

AIRFREIGHT STATE OF THE INDUSTRY

APRIL 2024



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Summary

Demand



- Global air cargo demand keeps climbing in April, now at +6% YoY vs same period last year.
- Boom in e-commerce drives increase in air cargo volume, led by fashion and consumer sectors.
- Asia-Pacific trade routes rebound, while Transatlantic flows decline.

Capacity



- Global air cargo capacity now at +10% YoY vs April 2023.
- Capacity growth varies significantly across trade lanes, influenced by airspace closures, e-commerce expansion, and production shifts.
- Asia Pacific region projected to increase widebody belly capacity in anticipation of the summer 2024 traffic season.

Carriers



- US Department of Transportation grants China-based airlines 45% increase in weekly flights to US.
- IAG Cargo resumes LHR-AUH route, boosting weekly flights to Middle East and Africa by 19% in Apr'24
- EY and CX temporarily suspend flights from PVG and HKG to MAA starting Apr'24.

Jet Fuel



- Jet fuel spot price held steady at \$109/bbl in Mar'24, consistent with Q1'24 prices average.
- Brent crude oil forecasted to average \$90/bbl in Q2'24, amid tighter supply and geopolitical disruptions.

Rates



- Airfreight rates continued to increase in specific regions this month, due to global surge in cargo demand and regional capacity challenges.
- Spot rates from the Middle East and South Asia to Europe have considerably increased compared to Apr'23.

Regulation/News



- UAE introduces CARDS system to enhance air cargo operations visibility.
- Flash floods in Dubai and escalating Iran-Israel conflict prompt Middle East airspace closures.
- Russia/Ukraine: Sanctions likely to remain active for the foreseeable future.

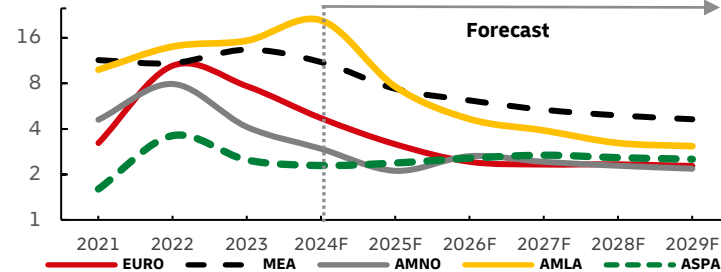
Market Developments

Economic Outlook

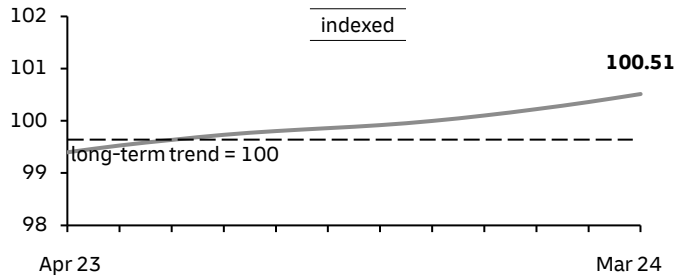
GDP Growth by Region

	2024F	2025F	2026F	2027F	2028F	CAGR (2024-2028)
EURO	0.83%	1.68%	1.75%	1.77%	1.66%	1.70%
MEA	2.40%	3.23%	3.82%	3.75%	3.36%	3.43%
AMNO	2.42%	1.76%	1.76%	1.74%	1.84%	1.70%
AMLA	1.81%	2.68%	2.83%	2.97%	2.97%	2.91%
ASPA	4.01%	3.99%	3.94%	3.91%	3.90%	3.95%
WORLD	2.63%	2.75%	2.79%	2.79%	2.76%	2.74%

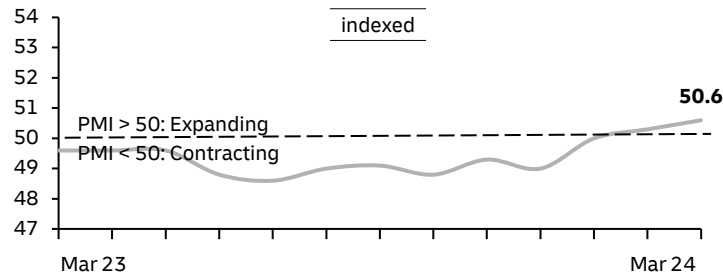
Inflation (YoY, %)



OECD Leading Indicator CLI¹



JP Morgan Global Manufacturing PMI²



Global real GDP growth is now projected at 2.6% for 2024, slightly above market expectation (2.4%).

Global consumer price inflation at 4.6% in Apr'24, expected to continue normalization.

OECD CLI has gradually increased above the long-term trend, indicating continued moderate global growth.

Global Manufacturing PMI hits its highest level since July '22, signaling potential return to YoY growth.

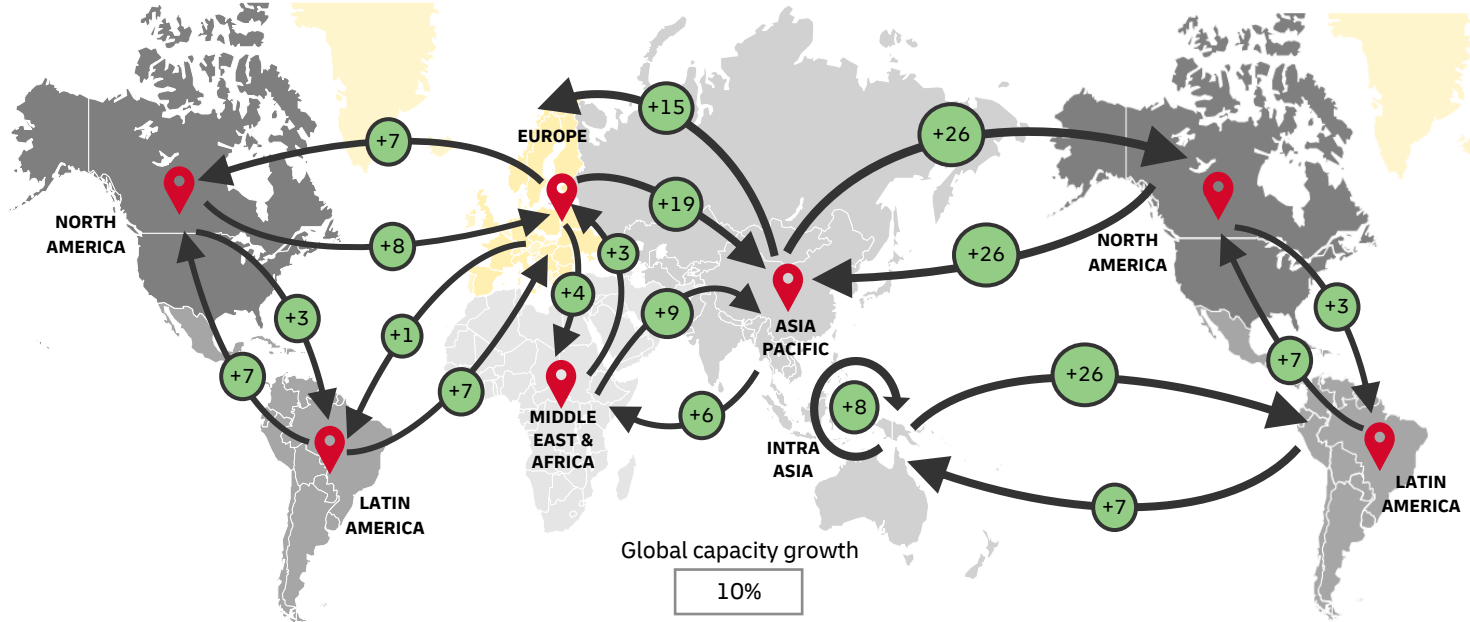
Source: S&P Global, OECD, IMF, ¹Composite Leading Indicator; based on G20 index

Capacity

Regional Capacity Development

Global Scheduled Capacity (metric tons)

YoY % growth – April 2024

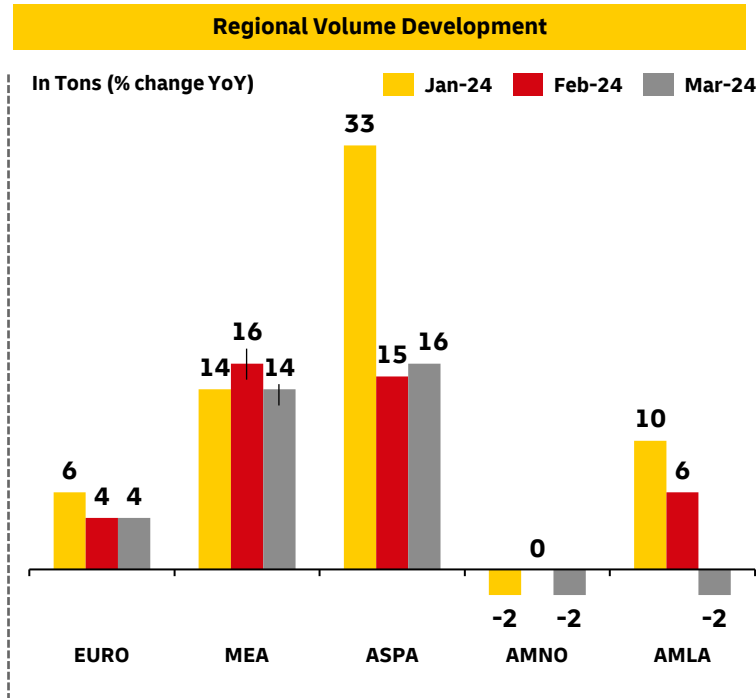
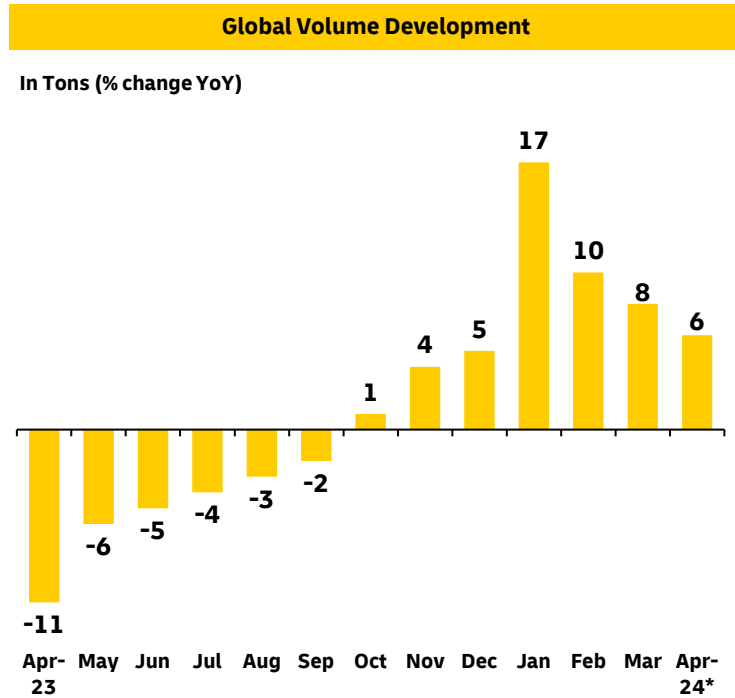


- Global air cargo capacity rose by +10% YoY vs Apr'23, driven by expanding passenger belly capacity.
- Capacity constraints in AP-MEA route, with airlines cancelling flights to avoid tension zones.
- Summer schedules suggest widebody belly capacity will likely exceed summer 2023 levels by double digits.
- Air cargo BSAs from AP to US and EU fully booked for 2024 as Chinese e-commerce giants secure capacity to meet rising demand.

Source: Seabury

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Demand



Global air cargo demand rises by +6% amid geopolitical and economic uncertainties.



Significant demand increase in Q1'24, partly influenced by lower base from previous year.



Strong growth in fashion and consumer goods e-commerce boosts air trade demand in 2024.








MEA and AP airfreight demand increases as shippers switch to air to dodge Red Sea delays.

Source: WorldACD Market Data & desk research; TR data changed EU -> MEA; * Demand data on Global level updated till last available date (18 Apr 2024)

Regional Market Development

Market development on key regional tradelanes

		Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24	Mar'24	Apr'24	Forecast	May'24
 ASPA	intra	●	●	●	●	●	●	●	●	●	●	●		●
	AMNO	●	●	●	●	●	●	●	●	●	●	●		●
	EURO	●	●	●	●	●	●	●	●	●	●	●		●
 EURO	ASPAC	●	●	●	●	●	●	●	●	●	●	●		●
	AMNO	●	●	●	●	●	●	●	●	●	●	●		●
	AMLA	●	●	●	●	●	●	●	●	●	●	●		●
 MEA	EURO	●	●	●	●	●	●	●	●	●	●	●		●
	AMNO	●	●	●	●	●	●	●	●	●	●	●		●
 AMNO	ASPAC	●	●	●	●	●	●	●	●	●	●	●		●
	EURO	●	●	●	●	●	●	●	●	●	●	●		●
	AMLA	●	●	●	●	●	●	●	●	●	●	●		●
 AMLA	EURO	●	●	●	●	●	●	●	●	●	●	●		●
	AMNO	●	●	●	●	●	●	●	●	●	●	●	●	

● Demand > Capacity; Rates(++)
● Demand, Capacity balanced;
● Demand, Capacity imbalance; Backlog- Rates fluctuating(+)

Source: DGF Desk Research

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Regional Market Outlook

- Economic growth expectation in the Eurozone remains weak as key European markets (DE, NL, FR) contracting.
 - Red Sea situation continues to lead to significant increase in air freight demand from Dubai to Europe, due to conversions from OFR to SEA/AIR volumes.
 - Additional capacity outbound Europe with 2024 Summer Schedule.
-
- Record rains for U.A.E resulted in a temporary closure of DXB airport and cancellation of +-300 flights.
 - The vast majority of Dubai cargo backlog has now been cleared as capacity returns, but delays can be expected.
 - Rising Sea-Air as a result of the modal shift due to Red Sea ongoing conflicts, with Dubai-Europe tonnages up by +153% compared last year.



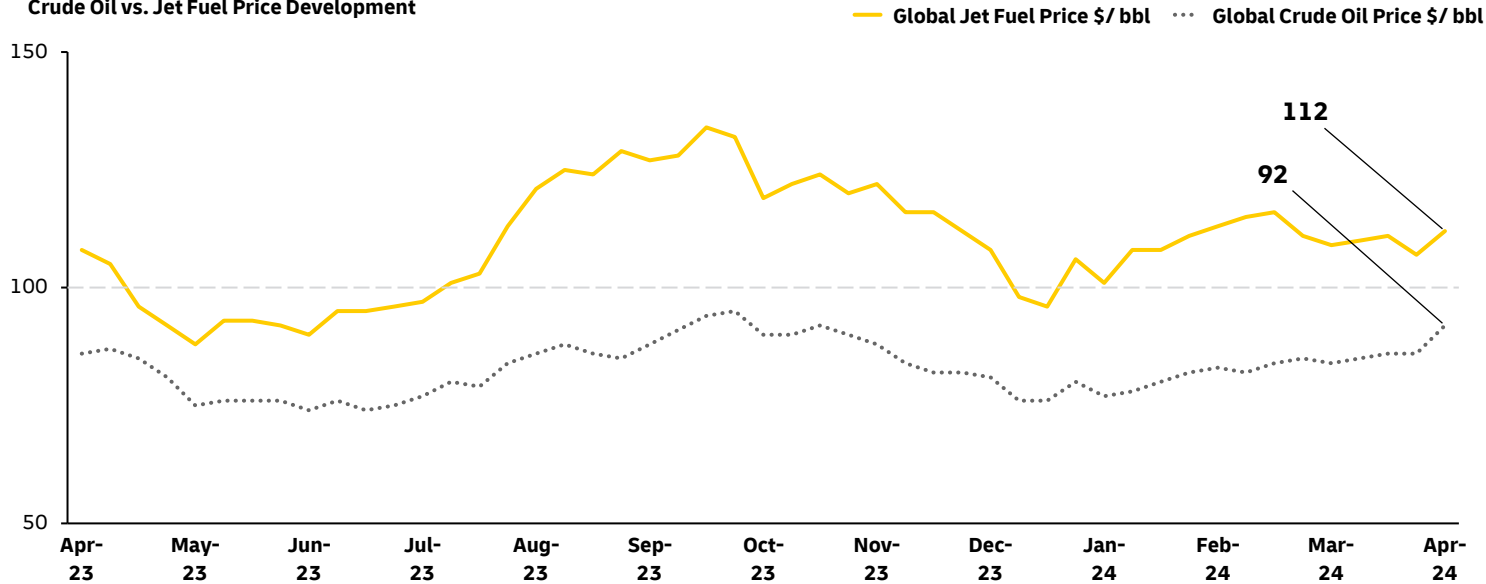
- Red Sea challenges drive sea-air conversion and capacity disruption, high demand for perishables boosts air traffic in India, prompting shippers to secure costlier space.
 - E-commerce demand continue to affect AP routes to ME, EU, and US.
 - IR and IQ conflict worsen the capacity constraint, as airlines re-routed flights to avoid tension areas.
 - Rates ex Asia has increased substantially and is expected to stay elevated in May 2024.
-
- Strong MoM increase in air volumes from BR (+17% vs Feb'24), resulting in tight capacity to most destinations in EU, US and AMLA.
 - Significant growth in Mexican air imports of machinery parts and capital equipment indicating nearshoring.
 - US-AMLA demand remains below previous year levels with sufficient capacity, while US imports from India see high demand, limited capacity, and sharp rate increases.

Jet Fuel

Jet Fuel Price Development



Crude Oil vs. Jet Fuel Price Development



Jet Fuel spot price held steady at \$109/bbl in Mar'24, consistent with the Q1'24 average.



OPEC+ cuts and seasonal jet fuel demand drive price pressures in Q2'24.



Plentiful crude oil supplies expected to ease impact of Middle East conflicts on prices.



Jet fuel demand in 2024 expected to ease as air traffic stabilizes and aircraft become more fuel efficient.

Source: EIA; updated till April 2024 available date

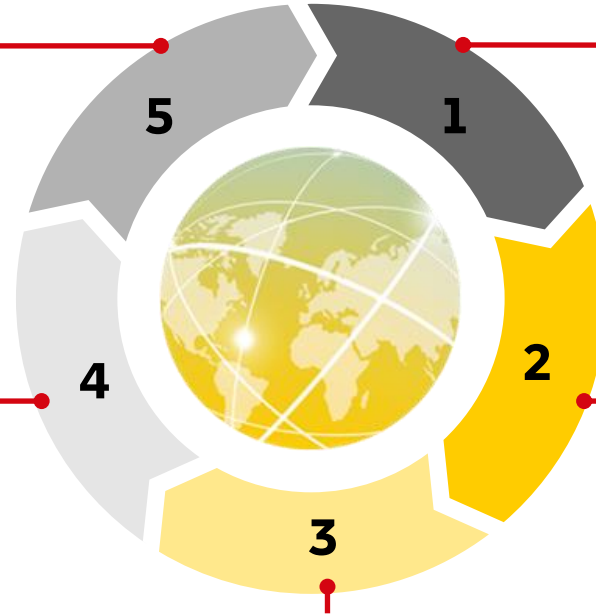
2024 Q2– What to expect?

SERVICE DISRUPTIONS

- Middle East conflict escalation, along with Panama Canal disruptions continue to affect airfreight market and rates.
- Taiwan semiconductor manufacturing disruption may affect future air cargo volumes.
- Expected airport strikes in Europe could lead to additional flight disruptions in the coming weeks.

ECONOMIC GROWTH

- Economic indicators point towards modest growth of US and EU, while emerging markets pick up pace.
- Consumer price inflation rates expected to decline further in 2024–25 amid supply-demand rebalancing, but services inflation rates pose challenges.



DEMAND

- Sea-air service demand anticipated to remain high due to recent Red Sea conflict escalations.
- Continuous boom in e-commerce and regional modal-shift demand may prevent historical summer airfreight slump.
- E-commerce air cargo forecasted to reach 13% of global air freight in 2024, driven by rapid expansion.

CAPACITY

- Growth of widebody belly capacity out of Asia expected to accommodate the boom of e-commerce demand.
- Aging freighter fleet set for replacement by new aircraft, alongside increased belly capacity orders.

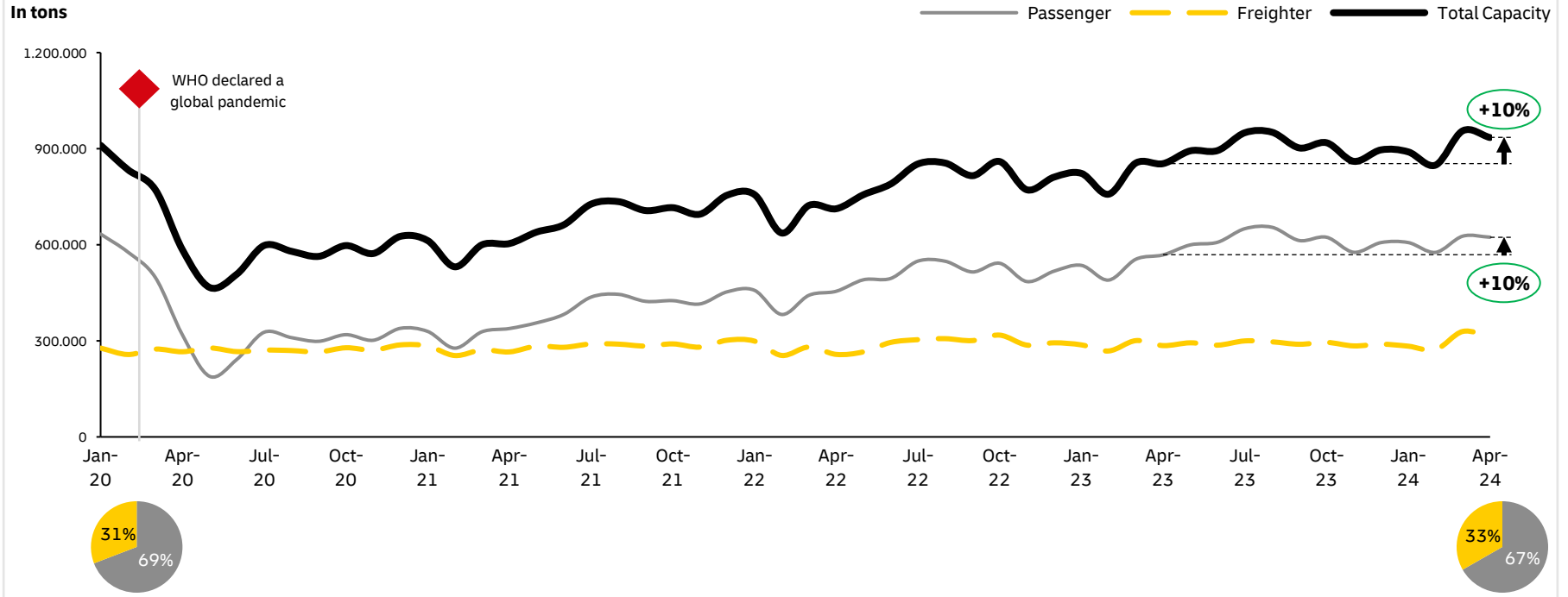
RATES

- Overall downward pressure on rates expected in the upcoming months, except for specific trade lanes, where the ongoing surge in e-commerce and lingering uncertainty in the Red Sea are expected to bolster rate levels.

BACKUP

Global Capacity Development

Capacity Development by Aircraft Configuration January 2020 – April 2024



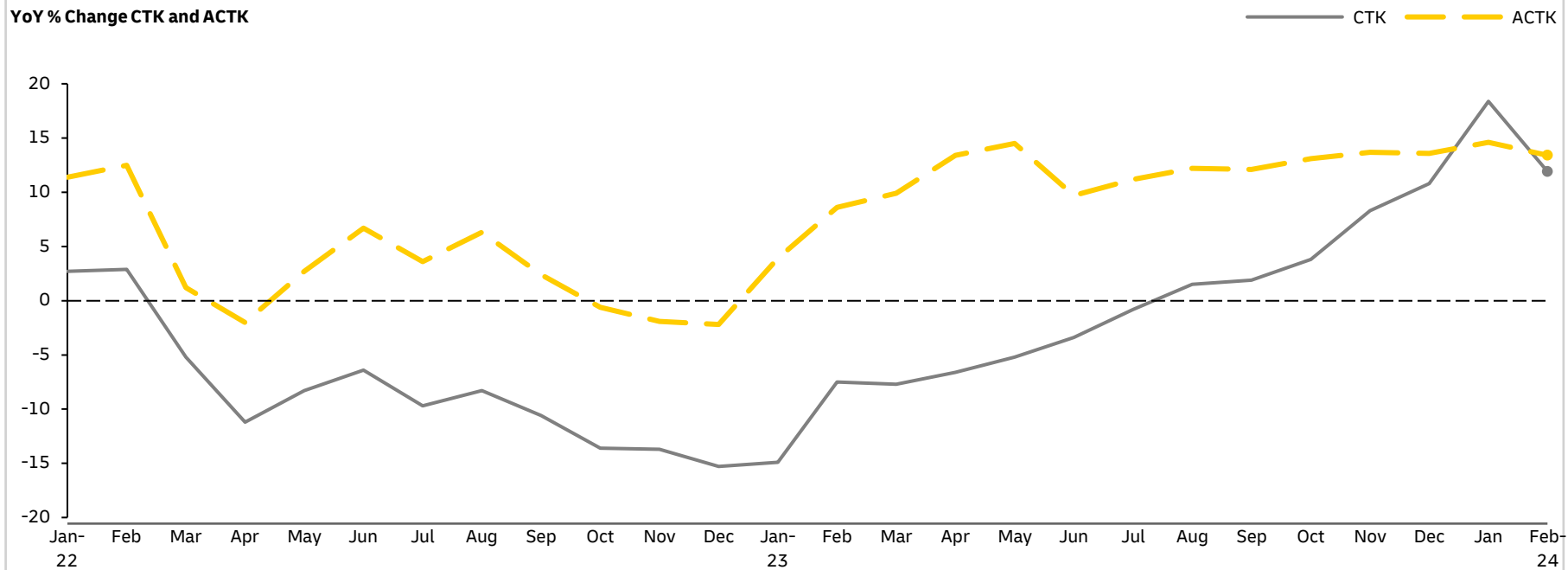
Source: Seabury

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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

AMLA: 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