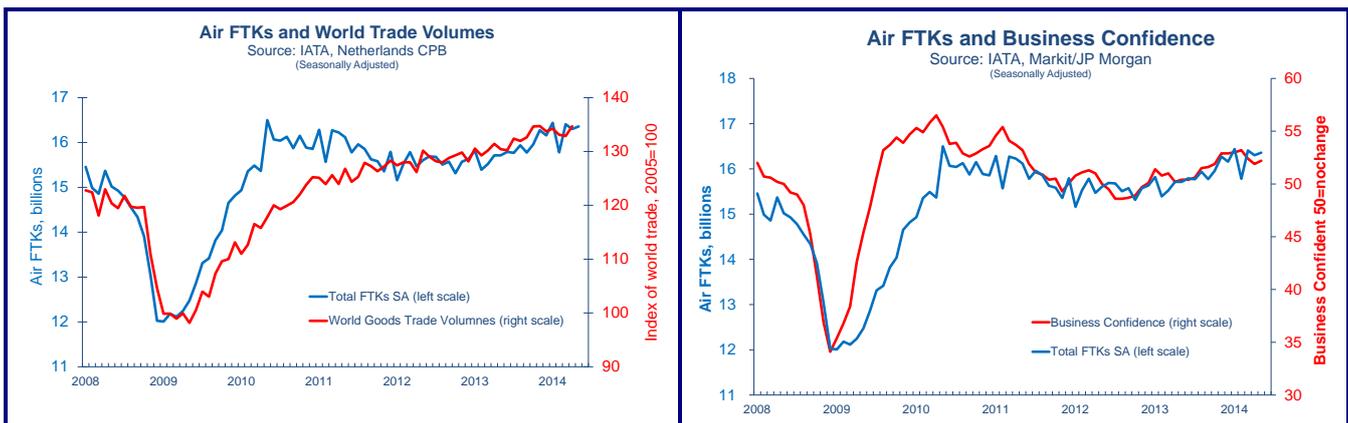


AIR FREIGHT MARKET ANALYSIS

MAY 2014

KEY POINTS

- Air freight markets picked-up in May with a 4.7% rise compared to a year ago. This is an acceleration on April, when freight tonne kilometers increased 3.8%. The demand environment had shown signs of wavering over recent months, but there are now some indicators that conditions are starting to improve again.
- During the past several months, business activity measures were starting to show signs of weakness and the positive trend in world trade growth had begun to reverse. Latest data, however, indicate a pick-up in world trade volumes as well as a small rise in business confidence, both of which helped air freight markets expand in May compared to April.
- All regions show a rise in air freight volumes in May compared to a year ago. Asia Pacific airlines, which carry the largest share of global FTKs, recorded a strong 5.3% increase in May year-on-year. Prior declines in regional trade volumes appear to have reversed and signs are that the slowdown in the Chinese economy is coming to a halt. European airlines experienced a weaker rise in air freight demand compared to emerging market regions, up 3.4% in May. However, airlines in Europe saw a solid rise in air freight volumes in May compared to April, which hints at acceleration in the growth trend. Indicators of business activity suggest that the region will experience stronger economic growth in Q2 than at the start of the year.
- Despite the expansion in air freight volumes in May, load factors declined due to a stronger rise in capacity. Growth in AFTKs came solely on international markets, which saw a 1.3% increase in May compared to April. Due to improvements late last year, however, load factor levels remain up on a year ago, but still low at 46%.
- The outlook for air freight markets appears to be stabilizing after some signs of wavering in prior months. Global business confidence continues to signal economic growth, and May data suggest that conditions could be picking-up after a slowdown in Q1. World trade volumes declined throughout the first three months of the year, but latest data show a reversal in that trend. Moreover, new exports orders are also on the rise once more, which bodes well for both world trade and air freight demand.



Year on Year Comparison

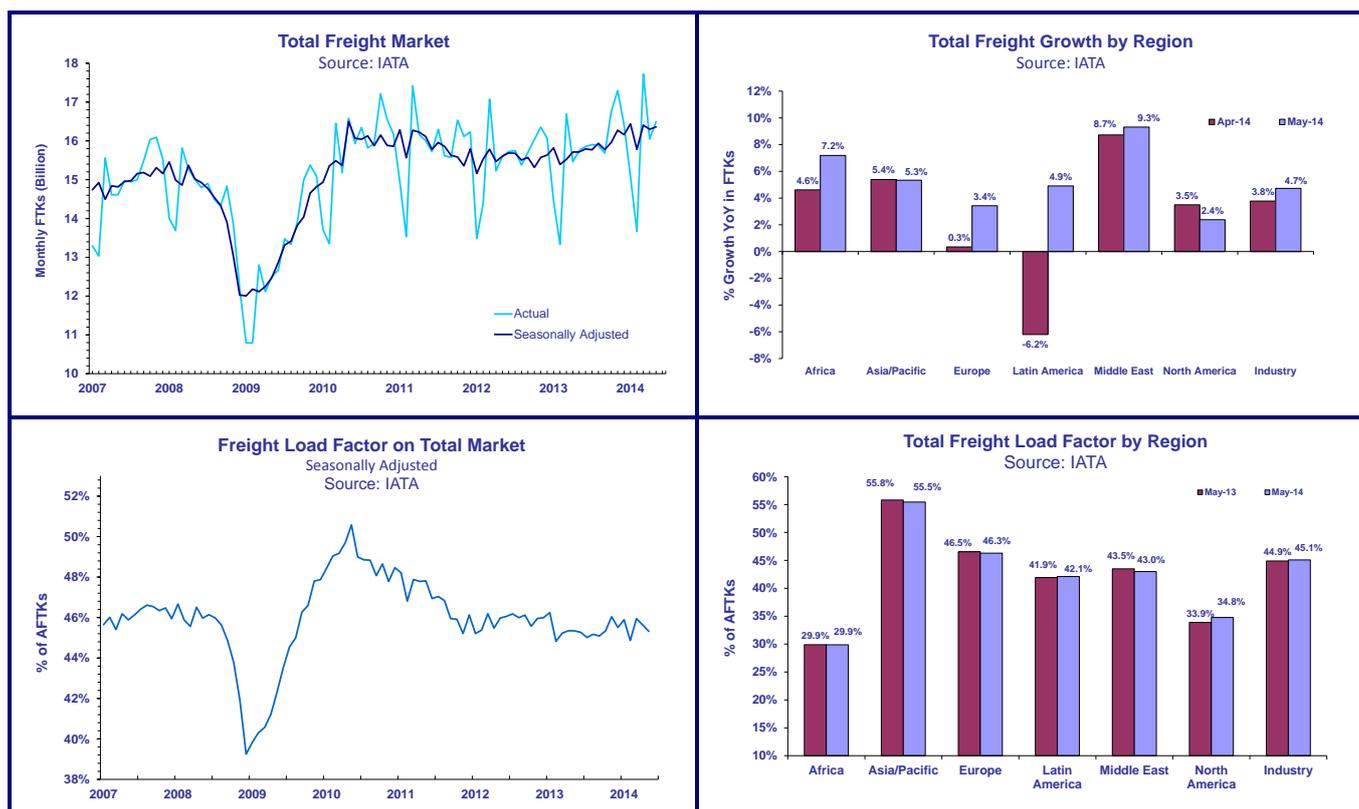
| | May 2014 vs May 2013 | | | YTD 2014 vs. YTD 2013 | | |
|----------------------|----------------------|------|-------|-----------------------|------|-------|
| | FTK | AFTK | FLF | FTK | AFTK | FLF |
| International | 5.1% | 4.9% | 48.5% | 4.6% | 4.1% | 49.3% |
| Domestic | 2.6% | 1.7% | 31.1% | 2.8% | 2.8% | 30.3% |
| Total Market | 4.7% | 4.3% | 45.1% | 4.4% | 3.8% | 45.5% |

Month on Month Comparison

| May 2014 vs. Apr 2014 | | |
|-----------------------|------|--------|
| FTK | AFTK | FLF pt |
| 0.4% | 1.3% | -0.5% |
| 0.2% | 0.0% | 0.2% |
| 0.4% | 1.1% | -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.



- All regions show a rise in air freight volumes in May compared to a year ago. Asia Pacific carriers, which carry the largest share of global FTKs, recorded a strong 5.3% increase in May year-on-year. Prior declines in regional trade volumes appear to have reversed and there are signs that the slowdown in the Chinese economy is coming to a halt. According to JP Morgan/Markit, the measure of manufacturing activity rebounded in May, with activity being supported by a strong rise in export order growth. This bodes well for regional trade and air freight demand for airlines registered in the region.
- Airlines in other emerging markets also recorded a solid rise in air freight in May compared to a year ago. Carriers in the Middle East continue to see the highest rates of growth among regions, rising 9.3% in May year-on-year. Airlines in the region are benefiting from better conditions in advanced economies, but trade activity with emerging markets continues to provide a strong base for growth, with various goods passing through the Middle East hubs to Asia and Africa, for example.
- Airlines in Africa and Latin America recorded increases in FTKs of 7.2% and 4.9% in May year-on-year. This result for Africa airlines is well above the growth trend so far this year (2.9%). Growth has been subdued throughout 2014 as a result of weaker growth in some major regional economies, but latest trade data indicate a pick-up in volumes, which could provide support for stronger air freight demand in the months ahead. Similarly for Latin American carriers, trade momentum and continued sluggishness in economies like Brazil have dampened the rise in air freight so far this year, keeping it down to just 0.5%. The improved result for May is likely reflecting a spike in business activity and good movements associated with the World Cup Soccer event.
- European airlines experienced a weaker rise in air freight demand compared to emerging market regions, up 3.6% in May. However, airlines in Europe saw a solid rise in air freight volumes in May compared to April, which hints at acceleration in the growth trend. Indicators of business activity suggest that the region will experience stronger economic growth in Q2 than at the start of the year. Economic activity in the region has been showing slow and steady improvement, and recent data suggest that strong increases in industrial production should result in acceleration in Eurozone GDP in Q2.
- Air freight for North American carriers rose by a relatively slow 2.4% in May, slightly down on April growth of 3.5%. The first quarter had seen weakness in trade volumes, potentially impacted by severe weather conditions. Latest data show a rebound in trade volumes and underlying growth trends in business activity are positive, which could support stronger growth in trade and air freight demand ahead.

ANNEX

| Year on Year Comparison | May 2014 vs. May 2013 | | | YTD 2014 vs. YTD 2013 | | |
|-------------------------|-----------------------|-------------|--------------|-----------------------|-------------|--------------|
| | FTK | AFTK | FLF | FTK | AFTK | FLF |
| Africa | 7.6% | 8.2% | 31.0% | 3.0% | 3.9% | 31.0% |
| Asia/Pacific | 5.2% | 6.3% | 58.4% | 4.3% | 6.6% | 57.5% |
| Europe | 3.6% | 4.1% | 47.5% | 4.1% | 2.5% | 49.4% |
| Latin America | 6.0% | 2.9% | 44.9% | 1.0% | -3.0% | 44.5% |
| Middle East | 9.4% | 10.9% | 43.4% | 10.7% | 9.5% | 45.3% |
| North America | 3.0% | -1.0% | 39.4% | 1.8% | -1.1% | 40.4% |
| International | 5.1% | 4.9% | 48.5% | 4.6% | 4.1% | 49.3% |
| Africa | 7.2% | 7.2% | 29.9% | 2.9% | 3.4% | 29.7% |
| Asia/Pacific | 5.3% | 6.0% | 55.5% | 4.5% | 7.0% | 54.1% |
| Europe | 3.4% | 4.0% | 46.3% | 4.1% | 2.4% | 48.2% |
| Latin America | 4.9% | 4.5% | 42.1% | 0.5% | -1.9% | 41.9% |
| Middle East | 9.3% | 10.6% | 43.0% | 10.6% | 9.2% | 44.8% |
| North America | 2.4% | -0.2% | 34.8% | 1.8% | -0.2% | 35.1% |
| Total Market | 4.7% | 4.3% | 45.1% | 4.4% | 3.8% | 45.5% |

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 | May 2014 vs. Apr 2014 | | | Market Share |
|---------------------------|-----------------------|-------------|--------------|---------------|
| | FTK | AFTK | FLFpt | FTK |
| Africa | 1.0% | 4.4% | -1.0% | 1.8% |
| Asia/Pacific | 0.1% | -0.7% | 0.4% | 39.7% |
| Europe | 0.6% | 2.4% | -0.9% | 26.7% |
| Latin America | 5.2% | 4.1% | 0.5% | 3.2% |
| Middle East | 0.3% | 2.5% | -1.0% | 14.1% |
| North America | -0.2% | 1.5% | -0.7% | 14.5% |
| International | 0.4% | 1.3% | -0.5% | 100.0% |
| Africa | 0.8% | 4.1% | -1.0% | 1.6% |
| Asia/Pacific | 0.2% | -0.8% | 0.6% | 38.6% |
| Europe | 0.6% | 2.4% | -0.8% | 23.5% |
| Latin America | 3.8% | 5.4% | -0.7% | 3.1% |
| Middle East | 0.3% | 2.4% | -0.9% | 12.3% |
| North America | -0.1% | 0.8% | -0.3% | 21.0% |
| Total Market | 0.4% | 1.1% | -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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