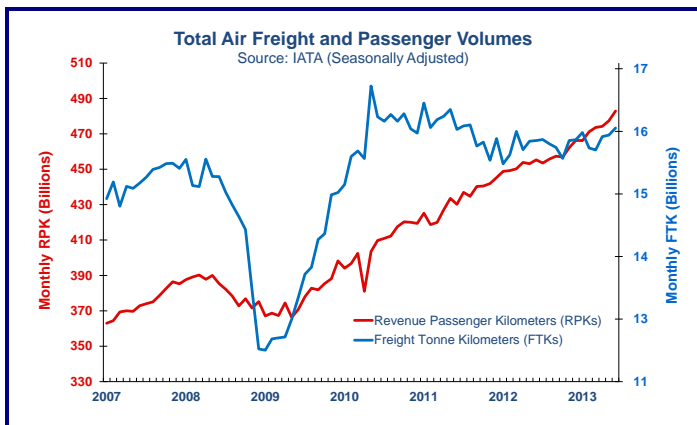


# AIR PASSENGER MARKET ANALYSIS

## JUNE 2013

### KEY POINTS

- Air travel continues to expand strongly. Global revenue passenger kilometers were up 6.0% in June compared to a year ago, slightly up on May growth of 5.8%.
- Global air travel volumes, presented in the first chart below, show an accelerated rate of increase in June. While current levels of business confidence and emerging market growth support air travel expansion at the rate seen so far this year (4.8%), there is little evidence to explain the acceleration in growth in June. Business confidence showed no change in June compared to May and trade growth in advanced economies remains weak.
- The acceleration in air travel growth in June has been caused by a pickup in RPKs for Asia-Pacific airlines, who carried half of the global rise in air travel in June compared to May. However, the recent performance of Asia-Pacific carriers and the slowdown in China's economy and Asian trade this year suggests this is a result of volatility in travel volumes rather than acceleration in the growth trend. Growth in Asia-Pacific international RPKs has been 3.6% year-to-date, down on the +5% expansion in 2012.
- Airlines in other emerging regions continue to post the strongest results in international air travel, supported by continued growth in trade activity. International air travel on Middle Eastern, African and Latin American airlines is expanding at rates well above the global pace, with growth of 12.1%, 11.2% and 8.7%, respectively.
- European airlines recorded a second month of solid growth in international RPKs, up 4.7% in June compared to a year ago. This is consistent with recent improvements in European consumer and business confidence.
- Domestic air travel was up in all markets again in June. China's market remains strong, up 14.6% on a year ago, despite reported slowdowns in economic growth in H1. Air travel in Japan continues to reflect current improvements in economic performance, with growth of 6.9% in June on a year ago. The market has now recovered to pre-tsunami levels. Air travel within Brazil is the only market to show a decline year-to-date, reflecting a combination of sluggish growth and significant capacity cuts by local airlines.
- Passenger load factors reached a new record high in June, slightly above 80% on a seasonally adjusted basis. Airlines in all regions achieved higher load factors over the month, consistent with strong growth in demand. Tighter capacity management has helped African airlines record some of the biggest increases in load factors.
- Global business confidence continues to flatline, but a recent easing in the rate of decline in the Eurozone could help reduce downward pressure on global growth. Nonetheless, the Eurozone remains in recession and while continued growth in emerging markets should sustain growth in air travel, acceleration is unlikely in the near-term.



### Year on Year Comparison

	Jun 2013 vs. Jun 2012			YTD 2013 vs. YTD 2012		
	RPK	ASK	PLF	RPK	ASK	PLF
<b>International</b>	5.9%	5.7%	81.4%	4.8%	4.0%	78.5%
<b>Domestic</b>	6.1%	5.2%	82.0%	4.6%	3.7%	79.7%
<b>Total Market</b>	6.0%	5.6%	81.7%	4.8%	3.9%	79.0%

### Month on Month Comparison

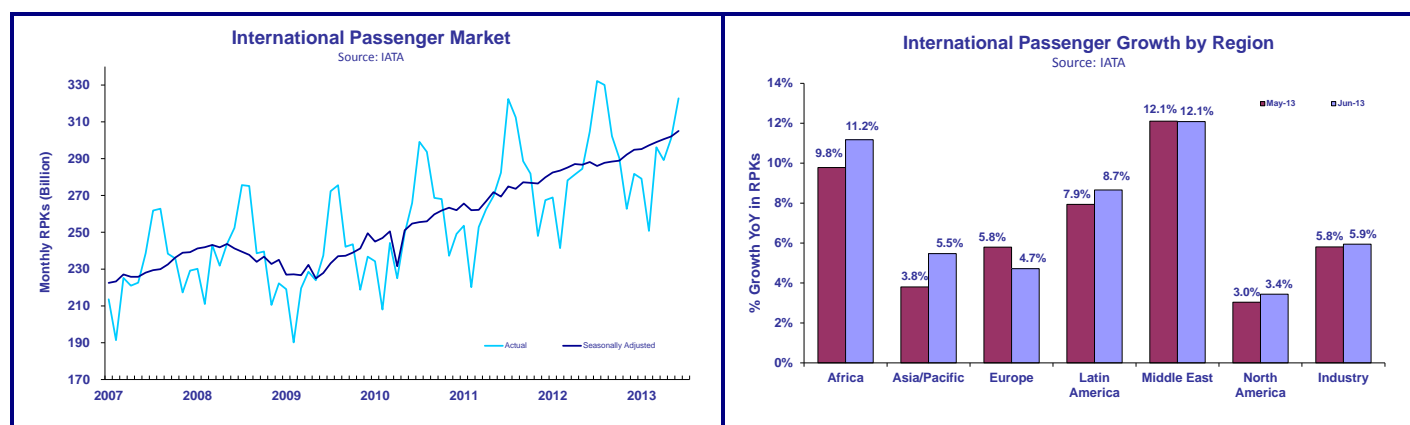
Jun 2013 vs. May 2013		
RPK	ASK	PLFpt
1.0%	0.6%	0.4%
1.1%	1.0%	0.1%
1.1%	0.5%	0.5%

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

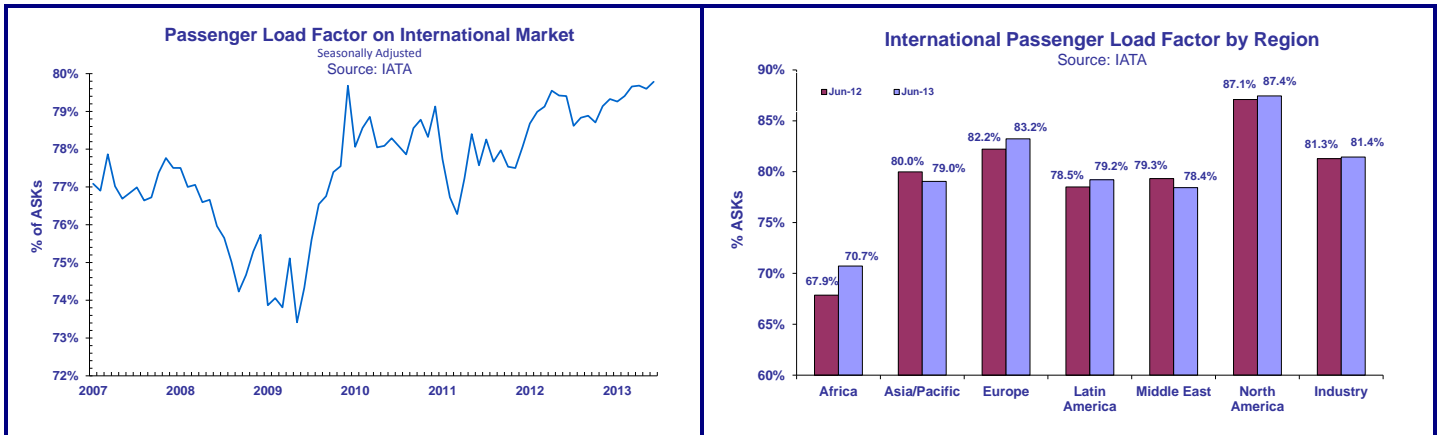
### International Markets



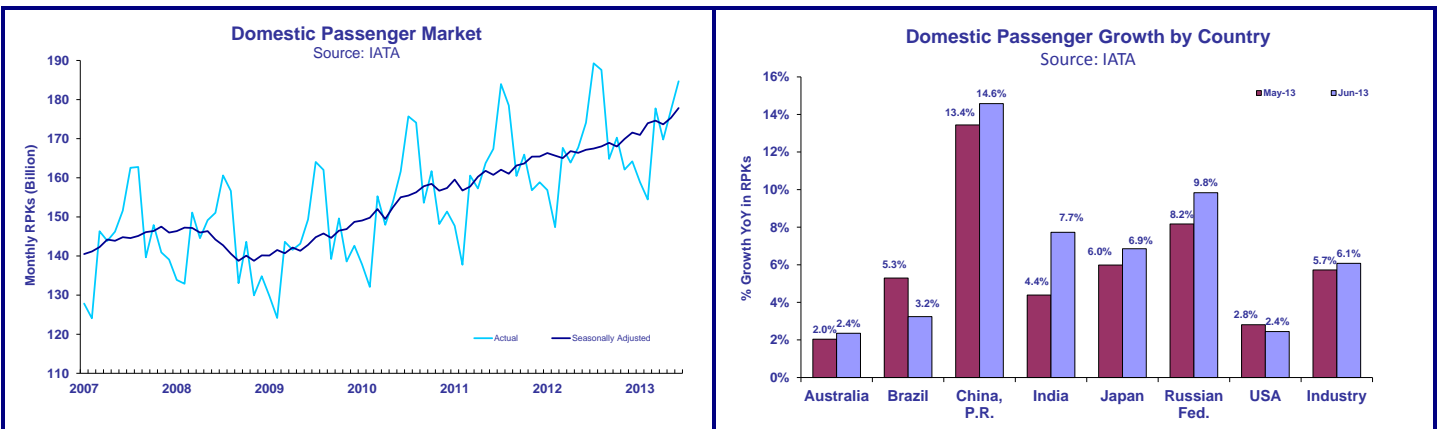
- International air travel continues to expand strongly. International RPKs were up 5.9% in June compared to a year ago, a small improvement on the 5.8% growth in May. The growth rate in June is above the pace seen so far this year, with expansion at 4.8% year-to-date. Moreover, there was an acceleration in the monthly growth trend, with a rise of 1.0% in international RPKs in June compared to March.
- There has been support for the solid growth in air travel seen during the first six months of 2013 – through continued expansion in emerging market trade and economic growth – but key drivers of air travel do not currently support acceleration in demand. Business confidence showed no change in June compared to May and world trade growth in advanced economies remains weak. A regional analysis of air travel provides a better understanding of the acceleration seen in the growth trend in June.
- The acceleration in air travel growth in June has been caused by a pickup in RPKs for Asia-Pacific airlines, which carried half of the international increase in global RPK volumes in June compared to May. But this result is not necessarily signaling the start of a strong growth trend. The performance of Asia-Pacific airlines throughout 2013 has been weaker than the previous year. During H1 2013, growth in Asia-Pacific international air travel has been 3.6%, down on the +5% expansion in 2012. This is a result of a slowdown in growth of recent months, as a combination of economic developments in the region weakened the demand base for air travel. Economic growth in China failed to meet expectations in Q1 and slowed further in Q2. Importantly for international travel, there has also been a decline in China trade and that trend is set to continue, as forward looking indicators like export orders continue to contract. These adverse developments have also contributed to a slowdown in Asian trade this year compared to the stronger growth seen during late 2012. Therefore, with respect to air travel demand, the uptick in June could be a result of volatility in the data rather than acceleration in the growth trend.
- By contrast, airlines in other emerging regions that have recorded consistently strong growth in air travel in previous months continued to do so in June. These regions also continue to record solid growth in travel volumes, above the global trend. Since world trade is associated with international trading industries which rely on air travel to facilitate their business development, air travel demand stands to benefit. International air travel on Middle Eastern, African and Latin American airlines is expanding at rates well above the global pace, with growth of 12.1%, 11.2% and 8.7%, respectively.
- For Middle Eastern airlines, the strategy to increase network and capacity has been met with strong demand, since the convenient location facilitates development of trade links with Africa and Asia as well as economic activity between those two regions. African air travel has also benefited from growing domestic demand, with Ghana, Nigeria, Ethiopia and the Democratic Republic of Congo posting some of the fastest GDP growth rates globally. Regional airlines have also made steady progress with load factors through tighter capacity management over the year. Although African airlines still trail the global average load factor by about 10% pts, they continued to make solid progress each month in 2013 compared to the year ago period. In June, load factors on international air travel improved by almost 3% points compared June 2012. Finally, international air travel on Latin American carriers is receiving support from strong business-related travel demand, with the region posting the strongest trade growth momentum in Q2 compared to any other region.
- European airlines, which have been seeing slower growth in 2013, recorded a second consecutive month of solid growth in international air travel, up 4.7% in June compared to a year ago. Although the Eurozone economy remains in contraction overall, the recent improvement in air travel demand is consistent with improvements in European consumer and business confidence. Business sentiment reflected by the Purchasing Managers Index shows that manufacturing activity contracted at the slowest rate for 16 months in June, as economic downturns in

France, Italy and Spain ease. These improvements could help contain further downward pressure on international travel for European airlines in the months to come.

- Growth in North American airlines' international traffic continues to trend sideways throughout 2013. Despite some volatility in growth comparisons over recent months, overall there has been little sign of a significant increase in air travel volumes so far this year. Growth year-to-date for international air travel on American carriers has been 1.9%, the slowest of any region. But it is important to note also that capacity has expanded at a slow rate, too, by just 0.2%. While the US economy has seen some slowdown over recent months, most notably after the government spending cuts at the end of Q1, consumer confidence has been solid and relatively stronger than other developed regions including Europe. Therefore, it is likely that tight capacity management has also played a significant role in keeping demand growth contained. The positive result, however, has been consistently high load factors for airlines in the region, higher than anywhere else in the world at above 87% in June.

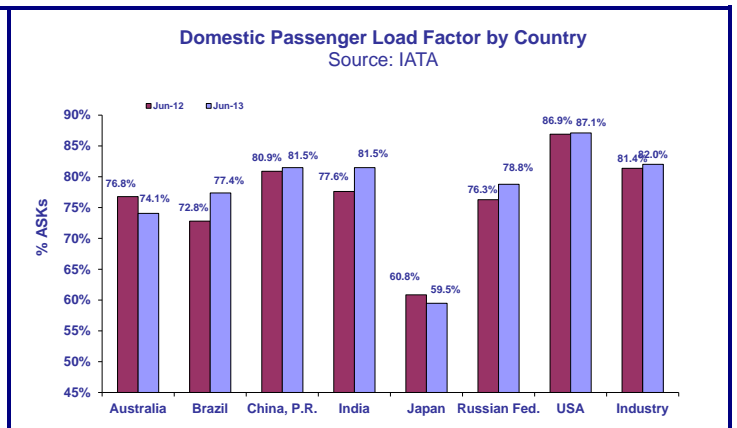
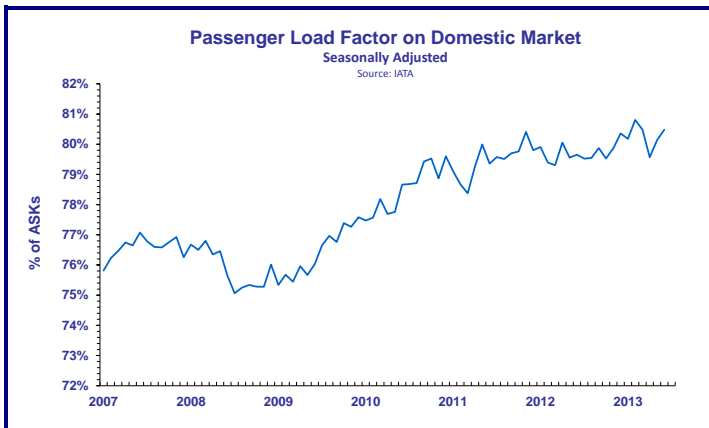


## Domestic Market

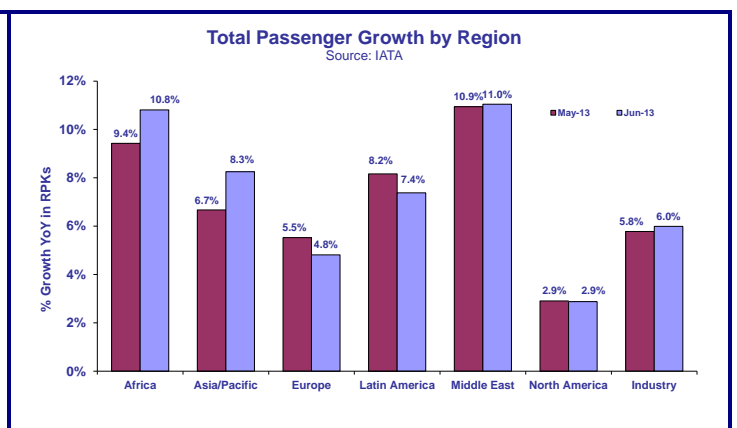
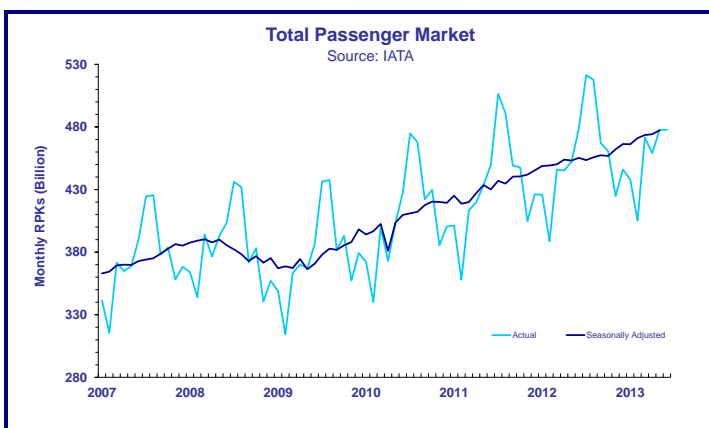


- Total domestic air travel performed strongly in June with a rise of 6.1% compared to a year ago, a further improvement on the May result of 5.7%. Moreover, there was also an uptick in the growth trend in June compared to May, with growth of 1.1%.
- Most of the major domestic markets saw strong growth in air travel in June compared to a year ago. Air travel in China, for example, was up 14.6% in June year-on-year. Although both the manufacturing and services sectors have reportedly seen a decline over recent months, there has been little evidence of weakness in domestic air travel. Over the coming months, however, declining manufacturing employment may start to place downward pressure on air travel demand.
- Domestic air travel in Russia recorded the second strongest growth rate in June, with a rise of 9.8% on a year ago. The market has enjoyed sustained, solid growth in demand for the past two and a half years. Despite economic growth in Q2 being below expectation, there was a pickup in the pace compared to Q1 and the outlook for the second half of the year looks promising, as markets anticipate interest rate reductions.
- Japan's domestic market showed a solid rise in air travel growth, up 6.9% in June year-on-year. The Japanese economy continues to experience some of the strongest positive changes in business confidence, reflecting momentum in both manufacturing and services. The recent growth has helped Japan's air travel market recover to pre-tsunami levels.

- Air travel in Brazil was up 3.2% in June compared to a year ago, a slip on May growth of 5.3%. Growth in travel so far this year has been weak – in fact there has been a 0.6% contraction year-to-date. Moreover, the outlook for domestic demand looks vulnerable, with consumer-led growth showing signs of erosion due to persistently high inflation. But the weakness in air traffic growth so far this year has not been purely the result of developments in demand, as airlines have contained capacity expansion in order to support load factors. The results have been positive, with load factors reaching 77.4% in June 2013 compared to 72.8% a year ago.
- Indian domestic traffic was up 7.7% in June year-on-year, a notable improvement on May growth of 4.4%. There has been substantial volatility in growth rates over recent months which have made it difficult to establish a clear growth trend. While slowing economic growth had dampened growth in air travel throughout parts of 2012, over recent months reductions in domestic fares had resulted in evidence of stronger demand. The month-on-month growth comparisons, which have been positive during most months this year, suggest that the reduction in fares has helped to support a pickup in domestic air travel in India this year.
- Australian domestic air travel increased 2.4% in June compared to a year ago, similar to the growth of 2.0% in May. After solid growth throughout 2012 (above 5%), the growth trend for Australia domestic air travel has slowed in 2013. Growth year-to-date has been just 3.2%. Although Australian GDP has been expanding at faster rates than other advanced economies, growth in 2013 is projected to slow on the previous year, and consumer spending is expected to decline, eroding some of the demand base for air travel. The likelihood of a slowdown is mounting as its major trading partner China shows continues signs of weakness.
- The US domestic market was up 2.4% in June compared to a year ago, a slight decline on the 2.8% growth in May. Growth so far this year has been weak, with expansion of 2.0% for the first half of 2013 compared to the same period in 2012. Weakness in growth rates for this market reflects a combination of capacity management and market maturity, as well as a recent slowdown in business confidence which suggests slower economic growth for the US in Q2.
- The pickup in seasonally adjusted traffic volumes in June has helped load factors rise 0.1% pts over the month. There was also a 0.6% point rise in June compared to a year ago, with Brazil and India seeing the largest improvement.

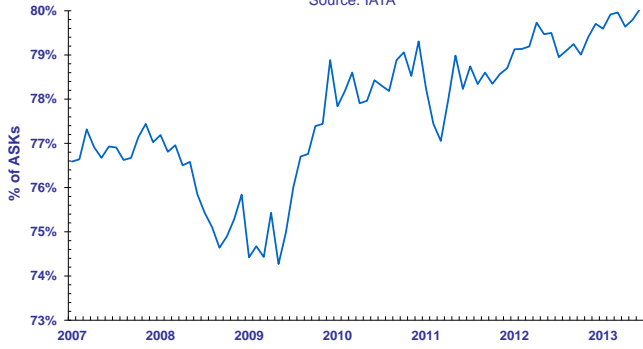


**Total Market (Domestic + International)**



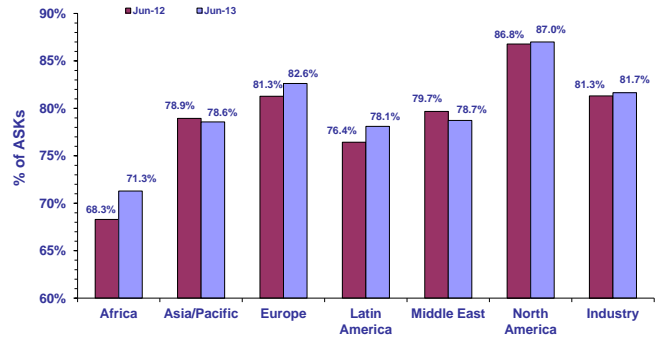
**Passenger Load Factor on Total Market**

Seasonally Adjusted  
Source: IATA



**Total Passenger Load Factor by Region**

Source: IATA



## ANNEX

Year on Year Comparison	Jun 2013 vs Jun 2012			YTD 2013 vs. YTD 2012		
	RPK	ASK	PLF	RPK	ASK	PLF
Africa	11.2%	6.7%	70.7%	8.3%	5.3%	68.6%
Asia/Pacific	5.5%	6.7%	79.0%	3.6%	3.6%	77.3%
Europe	4.7%	3.4%	83.2%	3.5%	1.9%	79.6%
Latin America	8.7%	7.7%	79.2%	8.7%	10.1%	77.8%
Middle East	12.1%	13.4%	78.4%	12.7%	13.0%	77.7%
North America	3.4%	3.0%	87.4%	1.9%	0.2%	81.8%
<b>International</b>	<b>5.9%</b>	<b>5.7%</b>	<b>81.4%</b>	<b>4.8%</b>	<b>4.0%</b>	<b>78.5%</b>
Australia	2.4%	6.1%	74.1%	3.2%	5.3%	75.1%
Brazil	3.2%	-2.9%	77.4%	-0.6%	-6.8%	74.8%
China P.R.	14.6%	13.7%	81.5%	12.3%	11.4%	80.9%
India	7.7%	2.6%	81.5%	1.6%	-1.4%	78.5%
Japan	6.9%	9.3%	59.5%	4.4%	4.8%	61.7%
Russian Federation	9.8%	6.4%	78.8%	9.7%	7.6%	72.0%
US	2.4%	2.2%	87.1%	2.0%	1.5%	83.7%
<b>Domestic</b>	<b>6.1%</b>	<b>5.2%</b>	<b>82.0%</b>	<b>4.6%</b>	<b>3.7%</b>	<b>79.7%</b>
Africa	10.8%	6.2%	71.3%	8.1%	4.9%	69.6%
Asia/Pacific	8.3%	8.8%	78.6%	6.1%	5.8%	77.5%
Europe	4.8%	3.1%	82.6%	3.4%	1.7%	78.7%
Latin America	7.4%	5.1%	78.1%	6.0%	4.6%	76.6%
Middle East	11.0%	12.4%	78.7%	11.7%	12.0%	78.0%
North America	2.9%	2.6%	87.0%	1.9%	1.0%	83.0%
<b>Total Market</b>	<b>6.0%</b>	<b>5.6%</b>	<b>81.7%</b>	<b>4.8%</b>	<b>3.9%</b>	<b>79.0%</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	Jun 2013 vs. May 2013			Market Share
	<i>RPK</i>	<i>ASK</i>	<i>PLFpt</i>	<i>RPK</i>
Africa	2.4%	0.6%	1.3%	3.3%
Asia/Pacific	1.8%	1.7%	0.1%	25.7%
Europe	0.4%	0.2%	0.2%	39.4%
Latin America	0.2%	0.4%	-0.2%	4.1%
Middle East	2.0%	1.1%	0.7%	12.5%
North America	-0.1%	0.2%	-0.3%	15.0%
<b>International</b>	<b>1.0%</b>	<b>0.6%</b>	<b>0.4%</b>	<b>100.0%</b>
Australia	2.2%	1.5%	0.6%	2.9%
Brazil	1.0%	0.7%	0.3%	3.8%
China P.R.	2.4%	2.0%	0.3%	19.3%
India	4.0%	0.8%	2.4%	2.9%
Japan	0.2%	2.1%	-1.2%	2.8%
Russian Federation	1.6%	0.1%	1.1%	4.0%
US	0.7%	0.4%	0.3%	46.5%
<b>Domestic</b>	<b>1.1%</b>	<b>1.0%</b>	<b>0.1%</b>	<b>100.0%</b>
Africa	2.3%	0.5%	1.3%	2.4%
Asia/Pacific	1.6%	1.0%	0.4%	28.7%
Europe	0.4%	0.0%	0.3%	28.2%
Latin America	2.2%	0.2%	1.6%	4.9%
Middle East	1.9%	1.0%	0.7%	8.3%
North America	0.7%	0.3%	0.3%	27.4%
<b>Total Market</b>	<b>1.1%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>100.0%</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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31<sup>ST</sup> July 2013

#### FURTHER ANALYSIS AND DATA

Access data related to this briefing through the Route Tracker publication:  
[www.iata.org/ps/publications/Pages/carrier-tracker](http://www.iata.org/ps/publications/Pages/carrier-tracker)

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