

AIR MARKET UPDATE

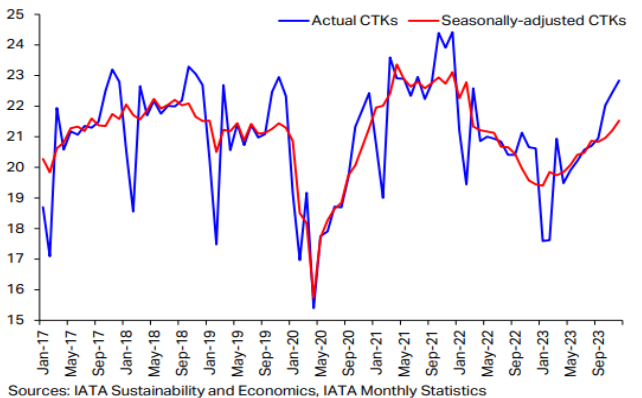
February 2024



CURRENT STATE

- In December, there was a significant uptick of 10.8% in global air cargo traffic compared to the previous year, representing the most substantial annual growth in air cargo tonne-kilometers (CTKs) in the past two years. This surge nearly closed the gap between the 2023 annual average figures and those of 2022, with just a 1.9% difference. **(right chart)**
- Global International Cargo Tonne Kilometres (CTKs) rose by 11.5% year-over-year in December, with growth observed across all major trade routes. This resulted in 2023 concluding with international traffic just 2.2% below the levels seen in 2022.
- December witnessed record highs in Available Cargo Tonne-Kilometers (ACTKs), a measure of global air cargo capacity. This increase was primarily fueled by the expansion of international passenger belly capacity, leading to a 13.6% year-on-year (YoY) increase in December's ACTK. Consequently, 2023 ended with a total air cargo capacity increase of 11.3% compared to 2022.

Industry CTKs (billions per month)



Sources: IATA Sustainability and Economics, IATA Monthly Statistics

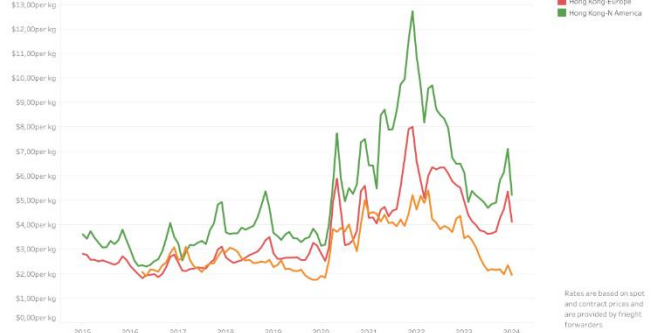
- The expansion of global air cargo capacity also led to a slight decrease in cargo load factors on a month-to-month basis, with the average for the year closing at 44.0%.

Source: IATA

MARKET DEVELOPMENTS

- Airfreight rates saw an upward trend throughout January due to the impending Lunar New Year holiday and reports indicating a shift from sea to air freight amid the Red Sea crisis.
- Overall prices for the month were lower compared to the previous year. Baltic Exchange Airfreight Index statistics reveal that in January, rates from Hong Kong to North America decreased by 15% year-on-year to \$5.22 per kg, while rates to Europe dropped by 16.9% to \$4.12 per kg.
- The International Air Transport Association (IATA) anticipates a continued decline in rates throughout the year, projecting a 20.9% decrease in yields as carriers reintroduce capacity to the market.
- However, January's prices remained higher than those observed in pre-Covid 2019, when carriers achieved rates of \$3.66 per kg from Hong Kong to North America and \$2.83 per kg to Europe.

Baltic Exchange Air Freight Index (BAI) powered by TAC Data
Copyright: Baltic Exchange. Chart created by Air Cargo News



Rates are based on spot and contract air rates and are provided by freight forwarders.

- IATA Jet Fuel Price Monitor shows the jet fuel price for the week ending February 9th was up 2.0% compared to prior year's average at \$114.59/bbl.
- The largest increases vs. previous month's average were seen in North America at 9.2%, followed by Latin & Central America at 5.5%.
- At the close of the week, oil prices rose due to increasing geopolitical tensions and growing product shortages. Particularly in Europe, where there's strain on jet fuel and diesel supply lines, the ongoing Red Sea crisis is disrupting crucial imports from the Middle East and Asia.

Index (Year 2000=100) Jet Fuel Price Index Development (Global and Regional)





RED
Demand exceeded capacity available. Rates increased.



YELLOW
Demand higher and capacity is limited. Rates increasing.



GREEN
Both demand & capacity are at normal levels.

DEMAND & CAPACITY

DEMAND

ORIGINS	DEMAND & CAPACITY					
	AMERICAS	LATAM	EMEA	INDIA	N. ASIA	S. ASIA
AMERICAS						
LATAM						
EMEA						
INDIA						
E. ASIA						
S. ASIA						

IMPACTED EXPORT MARKETS

ORIGIN REGION	DESTINATION REGION	STATUS	SPECIFICS
AMERICAS	EMEA		As demand declines, competition among air carriers intensifies. This situation puts downward pressure on air freight rates as carriers may offer discounts or promotional prices to attract the limited number of available shipments.
	SOUTHEAST ASIA		It looks like air freight rates from the US region are becoming even more competitive. While rates were expected to stay the same, they fell. This is because air carriers profit from exports from the Asian market. As a result, exporters can enjoy lower shipping costs from the US market. On the other hand, we hear from some carriers that maintaining export profitability in a competitive environment is a significant challenge. India is becoming an increasingly visible competitor to the Chinese market.
	LATAM		The American market to Latin America is slightly softening, there is no problem with getting the spot rate.
LATAM	ALL REGIONS		Demand from Central & South America to North America recording an increase of +44%, reflecting a spike in demand for flowers for Valentine's Day. But with flower shipments relatively low-yield trade, avg. rates on this lane fell approximately by -10%. Another tonnage increase was seen on the Central/South America lane to Europe (+17%). Capacity remains at a good pace with an average of +18% rise ex-Central & South America YOY.
EMEA	ASIA		Stable rates and available capacities into Greater China, capacities into Australia as well as Taiwan, Japan and South Korea are opening up which reflects a reduction in airfreight rates. We expect rate increases after Chinese New Year.
	AMERICAS		Available capacity is outscoring the demand - we are seeing stable rates into all major US-Airports on a medium level for wide-body cargo characteristics. For freight requiring a freighter aircraft the demand is much higher and the rates have the tendency to increase.
INDIA	AMERICAS & EMEA		Due to the Red Sea crisis and Backlog in DXB/DWC (sea-air solution), the demand is increasing to US and EU. The capacity is constraint, and the rates are drastically increasing.
N. ASIA	AMERICAS & EMEA		The capacity to US is less constraint than DEC23, mainly due to the drop of e-commerce. The rates to EU and US are much lower than DEC23, but still on the high side, decreasing after Chinese New Year.
S. ASIA	AMERICAS & EMEA		The overall export markets in Southeast Asia continue to be soft to EU, decreasing to US. The rates to US and EU are still on the high side. All rates should decrease after Chinese New Year.

IMPACTED IMPORT MARKETS

DESTINATION REGION	STATUS	SPECIFICS
LATAM		Chargeable weight (kgs) increases of +11% into South & Centra America YOY. Chine New Year has brought up the demand and capacity to the region, averaging a +5% on chargeable weight increase and rates have remained stabled with a low +2% average fluctuation. The waiting time to get through the Panama Canal is still a challenge, resulting in transportation delays to the Caribbean and the East Coast of South America, forcing shippers shifting transportation from Ocean to Air.
S. ASIA		Due to the red sea crisis, BKK faces an important backlog in import.