

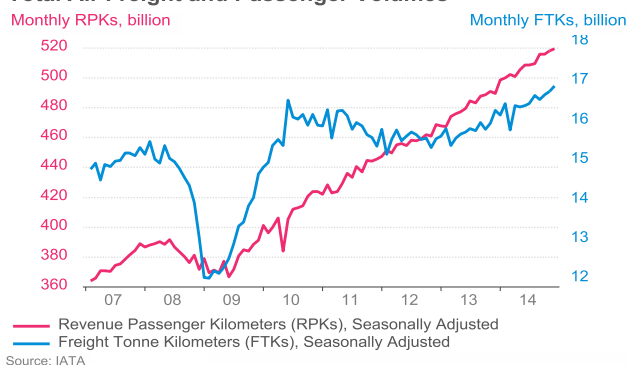
AIR PASSENGER MARKET ANALYSIS

NOVEMBER 2014

KEY POINTS

- ➔ Global air travel continued to expand at a healthy pace in November, and the recent decline in oil prices should help to underpin economic activity and passenger demand throughout 2015. However, the gradual easing in business confidence over the final third of 2014 has weighed on international travel, and may continue to constrain the pace of expansion in the near term.
- ➔ Annual growth in global air travel volumes increased to 6.0% in November, up from 5.7% in the previous month, and lifting it further ahead of its 10-year average growth rate of 5.6%.
- ➔ The fall in oil prices over the final months of 2014 is likely to provide a fillip to global economic activity and growth throughout 2015, particularly in the strongest-performing economies (notably the US). Nonetheless, the global growth outlook remains uneven and global business confidence has eased back in recent months. Against this backdrop, the positive trend in international air travel that was a feature during most of 2014 has flattened.
- ➔ Indeed, while international revenue passenger kilometers (RPKs) grew by 5.4% in annual terms in November, the growth rate is below its long-run average (6.3%) and 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.
- ➔ The upward trend in global travel in the latter months of 2014 was instead driven almost entirely by domestic traffic. This owed mainly to a pick-up in domestic Chinese travel, a market in which annual growth jumped to 15.4% in November, in spite of increasing signs of a moderation in the economy's rate of expansion.
- ➔ Annual growth in Russian domestic RPKs recovered slightly to 8.0% in November. 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.
- ➔ Industry load factors remained stable at a historically-high level in November, following similarly-sized monthly gains in both capacity and demand. Nonetheless, international load factors are continuing to trend downward, particularly as a result of solid capacity expansion in Asia Pacific carriers.

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

	Nov 2014 vs. Nov 2013			YTD 2014 vs. YTD 2013			Nov 2014 vs. Oct 2014		
	RPK	ASK	PLF	RPK	ASK	PLF	RPK	ASK	PLFpt
International	5.4%	5.9%	75.1%	6.1%	6.4%	79.3%	0.1%	0.1%	0.0%
Domestic	6.9%	4.5%	79.3%	5.3%	4.2%	80.7%	0.6%	0.5%	0.1%
Total Market	6.0%	5.4%	76.7%	5.8%	5.6%	79.8%	0.3%	0.3%	0.0%

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.

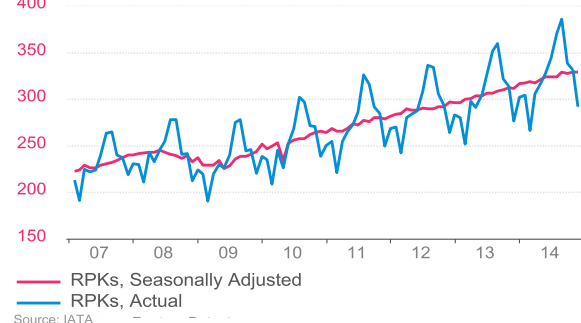
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

PASSENGER MARKET

International Markets

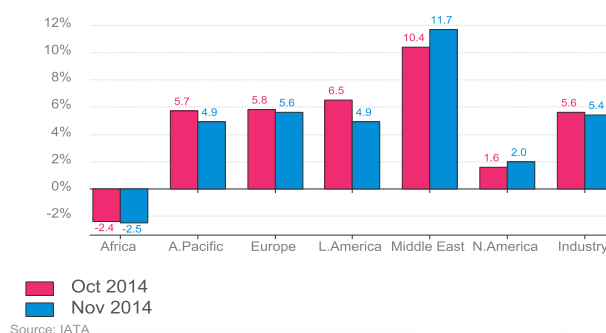
International Passenger Market

Monthly RPKs, billion
400



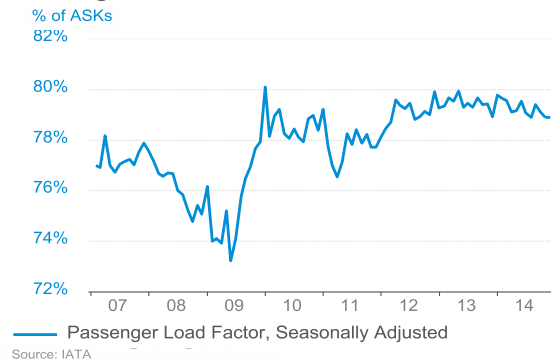
International Passenger Growth by Region

% change over year

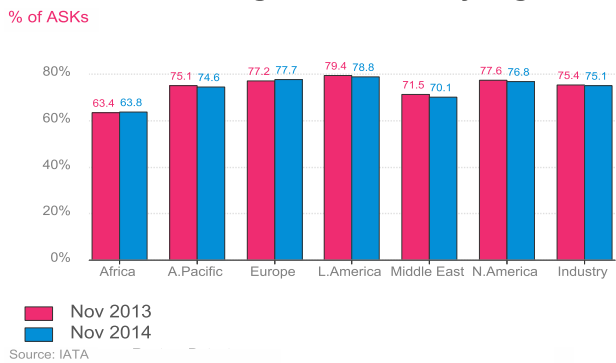


- ➔ International RPKs grew by 5.4% in annual terms in November, which was a slight decrease from the 5.6% gain seen in October. Overall, annual growth remains below its 10-year average growth rate of 6.3% and in level terms international RPKs have now been broadly flat since August.
- ➔ The main downward influences over the past few months have come from Asia Pacific and African carriers. Annual international traffic growth for Asia Pacific carriers slowed to 4.9% in November and 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. Even if international traffic registers a modest bounce-back in monthly terms in December, annual growth for Asia Pacific carriers is likely to slow to around 4%.
- ➔ Annual international RPK growth for African carriers fell further into negative territory in November, with volumes now back at levels last seen in late 2012. 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.
- ➔ Notable positive offsets over the past four months or so have come from Middle Eastern and European carriers. International RPKs by Middle Eastern carriers increased by 11.7% from November 2013 – the region's fourth consecutive double-digit reading and 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.
- ➔ European airlines also recorded a solid 5.6% annual increase in international traffic, with robust travel on low cost carriers helping the region's carriers to shrug off its ongoing economic frailties and risks.
- ➔ By contrast, North American airlines experienced a more modest 2.0% annual increase in international RPKs in November. That said, the US economy remains a notable bright-spot among developed economies, and recent gains in trade volumes augur well for business-related travel.
- ➔ Annual growth in Latin American RPKs slowed to 4.9% in November. 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 remained stable at a historically-high level in November, with similarly-sized monthly growth in both capacity and demand. Nonetheless, international load factors are continuing to trend downward, particularly as a result of solid capacity expansion in Asia Pacific carriers.

Passenger Load Factor on International Market

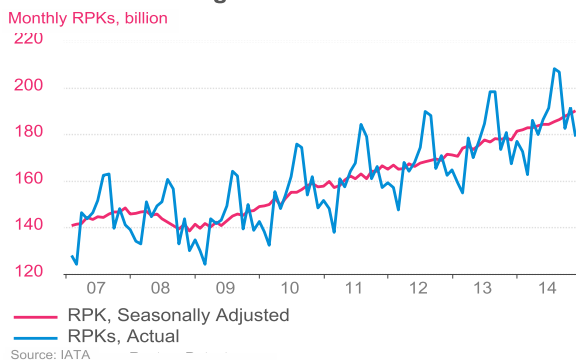


International Passenger Load Factor by Region

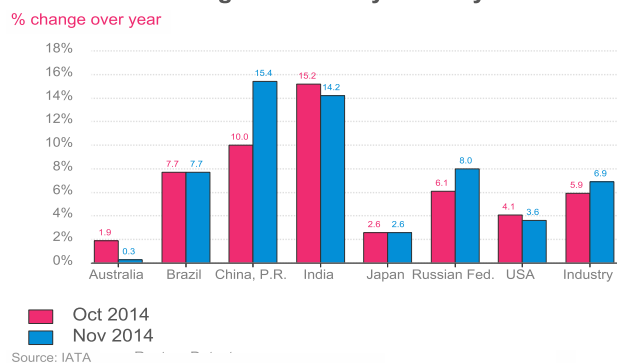


Domestic Market

Domestic Passenger Market

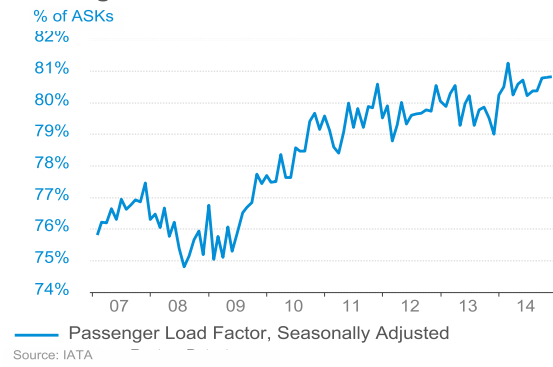


Domestic Passenger Growth by Country

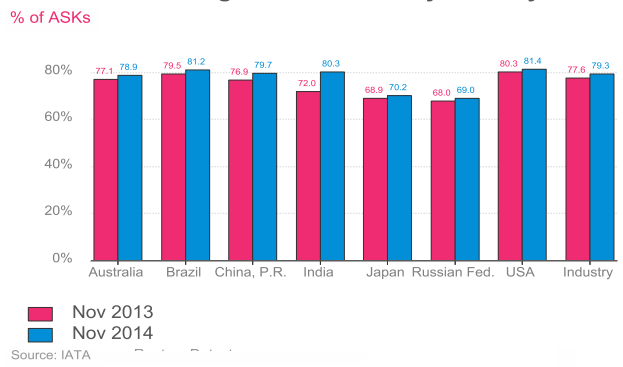


- ✈ With international travel volumes subdued, the upward trend in global travel in the latter months of 2014 was instead driven almost entirely by domestic traffic. Two-thirds of the increase in domestic RPKs over the period can be attributed to a pick-up in the Chinese domestic market, which saw annual growth jump to 15.4% in November following three consecutive sizeable monthly gains. 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.
- ✈ 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. Annual RPK growth was 7.7% in November, unchanged from the pace seen in the previous month. Nonetheless, growth in the economy is stagnant and persistently-high inflation remains a concern. All told, the upward trend for travel is not expected to accelerate notably in the near term.
- ✈ Annual growth in the Indian domestic market eased slightly in November, but it remained in double-digit territory following market stimulation by local carriers in recent months.
- ✈ Elsewhere, annual growth in domestic RPKs in Russia recovered slightly to 8.0% in November. 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 on the back of sanctions and plunging oil and gas revenues, annual RPK growth is likely to fall back sharply during the first quarter of 2015.
- ✈ Annual growth in domestic air travel in Australia slowed to a virtual standstill in November, and volumes have now tracked 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.
- ✈ 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 appears to have at least stabilized in Q4 and seasonally-adjusted domestic air volumes grew strongly on a monthly basis in November. All told, annual growth in domestic RPKs remained steady at 2.6% for the second consecutive month in November.

Passenger Load Factor on Domestic Market

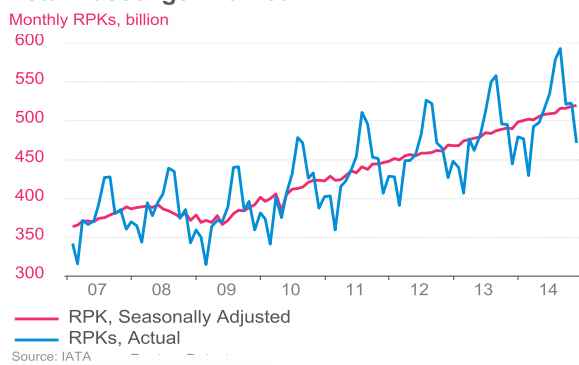


Domestic Passenger Load Factor by Country

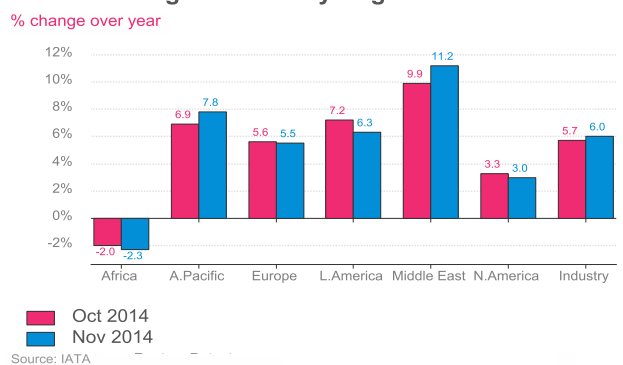


Total Market (Domestic + International)

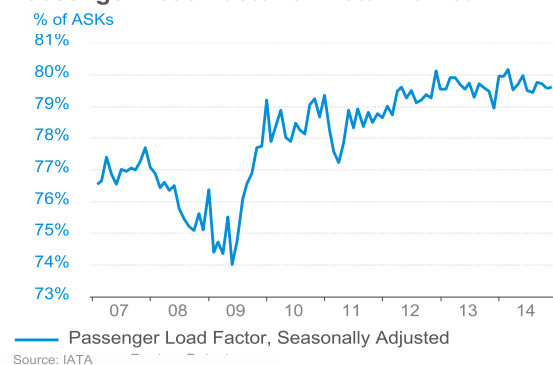
Total Passenger Market



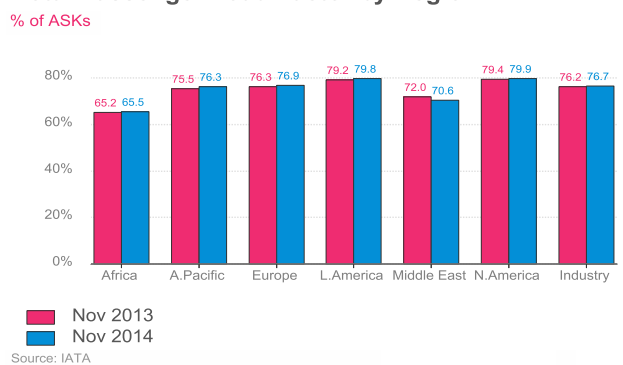
Total Passenger Growth by Region



Passenger Load Factor on Total Market



Total Passenger Load Factor by Region



ANNEX

Year on Year Comparison	Nov 2014 vs Nov 2013			YTD 2014 vs. YTD 2013		
	RPK	ASK	PLF	RPK	ASK	PLF
Africa	-2.5%	-3.1%	63.8%	1.1%	3.4%	67.4%
Asia/Pacific	4.9%	5.6%	74.6%	5.6%	7.0%	76.8%
Europe	5.6%	4.9%	77.7%	5.7%	5.3%	81.8%
Latin America	4.9%	5.7%	78.8%	6.0%	4.7%	80.1%
Middle East	11.7%	13.9%	70.1%	12.9%	11.6%	78.2%
North America	2.0%	3.1%	76.8%	3.1%	4.5%	81.7%
International	5.4%	5.9%	75.1%	6.1%	6.4%	79.3%
Australia	0.3%	-2.1%	78.9%	1.9%	1.7%	76.5%
Brazil	7.7%	5.4%	81.2%	6.4%	1.3%	79.9%
China P.R.	15.4%	11.3%	79.7%	10.7%	11.0%	80.5%
India	14.2%	2.4%	80.3%	7.8%	6.4%	75.5%
Japan	2.6%	0.7%	70.2%	3.9%	0.6%	66.3%
Russian Federation	8.0%	6.5%	69.0%	10.0%	8.0%	76.0%
US	3.6%	2.1%	81.4%	2.5%	1.0%	84.9%
Domestic	6.9%	4.5%	79.3%	5.3%	4.2%	80.7%
Africa	-2.3%	-2.7%	65.5%	0.4%	2.8%	68.3%
Asia/Pacific	7.8%	6.6%	76.3%	6.9%	7.5%	77.2%
Europe	5.5%	4.6%	76.9%	5.9%	5.2%	81.1%
Latin America	6.3%	5.5%	79.8%	6.4%	3.8%	79.8%
Middle East	11.2%	13.4%	70.6%	12.5%	11.2%	78.4%
North America	3.0%	2.4%	79.9%	2.8%	2.3%	83.7%
Total Market	6.0%	5.4%	76.7%	5.8%	5.6%	79.8%

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	Nov 2014 vs. Oct 2014			Market Share
	<i>RPK</i>	<i>ASK</i>	<i>PLFpt</i>	
Africa	-0.6%	-3.2%	1.8%	2.2%
Asia/Pacific	-0.7%	-0.5%	-0.2%	28.7%
Europe	0.1%	0.4%	-0.2%	36.4%
Latin America	-0.2%	0.2%	-0.3%	4.9%
Middle East	1.5%	0.7%	0.6%	14.1%
North America	0.2%	0.3%	-0.1%	12.9%
International	0.1%	0.1%	0.0%	100.0%
Australia	-1.5%	-0.9%	-0.5%	3.2%
Brazil	0.8%	1.1%	-0.2%	4.4%
China P.R.	3.3%	1.8%	1.2%	22.9%
India	-0.4%	-1.1%	0.5%	3.1%
Japan	2.5%	1.2%	0.8%	3.7%
Russian Federation	1.5%	2.3%	-0.5%	3.3%
US	-0.2%	-0.3%	0.1%	41.4%
Domestic	0.6%	0.5%	0.1%	-
Africa	-0.7%	0.5%	0.1%	2.2%
Asia/Pacific	0.3%	-2.9%	0.3%	32.9%
Europe	0.3%	2.8%	2.0%	25.4%
Latin America	-0.8%	0.8%	-2.6%	5.9%
Middle East	1.0%	-0.5%	0.0%	9.2%
North America	-0.1%	0.9%	-1.3%	24.5%
Total Market	0.3%	0.3%	0.0%	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
E-Mail: economics@iata.org
8th January 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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