

Air Cargo Market Analysis

October 2021

Air cargo remains historically high amid disparate drivers

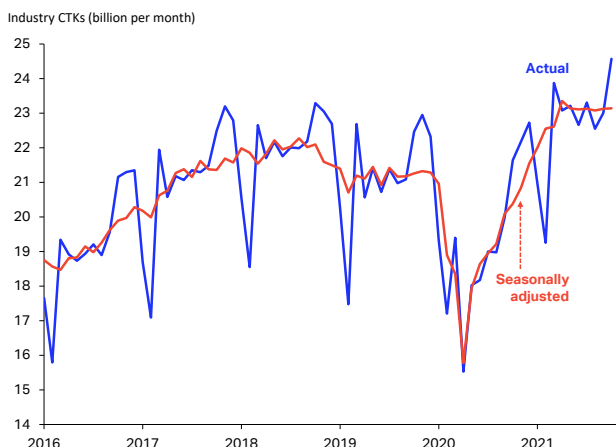
- Industry-wide cargo tonne-kilometres (CTKs) grew by 9.4% in October 2021 compared to the same month in 2019. Air cargo volumes have trended sideways for the past six months or so, at elevated levels.
- The economic drivers of air cargo are currently disparate, with a slowdown in manufacturing activity and trade caused by issues such as congestion and input and labour shortages. However, those metrics are still broadly supportive, and air cargo benefits from favourable supply chain conditions, notably the need of businesses to rapidly get goods.
- Cargo capacity improved for the second consecutive month in October, with global available cargo tonne-kilometres (ACTKs) down 7.2% versus pre-crisis. This means load factors also eased somewhat in October.

October was another month of strong CTKs growth

Despite the start of the peak air cargo season, there was only a marginal uptick in air cargo volumes growth in October. Industry-wide cargo tonne-kilometres (CTKs) rose by 9.4% in October 2021 versus October 2019. Growth was at 9.1% in September, and overall, air cargo performance has stayed fairly constant for the past six months or so.

Seasonally adjusted (SA) CTKs have also trended sideways recently, increasing by 0.1% month-on-month in October. The upshot is that monthly air cargo volumes remain close to all-time highs and most of the gains compared to 2019 happened earlier (**Chart 1**).

Chart 1: CTK levels, actual and seasonally adjusted



Sources: IATA Economics, IATA Monthly Statistics

The balanced air cargo outcome this month was driven by mixed performance across the regions. Asia Pacific was the main positive contributor, while CTKs in the

Middle East deteriorated the most. In those markets, total SA CTKs respectively rose by 1.8% and dropped by 4.4%, month-on-month.

Manufacturing weakens but is still supportive...

Supply chain congestion, input and labour shortages as well as the related inflation impact demand for goods, and contribute to an ongoing slowdown in manufacturing activity globally.

Inflation, in particular, is worryingly high, with the consumer price index for all items up 4.1% year-on-year in September in the G7 group of consumption-intensive countries. In the US, the same metric was up 6.2% year-on-year in October, while it rose 4.2% in the UK and 4.4% in the EU.

Global goods trade and industrial production have both trended lower in recent months, but in September 2021 remained respectively 3.1% and 2.1% above pre-crisis levels, a resilient outcome.

What is more, the European Commission survey of assured production shows manufacturers in the region have close to five months of production covered by current orders, indicating manufacturing activity in the EU will remain supportive of trade and air cargo in the near future.

The output and new export order components of the manufacturing PMI – both strongly correlated with air cargo growth – have come off their Q2 2021 peaks. This said, both metrics remain above the 50-mark consistent with monthly gains (**Chart 2, overleaf**).

Air cargo market overview - October 2021

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

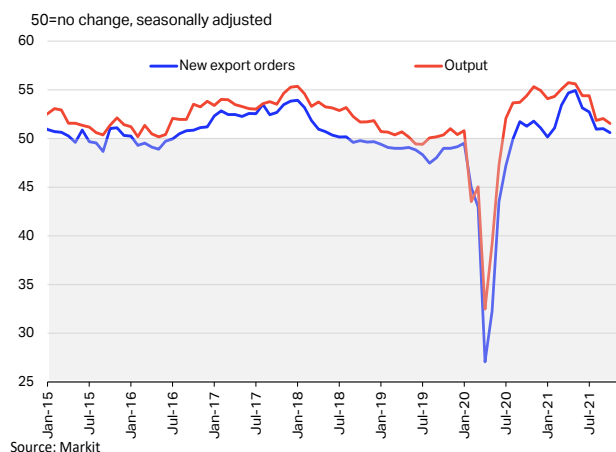
	World share ¹	October 2021 (% ch vs the same month in 2019)				October 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	9.4%	-7.2%	8.5%	56.1%	13.5%	15.6%	-1.0%	56.1%
International	85.5%	10.4%	-8.0%	10.7%	64.1%	16.4%	16.8%	-0.2%	64.1%

¹% of industry CTKs in 2020

²Change in load factor vs same month in 2019

³Load factor level

Chart 2: Output and new export orders components of the global manufacturing PMI

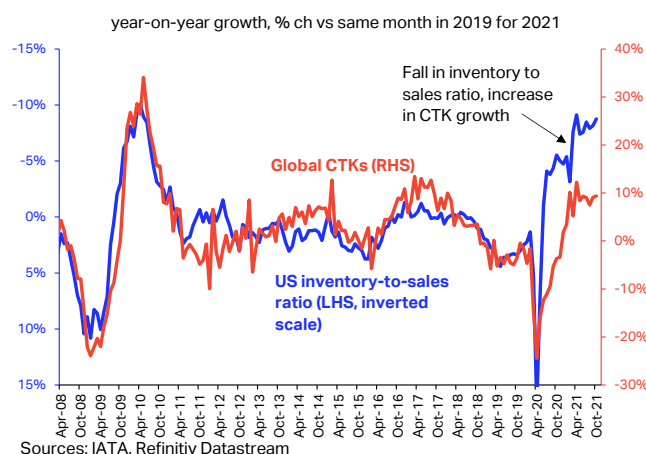


...and air cargo is still attractive for businesses

CTKs have now overperformed global goods trade for nine consecutive months, on account of favourable supply chain dynamics and as is typical during economic upturns. This is likely to continue over the next few months for several reasons.

Key year-end consumer events such as Christmas and Black Friday mean businesses need to ensure they have sufficient stocks of goods on hand. The US inventory-to-sales ratio, which was 8.8% below 2019 levels in October, indicates that many firms do not have those stocks, giving them incentives to turn to air freight to rapidly meet demand. Even if demand was to fall after those events, firms would still need to restock (Chart 3).

Chart 3: US inventory-to-sales ratio, global CTKs



Besides, supplier delivery times remain exceptionally high – the corresponding global purchasing managers' index (PMI), which is inverted, was at an all-time low of 34.8 in October – further inviting firms to use air cargo to avoid receiving their goods too late.

The urgency of demand for air cargo, and the lack of capacity, mean that air cargo rates have been on the rise for four consecutive months. In October, SA rates

including surcharges rose by 3.3% month-on-month, and were above the May 2020 peak. Despite this, air cargo remains affordable in historical perspective compared to container shipping, as has been the case since the start of 2021.

To sum up, although manufacturing activity and trade are slowing, they remain resilient so far. Besides, air cargo still has strong arguments in its favour compared to other modes of transport, which is why it currently overperforms global goods trade, despite capacity issues and rising cargo rates.

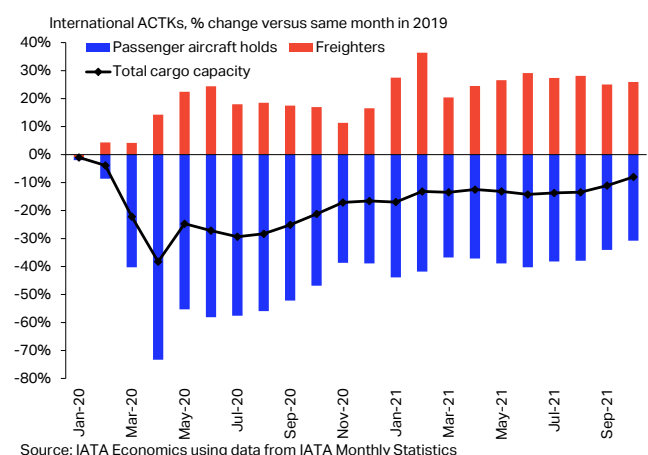
Global cargo capacity improved again in October...

There was a second consecutive month of strong gains in air cargo capacity in October, as industry-wide available cargo tonne-kilometres (ACTKs) were 7.2% below October 2019 levels in October 2021. In September, the fall versus 2019 had been at 8.8% (12.5% in August).

In SA terms, there was a 1.3% month-on-month increase in global ACTKs in October, largely driven by improvements in Asia Pacific (4.7%) and Europe (2.0%). This is likely to have contributed to the solid performance of CTKs in October.

The upswing in capacity in the past two months was entirely driven by ACTKs onboard passenger aircraft – 'freighters' included. The fall compared to pre-crisis level reduced from 37.9% in August to 30.7% in October (Chart 4).

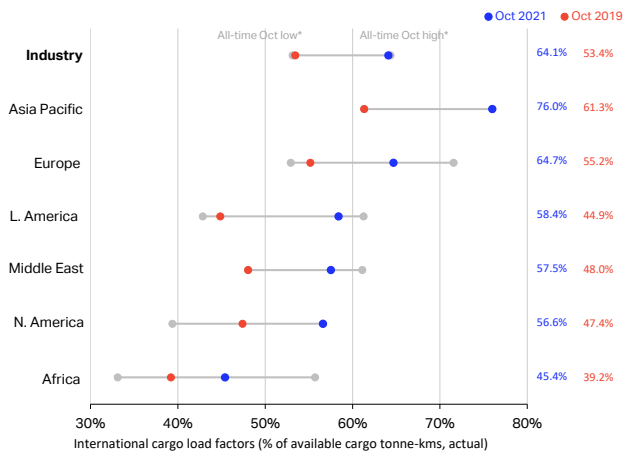
Chart 4: SA ACTKs by region of airline origin



... pushing load factors down

The improvement in ACTKs led to a modest easing of the industry-wide cargo load factor (CLF), which was at 56.1% in October 2021, 8.5 percentage points (ppts) above October 2019 levels. The difference with pre-crisis levels had been at 9.1 ppts in September. SA CLF also dropped by 0.7 ppts, the second consecutive decline. The international CLF was at 64.1% in October, in line with October 2020 (Chart 5).

Chart 5: Cargo load factors by region of registration



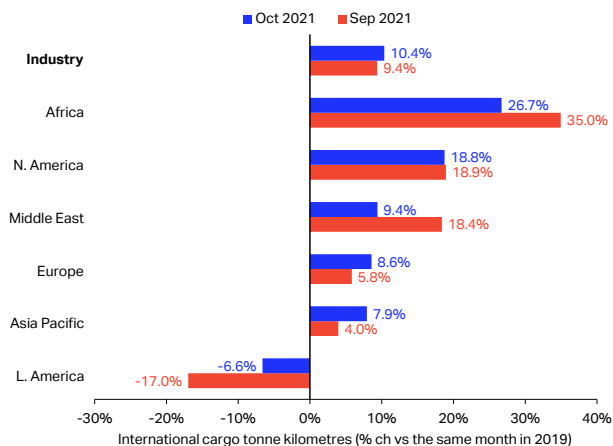
Sources: IATA Economics, IATA Monthly Statistics

Most of the month-on-month decline was driven by Asia Pacific (1.8ppts lower) and Europe (1.3ppts lower), regions where capacity improved in October.

International CTKs grew faster than the industry total

There was a 10.4% increase in international CTKs in October 2021 versus the same month in 2019, slightly more than the industry-wide rate of growth. Performance was mixed across the regions, with strong gains in Europe, Asia Pacific and Latin America partly offset by deteriorations in Africa and the Middle East (Chart 6).

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



Sources: IATA Economics, IATA Monthly Statistics

In October, African airlines posted a 26.7% increase in international cargo volumes versus 2019, a deterioration from the 35.0% increase in September. SA CTKs have been mostly flat for the past six months or so.

Airlines based in North America registered an 18.9% growth in their international CTKs in October 2021 versus 2019, unchanged from September. Most of the growth was realized in H2 2020 and H1 2021 and SA CTKs in fact fell by 0.4% month-on-month in October.

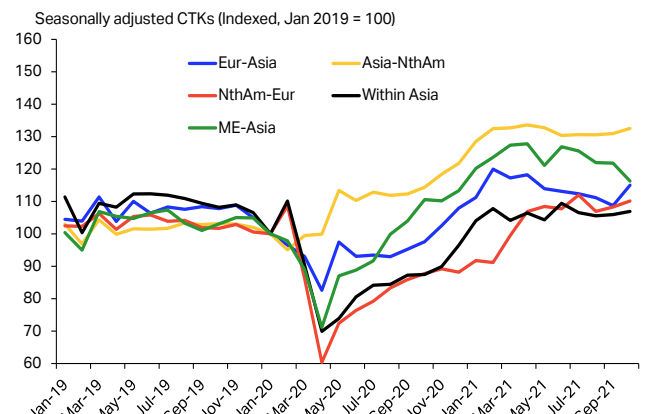
On the one hand, persistently strong inflation (6.2% in October) and slowing manufacturing activity and new export orders in the US threaten to impact demand for air cargo. But US retail sales are proving resilient (up 1.7% month-on-month in October) and supplier delivery times are also particularly high, making air freight attractive for businesses there.

There was a large deterioration in international CTKs growth for carriers in the Middle East, from 18.4% in September to 9.4% in October, compared to 2019. This was driven by deteriorations in traffic on several key routes, such as Middle East-Asia and Middle East-Nth America.

For European airlines, international CTKs growth improved from 5.8% in September to 8.6% in October, when compared with pre-crisis levels. Manufacturing activity is resilient but slowing down, and inflation is increasing, although less than in the US.

Airlines based in Asia Pacific saw their international CTKs rise by 7.9% in October 2021 versus the same month in 2019, following a 4.0% growth rate in September. The large Europe-Asia market was an important contributor to the above, partly because the reopening of some international passenger routes. Indeed, belly cargo capacity between Europe and Asia was down only 28.3% on 2019 levels in October, compared to 37.9% in September, which is likely to have supported volumes carried (Chart 7).

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



Source: IATA Economics, IATA Monthly Statistics by Route

Carriers in Latin America registered a 6.6% decline in international CTKs in October compared to the same month in 2019, a marked improvement from the 17.0% fall a month earlier. Based on segments rather than airlines' region of registration, several routes such as Nth-Sth America (up 22.2% in October) are performing well, suggesting that airlines in the region have lost market shares to other carriers.

Air cargo market detail - October 2021

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

	World share ¹	October 2021 (% ch vs the same month in 2019)				October 2021 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	9.4%	-7.2%	8.5%	56.1%	13.5%	15.6%	-1.0%	56.1%
Africa	2.0%	25.9%	6.6%	6.9%	45.0%	19.6%	18.5%	0.4%	45.0%
Asia Pacific	32.6%	3.6%	-15.7%	12.3%	66.1%	17.1%	11.2%	3.4%	66.1%
Europe	22.3%	9.0%	-7.2%	9.3%	62.6%	17.9%	19.4%	-0.8%	62.6%
Latin America	2.4%	-5.8%	-22.7%	7.5%	42.1%	7.6%	18.2%	-4.2%	42.1%
Middle East	13.0%	9.4%	-8.7%	9.5%	57.2%	9.7%	15.4%	-3.0%	57.2%
North America	27.8%	18.6%	3.1%	5.9%	44.9%	7.8%	16.9%	-3.8%	44.9%
International	85.5%	10.4%	-8.0%	10.7%	64.1%	16.4%	16.8%	-0.2%	64.1%
Africa	2.0%	26.7%	9.4%	6.2%	45.4%	19.7%	18.1%	0.6%	45.4%
Asia Pacific	29.1%	7.9%	-12.9%	14.7%	76.0%	22.1%	21.6%	0.3%	76.0%
Europe	21.9%	8.6%	-7.4%	9.5%	64.7%	17.8%	19.6%	-1.0%	64.7%
Latin America	2.0%	-6.6%	-28.3%	13.5%	58.4%	5.9%	11.1%	-2.9%	58.4%
Middle East	13.0%	9.4%	-8.6%	9.5%	57.5%	9.7%	15.4%	-3.0%	57.5%
North America	17.5%	18.8%	-0.6%	9.2%	56.6%	11.6%	9.7%	0.9%	56.6%

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-October 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	8.3%	-11.3%	10.3%	56.7%	International	8.9%	-12.9%	12.9%	64.3%
Africa	31.0%	-2.0%	12.0%	47.7%	Africa	32.5%	0.3%	11.7%	48.2%
Asia Pacific	0.7%	-21.4%	14.7%	66.7%	Asia Pacific	4.6%	-20.2%	18.3%	76.8%
Europe	6.0%	-14.3%	12.0%	63.0%	Europe	5.7%	-14.6%	12.6%	65.4%
Latin America	-16.5%	-27.6%	5.4%	40.6%	Latin America	-17.9%	-33.2%	9.9%	52.9%
Middle East	12.7%	-10.3%	11.8%	58.0%	Middle East	12.7%	-10.0%	11.8%	58.4%
North America	20.4%	2.6%	6.8%	46.2%	North America	19.9%	-1.0%	9.7%	55.7%

¹% of industry CTks in 2020

²Change in load factor vs same period in 2019

³Load factor level

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