

Air cargo remains weak as trade tensions weigh upon the industry

- Air freight tonne kilometres (FTKs) fell by 1.8% over the three months ended April and are currently down a sizeable 3.3% over the past year. The weakness is widespread across the major air cargo trade lanes, most notably the Within Asia market.
- The air cargo market continues to face difficulties as increasing trade tensions adversely impact the air freight outlook and the risks to the global economy remain firmly tilted to the downside
- Cargo yields have fallen by almost 6% over the past year, however the latest IATA business confidence survey shows an improvement in the industry's year-ahead outlook for yields.

Market developments

- Industry-wide freight tonne kilometers (FTKs) fell again this quarter, to be down 3.3% in year-on-year terms.
- The decline is broad-based, across all of the four major air cargo trade lanes. Most notable is the decline for international traffic within Asia where FTKs are down 12.6% year-on-year.
- International freight tonnes flown have also fallen by a similar magnitude as FTKs, currently 3.2% lower than their level of a year ago.

Market drivers

- There has been an ongoing softening in a number of key demand drivers, perhaps most notably world trade outcomes, which have been adversely impacted by trade protectionism and trade wars. World trade volumes are currently just 0.4% higher than their level of a year ago.
- In addition, global consumer and business confidence have both been trending downwards for around a year and the new export orders component of the global PMI remains weak.
- Downward revisions to the near-term global growth outlook are doing little to support business confidence or the demand for air cargo.

Capacity, costs and yields

- The growth in available freight tonne kilometres (AFTKs) has halved over the past year, to around 3% currently. The slowing is most pronounced in Asia Pacific where AFTKs are up just 0.9% year-on-year.
- Widebody freighter utilization has fallen significantly in recent months, since its peak at the start of the year.
- The industry-wide freight load factor has trended downwards since around mid-2017 and cargo yields are almost 6% lower in year-on-year terms.

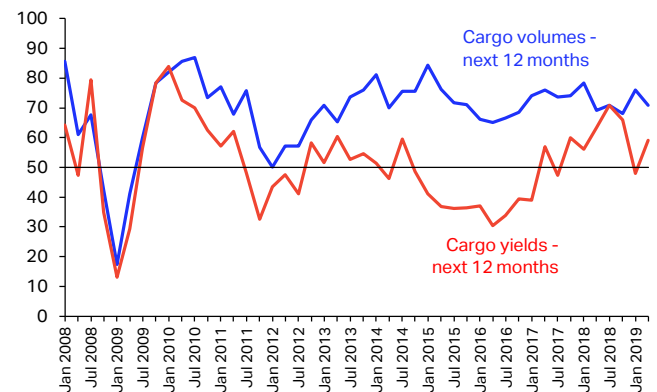
Heads of cargo back to optimism on yields

- Despite the weaker prevailing conditions, IATA's April 2019 Business Confidence Survey showed that around 40% of respondents expected higher cargo yields in the next twelve months, up from 20% in January. This is reflected in a higher weighted score in Chart 1.
- Respondents also maintained their optimism in relation to cargo volumes, with the majority (54%) expecting to see higher volumes over the coming 12 months.

- However, the weaker than expected start to 2019 has resulted in a downward revision to our forecasts for air cargo volumes this year; FTKs are now expected to be unchanged (zero growth) over the year as a whole compared with 2018.

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 FTKs¹	-3.3%	-1.8%
North America-Asia ¹	-5.3%	-4.5%
Asia-Europe ¹	-3.4%	-3.6%
Europe-North America ¹	-2.5%	-4.6%
Within Asia (int'l) ¹	-12.6%	-7.4%
International Freight Tonnes²	-3.2%	-2.1%
Metric tonnes flown in 3m ended Mar 2019:		9.8m
World trade volumes²	0.4%	-0.3%
Global container throughput¹	1.9%	-1.2%
	<u>Level³</u>	<u>5-yr avg</u>
Global PMI new export orders	49.0	50.9

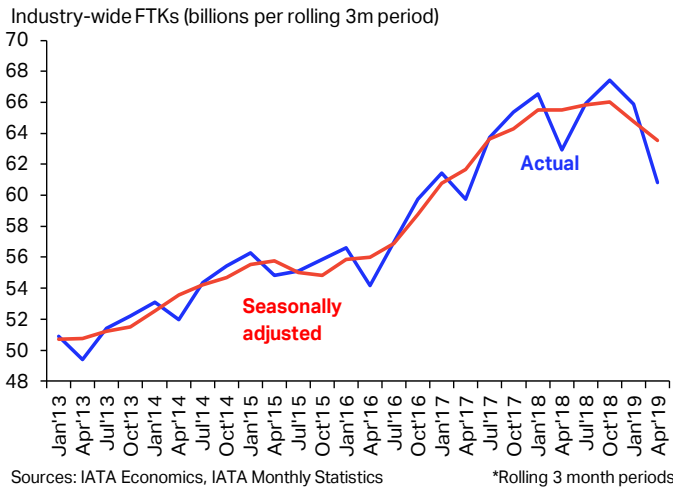
¹ 3m ended Apr 2019

² 3m ended Mar 2019

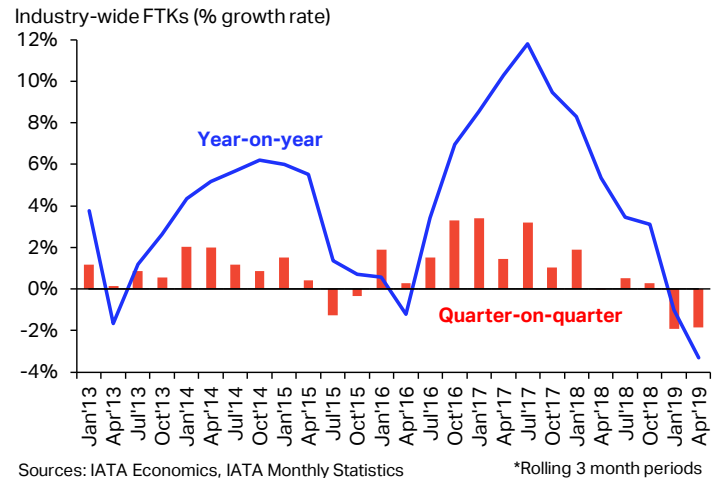
³ Average of 3m ended May 2019

Market developments

1. The seasonally adjusted level of FTKs continued to trend downward in the three months ended April 2019. The deterioration comes on the back of heightened trade tensions and a modest slowing in global economic activity.

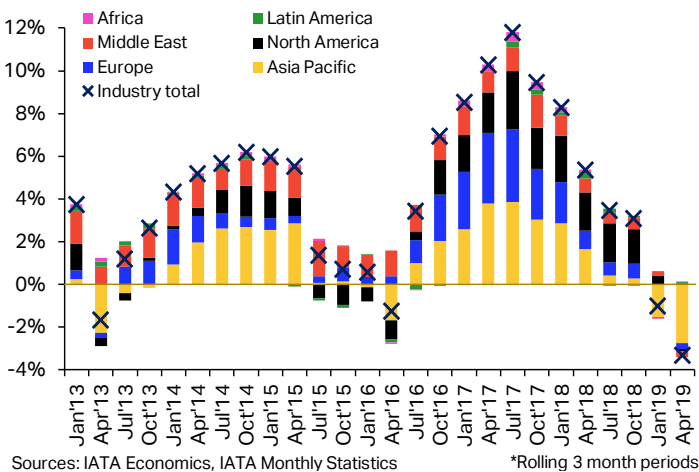


2. The quarterly growth rate of SA FTKs slumped for the second consecutive quarter; a feat not seen since late 2015 and the weakest outcome for consecutive quarters since late 2011. In year-on-year terms, FTKs have fallen by almost 4%.



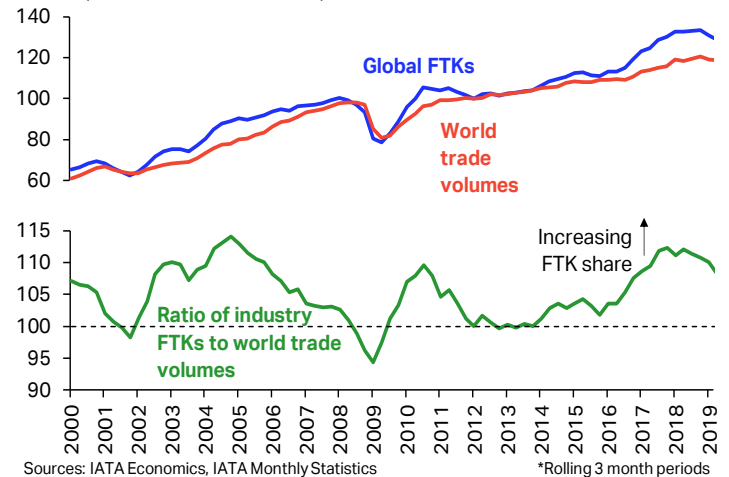
3. The annual decline in industry-wide FTK growth was broad-based across regions. As the largest region (accounting for around 35% of total FTKs), the weakness in Asia Pacific freight volumes was the main contributor to the overall decline.

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

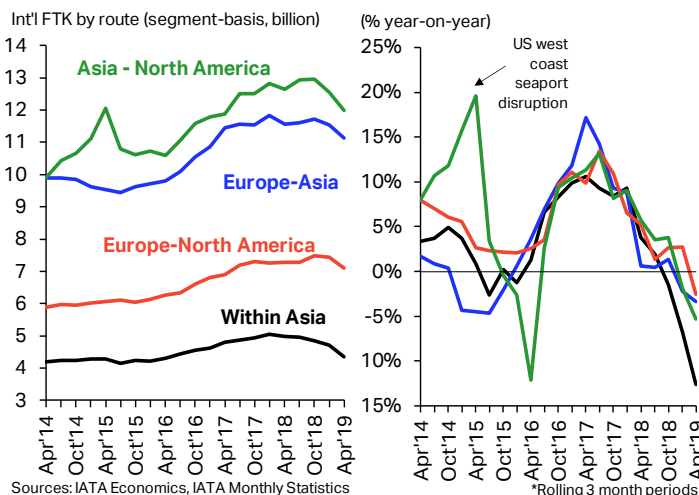


4. Despite world trade volumes also easing recently, the moderation in SA FTKs has been more pronounced. As a consequence, the ratio of air freight volumes to world trade has declined in recent quarters.

Indices (SA, 3m ended Jan 2012 =100)

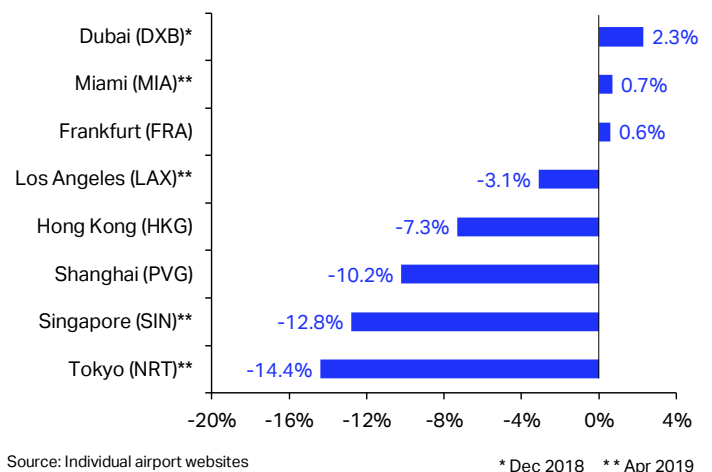


5. Air traffic demand has weakened on all the major international segment-based trade lanes. The Within Asia market recorded its largest year-on-year fall since 2013, reflecting both the effects of the trade war and a slowing in the Chinese economy.



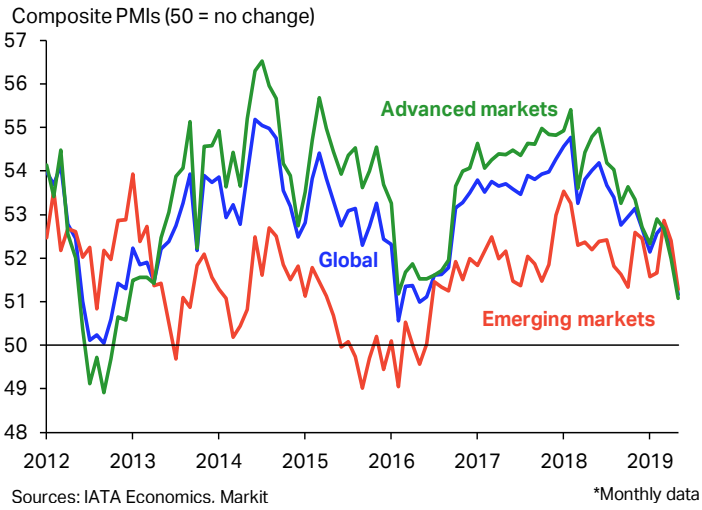
6. Unsurprisingly, air cargo throughput was weakest across the major Asian airports on this occasion, with Tokyo, Singapore and Shanghai all registering double-digit declines.

Tonnes of cargo throughput (% year-on-year, May 2019 unless specified)

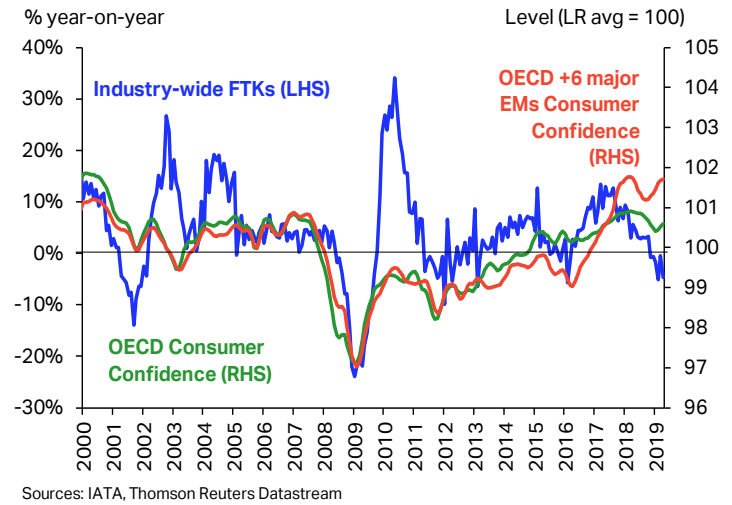


Market drivers

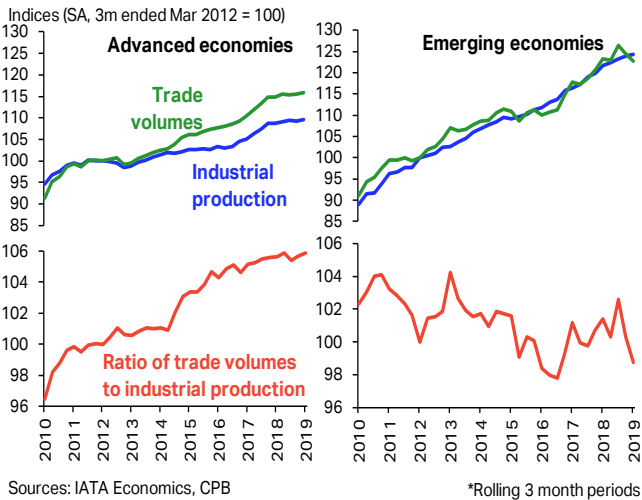
7. Business confidence has continued to trend downward, highlighting ongoing concerns around the global outlook. Crucially, it remains above the index level of 50, signaling that businesses still expect expansion, albeit at a slower pace.



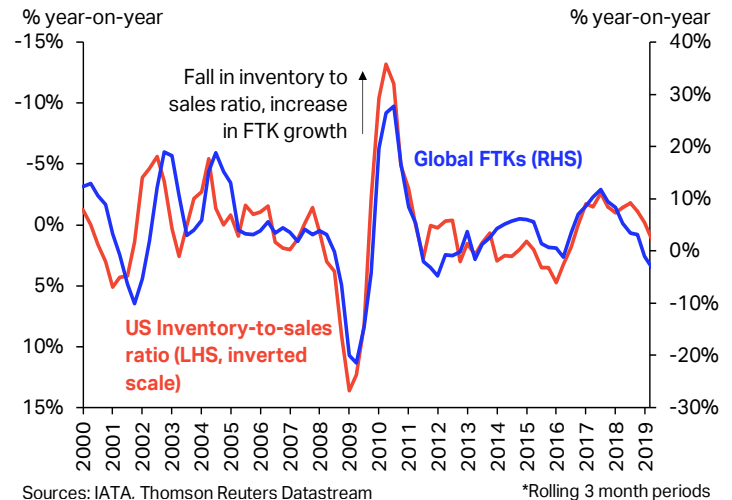
8. OECD consumer confidence rebounded slightly in the latest release, and consumers in the main emerging markets remain more upbeat than their so-called 'developed' economy counterparts.



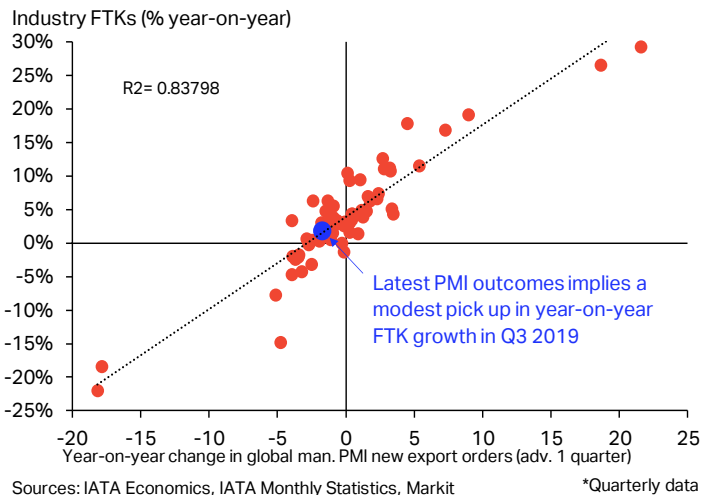
9. Over the past five years or so, trade volumes in the so-called advanced economies have grown faster than the rate of industrial production. In the emerging markets, however, growth has moved much more closely together.



10. Since the end of the pronounced global inventory restocking cycle in late 2017, the inventory to sales ratio has been gradually drifting upwards. In turn, this has coincided with an unwinding in air freight demand.



11. Meanwhile, the new export orders component of the global manufacturing PMI remains a little below the 50-mark. However, based on the longer-term statistical relationship, this implies a slightly positive year-on-year outcome for FTK growth in Q3 2019.

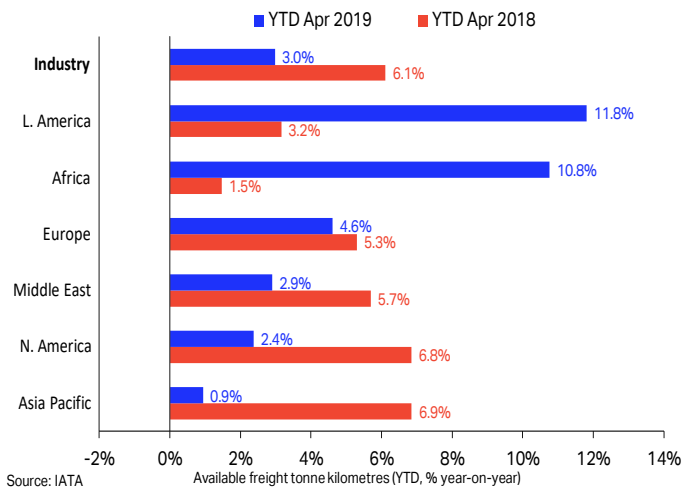


12. New export orders remain broadly weak across the main global exporting nations, as has been the case since around the middle of 2018. This is consistent with the slowing in momentum in world trade and other demand drivers over this period.

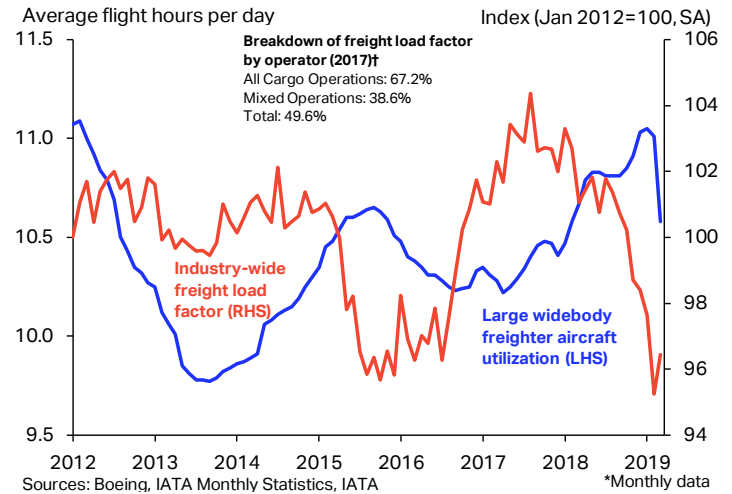


Capacity, costs, and yields

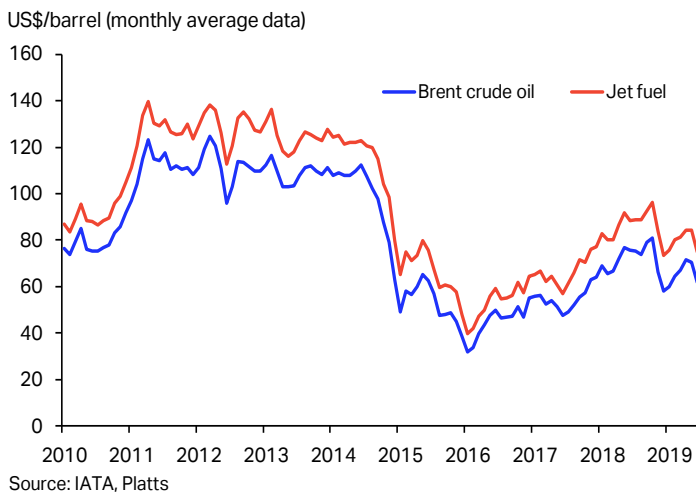
13. Total industry AFTKs have increased by an even 3% over the YTD, compared with the same period a year ago; a halving of the rate observed a year ago. Aside from Africa and Latin America, regional AFTK growth has slowed - especially in Asia Pacific.



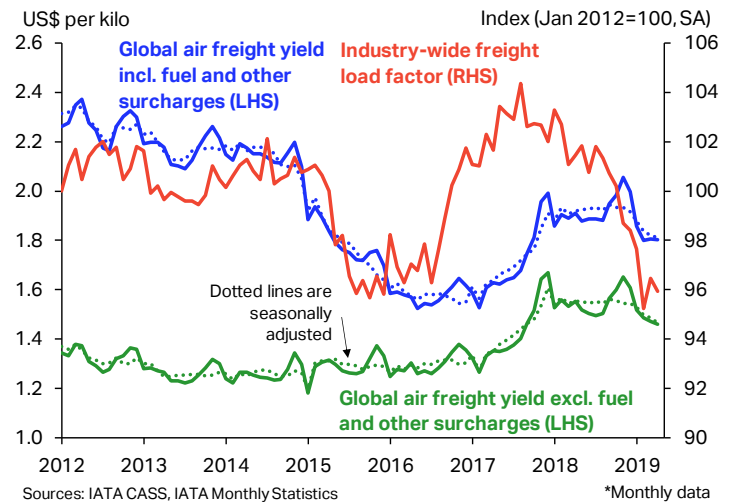
14. Load factors have been declining since around mid-2017, before recovering slightly in recent months. The utilization of freighter aircraft held up for a considerable period but has fallen sharply in the last couple of months.



15. Despite OPEC cuts and increased volatility in US-Middle East relations, world oil and jet fuel prices both fell in the three months ended April 2019. Strong US crude production and concerns over the global economy are expected to restrain near term price rises.



16. The latest data show a modest decline in SA cargo yields over the past three months. This is consistent with the weakness observed in demand which more than outweighs the supply-side developments.



†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: www.iata.org/monthly-traffic-statistics

IATA Economics Mobile App

100% free access to our analysis & briefing for iOS & Android devices. For more details or to download, see [here](#)

New release alerts

To receive email notifications from IATA Economics, select 'Economic Briefings' from: www.iata.org/optin

Terms and Conditions for the use of this IATA Economics Report and its contents can be found here: www.iata.org/economics-terms

By using this IATA Economics Report and its contents in any manner, you agree that the IATA Economics Report Terms and Conditions apply to you and agree to abide by them. If you do not accept these Terms and Conditions, do not use this report.