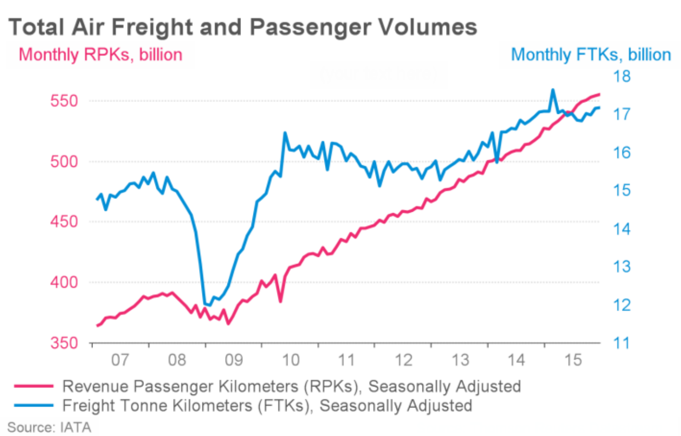
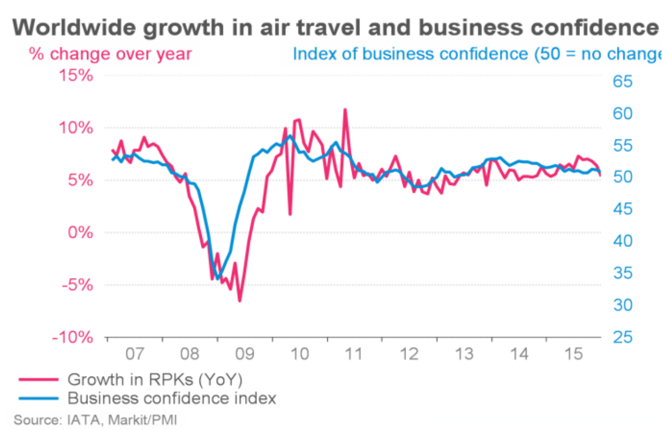
AIR PASSENGER MARKET ANALYSIS

DECEMBER 2015

KEY POINTS

- Global air passenger traffic grew by 6.5% in 2015 as a whole – the fastest pace since the post-GFC rebound in 2010 and well above the 10-year average annual growth of 5.5%. While the economic backdrop was weaker in 2015 compared to the previous year, passenger traffic received a strong boost from lower air fares: after adjusting for distortions from the rise in the US dollar, global airfares in 2015 were approximately 5% lower than in 2014. All told, we estimate this boost to have driven around half of the annual growth in traffic last year.
- Total traffic growth outstripped the rise in capacity and the global load factor reached an all-time high of 80.3% in 2015. The passenger load factor increased for carriers in all regions except the Middle East, where capacity growth exceeded a 10% increase in passenger traffic.
- The easing in annual traffic growth seen towards the end of 2015 is largely attributable to temporary factors, including airline strikes in Europe. All told, global business confidence surveys suggest that economic conditions will remain supportive of another strong year for passenger traffic in 2016. Indeed, the additional decline in oil prices in recent months is likely to provide further stimulus for air travel growth throughout the year too.





	Year on Year Comparison						Month on Month Comparison		
	Dec 2015 vs. Dec 2014			2015 vs. 2014			Dec 2015 vs. Nov 2015		
	RPK	*ASK*	*PLF*	*RPK*	*ASK*	*PLF*	*RPK*	*ASK*	*PLFpt*
International	**5.6%**	**5.9%**	**78.1%**	**6.5%**	**5.9%**	**79.7%**	**0.6%**	**1.9%**	**-1.1%**
Domestic	**5.1%**	**4.2%**	**79.9%**	**6.3%**	**5.2%**	**81.5%**	**-0.2%**	**0.7%**	**-0.7%**
Total Market	**5.4%**	**5.3%**	**78.8%**	**6.5%**	**5.6%**	**80.3%**	**0.3%**	**1.5%**	**-1.0%**

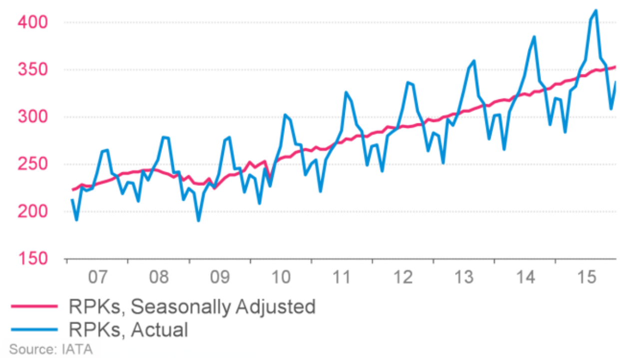
FTK: Freight-Tonne-Kilometers; AFTK: Available Freight Tonne Kilometers; FLF: Freight Load Factor. All Figures are expressed in % change Year on Year except FLF which are the load factors for the specific month.

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

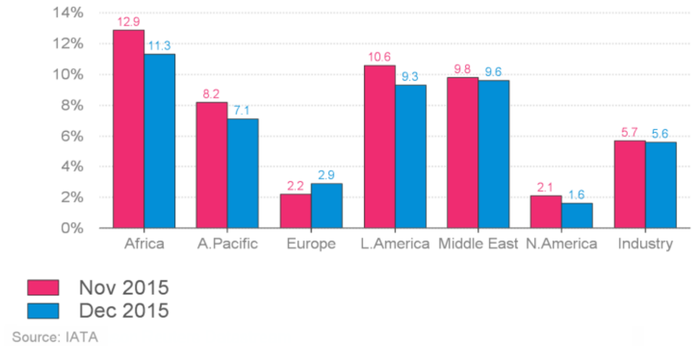
PASSENGER MARKET

International Markets

International Passenger Market
Monthly RPKs, billion

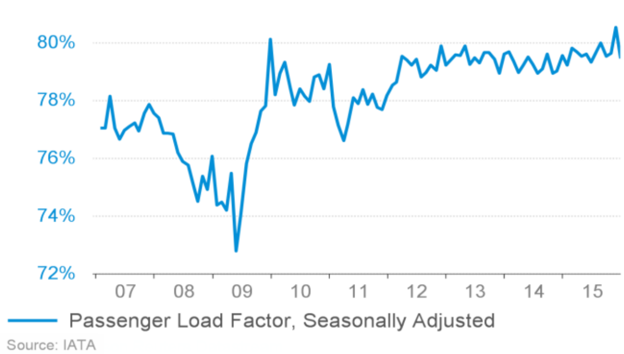


International Passenger Growth by Region
% change over year

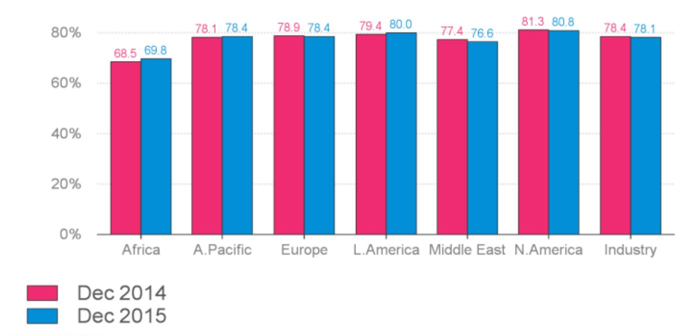


- The international passenger market expanded by 6.5% in 2015 as a whole. The fastest growth was registered by Middle Eastern carriers, with international RPKs up 10.5% year-on-year. Middle Eastern carriers' share of total international traffic rose to 14.2% in 2015, and overtook that of North American carriers (13.4%).
- Carriers in the Asia Pacific region accounted for one-third of the total annual increase in international traffic in 2015, with volumes up 8.2% from the previous year. A 7.3% increase in the number of direct airport connections within the Asia region during 2015 helped to stimulate demand by translating into time savings for passengers, and helped to offset the negative impacts of slower growth in many of the region's economies.
- European carriers also made a significant contribution to total international growth; the 5.0% increase in international traffic was aided by a pick-up in consumer spending in the Eurozone and a moderate increase in flight frequencies in the region. That said, international traffic fell in the latter months of the year, partly as a result of strikes at Lufthansa and the shutdown of Russian carrier Transaero.
- North American carriers' international traffic increased by 3.2% in 2015 – broadly unchanged from the rate seen in 2014. With solid economic conditions in the US continuing to support passenger demand, 2015 was the first year since 2003 in which North American carriers' international traffic grew more slowly than domestic traffic.
- It was the opposite case for Latin American carriers, whose international traffic expanded by 9.3% in 2015. The upward trend in international traffic showed little sign of slowing towards the end of last year. However, domestic traffic trended down throughout 2015 on the back of challenging conditions in the region's key economies – most notably Brazil.
- African carriers' international traffic grew by 3.0% in 2015 – a recovery from an Ebola-affected 2014 but still slow for an emerging market. International traffic rose strongly in the second half of 2015, though, in conjunction with a jump in trade activity to and from the region.

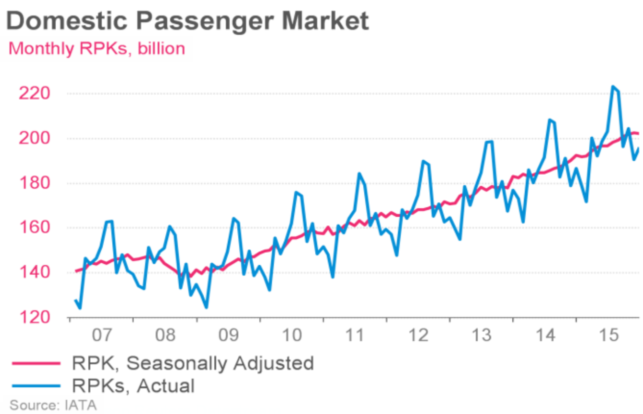
Passenger Load Factor on International Market
% of ASKs

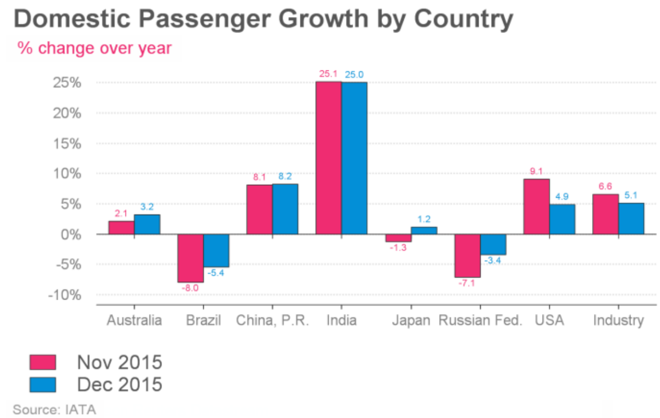


International Passenger Load Factor by Region
% of ASKs

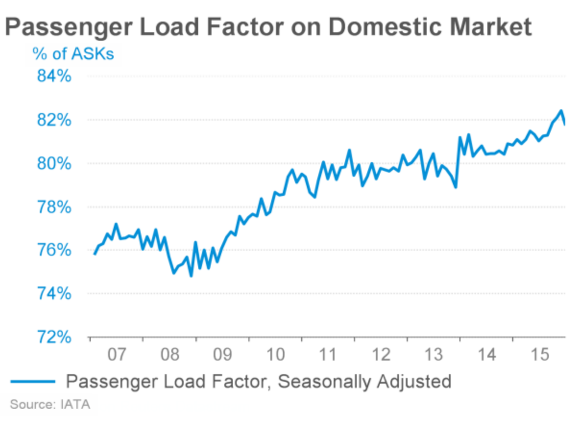


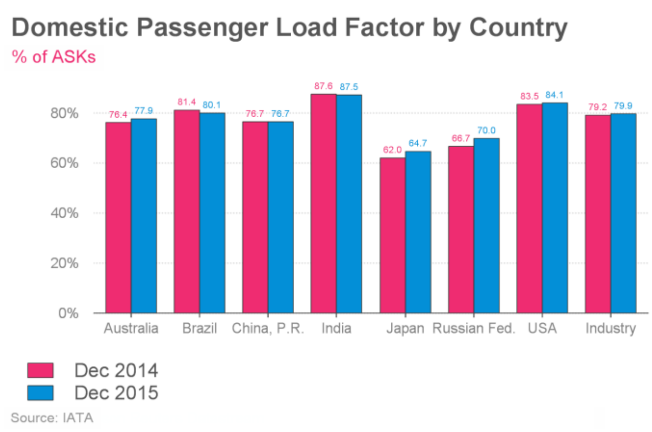
Domestic Market



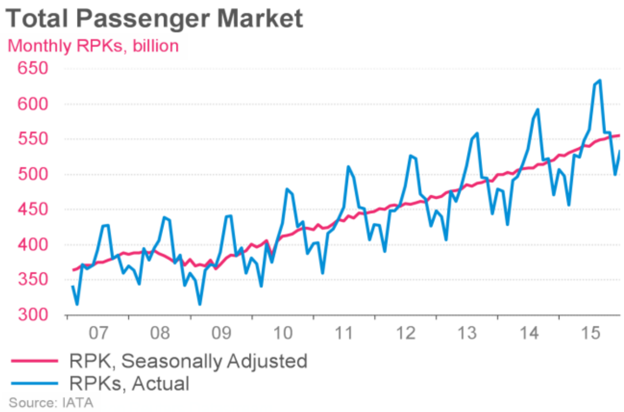


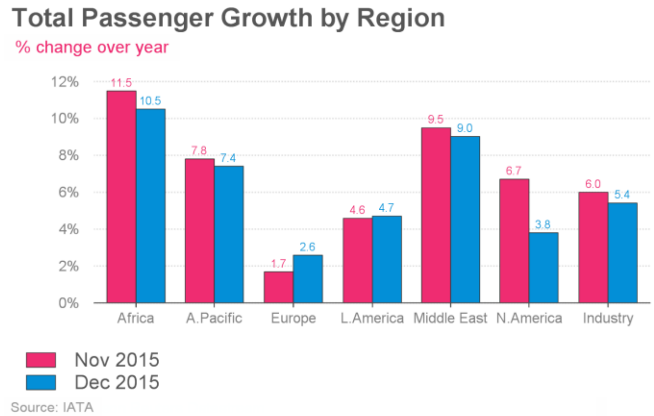
- Total domestic travel grew by 6.3% in 2015, although there was a wide dispersion in performance by market. The India and China domestic markets led the way, with both registering double-digit annual growth. In India's case, growth accelerated strongly helped by solid economic growth and an 8.3% increase in the average frequency of flights on each route over the year. Notably, the domestic load factor jumped by 6.7% points from 2014 to a record high of 83.2%.
- Meanwhile, domestic China RPKs grew by 10.9% in 2015 – the same pace as in 2014. While economic growth in China slowed in 2015, the consumer side of the economy has proved more resilient, and a 7.9% increase in direct network connections has supported ongoing strong air demand growth. All told, the market is well placed to withstand the financial market turmoil seen in early-2016.
- The US domestic market was another strong performer in 2015, helped by continued solid economic growth; the 4.9% increase in domestic traffic was the fastest since 2004, and domestic RPKs finally surpassed their pre-global financial crisis peak early in the year. The domestic passenger load factor climbed to a record high in the year as a whole and helped to support the strong financial showing for the region's carriers.
- Japanese RPKs grew by 1.9% in 2015 as whole, but broadly trended sideways throughout the year. Surveys point to positive, albeit modest, economic growth in early 2016, which should help to support the domestic passenger market. The market trended sideways in Australia for much of 2015 too, as the economy continues to shift away from mining-led investment being the key driver of growth. The slight upward trend in recent months offers a positive base for 2016.
- Domestic passenger market conditions are under more pressure in Brazil and Russia, whose economies remain in recession. Domestic Brazil RPKs grew by just 0.8% in 2015 and the level of traffic trended downwards throughout the year (domestic RPKs were 5.4% lower in December 2015 compared with the same month in 2014).
- Meanwhile, Russia's domestic traffic increased by 6.2%, partly reflecting a marked switch away from international travel following the slump in the value of the ruble. But traffic fell sharply in late-2015 following the shutdown of Transaero (which had been the second largest domestic carrier), and another year of economic contraction is a distinct possibility.

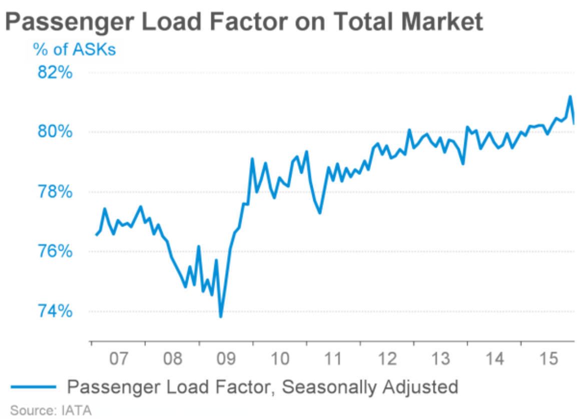


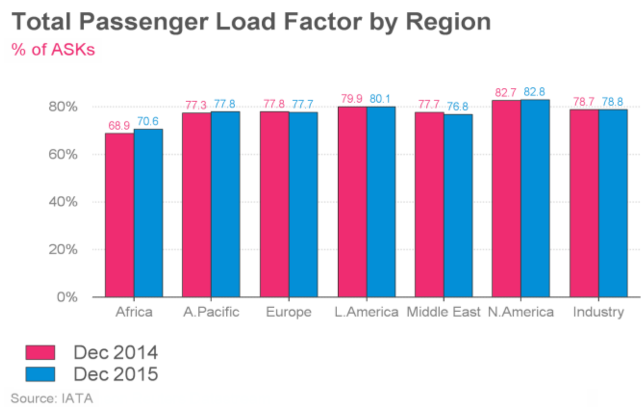


Total Market (Domestic + International)









ANNEX

Year on Year Comparison	Dec 2015 vs Dec 2014			2015 vs. 2014		
	RPK	*ASK*	*PLF*	*RPK*	*ASK*	*PLF*
Africa	11.3%	9.1%	69.8%	3.0%	1.5%	68.5%
Asia/Pacific	7.1%	6.7%	78.4%	8.2%	6.4%	78.2%
Europe	2.9%	3.6%	78.4%	5.0%	3.8%	82.6%
Latin America	9.3%	8.4%	80.0%	9.3%	9.2%	80.1%
Middle East	9.6%	10.8%	76.6%	10.5%	13.2%	76.4%
North America	1.6%	2.3%	80.8%	3.2%	3.1%	81.8%
International	5.6%	5.9%	78.1%	6.5%	5.9%	79.7%
Australia	3.2%	1.2%	77.9%	0.4%	-0.2%	76.7%
Brazil	-5.4%	-4.0%	80.1%	0.8%	0.8%	80.0%
China P.R.	8.2%	8.2%	76.7%	10.9%	9.4%	81.2%
India	25.0%	25.2%	87.5%	20.2%	10.6%	83.2%
Japan	1.2%	-2.9%	64.7%	1.9%	0.1%	67.2%
Russian Federation	-3.4%	-8.0%	70.0%	6.2%	7.1%	74.5%
US	4.9%	4.1%	84.1%	4.9%	4.3%	85.4%
Domestic	5.1%	4.2%	79.9%	6.3%	5.2%	81.5%
Africa	10.5%	7.8%	70.6%	2.9%	1.4%	69.3%
Asia/Pacific	7.4%	6.6%	77.8%	8.6%	6.7%	78.6%
Europe	2.6%	2.8%	77.7%	5.1%	3.9%	81.7%
Latin America	4.7%	4.4%	80.1%	6.7%	6.4%	79.9%
Middle East	9.0%	10.3%	76.8%	10.0%	12.6%	76.7%
North America	3.8%	3.6%	82.8%	4.3%	3.8%	84.0%
Total Market	5.4%	5.3%	78.8%	6.5%	5.6%	80.3%

RPK: Revenue-Passenger-Kilometers; ASK: Available-Seat-Kilometers; PLF: Passenger-Load-Factor;
All Figures are expressed in % change Year on Year except PLFwhich are the load factors for the specific month.

Month on Month Comparison	Dec 2015 vs. Nov 2015			Market Share
	RPK	*ASK*	*PLFpt*	*RPK*
Africa	-0.1%	0.9%	-0.7%	2.4%
Asia/Pacific	1.1%	1.4%	-0.2%	29.9%
Europe	0.4%	3.7%	-2.7%	32.6%
Latin America	0.6%	-0.8%	1.1%	5.1%
Middle East	1.0%	0.3%	0.5%	15.8%
North America	-0.3%	1.5%	-1.5%	13.2%
International	0.6%	1.9%	-1.1%	100.0%
Australia	1.4%	0.7%	0.5%	3.2%
Brazil	2.0%	0.6%	1.1%	4.1%
China P.R.	0.4%	1.5%	-0.9%	22.1%
India	2.0%	2.1%	-0.1%	3.8%
Japan	1.2%	-0.2%	1.0%	3.2%
Russian Federation	4.1%	2.9%	0.9%	2.9%
US	-1.4%	0.3%	-1.5%	42.9%
Domestic	-0.2%	0.7%	-0.7%	
Africa	0.1%	0.6%	-0.3%	2.4%
Asia/Pacific	1.0%	1.3%	-0.3%	33.3%
Europe	0.4%	3.4%	-2.4%	23.1%
Latin America	0.7%	-0.6%	1.0%	5.9%
Middle East	0.9%	0.2%	0.5%	10.4%
North America	-1.0%	0.7%	-1.5%	24.8%
Total Market	0.3%	1.5%	-1.0%	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 FEBRUARY 2016

FURTHER ANALYSIS AND DATA

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

http://www.iata.org/monthly-traffic-statistics

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