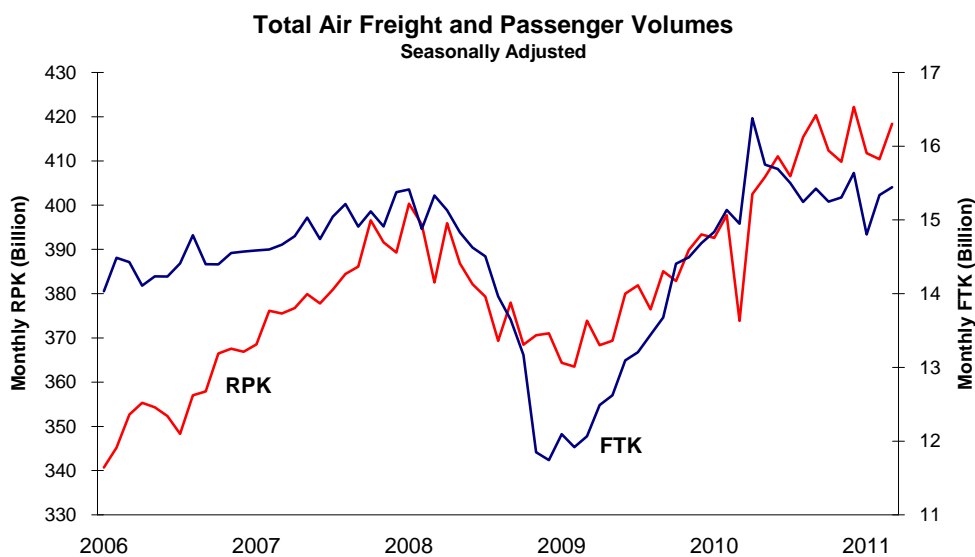


# AIR TRANSPORT MARKET ANALYSIS

## APRIL 2011

### KEY POINTS

- From this month we provide an assessment of global scheduled air transport markets, adding domestic to international, and including both IATA and non-IATA airlines. Detailed tables can be found in the annex;
- There was some rebound in air travel and freight volumes in April, following the demand shocks from Japan and MENA in February and March. However, the comparison with April last year exaggerated the year-on-year improvement because travel volumes were depressed last year by the closure of European airspace due to the volcanic ash cloud. Worldwide air travel growth rose from a depressed 3.2% in March to 11.9% in April. On international markets the rebound was more marked, with an acceleration from 3.7% in March to 16.5% in April;
- Worldwide air freight markets grew by 3.3% in April, up from 1.3% in March. On international air freight markets the improvement was also larger, with volume growth accelerating from 2.8% in March to 5.4% in April. Even with this improvement these growth rates are a substantial deceleration from the market growth seen last year;



- The seasonally-adjusted level of air travel (RPK) shown in the chart indicates that worldwide air travel volumes are now 5% above pre-recession levels, but for the past nine months have shown little further improvement. This is due to weak domestic markets. International air travel markets rebounded to a new high in April, up 7% on their previous peak. Air freight markets (FTK) are now in line with pre-recession peaks, but since May last year the market has lost 6%. Once the impacts of Japan and MENA diminish, robust world trade and business confidence are expected to generate renewed expansion in air travel and freight during the second half.

| Year on Year Comparison | April 2011 vs. April 2010 |       |       |       |       |       | YTD 2011 vs. YTD 2010 |       |       |       |      |       |
|-------------------------|---------------------------|-------|-------|-------|-------|-------|-----------------------|-------|-------|-------|------|-------|
|                         | RPK                       | ASK   | PLF   | FTK   | AFTK  | FLF   | RPK                   | ASK   | PLF   | FTK   | AFTK | FLF   |
| <b>International</b>    | 16.5%                     | 16.8% | 76.7% | 5.4%  | 12.3% | 51.9% | 8.5%                  | 10.8% | 75.0% | 4.3%  | 9.8% | 51.6% |
| <b>Domestic</b>         | 4.7%                      | 3.1%  | 78.8% | -9.3% | -1.0% | 26.8% | 4.0%                  | 2.9%  | 77.2% | -7.6% | 0.4% | 26.5% |
| <b>Total Market</b>     | 11.9%                     | 11.5% | 77.4% | 3.3%  | 9.2%  | 46.5% | 6.8%                  | 7.8%  | 75.8% | 2.7%  | 7.6% | 46.1% |

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

- Passenger capacity grew more slowly than demand and traffic volumes in April. The year-on-year comparisons are distorted because of the capacity grounded last April by the ash cloud. A better indication is given by the month-on-month comparison shown below. Passenger capacity grew by very little in April, compared to March. As a result there was an encouraging rebound in passenger load factors. The April load factor of 77.4% on global passenger markets is a substantial improvement to the situation in March, although the downward trend in utilization since last November is still visible;
- The partial rebound in demand together with the improvement in seat utilization will have helped to ease the squeeze on profits being experienced by many airlines. However, the price of jet kerosene rose \$6 a barrel to just over \$140 a barrel between March and April, which will have contributed to a further decline in volumes on the price-sensitive economy seat segment. Fuel prices have since eased a little but the ability of airlines to maintain profitability in this high cost environment will depend critically on whether traffic demand continues to rebound in the months ahead, as it did in April.

## COMPARING APRIL TO MARCH

### April 2011 vs. March 2011

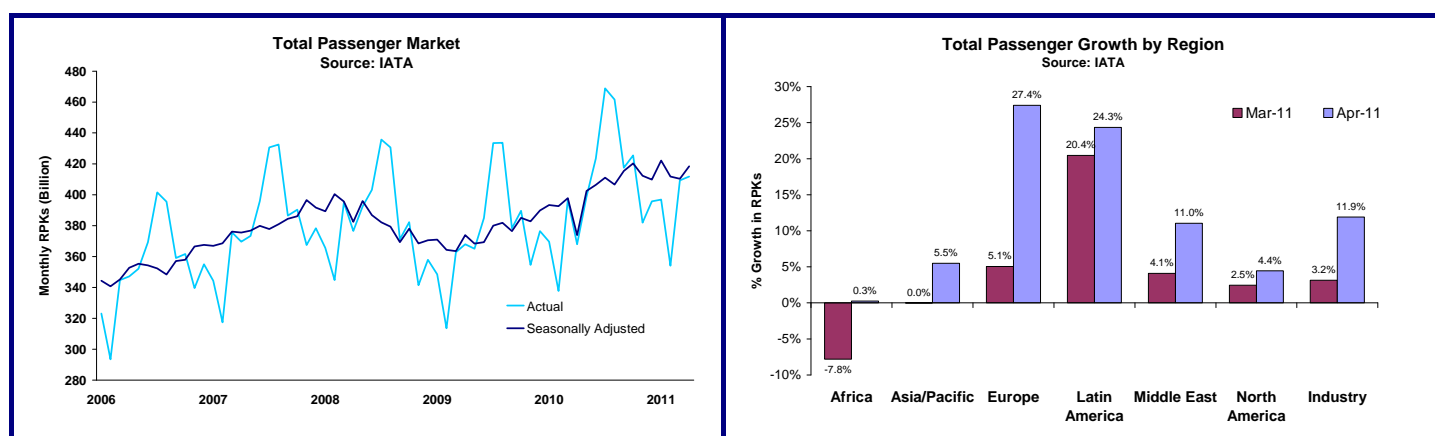
| Month on Month Comparison | RPK         | ASK         | PLF pt      | FTK         | AFTK        | FLF pt      |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| International             | 2.6%        | 0.5%        | 1.6%        | 1.4%        | 0.5%        | 0.4%        |
| Domestic                  | 0.6%        | 0.0%        | 0.5%        | -1.4%       | -0.4%       | -0.3%       |
| <b>Total Market</b>       | <b>2.0%</b> | <b>0.2%</b> | <b>1.3%</b> | <b>0.7%</b> | <b>0.7%</b> | <b>0.0%</b> |

Data are seasonally adjusted.  
All figures are expressed in % change month on month except, PLF pt and FLF pt which are the percentage point difference between load factors of two consecutive months.

- The month-on-month comparison in this table show that passenger markets expanded strongly in April. International markets were also clearly much stronger than domestic, reflecting the strength of international trade and business confidence;
- Capacity grew by much less, since airlines had experienced the downward shock the previous month and were expecting the rebound. Load factors have improved as a result.

## PASSENGER MARKET

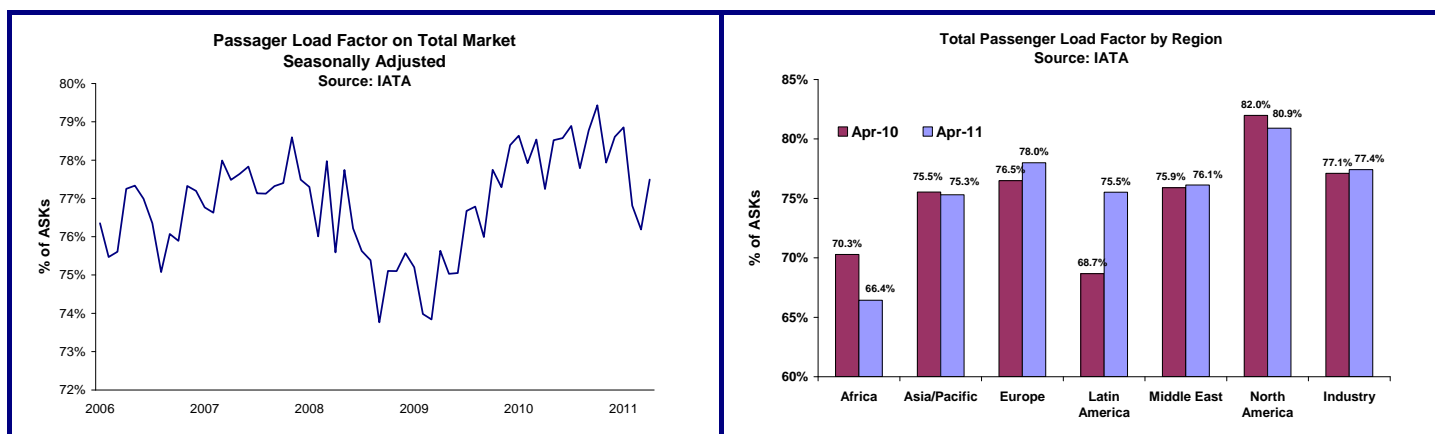
### Total Market (Domestic + International)



- The seasonally-adjusted data in the chart above shows that the trend in global RPKs has been flat for the past nine months. Although air travel volumes are now 5% above pre-recession peaks, the worry is that the post-recession rebound has run out of steam. The last three months have been depressed by the demand shocks of Japan and MENA but the flattening out of the previously strong upward trend began in the latter part of last year. As the analysis below shows this was due to a decline on some domestic markets, rather than international. In fact international air travel markets rebounded to new highs in April.
- The regional split in the chart above shows the adverse impact of the shocks in March, but also some positive growth reflecting the strong economic growth momentum in a number of regions. RPKs flown by African airlines are barely higher than a year ago, as the situation in Egypt and Tunisia keeps the number of flights down by around a quarter. There was a significant improvement between March and April but only half of the 18% loss of

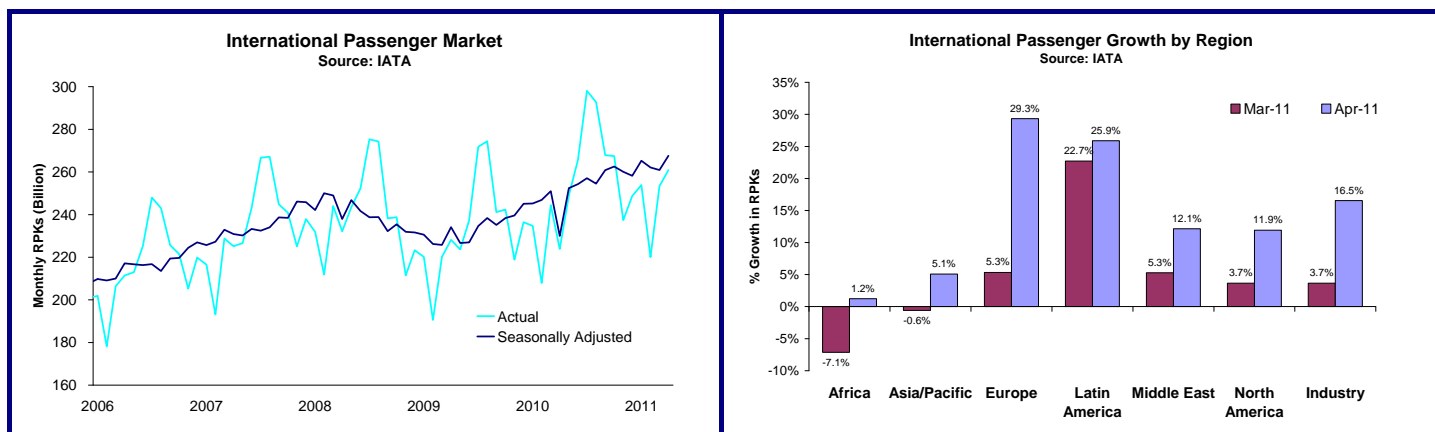
traffic volumes in February has been restored for these airlines. Asia-Pacific airlines saw a modest improvement during April but the impact of stronger growth in emerging markets, such as India, was held back by a further decline in the Japanese domestic market.

- The biggest contrast to this weakness was provided by a 27.4% surge in the traffic carried by European airlines in April, compared to the same month last year. However, a look at the table in the annex shows a rise of 2.4% between March and April. This was a good performance but the dramatic acceleration from 5.1% growth in March to 27.4% in April was due to comparison with the collapse last April, as the ash cloud closed European airspace. Latin American and the Middle Eastern airlines also showed double-figure growth in the RPKs they carried in April. Some temporary boost was provided by the effect of the late Easter and some other factors. However, a large part of this regional growth is driven by strong economies and, in the case of the Middle Eastern airlines, further growth in market share.



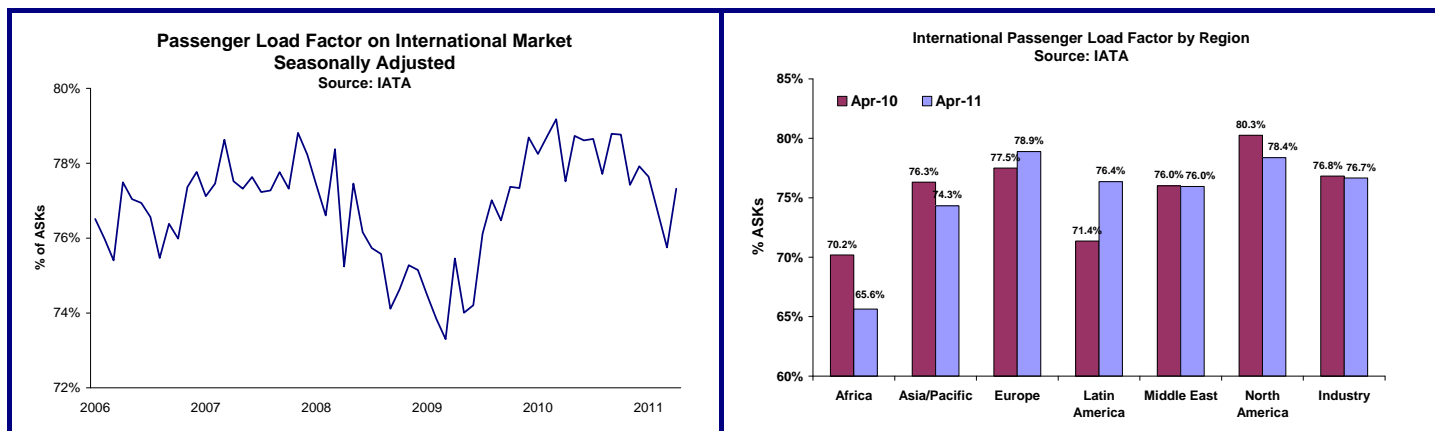
- On the capacity side of passenger markets the expansion was at a slower pace than rebounding traffic volumes. The 11.5% rise in global ASKs compared to last April was also distorted by the grounding of capacity during the volcanic ash event last April, but even so this increase was less than the 11.9% rise in traffic. As a result load factors improved. The seasonally adjusted load factor in the chart above had shown a worryingly sharp fall in February and March. A significant rebound in April has retraced part of that loss. The downward trend in seat utilization evident since Q4 of last year remains, but it is not as bad as in February and March. This will be positive for unit revenues in the second quarter, compared to the first quarter.

### International Market



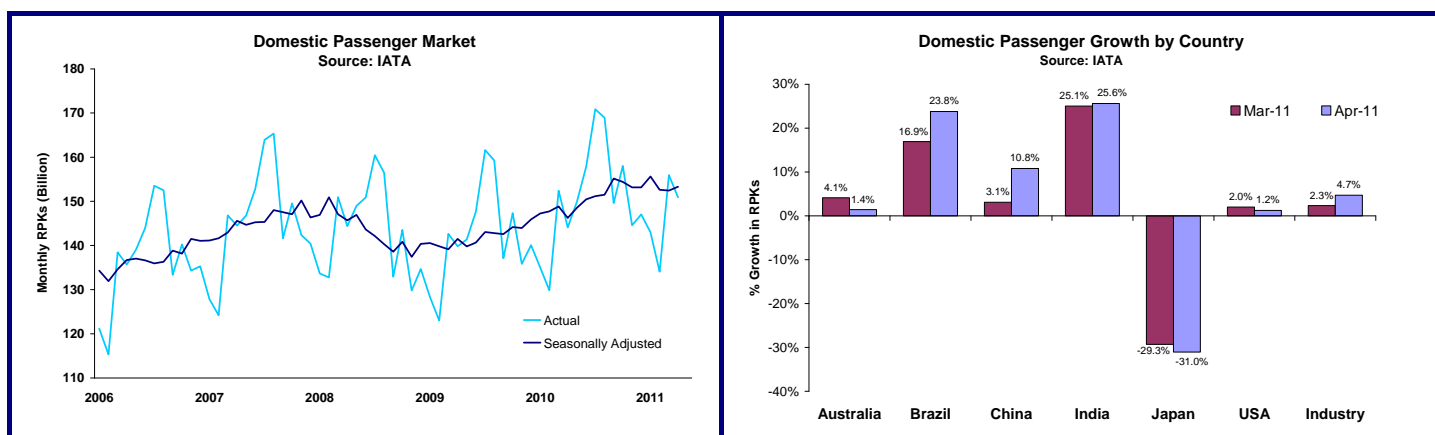
- International air travel markets have been more robust than domestic markets in the past six to nine months and rose strongly in April. There was a seasonally-adjusted 2.6% increase in international RPKs between March and April, which took the market to a new high, 7% above the pre-recession high of early 2008. Despite the recent demand shocks international air travel is still growing at an annualized pace of around 3-4%, after stripping out the major distortions to the data. The most notable difference in regional performance on international markets as compared with the system-wide data above is that North American airlines are seeing a

much stronger expansion in the traffic they are carrying on international markets. System-wide the RPKs they carried in April were up just 4.4%, compared to a 11.9% expansion on international markets.



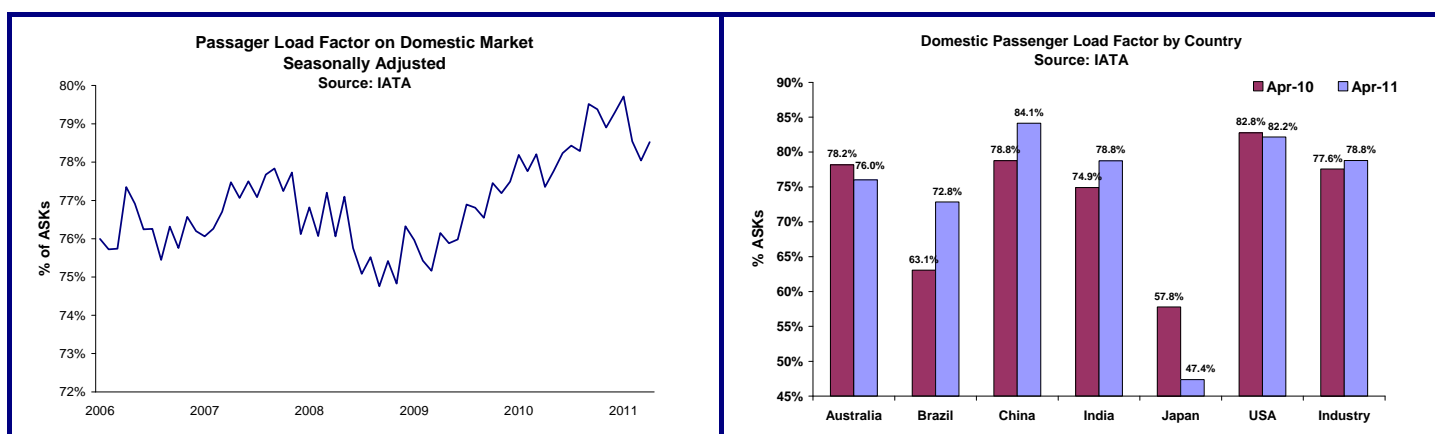
- Utilization of seats improved significantly in April. Passenger load factors have been trending down since mid-2010, as capacity growth began to outstrip demand, and then fell sharply in February and March due to the adverse demand shocks. Half of that decline has been regained on international markets. Load factors are still 2% points down on levels of utilization in mid-2010, when profits growth was strongest, but nonetheless the situation at the start of the second quarter is better than the first.

### Domestic Market



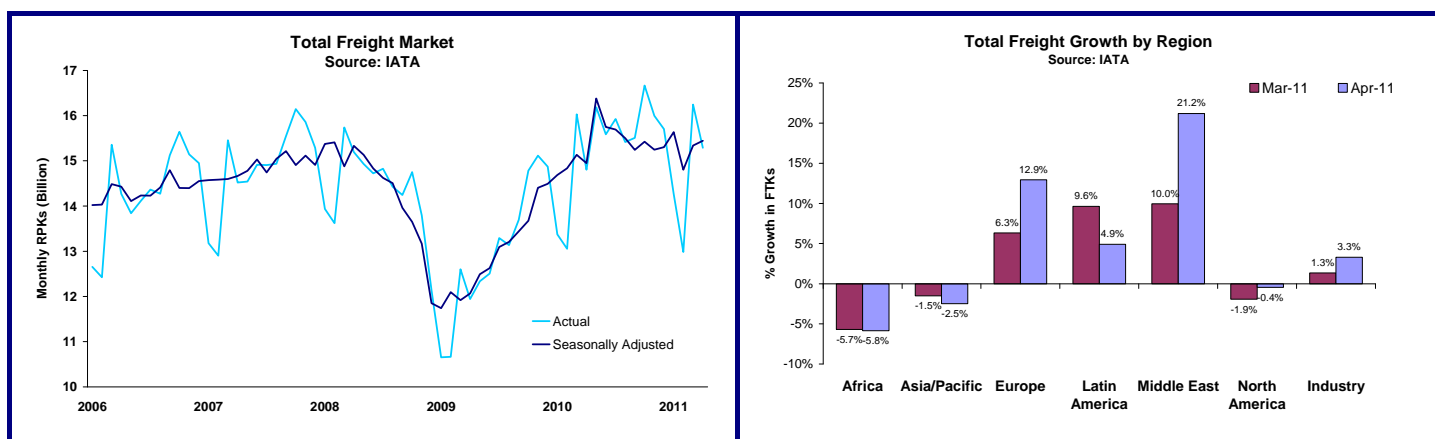
- Domestic markets have been the weakest segment of air travel over the past nine months. Over this period growth has stagnated. Travel distances are shorter than on international markets but even so domestic RPKs still account for almost 40% of the total market. The performance of domestic markets is particularly important for North American airlines, where it accounts for 67% of their business. At the other end of the spectrum are the Middle Eastern airlines where it represents just 5% of the RPKs they carry. Domestic markets are also important for Latin American (47%) and Asia-Pacific airlines (41%), due to the size of Brazil, China, Indian and Australian domestic markets. Domestic business is less important for airlines in Europe and in Africa where it represents just over 10% of the passenger traffic they carry.
- The weakness of the Japanese domestic market is the most striking domestic market development. The impact of the March 11 earthquake and tsunami has been to cut passenger travel within the country by 31% in April. Reconstruction should start boosting economic activity in the country during the second half of the year, but it is not clear how rapidly domestic air travel in Japan will recover. In fact the Japanese domestic market is small compared to the USA, which represents almost half of global domestic air travel. The sluggishness of this very mature market is the principle reason for slow domestic travel growth in total. The decline in this more price-sensitive market in the past six months also suggests that the surge in jet fuel costs is also having a damaging effect.

- Among the emerging markets India stands out with very strong growth of 25.6% in April. In the past 5 years the Indian domestic air travel market has tripled, compared to a doubling of the Chinese and the Brazilian domestic markets, and compared to a shrinkage of domestic air travel in both the US and Japan. Brazil is also booming with growth of 23.8% in April. By contrast growth in the Chinese domestic market has slowed over the past nine months, partly as a result of tighter economic policies. However, China remains the second largest domestic air travel market by a large margin.
- The severity of the situation in Japan is evident by the exceptionally low load factors for airlines on the domestic market. These fell to just over 47% in April, compared to an average of 60-65% in more normal times, which will be damaging to profitability. Another notable development was the improvement in seat utilization on the Brazilian domestic market, which should help improve unit revenues for these airlines.



## FREIGHT MARKET

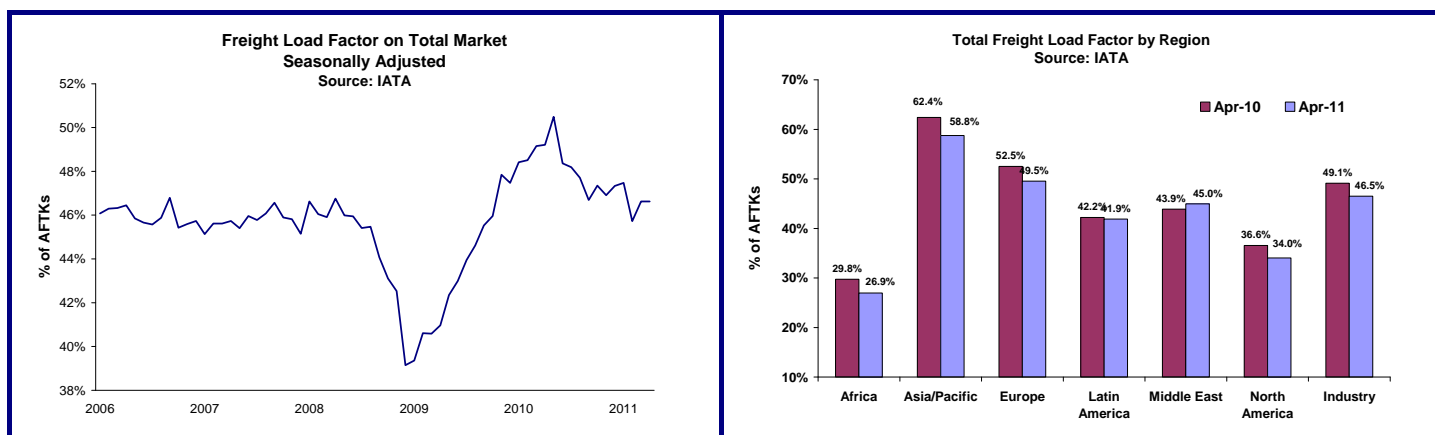
### Total Market



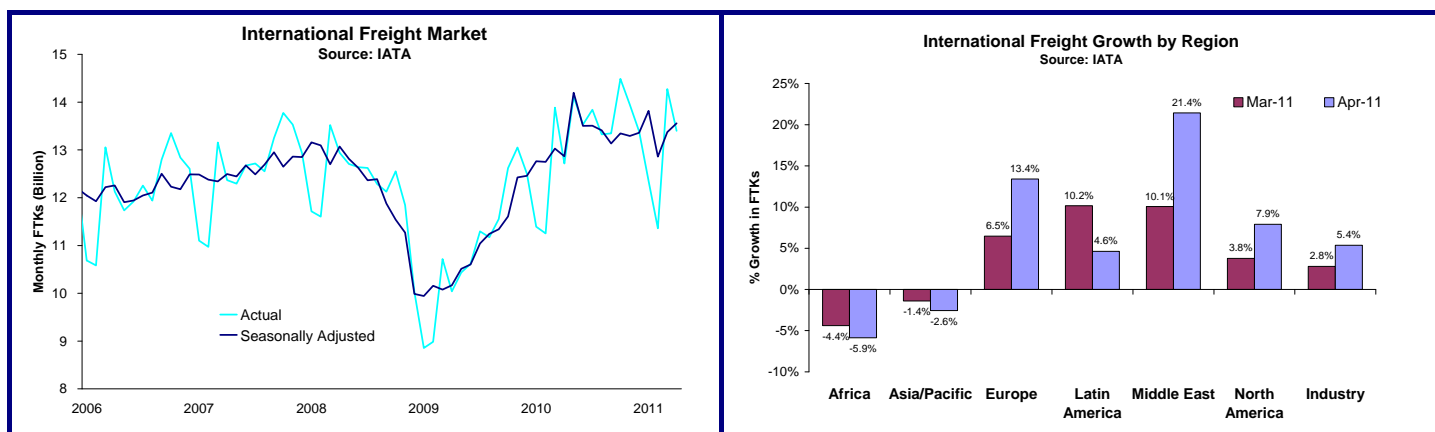
- World trade has been expanding strongly in recent months, at close to a 10% annual rate, but with little apparent benefit for air freight. Ocean transportation has seen the most recent benefits. This followed a very strong post-recession rebound in air freight when the need for businesses to restock led them to use air freight for this time sensitive inventory rebuild. That air freight expansion peaked just after the ash cloud closed much of Europe's airspace last April. Since then the size of the air freight market has shrunk by 6%.
- However, there were signs in April that air freight may be starting to benefit from the trade flows associated with the recent rise in business spending on capital goods and strong consumer spending in the emerging economies. The month-to-month comparison table in the annex shows that African and Asia-Pacific airlines saw little growth in April, which is as expected. The impact of events in Japan has been particularly important for air freight since manufacturers in Japan supply a disproportionate amount of the electronics and autos supply chain. However, there was a small improvement suggesting that these supply disruptions affecting air freight

may be starting to ease. European airlines are now benefitting from the improvement in international trade and air freight that is supporting economic growth in some of the core European economies.

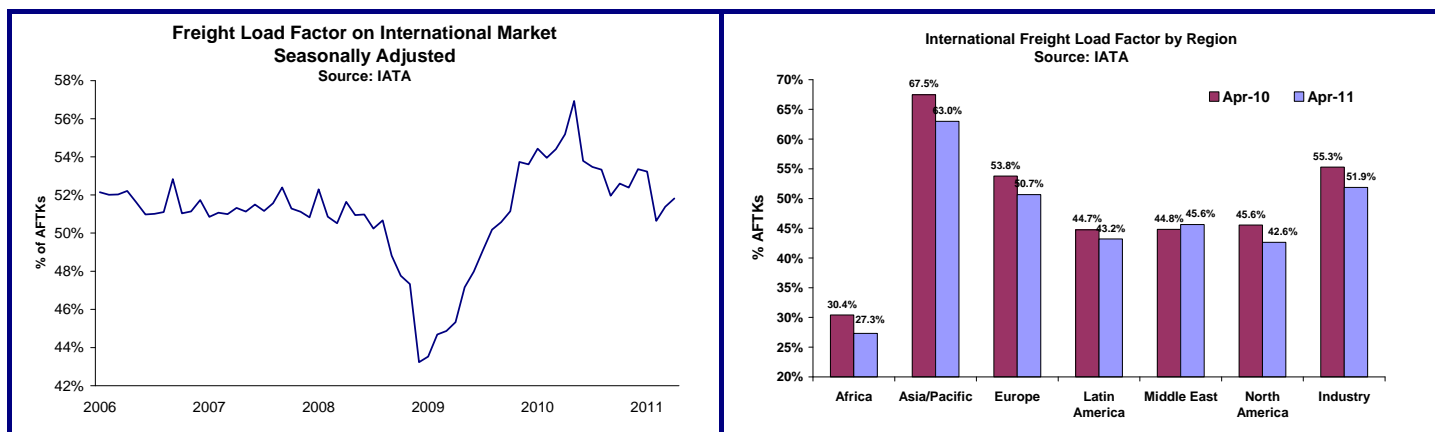
- Capacity on air freight markets is continuing to expand at a faster rate than demand. Seasonally-adjusted load factors peaked last May at just over 50%, but have since lost 4% points. This downward trend will be undermining unit revenues and partially reversing the strong boost to cargo profitability seen in early 2010.



### International Market



- Whereas domestic markets are very sizeable for many regions in the passenger business, this is not the case for air freight which represents just over 12% of total FTKs flow. As a result the picture for international freight markets is similar to the system-wide situation. International air freight markets grew by 5.4% in April. Load factors are generally higher on international markets and, in April, the market average was 51.9%. However, the trend in freight load factors has been down, which will be undermining profitability on international markets in this high fuel cost environment.



## ANNEX

| Year on Year Comparison | April 2011 vs. April 2010 |              |              |              |              |              | YTD 2011 vs. YTD 2010 |              |              |              |             |              |
|-------------------------|---------------------------|--------------|--------------|--------------|--------------|--------------|-----------------------|--------------|--------------|--------------|-------------|--------------|
|                         | RPK                       | ASK          | PLF          | FTK          | AFTK         | FLF          | RPK                   | ASK          | PLF          | FTK          | AFTK        | FLF          |
| Africa                  | 1.2%                      | 8.3%         | 65.6%        | -5.9%        | 4.7%         | 27.3%        | -1.0%                 | 5.1%         | 64.1%        | -0.4%        | 3.6%        | 27.4%        |
| Asia/Pacific            | 5.1%                      | 7.9%         | 74.3%        | -2.6%        | 4.4%         | 63.0%        | 3.5%                  | 7.0%         | 75.4%        | -1.1%        | 5.5%        | 62.1%        |
| Europe                  | 29.3%                     | 27.1%        | 78.9%        | 13.4%        | 20.4%        | 50.7%        | 12.4%                 | 13.6%        | 75.3%        | 8.8%         | 12.1%       | 51.2%        |
| Latin America           | 25.9%                     | 17.6%        | 76.4%        | 4.6%         | 8.3%         | 43.2%        | 17.5%                 | 14.7%        | 77.4%        | 9.6%         | 6.0%        | 42.5%        |
| Middle East             | 12.1%                     | 12.2%        | 76.0%        | 21.4%        | 19.3%        | 45.6%        | 9.3%                  | 10.8%        | 74.4%        | 12.3%        | 15.5%       | 45.0%        |
| North America           | 11.9%                     | 14.6%        | 78.4%        | 7.9%         | 15.3%        | 42.6%        | 7.9%                  | 11.7%        | 76.2%        | 7.2%         | 13.2%       | 42.1%        |
| <b>International</b>    | <b>16.5%</b>              | <b>16.8%</b> | <b>76.7%</b> | <b>5.4%</b>  | <b>12.3%</b> | <b>51.9%</b> | <b>8.5%</b>           | <b>10.8%</b> | <b>75.0%</b> | <b>4.3%</b>  | <b>9.8%</b> | <b>51.6%</b> |
| Australia               | 1.4%                      | 4.3%         | 76.0%        |              |              |              | 4.0%                  | 7.3%         | 76.7%        |              |             |              |
| Brazil                  | 23.8%                     | 7.2%         | 72.8%        |              |              |              | 13.9%                 | 7.2%         | 72.3%        |              |             |              |
| China                   | 10.8%                     | 3.7%         | 84.1%        |              |              |              | 7.8%                  | 3.0%         | 81.6%        |              |             |              |
| India                   | 25.6%                     | 19.5%        | 78.8%        |              |              |              | 23.2%                 | 18.2%        | 76.9%        |              |             |              |
| Japan                   | -31.0%                    | -15.9%       | 47.4%        |              |              |              | -18.7%                | -9.6%        | 55.4%        |              |             |              |
| US                      | 1.2%                      | 2.0%         | 82.2%        |              |              |              | 2.2%                  | 2.0%         | 80.1%        |              |             |              |
| <b>Domestic</b>         | <b>4.7%</b>               | <b>3.1%</b>  | <b>78.8%</b> | <b>-9.3%</b> | <b>-1.0%</b> | <b>26.8%</b> | <b>4.0%</b>           | <b>2.9%</b>  | <b>77.2%</b> | <b>-7.6%</b> | <b>0.4%</b> | <b>26.5%</b> |
| Africa                  | 0.3%                      | 6.1%         | 66.4%        | -5.8%        | 4.0%         | 26.9%        | -1.9%                 | 2.9%         | 65.1%        | -1.5%        | 2.6%        | 26.9%        |
| Asia/Pacific            | 5.5%                      | 5.8%         | 75.3%        | -2.5%        | 3.5%         | 58.8%        | 4.2%                  | 5.6%         | 75.7%        | -1.3%        | 4.6%        | 57.5%        |
| Europe                  | 27.4%                     | 24.9%        | 78.0%        | 12.9%        | 19.7%        | 49.5%        | 11.5%                 | 12.6%        | 74.4%        | 8.5%         | 11.7%       | 50.1%        |
| Latin America           | 24.3%                     | 13.0%        | 75.5%        | 4.9%         | 5.6%         | 41.9%        | 16.3%                 | 11.9%        | 76.0%        | 9.8%         | 5.3%        | 40.4%        |
| Middle East             | 11.0%                     | 10.7%        | 76.1%        | 21.2%        | 18.3%        | 45.0%        | 8.1%                  | 9.5%         | 74.5%        | 12.2%        | 14.8%       | 44.3%        |
| North America           | 4.4%                      | 5.8%         | 80.9%        | -0.4%        | 7.0%         | 34.0%        | 3.9%                  | 5.0%         | 78.8%        | 0.3%         | 6.7%        | 33.8%        |
| <b>Total Market</b>     | <b>11.9%</b>              | <b>11.5%</b> | <b>77.4%</b> | <b>3.3%</b>  | <b>9.2%</b>  | <b>46.5%</b> | <b>6.8%</b>           | <b>7.8%</b>  | <b>75.8%</b> | <b>2.7%</b>  | <b>7.6%</b> | <b>46.1%</b> |

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

| Month on Month Comparison | April 2011 vs. March 2011 |             |             |              |              |              | Market Share  |               |
|---------------------------|---------------------------|-------------|-------------|--------------|--------------|--------------|---------------|---------------|
|                           | RPK                       | ASK         | PLF         | FTK          | AFTK         | FLF          | RPK           | FTK           |
| Africa                    | 6.5%                      | 4.8%        | 0.9%        | -0.9%        | 6.6%         | -2.0%        | 3.1%          | 1.2%          |
| Asia/Pacific              | 0.9%                      | -1.1%       | 1.5%        | 0.3%         | -0.5%        | 0.5%         | 25.9%         | 42.6%         |
| Europe                    | 2.4%                      | 1.0%        | 1.0%        | 1.7%         | 0.4%         | 0.6%         | 40.5%         | 25.1%         |
| Latin America             | 3.4%                      | 2.3%        | 0.9%        | 1.7%         | 0.2%         | 0.7%         | 4.6%          | 3.2%          |
| Middle East               | 2.3%                      | 1.0%        | 1.0%        | 3.0%         | 1.4%         | 0.7%         | 11.1%         | 11.0%         |
| North America             | 5.0%                      | 0.0%        | 3.9%        | 2.6%         | 1.4%         | 0.5%         | 14.8%         | 16.9%         |
| <b>International</b>      | <b>2.6%</b>               | <b>0.5%</b> | <b>1.6%</b> | <b>1.4%</b>  | <b>0.5%</b>  | <b>0.4%</b>  | <b>100.0%</b> | <b>100.0%</b> |
| Australia                 | -1.5%                     | 0.3%        | -1.3%       |              |              |              | 3.3%          |               |
| Brazil                    | 0.4%                      | 0.0%        | 0.3%        |              |              |              | 3.7%          |               |
| China                     | 3.2%                      | 1.8%        | 1.1%        |              |              |              | 18.7%         |               |
| India                     | 5.7%                      | 2.0%        | 2.8%        |              |              |              | 3.4%          |               |
| Japan                     | -2.2%                     | -7.9%       | 3.0%        |              |              |              | 2.1%          |               |
| US                        | -1.2%                     | -0.5%       | -0.5%       |              |              |              | 49.3%         |               |
| <b>Domestic</b>           | <b>0.6%</b>               | <b>0.0%</b> | <b>0.5%</b> | <b>-1.4%</b> | <b>-0.4%</b> | <b>-0.3%</b> | <b>100.0%</b> |               |
| Africa                    | 6.3%                      | 5.3%        | 0.6%        | -0.4%        | 6.5%         | -1.8%        | 2.3%          | 1.1%          |
| Asia/Pacific              | 1.5%                      | -0.5%       | 1.4%        | 0.3%         | -0.3%        | 0.4%         | 27.9%         | 40.8%         |
| Europe                    | 2.8%                      | 0.9%        | 1.5%        | 1.6%         | 1.2%         | 0.2%         | 28.7%         | 22.3%         |
| Latin America             | 2.3%                      | 1.1%        | 0.9%        | 1.5%         | 0.1%         | 0.6%         | 5.5%          | 3.1%          |
| Middle East               | 2.4%                      | 0.9%        | 1.1%        | 2.9%         | 1.1%         | 0.8%         | 7.4%          | 9.7%          |
| North America             | 0.3%                      | 0.1%        | 0.1%        | 0.2%         | 0.0%         | 0.1%         | 28.2%         | 23.0%         |
| <b>Total Market</b>       | <b>2.0%</b>               | <b>0.2%</b> | <b>1.3%</b> | <b>0.7%</b>  | <b>0.7%</b>  | <b>0.0%</b>  | <b>100.0%</b> | <b>100.0%</b> |

Data are seasonally adjusted.

All figures are expressed in % change month on month except, PLF pt and FLF pt which are the percentage point difference between load factors of two consecutive months.

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2 June 2011



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