

Global air cargo demand up 6.9%, capacity remains constrained

The International Air Transport Association (Iata) has released its data for global air freight markets showing that full-year demand for global air cargo increased by 6.9% in 2021, compared to 2019 (pre-covid levels) and 18.7% compared to 2020 following a strong performance in December 2021.



Source: PublicDomainPictures via pixabay.com

This was the second biggest improvement in year-on-year demand since Iata started to monitor cargo performance in 1990 (behind 2010's 20.6% gain), outpacing the 9.8% rise in global goods trade by 8.9 percentage points.

As comparisons between 2021 and 2020 monthly results are distorted by the extraordinary impact of Covid-19, unless otherwise noted, all comparisons below are to 2019 which followed a normal demand pattern.

- Global demand in 2021, measured in cargo tonne-kilometres (CTKs), was up 6.9 % compared to 2019 (7.4% for international operations).

- Capacity in 2021, measured in available cargo tonne-kilometres (ACTKs), was 10.9% below 2019 (12.8% for international

operations). Capacity remains constrained with bottlenecks at key hubs.

- Improvements were demonstrated in December; global demand was 8.9% above 2019 levels (9.4% for international operations). This was a significant improvement from the 3.9% increase in November and the best performance since April 2021 (11.4%). Global capacity was 4.7% below 2019 levels (-6.5% for international operations).
- The lack of available capacity contributed to increased yields and revenues, providing support to airlines and some long-haul passenger services in the face of collapsed passenger revenues. In December 2021, rates were almost 150% above 2019 levels.
- Economic conditions continue to support air cargo growth.
- Global goods trade rose 7.7% in November (latest month of data), compared to pre-crisis levels. Global industrial production was up 4.0% over the same period.
- The inventory-to-sales ratio remains low. This is positive for air cargo as manufacturers turn to air cargo to rapidly meet demand.
- The cost-competitiveness of air cargo relative to that of sea-container shipping remains favorable.
- The recent surge in Covid-19 cases in many advanced economies has created strong demand for PPE shipments, which are usually carried by air.

Supply chain issues that slowed the pace of growth in November remain as headwinds:

- Labour shortages, partly due to employees being in quarantine, insufficient storage space at some airports and processing backlogs continue to put pressure on supply chains.
- The December global Supplier Delivery Time Purchasing Managers Index (PMI) was at 38. While values below 50 are normally favourable for air cargo, in current conditions it points to delivery times lengthening because of supply bottlenecks.

"Air cargo had a stellar year in 2021. For many airlines, it provided a vital source of revenue as passenger demand remained in the doldrums due to Covid-19 travel restrictions. Growth opportunities, however, were lost due to the pressures of labour shortages and constraints across the logistics system. Overall, economic conditions do point towards a strong 2022," said Willie Walsh, IATA's director-general.

December saw a relief in supply chain issues that enabled an acceleration of cargo growth. "Some relief on supply chain constraints occurred naturally in December as volumes decreased after peak shipping activity ended in advance of the Christmas holiday. This freed capacity to accommodate front-loading of some Lunar New Year shipments to avoid potential disruptions to flight schedules during the Winter Olympic games.

"Overall December cargo performance was assisted by additional belly-hold capacity as airlines accommodated an expected year-end boost to travel. As shortages of labor and storage capacity remain, governments must keep a sharp focus on supply chain constraints to protect the economic recovery," said Walsh.

2021 regional performance

Strong variations were evident in the regional performance of air cargo in 2021 compared to 2019. North American carriers were the strongest performers, reporting an annual increase in international demand of 20.2%. **Middle East and African carriers** also reported double-digit growth in international demand in 2021 (10.6% and 11.3%, respectively) compared to 2019. Asia-Pacific and European carriers saw international demand rise 3.6% in 2021 compared to 2019. And Latin American carriers were the only ones to record a contraction in international demand of 15.2% compared to 2019.

Asia-Pacific airlines reported a rise in international demand of 3.6% in 2021 compared to 2019 and a fall in international capacity of 17.1%. In December airlines in the region posted an 8.8% increase in international demand compared to 2019. Demand for goods manufactured in the region remains strong, including PPE. International capacity remained constrained in December down 10% compared to the same month in 2019.

North American carriers posted a 20.2% increase in international demand in 2021 compared to 2019 and a growth in international capacity of 0.2%. The region was the only one to record a growth in capacity in 2021 compared to 2019. In December carriers in the region posted an increase of 20.5% in international demand. The region's carriers continue to benefit from strong consumer demand for goods. International capacity grew 6.2% compared to December 2019.

European carriers reported a 3.6% increase in international demand in 2021 compared to 2019 and a fall in capacity of 17.4%. In December airlines posted an increase in international demand of 6% compared to 2019. International capacity was down 5.9% in December 2021 compared to pre-crisis. European carriers have been significantly affected by supply chain and airport congestion and localized capacity constraints.

Middle Eastern carriers reported an increase in international demand of 10.6% in 2021 compared to 2019 and a fall in international capacity of 10.1%. Growth decelerated towards the year-end, partly driven by a downward trend in volumes on the large Middle East-Asia route. In December airlines in the region recorded a 5.7% increase in international demand compared to December 2019. International capacity decreased by 9.2% in December compared to the same month in 2019.

Latin American carriers reported a decline in international demand of 15.2% in 2021 compared to 2019 and a fall in capacity of 30.2%. Airlines registered in Latin America had a challenging year, as several were engaged in lengthy restructuring processes. That said, the restructuring processes are coming to an end, and December's performance was the best of the year, with carriers in the region reporting a 2.9% decline in international demand compared to December 2019. This was a significant improvement on the 13.4% decline the previous month. Capacity remained heavily constrained in December, down 26.1% on pre-crisis levels.

African airlines saw international demand grow 11.3% in 2021 compared to 2019 and a fall in international capacity of 14.6%. Growth in the region has been dynamic for most of the year, driven by the strength of the Africa-Asia route. In December, international demand grew by 7.6% year-on-year and international capacity fell 19.4%.

View the Full Year/December 2021 Air Cargo Market Analysis (pdf)

For more, visit: <https://www.bizcommunity.com>