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Air cargo not out of the eye of the storm yet

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By Rebecca Jeffrey

Marco Bloeman, managing director at Seabury Cargo, spoke about air cargo market dynamics at the IATA WCS. Photo: IATA.

Air cargo demand is softening as capacity is recovering, according to new analysis.

Speaking at the 2022 IATA Word Cargo Symposium (WCS) opening plenary, Marco Bloeman, managing director at Seabury Cargo, said that while freighter capacity is strong on most trade lanes, apart from Europe-Asia, demand has recently decreased.

“As air cargo demand supply pressure eases, yields are showing the first signs of declining,” he said during the air cargo market dynamics session during the opening plenary on day 1 of the WCS.

Most trade lanes are experiencing a “significant” decline of air trade and this has resulted in flat growth rate in the year to date.

Bloeman said that air trade growth began falling in April and in July was -7%, based on the largest exporting and importing countries.

Negative growth means the industry could see potentially see full year decline of between -2% and -4 % versus 2021, he said.

Meanwhile, though air cargo capacity is in recovery, it still has some way to go before it is back to its pre-Covid levels.

It is currently 5% down on pre-Covid levels. This is despite the continued recovery of belly capacity.

"Direct air cargo capacity between Europe and Asia has fallen -11% to -29% since the week before the onset of the Russia/Ukraine war," Bloeman said.

In comparison, "capacity between Europe and Asia via the Middle East has increased by more than 11% as carriers reroute freighters".

However, Bloeman said that indirect flights via the Middle East only partly compensate for lost freighter capacity.

And China, which accounts for 30% of global trade, paints a difficult picture. Shanghai PVG outbound air cargo capacity is at -19% this year compared to 2021, as a result of multiple lockdowns.

But overall, "stagnating air trade demand and recovering capacity has resulted in industry pressure easing slightly".

As the air cargo industry faces decreased industrial production, supply chain congestion, inflation and reduced GDP outlooks, the air cargo industry still faces more challenges as it emerges from Covid.

Bloeman said that US air trade, which accounts for 40% of global air trade and can be used as an indicator of what might be to come in the overall market, has plateaued after the largest surge in the last decade.

He noted that ocean container rates, although still high, have fallen as a result of reduced demand, meaning shippers may shift business from airfreight to oceanfreight.

Summarising, he said: "Economic indicators suggest continued long-term growth but indicate significant headwinds in the short-term."