



Air Cargo in the Age of Coronavirus

Zoom meeting for Cargo Facts Subscribers

Agenda

- Opening Remarks – JJ Hornblass
- Market Assessment – Frederic Horst
 - Which parts of the economy are lockdowns affecting?
 - How are supply chains functioning?
 - Regional differences – Italy vs China
- Supply & Demand – Frederic Horst & Charles Kauffman
 - What is the air cargo supply and demand situation?
 - How are the different cargo segments performing – general cargo, express, e-commerce?
- Key Factors Going Forward
- Discussion and Q&A – Charles Kauffman & Frederic Horst

Market Assessment

Production continues, supply chains are functioning

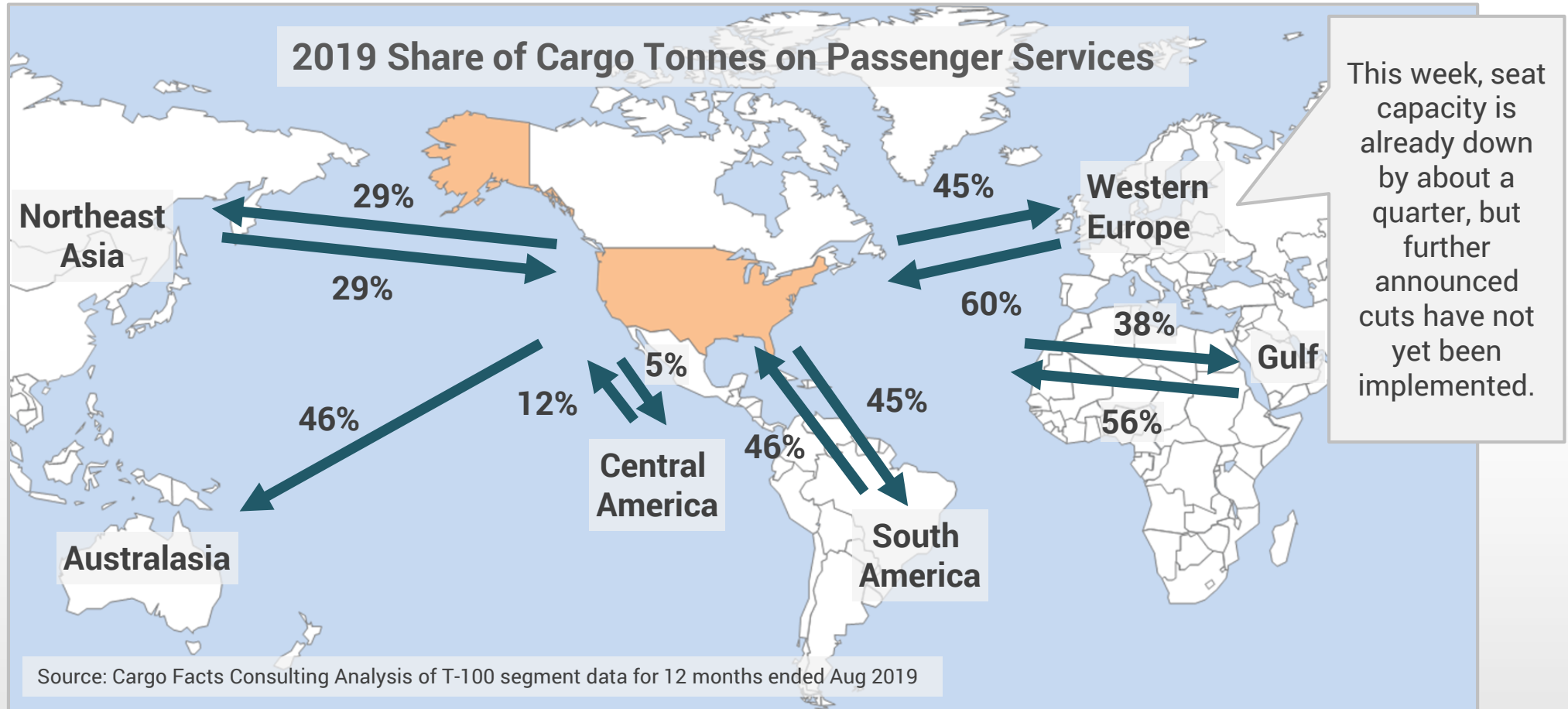
- Lockdowns are increasing worldwide but are affecting primarily the service sector
 - Other countries worldwide are probably days behind Europe in their response
 - Industrial Production is ramping up in China and continuing in Europe
 - Car production shutting down this week
 - Online retail is experiencing increased demand
 - Food stores remain open and most products are available, despite some panic buying of certain commodities
- Supply Chains are functioning
 - Pick up and delivery services are experiencing some disruptions
 - Linehaul trucking is working, albeit with border delays – see <https://covid-19.sixfold.com/>
 - Border closures may cause delays but are not likely to stop movement of trucks

Supply and Demand

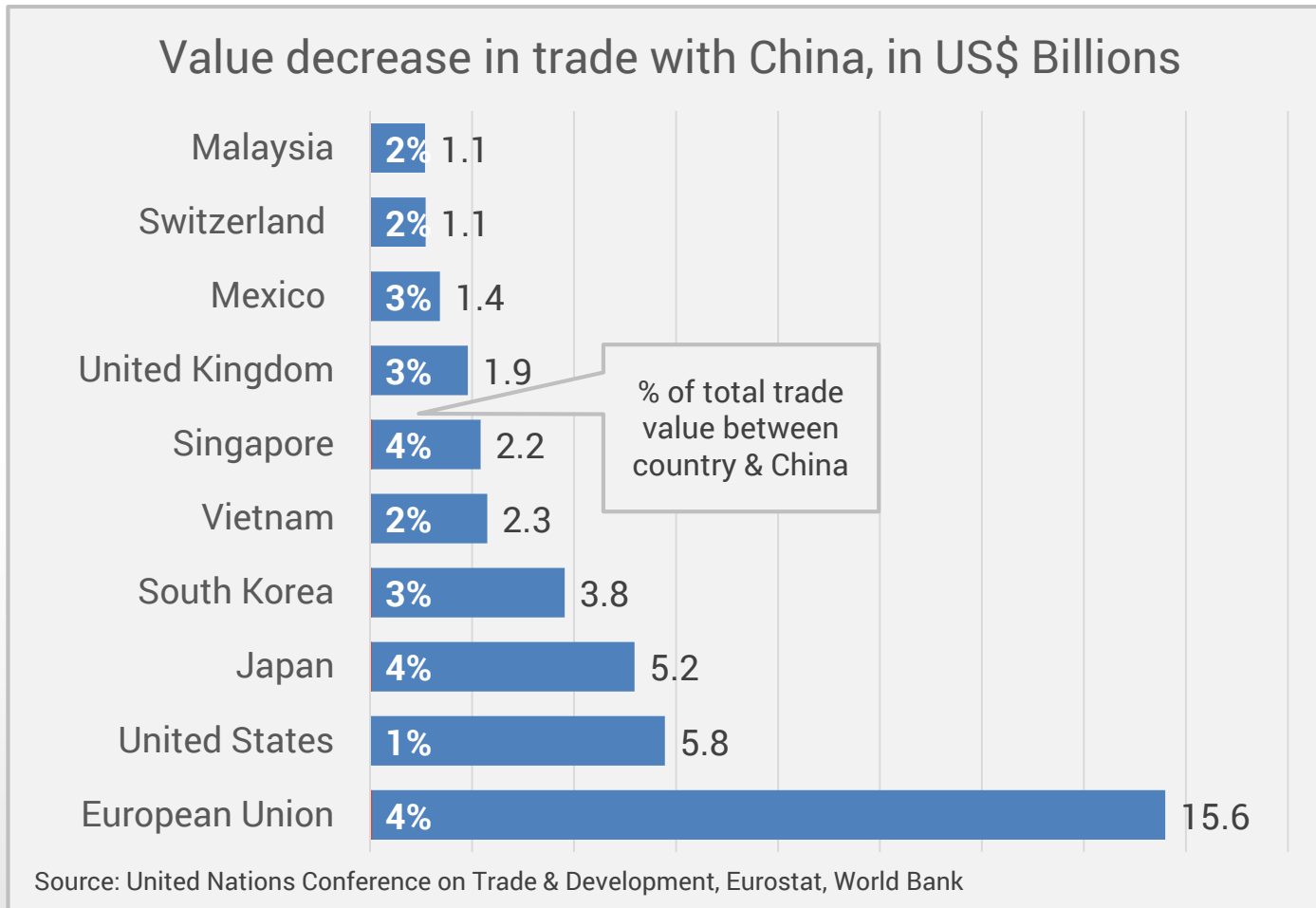
Main-deck services are in very high demand, but operational restrictions are a worry.

- Demand
 - Changes in the commodity mix – more medical-related, less car parts
 - To watch: Purchasing Managers Index (PMI). March survey results available 1 April. Europe and US in Feb were around 50 but around 35-40 in China and HK. See <https://arcg.is/11bWrH>
 - Some shift to airfreight from ocean
 - Increased charter demand on US-Europe and Europe-Asia
- Supply
 - Very little idle freighter capacity at the moment – parked freighters unlikely to be activated
 - Pax planes are being used as “freighters” on some routes by some carriers to meet demand
 - Airports without curfews have the opportunity to attract more operations
 - Travel restrictions for crews (e.g. JP and TW) may limit freighter deployment but expect sense to prevail
 - Likely redeployment of capacity from secondary to the three major tradelanes: Asia – Europe – US – Asia

Transatlantic air cargo relies heavily on passenger capacity.



COVID-19 impact on trade as a result of manufacturing slowdown in China



- Although the COVID-19 outbreak will impact trade values globally, decrease is still small when compared to the total trade between countries
- Most affected sectors include machinery, communication equipment, automotive and precision instruments
- Estimates based on drop of Chinese supply in February 2020 as measured by Chinese PMI (Purchasing Manager's Index)
- Estimates are subject to change depending on virus containment and changes in the sources of supply

Segments: Air Cargo, Express, E-Commerce, see also <https://cfcinsights.com/analysis/>

- Air Cargo
 - Carriers with capacity are currently doing well
- Express
 - DHL Express and Fedex reported results in the last week
 - DHL: During first week of March, back in growth territory, China volumes recovering
 - FedEx: Intra-Asia strong, China volumes picked up in March
- E-Commerce
 - Strong performance
 - Warehouse capacity management focused on making more space for essential items

Key Factors Going Forward

In such a fluid situation, several variables can greatly change the Air Cargo landscape

- How are different sectors of the economy developing and what does it mean for airfreight demand?
- How will the passenger and freight capacity continue to evolve?
 - Will any trade lanes get shut down?
- Potential and consequence of further supply disruptions from
 - Movement restrictions
 - Staff availability
- Which indicators will signal a recovery?
- What are the implications for medium and long term air cargo and freighter demand?
- See <https://cfcinsights.com/analysis/> for additional perspective

Q&A / Discussion

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