

# Global air cargo trends and a review of the CIS market

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## Who's talking...

***Seabury is the leading independent advisor to the aviation and aerospace industry – in both the passenger and cargo segment***

- One of the largest investment banking and advisory services company in the world dedicated to the aviation sector
- Three services: management consulting, investment banking and restructuring advice
- Executives from top-tier investment banking firms, “hands-on” managers from industry-leading transportation companies and consultants from world-leading general and specialized consulting firms
- Seabury Cargo Consulting created in January ‘07 as cargo expert centre, spearheaded from European office in Amsterdam, by acquiring the aviation portfolio of Netherlands based YDL

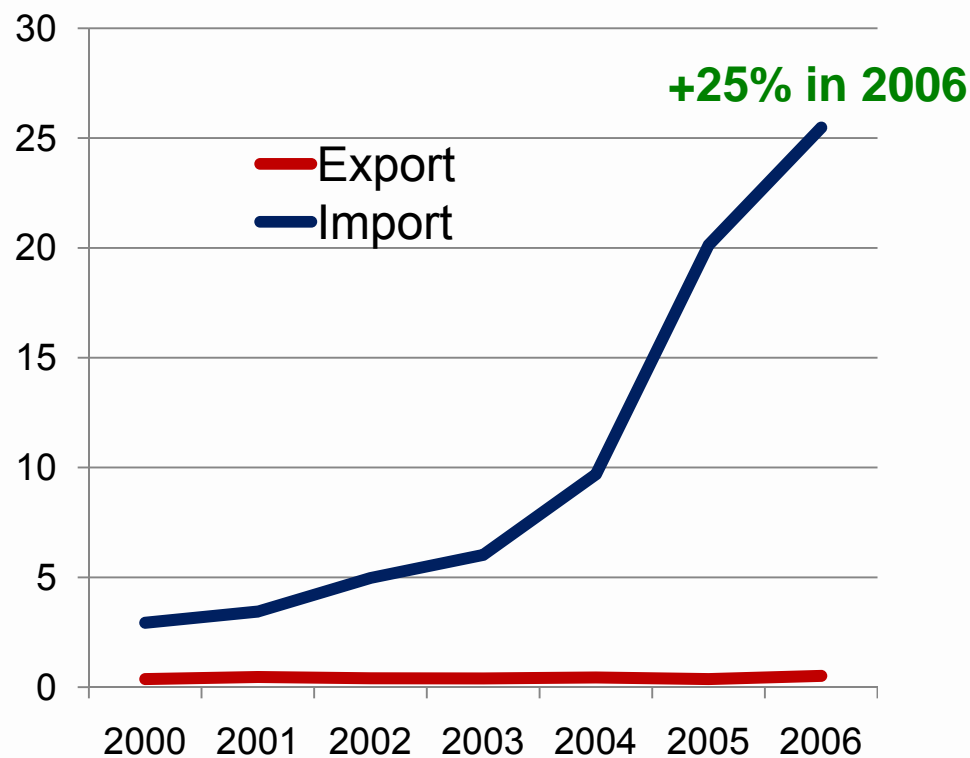
# Azerbaijan: a Dutch disease in world's fastest growing economy

- Azerbaijan: world's fastest growing economy
- Expansion in budgetary spending pushes inflation to double digits
- Influx of petrodollars forced strengthening Manat vis-a-vis US\$
- Non-oil economy is losing competitiveness: agriculture output flat in 2006; some products contracted
- Metals & aluminium enterprises may be next

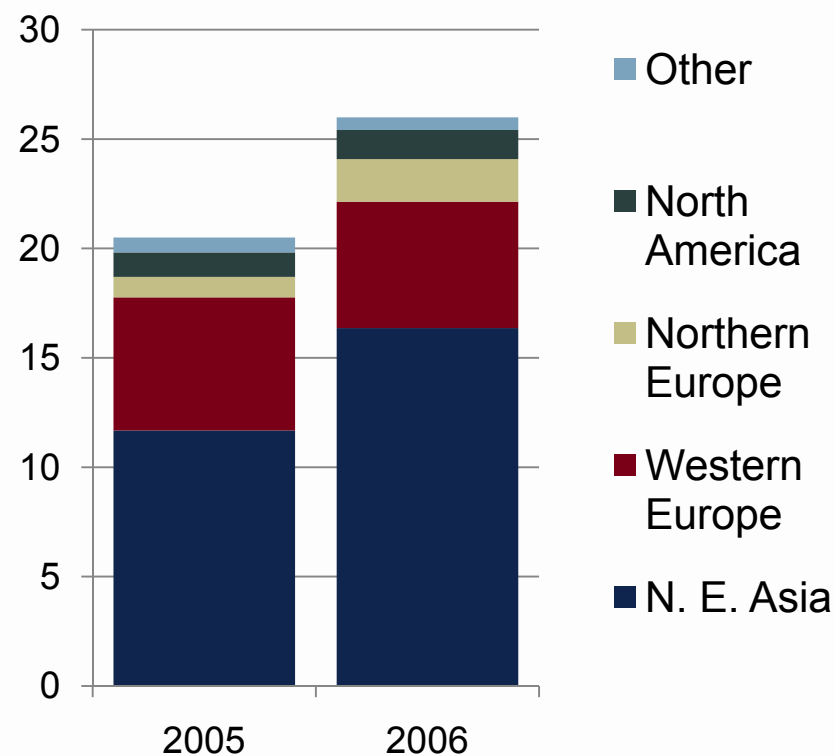


# 'Luckily' Azerbaijan is experiencing lack of exports by air...

Trade by air to/from Azerbaijan in thousands of tonnes



Trade by air to/from Azerbaijan in thousands of tonnes



## Global trends: headaches and opportunities



China – no more 20%+ growth

Imbalances increase in absolute terms

Uncertainties: US deficit, war & conflict, security measures

Fuel, fuel and fuel...



China still growing at 10% coming years

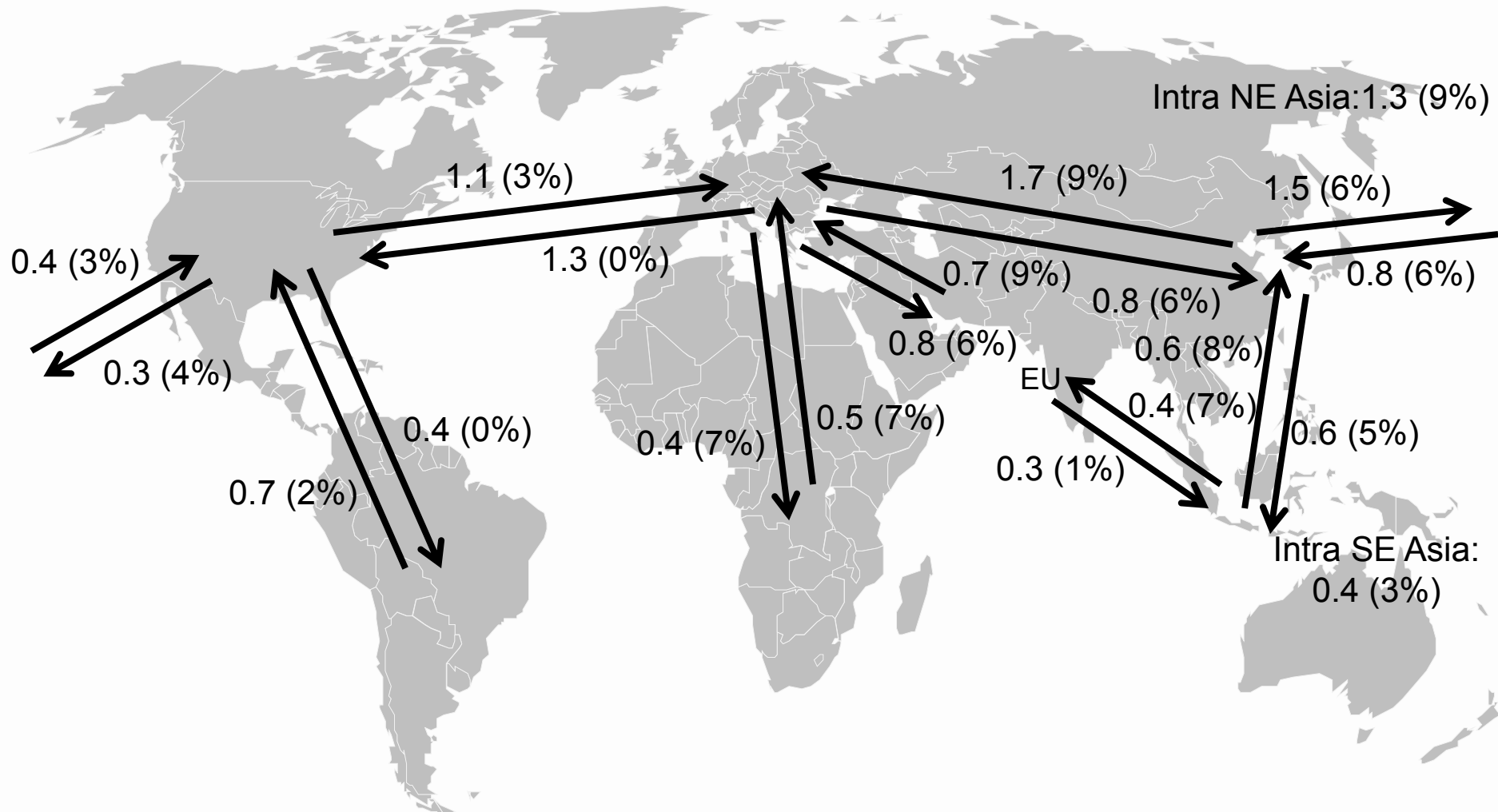
Europe's exports & imports doing well, esp. Germany

India will show soaring growth rates

Healthy growth 5-6% rates from 2007-2010

# Top 20 aircargo markets in 2006

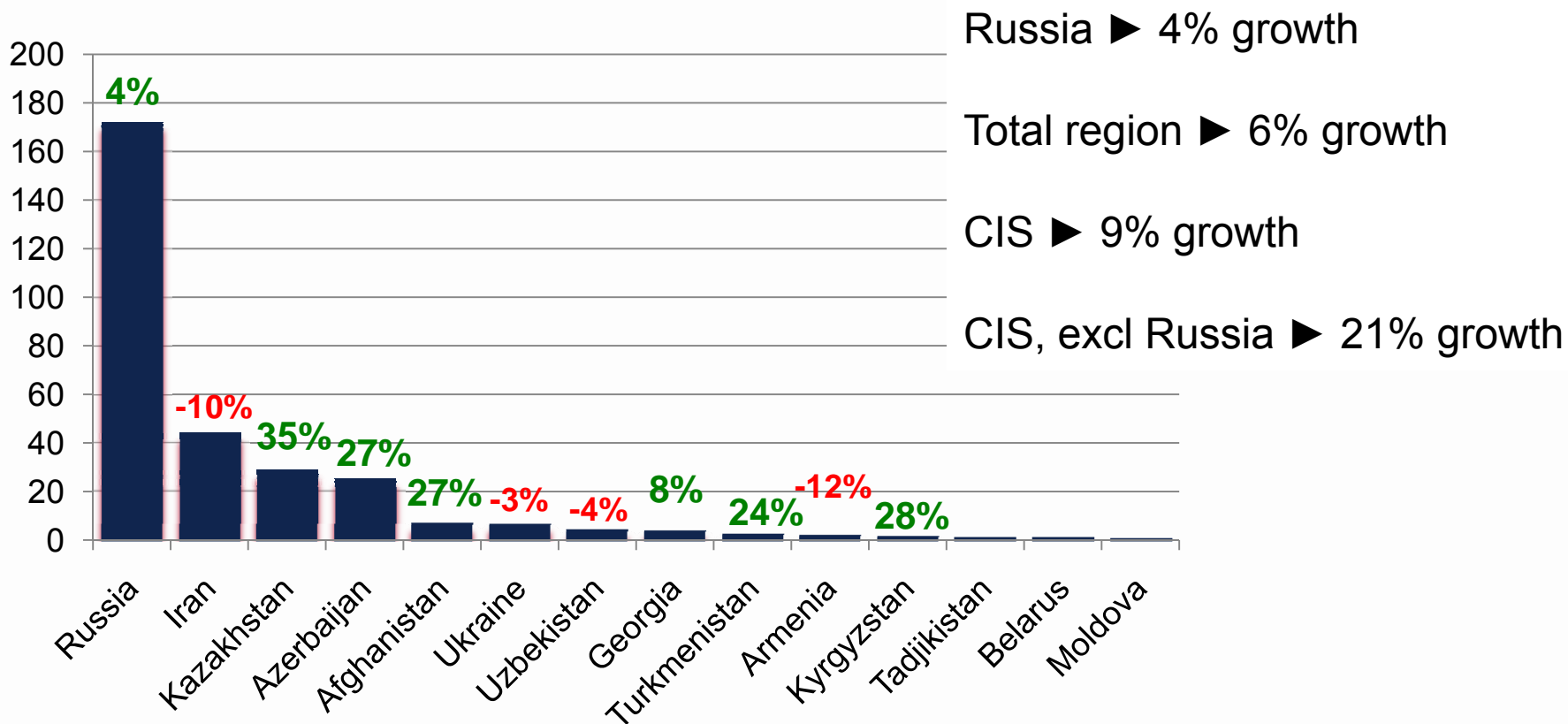
International trade flows by air  
In million tonnes (CAGR 2006-2011)



Source: Seabury Global Trade Database; Trade flows represent 85% of worldwide trade by air; Seabury Team analysis  
Geographical regions : Latin America (South America, Mid America, Caribbean) – North America (USA & Canada) – Europe (EU27) – SE Asia (SE Asia & Australasia) – Middle East (South Asia, Levant, Gulf, Central Asia)

# 6% import growth into total region in 2006, but significant differences per country

2006 imports by air in thousands of tonnes



# Regional GDP growth expected to moderate, but still second only to emerging Asia

**Table 2.6. Commonwealth of Independent States: Real GDP, Consumer Prices, and Current Account Balance**  
(Annual percent change unless noted otherwise)

	Real GDP				Consumer Prices <sup>1</sup>				Current Account Balance <sup>2</sup>			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
<b>Commonwealth of Independent States</b>	<b>6.6</b>	<b>7.7</b>	<b>7.0</b>	<b>6.4</b>	<b>12.4</b>	<b>9.6</b>	<b>9.0</b>	<b>8.3</b>	<b>8.8</b>	<b>7.7</b>	<b>5.0</b>	<b>4.4</b>
Russia	6.4	6.7	6.4	5.9	12.7	9.7	8.1	7.5	10.9	9.8	6.2	5.0
Ukraine	2.7	7.1	5.0	4.6	13.5	9.0	11.3	10.0	2.9	-1.7	-4.1	-5.5
Kazakhstan	9.7	10.6	9.0	8.1	7.6	8.6	8.8	6.8	-1.3	-1.4	-0.9	-0.4
Belarus	9.3	9.9	5.5	3.9	10.3	7.0	11.4	13.7	1.6	-4.1	-8.7	-6.4
Turkmenistan	9.0	9.0	10.0	10.0	10.7	8.2	6.5	9.0	5.1	15.3	11.7	11.7
<b>Low-income CIS countries</b>	<b>12.1</b>	<b>14.6</b>	<b>14.8</b>	<b>12.8</b>	<b>12.2</b>	<b>11.8</b>	<b>12.7</b>	<b>11.9</b>	<b>2.7</b>	<b>7.4</b>	<b>11.6</b>	<b>17.0</b>
Armenia	14.0	13.4	9.0	6.0	0.6	2.9	4.0	4.5	-3.9	-5.0	-5.5	-5.3
Azerbaijan	24.3	31.0	29.2	23.1	9.7	8.4	21.1	17.0	1.3	15.7	27.4	36.2
Georgia	9.6	9.0	7.5	6.5	8.3	9.2	6.3	5.5	-5.4	-9.5	-15.2	-12.7
Kyrgyz Republic	-0.2	2.7	6.5	6.6	4.3	5.6	5.0	4.0	-2.3	-16.8	-12.6	-10.8
Moldova	7.5	4.0	4.5	5.0	11.9	12.7	11.4	8.9	-8.1	-8.3	-6.2	-5.7
Tajikistan	6.7	7.0	7.5	8.0	7.3	10.1	11.4	9.2	-2.5	-2.5	-15.2	-15.3
Uzbekistan	7.0	7.2	7.7	7.5	21.0	19.5	10.4	12.2	14.3	19.4	19.7	18.6
<i>Memorandum</i>												
Net energy exporters <sup>3</sup>	7.1	7.7	7.4	6.8	12.5	9.8	8.6	7.9	9.9	9.3	6.5	5.8
Net energy importers <sup>4</sup>	4.5	7.7	5.4	4.7	12.0	8.5	10.8	10.1	1.6	-3.2	-6.0	-6.3

- GDP growth reflects solid performance energy exporters
- Inflation very high
- Diversification required
- Investments are low
- Unfinished structural reform agenda

<sup>1</sup>In accordance with standard practice in the *World Economic Outlook*, movements in consumer prices are indicated as annual averages rather than as December/December changes, as is the practice in some countries.

<sup>2</sup>Percent of GDP.

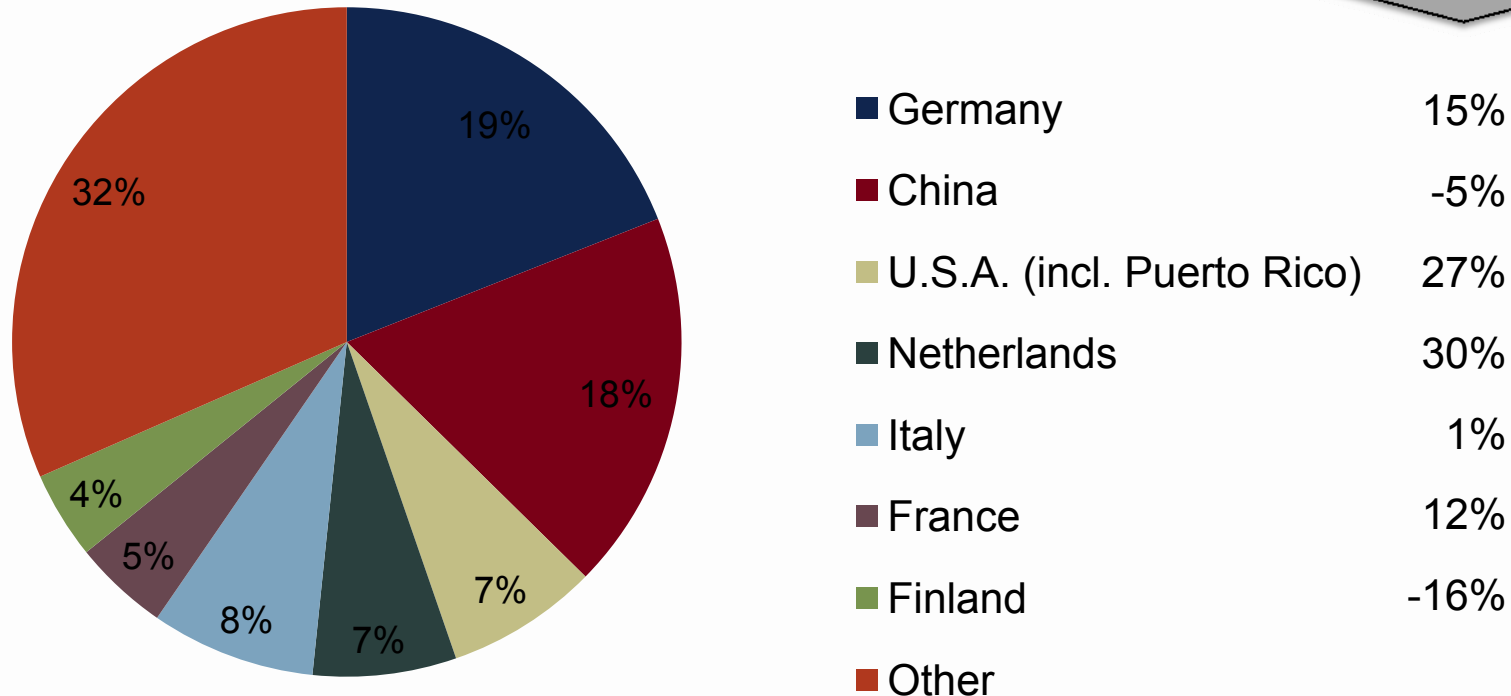
<sup>3</sup>Includes Azerbaijan, Kazakhstan, Russia, Turkmenistan, and Uzbekistan.

<sup>4</sup>Includes Armenia, Belarus, Georgia, Kyrgyz Republic, Moldova, Tajikistan, and Ukraine.

# Concentration in trading partners, high '06 import growth from Germany, USA and Netherlands

Percentage indicates trading partner's share of 2005 imports into CIS(\*) by air in tonnes

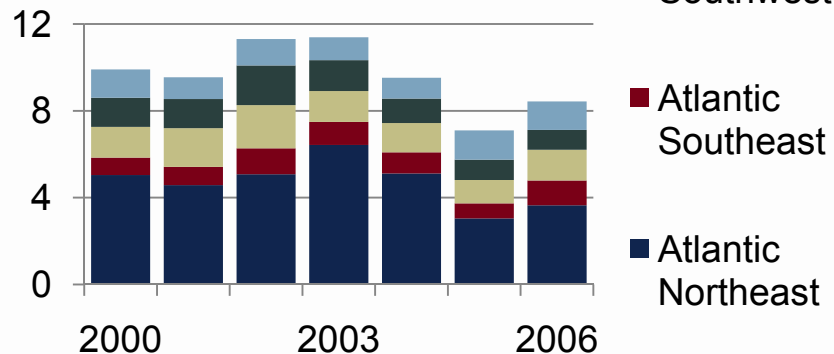
2006 growth%



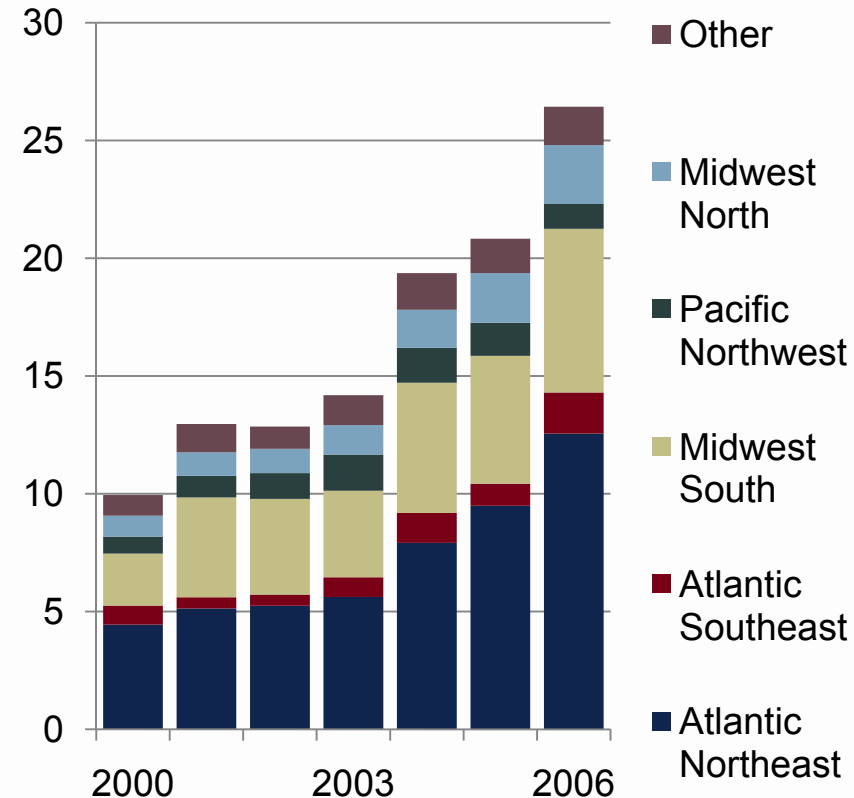
Source: Seabury Global Trade Database  
(\*) Data includes CIS, Iran and Afghanistan

# Imports from New York and Houston increasingly dominate USA-CIS trade

2006 **exports** by air from CIS(\*) in thousands of tonnes



2006 **imports** by air into CIS(\*) in thousands of tonnes



Source: Seabury Global Trade Database  
(\*) Data includes CIS, Iran and Afghanistan

## Most of the growing USA-CIS growth is not oil & gas related

Trade by air between USA and CIS (\*) in tonnes

	2005	2006	Growth
Live Animals	215	419	95%
Land Vehicles & Parts	1,660	3,011	80%
Temperature Control	939	1,586	70%
Chemicals & Products	2,564	3,992	55%
Raw Materials	4,856	6,241	30%
Secure Handling	542	662	20%

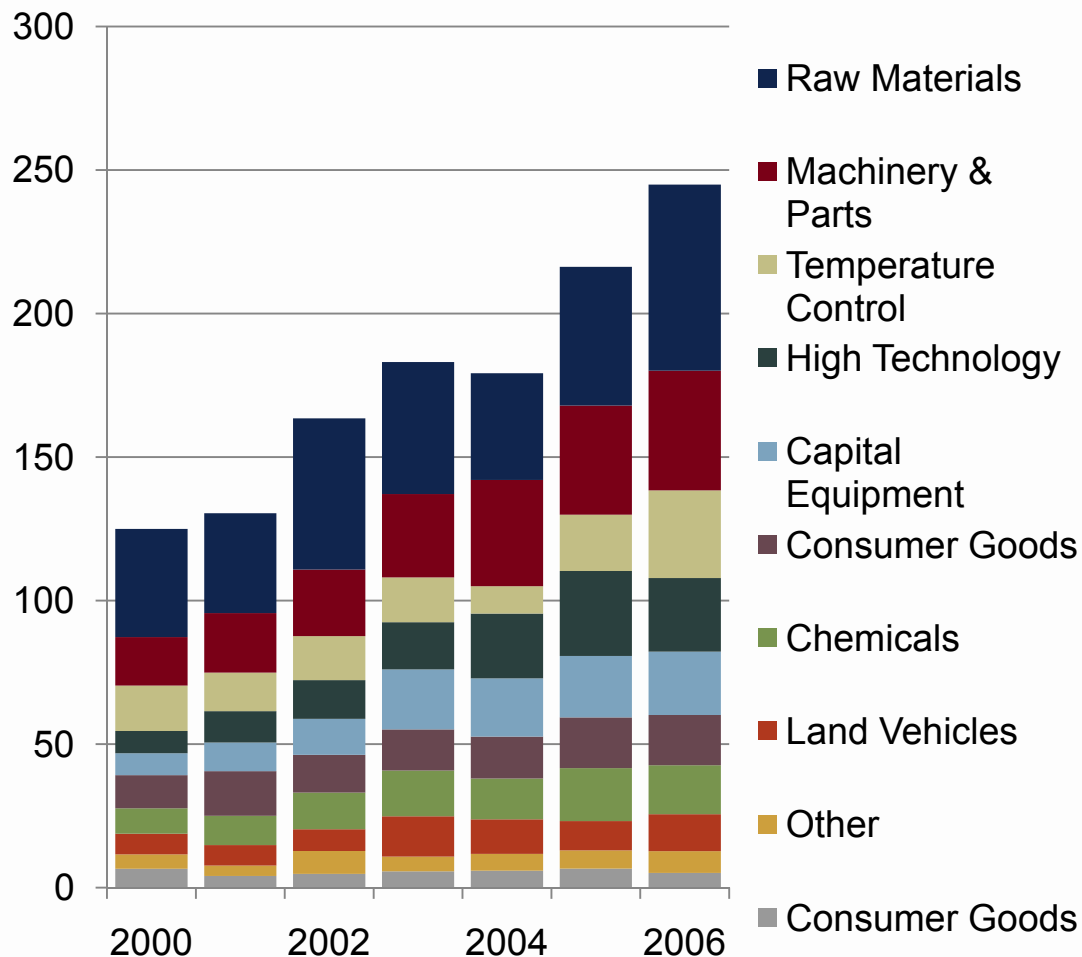
High growth commodities

	2005	2006	Growth
Machinery & Parts	6,847	7,788	15%
Consumer Goods	2,775	3,117	10%
High Technology	4,098	4,472	10%
Capital Equipment	1,705	1,809	5%
Fashion Goods	1,730	1,764	0%

'Low' growth commodities

Source: Seabury Global Trade Database  
(\*) Data includes CIS, Iran and Afghanistan

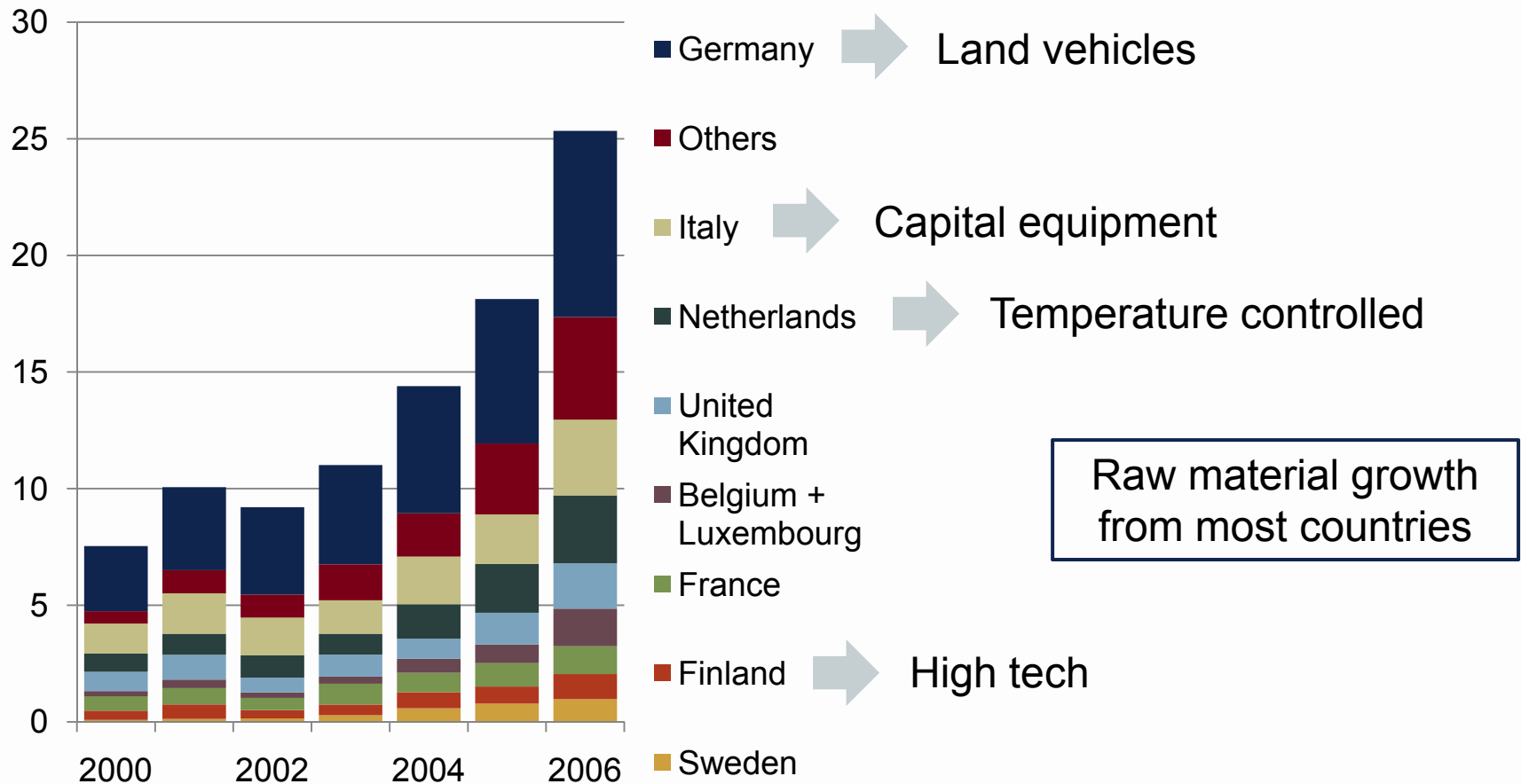
## Most of the CIS-Europe growth is not oil & gas related either



### Europe-CIS trends in '06

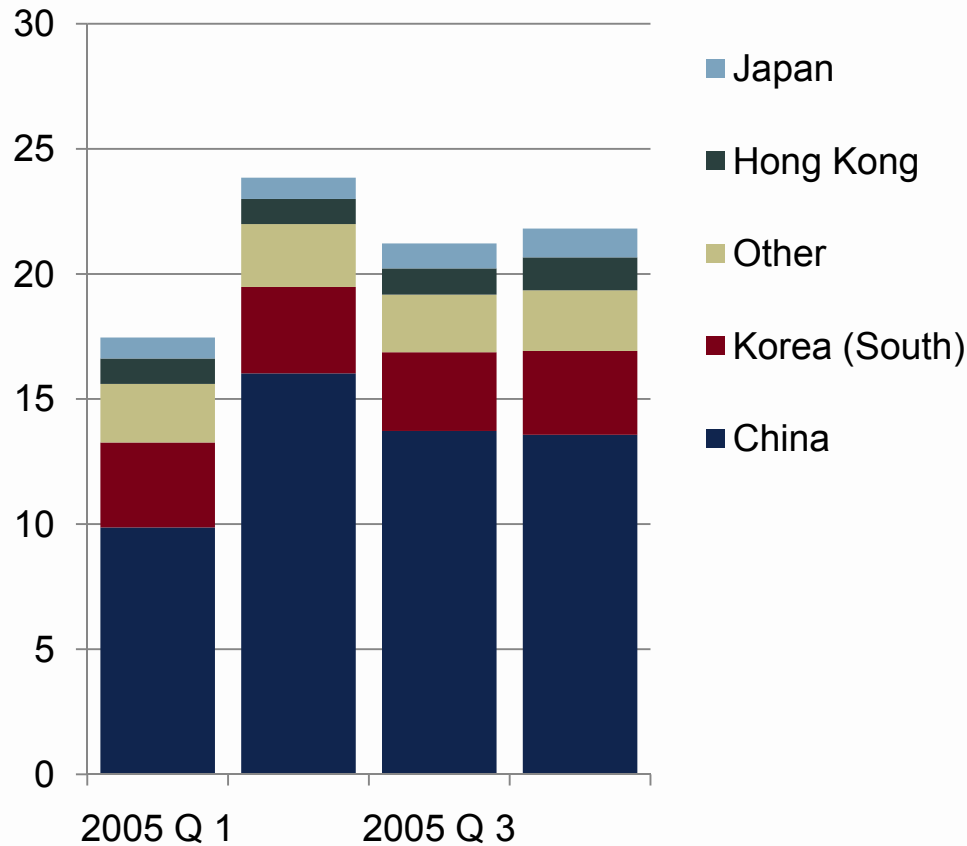
- Growth in temperature controlled goods and raw materials (food stuffs & glass products)
- Decline in high-tech
- Oil & gas related products (machinery and capital goods) remained stable

# German land vehicles biggest contributor to growth in Kazakhstan

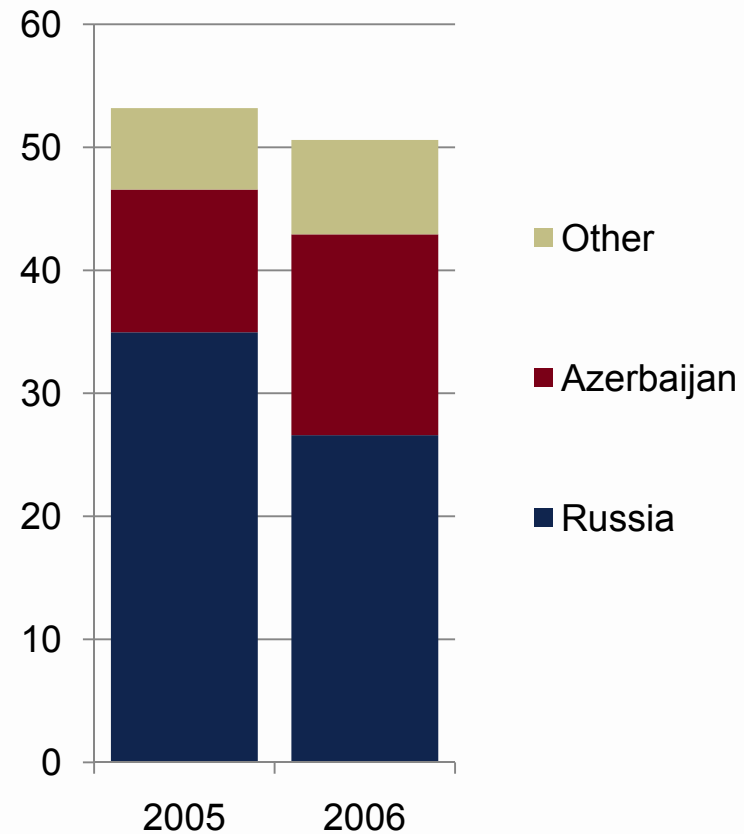


# China as the leading trading partner in Asia Pacific has substituted Russia with Azerbaijan

Asia Pacific to/from CIS(\*), by air  
(in thousand tonnes)



China to/from CIS(\*), by air  
(in thousand tonnes)



Source: Seabury Global Trade Database  
(\* ) Data includes CIS, Iran and Afghanistan

## In summary

- Optimistic economic outlook – although economic & political reform issues could spoil the opportunity
- Mediocre Russian growth in aircargo not at par with current economic expansion – potential growth more a political than economic issue
- Regional outperformers: Kazakhstan, Azerbaijan, Turkmenistan and Afghanistan; underperformers are Russia and Iran
- Largest trading partners: China & Germany – strongest growth from Germany, Netherlands and the USA
- Aircargo growth not from (current biggest sector) oil & gas related commodities
- China as the leading trading partner in Asia Pacific has substituted Russia with Azerbaijan

## Contact details

*For more information, please contact...*



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