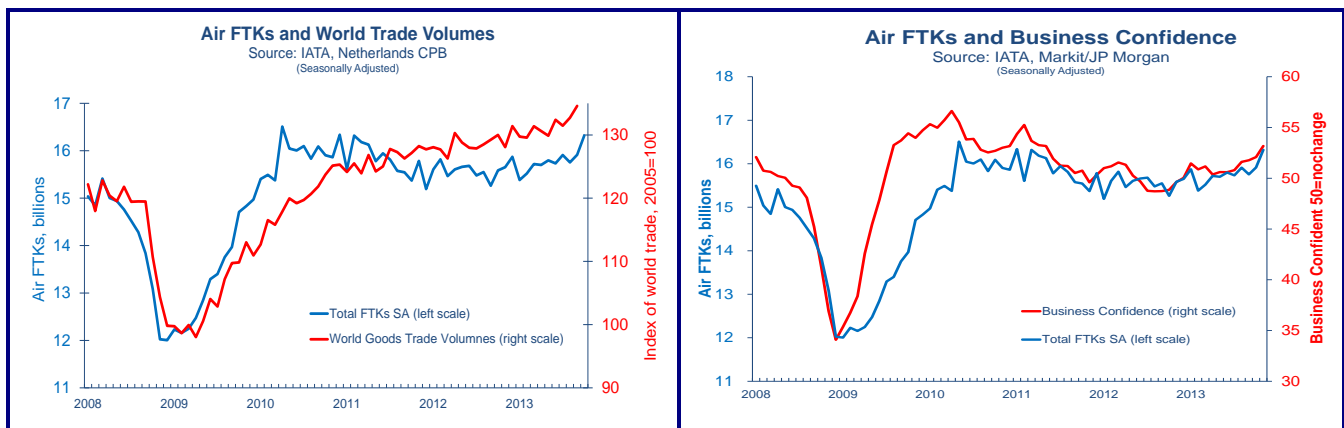


AIR FREIGHT MARKET ANALYSIS

NOVEMBER 2013

KEY POINTS

- Air freight markets surged in November with a 6.1% rise in global freight tonne kilometers compared to a year ago. This is a solid improvement on the October increase of 4.4%.
- November is typically a strong month for air freight as businesses increase inventories for the upcoming holiday season. But the first chart below shows that global FTKs increased in November compared to October even after adjustment for seasonal factors. While month-to-month changes can show significant volatility, the increase in volumes in November (and recent past months) is consistent with improvements in the business environment.
- The strong global result was driven by a solid rise in freight volumes carried by Asia Pacific airlines, which constitute the largest share of global FTKs. Airlines in this region saw a 4.9% increase in air freight volumes in November compared to a year ago, in contrast to the 1.0% contraction seen throughout the year as a whole. Over recent months, economic growth in China has picked up and Asian trade volumes have rebounded after significant declines mid-year. Improving demand for Asian manufactured consumer goods in North America and Europe has also supported the rise in Asian trade and air freight volumes.
- The November air freight results also show solid growth for Middle Eastern and European carriers, rising 16.5% and 8.0%, respectively, compared to year ago. November performance of European airlines is above year-to-date growth (1.7%), maintaining the steady improvements in demand over recent months and is consistent with the region's emergence from economic contraction in 2013. Carriers in the Middle East have benefited from improvements in demand in Europe and solid economic and trade growth of nations in the Gulf.
- Load factors have turned up after continued decline throughout much of 2013. In November, load factors were buoyed by the solid growth in demand and slower capacity expansion, resulting in a 0.8% rise compared to October. Load factors are now finally above year-ago levels, supported by the improvement over the past two months, which could help alleviate downward pressure on cargo profitability.
- The outlook for air freight markets continues to improve slowly. Business confidence has sustained an upward trend since mid-2013, and improvements in export orders over recent months appear now to be translating to a pick-up in world trade growth. But additional gains in trade growth have been limited by an increase in on-shoring, which if continued could suppress further acceleration in both trade and air freight.



Year on Year Comparison

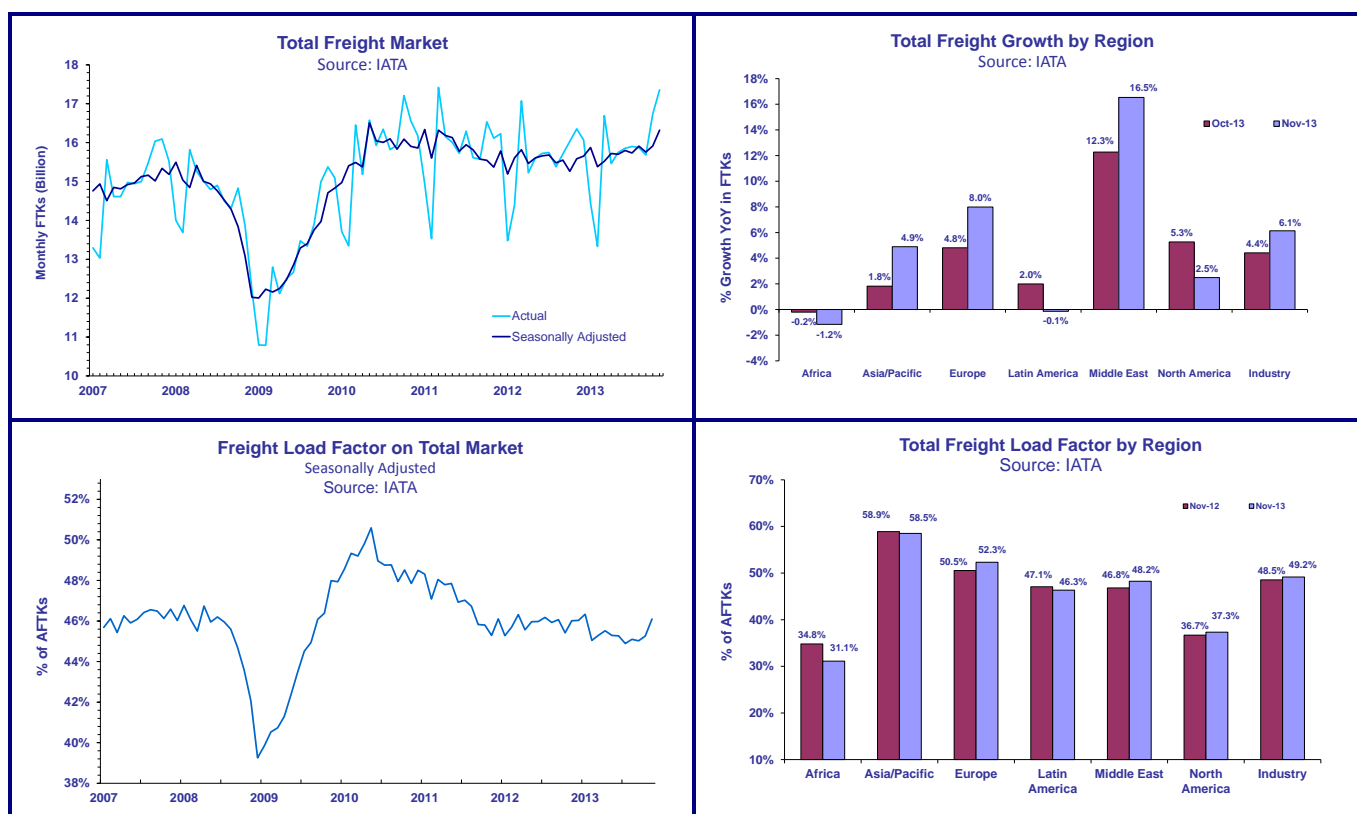
	Nov 2013 vs. Nov 2012			YTD 2013 vs. YTD 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
International	6.7%	5.5%	53.2%	1.2%	2.5%	48.9%
Domestic	2.6%	2.0%	32.8%	2.5%	2.3%	30.7%
Total Market	6.1%	4.8%	49.2%	1.4%	2.5%	45.2%

Month on Month Comparison

Nov 2013 vs. Oct 2013		
FTK	AFTK	FLF pt
2.8%	0.8%	1.0%
0.6%	0.2%	0.5%
2.5%	0.7%	0.8%

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 surged in November with a 6.1% rise in global freight tonne kilometers compared to a year ago. This is a solid improvement on October growth of 4.4%. Global FTk also increased strongly in November compared to October, expanding 2.5%. The rise has taken air freight volumes to highs not seen since the start of 2011. The improvements are consistent with a more supportive business environment, with continued increases in business confidence and world trade growth. World trade growth momentum (measured as the average growth of the latest three months) is now the fastest it has been since February 2011. But additional gains in trade growth have been limited by an increase in on-shoring and protectionist measures, which if continued could suppress further acceleration in both trade and air freight.
- The strong global result was driven by a solid rise in freight volumes carried by Asia Pacific airlines, which constitute the largest share of global FTk. Airlines in this region saw a 4.9% increase in air freight volumes in November compared to a year ago, in contrast to the 1.0% contraction seen throughout the year as a whole. Over recent months, economic growth in China has picked up and that has benefitted other major Asian export economies. Japan leads the manufacturing upturn in Asia, but growth in manufacturing has also picked up in Taiwan and South Korea and helped maintain solid growth in this sector in Vietnam and Indonesia. As a result, Asian trade volumes have rebounded after significant declines mid-year. Improving demand for Asian manufactured consumer goods in North America and Europe has also supported the rise in trade and air freight volumes for Asia Pacific carriers.
- The November air freight results also show solid growth for Middle Eastern and European carriers, rising 16.5% and 8.0%, respectively, compared to year ago. November performance of European airlines is above growth year-to-date (1.7%) maintaining the steady improvements in demand over recent months, consistent with the region's emergence from economic contraction in 2013. Indicators of manufacturing activity in the Eurozone (measured by JPMorgan/Markit) show that Q4 2013 has been the strongest quarter for two and a half years. It is important to note, however, that further recovery in the Eurozone economy is likely to remain slow and fragile, and improvements throughout the region remain patchy and volatile. Carriers in the Middle East have benefited from improvements in advanced economies, including better demand in Europe, as well as solid economic and trade growth of nations in the Gulf. The trend is likely to continue with indicators showing record high increases for exports orders in the United Arab Emirates, which bodes well for continued growth in the region's trade volumes.
- North American airlines recorded a solid 2.5% rise in FTk in November compared to a year ago, above the growth trend so far this year (a 0.4% contraction). Indicators of business activity in the manufacturing sector have been improving over recent months, recovering from any adverse impacts of the government shutdown in

October. But the rates of expansion are significantly slower than they were at the start of 2013, so the outlook for air freight demand for carriers in the region remains challenging.

- Latin American carriers saw a slight decline (0.1%) in FTKs in November compared to a year ago. However there was a rise in volumes over the month of 1.7% in November compared to October. In fact there have been steady increases in FTKs carried by Latin American carriers since Q3, after weakness in the first half of the year. Growth so far this year (3.2%) is second fastest among regions. Air freight demand has been supported by solid growth in Latin American trade volumes, but also contained by sluggish growth in Brazil, the continent's largest economy.
- While African airlines experienced a contraction in November compared to a year ago (1.2%) they also recorded a 5.0% increase in volumes in November compared to October, which suggests an upturn in the recent growth trend. The data for this region, however, continues to show significant volatility and a clear trend is difficult to establish. What is clear, however, is that after a solid start to the year, growth in air freight carried by African airlines was weak throughout mid-2013. Although trade volumes for the region continue to increase and local economies are seeing fast growth, competition from airlines registered in other regions is intense on important trade routes and lack of adequate infrastructure and political stability continue to hinder growth potential. Moreover, profitability prospects for African airline cargo business remain weak, with load factors falling further, from 34.8% in November 2012 to 31.1% in November 2013.

ANNEX

Year on Year Comparison	Nov 2013 vs. Nov 2012			YTD 2013 vs. YTD 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	0.0%	10.8%	32.6%	1.2%	6.8%	30.2%
Asia/Pacific	4.8%	5.0%	61.6%	-1.6%	-0.3%	58.8%
Europe	7.9%	4.5%	53.6%	1.6%	1.7%	48.5%
Latin America	-0.6%	1.9%	48.9%	2.0%	2.8%	43.8%
Middle East	16.6%	13.1%	48.8%	12.8%	12.1%	44.9%
North America	3.6%	2.0%	43.4%	-1.5%	0.9%	38.6%
International	6.7%	5.5%	53.2%	1.2%	2.5%	48.9%
Africa	-1.2%	10.6%	31.1%	0.7%	6.6%	28.9%
Asia/Pacific	4.9%	5.6%	58.5%	-1.0%	0.5%	55.5%
Europe	8.0%	4.3%	52.3%	1.7%	2.1%	47.3%
Latin America	-0.1%	1.4%	46.3%	3.2%	2.2%	41.8%
Middle East	16.5%	13.1%	48.2%	12.7%	11.8%	44.4%
North America	2.5%	0.7%	37.3%	-0.4%	1.0%	34.2%
Total Market	6.1%	4.8%	49.2%	1.4%	2.5%	45.2%

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.

Month on Month Comparison	Nov 2013 vs. Oct 2013			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	5.0%	-3.5%	2.4%	1.7%
Asia/Pacific	4.7%	2.1%	1.5%	40.2%
Europe	1.6%	0.6%	0.5%	26.8%
Latin America	1.9%	2.8%	-0.4%	3.3%
Middle East	2.8%	0.8%	0.9%	14.0%
North America	0.2%	-1.0%	0.5%	14.0%
International	2.8%	0.8%	1.0%	100.0%
Africa	5.0%	-3.5%	2.3%	1.5%
Asia/Pacific	4.3%	2.3%	1.1%	39.2%
Europe	1.6%	0.5%	0.5%	23.8%
Latin America	1.7%	2.7%	-0.4%	3.2%
Middle East	2.7%	0.8%	0.8%	12.2%
North America	0.2%	-0.9%	0.4%	20.2%
Total Market	2.5%	0.7%	0.8%	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.

IATA Economics
E-Mail: economic@iata.org
9TH January 2014

FURTHER ANALYSIS AND DATA

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

www.iata.org/ps/publications/Pages/carrier-tracker

NEW RELEASE ALERTS

To receive email notification of new analysis from IATA Economics, select 'Economic Briefings' from:

www.iata.org/optin