

### Cargo volumes plunge but lack of capacity boosts loads and yields

- Industry-wide air cargo tonne-kilometres (CTKs) fell by 15.3% year-on-year in the three months to April 2020. In seasonally adjusted terms, CTKs fell by 16.9% quarter-on-quarter. All of the regions and main trade lanes registered large declines.
- COVID-19 had a widespread impact on the key drivers of air freight demand. Business and consumer confidence weakened in January-April, but have begun to show more positive signs recently. Offset by very weak new export orders and industrial production, the growth in pharmaceutical volumes flown by air has provided only limited support to airlines.
- Any residual demand for air transport has faced a lack of cargo capacity due the grounding of most of the world's passenger aircraft. Consequently, cargo load factors and yields have both risen to record-high levels in recent months.

#### Market developments

- Industry-wide cargo tonne-kilometres fell by 15.3% year-on-year in the three months to April 2020. With COVID-19 having a sharp and sudden impact on air transport, seasonally adjusted volumes returned to levels last seen around 2013.
- World trade volumes have fallen less rapidly than CTKs in the past few months – for example 3.0% year-on-year in the three months ended March – suggesting that air transport is losing market share.
- As COVID-19 spread throughout the world, the decline in CTKs was broad-based across the main regions and trade lanes. That said, some airports have posted annual growth in throughput, supported by PPE shipments and integrator traffic.

#### Market drivers

- COVID-19 has had a widespread impact on the drivers of air freight demand. Business and consumer confidence have been deeply impacted, despite some initial signs of recovery in May.
- Industrial production and new export orders also declined sharply in many economies, and the inventory-to-sales ratio lifted moderately in the three months to April.
- Demand for the timely shipment of pharmaceutical goods has however risen rapidly since January, providing some modest relief to airlines.

#### Capacity, costs and yields

- Widespread bans on air passenger travel reduced available cargo tonne-kilometres (ACTKs) by 16.7% year-on-year in the year to April 2020. This is due to the collapse in belly hold capacity, which was only partly offset by higher dedicated freighter capacity and the use of passenger aircraft for cargo-only flights.
- The reduction in belly capacity resulted in a sharp rise in cargo load factors in all regions, while global yields rose to record-high values.

#### Heads of cargo pessimistic about future outlook

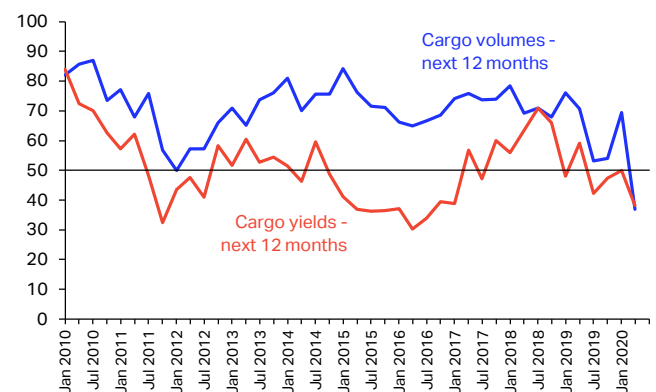
- Unsurprisingly, respondents to IATA's April 2020 Business Confidence Survey were mostly pessimistic about the future. The weighted score for cargo volumes trended below the 50 mark – an outcome associated

with falling volumes in the twelve months ahead – marking a sharp deterioration from the early January results.

- Notwithstanding the recent record-high cargo rates, survey respondents also expect yields to decline in the twelve months ahead.

**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>-15.3%</b>	<b>-16.9%</b>
North America-Asia <sup>1</sup>	-5.2%	-5.8%
Asia-Europe <sup>1</sup>	-18.9%	-17.9%
Europe-North America <sup>1</sup>	-20.1%	-20.2%
Within Asia (int'l) <sup>1</sup>	-16.7%	-15.8%
<b>International Cargo Tonnes<sup>2</sup></b>	<b>-6.2%</b>	<b>-5.2%</b>
Metric tonnes flown in 3m ended Mar 2019:		9.2m
<b>World trade volumes<sup>2</sup></b>	<b>-3.0%</b>	<b>-2.5%</b>
<b>Global container throughput<sup>1</sup></b>	<b>-5.9%</b>	<b>-4.9%</b>
	<u>Level<sup>3</sup></u>	<u>5-yr avg</u>
<b>Global PMI new export orders</b>	34.1	49.6

<sup>1</sup> 3m ended Apr 2020

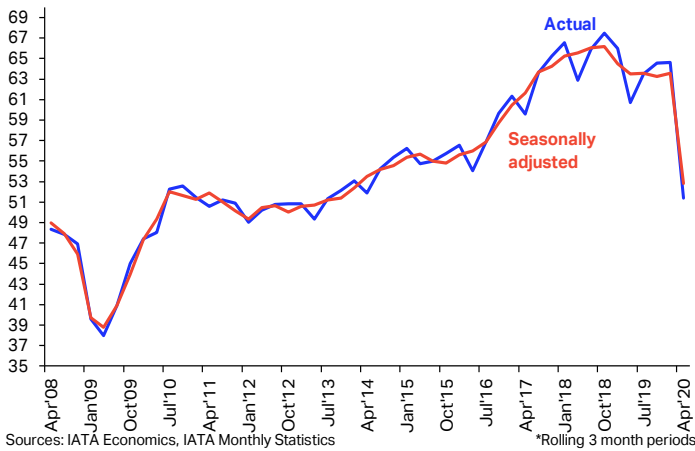
<sup>2</sup> 3m ended Mar 2019

<sup>3</sup> Average of 3m ended May 2020

# Market developments

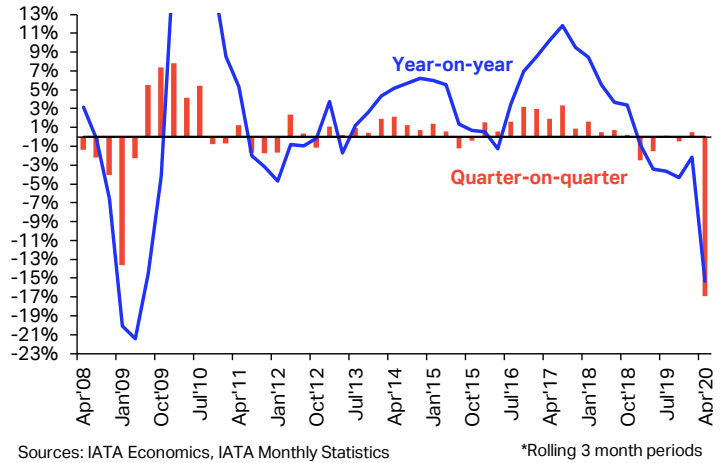
1. Falling demand and disrupted supply chains due to the COVID-19 crisis led to a sharp decline in both actual and seasonally adjusted (SA) cargo tonne-kilometres (CTKs). During the Feb-Apr 2020 period, cargo volumes fell to levels last seen around 2013.

Industry-wide CTKs (billions per rolling 3m period)



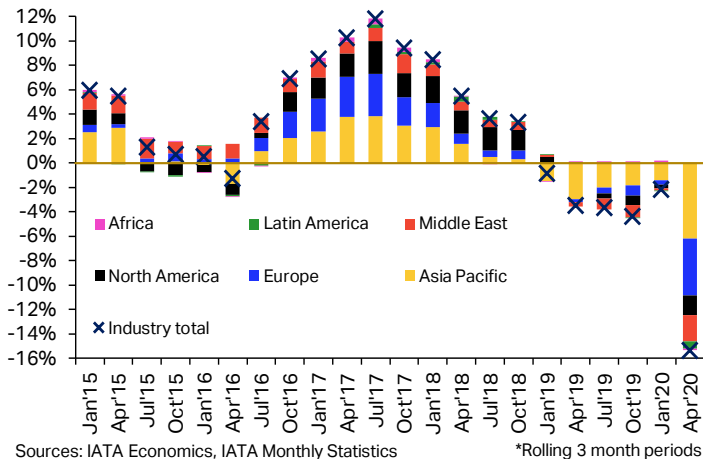
2. After a modest rebound at the end of 2019, pandemic-induced lockdowns and flight restrictions caused a particularly sharp and sudden fall in CTK growth. SA CTKs fell by 16.9% quarter-on-quarter, while the annual decrease in non-SA CTKs was 15.3%.

Industry-wide CTKs (% growth rate)



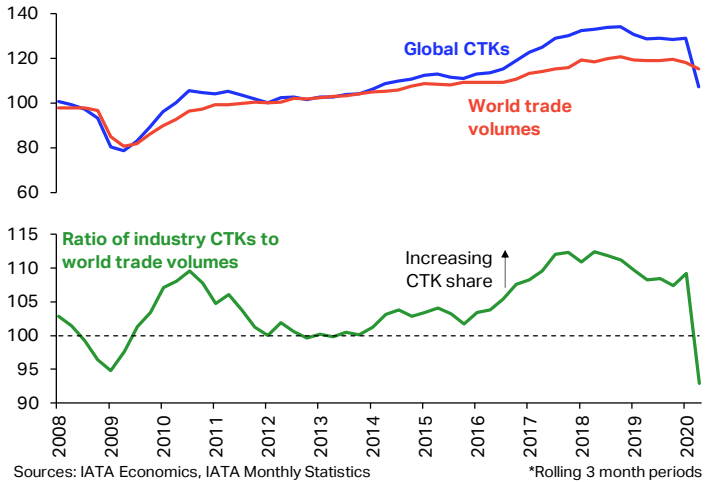
3. For the first time since mid-2009, all regions made a negative contribution to annual CTK growth in the 3 months to April 2020. The largest contribution came from Asia Pacific (-6.2ppts), followed by Europe (-4.6ppts).

Contributions to industry CTK growth (percentage points, by region of registration)



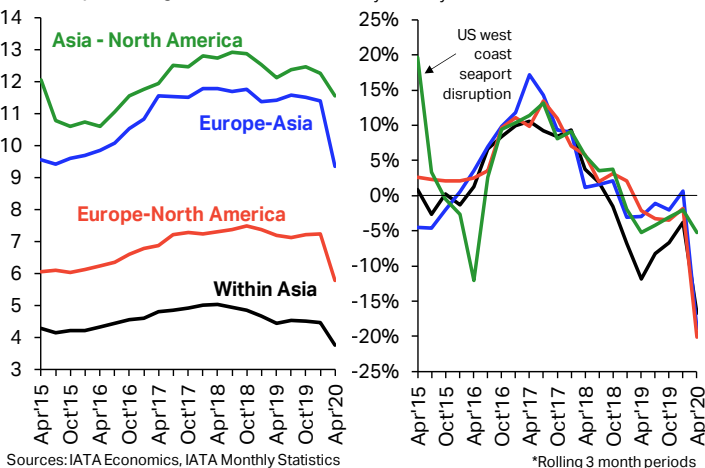
4. Trade volumes in the 3 months to March saw a relatively modest decline (3.0%). But with flight cancellations disrupting air transport, the share of industry CTKs in world trade volumes dipped sharply, losing market share to other transport modes.

Indices (SA, 3m ended Jan 2012 = 100)



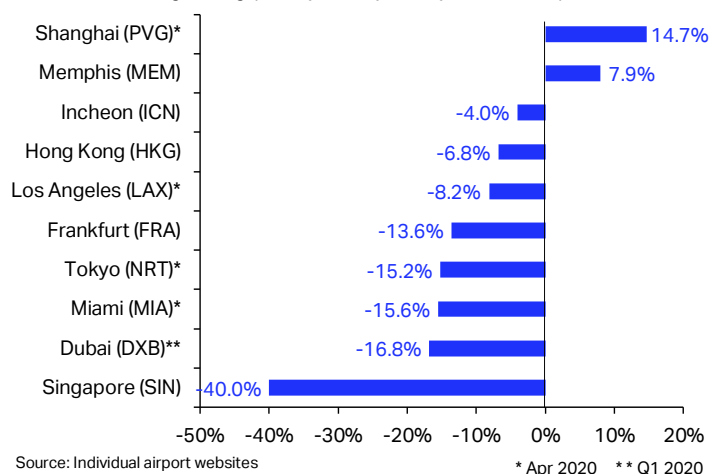
5. After some improvement at the end of 2019, cargo volumes fell on all the major trade lanes. There was, however, some variation, with the larger Asia-Nth America market being slightly more resilient – supported by PPE and e-commerce shipments.

Int'l CTK by route (segment-basis, SA billion) % year-on-year



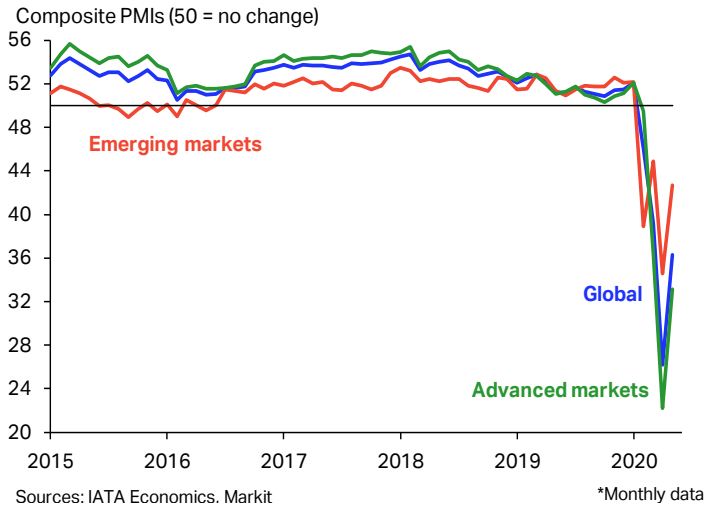
6. There is a wide range of performance at the key cargo hubs since the start of the COVID crisis. MEM – supported by integrator traffic – and PVG – boosted by demand for PPE – posted strong growth rates in throughput, while SIN was impacted by flight bans.

Tonnes of cargo throughput (% year-on-year, May 2020 unless specified)

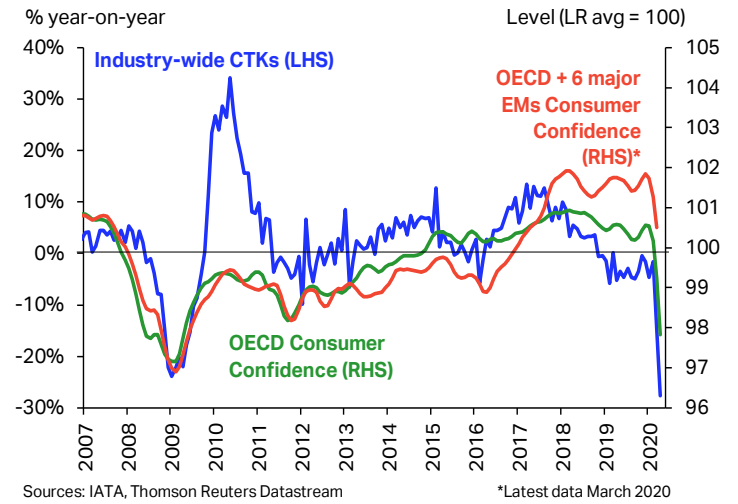


# Market drivers

7. From January onwards, business confidence fell abruptly as COVID-19 locked economies down. An initial rebound is evident in May, as several key economies started to reopen. The short-lived improvement in EM confidence in March was driven by China.



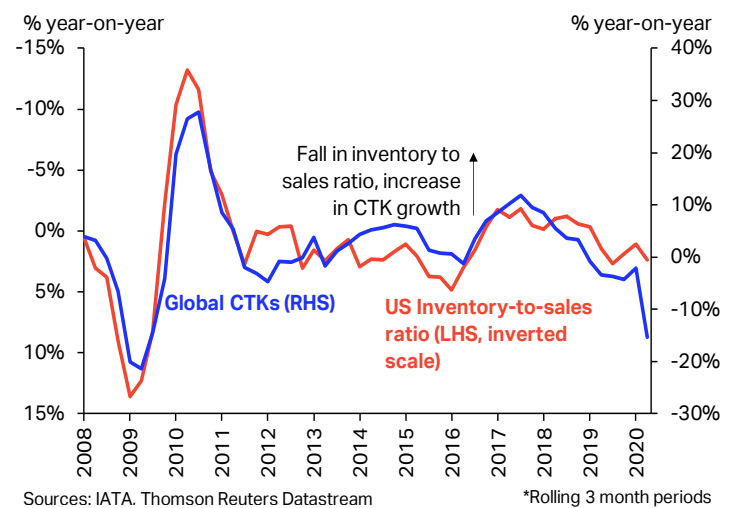
8. Consumer confidence also plunged in March and April. That said, confidence remained above its long run average in the six major EMs in March. The overall OECD index remains above 2009 lows so far, partly backed by strong fiscal and monetary support.



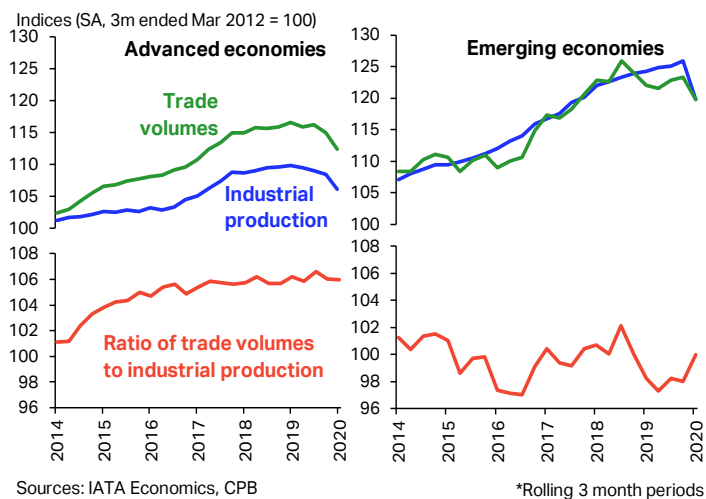
9. New export orders have been very weak in the main exporting economies. COVID-19 has also created supply chain bottlenecks, raising supplier delivery times. With the recent lack of air cargo capacity, this helps explain the high rates and load factors.



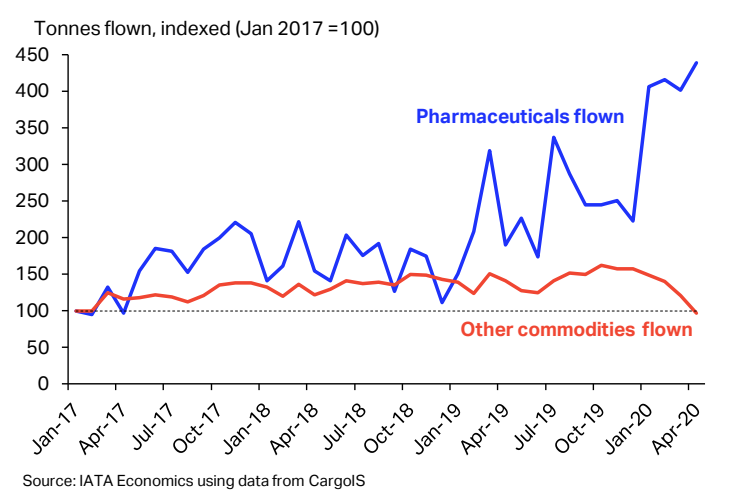
10. The inventory-to-sales ratio climbed a little in the 3 months to April, creating additional headwinds for air freight demand. Looking ahead, we expect sales to remain muted amid weaker global GDP growth.



11. Lockdowns and supply chain disruptions caused both trade volumes and industrial production to fall in emerging and advanced economies in Q1 2020. In the former group, production declined faster than trade.

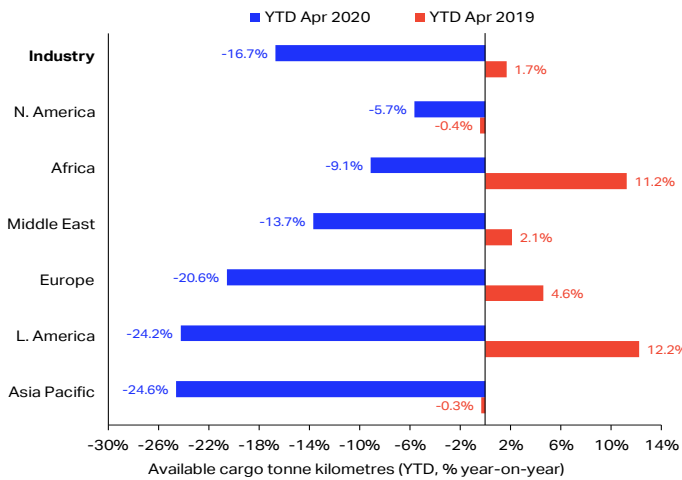


12. Pharmaceutical volumes flown have risen rapidly since January and remained elevated. Between January 2019 and April 2020, they more than doubled, underlining the important role played by air cargo during the health crisis.

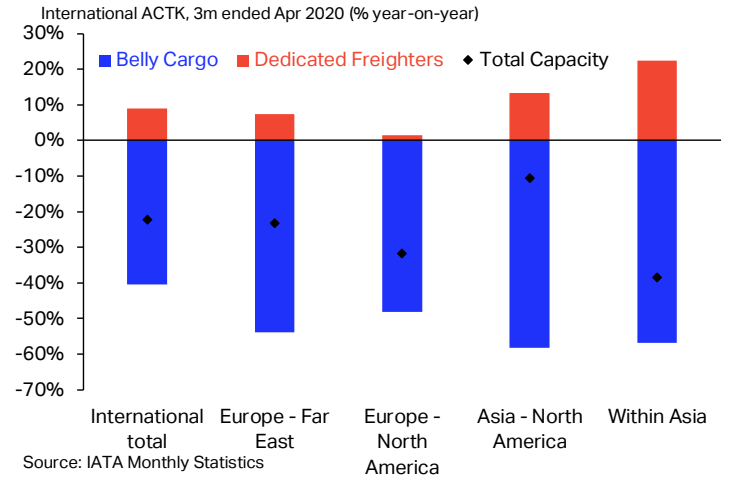


# Capacity, costs, and yields

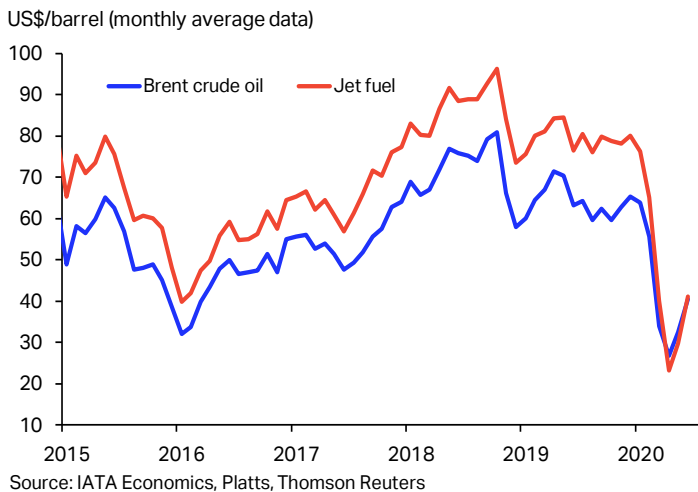
13. Total global ACTKs have fallen in year-on-year terms since the start of the year, with Latin America and Asia Pacific being the most impacted regions. Cargo load factors surged in all the regions, buoyed by the capacity shortage.



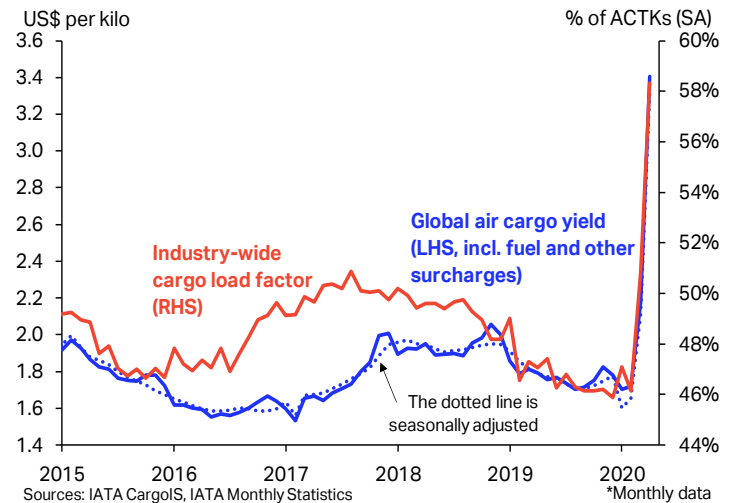
14. The sharp reduction in capacity was due to the loss of space available in the belly of passenger aircraft. Airlines reacted by using passenger aircraft for cargo-only flights and increasing freighter capacity, up 9% yoy in total and 22.5% Within Asia.



15. Abundant supply combined with falling demand on account of lockdowns saw crude oil and jet fuel prices fall to levels last seen in 2002-2003, with the crack spread turning negative in April and May. Demand and prices started to recover in May.



16. Cargo yields started the year with a decline in January compared to late-2019. But as the lack of cargo capacity – relative to demand – took hold, yields and load factors climbed sharply, reaching all-time high levels in April.



†All-cargo operations refer to traffic carried out by dedicated cargo aircraft, which by design or configuration, are operating exclusively for the transportation of cargo. Mixed operations refer to traffic operated by aircraft that transport both passengers and cargo.

## Get the data

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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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