

AIRFREIGHT STATE OF THE INDUSTRY

DECEMBER 2020

DHL Global Forwarding – Excellence. Simply delivered.



Content

- **Summary**
- **Market Developments**
- **Demand**
- **Supply**
- **Utilization**
- **Rates**
- **Jet Fuel**
- **Backup material**

Summary

Demand

- Global airfreight demand continued to recover strongly in November
- Demand for vaccines have presented a high-yield business opportunity to the industry and also added further volumes
- Vaccine peak season likely to be in Q2-Q3 2021, initial distribution to be primarily in region of production
- Surging COVID cases and new strains could put recovery at risk

Capacity

- Capacity continues to remain severely affected and down by -31% YoY in Dec 2020.
- PAX capacity continues to remain low at -46% YoY in Dec 2020

Carriers

- CX, CI, UA, EK, AS among airlines actively deploying cargo only PAX aircrafts (“preighters”)
- Air Canada plans dedicated freighter services to expand cargo business
- Delta Airlines launches cargo only operations to BRU
- Lufthansa pauses capacity guarantee ex- major EU hubs
- Korean Air acquires Asiana Airlines

Jet Fuel

- Jet fuel price increased to \$56/b in Dec 2020 from \$52/b in Nov
- OPEC and partnering countries plan to limit production increases planned for January 2021

Rates

- Compared against 2019 baseline, freight rates are +73% higher YoY in Nov 2020
- Rates spiked with most tradelanes experiencing very high demand and limited capacity

Regulation/News

- New COVID strain found in UK has spread to multiple countries forcing renewed lockdown measures; UK traffic restricted due to this developing COVID-19 situation
- Airlines added extra air cargo capacity into UK following severe cross-border trucking blockage around Christmas
- UK and EU finally agreed on a BREXIT deal with effect from 31st December
 - Customers trading intra-EURO from/to UK can obtain all necessary BREXIT preparedness information [here](#)
- Several major airports experienced backlogs and staff shortages (ORD, MIA, LAX, GHA, JNB, NAIA, etc.)

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

Market Developments

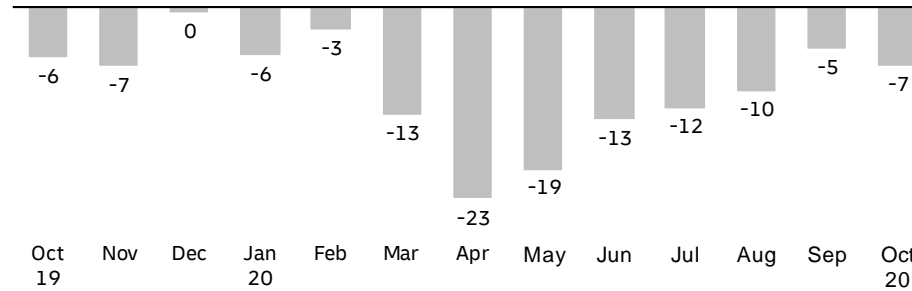
Economic Outlook

GDP Growth by Region

	2019	2020F	2021F	2022F	2023F	CAGR (2020-2023)
EURO	1.53%	-7.30%	3.47%	3.65%	2.19%	3.10%
MEA	1.73%	-6.35%	3.25%	3.91%	3.65%	3.60%
AMNO	2.12%	-3.73%	3.14%	2.62%	2.45%	2.73%
AMLA	0.81%	-7.24%	3.75%	2.63%	2.49%	2.96%
ASPA	4.13%	-1.88%	5.53%	4.40%	4.38%	4.77%
World	2.58%	-4.33%	4.13%	3.61%	3.18%	3.64%

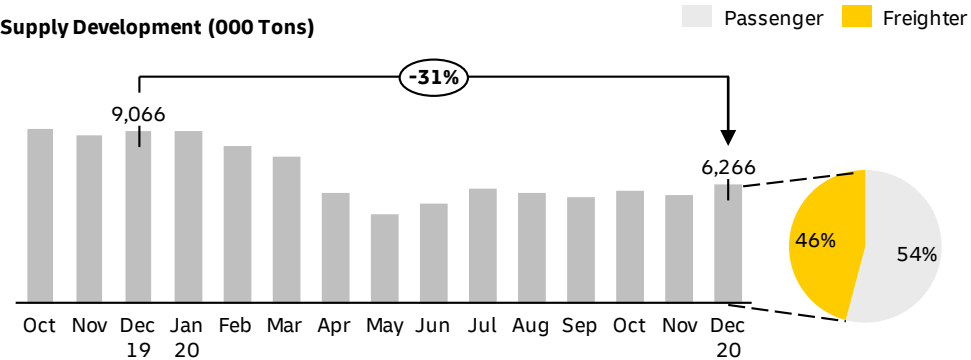
Demand

Demand Development in Tons (% change YoY)



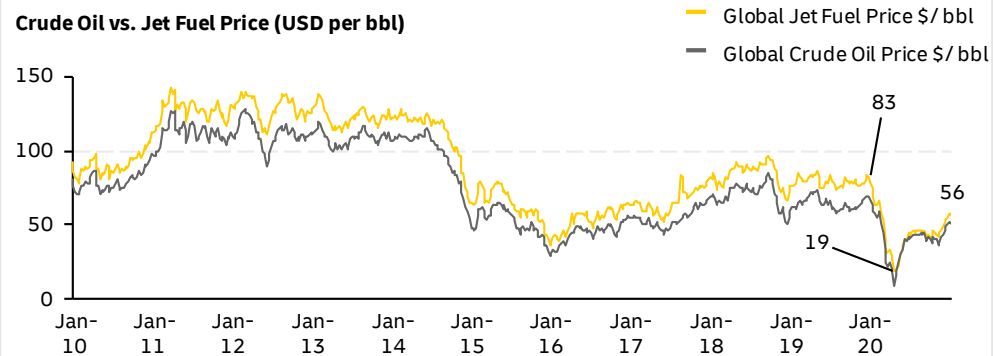
Supply

Supply Development (000 Tons)



Jet Fuel

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



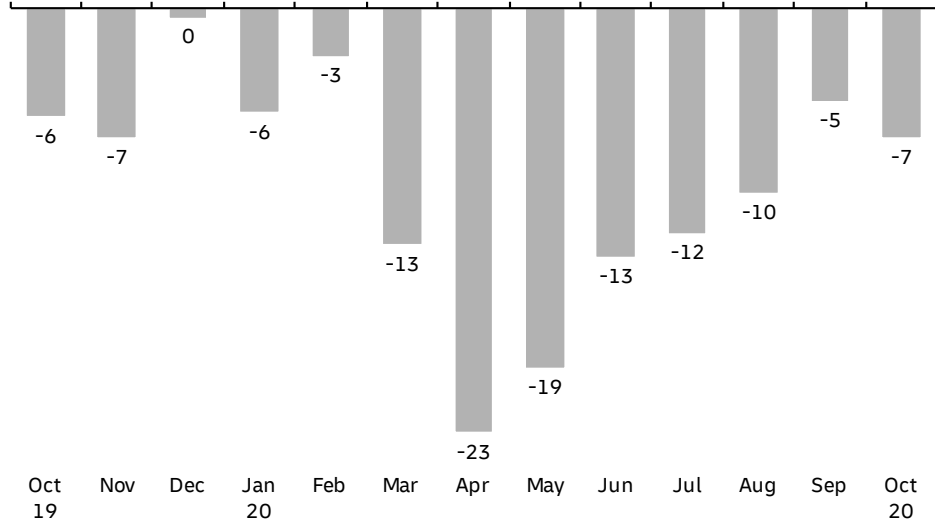
- Demand recovery continued; Industry-wide YoY decrease in demand by -7% 'only' in Oct 2020 despite very strong volumes in Oct 2019
- Overall scheduled capacity decreased YoY by -31% in Dec 2020
- Lack of cargo capacity still remains a key obstacle for faster recovery in demand
- Jet fuel price at \$56/b in Dec 2020. EIA expects prices to average around the \$49/b mark 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

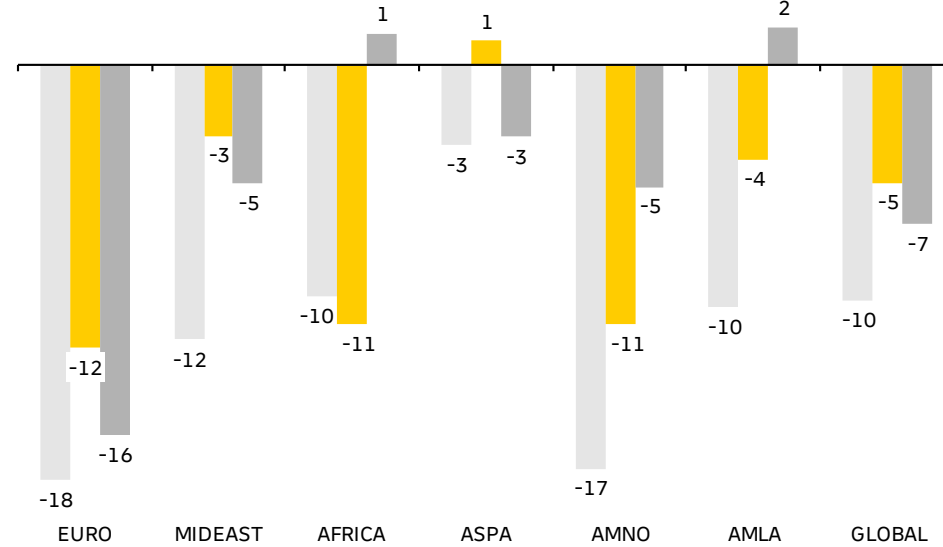
In Tons (% change YoY)



Regional Volume Development

In Tons (% change YoY)

Aug 20 Sep 20 Oct 20

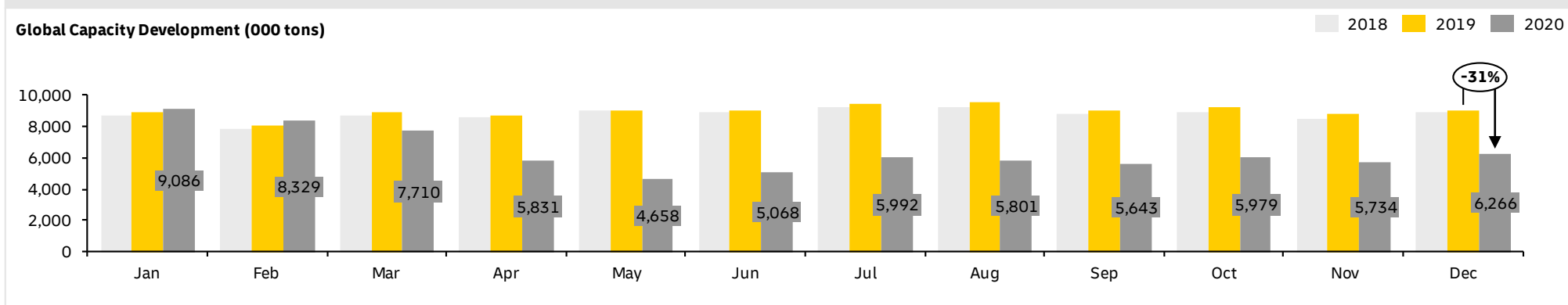


- Demand continued to recover and remained high across major airports and most notably in HKG, PVG and ICN
- E-Commerce continues to play a key role in air cargo recovery. CN and US show healthy consumer demand
- Intra-US e-commerce and ASPA to AMNO cargo movements still helping the recovery
- Increased COVID cases notably in EU, US & LATAM and new strains of the virus have forced further lockdowns which can affect the demand recovery

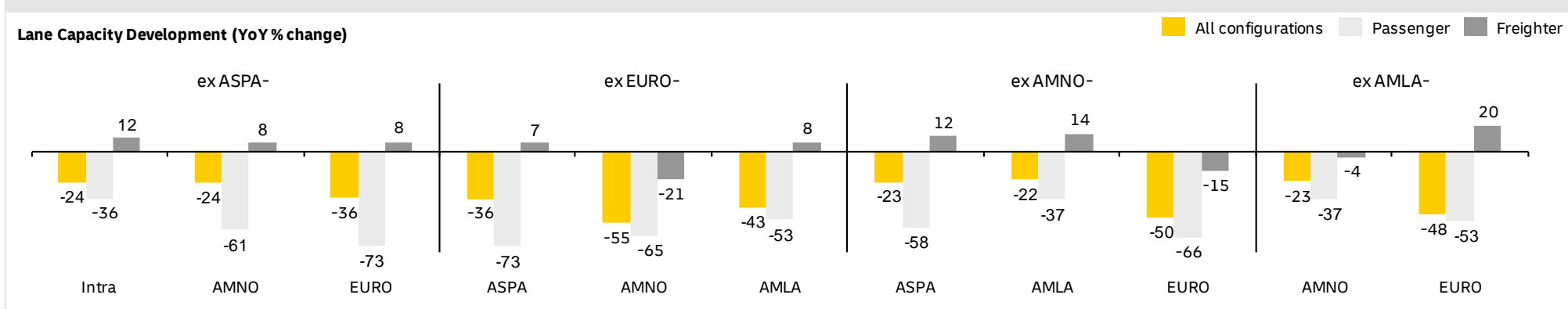
Source: Seabury Demand Data

Supply

Global Capacity Development



Trade Lane Capacity Development

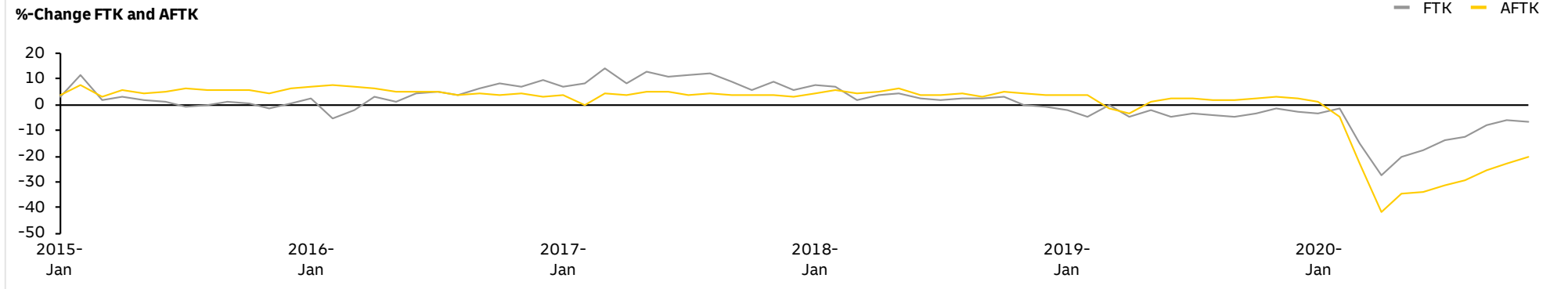


- Total scheduled capacity decreased by -31% YoY in Dec 2020
- PAX capacity remains low at -46% YoY in Dec 2020.
- Freighter capacity increased slightly by +4% YoY
- PAX and FRT capacity shares are 54% and 46% respectively in Dec 2020 compared to 69% and 31% in Dec 2019
- Air travel recovery delayed by the resurgence of the virus. As a result, airlines are struggling to manage the rise in cargo demand due to limited PAX flight operations

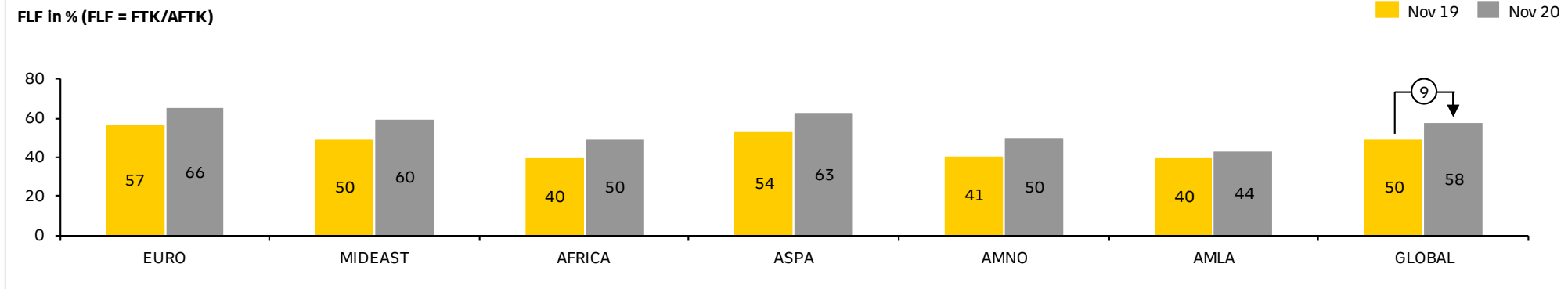
Source: Seabury Capacity Data

Utilization

Global Freight Load Factor Development



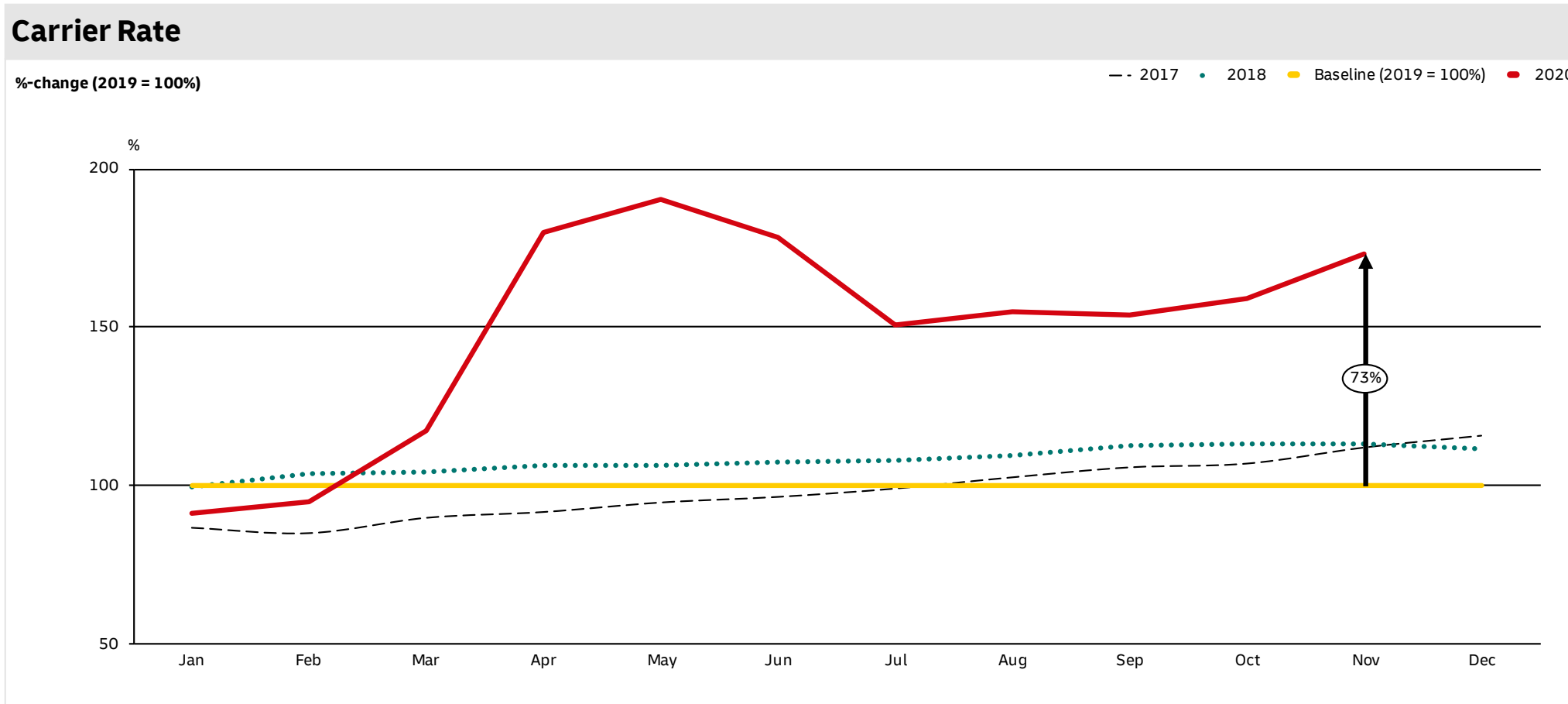
Regional Freight Load Factor Development



- Freight Load Factor is an indicator of how tight is the demand-supply balance.
- Recovery in capacity lagged the rebound in cargo demand
- Industry-wide FLF was up +9 percentage points YoY in Nov 2020. This is highest recorded load factor for any month of Nov across all past years
- Airlines in ASPA, AMNO, Middle East posted record high load factors for any month of Nov across past years

Source: IATA Market Analysis

Rates-Global Carrier Rate Development



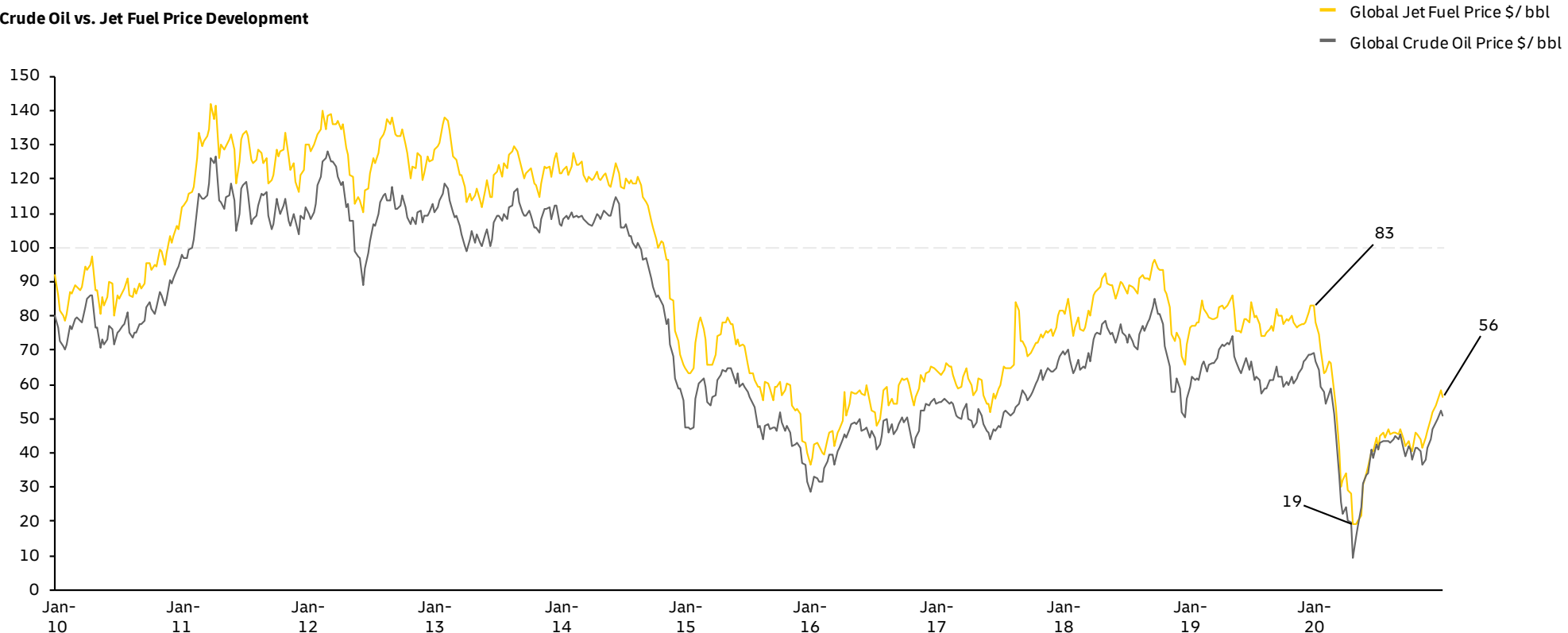
- Rates were **+73%** higher in Nov 2020 than 2019 baseline
- Rates continued to increase steadily since Jul and accelerated as peak season commenced.
- Rates expected to remain high as demand recovery remains strong against limited capacity
- Ex- AP rates increased due to high demand and restricted capacity
- Ex- EU rates also trended higher supported by a sharp uptick in automotive shipments

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 \$56/b in Dec 2020
- Prices increased from \$52 in Nov in expectation of economic recovery due to multiple COVID-19 vaccines
- OPEC countries plan to limit production increases planned for January 2021
- EIA estimates that crude oil production will remain near its current level through the end of 2021
- EIA expects the crude oil prices to average \$49/b in 2021

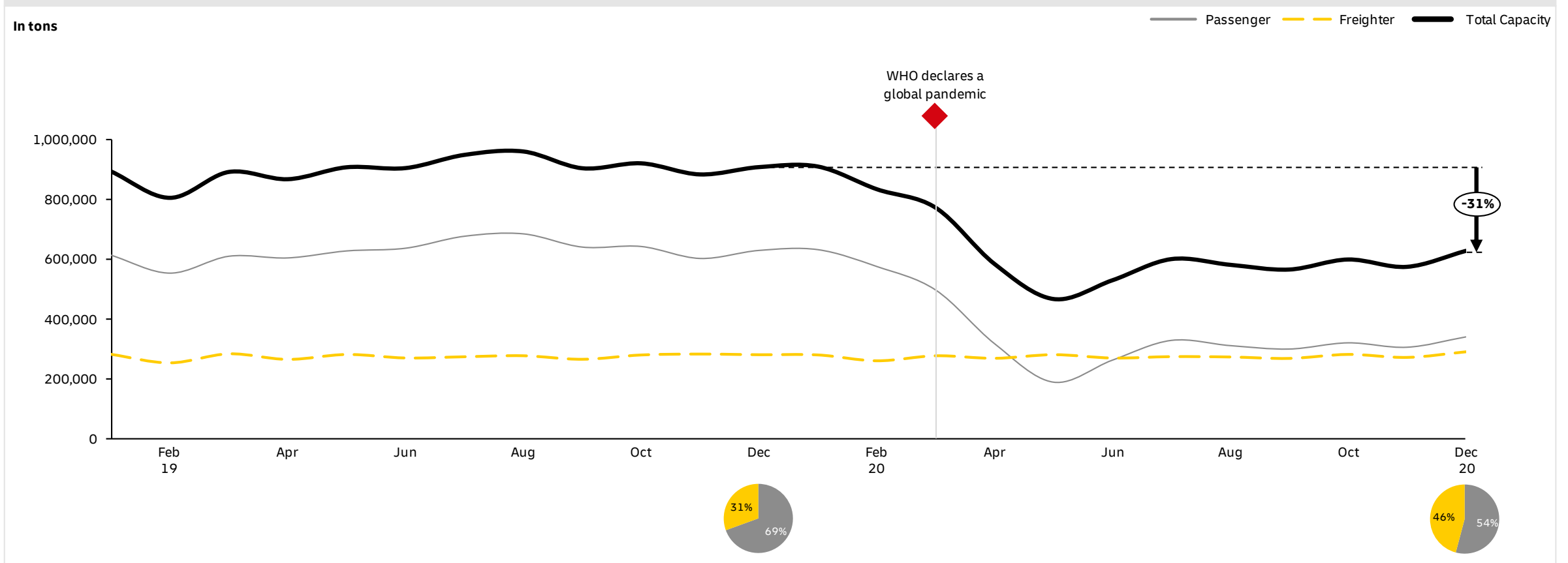
Source: Reuters, U.S. Energy Information Administration, IATA, S&P Platts, OPEC- Organization of the Petroleum Exporting Countries



BACKUP

Global Capacity Development

Capacity Development by Aircraft Configuration January 2019 – December 2020



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

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