



Air Cargo Market Analysis

April 2022

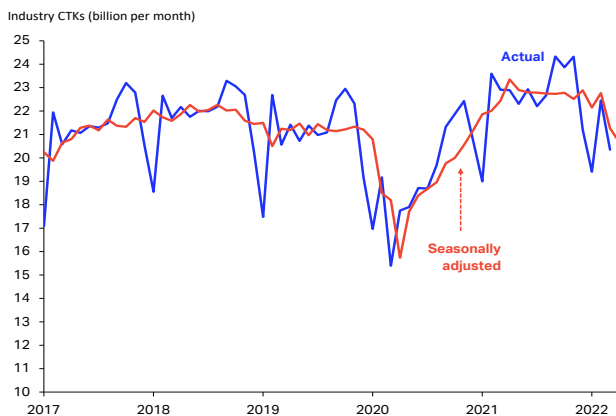
Air cargo volumes fall further as capacity declines in Asia

- April industry-wide cargo tonne-kilometers (CTKs) were 11.2% lower than a year ago, and the seasonally adjusted volumes contracted for the second month in row, 2.7% below the level seen in March.
- The main reasons behind the downturn are the Omicron wave spreading in China and the ongoing Ukraine-Russia war both of which cause supply chain and capacity issues that are limiting the movement of air cargo.
- Aside from these extraordinary events, airlines are adding to their air cargo capacity in spite of widespread inflation, pointing to a degree of optimism amidst the challenges. The coming months will be critical in terms of how the various factors influencing air cargo will evolve.
- All regions except for Latin America posted declines in April compared with a year ago, with the most notable drop seen among Asia Pacific and European airlines, down 15.8% and 14.4% respectively.
- Latin America bucked the trend with a strong 40.9% increase on a year ago, after large additions to capacity and services which enabled the satisfying of pent-up demand for cargo to and from the region.
- As lockdown restrictions ease in China and capacity increases in Asia and elsewhere, we might see improved air cargo volumes in May.

CTKs fall further in April as extraordinary events hit supply chains

Industry-wide cargo tonne-kilometers (CTKs) were down 11.2% in April year-on-year (YoY). This is a deepening of the March decline, 4.8% YoY, signaling a continuation of supply chain and capacity issues that are impacting air cargo operations.

Chart 1: Global CTKs seasonally adjusted (SA)



Sources: IATA Economics, IATA Monthly Statistics

Chart 1 shows that seasonally adjusted (SA) March air cargo volumes fell further in April, dropping 2.7% compared with March (MoM). This is the second consecutive fall in air cargo volumes. While the MoM

Air cargo market - April 2022

	World share ¹	April 2022 (% ch vs the same month in 2019)				April 2022 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-1.0%	-10.6%	5.0%	51.6%	-11.2%	-2.0%	-5.3%	51.6%
International	87.2%	-0.5%	-11.8%	6.6%	58.1%	-10.6%	1.2%	-7.6%	58.1%

¹% of industry CTKs in 2021

²Change in load factor vs same month in 2019

³Load factor level

volumes can show significant volatility, the challenges already mentioned corroborate the negative development we saw in April.

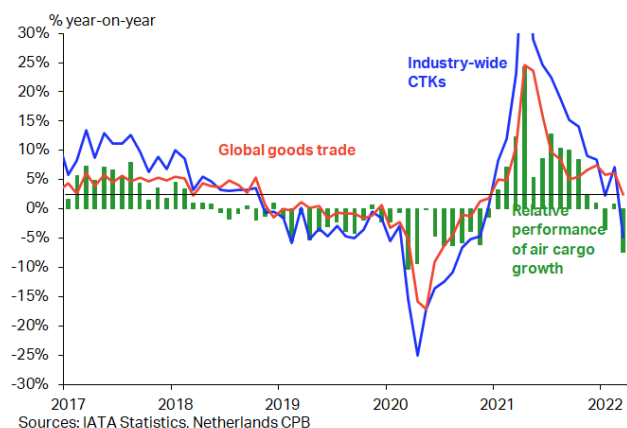
The war in Ukraine led to a fall in the capacity used to serve Europe, as several airlines based in Ukraine and Russia were crucial carriers in the region.

Trade activity has also been impacted by lockdowns in China and the Ukraine-Russia war

Global goods trade has continued to decline in 2022, with China being the main drag. The lockdowns to help contain the spread of the Omicron have brought much of the world's largest port, Shanghai, to a standstill and disrupted supply chains. In other Asian countries, such as South Korea, trade volumes showed buoyancy in April, but the rates of growth were the slowest so far this year – with volumes of exports to China shrinking.

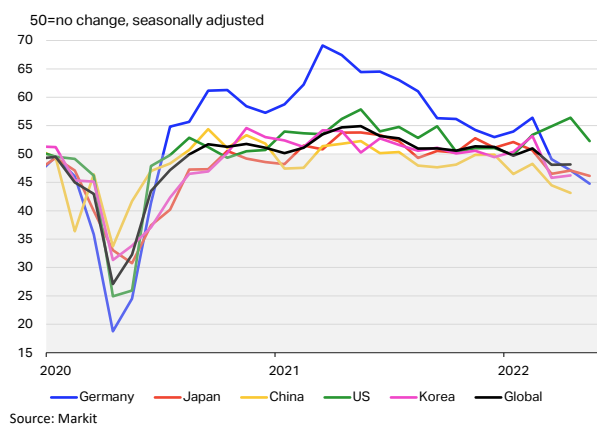
The supply chain disruptions due to the Ukraine-Russia war are adding to the downward pressure on trade. Indeed, **Chart 2** shows the marked decline in trade and CTK volumes, but now critically revealing that CTKs are relatively more affected, suggesting that high value, low weight goods that tend to move by air are especially impacted by recent events.

Chart 2: Growth in global goods trade and CTKs



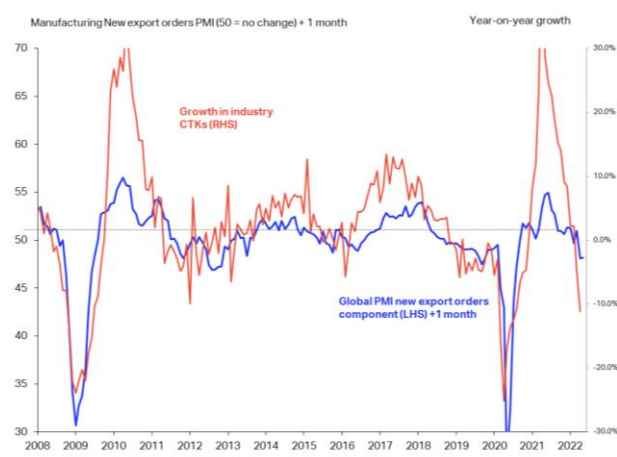
New export orders – a leading indicator of demand for air cargo shipments and historically strongly correlated with CTKs – are now contracting in all major markets except for the US. Sanctions against Russia have disrupted manufacturing activity, seeing export orders decline so far in 2022 in Germany, Japan and Korea. Chinese export orders fell further below the 50-mark (**Chart 3**).

Chart 3: New export order manufacturing PMIs



If we advance the global PMI for new export orders by just one month – knowing that it is a leading indicator for CTK demand – we can see (**Chart 4**) that the series points resolutely toward continued declines in air cargo in May.

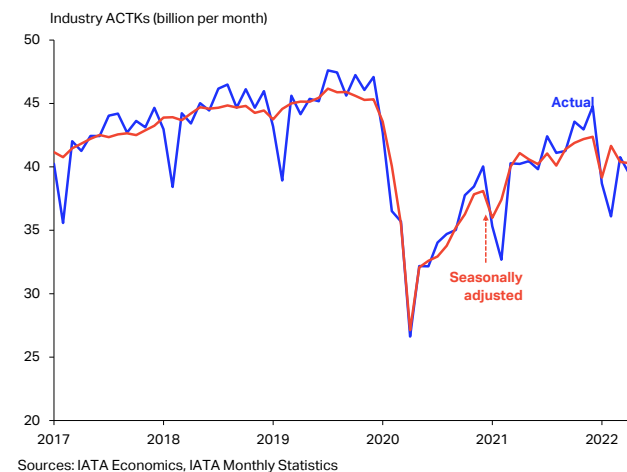
Chart 4: CTK growth versus global new export orders



Air cargo capacity has suffered, but additional capacity may enter market to meet pent-up demand

International available cargo tonne-kilometers (ACTKs) were up 1.2% compared with March a year ago. That is, however, down from an 11.2% YoY increase in February, and seasonally adjusted air cargo capacity contracted by 3.8% (**Chart 5**). Asia and Europe are the regions seeing the greatest falls in cargo capacity offered, due to the events already discussed, and the likelihood that they will linger for some time.

Chart 5: ACTK levels, actual and seasonally adjusted



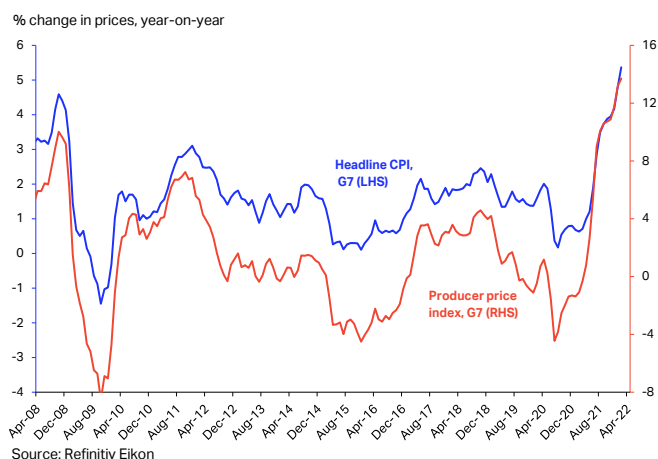
The industry-wide cargo load factor was 54.9% in March, which is a 3.7 percentage points (ppts) decrease compared with a year ago. This follows a 4.9 ppts fall in February and underscores the downward pressure on load factors and air cargo yields stemming from weakening demand. Indeed, we have discovered that the importance of [preighters](#) has diminished over recent months in the face of such weaker demand. All in all, this trend is expected to continue and could create some slack in the cargo capacity crunch that created supply chain issues earlier in 2020 and 2021.

Inflation consequences to be seen in the months ahead

Inflation and many of its subcomponents are at their highest levels in decades. The general consumer price index for the G7 countries was at 7.1% YoY in mid-April, climbing above previously record-breaking levels in February 2022.

Following its peak increase in early March, the Brent crude oil price decreased slightly only to start rising again in May. The gap between jet fuel and crude oil prices remains significant and producer price inflation (PPI) continues to put pressure on the global economy at 15.7% YoY in March 2022 (**Chart 5**).

Chart 6: G7 headline CPI and PPI inflation

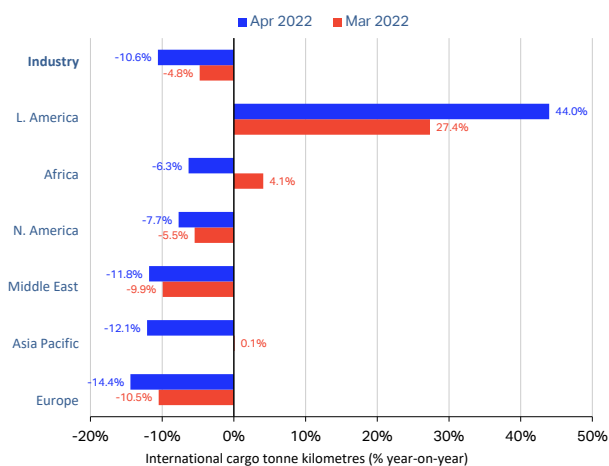


Higher consumer prices are a dampener on consumer spending and this could in turn affect air cargo demand.

Latin America stands out as some other regions struggle with capacity

Overall, international CTks fell by 10.6% YoY in April. CTks were down in April compared with a year ago in all regions except for Latin America, where a strong recovery in air cargo volumes continues (Chart 7). This is true of the seasonally adjusted monthly volumes too – Latin American carriers’ CTks expanded 2.5% MoM. Airlines in this region have shown optimism about air cargo by introducing new services and capacity, and indeed in some cases investing in additional aircraft for air cargo in the coming months.

Chart 7: Int’l CTk growth (airline region of registration)

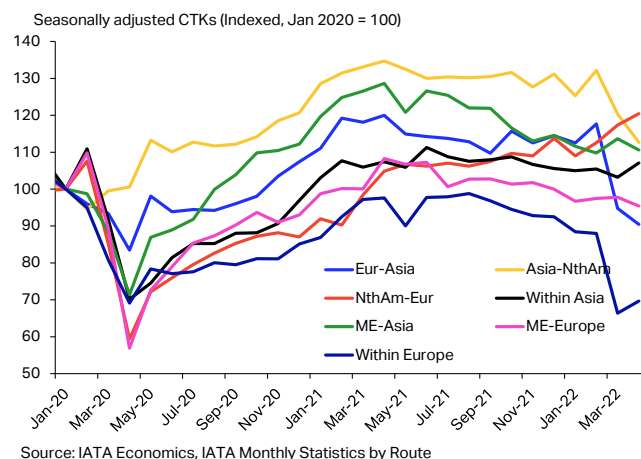


International CTks of airlines registered in North America were down 7.7% in April compared with a year ago. Seasonally adjusted volumes expanded by 2% MoM in April, sustaining a slight, overall positive trend so far in 2022. The Asia-North America market is weighing down the performance we are seeing for this region overall, but other key routes, such as Europe – North America, are bucking this trend and showing

that cargo demand is still strong concerning certain routes (Chart 8). Several carriers in the region are set to receive delivery of freighters in 2022, adding capacity to meet pent-up demand. This could lead improved CTK volumes for this region in the months ahead.

Airlines in Europe and Asia Pacific have been most impacted by the war in Ukraine, labor shortages, and lower trade and manufacturing activity in Asia due to Omicron. The markets carrying cargo through Middle Eastern hubs, reoriented there from Europe-Asia to avoid Russian airspace, have held up but failed to show any meaningful increase – likely dampened by subdued demand overall. Within Europe, air CTks have fallen the most from February to March 2022 (24.6% MoM) with Ukrainian and Russian airline capacity currently essentially offline. A 4.9% MoM increase was recorded in April. The results for Asia Pacific, Europe and Middle East were all notable declines in April compared with a year ago, 12.1%, 14.4% and 11.8%, respectively.

Chart 8: Seasonally adjusted CTks by route area



Air cargo market in detail - April 2022

	World share ¹	April 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%	-11.2%	-2.0%	-5.3%	51.6%	-3.3%	4.4%	-4.2%	53.8%
Africa	1.9%	-6.3%	-1.5%	-2.5%	49.0%	3.2%	7.3%	-2.0%	49.3%
Asia Pacific	32.5%	-15.8%	-19.4%	2.7%	63.1%	-3.0%	-0.7%	-1.5%	61.9%
Europe	22.9%	-14.4%	-0.2%	-9.6%	57.8%	-4.8%	2.6%	-4.9%	63.2%
Latin America	2.2%	40.9%	67.8%	-8.0%	41.9%	24.6%	33.3%	-3.1%	43.7%
Middle East	13.4%	-11.9%	6.0%	-10.2%	50.4%	-8.4%	5.8%	-8.0%	51.7%
North America	27.2%	-6.6%	5.2%	-5.3%	41.9%	-2.3%	6.9%	-4.1%	44.0%
International	87.2%	-10.6%	1.2%	-7.6%	58.1%	-3.1%	4.5%	-4.7%	60.7%
Africa	1.9%	-6.3%	-2.2%	-2.2%	49.8%	3.2%	7.3%	-2.0%	50.1%
Asia Pacific	29.5%	-12.1%	-5.2%	-5.4%	68.9%	-1.1%	6.1%	-5.0%	69.4%
Europe	22.5%	-14.4%	0.1%	-10.2%	59.8%	-4.8%	2.7%	-5.2%	65.4%
Latin America	1.8%	44.0%	69.3%	-8.8%	50.1%	25.8%	32.0%	-2.6%	53.1%
Middle East	13.4%	-11.8%	6.2%	-10.3%	50.7%	-8.4%	5.9%	-8.1%	52.1%
North America	18.0%	-7.7%	1.3%	-5.1%	51.8%	-3.5%	0.4%	-2.2%	53.6%

¹% of industry CTKs in 2021

²Year-on-year change in load factor

³Load factor level

Air cargo market - 2022 vs. 2019

	World share ¹	April 2022 (% ch vs the same month in 2019)				Year-to-date (% ch vs the same period in 2019)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-1.0%	-10.6%	5.0%	51.6%	3.0%	-9.8%	6.7%	53.8%
International	87.2%	-0.5%	-11.8%	6.6%	58.1%	3.4%	-11.4%	8.7%	60.7%

¹% of industry CTKs in 2021

²Change in load factor vs same period in 2019

³Load factor level

	World share ¹	April 2022 (% ch vs the same month in 2019)				Year-to-date (% ch vs the same period in 2019)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-1.0%	-10.6%	5.0%	51.6%	3.0%	-9.8%	6.7%	53.8%
Africa	1.9%	7.7%	-16.3%	10.9%	49.0%	19.1%	-10.5%	12.3%	49.3%
Asia Pacific	32.5%	-13.4%	-28.9%	11.3%	63.1%	-3.5%	-20.4%	10.9%	61.9%
Europe	22.9%	-5.8%	-18.5%	7.8%	57.8%	-1.9%	-18.6%	10.7%	63.2%
Latin America	2.2%	-3.0%	-19.1%	7.0%	41.9%	-2.7%	-25.6%	10.3%	43.7%
Middle East	13.4%	2.2%	-5.3%	3.7%	50.4%	1.1%	-8.6%	5.0%	51.7%
North America	27.2%	18.6%	14.5%	1.4%	41.9%	17.4%	10.9%	2.4%	44.0%
International	87.2%	-0.5%	-11.8%	6.6%	58.1%	3.4%	-11.4%	8.7%	60.7%
Africa	1.9%	8.8%	-14.8%	10.8%	49.8%	20.5%	-8.5%	12.1%	50.1%
Asia Pacific	29.5%	-8.6%	-23.4%	11.1%	68.9%	0.8%	-16.4%	11.9%	69.4%
Europe	22.5%	-5.8%	-17.8%	7.6%	59.8%	-2.0%	-18.6%	11.1%	65.4%
Latin America	1.8%	-1.0%	-17.4%	8.3%	50.1%	-2.0%	-24.7%	12.3%	53.1%
Middle East	13.4%	2.3%	-4.2%	3.2%	50.7%	1.1%	-8.4%	4.9%	52.1%
North America	18.0%	18.9%	9.3%	4.2%	51.8%	16.6%	5.1%	5.3%	53.6%

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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.