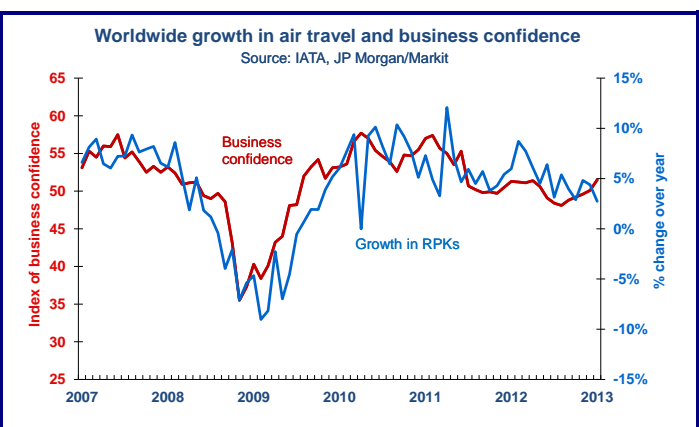
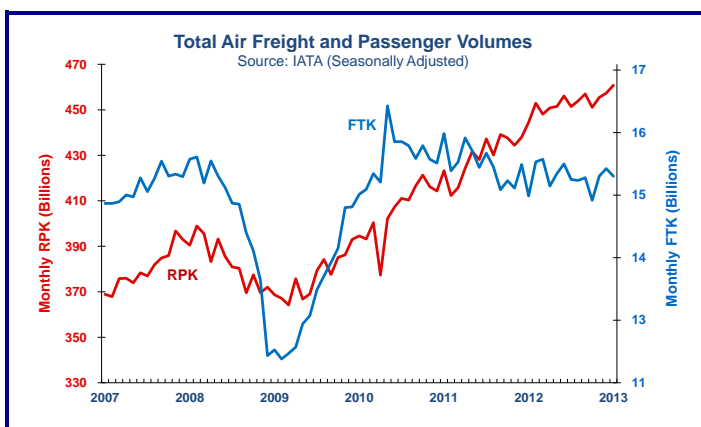


AIR PASSENGER MARKET ANALYSIS

JANUARY 2013

KEY POINTS

- The improvement in global air travel demand seen at the end of 2012 has continued into the New Year. In January the size of the global air travel market expanded 0.7% compared to December.
- The year-on-year comparison indicates that air travel was 2.7% higher in January than a year ago. Due to the timing of the Chinese New Year holiday – which occurred a month later in 2013, in February – this growth result is negatively impacted from the holiday-related spike in air travel in January 2012. After adjusting for seasonal factors, we estimate that air travel volumes were about 3.5% higher in January compared to a year ago.
- The trend in passenger travel, as reflected by the seasonally adjusted passenger volumes in the first chart below, shows acceleration in growth over the past several months. Between October and January, global RPKs have been expanding at an annualized rate of 9%, well above the 5% growth seen throughout 2012 as a whole.
- Air travel markets have benefited from an overall improvement in the business environment over recent months. Business confidence has been increasing steadily since mid-2012 through further traction in the US and Chinese economies as well as stabilization of the Eurozone crisis, all helping improve the outlook for 2013.
- On international markets, half of the growth in air travel in January compared to October was carried by Asia-Pacific airlines. Acceleration in China's economy and growth in Asian trade supported the increase in air travel. By contrast, airlines from the struggling European region seized only 1% of the travel growth over recent months.
- Domestic air travel markets showed mixed results in January. China's domestic market was about 5% higher in January compared to a year ago after adjusting for seasonal factors – a solid result reflecting the stronger economic backdrop. By contrast, demand for air travel in India and Japan was down on a year ago, also reflecting the state of the economies in those countries, which continue to weaken.
- The solid growth in air travel over the month combined with tighter airline capacity management helped load factors rise even higher in January. In fact, seasonally adjusted passenger load factors on domestic markets reached a new record high, above 80%.
- Looking ahead, current levels of business confidence are pointing to further growth in air travel demand. Nevertheless, with persisting weakness in many Eurozone economies, downside risks to the growth trajectory of air travel remain relevant.



Year on Year Comparison

	Jan 2013 vs. Jan 2012			2012 vs. 2011		
	RPK	ASK	PLF	RPK	ASK	PLF
International	3.7%	2.7%	77.6%	6.1%	4.2%	78.9%
Domestic	1.1%	1.4%	76.4%	4.0%	3.8%	79.5%
Total Market	2.7%	2.2%	77.1%	5.3%	4.0%	79.1%

Month on Month Comparison

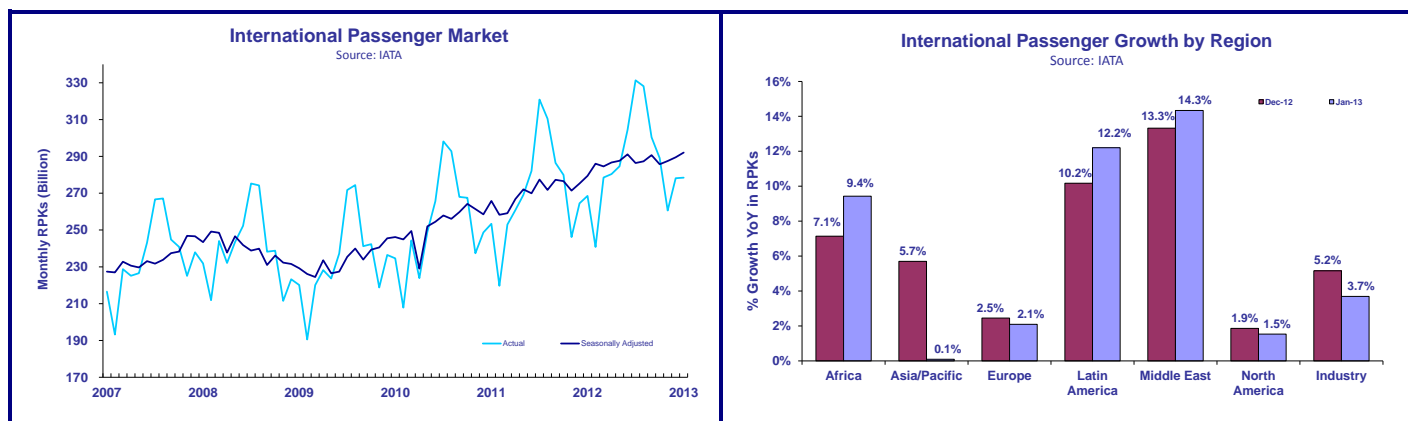
Jan 2013 vs. Dec 2012		
RPK	ASK	PLFpt
0.9%	0.3%	0.6%
0.5%	-0.1%	0.5%
0.7%	0.1%	0.5%

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.

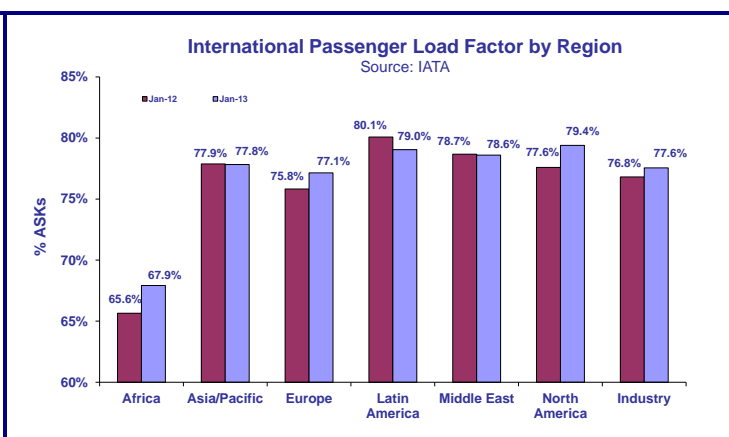
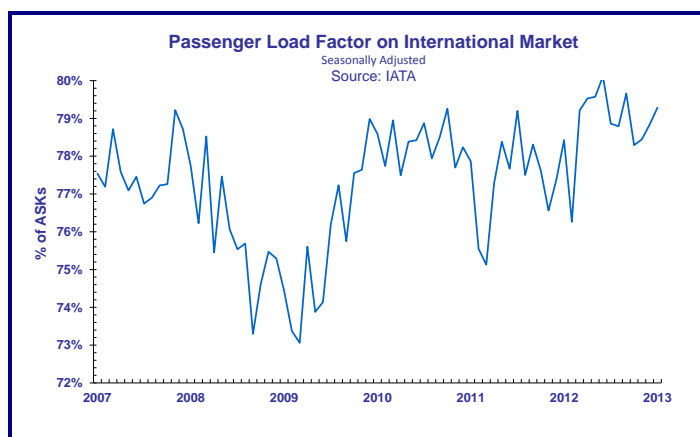
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

PASSENGER MARKET

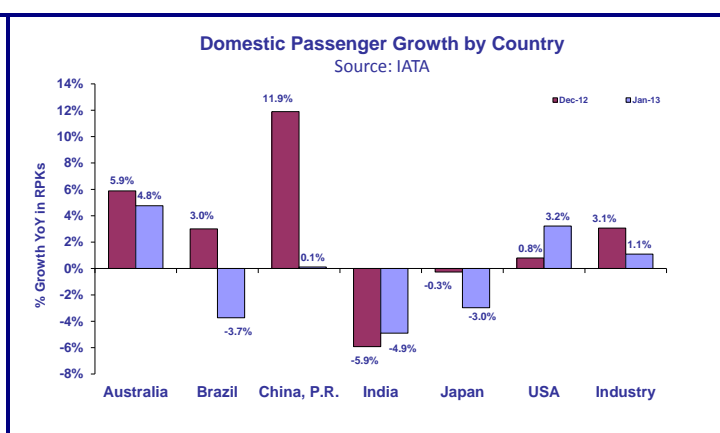
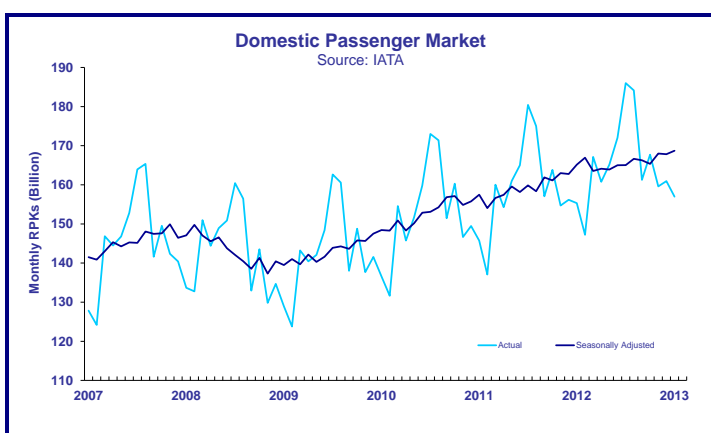
International Markets



- The growth trend in international passenger travel picked-up in January over the month, with growth of 0.9% compared to December. This result, combined with the faster growth trend over recent months, is in contrast to the mostly flat movement of international passenger volumes throughout much of 2012.
- Airlines in emerging markets have taken the greatest share of the growth in passenger travel over recent months. On international markets, half of the growth in air travel over the last 4 months was carried by Asia-Pacific airlines. After showing weakness throughout the middle parts of 2012, as the Eurozone crisis impacted several export-dependent economies in the region, acceleration in the Chinese economy and a pick-up in Asian trade growth have supported an increase in air travel demand. In January, international travel on Asia-Pacific airlines was up just 0.1% compared to a year ago, but this growth rate is distorted by the timing of the Chinese New Year. After adjusting for seasonal factors, growth in air travel was about 3% higher in January compared to a year ago. A further look at the seasonally adjusted data shows that the monthly growth trend was strong in January, with international travel on Asia-Pacific airlines expanding 0.9% compared to December – this equates to a 10% annualized rate of growth.
- Middle Eastern airlines have also seen strong growth in passenger demand since Q4, in fact a quarter of the increase in international air travel in January compared to October was carried by Middle Eastern airlines. The airlines in this region continue to post the strongest growth rates, with international travel up 14.3% in January compared to a year ago. Airlines in this region have benefited from network expansion into emerging markets where demand for air travel has been supported by robust economic growth.
- Airlines in Africa and Latin America continue to post strong growth on international markets – with growth of 9.4% and 12.2% in January compared to a year ago. Some African nations, including those in resource-rich parts of West Africa, are posting the fastest economic growth rates globally and provided sustained demand for air transport services. Robust economic growth in several Latin American economies has supported growth of air travel for airlines that region. Nations such as Peru, Chile, Bolivia and Colombia have all experienced economic growth above the regional average, helping reduce unemployment rates and boost consumer demand.
- By contrast, European and North American airlines continue to record the slowest growth rates on international markets. Although the US economy continues to gain traction with consumers becoming more optimistic, airline capacity management has limited growth in RPKs. International traffic was up just 1.5% in January compared to a year ago, the slowest growth of any region. However, North American airlines achieved the highest load factors among regions at 79.4% in January. In contrast to the total international market trend, European airlines have seen no growth in international passenger volumes since October 2012. Although the peak of the Eurozone crisis appears to have subsided, several economies in the region are facing slow or no economic growth and high unemployment rates. Compared to a year ago, European airlines international traffic was up just 2.1% in January.
- International market load factors have reflected the increase in traffic over recent months, continuing to improve into the New Year. International load factors gained 0.6% pt between December and January, with airlines in all regions except Europe keeping capacity growth below the expansion in traffic.

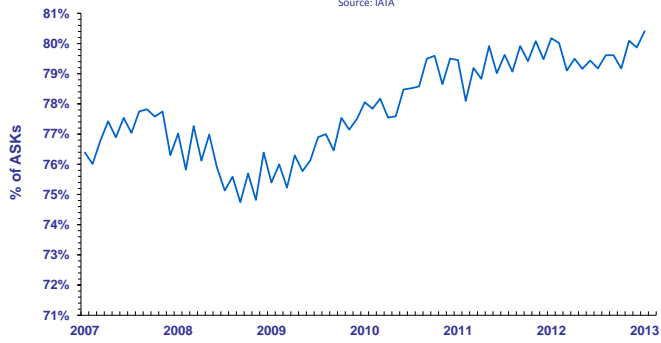


Domestic Market

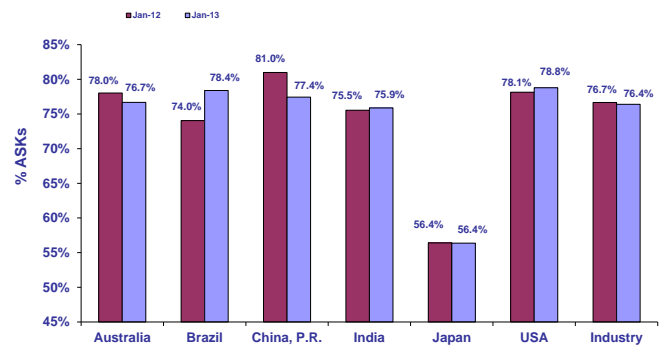


- Total domestic air travel expanded over the month, despite mixed results among markets in January. China's growth was impacted by the timing of the Chinese New Year, but after adjusting for seasonal factors, growth in air travel was about 5% higher in January compared to a year ago – a solid result reflecting the stronger economic backdrop and continually improved business confidence.
- With distance from the economic problems of the Eurozone and continued demand for commodities from major trade partners, sustained growth in the Australian economy has helped the domestic air travel market to keep expanding. Australian domestic air travel grew at a solid rate – in excess of 5% - in 2012, and in January the market was 4.8% higher than a year ago.
- By contrast, demand for air travel in India and Japan was down on a year ago, also reflecting the state of the economies in those countries, which continue to weaken. India's domestic market was down 4.9% in January on a year ago. Other than the slowing economy, the Indian market has also been adjusting capacity downward from previously unsustainable levels. Japan's air travel market was down 3.0% in January compared to a year ago. Although there was rebound in air travel after the tsunami in early 2011, the trend in air travel has been largely flat since late 2011, with the size of the market in January 12% below pre-tsunami levels. Demand has been suppressed by a gradually weakening export-dependent economy, which has suffered from the Eurozone crisis.
- Air travel in Brazil's domestic market started 2013 with a negative result, contracting 3.7% in January compared to a year ago. Although relatively low unemployment and growth in incomes should provide a solid base for air transport demand, airlines are facing a difficult operating environment as economic growth continues to fall below expectations. This has prompted airlines to reduce capacity, which was down 9.1% in January compared to a year ago, thereby also limited growth in domestic RPKs.
- The growth in domestic air travel overall combined with tighter airline capacity management helped load factors rise even higher in January. In fact, seasonally adjusted passenger load factors on domestic markets reached a new record high, above 80%, with the US markets seeing the largest improvement in load factors in January compared to December (0.7%).

Passenger Load Factor on Domestic Market
Seasonally Adjusted
Source: IATA

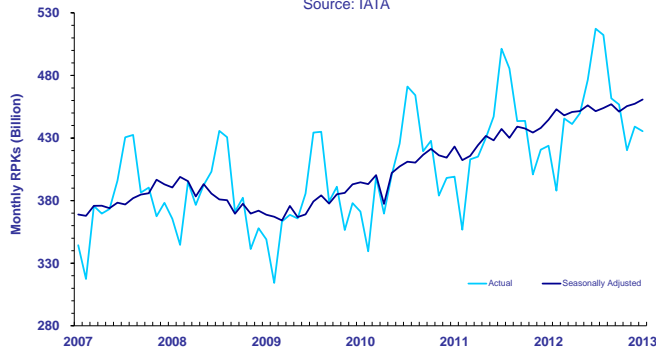


Domestic Passenger Load Factor by Country
Source: IATA

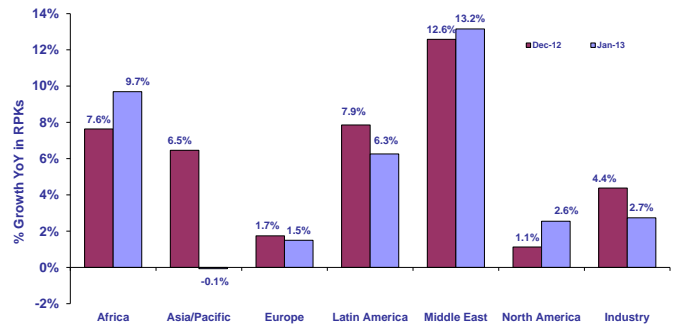


Total Market (Domestic + International)

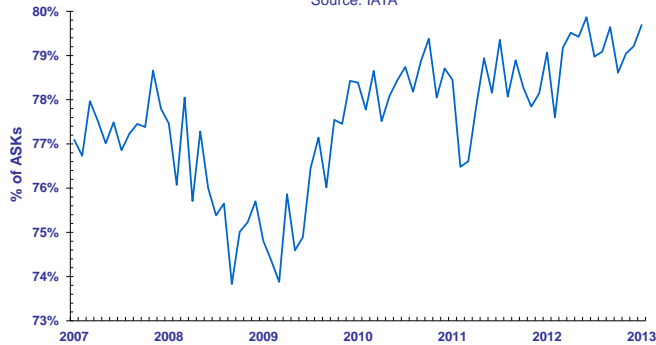
Total Passenger Market
Source: IATA



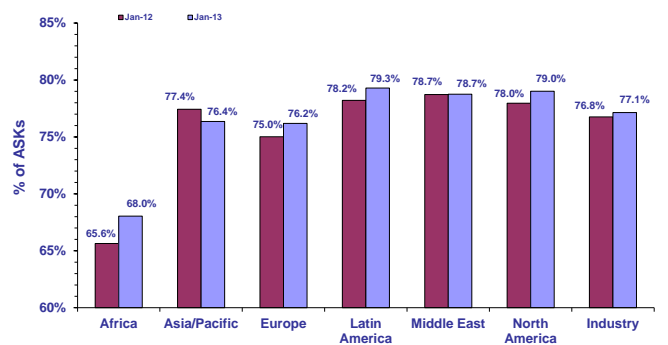
Total Passenger Growth by Region
Source: IATA



Passenger Load Factor on Total Market
Seasonally Adjusted
Source: IATA



Total Passenger Load Factor by Region
Source: IATA



ANNEX

Year on Year Comparison	Jan 2012 vs. Jan 2013			2012 vs. 2011		
	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>
Africa	9.4%	5.8%	67.9%	7.6%	7.1%	67.1%
Asia/Pacific	0.1%	0.1%	77.8%	5.2%	3.0%	77.5%
Europe	2.1%	0.4%	77.1%	5.3%	3.2%	80.5%
Latin America	12.2%	13.7%	79.0%	8.7%	7.8%	77.8%
Middle East	14.3%	14.4%	78.6%	15.4%	12.5%	77.4%
North America	1.5%	-0.8%	79.4%	1.9%	0.3%	82.0%
International	3.7%	2.7%	77.6%	6.1%	4.2%	78.9%
Australia	4.8%	6.6%	76.7%	5.3%	7.6%	77.5%
Brazil	-3.7%	-9.1%	78.4%	8.6%	4.8%	71.8%
China P.R.	0.1%	4.7%	77.4%	9.5%	11.3%	80.9%
India	-4.9%	-5.3%	75.9%	-2.1%	0.3%	72.9%
Japan	-3.0%	-2.9%	56.4%	3.6%	2.3%	62.0%
US	3.2%	2.4%	78.8%	0.8%	0.4%	83.3%
Domestic	1.1%	1.4%	76.4%	4.0%	3.8%	79.5%
Africa	9.7%	5.8%	68.0%	7.3%	6.5%	67.7%
Asia/Pacific	-0.1%	1.3%	76.4%	6.1%	5.3%	77.4%
Europe	1.5%	-0.1%	76.2%	5.1%	2.9%	79.6%
Latin America	6.3%	4.8%	79.3%	9.6%	7.6%	76.1%
Middle East	13.2%	13.1%	78.7%	15.2%	12.4%	77.5%
North America	2.6%	1.2%	79.0%	1.3%	0.4%	82.9%
Total Market	2.7%	2.2%	77.1%	5.3%	4.0%	79.1%

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	Dec 2012 vs. Jan 2013			Market Share
	RPK	ASK	PLFpt	RPK
Africa	1.5%	0.9%	0.4%	3.6%
Asia/Pacific	0.9%	0.5%	0.3%	28.7%
Europe	-0.3%	0.0%	-0.3%	35.0%
Latin America	1.5%	1.2%	0.2%	5.6%
Middle East	2.0%	1.7%	0.3%	13.4%
North America	0.1%	-0.8%	0.7%	13.7%
International	0.9%	0.3%	0.6%	100%
Australia	0.4%	0.5%	-0.1%	3.4%
Brazil	0.0%	1.3%	-1.3%	4.4%
China P.R.	-2.1%	-1.5%	-0.5%	21.1%
India	0.2%	-0.6%	0.5%	3.1%
Japan	-3.8%	-1.1%	-1.8%	2.5%
US	0.7%	0.7%	0.0%	43.7%
Domestic	0.5%	-0.1%	0.5%	100%
Africa	1.5%	0.9%	0.4%	2.6%
Asia/Pacific	-0.5%	-0.3%	-0.2%	31.1%
Europe	-0.4%	-0.2%	-0.1%	25.1%
Latin America	1.1%	0.8%	0.2%	6.8%
Middle East	1.9%	1.6%	0.2%	9.1%
North America	0.6%	0.2%	0.4%	25.3%
Total Market	0.7%	0.1%	0.5%	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 March 2013

FURTHER ANALYSIS AND DATA

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

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