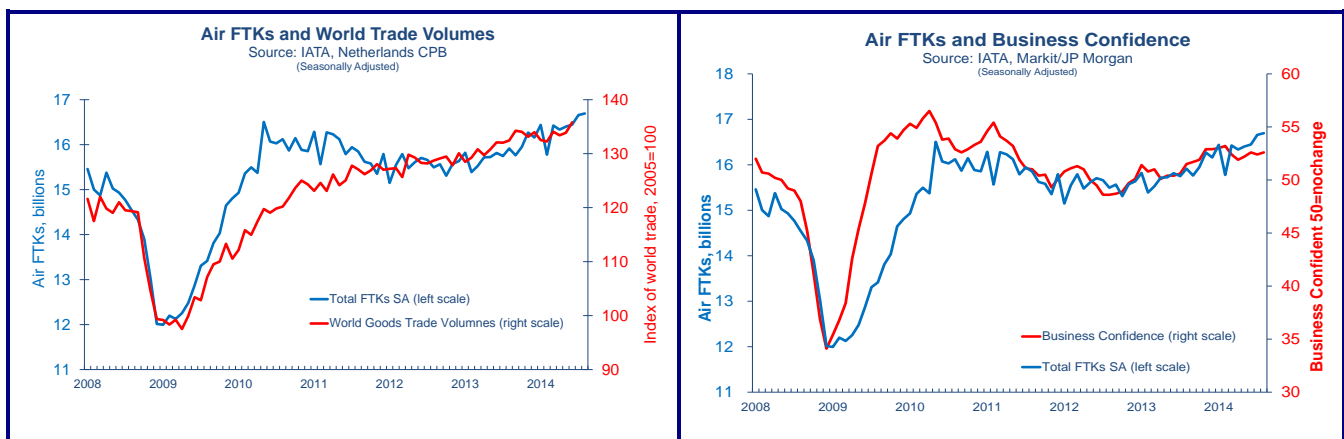


AIR FREIGHT MARKET ANALYSIS

AUGUST 2014

KEY POINTS

- ➔ Air freight volumes were up 5.1% in August compared to a year ago. This is the second month of solid performance, following a 6.1% rise in July, and reflects improving demand conditions in some regions.
- ➔ There was further expansion in volumes in August compared to July. But it was driven by domestic markets, with international FTKs contracting month-on-month. The fall in international volumes is likely a correction after the strong increase in July. Importantly, the growth trend in air freight volumes remains positive and suggests demand conditions in some parts of the world are starting to improve again.
- ➔ The performance of air freight markets has closely followed developments in world trade and business activity, which both showed solid gains toward the end of 2013, only to taper off earlier this year. Recent data, however, suggests that there has been a resumption in prior improvements in Asia and North America, especially.
- ➔ Growth in FTKs carried by Asia Pacific airlines started to accelerate toward the end of Q2, and despite a decline in August compared to July, volumes are still above the flat trend earlier in the year, and up 6.3% compared to a year ago. Emerging Asia trade volumes have now recovered after declining throughout Q1, with a solid expansion in volumes in July. North American airlines recorded a strong rise in FTKs in August, up 5.5%, supported by increasing trade and business activity after a weather-related slowdown in early-2014.
- ➔ By contrast, airlines in Europe recorded slow growth in August, with a weak 1.4% rise in FTKs compared to a year ago. The Russia-Ukraine crisis and ensuing EU sanctions have resulted in downward pressure on growth momentum in the region, particularly for nations like Germany with significant exposure to Russian industries.
- ➔ Load factors improved strongly compared to July on domestic air freight markets but fell on international services due to the correction in FTK volumes. Nonetheless, load factors are up on a year ago for the industry overall.
- ➔ The outlook for air freight markets has started to look better again, but the extent of future gains could be limited. Latest trade data shows volumes are expanding at a stronger rate than earlier in the year, but still at a slower pace than global economic growth. Business confidence indicates slightly stronger global growth ahead, but improvements have been slow due to the presence of political and economic risks. The European economic recovery, for example, remains fragile and susceptible to the outcomes of the Russia-Ukraine crisis.



Year on Year Comparison

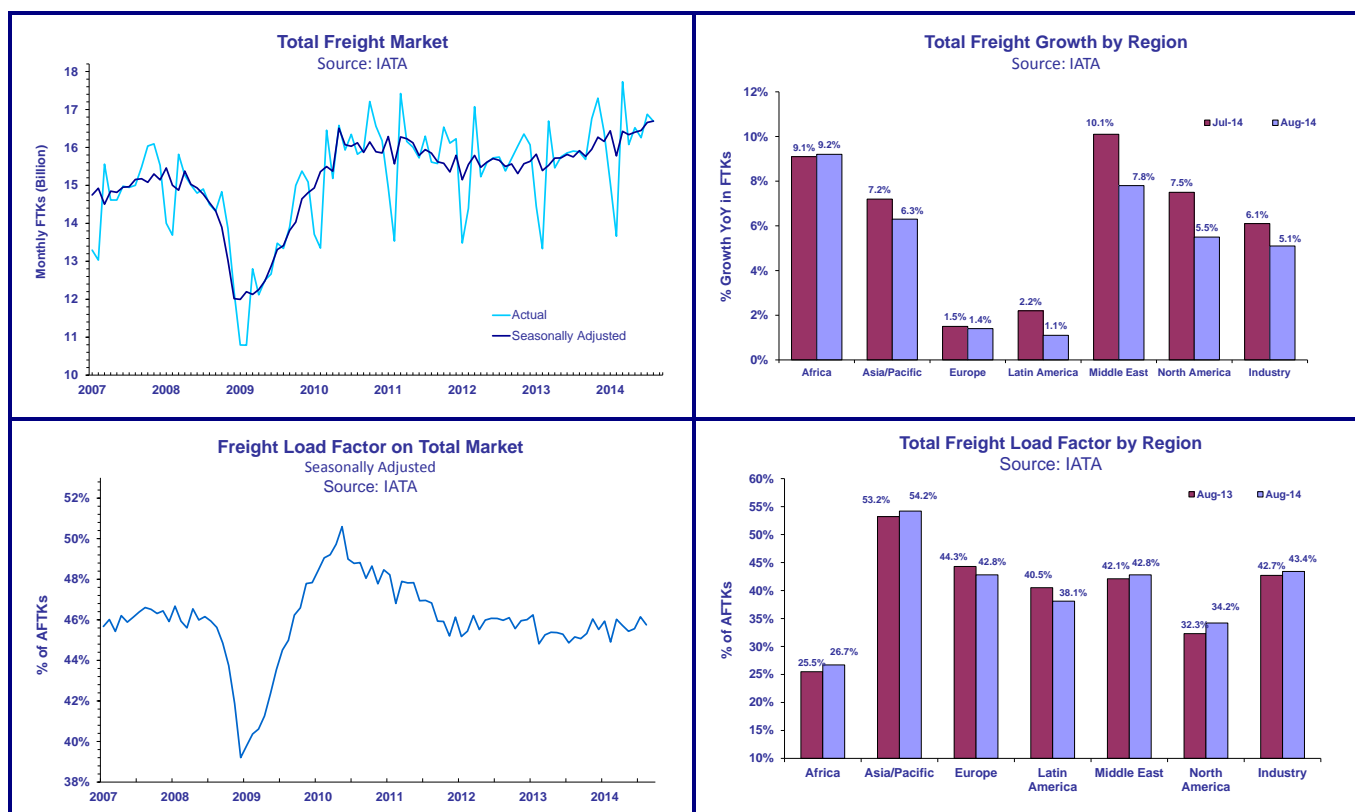
	Aug 2014 vs Aug 2013			YTD 2014 vs. YTD 2013		
	FTK	AFTK	FLF	FTK	AFTK	FLF
International	4.8%	3.8%	46.4%	4.7%	3.9%	48.6%
Domestic	6.6%	1.9%	31.4%	3.5%	2.0%	30.4%
Total Market	5.1%	3.4%	43.4%	4.5%	3.5%	45.0%

Month on Month Comparison

Aug 2014 vs. Jul 2014		
FTK	AFTK	FLF pt
-0.4%	0.8%	-0.6%
4.1%	2.3%	1.7%
0.2%	1.1%	-0.4%

FTK: Freight-Tonne-Kilometers; AFTK: Available Freight Tonne Kilometers; FLF: Freight Load Factor; All Figures are expressed in % change Year on Year except FLF which are the load factors for the specific month.

Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between load factors of two months.



- Growth in FTks carried by Asia Pacific airlines started to accelerate during recent months, and despite a decline in August compared to July, volumes are still above the flat trend earlier in the year, and up 6.3% compared to a year ago. Demand for freight on Asia Pacific carriers has been supported by trade developments - emerging Asia trade volumes have now recovered after declining throughout Q1, with a solid expansion in volumes in June and July. The Chinese economy has slowed compared to double-digit rates of expansion during previous years, but government stimulus earlier this year has helped manage the transition onto a slower growth path. In fact, recent results of purchasing manager surveys (Markit) indicate gains in business activity in the manufacturing sector and a notable rise in export orders. This should help sustain positive trade momentum in the region, which in turn ought to continue driving demand for air freight services on local carriers.
- African airlines recorded the strongest rise in FTks in August, up 9.2% year-on-year. Latest trade data for Africa shows a rise in volumes, which could in part explain the strong increase in FTks in August compared to a year ago. There is also the issue of high volatility in volumes for this region, which could cause some distortions in the monthly figures. This is the second consecutive month of strong growth, but given the slowdown in major economies like South Africa this year, it is too early to conclude there is acceleration in the growth trend.
- FTks carried by Middle Eastern airlines increased 7.8% in August year-on-year. Airlines in the region are capturing opportunities for growth by introducing services to regions of strong and developing trade activity, including Africa and Central America. They are also increasing service offerings for important commodities like perishables, and linking markets in Asia Pacific with produces in Africa, for example.
- Air freight carried by North American airlines increased by a solid 5.5% in August compared to a year ago. The first quarter had seen weakness in trade volumes, impacted by severe weather conditions. Latest data show a rebound in trade volumes and underlying growth trends in business activity are positive, which should provide some support for stronger growth in trade and air freight demand ahead.
- By contrast, airlines in Europe recorded slow growth in August, with a weak 1.4% rise in FTks compared to a year ago. The Russia-Ukraine crisis and ensuing EU sanctions have resulted in downward pressure on growth momentum in the region, particularly for nations like Germany with significant exposure to Russian industries. Latest trade data, however, show that there has been some pick-up in Eurozone imports and exports. If the momentum continues, it could alleviate some of the demand weakness in air freight markets.
- Airlines in Latin America recorded the weakest increase of just a 1.1% rise in air freight volumes in August year-on-year. Declines in regional trade volumes earlier in the year and continued weakness in economies like Brazil have restricted growth in air freight so far this year. There are signs, however, that prior weakness in regional trade growth is stabilizing. There is little to suggest a strong moderate pick-up in trade activity, although economic activity within the Eurozone continues to deteriorate.

ANNEX

Year on Year Comparison	Aug 2014 vs. Aug 2013			YTD 2014 vs. YTD 2013		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	9.6%	4.4%	27.9%	4.4%	2.5%	30.8%
Asia/Pacific	6.0%	4.8%	57.3%	5.1%	5.8%	58.1%
Europe	1.6%	4.7%	44.0%	2.8%	2.9%	47.7%
Latin America	1.7%	2.5%	41.9%	1.0%	-1.7%	43.7%
Middle East	7.9%	6.1%	43.2%	9.7%	8.7%	44.7%
North America	4.5%	-0.8%	37.1%	3.0%	-0.7%	39.4%
International	4.8%	3.8%	46.4%	4.7%	3.9%	48.6%
Africa	9.2%	4.2%	26.7%	4.2%	2.2%	29.5%
Asia/Pacific	6.3%	4.4%	54.2%	5.2%	5.9%	54.7%
Europe	1.4%	4.8%	42.8%	2.7%	2.9%	46.5%
Latin America	1.1%	7.6%	38.1%	0.3%	0.3%	40.7%
Middle East	7.8%	6.0%	42.8%	9.6%	8.5%	44.2%
North America	5.5%	-0.4%	34.2%	3.0%	-0.2%	34.7%
Total Market	5.1%	3.4%	43.4%	4.5%	3.5%	45.0%

FTK: Freight-Tonne-Kilometers; AFTK: Available Freight Tonne Kilometers; FLF: Freight Load Factor;
All Figures are expressed in % change Year on Year except FLF which are the load factors for the specific month.

Month on Month Comparison	Aug 2014 vs. Jul 2014			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	3.2%	3.1%	0.0%	1.7%
Asia/Pacific	-1.5%	0.2%	-1.0%	39.9%
Europe	-0.3%	1.0%	-0.6%	26.1%
Latin America	-2.8%	-2.6%	-0.1%	2.8%
Middle East	4.0%	2.7%	0.6%	15.2%
North America	-1.5%	0.1%	-0.7%	14.4%
International	-0.4%	0.8%	-0.6%	100.0%
Africa	2.9%	3.2%	-0.1%	1.5%
Asia/Pacific	-1.1%	0.4%	-0.9%	38.5%
Europe	-0.3%	0.9%	-0.6%	22.9%
Latin America	-2.1%	-0.6%	-0.6%	2.7%
Middle East	4.0%	2.7%	0.6%	13.1%
North America	1.1%	1.2%	0.0%	21.3%
Total Market	0.2%	1.1%	-0.4%	100.0%

Data are seasonally adjusted. All Figures are expressed in % change Month on Month except PLP pt and FLF which are the percentage point difference between load factors of two consecutive months.

IATA Economics
E-Mail: economics@iata.org
1ST October 2014

FURTHER ANALYSIS AND DATA

Access data related to this briefing through the
Monthly Statistics publication:

<http://www.iata.org/publications/Pages/monthly-traffic-statistics.aspx>

NEW RELEASE ALERTS

To receive email notification of new
analysis from IATA Economics, select
'Economic Briefings' from:

www.iata.org/optin