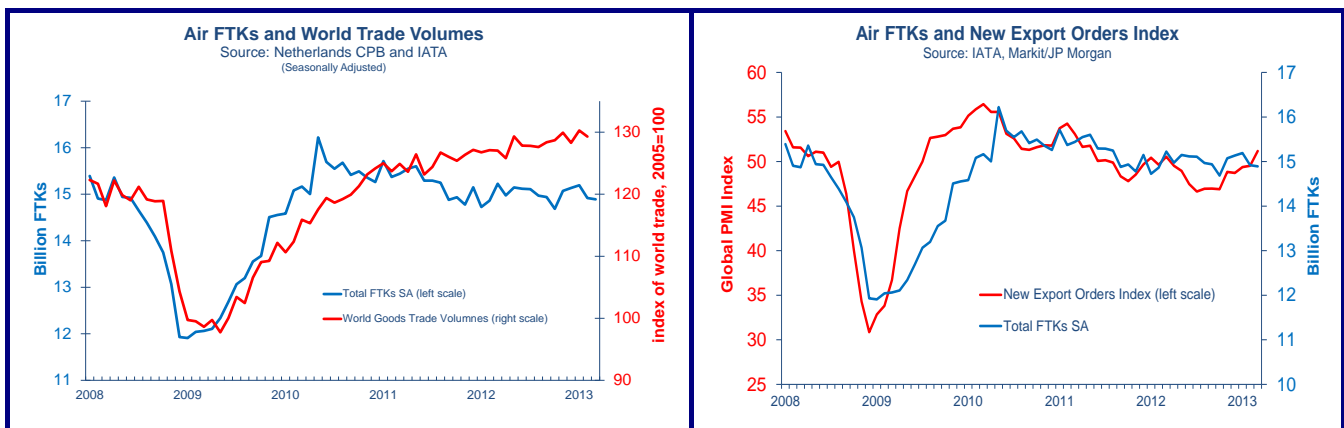


# AIR FREIGHT MARKET ANALYSIS

## MARCH 2013

### KEY POINTS

- Air freight markets weakened in March, eroding some of the improvement made toward the end of 2012. Global FTKs were down 2.3% in March compared to a year ago. Although this is an improvement on February when air freight markets were down 7.2%, after adjusting for the seasonal factors that have affected year-on-year growth comparisons over recent months, the trend clearly shows the improvement in growth has stalled.
- In fact, the first chart below showing seasonally adjusted global FTKs indicates some reversal in the upward growth trend which started in Q4 2012. Although the improved business environment which supported the previous rise in volumes remains largely intact, recent developments in major economies have raised questions about the pace of the global economic recovery - air freight markets appear to be reflecting that same uncertainty.
- Asia Pacific airlines have experienced most of the weakness in the global trend. In March, Asia Pacific airlines' FTKs fell 3.3% compared to a year ago. And although there was an expansion month-on-month (0.4%), there has been a 3% drop in volumes in March compared to January. The cargo businesses of regional airlines have been negatively impacted by economic weakness of major trade partners.
- Middle East and Africa were the only regions to see an improvement in air freight volumes in March compared to a year ago, up 10.5% and 3.2%, respectively. Through network expansion and links to emerging markets Middle Eastern airlines have been able to maintain a continuously strong growth trend for the past 2 years. Airlines in Latin America recorded a small decline of 0.8% in March compared to a year ago, but the underlying growth trend is still solid and airlines are maintaining the improvement in demand since late 2012.
- Airlines managed to halt any further decline in air freight load factors in March after a significant drop in February. Capacity contracted 0.4% month-on-month, by a faster rate than the slip in volumes, helping load factors nudge up marginally, 0.1%. Nevertheless, seasonally adjusted load factors remain at the lowest levels since the post-crisis recovery.
- Despite downward revisions to Eurozone growth and US government spending cuts, business confidence levels continue to indicate that a global economic upturn is forthcoming. Furthermore, the second chart below shows a solid increase in new export orders in 2013, which should give a boost to both world trade and air freight demand in the coming months.



#### Year on Year Comparison

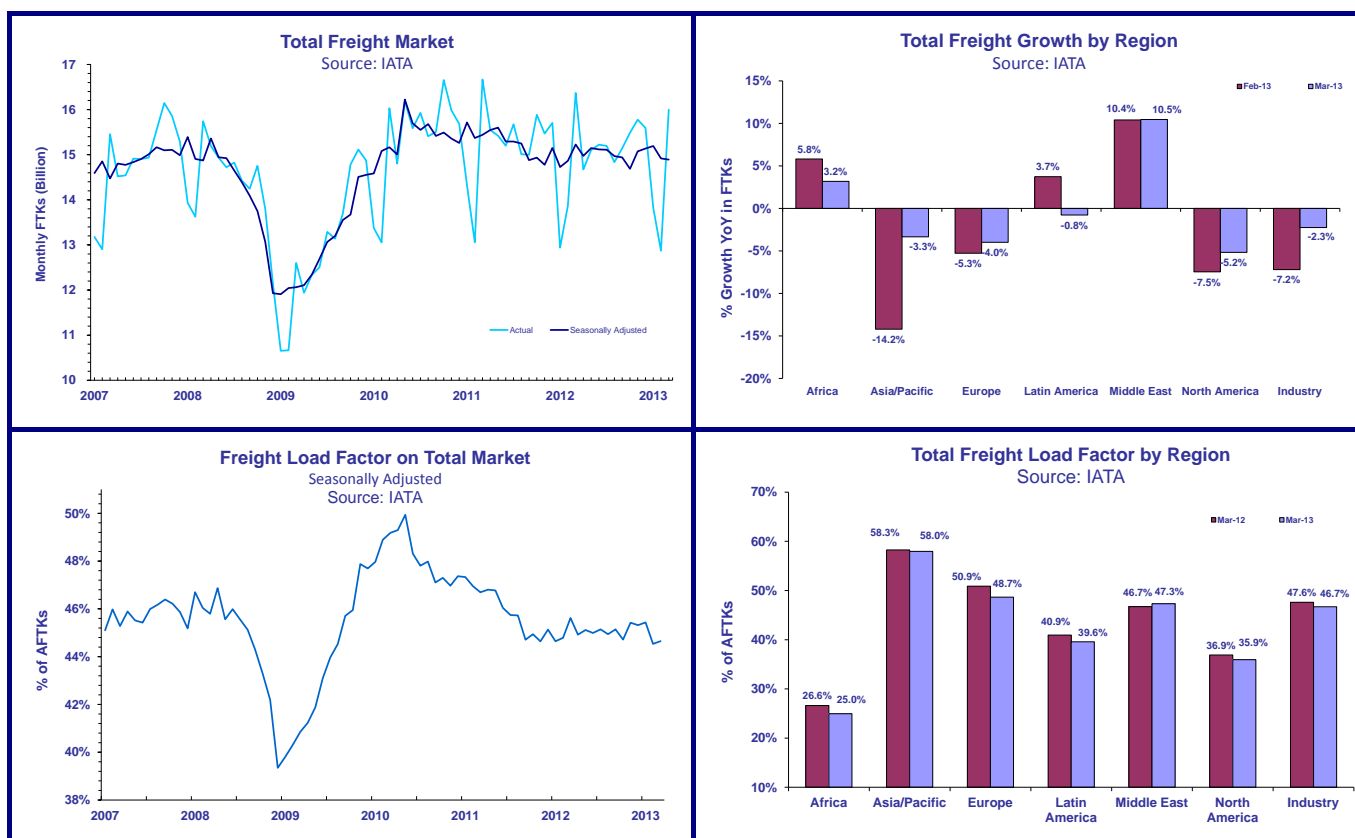
	Mar 2013 vs. Mar 2012			YTD 2013 vs. YTD 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
International	-2.1%	-0.3%	51.5%	-1.5%	-0.8%	48.7%
Domestic	-3.5%	-0.5%	28.9%	1.0%	0.4%	28.5%
<b>Total Market</b>	<b>-2.3%</b>	<b>-0.3%</b>	<b>46.7%</b>	<b>-1.1%</b>	<b>-0.6%</b>	<b>44.3%</b>

#### Month on Month Comparison

Mar 2013 vs. Feb 2013		
FTK	AFTK	FLF pt
-0.1%	-0.6%	0.5%
-0.4%	0.1%	-0.2%
<b>-0.2%</b>	<b>-0.4%</b>	<b>0.1%</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.

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 weakened in March, eroding some of the improvement made toward the end of 2012. Global FTks were down 2.3% in March compared to a year ago. Although this is an improvement on February when air freight markets were down 7.2%, after adjusting for all the seasonal factors that have affected year-on-year growth rates over recent months, the underlying trend indicates a reversal of the improvement which commenced in Q4 2012. The current level of air freight volumes is now just 1.5% above the October 2012 low point, while in January volumes were as much as 3.5% above that perceived turning point.
- Although the improving business environment which supported the recent rise in air freight volumes remains largely intact, recent developments have raised questions about the pace of the global economic recovery. China's first quarter economic growth result was solid but below expectations, several Eurozone confidence indicators showed declined in March, and the US government enacted a series of spending cuts. The recent weakening in air freight demand appears to be reflecting the same uncertainty.
- Asia Pacific airlines have experienced most of the reversal seen in the global trend. In March, Asia Pacific airlines' FTks fell 3.3% compared to a year ago. Despite an expansion month-on-month (0.4%), there has been a 3% drop in volumes in March compared to January. Important indicators of demand for Asia Pacific airlines air freight are mixed. The region's fundamentals do not point to a downturn. Although China GDP growth did not meet forecast expectations, first quarter expansion was still strong at well over 7%, and business confidence indicators continue to increase. On the other hand, major trade partner Europe continues to be hampered by weak economic growth and susceptibility to sovereign debt problems. The US economy is largely on track, but recent data have raised concerns over the strength of consumer spending, which is critical to supporting demand for air freighted consumer goods.
- Middle East and Africa were the only regions to see an improvement in air freight volumes in March compared to a year ago, up 10.5% and 3.2%, respectively. Through network expansion and links to emerging markets, particularly Africa and Asia, Middle Eastern airlines have been able to maintain a continuously strong growth trend for the past 2 years. Africa airlines air freight markets continue to receive support from strong growth in regional developing economies, some posting the fastest growth rates globally.
- Airlines in Latin America recorded a small decline of 0.8% in March compared to a year ago, but the underlying growth trend is still solid and airlines are maintaining the improvement in demand since late 2012. Better economic performance of Latin America's trade partners (namely the US and China) has helped airlines in this region benefit from export activity.
- Airlines in North America experienced a 5.2% decline in air freight demand in March year-on-year. Although there was a strong expansion over the month, 0.9%, the upturn in demand at the end of 2012 has also now weakened

much like the global trend. While domestic demand has provided support to major regional cargo carriers, exposure to Europe on international services has placed downward pressure on demand growth.

- Airlines managed to halt any further decline in air freight load factors in March, after a significant drop in February. Capacity contracted 0.4% month-on-month, by a faster rate than the slip in volumes, helping load factors nudge up marginally, 0.1%. Airlines in Latin America and North America experienced the strongest improvement in load factors month-on-month. Nevertheless, seasonally adjusted load factors are at the lowest levels since the post-crisis recovery. Middle Eastern airlines were the only region to see an improvement in air freight load factor in March compared to a year ago.
- The global PMI export orders index is a good leading indicator for both world trade and air freight demand. The second chart on the first page shows that exports orders tend to lead global FTKs by several months. Since Q4 2012, the exports orders index has been increasing steadily, and in the New Year it broke the 50 neutral level, now firmly in expansion territory. This is a signal that world trade growth and the need for air freight services will pick up in the months ahead.

## ANNEX

Year on Year Comparison	Mar 2013 vs. Mar 2012			YTD 2013 vs. YTD 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	4.2%	10.2%	25.4%	4.4%	10.8%	23.6%
Asia/Pacific	-4.0%	-3.5%	62.1%	-4.6%	-4.9%	58.7%
Europe	-4.0%	-0.3%	50.0%	-2.9%	-0.8%	47.5%
Latin America	-2.2%	2.0%	40.8%	-0.5%	6.2%	37.3%
Middle East	10.5%	9.3%	48.1%	12.4%	9.5%	46.2%
North America	-4.4%	-3.0%	43.8%	-3.0%	-3.9%	41.3%
<b>International</b>	<b>-2.1%</b>	<b>-0.3%</b>	<b>51.5%</b>	<b>-1.5%</b>	<b>-0.8%</b>	<b>48.7%</b>
Africa	3.2%	10.0%	25.0%	3.6%	10.6%	23.1%
Asia/Pacific	-3.3%	-2.8%	58.0%	-3.7%	-4.3%	54.4%
Europe	-4.0%	0.4%	48.7%	-2.8%	0.0%	46.3%
Latin America	-0.8%	2.6%	39.6%	0.9%	6.4%	35.9%
Middle East	10.5%	9.1%	47.3%	12.4%	9.3%	45.5%
North America	-5.2%	-2.7%	35.9%	-2.1%	-2.1%	34.8%
<b>Total Market</b>	<b>-2.3%</b>	<b>-0.3%</b>	<b>46.7%</b>	<b>-1.1%</b>	<b>-0.6%</b>	<b>44.3%</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	Mar 2013 vs. Feb 2013			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	-2.3%	0.6%	-0.7%	1.3%
Asia/Pacific	-1.0%	-0.3%	-0.4%	40.2%
Europe	-0.1%	-0.4%	0.2%	24.4%
Latin America	1.6%	-0.1%	0.7%	3.2%
Middle East	-0.2%	0.5%	-0.3%	14.3%
North America	0.9%	-0.4%	0.6%	16.7%
<b>International</b>	<b>-0.1%</b>	<b>-0.6%</b>	<b>0.5%</b>	<b>100%</b>
Africa	-1.9%	0.6%	-0.6%	1.2%
Asia/Pacific	0.4%	-0.2%	0.3%	38.5%
Europe	-0.1%	-0.3%	0.1%	21.5%
Latin America	1.8%	0.1%	0.7%	3.1%
Middle East	-0.2%	0.5%	-0.3%	12.5%
North America	0.9%	-0.4%	0.6%	23.3%
<b>Total Market</b>	<b>-0.2%</b>	<b>-0.4%</b>	<b>0.1%</b>	<b>100%</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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30<sup>ND</sup> April 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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