

**CATHAY PACIFIC AIRWAYS HAS REASON TO BE CONCERNED**

The announcement by Cathay Pacific Airways Ltd (Code: 293, Main Board, The Stock Exchange of Hongkong Ltd) in respect of its drop-off in air cargo income appears to have been overlooked by many.

The fact that it was mentioned at all is indicative that the airline is concerned about the fall-off in income from this important source.

And well it should, too.

In the first half of this year, to June 30, Cathay Pacific announced that the airfreight, carried on its aeroplanes, was about 340,000 tonnes.

This was a year-on-year reduction of about 5 percent.

It is likely that airfreight on its aircraft will continue to fall in the second half of the year, in TARGET's opinion.

Although Cathay Pacific makes most of its recurrent income from carrying passengers to Asian destinations, as well as flying passengers to very lucrative routes to North America, it appears that, over the years, the first successful airline of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) missed plum pickings in the airfreight industry.

It was slow off the mark, and Management of Cathay Pacific has, over the years, admitted this.

Air cargo statistics are another of those factors, which tend to point to the health, or otherwise, of an economy.

According to **TOLFIN** (TARGET's Computerised Online Information Service), there have been precipitous falls in air-cargo shipments over the past 10 months or so.

This was to be expected in view of the slowdown of many economies, globally, because sending goods by air is much more expensive than sending the same goods by sea.

The cost of sending goods by air is about 400 percent higher than sending the same goods by sea, according to **TOLFIN**.

Importers in the US and the EU – the European Union – naturally do not want their margins of profit, being squeezed by the relatively high costs of sending goods by air, but, at the same time, the uncertainty over near-term, consumer spending habits, in their respective markets, has caused them to be apprehensive in respect of stocking up on holiday gift items, let alone staples, such as children's clothes, adult garments, toys, etc.

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