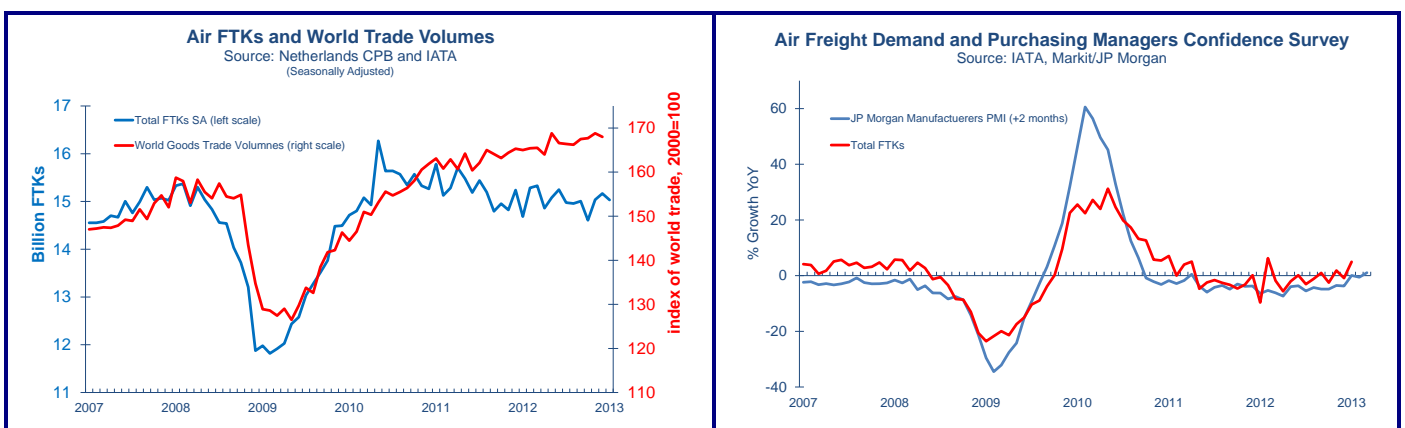


AIR FREIGHT MARKET ANALYSIS

JANUARY 2013

KEY POINTS

- Air freight markets stabilized in January, after strong growth during the last months of 2012. The seasonally adjusted levels of air freight show a moderation in the 2012 year-end growth spurt, with January volumes contracting on the December expansion. Global FTKs were up 5.0% in January compared to a year ago, after being down 0.9% in December.
- But part of that growth in the year-on-year comparison is due to the Chinese New Year occurring in February this year, rather than in January, as it did in 2012. The holiday depressed air freight demand in January 2012 as factories closed during the period of celebration. After adjusting for seasonal factors, we estimate that air freight volumes were about 2.5% higher in January compared to a year ago, half of the reported growth.
- Seasonally adjusted air freight volumes remain at the stable levels seen in mid-2012 despite a 0.9% decline in January compared to December. This contraction over the month is likely an adjustment from the strong growth seen during Q4 2012, when air freight demand received a boost from improving consumer and business confidence in some major economies.
- More specifically, Q4 2012 saw an acceleration of the Chinese economy and an upswing in growth of Asian trade activity, with export-dependent nations like Korea and Chinese Taipei experiencing stronger global demand. This was reflected in the air freight data, which revealed that a majority (about 60%) of the increase in FTK volumes in January compared to October has been carried by Asia-Pacific airlines.
- The regional comparisons show that Middle Eastern airlines continue to record the fastest growth rates, with an increase of 16.3% in January on a year ago. Airlines in this region continue to benefit from increased trade activity with emerging economies in both Asia and Africa. Asia-Pacific airlines had the second strongest growth in January (7.1%) compared to a year ago, but this rate is distorted by the timing of the Chinese New Year.
- Looking ahead, business confidence is pointing to continued support for air freight demand, with current levels indicating an increase in business manufacturing activity in the months ahead. But the persisting weakness in Eurozone economies – which are a major market for air freighted consumer goods - will likely continue to subdue growth in world trade and thereby also limit the growth trajectory of air freight volumes.



Year on Year Comparison

Jan 2013 vs. Jan 2012

2012 vs. 2011

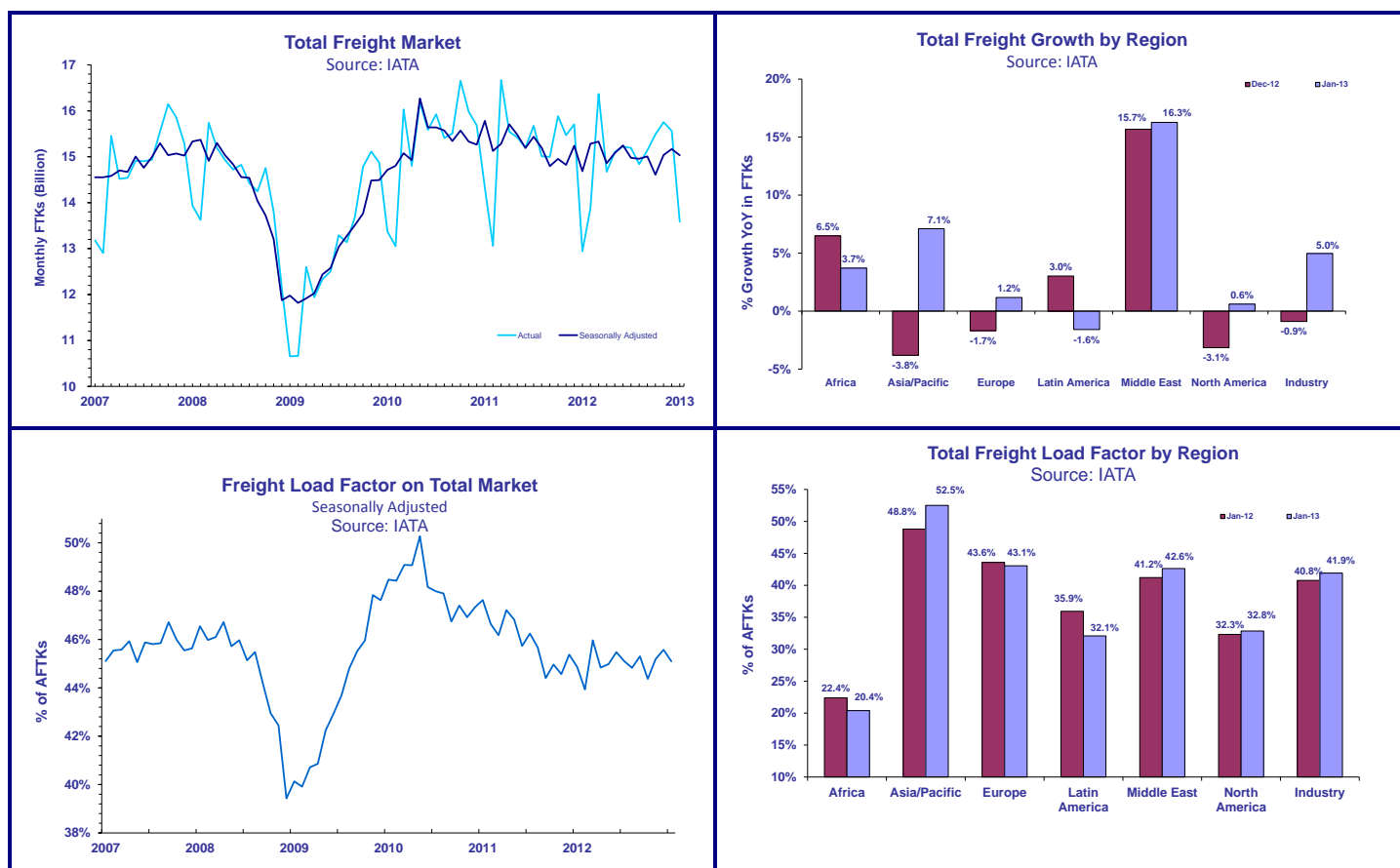
Month on Month Comparison

Jan 2013 vs. Dec 2012

	FTK	AFTK	FLF	FTK	AFTK	FLF	FTK	AFTK	FLF pt
International	4.5%	2.3%	45.6%	-1.9%	0.9%	49.3%	-1.2%	0.4%	-1.6%
Domestic	7.5%	1.3%	28.4%	1.1%	-1.4%	29.2%	1.1%	-0.6%	0.5%
Total Market	5.0%	2.1%	41.9%	-1.5%	0.4%	45.0%	-0.9%	0.2%	-0.5%

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.



- Seasonally adjusted air freight volumes remain at the stable levels seen in mid-2012 despite a 0.9% decline in January compared to December. This contraction over the month is likely an adjustment from the strong growth seen during Q4 2012, when air freight volumes increased by almost 4% in December compared to October.
- Global air freight demand received a boost over recent months from improving consumer and business confidence in some major economies. By December 2012, the global measure of business confidence had improved to levels which indicate stable growth in the months ahead, and US consumers had become notably more positive about the overall state of their economy. In fact, North American airlines carried about 15% to the increase in FTK volumes in January compared to October, and in January airlines in the region experienced a 0.6% increase in air freight compared to a year ago.
- But the major share of the increase in global FTks over the past several months was carried by Asia-Pacific airlines. Airlines in this region had been experiencing a gradual decline in air freight demand since mid-2010. Over the last 4 months, several factors contributed to a boost in demand and stabilization of the downward growth trend. Recent months have shown signs of acceleration in the Chinese economy, with business confidence continuing to rise and signaling further expansion ahead. Furthermore, growth momentum in both Asian imports and exports picked up over the last months of 2012, and the export-dependent economies of Korea and Chinese Taipei have started to report data which reflects a pick-up in activity – including growth in GDP, industrial production and trade. In January, Asia-Pacific airlines saw air freight demand rise 7.1% compared to a year ago, but a significant part of that growth was a due to the Chinese New Year occurring a month later in 2013, in February. After adjusting for seasonal factors, we estimate that air freight volumes carried by Asia-Pacific airlines were about 3.0% higher in January compared to a year ago.
- Middle Eastern airlines continue to record the fastest growth rates, with an increase of 16.3% in January on a year ago. Airlines in this region continue to benefit from increased trade activity with emerging economies in both Asia and Africa, being ideally positioned to provide air freight services to both continents. Route and capacity expansion into several African nations has provided a boost to air freight carried by Middle Eastern airlines, and enabled the region’s airlines to benefit from rapid economic expansion in West Africa, for example. Middle Eastern airlines carried about 20% to the increase in FTK volumes in January compared to October.

- January air freight results for Latin America reflected the overall trend of 2012, when airline capacity expansion significantly outpaced the growth in air freight demand. Air freight carried by Latin American airlines contracted 1.6% in January compared to a year ago, while capacity was up 10.2% year-on-year. Latin American airlines have been adding air freight capacity over recent years in a bid to seize opportunities presented by solid trade growth in many regional economies. But with cargo market potential in the region also attracting carriers from other parts of the world, competition has been strong and growth in traffic by Latin American airlines has not been able to match the pace of capacity expansion. Latin American airlines carried only 1% of the global rise in air freight volumes in January compared to October. Africa airlines, with the smallest share of the worldwide air freight market (about 1%), carried 3% of the growth in traffic over this period.
- Growth in air freight volumes during the end of 2012 helped load factors regain the ground lost earlier in the year when demand was in steady decline. In January, the contraction in air freight volumes resulted in a slip in load factors of 0.5% pt., but the trend remains stable. Strong demand growth has helped Middle Eastern airlines improve load factors in January on a year ago, while capacity management in Asia-Pacific supported a rise in load factors for airlines in that region.

ANNEX

Year on Year Comparison	Jan 2013 vs. Jan 2012			2012 vs. 2011		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	4.1%	14.1%	20.9%	6.0%	9.3%	24.8%
Asia/Pacific	5.2%	0.1%	55.8%	-6.2%	-2.9%	60.2%
Europe	0.9%	1.4%	44.1%	-3.1%	0.7%	47.9%
Latin America	-2.7%	9.7%	34.0%	-1.1%	3.3%	39.8%
Middle East	16.3%	12.7%	43.2%	14.8%	11.6%	45.5%
North America	0.8%	-2.9%	38.3%	-1.4%	-0.5%	40.9%
International	4.5%	2.3%	45.6%	-1.9%	0.9%	49.3%
Africa	3.7%	13.9%	20.4%	5.8%	9.3%	24.4%
Asia/Pacific	7.1%	-0.4%	52.5%	-5.5%	-2.4%	56.1%
Europe	1.2%	2.4%	43.1%	-2.9%	1.0%	46.9%
Latin America	-1.6%	10.2%	32.1%	-1.1%	5.2%	38.3%
Middle East	16.3%	12.4%	42.6%	14.7%	11.4%	44.8%
North America	0.6%	-1.0%	32.8%	-0.7%	-1.8%	34.9%
Total Market	5.0%	2.1%	41.9%	-1.5%	0.4%	45.0%

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 2013 vs. Dec 2012			Market Share
	FTK	AFTK	FLF	FTK
Africa	4.3%	3.5%	0.2%	1.4%
Asia/Pacific	-1.7%	1.2%	-1.7%	40.9%
Europe	-0.6%	0.0%	-0.3%	23.4%
Latin America	-1.7%	0.8%	-1.0%	3.3%
Middle East	1.1%	1.0%	0.0%	14.6%
North America	0.3%	-0.2%	0.2%	16.4%
International	-1.2%	0.4%	-1.6%	100%
Africa	4.0%	3.7%	0.1%	1.2%
Asia/Pacific	-1.5%	0.8%	-1.3%	39.2%
Europe	-0.5%	0.2%	-0.3%	20.5%
Latin America	-1.3%	1.0%	-0.9%	3.1%
Middle East	1.1%	0.9%	0.1%	12.5%
North America	0.3%	-0.1%	0.1%	23.4%
Total Market	-0.9%	0.2%	-0.5%	100%

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:

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