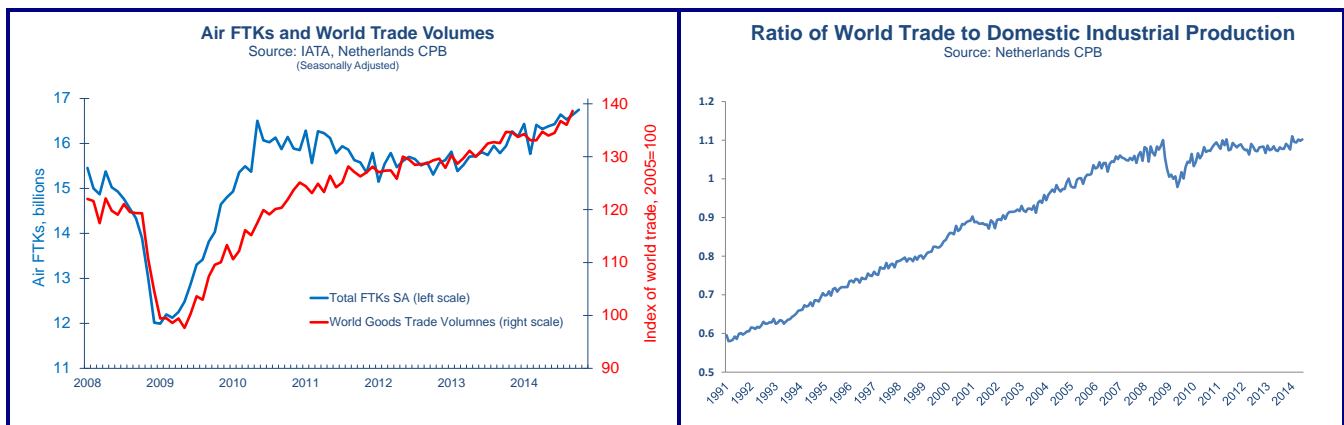


# AIR FREIGHT MARKET ANALYSIS

## OCTOBER 2014

### KEY POINTS

- ➔ Air freight volumes were up 5.4% in October compared to a year ago. This is an acceleration on September when volumes rose 4.8%, and is a reflection of strong demand in some major air freight regions.
- ➔ Freight tonne kilometers (FTKS) also expanded in October compared to September. A positive growth trend in air freight volumes resumed at the start of Q2, after a sluggish start to 2014.
- ➔ The performance of air freight markets has closely followed developments in world trade and business activity, which both started to show improvement toward the end of H1. Even though improvements in business confidence have flattened over recent months, world trade volumes have been growing steadily, which has supported the gains seen in air freight volumes.
- ➔ Growth in FTKs carried by Asia Pacific carriers continues to show steady improvement, but the regional demand backdrop contains some areas of weakness. There was a 6.7% rise in volumes in October compared to a year ago. Emerging Asia trade volumes have been improving since Q2, but recent data are showing a slowdown in the Chinese economy, which could dampen regional trade activity in the months ahead. Air freight carried by Asia Pacific airlines was given a boost in October by the release of the latest Apple iPhone. By contrast, data for airlines in Europe are showing the impact of economic sluggishness, with a weak 1.4% increase in October compared to a year ago.
- ➔ Load factors improved slightly in October, both compared to the previous month and on a year ago. The steady growth in air freight demand over recent months has supported some improvement in loads, but continued expansion in capacity through the passenger business has kept load factors low at 45%.
- ➔ The trend in air freight remains positive, supported by gains in world trade growth. Over recent years, growth in trade has been limited by trends toward onshoring, which equalized the relationship between world trade and domestic production. Latest data indicate that the relationship is improving in terms of world trade growth, but that has actually occurred due to a notable slowdown in industrial production. This implies that while some regions are seeing growth in world trade and air freight, further improvements could be limited.



#### Year on Year Comparison

##### Oct 2014 vs Oct 2013

##### YTD 2014 vs. YTD 2013

	FTK	AFTK	FLF	FTK	AFTK	FLF
<b>International</b>	5.6%	5.1%	50.4%	4.7%	4.0%	48.7%
<b>Domestic</b>	3.9%	1.8%	32.7%	3.0%	2.1%	30.7%
<b>Total Market</b>	5.4%	4.4%	47.0%	4.5%	3.6%	45.2%

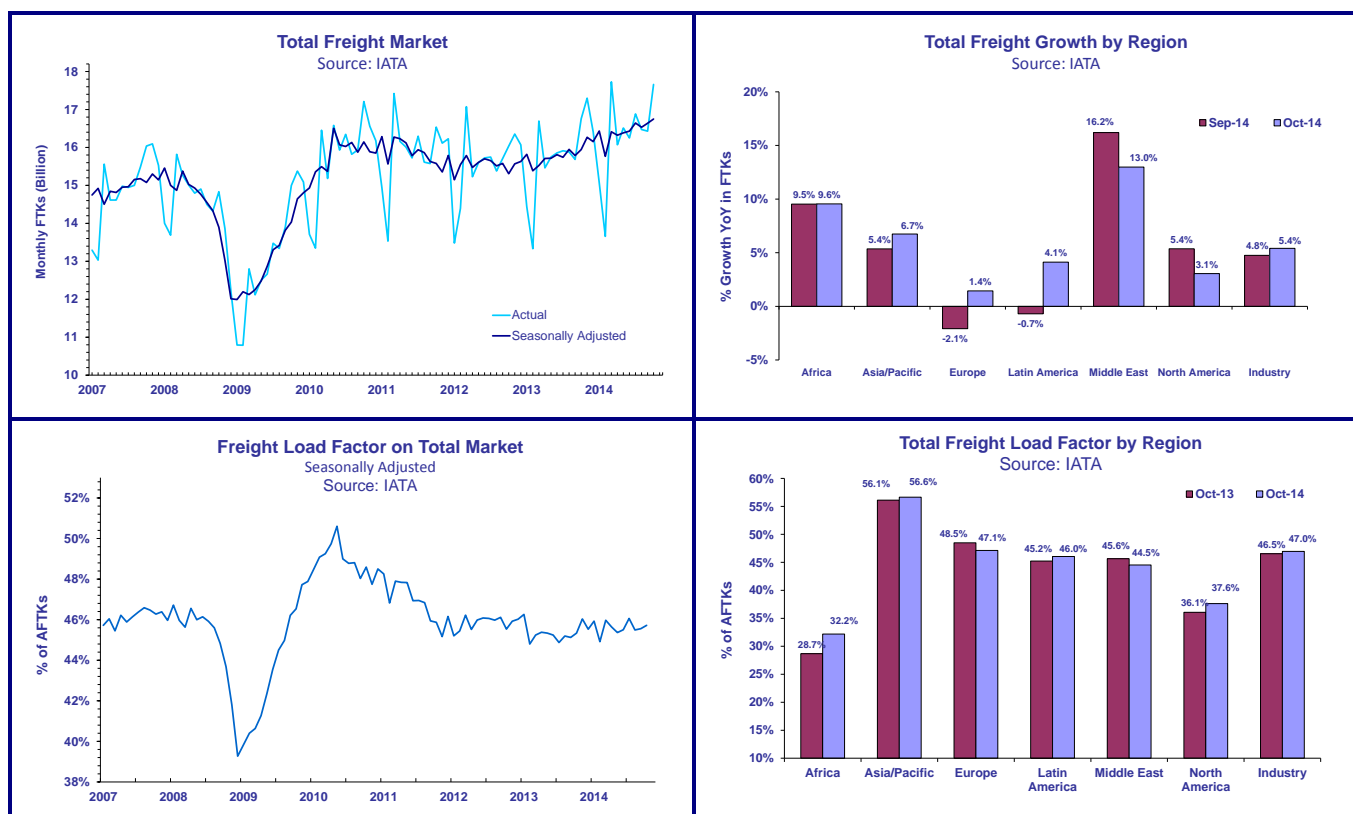
#### Month on Month Comparison

##### Oct 2014 vs. Sep 2014

FTK	AFTK	FLF pt
0.6%	0.1%	0.2%
1.1%	1.2%	0.0%
0.7%	0.3%	0.2%

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.



- ➔ Growth in FTks carried by Asia Pacific carriers continues to show steady improvement, but the regional demand backdrop contains some areas of weakness. There was a 6.7% rise in volumes in October compared to a year ago. Emerging Asia trade volumes have been improving since Q2 and latest data (September) show yet another solid increase in both imports and exports. But latest indicators for business activity in China show that manufacturing and services growth is slowing, as are new export orders, which could dampen regional trade activity. The strength of this month's air freight performance does not show any impact from adverse developments in China, but it will be important to observe how the coming months evolve and if regional trade activity will start to slow.
- ➔ FTks carried by Middle Eastern airlines increased 13.0% in October 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.
- ➔ African airlines recorded the second strongest rise in FTks in October, up 9.6% year-on-year. Regional trade volumes are yet to show consistent improvement, but key economies like South Africa have shown recent signs of better performance. South Africa managed to avoid entering a recession after seeing 0.5% growth in GDP in Q2, and has experienced continued gains with growth of 1.4% in Q3. Easing downward pressure from the region's largest economy could be providing support to air freight demand on local carriers.
- ➔ By contrast, data for airlines in Europe are showing the impact of economic sluggishness, with a weak 1.4% increase in October compared to a year ago. Latest data from Eurostat show that the Eurozone economy managed to expand by 0.2% in Q3 compared to Q2. This alleviates fears that the region is heading into another recession, but growth in Q3 compared to a year ago has slowed to 0.8%, from 1.0% in Q1 2014 year-on-year.
- ➔ North American airlines recorded an increase of 3.1% in FTks in October. This is slower than the 5.4% rise in September, but current growth remains above the trend so far this year (2.7%). Latest data show strong gains in US trade volumes and underlying growth trends in business activity are positive, which should provide some support for solid growth in air freight demand ahead.
- ➔ Carriers in Latin America experienced a 4.1% rise in FTks in October compared to a year ago, which is a solid improvement on September when volumes contracted 0.7%. October performance is consistent with latest trade data which show rising volumes, particularly exports. If the trend continues, stronger trade growth could lead to improvements in demand for air freight.

## ANNEX

Year on Year Comparison	Oct 2014 vs. Oct 2013			YTD 2014 vs. YTD 2013		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	9.8%	-2.0%	33.9%	5.6%	1.6%	31.2%
Asia/Pacific	6.8%	5.5%	60.2%	5.3%	5.8%	58.3%
Europe	1.5%	4.7%	48.1%	2.1%	2.9%	47.5%
Latin America	4.7%	0.8%	49.5%	1.3%	-1.3%	44.4%
Middle East	13.1%	16.2%	44.9%	10.5%	10.1%	44.6%
North America	2.9%	-2.4%	43.3%	3.2%	-1.0%	39.8%
<b>International</b>	<b>5.6%</b>	<b>5.1%</b>	<b>50.4%</b>	<b>4.7%</b>	<b>4.0%</b>	<b>48.7%</b>
Africa	9.6%	-2.4%	32.2%	5.4%	1.3%	29.8%
Asia/Pacific	6.7%	5.7%	56.6%	5.4%	5.8%	54.9%
Europe	1.4%	4.4%	47.1%	2.0%	2.9%	46.3%
Latin America	4.1%	2.3%	46.0%	0.7%	0.5%	41.4%
Middle East	13.0%	15.8%	44.5%	10.4%	9.8%	44.2%
North America	3.1%	-1.2%	37.6%	2.7%	-0.3%	34.9%
<b>Total Market</b>	<b>5.4%</b>	<b>4.4%</b>	<b>47.0%</b>	<b>4.5%</b>	<b>3.6%</b>	<b>45.2%</b>

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	Oct 2014 vs. Sep 2014			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	-0.1%	0.1%	-0.1%	1.7%
Asia/Pacific	0.6%	-0.9%	0.9%	39.7%
Europe	2.1%	1.7%	0.2%	25.9%
Latin America	4.6%	-1.1%	2.5%	3.3%
Middle East	-1.6%	1.0%	-1.1%	15.0%
North America	-0.5%	-0.9%	0.2%	14.5%
<b>International</b>	<b>0.6%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>100.0%</b>
Africa	-0.2%	0.1%	-0.1%	1.5%
Asia/Pacific	0.7%	-0.4%	0.6%	38.5%
Europe	2.1%	1.6%	0.2%	22.9%
Latin America	4.4%	-0.5%	2.0%	3.1%
Middle East	-1.6%	1.0%	-1.1%	13.0%
North America	0.2%	-0.1%	0.1%	21.0%
<b>Total Market</b>	<b>0.7%</b>	<b>0.3%</b>	<b>0.2%</b>	<b>100.0%</b>

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  
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