Air Cargo Market Analysis

July 2024

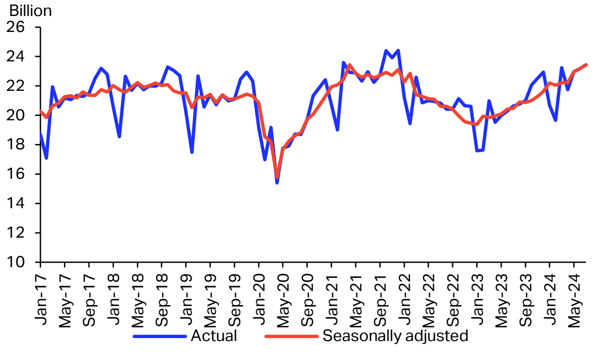
The summer season brings record air cargo capacity

- In July, industry-wide Cargo Tonne-Kilometers (CTK) rose 13.6% year-on-year (YoY), maintaining record year-to-date demand. Net of seasonal adjustment, CTK grew by 1.0% month-on-month (MoM).
- International air cargo demand increased 14.3% compared to July 2023, driven by all regions and major trade lanes. Asia Pacific carriers recorded the largest expansion with 17.7% YoY, and demand on the Middle East-Europe trade lane outpaced all others with an impressive 32.2% annual surge.
- Global air cargo capacity, measured in Available Cargo Tonne-Kilometers (ACTK), saw 8.3% growth YoY in July, delivering record capacity levels.
- Despite the elevated capacity, the global air cargo yield (including surcharges) remained firm in July.

The month of July delivered the eighth straight month of industry-wide double-digit demand growth

The air cargo industry experienced a demand increase of 13.6% YoY in July **(Chart 1)**, delivering the eighth straight month of double-digit growth. This expansion led to the highest level of industry CTK since the record-breaking values achieved in 2021. In seasonally adjusted terms, global CTK grew by 1.0% MoM. The IT outage affecting Microsoft systems worldwide did not visibly curb July's global traffic volumes, despite countless flight delays, cancellations, and cargo backlogs that lasted for over a week.

Chart 1 – Industry CTK, billion



Source: IATA Sustainability and Economics, IATA Monthly Statistics

As for the three months prior, the largest contributors to this annual CTK surge were carriers from Asia Pacific and Europe, which contributed 44% and 22% to the global increase, respectively. Measured in traffic volume (CTK), these airlines represent the largest and third largest region, in that order. The second largest region – North America – contributed 17% to the industry-wide increase.

In cumulative year-to-date terms, air cargo demand settled 13.4% above 2023 levels in July, producing record-level air cargo demand year-to-date. It should be noted, however, that 2024 YoY growth rates have been off an overall weak 2023 market, when cargo volumes were down because cautious wholesalers and retailers decided to draw down inventory before making new orders.

International CTK maintained growth in all world regions and major route areas in July, though at a slightly lower pace than in the month before

The extraordinary global traffic levels seen last month were driven by international routes, which surged by 14.3% YoY. Airlines are able to take advantage of buoyant cross-border e-commerce demand from consumers in the US and Europe, as well as the continued capacity constraints in maritime shipping, which favor a partial modal shift from sea to air. As has been the case since October 2023, carriers from all regions experienced expansions in international traffic compared to the previous year, with July displaying solid growth rates in the range of 6% to 18% **(Chart 2)**.

Airlines registered in Asia Pacific, the Middle East, and Europe championed the regions with the highest annual growth rates in international CTK, registering 17.7%, 14.7%, and 13.9%, respectively. Middle Eastern carriers were the only ones among the regions that increased their growth figure compared to the month

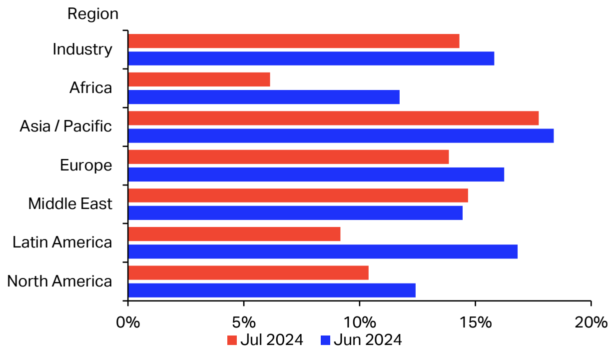
Air cargo market in detail - July 2024

	World share[1]	July 2024 (% year-on-year)				July 2024 (% year-to-date)			
		CTK	ACTK	CLF (%-pt)	CLF (level)	CTK	ACTK	CLF (%-pt)	CLF (level)
TOTAL MARKET	***100.0%***	**13.6%**	**8.3%**	**2.1%**	**44.4%**	**13.4%**	**9.2%**	**1.7%**	**45.3%**
International	*86.6%*	14.3%	10.1%	1.8%	49.7%	14.3%	11.8%	0.1%	50.9%

Note 1: % of industry CTKs in 2023

before (+0.2 percentage points). The three front runners were followed by airlines from the Americas, where North America added 10.4% YoY and Latin America 9.2% YoY. Both regions experienced lower growth than the month before, hampered in part by flight cancelations and airport closures in the US and the Caribbean in relation to Hurricane Beryl. The Latin American figure reflects a drop of 7.7 percentage points compared to growth in June, the largest decrease among all carriers (though related to a strong base effect). Annual growth among African airlines also decreased by 5.6 percentage points compared to the month before (again due to the low base in June 2023) and landed at 6.1%, so far their lowest figure recorded in 2024.

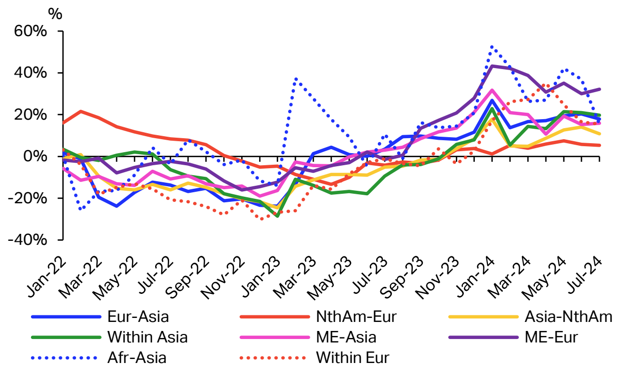
Chart 2 – International CTK by airline region of registration, YoY, %



Source: IATA Sustainability and Economics, IATA Monthly Statistics

The annual expansion in international CTK was also supported by all major route areas, although with some differences in magnitude **(Chart 3)**. Middle East–Europe championed growth figures in July, maintaining a streak of double-digit annual growth that originated in September 2023 with an outstanding evolution of +32.2%. CTK Within Asia as well as on the Europe–Asia route (the second largest market measured in CTK) followed with impressive annual surges of 19.8% and 17.9%, respectively. Both regions have been experiencing double-digit annual growth for months.

Chart 3 – International CTK by route area, YoY, %

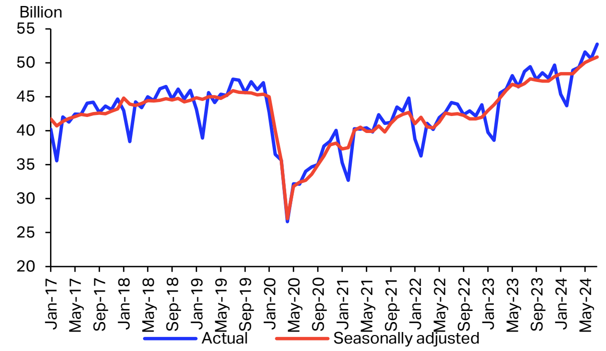


Source: IATA Sustainability and Economics, IATA Monthly Statistics

Middle East–Asia, Within Europe, and Africa–Asia, followed closely with 15.9%, 15.5%, and 15.4% annual growth, in that order. All three route areas saw nothing but double-digit annual growth in 2024. However, for Africa–Asia the July reading reflects a sharp 21.5 percentage point decrease compared to the figure recorded in the month before, by far the largest drop among major route areas. Meanwhile, Asia–North America, the largest trade lane by volume, recorded an annual increase of 10.8% last month, and North America–Europe added a comparatively modest 5.3% YoY.

The summer season brought record air cargo capacity levels globally

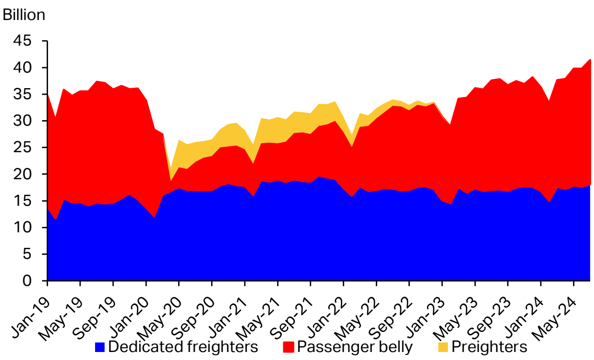
Chart 4 – Industry ACTK, billion



Source: IATA Sustainability and Economics, IATA Monthly Statistics

Industry-wide ACTK rose 4.2% compared to June (+0.7% after seasonal adjustment) and 8.3% relative to the year before **(Chart 4)**. This produced a record month in global air cargo capacity. The even more pronounced 9.2% annual ACTK growth in year-to-date terms confirms that the capacity expansion is a phenomenon of the full seven months that passed since the turn of the year, although the growth rate slowly decreased every month. The month of July also delivered record capacity levels in year-to-date terms.

Chart 5 – International ACTK by cargo business type, billion

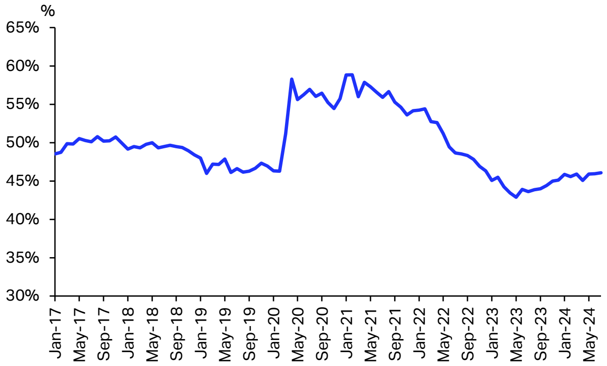


Source: IATA Sustainability and Economics, IATA Monthly Statistics

Air cargo capacity grew primarily on international routes, where the industry registered an expansion of 10.1% YoY last month. Maintaining the trend of the past few years, the expansion in international ACTK in July was driven by a surge in international belly-hold capacity, which continued to record double-digit annual growth last month with 12.8% **(Chart 5)**. And while increased belly capacity on passenger flights is a feature of every summer holiday season, this year saw record belly capacity levels (since the beginning of recording in 2019).

It is worth noting, however, that the latest belly-hold capacity growth statistic was the lowest recorded in a total of 40 months. With global passenger belly capacity fully recovered to 2019 values, the question emerges as to whether this impressive growth in the international passenger market will normalize and how this will impact the use of dedicated freighters. Currently, the slowing expansion of international belly capacity is confronted with a slowly accelerating growth in dedicated freighter capacity. The latter rose by 6.9% YoY in July, the highest increase since the exceptional jump in January 2024.

Chart 6 – Industry air cargo load factor, seasonally adjusted, %



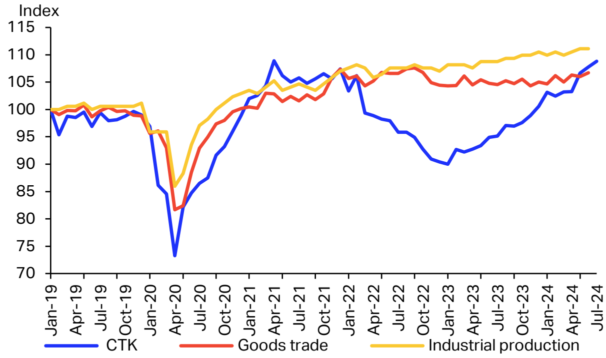
Source: IATA Sustainability and Economics, IATA Monthly Statistics

Monitoring air freight traffic and capacity levels allows deriving the air cargo load factor (CLF), a key indicator illustrating the balance between demand and supply within the industry. In early 2023, global air cargo demand joined the supply side in its upward trajectory, in fact growing even slightly faster than capacity over this period. As a result, the average industry CLF also slowly started to grow. This was a welcome development for the industry as rising load factors drive revenue and profitability at a given capacity. Last month, the industry CLF grew by 2.1 percentage points compared to July 2023 **(Chart 6)**. Compared to June 2024 and net of seasonal adjustment, it stayed roughly level with a mere 0.1 percentage point increase.

Minor improvements in production and trade figures continue to be outpaced by rapid air cargo growth

Industrial production, measured at constant USD prices and a reflection of the output generated by industrial sectors such as mining, manufacturing, and utilities, stayed level in June compared to the previous month **(Chart 7)**. Compared to 2023, the indicator pointed at expansion with a growth rate of 2.2%, thus marking the continuation of the moderate upward trajectory seen after the pandemic, which aligns with earlier trends (2012-2019).

Chart 7 – Industry CTK, industrial production at constant USD prices, and cross-border goods trade volume, global index, seasonally adjusted, Jan 2019 = 100



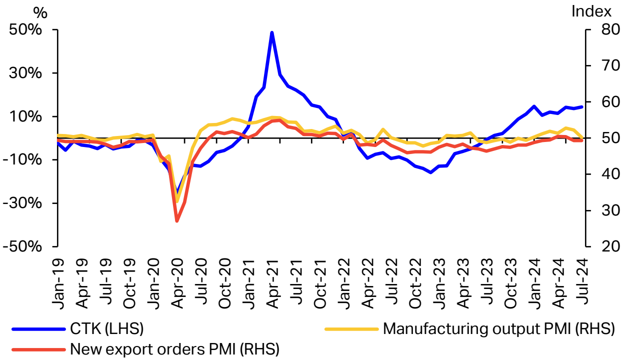
Source: IATA Sustainability and Economics, IATA Monthly Statistics, Macrobond

Cross-border merchandise trade saw minor expansions in June, with readings of 0.7% MoM and 1.8% YoY globally. This marked the continuation of the light upward trend seen so far in 2024, after an overall weak 2023 for international goods trade. And it represents an encouraging signal in a strained business environment that continues to be impacted by inflation, impaired supply chains, geopolitical tensions, and rising cross-border trade restrictions.

Ongoing small expansion in global manufacturing output amid contracting new export orders

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. The manufacturing output and new export order PMIs are two leading indicators of global air cargo demand.

Chart 8 – Seasonally adjusted industry CTK, YoY, % (LHS), and global manufacturing PMIs, 50 = no change (RHS)



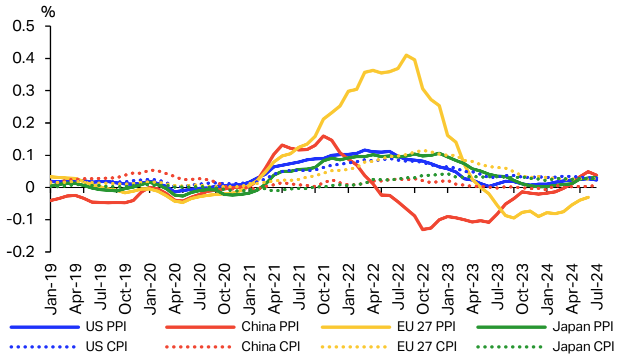
Source: IATA Sustainability and Economics, IATA Monthly Statistics, S&P Global Markit

The global manufacturing output PMI continued to point to growth in July with 50.2 points (down from 52.3 in June). This marked the seventh consecutive expansion and is a welcome development amid tight labor markets and supply chain disruptions that have been affecting the manufacturing sector **(Chart 8)**. Meanwhile, the global new export orders PMI, a measure of the perceived well-being of international trade, maintained a slightly pessimistic outlook in July with 49.4 points (up from 49.3 in June). The minor contractions of the last two months followed two months characterized by optimistic expectations for new export orders, after a two-year stretch with exclusively negative expectations.

Consumer price inflation continued to hover above target in major economies, except in PR China

Headline inflation, as measured by the annual evolution of the Consumer Price Index (CPI), stayed roughly level last month in the US, Japan, and the EU, with figures standing at 2.9%, 2.8%, and 2.8%, respectively. As a result, consumer price inflation remained above target in these key economies. Meanwhile, China's consumer price inflation shot up by 0.3 percentage points to 0.6%, the highest reading in five months. Muted inflation in China since 2023 reflects weak domestic demand, triggered by elevated unemployment, reduced income growth, and the crisis in the real estate sector **(Chart 9)**.

Chart 9 – Consumer price index and producer price index in major economies, YoY, %



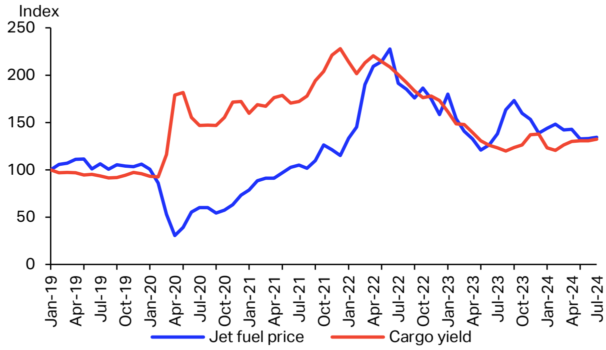
Source: IATA Sustainability and Economics, Macrobond

The Producer Price Index (PPI) tracks changes in the prices that producers receive for their products. It can serve as a leading indicator for the CPI. Compared to June, producer price inflation decreased last month in the US to 2.3% and in China to 3.8%. For the latter, this marked the fourth consecutive annual increase in producer prices after almost two years of negative results. By contrast, producer price inflation stayed roughly level in Japan, registering 3.0%. July values for the EU 27's PPI are not available to date. The month of June maintained the major deflationary trend that began mid-2023, with a PPI reduction of -3.1% YoY. However, this latest reading marks the region's smallest instance of deflation in one year.

Sticky air cargo yields amid record capacity levels

In the month of July, the global jet fuel price rose by 0.9% over the previous month (and -2.7% YoY), closing at USD 102 per barrel **(Chart 10)**. As a result, the jet fuel crack spread dropped to 16 USD, the lowest value in 14 months. This was a welcome development as the exceptionally wide crack spreads have been putting pressure on airlines' relatively thin margins. The jet fuel price is a major contributor to airline operating costs and therefore also the yield.

Chart 10 – Jet fuel price and air cargo yield (with surcharges), global index, Jan 2019 = 100



Source: IATA Sustainability and Economics, IATA Jet fuel price monitor, CargoIS

Similar to the evolution in jet fuel, the global yield for air cargo (with surcharges) grew by 1.2% MoM in July, likely supported by the global IT outage discussed earlier, which boosted the price for capacity for a short period. Compared to July 2023, the average yield rose 7.4%, the highest annual increase in almost two years. And while these rising annual growth rates are primarily related to a sharply decreasing base in 2023, the observed stickiness of the global yield given the record capacity levels discussed earlier is remarkable. This can be partly attributed to the fact that e-commerce giants and shippers that shift from sea to air transport compete for capacity with the more traditional air cargo clientele. This situation puts upward pressure on rates, which as of July 2024 were still 41% above 2019 levels.

The upcoming peak season might exacerbate said pressure points. Also, the sharp reduction in relative air cargo rates over container shipping continues to ensure that air services remain substantially more competitive than they were pre-pandemic. In the long term, however, the question remains whether certain shippers might start considering slower and lower-cost transport modes to ensure the financial sustainability of their supply chain.

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TOTAL MARKET	***100.0%***	**13.6%**	**8.3%**	**2.1%**	**44.4%**	**13.4%**	**9.2%**	**1.7%**	**45.3%**
Africa	*2.0%*	6.2%	10.5%	-1.6%	40.0%	14.8%	19.0%	-1.6%	43.4%
Asia Pacific	*33.3%*	17.6%	11.3%	2.6%	48.0%	16.7%	13.8%	1.2%	46.2%
Europe	*21.4%*	13.7%	7.6%	2.7%	49.6%	14.1%	9.7%	2.1%	53.5%
Latin America	*2.8%*	11.1%	9.4%	0.5%	33.8%	10.0%	8.3%	0.5%	35.9%
Middle East	*13.5%*	14.7%	4.4%	4.1%	45.8%	17.6%	8.7%	3.5%	46.5%
North America	*26.9%*	8.7%	7.0%	0.6%	38.2%	7.1%	3.8%	1.2%	39.7%
International	***86.6%***	**14.3%**	**10.1%**	**1.8%**	**49.7%**	**14.3%**	**11.8%**	**0.1%**	**50.9%**
Africa	*2.0%*	6.1%	10.2%	-1.6%	41.0%	14.8%	18.7%	1.4%	44.6%
Asia Pacific	*29.8%*	17.7%	15.7%	0.9%	54.9%	16.6%	18.0%	0.3%	54.0%
Europe	*21.0%*	13.9%	7.8%	2.8%	51.9%	14.3%	10.0%	0.1%	55.6%
Latin America	*2.4%*	9.2%	9.8%	-0.2%	37.5%	9.2%	9.8%	0.7%	40.2%
Middle East	*13.4%*	14.7%	4.4%	4.1%	46.1%	17.6%	8.7%	0.3%	46.8%
North America	*17.9%*	10.4%	9.4%	0.4%	45.4%	8.7%	6.9%	-1.3%	47.0%

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
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