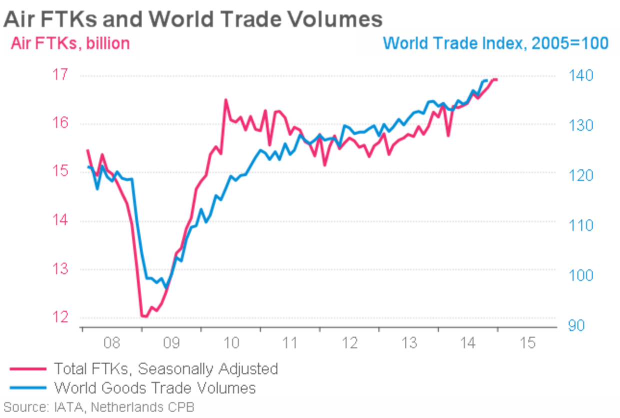
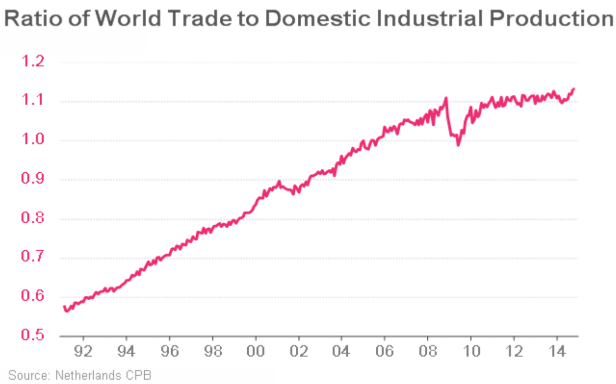
AIR FREIGHT MARKET ANALYSIS

DECEMBER 2014

KEY POINTS

- Economic conditions around the world showed considerable variation throughout 2014, but the environment for air freight demand was supportive overall. Freight tonne kilometers (FTKs) expanded 4.5% in 2014 compared to 2013; a significant improvement on growth of just 1.4% in 2013 versus 2012.
- Concerns have been rising about the health of the global economy at the start of 2015, and business confidence has weakened. But there was no sign of weakness in the December air freight data. Growth in air freight volumes reflects acceleration in world trade activity in mid-2014. In fact, the 4.9% rise in FTKs in December compared to a year ago is above the growth trend for the year overall.
- During the first half of 2014, air freight volumes and world trade overall went through a weak patch, but there was a marked acceleration during the second half of last year. Notably, this improvement in international trade during the past six months has taken place while domestic industrial production growth remained stable.
- As the second chart below shows, the acceleration of world trade relative to domestic production in the second half of 2014, comes after several years of interruption to the previous upward trend. This flat-lining of the trade-production ratio has been bad news for demand for air freight in recent years, dampening the strength of the cyclical upturn in air freight last year. It is too soon to say whether the last half year signals a diminution of the adverse impact of recent on-shoring and trade protectionism, but it certainly is a development worth watching.
- Most of the improvement in air freight in 2014 has been carried by airlines in Asia Pacific and the Middle East. Airlines in these regions carried 46% and 29% of the expansion in FTKs in 2014, respectively. Acceleration in trade volume growth in Emerging Asia has helped airlines in Asia Pacific experience growth of 5.4% in 2014 overall, a notable turnaround after a 1.0% decline in 2013.
- Nonetheless, growth in trade flows and air freight demand has been uneven. Other regions remain relatively weak, including Europe and Latin America. Recent weakening in business confidence has not had any negative impact on trade momentum and air freight, but concerns over the health of the global economy present downside risks to the current positive trend in trade and air cargo.





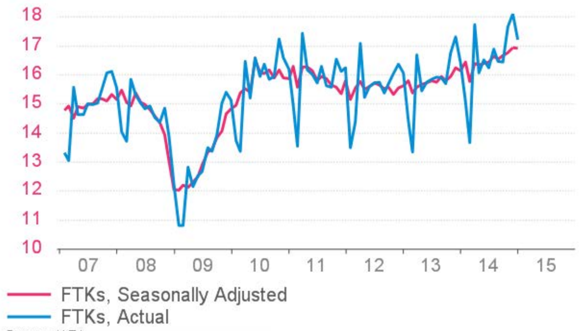
	Year on Year Comparison						Month on Month Comparison		
	Dec 2014 vs Dec 2013			YTD 2014 vs. YTD 2013			Dec 2014 vs. Nov 2014		
	FTK	*AFTK*	*FLF*	*FTK*	*AFTK*	*FLF*	*FTK*	*AFTK*	*FLF pt*
International	5.1%	5.6%	49.8%	4.8%	4.2%	49.2%	-0.2%	1.1%	-0.6%
Domestic	3.8%	0.8%	33.1%	2.8%	1.8%	31.1%	1.2%	1.5%	-0.1%
Total Market	4.9%	4.6%	46.4%	4.5%	3.7%	45.7%	0.0%	1.2%	-0.6%

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

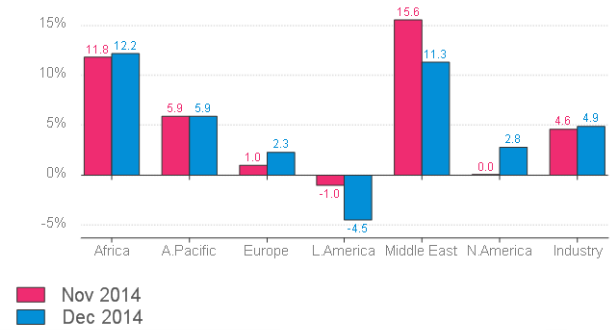
Monthly FTKs, billion



Source: IATA

Total Freight Growth by Region

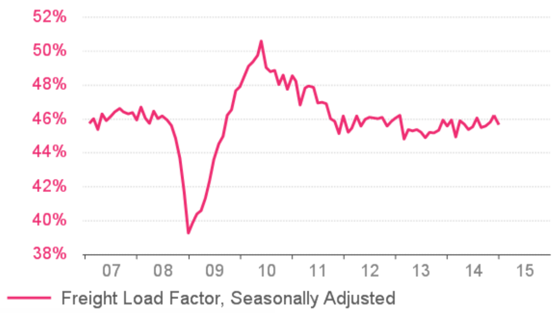
% growth in FTKs



Source: IATA

Freight Load Factor on Total Market

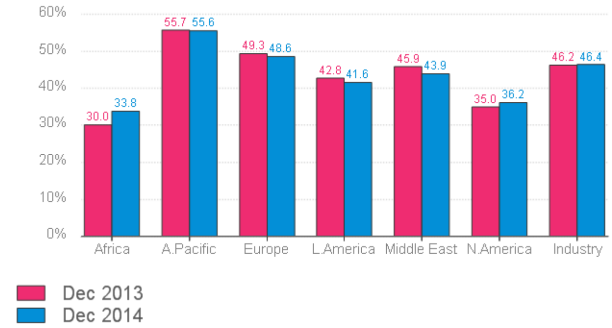
% of AFTKs



Source: IATA

Total Freight Load Factor by Region

% of AFTKs



Source: IATA

- Most of the improvement in air freight in 2014 has been carried by airlines in Asia Pacific and the Middle East. Airlines in Asia Pacific were only the third fastest growing region in FTKs carried in 2014, expanding 5.4%, but that increase over the year still represented over 46% of the total expansion in the market. This is the most important region for air freight, mostly because a large part of the world's manufacturing takes place in this region but increasingly because there are growing numbers of middle-income consumers. Emerging Asian economies have seen a sharp rise of imports in the past six months, which has supported the air freight businesses of carriers in this region. The acceleration in trade has resulted from better performance of the Japanese economy (despite the adverse impacts of the consumption tax), as well as strength in Chinese exports (reflecting improvement in advanced economy (US) demand). The performance in 2014 was also a marked turnaround compared to 2013, when FTKs for airlines in Asia Pacific contracted by 1.0% overall.
- Middle East airlines have been responsible for carrying 29% of the increase in industry FTKs in 2014. Their growth rate in 2014 was 11.0% compared to 2013, the fastest among regions. 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. Airlines in this region contributed over 37% of the increase in worldwide air freight capacity in 2014 – as a result load factors in this region declined.
- North America airlines have benefited from improving economic performance of the US during 2014. Growth is strong for a mature region, and trade--both exports and imports--has continued to show robust growth. In fact airlines in this region experienced a 2.4% expansion in FTKs in 2014, a solid improvement on 2013 when volumes fell 0.4% for the year as a whole. 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.
- Growth in air freight carried by European airlines was weak in 2014, expanding 2.0%. The Eurozone is once more close to recession and worries are increasing about another Euro crisis, while in the East of the region there are sanctions on Russia 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 there are major economic problems in Brazil and Argentina, as well as a number of the smaller economies. Air freight, for the airlines in this region, increased only 0.1% in 2014 overall.
- African airlines, although carrying a small part of worldwide FTKs, saw the second fastest expansion in air freight volumes, 6.7% in 2014 overall. 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	Dec 2014 vs. Dec 2013			2014 vs. 2013		
	FTK	*AFTK*	*FLF*	*FTK*	*AFTK*	*FLF*
Africa	12.0%	0.7%	35.2%	6.8%	1.3%	32.1%
Asia/Pacific	6.2%	5.6%	58.7%	5.4%	5.5%	58.7%
Europe	2.4%	4.4%	49.5%	2.1%	3.1%	48.1%
Latin America	-5.6%	-2.0%	43.8%	0.5%	-1.4%	44.7%
Middle East	11.3%	16.5%	44.3%	11.1%	11.3%	44.9%
North America	1.7%	-0.1%	41.0%	2.7%	-0.9%	40.2%
International	5.1%	5.6%	49.8%	4.8%	4.2%	49.2%
Africa	12.2%	-0.6%	33.8%	6.7%	0.9%	30.7%
Asia/Pacific	5.9%	6.1%	55.6%	5.4%	5.7%	55.4%
Europe	2.3%	3.9%	48.6%	2.0%	3.0%	46.9%
Latin America	-4.5%	-1.7%	41.6%	0.1%	0.3%	41.8%
Middle East	11.3%	16.3%	43.9%	11.0%	11.1%	44.5%
North America	2.8%	-0.8%	36.2%	2.4%	-0.5%	35.3%
Total Market	4.9%	4.6%	46.4%	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	Dec 2014 vs. Nov 2014			Market Share
	FTK	*AFTK*	*FLFpt*	*FTK*
Africa	0.5%	1.2%	-0.2%	1.9%
Asia/Pacific	-0.5%	1.9%	-1.4%	40.5%
Europe	0.6%	0.7%	0.0%	25.4%
Latin America	-6.7%	-3.4%	-1.5%	3.0%
Middle East	-0.5%	1.3%	-0.8%	15.6%
North America	0.6%	1.0%	-0.1%	13.6%
International	-0.2%	1.1%	-0.6%	100.0%
Africa	1.2%	2.0%	1.2%	1.7%
Asia/Pacific	0.3%	1.8%	1.3%	39.1%
Europe	0.6%	-6.1%	-0.5%	22.1%
Latin America	1.8%	0.6%	0.3%	2.9%
Middle East	1.0%	1.7%	0.5%	13.3%
North America	1.2%	-0.4%	0.7%	20.9%
Total Market	0.0%	1.2%	-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 Monthly Statistics publication:
http://www.iata.org/publications/Pages/monthly-traffic-statistics.aspx

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