

Air cargo decline slows down in February

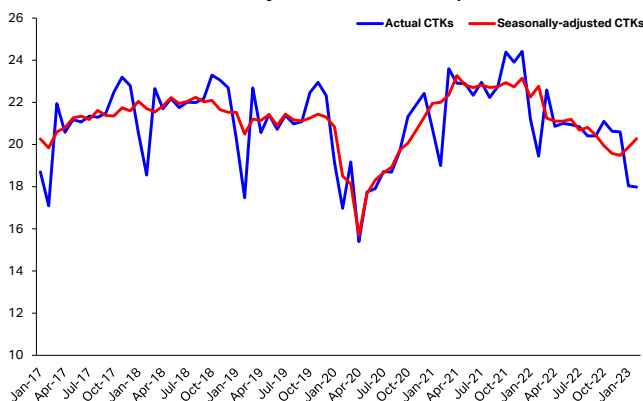
- Air cargo demand displayed resilience in February. Compared with a year ago, cargo tonne-kilometers (CTKs) were 7.5% lower, a significant improvement from the 14.9% annual decline in January.
- Global air cargo capacity, measured by available cargo tonne-kilometers (ACTKs), grew 8.6% year-on-year (YoY). This growth was driven by the return of passenger aircraft belly-hold capacity in international markets, which increased 57.0% YoY and recovered 75.1% of pre-pandemic capacity in February.
- International air cargo traffic saw varied performance across regions, with Africa and North America maintaining their lead in the recovery of cargo traffic. China's reopening played a significant role in improving the performance of Asia-related route areas.

Air cargo traffic decline slowed in February

The annual decline in industry-wide cargo tonne-kilometers (CTKs) slowed in February, falling 7.5% from last year's levels. At half the rate of the annual decline in the previous two months, this marks a substantial improvement in performance (**Chart 1**). Air cargo traffic surpassed pre-pandemic CTKs for the first time in eight months, growing 2.9% over February 2019 levels.

February is typically a slow month for air cargo demand. Adjusting for the regular monthly volatility in the historical data, seasonally adjusted (SA) CTKs indicate that air cargo volumes continued their 2.0% month-over-month (MoM) increase from January, reversing declines that persisted in the four months ending 2022.

Chart 1 Global Industry CTKs (billions per month)

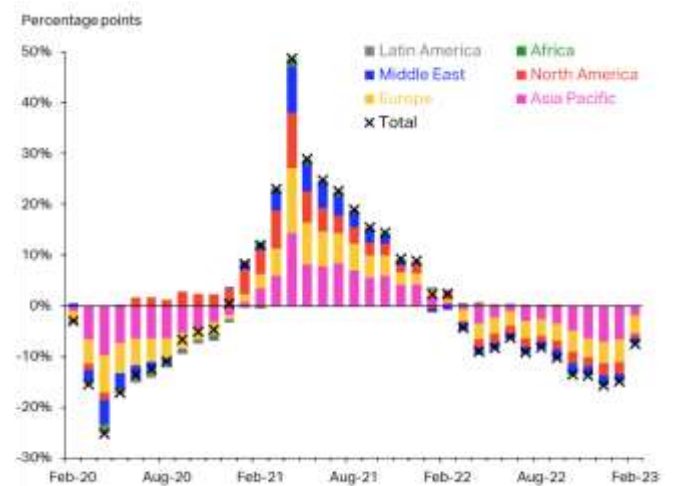


Sources: IATA Economics, IATA Monthly Statistics

International CTKs contracted 8.3% YoY in February, slightly faster than the industry-wide cargo traffic decline.

The weakening cargo demand over the recent period has been broad-based, with declines across all regions (**Chart 2**). The past year's contractions in the global industry CTKs reflect a decline from the strong performance of air cargo that began early in 2021 and ended in February 2022.

Chart 2 Regional contributions to YoY CTK growth



Sources: IATA Economics, IATA Monthly Statistics

Weakness in global trade stabilizes and key drivers support cargo demand

Demand for air cargo faces increasing headwinds from the current economic environment. Although the annual growth in global inflation is slowing, the general price

Air cargo market overview - February 2023

	World share ¹	February 2023 (% year-on-year)				February 2023 (% ch vs the same month in 2019)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-7.5%	8.6%	-7.9%	45.6%	2.9%	1.3%	-2.2%	45.6%
International	86.8%	-8.3%	7.8%	-9.3%	52.8%	2.4%	-1.8%	-0.8%	52.8%

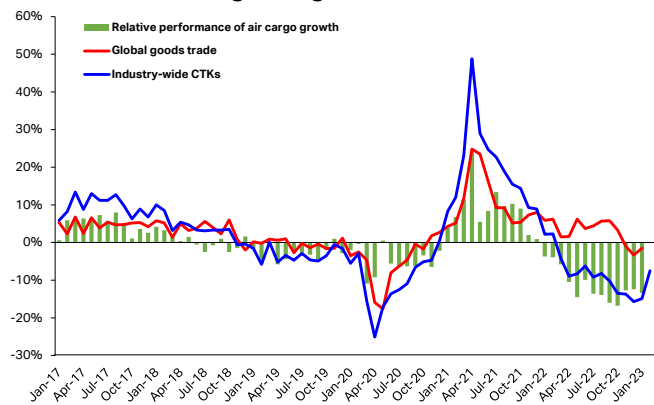
¹% of industry CTKs in 2022

²Change in load factor

³Load factor level

level has increased and will continue to diminish the purchasing power of consumers. This impacts overall consumption and global trade. As shown in **Chart 3**, global goods trade sustained its annual decline for a third month in a row in January, albeit at a slower rate than the previous month. The decline in air cargo traffic also steadied in January, attenuating the relative performance of air cargo growth. Further improvement in the performance of CTKs in February suggests strengthening in global trade and potential progress in the relative importance of air cargo in global trade.

Chart 3 Growth in global goods trade and CTKs (YoY)

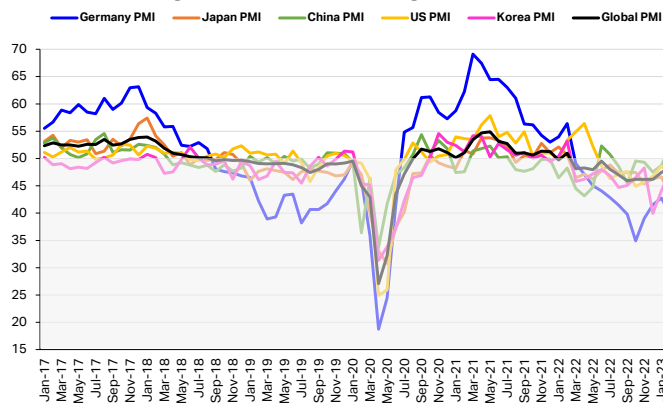


Sources: IATA Statistics, Netherlands CPB

Given the strong ties between manufacturing activity and air cargo demand, we closely monitor the new export orders component of the global manufacturing Purchasing Managers Index (PMI).

In February, the PMIs for new export orders continued their improving trends across the countries under consideration. A slight improvement was observed in the PMI values for most countries, with China surpassing the key 50-mark, which signals an expansion in its export market. Korea also saw an improvement to 47.8, while Germany, Japan, and the US continued to experience more contractions in their export markets (**Chart 4**).

Chart 4 Global new export orders, component of the manufacturing PMI (50 = no change, SA)

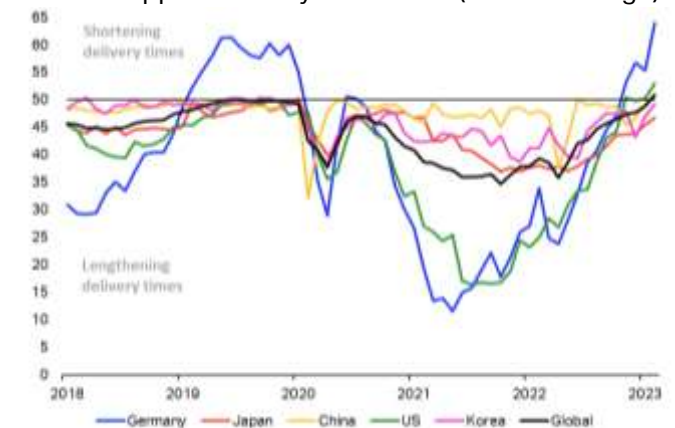


Sources: Markit

These trends suggest that while some countries are experiencing growth in their export markets, others are still struggling to recover. The global PMI increased slightly from 47.5 in January to 48.3 in February, remaining below the 50-mark and indicating a slower but continuing contraction in global export markets.

New export orders continued to fall by 5.3% YoY in February, slower than the annual declines that were in the 9%-range for most of last year when global supply chains were strained. In addition, supplier delivery times have shortened, particularly in the US and Germany but also in other tracked countries, pushing the global supplier delivery times PMI slightly above the critical 50-mark (**Chart 5**). The shortened supplier delivery times could have a negative impact on air cargo demand, as shippers may seek alternative transportation modes that are cheaper and slower to transport goods.

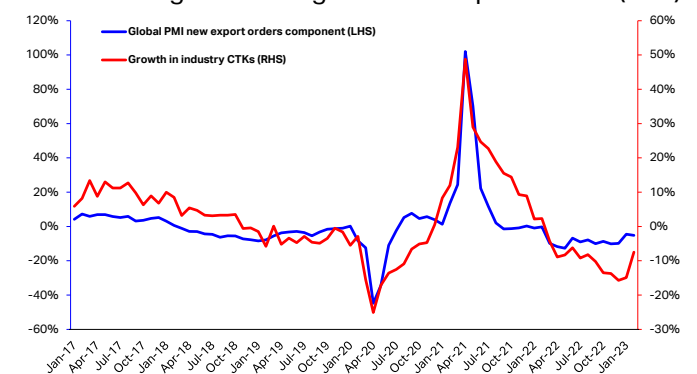
Chart 5 Supplier delivery times PMIs (50 = no change)



Source: Markit

The historical contractions and expansions in the PMI for global new export orders exhibit consistent trends with industry wide CTKs (**Chart 6**). The data suggest that the global trade environment and the air cargo industry remain interlinked, with both sectors continuing to face challenges in the current economic environment. Although we see the beginning of an improvement trend early in 2023, it is important to monitor these trends closely to determine if a more sustained recovery is underway.

Chart 6 CTK growth and global new export orders (YoY)

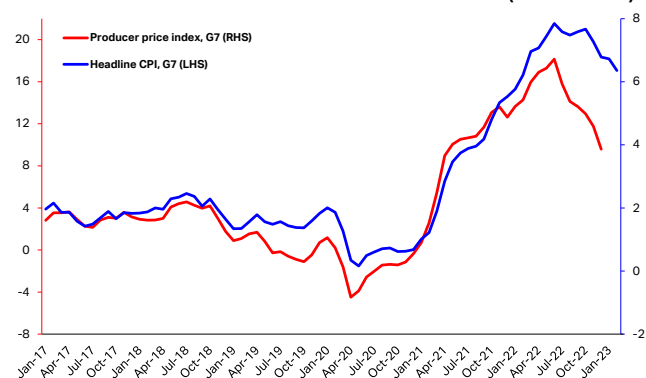


Sources: IATA Economics, IATA Monthly Statistics, Markit

Inflation slowed further in February

The global oil price decline has led to a decrease in year-on-year inflation rates for the G7 countries, as evidenced by the headline Consumer Price Index (CPI), which fell to 6.4% in February from its peak of 7.8% in June 2022. Producer prices, measured by the Producer Price Index (PPI), have also followed suit, retreating by 8.6 percentage points (ppts) from their June 2022 peak to reach 9.6% in December (**Chart 7**).

Chart 7 G7 headline CPI and PPI inflation (% ch YoY)



Source: Refinitiv Eikon

In contrast, core inflation rates, which exclude volatile components such as energy and food prices, have remained relatively stable, hovering around the 5% mark for the past three months. This persistence suggests a continued high level of prices across various sectors.

Global crude oil prices have been trending downward since the peak reached during the onset of the war in Ukraine, averaging USD 83 per barrel (bbl) in February, lower than the January figures. Following refinery capacity adjustments and the typical reduction in travel demand during the winter season, jet fuel demand has cooled down, and jet fuel crack prices have eased from USD 52 per bbl in January to USD 33 per bbl in February, with the downward trend persisting. As a result, jet fuel prices averaged USD 116 per bbl in February.

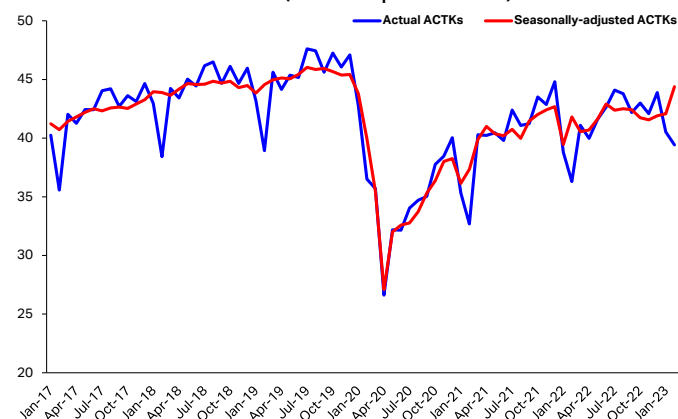
Cargo capacity continues to outpace demand

Gathering more pace in February, global air cargo capacity – measured by available cargo tonne-kilometers (ACTKs) – grew 8.6% YoY (**Chart 8**).

As passenger flights return on international markets that are reopening in various regions, the belly-hold cargo capacity of passenger carriers continues to drive the increase in industry ACTKs. International ACTKs for belly-hold cargo grew 57.0% YoY in February, reaching 75.1% of their 2019 capacity. Dedicated cargo international capacity declined by 9.3% YoY, consistent with the weakening demand for air cargo. The increased capacity from the passenger

side of the business continued to drive industry cargo load factors down to 45.6% in February, 7.9 ppts below the previous year's load factors.

Chart 8 Global ACTKs (billions per month)

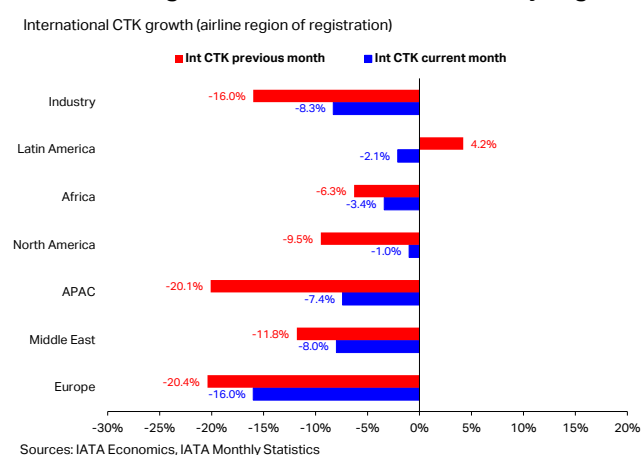


Sources: IATA Economics, IATA Monthly Statistics

International CTKs declined across all regions

Consistent with trends in the global air cargo market, international CTKs contracted by 8.3% YoY. The decline was broad-based across all regions including **Latin America**, where carriers had registered positive CTK growth in January (**Chart 9**).

Chart 9 YoY growth in international CTKs by region



Sources: IATA Economics, IATA Monthly Statistics

Despite the annual decline in February, compared to January, several regions have shown signs of resilience. **Africa, Asia Pacific, Europe, and the Middle East** have all experienced a substantial improvement in their YoY growth rates from January to February 2023. This indicates that these regions are overcoming the seasonal slump and are well-positioned in the global air cargo market for future growth.

The improvement in the **Asia Pacific** region's YoY growth rate can be partially attributed to China's reopening, as restrictions were lifted and economic activities resumed, bolstering the air cargo industry in the broader region.

The annual growth in international air cargo traffic for **Latin America** has been on a downward trend since its peak in April 2022, and has witnessed its first contraction

since March 2021. On a brighter note, despite the downturn, the region’s overall performance remains relatively stable.

North America stands out in the international air cargo landscape, with a significant increase in its YoY growth rate from January to February 2023. The region has maintained a strong presence in the industry, even during the seasonally slow month of February. These improvements have placed its market share in international air cargo traffic above pre-pandemic levels (21.7% in Feb 2023 versus 18.2% in Feb 2019).

Although international air cargo performance is weak, some regions are bucking the trend and keeping their cargo traffic levels above pre-pandemic levels. **Africa** and **North America** have maintained their lead in the recovery of cargo traffic and have grown their CTKs compared with the levels in 2019, amidst a challenging economic environment. In contrast, cargo volumes for **Asia Pacific**, **Europe** and **Middle East** carriers have dipped below their pre-crisis levels in 2022 and continue to lag behind the rest of industry.

Asia trade lanes improve amidst mixed results for others

The year-on-year growth of international air cargo by different route areas peaked in mid-2021, before descending gradually across various trade lanes through the end of 2022.

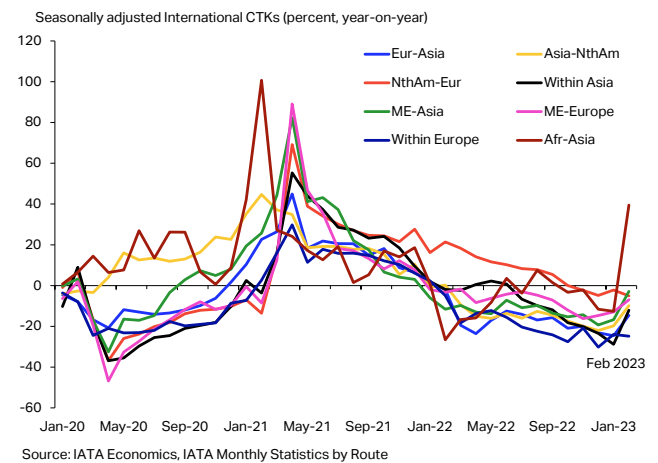
The latest update in February 2023 saw a shift in several regions. **Europe to Asia**, **Asia to North America**, and **Within Asia** route areas experienced a

significant improvement in their growth rates compared to previous months. Although they still remain in the negative territory, a significant factor contributing to the improvement in Asia-related route areas is China's reopening, where the lifting of restrictions has stimulated economic activity and trade in the region (**Chart 10**).

Most notably, the **Africa to Asia** route area experienced significant cargo demand growth in February. Jumping to 39.5% YoY, this was highest growth rate for this particular route since January 2020.

It is important to note that despite some recent improvements, many routes still show negative YoY growth rates, suggesting that there is still room for further recovery in the international air cargo market.

Chart 10 Seasonally adjusted YoY growth of international CTKs by route area



Air cargo market in detail - February 2023

	<i>World share</i> ¹	February 2023 (% year-on-year)				February 2023 (% ch vs the same month in 2019) ³			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-7.5%	8.6%	-7.9%	45.6%	2.9%	1.3%	0.7%	45.6%
Africa	2.0%	-3.4%	4.7%	-3.9%	46.8%	31.4%	0.1%	11.2%	46.8%
Asia Pacific	32.4%	-6.0%	19.9%	-12.8%	46.4%	3.1%	1.6%	0.7%	46.4%
Europe	21.8%	-15.3%	-1.5%	-9.4%	57.4%	-9.6%	-16.2%	4.2%	57.4%
Latin America	2.7%	-2.7%	27.6%	-11.2%	36.1%	-3.4%	-12.5%	3.4%	36.1%
Middle East	13.0%	-8.1%	9.3%	-8.4%	44.5%	-5.8%	-0.8%	-2.4%	44.5%
North America	28.1%	-3.2%	2.8%	-2.5%	40.0%	18.8%	17.0%	0.6%	40.0%
International	86.8%	-8.3%	7.8%	-9.3%	52.8%	2.4%	-1.8%	2.2%	52.8%
Africa	2.0%	-3.4%	3.7%	-3.6%	48.0%	33.1%	2.1%	11.2%	48.0%
Asia Pacific	29.7%	-7.4%	13.0%	-12.5%	56.7%	4.8%	-1.0%	3.1%	56.7%
Europe	21.5%	-16.0%	-2.4%	-9.6%	59.3%	-10.3%	-17.0%	4.5%	59.3%
Latin America	2.3%	-2.1%	38.3%	-17.1%	41.4%	-2.4%	-5.7%	1.4%	41.4%
Middle East	13.0%	-8.0%	9.5%	-8.5%	44.8%	-5.7%	-0.7%	-2.4%	44.8%
North America	18.4%	-1.0%	7.1%	-4.1%	49.8%	22.2%	16.2%	2.4%	49.8%

¹% of industry CTKs in 2022

²Change in load factor

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.

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