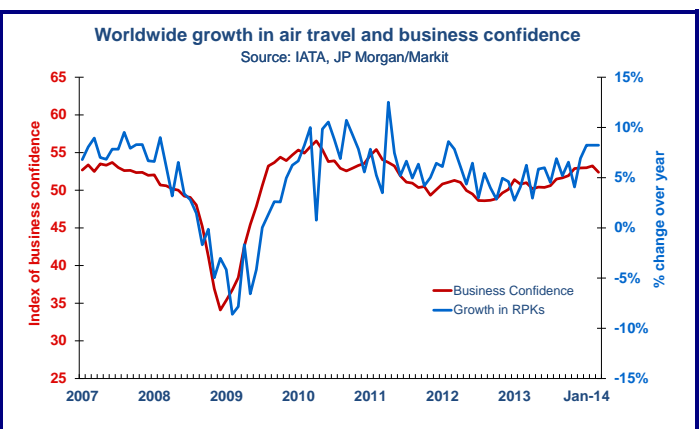
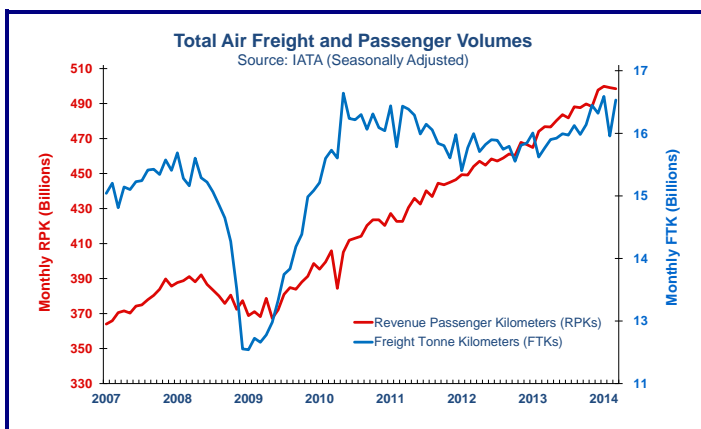


# AIR PASSENGER MARKET ANALYSIS

## MARCH 2014

### KEY POINTS

- Growth in air travel slowed in March, rising 3.1% compared to a year ago. This is down on February, when revenue passenger kilometers increased 5.6%. Growth in the first quarter of 2014 has moderated to 5.6%, just slightly above the 2013 annual growth of 5.2%.
- The first chart below shows that the growth trend in air travel has now flattened. There was a strong acceleration in air travel demand during the last quarter of 2013, consistent with a pick-up in global economic growth. But that trend has now paused, reflecting recent developments in demand drivers.
- On international markets, most regions saw a slowdown in year-on-year growth rates in March compared to February. Asia Pacific airlines recorded one of the largest declines, with international air travel up just 1.1% in March on a year ago, compared to 3.9% in February. Part of this decline reflects the relative slowdown in demand after the positive impacts from Chinese New Year in January/February. But the result also likely reflects downward pressure from continued weakness in the Chinese economy, as well as a recent contraction in regional trade volumes.
- Domestic air travel also slowed in March, rising 4.0% on a year ago, compared to a strong 5.8% in February. But there was significant variation across markets, with some recording double-digit growth. Brazil, Japan and the Russian Federation, recorded increases of 12.0%, 10.0% and 12.8% respectively in March. The Brazilian market was supported by Carnival-related air travel, while Japan's continued expansion has seen domestic air travel recover strongly over the last 9 months. Sustained employment and income growth are supporting the growth in domestic air travel in Russia. China's market rose just 5.2% in March, again likely a function of post-holiday slowdown but also perhaps the first signs of weakness in domestic demand due to recent economic sluggishness.
- Load factors slipped in March compared to February due to the slowdown in demand; there was no decline in capacity growth. Tight capacity management by carriers in Latin America helped drive a 3% pt. improvement in load factors in March year-on-year, the only region to see an improvement on a year ago.
- The demand environment for air travel continues to signal growth, but improvements seen throughout H2 2013 have now paused. Largely reflecting slowdown in the Chinese economy, business confidence slipped in March. World trade growth has also slowed over recent months. The pause is likely to be temporary, however, with performance of advanced economies likely to maintain the economic upturn.



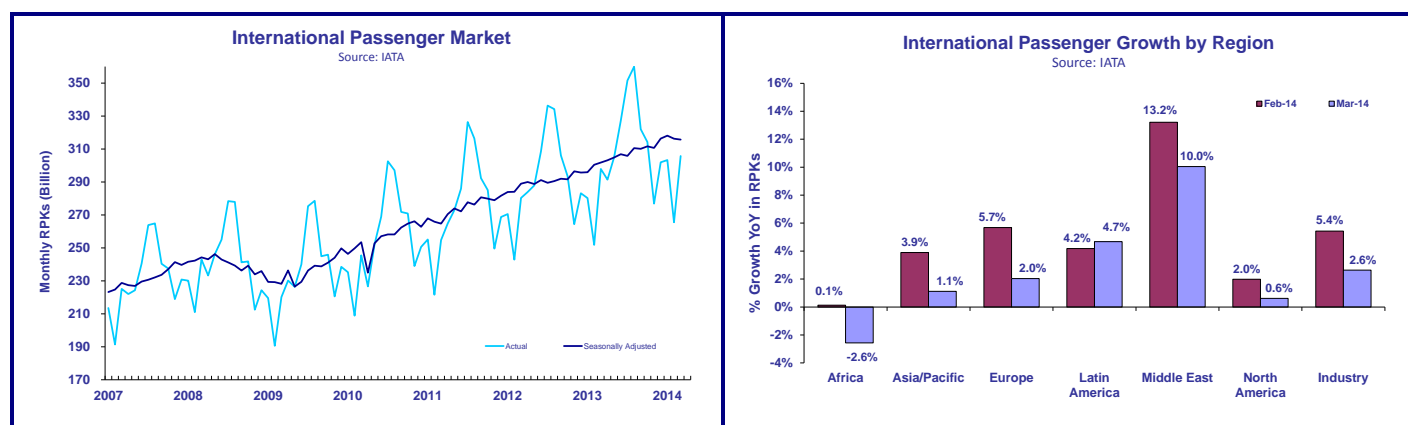
	Year on Year Comparison						Month on Month Comparison		
	Mar 2014 vs. Mar 2013			YTD 2014 vs. YTD 2013			Mar 2014 vs. Feb 2014		
	RPK	ASK	PLF	RPK	ASK	PLF	RPK	ASK	PLFpt
<b>International</b>	2.6%	5.5%	78.0%	5.4%	6.1%	77.8%	-0.2%	0.3%	-0.4%
<b>Domestic</b>	4.0%	4.9%	80.5%	5.9%	5.3%	79.6%	0.0%	1.0%	-1.1%
<b>Total Market</b>	3.1%	5.3%	79.0%	5.6%	5.8%	78.5%	-0.1%	0.6%	-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.

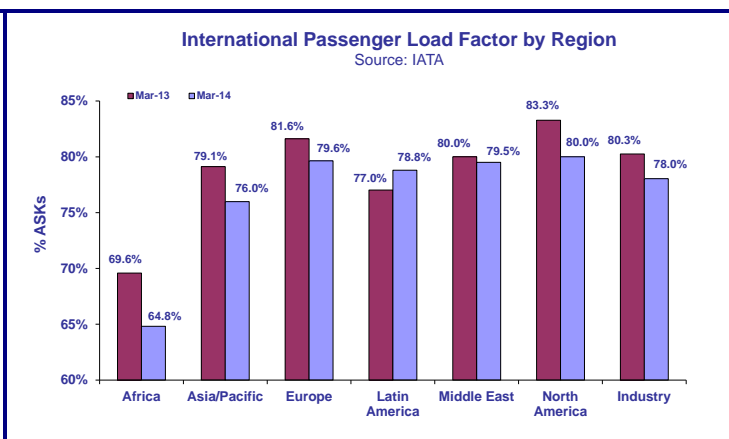
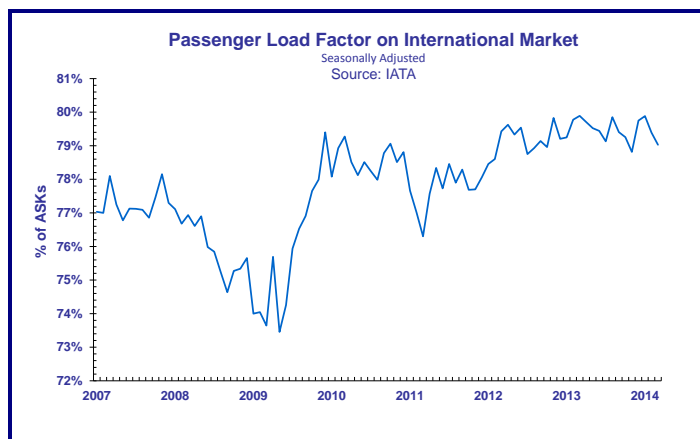
Data are seasonally adjusted. All figures are expressed in % change MoM except FLFpt which are the percentage point difference between LF of two months.

## PASSENGER MARKET

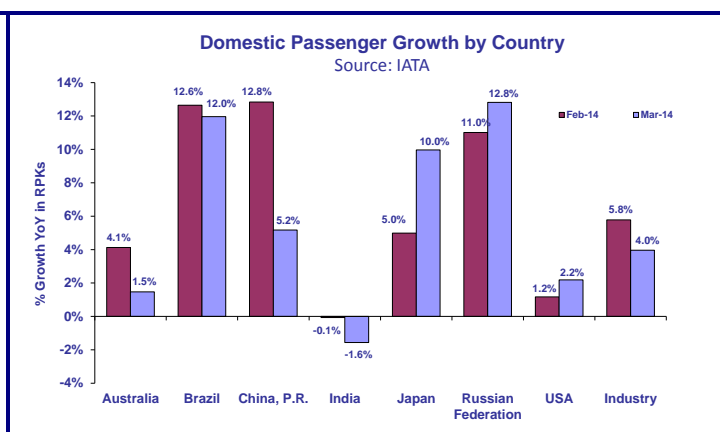
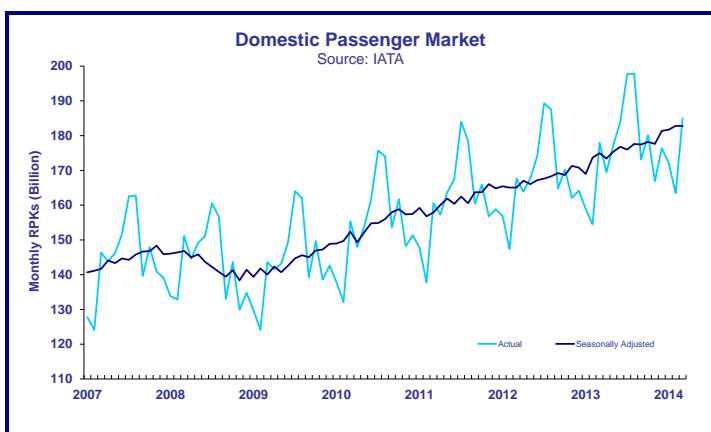
### International Markets



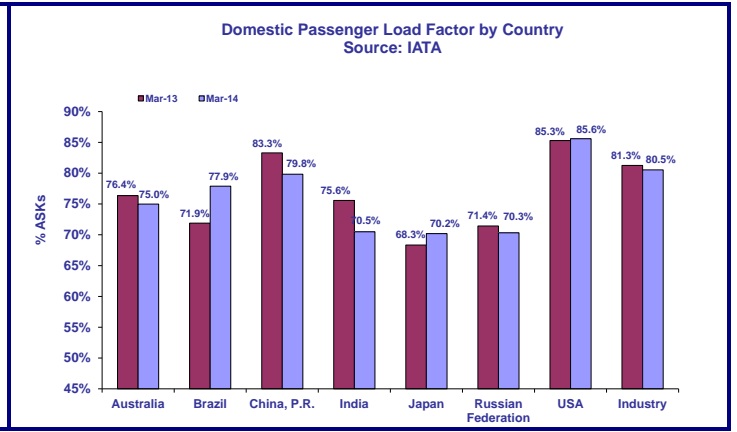
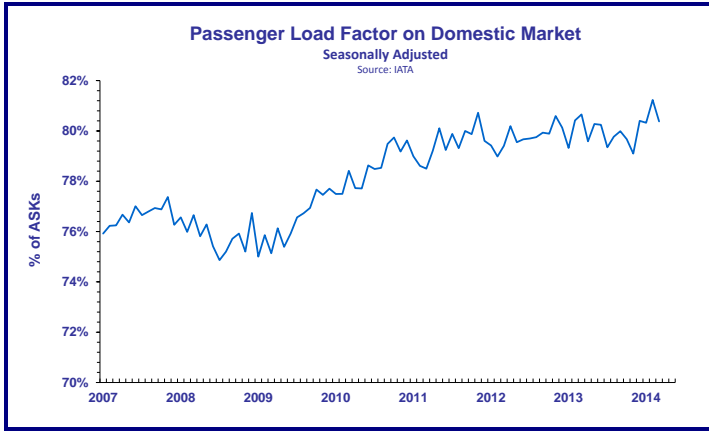
- Air travel on international markets was up just 2.6% in March year-on-year, a significant slowdown on the February increase of 5.4%. Over the month, there was a small contraction in international passenger travel – in March there was a 0.2% decline compared to February – which caused load factors to decline (0.4% pts).
- Most regions saw a slowdown in year-on-year growth rates in March compared to February. Asia Pacific airlines were among the most affected, as international traffic rose just 1.1% in March on a year ago, compared to 3.9% growth in February. Part of this decline reflects the relative slowdown in demand after the positive impacts from Chinese New Year in January/February. But the result also likely is owing to downward pressure from continued weakness in the Chinese economy, as well as a recent contraction in regional trade volumes. In fact, latest data indicates that April was the fourth month of decline in China's manufacturing sector, which could lead GDP growth to further slow in Q2 (growth in Q1 was 7.4%, down on Q4 2014 expansion of 7.7%). Moreover, there are also some signs of slowdown in Emerging Asia trade volumes – after acceleration toward the end of 2013, export momentum turned negative in February. This does not bode well for business-related international air travel.
- International air travel on European airlines increase just 2.0% in March year-on-year. This is down on the February result of 5.7%. The result could reflect the pause in the emerging market economic momentum, since the region itself has been experiencing continuous, steady improvements since mid-2013. In the Eurozone, growth in both the manufacturing and services sectors has now reached rates not seen since the first half of 2013, according to JPMorgan/Markit's surveys of purchasing managers. The pattern of growth has also become more extensive, with major economies like France now also entering positive growth in outputs and new orders for the first time since Q3 2011. These developments should support employment and consumer demand in the months ahead, which could provide continued support for air travel demand despite weakness in other parts of the world.
- North American airlines' international RPKs rose 0.6% in March year-on-year, a slowdown on the February growth rate (2.0%). Weakness in international air travel growth for North American carriers is likely in part reflecting the weather-related slowdown in Q1. Latest data suggested that underlying growth trends in business activity are positive and downward pressure on employment is easing, which could support stronger growth in air travel demand ahead.
- The strongest growth continues to come from Middle Eastern airlines, up 10.0%, but down on February growth of 13.2%. Airlines in the Middle East continue to benefit from the strength of regional economies and solid growth in business-related premium travel. The Gulf nations specifically are enjoying acceleration in non-oil sectors of their economies, ensuring strength in consumer demand and positive developments in sectors such as trade, transport and tourism.
- The only region to see an improvement on February was Latin American, with regional carriers experiencing a rise of 4.7% in March year-on-year compared to 4.2% in the prior month. The outlook for Latin American carriers remains broadly positive, with continued robust performance of economies like Colombia, Peru and Chile, and the upcoming demand to be generated by the FIFA World Cup in Brazil. By contrast, airlines in Africa saw a sharp fall in March international RPKs, which contracted 2.6% on a year ago. The weakness in international air travel for regional carriers over recent months could be in part reflecting adverse economic developments in some parts of the continent, with the slowdown of major economy South Africa. Airlines in Africa have seen virtually no growth (0.2%) during the first quarter of 2014 compared to the same period in 2013.



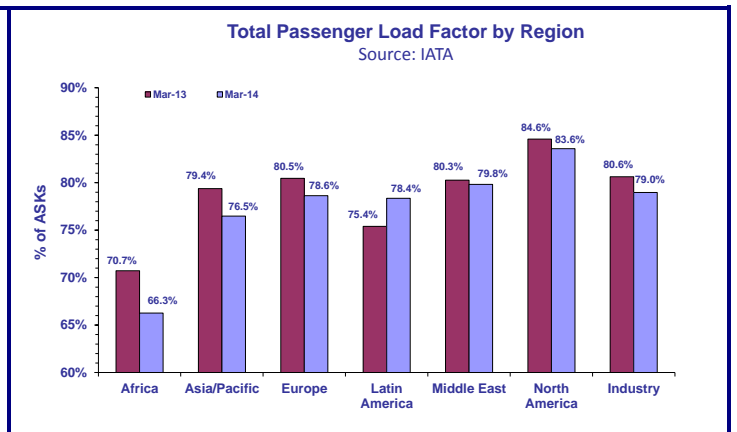
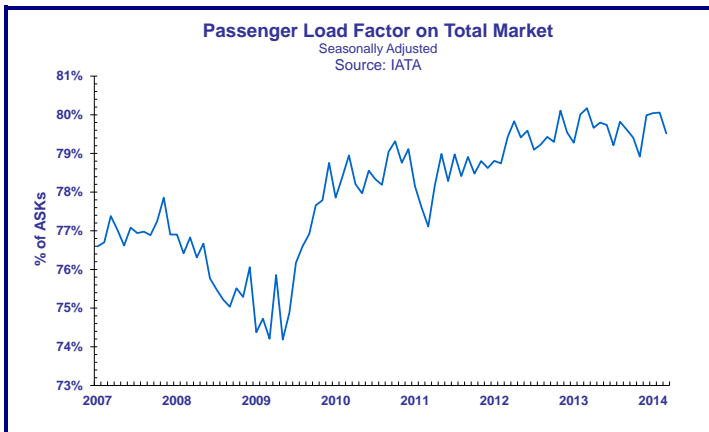
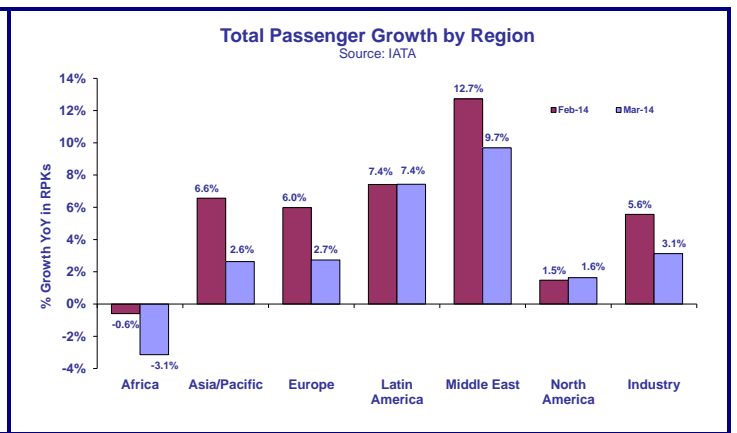
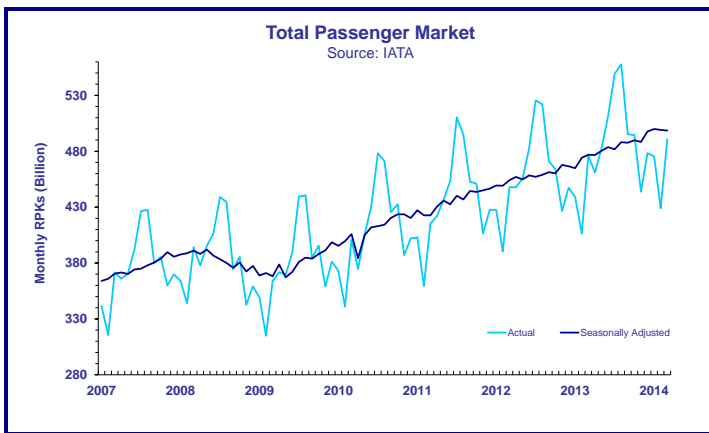
## Domestic Market



- Domestic air travel growth slowed in March, rising 4.0% on a year ago, compared to a strong 5.8% in February, but there was notable variation among the largest markets. Domestic market load factors slipped by 1.1% pts in March compared to February – although volumes were flat, a rise in capacity drove loads down.
- Brazil, Japan and the Russian Federation, recorded increases of 12.0%, 10.0% and 12.8%, respectively, in March. The Brazilian market was supported by Carnival-related air travel, which began at the end of February and continued on into March. Overall, however, the fundamental drivers in Brazil remain fragile with continued economic weakness suppressing domestic demand. In coming months, there could be some added support from the upcoming World Cup which begins in June. Airlines in the region are seeing the benefits of tight capacity management, with a very strong 6% pts rise in load factors in March compared to a year ago.
- In the US, domestic air travel rose 2.2% in March year-on-year, which is an improvement on February growth of 1.2%. Domestic air travel in the US should receive support for continued growth with recent increases in consumer confidence throughout the year as well as rising employment activity.
- Japan's continued expansion has seen domestic air travel recover strongly over the last 9 months. And sustained employment and income growth are supporting the growth in domestic air travel in Russia.
- China's market rose just 5.2% in March, compared to 12.8% in February. This is likely a function of a post-Chinese New Year holiday slowdown, but also perhaps the first signs of weakness in domestic demand from the economic sluggishness of recent months.
- The Indian domestic air travel market contracted 1.6% in March year-on-year, following on the 0.1% fall in February. Downward pressure on demand for air travel reflects subdued consumer sentiment ahead of the upcoming election as well as elevated fares. Air fares have been on the rise since mid-2013, and are currently at the highest levels since mid-2007. As a result of weak demand and continued expansion in capacity, load factors were down almost 5% pts in March compared to a year ago.
- Air travel growth in Australia remains subdued, up just 1.5% in March year-on-year. Despite interest rate cuts, the economy remains broadly sluggish. But while unemployment rates are higher than the government would like (at around 6%), recent data has shown an increase in employment and the participation rate, suggesting that labor market conditions are improving. If these trends continue, downward pressure on domestic air travel growth should ease.



**Total Market (Domestic + International)**



## ANNEX

Year on Year Comparison	Mar 2014 vs Mar 2013			YTD 2014 vs. YTD 2013		
	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>
Africa	-2.6%	4.6%	64.8%	0.2%	4.3%	66.0%
Asia/Pacific	1.1%	5.3%	76.0%	4.5%	6.1%	77.0%
Europe	2.0%	4.6%	79.6%	4.7%	5.5%	78.2%
Latin America	4.7%	2.3%	78.8%	4.5%	2.2%	79.6%
Middle East	10.0%	10.7%	79.5%	13.8%	12.6%	79.9%
North America	0.6%	4.7%	80.0%	2.2%	3.5%	78.9%
<b>International</b>	<b>2.6%</b>	<b>5.5%</b>	<b>78.0%</b>	<b>5.4%</b>	<b>6.1%</b>	<b>77.8%</b>
Australia	1.5%	3.3%	75.0%	3.7%	3.6%	75.9%
Brazil	12.0%	3.4%	77.9%	10.3%	3.4%	79.8%
China P.R.	5.2%	9.7%	79.8%	13.0%	12.7%	81.7%
India	-1.6%	5.5%	70.5%	-0.7%	7.3%	71.4%
Japan	10.0%	7.0%	70.2%	8.7%	6.3%	65.1%
Russian Federation	12.8%	14.6%	70.3%	11.5%	13.6%	67.8%
US	2.2%	1.8%	85.6%	1.6%	0.3%	83.2%
<b>Domestic</b>	<b>4.0%</b>	<b>4.9%</b>	<b>80.5%</b>	<b>5.9%</b>	<b>5.3%</b>	<b>79.6%</b>
Africa	-3.1%	3.4%	66.3%	-0.5%	3.4%	67.0%
Asia/Pacific	2.6%	6.5%	76.5%	7.0%	8.0%	77.5%
Europe	2.7%	5.1%	78.6%	5.2%	5.9%	77.0%
Latin America	7.4%	3.4%	78.4%	7.1%	3.5%	79.6%
Middle East	9.7%	10.3%	79.8%	13.3%	12.2%	80.2%
North America	1.6%	2.9%	83.6%	1.8%	1.6%	81.6%
<b>Total Market</b>	<b>3.1%</b>	<b>5.3%</b>	<b>79.0%</b>	<b>5.6%</b>	<b>5.8%</b>	<b>78.5%</b>

*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	Mar 2014 vs. Feb 2014			Market Share
	RPK	ASK	PLFpt	RPK
Africa	0.0%	0.2%	-0.1%	3.1%
Asia/Pacific	-1.0%	0.2%	-1.0%	27.5%
Europe	0.0%	-0.1%	0.1%	35.7%
Latin America	2.4%	0.6%	1.4%	4.7%
Middle East	0.7%	0.5%	0.2%	14.6%
North America	-0.9%	1.2%	-1.7%	14.4%
<b>International</b>	<b>-0.2%</b>	<b>0.3%</b>	<b>-0.4%</b>	<b>100.0%</b>
Australia	-1.6%	0.1%	-1.7%	3.1%
Brazil	-1.2%	0.8%	-1.9%	4.0%
China P.R.	-3.0%	-0.1%	-2.5%	21.2%
India	4.4%	0.2%	3.0%	2.7%
Japan	4.0%	2.2%	1.1%	3.4%
Russian Federation	1.4%	0.4%	0.7%	3.0%
US	1.1%	2.0%	-0.7%	45.6%
<b>Domestic</b>	<b>0.0%</b>	<b>1.0%</b>	<b>-1.1%</b>	<b>100.0%</b>
Africa	-0.3%	0.1%	-0.3%	2.3%
Asia/Pacific	-1.3%	0.3%	-1.2%	30.8%
Europe	0.1%	-0.1%	0.2%	25.0%
Latin America	1.5%	0.9%	0.5%	5.5%
Middle East	0.7%	0.4%	0.3%	9.6%
North America	0.4%	1.7%	-1.1%	26.9%
<b>Total Market</b>	<b>-0.1%</b>	<b>0.6%</b>	<b>-0.5%</b>	<b>100%</b>

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](mailto:economics@iata.org)  
6<sup>TH</sup> May 2014

#### FURTHER ANALYSIS AND DATA

Access data related to this briefing through the Monthly Statistics publication:

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