CRANE WORLDWIDE LOGISTICS

AIR MARKET UPDATE

AIR FREIGHT MARKET OVERVIEW

Market outlook:

Global air cargo demand remained resilient, recording an 8.5% year-on-year increase, while international traffic grew by an even stronger 9.6%. Capacity, however, expanded by only 4.4% over the same period, significantly below the pace of demand growth. This imbalance pushed the global cargo load factor to 46.9%, signaling tighter market conditions and more limited availability on certain trade lanes.

While the overall market remains firm, recent regulatory changes are reshaping capacity flows between Asia and Europe. Following the implementation of the new European e-commerce import-processing policy in July, European e-commerce air imports declined by approximately 24% compared with June. As a result, direct freighter capacity from China and Hong Kong to Europe fell and remained approximately 28% below June levels by mid-August. Capacity reductions have been concentrated at major e-commerce gateways, while only a limited portion of the removed capacity has been redeployed to other regions. This adjustment may create short-term opportunities for general cargo on selected routes, but it also increases the potential for schedule changes and localized capacity volatility as airlines continue to adapt their networks.

Customer Recommendation:

- Book priority and time-sensitive shipments early, particularly from Asia and on routes with limited or frequently changing capacity.
- Maintain routing and gateway flexibility, especially for China - Europe cargo, as airlines continue to adjust freighter schedules and redistribute capacity.
- Closely monitor Fuel Surcharge updates and all-in freight costs, as base-rate reductions may be offset by elevated fuel and operational expenses.
- Consider alternative European gateways where operationally feasible, as capacity availability varies significantly by airport.
- Plan peak-season volumes in advance and communicate forecasts early to improve space protection and reduce exposure to last-minute rate increases.
- Review procurement strategies at lane level, as global market averages may not accurately reflect local capacity, demand and pricing conditions.

KEY MARKET HIGHLIGHTS

1. Regional Performance:

- North America recorded the strongest regional demand growth, with total carrier traffic increasing 13.1% year-on-year. Together, North America and Asia Pacific generated nearly three-quarters of the global increase in air cargo traffic.
- Asia Pacific demand increased 7.9% supported by semiconductor, technology and intra-Asia cargo movements. The region also recorded the highest cargo load factor, at 51.8%.
- European carriers achieved 6.9% demand growth, while capacity increased by only 3.7%, keeping the regional market relatively firm.
- Middle Eastern carriers returned to growth, with demand increasing 5.6% year-on-year, reflecting the gradual restoration of transfer through the region's major hubs. However, network recovery remains uneven, and some Middle East-related corridors continue to face substantial disruption.
- Latin America capacity expanded considerably faster than demand. Capacity increased 9.8% compared with demand growth of 3.5%, reducing the regional cargo load factor to 33.9%. This may create more competitive pricing conditions on selected lanes.
- African carriers reduced capacity by 7.1% while demand grew 4.7%, resulting in a material tightening of available lift and higher utilization.

2. Fuel and rate environment:

- Jet Fuel prices eased in July as oil flows through the Persian Gulf partially recovered. Nevertheless, jet fuel remained 45.8% above the prior-year level, meaning fuel continues to represent a significant cost risk for airlines and shippers. During the first weeks of August, renewed upward pressure on fuel prices was observed, and initial official airline communications indicated further Fuel Surcharge increases. Fuel-related costs are therefore expected to remain elevated and continue rising in the near term.
- Global Air Cargo yields declined 1.2% month-on-month, making the first sequential decrease after a period of increases. However, yields remained 34% above year-on-year, indicating that the market has eased from a short-term peak but has not returned to normalized pricing conditions.
- IATA expects cargo yields to increase approximately 6.5% for full-year 2026, primarily reflecting airlines' efforts to recover higher fuel and operational costs.
- Fuel availability remains structurally vulnerable, particularly in Europe and parts of Asia. Europe imports approximately 60% of its jet fuel requirements, leaving the region exposed to supply disruption and regional price volatility.

3. Key Trade Lanes:

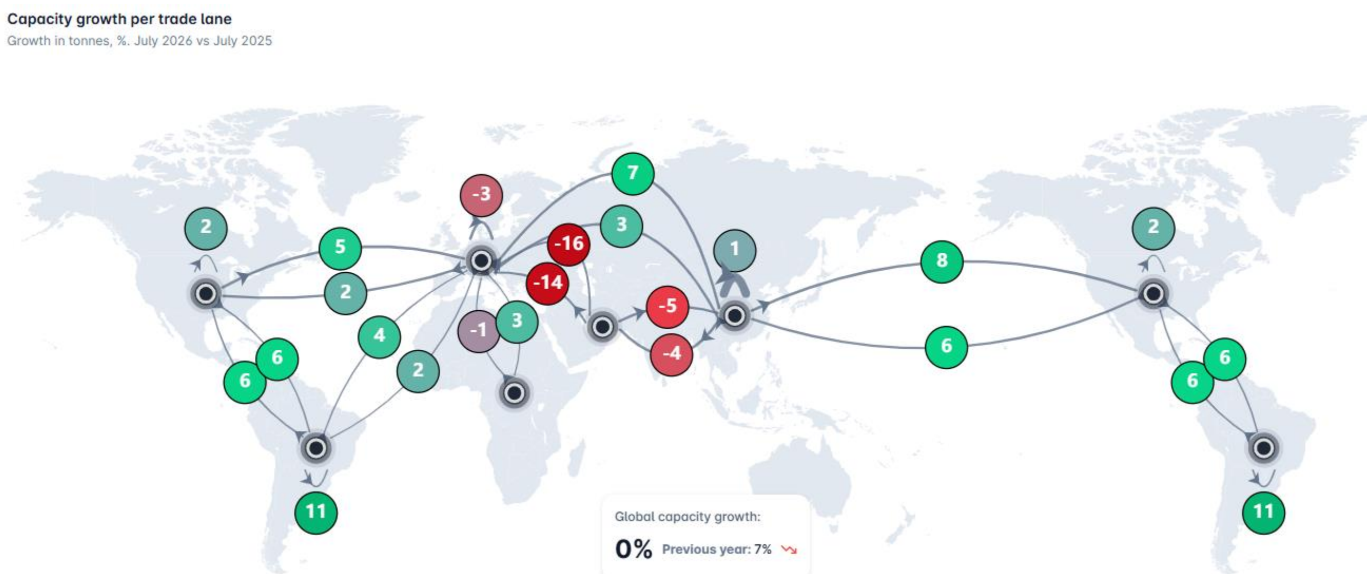
- Asia-North America remained the strongest major corridor, growing 14.7% year-on-year, supported primarily by AI, semiconductor and high-value technology demand.
- Intra-Asia traffic increased 7.2%, while Europe-Asia grew 7.1%, extending its positive growth trend to 40 consecutive months.
- Transatlantic performance improved but remained broadly flat year-on-year, suggesting a relatively balanced market without the same demand momentum seen on Asia-linked corridors.
- Middle East connectivity remains a key risk. Europe-Middle East traffic declined 41.1%, while Middle East-Asia remained 4.1% below the previous year.

DEMAND & CAPACITY

ORIGINS	AMERICAS	LATAM	EMEA	INDIA	N. ASIA	S. ASIA
AMERICAS	Green	Green	Green	Red	Yellow	Red
LATAM	Yellow	Yellow	Green	Red	Yellow	Red
EMEA	Yellow	Red	Green	Red	Red	Red
INDIA	Red	Red	Red	Red	Red	Red
N. ASIA	Red	Red	Red	Red	Red	Red
S. ASIA	Red	Red	Red	Red	Red	Red

Red	Demand exceeded capacity available. Rates increased.
Yellow	Demand higher and or capacity is limited. Rates increasing
Green	Both demand & capacity are at normal levels.

AIR CARGO **CAPACITY** GROWTH (YTD Growth):



AIR CARGO **DEMAND** GROWTH (YTD Growth):