

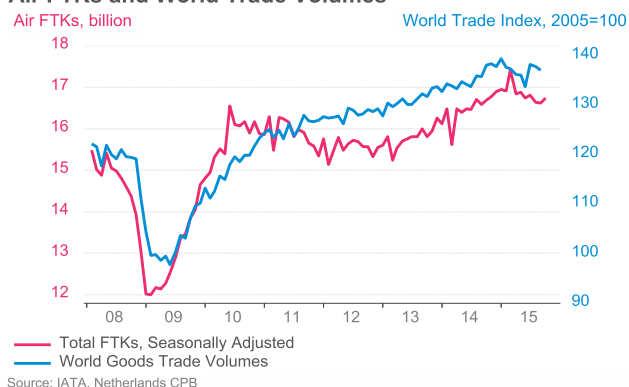
# AIR FREIGHT MARKET ANALYSIS

## SEPTEMBER 2015

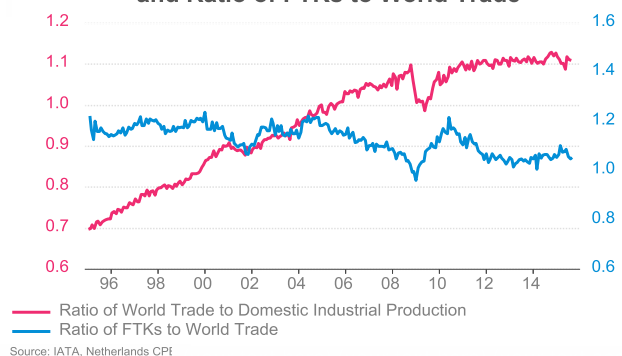
### KEY POINTS

- Air freight volumes were up slightly in September, with freight tonne kilometers (FTKs) 1.0% higher compared to a year ago. This was a small improvement on August, when volumes were broadly stable year to year, however, the increase is narrowly based and trade and business confidence remain weak in key regions.
- The first chart below shows the growth trend in air freight volumes and world trade. FTKs expanded by 0.7% in September compared to August. But this expansion in volumes was carried mostly by airlines in advanced economies, where business conditions and trade activity have shown some improvement. Airlines in Asia Pacific, which carry the greatest share of global air cargo, continue to experience weakness.
- Carriers in Europe recorded a rise of 2.8% in September, year-on-year. This is well above the trend in 2015, which has been flat year-to-date. Recent improvements in Eurozone manufacturing business activity could finally be starting to support air freight demand. In addition, some improvements in trade activity to/from Central and Eastern Europe is helping as well. Continued growth in air freight carried by Middle Eastern airlines (up 7.5%) in September year-on-year has helped offset weakness in other regions.
- Asia Pacific carriers recorded an increase of just 0.3% in September. Conditions in the region remain fragile with China and other key export economies, including Korea and Chinese Taipei, continuing to see disappointing trade growth.
- Despite the rise in demand in September, load factors showed no improvement and remain at lows not seen since 2009. In addition to recent weakness in cargo demand, there has been continued capacity expansion, partly from growth in the passenger business, and this has placed downward pressure on cargo load factors.
- Some of the conditions that led to the decline in world trade this year – a combination of weaker than expected global economic growth, particularly in emerging markets, as well as shifts toward the domestic market in China – are persisting. The September data suggests that improvements in some regions could counter further declines in air cargo demand. But this is narrowly-based and the demand backdrop for air cargo remains fragile.

**Air FTKs and World Trade Volumes**



**Ratio of World Trade to Domestic Industrial Production and Ratio of FTKs to World Trade**



### Year on Year Comparison

	Sep 2015 vs Sep 2014			YTD 2015 vs. YTD 2014		
	FTK	AFTK	FLF	FTK	AFTK	FLF
<b>International</b>	1.2%	6.3%	45.8%	2.7%	6.4%	46.9%
<b>Domestic</b>	-0.8%	2.7%	31.6%	0.1%	2.2%	29.8%
<b>Total Market</b>	1.0%	5.6%	43.2%	2.4%	5.5%	43.6%

### Month on Month Comparison

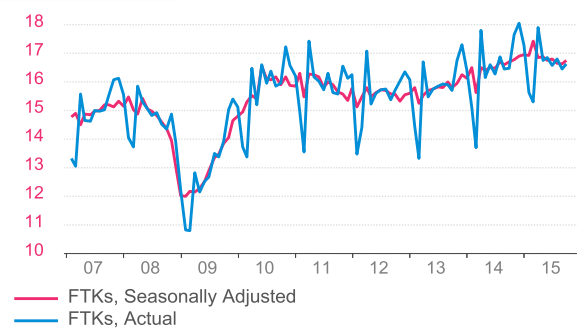
	Sep 2015 vs. Aug 2015		
	FTK	AFTK	FLF pt
<b>International</b>	0.9%	0.7%	0.1%
<b>Domestic</b>	-0.1%	0.6%	-0.2%
<b>Total Market</b>	0.7%	0.6%	0.0%

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.

### Total Freight Market

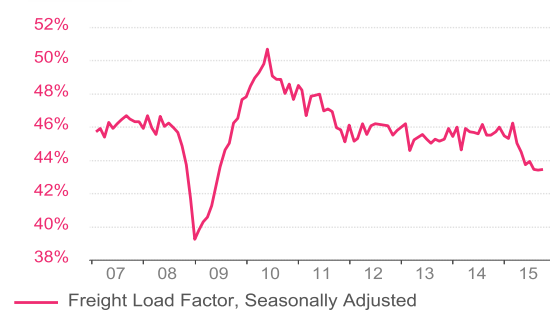
Monthly FTKs, billion



Source: IATA

### Freight Load Factor on Total Market

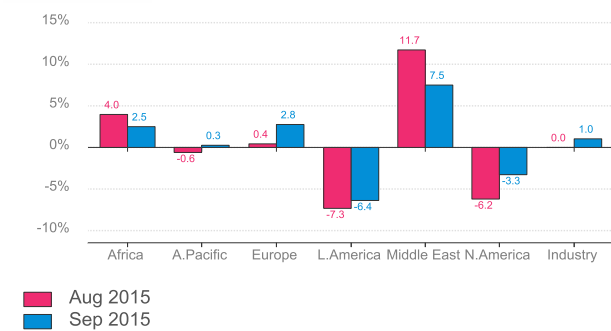
% of AFTKs



Source: IATA

### Total Freight Growth by Region

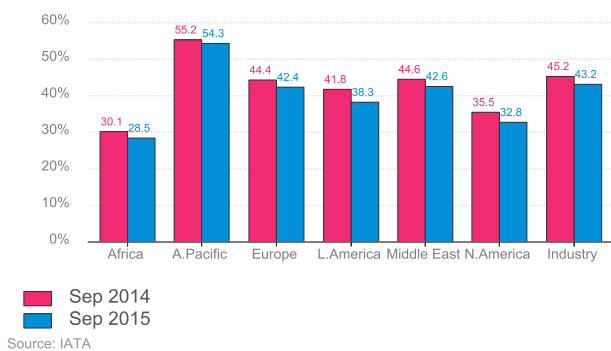
% growth in FTKs



Source: IATA

### Total Freight Load Factor by Region

% of AFTKs



Source: IATA

- In the first half of 2015, declines in world trade reflected weaker than expected global economic growth as well as focal shifts in some economies. Global economic growth has softened owing to slower growth in a number of emerging economies, including China, Brazil and Argentina. The sluggish demand backdrop has been compounded by China's shift in focus toward its domestic market as well as the USA's support of its own manufacturing sector.
- Air cargo markets have broadly followed the trend in world trade. And this includes more recent developments, which show that the downward trend in world trade volumes appears to have paused. This has helped contain further weakness in air freight markets.
- The first chart above shows the trend in FTK volumes after adjusting for seasonal and holiday impacts. FTKs expanded by 0.7% in September compared to August. But this expansion in volumes was carried mostly by airlines in advanced economies, where business conditions and trade activity have shown some improvement. Airlines in Asia Pacific, which carry the greatest share of global air cargo, continue to experience weakness.
- Carriers in Europe experienced a rise of 2.8% in September, year-on-year. This is well above the trend in 2015, which shows no increase year-to-date. Recent improvements in Eurozone manufacturing business activity could finally be starting to support air freight demand. In addition, improvements in trade activity to/from Central and Eastern Europe are helping as well.
- Continued growth in air freight carried by Middle Eastern airlines (up 7.5% in September year-on-year) has helped offset weakness in other regions. Major economies in the Middle East, including Saudi Arabia and the United Arab Emirates, have seen slowdowns in non-oil sectors (Markit), but the rates of growth remain robust and this should help sustain solid growth in air freight demand for local carriers.
- Asia Pacific carriers recorded an increase of just 0.3% in September. Although early H2 data show that declines in trade to/from Emerging Asia appear to have bottomed out, or at least paused, conditions in the region remain fragile. China and other key export economies, including South Korea and Chinese Taipei, continue to record disappointing trade growth. Given that manufacturing activity and export orders remain weak in China, a strong acceleration in regional trade in the near-term is unlikely.
- Carriers in North America recorded a decline in FTKs of 3.3% in September year-on-year. Airlines in this region have experienced a significant decline in FTK volumes since the boost from modal shift due to seaport congestion earlier in the year. Shippers had relied heavily on air cargo to avoid delays from US container port congestion from November through March. But now, with no congestion at West Coast sea ports, demand for air freight transport has been down, particularly compared to a year ago. But despite the poor year-over-year result, volumes in September were up 0.8% compared to August, indicating the possibility of improvements in air freight demand due to better economic conditions so far in H2.
- In Latin America, the region's carriers recorded a big fall of 6.4% in September. With economic and political conditions in key economy Brazil worsening, regional trade activity has taken a turn with a 7% fall in August

compared to July. Although there has been some disconnect in air cargo and regional trade trends over recent months, this latest decline in Latin American trade activity does not bode well for carriers in the region, which have experienced a 6.8% contraction in air cargo year-to-date.

- ✈ African airlines, carrying a small part of worldwide FTKs, recorded a rise in FTKs of 2.5% in September year-on-year. From the perspective of demand drivers, major economies Nigeria and South Africa underperformed during parts of 2015, however, regional trade activity is holding up, which should support demand for air transport of goods.

## ANNEX

Year on Year Comparison	Sep 2015 vs. Sep 2014			YTD 2015 vs. YTD 2014		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	2.5%	8.6%	29.8%	4.3%	3.6%	31.1%
Asia/Pacific	0.3%	3.3%	56.1%	3.2%	5.7%	56.7%
Europe	3.6%	7.2%	44.0%	0.3%	4.0%	45.8%
Latin America	-6.4%	2.0%	40.7%	-7.1%	0.2%	40.8%
Middle East	7.4%	12.5%	43.0%	12.9%	17.7%	42.8%
North America	-5.6%	5.2%	35.8%	-2.9%	2.5%	37.4%
<b>International</b>	<b>1.2%</b>	<b>6.3%</b>	<b>45.8%</b>	<b>2.7%</b>	<b>6.4%</b>	<b>46.9%</b>
Africa	2.5%	8.1%	28.5%	4.0%	3.5%	29.7%
Asia/Pacific	0.3%	2.1%	54.3%	3.2%	5.2%	53.7%
Europe	2.8%	7.7%	42.4%	0.0%	4.3%	44.4%
Latin America	-6.4%	2.1%	38.3%	-6.8%	2.6%	37.4%
Middle East	7.5%	12.6%	42.6%	13.0%	17.7%	42.4%
North America	-3.3%	4.8%	32.8%	-2.0%	1.6%	33.4%
<b>Total Market</b>	<b>1.0%</b>	<b>5.6%</b>	<b>43.2%</b>	<b>2.4%</b>	<b>5.5%</b>	<b>43.6%</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	Sep 2015 vs. Aug 2015			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	-1.2%	-0.6%	-0.2%	1.7%
Asia/Pacific	0.3%	-0.6%	0.5%	39.6%
Europe	1.2%	1.3%	0.0%	25.9%
Latin America	1.1%	2.6%	-0.6%	2.8%
Middle East	1.4%	1.9%	-0.2%	16.6%
North America	1.5%	0.5%	0.3%	13.3%
<b>International</b>	<b>0.9%</b>	<b>0.7%</b>	<b>0.1%</b>	<b>100.0%</b>
Africa	-1.0%	-0.6%	-0.1%	1.5%
Asia/Pacific	0.3%	-0.3%	0.3%	38.9%
Europe	1.0%	1.3%	-0.1%	22.8%
Latin America	1.1%	0.2%	0.4%	2.7%
Middle East	1.4%	1.9%	0.0%	14.4%
North America	0.8%	0.7%	0.0%	19.7%
<b>Total Market</b>	<b>0.7%</b>	<b>0.6%</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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