

Volumes lift slightly in June, but sideways trend remains

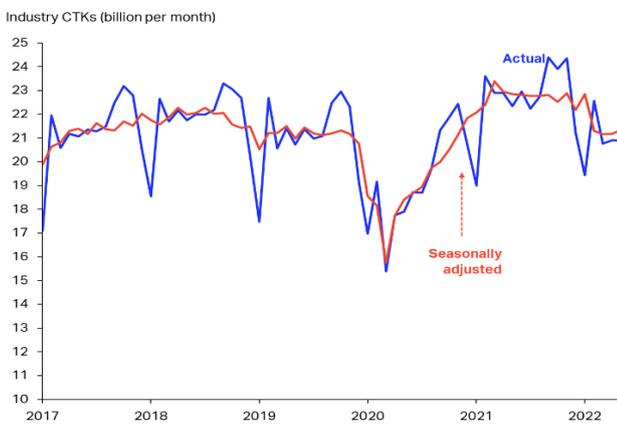
- Seasonally adjusted cargo tonne-kilometers (CTKs) increased by 0.7% in the month of June, following a flat outturn last month. Compared with a year ago, June CTKs were 6.4% lower, a modest improvement from the 8.7% decline in May. Available cargo tonne-kilometers (ACTKs) increased by 6.7% year-on-year (YoY).
- Latin America and Africa are the only two regions currently showing a YoY increase in air cargo traffic, of 19.6% and 5.7% YoY, respectively. Two consecutive solid monthly increases for Asia Pacific CTKs are positive developments, coinciding with the easing of lockdown restrictions in China.
- The easing of restrictions in China and reduced disruption in global supply chains is likely to be good news for world trade and air cargo volumes in coming months. However, the impact of high inflation and rising interest rates will work against this expected recovery.

CTK volumes continue to stabilize in June

Global cargo tonne-kilometers (CTKs) fell 6.4% YoY in June. This is a slightly better performance than in May, (-8.3% YoY).

The recent declines in seasonally adjusted (SA) air cargo volumes paused in May and showed a solid 0.7% month-on-month (MoM) gain in June (**Chart 1**). However, it is too soon to call a recovery.

Chart 1: Global CTKs seasonally adjusted (SA)



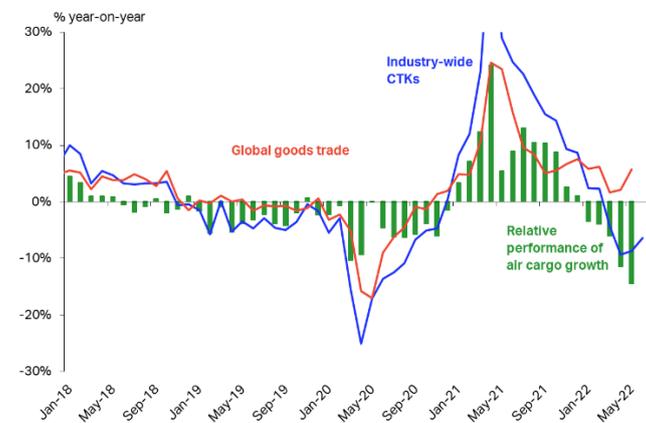
Sources: IATA Economics, IATA Monthly Statistics

Although China has eased the Omicron-related lockdowns, other headwinds including infrastructure and labour supply constraints persist. In addition, the ongoing conflict in Ukraine still affects cargo capacity, with a number of important air cargo carriers directly impacted.

Trade activity continues to rebound as supply constraints ease but mostly focused on maritime

Global goods trade recovered further in May, (**Chart 2**) due mainly to strong volumes in emerging regions such as Latin America, but also the euro area and China. Further easing of COVID-19 restrictions in China including factory re-openings will support the global trade recovery in coming months.

Chart 2: Growth in global goods trade and CTKs



Sources: IATA Statistics, Netherlands CPB

However, most of the uptake in trade is supported by maritime that has been growing in line with the global trade.

The New export orders component of manufacturing PMIs – historically a leading indicator for air cargo shipments – have softened over the first half of 2022.

Air cargo market - June 2022

	World share ¹	June 2022 (% ch vs the same month in 2019)				June 2022 (% year-on-year)			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	0.8%	-6.0%	3.3%	49.2%	-6.4%	6.7%	-6.9%	49.2%
International	87.0%	0.4%	-6.8%	3.9%	54.5%	-6.6%	9.4%	-9.4%	54.5%

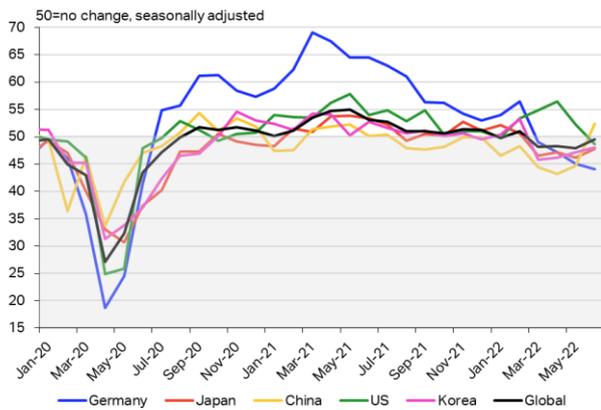
¹% of industry CTKs in 2021

²Change in load factor vs same month in 2019

³Load factor level

Except for China, new export orders for the world's main manufacturers are currently below 50 – the level which typically denotes expansion in manufacturing output from contraction. The magnitude of the decline in both Germany and the US in recent months is significant (**Chart 3**). The abrupt reversal of fortunes in China over a similar period is also clear.

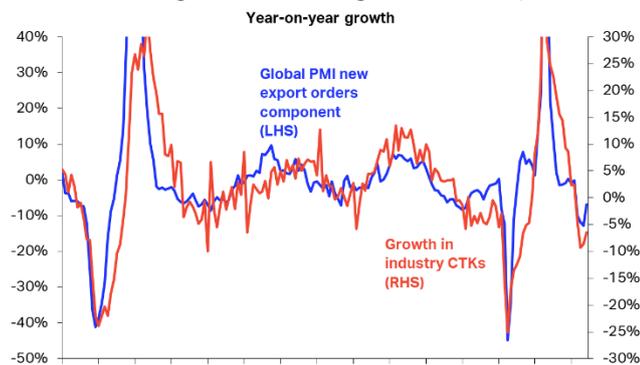
Chart 3: New export order manufacturing PMIs



Source: Markit

The historical relationship between the global PMI for new export orders and industry-wide CTKs suggests that weak YoY CTK outcomes may persist in the near-term (**Chart 4**).

Chart 4: CTK growth versus global new export orders

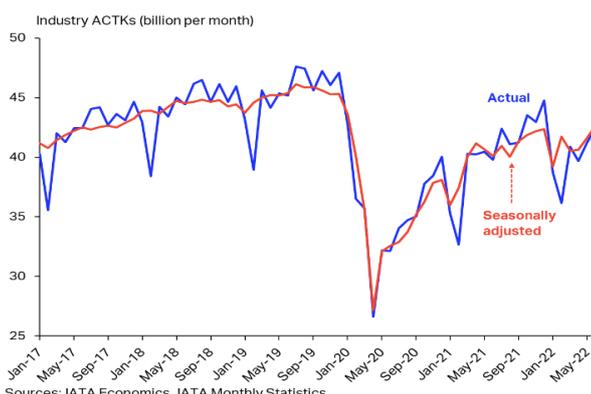


Sources: IATA Economics, IATA Monthly Statistics, Markit

Air cargo capacity continues to grow

Global available cargo tonne-kilometers (ACTKs) rose by 6.7% YoY in June, continuing to increase, after the short-lived 1.4% YoY decline in April (**Chart 5**).

Chart 5: ACTK levels, actual and seasonally adjusted



Sources: IATA Economics, IATA Monthly Statistics

Air cargo capacity increased in all regions over the year to June, in part reflecting the increase in belly capacity as the number of passenger flights continue to recover.

YoY capacity growth ranged from 5.6% for European and North American airlines, to 6.2% for Asia Pacific carriers, 6.7% for the Middle East and then double-digit growth of 10.3% for Africa and 29.5% for Latin American airlines.

With capacity outstripping demand, the industry-wide cargo load factor eased back below 50% for the first time since early 2020. At 49.2% in June, the industry CLF was 6.9 percentage points (ppts) lower than its level of a year ago.

Asia Pacific has the highest cargo load factor across all regions currently at 60.8%, a full 10pp gap to the next best performer, Europe at 50.7%. Europe is also the region which has seen the largest decline in its load factor over the past twelve months, down a sizeable 11.2pp.

The current load factor performance of airlines from The Americas lags that of the other regions. For Latin American carriers, the CLF is just 38.3%, while for North American airlines it is 40.4%.

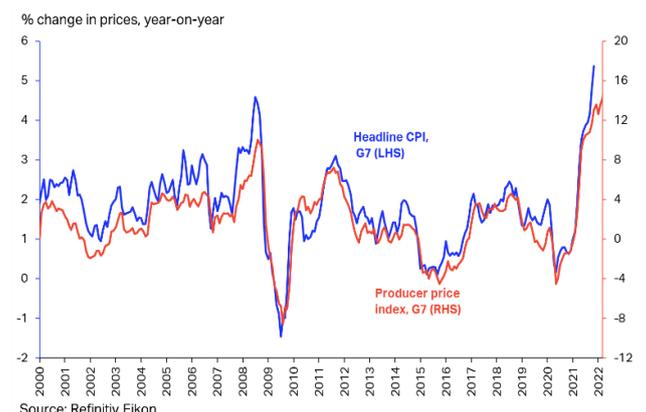
Inflation continues to increase, and its impact might be seen in the months ahead

Year-on-year inflation, as measured by the Consumer Price Index (CPI) for the G7 countries was at 7.5% in June. In the US, inflation is 8.6%, the highest rate among the group of OECD countries. Globally, inflation is at its highest level in decades and many Central Banks have begun raising interest rates in response.

Higher consumer prices and higher interest rates directly impact household disposable income and typically reduce consumer spending. In turn, this could impact air cargo demand in the period ahead.

Producer (input) prices have also been increasing and at 16.9% YoY in May 2022, it continues to put pressure on production and the global economy (**Chart 6**).

Chart 6: G7 headline CPI and PPI inflation



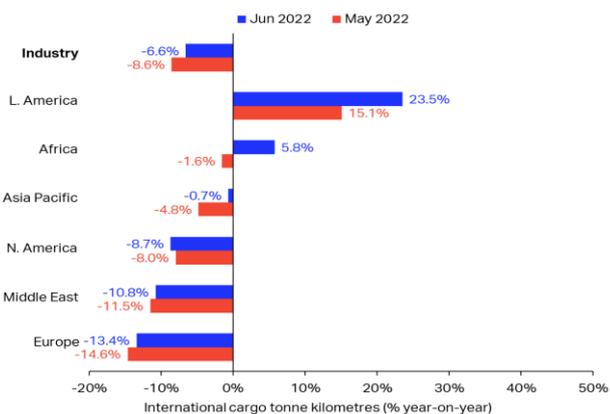
Source: Refinitiv Eikon

Oil is an important contributor to producer prices, and a major cost to airlines directly. The Brent crude oil price decreased slightly in July and continues to stabilize at a level of around \$103/bbl. The jet crack spread remains unusually wide at around \$35/bbl.

International CTKs – Continued strong growth in Latin America, Asia Pacific returns to 2021 levels

Total international CTKs declined in YoY terms for the 4th consecutive month in June, by 6.6%. This was a moderate improvement on the 8.6% YoY decline observed in May (**Chart 7**).

Chart 7: Int'l CTK growth (airline region of registration)



Sources: IATA Economics, IATA Monthly Statistics

Compared with a year ago, international CTKs were lower in all regions except for Latin America and Africa. However, all regions, apart from North America showed an improvement – albeit typically only modest – in their YoY performance in June compared with May.

Airlines in **Latin America** are the clear standout performer again this month, with CTKs increasing by a strong 23.5% YoY. This region-leading performance can be attributed to various factors including relatively lower level of Covid restrictions through the pandemic and the vital role performed by air cargo in supporting economic activity in the region.

Africa was the only other region where cargo volumes increased over the past year; CTK growth was a solid 5.8% YoY, returning to a positive rate after two months of declines. This is mainly driven by the European and Asian routes, with growth rates 6.2% and 5.3% respectively.

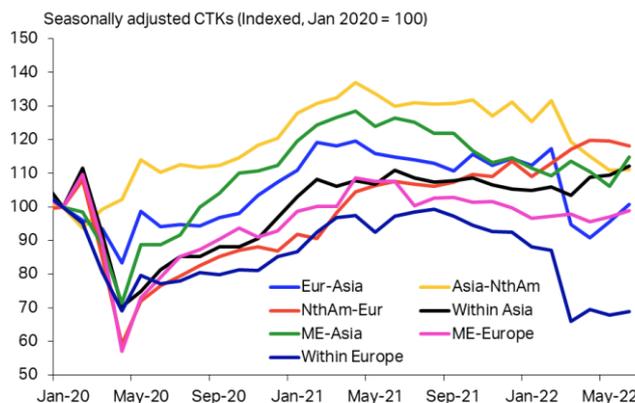
Airlines in **Europe** and **Asia Pacific** continue to be most affected by the various headwinds which are currently impacting the air cargo segment. These include disruptions related to the conflict in Ukraine, labor shortages, and lower levels of trade and manufacturing activity in Asia due to Omicron-related restrictions.

On a positive note, air cargo volumes in Asia Pacific continued to improve in June, in large part reflecting

the easing of lockdown restrictions and supply chain disruption in China. In June, international CTKs flown by Asia Pacific airlines had essentially recovered to their level of a year ago (down just 0.7%, from a 4.8% decline last month).

Looking at the latest route area data confirms an improved performance for most of the Asia Pacific’s main air cargo markets – with the exception of North America (**Chart 8**).

Chart 8: Seasonally adjusted CTKs by route area



Source: IATA Economics, IATA Monthly Statistics by Route

In contrast, Europe remains the weakest performing region for air cargo volumes. CTKs for European carriers remain 13.4% below the level of a year ago. Chart 8 shows the significant impact of the Russia-Ukraine crisis earlier in the year on Within Europe air cargo; a situation the region continues to grapple with. Although this month’s outcome is a slight improvement on May, the result is still very weak.

Middle Eastern airlines are also showing a double-digit decline in air cargo volumes, down 10.8% in YoY terms. Cargo volumes on routes to/from Asia have shown a solid improvement in recent months, but traffic to/from Europe has been trending sideways for most of 2022.

Compared with last month’s outcome, international CTKs of airlines registered in **North America** showed a modest deterioration in YoY CTK growth compared with a year ago – the only region to do so. Growth in cargo volumes eased to -8.7% YoY in June compared with -8.0% in May.

An improved performance on European routes this year (at least until recently) has been offset by the considerable decline in traffic to/from Asia. The lifting of restrictions in China may provide a boost to North American air cargo volume outcomes in coming months.

Air cargo market in detail - June 2022

	<i>World share</i> ¹	June 2022 (% year-on-year)				% year-to-date			
		CTK	ACTK	CLF (%-pt) ²	CLF (level) ³	CTK	ACTK	CLF (%-pt) ²	CLF (level) ³
TOTAL MARKET	100.0%	-6.4%	6.7%	-6.9%	49.2%	-4.3%	4.5%	-4.9%	52.6%
Africa	1.9%	5.7%	10.3%	-1.9%	44.7%	2.9%	6.9%	-1.9%	48.8%
Asia Pacific	32.6%	-2.1%	6.2%	-5.2%	60.8%	-2.7%	-0.2%	-1.6%	62.0%
Europe	22.8%	-13.5%	5.6%	-11.2%	50.7%	-7.8%	3.7%	-7.4%	59.3%
Latin America	2.2%	19.6%	29.5%	-3.2%	38.3%	21.8%	32.6%	-3.7%	41.9%
Middle East	13.4%	-10.8%	6.7%	-9.6%	48.8%	-9.3%	6.3%	-8.7%	50.7%
North America	27.2%	-6.3%	5.6%	-5.1%	40.4%	-3.3%	6.1%	-4.2%	43.2%
International	87.0%	-6.6%	9.4%	-9.4%	54.5%	-4.2%	5.7%	-6.1%	59.0%
Africa	1.9%	5.8%	10.1%	-1.8%	45.5%	3.0%	6.6%	-1.7%	49.6%
Asia Pacific	29.5%	-0.7%	11.8%	-8.3%	66.0%	-0.8%	7.2%	-5.5%	68.7%
Europe	22.4%	-13.4%	6.6%	-12.3%	53.4%	-7.7%	4.0%	-7.9%	61.6%
Latin America	1.8%	23.5%	28.0%	-1.7%	45.4%	23.5%	30.5%	-2.9%	50.5%
Middle East	13.4%	-10.8%	7.0%	-9.8%	49.1%	-9.3%	6.4%	-8.9%	51.1%
North America	18.0%	-8.7%	9.1%	-9.2%	47.2%	-4.8%	2.5%	-4.0%	52.1%

¹% of industry CTKs in 2021

²Year-on-year change 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.

	<i>World share</i> ¹	June 2022 (% ch vs the same month 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	100.0%	0.8%	-6.0%	3.3%	49.2%	2.2%	-8.9%	5.7%	52.6%
Africa	1.9%	11.9%	-15.4%	10.9%	44.7%	16.2%	-11.9%	11.8%	48.8%
Asia Pacific	32.6%	-1.3%	-14.7%	8.3%	60.8%	-3.1%	-19.3%	10.3%	62.0%
Europe	22.8%	-11.5%	-13.0%	0.8%	50.7%	-5.0%	-17.0%	7.5%	59.3%
Latin America	2.2%	-3.7%	-8.0%	1.7%	38.3%	-3.3%	-20.0%	7.2%	41.9%
Middle East	13.4%	2.3%	-5.2%	3.6%	48.8%	0.9%	-7.1%	4.0%	50.7%
North America	27.2%	14.9%	8.8%	2.1%	40.4%	17.0%	9.8%	2.6%	43.2%
International	87.0%	0.4%	-6.8%	3.9%	54.5%	2.5%	-10.0%	7.2%	59.0%
Africa	1.9%	13.2%	-14.2%	11.0%	45.5%	17.5%	-10.3%	11.7%	49.6%
Asia Pacific	29.5%	1.8%	-9.5%	7.3%	66.0%	1.1%	-14.7%	10.7%	68.7%
Europe	22.4%	-11.5%	-14.1%	1.6%	53.4%	-5.1%	-17.3%	7.9%	61.6%
Latin America	1.8%	-1.6%	-4.9%	1.5%	45.4%	-2.0%	-18.4%	8.5%	50.5%
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