THE ECONOMICS OF AIR CARGO: THE CURRENT SITUATION, THE TRENDS AND THE CHALLENGES

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CONTENT

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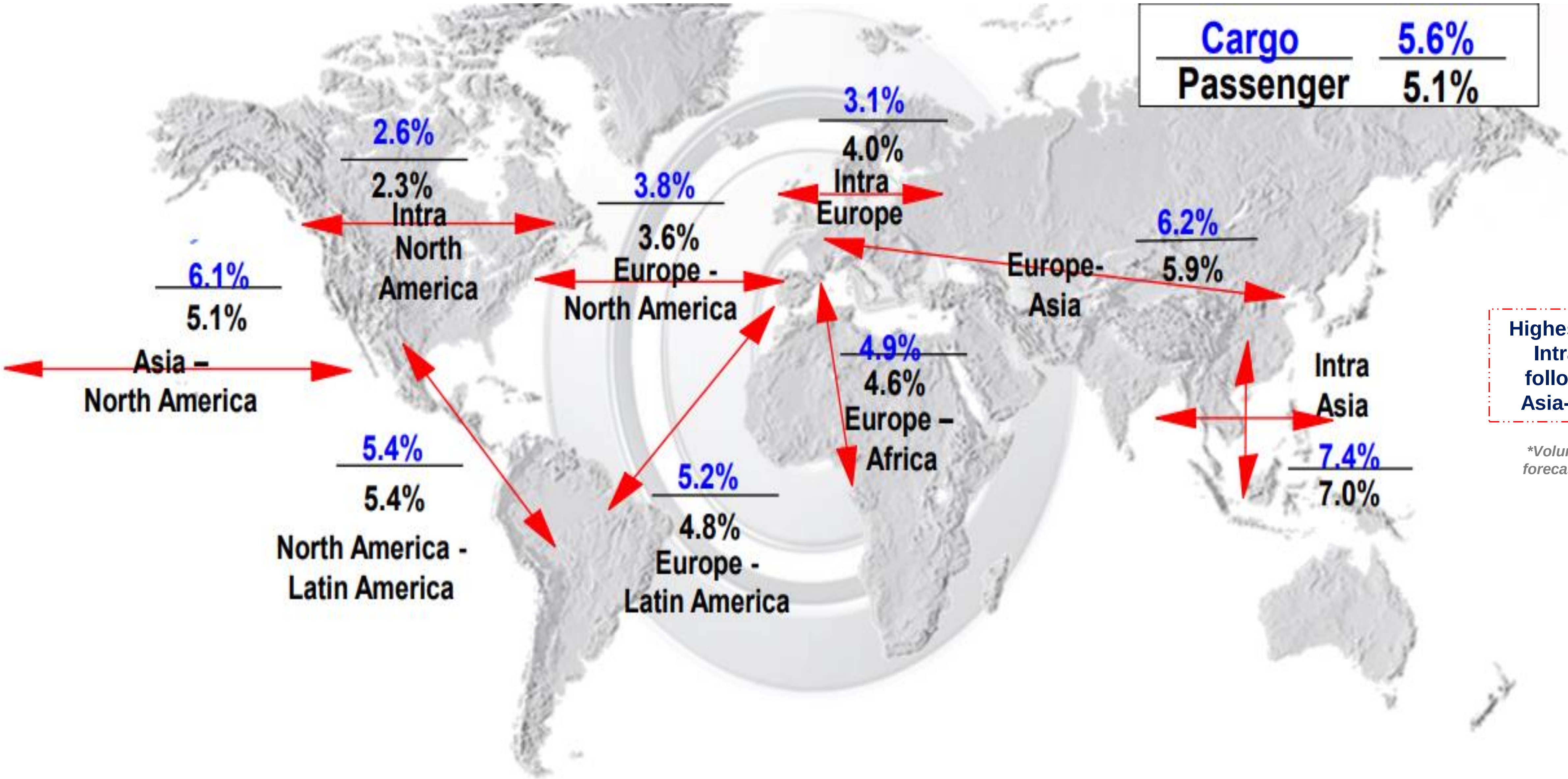
THE CURRENT SITUATION: AIR FREIGHT GROWTH POSTS ITS STRONGEST FIRST HALF-YEAR SINCE 2010

Forecasted Global Market Growth of Cargo against Passenger until 2030



Highest will be Intra-Asia followed by Asia-Europe

**Volume of cargo forecasted FY2017*

Source: ICAO - The Value Of Air Cargo - https://www.icao.int/Meetings/Regional-Symposia/AC-SP13/Documents/Presentations/S1_1.pdf

10.4%

Freight Tonne Kilometre (FTK)
year-on-year growth in H1 2017

compared to H1 2016

2017 Market Pattern Overview

H1 2017 is the strongest first half of the year, after rebound from GFC 2010.
The recent outperformance of airfreight is shown to be relative to wider world trade.

Asia Pacific and Europe have the highest contribution and accounted for two-thirds of the annual increase in FTKs, as per Chart 1.

Despite SA month-on-month growth decrement from May to June, **FTK shows strong upward trend since mid 2016**, as per Chart 2.

New export orders component of the global purchasing managers' index **(PMI) remains close to a six-year high** and crucially above the notional 50-mark that indicates rising orders, as per Chart 3.

Best of the cyclical upturn in air freight has passed. Despite growing export orders, the new export orders component of the global manufacturing PMI has broadly tracked sideways since March.

With the current level in June 2017, the measure is foreseen to be consistent with year-on-year FTK **growth remaining robust, in the region of 8%, during Q3 2017**.

Freight growth rate by airlines grouped by regions (2011-2017)

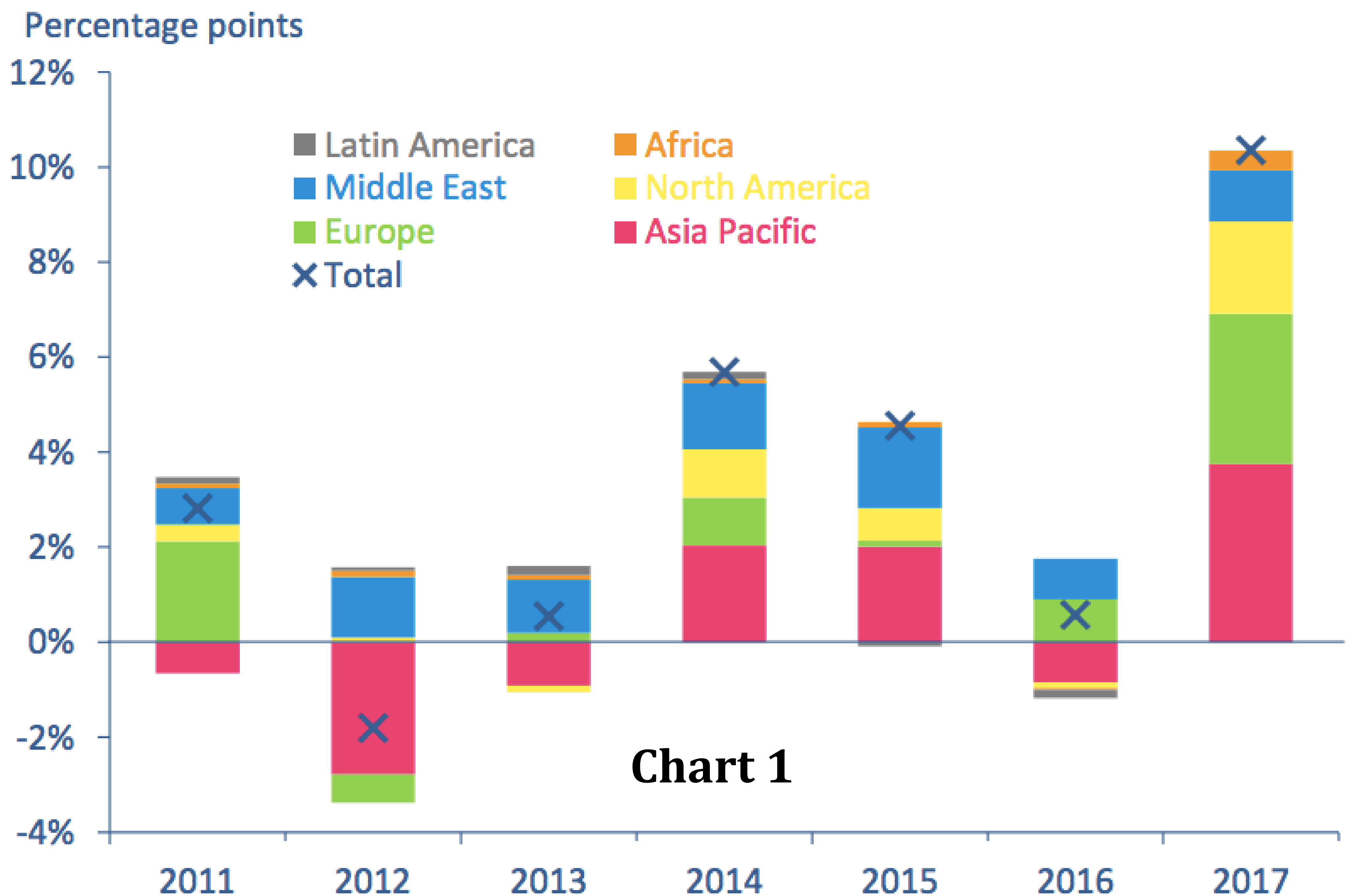
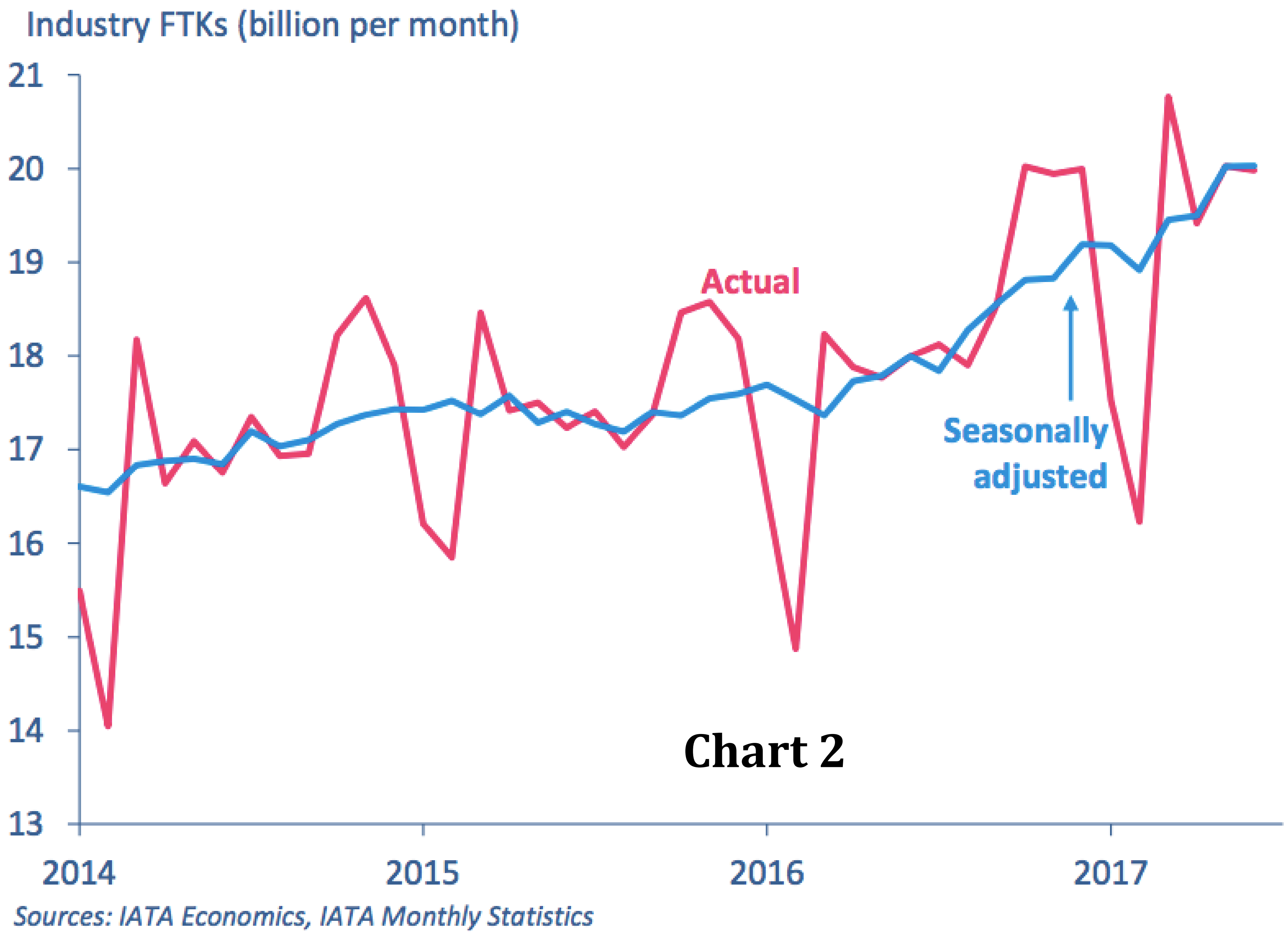


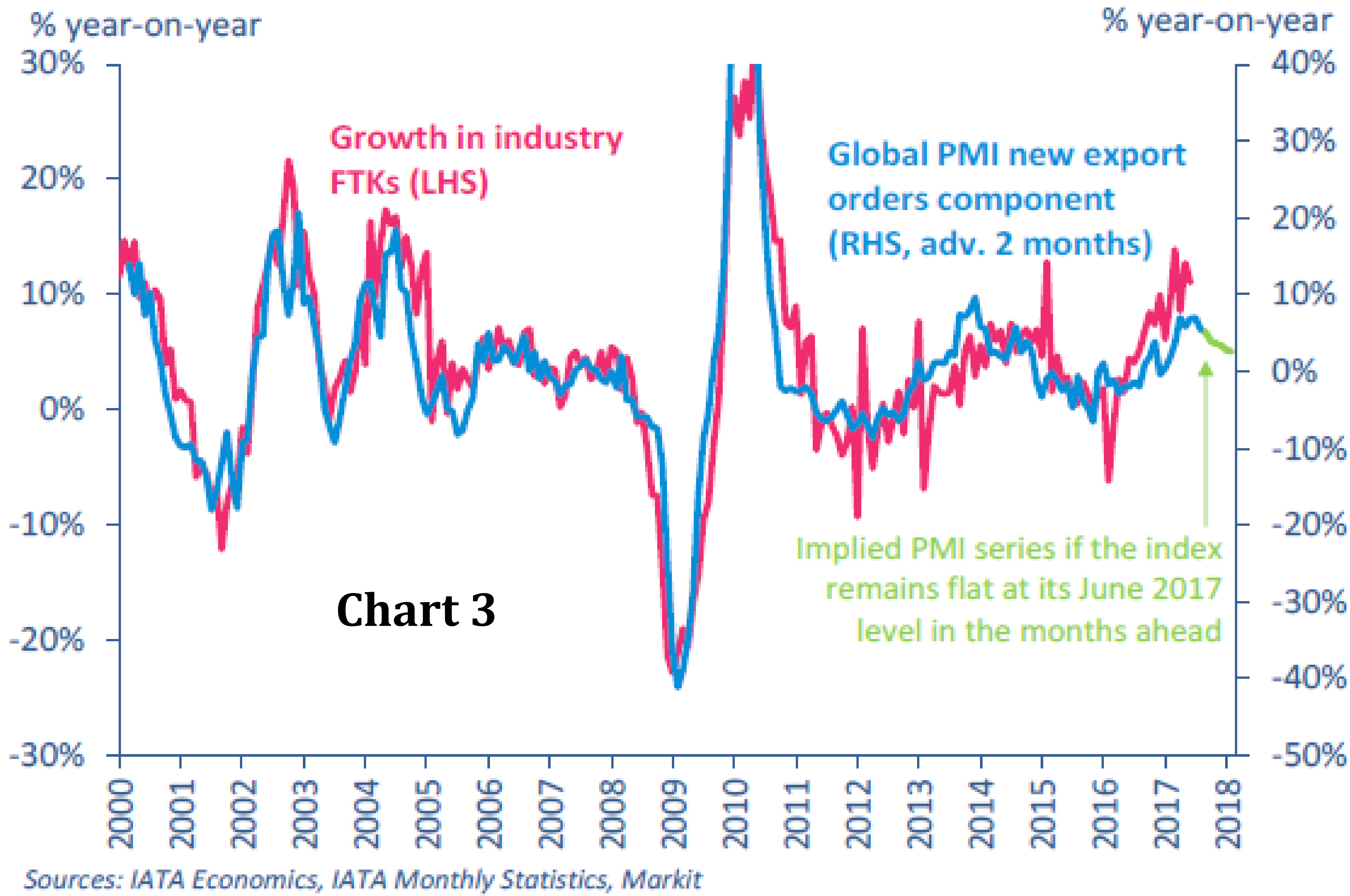
Chart 1

Sources: IATA Economics, IATA Monthly Statistics maskargo

Actual freight volume vs seasonally adjusted freight volume by months and by years (Jan 2014 – June 2017)



Correlation between air freight growth and global new export orders (2000-2018)



Forecasted global manufacturing PMI by region (Q3 2017 – Q4 2018)

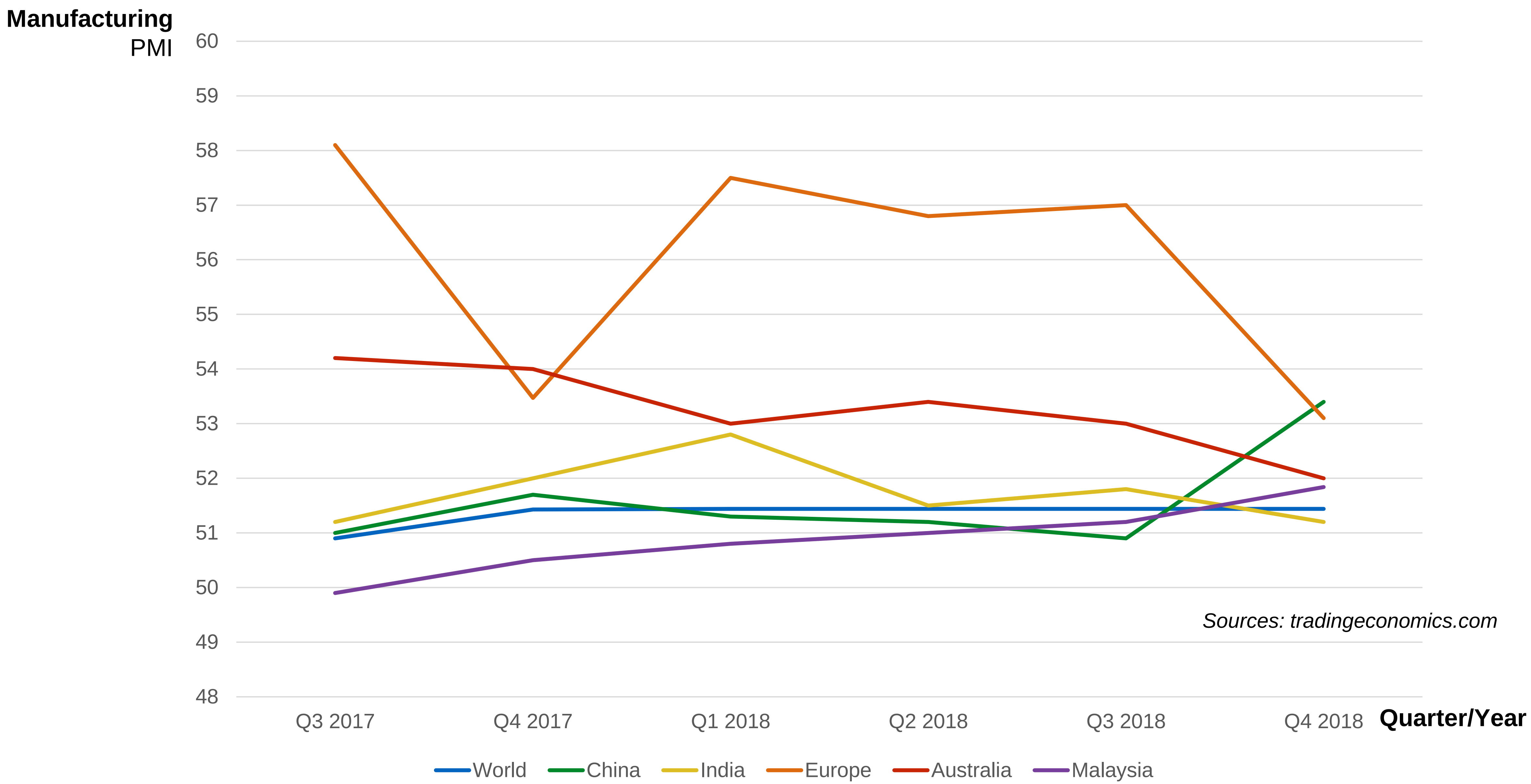


Chart 4

8%

Freight Tonne Kilometres (FTK) growth in Q3 2017, against Q2 2017

10.4%

Freight Tonne Kilometres (FTK) growth in H1 2017, against H1 2016

3.9%

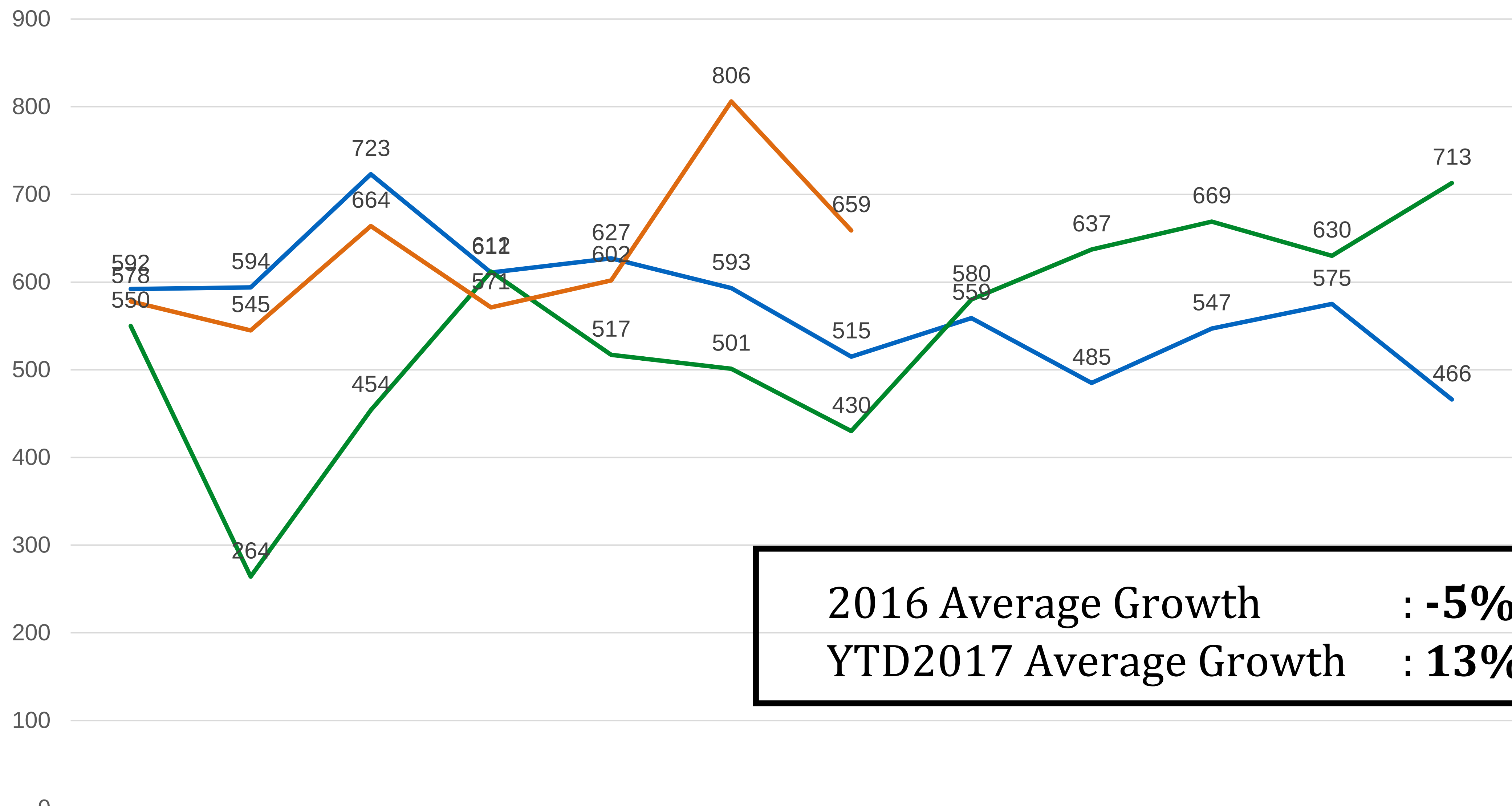
Year-on-year five-year average growth pace, 2013-2017

GLOBAL MARKET GROWTH BASED ON MH PERFORMANCE

·02

maskargo

MH Performance Tonnage (Jan 2015 – Jul 2017)



2016 Average Growth : **-5%**
YTD2017 Average Growth : **13%**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2015	592	594	723	611	627	593	515	559	485	547	575	466
2016	550	264	454	612	517	501	430	580	637	669	630	713
2017	578	545	664	571	602	806	659					

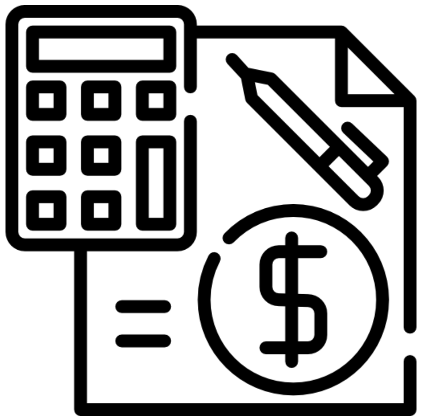
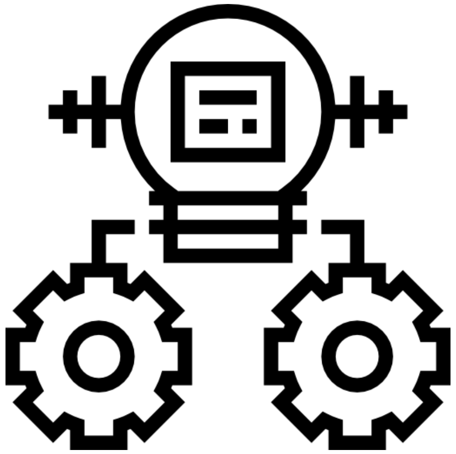
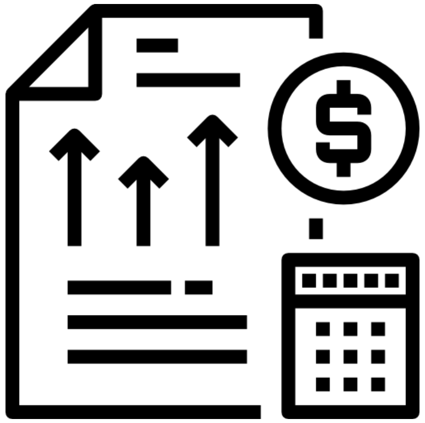
MH Freighter Network

·03

DIGITAL ECOSYSTEM IS THE NEW BASIS FOR COMPETITION

VALUE CREATION IN DIGITAL ECOSYSTEM

Driving values along three tracks:

01	02	03
Creating new sources Of revenue	Rationalizing cost structure	Enhancing the speed of technology adoption
		

6 Disruptive Key Pattern

01 **Expand marketplace reach**

Connecting fragmented shippers and agents whenever, wherever

02 **Turn product into platforms**

Providing foundation for others to build upon

03 **Distribute product development**

Mobilizing many to create more

04 **Shorten the value chain**

Transforming fewer inputs into greater value outputs

05 **Connect peers**

Fostering direct, peer-to-peer connections

06 **Converge proucts**

Making 1 + 1 > 2

- Should airline mainly focus on digital plays or start building the business models to leverage on both the physical and digital economies?

- How would a digital borderless ecosystem affect the relationship between the airline, agent and shipper?

- Should airline only value the current freight forwarding customers or could airline start liaising directly with shippers provided that the shipper has the sufficient infrastructure and has the capability to comply with the required rules of engagement?

- Innovate or die?

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Q&A SESSION

THANK YOU.