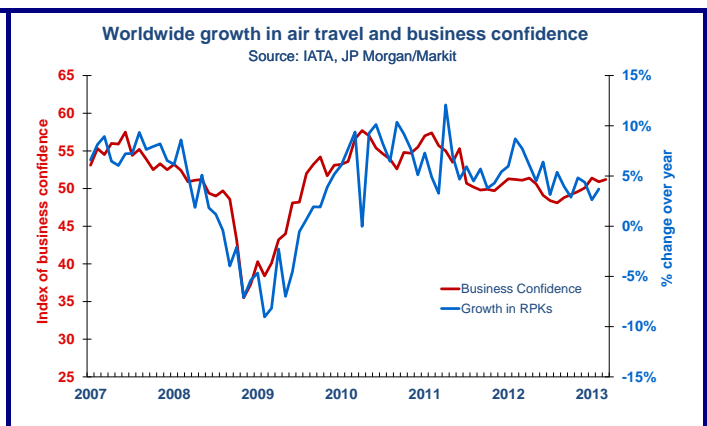
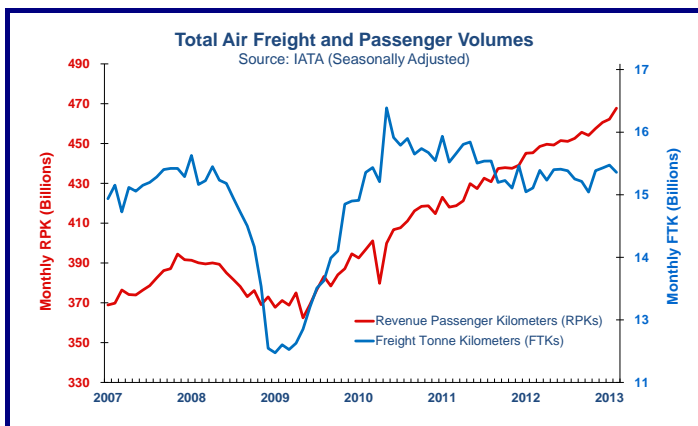


AIR PASSENGER MARKET ANALYSIS

FEBRUARY 2013

KEY POINTS

- The growth trend in global air travel continues to increase strongly. In February the size of the global air travel market expanded 1.2% compared to January, which equates to a double-digit annualized rate of growth. The year-on-year comparison shows air travel was up 3.7% in February.
- The seasonally adjusted passenger volumes, as shown in the first chart below, reflect a very strong acceleration in the growth trend over the past several months. Between October and February, global RPKs have been expanding at an annualized rate of 9%, almost double the 5% growth seen throughout 2012. Year-on-year growth rates over the past several months have not reflected this strong growth. They are being skewed by the slowdown in demand prior to the Q4 2012 upturn.
- Air travel markets are responding to the overall improvement in the business environment over recent months. Business confidence has been signaling economic growth for the last 3 months, on the back of momentum in both the Chinese and US economies. Growth in industrial production has also increased over recent months, another positive sign for future economic growth.
- On international markets, Asia-Pacific airlines continue to drive the acceleration in air travel demand, with RPKs expanding 1.1% in February compared to January. Recovery in China's economy and growth in Asian trade have provided strong support to the passenger business of regional airlines. By contrast, international travel on European airlines improved little in February, just 0.8% year-on-year. With the Euro area economy contracting in Q4 2012, European airlines have not seen any growth in international RPKs since October 2012.
- Performance on domestic air travel markets was mixed in February. China's domestic market was about 13% higher in February compared to a year ago after adjusting for seasonal factors, which is further evidence of the acceleration seen in the economy since late 2012. By contrast, all other markets except for Australia saw a contraction in February on a year ago.
- The strong growth in air travel over the month combined with slower expansion in capacity helped the total market load factor to reach a record high. After seasonal adjustment, total market load factors were almost 80%, helping airlines combat some of the downward pressure on profits from persisting high jet fuel prices.
- The outlook for air travel markets remains positive with business confidence levels continuing to suggest a stronger demand environment in the months ahead. Much depends however, on the stability of the Eurozone, as any downside risks to the current strong growth trend will likely come from this region.



Year on Year Comparison

	Feb 2013 vs. Feb 2012			YTD 2013 vs. YTD 2012		
	RPK	ASK	PLF	RPK	ASK	PLF
International	3.6%	1.1%	76.3%	3.6%	1.9%	76.9%
Domestic	3.9%	0.8%	78.8%	2.4%	1.2%	77.6%
Total Market	3.7%	1.0%	77.3%	3.1%	1.7%	77.1%

Month on Month Comparison

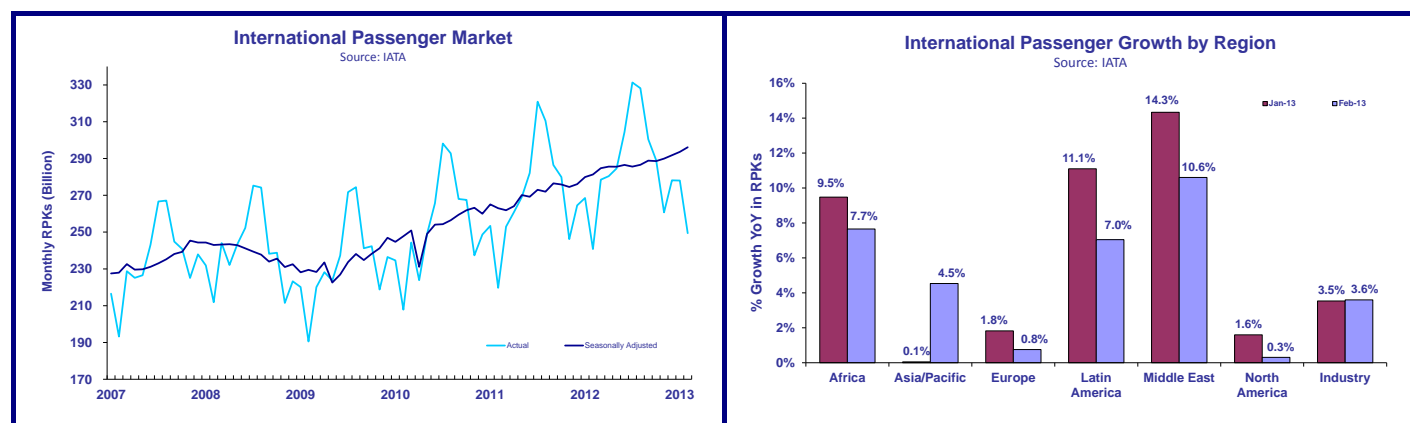
Feb 2013 vs. Jan 2013		
RPK	ASK	PLFpt
0.9%	0.6%	0.2%
1.8%	1.1%	0.6%
1.2%	0.8%	0.3%

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.

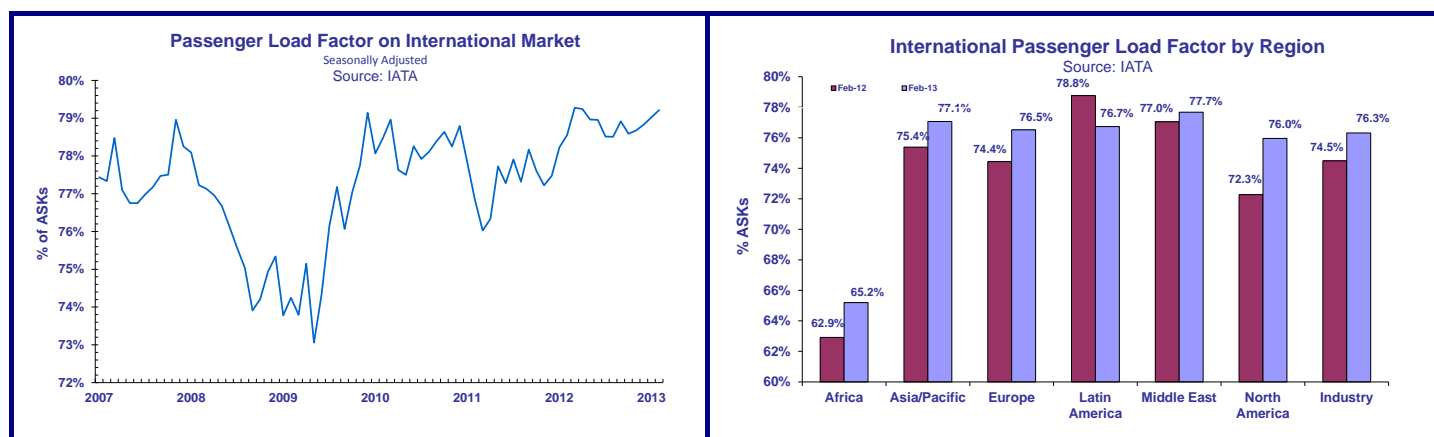
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

PASSENGER MARKET

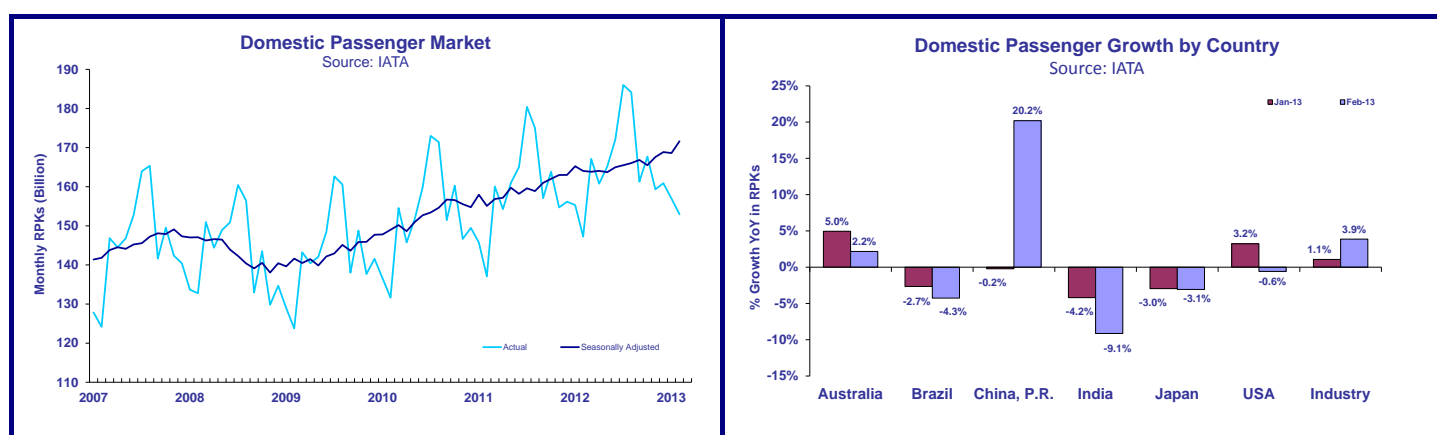
International Markets



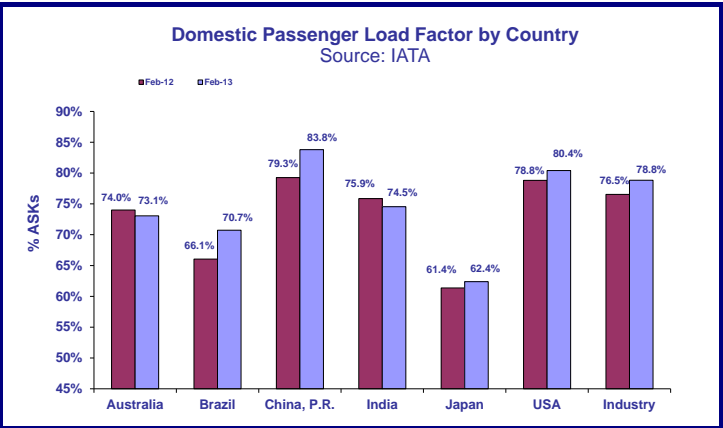
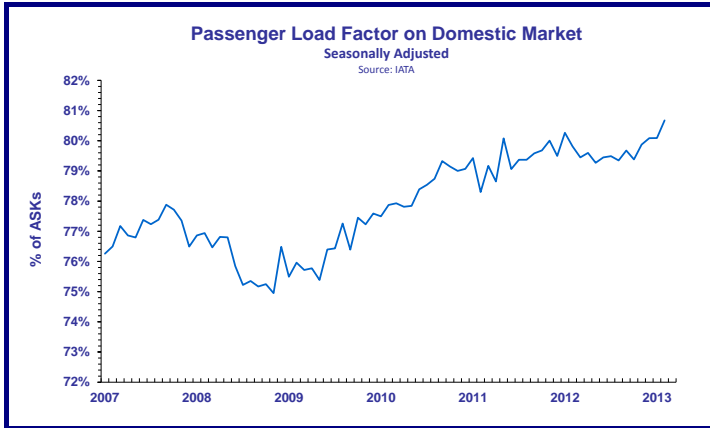
- The growth trend in international passenger travel accelerated in February, with growth of 0.9% compared to January. This result is a continuation with the faster growth trend over recent months, and in stark contrast to the flat or slow growth seen throughout early parts of 2012.
- Airlines in emerging markets continue to drive the growth in international passenger travel. Most of the growth in volumes over the month has been carried by Asia-Pacific airlines. Acceleration in the Chinese economy and a pick-up in Asian trade and industrial production have supported an increase in air travel demand. In February, international travel on Asia-Pacific airlines was up 4.5% compared to a year ago, and over the month there was a strong expansion of 1.1%. This expansion comes after adjusting for the seasonal impact of the Chinese New Year in February, which gave a boost to holiday-related leisure travel.
- Middle Eastern airlines are also seeing strong demand for international air travel. Airlines in this region continue to post the fastest growth rates, with international travel up 10.6% in February compared to a year ago. Carriers have benefited from network expansion into emerging markets where solid economic growth continues to drive demand for air transport services. That network expansion shows up in the strong capacity growth – in February, available seat kilometers (ASKs) were up 9.7% compared to a year ago. With growth in demand outstripping the capacity expansion, the strong performance of Middle Eastern airlines on international markets is likely to continue.
- Airlines in other emerging regions, including Africa and Latin America, are also seeing solid growth in the New Year – up 7.7% and 7.0% in February year-on-year. In Latin America nations like Colombia, which are experiencing robust economic growth on the back of commodity exports, are also seeing rapid expansion in demand for air travel. Additionally, Colombia's implementation of an open skies agreement with the US at the start of the year is set to support further growth in international air travel for regional carriers. African carriers saw one of the largest improvements in international load factors in February compared to a year ago – going from 62.9% to 65.2%. In fact, the trend in international passenger load factors for African airlines started to improve in mid-2012 and have been increasing since. The improvement has certainly been driven by a pick-up in the travel demand, but it has also resulted from tighter capacity management. In February, seasonally adjusted capacity levels were virtually the same as those in June 2012.
- Airlines registered in developed economies continue to experience much slower growth on international markets. North American airlines' international traffic was up just 0.3% in February compared to a year ago - as capacity cuts (4.6%) keep demand growth contained - again producing the weakest year-on-year growth rates among regions. However, over the month there has been a strong increase in the growth trend, 1.8%, which contributed to the rise in overall international travel month-on-month. As a result of the capacity cuts there was a significant increase in load factors in February year-on-year, just shy of 4% pts. European airlines also experienced weak growth in February year-on-year, with just a 0.8% increase on international traffic. In contrast to the overall international travel trend, airlines in the trouble-stricken European economy have seen no growth in international passenger volumes since October 2012. European airlines have responded by managing capacity expansion, which resulted in a 2.0% cut in international ASKs in February year-on-year. This also led to a solid rise in load factors year-on-year, in excess of 2% pts.



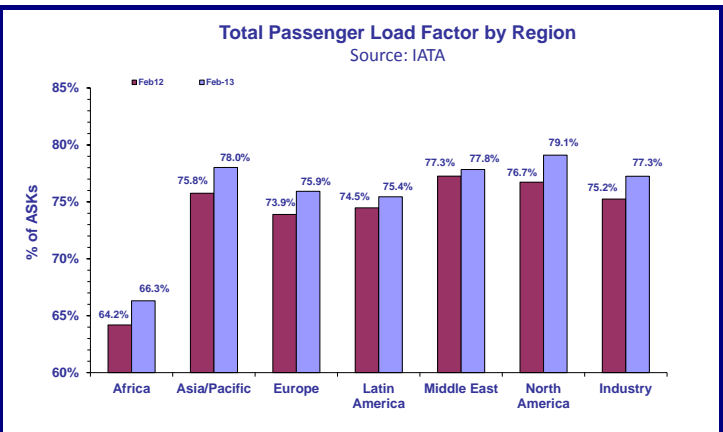
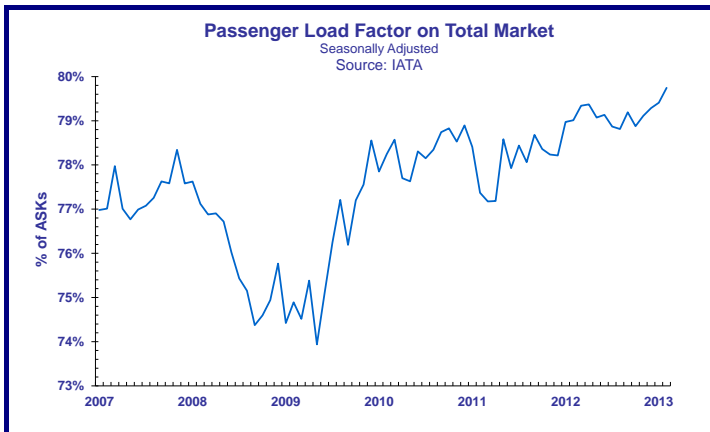
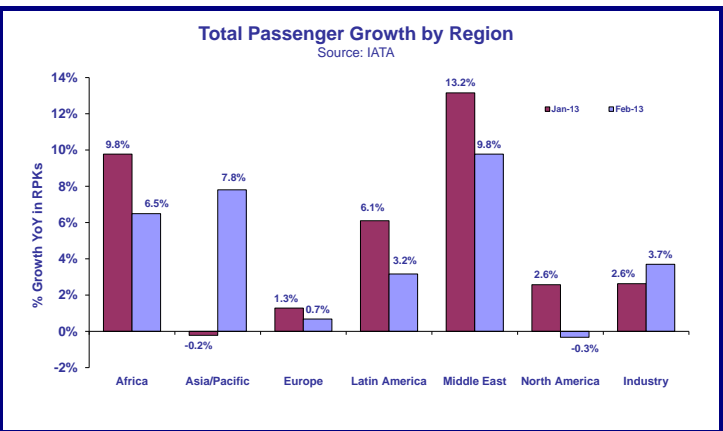
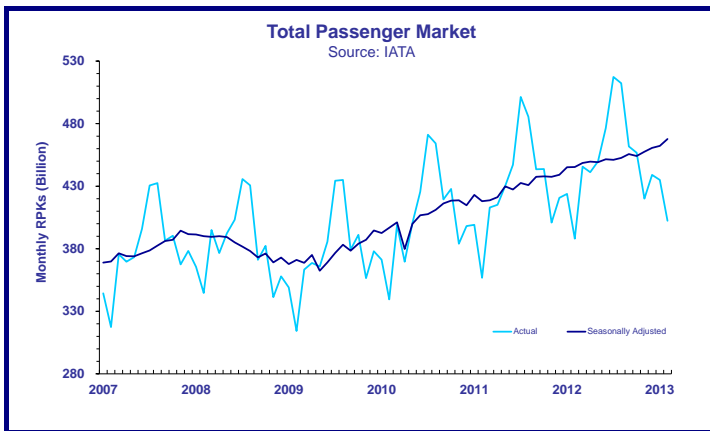
Domestic Market



- Total domestic air travel surged over the month, rising 1.8% in February compared to January, mostly driven by growth in China's air travel market. China's growth was impacted by the timing of the Chinese New Year, but after adjusting for seasonal factors, growth in air travel was still very strong – about 13% in February compared to a year ago – which is further evidence of the acceleration seen in the economy since late 2012. Over the month, there was a huge 5.3% increase in February compared to January.
- The only other domestic market to improve on a year ago was Australia. The Australian domestic market was 2.2% higher in February year-on-year, a slowdown on the January comparison of 6.0%, but the month-on-month expansion (0.6%) was solid. With major trade partners, namely China, seeing a recovery in economic growth, the outlook for Australia's economy has become more optimistic.
- By contrast, domestic air travel markets in Brazil, India, Japan and the US were all down in February compared to a year ago. In Brazil, significant capacity cuts have been accompanied by a fall in traffic growth. Airlines in that market are acting to offset downward pressure on profitability, with economic growth continuing to fall below expectations. In February, air travel in Brazil was down 4.3% compared to a year ago, while capacity was cut 10.6%. India's domestic market was down 9.1% in February on a year ago. In addition to the slowing economy, the Indian airlines have also been adjusting capacity downward from previously unsustainable levels, showing a contraction in ASKs of 7.5% in February year-on-year. In Japan, air travel markets continue to suffer from a waning economy and weakening domestic demand. The travel market was down 3.1% in February compared to a year ago, with current FTKs 12% below pre-tsunami levels. Finally, in the US, domestic air travel was down 0.6% year-on-year. But the month-on-month growth, of 0.3% gives a better indication of the growth trend over recent months. In fact, since Q4 2012 there has been a strong acceleration in domestic demand, with a 9% annualized rate of growth when comparing February to October. This trend is consistent with improving US consumer confidence and a better economic outlook for the months ahead.
- The growth in domestic air travel overall (but mostly in China) combined with capacity cuts in some markets (mostly Brazil and India) helped load factors rise even higher in February, to another record level. Seasonally adjusted passenger load factors on domestic markets are above 80%, after a 0.6% pt improvement in February month-on-month.



Total Market (Domestic + International)



ANNEX

Year on Year Comparison	Feb 2012 vs. Feb 2013			YTD 2013 vs. YTD 2012		
	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>
Africa	7.7%	3.9%	65.2%	8.6%	4.8%	66.7%
Asia/Pacific	4.5%	2.3%	77.1%	2.1%	1.3%	77.3%
Europe	0.8%	-2.0%	76.5%	1.3%	-0.8%	76.8%
Latin America	7.0%	9.9%	76.7%	9.2%	11.4%	77.9%
Middle East	10.6%	9.7%	77.7%	12.5%	12.1%	78.2%
North America	0.3%	-4.6%	76.0%	1.0%	-2.6%	77.8%
International	3.6%	1.1%	76.3%	3.6%	1.9%	76.9%
Australia	2.2%	3.5%	73.1%	3.6%	5.4%	74.7%
Brazil	-4.3%	-10.6%	70.7%	-3.4%	-9.4%	75.0%
China P.R.	20.2%	13.7%	83.8%	9.5%	9.0%	80.6%
India	-9.1%	-7.5%	74.5%	-6.6%	-6.0%	75.2%
Japan	-3.1%	-4.7%	62.4%	-3.0%	-3.8%	59.3%
US	-0.6%	-2.5%	80.4%	1.3%	-0.1%	79.6%
Domestic	3.9%	0.8%	78.8%	2.4%	1.2%	77.6%
Africa	6.5%	3.1%	66.3%	8.2%	4.5%	67.3%
Asia/Pacific	7.8%	4.7%	78.0%	3.6%	3.0%	77.1%
Europe	0.7%	-2.0%	75.9%	1.0%	-1.0%	76.0%
Latin America	3.2%	1.8%	75.4%	4.7%	3.3%	77.5%
Middle East	9.8%	9.0%	77.8%	11.5%	11.1%	78.3%
North America	-0.3%	-3.3%	79.1%	1.2%	-1.0%	79.1%
Total Market	3.7%	1.0%	77.3%	3.1%	1.7%	77.1%

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	Feb 2013 vs. Jan 2013			Market Share
	RPK	ASK	PLFpt	RPK
Africa	0.3%	0.5%	-0.1%	3.5%
Asia/Pacific	1.1%	1.2%	-0.1%	29.1%
Europe	0.2%	0.3%	-0.1%	35.2%
Latin America	-0.2%	0.9%	-0.8%	5.3%
Middle East	1.2%	1.0%	0.2%	13.6%
North America	1.8%	0.5%	1.1%	13.2%
International	0.9%	0.6%	0.2%	100%
Australia	0.6%	1.2%	-0.6%	3.1%
Brazil	-2.1%	-0.1%	-2.0%	3.6%
China P.R.	5.3%	3.3%	1.6%	23.8%
India	-2.1%	0.4%	-1.9%	2.9%
Japan	0.2%	0.3%	-0.1%	2.7%
US	0.3%	0.0%	0.2%	42.9%
Domestic	1.8%	1.1%	0.6%	100%
Africa	0.1%	0.5%	-0.3%	2.5%
Asia/Pacific	2.1%	1.1%	0.8%	32.6%
Europe	0.3%	0.4%	-0.1%	24.6%
Latin America	-0.4%	0.0%	-0.4%	6.2%
Middle East	1.2%	0.8%	0.3%	8.9%
North America	0.8%	0.2%	0.5%	25.3%
Total Market	1.2%	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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3RD April 2013

FURTHER ANALYSIS AND DATA

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

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