

African air cargo soars, while global market faces headwinds

The International Air Transport Association (IATA) released data for global air freight markets showing that demand, measured in freight tonne kilometers (FTKs), contracted by 3.9% in August 2019, compared to the same period in 2018. This marks the 10th consecutive month of year-on-year decline in freight volumes, the longest period since the global financial crisis in 2008.



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Freight capacity, measured in available freight tonne kilometers (AFTKs), rose by 2% year-on-year in August 2019. Capacity growth has now outstripped demand growth for the 16th consecutive month.

Air cargo continues to face strong headwinds from the intensifying trade war between the US and China, as well as weakness in some of the key economic indicators and rising political uncertainties worldwide. Global trade volumes are 1% lower than a year ago.

Trade in emerging countries has been underperforming that of advanced nations throughout most of 2019. This is due to higher sensitivity of the emerging economies to trade tensions, rising political instability and sharp currency depreciation in some of the key emerging markets.

Global export orders continue to fall. The global Purchasing Managers Index (PMI) remains in contraction territory. Its tracking of new manufacturing export orders has pointed to falling orders since September 2018. And for the second month in a row, all major trading nations reported falling orders.

“The impact of the US-China trade war on air freight volumes was the clearest yet in August. Year-on-year demand fell by 3.9%. Not since the global financial crisis in 2008 has demand fallen for 10 consecutive months. This is deeply concerning. And with no signs of a détente on trade, we can expect the tough business environment for air cargo to continue. Trade generates prosperity. Trade wars don’t. That’s something governments should not forget,” said Alexandre de Juniac, IATA’s Director General and CEO.

Air freight market detail - August 2019

	World share ¹	August 2019 (% year-on-year)			
		FTK	AFTK	FLF (%-pt) ²	FLF (level) ³
TOTAL MARKET	100.0%	-3.9%	2.0%	-2.7%	44.6%
Africa	1.6%	8.0%	17.1%	-2.5%	30.2%
Asia Pacific	35.4%	-5.0%	2.3%	-4.0%	51.6%
Europe	23.3%	-3.3%	3.3%	-3.3%	47.7%
Latin America	2.7%	0.1%	-2.9%	1.1%	37.2%
Middle East	13.2%	-6.7%	-0.8%	-2.7%	43.5%
North America	23.8%	-2.4%	1.3%	-1.5%	37.7%

¹% of industry FTKs in 2018

²Year-on-year change in load factor

³Load factor level

Note: the total industry and regional growth rates are based on a constant sample of airlines combining reported data and estimates for missing observations. Airline traffic is allocated according to the region in which the carrier is registered; it should not be considered as regional traffic. Historical statistics are subject to revision.

Regional Performance

Airlines in Asia-Pacific and the Middle East suffered sharp declines in year-on-year growth in total air freight volumes in August 2019, while North America and Europe experienced more moderate declines. Africa and Latin America both recorded growth in air freight demand compared to August last year.

Asia-Pacific airlines saw demand for air freight contract by 5% in August 2019, compared to the same period in 2018. The US-China trade war along with the slowdown in the Chinese economy have significantly impacted this region. The temporary shutdown of Hong Kong International Airport – the largest cargo hub in the world – added additional pressure. With the region accounting for more than 35% of total FTKs, this performance is the major contributor to the weak industry-wide outcome. Air freight capacity increased by 2.3% over the past year.

North American airlines saw demand decrease by 2.4% in August 2019, compared to the same period a year earlier. Capacity increased by 1.3%. The US-China trade war and falling business confidence continue to weigh on the region’s carriers. Freight demand has contracted for the largest routes between Asia and North America, where seasonally-adjusted volumes are down almost 5% compared to their level in July 2018.

European airlines posted a 3.3% decrease in freight demand in August 2019 compared to the same period a year earlier. Weaker manufacturing conditions for exporters in Germany, softer regional economies, and ongoing uncertainty over Brexit, have impacted the recent performance. Capacity increased by 3.3% year-on-year.

Middle Eastern airlines’ freight volumes decreased 6.7% in August 2019 compared to the year-ago period. This was the sharpest drop in freight demand of any region. Capacity decreased by 0.8%. Escalating trade tensions, the slowing in global trade and airline restructuring have impacted the region’s performance since the fourth quarter of 2018. Economic

uncertainty from oil price volatility among the region's oil reliant markets has added additional pressure.

Latin American airlines experienced an increase in freight demand in August 2019 of 0.1% compared to the same period last year and a capacity decrease of 2.9%. Low economic growth compounded by the US-China trade war and political instability in some countries have impacted the region's performance. Recent currency volatility in the region's key economies have also contributed.

African carriers posted the fastest growth of any region in August 2019, with an increase in demand of 8% compared to the same period a year earlier. This continues the upwards trend in FTKs that has been evident since mid-2018 and makes Africa the strongest performer for the sixth consecutive month. Capacity grew 17.1% year-on-year. Strong trade and investment linkages with Asia have underpinned a double-digit increase in air freight volumes between the two regions over the past year. China recently confirmed a further \$60 billion investment into the continent.

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