

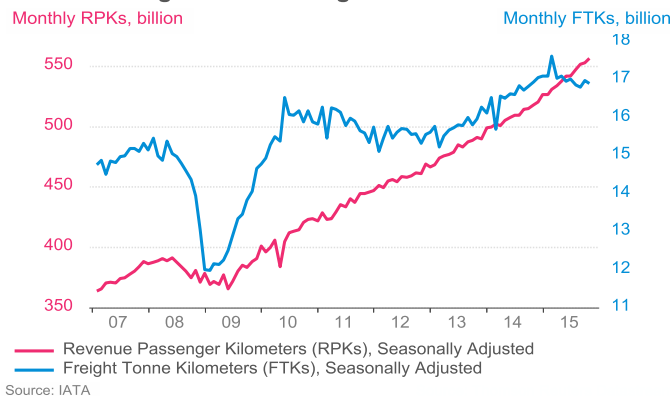
AIR PASSENGER MARKET ANALYSIS

OCTOBER 2015

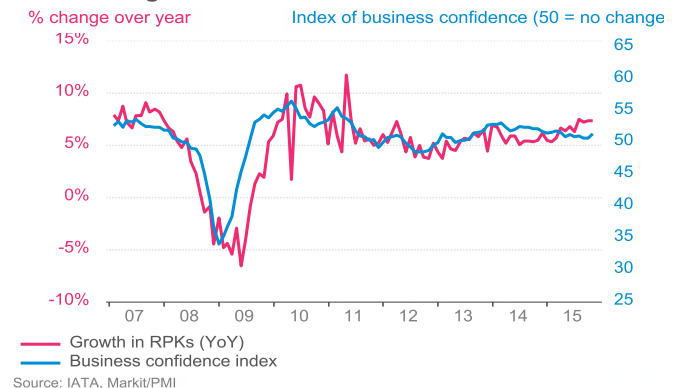
KEY POINTS

- ➔ Global air travel rose 7.5% in October compared to a year ago. The strong growth trend looks set to continue through to year-end, despite some softening in global economic growth, mostly in emerging markets.
- ➔ Growth in air travel has received some support from lower fares. For the first 8 months of the year, there has been a 5% fall in average fares in currency adjusted terms. Assuming an average elasticity of demand of 0.6, we estimate that the fall in fares has supported a rise in air travel of about 3.0% points, offsetting some of the weakness in confidence. The first chart below (RPKs adjusted for seasonal and holiday impacts) shows that after a brief moderation in volumes in mid-2015, passenger travel has been expanding at a robust rate ever since. In fact, growth year-to-date is 6.8%.
- ➔ International air travel growth for carriers in major regions remains robust. Asia Pacific, Europe and North America recorded gains of 8.6%, 6.7% and 4.6%, respectively, year-on-year. Despite weakness in trade activity in Emerging Asia, as well as slower than expected growth in China, there has been no adverse impact to date on international RPKs for Asia Pacific carriers. Economic recovery in the Eurozone and stronger demand conditions in H2 in the US are supporting international air travel on carriers in these regions.
- ➔ Domestic markets showed considerable variation in performance in October. India continues to record very strong growth, up 17.6%, largely reflecting notable increases in service frequencies as well as ongoing economic strength. By contrast, air travel in Japan rose just 2.0% in October year-on-year, hampered by fragile economic conditions.
- ➔ Industry load factors were up in October, once again near record highs. Recent improvements in industry load factors have been largely driven by domestic markets, particularly in India where there has been a notable improvement in matching capacity to demand.
- ➔ Despite the recent moderation in economic activity in a number of emerging markets, particularly China, improved conditions in developed economies, combined with the fall in oil prices since mid-2014, is expected to support growth in demand for passenger travel throughout the remainder of 2015 and into the New Year.

Total Air Freight and Passenger Volumes



Worldwide growth in air travel and business confidence



Air Passenger Forecast service

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IATA and Tourism Economics



Including
comprehensive
forecasts down to
a country-pair level

Year on Year Comparison

Month on Month Comparison

	Oct 2015 vs. Oct 2014			YTD 2015 vs. YTD 2014			Oct 2015 vs. Sep 2015		
	RPK	ASK	PLF	RPK	ASK	PLF	RPK	ASK	PLFpt
International	7.6%	6.1%	79.2%	6.9%	6.2%	80.2%	0.6%	0.4%	0.2%
Domestic	7.3%	5.0%	82.7%	6.7%	5.6%	81.7%	0.5%	0.2%	0.3%
Total Market	7.5%	5.7%	80.5%	6.8%	6.0%	80.7%	0.6%	0.3%	0.2%

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.

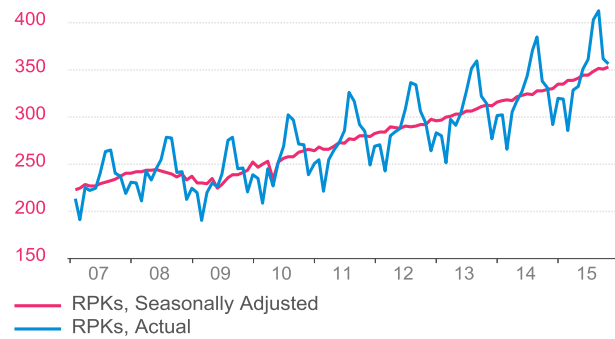
Data are seasonally adjusted. All figures are expressed in % change MoM except FLFpt which are the percentage point difference between LF of two months.

PASSENGER MARKET

International Markets

International Passenger Market

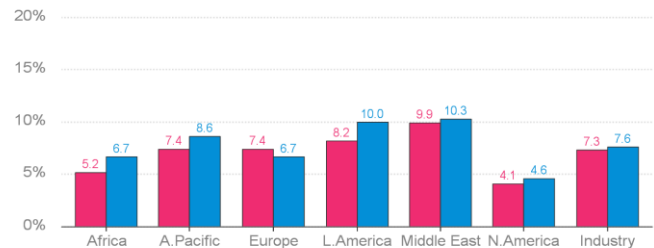
Monthly RPKs, billion



Source: IATA

International Passenger Growth by Region

% change over year



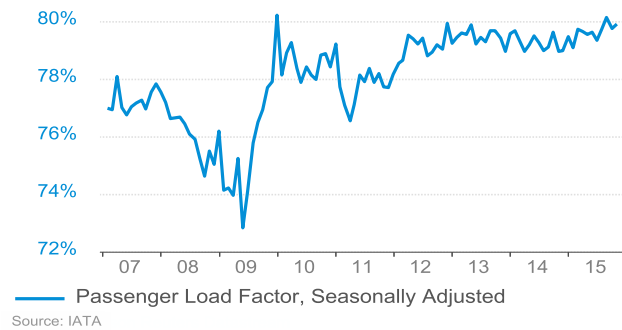
■ Sep 2015
■ Oct 2015

Source: IATA

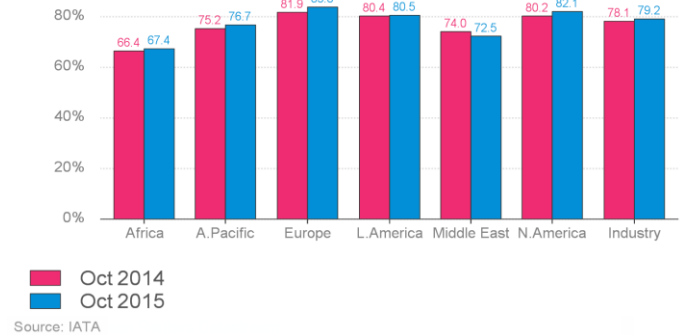
- ✈ International travel on Asia Pacific carriers rose by a healthy 8.6% in October year-on-year. Although there has been some rebound over recent months, we have seen notable declines in trade activity to/from Emerging Asia in 2015, and growth in the Chinese economy has been slower than expected. However, neither factor appears to be significantly impacting international RPKs on the region's carriers.
- ✈ Economic recovery in Europe and expectations for stronger demand in H2 in the US are supporting demand for international travel on carriers in these regions, where RPKs rose 6.7% and 4.6%, respectively, in October. According to Markit surveys, Eurozone businesses reported the fastest rates of growth in business activity and employment for four-and-a-half years in November.
- ✈ International air travel on Middle Eastern carriers rose 10.3% in October year-on-year. After decline in the first half of 2015, September data from purchasing managers (Markit) pointed to further gains in business conditions across the non-oil producing private sectors of the UAE and Saudi Arabia, and this should help sustain solid expansion in air passenger demand for local carriers.
- ✈ Growth for Latin American carriers was a strong 10.0% in October year-on-year. Although there has been some decline in early H2, regional trade volumes showed strong improvement during H1 2015. And despite economic weakness in Brazil and Argentina, solid trade activity has provided a boost to business-related international travel.
- ✈ International RPK growth for African carriers was up 6.7% in October year-on-year. This is the fourth consecutive month of increase on the year ago period, but the trend for the year-to-date so far remains weak, with growth of just 0.4%. The weakness so far this year reflects adverse economic developments in various parts of the continent, not least in its largest economy, Nigeria, which is highly reliant on oil revenues. Over the past few months, exports from Africa have

held up better than during earlier in the year, and this could be helping boost international air travel on the regions carriers.

Passenger Load Factor on International Market
% of ASKs

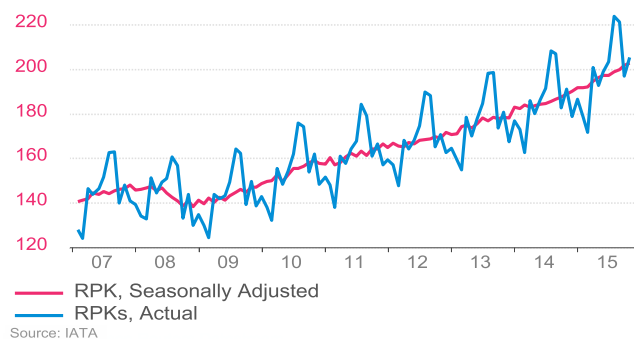


International Passenger Load Factor by Region
% of ASKs

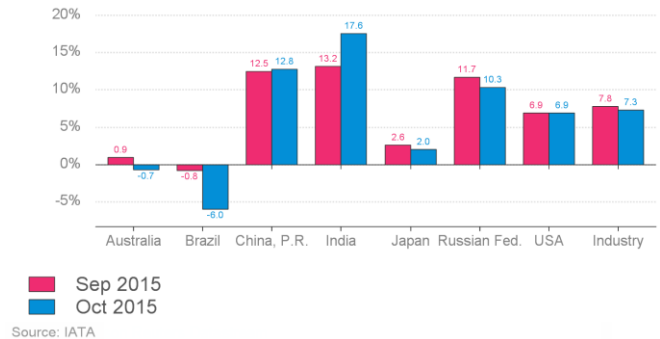


Domestic Market

Domestic Passenger Market
Monthly RPKs, billion



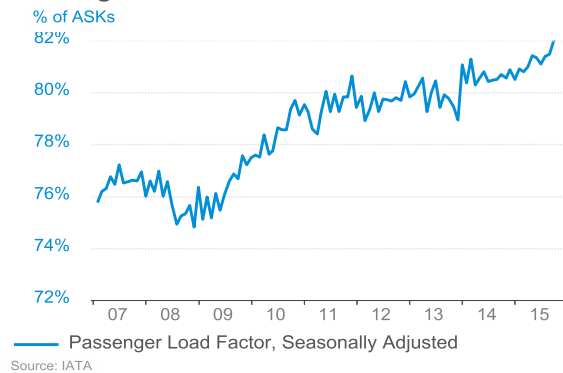
Domestic Passenger Growth by Country
% change over year



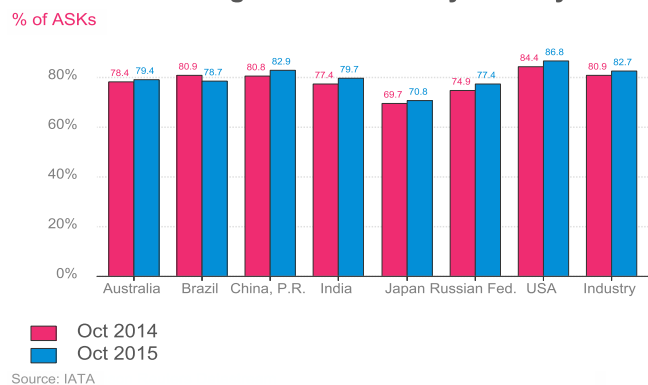
- ✈ Domestic markets showed considerable variation in performance in October. India continues to record very strong growth, up 17.6%, largely reflecting notable increases in service frequencies as well as ongoing economic strength. Supportive monetary policy is expected to help economic growth and that should help to sustain the very strong growth seen so far this year.
- ✈ Domestic RPKs in China were up a strong 12.8% in October year-on-year. Recent developments in the Chinese economy have increased concerns about further slowdown. The growth trend in domestic RPKs, however, suggests that weakness in the economy may have impacted demand earlier in the year with a flattening of volumes in March. More positively, the trend in China domestic RPKs has been stable since April 2015.
- ✈ Air travel in Russia remains elevated, with a rise in RPKs of 10.3% compared to a year ago. Growth in air travel is being driven by factors which are offsetting the deterioration in economic conditions over the past year.
- ✈ The US domestic air travel market was up a strong 6.9% year-on-year, which is the second month of strong performance, particularly after weakness earlier in the year. Although there are expectations for improvement in economic growth in H2, part of the solid expansion in domestic air travel is related to an acceleration in capacity additions.
- ✈ By contrast, air travel in Japan rose just 2.0% in October year-on-year. The economy remains fragile and after two quarters of negative GDP growth, technically has re-entered recession. That said, domestic consumption was robust and coupled with the weak yen, there is an expectation that these factors should help support demand for domestic travel over international trips.

✈ The Australian domestic market contracted 0.7% in October year-on-year. There are signs of improvements in the economy with business activity increasing over recent months, but income growth remains relatively subdued and the trend in domestic air travel remains weak.

Passenger Load Factor on Domestic Market

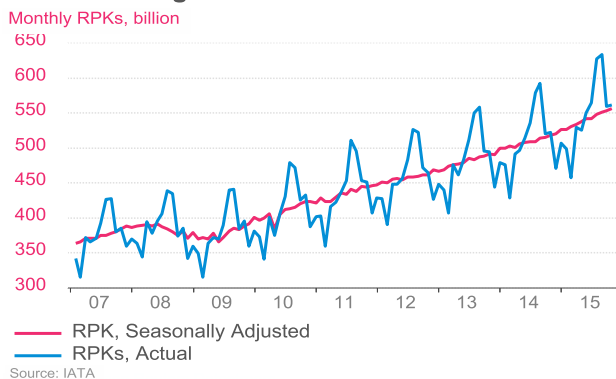


Domestic Passenger Load Factor by Country

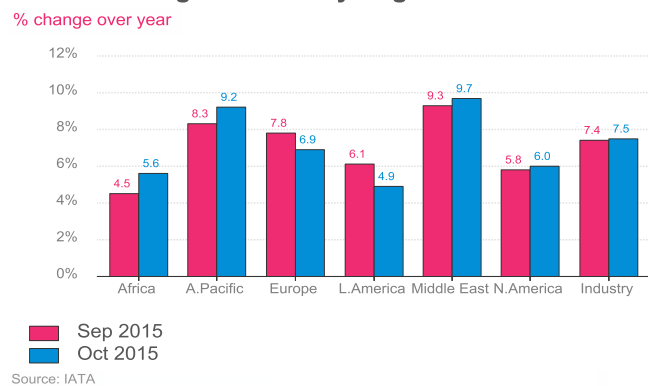


Total Market (Domestic + International)

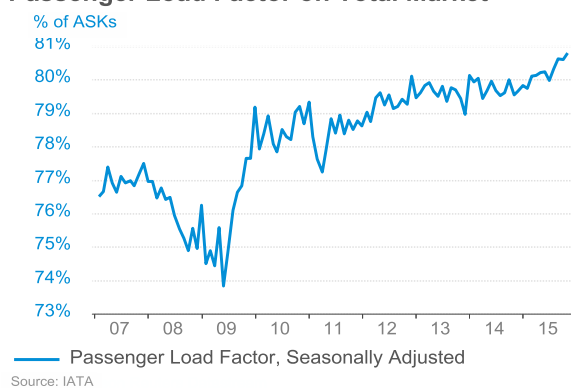
Total Passenger Market



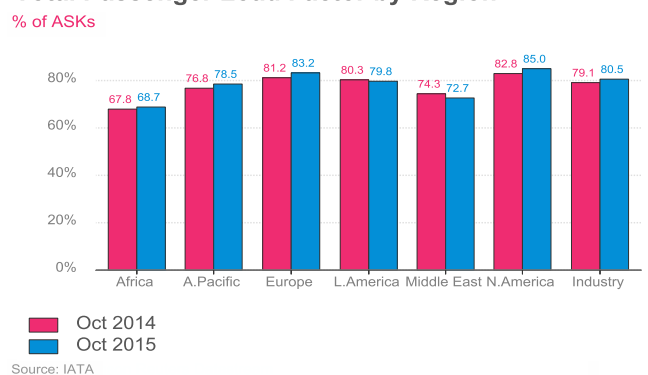
Total Passenger Growth by Region



Passenger Load Factor on Total Market



Total Passenger Load Factor by Region





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ANNEX

Year on Year Comparison	Oct 2015 vs Oct 2014			YTD 2015 vs. YTD 2014		
	RPK	ASK	PLF	RPK	ASK	PLF
Africa	6.7%	5.2%	67.4%	0.4%	-0.1%	68.1%
Asia/Pacific	8.6%	6.6%	76.7%	8.2%	6.5%	78.3%
Europe	6.7%	4.2%	83.8%	5.6%	4.2%	83.2%
Latin America	10.0%	10.0%	80.5%	7.5%	7.5%	80.1%
Middle East	10.3%	12.7%	72.5%	12.5%	15.2%	77.2%
North America	4.6%	2.2%	82.1%	3.5%	3.5%	82.1%
International	7.6%	6.1%	79.2%	6.9%	6.2%	80.2%
Australia	-0.7%	-2.0%	79.4%	0.0%	-0.5%	76.3%
Brazil	-6.0%	-3.4%	78.7%	2.3%	1.8%	80.1%
China P.R.	12.8%	9.9%	82.9%	12.4%	10.7%	81.8%
India	17.6%	14.3%	79.7%	19.2%	8.4%	82.5%
Japan	2.0%	0.3%	70.8%	2.0%	0.6%	66.8%
Russian Federation	10.3%	6.6%	77.4%	8.5%	10.4%	75.2%
US	6.9%	3.8%	86.8%	4.6%	4.2%	85.5%
Domestic	7.3%	5.0%	82.7%	6.7%	5.6%	81.7%
Africa	5.6%	4.2%	68.7%	0.4%	-0.1%	68.9%
Asia/Pacific	9.2%	6.9%	78.5%	9.1%	7.0%	78.8%
Europe	6.9%	4.3%	83.2%	5.7%	4.5%	82.4%
Latin America	4.9%	5.6%	79.8%	6.2%	5.8%	80.0%
Middle East	9.7%	12.2%	72.7%	11.9%	14.5%	77.6%
North America	6.0%	3.3%	85.0%	4.1%	3.9%	84.2%
Total Market	7.5%	5.7%	80.5%	6.8%	6.0%	80.7%

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	Oct 2015 vs. Sep 2015			Market Share
	RPK	ASK	PLFpt	RPK
Africa	0.0%	0.0%	0.0%	2.2%
Asia/Pacific	1.2%	0.8%	0.3%	26.7%
	0.1%	0.2%	-0.1%	39.6%
Latin America	1.2%	1.3%	0.0%	4.6%
Middle East	1.4%	1.6%	-0.1%	13.8%
North America	0.2%	-1.1%	1.1%	12.5%
International	0.6%	0.4%	0.2%	100.0%
Australia	-0.6%	-0.4%	-0.2%	3.1%
Brazil	-1.6%	0.1%	-1.3%	3.7%
China P.R.	1.2%	0.6%	0.5%	23.8%
India	-4.3%	0.4%	-4.1%	3.2%
Japan	-0.5%	0.2%	-0.4%	3.4%
Russian Federation	-0.9%	-4.5%	2.8%	3.7%
US	0.5%	0.4%	0.1%	41.7%
Domestic	0.5%	0.2%	0.3%	
Africa	0.0%	-0.1%	0.1%	2.2%
Asia/Pacific	1.0%	0.6%	0.3%	31.4%
Europe	0.1%	0.1%	0.0%	28.1%
Latin America	0.5%	0.6%	-0.1%	5.3%
Middle East	1.4%	1.6%	-0.2%	9.1%
North America	0.4%	-0.2%	0.5%	23.9%
Total Market	0.6%	0.3%	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.

IATA Economics
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