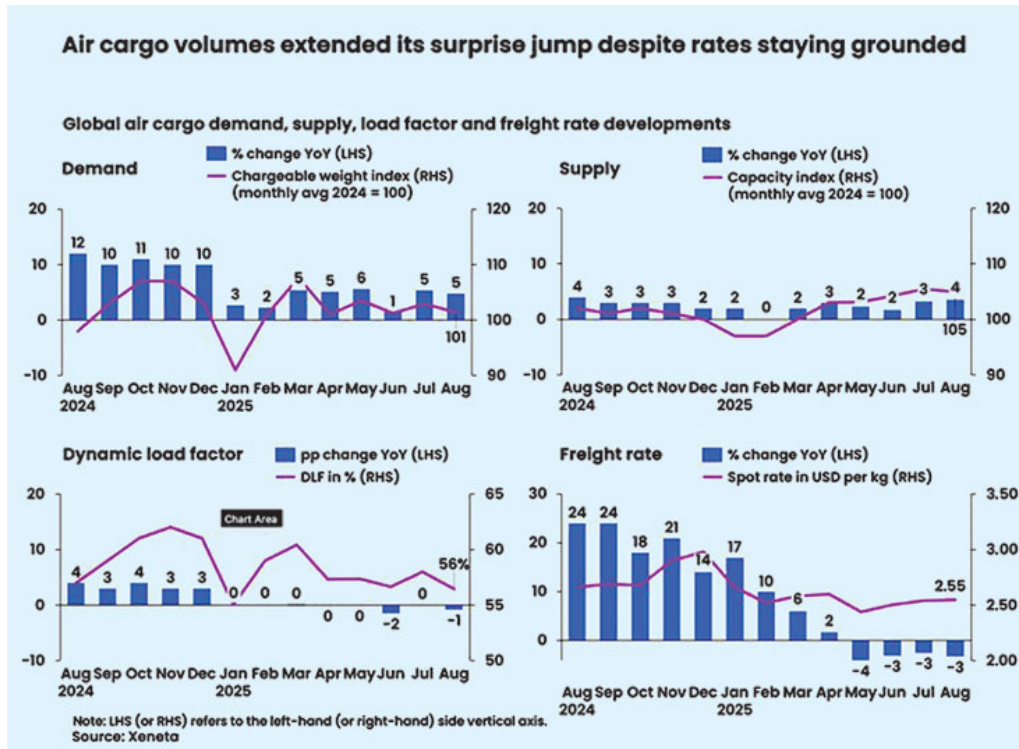


Air cargo continues to grow in August

-A Monitor Report

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Oslo : Air cargo continued to beat expectations in August as volumes grew again, but the outlook for the remainder of the year remains uncertain.

The latest figures from data provider Xeneta show that air cargo demand increased by a "surprise" 5 percent year on year in August - the second month in a row demand has grown at this level.

Xeneta said the increase in demand is likely to reflect modal shift as businesses look to move goods quickly by air rather than sea to avoid the potential impact of tariffs.

Capacity, meanwhile, increased by 4 percent year on year in August and the dynamic load factor was down slightly at 56 percent. It was not all good news for air cargo - the average spot rate for the month declined by 3 percent year on year to USD 2.55 per kg.

Xeneta said that airfreight spot rate performance was probably a better indicator of the underlying economic conditions than airfreight volumes.

"Air cargo's higher demand remains the result of modal shift we saw in July, with a bit of support from e-commerce. It is not an indicator of increased economic activity. It's just that airfreight is getting a bigger share," said Xeneta's Chief Airfreight Officer Niall van de Wouw.

"Many shippers looking to lessen the impact of tariffs just do not know how the market will look in 3-4 weeks' time because of the lack of clarity.

"Consequently, I think more businesses are deciding to take a hit and move their products by air - but this good news for the air cargo market remains under constant review. Overall, it's hard to see where strong, sustainable airfreight growth will come from."

He added, "Because of all the uncertainty, the hurt for airfreight has been softened and delayed. But, for how much longer is anyone's guess."

The decline in spot prices may be even steeper once currency effects are included, Xeneta said, with the dollar having lost 4 percent against other currencies over the past year.

On the other hand, a 7 percent fall in jet fuel prices may have helped protect carriers' bottom line to some extent.

Xeneta figures show that air cargo spot rates from Southeast Asia to North America and Europe were down 20 percent year on year to USD 4.80 per kg and USD 3.05 per kg, respectively, as capacity constraints eased.

"North East Asia to North America routes fared somewhat better, with rates down 8% year on year and remaining stable compared with July. Delicate capacity management narrowed the pricing gap with Southeast Asia to less than five cents, settling at USD 4.76 per kg," Xeneta said.

North East Asia to Europe spot rates were steady compared with last year at USD 4.01 per kg and were down 4 percent on July levels.