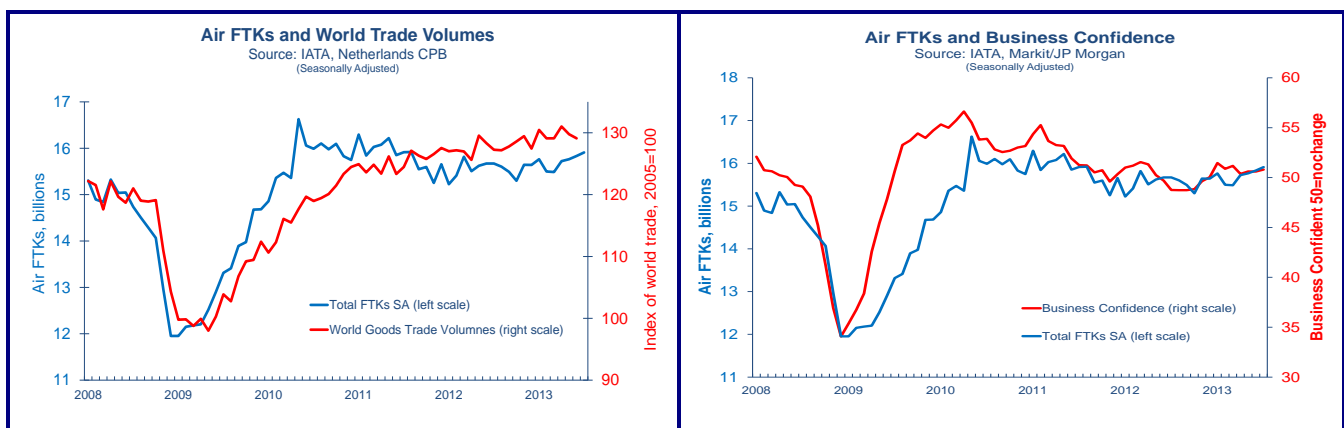


# AIR FREIGHT MARKET ANALYSIS

## JULY 2013

### KEY POINTS

- Air freight markets are starting to show signs of renewed growth. Global freight tonne kilometers were up 1.2% in July year-on-year, slightly better than the 0.9% growth in June. There was a solid 0.5% increase in air freight volumes in July compared to June.
- The rise in global FTKs over the month adds to the likelihood that the market might break out of the stagnation of the past 18 months. The first chart below shows there have been modest monthly increases in air freight volumes since April. As a result, global FTK volumes in July are the highest they have been since mid-2011.
- However, the factors supporting the current improvement in air freight volumes remain shaky. European airlines contributed to the rise in global FTKs in July, for the second consecutive month. European airline FTKs were up 1.5% in July year-on-year, and 0.3% in July compared to June. Recent economic indicators have been positive for the region, leading to the end of the Eurozone's 18 month-long recession in Q2. But recovery has been patchy and question marks remain over the Eurozone's ability to sustain growth.
- Moreover, airlines in Asia Pacific, the key manufacturing center, have not seen any improvement in air freight demand. Airlines in this region experienced yet another contraction in FTKs in July on a year ago, down 1.4%, with no expansion over the previous month either. The regional demand environment is offering little support to air freight markets, with the latest trade data showing a significant fall in emerging Asia trade volumes.
- Air freight load factors have stabilized on the back of the modest improvements in demand. Even so, capacity continues to increase which is keeping load factors at low levels. Middle Eastern and Latin American carriers experienced a rise in freight load factors in July compared to a year ago.
- The outlook for air freight markets is cautiously positive. There have been slight improvements in global business confidence and a pickup in export orders which should support a modest expansion of trade volumes in months to come. However, positive developments in Europe and the US have yet to translate into growing demand for Asian manufactured goods, which will be an important determinant of air freight growth in the second half of the year.



#### Year on Year Comparison

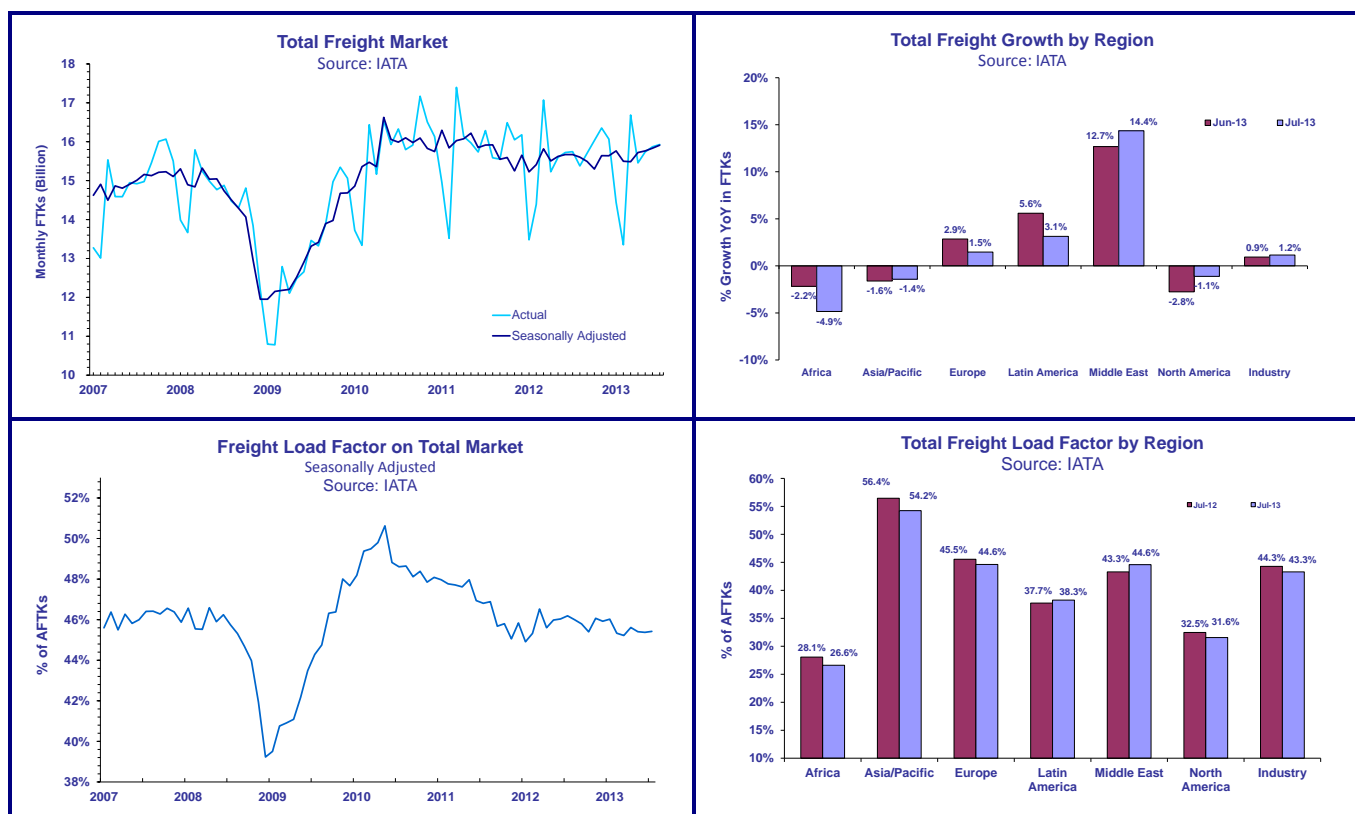
	Jul 2013 vs. Jul 2012			YTD 2013 vs. YTD 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
<b>International</b>	0.7%	3.3%	47.0%	-0.1%	1.2%	48.7%
<b>Domestic</b>	4.6%	4.0%	28.6%	2.2%	1.8%	30.0%
<b>Total Market</b>	1.2%	3.4%	43.3%	0.2%	1.3%	44.9%

#### Month on Month Comparison

Jul 2013 vs. Jun 2013		
FTK	AFTK	FLF pt
0.5%	0.8%	-0.3%
-0.3%	-1.0%	0.2%
0.5%	0.4%	0.0%

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.

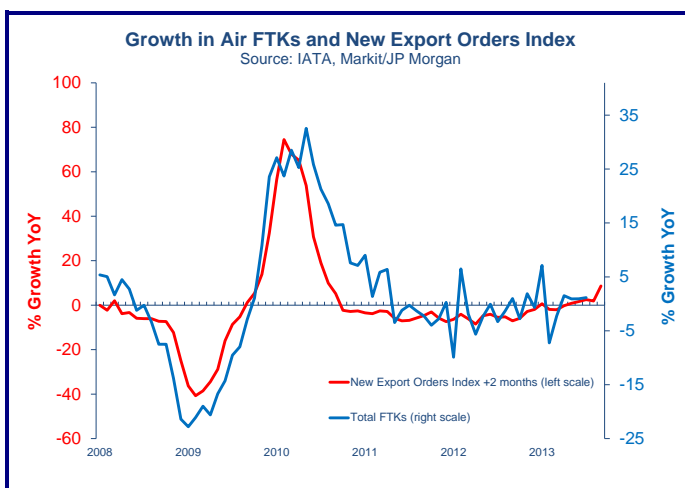
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between load factors of two months.



- Air freight markets have sustained the improvement in volumes seen at the end of Q2 with another rise in global FTKs in July. Air freight markets were up 1.2% in July year-on-year, slightly better than the 0.9% growth in June. The July result is also an improvement on year-to-date growth of 0.2%.
- Seasonally adjusted global FTKs show a 0.5% increase in July compared to June, which continues a sequence of modest increases since the start of Q2. Currently, global FTK volumes are the highest they have been since mid-2011. But at this stage, the outlook for air freight markets is tentatively positive as the factors supporting the current improvement in air freight volumes remain shaky.
- European airlines were one of two regions to contribute to the rise in global FTKs in July compared to June, with a 0.3% expansion over the month. European airline FTKs were also up 1.5% in July year-on-year. Recent economic indicators have been positive for the region, leading to the end of the Eurozone's 18 month-long recession in Q2. There was also a recent uptick in trade volumes and a slight improvement in the Eurozone's new export orders index, led by Germany. But with question marks over the Eurozone's ability to sustain growth, the regional outlook remains cautiously optimistic. There is significant variation in economic performance within the region – Portugal, Germany and France led the Eurozone Q2 GDP expansion, while Italy, Spain and the Netherlands showed continued contraction. Furthermore, although France recorded a surprisingly strong GDP growth result in Q2, Markit's measures of manufacturing and service sector activity continue to show weakness (contraction) and consumer confidence remains at close to all-time lows, all of which raise doubts over growth prospects in H2.
- Airlines in Asia Pacific, the key manufacturing center, have not seen any improvement in air freight demand. Airlines in this region experienced yet another contraction in FTKs in July on a year ago, down 1.4%, with no expansion over the month either. So far this year, Asia Pacific airlines have seen air freight contract 2.1%, the largest fall among regions. Chinese business activity remains sluggish, with Markit/HSBC Purchasing Managers Indices for manufacturing and export orders continuing to show weakness. But the weakness is actually more widespread within the region, with emerging Asia trade volumes shrinking almost 5% in the first half of the year.
- Middle East was the other region to contribute to the rise in global FTKs in July compared to June, with strong expansion of 2.1% over the month. Carriers in the Middle East also recorded a significant 14.5% increase in July year-on-year, an improvement on the 12.7% growth result June. Part of the rise in year-on-year growth rates in July is a result of the timing of Ramadan, which took place mostly in July 2013, while in 2012 a bulk of the holiday spanned August. Ramadan typically gives a boost to air freight demand for Middle Eastern carriers, as air

transport of perishable foods and gift parcels increases to/from the region. But even after adjusting for the impacts of the holiday, the month-on-month expansion (mentioned above) confirms the continuation of a strong growth trend for Middle Eastern carriers.

- Airlines in other emerging regions experienced mixed results. Air freight carried by Latin American carriers was up 3.1% in July compared to a year ago, (broadly in line with performance year-to-date, which shows expansion of 3.4%). Trade volumes in particular exports in Latin America have shown strong growth momentum over recent months, which is providing a sound foundation for expansion in air freight demand. African airlines, by contrast, experienced a 4.9% contraction in July year-on-year. And over the month, there was a significant fall in volumes of 5.0%, which has caused the growth trend in air freight to show signs of weakness. Despite a relatively supportive demand environment – with trade volumes continuing to rise and economic growth in several local economies tracking at the fastest rates globally – airlines in the region continue to face intense competition.
- Airlines in North America experienced another month of weak demand for air freight. FTKs fell 1.1% in July compared to a year ago, contributing to a 1.7% contraction year-to-date. There was deterioration over the month, with a 0.4% contraction in July compared to June, but the month-on-month growth rates for this region have been particularly volatile so it is difficult to know whether the deterioration will continue. Furthermore, latest indicators suggest a more supportive demand environment, with the US economy showing signs of improvement as July business confidence reaches levels not seen since March. Moreover, new export orders rebounded in July compared to June, re-entering expansion territory and suggesting better condition for trade activity ahead.
- The outlook for air freight markets is cautiously positive. On the positive side, the flatline in global business confidence seen throughout most of H1 appears to be coming to an end with recent small improvements in manufacturing activity recorded in July. Moreover, there was an uptick in export orders at the start of Q3, as shown in the adjacent chart, which is a positive signal for both trade growth and air freight demand in months to come. However, positive developments in Europe and the US which are driving the improved global picture have yet to translate into demand for Asian manufactured good, which will be an important determinant of air freight growth in the second half of the year.



## ANNEX

Year on Year Comparison	Jul 2013 vs. Jul 2012			YTD 2013 vs. YTD 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	-5.1%	0.5%	27.7%	2.5%	4.6%	30.8%
Asia/Pacific	-2.0%	2.1%	57.8%	-2.8%	-1.9%	58.7%
Europe	1.4%	3.1%	45.9%	0.0%	1.0%	48.2%
Latin America	2.0%	1.6%	40.1%	1.7%	4.5%	42.4%
Middle East	14.5%	11.4%	45.1%	11.8%	10.4%	44.9%
North America	-4.5%	0.7%	35.3%	-3.2%	-0.7%	38.6%
<b>International</b>	<b>0.7%</b>	<b>3.3%</b>	<b>47.0%</b>	<b>-0.1%</b>	<b>1.2%</b>	<b>48.7%</b>
Africa	-4.9%	0.4%	26.6%	2.2%	4.4%	29.5%
Asia/Pacific	-1.4%	2.6%	54.2%	-2.1%	-1.2%	55.3%
Europe	1.5%	3.5%	44.6%	0.2%	1.7%	46.9%
Latin America	3.1%	1.7%	38.3%	3.4%	3.7%	40.6%
Middle East	14.4%	11.1%	44.6%	11.7%	10.1%	44.4%
North America	-1.1%	1.7%	31.6%	-1.7%	-0.1%	33.9%
<b>Total Market</b>	<b>1.2%</b>	<b>3.4%</b>	<b>43.3%</b>	<b>0.2%</b>	<b>1.3%</b>	<b>44.9%</b>

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	Jul 2013 vs. Jun 2013			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	-5.4%	0.0%	-1.6%	1.6%
Asia/Pacific	0.0%	1.2%	-0.7%	40.1%
Europe	0.3%	0.8%	-0.2%	26.9%
Latin America	-3.7%	-0.5%	-1.4%	3.0%
Middle East	2.1%	0.9%	0.6%	14.3%
North America	-0.8%	0.3%	-0.4%	14.1%
<b>International</b>	<b>0.5%</b>	<b>0.8%</b>	<b>-0.3%</b>	<b>100.0%</b>
Africa	-5.0%	0.4%	-1.6%	1.4%
Asia/Pacific	0.0%	0.9%	-0.5%	38.8%
Europe	0.3%	0.8%	-0.2%	23.8%
Latin America	-3.2%	-1.0%	-0.9%	3.0%
Middle East	2.1%	0.9%	0.5%	12.5%
North America	-0.4%	0.2%	-0.2%	20.4%
<b>Total Market</b>	<b>0.5%</b>	<b>0.4%</b>	<b>0.0%</b>	<b>100.0%</b>

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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2<sup>ND</sup> September 2013

### FURTHER ANALYSIS AND DATA

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

[www.iata.org/ps/publications/Pages/carrier-tracker](http://www.iata.org/ps/publications/Pages/carrier-tracker)

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