



Air Cargo Market Analysis

August 2021

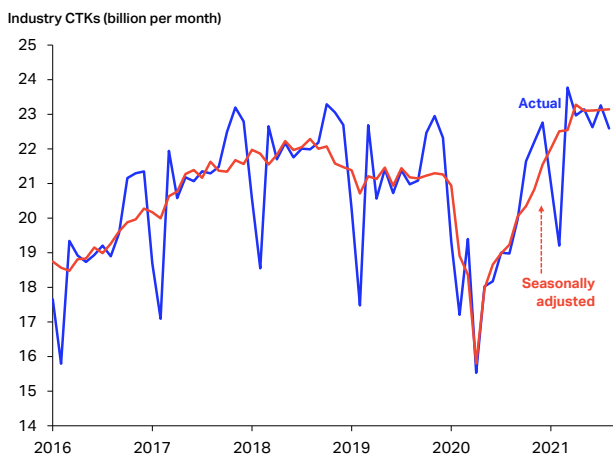
Air cargo still strong, but pressures on capacity are rising

- August was the fourth consecutive month of relative stability in air cargo. Industry-wide cargo tonne-kilometres (CTKs) rose by 7.7% vs. August 2019, compared with an 8.8% expansion in July. After removing seasonality from the data, CTKs continued to trend sideways, well above the pre-pandemic levels.
- Developments in key demand drivers such as manufacturing production and export orders remain supportive to the near-term cargo demand, but pandemic-related supply chain disruptions have been impacting cargo capacity and putting an upward pressure on cargo rates.
- Industry-wide cargo load factor (CLF) reached a record high outcome for any month of August, at 54.2%. CLFs remained elevated across all regions and were the highest in Asia Pacific.

Growth in air cargo remained robust in August

Air cargo demand has stabilized over the past four months at levels well above the pre-pandemic period. Industry-wide cargo tonne-kilometres (CTKs) rose by 7.7% in August 2021 vs. August 2019, which is only modestly slower than in July (8.8%) and well above the long-term monthly average of 4.7%. After removing seasonality from the data, global cargo volumes continued to trend sideways (red line in **Chart 1**). Growth and CTK levels were stable also across most regions, although at different rates. African carriers reported the fastest CTK expansion for another month, at 32.4% vs. pre-crisis August 2019, followed by North American airlines (19.3%). In contrast, Latin American CTKs continued to decline sharply (-13.2%).

Chart 1: CTK levels, actual and seasonally adjusted



Outlook still upbeat but there are challenges ahead

For now, the outlook for air cargo business remains positive, but growth in some of the key demand drivers has slowed recently and pandemic-related constraints have increased pressure on available cargo capacity.

One of the key indicators that continues to bode well for the near-term cargo demand is the low level of stock for businesses as shown by inventory-to-sales ratio in **Chart 2**. Historically, this pattern has been associated with rising air cargo volumes since businesses and shippers tend to favor air cargo over the other modes of transport to meet the strong customer demand as quickly as possible.

Chart 2: US inventory-to-sales ratio, global CTKs



Another supportive factor for air cargo growth is that the manufacturing production continues rising

Air cargo market overview - August 2021

To aid understanding, the table includes both % comparisons with pre-crisis 2019 months and 2020 months.

	World share ¹	August 2021 (% ch vs the same month in 2019) ²				August 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	7.7%	-12.2%	10.0%	54.2%	19.0%	19.5%	-0.2%	54.2%
International	85.5%	8.6%	-13.2%	12.3%	61.1%	22.0%	21.1%	0.5%	61.1%

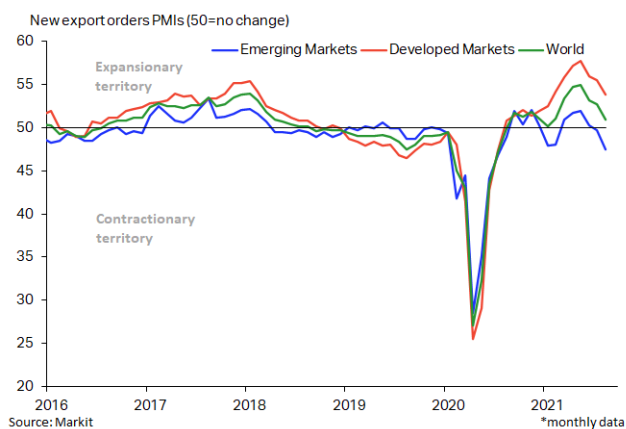
¹% of industry CTKs in 2020

²Change in load factor vs same month in 2019

³Load factor level

globally – a sign that global demand for goods remains strong and should benefit air cargo shipments. That said, the growth in this metric is not as fast as in the previous months (global output PMI at 51.9 in August vs. 54.4 in July) due to weaker outcomes in the US, Eurozone, and Asia. A similar trend has also been observed in new export orders – another important air cargo demand driver – where expansion slowed at the global level and turned into contraction in emerging economies (**Chart 3**). All told, although the latest developments in the two indicators mentioned above are consistent with growing air cargo demand, they are less supportive than in the previous months and show that global manufacturing growth has peaked.

Chart 3: New export orders component of the manufacturing PMI



One of the main challenges to further economic growth is a severe global supply chain congestion resulting from pandemic restrictions. Factory closures and staff quarantines have led to transport delays and input shortages, which have been adversely impacting businesses through higher cost of materials. For airlines, the longer delivery times mean higher air cargo demand since shippers use air transport to speed up their shipping process. However, delays and flight cancellations in airports and uncertainty about schedules have also increased pressure on already constrained cargo capacity. The combination of robust consumer demand and capacity pressures has been pushing up already elevated shipping rates, making air cargo less affordable for many businesses.

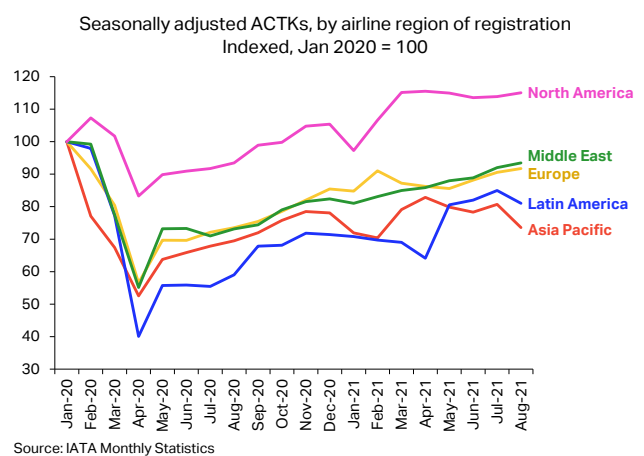
Looking forward, it is likely that cargo demand will remain strong amidst the upcoming large e-commerce events (Single's Day, Black Friday, Christmas...) and launch of new tech products. However, if the available capacity falls further, there might be some setbacks on the way for volumes actually carried.

Global cargo capacity falls amidst ASPAC disruptions

The pressure on global air cargo capacity has increased in August. The industry-wide available cargo

tonne-kilometres (ACTKs) fell by 12.2% in August 2021 compared with pre-crisis August 2019 – a 1.7 percentage points (ppts) faster decline than in July. In month-on-month terms, ACTKs fell by 1.6% – the fastest fall since January 2021. The deterioration in global capacity was largely driven by developments in domestic Asia Pacific market. The spread of Delta variant in mainland China led closure of the Nanjing airport and strict airport and airline crew quarantines in Shanghai, Beijing and other key airport hubs. Pandemic lockdowns also weighed on available cargo space in Vietnam. Amongst the other regions, capacity also fell in the highly volatile Latin America market (-4.6% m-o-m). In the other parts of the world ACTKs continue to recover, albeit at a slow rate (**Chart 4**).

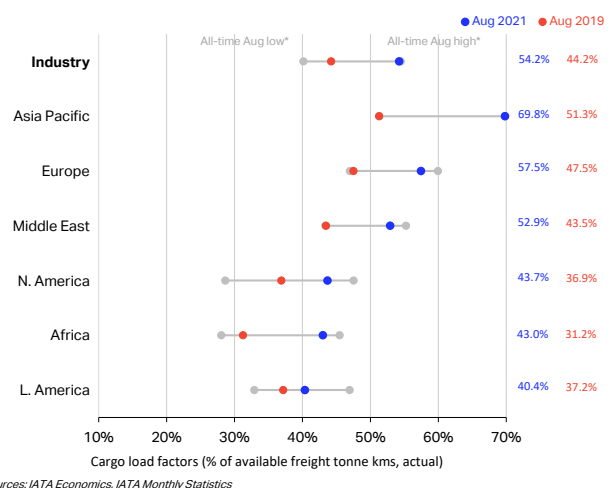
Chart 4: SA ACTKs by region of airline origin



Load factors remain well above the pre-crisis levels

The rising cargo demand against falling cargo supply meant that the industry-wide cargo load factor (CLF) reached a record high outcome for any month of August, at 54.2% (**Chart 5**). Cargo load factors remained elevated across all regions and were the highest in Asia Pacific.

Chart 5: Cargo load factors by region of airline origin

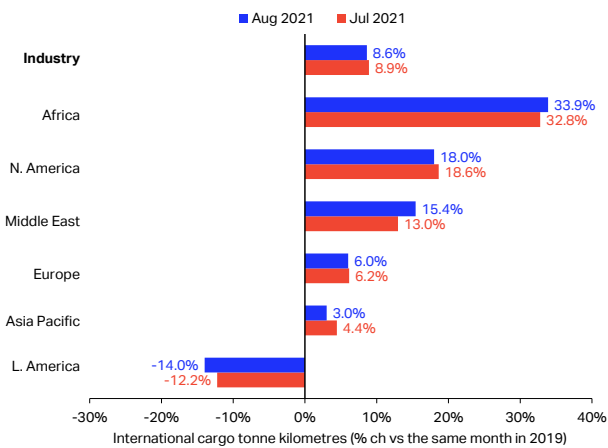


International air cargo remained stable

As for the industry as a whole, international air cargo continued to trend sideways but remained well above the pre-crisis levels. CTKs rose by 8.6% in August 2021 vs August 2019 – broadly unchanged from July (Chart 6). Growth results were similar to July across all regions.

The recovery in international capacity remained slow due to still subdued international passenger market. Indeed, international belly cargo ACTKs were down 37.7% in August 2021 vs. August 2019 – a little improvement on the 39.1% fall in July. At the same time, growth in international dedicated ACTKs accelerated, to 28.3% compared to August 2019 (27.3% in July). Aggregating the two, international ACTKs fell 13.2% vs. the pre-pandemic levels.

Chart 6: Int'l CTK growth versus the same month in 2019 (airline region of registration)



Sources: IATA Economics, IATA Monthly Statistics

African airlines outperformed again

African airlines continued to lead the international CTK growth chart in August, reporting a 33.9% expansion vs. August 2019 – a 1.1ppts improvement on the growth in the same metric in July. Amongst the key regional routes, Africa-Asia has been showing the fastest expansion, at 26.4% vs. two years ago.

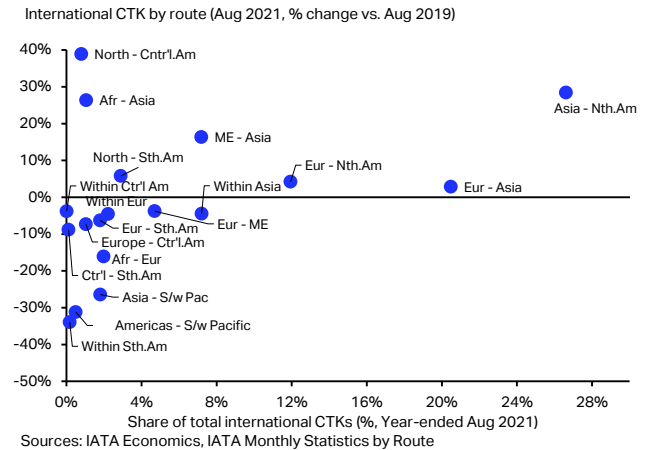
Demand drivers remain supportive in Nth. America

In August, airlines based in North America flew 18.0% more CTKs compared with pre-crisis levels. Manufacturing PMI indices signal that production and new export orders continue to rise robustly in the US. This bodes well for the region's near-term cargo demand outlook. That said, international cargo capacity remains restricted with many of the important cargo hubs reporting severe congestions (e.g. Los Angeles, Chicago). Amongst the region's key int'l markets, the smaller North-Central America performed the strongest, expanding by nearly 39% compared with pre-pandemic August 2019 (Chart 7).

CTK growth accelerated slightly in the Middle East

Middle Eastern carriers reported the largest improvement in August amongst all regions. Their international CTKs rose by 15.4% compared with pre-crisis August 2019 – a 2.4ppts uptick on the CTK expansion in July. The region's growth was boosted by cargo traffic on Middle East-Asia segment-based routes (+16.4% in August vs. August 2019).

Chart 7: International CTKs by route (segment-based)



Sources: IATA Economics, IATA Monthly Statistics by Route

Int'l cargo developments unchanged in Europe

International CTKs of European airlines grew by 6.0% vs. pre-pandemic levels for another month. The drivers of near-term air cargo demand including manufacturing production and export demand continue to perform well in the region.

Capacity recovery stalling in Asia Pacific

Asia Pacific airlines reported a moderate international air cargo growth in August, at 3.0% (vs. 2019), which is a slower expansion than in July (+4.4%). However, in month-on-month terms int'l CTKs picked up by 0.7%. Looking ahead, the slowing growth momentum in the Chinese economy indicates that operating backdrop will be less supportive to the region's near-term cargo demand. Moreover, although the latest pandemic disruptions in China impacted to a greater extent domestic flights, international Asia Pacific capacity also remains severely restricted, especially on Within Asia and Europe-Asia routes.

Latin American airlines lag the industry

Latin American airlines remained at the bottom of the CTK growth chart for another month, reporting a 14.0% international CTK decline vs. August 2019. The shortage of international cargo capacity remains the largest amongst all regions, at -27.1% vs. August 2019).

Air cargo market detail - August 2021

To aid understanding, the table includes both % comparisons with pre-crisis 2019 months and 2020 months.

	World share ¹	August 2021 (% ch vs the same month in 2019)				August 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	7.7%	-12.2%	10.0%	54.2%	19.0%	19.5%	-0.2%	54.2%
Africa	2.0%	32.4%	-3.8%	11.8%	43.0%	27.4%	34.7%	-2.5%	43.0%
Asia Pacific	32.6%	-2.1%	-28.1%	18.5%	69.8%	17.9%	5.1%	7.6%	69.8%
Europe	22.3%	6.3%	-12.1%	9.9%	57.5%	25.7%	24.1%	0.7%	57.5%
Latin America	2.4%	-13.2%	-20.0%	3.2%	40.4%	17.7%	36.4%	-6.4%	40.4%
Middle East	13.0%	15.5%	-5.2%	9.4%	52.9%	22.4%	27.8%	-2.3%	52.9%
North America	27.8%	19.3%	0.7%	6.8%	43.7%	13.2%	23.1%	-3.8%	43.7%
International	85.5%	8.6%	-13.2%	12.3%	61.1%	22.0%	21.1%	0.5%	61.1%
Africa	2.0%	33.9%	-2.1%	11.7%	43.4%	27.4%	34.2%	-2.3%	43.4%
Asia Pacific	29.1%	3.0%	-21.7%	18.2%	75.7%	21.8%	16.5%	3.3%	75.7%
Europe	21.9%	6.0%	-13.6%	11.2%	60.4%	25.9%	24.1%	0.8%	60.4%
Latin America	2.0%	-14.0%	-27.1%	7.9%	51.9%	14.4%	18.6%	-1.9%	51.9%
Middle East	13.0%	15.4%	-5.1%	9.5%	53.3%	22.4%	27.7%	-2.3%	53.3%
North America	17.5%	18.0%	-6.6%	11.4%	54.5%	17.5%	16.9%	0.3%	54.5%

¹% of industry CTks in 2020

²Change in load factor vs same month in 2019

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.

Air cargo year-to-date developments (Jan-August 2021)

	Year-to-date (% ch vs the same period in 2019)				Year-to-date (% ch vs the same period in 2019)			
	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	7.9%	-12.3%	10.7%	57.0%	8.3%	-14.1%	13.3%	64.5%
Asia Pacific	-0.1%	-22.3%	14.7%	66.3%	3.6%	-21.5%	18.6%	76.6%
Europe	5.6%	-15.2%	12.4%	63.2%	5.4%	-15.6%	13.1%	65.7%
Latin America	-18.2%	-30.4%	6.1%	41.1%	-19.8%	-36.1%	10.9%	53.2%
Middle East	12.7%	-10.8%	12.1%	58.2%	12.7%	-10.6%	12.1%	58.6%
North America	20.2%	1.6%	7.2%	46.8%	19.0%	-2.2%	10.0%	56.1%
International	8.3%	-14.1%	13.3%	64.5%				
Asia Pacific	3.6%	-21.5%	18.6%	76.6%				
Europe	5.4%	-15.6%	13.1%	65.7%				
Latin America	-19.8%	-36.1%	10.9%	53.2%				
Middle East	12.7%	-10.6%	12.1%	58.6%				
North America	19.0%	-2.2%	10.0%	56.1%				

¹% of industry CTks in 2020

²Change in load factor vs same period in 2019

³Load factor level

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