



Air Cargo Market Analysis

May 2022

May welcomes a pause in air cargo decline

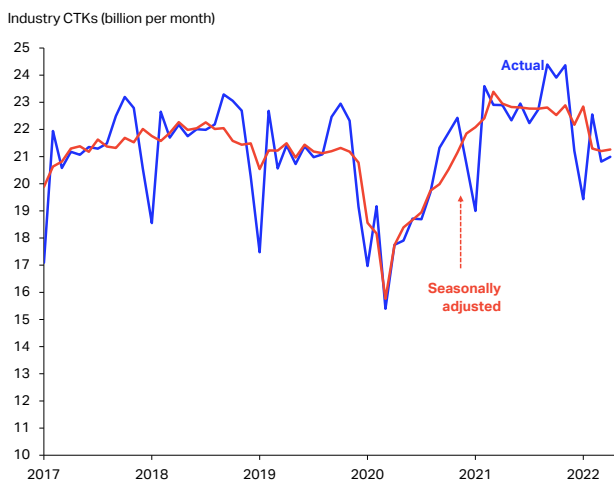
- Seasonally adjusted cargo tonne-kilometers (CTKs) expanded slightly, up by 0.3% in May from April, marking a welcome respite after two consecutive months of decline.
- Compared with a year ago, May CTKs were 8.3% lower, a slight improvement from the 9.1% drop year-on-year (YoY) in April. The result has been supported by an increase in available cargo tonne-kilometers (ACTKs) of 2.7% in May YoY.
- Disruptions to supply still exist though the situation has improved significantly. Notably, the lockdowns in China due to the Omicron wave have been eased. While other regions experienced some contraction in volumes, carriers in Asia Pacific have countered earlier declines with a 3.1% increase in May compared with April.
- The coming months will see, on the one hand, capacity constraints easing as some regions bring capacity online and, on the other hand, downward pressure on demand will likely increase as inflation remains elevated.

CTK volumes stabilize in May

Industry-wide cargo tonne-kilometers (CTKs) were down 8.3% in May YoY. This is a slight improvement on the April decline of 9.1% YoY, signaling a modest easing of supply chain and capacity issues that are impacting air cargo operations.

The recent declines in seasonally adjusted (SA) air cargo volumes paused in May, with a 0.3% expansion compared with April (MoM), (**Chart 1**). This is a welcome respite after two consecutive months of falling air cargo volumes, which lead to a 7% contraction between February and April 2022.

Chart 1: Global CTKs seasonally adjusted (SA)



Sources: IATA Economics, IATA Monthly Statistics

China has eased the lockdowns imposed in response to the Omicron wave and although disruptions to supply still exist, the situation has improved. However, the war in Ukraine still impairs capacity used to serve Europe, as several airlines based in Ukraine and Russia were crucial carriers in the region.

Trade activity has also rebounded slightly as supply constraints ease

Global goods trade rebounded somewhat in April thanks to strong volumes in emerging regions such as Latin America. We expect this trend to continue as China's easing of anti-virus restrictions allowed industrial centers to reopen in May and June.

Moreover, the recent improvement in supply chain constraints should also support growth in global manufactured goods trade going forward, partly reversing the weakening trend seen so far in 2022. This, in turn, would signal growing demand for air cargo in the next months (**Chart 2**).

Air cargo market - May 2022

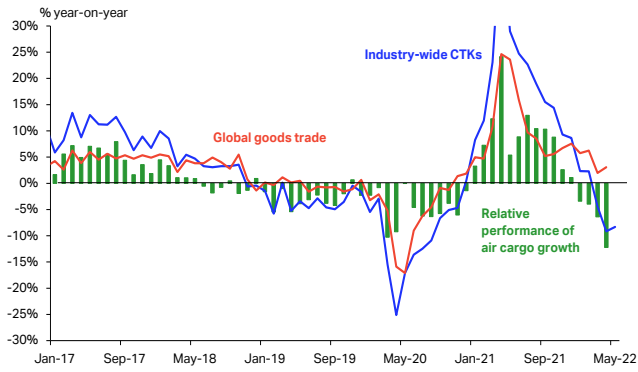
	World share ¹	May 2022 (% ch vs the same month in 2019)				May 2022 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-2.0%	-8.4%	3.3%	50.5%	-8.3%	2.7%	-6.1%	50.5%
International	87.0%	-1.0%	-8.5%	4.3%	56.6%	-8.1%	5.7%	-8.5%	56.6%

¹% of industry CTKs in 2021

²Change in load factor vs same month in 2019

³Load factor level

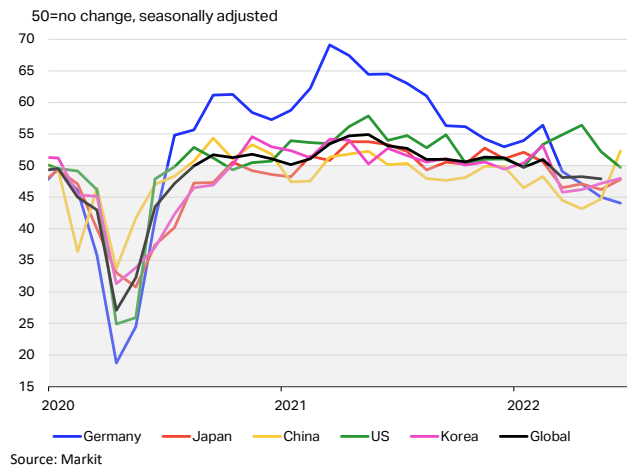
Chart 2: Growth in global goods trade and CTKs



Sources: IATA Statistics, Netherlands CPB

New export orders, also a leading indicator for air cargo shipments, - are not particularly buoyant. Apart from China's which has staged a comeback, those of other major economies have declined or sidelined at levels below 50, a level that marks the difference between improvement and deterioration (**Chart 3**).

Chart 3: New export order manufacturing PMIs



Source: Markit

If we advance the global PMI for new export orders by one month – knowing that it is a leading indicator for CTK demand – we can see in **Chart 4** that the further declines in air cargo are likely.

Chart 4: CTK growth versus global new export orders

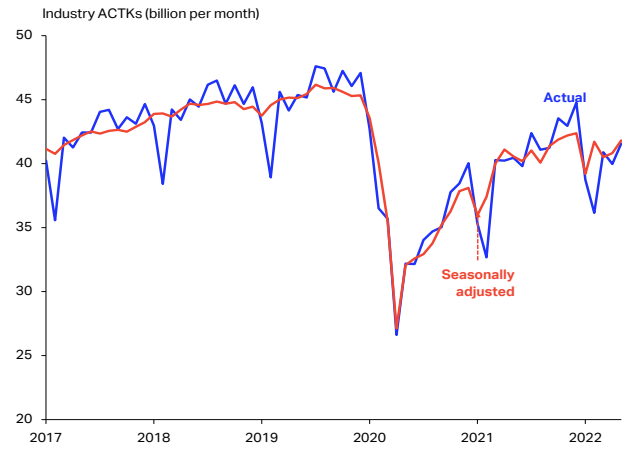


Sources: IATA Economics, IATA Monthly Statistics, Markit

Growth in air cargo capacity has helped serve pent-up demand

Globally, available cargo tonne-kilometers (ACTKs) were up 2.7% in May YoY, more than offsetting the 0.7% YoY drop in April. Importantly too, seasonally adjusted air cargo capacity expanded by 2.4% MoM in May (**Chart 5**). All regions experienced an increase in ACTKs in May compared with April, with Asia Pacific leading the charge with a hefty 7% gain MoM.

Chart 5: ACTK levels, actual and seasonally adjusted



Sources: IATA Economics, IATA Monthly Statistics

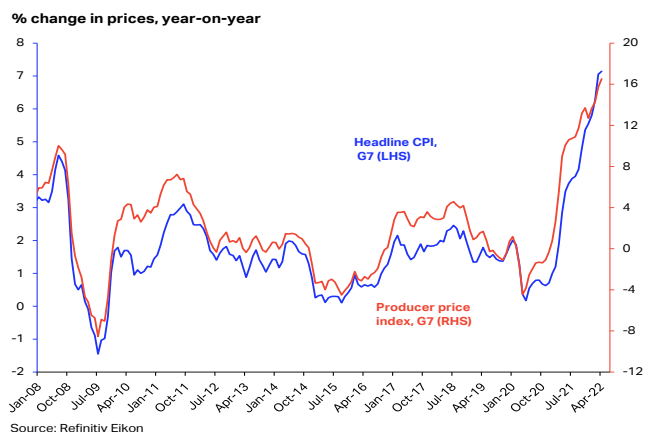
The industry-wide cargo load factor was 50.4% in May, which is a 6.1 percentage points (ppts) decrease compared with a year ago. This is also weaker than April air cargo load factors, which were 52.1%. Europe and the Middle East recorded the greatest declines in load factors in May, as the increase in capacity in those regions was less well matched by demand. All in all, the coming months will be telling if demand is sufficient to benefit from the easing in supply chain constraints which exacerbated the cargo capacity crunch earlier in 2022.

Inflation impacts to be seen in the months ahead

Inflation and many of its subcomponents are at their highest levels in decades. The general consumer price index for the G7 countries reached 7.5% YoY in May, climbing above previously record-breaking levels seen in February 2022.

Following the March peak, the Brent crude oil price decreased slightly, only to start rising again in May. The gap between jet fuel and crude oil prices remains significant and producer price inflation (PPI) continues to put pressure on the global economy at 16.5% YoY in April 2022 (**Chart 6**).

Chart 6: G7 headline CPI and PPI inflation



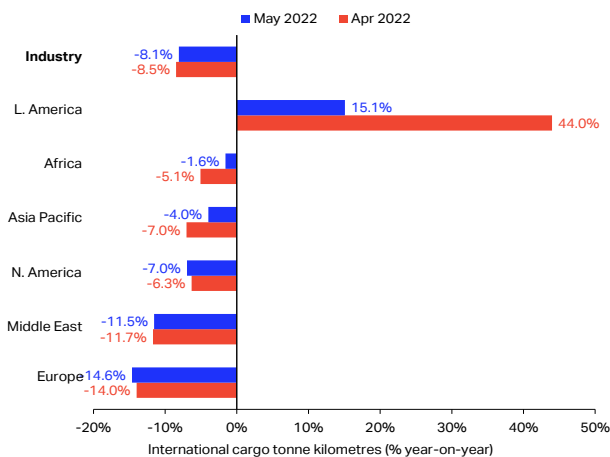
Higher consumer prices are a dampener on consumer spending, and this could affect air cargo demand.

Latin America stays up YoY as Asia Pacific improves

Overall, international CTks fell by 8.1% YoY in May, slightly better than the April decline of 8.5% YoY. CTks were down in May compared with a year ago in all regions except for **Latin America**, where a recovery in air cargo volumes continues (**Chart 7**). The seasonally adjusted monthly volumes shrunk for the region in May MoM by 5.0%, but overall indications are very positive for the region. Airlines in Latin America have shown optimism about air cargo by introducing new services and capacity, and indeed in some cases investing in additional aircraft for air cargo in the coming months.

Airlines in **Europe** and **Asia Pacific** have been most impacted by the conflict in Ukraine, labor shortages, and lower trade and manufacturing activity in Asia due to Omicron. Fortunately, Asia Pacific showed signs of improvement in May thanks to easing supply chain issues as lockdowns lift in China. The decline in May was thus limited to 4.0% for international CTks YoY, compared with a 7.0% fall in April. Importantly too, CTk volumes expanded by 3.4% MoM in May, and we see a pick-up in Within Asia air cargo traffic as a result (**Chart 8**). By contrast, the results for European carriers remain weak, with international CTks down by 14.6% YoY in May. This was the sharpest fall since early 2022, in a context where Ukrainian and Russian airline capacity is currently essentially offline.

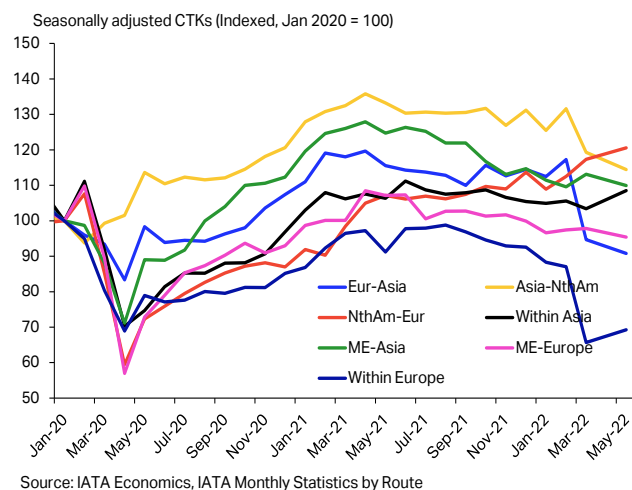
Chart 7: Int'l CTK growth (airline region of registration)



The markets carrying cargo through **Middle Eastern** hubs, have held up, rerouted there from Europe-Asia to avoid Russian airspace, but failed to show any meaningful increase. Airlines in the Middle East remain on a declining trajectory as international CTks were 11.5% lower in May than a year ago.

International CTks of airlines registered in **North America** were down 7.0% in May compared with a year ago. Seasonally adjusted volumes contracted by 0.9% MoM in May. This could be an early sign of inflation pressures impacting demand, and the next months will be telling in this regard. The Asia-North America market is weighing on the performance we are seeing for this region overall, but other key routes, such as Europe – North America, are bucking this trend and showing that cargo demand is still strong concerning certain routes. Several carriers in the region will receive delivery of freighters in 2022, and it will be important to see how demand holds up in the face of economic headwinds.

Chart 8: Seasonally adjusted CTks by route area



Air cargo market in detail - May 2022

	World share ¹	May 2022 (% year-on-year)				% year-to-date			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-8.3%	2.7%	-6.1%	50.5%	-3.8%	4.4%	-4.5%	53.2%
Africa	1.9%	-1.5%	3.0%	-2.3%	49.5%	2.5%	6.3%	-1.8%	49.6%
Asia Pacific	32.6%	-6.6%	-7.4%	0.5%	62.7%	-2.7%	-1.4%	-0.9%	62.2%
Europe	22.8%	-14.6%	3.3%	-11.5%	54.8%	-6.6%	3.3%	-6.5%	61.3%
Latin America	2.2%	13.8%	33.3%	-6.6%	38.7%	22.2%	33.3%	-3.9%	42.6%
Middle East	13.4%	-11.6%	7.6%	-10.5%	48.7%	-9.0%	6.2%	-8.5%	51.1%
North America	27.2%	-5.7%	6.8%	-5.4%	41.1%	-2.5%	7.1%	-4.3%	43.5%
International	87.0%	-8.1%	5.7%	-8.5%	56.6%	-3.6%	5.2%	-5.4%	59.9%
Africa	1.9%	-1.6%	1.9%	-1.8%	50.5%	2.5%	5.9%	-1.7%	50.5%
Asia Pacific	29.5%	-4.0%	3.3%	-5.2%	68.5%	-0.6%	6.3%	-4.8%	69.4%
Europe	22.4%	-14.6%	3.6%	-12.2%	57.1%	-6.6%	3.5%	-6.9%	63.4%
Latin America	1.8%	15.1%	27.8%	-5.1%	46.5%	23.5%	31.1%	-3.1%	51.6%
Middle East	13.4%	-11.5%	7.8%	-10.7%	49.1%	-9.0%	6.3%	-8.7%	51.5%
North America	18.0%	-7.0%	7.2%	-7.5%	49.6%	-3.7%	2.2%	-3.2%	52.8%

¹% of industry CTKs in 2021

²Year-on-year change in load factor

³Load 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.

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Europe	22.8%	-11.6%	-17.0%	3.4%	54.8%	-3.7%	-17.8%	9.0%	61.3%
Latin America	2.2%	-5.2%	-7.3%	0.9%	38.7%	-3.2%	-22.2%	8.4%	42.6%
Middle East	13.4%	-1.1%	-3.0%	0.9%	48.7%	0.7%	-7.5%	4.1%	51.1%
North America	27.2%	15.1%	10.2%	1.7%	41.1%	17.6%	11.0%	2.4%	43.5%
International	87.0%	-1.0%	-8.5%	4.3%	56.6%	3.0%	-10.4%	7.8%	59.9%
Africa	1.9%	9.0%	-12.1%	9.8%	50.5%	18.3%	-9.5%	11.9%	50.5%
Asia Pacific	29.5%	-3.2%	-16.0%	9.1%	68.5%	1.1%	-15.7%	11.5%	69.4%
Europe	22.4%	-11.7%	-17.7%	3.9%	57.1%	-3.8%	-17.9%	9.3%	63.4%
Latin America	1.8%	-2.1%	-4.1%	0.9%	46.5%	-2.0%	-20.9%	9.9%	51.6%
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