



Air Cargo Market Analysis

January 2022

Air cargo continued to grow in January, though at a softer pace

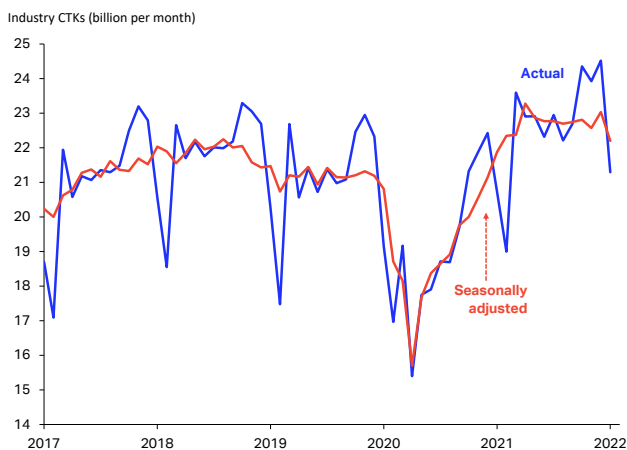
- Industry-wide cargo ton kilometers (CTKs) continued to grow in January 2022, rising 2.7% year-on-year (YoY). The pace slowed quite markedly from December, however, when the rise was 9.3% YoY. Seasonally adjusted CTks dropped by 3.6% month-on-month in January.
- The soft patch in cargo growth is due to a combination of weaker economic drivers, and operational disruptions mainly related to the impact of Omicron on air passenger traffic and air cargo capacity. The conflict in Eastern Europe is creating significant fresh challenges, notably in air cargo rates and capacity as well as economic activity.
- All the regions outside of Africa faced slower growth, but North America and Asia Pacific were the most impacted.

Air cargo grew at a softer pace in January...

An array of disruptions that includes the Omicron variant, as well as weakness in some key drivers, caused air cargo growth to soften in January 2022. Cargo ton kilometers (CTKs) were up 2.7% YoY compared to a 9.3% YoY in December, the lowest YoY growth rate since December 2020. Encouragingly though, CTks were 5.1% above January 2019 levels.

Seasonally adjusted (SA) CTks confirm that deterioration, with a 3.6% decline month-on-month (MoM) in January, the worst outcome since April 2020. The sideways trend in air cargo volumes that started in Q2 2021 looks to have been interrupted (**Chart 1**).

Chart 1: CTK levels, actual and seasonally adjusted



Sources: IATA Economics, IATA Monthly Statistics

North America and Asia Pacific contributed to a large part of the softening in growth this month, but all the

regions outside of Africa performed worse in December.

... and challenges are growing

Looking ahead, the outbreak of war in Eastern Europe will have a negative impact on air cargo starting from the end of February. The overall impact of sanctions on manufacturing and economic activity globally is as of yet uncertain. Airspace closures will clearly mean that air cargo will stop flying between Russia and a significant number of countries with likely disruptions to flows between Asia and Europe as well. Besides, several key operators in that market are based in Russia and Ukraine. This will further reduce available capacity and increase already elevated air cargo rates.

Russia accounts for less than 1% of global international segment-based freight tons – which include connecting traffic. The Europe-Asia market, on the other hand, weighed 20.6% of all international CTks in the past 12 months, with a further 2.2% for the Within Europe routes (Russia included). Part of the traffic flying over Russia is likely to be made up on other routes, notably via the Middle East.

Adding to the disruption, [jet fuel prices](#) are currently around USD 141 per barrel, up 27% on the month, making some flights unprofitable for airlines and air cargo more expensive for businesses.

Mix of disruptions to capacity, weakness in key drivers

The impact of the Omicron variant and related travel restrictions meant that international air passenger traffic declined in January, leading to a deterioration in air cargo capacity.

Air cargo market overview - January 2022

	World share ¹	January 2022 (% year-on-year)				January 2022 (% ch vs the same month in 2019)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	2.7%	11.4%	-4.6%	54.1%	5.1%	-8.9%	7.2%	54.1%
International	87.2%	3.2%	10.8%	-4.3%	58.9%	6.0%	-9.7%	8.7%	58.9%

¹% of industry CTks in 2021

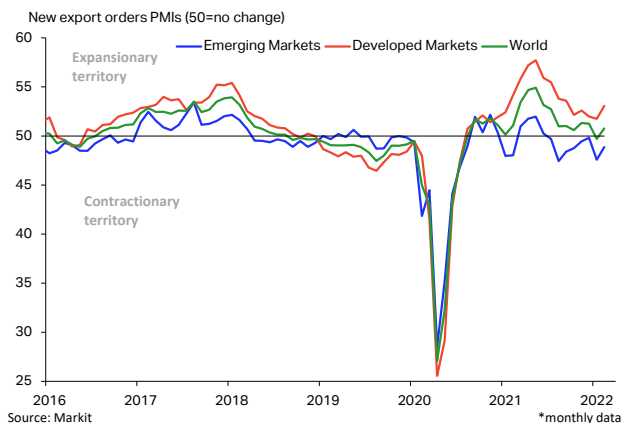
²Change in load factor

³Load factor level

In the US, labor shortages, severe winter weather, and issues with the deployment of 5G caused numerous cargo and passenger flight cancellations. The zero-COVID policy in mainland China and Hong Kong is the principal cause of the weakness observed there. The Lunar New Year in China could have been expected to lead to lower manufacturing activity and front-loading of cargo in January, but its impact is more blurred than in the past due to factories remaining open, and it is unclear whether it caused the slowdown in growth seen in January.

Some of the standard drivers of air cargo demand also softened in January. Global new export orders in the manufacturing purchasing managers' index (PMI) – historically a strong leading indicator for air cargo – fell below 50 in January for the first time since August 2020. This means that more businesses saw a fall in new export orders rather than an increase. The score moved above 50 again for the month of February (Chart 2).

Chart 2: New export order component of the manufacturing PMI



The decline in the new export orders PMI was indeed driven by China and the US, likely dampened by US inflation which stood at 7.5% YoY in January. This forces consumers to reduce demand for goods made in China and Asia. The manufacturing PMI also eased in both countries, as did the global manufacturing PMI which dropped from 53.3 in December to 51.4 in January.

Supply chain disruptions which surfaced at the start of the economic recovery from the pandemic are still present at the beginning of 2022. The supplier delivery times component of the manufacturing PMI improved marginally in February to 39.3 from 37.8 in January, which nevertheless means that a significant majority of PMI respondents report deteriorating conditions.

But there remains a large backlog of demand

Now that the habitual peak air cargo season (Q4) has passed, one can expect a coming period of inventory build-up, which means there is a backlog of demand.

Indeed, the US inventory-to-sales ratio has been stuck at low levels since the middle of 2021 (Chart 3).

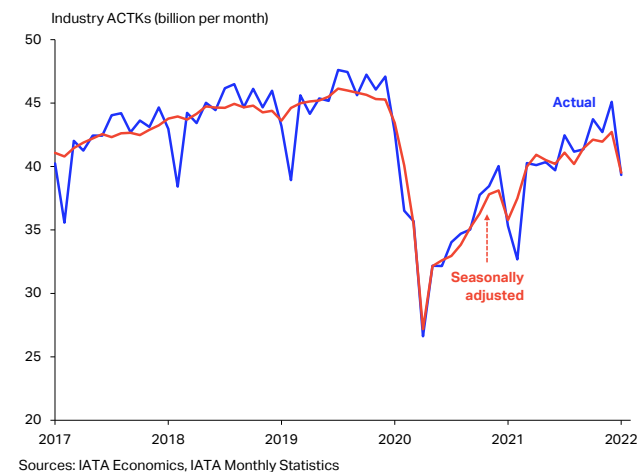
Chart 3: CTK growth versus global new export orders



Capacity deteriorated in January, impacting CTKs

In YoY terms, available cargo ton kilometers (ACTKs) rose by 11.4% in January, slightly below the 12.6% increase in December. Although the slowdown in capacity growth was lower than that of CTKs, it played a key role in January's weak outcome. Indeed, seasonally adjusted, ACTKs dropped by 7.5% MoM, the worst performance since April 2020 (Chart 4).

Chart 4: ACTK levels, actual and seasonally adjusted



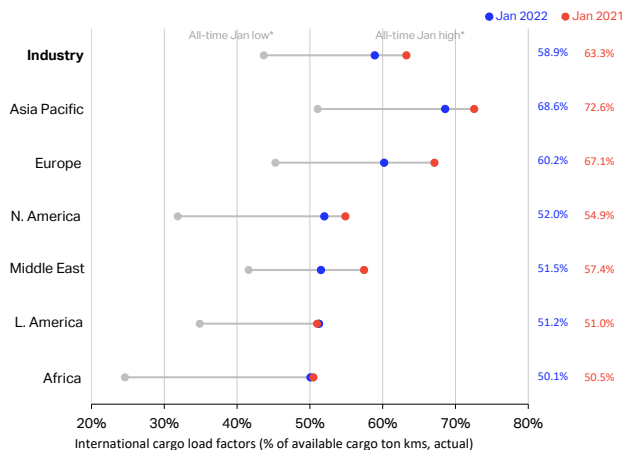
In January, most regions saw a similar picture of capacity recovering in YoY terms, but declining on the month when seasonally adjusted. Year-on-year growth ranged from 18.8% versus January 2021 in Europe to 6.2% in the Middle East. On the month, North America was the most heavily impacted, posting a drop of 13.5%, followed by Asia Pacific, down 7.9%.

Still too early to talk about easing air cargo conditions

The industry-wide cargo load factor (CLF) was at 54.1% in January 2022, 7.2 percentage points (ppts) above January 2019, but 4.6 ppts below January 2021. This followed a 1.6 ppts fall in YoY terms in December.

Despite the YoY fall, it is still too early to speak of an easing of conditions in the air cargo market. Indeed, the seasonally adjusted CLF rose by 2.3 ppts MoM in January. Besides, capacity is likely to suffer from late February due to the ramifications of the Ukraine-Russia conflict. The international CLF followed similar trends, and was at 58.9% in January (**Chart 5**).

Chart 5: Cargo load factors by region of registration

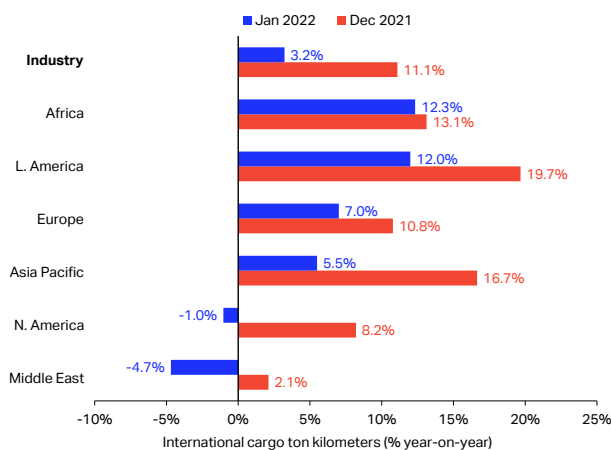


Sources: IATA Economics, IATA Monthly Statistics

International CTKs also softened in January

International air cargo followed the industry-wide trend in January 2022. International CTKs were up 3.2% on January 2021, but that represents a marked slowdown from the recent rates of growth as the pace of the recovery slows (11.1% YoY in December, 21.2% in 2021 overall). Africa was the only region which avoided a clear deterioration (**Chart 6**).

Chart 6: Int'l CTK growth (airline region of registration)



Sources: IATA Economics, IATA Monthly Statistics

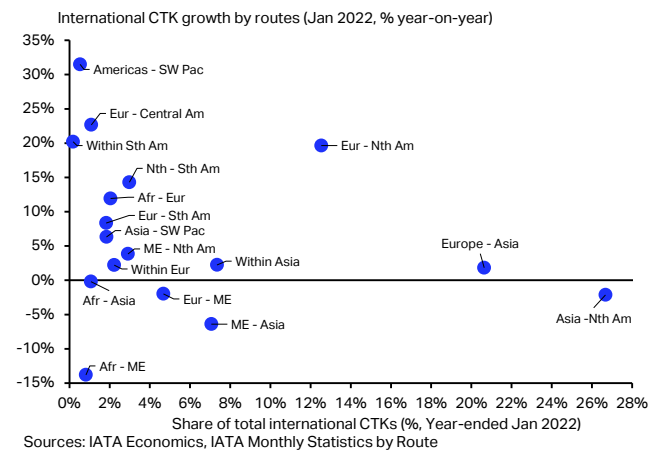
Carriers registered in **Africa** were the best international performers in January, with YoY growth in their international CTK levels of 12.3%. That was similar to December (13.1%), but below the growth seen for most of 2021 when traffic was rapidly recovering from the depths of the pandemic.

Latin American carriers posted a 12.0% increase in their international CTKs in January 2022 compared to January 2021. 2021 was a difficult year for those airlines, and the robust growth rate this month reflects only slow and modest recent improvement. CTKs have yet to return to pre-crisis levels in this region (6% below January 2019).

European airlines were relatively resilient in January, as YoY growth in international CTKs eased less than elsewhere outside of Africa, to 7.0%. This is partly due to robust economic activity and strong international capacity, up 19.3% YoY, the most of any of the main region.

International CTKs of airlines in **Asia Pacific** increased by 5.5% YoY in January, down from 16.7% in December. Traffic growth on the large Asia-North America and Asia-Middle East trade lanes slowed sharply in January with seasonally adjusted declines of 5.0% and 3.0% respectively, in January versus December (**Chart 7**).

Chart 7: International CTKs by route (segment-based)



Sources: IATA Economics, IATA Monthly Statistics by Route

Airlines in the **Middle East** performed the worst, with a 4.7% fall in international CTKs. Seasonally adjusted international CTKs dropped by 4.0% MoM, and a clear downward trend in traffic has emerged. That may reverse in the near-term as Asia-Europe cargo is rerouted to the Middle East.

Due to disruptions to capacity, inflation and weaker PMIs in the US, airlines in **North America** posted a 1.0% decline in international CTKs in January. This is in marked contrast with growth rates seen throughout 2021 (a 19.8% YoY increase overall). Seasonally adjusted international CTKs lost 3.9% MoM, highlighting that the soft patch of growth was caused by events in January 2022 rather than by the base effect from the comparison with January 2021.

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 8 March 2022

Air cargo market in detail - January 2022

	World share ¹	January 2022 (% year-on-year)				January 2022 (% ch vs the same month in 2019)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	2.7%	11.4%	-4.6%	54.1%	5.1%	-8.9%	7.2%	54.1%
Africa	1.9%	12.4%	13.0%	-0.3%	49.2%	22.2%	-12.2%	13.8%	49.2%
Asia Pacific	32.4%	4.9%	11.4%	-3.7%	60.9%	-0.5%	-17.6%	10.5%	60.9%
Europe	22.9%	7.0%	18.8%	-6.5%	58.4%	6.5%	-8.1%	8.0%	58.4%
Latin America	2.2%	11.9%	12.9%	-0.4%	41.7%	-5.7%	-28.9%	10.3%	41.7%
Middle East	13.4%	-4.6%	6.2%	-5.8%	51.3%	1.9%	-11.8%	6.8%	51.3%
North America	27.2%	-1.2%	8.7%	-4.7%	47.4%	13.5%	6.5%	2.9%	47.4%
International	87.2%	3.2%	10.8%	-4.3%	58.9%	6.0%	-9.7%	8.7%	58.9%
Africa	1.9%	12.3%	13.2%	-0.4%	50.1%	23.4%	-10.3%	13.7%	50.1%
Asia Pacific	29.5%	5.5%	11.6%	-4.0%	68.6%	3.9%	-15.4%	12.7%	68.6%
Europe	22.5%	7.0%	19.3%	-6.9%	60.2%	6.4%	-8.0%	8.1%	60.2%
Latin America	1.8%	12.0%	11.4%	0.3%	51.2%	-6.0%	-28.1%	12.0%	51.2%
Middle East	13.4%	-4.7%	6.3%	-5.9%	51.5%	1.9%	-11.8%	6.9%	51.5%
North America	18.1%	-1.0%	4.4%	-2.9%	52.0%	12.7%	2.5%	4.7%	52.0%

¹% of industry CTKs in 2021

²Change 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.

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