



CARGO CHARTBOOK

Q1 2018

Solid backdrop for air cargo demand and financial performance

- Air freight tonne kilometres (FTKs) grew by 7.4% year-on-year in the three months ended January – a robust pace by historical standards. That said, the quarterly seasonally adjusted (SA) pace of volume growth slowed once again.
- Demand for air freight has been boosted since mid-2016 by the stronger economic and trade backdrop, bottlenecks in manufacturing supply chains, and a broader inventory restocking cycle. Recent protectionist measures pose risks to global trade, but business surveys still point to solid annual FTK growth of around 5.6% in Q2 2018.
- Favorable supply and demand dynamics have continued to drive cargo yields upwards, and to offset some pressure from rising fuel costs. Meanwhile, daily freighter utilization rates have also continued to trend upwards into 2018.

Market developments

- Industry-wide FTKs grew by 7.4% year-on-year in the three months ended January – a solid pace by historical standards but a slowdown from the double-digit annual rates seen in early to mid-2017.
- Indeed, while FTKs trended upwards in seasonally adjusted (SA) terms into 2018, the latest quarterly growth rate was the slowest in almost two years.
- Annual growth in FTKs slowed on all of the major international market segments in Q4 2017, but remained solid in the region of 5-10% year-on-year.

Market drivers

- The upturn in air freight demand in recent years has been supported by the stronger trade and economic backdrop, increasing bottlenecks in manufacturing supply chains, and a broader inventory restocking cycle. We expect economic momentum, particularly buoyant consumer confidence, to continue to support air freight demand in the near term.
- The recent pick-up in protectionist trade measures poses obvious downside risks to global trade. Nonetheless, business surveys are consistent with solid annual FTK growth of around 5.6% in Q2 2018.

Capacity, costs and yields

- 292 tonnes of additional cargo payload have been added to the freighter fleet so far in 2018 (gross). However, more than four times as much has been added in the form of belly-capacity via deliveries to the wide-body passenger fleet.
- More favorable supply and demand dynamics have continued to drive cargo yields higher: yields rose by 16.2% year-on-year in Jan. This is helping to offset upward pressure on breakeven loads from higher fuel prices.
- Daily utilization rates of large freighter aircraft trended upwards into 2018, and remain at their highest level in more than five years. Increased utilization will help to further reduce unit costs, and to reinforce cargo airline financial performance.

Heads of cargo remain upbeat

- When surveyed in early-January, nearly two-thirds of airline Heads of cargo expected freight volumes to increase over the year ahead. Our survey respondents also continued to expect further gains in yields over the period. (See Chart 1.)

Chart 1 – IATA survey of heads of cargo

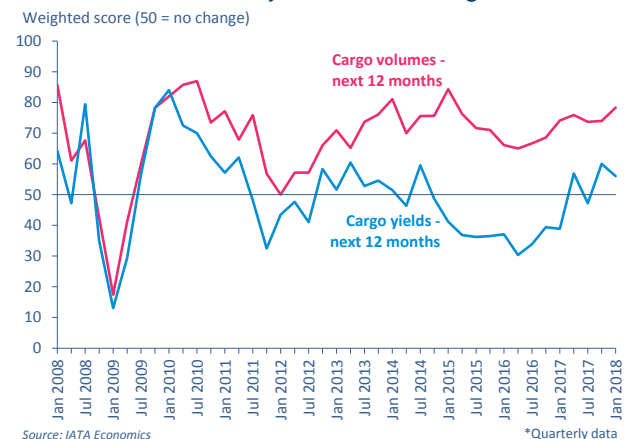


Table 1 – Key data overview

Key data overview - rolling 3 month periods

Rolling 3 month periods (unless specified otherwise)	% year-on-year	% quarter-on-quarter
Industry-wide FTKs¹	7.4%	0.7%
North America-Asia ²	5.8%	-1.4%
Asia-Europe ²	5.6%	0.6%
Europe-North America ²	6.7%	-2.0%
Within Asia (int'l) ²	8.0%	-0.6%
Industry-wide Freight Tonnes²	7.6%	0.7%
World trade volumes²	4.6%	1.2%
Additional widebody payload capacity (2018, up to 7 March)	Year-on-year change	
	Tonnes	%
Freighters	292	59.9%
Belly	1,203	-0.9%
Total	1,495	7.0%
	Level ³	5-yr avg
Global PMI new export orders	53.8	51.2

¹ 3m ended Jan 2018

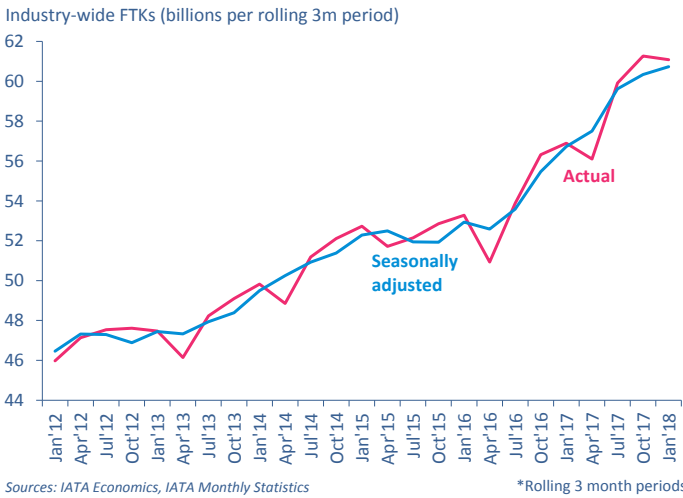
² 3m ended Dec 2017

³ Average of 3m ended Feb 2018

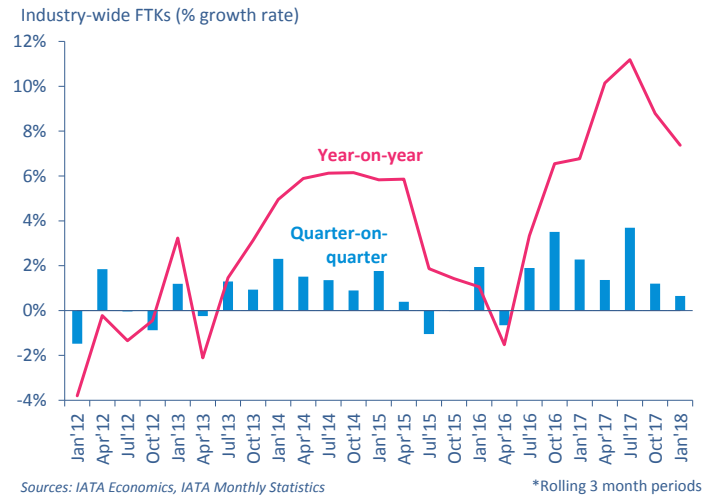
David Oxley
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 12th March 2018

Market developments

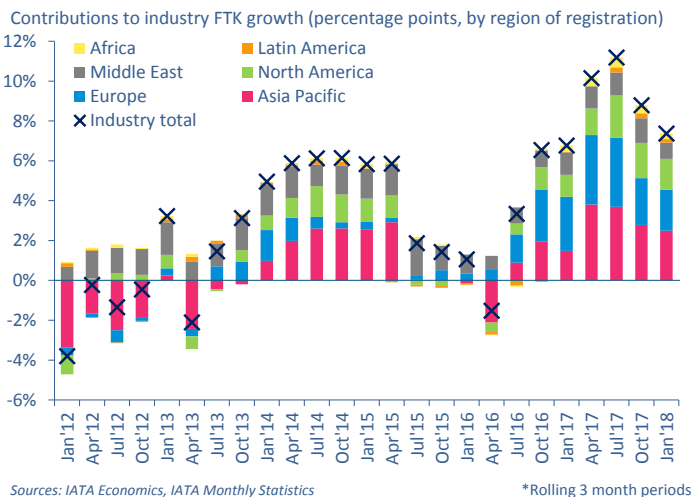
1. Air freight tonne kilometres (FTKs) have continued to trend upwards in seasonally adjusted (SA) terms into 2018, albeit at a slower pace than seen during the best of the upturn in freight volumes in recent years.



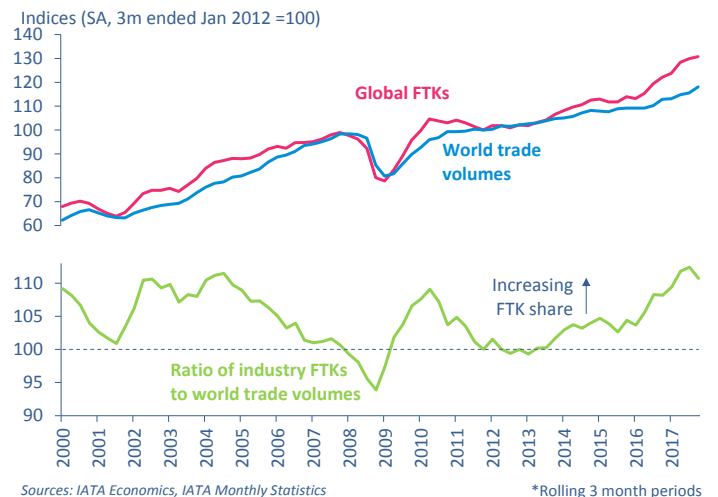
2. Indeed, while FTKs grew by a robust 7.4% year-on-year in the three months ended January, around half of this increase reflects gains seen during the middle of 2017. Freight volumes rose at an annualized rate of 2.8% last quarter.



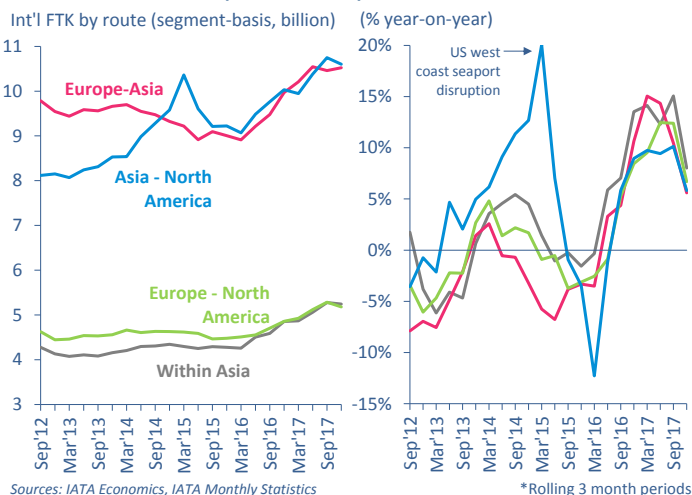
3. Every region made a positive contribution to year-on-year FTK growth in the three months ended January. Middle Eastern carriers posted the slowest annual growth rate for just the second time since 1999.



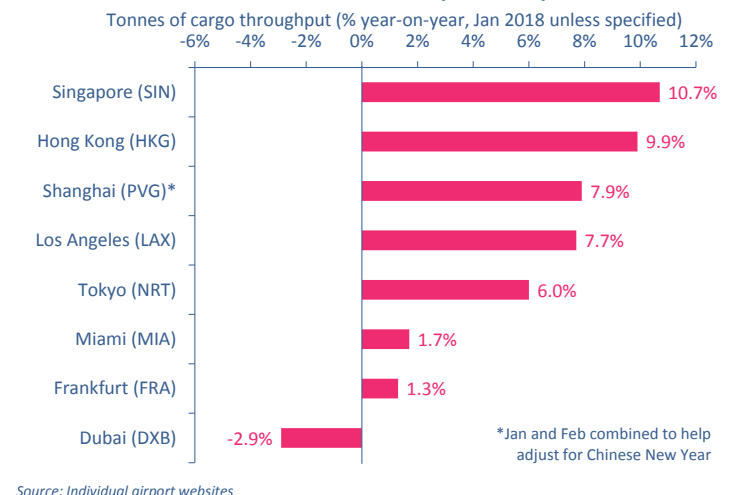
4. Air freight has outperformed wider goods trade since the start of 2016, consistent with the typical pattern seen during economic upturns. However, the upward trend in air freight volumes has lagged behind world trade in the past 6 months.



5. The major international market segments posted solid year-on-year FTK growth in Q4 2017, albeit slower than earlier in the year. Three of the four major routes saw volumes fall in SA quarter-on-quarter terms in Q4.

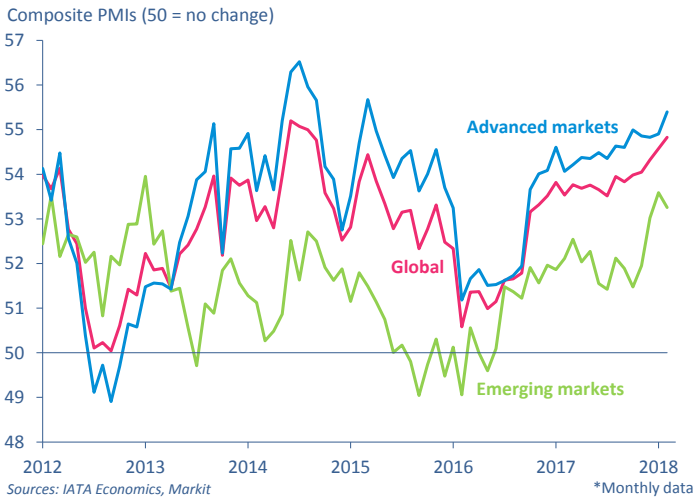


6. There has continued to be a wide range in cargo throughput performance at an airport level. Singapore posted the fastest growth in January (10.7%), but growth was slower in Miami and Frankfurt; Dubai saw a year-on-year decline.

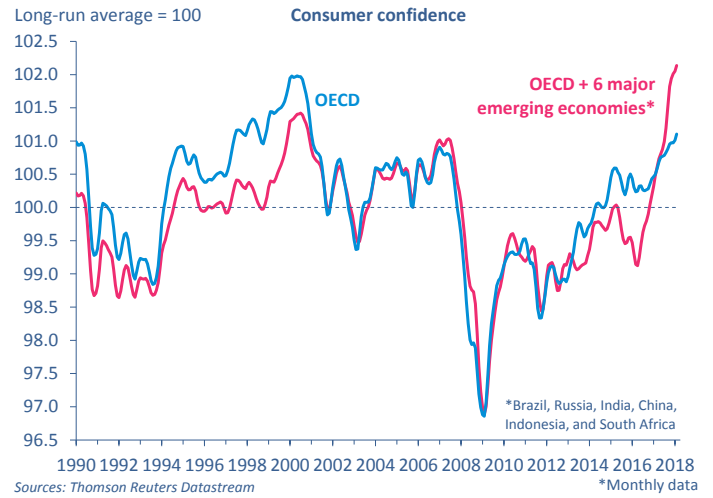


Market drivers

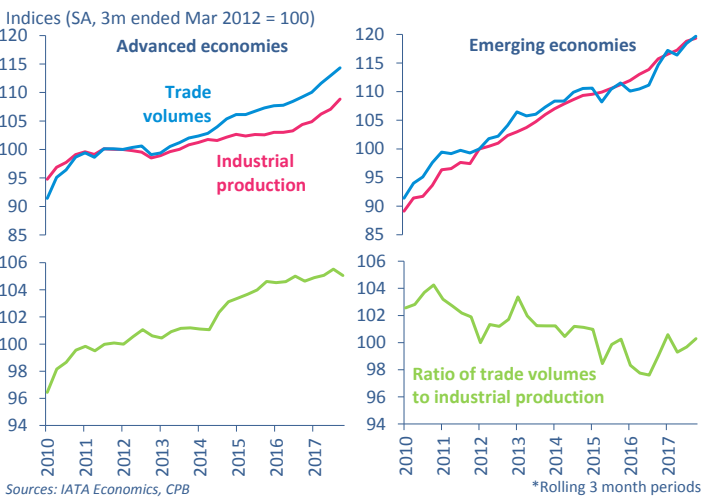
7. Global business confidence has continued to trend upwards in recent months, and is currently at its highest level since August 2014. Economic activity in the so-called emerging markets improved strongly in late-2017.



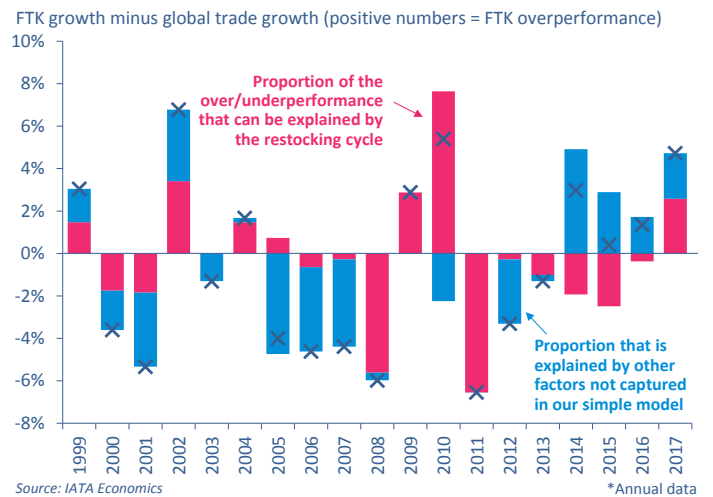
8. Consumer confidence remains buoyant, and is helping to support demand for air freighted goods. This has particularly been the case in major emerging markets, which ties in with reports of more balanced cargo flows on key trade lanes.



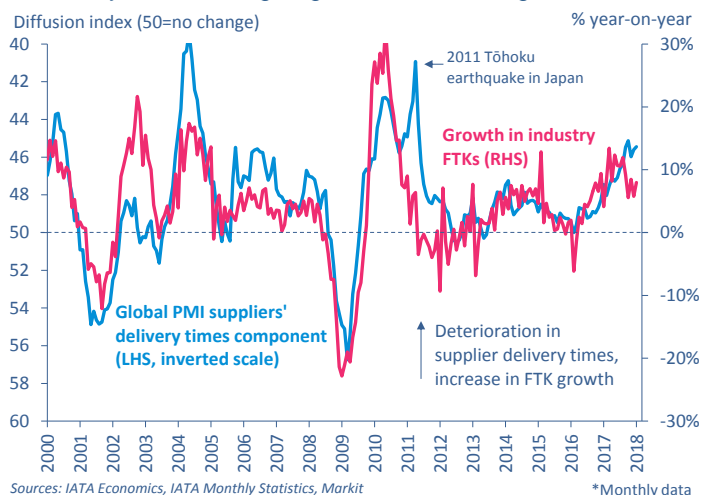
9. The pick-up in air freight demand in recent years has coincided with a stronger global economic and trade backdrop: global goods trade grew by 4.6% year-on-year in Q4 2017 – well above its five-year average pace (2.6%).



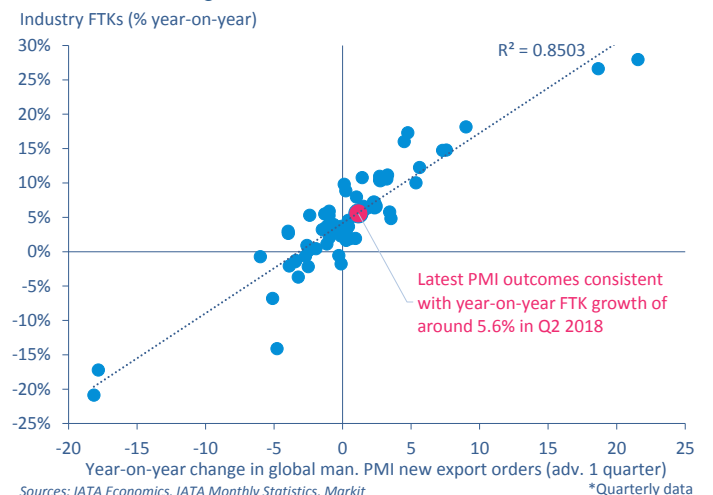
10. Air freight demand has also been boosted by the restocking cycle. We estimate that the restocking cycle explains half of the outperformance of air freight growth relative to wider global goods trade growth in 2017.



11. Rising bottlenecks in supply chains have also helped support demand for air freight. These constraints currently appear most acute in capital goods – particularly steel – which may limit the ongoing boost for air freight demand.

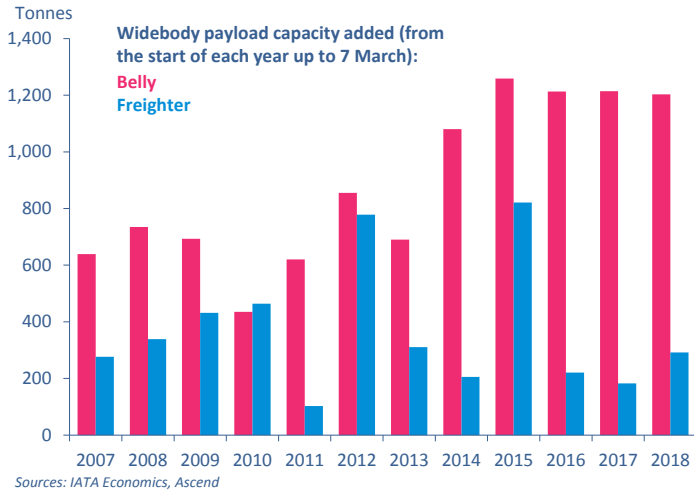


12. The new export orders component of the global PMI remains near a seven-year high, but the pace of year-on-year improvement has slowed. The series is currently consistent with annual FTK growth of around 5.6% in Q2 2018.

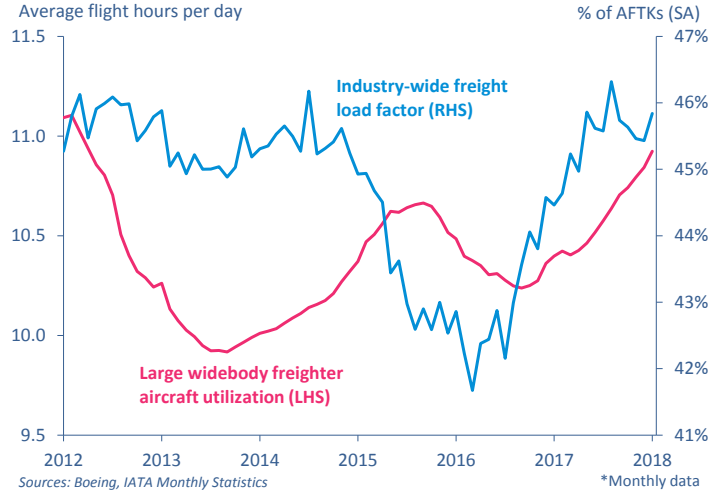


Capacity, costs, and yields

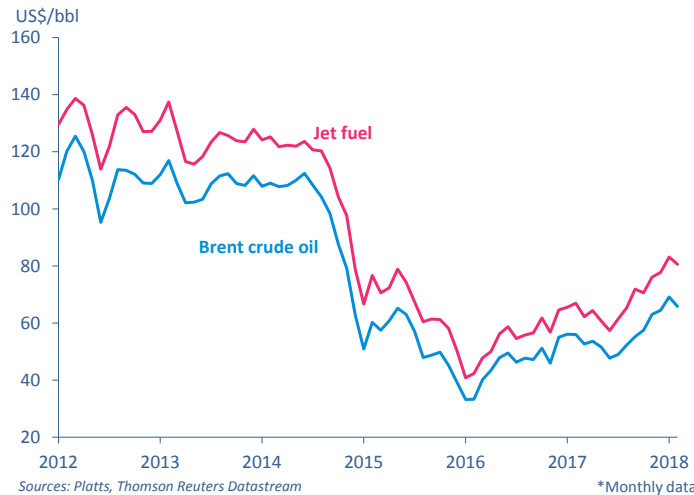
13. 292 tonnes of payload capacity have been added to the freighter fleet so far in 2018 (gross). Belly capacity continues to dominate, however, with more than four times the payload having been added via deliveries to the widebody pax fleet.



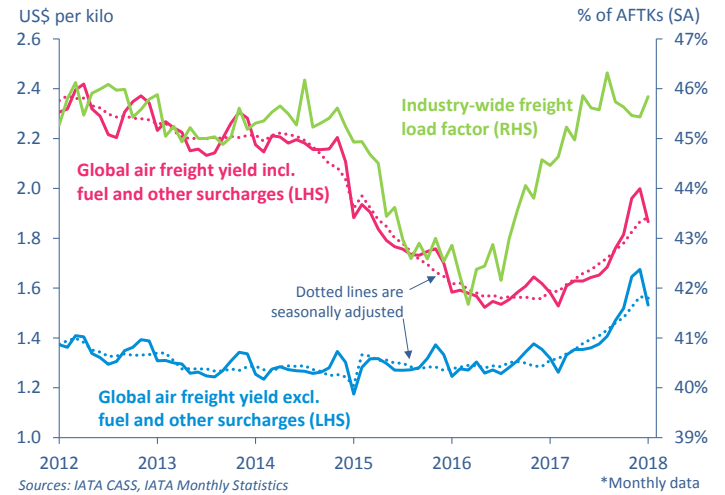
14. Large widebody freighter aircraft utilization has continued to trend upwards, and is currently at its highest level in more than five years. Meanwhile, airlines are managing to maintain the SA freight load factor at levels last seen in late-2014.



15. Brent oil prices remain close to a three-year high, having been supported by OPEC-led production cuts and a weaker US dollar. At the time of writing, the price of a barrel of Brent is US\$64 – around twice the multi-year low reached in 2016.



16. More favorable supply and demand dynamics have continued to drive cargo yields upwards. The cargo yield excluding fuel and other surcharges increased by 16.2% year-on-year in January 2018.



Get the data

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