

Air Cargo Market Analysis

September 2021

Air cargo volumes stable at an elevated level

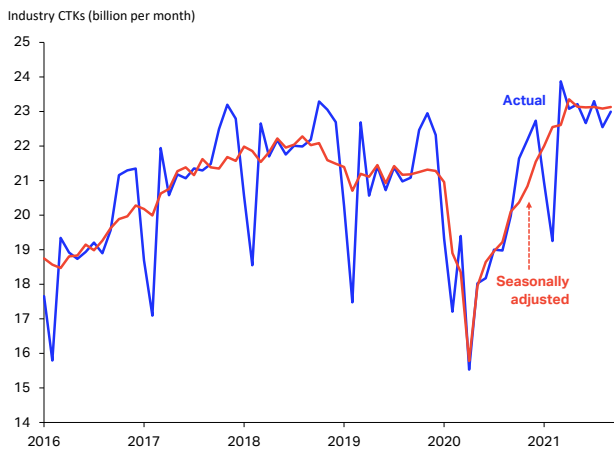
- The period of stability at elevated air cargo volumes continued in September, with industry-wide cargo tonne-kilometres (CTKs) growing by 9.1% compared to September 2019. This was an improvement compared to the 7.5% increase in August, but seasonally adjusted (SA) CTKs only increased marginally month-on-month.
- Trends on the main drivers of air cargo are tangled currently. The upshot is that trade and manufacturing activity are impacted by supply chain issues, but air cargo benefits from its speed, which helps meeting peak season demand and will allow it to continue to overperform global goods trade.
- Cargo capacity improved in September, but is still 8.9% below 2019 levels. Load factors remain close to record-highs and cargo yields are now trending upwards. This continues to provide welcome support to airlines' revenues.

Air cargo volume have been stable at high levels

The air cargo market remained broadly stable in September. Industry-wide cargo tonne-kilometres (CTKs) rose by 9.1% in September 2021 versus the same month in 2019, after a 7.5% increase in August.

After adjusting for seasonal patterns, CTKs were a modest 0.2% higher in September 2021 compared to August 2021. This extends a series of months without any clear direction in the trend of air cargo volumes, with seasonally adjusted (SA) CTKs remaining slightly below the all-time high reached in April 2021 (**Chart 1**).

Chart 1: CTK levels, actual and seasonally adjusted



At the regional level, the Middle East and Asia Pacific were the only contributors to the small month-on-month improvement. SA CTKs in Europe were unchanged from August, and other regions posted month-on-month falls in SA CTKs.

Air cargo market overview - September 2021

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

	World share ¹	September 2021 (% ch vs the same month in 2019)				September 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	9.1%	-8.9%	9.1%	55.3%	15.1%	18.1%	-1.5%	55.3%
International	85.5%	9.4%	-11.0%	11.7%	62.6%	18.4%	18.8%	-0.2%	62.6%

¹% of industry CTKs in 2020

²Change in load factor vs same month in 2019

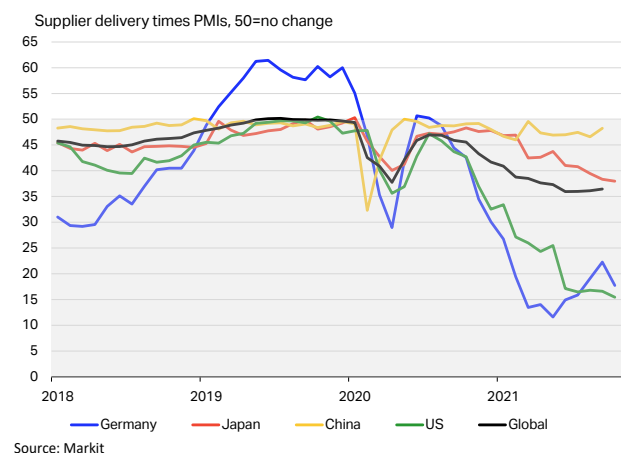
³Load factor level

Supply chain congestion is the main concern...

The key story currently for air cargo is the significant congestion on supply chains. Strong demand for goods, combined with COVID control measures, have disrupted production at manufacturers. As there is not enough capacity for shipments on most modes of transport, this translates into long delivery times and delays. Moreover, key inputs such as semiconductors are difficult to get, meaning there is a second impact on goods that use them, such as phones.

This is illustrated by unusually low values in the supplier delivery times PMI, where a value below 50 indicates that it takes more time for businesses to receive inputs from their suppliers. The metric reached an all-time low in the US in October (15.45), and globally in June, at 35.95 (**Chart 2**).

Chart 2: Supplier delivery times component of the manufacturing PMI



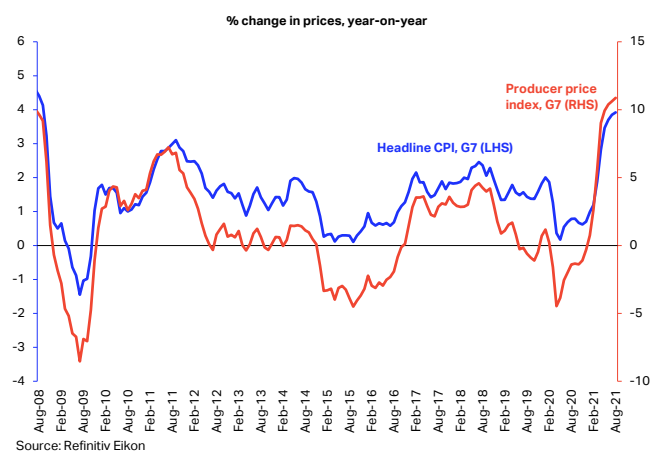
The usual interpretation from long supplier delivery times is that some businesses may turn to air freight, in order to get the goods they need more rapidly, at a premium. Currently low inventory-to-sales ratio tell a similar story.

In addition to that, air cargo fares – although they are high and have trended upwards in recent weeks – are still relatively affordable compared to container shipping. In September, it was on average three times more expensive to send a kilogram of chargeable weight using air compared to ocean, compared to 12.5 times more prior to the crisis.

...leading to inflation and lower manufacturing output

Normally, the above trends are positive for air cargo, but current supply side issues mean the impact is uncertain. One of the roadblocks is the strong increases in prices, both for businesses and consumers. The G7 producer prices, which measure the input costs paid by producers, rose by 10.8% year-on-year in August, the largest increase since the series started in 1983. Consumer prices inflation for all items was at 4.3% in September, the highest increase since 2008 (Chart 3).

Chart 3: Year-on-year changes in producer and consumer prices, G7



A related consequence is the downward trend in manufacturing output and new export orders. The corresponding PMIs still point to month-on-month increases globally (levels above 50), but the pace has slowed, and the peak of the recovery has passed. In China in particular, both the new export orders and manufacturing output PMIs have been below 50 for 2 consecutive months in September.

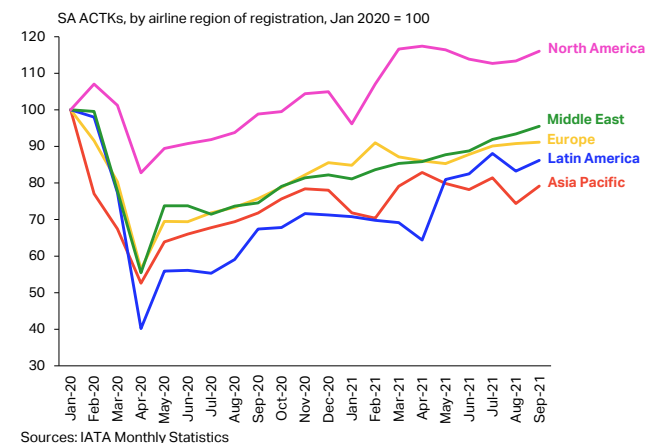
The upshot from this tangled situation is that trade and manufacturing are impacted by supply issues despite resilient demand. In the meantime, air cargo benefits from its speed and relative affordability, which will allow it to continue to overperform overall goods trade. But air cargo growth could still weaken if global demand falls significantly.

Looking forward, the backlog of order and strong demand for goods typically associated with year-end consumer events such as Single’s Day and Black Friday will maintain pressures on supply chains. The speed afforded by air cargo is likely to be crucial to meet the associated demand.

Global cargo capacity improved in September

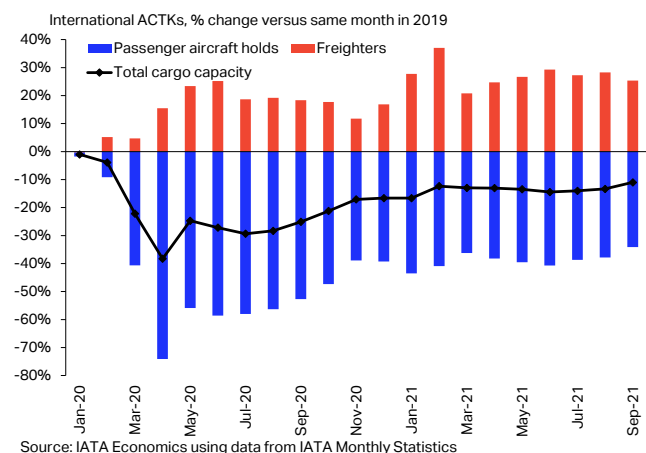
Industry-wide available cargo tonne-kilometres (ACTKs) dropped by 8.9% in September 2021 vs September 2019. This was better than the 12.7% fall in August, and SA ACTKs also rose by 3.0% month-on-month, the best outcome since March 2021. The improvement in air cargo capacity was broad based across the regions. But Asia Pacific contributed the most. Indeed in August, travel restrictions and airport closures related to Delta outbreaks in China led to a fall in capacity, which was partly reverted in September (Chart 4).

Chart 4: SA ACTKs by region of airline origin



ACTKs onboard dedicated freighters were still significantly above pre-crisis values (25.3% in September 2021 vs September 2019), but there was a moderation compared to August (a 28.3% gain). Capacity in the belly of passenger aircraft improved to a 34.1% decline in September, the most resilient outcome since the crisis started (Chart 5).

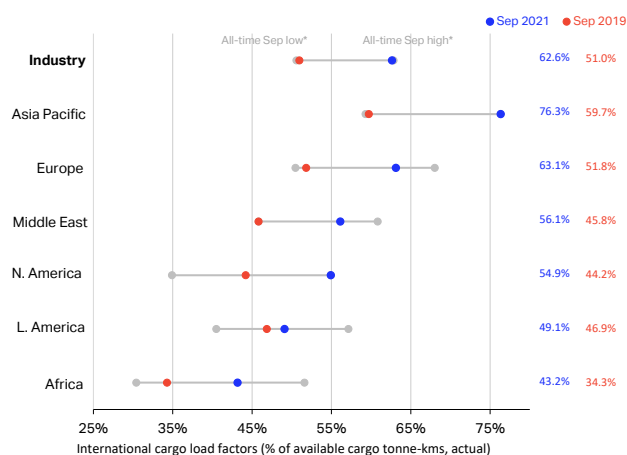
Chart 5: SA ACTKs by region of airline origin



Load factors remain elevated ahead of peak season

The industry-wide cargo load factor (CLF) was at 55.3% in September, 9.1 percentage points (ppts) above its September 2019 value. The international CLF was at 62.6%, in line with the September 2020 value (62.8%) and 11.7ppts above September 2019 (Chart 6).

Chart 6: Cargo load factors by region of registration

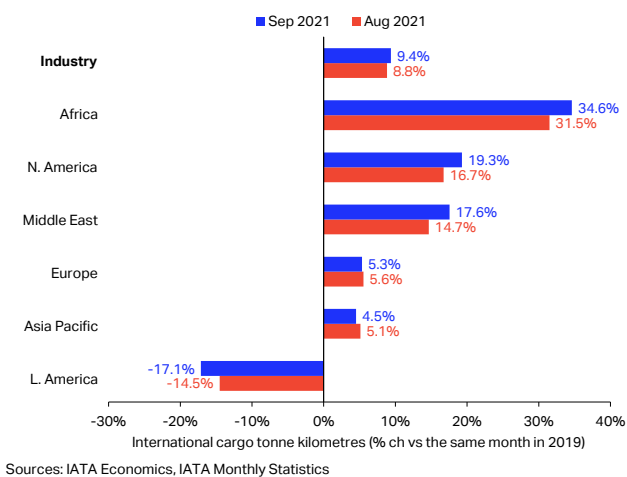


Despite the stabilization in industry-wide load factors, air cargo yields have been climbing up since July, and are now more than twice as high as prior to the pandemic. With the strong CTAs performance, this translates into significant and well-needed air cargo revenues for the airlines.

International air cargo also trending sideways

Global international CTAs rose by 9.4% in September 2021 vs the same month in 2019, up from an 8.8% gain in August. SA levels have been flat for the past four months, in line with the industry-wide trend (Chart 7).

Chart 7: Int'l CTK growth versus the same month in 2019 (airline region of registration)



African airlines grew at the fastest rate among the regions for the ninth consecutive months (34.6% in September vs pre-crisis 2019 levels). In SA terms, CTAs are more than 20% above their pre-crisis peak (Nov 2019), but the trend has broadly gone sideways for the past six months or so.

In September, airlines based in North America posted a 19.3% increase in their international CTAs compared to September 2019. Manufacturing output and new export orders PMIs remain above 50 in the US despite a downward trend, and long supplier delivery times combined with low inventories provide incentives for firms to use air freight. That said, SA CTAs have declined in the past few months, and are below a peak reached in April 2021.

Middle Eastern carriers also performed strongly in September, with international CTAs rising by 17.6% vs the same month in 2019. The region was the only one to see a month-on-month increase in SA international CTAs (2.3%).

International CTAs of airlines in Europe and Asia Pacific performed similarly in September, with gains compared to September 2019 of respectively 5.3% and 4.5%, in both cases a slight deterioration from August.

In Europe, manufacturing output and new export orders remain supportive, despite a downward trend as supply chain congestion bites. Among the key trade lanes to/from the region, CTAs improved on the large North Atlantic market (up 6.9% vs September 2019) but performance on other routes was weaker.

Asia Pacific faced a mixed bag of supply chain disruptions, slowing manufacturing activity in China, but improving cargo capacity. Despite that, the load factor remains the highest among the regions at 76.3%, and international ACTAs are still 21.7% below September 2019 levels. Looking ahead, the decision of some countries in the region to gradually remove travel restrictions should be a tailwind for capacity.

There was no improvement in international CTAs carried by Latin American airlines in September. The fall compared to 2019 levels worsened to 17.1%, from 14.5% in August. SA volumes have gone up and down in recent months, and airlines in the region are still engaged in a lengthy restructuring process.

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Air cargo market detail - September 2021

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

	World share ¹	September 2021 (% ch vs the same month in 2019)				September 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	9.1%	-8.9%	9.1%	55.3%	15.1%	18.1%	-1.5%	55.3%
Africa	2.0%	32.8%	4.6%	9.1%	42.8%	19.2%	31.0%	-4.2%	42.8%
Asia Pacific	32.6%	-0.2%	-21.0%	14.1%	68.0%	15.7%	10.5%	3.1%	68.0%
Europe	22.3%	5.9%	-12.4%	10.4%	60.4%	20.1%	20.1%	0.0%	60.4%
Latin America	2.4%	-15.7%	-15.0%	-0.3%	37.0%	8.7%	28.2%	-6.7%	37.0%
Middle East	13.0%	17.6%	-4.1%	10.3%	55.8%	18.5%	28.3%	-4.6%	55.8%
North America	27.8%	22.6%	4.0%	6.8%	44.7%	9.2%	17.7%	-3.5%	44.7%
International	85.5%	9.4%	-11.0%	11.7%	62.6%	18.4%	18.8%	-0.2%	62.6%
Africa	2.0%	34.6%	6.9%	8.9%	43.2%	19.3%	30.5%	-4.0%	43.2%
Asia Pacific	29.1%	4.5%	-18.2%	16.6%	76.3%	21.4%	18.0%	2.2%	76.3%
Europe	21.9%	5.3%	-13.5%	11.3%	63.1%	19.9%	19.8%	0.1%	63.1%
Latin America	2.0%	-17.1%	-20.9%	2.2%	49.1%	6.4%	19.8%	-6.2%	49.1%
Middle East	13.0%	17.6%	-4.0%	10.3%	56.1%	18.4%	28.4%	-4.7%	56.1%
North America	17.5%	19.3%	-4.0%	10.7%	54.9%	13.2%	10.9%	1.1%	54.9%

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-September 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	8.2%	-11.8%	10.5%	56.8%	International	8.7%	-13.5%	13.1%	64.3%
Africa	31.6%	-3.0%	12.6%	48.0%	Africa	33.2%	-0.7%	12.3%	48.5%
Asia Pacific	0.3%	-22.0%	14.9%	66.7%	Asia Pacific	4.2%	-21.0%	18.6%	76.8%
Europe	5.5%	-14.9%	12.2%	62.9%	Europe	5.3%	-15.5%	12.9%	65.5%
Latin America	-17.7%	-28.2%	5.1%	40.4%	Latin America	-19.2%	-33.8%	9.4%	52.2%
Middle East	13.0%	-10.4%	12.1%	58.1%	Middle East	13.1%	-10.2%	12.0%	58.5%
North America	20.7%	2.2%	7.1%	46.5%	North America	20.1%	-1.0%	9.8%	55.6%

¹% of industry CTks in 2020

²Change in load factor vs same period in 2019

³Load factor level

¹% of industry CTks in 2020

²Change in load factor vs same period in 2019

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