

REPORT ON GLOBAL AIR CARGO IN THE CONTEXT OF THE COVID-19

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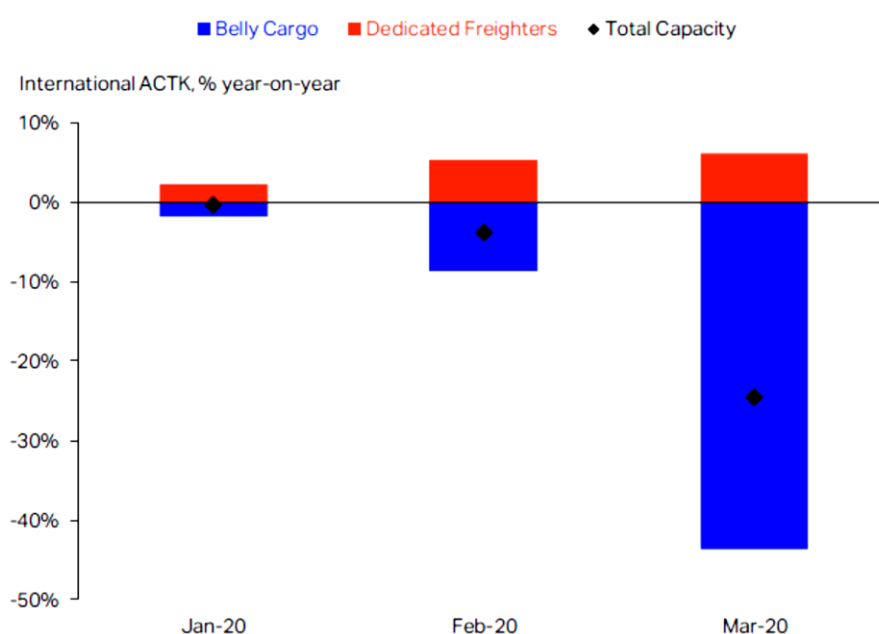
The air transport industry is deemed essential in the face of the current outbreak, being the means of transport that regularly distributes crucial goods such as medical equipment, inputs and supplies, as well as other essential assets for the functioning of a country. However, since the beginning of the pandemic, it has displayed an overall downturn.

The air cargo performance demonstrated a severe capacity shortfall at a global scale¹:

- ✓ Global demand, which includes both domestic and international markets, fell by 15.2% in March compared to the previous year (-15.8% for international markets), measured in cargo tonne kilometres (CTKs).
- ✓ Global capacity (the supply side) shrank by 22.7% in March compared to the previous year (-24.6% for international markets), measured in available cargo tonne kilometres (ACTKs).

International markets account for 87% of air cargo. Within this transportation segment, belly capacity –the share of cargo capacity that is shipped in the hold of commercial aircrafts– air cargo shrank by 43.7% in March compared to the previous year. This was partially offset by a 6.2% increase in capacity through expanded use of freighter aircraft, including the use of idle passenger aircraft for all-cargo operations. Figure 1 shows year-on-year change of air cargo capacity, both in dedicated freighters and belly cargo.

Figure 1. International belly cargo and dedicated freighters capacity growth



Source: IATA (2020)

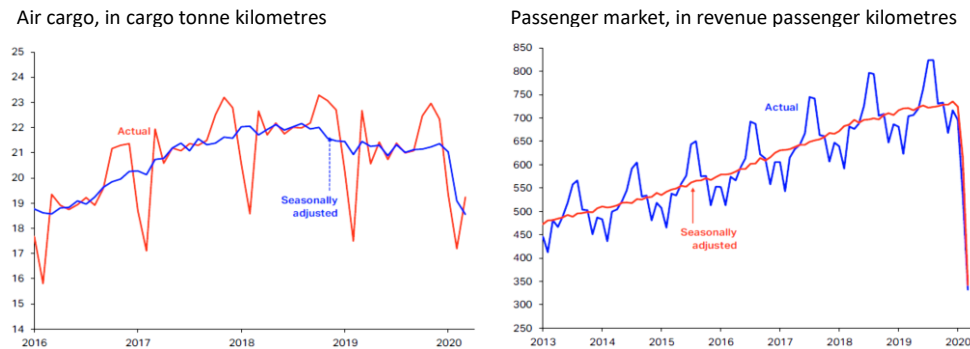
The cancellation of passenger flights across all regions affected international belly cargo capacity significantly in March. Although some airlines have converted passenger aircraft into cargo-only flights, international belly cargo capacity declined by 43.7% in year-on-year terms in March. On the other hand, dedicated freighters continued to increase their capacity in March at a similar pace (6.2% year-on-year) to February. Figure 1 shows the slight capacity upturn in dedicated freighters, despite the efforts made by

¹ This paper is based on the International Air Transport Association (IATA) 2020: Air Cargo Market Analysis and IATA (2020b): Air Passenger Market Analysis March 2020, April.

aviation to regain part of the lost capacity in regular passenger flights. The share of belly cargo in total international capacity declined to 46% from 65% in March 2019. Overall, international cargo capacity contracted by 24.6% in year-on-year terms. Nonetheless, the stagnation of capacity in dedicated freighters between February and March reveals a certain inelasticity of the industry for facing the emergency.

Seasonally adjusted data for global air cargo and passenger transportation by airplane show the severe downfall in both indicators (see figure 2).

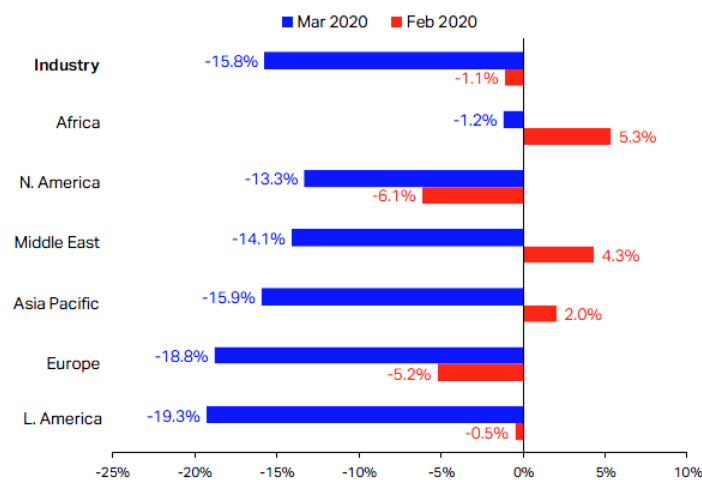
Figure 2. Air cargo and passenger evolution since 2013/2016 - 2020



Source: IATA (2020) and IATA (2020b).
Note: both figures are in billion per month.

Considering the downfall on a monthly basis, March proves to have been the worst month in terms of performance so far.

Figure 3. International cargo tonne kilometres (% year-on-year)



Source: IATA (2020): Air Cargo Market Analysis March 2020

It should be noted that Latin America, in spite of being one of the smaller regions in terms of air cargo volume at a global scale, had the greatest decline during March. Latin American carriers posted the sharpest fall—a 19.3% year-on-year decline in international demand. This was a significant deterioration compared to February (-0.5%). Declines were widespread but were most severe for Central and South America with volumes down around 35% year-on-year. International capacity decreased 37.6%. For further details about the behaviour of the different regions see Annex 1.

The combined analysis of supply and demand shows that volumes fell by over 15% in March compared to the previous year, but capacity plummeted by 22.7% in year-on-year terms. The gap must be addressed quickly because vital supplies must get to where they are most needed. For example, there is a doubling of demand for pharmaceutical shipments that are critical to this crisis. With most of the passenger fleet sitting

idle, airlines are doing their best to meet demand by adding freighter services, including adapting passenger aircraft to all-cargo activity. But mounting these special operations continues to face bureaucratic hurdles.

Presently, there are delays in getting charter permits issued, a lack of exemptions on COVID-19 testing for air cargo crew, and inadequate ground infrastructure to/from and within airport environments. Air cargo needs to move efficiently throughout the entire supply chain to be effective. For these reasons, IATA has urged governments to: a) cut the paperwork for charter operations; b) exempt cargo crew from quarantine rules that apply to the general population and c) ensure there is adequate staff and facilities to process cargo efficiently.

While there is an immediate capacity shortage, the collapsing economy is expected to further depress overall cargo volumes. One area of demand, however, is growing sharply. Pharmaceutical shipments are tracking at double the amounts compared to last year. This excludes shipments of medical equipment.

ANNEX 1. Regional performance

March 2020 (% year-on-year)	World share ¹	CTK	ACTK	CLF ²
International	86.8%	-15.8%	-24.6%	62.0%
Africa	1.8%	-1.2%	-8.2%	42.8%
Asia Pacific	30.4%	-15.9%	-27.8%	72.6%
Europe	23.3%	-18.8%	-27.6%	65.1%
Latin America	2.3%	-19.3%	-37.6%	54.5%
Middle East	13.0%	-14.1%	-20.4%	53.5%
North America	16.0%	-13.3%	-19.0%	54.3%

¹% of industry CTKs in 2019 ² Load factor level