



Air Cargo Market Analysis

April 2024

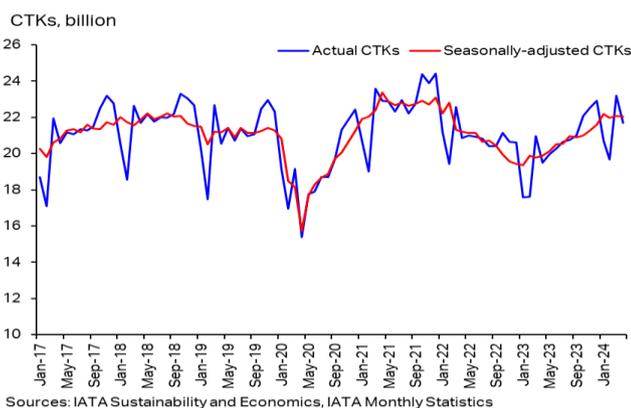
Strong air cargo demand carried over to second quarter

- In April, Cargo Tonne-Kilometers (CTKs) marked an 11.1% Year-on-Year (YoY) expansion, while seasonally adjusted (SA) CTKs grew by 0.2% compared to the month before.
- Similarly, global international traffic rose by 11.6% compared to April 2023, supported by all regions and major trade lanes. Airlines from Asia Pacific and Europe recorded the highest growth rates, putting an end to the Middle Eastern carriers' seven-month run in topping the region's annual expansions.
- On the supply side, industry-wide Available Cargo Tonne-Kilometers (ACTKs) saw a 7.1% annual increase last month. The persistent capacity growth driven by returning passenger aircraft experienced a reduction in pace.
- Consumer price inflation continued to hover above target in major economies last month, except in PR China.

Air cargo sector experienced the fifth month of double-digit demand growth in a row

In April, airlines recorded 21.7 billion CTKs globally, which represents a 6.5% reduction Month-on-Month (MoM) but also an 11.1% increase YoY (**Chart 1**). Importantly, this reading marked the fifth consecutive month of double-digit annual growth. The largest contributors to this strong traffic performance in April were carriers from Asia Pacific and Europe, which together contributed two-thirds to the annual increase. This contrasts with the preceding seven months, where the bulk of the annual rise had stemmed from airlines registered in Asia Pacific and the Middle East, even though the latter is one of the smaller regions by traffic volume (ranked fourth out of six regions).

Chart 1 – Global CTKs (billion per month)



In SA terms, the industry registered a minor 0.2% MoM reduction, so that traffic remained almost level

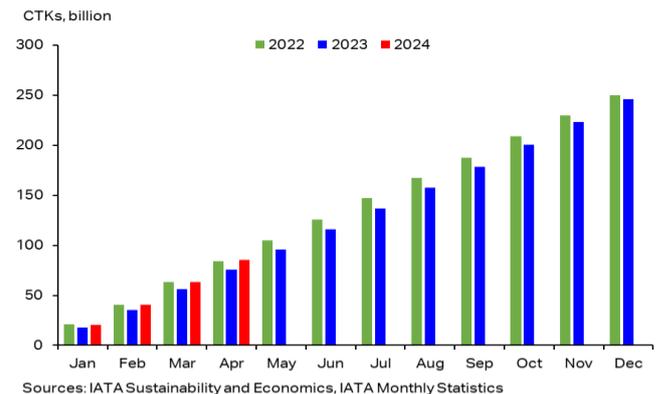
Air cargo market in detail - April 2024

	World share ¹	April 2024 (% year-on-year)				April 2024 (% year-to-date)			
		CTK	ACTK	CLF (%-pt)	CLF (level)	CTK	ACTK	CLF (%-pt)	CLF (level)
TOTAL MARKET	100.0%	11.1%	7.1%	1.6%	43.9%	12.7%	10.3%	0.9%	45.5%
International	86.6%	11.6%	10.2%	0.6%	50.1%	13.5%	13.2%	0.3%	51.3%

Note 1: % of industry CTKs in 2023

compared to the previous month. While the robust demand for air cargo carried over to the second quarter of 2024, growth started slowing down over the past three months.

Chart 2 – Year-to-date monthly CTKs (billion)



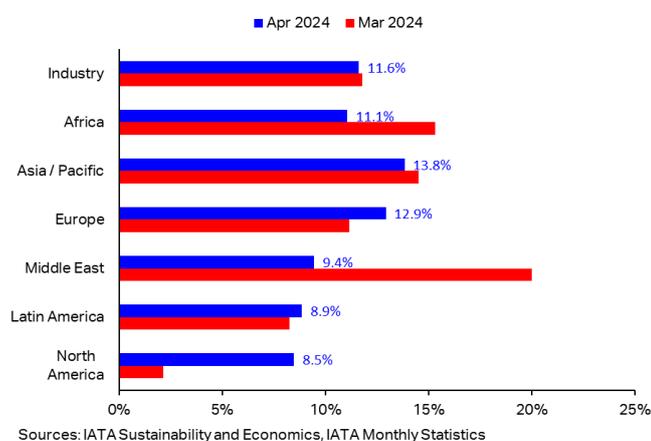
Cumulatively, the industry counted 85.3 billion CTKs year-to-date (YTD) in April, denoting a 12.7% increase compared to 2023 and 1.4% relative to the 2022 value (**Chart 2**). These figures provide additional confirmation that air cargo kicked off the second quarter with a continuation of the robust traffic levels that the industry has been experiencing over the past months.

April brought growth in international air cargo demand across all world regions and major route areas, with carriers from Asia Pacific and Europe at the helm

The solid upward trend in industry CTKs is driven by traffic on international routes, which grew by 11.6% YoY in April, likely supported by booming e-commerce and capacity constraints in global maritime shipping.

Importantly, all regions experienced expansions in international traffic compared to April 2023, with remarkable growth figures ranging from 8% to 14% (Chart 3).

Chart 3 – Growth in international CTks (YoY) by airline region of registration



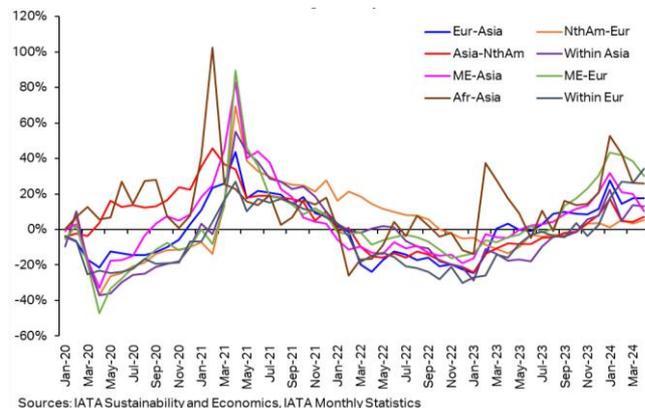
Airlines registered in Asia Pacific and Europe led with the highest annual growth rates in international CTks, with 13.8% and 12.9%, respectively. These airlines took the lead after Middle Eastern carriers had been championing the regions for seven months in a row. The two front runners were closely followed by the carriers in Africa (11.1% YoY), Middle East (9.4%), and Latin America (8.9%). For the Middle East, the figure declined by an important 10.6 ppt over the previous month's growth, by far the largest decrease among all regions. Capacity on Middle Eastern carriers was subject to a similar reduction in April, possibly linked to geopolitical tensions between Iran and Israel as well as the heavy flooding of the Dubai International Airport. As has been the case for the past two months, North American carriers exhibited the lowest annual increase, but registered a very solid 8.5% improvement.

The annual expansion in international CTks was mirrored across all major route areas as well, although with differences in magnitude. Within Europe and Middle East–Europe championed annual growth with outstanding figures of 34.4 % and 30.1%, respectively (Chart 4). For the former route area, this represents a jump of 8.1 ppt compared to March and reflects the highest annual growth in over a decade, largely due to the very low base in April 2023. For the Middle East–Europe trade lane, the April reading marks a notable 8.5 ppt drop relative to the previous month's figure indicating the continuation of the downward trend that started in February 2024. The Africa–Asia route area followed with a similarly impressive annual surge of 25.8%.

Growth rates on the Europe–Asia and Within Asia markets stood at 17.7% and 13.2%, in that order, while Middle East–Asia plummeted by 9.5 ppt from March to 10.4% annual increase in April. For the latter route area, this marked the lowest figure in seven

months, contributing heavily to the declining growth rate for Middle Eastern carriers discussed above. In contrast to the aforementioned trade lanes, all of which recorded double-digit YoY growth, Asia–North America recorded an annual increase of 7.3% and North America–Europe 5.6%. While these were only modest increases in comparison, for the North America–Europe trade lane the April reading reflects the largest increase in demand since September 2022.

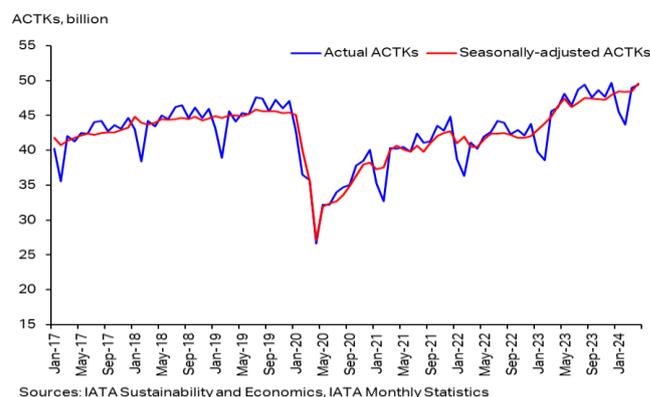
Chart 4 – International CTk growth (YoY) by route area



The growth in air cargo capacity carried over to the second quarter of 2024 but at a slowing rate

In April, air cargo capacity continued to approach the peak levels achieved in December 2023, with ACTks registering 49.4 billion (Chart 5). As such, the latest reading remained 7.1% above the April 2023 level and 0.9% above the previous month's figure. The even higher 10.3% annual ACTk growth in YTD terms confirms that the capacity expansion compared to the previous year is a phenomenon of all four months that passed since the turn of the year, although the growth is slowly decelerating.

Chart 5 – Global ACTks (billion per month)

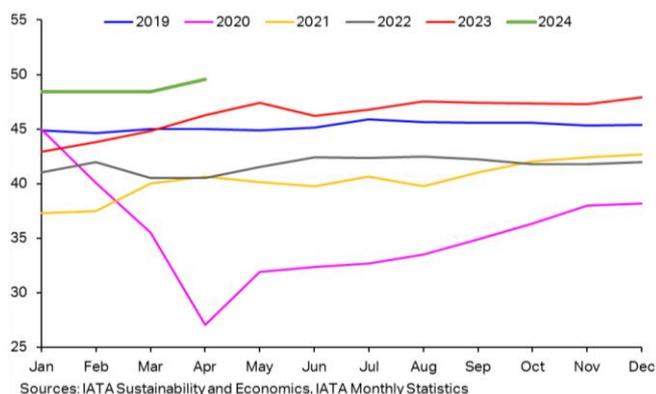


After seasonal adjustment, industry-wide capacity rose by 2.3% MoM in April. And taking a closer look at SA industry ACTks in Chart 6 provides a further illustration of the phenomenal expansion seen over the past years, and how it culminated in such outstanding capacity levels in 2024.

Maintaining the trend of the past four years, last month's expansion in industry ACTks was driven by a

surge in belly-hold capacity, which recorded the 36th consecutive month of double-digit growth in April with 15.2% YoY. In comparison, capacity on dedicated freighters rose by only 5.0% YoY last month.

Chart 6 – Seasonally adjusted ACTKs 2019-2024



Following air freight traffic and capacity levels allows the derivation of the cargo load factor (CLF), a key indicator illustrating the balance between demand and supply within the industry. In April, the industry recorded an average CLF of 43.9%. This ratio is 3.5 ppt lower than in the previous month but stands for a 1.6 ppt increase compared to April 2023. After more than two years of contracting industry CLF (YoY), to date, the year 2024 has seen three out of four months with small annual increases. Rising load factors benefit airlines as they drive both revenue and profitability at a given capacity.

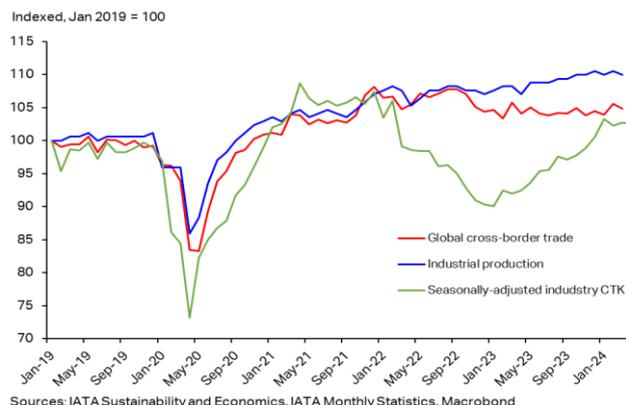
The minor reduction in air cargo traffic last month was accompanied by small contractions in production and trade figures

The latest figure for industrial production, a measure of the output generated by industrial sectors such as mining, manufacturing, and utilities, recorded a small -0.5% drop over the previous month. Compared to 2023, however, the indicator pointed at expansion with an annual growth rate of 1.6%. As a result, the March reading marked the continuation of the moderate upward trend seen over the past two years (**Chart 7**). On the other hand, global cross-border merchandise trade displayed small contractions both MoM and YoY in March, with readings of -0.6% and -0.8%, respectively. The somewhat underwhelming performance of global goods trade since the beginning of 2023 has been driven by continued inflation, impaired supply chains, geopolitical tensions, and rising cross-border trade restrictions.

Over the past two years, the roughly flat evolution of merchandise trade and the moderately rising industrial production indicator contrasted sharply with the steep fall and rise of the demand for air cargo. The slightly more stable evolution of SA air cargo traffic over the past three months might suggest that the

indicators are going back to moving in tandem, thus aligning with the historical pattern.

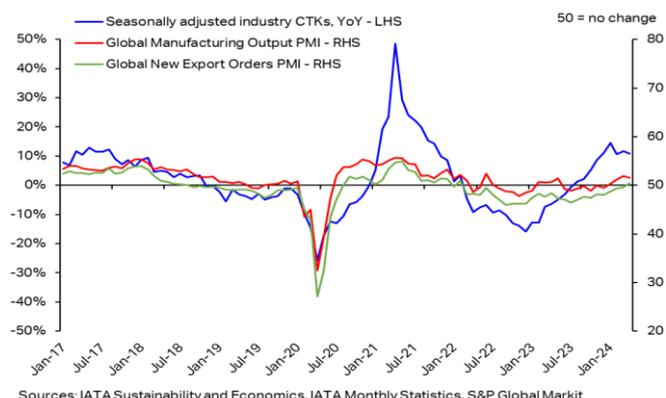
Chart 7 – Industrial production, global goods trade, and SA CTks



Cautiously rising optimism for new export orders and manufacturing output among purchasing managers

The Purchasing Managers' Index (PMI) gauges economic trends in manufacturing and services. A PMI above 50 suggests that more purchasing managers expect their business to grow compared to the previous month, a figure below 50 indicates fewer managers with that outlook. Specifically, the manufacturing output and new export order PMIs are two leading indicators of global air cargo demand.

Chart 8 – SA CTk growth, global manufacturing output and global new export orders PMIs



The new export orders PMI, an indicator that can be understood as a measure of the perceived well-being of international trade, signaled expansion in April with a reading of 50.5 points (up from 49.6 in March). Accordingly, the global indicator moved past the critical 50-point benchmark for the first time in over two years (**Chart 8**). This represents an encouraging signal amid the somewhat underwhelming results of global merchandise trade (for March) discussed earlier. As for the regional perspective, PR China and the US continued to experience optimistic expectations for new export orders last month, as they have for most of 2024. In particular, China saw its index jump by 1.7 ppt. On the other hand, readings in Europe and Japan maintained their signal of contraction, although

Japan's indicator rose by an impressive 4.8 ppt resulting in the highest figure since early 2022.

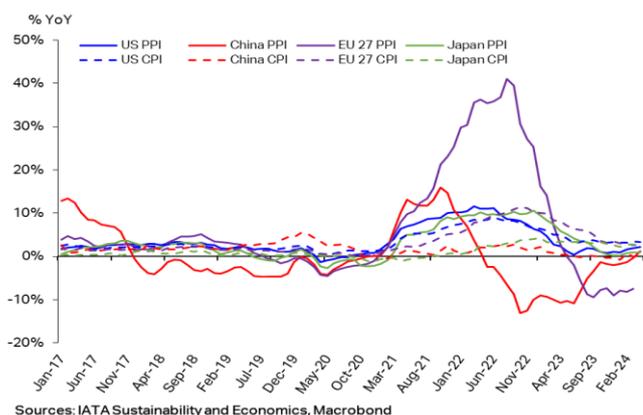
Meanwhile, the global manufacturing output PMI continued to point to expansion in April with 51.5 points (**Chart 8**). This marked the fourth consecutive expansion after a series of contractions and is a welcome development amid tight labor markets and supply chain disruptions that have been affecting global manufacturing. In terms of the regional outlook for manufacturing output, it matches closely the pattern of the new export orders PMI. In particular, the US and China continued to exhibit optimistic expectations which supported the global expansion, while pessimism persisted in Europe and Japan.

In a nutshell, after many months in which the outlook for air cargo (measured in annual CTG growth) outpaced purchasing managers' expectations for manufacturing and new export orders, last month the latter aligned with the momentum in the air cargo sector. These improving perceptions are an encouraging signal amid the uncertain macroeconomic environment and geopolitical tensions that have been putting pressure on the world economy.

Consumer price inflation remained above target in major economies, except China

Inflation, as measured by the annual evolution of the Consumer Price Index (CPI), stayed roughly constant in April as compared to March in the US, the EU, and Japan, with figures standing at 3.4%, 2.6%, and 2.5%, respectively. As a result, consumer price inflation continued to hover above target in these key economies. On the other hand, China's consumer price inflation continued to bunch around zero in April, as it has been for the past year, with the latest reading standing at 0.2%. Muted inflation in China since 2023 reflects weak domestic demand, triggered by an elevated unemployment rate, reduced income growth, and the real estate sector crisis (**Chart 9**).

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



The Producer Price Index (PPI) tracks changes in the prices that producers receive for their products and it can serve as a leading indicator for the CPI. Compared to March, producer price inflation remained level in April in Japan at 0.9%, while it rose in both the US and China, to 2.2% and 1.1%, respectively (**Chart 9**). For China, this marked the first positive annual change in producer prices since the second quarter of 2022 and a significant jump of 1.4 ppt compared to the March figure (largely thanks to a base effect). April figures for the EU 27's PPI are not yet available. The month of March maintained the major deflationary trend that began in May 2023, with a PPI reduction of -7.6% YoY.

One of the main factors influencing consumer prices is the price of oil. Along the same lines, the global jet fuel price is a major contributor to airline operating costs. In April, jet fuel prices rose by 0.6% over the previous month (+7.7% YoY), closing at USD 108.2 per barrel. The jet fuel crack spread fell to 18 USD, the lowest value since the second quarter of 2023. This is a welcome development as the exceptionally wide crack spread has been putting additional pressure on airline's thin margins. The global yield for air cargo (with surcharges) registered positive MoM growth at 3.5% and a -6.1% decline YoY in April, the latter of which continued a negative streak that originated in September 2022.

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TOTAL MARKET	100.0%	11.1%	7.1%	1.6%	43.9%	12.7%	10.3%	0.9%	45.5%
Africa	2.0%	10.6%	18.7%	-3.1%	42.9%	15.5%	20.7%	-2.0%	44.5%
Asia Pacific	33.3%	14.0%	7.8%	2.4%	44.5%	16.2%	16.9%	-0.3%	45.1%
Europe	21.4%	12.7%	10.3%	1.1%	51.5%	12.5%	10.2%	1.1%	55.7%
Latin America	2.8%	11.7%	9.8%	0.6%	38.7%	10.6%	7.7%	1.0%	37.4%
Middle East	13.5%	9.4%	5.7%	1.5%	44.7%	19.5%	12.2%	2.8%	46.4%
North America	26.9%	7.0%	4.0%	1.1%	38.7%	5.0%	2.2%	1.1%	40.2%
International	86.6%	11.6%	10.2%	0.6%	50.1%	13.5%	13.2%	0.3%	51.3%
Africa	2.0%	11.1%	18.8%	-3.1%	44.0%	15.6%	20.6%	-0.1%	45.7%
Asia Pacific	29.8%	13.8%	14.4%	-0.2%	54.0%	15.6%	20.5%	0.4%	53.2%
Europe	21.0%	12.9%	10.6%	1.1%	53.1%	12.8%	10.6%	0.1%	57.6%
Latin America	2.4%	8.9%	10.7%	-0.7%	42.9%	9.6%	9.3%	1.7%	42.1%
Middle East	13.4%	9.4%	5.7%	1.5%	45.0%	19.5%	12.3%	0.4%	46.7%
North America	17.9%	8.5%	6.4%	0.9%	47.0%	6.9%	6.0%	-1.4%	47.8%

Note 1: % of industry CTKs in 2023

Note 2: 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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