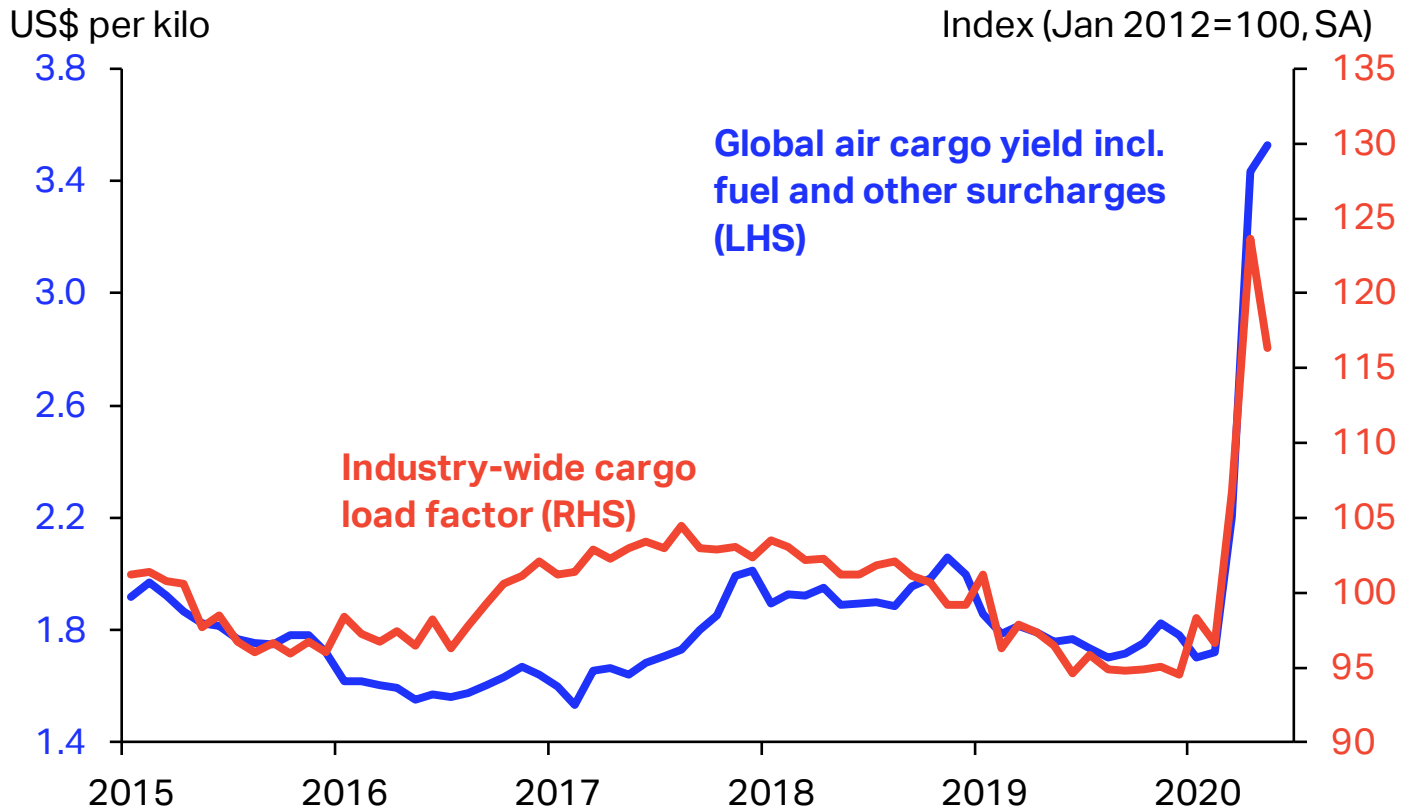




IATA Economics' Chart of the Week

03 July 2020

The cargo capacity crunch is easing, but the unwind will take time



Sources: IATA CargoS, IATA Monthly Statistics

- We have recently noted the different dynamics at work in the air cargo market compared with the passenger segment. In particular the reduction in belly-hold capacity with the grounding of much of the global passenger fleet has been a key driver of the recent record-high air cargo load factors and yields, as today's chart shows.
- In turn, this has created the opportunity for airlines to generate additional cargo revenue to partly offset the sharp decline in passenger revenues. As discussed in [our cargo report for May](#), the so-called 'capacity crunch' continued into May, albeit with signs of some easing in load factors from their April peak and in cargo capacity from its April trough. Even though global yields increased again in May in month-on-month terms, the pace is well down from the surge recorded in April compared to March.
- Some of the higher frequency data suggest that air freight yields peaked in late May and fell throughout June across a number of key markets and trade lanes. Freight rates remain elevated compared with their pre-COVID levels, but have begun to ease. In part, this reflects the increased utilization of passenger aircraft for cargo-only operations – the so-called 'preighters'. Latest indications are that more than 2000 such aircraft have been brought into service, with some airlines removing seats from the upper deck to increase the cargo payload.
- Dedicated freighter capacity remains elevated, while belly cargo capacity (incl. preighters) is slowly rising on the back of a slow return to passenger operations on some international markets. However, the capacity crunch is likely to take some time to unwind as the passenger fleet returns to service at a gradual pace. Our latest [forecasts](#) are that cargo revenue will be \$111 billion in 2020, accounting for a record 25% of total industry revenue.

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