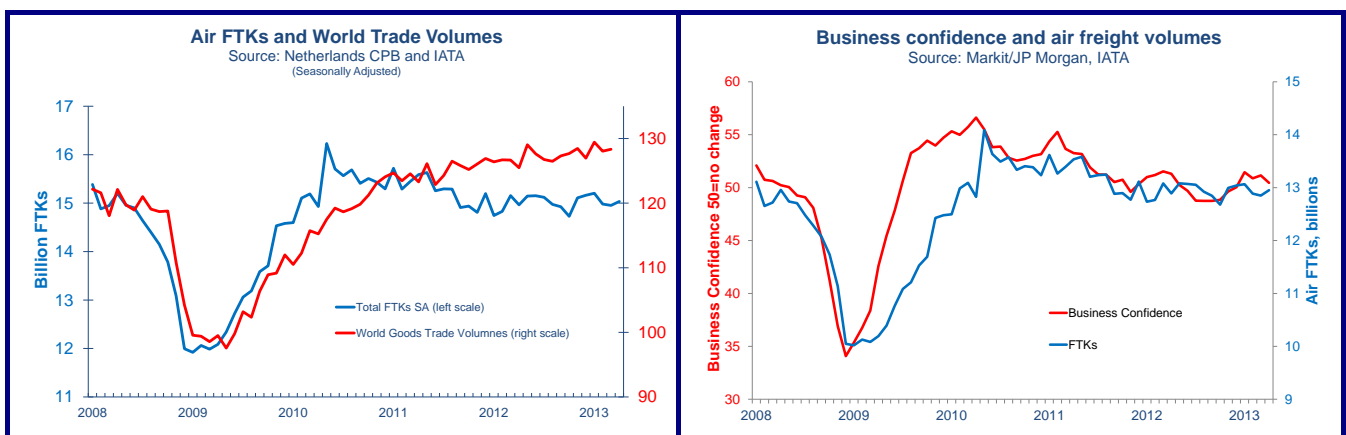


AIR FREIGHT MARKET ANALYSIS

APRIL 2013

KEY POINTS

- Air freight markets showed a slight improvement in April compared to March, but growth remains weak overall. Global air freight tonne kilometers were up 1.4% in April on a year ago, after contracting 2.6% in March.
- The growth trend in global FTKs, as presented in the first chart below, shows no further progress on the gains made during Q4 2012, when improvements in business confidence helped initiate a recovery in air freight demand. In fact, February and March saw consecutive contractions in global FTKs, eroding some of the improvement seen in the previous months. In April, expansion in volumes compared to March helped stabilize the trend and stop any further reversal. But taking a longer term view, current air freight volumes are not showing any significant improvement and are in line with the trend seen over the last 18 months. Since late 2011, the growth trend in air freight markets has been largely flat.
- Airlines in emerging markets continue to post the strongest growth rates for air freight. Latin America and Middle East carriers experienced strong growth in April compared to a year ago, up 12.2% and 8.6%, respectively. Airlines in Latin America continue to receive support from resilient domestic demand, while network expansion and sustained trade growth have helped Middle Eastern airlines maintain solid expansion in air freight volumes. Asia Pacific airlines saw air freight demand fall 0.4% in April compared to a year ago, but there was an expansion month-on-month (1.3%), which helped stabilize the global growth trend.
- Air freight load factors remain weak and at the lowest seasonally adjusted levels since the post-crisis recovery. In April, capacity expanded at a faster pace month-on-month than the growth in demand, pushing load factors down slightly. Latin American airlines improved freight load factors most in April compared to a year ago.
- Air freight markets closely follow developments in business confidence, as indicated in the second chart below. Business confidence has stalled in 2013, and air freight growth has done much the same. It is unclear – as uncertainty remains around Eurozone debt problems and the impacts of the fiscal cuts in the US – if business confidence will start to decline in coming months. However, current levels are still above the downturn during mid-2012 and export orders continue to signal expansion, suggesting that air freight demand should receive support in the coming months.



Year on Year Comparison

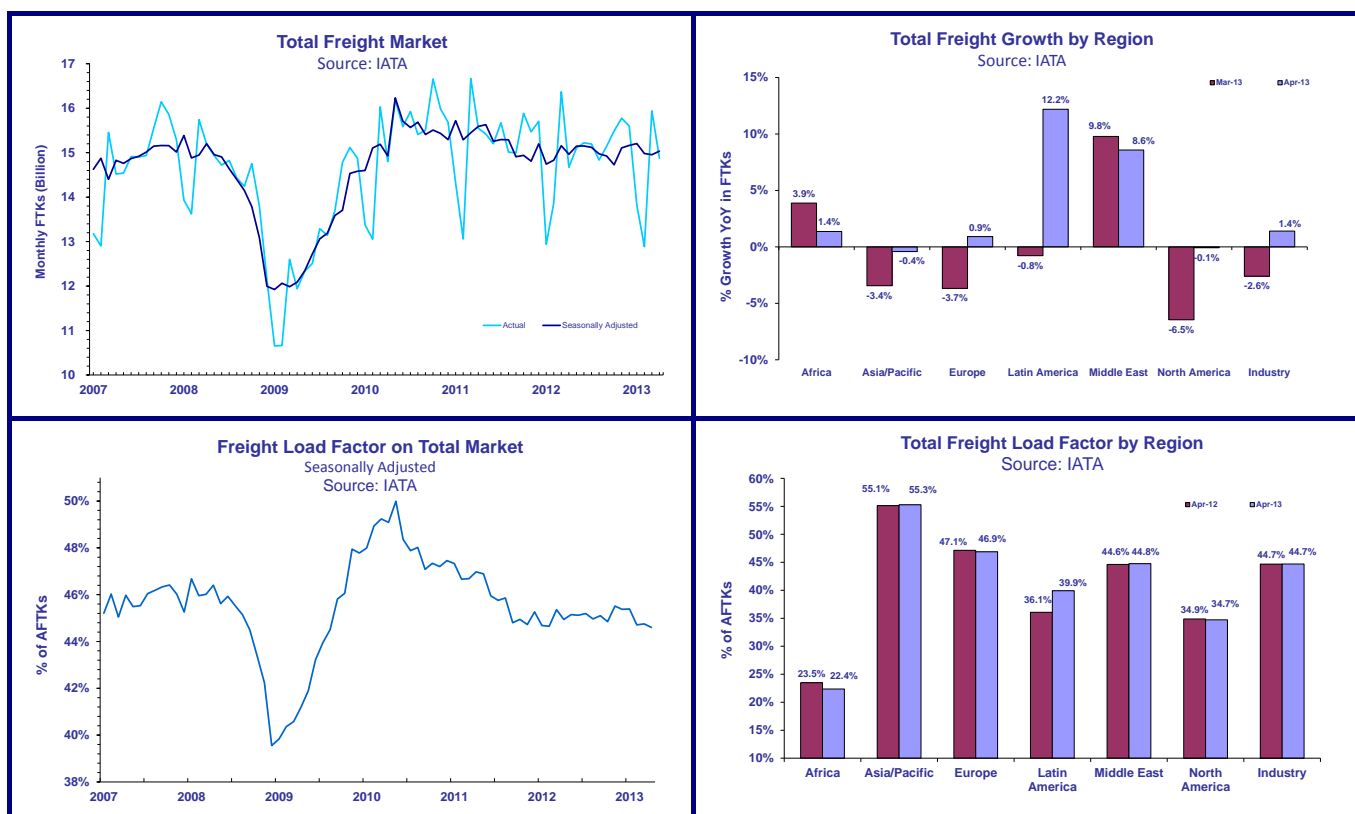
	Apr 2013 vs. Apr 2012			YTD 2013 vs. YTD 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
International	1.2%	1.2%	49.0%	-1.0%	-0.3%	48.7%
Domestic	2.9%	1.8%	28.7%	2.0%	0.8%	28.7%
Total Market	1.4%	1.3%	44.7%	-0.6%	-0.1%	44.3%

Month on Month Comparison

Apr 2013 vs. Mar 2013		
FTK	AFTK	FLF pt
0.8%	1.5%	-0.7%
-1.0%	-1.4%	0.1%
0.5%	0.9%	-0.1%

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.

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 growth in freight markets seen at the end of 2012 has clearly stalled, but the April data indicates there is at least no further reversal in the trend. The current level of air freight volumes is still above the October 2012 low (by 2%). However, prior to weakness in February and March, air freight volumes had climbed 3.5% above the Q4 perceived turning point.
- Improvements in business confidence toward the end of 2012 helped initiate a recovery in air freight demand. In 2013, however, business confidence has stalled and air freight growth has done much the same. It is unclear – as uncertainty remains around Eurozone debt problems and the impacts of the fiscal cuts in the US – if business confidence will start to decline, as was the case in 2011 and 2012 after similar periods of improvement. The April survey of Purchasing Managers by JP Morgan/Markit showed weakening in manufacturing activity across most major markets, including the US, Europe and BRIC states. However, the current level of business confidence continues to signal modest expansion overall, which is certainly an improvement on the decline seen throughout the middle months of 2012. Moreover, despite a slip in the new export orders index in April, levels continue to indicate expansion, which should lend some support to world trade growth and demand for air freight in the coming months.
- A closer look at regional performance indicates that airlines in emerging markets continue to post the strongest growth rates for air freight. Latin America and Middle East carriers experienced strong growth in April compared to a year ago, up 12.2% and 8.6%, respectively. Airlines in Latin American continue to receive support from resilient domestic demand, as well as sustained growth in exports of perishable goods which depend on air transport. While in the Middle East, network expansion and links to emerging markets have helped airlines maintain a continuously strong growth trend for the past 2 years. Air freight demand has also benefitted from continued expansion in trade volumes since late 2011, in contrast to declining trade in developed economies over the same period.
- Asia Pacific airlines saw air freight demand fall 0.4% in April compared to a year ago, but there was an expansion month-on-month (1.3%), which helped stabilize the global growth trend. Although China's economic growth remains strong, indicators of business confidence weakened considerably in April, indicating sluggishness in the manufacturing sector. This will be a key factor to watch over coming months. Countering some of this weakness, however, are improving conditions in Japan. Gains in Japanese exports helped business confidence reach a 13-month high in April.
- Airlines in advanced economies continue to experience weak demand for air freight. North America experienced a 0.1% decline in FTk in April compared to a year ago. Although this is an improvement on the 6.5% contraction in March, the upturn in demand at the end of 2012 has also now weakened much like the global trend. European airlines are posting similarly weak results, with April growth of just 0.9% on a year ago. The underlying growth

trend clearly reflects the recessionary conditions throughout much of the Eurozone, with virtually no growth in air freight volumes since late 2012.

- Air freight load factors remain weak and at the lowest seasonally adjusted levels since the post-crisis recovery. In April, capacity expanded at a faster pace month-on-month (0.9%) than the growth in demand (0.5%), pushing loader factors down slightly (0.1%). Latin American airlines improved freight load factors most in April compared to a year ago.

ANNEX

Year on Year Comparison	Apr 2013 vs. Apr 2012			YTD 2013 vs. YTD 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	2.2%	6.8%	23.0%	5.9%	10.3%	23.8%
Asia/Pacific	-0.9%	-1.6%	59.3%	-3.7%	-4.3%	58.9%
Europe	0.5%	0.4%	48.1%	-1.9%	-0.4%	47.7%
Latin America	8.7%	6.0%	41.2%	1.8%	6.1%	38.2%
Middle East	8.6%	8.5%	45.4%	11.2%	9.6%	45.7%
North America	-0.4%	0.1%	41.2%	-3.3%	-2.9%	40.9%
International	1.2%	1.2%	49.0%	-1.0%	-0.3%	48.7%
Africa	1.4%	6.4%	22.4%	4.9%	10.0%	23.2%
Asia/Pacific	-0.4%	-0.7%	55.3%	-2.9%	-3.5%	54.7%
Europe	0.9%	1.5%	46.9%	-1.7%	0.4%	46.5%
Latin America	12.2%	1.4%	39.9%	3.7%	5.1%	36.9%
Middle East	8.6%	8.2%	44.8%	11.2%	9.4%	45.1%
North America	-0.1%	0.4%	34.7%	-2.0%	-1.6%	34.7%
Total Market	1.4%	1.3%	44.7%	-0.6%	-0.1%	44.3%

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	Apr 2013 vs. Apr 2012			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	-1.1%	-0.4%	-0.1%	1.3%
Asia/Pacific	1.5%	1.4%	0.0%	39.3%
Europe	-0.2%	0.9%	-0.5%	24.9%
Latin America	3.4%	0.8%	1.0%	3.5%
Middle East	0.5%	0.7%	-0.1%	14.3%
North America	0.9%	2.3%	-0.6%	16.7%
International	0.8%	1.5%	-0.7%	100%
Africa	-1.4%	-0.6%	-0.2%	1.1%
Asia/Pacific	1.3%	1.3%	0.0%	37.7%
Europe	-0.1%	1.1%	-0.5%	22.0%
Latin America	3.3%	1.0%	0.9%	3.3%
Middle East	0.5%	0.6%	0.0%	12.4%
North America	0.1%	0.4%	-0.1%	23.4%
Total Market	0.5%	0.9%	-0.1%	100%

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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FURTHER ANALYSIS AND DATA

Access data related to this briefing through the Route Tracker publication:

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