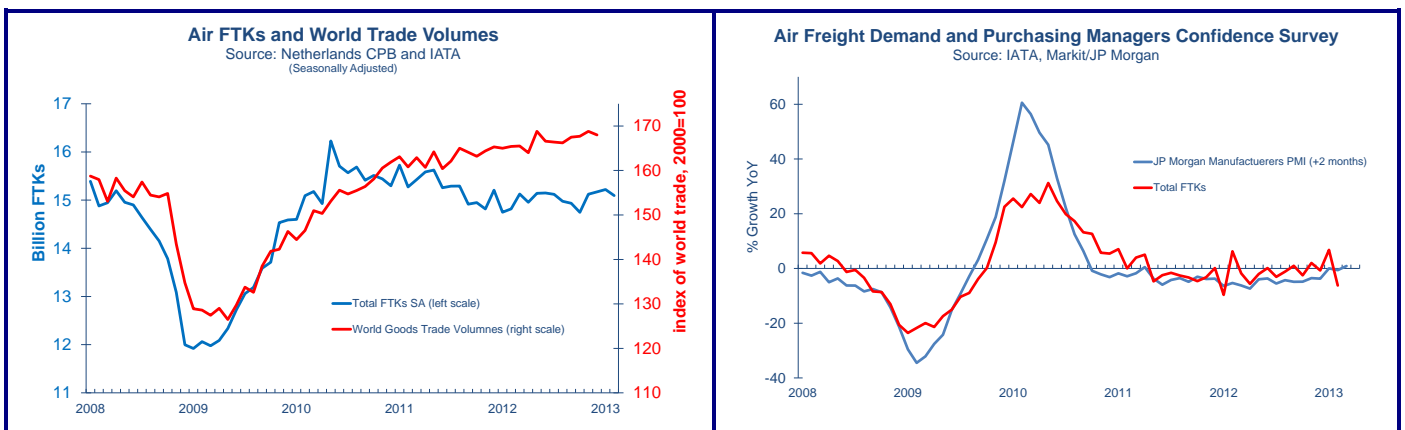


AIR FREIGHT MARKET ANALYSIS

FEBRUARY 2013

KEY POINTS

- Air freight markets were able to maintain the modest improvement seen over recent months in February. Global FTKs were 2.5% higher in February than the low point in October 2012, even with a 0.8% contraction in February compared to January. Over the longer term, however, February air freight levels are in line with the flat trend seen over the past 18 months. On a year ago, air freight was down 6.2% in February, after being up 6.8% in January.
- But the year-on-year comparison is distorted by seasonal factors, including the timing of the Chinese New Year, which occurred in February this year rather than in January as it did in 2012. The holiday depressed air freight demand in February as factories closed during the period of celebration. In addition, the year-on-year comparison was impacted by February 2012 having one additional day due to the Leap Year. After adjusting for seasonal factors, we estimate that air freight volumes were almost 2.0% higher in February compared to a year ago.
- Middle Eastern airlines were once again the strongest performers, seeing a 12.3% rise in air freight volumes in February compared to a year ago. Airlines in this region continue to benefit from increased trade activity with emerging economies in both Asia and Africa. Airlines in North America recorded a 3.1% decline in air freight demand in February compared to a year ago, but the monthly trend remains positive, reflecting regional improvements in consumer and business sentiment and robust domestic demand.
- Air freight volumes carried by Asia Pacific airlines weakened in February, after driving the rebound in air freight demand over the past several months. Asia Pacific airlines saw a fall of 14.7% in air freight volumes in February compared to a year ago, but most of this decline was a result of the timing of Chinese New Year. Although there was also a contraction in the seasonally adjusted volumes for Asia Pacific, this could be a result of volatility in the data as economic indicators for the region do not show a reversal in the recent positive trend.
- Air freight load factors slipped 0.8% pt in February compared to January – eroding the gains made during Q4 2012 - with no reduction in capacity to offset the contraction in volumes over the month. Only carriers in the Middle East and North America saw an improvement in load factors in February compared to a year ago.
- Business confidence levels continue to suggest an increase in manufacturing activity in the months ahead, lending support to air freight demand. But we are yet to see a clear upturn in the growth trend, with much of the performance of air freight markets depending on stability in the Eurozone.



Year on Year Comparison

Feb 2013 vs. Feb 2012

YTD 2013 vs. YTD 2012

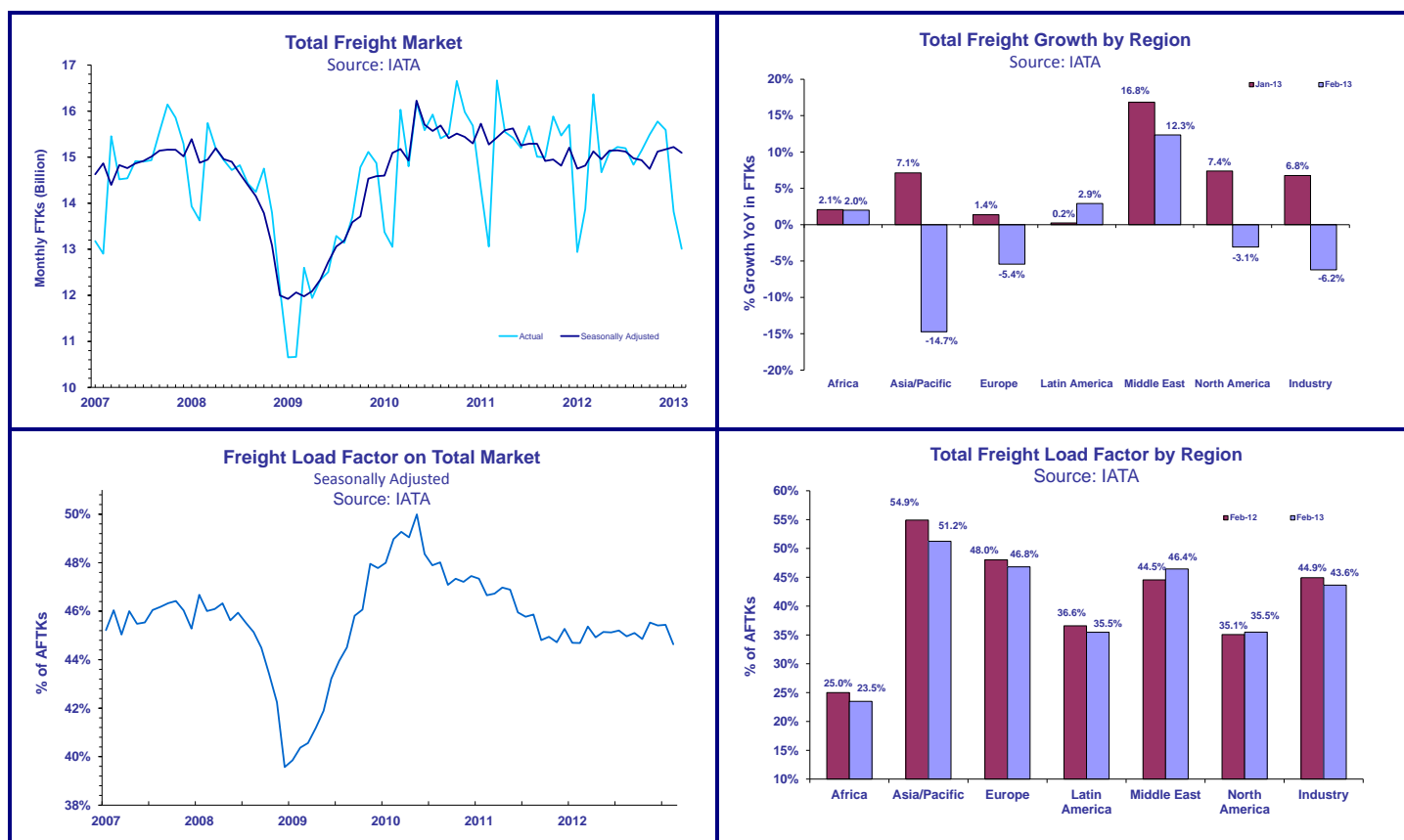
Month on Month Comparison

Fec 2013 vs. Jan 2013

	FTK	AFTK	FLF	FTK	AFTK	FLF	FTK	AFTK	FLF pt
International	-6.9%	-4.2%	48.2%	-1.0%	-0.8%	47.0%	-1.2%	0.7%	-1.9%
Domestic	-2.3%	-0.7%	28.0%	6.5%	2.0%	28.8%	1.2%	1.9%	-0.2%
Total Market	-6.2%	-3.4%	43.6%	0.0%	-0.2%	42.9%	-0.8%	1.0%	-0.8%

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.

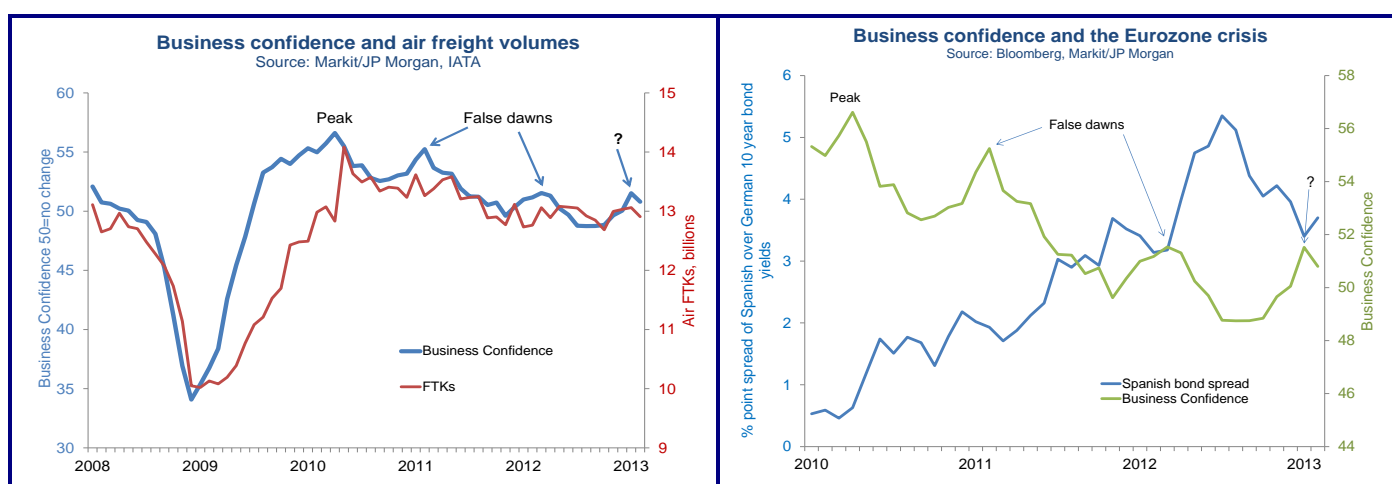
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between load factors of two months.



- Global air freight markets managed to maintain the improved levels of demand seen over recent months in February. Seasonally adjusted global FTks are 2.5% higher than the low point in October 2012, despite a 0.8% contraction in February compared to January. Over the longer term, however, February air freight levels are in line with the flat trend seen over the past 18 months. The size of global air freight market in February is only slightly above the average of the past year and a half.
- Global air freight markets saw an increase in demand over recent months from improving consumer and business confidence in some major economies, and those positive developments remain largely intact. The JP Morgan/Markit measure of confidence in the manufacturing industry (shown in the second chart on the previous page) declined slightly in February. However, most of that comes from weaker readings in China, where the timing of the Chinese New Year negatively affected manufacturing activity that month. Importantly, the Chinese economy is still on the path to recovery and the country's business confidence levels have now had 4 consecutive readings above the critical 50 line (in expansion territory), supported by increasing employment and trade activity.
- Growth in China combined with positive momentum in Asian trade and industrial production suggests that the decline in Asia Pacific air freight demand is mostly the result of the timing of the Chinese New Year as well as volatility in the data. Asia Pacific airlines saw a fall of 14.7% in air freight volumes in February compared to a year ago, but a large part of that decline is because of decreased business activity during the holiday period. And although there was also a contraction in the seasonally adjusted volumes for Asia Pacific, this could be a result of volatility in the data as the economic indicators discussed above do not support a reversal in the recent positive trend.
- Middle Eastern airlines continue to record the fastest growth rates, with an increase of 12.3% in February 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. The monthly growth trend was also strong in February, with airlines in the region seeing a 0.8% rise in air freight volumes compared to January.
- Airlines in Latin America and Africa also saw a rise in air freight demand in February compared to a year ago, 2.9% and 2.0% respectively. Strong economic growth in several Africa economies is driving solid growth in imports, which is helping support demand for air freight services. In Latin America, better economic performance of its trade partners – including the US and China – has helped airlines in this region benefit from export activity. There were also some seasonal impacts on air freight markets in Latin America in February. Carnival in Brazil would have had some negative impact on air freight activity in February, while flower exporters Colombia and Ecuador would have seen a significant increase in air transport demand to meet worldwide orders for Valentine's

day mid-month. After adjusting for seasonal factors, carriers in the region saw a slight decline (0.2%) on international freight markets in February compared to January.

- Airlines in North America recorded a 3.1% decline in air freight demand in February compared to a year ago, but the monthly trend remains positive, reflecting regional improvements consumer and business sentiment. Major cargo carriers in the region continue to suffer from weakness on international markets linked to Europe, but robust domestic demand is helping support a positive growth trend overall.
- Growth in air freight volumes during the end of 2012 helped load factors rebound from lows seen earlier in the year. In February, however, air freight load factors slipped below 49% once again, eroding the improvement seen over recent months. The contraction in volumes in February compared to January was exacerbated by an increase in capacity; causing load factors to slip 0.8% pt. Only carriers in the Middle East and North America saw an improvement in load factors in February compared to a year ago. While over the month, only Latin America airlines saw a rise in load factors in February compared to January. Middle Eastern and North American airlines saw no change in load factors in February compared to January.



- Business confidence levels continue to suggest an increase in manufacturing activity in the months ahead, lending support to air freight demand. However, in 2011 and 2012 similar periods of improved business conditions were reversed, as can be seen in the first chart above. On both occasions, it was intensifying problems in the Eurozone that caused the falls in business confidence, represented by changes in the Spanish bond spread in the second chart above.
- The coming months will reveal whether the positive developments in business conditions and air freight demand will continue. Much depends on the stability of the Eurozone, as any downside risks to the current improved growth outlook will likely come from this region.

ANNEX

Year on Year Comparison	Feb 2013 vs. Feb 2012			YTD 2013 vs. YTD 2012		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	2.5%	9.0%	24.1%	2.5%	11.3%	22.2%
Asia/Pacific	-14.9%	-10.2%	56.5%	-5.5%	-5.6%	56.4%
Europe	-5.3%	-3.6%	48.1%	-2.3%	-1.1%	46.1%
Latin America	3.0%	7.0%	36.7%	0.0%	8.4%	35.3%
Middle East	12.4%	7.9%	47.2%	14.6%	10.4%	45.2%
North America	-6.2%	-6.6%	41.4%	-0.7%	-3.4%	40.1%
International	-6.9%	-4.2%	48.2%	-1.0%	-0.8%	47.0%
Africa	2.0%	8.6%	23.5%	2.0%	11.0%	21.7%
Asia/Pacific	-14.7%	-8.6%	51.2%	-4.3%	-5.0%	52.2%
Europe	-5.4%	-3.0%	46.8%	-2.2%	-0.2%	44.9%
Latin America	2.9%	6.2%	35.5%	1.5%	8.3%	34.0%
Middle East	12.3%	7.7%	46.4%	14.5%	10.1%	44.6%
North America	-3.1%	-4.2%	35.5%	2.0%	-0.7%	34.6%
Total Market	-6.2%	-3.4%	43.6%	0.0%	-0.2%	42.9%

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	Feb 2013 vs. Jan 2013			Market Share
	FTK	AFTK	FLF	FTK
Africa	-2.5%	0.6%	-0.7%	1.4%
Asia/Pacific	-3.0%	-1.0%	-1.2%	37.9%
Europe	-0.7%	0.8%	-0.7%	24.8%
Latin America	-0.2%	-0.9%	0.3%	3.4%
Middle East	0.8%	0.7%	0.0%	15.3%
North America	0.2%	2.0%	-0.7%	17.2%
International	-1.2%	0.7%	-1.9%	100%
Africa	-2.4%	0.6%	-0.7%	1.2%
Asia/Pacific	-3.4%	-0.7%	-1.5%	35.6%
Europe	-0.7%	0.5%	-0.6%	21.7%
Latin America	-1.4%	-1.6%	0.1%	3.2%
Middle East	0.8%	0.7%	0.0%	13.1%
North America	1.6%	1.6%	0.0%	25.2%
Total Market	-0.8%	1.0%	-0.8%	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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