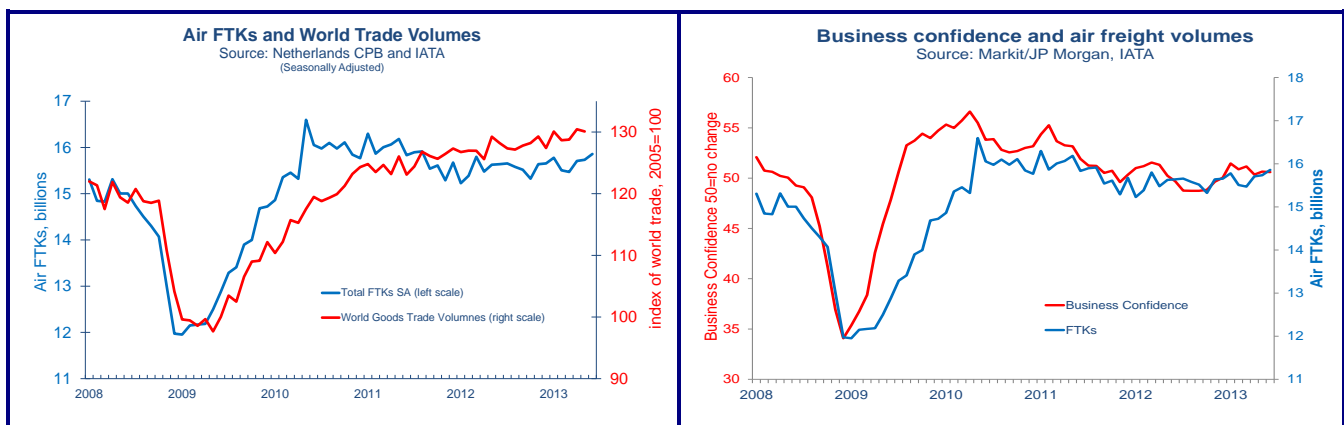


AIR FREIGHT MARKET ANALYSIS

JUNE 2013

KEY POINTS

- Growth in air freight markets remains weak but there was a small improvement in June. Global air freight tonne kilometers were 1.2% higher in June compared to a year ago, slightly up on May growth of 0.9% and above the virtually flat growth year-to-date.
- There was an improvement of 0.8% in air freight volumes in June compared to May. The size of the global air freight market, presented below, shows this rise over the month and suggests a positive break in the flat growth trend seen over the past 18 months. Current air freight volumes are the highest they have been since mid-2011.
- It is too early, however, to say that we are seeing a pick-up in the growth trend. Key air freight drivers remain weak. Business confidence has been flat throughout 2013 and export orders are now declining. Moreover, the major air freight market and key manufacturing center, Asia Pacific, continues to contract.
- The rise in volumes in June is reflecting regional business confidence developments. The strongest improvements in business confidence are now occurring in several developed economies. This is reflected in the June air freight statistics, which show an improvement in volumes carried by European airlines. One quarter of the global increase in volumes in June compared to May was carried by European airlines. Volumes were up 2.6% on a year ago, which is above the 0.1% contraction seen year-to-date. However, given that the Eurozone economy remains in recession, the improvement in air freight volumes rests on fragile ground.
- By contrast, growth in Asia Pacific air freight volumes remains weak. There was a contraction of 1.8% in June compared to a year ago, and the region has experienced the largest contraction in FTKs so far this year (2.3%). China's slower than expected growth appears to be having an impact on neighboring economies, with further falls in Chinese export orders seeing regional trade momentum slow from stronger growth in late 2012.
- Air freight load factors remain at weak levels. Despite the improvement in volumes over the month, capacity increased at a stronger rate - mostly through passenger aircraft with belly hold capacity – driving seasonally adjusted load factors down further.
- Signs of stability in the Eurozone economy should help to reduce pressure on global growth in the months ahead. But flatlining global business confidence and recent declines in global export orders do not bode well for trade growth in the months ahead. The outlook for air freight markets in the second half of 2013 remains fragile.



Year on Year Comparison

Jun 2013 vs. Jun 2012

YTD 2013 vs. YTD 2012

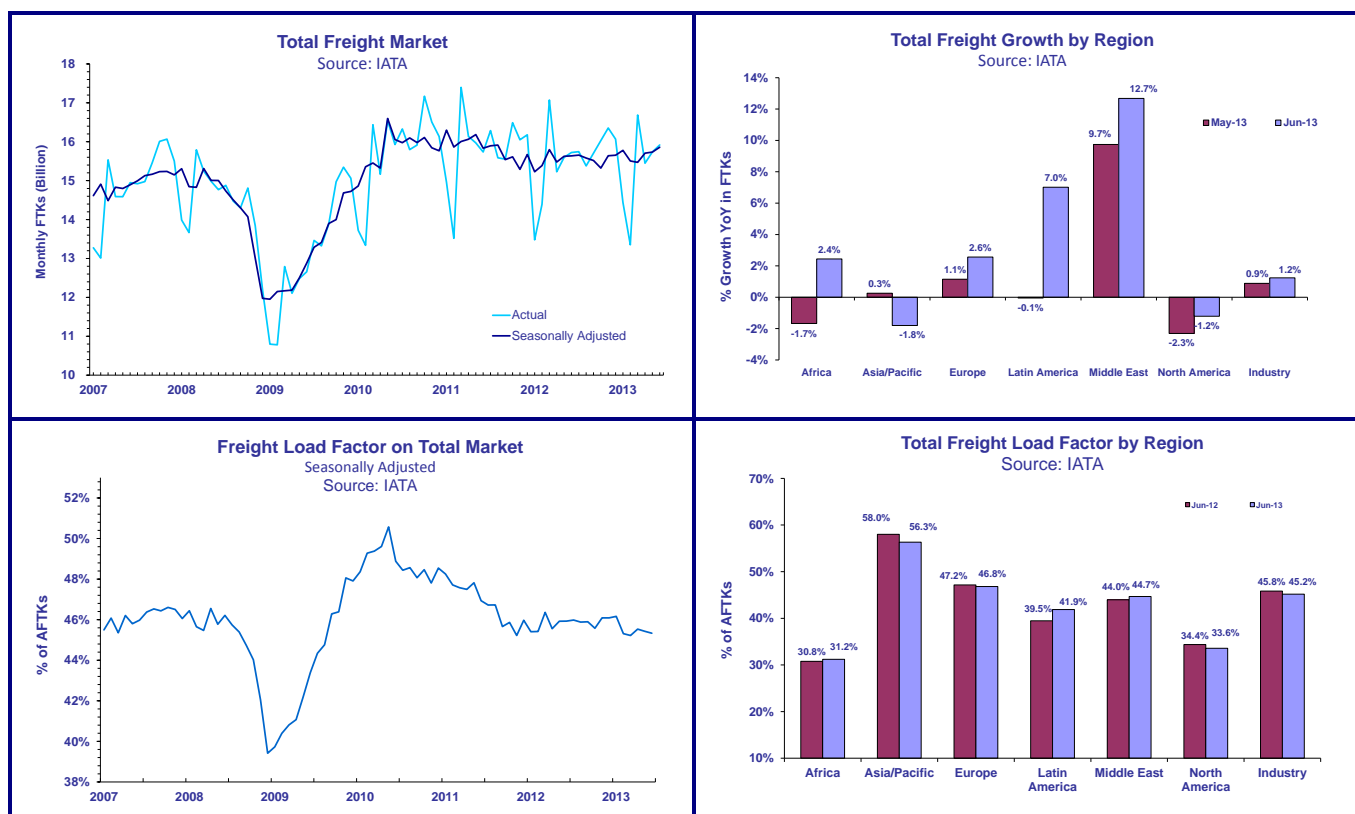
Month on Month Comparison

Jun 2013 vs. Jun 2013

	Jun 2013 vs. Jun 2012			YTD 2013 vs. YTD 2012			Jun 2013 vs. Jun 2013		
	FTK	AFTK	FLF	FTK	AFTK	FLF	FTK	AFTK	FLF pt
International	1.2%	2.8%	49.0%	-0.2%	0.8%	49.0%	0.8%	0.7%	0.1%
Domestic	1.2%	2.4%	29.8%	1.8%	1.5%	30.2%	1.0%	2.4%	-0.4%
Total Market	1.2%	2.7%	45.2%	0.1%	1.0%	45.2%	0.8%	1.0%	-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.



- Growth in air freight markets remains weak but there was a small improvement in June compared to recent months. Global air freight tonne kilometers were 1.2% higher in June compared to a year ago, slightly up on May growth of 0.9% and above the virtually flat trend year-to-date. The more marked improvement was over the previous month, where volumes saw a 0.8% increase in June compared to May, reaching the highest level since mid-2011.
- However, it is too early to conclude that there is an uptick in the growth trend. Key air freight drivers remain weak. There has been little change in business confidence since the start of 2013 and world trade growth momentum remains below the long term average. The rise in volumes in June is reflecting diverging business confidence across regions. The strongest improvements in manufacturing activity are now occurring in several developed economies, while weakness in China dampens overall emerging market performance.
- Data from JP Morgan suggest that the Eurozone economy remains in recession, but there are also some positive signs of stability. Business sentiment reflected by the Purchasing Managers Index shows that manufacturing activity contracted at the slowest rate for 16 months in June, as economic downturns in France, Italy and Spain ease. Moreover, there have been solid improvements in consumer confidence, which could help support demand for high-value, light-weight goods typically supported by air freight. This is reflected in June air freight statistics, which show an improvement in volumes carried by European airlines. One quarter of the increase in volumes in June compared to May was carried by European airlines. This is in contrast to the broadly flat trend in European airlines' FTKs seen over the past 12 months.
- However, given that the Eurozone economy remains in contraction, the improvement in air freight volumes rests on fragile ground. Moreover, despite a small rise in import volumes in May compared to April (June data is not yet available), import growth momentum remains negative for the Eurozone. The next months of data will be critical in determining if the important Eurozone economy will remain on a path to stability, which in turn will provide some clarity on the degree of support air freight markets can expect to receive.
- Airlines in North America continue to experience weak demand for air freight. FTKs fell 1.2% in June compared to a year ago, and have seen a 1.6% contraction over the first half of 2013. There was an improvement over the month – a rise of 0.9% in June compared to May – but the month-on-month growth rates for this region have been particularly volatile so it is difficult to perceive any pick-up in the growth trend. Moreover, the US economy looks to have slowed in the second quarter - business activity continues to expand but at slower rate over recent months.
- Middle Eastern airlines continue to show strongest rates of increase in air freight volumes and also carried 30% of the increase in air freight volumes in June compared to May. Being the geographic junction between Asia,

Europe and Africa, the region acts as a hub and major re-export center, with growth in Asia – Africa trade, for example, supporting the strong performance of Middle Eastern airlines over the past several years.

- Airlines in other emerging regions also showed strong growth in June. Air freight carried by Latin American carriers was up 7.0% in June compared to a year ago. This is a strong result compared to the performance year-to-date, which shows expansion of 3.7% at the mid-year mark. Trade volumes, in particular exports, in Latin America have shown the strongest growth momentum of all regions over recent months, which is providing a sound foundation for growth in air freight demand. African airlines recorded relatively slower growth in June, up 2.4% on a year ago, but for the first six months of 2012 they have experienced solid expansion of 4.3% - the second highest among all regions. Unlike global air freight markets, airlines in Africa have seen continually steady growth in FTKs over the past 2 years. With economic growth in some African nations tracking at the fastest rates globally, demand for high-value light-weight consumer goods is on the rise.
- By contrast, growth in Asia Pacific air freight volumes remains weak. There was a contraction of 1.8% in June compared to a year ago, and the region's airlines have experienced the largest contraction in FTKs so far this year (2.3%). China's slower than expected growth appears to be having a significant impact on neighboring economies, with further falls in exports seeing regional trade momentum slow from stronger growth in late 2012. Business conditions in China's manufacturing sectors are now declining at the fastest rates since mid-2012, which signals a further slowdown in economic growth. Moreover, with falls in China's exports orders, regional trade growth is likely to remain subdued compared to the surge seen in late-2012.

ANNEX

Year on Year Comparison	Jun 2013 vs. Jun 2012			YTD 2013 vs. YTD 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	2.4%	1.2%	32.5%	4.7%	7.1%	31.1%
Asia/Pacific	-2.3%	0.2%	59.9%	-2.9%	-2.7%	58.9%
Europe	2.5%	2.9%	48.2%	-0.2%	0.7%	48.6%
Latin America	5.0%	3.3%	43.2%	1.6%	5.0%	42.8%
Middle East	12.8%	11.2%	45.1%	11.3%	10.2%	44.8%
North America	-1.7%	1.2%	38.1%	-2.7%	-1.0%	39.3%
International	1.2%	2.8%	49.0%	-0.2%	0.8%	49.0%
Africa	2.4%	1.0%	31.2%	4.3%	6.9%	29.7%
Asia/Pacific	-1.8%	1.1%	56.3%	-2.3%	-1.9%	55.5%
Europe	2.6%	3.3%	46.8%	-0.1%	1.3%	47.3%
Latin America	7.0%	0.9%	41.9%	3.7%	4.0%	41.1%
Middle East	12.7%	10.9%	44.7%	11.2%	9.9%	44.3%
North America	-1.2%	1.1%	33.6%	-1.6%	-0.3%	34.4%
Total Market	1.2%	2.7%	45.2%	0.1%	1.0%	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	Jun 2013 vs. May 2013			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	3.0%	-0.4%	1.0%	1.8%
Asia/Pacific	0.3%	0.8%	-0.3%	39.7%
Europe	1.0%	0.8%	0.1%	27.1%
Latin America	3.4%	2.3%	0.5%	3.1%
Middle East	2.3%	1.0%	0.6%	13.8%
North America	0.5%	0.6%	0.0%	14.6%
International	0.8%	0.7%	0.1%	100.0%
Africa	2.9%	-0.5%	1.0%	1.6%
Asia/Pacific	0.2%	0.9%	-0.4%	38.3%
Europe	0.9%	0.7%	0.1%	24.0%
Latin America	4.1%	2.5%	0.6%	3.0%
Middle East	2.3%	0.9%	0.6%	12.0%
North America	0.9%	1.1%	-0.1%	21.1%
Total Market	0.8%	1.0%	-0.1%	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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30TH July 2013

FURTHER ANALYSIS AND DATA

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

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