

## AIR MARKET UPDATE

May 2022



### CURRENT STATE

The air cargo market continues to see turbulence as ongoing supply chain disruptions from COVID outbreaks, GEO political unrest, and inflationary pressures make returning to stability more challenging.

The ongoing conflict resulting from the Russian invasion of Ukraine has negatively impacted air capacity and placed additional pressure on existing routes that are now unable to fly over Russian airspace. Both impact actual capacity and load factors to accommodate additional stops and refuels.

Passenger flight resumption on specific trade lanes will add belly space capacity, but schedules will likely remain fluid in crucial markets as COVID outbreaks surface. Passenger belly capacity remains lower than pre covid levels.

COVID outbreaks in Shanghai continue to impact operations and flight schedules significantly. Lockdowns have resulted in labor shortages, crew shortages, and capacity restraints in the inland haulage. While expectations were to see restrictions lifted in early to mid- May, they are now projected to ease in the first half of June.

Alternative routes out of China, in particular sea-air, are expected to see a surge in bookings following news that the country is to close Shanghai Pudong (PVG) Airport to inbound passenger flights. Ocean terminals remain backlogged, which will likely increase the demand for air cargo lift once full production resumes.

As a result, air cargo in the Asia Pacific Region stalled in the first quarter of 2022 as China took the zero-tolerance approach with Covid.

### LOOKING AHEAD....

Service disruptions are likely to continue as labor shortages create backlogs at major airports worldwide.

**The European Union Aviation Safety Agency (EASA) will stop the cargo-in-the-cabin flights effective July 31, 2022, after a two-year exemption due to the global pandemic.**

Airfreight capacity has indeed shrunk, according to the first data following Russia's invasion of Ukraine and the consequent restrictions on Russian and other airlines. North-East Asia – Europe capacity has shrunk by up to 25% in the last six weeks, putting additional pressure on the market. With the week before with little expected change in the foreseeable future. As a result, air cargo capacity will see a slower recovery and is not expected to reach 2019 levels until late 2022 or early 2023.

Airfreight rates continue to rise as oil prices climb worldwide, while pricing is expected to remain volatile in many major global markets.

According to Clive Data Services, load factors have risen 1.5% and are now at 84% while – as expected – rates have risen. Overall, global demand is down 8.9% over pre-covid levels, while capacity is down 5.4%, keeping rates elevated. Passenger capacity is down 24% compared to 2019.

Demand is expected to remain strong as challenges with ocean capacity put pressure on inventory levels and seasonal goods. Inflationary pressures may begin to slow consumer discretionary spending but not likely until the second half of 2022.

● **RED** Demand exceeded capacity available. Rates increased.
 ● **YELLOW** Demand higher and or capacity is limited. Rates increasing.
 ● **GREEN** Both demand & capacity are at normal levels.

## IMPACTED IMPORT MARKETS

### DEMAND & CAPACITY

ORIGINS	WEEK#	N. AMERICA	LATAM	EMEA	INDIA	N. ASIA	S. ASIA
	N. AMERICA	<span style="color: green;">●</span>	<span style="color: yellow;">●</span>	<span style="color: yellow;">●</span>	<span style="color: yellow;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>
LATAM	<span style="color: yellow;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>				
EMEA	<span style="color: yellow;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>				
INDIA	<span style="color: yellow;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>	<span style="color: yellow;">●</span>	<span style="color: red;">●</span>	<span style="color: yellow;">●</span>
N. ASIA	<span style="color: red;">●</span>	<span style="color: green;">●</span>	<span style="color: red;">●</span>				
S. ASIA	<span style="color: yellow;">●</span>	<span style="color: green;">●</span>	<span style="color: green;">●</span>	<span style="color: yellow;">●</span>	<span style="color: red;">●</span>	<span style="color: red;">●</span>	<span style="color: green;">●</span>

## IMPACTED EXPORT MARKETS

ORIGIN REGION	DESTINATION REGION	STATUS	SPECIFICS
N. America	LATAM	<span style="color: yellow;">●</span>	Capacity continues to ease up as more flights come back online as COVID restrictions relax. That said, rates are still above pre-COVID levels. We anticipate further downward pressure on rates beginning in March 2022 with the resumption of summer schedules and additional passenger capacity coming online. Demand for cargo to LATAM has increased over 10% in the first quarter of 2022 and almost 25% YOY.
	N&S ASIA	<span style="color: red;">●</span>	Space is starting to get much better into ICN/HKG/NRT. There are still capacity restraints for other markets such as SIN/KUL/SGN. As COVID restrictions start to relax in certain Asian countries, we hope to see more flights come back online. Due to COVID breakouts in Shanghai, PVG has stopped all passenger flights and remains in a complete lockdown causing supply disruptions. Shenzhen has lifted the COVID lockdown restrictions, effective March 20, but trucking and labor continue to be a challenge due to the Zero tolerance policy on COVID.
	India	<span style="color: yellow;">●</span>	Currently, there is a significant spike in traffic going to BOM at much higher levels; demand exceeds current capacity which is causing backlogs. Bookings can be delayed up to 7-10 days. As for other destinations, HYD space is not as congested, so backlogs have eased. More passenger flights resuming from Europe and the USA are stabilizing the market slowly.
	US Domestic	<span style="color: green;">●</span>	Capacity is opening as more carriers continue to add more flights back into rotation with the omicron subside.
LATAM	N. AMERICA & India/S. Asia	<span style="color: yellow;">●</span>	<b>No change:</b> Slowly seeing capacity coming back into all markets as carriers reintroduce flights suspended due to COVID. Though not at 100%, it has increased closer to 75%. We expect this positive trend to continue barring any further COVID outbreaks.
EMEA	N. AMERICA & LATAM	<span style="color: red;">●</span>	Capacity crunches due to the Ukraine crisis, rates into LATAM and Americas doubled – also several carriers increased their fuel surcharges.
	Asia	<span style="color: red;">●</span>	Capacity crunches due to the Ukraine crisis, rates into Asia tripled to some locations due to detours the airlines need to take because of the closed airspace in Russia. Also, several carriers increased their fuel surcharges.
INDIA	All Regions	<span style="color: yellow;">●</span>	Capacity continues to be constricted into all regions but additional passenger capacity being added to summer schedules is easing the backlog. Still recommended to book in advance 2 to 3 days of advanced bookings are required. Rates to all areas are still rising primarily due to fuel increases.
N. ASIA	All Regions	<span style="color: red;">●</span>	Still experiencing stricter quarantines. Capacity into all markets has eased as demand has softened after CNY.
S. ASIA	All Regions	<span style="color: yellow;">●</span>	SIN SIN, HKG, TPE into India, USA, Europe, Africa, and all regions are operating at normal capacity post CNY. However, capacity out of AU is still tight in all major markets.

ORIGIN REGION	STATUS	SPECIFICS	1-888-870-2726
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U.S.



The issues with 3rd party carrier providers seem to be easing following the holidays. Though better still not at pre-COVID levels, cities affected include JFK, EWR, ORD, LAX, ATL, MIA, SFO, and DFW-IAH (to a lesser extent.) Domestic linehaul continues to be a challenge due to wait times at airport cargo terminals.