

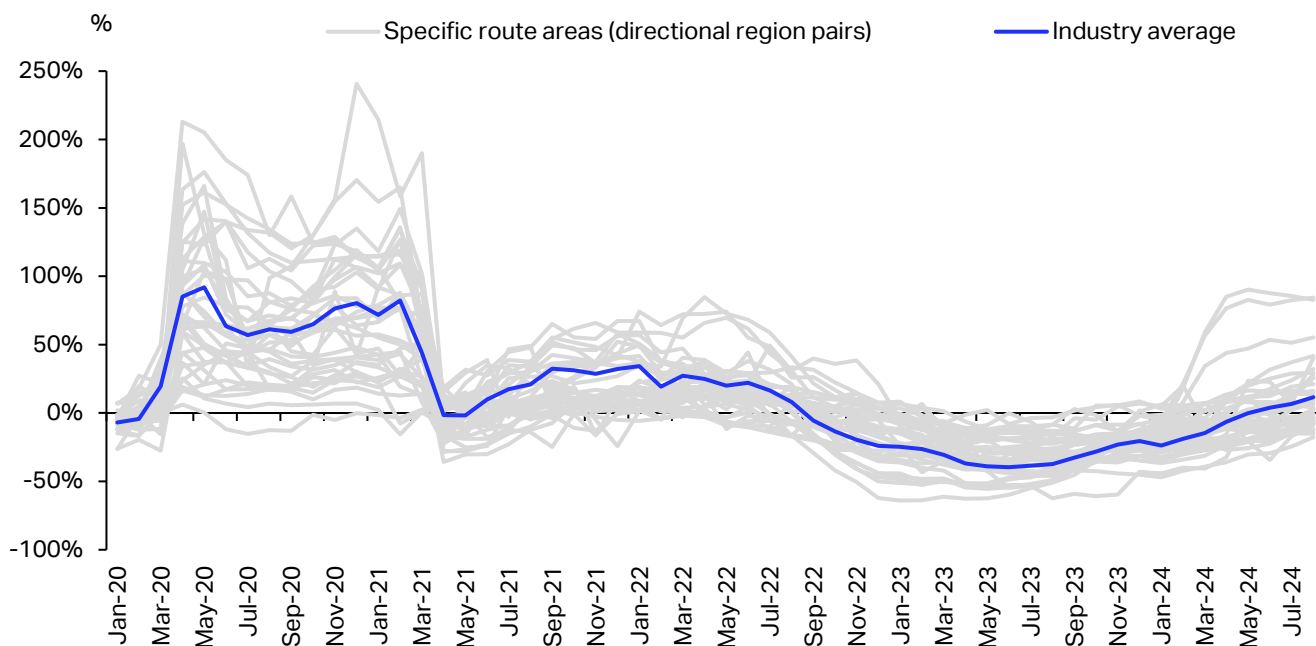


Chart of the Week

11 October 2024

Rising global air cargo yield despite record capacity

Average air cargo yield (with surcharges) globally and by route area, % YoY, 2020-2024



Source: IATA Sustainability and Economics using data from IATA CargoIS

- The global air cargo yield grew by 12% year-on-year (YoY) in August (the most recent data available), the highest annual increase in over two years. While the accelerating annual growth rates in 2024 are flattered by the slow-down seen in 2023 and the resulting low base against which to measure developments in 2024, the average yield is still an impressive 46% above 2019 levels. The fact that there is no sign of the average yield reverting to pre-COVID levels is remarkable, especially during the peak capacity that the industry experienced this summer.
- The elevated yields can be explained in part by booming e-commerce. Asian companies ship their products – e.g., fast fashion, household items, and cosmetics – directly from their factories to American and European consumers by air in personally addressed packages. In this way, they avoid transport intermediaries and warehousing operations and, in many cases, benefit from import duty exemptions. The growth in yields is also helped by the reduced reliability of ocean shipping and the associated shipping rate hikes, both primarily related to the Houthi attacks in the Red Sea. This has led to a sharp 65% drop in the relative price, making air cargo rates cheaper than maritime and leading some shippers to shift from sea to air transport for specific route segments.
- E-commerce companies and shippers that shift from sea to air compete for air freight capacity with the more traditional air cargo clientele, pushing yields upward. Indeed, air cargo yields on “westbound” routes out of Asia into Europe and the Americas, either directly or via the Middle East, have increased radically over the past year (ranging from 9% to 84% YoY). At the same time, rates mostly fall on the respective backhaul routes and the Europe-America trade lane (spanning -18% to +3% YoY). One wonders how these developments will impact the air freight industry in the medium to long term and if, possibly, a further deterioration in global trade relationships could put a dent in this trend.

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