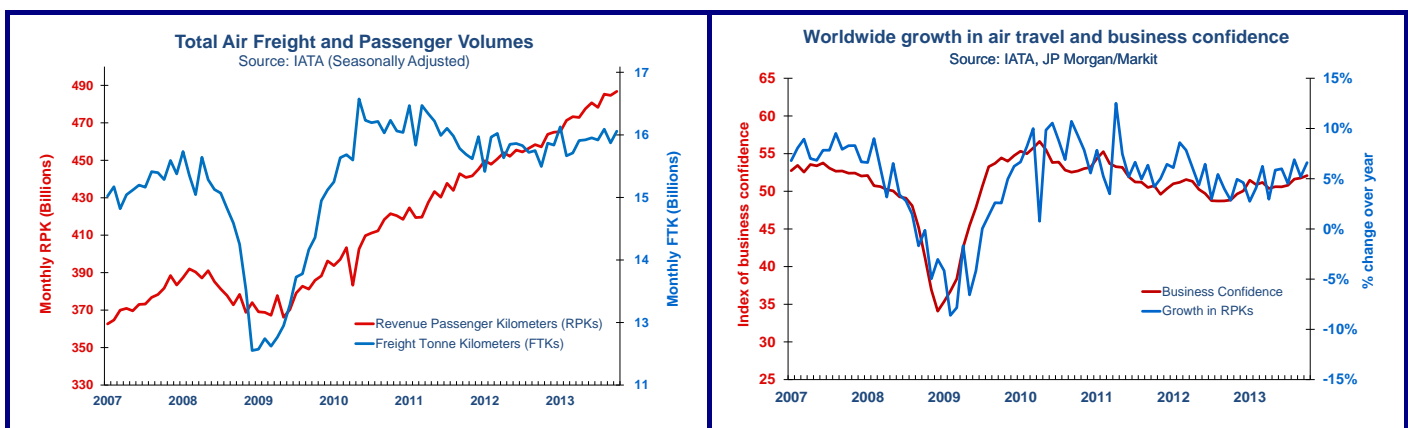


AIR PASSENGER MARKET ANALYSIS

OCTOBER 2013

KEY POINTS

- Air travel markets expanded at a strong rate in October. Global revenue passenger kilometers were up 6.6% compared to a year ago, which is an improvement on the September increase of 5.2%.
- Global air travel volumes continue to trend upward at a solid rate, with a 0.4% expansion in RPKs compared to September. The pace of growth in air travel accelerated slightly in the middle of the year, consistent with positive developments in business confidence and better performance of major advanced economies. As a result, current growth year-to-date has reached 5.2%, a percentage point higher than the rate of expansion in Q2.
- International air travel rose by a strong 6.9% in October compared to year ago, with airlines in all regions seeing growth. The solid performance of Asia Pacific airlines over recent months was sustained in October, with a rise of 7.8% in international RPKs. Current growth rates are an improvement on H1, supported by better performance of major economies like China and Japan over recent months. In Europe, modest economic improvements during the past two quarters and climbing consumer and business confidence have provided a stronger demand base for international air travel, which rose 5.4% in October on a year ago.
- Domestic air travel growth continues to show significant variation across markets. The Chinese and Russia markets recorded some of the strongest increases, up 12.3% and 11.4% in October. While robust economic activity in China is consistent with growth in domestic air travel, growth in Russia's market continues despite indicators showing a slowdown in economic activity. The Australia domestic market recorded another month of weak growth, up 1.2%, but improvements in consumer and business confidence suggest a more positive demand environment ahead.
- Globally, load factors slipped again in October month-on-month with capacity expansion outpacing growth in demand, in both international and domestic markets. Industry load factors remained stable compared to year ago levels. Airlines in Latin America posted the largest improvement on a year ago, supported by tight capacity management.
- The demand environment for air travel continues to improve, suggesting the strong growth seen in October should be at least maintained through to the end of the year. Business confidence is rising and emerging economies, particularly in Asia, are accelerating after a mid-year slowdown. Positive indicators for international trade should also support business travel growth, which delivers a significant revenue contribution for airlines.



Year on Year Comparison

	Oct 2013 vs. Oct 2012			YTD 2013 vs. YTD 2012		
	RPK	ASK	PLF	RPK	ASK	PLF
International	6.9%	6.6%	78.4%	5.3%	4.7%	79.8%
Domestic	6.0%	6.3%	79.8%	4.8%	4.4%	80.2%
Total Market	6.6%	6.5%	78.9%	5.2%	4.6%	79.9%

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.

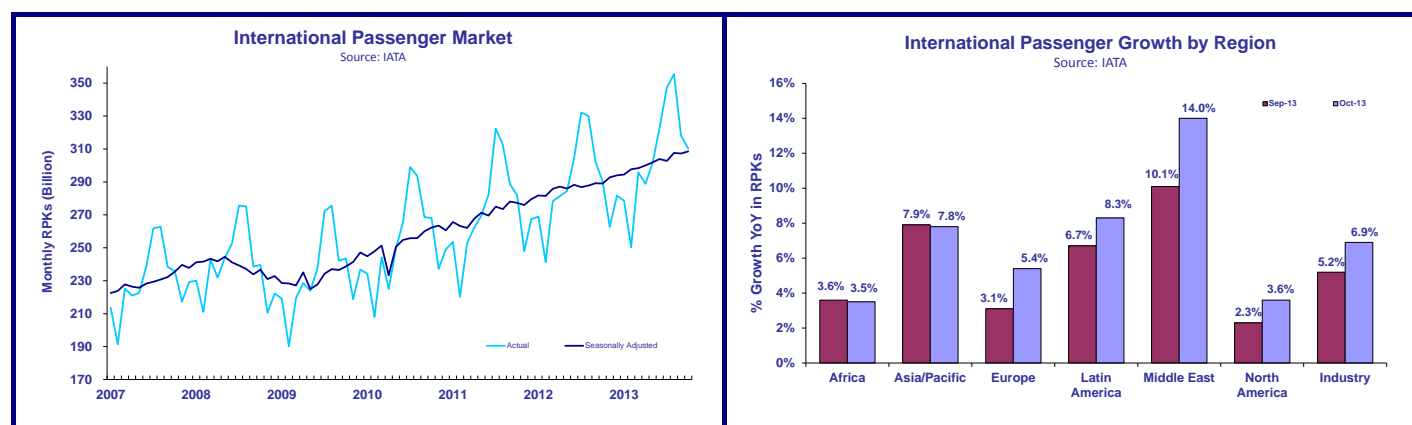
Month on Month Comparison

	Oct 2013 vs. Sep 2013		
	RPK	ASK	PLFpt
International	0.4%	0.7%	-0.2%
Domestic	0.5%	1.1%	-0.6%
Total Market	0.4%	0.8%	-0.3%

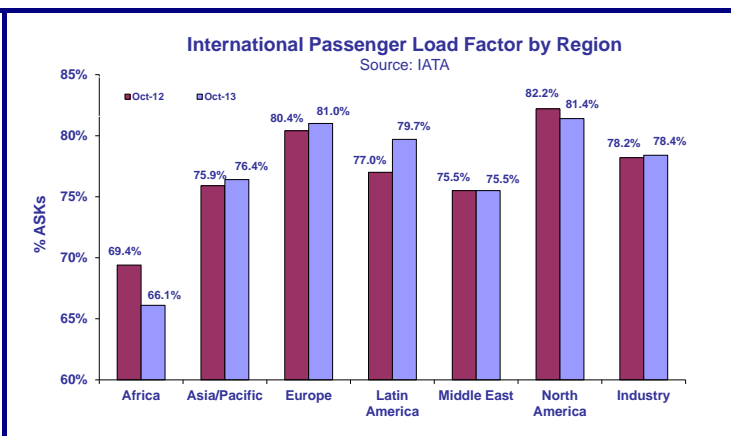
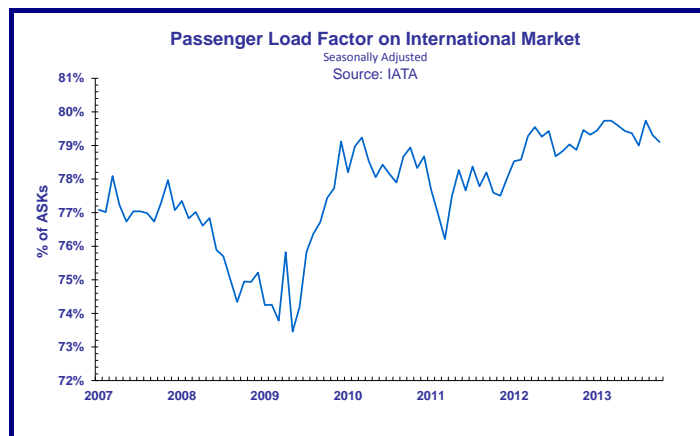
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

PASSENGER MARKET

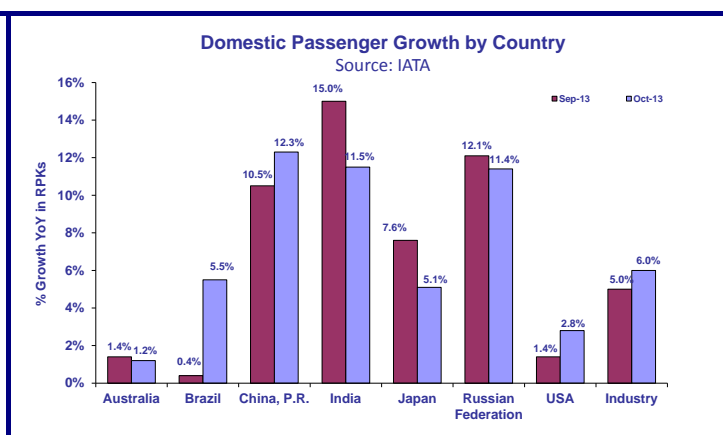
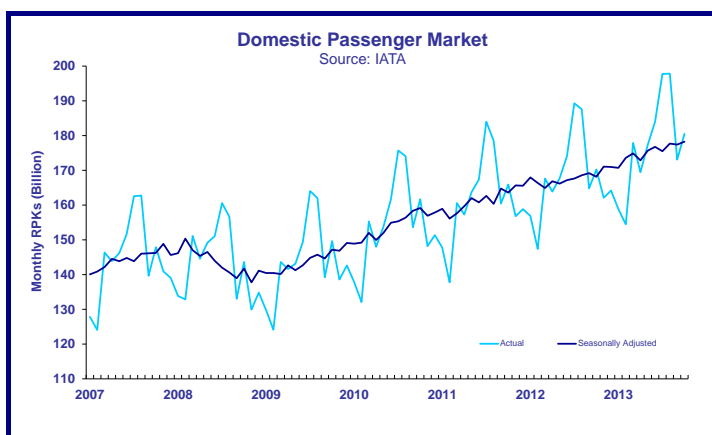
International Markets



- International air travel recorded a strong rise in October compared to a year ago, up 6.9%. This is a solid increase on growth in September (5.2%) and also above the trend year-to-date (5.3%). There was also a rise of 0.4% in October compared to September, maintaining the upward growth trend in international air travel seen throughout much of the year. However, despite the growth in demand, there was excess capacity on international markets which drove load factors down by 0.2% points in October compared to September.
- International air travel increased for airlines in all regions compared to a year ago. The solid performance of Asia Pacific airlines over recent months was sustained in October, with a rise of 7.8% in international RPKs. Current growth rates are an improvement on H1, supported by better performance of major economies like China and Japan over recent months. The region's economic growth and outlook have improved in part due to better performance of major advanced economies, but there has also been resilience in domestic demand in economies like Korea and Malaysia. International trade volumes in emerging Asia rebounded in September, a turnaround from significant declines mid-year, which should support business travel related to internationally trading industries.
- In Europe, modest economic improvements during the past two quarters and climbing consumer and business confidence have provided a stronger demand base for international air travel, which rose 5.4% in October on a year ago. The Eurozone stopped contracting in Q2 and has maintained the modest economic recovery in H2 2013. Growth has slowed, however, from 0.3% in Q2 to just 0.1% in Q3, as the recovery remains fragile and patchy. Indicators of business and consumer confidence do suggest that there will be further growth through to the end of the year, albeit at a weak pace, which should help sustain demand for air transport.
- Middle Eastern carriers experienced the strongest rate of increase in international RPKs in October, up 14.0% compared to a year ago, with growth so far this year reaching 12.1%. Airlines in the region have benefited from strong growth in business-related premium travel throughout the year, particularly to developing markets like Africa. Continued increases in export orders suggest that business travel related to internationally trading industries will continue to grow. Solid performance of key economies like Saudi Arabia and the United Arab Emirates has also supported strong expansion in both business and leisure travel to regions like Europe.
- Growth was also strong in Latin America, up 8.3% on a year ago, buoyed by solid trade growth and business related travel. While tax breaks and investment incentives are doing little to boost growth in the Brazilian economy, other economies like Colombia, Peru and Chile are expanding strongly and supporting demand for international air travel. Markets like North and Latin American have recording robust growth during 2013, for both business and leisure travel, supported by growth in the aforementioned economies.
- North American airlines recorded a 3.6% rise in international air travel in October year-on-year, an improvement on September growth of 2.3%. Recent indications have been suggesting a more supportive business environment, with consumer confidence and business activity showing improvement throughout the third quarter. But rates of manufacturing and services sector growth are still a fraction of those seen at the start of the year, so growth in international travel for airlines in the region could remain close to year-to-date rates (2.8%) for the rest of the year.

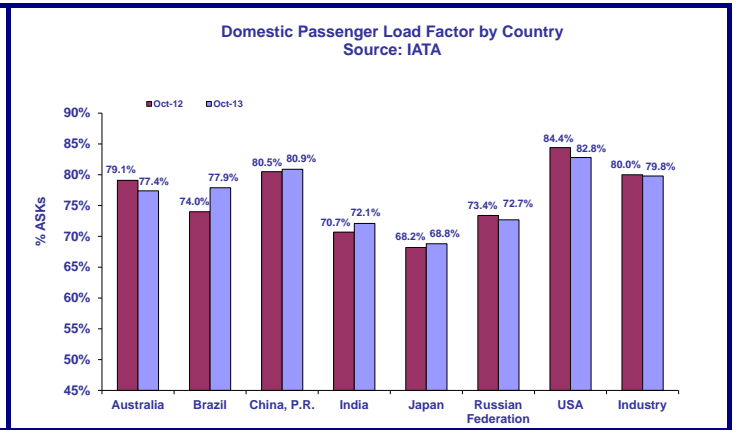
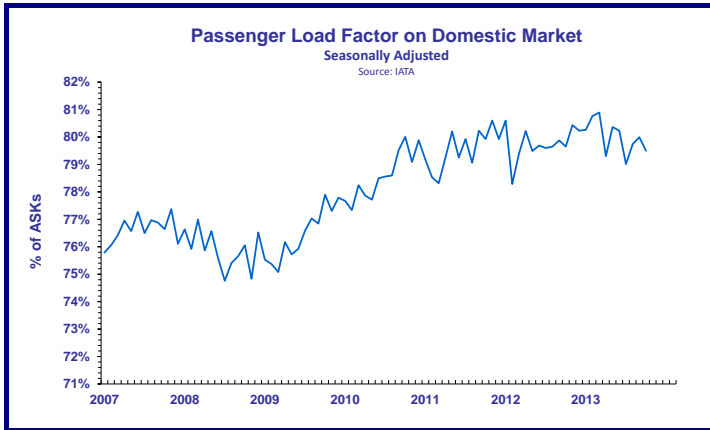


Domestic Market

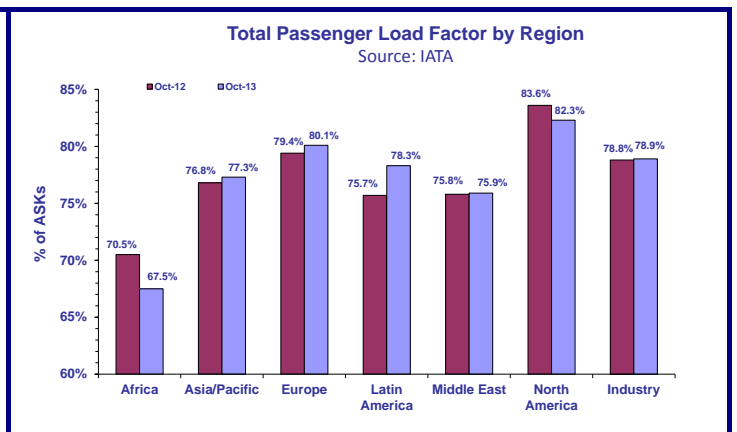
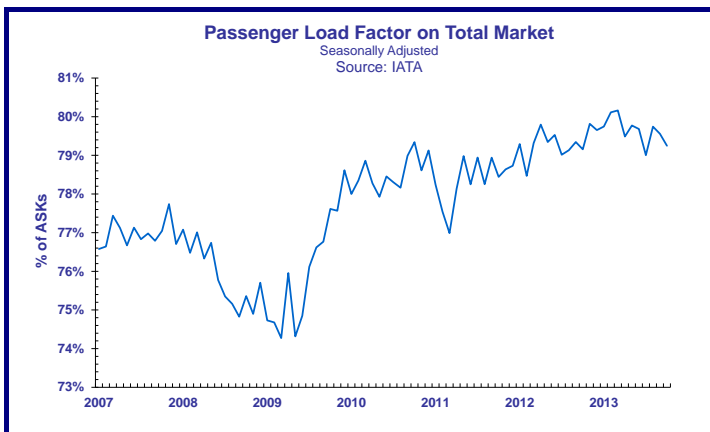
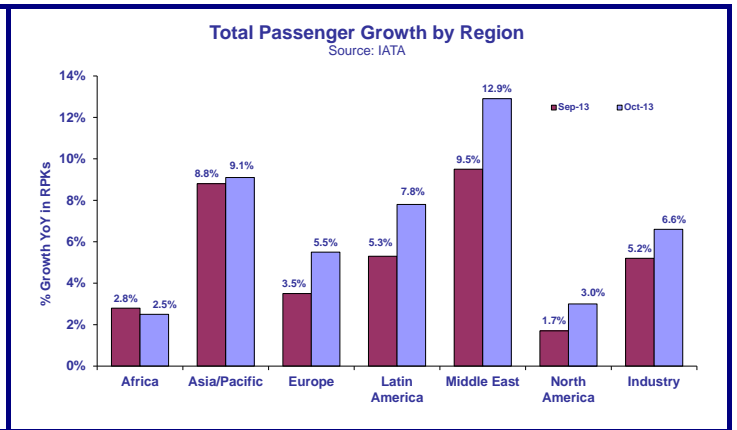
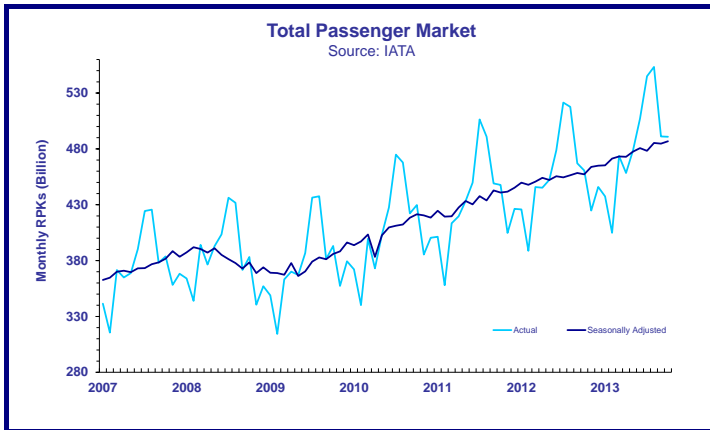


- Domestic RPKs were up a solid 6.0% in October year-on-year, just slightly up on September growth of 5.1%. Volumes also increased in October compared to September (0.5%), but there was a faster pick-up in capacity expansion (1.1%), which pushed load factors on domestic markets overall down 0.6% points – this continues the weakening trend seen throughout 2013.
- Domestic air travel growth continues to show significant variation across markets. The Chinese and Russia markets recorded some of the strongest increases, up 12.3% and 11.4%, respectively, in October. While robust economic activity in China is consistent with growth in domestic air travel, growth in Russia's market continues despite indicators showing a slowdown in economic activity, with weakness in consumer demand and trade activity.
- Indian domestic traffic was up 11.5% in October year-on-year. Growth rates have experienced substantial volatility this year, and the 7.1% contraction in October compared to September suggests that part of the strong year-on-year comparison this month is a result of unusually low volumes a year ago rather than growth this October. Growth year-to-date is well below recent months' year-on-year comparisons at 4.6%, but this is a significant improvement on 2012 performance, when the market contracted 2.1%.
- Brazil's air travel markets increased 5.5% in October, which is a significant improvement compared to September (0.4%) and in contrast to air travel growth trends this year. Weaker domestic demand coupled with capacity reductions have resulted in growth of just 0.2%. Load factors have benefited from the capacity cuts, with levels almost 4% higher in October compared to a year ago – the largest improvement on any major domestic markets.
- Domestic air travel in advanced economies showed mixed results in October. Japan's market continues to show strong growth, with a rise of 5.1% in October, supported by sustained increases in business activity and trade growth. In the US, growth was 2.8% in October, which is a solid result compared to expansion so far this year (1.7%), and suggests there was little impact on domestic air travel demand from the US government shutdown that occurred in the same month. In Australia, domestic air travel increased 1.2% compared to a year ago, similar to September growth of 1.4%. Demand for air travel in Australia has been contained by weaker domestic demand and earlier sluggishness in growth of major trade partners like China. However, interest rates cuts appear to be

having their desired effect with improvements in business and consumer confidence suggesting a more positive economic outlook.



Total Market (Domestic + International)



ANNEX

Year on Year Comparison	Oct 2013 vs Oct 2012			YTD 2013 vs. YTD 2012		
	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>
Africa	3.5%	8.7%	66.1%	6.4%	5.7%	69.3%
Asia/Pacific	7.8%	7.1%	76.4%	5.4%	4.9%	78.1%
Europe	5.4%	4.6%	81.0%	3.7%	2.5%	81.6%
Latin America	8.3%	4.6%	79.7%	8.3%	8.4%	79.0%
Middle East	14.0%	13.9%	75.5%	12.1%	12.5%	77.8%
North America	3.6%	4.6%	81.4%	2.8%	1.8%	83.3%
International	6.9%	6.6%	78.4%	5.3%	4.7%	79.8%
Australia	1.2%	3.5%	77.4%	3.0%	4.1%	76.2%
Brazil	5.5%	0.2%	77.9%	0.2%	-4.3%	75.8%
China P.R.	12.3%	11.7%	80.9%	12.0%	12.0%	81.1%
India	11.5%	9.4%	72.1%	4.6%	1.6%	75.2%
Japan	5.1%	4.1%	68.8%	5.5%	5.5%	64.1%
Russian Federation	11.4%	12.5%	72.7%	10.1%	9.1%	75.3%
US	2.8%	4.7%	82.8%	1.7%	1.8%	83.9%
Domestic	6.0%	6.3%	79.8%	4.8%	4.4%	80.2%
Africa	2.5%	7.1%	67.5%	6.1%	5.0%	70.2%
Asia/Pacific	9.1%	8.4%	77.3%	7.4%	6.9%	78.0%
Europe	5.5%	4.5%	80.1%	3.7%	2.4%	80.8%
Latin America	7.8%	4.2%	78.3%	6.2%	4.7%	77.7%
Middle East	12.9%	12.8%	75.9%	11.2%	11.6%	78.1%
North America	3.0%	4.6%	82.3%	2.1%	1.8%	83.7%
Total Market	6.6%	6.5%	78.9%	5.2%	4.6%	79.9%

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	Oct 2013 vs. Sep 2013			Market Share
	RPK	ASK	PLFpt	RPK
Africa	-0.4%	0.6%	-0.7%	3.4%
Asia/Pacific	-0.3%	0.4%	-0.6%	26.1%
Europe	0.8%	0.7%	0.1%	40.2%
Latin America	0.7%	0.6%	0.1%	4.3%
Middle East	1.1%	1.2%	-0.1%	12.4%
North America	0.3%	0.6%	-0.2%	13.6%
International	0.4%	0.7%	-0.2%	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	0.5%	1.1%	-0.6%	100.0%
Africa	-0.4%	0.6%	-0.7%	2.5%
Asia/Pacific	-0.1%	0.5%	-0.4%	30.2%
Europe	0.7%	0.8%	0.0%	29.4%
Latin America	1.2%	1.2%	0.0%	5.2%
Middle East	1.0%	1.1%	-0.1%	8.4%
North America	0.5%	1.2%	-0.6%	24.2%
Total Market	0.4%	0.8%	-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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5TH December 2013

FURTHER ANALYSIS AND DATA

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

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