

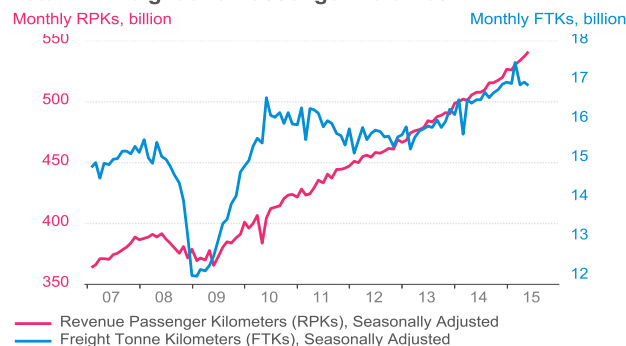
AIR PASSENGER MARKET ANALYSIS

MAY 2015

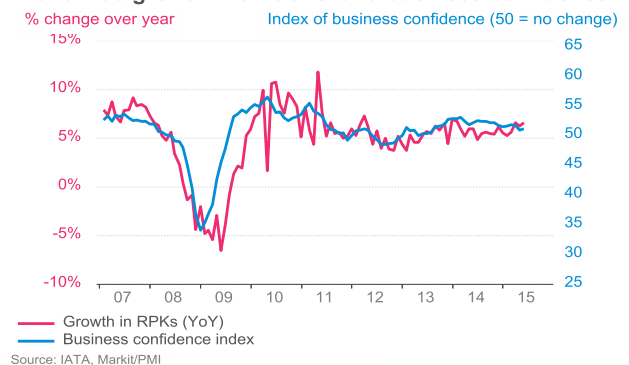
KEY POINTS

- ✈ Global air travel rose by a strong 6.9% in May compared to a year ago. This was an acceleration on April year-over-year growth of 5.7%. Air travel was strong on international and domestic markets, particularly those in Asia Pacific.
- ✈ The trend in RPKs (first chart below) shows an expansion in volumes in May compared to April (0.7%). These volumes are adjusted for seasonal ups and downs and various holidays, and therefore provide an indication of the underlying trend in air travel volumes. The May result confirms that growth in passenger volumes remains robust.
- ✈ On international markets, carriers in the Asia Pacific region experienced a 9.4% rise. Although a slowdown compared to results seen throughout Q1 which were given a boost by Lunar New Year holiday-related travel, the result was healthy. The strength of international air travel for Asia Pacific carriers comes despite a weakness in regional trade activity during recent months. Such developments have the potential to erode demand for business related air travel.
- ✈ In other regions, international air travel for European carriers continues to rise, up 5.9% in May year-on-year. The trend will likely continue, despite some downward pressure on economic progress due to firming in the Euro and oil prices. International air travel on North American carriers was up just 2.0% in May, but this is an improvement on the April rise of 0.7%. Expectations for better economic performance in Q2 should support demand for air travel, but it is likely that the strengthening dollar will continue to place downward pressure on international leisure travel to the US.
- ✈ On domestic markets, India continues to record very strong growth, up 18.2%, likely owing to market stimulation by local carriers as well as notable improvements in economic growth. By contrast, air travel in Australia fell by 1.3% in May year-on-year. There are signs of improvements in the economy with business activity increasing over recent months, but that has yet to translate to a turnaround for air travel; and domestic consumption remains weak.
- ✈ Industry load factors continue to show an upward trend. Despite lower oil prices, airlines are adding capacity at a slower rate than the expansion in demand.
- ✈ The economic outlook remains broadly positive with the fall in oil prices compared to mid-2014 expected to sustain growth and demand for passenger travel in 2015. Although weakness in emerging markets has caused improvements in business confidence to stagnate recently, some advanced economies are showing improvement, which should help support growth in air travel.

Total Air Freight and Passenger Volumes



Worldwide growth in air travel and business confidence



Air Passenger Forecast service

The new joint venture between
IATA and Tourism Economics



Including
comprehensive
forecasts down to
a country-pair level

Year on Year Comparison

Month on Month Comparison

	May 2015 vs. May 2014			YTD 2015 vs. YTD 2014			May 2015 vs. Apr 2015		
	RPK	ASK	PLF	RPK	ASK	PLF	RPK	ASK	PLFpt
International	7.1%	6.7%	78.4%	6.5%	6.2%	78.2%	0.9%	0.9%	0.0%
Domestic	6.6%	6.2%	81.0%	6.1%	5.4%	80.4%	0.4%	0.6%	-0.2%
Total Market	6.9%	6.5%	79.3%	6.3%	5.9%	79.0%	0.7%	0.8%	-0.1%

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.

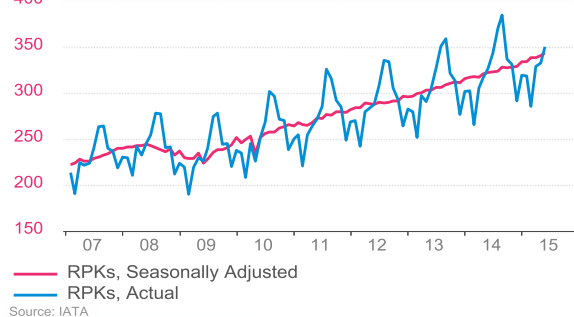
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

PASSENGER MARKET

International Markets

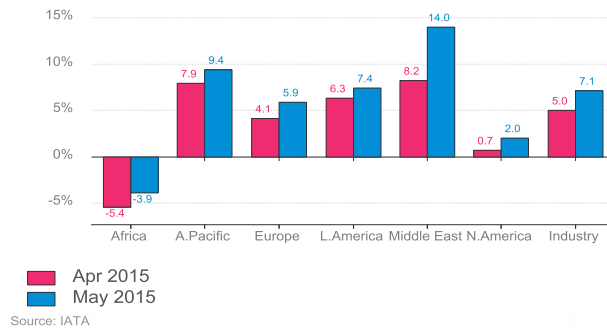
International Passenger Market

Monthly RPKs, billion



International Passenger Growth by Region

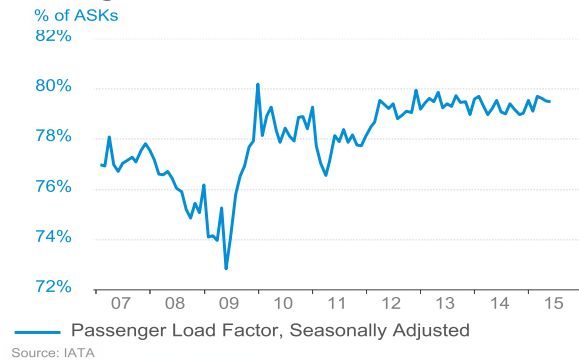
% change over year



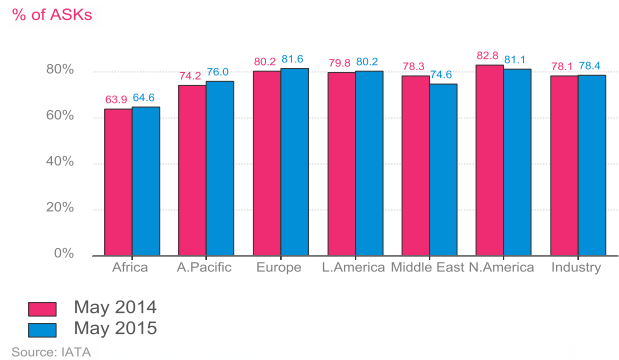
- ➔ Most regions posted strong increases in May compared to a year ago. On international markets, carriers in the Asia Pacific region experienced a 9.4% rise. Although a slowdown compared to results seen throughout Q1 which were given a boost by Lunar New Year holiday-related travel, the result was healthy. The strength of international air travel for Asia Pacific carriers comes despite a weakness in regional trade activity during recent months. Such developments have the potential to erode demand for business-related air travel.
- ➔ Turning to other regions, international air travel for European carriers continues to rise, up 5.9% in May year-on-year. The trend will likely continue, despite some downward pressure on economic progress due to firming in the Euro and oil prices. That said, latest developments have increased the likelihood of Greece exiting the Eurozone, which has the potential to inject further uncertainty into the region's economy.
- ➔ International air travel on North American carriers was up just 2.0% in May, but this is an improvement on the April rise of 0.7%. Expectations for better economic performance in Q2 should support demand for air travel, but it is likely that the strengthening dollar will continue to place downward pressure on international leisure travel to the US.
- ➔ Carriers in the Middle East recorded strong growth of 14%. Markit's measures of business activity in non-oil sectors continue to show improvement and point to strong growth. The particularly strong result for May could reflect some additional travel prior to Ramadan (beginning in June this year), which typically results in a slowdown for air travel as people stay home for the duration of the Holy month.
- ➔ Growth on Latin American carriers accelerated in May, rising 7.4% year-on-year. Regional trade volumes have been improving over recent months, and despite weakness in Brazil and Argentina, the increase in trade activity has provided a boost to business-related international travel.

- ➔ International RPK growth for African carriers was weakest among all regions, with volumes down 3.9% in May year-on-year. The recent weakness appears to reflect adverse economic developments in parts of the continent, not least in its largest economy, Nigeria, which is highly reliant on oil revenues.

Passenger Load Factor on International Market

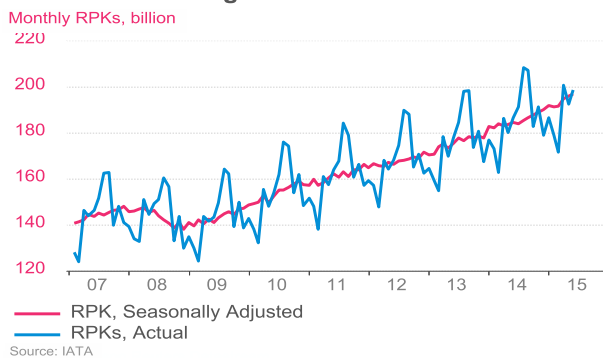


International Passenger Load Factor by Region

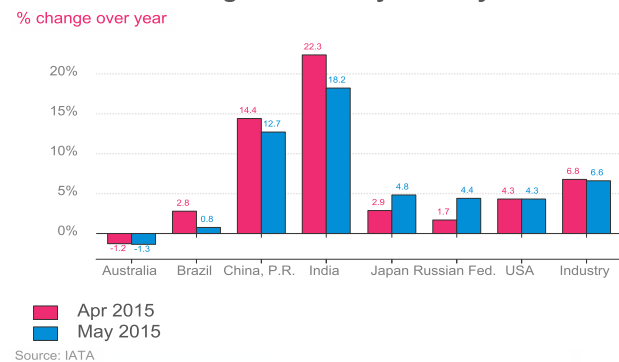


Domestic Market

Domestic Passenger Market

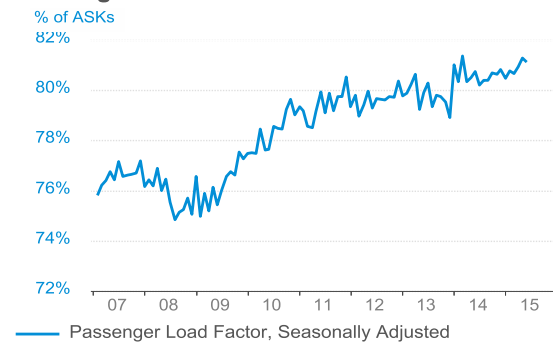


Domestic Passenger Growth by Country

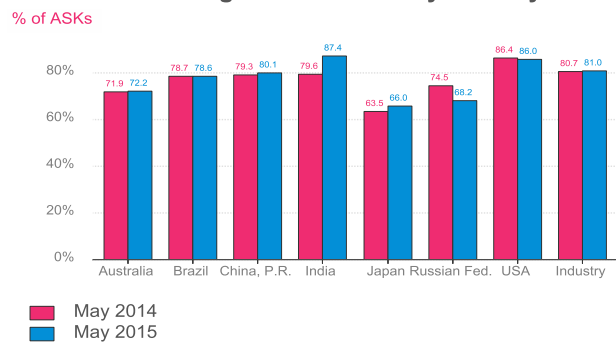


- ➔ On domestic markets, India continues to record very strong growth, up 18.2%, likely owing to market stimulation by local carriers as well as notable improvements in economic growth. Supportive monetary policy is expected to help economic growth in India surpass that of China during the next 2 years.
- ➔ By contrast, air travel in Australia fell by 1.3% in May year-on-year. There are signs of improvements in the economy with business activity increased over recent months, but that is yet to translate to a turnaround for air travel and domestic consumption remains weak.
- ➔ Domestic RPKs in China were up by a strong 12.7% in May year-on-year. Recent data show that Q1 2015 GDP growth was 7% compared to same period a year ago, which is a slowdown on Q4 2014 growth of 7.3%. Nonetheless, we have yet to see any weakness in demand for domestic air travel in China.
- ➔ By contrast, air travel in Russia remains weak, but slightly improved on April. In May, the domestic Russian air travel market was up 4.4%, compared to just 1.7% in April. The favorable base effects seen at the start of the year have been dropping out of the year-on-year comparisons over recent months, consistent with the economy being in recession.
- ➔ Domestic air travel in Japan recorded a vigorous month in May, up 4.8% year-on-year. The economy stabilized in Q4 2014 and expectations for 2015 are becoming more positive. Air travel demand should receive a boost if predictions for wage growth in 2015 are realized.
- ➔ The US domestic market trended up in the latter months of 2014, coinciding with a pick-up in consumer confidence and rising employment activity. The market was up 4.3% in May year-on-year, which is a solid result and indicative of improving economic performance in Q2, after temporary factors weighed down growth in Q1.

Passenger Load Factor on Domestic Market

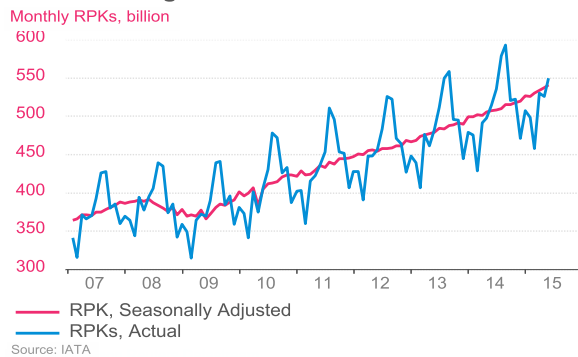


Domestic Passenger Load Factor by Country

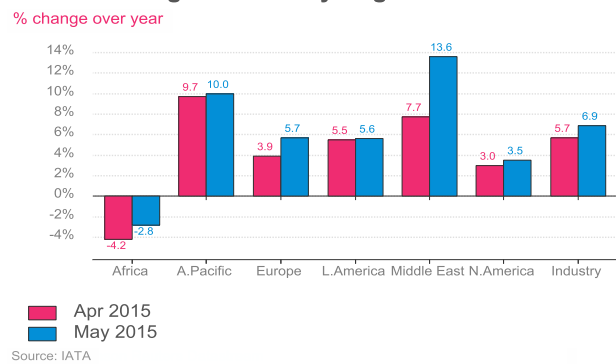


Total Market (Domestic + International)

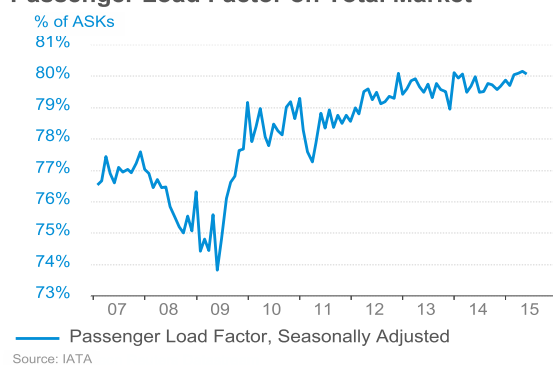
Total Passenger Market



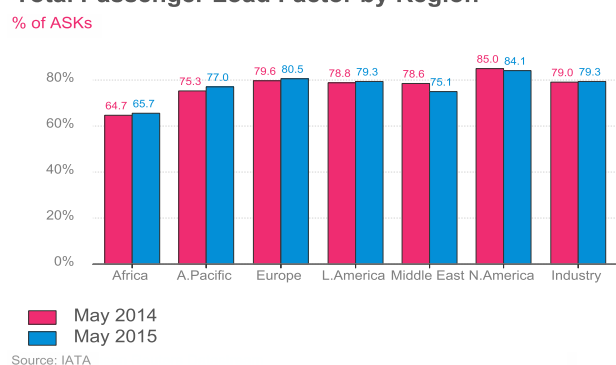
Total Passenger Growth by Region



Passenger Load Factor on Total Market



Total Passenger Load Factor by Region



ANNEX

Year on Year Comparison	May 2015 vs May 2014			YTD 2015 vs. YTD 2014		
	RPK	ASK	PLF	RPK	ASK	PLF
Africa	-3.9%	-4.9%	64.6%	-2.6%	-2.9%	65.7%
Asia/Pacific	9.4%	6.8%	76.0%	8.6%	6.7%	77.5%
Europe	5.9%	4.1%	81.6%	5.2%	4.2%	80.0%
Latin America	7.4%	6.8%	80.2%	6.4%	6.4%	79.3%
Middle East	14.0%	19.7%	74.6%	12.1%	15.3%	77.2%
North America	2.0%	4.2%	81.1%	2.3%	3.5%	79.3%
International	7.1%	6.7%	78.4%	6.5%	6.2%	78.2%
Australia	-1.3%	-1.7%	72.2%	-0.7%	-1.1%	74.9%
Brazil	0.8%	0.9%	78.6%	4.1%	2.7%	80.5%
China P.R.	12.7%	11.6%	80.1%	12.0%	11.4%	81.3%
India	18.2%	7.7%	87.4%	20.1%	5.2%	84.3%
Japan	4.8%	0.9%	66.0%	3.7%	1.6%	65.5%
Russian Federation	4.4%	14.0%	68.2%	3.7%	7.9%	67.9%
US	4.3%	4.9%	86.0%	3.5%	3.8%	84.1%
Domestic	6.6%	6.2%	81.0%	6.1%	5.4%	80.4%
Africa	-2.8%	-4.2%	65.7%	-1.9%	-2.3%	66.7%
Asia/Pacific	10.0%	7.5%	77.0%	9.3%	7.3%	78.1%
Europe	5.7%	4.4%	80.5%	4.9%	4.1%	78.9%
Latin America	5.6%	5.0%	79.3%	6.0%	5.4%	79.5%
Middle East	13.6%	19.0%	75.1%	11.5%	14.5%	77.5%
North America	3.5%	4.6%	84.1%	3.1%	3.6%	82.3%
Total Market	6.9%	6.5%	79.3%	6.3%	5.9%	79.0%

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	May 2015 vs. Apr 2015			Market Share
	RPK	ASK	PLFpt	RPK
Africa	-0.1%	0.6%	-0.5%	2.0%
Asia/Pacific	1.0%	1.2%	-0.1%	26.2%
Europe	0.5%	0.1%	0.3%	39.4%
Latin America	1.3%	0.8%	0.4%	4.3%
Middle East	2.2%	2.9%	-0.5%	13.8%
North America	0.5%	0.7%	-0.1%	13.6%
International	0.9%	0.9%	0.0%	100.0%
Australia	-1.4%	0.0%	-1.0%	2.7%
Brazil	-1.1%	0.0%	-0.9%	3.8%
China P.R.	0.2%	0.6%	-0.3%	22.1%
India	-1.8%	1.4%	-2.7%	3.4%
Japan	1.4%	0.8%	0.4%	3.3%
Russian Federation	3.4%	2.0%	1.0%	3.5%
US	0.7%	0.8%	-0.1%	43.5%
Domestic	0.4%	0.6%	-0.2%	
Africa	-0.4%	0.6%	-0.6%	2.0%
Asia/Pacific	0.6%	0.8%	-0.2%	30.4%
Europe	0.5%	0.1%	0.3%	28.0%
Latin America	0.4%	0.7%	-0.2%	5.2%
Middle East	2.2%	2.8%	-0.4%	9.2%
North America	0.7%	0.8%	-0.1%	25.3%
Total Market	0.7%	0.8%	-0.1%	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.

IATA Economics
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