



# AIR FREIGHT MARKET ANALYSIS

January 2017

## Air freight looks to have carried momentum into the New Year

- Global air freight tonne kilometres (FTKs) grew by 6.9% year-on-year in January 2017.
- The timing of Chinese New Year can complicate analysis at this time of year, but the upward momentum in air freight that built up during the second half of 2016 appears to have continued into the New Year.
- Protectionist rhetoric has risen, but business surveys continue to point to solid growth in air freight in early 2017.
- The seasonally adjusted load factor has risen strongly in recent months, and is almost back to its 2014 level.

### A solid start to the year for air freight

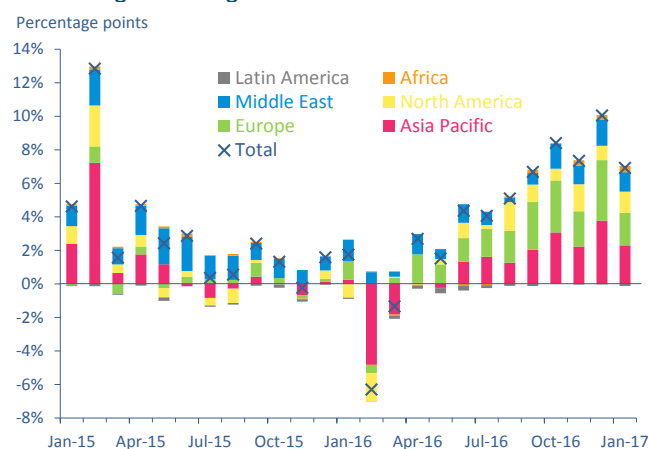
The 6.9% annual increase in global FTKs in January marked an easing from December's double-digit pace, but it was still well ahead of the five-year average rate (3.0%).

As in recent months, Asia Pacific and European airlines accounted for the majority of the annual change in industry-wide FTKs, alongside solid contributions from North American and Middle Eastern carriers. (See Chart 1.) African airlines also made a modest contribution to the total change, but Latin American carriers were a drag on annual growth for the 23<sup>rd</sup> time in 25 months.

### Chinese New Year is a complicating factor

The timing of Chinese New Year can complicate year-on-year comparisons at this time of year, and we will have to wait until February data are available to get a clearer view

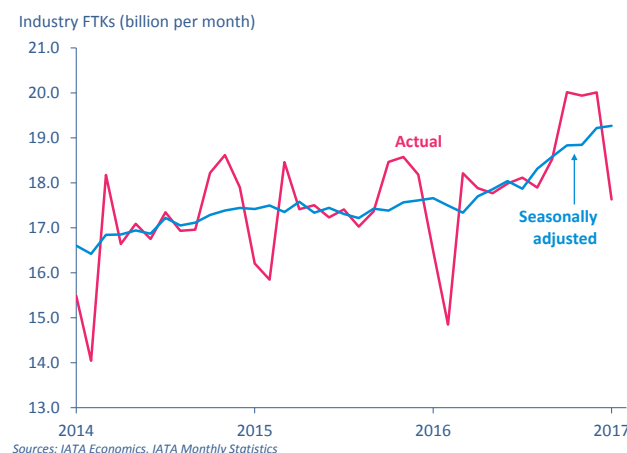
**Chart 1 – Contributions to year-on-year FTK growth by airline region of registration**



of the strength of air freight in early 2017. Nonetheless, the January data suggest that the upward momentum in seasonally adjusted (SA) trend has carried into the New Year. (See Chart 2.)

The pick-up in the SA trend since the middle of 2016 has coincided with a steady rise in the new export orders component of the global purchasing managers' index (PMI). This measure reached its highest level since March 2011 in February, underlining the health of global manufacturers' export order books and seemingly consistent with ongoing solid FTK growth in H1 2017. (See Chart 3, overleaf.) Encouragingly, the latest surveys point to a broadening in exporter strength around the world: the new export orders component for emerging markets jumped back above the 50-mark in January, driven by China, while the same indicator for advanced

**Chart 2 – FTK levels**



### Air freight market overview - January 2017

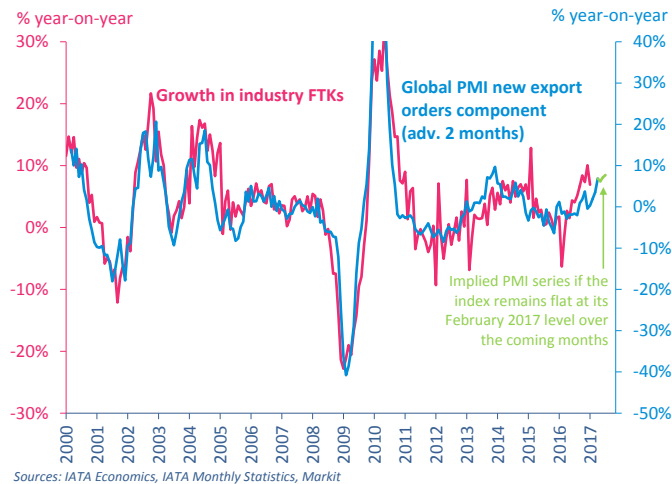
	World share <sup>1</sup>	January 2017 (% year-on-year)				2016 calendar year			
		FTK	AFTK	FLF (%-pt) <sup>2</sup>	FLF (level) <sup>3</sup>	FTK	AFTK	FLF (%-pt) <sup>2</sup>	FLF (level) <sup>3</sup>
<b>TOTAL MARKET</b>	<b>100.0%</b>	<b>6.9%</b>	<b>3.5%</b>	<b>1.3%</b>	<b>42.1%</b>	<b>3.8%</b>	<b>5.3%</b>	<b>-0.6%</b>	<b>43.0%</b>
International	86.7%	8.0%	3.4%	2.0%	45.8%	3.8%	5.4%	-0.7%	46.7%

<sup>1</sup>% of industry FTKs in 2016

<sup>2</sup>Year-on-year change in load factor

<sup>3</sup>Load factor level

**Chart 3 – Air freight growth vs. global new export orders**



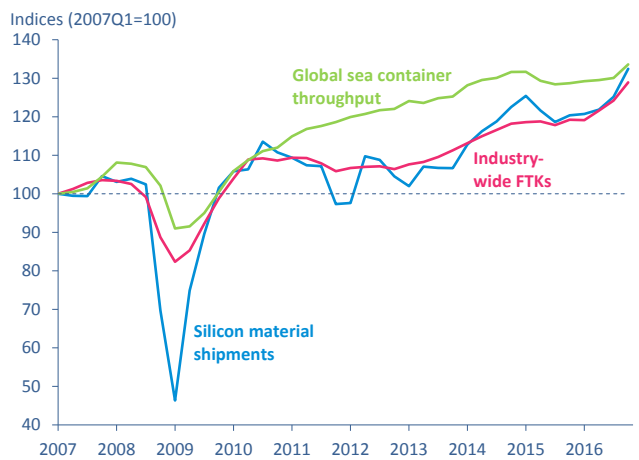
Sources: IATA Economics, IATA Monthly Statistics, Markit

markets has also continued to edge higher (the component in both Japan and Germany is at or close to three-year highs).

**Wider pick-up in other trade indicators**

More generally, the recent momentum for air freight corresponds with positive signs from other trade indicators, including a pronounced pick-up in semiconductor material shipments during the final quarter of 2016. Sea container throughput also rose in the final months of the year. (See Chart 4.)

**Chart 4 – Selected trade indicators**



Sources: IATA Monthly Statistics, SEMI, RWI/ISL

The pick-up in populist and protectionist political rhetoric presents an ongoing risk for global trade and air cargo in the years ahead, and the global trade backdrop is much weaker than it used to be. (See [here](#) for previous analysis on this subject.) However, fast-growing areas such as pharmaceuticals and cross-border e-commerce offer opportunities for air freight this year and beyond. The question is whether such areas will allow air freight to decouple from global trade trends on a sustained basis in the future.

In any case, the strong end to 2016 for air freight provides a useful base for year-on-year growth rates during early-2017. In fact, even if seasonally-adjusted traffic was to remain flat at its current January-level throughout 2017, year-on-year growth in FTKs would come in at around 6% for the year as a whole.

**SA load factor closing in on 45%**

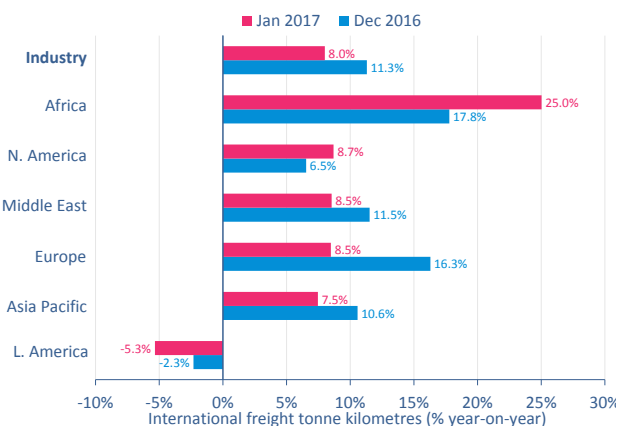
Industry-wide freight capacity increased by 3.5% year-on-year in January 2017, and the load factor rose by 1.3 percentage points compared to the same month in 2016.

The SA upward trend in capacity has moderated in recent months; coupled with the rising trend in demand, this has driven a rebound in the seasonally-adjusted industry-wide load factor. Indeed, the SA load factor has risen by more than three percentage points since its recent low in early-2016, and is now closing in on the 45% level that was typical over the 2012-2014 period.

**Major regions posted similar rates of int'l FTK growth**

International FTKs rose by 8.0% year-on-year in January, down from December's 22-month high of 11.8% but well above its five-year average pace (3.0%). The four major regions all posted similar annual growth rates, in a range of 7.5% to 8.7%. (See Chart 5.)

**Chart 5 – International FTK growth by carrier region of registration**



Sources: IATA Economics, IATA Monthly Statistics

**Ongoing strength in Asia Pacific business surveys**

The biggest region in terms of international FTKs flown – Asia Pacific – saw traffic increase by 7.5% year-on-year in January. This was down from December's 10.6% but well above the five-year average pace of 1.0%. The SA trend for freight traffic has strengthened considerably since early-2016 and remains very strong; volumes have now risen at an annualized rate of 16% since March, and have recently reached levels last seen in the aftermath of the global financial crisis in 2010.

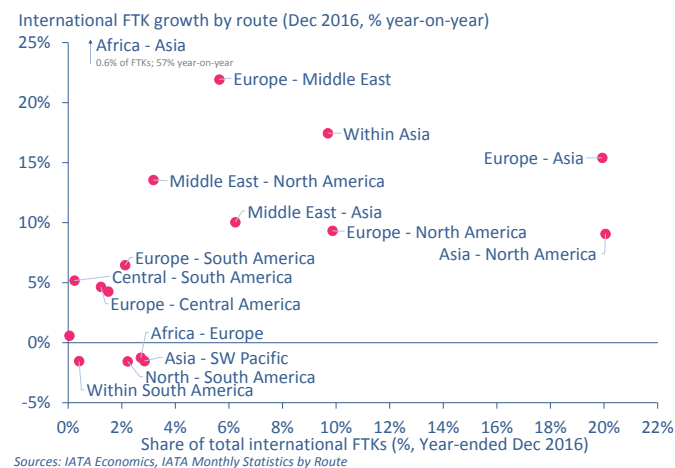
Business surveys in most of Asia continue to point to healthy order books for the region's exporters. The new export orders component of China's PMI rose to a 21-month high in January 2017, while the same measure in Japan is also at a three-year high, helped by the recent weakening in the yen. Similar indicators from Taiwan, Korea, and Vietnam remain in expansionary territory too.

Meanwhile, conditions on the main freight lanes to, from and within the region have strengthened considerably over the past six months. Having trended downwards in SA terms between 2010 and the start of 2016, traffic on the Europe to Asia route has turned around sharply, and recently climbed to its highest level since early-2012. Moreover, international FTKs within the region have also trended upwards strongly since early 2016, with growth of 17.5% year-on-year in December (the latest month of data available – see Chart 6).

### Weaker euro helping European airlines

The SA trend in international FTKs flown by European carriers slipped slightly in January, following a very strong rise in December. Nonetheless the SA trend remains very strong and international FTKs grew by 8.5% compared to January 2016. The region's robust performance continues to be set against a backdrop of robust order books for European exporters, particularly in Germany, helped in part by the ongoing weakness in the euro. In addition to strong conditions on trade lane to and from Asia, traffic is also growing strongly across the Atlantic; SA FTKs on the route recently reached levels last seen in early-2011.

**Chart 6 – International FTK growth by route (% year-on-year, segment-basis)**



### Robust start to 2017 for North American carriers

North American airlines posted annual FTK growth of 8.7% in January 2017 – the fastest pace since the disruption seen at west coast seaports in early 2015. Having leveled off somewhat during Q4 2016, the SA trend in FTKs picked up sharply in January. FTKs on the trade lane to and from Asia increased by 9.1% year-on-year in December. The further strengthening in the US dollar over recent months should help to support inbound air freight during 2017, although it is likely to continue to keep outbound flows under pressure.

### Ongoing moderation in Middle East FTK growth

Middle Eastern airlines saw international traffic rise by a solid 8.5% year-on-year in January. The upward trend in SA traffic remains in place and conditions on the segment-based route to and from Europe have strengthened over the past few months. Nonetheless, growth has eased somewhat from the double-digits rates that were the norm over the past five and ten years, alongside a slowdown in network expansion by the region's major carriers.

### Fitful recovery in SA Latin American FTKs

Latin American airlines' international traffic fell by 5.3% year-on-year in January. The recovery in SA trend has slipped over the past three months, and given the region's recent economic difficulties, FTKs are around 13% lower than their peak in late-2014. Conditions on the 'Within South America' market, which has been the weakest trade lane route for some time, are improving slowly. But FTKs flown on the route still fell by 1.5% year-on-year in January.

### Surge in international African FTKs in recent months

International FTKs flown by African carriers have surged in SA terms since the middle of 2016. FTKs grew by a whopping 25.0% year-on-year in January, helped by very strong growth on the trade lane to and from Asia; while a small route, FTKs between Asia and Africa jumped by 30% year-on-year in 2016 as a whole, and by 57% in January. This comes on the back of rapid long-haul expansion and increased direct services between the continents. The wider pick-up in demand has helped the region's SA load factor to rise in recent months; after falling by five percentage points in 2016 compared to the previous year, the load factor jumped by 3.6 percentage points in January compared to the same month in 2016.

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 6<sup>th</sup> March 2017

## Air freight market detail - January 2017

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Africa	1.6%	24.3%	6.1%	3.4%	23.3%	3.4%	25.6%	-4.8%	22.2%
Asia Pacific	37.5%	6.0%	6.6%	-0.3%	49.4%	2.1%	3.6%	-0.8%	52.8%
Europe	23.5%	8.7%	3.3%	2.2%	44.0%	7.6%	6.7%	0.4%	44.5%
Latin America	2.8%	-4.1%	-1.4%	-0.8%	28.5%	-4.2%	-1.7%	-0.9%	33.2%
Middle East	13.9%	8.4%	3.3%	2.0%	42.0%	6.9%	8.4%	-0.6%	42.8%
North America	20.7%	6.1%	0.6%	1.8%	35.3%	2.1%	3.4%	-0.5%	34.3%
<b>International</b>	<b>86.7%</b>	<b>8.0%</b>	<b>3.4%</b>	<b>2.0%</b>	<b>45.8%</b>	<b>3.8%</b>	<b>5.4%</b>	<b>-0.7%</b>	<b>46.7%</b>
Africa	1.6%	25.0%	6.2%	3.6%	24.0%	3.8%	26.6%	-5.0%	22.7%
Asia Pacific	33.3%	7.5%	5.8%	0.8%	54.0%	1.9%	4.0%	-1.2%	57.1%
Europe	23.0%	8.5%	2.2%	2.6%	45.6%	7.1%	6.1%	0.4%	45.9%
Latin America	2.4%	-5.3%	-3.4%	-0.7%	35.1%	-5.0%	-1.3%	-1.5%	38.1%
Middle East	13.9%	8.5%	4.0%	1.8%	42.2%	7.0%	8.6%	-0.7%	43.3%
North America	12.6%	8.7%	0.6%	3.1%	41.2%	1.5%	1.2%	0.1%	39.4%

<sup>1</sup>% of industry FTKs in 2016

<sup>2</sup>Year-on-year change in load factor

<sup>3</sup>Load factor level

**Note:** the total industry and regional growth rates are based on a constant sample of airlines combining reported data and estimates for missing observations. Airline traffic is allocated according to the region in which the carrier is registered; it should not be considered as regional traffic. Historical statistics are subject to revision.

Further details about the statistics in this publication can be found [here](#).

### Get the data

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