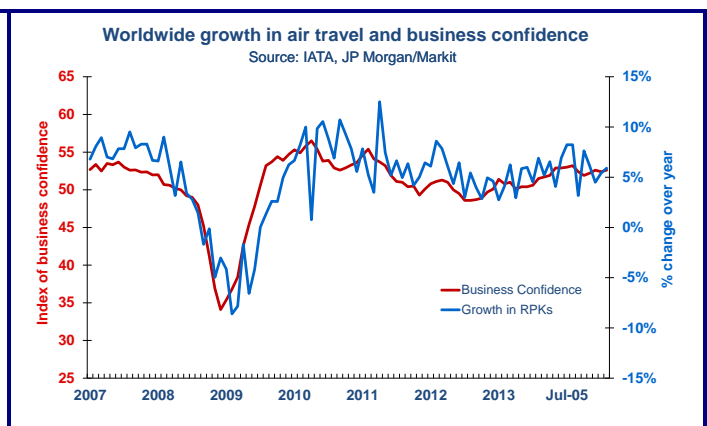
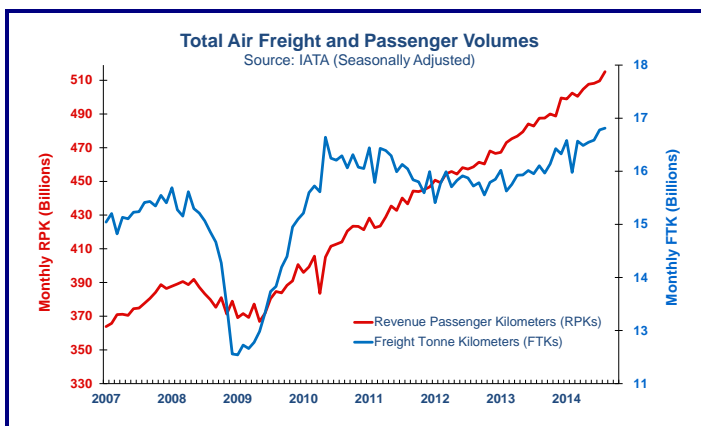


AIR PASSENGER MARKET ANALYSIS

AUGUST 2014

KEY POINTS

- ➔ Air travel volumes were up by a strong 5.9% in August year-on-year, a slight pick-up on July when revenue passenger kilometers rose 5.4% on a year ago.
- ➔ The first chart below shows that expansion in air traffic volumes continues at a strong rate after some slowdown at the start of the year. 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 have started to improve again, but that downside risks have emerged in some regions.
- ➔ International revenue passenger kilometers were up 6.7% in August compared to a year ago, and strong volume expansion was recorded compared to July as well. European airlines recorded growth of 6.8% in August compared to a year ago. Demand for air travel on regionally-based carriers remains strong, but latest indicators show weakness in the Eurozone economic recovery. By contrast, conditions in Asia Pacific have been improving. After a slow start to the year, the Chinese economy has been stabilizing over recent months and regional trade activity which encourages business travel has rebounded fully. Airlines in the region recorded a solid 5.8% rise in international RPKs in August year-on-year.
- ➔ Domestic RPKs rose 4.5% in August year-on-year. Despite the Russia-Ukraine crisis, domestic RPKs in Russia increased by a strong 10.1% in August, supported by a reduction in fares. By contrast, domestic travel in Japan and Australia increased only 1-2%, reflecting downward pressure on demand as the economy adjusts to sales tax implementation (Japan) and the end of a mining-led boom (Australia).
- ➔ Industry load factors increased in August compared to July as a result of a strong expansion in both domestic and international traffic volumes. Although load factors remain at high levels, the trend throughout 2014 has been slightly negative as a result of growth in capacity outstripping expansion in demand.
- ➔ The outlook for air travel remains broadly positive, despite the emergence of some downside risk. Growth in business activity continues to edge higher, albeit slowly, indicating relatively stronger rates of global economic growth in months ahead. Improvements have been driven by positive developments in the US and careful management of the Chinese economy. This should help offset some adverse developments in other parts of the world, including the recent faltering of the Eurozone economic recovery.



Year on Year Comparison

	Aug 2014 vs. Aug 2013			YTD 2014 vs. YTD 2013		
	RPK	ASK	PLF	RPK	ASK	PLF
International	6.7%	6.7%	84.2%	6.3%	6.4%	79.8%
Domestic	4.5%	3.4%	83.4%	5.1%	4.2%	81.1%
Total Market	5.9%	5.5%	83.9%	5.8%	5.6%	80.3%

Month on Month Comparison

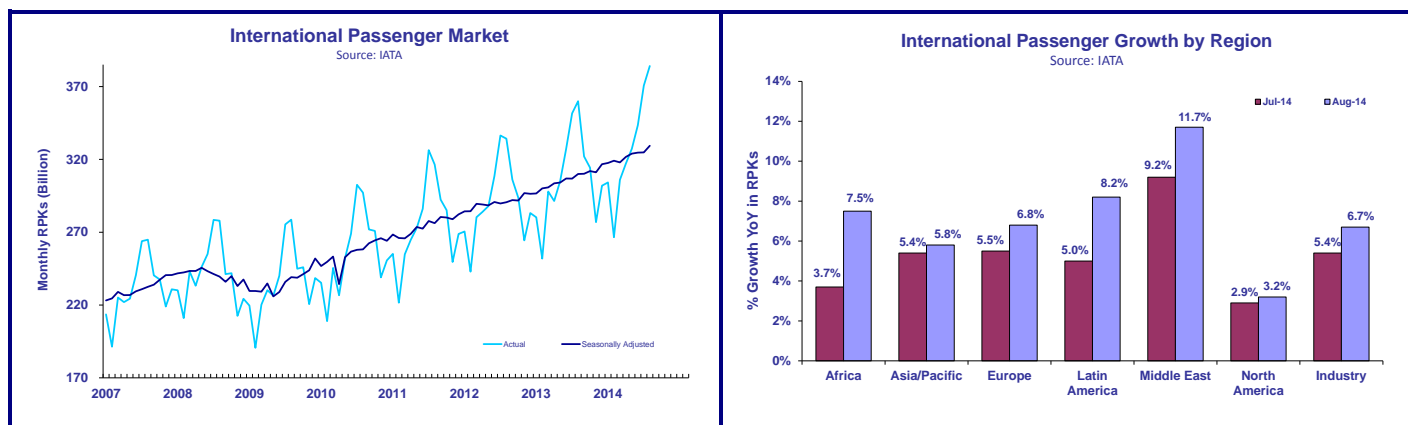
Aug 2014 vs. Jul 2014		
RPK	ASK	PLFpt
1.4%	0.9%	0.4%
0.5%	0.3%	0.1%
1.1%	0.7%	0.3%

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.

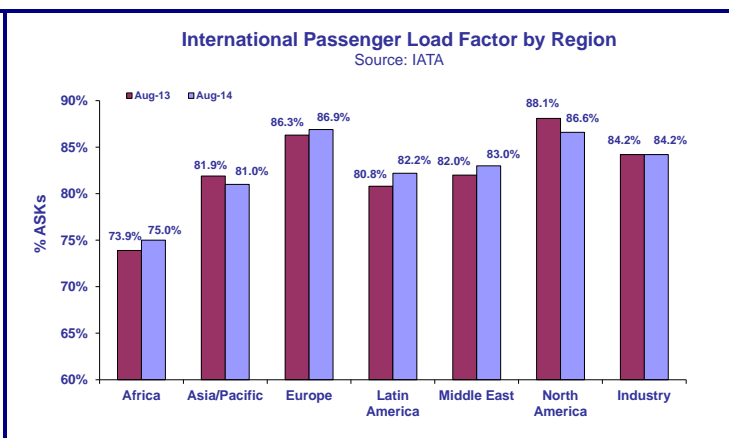
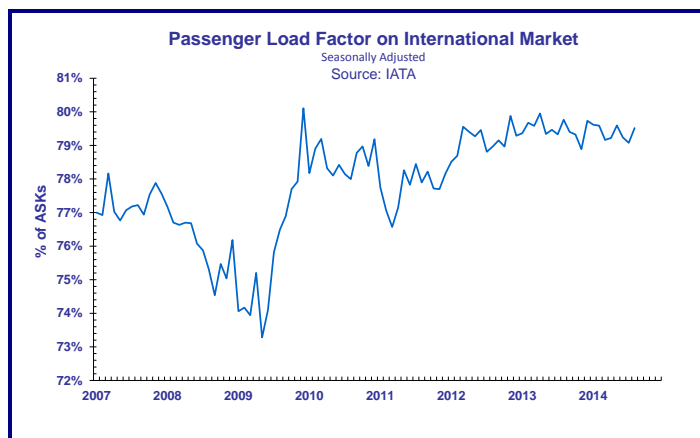
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

PASSENGER MARKET

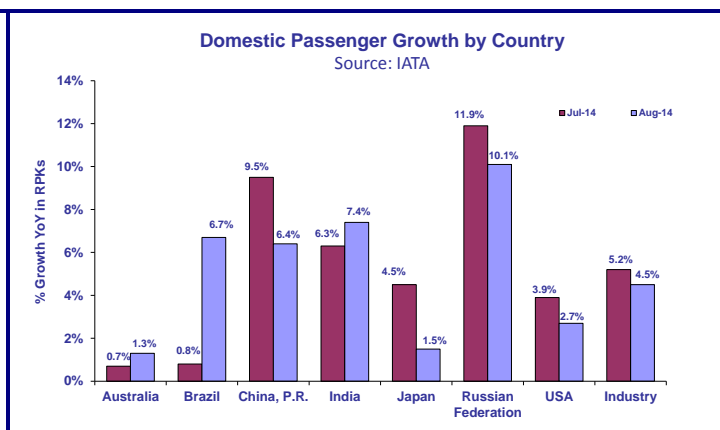
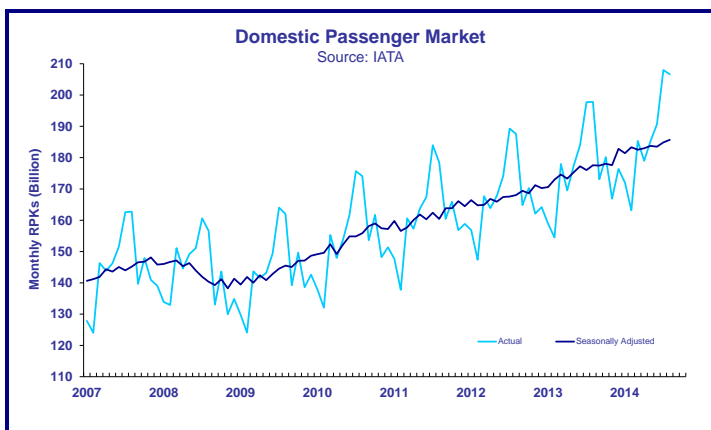
International Markets



- ➔ European airlines recorded growth of 6.8% in August compared to a year ago. Demand for air travel on regional carriers remains strong. But, latest indicators show a weakening in key economies including Germany due to the Russia-Ukraine crisis and related EU sanctions, as well as a reversal in prior improvements in consumer confidence. These developments could place downward pressure on economic recovery and air travel demand in the months ahead.
- ➔ By contrast, conditions in Asia Pacific have been improving. After a slow start to the year, the Chinese economy has been stabilizing over recent months, supported by government fiscal stimulus, and regional trade activity which encourages business travel, has rebounded fully. Airlines in the region recorded a solid 5.8% rise in international RPKs in August year-on-year.
- ➔ North American airlines experienced a 3.2% increase in international RPKs in August compared to a year ago. In the US, recent data reveal that underlying growth trends in business activity are positive and trade volumes are increasing, which bodes well for business-related international travel. According to JP Morgan/Markit, overall business conditions in the US are the strongest they have been since May 2010.
- ➔ Carriers in the Middle East once again recorded the strongest increases in international air travel, with a rise of 11.7% in August 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.
- ➔ Carriers in Latin America experienced strong growth of 8.2% in August year-on-year. This is well above the year-to-date growth of 6.1%. Although economies like Colombia, Peru and Chile continue to expand robustly, regional trade volumes have made no progress this year compared to the highs reached at the end of 2013 and growth in the Brazilian economy remains fundamentally weak, keeping growth during 2014 below 2013 (when international air travel expanded by 8%).
- ➔ By contrast, airlines in Africa experienced a 7.5% rise in international RPKs in August compared to a year ago. There can be significant volatility in volumes for this region, so the acceleration in growth rates (compared to July's 3.7% 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, with the slowdown of the major economy of South Africa.

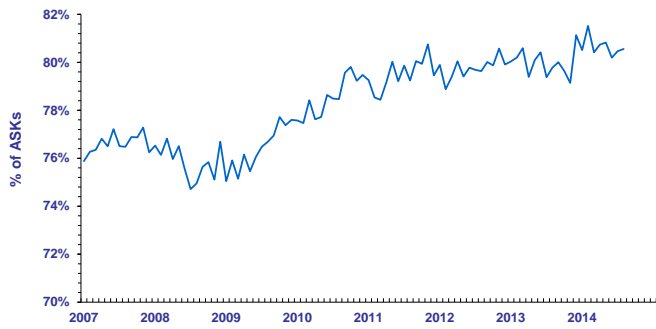


Domestic Market

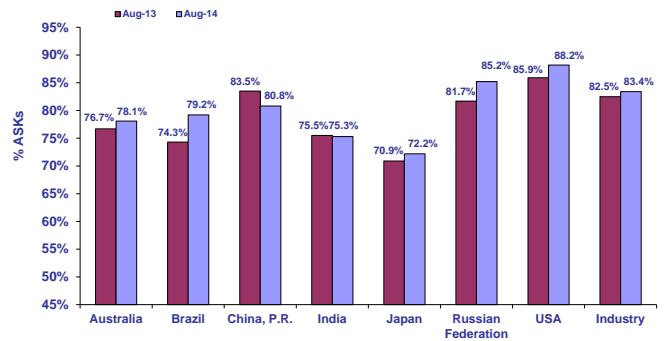


- ➔ Despite the Russia-Ukraine crisis, domestic RPKs in Russia increased at the strongest rate among markets in August, rising 10.1% year-on-year. The crisis has caused a slowdown in economic growth in Russia. Airlines have been able to maintain demand for domestic air travel through significant reductions in fares.
- ➔ India's domestic air travel market increased by a healthy 7.4% in August. Results for the last two months have been solid, perhaps an early sign of improvement as a result of the new business-supportive government regime. However, the latest (July) budget announcement showed that government stimulus through spending will be limited and economic growth could continue to trend below the pace of other emerging markets for some time yet.
- ➔ Chinese RPKs were not too far behind, expanding 6.4% in August year-on-year. This is a slowdown on July growth. Although some indicators like industrial production have shown decline in Q3, business activity (services sectors) has shown 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 rebounded strongly in August, rising 6.7% on a year ago, compared to a weak 0.8% increase in July. So far this year, conditions in the Brazilian economy have been challenging, with inflation continuing to rise and consumer confidence waning. The market experiences considerable volatility in volumes, and given the economic backdrop is weak, the August does not necessarily point to an acceleration in the air travel growth trend.
- ➔ Japan's domestic air travel increased by a slow 1.5% in August compared to a year ago. There has been some volatility 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 as rates seen so far this year (4-5%).
- ➔ In the US, domestic air travel rose by a solid 2.7% in August 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 small 1.3% rise in August 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 and inflation is at a relatively high level.

Passenger Load Factor on Domestic Market
Seasonally Adjusted
Source: IATA

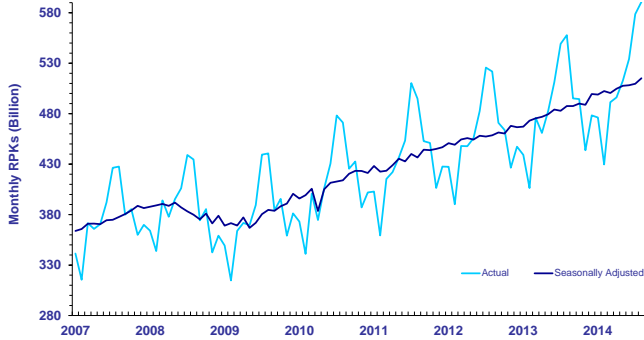


Domestic Passenger Load Factor by Country
Source: IATA

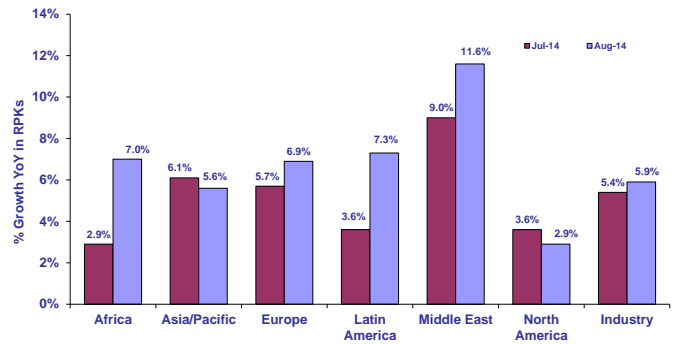


Total Market (Domestic + International)

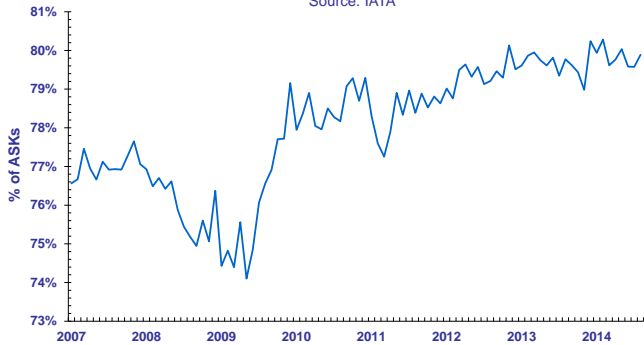
Total Passenger Market
Source: IATA



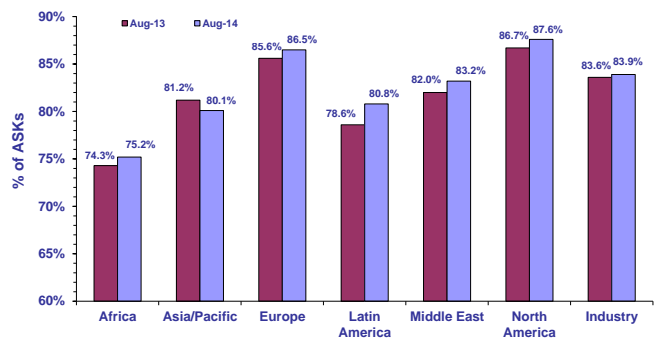
Total Passenger Growth by Region
Source: IATA



Passenger Load Factor on Total Market
Seasonally Adjusted
Source: IATA



Total Passenger Load Factor by Region
Source: IATA



ANNEX

Year on Year Comparison	Aug 2014 vs Aug 2013			YTD 2014 vs. YTD 2013		
	RPK	ASK	PLF	RPK	ASK	PLF
Africa	7.5%	5.9%	75.0%	1.8%	4.6%	67.7%
Asia/Pacific	5.8%	7.0%	81.0%	5.9%	7.2%	77.4%
Europe	6.8%	6.0%	86.9%	5.9%	5.6%	81.9%
Latin America	8.2%	6.4%	82.2%	6.1%	4.4%	80.1%
Middle East	11.7%	10.3%	83.0%	12.6%	10.3%	79.8%
North America	3.2%	5.0%	86.6%	3.4%	4.7%	82.4%
International	6.7%	6.7%	84.2%	6.3%	6.4%	79.8%
Australia	1.3%	-0.6%	78.1%	2.3%	2.7%	75.7%
Brazil	6.7%	0.2%	79.2%	6.3%	0.3%	79.8%
China P.R.	6.4%	10.0%	80.8%	10.4%	11.3%	80.6%
India	7.4%	7.6%	75.3%	3.9%	7.3%	74.0%
Japan	1.5%	-0.4%	72.2%	4.6%	0.8%	65.1%
Russian Federation	10.1%	5.5%	85.2%	11.3%	9.2%	76.6%
US	2.7%	0.0%	88.2%	2.4%	0.7%	85.8%
Domestic	4.5%	3.4%	83.4%	5.1%	4.2%	81.1%
Africa	7.0%	5.7%	75.2%	0.9%	3.7%	68.4%
Asia/Pacific	5.6%	7.1%	80.1%	6.8%	7.7%	77.5%
Europe	6.9%	5.8%	86.5%	6.1%	5.7%	81.2%
Latin America	7.3%	4.3%	80.8%	6.5%	3.5%	79.7%
Middle East	11.6%	10.0%	83.2%	12.2%	10.0%	80.1%
North America	2.9%	1.9%	87.6%	2.7%	2.2%	84.5%
Total Market	5.9%	5.5%	83.9%	5.8%	5.6%	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	Aug 2014 vs. Jul 2014			Market Share
	RPK	ASK	PLFpt	RPK
Africa	2.3%	2.2%	0.0%	3.3%
Asia/Pacific	2.2%	1.1%	0.8%	25.2%
Europe	0.9%	0.5%	0.3%	40.6%
Latin America	3.2%	0.6%	2.1%	4.1%
Middle East	1.6%	1.9%	-0.2%	12.9%
North America	0.5%	0.0%	0.4%	13.9%
International	1.4%	0.9%	0.4%	100.0%
Australia	0.1%	-0.4%	0.6%	2.9%
Brazil	3.7%	1.4%	2.2%	3.7%
China P.R.	-0.1%	1.0%	-0.8%	22.3%
India	8.2%	1.3%	5.0%	2.6%
Japan	0.1%	2.2%	-1.4%	3.3%
Russian Federation	-1.6%	-1.0%	-0.5%	4.6%
US	0.1%	-0.6%	0.6%	42.7%
Domestic	0.5%	0.3%	0.1%	100.0%
Africa	2.4%	2.3%	0.0%	2.4%
Asia/Pacific	1.5%	1.1%	0.2%	29.2%
Europe	0.8%	0.5%	0.3%	29.7%
Latin America	2.5%	0.8%	1.4%	5.0%
Middle East	1.7%	1.9%	-0.2%	8.7%
North America	0.2%	-0.4%	0.5%	25.0%
Total Market	1.1%	0.7%	0.3%	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.

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2ND October 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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