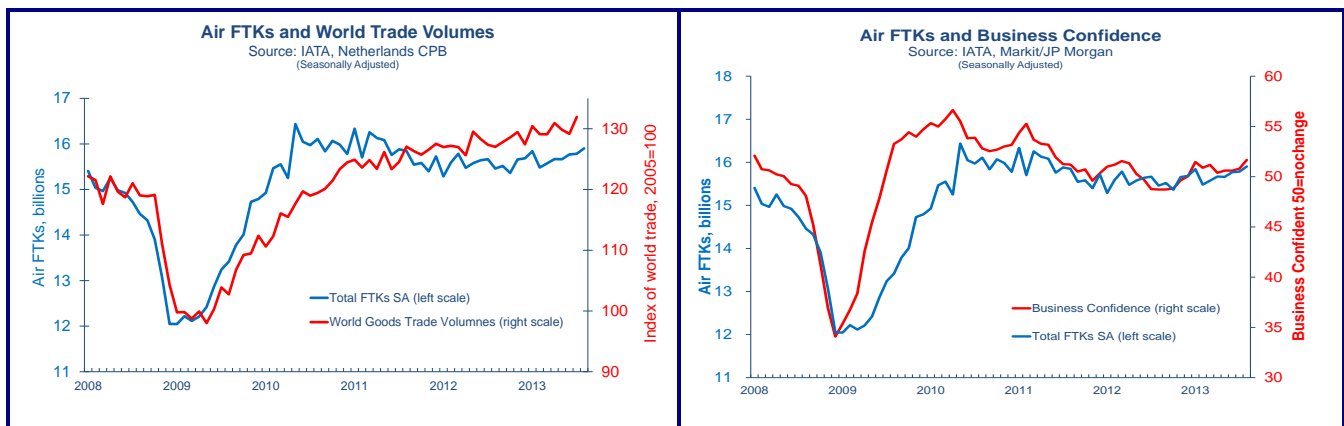


AIR FREIGHT MARKET ANALYSIS

AUGUST 2013

KEY POINTS

- Air freight markets expanded in August for the fifth consecutive month. Global freight tonne kilometers were up 3.6% in August year-on-year, stronger than the 1.1% growth in July. There was also a solid 0.8% increase in air freight volumes in August compared to July.
- Global FTKs have been increasing slowly since the start of Q2, reaching levels not seen since mid-2011, as the first chart below shows. The rise in global FTKs over recent months reflects signs of improvement in the business environment. Global business confidence has started to increase again as the US and Europe begin to show signs of better economic performance.
- Airlines in Europe and the Middle East have carried a vast majority of the increase in global FTKs over recent months. The Eurozone stopped contracting in Q2 and import volumes have improved over recent months. European airline FTKs were up 3.4% year-on-year in August. Middle Eastern airlines experienced acceleration in air freight growth in Q3, supported by stronger consumer demand in advanced economies. Middle East airlines' FTKs rose 23.8% in August year-on-year. While this result is positively biased from the timing of Ramadan, year-to-date growth has also been robust at 12.7%.
- But a strong upswing in global air freight volumes hinges on performance of Asia Pacific airlines, which represent the largest share of global FTKs (38%). Until now, airlines in this region have not seen any improvement in demand, and in fact have experienced a 1.9% contraction in FTKs so far this year. The region's carriers continue to face local emerging market sluggishness and strong competition on long-haul markets.
- Air freight load factors were stable in August compared to July, but have been weakening for several months on the back of continued capacity expansion, which has outstripped the modest improvements in demand. Middle Eastern and Latin American carriers experienced a rise in freight load factors in August compared to a year ago.
- The outlook for air freight markets continues to improve. Global business confidence continues to rise and export orders suggest improvement in the pace of trade growth ahead. However, Asia Pacific airlines are yet to see any improvement; performance of this major region will influence how strongly air freight markets expand in H2.



Year on Year Comparison

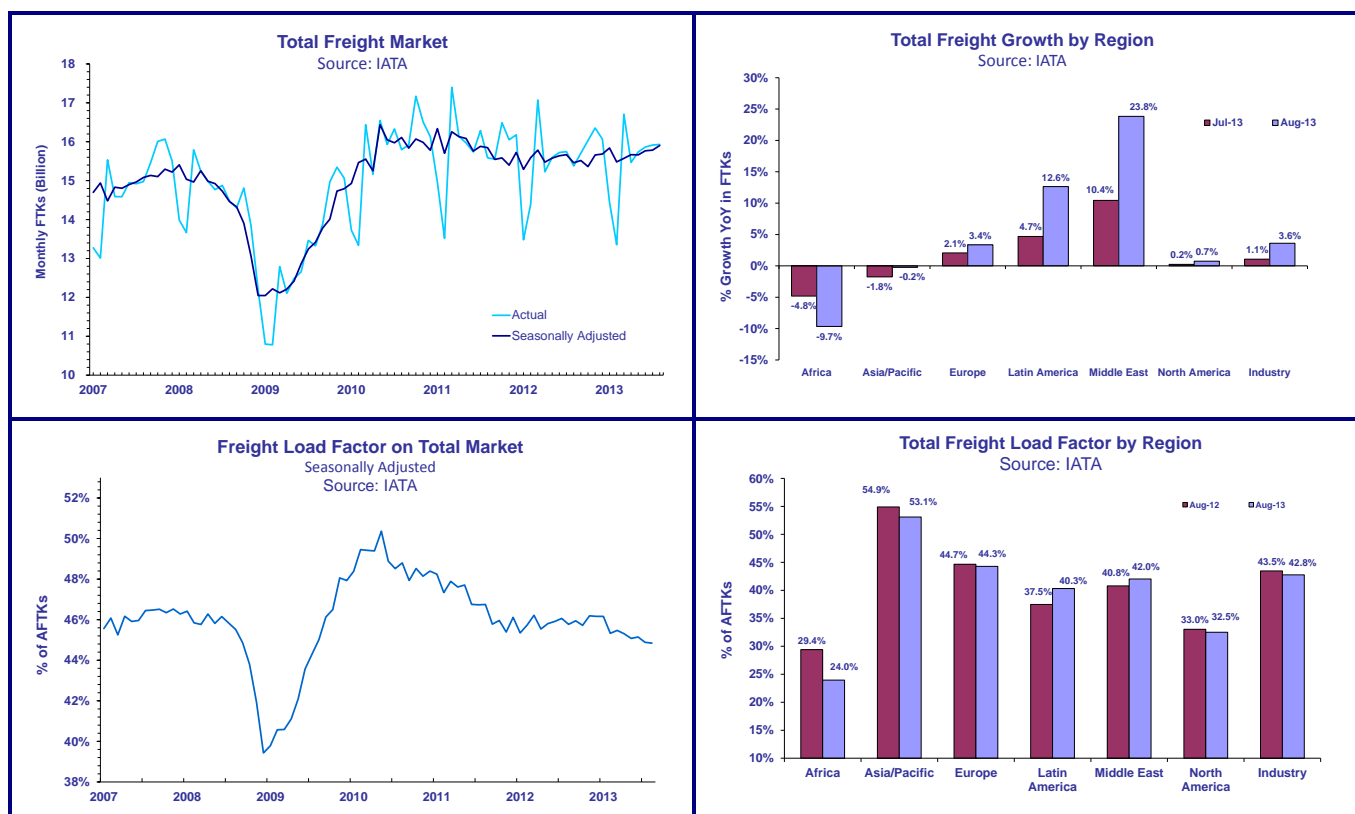
	Aug 2013 vs. Aug 2012			YTD 2013 vs. YTD 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
International	3.7%	5.9%	46.0%	0.4%	1.8%	48.3%
Domestic	3.0%	3.1%	29.9%	2.3%	2.1%	30.0%
Total Market	3.6%	5.3%	42.8%	0.7%	1.9%	44.6%

Month on Month Comparison

Aug 2013 vs. Jul 2013		
FTK	AFTK	FLF pt
0.8%	0.9%	-0.1%
0.5%	0.5%	0.0%
0.8%	0.9%	0.0%

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.



- Air freight markets have continued the improvement in volumes which commenced in Q2 with another rise in global FTks in August, up 3.6% year-on-year. This is a stronger result than July, when growth was 1.1%. Year-to-date rate of expansion has also improved, now at 0.7% - still very weak but a positive contrast to the contraction seen earlier in the year. The rise in global FTks over recent months reflects an improvement in the business environment. Global business confidence has been rising slowly over recent months as advanced economies including the US and Europe begin to experience better economic performance.
- Airlines in Europe and the Middle East have carried a vast majority of the increase in global FTks over recent months. The Eurozone stopped contracting in Q2 and trade volumes have improved as a result. More specifically, there has been a pick-up in the growth momentum of European imports, reflecting the improvement in consumer confidence over recent months. There are also signs of exports starting to expand more quickly as well, and the outlook is positive with Eurozone export orders reaching a 27-month high in August, according to JP Morgan/Markit. European airline FTks were up 3.4% year-on-year in August. While there was only a slight (0.1%) rise in volumes in August compared to July, the seasonally adjusted trend in European airline FTks remains positive.
- Middle Eastern airlines have experienced solid growth in air freight demand for an extended period, and over recent months there has been acceleration in growth, supported by stronger consumer demand in advanced economies. The strategic hub location for Middle East airlines allows them to provide re-export functions, including the air transportation of goods that originate in manufacturing centers in Asia to final consumers in Europe, for example. Airlines in this region saw FTks rise 23.8% in August year-on-year. This figure is distorted by the timing of Ramadan, which occurred a month earlier in 2013 (in July), resulting in a positive bias in the August year-on-year comparison. Nonetheless, growth of 12.7% year-to-date confirms the strength of air freight performance for Middle Eastern carriers.
- But a strong upswing in global air freight volumes hinges on the performance of Asia Pacific airlines, which represent the largest share of global FTks (38%). Until now airlines in this region have not seen any improvement in demand. Asia Pacific airlines' FTks were down 0.2% in August year-on-year, and have contracted 1.9% so far this year. This weakness is reflecting the local emerging market slowdown, with China's growth decelerating in H1 and trade volumes for the region declining during the same period. However, latest (July) trade data shows a strong rebound in emerging Asia trade, and although this does not indicate an upturn in the trade growth trend, it does suggest a local market response to growing demand in advanced economies. The Eurozone and US have seen a rise in import volumes in recent months. This improvement, if sustained, could ultimately filter through to

growth in demand for Asia Pacific airlines' air freight services. Asia Pacific airlines also face strong competition on long-haul markets, with carriers from other regions transporting goods from Asia to other parts of the globe, including to Europe and Africa.

- Airlines in other emerging regions experienced mixed results. Air freight carried by Latin American carriers was up by a strong 12.6% in August compared to a year ago, well above growth year-to-date (4.7%). Trade volumes in Latin America have shown strong growth momentum over recent months, with volumes in July up almost 8% since the start of the year, which is providing a sound foundation for expansion in air freight demand. African airlines, by contrast, experienced another month of decline in August, down 9.7% year-on-year. Despite a relatively supportive demand environment – with trade volumes continuing to rise and economic growth in several local economies tracking at the fastest rates globally – airlines in the region continue to face intense competition and significant volatility in volumes.
- There has been significant volatility in North American airlines' FTK volumes this year, but there are some signs of a slight pickup in volumes in Q3, with growth of 1.0% in August compared to July. This is consistent with recent indicators, which suggest a more supportive business environment. However, while business confidence has started to improve in Q3, it remains below the average seen at the start of the year, meaning there is still a way to go before we see significant acceleration in demand. North American airlines experienced a 0.7% rise in FTKs in August year-on-year, but volumes year-to-date have contracted 1.2% -- the second weakest regional performance.
- The outlook for air freight markets continues to improve. Global business confidence continues to rise and export orders suggest a modest pick-up in the pace of trade growth later this year. However, Asia Pacific airlines have yet to realize any benefits from the improving demand environment in Europe and the US, and continue to be hampered by local economic weakness. Performance in this region will influence how strongly air freight markets expand in H2.

ANNEX

Year on Year Comparison	Aug 2013 vs. Aug 2012			YTD 2013 vs. YTD 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	-9.7%	10.9%	25.0%	0.9%	5.3%	30.0%
Asia/Pacific	-0.6%	2.6%	56.5%	-2.5%	-1.4%	58.5%
Europe	3.2%	4.2%	45.3%	0.5%	1.5%	47.8%
Latin America	11.6%	3.8%	42.1%	3.0%	4.4%	42.5%
Middle East	24.0%	20.8%	42.4%	12.8%	11.9%	44.3%
North America	-0.3%	2.8%	35.8%	-2.6%	0.0%	38.2%
International	3.7%	5.9%	46.0%	0.4%	1.8%	48.3%
Africa	-9.7%	10.9%	24.0%	0.7%	5.1%	28.7%
Asia/Pacific	-0.2%	3.2%	53.1%	-1.9%	-0.7%	55.0%
Europe	3.4%	4.2%	44.3%	0.6%	2.0%	46.6%
Latin America	12.6%	4.7%	40.3%	4.7%	3.8%	40.6%
Middle East	23.8%	20.3%	42.0%	12.7%	11.5%	43.8%
North America	0.7%	2.3%	32.5%	-1.2%	0.4%	33.7%
Total Market	3.6%	5.3%	42.8%	0.7%	1.9%	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	Aug 2013 vs. Jul 2013			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	-1.3%	3.7%	-1.4%	1.5%
Asia/Pacific	-0.3%	-0.2%	-0.1%	39.2%
Europe	0.1%	0.3%	-0.1%	26.8%
Latin America	3.5%	-0.5%	1.8%	3.1%
Middle East	4.5%	4.1%	0.2%	14.7%
North America	1.2%	1.2%	0.0%	14.6%
International	0.8%	0.9%	-0.1%	100.0%
Africa	-1.3%	3.3%	-1.2%	1.3%
Asia/Pacific	-0.3%	0.1%	-0.2%	37.9%
Europe	0.1%	0.3%	-0.1%	23.6%
Latin America	2.9%	0.2%	1.1%	3.0%
Middle East	4.5%	4.0%	0.2%	12.7%
North America	1.0%	0.7%	0.1%	21.4%
Total Market	0.8%	0.9%	0.0%	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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FURTHER ANALYSIS AND DATA

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

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