

Air Cargo Market Analysis

June 2021

Air cargo remains dynamic and further growth is likely ahead

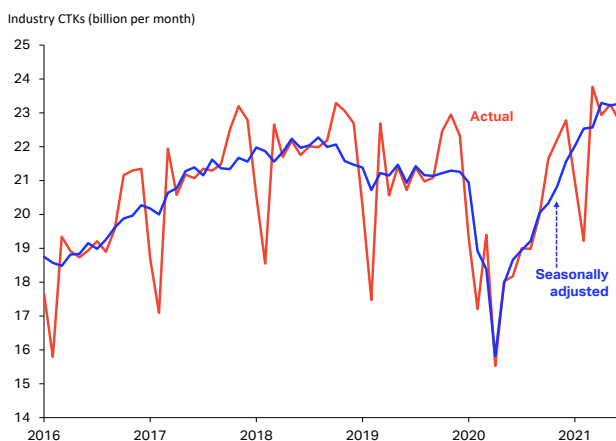
- June 2021 was another month of strong air cargo performance, as industry-wide cargo tonne-kilometres (CTKs) grew 9.9% compared to June 2019 and air cargo drivers point to further growth ahead.
- Supply chain conditions remain favourable, with low inventories-to-sales ratio, resilient demand for goods and more affordable air cargo compared to container shipping, all combining to make air cargo a competitive mode of transport. Besides, the shift of consumer spending from goods to services has so far not been as strong as feared.
- Africa and North America remain the strongest regions. Airlines in all regions but Latin America have posted growth in CTKs in recent months.

Air cargo volumes have stabilized...

Air cargo volumes remained stable at a high level in June, as was the case in May. Industry-wide cargo tonne-kilometres (CTKs) rose by 9.9% in June 2021 compared to the same month in 2019, a small improvement over the (revised downwards) 8.5% increase in May.

Perhaps more tellingly, the seasonally adjusted (SA) trend has stabilized somewhat in the past two months. SA CTKs rose by 0.2% month-on-month in June, after a (revised downwards) 0.3% fall in May, the first since the initial hit from the crisis in April 2020. This implies that the strong rate of growth compared to 2019 is due to gains that happened in H2 2020 and earlier in 2021. That said, May and June are typically slow months for air cargo, so this does not point to a serious slowdown (**Chart 1**).

Chart 1: CTK levels, actual and seasonally adjusted



Sources: IATA Economics, IATA Monthly Statistics

Over the year-to-date, global CTKs were up by 8.0% compared to the same period in 2019, the strongest first half of a year since 2017.

Looking at contributions to the rate of growth in total CTKs compared to 2019, North America had the largest impact by far (5.9 percentage points out of 9.9), followed by the Middle East (2.1ppts) and Europe (1.6ppts).

...but further growth is likely ahead

In fact, there are signs that air cargo volumes may start to climb again in the coming months. Supply chains conditions remain highly supportive to air cargo, as shown by the record-low level of the US inventory-to-sales ratio. Historically, a fall in the ratio has been associated with strong air cargo traffic growth, as it means businesses do not have enough stocks to meet rising demand (**Chart 2**).

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



Sources: IATA, Refinitiv Datastream

Air cargo market overview - June 2021

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

	World share ¹	June 2021 (% ch vs the same month in 2019)				June 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	9.9%	-10.8%	10.7%	56.5%	25.3%	24.8%	0.2%	56.5%
International	85.5%	10.0%	-13.2%	13.5%	64.2%	28.9%	19.2%	4.9%	64.2%

¹% of industry CTKs in 2020

²Change in load factor vs same month in 2019

³Load factor level

Looking ahead, shippers and businesses are likely to face strong demand when the peak cargo season starts around October. With inventories at low levels and congested supply chains, some firms may anticipate and attempt to refill stocks ahead of that period, which would boost CTGs growth again.

Manufacturing Purchasing Managers Indices (PMIs) also point to ongoing strong air cargo traffic growth. New export orders PMIs – strongly correlated with growth in CTGs – are above the 50 line consistent with month-on-month expansion in most key markets.

In June, they were still increasing – meaning that new export orders growth accelerates – in economies such as China, South Korea or Germany. This suggests that the shift of consumers from goods to services has so far not been as strong as feared (**Chart 3**).

Chart 3: Monthly NEO manufacturing PMIs



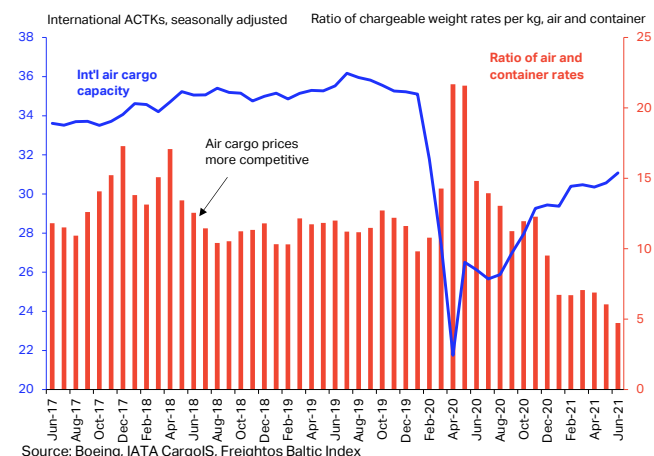
Sources: IATA, Markit, Refinitiv Datastream * Manufacturing PMI **Month-on-month terms

While air cargo supply chains are not exempt from their own difficulties, container shipping remains severely congested. This is exemplified by limited operations at several Chinese ports in June, a disruption which is greater than that caused by the Suez Canal closure. In May already, schedule reliability of ocean carriers was around 40%, compared to 70-80% prior to the crisis, according to Sea-Intelligence.

On top of making the speed of air cargo more attractive, this also means fares for container shipping have significantly increased. In turns, air cargo fares – which were more than 80% higher than pre-crisis values in June – have become relatively lower. The ratio of prices continued to fall in June, adding to the competitive advantage of air cargo.

With the expected ongoing return of passenger aircraft belly capacity, it is likely that the slow upward trend in air cargo capacity will continue in the coming months. This will put downward pressures on air cargo fares and make it easier to meet demand, in another positive sign for CTGs in the near future (**Chart 4**).

Chart 4: Int'l air cargo capacity and price ratio of air cargo and container shipping



Air cargo capacity recovery is slow but continues...

In June, industry-wide available cargo tonne-kilometres (ACTKs) were 10.8% below June 2019 levels, a minor improvement from May (11.2%). In SA terms, the recovery has flattened out lately, with a 0.3% month-on-month gain in June, after there was no change in May.

As has been the case since March, North America was the only region with total ACTKs above 2019 values in June (3.7%). Not all the regions display a clear upward trend, with flat or volatile SA volumes in Africa, Asia Pacific, Europe and Latin America.

Growth in capacity onboard dedicated freighters improved to 29.7% above 2019 levels in June, from a 27.0% growth rate in May. But belly capacity remained 38.9% below June 2019 values in June, without much improvement from the previous months and despite first signs of a restart of international air passenger traffic.

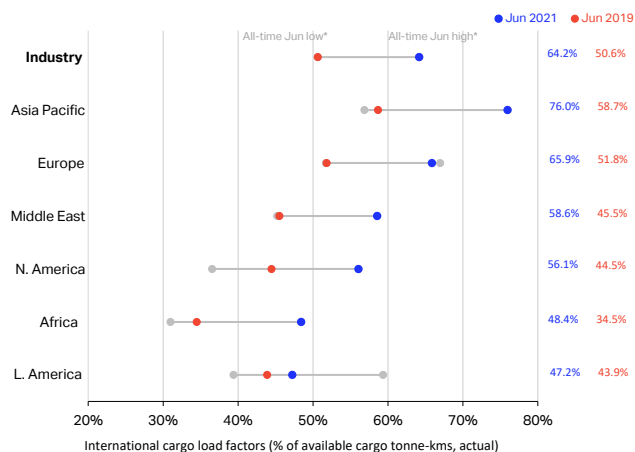
... but load factors show the market is not relaxing

Cargo load factors remained exceptionally high in June. The industry-wide cargo load factor (CLF) was at 56.5%, 25.3 percentage points (ppts) above June 2019 levels.

The international load factor was at the highest value for any month of June in our series (started in 1990), at 64.2%. In SA terms, it remains close to its all-time high value reached only two months ago in April 2021.

At the regional level, all regions except Europe and Latin America posted record international CLFs for June. In Latin America, the SA load factor fell significantly in April and May despite an improvement in demand, but elsewhere, SA load factors are close to record highs for any month (**Chart 5**).

Chart 5: Cargo load factors by region



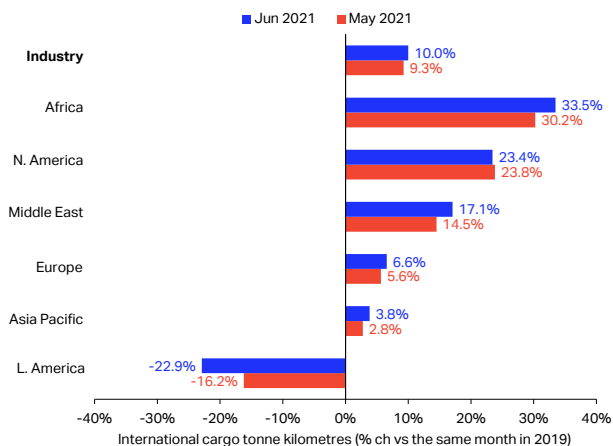
Sources: IATA Economics, IATA Monthly Statistics

International air cargo growth varies across regions

International air cargo volumes typically follow similar trends as total CTK, as they amount for 85.5% of the total. In June, international CTKs grew 10.0% versus the same month in 2019.

Regions are at various stages, with airlines in Latin America posting the worse performance and the only significant deterioration in growth compared to May. Africa and North America were the most dynamic regions in June, as has been the case since the initial stage of the restart (**Chart 6**).

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



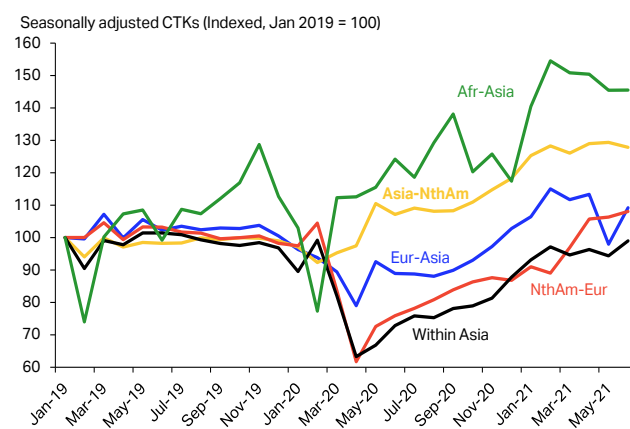
Sources: IATA Economics, IATA Monthly Statistics

Strong growth continued in June for airlines based in **Africa**, as their international CTKs grow by 33.5% versus June 2019. This is the sixth consecutive month of growth above 25%, but SA CTKs have in fact fallen for two months in a row, highlighting that most of the gains happened earlier in 2021 and in H2 2020.

Growth performance of international CTKs of **North American** airlines was mostly unchanged in June, at

23.4% above June 2019. Manufacturing PMIs remain high and good inventories are exceptionally low. Despite that, SA CTKs on the Asia-Nth Am trade route – the largest globally – have trended sideways in the past few months (**Chart 7**).

Chart 7: SA int'l CTKs by route (segment-based)



Source: IATA Economics, IATA Monthly Statistics by Route

Carriers based in the **Middle East** posted a 17.1% increase in their international air cargo volumes in June 2021 vs June 2019, boosted by strong performance on the ME-Asia and ME-Nth Am trade lanes.

European airlines posted a modest improvement in international CTKs, to 6.6% in June from 5.6% in May, versus the same months in 2019. Manufacturing PMIs are notably strong in the region, and persistent COVID outbreaks mean that a shift to services is not a big risk to air cargo.

Carriers based in **Asia Pacific** recorded a 3.8% increase in international CTKs in June 2021 vs the same month in 2019. Even though demand for the goods it crafts is still high, the region faces moderate headwinds from the lack of international capacity (ACTKs down 19.8% compared to June 2019) and manufacturing PMIs that are not as strong as in Europe and the US.

Air cargo traffic of airlines based in **Latin America** has improved in May, but this was not sustained in June. International CTKs were down 22.9% this month vs the same month in 2019, and overall, SA CTKs have trended sideways since Q4 2020. This is mostly due to market share lost to carriers in other regions, as segment-based traffic (by market rather than airline location) is more resilient.

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Air cargo market detail - June 2021

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

	World share ¹	June 2021 (% ch vs the same month in 2019)				June 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	9.9%	-10.8%	10.7%	56.5%	25.3%	24.8%	0.2%	56.5%
Africa	2.0%	32.0%	-7.0%	14.2%	48.0%	27.5%	10.1%	6.6%	48.0%
Asia Pacific	32.6%	0.9%	-21.6%	15.0%	67.6%	22.0%	19.4%	1.5%	67.6%
Europe	22.3%	6.7%	-15.0%	12.7%	62.6%	34.6%	28.1%	3.0%	62.6%
Latin America	2.4%	-19.9%	-23.0%	1.5%	38.1%	18.7%	44.4%	-8.2%	38.1%
Middle East	13.0%	17.1%	-8.9%	12.9%	58.1%	42.0%	22.8%	7.9%	58.1%
North America	27.8%	24.0%	3.7%	7.5%	45.8%	16.1%	27.9%	-4.7%	45.8%
International	85.5%	10.0%	-13.2%	13.5%	64.2%	28.9%	19.2%	4.9%	64.2%
Africa	2.0%	33.5%	-4.9%	13.9%	48.4%	27.5%	9.1%	7.0%	48.4%
Asia Pacific	29.1%	3.8%	-19.8%	17.3%	76.0%	24.5%	15.1%	5.7%	76.0%
Europe	21.9%	6.6%	-16.2%	14.0%	65.9%	34.8%	24.1%	5.2%	65.9%
Latin America	2.0%	-22.9%	-28.4%	3.4%	47.2%	7.6%	13.6%	-2.7%	47.2%
Middle East	13.0%	17.1%	-9.0%	13.0%	58.6%	41.9%	22.1%	8.2%	58.6%
North America	17.5%	23.4%	-2.1%	11.6%	56.1%	23.4%	19.0%	2.0%	56.1%

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-June 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	8.0%	-12.4%	10.9%	57.8%	International	8.4%	-13.7%	13.3%	65.1%
Africa	32.7%	-3.3%	13.7%	50.7%	Africa	34.2%	-0.7%	13.3%	51.2%
Asia Pacific	0.2%	-21.6%	14.3%	65.9%	Asia Pacific	3.7%	-21.5%	18.6%	76.6%
Europe	5.4%	-15.9%	13.1%	65.0%	Europe	5.3%	-15.8%	13.4%	67.1%
Latin America	-20.4%	-34.1%	7.2%	41.8%	Latin America	-22.2%	-39.3%	11.8%	53.8%
Middle East	12.5%	-11.4%	12.6%	59.3%	Middle East	12.6%	-11.0%	12.5%	59.7%
North America	20.4%	2.1%	7.3%	47.8%	North America	20.2%	1.0%	9.0%	56.2%

¹% of industry CTks in 2020

²Change in load factor vs same period in 2019

³Load factor level

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