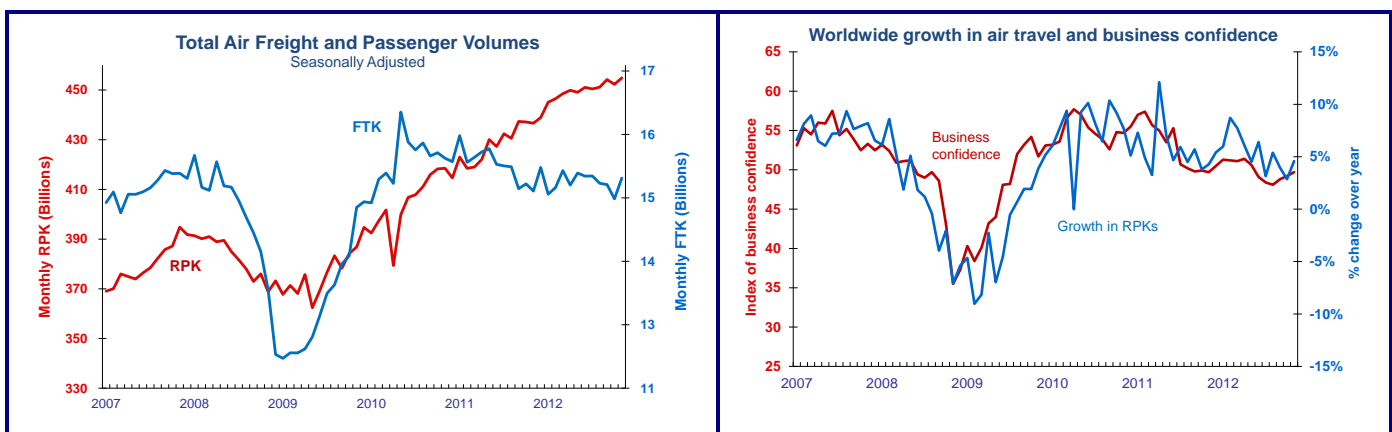


AIR TRANSPORT MARKET ANALYSIS

NOVEMBER 2012

KEY POINTS

- Global air travel continues to increase, with passenger demand 4.6% higher in November compared to a year ago, up on the October result of 2.9%. But the rate of growth has slowed over the year with current levels just 2% higher than the start of 2012. Air freight demand showed improvement in November, up 1.6% on a year ago after being down 2.6% in October.
- These year-on-year growth rates are slightly inflated because major floods in Thailand had negatively affected air transport in November 2011. But the positive results are not misleading; there has been an increase in air transport demand in November compared to October. In fact, the seasonally adjusted air freight volumes have risen back to the stable levels seen in mid-2012, after having shown decline over recent months.
- Part of the improvement in global FTK levels in November compared to October is likely reflecting a shift in consumer behavior and an improvement in consumer confidence in the US. The year-end seasonal peak has received a boost from an increasing trend in online shopping, which depends on air cargo for delivery. Moreover, almost half of the rise in air freight volumes between November and October has been carried by Asia-Pacific airlines, as exports from the region to the US increase. Better economic fundamentals in the US have seen consumers become notably more confident over recent months, and that appears to be translating to greater demand for air freighted consumer goods. But it is important to note, despite the improvement this month, air freight has been weak throughout 2012 year with global FTKs down 1.6% year-to-date.
- International passenger travel was up 5.6% in November compared to a year ago, with airlines in emerging regions recording the strongest growth rates. Latin American and Middle Eastern airlines saw international passenger travel increase by 11.0% and 10.5% respectively, with carriers in both regions responding to robust demand by increasing capacity. By contrast, tight capacity management by US airlines has contained demand growth, producing the smallest rise among regions in international travel in November.
- All domestic passenger markets showed improvement on a year ago except for India. Air travel in China continues to expand strongly, with November demand 7.7% higher than a year ago. In India, weakening economic conditions and reduced available capacity continue to dampen domestic air travel, with the market 6.5% down in November compared to a year ago. The seasonally adjusted levels, however, show an expansion of 3.2% in November compared to October. This is the second month of increase, after a period of continued decline since late 2011. It is not yet clear if this is a positive turning point, since the fundamentals do not support the change, so the next months will be telling as to the direction the market is moving.
- Business confidence improved again in November, reaching levels which indicate stability in the business environment in the months ahead. This could provide support to air freight demand in the coming months, beyond the current boost associated mostly with the holiday season. However, global economic growth remains weak and that will likely keep the demand environment for air transport fragile in the months to come. On the positive side, airlines are keeping load factors high by limiting capacity growth, which should help financial performance.



Year on Year Comparison	November 2012 vs. November 2011						YTD 2012 vs. YTD 2011					
	RPK	ASK	PLF	FTK	AFTK	FLF	RPK	ASK	PLF	FTK	AFTK	FLF
International	5.6%	3.1%	76.3%	1.4%	0.1%	52.3%	6.0%	4.1%	79.0%	-2.1%	1.0%	49.2%
Domestic	3.0%	3.3%	79.1%	2.7%	-0.2%	30.7%	4.1%	3.8%	79.6%	1.3%	-1.3%	29.1%
Total Market	4.6%	3.2%	77.3%	1.6%	0.0%	47.7%	5.3%	4.0%	79.2%	-1.6%	0.5%	44.9%

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

COMPARING NOVEMBER TO OCTOBER

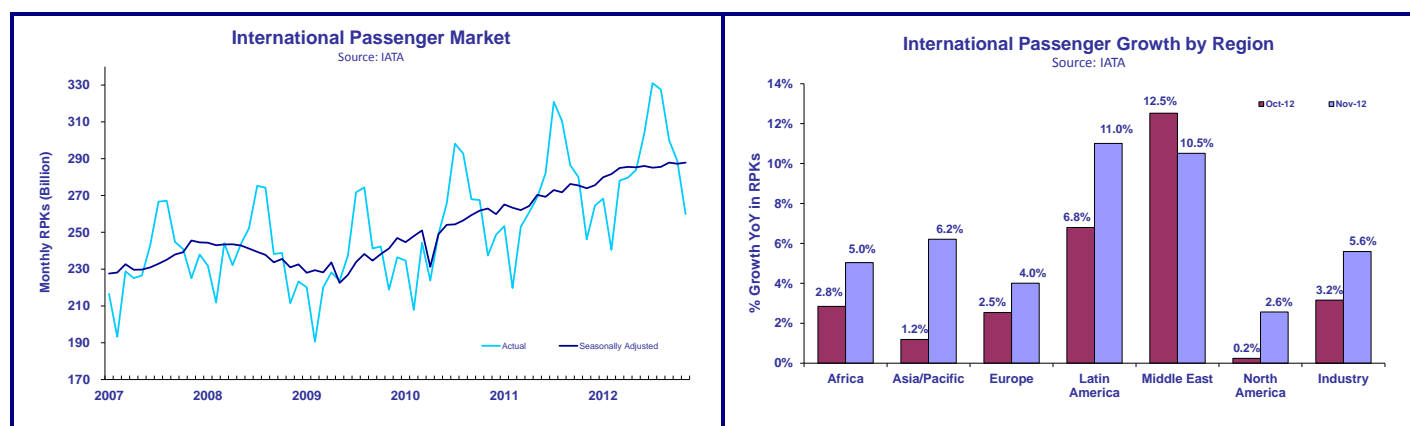
Month on Month Comparison	November 2012 vs. October 2012					
	RPK	ASK	PLF pt	FTK	AFTK	FLF pt
International	0.2%	0.0%	0.2%	2.4%	0.6%	1.8%
Domestic	1.2%	0.9%	0.2%	2.9%	0.1%	0.9%
Total Market	0.6%	0.3%	0.2%	2.4%	0.5%	0.9%

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.

- Seasonally adjusted data shows that the level of global RPKs expanded 0.6% in November compared to October, with capacity increasing by half that rate. As a result, load factors improved 0.2pt month-on-month.
- Freight markets rebounded significantly in November compared to October, expanding 2.4%. Airlines increased capacity 0.5%, driving a 0.9pt improvement in freight load factors over the month.

PASSENGER MARKET

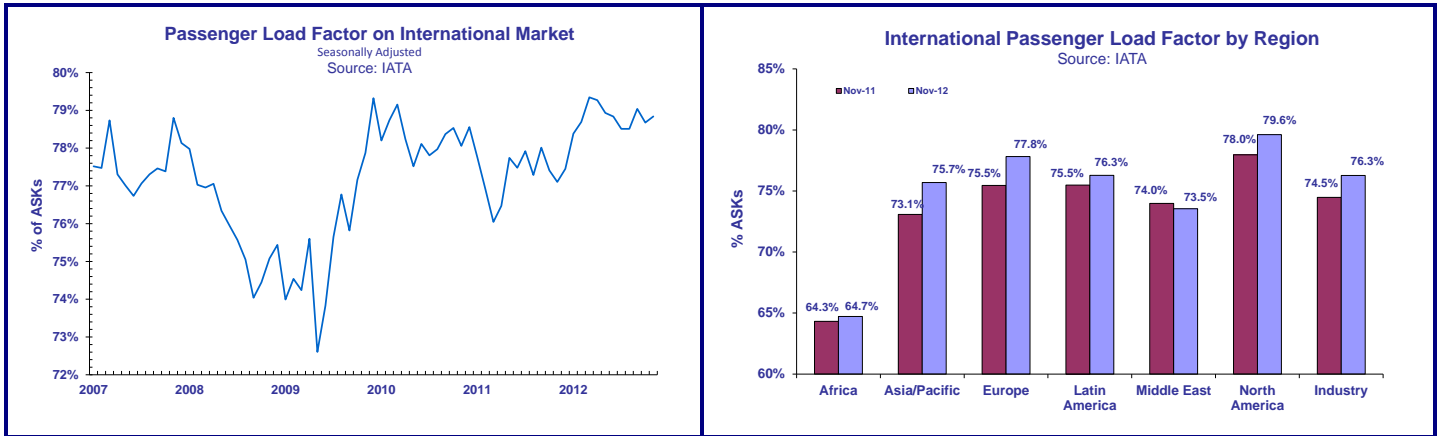
International Markets



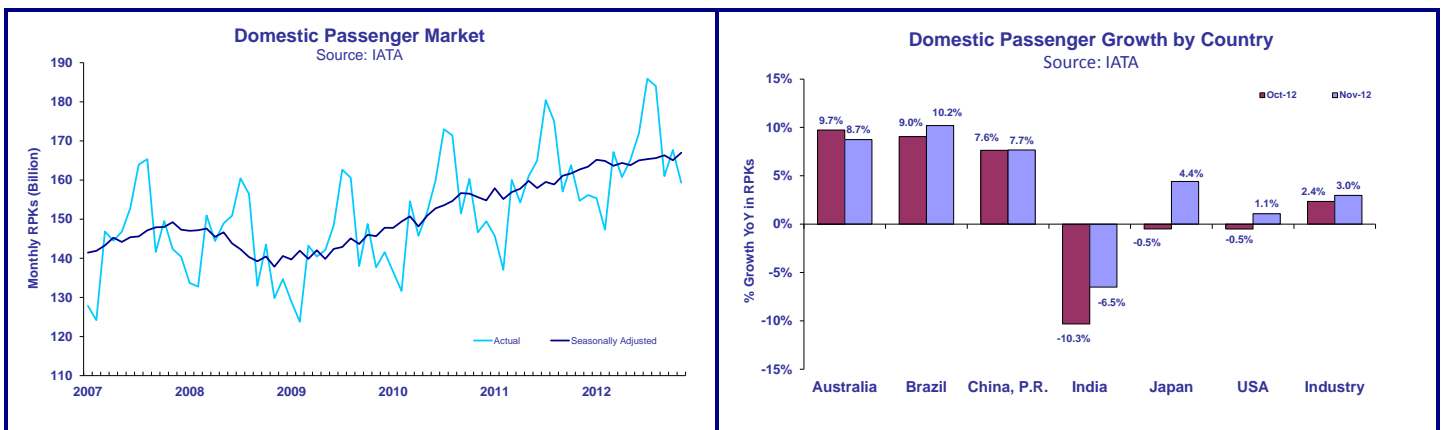
- The growth trend in international travel has been relatively slow throughout 2012, with the market expanding just 0.2% in November compared to October. Compared to the same month in 2011, international passenger travel was 5.6% higher this November. This robust result is likely because of weak demand a year ago rather than significant growth this month, as the month-on-month change shows little increase.
- Middle Eastern airlines continue to expand rapidly on international markets, recording the second strongest growth rate among regions, 10.5%. Airlines in this region are expanding capacity at rapid rates, providing more transit opportunities to long haul passengers traveling to Africa, Europe and Asia-Pacific.
- North America stands out as a slowest growing region when considering November year-on-year growth in international RPKs. Although the US economy has been improving steadily and consumer confidence has been on the increase over recent months, the slower growth in international passenger travel has been affected by airline capacity.
- Asia-Pacific airlines have seen some of the weakest growth in international passenger travel over recent months. The improved performance of Asia-Pacific airlines in November, up 6.2% year-on-year, compared to 1.2% in October, would

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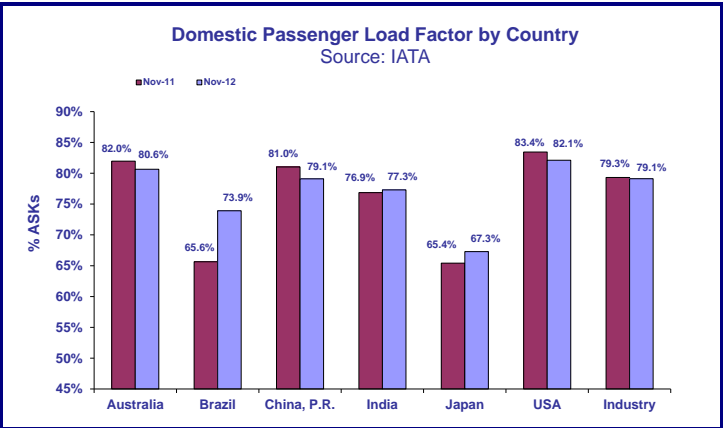
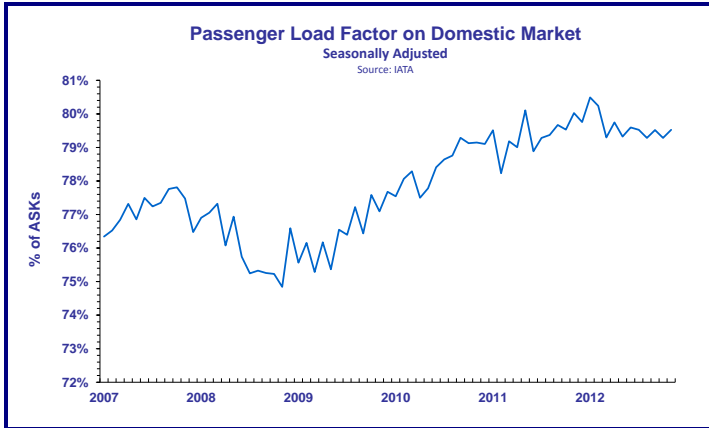
be reflecting some of the impact of the Thai flooding a year ago. The growth over the month, up 1.7% in November compared to October, could be due to volatility in the data. Given the extended period of slower growth, since early 2012, continued improvement in the trend would be necessary to determine acceleration in the growth trajectory.



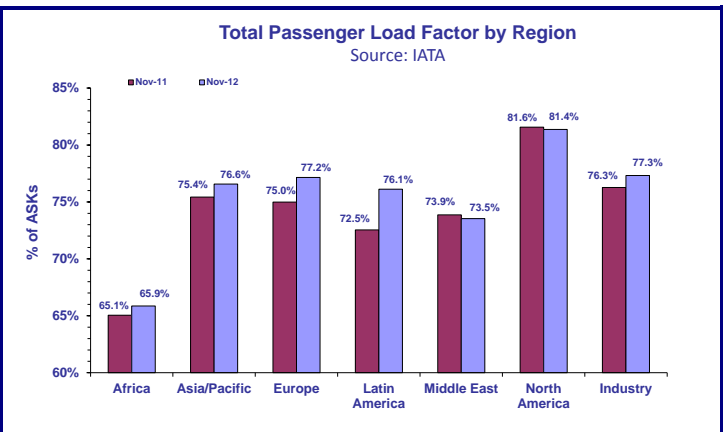
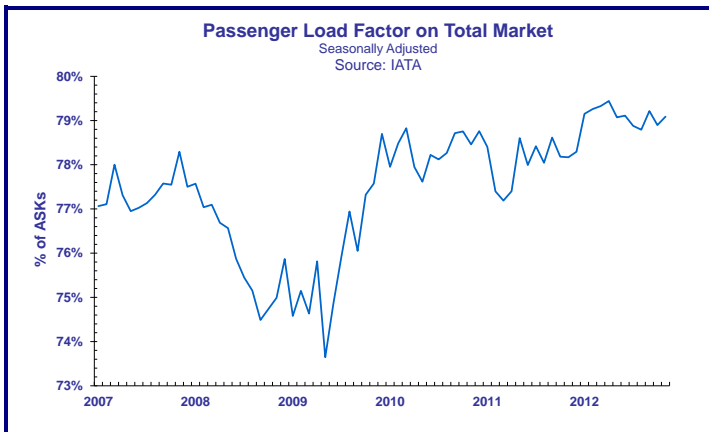
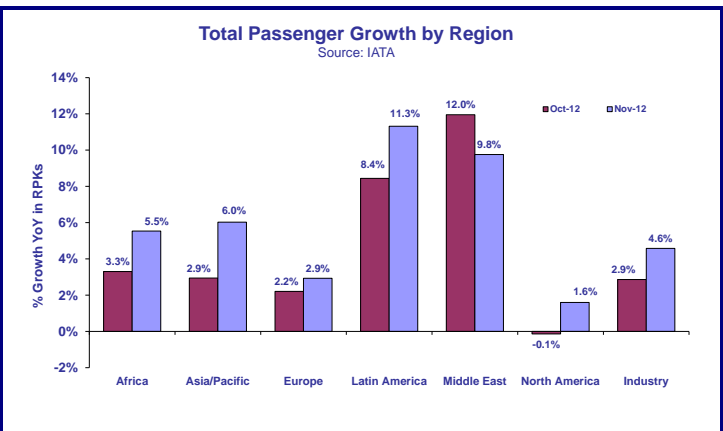
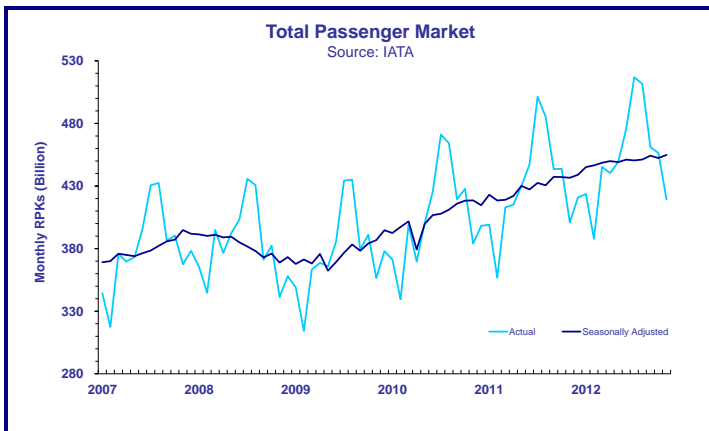
Domestic Market



- Domestic air travel markets were 3.0% higher in November compared to a year ago, up slightly on the October comparison of 2.4% year-on-year growth. Moreover, although the growth trend in domestic markets has remained soft throughout most of 2012, in November there was a notable expansion of 1.2% compared to October. This is likely reflecting increased demand in strong economies like China (the second largest domestic market) as well as a return to trend volumes after a particularly weak October.
- Domestic air travel in India stands out as the only region to have declined compared to a year ago, by 6.5% in November. India's slowing economy and declining consumer confidence have suppressed domestic travel, as have declines in seat capacity. Over the month, however, the seasonally adjusted analysis indicates an expansion of 3.2% in November compared to October. This is the second month of increase, after a period of continued decline since late 2011. It is not clear if this is a turning point in the negative trend, since the fundamentals do not support the change, so coming months of data will be telling as to the direction the market is moving.

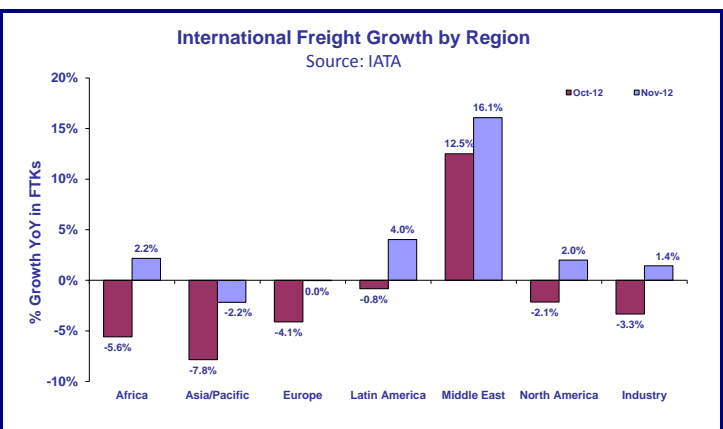
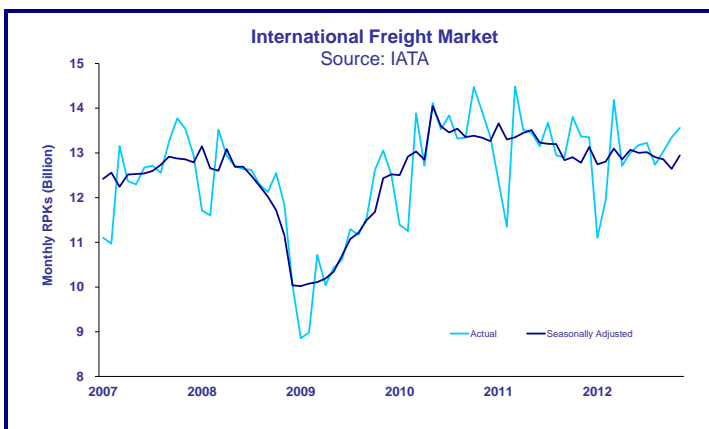


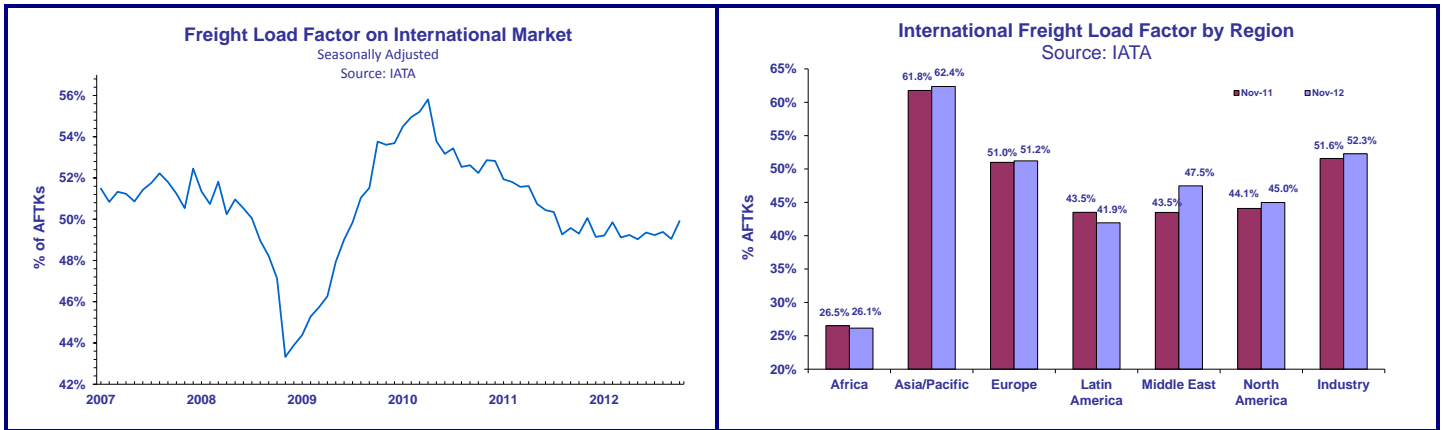
Total Market (Domestic + International)



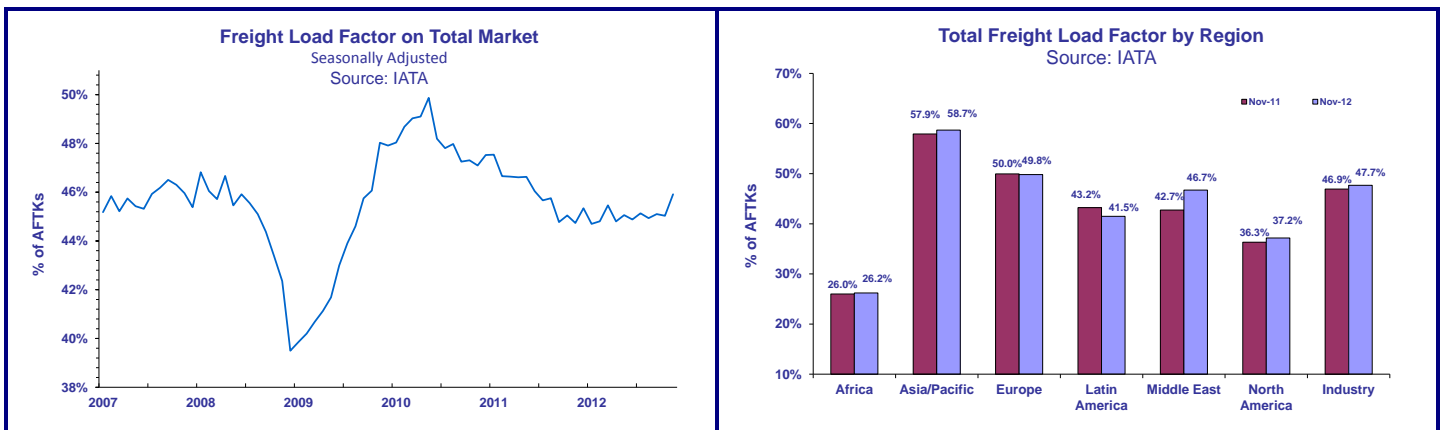
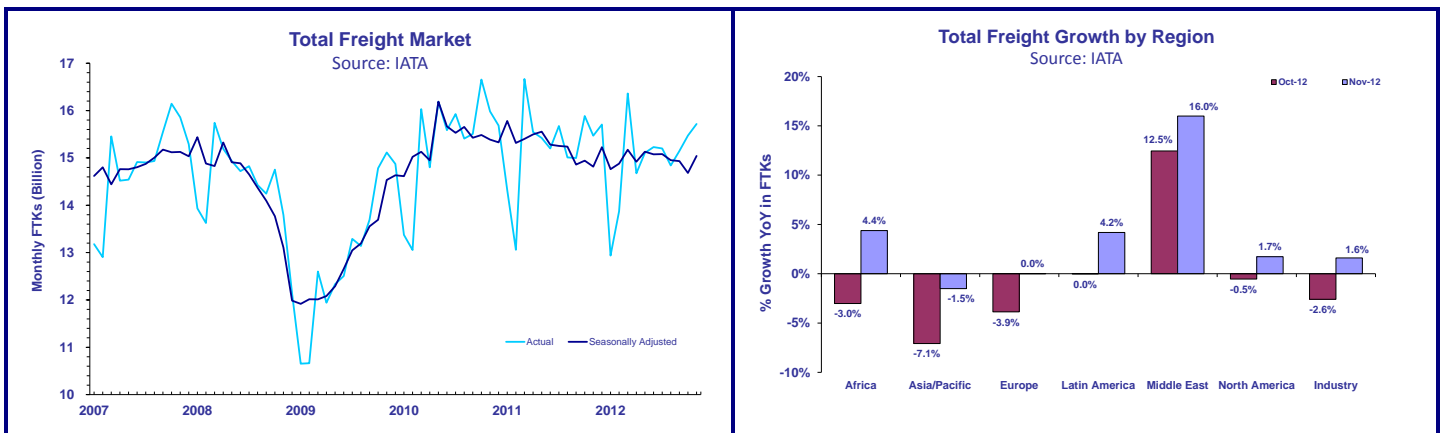
FREIGHT MARKET

International Market





Total Market



- Air freight markets improved in November, up 1.6% on a year ago after being down 2.6% in October. The trend in air freight markets also showed improvement, expanding 2.4% in November compared to October.
- The rebound in air freight demand is mostly coming from Asia-Pacific airlines, with almost half of the rise in volumes between November and October carried by airlines in that region. Total air freight volumes carried by the region's airlines were actually down 1.5% in November compared to a year ago, but there was expansion of 2.4% over the month between November and October. An increase in exports to the US is likely providing support to this expansion in air freight volumes.
- But the improvement in air freight volumes is also likely being supported by consumers shifting toward online purchases during the holiday season, which rely on air cargo for delivery. Major cargo carriers are seeing an increase in e-commerce demand compared to previous years, which includes movement of high value-low weight consumers goods bought from large internet retailers. The growth in air freight volumes between October and November, 2.5%, for North American carriers is likely reflecting this shift in consumer behavior.
- The strong increase in volumes over the month helped air freight load factors improve, gaining 0.9pt compared to October. The improvement in business confidence over recent months, now reaching levels that indicate stability in the business environment in the months ahead, could continue to provide support for air freight demand, even beyond the holiday season.

ANNEX

Year on Year Comparison	Nov 2012 vs. Nov 2011						YTD 2012 vs. YTD 2011					
	RPK	ASK	PLF	FTK	AFTK	FLF	RPK	ASK	PLF	FTK	AFTK	FLF
Africa	5.0%	4.4%	64.7%	2.2%	3.6%	26.1%	7.6%	7.4%	67.0%	4.8%	9.5%	24.6%
Asia/Pacific	6.2%	2.5%	75.7%	-2.2%	-3.1%	62.4%	4.9%	2.8%	77.5%	-6.4%	-2.9%	60.0%
Europe	4.0%	0.8%	77.8%	0.0%	-0.5%	51.2%	5.5%	3.4%	80.7%	-3.2%	0.7%	47.8%
Latin America	11.0%	9.8%	76.3%	4.0%	7.9%	41.9%	8.8%	7.6%	78.3%	-1.3%	6.4%	38.8%
Middle East	10.5%	11.2%	73.5%	16.1%	6.4%	47.5%	15.5%	12.5%	77.4%	14.5%	11.7%	45.3%
North America	2.6%	0.4%	79.6%	2.0%	0.0%	45.0%	1.3%	-0.3%	82.1%	-1.1%	-0.7%	41.0%
International	5.6%	3.1%	76.3%	1.4%	0.1%	52.3%	6.0%	4.1%	79.0%	-2.1%	1.0%	49.2%
Australia	8.7%	10.5%	80.6%				5.3%	7.6%	77.5%			
Brazil	10.2%	-2.1%	73.9%				9.2%	6.2%	71.2%			
China P.R.	7.7%	10.3%	79.1%				9.3%	11.1%	81.2%			
India	-6.5%	-7.1%	77.3%				-1.5%	0.6%	72.7%			
Japan	4.4%	1.5%	67.3%				3.9%	2.5%	62.3%			
US	1.1%	2.7%	82.1%				0.8%	0.5%	83.5%			
Domestic	3.0%	3.3%	79.1%	2.7%	-0.2%	30.7%	4.1%	3.8%	79.6%	1.3%	-1.3%	29.1%
Africa	5.5%	4.2%	65.9%	4.4%	3.6%	26.2%	7.3%	6.7%	67.5%	5.5%	9.5%	24.3%
Asia/Pacific	6.0%	4.4%	76.6%	-1.5%	-2.8%	58.7%	5.9%	5.1%	77.5%	-5.7%	-2.3%	55.9%
Europe	2.9%	0.0%	77.2%	0.0%	0.3%	49.8%	5.2%	3.0%	79.8%	-2.9%	0.9%	46.8%
Latin America	11.3%	6.1%	76.1%	4.2%	8.5%	41.5%	10.1%	8.0%	76.2%	-1.2%	8.0%	37.4%
Middle East	9.8%	10.3%	73.5%	16.0%	6.1%	46.7%	15.4%	12.4%	77.5%	14.4%	11.5%	44.7%
North America	1.6%	1.8%	81.4%	1.7%	-0.6%	37.2%	1.1%	0.2%	83.0%	-0.5%	-1.8%	34.9%
Total Market	4.6%	3.2%	77.3%	1.6%	0.0%	47.7%	5.3%	4.0%	79.2%	-1.6%	0.5%	44.9%

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	November 2012 vs. October 2012						Market Share	
	RPK	ASK	PLF pt	FTK	AFTK	FLF pt	RPK	FTK
Africa	0.1%	0.9%	-0.5%	0.6%	0.3%	0.1%	3.5%	1.3%
Asia/Pacific	1.7%	0.5%	0.9%	2.2%	2.2%	0.0%	28.3%	41.1%
Europe	0.5%	-0.6%	0.9%	2.0%	-0.5%	1.2%	37.4%	24.5%
Latin America	2.9%	1.2%	1.3%	4.9%	-0.3%	2.0%	5.1%	3.5%
Middle East	0.3%	0.8%	-0.4%	0.4%	-0.8%	0.6%	12.6%	13.3%
North America	0.1%	0.2%	-0.1%	2.4%	1.1%	0.5%	13.2%	16.4%
International	0.2%	0.0%	0.2%	2.4%	0.6%	1.8%	100%	100%
Australia	1.1%	-1.0%	2.1%				3.6%	
Brazil	2.3%	-0.3%	2.6%				3.7%	
China P.R.	1.9%	1.2%	0.5%				20.5%	
India	3.2%	-0.8%	2.9%				3.1%	
Japan	3.0%	0.0%	1.8%				3.1%	
US	0.6%	1.3%	-0.6%				45.7%	
Domestic	1.2%	0.9%	0.2%	2.9%	0.1%	0.9%	100%	
Africa	0.3%	0.9%	-0.4%	0.4%	0.4%	0.0%	2.5%	1.2%
Asia/Pacific	1.7%	0.5%	0.9%	2.4%	1.9%	0.3%	30.9%	39.1%
Europe	0.3%	-0.8%	0.9%	1.9%	-0.3%	1.0%	26.1%	21.5%
Latin America	2.8%	0.8%	1.4%	4.3%	-0.1%	1.7%	5.9%	3.3%
Middle East	0.2%	0.7%	-0.3%	0.4%	-0.9%	0.6%	8.2%	11.6%
North America	0.4%	1.1%	-0.6%	2.5%	2.3%	0.1%	26.3%	23.3%
Total Market	0.6%	0.3%	0.2%	2.4%	0.5%	0.9%	100%	100%

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.

IATA Economics
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9TH January 2013

FURTHER ANALYSIS AND DATA

Access data related to this briefing through the Route Tracker publication:

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