

Upward trend in air cargo traffic as inventory restocking cycle starts

- In the three months to April 2021, industry-wide cargo tonne-kilometres (CTKs) grew by 8.4% compared to pre-crisis levels in 2019. Unlike a few months ago, the strong performance is now visible in most of the main regions and trade lanes.
- Air cargo has overperformed global goods trade in the three months to April. This is partly explained by the very low inventory-to-sales ratio, which is leading to an inventory restocking cycle, a common pattern at the start of an economic upturn. Moreover, other drivers of air cargo demand are also supportive.
- Capacity continues to improve at a slow pace – industry-wide available cargo tonne-kilometres (ACTKs) fell by 11.9% versus the three months to April 2019. Air cargo fares, revenues and load factors continued to trend at elevated levels.

Market developments

- Air cargo is on a robust upward trend, with seasonally adjusted global cargo tonne-kilometres (CTKs) growing 6.2% quarter-on-quarter in the three months to April 2021. Actual CTKs were 8.4% above volumes in the same period in 2019 (and 26.3% above 2020).
- After a prolonged period of underperformance, air cargo overperformed global goods trade in the three months to April 2021. This is a common occurrence at the start of an inventory restocking cycle, and typically happens at the beginning of an economic upturn.
- While the Asia-North America rebounded earlier than most other trade routes, the air cargo recovery has now extended to most markets and regions. Traffic carried by Latin American airlines is the main exception.

Market drivers

- Recent months of data showed further strength in drivers of air cargo, with consumer and business confidence, new export orders, world trade and industrial production all posting gains. Both advanced and emerging markets are benefitting from supportive conditions, despite congestion issues in supply chains.
- Inventory levels remain particularly low, giving incentives to shippers to turn to air cargo to meet the rapidly rising demand in timely fashion. Additionally, while air cargo fares are high, they rose less than container shipping fares since mid-2020, meaning that air cargo is currently relatively affordable.

Capacity, costs and yields

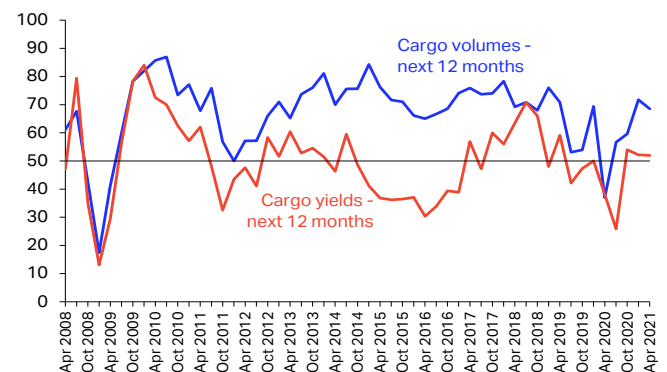
- The situation on the capacity side of air cargo has not evolved significantly in recent months. Industry-wide ACTKs were 11.9% below pre-crisis levels in the three months to April 2021, a modest improvement from the previous three months period (14.3%).
- International belly capacity remains limited and dedicated freighter capacity cannot fully compensate this, with Asia-Nth America being the main exception.
- In consequence, the market remains tight, with elevated load factors and yields. Hence cargo revenues help airlines to compensate partially the weakness on the passenger side.

Heads of cargo expect strong conditions to last

- In the early-April 2021 survey, more than half of respondents to IATA's Business Confidence Survey expected air cargo volumes to keep on rising in the coming twelve months.
- 60% of respondents think cargo yields will come off their elevated levels. But with 37% of respondents expecting further gains, the weighted score remains in territories consistent with growing yields overall.

Chart 1 – IATA survey of heads of cargo

Weighted score (50 = no change)



Source: IATA Economics

*Quarterly data

Table 1 – Key data overview

Rolling 3 month periods (unless specified otherwise)	% ch vs same period in 2019	% quarter- on-quarter
Industry-wide CTKs¹	8.4%	6.2%
North America-Asia ¹	29.8%	6.7%
Asia-Europe ¹	9.5%	10.8%
Europe-North America ¹	-7.3%	7.2%
Within Asia (int'l) ¹	-0.6%	10.2%
International Cargo Tonnes²	5.7%	10.3%
Metric tonnes flown in 3m ended Mar 2021:		10.4m
World trade volumes²	3.1%	3.5%
Global container throughput¹	8.3%	2.4%
	Level³	5-yr avg
Global PMI new export orders	54.4	49.8

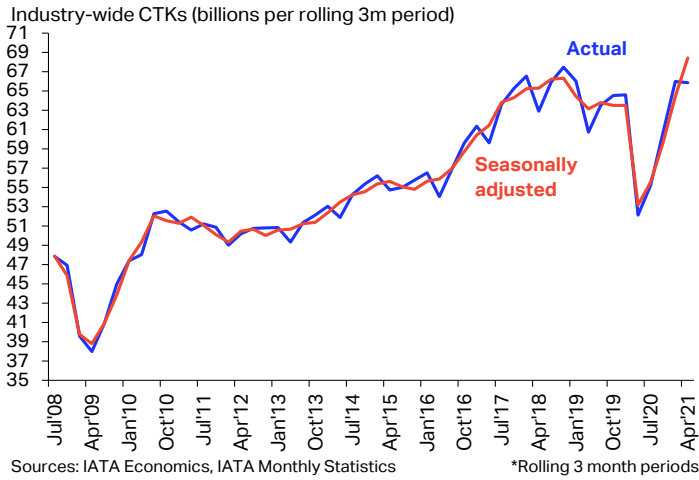
¹ 3m ended Apr 2021

² 3m ended Mar 2021

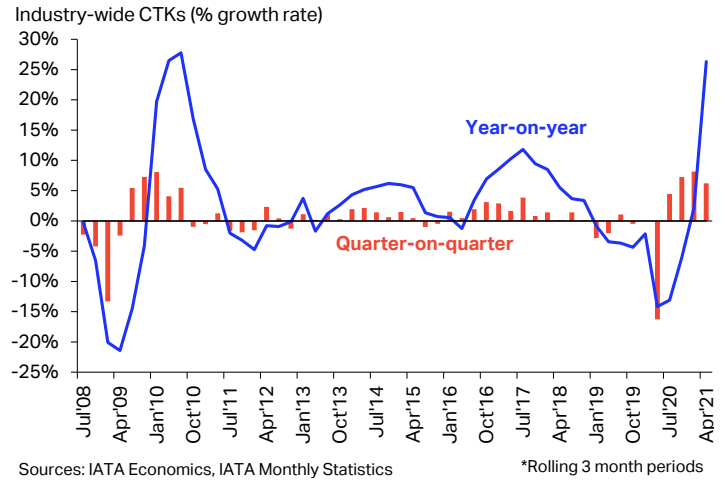
³ Average of 3m ended May 2021

Market developments

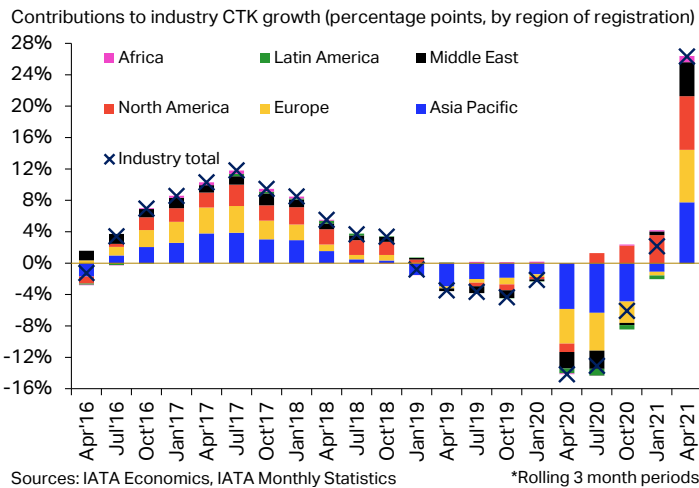
1. Air cargo traffic continues to benefit from a supportive backdrop. In the three months ended April 2021, seasonally adjusted (SA) cargo tonne-kilometres (CTKs) reached a new all-time high, roughly 3% above the previous peak in Q3 2018.



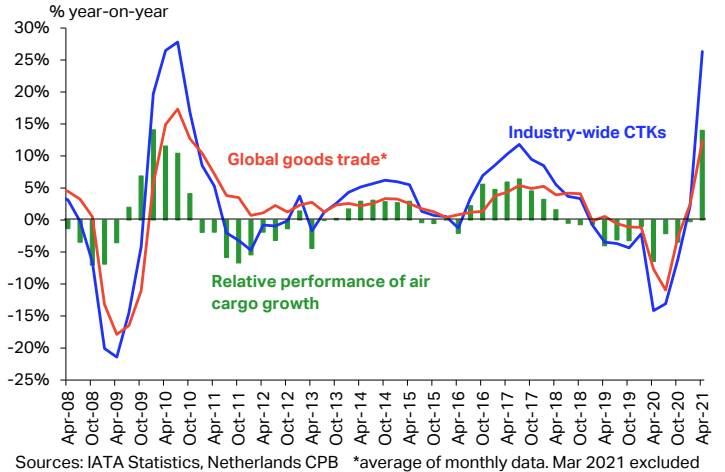
2. Quarter-on-quarter, SA CTKs rose by 6.2% in the three months to April 2021. As the nadir of cargo volumes was exactly a year ago, year-on-year growth shot up to 26.3%. More meaningfully, actual CTKs were 8.4% above the same period in 2019.



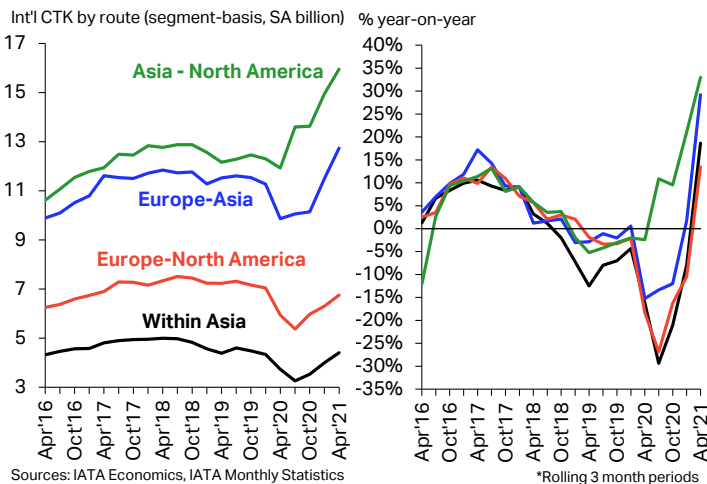
3. Most regions contributed positively to the strong cargo results, with Asia Pacific bringing the most to the year-on-year growth rate (7.7ppts). However, volumes carried by Latin American airlines remain weak, leading to a minor negative contribution.



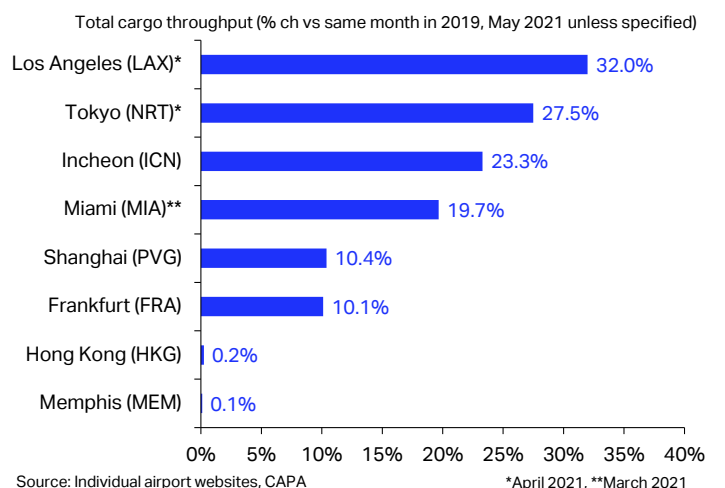
4. After a period of underperformance that started in mid-2018 and extended into the pandemic, air cargo began overperforming global goods trade again in the three months to April 2021. This is consistent with the start of an inventory restocking cycle.



5. While Asia-Nth America had been the first to restart among the four largest trade lanes, other large routes have now returned close to pre-crisis levels. Europe-Nth America and Within Asia are still below their previous peaks in 2018, by around 10-12%.

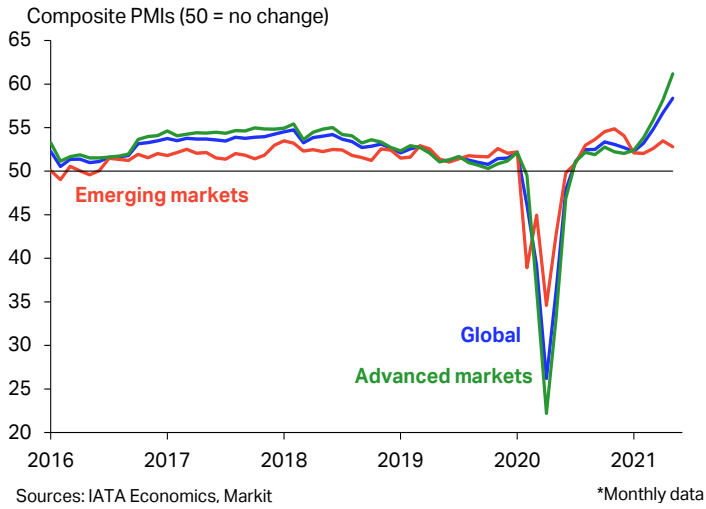


6. Most of the large air cargo hubs have benefitted from the strength in volumes. Even when compared with pre-crisis levels, many airports posted double-digit growth in recent months. MEM and HKG were weaker in May, however.

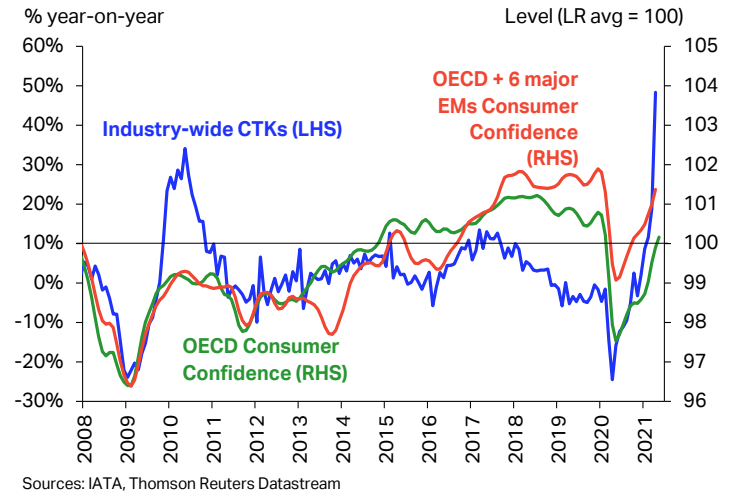


Market drivers

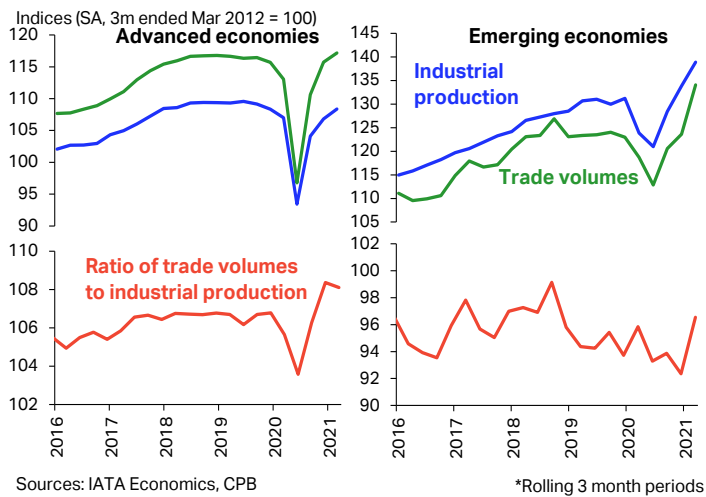
7. Business confidence remained on a strong upward trend at the global level in May. Emerging markets have flattened off however, although there is some divergence, with economies including China and India slowing, while Brazil or Russia improved.



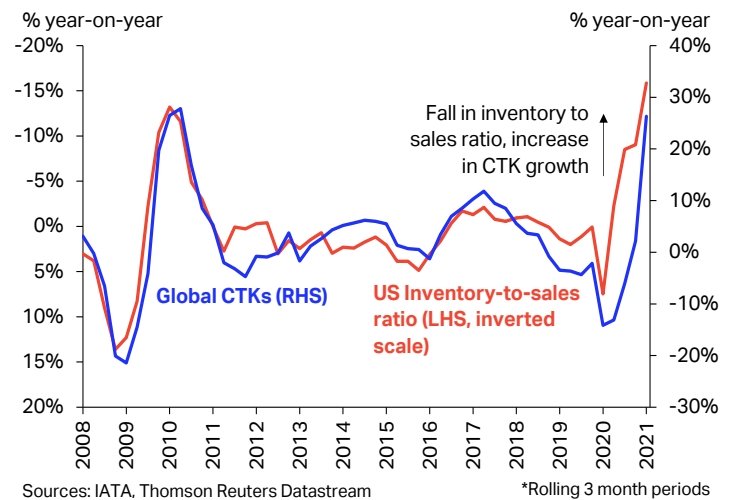
8. Progress in vaccination plans and removal of some control measures helped consumer confidence to improve. In May, consumer confidence in developed OECD countries rose above its long-term average for the first time since the crisis started.



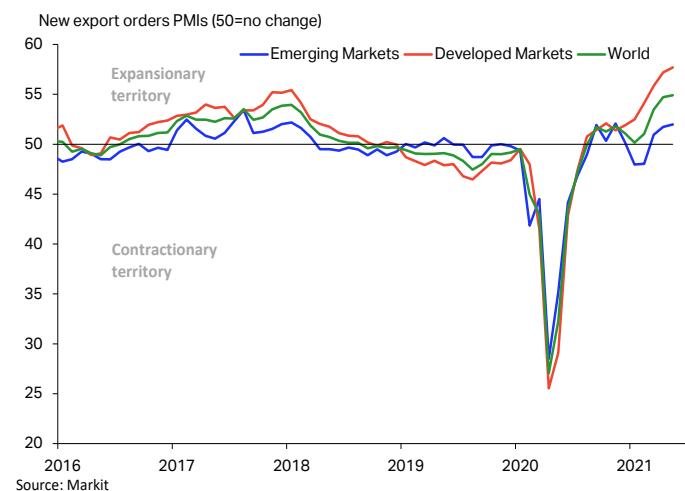
9. Economic conditions are supportive of air cargo in advanced and emerging markets. Industrial production was 1.6% above pre-crisis levels in Q1 2021, while world trade rose by 3.1% in the same interval, despite significant congestion in supply chains.



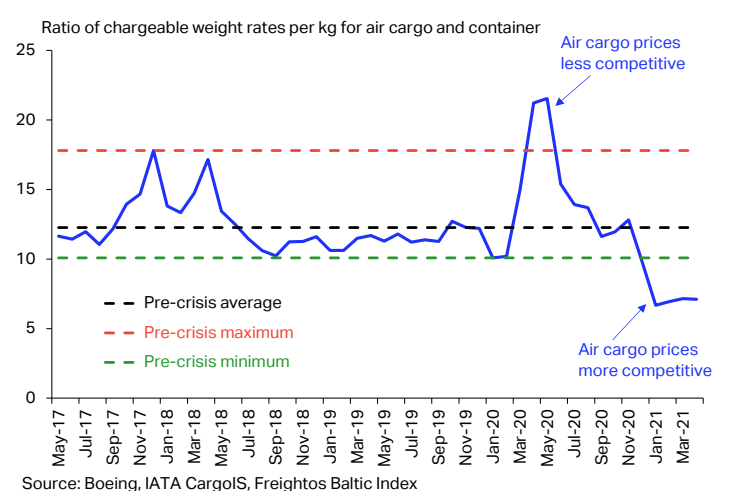
10. The inventory-to-sales ratio remained at record-lows in the three months to April 2021. Given rising demand, air cargo is attractive for shippers, which indicates the start of an inventory restocking cycle. It is likely to continue at least in the near term.



11. Despite the reopening in service activity, new manufacturing export orders remain robust, which has historically been correlated with strong CTK growth. At the global level, the new export orders PMI was at its highest point since May 2010 in May.

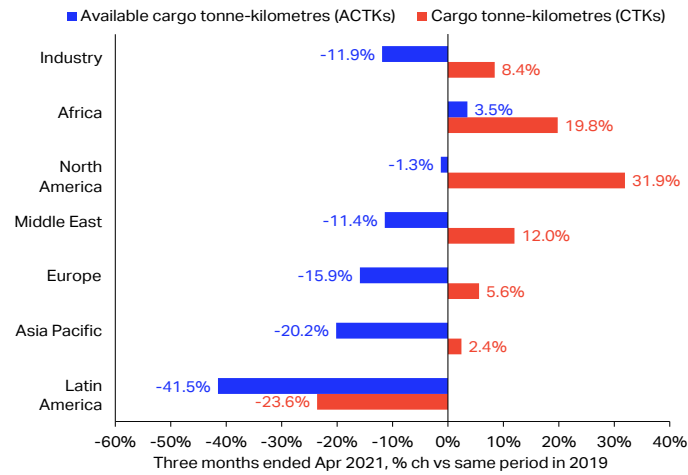


12. The grounding of passenger aircraft meant that air cargo fares spiked in Q2 2020. However, global container shipping fares rose even more since then due to severe congestion, which means that air cargo is now relatively attractive compared to ocean.

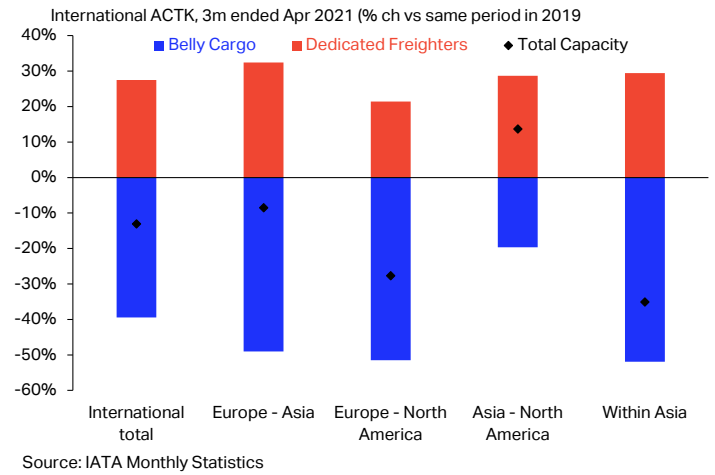


Capacity, costs, and yields

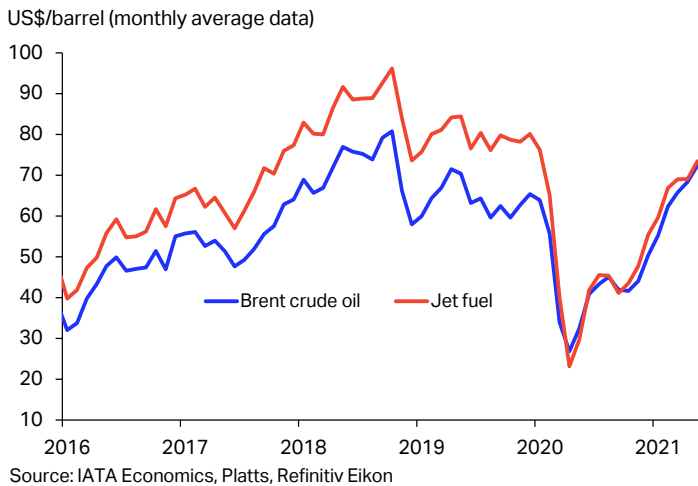
13. In the three months to April 2021, industry-wide available cargo tonne-kilometres (ACTKs) were 11.9% below pre-crisis values (down 14.3% in the three months to January). There remains a wide gap with CTKs growth rates in all regions.



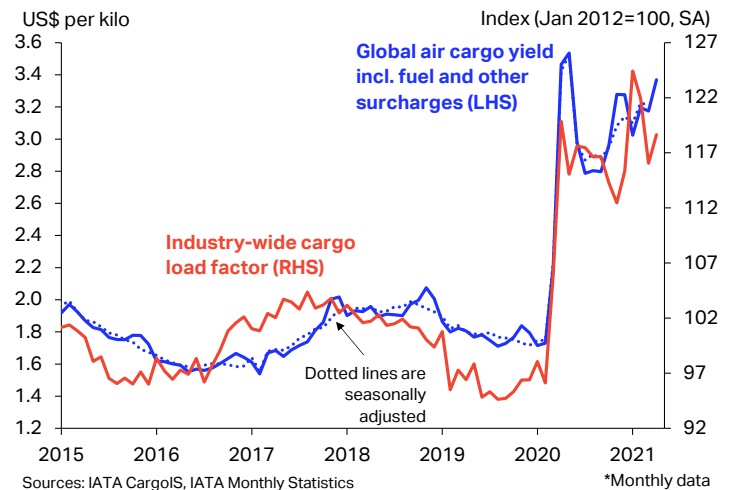
14. International belly capacity remained mostly flat in the past few months, as international passenger traffic did not restart. In most regions, this means that gains in dedicated ACTKs are not enough for total international capacity to return to 2019 values.



15. Crude oil and jet fuel prices have been trending upwards at a fast pace since Q4 2020. While the jet fuel crack spread remains insignificant, the rise in demand for energy from the economy will put upward pressure on jet fuel prices in the months ahead.



16. The combination of rapidly climbing demand and slow-to-return capacity means the air cargo market is still tensed. Load factors are close to all-time high values, while air cargo yields have trended upwards since the start of the year.



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