

## Air cargo traffic eased ahead of conflict in Eastern Europe

- Industry-wide cargo ton kilometers (CTKs) had softened in the three months to January 2022. CTKs rose 7.2% year-on-year, but this is weaker than the previous three months period (16.0%) and seasonally adjusted CTKs fell by 0.7% quarter-on-quarter.
- Drivers of air cargo are currently mixed. While trade and economic activity continue to expand, business and consumer confidence have eased. The inventory-restocking cycle still has ground to cover, but the conflict in Eastern Europe threatens CTKs growth.
- Air cargo capacity remains on a slow but steady upwards trend, mainly driven by the return of belly capacity. Even though load factors have eased somewhat in H2 2021, air cargo rates have increased to new heights.

### Market developments

- In the three months ended January 2022, industry-wide cargo ton kilometers (CTKs) were 7.2% above levels during the same period a year ago. The trend in volumes is now softening, as indicated by the 0.7% quarter-on-quarter fall in seasonally adjusted CTKs.
- Changes in the market shares of regions that happened at the start of the pandemic have partly reverted lately. For example, Latin America and Asia Pacific have made up some of the lost ground.
- CTKs overperformed global goods trade again during the past three months. The inventory-restocking cycle, favorable to air cargo, still has ground to cover, but the conflict in Eastern Europe blurs the outlook.

### Market drivers

- Business and consumer confidence have softened recently due to elevated inflation. That had not been enough to impact world goods trade and economic activity, which performed well recently. However, the conflict in Eastern Europe and the spread of Omicron in Asia will exacerbate supply issues, limit capacity on some route and fuel inflation from February onwards.
- More specifically, air cargo continues to benefit from favorable conditions that include low inventory-to-sales ratios and relatively affordable prices.

### Capacity, costs and yields

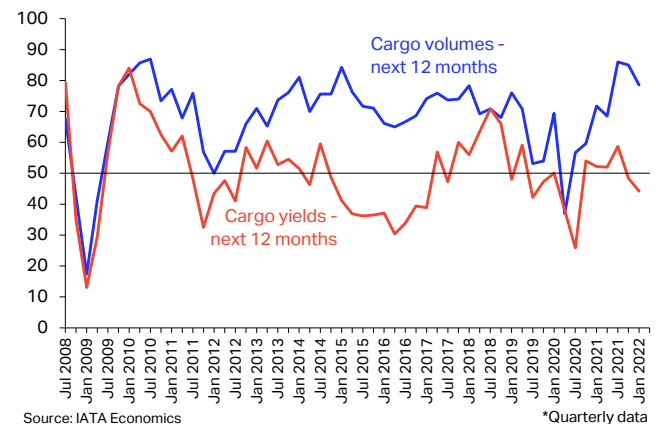
- In the three months ended January 2022, industry-wide available cargo ton kilometers (ACTKs) were up 11.7% in year-on-year terms, but 6.4% below pre-crisis levels. There have been slow but steady improvements in capacity, mainly due to the return of belly ACTKs (up 25.8% year-on-year).
- Oil prices have surged to their highest levels since April 2011, partly due to sanctions on Russia. Moreover, the jet fuel crack spread has widened recently as the aviation industry recovers. In Q4 2021, fuel costs represented 24% of overall airlines operating expenses.
- Although air cargo load factors eased somewhat in H2 2021, capacity remains tight on some key routes, and air cargo rates have in fact continued to increase, reaching new records.

### Heads of cargo optimistic about volumes growth

- 64% of the respondents to the IATA survey of airlines' CFOs and Heads of Cargo expect air cargo volumes to continue growing in the next twelve months. While the shares eased a bit from previous surveys, this remains a strongly positive sign. Respondents were more cautious on the air cargo yields outlook. 31% expect an increase, but 42% anticipate a decline.

**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
<b>Industry-wide CTKs<sup>1</sup></b>	<b>7.2%</b>	<b>-0.7%</b>
North America-Asia <sup>1</sup>	5.2%	-1.5%
Asia-Europe <sup>1</sup>	6.1%	0.9%
Europe-North America <sup>1</sup>	25.3%	2.8%
Within Asia (int'l) <sup>1</sup>	42.3%	1.8%
<b>International Cargo Tonnes<sup>2</sup></b>	<b>11.1%</b>	<b>0.2%</b>
Metric tonnes flown in 3m ended Dec 2021:		11.8m
<b>World trade volumes<sup>2</sup></b>	<b>6.4%</b>	<b>2.5%</b>
<b>Global container throughput<sup>1</sup></b>	<b>0.4%</b>	<b>0.2%</b>
	<u>Level<sup>3</sup></u>	<u>5-yr avg</u>
<b>Global PMI new export orders</b>	50.6	49.9

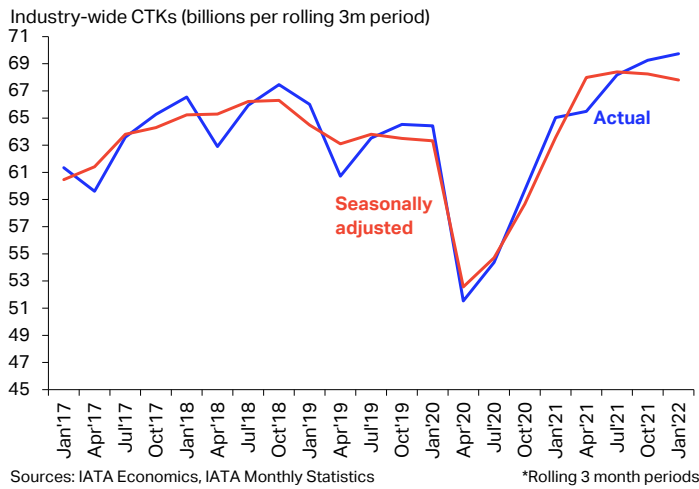
<sup>1</sup> 3m ended Jan 2022

<sup>2</sup> 3m ended Dec 2021

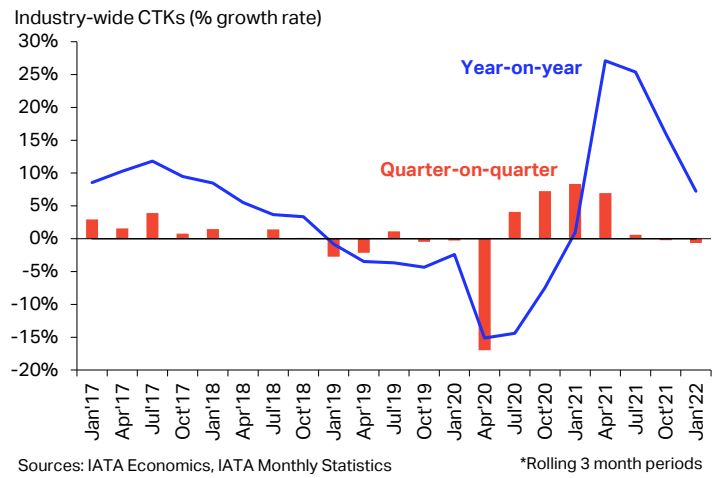
<sup>3</sup> Average of 3m ended Feb 2022

# Market developments

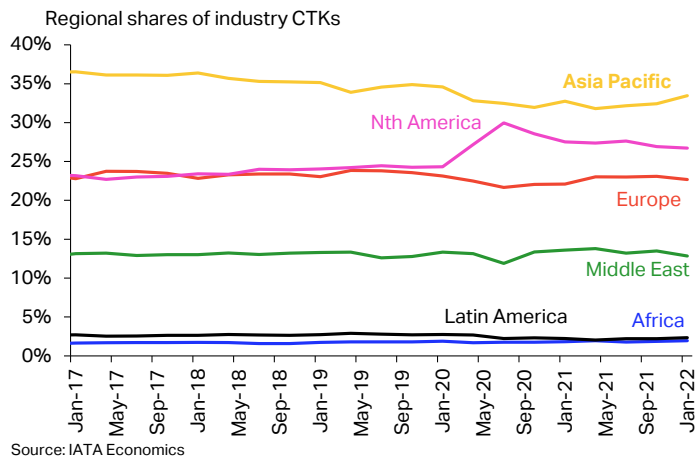
1. A solid air cargo peak season allowed actual industry-wide CTKs to reach new highs in the three months to January 2022. That said, the seasonally adjusted trend is starting to decline, partly due to a weak month of January.



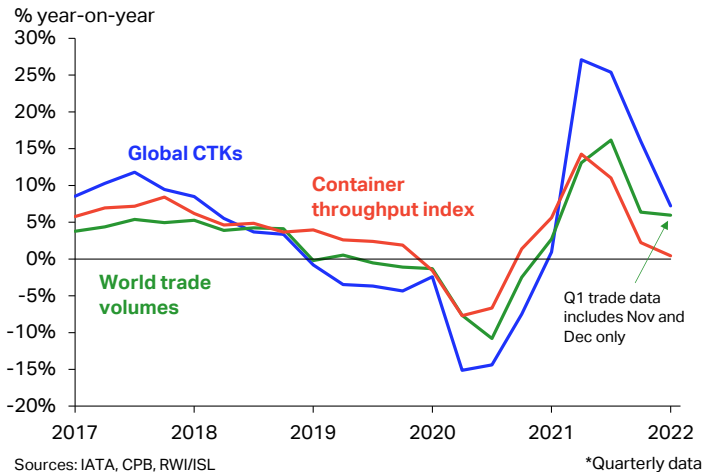
2. The change of trend in air cargo volumes is also visible in growth rates. In year-on-year terms, growth eased to 7.2% in the three months to January 2022. Month-on-month growth has turned negative in the past two quarters (-0.7% in the last data point).



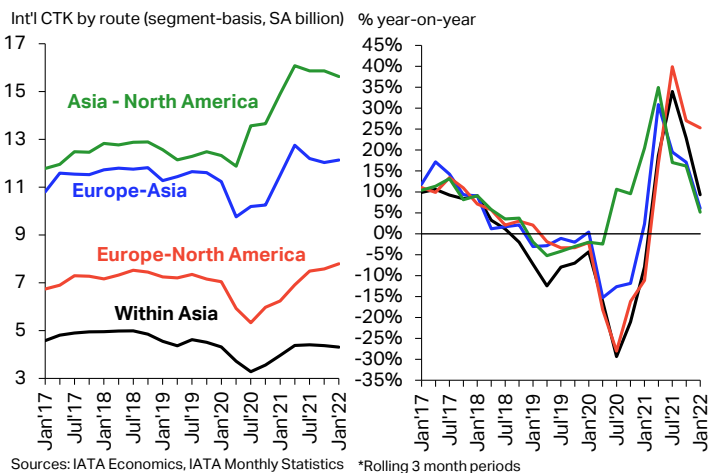
3. Changes in regional market shares of global cargo traffic seen during the pandemic have started to unwind lately. North American airlines have fallen back to 26.7% of total CTKs, to the benefit of airlines in Asia Pacific (33.5%) and Latin America (2.3%).



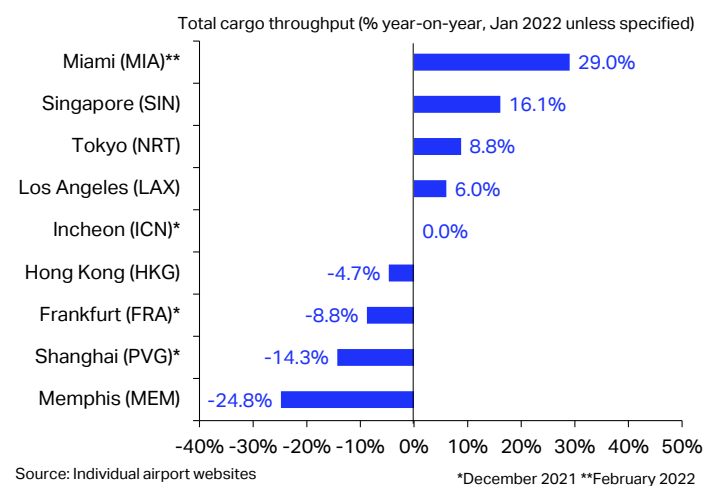
4. Air cargo continued to overperform global goods trade in recent months, although to a lesser extent than previously. While the inventory-restocking cycle likely still has ground to cover, the conflict in Eastern Europe blurs the near-term outlook.



5. In SA terms, many of the main air cargo routes have softened a bit in recent months, including Within Asia where CTKs remain roughly 14% below the pre-crisis peak. In Europe-Nth America, volumes trended upwards as more bellyhold capacity returned.

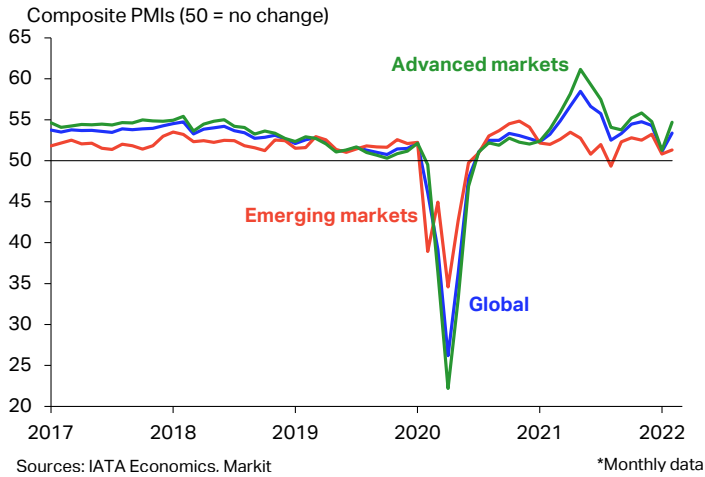


6. There was significant divergence in the performance of key cargo hubs recently, although in most cases, growth rates have eased. For some of the airports that reported numbers for February, a slowdown is already apparent (FRA and ICN mainly).

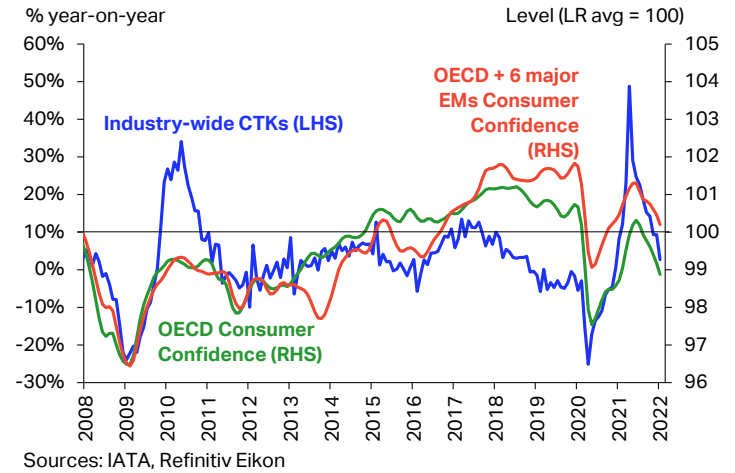


# Market drivers

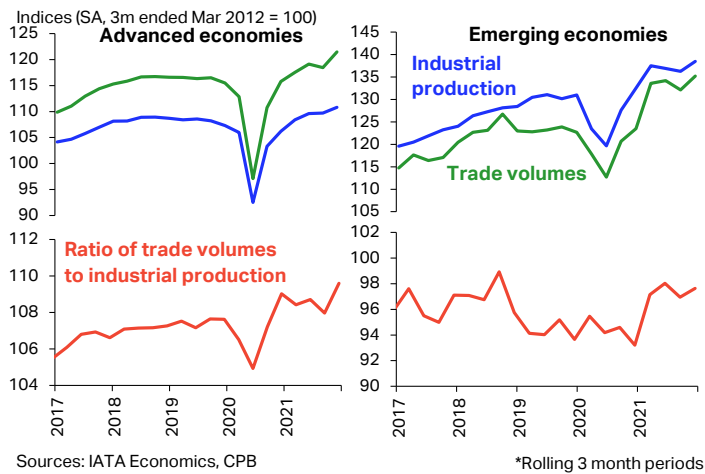
7. Disruptions related to the Omicron variant were reflected in business confidence (proxied by composite PMIs), which dropped in January. A rebound is visible in February, but the PMI surveys did not capture the start of the war in Eastern Europe.



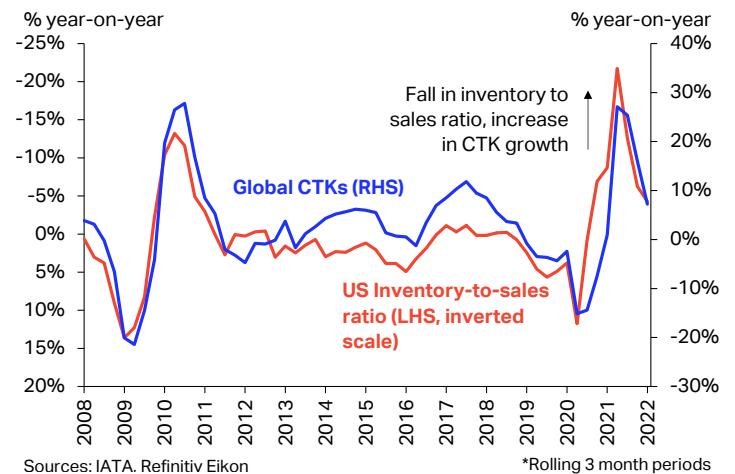
8. The downward trend in global consumer confidence continued in the three months to January 2022, as purchasing power is impacted by strong inflation, and with the impact of the Omicron variant. Confidence remains higher in large emerging markets.



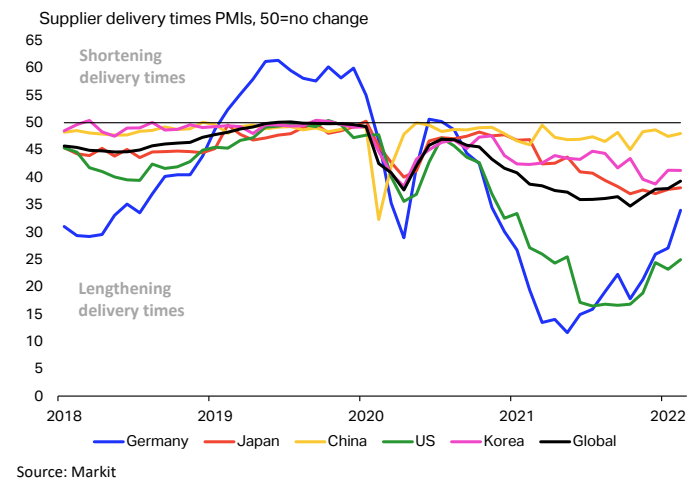
9. After a pause in Q3 2021, industrial production and trade volumes increased again in Q4 2021, a sign of resilient demand for goods despite elevated inflation. That coincides with robust demand for air cargo.



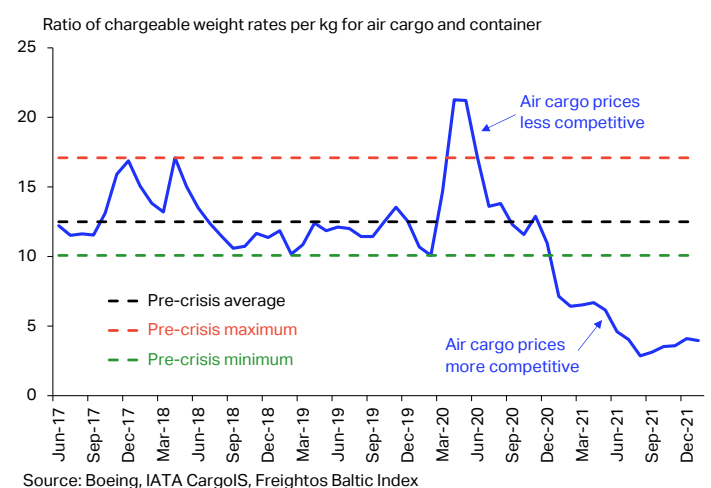
10. The level of the US inventory-to-sales ratio has been flat at a low level for close to a year. The year-on-year comparison is falling, together with that of CTKs, but the upshot is that there is a backlog of demand for air cargo to refill inventories.



11. PMIs show supplier delivery times lengthened at a slower pace in the past few months that earlier in the pandemic, globally and in the main exporting markets. The big picture is that supply chain conditions remain challenging, including on air cargo transport.



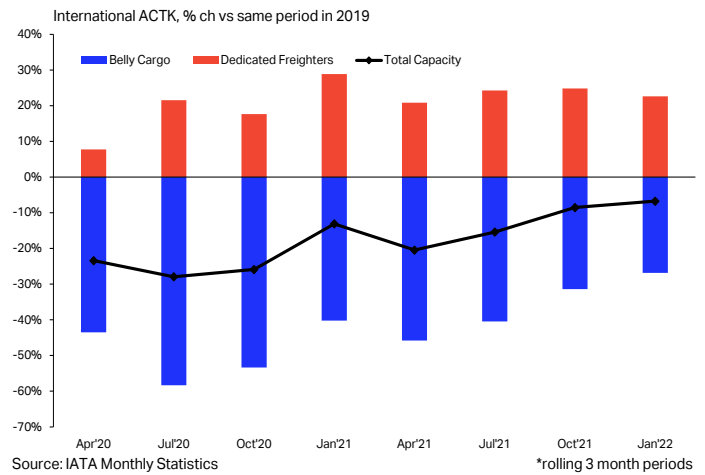
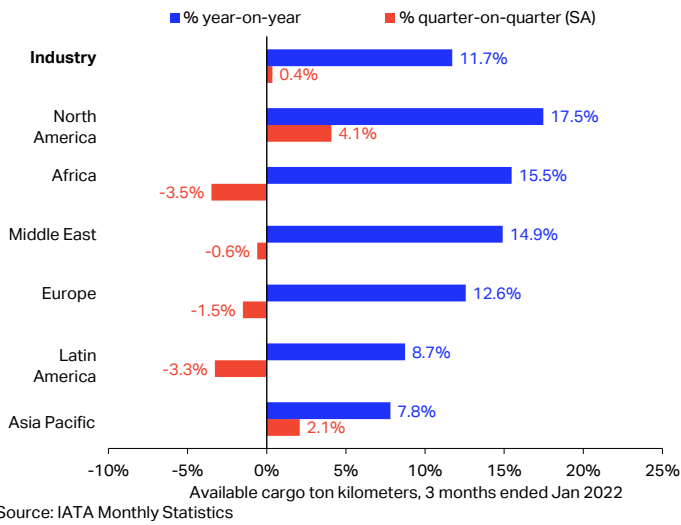
12. Robust demand combined with insufficient air cargo capacity meant air cargo prices rose slightly faster than container shipping prices in the past four months or so. Overall, air cargo remains more price competitive versus container shipping than in the past.



# Capacity, costs, and yields

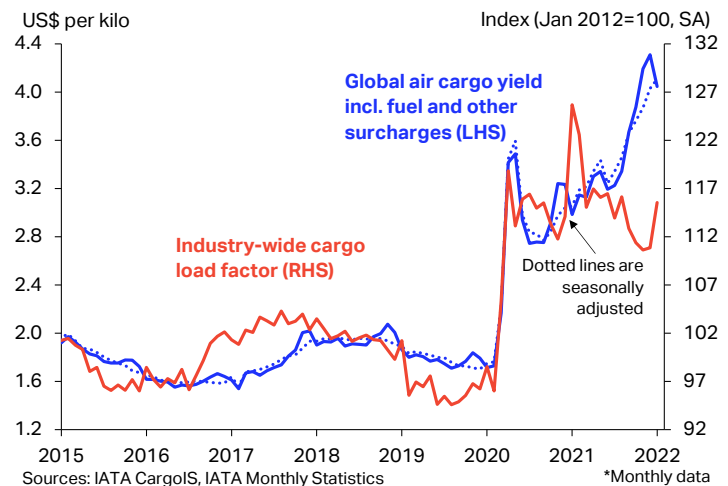
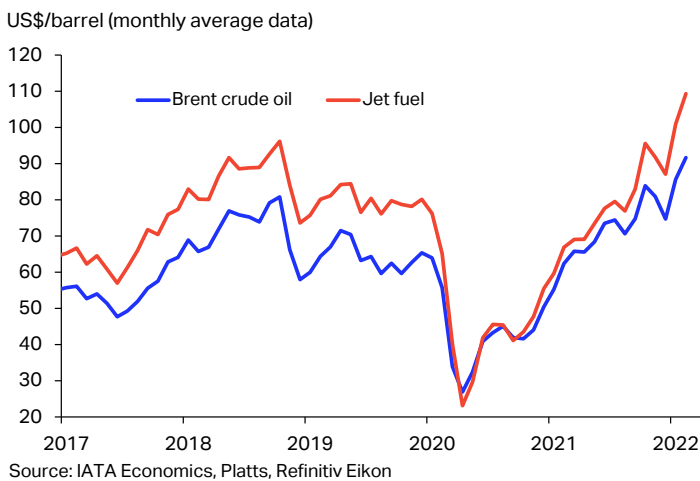
13. Global air cargo capacity has been recovering at a slow but steady pace, and rose far above levels of the three months to January 2021. But seasonally adjusted capacity softened lately, partly due to the impact of Omicron in January 2022.

14. Capacity on dedicated freighters has been stable recently, and was 22.6% above pre-crisis levels in the three months to January 2022, but only 3.6% above 2021. Belly cargo capacity was 26.8% below the same period in 2019, but 25.8% above 2021.



15. Oil prices have risen by more than 50% in the year-to-date versus last year. With the crack spread widening as aviation recovers, jet fuel prices increased by roughly 73% over the same period, reaching their highest levels since April 2011.

16. The global air cargo load factor had been falling in H2 2021, before Omicron, labor shortages and other disruptions led to a rebound in January 2022. During the same period, yield rose at a fast pace to new highs.



### Get the data

Access data related to this briefing through IATA's Monthly Statistics publication: [www.iata.org/monthly-traffic-statistics](http://www.iata.org/monthly-traffic-statistics)

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