



Air Cargo Market Analysis

March 2022

Air cargo volumes fall to late-2020 levels

- Actual March industry-wide cargo tonne-kilometers (CTKs) rose compared to February, but were 5.2% lower than a year ago.
- Seasonally adjusted CTks recorded a marked drop in March compared with February, with volumes falling to a 16-month low.
- The strong recovery in fundamental drivers of air cargo such as manufacturing exports and trade started to slow in early 2021. This dampened gains in air cargo which has been trending sideways since then. Essentially, seasonally adjusted CTk volumes have not grown over the past year.
- Now with the Omicron wave spreading in China and the Ukraine-Russia conflict continuing, the likelihood of air cargo having entered a downturn is mounting.
- Carriers in the regions most impacted by these adverse developments, namely Asia Pacific, Europe, and the Middle East, recorded a fall in CTks – compared to a year ago and month-on-month.

CTks dip after year-long sideways trend

Industry-wide cargo tonne-kilometers (CTks) were down 5.2% in March year-on-year (YoY). Although January and February together recorded CTks 2.7% above the same period in 2021, this level of increase was already notably lower than prior months, signaling a softening in demand.

Chart 1 shows that seasonally adjusted (SA) March air cargo volumes have fallen to a 16-month low, impacted by the conflict in Ukraine and the growing disruptions of Omicron in Asia.

Seasonally adjusted (SA) CTks fell by 8.8% month-on-month (MoM) in March. While the MoM volumes can show significant volatility, especially during the period of the Chinese New Year (1 Feb in 2022), the challenges already mentioned corroborate the negative development we see in March.

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.

The ongoing spread of Omicron in Asia, and China in particular, is causing new lockdowns and labor shortages. These have strongly impacted manufacturing centers in China and Asia that in turn have hurt air cargo transport in markets linked the region.

Air cargo market overview - March 2022

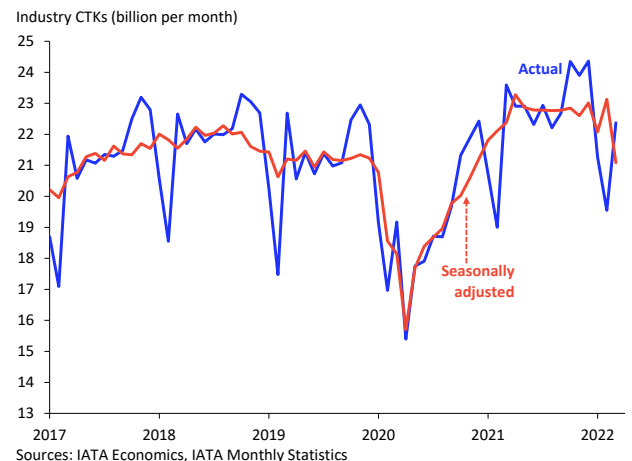
	World share ¹	March 2022 (% year-on-year)				Year-to-date (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-5.2%	1.2%	-3.7%	54.9%	-0.2%	7.1%	-4.0%	54.5%
International	87.2%	-5.4%	2.6%	-5.2%	62.1%	-0.3%	6.3%	-4.1%	61.3%

¹ % of industry CTks in 2021

² Year-on-year change in load factor

³ Load factor level

Chart 1: CTk levels, actual and seasonally adjusted



Drivers of air cargo suggest further weakness ahead

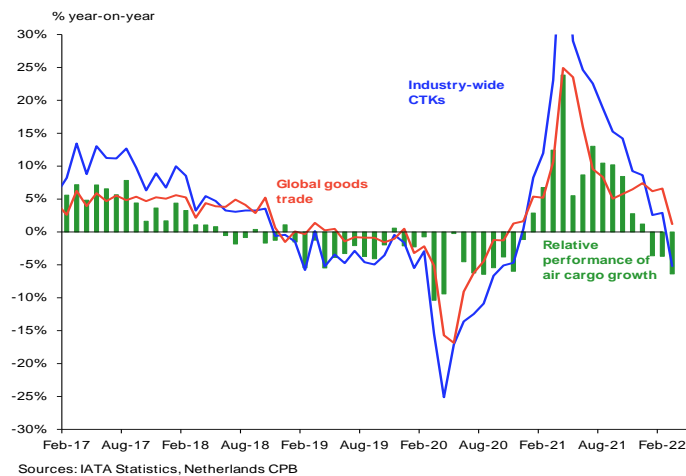
Standard drivers of air cargo show a similarly negative evolution, and indeed point to further deterioration ahead.

Global goods trade has continued to decline in 2022, and China's economy will likely only grow by around 4-4.5% this year, down from nearly 8% last year. The supply chain disruptions due to the Ukraine-Russia conflict 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.

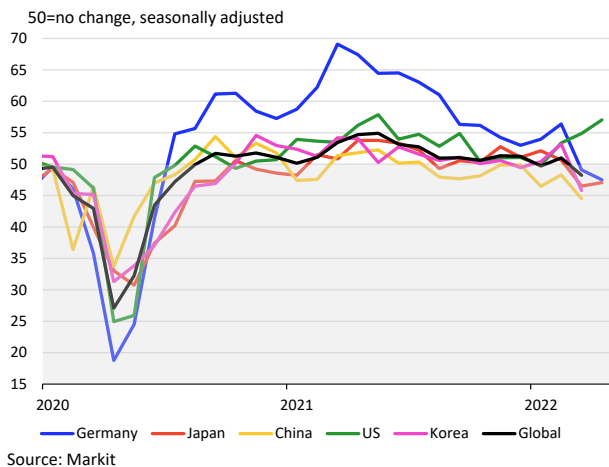
The inventory restocking cycle that had started during the initial rebound from the pandemic in late-2020, and that led to businesses turning to air freight to rapidly meet demand, looks to have come to an end. Typically, such cycles are associated with overperformance of air cargo relative to other modes.

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 diminish in Q1 2022 in Germany, Japan and Korea. Chinese export orders fell further below the 50-mark, which bodes poorly for air cargo markets supported by this primary manufacturing center. Given these developments, it is not surprising that the global new export orders PMI recorded the lowest reading (48.2) in March since July 2020 (**Chart 3**).

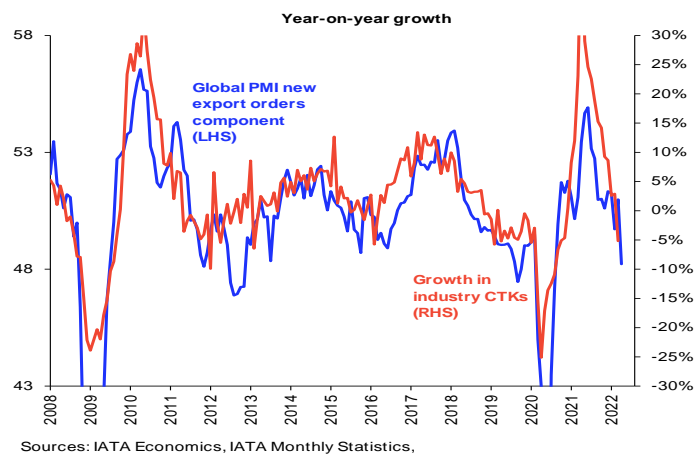
Chart 3: New export order manufacturing PMIs



In fact, if we advance 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

for April the series points resolutely toward further declines in air cargo.

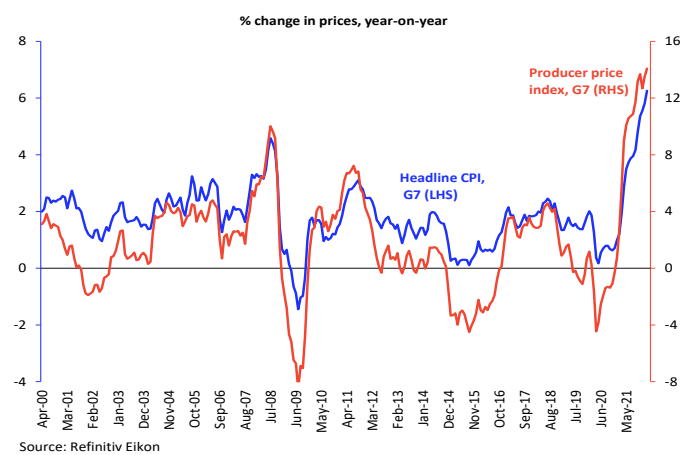
Chart 4: CTK growth versus global new export orders



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 climbed recently. In part due to that, producer price inflation (PPI) reached an all-time high in February 2022 at 14.1% YoY (**Chart 5**).

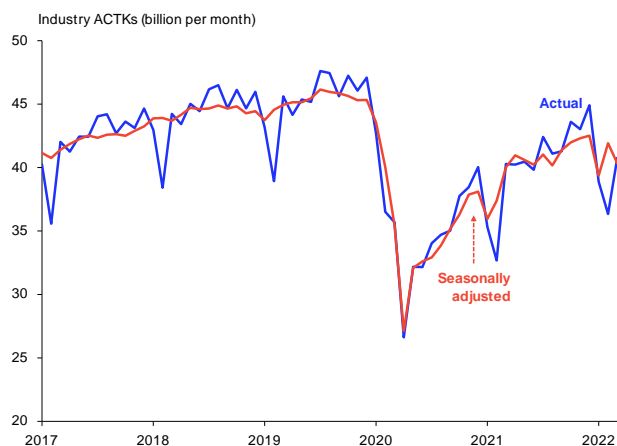
Chart 5: G7 headline CPI and PPI inflation



Cargo capacity also declined but loads factors fell

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 6**). Asia and Europe are the regions seeing the greatest falls in cargo capacity offered, due to the events already discussed, and this could continue for some time as no clear path out of the various challenges has been identified.

Chart 6: ACTK levels, actual and seasonally adjusted



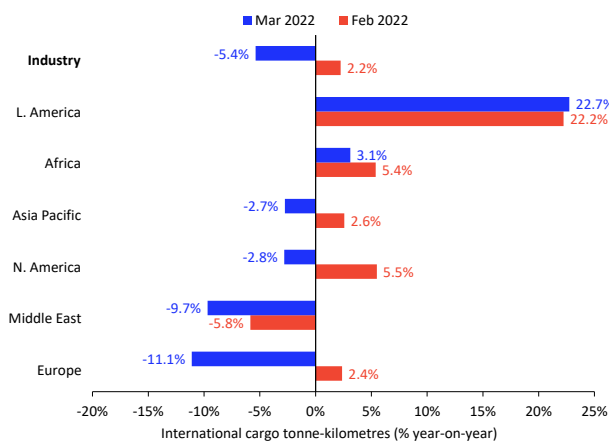
Sources: IATA Economics, IATA Monthly Statistics

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 downward pressure on load factors and air cargo yields from weakening demand. Indeed, we have discovered that the importance of [freighters](#) is diminishing over recent months in the face of such weaker demand. All in all, this trend is expected to continue and will create some slack in the cargo capacity crunch that created supply chain issues earlier in 2020 and 2021.

All regions but Latin America see declines

Overall, international CTKs fell by 5.4% YoY in March. Indeed, CTKs were down in March 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 adjustment monthly volumes too – Latin American carriers’ CTKs expanded slightly while airlines in Asia Pacific and Europe realized CTK volumes that were lower by about 13% in each case, month-on-month.

Chart 7: Int'l CTK growth (airline region of registration)



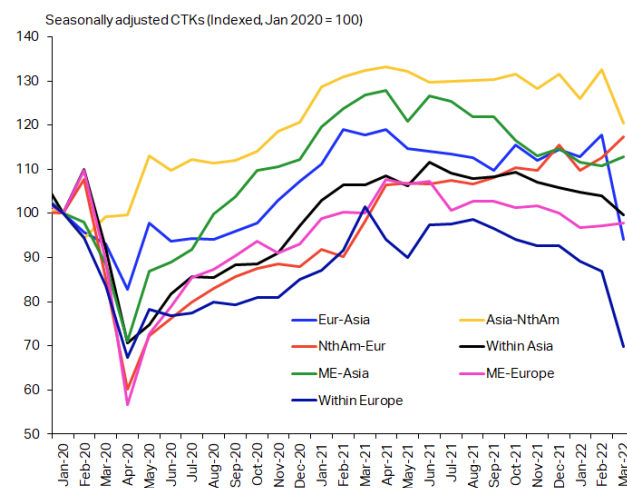
Sources: IATA Economics, IATA Monthly Statistics

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 22.7% 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](#) were down 2.8% in March compared with a year ago. There was a slip by 2.7% MoM in March, after strong gains the month before. The Asia-North America market was impacted with its seasonally adjusted CTKs falling by 9.2% MoM in March. The overall trend on this important cargo market remains flat (**Chart 8**).

Airlines in [Europe](#), [Asia Pacific](#) and the [Middle East](#) experienced subdued demand and constrained capacity, impacted by the conflict in Ukraine, labor shortages, and lower 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 (19.7% MoM) with Ukrainian and Russian airline capacity currently essentially offline.

Chart 8: Seasonally adjusted CTKs by route area



Source: IATA Economics, IATA Monthly Statistics by Route

Air cargo market in detail - March 2022

	World share ¹	March 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%	-5.2%	1.2%	-3.7%	54.9%	-0.2%	7.1%	-4.0%	54.5%
Africa	1.9%	3.1%	8.7%	-2.7%	49.4%	6.4%	10.5%	-1.9%	49.3%
Asia Pacific	32.5%	-5.1%	-6.4%	0.9%	63.8%	0.6%	5.9%	-3.2%	61.3%
Europe	22.9%	-11.1%	-4.9%	-4.7%	67.1%	-1.4%	3.9%	-3.5%	64.9%
Latin America	2.2%	22.1%	34.9%	-4.7%	44.8%	18.4%	21.8%	-1.3%	44.6%
Middle East	13.4%	-9.7%	5.3%	-8.7%	52.6%	-6.9%	6.5%	-7.5%	52.0%
North America	27.2%	-0.7%	6.7%	-3.3%	44.2%	1.3%	9.0%	-3.4%	45.0%
International	87.2%	-5.4%	2.6%	-5.2%	62.1%	-0.3%	6.3%	-4.1%	61.3%
Africa	1.9%	3.1%	9.8%	-3.2%	49.9%	6.5%	11.1%	-2.2%	50.0%
Asia Pacific	29.5%	-2.7%	5.1%	-5.7%	70.2%	1.8%	9.2%	-5.0%	69.4%
Europe	22.5%	-11.1%	-3.9%	-5.6%	68.7%	-1.4%	4.3%	-3.9%	66.9%
Latin America	1.8%	22.7%	35.8%	-5.7%	53.2%	19.0%	20.2%	-0.6%	54.2%
Middle East	13.4%	-9.7%	5.3%	-8.8%	53.1%	-6.9%	6.5%	-7.6%	52.4%
North America	18.1%	-2.8%	0.0%	-1.6%	55.3%	0.2%	2.7%	-1.4%	54.0%

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	March 2022 (% ch vs the same month in 2019)				Year-to-date (% ch vs the same period in 2019)			
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TOTAL MARKET	100.0%	-1.4%	-10.6%	5.1%	54.9%	4.6%	-9.2%	7.2%	54.5%
International	87.2%	-2.1%	-12.5%	6.6%	62.1%	4.7%	-10.8%	9.1%	61.3%

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Africa	1.9%	15.6%	-9.6%	10.8%	49.4%	23.1%	-8.6%	12.7%	49.3%
Asia Pacific	32.5%	-9.5%	-21.4%	8.4%	63.8%	-1.0%	-18.0%	10.5%	61.3%
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Africa	1.9%	17.0%	-6.9%	10.2%	49.9%	24.6%	-6.0%	12.3%	50.0%
Asia Pacific	29.5%	-5.4%	-16.0%	7.9%	70.2%	3.0%	-14.7%	11.9%	69.4%
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