



Air Cargo Market Analysis

October 2023

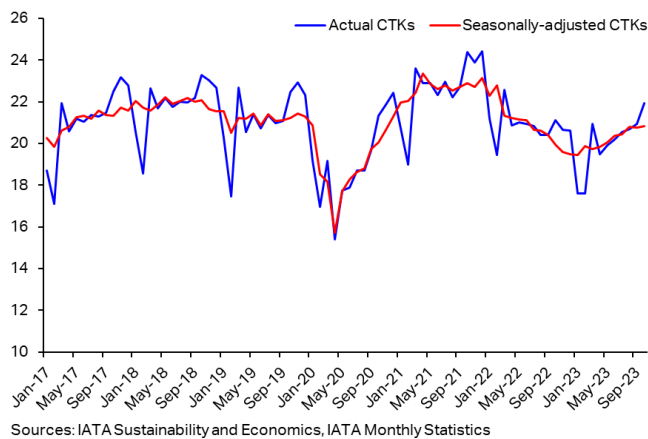
Cargo volumes expand amid stabilized trade

- Global air cargo tonne-kilometers (CTKs) registered the third consecutive year-on-year (YoY) growth in October by 3.8%. Compared to the pre-pandemic level, industry CTKs were 2.4% lower.
- Air cargo capacity, measured by available cargo tonne-kilometers (ACTKs), increased by 13.1% YoY in October, owing to the continued strong return of international passenger belly capacity. Industry ACTKs surpassed 2019 levels by 2.8%.
- Global trade stabilized in September, and inflation eased in most major economies. In the meantime, global jet fuel prices decreased by 7.8% from September and closed October with USD 120.8 per barrel on average.
- Airlines from all regions recorded annual increases in their international CTKs in October, with carriers from the Middle East exhibiting the most significant growth by 10.8% YoY.

Cargo demand continued its expansion in October

Global air cargo demand quantified through Cargo Tonne-Kilometers (CTKs) recorded 21.9 billion in October. This represents a 3.8% increase on a year-on-year (YoY) basis. Despite this growth, the industry's performance remains slightly lower than the pre-Covid level by 2.4%. Seasonally adjusted (SA) CTKs grew by 4.5% this month, a 2.7 percentage points increase compared to September. The sustained annual growth in CTKs since August highlights the ongoing recovery of the global air cargo market and a positive signal to close the year with a better performance. **(Chart 1).**

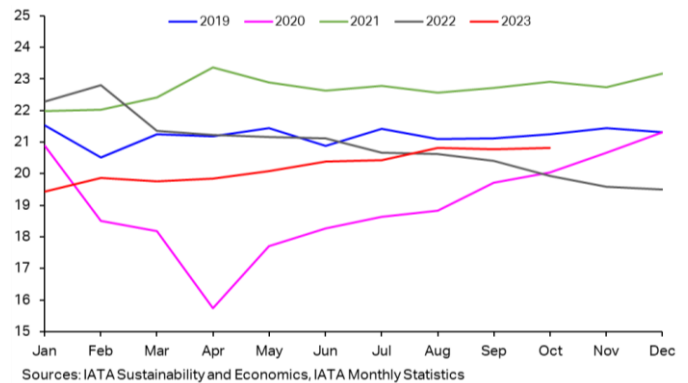
Chart 1 – Global CTKs (billions per month)



SA CTKs continued its upward trend. Air cargo traffic displayed resilience maintaining steady levels, which

contrasts with the overall declining trend observed in 2022. **(Chart 2).**

Chart 2 – Seasonally adjusted monthly CTKs (billions)



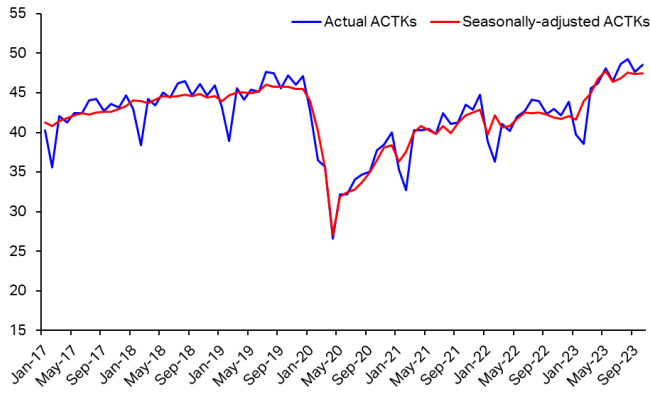
Cargo capacity maintained double-digit growth

Air cargo capacity, measured by Available Cargo Tonne-Kilometers (ACTKs), reached 48.6 billion in October, surpassing the 2022 and 2019 levels by 13.1% and 2.8% respectively. Seasonally adjusted air cargo capacity registered 47.5 billion in October, with an annual growth rate of 13.4%, exceeding the pre-pandemic levels by 3.7% **(Chart 3)**. The double-digit growth in industry ACTKs is largely attributable to the strong return in air passenger belly capacity. The international belly capacity saw a 30.5% annual growth in October, reaching 19.77 billion. In comparison, global international cargo capacity for dedicated freighters stayed at about the same level compared to the previous year, registering 17.9 billion this month.

Air cargo market in detail - October 2023

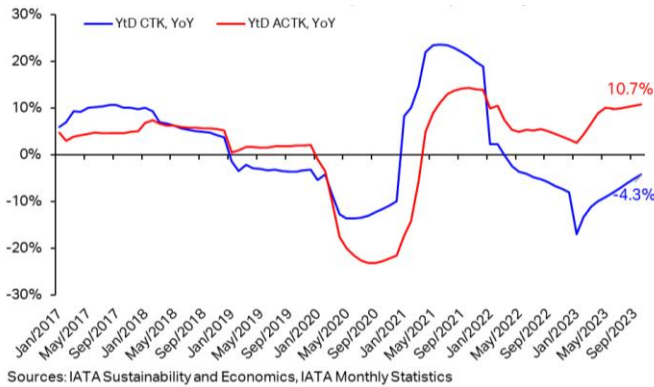
	World share ¹	October 2023 (% year-on-year)			October 2023 (% ch vs the same month in 2019)			
		CTK	ACTK	CLF (%-pt)	CTK	ACTK	CLF (%-pt)	CLF (level)
TOTAL MARKET	100.0%	3.8%	13.1%	-4.0%	-2.4%	2.8%	-2.4%	45.2%
International	86.9%	3.5%	11.1%	-3.7%	-2.2%	3.0%	-2.7%	50.8%

Chart 3 – Global ACTKs (billions per month)



A broader perspective can be offered by examining the year-to-date (YTD) performance. Up to October, the cumulative industry CTKs continued to progressively close the disparity with the levels achieved in 2022, narrowing the gap to 4.3%. (**Chart 4**). This data underscores a significant recovery trajectory in the air cargo sector over the course of the year. Moreover, this month was particularly significant in terms of annual growth in YTD industry ACTKs. A remarkable upsurge was recorded, with the highest annual growth rate for the year being 10.7%. This brought the ACTKs to a substantial figure of 458.8 billion (**Chart 4**).

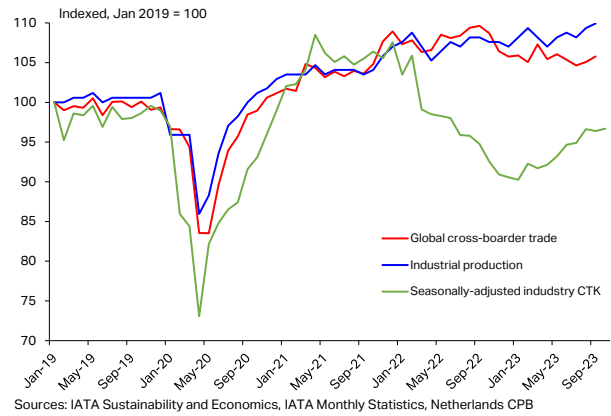
Chart 4 – Year-to-date CTKs and ACTKs, year-on-year % change



Air cargo recovery in line with stabilized global trade

Global trade, while not yet reaching the heights achieved in 2022, has shown growth for the second consecutive month, reversing its previous downward trajectory. This recovery in global trade, though slightly lagging behind the rebound in Industrial Production, is notable. Both global cross-border trade and industrial output have surpassed pre-pandemic levels, exceeding them by over 5%. In the meantime, the recovery in air cargo is also gaining momentum, showing upward trend while approaching pre-pandemic levels (**Chart 5**).

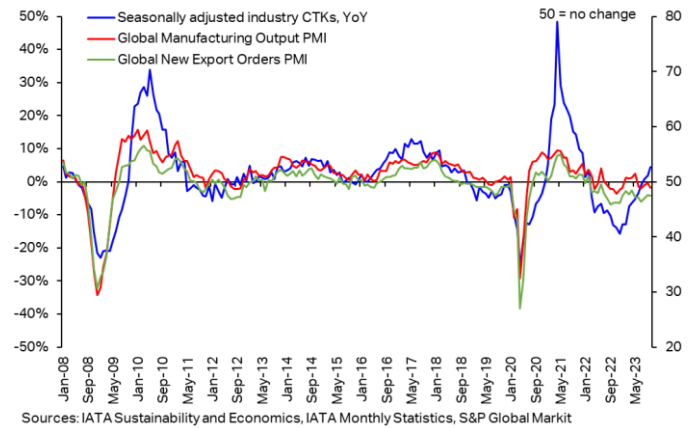
Chart 5 – Global goods trade and CTKs



Economic activities slowed down in October

The manufacturing output and new export order Purchasing Managers Indexes (PMIs) have historically served as leading indicators of global air cargo demand. Therefore, we closely monitor developments in these PMIs at a global level (**Chart 6**) and for major economies (**Chart 7**).

Chart 6 – CTK (SA) growth, global manufacturing output and global new export orders PMIs (50 = no change)

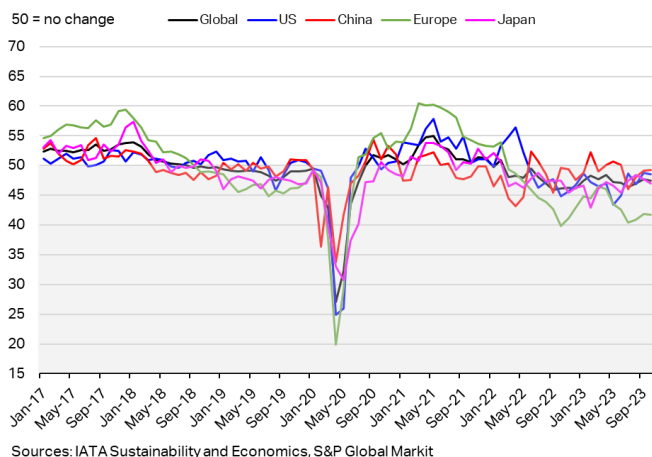


During October, the global economic deceleration was reflected in significant contractions within the manufacturing sector and export activities. Specifically, the manufacturing output, as indicated by the Purchasing Managers’ Index (PMI), witnessed a decline from 49.8 in September to 48.9 in October. This downturn suggests a further reduction in industrial production and is a clear marker of the economic challenges faced by the manufacturing sector. Additionally, the new export orders PMI, which measures the health of international trade, also saw a decrease, moving from 47.7 to 45.5. This shift signifies a notable drop in global demand for exports, further highlighting the impact of the broader economic slowdown (**Chart 6**).

In October, the PMIs for new export orders across major economies remained below the crucial 50-point threshold, as shown in **Chart 7**, indicating persistent decline. The ongoing conflicts in Ukraine and new

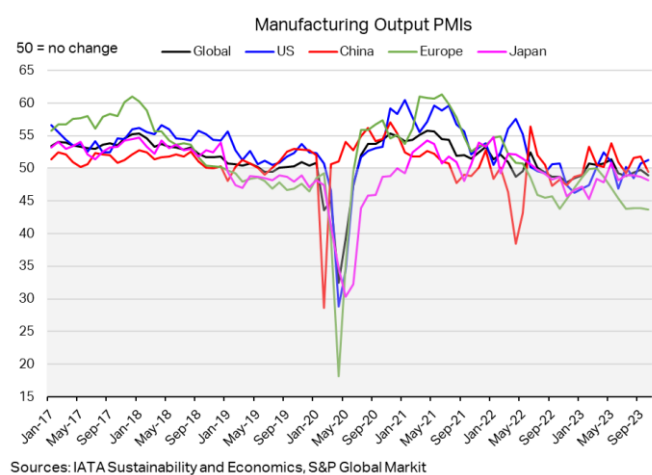
conflicts in the Middle East have impacted Europe's economic activities, leading to significant increases in energy and food prices. This rise in essential living costs has contributed to slowing down the economy. While the United States, Japan, and China have managed to maintain their PMIs above 45, Europe has continued to experience contraction, with its PMI falling below 45 for the sixth month in a row.

Chart 7 – New export orders PMI in major economies (50 = no change)



Similar pattern is reflected in Manufacturing output PMI, where Europe saw continuous contractions for the seventh month in a row. US is the only country that recorded an expansion with its PMI standing at 51.2. **(Chart 8).**

Chart 8 – Manufacturing output PMI in major economies (50 = no change)

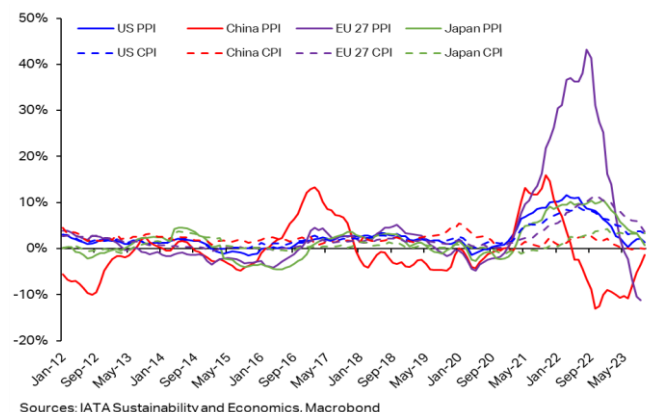


Inflation eased in most major economies

Inflation in major advanced economies continued to ease from its peak in terms of Consumer Price Index (CPI), reaching between 3% and 4% for the US and for EU, respectively in October. Inflation in Japan remained stable at around 3%. In the meantime, China exhibited a negative annual growth in its CPI, marking the second instance of deflation this year. This pattern potentially indicates a decrease in consumer demand,

raising concerns about an impending economic slowdown. **(Chart 9).**

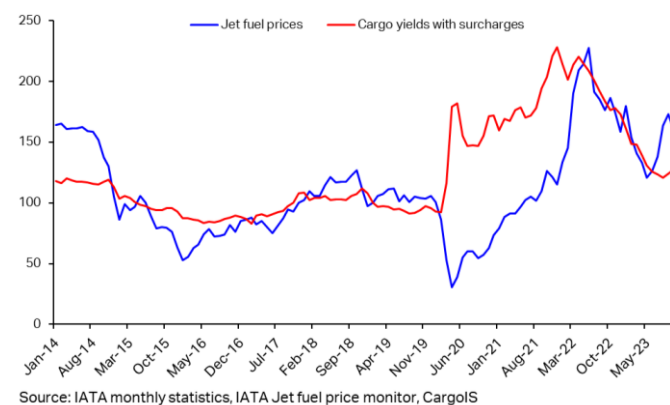
Chart 9 – Headline CPI and PPI inflation (YoY) in major economies



In October, the Producer Price Index (PPI), which tracks changes in the prices producers receive for their products, exhibited distinct trends. The United States, following three months of escalating PPI, observed a deceleration, settling at 1.3% year-on-year (YoY). In contrast, China's PPI continued its downward trajectory, decreasing by 1.3% during the same month. As for the EU 27 countries, the October PPI data is yet to be released. However, preceding months showed a significant decline, with a 10.5% drop in August and an 11.2% fall in September YoY. **(Chart 9).**

One of the primary factors influencing consumer prices is the global oil price. The IATA jet fuel monitor tracks the latest developments in global jet fuel prices, which directly impact airline operating costs. In October, jet fuel prices declined by 7.8% from September, closing October at USD 120.8 per barrel on average. In the meantime, air cargo yields (including surcharges) continued to close its gap and rose by 2.5% from September **(Chart 10).**

Chart 10: Jet fuel price versus air cargo yields including surcharges (indexed, Jan 2019 = 100)



Asia-related trade lanes continued to lead CTK growth while Within-Europe saw annual growth for the first time since Jan 2022

The majority of Asia-related trade lanes maintained their momentum from September and registered annual growth in their international CTks. Among these trade lanes, the **Africa-Asia** market saw the greatest annual growth of 16.7%. This is followed by the **Middle East-Asia** trade lane, which exhibited a 10.3% YoY increase this month. International CTks on the **Europe-Asia** market expanded by 8.5% while **Asia – North America** had a minor increase by 0.9%. In comparison, although the **within Asia** market still registered annual contraction by 2.0%, a 2.4 ppts improvement compared to September (**Chart 11**).

Middle East – Europe trade lane experienced its third consecutive growth in international CTks, with a 17.1% growth YoY. **North America – Europe** also saw a slight improvement in their international CTks which stood at -2.1%, 0.6 ppts smaller than September. **Within Europe**, international air cargo traffic registered its first annual growth since January 2022, by 3.4% YoY.

Chart 11 – International CTk growth (YoY) by route area

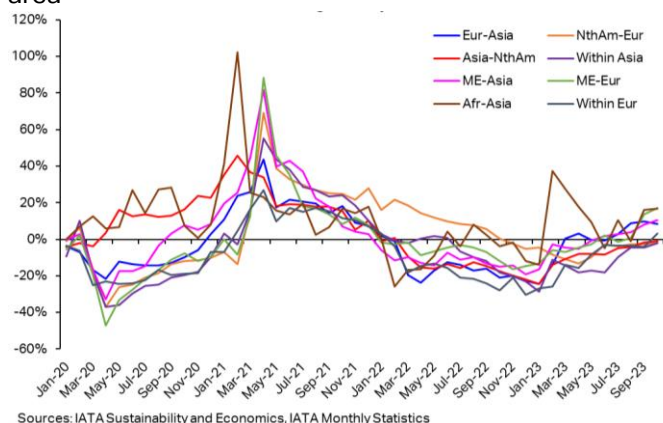
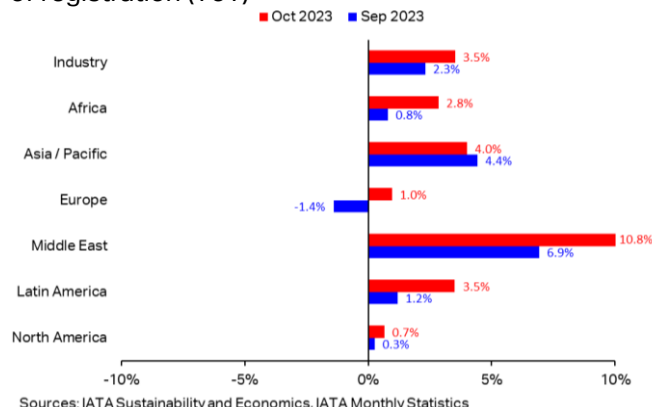


Chart 12 – Growth in international CTks by airline region of registration (YoY)



Growth in international CTks seen by airlines from all regions led by Middle East carriers

Following the positive performance of international CTks in major trade lanes, in October, industry-wide international CTks expanded by 3.5% and all regions experienced an annual improvement. Carriers registered in the **Middle East** recorded the highest annual growth this month, with a YoY increase of 10.8%, benefitted from the 10.3% annual growth in the **Asia – Middle East** trade lane and the 17.1% growth in the **Europe – Middle East** market (**Chart 11**).

Asia Pacific airlines ranked the second in international CTks by 4.0% YoY, owing to the traffic growth in all the Asia-related trade lanes. This is followed by airlines from **Latin America** (3.5%), **Africa** (2.8%), and **Europe** (1.0%). **North America** airlines registered the weakest YoY growth this month, standing at 0.7% (

Chart 12).

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	World share ¹	October 2023 (% year-on-year)			October 2023 (% ch vs the same month in 2019)			
		CTK	ACTK	CLF (%-pt)	CTK	ACTK	CLF (%-pt)	CLF (level)
TOTAL MARKET	100.0%	3.8%	13.1%	-4.0%	-2.4%	2.8%	-2.4%	45.2%
Africa	2.0%	2.9%	9.8%	-2.8%	6.2%	-2.8%	3.5%	41.6%
Asia Pacific	32.4%	7.6%	30.0%	-9.8%	-5.0%	8.5%	-6.7%	47.2%
Europe	21.8%	1.0%	7.0%	-3.2%	-11.3%	-10.7%	-0.3%	53.0%
Latin America	2.7%	4.0%	8.3%	-1.5%	0.7%	-1.8%	0.9%	35.4%
Middle East	13.0%	10.9%	15.0%	-1.7%	2.8%	6.6%	-1.7%	46.0%
North America	28.1%	-1.8%	2.4%	-1.7%	6.3%	5.9%	0.2%	39.2%
International	86.9%	3.5%	11.1%	-3.7%	-2.2%	3.0%	-2.7%	50.8%
Africa	2.0%	2.8%	9.6%	-2.8%	6.9%	-1.5%	3.3%	42.6%
Asia Pacific	29.7%	4.0%	15.9%	-6.3%	-4.3%	7.4%	-6.7%	54.6%
Europe	21.5%	1.0%	7.7%	-3.7%	-11.7%	-11.5%	-0.2%	55.0%
Latin America	2.3%	3.5%	11.8%	-3.3%	3.0%	12.7%	-3.9%	41.0%
Middle East	13.0%	10.8%	15.0%	-1.8%	2.8%	6.8%	-1.8%	46.3%
North America	18.4%	0.7%	5.5%	-2.3%	9.5%	10.4%	-0.4%	47.0%

¹% of industry CTKs in 2022

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.

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