

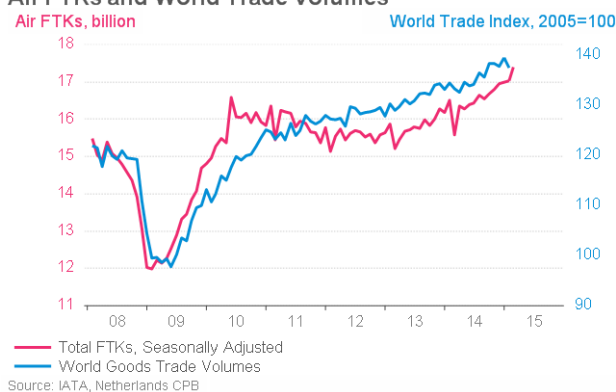
AIR FREIGHT MARKET ANALYSIS

FEBRUARY 2015

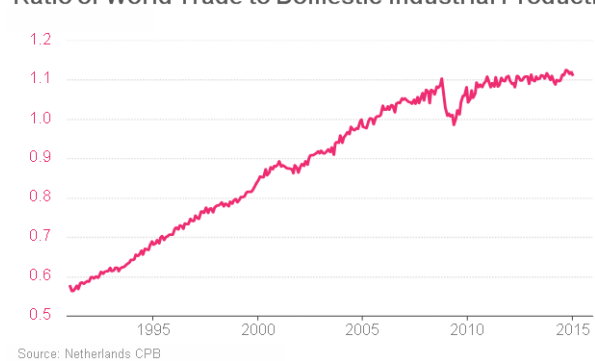
KEY POINTS

- ➔ February air freight statistics show a very large increase in volumes, up 11.7% compared to a year ago. Much of this is due to the Lunar New Year occurring one month later in 2015 and modal shift owing to congested sea ports. The February result, however, is likely to be temporary – air freight has been showing an improving trend but key drivers do not support this degree of acceleration.
- ➔ The seasonal impact is specific to Asia Pacific carriers, which recorded a 20.8% rise year-on-year. The timing of the Lunar New Year holiday, which took place in February, one month later than in 2014, had a positive impact on the year-on-year comparison. Air freight is given a strong boost in the weeks leading up to the holiday.
- ➔ But the spike in Asia Pacific FTK volumes is not only due to seasonal impacts. The implications of on-going congestion at major US sea ports has meant that Japanese car manufacturers have turned to air transport for shipment of parts across the Pacific, after a recall of millions of defective vehicles in the US. Airlines in Japan have seen a strong rise in FTKs in February compared to a year ago, we believe partly because the auto manufacturers have opted for air freight in order to avoid sea port delays in the US. The port congestion problem has also benefitted North American carriers, which experienced an 8.7% rise in FTKs in February year-on-year. These benefits to air cargo are likely to subside once the underlying port issues are resolved.
- ➔ Fundamental drivers support moderate acceleration in the growth trend. February data show a slight pick-up in business confidence, which is good news after months of gradual slowdown. This could help support trade activity in the months ahead. Latest (January) trade data shows continued growth in cross border economic activity, but now at a slower pace than in Q3 2014 (a period of solid acceleration in trade volumes).
- ➔ Growth in world trade has slowed over the past several years, which has led to a new (slower) normal for air freight growth. During the last year, due to the cyclical upturn in the global economy, we have seen an upturn in air freight volumes. The moderate acceleration in air freight growth is expected to continue, and there is scope for some further gains alongside improvements in the global economy.

Air FTKs and World Trade Volumes



Ratio of World Trade to Domestic Industrial Production



Year on Year Comparison

	Feb 2015 vs Feb 2014			YTD 2015 vs. YTD 2014		
	FTK	AFTK	FLF	FTK	AFTK	FLF
International	12.7%	8.9%	50.5%	8.2%	7.1%	48.1%
Domestic	5.5%	1.4%	30.2%	2.9%	0.6%	30.2%
Total Market	11.7%	7.4%	46.5%	7.5%	5.7%	44.6%

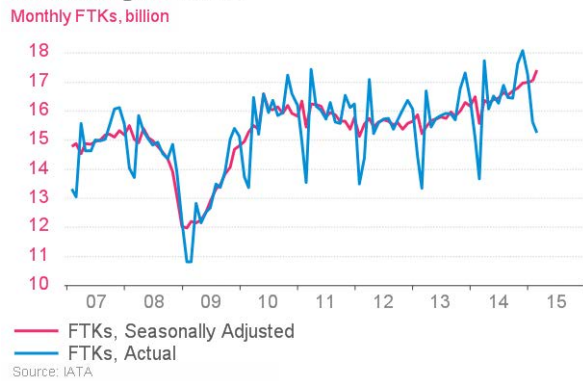
Month on Month Comparison

Feb 2015 vs. Jan 2015		
FTK	AFTK	FLF pt
2.3%	1.3%	0.5%
1.9%	0.0%	0.6%
2.2%	1.0%	0.5%

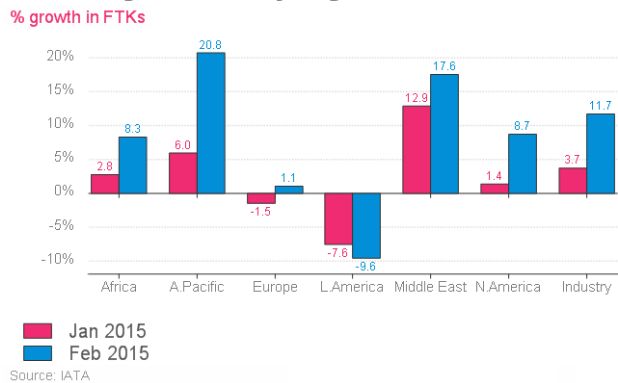
FTK: Freight-Tonne-Kilometers; AFTK: Available Freight Tonne Kilometers; FLF: Freight Load Factor; All Figures are expressed in % change Year on Year except FLF which are the load factors for the specific month.

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.

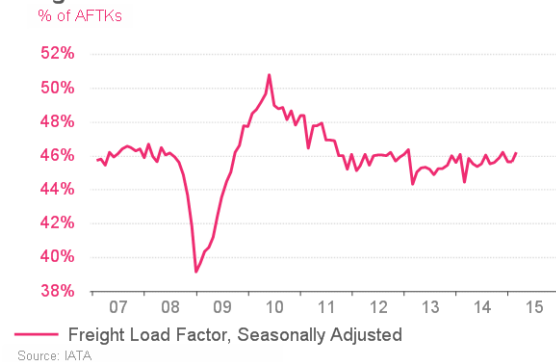
Total Freight Market



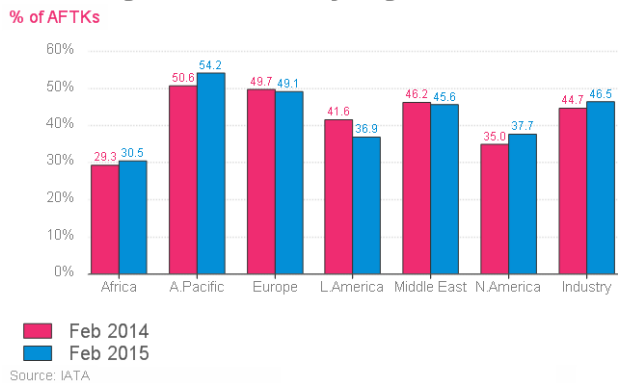
Total Freight Growth by Region



Freight Load Factor on Total Market



Total Freight Load Factor by Region



- February air freight statistics show a huge increase in volumes – up 11.7% compared to a year ago. A few factors have contributed to this result, including the Lunar New Year occurring one month later in 2015 and modal shift due to congested sea ports. After adjusting for seasonal factors, there was a strong 2.2% expansion in FTKs in February compared to January. Much of the increase in FTKs both compared to a year ago and month-on-month, was carried by Asia Pacific carriers. Airlines in this region experienced the strongest increase in load factors (3.6%pts) in February 2015 compared to a year ago.
- The seasonal impact is specific to Asia Pacific carriers, which recorded a stellar 20.8% rise in February year-on-year. The timing of the Lunar New Year holiday had a positive impact on the year-on-year comparison. Air freight is given a strong boost in the weeks leading up to the holiday.
- But the spike in Asia Pacific carriers FTK volumes is not only due to seasonal impacts. The implications of on-going congestion at major US sea ports meant that Japanese car manufacturers have turned to air transport for shipment of parts across the Pacific, after a recall of millions of defective vehicles in the US. Japanese car manufacturers, including Toyota and Honda, have had to recall millions of vehicles due to faulty parts, including air bags, which are now being shipped by air to destinations in the US. Airlines in Japan have seen a strong rise in FTKs in February compared to a year ago, we believe partly because the auto manufacturers have opted for air freight in order to avoid sea port delays in the US. The port congestion problem has also benefitted North American carriers, which experienced an 8.7% rise in FTKs in February year-on-year. These benefits to air cargo are likely to subside once the port congestion is resolved.
- The key drivers of air freight in these regions (Asia Pacific and North America) are broadly positive. Latest data show employment activity, consumer sentiment and business confidence all improving in the US. These factors should all have a positive impact on air freight demand in the coming months. In Asia Pacific, the demand backdrop remains positive overall, but certainly also contains some areas of concern, too. The positive developments include strong growth in Japanese exports during the past 6 months. Moreover, export orders in Japan continue to expand according to latest indicators by Markit, which should help sustain trade growth and air freight demand on regional carriers. By contrast, trade growth in emerging Asia has started to show signs of slowdown after notable increases in Q3 2014. Developments in China remain an important factor to be watched, in particular since export orders remain in contractionary territory.
- Middle Eastern carriers continue to post very strong growth in FTKs carried, up 17.6% in February year-on-year. Trade has been increasing with Middle East economies but a large part of the airlines business success is due to network and capacity expansion that has encouraged air freight to go through Middle East hubs.

- ✈ By contrast, weakness persists in Europe and Latin America. European airlines recorded a rise of 1.1% in February year-on-year. Airlines in Europe continue to face strong economic headwinds, and conditions are made that much more challenging by developments in Russia, where there are sanctions and its economy is already in recession. But latest indicators of manufacturing activity for the Eurozone have shown a little improvement – that should be a positive development for air freight demand in the coming months. In Latin America, regional carriers saw a 9.6% contraction in volumes in February year-on-year. Although key economies like Brazil and Argentina continue to struggle, regional trade activity has increased during recent months. Unfortunately, that is yet to translate to a pick-up in air freight demand on regional carriers.
- ✈ African airlines, although carrying a small part of worldwide FTKs, saw a solid expansion in air freight volumes, 8.3% in February year-on-year. Although major economies Nigeria and South Africa underperformed during parts of 2014, regional trade activity held-up, supporting demand for air transport of goods.

ANNEX

Year on Year Comparison	Feb 2015 vs. Feb 2014			YTD 2015 vs. YTD 2014		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	8.7%	4.0%	32.0%	5.7%	2.6%	30.3%
Asia/Pacific	22.0%	13.6%	59.1%	13.6%	9.4%	56.7%
Europe	1.3%	2.7%	50.4%	0.0%	3.1%	47.3%
Latin America	-9.7%	-0.6%	40.0%	-8.8%	-1.3%	39.4%
Middle East	17.6%	19.5%	46.0%	15.3%	17.5%	43.5%
North America	11.6%	2.9%	43.3%	6.4%	1.5%	41.3%
International	12.7%	8.9%	50.5%	8.2%	7.1%	48.1%
Africa	8.3%	3.8%	30.5%	5.5%	2.4%	28.9%
Asia/Pacific	20.8%	12.7%	54.2%	12.7%	8.5%	52.8%
Europe	1.1%	2.4%	49.1%	-0.2%	2.9%	46.0%
Latin America	-9.6%	1.9%	36.9%	-8.6%	0.0%	36.3%
Middle East	17.6%	19.2%	45.6%	15.2%	17.3%	43.1%
North America	8.7%	0.7%	37.7%	4.8%	0.3%	36.2%
Total Market	11.7%	7.4%	46.5%	7.5%	5.7%	44.6%

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	Feb 2015 vs. Jan 2015			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	0.8%	3.7%	-0.9%	1.7%
Asia/Pacific	1.7%	2.4%	-0.4%	40.0%
Europe	1.5%	-1.2%	1.3%	25.0%
Latin America	-3.6%	0.1%	-1.6%	2.8%
Middle East	4.2%	2.3%	0.8%	16.0%
North America	4.5%	1.7%	1.1%	14.5%
International	2.3%	1.3%	0.5%	100.0%
Africa	0.5%	0.3%	0.1%	1.5%
Asia/Pacific	-0.1%	0.5%	-0.9%	38.7%
Europe	1.5%	-3.8%	4.2%	22.1%
Latin America	1.7%	-0.3%	0.6%	2.7%
Middle East	3.4%	2.7%	-1.2%	14.0%
North America	1.0%	-0.1%	0.0%	20.9%
Total Market	2.2%	1.0%	0.5%	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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1ST April 2015

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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