

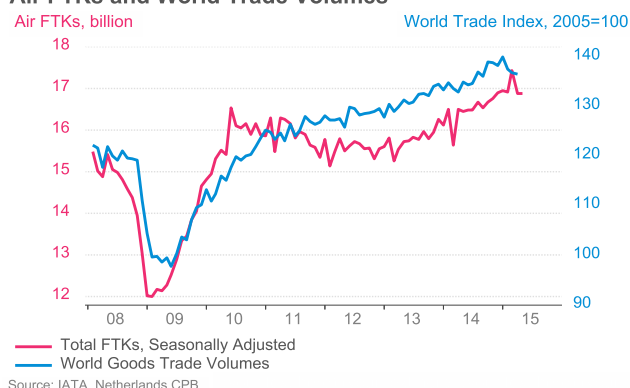
AIR FREIGHT MARKET ANALYSIS

APRIL 2015

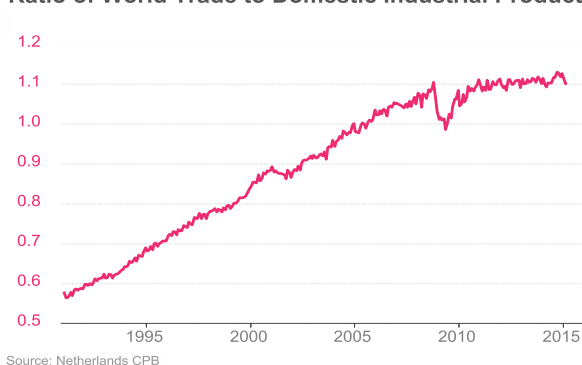
KEY POINTS

- ➔ Air freight volumes were up 3.3% in April compared to a year ago which was below the 4.3% expansion seen so far this year. The April result provides a clearer reading of air freight market performance, after holiday and temporary factors impacted year-on-year comparison in Q1, and suggests that there are early signs of a slowdown.
- ➔ The first chart below shows a flattening in the growth trend when looking at the past 6 months. This means that so far this year, there has been no growth in volumes when compared to late 2014. This development is consistent with a recent trend change in world trade, with volumes shrinking throughout Q1 after solid growth toward the end of 2014.
- ➔ The main reason for the flattening in the global trend is adverse developments in Asia Pacific. Carriers in Asia Pacific recorded a 4.5% rise in FTKs in April year-on-year, well below the growth year-to-date, 7.3%. The slowdown is consistent with a reversal in earlier gains in regional trade. Part of the recent decline in emerging Asia exports is 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 14.1% in April 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 0.3% in April year-on-year. Recent improvements in business confidence in the Eurozone are yet to translate to increased demand for air freight and consumer confidence remains subdued.
- ➔ Air freight load factors dipped sharply in April in response to robust growth in capacity. Levels are now the lowest they have been for the past year, on a seasonally adjusted basis. All regions except Africa recorded an increase in capacity in April compared to March.
- ➔ Acceleration in the air freight growth trend is unlikely in the near term. Globally, April data show no increase in business confidence compared to the start of the year. Furthermore, export orders have shown gradual decline throughout Q1, and are now indicating no growth. That said, for 2015 overall, moderate expansion in air freight is expected alongside anticipated improvements in the global economy.

Air FTKs and World Trade Volumes



Ratio of World Trade to Domestic Industrial Production



Year on Year Comparison

	Apr 2015 vs apr 2014			YTD 2015 vs. YTD 2014		
	FTK	AFTK	FLF	FTK	AFTK	FLF
International	3.6%	6.6%	47.8%	4.8%	6.3%	48.8%
Domestic	0.9%	1.2%	31.2%	1.2%	-0.4%	30.7%
Total Market	3.3%	5.5%	44.7%	4.3%	4.9%	45.3%

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

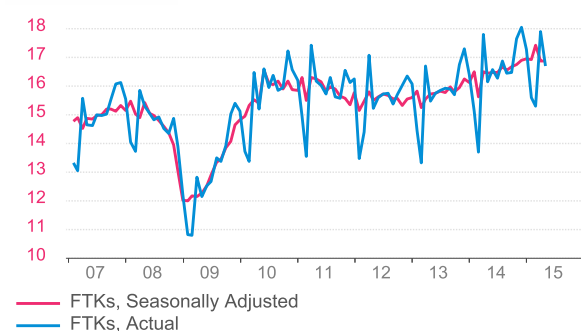
Apr 2015 vs. Mar 2015		
FTK	AFTK	FLF pt
-0.2%	1.4%	-0.8%
0.7%	0.9%	0.0%
-0.1%	1.3%	-0.6%

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.

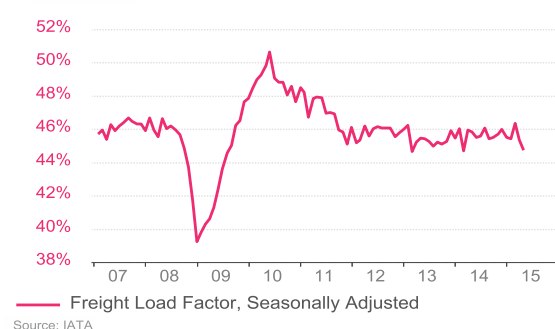
Total Freight Market

Monthly FTKs, billion



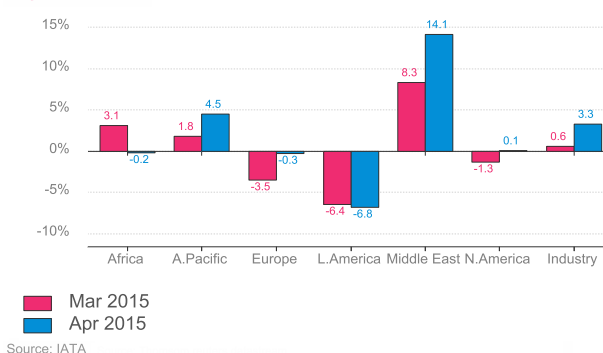
Freight Load Factor on Total Market

% of AFTKs



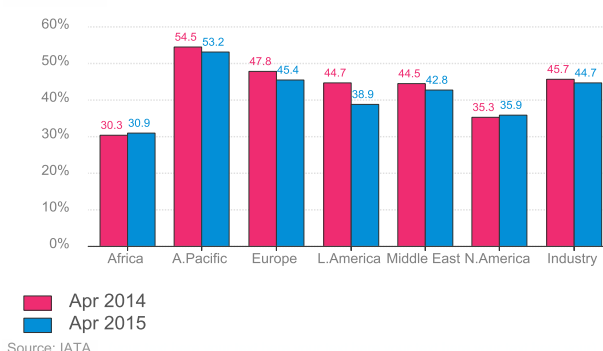
Total Freight Growth by Region

% growth in FTKs



Total Freight Load Factor by Region

% of AFTKs



- ➔ The first chart above shows that after adjusting for seasonal and holiday ups and downs in FTK volumes, there has been no change in the growth trend for the past 6 months. This means that so far this year, there has been no further growth in volumes when compared to late 2014. The improvement in air freight volumes seen throughout much of 2014 appears to be slowing down.
- ➔ The main reason for the flattening in the global trend is adverse developments in Asia Pacific. Carriers in Asia Pacific recorded a 4.5% rise in FTKs in April year-on-year, well below the growth year-to-date, 7.3%. The slowdown is consistent with a reversal in earlier gains in regional trade. Current trade volumes for emerging Asia are down 10% when compared to the start of Q4 2014. Part of the recent decline in emerging Asia exports reflects 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 14.1% in April 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.
- ➔ In Europe, by contrast, air freight volumes carried by regional airlines fell 0.3% in April year-on-year. Recent improvements in business confidence in the Eurozone are yet to translate to increased demand for air freight. Recent signs of a positive response to the ECB stimulus have faltered slightly, owing to firming in the Euro and oil prices. Moreover, consumer confidence in the region remains subdued.
- ➔ In the US, latest economic data show a disappointing first quarter of GDP growth, with a contraction compared to Q4 2014. The April air freight result was consistent with this development, recording a weak 0.1% rise compared to a year ago. However, better economic performance is expected in Q2, as the impacts of bad weather, falling oil prices and US sea port congestion will dissipate. Stronger growth in Q2 will likely support expansion in air freight demand in the coming months.
- ➔ In Latin America, regional carriers saw a 6.8% contraction in volumes in April year-on-year. Although key economies like Brazil and Argentina continue to struggle, regional trade activity has increased during recent months. Unfortunately, this has yet to translate into a pick-up in air freight demand on regional carriers. It is important to note, however, that the month-on-month results for Latin American carriers suggest that declines are bottoming out. In April, there was a 0.5% expansion in volumes compared to March.
- ➔ African airlines, carrying a small part of worldwide FTKs, recorded a fall in FTKs (0.2%) in April year-on-year, after 2 consecutive months of increase. Although major economies Nigeria and South Africa underperformed during parts of 2014, regional trade activity is holding-up, which should support demand for air transport of goods.

ANNEX

Year on Year Comparison	Apr 2015 vs. Apr 2014			YTD 2015 vs. YTD 2014		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	-0.1%	-2.6%	32.3%	3.6%	-1.3%	32.3%
Asia/Pacific	4.4%	6.7%	56.3%	7.8%	7.2%	57.7%
Europe	-0.2%	4.8%	46.6%	-0.5%	3.7%	48.0%
Latin America	-6.8%	1.1%	42.8%	-7.9%	-1.1%	41.6%
Middle East	14.1%	18.7%	43.1%	12.3%	19.0%	43.1%
North America	0.5%	0.4%	40.4%	1.8%	-0.6%	41.6%
International	3.6%	6.6%	47.8%	4.8%	6.3%	48.8%
Africa	-0.2%	-2.2%	30.9%	3.4%	-1.1%	30.8%
Asia/Pacific	4.5%	7.0%	53.2%	7.3%	7.1%	53.9%
Europe	-0.3%	5.0%	45.4%	-0.7%	3.6%	46.7%
Latin America	-6.8%	7.0%	38.9%	-7.6%	2.4%	38.0%
Middle East	14.1%	18.5%	42.8%	12.3%	18.7%	42.8%
North America	0.1%	-1.6%	35.9%	1.4%	-2.3%	36.5%
Total Market	3.3%	5.5%	44.7%	4.3%	4.9%	45.3%

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	Apr 2015 vs. Mar 2015			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	-0.5%	-1.8%	0.4%	1.7%
Asia/Pacific	-0.5%	2.0%	-1.4%	40.5%
Europe	-0.2%	1.1%	-0.6%	25.0%
Latin America	0.5%	3.9%	-1.4%	2.9%
Middle East	1.1%	0.9%	0.1%	16.1%
North America	-0.9%	1.4%	-0.9%	13.8%
International	-0.2%	1.4%	-0.8%	100.0%
Africa	-0.4%	-1.8%	0.4%	1.5%
Asia/Pacific	-0.3%	1.8%	-1.1%	39.4%
Europe	-0.1%	1.2%	-0.6%	22.1%
Latin America	0.3%	2.9%	-1.0%	2.6%
Middle East	1.1%	0.9%	0.0%	14.0%
North America	-0.4%	1.1%	-0.6%	20.2%
Total Market	-0.1%	1.3%	-0.6%	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.

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FURTHER ANALYSIS AND DATA

Access data related to this briefing through the
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