

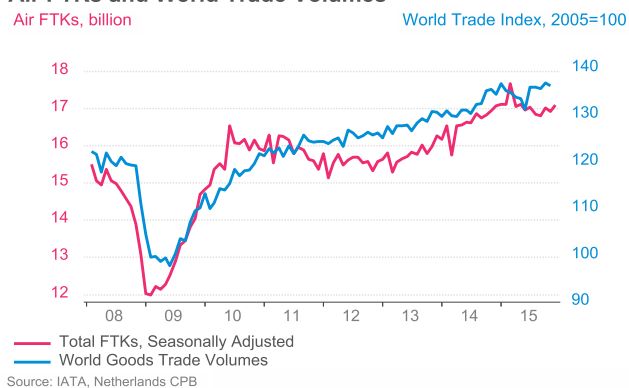
AIR FREIGHT MARKET ANALYSIS

NOVEMBER 2015

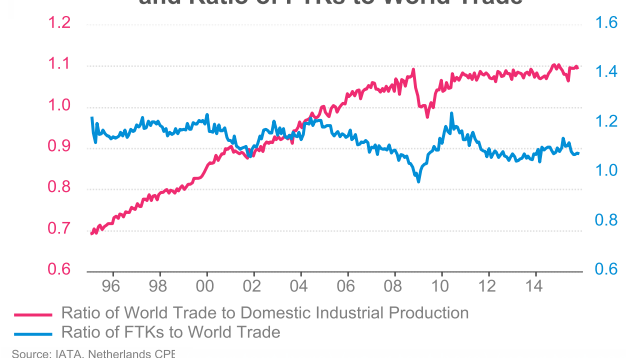
KEY POINTS

- Air freight volumes in November were 1.2% lower compared to a year ago, but the year-on-year decline is mostly a result of a particularly strong November 2014. The trend in FTKs during the past few months suggests that earlier declines are now bottoming out, consistent with trade volumes stabilizing.
- The first chart below shows that air freight volumes are now higher than the low point in August, which is consistent international trade stabilizing after declines earlier in the year, mostly due to better conditions in advanced economies. There was an increase of 0.9% in FTKs volumes in November compared to October.
- The year-on-year comparisons were weak across all regions, except for the Middle East, where volumes were 5.4% higher. However, the downward pressure on growth trends has eased in some key regions. This includes Asia Pacific, where there was a 1.9% increase in FTKs carried in November compared to October. The latest estimation of monthly volumes for Asia Pacific airlines suggests that the downward trend is bottoming out. Much of that is a result of better demand conditions in advanced economies, which are supporting a slight pick-up in export growth in some Asian nations, like Japan.
- By contrast, carriers in Europe didn't see any expansion in volumes in November. But improvements in Eurozone manufacturing and export orders are likely to support air freight demand in the coming months for carriers in this region.
- Load factors increased in November by 0.6% compared to October, supported by the rise in volumes as well as a contraction in capacity. Load factors are still very low, however, and below 44% on a seasonally adjusted basis.
- The outlook for air freight and world trade remains fragile, but there are now some more signs that earlier declines have bottomed out. Indicators in the Eurozone are looking better and globally, export orders have improved slightly. That said, it is too early to say if this cautiously positive development will be sustained, as the global economy remains fragile.

Air FTKs and World Trade Volumes



Ratio of World Trade to Domestic Industrial Production and Ratio of FTKs to World Trade



Year on Year Comparison

	Nov 2015 vs Nov 2014			YTD 2015 vs. YTD 2014		
	FTK	AFTK	FLF	FTK	AFTK	FLF
International	-1.3%	3.8%	50.8%	2.6%	6.4%	47.6%
Domestic	-0.4%	7.2%	30.4%	0.0%	4.5%	29.5%
Total Market	-1.2%	4.5%	46.8%	2.3%	6.0%	44.1%

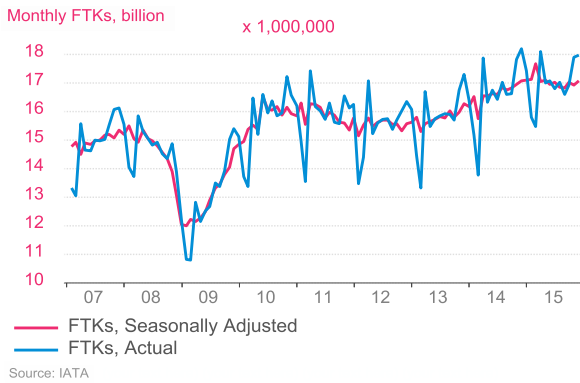
Month on Month Comparison

Nov 2015 vs. Oct 2015		
FTK	AFTK	FLFpt
0.8%	-0.7%	0.7%
1.6%	0.4%	0.3%
0.9%	-0.4%	0.6%

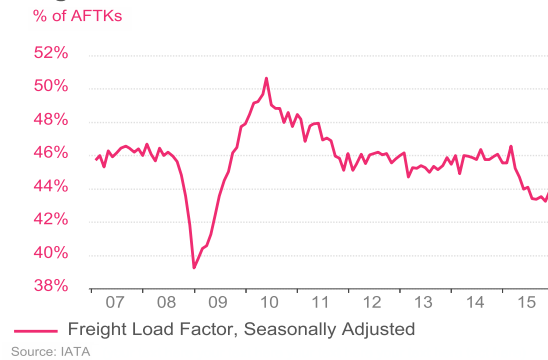
FTK: Freight-Tonne-Kilometers; AFTK: Available Freight Tonne Kilometers; FLF: Freight Load Factor; All Figures are expressed in % change Year on Year except FLF which are the load factors for the specific month.

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.

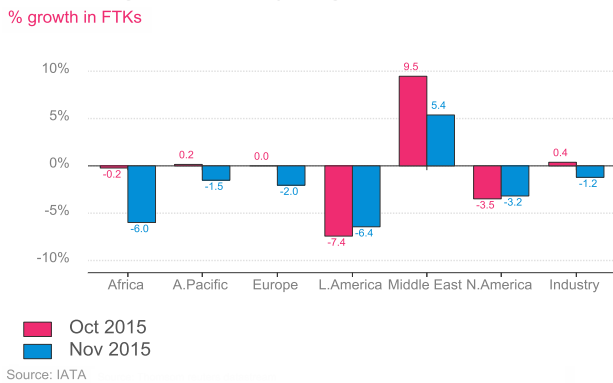
Total Freight Market



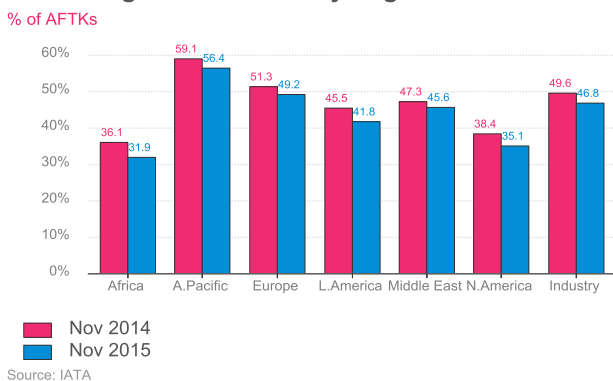
Freight Load Factor on Total Market



Total Freight Growth by Region



Total Freight Load Factor by Region



- The year-on-year comparisons were weak across all regions, except for the Middle East, where volumes were 5.4% higher. But the year-on-year declines are mostly a result of a particularly strong November 2014.
- The downward pressure on growth trends has eased in some key regions. This includes Asia Pacific, where there was a 1.9% increase in FTKs carried. In fact, the latest estimation of monthly volumes suggest that the downward trend is bottoming out. Much of that is a result of better demand conditions in advanced economies, which are supporting a steady recovery in export growth in some Asian nations. In Japan, for example, there has been a steady increase in exports since mid-2015. Trade export volumes for Japan were 5% higher in November compared to May 2015. In addition, there have been improvements in export orders for China in Q4 compared to Q3. Typically, this would also indicate improvement in export activity in the coming 2-3 months.
- By contrast, carriers in Europe didn't see any improvement in volumes in November compared to October. But improvements in Eurozone manufacturing and export orders is likely to support air freight demand in the coming months for carriers in this region. There was a negative bias on the year-on-year comparison due to Lufthansa strikes, but we expect that the result would be weak even after these impacts.
- Carriers in North America saw FTKs fall 3.2% in November year-on-year, but there was an expansion in volumes in November compared to October. Airlines in this region have experienced a significant decline in FTK volumes since the boost from modal shift due to seaport congestion earlier in the year. Recent month-to-month results, including the 0.4% expansion in November compared to October, suggest that weakness in volumes so far this year may be coming to a halt. That said, most recent readings of exports orders have been very close to indicating contraction, which doesn't bode well for US trade export volumes.
- In Latin America, the region's carriers recorded another big fall, with FTKs down 6.4% in November year-on-year. There was also a contraction of 1.4% in November compared to October. With economic and political conditions in key economy Brazil worsening, regional trade activity has been very volatile over recent months. That said, air freight demand on carriers in this region has shown little correlation with trade to/from the region. Rather, it has mirrored the weakening consumer sentiment in the key economies.
- African airlines, carrying a small part of worldwide FTKs, recorded a fall in FTKs of 6.0% in November year-on-year. From the perspective of demand drivers, the underperformance of major economies Nigeria and South Africa during parts of 2015 has been a challenge. However, with trade to/from the region continuing to expand slowly, airlines in the region have seen expansion in FTKs for the year-to-date.
- Continued steady growth in air freight volumes carried by Middle Eastern carriers throughout the year has resulted in FTKs being 5.4% higher in November compared to a year ago. Major economies in the Middle East, including Saudi Arabia and the United Arab Emirates, have seen slowdowns in non-oil sectors (Markit), but the rates of growth remain robust and this should help sustain solid growth in air freight demand for local carriers.

ANNEX

Year on Year Comparison	Nov 2015 vs. Nov 2014			YTD 2015 vs. YTD 2014		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	-5.9%	6.8%	33.3%	2.7%	4.2%	31.3%
Asia/Pacific	-1.5%	3.4%	59.8%	2.5%	5.4%	57.5%
Europe	-2.2%	2.2%	50.2%	0.1%	4.0%	46.2%
Latin America	-6.2%	-2.1%	47.2%	-6.0%	-1.6%	43.2%
Middle East	5.4%	9.3%	46.0%	11.9%	16.3%	43.3%
North America	-4.9%	2.5%	41.4%	-0.2%	4.6%	38.9%
International	-1.3%	3.8%	50.8%	2.6%	6.4%	47.6%
Africa	-6.0%	6.6%	31.9%	2.5%	4.0%	30.0%
Asia/Pacific	-1.5%	3.2%	56.4%	2.6%	5.8%	54.0%
Europe	-2.0%	2.2%	49.2%	-0.2%	4.2%	44.8%
Latin America	-6.4%	1.9%	41.8%	-5.9%	1.8%	38.4%
Middle East	5.4%	9.2%	45.6%	11.9%	16.3%	42.9%
North America	-3.2%	5.8%	35.1%	-0.4%	3.5%	34.2%
Total Market	-1.2%	4.5%	46.8%	2.3%	6.0%	44.1%

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	Nov 2015 vs. Oct 2015			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	-1.9%	-0.3%	-0.5%	1.7%
Asia/Pacific	2.1%	0.1%	1.1%	40.3%
Europe	-0.2%	-2.0%	0.8%	25.5%
Latin America	-1.8%	-1.1%	-0.3%	3.0%
Middle East	1.3%	0.5%	0.4%	16.2%
North America	-0.5%	-1.3%	0.3%	13.2%
International	0.8%	-0.7%	0.7%	100.0%
Africa	-1.8%	0.0%	-0.5%	1.5%
Asia/Pacific	1.9%	0.0%	1.0%	39.5%
Europe	-0.1%	-2.0%	0.8%	22.8%
Latin America	-1.4%	-1.0%	-0.1%	2.9%
Middle East	1.3%	0.4%	0.0%	14.2%
North America	0.4%	-0.1%	0.2%	19.0%
Total Market	0.9%	-0.4%	0.6%	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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