

# Air cargo continues to be a difficult business

The International Air Transport Association (IATA) released data for global air freight markets showing that demand, measured in freight tonne kilometers (FTKs), rose 2.7% in June 2018, compared to the same period the year before.

This continues the slowdown in air cargo growth that began earlier in 2018. Growth for the first half of 2018 stands at 4.7%, less than half the growth rate in 2017. Freight capacity, measured in available freight tonne kilometres (AFTKs), rose by 4.1% in June 2018. Capacity growth has now outstripped demand growth every month since March. There are three main factors driving the slowdown:

- The restocking cycle, during which businesses rapidly built up inventories to meet demand, ended in early 2018. There was a marked fall in air cargo volumes from March.
- A structural slowdown in global trading conditions as indicated by the fall in the Purchasing Managers Index (PMI) to its lowest level since 2016. Factory export order books have turned negative in China, Japan and the US.
- The temporary grounding of the Nippon Cargo Airlines fleet in the second half of June exaggerated the slow-down by shaving up to 0.5 percentage points off June growth.

Air freight market detail - June 2018

	World share <sup>1</sup>	June 2018 (% year-on-year)				% year-to-date			
		FTK	AFTK	FLF (%-pt) <sup>2</sup>	FLF (level) <sup>3</sup>	FTK	AFTK	FLF (%-pt) <sup>2</sup>	FLF (level) <sup>3</sup>
<b>TOTAL MARKET</b>	<b>100.0%</b>	<b>2.7%</b>	<b>4.1%</b>	<b>-0.6%</b>	<b>44.3%</b>	<b>4.7%</b>	<b>5.1%</b>	<b>-0.2%</b>	<b>44.7%</b>
Africa	1.9%	-8.5%	-1.4%	-1.9%	24.9%	3.0%	0.6%	0.6%	26.5%
Asia Pacific	36.9%	1.5%	5.2%	-2.0%	54.5%	4.6%	6.8%	-1.1%	53.7%
Europe	24.2%	3.3%	5.4%	-0.9%	44.6%	4.1%	5.0%	-0.4%	46.2%
Latin America	2.7%	5.9%	-5.7%	4.1%	37.2%	10.1%	0.0%	3.3%	36.0%
Middle East	13.7%	3.8%	4.5%	-0.3%	43.7%	4.3%	5.1%	-0.4%	44.0%
North America	20.6%	3.8%	3.4%	0.1%	35.8%	5.3%	4.5%	0.3%	36.3%

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“Air cargo continues to be a difficult business with downside risks mounting. We still expect about 4% growth over the course of the year. But the deterioration in world trade is a real concern. While air cargo is somewhat insulated from the current round of rising tariff barriers, an escalation of trade tension resulting in a ‘reshoring’ of production and consolidation of global supply chains would change the outlook significantly for the worse. Trade wars never produce winners. Governments must remember that prosperity comes from boosting their trade, not barricading economies,” said Alexandre de Juniac, IATA’s director general and CEO.

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