

Air cargo sector rides elongated peak season to strong finish

Airlines have upper hand as e-commerce demand squeezes aircraft capacity

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The air cargo market has benefited from a continuous peak season in 2024. (Photo: Shutterstock/Ceri Breeze)

The air cargo sector has entered the busy season for cross-border shipping on a remarkable nine-month run, and logistics experts say the momentum will carry into the first quarter of 2025, a time of year when volumes typically recede after the retail sector's holiday rush.

Volumes year to date are about 12% higher than at last year's three-quarter mark, according to an average of industry datasets.

Global air cargo spot rates this month reached new highs for the year as demand continues to build, powered by a wave of e-commerce parcels from Asia-Pacific sellers, cargo diversion tied to Red Sea shipping delays and very tight capacity. The three-day U.S. dockworker strike, which led some businesses to shift cargo from ocean to air, and Chinese factories stepping up bookings to make up for closures during the Golden Week holiday also helped boost shipments for airlines and air logistics companies, according to supply chain specialists.

"We do anticipate we're going to see a nice run-up in volumes. And I think the environment is such that that trend should continue," said Tim Robertson, CEO Americas for DHL Global Forwarding, during a virtual media briefing last week. Air exports from Asia are expected to remain strong into the first quarter, including from places that have displaced some Chinese manufacturing, such as Thailand, Vietnam and Thailand, he added.

A streak of double-digit annual demand growth technically ended in September with volumes up 9%, according to data firm Xeneta. In July and August, normally considered the slack season, shipments

grew 14% and 11%, respectively. Comparisons can be tricky. The market turned the corner and began to recover by September 2023 after bottoming out that summer, so today's growth levels are measured against a stronger baseline than prior months. Also, several national holidays in Asia and Latin America caused brief slowdowns in shipping activity.

But air cargo tonnage increased 10% year over year in the first week of October, with the ratio of cargo space that is filled rising 3 points to 62%, a 2-point gain from September's average, per Xeneta.

The International Air Transport Association, which uses a different methodology and releases lagging data, reported similar demand increases as Xeneta for July and August. Even with record levels of capacity, August yields were up 11.7% from 2023, 2% from the prior month and 46% above pre-pandemic levels, it said.

Airline results reflect the strong market conditions. Third-quarter cargo revenue at United Airlines increased 25% to \$417 million, the company announced Tuesday. Delta Air Lines enjoyed a 27% jump in cargo sales, to \$196 million.

Airfreight rates continue to rise as demand growth outpaces the addition of widebody aircraft to commercial service. The surge of e-commerce volumes out of China has throughout the year kept rates to the United States and Europe at or above levels typically reserved for peak season.

Since the pandemic, the shipping environment has shifted from a single concentrated peak around the holidays toward multiple peak seasons, blurring the line between the off-season as businesses adapt shipping strategies to the rise in e-commerce purchases and major online shopping events. The diversion of shipments due to disruption of Red Sea shipping has magnified the extended peak season trend.

E-commerce this year, by various estimates, accounts for more than 20% of global air cargo volume and about 65% for the trans-Pacific trade lane. Retailers like Shein, Temu and Alibaba drove up the normally softer rates of the summer season.

Logistics providers say the Chinese e-commerce platforms used their negotiating power to reserve huge amounts of capacity, including through freighter charter agreements for the fourth-quarter rush. Their early buying left many businesses scrambling for predictable space on scheduled services, especially on routes from China to the U.S.

"They bought early and they bought big. It's made it even more difficult for many businesses to have an airfreight strategy because the amount of available capacity has been minimized a lot," said Sean Francisco, the chief operating officer for the Americas at Hong Kong-based Apex Logistics, on [a Supply Chain Now podcast](#) in late August. Apex is a subsidiary of logistics services giant Kuehne+Nagel.



Apex Logistics has a long-term charter agreement with Atlas Air to exclusively operate a Boeing 747-8 freighter on its behalf. (Photo: Apex)

Aircraft utilization out of Asia was nearly 90% during the summer. If peak season demand is strong, flood of shipments will hit the market and many of them won't be able to find available airfreight capacity, Xeneta said.

The average on-demand global shipping rate increased 26% to \$2.71 per kilogram in September, the fourth straight month of double-digit gains and the highest increase this year. And spot rates rose to a new high for the year of \$2.84 a kilogram in the first week of October, while the combined average of spot and contract rates reached \$2.65 per kilogram, according to WorldACD. The price to ship by air from Asia-Pacific origins to the United States is more than 30% higher than a year ago.

Global air cargo supply grew by only 3% year over year in September – its slowest rate this year – and the market imbalance is expected to worsen as passenger airlines scale back flight schedules for the winter travel season, Xeneta said. It expects a 20% reduction in cargo capacity across the Atlantic this winter. The expanding regional war in the Middle East is also likely to pressure rates as airlines divert flights around the conflict zone, resulting in lengthier transits.

Forwarders and cargo owners are accepting peak surcharges from airlines because it is a seller's market, said Niall van de Wouw, Xeneta's chief airfreight officer, in the firm's monthly analysis. He raised the possibility that some carriers may not honor long-term capacity commitments to take advantage of higher spot rates.

"Airfreight pricing today is already at an elevated level," said Francisco. "The year started off with e-commerce purchasing a lot of capacity, the available capacity came at a higher rate. So starting at a higher watermark will tell you that peak season pricing this year will be much stronger than it was last year."

The consumer electronics market has also made a strong call on air cargo capacity since mid-September as major manufacturers release new products, including Apple's iPhone 16.

“As more production of finished goods has relocated from China to Southeast Asia since 2022, additional capacity is required to transport these products to the US and Europe. This has placed significant pressure on freighter services in key transit hubs like Taiwan, Korea, Japan, and Hong Kong, impacting outbound capacity from these locations as well,” said Kathy Liu, vice president global sales and marketing at Dimerco Express, in a recent market note.

Impact of U.S. port strike

During the port strike, some shippers shifted to airfreight to avoid ocean delay. This led to a temporary surge in demand for air cargo services, especially from the Middle East and Southeast Asia. Some businesses continue to use air transport to ensure receipt of essential inventory until port backlogs are cleared. But lower utilization after the strike ended led China-North America air cargo rates to fall 23%, from more than \$7 per kilogram to about \$5.43 per kilogram last week – still notably higher than normal for early peak season – while Germany-United States rates fell 14%.

Under the best-case scenario, it will take supply chains a minimum of three weeks to recover from the longshoremen’s strike, DHL’s Robertson said. That means it could take until late October for port operations to normalize.

He left open the possibility that small and midsize ones might need consolidated, time-definite airfreight service to get goods to store shelves in time for the holiday shopping period. Most large retailers, which can finance extra weeks of storing inventory, pulled forward orders during the summer to avoid product shortages due to strike-related bottlenecks. Smaller companies are looking for alternatives for getting products into the country now, especially with congestion and extended container dwell times at West Coast ports after many businesses diverted shipments there.

“That’s going to impact the calculation about whether goods need to be expedited for the critical sales periods,” Robertson said.

The strike is also impacting exports out of the U.S. and Canada. An export booking placed last week isn’t likely to sail for three or four more weeks, which means critical raw materials for offshore production won’t be available in factories for six to eight weeks.

“So, we are already seeing inquiries for expedited solutions on the export side, and I fully expect that that’s going to continue in Q4, not just into Asia, but into Europe and Latin America,” said Robertson.

One cloud on the horizon is the slowdown in global manufacturing, raising concerns about weakening demand and renewed destocking. The Purchasing Managers’ Index for new export orders dropped in August from July to 48.9, indicating trade contraction for the third consecutive month.

Still, economic conditions remain relatively favorable for air cargo, with inflation under control again in most regions and major economies avoiding a recession. The National Retail Federation said Tuesday it expects U.S. holiday retail sales to grow 2.5% to 3.5% thanks to a strong job market and wage growth. The growth is below last year’s 3.9% rate but better than many years prior to the COVID crisis.

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