



Air Cargo Market Analysis

July 2021

Air cargo remains strong but the Delta variant creates risks

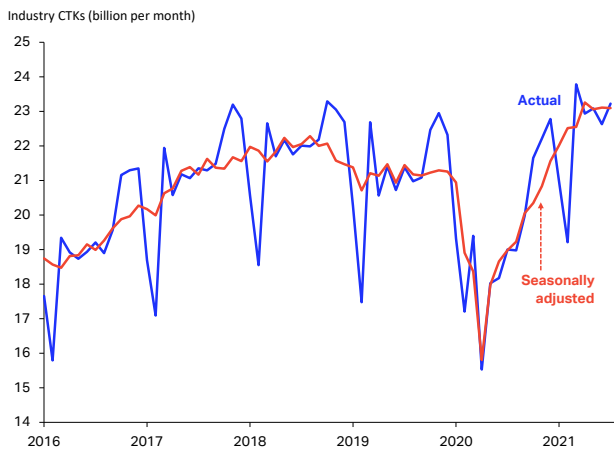
- Air cargo trends were still strong in July. Industry-wide cargo tonne-kilometres (CTKs) increased by 8.6% compared to July 2019, slightly below the growth outcome for June (9.2%). After removing seasonality from the data, CTKs have trended sideways at elevated levels in the past three months. Growth and seasonality adjusted levels were also stable in most regions, at different values.
- Supply chain conditions continue to be supportive of air cargo, in particular compared to other modes of transport. The impact of the Delta variant on supply chains and operations will likely put pressure on CTKs in August.
- Air cargo capacity continued to recover in July (down 10.3% versus July 2019), but there are also risks that improvements slow or reverse in August.

Another month of stable air cargo growth trends

July was the third consecutive months of relative stability in air cargo growth. Industry-wide cargo tonne-kilometres (CTKs) rose by 8.6% in July compared to the pre-crisis month of July 2019, a minor deterioration from the 9.2% increase in June. Growth remains dynamic compared to the long-term average (circa 4.7% at the monthly level).

Seasonally adjusted (SA) CTKs have flatlined in the past three months, with a month-on-month fall of 0.1% in July (**Chart 1**).

Chart 1: CTK levels, actual and seasonally adjusted



Sources: IATA Economics, IATA Monthly Statistics

At this stage, a significant slowdown in air cargo traffic still appears unlikely due to favourable supply chain dynamics, but the strong demand of the recent months is unwinding and the spread of the Delta

variant puts pressure on operations and economic activity.

The Delta variant is impacting supply chains...

Looking ahead, businesses and shippers are likely to be faced with strong demand for air transport during the peak cargo season in Q4. Given the currently low inventory-to-sales ratio and congested supply chains, some of them could turn to air in August or September – prior to the peak season per se – which could support CTKs. Indeed, prior to the crisis, CTKs for Q4 were on average 7% higher than CTKs for Q3.

This said, there are signs showing the spread of the Delta variant is gripping global supply chains. In South East Asia and China, COVID-19 outbreaks – accelerating in late-July – led to strict restrictions, in some cases impacting handlers at airports and forcing manufacturers to slow operations and shipments. This is likely to be more clearly reflected in the upcoming August CTKs figures.

...but drivers remain favourable to air cargo

Despite the near-term challenges, the upshot is that standard drivers of air cargo – notably those that contribute to the overperformance of air compared to other modes – remain supportive.

The new export orders component of the global manufacturing PMI has slowed in the past few months, but it remains above the 50-mark consistent with month-on-month gains (52.7 in July). Those new orders could translate into demand for air cargo in the near-term (**Chart 2**).

Air cargo market overview - July 2021

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

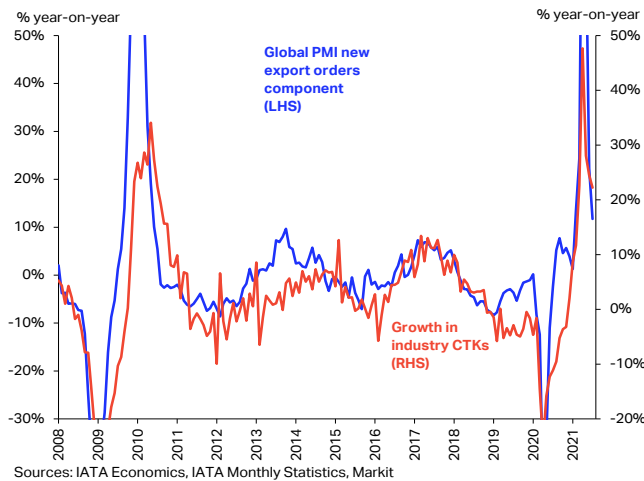
	World share ¹	July 2021 (% ch vs the same month in 2019)				July 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	8.6%	-10.3%	9.5%	54.4%	22.2%	24.9%	-1.2%	54.4%
International	85.5%	8.9%	-13.6%	13.0%	62.8%	25.7%	22.3%	1.7%	62.8%

¹% of industry CTKs in 2020

²Change in load factor vs same month in 2019

³Load factor level

Chart 2: CTKs growth vs new export orders PMI



The manufacturing output PMI also continues to trend at elevated levels (54.3 in July) highlighting that demand for goods remains robust despite the restart in services activity. Restrictions related to the Delta variant could continue to feed consumers appetite for goods.

As already pointed out, congested supply chains – due to factors such as limited operations at factories, lack of capacity or delays on most modes of transport and quarantined crews – means shipping goods takes more time than usual. This is illustrated by the record-low values on the [supplier delivery times](#) PMI – 36 at the global level in July, c.16 in the US and Germany.

Typically, this means the speed provided by air freight becomes highly valuable to businesses, providing support to CTKs. The gap between CTKs and delivery times for most of 2020 highlights that this relationship is not valid when air cargo capacity is insufficient. Recent gains in capacity mean high delivery times could be benefitting air cargo once more (**Chart 3**).

Chart 3: CTKs growth vs supplier delivery times PMI



There are additional indications that air cargo could continue to perform strongly despite risks of a slowdown in overall goods trade. Inventory-to-sales ratio remain very low ahead of the peak season,

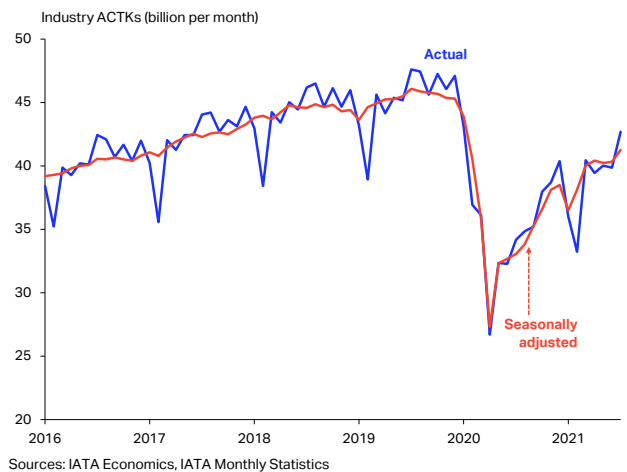
meaning businesses need air cargo in order to face the rapid increase in demand associated with upcoming large consumer events such as Black Friday.

As has been the case since mid-2020, the ratio of air cargo and container shipping fares for a unit of chargeable weight continued to fall in July. Even though shipping by air is still expensive, the favourable relative price compared to ocean could provide further incentives for businesses to shift mode.

Air cargo capacity recovers, but is threatened by Delta

Improvements in air cargo capacity continued in July, with industry-wide available cargo tonne-kilometres (ACTKs) down 10.3% compared to July 2019, after an 11.8% decline in June. Seasonally adjusted ACTKs rose by 2.3% month-on-month, the highest gain since March (**Chart 4**).

Chart 4: ACTK levels, actual and seasonally adjusted



This trend could slow or reverse in August due to the impact of the Delta variant on airport operations and international passenger traffic, notably in China, South East Asia and Europe.

International ACTKs onboard passenger aircraft were down 37.7% in July 2021 vs July 2019, a small improvement from the decline in June (40.6%). But growth in international dedicated ACTKs softened, to 26.7% compared to 2019 in July (29.6% in June).

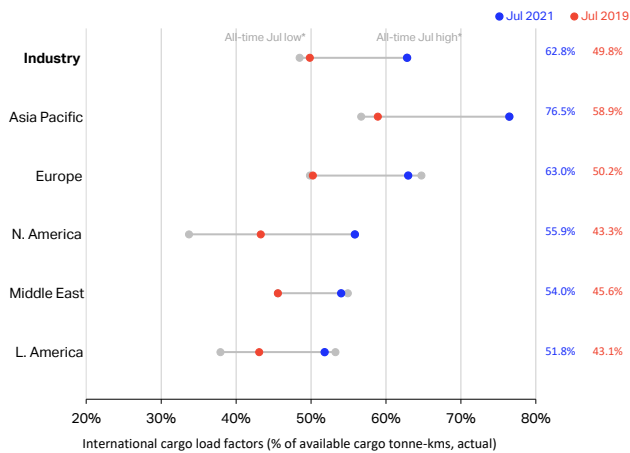
Another month of record-high load factors

In July, the industry-wide cargo load factor grew by 9.5 percentage points (ppts) compared to the same month in 2019, to reach 54.4%. This is a record-high value for any months of July, showing that the market remains exceptionally tight.

This said, the SA load factor fell by 1.3ppts month-on-month in July, the third consecutive decrease. Disruptions related to the Delta variant in August are likely to slow or reverse this downward trend, and we expect load factors to remain at elevated levels in the following months.

The international load factor was at 62.8% in July, with North America and Asia Pacific registering new all-time highs for July. International SA load factors eased in all the regions (**Chart 5**). Note that traffic data for Africa are not available at the time of publishing, although this does not affect the global aggregates. July data for Africa will be available in the August traffic update.

Chart 5: Cargo load factors by region (Africa excluded)



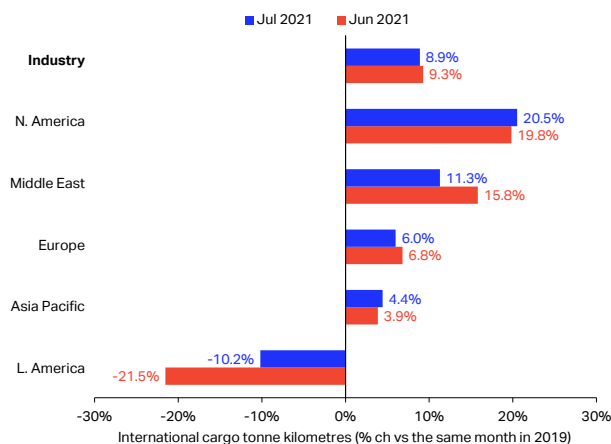
Sources: IATA Economics, IATA Monthly Statistics

International air cargo stable in most regions

International cargo tonne-kilometres increased by 8.9% in July 2021 vs July 2019, down from 9.3% in June. SA volumes dropped by 0.2% month-on-month. Growth trends were stable in most regions, except in the Middle East where there was a moderate slowdown to 11.3% in July 2021 vs July 2019, and in Latin America, where traffic improved (**Chart 6**).

As for other traffic metrics, international CTKs for Africa are not available at the time of publishing.

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



Sources: IATA Economics, IATA Monthly Statistics

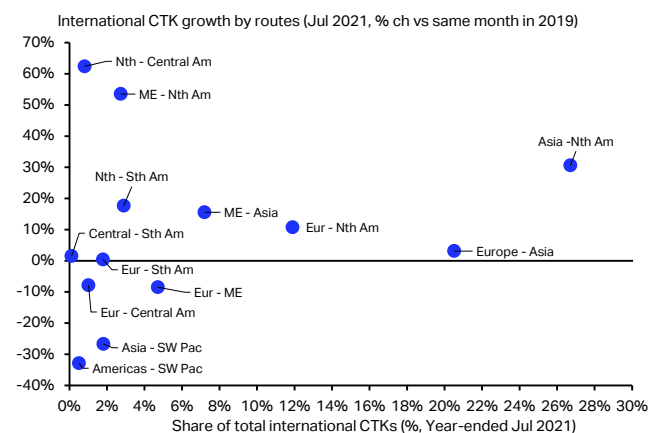
Airlines based in **North America** topped the international growth chart this month, with international CTKs up 20.5% compared to July 2019. This is in line with growth of recent months, but the SA

trend has gone sideways in the past three or four months.

Drivers such as new export orders and supplier delivery times remain highly supportive in North America, and capacity is less limited than elsewhere thanks in part to large freighter fleets.

International CTKs growth of carriers based in the **Middle East** moderated in July, to 11.3% compared to July 2019 after a 15.8% increase in June. Here as well, the SA trend has flattened out, but some routes are still posting strong performance – for example, CTKs on the large Middle East – Asia trade lane are up 15.5% in July 2021 vs July 2019 (**Chart 7**).

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



Sources: IATA Economics, IATA Monthly Statistics by Route

Growth performance of European and Asian airlines followed similar trends in July. For **Europe**, international CTKs grew by 6.0% in July 2021 vs July 2019, while international CTKs rose by 4.4% over the same interval in **Asia Pacific**. In both cases, that was similar to the outcomes for June. Both regions have seen flat SA movements in the past few months.

Manufacturing activity, orders and supplier delivery times are still favourable to air cargo in Europe. But growth momentum in key indicators in Asia has been easing, partly due to a slowdown in the strong economic activity of recent months, and by congested supply chains.

International CTKs of airlines registered in **Latin America** fell by 10.2% in July 2021 versus July 2019, after a 21.5% drop in June. That said, the comparison with pre-crisis traffic levels has been highly volatile in recent months in the region. Several trade routes to/from Latin America (segment-based) are performing well, such as Nth-Central Am, Nth-Sth Am and Eur-Sth Am, confirming that demand for air cargo in the region is recovering from the crisis.

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 31st August 2021

Air cargo market detail - July 2021

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

	World share ¹	July 2021 (% ch vs the same month in 2019)				July 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	8.6%	-10.3%	9.5%	54.4%	22.2%	24.9%	-1.2%	54.4%
Asia Pacific	32.6%	1.2%	-19.8%	13.6%	65.4%	22.5%	19.5%	1.6%	65.4%
Europe	22.3%	6.1%	-14.1%	11.3%	59.8%	28.2%	25.1%	1.5%	59.8%
Latin America	2.4%	-9.8%	-17.7%	3.4%	38.7%	34.3%	56.8%	-6.5%	38.7%
Middle East	13.0%	11.3%	-6.1%	8.4%	53.6%	30.4%	33.0%	-1.1%	53.6%
North America	27.8%	21.2%	1.8%	7.1%	44.3%	12.7%	24.5%	-4.6%	44.3%
International	85.5%	8.9%	-13.6%	13.0%	62.8%	25.7%	22.3%	1.7%	62.8%
Asia Pacific	29.1%	4.4%	-19.5%	17.6%	76.5%	24.7%	18.0%	4.1%	76.5%
Europe	21.9%	6.0%	-15.4%	12.7%	63.0%	28.6%	24.6%	2.0%	63.0%
Latin America	2.0%	-10.2%	-25.3%	8.7%	51.8%	31.5%	32.3%	-0.3%	51.8%
Middle East	13.0%	11.3%	-6.1%	8.4%	54.0%	30.4%	32.5%	-0.9%	54.0%
North America	17.5%	20.5%	-6.6%	12.6%	55.9%	19.8%	18.0%	0.8%	55.9%

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-July 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%	-12.4%	10.7%	57.4%	International	8.3%	-14.0%	13.4%	64.9%
Asia Pacific	0.3%	-21.3%	14.2%	65.8%	Asia Pacific	3.8%	-21.1%	18.3%	76.5%
Europe	5.6%	-15.8%	13.0%	64.3%	Europe	5.4%	-16.0%	13.5%	66.7%
Latin America	-18.7%	-31.6%	6.6%	41.3%	Latin America	-20.2%	-37.1%	11.3%	53.5%
Middle East	12.2%	-10.6%	11.8%	58.3%	Middle East	12.2%	-10.3%	11.8%	58.7%
North America	19.8%	1.3%	7.3%	47.3%	North America	19.4%	-1.3%	9.7%	56.3%

¹% of industry CTks in 2020

²Change in load factor vs same period in 2019

³Load factor level

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