

## Air cargo volumes rebound in March, but remain soft

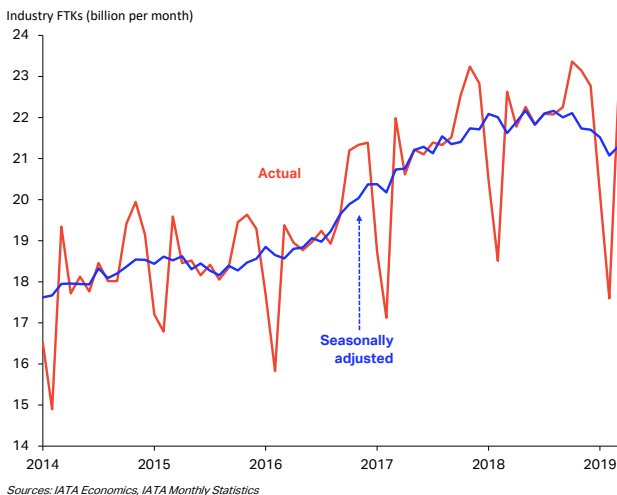
- Industry-wide freight tonne kilometres (FTKs) for March are marginally higher (up 0.1%) compared with their level of a year ago. Although this represents a sharp turnaround from last month, it would be premature to view this outcome as a change in the recent trend, especially given the typical data volatility in the early months of the year.
- Air freight capacity continues to grow moderately, up around 3% year-on-year, which means that the freight load factor is currently 1.5 percentage points lower than a year ago.
- All regions showed an improvement in year-on-year growth this month, with Asia Pacific the only region where FTKs are still lower than their level of March 2018.
- The weakness in global trade as well as a number of economic and leading industry indicators continue to weigh upon the sector. That said, the industry is more optimistic over the year-ahead outlook than current conditions.

### Air cargo volumes rebound in March, but remain soft

Industry-wide FTK growth bounced back sharply this month, with annual growth returning – albeit only just – to positive territory. FTKs are 0.1% higher than their year-ago level in March, compared with the annual fall of 4.9% recorded last month (Chart 1).

As we have noted previously, the freight data are particularly volatile over the opening months of the year, making it difficult to interpret the month-to-month movements.

**Chart 1:** FTK levels, actual and seasonally adjusted



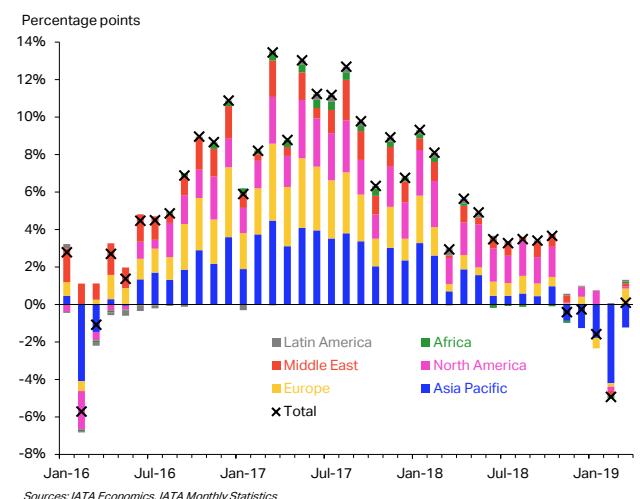
With that in mind, the seasonally-adjusted (SA) series shown above is designed to remove the impact of such regular variations. On this basis and despite also improving (modestly) this month, air freight volumes

are down 1.5% over the past year, remaining around their level of mid-2017. Since their most recent peak (August 2018), FTKs are down around 4%.

While this month's slight improvement in the SA level of FTKs is a positive development after four consecutive months of decline, conditions facing the industry remain challenging. Consequently, it would be premature to suggest that the uptick represents a change in the trend growth rate without first seeing signs of confirmation in coming months.

Apart from Asia Pacific, all regions made a positive contribution to the annual industry-wide growth performance in March (Chart 2).

**Chart 2:** Regional contributions to yoy FTK growth



### Air freight market overview - March 2019

	World share <sup>1</sup>	March 2019 (% year-on-year)				% year-to-date			
		FTK <sup>1</sup>	AFTK <sup>1</sup>	FLF (%-pt) <sup>2</sup>	FLF (level) <sup>3</sup>	FTK <sup>1</sup>	AFTK <sup>1</sup>	FLF (%-pt) <sup>2</sup>	FLF (level) <sup>3</sup>
<b>TOTAL MARKET</b>	<b>100.0%</b>	<b>0.1%</b>	<b>3.1%</b>	<b>-1.5%</b>	<b>49.5%</b>	<b>-2.0%</b>	<b>3.3%</b>	<b>-2.5%</b>	<b>46.5%</b>
International	87.5%	0.2%	3.5%	-1.8%	55.2%	-2.3%	2.8%	-2.7%	51.8%

<sup>1</sup>% of industrv FTKs in 2018

<sup>2</sup>Year-on-year change in load factor

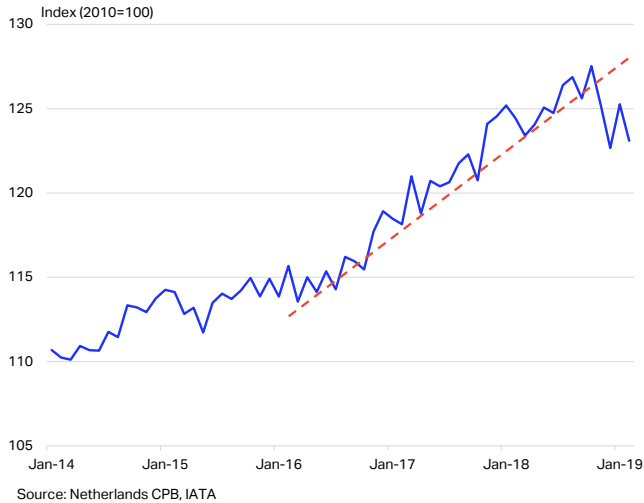
<sup>3</sup>Load factor level

**Weakness in key indicators remains...**

The air freight segment continues to encounter various headwinds to growth.

Global trade volumes (Chart 3) have clearly dipped since Q4 2018, breaking the solid upwards trend that had been in place since around mid-2016. Indeed, on the CPB's measure, global trade volumes have fallen by around 1% over the past year.

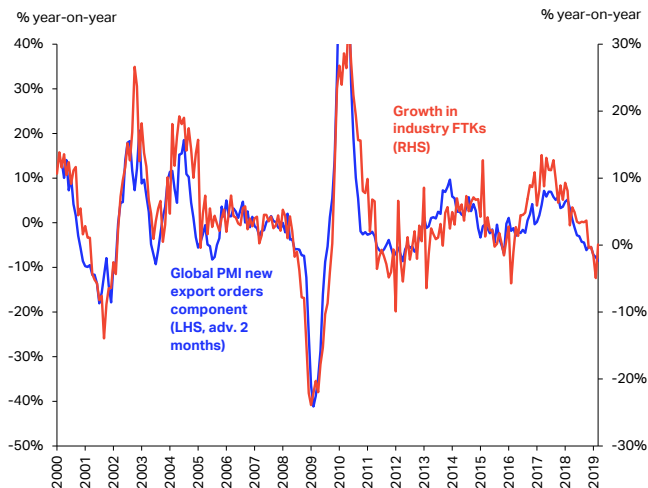
**Chart 3: World trade volumes (SA, monthly data)**



Unsurprisingly, this fall in world trade volumes is similarly reflected in the recent developments in the new export orders component of the global manufacturing Purchasing Managers' Index (PMI).

In turn, the new export orders measure provides a reliable guide to near-term developments in air freight outcomes (Chart 4).

**Chart 4: FTK growth vs. new export orders**

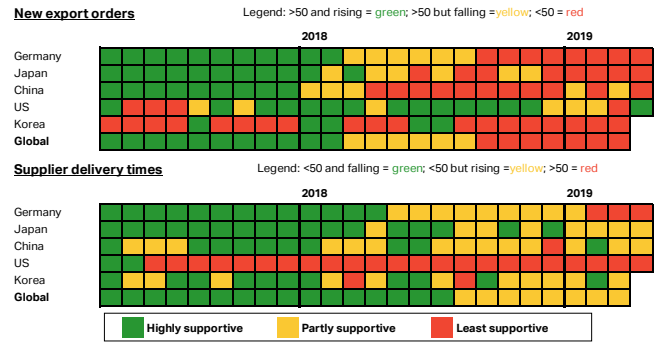


In month-on-month terms, the PMI series has increased only twice in the past 14 months and has been below the key 50-mark (ie within the area normally associated with falling export orders) since September.

At current levels, the indicator continues to suggest that annual FTK growth is likely to remain subdued over the coming few months at least.

The latest country-level export orders data which underpin the global PMI series show that the weakness has been widespread across the world's major exporting nations since around the middle of 2018 (Chart 5).

**Chart 5: FTK demand heat-map (monthly data from manufacturing PMIs, selected countries)**

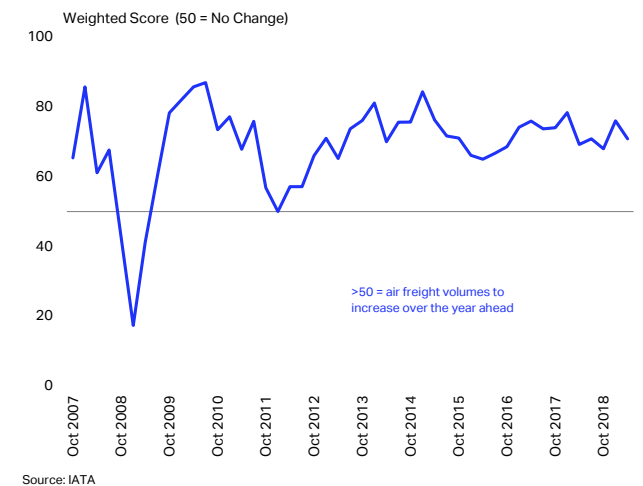


Sources: IATA, Markit, Thomson Reuters Datastream

On a more positive note, the latest findings from IATA's Business Confidence Survey, suggest the industry is relatively more optimistic about the outlook for air freight over the coming 12 months.

More than half of the survey respondents (54%) expect freight volumes to increase over the coming year, with only 13% expecting to see a decline. As a result, the year ahead outlook remains elevated relative to historical outcomes (Chart 6).

**Chart 6: Year-ahead outlook for air freight volumes**



**Capacity growth is still outpacing demand**

Industry-wide capacity, measured by available freight tonne kilometres (AFTKs), increased by a moderate 3.1% year-on-year in March.

Over the course of the past year or so, the rate of capacity growth has clearly moderated from a 6-7% year-on-year pace, as airlines have adjusted to the weaker demand environment.

Even so, annual capacity growth has now outpaced that of demand for 11 of the past 12 months. This has put downwards pressure on the freight load factor, which is currently 1.5 percentage points lower than the level of March 2018.

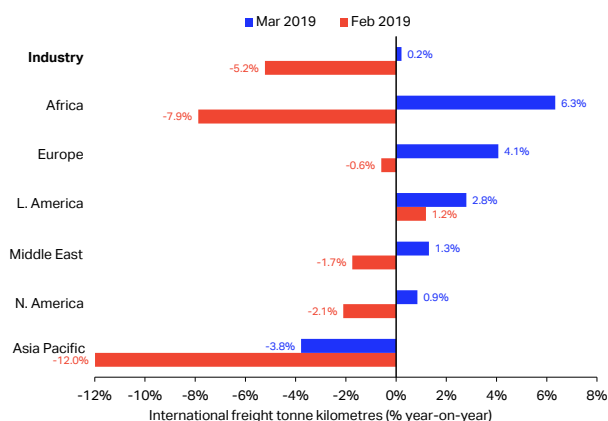
### International FTK growth also rebounds strongly

The international air freight market (approximately 87% of total global FTKs) grew marginally quicker than the overall industry pace over the year to March, rising by 0.2%. As with the total industry figure this represents a sharp bounce-back following the 5.2% year-on-year fall recorded last month.

International freight capacity has also grown a little quicker than the global aggregate (up 3.5%yoy) which has resulted in the international freight load factor falling by 1.8 percentage points over the past year.

The sharp rebound in the annual international FTK growth outcomes this month was widely shared across regions. With the exception of Asia Pacific, all returned to a positive rate of year-on-year growth (Chart 7).

**Chart 7: International FTK growth**



Sources: IATA Economics, IATA Monthly Statistics

### Asia Pacific remains the weakest region...

Despite a sizeable improvement this month, international FTKs flown by Asia Pacific airlines are still 3.8% lower than their level of a year ago.

With the region accounting for around 32% of total international FTKs, this weakness is the main contributor to the soft industry-wide outcome.

As the world's main manufacturing and assembly hub, the slowdown in world trade, combined with a slowing in the Chinese economy in 2H18 and ongoing trade tensions between China and the US have all weighed upon the annual air freight performance of the region.

### ...while Africa shows the strongest turnaround

A sizeable 14 percentage point turnaround from last month for the African carriers saw the region become the strongest performer in March, with FTKs currently up a brisk 6.3% year-on-year. The relatively small

market size (~1.5% of total international FTKs) helps to explain the outsized month-to-month volatility.

Looking through this, following strong growth in late 2016 and into 2017 which was only partly unwound last year, SA international FTKs for the African carriers are still around 30% higher than their level of three years ago.

### More modest improvements evident elsewhere...

After a moderate decline last month (down 0.6%), air freight volumes are currently growing at a solid 4% year-on-year pace for Europe.

Given the weakness observed in the German export orders data noted above, a generally subdued pace of activity in a number of the region's key economies and the ongoing lack of clarity around Brexit, this represents a positive outcome, although one which may not be sustained.

Latin America was the only region to record a consecutive positive annual FTK growth rate this month, with freight volumes currently up 2.8% on their level of a year ago.

The emergence of the Brazilian economy from its deep recession has supported a resurgence in air freight demand, however the ongoing economic and political uncertainties in various parts of the region continue to present challenges for the industry.

For North America and the Middle East, the latest outcomes are more subdued, with annual growth of 0.9% and 1.3% year-on-year, respectively.

In SA terms, growth in freight volumes for the North American airlines has been easing for much of the past 12 months, from a pace of ~10% year-on-year.

As a result, a modest downwards trend has emerged, partly a reflection of the slowing in domestic economic activity in the latter part of 2018, as well as the influence of the global headwinds noted previously. Going forward, the latest developments in the US new export orders data, combined with some signs of optimism in US-China trade negotiations may support air freight volumes.

For the Middle East carriers, following signs of an improvement in SA volumes in Q2 and Q3 of 2018, a downwards trend has established itself over the past six months or so. Looking at the market-level data (segment basis), freight volumes to and from Europe are growing, but a double-digit decline for the Nth America market and a solid fall for the Asia Pacific highlights the challenges for the region's carriers.

## Air freight market detail - March 2019

	World share <sup>1</sup>	March 2019 (% year-on-year)				% year-to-date			
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Africa	1.7%	6.0%	15.2%	-3.3%	38.4%	-0.3%	10.2%	-3.8%	36.7%
Asia Pacific	36.1%	-3.4%	-1.0%	-1.4%	55.6%	-6.4%	1.3%	-4.1%	50.2%
Europe	23.4%	3.6%	6.4%	-1.5%	56.0%	0.3%	4.8%	-2.4%	53.1%
Latin America	2.6%	3.6%	16.9%	-4.2%	32.3%	2.2%	9.6%	-2.2%	30.7%
Middle East	13.2%	1.3%	3.8%	-1.2%	48.8%	-0.1%	3.6%	-1.7%	46.5%
North America	23.0%	0.4%	2.6%	-0.9%	41.6%	0.9%	2.9%	-0.8%	40.6%
<b>International</b>	<b>87.5%</b>	<b>0.2%</b>	<b>3.5%</b>	<b>-1.8%</b>	<b>55.2%</b>	<b>-2.3%</b>	<b>2.8%</b>	<b>-2.7%</b>	<b>51.8%</b>
Africa	1.7%	6.3%	15.0%	-3.2%	39.2%	0.2%	10.2%	-3.8%	37.6%
Asia Pacific	32.0%	-3.8%	-1.0%	-1.8%	62.3%	-7.0%	-0.1%	-4.2%	56.8%
Europe	23.1%	4.1%	6.4%	-1.3%	57.6%	0.6%	4.7%	-2.2%	54.7%
Latin America	2.2%	2.8%	20.8%	-7.1%	40.9%	1.3%	11.1%	-3.8%	39.2%
Middle East	13.2%	1.3%	4.0%	-1.3%	49.3%	-0.1%	3.8%	-1.8%	46.9%
North America	15.3%	0.9%	2.7%	-0.9%	50.4%	0.3%	2.1%	-0.9%	48.5%

<sup>1</sup>% of industry FTKs in 2018

<sup>2</sup>Year-on-year change in load factor

<sup>3</sup>Load 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.

### Get the data

Access data related to this briefing through IATA's Monthly Statistics publication: [www.iata.org/monthly-traffic-statistics](http://www.iata.org/monthly-traffic-statistics)

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