

AIRFREIGHT STATE OF THE INDUSTRY

AUGUST 2024



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Summary



Demand

- Continuous demand growth driven by soaring e-commerce, ocean shipping disruptions, rising general cargo needs for high-tech semiconductors, and a low comparison base from last year.
- Despite mixed economic signals, high demand likely to continue into 2025 and beyond.



Capacity

- Slowing deliveries of widebody aircraft due to supply chain issues and conversion constraints, combined with modest capacity increases and rising demand, have led to a higher global dynamic load factor.
- Air freight capacity expected to remain tight in H2'2024 amid cross-border e-commerce demand and geopolitical tensions.



Carriers

- Qatar Airways shifts focus to intra-Asia routes and adjusts its freighter schedules, suspending MX flights to the EU and halting operations between EU and major US/AMLA airports starting Sep'24.
- Air France-KLM, Lufthansa, and Cargolux to move capacity from transatlantic routes to Asia as of Sep'24.
- Atlas Air is leasing three Boeing 747-8 freighters to meet increasing demand, focusing on major Chinese e-commerce giants.



Jet Fuel

- Brent crude oil price drops \$6/bbl. in July but set to rise on fears of Middle East supply disruptions.
- Brent crude oil price forecasted to rise to average \$85/bbl. for remainder of 2024.



Rates

- Global air cargo rates defy seasonal trends, hitting their highest level of the year due to a supply-demand imbalance.
- Air cargo industry anticipates robust peak season driven by holiday demand, expecting capacity pressure and higher rates.



Regulation/News

- Bangladesh disruptions contributed to stalling tonnages in late July. Situation is slowly returning to normalcy but delays still expected.
- Flight cancellations to Israel and Lebanon by most airlines due to recent escalations in the Middle East conflict.
- The United States Department of Homeland Security (DHS) launches ACAS Program to assess air shipments for aviation security threats.
- Russia/Ukraine: Sanctions likely to remain active for the foreseeable future.

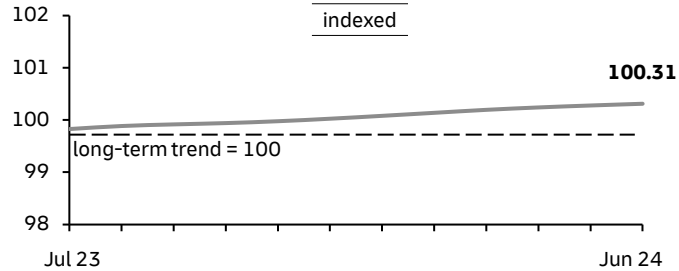
Market Developments

Economic Outlook

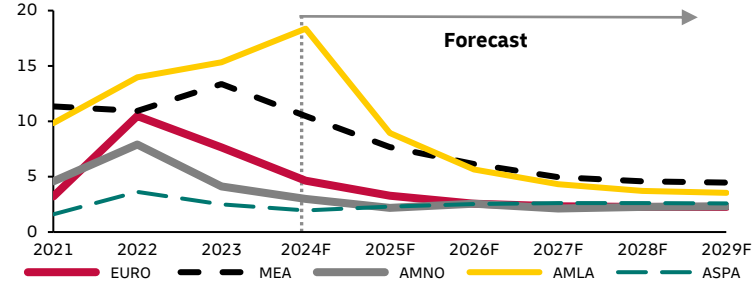
GDP Growth by Region

	2024F	2025F	2026F	2027F	2028F	CAGR (2024-2028)
EURO	1.12%	1.59%	1.76%	1.77%	1.74%	1.69%
MEA	2.29%	3.50%	3.80%	3.73%	3.38%	3.59%
AMNO	2.45%	1.67%	1.70%	1.79%	1.85%	1.75%
AMLA	1.73%	2.37%	2.73%	2.88%	2.96%	2.72%
ASPA	4.01%	4.05%	3.91%	3.90%	3.92%	3.94%
WORLD	2.71%	2.72%	2.76%	2.79%	2.80%	2.76%

OECD Leading Indicator CLI¹



Inflation (YoY, %)



Annual global real GDP growth projected at 2.7% both this year and next, unchanged from July forecast.



OECD CLI remains above its long-term trend, indicating ongoing economic upturn.

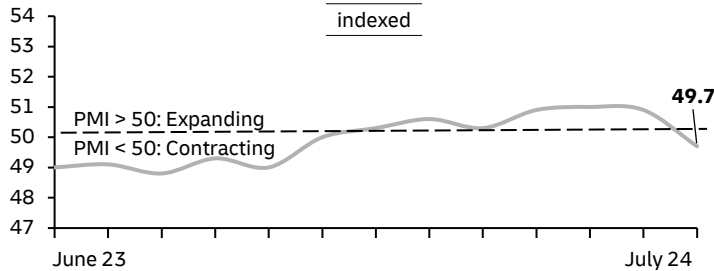


Global disinflation continues and projected to decline further, though near-term risks persist.



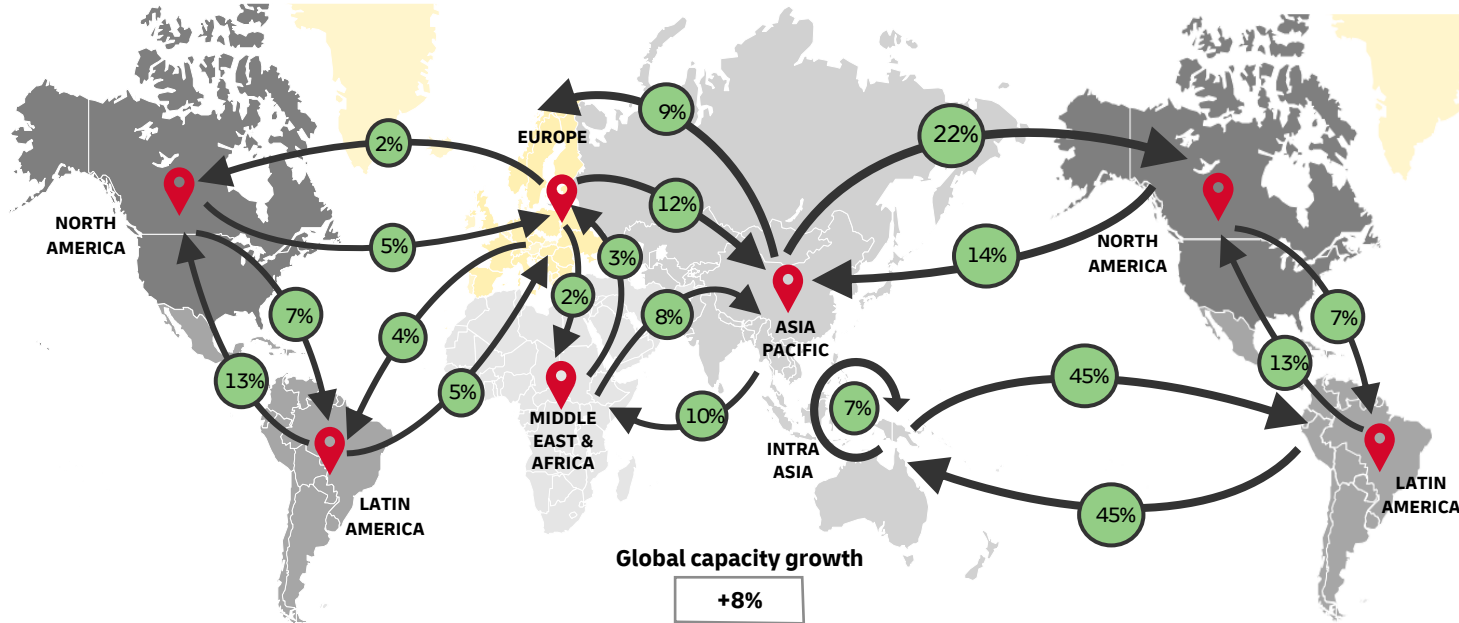
Global manufacturing PMI slipped slightly below the expansion-contraction level of 50 for the first time this year.

JP Morgan Global Manufacturing PMI²



Source: S&P Global, OECD, IMF, ¹Composite Leading Indicator available only till June'24; based on G20 index

YoY % Growth – Aug 2024



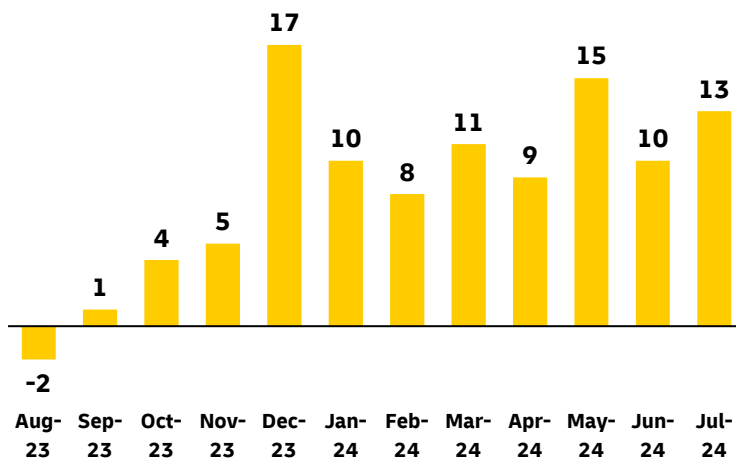
Modest capacity increase combined with growing demand raise the global dynamic load factor.

5

Global Demand

Global Air Traffic¹

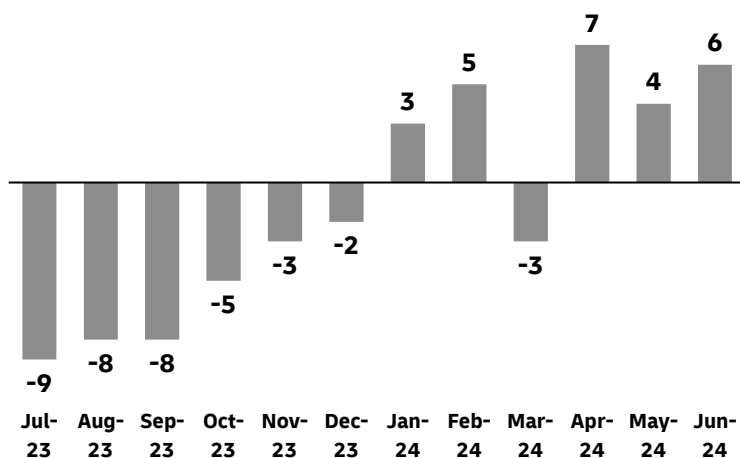
In Tons (% change YoY)



Source: WorldACD

Global Air Trade²

In Tons (% change YoY)



Source: Seabury



Global air traffic continues to see significant growth amid e-commerce boom and ocean shipping constraints.



Low value cross-border e-commerce demand continue to surge, reaching levels 10x larger than pre-Covid.



High-value goods, including tech, pharma and perishables are the leading sectors of air trade growth.



Strong year-end air cargo growth anticipated, driven by peak holiday demand, which may lead to capacity pressures.

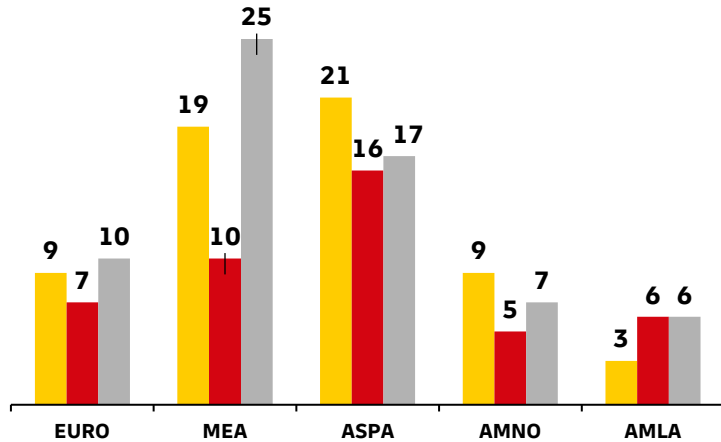
¹ Air Traffic as reported by airlines; ² Air Trade as reported by customs; data only available till June'24.

Regional Demand

Regional Air Traffic¹

In Tons (% change YoY)

May-24 Jun-24 Jul-24

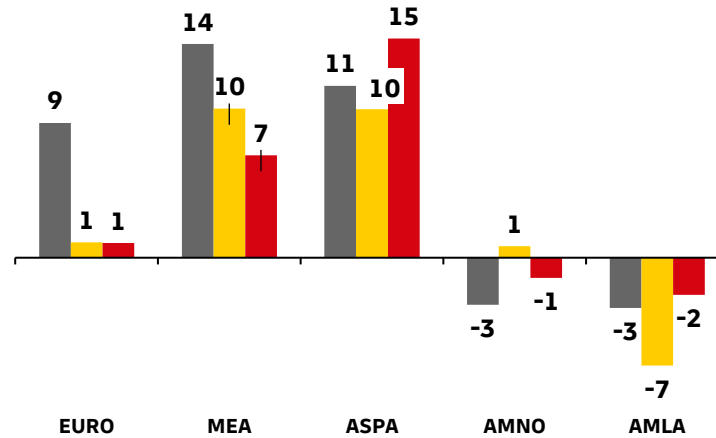


Source: WorldACD

Regional Air Trade²

In Tons (% change YoY)

Apr-24 May-24 Jun-24



Source: Seabury



Demand growth from EURO remains stable, with slight MoM volume increase to AMNO and AMLA.



MEA air cargo in H1'24 surpassed volumes from the same period in the previous 3 years, as strong sea-air demand from Dubai persists.



ASPA continued to see strong YoY air cargo demand growth due to persistent e-commerce volumes from CN & HK.








AM market stable overall, with demand spikes in certain lanes and aircraft shifts to Transpacific routes posing challenges for intra-Americas routes.

¹ Air Traffic as reported by airlines; ² Air Trade as reported by customs; data only available till June'24.

Regional Market Development

Market development on key regional tradelanes

		Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Forecast	Sep 24
	ASPA	intra	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		<div></div>
		AMNO	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		<div></div>
		EURO	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		<div></div>
	EURO	ASPA	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		<div></div>
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		AMLA	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		<div></div>
	MEA	EURO	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		<div></div>
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	AMNO	ASPA	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>		<div></div>
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	AMLA	EURO	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	
		AMNO	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	
<div><div></div> Demand > Capacity; Rates(++)</div>														
<div><div></div> Demand, Capacity balanced;</div>														
<div><div></div> Demand, Capacity imbalance; Backlog- Rates fluctuating(+)</div>														

Source: DGF Desk Research

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Regional Market Outlook

- Several carriers shifting existing capacity to the NE Asia to Europe corridor during peak season, leading to reduced capacity on other trade lanes.
 - European economy suffered from another setback at the start of Q3 2024 due to overall output contractions in key countries.
 - Strong airfreight demand inbound Europe - especially from Asia - expected for the remainder of the year.
-
- Strong sea-air demand from Dubai continues, while Oman also being used as an additional alternate hub.
 - Fresh fish, fruit, hatching eggs and e-commerce lead to major growth in Turkey exports in July.
 - Rates from UAE to EU expected to increase further in peak season driven by Asia Pacific export demand.
 - Air freight capacity for Lebanon further constrained with only 2 carriers operating wide body aircraft.

Europe



Asia



Middle East & Africa



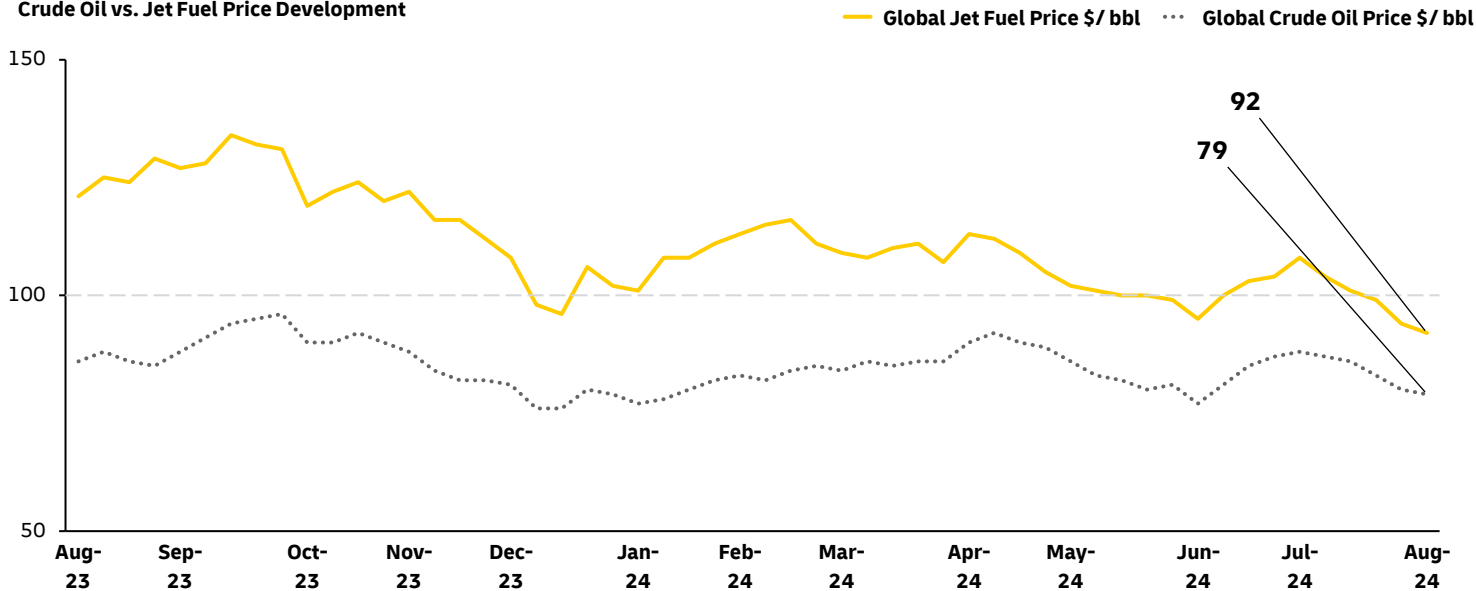
Americas

- AP market anticipates a strong peak season due to rising demand and high uptake of fixed capacity, which has driven up cargo rates.
 - Capacity constraints observed across all AP markets including gateway for transshipments.
 - Integrators have announced plans for a peak season surcharge in Q4, recognizing the limited capacity and the difficulty of securing additional space during the year-end period.
-
- Transpacific Eastbound is seeing increasing demand and rates amid relatively stable capacity as we begin what is expected to be a strong peak season.
 - US transatlantic cargo is declining equally for both exports and imports. Exports to Asia Pacific remain weak, though import tonnage is increasing YoY and expected to continue rising.
 - MX faces constraints to BR, AR, PE and CL, causing cargo backlogs and rising rates.

Jet Fuel

Jet Fuel Price Development

Crude Oil vs. Jet Fuel Price Development



Brent crude oil price drops \$6/bbl. in July but set to rise on fears of Middle East supply disruptions.



U.S. jet fuel consumption projected to rise 3% YoY in 2024, remaining below 2019 levels.



Market to shift to moderate inventory builds in 2025 as OPEC+ cuts end and non-OPEC+ production surpasses demand.



Brent crude oil price forecasted to rise to average \$85/bbl. for remainder of 2024 and \$90/bbl. in early 2025.

Source: EIA; updated till Aug 2024 available date

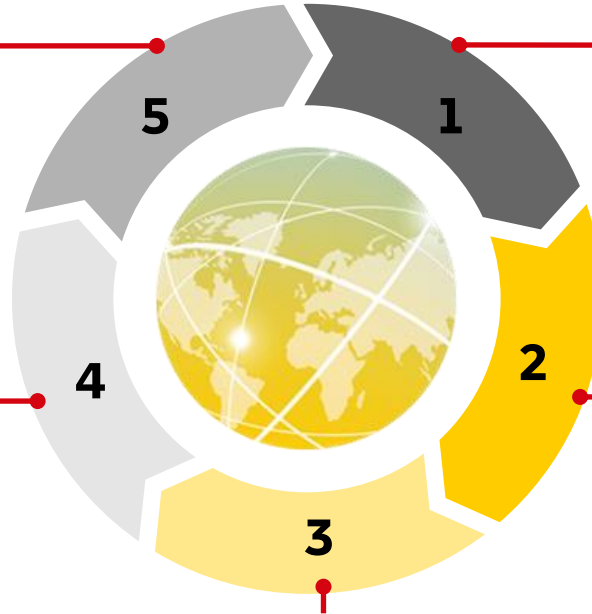
2024 Q4 – What to expect?

SERVICE DISRUPTIONS

- Political unrest in the Middle East and Ukraine, coupled with possible strikes at U.S. East and Gulf Coast ports, are likely to affect trade routes and drive-up air cargo rates through the end of 2024.
- Geopolitical factors, including US protectionism, could drive rush to import goods ahead of potential new tariffs.

ECONOMIC GROWTH

- Economic indicators signal continued stability in Global Manufacturing economy.
- Global growth projected to continue stable but slow until 2025, amid ongoing geopolitical uncertainties.
- Consumer inflation expected to ease gradually throughout 2024 amid supply-demand rebalancing.



DEMAND

- Despite mixed economic signals, demand is expected to remain high, with constrained freighter capacity pushing rates up.
- Interest in China-to-US air cargo charters surges as a reliable and cost-effective alternative to ocean freight with the peak season approaching.

CAPACITY

- Capacity constraints expected across all Asian markets in Q3 and Q4, as airlines have contracted over 80% of their capacity to e-commerce companies.
- India continued demand vs capacity imbalance expected to remain in Q3/Q4.

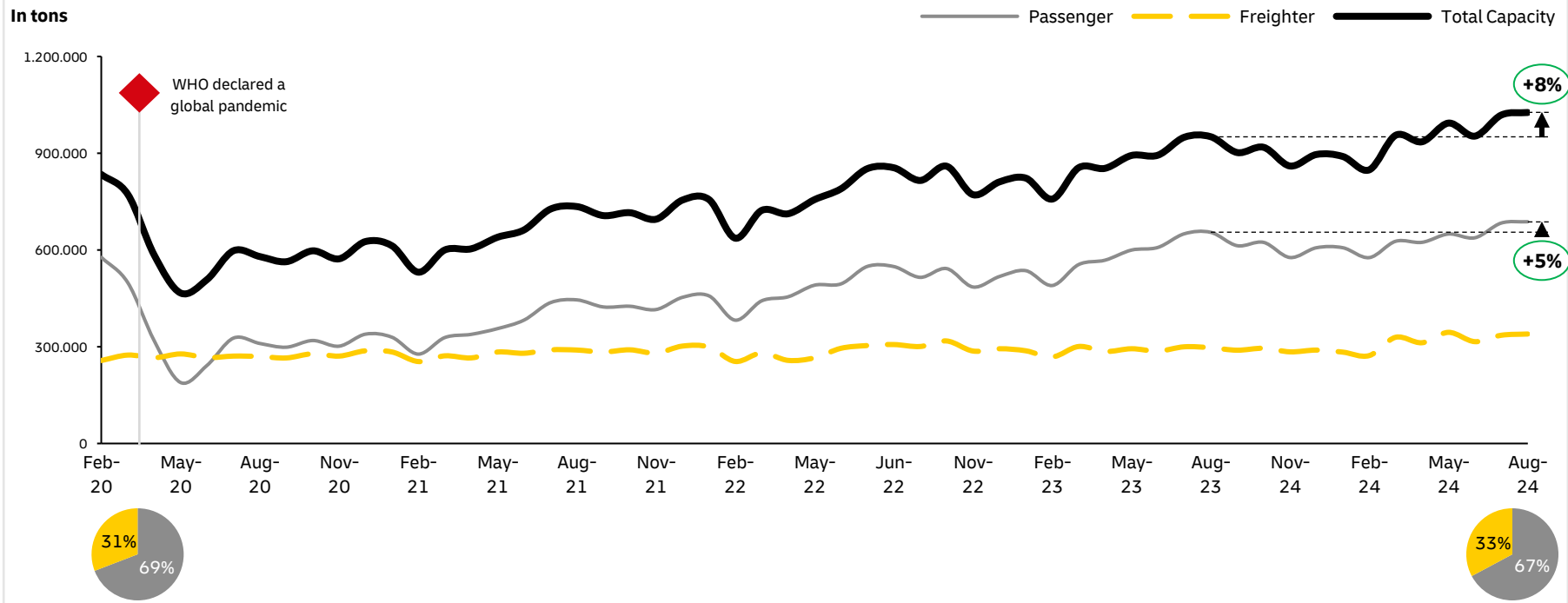
RATES

- Air freight rates anticipated to stay higher than usual, mainly from AP, as demand outpaces capacity growth.
- Peak season surcharges and major increases in spot rates are expected already by end of Q3.

BACKUP

Global Capacity Development

Capacity Development by Aircraft Configuration Feb 2020 – Aug 2024



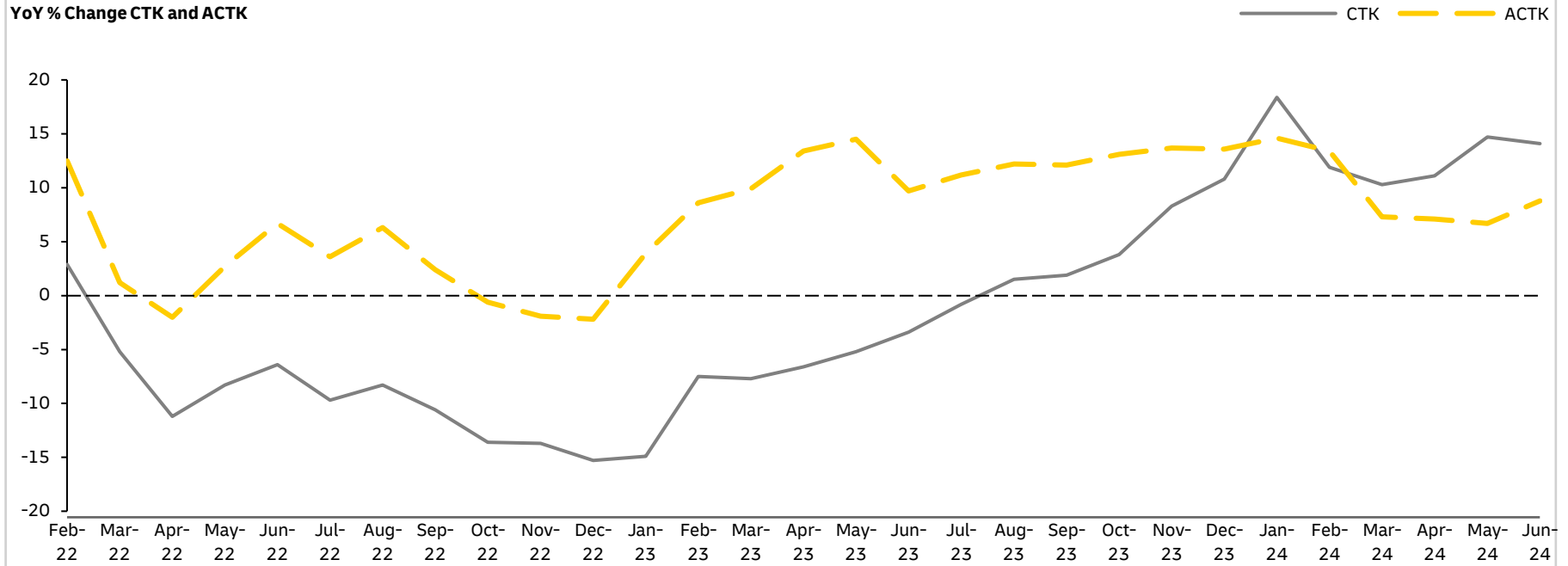
Source: Seabury

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Utilization

Global Cargo Load Factor Development

YoY % Change CTK and ACTK



Source: IATA

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Glossary

Definitions

Brent: World Price of Crude Oil (dollars per barrel)

CLF: Cargo Load Factor indicates how much of the available cargo space on a flight is being utilized. A higher CLF indicates more efficient use of cargo capacity, while a lower CLF suggests underutilization.

Composite Leading Indicator: Economic indicator developed by the Organization for Economic Co-operation and Development (OECD) to forecast future trends in economic activity. It's based on a combination of various economic indicators, such as industrial production, employment figures, and consumer confidence surveys. CLI aims to provide early signals of turning points in economic cycles, such as expansions or contractions. A CLI value above 100 indicates a positive fluctuation in the upcoming business cycle. A value below 100 indicates a negative economic fluctuation in the near future.

Gross Domestic Product (GDP): A measure of the value of all goods and services earned by a nation within boundaries, unlike the Gross National Product (GNP), which includes internationally derived income. Gross Domestic Product is generally presented as the sum of financial expenditures: Net Exports of goods and services, private consumption, government consumption, gross fixed capital formation and increase/decrease of stocks. Gross Domestic Product encompasses every sector of the economy.

Inflation rate: Changes in the Consumer Price Index represent the rate of inflation. The Consumer Price Index is a measure of the average price level of a fixed basket of goods and services purchased by consumers.

Global Manufacturing Purchasing Managers' Index (PMI): composite indicator that provides insight into the performance of the manufacturing sector worldwide, offering timely information on the health and direction of the manufacturing industry on a global scale. It's calculated from survey responses regarding factors such as new orders, production levels, employment, supplier deliveries, and inventories. A PMI reading above 50 indicates expansion in the manufacturing sector, while a reading below 50 suggests contraction.

Abbreviations

ACTK: Available Cargo Ton Kilometers

AML: Latin America

AMNO: North America

ASPA: Asia Pacific

CLI: Composite Leading Indicator

CTK: Cargo Ton Kilometers

Bbl: Barrel

CAGR: Compound Annual Growth Rate

EIA: U.S Energy Information Administration

FSC: Fuel surcharge

GR: YoY Growth rate

IATA: International Air Transport Association

MEA: Middle East and Africa

MoM: Month-on-month

PAX: Passengers (in the airline industry)

Pts: Percentage points

T: Thousands

WoW: Week-on-week

YoY: Year-on-Year

YTD: Year-to-Date

THANK YOU