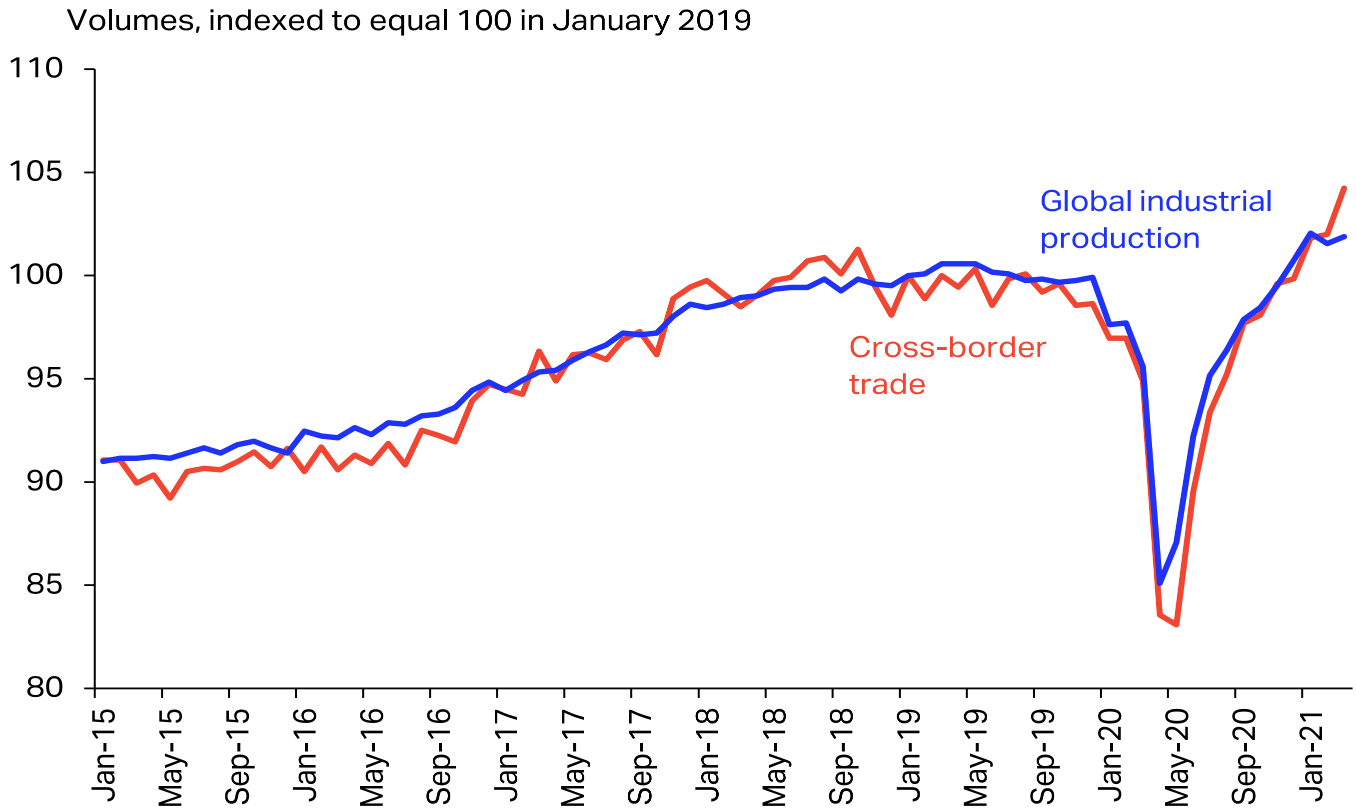
IATA Economics' Chart of the Week

11 June 2021

Operating environment remains favourable for air cargo



Source: IATA Economics using data from Netherlands CPB

- Recent developments in air cargo have shown an interesting combination of factors, providing support for airlines active in this market, with cargo rates and revenues both being elevated. This week's chart takes a closer look at two air cargo demand drivers – trade and industrial activity – for which the recovery following the crisis has been stronger than originally anticipated.
- The dive in April and May 2020 happened when many factories and businesses had to close due to strict lockdowns. But government support meant individual income was resilient. With stores being closed, consumers turned to e-commerce to consume at home. Moreover, producers restarted their activity in late Q2. The result was a V-shaped rebound in cross-border trade and industrial production. These developments have been supportive. Moreover, recent data have also shown that air cargo became relatively more affordable than container shipping, adding to the main competitive advantage of air cargo, which is delivery speed.
- Looking ahead, the WTO expects global goods trade volumes to grow 8.0% in 2021. Even with the low base around Q2 2020, this will continue to support air cargo. Together with the inventory restocking cycle, backlog of orders, increased attractiveness of air cargo and improving air cargo capacity, that makes many good reasons for air cargo to remain strong in 2021. This should continue to support airlines in the period ahead, as passenger markets remain weak. Indeed, IATA anticipates air cargo revenues to reach a record-high $152bn in 2021, up ~19% versus 2020.

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