

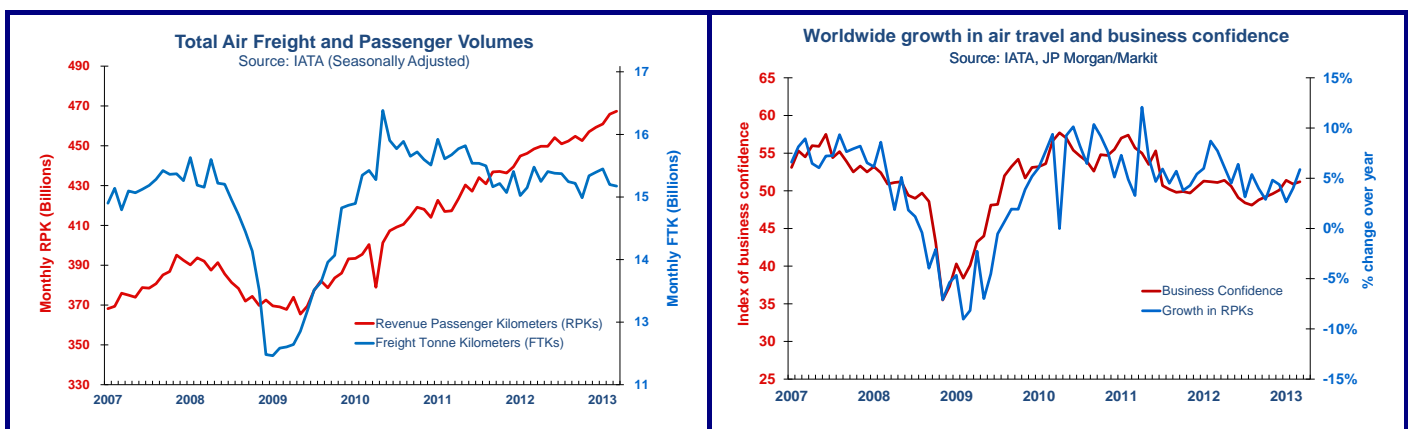


AIR PASSENGER MARKET ANALYSIS

MARCH 2013

KEY POINTS

- Global air travel markets continue to perform strongly. In March, revenue passenger kilometers were up 5.9% compared to a year ago, an improvement on the February growth of 4%. Although there is some upward bias on the year-on-year comparison from the Easter holiday – falling a month earlier in 2013 in March – the seasonally adjusted series confirms a continuation of the strong growth trend.
- Seasonally adjusted passenger volumes (first chart below) show acceleration in the growth trend since Q4 2012, and that has been consistent with a pick-up in global business confidence indicators. RPKs have been growing at an 8% annualized rate from October to March. Over the first three quarters of 2012, air travel was trending at a 3.5% annualized rate of expansion.
- On international markets, all regions saw an improvement in March compared to a year ago, led by a 15.6% increase for Middle East airlines. Latin America airlines recorded the second fastest increase, up 11.8% in March year-on-year, reinforcing the strong performance seen over the past 6 months and reflecting the better performance of regional economies. Asia-Pacific airlines continue to support most of the acceleration in the global growth trend, with RPKs expanding 0.8% in March compared to February. Strong growth of China's economy in Q1 and further increases in confidence indicators continue to support growth in air travel demand.
- Performance on domestic air travel markets showed significant variation in March. China's domestic market continues to increase at a very strong rate, up 16.6% in March year-on-year, reflecting the strength of the Chinese economy. Japan's domestic market continues to decline, down 1.1%, despite recent improvements in key economic indicators. In Brazil, declines in traffic growth have followed significant capacity cuts, with airlines acting to offset downward pressure on profitability from slower than expected economic growth. The Brazilian domestic market was down 1.4% in March compared to a year ago.
- There was little change in seasonally adjusted load factors overall, with levels remaining high and close to 80% globally. Compared to a year ago, load factors in all regions showed improvement in March, which should provide support to airline profits in the first quarter.
- Although recent developments have raised questions about the pace of the global economic recovery – including downward revisions to Eurozone growth and US government spending cuts – business confidence levels continue to indicate that a global economic upturn is forthcoming, which should provide sustained support for growth in air travel in the months ahead.



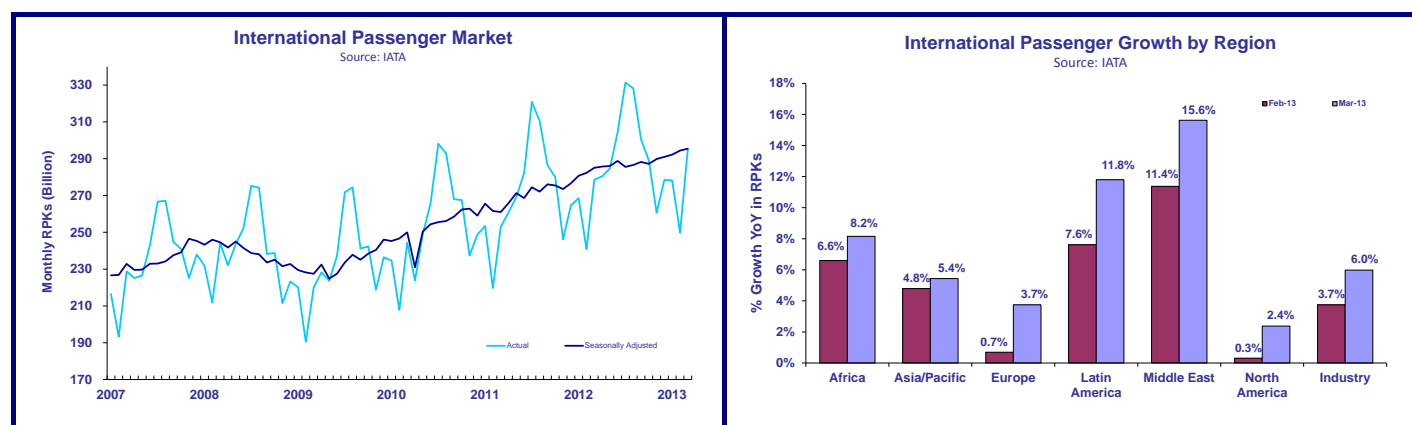
	Year on Year Comparison						Month on Month Comparison		
	Mar 2013 vs. Mar 2012			YTD 2013 vs. YTD 2012			Mar 2013 vs. Mar 2013		
	RPK	ASK	PLF	RPK	ASK	PLF	RPK	ASK	PLFpt
International	6.0%	3.5%	79.9%	4.5%	2.4%	78.0%	0.4%	0.1%	0.3%
Domestic	5.7%	3.5%	80.9%	3.8%	2.0%	78.9%	0.3%	0.6%	-0.3%
Total Market	5.9%	3.5%	80.3%	4.2%	2.3%	78.3%	0.3%	0.3%	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.

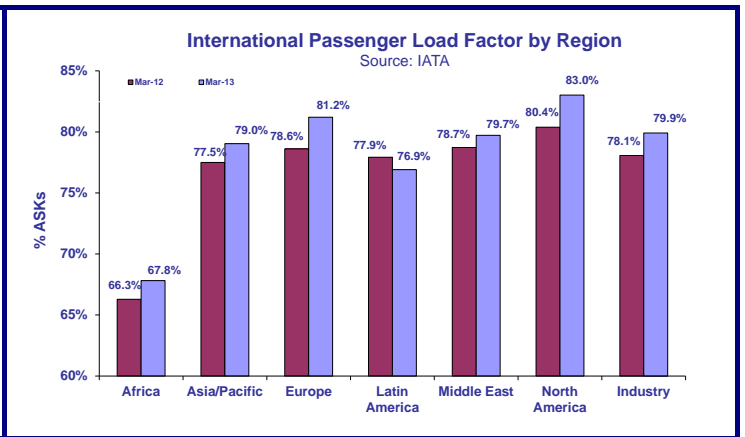
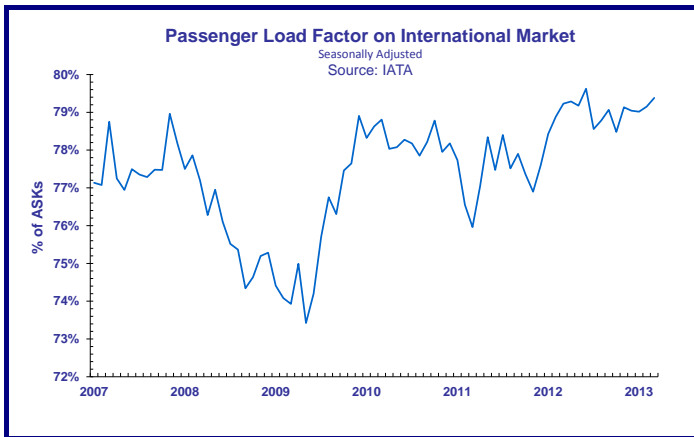
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

PASSENGER MARKET

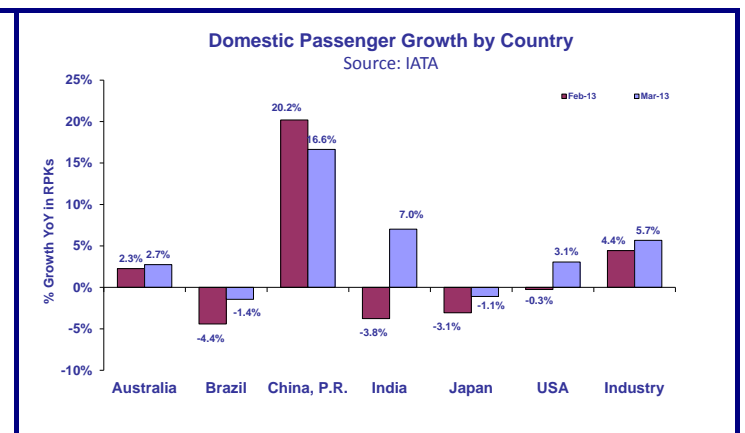
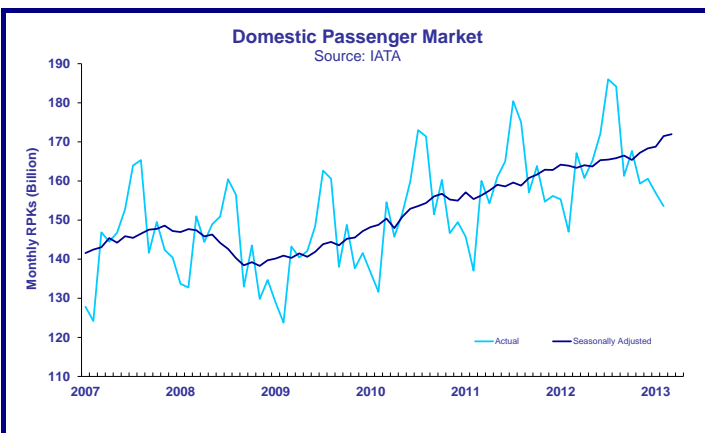
International Markets



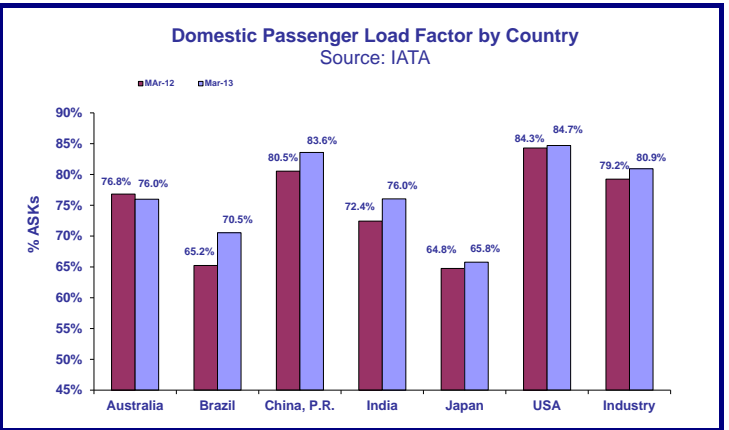
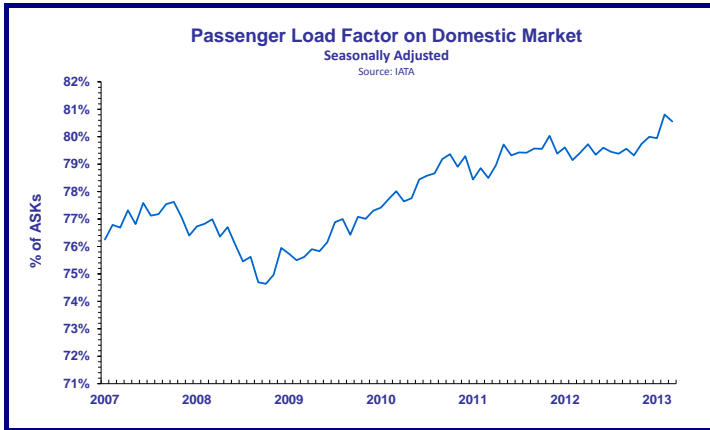
- The growth trend in international passenger travel continues to expand, with further growth over the month (0.4%) in March compared to February. There was also a strong rise in March compared to a year ago, with international air travel up 6.0%.
- Airlines in emerging regions continue to drive the growth in international passenger travel. Half of the growth in international RPKs from October to March has been carried by Asia-Pacific airlines. Strong growth in the Chinese economy as well as a pick-up in Asian trade since Q4 2012 have supported an increase in air travel demand. In March, international travel on Asia-Pacific airlines was up 5.4% compared to a year ago, and over the month there was a strong expansion of 0.8%.
- Middle Eastern airlines are also experiencing strong growth in international air travel. Although they make up a relatively smaller share of the market (13.4%), they have carried about a fifth of the increase in demand over the past 6 months. Middle East airlines continue to post the fastest growth rates, with international travel up 15.6% in March compared to a year ago.
- Airlines in other emerging regions also show solid performance. Latin America airlines recorded the second fastest increase, up 11.8% in March year-on-year, reinforcing the strong performance seen over the past 6 months and reflecting the better performance of regional economies. In March, international RPKs for Latin American carriers were up 5% compared to October, and over the month there was a solid expansion of 0.7%. Africa airlines saw international air travel rise 8.2% in March compared to a year ago. Although there was some decline in the month-on-month trend in March (1.1%), overall the region has been seeing solid growth. And airlines in the region have been making steady progress with load factors through tighter capacity management over the last 9 months. Nevertheless, load factors for African airlines remain well behind other regions, and the region as a whole trails the industry average by 12% pts.
- International travel on European airlines was up 3.7% in March year-on-year, an improvement on February growth of 0.7%. However, with persisting weakness in the Eurozone economy – and more recently downward revisions to growth expectations for 2013 – the trend for international travel on European airlines has been largely flat since October 2012. Despite this weakness, European airlines have managed to maintain and even improve load factors through tighter capacity expansion. In March, European airlines' load factors on international markets were up almost 3% points compared to a year ago.
- North American airlines' international traffic was up 2.4% in March compared to a year ago, the slowest rise among regions, but an improvement on February growth of 0.3%. Airlines in North America continue to cut capacity – down 0.9% in March compared to a year ago – which keeps growth in demand contained. The underlying growth trend for North American airlines' international travel had been showing improvement since late last year, but over recent months there has been significant volatility in the data and some indication of weakness. Although the US economy remains largely on track, the government recently enacted a series of spending cuts which could eventually have some adverse impact on economic growth, and ultimately consumer spending. The next several months will reveal the impacts, if any, of these developments.



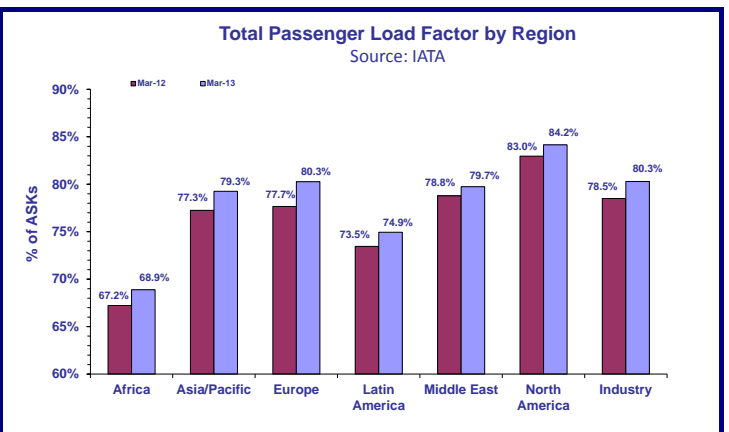
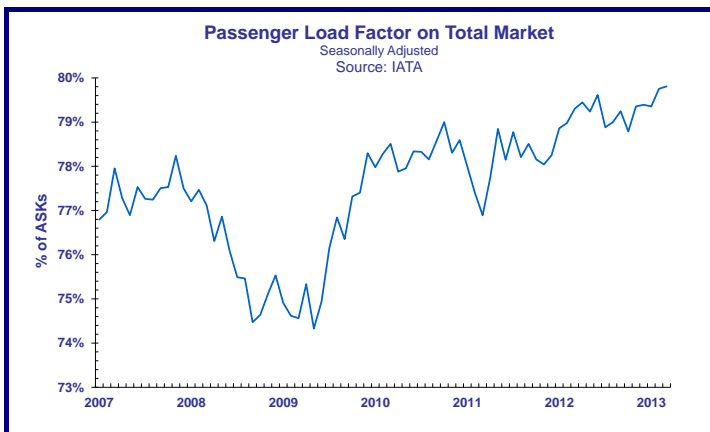
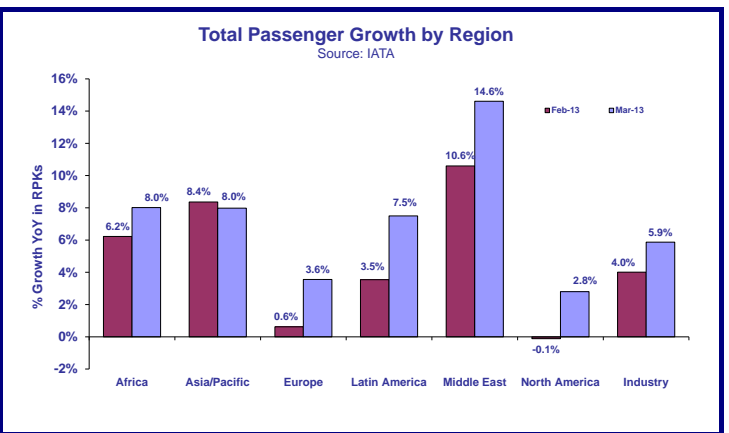
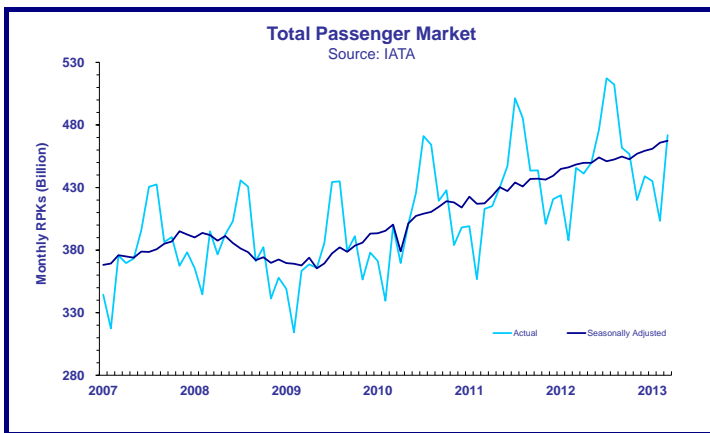
Domestic Market



- Total domestic air travel expanded 0.3% in March compared to December. However, with increases in capacity outstripping the growth in demand in March, seasonally adjusted domestic load factors saw some decline month-on-month. Nevertheless, loads remains very strong and above 80%.
- Once again, air travel within China recorded the strongest increase among markets. Chinese domestic market was up 16.6% in March compared to a year ago and expanded 1.1% month-on-month. Although China GDP growth did not meet forecast expectations in the first quarter of 2013, expansion was still strong at well over 7%. Moreover, business confidence indicators continue to increase and signal acceleration in growth.
- There was significant variation in the year-on-year comparisons in March among travel markets. Brazil and Japan saw domestic air travel decline in March on a year ago, 1.4% and 1.1%, respectively. In Brazil, declines in traffic growth have followed significant capacity cuts, with airlines acting to offset downward pressure on profitability from slower than expected economic growth. Load factors have improved as a result – up more than 5% pts in March compared to a year ago. In Japan, both business confidence and export orders increased in March, which are positive signs for economic improvement ahead as well as stronger demand for air travel. For the moment, however, the market is still 11% below pre-tsunami levels.
- The Indian domestic market saw a sharp rise in traffic in March, with an increase of 7.0% compared to a year ago, after several months of contraction in year-on-year growth. The Indian economy is showing no sign of improvement, in fact growth estimates continue to point to further weakening. A reduction in fares by several airlines serving the Indian domestic market is the likely cause of the boost to demand in March.
- The US domestic market experienced growth of 3.1% in March year-on-year, an improvement on the February contraction of 0.3%. The growth trend for the US domestic markets had been showing strong acceleration over the past several months in line with an improving economic outlook and consumer confidence, but in March there was little further progress in that trend with almost no change (0.1%) compared to February.
- Finally, the Australian domestic market saw little change in March year-on-year growth (2.7%), compared to February (2.3%). But with a contraction over the month of 0.8%, the growth trend for Australia's domestic travel market has started to show signs of flattening throughout the first quarter. The outlook, nevertheless, for the Australian economy looks optimistic, with major trade partners like China seeing strong economic expansion and prospects for further accelerations ahead.



Total Market (Domestic + International)



ANNEX

Year on Year Comparison	Mar 2012 vs. Mar 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	8.2%	5.7%	67.8%	8.1%	4.9%	67.0%
Asia/Pacific	5.4%	3.4%	79.0%	3.4%	1.8%	78.2%
Europe	3.7%	0.4%	81.2%	2.2%	-0.4%	78.4%
Latin America	11.8%	13.3%	76.9%	10.2%	12.0%	77.7%
Middle East	15.6%	14.2%	79.7%	13.9%	12.9%	78.8%
North America	2.4%	-0.9%	83.0%	1.5%	-2.0%	79.6%
International	6.0%	3.5%	79.9%	4.5%	2.4%	78.0%
Australia	2.7%	3.9%	76.0%	3.3%	4.4%	75.5%
Brazil	-1.4%	-8.9%	70.5%	-2.8%	-9.6%	73.8%
China P.R.	16.6%	12.4%	83.6%	11.9%	10.1%	81.6%
India	7.0%	1.9%	76.0%	-0.5%	-3.8%	77.1%
Japan	-1.1%	-2.6%	65.8%	-2.3%	-3.4%	61.6%
US	3.1%	2.6%	84.7%	2.1%	1.0%	81.5%
Domestic	5.7%	3.5%	80.9%	3.8%	2.0%	78.9%
Africa	8.0%	5.4%	68.9%	8.1%	4.6%	67.9%
Asia/Pacific	8.0%	5.2%	79.3%	5.3%	3.6%	78.1%
Europe	3.6%	0.2%	80.3%	1.9%	-0.6%	77.5%
Latin America	7.5%	5.4%	74.9%	5.7%	3.9%	76.8%
Middle East	14.6%	13.2%	79.7%	12.9%	11.9%	78.9%
North America	2.8%	1.3%	84.2%	1.8%	-0.1%	80.9%
Total Market	5.9%	3.5%	80.3%	4.2%	2.3%	78.3%

*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 2013 vs. Feb 2013			Market Share
	RPK	ASK	PLFpt	RPK
Africa	-1.1%	1.1%	-1.5%	3.3%
Asia/Pacific	0.8%	-0.1%	0.8%	27.4%
Europe	0.4%	-0.1%	0.4%	36.9%
Latin America	0.7%	0.6%	0.0%	4.9%
Middle East	0.1%	0.8%	-0.5%	13.4%
North America	-0.2%	-0.3%	0.1%	14.1%
International	0.4%	0.1%	0.3%	100%
Australia	-0.8%	-0.3%	-0.5%	3.1%
Brazil	0.5%	-1.2%	1.8%	3.3%
China P.R.	1.1%	0.6%	0.3%	20.9%
India	7.2%	2.8%	3.2%	2.9%
Japan	0.3%	-0.3%	0.4%	2.8%
US	0.1%	0.5%	-0.3%	47.3%
Domestic	0.3%	0.6%	-0.3%	100%
Africa	-1.2%	0.9%	-1.4%	2.4%
Asia/Pacific	0.7%	0.2%	0.4%	30.1%
Europe	0.3%	0.0%	0.2%	25.9%
Latin America	1.0%	0.2%	0.6%	5.6%
Middle East	0.1%	0.9%	-0.6%	8.8%
North America	0.0%	0.3%	-0.3%	27.3%
Total Market	0.3%	0.3%	0.1%	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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FURTHER ANALYSIS AND DATA

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

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