

AIR MARKET UPDATE

August 2022

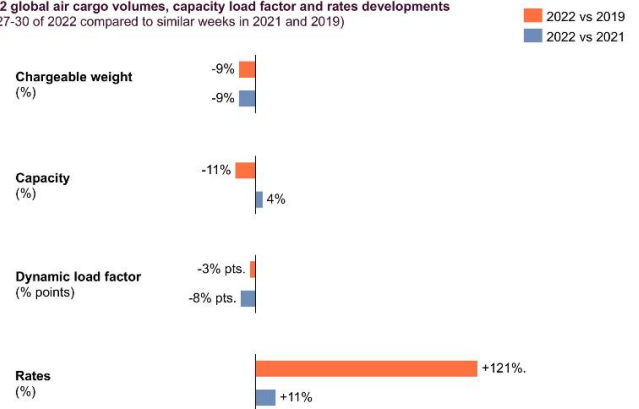


CURRENT STATE

- Air cargo demand fell for the fifth month in a row in July as the industry continues to face a “multitude of disruptions”. July air cargo demand dropped by 9% year on year and the dynamic load factor – taking into account both weight and space – slipped 8 percentage points on last year to 58%. In July rates were up 11% on a year ago – and 121% of July 2019 – the gap between pre-covid levels has continued to narrow. The dip in rates was particularly felt on the transatlantic trade, where they are now below the year-ago level.
- IATA Jet Fuel Price Monitor shows the jet fuel price for the week ending August 5th was up 65.1% compared with a year ago at \$128.2/bbl. The jet fuel price average for 2022 at the time of writing (year to date) is \$142.9/bbl. The impact of jet fuel price developments on 2022’s industry total fuel bill is \$133.1bn.
- Airlines and airports continue to suffer “severe operational challenges due to significant shortages of ground staff”.
- Frankfurt - Europe’s busiest cargo airport - saw cargo volumes drop in the first half of the year - during the first six months of the year cargo demand declined by 11% year on year to 1m tons.

The general air cargo market in July was 9% smaller than it was a year ago

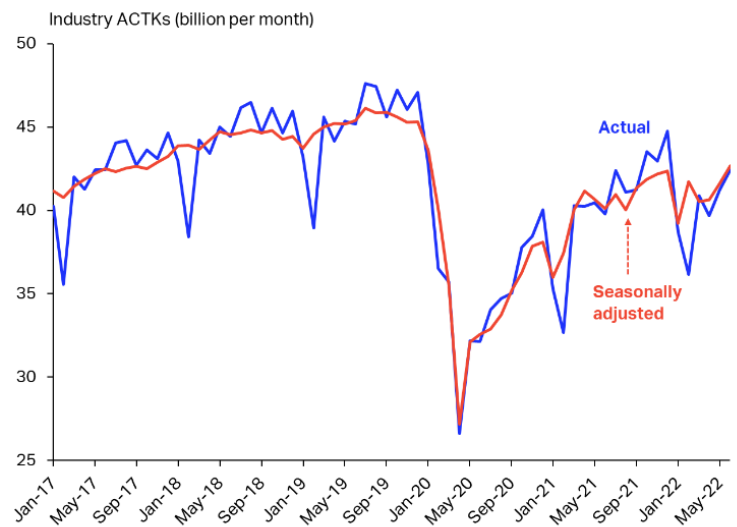
July 2022 global air cargo volumes, capacity load factor and rates developments (Weeks 27-30 of 2022 compared to similar weeks in 2021 and 2019)



Source: CLIVE Data Services, now part of Xeneta

MARKET FORECAST

- Industry-wide Revenue Passenger-Kilometers (RPKs) have been increasing continually since early 2021. However, the recovery has not been the same for domestic and international travel, nor across regions. Overall, global RPKs are currently at around 69% of the 2019 level, with International and Domestic RPKs at around 64% and 77% respectively of their pre-pandemic levels.
- Seasonally adjusted cargo ton-kilometers (CTKs) increased by 0.7%, following a flat outturn last month. Compared with a year ago, CTKs were 6.4% lower, a modest improvement from the 8.7% decline last month. Available cargo ton-kilometers (ACTKs) increased by 6.7% year-on-year (YoY).
- YoY capacity growth ranged from 5.6% for European and North American airlines, to 6.2% for Asia Pacific carriers, 6.7% for the Middle East and then double-digit growth of 10.3% for Africa and 29.5% for Latin American airlines.
- With capacity outstripping demand, the industry-wide cargo load factor eased back below 50% for the first time since early 2020. At 49.2%, the industry CLF was 6.9 percentage points (ppts) lower than its level of a year ago.
- Latin America and Africa are the only two regions currently showing a YoY increase in air cargo traffic, of 19.6% and 5.7% YoY, respectively. Two consecutive solid monthly increases for Asia Pacific CTKs are positive developments, coinciding with the easing of lockdown restrictions in China.



Sources: IATA Economics, IATA Monthly Statistics

- The easing of restrictions in China and reduced disruption in global supply chains is likely to be good news for world trade and air cargo volumes in coming months. However, the impact of high inflation and rising interest rates will work against this expected recovery.

Source: IATA.com



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.

DEMAND & CAPACITY

DEMAND

ORIGINS	DEMAND & CAPACITY					
	AMERICAS	LATAM	EMEA	INDIA	N. ASIA	S. ASIA
AMERICAS						
LATAM						
EMEA						
INDIA						
N. ASIA						
S. ASIA						

IMPACTED EXPORT MARKETS

ORIGIN REGION	DESTINATION REGION	STATUS	SPECIFICS
AMERICAS	EMEA		Soft rates and available capacities into all major European cities. Market gets a bit tighter into Middle East Region.
	SOUTH ASIA		5-7 days of backlog of most services from US, spot rates are still higher than contractual rates. TT 7-10 days ex US. UPS is not accepting booking for next 5 days.
LATAM	ALL REGIONS		Bookings still need to be requested in advance - specially to USA from Brazil. Rates still fluctuating but seems more stabilized than previous months. Freighters are more difficult to get space.
EMEA	LATAM		Tight Capacities to LATAM especially to Argentina and Brazil – softening into Mexico
	AMERICAS		Slowly softening in rates and increasing in available capacity to major US cities due to summer holidays in Europe
INDIA	AMERICAS & EMEA		MAA - Currently space to all locations are open, and rate levels are changing on daily basis. BOM – Space is available and rates are falling for EU and US DEL – space and rates are stable
N. ASIA	LATAM		Space into LATAM is tight all year round due to limited capacities due to very rare/limited flights per week
S. ASIA	INDIA/EMEA		Heavy backlogs due to limited flights due to Covid Bans on flight into and out of India Into Europe demand was slow since June, but airlines expect more demand in Sep.-Nov. which is traditional peak season

IMPACTED IMPORT MARKETS

DESTINATION REGION	STATUS	SPECIFICS
LATAM		For Brazil destinations, airports are under backlogs this is affecting almost all shipments, as consequences a lot of extra charges due to storage charges are applying.
INDIA		Import is experiencing delays/backlogs due to narrowbody connection ex DEL to BOM. New rotation in Sep should help to eliminate the backlog.
EMEA		Backlogs at CDG, FRA, LHR, AMS and MXP due to continuous staff shortages and labour strikes Strike action at the UK's biggest container port in Felixstow could see demand for already stretched airfreight capacity increase further.