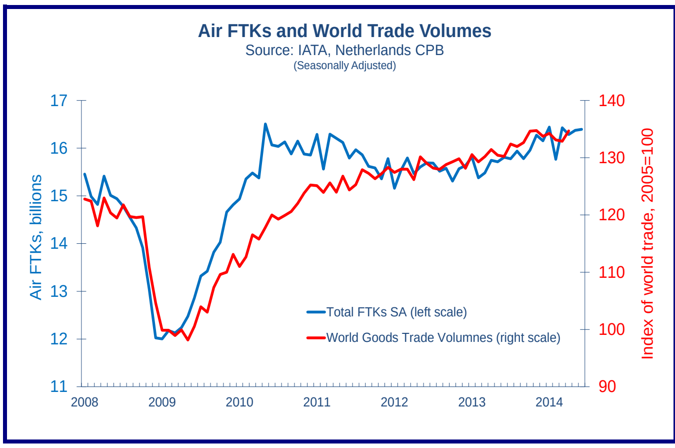
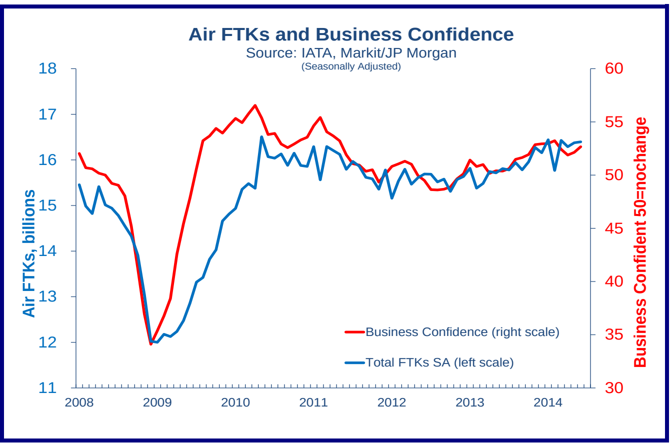
AIR FREIGHT MARKET ANALYSIS

JUNE 2014

KEY POINTS

- Air freight volumes increased but at a slightly slower pace in June, rising 2.3% year-on-year compared to 4.9% in May. The first six months of the year combined are up by a solid 4.1% compared to the same period in 2013, which is well above the 1.4% growth in 2013 overall.
- Current freight tonne kilometer levels are the highest they have been since mid-2010, outside of the volumes recorded in January 2014. This means that demand conditions throughout 2014 have been strong enough to support these improved FTK levels, but there has been no sustained acceleration in growth over recent months.
- 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. Most recent data, however, points to resumption in prior improvements in these demand drivers. The results have been mixed however, with some regions showing stronger gains than others.
- The most notable improvement over recent months has been for the Asia Pacific region – local carriers experienced a 4.9% rise in FTKs in June year-on-year. Latest (May) data shows that regional trade volumes remain at improved levels, after continued decline throughout Q1. By contrast, European airlines experienced a 1.5% fall in FTK June year-on-year, and a contraction by the same rate in June compared to May. In part, the solid performance recorded by Asia Pacific carriers was negated by weakness in volumes carried by European airlines. While industrial production growth over recent months has pointed to accelerating growth in the Eurozone, there has been some weakness in manufacturing activity and export orders, both of which erode some of the optimism around growth in demand for air freight for regional carriers.
- Load factors increased slightly in June compared to May, helped both by the rise in volumes and decline in capacity. Levels are currently in line with a year ago, since there has been no notable rise in loads this year.
- The outlook for air freight markets is broadly positive after some signs of wavering in prior months. The measure of global business activity increased in June, suggesting demand 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 shows some improvement in volumes in Q2. New exports orders have been notably volatile over recent months, but levels continue to indicate growth in world trade, which bodes well for air freight demand.

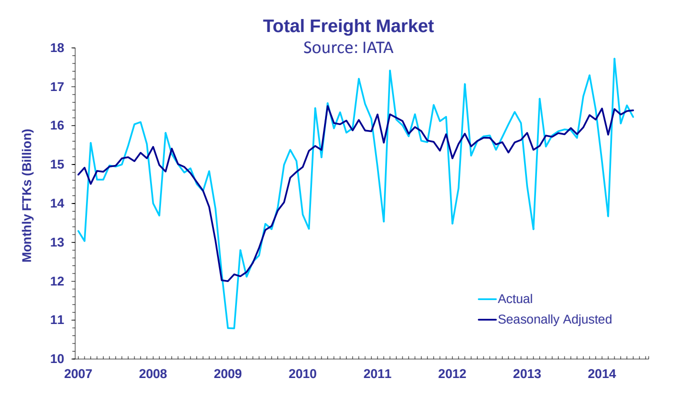


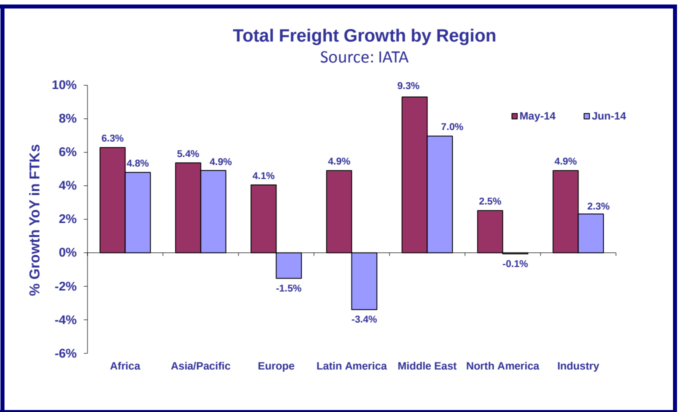


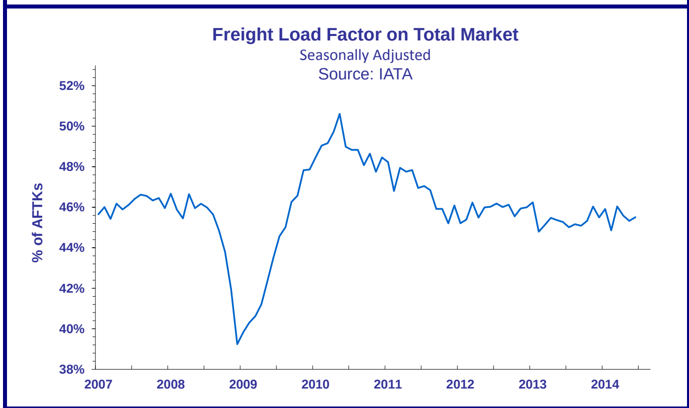
	Year on Year Comparison						Month on Month Comparison		
	Jun 2014 vs Jun 2013			YTD 2014 vs. YTD 2013			Jun 2014 vs. May 2014		
	FTK	*AFTK*	*FLF*	*FTK*	*AFTK*	*FLF*	*FTK*	*AFTK*	*FLF pt*
International	2.9%	3.4%	48.6%	4.4%	4.0%	49.1%	0.3%	-0.2%	0.2%
Domestic	-1.3%	-0.5%	29.5%	2.0%	2.1%	30.2%	-0.8%	-0.5%	-0.4%
Total Market	2.3%	2.6%	44.9%	4.1%	3.6%	45.4%	0.1%	-0.3%	0.2%

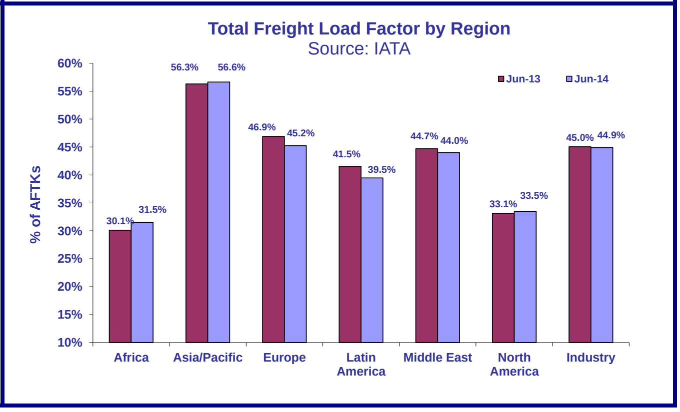
FTK: Freight-Tonne-Kilometers; AFTK: Available Freight Tonne Kilometers; FLF: Freight Load Factor; All Figures are expressed in % change Year on Year except FLF which are the load factors for the specific month.

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.









- The most notable improvement in air freight demand over recent months has been for the Asia Pacific region. Growth in June was 4.9% compared to a year ago. For the first six months of the year, FTKs carried by Asia Pacific airlines were up 4.6% compared to the same period in 2013. Although much of that improvement year-to-date is a result of an increase in volumes which took place at the end of 2013, the past months have shown some acceleration in the growth trend once again, after virtually no change in volumes in the early part of 2014. Latest (May) data shows that regional trade volumes remain at improved levels, after continued decline throughout Q1. Moreover, although export orders for China remain volatile, there was a strong increase in July – suggesting the upturn in regional trade growth could be sustained in the months ahead. In addition, manufacturing activity is expanding again for the first time since December 2013.
- Airlines in other emerging markets recorded mixed results in June. Carriers in the Middle East continue to see the highest rates of growth among regions, rising 7.0% in June year-on-year, and by 10.0% year-to-date. Airlines in the region are capturing opportunities for growth by introducing services to regions of strong and developing trade activity, including Mexico in Central America and Uganda in Africa. Airlines in Africa also recorded a rise in FTKs in June, up 4.8% year-on-year, but growth has been more subdued throughout 2014, expanding 3.1% year-to-date. This is largely a result of economic slowdown in some major regional economies, including South Africa. On a positive note, latest trade data for Africa shows a rise in volumes, which could provide support for stronger air freight demand in the months ahead. Airlines in Latin America, by contrast, experienced a 3.4% decline in air freight volumes in June year-on-year. Sluggishness in trade growth momentum and continued weakness in economies like Brazil have restricted growth in air freight so far this year, with volumes down 0.1% in June year-to-date.
- European airlines experienced a 1.5% fall in FTKs in June year-on-year, and a contraction by the same rate in June compared to May. In part, the solid performance recorded by Asia Pacific carriers was negated by weakness in volumes carried by European airlines. While industrial production growth over recent months has pointed to accelerating growth in the Eurozone, there has been some weakness in manufacturing activity and export orders, both of which could weaken the demand base for air freight transport on regional carriers.
- Air freight carried by North American airlines was also down in June, by 0.1% compared to a year ago. 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 provide some support stronger growth in trade and air freight demand ahead.

ANNEX

Year on Year Comparison	Jun 2014 vs. Jun 2013			YTD 2014 vs. YTD 2013		
	FTK	*AFTK*	*FLF*	*FTK*	*AFTK*	*FLF*
Africa	5.1%	0.1%	32.9%	3.2%	2.4%	31.6%
Asia/Pacific	5.1%	4.9%	59.9%	4.5%	6.3%	57.9%
Europe	-1.6%	2.0%	46.6%	3.2%	2.5%	48.9%
Latin America	-2.5%	-0.9%	42.5%	0.4%	-2.7%	44.2%
Middle East	7.1%	8.8%	44.4%	10.1%	9.4%	45.1%
North America	1.9%	-0.2%	38.1%	2.0%	-0.6%	39.9%
International	2.9%	3.4%	48.6%	4.4%	4.0%	49.1%
Africa	4.8%	0.3%	31.5%	3.1%	2.1%	30.2%
Asia/Pacific	4.9%	4.3%	56.6%	4.6%	6.5%	54.5%
Europe	-1.5%	2.1%	45.2%	3.2%	2.4%	47.7%
Latin America	-3.4%	1.6%	39.5%	-0.1%	-1.3%	41.5%
Middle East	7.0%	8.6%	44.0%	10.0%	9.1%	44.7%
North America	-0.1%	-1.0%	33.5%	1.6%	-0.2%	34.8%
Total Market	2.3%	2.6%	44.9%	4.1%	3.6%	45.4%

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.

Month on Month Comparison	Jun 2014 vs. May 2014			Market Share
	FTK	*AFTK*	*FLFpt*	*FTK*
Africa	-0.3%	-1.8%	0.5%	1.8%
Asia/Pacific	1.1%	-0.4%	0.9%	40.6%
Europe	-1.5%	-0.6%	-0.4%	26.1%
Latin America	-3.8%	-1.1%	-1.3%	2.9%
Middle East	2.7%	0.4%	1.0%	14.4%
North America	-0.1%	0.6%	-0.3%	14.3%
International	0.3%	-0.2%	0.2%	100.0%
Africa	-0.3%	-1.5%	0.4%	1.6%
Asia/Pacific	1.0%	-0.4%	0.8%	39.4%
Europe	-1.5%	-0.5%	-0.5%	23.2%
Latin America	-4.6%	-0.6%	-1.6%	2.8%
Middle East	2.7%	0.4%	1.0%	12.6%
North America	-0.5%	-0.1%	-0.1%	20.4%
Total Market	0.1%	-0.3%	0.2%	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.

IATA Economics
E-Mail: *economics@iata.org*
5TH August 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

NEW RELEASE ALERTS

To receive email notification of new analysis from IATA Economics, select 'Economic Briefings' from:

www.iata.org/optin