

AIR MARKET UPDATE

April 2022



CURRENT STATE

In YoY terms, available cargo ton-kilometers (ACTKs) rose by 12.2% in March, slightly above the 11.4% increase seen in February. Although the slowdown in capacity growth was lower than that of CTks, it played a key role in weak outcomes. Indeed, seasonally adjusted, ACTKs dropped by 7.5% MoM, the worst performance since April 2020

The Russian invasion of Ukraine and the subsequent ban of Airbridge flights to many markets have reduced the global air capacity by an estimated 20%. Additionally, flights that would normally route over Russian airspace are now moving over the Middle East.

Passenger flight resumption on specific trade lanes will add belly space capacity, but schedules will likely remain fluid in critical markets as COVID outbreaks surface. Passenger belly capacity remains lower than 2019 levels.

COVID outbreaks in Shanghai continue to impact operations and flight schedules significantly. Lockdowns have resulted in labor shortages and capacity restraints in the inland haulage. While expectations are that the heavy restrictions may be lifted in early May, the rising case count could push that date further into May, causing further supply chain disruptions as manufacturers, truckers, and air/ocean carriers deal with strict quarantine requirements.

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.

Airlines continue aggressive yield management; extra capacity is available in the market but at a premium rate level.

Airfreight rates in Q2 are about 130% above 2019 levels.

LOOKING AHEAD....

Service disruptions are likely to continue as labor shortages continue to 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.

According to the first data following Russia's invasion of Ukraine and the consequent restrictions on Russian and other airlines, airfreight capacity has shrunk capacity. North-East Asia – Europe capacity has shrunk by up to 22% in the last week compared 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 are 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						
LATAM							
EMEA							
INDIA							
N. ASIA							
S. ASIA							

IMPACTED EXPORT MARKETS

ORIGIN REGION	DESTINATION REGION	STATUS	SPECIFICS
N. America	LATAM		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.
	N&S ASIA		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		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.
	US Domestic		Capacity is opening as more carriers continue to add more flights back into rotation with the omicron subside.
LATAM	N. AMERICA & India/S. Asia		No change: 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		Capacity crunches due to the Ukraine crisis, rates into LATAM and Americas doubled – also several carriers increased their fuel surcharges.
	Asia		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		Capacity continues to be constricted into all regions. 2 to 3 days of advanced bookings are required. Rates to all areas have increased.
N. ASIA	All Regions		Still experiencing stricter quarantines. Capacity into all markets has eased as demand has softened after CNY.
S. ASIA	All Regions		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
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.