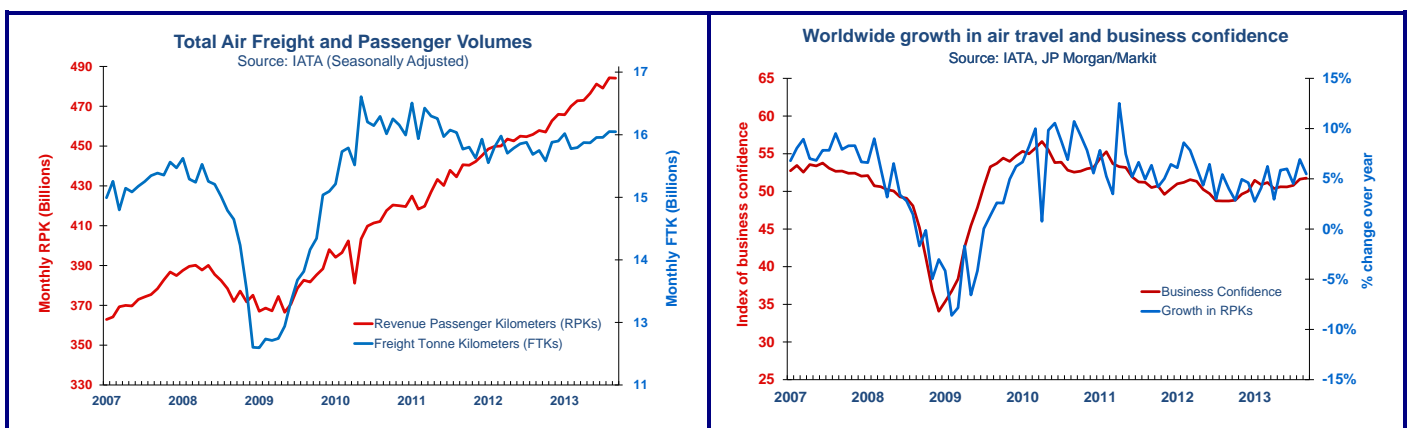


AIR PASSENGER MARKET ANALYSIS

SEPTEMBER 2013

KEY POINTS

- Air travel markets expanded at a solid rate in September. Global revenue passenger kilometers were up 5.5% compared to a year ago. This is a slight slowdown on August growth of 6.9%, but still above expansion so far this year (5.0%).
- There was no increase in air travel over the month, as presented in the first chart below, suggesting a moderation in demand in September compared to August (in August there was a strong rise in volumes compared to July). This moderation in the growth trend in September is well within normal traffic volatility month-to-month. Growth in air travel has been strong over recent months, supported by improvements in the demand environment.
- International air travel continues to expand at a solid rate, up 5.7% in September, with all regions seeing a rise compared to a year ago. Middle Eastern carriers continue to experience the strongest rates of increase, up 10.4% compared to a year ago. But this month, Asia Pacific performance was not too far behind, with a rise of 8.5% year-on-year. In fact recent past performance of airlines in the region has picked up compared to H1, bringing growth up to 5.2% year-to-date (in line with 2012). China's GDP growth improved slightly in Q3, and Japan's economy continues to gain momentum, supporting international air travel on airlines in the region. Growth was also strong in Latin America, up 8.3% on a year ago, buoyed by solid trade growth and business related travel.
- Domestic air travel growth was also positive in all markets, but with significant variation among regions. Russia's domestic market rose 12.1% in September, despite indicators showing a slowdown in economic activity. Air travel in China recorded a strong 10.6% rise in September on a year ago, and that growth is likely to continue with recent signs of economic improvement. Brazil's air travel markets, by contrast, rose just 1.0% in September, as a result of both capacity reductions and sluggish domestic demand.
- Globally, load factors slipped slightly in September compared to August. While there was an improvement in domestic load factors, on international markets capacity growth exceed the small increase in traffic volumes. Industry load factors in September were broadly in line with those a year ago.
- The demand environment for air travel continues to improve, suggesting there could be further acceleration in air travel growth before the end of the year. Business confidence is rising, there was a strong increase in export orders in September which suggests a pickup in world trade growth, and performance of key emerging markets like China appears to be picking up.



Year on Year Comparison

	Sep 2013 vs. Sep 2012			YTD 2013 vs. YTD 2012		
	RPK	ASK	PLF	RPK	ASK	PLF
International	5.7%	5.7%	80.9%	5.2%	4.4%	80.0%
Domestic	5.1%	4.7%	79.1%	4.8%	4.2%	80.2%
Total Market	5.5%	5.3%	80.3%	5.0%	4.3%	80.1%

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.

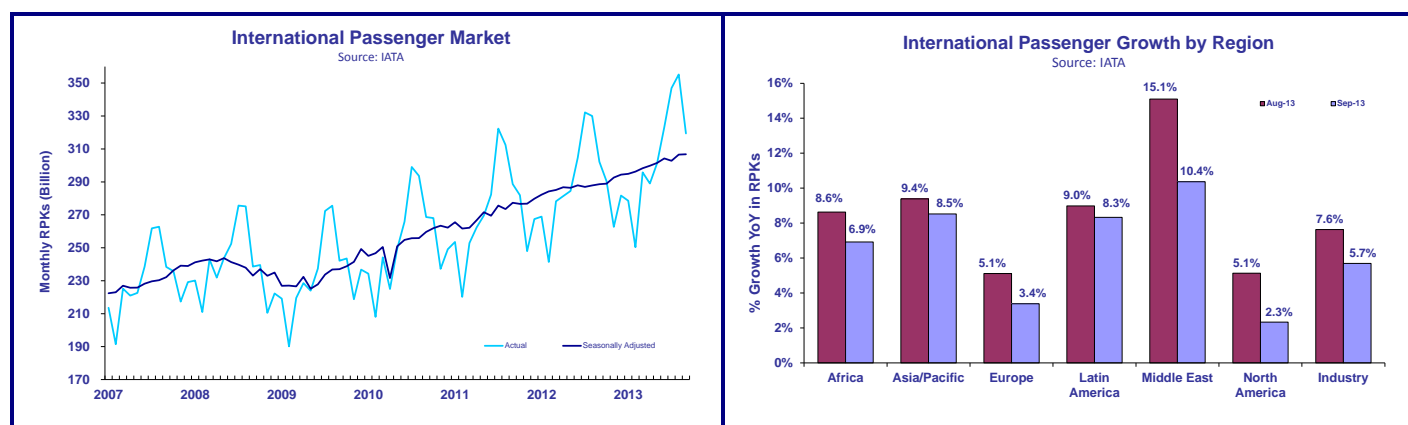
Month on Month Comparison

Sep 2013 vs. Aug 2013		
RPK	ASK	PLFpt
0.1%	0.5%	-0.3%
-0.2%	-0.5%	0.3%
0.0%	0.1%	-0.1%

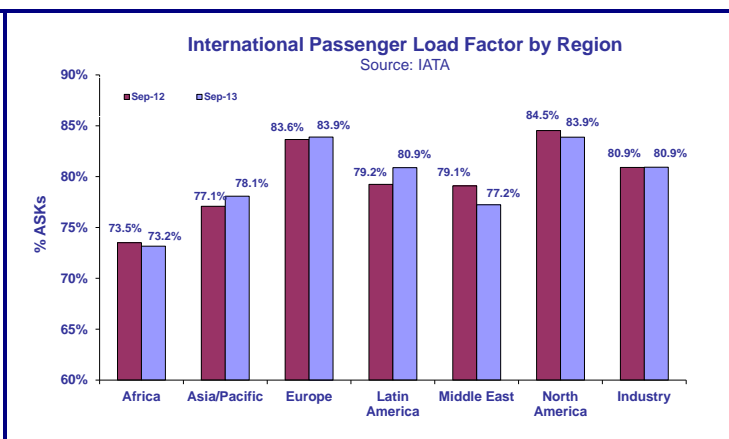
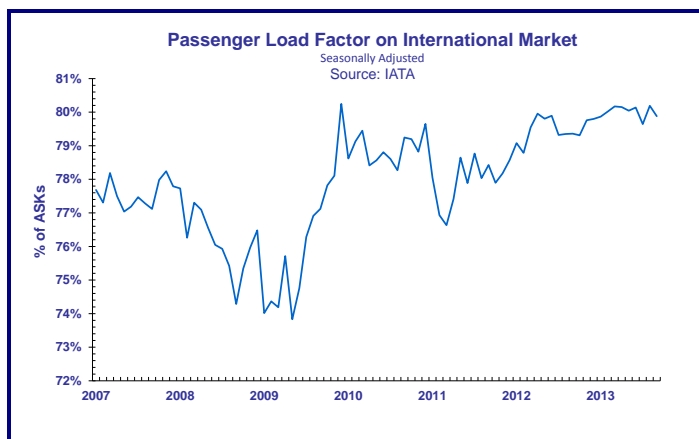
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

PASSENGER MARKET

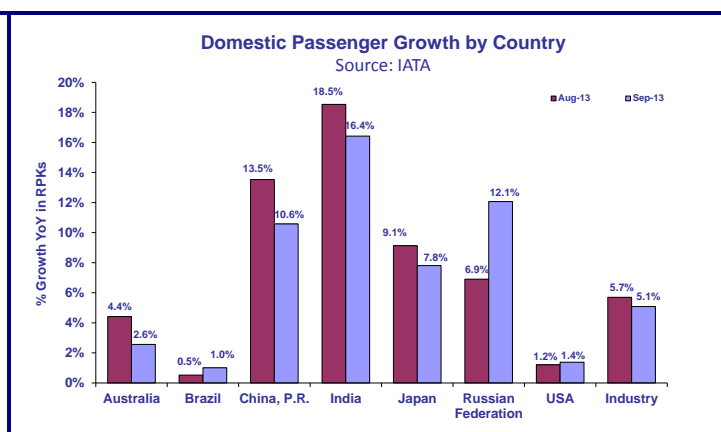
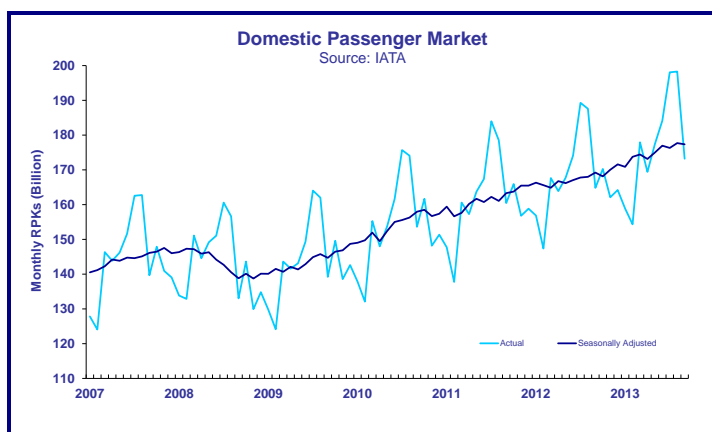
International Markets



- International air travel recorded a solid rise in September compared to a year ago, up 5.7%. While this is a slowdown on August (7.6%), the September result is still above growth year-to-date (5.2%). There was only a slight, 0.1% increase in international RPKs in September compared to August, but the solid growth trend seen throughout the year continues.
- Performance was positive for all regions on international markets in September. Middle Eastern carriers experienced the strongest rate of increase in international RPKs in September, up 10.4% compared to a year ago. The trend is likely to continue, with September data showing continued solid growth in non-oil producing sectors of economies like Saudi Arabia and the United Arab Emirates (UAE). New exports orders are also showing robust increases in these economies, according to JP Morgan/Markit surveys of purchasing managers, which bodes well for business travel related to trade industries.
- Asia Pacific traffic also climbed 8.5% in September on a year ago, following a solid result in August (9.4%). Downward pressure on growth during recent past months appears to have eased, at least with respect to developments in China. Latest indicators show an improvement in China's performance – China's GDP growth picked up slightly in Q3, rising 7.8% on a year ago, compared to 7.5% in Q2. Moreover, continued improvement in Japan's economic performance will not only contribute to demand growth for air travel in that nation, but also help support trade growth and related business activity which stimulates international air travel in the region and beyond.
- Airlines in Latin America and Africa also experienced solid growth in international travel in September compared to a year ago, rising 8.3% and 6.9% respectively. While Brazil continues to suffer from rising inflation and weakening consumer demand, other economies like Colombia, Peru and Chile are expanding strongly. African airlines continue to receive support from strong economic growth in several emerging economies, including Ghana and Nigeria, as well as solid increases in trade activity, at a faster pace than the global trend. Since world trade is associated with international trading industries which rely on air travel to facilitate their business development, international air travel demand stands to benefit when trade expands.
- In Europe, modest economic improvements continue to support growth on international markets, with RPKs rising 3.4% in September on a year ago. The third quarter continued to show steady improvements in output and business activity, and trade volumes are also seeing slight acceleration in growth. These developments should help sustain support of international air travel on airlines in the region for the remainder of the year.
- North American airlines recorded a 2.3% rise in international air travel in September year-on-year, a slowdown on August growth of 5.1%. Recent indications have been suggesting a more supportive business environment, with consumer confidence and business activity showing improvement throughout the third quarter. Looking ahead, however, there could be some downward pressure (at least temporarily) on air transport demand, due to the potentially negative impacts on business activity from the 17-day US government shutdown in October.



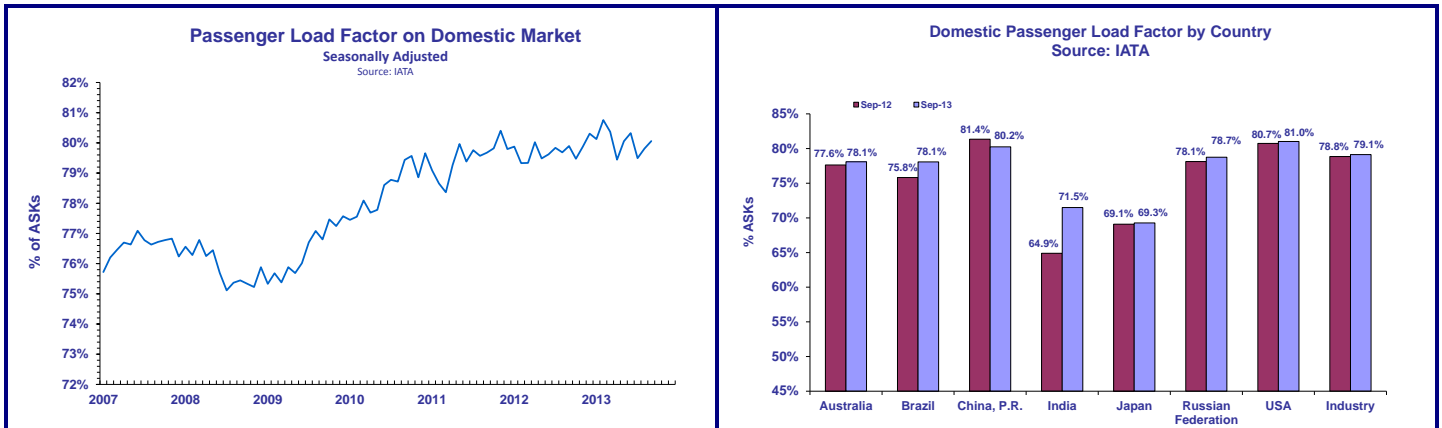
Domestic Market



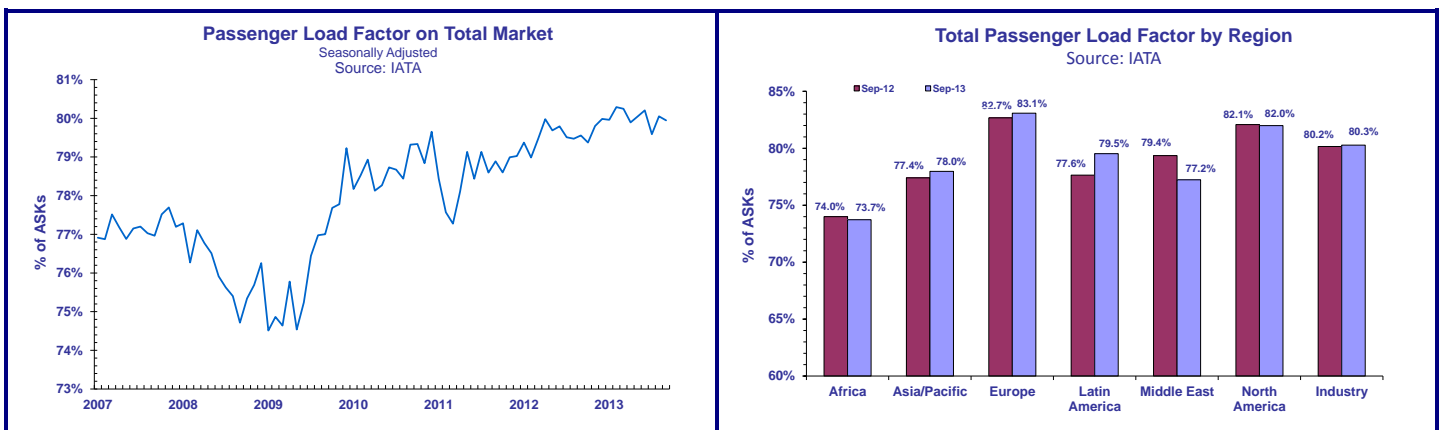
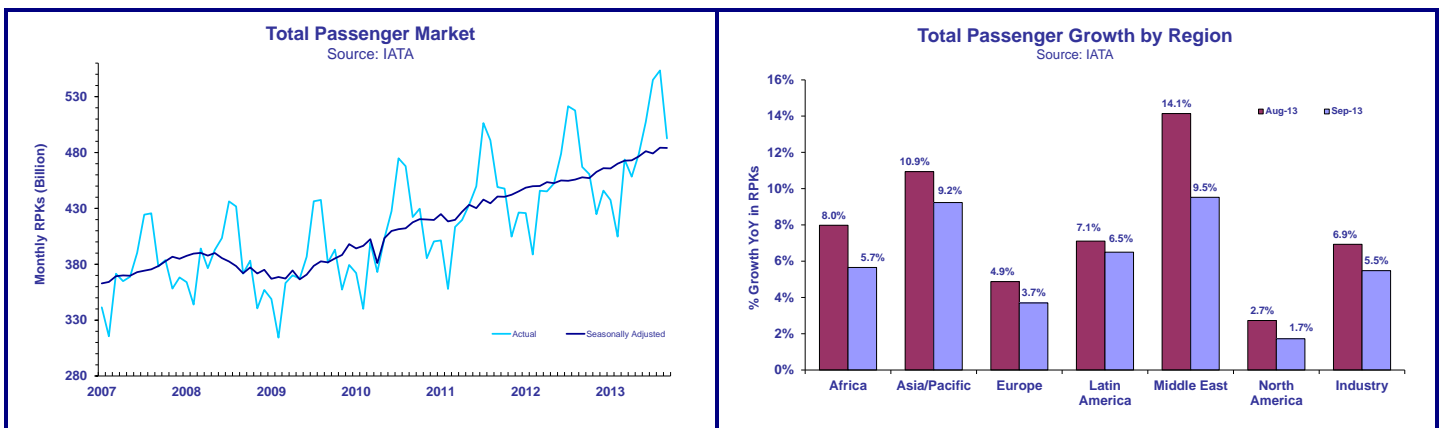
- Domestic RPKs were up a solid 5.1% in September year-on-year, just slightly down on August growth of 5.7%. While there was small contraction in volumes in September compared to August, the decline in capacity was greater, providing a boost to domestic load factors and helping restore some of the ground lost over recent months.
- Domestic air travel in Russia was up 12.1% in September compared to a year ago. So far this year, domestic air travel in Russia has grown strongly, up 9.9% year-to-date. The robust September result comes despite signs of economic weakness; in September GDP growth slowed, hampered by softening consumer demand, as well as weakness in trade activity.
- Air travel in China recorded a strong 10.6% rise in September on a year ago, confirming that the trend in air travel remains robust. Indicators of manufacturing and services activity have improved over recent months, after a period of weakness in Q2. Moreover, with Q3 economic growth picking up pace compared to Q2, the strong trend in domestic air travel is likely to continue.
- Indian domestic traffic was up 16.4% in September year-on-year, another strong rise after August growth of 18.5%. Over recent months, growth rates have experienced substantial volatility. But the growth trend year-to-date has picked up slightly, reaching 4.0% in September, and this is a significant improvement on 2012 performance, when the market contracted 2.1%. As the improvement over recent months is inconsistent with continued weakness in the economy, the rise in demand could be reflecting fare discounting.
- Brazil's air travel markets rose just 1.0% in August, as a result of both capacity reductions and sluggish domestic demand. So far this year, Brazil is the only major domestic market to see a traffic decline (0.3%), with a significant fall in capacity (4.8%). Load factors, however, have benefited from the capacity cuts, and are now 2.3% points higher than a year ago. This should help to combat some of the downward pressure on profitability from weakening economic conditions in Brazil.
- Air travel in Japan continues to increase, with a rise of 7.8% in September year-on-year. Japan's economy continues to show signs of steady improvement, with business activity and trade growth expanding solidly. Manufacturing and services growth reached a four month high in September, according to JP Morgan/Markit surveys of purchasing managers.
- Domestic air travel in other advanced economies was more subdued in September. In Australia domestic air travel increased 2.6% compared to a year ago, down on August growth of 4.4%. Growth so far this year (3.7%)

has slowed compared to performance in 2012 (above 5%), with conservative domestic demand and fragility in the economies of major trade partners, including India and China.

➤ In the US, domestic air travel was up 1.4% in September, similar to August growth of 1.2%. The market has expanded 1.7% year-to-date, which is an improvement on 2012 performance, when US domestic air travel grew just 0.8%. The current demand environment is broadly optimistic, with measures of business activity (JP Morgan/Markit) suggesting that the faster rates of economic growth seen in Q2 will likely be maintained in Q3. However, as mentioned previously, the US government shutdown could potentially have a negative impact on air travel volumes in October.



Total Market (Domestic + International)



ANNEX

Year on Year Comparison	Sep 2013 vs Sep 2012			YTD 2013 vs. YTD 2012		
	RPK	ASK	PLF	RPK	ASK	PLF
Africa	6.9%	7.4%	73.2%	7.2%	5.4%	69.9%
Asia/Pacific	8.5%	7.1%	78.1%	5.2%	4.7%	78.3%
Europe	3.4%	3.1%	83.9%	3.5%	2.1%	81.8%
Latin America	8.3%	6.1%	80.9%	8.5%	8.9%	79.1%
Middle East	10.4%	13.0%	77.2%	12.0%	12.4%	78.1%
North America	2.3%	3.1%	83.9%	2.7%	1.4%	83.5%
International	5.7%	5.7%	80.9%	5.2%	4.4%	80.0%
Australia	2.6%	1.9%	78.1%	3.7%	4.0%	76.5%
Brazil	1.0%	-1.9%	78.1%	-0.3%	-4.8%	75.6%
China P.R.	10.6%	12.1%	80.2%	12.0%	12.1%	81.1%
India	16.4%	5.7%	71.5%	4.0%	0.6%	75.8%
Japan	7.8%	7.5%	69.3%	5.6%	5.6%	63.6%
Russian Federation	12.1%	11.2%	78.7%	9.9%	8.7%	75.6%
US	1.4%	1.0%	81.0%	1.7%	1.6%	84.0%
Domestic	5.1%	4.7%	79.1%	4.8%	4.2%	80.2%
Africa	5.7%	6.0%	73.7%	6.8%	4.8%	70.7%
Asia/Pacific	9.2%	8.4%	78.0%	7.2%	6.7%	78.1%
Europe	3.7%	3.2%	83.1%	3.5%	2.1%	81.0%
Latin America	6.5%	4.0%	79.5%	6.1%	4.8%	77.7%
Middle East	9.5%	12.5%	77.2%	11.0%	11.5%	78.3%
North America	1.7%	1.8%	82.0%	2.0%	1.5%	83.8%
Total Market	5.5%	5.3%	80.3%	5.0%	4.3%	80.1%

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 2013 vs. Aug 2013			Market Share
	RPK	ASK	PLFpt	RPK
Africa	1.3%	0.9%	0.2%	3.4%
Asia/Pacific	-0.1%	0.4%	-0.4%	26.1%
Europe	-0.1%	0.2%	-0.2%	40.2%
Latin America	2.3%	1.4%	0.7%	4.3%
Middle East	0.0%	1.0%	-0.8%	12.4%
North America	-0.3%	0.4%	-0.5%	13.6%
International	0.1%	0.5%	-0.3%	100.0%
Australia	-0.2%	0.7%	-0.9%	3.4%
Brazil	0.2%	-1.6%	1.8%	4.1%
China P.R.	-1.1%	-0.2%	-0.8%	22.0%
India	-7.1%	0.3%	-6.1%	2.6%
Japan	-0.2%	0.6%	-0.5%	3.5%
Russian Federation	-0.2%	-1.0%	0.6%	4.4%
US	-0.2%	-1.3%	0.9%	41.3%
Domestic	-0.2%	-0.5%	0.3%	100.0%
Africa	0.6%	0.6%	0.0%	2.5%
Asia/Pacific	-0.2%	0.3%	-0.4%	30.2%
Europe	0.1%	0.2%	-0.1%	29.4%
Latin America	1.7%	0.3%	1.1%	5.2%
Middle East	0.0%	1.1%	-0.9%	8.4%
North America	-0.4%	-0.7%	0.3%	24.2%
Total Market	0.0%	0.1%	-0.1%	100%

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

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31TH October 2013

FURTHER ANALYSIS AND DATA

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