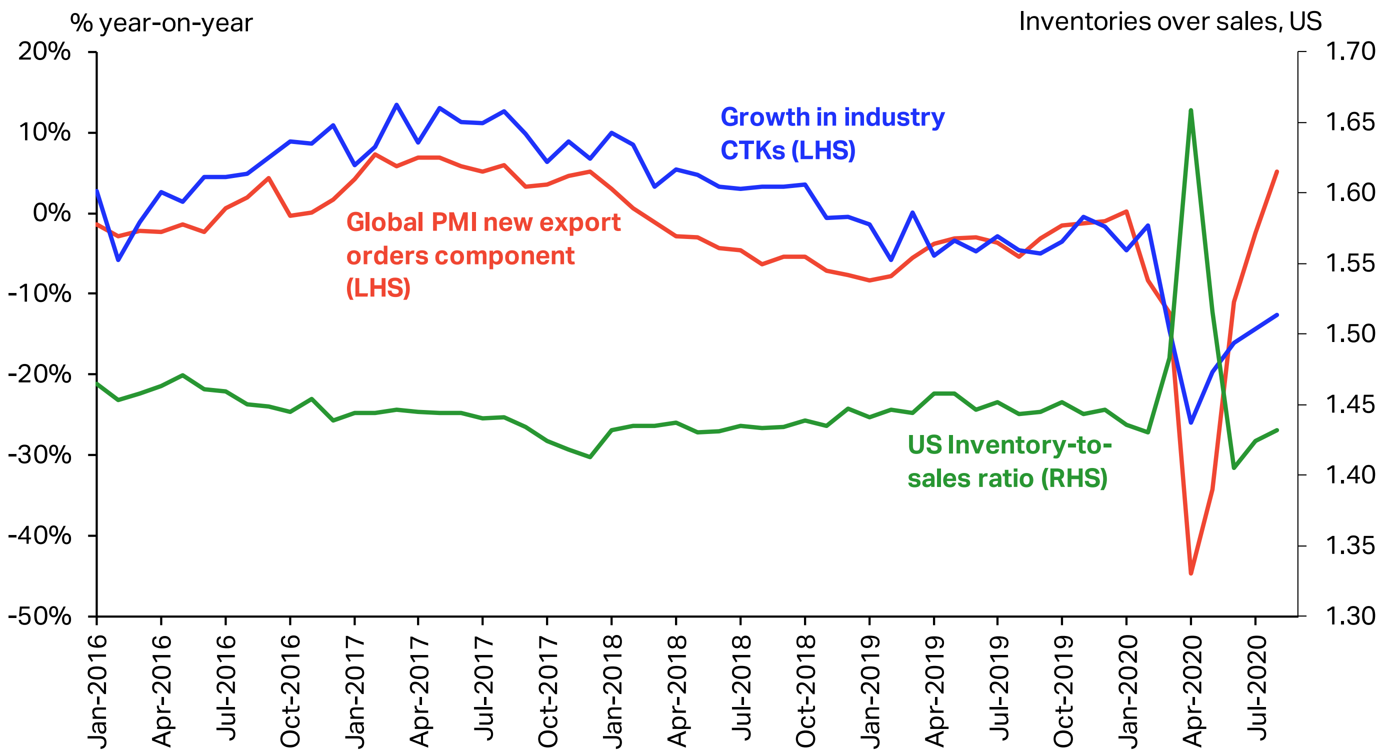
IATA Economics' Chart of the Week

02 October 2020

Air cargo traffic not keeping up with export orders



Sources: IATA Economics using data from IATA Statistics, Markit, Thomson Reuters

- Historically, inventory restocking cycles have been a key feature of air cargo markets. At the start of a downturn, businesses turn away from air transport for cheaper but slower modes, as sales decrease – which also raise the inventory-to-sales (IS) ratio. This reverts during upturns, as shippers need to rapidly refill inventories amid rising demand, thus supporting air cargo demand.
- Air cargo indeed declined rapidly from February to April, as COVID-19 spread throughout the world and forced economic activity to slow. During the main period of lockdown around April, supply chains seized up and sales tumbled compared to inventories, leading to a spike in the ratio of the two. Indicators of activity have rebounded since then, with annual growth in new export orders reaching its fastest pace since late 2017. But air cargo demand has lagged behind, despite the stronger improvements seen in ocean container throughput and global trade.
- With demand for goods having recovered, the inventory-to-sales (IS) ratio is now back to where it stood prior to the crisis. This implies restocking may not provide any boost to air cargo in the months ahead, and CTKs may grow in line with global goods trade. There may however be structural support from e-commerce – due to the shift in consumer behaviour since lockdowns started – and the likely need to rapidly distribute a vaccine.
- Looking forward, with a weak outlook for air passenger traffic, it remains uncertain whether there will be sufficient capacity to accommodate any potential increase in volumes.

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