



Air Cargo Market Analysis

February 2022

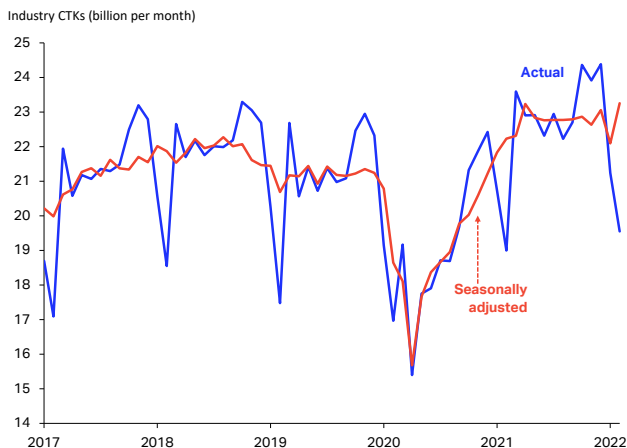
Air cargo growth continues despite a challenging backdrop

- Industry-wide cargo tonne-kilometers (CTKs) increased by 2.9% year-on-year in February. Accounting for the usual volatility surrounding the Chinese New Year and taking January and February together, CTKs were 2.7% above the same period in 2021. While below the growth rates seen in late 2021, it is nevertheless encouraging that cargo traffic is still growing despite the most challenging backdrop.
- February saw improvements in air cargo traffic thanks to reduced disruptions from Omicron outside of Asia, as well as the end of Chinese New Year. However, an Omicron wave spread in China and certain other Asian countries in February and March, and the war in Ukraine is having an impact on air cargo.
- Lockdowns and factory closures in Asia, sanctions related to the war, and shortages of crucial inputs are driving prices higher, and economic activity and trade lower. March therefore is likely to be a challenging month for air cargo.

Growth in air cargo continues despite war in Ukraine

Industry-wide cargo tonne-kilometers (CTKs) rose 2.9% year-on-year (YoY) in February 2022, compared to a 2.4% increase in January. Global CTKs were 11.9% above their February 2019 level (**Chart 1**). Although the conflict in Ukraine has impacted air cargo outcomes, it was partly offset by a confluence of temporary factors that include Chinese New Year and reduced disruptions from Omicron outside of Asia.

Chart 1: CTK levels, actual and seasonally adjusted



Sources: IATA Economics, IATA Monthly Statistics

Seasonally adjusted (SA) CTKs rose by 5.2% month-on-month (MoM) to a new all-time high. That followed a 4.2% drop in January. Such volatility is common around the Chinese New Year (1 Feb in 2022), as the period is not well captured in seasonal adjustments. Averaging January and February, CTKs were 1.7%

below the level seen in December 2021, and the year thus started softly for air cargo. In year-on-year terms, January and February combined were up 2.7%, a notable slow-down from December's 8.7% YoY rise.

Drivers of air cargo gave mixed signals in February...

In North America, and Europe to a lesser degree, January was impacted by disruptions related to weather, labor shortages, and Omicron, causing flight cancellations and lower manufacturing activity. Some one-off disruptions unrelated to Omicron disappeared in February.

While the Omicron variant of COVID remains prevalent outside of Asia, its impact on economies and labor markets there eased significantly in February. Asia has nonetheless suffered from outbreaks of Omicron, which caused significant disruptions in markets such as Hong Kong and Japan in February already. Besides, the ongoing spread of Omicron in Asia, and China in particular, is causing new lockdowns and labor shortages, which will strongly impact air cargo transport in markets linked to China.

A rebound in activity in Chinese factories from mid-February, in the wake of the Chinese New Year, also contributed positively to air cargo markets connected to China in February. That is for example visible on the key Asia-North America market.

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.

Air cargo market overview - February 2022

	World share ¹	February 2022 (% year-on-year)				Year-to-date (% 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%	12.5%	-4.9%	53.2%	2.7%	11.9%	-4.8%	53.6%
International	87.2%	2.5%	8.9%	-3.8%	61.3%	2.9%	9.9%	-4.1%	60.1%

¹% of industry CTKs in 2021

²Year-on-year change in load factor

³Load factor level

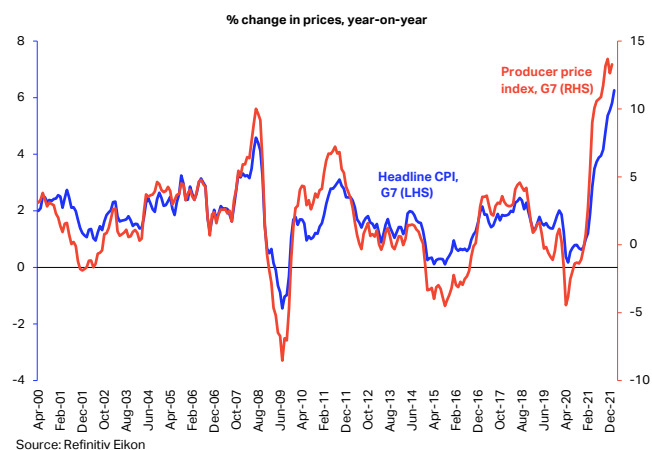
The Asia-Europe trade lanes in particular were significantly impacted from late February, with the disruption accelerating in March. Part of that can be made up elsewhere, notably through the Middle East. Overall, the impact of sanctions, higher commodity and fuel prices, uncertainty and other ramifications of the war were not strongly felt in global air cargo in February.

...and that will worsen in March

Some of the standard drivers of air cargo demand also point to current and future challenges. Inflation and many of its subcomponents are at their highest levels in decades. The general consumer price inflation for the G7 countries was at 6.3% YoY in February 2022, the highest since late 1982.

Early in March, daily close Brent crude oil prices reached their highest value since mid-2008. Labor costs have increased strongly, while the price of many commodities and key inputs such as semiconductors have also increased recently. In part due to that, producer price inflation (PPI) reached an all-time high in November 2021 at 13.7% YoY (**Chart 2**).

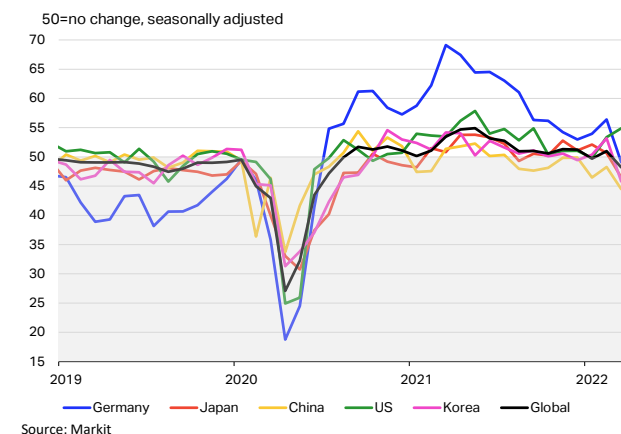
Chart 2: CTK growth versus global new export orders



High inflation curtails purchasing power and arguably reduces demand for goods, including when they are carried by air. Inflation is expected to continue to remain elevated globally throughout 2022.

Inflation may already be dampening new export orders – a typically leading indicator of demand for air cargo shipments and historically strongly correlated with CTKs. Sanctions against Russia further added to the above, and there was a marked deterioration in new export orders in Germany, China, Japan and Korea among others. In both January and March 2022, the global new export orders PMI was below the 50-mark, which indicates deteriorations compared to the previous month. The March reading (48.2) was the lowest since July 2020 (**Chart 3**).

Chart 3: New export order manufacturing PMIs

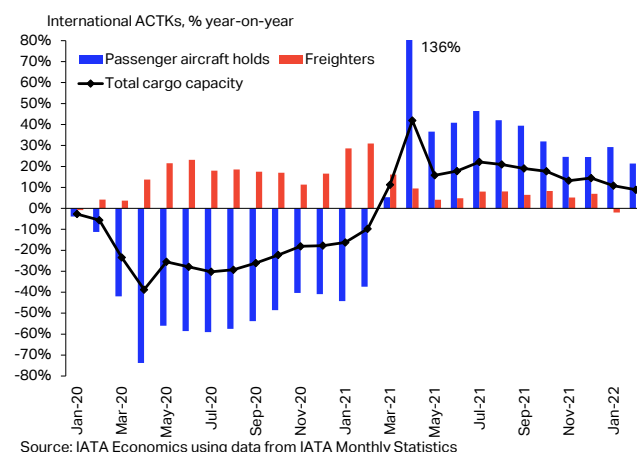


The cargo capacity crunch eased further in February

International available cargo tonne-kilometers (ACTKs) were up 12.5% YoY in February, in line with the past four months. Seasonally adjusted ACTKs grew 7.6% MoM, but the average of January and February was 3.7% below the December 2021 levels.

International ACTKs onboard passenger aircraft increased by 21.4% YoY in February, but gains are slowing as international air passenger traffic normalizes. Besides, dedicated air cargo capacity was unchanged compared to February 2021, a relatively weak outcome that is partly due to the loss of capacity in Russia and Ukraine and to disruptions related to Omicron in Asia (**Chart 4**).

Chart 4: Int'l belly cargo and freighter capacity growth



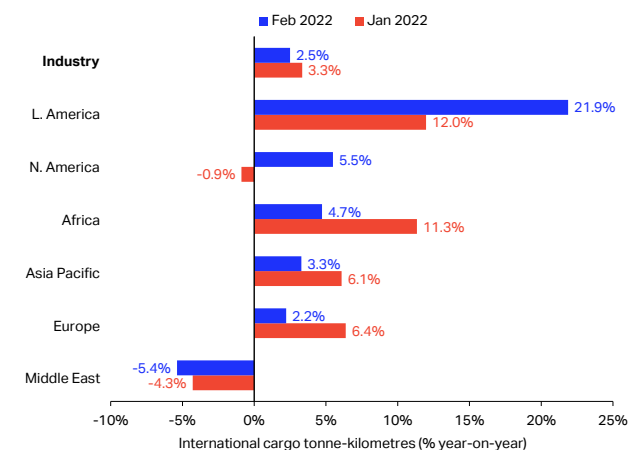
The industry-wide cargo load factor decreased by 4.9 percentage points (ppts) YoY to 53.2% in February. That follows a 4.7 ppts fall in January and is the largest YoY decline since February 2016. Pressures on air cargo supply chains are easing, but at a slow pace, and could reverse in March as cargo capacity tightens.

Mixed growth outcomes among the main regions

North America and Asia Pacific were the main contributors to the recovery in SA volumes, mirroring their contributions to the fall in SA CTKs in January. The Chinese New Year played a role in that pattern.

Overall, international CTKs grew by 2.5% YoY in February and were 12.4% above the pre-crisis month of February 2019. Performance was mixed across the regions, with significant improvements in annual growth in the Americas and deteriorations elsewhere (**Chart 5**).

Chart 5: Int'l CTK growth (airline region of registration)

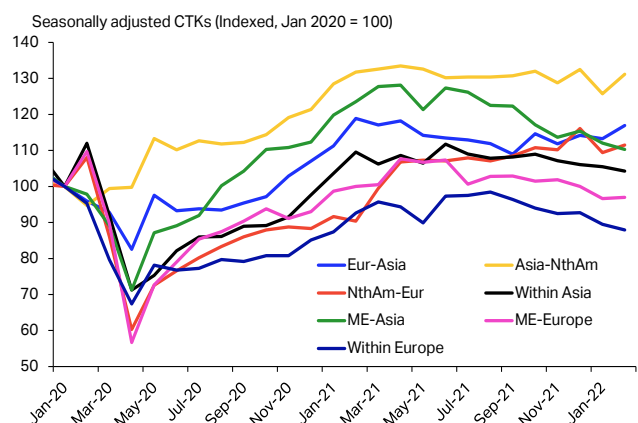


Sources: IATA Economics, IATA Monthly Statistics

Airlines based in **Latin America** seem to be benefitting from the end of bankruptcy procedures for some of the main carriers in the region. The region's international CTKs were up 21.9% YoY, but still 0.7% below the same month in 2019. International air cargo capacity in Latin America is on a steep upward trend.

International CTKs of airlines registered in **North America** increased by 5.5% YoY in February, following a 0.9% drop in January. There was a strong 7.5% MoM gain in SA CTKs. The Asia-North America market benefitted the most, with its SA CTKs rising by 4.3% MoM in February. That said, they were still 1.0% below the levels of December 2021, and the overall trend is flat (**Chart 6**).

Chart 6: SA int'l CTKs by route (segment-based)



Source: IATA Economics, IATA Monthly Statistics by Route

For **African** airlines, international CTKs rose by 4.7% YoY, below the 11.3% gain recorded in January.

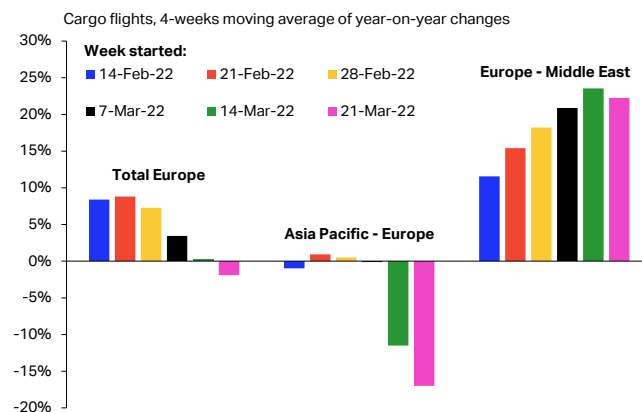
International CTKs of airlines in **Asia Pacific** grew 3.3% YoY in February, down from 6.1% in January (4.8% for Air Cargo Market Analysis – February 2022

the two months combined) and down from 16.5% in December 2021. SA CTKs rose by 10.1% MoM in February, but more tellingly, they fell by 4.3% when averaging January and February, versus December 2021.

In **Europe** in February, airlines posted a 2.2% YoY increase in their international CTKs. SA CTKs however, were down 0.1% MoM in February - the only region without any clear growth in that metric, most likely because of the [impact of the conflict in Eastern Europe](#). Seasonally adjusted CTKs on the Asia-Europe route – one of the most impacted by the conflict – fell by 2% MoM in February. Within Europe, SA CTKs decreased by 4.3% MoM, extending a downward trend that started in mid-2021. Further weakness is to be expected in March.

This is confirmed by [dedicated cargo flights](#) between Asia and Europe, which declined late-March to 17.0% below the levels a year prior (on a rolling 4-weeks average basis and using data from FR24). International flights to and from Russia were down 83.6% YoY in the week started 21 March (they were up 11.1% in late February) on the same basis. Domestic flights in Russia were down 27.1% YoY in late-March. Overall, dedicated cargo flights to, from and within Europe eased to 1.9% below 2021 levels in the last week of data (**Chart 7**).

Chart 7: SA int'l CTKs by route (segment-based)



Source: IATA Economics using data provided under licence by FlightRadar24

Carriers registered in the **Middle East** saw their international CTKs drop 5.4% below 2021 levels in February, slightly worse than the January outcome (4.3%). SA volumes were flat but have generally trended downwards over the past six months or so. Recently though, there are signs of improvement in the dedicated cargo flights data, partly because the region is likely to benefit from traffic being redirected to avoid flying over Russia.

Air cargo market in detail - February 2022

	World share ¹	February 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%	2.9%	12.5%	-4.9%	53.2%	2.7%	11.9%	-4.8%	53.6%
Africa	1.9%	4.6%	8.2%	-1.7%	50.2%	8.0%	11.3%	-1.5%	49.1%
Asia Pacific	32.4%	3.0%	15.5%	-7.1%	59.2%	4.4%	14.0%	-5.5%	60.0%
Europe	22.9%	2.2%	10.0%	-4.8%	63.6%	4.3%	14.0%	-5.7%	60.9%
Latin America	2.2%	21.2%	18.9%	0.9%	47.6%	16.3%	15.3%	0.4%	44.6%
Middle East	13.4%	-5.3%	7.2%	-7.0%	52.9%	-4.8%	6.6%	-6.3%	52.2%
North America	27.2%	6.1%	13.4%	-3.0%	42.9%	1.5%	10.7%	-4.1%	44.9%
International	87.2%	2.5%	8.9%	-3.8%	61.3%	2.9%	9.9%	-4.1%	60.1%
Africa	1.9%	4.7%	8.6%	-1.9%	50.8%	8.0%	11.7%	-1.7%	49.9%
Asia Pacific	29.5%	3.3%	11.8%	-5.7%	69.1%	4.8%	12.2%	-4.9%	68.7%
Europe	22.5%	2.2%	10.0%	-5.0%	65.7%	4.3%	14.2%	-5.9%	62.9%
Latin America	1.8%	21.9%	13.9%	3.9%	58.9%	16.8%	12.5%	2.0%	54.9%
Middle East	13.4%	-5.4%	7.3%	-7.1%	53.4%	-4.8%	6.7%	-6.4%	52.6%
North America	18.1%	5.5%	4.9%	0.3%	54.3%	2.1%	4.5%	-1.2%	53.2%

¹% of 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.

Air cargo market - 2022 vs. 2019

	World share ¹	February 2022 (% ch vs the same month in 2019)				Year-to-date (% ch vs the same period in 2019)			
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Asia Pacific	32.4%	10.6%	-14.6%	13.5%	59.2%	4.8%	-15.7%	11.7%	60.0%
Europe	22.9%	6.2%	-11.1%	10.4%	63.6%	6.0%	-10.0%	9.2%	60.9%
Latin America	2.2%	-0.9%	-32.0%	14.9%	47.6%	-3.4%	-30.6%	12.6%	44.6%
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International	87.2%	12.4%	-7.3%	10.7%	61.3%	9.0%	-8.6%	9.7%	60.1%
Africa	1.9%	36.4%	-1.2%	14.0%	50.8%	28.7%	-5.6%	13.3%	49.9%
Asia Pacific	29.5%	13.8%	-11.8%	15.6%	69.1%	8.6%	-13.4%	13.9%	68.7%
Europe	22.5%	6.3%	-11.2%	10.8%	65.7%	6.0%	-10.0%	9.5%	62.9%
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