AIR FREIGHT STATE OF THE INDUSTRY
OCTOBER 2023

Content

1 Summary
2 Market Developments
3 Demand
4 Capacity
5 Utilization
6 Rates
7 Jet fuel
8 Backup material:
   Global capacity development
### Summary

**Demand**
- Volume levels remain **stable**, with a minor month-over-month increase.
- Moderate demand strength, with slight improvement in Q4 2023. Global inflation expected to ease via tighter monetary policy and lower commodity prices.
- PMI Index remain below the 50 mark indicates a cooling demand environment
- Elevated inventories and stagnant purchasing power contributes to a lackluster demand.

**Capacity**
- Global capacity have been consistently rising since March 2023, indicating the stable and resilient trend of the industry.
- Air cargo capacity +5% higher than October 2022, driven by the sustained expansion of belly capacity due to passenger aircrafts additions.

**Carriers**
- Increased passenger demand has led to higher flight frequencies overall.
- Capacity ex-Asia Pacific up +25%. Other significant YoY capacity increases observed ex-MEA (+7%), ex-North America (+8%), ex-Europe (+7%) and decline ex-Central & South America (-3%).

**Jet Fuel**
- Further escalation of Israel and Gaza conflict could lead to increased oil prices, oil supply concerns and potential global economic downturn.
- Forecast jet fuel consumption will increase by 6% in 2024

**Rates**
- Market rates remains competitive; slight increase on specific trade lanes
- Air cargo improvements and rates stability push shippers to longer term contracts

**Regulation/News**
- The ongoing conflict between Israel and Gaza has led to most flights being canceled, and the industry remains cautious. Cargo capacity is expected to be severely limited and volatile.
- Russia/Ukraine: Sanctions likely to remain active for the foreseeable future
- The EU is implementing customs reforms, focusing on data availability during customs procedures. This includes the NCTS 5.0 phase and upcoming changes like the AES (Automated Export System).

Source: IATA, Seabury, WorldACD Market Data, DGF Desk Research

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Market Developments

Economic Outlook

GDP Growth by Region

<table>
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<th>2023F</th>
<th>2024F</th>
<th>2025F</th>
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<th>2027F</th>
<th>CAGR (2023-2027)</th>
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<td>0.67%</td>
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<td>World</td>
<td>2.55%</td>
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<td>2.73%</td>
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</table>

Demand Development in Tons (% change YoY)

- Oct: -15
- Nov: -13
- Dec: -15
- Jan: -17
- Feb: -10
- Mar: -8
- Apr: -6
- May: -5
- Jun: -4
- Jul: -3
- Aug: -7
- Sep: -2
- Oct: -2

Source: IHS Markit Group, IATA, Seabury, WorldACD Market Data, Economic Data Factbook, IMF

Demand

Crude Oil vs. Jet Fuel Price (USD per bbl)

- EIA has adjusted its forecast for the Brent crude oil spot price, anticipating an average increase to $95 per barrel in 2024.

Supply

Supply Development (000 Tons)

- Global inflation remains high, from 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024, expected to ease because of tighter monetary policy and lower international commodity prices.

- The export orders PMIs below the 50-mark observed across major economies, reflecting a widespread softening of global goods trade.

- Market rates in 2023 are still on a stable and flat trend, although they remain elevated compared to pre-pandemic levels.

- Capacity additions easing and sufficient while demand remains relatively soft.

Passenger Freighter

- Jan-Feb-Mar-Apr-May-Jun-Jul-Aug-Sep-Oct
- 2022: 9,178
- 2023: 32%
- 2024: 68%
Demand

Global Volume Development

In Tons (% change YoY)

Regional Volume Development

In Tons (% change YoY)

- Demand remains relatively soft. Slight improvement of volume is expected in Q4’2023.
- Rising inflation and escalating energy costs are exerting pressure on consumer spending.
- Traditional peak season surge is currently not to be expected.

Source: WorldACD Market Data & desk research; *I/S - Inventory to Sales ratio; demand data available till Sep ‘23 only on global level.

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Global Capacity Development

- Global capacity at 5% vs Oct'22, consistently rising and sufficient since March 2023, indicating the stable and resilient trend of the industry.
- Belly capacity continues to grow – YoY 13% increase, while international capacity growth for dedicated freighters remained stable.
- High e-commerce and Tech demand likely to tighten up spaces outbound Asia/Intra Asia.
- No significant backlogs apart from Israel inbound and outbound and some countries outbound Asia/Intra Asia.

Trade Lane Capacity Development

Source: Seabury
Utilization

Global Cargo Load Factor Development

- % Change CTK and ACTK
- Sufficient capacity in market; cargo volumes remain low
- Flat volume growth against improved capacity has led to reduced load factors in all regions
- Cargo Load Factor (CLF) is an indicator of how tight is the demand-supply balance
- Utilization is likely to remain balanced under current demand vs capacity situation

Regional Cargo Load Factor Development

- CLF in % (CLF = CTK/ACTK)
- Aug 2021
- Aug 2022
- Aug 2023
- Source: IATA; 2023 onwards data is compared against last year

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• Market continued to remain competitive as demand remains low and capacity prevail sufficient

• Worldwide average rates are currently ~29% below last year levels, although they remain above pre-Covid levels.

• Capacity addition easing and the e-commerce booming in Asia Pacific will likely impact the rates in Q4.

• Rates less volatile for long term validity, leading to a 34% rise in long-term contracts in Q3’2023 comparing to Q2’2023.

• Jet fuel prices remain comparatively higher than normal – likely to affect rates as the prices can fluctuate amidst the current market dynamics.
## Regional Market Development

### Market development on key regional tradelanes

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- **Demand > Capacity:** Rates(++)
- **Demand, Capacity balanced:**
- **Demand, Capacity imbalance; Backlog- Rates fluctuating(+)**

**Source:** DGF Desk Research; most regions have stable capacity but some tradelanes still have tight capacity with likely rate increment

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Jet Fuel

Crude Oil vs. Jet Fuel Price Development

- EIA changed Brent crude oil spot price forecast to expect to increase, average $95/b in 2024.
- Global oil inventories are expected to drop by 0.2M b/d in H2/23 due to Saudi Arabia's voluntary production cut and reduced targets in OPEC+ countries, keeping global production below global consumption.
- EIA forecast jet fuel consumption will increase by 6% in 2024, due to strong consumer demand for air travel which has returned to pre-pandemic levels.
- Further escalation of Israel and Hamas conflict into a wider regional crisis, could lead to increased oil prices, concerns about oil supply, and the potential for a global economic downturn.

Source: DGF Desk Research; updated till September 2023 available date
BACKUP
Global Capacity Development

Capacity Development by Aircraft Configuration January 2019 – October 2023

Source: Seabury (Total Capacity includes marginal Combi aircraft contribution); data is updated for same month of release

WHO declared a global pandemic

In tons

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**Abbreviations**

**Explanation of Abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
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<tr>
<td>ACTK</td>
<td>Available Cargo Ton Kilometers</td>
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<tr>
<td>AMLA</td>
<td>Latin America</td>
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<td>AMNO</td>
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<td>Asia Pacific</td>
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<td>CTK</td>
<td>Cargo Ton Kilometers</td>
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<td>bn</td>
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<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
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<td>CLF</td>
<td>Cargo Load Factor</td>
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<td>FRT</td>
<td>Freighters (in the airline industry)</td>
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<td>FSC</td>
<td>Fuel surcharge</td>
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<td>IATA</td>
<td>International Air Transport Association</td>
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<td>ICAO</td>
<td>International Civil Aviation Organization</td>
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<td>LY</td>
<td>Last Year</td>
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<td>Passengers (in the airline industry)</td>
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<td>Personal Protective Equipment</td>
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<td>Pts</td>
<td>Percentage points</td>
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THANK YOU