

Air Cargo Market Analysis

April 2021

Air cargo trends upwards on a favourable backdrop

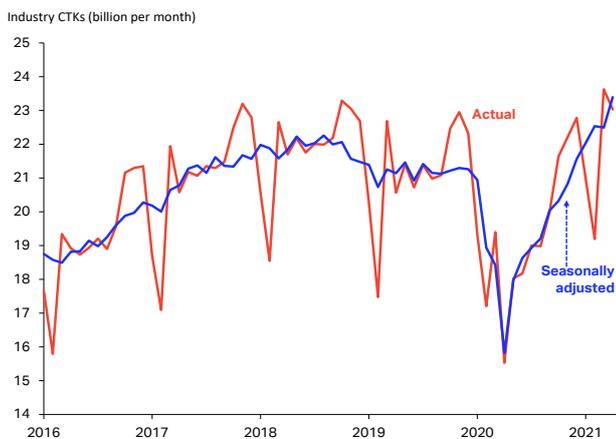
- Global cargo volumes continue to trend upwards at a strong pace. Industry-wide cargo tonne-kilometres (CTKs) grew by 12.0% in April compared to pre-crisis values in April 2019. Seasonally adjusted CTKs rose by 4.0% month-on-month, and are now around 5% above the pre-crisis peak of August 2018, before US-China trade wars had started.
- The industry is supported by a strong economic rebound as well as favourable supply chain dynamics, notably very low inventory levels and more competitive pricing relative to container shipping in recent months.
- Both air cargo rates and volumes are close to all-time high values, providing strong financial support to a number of airlines.
- Airlines in most regions are posting strong volume performance, notably in Africa and North America. But airlines based in Latin America are losing market shares to carriers elsewhere and have performed poorly in recent months.

Global air cargo volumes on a robust upward trend...

Global air cargo volumes climbed further in April amid a V-shaped economic recovery and broadly supportive conditions, and despite the lack of capacity. Indeed, industry-wide cargo tonne-kilometres (CTKs) were up 12.0% in April 2021 compared to the same month in 2019. This strength partly reflects a weak month of April 2019, when the industry was affected by the US-China trade dispute.

After stripping out fluctuations caused by seasonal patterns, air cargo displays a steep upward trend, started when strict lockdowns were lifted in May 2020. Seasonally adjusted (SA) volumes rose 4.0% month-on-month in April, the highest growth rate since September 2020. SA CTKs are now around 5% higher than the pre-crisis August 2018 peak (**Chart 1**).

Chart 1: CTK levels, actual and seasonally adjusted



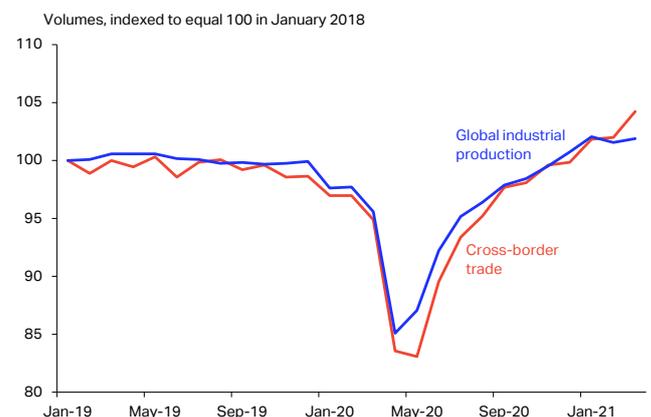
Sources: IATA Economics, IATA Monthly Statistics

This solid cargo growth performance this month was primarily driven by North American airlines (7.5 percentage points out of the 12.0% growth rate). But all the regions outside Latin America contributed positively to the growth outcome.

...amid a strong economic rebound...

The V-shaped recovery in sectors of the economy related to manufacturing and trade is continuing so far in 2021. Cross-border goods trade reached a new high in March 2021 (up 4.2% vs March 2019), with industrial production also elevated and growing (**Chart 2**).

Chart 2: Global industrial production and goods trade



Source: IATA Economics using data from Netherlands CPB

The strong rise in demand for transportation benefits air cargo as well as the other modes of transport such as container shipping. This increase had not been fully anticipated, and with the problems caused by insufficient capacity, COVID control measures at trade

Air cargo market overview - April 2021

To aid understanding, the table includes both % comparisons with pre-crisis 2019 months and 2020 months.

	World share ¹	April 2021 (% ch vs the same month in 2019)				April 2021 (% year-on-year, 2020)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	12.0%	-9.7%	11.2%	57.8%	48.3%	49.4%	-0.4%	57.8%
International	85.5%	13.0%	-12.5%	15.0%	66.5%	53.0%	41.7%	4.9%	66.5%

¹% of industry CTKs in 2020

²Change in load factor vs same month in 2019

³Load factor level

hubs and generally disrupted supply chains, is creating tensions in global trade.

...and favourable supply chain dynamics

One result of those tensions is the exceptionally low levels of inventories compared to sales in the US, which were down 6.4% compared to pre-crisis levels in April.

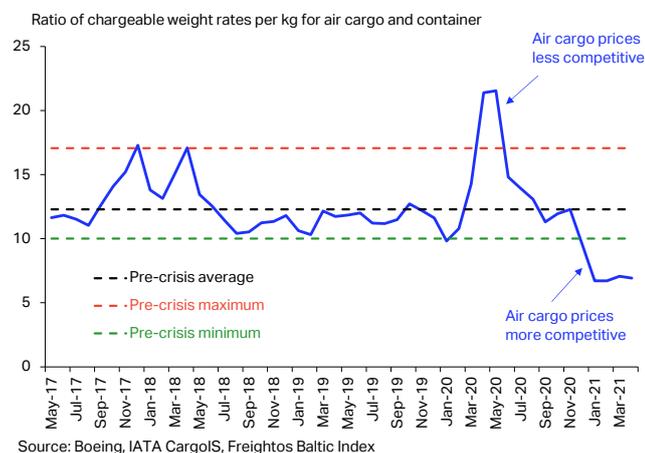
It is common that, at the start of an economic upturn, businesses turn to air freight in order to rapidly refill stocks as demand lifts, thus providing support to CTKs. In the current context, supplier delivery times have lengthened significantly, and many supply chains are now operating "just-in-time". That means businesses are likely to use air both to meet urgent demand, and to provide a buffer on stocks (Chart 3).

Chart 3: US inventory-to-sales ratio, global CTKs



Another symptom is the evolution of the relative price of air cargo compared to that of container shipping. Prior to the crisis, air cargo used to be around 12 times more expensive than ocean. While air cargo rates shot up in the early stage of the crisis around April 2020, they have stabilized since then, and container rates have grown faster (Chart 4).

Chart 4: Prices of air cargo and container shipping, per kg of chargeable weight



The relative price of air cargo is currently low compared to its recent average. On top of being fast, air cargo is now also relatively cheap, creating a [strong competitive advantage](#) that is likely to attract some businesses.

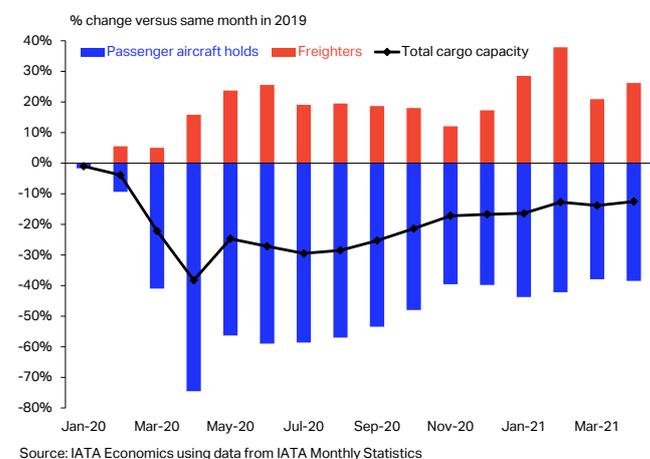
The difficulty in rapidly increasing container capacity – which would make air cargo less attractive – and refilling inventories, combined with ongoing strong economic demand mean that those dynamics are likely to extend until late in 2021. We think air cargo will continue to perform well in the coming months.

A modest upwards trend in air cargo capacity...

In April, industry-wide available cargo tonne-kilometres (ACTKs) were 9.7% below their levels of April 2019. This was the third consecutive month of improvement, and SA volumes also rose for the third month in a row to the highest value since Jan 2020.

International passenger traffic – and consequently cargo belly capacity – did not improve in April compared to March. But international freighters ACTKs were up 26.2% versus pre-crisis value in 2019. As has been the case since the start of the crisis, airlines are regularly increasing their freighters fleet size as well as daily freighter utilization (Chart 5).

Chart 5: Int'l belly cargo and freighter capacity growth

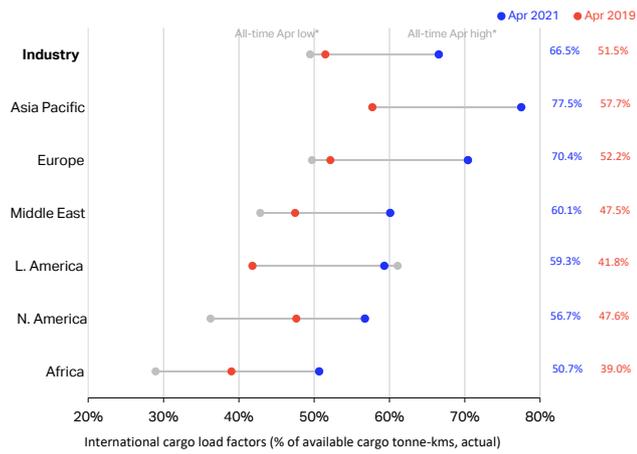


... but load factors and revenues are close to records

The upshot is that cargo capacity is still insufficient. While this is not to the same extent as container trade, the lack of capacity creates some headwinds for demand, as has been the case since the start of the crisis.

Moreover, it also means cargo load factors continue to trend close to record levels. The industry-wide cargo load factor was 57.8% in April, up 11.2 percentage points versus April 2019. International load factors were at a record-high level – but close to April 2020 – in all regions except Latin America (Chart 6).

Chart 6: Cargo load factors by region



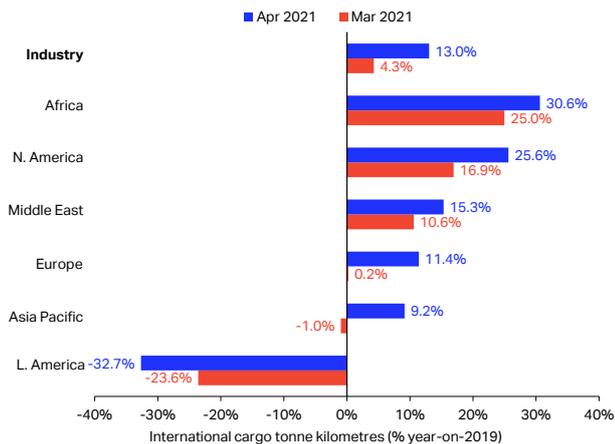
Sources: IATA Economics, IATA Monthly Statistics

As air cargo rates broadly follow the trend in load factors, they were up around 85% compared to April 2019 – but 3% below April 2020 (including fuel and other surcharges). Both rates and volumes carried are close to all-time high values, a strong positive for certain airlines.

Int'l CTKs growth in line with that of the industry

The stark performance of global air cargo volumes was also reflected in international CTKs, which grew 13.0% in April 2021 versus April 2019. SA CTKs also follow a steep upwards trend. Among the regions we track, Latin America remains the main underperformer, while Africa and North America grew the most (Chart 7).

Chart 7: Int'l CTK growth versus the same month in 2019 (airline region of registration basis)



Sources: IATA Economics, IATA Monthly Statistics

Airlines based in Africa posted a fourth consecutive month of growth at or above 25% versus 2019. Indeed in April, their international CTKs rose by 30.6% compared to April 2019. This is mostly driven by CTKs

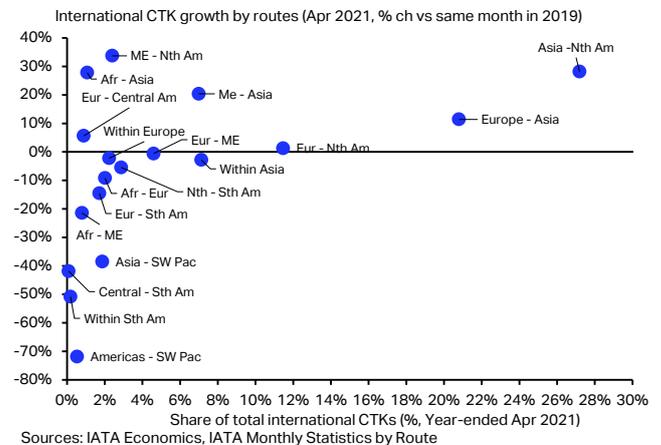
flown on routes between Asia and Africa, which have not been significantly impacted by the pandemic.

North American airlines posted a 25.6% rise in their international CTKs in April 2021 versus April 2019, following a 16.9% gain in March. Airlines in the region have benefitted from the appetite of the US consumers for products manufactured in Asia. They have also been able to grow their market share on routes such as Nth-Sth America, owing to the large freighter fleets they have available.

Airlines registered in the Middle East, Europe and Asia posted growth performances that were more in line with the international total. But all three regions improved significantly in April compared to March with SA volumes on a robust upward trend, highlighting that the strength of air cargo is broad-based outside of Latin America.

International CTKs of airlines based in Latin America fell by 32.7% in April 2021 versus April 2019, in a stark contrast with the other regions. SA CTKs have not clearly progressed since the crisis first hit. That being said, segment-based volumes on several routes in the region (Eur-Central Am, Nth-Sth Am) have performed well in April (Chart 8).

Chart 8: International CTKs by route (segment-based)



Sources: IATA Economics, IATA Monthly Statistics by Route

This emphasizes the difference between data based on the airlines' region of registration and data based on segments. In this specific instance, the bankruptcy procedures of some of the largest carriers in Latin America mean that they lost market shares to North American and European carriers. While there is still demand on routes to/from Latin America, less of it is being carried by airlines based in the region compared to prior to the crisis.

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 8th June 2021

Air cargo market detail - April 2021

To aid understanding, the table includes both % comparisons with pre-crisis 2019 months and 2020 months.

	World share ¹	April 2021 (% ch vs the same month in 2019)				April 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	12.0%	-9.7%	11.2%	57.8%	48.3%	49.4%	-0.4%	57.8%
Africa	2.0%	29.2%	-2.3%	12.3%	50.4%	56.3%	24.4%	10.3%	50.4%
Asia Pacific	32.6%	5.4%	-13.7%	11.5%	63.3%	46.2%	59.3%	-5.7%	63.3%
Europe	22.3%	11.5%	-18.1%	18.1%	68.1%	61.0%	52.2%	3.7%	68.1%
Latin America	2.4%	-31.0%	-47.2%	10.7%	45.7%	25.3%	53.1%	-10.1%	45.7%
Middle East	13.0%	15.3%	-9.9%	13.1%	59.8%	80.7%	58.5%	7.3%	59.8%
North America	27.8%	23.7%	5.8%	6.9%	47.3%	31.2%	38.8%	-2.7%	47.3%
International	85.5%	13.0%	-12.5%	15.0%	66.5%	53.0%	41.7%	4.9%	66.5%
Africa	2.0%	30.6%	0.6%	11.6%	50.7%	56.3%	23.9%	10.5%	50.7%
Asia Pacific	29.1%	9.2%	-18.7%	19.8%	77.5%	45.4%	35.2%	5.4%	77.5%
Europe	21.9%	11.4%	-17.5%	18.3%	70.4%	61.1%	47.6%	5.9%	70.4%
Latin America	2.0%	-32.7%	-52.5%	17.5%	59.3%	13.0%	12.4%	0.3%	59.3%
Middle East	13.0%	15.3%	-8.9%	12.6%	60.1%	80.4%	57.4%	7.6%	60.1%
North America	17.5%	25.6%	5.5%	9.1%	56.7%	44.1%	39.9%	1.7%	56.7%

¹% of industry CTks in 2020

²Change in load factor vs same month in 2019

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.

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