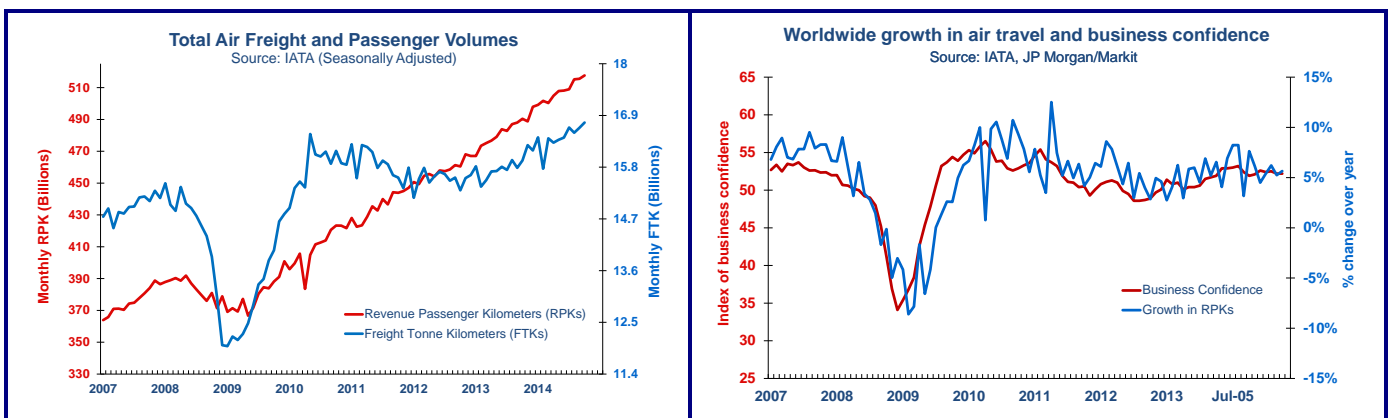


AIR PASSENGER MARKET ANALYSIS

OCTOBER 2014

KEY POINTS

- ➔ Air travel volumes were up 5.7% in October year-on-year, slightly stronger than the September rise of 5.2%, and a continuation of the positive growth trend in air travel.
- ➔ Recent data show that some regions are seeing stronger economic performance as well as improvements in world trade growth, but that downside risks have emerged in some regions. The fall in crude oil prices has partly come as a result of sluggish demand in key markets, including the Eurozone and Asia. Trends in air travel growth have remained positive, suggesting that economic weakness in some regions has yet to have an adverse impact on demand.
- ➔ International revenue passenger kilometers were up 5.5% in October compared to a year ago. Traffic growth for Asia Pacific carriers was a solid 5.5% in October, which is an improvement on September when international RPKs rose 4.7%, and reflects support from stronger growth in regional trade activity which encourages business travel. Slowdown in China has yet to have any impact on regional trade activity and related business travel. European airlines experienced a solid 5.8% rise. Although there has been some slowdown in the Eurozone economy, travel on low cost carriers remains robust and is helping sustain current results.
- ➔ Domestic RPKs rose 5.8% in October year-on-year. Domestic RPKs in Russia are showing signs of slowdown as a result of the Russia-Ukraine crisis with a rise of 6.1%, well below the 10.2% growth trend for the year to date. Although growth in the Indian market slowed (-10.5%) compared to September, the October rise was strong at 16.3% and reflects fare reductions by local carriers.
- ➔ Industry load factors contracted slightly in October compared to September as a result of solid expansion in capacity on international markets, particularly for Asia Pacific carriers. International load factors are now starting to trend downward.
- ➔ On balance, the outlook for air travel remains positive, despite the presence of some downside risk. Demand conditions are improving in the US and trade volumes have been on the increase, especially in Asia Pacific. This should help offset some adverse developments in other parts of the world, including the recent faltering of the Eurozone economic recovery.



Air Passenger Forecast service

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forecast down to
a country-pair level

Year on Year Comparison

Month on Month Comparison

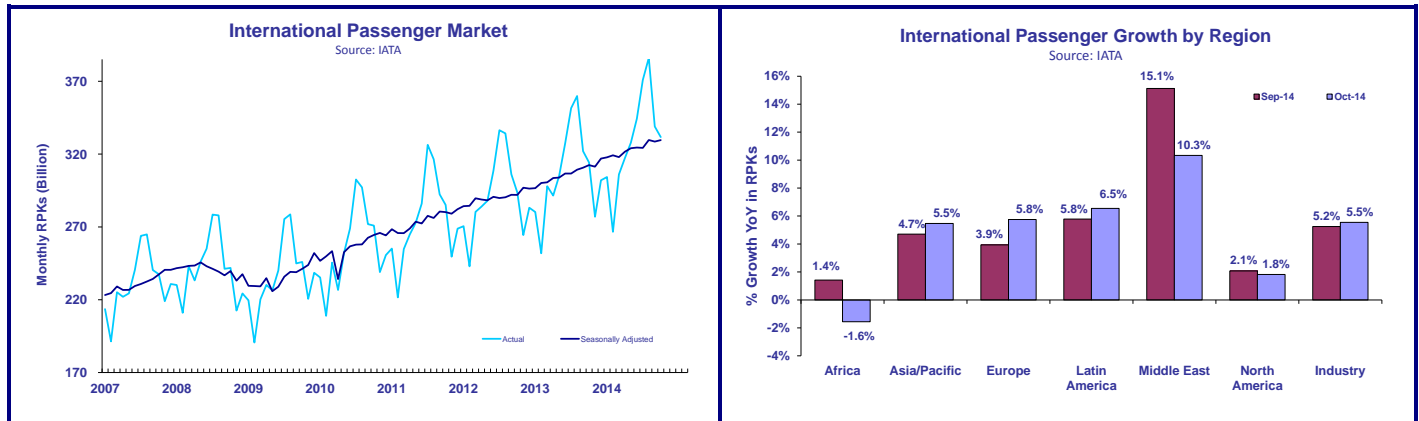
	Oct 2014 vs. Oct 2013			YTD 2014 vs. YTD 2013			Oct 2014 vs. Sep 2014		
	RPK	ASK	PLF	RPK	ASK	PLF	RPK	ASK	PLFpt
International	5.5%	6.4%	78.0%	6.2%	6.4%	79.7%	0.3%	0.6%	-0.3%
Domestic	5.8%	4.0%	81.1%	5.2%	4.2%	81.0%	0.6%	0.5%	0.1%
Total Market	5.7%	5.5%	79.1%	5.8%	5.6%	80.2%	0.4%	0.6%	-0.1%

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.

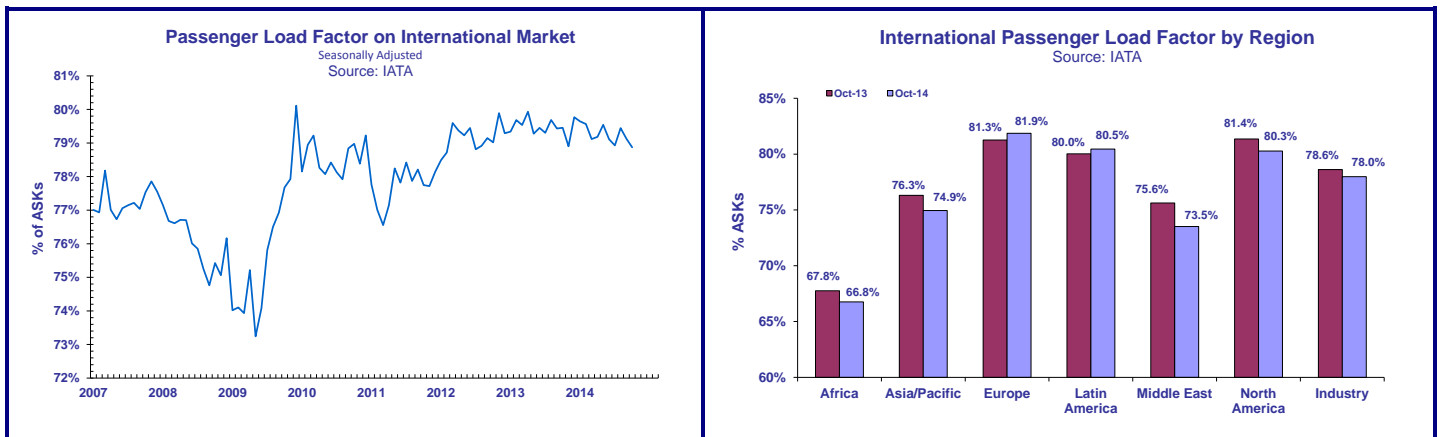
PASSENGER MARKET

International Markets

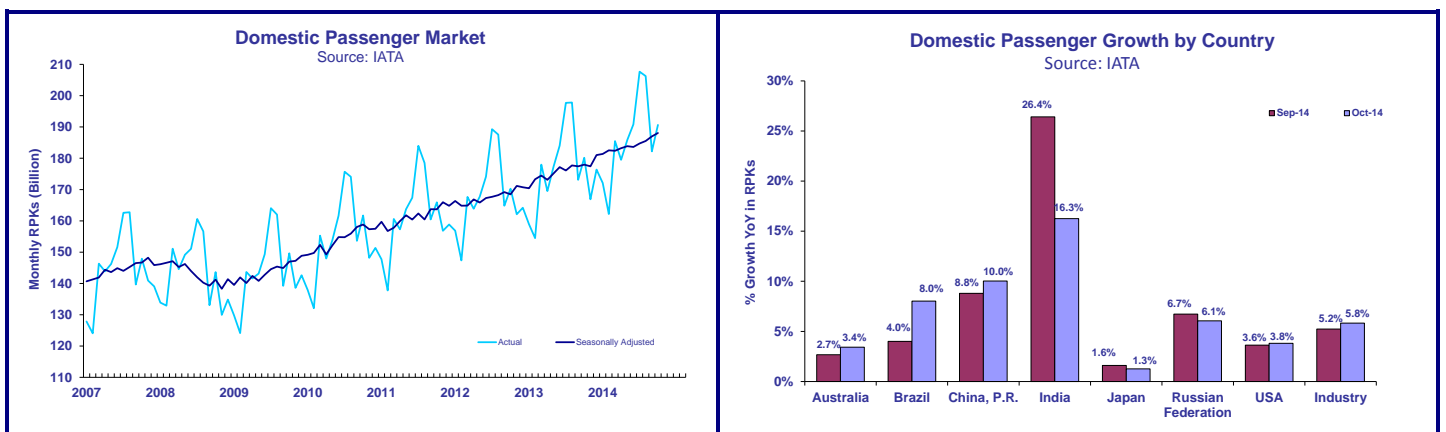


- ➔ International revenue passenger kilometers were up 5.5% in October compared to a year ago. International load factors contracted over the month, and the trend has turned slightly negative, with capacity expanding at a stronger rate than demand. Carriers in Asia Pacific and the Middle East contributed most to the rise in capacity in October and in fact for Asia Pacific carriers, there has been a trend toward capacity growth outstripping demand growth for the year-to-date.
- ➔ Traffic growth for Asia Pacific carriers was a solid 5.5% in October, which is an improvement on September when international RPKs rose 4.7% and reflects support from stronger growth in regional trade activity which encourages business travel. Slowdown in China has yet to have any impact on regional trade activity and related business travel.
- ➔ European airlines experienced a solid 5.8% rise. Although there has been some slowdown in the Eurozone economy, travel on low cost carriers has remained robust and is helping sustain current results. Latest data from Eurostat show that the Eurozone economy managed to expand by 0.2% in Q3 compared to Q2. This alleviates fears that the region is heading into another recession, but growth in Q3 compared to a year ago has slowed to 0.8%, from 1.0% in Q1 2014 year-on-year.
- ➔ Carriers in the Middle East experienced a weaker rise in October compared to September, but the increase was still the strongest among regions at 10.3%. Airlines in the Middle East continue to benefit from the strength of regional economies and solid growth in business-related premium travel. Business confidence in the United Arab Emirates has started to pick-up again after a pause in improvements in early Q2. Export orders have continued to expand very strongly since early 2014, supporting regional trade and related international business travel.
- ➔ North American airlines experienced a 1.8% increase in international RPKs in October compared to a year ago, one of the slowest rates among the regions. However, recent data reveal that underlying growth trends in business activity are positive and growth in trade volumes has accelerated, which bodes well for business-related international travel.
- ➔ Carriers in Latin America experienced solid growth of 6.5% in October year-on-year. Although growth in the Brazilian economy remains fundamentally weak and recent indicators of growth and business activity are showing signs of further weakness, regional trade volumes have been improving, and that is a good sign for international air travel demand going forward.
- ➔ Airlines in Africa saw international RPKs contract by 1.6% compared to a year ago. The weakness in international air travel for regional carriers so far this year reflects adverse economic developments in some parts of the continent. However, major economy South Africa managed to avoid entering a recession after seeing 0.5% growth in GDP in Q2, and has experienced continued gains with growth of 1.4% in Q3. This could help ease some

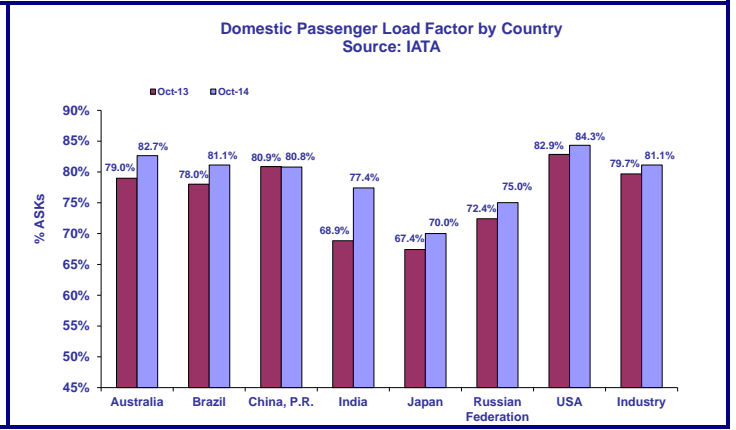
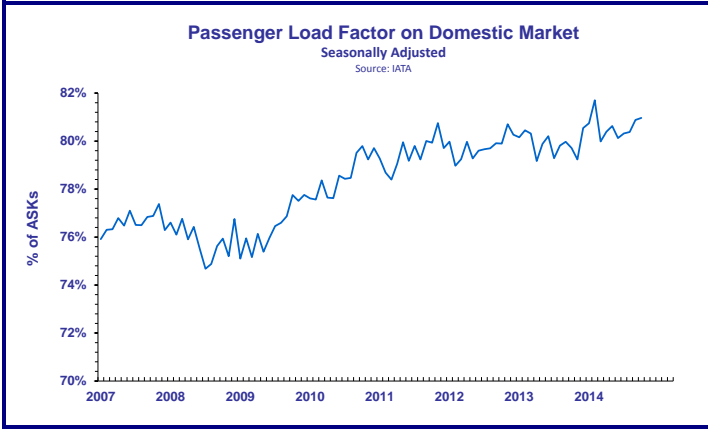
of the downward pressure on air travel for the region's carriers. In addition, the effect of any Ebola-related traffic downturn is mostly restricted to Guinea, Liberia and Sierra Leone, markets that comprise a very small proportion of overall African traffic.



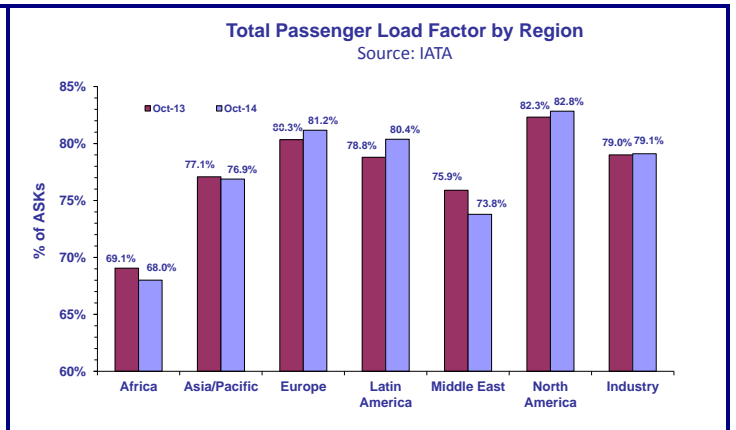
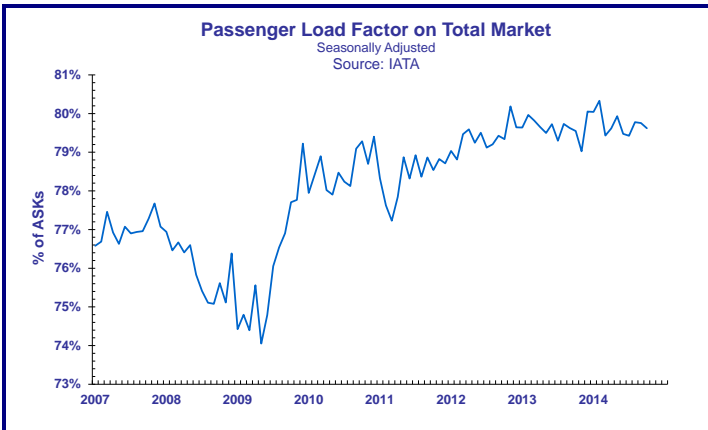
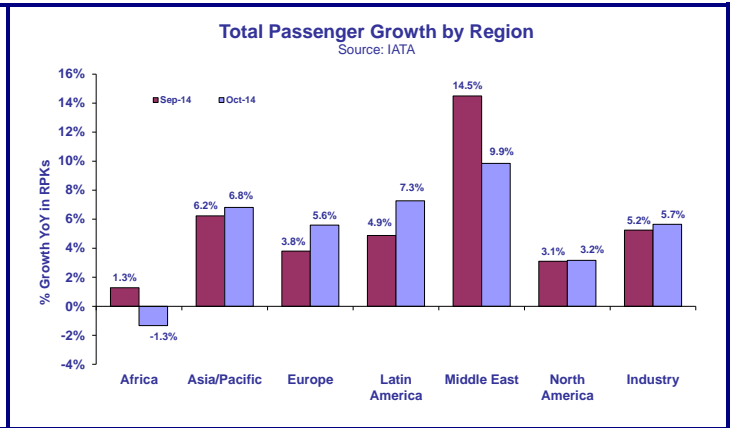
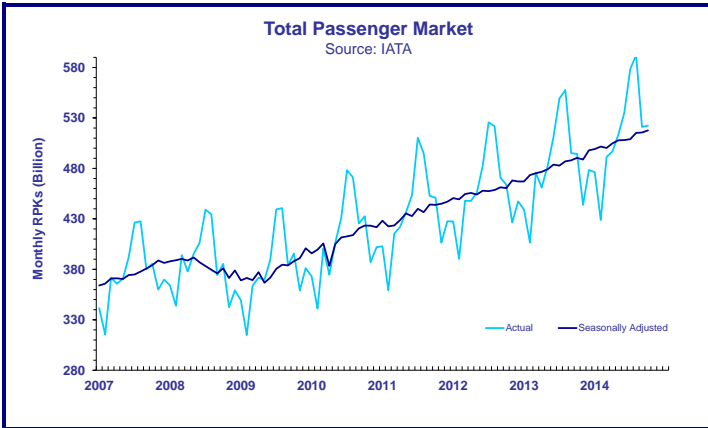
Domestic Market



- Domestic RPKs in Russia are showing signs of slowdown as a result of the Russia-Ukraine crisis and ensuing economic slowdown with a rise of 6.1% in October year-on-year, well below the 10.2% growth trend for the year overall.
- Although growth in the Indian market slowed in October compared to September, the rise was strong at 16.3%. The increase in air travel over recent months comes as a result of market stimulation by local carriers.
- Chinese RPKs in October rose at a strong rate of 10% year-on-year. This is a solid result despite some indicators, including weakness in business activity and industrial production, suggesting that the Chinese economy is starting to slow.
- Domestic air travel in Brazil achieved a solid increase of 8.0% in October. Conditions in the Brazilian economy have been challenging this year, with inflation continuing to rise and consumer confidence waning. Given that the demand backdrop is weak and a presidential election is looming, it's unlikely that growth will improve notably in the near term.
- In the US, domestic air travel rose by 3.8% in October year-on-year. Data continue to show steady increases in consumer confidence as well as rising employment activity. However, with wage growth remaining subdued, the benefits for air travel demand could be limited for the time being.
- Growth in domestic air travel in Australia continues to increase at a slow rate, with a 3.4% rise in October compared to a year ago. The economy is rebalancing due to the end of the mining-led boom, and although some sectors have shown signs of stronger growth, the economy remains sluggish. Moreover, consumer sentiment is subdued, likely reflecting concerns over rising unemployment.
- Japan's domestic air travel increased by a slow 1.3% in October compared to a year ago. There has been some weakness in air travel volumes over recent months as the economy adjusts to April's sales tax increase. Latest results of JP Morgan/ Markit business survey, however, indicate a small rebound in domestic demand since the introduction of the tax.



Total Market (Domestic + International)



ANNEX

Year on Year Comparison	Oct 2014 vs Oct 2013			YTD 2014 vs. YTD 2013		
	RPK	ASK	PLF	RPK	ASK	PLF
Africa	-1.6%	-0.1%	66.8%	1.5%	4.0%	67.8%
Asia/Pacific	5.5%	7.4%	74.9%	5.7%	7.2%	77.0%
Europe	5.8%	5.0%	81.9%	5.8%	5.3%	82.2%
Latin America	6.5%	6.0%	80.5%	6.1%	4.6%	80.2%
Middle East	10.3%	13.5%	73.5%	13.0%	11.4%	79.0%
North America	1.8%	3.2%	80.3%	3.2%	4.6%	82.2%
International	5.5%	6.4%	78.0%	6.2%	6.4%	79.7%
Australia	3.4%	-1.2%	82.7%	2.4%	1.8%	76.7%
Brazil	8.0%	3.9%	81.1%	6.3%	0.9%	79.8%
China P.R.	10.0%	10.1%	80.8%	10.3%	11.0%	80.5%
India	16.3%	3.4%	77.4%	7.2%	6.9%	75.1%
Japan	1.3%	-2.5%	70.0%	3.9%	0.5%	66.1%
Russian Federation	6.1%	2.4%	75.0%	10.2%	8.2%	76.7%
US	3.8%	2.0%	84.3%	2.4%	0.8%	85.2%
Domestic	5.8%	4.0%	81.1%	5.2%	4.2%	81.0%
Africa	-1.3%	0.2%	68.0%	0.7%	3.3%	68.6%
Asia/Pacific	6.8%	7.1%	76.9%	6.8%	7.6%	77.4%
Europe	5.6%	4.5%	81.2%	5.9%	5.3%	81.5%
Latin America	7.3%	5.2%	80.4%	6.4%	3.7%	79.8%
Middle East	9.9%	13.0%	73.8%	12.6%	11.0%	79.3%
North America	3.2%	2.5%	82.8%	2.7%	2.3%	84.0%
Total Market	5.7%	5.5%	79.1%	5.8%	5.6%	80.2%

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	Oct 2014 vs. Sep 2014			Market Share
	RPK	ASK	PLFpt	RPK
Africa	-2.0%	-1.8%	-0.1%	3.0%
Asia/Pacific	0.1%	0.5%	-0.3%	26.4%
Europe	1.0%	1.1%	-0.1%	39.9%
Latin America	1.2%	0.1%	0.9%	4.5%
Middle East	-0.7%	0.8%	-1.1%	13.4%
North America	-0.2%	0.0%	-0.2%	12.8%
International	0.3%	0.6%	-0.3%	100.0%
Australia	1.7%	-0.2%	1.9%	3.4%
Brazil	4.1%	2.5%	1.5%	4.3%
China P.R.	1.1%	1.0%	0.1%	22.8%
India	-10.5%	-0.9%	-8.5%	3.0%
Japan	-1.2%	-1.7%	0.3%	3.2%
Russian Federation	0.1%	-1.5%	1.2%	3.6%
US	0.0%	0.5%	-0.4%	42.0%
Domestic	0.6%	0.5%	0.1%	100.0%
Africa	-1.9%	-1.6%	-0.2%	2.2%
Asia/Pacific	0.3%	0.5%	-0.1%	30.9%
Europe	1.0%	1.0%	0.0%	28.3%
Latin America	2.3%	0.9%	1.1%	5.4%
Middle East	-0.6%	0.7%	-1.0%	8.9%
North America	0.0%	0.3%	-0.3%	24.3%
Total Market	0.4%	0.6%	-0.1%	100%

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

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4TH December 2014

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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