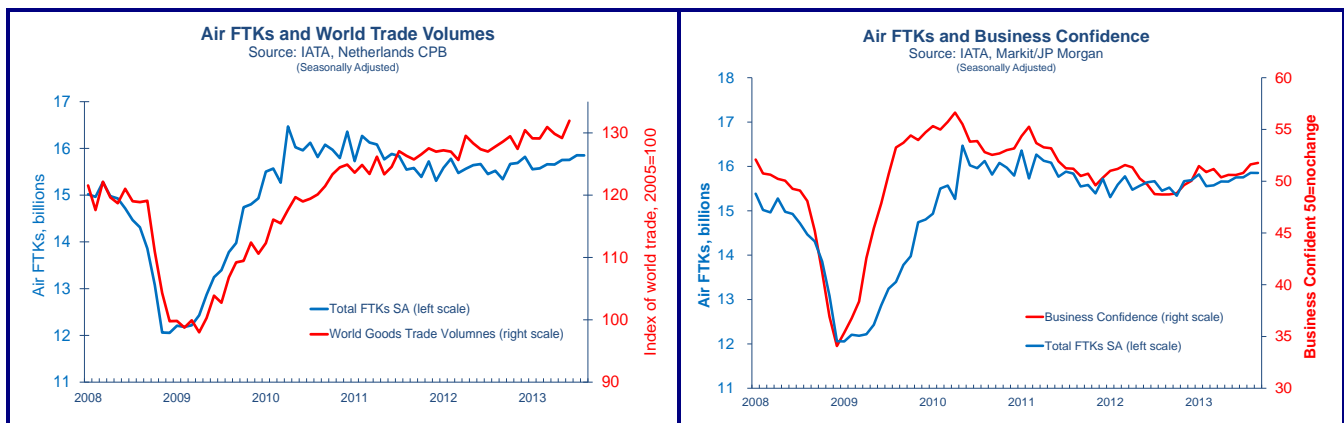


AIR FREIGHT MARKET ANALYSIS

SEPTEMBER 2013

KEY POINTS

- Air freight markets stabilized in September, after an extended period of slow increase. Global freight tonne kilometers were up 0.5% in September year-on-year, a slowdown on the 3.4% growth in August.
- Global FTK volumes in September remained unchanged compared to August. This is a pause in the modestly positive growth trend seen since the start of Q2. Despite no further growth in the size of the global air freight market in September, current volumes are still the highest they have been for the past 25 months. The rise in global FTKs over recent months is consistent with steady improvements in the business environment.
- The September air freight result reflects a moderation in the growth trend for carriers in the Middle East and Europe, which have carried much of the rise in FTKs over recent months. Middle Eastern carriers recorded strong growth in September, up 9.9%, but slightly below performance so far this year (12.3%). Airlines in this region have benefited from improving consumer demand in advanced economies over recent months. European airlines experienced a 1.4% rise in FTKs in September year-on-year, which is a slowdown on August (3.4%). Airlines in the region have seen a pick-up in the growth trend since Q2, benefitting from modest growth in the Eurozone, with FTKs now the highest they have been since mid-2011.
- By contrast, Asia Pacific airlines continue to see weakness in air freight demand. FTKs fell 3.1% in September compared to a year ago, deepening the contraction experienced so far this year (2.1%). Downward pressure from regional economic weakness appears to be easing, however, with China's GDP growth picking up slightly in Q3.
- Air freight load factors improved slightly in September, after continued decline since early 2013. The small increase in load factors in September compared to August is the result of capacity contraction. Nonetheless, load factors remain weak and are down compared to a year ago for the industry overall. Only carriers in Latin America saw a rise in air freight load factors in September compared to a year ago.
- The outlook for air freight markets remains tentatively positive. Business confidence continues to increase slowly and a solid rise in export orders in September suggests improvement in the pace of trade growth ahead. There is still no sign, however, of improvement in Asia Pacific FTKs, the largest share of global air freight volumes. Developments in the region will have an important influence on how air freight performs overall in Q4 2013.



Year on Year Comparison

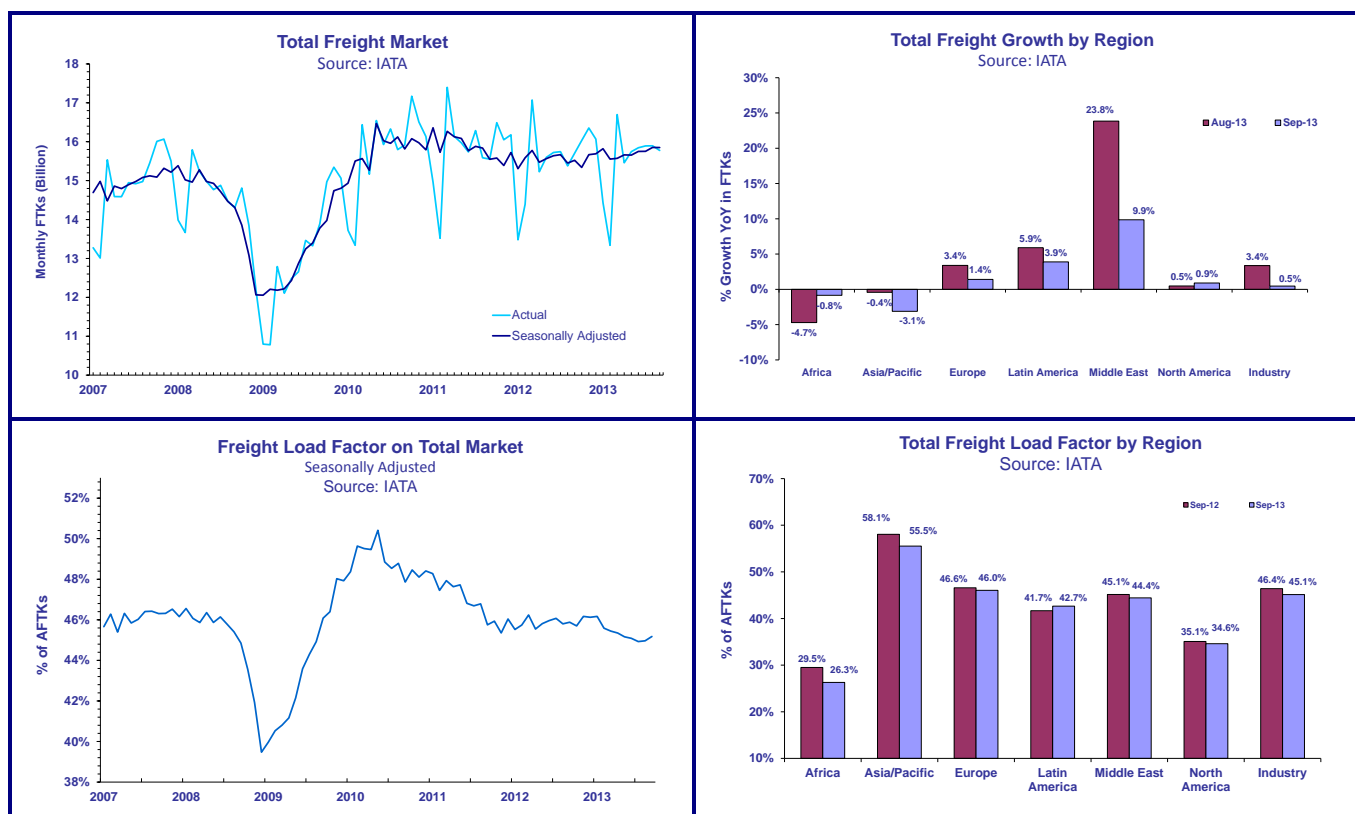
	Sep 2013 vs. Sep 2012			YTD 2013 vs. YTD 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
International	0.5%	3.4%	48.2%	0.3%	1.9%	48.3%
Domestic	0.5%	2.9%	32.4%	1.9%	2.1%	30.2%
Total Market	0.5%	3.3%	45.1%	0.5%	1.9%	44.7%

Month on Month Comparison

Sep 2013 vs. Aug 2013		
FTK	AFTK	FLF pt
-0.1%	-0.5%	0.2%
0.5%	-0.4%	1.0%
0.0%	-0.5%	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.

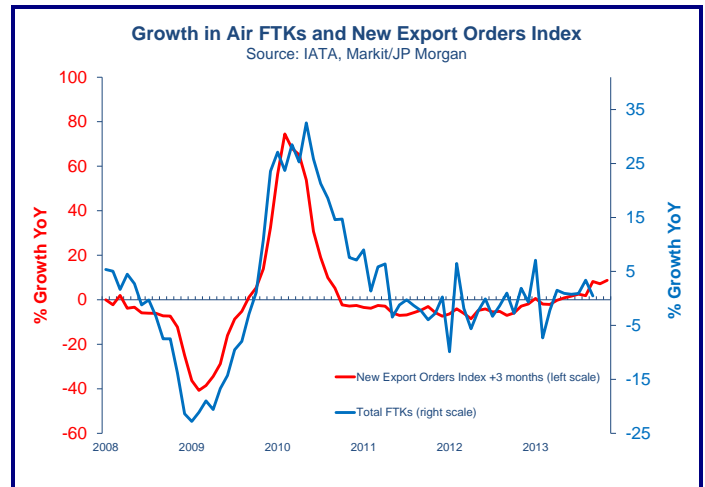
Data are seasonally adjusted. All figures are expressed in % change MOM except, FLFpt which are the percentage point difference between load factors of two months.



- Air freight markets stabilized in September, after an extended period of slow increase. Global freight tonne kilometers were up 0.5% in September year-on-year, a slowdown on the 3.4% growth in August, and there was no increase in volumes in September compared to August. But current air freight volumes are still above those seen over the past 25 months, after steady increases in the size of the market since Q2 supported by improvements in business conditions.
- The September air freight result reflects a moderation in the growth trend for carriers in the Middle East and Europe, which have carried most of the rise in FTKs over recent months. Middle Eastern carriers recorded strong growth in September, up 9.9%, but slightly below performance so far this year (12.3%). There has been further acceleration in the growth trend in Middle Eastern airlines' FTKs over recent months, supported by improving conditions in advanced economies. Trade volumes in the Middle East have shown solid growth momentum throughout Q3.
- European airlines experienced a 1.4% rise in FTKs in September year-on-year, which is a slowdown on August (3.4%). Airlines in the region have seen a pick-up in the growth trend since Q2, and have carried about 30% of the rise in global volumes since Q2. European airlines benefitted from modest growth in the Eurozone economy during the three months to June. Indicators of manufacturing and services activity remain broadly positive, pointing to growth, albeit at a weak pace, in the second half of 2013. Growth momentum in imports has also picked-up in Q3, providing further support to demand for air freight services. European airline FTKs are now the highest they have been since mid-2011.
- Latin American carriers continue to see solid growth in air freight volumes, at the second fastest rate, with a 3.9% year-on-year rise in September. The region has seen the strongest increase in trade this year, with volumes of goods traded rising 8% in August compared to the start of 2013 – supporting the continued expansion in air freight demand. Latin American carriers also saw a rise in load factors in September compared to a year ago, the only region to do so. Airlines in the region have been containing growth in capacity this year, helping load factors increase, but levels are still below that of the industry average.
- By contrast, Asia Pacific airlines continue to see weakness in air freight demand. FTKs fell 3.1% in September compared to a year ago, deepening the contraction so far this year to 2.1%. Downward pressure from regional economic weakness appears to be easing, which could contain further contraction during the remaining months of the year. China's GDP growth picked up slightly in Q3, rising 7.8% on a year ago, compared to 7.5% in Q2.
- North American airlines experienced a soft 0.9% rise in FTKs in September compared to a year ago, bucking the declining trend seen so far this year (-1.1%). However, while business confidence started to improve in Q3, it

remains below the average seen at the start of the year. Moreover, the improvement in air freight demand over recent months could be affected by the potentially damaging impacts on business activity of the 17-day US government shutdown in October.

➤ The outlook for air freight markets remains tentatively positive. Global business confidence continues to rise slowly, now indicating the fastest pace of growth in the manufacturing sector since mid-2011, according to the JP Morgan/Markit Purchasing Managers' Index. Moreover, export orders rose solidly in September, also at the strongest rate since mid-2011, suggesting improvement in the pace of world trade growth ahead. But there are also some downward pressures on air freight growth. Performance of airlines in Asia Pacific, which carry the largest share of global air freight volumes, continues to decline. This region will have an important influence on how strongly air freight markets perform in the last quarter of 2013.



ANNEX

Year on Year Comparison	Sep 2013 vs. Sep 2012			YTD 2013 vs. YTD 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	-0.4%	11.4%	27.5%	1.3%	5.8%	30.0%
Asia/Pacific	-3.5%	0.1%	58.2%	-2.7%	-1.3%	58.4%
Europe	1.4%	2.5%	47.2%	0.5%	1.2%	47.8%
Latin America	3.4%	1.7%	44.8%	2.3%	3.3%	42.7%
Middle East	10.0%	11.9%	44.9%	12.4%	11.9%	44.3%
North America	1.1%	3.7%	38.2%	-2.2%	0.5%	38.1%
International	0.5%	3.4%	48.2%	0.3%	1.9%	48.3%
Africa	-0.8%	11.2%	26.3%	1.1%	5.6%	28.7%
Asia/Pacific	-3.1%	1.3%	55.5%	-2.1%	-0.5%	55.1%
Europe	1.4%	2.6%	46.0%	0.6%	1.7%	46.6%
Latin America	3.9%	1.5%	42.7%	3.8%	2.6%	40.9%
Middle East	9.9%	11.6%	44.4%	12.3%	11.6%	43.9%
North America	0.9%	2.3%	34.6%	-1.1%	0.7%	33.8%
Total Market	0.5%	3.3%	45.1%	0.5%	1.9%	44.7%

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	Sep 2013 vs. Aug 2013			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	0.6%	0.7%	0.0%	1.6%
Asia/Pacific	-0.1%	-1.0%	0.5%	39.6%
Europe	0.0%	-0.2%	0.1%	27.1%
Latin America	4.1%	5.7%	-0.7%	3.2%
Middle East	-2.0%	-2.8%	0.4%	13.9%
North America	0.7%	0.6%	0.0%	14.7%
International	-0.1%	-0.5%	0.2%	100.0%
Africa	0.6%	0.6%	0.0%	1.4%
Asia/Pacific	-0.1%	-0.7%	0.3%	38.8%
Europe	0.0%	-0.2%	0.1%	23.9%
Latin America	3.2%	4.3%	-0.5%	3.1%
Middle East	-2.0%	-2.8%	0.3%	12.0%
North America	0.9%	-0.1%	0.4%	20.8%
Total Market	0.0%	-0.5%	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.

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FURTHER ANALYSIS AND DATA

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

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

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