

AIR MARKET UPDATE

November 2022

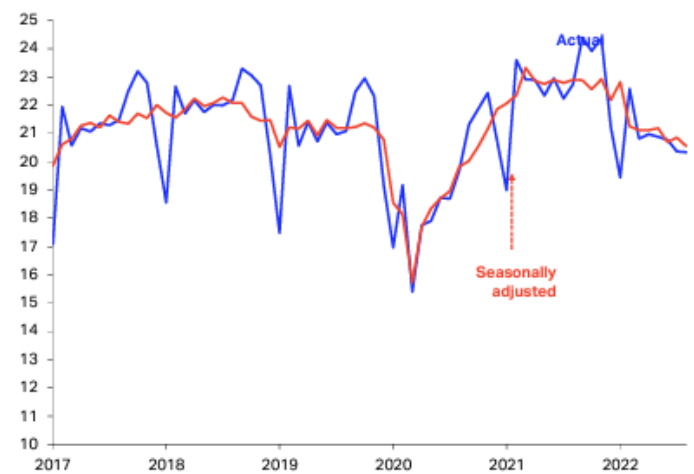


CURRENT STATE

- September industry-wide cargo tonne-kilometers (CTKs) were 10.6% lower than a year ago, and the seasonally adjusted CTKs also contracted by 1.5% compared with the previous month (**right chart**).
- International CTKs experienced the same YoY contraction as the industry total CTKs in September, declining by 10.6%. This was mainly driven by the negative YoY growth in the Middle East, Europe, and Asia Pacific. Latin America continued to be the strongest performer in September, with international CTKs increasing by 13.2% YoY.
- The increase in available cargo tonne-kilometers (ACTKs) further slowed in September to just 2.4% year-on-year (YoY), driven by the softening air cargo demand. This in turn contributed to a 1.4 percentage point increase in the average industry load factor compared with August.
- International export demand remains weak. New export orders continue to shrink on a global level in September, when Germany saw the largest contraction since the onset of the pandemic.

Source: IATA

Industry CTKs (billion per month)



Sources: IATA Economics, IATA Monthly Statistics

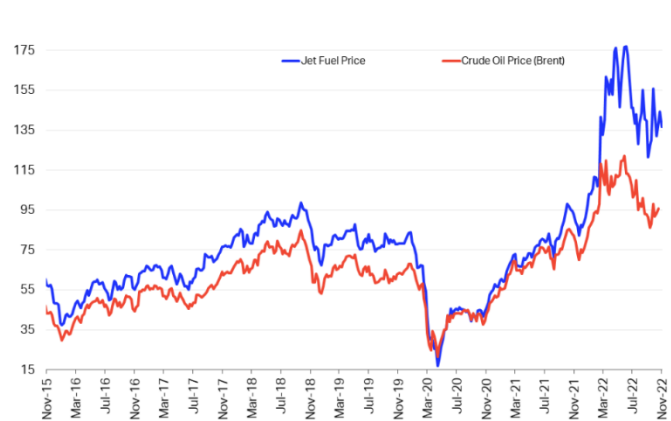
The softening air cargo demand is attributable to multiple headwinds. As most of the world's regions recover from the pandemic, post-pandemic consumer Air cargo market - September 2022 spending habits are likely to lean towards vacation travel more than home shopping via e-commerce.

MARKET FORECAST

- IATA Jet Fuel Price Monitor shows the jet fuel price for the week ending November 11th was up 47.3% compared with a year ago at \$136.6/bbl. The jet fuel price average for 2022 (year to date) is \$141.8/bbl. The impact of jet fuel price developments on 2022's industry total fuel bill is \$131.2 billion.
- The largest decreases vs. previous month were seen in North America at -9.9%, followed by LATAM at -12.1%.

Source: IATA

Jet Fuel & Crude Oil Price (\$/barrel)



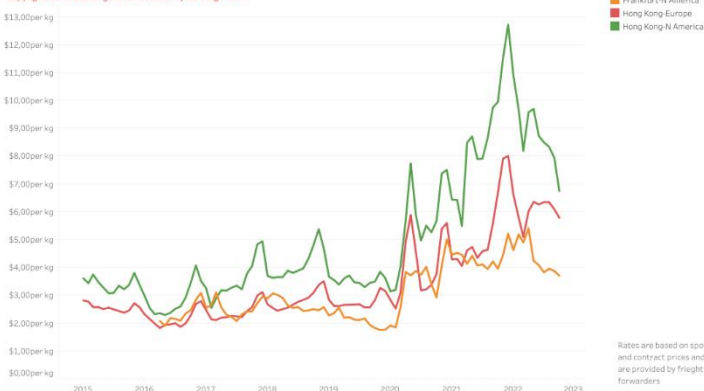
Source: S&P Global, Refinitiv Eikon

- Airfreight rates continued to buck normal peak season trends and declined again in October as the air cargo market remained subdued.
- Hong Kong to North America declined in October to \$6.74/kg from \$7.94/kg in September. YOY rates on the route are also down 32.2%.
- Average rates from Hong Kong to Europe in October slid to \$5.78/kg from \$6.09/kg a month earlier. On YOY comparison, prices on the route are down 13.5%.
- Both routes are still ahead of 2019 pre-Covid levels when rates been at \$3.49/kg from Hong Kong to North America and \$2.82/kg to Europe.

Source: Baltic Exchange Airfreight Index

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Baltic Exchange Air Freight Index (BAI) powered by TAC Data
Copyright: Baltic Exchange. Chart created by Air Cargo News



Rates are based on spot and contract prices and are provided by freight forwarders

● **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		
		AMERICAS	LATAM	EMEA	INDIA	N. ASIA	S. ASIA
ORIGINS	AMERICAS	●	●	●	●	●	●
	LATAM	●	●	●	●	●	●
	EMEA	●	●	●	●	●	●
	INDIA	●	●	●	●	●	●
	E. 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	●	Demand was not very strong during Q3 end, but airlines expect more demand in Nov and Dec 2022.
	LATAM	●	Capacity is opening and more carriers continue to look for more cargo. LA is preparing to open freighter service ORD-VCP.
LATAM	ALL REGIONS	●	Bookings need to be requested in advance to protect the space - specially to USA from Brazil. Rates still fluctuating but seems more stabilized than previous months. For freight which requires a freighter aircraft it is more difficult to get space.
EMEA	ASIA	●	Continuing of easing rates especially into China. Tighter capacities into Australia as well as Taiwan and Korea.
	AMERICAS	●	Tighter capacities caused by the shortening of flights since start of November 2022, therefore slight increases in rates levels.
INDIA	LATAM & EMEA	●	Currently rates are stable and space is available without any issues into EMEA region – capacities into LATAM and N. Asia are tight which leads to short term rate increases.
E. ASIA	LATAM	●	Space on LATAM lane is tight all year due to limited availabilities of air capacityy
S. ASIA	EMEA AMERICAS	●	Hong Kong to Europe and USA volumes are not increasing like the market expectation. Airlines like CI reducing the rates to US West Coast destination due to available capacities

IMPACTED IMPORT MARKETS

DESTINATION REGION	STATUS	SPECIFICS
BRAZIL	●	Facing some backlogs at airport/ports, so appointments are needed to drop off/collect the shipments at terminal/airports.
EMEA	●	Liverpool port strike caused some disruptions and backlogs at London Heathrow.