



Cargo Chartbook

Q3 2021

Air cargo volumes and yields on robust upward trend

- Industry-wide cargo tonne-kilometres (CTKs) rose by 24.9% in the three months ended July 2021 compared to the same period in 2019. The upward trend in air cargo volumes continued in the past three months, but seasonally adjusted numbers show the growth has slowed compared to early 2021.
- Although some drivers are impacted by the spread of the Delta variant and supply chain congestion, conditions are supportive of air cargo. In particular, the inventory restocking cycle continues and allows air cargo to overperform global goods trade.
- Air cargo capacity is still constrained, in particular due to the lack of belly space on international passenger flights. This translates into elevated load factors. Cargo yields are trending upwards again, providing support to cargo revenues.

Market developments

- Industry-wide CTKs grew by 24.9% compared to the three months ended July 2019. The strong upward trend in air cargo volumes continued during the three months to July 2021. That said, the growth momentum has softened compared with to early 2021.
- The inventory restocking cycle that started at the beginning of the year is still in progress, and allows air cargo to overperform global goods trade. This is likely to continue for some time.
- While most regions and trade lanes have experienced a strong recovery from the crisis, airlines in Asia Pacific and Latin America have lost market shares, mostly in favour of North American airlines.

Market drivers

- Many drivers of air cargo demand saw a V-shaped recovery after the initial hit from the pandemic. While indicators such as new export orders and confidence have stabilized recently amid the spread of the Delta variant, conditions remain supportive.
- In particular, trade is still growing, and inventories remain too low compared to sales, encouraging businesses to turn to air. Air cargo prices, although higher than ocean shipping, have become relatively more affordable, providing further incentives to do so.

Capacity, costs and yields

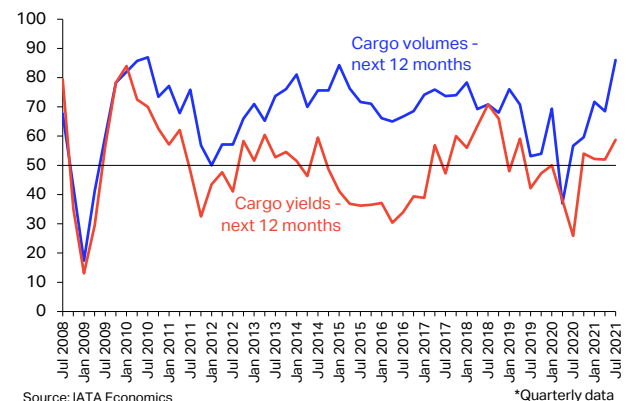
- Despite the supportive conditions, air cargo capacity remains insufficient. Industry-wide available cargo tonne-kilometres (ACTKs) fell by 11.3% in the three months ended July 2021 compared to pre-crisis values. This is caused by the lack of international passenger travel, which limits bellyhold capacity.
- Consequently, the cargo load factors remain elevated. Moreover, after their initial spike at the start of the pandemic, air cargo fares are again on an upward trend, due to supply chain congestion and the need to rapidly get goods to consumers. This will continue to support cargo revenues, which have increased since the crisis started.

Heads of cargo bullish about the outlook

- In the early-July 2021 [IATA Confidence Survey](#), 72% of respondents expected air cargo volumes to keep on increasing in the twelve months ahead, pushing the weighted score close to its all-time high, at 86.
- The weighted score for cargo yields in the next twelve months also rose, with 43.5% of respondents anticipating an increase.

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)	% ch vs same period in 2019	% quarter- on-quarter
Industry-wide CTKs¹	8.5%	1.4%
North America-Asia ¹	29.8%	-0.2%
Asia-Europe ¹	3.6%	-4.7%
Europe-North America ¹	4.8%	11.8%
Within Asia (int'l) ²	-4.8%	1.7%
International Cargo Tonnes²	8.5%	2.6%
Metric tonnes flown in 3m ended Mar 2021:		11.1m
World trade volumes²	4.6%	1.3%
Global container throughput¹	7.1%	0.7%
	<u>Level³</u>	<u>5-yr avg</u>
Global PMI new export orders	52.3	50.0

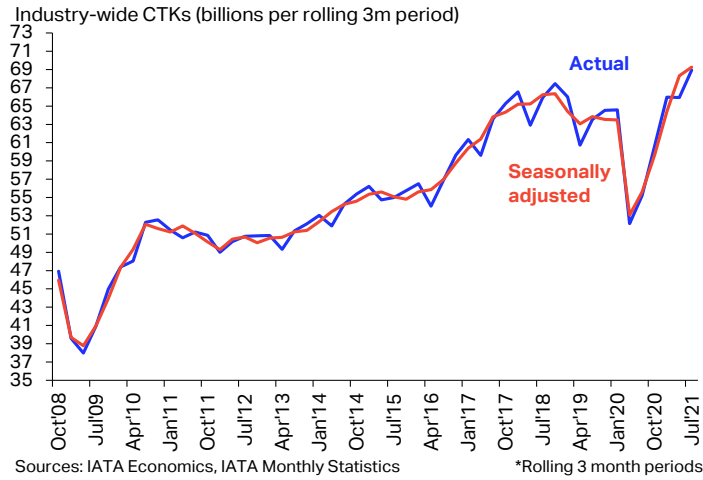
¹ 3m ended Jul 2021

² 3m ended Jun 2021

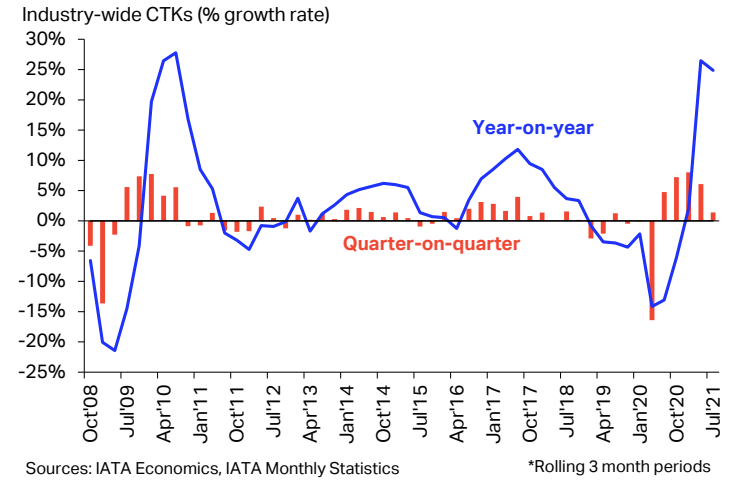
³ Average of 3m ended Aug 2021

Market developments

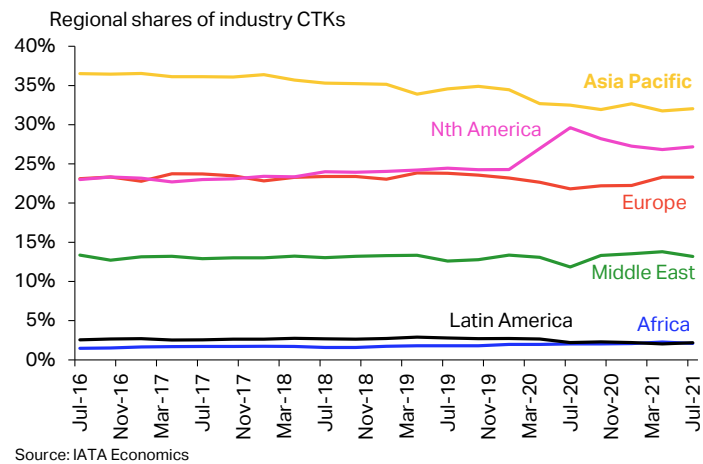
1. During the three months ended July 2021, both industry-wide cargo tonne-kilometres (CTKs) and their seasonally adjusted (SA) equivalent trended higher. Supply chains' congestion impacts volumes carried, but the overall backdrop remains strong.



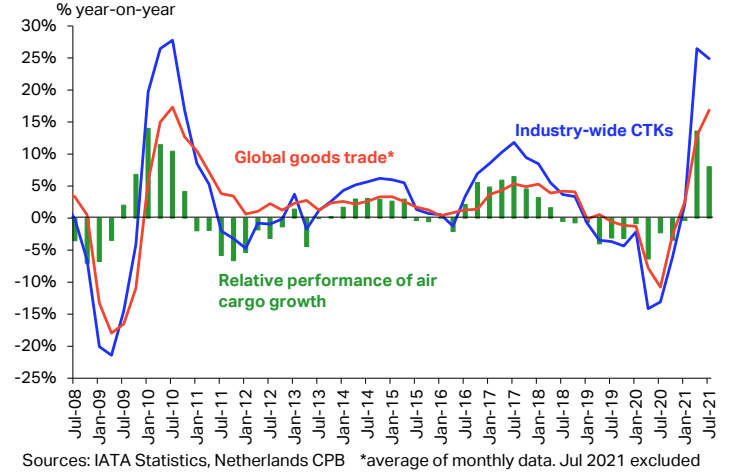
2. Actual CTKs grew by 24.9% year-on-year in the three months to July 2021. This said, most of the growth in air cargo volumes happened earlier. Indeed, quarter-on-quarter growth slowed to 1.4%, compared to 6.1% in the three months to April.



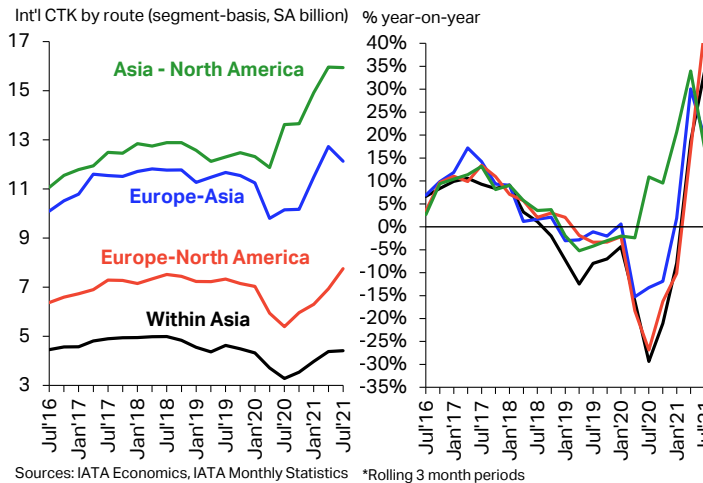
3. The strong rebound in air cargo did not benefit airlines in all regions equally. Nth American carriers gained market share, as they had more capacity available. That was at the expense of Asian carriers, and to a lesser extent also Latin American airlines.



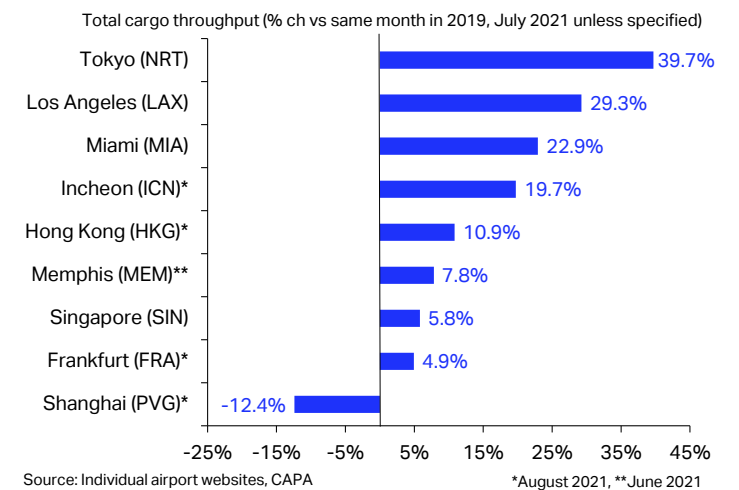
4. Air cargo had been underperforming goods trade since late-2018, but this inverted in 2021. Air now benefits from the need of businesses to rapidly restock their inventories as economies reopen after lockdowns. This is likely to continue for some time.



5. The recent slight moderation in the pace of growth in SA CTKs was reflected in some of the largest trade lanes, such as Asia-Nth America and Europe-Asia. That said, the Transatlantic market surpassed its pre-crisis peak in the three months to July 2021.

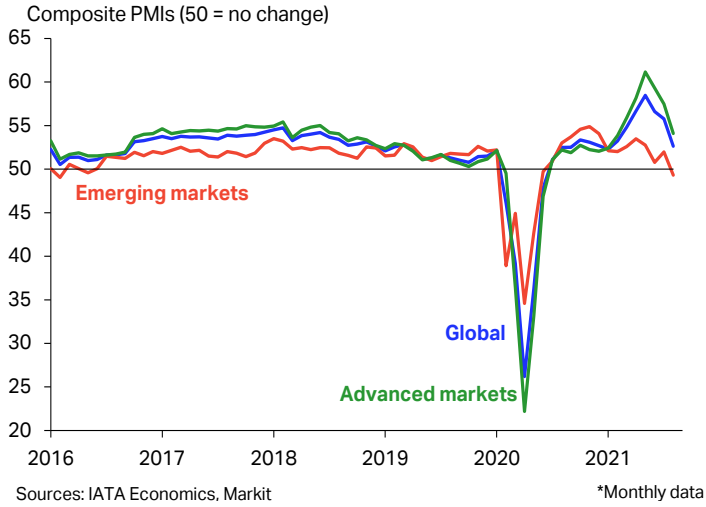


6. Most of the main air cargo gateways performed well recently, albeit with some divergence. PVG was impacted by an outbreak of the Delta variant in August, while airports including SIN are penalized by the lack of international passenger travel.

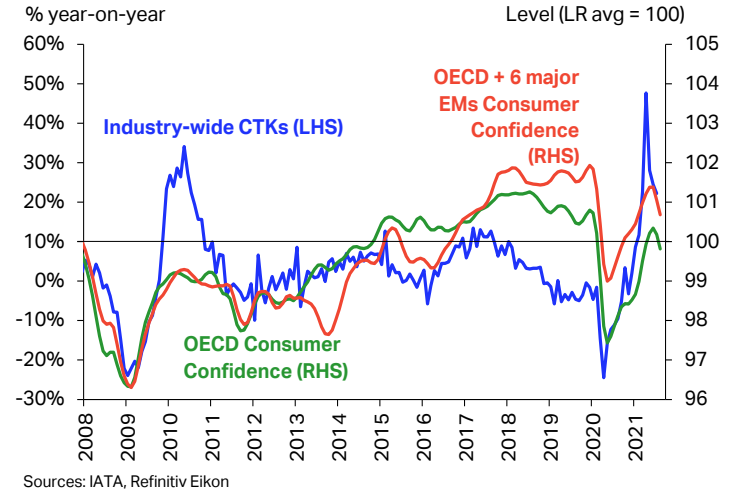


Market drivers

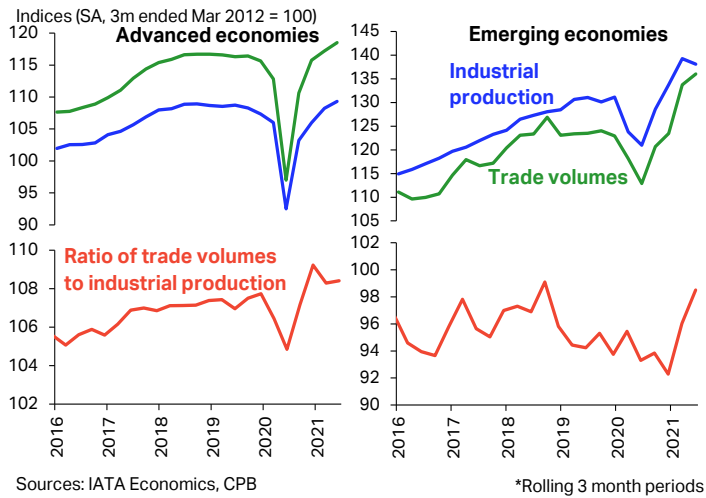
7. There was a strong increase in business confidence earlier in 2021, as vaccination progressed and lockdowns were lifted. That said, improvements in confidence have slowed recently, partly due to the Delta variant and supply chain congestions.



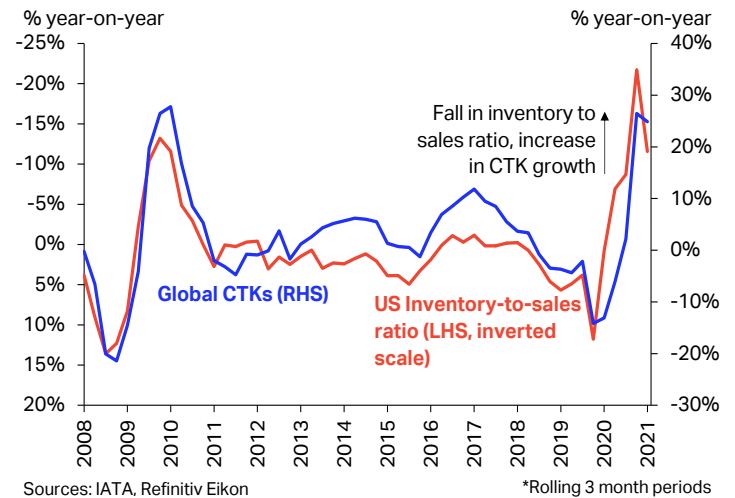
8. Consumer confidence also rebounded after the initial hit from the crisis, but at a slower pace than business confidence. This has been followed by a deterioration in recent months, as the pandemic continues to impact many sectors of activity.



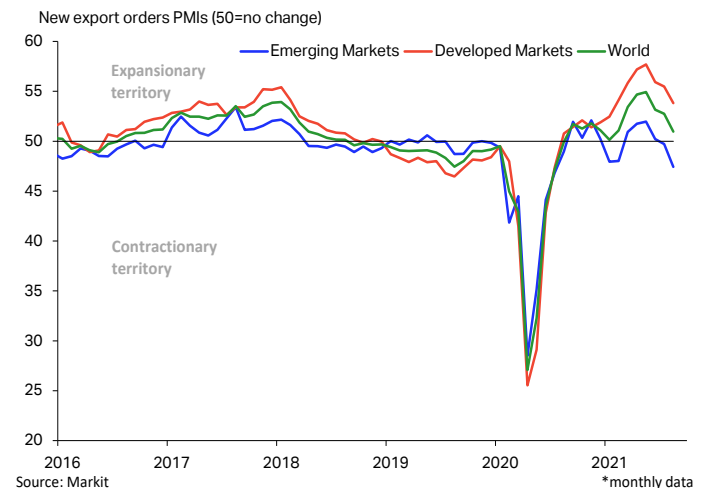
9. Trade and industrial production trended at high levels in recent months, and were respectively 21.5% and 16.6% above Q2 2019 levels in Q2 2021, globally. That said, supply chain congestions and COVID outbreaks prevent meeting all the demand.



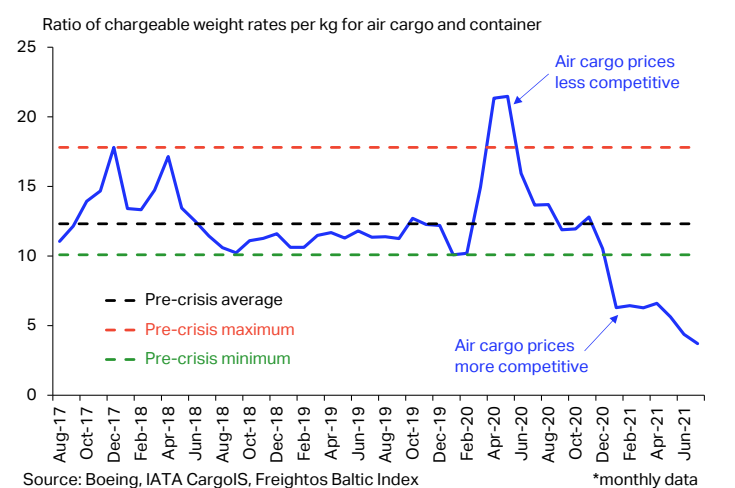
10. The inventory-to-sales ratio has stabilized in the US in recent months. But the big picture remains that stocks are in general insufficient to meet demand, providing incentives to turn to air freight to rapidly get goods to consumers.



11. New export orders PMIs reached a peak in May 2021, and have dropped since then. Globally and in developed markets, PMIs remain consistent with growing orders however, which is likely to translate into air cargo shipments in the near-term.

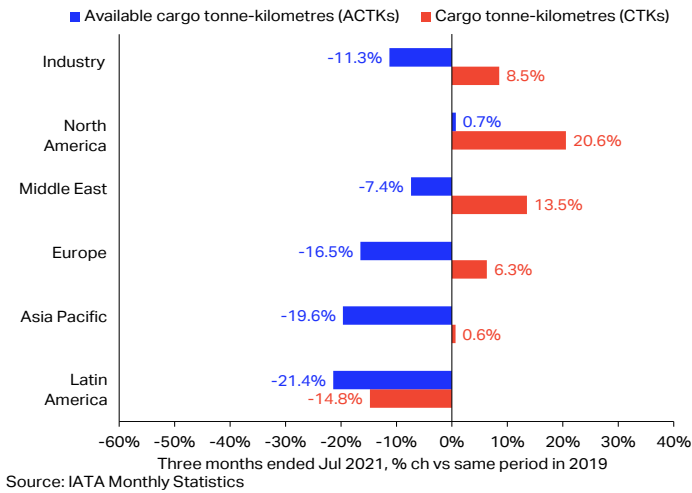


12. Air cargo has been impacted by the significant supply chain congestion of the past few months. But the upshot is that air cargo is less impacted than container shipping, which leads to a comparatively favourable relative price for chargeable weight.

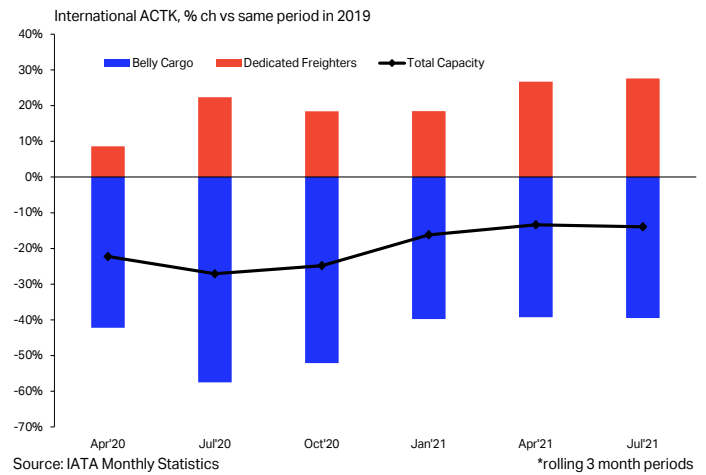


Capacity, costs, and yields

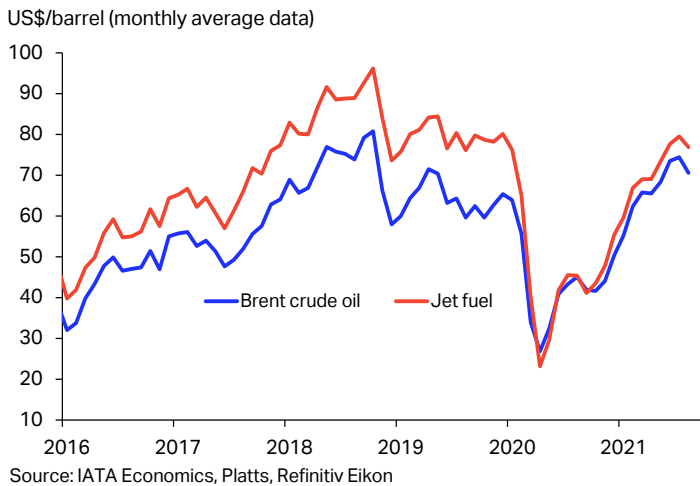
13. There has been a significant spread between air cargo capacity and volume carried for most of the crisis, as airlines had to compensate for missing international passenger flights by increasing utilization. Most regions follow a similar pattern.



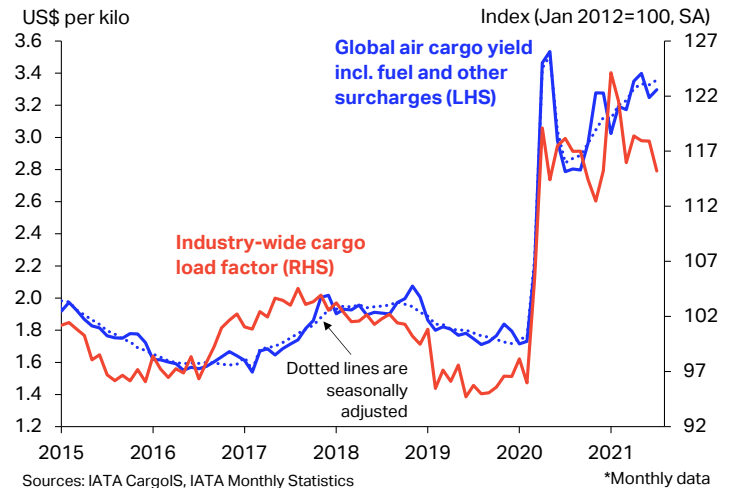
14. International ACTKs have trended sideways since the start of 2021. Airlines have increased dedicated freighters ACTKs – up 27.6% compared to 2019 in the three months ended July 2021. International belly ACTKs were down 39.5% over the same period.



15. Crude oil and jet fuel prices experienced a strong rebound after the initial hit from the pandemic, and have returned to high levels. Prices stabilized in August amid increased oil supply and the impact of the Delta variant. The crack spread remains small.



16. As has been the case since the start of the crisis, air cargo demand is high and capacity is congested. That means that load factors are elevated, while air fares are trending upwards as businesses need to rapidly get goods to consumers.



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