

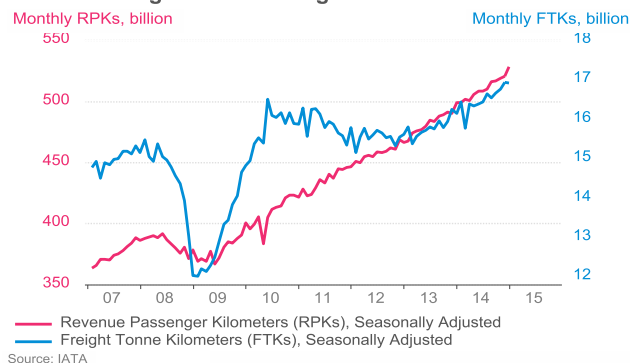
AIR PASSENGER MARKET ANALYSIS

DECEMBER 2014

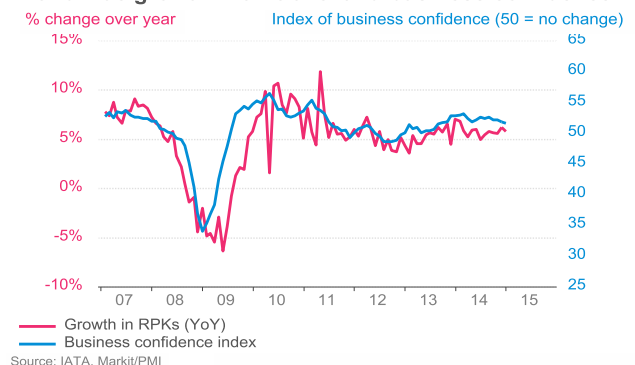
KEY POINTS

- ✈ Global air travel expanded by a strong 5.9% in 2014 compared to 2013, above its 10-year average growth rate of 5.6%. Economic conditions around the world showed considerable variation throughout 2014, but the demand backdrop for air travel was supportive, particularly in emerging markets.
- ✈ More than half of the growth in passenger travel took place on airlines in emerging markets, including Asia Pacific and the Middle East. Total revenue passenger kilometers (RPKs) expanded 7.1% and 12.6%, respectively, for 2014 overall. Middle Eastern carriers benefitted from solid trade growth which supported expansion in business-related international air travel. Asia Pacific carriers have seen strong growth in domestic air travel demand, particularly in China toward the end of 2014.
- ✈ During more recent months, much of the growth in total RPKs was driven by strong demand on domestic markets. This owed mainly to a pick-up in domestic Chinese travel, a market in which annual growth reached 11% in 2014, in spite of increasing signs of a moderation in the economy's rate of expansion.
- ✈ Although international RPKs grew by 6.1% in 2014 compared to 2013, the growth rate is slightly below its long-run average (6.3%). Moreover, other than the spike in volumes in December compared to November (which is likely a result of volatility in volumes), the level of traffic has broadly tracked sideways since August. The biggest downward influences over this period have been from African and Asian carriers, whereas notable offsets have come from Middle Eastern and European carriers, despite the latter region's ongoing economic frailties. Although the Eurozone has fallen back toward very weak economic expansion, partly as a result of the Russia-Ukraine crisis, carriers in some nations, including Turkey, continue to expand strongly.
- ✈ Industry load factors reached 79.7% overall in 2014, supported by stronger growth in demand than expansion in capacity. Nonetheless, international load factors have displayed a downward trend throughout 2014, particularly as a result of solid capacity expansion in Asia Pacific carriers.
- ✈ The decline in oil prices over recent months should help support economic activity and passenger demand in the months to come. However, the gradual easing in business confidence over the final third of 2014 has weighed on international travel, and may constrain the pace of expansion in the near term.

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
forecast down to
a country-pair level

Year on Year Comparison

	Dec 2014 vs. Dec 2013			2014 vs. 2013		
	RPK	ASK	PLF	RPK	ASK	PLF
International	6.3%	6.5%	78.3%	6.1%	6.4%	79.2%
Domestic	5.8%	5.8%	79.4%	5.4%	4.3%	80.6%
Total Market	6.1%	6.2%	78.7%	5.9%	5.6%	79.7%

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

Dec 2014 vs. Nov 2014		
RPK	ASK	PLFpt
1.6%	1.0%	0.5%
1.1%	1.3%	-0.2%
1.4%	1.1%	0.2%

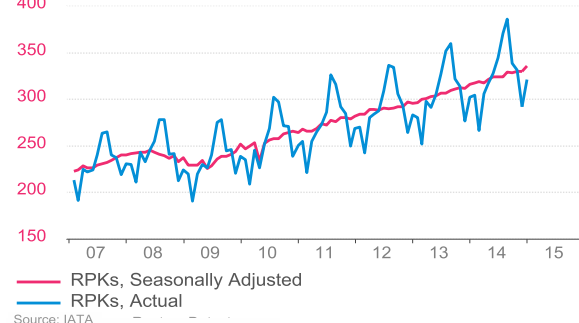
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

PASSENGER MARKET

International Markets

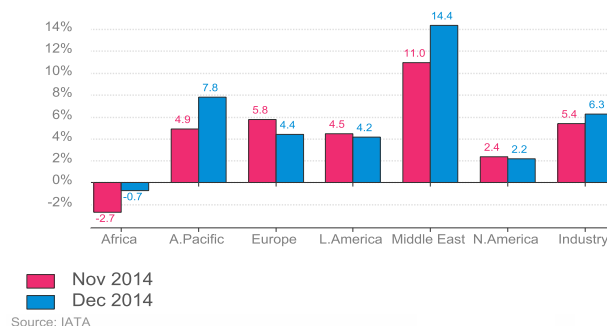
International Passenger Market

Monthly RPKs, billion
400



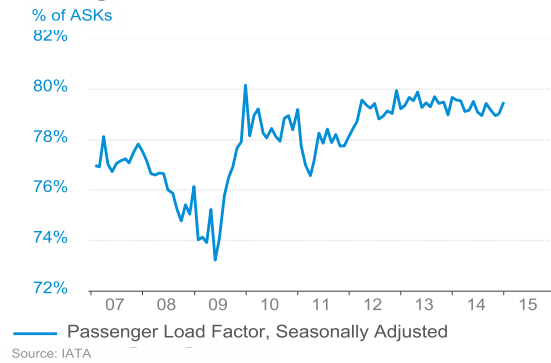
International Passenger Growth by Region

% change over year

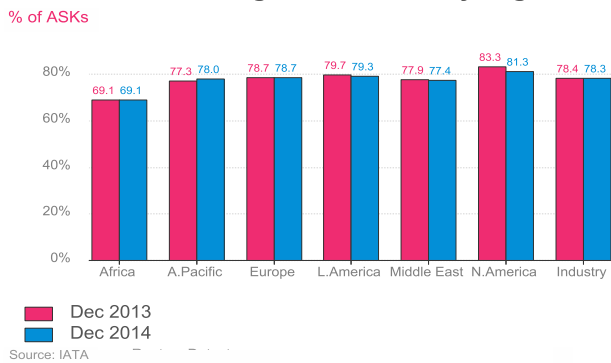


- ➔ International RPKs grew by 6.1% in 2014 compared to 2013, which is slightly down on the 10-year growth rate of 6.3%. Performance overall has been robust, but there was an important trend development in the second half of 2014. Other than the spike in volumes in December compared to November (which is likely a result of volatility in volumes), the level of traffic has broadly tracked sideways since August.
- ➔ The main downward influences over the past few months have come from Asia Pacific and African carriers. International traffic growth for Asia Pacific carriers reached 5.8% in 2014 overall but the seasonally-adjusted level of traffic has been broadly flat over the past four months or so. This has come amid signs of a slowdown in regional production activity, although trade volumes have remained strong.
- ➔ International RPK growth for African carriers was weakest among all regions, with volumes expanding only 0.9% in 2014 compared to 2013. The direct effects of the Ebola outbreak are judged to be small, with the impact largely restricted to Guinea, Liberia and Sierra Leone (markets that comprise a very small proportion of overall African traffic). Instead, 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. Earlier in the year, economic activity and demand for air travel was hampered by weakness in another major regional economy, South Africa. Conditions improved slightly later in 2014, but not by enough to boost international air travel.
- ➔ Solid performance in other regions provided a positive offset to the downward pressures mentioned above. International RPKs by Middle Eastern carriers expanded 13% in 2014 – the strongest gain across all the regions. The region's economies are comparatively well-placed to withstand the plunge in oil revenues and its airlines continue to gain market share. Markit's measures of business activity in non-oil sectors continue to show improvement and point to strong growth. European airlines recorded a solid 5.7% increase in international traffic in 2014, with robust travel on low cost carriers as well as on airlines registered in Turkey helping shrug off its ongoing economic weakness and risks.
- ➔ North American airlines experienced slower growth of 3.1% in international RPKs in 2014 overall. Nonetheless, the US economy remains a stand-out performer among developed economies, and recent gains in trade volumes bode well for business-related travel.
- ➔ Annual growth in Latin American carriers' RPKs was 5.8% in 2014. While growth in the Brazilian economy has stagnated, regional trade volumes have continued to improve in recent months. Favorable base effects should also support annual growth rates for the region's carriers during the first quarter of 2015.
- ➔ Industry load factors reached 79.2% overall in 2014, supported by stronger growth in demand than expansion in capacity. Nonetheless, international load factors have displayed a downward trend throughout 2014, particularly as a result of solid capacity expansion in Asia Pacific carriers.

Passenger Load Factor on International Market

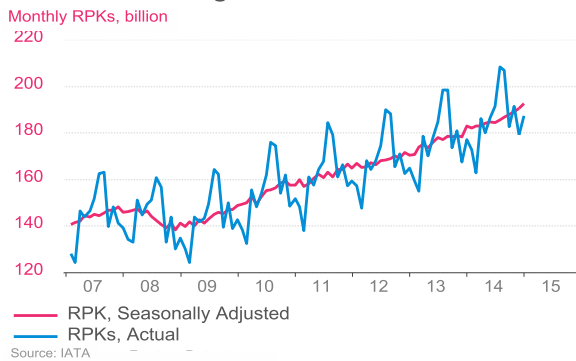


International Passenger Load Factor by Region

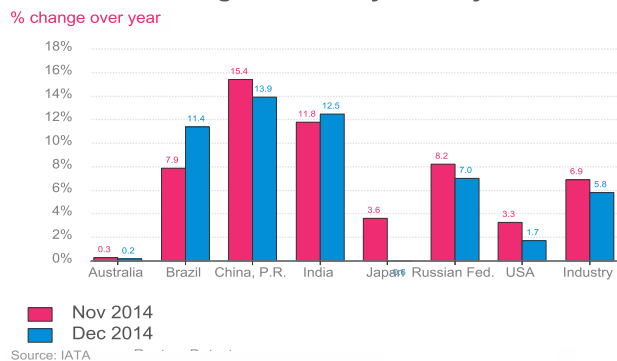


Domestic Market

Domestic Passenger Market

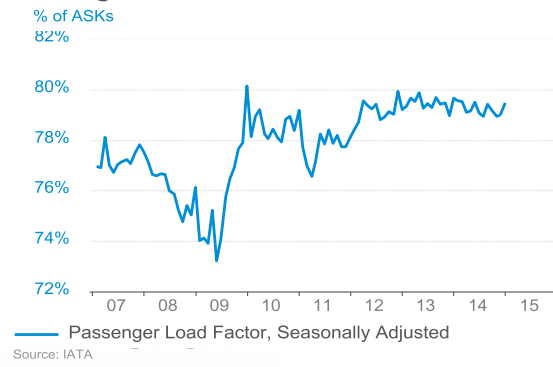


Domestic Passenger Growth by Country

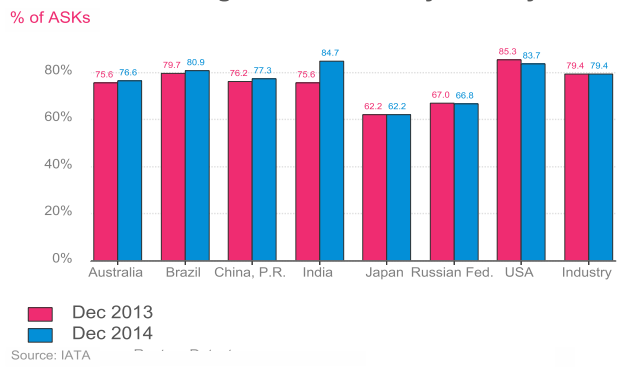


- ➔ With weakness in international air travel volumes during the latter parts of 2014, the upward trend in global travel was driven almost entirely by domestic traffic. Strong growth in the Chinese domestic market was one of the key contributors, with expansion reaching 11% in 2014 overall. This comes in spite of ongoing signs of a slowdown in the Chinese economy and industrial activity, although consumer surveys and retail sales data remain robust.
- ➔ The US domestic market also trended up in the latter months of 2014, coinciding with a pick-up in consumer confidence and rising employment activity. That said, given that wage growth remains subdued, and the US air travel market is very mature, the prospects for strong growth in air travel demand remain limited. The market expanded 2.4% in 2014 overall.
- ➔ Following the economic recession in the first half of the year, the trend in domestic air travel in Brazil also picked up towards the end of the year. Growth in 2014 overall reached 6.9%. Nonetheless, growth in the economy is stagnant and persistently-high inflation remains a concern. As a result, the upward trend for travel is not expected to accelerate notably in the near term. On a positive note, capacity discipline has helped load factors reach the highest levels among major domestic markets. Capacity expansion was kept to 2.0% in 2014, well below growth in demand, pushing load factors to 80.0%.
- ➔ Demand in the Indian domestic market improved in the latter parts of 2014 partly owing to market stimulation by local carriers, with growth of 8.0% for the year overall.
- ➔ Annual growth in Russian domestic RPKs reached 9.8% in 2014 compared to 2013. However, with favorable base effects set to drop out of the annual comparison over the coming months, and the economy on the brink of recession, annual RPK growth rates are likely to fall back sharply in Q1 2015.
- ➔ Domestic air travel in Japan was weak throughout the middle of the year following April's sales tax increase and the subsequent recession. Nonetheless, the economy appeared to have stabilized in Q4 and seasonally-adjusted domestic air volumes showed some increase in the final months of 2014. The mixed fortunes of the Japanese economy supported moderate growth in domestic air travel in 2014, with expansion of 3.6%.
- ➔ Annual growth in domestic air travel in Australia slowed to just 1.8% in 2014 overall. In fact, volumes have been tracking sideways since the middle of 2013 as the economy has struggled to rebalance away from mining investment-led growth. With consumer confidence at a three-year low, the near-term outlook remains subdued.

Passenger Load Factor on International Market

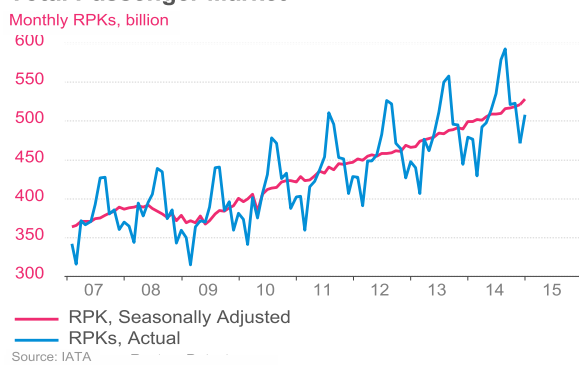


Domestic Passenger Load Factor by Country

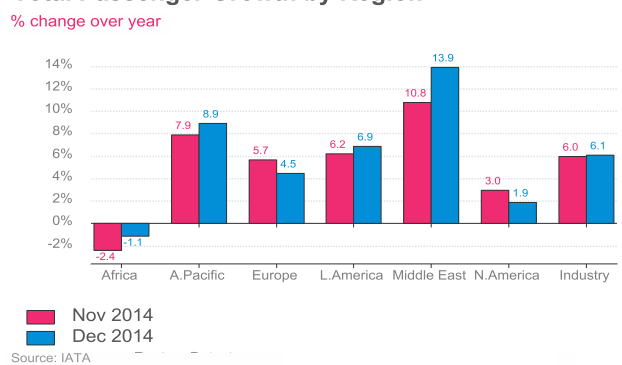


Total Market (Domestic + International)

Total Passenger Market



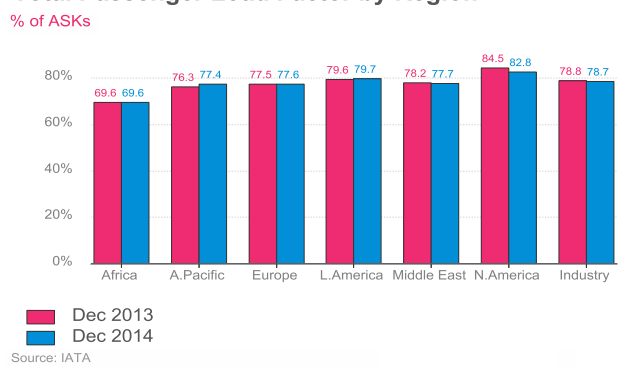
Total Passenger Growth by Region



Passenger Load Factor on Total Market



Total Passenger Load Factor by Region



ANNEX

Year on Year Comparison	Dec 2014 vs Dec 2013			2014 vs. 2013		
	RPK	ASK	PLF	RPK	ASK	PLF
Africa	-0.7%	-0.8%	69.1%	0.9%	3.0%	67.5%
Asia/Pacific	7.8%	6.8%	78.0%	5.8%	7.0%	76.9%
Europe	4.4%	4.4%	78.7%	5.7%	5.2%	81.6%
Latin America	4.2%	4.7%	79.3%	5.8%	4.7%	80.0%
Middle East	14.4%	15.1%	77.4%	13.0%	11.9%	78.1%
North America	2.2%	4.7%	81.3%	3.1%	4.6%	81.7%
International	6.3%	6.5%	78.3%	6.1%	6.4%	79.2%
Australia	0.2%	-1.0%	76.6%	1.8%	1.4%	76.5%
Brazil	11.4%	9.7%	80.9%	6.9%	2.0%	80.0%
China P.R.	13.9%	12.3%	77.3%	11.0%	11.1%	80.2%
India	12.5%	0.4%	84.7%	8.0%	5.7%	76.3%
Japan	-0.6%	-0.6%	62.2%	3.6%	0.6%	66.0%
Russian Federation	7.0%	7.3%	66.8%	9.8%	8.0%	75.3%
US	1.7%	3.6%	83.7%	2.4%	1.1%	84.8%
Domestic	5.8%	5.8%	79.4%	5.4%	4.3%	80.6%
Africa	-1.1%	-1.0%	69.6%	0.3%	2.5%	68.4%
Asia/Pacific	8.9%	7.4%	77.4%	7.1%	7.5%	77.2%
Europe	4.5%	4.3%	77.6%	5.8%	5.2%	80.8%
Latin America	6.9%	6.8%	79.7%	6.4%	4.1%	79.8%
Middle East	13.9%	14.6%	77.7%	12.6%	11.5%	78.4%
North America	1.9%	4.0%	82.8%	2.7%	2.4%	83.6%
Total Market	6.1%	6.2%	78.7%	5.9%	5.6%	79.7%

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 2014 vs. Nov 2014			Market Share
	<i>RPK</i>	<i>ASK</i>	<i>PLFpt</i>	<i>RPK</i>
Africa	1.8%	2.5%	-0.5%	2.3%
Asia/Pacific	3.8%	1.7%	1.5%	29.7%
Europe	0.4%	0.2%	0.2%	33.4%
Latin America	0.4%	-0.4%	0.7%	4.8%
Middle East	2.1%	1.9%	0.2%	15.2%
North America	0.7%	0.8%	-0.1%	13.7%
International	1.6%	1.0%	0.5%	100.0%
Australia	0.1%	0.7%	-0.5%	3.2%
Brazil	2.9%	3.7%	-0.6%	4.7%
China P.R.	0.4%	1.4%	-0.9%	21.5%
India	0.5%	0.4%	0.0%	3.2%
Japan	-1.5%	-0.8%	-0.4%	3.2%
Russian Federation	-0.7%	0.5%	-0.9%	3.1%
US	1.3%	1.4%	0.0%	42.9%
Domestic	1.1%	1.3%	-0.2%	
Africa	1.4%	2.3%	0.4%	2.3%
Asia/Pacific	1.4%	1.9%	1.5%	32.8%
Europe	1.1%	0.5%	-0.5%	23.7%
Latin America	1.3%	0.0%	1.0%	6.0%
Middle East	1.3%	1.2%	1.2%	10.0%
North America	-3.4%	1.3%	1.6%	25.2%
Total Market	1.4%	1.1%	0.2%	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 February 2015

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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