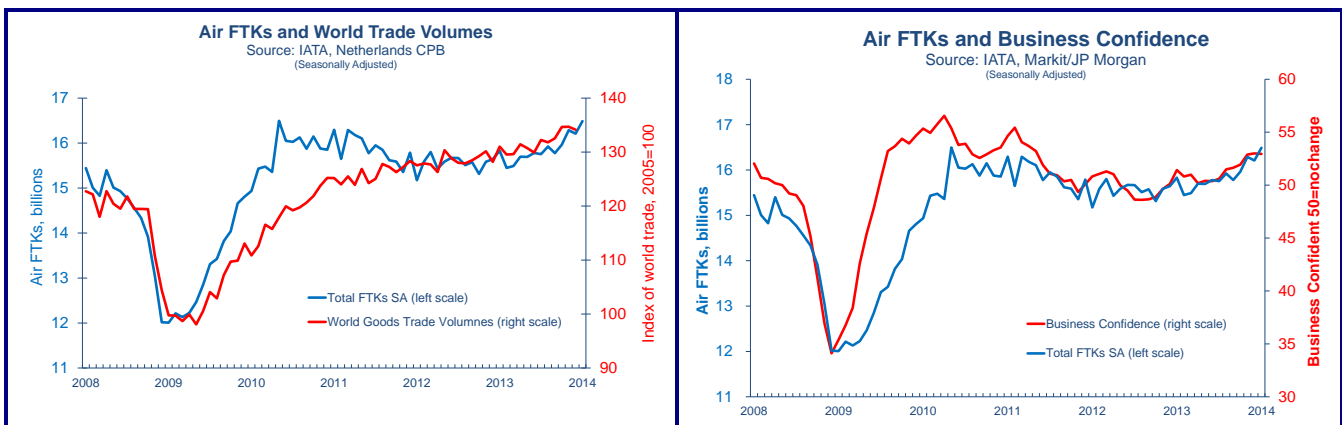


AIR FREIGHT MARKET ANALYSIS

JANUARY 2014

KEY POINTS

- Air freight markets started 2014 with a solid 4.5% rise in January compared to a year ago. This result is a pick-up on December, when global FTKs rose 2.2% year-on-year, and well above the growth in 2013 overall (1.4%).
- The growth trend in air freight volumes continues to show improvement. In fact, the growth trend has accelerated since the start of Q4 2013. The last several months have provided a more supportive demand environment for air freight markets with improvements in business confidence and a pick-up in world trade growth. Current air freight volumes are the highest they have been since mid-2010 – when air freight grew at a double-digit annual rate.
- All regions recorded a rise in air freight volumes in January compared to a year ago. Middle Eastern airlines continue to record the strongest increases, up 10.7%, with regional carriers continuing to expand capacity and network reach. European carriers have been able to maintain growth momentum since the Q2 recovery in air freight demand, consistent with the region's emergence from recession, posting a 6.0% rise in FTKs in January. Importantly, Asia Pacific airlines, which carry the largest share of global air freight, started the year with a solid 3.8% increase (in contrast to the 1.0% contraction in 2013), supported by strong growth in regional trade.
- Load factors have rebounded and continue to show improvement, helped by the increase in volumes. Air freight load factors have managed to recover from declines experienced during the first half of 2013 when capacity was increasing rapidly through the passenger business and are currently in line with levels a year ago, on a seasonally-adjusted basis.
- The outlook for air freight is improving slowly, consistent with the cyclical pick-up in global economic growth. But the current acceleration in industrial production would typically be accompanied by a stronger rate of increase in air freight. However, world trade itself continues to expand only in line with industrial production (3-4%), not at twice the pace as had been the case in the past, which implies there has been no reversal of on-shoring trends. Looking forward, air freight demand will likely continue to grow at similar rates to industrial production and world trade – air freight's share of world trade remains stable and there is no sign at present of that share increasing.



Year on Year Comparison

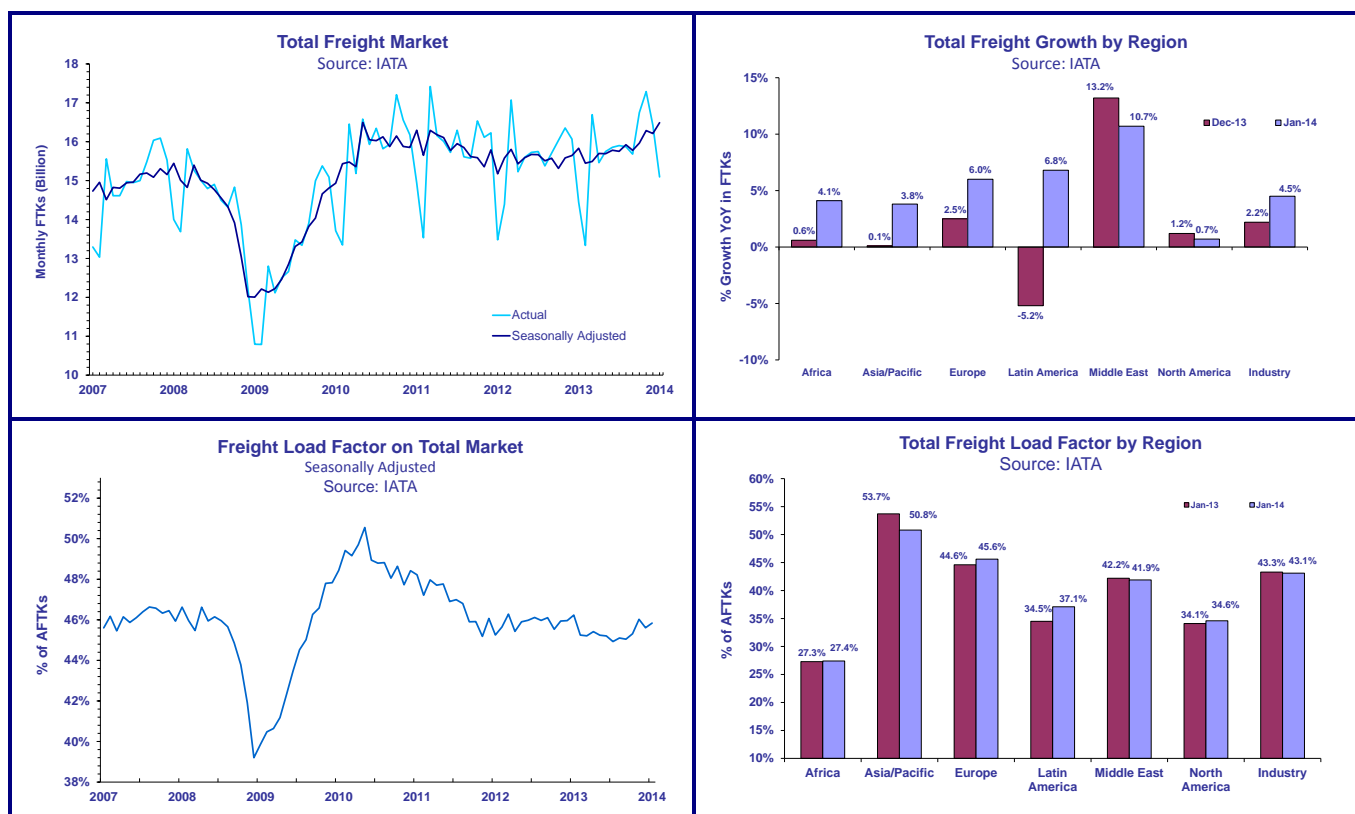
	Jan 2014 vs Jan 2013			2013 vs. 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
International	5.2%	5.6%	46.4%	1.2%	2.6%	49.0%
Domestic	0.3%	3.1%	30.2%	2.5%	2.3%	30.8%
Total Market	4.5%	5.1%	43.1%	1.4%	2.6%	45.3%

Month on Month Comparison

Jan 2014 vs. Dec 2013		
FTK	AFTK	FLF pt
2.2%	1.6%	0.3%
-1.5%	-0.4%	-1.1%
1.7%	1.2%	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.



- Air freight markets started 2014 with a solid 4.5% rise in January compared to a year ago. This result is a pick-up on December, when global FTks rose 2.2% year-on-year, and well above the growth in 2013 overall (1.4%).
- The growth trend in air freight volumes, as shown in the first chart above, continues to improve with steady increases since Q2 2013 and an acceleration in growth since the start of Q4 2013. There was a robust 1.7% increase in air freight volumes in January compared to December. Current air freight volumes are the highest they have been since mid-2010 – when air freight grew at a double-digit annual rate.
- All regions recorded a rise in air freight volumes in January compared to a year ago. Middle Eastern airlines continue to record the strongest increases, up 10.7%. Carriers in the region are benefiting from better conditions in advanced economies, namely Europe, and the increased consumer demand that has resulted. Moreover, Middle Eastern carriers continue to expand capacity as well as to increase their network and the services they provide, broadening the types of commodities they can transport.
- European carriers have been able to maintain growth momentum since the Q2 recovery in air freight demand, consistent with the region’s emergence from recession, posting a 6.0% rise in FTks in January. Indicators of business activity in the Eurozone (measured by JPMorgan/Markit) show the strongest rates of increase in January for the past two and a half years. Export orders, which are a leading indicator for world trade growth and demand for air freight, have been showing improvement over recent months. But trade volumes for the region have yet to show a pick-up in growth, which will be key to further improvement in air freight demand for regional carriers.
- Importantly, Asia Pacific airlines, which carry the largest share of global air freight, started the year with a solid 3.8% increase (in contrast to the 1.0% contraction in 2013). Any improvement in air freight demand for regional carriers reflects the rebound in Asian trade volumes, which saw significant declines mid-year. Improving demand for Asian manufactured consumer goods in North America and Europe has helped support the rise in trade and air freight volumes for Asia Pacific carriers. On the downside, however, recent indicators of Chinese economic performance suggest that there is potential for a slowdown in early 2014. Latest indicators show weakening in China’s manufacturing sector and new export orders, which does not bode well for regional trade and air freight demand.
- Airlines in Latin America and Africa also recorded solid growth in January, with volumes rising 6.8% and 4.1%, respectively. Both results are well above the trend seen throughout 2013, when airlines in Latin America and Africa experienced slow growth in air freight of 2.4% and 1.0%, respectively. Airlines in Latin America saw improvements in air freight demand in the second half of 2013. Solid growth in the region’s trade volumes should support further expansion in demand. On the downside, however, weakness in the region’s largest economy –

Brazil – could dampen growth potential. Airlines in Africa, similarly, have seen downward pressure on demand from the slowdown in major regional economies, like South Africa, over recent months. In addition, there have been signs of slowing growth in regional trade volumes.

- ↗ North American airlines saw the weakest rise in volumes (0.7%), restricted by a contraction in capacity. Indicators of business activity in the manufacturing sector were slightly subdued in January, but early indicators for February point to a strong rebound. If that pick-up materializes, growth in the manufacturing sector, coupled with increases in export orders could provide a stronger base for air freight demand going forward.

ANNEX

Year on Year Comparison	Jan 2014 vs. Jan 2013			2013 vs. 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	4.2%	4.1%	28.8%	1.5%	6.6%	30.4%
Asia/Pacific	4.2%	8.6%	53.9%	-1.6%	0.1%	58.7%
Europe	6.2%	4.2%	46.8%	1.7%	1.8%	48.7%
Latin America	8.3%	-1.0%	40.0%	1.3%	2.3%	43.9%
Middle East	10.9%	12.1%	42.3%	12.9%	12.1%	45.0%
North America	0.7%	-1.2%	38.9%	-1.5%	0.8%	38.8%
International	5.2%	5.6%	46.4%	1.2%	2.6%	49.0%
Africa	4.1%	3.9%	27.4%	1.0%	6.6%	29.0%
Asia/Pacific	3.8%	9.7%	50.8%	-1.0%	0.8%	55.5%
Europe	6.0%	3.8%	45.6%	1.8%	2.2%	47.5%
Latin America	6.8%	-0.6%	37.1%	2.4%	1.8%	41.9%
Middle East	10.7%	11.5%	41.9%	12.8%	11.8%	44.5%
North America	0.7%	-0.9%	34.6%	-0.4%	0.9%	34.3%
Total Market	4.5%	5.1%	43.1%	1.4%	2.6%	45.3%

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	Jan 2014 vs. Dec 2013		Market Share	
	FTK	AFTK	FLFpt	FTK
Africa	5.0%	0.8%	1.3%	1.8%
Asia/Pacific	2.6%	2.3%	0.1%	40.1%
Europe	2.1%	1.3%	0.3%	25.8%
Latin America	5.4%	4.4%	0.4%	3.3%
Middle East	-1.0%	0.8%	-0.8%	14.3%
North America	3.8%	0.9%	1.2%	14.8%
International	2.2%	1.6%	0.3%	100.0%
Africa	4.8%	0.0%	1.4%	1.5%
Asia/Pacific	2.0%	2.2%	-0.1%	38.9%
Europe	1.9%	1.2%	0.3%	22.5%
Latin America	5.3%	3.9%	0.6%	3.1%
Middle East	-1.1%	0.6%	-0.8%	12.3%
North America	1.9%	0.1%	0.6%	21.6%
Total Market	1.7%	1.2%	0.2%	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
4TH March 2014

FURTHER ANALYSIS AND DATA

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

www.iata.org/carrier-tracker

NEW RELEASE ALERTS

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

www.iata.org/optin