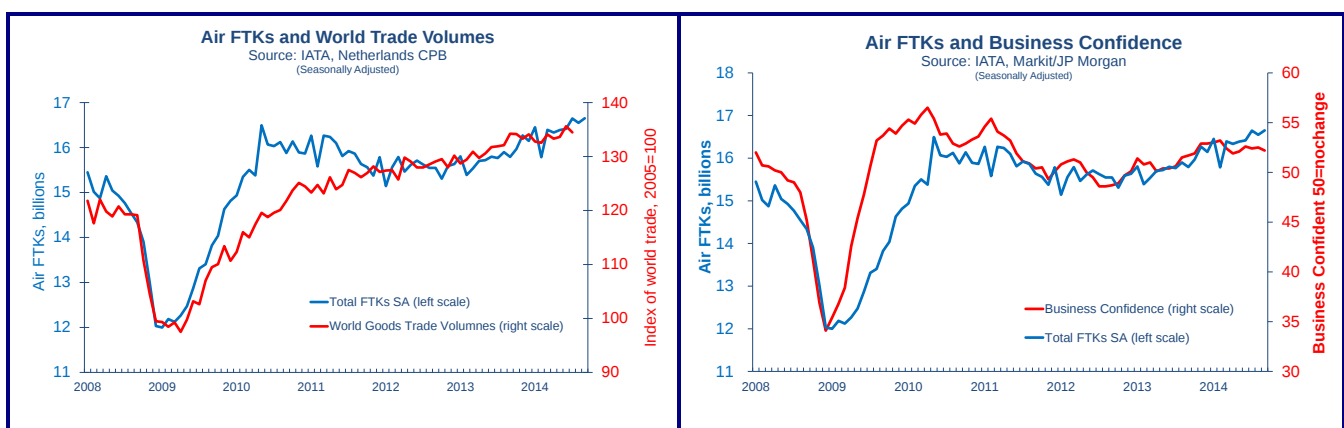


AIR FREIGHT MARKET ANALYSIS

SEPTEMBER 2014

KEY POINTS

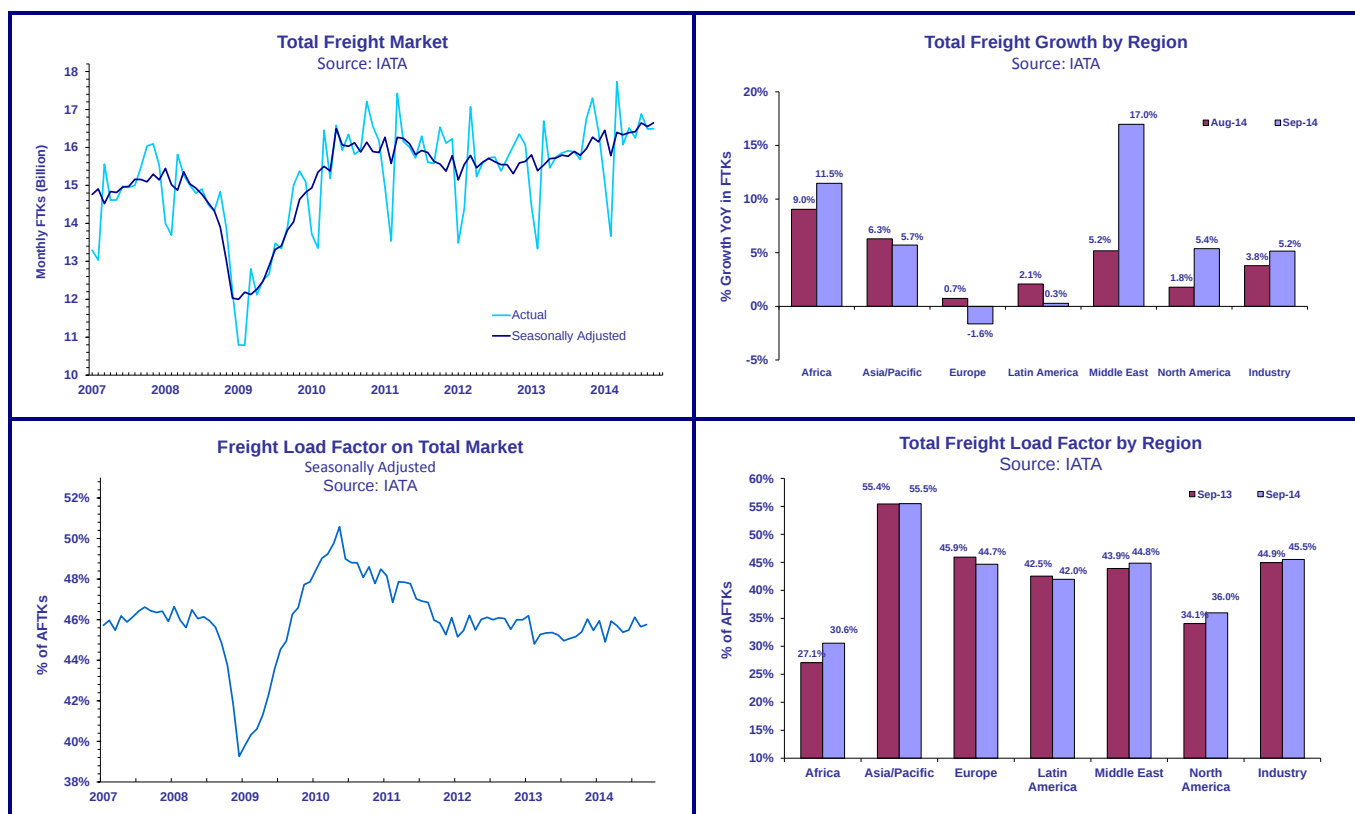
- ➔ Air freight volumes were up 5.2% in September compared to a year ago. This is an acceleration on August when volumes rose 3.8%, and is consistent with improving demand conditions in some regions.
- ➔ Freight tonne kilometres (FTKS) also expanded in September compared to August. A positive growth trend in air freight volumes resumed at the start of Q2, after a H1 pause in improvements seen toward the end of 2013.
- ➔ The performance of air freight markets has closely followed developments in world trade and business activity, which both showed solid gains toward the end of 2013, only to taper off earlier this year. Recent data, however, suggest that there has been a resumption in prior improvements in Asia and North America, especially.
- ➔ Growth in FTKs carried by Asia Pacific carriers continues to show steady improvement. There was a 5.7% rise in volumes in September compared to a year ago. Emerging Asia trade volumes continue to rise after a sharp decline in Q1, and the release of the latest Apple iPhone also provided a boost to air freight demand from the manufacturing center in China to various parts of the world.
- ➔ By contrast, data for airlines in Europe are showing the impact of the Russia-Ukraine crisis as well as crew strikes by Air France – FTKS were down 1.6% in September compared to a year ago. Carriers in Latin America also experienced weakness, with only a 0.3% rise in volumes in September – this is inconsistent with latest trade data which show rising volumes, particularly exports.
- ➔ Load factors improved slightly in September, both compared to the previous month and on a year ago. The steady growth in air freight demand over recent months has supported some improvement in loads, but continued expansion in capacity through the passenger business has kept load factors low at 45%.
- ➔ The outlook for air freight volumes has started to look better again for some regions, but the extent of future gains could be limited. Latest trade data show volumes are expanding at a stronger rate than earlier in the year, but still at a slower pace than global economic growth. Business confidence indicates slightly stronger global growth when compared to levels in Q1, but improvements have stagnated again due to the presence of political and economic risks.



	Year on Year Comparison						Month on Month Comparison		
	Sep 2014 vs Sep 2013			YTD 2014 vs. YTD 2013			Sep 2014 vs. Aug 2014		
	FTK	AFTK	FLF	FTK	AFTK	FLF	FTK	AFTK	FLF pt
International	5.1%	4.2%	48.4%	4.6%	3.9%	48.6%	0.6%	0.5%	0.1%
Domestic	5.7%	2.2%	33.4%	3.1%	2.0%	30.6%	0.4%	-0.3%	0.6%
Total Market	5.2%	3.8%	45.5%	4.4%	3.5%	45.0%	0.6%	0.4%	0.1%

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.



- Growth in FTKs carried by Asia Pacific continues to show steady improvements. There was a 5.7% rise in volumes in September compared to a year ago. Emerging Asia trade volumes continue to rise after a sharp decline in Q1, and the release of the latest Apple iPhone also provided a boost to air freight demand from the manufacturing center in China to various parts of the world. Moreover, the Chinese economy has slowed compared to double-digit rates of expansion during previous years, but government stimulus earlier this year has helped manage the transition onto a slower growth path. In fact, recent results of purchasing manager surveys (Markit) indicate gains in business activity in the manufacturing sector and a notable rise in export orders. This should help sustain positive trade momentum in the region, which in turn ought to continue driving demand for air freight services on local carriers.
- FTKs carried by Middle Eastern airlines increased 17.0% in September year-on-year. Airlines in the region are capturing opportunities for growth by introducing services to regions of strong and developing trade activity, including Africa and Central America. They are also increasing service offerings for important commodities like perishables, and linking markets in Asia Pacific with produces in Africa, for example.
- African airlines recorded the second strongest rise in FTKs in September, up 11.5% year-on-year. Regional trade volumes are yet to show consistent improvement, but key economies like South Africa have shown recent signs of better performance. South Africa managed to avoid entering a recession after seeing 0.6% growth in GDP in Q2. Easing downward pressure from the region's largest economy could be providing support to air freight demand on local carriers.
- North American airlines recorded a strong gain in FTKs in September, up 5.4% compared to a year ago, supported by increasing trade and business activity after a weather-related slowdown in early 2014. Latest data show a rebound in trade volumes and underlying growth trends in business activity are positive, which should provide some support for stronger growth in trade and air freight demand ahead.
- By contrast, data for airlines in Europe are showing the impact of the Russia-Ukraine crisis as well as crew strikes by Air France – FTKs were down 1.6% in September compared to a year ago. The Russia-Ukraine crisis and ensuing EU sanctions have resulted in downward pressure on growth momentum in the region, including key economies like Germany. In addition, a 14-day strike by Air France-KLM pilots reduced air freight capacity and we estimate led to a 4% point reduction in the September year-on-year growth result for European airlines.
- Carriers in Latin America also experienced weakness, with only a 0.3% rise in volumes in September – this is inconsistent with latest trade data which show rising volumes, particularly exports. If the trend continues, stronger trade growth could lead to improvements in demand for air freight.

ANNEX

Year on Year Comparison	Sep 2014 vs. Sep 2013			YTD 2014 vs. YTD 2013		
	FTK	AFTK	FLF	FTK	AFTK	FLF
Africa	11.7%	-1.1%	32.0%	5.3%	2.0%	31.0%
Asia/Pacific	5.7%	5.8%	58.0%	5.1%	5.8%	58.1%
Europe	-1.7%	1.2%	45.7%	2.2%	2.7%	47.5%
Latin America	0.6%	0.6%	44.7%	1.0%	-1.5%	43.8%
Middle East	17.1%	14.8%	45.2%	10.2%	9.3%	44.6%
North America	4.6%	-1.5%	39.8%	3.1%	-0.9%	39.4%
International	5.1%	4.2%	48.4%	4.6%	3.9%	48.6%
Africa	11.5%	-1.3%	30.6%	5.1%	1.7%	29.6%
Asia/Pacific	5.7%	5.6%	55.5%	5.2%	5.9%	54.7%
Europe	-1.6%	1.2%	44.7%	2.2%	2.7%	46.3%
Latin America	0.3%	1.7%	42.0%	0.4%	0.4%	40.9%
Middle East	17.0%	14.5%	44.8%	10.1%	9.0%	44.2%
North America	5.4%	-0.2%	36.0%	2.8%	-0.4%	34.7%
Total Market	5.2%	3.8%	45.5%	4.4%	3.5%	45.0%

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	Sep 2014 vs. Aug 2014			Market Share
	FTK	AFTK	FLFpt	FTK
Africa	1.4%	-1.4%	0.9%	1.7%
Asia/Pacific	0.6%	1.1%	-0.3%	40.1%
Europe	-0.6%	-1.4%	0.4%	25.4%
Latin America	1.9%	3.6%	-0.7%	3.1%
Middle East	3.3%	4.1%	-0.4%	15.5%
North America	0.0%	-1.1%	0.5%	14.2%
International	0.6%	0.5%	0.1%	100.0%
Africa	1.5%	-1.5%	0.9%	1.7%
Asia/Pacific	0.4%	1.2%	-0.4%	40.4%
Europe	-0.6%	-1.5%	0.4%	25.8%
Latin America	1.3%	-1.2%	1.0%	3.0%
Middle East	3.3%	4.0%	-0.3%	14.4%
North America	0.5%	-0.5%	0.3%	14.6%
Total Market	0.6%	0.4%	0.1%	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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3RD November 2014

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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