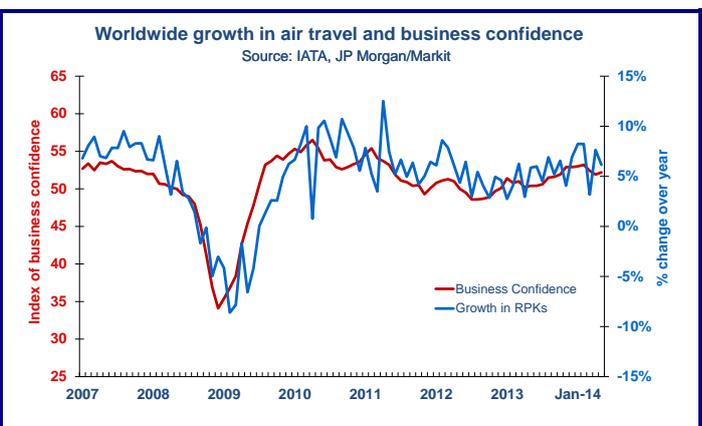
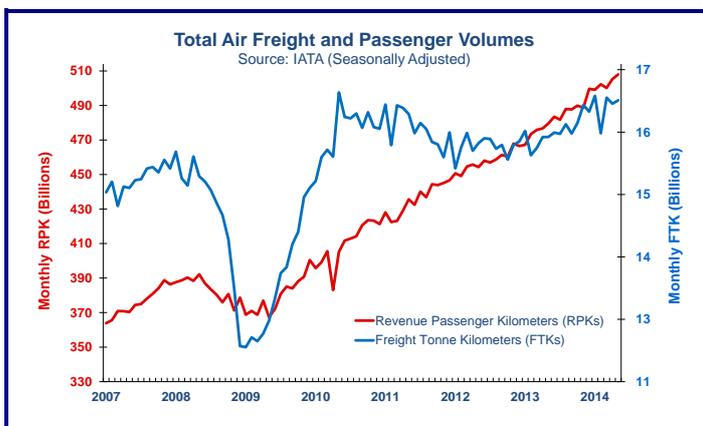


AIR PASSENGER MARKET ANALYSIS

MAY 2014

KEY POINTS

- Air travel markets rose by a strong 6.2% in May compared to a year ago. Although this is slightly down on April growth of 7.6%, April was positively biased by the timing of Easter. Performance in May remains above 2013 full year growth and is consistent with signs of improvement in demand drivers.
- The first chart below shows that expansion in air traffic volumes is starting to accelerate again after a slowdown in the growth earlier in the year. The trend in air travel volumes has followed developments in demand drivers. Toward the end of 2013 there was a solid upturn in the global economic cycle, but that momentum had paused over past months, with world trade and business confidence failing to make any progress. Latest data, however, show a pick-up in both trade and business activity, which is consistent with this recent spurt in air travel demand.
- Growth in international markets was particularly strong, with a 7.0% rise in May compared to a year ago. The improvement was seen across all regions. Importantly, airlines in Asia Pacific recorded a solid increase of 7.3% in May, which suggests that downward pressure on demand from sluggishness in the Chinese economy is likely easing. International air travel on airlines in advanced economy regions was also solid, which is consistent with steady and continued economic recovery, including increases of 6.1% and 4.4% for European and North American airlines, respectively.
- Domestic air travel rose 4.6% in May year-on-year, with significant variation in performance continuing across markets. Growth in some of the BRIC nations –China and Russia – was near or above double digits in May, up 9.4% and 13.2%, respectively, with economic growth substantial enough in both countries to sustain strong expansion in domestic air travel. In India, by contrast, growth was a more muted 4.1% in May. Although there is positive sentiment toward the incoming government, inflation is high and consumer demand remains constrained.
- Load factors improved in May, 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 May. The trend in load factors shows that weakness in previous months due to slowing demand has now reversed.
- Earlier signs of wavering in the demand environment now appear to be dissipating. Latest data show a pick-up in world trade volumes and as well as a small increase in business activity. Moreover, indicators from China suggest that the economic slowdown could be beginning to reverse itself. Combined with continued improvement in advanced economies, it is likely that current acceleration in air travel growth will be sustained in months ahead.



Year on Year Comparison

May 2014 vs. May 2013

YTD 2014 vs. YTD 2013

	RPK	ASK	PLF	RPK	ASK	PLF
International	7.0%	6.0%	78.1%	6.5%	6.5%	78.1%
Domestic	4.6%	3.8%	80.6%	5.6%	4.5%	80.0%
Total Market	6.2%	5.2%	79.0%	6.2%	5.8%	78.8%

Month on Month Comparison

May 2014 vs. Apr 2014

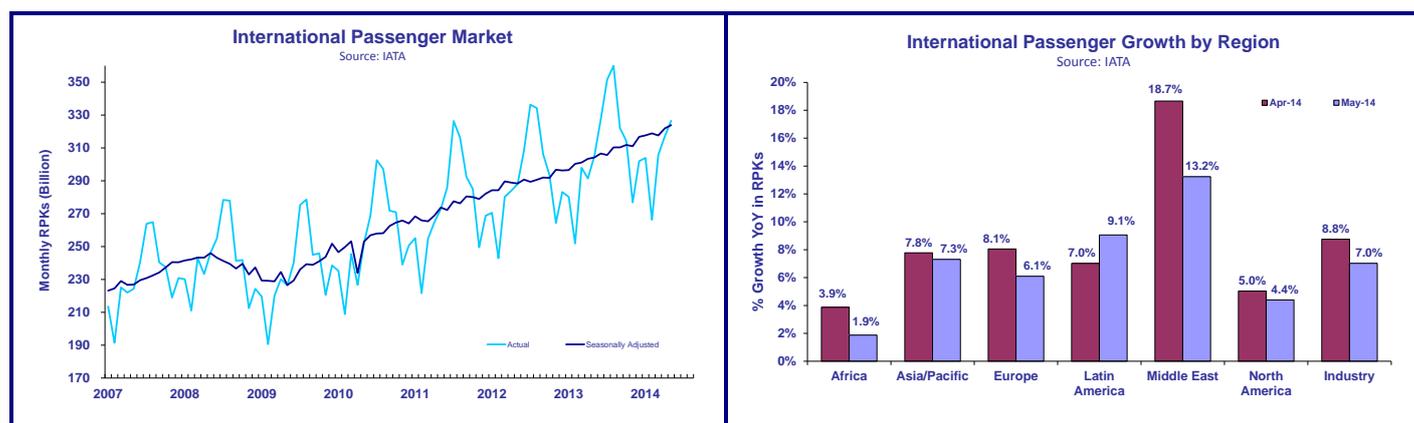
RPK	ASK	PLFpt
0.6%	0.1%	0.4%
0.4%	0.3%	0.1%
0.5%	0.2%	0.3%

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.

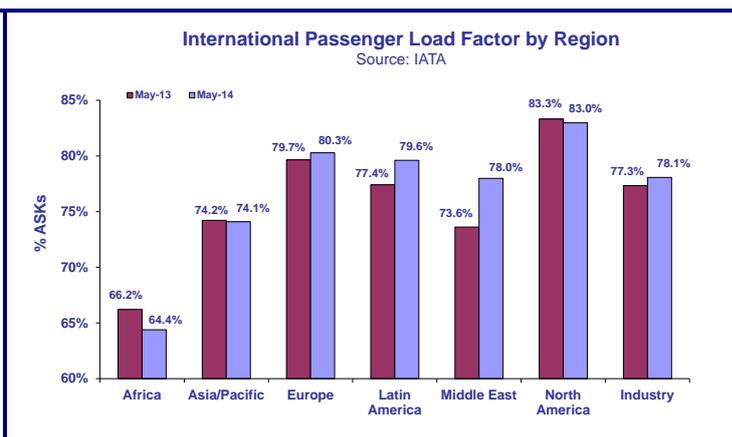
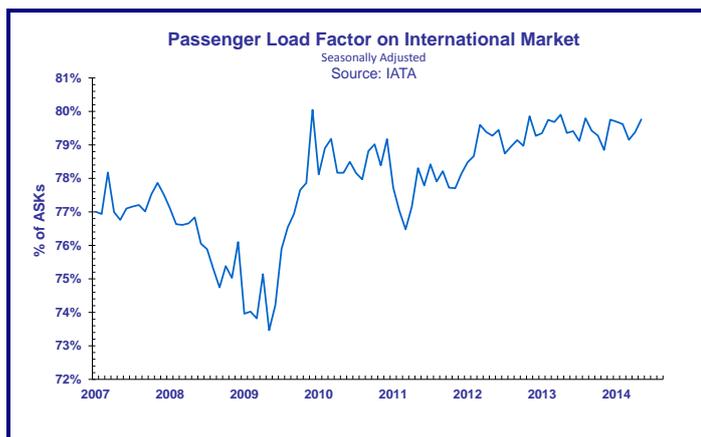
Data are seasonally adjusted. All figures are expressed in % change MoM except FLFpt which are the percentage point difference between LF of two months.

PASSENGER MARKET

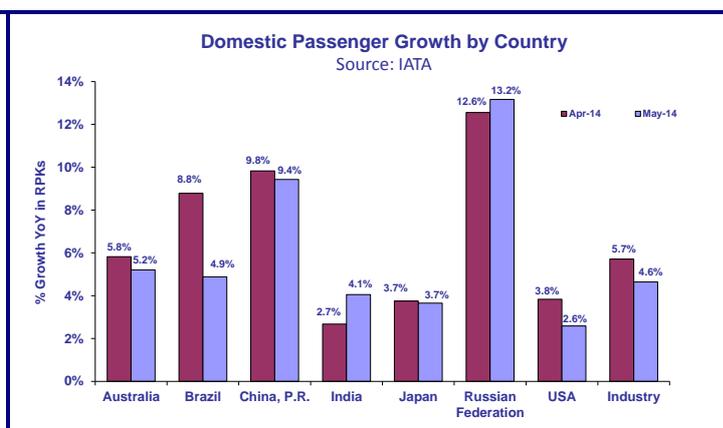
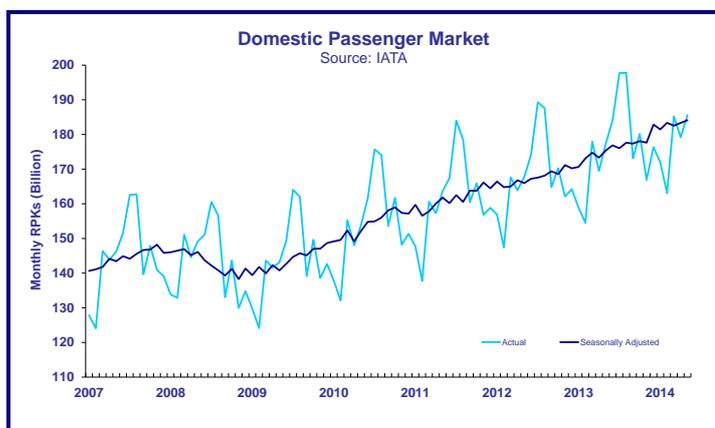
International Markets



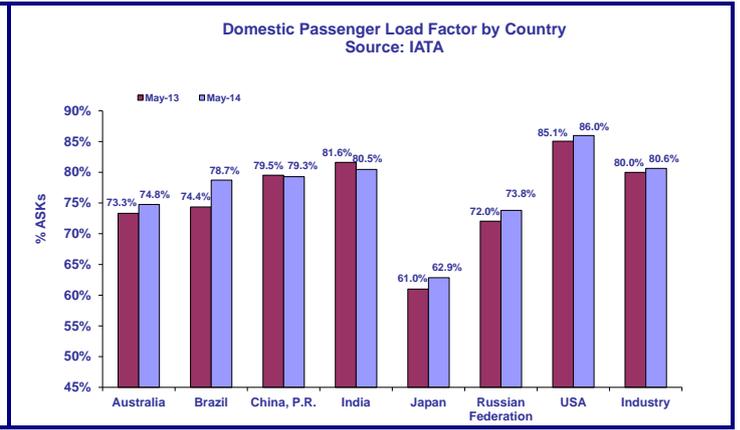
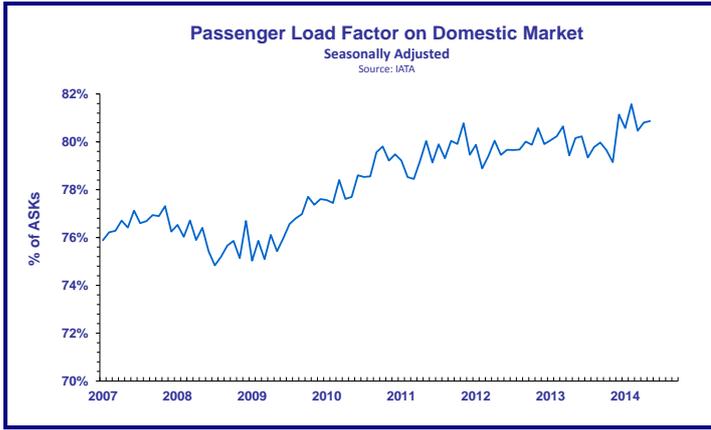
- Growth in international markets was particularly strong, with a 7.0% rise in May compared to a year ago. There was also a solid 0.6% increase in May compared to April, confirming acceleration in the growth trend compared to the first quarter of 2014. The rise in air traffic volumes helped load factors increase as well, with seasonally adjusted levels now the highest they have been for the past 13 months.
- The improvement in international RPKs was seen across all regions. Importantly, airlines in Asia Pacific recorded a solid increase of 7.3% in May, which suggests that downward pressure on demand from sluggishness in the Chinese economy is likely easing. According to JP Morgan/Markit, the measure of manufacturing activity rebounded in May, with activity being supported by a strong rise in export order growth. This bodes well for regional trade and related international air travel.
- International air travel on airlines in advanced economy regions was also solid, which is consistent with steady and continued economic recovery, including increases of 6.1% and 4.4% for European and North American airlines, respectively. Economic activity in the Eurozone has been gaining momentum slowly, and recent data suggest that strong increases in industrial production should result in acceleration in Eurozone GDP in Q2. This should also provide an improved demand backdrop for air travel on regional carriers. In the US, recent data suggest that underlying growth trends in business activity are positive and downward pressure on employment is easing. According to JP Morgan/Markit, overall business conditions in the US are the strongest they have been since May 2010.
- Carriers in Latin America and Middle East recorded the strongest increases in international air travel in May, rising 9.1% and 13.2%, 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. Fundamental weakness in the Brazilian economy is also an area of concern, with benefits from the World Cup likely to be temporary.
- By contrast, airlines in Africa saw the slowest rates of growth among regions, with international RPKs up 1.9% in May, year-on-year. 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. However, latest trade data show a slight pick-up in volumes. If that trend continues, there could be a rise in demand for business related international air travel.



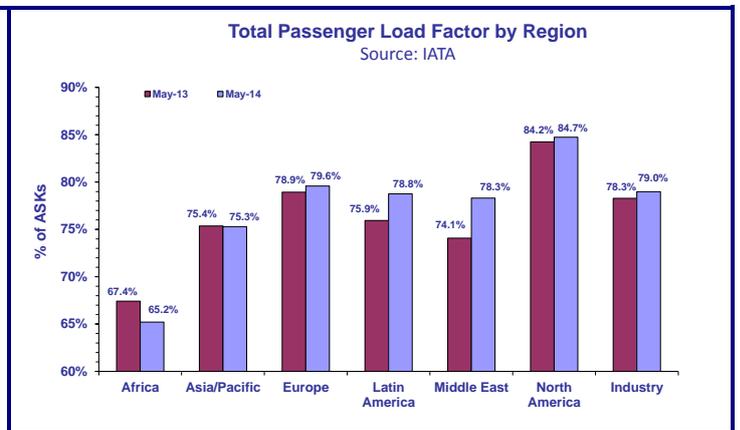
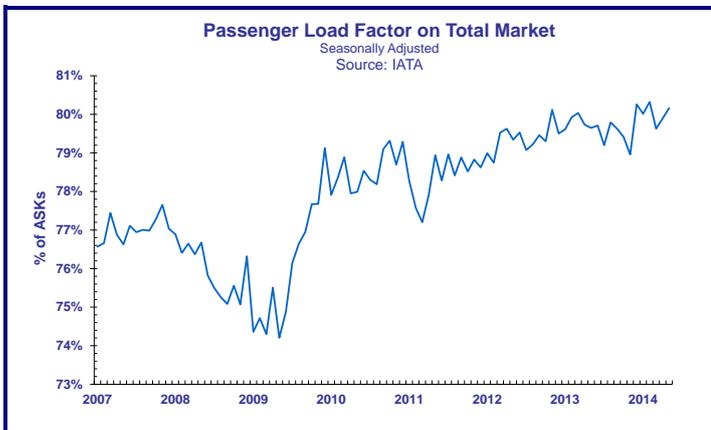
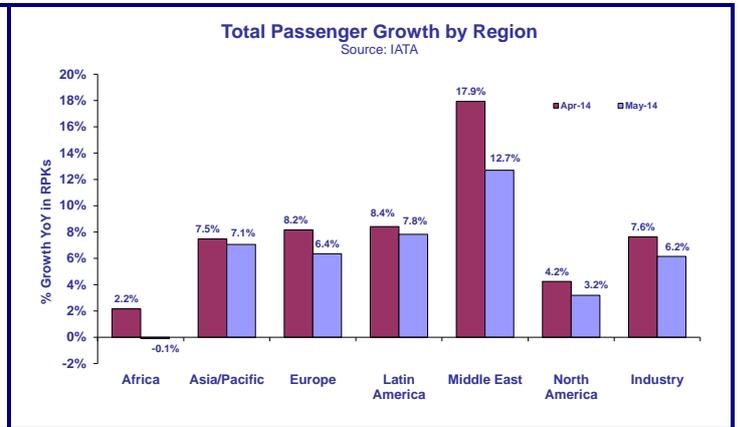
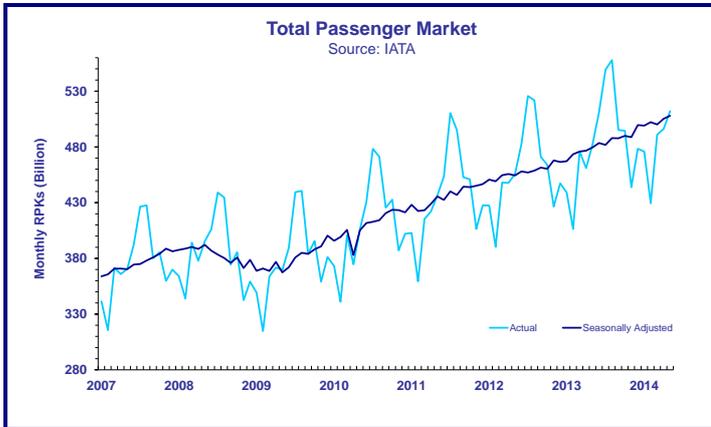
Domestic Market



- Domestic air travel rose 4.6% in May year-on-year, with significant variation in performance continuing across markets. Growth in two of the BRIC nations –China and Russia – was near or above double digits in May, up 9.4% and 13.2%, respectively, with economic growth significant enough in both countries to sustain strong expansion in domestic air travel.
- In India, by contrast, growth was a much slower 4.1% in May. Although there is positive sentiment toward the incoming government, inflation is high and inflation growth has slowed. As a result, consumer confidence and demand remains constrained.
- Growth in the Brazilian air travel market slowed in May, rising 4.9% compared to a year ago. Previous months showed growth in the range of twice the pace of May, potentially reflecting FIFA World Cup-related activity.
- In the US, domestic air travel rose 2.6% in May year-on-year. Indicators continue to show steady increases in consumer confidence as well as rising employment activity. However, with wage rate growth remaining subdued, the benefits for air travel demand could be limited for the time being.
- Growth in Japan's domestic air travel market was 3.7% in May compared to a year ago, slower than the strong trend seen so far this year (5.6%). The introduction of a sales tax increase could erode some of the previous progress made by the government to boost growth and domestic demand. Latest results of JP Morgan/ Markit business survey, however, indicate a small rebound in domestic demand since the introduction of the tax. If this trend continues, growth in domestic air travel could be sustained.
- Air travel growth in Australia was up just 5.2% in May 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.



Total Market (Domestic + International)



ANNEX

Year on Year Comparison	May 2014 vs May 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	1.9%	4.7%	64.4%	1.2%	5.2%	65.6%
Asia/Pacific	7.3%	7.5%	74.1%	6.0%	7.2%	76.2%
Europe	6.1%	5.3%	80.3%	5.8%	5.5%	79.3%
Latin America	9.1%	6.0%	79.6%	5.7%	3.4%	79.3%
Middle East	13.2%	6.9%	78.0%	14.5%	11.7%	79.5%
North America	4.4%	4.8%	83.0%	3.4%	3.9%	80.2%
International	7.0%	6.0%	78.1%	6.5%	6.5%	78.1%
Australia	5.2%	3.2%	74.8%	4.5%	3.6%	75.7%
Brazil	4.9%	-0.9%	78.7%	8.8%	1.6%	79.6%
China P.R.	9.4%	9.8%	79.3%	11.6%	11.5%	80.8%
India	4.1%	5.5%	80.5%	1.6%	7.0%	74.0%
Japan	3.7%	0.6%	62.9%	5.6%	3.0%	63.7%
Russian Federation	13.2%	10.5%	73.8%	13.6%	13.4%	70.3%
US	2.6%	1.5%	86.0%	2.2%	0.6%	84.3%
Domestic	4.6%	3.8%	80.6%	5.6%	4.5%	80.0%
Africa	-0.1%	3.3%	65.2%	0.0%	4.0%	66.6%
Asia/Pacific	7.1%	7.2%	75.3%	7.2%	7.8%	76.8%
Europe	6.4%	5.5%	79.6%	6.2%	5.8%	78.4%
Latin America	7.8%	4.0%	78.8%	7.4%	3.5%	79.1%
Middle East	12.7%	6.6%	78.3%	14.0%	11.3%	79.8%
North America	3.2%	2.6%	84.7%	2.6%	1.8%	82.7%
Total Market	6.2%	5.2%	79.0%	6.2%	5.8%	78.8%

*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	0.6%	0.1%	0.3%	3.0%
Asia/Pacific	0.1%	-0.3%	0.3%	25.6%
Europe	0.6%	0.2%	0.2%	39.8%
Latin America	3.8%	1.9%	1.5%	4.3%
Middle East	0.7%	-0.7%	1.1%	13.0%
North America	0.8%	1.0%	-0.2%	14.3%
International	0.6%	0.1%	0.4%	100.0%
Australia	0.3%	1.0%	-0.7%	3.1%
Brazil	1.7%	1.6%	0.1%	3.9%
China P.R.	1.6%	0.9%	0.6%	20.9%
India	-1.8%	-1.1%	-0.6%	3.1%
Japan	-1.0%	-0.4%	-0.4%	2.9%
Russian Federation	-1.9%	-2.6%	0.5%	3.6%
US	0.2%	-0.5%	0.7%	44.8%
Domestic	0.4%	0.3%	0.1%	100.0%
Africa	0.5%	0.1%	0.2%	2.2%
Asia/Pacific	0.4%	-0.1%	0.4%	29.3%
Europe	0.6%	0.3%	0.2%	28.3%
Latin America	2.3%	0.9%	1.1%	5.2%
Middle East	0.6%	-0.7%	1.1%	8.7%
North America	0.3%	0.7%	-0.3%	26.2%
Total Market	0.5%	0.2%	0.3%	100%

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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3RD July 2014

FURTHER ANALYSIS AND DATA

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

<http://www.iata.org/publications/Pages/monthly-traffic-statistics.aspx>

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