

AIR MARKET UPDATE

September 2024

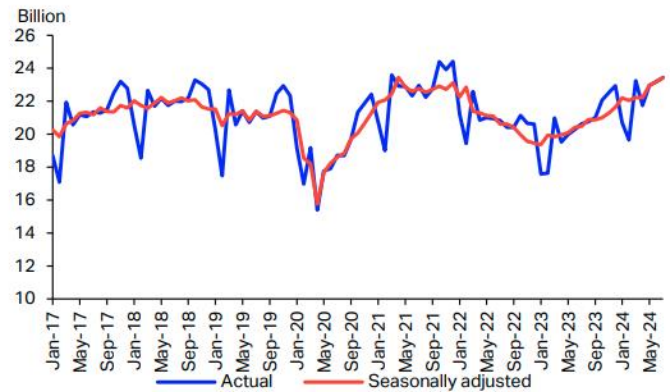


CURRENT STATE

- In July, industry-wide Cargo Tonne-Kilometers (CTK) rose 13.6% year-on-year (YoY), maintaining record year to-date demand. Net of seasonal adjustment, CTK grew by 1.0% month-on-month (MoM). **(Chart 1)**
- International air cargo demand increased 14.3% compared to July 2023, driven by all regions and major trade lanes.
- Asia Pacific carriers recorded the largest expansion with 17.7% YoY, and demand on the Middle East/Europe trade lane outpaced all others with an impressive 32.2% annual surge.
- Global air cargo capacity, measured in Available Cargo Tonne-Kilometers (ACTK), saw 8.3% growth YoY in July, delivering record capacity levels.
- Despite the elevated capacity, the global air cargo yield (including surcharges) remained firm in July.

Source: IATA

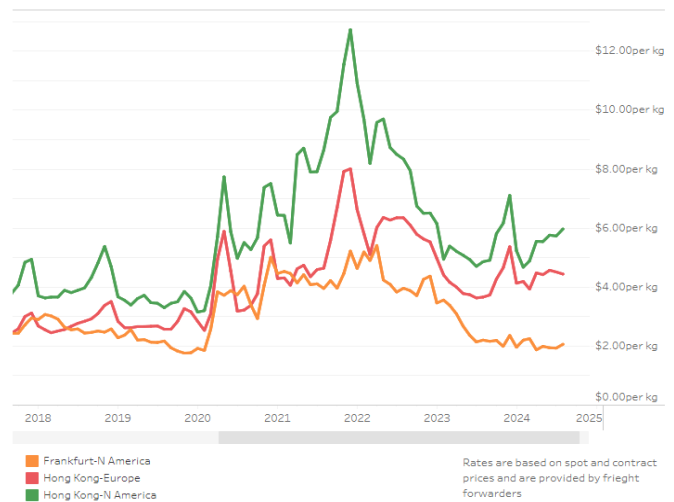
Chart 1 – Industry CTK, billion



Source: IATA Sustainability and Economics, IATA Monthly Statistics

MARKET DEVELOPMENTS

- Air cargo spot rates surged in August, driven by continued demand and capacity imbalances, alongside heightened e-commerce activity and disruptions in Red Sea shipping.
- Spot rates experienced their largest year-over-year increase, rising by 24%, according to Xeneta's latest monthly report.
- The global average spot rate for air cargo reached \$2.68 per kilogram in August. Meanwhile, global cargo supply growth slowed to its lowest rate of the year, increasing just 2% year-on-year, while demand for air cargo continued its double-digit growth, climbing 11%.
- Additionally, the shift from ocean to air freight due to Red Sea disruptions, coupled with strong e-commerce growth, continued in anticipation of the fourth-quarter peak season.
- Despite the year-on-year increase in spot rates for August, month-on-month rates declined by 1%, likely reflecting a slight easing of the ocean-to-air shift caused by ocean shipping frontloading of imports, according to Xeneta.
- Xeneta's analysis further indicated that global air cargo volume growth moderated in August, with demand rising 11% year-on-year compared to 14% in July and 13% in June.



Baltic Exchange Air Freight Index (BAI) powered by TAC Data

JET FUEL DEVELOPMENTS

- The global average jet fuel price last week fell 4.6% compared to the week before to \$88.47/bbl.
- The largest decreases vs. previous month's average were seen in Latin America at -6.7%, followed by North America at -5.9%

Source: Xeneta / IATA

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
AMERICAS	●	●	●	●	●	●
LATAM	●	●	●	●	●	●
EMEA	●	●	●	●	●	●
INDIA	●	●	●	●	●	●
N. ASIA	●	●	●	●	●	●
S. ASIA	●	●	●	●	●	●

IMPACTED EXPORT MARKETS

ORIGIN REGION	DESTINATION REGION	STATUS	SPECIFICS
AMERICAS	EMEA	●	As winter schedules approach, we anticipate a reduction in overall capacity. However, there remains sufficient belly-hold capacity in the passenger market. Qatar Airways has announced plans to withdraw freighters from the U.S. market, redirecting them to the more profitable Asian routes to support e-commerce demand, which will result in an overall capacity reduction of approximately 400-600 tons. Trade lanes between the U.S. and EU remain relatively weak.
	ASIA	●	The available capacity is largely influenced by inbound surges, resulting in unused capacity on reverse routes. Several freighter carriers serve the region, offering ample booking opportunities. However, outbound freighter capacity from India remains constrained, according to reports from our airline partners. Additionally, freighter space into Singapore has begun to tighten over the past few weeks.
	LATAM	●	The reduction of freighter services bound for LATAM from Europe and the Middle East, along with the introduction of winter schedules, will affect overall cargo capacity. We anticipate a shift in cargo flows towards transshipment hubs globally. This market will require close monitoring in the coming months, as the full impact of these reductions is yet to be felt. While there is currently available space, it is advisable to plan shipments well in advance to accommodate potential increases in demand.
LATAM	GLOBAL	●	Air export rates to Europe (LHR/FRA/AMS) have risen in September, primarily due to reduced cargo capacity caused by a decrease in freighter services. Export rates from Latin America to the USA have also increased, driven by concerns over a potential dockworker strike at key U.S. East and Gulf Coast ports. In response to the e-commerce boom, airlines are reallocating cargo aircraft from Latin America to Asia.
EMEA	ASIA	●	Stable rates and available capacities into Greater China, as well as increased capacities to Australia, Taiwan, Japan, and South Korea, secures stability in airfreight rates.
	AMERICAS	●	The current surplus of capacity over demand has resulted in stable, moderate rates for wide-body cargo services to major U.S. airports. However, beginning in September 2024, airlines such as Lufthansa, Qatar Airways, and Martin Air will redirect part of their freighter capacity from transatlantic routes to Asia in response to the growing e-commerce market. Industry experts expect this reallocation to drive rate increases for both oversized and general cargo.
INDIA	AMERICAS & EMEA	●	The Red Sea crisis and container shortage impact the capacity ex IN to US and Latin/South America. The capacity to Europe is less constraint. The rates to US and South America are on the high side. the demand is increasing to US and EU.
N. ASIA	AMERICAS & EMEA	●	E-commerce platforms block space agreements have a big impact on the capacity and pricing to US and EU. The port congestion and container shortage have also impacted the capacity and the rates to Asia and Europe, increasing every two weeks.
S. ASIA	AMERICAS & EMEA	●	The overall export markets in Southeast Asia increase to EU and to US. The rates to US an EU remain elevated due to capacity constraint (E-commerce impact, container shortage and passenger flights payload), especially ex TH and VN.

IMPACTED IMPORT MARKETS

DESTINATION REGION	STATUS	SPECIFICS
LATAM	●	Airlines are reallocating cargo aircraft from Latin America to Asia to capitalize on the e-commerce surge.
S. ASIA	●	