



Air Cargo Market Analysis

November 2021

Air cargo growth slows due to supply chain issues

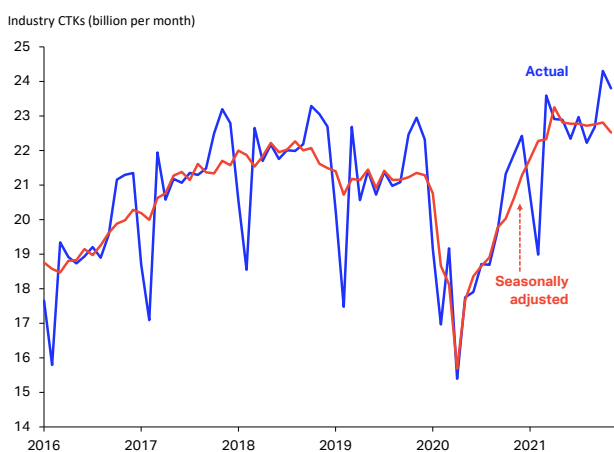
- Growth in industry-wide cargo tonne-kilometres (CTKs) slowed in November after a prolonged period of strong performance. CTKs were 3.7% above their November 2019 levels, after rising 8.2% in October versus October 2019.
- The softening is somewhat unexpected, as many drivers of demand, such as consumption and new export orders, are performing well. However, air cargo is increasingly impacted by supply chain issues, notably with congestion at airports and a lack of capacity where it is most needed.
- The deceleration in growth was widespread across the main regions, though not homogeneous. International CTKs in North America, for instance, grew 11.4% compared to November 2021, while they fell by 13.6% in Latin America.

Air cargo growth slowed in November...

November 2021 was a relatively soft month for air cargo, as industry-wide cargo tonne-kilometres (CTKs) grew by 3.7% compared to the same month in 2019. This is down from 8.2% in October on the same basis and the lowest rate since January 2021. The deterioration is somewhat unexpected, as there are signs that demand remains strong during the peak cargo season. Most of the slowdown in the volumes carried in November can be explained by supply chain issues.

After removing seasonal patterns from the data, CTKs dropped by 1.3% month-on-month in November 2021, nevertheless leaving the actual level slightly higher than the pre-crisis August 2018 peak (**Chart 1**).

Chart 1: CTK levels, actual and seasonally adjusted



Sources: IATA Economics, IATA Monthly Statistics

All the main regions we track registered slower air cargo growth in November versus 2019. Asia Pacific was relatively resilient, with total seasonally adjusted (SA) CTKs rising by 0.4% month-on-month, the only region with an increase in this metric.

... due to the impact of supply chain congestion...

November saw significant difficulties in moving cargo at several key airports, such as New York's JFK, Los Angeles and Amsterdam. This was caused by labour shortages – partly related to workers placed in quarantine – insufficient storage space at airports, and a large backlog of shipments to process.

While it is difficult to quantify the impact this had on air cargo volumes carried, congestion is likely to have intensified in November amid the rush to deliver goods for key consumer events at the end of the year. The lack of cargo capacity on some key trade lanes such as within Asia further prevented all the demand from being met. While there is capacity globally, it is sometimes not available at the right place.

This is captured by the exceptionally low levels of the supplier delivery times PMIs. At the global level, the PMI was at an all-time low of 34.7 in October. It edged up to 36.4 in November; still well below the 50 mark which indicates worsening conditions (more negative responses in the PMI survey than positive). Although longer delivery times usually provide incentives for businesses to turn to air freight to benefit from its speed, in the current conditions point instead more directly to delivery times lengthening because of supply bottlenecks (**Chart 2, overleaf**).

Air cargo market overview - November 2021

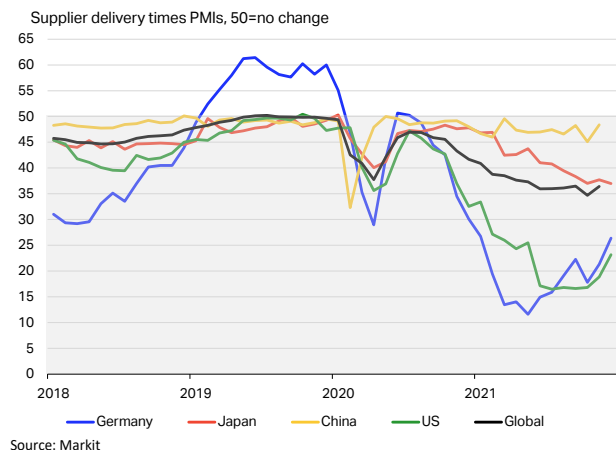
	World share ¹	November 2021 (% ch vs the same month in 2019)				November 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	3.7%	-7.6%	6.1%	55.9%	8.8%	10.7%	-1.0%	55.9%
International	85.4%	4.2%	-7.9%	7.3%	63.2%	10.7%	12.5%	-1.0%	63.2%

¹% of industry CTKs in 2020

²Change in load factor vs same month in 2019

³Load factor level

Chart 2: Supplier delivery times component of the manufacturing PMI



... and despite mostly supportive drivers of demand

There are signs that goods consumption remains well supported. In the US, total SA retail sales rose by 0.2% month-on-month in November, while actual retail sales were 23.5% above November 2019 levels. In the same country, online spending during the five days between Thanksgiving and Cyber Monday rose by 19% in 2021 versus 2019 – although it fell short of the record reached in 2020. In China, online sales for Singles' Day were 60.8% above their 2019 levels.

In October, global goods trade rose by 4.6% compared to October 2019, the best rate of growth since June. Global industrial production was up 2.9% over the same period.

Some indicators suggest demand for air cargo should remain strong in the near term, although whether this will really translate into stronger CTGs growth remains uncertain. Firstly, new export orders – typically a leading indicator of CTGs growth – also [improved in November](#), contrasting with the drop in CTGs growth (**Chart 3**).

Chart 3: CTG growth versus global new export orders



Moreover, the recent surge in COVID-19 cases in many advanced economies has created strong

demand for PPE shipments, which are usually carried by air. Finally, the US inventory-to-sales ratio has been flat at low levels since July, suggesting the inventory restocking cycle still has some ground to cover, as businesses need to refill depleted stocks.

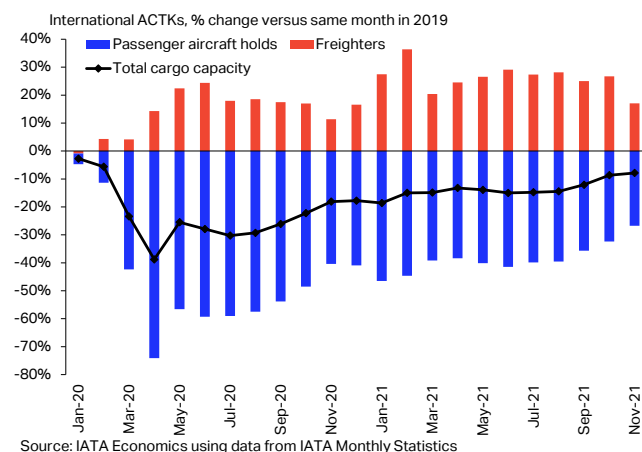
Global cargo capacity stagnates below 2019 levels

Industry-wide available cargo tonne-kilometres (ACTKs) were 7.6% below 2019 levels in November, in line with the October outcome (a 7.4% fall). Although there have been improvements, capacity shortages continue to impact the industry. Total ACTKs are up 5.9% compared to pre-crisis levels in North America, but this is an exception, as many other key trade lanes are congested. For example, in November, total ACTKs declined by 15.7% compared to November 2019 in Asia Pacific.

The recent gains in international passenger traffic have supported capacity in the bellyhold of passenger aircraft. Overall passenger aircraft ACTKs – which include passenger-freighters – were down 26.7% in November, an improvement from the 32.4% decline seen in the previous month.

In November, dedicated freighter capacity growth slowed to 17.1% versus November 2019. Besides, load factors on freighters are currently roughly 12 percentage points higher than those on belly cargo, suggesting that the improvements in passenger traffic do not fully translate into stronger belly air cargo growth. Indeed, dedicated CTGs drove the deceleration in growth seen in November (**Chart 4**).

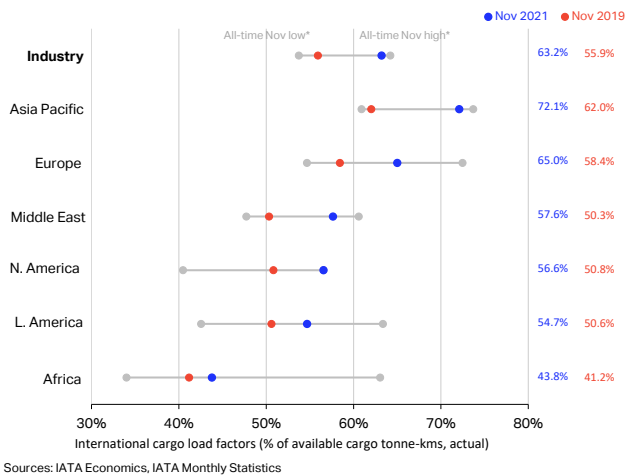
Chart 4: Int'l belly cargo and freighter capacity growth



Global load factors eased, but yields are climbing

The fall in CTGs combined with broadly unchanged ACTKs means that the industry-wide cargo load factor (CLF) became less tight in November. It rose by 6.1 percentage points versus November 2019, the smallest gain since March 2021 (**Chart 5, overleaf**).

Chart 5: Cargo load factors by region of registration

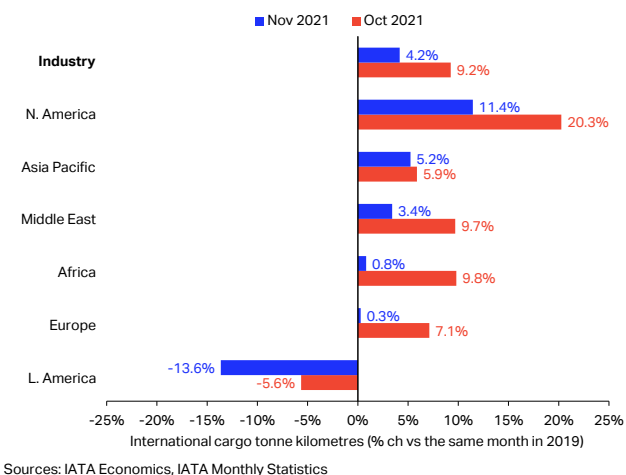


That said, this is not necessarily a positive sign for CTKs growth, as capacity is often not at the right place. Indeed, air cargo rates continued to climb at a robust pace in November. In seasonally adjusted terms, they are around 12% above the May 2020 peak, highlighting ongoing tensions in global supply chains.

International CTKs deteriorate in all the main regions

International air cargo volumes followed the same pattern as industry-wide CTKs in November. International CTKs grew by 4.2% versus November 2019, down from 9.2% the month before. Growth softened in all the regions, with North America being the strongest performer (Chart 6).

Chart 6: Int'l CTK growth versus the same month in 2019 (airline region of registration)

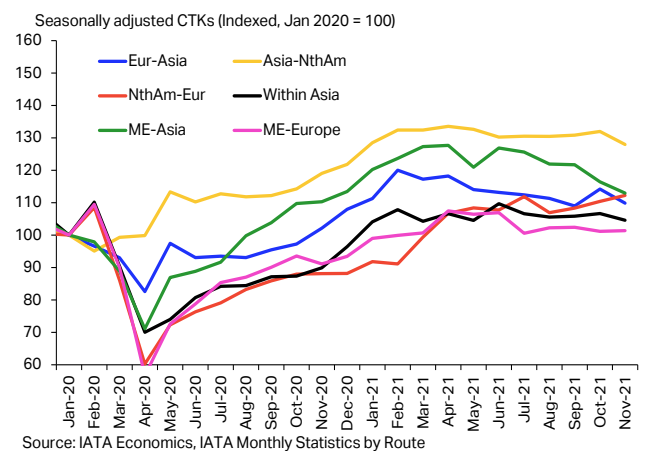


In November, carriers based in North America posted an 11.4% increase in international CTKs versus the same month in 2019, down from 20.3% in October. However, seasonally adjusted CTKs declined by 3.3% month-on-month, and a downward trend in volumes is starting to emerge. Inflation, which reached 6.8% year-on-year in the US in November, is hurting consumers, and congestion issues at several key gateways have added to headwinds for cargo volume.

Asia Pacific performed relatively well in November, as airlines based in the region posted a 5.2% rise in their international CTKs versus November 2019. This was only marginally below the outcome of October (5.9%), and the region is the only one with seasonally adjusted cargo volumes currently moving up (0.9% month-on-month in November).

Carriers in the Middle East also faced a significant deterioration in their international CTKs, with growth versus pre-crisis levels diminishing from 9.7% in October to 3.4% in November. A downward trend may be starting to emerge in SA volumes, partly driven by the large Middle East-Asia trade route (Chart 7).

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



In both Africa and Europe, airlines posted marginally positive rates of growth in their international CTKs compared to November 2019, at respectively 0.8% and 0.3%. In the former, traffic has stabilised after a period of strong growth earlier in the year – in the year-to October, CTKs in Africa were up a downwardly revised 12.9% against 2019.

Europe was also impacted by supply chain congestion and localised capacity constraints, as illustrated by long supplier delivery times and deteriorating capacity on the key Europe-Asia market (down 7.3% versus 2019 in November).

There was a 13.6% decline in international CTKs carried by Latin American airlines in November, compared to the same month in 2019. Rates of decline have seesawed for most of the year, partly due to the restructuring process at some of the largest airlines in the region. Those carriers are now progressively emerging from bankruptcy protection, which may reduce volatility moving into 2022.

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 11 January 2022

Air cargo market in detail - November 2021

	World share ¹	November 2021 (% ch vs the same month in 2019)				November 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	3.7%	-7.6%	6.1%	55.9%	8.8%	10.7%	-1.0%	55.9%
Africa	1.7%	-0.1%	-6.9%	3.0%	43.4%	16.9%	20.6%	-1.3%	43.4%
Asia Pacific	32.7%	1.1%	-15.7%	10.9%	65.4%	11.4%	3.7%	4.6%	65.4%
Europe	22.1%	0.3%	-9.7%	6.3%	63.1%	12.9%	17.6%	-2.7%	63.1%
Latin America	2.4%	-12.8%	-24.4%	6.0%	44.6%	7.2%	15.9%	-3.6%	44.6%
Middle East	13.0%	3.4%	-9.6%	7.2%	57.2%	5.9%	10.4%	-2.4%	57.2%
North America	28.1%	13.3%	5.9%	2.9%	44.4%	3.4%	12.1%	-3.8%	44.4%
International	85.4%	4.2%	-7.9%	7.3%	63.2%	10.7%	12.5%	-1.0%	63.2%
Africa	1.7%	0.8%	-5.2%	2.6%	43.8%	17.0%	20.8%	-1.4%	43.8%
Asia Pacific	29.0%	5.2%	-9.5%	10.1%	72.1%	16.1%	17.0%	-0.6%	72.1%
Europe	21.7%	0.3%	-9.9%	6.6%	65.0%	13.0%	17.7%	-2.7%	65.0%
Latin America	2.1%	-13.6%	-20.1%	4.1%	54.7%	4.1%	10.7%	-3.4%	54.7%
Middle East	13.0%	3.4%	-9.7%	7.3%	57.6%	5.8%	10.3%	-2.4%	57.6%
North America	17.9%	11.4%	0.1%	5.7%	56.6%	3.2%	2.5%	0.4%	56.6%

¹% of industry CTKs in 2020

²Change in load factor vs 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.

Air cargo year-to-date developments (Jan-November 2021)

	Year-to-date (% ch vs the same period in 2019)			
	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	6.7%	-11.5%	9.6%	56.3%
Africa	10.5%	-15.9%	11.3%	47.4%
Asia Pacific	-0.1%	-18.5%	11.8%	64.1%
Europe	3.5%	-17.5%	13.1%	64.6%
Latin America	-16.6%	-33.2%	8.9%	44.4%
Middle East	11.0%	-10.2%	11.0%	57.6%
North America	19.5%	3.2%	6.2%	45.8%

¹% of industry CTKs in 2020

²Change in load factor vs same period in 2019

³Load factor level

Air cargo year-to-date developments (Jan-November 2021)

	Year-to-date (% ch vs the same period in 2019)			
	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
International	7.1%	-13.4%	12.3%	64.1%
Africa	11.6%	-14.4%	11.2%	48.1%
Asia Pacific	3.1%	-17.8%	15.0%	73.9%
Europe	3.4%	-18.4%	14.2%	67.5%
Latin America	-16.3%	-30.6%	9.0%	52.7%
Middle East	11.0%	-10.2%	11.1%	58.1%
North America	20.0%	-0.5%	9.6%	56.0%

¹% of industry CTKs in 2020

²Change in load factor vs same period in 2019

³Load factor level

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