



# Cargo Chartbook

Q4 2019

## Freight volumes have stabilized, but are still well below a year ago

- Industry-wide freight tonne kilometres (FTKs) decreased by 4% in year-on-year terms for the three months ended October 2019. Overall, while year-on-year growth rates remain weak across major trade lanes and regions, seasonally adjusted (SA) air cargo volumes have levelled off at the global level and for some key markets.
- These results reflect the fact that some drivers of air cargo appear to have stabilized over recent months, despite an outlook that remains generally soft and with high uncertainty.
- Cargo yields continue trending downward, and were more than 10% lower than their year-ago level in October. Our latest business confidence survey shows that airlines expect yields to remain weak in the coming twelve months.

### Market developments

- Industry-wide freight tonne kilometres (FTKs) fell by 4% year-on-year in the three months ended October 2019, amidst a soft and uncertain outlook. Having said that, seasonally adjusted (SA) volumes have levelled off and trended sideways in the past two quarters.
- Apart from Africa, the current weakness in air freight is broad-based across all regions, with Asia Pacific driving a large part of the fall.
- Annual growth also remains negative on most key freight trade lanes and large cargo hubs. However, a stabilization in SA volumes was also observed on those trade lanes.

### Market drivers

- Recent economic outcomes have been mixed, with slowing economic growth in countries like India and China but improving results in Japan and Brazil.
- Other drivers, such as business confidence and the inventory/sales ratio, are showing signs of stabilization. While this likely reflects, in part, the thawing in US-China trade negotiations, the outlook for global trade remains uncertain.
- Looking forward, a modest improvement in new export orders – driven by China and the US – suggests that FTK growth might recover slightly in coming months.

### Capacity, costs and yields

- Despite weak demand, industry-wide freight capacity for the year-to-October continues to increase moderately while widebody freighter utilization stayed at a high level.
- In consequence, the pressure on freight load factors remains high, and FLF outcomes continue to be weak.
- Fuel prices – the largest single operating cost item for airlines, at ~25% of the total – have remained steady in the past six months or so. At the same time, cargo yields remain on the downward trend that began in Q3 2018.

### Heads of cargo balanced about future outlook

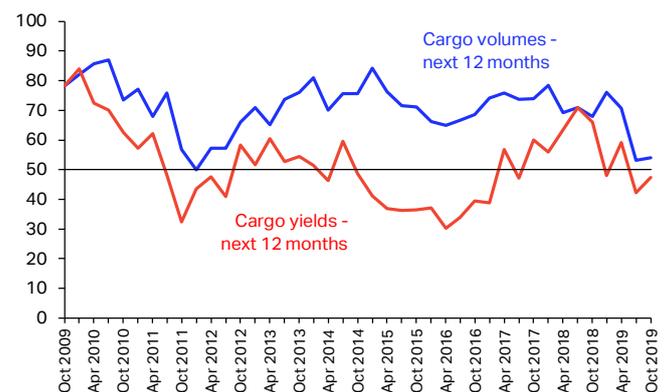
- Respondents of IATA's Business Confidence Survey were balanced in October 2019, with roughly one third

expecting cargo volumes to fall in the coming twelve months and a similar share expecting an increase.

- The outlook for yields remains weak, despite improving from last quarter. Overall yields are expected to be flat to slightly lower in the coming year (Chart 1).

**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 FTKs<sup>1</sup></b>	<b>-4.0%</b>	<b>0.2%</b>
North America-Asia <sup>2</sup>	-3.2%	2.0%
Asia-Europe <sup>2</sup>	-1.8%	1.7%
Europe-North America <sup>2</sup>	-4.1%	1.3%
Within Asia (int'l) <sup>2</sup>	-6.5%	1.4%
<b>International Freight Tonnes<sup>2</sup></b>	<b>-5.4%</b>	<b>0.1%</b>
Metric tonnes flown in 3m ended Sep 2019:		10.2m
<b>World trade volumes<sup>2</sup></b>	<b>-1.1%</b>	<b>0.5%</b>
<b>Global container throughput<sup>1</sup></b>	<b>2.5%</b>	<b>1.0%</b>
	<u>Level<sup>3</sup></u>	<u>5-yr avg</u>
<b>Global PMI new export orders</b>	48.6	50.6

<sup>1</sup> 3m ended Oct 2019

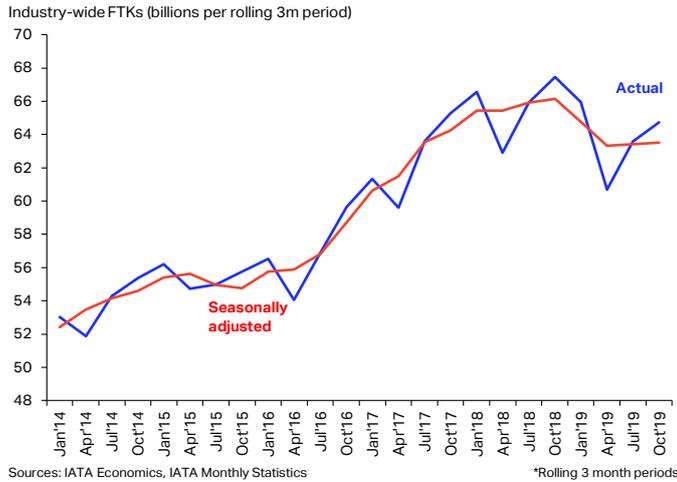
<sup>2</sup> 3m ended Sep 2019

<sup>3</sup> Average of 3m ended Nov 2019

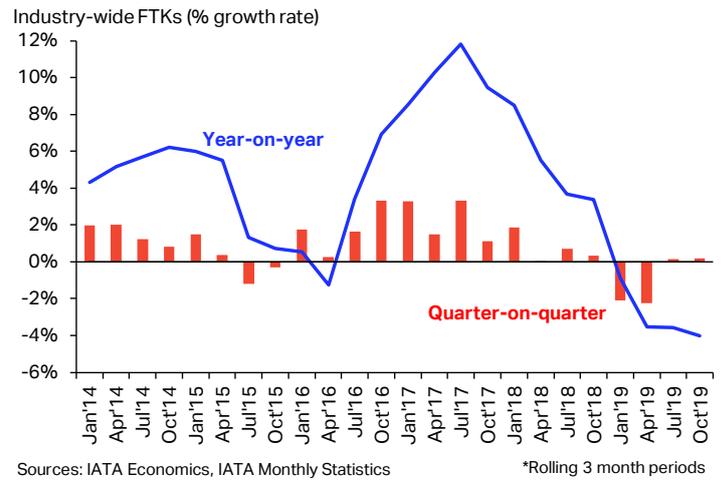
IATA Economics  
[economics@iata.org](mailto:economics@iata.org)  
 12 December 2019

# Market developments

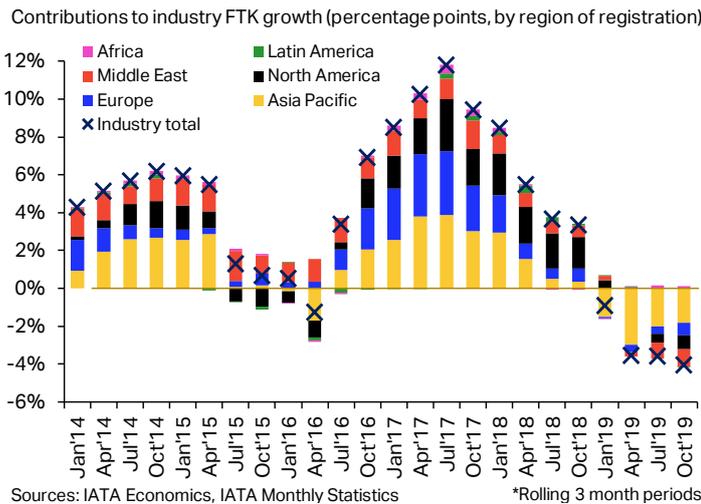
1. Seasonally adjusted (SA) industry-wide FTKs continued their recent sideways trend in the 3 months to October. After falling at an annualized growth rate of ~8.5% from Q4 2018 to Q2 2019, SA FTKs are now evolving at an annualized growth rate of ~1%.



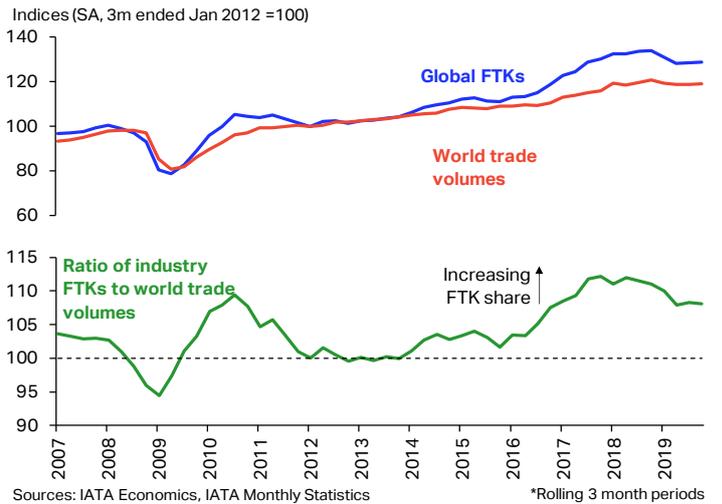
2. This pattern suggests that most of the deterioration in conditions may be behind us. But the broader context for air cargo remains weak, with year-on-year growth rates of non-SA volumes currently being stable but negative (-4.0% in Q4 2019).



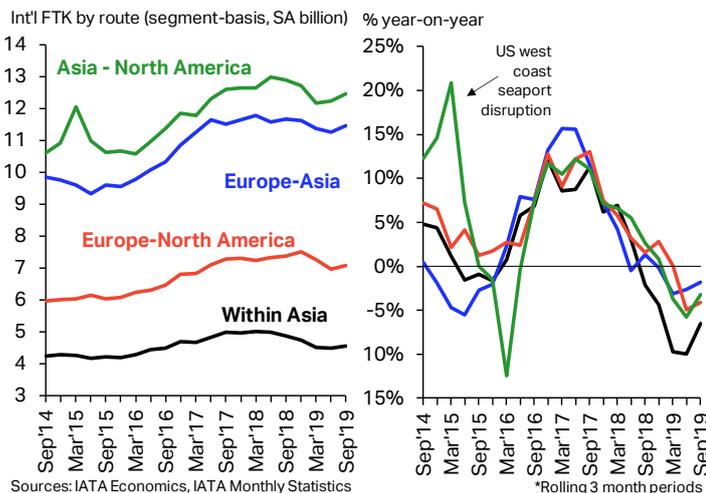
3. Africa was the only region to contribute positively to the growth outcome this quarter. As for the last three quarters, Asia Pacific made the largest negative contribution, accounting for 1.8ppts out of a 4.0% annual decline for Q4 2019.



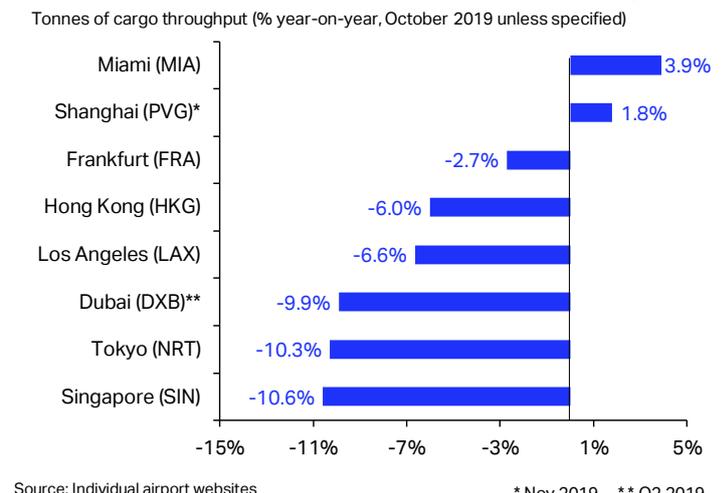
4. The escalation of trade tensions around the end of 2018 was associated with global FTKs falling slightly faster than world trade volumes, hence decreasing the FTK share. For the past 6 months or so however, the ratio has been flat.



5. The three months to September 2019 saw a stabilization in SA freight volumes on all four of the largest trade routes. Year-on-year growth rates remain weak however, given the ongoing subdued and uncertain outlook.

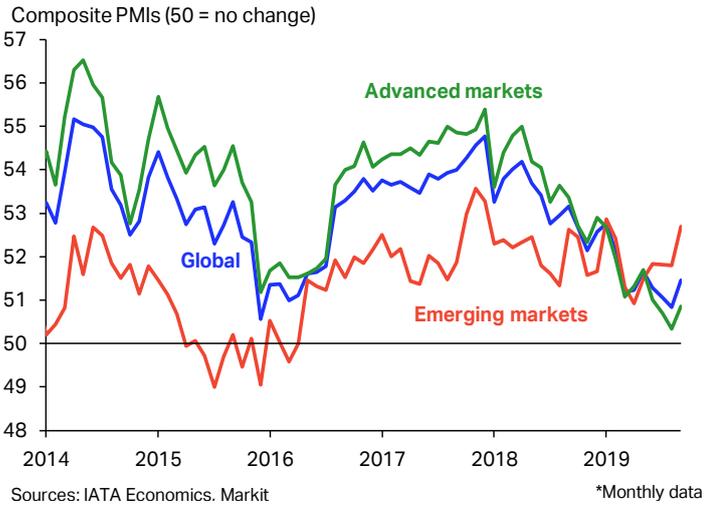


6. The latest available data show general weakness across the key cargo hubs. MIA and PVG have been resilient to the soft conditions, but NRT and SIN – key links in the disrupted Asian supply chains – saw volumes decline by ~10% vs a year ago.

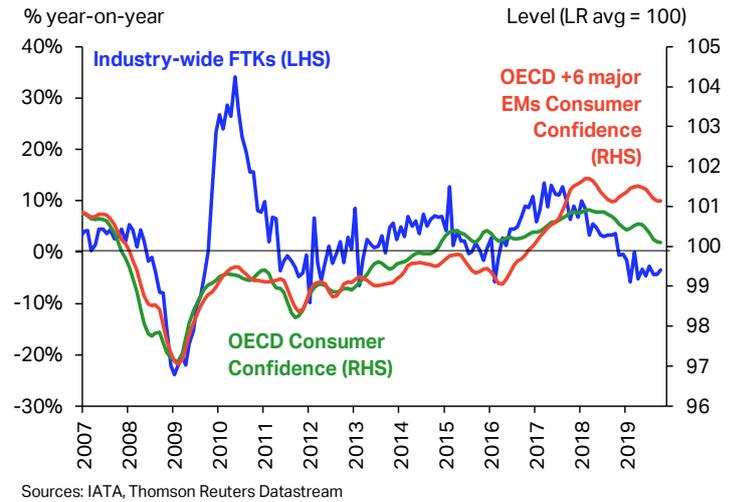


# Market drivers

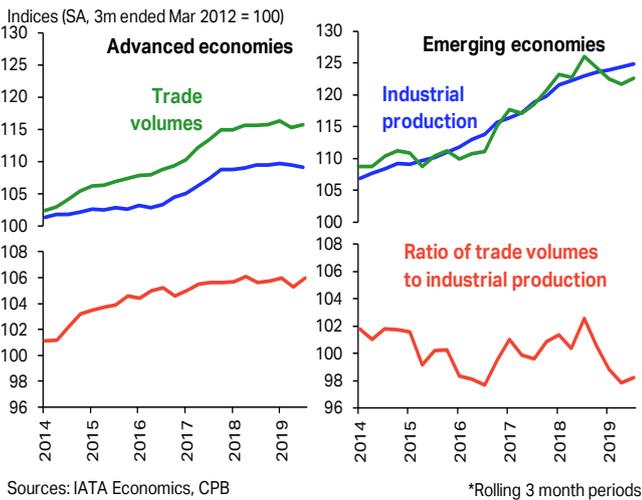
7. Business confidence has been volatile in 2019. But the upshot is that confidence in emerging markets is now notably higher than that of more mature economies, supported by strong outturns in China (notwithstanding the trade tensions) and India, in particular.



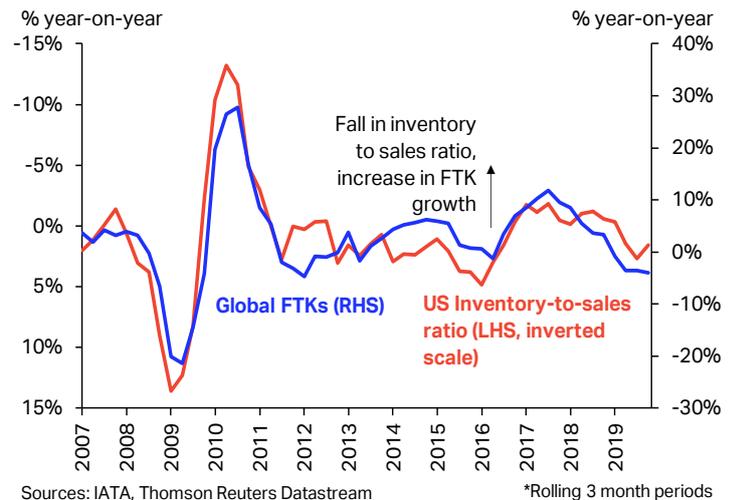
8. Consumer confidence has continued to ease in the past 3 or so months, albeit at a slower pace. Major emerging markets have recently displayed higher confidence than the OECD members, but both groups remain above their long-run average level.



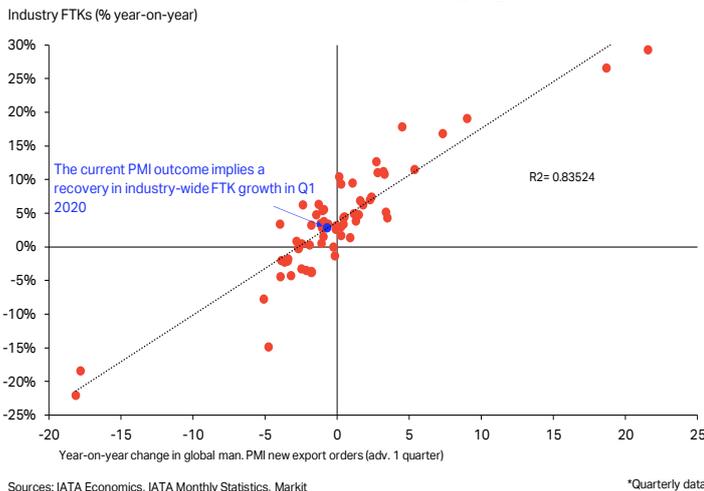
9. The recent stabilization observed in world trade volumes reflects similar developments in both advanced and emerging economies. However, industrial production in the latter continues to outperform the broadly sideways trend in the former.



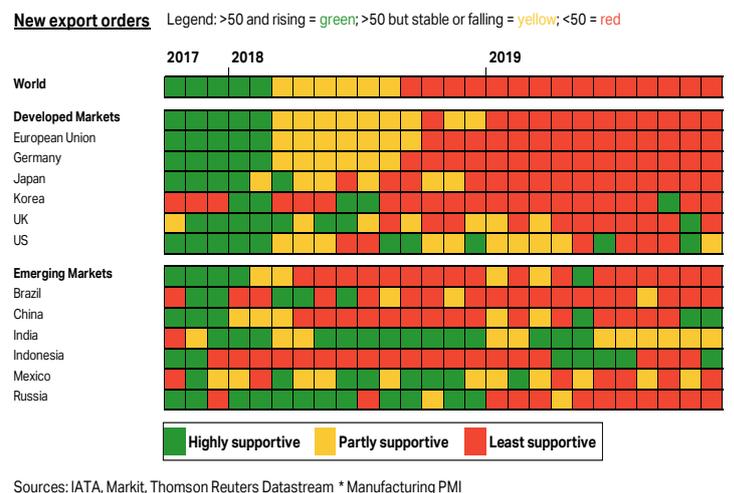
10. With slowing global demand, the inventory to sales ratio had been rising since mid-2018. That said, it fell in the three months to October 2019, and if sustained, this would be supportive of air freight demand going forward.



11. The new export orders component of the global PMI remained below the 50-mark in Q4. Nonetheless, it posted its best growth performance since Q1 2018. Consistent with this, the relationship between PMI and FTK hints at positive cargo growth next quarter.

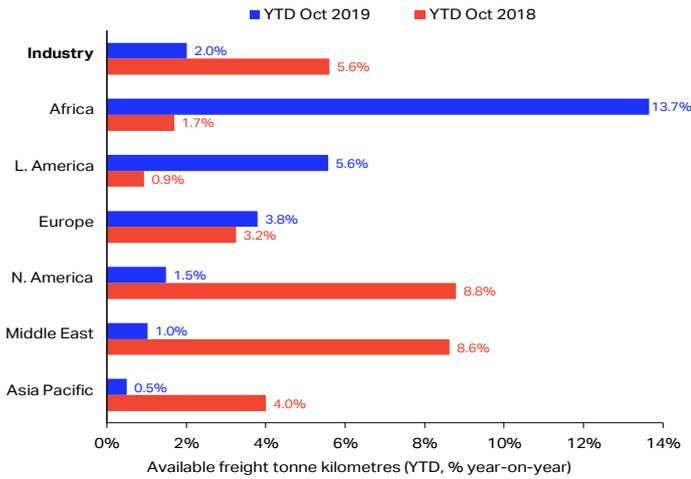


12. During the past few months, businesses in the majority of the largest exporting countries continued to report weak levels of new export orders. China and the US, however, showed preliminary signs of improvement amidst more positive trade war talks.

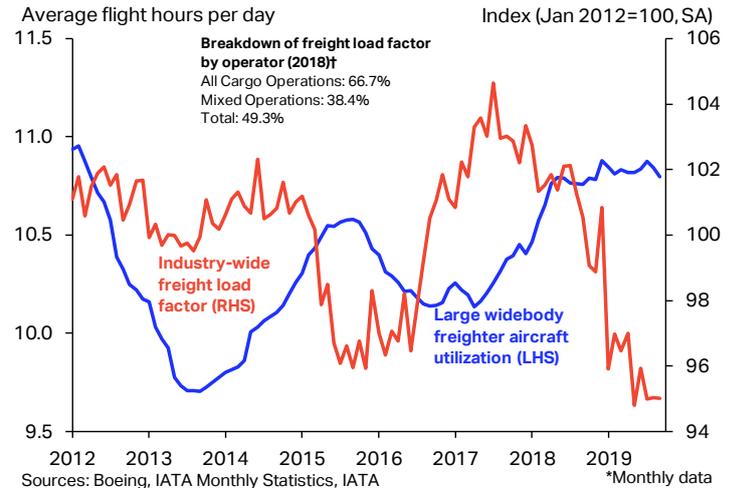


# Capacity, costs, and yields

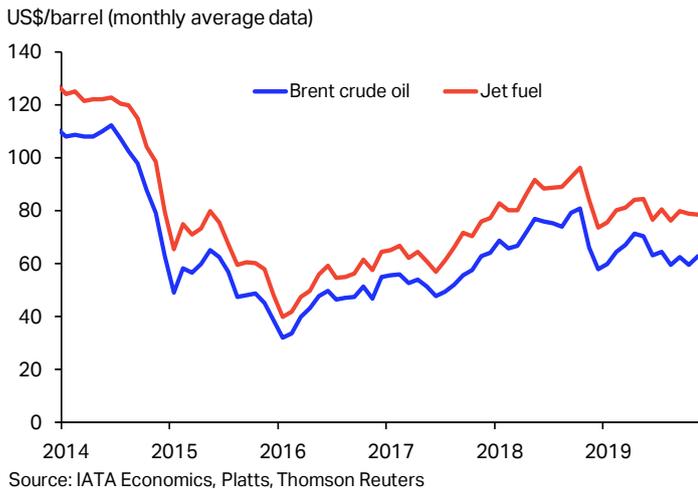
13. Airlines have been adjusting to the weaker demand environment by slowing capacity growth, which is currently just 2% over the year to October. Capacity growth was however higher than demand in all the regions, driving load factors down.



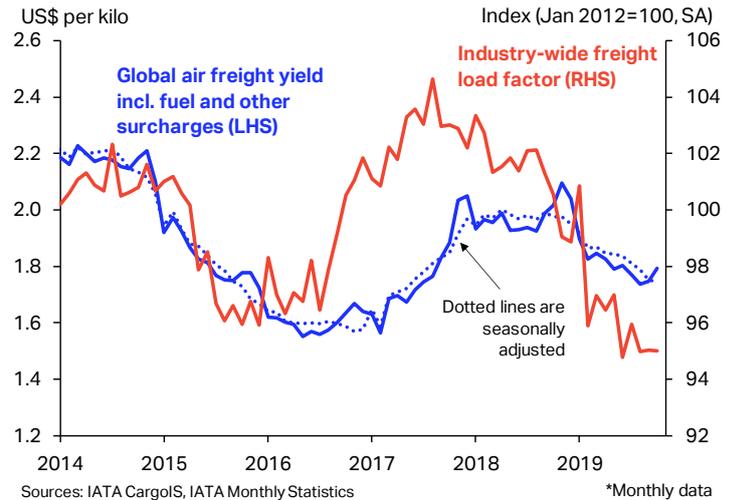
14. In parallel, large freighter utilization has been maintained at relatively high levels. This has also contributed to the downward pressure on freight load factors, which have fallen significantly since mid-2017.



15. Over the second half of 2019, oil and jet fuel prices remained relatively steady overall, as weaker global demand is broadly balanced by supply. Going forward, the recent OPEC+ decision to limit production, will place upward pressure on oil prices.



16. Against a soft demand backdrop, SA cargo yields remained on the downward trend which began in Q3 2018. Despite a modest month-on-month improvement in October, non-SA industry-wide yields were down more than 10% year-on-year.



†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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