

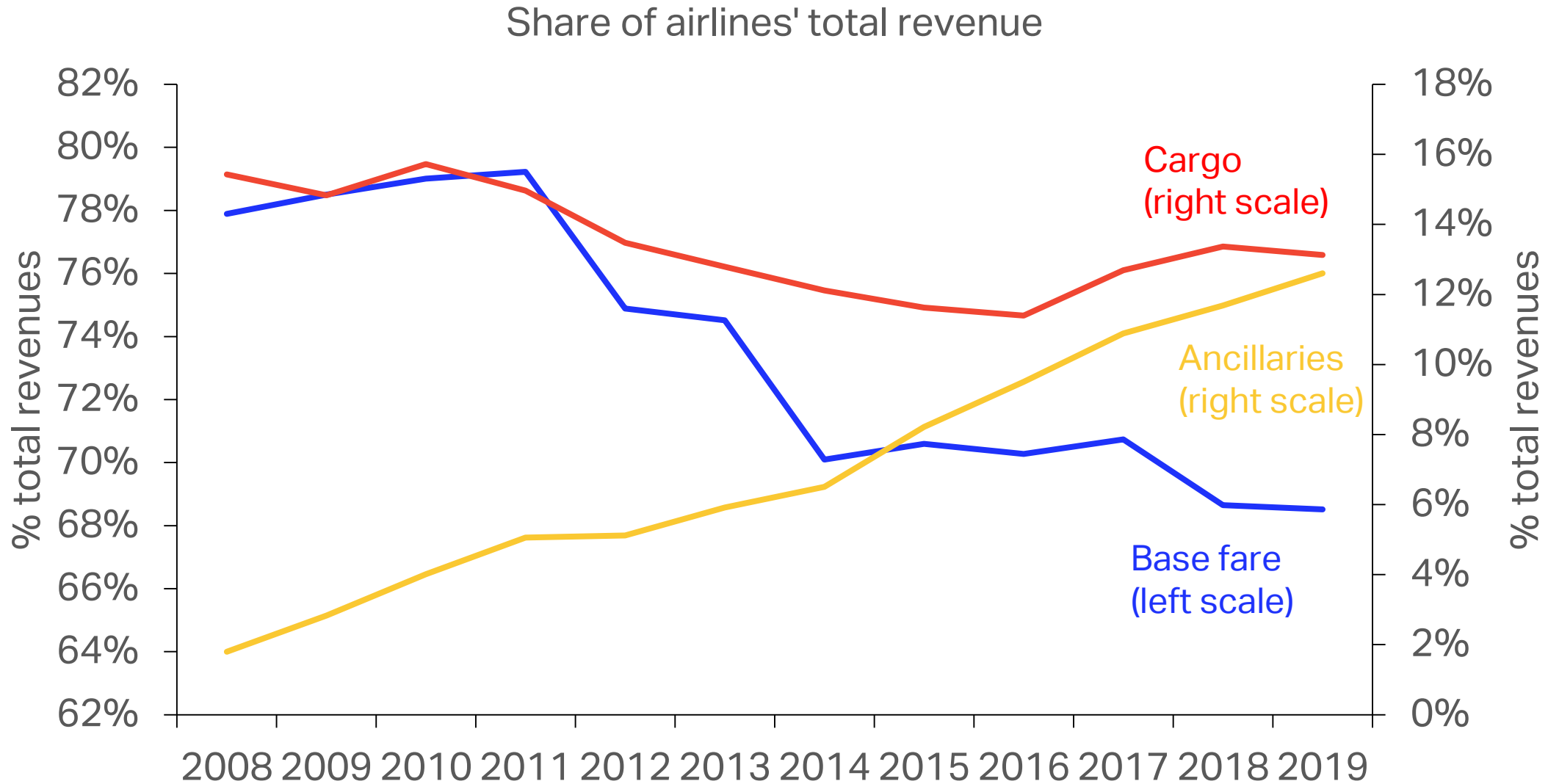
Cargo outlook 2019

Brian Pearce
Chief Economist

13 December 2018

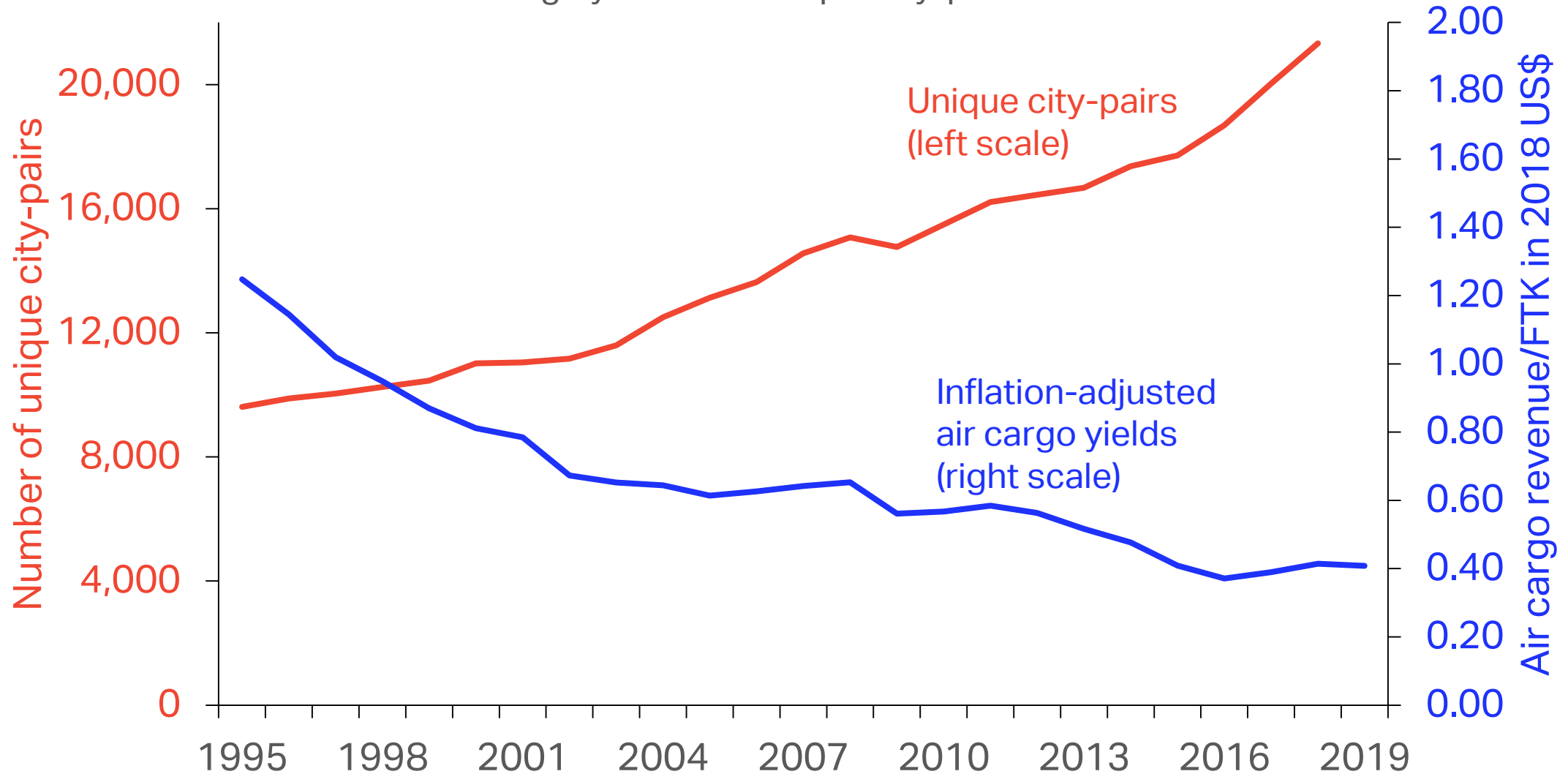


Cargo revenue contribution stabilizing



Economic contribution increasing

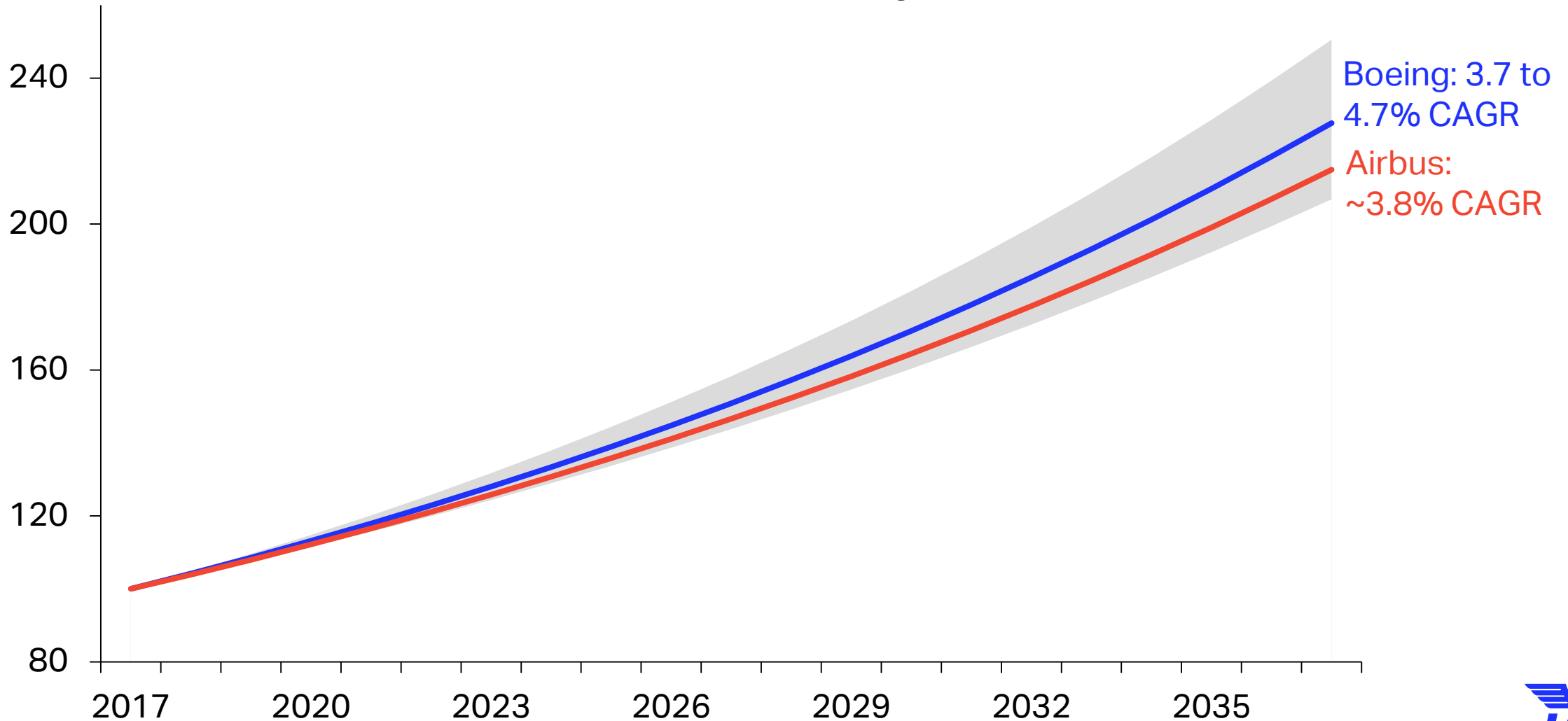
Real air cargo yields and unique city-pair connections



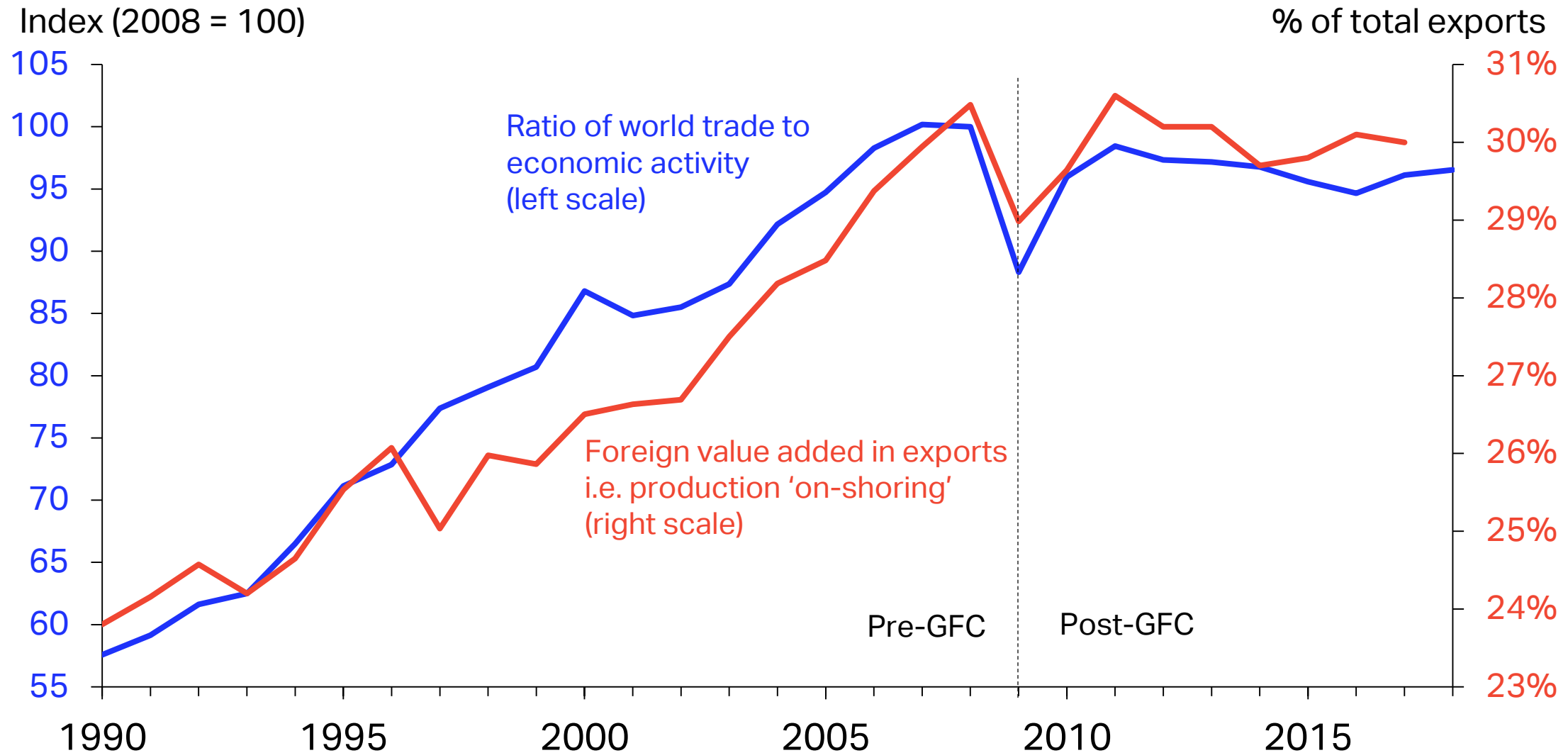
Doubling expected within next 20 years

Index (2017 = 100)

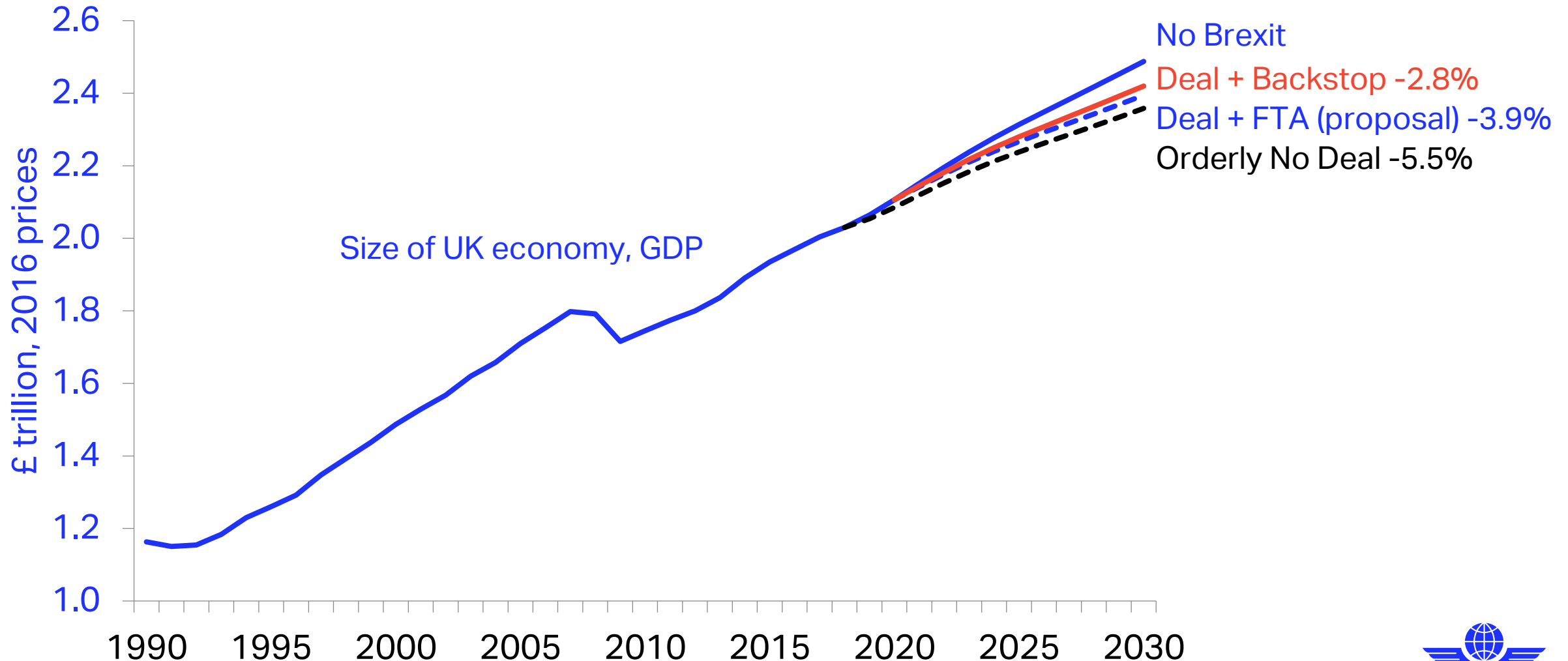
20-year forecasts for freight tonne kilometres



But a pause in globalization constrains the outlook



Brexit, if it happens, will weaken trade in long-term



Source: Oxford Economics, NIESR Brexit Impacts Report 26th November 2018

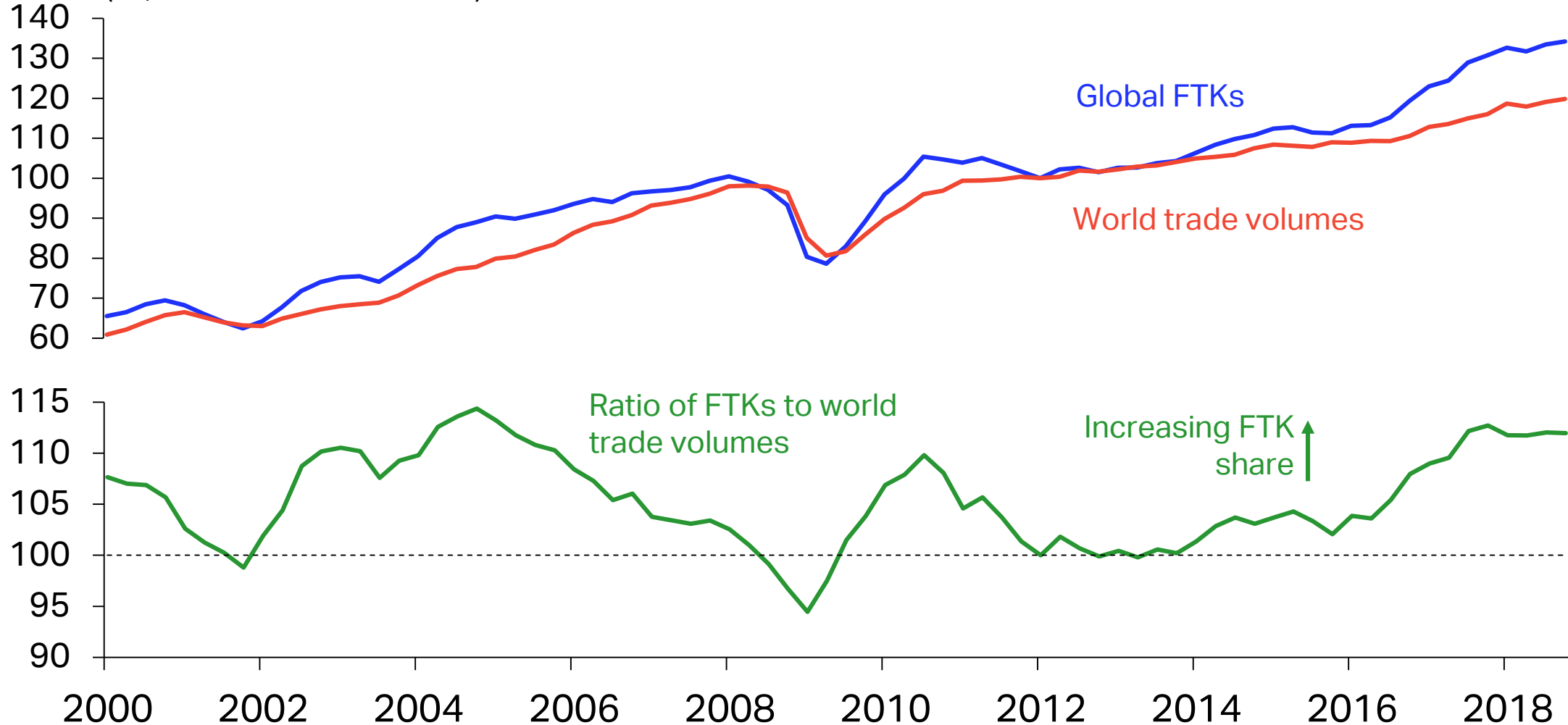
Tariff wars bigger issue but not a recession cause



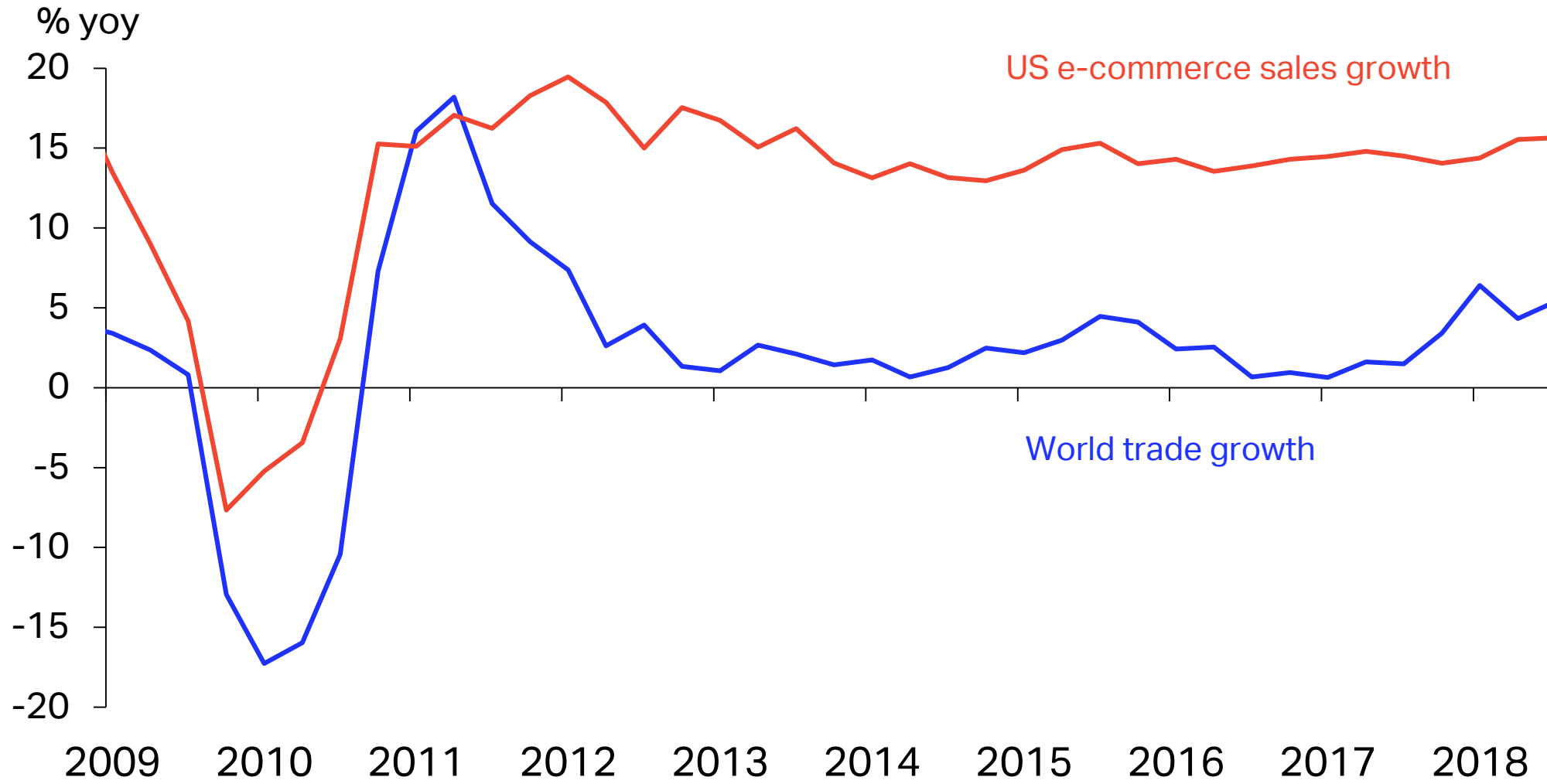
Source: IMF, Citi 'US-China Tariffs-Limbo on the Verge of Trade Wars' 3 December 2018

But air cargo has outperformed sluggish world trade

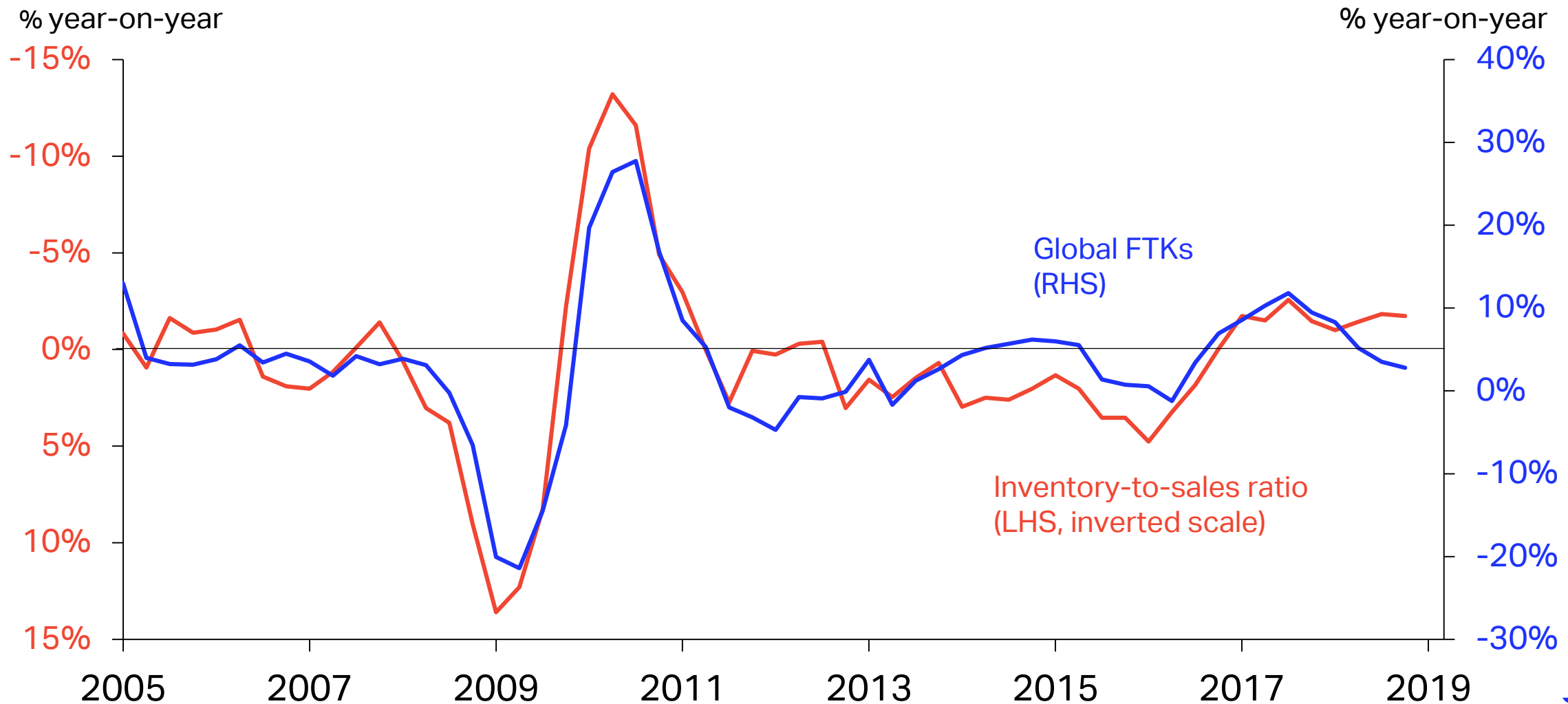
Indices (SA, 3m ended Jan 2012 = 100)



E-commerce is part of the story



And the recent business restocking cycle

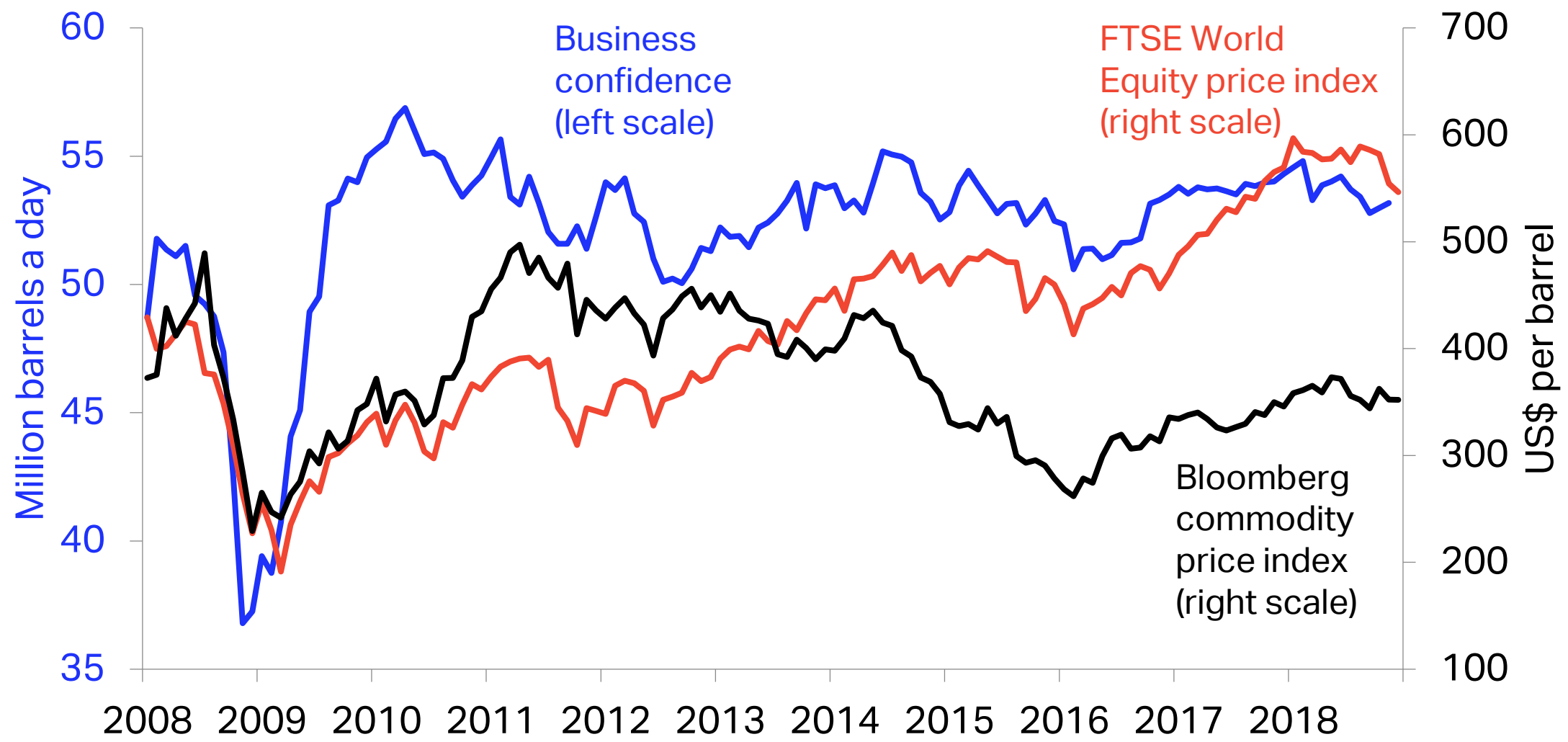


This year market growth has been very diverse

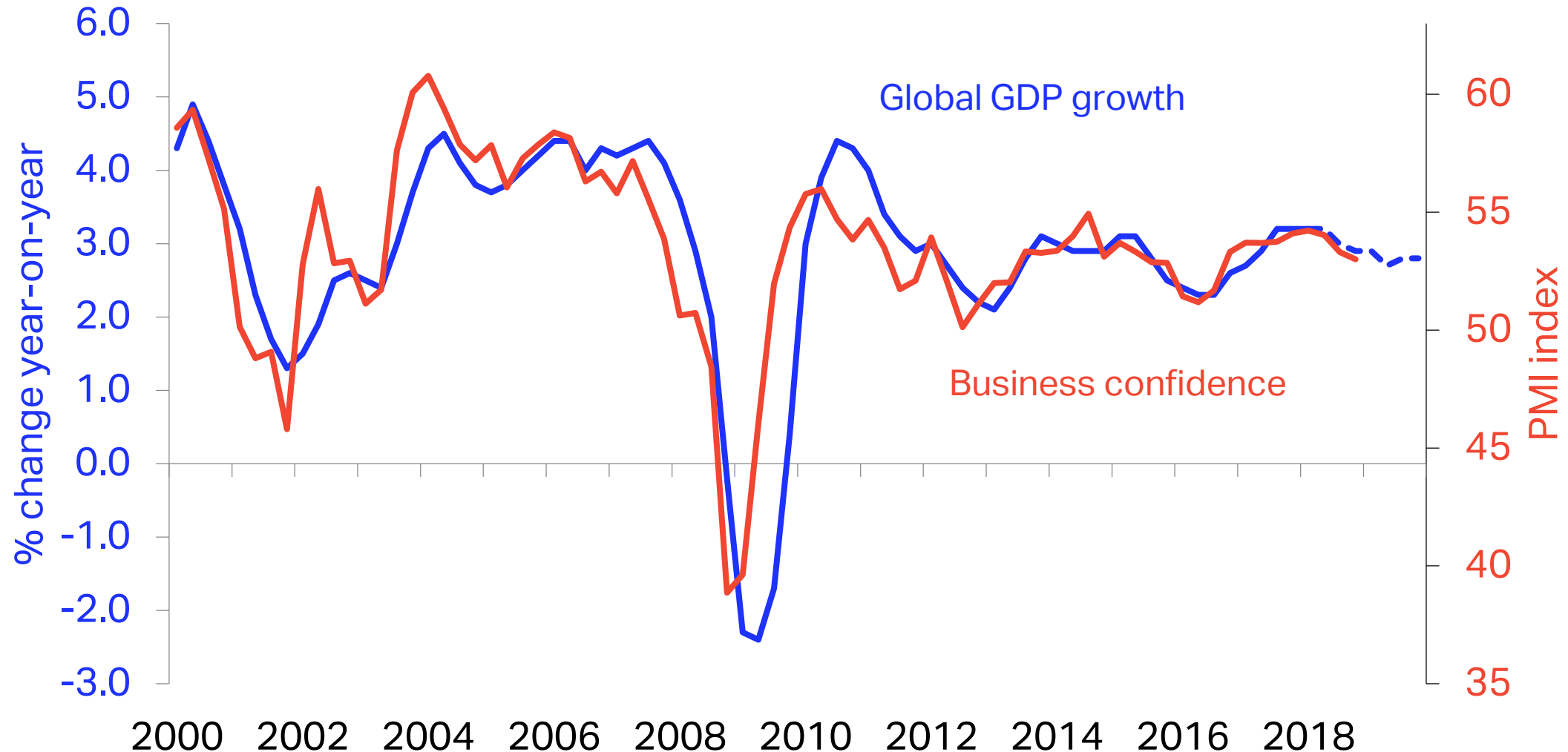
International FTK growth by route (YTD, % year-on-year, up to Sep 2018)



But are markets now signalling recession in 2019?

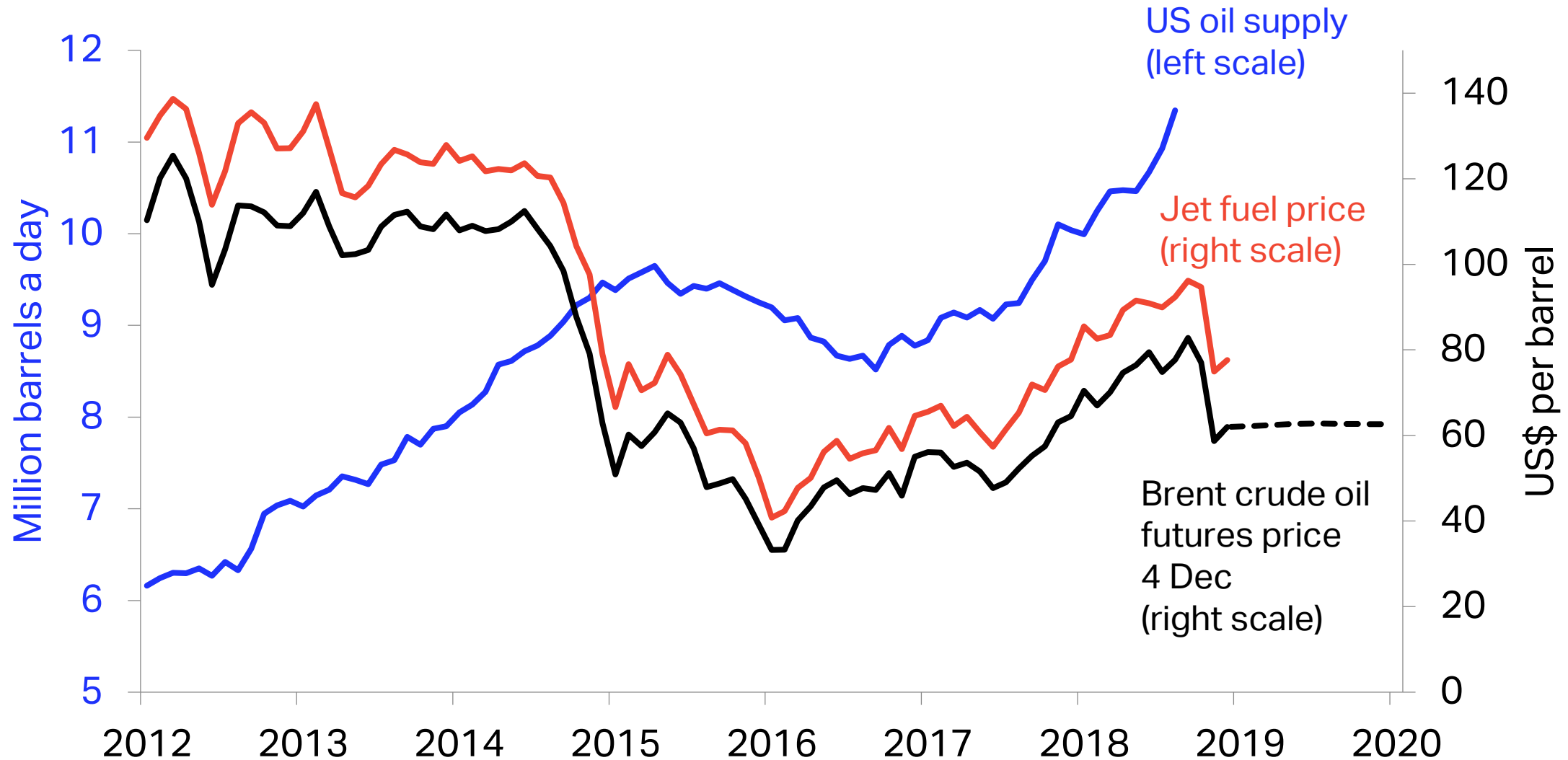


In fact, economic growth is expected to continue



Source: Markit, IMF World Economic Outlook October 2018

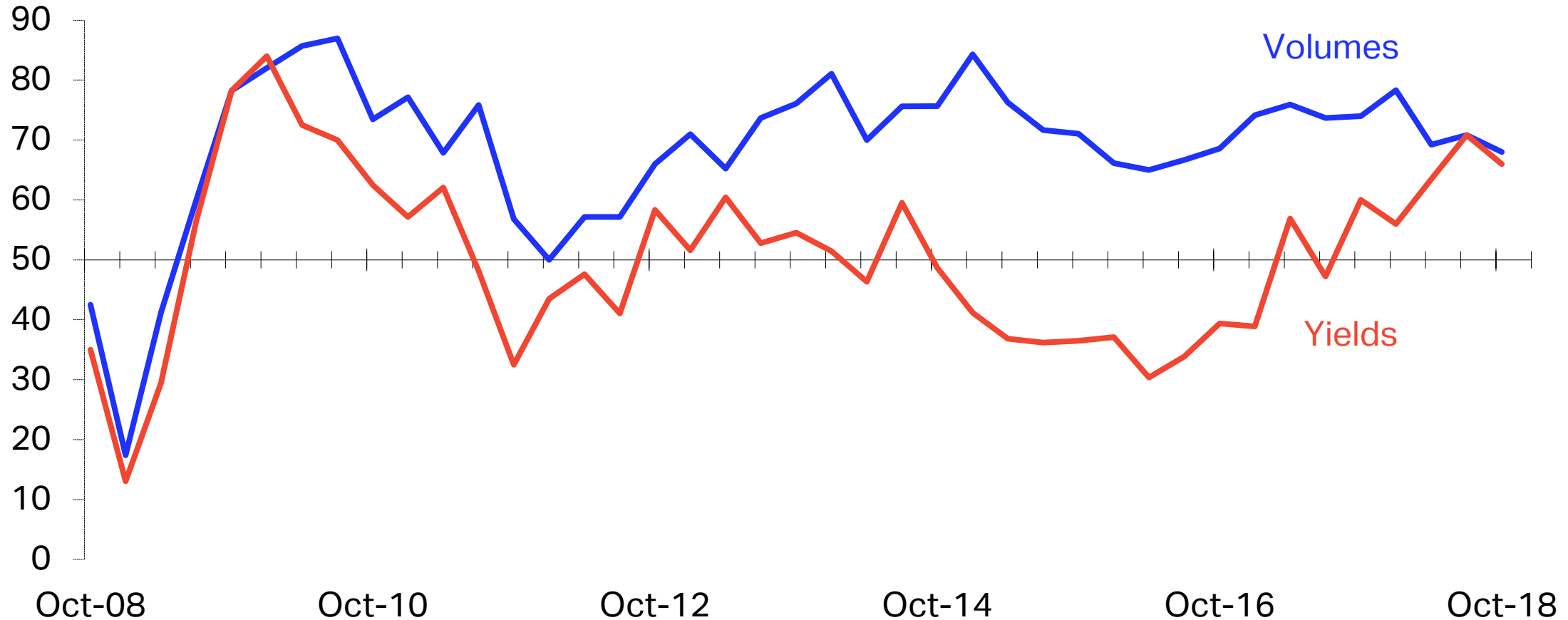
And fuel prices look considerably lower in 2019



Source: Datastream, Platts

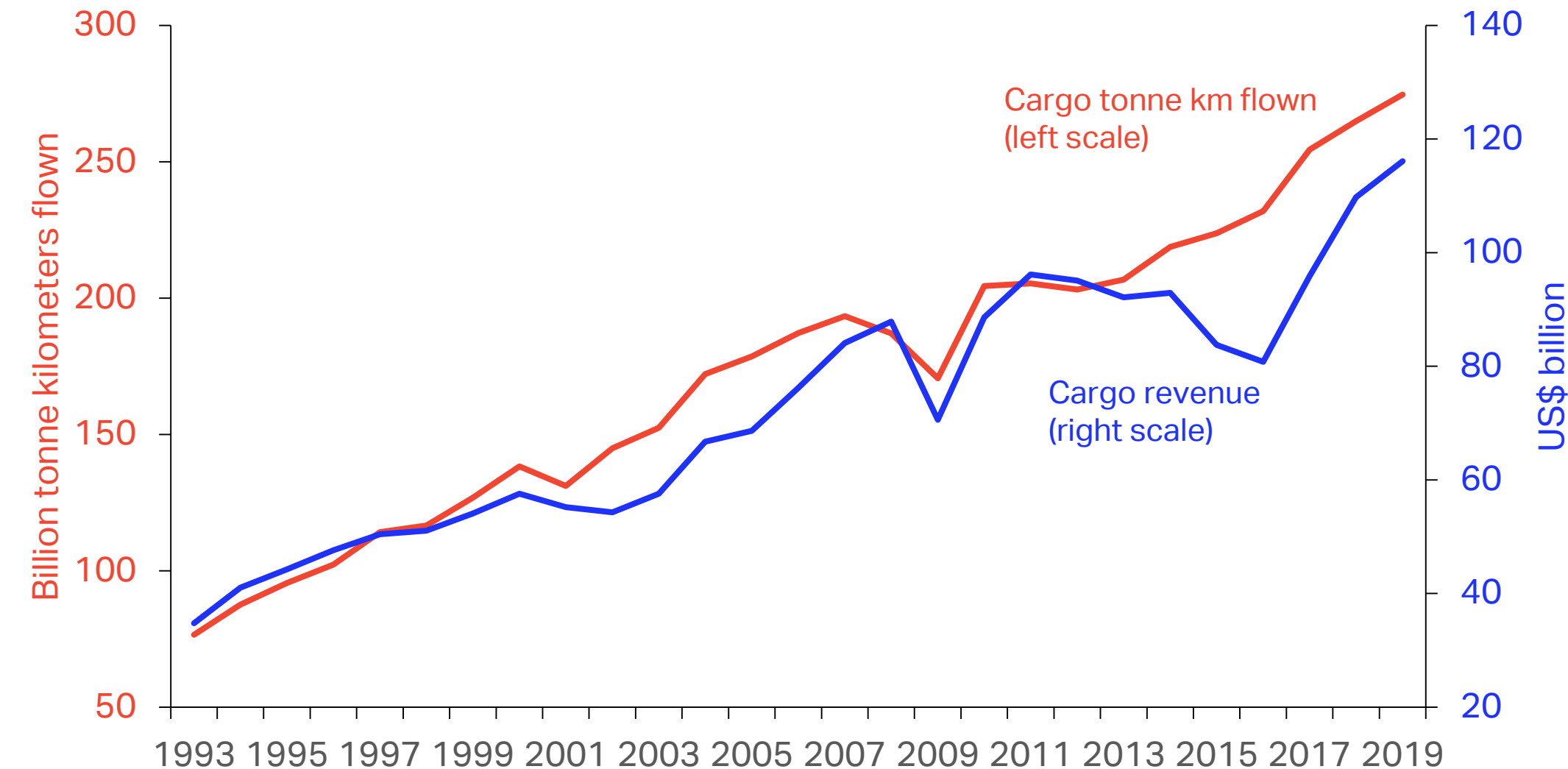
Air cargo industry leaders remains confident

Weighted Score (50 = No Change)



Revenues & FTKs slow, but grow further in 2019

Cargo revenue and tonne kilometers flown



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