by only 1.2% this month compared to the previous year, recording 18.2 billion (the highest level since 2021, see **Chart 3**).

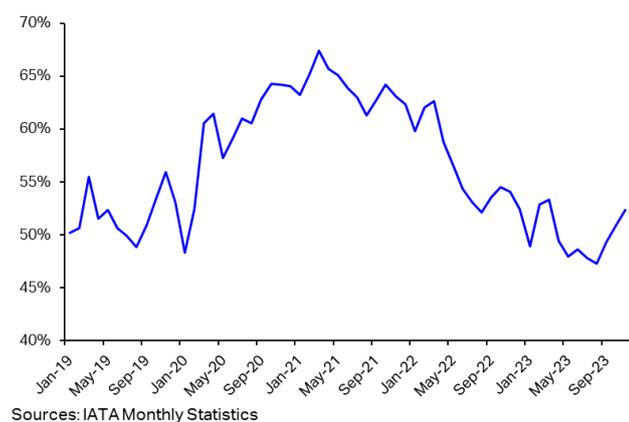
Chart 3 – International ACTKs by cargo type (billions per month)



Recent uptick in cargo load factor

Monitoring air freight movements and capacity allows deriving cargo load factors (CLF) for the industry. In November, industry CLF registered 46.7%. While this is 2.3 percentage points (pp) below 2022 levels and 3.1 pp below 2019, it represents a 1.5 pp increase compared to October 2023. Indeed, the global CLF has followed an upward trend month-on-month (MoM) over the past few months (**Chart 4**). CLF are an important indicator as they represent the balance between demand and supply within the industry. Rising load factors are beneficial for airlines because they drive both revenue and profitability at given capacity.

Chart 4 – Industry cargo load factor (percent)



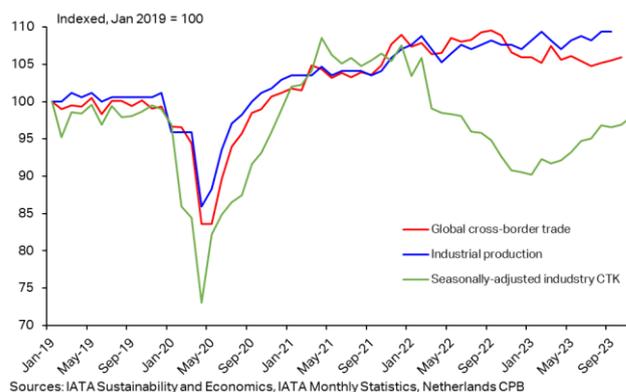
Sustained air cargo recovery amid constant global trade figures

While October data for industrial production has yet to be released, global cross-border trade recorded growth for the third consecutive month in October, reversing its previous downward trend. However, the levels still fall short of the post-pandemic heights achieved in 2022. Importantly, both global cross-

border trade and industrial production surpassed pre-pandemic levels in late 2020, and exceed these by 6.0% and 9.4%, respectively, as per the latest available data.

Meanwhile, the global air cargo recovery continued to gain momentum, with SA CTKs exhibiting a robust upward trend and closing in on pre-pandemic levels with 98.5% in November (+0.23 percentage points compared to the previous month, see **Chart 5**).

Chart 5 – Global goods trade and CTKs

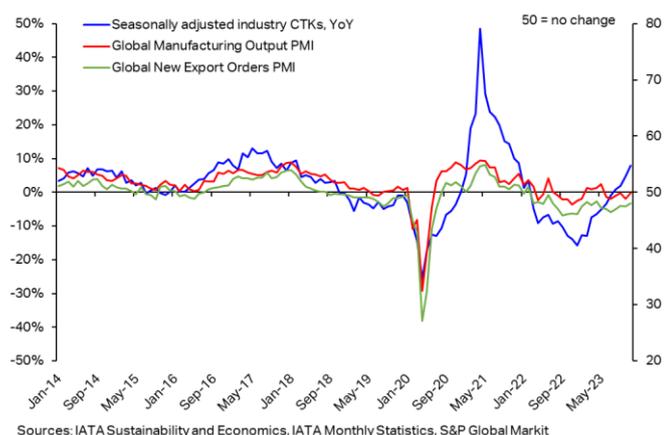


Manufacturing output and new export orders exhibit a continued marginally contracting trend overall, with mixed economic activity across major economies

The Purchasing Managers' Index (PMI) measures the direction of economic trends in manufacturing and services. A PMI above 50 implies that purchasing managers expect market conditions to expand compared with the previous month, and a reading below 50 implies contraction. The further away from 50, the greater the level of change, and 50 indicates no change. In line with tight financial conditions and the broader global economic slowdown, this month small MoM contractions were observed within the manufacturing output and new export order PMIs – two leading indicators of global air cargo demand.

Specifically, the global manufacturing output, as indicated by the PMI, registered 49.9 in November (up from 48.9 in October) – thereby witnessing the highest value since May and only very narrowly missing the crucial 50-point threshold (which would signify expansion). While this result still technically represents contraction of new export orders, it is an encouraging signal of a decelerating slowdown, especially in light of the global challenges faced by the manufacturing sector (**Chart 6**).

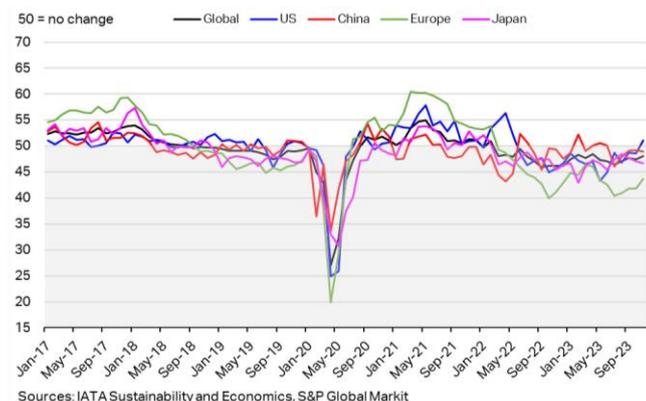
Chart 6 – SA CTK growth, global manufacturing output and global new export orders PMIs (50 = no change)



Similarly, the new export orders PMI, which measures the well-being of international trade, also experienced a MoM contraction, standing at 48.1 in November (up from 47.5 in October). Once again, the November result represents a decelerating contraction trend in the global demand for exports.

In the United States, the PMIs for new export orders surpassed the 50-point threshold in November for the first time in 18 months. Across China, Europe, and Japan, however, new export orders PMIs remained below the threshold, indicating continuing tightening as illustrated in **Chart 7**.

Chart 7 – New export orders PMI in major economies (50 = no change)

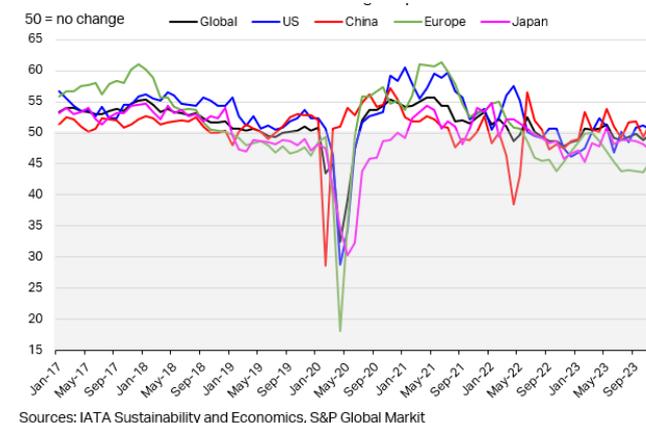


In particular, Europe lags behind both China and Japan, with its PMI falling below 45 for the seventh month in a row. The ongoing conflicts in Ukraine and the Middle East have impacted Europe's economic activities, leading to significant increases in energy and food prices. This rise in essential living costs has contributed to slowing down the economy.

A similar pattern is reflected in the Manufacturing output PMI, where Europe saw continuous contractions for the eighth month in a row, trailing the other major economies. However, while in October the US had been the only country recording an expansion with its manufacturing output PMI, this

month China overtook the US with its PMI jumping to 51.7 – now the highest level across the four major economies (**Chart 8**).

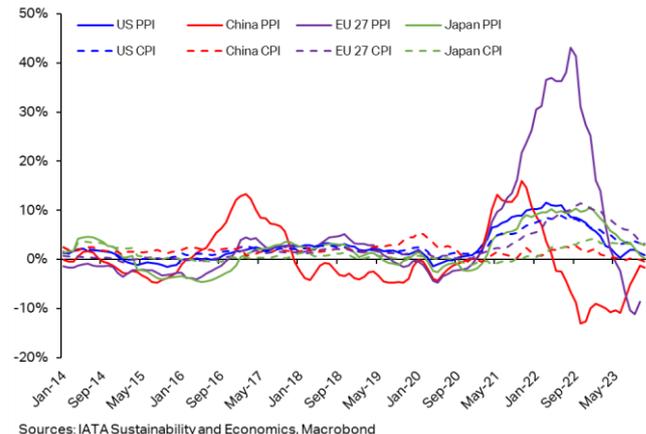
Chart 8 – Manufacturing output PMI in major economies (50 = no change)



Most major economies experience softening inflation

Inflation in major advanced economies continued to soften as measured by the corresponding Consumer Price Index (CPI), centering around 3% year-on-year (YoY) for the United States, Japan, as well as the EU, in November. In the meantime, China exhibited negative annual growth in its CPI for the second time in a row. Moreover, this marks the third instance of deflation this year, thus raising concerns about a looming economic slowdown (**Chart 9**).

Chart 9 – Headline CPI and PPI inflation (YoY) in major economies



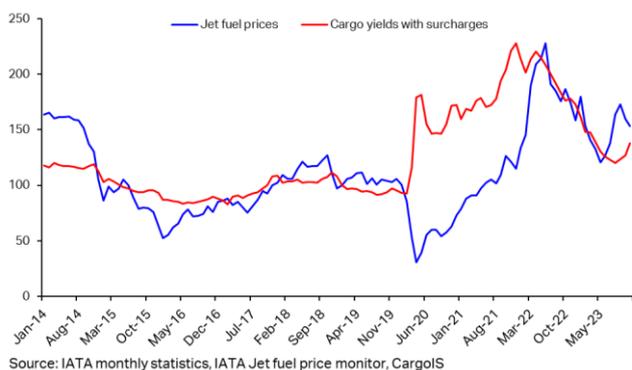
By contrast, the Producer Price Index (PPI) tracks changes in the prices producers receive for their products, and it exhibited slightly different regional trends this month. The United States, Japan, and China, all registered a deceleration compared to October, with producer prices settling at 0.8%, 0.3%, and -1.7% YoY, respectively. China's PPI YoY growth thus stayed within negative territory and initiated a reversing of its previous upward trajectory. The November PPI data for the EU 27 countries is yet to be released. The month of October, however, while continuing the negative trend in YoY growth since May, revealed an increase in producer

price YoY figures (compared to the previous month) for the first time since its peak in August 2022 (**Chart 9**).

The global price of oil is one of the main factors influencing consumer prices. Similarly, the global jet fuel price is a major contributor to airline operating costs. The IATA jet fuel monitor tracks the latest developments in jet fuels. In November, jet fuel prices declined by 4.0% from October, closing at USD 116.1 per barrel on average (**Chart 10**).

At the same time, air cargo yields (including surcharges) continued their significant upward trend (+8.9% since October). The rising yields are in line with recently increasing air cargo load factors, which tend to support revenues, and could be tied in part to booming e-commerce from China to western markets. The Middle East conflict and related supply chain disruptions in container shipping might be putting additional upward pressure on air cargo yields, although this should become more evident once December data is released.

Chart 10: Jet fuel price and air cargo yields including surcharges (indexed, Jan 2019 = 100)

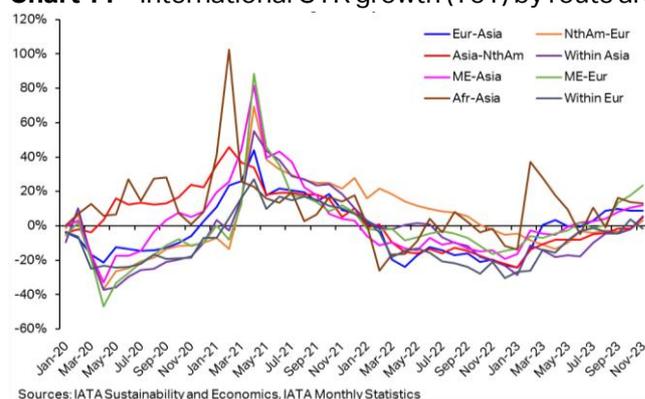


Strong CTK growth in Middle Eastern and Asian trade lanes in November, positive annual growth Within Asia for the first time since June 2022

The **Middle East – Europe** trade lane experienced its fourth consecutive growth in international CTKs, with a 23.5% growth YoY in November. It is now heading CTK growth among all major trade lanes. Asia-related trade lanes maintained their momentum from the previous months and registered annual growth in their international CTKs. Among these trade lanes, the **Africa–Asia** market saw the greatest annual growth of 13.0%, although slightly decelerated compared to the previous month. Africa–Asia is followed by the **Middle East–Asia** trade lane, which exhibited a 12.0% YoY increase this month. International CTKs on the **Europe–Asia** market expanded by 8.7% and the **within Asia** market experienced its first expansion in 17 months, with a strong 5.4% annual growth (**Chart 11**).

The **Asia – North America** trade lane also registered an increase in international CTKs in November, by 4.8% YoY. The same goes for **North America – Europe**, which saw an expansion of 3.0% YoY, the first annual growth in 13 months. **Within Europe**, international air cargo traffic continues to lag other major trade lanes as it recorded the only contraction in the group at -1.8% YoY. However, similar to other trade lanes, CTK growth Within Europe has been on a general upward trend since its low in late 2022.

Chart 11 – International CTK growth (YoY) by route area



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		CTK	ACTK	CLF (%-pt)	CTK	ACTK	CLF (%-pt)	CLF (level)
TOTAL MARKET	100.0%	8.3%	13.7%	-2.3%	-2.5%	4.1%	-3.1%	46.7%
Africa	2.0%	3.9%	14.0%	-4.1%	-2.5%	-6.5%	1.7%	42.1%
Asia Pacific	32.4%	13.8%	29.6%	-6.6%	-5.6%	7.5%	-6.6%	47.9%
Europe	21.8%	6.7%	6.5%	0.1%	-11.7%	-11.9%	0.1%	57.0%
Latin America	2.7%	4.2%	7.7%	-1.2%	-2.6%	3.8%	-2.4%	36.3%
Middle East	13.0%	13.5%	15.4%	-0.8%	1.1%	7.7%	-3.1%	46.9%
North America	28.1%	1.8%	4.0%	-0.9%	9.2%	11.2%	-0.7%	40.8%
International	86.9%	8.1%	11.6%	-1.7%	-3.3%	3.3%	-3.6%	52.3%
Africa	2.0%	3.9%	13.9%	-4.2%	-1.7%	-5.9%	1.8%	43.0%
Asia Pacific	29.7%	9.8%	15.3%	-2.8%	-5.1%	5.8%	-6.4%	55.6%
Europe	21.5%	6.8%	6.7%	0.1%	-12.2%	-12.3%	0.1%	58.5%
Latin America	2.3%	3.9%	10.0%	-2.4%	-1.6%	18.7%	-8.6%	42.0%
Middle East	13.0%	13.5%	15.5%	-0.8%	1.2%	7.9%	-3.1%	47.2%
North America	18.4%	3.9%	8.4%	-2.1%	9.0%	14.6%	-2.5%	48.3%

¹% of industry CTKs in 2022

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.

IATA Sustainability & Economics

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