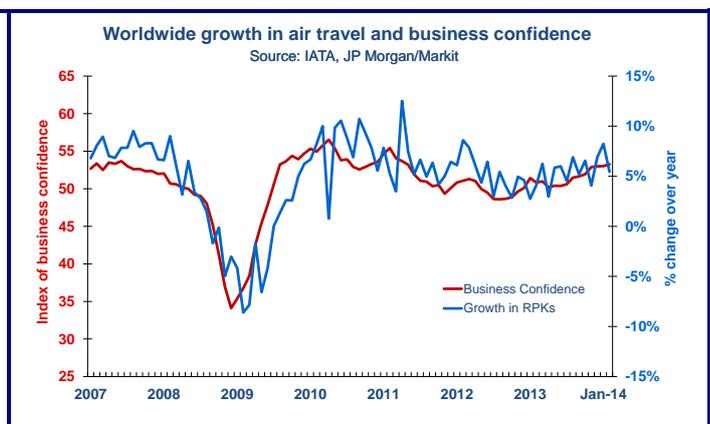
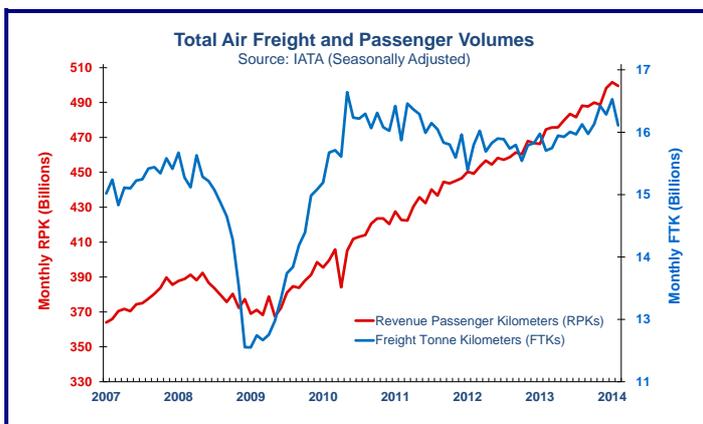


# AIR PASSENGER MARKET ANALYSIS

## FEBRUARY 2014

### KEY POINTS

- Growth in air travel increased by a solid 5.4% in February compared to a year ago. Although this growth result is a slowdown on January (8.2%), taking the first two months of 2014 combined we see that air travel growth has accelerated from 5.2% at this point in 2013 to a 6.9% expansion through the first two months of 2014.
- The first chart below shows the acceleration in the recent growth trend in global revenue passenger kilometers (RPKs) despite a slight moderation in air travel volumes in February compared to January. This is consistent with a pick-up in global economic growth, including stronger performance of advanced economies.
- On international markets, steady improvement in the Eurozone economy has supported robust performance of regional carriers, which saw a 5.8% increase in international RPKs in February. The strongest growth continues to come from Middle Eastern airlines, up 13.4%. Airlines in the Middle East continue to benefit from the strength of regional economies and solid growth in business-related premium travel. Asia Pacific airlines saw a moderation in February year-on-year growth (4.0%) compared to the January rise (8.3%), but in part that is owing to the timing of Chinese New Year, which took place in January, a month earlier than in 2013.
- Domestic air travel volumes increased by a solid 5.3% in February, with several markets recording double-digit growth, including China, Russia and Brazil. While solid domestic demand continues to support growth in China and Russia, the 10.2% growth result for Brazil is partly reflecting a boost in demand from the Carnival holiday. In India, by contrast, there was a 1.8% contraction in air travel volumes in February compared to a year ago. Downward pressure on demand for air travel reflects subdued consumer sentiment ahead of the upcoming election as well as elevated fares.
- Load factors dipped very slightly in February compared to January due to the moderation in demand, but remain strong at close to 80% on a seasonally adjusted basis. Compared to a year ago, industry wide load factors showed a small improvement. Tight capacity management by carriers in Latin America helped drive a 3.1% pts improvement in load factors in February year-on-year.
- The demand environment for air travel remains broadly positive, but improvements in the business environment seen throughout H2 2013 appear to have slowed slightly in 2014. Global business confidence continues to signal economic growth; readings are the highest they have been since Q1 2011, but the trend has now flattened. Nonetheless, current conditions should help sustain robust growth in air travel in the months ahead.



#### Year on Year Comparison

##### Feb 2014 vs. Feb 2013

##### YTD 2014 vs. YTD 2013

	RPK	ASK	PLF	RPK	ASK	PLF
<b>International</b>	5.5%	5.8%	76.8%	6.9%	6.4%	77.7%
<b>Domestic</b>	5.3%	4.1%	80.4%	6.8%	5.5%	79.0%
<b>Total Market</b>	5.4%	5.2%	78.1%	6.9%	6.0%	78.2%

#### Month on Month Comparison

##### Feb 2014 vs. Jan 2014

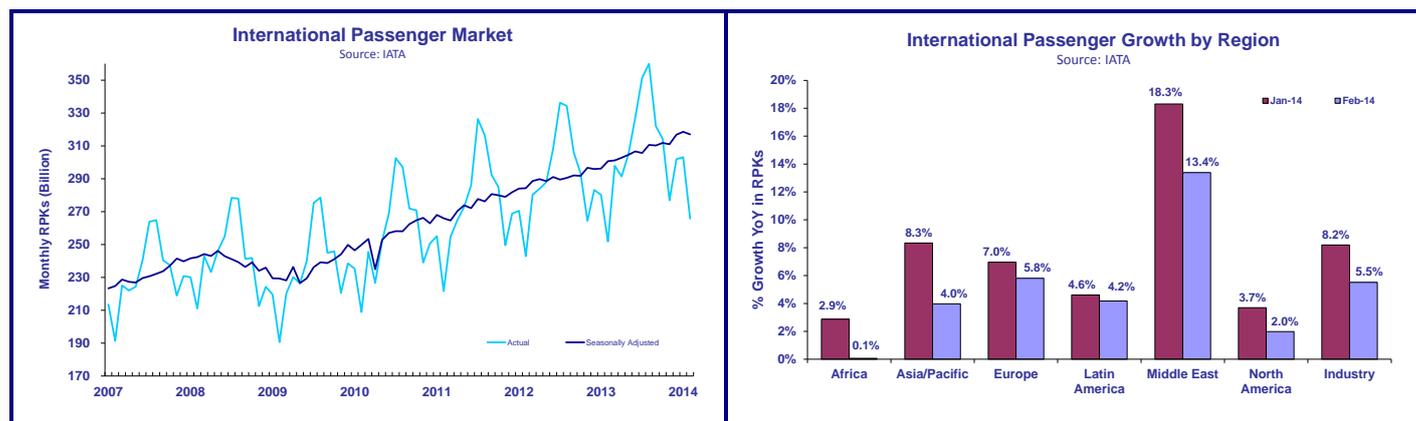
	RPK	ASK	PLFpt
<b>International</b>	-0.5%	0.1%	-0.4%
<b>Domestic</b>	-0.3%	-0.6%	0.3%
<b>Total Market</b>	-0.4%	-0.2%	-0.2%

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.

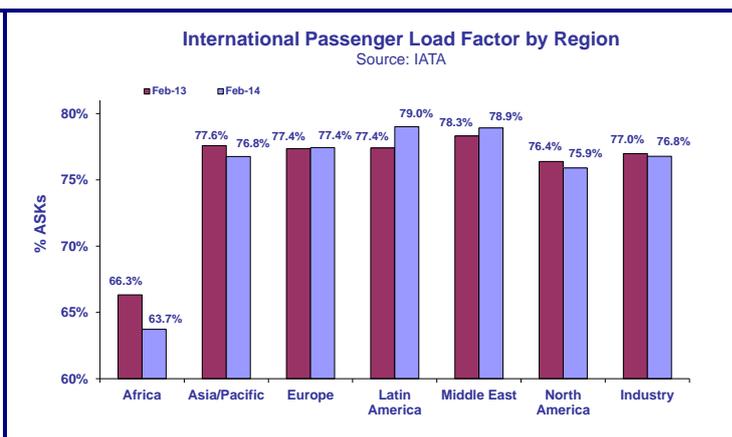
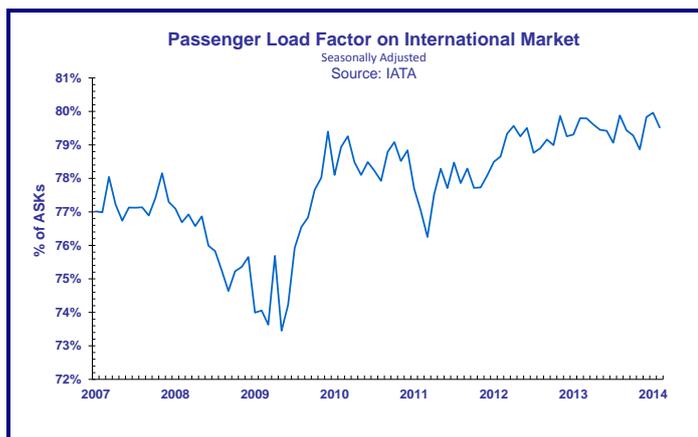
Data are seasonally adjusted. All figures are expressed in % change MoM except FLFpt which are the percentage point difference between LF of two months.

## PASSENGER MARKET

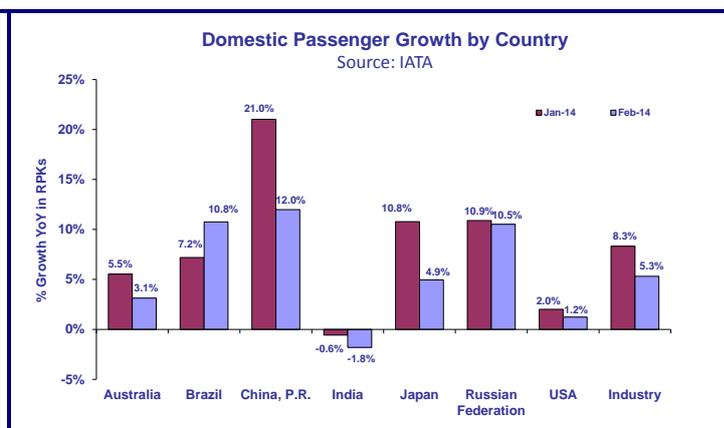
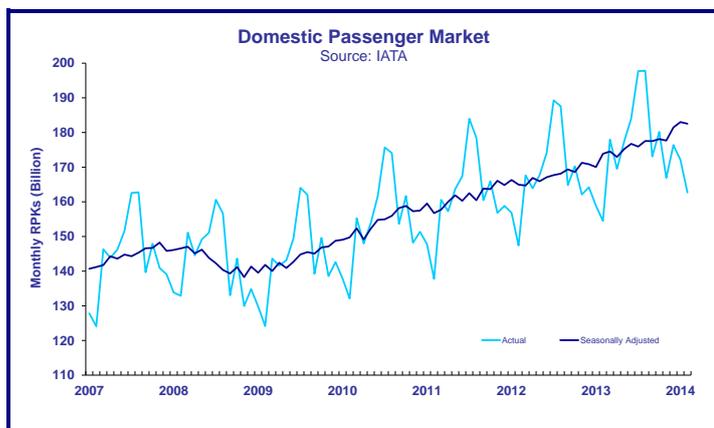
### International Markets



- Air travel on international markets increased by a robust 5.5% in February compared to a year ago, but slowed slightly on January growth (8.2%). The strong January growth, however, was slightly positively influenced by the timing of the Chinese New Year holiday. Over the month, there was a small contraction in international passenger travel – in February there was a 0.5% decline compared to January – which caused load factors to slip very slightly also.
- International air travel results show airlines in the Middle East posting the strongest increase in February, up 13.4%. Airlines in the Middle East continue to benefit from the strength of regional economies and solid growth in business-related premium travel. The Gulf nations specifically are enjoying acceleration in non-oil sectors of their economies, ensuring strength in consumer demand and positive developments in sectors such as trade, transport and tourism.
- Steady improvement in the Eurozone economy supported robust performance of regional carriers, which experienced a 5.8% increase in international RPKs in February. Growth in both the manufacturing and services sectors has now reached rates not seen since the first half of 2013, according to JPMorgan/Markit's surveys of purchasing managers. The pattern of growth has also become more extensive, with major economies like France now also entering positive growth in outputs and new orders for the first time since Q3 2011. These developments should support employment and consumer demand in the months ahead, which in turn could boost demand for air travel.
- Asia Pacific airlines saw a moderation in the February year-on-year comparison (4.0%) compared to the January rise (8.3%), but part of that is owing to the timing of Chinese New Year, which took place in January, a month earlier than in 2013. While regional economic activity remains broadly robust and trade volumes continue to accelerate, indicators from the major regional economy, China, continue to indicate potential downside risks ahead. February data show that business activity has declined for the third month running according to JPMorgan/Markit.
- North American airlines' international RPKs rose 2.0% in February year-on-year, a slowdown on the January growth rate (3.7%). Air travel on carriers in the region should continue to expand at least at these rates in the months ahead, with the demand backdrop showing signs of improvement, employment growth picking-up and consumer spending on the rise.
- Growth in international travel on Latin American carriers was 4.2% in February, only slightly slower than in January (4.4%). 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. By contrast, airlines in Africa saw virtually no change (0.1%) in air travel volumes in February compared to a year ago. 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 major economy South Africa.



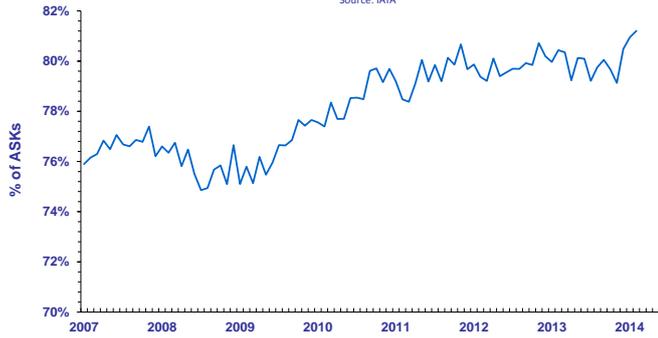
## Domestic Market



- Domestic air travel volumes increased by a strong 5.3% in February year-on-year, with several markets recording double-digit growth. Domestic market load factors reached 80.4% in February, up 0.9% pts compared to a year ago, supported by the strong rise in demand in most markets.
- Air travel in China and Russia rose 12.0% and 10.5%, respectively. The February result for China's domestic market was a slowdown on January, but that month saw an upward bias due to the timing of the Chinese New Year. Although there have been indicators of slowdown in the Chinese economy, as previously mentioned, domestic consumer demand remains solid and that should support continued growth in air travel. Air travel in Russia has been supported by the government's policy to sustain employment and incomes.
- Growth in air travel in Brazil picked-up in February, rising 10.8%. But part of that acceleration (compared to January when growth was 7.2%), is due to the Carnival holiday, which commenced at the end of February and would have resulted in a boost in domestic air travel beforehand. Overall, however, the fundamental drivers in Brazil remain fragile with continued economic weakness eroding domestic demand. In coming months, there could be some added support from the upcoming World Cup mid-year.
- In India, by contrast, there was a 1.8% contraction in air travel volumes in February compared to a year ago. Downward pressure on demand for air travel reflects subdued consumer sentiment ahead of the upcoming election as well as elevated fares. Air fares have been on the rise since mid-2013, and are currently at the highest levels since mid-2007.
- Air travel growth in Australia remains subdued, up just 3.1% in February year-on-year. Despite interest rate cuts, the economy remains broadly sluggish. But while unemployment rates are higher than the government would like (at around 6%), February data has some an increase in employment and the participation rate, suggesting that labor market conditions are improving. If these trends continue, downward pressure on domestic air travel growth should ease.
- In the US, domestic air travel rose just 1.2% in February. 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.

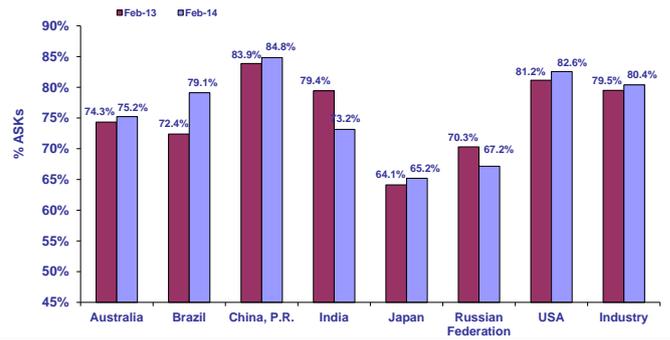
Passenger Load Factor on Domestic Market

Seasonally Adjusted  
Source: IATA



Domestic Passenger Load Factor by Country

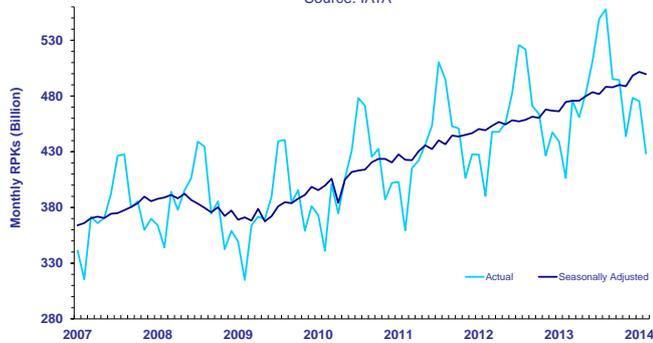
Source: IATA



Total Market (Domestic + International)

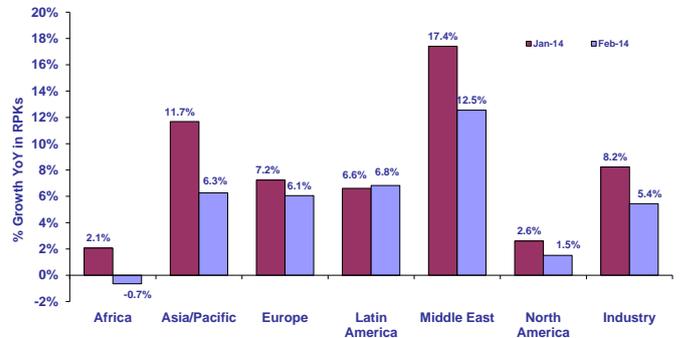
Total Passenger Market

Source: IATA



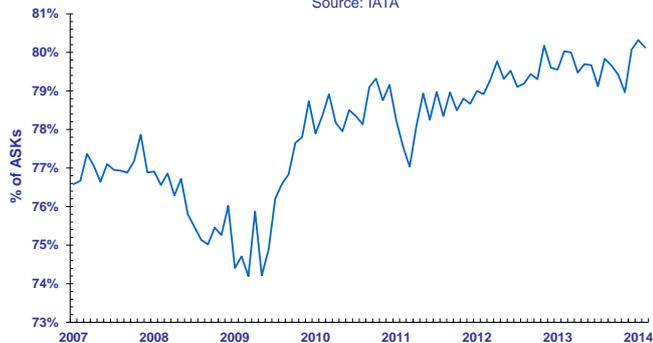
Total Passenger Growth by Region

Source: IATA



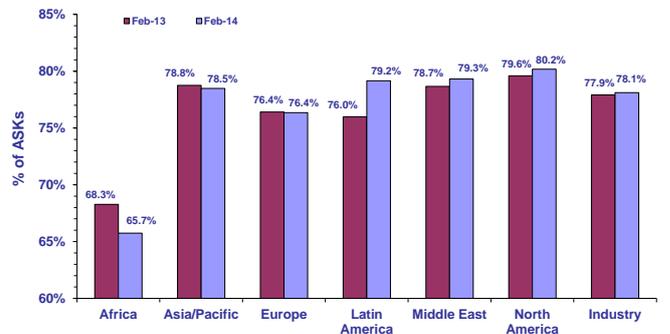
Passenger Load Factor on Total Market

Seasonally Adjusted  
Source: IATA



Total Passenger Load Factor by Region

Source: IATA



## ANNEX

Year on Year Comparison	Feb 2014 vs Feb 2013			YTD 2014 vs. YTD 2013		
	RPK	ASK	PLF	RPK	ASK	PLF
Africa	0.1%	4.1%	63.7%	1.6%	4.0%	66.5%
Asia/Pacific	4.0%	5.1%	76.8%	6.3%	6.4%	77.6%
Europe	5.8%	5.7%	77.4%	6.4%	5.9%	77.4%
Latin America	4.2%	2.1%	79.0%	4.4%	2.2%	80.0%
Middle East	13.4%	12.5%	78.9%	16.0%	13.7%	80.2%
North America	2.0%	2.6%	75.9%	2.9%	2.7%	78.2%
<b>International</b>	<b>5.5%</b>	<b>5.8%</b>	<b>76.8%</b>	<b>6.9%</b>	<b>6.4%</b>	<b>77.7%</b>
Australia	3.1%	1.9%	75.2%	4.4%	3.5%	76.2%
Brazil	10.8%	1.4%	79.1%	8.8%	3.5%	80.1%
China P.R.	12.0%	10.7%	84.8%	16.3%	14.2%	82.0%
India	-1.8%	6.6%	73.2%	-1.2%	7.6%	71.7%
Japan	4.9%	3.2%	65.2%	7.8%	6.0%	62.3%
Russian Federation	10.5%	15.7%	67.2%	10.7%	13.3%	66.2%
US	1.2%	-0.5%	82.6%	1.6%	-0.2%	81.7%
<b>Domestic</b>	<b>5.3%</b>	<b>4.1%</b>	<b>80.4%</b>	<b>6.8%</b>	<b>5.5%</b>	<b>79.0%</b>
Africa	-0.7%	3.2%	65.7%	0.8%	3.3%	67.4%
Asia/Pacific	6.3%	6.6%	78.5%	9.0%	8.6%	77.9%
Europe	6.1%	6.1%	76.4%	6.7%	6.2%	76.3%
Latin America	6.8%	2.5%	79.2%	6.7%	3.6%	80.0%
Middle East	12.5%	11.6%	79.3%	15.1%	12.8%	80.6%
North America	1.5%	0.8%	80.2%	2.1%	0.9%	80.4%
<b>Total Market</b>	<b>5.4%</b>	<b>5.2%</b>	<b>78.1%</b>	<b>6.9%</b>	<b>6.0%</b>	<b>78.2%</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	Feb 2014 vs. Jan 2014			Market Share
	RPK	ASK	PLFpt	RPK
Africa	-0.5%	1.3%	-1.2%	3.3%
Asia/Pacific	-2.0%	-0.7%	-1.0%	29.3%
Europe	0.1%	0.3%	-0.2%	34.1%
Latin America	0.6%	0.1%	0.4%	4.9%
Middle East	-0.1%	0.2%	-0.2%	15.1%
North America	0.1%	0.3%	-0.2%	13.3%
<b>International</b>	<b>-0.5%</b>	<b>0.1%</b>	<b>-0.4%</b>	<b>100.0%</b>
Australia	-1.4%	-1.6%	0.2%	3.1%
Brazil	3.1%	-3.8%	7.1%	4.2%
China P.R.	-1.3%	-1.4%	0.0%	25.4%
India	0.7%	-0.4%	0.7%	2.8%
Japan	-4.5%	-2.0%	-1.6%	3.1%
Russian Federation	2.3%	2.3%	0.0%	3.0%
US	-7.0%	-8.8%	1.6%	40.5%
<b>Domestic</b>	<b>-0.3%</b>	<b>-0.6%</b>	<b>0.3%</b>	<b>100.0%</b>
Africa	-0.4%	1.0%	-0.9%	2.4%
Asia/Pacific	-1.5%	-0.8%	-0.5%	33.7%
Europe	0.1%	0.4%	-0.2%	23.9%
Latin America	1.1%	-1.0%	1.7%	5.8%
Middle East	-0.1%	0.2%	-0.3%	9.8%
North America	0.0%	0.0%	0.0%	24.4%
<b>Total Market</b>	<b>-0.4%</b>	<b>-0.2%</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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3<sup>RD</sup> April 2014

#### FURTHER ANALYSIS AND DATA

Access data related to this briefing through the Monthly Statistics publication:

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