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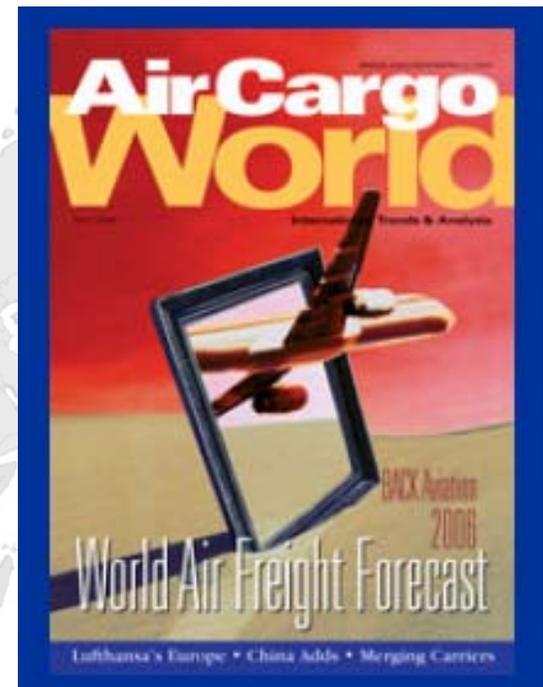
Air Cargo: Demand

March 2007

BACK's 2007 Air Freight Forecast will be published in Air Cargo World

Forecast included:

- 20-year global air freight forecast by major trade region using BACK's Air Freight Flow Model
- 20-year Freighter Fleet Forecast by freighter size category using BACK's Freighter Fleet Forecast Model
- 20-year Freighter Conversion Forecast
- 20-Year Freighter Aircraft Value Forecast
- Air Freight Commodity Analysis by Key Trade Lane
- Analysis of Key Economic Trade Variables impacting regional air freight trade





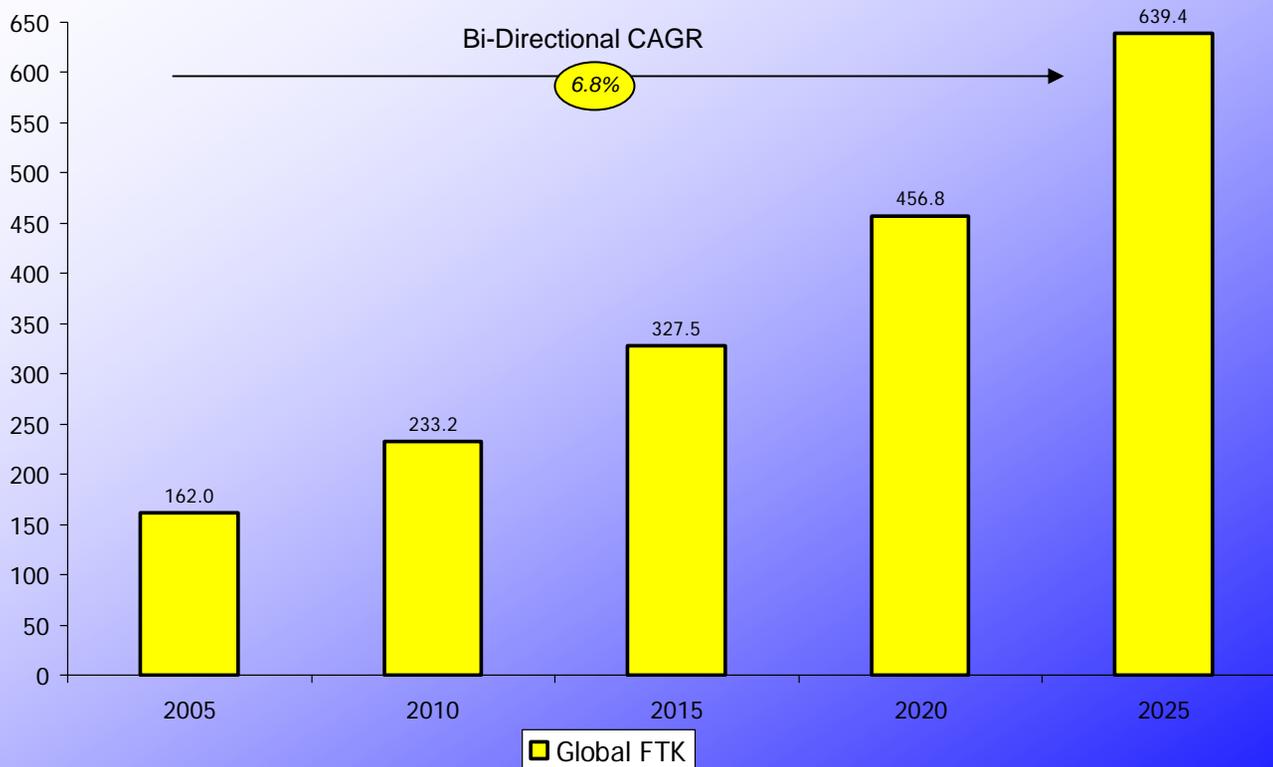
When forecasting traffic growth, BACK accounts for economic, political, and industry factors that impact Air Freight Traffic

- Key Drivers of Air Freight Growth
 - Gross-Domestic Product Country Outlook
 - Hi-Tech Manufacturing Capabilities and Outlook
 - Inward Foreign Direct Investment
 - Monetary Policy
 - Governmental Policy and Regulatory Environment
 - Domestic Consumption – The ability of domestic consumers to afford imported goods

Worldwide Air Freight Traffic Growth Outlook

Global Air Freight Traffic is expected to nearly quadruple over the next 20 years

Worldwide Freight Ton Kilometers (FTK) Forecast (millions)



Source: BACK Aviation Solutions Fleet Forecast

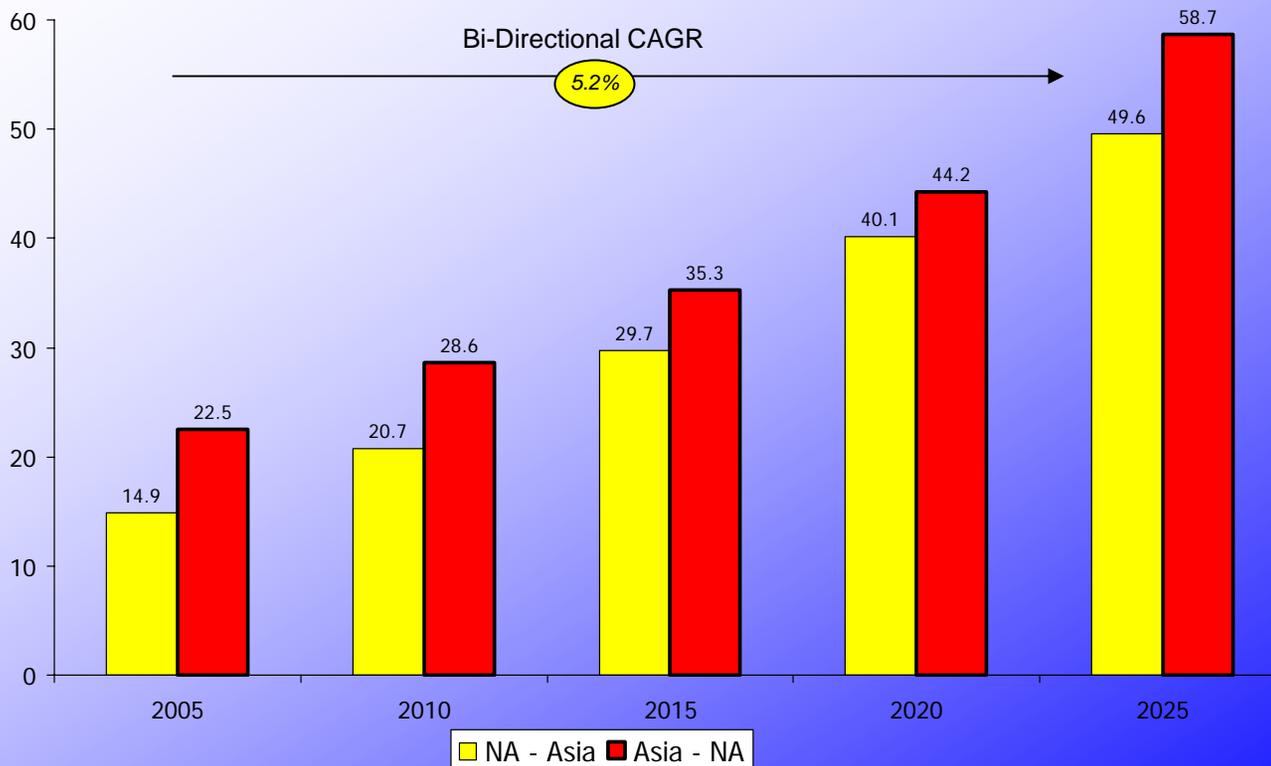
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Transpacific trade will drive future air freight growth

Japan and Emerging markets make non-China outlook bright

**Freight Ton Kilometers (FTK) Forecast
North America - Asia excluding China
(millions)**



Source: BACK Aviation Solutions Fleet Forecast

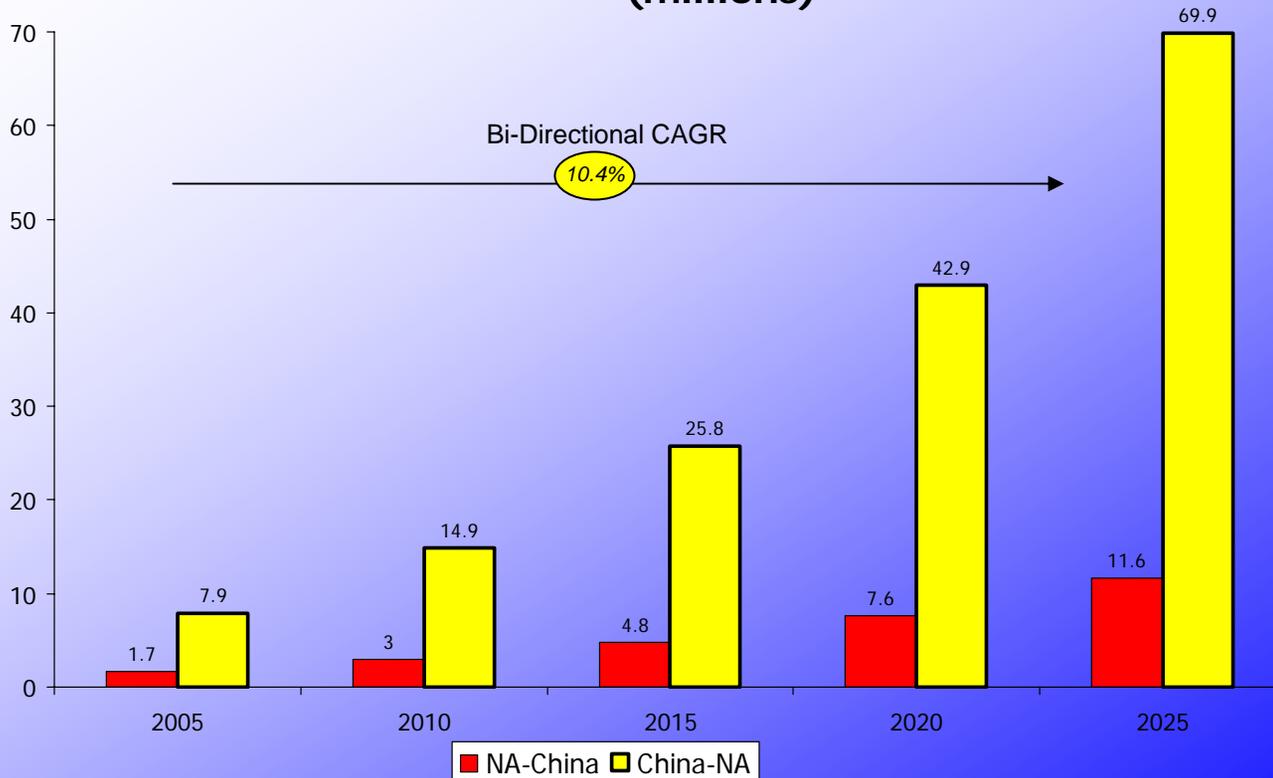
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However, China is expected to be the key driver of global air freight traffic

Trade between China and the North America is vital for growth

Freight Ton Kilometers (FTK) Forecast
N.A. - China
(millions)



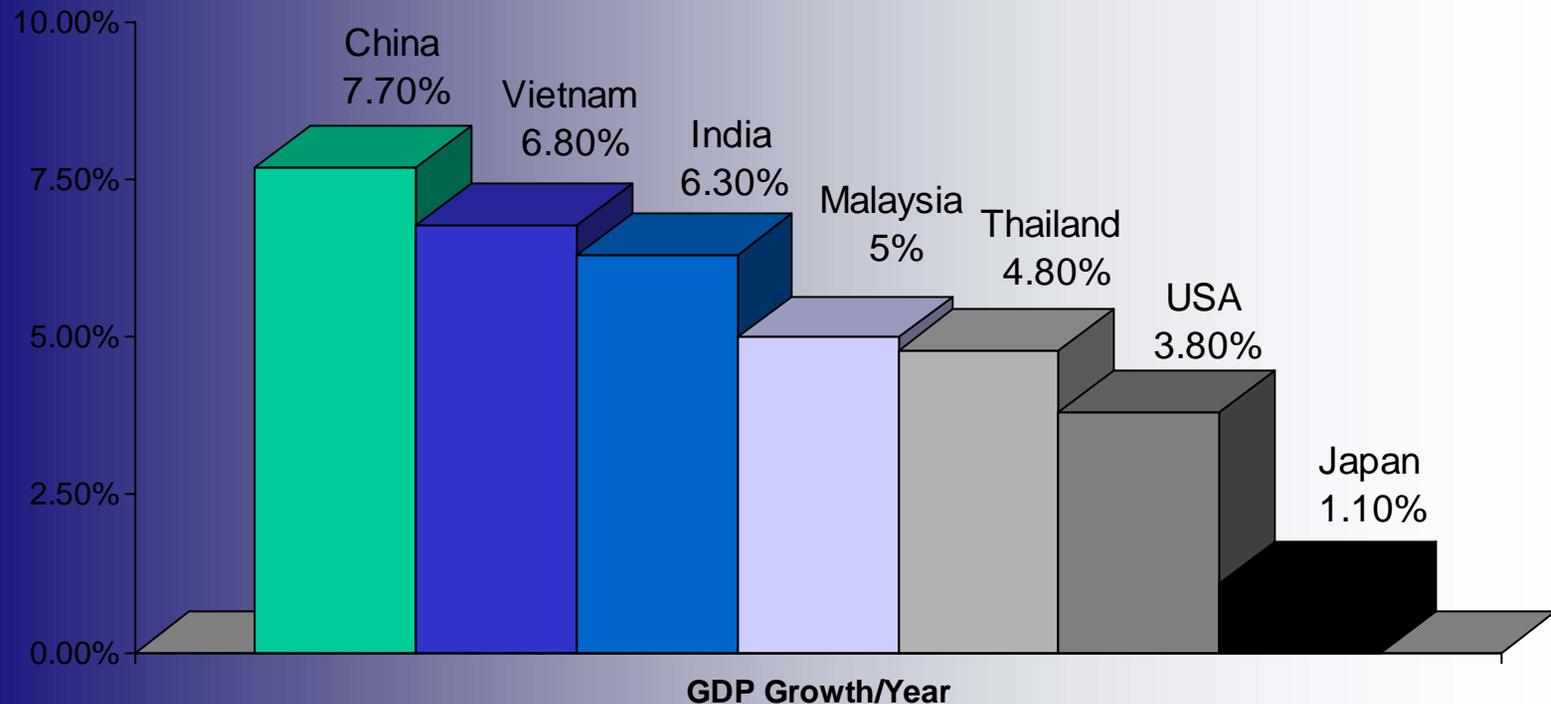
Source: BACK Aviation Solutions Fleet Forecast

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Forecasted GDP shows why China expected to be so important to global air freight volume growth
Yet, several Emerging Markets show potential on a smaller scale

Forecasted GDP Growth per Year - 2005-2015



Source: UNCTAD

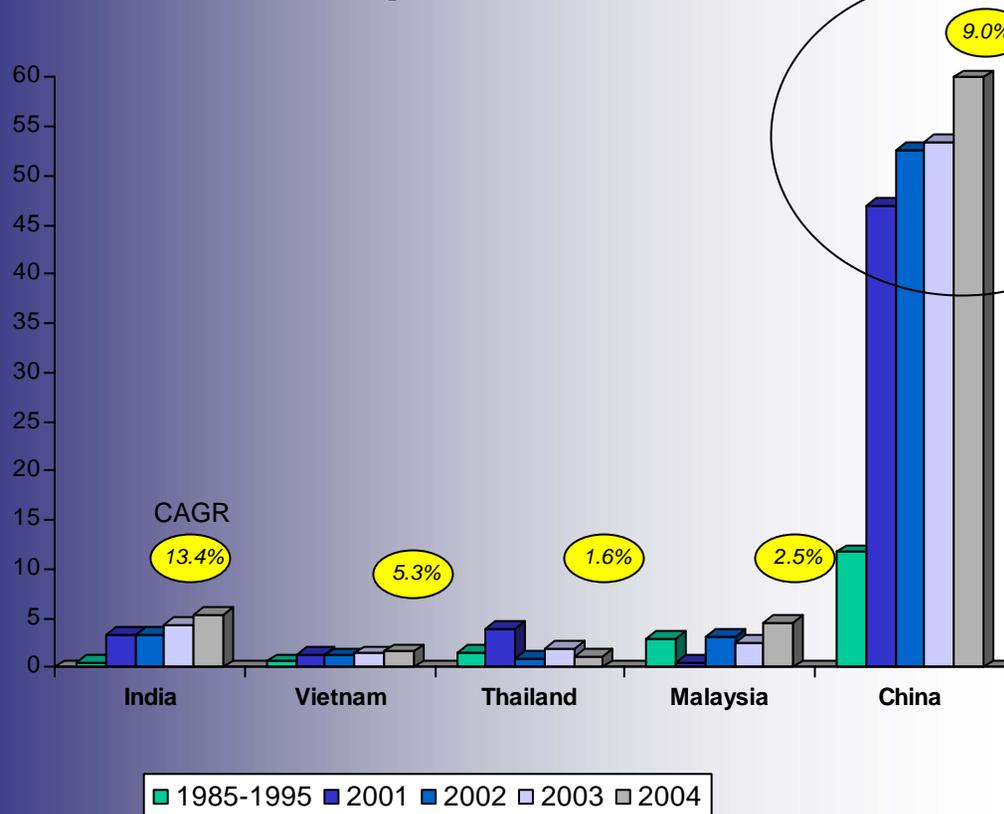
BUCK AVIATION SOLUTIONS

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OAG™

FDI is a leading indicator of manufacturing capacity development, a precursor to air freight growth

Inward Foreign Direct Investment



- The explosion in Chinese air freight exports was positively influenced by the large inflow of foreign direct investment into China as foreign companies started establishing Chinese manufacturing capabilities
- Foreign Direct Investment (FDI) is a good variable to utilize when analyzing what Emerging markets may be poised for growth in air freight traffic

Foreign Exchange Rate policy has an impact on air freight growth

The Big Mac Example



Country	Big Mac Price	Over/Under Valued
China	\$1.31	-58%
Japan	\$2.24	-27%
USA	\$3.10	-
India	n/a	n/a
Thailand	\$1.57	-49%
Malaysia	\$1.51	-51%

- *The Economist's* Big Mac index is based on one of the oldest concepts in international economics: the theory of purchasing-power parity (PPP), which argues that in the long run, exchange rates should move towards levels that would equalise the prices of an identical basket of goods and services in any two countries.
- Essentially, this example underscores the Transpacific trade imbalance
- Vietnam and India not part of Big Mac PPP Index



Government and Regulatory Environment is Key

- Vietnam, although under a Communist Regime, is aggressively seeking economic expansion
 - WTO membership is targeted for 2007
 - Clear incentives for foreign companies to enter into manufacturing agreements
- India – Eagerly developing its' Aviation Infrastructure and capabilities

So where is the next China?

	China  (1995-2005)	 Thailand	 Vietnam	 India	 Malaysia
Bi-Directional Tonnage	185 tonnes (1995)	104 tonnes	32 tonnes	132 tonnes	157 tonnes
Historical Traffic Growth					
• 1995 – 2000	17.5% CAGR	7.0% CAGR	32.8% CAGR	8.4% CAGR	11.3% CAGR
• 2001 – 2005	23.8%	11.4%	47.9%	14.0%	10.1%
Average 10 Year GDP Growth Forecast (Actual)	8.5%	4.8%	6.8%	6.3%	5.0%
FDI Investment CAGR	9%	1.6%	5.3%	13.4%	2.5%
Regulatory Environment	WTO entry in 2001	WTO member 1995	WTO est. in 2007	WTO member - 1995	WTO member 1995
Risk Factors / Key Drivers			- WTO? - No shift to more value added manufacturing to create niche to compete	- Service Gaps - Airports - Education level & Hi-Tech surge (telecom and IT)	
Key Air Freight Challenges			Infrastructure and Access		
2015 Tonnage Estimate using GDP Regression	653 tonnes	178 tonnes	55 tonnes	225 tonnes	264 tonnes



Conclusions

- In terms of cargo volume, there is no “next China” foreseeable in the next 10 years
- However, India and Vietnam pose interesting growth opportunities on a smaller scale
- GDP, FDI, Monetary Policies, and Government regulations and support will be key for the growth and prosperity of Air Cargo in Emerging Asian Markets

Contact information



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