



Cargo Chartbook

Q1 2021

Strong economic backdrop supports cargo volumes and revenues

- In the three months to January 2021, industry-wide cargo tonne-kilometres (CTKs) were down 0.6% year-on-year versus pre-crisis levels a year ago. Seasonally adjusted (SA) volumes were also close to 2019 values. Air cargo has been underperforming global goods trade, but this has moderated in the past few months, as economic upturns usually see air cargo overperform.
- Most drivers of air cargo are now supportive. Trade and industrial production are back to pre-crisis values, inventories are low compared to sales, business confidence is expanding and new export orders are generally robust.
- The lack of cargo capacity – down 18.7% year-on-year in the three months to January – has so far prevented a stronger rebound in CTKs. Consequently, cargo load factors and rates are at or close to all-time high values, which continues to bring support to airlines in the form of cargo revenues. However, this only offsets a part of the fall in passenger revenues.

Market developments

- Industry-wide CTKs continued their V-shaped recovery in the three months to January 2021. They were down 0.6% year-on-year only, the best result since the quarter ended Oct 2018. Seasonally adjusted CTKs returned close to pre-crisis levels during those three months.
- Air cargo growth has underperformed global goods trade since late-2018. However, the gap narrowed in the quarter to Jan 2021, as economic upturns usually see air cargo overperform.
- The Asia-Nth America trade lane continued to post strong performances (up 14.1% year-on-year), driven by strong consumption in Nth America. Other major routes improved but remained down versus a year ago.

Market drivers

- The V-shaped recovery in global trade and manufacturing has continued in recent months. Trade and industrial production are back to pre-crisis levels and business confidence is expanding robustly. Inventories are currently low compared to sales, which would typically encourage businesses to restock using air freight, if capacity was less limited.
- Growth in global new export orders reached its highest value since 2010, but emerging markets weakened in January and February. Moreover, consumer confidence remains soft due to virus control measures.

Capacity, costs and yields

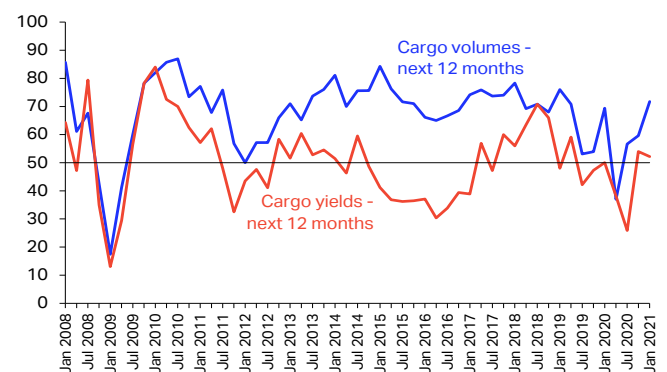
- In the three months to January 2021, industry-wide ACTKs fell by 18.7% year-on-year. Capacity improvements are slow and the gap with CTKs remain high in all the regions.
- Belly capacity has continued to recover in recent months, but on most routes, dedicator freighters capacity does not fully compensate.
- Cargo yields and load factors rose again during the cargo peak season in Q4 2020. Although yields have moderated somewhat in January, rising jet fuel prices may put further pressures on already elevated rates. High yields and growing volumes mean cargo revenues continue to trend at record-high levels.

Heads of cargo expect the recovery to extend

- When surveyed in early-January, more than half of surveyed heads of cargo and CFOs expected cargo volumes to continue growing over the coming year, while only 9% anticipated a decline.
- Slightly fewer respondents expect a further climb in cargo rates, but more than 60% of them think rates will remain close to where they currently are in 2021.

Chart 1 – IATA survey of heads of cargo

Weighted score (50 = no change)



Source: IATA Economics

*Quarterly data

Table 1 – Key data overview

Rolling 3 month periods (unless specified otherwise)	% year-on-year	% quarter-on-quarter
Industry-wide CTKs¹	-0.6%	7.7%
North America-Asia ¹	14.1%	8.4%
Asia-Europe ¹	-5.4%	11.0%
Europe-North America ¹	-14.5%	4.1%
Within Asia (int'l) ¹	-10.1%	12.8%
International Cargo Tonnes²	-4.0%	4.3%
Metric tonnes flown in 3m ended Dec 2020:		10.6m
World trade volumes²	0.2%	4.0%
Global container throughput¹	5.9%	1.2%
	<u>Level³</u>	<u>5-yr avg</u>
Global PMI new export orders	50.8	49.6

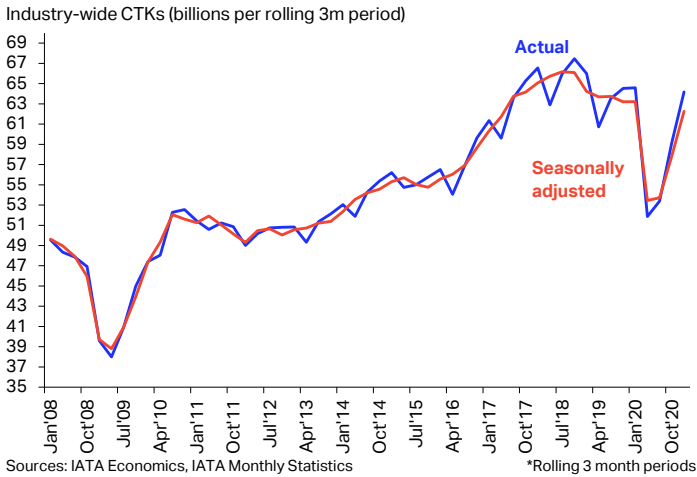
¹ 3m ended Jan 2021

² 3m ended Dec 2020

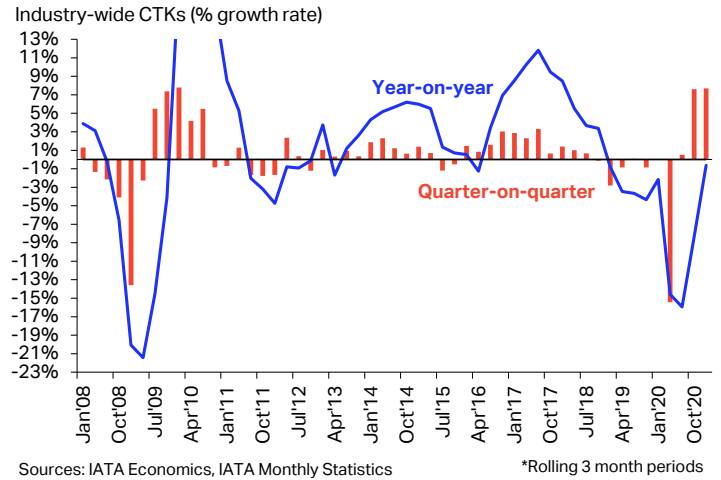
³ Average of 3m ended Feb 2021

Market developments

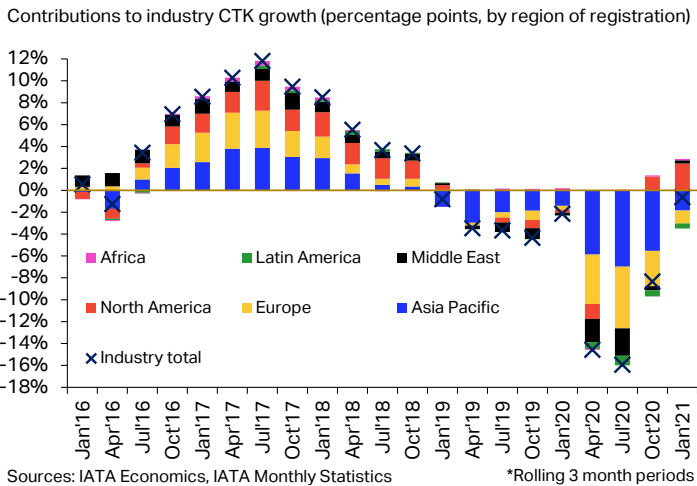
1. The V-shaped recovery in air cargo traffic has continued in the three months to Jan 2021, driven by strong manufacturing activity and e-commerce demand. During that period, seasonally adjusted (SA) cargo tonne-kilometres (CTKs) were close to 2019 values.



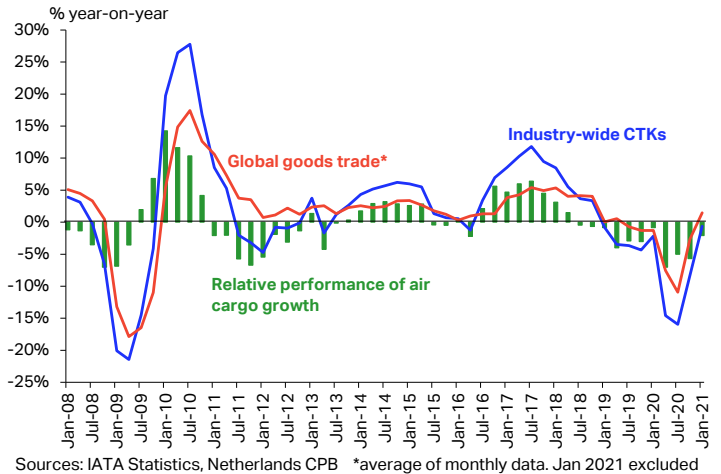
2. Indeed, SA cargo volumes grew by 7.7% quarter-on-quarter in the three months to January, a pace in line with the quarter before (7.6%). Actual CTKs were down only 0.6% year-on-year, the best growth result since the three months to Oct 2018.



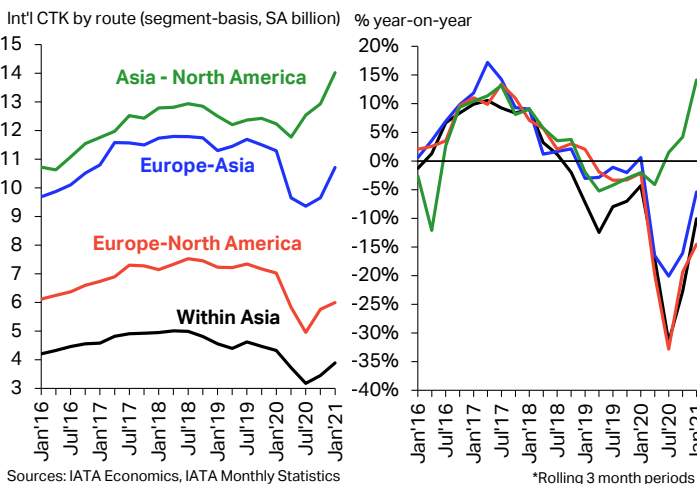
3. Year-on-year growth improved in all the regions. But there was a balance between North America, Middle East and Africa, which posted positive contributions to global growth, and Europe, Latin America and Asia Pacific, where they remained negative.



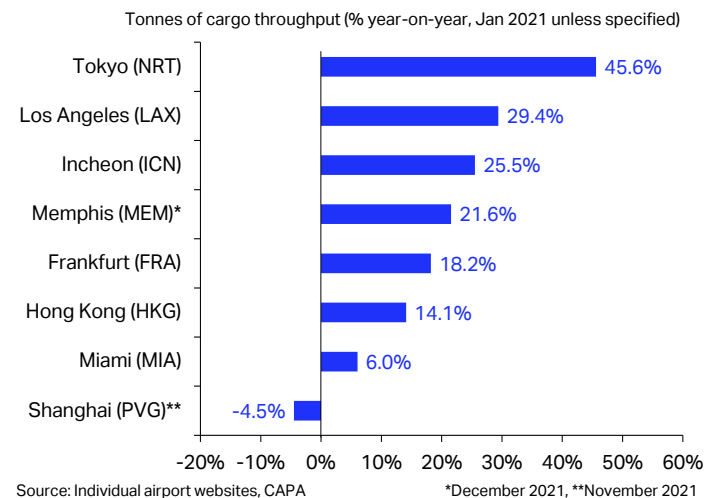
4. Air cargo has underperformed global goods trade since late 2018, as it often does during downturns, further compounded by the lack of air cargo capacity in 2020. The relative performance of CTKs however improved in the three months to January.



5. Air cargo traffic continued to improve on all key trade lanes in the three months to January. But the Asia-Nth America route has grown by 14.1% year-on-year, a noticeable feat driven by Nth American e-commerce demand for goods made in Asia.

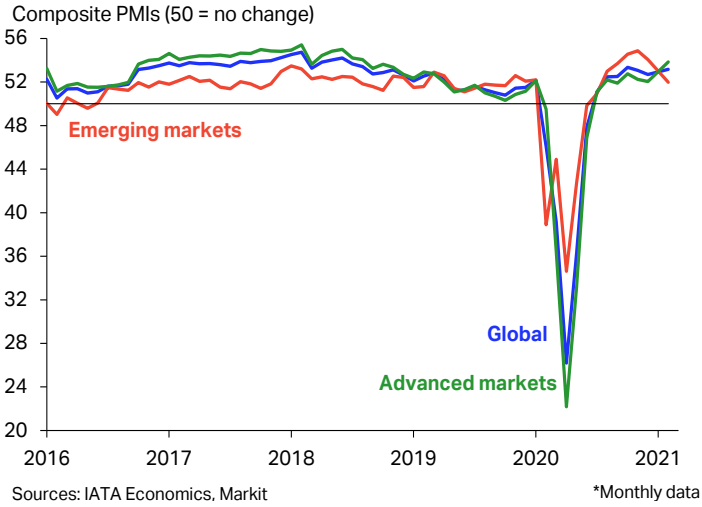


6. Growth in cargo throughput continued to improve at an airport level. Despite disruptions and lack of capacity, all key hubs but Miami and Shanghai grew at double-digit pace. This was also partly due to the weak results in 2020 due to COVID.

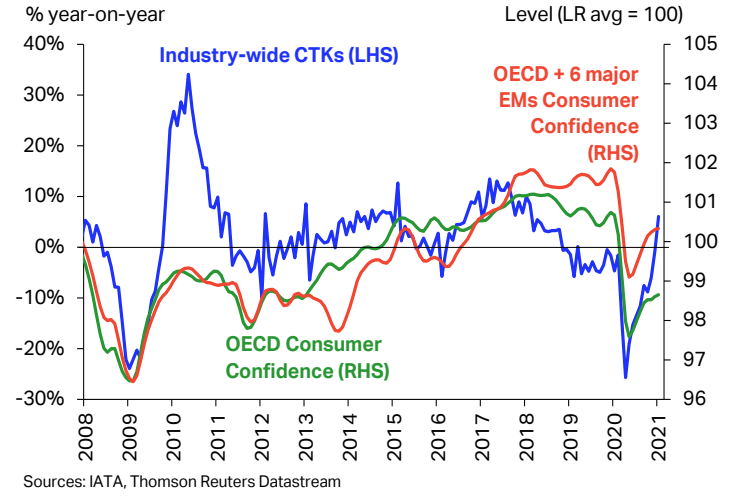


Market drivers

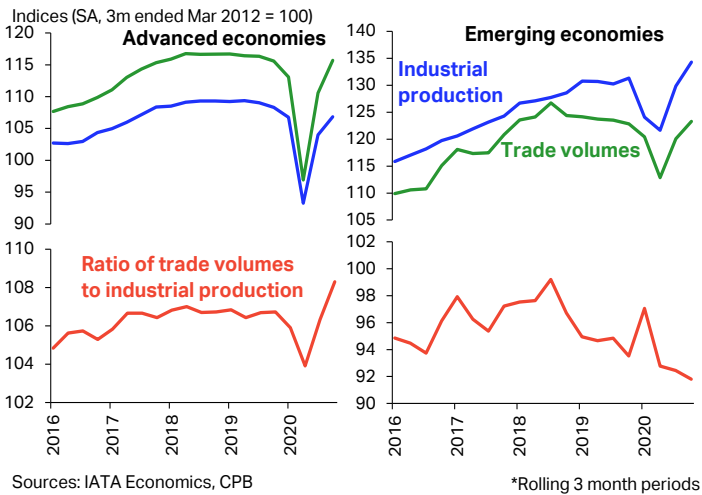
7. After rebounding rapidly, business confidence has now stabilized. However, emerging and advanced economies are diverging. Confidence in emerging markets softened since Nov, driven by China, but accelerated in advanced economies.



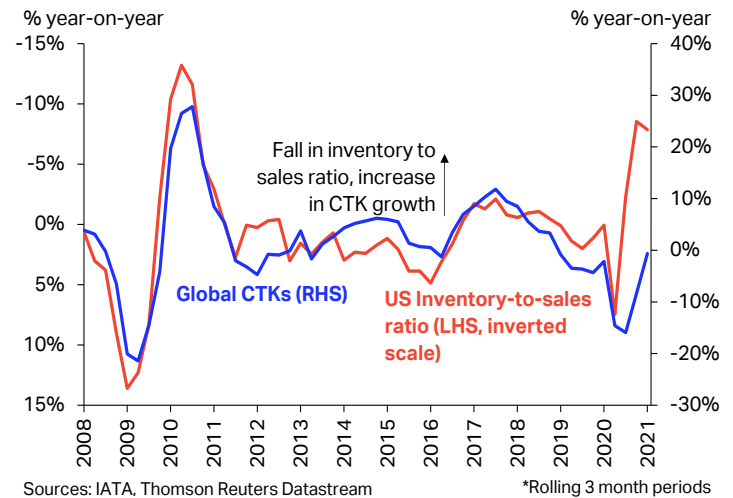
8. The recovery in consumer confidence has trailed off in the past few months, due to new COVID outbreaks and resulting restrictions. It has however returned above the long-run average in key EMs. Moreover, consumer demand for goods is robust.



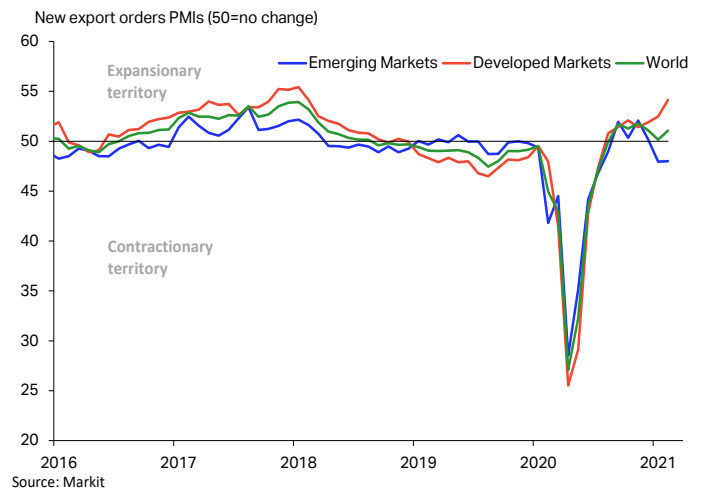
9. Global trade conditions have swiftly rebounded from the COVID crisis. In the quarter ended December 2020, world goods trade was 0.2% above Q4 2019 levels. Global industrial production was also back to pre-crisis values over the same period.



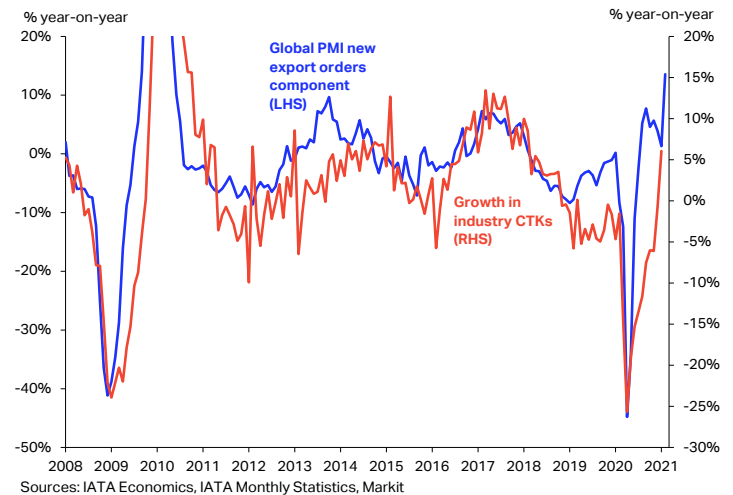
10. The inventory-to-sales ratio fell significantly in H2 2020, before stabilizing to levels consistent with low inventories. While this would normally be supportive for CTKs, insufficient capacity and supply chain disruptions mean the recovery is delayed.



11. Since January, manufacturing new export orders have fallen in contractionary territory in emerging markets. The global index continues to expand, however, driven by developed economies and notably the Eurozone.

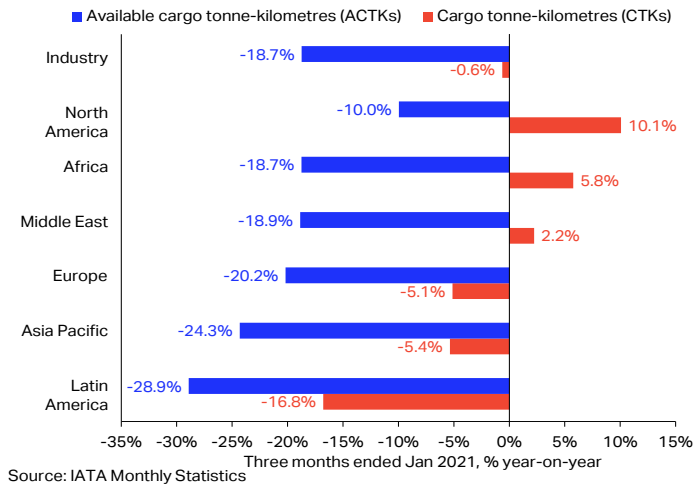


12. After stabilizing late in 2020, growth in new export orders surged in February to its highest value since the recovery from the GFC in 2010. This indicates strong demand for air cargo shipping, but the lack of capacity prevents a more dynamic rebound.

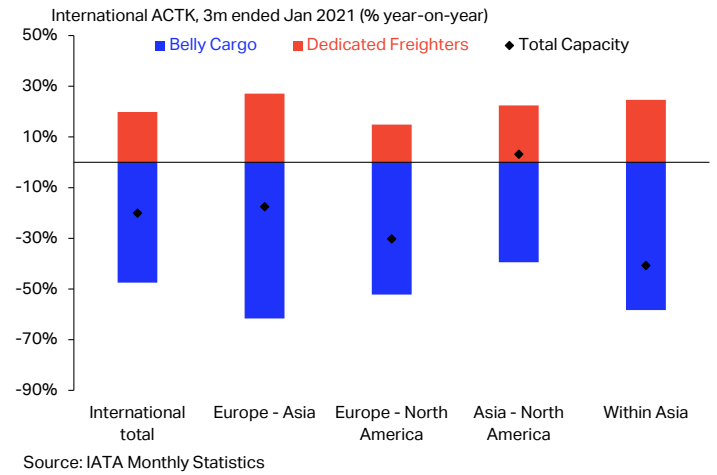


Capacity, costs, and yields

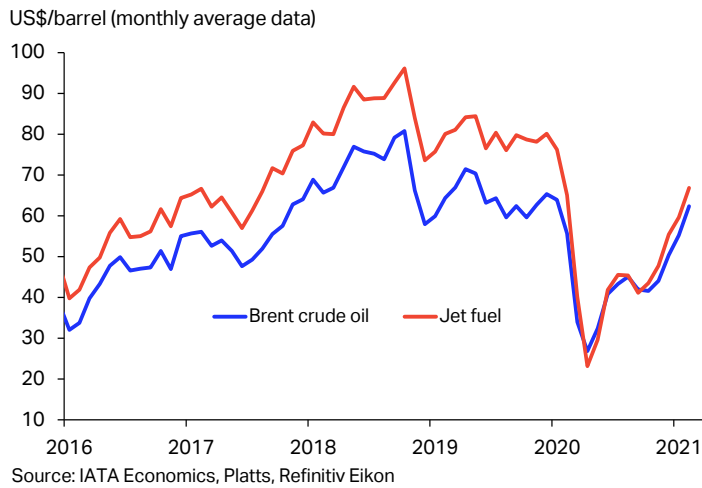
13. During the three months ended January 2021, industry-wide available cargo tonnes-kilometres (ACTKs) dropped by 18.7% year-on-year. The gap with CTK growth was significant in all the key regions, but regions with the most capacity performed better.



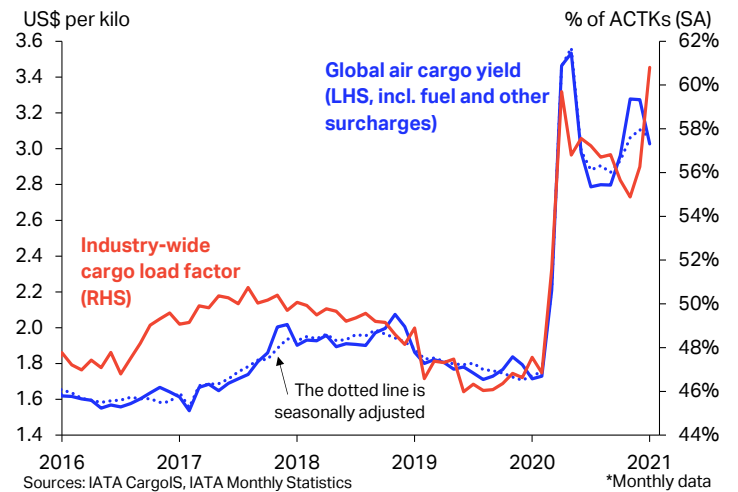
14. Total international belly capacity improved in the three months to January 2021, despite renewed COVID outbreaks and restrictions. Dedicated freighters operators have raised capacity through new deliveries and higher daily utilization of aircraft.



15. The rapid rebound in global economic activity has triggered a strong increase in the price of oil. Even though the jet fuel crack spread remains minor, this is likely to add pressures to already high cargo rates due to fuel surcharges.



16. Cargo yields rose again during the cargo peak season in Q4 2020, amid high demand and limited supply. That tension has remained in January, as indicated by the new all-time high in the global cargo load factor. Yields moderated somewhat, however.



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