iXRT

Air Market News by Xeneta

May 2, 2025

The Xeneta Air iXRT provides an overview of market movements, the key risks and issues to be aware of and insight on how these may develop in the coming weeks and months.

Topics covered in this iXRT Report include:

- Trump tariffs and de minimis turmoil
- Implications for e-commerce businesses
- Market sentiment and passenger belly capacity
- Scenario planning is essential

Trump tariffs and de minimis turmoil

This will long be remembered as a period of exceptional uncertainty for global trade in the wake of the US Government's "Liberation Day" reciprocal tariff announcement on 2 April, which were levied against close to every country in the world.

On 9 April, amid turbulence in financial markets, the Trump administration announced a 90-day pause on these reciprocal tariffs. The interim 90-day period is seeing Chinese imports continue to be hit with 145% tariffs while other nations revert to 10%.

These tariffs are having a major impact on air cargo trade between China and the US.

Roughly half of general air freight between the two countries has been within scope of these severe 145% tariffs since 5 April.

Meanwhile, cross-border e-commerce - which constitutes the other half - is also in the crosshairs as the White House prepares to eliminate low-value shipment exemptions for China and Hong Kong effective from 2 May.

De minimis impact on air cargo rates – so far

The US Government had already attempted to remove de minimis exemptions in February but reinstated to allow time for new systems to be put in place. During this temporary removal of de minimis exemptions, the air spot rates from China to the US fell -30% to USD 2.94 per kg in the late February.

Rates did recover in late April, increasing nearly 60% due to the potential cargo rush in response to the reciprocal tariff threat.

This is in line with Chinese Customs reporting that low-value and e-commerce exports to the US first dipped 5% year-on-year in February due to temporary de-minimis ban, but bumped up quickly by rising 14% year-on-year in the month following.

What's next for de minimis?

Revisions to the de minimis rules (effective 2 May) governing imports from China and Hong Kong specify that:

- All imported goods transported via means other than international postal services will face all applicable duties (e.g. 145% new tariffs, except for electronics which were excluded in April).
- Relevant postal items will incur either a 120% ad valorem duty or a flat rate of USD 100 per item from 2 May to 31 May, rising to USD 200 per item from 1 June onwards.

The implications for e-commerce businesses

E-commerce giants such as Temu and Shein, which rely heavily on air freight and ultra-low pricing, are particularly exposed to the removal of de minimis exemptions.

If it costs more to import into the US, it raises questions whether e-commerce platforms can maintain profit margins while also satisfying consumer demand for low value goods. Xeneta previously estimated that cross-border e-commerce competitiveness may be hindered if the incremental tax increases to 40-50%.

An uncertain landscape

The regularity of updates and changes to the tariff policy is further compounding the uncertainty.

This is demonstraed in the fact US Customs and Border Protection has since announced a temporary tariff exemption for smartphones, computers and certain other electronics. This offers some relief, albeit likely temporary, for companies such as Apple and Nvidia.

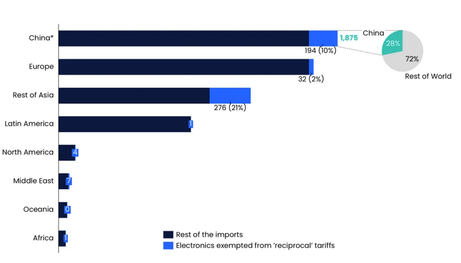
In 2024, China's air cargo shipments to the US are estimated to have accounted for roughly 28% of total US air imports (including cross-border e-commerce), or approximately 10% of global air cargo.

However, the electronics temporarily exempted from 'reciprocal' tariffs constitute just 10% of this volume - a negligible fraction of global cargo.

Note: The 20% "fentanyl tariff" on Chinese goods remains in force.

Electronics tariff exemptions will provide little relief to China-US air cargo volumes

Air cargo imports to the US in 2024
(in million tons)



Note: China air volume includes low-value and e-commerce volume.
Source: Xeneta analysis of the US Census Bureau

Ocean freight insight

Signs from the ocean container shipping sector suggest further uncertainty ahead. Global container volumes were already falling in February and the reciprocal tariffs will see further slowdown in volumes shipped from China to US.

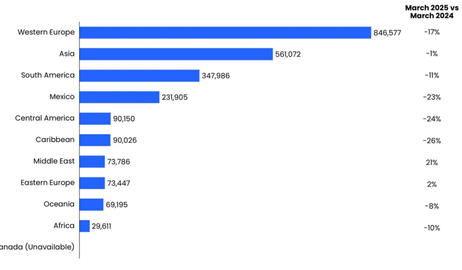
However, the 90-day pause means shippers will look to rush containers out of non-China nations. They will still be hit by the 10% tariff but there are no guarantees the original and much higher Liberation Day tariffs will not be reinstated after the 90 days is up.

Market sentiment and passenger belly capacity

Growing anxiety over the US trade wars is spilling into consumer markets. According to a preliminary report by the International Trade Administration, air travel bookings have fallen as economic uncertainty and rising prices deter travelers.

The number of overseas visitors arriving in the US by air fell by 11% year-on-year in March. Western Europe, traditionally the largest source of air travelers to the US, saw an even sharper 17% decline.

Overseas visitors to the US by world region in the air mode in March 2025
(in number of visitors)



Source: Xeneta analysis of International Trade Administration, US Department of Commerce

This trend raises alarms over Transatlantic passenger demand during the critical summer season for air cargo. Fewer passengers mean less baggage - and therefore more available cargo space in passenger aircraft holds.

However, if passenger numbers fall to such an extent that airlines reduce flights, it could have the opposite effect of reducing total air cargo capacity on this corridor.

Scenario planning is essential

The outlook for air cargo remains clouded.

Businesses that turned to air cargo to rush goods into the US following the "Liberation Day" announcement may feel some regret following the subsequent easing/pause of reciprocal tariffs. However, those businesses clearly felt paying higher rates to secure supply chains was a price worth paying and would do so again if the circumstances demanded it.

Other shippers have adopted a cautious "wait-and-see" approach in the face of unpredictable US trade policy shifts. This is understandable, but there are no guarantees the highly-volatile tariff situation will be any clearer in the coming weeks and months, so scenario planning is now an essential procurement workstream.

If the US-China trade war persists or escalates into May, particularly in relation to e-commerce shipments, it likely to result in significant disruptions, delays and higher costs.

We must also view the US-China trade war at a global level. If the removal of de minimis exemptions for Chinese goods and lower consumer demand frees up capacity on the US-China corridor, this may then be redirected onto other global corridors and put downward pressure on freight rates.

Shippers not exposed to the higher tariffs on China or do not ship goods on e-commerce corridors should still keep a close eye on the potential downfall of air freight rates – this is a potentially seismic shock to the market that could ripple across the globe

The below table provides an overview of the latest air freight long term rates.

Quarterly air freight long-term rates

Air freight long-term rates contracted within 3 months for 500+ kg and lower-mid-tier service level

Origin	Destination	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
China	Western Europe	3.46	4.40	4.85	5.10	4.59
Western Europe	China	1.81	1.32	1.55	1.43	1.67
China	United States	4.64	5.37	5.86	5.79	5.74
United States	China	1.55	1.74	1.78	1.48	1.68
United States	Western Europe	1.39	1.37	1.38	1.16	1.32
Western Europe	United States	2.16	2.03	1.96	1.83	2.09
China	South America	6.80	7.53	8.59	9.75	8.23
Western Europe	South America	3.92	4.17	3.56	3.18	3.36

Source: Xeneta