Air Cargo Market Analysis

June 2024

Exceptional air cargo volumes during the first half of 2024

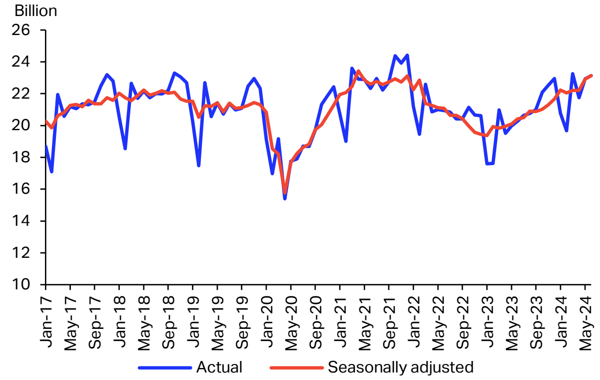
- Global Cargo Tonne-Kilometers (CTK) saw a 14.1% expansion year-on-year (YoY) in June, concluding the first half of 2024 with record year-to-date demand levels. After seasonal adjustment, CTK grew by 0.9% last month compared to the month before.
- International air cargo volumes rose by 15.6% compared to June 2023, supported by all regions and major trade lanes. Carriers from Asia Pacific and Latin America recorded the highest annual growth, and demand on the Africa-Asia and Middle East-Europe route areas expanded by over 30% YoY.
- Industry-wide Available Cargo Tonne-Kilometers (ACTK) exhibited an 8.8% annual increase in June, registering record capacity levels year-to-date.
- Global production and trade figures remained roughly stable as per the latest available data. Purchasing managers exhibited continued optimism regarding manufacturing output against the backdrop of worsening expectations related to new export orders.

June brought the seventh straight month of industry-wide double-digit demand growth

The airline industry experienced a 14.1% demand increase YoY in June and +0.9% Month-on-Month (MoM) **(Chart 1)**, reporting the seventh straight month of double-digit annual growth. Similar to the two months prior, the largest contributors to this strong annual surge were carriers from Asia Pacific and Europe, which contributed 40% and 24% to the global increase, respectively. These airlines represent, in that order, the largest and third largest region by traffic volume (measured in CTK). The second largest region – North America – contributed 18% to the industry-wide increase. In seasonally adjusted terms, industry-wide CTK grew by 0.9% MoM.

In cumulative year-to-date terms, air cargo demand settled 13.4% above 2023 levels in June and 4.3% above 2022. These growth rates represent evidence of an exceptionally strong first half of 2024 for air cargo demand, which even surpassed the record levels observed in H1 2021. However, it should be noted that 2024 year-on-year growth rates have been off an overall weak H1 2023 market, when cargo volumes were down because cautious wholesalers and retailers decided to draw down inventory before making new orders.

Chart 1 – Industry CTK, billion



Source: IATA Sustainability and Economics, IATA Monthly Statistics

International air cargo demand grows in all world regions and major route areas in June

These extraordinary global traffic levels are driven by international routes, which surged by 15.6% YoY in June, supported by booming e-commerce and repeated disruptions in container shipping. As has been the case since October 2023, carriers from all regions experienced expansions in international traffic compared to the year before, with the month of June displaying remarkable double digit annual growth for all regions **(Chart 2)**.

Airlines registered in Asia Pacific and Latin America championed the regions with the highest annual

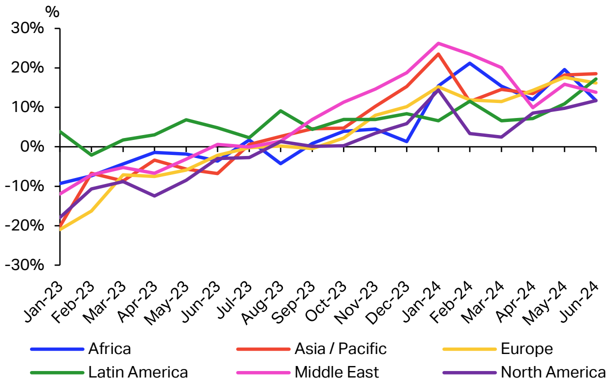
Air cargo market in detail - June 2024

	World share [1]	June 2024 (% year-on-year)				June 2024 (% year-to-date)			
		CTK	ACTK	CLF (%-pt)	CLF (level)	CTK	ACTK	CLF (%-pt)	CLF (level)
TOTAL MARKET	***100.0%***	**14.1%**	**8.8%**	**2.1%**	**45.8%**	**13.4%**	**9.4%**	**1.6%**	**45.4%**
International	*86.6%*	15.6%	10.8%	2.1%	50.8%	14.3%	12.2%	0.1%	51.1%

Note 1: % of industry CTKs in 2023

growth rates in international CTK, recording 18.5% and 17.2%, respectively. For Latin American carriers, the figure rose by 6.3 percentage points compared to growth in May, the highest increase among all carriers. These two front runners were closely followed by carriers from Europe (16.2% YoY) and the Middle East (13.8% YoY). African and North American airlines exhibited the lowest annual increase with 11.7% each. For the former, the June figure is 7.9 percentage points lower than the month prior, and only in part due to the low base in June 2023. On the other hand, North America saw the highest annual increase in five months.

Chart 2 – International CTK by airline region of registration, YoY, %

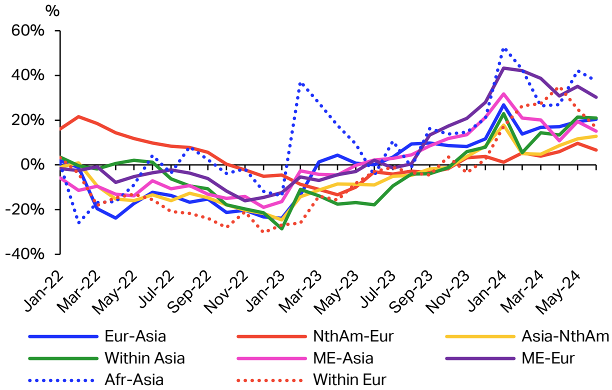


Source: IATA Sustainability and Economics, IATA Monthly Statistics

The annual expansion in international CTK was supported by all major route areas as well, although with some differences in magnitude. Equivalent to the month before, Africa-Asia and Middle East–Europe championed annual growth in June with outstanding evolutions of +37.5% and +30.2%, respectively **(Chart 3)**. For both route areas, the June reading reflects the continuation of a streak of double-digit annual growth that originated in September 2023. The Within Asia trade lane followed with an impressive annual surge of 21.0%. By now, this region experienced four months straight with double-digit annual growth.

Europe–Asia, the second largest market by volume (measured in CTK), Within Europe, and Middle East-Asia, also registered annual growth with 20.3%, 16.7%, and 15.1%, in that order. For Europe-Asia, the month of June delivered the seventh consecutive month of double digit annual growth. For the Within Europe route area it has been six months straight of double digit growth, for Middle East-Asia a total of nine months. Meanwhile, Asia–North America recorded an annual increase of 12.8% and North America–Europe registered 6.7% YoY. For Asia–North America, the largest trade lane by volume, the latest reading represents the largest annual increase in five months. To date, the US customs crackdown on e-commerce deliveries out of PR China has failed to produce an obvious impact on air cargo traffic on the Transpacific route.

Chart 3 – International CTK by route area, YoY, %

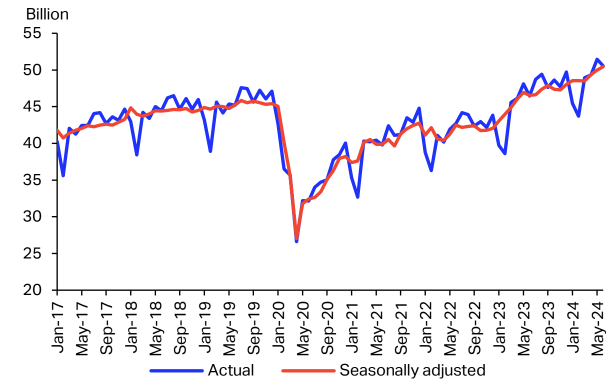


Source: IATA Sustainability and Economics, IATA Monthly Statistics

June saw record air cargo capacity levels year-to-date

Global air cargo capacity fell 1.7% compared to May (+0.9% after seasonal adjustment) but rose 8.8% relative to the year before **(Chart 4)**. The even higher 9.4% annual ACTK growth in year-to-date terms confirms that the capacity expansion relative to the previous year is a phenomenon of the full six months that passed since the turn of the year, although the growth rate slowly decreased every month (**Chart 5**). Even more evident than it is for the demand side, H1 2024 produced record capacity levels for air cargo.

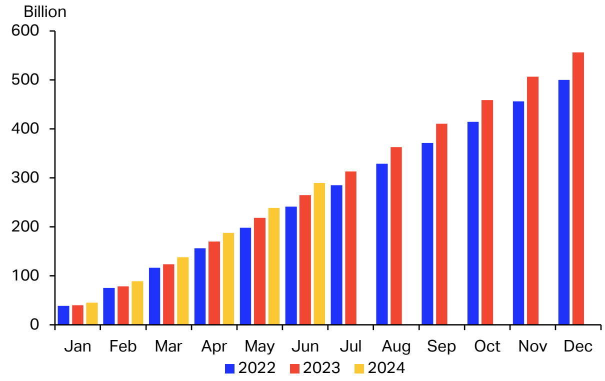
Chart 4 – Industry ACTK, billion



Source: IATA Sustainability and Economics, IATA Monthly Statistics

Air cargo capacity grew primarily on international routes, where the industry registered an expansion of 10.8% YoY in June. And maintaining the trend of the past few years, the expansion in international ACTK was driven by a surge in international belly-hold capacity, which recorded the 38th consecutive month of double-digit annual growth in June with 16.8%. In comparison, capacity on dedicated freighters rose by a comparatively modest 4.1% YoY last month.

Chart 5 – Industry ACTK, year-to-date, billion



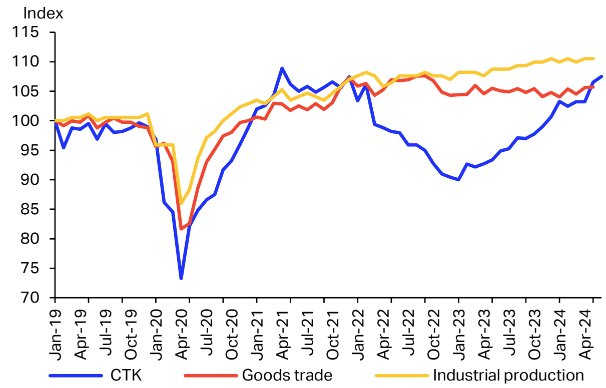
Source: IATA Sustainability and Economics, IATA Monthly Statistics

Monitoring air freight traffic and capacity levels allows deriving the air cargo load factor (CLF), a key indicator illustrating the balance between demand and supply within the industry. Rising load factors drive both revenue and profitability at a given capacity. In June, the industry recorded an average CLF of 45.8%. This ratio is 1.2 percentage points higher than in the previous month and stands for a 2.1 percentage point increase compared to June 2023. Net of seasonal adjustment, the industry CLF stayed level in June with no change from May.

Minor improvements in production and trade figures

Industrial production, a measure of the output generated by industrial sectors such as mining, manufacturing, and utilities, stayed level in May compared to the previous month. Compared to 2023, the indicator pointed at expansion with a growth rate of 1.6%, thus marking the continuation of the moderate upward trajectory seen after the pandemic (**Chart 6**), which is also in line with pre-pandemic trends (2012-2019).

Chart 6 – Seasonally adjusted CTK, industrial production, and cross-border goods trade, global index, Jan 2019 = 100



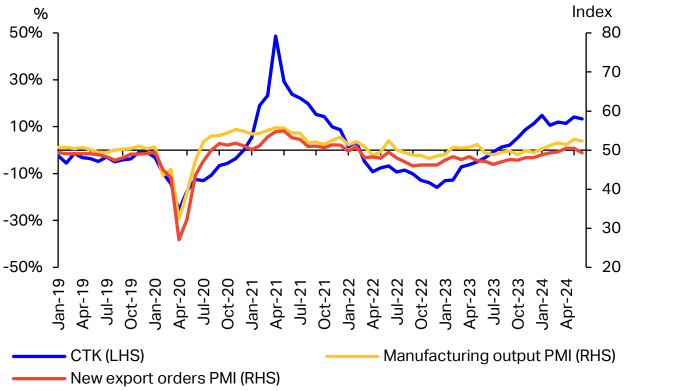
Source: IATA Sustainability and Economics, IATA Monthly Statistics, Macrobond

Global cross-border merchandise trade saw minor expansions both MoM and YoY in May, with readings of 0.1% and 0.2%, respectively. With this, three out of five months that passed since the turn of the year delivered positive annual growth figures in international goods trade. This is an encouraging signal in a strained business environment that continues to be impacted by inflation, impaired supply chains, geopolitical tensions, and rising cross-border trade restrictions.

Ongoing signals of expansion in global manufacturing output against the backdrop of contracting new export orders

The Purchasing Managers' Index (PMI) gauges economic trends in manufacturing and services. A PMI above 50 suggests that more purchasing managers expect their business to grow compared to the previous month, a figure below 50 indicates fewer managers with that outlook. Specifically, the manufacturing output and new export order PMIs are two leading indicators of global air cargo demand.

Chart 7 – Seasonally adjusted industry CTK, YoY, % (LHS), and global manufacturing PMIs, 50 = no change (RHS)



Source: IATA Sustainability and Economics, IATA Monthly Statistics, S&P Global Markit

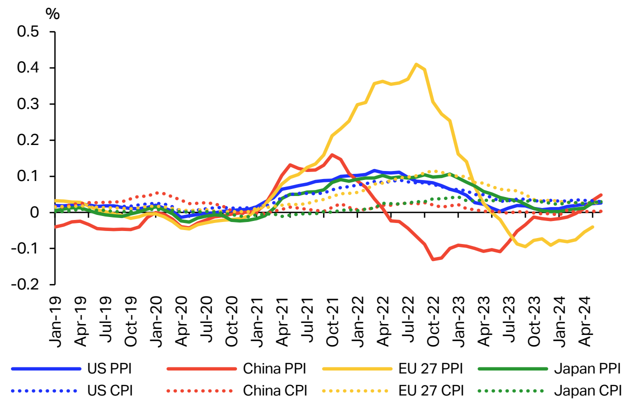
The global manufacturing output PMI continued to point to expansion in June with 52.3 points (down from 52.8 in May). This marked the sixth consecutive expansion and is a welcome development amid tight labor markets and supply chain disruptions that have been affecting the global manufacturing sector **(Chart 7)**. As for the regional perspective on manufacturing output, purchasing managers in the US and China continued to exhibit optimistic expectations which supported the global expansion, while pessimism persisted among purchasing managers in Europe. By contrast, Japan hinted at expansion in June, exhibiting only the second instance of positive expectations in two years.

Meanwhile, the global new export orders PMI, a measure of the perceived well-being of international trade, registered a small contraction in June with 49.3 points and thus moved back below the critical 50-point benchmark. This result follows two months that were characterized by an optimistic outlook for new export orders, after a two-year stretch with negative expectations. Last month's regional outlook for new export orders saw the US fall just below the 50-point benchmark, similar to the global indicator. By contrast, purchasing managers in China continued to display optimistic expectations, as they had since January. Readings in Europe and Japan maintained their signals of contraction, a trend that started in March 2022.

Consumer price inflation continued to hover above target in major economies, except China

US headline inflation, as measured by the annual evolution of the Consumer Price Index (CPI), dropped by 0.3 percentage points in June as compared to May, to 3.0%. By contrast, consumer price inflation stayed roughly constant in Japan and the EU, with figures standing at 2.8%, and 2.6%, respectively. As a result, consumer price inflation remained above target in these key economies. China's consumer price inflation remained near zero last month, as it has done for the past year, with the latest reading at 0.3%. Muted inflation in China since 2023 reflects weak domestic demand, triggered by an elevated unemployment rate, reduced income growth, and the real estate sector crisis **(Chart 8)**.

Chart 8 – Consumer price index and producer price index in major economies, YoY, %

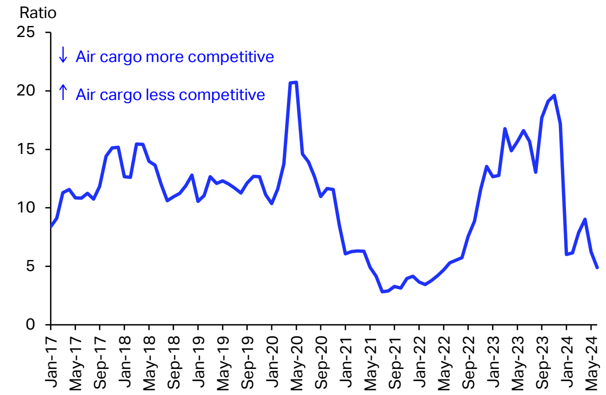


Source: IATA Sustainability and Economics, Macrobond

The Producer Price Index (PPI) tracks changes in the prices that producers receive for their products and it can serve as a leading indicator for the CPI. Compared to May, producer price inflation increased last month in the US, Japan, and China, to 2.7%, 2.9%, and 4.9%, respectively **(Chart 8)**. For China, this marked the third consecutive annual increase in producer prices after almost two years of negative results and a significant jump of 1.5 percentage points relative to the May figure (partially due to a base effect). June values for the EU 27's PPI are not available to date. The month of May maintained the major deflationary trend that began mid-2023, with a PPI reduction of -4.0% YoY. However, this reading represents the smallest deflation reading for the region since mid-2023.

One of the main factors influencing consumer prices is the price of oil. Along similar lines, the global jet fuel price is a major contributor to airline operating costs. In the month of June, jet fuel prices rose by 0.2% over the previous month (+5.3% YoY), closing at USD 100.7 per barrel. The jet fuel crack spread remained at 18 USD. This is a welcome development as the exceptionally wide crack spread has been putting additional pressure on airlines' thin margins.

Chart 9 – Ratio of chargeable weight rates for air cargo and container shipping, USD per kg



Source: IATA Sustainability and Economics, IATA CargoIS, Freightos Baltic Index

Similar to the evolution in the jet fuel price, the global yield for air cargo (with surcharges) registered growth in June both MoM and YoY with 0.8% and 4.7%, respectively. June therefore brought the second consecutive annual increase in the global yield after a negative streak that had started in mid-2022. However, these rising annual growth rates are primarily related to a sharply decreasing base in 2023. On the other hand, the elevated rates in maritime shipping, which are related to the repeated capacity disruptions in the sector and which led to an initial, sharp decrease in relative air cargo rates over container shipping in January, continued to ensure that air services remain substantially more competitive than they were pre-pandemic (**Chart 9**).

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TOTAL MARKET	*100.0%*	**14.1%**	**8.8%**	**2.1%**	**45.8%**	**13.4%**	**9.4%**	**1.6%**	**45.4%**
Africa	*2.0%*	11.8%	23.8%	-4.1%	38.5%	15.9%	21.4%	-2.1%	43.5%
Asia Pacific	*33.3%*	17.0%	10.7%	2.7%	49.6%	16.7%	14.5%	0.9%	45.8%
Europe	*21.4%*	16.1%	9.1%	3.0%	50.7%	14.2%	10.1%	2.0%	54.3%
Latin America	*2.8%*	13.1%	15.5%	-0.7%	33.6%	10.4%	8.8%	0.5%	36.3%
Middle East	*13.5%*	13.8%	6.9%	2.9%	47.3%	18.0%	9.5%	3.3%	46.6%
North America	*26.9%*	9.5%	6.0%	1.3%	39.8%	6.6%	2.9%	1.4%	40.1%
International	*86.6%*	**15.6%**	**10.8%**	**2.1%**	**50.8%**	**14.3%**	**12.2%**	**0.1%**	**51.1%**
Africa	*2.0%*	11.7%	22.5%	-3.8%	39.5%	15.9%	21.0%	1.9%	44.7%
Asia Pacific	*29.8%*	18.5%	15.0%	1.7%	56.0%	16.5%	18.7%	0.4%	53.8%
Europe	*21.0%*	16.2%	9.4%	3.1%	52.9%	14.4%	10.5%	0.0%	56.3%
Latin America	*2.4%*	17.2%	18.6%	-0.5%	38.1%	9.9%	10.7%	1.2%	40.6%
Middle East	*13.4%*	13.8%	6.9%	2.9%	47.7%	18.0%	9.6%	0.4%	46.9%
North America	*17.9%*	11.7%	7.2%	1.9%	47.0%	8.3%	6.3%	-1.5%	47.3%

Note 1: % of industry CTKs in 2023

Note 2: 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.

IATA Sustainability & Economics
economics@iata.org
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