



# AIR FREIGHT MARKET ANALYSIS September 2018

## Softer demand drivers, but cargo volumes are still trending higher

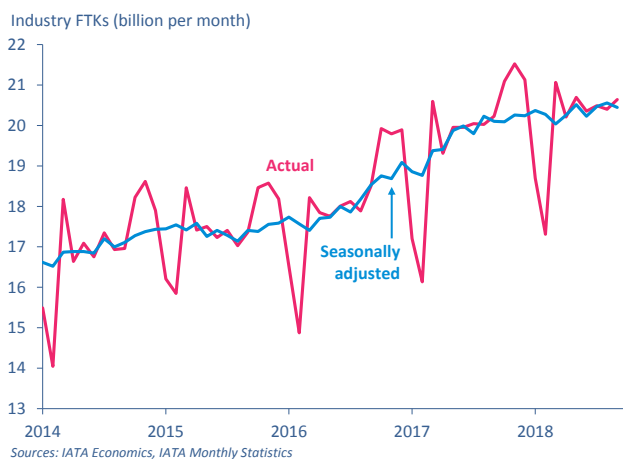
- Industry-wide freight tonne kilometres (FTK) grew by 2.0% year-on-year in September – well below the five-year average pace (5.1%) but consistent with the typical pattern seen after inventory-led upturns in the past.
- Freight volumes are continuing to trend upwards at a solid rate by historical standards, helped by strong consumer confidence and robust global investment growth. Nonetheless, amid signs that manufacturing firms’ export order books are no longer growing, other demand drivers have softened over the course of the year.
- The industry load factor fell in annual terms for the seventh month in a row, but yields look to be holding up still.

### Modest annual FTK growth in September

Industry-wide FTKs increased by 2.0% year-on-year in September and by the same pace in the third quarter as a whole.

Such growth rates are well below the average pace seen over the past five years (5.1%). However, the key point is that the moderation in FTK growth over the past year or so is typical of the pattern seen historically following inventory restocking cycles. Recall that air freight volumes grew much faster than global goods trade in 2017 as firms turned to air freight from other modes of transport to restock inventory levels quickly. But amid signs that the inventory restocking cycle peaked in late-2017, the best of this boost to demand has long since passed.

**Chart 1 – FTK levels**



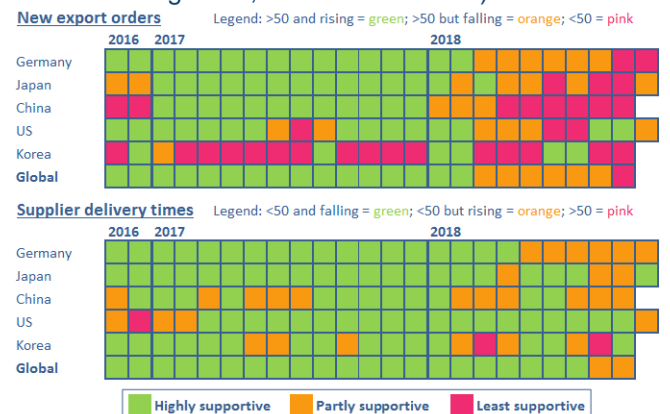
It is important to note that freight volumes are continuing to trend upwards in seasonally adjusted (SA) terms; FTKs have risen at an annualized rate of

4.1% over the past six months, for example – a solid pace by historical standards. (See Chart 1.) If this trend is sustained, the year-on-year growth rates will soon converge around this pace as the best of the upturn in 2017 drops out of the annual comparison. The current upward trend is continuing to be supported by a number of factors including strong levels of consumer confidence and investment, as well as fast growing areas such as e-commerce.

### Manufacturers’ order books are no longer rising

That said, other demand drivers have continued to soften – particularly manufacturing firms’ export order books. The new export orders component of the global manufacturing Purchasing Managers’ Index (PMI) fell into contractionary territory in October for the first time since June 2016, reflecting a broad-based weakening across the world’s major exporting countries. (See Chart 2.)

**Chart 2 – FTK demand heat-map (monthly data from manufacturing PMIs, selected countries)**



### Air freight market overview - September 2018

	World share <sup>1</sup>	September 2018 (% year-on-year)				% year-to-date			
		FTK	AFTK	FLF (%-pt) <sup>2</sup>	FLF (level) <sup>3</sup>	FTK	AFTK	FLF (%-pt) <sup>2</sup>	FLF (level) <sup>3</sup>
<b>TOTAL MARKET</b>	<b>100.0%</b>	<b>2.0%</b>	<b>3.2%</b>	<b>-0.5%</b>	<b>44.8%</b>	<b>3.7%</b>	<b>4.7%</b>	<b>-0.4%</b>	<b>44.1%</b>
International	87.5%	2.1%	3.2%	-0.5%	48.4%	3.9%	4.8%	-0.5%	47.9%

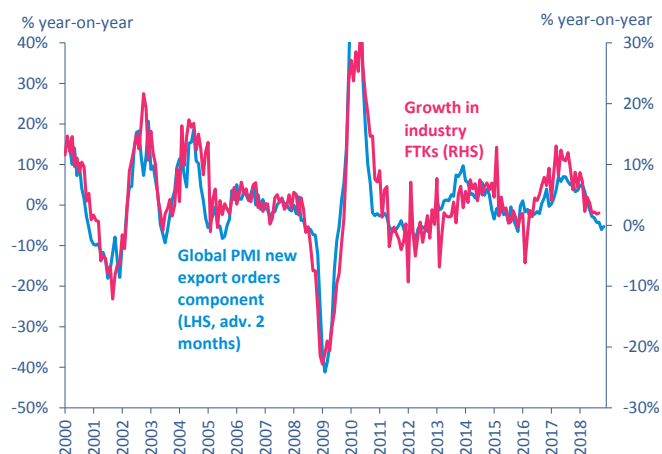
<sup>1</sup>% of industry FTKs in 2017

<sup>2</sup>Year-on-year change in load factor

<sup>3</sup>Load factor level

As shown in Chart 3, the latest developments in this reliable leading indicator appear to rule out a sharp pick-up in annual FTK growth anytime soon.

**Chart 3 – FTK demand heat-map (monthly data from manufacturing PMIs, selected countries)**



**Capacity and demand trending upwards together**

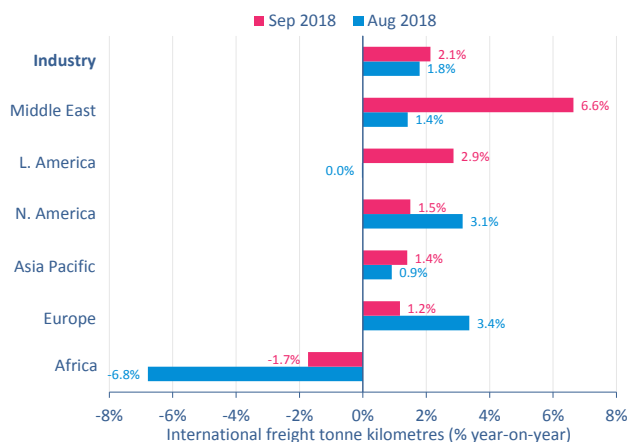
Available freight tonne kilometres (AFTKs) grew by 3.2% year-on-year in September, and by 3.9% in Q3 as a whole. Annual capacity growth outpaced that of demand for the seventh month in a row, which resulted in the industry-wide load factor falling by 0.5 percentage point compared to September 2017.

That said, as we have noted before, capacity and demand are now both currently trending upwards in SA terms at a similar pace, and freight yields appear to be holding up ([link](#)).

**Slight pick-up in international FTK growth**

International FTKs grew by 2.1% in year-on-year terms in September, and by 1.9% in Q3 as a whole. (See Chart 4.)

**Chart 4 – International FTK growth**



Sources: IATA Economics, IATA Monthly Statistics

**Ongoing sideways trend in Asia Pacific FTKs...**

Typhoon activity will have disrupted freight operations during September, particularly at Hong Kong and Kansai, although we estimate that the net impact on

freight volumes will have been small ([link](#)). The bigger picture is that international FTKs flown by airlines based in Asia Pacific have broadly tracked sideways over the past year or so: international FTKs grew by 1.4% year-on-year in September, which was a slight improvement on the rates seen in recent months but still well below the five-year average (4.4%).

As the largest air freight-carrying region – flying around one-third of international FTKs – Asia Pacific is most exposed to any impact from rising trade tensions.

**...alongside a similar trend in Latin America**

It is a similar case for carriers based in Latin America: this group flew 2.9% more international FTKs in September 2018 than they did during the same month of 2017, but they have now seen FTKs track sideways in a narrow band in SA terms for the past year.

**ME FTK trend remains solid, albeit unspectacular**

Middle Eastern airlines posted the fastest annual international FTK growth rate for just the second time in 27 months (6.6%, up from 1.4%) – more than double the pace of the next fastest region. This has come alongside tentative signs of a pick-up in the SA demand trend, helped by improvements on the key markets to/from Europe and Asia.

**Sharp month-on-month fall in European FTKs...**

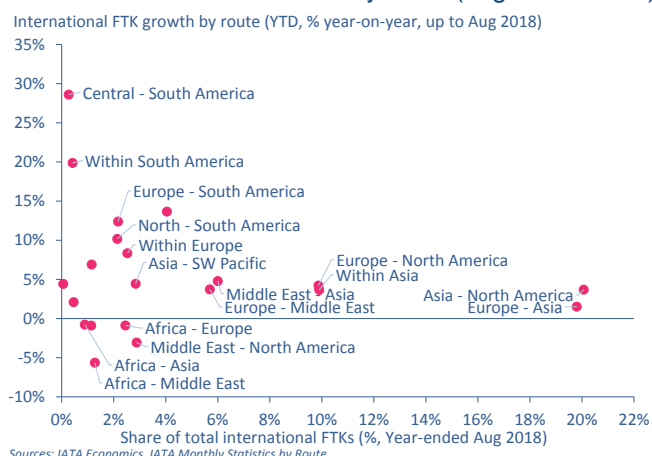
Year-on-year growth in international FTKs flown by European airlines fell to a 30-month low in September (1.2%, from 3.4% in August). In fact, having trended upwards steadily over the past six months, international FTKs flown by European airlines fell sharply in month-on-month terms in September relative to August.

It is too soon to say whether this fall is noise in the data or the start of wider weakness in European manufacturers’ export order books becoming visible in the air freight data. We will continue to monitor the situation closely over the coming months.

**...alongside a similar decline in North America**

The strength of consumer spending and the wider US economy has supported FTK growth for North American airlines over the past year or so. Nonetheless, the region’s airlines also saw a sharp SA month-on-month decline in international FTKs in September, which partly reversed the gains made in Q2. This contributed to year-on-year FTK growth falling to a 28-month low (1.5%), less than half the rate seen in August (3.1%). As with Europe, we will monitor developments closely over the coming months.

## Chart 5 – International FTKs by route (segment-based)



## African FTK growth remains in negative territory

Year-on-year growth in international FTKs flown by African airlines remained in negative territory in September for the sixth time in seven months (-1.7%). Demand conditions remain weak on all the key markets to/from the continent. (See Chart 5.) That said, while FTKs remain just over 6% below their November 2017 peak, they have recovered sharply in SA terms in recent months, and are still well above the levels seen in 2014-2016, for example.

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 5<sup>th</sup> November 2018

## Air freight market detail - September 2018

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		FTK	AFTK	FLF (%-pt) <sup>2</sup>	FLF (level) <sup>3</sup>	FTK	AFTK	FLF (%-pt) <sup>2</sup>	FLF (level) <sup>3</sup>
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Africa	1.9%	-2.1%	6.2%	-1.9%	22.2%	0.0%	2.1%	-0.5%	24.4%
Asia Pacific	36.9%	1.2%	1.2%	0.0%	55.4%	3.1%	5.3%	-1.2%	53.7%
Europe	24.2%	1.5%	0.9%	0.3%	45.3%	3.6%	4.4%	-0.4%	45.2%
Latin America	2.7%	2.9%	4.3%	-0.5%	34.2%	7.4%	1.4%	1.9%	34.8%
Middle East	13.7%	6.6%	7.7%	-0.5%	44.4%	4.3%	5.9%	-0.6%	43.5%
North America	20.6%	1.5%	4.9%	-1.2%	36.5%	4.3%	4.2%	0.0%	35.9%
<b>International</b>	<b>87.5%</b>	<b>2.1%</b>	<b>3.2%</b>	<b>-0.5%</b>	<b>48.4%</b>	<b>3.9%</b>	<b>4.8%</b>	<b>-0.5%</b>	<b>47.9%</b>
Africa	1.8%	-1.7%	8.0%	-2.2%	22.3%	0.0%	3.8%	-0.9%	24.5%
Asia Pacific	33.1%	1.4%	1.7%	-0.2%	60.1%	3.4%	5.5%	-1.2%	58.4%
Europe	23.7%	1.2%	0.6%	0.3%	46.9%	3.5%	4.5%	-0.4%	46.8%
Latin America	2.3%	2.9%	4.7%	-0.7%	40.7%	7.7%	0.1%	2.9%	41.0%
Middle East	13.7%	6.6%	7.8%	-0.5%	44.5%	4.3%	6.0%	-0.7%	43.6%
North America	12.8%	1.5%	4.6%	-1.3%	41.8%	5.0%	4.3%	0.3%	41.9%

<sup>1</sup>% of industry FTKs in 2017

<sup>2</sup>Year-on-year change in load factor

<sup>3</sup>Load factor level

**Note:** the total industry and regional growth rates are based on a constant sample of airlines combining reported data and estimates for missing observations. Airline traffic is allocated according to the region in which the carrier is registered; it should not be considered as regional traffic. Historical statistics are subject to revision.

### Get the data

Access data related to this briefing through IATA's Monthly Statistics publication: [www.iata.org/monthly-traffic-statistics](http://www.iata.org/monthly-traffic-statistics)

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