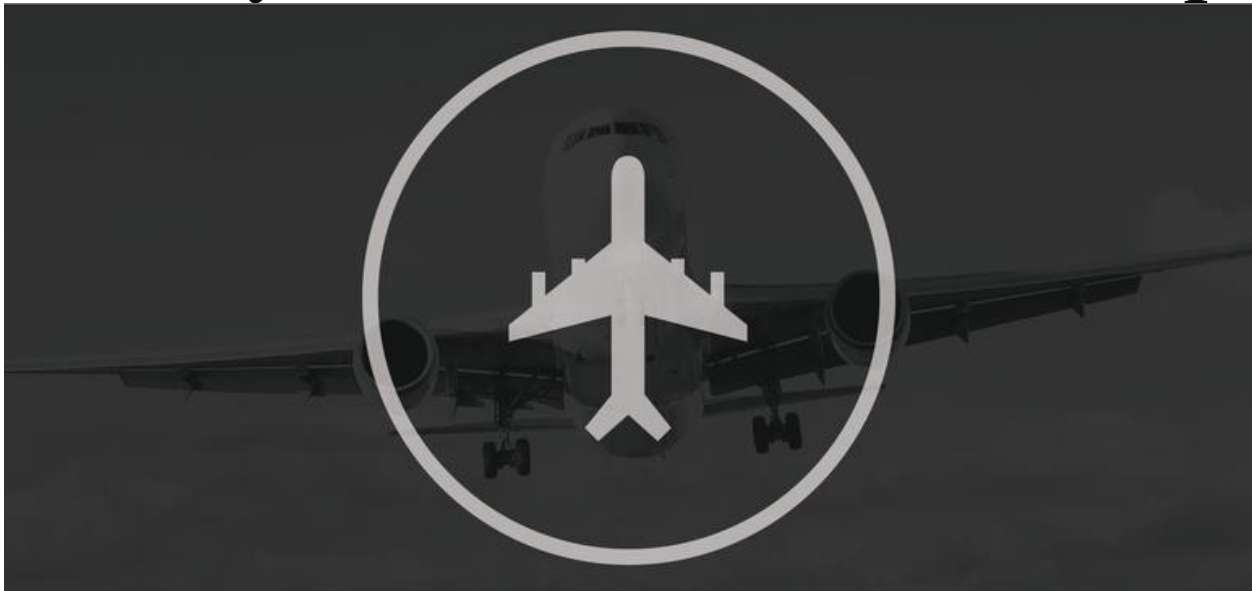


# Coronavirus adds hurdle for air cargo industry saddled with demand slump



*Kendall Davis / Supply Chain Dive*

*AUTHOR*

**Matt Leonard**  
@Matt\_Lnrd

*PUBLISHED*

March 9, 2020

**Dive Brief:**

- Airfreight volume fell 3.3% year-over-year (YoY) in January, according to the **International Air Transport Association (IATA)**. Airfreight demand was down YoY for all of 2019 and the full impact of the COVID-19 outbreak won't show up until the February numbers are released next month, IATA said.
- Air carriers grew capacity again in January, but at a lower rate. Capacity was up 0.9% YoY for the month.
- "The disruptions from [COVID-19] will negatively impact air cargo developments across all of the key international trade lanes," IATA said in its release. "Markets linked to Asia will be particularly exposed, including the two largest — Asia-Europe and Asia-North America which together account for more than 40% of international segment based traffic."

## Dive Insight:

The air cargo industry expected the phase one trade agreement between the U.S. and China to result in a turnaround for the industry in 2020.

Airlines that specialize in cargo have seen steady demand and many have continued to service China throughout the outbreak. But a large chunk of air freight is belly cargo in passenger airlines. Thousands of flights have been canceled as a result of the outbreak, resulting in shippers having fewer options for moving goods across the Pacific.

"Foxconn just announced that by the end of March they'll be back to full capacity," Yossi Sheffi, director of the Massachusetts Institute of Technology's Center for Transportation and Logistics, told Supply Chain Dive in an interview last week.

"Now the question is will they be able to ship it. We lost so much capacity," Sheffi said, adding that belly cargo accounts for 52% of air cargo capacity.

So, as factories in China return to normal production, UPS, FedEx and other cargo airlines likely won't be able to handle all of the demand for airfreight. Shippers could see higher prices for air cargo as a result, he said.

Even cargo airlines have cutback on capacity.

UPS has resumed areas in most areas of mainland China, except for Wuhan. But of UPS' 19 air freight stations across China, only five have a recovery status of 100%, according to a service alert updated Monday by UPS.