

AIR FREIGHT MARKET ANALYSIS

MARCH 2015

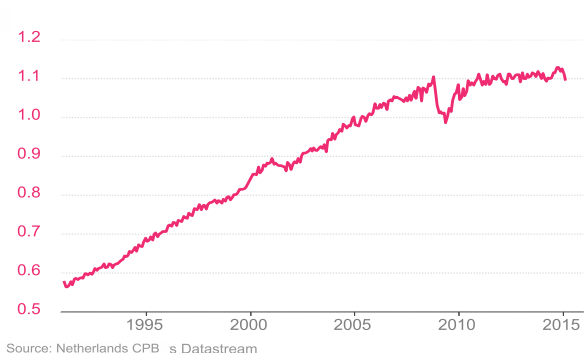
KEY POINTS

- ➔ Air freight volumes moderated in March, with a small 1.6% rise on a year ago, following a 12.2% result in February. March data shows a correction in volumes after the spike in February, when we saw the positive impact of the Lunar New Year and modal shift owing to sea port congestion in the US.
- ➔ Carriers in Asia Pacific recorded the greatest slowdown in March, with a rise of just of 2.0% year-on-year, compared to 20.5% in February. Part of the decline is because the timing of the Lunar New Year had the biggest impact on Asia Pacific carriers in February. In addition, the benefits of modal shift are also dissipating, as congestion at US ports starts to clear. But the March decline is also reflecting economic weakness in Europe, which dampens demand for manufactured goods shipped by Asia Pacific carriers.
- ➔ Elsewhere, results have been mixed. Carriers in the Middle East continue to show strong growth, with a rise of 10.6% in March year-on-year, reflecting continued expansion in capacity and network, as well as robust trade with Middle Eastern economies. In Europe, by contrast, air freight volumes carried by regional airlines fell 2.4% in March year-on-year. Airlines in Europe face strong economic headwinds with the ECB having to resort to quantitative easing in order to support growth.
- ➔ Fundamental drivers support moderate expansion in air freight volumes. But further acceleration in the current trend is unlikely for the time being. March data shows no increase in business confidence compared to January. So although first quarter business confidence has improved on the gradual slowdown seen during H2 2014, it does not point to further acceleration in trade and air freight demand just yet.
- ➔ Growth in world trade has slowed over the past several years, which has led to a new (slower) normal for air freight growth. During the last year, due to the cyclical upturn in the global economy, we have seen an upturn in air freight volumes. Moderate expansion in air freight is expected to continue, and there is scope for some further gains alongside improvements in the global economy.

Air FTKs and World Trade Volumes



Ratio of World Trade to Domestic Industrial Production



Year on Year Comparison

	Mar 2015 vs Mar 2014			YTD 2015 vs. YTD 2014		
	FTK	AFTK	FLF	FTK	AFTK	FLF
International	1.7%	4.0%	51.9%	5.8%	5.9%	49.5%
Domestic	0.9%	0.0%	30.8%	2.3%	0.1%	30.5%
Total Market	1.6%	3.2%	47.9%	5.3%	4.7%	45.8%

Month on Month Comparison

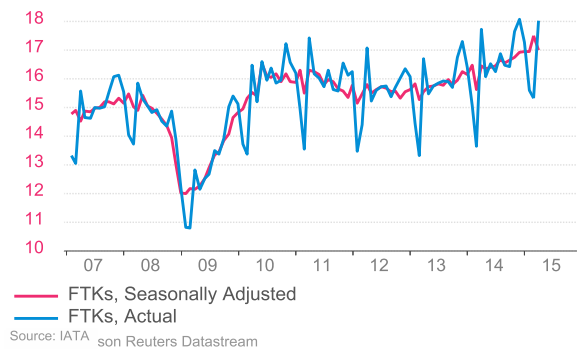
Mar 2015 vs. Feb 2015		
FTK	AFTK	FLF pt
-2.9%	-1.1%	-0.9%
-1.8%	0.2%	-0.6%
-2.8%	-0.9%	-0.9%

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.

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.

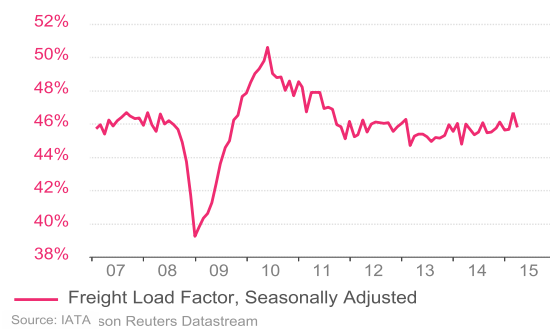
Total Freight Market

Monthly FTKs, billion



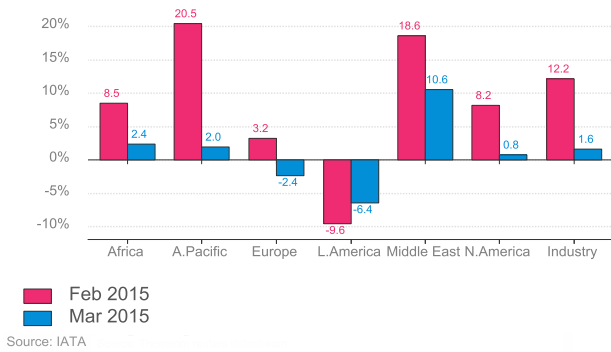
Freight Load Factor on Total Market

% of AFTKs



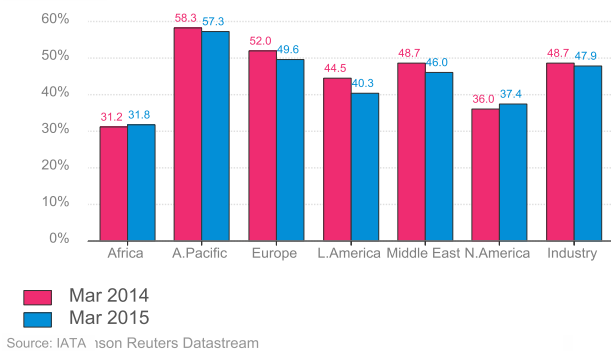
Total Freight Growth by Region

% growth in FTKs



Total Freight Load Factor by Region

% of AFTKs



- Air freight volumes moderated in March, with a small 1.6% rise on a year ago, following a 12.2% result in February. March appears to be a correction in volumes from February, when we saw the positive impact of the Lunar New Year as well modal shift owing to congested US sea ports. But the trend in air freight volumes, after adjusting for seasonal factors, shows that FTKs are still up on the start of the year, even after the correction we saw in March. As a result, growth for the first quarter of 2015 was a solid 5.3% compared to the same period in 2014, which is broadly consistent with developments in key air freight drivers.
- Carriers in Asia Pacific recorded the greatest slowdown in March, with a rise of just of 2.0% year-on-year, while in February the comparison was 20.5%. The timing of the Lunar New Year holiday, which took place in February, one month later than in 2014, had a positive impact on the year-on-year comparison in February. In addition, Japanese carriers experienced an increase in air freight volumes due to congestion at major US sea ports. But the fall in the year-on-year growth rate in March is not only a correction after these events, it also reflects economic weakness in Europe, which impacts demand for manufactured goods shipped by Asia Pacific carriers. Looking ahead, the robust trend for Asia Pacific cargo could come under downward pressure from weakness in regional trade volumes, which appears to be reversing after strong gains in late 2014.
- Elsewhere, results have been mixed. Carriers in the Middle East continue to show strong growth, with a rise of 10.6% in March year-on-year. Trade has been increasing with Middle East economies but a large part of the airlines' business success is owed to network and capacity expansion that has encouraged air freight to go through Middle East hubs. Carriers in the US recorded a rise in FTKs in March year-on-year, but only by 0.8%. Economic data show employment activity, consumer sentiment and business confidence all improving in the US. These factors should all have a positive impact on air freight demand in the coming months.
- In Europe, by contrast, air freight volumes carried by regional airlines fell 2.4% in March year-on-year. Airlines in Europe continue to face strong economic headwinds, and conditions are made that much more challenging by developments in Russia, including the impact of economic sanctions and an economy that is in recession. But latest indicators of manufacturing activity for the Eurozone have shown a little improvement – that should be a positive development for air freight demand in the coming months. In Latin America, regional carriers saw a 6.4% contraction in volumes in March year-on-year. Although key economies like Brazil and Argentina continue to struggle, regional trade activity has increased during recent months. Unfortunately, that is yet to translate into a pick-up in air freight demand on regional carriers.
- African airlines, although carrying a small part of worldwide FTKs, recorded a second month of increase in March, up 2.4%. Although major economies Nigeria and South Africa underperformed during parts of 2014, regional trade activity is holding-up, supporting demand for air transport of goods.

ANNEX

Year on Year Comparison	Mar 2015 vs. Mar 2014			YTD 2015 vs. YTD 2014		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	2.5%	0.1%	33.4%	4.6%	0.0%	32.0%
Asia/Pacific	2.2%	3.2%	61.3%	9.0%	7.1%	58.3%
Europe	-2.1%	2.6%	50.8%	-0.2%	3.4%	48.6%
Latin America	-7.4%	-3.1%	45.0%	-8.3%	-1.8%	41.2%
Middle East	10.7%	17.4%	46.4%	13.9%	17.5%	44.6%
North America	-0.1%	-2.0%	44.0%	3.1%	-0.6%	42.2%
International	1.7%	4.0%	51.9%	5.8%	5.9%	49.5%
Africa	2.4%	0.5%	31.8%	4.4%	0.2%	30.4%
Asia/Pacific	2.0%	3.9%	57.3%	8.4%	6.8%	54.4%
Europe	-2.4%	2.3%	49.6%	-0.4%	3.2%	47.4%
Latin America	-6.4%	3.3%	40.3%	-7.8%	0.9%	37.7%
Middle East	10.6%	17.1%	46.0%	13.8%	17.2%	44.2%
North America	0.8%	-3.1%	37.4%	2.9%	-1.5%	36.7%
Total Market	1.6%	3.2%	47.9%	5.3%	4.7%	45.8%

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.

Month on Month Comparison	Mar 2015 vs. Feb 2015			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	-2.4%	1.8%	-1.4%	2.0%
Asia/Pacific	-3.6%	-2.0%	-1.0%	41.0%
Europe	-2.2%	-0.4%	-0.9%	25.0%
Latin America	-0.1%	-3.8%	1.6%	3.0%
Middle East	-2.2%	-0.3%	-0.8%	15.0%
North America	-3.7%	-1.4%	-1.0%	14.0%
International	-2.9%	-1.1%	-0.9%	100.0%
Africa	-2.4%	1.9%	-1.3%	1.0%
Asia/Pacific	-3.4%	-1.6%	-1.0%	40.0%
Europe	-2.3%	-0.4%	-0.9%	23.0%
Latin America	1.1%	1.1%	0.0%	3.0%
Middle East	-2.2%	-0.3%	0.0%	14.0%
North America	-3.1%	-1.2%	-0.7%	20.0%
Total Market	-2.8%	-0.9%	-0.9%	100.0%

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.

IATA Economics
E-Mail: economics@iata.org
5TH May 2015

FURTHER ANALYSIS AND DATA

Access data related to this briefing through the
Monthly Statistics publication:

<http://www.iata.org/publications/Pages/monthly-traffic-statistics.aspx>

NEW RELEASE ALERTS

To receive email notification of new
analysis from IATA Economics, select
'Economic Briefings' from:

www.iata.org/optin