



Air Cargo Market Analysis

August 2022

Air cargo tonne-kilometers showed resilience in August

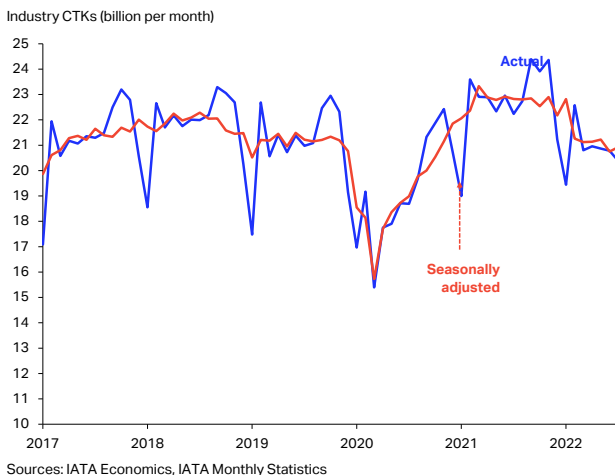
- Seasonally adjusted cargo tonne-kilometers (CTKs) rebounded in August with a 1.0% growth compared with July. This is a solid comeback from the marked decline of 9.6% year-on-year (YoY) in the previous month. Compared with a year ago, August CTKs were 8.3% lower.
- Available cargo tonne-kilometers (ACTKs) increased by 6.3% YoY while they were 0.5% down from the July level, contributing to the first positive growth in industry-wide load factor since January 2022.
- Asia Pacific saw the most significant increase in seasonally adjusted ACTKs from 2.4% YoY in July to 12.4% YoY in August, and Latin America maintained its double-digit growth of 24.7% YoY.
- Globally, the recovery in the Asia market brought positive growth in air cargo demand in some of the largest cargo markets. Inflation levels in G7 countries dropped for the first time since November 2020, signaling stronger confidence in world trade and the global air cargo market.

CTK activity showed resilience in August

Industry-wide cargo tonne-kilometers (CTKs) were down 8.3% YoY in August, which is a solid improvement from the July decrease of 9.7% YoY.

The decline in seasonally adjusted (SA) air cargo volumes paused in August, with a robust 1% month-on-month (MoM) growth compared with July (**Chart 1**). This signals the resilience of the air cargo industry under mounting pressures from the recent economic volatility and geopolitical conflicts.

Chart 1: Global CTKs seasonally adjusted (SA)



With that being said, a rebound in air cargo demand still faces multiple challenges. Although China has eased some Omicron-related lockdowns, other headwinds persist, including infrastructure and labor

supply constraints. In addition, the ongoing war in Ukraine still affects cargo capacity, with a number of important air cargo carriers directly impacted.

Trade activity continues to rebound as supply constraints ease but remains focused on maritime

Global goods trade maintained the upward trend, (**Chart 2**) mainly attributed to strong activity in Latin America but also recoveries in trade within Asia and the inter-north-Atlantic region. Further easing of COVID-19 restrictions in China including factory re-openings will support the global trade recovery in the coming months.

Chart 2: Growth in global goods trade and CTKs



However, most of the uptake in trade has benefited maritime which has been growing in line with the global

Air cargo market - August 2022

	World share ¹	August 2022 (% ch vs the same month in 2019)				August 2022 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-2.9%	-8.0%	2.5%	46.7%	-8.3%	6.3%	-7.5%	46.7%
International	87.0%	-3.0%	-9.6%	3.6%	52.4%	-9.3%	6.1%	-8.9%	52.4%

¹% of industry CTKs in 2021

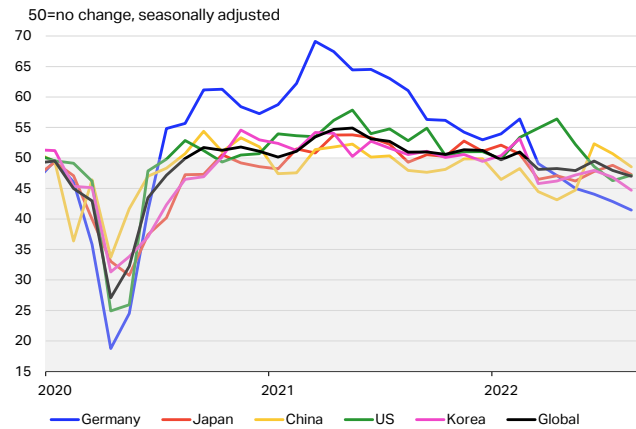
²Change in load factor vs same month in 2019

³Load factor level

trade. Air cargo growth slightly narrowed down the gap in June, before another decline in July.

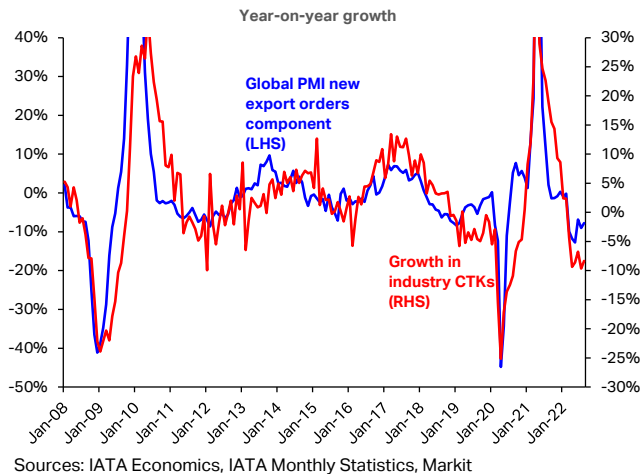
The new export orders – historically a leading indicator for air cargo shipments – were still not particularly buoyant. Apart from the US, which saw a slight rebound despite remaining below 50 levels, other major economies maintained the downward trend. Notably, China has moved sideways at levels below 50 since July, signaling the impact of the country's Covid-related restrictions on air cargo activities (**Chart 3**).

Chart 3: New export order manufacturing PMIs



Owing to the historical relationship between the global PMI for new export orders and industry-wide CTGs, it is expected that a rebound in air cargo demand is likely in the near future (**Chart 4**).

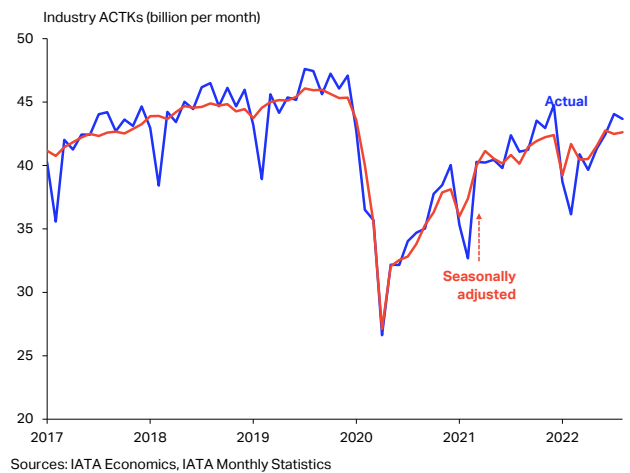
Chart 4: CTG growth versus global new export orders



Air cargo capacity strategically adjusted to demand

Industry-wide available cargo tonne-kilometers (ACTKs) experienced a 6.3% YoY growth in August. However, from the MoM perspective, it halted its months-long upward move, with a slight MoM decline of 0.5% compared with July. This might be a strategic adjustment to the 9.7% drop in YoY CTGs in July (**Chart 5**).

Chart 5: ACTK levels, actual and seasonally adjusted



Seasonally-adjusted (SA) ACTKs increased in all regions in August YoY, except in Africa where air cargo capacity was down by 1.9%. Asia Pacific saw the most significant increase in SA ACTKs from 2.4% YoY in July to 12.4% YoY in August. Latin America maintained its double-digit growth of 24.7%, and North America stabilized at a 5.4% YoY growth. In comparison, the growth of air cargo capacity in Europe and the Middle East was relatively smaller, at 0.8% and 0.5% YoY in August, respectively.

With the strategic adjustment in capacity discussed earlier, the industry-wide cargo SA load factor improved by 0.2 percentage points (ppts), rising from 48.9% in July to 49.1% in August. This is also the first increase in SA load factor that the air cargo industry has seen since Jan 2022.

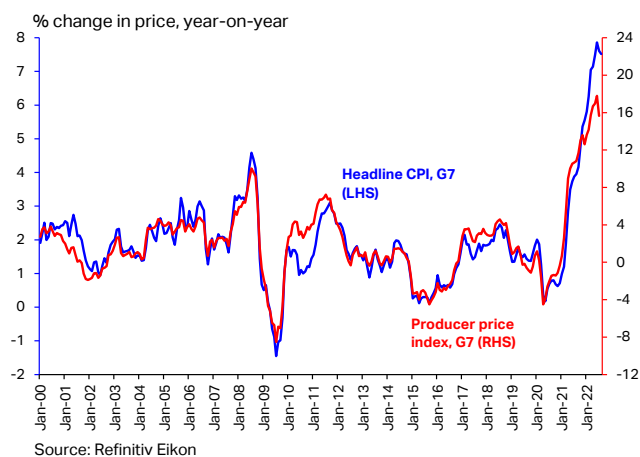
Asia Pacific remained as the region with the highest cargo load factor globally, at 54.7% in August, followed by Europe as the next best performer at 50.2%. Cargo load factors in Africa (41.8%) and the Middle East (46.6%) declined by 2.9 ppts and 0.5 ppts, respectively, compared with the previous month.

Cargo load factors in the Americas were still lower than that of the other world regions. For Latin American carriers, the CLF was just 37.4%, while for North American airlines it was 39.3% in August.

Inflation stabilized for the first time since November 2020

Year-on-year inflation, as measured by the Consumer Price Index (CPI) for the G7 countries was 7.5% in August, a 0.1 ppt decrease from the July level. This is the first decline in CPI since November 2020. However, the global inflation level is still at a decades' high. Producer (input) prices dropped by 2.1 ppts to 15.7% in July 2022 (**Chart 6**), marking its first decline since December 2021.

Chart 6: G7 headline CPI and PPI inflation

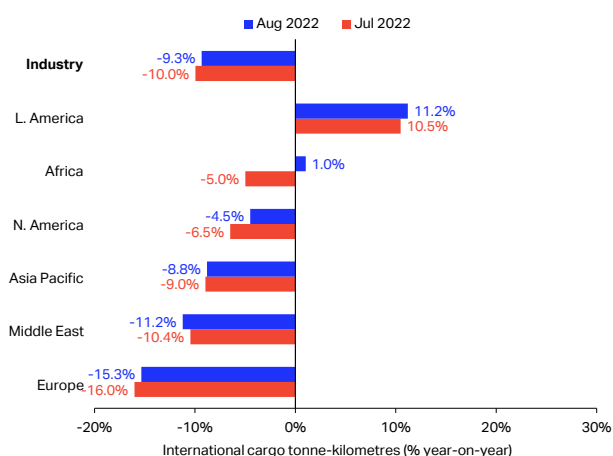


Oil is an important contributor to producer prices, and a major cost to airlines directly. The Brent crude oil price decreased further in August and continues to stabilize at a level of around USD 101.0 per barrel. The jet crack spread remains unusually wide at around USD 55 per barrel, though it has come off its high of USD 64 per barrel set in June.

International CTKs – Continued strong growth in Latin America and positive growth in Africa

Industry-wide international CTKs had a slightly smaller YoY decline of 9.3% in August, compared with -10.0% in July. This is a result of higher international CTKs in all regions, in YoY terms, except for the Middle East. In addition, Africa achieved a 1.0% positive YoY growth in August, compared with the 5% YoY decline in the previous month (Chart 7).

Chart 7: Int'l CTK growth (airline region of registration)



Asia Pacific, which accounts for the largest share of CTKs of the global total, stabilized its international CTKs from the marked decline of 9.0% YoY in July.

Airlines in **Latin America** continue to be the strongest performer, with international CTKs increasing by 11.2% YoY. This can be attributed to airlines in the region adding capacity, and the significant role air cargo plays in supporting economic activity in the

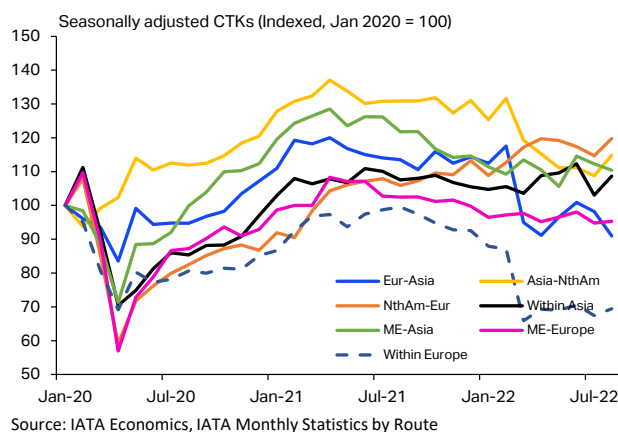
region. The positive August performance was an improvement from the July increase of 10.5% YoY.

Airlines in **Europe** and the **Middle East** were most affected by the various headwinds which are currently impacting the air cargo segment. These include disruptions related to the conflict in Ukraine, labor shortages, and high inflation levels, notably in Türkiye.

North America remains on track to the rebound of international CTKs, with smaller negative YoY growth in two consecutive months. In August, the YoY gap narrowed down to 4.5% from the 6.5% level in July.

The latest route area data confirm the rebound in air cargo demand in some of the largest cargo markets, including within Asia, Asia-North America, North America-Europe, and Middle East-Europe (Chart 8).

Chart 8: Seasonally adjusted CTKs by route area



Within Asia, SA CTKs were 1.0% above the level of a year ago, contrasting sharply to the -6.3% YoY in July. With the ease of international travel restrictions in Asia, the YoY gap in the **Asia-North America** market also narrowed down to -12.3% in August from -16.8% in July.

Europe was again the weakest performing region regarding air cargo volumes, despite a small MoM increase compared with July. However, cargo traffic between **Europe and North America** showed a 13.1% YoY growth, due to both the recovery of the North American market and the logistics support from the US to Ukraine. The significant impact of the Russia-Ukraine war, which started on 24 February 2022, on **Within Europe** air cargo, can be seen in Chart 8, and the challenge this poses for the region has not diminished.

The **Europe-Asia** cargo market saw an expanded double-digit gap in international air cargo volumes, down from -13.9% in July to -19.7% in August in YoY terms. Cargo traffic of **Middle East** Airlines to/from Europe has stabilized from trending sideways, with an improvement of 0.8 ppts compared with July.

Air cargo market in detail - August 2022

	World share ¹	August 2022 (% year-on-year)				% year-to-date			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-8.3%	6.3%	-7.5%	46.7%	-5.4%	4.7%	-5.5%	51.1%
Africa	1.9%	1.0%	-1.4%	1.0%	41.8%	1.1%	3.8%	-1.3%	47.3%
Asia Pacific	32.6%	-8.3%	13.9%	-13.2%	54.7%	-4.5%	1.7%	-3.9%	60.2%
Europe	22.8%	-15.1%	0.4%	-9.2%	50.2%	-9.4%	2.9%	-7.8%	57.0%
Latin America	2.2%	9.0%	24.3%	-5.2%	37.4%	18.3%	29.8%	-3.9%	40.6%
Middle East	13.4%	-11.3%	-0.1%	-5.9%	46.6%	-9.7%	5.1%	-8.2%	49.7%
North America	27.2%	-3.4%	5.7%	-3.7%	39.3%	-3.5%	6.2%	-4.2%	42.1%
International	87.0%	-9.3%	6.1%	-8.9%	52.4%	-5.6%	5.9%	-7.0%	57.3%
Africa	1.9%	1.0%	-1.7%	1.2%	42.6%	1.1%	3.4%	-1.1%	48.2%
Asia Pacific	29.5%	-8.8%	9.1%	-12.1%	61.6%	-3.1%	7.2%	-7.1%	67.1%
Europe	22.4%	-15.3%	0.4%	-9.9%	53.1%	-9.7%	3.2%	-8.5%	59.3%
Latin America	1.8%	11.2%	26.3%	-5.9%	43.4%	20.0%	28.6%	-3.5%	48.8%
Middle East	13.4%	-11.2%	0.0%	-6.0%	47.0%	-9.7%	5.3%	-8.3%	50.1%
North America	18.0%	-4.5%	11.9%	-8.0%	46.7%	-4.8%	5.3%	-5.4%	50.6%

¹of industry CTks in 2021

²Year-on-year change in load factor

³Load factor level

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.

	World share ¹	August 2022 (% ch vs the same month in 2019)				Year-to-date (% ch vs the same period in 2019)			
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TOTAL MARKET	100.0%	-2.9%	-8.0%	2.5%	46.7%	0.9%	-8.5%	4.8%	51.1%
Africa	1.9%	8.4%	-19.0%	10.6%	41.8%	12.3%	-15.4%	11.7%	47.3%
Asia Pacific	32.6%	-8.6%	-14.3%	3.4%	54.7%	-4.5%	-18.2%	8.6%	60.2%
Europe	22.8%	-12.7%	-17.3%	2.7%	50.2%	-6.7%	-16.9%	6.2%	57.0%
Latin America	2.2%	-6.5%	-7.0%	0.2%	37.4%	-3.5%	-16.8%	5.6%	40.6%
Middle East	13.4%	0.2%	-6.5%	3.1%	46.6%	0.5%	-6.8%	3.7%	49.7%
North America	27.2%	12.4%	5.5%	2.4%	39.3%	15.9%	9.0%	2.5%	42.1%
International	87.0%	-3.0%	-9.6%	3.6%	52.4%	1.0%	-9.9%	6.2%	57.3%
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¹of industry CTks in 2021

²Change in load factor vs same period in 2019

³Load factor level

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