

# IATA optimistic on air cargo despite current challenges

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IATA has expressed optimism that the air cargo market will begin to improve in the months ahead, despite the current market challenges.

In its latest market update, IATA said that air cargo demand dropped by 11.2% year on year in April, while cargo load factors slipped by 5.2 percentage points on a year ago to 51.6%, and capacity was down by 2%.

The fall in demand is the largest since August 2020 and load factors are at their lowest level since February 2020, although still above pre-Covid levels.

The airline association said that the drop in demand was fuelled by the war in Ukraine leading to a fall in cargo capacity used to serve Europe as several airlines based in Russia and Ukraine were key cargo players.

Meanwhile, China's zero-Covid policy and associated lockdowns led to capacity challenges due to flight cancellations because of labour shortages.

"Global goods trade has continued to decline in 2022, with China's economy growing more slowly because of Covid-19 related lockdowns (among other factors)," IATA said.

"The lockdowns have brought much of the world's largest port, Shanghai, to a standstill. Supply chain disruptions due to the Ukraine-Russia conflict are also adding to the downward pressure on trade."

New export orders, a leading indicator of cargo demand and world trade are now shrinking in all markets except the US, the association added.

Despite the challenging conditions, IATA director general Willie Walsh sounded a note of optimism.

"The combination of the war in Ukraine and Covid-19 lockdowns in China have pushed up energy costs, intensified supply chain disruptions, and fed inflation," Walsh said.

"The operating environment is challenging for all businesses, including air cargo. But with China easing lockdown restrictions, there is cause for some optimism and the supply/demand imbalance is keeping yields high."

<b>April 2022 (% year-on-year)</b>	<b>World share<sup>1</sup></b>	<b>CTK</b>	<b>ACTK</b>	<b>CLF (%-pt)<sup>2</sup></b>	<b>CLF (level)<sup>3</sup></b>
<b>Total Market</b>	<b>100.0%</b>	<b>-11.2%</b>	<b>-2.0%</b>	<b>-5.3%</b>	<b>51.6%</b>
Africa	1.9%	-6.3%	-1.5%	-2.5%	49.0%
Asia Pacific	32.5%	-15.8%	-19.4%	2.7%	63.1%
Europe	22.9%	-14.4%	-0.2%	-9.6%	57.8%
Latin America	2.2%	40.9%	67.8%	-8.0%	41.9%
Middle East	13.4%	-11.9%	6.0%	-10.2%	50.4%
North America	27.2%	-6.6%	5.2%	-5.3%	41.9%

<sup>1</sup> % of industry CTKs in 2021 <sup>2</sup> Change in load factor <sup>3</sup> Load factor level

Looking at regional performance, Asia Pacific airlines saw their air cargo volumes decrease by 15.8% in April 2022 compared with the same month in 2021.

IATA pointed out that was the weakest performance of all regions and significantly slower than the previous month.

“Airlines in the region have been heavily impacted by lower trade and manufacturing activity due to Omicron-related lockdowns in China,” IATA said.

North American carriers posted a 6.6% decrease in cargo volumes in April compared with a year earlier.

“Demand in the Asia-North America market declined significantly, however, other key routes such as Europe – North America remain strong,” the association said.

European carriers registered a 14.4% drop in demand April as the Ukraine war and lower manufacturing activity in Asia affected volumes.

Middle Eastern carriers experienced a 11.9% year-on-year decrease in cargo volumes in April.

“Significant benefits from traffic being redirected to avoid flying over Russia failed to materialise,” IATA said “This is likely due to persisting supply chain issues in Asia.”

Latin American carriers noted the strongest performance with demand up 40.9% year on year. In response, airlines in this region have shown optimism by introducing new services and capacity, and in some cases investing in additional aircraft for air cargo in the coming months.

African airlines saw cargo volumes decrease by 6.3% in April 2022 compared to April 2021 – significantly slower than the increase registered in the pre month.