

Trade war effects on global air freight demand

Data released by the International Air Transport Association (IATA) shows that global air freight market demands, measured in freight tonne-kilometres (FTKs), has contracted by 3.2% in July 2019, compared to the same period in 2018. This marks the ninth consecutive month of year-on-year decline in freight volumes.



Eric Gevaert via [123RF](#)

Air cargo continues to suffer from weak global trade and the intensifying trade dispute between the US and China. Global trade volumes are 1.4% lower than a year ago and trade volumes between the US and China have fallen by 14% year-to-date compared to the same period in 2018.

The global **purchasing managers index** (PMI) does not indicate an uptick. It's tracking of new manufacturing export orders has pointed to falling orders since September 2018. And for the first time since February 2009, all major trading nations reported falling orders.

Freight capacity, measured in available freight tonne kilometres (AFTKs), rose by 2.6% year-on-year in July 2019. Capacity growth has now outstripped demand growth for the 9th consecutive month.

"Trade tensions are weighing heavily on the entire air cargo industry. Higher tariffs are disrupting not only transpacific supply chains but also worldwide trade lanes. While current tensions might yield short-term political gains, they could lead to long-term negative changes for consumers and the global economy. Trade generates prosperity. It is critical that the US and China work quickly to resolve their differences," said Alexandre de Juniac, IATA's director-general and CEO.

Regional performance

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

Asia-Pacific airlines saw demand for air freight contract by 4.9% in July 2019, compared to the same period in 2018. The US-China trade war and weaker manufacturing conditions for exporters in the region have significantly impacted the market. 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 2.5% over the past year.

North American airlines saw demand decrease by 2.1% in July 2019, compared to the same period a year earlier. Capacity increased by 1.6% over the past year. Despite a sound economic backdrop supporting consumer spending, the US-China trade tensions continue to weigh on the region's carriers. Freight demand between Asia and North America have fallen by almost 5% in year-on-year terms.

European airlines posted a 2.0% decrease in freight demand in July 2019 compared to the same period a year earlier. Weaker manufacturing conditions for exporters in Germany, heightened recession fears, and ongoing uncertainty over Brexit, have impacted the recent performance. Capacity increased by 4.2% year-on-year.

Middle Eastern airlines' freight volumes decreased 5.5% in July 2019 compared to the year-ago period. This was the sharpest drop in freight demand of any region. Capacity increased by 0.2%. Escalating trade tensions, the slowing in global trade and airline restructuring have impacted the recent performance.

Latin American airlines experienced an increase in freight demand growth in July 2019 of 3.0% compared to the same period last year and capacity increased by 2.7%. The recovery of the Brazilian economy, to avoid a recession, was a positive development; however, concerns regarding the outlook for some key Latin American countries including Argentina remain.

African carriers posted the fastest growth of any region in July 2019, with an increase in demand of 10.9% 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% 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.

[View full July air freight results.](#)