

# AIRFREIGHT STATE OF THE INDUSTRY

JANUARY 2021

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# Summary

## Demand

- Global airfreight demand kept improving significantly. At -2% YoY in Nov 2020
- Vaccine peak season likely to be in Q2-Q3 2021, initial distribution happening primarily in region of production
- Extended lockdowns and control measures put recovery at risk but manufacturing activity and consumer demand continued to rebound strongly resulting in increased cargo volumes

## Capacity

- Capacity continues to remain severely affected and down by -32% YoY in Jan 2021.
- PAX capacity continues to remain low at -47% YoY in Jan 2021

## Carriers

- CX, CI, UA, EK, AS, LH, AC among airlines actively deploying cargo only PAX aircrafts (“preighters”)
- >150 aircrafts reconfigured as mini freighters in 2020
- Air Belgium set to enter the all-cargo market
- After initial hiccups BA cargo worker dispute ended with mutual agreement
- Stricter quarantine rules in HK likely to affect CX capacity; KL expects the same due to recent NL rules
- In 2020 passenger traffic fell by 66%- the sharpest decline in the aviation history

## Jet Fuel

- Jet fuel price increased to \$60/b in Jan 2021 from \$56/b in Dec 2020; steady recovery since \$19 hit in April 2020

## Rates

- Freight rates +75% higher YoY in Dec 2020 against 2019 baseline
- Rates expected to remain high due to demand vs capacity imbalance

## Regulation/News

- Asian countries(CN, HK, KR, SG, TW, NZ) implemented stricter Covid quarantine rules for airlines staff which is likely to further affect capacity
- US Covid travel restrictions reinstated; Few EU countries extended existing lockdowns due to existing COVID situation
- UK-EU air cargo flights continued to pick-up following severe cross-border trucking blockage around Christmas
- Several major airports continued to experience backlogs and staff shortages(MIA, LAX, PVG, etc.)
- CN government restricts domestic travel during the Chinese New Year; Both domestic and outbound international flight cancellations announced

Source: IATA Market Analysis, IATA Cargo MF Market Focus, Seabury Capacity Data, Cargo Facts Update, Airport Websites, Air Cargo World, US Energy Information Administration, IATA Jet Fuel Price Analysis, UNICEF; BBC; NY Times; Reuters

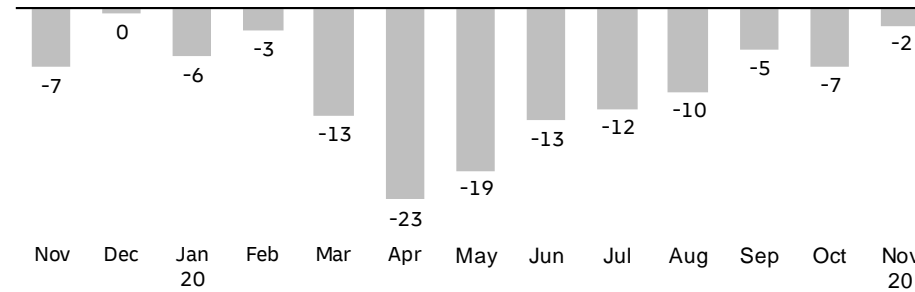
# Market Developments

## Economic Outlook

GDP Growth by Region	2020	2021F	2022F	2023F	2024F	CAGR (2020-2025)
EURO	-7.30%	3.47%	3.65%	2.19%	1.83%	2.55%
MEA	-6.35%	3.25%	3.91%	3.65%	3.36%	3.48%
AMNO	-3.73%	3.14%	2.62%	2.45%	2.87%	2.80%
AMLA	-7.24%	3.75%	2.63%	2.49%	2.55%	2.84%
ASPA	-1.88%	5.53%	4.40%	4.38%	4.42%	4.61%
<b>World</b>	<b>-4.33%</b>	<b>4.13%</b>	<b>3.61%</b>	<b>3.18%</b>	<b>3.21%</b>	<b>3.46%</b>

## Demand

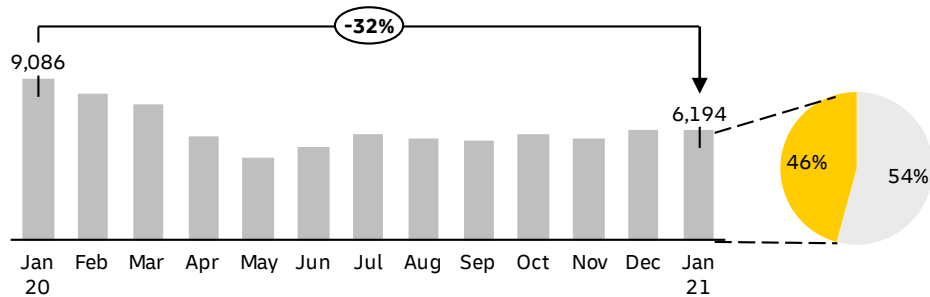
Demand Development in Tons (% change YoY)



## Supply

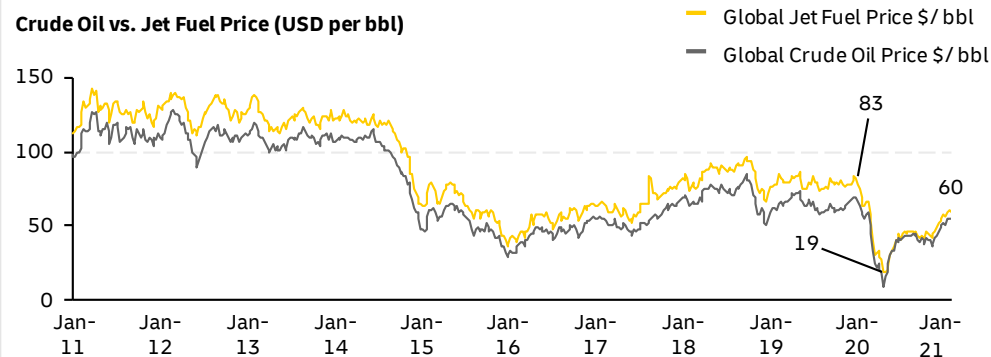
Supply Development (000 Tons)

Passenger Freighter



## Jet Fuel

Crude Oil vs. Jet Fuel Price (USD per bbl)



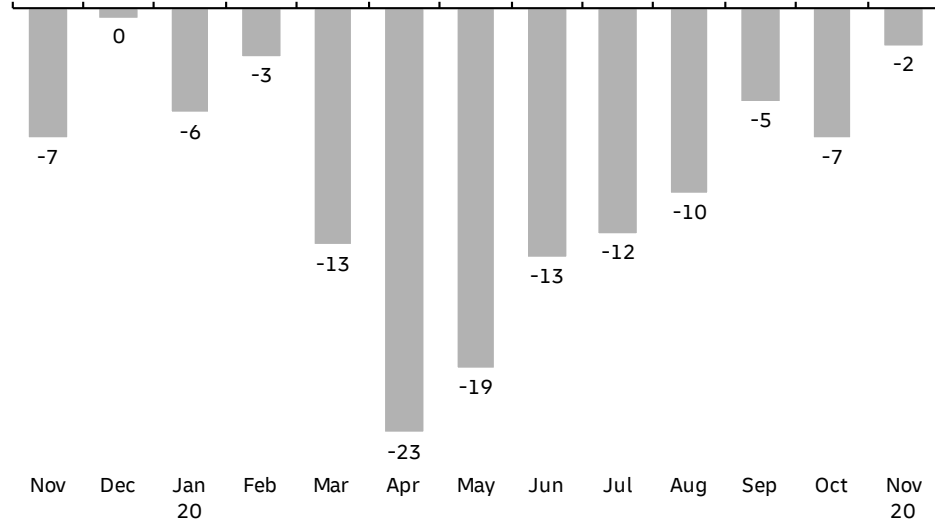
- After contraction in 2020, the global economy is projected to grow in 2021
- Demand continued to grow strongly with the peak season; Industry-wide YoY decrease at -2% in Nov 2020
- Month on month recovery continues
- Overall scheduled capacity decreased YoY by -32% in Jan 2021
- Lack of cargo capacity still remains a key obstacle for faster recovery in demand
- Jet fuel price at \$60/b in Jan 2021. EIA increased forecasted prices to around \$53/b in 2021

Source: IHS Markit Group, IATA Market Analysis, Seabury Capacity Data, IATA Jet Fuel Price Analysis, Economic Data Factbook Q3 update, IMF

# Demand

## Global Volume Development

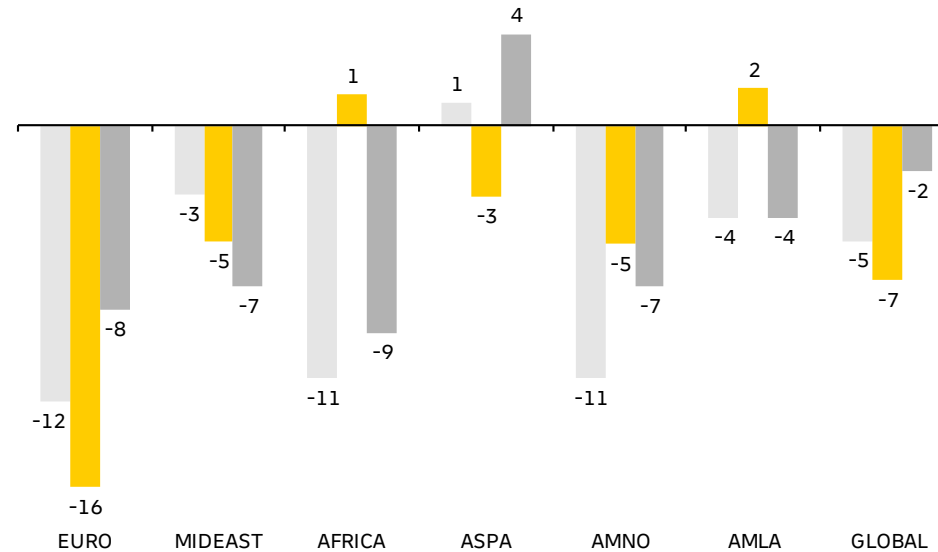
In Tons (% change YoY)



## Regional Volume Development

In Tons (% change YoY)

Sep 20 Oct 20 Nov 20

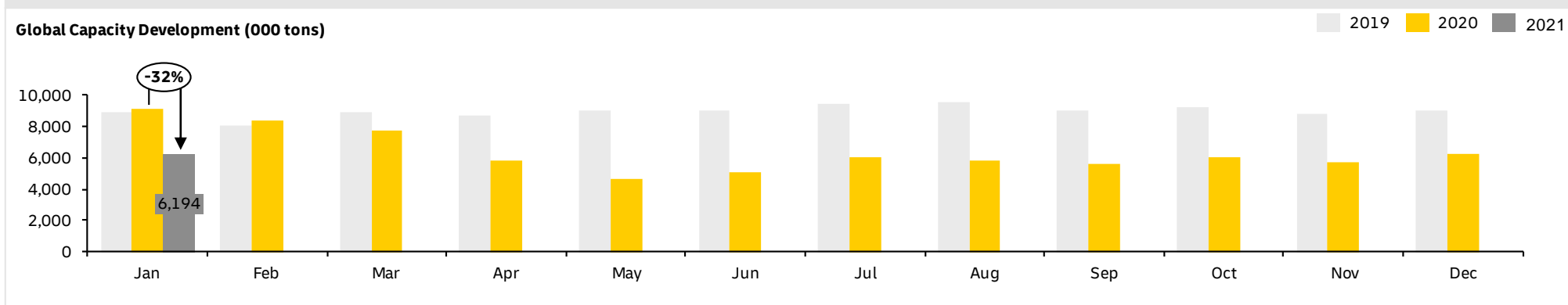


- Demand continued to recover across most regions and remained high across major airports **most notably in ASPA**
- Intra-US e-commerce and ASPA to AMNO cargo movements continued to boost volumes
- Difficult economic conditions in MX, AR affected AMLA recovery
- Demand likely to surge further before Chinese New Year
- Airlines prepare themselves for increasing COVID vaccine distribution

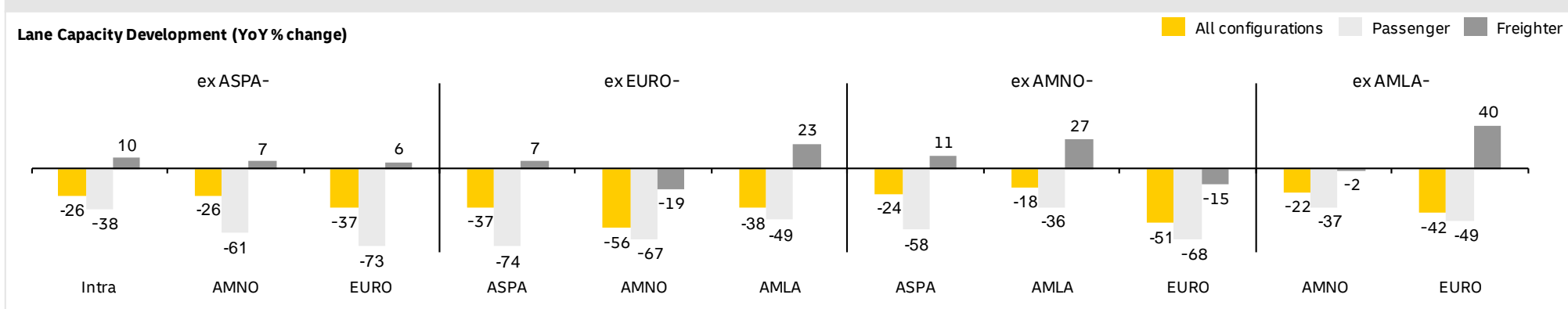
Source: Seabury Demand Data

# Supply

## Global Capacity Development



## Trade Lane Capacity Development

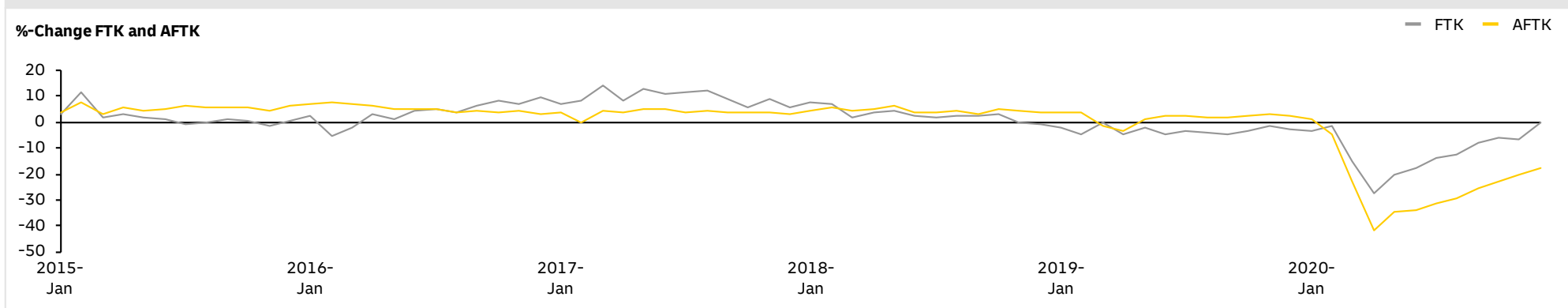


- Total scheduled capacity decreased by -32% YoY in Jan 2021
  - PAX capacity remains low at -47% YoY in Jan 2021.
  - *Freighter or PAX* charter contribution visible in Freighter (FRT) capacity increase
- Economical PAX capacity shares at 54% in Jan 2021 compared to 70% in Jan 2020; recovery delayed by the resurgence of the virus and extended lockdowns
- Stricter quarantine measures affecting airlines staff leading to flight cancellations and further delaying PAX recovery

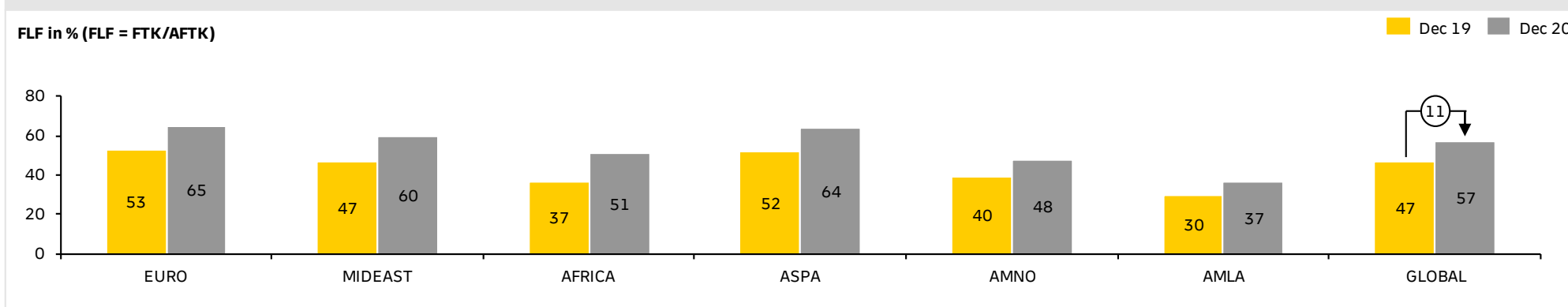
Source: Seabury Capacity Data

# Utilization

## Global Freight Load Factor Development



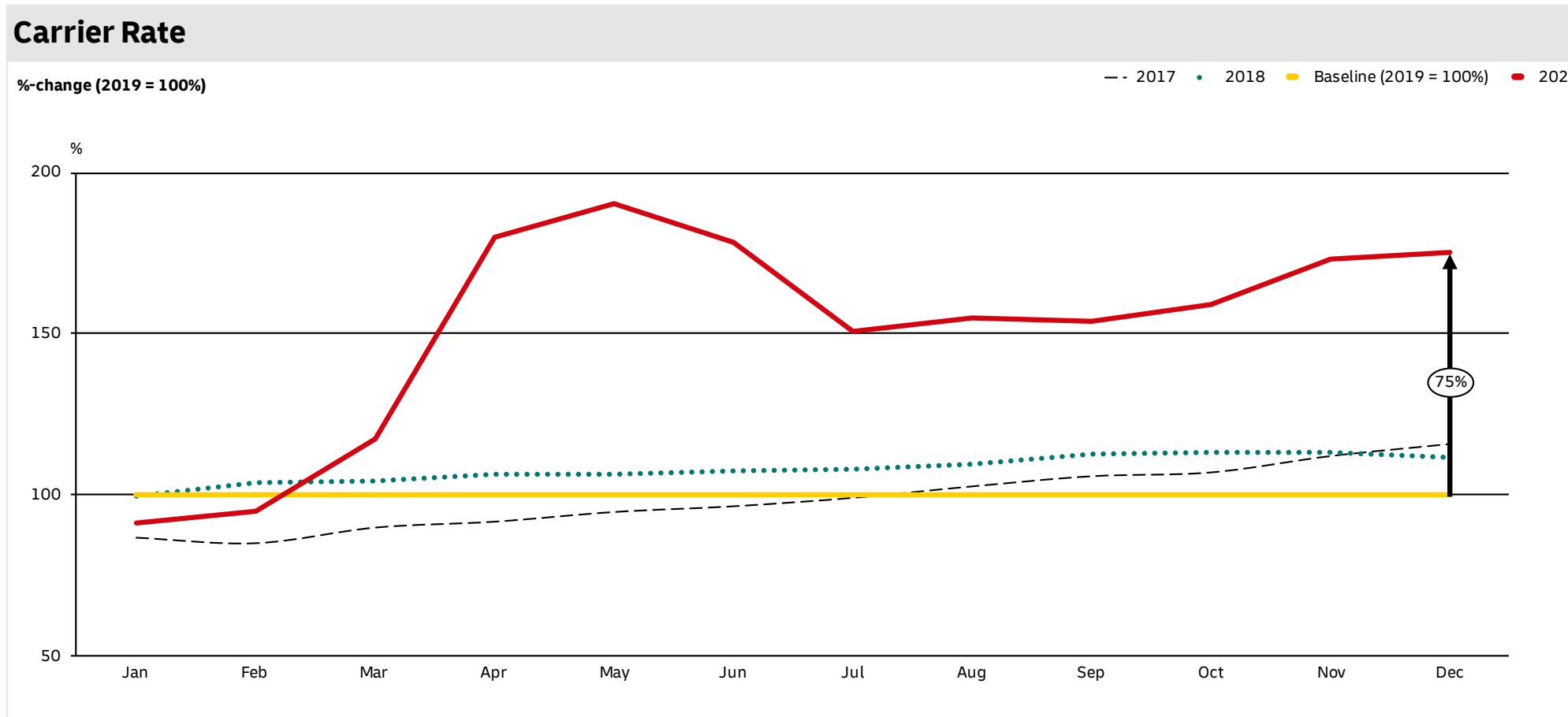
## Regional Freight Load Factor Development



- Freight Load Factor is an indicator of how tight is the demand-supply balance
- Recovery in capacity lagged the rebound in cargo demand; the gap between supply (AFTK) and demand (ATK) is widening
- Industry-wide FLF was up +11 percentage points YoY in Dec 2020 and remains at historically high levels
- Resilient cargo volumes against highly reduced capacity has led to exceptionally high load factors across all regions

Source: IATA Market Analysis

# Rates-Global Carrier Rate Development



- Rates were **+75% higher** in Dec 2020 than 2019 baseline
- Rates continued to increase steadily since Jul and accelerated as peak season commenced
- Rates show no signs of softening as demand recovery remains very strong against limited capacity
- Airlines continue to manage yields aggressively; extra capacity available only at a premium

Source: IATA Cargo MF Reports/ CASS. Jan to Jun: average freight rate excluding other charges. Jul-present: average freight rate including other charges.



# Jet Fuel

## Jet Fuel Price Development

Crude Oil vs. Jet Fuel Price Development



- Jet fuel price increased to \$60/b in Jan 2021
- Prices continued to increase from \$56/b in Dec in tune with resilient economic recovery
- EIA forecasts an increase in crude oil production
- OPEC and partnering countries planned to increase production initially planned for January 2021
- EIA now estimates the crude oil prices to average \$53/b in 2021

Source: Reuters, U.S. Energy Information Administration, IATA, S&P Platts, OPEC- Organization of the Petroleum Exporting Countries



**BACKUP**

Join our webinar on 23<sup>rd</sup> February, 2021



Date & Time:

Tuesday, February 23<sup>rd</sup>: [09:00-10:00 CET\\*](#)

Tuesday, February 23<sup>rd</sup>: [16:00-17:00 CET\\*](#)

*\*Use hyperlinks to register yourself for either session*

# BREXIT

## Checklist for UK/EU shipments

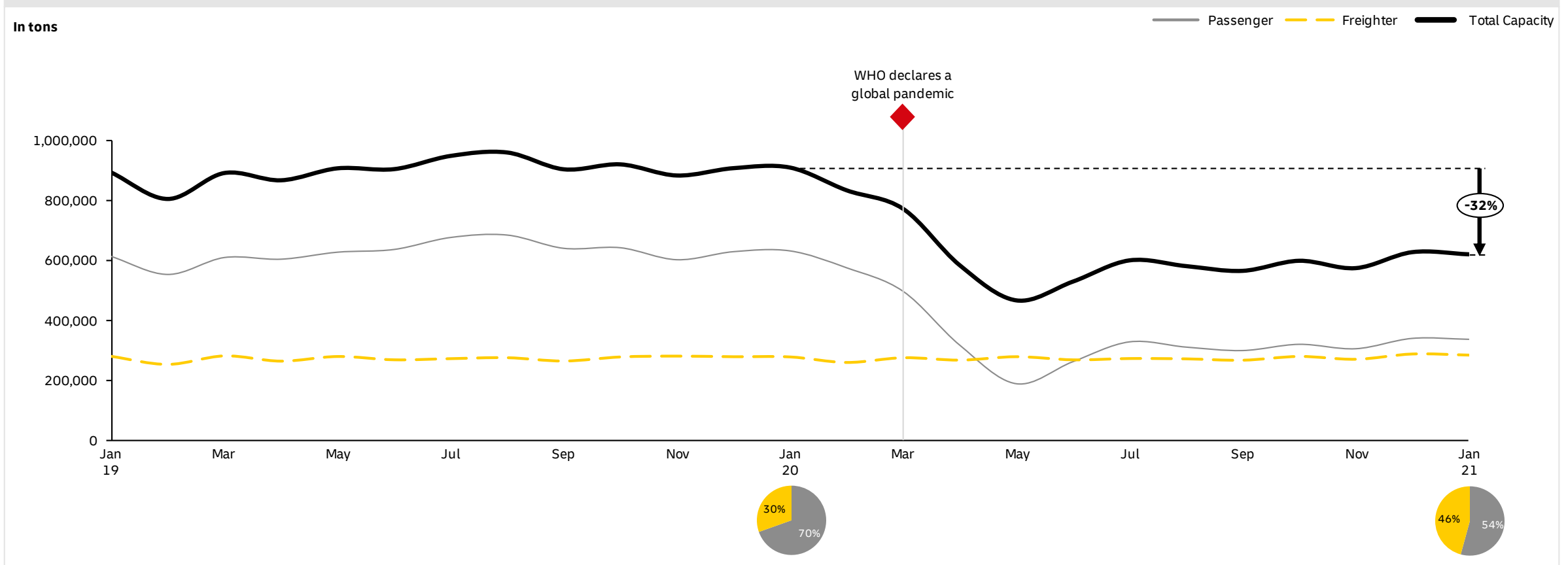
From 1 January shippers need to provide a range of information for their UK/EU shipments, including:

- **Commercial invoice**
  - Should contain HS code for each article for UK and EU
  - Should be issued without VAT
  - Should contain value and currency
  - Should contain invoice number
  - Should contain name and address of Shipper (Seller) and Consignee (Buyer)
  - Should contain both gross and net weight
  - Should match in total weight and packs with any other shipping documents
- **Name and contact details of Buyer and Consignee** in the specific country of customs brokerage (declaration) in order for agent to be able to perform brokerage. The consignee needs to be contacted to arrange the customs clearance.
- **EORI numbers** for Buyer and Consignee
- **Packing list:** Should match any other shipping documents in terms of total weight (gross and net) and packs.
- **Export declaration:** If the shipper creates the export declaration independently, they need to provide the MRN number of the export declaration (EAD) - to be inserted in the transport order - and handover the export accompanying document to the driver.
- **Country of Origin** (where product was manufactured). Certificate of Origin.
- **Authorisations based on your product** e.g. Is a licence required?
- **Incoterms** - who is doing the clearance at origin and destination?

- In relation to BREXIT, Air, Sea and Land services are continue to operate in both directions between European countries and the UK
- There may be short delays around Customs clearances due to the extra information now needed from all shippers
- Customers can find information to help avoid any delays by adhering to mentioned checklist
- **Customers trading intra-EURO from/to UK can obtain all necessary BREXIT preparedness information [here](#) or reach out to [dgfbrexit@dhl.com](mailto:dgfbrexit@dhl.com)**

# Global Capacity Development

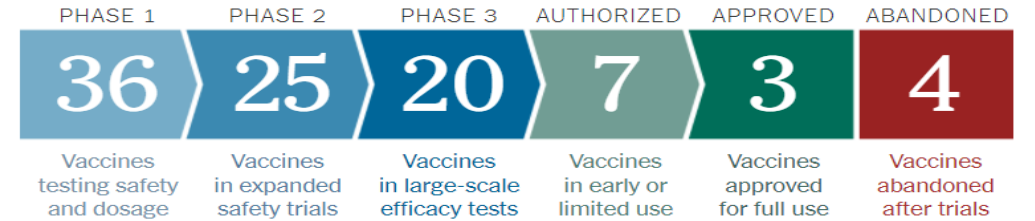
Capacity Development by Aircraft Configuration January 2019 – January 2021



Source: Seabury Capacity Data (Total Capacity includes marginal Combi aircraft contribution)

# Current COVID vaccine situation

Developers	Phase	Status
 Pfizer - BioNTech	2,3	Approved in Bahrain, Saudi Arabia, Switzerland; Emergency use in U.S., E.U., other countries
 Moderna	3	Approved in Switzerland; Emergency use in U.S., U.K., E.U., others
 Gamaleya	3	Early use in Russia; Emergency use in other countries; single shot Sputnik Light in process
 Oxford-AstraZeneca	2,3	Emergency use in U.K., E.U., other countries
 CanSino	3	Limited use in China
 J&J	3	Single shot vaccine in process
 Vector Institute	3	Early use in Russia
 Sinopharm	3	Approved in China, U.A.E., Bahrain; Emergency use in Egypt, other countries
 Sinovac	3	Emergency use in China, Brazil, others
 Sinopharm-Wuhan	3	Limited use in China, U.A.E
 Bharat Biotech	3	Emergency use in India



## Highlights

- Vaccines are available in limited quantities in at least 67 countries
- Majority of vaccines in effect consist of 2 doses; J&J and Gamaleya’s Sputnik Light potential single dose vaccines
- Storage temperature for most vaccines range between 2-8°C. Pfizer-BioNTech at -70°C
- Manufacturing location, recipient groups (prioritized based on risk of exposure), limited storage facilities at recipient end, temperature controlled movements, airports with right infrastructure and certification are few key factors deciding planned batch movements of vaccine doses
- Planned movements likely to ease pressure on strained capacity
- CX and LH prepared to launch specialized COVID vaccine services trying to offer more temperature controlled capacity
- Demand for vaccine expected to be largest to Africa and SE Asia; Major exporters US, BE, IN, FR, NL, UK
- Europe and US estimate full vaccine roll-out by 2021 end
- 45% of all doses expected to move by air. This is estimated at ~12% of 2019 pharma movements and ~0.3% of 2019 air trade

Source: NYTimes, Reuters, Bloomberg, Nature, Seabury

# Abbreviations

## Explanation of Abbreviations

AFTK	-	Available Freight Ton Kilometers
AMLA	-	Latin America
AMNO	-	North America
ASPA	-	Asia Pacific
ATK	-	Available Ton Kilometers
Bbl	-	Barrel
bn	-	Billions
CAGR	-	Compound Annual Growth Rate
FLF	-	Freight Load Factor
FRT	-	Freighters (in the airline industry)
FSC	-	Fuel surcharge
FTK	-	Freight Ton Kilometers (also referred to as Cargo Ton Kilometers or CTK)
IATA	-	International Air Transport Association
ICAO	-	International Civil Aviation Organization
LY	-	Last Year
mn	-	Millions
MoM	-	Month-on-Month
PAX	-	Passengers (in the airline industry)
PPE	-	Personal Protective Equipment
Pts	-	Percentage points
RPK	-	Revenue-Passenger-Kilometers
SSC	-	Security surcharge
T	-	Thousands
YoY	-	Year-on-Year
YTD	-	Year-to-Date