

Air Cargo Market Analysis

March 2021

Air cargo volumes reached an all-time high in March

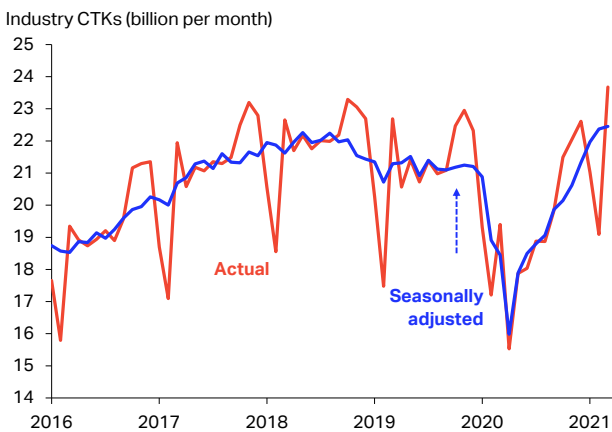
- Global cargo volumes reached the highest level in the history of our time series in March although their growth softened modestly compared with February. Industry-wide cargo tonne-kilometres (CTKs) rose by 4.4% vs. the pre-crisis levels and by 0.4% month-on-month.
- The near-term outlook for cargo is positive due to ongoing recovery in some of the leading demand indicators such as new export orders. In 2021, CTKs are estimated to rise by 13.1% vs. 2020, and to be 2.8% higher than 2019 levels.
- Recovery in cargo capacity restarted following the disruption caused by the grounding of passenger aircraft in early-2021. However, global available cargo tonne-kilometres (ACTKs) are still ~12% below the pre-crisis levels.

Global air cargo demand continues to improve...

Global air cargo volumes reached an all-time high in March amid an improving macroeconomic backdrop. Industry-wide cargo-tonne kilometres (CTKs) picked up by 4.4% compared with the pre-crisis level in March 2019 and by 0.4% month-on-month (blue line in Chart 1). Although this represents a slower rate of expansion vs. February (up 9.2% vs. 2019, 1.8% m-o-m) it is still a robust outcome compared to what was seen during 2020.

In the first quarter of 2021, global CTKs were 5.6% higher than in Q1 2019 and 14.1% above Q1 2020. Note however that the latter figure overstates the growth due to the comparison with weak base year.

Chart 1: CTK levels, actual and seasonally adjusted



Sources: IATA Economics, IATA Monthly Statistics

The softer growth rate compared with February resulted largely from the weaker performance of Asia Pacific and African carriers that reported 2.5% and 5.9% month-on-month CTK falls, respectively. The

Air cargo market overview - March 2021

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

	World share ¹	March 2021 (% ch vs the same month in 2019)				March 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	4.4%	-11.7%	9.0%	58.8%	22.1%	11.5%	5.1%	58.8%
International	85.8%	4.0%	-14.3%	11.8%	67.3%	22.6%	10.2%	6.8%	67.3%

¹% of industry CTKs in 2020

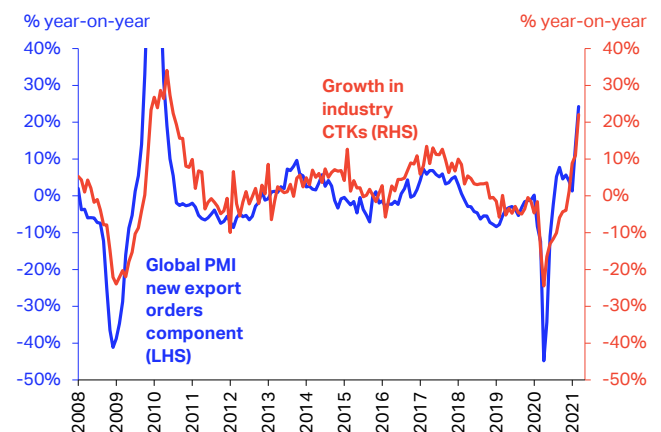
²Change in load factor vs. the same month in 2019 ³Load factor level

best performer this month was Middle Eastern airlines that posted a robust 4.4% m-o-m increase in cargo volumes.

...supported by wider economic recovery

The underlying drivers of air cargo demand remain positive. The latest monthly PMI surveys indicate that the global demand for exports has been recovering as countries emerge from lockdowns and business activity restarts. Indeed, the global new export orders component of the manufacturing PMI rose to 53.4 in March, up from 51.0 in February, where anything above 50 means expansion vs. the previous month. This bodes well for the near-term cargo developments since the growth in order books has been historically associated with growth in CTKs (Chart 2).

Chart 2: CTK growth vs. global new export orders

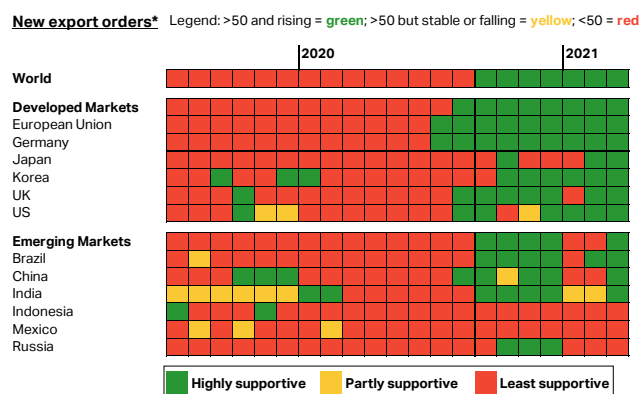


Sources: IATA Economics, IATA Monthly Statistics, Markit

A more detailed view shows that export demand increased across most key markets in March (Chart 3). However, while in developed countries, exports had

been recovering for some time now, emerging markets showed improvement only recently as some of the major exporters such as China reported rising overseas demand.

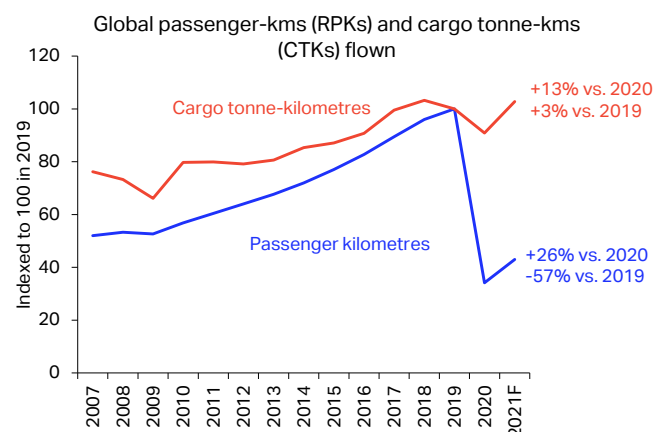
Chart 3: Monthly data from manufacturing PMIs



The PMI surveys also show that the supplier delivery times increased for another month as suppliers struggled to keep up with recovering economic activity – a pattern typical during the recession recovery part of the economic cycle. As a result, some businesses turn to air cargo for the shipment of goods in order to meet delivery deadlines. That said, against our expectations the blockage of the Suez Canal by the Ever Given ship in late March had a limited impact on air cargo volumes. This can be most likely explained by a swift removal of the ship (~6 days), which prevented any major supply chain disruptions. Indeed, CTKs on Asia-Europe trade lanes – the main alternative to shipping through the Canal – actually fell slightly compared with February, down 3%.

The global economic backdrop has been improving robustly and should continue to support cargo demand in the near-term. The global composite PMI – economic activity proxy – reached the highest level since mid-2014 in March, and expectations about future output have also become more optimistic.

Chart 4: CTK and RPK short-term forecast



The global goods trade also continues to recover. According to the latest CPB data, the global trade volumes rose by 0.3% m-o-m in February – the ninth consecutive monthly increase and the longest continuous growth in more than two decades.

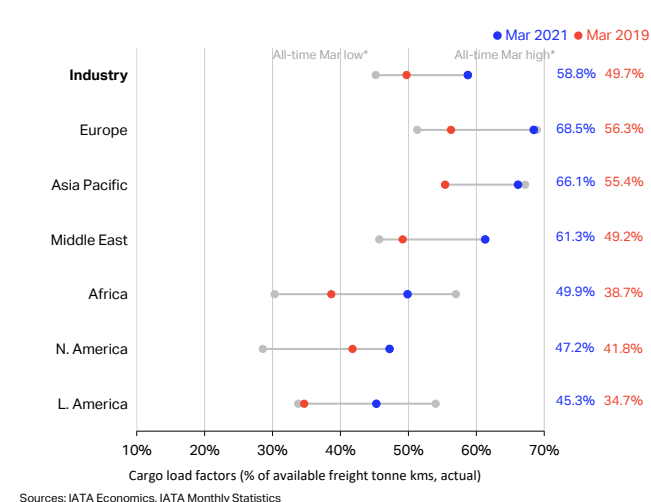
Our [short-term forecast](#) for the industry reflects these positive developments in the operating environment. CTKs are expected to rise by 13.1% compared with 2020 and up 2.8% vs. 2019 (Chart 4). This is in stark contrast with the passenger side of the business that continues to be severely impacted by international travel restrictions (RPKs estimated to be still just 43% of the 2019 levels this year).

Recovery in cargo capacity is back on track

Cargo capacity has been recovering from the temporary fall in early-2021 when some airlines grounded their passenger aircraft due to the rise in COVID-19 cases. Industry-wide available cargo tonne-kilometres (ACTKs) picked up by 5.6% m-o-m in March and are currently about 12% below the pre-crisis levels (March 2019). A more detailed view shows that the international capacity of dedicated freighters rose by 20.6% vs. the same month in 2019 while belly-cargo capacity fell by 38.4% over the same period.

The industry-wide picture hides differences across regions. Asia Pacific and North American airlines posted the fastest capacity improvement, up 13.3% and 6.5% m-o-m, respectively, and ACTKs of the latter group reached above pre-crisis levels (+3.8% vs. March 2019). On the other hand, capacity recovery has been stalling in both Europe and Latin America.

Chart 5: Cargo load factors by region

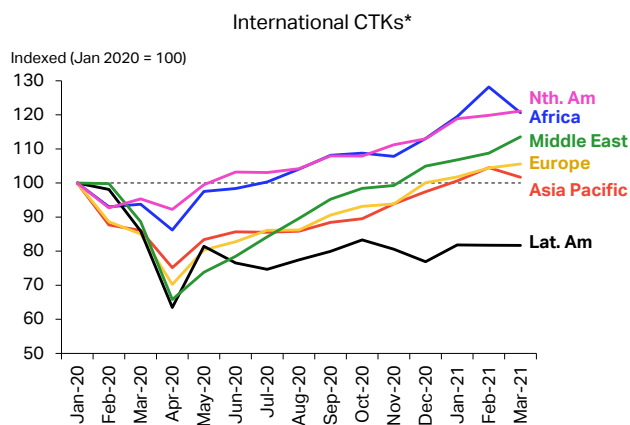


Cargo load factors remained elevated across most regions in March since capacity contracted against rising demand. The industry-wide cargo load factor was at 58.8%, up 9ppts compared with the pre-crisis March 2019. Amongst the regions, European carriers posted on average the largest CLF, at 68.5%.

Int'l cargo performance varied across regions

Int'l CTKs moved sideways in March (0.1% growth vs. February) since weaker outcomes reported by Asia Pacific and African carriers offset improvements in the other regions (Chart 6). The bigger picture however remains that CTKs were well above the pre-crisis levels, up +4% vs. March 2019 (Chart 7).

Chart 6: Int'l CTKs (airline region of registration basis)

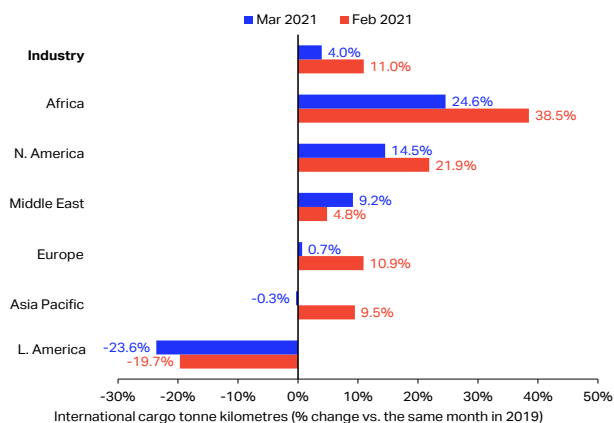


Source: IATA Monthly Statistics * data is seasonally adjusted

Growth in Africa's int'l CTKs eased but is still robust

African airlines posted the fastest int'l CTK growth of all regions in March (up a robust +24.6% vs. pre-crisis March 2019). That being said, their performance was weaker compared with an exceptionally strong February, when the growth was fueled by unprecedented 107% expansion on Africa-Asia trade lanes. Despite the softer outcome this month, African airlines' CTKs remain close to record-high levels.

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



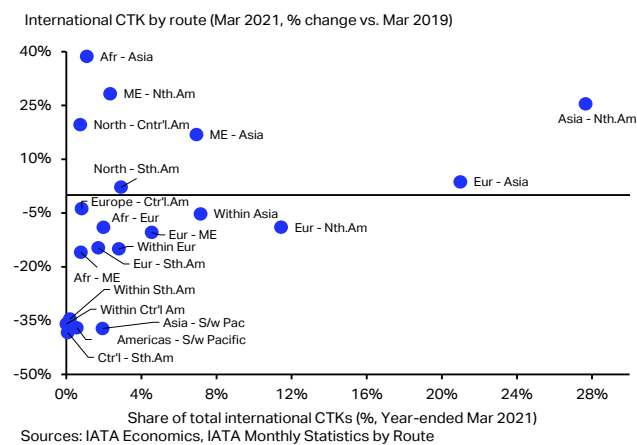
Sources: IATA Economics, IATA Monthly Statistics

Cargo in Nth. America supported by a strong economy

North American int'l cargo volumes trended upwards in March, sustaining a 1% m-o-m growth (Chart 6). In comparison with the pre-crisis levels, CTKs were up 14.5% in March – a weaker growth than in February in part due to a stronger base in March 2019. The cargo outlook for the region remains promising due to positive developments in underlying demand drivers. US Q1 GDP rose by 6.4% in annualized terms, up from

4.3% in Q4, which brings the country's economy close to where it was before the crisis started. Moreover, new export orders component of the manufacturing PMI rose to the highest level since 2007, hinting a further cargo improvement in the near-term.

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



Sources: IATA Economics, IATA Monthly Statistics by Route

The Middle East showed the fastest m-o-m growth

Middle Eastern airlines posted the fastest month-on-month int'l CTK growth amongst all regions in March, at 4.4%. The comparison with the pre-crisis period also improved, with growth picking up to 9.2% this March compared with March 2019. The volumes had been supported especially by robust trade flows on the ME-Nth.Am and ME-Asia routes, where CTKs were up 28% and 17% vs. two years ago, respectively.

Europe improves slightly but ASPAC deteriorates

Int'l CTKs of European and Asia Pacific airlines hovered close to the pre-crisis levels in March (Chart 7) but the underlying developments in levels were different. European CTKs showed a positive m-o-m growth (+1.2%) supported by improving operating backdrop including recovering export orders. In contrast, int'l CTKs flown by Asia Pacific carriers ticked down by 2.7% mom, and this weakness was observed on the majority of the key trade lanes connected with Asia. For now, it's unclear what caused the setback since we did not observe any significant fall in capacity nor spike in cargo rates compared with February.

Latin American carriers continued to lag behind

Latin American airlines remained at the bottom of the growth chart, with int'l CTKs down almost 24% vs. March 2019. The region's demand recovery has been stalling since Q3 and the already weak supply has started to deteriorate recently (-4.3% m-o-m in March). The ongoing sharp capacity contraction has most likely contributed to the delayed rebound in cargo volumes.

Air cargo market detail - March 2021

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	World share ¹	March 2021 (% ch vs the same month in 2019)				March 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	4.4%	-11.7%	9.0%	58.8%	22.1%	11.5%	5.1%	58.8%
Africa	2.0%	23.1%	-4.6%	11.2%	49.9%	28.1%	11.0%	6.7%	49.9%
Asia Pacific	32.4%	-2.9%	-18.6%	10.7%	66.1%	19.2%	17.9%	0.8%	66.1%
Europe	22.3%	0.9%	-17.1%	12.2%	68.5%	23.3%	6.5%	9.3%	68.5%
Latin America	2.4%	-21.4%	-39.9%	10.6%	45.3%	-3.2%	-11.2%	3.7%	45.3%
Middle East	12.9%	9.1%	-12.5%	12.1%	61.3%	27.3%	9.1%	8.8%	61.3%
North America	27.9%	17.5%	3.8%	5.5%	47.2%	24.0%	12.9%	4.2%	47.2%
International	85.8%	4.0%	-14.3%	11.8%	67.3%	22.6%	10.2%	6.8%	67.3%
Africa	2.0%	24.6%	-2.1%	10.8%	50.6%	28.7%	11.7%	6.7%	50.6%
Asia Pacific	29.2%	-0.3%	-20.7%	16.0%	78.4%	18.5%	8.6%	6.6%	78.4%
Europe	22.0%	0.7%	-17.0%	12.4%	70.4%	23.5%	7.0%	9.4%	70.4%
Latin America	2.0%	-23.6%	-46.0%	17.5%	59.6%	-5.4%	-12.3%	4.4%	59.6%
Middle East	12.9%	9.2%	-12.4%	12.2%	61.8%	27.3%	8.9%	8.9%	61.8%
North America	17.6%	14.5%	1.8%	6.3%	57.1%	27.9%	19.6%	3.7%	57.1%

¹ of industry CTKs in 2020

²Change in load factor vs. the 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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Please note that as of January 2020 onwards, we have clarified the terminology of the Industry and Regional series from 'Freight' to 'Cargo', the corresponding metrics being FTK (change to 'CTK'), AFTK (change to 'ACTK'), and FLF (change to 'CLF'), in order to reflect that the series have been consisting of Cargo (Freight plus Mail) rather than Freight only. The data series themselves have not been changed.

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