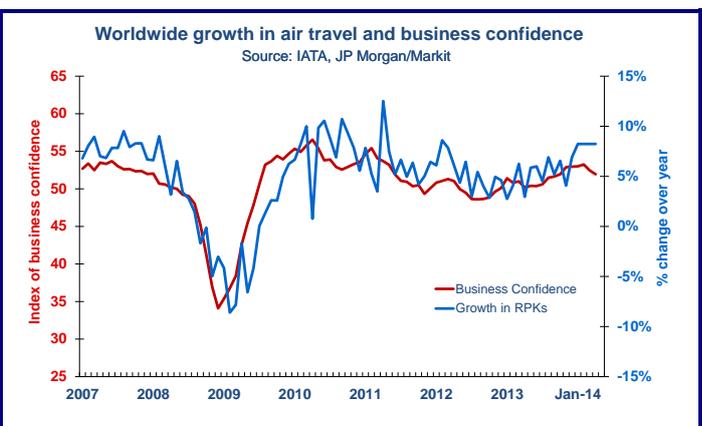
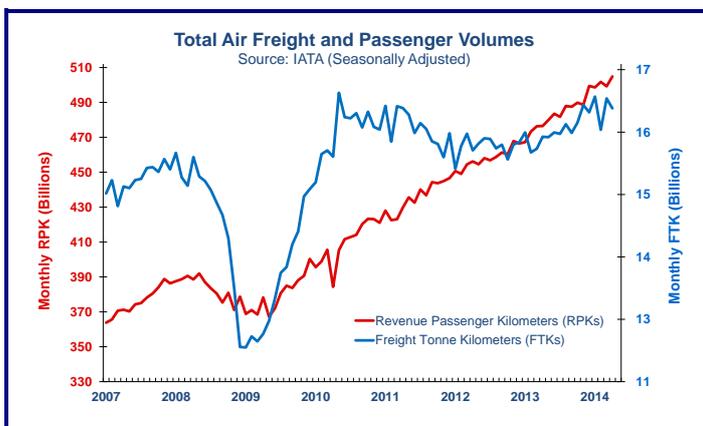


# AIR PASSENGER MARKET ANALYSIS

## APRIL 2014

### KEY POINTS

- Growth in air travel picked-up in April, rising 7.5% compared to a year ago. This is an acceleration on March, when revenue passenger kilometers increased 2.9%. The year-on-year comparison is positively biased by the timing of Easter, which occurred a month later than in 2013, boosting air travel in April 2014.
- But even after adjusting for the Easter impact on April 2014 traffic, the first chart below shows there was a rise in volumes. Prior to April, the trend had been toward moderating growth, which is consistent with developments in demand drivers, so it is unclear if the April pick-up will be sustainable.
- On international markets, all regions recorded acceleration in year-on-year growth rates in April compared to March, but the timing of Easter has caused an upward bias on the growth rates. Airlines in Asia Pacific saw a solid rise in international air travel, up 6.7% in April, and the month-to-month rise suggests some rebound in prior weakness in the growth trend. However, economic conditions in the region do not support further acceleration in growth, with China continuing to decelerate and Japan also starting to see some reversal of previous growth momentum. International air travel on European airlines rose 7.9% on April. Indicators point to a pick-up in economic growth in Europe in Q2, after weaker than expected performance in Q1, which bodes well for regional carriers.
- Domestic air travel varied significantly across markets in April, and also showed impacts of the Easter holiday timing in some cases. Growth in some of the BRIC nations – including China and Russia – was near or above double digits in April, up 9.9% and 10.3%, with economic growth significant enough in both countries to sustain strong expansion in domestic air travel. In India, by contrast, growth reached just 2.7% in April. Although there is positive sentiment toward the incoming government, inflation is high and consumer demand remains constrained.
- Load factors improved in April, both compared to a year ago and to the previous month. The pick-up was experienced across most regions and reflected the solid growth in demand in April. The trend in load factors shows that weakness in previous months due to slowing demand has now paused.
- The demand environment for air travel continues to signal growth, but there has been no further improvement in key drivers over recent months. Performance of emerging markets, mostly in China, has weakened and placed downward pressure of global growth. The duration of the weakness is unclear, but continued improvement in advanced economies is likely to sustain a positive demand environment for air travel in months ahead.



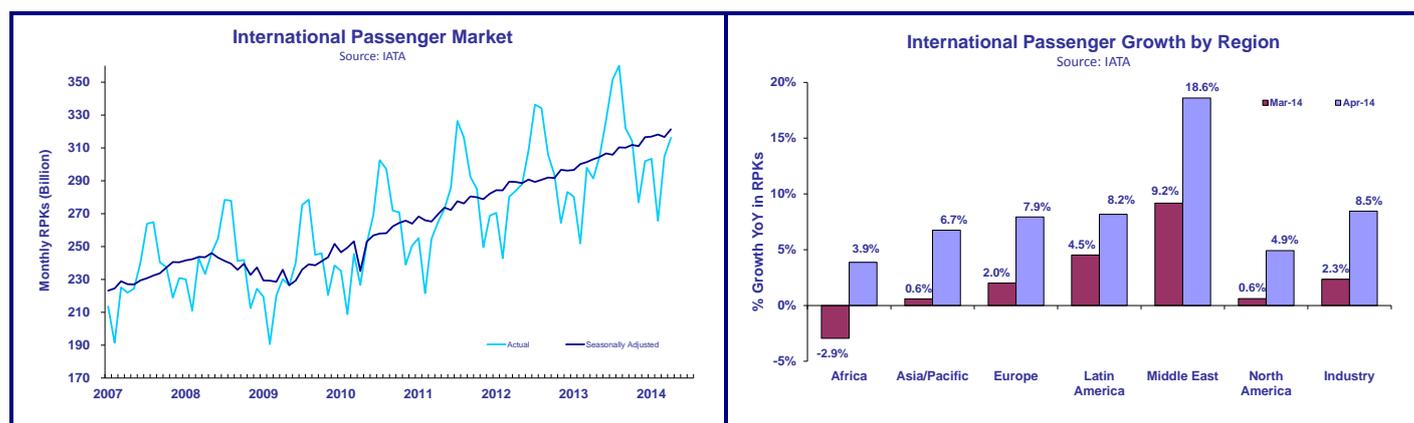
	Year on Year Comparison						Month on Month Comparison		
	Apr 2014 vs. Apr 2013			YTD 2014 vs. YTD 2013			Apr 2014 vs. Mar 2014		
	RPK	ASK	PLF	RPK	ASK	PLF	RPK	ASK	PLFpt
<b>International</b>	8.5%	6.9%	79.0%	6.1%	6.4%	78.0%	1.5%	1.2%	0.2%
<b>Domestic</b>	5.8%	3.9%	80.2%	5.9%	4.9%	79.8%	0.5%	0.1%	0.4%
<b>Total Market</b>	7.5%	5.8%	79.4%	6.0%	5.8%	78.7%	1.1%	0.8%	0.2%

FTK: Freight-Tonne-Kilometers; AFTK: Available Freight Tonne Kilometers; FLF: Freight Load Factor. All Figures are expressed in % change Year on Year except FLF which are the load factors for the specific month.

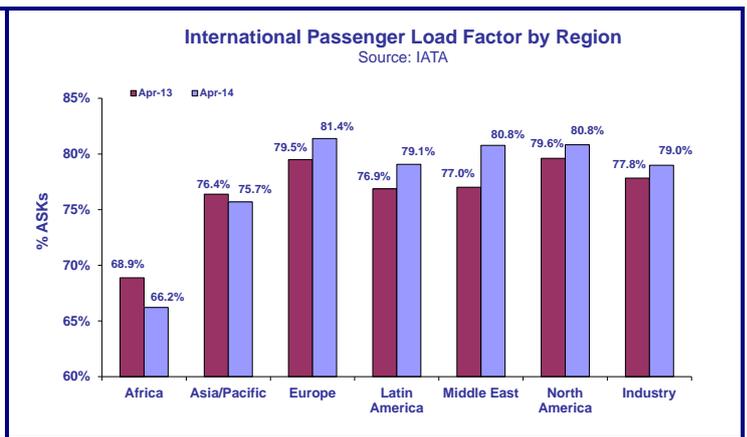
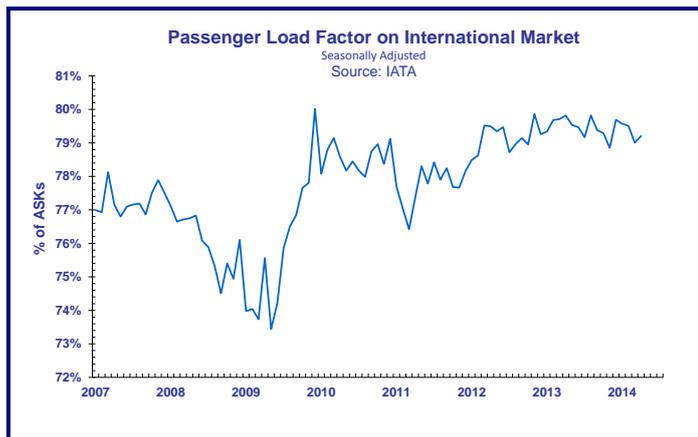
Data are seasonally adjusted. All figures are expressed in % change MoM except FLFpt which are the percentage point difference between LF of two months.

## PASSENGER MARKET

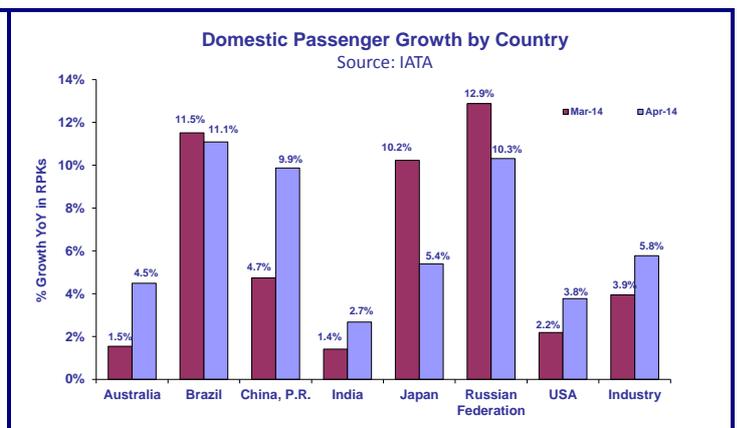
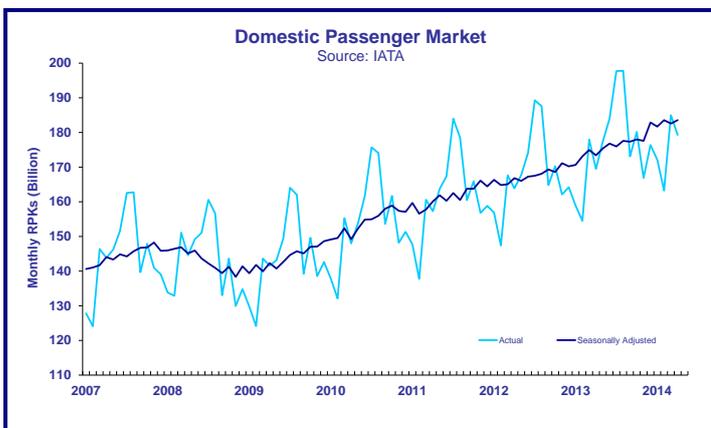
### International Markets



- On international markets, all regions recorded acceleration in year-on-year growth rates in April compared to March, but the timing of Easter has caused an upward bias on the growth rates. But even after adjusting for the Easter impact, the first chart above shows there was a rise in volumes in April. The trend during the recent past had moderated, which is consistent with developments in demand drivers, so it is unclear if the April pick-up will be sustainable.
- Airlines in Asia Pacific saw a solid rise in international air travel, up 6.7% in April, and the month-to-month rise suggests some rebound in prior weakness in the growth trend. However, economic conditions in the region do not support further acceleration in growth, with China continuing to show weakness and Japan starting to see some reversal of previous growth momentum. Growth in China is strong compared to most advanced economies, but rates have slowed and have caused domestic demand and employment to fall. Both developments do not bode well for air travel demand for regional carriers. In Japan, a recent sales tax increase has caused indicators for economic activity to decline sharply in April.
- International air travel on European airlines rose 7.9% on April. In the Eurozone, economic activity continues to improve slowly, but economic growth in Q1 2014 came in at 0.2%, below expectations of 0.4%. Measures of business activity point to acceleration in economic growth in Europe in Q2, after weaker than expected performance in Q1, which is encouraging for regional carriers.
- North American airlines' international RPKs rose 4.9% in April year-on-year. Latest data suggested that underlying growth trends in business activity are positive and downward pressure on employment is easing, which should support stronger growth in air travel demand in coming months.
- Carriers in Latin America and Middle East recorded the strongest increases in international air travel in April, rising 8.2% and 18.6%, respectively. Airlines in the Middle East continue to benefit from the strength of regional economies and solid growth in business-related premium travel. The outlook for Latin American carriers remains broadly positive, with continued robust performance of economies like Colombia, Peru and Chile, and the upcoming demand to be generated by the FIFA World Cup in Brazil. On the downside, however, trade volumes have made no progress this year compared to the highs reached at the end of 2013, which means acceleration in business-related travel is unlikely in the near term.
- By contrast, airlines in Africa saw the slowest rates of growth among regions, with international RPKs up 3.9%. And in fact growth year-to-date has been just 1%. The weakness in international air travel for regional carriers over recent months could be in part reflecting adverse economic developments in some parts of the continent, with the slowdown of the major economy of South Africa.

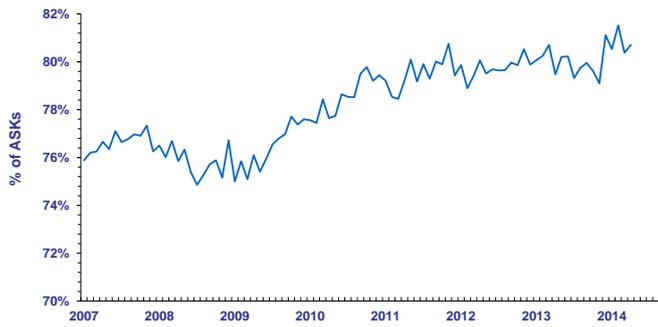


## Domestic Market

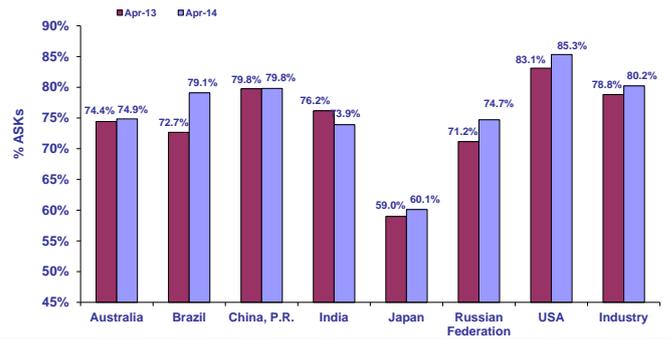


- Domestic air travel demand varied significantly across markets in April, also showing impacts of the Easter holiday timing in some cases. The overall rise in April was 5.8%, well above growth in March at 3.9%.
- Growth in some of the BRIC nations – including China and Russia – was near or above double digits in April, up 9.9% and 10.3% respectively, with economic growth significant enough in both countries to sustain strong expansion in domestic air travel. Growth in Brazil was also very strong, rising 11.1% in April compared to a year ago. Although economic fundamentals do not support the acceleration seen in 2014 so far, there could be some positive impacts of preparation for the FIFA World Cup.
- In India, by contrast, growth reached just 2.7% in April. Although there is positive sentiment toward the incoming government, inflation remains high and investment growth has slowed. As a result, consumer confidence and demand remains constrained.
- In the US, domestic air travel rose 3.8% in April year-on-year. Domestic air travel in the US should receive support for continued growth with recent increases in consumer confidence throughout the year as well as rising employment activity.
- Growth in Japan's domestic air travel market was a solid 5.4% in April compared to a year ago, but this is a slowdown on growth year-to-date (7.9%). The introduction of a sales tax increase (mentioned previously), could erode some of the previous progress made by the government to boost growth and domestic demand, which would inevitably weaken the demand base for air travel also.
- Air travel growth in Australia was up just 4.5% in April year-on-year. The outlook for domestic demand is mixed; there have been recent improvements in the unemployment rate and business sentiment, but the announcement of the latest budget placed downward pressure on consumer confidence.

Passenger Load Factor on Domestic Market  
Seasonally Adjusted  
Source: IATA

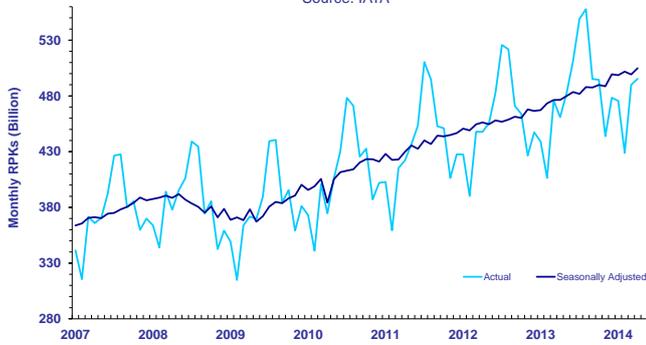


Domestic Passenger Load Factor by Country  
Source: IATA

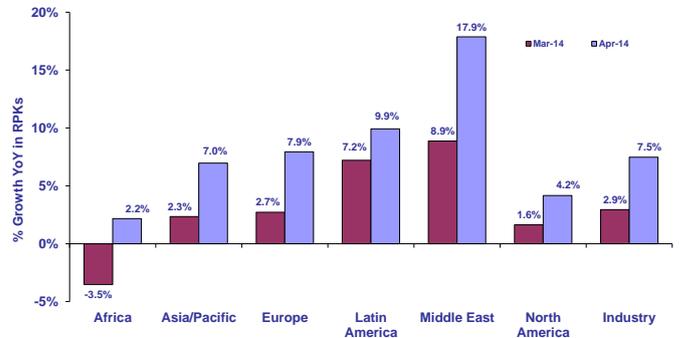


Total Market (Domestic + International)

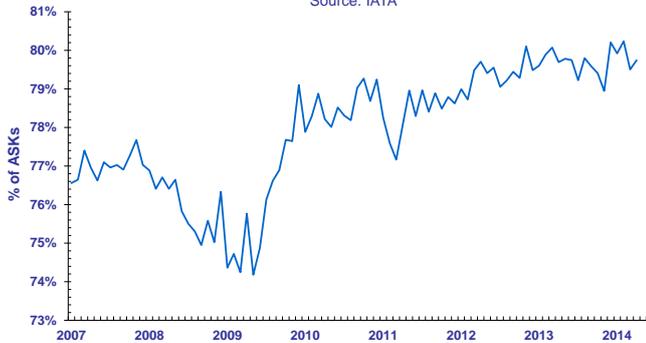
Total Passenger Market  
Source: IATA



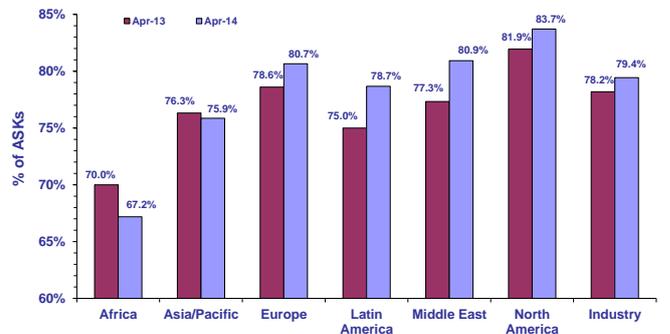
Total Passenger Growth by Region  
Source: IATA



Passenger Load Factor on Total Market  
Seasonally Adjusted  
Source: IATA



Total Passenger Load Factor by Region  
Source: IATA



## ANNEX

Year on Year Comparison	Apr 2014 vs Apr 2013			YTD 2014 vs. YTD 2013		
	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>
Africa	3.9%	8.1%	66.2%	1.0%	5.3%	65.9%
Asia/Pacific	6.7%	7.7%	75.7%	4.9%	6.5%	76.6%
Europe	7.9%	5.4%	81.4%	5.6%	5.6%	79.0%
Latin America	8.2%	5.2%	79.1%	5.3%	2.9%	79.5%
Middle East	18.6%	13.1%	80.8%	14.8%	12.8%	80.0%
North America	4.9%	3.3%	80.8%	3.0%	3.6%	79.4%
<b>International</b>	<b>8.5%</b>	<b>6.9%</b>	<b>79.0%</b>	<b>6.1%</b>	<b>6.4%</b>	<b>78.0%</b>
Australia	4.5%	3.9%	74.9%	3.9%	3.7%	75.6%
Brazil	11.1%	2.1%	79.1%	10.4%	3.0%	79.6%
China P.R.	9.9%	9.8%	79.8%	12.1%	11.9%	81.2%
India	2.7%	5.8%	73.9%	1.0%	7.4%	72.4%
Japan	5.4%	3.4%	60.1%	7.9%	5.6%	63.9%
Russian Federation	10.3%	5.0%	74.7%	11.2%	11.3%	69.6%
US	3.8%	1.1%	85.3%	2.1%	0.5%	83.7%
<b>Domestic</b>	<b>5.8%</b>	<b>3.9%</b>	<b>80.2%</b>	<b>5.9%</b>	<b>4.9%</b>	<b>79.8%</b>
Africa	2.2%	6.4%	67.2%	0.0%	4.2%	67.0%
Asia/Pacific	7.0%	7.6%	75.9%	6.9%	7.9%	77.0%
Europe	7.9%	5.2%	80.7%	6.0%	5.8%	78.0%
Latin America	9.9%	4.8%	78.7%	7.7%	3.8%	79.4%
Middle East	17.9%	12.6%	80.9%	14.2%	12.3%	80.2%
North America	4.2%	2.0%	83.7%	2.4%	1.6%	82.1%
<b>Total Market</b>	<b>7.5%</b>	<b>5.8%</b>	<b>79.4%</b>	<b>6.0%</b>	<b>5.8%</b>	<b>78.7%</b>

*RPK: Revenue-Passenger-Kilometers; ASK: Available-Seat-Kilometers; PLF: Passenger-Load-Factor;  
All Figures are expressed in % change Year on Year except PLF which are the load factors for the specific month.*

Month on Month Comparison	Apr 2014 vs. Mar 2014			Market Share
	RPK	ASK	PLFpt	RPK
Africa	0.7%	2.0%	-0.8%	3.1%
Asia/Pacific	2.6%	2.3%	0.3%	26.5%
Europe	0.7%	0.9%	-0.2%	38.3%
Latin America	-0.2%	0.4%	-0.5%	4.3%
Middle East	1.7%	1.3%	0.3%	14.2%
North America	1.8%	-0.1%	1.6%	13.6%
<b>International</b>	<b>1.5%</b>	<b>1.2%</b>	<b>0.2%</b>	<b>100.0%</b>
Australia	0.3%	1.0%	-0.7%	3.3%
Brazil	1.7%	1.6%	0.1%	4.1%
China P.R.	1.6%	0.9%	0.6%	21.8%
India	-1.8%	-1.1%	-0.6%	2.8%
Japan	-1.0%	-0.4%	-0.4%	2.8%
Russian Federation	-1.9%	-2.6%	0.5%	3.3%
US	0.2%	-0.5%	0.7%	44.5%
<b>Domestic</b>	<b>0.5%</b>	<b>0.1%</b>	<b>0.4%</b>	<b>100.0%</b>
Africa	0.5%	1.7%	-0.8%	2.3%
Asia/Pacific	1.9%	1.5%	0.3%	30.1%
Europe	0.7%	0.9%	-0.1%	27.2%
Latin America	0.4%	0.9%	-0.4%	5.3%
Middle East	1.6%	1.2%	0.3%	9.5%
North America	0.8%	-0.3%	0.9%	25.5%
<b>Total Market</b>	<b>1.1%</b>	<b>0.8%</b>	<b>0.2%</b>	<b>100%</b>

Data are seasonally adjusted. All figures are expressed in % change MoM except, PLFpt which are the percentage point difference between load factors of two months.

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28<sup>TH</sup> May 2014

#### FURTHER ANALYSIS AND DATA

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