



# CARGO CHARTBOOK

**Q3 2018**

## Moderation in demand momentum amid softer demand drivers

- Annual growth in air freight tonne kilometres (FTKs) slowed to 2.8% in the three months ended July – its slowest pace on this basis in more than two years. While FTKs are continuing to increase in seasonally adjusted (SA) terms, the upward trend has slowed markedly from that seen during the best of the upturn in air freight last year.
- This largely reflects the fact that the inventory restocking cycle, which helped air freight growth to outperform that of wider global trade in 2016/17, has now run its course. More generally, against a backdrop of rising trade protectionism measures, wider momentum in world trade also looks to be weakening.
- Cargo yields have continued to trend upwards in H2 2018, albeit at a slower pace than a year ago. While the industry-wide load factor is trending down, ongoing high rates of freighter aircraft utilization will continue to help to reduce average costs, and to help offset ongoing upward pressure on costs, particularly from higher fuel prices.

### Market developments

- Industry-wide freight tonne kilometres (FTKs) rose in seasonally adjusted (SA) terms during the three months ended July relative to the previous period. However, the key point is that the upward FTK trend has moderated markedly over the past year or so.
- Indeed, industry-wide FTKs grew by 2.8% year-on-year in the three months ended July – the slowest pace on this basis in more than two years.
- Annual FTK growth has slowed on all the major international markets over the past year, and recently fell into negative territory on the Europe-Asia market for the first time since mid-2016.

### Market drivers

- The slowdown in FTK growth largely reflects the fact that the inventory re-stocking cycle, which helped air freight to outperform global trade in 2016/17, has now run its course. All told, business surveys are currently consistent with annual FTK growth slowing further in Q4 2018.
- Against a backdrop of rising trade protectionist measures, wider momentum in world trade growth also looks to be weakening. Indeed, the slowing trend in air freight demand has been echoed in other trade measures, including containerized trade.

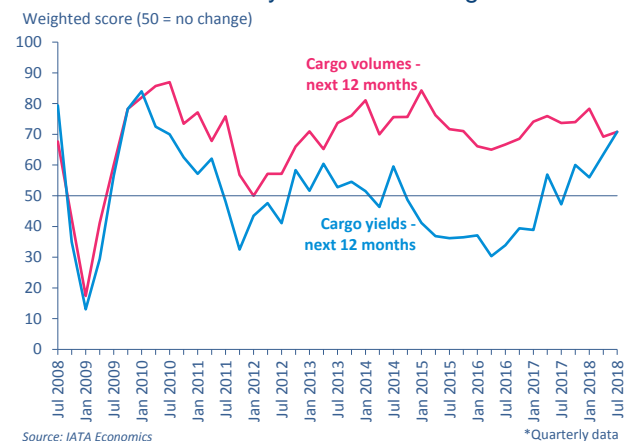
### Capacity, costs and yields

- Less favorable supply and demand dynamics mean that the upward trend in cargo yields has slowed from that seen in H2 2017. Nonetheless, cargo yields including fuel and other surcharges were still 14.9% higher in year-on-year terms in July.
- Daily utilization rates of large freighter aircraft also remain elevated at around 11 hours per day – rates last seen in 2012. Increased utilization of freighter aircraft will continue to help to reduce average costs, and to help to offset ongoing upward pressure on operating costs.

### Heads of cargo upbeat about yields

- When surveyed in early-July, airline Heads of cargo were positive about the outlook for freight volumes over the next 12 months, albeit slightly less so than they were earlier in 2018. That said, our respondents were increasingly positive about the outlook for cargo yields. (See Chart 1.)

**Chart 1 – IATA survey of heads of cargo**



**Table 1 – Key data overview**

<i>Rolling 3 month periods (unless specified otherwise)</i>	<i>% year-on-year</i>	<i>% quarter-on-quarter</i>
<b>Industry-wide FTKs<sup>1</sup></b>	<b>2.8%</b>	<b>1.2%</b>
North America-Asia <sup>2</sup>	4.3%	1.6%
Asia-Europe <sup>2</sup>	-0.8%	-2.0%
Europe-North America <sup>2</sup>	4.9%	2.5%
Within Asia (int'l) <sup>2</sup>	3.2%	0.3%
<b>International Freight Tonnes<sup>2</sup></b>	<b>4.1%</b>	<b>0.9%</b>
Metric tonnes flown in 3m ended June 2018:		10.4m
<b>World trade volumes<sup>2</sup></b>	<b>3.7%</b>	<b>0.0%</b>
<b>Global container throughput<sup>1</sup></b>	<b>3.6%</b>	<b>1.2%</b>
	Level <sup>4</sup>	<u>5-yr avg</u>
<b>Global PMI new export orders</b>	50.3	51.3

<sup>1</sup> 3m ended Jul 2018

<sup>3</sup> 3m ended May 2018

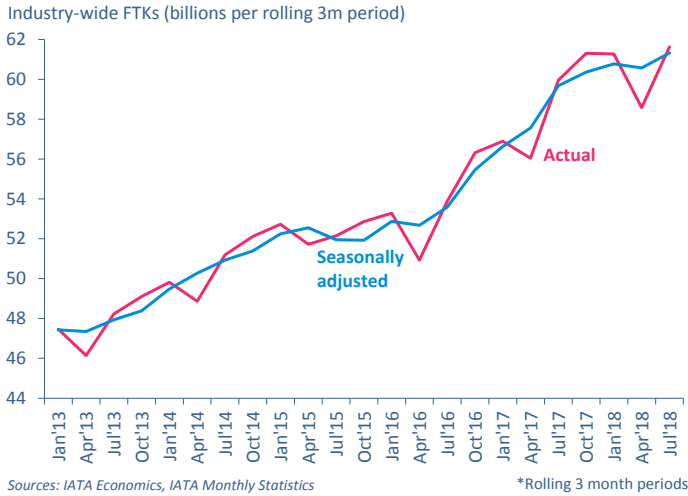
<sup>2</sup> 3m ended Jun 2018

<sup>4</sup> Average of 3m ended Aug 2018

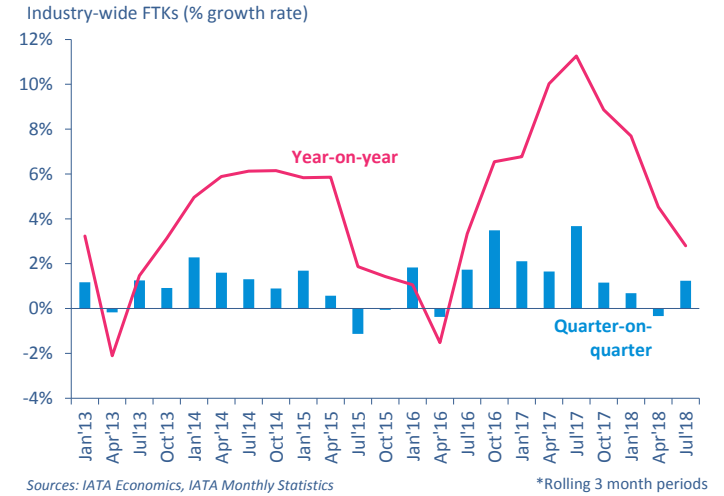
David Oxley  
 economics@iata.org  
 12<sup>h</sup> September 2018

# Market developments

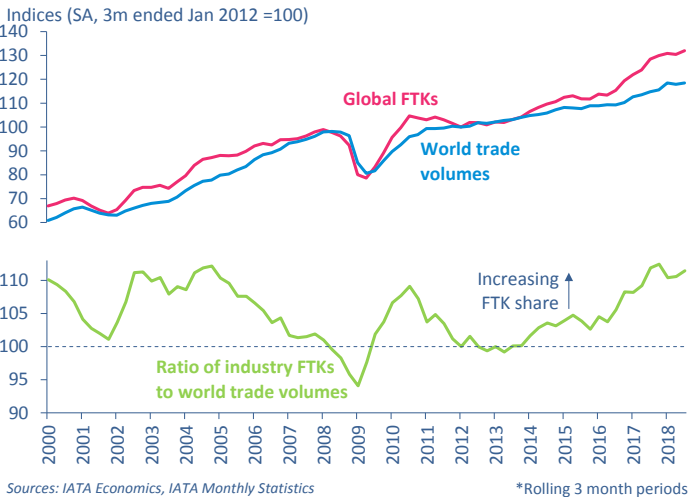
1. Seasonally adjusted (SA) air freight tonne kilometres (FTKs) rose in the three months ended July compared to the previous period. However, the key point is that the upward FTK trend has moderated markedly over the past year or so.



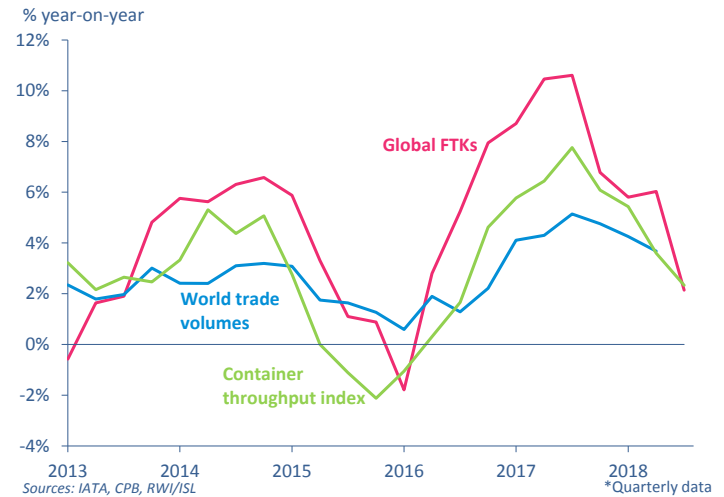
2. Indeed, while SA FTKs increased at a 5% annualized rate in the three months ended July 2018, year-on-year growth fell to 2.8% during the period – the slowest pace in more than two years.



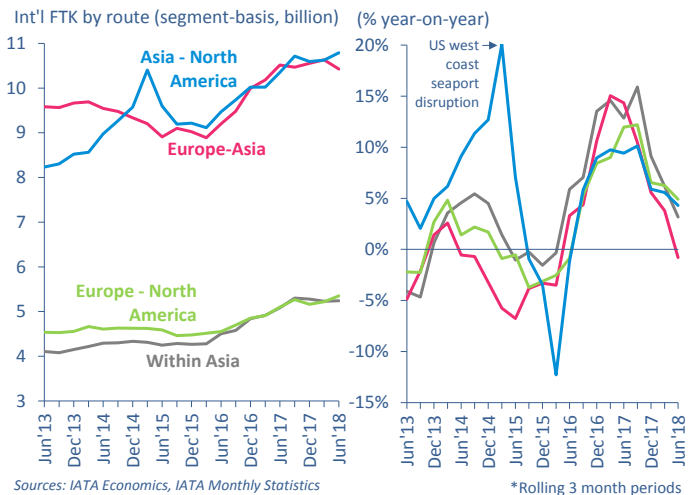
3. The slower upward trend in FTKs has come alongside a similar trend in global trade volumes. As a result, having risen between 2016 and mid-2017, air freight's share of world trade has been broadly stable over the past nine months or so.



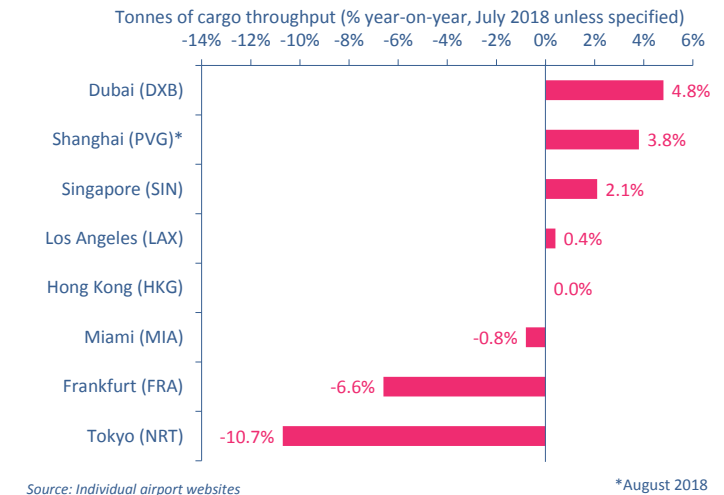
4. Year-on-year growth in global containerized trade has also declined since mid-2017. All told, against a backdrop of rising trade protectionist measures, wider momentum in world trade growth also looks to be weakening.



5. Annual FTK growth slowed to within 3-5% in three of the four key international markets in the three months ended June. The major exception was Europe to/from Asia, where FTKs fell in annual terms for the first time since mid-2016.

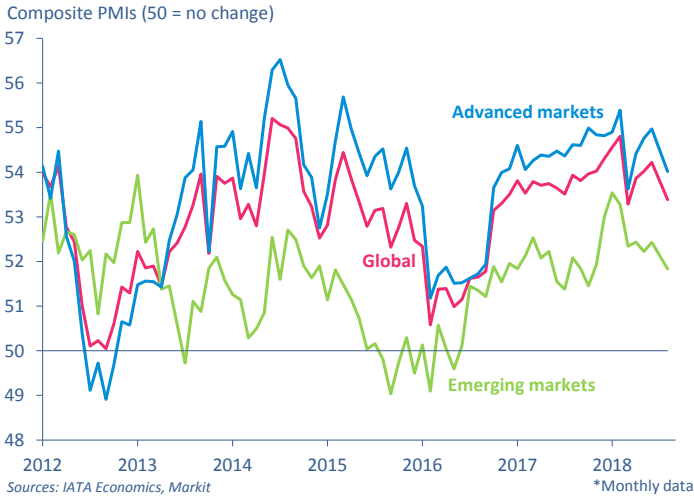


6. There has continued to be a wide range in performance at an airport level. Dubai posted the fastest annual growth in July (4.8%), but Miami, Frankfurt and Tokyo all saw year-on-year declines in cargo throughput.

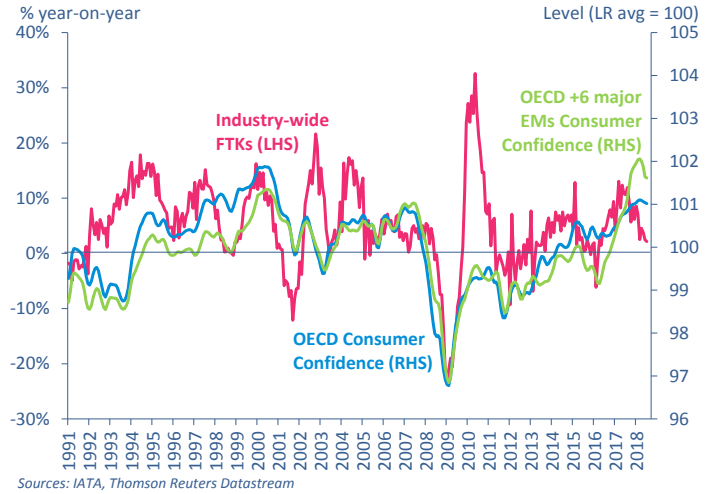


# Market drivers

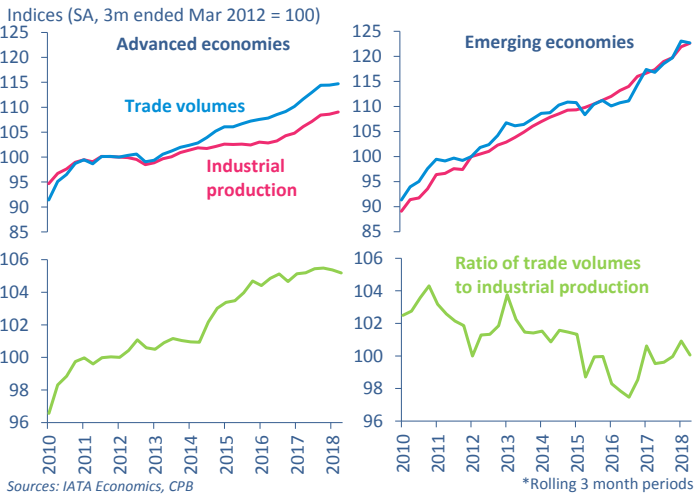
**7.** Global business confidence has weakened over the summer months. The falls have been driven in part by concerns about the impact of trade tariffs on activity, but also reflect country-specific developments (notably for Turkey).



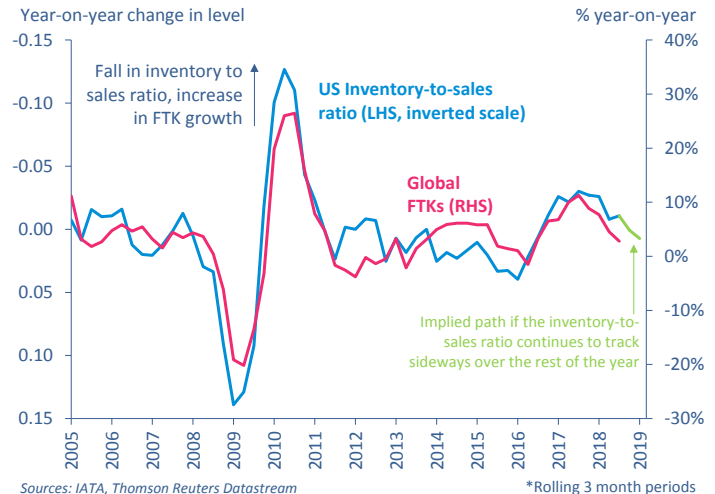
**8.** Whilst measures of consumer confidence remain close to multi-year high levels, the latest monthly outcomes have continued to suggest that the strong upturn seen in consumer confidence has peaked.



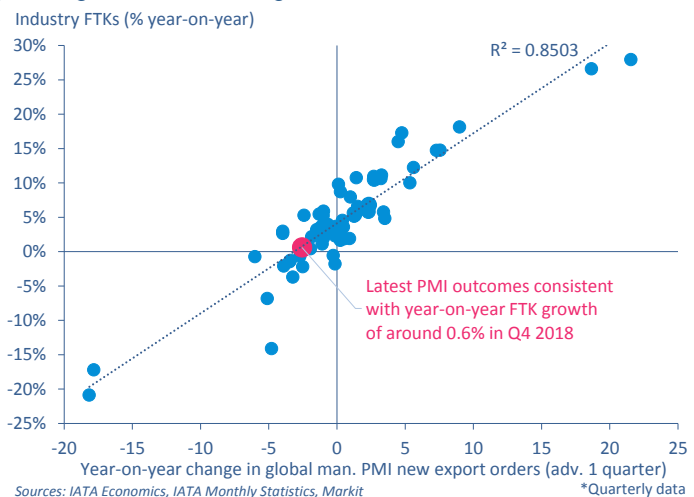
**9.** The pick-up in air freight demand in recent years has coincided with a stronger global economic and trade backdrop. Recent gains in world trade, however, have been concentrated mainly in emerging economies.



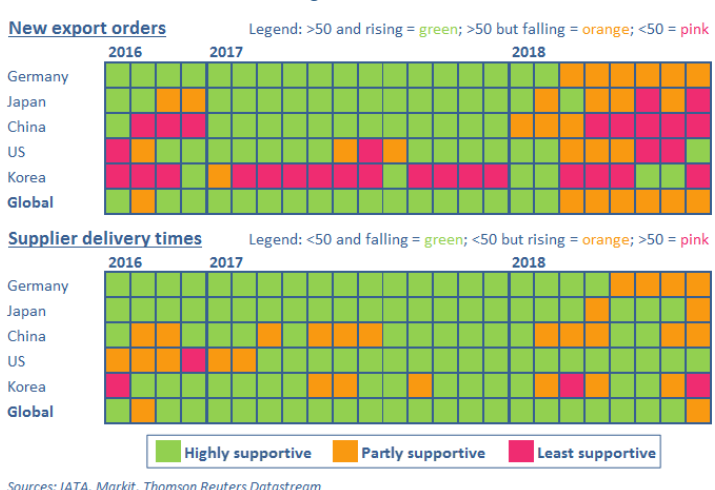
**10.** The pick-up in demand for air freight during 2016 and 2017 was driven in large part by a pronounced inventory restocking cycle, during which the speed of air freight comes into its own. However, this cycle looks to have run its course.



**11.** Meanwhile, the new export orders component of the global manufacturing PMI recently fell to a 25-month low too. While the series is still consistent with rising orders, it is pointing to annual FTK growth of below 1% in Q4 2018.

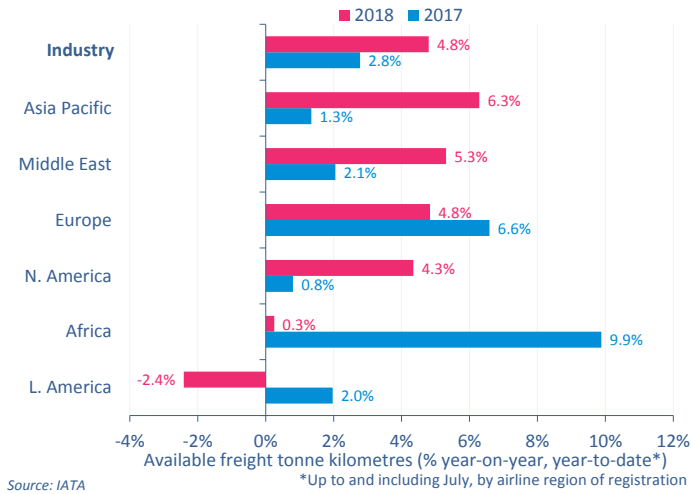


**12.** The weakening in new export orders has been seen across most major trading nations. Moreover, there are signs that the acute bottlenecks in supply chains, which typically benefit demand for air freight, have also started to ease.

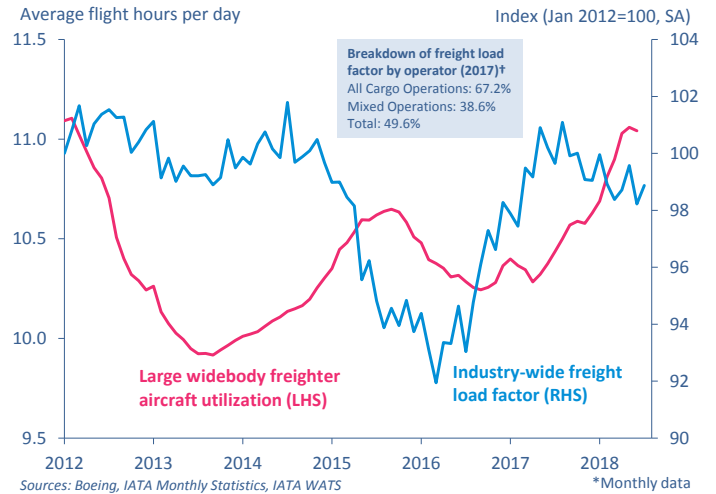


# Capacity, costs, and yields

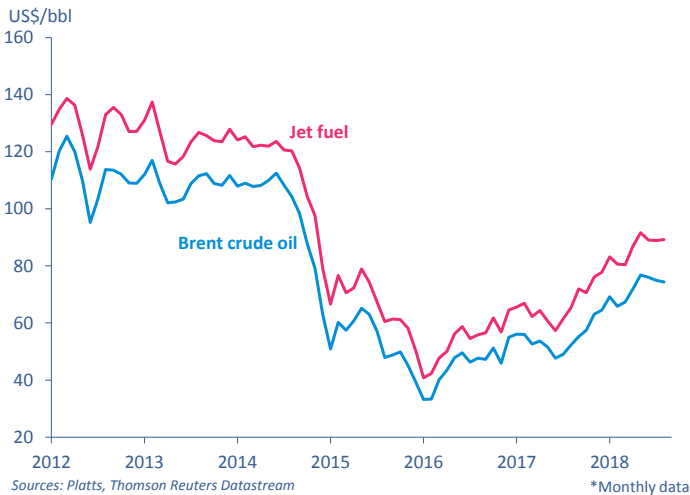
**13.** Annual growth in industry-wide available freight tonne kilometres (AFTKs) in 2018 so far has been two percentage points faster than in the same period of 2017. Airlines based in Asia Pacific have added capacity at the fastest rate.



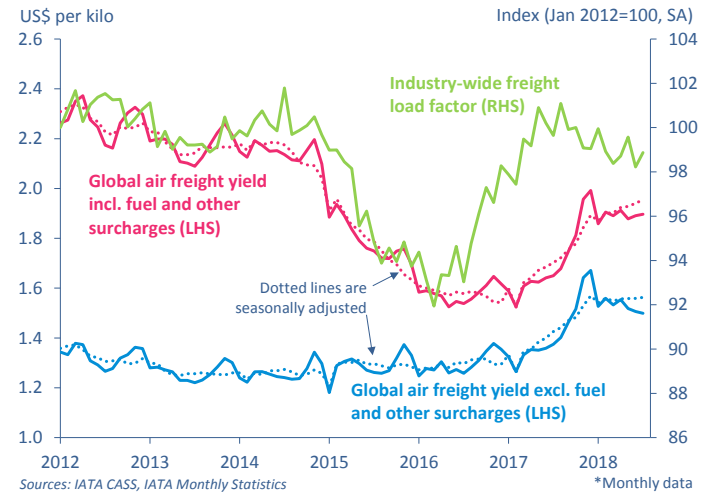
**14.** As a result, having peaked in mid-2017, the SA freight load factor has continued to ease lower. However, daily utilization of large widebody freighters has stayed at levels last seen in 2012, at around 11 hours per day.



**15.** Robust demand and tighter supply conditions in the oil market pushed jet fuel prices higher in 2018 so far, continuing their upward trend of recent years. They remain around 40% higher than a year ago.



**16.** Less favorable supply and demand dynamics mean that cargo yields have continued to trend upwards more slowly than in H2 2017. Nonetheless, the yield including fuel and other surcharges rose by 14.9% year-on-year in July 2018.



<sup>†</sup>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

Access data related to this briefing through IATA's Monthly Statistics publication:  
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