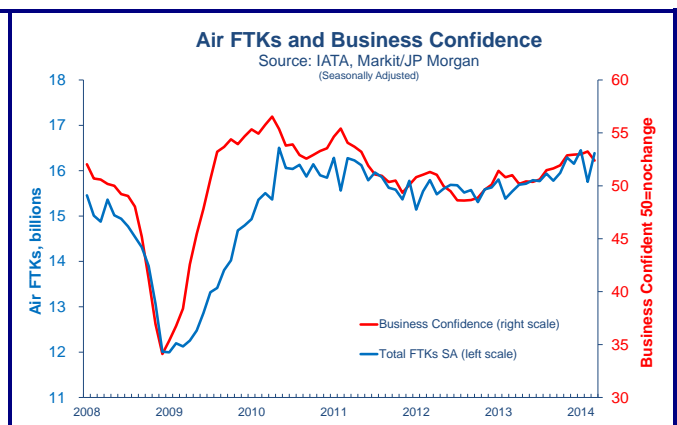
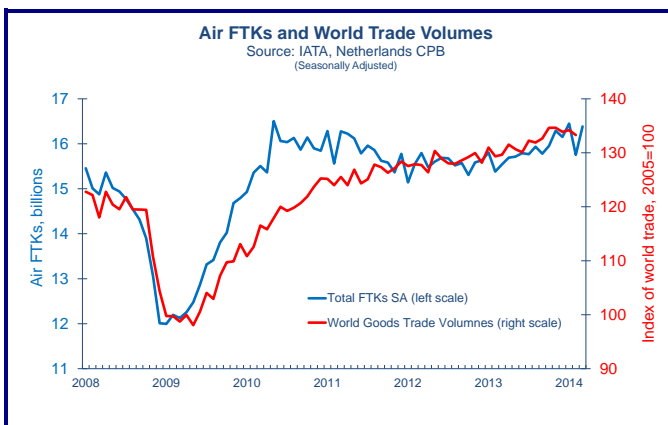


AIR FREIGHT MARKET ANALYSIS

MARCH 2014

KEY POINTS

- Air freight markets increased by 5.9% in March compared to a year ago. This strong result is mostly reflecting a rebound in air freight volumes after weakness in February. Looking at the first 3 months of the year combined, growth compared to a year ago is a solid 4.4%, but much of that is a result of 2013 year-end acceleration.
- Air freight volumes (first chart below) rebounded to near 3-year highs in March. But levels are still slightly below January, which indicates there has been no increase in air freight volumes so far this year. Levels are up on a year ago due to growth which took place at the end of 2013; that growth trend has paused over recent months.
- Air freight demand has been supported by improvements in the business environment since mid-2013, which included acceleration in world trade growth during the same period. During more recent months, however, data shows a pause in trade volume expansion, which is consistent with the slowdown in the air freight growth trend.
- The regional results show Asia Pacific carriers recording a strong 6.9% increase in FTKs in March compared to a year ago. This is a solid pick-up on February, when volumes rose just 0.1%. But some of the March growth reflects resumption in business activity after the Chinese New Year-related break in February. Looking ahead, continued weakness in Chinese manufacturing activity remains a downside risk for regional economic performance, which ultimately would impact trade growth and air freight demand for local carriers.
- Growth was weakest for North and Latin American airlines. North American carriers saw air freight rise just 1.9% in March (0.7% for Q1 overall), consistent with the weather-related slowdown over recent months. Latin American trade weakened in early 2014, so the flat result for March FTKs could be showing the first signs of this slowdown.
- Load factors rebounded in March, supported by the rise in volumes over the month. But the recent past has shown that continued increases in capacity through the passenger business have restricted load factor increases, despite stronger demand for air freight. Load factors remain low at 46%, on a seasonally adjusted basis.
- Latest data show improvements in demand drivers have paused. Largely as a result of further slowdown in the Chinese economy, indicators of business confidence slipped in March. Levels still point toward growth, but at a weaker pace than in previous months. World trade growth has also slowed over recent months. However, with the US and European economies continuing to show positive momentum, and export orders once again starting to rise, recent developments are likely to be a temporary pause ahead of further growth in coming months.



Year on Year Comparison

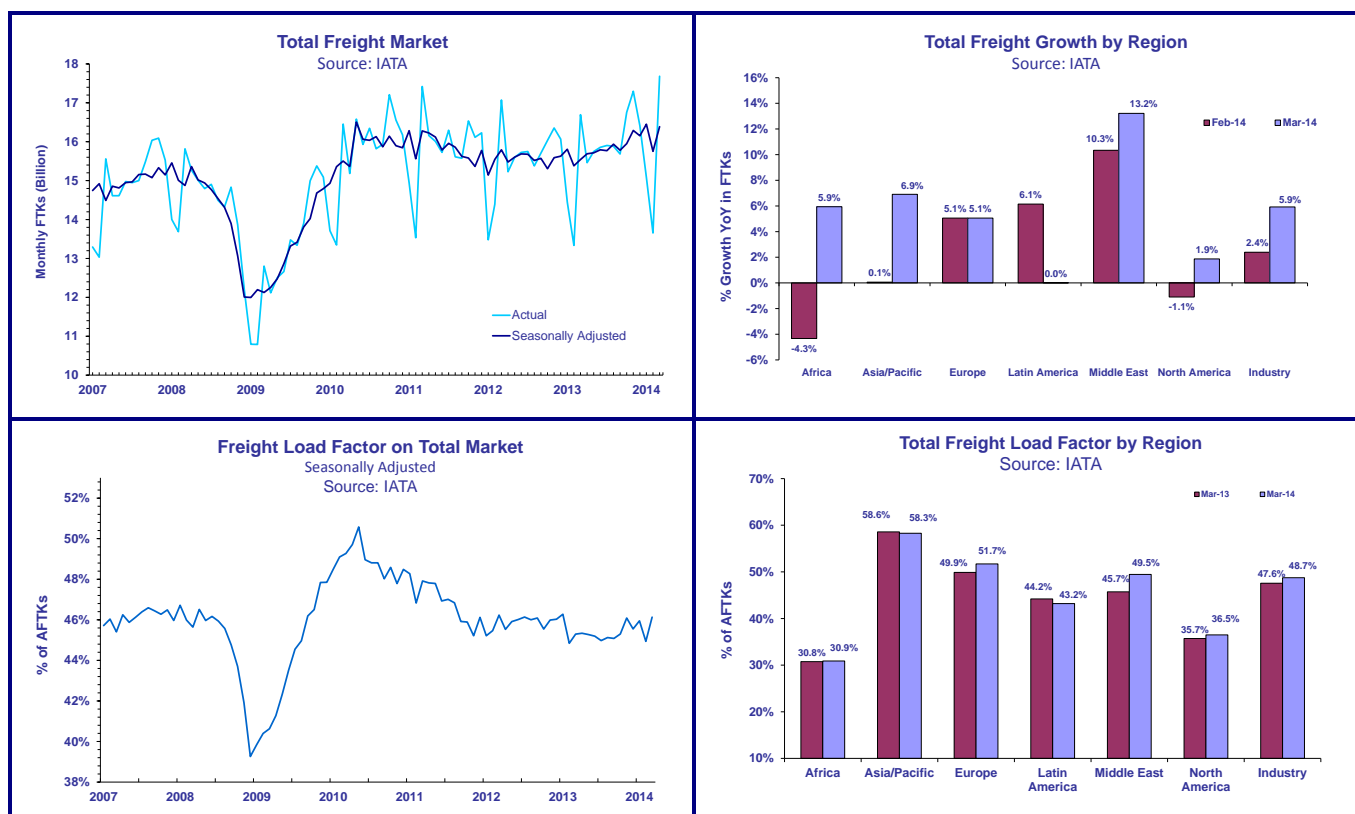
	Mar 2014 vs Mar 2013			YTD 2014 vs. YTD 2013		
	FTK	AFTK	FLF	FTK	AFTK	FLF
International	6.7%	4.0%	53.1%	4.9%	4.0%	49.5%
Domestic	0.8%	0.9%	30.7%	1.1%	2.1%	29.9%
Total Market	5.9%	3.4%	48.7%	4.4%	3.6%	45.6%

Month on Month Comparison

Mar 2014 vs. Feb 2014		
FTK	AFTK	FLF pt
4.0%	1.3%	1.2%

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.



- The regional results show Asia Pacific carriers recording a strong 6.9% increase in FTks in March compared to a year ago. This is a solid pick-up on February, when volumes rose just 0.1%. But some of the March growth reflects resumption in business activity after the Chinese New Year-related break in February. Looking ahead, continued weakness in Chinese manufacturing activity remains a downside risk for regional economic performance, which ultimately would impact trade growth and air freight demand for local carriers. In fact, the latest data indicate that April was the fourth month of decline in China's manufacturing sector, which could lead to a further slowdown in GDP growth in Q2 (growth in Q1 was 7.4%, down on Q4 2014 expansion of 7.7%). Moreover, there are also some earlier signs of sluggishness in Emerging Asia trade volumes – after acceleration toward the end of 2013, export momentum turned negative in February.
- Carriers in the Middle East continue to post the strongest rates of increase among regions, with FTks rising 13.2% in March year-on-year. Airlines in the region are benefiting from better conditions in advanced economies, but trade activity with emerging markets continues to provide a strong base for growth, with various goods passing through the Middle East hubs to Asia and Africa, for example. As a result, Middle Eastern carriers continue to expand capacity as well as to increase their network and the services they provide, broadening the types of commodities they can transport.
- European carriers have experienced steady increases in air freight demand since mid-2013, consistent with the region's emergence from recession, and have continued on this path with a 5.1% rise in FTks in March. Measures of business activity in the Eurozone (measured by JPMorgan/Markit) have been indicating continuous expansion since mid-2013. This momentum should support sustained growth in air freight demand for airlines registered in this region.
- African carriers experienced a strong 5.9% rise in FTks in March compared to a year ago. This is significant turnaround on the 4.3% contraction seen in February. For this region, big swings in growth rates are not uncommon, but in addition to any such volatility, carriers in the region have seen downward pressure on demand from the slowdown in major regional economies, like South Africa, as well as political unrest in other parts of the continent. Growth in the first 3 months of 2014 is down to 1.5%.
- Growth was weakest for North and Latin American airlines. Despite building economic momentum in the US, air freight rose just 1.9% in March (0.7% for Q1 overall). Weakness in air freight growth for North American carriers so far in 2014 could be (at least in part) reflecting the weather-related slowdown in Q1. Latest data suggested that underlying growth trends in business activity are positive, which could support stronger growth in air freight demand ahead. Latin American trade weakened in early 2014, so the flat result for March FTks could be reflective of this development.

ANNEX

Year on Year Comparison	Mar 2014 vs. Mar 2013			YTD 2014 vs. YTD 2013		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	6.1%	6.3%	32.2%	1.6%	4.9%	30.5%
Asia/Pacific	7.0%	7.1%	61.9%	3.6%	6.2%	57.2%
Europe	4.9%	1.2%	53.0%	5.3%	2.3%	50.3%
Latin America	0.3%	2.0%	45.1%	5.1%	0.6%	42.9%
Middle East	13.4%	4.9%	50.0%	11.6%	8.6%	46.3%
North America	4.5%	1.5%	43.4%	1.8%	-0.7%	40.9%
International	6.7%	4.0%	53.1%	4.9%	4.0%	49.5%
Africa	5.9%	5.5%	30.9%	1.5%	4.4%	29.2%
Asia/Pacific	6.9%	7.5%	58.3%	3.8%	7.0%	53.4%
Europe	5.1%	1.3%	51.7%	5.3%	2.2%	49.0%
Latin America	0.0%	2.3%	43.2%	4.4%	1.1%	40.5%
Middle East	13.2%	4.7%	49.5%	11.5%	8.3%	45.8%
North America	1.9%	-0.3%	36.5%	0.7%	-0.9%	35.3%
Total Market	5.9%	3.4%	48.7%	4.4%	3.6%	45.6%

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	Mar 2014 vs. Feb 2014			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	4.5%	2.0%	0.7%	1.7%
Asia/Pacific	9.9%	3.6%	3.4%	40.6%
Europe	-0.3%	0.1%	-0.2%	26.1%
Latin America	-1.8%	-1.2%	-0.3%	3.0%
Middle East	1.6%	-1.3%	1.3%	14.2%
North America	3.0%	2.7%	0.1%	14.4%
International	4.4%	1.5%	1.4%	100.0%
Africa	4.4%	1.9%	0.7%	1.5%
Asia/Pacific	9.3%	3.1%	3.1%	39.7%
Europe	-0.2%	0.0%	-0.1%	23.3%
Latin America	-0.8%	-0.8%	0.0%	2.9%
Middle East	1.6%	-1.3%	1.3%	12.4%
North America	1.7%	1.7%	0.0%	20.1%
Total Market	4.0%	1.3%	1.2%	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.

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5TH May 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>

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