

Air Cargo Market Analysis

May 2020

Air cargo improved in May, but a full recovery will take time

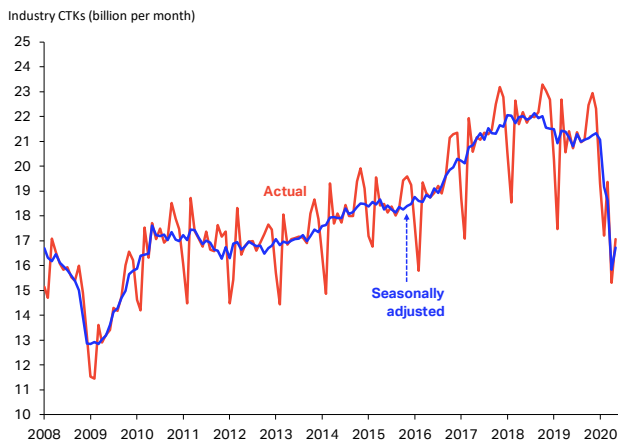
- Industry-wide cargo tonne-kilometres (CTKs) fell by 20.3% year-on-year in May, a slight improvement from the 25.6% decline seen in April. Seasonally adjusted industry CTKs increased this month, but they remain around 22% below Dec 2019 levels. The rebound was broad-based across the main regions, which all lifted from the April trough.
- This initial recovery partly comes on the back of stabilizing manufacturing output and new export orders. Both metrics continue to decline at the global level in month-on-month terms, but the pace of the fall has slowed significantly, as many economies have started to come out of lockdowns.
- While supply chains remain disrupted amid low available capacity levels, cargo load factors eased a little and belly cargo capacity increased this month, hinting that the capacity crunch seen since March may start to unwind soon.

CTKs lifted from their Apr low but recovery will be slow

A tentative rebound is visible in air cargo traffic in May, with some economies lifting lockdowns and travel bans. Industry-wide cargo tonne-kilometres (CTKs) declined by 20.3% year-on-year, up from a 25.6% contraction in April. This remains a very weak outcome and marks the third consecutive month of double-digit decline.

Seasonally adjusted (SA) CTKs also rose in May compared with April, suggesting that the trough in cargo volumes may have passed. In month-on-month terms, SA volumes lifted 5.6% in May, the third largest monthly growth rate in our series, and the first increase since December 2019. Having said that, SA CTKs are currently around 22% below their Dec 2019 levels and still have a long way to climb before recovering their pre-COVID level (Chart 1).

Chart 1: CTK levels, actual and seasonally adjusted



Sources: IATA Economics, IATA Monthly Statistics

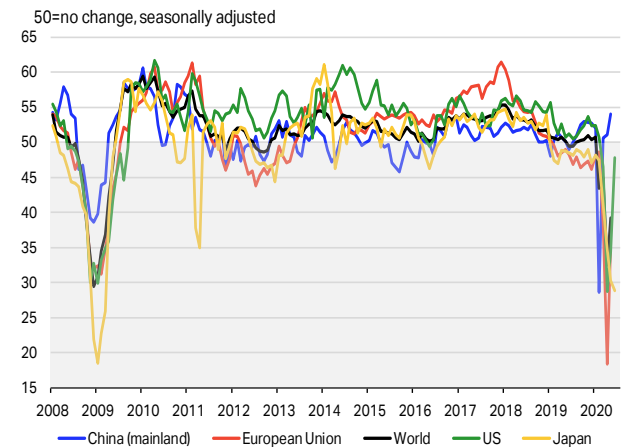
In our latest [Industry Economic Performance forecasts](#) released in early June, CTKs are expected to fall by 16.8% in 2020 compared to 2019 amidst the ongoing economic crisis. A strong recovery should ensue in 2021, supported by a rebound in world trade and GDP.

As in April, all the regions contributed to the year-on-year fall in CTKs. Airlines in Asia Pacific and Europe were the main contributors, while North American airlines posted a relatively robust performance, as only 0.9ppt of the 20.3% decline came from this region.

Manufacturing is stabilizing worldwide, rising in China

Global industrial production and manufacturing began to stabilize in May as more economies eased lockdown restrictions. The global manufacturing Purchasing Managers' Index (PMI) lifted in May, but remained below the 50 mark (Chart 2).

Chart 2: Manufacturing output component of PMI



Source: Markit

Air cargo market overview - May 2020

	World share ¹	May 2020 (% 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%	-20.3%	-34.7%	10.4%	57.6%	-13.8%	-20.9%	4.2%	51.3%
International	86.8%	-21.5%	-32.2%	8.3%	60.6%	-14.4%	-20.3%	3.9%	55.9%

¹% of industry CTKs in 2019

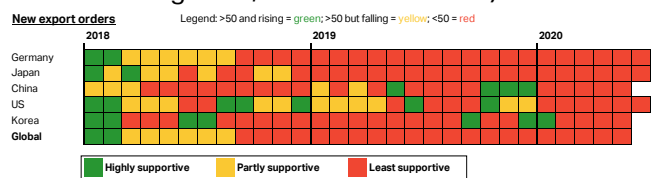
²Year-on-year change in load factor

³Load factor level

This means that manufacturing output continued to decline in month-on-month terms, but at a slower pace. China registered a third consecutive monthly increase in output, while manufacturing PMIs also improved in most key economies except Japan (early June PMI values are available for Japan and the US).

The new export orders component of the manufacturing PMI – an indicator of the demand for air cargo in the following two months or so – followed a similar path in May. The global PMI rebounded from the trough seen in April, but remained in contractionary territory. The key exporting countries included in Chart 3 also improved in May – and in June for Japan – consistent with a slower pace of decline in month-on-month terms.

Chart 3: CTK demand heat-map (monthly data from manufacturing PMIs, selected countries)

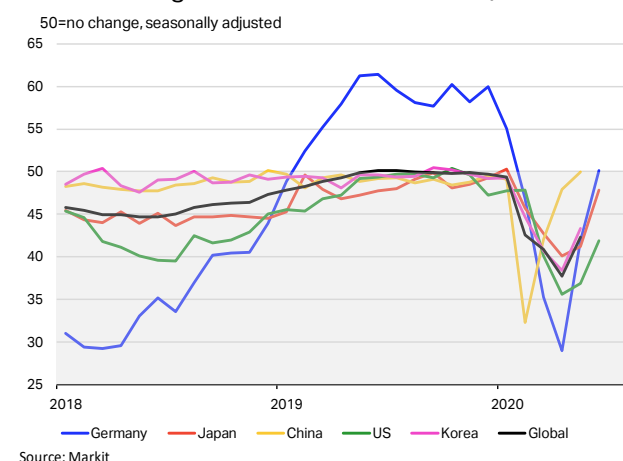


Supply chains remain disrupted...

Lockdowns and restrictions brought about by COVID-19 continue to create inefficiencies and delays in global supply chains. Indeed, the global supplier delivery times component of the manufacturing PMI – where a value below 50 indicates longer delivery times – remained in contractionary territory in May.

However, this metric also lifted from the lows seen in April, with several key exporting economies (China, Germany) having returned to around the 50 level, meaning that delivery times were unchanged from the month before (Chart 4).

Chart 4: Supplier delivery times (monthly data from manufacturing PMIs, selected countries)



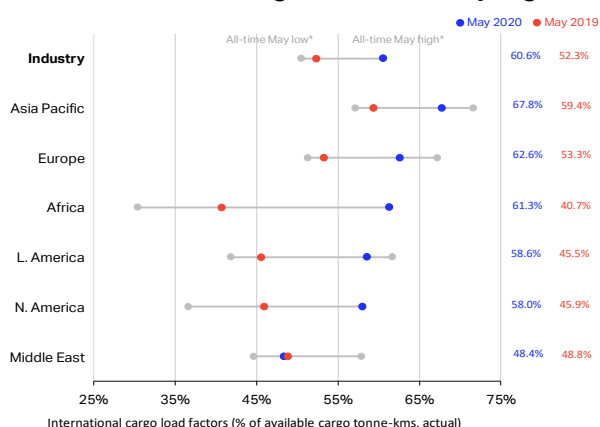
Among the effects of COVID-19, the lack of available cargo capacity (see further below) means that elevated delivery times – normally associated with growing air cargo volumes – are reflected in historically high cargo rates and load factors.

... but load factors eased slightly versus April

In May, industry-wide available cargo tonne-kilometres (ACTKs) declined by 34.7% year-on-year (yoy), a slight deceleration from the 41.6% decline seen in April. SA ACTKs increased by more than 12% month-on-month. At the regional level, the rates of decline ranged from 26% yoy for Middle Eastern carriers to 41.9% yoy for carriers based in Europe.

Industry-wide, the cargo load factor (CLF) rose by 10.4ppts annually in May, compared with a 12.8ppts gain in April (Chart 5). The steepness of the climb indicates that the cargo capacity crunch which started in around March has continued through May.

Chart 5: International cargo load factors by region



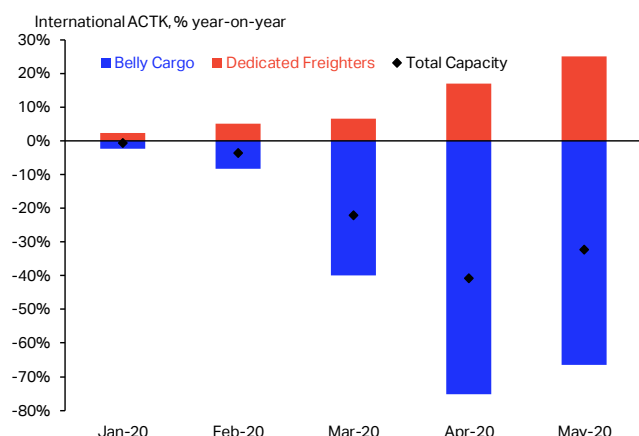
That said, the yoy gains in ACTKs have slowed and the CLFs have eased slightly compared to April. Cargo rates also seem to have peaked around mid-May. With passenger traffic starting to return, the capacity crunch in cargo is expected to begin to unwind in the near future.

Modest recovery in belly capacity

With a limited number of international air passenger markets starting to resume operations, the year-on-year decline in international belly cargo capacity rose to 66.4% in May from 75.1% in April. In the meantime, airlines were also able to continue to increase freighter capacity, up 25.2% annually in May.

Despite those improvements, there is still insufficient capacity to meet the remaining demand for air transport, which contributes to cargo load factors and rates still trending at elevated levels.

Chart 7: International belly cargo and freighter capacity growth

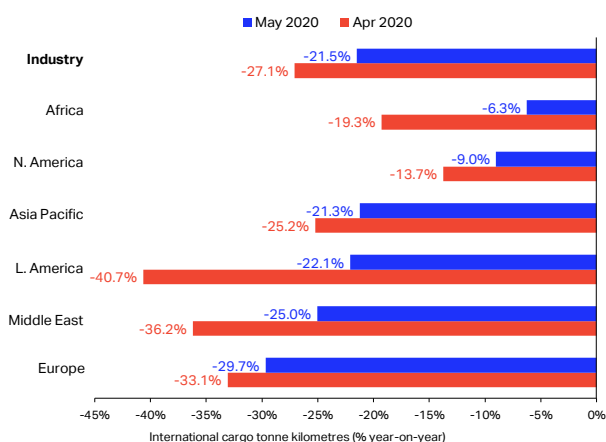


Source: IATA Monthly Statistics

Widespread rebound in international CTKs

Total international CTKs fell by 21.5% year-on-year in May. This is a slight improvement from the 27.1% yoy decline in April, with all of the regions mirroring this development (Chart 6). While remaining firmly in contractionary territory, international SA volumes also improved a little in all regions compared with April.

Chart 6: International CTK growth



Sources: IATA Economics, IATA Monthly Statistics

Airlines in Africa back at the top of the growth chart

Airlines based in Africa extended a run of relatively resilient performance, with international cargo volumes contracting by 6.3% yoy. Africa has been in the top two of the ranking for 15 consecutive months.

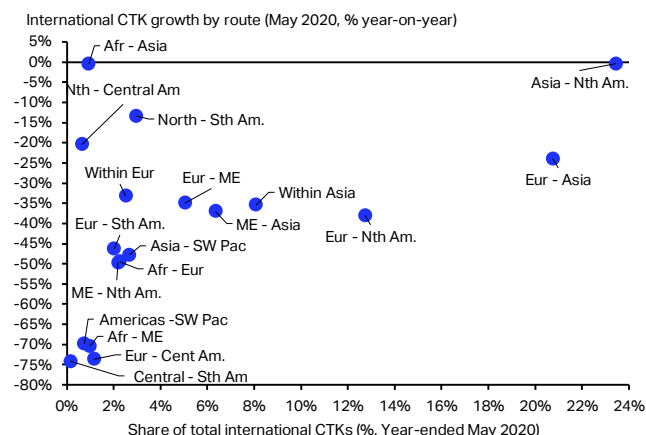
Outcomes for the region continue to be driven by the Africa-Asia trade route, where volumes are down 0.4% yoy in May (Chart 8). The load factor increased by 20.6ppts to a record-high value for May.

While North America returns to single-digit decline...

International CTKs of airlines registered in North America fell by 9.0% yoy in May, after two consecutive months of double-digit decline. SA volumes lifted from the April trough, but remain around 7% below the level of Dec 2019.

Various factors have contributed to this performance, including shorter and less stringent lockdowns in parts of the country, the large freighter fleets of some of the region’s carriers as well as a relatively solid ongoing trade performance with Asia (where CTK volumes are down just 0.4%yoy in May).

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



Sources: IATA Economics, IATA Monthly Statistics by Route

... and Latin Am, Middle East show large recoveries

Airlines registered in Latin America saw their international CTKs fall by 22.1% annually in May, a significant improvement from the 40.7% decline in April. The region has been strongly impacted by the pandemic, with most economies being locked down in May. That said, routes to and from North America (Chart 8) have been resilient in the latest month.

Middle Eastern airlines experienced a 25.0% year-on-year decline in international cargo volumes in May, up from 36.2% in April. Nonetheless, all key routes to and from the region faced very low traffic demand.

More modest improvements seen in APAC, Europe

Airlines located in Asia Pacific posted a 21.3% decline in international CTKs in May. As in the other main regions, SA volumes rebounded this month, and are now roughly 25% below their pre-crisis levels.

PPE shipments continue to bring support to airlines in the region, and economies including China, Sth Korea and Vietnam have been able to restart their economies to a partial degree.

European airlines reported a 29.7% yoy drop in international cargo volumes in May, the weakest outcome amongst the regions. In many economies in that region, lockdowns were only lifted around the middle of the month and manufacturing output remains very weak.

Air cargo market detail - May 2020

	World share ¹	May 2020 (% 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%	-20.3%	-34.7%	10.4%	57.6%	-13.8%	-20.9%	4.2%	51.3%
Africa	1.8%	-7.4%	-39.4%	21.1%	61.2%	-4.8%	-15.7%	4.8%	42.5%
Asia Pacific	34.5%	-24.2%	-37.4%	11.3%	64.3%	-16.7%	-26.7%	7.0%	58.5%
Europe	23.6%	-29.5%	-41.9%	11.0%	62.5%	-18.7%	-25.3%	4.6%	56.9%
Latin America	2.8%	-28.3%	-51.6%	18.2%	56.1%	-18.5%	-29.6%	5.4%	39.6%
Middle East	13.0%	-25.2%	-26.0%	0.5%	48.3%	-14.9%	-16.1%	0.7%	47.6%
North America	24.3%	-3.6%	-27.9%	13.2%	52.6%	-4.5%	-12.4%	3.7%	44.7%
International	86.8%	-21.5%	-32.2%	8.3%	60.6%	-14.4%	-20.3%	3.9%	55.9%
Africa	1.8%	-6.3%	-37.7%	20.6%	61.3%	-4.1%	-14.1%	4.5%	43.1%
Asia Pacific	30.4%	-21.3%	-31.0%	8.4%	67.8%	-14.1%	-21.8%	5.7%	63.6%
Europe	23.3%	-29.7%	-40.1%	9.3%	62.6%	-18.9%	-24.7%	4.2%	58.3%
Latin America	2.3%	-22.1%	-39.5%	13.1%	58.6%	-17.2%	-28.1%	6.3%	48.0%
Middle East	13.0%	-25.0%	-24.4%	-0.4%	48.4%	-14.8%	-15.4%	0.3%	47.9%
North America	16.0%	-9.0%	-28.0%	12.1%	58.0%	-9.0%	-16.1%	4.0%	51.8%

¹% of industry CTKs in 2019

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.

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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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