



Air Cargo Market Analysis

January 2024

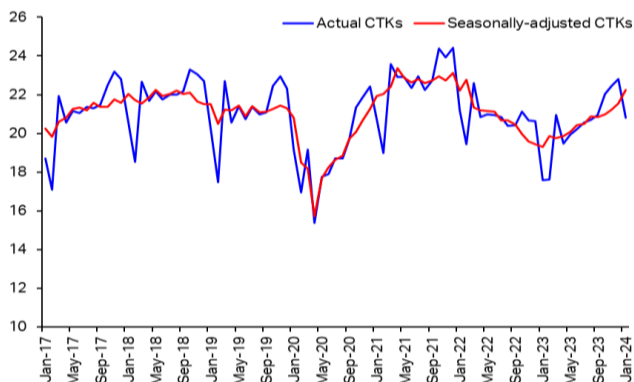
The new year kicks off with a promising start for air cargo

- Global air cargo demand kicked off with an impressive 18.4% year-on-year (YoY) growth in January. The industry therefore experienced the highest annual growth in cargo tonne-kilometers (CTK) since the 2021 summer season. Seasonally adjusted (SA) CTKs grew 3.2% month-on-month (MoM).
- International CTKs expanded YoY both globally (+19.8%) and across all major trade lanes. The annual growth was championed by routes and carriers involving the Middle East and Asia.
- On the capacity side, industry-wide available cargo tonne-kilometers (ACTK) rose by 14.6% YoY last month, in large part thanks to the continued expansion of international passenger belly-hold capacity.
- The expansion in traffic compared to January 2023 was supported by easing inflation across major economies. It continued to outpace YoY growth in trade and production figures.
- Industry-wide air cargo yields declined by 10.4% relative to the previous month, with no apparent upward pressure from the Red Sea Shipping Crisis.

Air cargo demand exhibited the second consecutive month of double-digit annual growth in January

The airline industry recorded 20.8 billion CTKs in January. This is a non-negligible 8.8% drop following the seasonal December peak, which is typically driven by the Holiday season, inventory management, and other year-end business transactions (**Chart 1**). At the same time, the January reading marks a remarkable increase of 18.4% compared to January 2023. This is the second consecutive month of double-digit YoY growth. Over the past three decades, equally high annual growth rates have only been observed a handful of times, namely in the aftermaths of 9/11 (2002), the SARS outbreak (2004), the Global Financial Crisis (2009-2010), and the COVID-19 pandemic (2021).

Chart 1 – Global CTKs (billions per month)



Sources: IATA Sustainability and Economics, IATA Monthly Statistics

Air cargo market in detail - January 2024

| | World share ¹ | January 2024 (% year-on-year) | | | January 2024 (% ch vs the same month in 2019) | | | |
|---------------------|--------------------------|-------------------------------|--------------|-------------|---|-------------|--------------|--------------|
| | | CTK | ACTK | CLF (%-pt) | CTK | ACTK | CLF (%-pt) | CLF (level) |
| TOTAL MARKET | 100.0% | 18.4% | 14.6% | 1.4% | 2.8% | 5.5% | -1.2% | 45.7% |
| International | 86.6% | 19.8% | 18.2% | 0.7% | 4.0% | 5.2% | -0.6% | 49.6% |

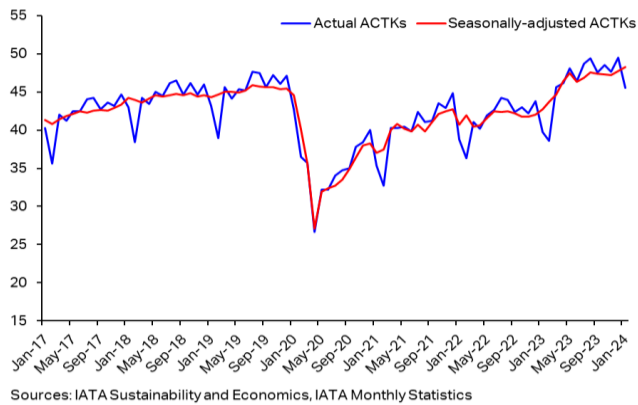
Note 1: % of industry CTKs in 2023

While the strong and continuously increasing YoY demand growth over the past six months can partially be attributed to a base effect (referring to the declining trend in the corresponding base years), it is also a reflection of buoyant international traffic that benefits from booming e-commerce, among other things. This evolution propelled industry-wide demand for air cargo back above pre-pandemic levels in December (compared to the same month in 2019), to settle at +2.8% in January. By the same logic, SA CTKs continued their upward trend in January and grew by 3.2% MoM as well as 15.1% YoY. This marks a strong start into 2024, as the industry is poised to continue the upward trend in SA CTKs observed throughout most of last year.

Air cargo capacity expansion trend carried over to 2024, largely driven by returning passenger aircraft

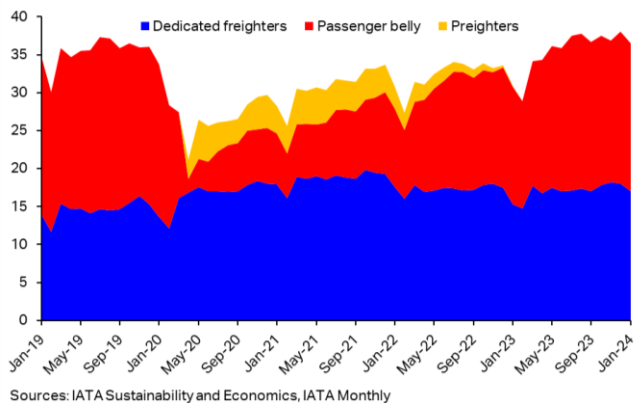
Somewhat similar to the evolution on the demand side, air cargo capacity also came down from its December high, with ACTKs falling to 45.6 billion last month (**Chart 2**). Importantly, the figures remained 14.6% above 2022 levels and 5.5% above the 2019 benchmark. As such, the beginning of 2024 marks continued double-digit annual growth in ACTKs, as was the case throughout most of 2023. In seasonally adjusted terms, industry-wide capacity rose by 1.2% MoM in January (and +13.1% YoY).

Chart 2 – Global ACTKs (billions per month)



As was the case throughout most of 2023, the annual growth in industry ACTKs can in large part be attributed to the strong return in international passenger belly-hold capacity, which registered an outstanding 25.8% annual increase in January. International cargo capacity for dedicated freighters, too, rose by an impressive 11.2% YoY last month, a rate that hasn't been seen since mid-2021. However, this particular figure comes primarily from a base effect (**Chart 3**).

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



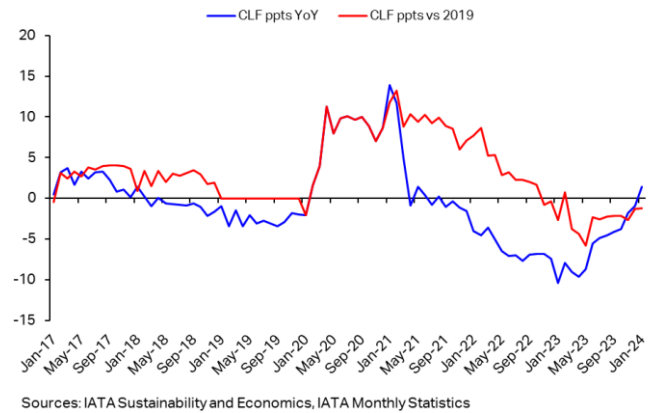
Industry cargo load factor experienced its first annual growth since the 2021 summer season

Monitoring air freight movements and capacity allows deriving cargo load factors (CLF). This indicator is important as it illustrates the balance between demand and supply within the industry. Rising load factors are beneficial for airlines because they drive both revenue and profitability at a given capacity. In January, the airline industry recorded a CLF of 45.7%. While this ratio is 0.4 percentage points (ppt) lower than in the previous month, it represents a solid 1.4 ppt increase compared to January 2023 (**Chart 4**). Importantly, this is the first positive annual ppt change in two and a half years.

Closely associated with the developments on the demand side, the annual increase in industry CLF can also partly be linked to a base effect. Notwithstanding, the continuously increasing trend in annual CLF

growth over the past 10 months was accompanied by an overall 3.4 ppt increase over the same period. The developments on the CLF side therefore hold promise for the year ahead.

Chart 4 – Industry cargo load factor (percentage point change, YoY and vs 2019)

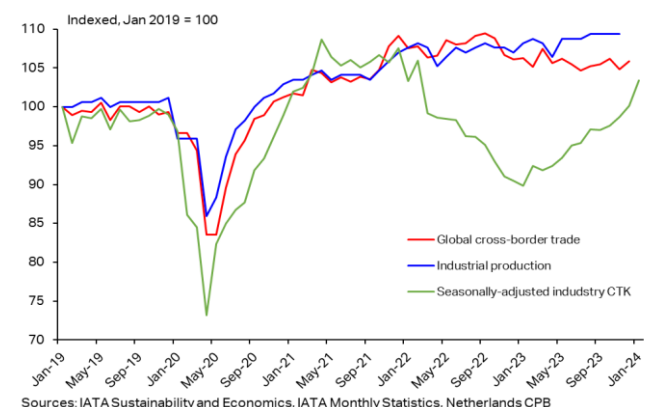


Air cargo continued to outpace trade and production statistics

While December data for industrial production has yet to be released, global cross-border trade recorded a 1.0% MoM uptick in December. This increase is likely the result of multiple factors pulling in opposite directions. Capacity constraints in maritime shipping imposed by the attacks in the Red Sea weighed down on increased demand triggered by the Holiday season and various types of business year-end transactions. However, trade levels still fall short of the post-pandemic heights achieved throughout 2022. Importantly, both global cross-border trade and industrial production surpassed pre-pandemic levels in late 2020 and continued to exceed these by 6.5% and 9.2%, respectively, as per the latest available data.

Meanwhile, the global air cargo recovery continued its momentum and remarkable upward trajectory. This allowed SA CTKs to move back above pre-pandemic levels in December. Last month, SA CTKs stood at 103.4% of the 2019 level (**Chart 5**).

Chart 5 – Industrial production, global goods trade, and SA CTKs



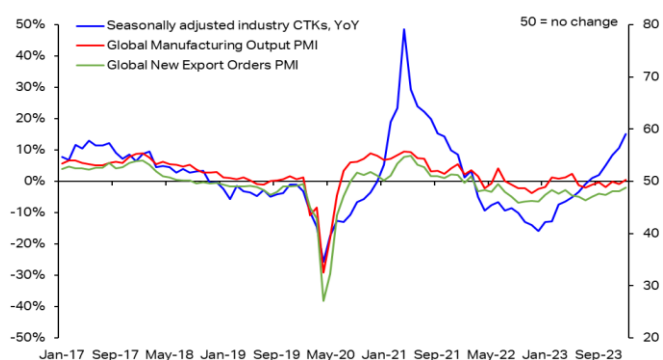
Manufacturing output saw the first expansion in eight months, while new export orders maintained contraction

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, while 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.

January continued to exhibit a small MoM contraction in the new export orders PMI, an indicator that measures the well-being of international trade. In particular, the indicator stood at 48.8 in January (up from 48.1 in December). The contracting new export orders are in line with the global shift towards a more inward-looking economic environment coupled with tight financial conditions. The outlook could also be linked to expectations related to the Red Sea Shipping Crisis.

On the other hand, the indicator continued to close in on the pivotal 50-point mark in January, implying a decelerating contraction trend in the global demand for exports (**Chart 6**). Notably, the global new export orders PMI reflects mixed results among major economies. PR China moved past the crucial 50-point threshold in January and witnessed the first expansion since June 2023. By contrast, the United States, Europe, and Japan, continued to see contractions.

Chart 6 – SA CTK growth, global manufacturing output and global new export orders PMIs



Sources: IATA Sustainability and Economics, IATA Monthly Statistics, S&P Global Market

In contrast to the developments around global new export orders, the global manufacturing output PMI registered 50.3 points in January (**Chart 6**), the first expansion in eight months. This is an encouraging signal and marks a positive outlook in the face of tight labor markets and supply chain disruptions that have been affecting the global manufacturing sector. In terms of the regional outlook, China is the only

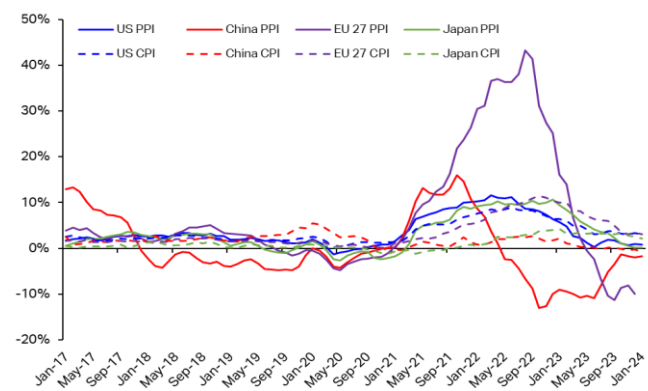
major economy that witnessed an expansion in January, while the United States, Europe, and Japan, maintained contractions.

Both the weakly contracting new export orders as well as the softly expanding manufacturing output, contrast with the steep MoM increases seen for SA CTKs throughout most of the past year as well as last month. Remarkably, the industry is experiencing rapidly rising demand amid soft demand drivers.

Inflation continued to ease in January, with the fourth consecutive instance of consumer price deflation registered in China

Inflation in major economies continued to ease as measured by the corresponding Consumer Price Index (CPI), registering 3.1% YoY in January both in the United States and in the EU, versus 2.1% in Japan. In the meantime, China exhibited negative annual CPI growth for the fourth consecutive month (-0.8% YoY). The January reading was the lowest since the Global Financial Crisis in 2009. These deflationary tendencies add more fuel to the ongoing concerns about a looming economic slowdown in the region (**Chart 7**).

Chart 7 – Headline CPI and PPI inflation (YoY) in major economies



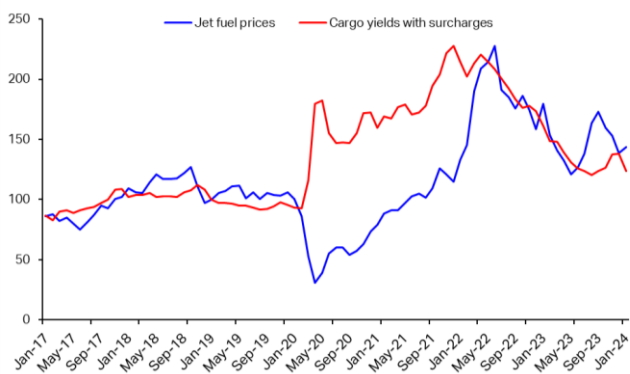
Sources: IATA Sustainability and Economics, Macrobond

As opposed to the CPI, the Producer Price Index (PPI) tracks changes in the prices that producers receive for their products, and this indicator exhibited slightly different regional trends in January (**Chart 7**). While the United States also registered a deceleration compared to the previous month, with the annual growth in producer prices settling at 0.9%, Japan's reading remained unchanged at 0.2%. The annual growth in China's PPI stayed within negative territory at -1.7% (up from -2.0% in December), mirroring the concerns raised by the consumer side. The January PPI data for the EU 27 countries is yet to be released. Meanwhile, the month of December maintained the major deflationary trend that began in May 2023, with a PPI reading of -10%. This latest reading reflects lower pressures from input costs such as energy as well as important base effects.

Global cargo yields decreased last month, with no apparent effect from the attacks in the Red Sea

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. Geopolitical tensions such as the war in the Middle East, coupled with OPEC’s production curbs, have been putting upward pressure on the price. In January, jet fuel prices increased by 3.7% from December, closing at USD 108.8 per barrel on average (**Chart 8**). Combined with consistently limited refining capacity, the jet fuel crack spread remained at USD 29 per barrel in January.

Chart 8: Jet fuel price and air cargo yields including surcharges (indexed, Jan 2019 = 100)



Source: IATA monthly statistics, IATA Jet fuel price monitor, CargoIS

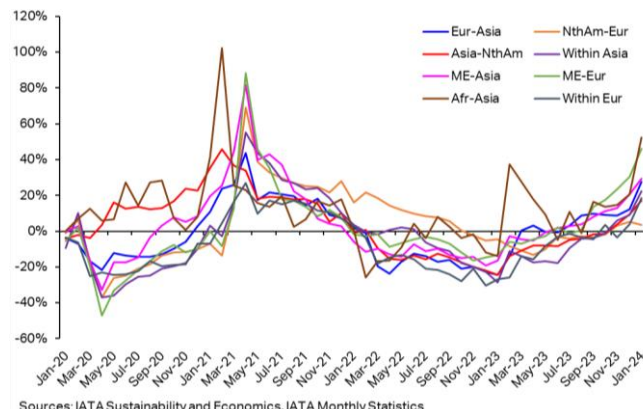
At the same time, air cargo yields (including surcharges) reversed their recent upward trajectory in January, registering a 10.4% MoM reduction (and -23.5% YoY, see **Chart 8**). Just like the recent drop in CLF, this development is likely seasonal in nature, at least in part. Notably, the Red Sea Shipping Crisis and the related sharp drop in relative air cargo rates (over container shipping) in January have not (yet) produced significant upward pressure on the global air cargo yield. Examining weekly figures provided by CargoIS shows that after multiple weeks of contractions, the global yield only started to rise in the fourth week of January, and by merely 1.5% week-on-week. The release of February data will show if this trend is set to continue. However, there are also other potential sources of volatility to watch out for in 2024, including issues related to the Panama Canal, major elections, and interest rate cuts.

Rapid growth in international CTKs across all major trade lanes, especially along Middle Eastern and Asian carriers and markets

In January, the **Africa-Asia** and **Middle East-Europe** trade lanes experienced exceptional YoY growth in international CTKs of 52.5% and 46.1%, respectively. While all major trade lanes maintained their momentum from the past year, exhibiting positive growth across the board, demand surged especially on Asian and Middle Eastern routes (**Chart 9**). **Middle East-Asia** and **Europe-Asia**, for instance, followed with respective annual increases of 29.5% and

27.5%. It is possible that air freight volumes on the latter market (and to a lesser extent also on the Middle East-Europe and Africa-Asia trade lanes) were assisted by demand diverted from maritime shipping constraints in the Red Sea. However, the data show no clear-cut impact on MoM outcomes compared to traffic on other routes. The **Within Asia** market grew by 22.3% YoY in January, up substantially compared to the 9.1% seen in December. The development on this particular route was even more remarkable because only in November it experienced its first YoY expansion in 17 months. **Within Europe** and on the **Asia-North America** trade lane, demand surged to 18.4% and 17.1% YoY, respectively. Both figures represent substantial improvements compared to the previous month. **North America-Europe** saw the lowest annual growth rate among the major trade lanes with 3.5%. Similar to the evolution within Asia, these last three routes only started experiencing positive YoY growth rates in the fourth quarter of 2023.

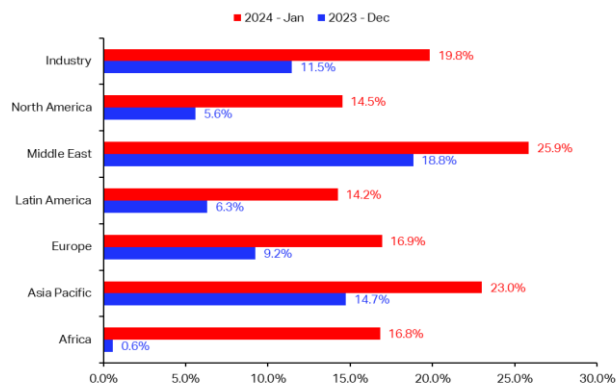
Chart 9 – International CTK growth (YoY) by route area



Sources: IATA Sustainability and Economics, IATA Monthly Statistics

Industry-wide international CTKs expanded by an impressive 19.8% YoY in January. Importantly, carriers from all regions witnessed extraordinary expansions of around 15-25% compared to the same month in 2023. In line with the traffic on major trade lanes, airlines registered in the **Middle East** and **Asia Pacific** recorded the highest annual growth rates, with 25.9% and 23.0%, respectively (Error! Reference source not found.).

Chart 10 – Growth in international CTKs (YoY) by airline region of registration



Sources: IATA Sustainability and Economics, IATA Monthly Statistics

Air cargo market in detail - January 2024

| | World share ¹ | January 2024 (% year-on-year) | | | January 2024 (% ch vs the same month in 2019) | | | |
|----------------------|--------------------------|-------------------------------|--------------|-------------|---|-------------|--------------|--------------|
| | | CTK | ACTK | CLF (%-pt) | CTK | ACTK | CLF (%-pt) | CLF (level) |
| TOTAL MARKET | 100.0% | 18.4% | 14.6% | 1.4% | 2.8% | 5.5% | -1.2% | 45.7% |
| Africa | 2.0% | 17.0% | 19.4% | -0.9% | 27.3% | 4.4% | 7.8% | 43.1% |
| Asia Pacific | 33.4% | 24.6% | 25.0% | -0.2% | -0.3% | 12.6% | -5.8% | 44.6% |
| Europe | 21.4% | 16.4% | 12.5% | 1.9% | -2.3% | -11.2% | 5.0% | 55.5% |
| Latin America | 2.8% | 13.4% | 6.6% | 2.1% | 11.0% | 1.4% | 3.0% | 34.4% |
| Middle East | 13.5% | 25.9% | 17.1% | 3.1% | 12.2% | 13.4% | -0.5% | 43.9% |
| North America | 27.0% | 9.3% | 3.8% | 2.2% | 4.2% | 6.6% | -1.0% | 43.5% |
| International | 86.6% | 19.8% | 18.2% | 0.7% | 4.0% | 5.2% | -0.6% | 49.6% |
| Africa | 2.0% | 16.8% | 19.5% | -1.0% | 28.4% | 5.3% | 8.0% | 44.4% |
| Asia Pacific | 29.8% | 23.0% | 28.0% | -2.1% | 2.7% | 12.5% | -4.9% | 50.9% |
| Europe | 21.0% | 16.9% | 13.1% | 1.9% | -2.6% | -11.9% | 5.6% | 57.6% |
| Latin America | 2.4% | 14.2% | 5.9% | 3.0% | 11.5% | 8.7% | 1.0% | 40.3% |
| Middle East | 13.4% | 25.9% | 17.2% | 3.0% | 12.2% | 13.5% | -0.5% | 44.1% |
| North America | 17.9% | 14.5% | 11.8% | 1.1% | 5.2% | 7.2% | -0.9% | 46.4% |

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.

IATA Sustainability & Economics

economics@iata.org

5 March 2024

Get the data

Access data related to this briefing through IATA's Monthly Statistics publication:

www.iata.org/monthly-traffic-statistics

IATA Economics Consulting

To find out more about our tailored economics consulting solutions, visit:

www.iata.org/consulting

Terms and Conditions for the use of this IATA Economics Report and its contents can be found here: www.iata.org/economics-terms

By using this IATA Economics Report and its contents in any manner, you agree that the IATA Economics Report Terms and Conditions apply to you and agree to abide by them. If you do not accept these Terms and Conditions, do not use this report.