iXRT

Air Market News by Xeneta

July 21, 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:

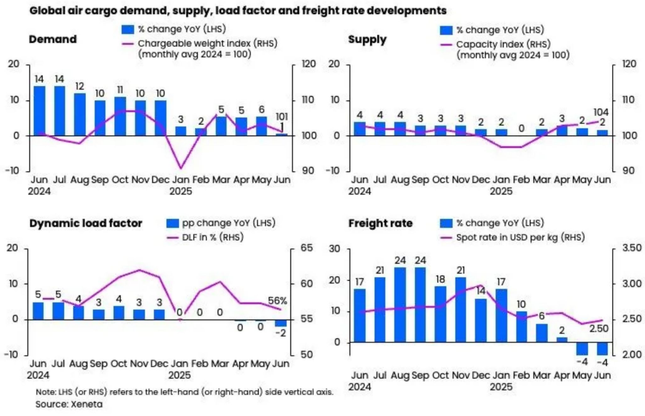
- Global air cargo volume growth slows
- Ongoing impact of tariff tensions
- Trade shifts in Asia
- Volatility impacts contract durations

Summer slack in the skies

Global air cargo volumes rose 3% year-on-year in the first half of 2025, though the pace slowed markedly in the second quarter.

By June, the momentum had all but vanished: air freight demand was flat compared with a year earlier, while capacity increased 2% - the first time supply has outstripped demand in 19 months.

The growth in global air cargo volumes came to a standstill in June



The deceleration is especially visible in Hong Kong, the world's busiest air cargo hub. Export volumes from the territory fell nearly 3% year-on-year in June - the first meaningful decline in two years, discounting distortions from the Lunar New Year's shifting calendar. Tariff volatility is adding to the uncertainty, prompting rapid shifts in trade flows.

Tariff tensions and a new deadline

The Trump administration's decision to delay a sweeping round of tariff increases - initially set for 9 July, now pushed to 1 August for most of the world and 12 August for China - has spurred a flurry of frontloading shipping activity. In the first half of July, outbound air cargo volumes from Southeast Asia to the US recorded double-digit year-on-year growth, closely followed by Northeast Asia.

Vietnam led the Southeast Asia market, while in Northeast Asia, Taiwan saw the most dramatic surge with exports to the US spiking over 40% year-on-year. In contrast, volumes from China and Hong Kong remained muted.

The tariff war is also being felt in freight pricing. Airline-sell spot rates from Taiwan to the US jumped approximately 25% in early July, likely supported by uncertainties around chip tariffs and AI accelerations. Meanwhile, rates from Vietnam, China, and Hong Kong stayed relatively flat.

This divergence is largely a function of tariff-related shifts: as trade flows rebalance, capacity has been redirected away from China - where tariffs have hit particularly hard in the e-commerce sector - toward other markets, such as Southeast Asia. The growing demand from Vietnam has helped absorb excess supply, keeping rates level.

Trade shifts in Asia

Vietnam's gains may prove tenuous. Around a third of its exports to the US, according to the US administration, are suspected of originating in China. Under new agreement announced by the US, goods transhipped via Vietnam face a 40% tariff, compared to 20% for goods genuinely made in Vietnam. Both are more lenient than the proposed 55% levied directly on Chinese-origin products under the preliminary US-China framework struck in London.

These shifting incentives may drive further manufacturing reallocation to Vietnam. But the country's deepening ties with the US could provoke retaliation from China, its largest trading partner, and undermining the progress made on the preliminary US-China framework.

Meanwhile, Northeast Asia-Europe lanes are seeing renewed vigour. Air cargo volumes surged around 25% in early July compared to the same period last year, buoyed by Chinese cross-border e-commerce. According to China's Customs, Chinese global exports of cross-border and low-value goods climbed nearly 40% in May, with shipments to Europe soaring 77%. The contrast with what the China to US market is telling, where exports fell 40% over the same period as trade tensions and tariffs took their toll.

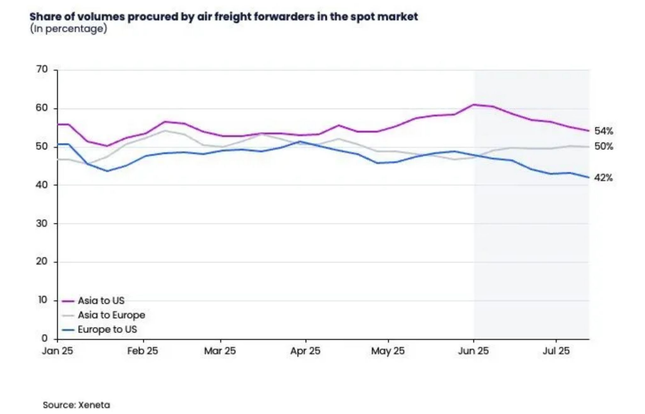
Contracts and the outlook ahead

In early July global air spot rates remain under pressure, down 3% compared with a year ago. It is on path for the third consecutive month of year-on-year decline, though the pace of the drop has narrowed from 4% in previous months - helped by a temporary spike in demand ahead of the 9 July tariff deadline.

The broader outlook remains fragile. If inventories remain high after recent frontloading via ocean freight, shippers may see little urgency to pivot to air cargo in the coming months.

Freight contract dynamics are also shifting. Volatility in trade lanes has shortened contract durations. In the Asia-US corridor, the share of cargo procured on the spot market (i.e., spot share) climbed 10 percentage points from the beginning of this year to 61% by early June. They have since fallen back to 54% in early July as forwarders rushed to lock in longer-term deals ahead of anticipated freight rate spikes.

Inbound US forwarders lock into longer-term rates ahead of tariff deadlines



A similar pattern was seen on the Europe-US route. The spot share declined nearly 10 points from its early-year high of 51% at the airlines' summer schedule transition. It bounced briefly to 49% in late May, before dropping to 41% by mid-July amid mounting freight rates.

In contrast, the Asia-Europe lane has remained more stable. In the airfreight's shoulder season, the spot share has hovered in the low-50% range since June.

This flux offers an opening for shippers. With air freight rates still below last year's levels for more than two months, those negotiating new contracts - particularly on US-bound routes - may enjoy better leverage than in recent memory.