



# Cargo Facts LATAM 2024

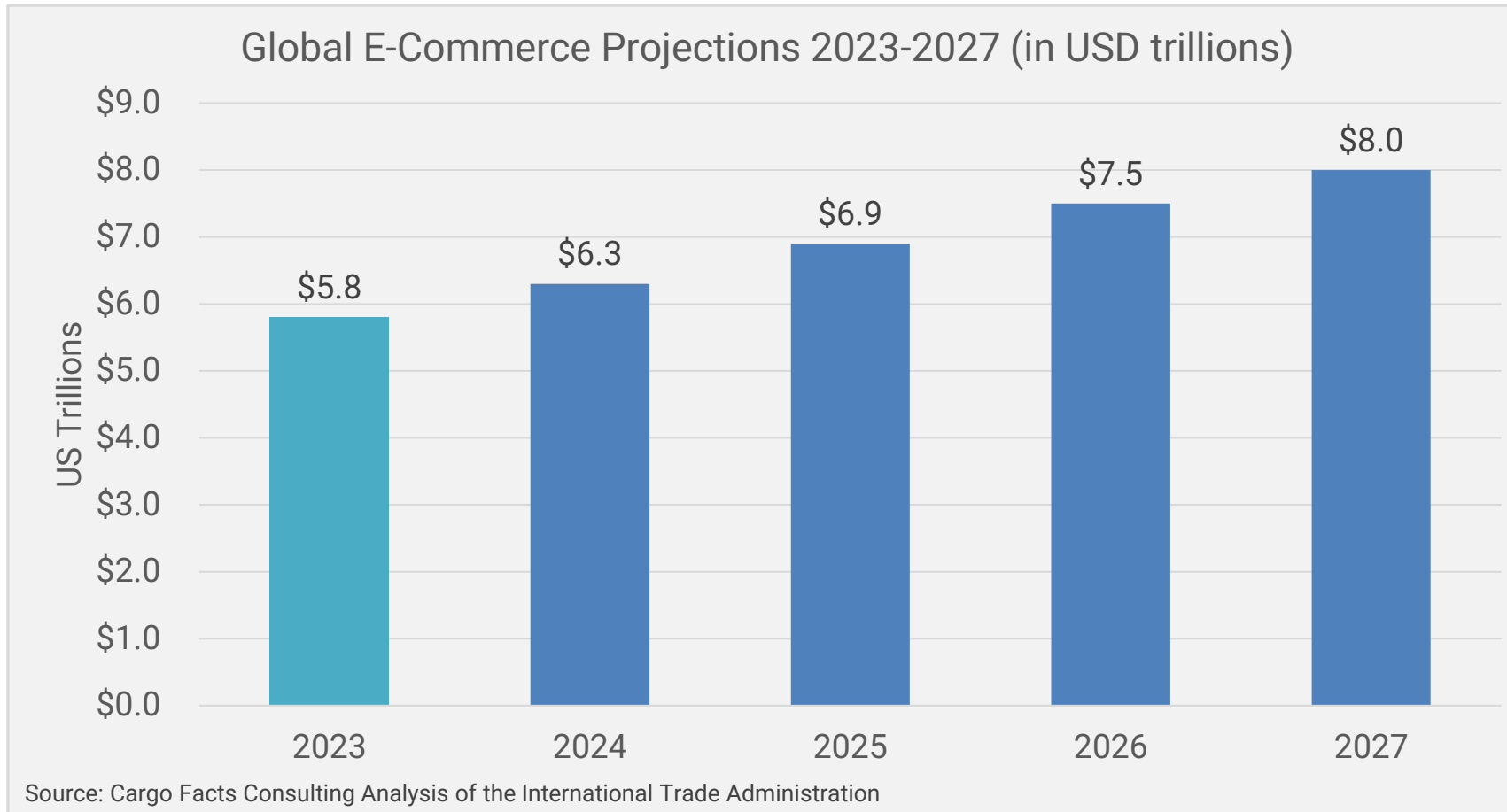
## Session 5

# Agenda

- E-commerce Trends
- LATAM Regional Outlook
- Supply & Demand Dynamics
- 20-Year Freighter Forecast
- Air Freight & Economic Indicators
- Outlook

# E-commerce Trends

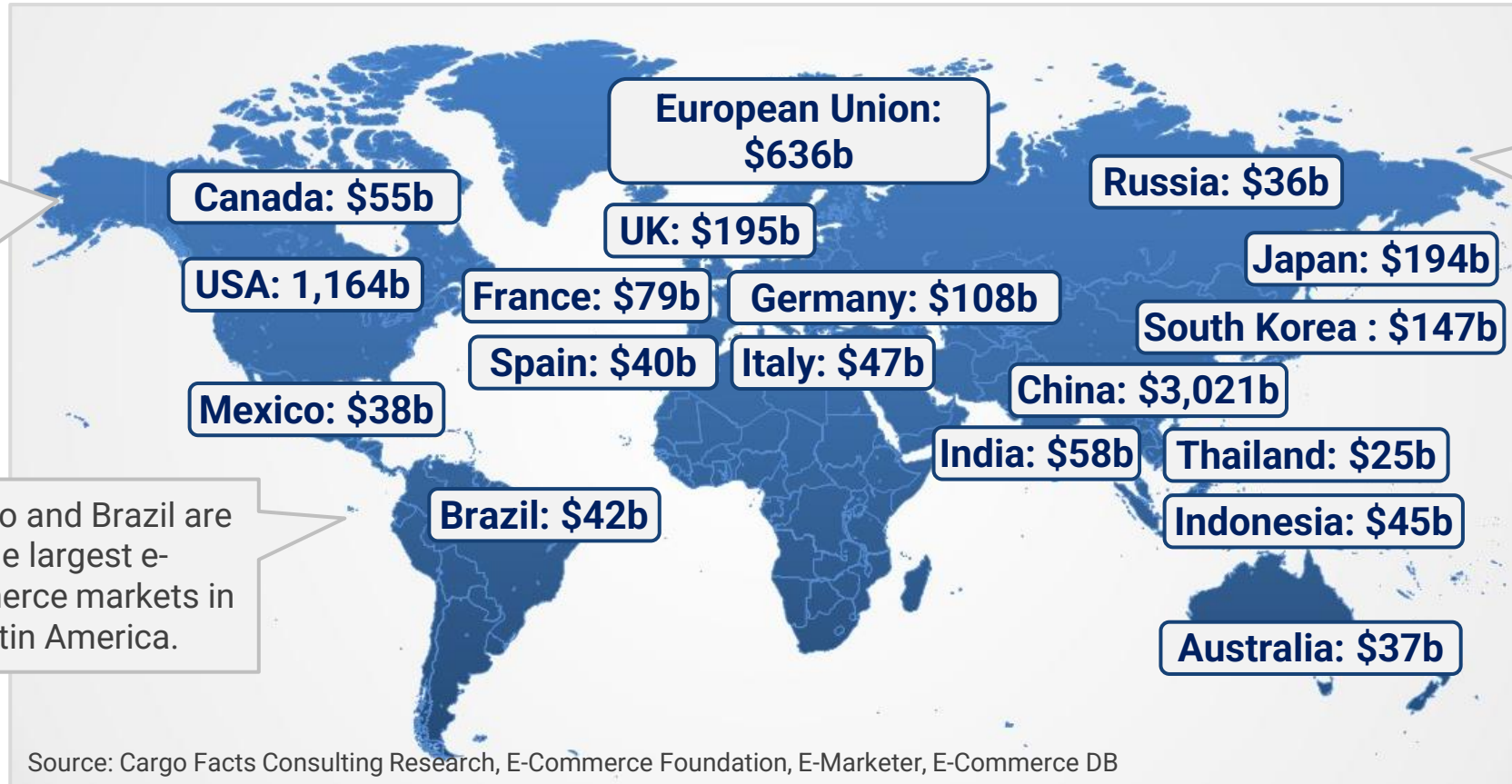
## Global e-commerce market is projected to grow by 38% over the next 5 years, reaching \$8 trillion by 2027.



- E-commerce and air freight growth go hand in hand.
- CFC estimates that 20% of global air cargo volumes are linked to e-commerce.
- Increased cross border e-commerce activity is also benefiting air cargo.

# China, the United States, the European Union, Japan and the United Kingdom are the largest e-commerce markets.

**E-Commerce Revenue by Market 2023**



China, the United States and the European Union e-commerce market shares add up to 83% of global e-commerce revenues.

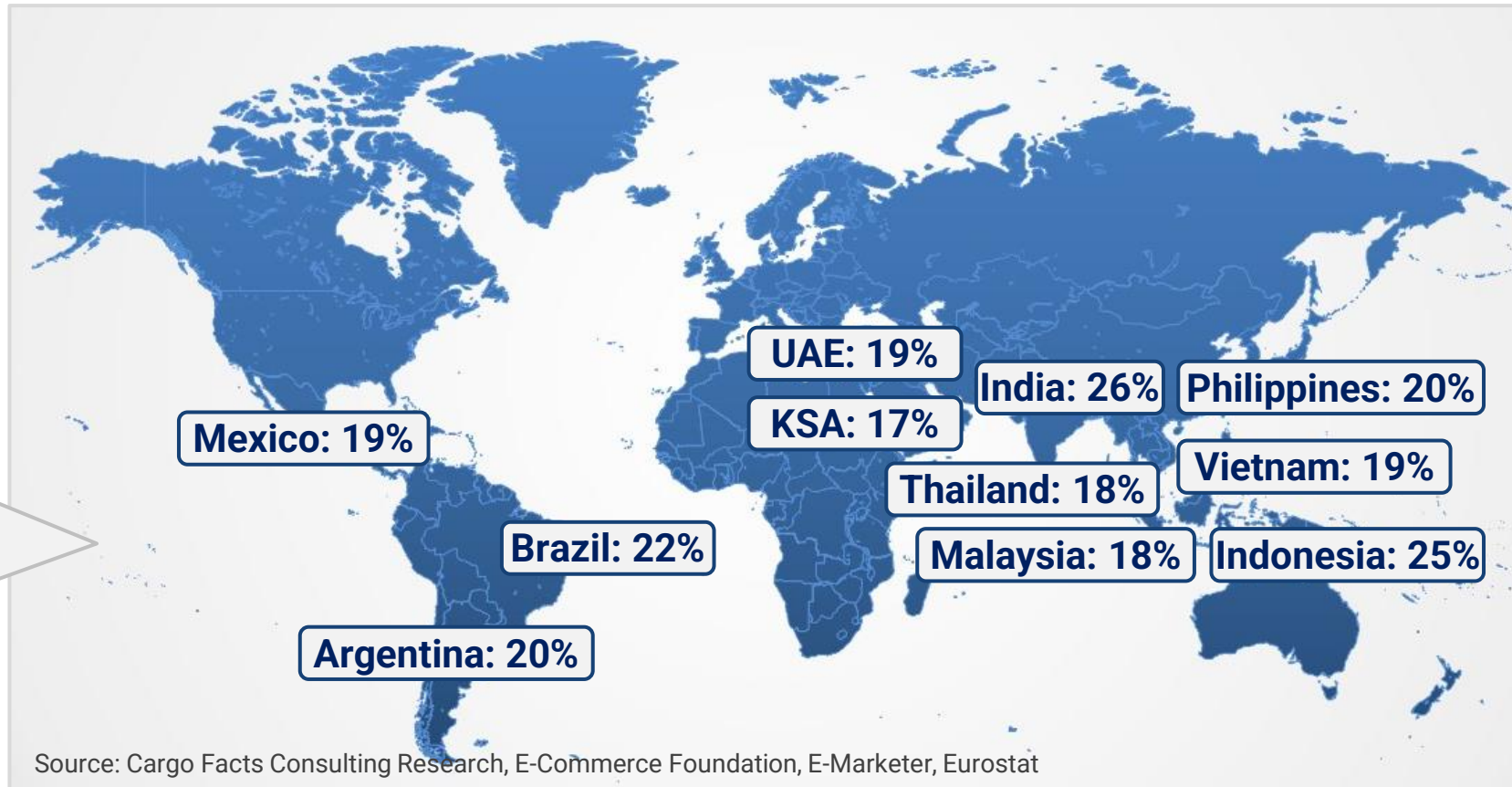
Figures include domestic and cross-border e-commerce sales.

Mexico and Brazil are the largest e-commerce markets in Latin America.

Source: Cargo Facts Consulting Research, E-Commerce Foundation, E-Marketer, E-Commerce DB

## Southeast Asia, the Middle East and Latin America registered the highest growth in terms of e-commerce sales, overtaking the more established markets.

Fastest E-commerce Revenue Growth Markets, 2023

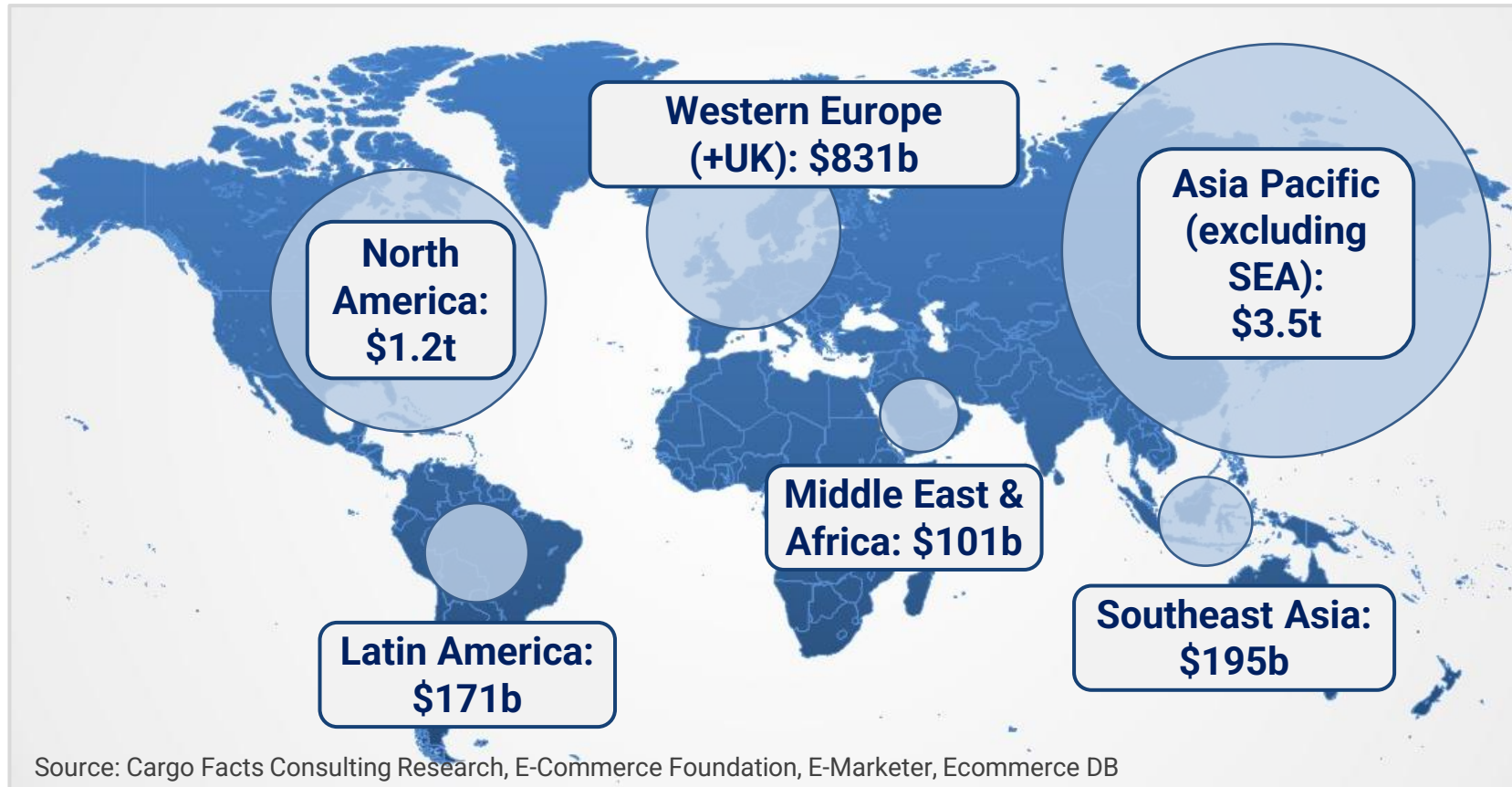


High internet and smartphone adoption rates in Latin America have led to significant growth in the region's e-commerce market.



These emerging markets will continue to display the highest growth rates over the next years but off a much smaller base.

E-Commerce Market Revenue by Region, 2023



# Latin America's e-commerce market will continue to evolve rapidly over the next few years, with e-commerce giants investing in the region.

**Largest E-commerce Revenue Markets (LATAM), 2023**

**CHALLENGES**

High import taxes and complex trade rules can deter cross-border spending.

Ongoing gaps in the infrastructure fundamentals needed to support e-commerce.



**OPPORTUNITIES**

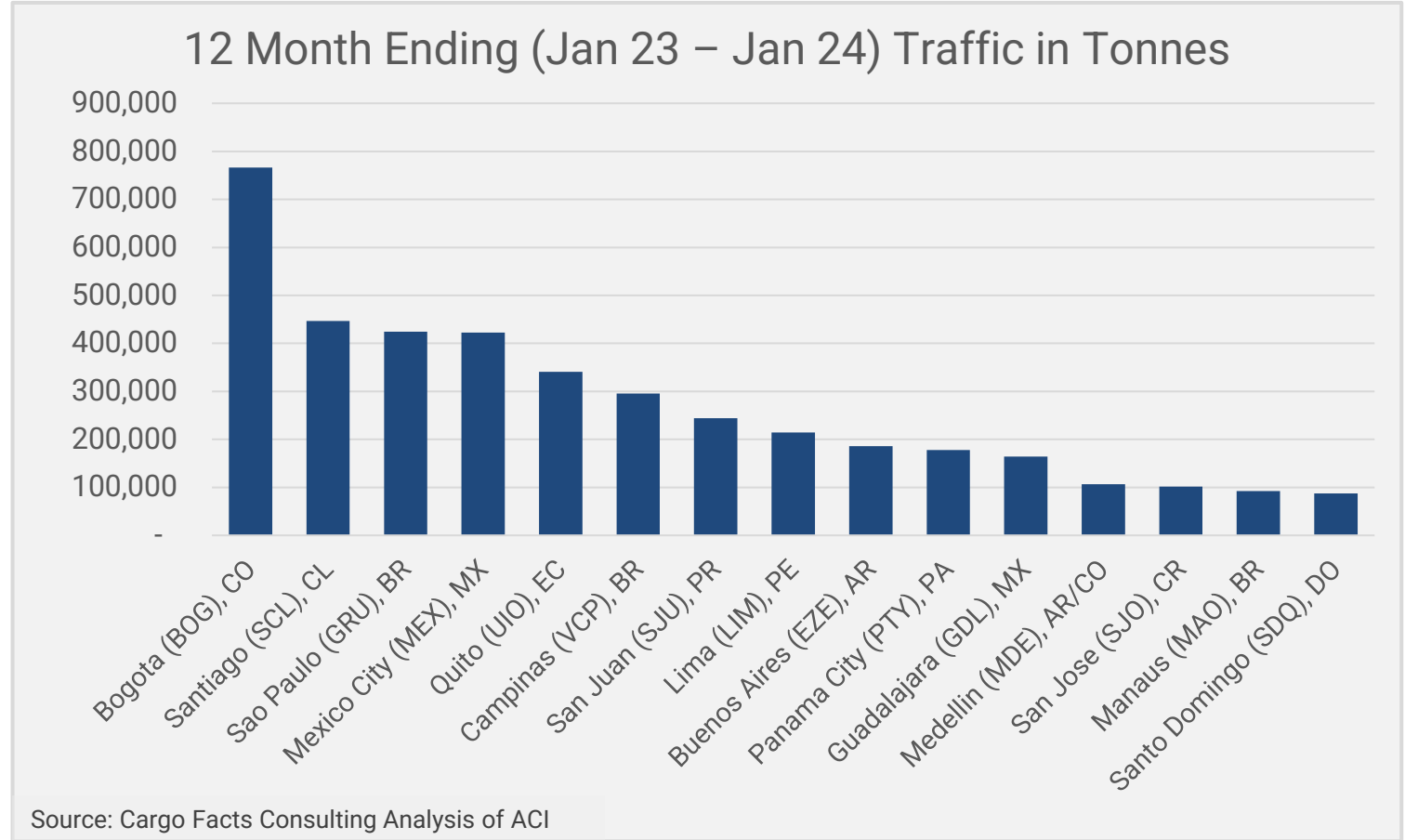
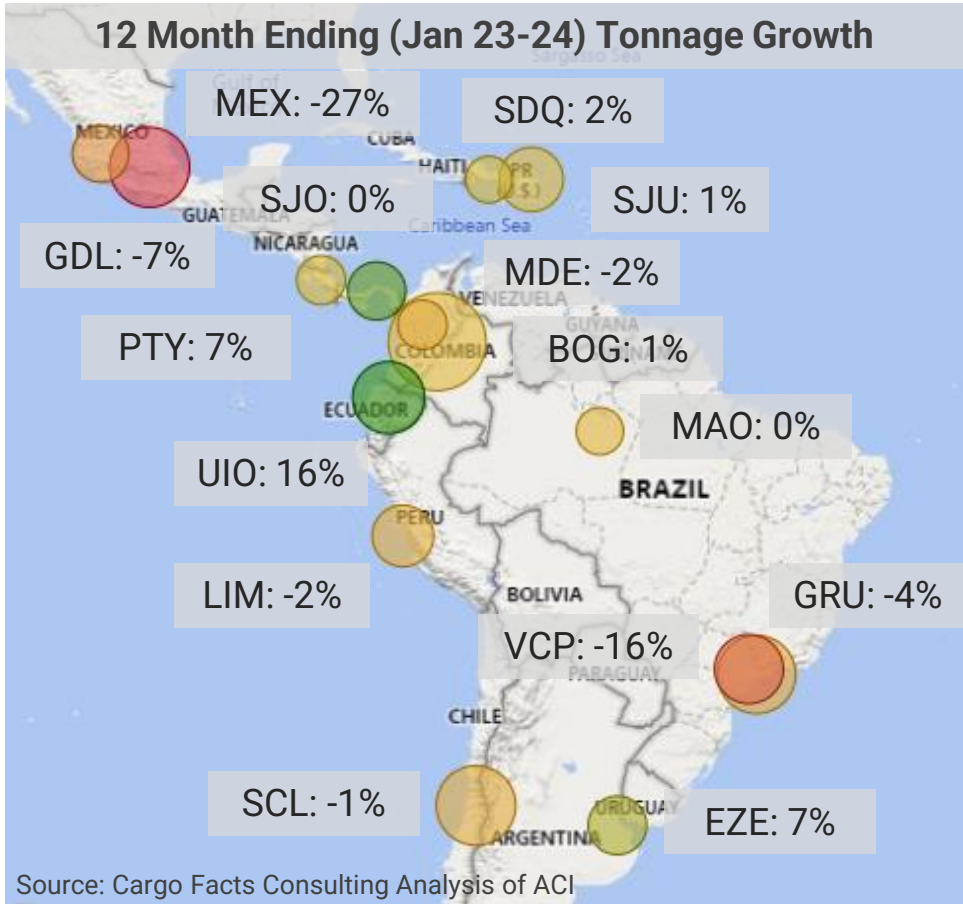
International merchants are beginning to focus on the growing LATAM market.

Incoming merchants can make a strong start by observing local trends and adapting to suit a large unserved population.



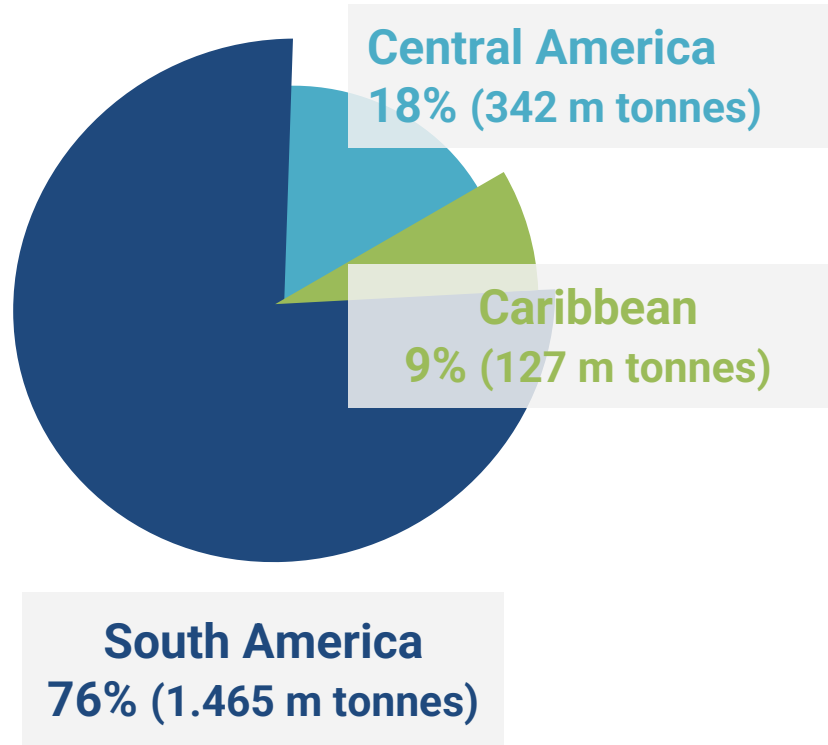
# Latin America Regional Outlook

# The top 15 airports in LATAM handle 80% of all cargo traffic in the region.

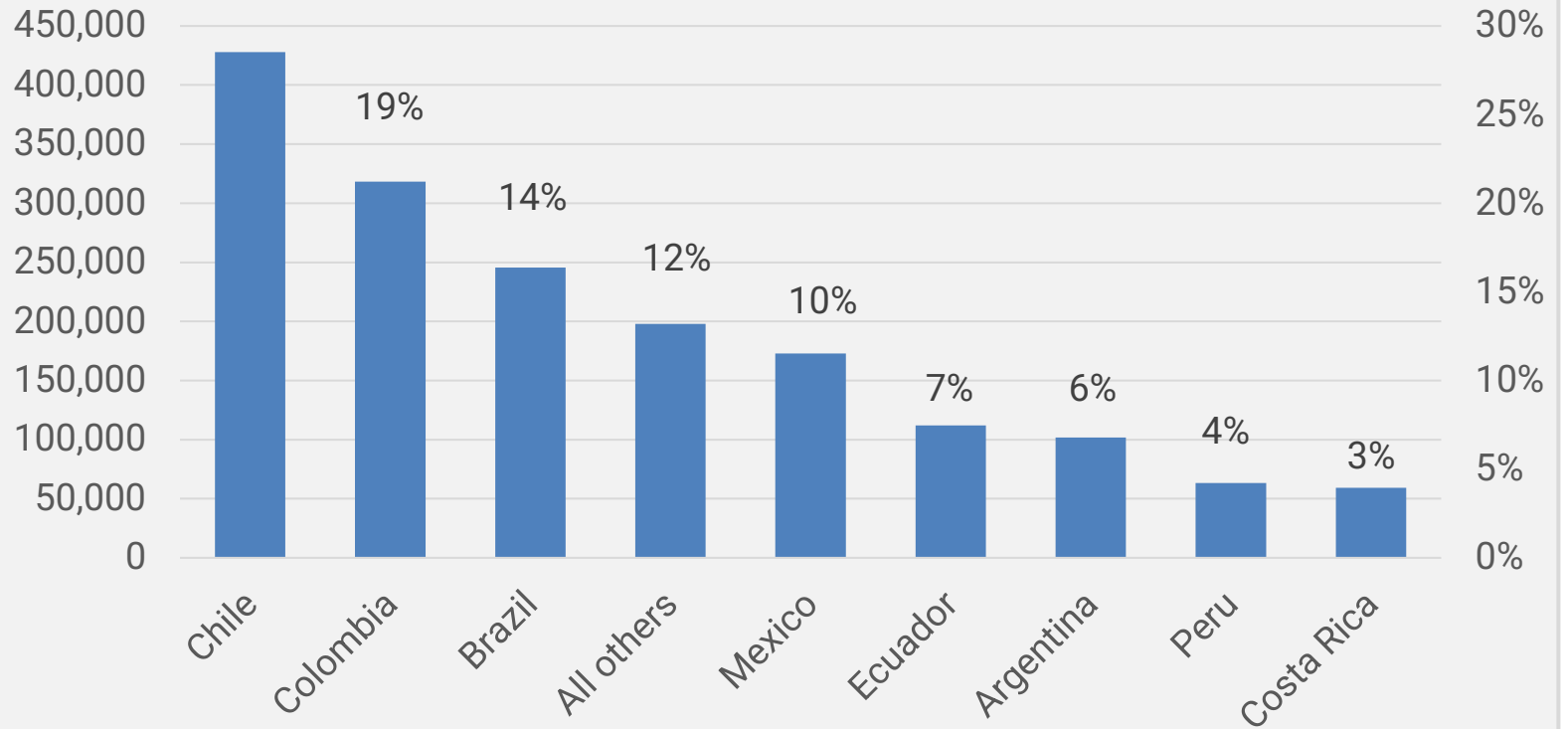


# South America accounts for over 75% of the total traffic between North and the entire Latin American region.

2023 North America – Latin America Air Cargo Traffic by region

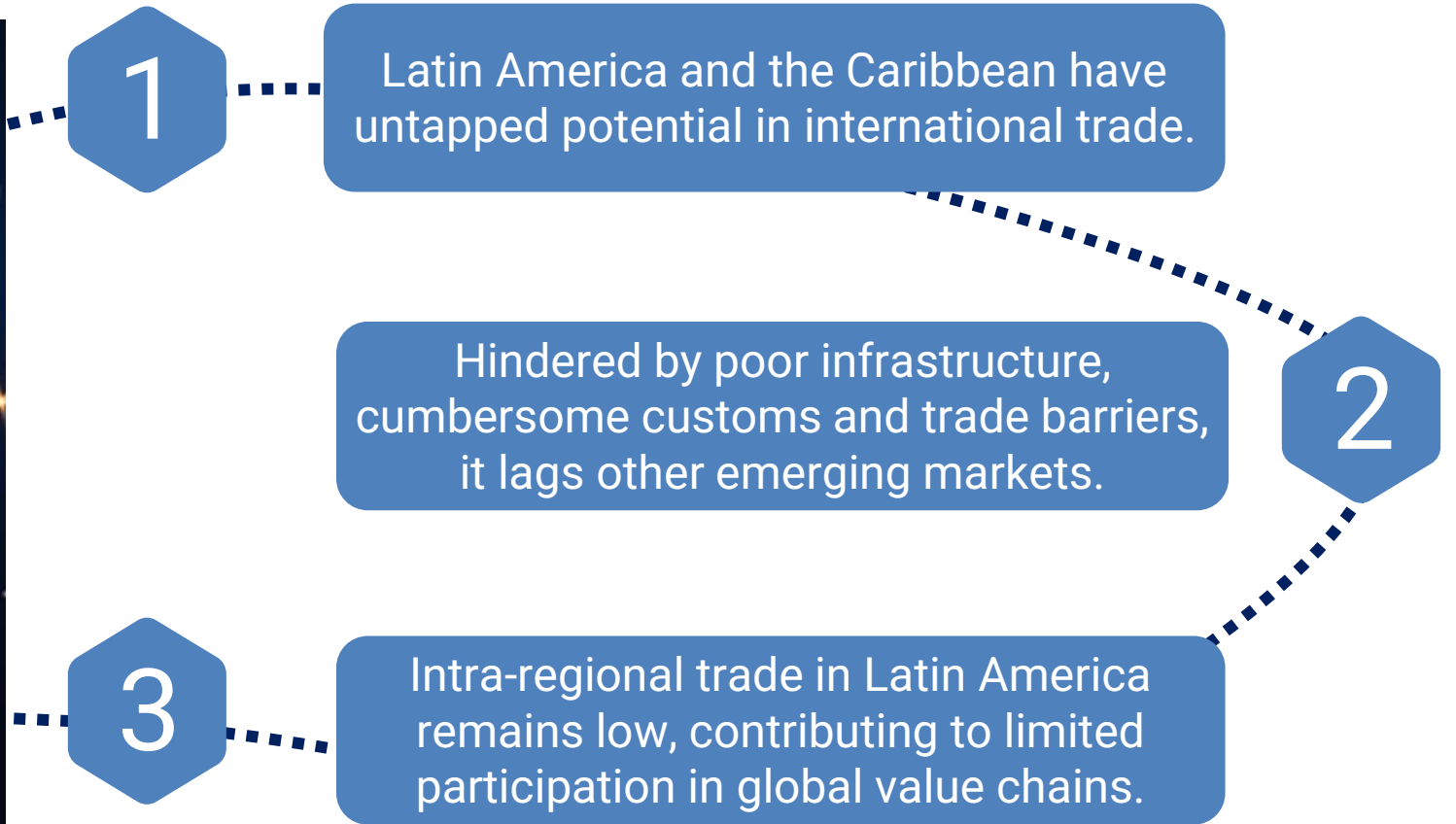


2023 Air Cargo Traffic: North America & Latin America (tonnes) by country



Source: Cargo Facts Consulting Analysis of US Trade Data, HIS Connect: Global Atlas Trade Dashboard

## Latin America's trade growth relies on infrastructure improvements and strategic policy initiatives to enhance regional and global trade participation.



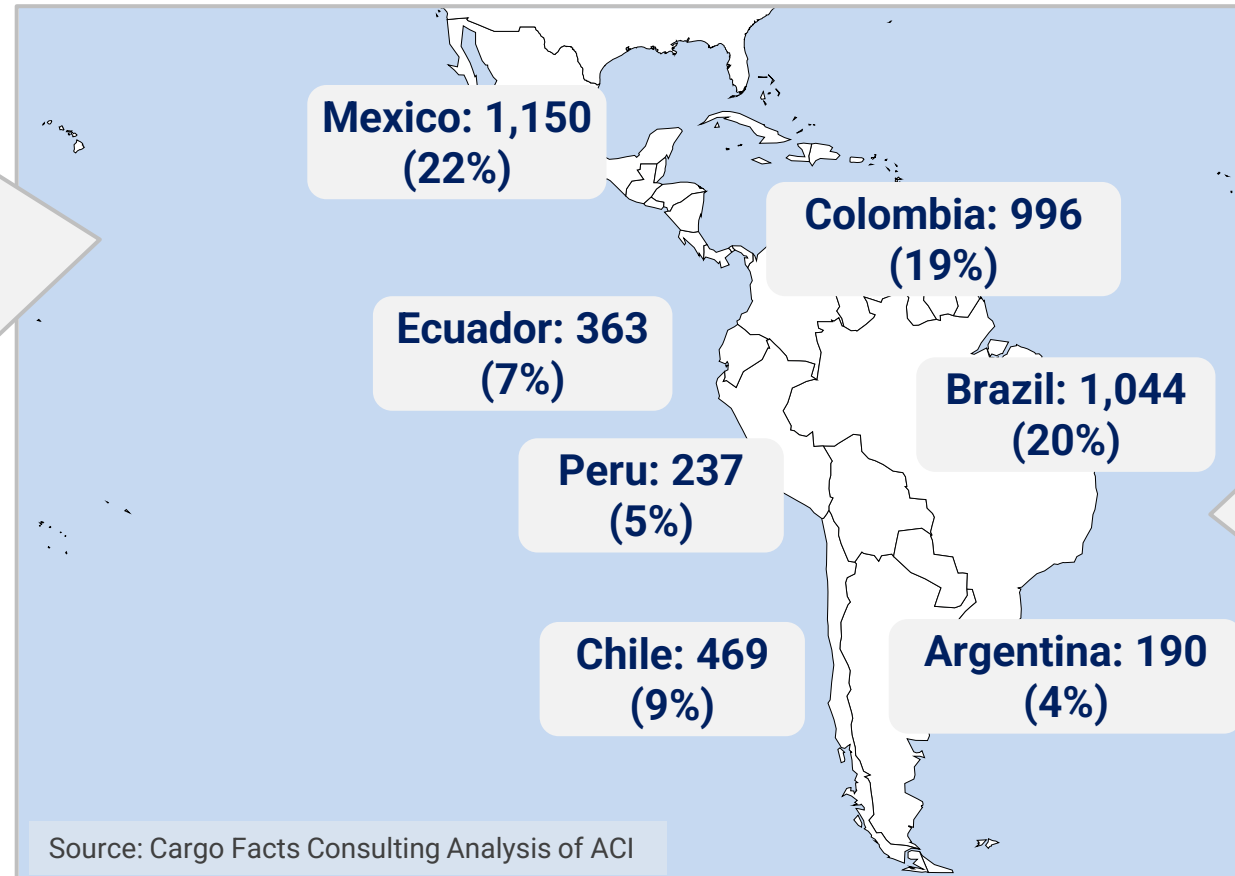
# Mexico, Brazil and Colombia handle over 60% of the region's cargo traffic.

12 Month Ending (Nov 22 – Nov 23) Traffic in 000 tonnes by Country

## 2023 PERFORMANCE

The recovery of passenger flights has led to an increase in cargo capacity, coinciding with sustained export demand from the region.

2023 IATA's monthly cargo statistics have shown LATAM as the region with the strongest growth in cargo traffic on a consistent monthly basis.

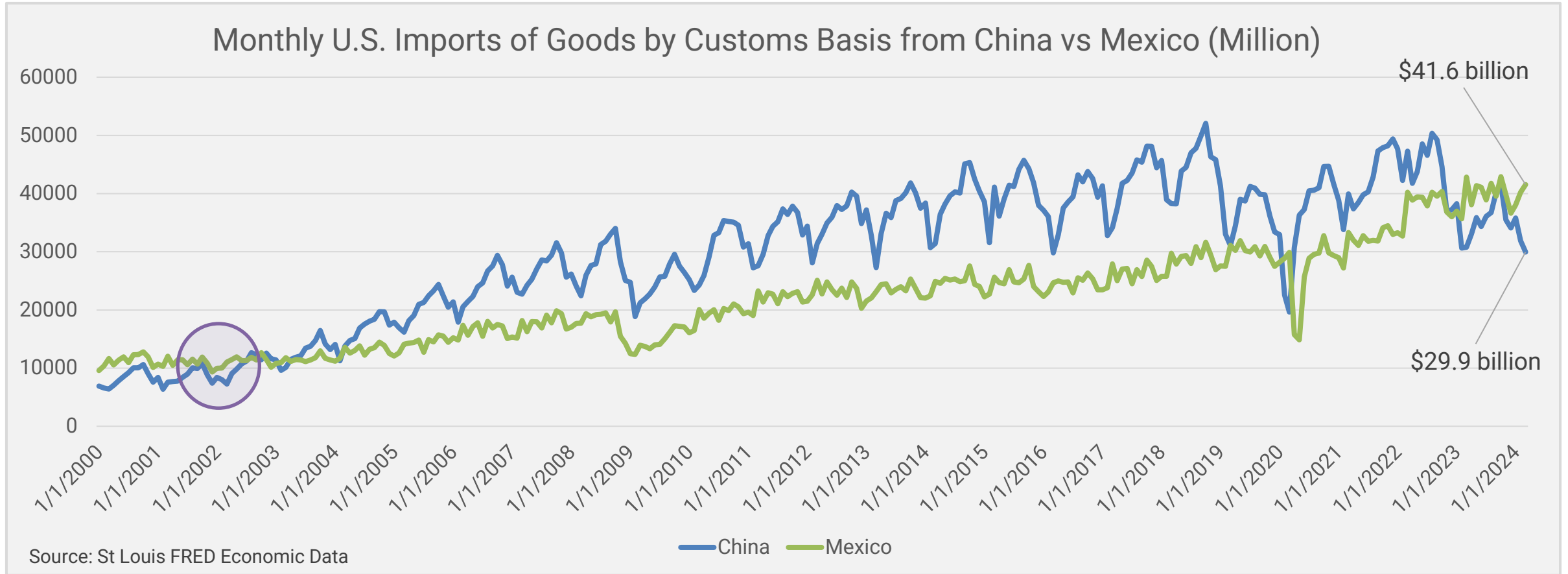


## 2023 DEVELOPMENTS

More carriers keep entering the market (Qatar Cargo). Higher express operator frequencies as well (DHL).

E-commerce has been a major driver for this inbound traffic (especially in Mexico and Brazil).

## In 2023, China's share of US imports fell by 14% year-over-year allowing Mexico to surpass China for the first time since 2002.





## Meanwhile, Mexico's exports to US and imports from China have experienced simultaneous increases.



# Supply & Demand Dynamics

## Overcapacity or lack of capacity?

Percentages refer to overall fleet growth in Q1 2024 vs. Q1 2023

**NARROWBODY**

**+1%**

Overcapacity, with lessors having a hard time finding customers and conversion orders being postponed.

**MEDIUM  
WIDEBODY**

**+5%**

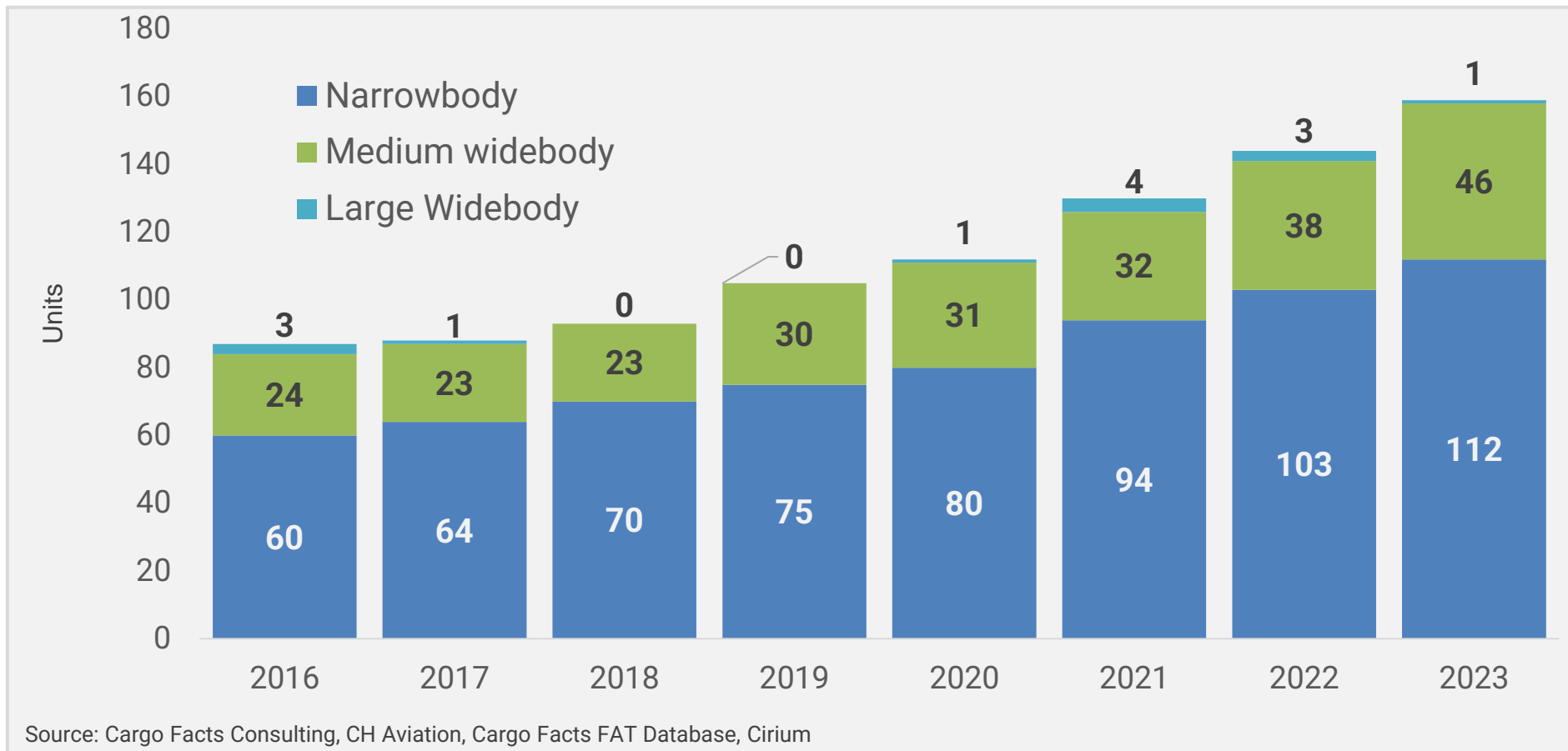
More balanced dynamic, with A330 conversions growing and 767 conversions are slowing down.

**LARGE  
WIDEBODY**

**-1%**

Lack of capacity, with over 120 aircraft over 30 years old, slowly retiring and not many options in the market.

## The jet freighter fleet based in Latin America adds up to over 150 aircraft, with the narrowbody segment accounting for most of the growth since 2026.

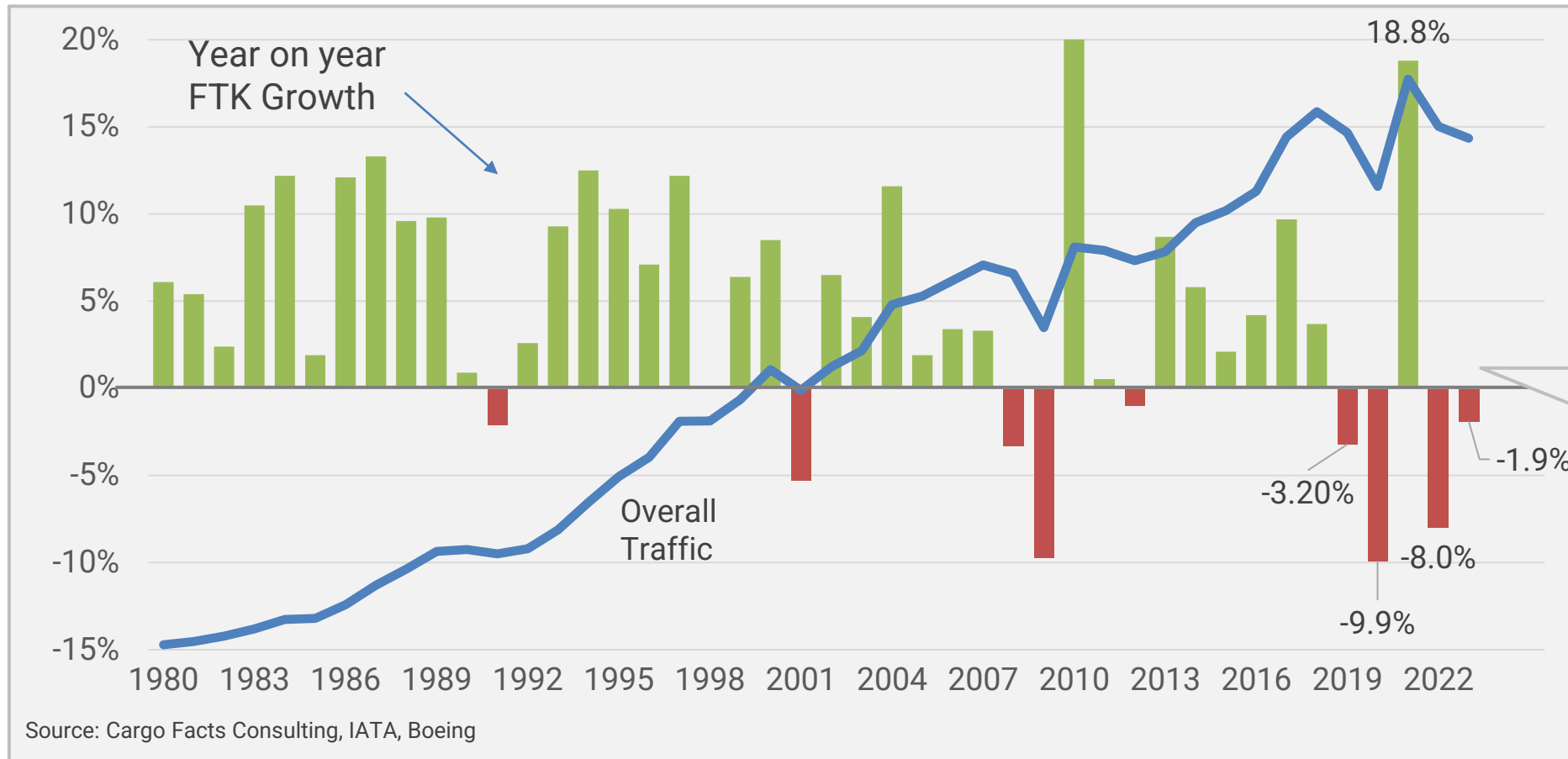


- Mexican carriers have led the expansion of the active fleet in the region since the pandemic.
- The average fleet age for the narrowbody segment is 38.4 years, with some new -800 freighters entering the market.

# 20-Year Freighter Forecast

# Air cargo traffic declined by 2% in 2023 but we are expecting traffic to grow again by the end of the year (4-5%).

**Air Freight Traffic Growth 1980 – 2023**

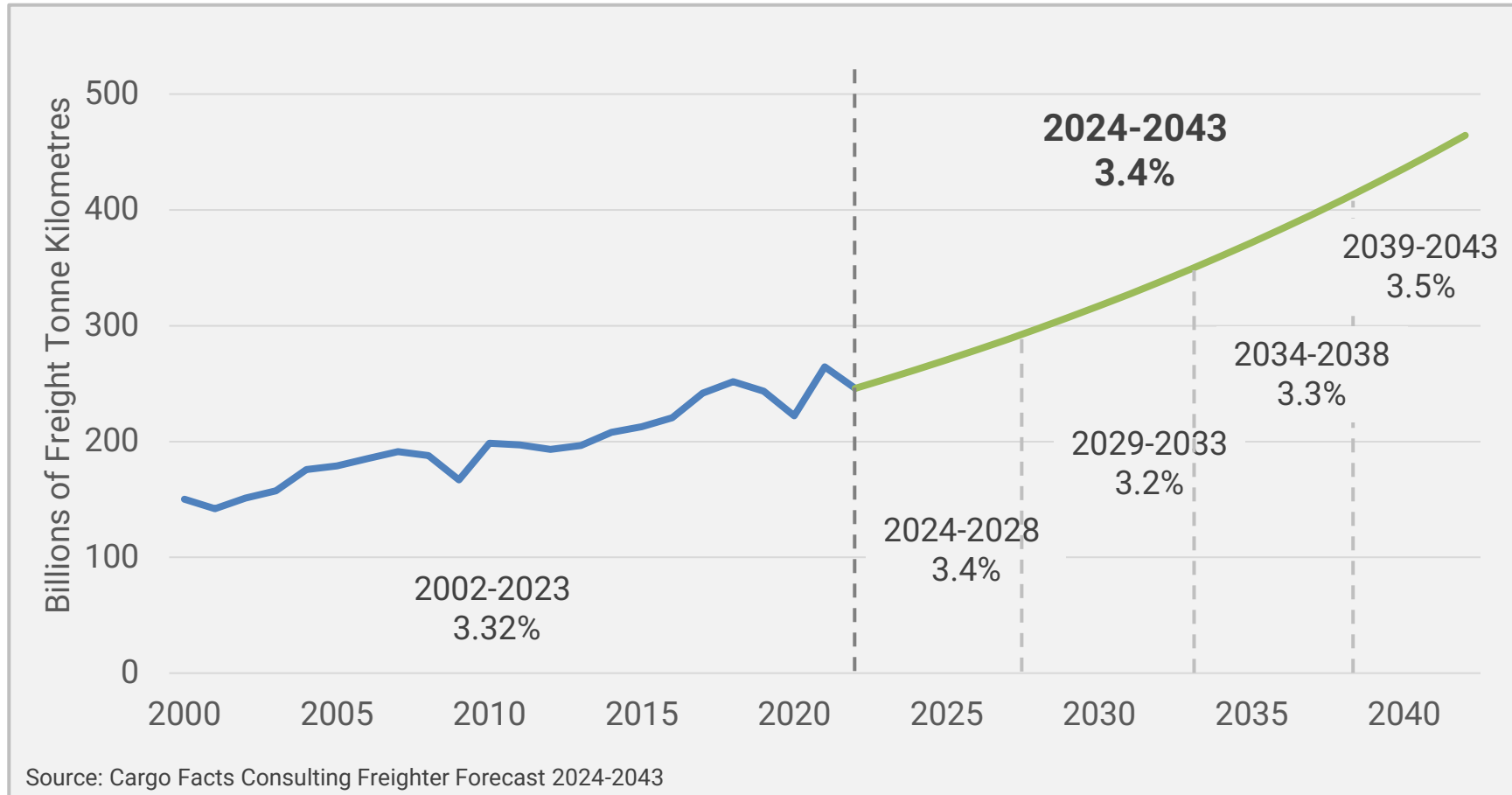


Cargo traffic growth has been volatile since the beginning of COVID-19.

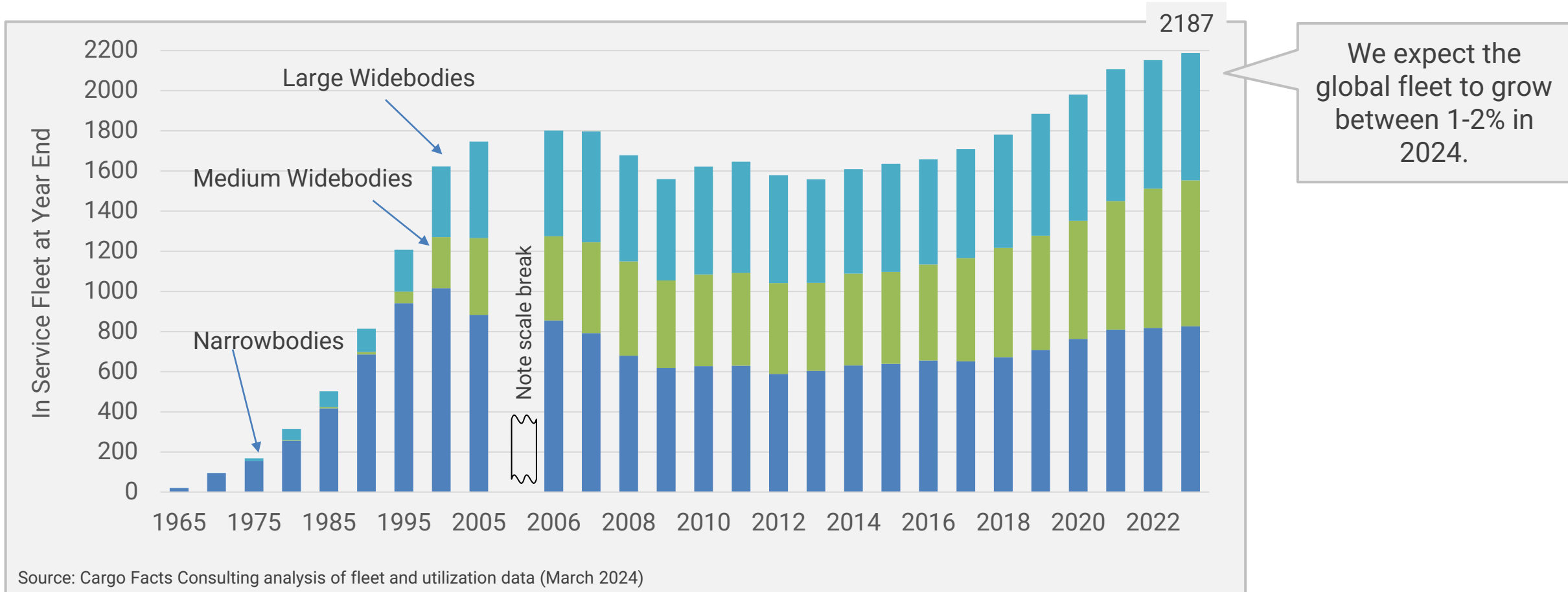


**In the long term we expect global air cargo to grow at 3.4% per year.**

**Air Freight Traffic Annual Growth 1980 – 2043**



# The world's freighter fleet grew by just 2% in 2023. Most growth in recent years has been in the medium widebody segment.

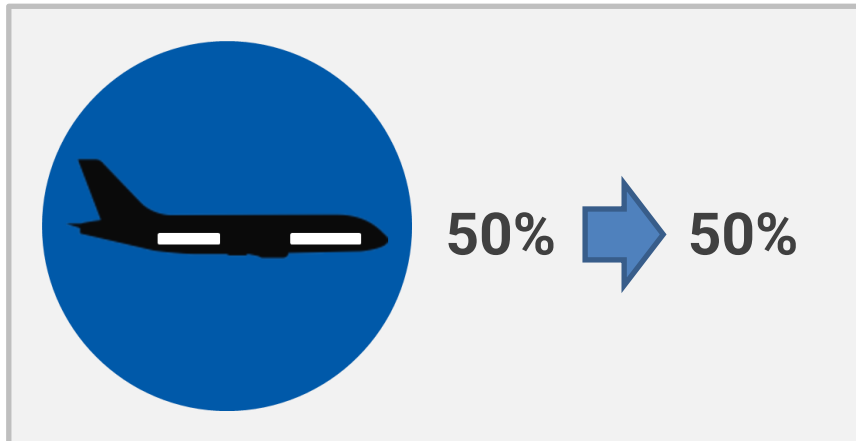
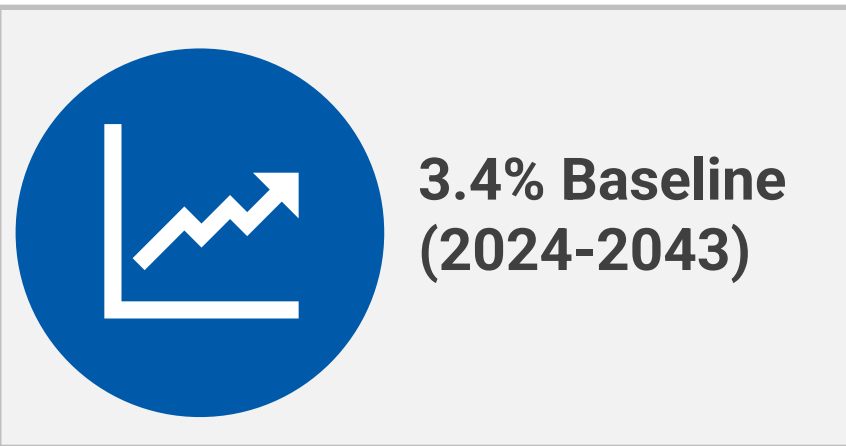


Source: Cargo Facts Consulting analysis of fleet and utilization data (March 2024)

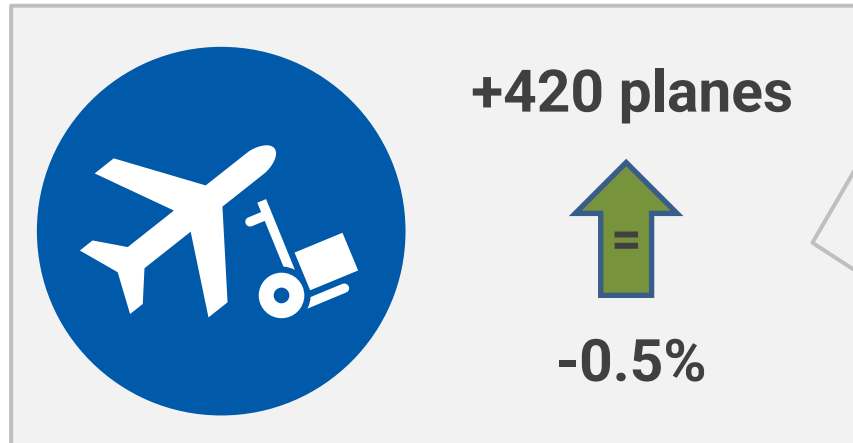
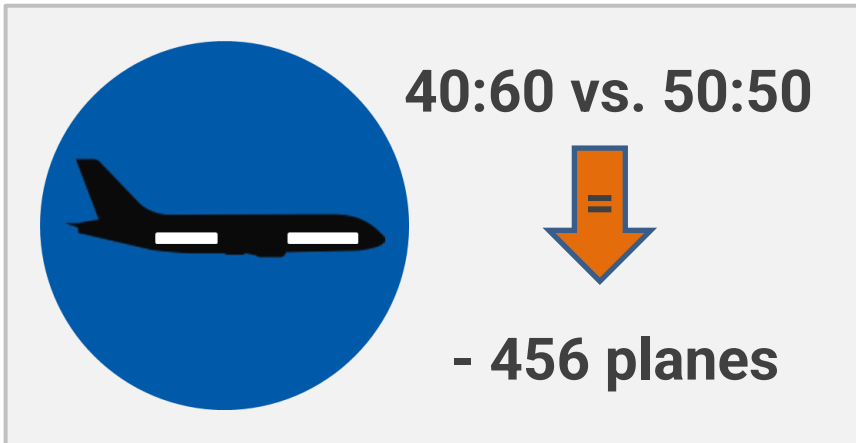
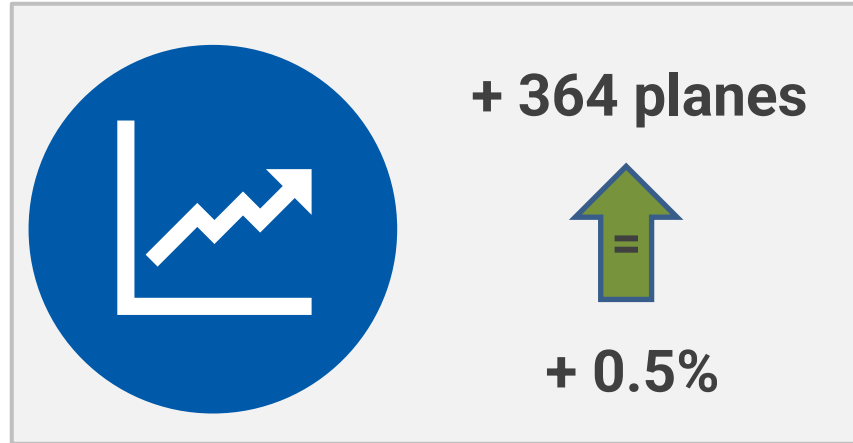
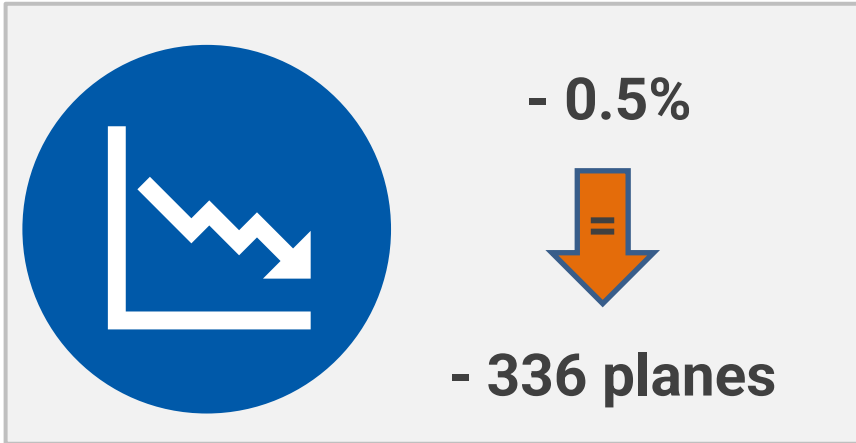
## The CFC forecast reflects our assessment of future product strategies to determine which specific aircraft types will be offered as jet freighters.

Status	Narrowbodies	Medium Widebodies	Large Widebodies
<b>Facing near-term extinction</b>	DC-9, 727, Bae 146, 737-200	A300B4, A310	747 Classics, DC/MD-10-30/40
<b>At peak use, or with little future growth potential</b>	MD-80, 737-300/400, 757-200	767-200, A300-600, A330-200F	747-400F/ERF, 747-400SF/BCF, MD-11F/CF, 747-8F
<b>Expanding role going forward</b>	737-700/800, A321/320	767-300F/BDSF/BCF, A330-200/300P2F	777-200F
<b>Planned or Potential Future aircraft ?</b>	737-900	787XF, A330-900F	777-300ER, 777-200LR, A350F/P2F, 777-8F, 777-200ER A340?

## Our forecast is driven by key assumptions on traffic, productivity, and belly share and estimate of retirements.



# Small changes in key drivers – traffic growth, shift to bellies and productivity have large impacts.



Freighter Productivity refers to the efficiency with which a cargo aircraft is utilized to generate revenue.

Increasing productivity means that on average each freighter in the future fleet will do more work than a freighter in the current fleet, a factor which reduces the number of additional freighters need over a period.

**Factors impacting productivity: load factor, range, payload, cost efficiency**

Likewise, in the regional segment we consider all strategies across the different options.

	<b>Turboprops/ Regional Jets</b>
<b>Facing near-term extinction</b>	Fokker F27/50, Bae ATP, ATR 42
<b>At peak use, or with limited future growth potential</b>	CRJ-200, SD3-60, E120, Saab340/2000, Dash 8-Q100/300
<b>Expanding role going forward</b>	ATR 72-600, Dash 8-Q400 ATR 72 conversions, SkyCourier 408
<b>Future aircraft</b>	E190/195

Embraer just completed its first E190F test flight.

Source: Cargo Facts Consulting Freighter Forecast 2024-2043



# **Air Freight & Economic Indicators**

## Most major economies display optimistic PMI levels (expansion) through Q3 2024.

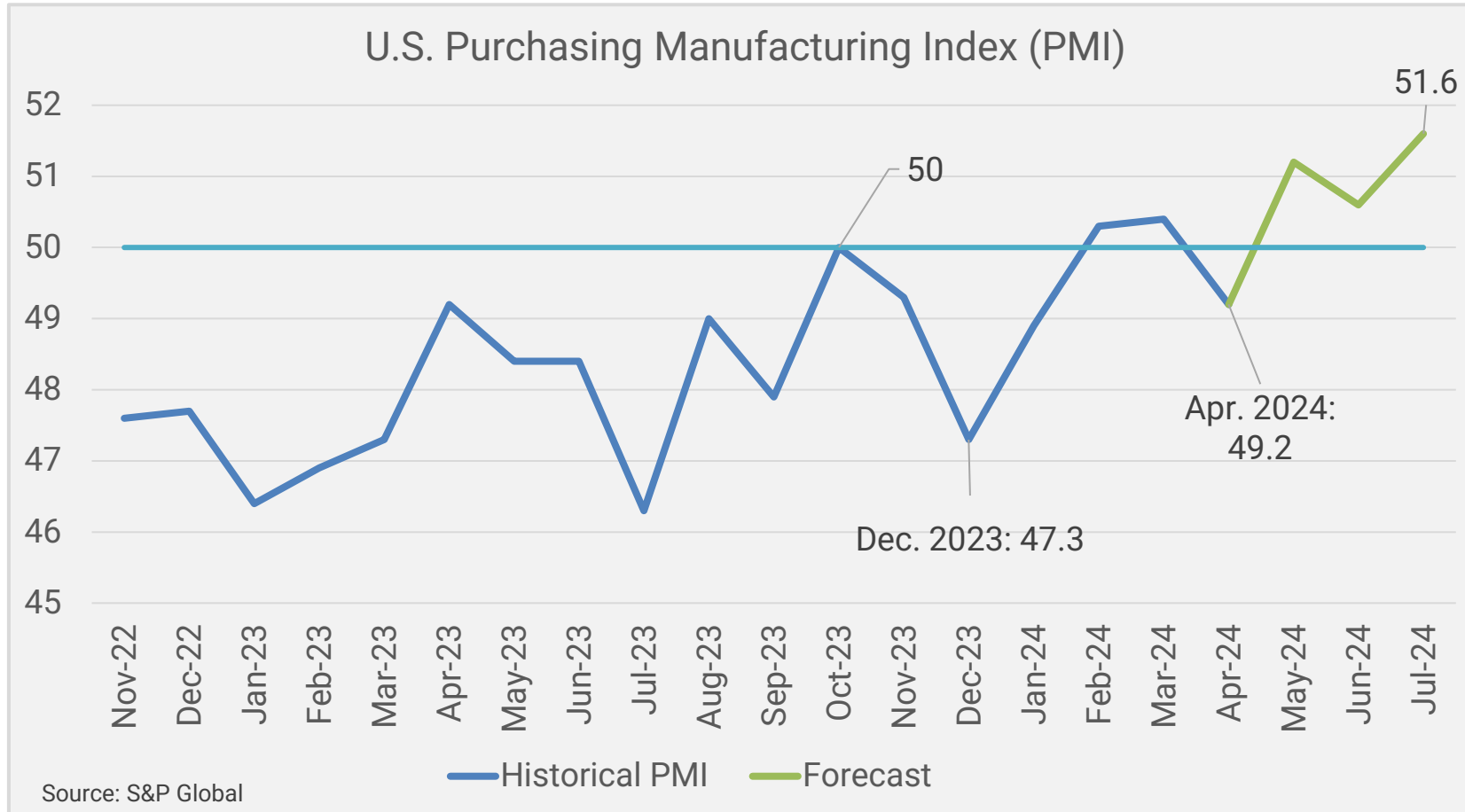
Country	Mar-24	Q2 Growth	Q3 Growth
Australia	47.3	4%	6%
Brazil	53.6	-1%	-4%
Canada	49.8	2%	2%
China	51.1	2%	2%
Euro Area	46.1	6%	4%
France	46.2	6%	3%
Germany	41.9	14%	5%
India	59.1	4%	5%
Indonesia	54.2	-2%	4%
Italy	50.4	0%	3%
Japan	48.2	4%	5%

Country	Mar-24	Q2 Growth	Q3 Growth
Mexico	52.2	1%	1%
Netherlands	49.7	2%	1%
Russia	55.7	-7%	-1%
Saudi Arabia	57	-4%	-1%
South Africa	49.2	1%	3%
South Korea	49.8	6%	2%
Spain	51.4	0%	2%
Thailand	49.1	2%	6%
Turkey	50	2%	1%
UK	50.3	0%	2%
US	51.9	-1%	4%

- PMI and export order indicators show the strength of international trade, with optimistic growth signals.
- The global manufacturing output PMI rose to **51.9** points in March 2023.
- The US and China maintain optimistic outlooks that contribute to global growth, while Europe and Japan show improvements as well.

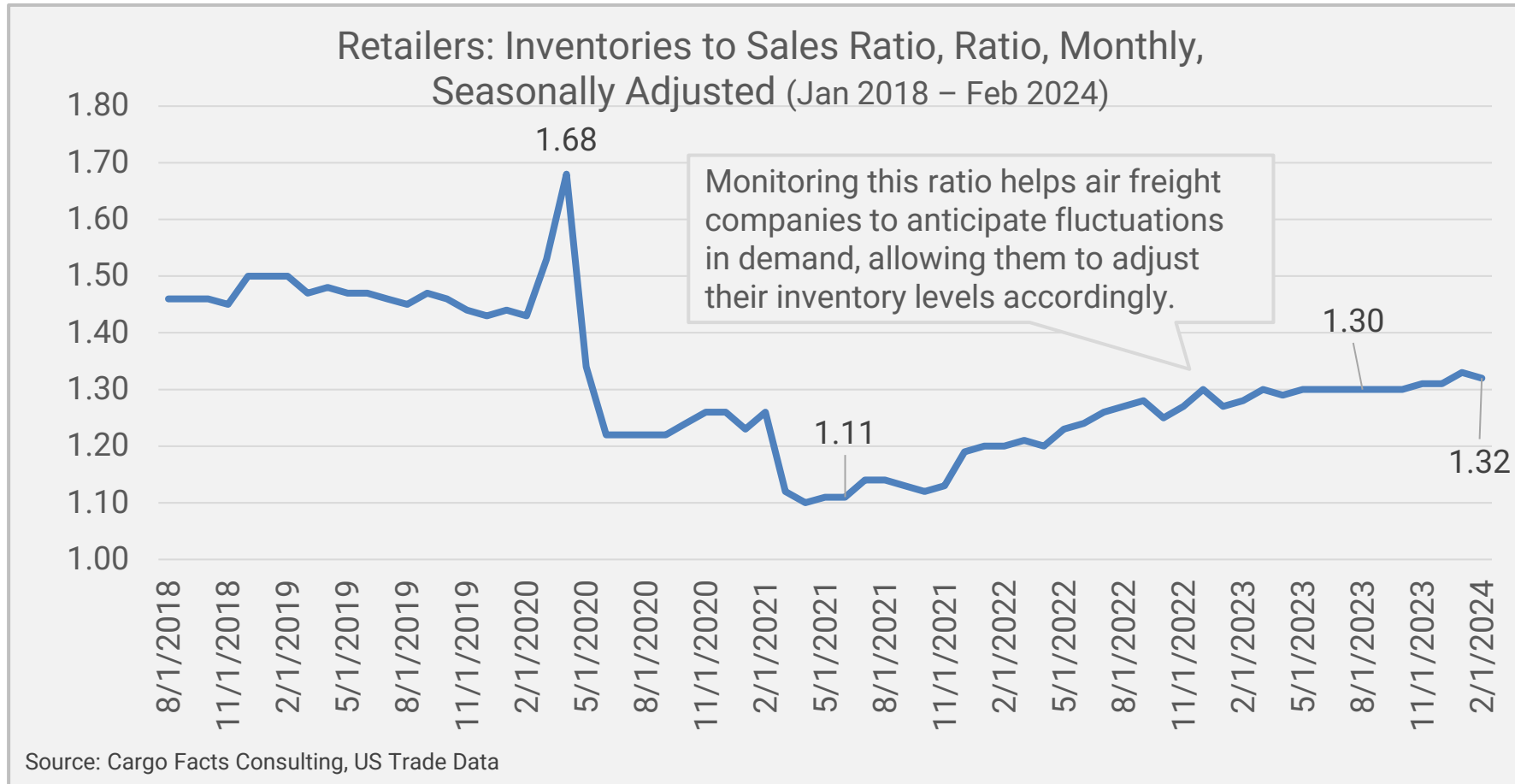
Source: Cargo Facts Consulting Analysis of Economic Indicators, IATA, Trading Economics, World Bank  
(Q2 and Q3 refer to PMI forecasts)

## US Manufacturing PMI in April 2024 dropped slightly after three months of consecutive growth, but forecasts point to expansion levels in Q2 and Q3.



- United States Manufacturing PMI levels points to a bigger improvement in manufacturing conditions in Q2 2024.
- A reading below 50 represents contraction, while above 50 indicates expansion in the sector.
- 2024 PMI figures point to a steady recovery, matching expectations for air cargo growth

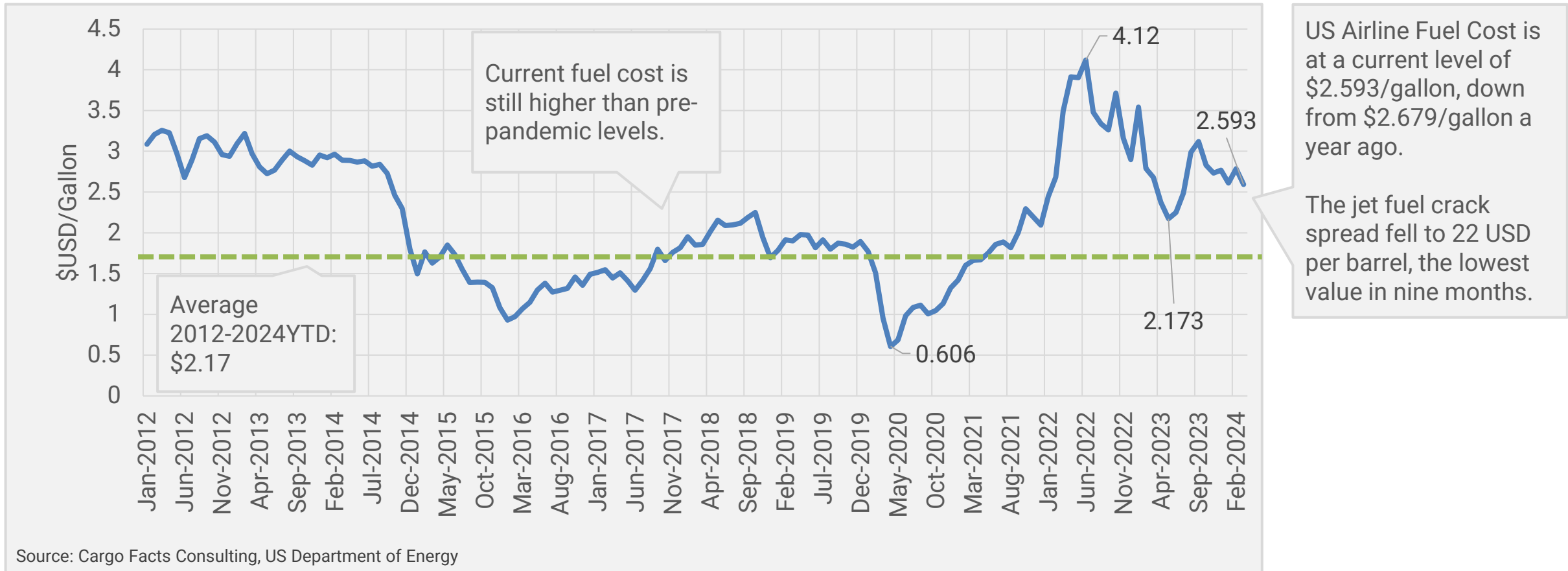
## US retail sectors appear to have adjusted their inventories to appropriate levels following recent fluctuations caused by the pandemic and economic instability.



- Gradually, as supply chain issues eased, orders were met, and inventories climbed during 2022.
- Retailers made solid progress in “right-sizing” their inventory positions, with little change in the inventory/sales ratio in the last 12 months.
- Latest figures show a lower average vs. pre-pandemic, showing how retailers are more cautious about placing orders.

# Jet Fuel Cost is down 3% from April 2023 after a sharp increase in the third quarter of 2023.

U.S. Gulf Coast Kerosene-Type Jet Fuel Spot Price FOB (USD/Gallon) – as of March 30, 2024



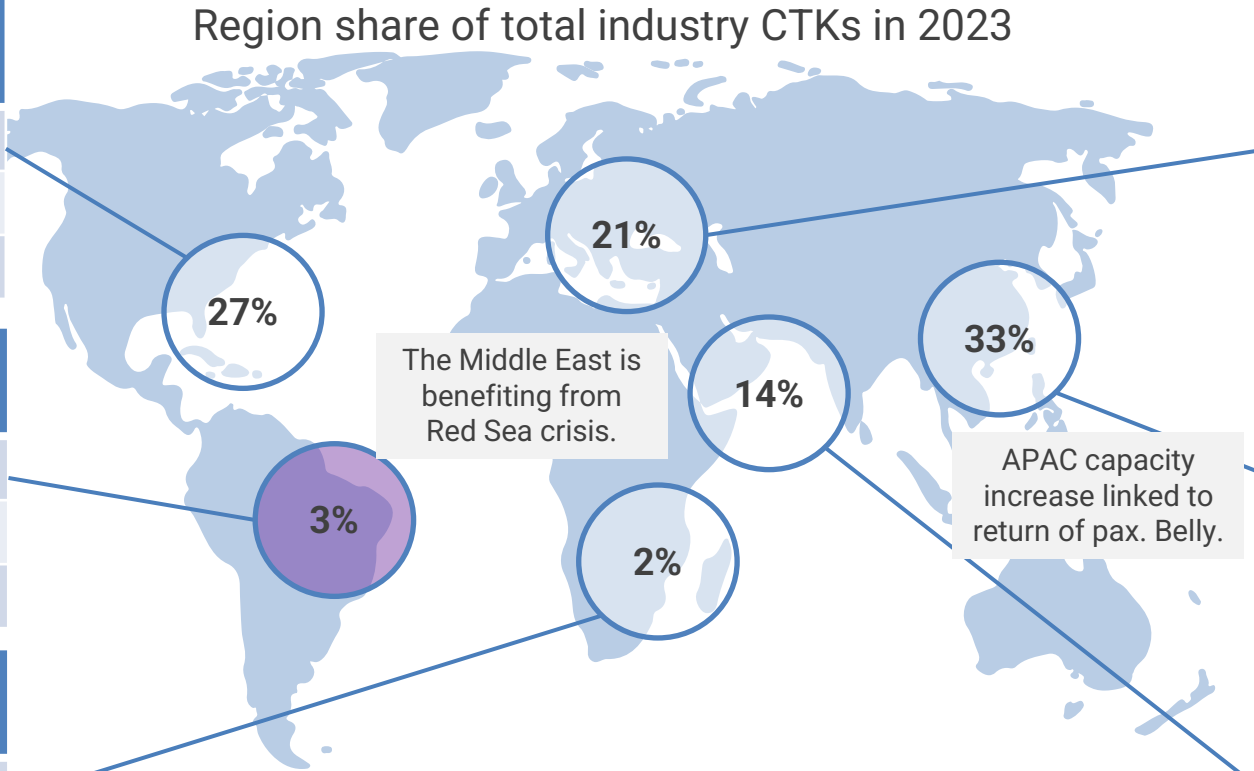
Source: Cargo Facts Consulting, US Department of Energy

# Air cargo keeps expanding across all sectors in March 2024. Cumulative Q1 2024 traffic surpassed the record heights experienced in Q1 2021.

NORTH AMERICA	2024YTD vs. same period 2023
CTK	4.6%
ACTK	1.4%
CLF	1.3%

LATIN AMERICA	2024YTD vs. same period 2023
CTK	10.1%
ACTK	6.5%
CLF	1.2%

AFRICA	2024YTD vs. same period 2023
CTK	16.8%
ACTK	21.4%
CLF	-1.7%



EUROPE	2024YTD vs. same period 2023
CTK	12.6%
ACTK	10.4%
CLF	1.1%

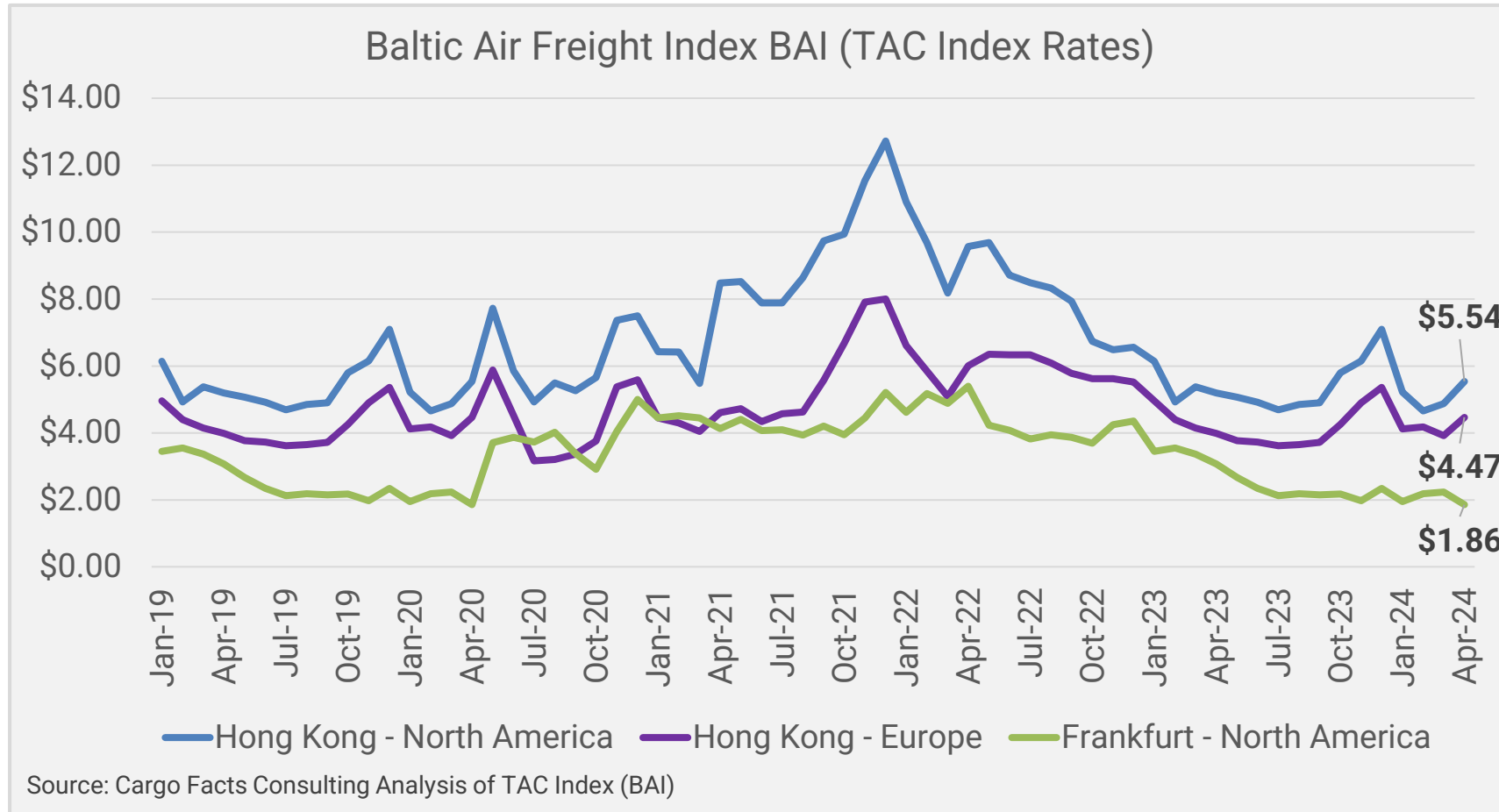
ASIA PACIFIC	2024YTD vs. same period 2023
CTK	16.8%
ACTK	20.2%
CLF	-1.4%

MIDDLE EAST	2024YTD vs. same period 2023
CTK	23.0%
ACTK	14.5%
CLF	3.3%

Cargo Facts Consulting Analysis of IATA Air Freight Market Publication (**MARCH 2024**)  
All rates refer to Total Market by Region (includes Domestic and International)



## Air freight rates keep rising in April, mainly due to high demand and tight capacity out of China.



- Rate surge again linked to increase of e-commerce demand out of China.
- Despite analysts predicting rising airfreight rates resulting from the crisis in the Red Sea, numbers are not showing that.

# Short-Term Outlook

# Latest air freight trends and developments in Latin America include fleet expansion, diversification, new partnerships and investment opportunities.

Expansion of Mercado Libre and e-commerce platforms in the region

01

Growth of Asia – LATAM air freight connections and partnerships

02

Express operators investing in LATAM markets (facilities, routes)

03

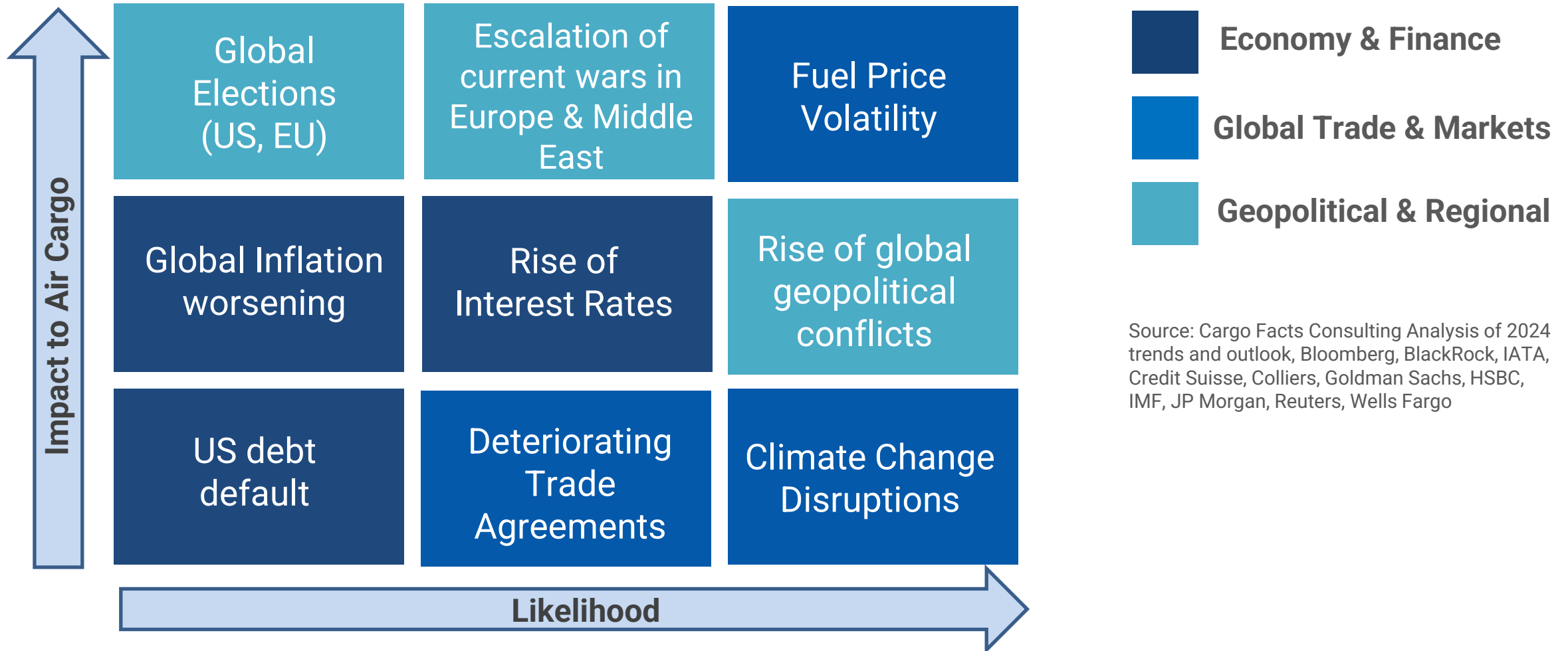
New operators, fleet renewal, demand for perishables and forwarders investing

04

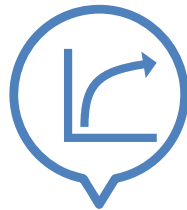
## The recent air cargo liberalization agreement will boost air freight in the region.

- A multilateral agreement (seven freedom traffic rights) to liberalize air cargo services in Latin America has been made permanent.
- This agreement allows airlines from one Latin American Civil Aviation Commission (LACAC) member state to provide all-cargo services between two other signatory states without restrictions on routes and capacity.
- Brazil, Chile, Costa Rica, Cuba, Panama, Paraguay, Peru, the Dominican Republic, Uruguay, and Venezuela have all signed the MoU and it remains open for signature for other countries.
- Initially established in 2021, the agreement aims to facilitate broader air cargo operations, particularly for e-commerce, contributing to regional economic recovery and development.

## 2024 Global Risk Outlook



## Navigating the 2024 Air Cargo Landscape: What's Ahead?



### MODERATE GROWTH IN 2024

With a more balanced supply-demand dynamic, 2024 will see a long-expected recovery in the industry.

Air cargo yields remain 40% higher vs. 2019 levels.

### GEOPOLOTICAL AND TRADE TENSIONS

Current wars and trade tensions are leading supply chain disruptions, sanctions, security concerns, impacting air cargo.

Winners: Latin America & Southeast Asia.

### POSITIVE OUTLOOK FOR ECONOMIC INDICATORS

Industrial production remains the largest driver of air cargo growth, with e-commerce. Even with the return of belly capacity, freighters continue to carry over 50% of global cargo traffic.

### OPPORTUNITIES?

Specialized cargo, e-commerce (cross-border), pharma, perishables across niche and emerging markets.

Containership pricing is currently 2x vs. 2019 levels.

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