

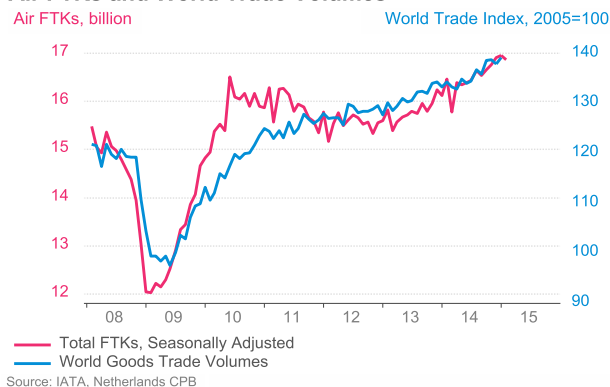
AIR FREIGHT MARKET ANALYSIS

JANUARY 2015

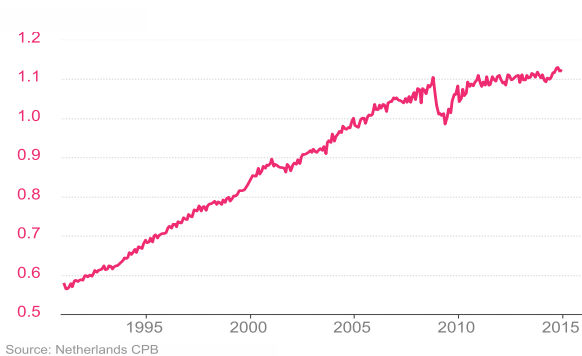
KEY POINTS

- ➔ Air freight volumes rose by a moderate 3.2% in January 2015, compared to a year ago. This is a relative slow start to the year when compared to the 4.5% growth in 2014 overall.
- ➔ There was a contraction in volumes of 0.5% in January compared to December, but this change is well within normal volatility in FTKs, so it is too early to say that we are seeing the first signs of weakness in air freight.
- ➔ Notably, though, concerns have been rising about the health of the global economy at the start of 2015. Business confidence has been weakening since mid-2014 and that could ultimately put pressure on international trade and business activity. In fact, there has also been a general weakening in export orders throughout Q4 2014, which points to downward pressure on trade growth in the months ahead.
- ➔ The second chart below shows that although trade continues to expand, recent improvements in the ratio of international trade to domestic production appear to be reversing again. The flat-lining of the trade-production ratio has had an adverse impact on air freight in recent years, dampening the strength of the cyclical upturn in air freight last year. That ratio had started to pick-up again – pointing to a decrease in the adverse impact of recent on-shoring and trade protectionism – but latest data show at least a pause in that upward trend.
- ➔ The January air freight result show continued growth for Asia Pacific and Middle Eastern carriers, where FTKs rose 6.9% and 9.2%, respectively. Trade growth in emerging Asia has started to show signs of slowdown after notable increases in Q3 2014, but import activity ticked-up at the end of 2014, supporting continued growth in FTKs. By contrast, weakness persists in Europe and Latin America, where airlines saw declines of 1.2% and 6.4% in January compared to a year ago. Airlines in Europe face strong economic headwinds with the ECB having to resort to quantitative easing in order to support growth. But in Latin America, air freight weakness has persisted despite recent increases in regional trade activity.
- ➔ Industry load factors fell in January compared to December, maintaining the relatively flat trend seen over the past year at a low 45-46%. The greatest fall was on international markets, where capacity increased strongly, mostly for Asia Pacific and Middle Eastern carriers.

Air FTKs and World Trade Volumes



Ratio of World Trade to Domestic Industrial Production



Year on Year Comparison

	Jan 2015 vs Jan 2014			2014 vs. 2013		
	FTK	AFTK	FLF	FTK	AFTK	FLF
International	3.9%	6.0%	45.5%	4.8%	4.2%	49.3%
Domestic	-0.9%	-3.5%	30.7%	2.8%	1.8%	31.1%
Total Market	3.2%	4.1%	42.8%	4.5%	3.7%	45.7%

Month on Month Comparison

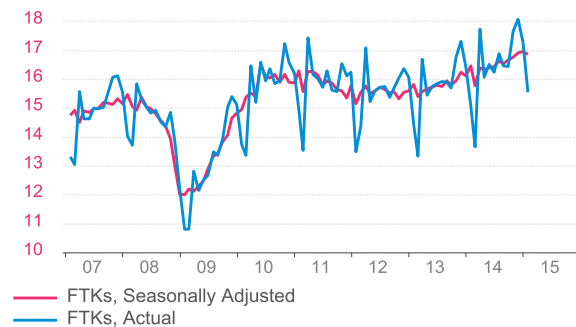
Jan 2015 vs. Dec 2014		
FTK	AFTK	FLF pt
-0.2%	1.0%	-0.6%
-0.5%	0.3%	-0.3%

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.

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

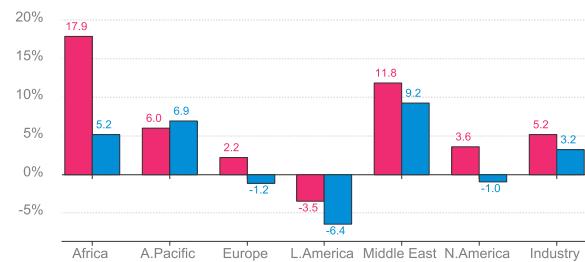
Monthly FTKs, billion



Source: IATA

Total Freight Growth by Region

% growth in FTKs



Dec 2014

Jan 2015

Source: IATA

Freight Load Factor on Total Market

% of AFTKs

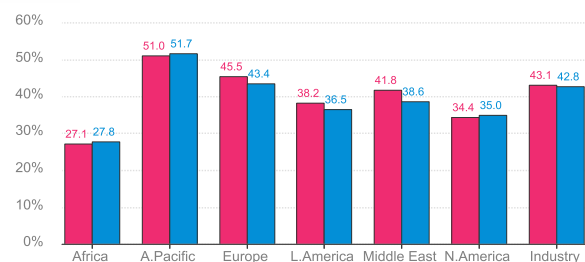


Freight Load Factor, Seasonally Adjusted

Source: IATA

Total Freight Load Factor by Region

% of AFTKs



Jan 2014

Jan 2015

Source: IATA

- There was a contraction in volumes of 0.5% in January compared to December, but this change is well within normal volatility in FTKs, so it is too early to say that we are seeing the first signs of weakness in air freight. In fact, volumes are still very close to the record highs. The fall in volumes did, however, push load factors down in January compared to December. Load factors on international markets declined most because the slip in volumes was accompanied by a strong increase in capacity, mostly for Asia Pacific and Middle Eastern carriers.
- The January air freight result show continued growth for Asia Pacific and Middle Eastern carriers, where FTKs rose 6.9% and 9.2%, respectively. Trade growth in emerging Asia has started to show signs of slowdown after notable increases in Q3 2014, but import activity ticked-up at the end of 2014, supporting continued growth in FTKs. Manufacturing and exports activity in Japan, which continues to show expansion according to latest indicators by Markit, should help support air freight demand on regional carriers. Developments in China remain an important factor to be watched, in particular since the February reading for export orders indicated a level of contraction not seen since late 2012.
- Middle Eastern carriers continue to post the strongest growth in FTKs carried. Trade has been increasing with Middle East economies but a large part of the airlines business success is due to network and capacity expansion that has encouraged air freight to go through Middle East hubs.
- By contrast, weakness persists in Europe and Latin America, where airlines saw declines of 1.2% and 6.4% in January compared to a year ago. Airlines in Europe face strong economic headwinds with the ECB having to resort to quantitative easing in order to support growth. Conditions are made that much more challenging by developments in Russia, were there are sanctions and its economy is already in recession. The North Atlantic and markets to Asia remain sources of potential growth, but the negative impacts of weak home markets are large. As a result European airlines have seen very little growth in the FTKs they carry and face declining load factors. In Latin America, although key economies like Brazil and Argentina continue to struggle, regional trade activity has increased during recent months. Unfortunately, that is yet to translate to a pick-up in air freight demand on regional carriers.
- North America airlines have benefited from improving economic performance of the US during 2014. Although the January results shows contraction (1.0%) on a year ago, that is likely due to a particularly strong January 2014 – the month-to-month results show expansion in North American airlines FTKs in January compared to December. Trade -- both exports and imports -- has continued to show robust growth. However, the North American airlines have been cutting back on capacity, as they seek to improve financial performance. Load factors have been improving in this region.
- African airlines, although carrying a small part of worldwide FTKs, saw a solid expansion in air freight volumes, 5.2% in January year-on-year. Although major economies Nigeria and South Africa underperformed during parts of 2014, regional trade activity held-up, supporting demand for air transport of goods.

ANNEX

Year on Year Comparison	Jan 2015 vs. Jan 2014			2014 vs. 2013		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	5.3%	2.6%	29.2%	7.3%	1.4%	32.2%
Asia/Pacific	7.2%	6.4%	54.6%	5.4%	5.5%	58.8%
Europe	-1.1%	3.6%	44.5%	2.1%	3.1%	48.1%
Latin America	-6.6%	-2.1%	39.5%	0.5%	-1.4%	44.7%
Middle East	9.2%	18.3%	39.0%	11.2%	11.3%	44.9%
North America	0.5%	-0.3%	39.2%	2.8%	-0.8%	40.2%
International	3.9%	6.0%	45.5%	4.8%	4.2%	49.3%
Africa	5.2%	2.4%	27.8%	7.2%	1.0%	30.8%
Asia/Pacific	6.9%	5.4%	51.7%	5.4%	5.6%	55.4%
Europe	-1.2%	3.6%	43.4%	2.0%	3.0%	46.9%
Latin America	-6.4%	-2.0%	36.5%	0.2%	0.3%	41.9%
Middle East	9.2%	18.1%	38.6%	11.1%	11.1%	44.5%
North America	-1.0%	-2.8%	35.0%	2.5%	-0.4%	35.3%
Total Market	3.2%	4.1%	42.8%	4.5%	3.7%	45.7%

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	Jan 2015 vs. Dec 2014			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	-5.5%	1.4%	-2.4%	1.8%
Asia/Pacific	1.8%	2.2%	-0.2%	41.3%
Europe	-2.0%	0.0%	-1.0%	24.6%
Latin America	1.8%	0.5%	0.5%	2.9%
Middle East	-3.1%	1.9%	-2.2%	15.1%
North America	0.9%	-0.8%	0.7%	14.4%
International	-0.2%	1.0%	-0.6%	100.0%
Africa	-0.6%	0.7%	-0.3%	1.5%
Asia/Pacific	0.4%	0.9%	-0.4%	40.3%
Europe	-2.0%	1.1%	-3.1%	21.6%
Latin America	0.4%	0.3%	-0.2%	2.8%
Middle East	1.4%	1.2%	0.2%	13.1%
North America	0.3%	-0.3%	-0.4%	20.7%
Total Market	-0.5%	0.3%	-0.3%	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
Monthly Statistics publication:

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

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