Cargo Chartbook

Q3 2020

Strong air cargo revenues as yields remain high

- Reported air cargo volumes lifted slightly in the three months to July 2020, following the restart of global economic activity in May. Nonetheless industry-wide cargo tonne-kilometres remain 16.6% lower than a year ago, up from the low point of the crisis in April (-26%). North America and Africa were the most resilient regions over the past quarter. Leading indicators – such as new export orders and business confidence – point to further improvement in cargo volumes in coming months.
- Recovery in cargo volumes has been impacted by capacity constraints; so far in 2020, industry-wide capacity has fallen by 24.2% year-on-year, driven by the lack of bellyhold cargo capacity. This ‘capacity crunch’ saw record-high cargo load factors and yields in April and May, although both have eased a little since then. Cargo revenues have supported airline finances and network restart and are one of the few bright spots in an industry that remains under enormous pressure from Covid-19.

Market developments

- Reported air cargo volumes increased modestly in the three months to July, but industry-wide cargo tonne-kilometres (CTKs) are 16.6% lower in year-on-year terms. Seasonally adjusted volumes fell by 1.1% this quarter and remain around 15% below pre-crisis levels.
- At the global level, air freight lost market share to ocean trade in recent months. However, past experience suggests that this share could be expected to rise again as economic activity recovers.
- Africa and North America were the most resilient regions over the three months to July. The large Asia-North America trade route was particularly robust, driven by demand for e-commerce and goods manufactured in Asia.

Market drivers

- Many global lockdown restrictions were lifted around May, helping to restart economic activity. Various business confidence metrics have also rebounded sharply in recent months.
- However, the recovery in consumer confidence has been more subdued, reflecting uncertainty over further job losses and continued government support.

Capacity, costs and yields

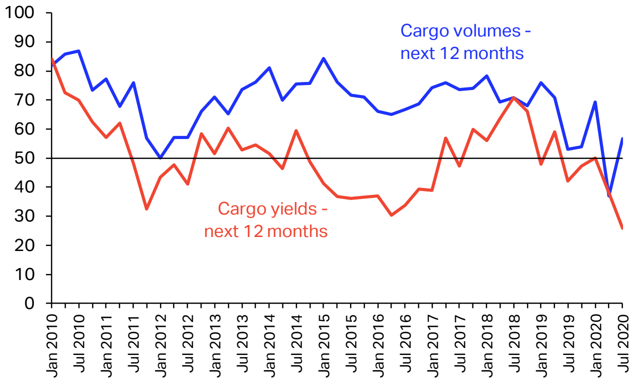
- In the first seven months of 2020, industry-wide available cargo tonne-kilometres (ACTKs) fell 24.2% year-on-year. This is driven by the lack of belly capacity after most international passenger flights were halted by the COVID-19 pandemic.
- Although a number of passenger aircraft were deployed for cargo-only flights and airlines increased freighter utilization, this only provided partial offset to the decline in belly capacity.
- Consequently, cargo load factors and yields rose to record-high levels in April and May. They have eased slightly since then, but remain elevated.

Heads of cargo expect demand to rebound

- Respondents to IATA’s July 2020 Business Confidence Survey had diverging expectations about cargo demand and yields for the twelve months ahead. A majority expect cargo volumes to increase over that period, from the trough in April. Conversely, respondents expect cargo rates will be lower over the coming year, easing further from the recent highs, as more bellyhold capacity returns to the air.

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 CTKs[1]	**-16.6%**	**-1.1%**
North America-Asia[1]	1.7%	7.0%
Asia-Europe[1]	-21.5%	-4.8%
Europe-North America[1]	-34.7%	-18.1%
Within Asia (int'l)[1]	-32.3%	-16.5%
International Cargo Tonnes[2]	**-20.0%**	**-14.4%**
Metric tonnes flown in 3m ended Jun 2020:		8.1m
World trade volumes[2]	**-14.8%**	**-12.5%**
Global container throughput[1]	**-4.8%**	**3.0%**
	Level[3]	5-yr avg
Global PMI new export orders	46.8	49.5

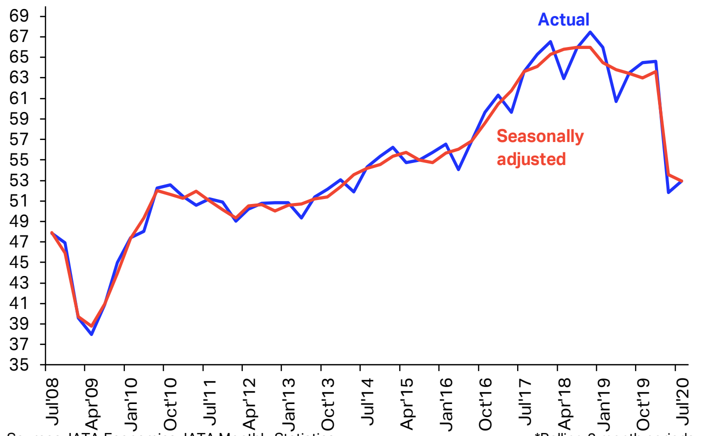
[1] 3m ended Jul 2020 [2] 3m ended Jun 2020
[3] Average of 3m ended Aug 2020

IATA Economics
economics@iata.org
16 September 2020

Market developments

1. The post-lockdown restart of economic activity saw a modest uptick in reported air cargo volumes (CTKs) in the three months to July. In seasonally-adjusted (SA) terms, CTKs eased slightly this quarter, remaining around 15% below pre-pandemic levels.

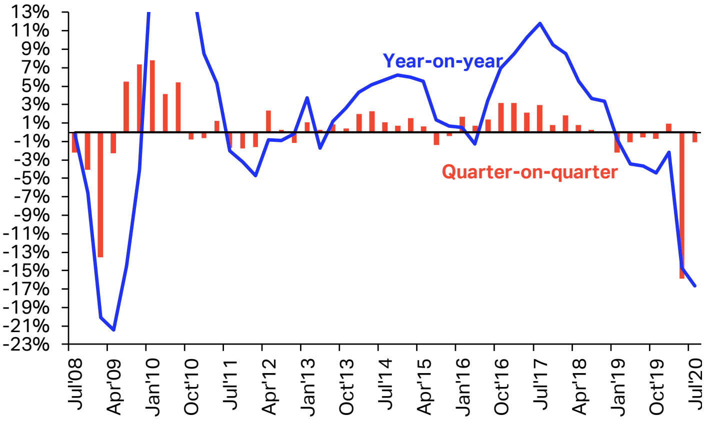
Industry-wide CTKs (billions per rolling 3m period)



Sources: IATA Economics, IATA Monthly Statistics *Rolling 3 month periods

2. While the level of reported CTKs troughed in April, the year-on-year rate of decline for the three months to July fell to 16.6%, a new low for the crisis. SA CTKs fell by 1.1% quarter-on-quarter, up from the 15.8% fall seen in the quarter ended April 2020.

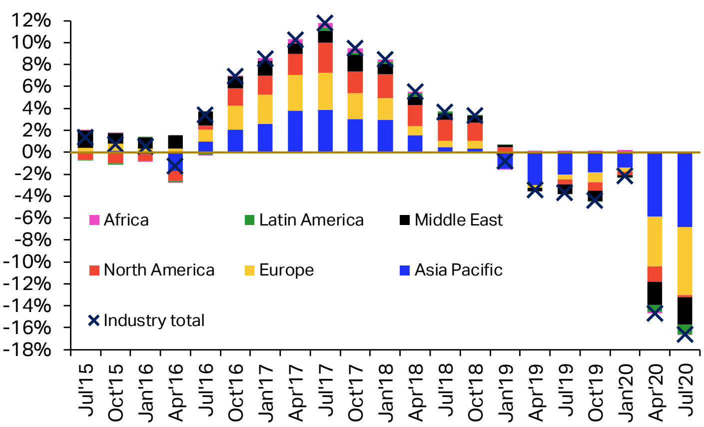
Industry-wide CTKs (% growth rate)



Sources: IATA Economics, IATA Monthly Statistics *Rolling 3 month periods

3. Given the global nature of the downturn in cargo volumes, all regions again made a negative contribution to growth in the three months ended July 2020. Asia Pacific and Europe posted the largest contributions.

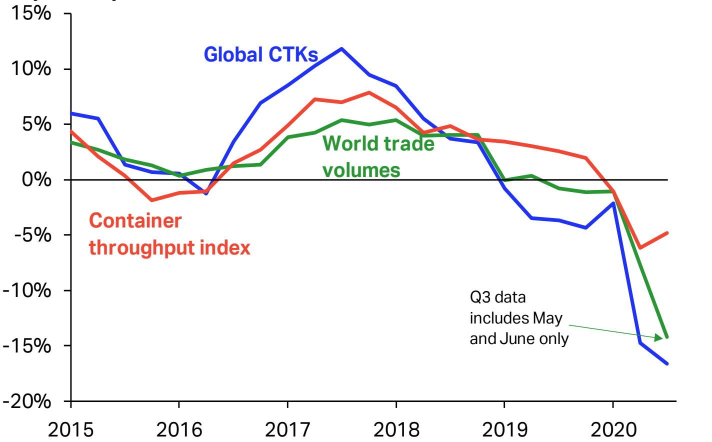
Contributions to industry CTK growth (percentage points, by region of registration)



Sources: IATA Economics, IATA Monthly Statistics *Rolling 3 month periods

4. Despite the demand for medical supplies and PPE during the Covid outbreak, air cargo has lost market share to ocean trade in the three months to July. Improving economic activity means trade volumes are likely to recover in coming months.

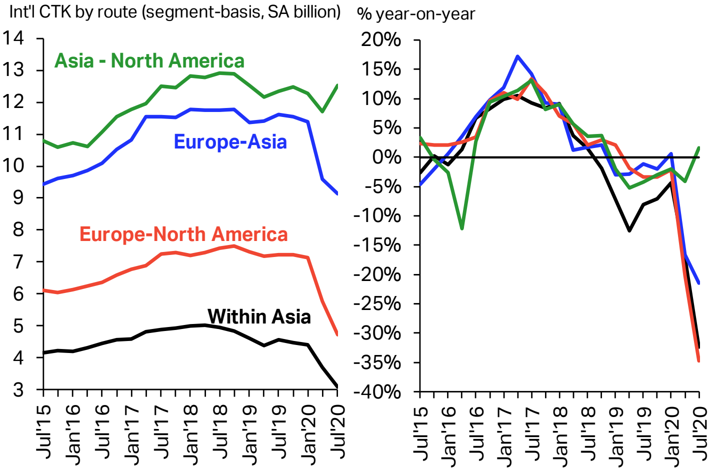
% year-on-year



Sources: IATA, CPB, RWI/ISL *Quarterly data

5. Asia-Nth America remains the most resilient among the key trade lanes in the three months to July, supported by robust Nth American demand for goods made in Asia. The Within Asia market has now declined for eight consecutive quarters year-on-year.

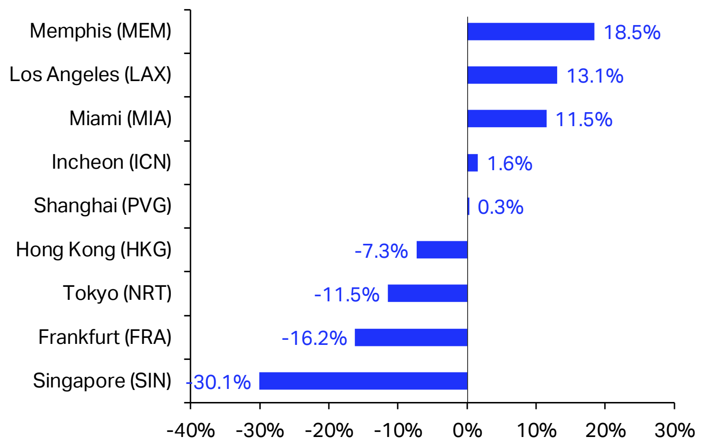
Int'l CTK by route (segment-basis, SA billion) % year-on-year



Sources: IATA Economics, IATA Monthly Statistics *Rolling 3 month periods

6. Performance at the largest cargo hubs continued to differ in July. SIN was down 30.1% year-on-year due to international travel bans while US airports are performing strongly, boosted by resilient domestic demand, including e-commerce.

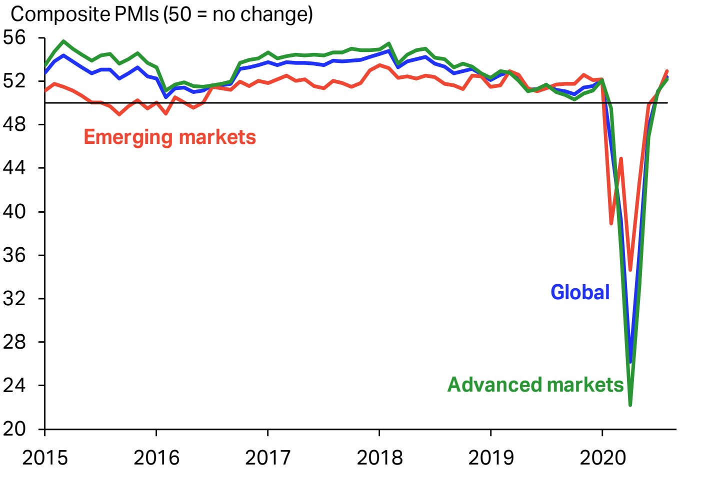
Tonnes of cargo throughput (% year-on-year, July 2020)



Source: Individual airport websites, CAPA

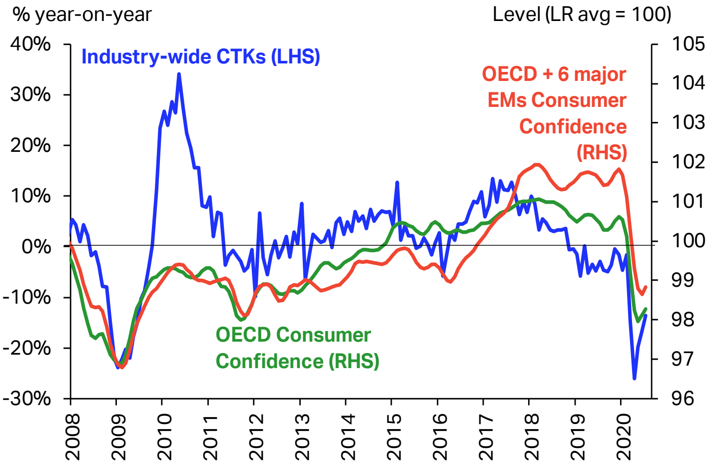
Market drivers

7. The restart of economic activity in recent months has been accompanied by a robust rebound in business confidence, which rose in both July and August. This recovery has not (yet) been fully reflected in global CTKs, partly due to supply constraints.



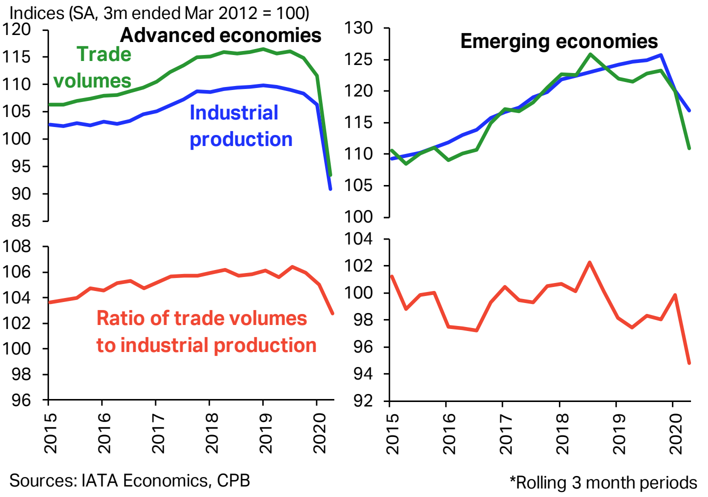
Sources: IATA Economics, Markit

8. Consumer confidence also appears to have moved beyond its low point, although the recovery is less pronounced than that of business confidence. This likely reflects ongoing concerns regarding the risk of further job losses in the short-term.



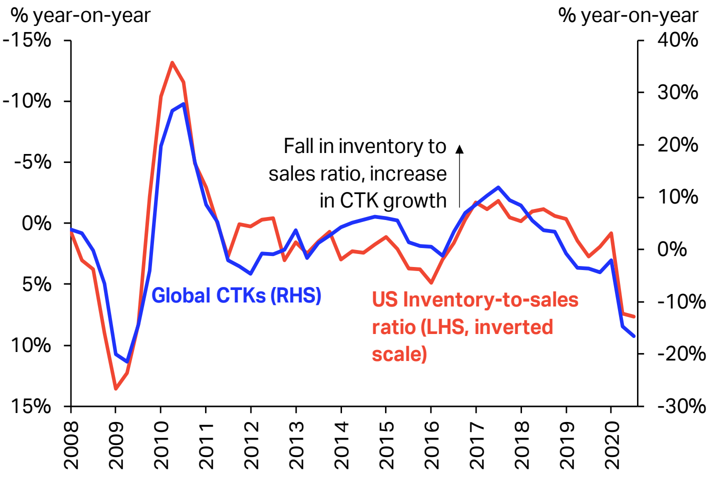
Sources: IATA, Thomson Reuters Datastream

9. In recent months, international trade volumes have declined faster than output across both advanced and emerging economies. This reflects the disruptions to international transport and global supply chains.



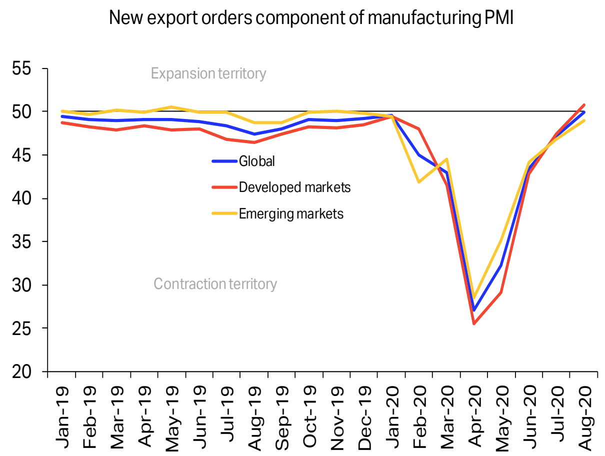
Sources: IATA Economics, CPB

10. The inventory-to-sales ratio rose slightly in the three months to July 2020 amid subdued overall sales. However, history indicates that the recovery in economic activity might bring a reversal, which would be supportive for air cargo demand.



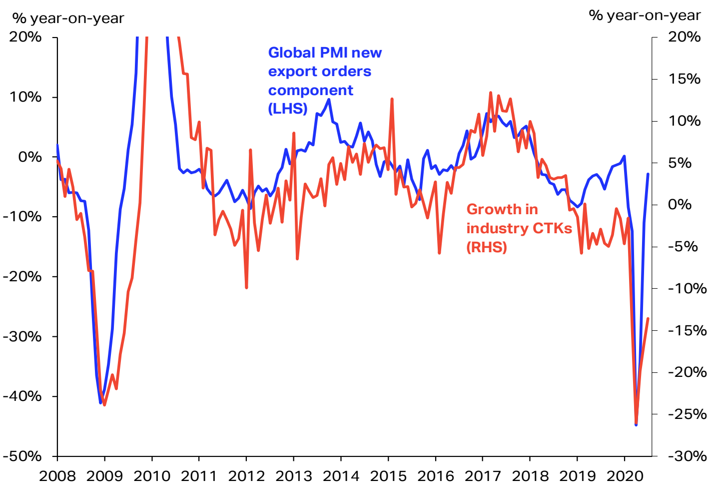
Sources: IATA, Thomson Reuters Datastream

11. New export orders have also become more supportive for air cargo volumes in recent months, following the April trough. The strong rebound has been observed across the major exporting economies as economies relaxed lockdowns and demand lifted.



Source: Markit

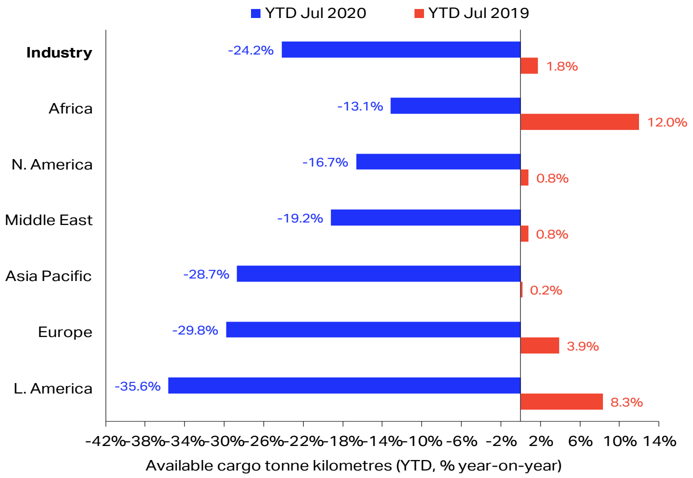
12. The rapid recovery in global new export orders has not been fully matched by CTKs, even though both metrics fell at a similar year-on-year pace in April. Capacity constraints are likely to have contributed to the slower recovery of air cargo volumes.



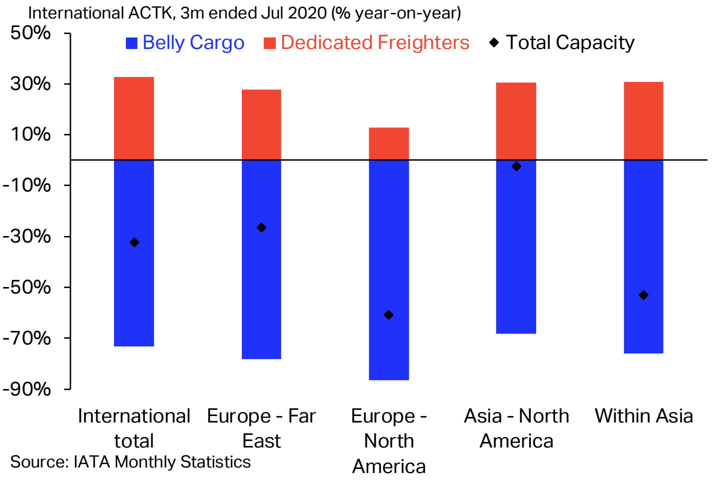
Sources: IATA Economics, IATA Monthly Statistics, Markit

Capacity, costs, and yields

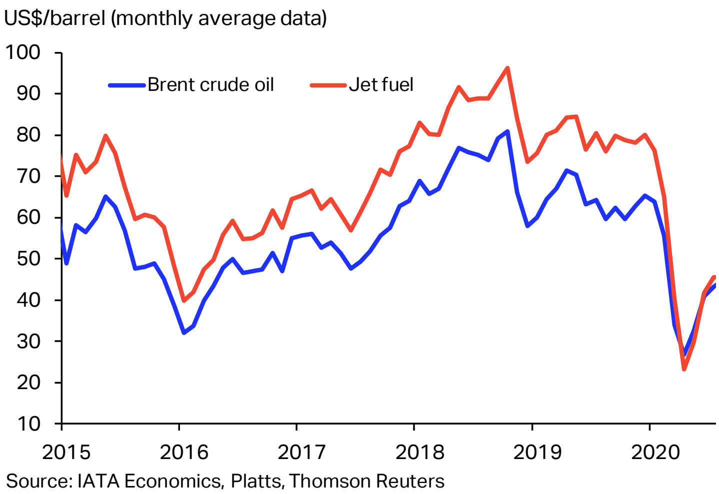
13. So far in 2020, industry-wide capacity (ACTKs) fell by 24.2% year-on-year, with Latin America experiencing the largest decline. Over the same period, volumes (CTKs) fell 14.1%, which led to a strong increase in cargo load factors and yields.



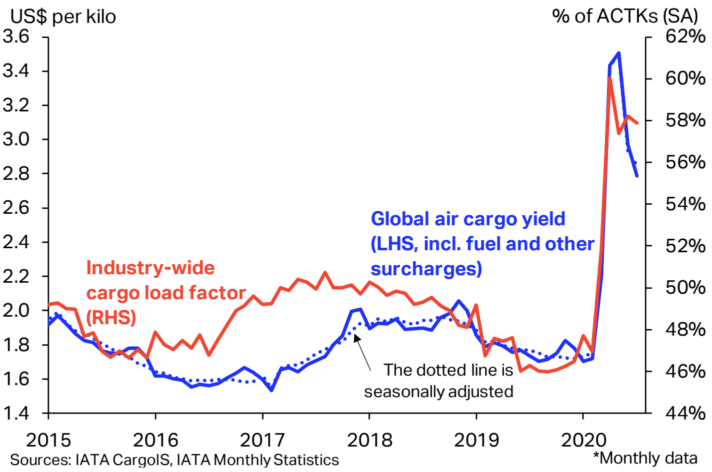
14. The supply constraints are primarily driven by the lack of bellyhold cargo capacity, with the grounding of most international passenger traffic. Airlines increased freighter utilization, but on most markets, this was not enough to compensate.



15. The recovery of economic activity has seen oil demand and prices increase since May. With limited aviation activity, jet fuel prices remained similar to those of crude oil, and the crack spread (which was negative in April and May) has remained close to zero.



16. Resilient demand and lack of capacity saw cargo yields and load factors reached record-highs in April and May. While both have retraced some of those highs in the period since, they remain elevated and one of the few bright spots for the industry.



†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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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.