# AIR MARKET UPDATE

## AIR FREIGHT MARKET OVERVIEW

**Market outlook:**

The global air freight market remained under pressure throughout July, driven by the combination of renewed geopolitical tensions in the Middle East, elevated jet fuel prices and continued capacity constraints across key trade lanes. Although overall demand remains resilient, higher operating costs, network disruptions and limited available capacity continue to support elevated freight rates and Fuel Surcharges (FSC).

Adding to these challenges, **Typhoon Bavi** temporarily disrupted operations across Asia Pacific during the first week of July, contributing to a **4% W-o-W decline in global air cargo volumes** and a **7% reduction in exports from Asia Pacific**. The storm primarily impacted Taiwan, while also affecting capacity and cargo flows across China and other parts of East Asia. Although weather-related disruptions are typically short-lived, they can result in temporary capacity shortages, flight delays and localized rate volatility.

Looking ahead, the market is expected to remain dynamic throughout the coming weeks. Freight pricing will continue to be influenced by several key factors, including geopolitical developments in the Middle East, fluctuations in jet fuel prices, airline capacity management and seasonal weather disruptions across Asia. Even if fuel prices begin to stabilize, FSC adjustments are expected to normalize more gradually due to carrier pricing mechanisms and ongoing operational uncertainty.

**Customer Recommendation:** Shippers should continue to book shipments as early as possible, maintain routing flexibility, particularly for Asia Pacific exports, and closely monitor Fuel Surcharge updates and capacity developments when planning shipments or negotiating new contracts.

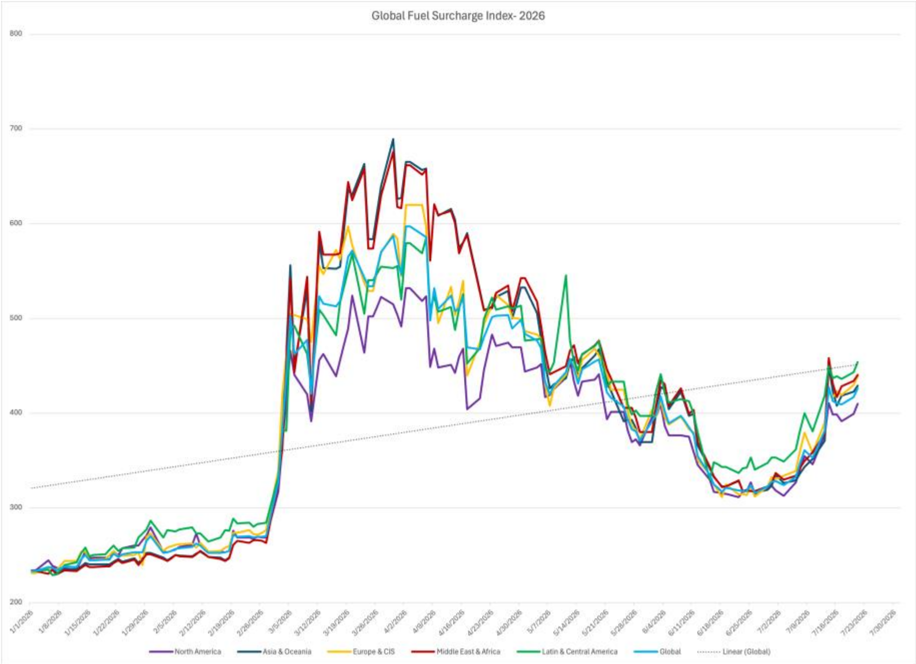
## KEY MARKET HIGHLIGHTS

**1. Geopolitical Developments:**

Renewed tensions in the Middle East, including disruptions around the Red Sea and Strait of Hormuz, have increased uncertainty across global supply chains. Airlines continue to adjust networks through longer routings and selective capacity reductions, increasing operational costs and transit time variability.

**2. Fuel Market:**

Jet fuel prices remain at historically elevated levels despite partial stabilization earlier this year. The recent increase in crude oil prices are expected to place additional pressure on Fuel Surcharges (FSC) over the coming weeks, with further revisions likely across several carriers.




**3. Freight Rates:**

Market yields have continued to increase as carriers adjust pricing to reflect higher operating costs.

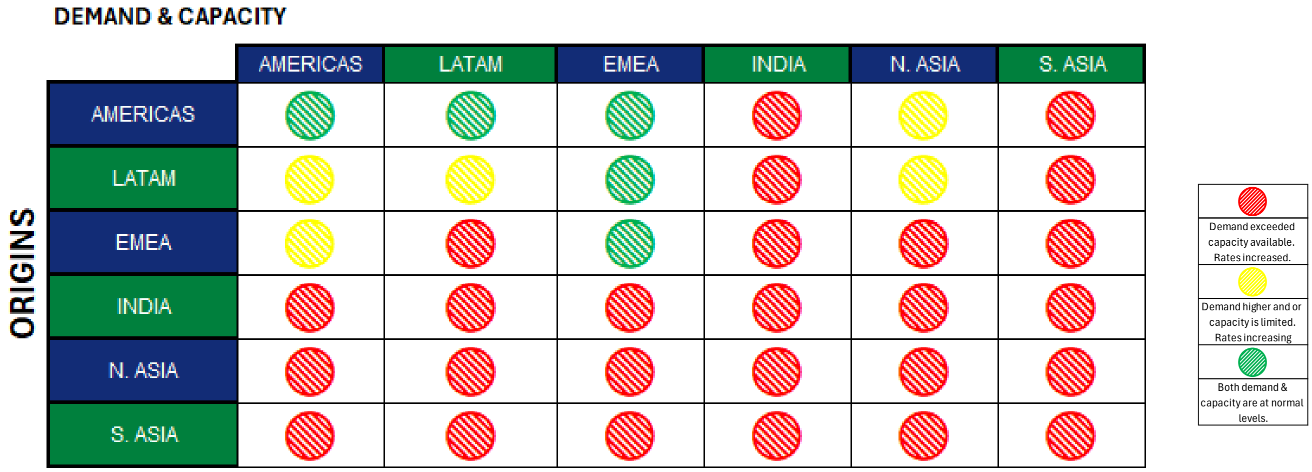
Rate increases are being driven by:

- Higher Fuel Surcharges (FSC)
- Emergency Fuel & War Risk surcharges
- Longer flight routings
- Capacity restrictions
- Strong utilization of freighter capacity

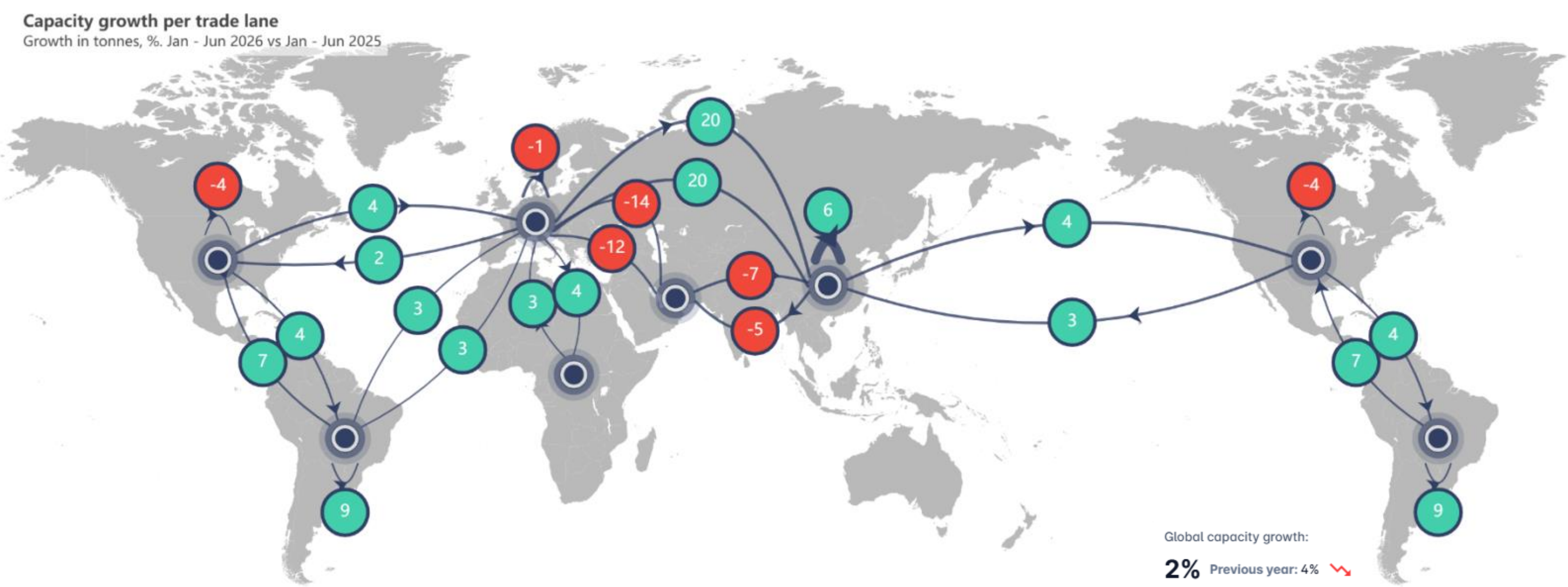
The most impacted corridors continue to be:

- Asia - Europe
- South Asia - Europe
- Asia - Middle East
- Europe - Middle East

Latin America remains less exposed operationally but continues to experience indirect cost increases through higher global fuel prices and FSC adjustments.




## AIR CARGO CAPACITY GROWTH (YTD Growth):




## AIR CARGO DEMAND GROWTH (YTD Growth):