Air Cargo Market Analysis  
March 2024

Air cargo demand expansion across the board

- Global air cargo demand marked the fourth consecutive month of double-digit year-on-year (YoY) growth in cargo tonne-kilometers (CTKs) with 10.3%. With this, for the first time, cumulative Q1 traffic surpassed the record heights experienced in Q1 2021. Seasonally adjusted (SA) CTKs grew by 11.4% YoY in March.
- International CTKs expanded by 11.4% YoY globally, supported by all regions and major trade lanes, with carriers from the Middle East, Africa, and Asia at the helm.
- Industry-wide available cargo tonne-kilometers (ACTK), which reflect the industry's global capacity, increased by 7.3% YoY, driven by the continued expansion of international passenger belly-hold capacity.
- The YoY surge in traffic vastly exceeded the growth seen in trade and production metrics.
- The industry-wide air cargo yield increased by 5.0% compared to February, in line with rising load factors.

Four Consecutive Months of Double-Digit Annual Growth in Air Cargo Traffic

The air cargo industry registered a total of 23.1 billion CTKs in March. This represents an increase of 17.4% month-on-month (MoM) which is not unusual for this particular season, but also 10.3% growth YoY (Chart 1). Last month therefore marked the fourth consecutive instance of double-digit YoY growth amid the ongoing conflicts in the Middle East and Ukraine.

Chart 1 – Global CTKs (billion per month)

SA CTKs recorded growth both MoM and YoY, the former by 0.2%, and the latter by 11.4%. The surge in air cargo demand last month lends hope of a continued upward trajectory ahead.

Cumulative industry CTKs to March, in year-to-date (YTD) terms, marked a total of 63.6 billion, denoting a 13.2% increase from the 2023 value and settling 0.6% above 2022 (Chart 2). Importantly, for the first time, Q1 traffic surpassed the record heights experienced in Q1 2021, surpassing those by 0.4%.

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

Growth in International Air Cargo Demand Across All Regions, Led by the Middle East, and Expansion on All Major Route Areas

The 10.3% YoY growth in industry CTKs was driven by traffic on international routes, which expanded by a total of 11.4% YoY in March, helped by the rapidly increasing demand for e-commerce services. Importantly, all regions experienced expansions both MoM and YoY, the former in the double digits and the latter in excess of 3% (Chart 3).

International CTKs of airlines registered in Middle East and Africa led with the highest annual growth rates, with...
19.9% and 14.1%, respectively. These carriers are likely benefiting from continued conflict- and drought-induced disruptions in the Suez and Panama Canals, which have been affecting global maritime shipping capacity. These airlines were closely followed by the ones registered in Asia Pacific (13.8% YoY), Europe (10.0%), and Latin America (7.8%). North American carriers experienced the lowest annual growth with 3.1% YoY. Over the previous month’s growth, the figure declined by 0.9 ppt.

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

The annual growth in international CTKs went in tandem with figures from major route areas. Middle East–Europe and Within Europe led yearly growth rates with, respectively, 38.3% and 24.7% (Chart 4), continuing the downward trajectory that started in February. The Africa–Asia market followed with 22.9% YoY, however shedding a notable 19.8 ppt since last month’s reading: by far the strongest contraction across the major route areas.

**Chart 4 – International CTK growth (YoY) by route area**

Growth rates on the Middle East–Asia and Europe–Asia stood at 19.6% and 17.0%, in that order, the former lost 1 ppt versus February while the latter gained 2.7 ppt. Within Asia leaped by 6.7 ppt from February to 11.8% annual growth. Notably, the routes Within Asia and Europe–Asia were the only route areas that improved over February’s growth figures. In contrast to the aforementioned trade lanes, all of which recorded double-digit YoY growth, Asia–North America recorded 4.7% YoY and North America–Europe 2.9%, rising modestly in comparison.

**The Expansion in Air Cargo Capacity, Which Is Supported by Returning Passenger Aircraft, Carried Over to 2024 but Appears to Be Slowing Down**

Similar to the evolution on the demand side, air cargo capacity neared peak levels achieved in December 2023, with ACTKs at 48.9 billion last month (Chart 5). Significantly, the March figures remained 7.3% above 2023 levels. In seasonally adjusted terms, industry-wide capacity contracted by a marginal 0.1% MoM in March, yet kept 7.6% YoY growth. Overall, the first quarter of 2024 exhibited continued capacity expansion compared to the previous year, though at a decreasing rate.

**Chart 5 – Global ACTKs (billion per month)**

The annual growth in industry ACTKs for March was almost exclusively driven by belly-hold capacity, which recorded the 35th month of consecutive double-digit growth in March with 20.6% YoY. In stark contrast, international cargo capacity on dedicated freighters rose by a modest 1.2% YoY. The MoM evolution was reversed, as dedicated freighters stood at 17.7% compared to the previous month, while belly-hold capacity recorded an 8.9% increase.

Monitoring air freight traffic and capacity allows deriving cargo load factors (CLF), a key indicator that 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 March, the airline industry recorded a CLF of 47.3%. This ratio is 2.2 ppt higher than in the previous month and stands for a 1.3 ppt increase compared to March 2023. Foremost, this reading marked only the second positive annual ppt change in over two and a half years.

**Annual Air Cargo Demand Growth Continued to Outpace the Evolutions in Goods Trade and Industrial Production**

The latest figure for industrial production, a measure of the output generated by industrial sectors such as mining, manufacturing, and utilities, marked growth both
for MoM and YoY, the former at 0.5% and the latter at 1.6%. The February reading for industrial production thus marks the continuation of the moderate upward trend seen over the past two years (Chart 6). Similarly, global cross-border trade in February displayed growth both in MoM terms, with 1.0% vis-à-vis January’s figure, as well YoY, settling 1.2% above 2023’s value in the same month. These moderate improvements in global macro indicators are a positive signal amid continued economic headwinds and rising political uncertainty, especially with the ongoing capacity constraints in maritime shipping.

**Chart 6** – Industrial production, global goods trade, and SA CTKs

Overall, the relatively stable evolutions of merchandise trade and the moderately rising industrial production figure post-pandemic both contrast sharply with the strong growth in air cargo demand since the beginning of 2023. This is possibly supported by changing supply chains in the e-commerce space as well as a recently increased interest in sea-air services because of the ongoing capacity constraints in maritime shipping, among other factors.

**Third Consecutive Month with Optimistic Expectations for Manufacturing Output amid Continued Gloom About 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. Specifically, the manufacturing output and new export order PMIs are two leading indicators of global air cargo demand.

March continued to signal a slight contraction for new export orders, an indicator that measures the perceived well-being of international trade. In particular, the indicator stood at 49.5 (up from 49.3 in February). The contraction in new export orders reflect an adverse economic environment that seem to be progressively easing off. (Chart 7). Regionally, the US and PR China exhibited optimistic expectations, a phenomenon that started only a few months ago. Expectations in Europe and Japan indicated contraction, continuing the trend that has persisted over the past two years.

**Chart 7** – SA CTK growth, global manufacturing output and global new export orders PMIs

The global manufacturing output PMI rose to 51.9 points in March (Chart 7), the third consecutive expansion after a series of contractions. This is an encouraging signal in the face of tight labor markets and supply chain disruptions that have been affecting the global manufacturing sector. The regional outlook for manufacturing output PMIs improved over February. The US and China continued to have positive expectations that helped drive the global expansion, while improving yet continued pessimistic expectations persisted in Europe and Japan.

In short, the rapidly rising demand for air cargo (measured in annual CTK growth) continued to be accompanied by an expanding manufacturing output PMI in March, which registered the third consecutive month of expansion. This contrasts with the slightly contracting new export orders in the same month, which however keep moving closer to the crucial 50-point benchmark, a trend that started mid-2023.

**Inflation Remained above Target in Major Economies, Except in China which Exhibited a Roughly Constant YoY Evolution**

Inflation as measured by the Consumer Price Index (CPI) further eased in March in the EU, with a reading of 2.6% YoY, continuing its decline since December 2022. Similarly, Japanese inflation contracted to 2.7%, (-0.09 ppt). Conversely, US consumer price inflation increased to 3.5% YoY (+0.31 ppt). With that, inflation is still above target in large economies. By contrast, China returned to deflation last month, albeit mild, with a reading of -0.01%.

This latest reading reversed the brief return to positive inflation in February and instead marked the fifth occurrence of deflation in nine months. 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 8).

Chart 8 – Headline CPI and PPI inflation (YoY) in major economies

Contrary to the CPI, 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. In March, producer prices exhibited regionally distinct trends (Chart 8). In particular, the US and Japan recorded further increases compared to the previous month, with the YoY growth in producer prices climbing to 2.1% and 0.8%, respectively. China's PPI YoY also rose compared to February, leaping by 1.0 ppt and inching closer toward positive territory but settling at -0.3% YoY, in line with the deflationary pressures observed on the consumer side. March values for the EU 27’s PPI are not yet available. The month of February maintained the major deflationary trend that began in May 2023, with a PPI reading of -8.1%.

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. In March, jet fuel prices contracted by 4.1% over the previous month (+0.9% YoY), closing at USD 107.5 (Chart 8). The jet fuel crack spread fell to 22 USD per barrel, the lowest value in nine months. By contrast, the global air cargo yield (with surcharges) registered positive MoM growth at 5.0% and YoY at -14.3%, the latter of which continued a negative streak that started in September 2022. The growth compared to the previous month was in line with the development in the industry cargo load factor, which registered a 2.2 ppt increase over the same period.

Global PMI Supplier Delivery Times Showed Continued Improvement Last Month, Suggesting Shorter Delivery Times Ahead

The global supplier delivery time PMI index continued to improve in March, reaching 50.6. This index is survey-based: a value below 50 indicates that businesses reported on average longer delivery times compared to the previous month. The latest positive figure continues an upward trend that started two months prior, which hints at a buyer’s market where suppliers are able to meet demand in an efficient manner (Chart 9). Interestingly, the global manufacturing output PMI suggested expansionary economic activity in March. This points to rising goods demand, eventually leading to longer delivery times as suppliers grapple with higher order volume. In other words, the two indexes started to move in tandem recently, unlike their historical pattern. This hints at a counterintuitive phenomenon that at some point will likely correct itself, possibly with rising delivery times going forward.

Chart 9: Global PMI Output and Supplier Delivery Times
Air cargo market in detail - March 2024

<table>
<thead>
<tr>
<th>World share</th>
<th>March 2024 (% year-on-year)</th>
<th>March 2024 (% year-to-date)</th>
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<tbody>
<tr>
<td></td>
<td>CTK</td>
<td>ACTK</td>
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<tr>
<td>TOTAL MARKET</td>
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<td>North America</td>
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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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