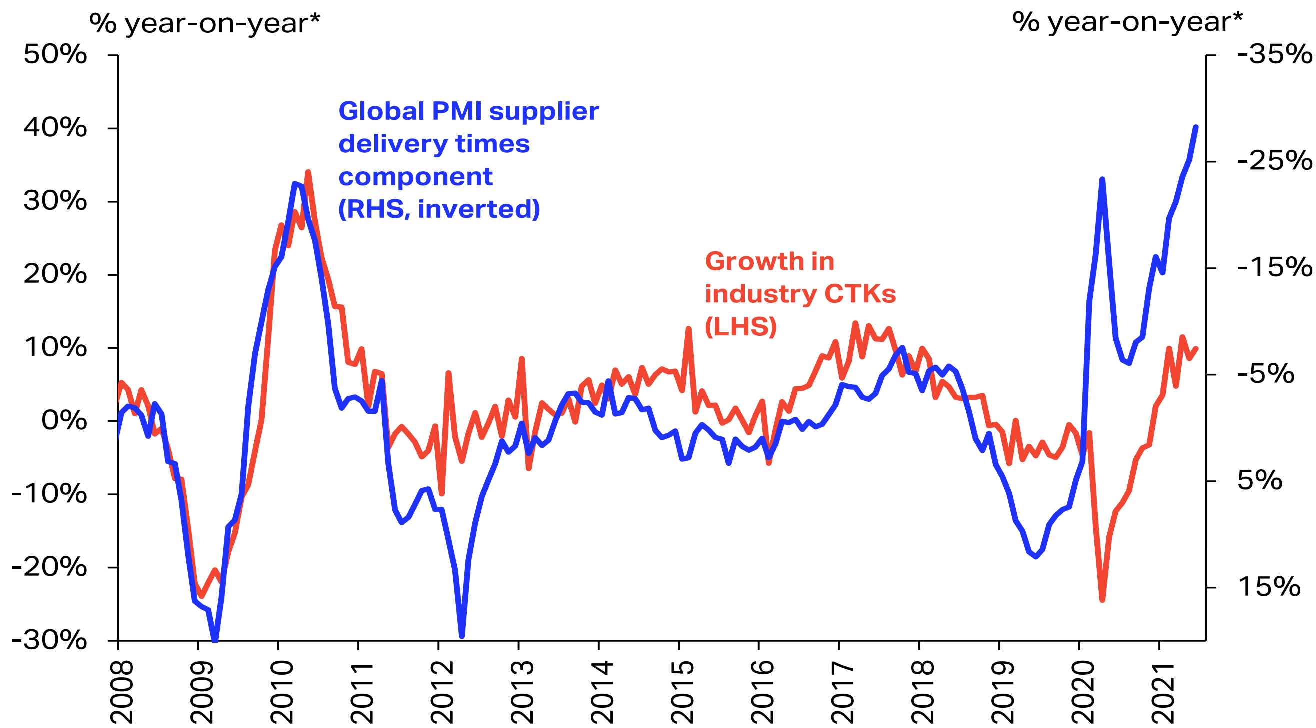
IATA Economics' Chart of the Week

13 August 2021

Record-high supplier delivery times provide support to air cargo



Source: IATA Economics, Markit *2021 levels are compared to the same month in 2019

- Recent months have seen unusual developments in air cargo and supply chains that have helped drive strong air cargo performance. Inventory-to-sales ratios have reached record-low levels, while air cargo has become more affordable than in recent years relative to container shipping. Another metric that sheds some light on the strength of air cargo is the *supplier delivery times purchasing manager index* (PMI).
- Supplier delivery times matter for businesses, as an increase indicates that supply chains are getting slower with higher risks that stocks may not be sufficient to meet demand. Supply chains have become highly congested in recent times due to strong demand for goods, lack of capacity and disruptions related to the pandemic. This encourages businesses to turn to air freight, which offers faster delivery. The chart above illustrates the historically strong links between air cargo volumes and delivery times. The spread between both lines in 2020 – when delivery times where high – points to the impact of the pandemic on air cargo, with grounded passenger aircraft, quarantined crews and disrupted freight handling at airports.
- However, the gradual return of freight capacity on passenger flights, usage of passenger-freighters, quarantine exemptions for crews and other measures have allowed air cargo to operate more efficiently now than earlier in the pandemic. Recent months of data show the link between both metrics has returned, with still-congested supply chains likely to encourage some businesses to turn to air freight.
- The recovery in air cargo remains vulnerable however, as illustrated by the current COVID-19 outbreaks in several key manufacturing countries such as China and Vietnam, which may affect efficiency of air cargo operations.

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