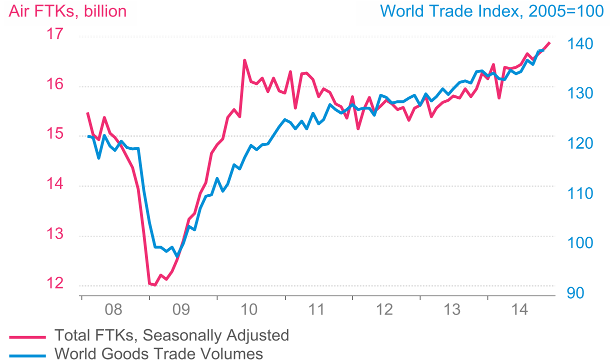
AIR FREIGHT MARKET ANALYSIS

NOVEMBER 2014

KEY POINTS

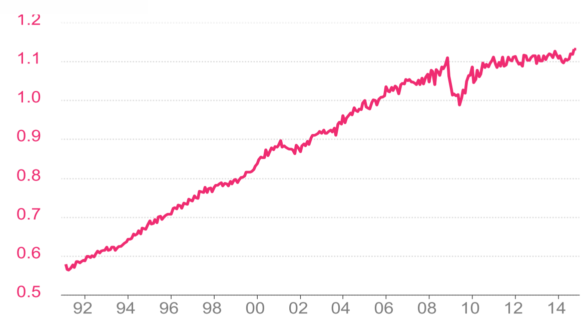
- Concerns have been rising about the health of the global economy at the start of 2015, and business confidence has weakened. But there was little sign of major cause for concern in the November air freight data. Its continued growth reflected the broader acceleration of world trade that began in mid-2014. Weakness in air freight is usually one of the first signs of economic weakness. Growth did slow in November, but not by much.
- Air freight volumes (Freight Tonne Kilometers flown) were up 4.2% in November compared to a year ago. This was down on October's 5.4% but the year-on-year growth reduction was the effect of a strong monthly rise in November 2013. As the first chart below shows, the market expanded from October to November at a solid pace.
- 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 cross-border trade during the past six months has taken place while domestic industrial production growth remained stable.
- As the second chart below shows the acceleration in the second half of 2014, of world trade relative to domestic production, 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 is certainly a development worth watching.
- The air freight upturn has not been evenly spread, with over 90% of November's 4.2% year-on-year growth carried by airlines in just two regions: Asia Pacific (55% of the growth) and the Middle East (38%). African airlines experienced the second strongest year-on-year growth rate in November, but carry only a small part of the world's air freight and moreover their growth has been slowing.
- Uneven airline performance reflects uneven growth in trade flows. The two regions of recent strength in trade have been the US and Emerging Asia. Other regions remain relatively weak. There have also been special factors which have influenced the data, such as congestion at US West coast ports that led to some temporary switch to air and the sanctions on Russia which have affected trade flows in goods like perishables.

Air FTKs and World Trade Volumes



Source: IATA, Netherlands CPB

Ratio of World Trade to Domestic Industrial Production



Source: Netherlands CPB

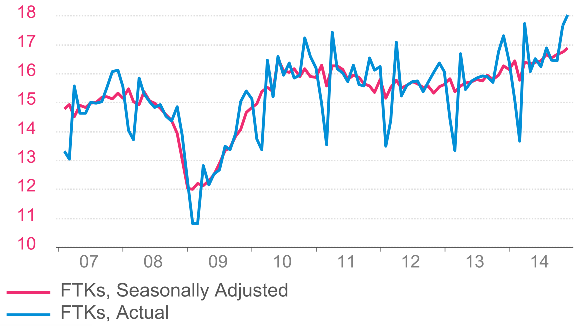
	Year on Year Comparison						Month on Month Comparison		
	Nov 2014 vs Nov 2013			YTD 2014 vs. YTD 2013			Nov 2014 vs. Oct 2014		
	FTK	*AFTK*	*FLF*	*FTK*	*AFTK*	*FLF*	*FTK*	*AFTK*	*FLF pt*
International	4.6%	4.0%	53.5%	4.7%	4.0%	49.2%	0.8%	0.0%	0.4%
Domestic	1.3%	0.0%	32.9%	2.7%	2.0%	30.9%	0.3%	-0.5%	0.3%
Total Market	4.2%	3.3%	49.6%	4.4%	3.6%	45.6%	0.8%	-0.1%	0.4%

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

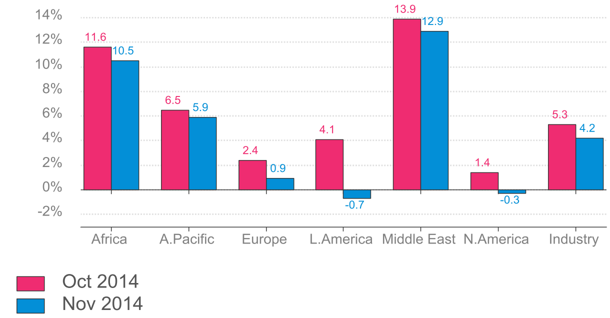
Monthly FTKs, billion



Source: IATA

Total Freight Growth by Region

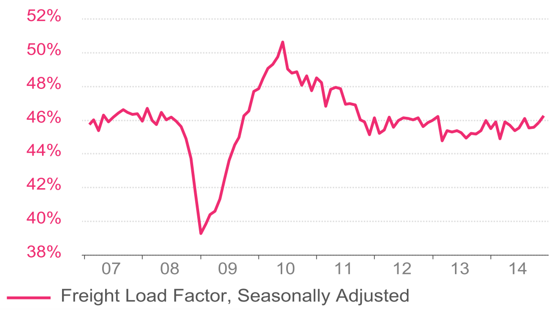
% growth in FTKs



Source: IATA

Freight Load Factor on Total Market

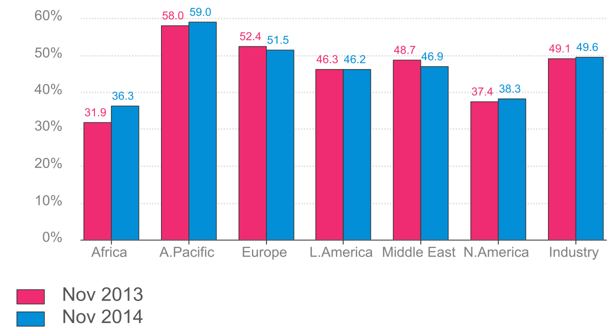
% of AFTKs



Source: IATA

Total Freight Load Factor by Region

% of AFTKs



Source: IATA

- Asia-Pacific airlines were only the 3rd fastest growing region in the FTKs they carried in November, but that increase over the year still represented over 55% 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 increasing numbers of middle-income consumers. Government policy is also trying to encourage more consumption in economies like China, though business confidence has weakened. India, under a new government, has seen business confidence improve in recent months. Japan, whose economy had been weakened by the recent consumption tax increase, has seen some recent improvement in business confidence. Emerging Asian economies have seen a sharp rise of imports in the past six months, which likely reflect these economic developments. This has been a welcome development for airlines in this region, which have also seen load factors improving.
- Middle East airlines have been responsible for carrying 38% of the increase in FTKs over the 12 months to November. Trade has been increasing with Middle East economies but a large part of the airlines business is due to their success at attracting air freight to go through Middle East hubs. Airlines in this region contributed over 64% of the increase in worldwide air freight capacity in the 12 months to November, as they add aircraft to their fleets. As a result load factors in this region declined.
- North America is one region of the world where economies appear to be strong and accelerating. Growth is strong for a mature region and trade, both exports and imports, have 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. However, their FTK volumes were flat.
- Europe remains weak. 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, shrank in November.
- African airlines, although carrying a small part of worldwide FTKs, saw a significant improvement in load factors during November as they grew air freight volumes carried by 10.5% and trimmed back their capacity.

ANNEX

Year on Year Comparison	Nov 2014 vs. Nov 2013			YTD 2014 vs. YTD 2013		
	FTK	*AFTK*	*FLF*	*FTK*	*AFTK*	*FLF*
Africa	10.3%	-2.7%	38.0%	6.2%	1.2%	31.8%
Asia/Pacific	6.2%	3.1%	62.9%	5.4%	5.5%	58.7%
Europe	0.9%	2.7%	52.7%	2.1%	2.9%	48.0%
Latin America	-0.9%	-1.5%	49.3%	1.1%	-1.3%	44.8%
Middle East	13.0%	17.3%	47.4%	10.8%	10.7%	44.9%
North America	-0.5%	-1.5%	44.4%	2.7%	-1.1%	40.2%
International	4.6%	4.0%	53.5%	4.7%	4.0%	49.2%
Africa	10.5%	-2.9%	36.3%	6.1%	0.9%	30.5%
Asia/Pacific	5.9%	4.0%	59.0%	5.4%	5.6%	55.4%
Europe	0.9%	2.6%	51.5%	2.0%	2.9%	46.8%
Latin America	-0.7%	-0.5%	46.2%	0.5%	0.4%	41.9%
Middle East	12.9%	17.1%	46.9%	10.7%	10.5%	44.5%
North America	-0.3%	-2.6%	38.3%	2.3%	-0.5%	35.2%
Total Market	4.2%	3.3%	49.6%	4.4%	3.6%	45.6%

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.

Month on Month Comparison	Nov 2014 vs. Oct 2014			Market Share
	FTK	*AFTK*	*FLFpt*	*FTK*
Africa	2.8%	-1.9%	1.6%	1.7%
Asia/Pacific	2.2%	0.7%	0.9%	40.6%
Europe	-0.2%	-0.9%	0.3%	26.0%
Latin America	-2.7%	0.3%	-1.4%	3.2%
Middle East	1.7%	0.9%	0.4%	15.1%
North America	-1.4%	-0.6%	-0.3%	13.3%
International	0.8%	0.0%	0.4%	100.0%
Africa	0.3%	1.5%	-0.2%	1.6%
Asia/Pacific	0.4%	0.7%	0.3%	39.7%
Europe	-0.2%	-2.3%	1.7%	23.2%
Latin America	0.3%	-0.1%	0.3%	3.1%
Middle East	-1.9%	1.1%	-0.8%	13.3%
North America	-0.1%	1.6%	0.1%	19.2%
Total Market	0.8%	-0.1%	0.4%	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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