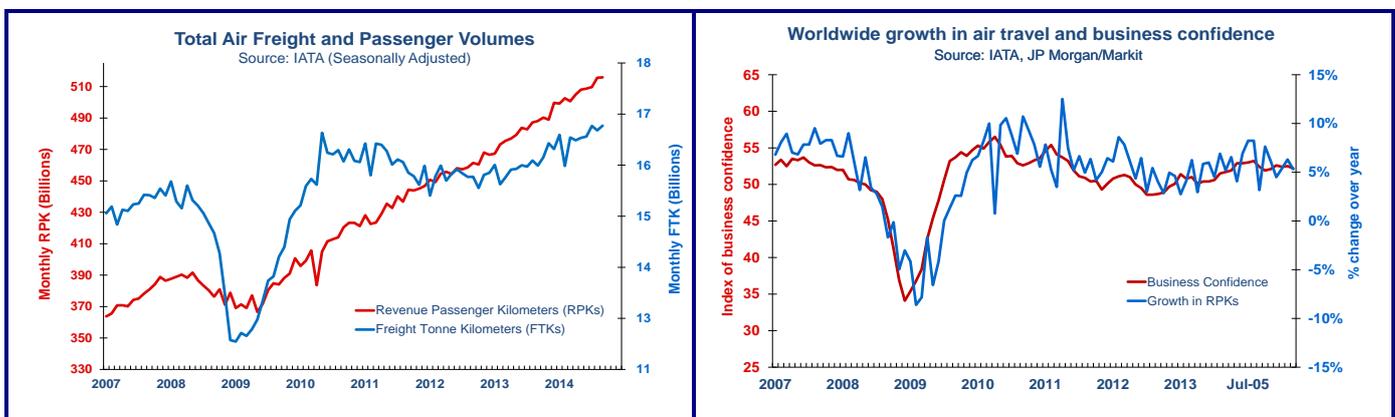


AIR PASSENGER MARKET ANALYSIS

SEPTEMBER 2014

KEY POINTS

- ➔ Air travel volumes were up 5.3% in September year-on-year, slightly slower than the August rise of 6.3%, but a continuation of the positive growth trend in air travel.
- ➔ Toward the end of 2013 there was a solid upturn in the global economic cycle, but that momentum paused during the early months of 2014 with trade and business activity showing some decline. Recent data, however, show that measures of economic activity are looking better in some regions, but that downside risks have emerged in other parts of the world. Trends in air travel volumes, shown in the first chart below, are consistent with these developments.
- ➔ International revenue passenger kilometers were up 5.3% in September compared to a year ago. There was a contraction in volumes compared to August, but that is likely a correction after the strong increase in August. Traffic growth for Asia Pacific carriers was a solid 4.8% in September. Although this is a slower rate of increase than August, the recent trend has been positive and reflects better demand conditions in the region, including stronger trade activity which encourages business travel. By contrast, European airlines recorded growth of 3.9% in September compared to a year ago, which is a notable slowdown on the August rise of 7.0%, and could be the first sign of weakness owing to a lapse in the Eurozone economic recovery. Part of the slowdown, however, could also be due to the impacts of the Air France crew strike during the month of September.
- ➔ Domestic RPKs rose 5.3% in September year-on-year. Domestic RPKs in Russia could be showing the first sign of slowdown as a result of the Russia-Ukraine crisis with a rise of 5.6% in September year-on-year, compared to the August increase of 10.1%. By contrast, there was a huge spike in domestic travel growth in India (26.3%) compared to a year ago, which is the result of fare reductions by local carriers.
- ➔ Industry load factors increased slightly in September compared to August as a result of a strong rise in domestic demand. Domestic load factors are starting to recover some of the ground lost in the first half of 2014. By contrast, international load factors contracted over the month, continuing a broadly flat trend so far this year.
- ➔ The outlook for air travel remains positive on balance, despite the presence of some downside risk. Demand conditions are improving in the US and are relatively better in Asia Pacific compared to earlier in 2014. This should help offset some adverse developments in other parts of the world, including the recent faltering of the Eurozone economic recovery.



Air Passenger Forecast service

The new joint venture between
IATA and Tourism Economics



Including comprehensive forecasts down to a country-pair level

Year on Year Comparison

Month on Month Comparison

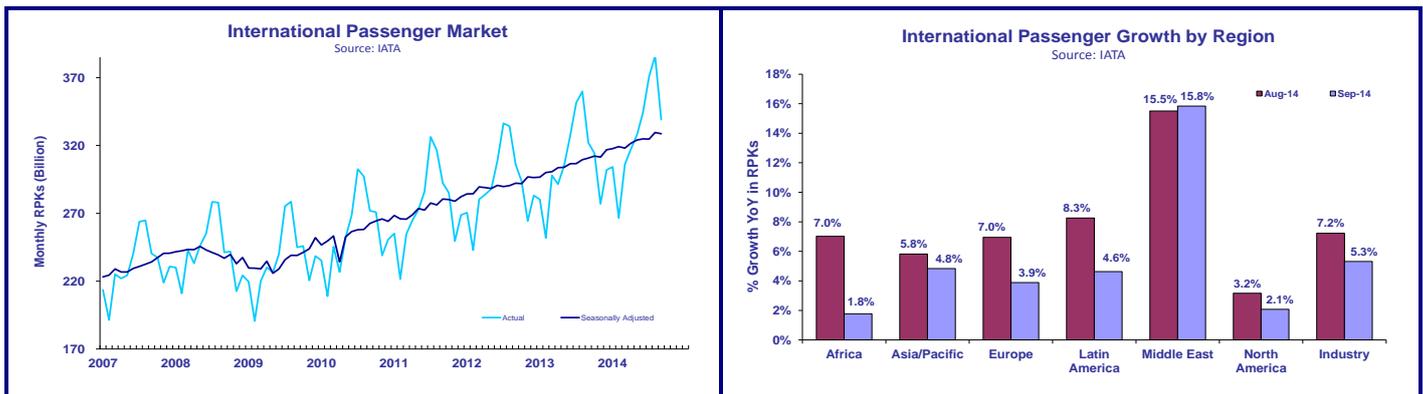
| | Sep 2014 vs. Sep 2013 | | | YTD 2014 vs. YTD 2013 | | | Sep 2014 vs. Aug 2014 | | |
|----------------------|-----------------------|------|-------|-----------------------|------|-------|-----------------------|------|-------|
| | RPK | ASK | PLF | RPK | ASK | PLF | RPK | ASK | PLFpt |
| International | 5.3% | 5.7% | 80.5% | 6.3% | 6.5% | 79.9% | -0.3% | 0.1% | -0.3% |
| Domestic | 5.3% | 4.0% | 80.0% | 5.2% | 4.3% | 81.0% | 0.7% | 0.2% | 0.6% |
| Total Market | 5.3% | 5.1% | 80.3% | 5.9% | 5.7% | 80.3% | 0.1% | 0.1% | 0.1% |

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, PLFpt which are the percentage point difference between LF of two months.

PASSENGER MARKET

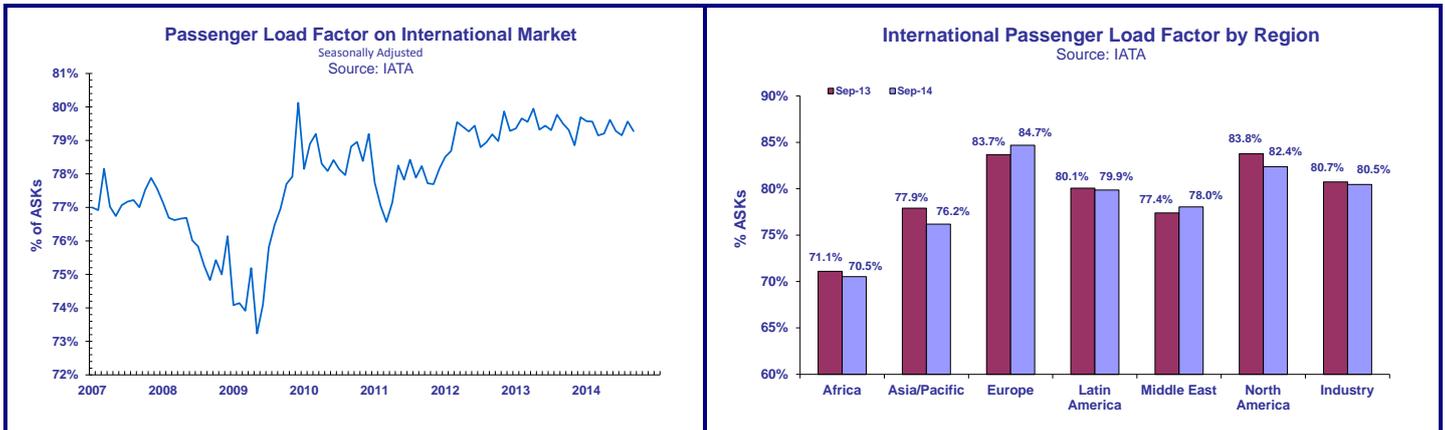
International Markets



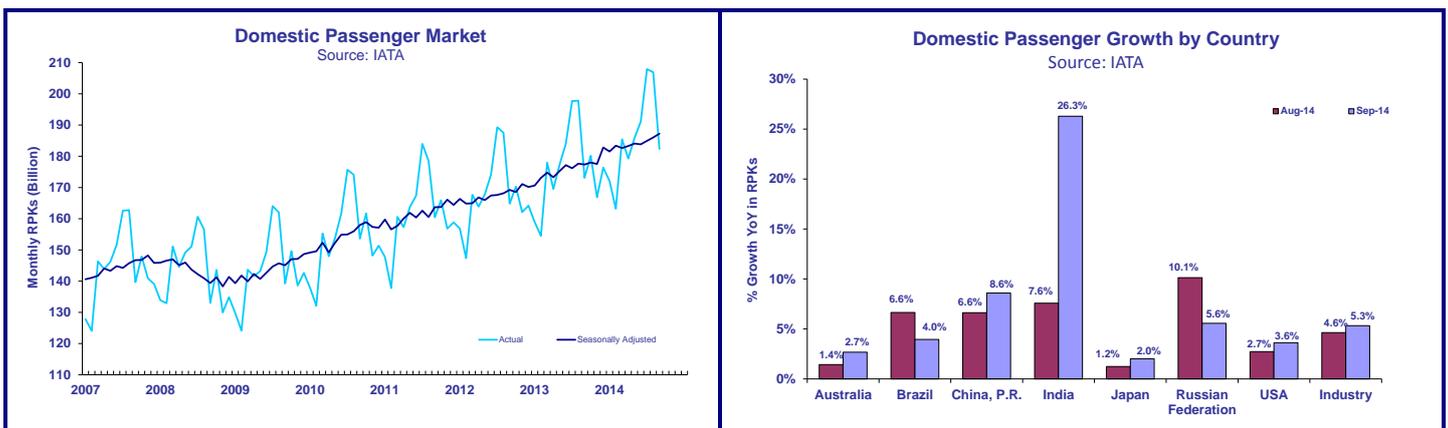
- ➔ International revenue passenger kilometers were up 5.3% in September compared to a year ago. There was a contraction in volumes in September compared to August, but this is likely a correction after the strong increase in August. International load factors contracted over the month, continuing a broadly flat trend so far this year, with capacity expanding slightly despite the fall in volumes.
- ➔ Carriers in the Middle East once again recorded the strongest increases in international air travel, with a rise of 15.8% in September year-on-year. Airlines in the Middle East continue to benefit from the strength of regional economies and solid growth in business-related premium travel. Business confidence in the United Arab Emirates has started to pick-up again after a pause in improvements in early Q2. Export orders have continued to expand very strongly since early 2014, supporting international business activity and related travel.
- ➔ Traffic growth for Asia Pacific carriers was a solid 4.8% in September. Although this is a slower rate of increase than August, the recent trend has been positive and reflects better demand conditions in the region – including stronger trade activity which encourages business travel. Recent improvements have also been supported by stability in the Chinese economy, which picked-up after a slow start to the year, helped by government fiscal stimulus. Latest data, however, suggest that further cooling in the property market has weakened growth momentum in Q4. It is now unclear whether the 7.5% economic growth target for 2014 will be reached.
- ➔ By contrast, European airlines recorded growth of 3.9% in September compared to a year ago, which is a notable slowdown on the August rise of 7.0%, and could be the first sign of weakness due to a lapse in the Eurozone economic recovery. Latest indicators show a weakening in key economies including Germany owing to the Russia-Ukraine crisis and related EU sanctions, as well as a reversal in prior improvements in consumer confidence. These developments have placed downward pressure on the region’s economic recovery and could start to do the same for air travel demand in the months ahead. Part of the slowdown in September, however, could also be due to the impacts of the Air France crew strike which touch place for 14 days during that month.
- ➔ North American airlines experienced a 2.1% increase in international RPKs in September compared to a year ago, one of the slowest rates among regions. However, recent data reveal that underlying growth trends in business activity are positive and growth in trade volumes has accelerated, which bodes well for business-related international travel. North American carriers will likely sustain rates of growth around the trend seen so far this year (3.3%), if not faster, with these positive developments in the demand backdrop.
- ➔ Carriers in Latin America experienced solid growth of 4.6% in September year-on-year, but a notable slowdown on the previous month. Although growth in the Brazilian economy remains fundamentally weak and recent

indicators of growth and business activity are showing signs of further weakness, regional trade volumes have been improving, and that is a good sign for international air travel demand going forward.

- Airlines in Africa experienced a 1.8% rise in international RPKs in September compared to a year ago. There can be significant volatility in volumes for this region, so the deceleration in growth rates (compared to August's strong 7.0% increase) cannot be immediately interpreted as a trend change. The weakness in international air travel for regional carriers so far this year reflects adverse economic developments in some parts of the continent. However, major economy South Africa has managed to avoid entering a recession, and this could help ease some of the downward pressure on air travel for the region's carriers. In addition, the effect of any Ebola-related traffic downturn is mostly restricted to Guinea, Liberia and Sierra Leone, but these markets comprise a very small proportion of overall African traffic.

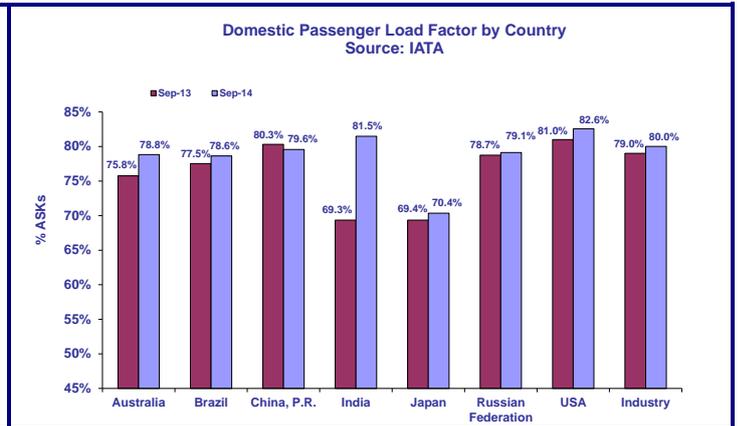
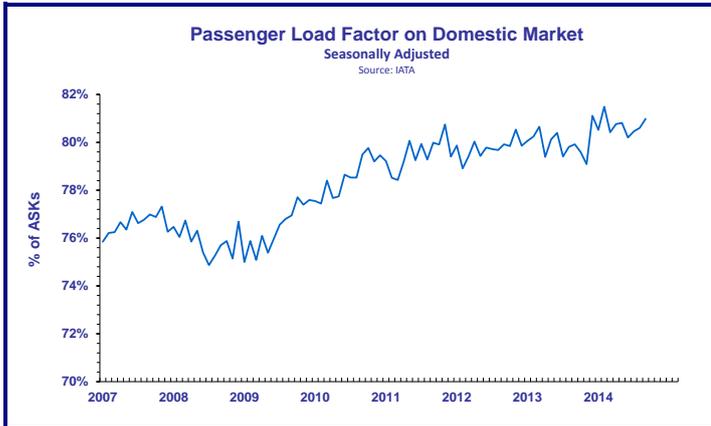


Domestic Market

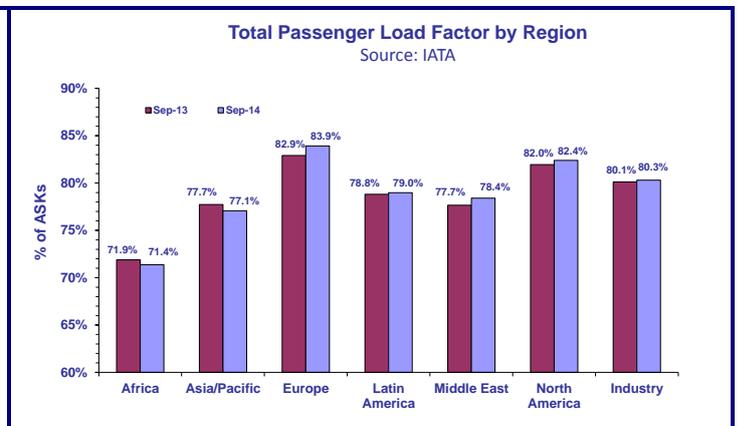
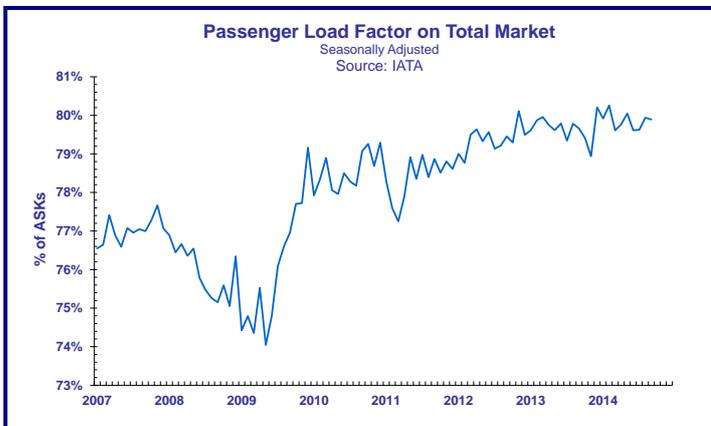
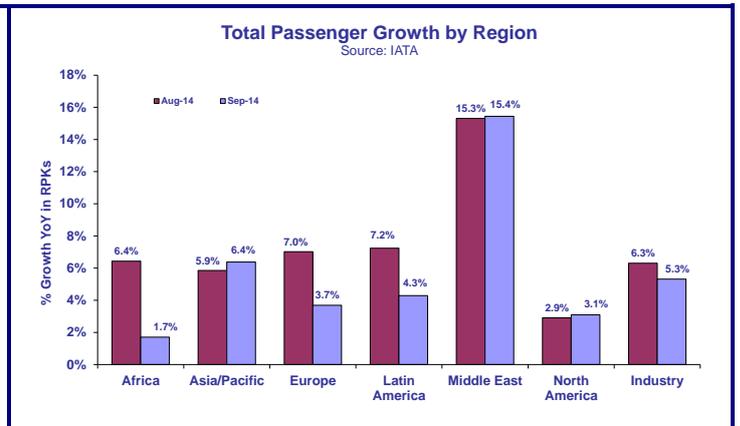
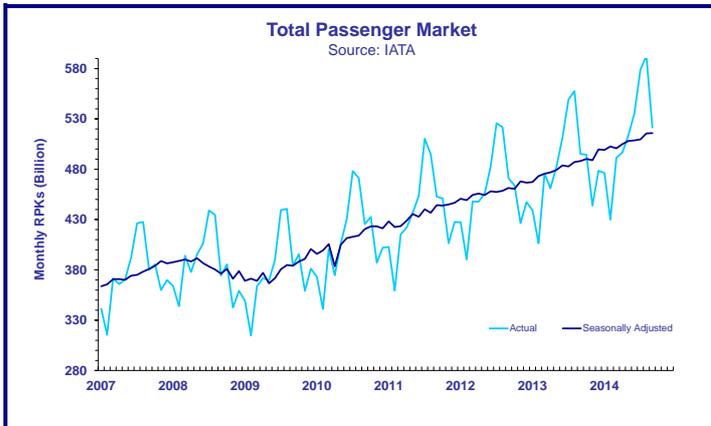


- Domestic RPKs in Russia could be showing the first sign of slowdown as a result of the Russia-Ukraine crisis and ensuing economic slowdown with a rise of 5.6% in September year-on-year, compared to the August increase of 10.1%.
- By contrast, there was a huge spike in domestic travel growth in India (26.3%) compared to a year ago. Prior improvements in growth rates for this market were potentially reflecting revived confidence over the new business-supportive government regime. But the result for September comes as a result of market stimulation by local carriers.
- Chinese RPKs rose at a strong rate of 8.6% in September year-on-year. This is a slight improvement on August growth. Although some indicators like industrial production showed decline in Q3, business activity (services sectors) recorded a strong increase and that bodes well for economic performance in the near-term. Moreover, consensus views are for economic growth to be sustained at 7.5% in 2014.
- Domestic air travel in Brazil slowed in September, rising 4.0% on a year ago, compared to a 6.6% increase in August. So far this year, conditions in the Brazilian economy have been challenging, with inflation continuing to rise and consumer confidence waning. Given that the demand backdrop is weak and a presidential election was looming, it's unlikely that growth will improve notably in the near term.
- In the US, domestic air travel rose by 3.6% in September year-on-year. Data continue to show steady increases in consumer confidence as well as rising employment activity. However, with wage growth remaining subdued, the benefits for air travel demand could be limited for the time being.

- Growth in domestic air travel in Australia remains weak, with a slow 2.7% rise in September compared to a year ago. The economy is rebalancing due to the end of the mining-led boom, and although some sectors have shown signs of stronger growth, the economy remains sluggish. Moreover, consumer sentiment is subdued, likely reflecting concerns over rising unemployment.
- Japan's domestic air travel increased by a slow 2.0% in September compared to a year ago. There has been some weakness in air travel volumes over recent months as the economy adjusts to April's sales tax increase. 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 at rates seen so far this year (4-5%).



Total Market (Domestic + International)



ANNEX

| Year on Year Comparison | Sep 2014 vs Sep 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 | 1.8% | 2.6% | 70.5% | 1.9% | 4.5% | 67.9% |
| Asia/Pacific | 4.8% | 7.2% | 76.2% | 5.8% | 7.2% | 77.2% |
| Europe | 3.9% | 2.6% | 84.7% | 5.8% | 5.4% | 82.2% |
| Latin America | 4.6% | 4.9% | 79.9% | 5.9% | 4.5% | 80.1% |
| Middle East | 15.8% | 14.9% | 78.0% | 13.4% | 11.1% | 79.7% |
| North America | 2.1% | 3.8% | 82.4% | 3.3% | 4.7% | 82.4% |
| International | 5.3% | 5.7% | 80.5% | 6.3% | 6.5% | 79.9% |
| Australia | 2.7% | -1.3% | 78.8% | 2.2% | 2.2% | 76.0% |
| Brazil | 4.0% | 2.5% | 78.6% | 6.0% | 0.5% | 79.6% |
| China P.R. | 8.6% | 9.6% | 79.6% | 10.3% | 11.1% | 80.5% |
| India | 26.3% | 7.5% | 81.5% | 6.2% | 7.4% | 74.8% |
| Japan | 2.0% | 0.6% | 70.4% | 4.3% | 0.8% | 65.7% |
| Russian Federation | 5.6% | 5.1% | 79.1% | 10.5% | 8.6% | 76.9% |
| US | 3.6% | 1.7% | 82.6% | 2.4% | 0.8% | 85.4% |
| Domestic | 5.3% | 4.0% | 80.0% | 5.2% | 4.3% | 81.0% |
| Africa | 1.7% | 2.5% | 71.4% | 1.0% | 3.7% | 68.7% |
| Asia/Pacific | 6.4% | 7.3% | 77.1% | 6.9% | 7.8% | 77.4% |
| Europe | 3.7% | 2.5% | 83.9% | 5.9% | 5.4% | 81.5% |
| Latin America | 4.3% | 4.1% | 79.0% | 6.2% | 3.5% | 79.7% |
| Middle East | 15.4% | 14.3% | 78.4% | 13.0% | 10.8% | 80.0% |
| North America | 3.1% | 2.5% | 82.4% | 2.8% | 2.2% | 84.2% |
| Total Market | 5.3% | 5.1% | 80.3% | 5.9% | 5.7% | 80.3% |

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 | Sep 2014 vs. Aug 2014 | | | Market Share |
|---------------------------|-----------------------|-------------|--------------|---------------|
| | RPK | ASK | PLFpt | RPK |
| Africa | -1.3% | -0.5% | -0.6% | 3.1% |
| Asia/Pacific | -0.5% | 0.3% | -0.7% | 25.6% |
| Europe | -0.4% | -0.8% | 0.3% | 40.5% |
| Latin America | -1.4% | 0.7% | -1.7% | 4.2% |
| Middle East | 0.9% | 1.8% | -0.7% | 13.5% |
| North America | 0.0% | -0.1% | 0.1% | 13.1% |
| International | -0.3% | 0.1% | -0.3% | 100.0% |
| Australia | -0.1% | 0.1% | -0.3% | 3.3% |
| Brazil | -1.2% | -0.1% | -1.1% | 4.1% |
| China P.R. | 1.3% | 0.3% | 0.7% | 22.7% |
| India | 10.3% | 1.0% | 7.3% | 3.1% |
| Japan | 0.1% | 0.0% | 0.1% | 3.4% |
| Russian Federation | -1.0% | 1.0% | -1.4% | 4.4% |
| US | 0.4% | 0.5% | -0.1% | 40.7% |
| Domestic | 0.7% | 0.2% | 0.6% | 100.0% |
| Africa | -1.3% | -0.6% | -0.5% | 2.3% |
| Asia/Pacific | 0.3% | 0.3% | 0.1% | 30.2% |
| Europe | -0.5% | -0.7% | 0.2% | 29.5% |
| Latin America | -0.9% | 0.2% | -0.8% | 5.1% |
| Middle East | 0.8% | 1.7% | -0.7% | 9.2% |
| North America | 0.4% | 0.3% | 0.0% | 23.6% |
| Total Market | 0.1% | 0.1% | 0.1% | 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.

IATA Economics
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4TH November 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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