Air Cargo Market Analysis

February 2024

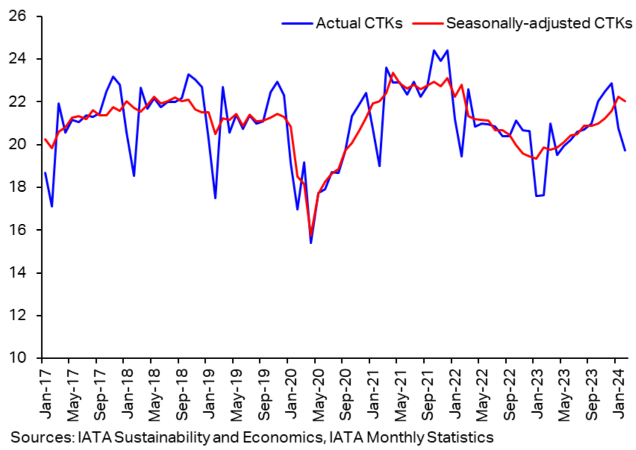
Air cargo growth continued to outpace macro indicators

- Industry-wide air cargo demand continued the momentum from previous months in February and registered the third consecutive month of double-digit year-on-year (YoY) growth in cargo tonne-kilometers (CTKs) with 11.9%.
- International CTKs expanded by 12.4% YoY globally, supported by all regions. The annual growth was championed by carriers from Africa and the Middle East.
- Industry-wide air cargo capacity, measured by available cargo tonne-kilometers (ACTK), increased by 13.4% YoY, largely due to the continued expansion of international passenger belly-hold capacity.
- The YoY expansion in traffic continued to outpace YoY growth in trade and production figures.
- Industry-wide air cargo yields declined by 1.5% compared to January, despite an average uptick in the jet fuel price and still with no discernible upward pressure from the Red Sea Shipping Crisis.

February brought the third consecutive month of double-digit YoY growth in air cargo demand

The air cargo industry registered a total of 19.7 billion CTKs in February, which represents an increase of 11.9% YoY **(Chart 1)**. This marks the third consecutive month of double-digit YoY growth after accounting for a seasonally reduced activity in Asia Pacific after the Lunar New Year mid-month. Notably, February 2024 was a leap year with one extra day compared to February 2023, which slightly exaggerates annual growth rates to the positive.

Chart 1 – Global CTKs (billion per month)

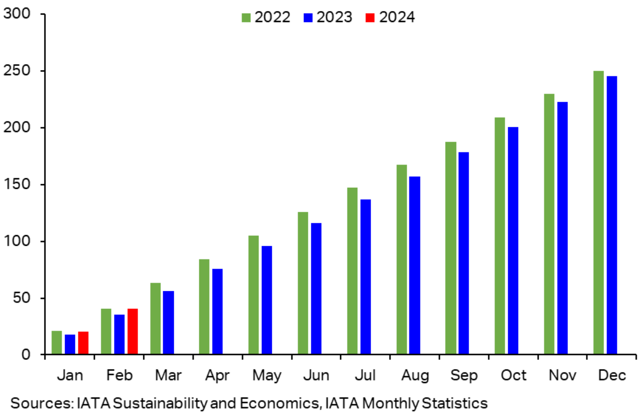


Sources: IATA Sustainability and Economics, IATA Monthly Statistics

Seasonally adjusted (SA) CTKs experienced a small decline of -1.0% month-on-month (MoM) in February but grew by 10.9% compared to the same month in 2023. The growing air cargo demand is a reflection of buoyant international traffic which benefits from booming e-commerce and possibly, though to a lesser extent, a recently increased interest in sea-air services because of the ongoing capacity constraints in maritime shipping, among other factors. Overall, air cargo demand appears set to continue the upward trend in SA CTKs that started early last year.

In year-to-date (YTD) terms, up to the month of February cumulative industry CTKs registered a total of 40.5 billion, up an impressive 15.0% from the 2023 value and only 0.3% below the heights experienced in early 2022 (**Chart 2**). With the falling monthly levels throughout most of 2022, it would be reasonable to expect the red bars in the chart to soon surpass the green ones as well.

Chart 2 – Year-to-date monthly CTKs (billion)



Sources: IATA Sustainability and Economics, IATA Monthly Statistics

Air cargo market in detail - February 2024

	World share[1]	February 2024 (% year-on-year)				February 2024 (% year-to-date)			
		CTK	ACTK	CLF (%-pt)	CLF (level)	CTK	ACTK	CLF (%-pt)	CLF (level)
TOTAL MARKET	*100.0%*	**11.9%**	**13.4%**	**-0.6%**	**45.1%**	**15.0%**	**13.9%**	**0.4%**	**45.4%**
International	*86.6%*	12.4%	16.0%	-1.6%	51.2%	15.9%	17.1%	0.2%	50.3%

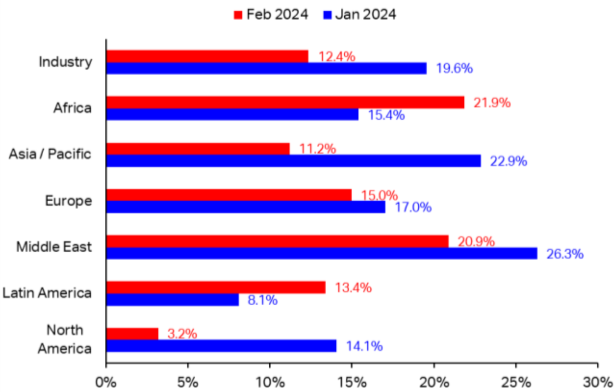
Note 1: % of industry CTKs in 2023

Positive annual growth in international air cargo traffic across the board, led by African and Middle Eastern carriers and expanding on European route areas

The solid 11.9% YoY growth in industry CTKs can be attributed to demand on international routes, which expanded by 12.4% YoY in February. And while the only two regions that experienced MoM expansions in February were Africa and Latin America, with 2.9% and 1.6%, respectively, the strong annual growth in the same month was supported by carriers from all regions of the world **(Chart 3)**.

In particular, airlines registered in Africa and the Middle East recorded the highest annual growth rates, with 21.9% and 20.9%, in that order. They were followed by carriers from Europe (15.0% YoY), Latin America (13.4%), and Asia Pacific (11.2%). Importantly, carriers from the Asia Pacific region experienced the strongest MoM contraction in CTKs last month, likely related to slowing activity after the Lunar New Year celebrations. The lowest annual growth in February was seen by North American airlines with 3.2% YoY, down from 14.1% in January.

Chart 3 – Growth in international CTKs (YoY) by airline region of registration



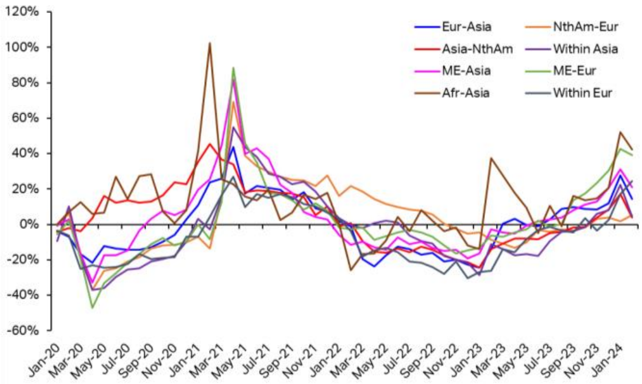
Sources: IATA Sustainability and Economics, IATA Monthly Statistics

As was the case in January, the strong 12.4% YoY growth in international CTKs in February was also supported by all route areas, but with slightly altered regional trends. The Africa–Asia and Middle East–Europe trade lanes experienced 42.3% and 39.3% YoY growth, respectively **(Chart 4)**. While these are outstanding annual growth rates, they came down from the peak values experienced in January. The Within Europe market followed after jumping to 24.5% YoY growth, the highest figure in almost three years. This February result was particularly impressive given that this market had been the last one (among major markets) to successfully recover to positive annual growth rates in 2023.

Growth rates on the Middle East–Asia and Europe–Asia routes dropped considerably to 21.0% and 14.3%, respectively. By contrast, the North America–Europe trade lane grew by 5.2% YoY in February, up from 1.9% seen in January. Within Asia and in the Asia–North America market, demand fell to 4.1% and 3.9% YoY, in that order. Both figures represent substantial drops compared to the previous month.

Overall, February brought renewed growth to European route areas. More precisely, the markets Within Europe and North America–Europe were the only two route areas that experienced an improvement in their annual growth rate in February compared to the previous month. Notably, the Middle East–Europe route also expanded MoM but closed with a slightly lower annual growth rate due to a pronounced base effect.

Chart 4 – International CTK growth (YoY) by route area

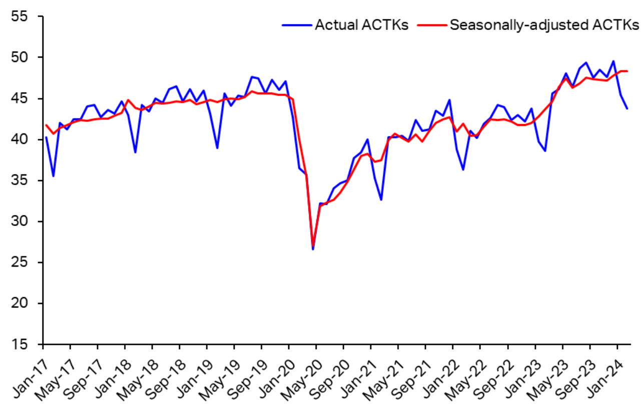


Sources: IATA Sustainability and Economics, IATA Monthly Statistics

Air cargo capacity expansion trend carried over to 2024, supported by returning passenger aircraft

Similar to the evolution on the demand side, air cargo capacity also continued on its downward path from the December high, with ACTKs falling to 43.8 billion last month **(Chart 5)**. Importantly, the figures remained 13.4% above 2023 levels and 20.6% above the 2022 benchmark. As such, the beginning of 2024 marks continued double-digit annual growth in ACTKs. In seasonally adjusted terms, industry-wide capacity increased by a marginal 0.01% MoM in February (and +10.5% YoY).

Chart 5 – Global ACTKs (billion per month)



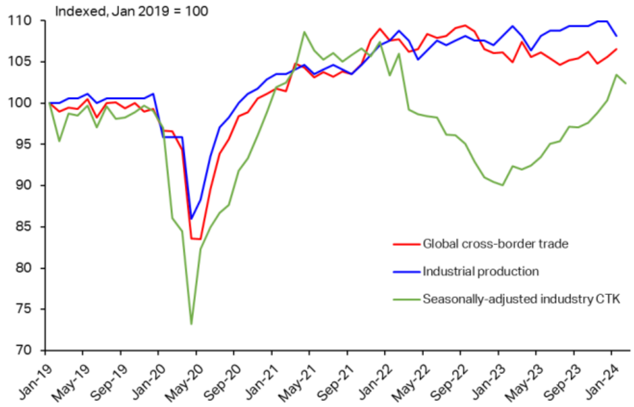
Sources: IATA Sustainability and Economics, IATA Monthly Statistics

The vast majority of the annual growth in industry ACTKs continues to come from the strong return in international passenger belly-hold capacity, which registered an outstanding 29.5% annual increase in February. By comparison, international cargo capacity for dedicated freighters rose by 3.2% YoY.

Air cargo demand growth continued to outpace the evolutions in goods trade and industrial production

January data for industrial production, a measure of the output generated by industrial sectors such as mining, manufacturing, and utilities, showed a 1.6% MoM drop from its year-end peak. Importantly, the levels achieved for the production statistics in January were virtually identical to the reading from the same month in 2023, mirroring the relatively stable evolution of this indicator over the past two years (**Chart 6**). By contrast, global cross-border trade recorded a 0.9% MoM uptick in January (+0.4% YoY), landing on the highest level in 10 months. However, trade levels continued to fall short of the post-pandemic heights achieved in 2022.

Chart 6 – Industrial production, global goods trade, and SA CTKs



Sources: IATA Sustainability and Economics, IATA Monthly Statistics, Netherlands CPB

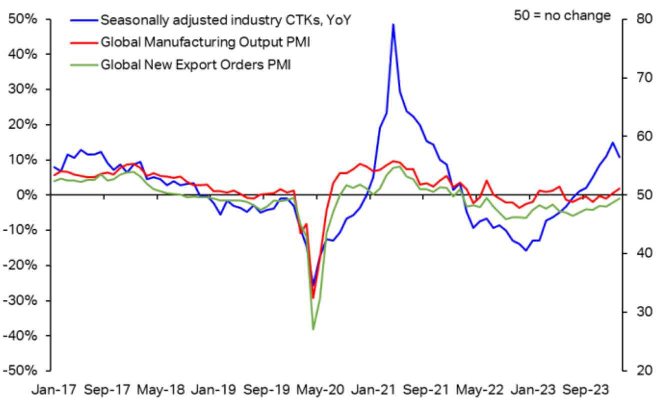
Overall, the relatively stable evolution of both merchandise trade and industrial production figures post-pandemic contrasts sharply with the momentum maintained over the past year by the global demand for air cargo, possibly supported by changing supply chains for e-commerce.

Manufacturing output saw the second expansion in a row, while pessimism persisted for new export orders

The Purchasing Managers' Index (PMI) gauges economic trends in manufacturing and services. A PMI above 50 suggests that more purchasing managers expect their business to grow compared to the previous month, while a figure below 50 indicates fewer managers with that outlook. Specifically, the manufacturing output and new export order PMIs are two leading indicators of global air cargo demand.

February continued to signal a slight contraction for new export orders, an indicator that measures the perceived well-being of international trade. In particular, the indicator stood at 49.4 (up from 48.8 in January). The contracting new export orders are in line with the global shift towards a more inward-looking economic environment coupled with tight financial conditions, as well as potential concerns regarding the Red Sea Shipping Crisis. It is notable, however, that purchasing managers' expectations regarding new export orders have been inching closer to the crucial 50-point benchmark over the past months **(Chart 7)**. In terms of the regional outlook, the US and PR China recently started registering some optimism, while expectations in Europe and Japan continued to indicate contraction.

Chart 7 – SA CTK growth, global manufacturing output and global new export orders PMIs



Sources: IATA Sustainability and Economics, IATA Monthly Statistics, S&P Global Markit

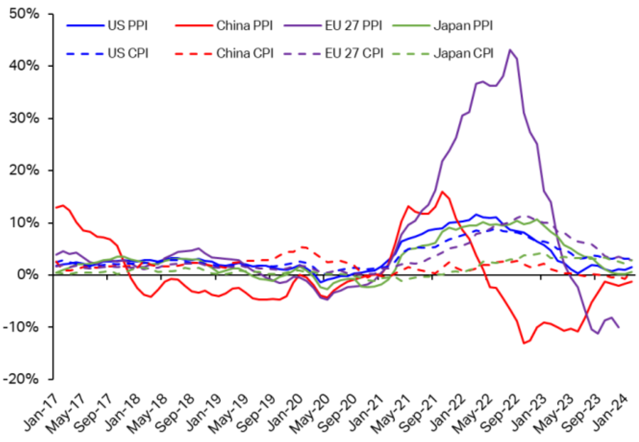
The global manufacturing output PMI rose to 51.2 points in February **(Chart 7)**, the second consecutive expansion in nine months. This is an encouraging signal and marks a positive outlook in the face of tight labor markets and supply chain disruptions that have been affecting the global manufacturing sector. The regional outlook for manufacturing output PMIs mirrors the one for the new export orders PMI. More precisely, the global expansion reflects positive overall expectations in the US and China, which are contrasted by continued pessimistic expectations in Europe and Japan.

The strong annual growth in industry CTKs over the past months contrasts with both the weakly contracting expectations for new export orders as well as the newly expanding manufacturing output PMI. In a nutshell, the industry is experiencing rapidly rising demand amid relatively soft demand drivers.

Amid fears of a looming economic slowdown in the region, February brought back positive YoY growth in China's consumer prices

Inflation as measured by the Consumer Price Index (CPI) continued to ease in February in the EU, with a reading of 2.8% YoY. At the same time, US consumer price inflation stayed roughly the same at 3.2% YoY (+0.06 ppt) and Japanese inflation increased by 0.6 ppt to 2.8% YoY. On the other hand, China reversed its previous negative inflation trend, which had persisted for a total of four consecutive months, with a reading of 0.7% YoY last month. This constitutes a sizeable increase from the -0.8% seen in January, which was the lowest inflation reading since the Global Financial Crisis in 2009. While this improvement in annual CPI growth can partially be attributed to a base effect, it also reflects a strong MoM increase in consumer prices. These figures represent a welcome development amid the ongoing fears of a looming economic slowdown in China **(Chart 8)**.

Chart 8 – Headline CPI and PPI inflation (YoY) in major economies



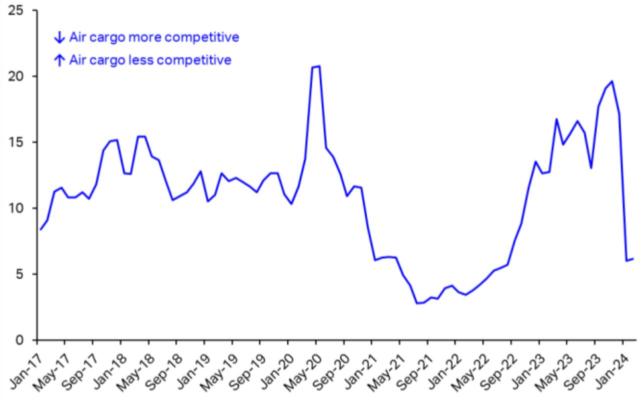
Sources: IATA Sustainability and Economics, Macrobond

Contrary to the CPI, the Producer Price Index (PPI) tracks changes in the prices that producers receive for their products. It can serve as a leading indicator for the CPI. In February, producer prices exhibited somewhat similar regional trends as the consumer side **(Chart 8)**. In particular, the US and Japan also registered an increase compared to the previous month, with the YoY growth in producer prices climbing to 1.6% and 0.6% YoY, respectively. The annual growth in China's PPI also rose compared to January but remained within negative territory at -1.3%, which adds some perspective to the positive developments observed on the consumer side. Both January and February readings of producer prices for the EU 27 countries are yet to be released. Meanwhile, the month of December maintained the major deflationary trend that began in May 2023, with a PPI reading of -10.0%. This latest reading reflects lower pressures from input costs such as energy as well as important base effects.

Global air cargo yields decreased further last month, with no visible impact by the capacity constraints in the Red Sea

Air cargo yields are closely connected to the developments surrounding cargo load factors, which dropped by a further 0.6 ppt in February to settle at 45.1%, likely influenced by slowing activity in the Asia Pacific region after the Lunar New Year. Specifically, global air cargo yields (including surcharges) also continued their recently initiated downward trajectory, registering a 1.5% MoM reduction (-18.3% YoY). This decline materialized despite a simultaneous rise in jet fuel prices, which increased by 3.1% MoM in February, closing at 112.1 USD per barrel with a continued, elevated jet fuel crack spread at around USD 28 per barrel. Similarly, the Red Sea Shipping Crisis and the related sharp decrease in relative air cargo rates over container shipping **(Chart 9)** continued to fail to produce significant upward pressure on the industry-average monthly yield for air cargo.

Chart 9: Ratio of chargeable weight rates for air cargo and container shipping (USD per kg)



Source: IATA Sustainability and Economics, Boeing, IATA CargoIS, Freightos Baltic Index

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	World share[1]	February 2024 (% year-on-year)				February 2024 (% year-to-date)			
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TOTAL MARKET	*100.0%*	**11.9%**	**13.4%**	**-0.6%**	**45.1%**	**15.0%**	**13.9%**	**0.4%**	**45.4%**
Africa	*2.0%*	22.0%	28.2%	-2.3%	45.1%	18.7%	23.3%	-1.7%	43.9%
Asia Pacific	*33.3%*	11.9%	23.1%	-4.3%	43.2%	18.1%	23.9%	-2.2%	44.0%
Europe	*21.4%*	14.6%	13.2%	0.7%	58.4%	15.6%	13.0%	1.3%	56.8%
Latin America	*2.8%*	13.7%	8.9%	1.6%	37.6%	10.7%	6.2%	1.4%	35.5%
Middle East	*13.5%*	20.9%	16.2%	1.8%	46.3%	23.6%	16.7%	2.5%	45.1%
North America	*26.9%*	4.2%	1.9%	0.9%	39.6%	6.7%	2.9%	1.5%	41.4%
International	*86.6%*	**12.4%**	**16.0%**	**-1.6%**	**51.2%**	**15.9%**	**17.1%**	**0.2%**	**50.3%**
Africa	*2.0%*	21.9%	28.0%	-2.3%	46.4%	18.6%	23.3%	-0.4%	45.2%
Asia Pacific	*29.8%*	11.2%	24.3%	-6.0%	50.9%	17.0%	26.0%	-0.4%	51.0%
Europe	*21.0%*	15.0%	13.8%	0.6%	60.4%	16.0%	13.6%	-0.1%	58.9%
Latin America	*2.4%*	13.4%	10.6%	1.0%	42.6%	10.7%	8.1%	2.6%	40.2%
Middle East	*13.4%*	20.9%	16.2%	1.8%	46.6%	23.6%	16.7%	0.4%	45.4%
North America	*17.9%*	3.2%	5.0%	-0.8%	48.1%	8.6%	8.5%	-1.1%	47.1%

Note 1: % of industry CTKs in 2023
Note 2: 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.

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