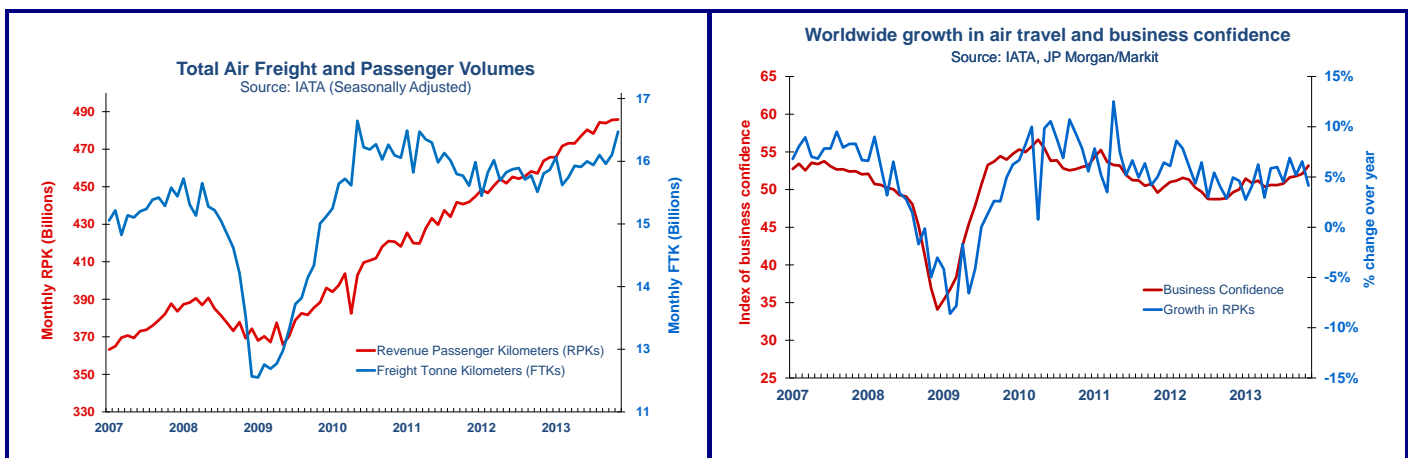


# AIR PASSENGER MARKET ANALYSIS

## NOVEMBER 2013

### KEY POINTS

- Air travel markets increased at a solid rate in November, rising 4.1% compared to a year ago. This is a moderation in the pace of growth compared to October, when markets were up 6.5% on a year ago. In fact, expansion in air travel volumes has recently slowed, but with demand drivers continuing to improve, we should see acceleration once more in the months ahead.
- Global air travel volumes moderated in November compared to October, with only a slight 0.1% expansion. But growth year-to-date in November remains robust at 5.1%, buoyed by mid-year acceleration in air travel growth when business conditions started to improve and growth in advanced economies began to pick-up.
- On international markets, Asia Pacific airlines recorded another solid rise in volumes, up 5.5 % in November on a year ago, but this is down on October growth of 7.7%. Growth over recent months is an improvement on H1, supported by stronger performance of major economies like China and Japan, and the trend is likely to continue. European airlines continue to see growth recovery (up 4.1%), as the Eurozone economy improves slowly.
- Domestic air travel growth continues to show significant variation across markets. The Chinese and Russia markets recorded the strongest increases, up 9.3% and 9.2% in November. Robust economic activity in China is driving growth in domestic air travel, while in Russia the government's policy to sustain employment and incomes is providing a base for air travel demand. The Australia domestic market recorded another month of weakness, contracting 1.0%, reflecting sluggishness in the economy with rising unemployment and fragile business and consumer confidence.
- Globally, load factors slipped slightly in November compared to October. While there was an improvement in domestic load factors, capacity on international markets expanded in the face of contracting volumes, pushing loads down. Only Latin American carriers recorded a rise in load factors in November compared to a year ago.
- The demand environment for air travel remains broadly positive. Business confidence is rising and emerging economies, particularly in Asia, continue to accelerate after a mid-year slowdown. Growth in advanced economies, including in Europe, while still relatively slow, has helped generate growth in air travel for airlines in this region. Positive developments in international trade growth should also support business travel growth, which bodes well for airline profitability.



#### Year on Year Comparison

##### Nov 2013 vs. Nov 2012

##### YTD 2013 vs. YTD 2012

	RPK	ASK	PLF	RPK	ASK	PLF
<b>International</b>	4.8%	6.3%	75.5%	5.3%	4.8%	79.4%
<b>Domestic</b>	3.1%	5.6%	77.7%	4.7%	4.5%	80.0%
<b>Total Market</b>	4.1%	6.1%	76.3%	5.1%	4.7%	79.6%

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.

#### Month on Month Comparison

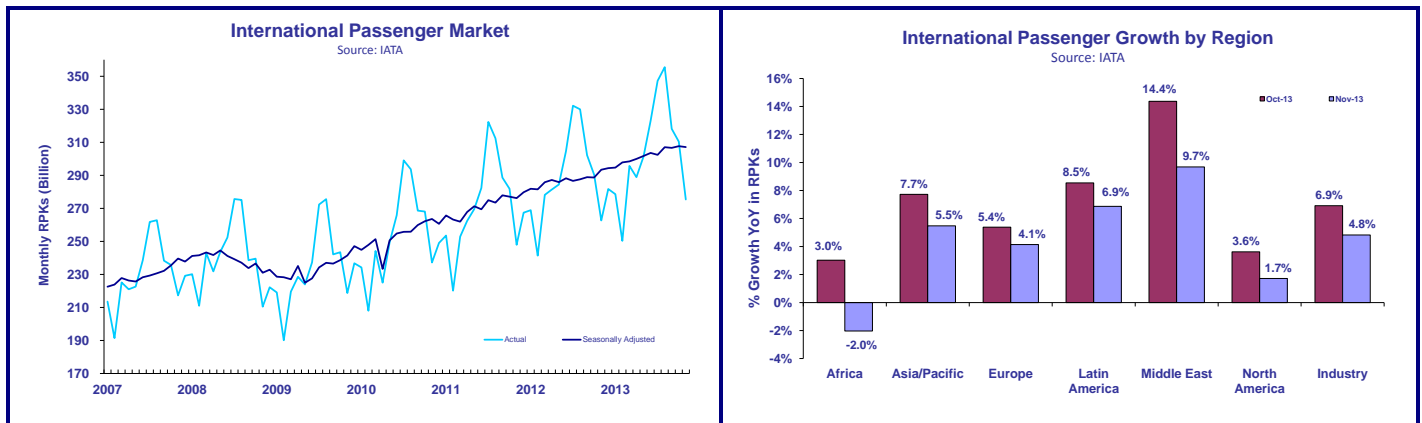
##### Nov 2013 vs. Oct 2013

	RPK	ASK	PLFpt
<b>International</b>	-0.2%	0.3%	-0.4%
<b>Domestic</b>	0.5%	0.4%	0.1%
<b>Total Market</b>	0.1%	0.3%	-0.2%

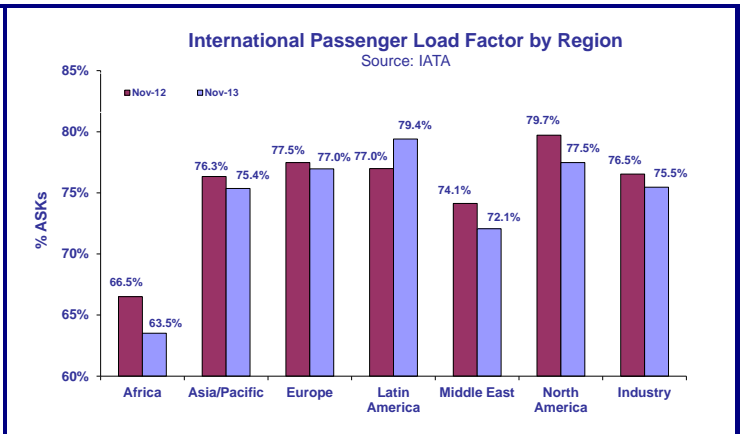
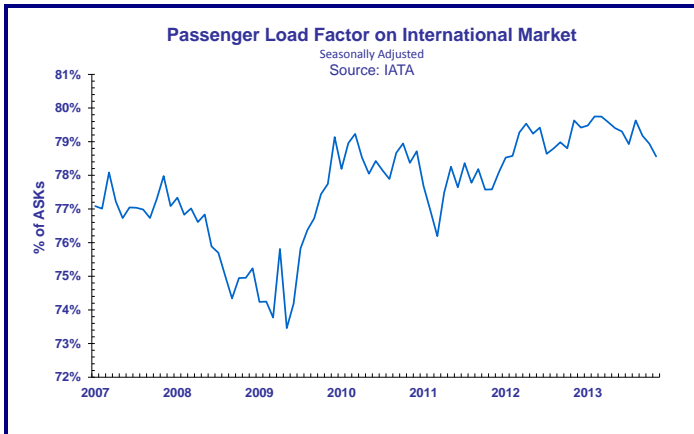
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

## PASSENGER MARKET

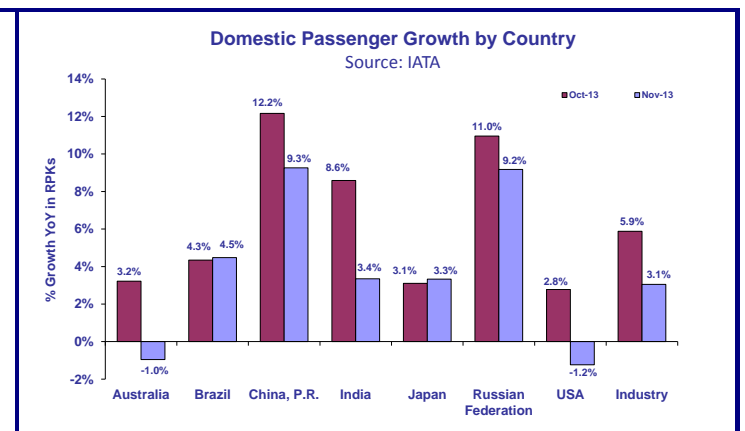
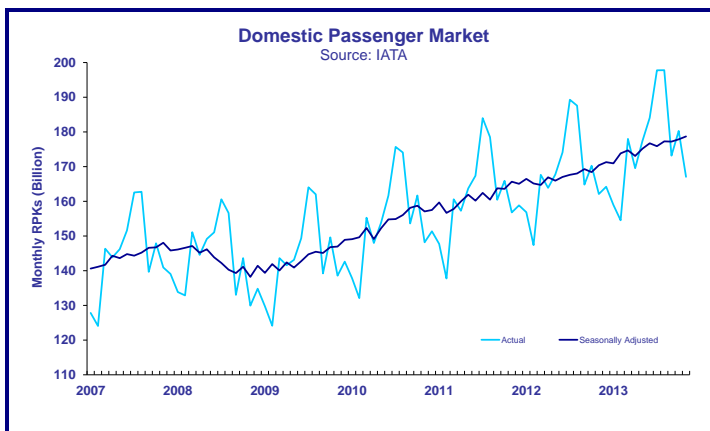
### International Markets



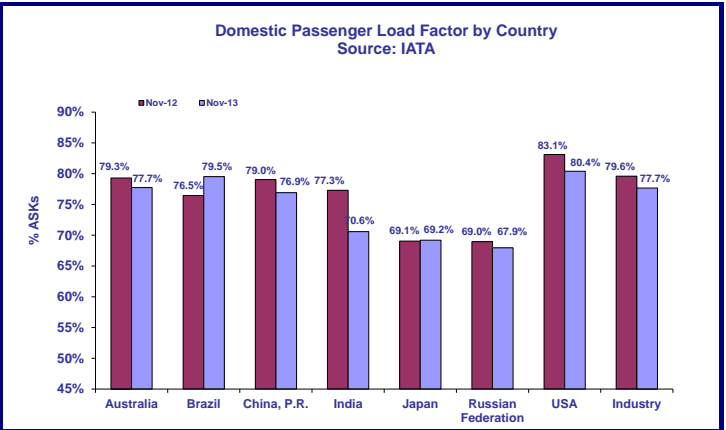
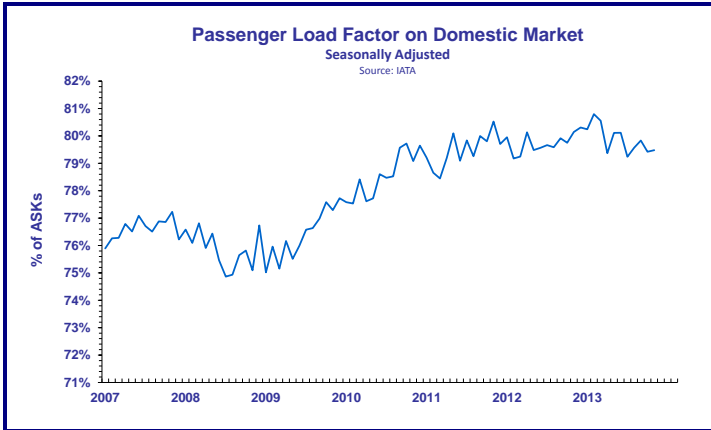
- International air travel rose by a solid 4.8% in November compared to year ago, with airlines in all regions except Africa recording increases. However, this was a moderation of the increase in October, which reached 6.9%. International air travel volumes also moderated over the month, with a slight 0.2% contraction in November compared to October. This caused a weakening in load factors over the month (0.4% pts). In fact, continued increases in capacity over recent months have placed downward pressure on international load factors. But levels remain high and are above 78%, on seasonally adjusted basis.
- The solid performance of Asia Pacific airlines over recent months was sustained in November, with a 5.5% rise in international RPKs. Growth over recent months is an improvement on H1, supported by stronger performance of major economies like China and Japan. Economic growth in China has picked up and that has benefitted other regional economies. In Japan, continued increases in business activity have supported economic performance and helped employment grow for 5 consecutive months. International trade volumes in Asia rebounded in September, a turnaround from significant declines mid-year, which should support business travel related to internationally trading industries.
- In Europe, modest economic improvements during the past two quarters and rising consumer and business confidence provided a stronger demand base for international air travel, which rose 4.1% in November on a year ago. The services sector has signaled expansion for a fifth month in December, according to JPMorgan/Markit, and after weakness in previous months, job losses in the Eurozone stabilized in December. If business activity continues to grow, employment and consumer demand could see some improvement in the New Year, providing sustained support to air travel demand.
- North American airlines recorded a 1.7% rise in international air travel in November year-on-year, a slowdown on October growth of 3.6%. Recent economic indicators have shown a solid fourth quarter, with manufacturing and services sector activity expanding at a rate only marginally slower than Q3, despite the disruption of the government shutdown in October. It is important to note, however, that rates of manufacturing and services sector growth are still down on those seen at the start of the year, so growth in international travel for airlines in the region could remain close to year-to-date rates (2.8%) for the rest of the year.
- Middle Eastern carriers experienced the strongest rate of increase in international RPKs in November, up 9.7% compared to a year ago. Airlines in the region have benefited from strong growth in business-related premium travel throughout the year, particularly to developing markets like Africa. Internationally trading industries will likely continue to see sustained growth as export orders suggest further gains in trade ahead. Solid performance of key economies like Saudi Arabia and the United Arab Emirates has also supported strong expansion in both business and leisure travel to regions like Europe.
- Growth in international travel on Latin American carriers was also solid in November, rising 6.9%. Airlines in this region have experienced robust growth in business related travel throughout 2013, driven by strong performance of economies like Colombia, Peru and Chile. Markets including North America – Latin American have recording robust growth this year, for both business and leisure travel.
- African airlines were the only region to see a contraction on a year ago in November (-2.0%). Air transport statistics for this region tend to show significant volatility, so the November result could likely be reflecting these effects rather than the start of a downward trend – the demand backdrop for carriers in the region is strong, with robust economic growth of regional economies and continued development of internationally trading industries.



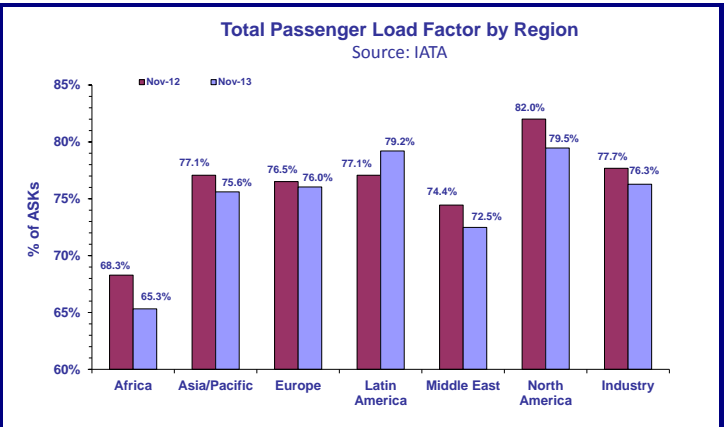
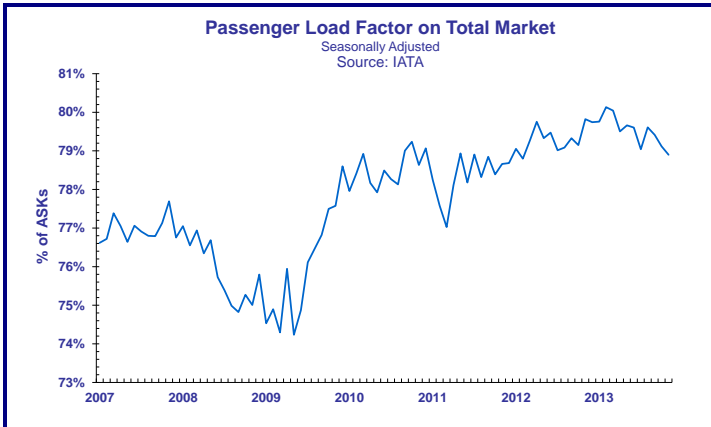
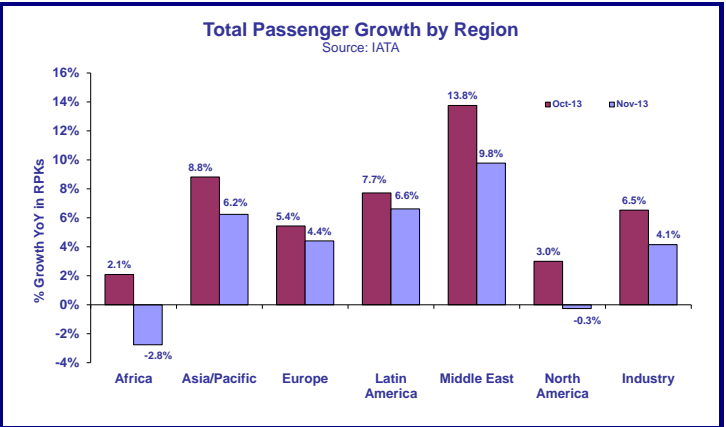
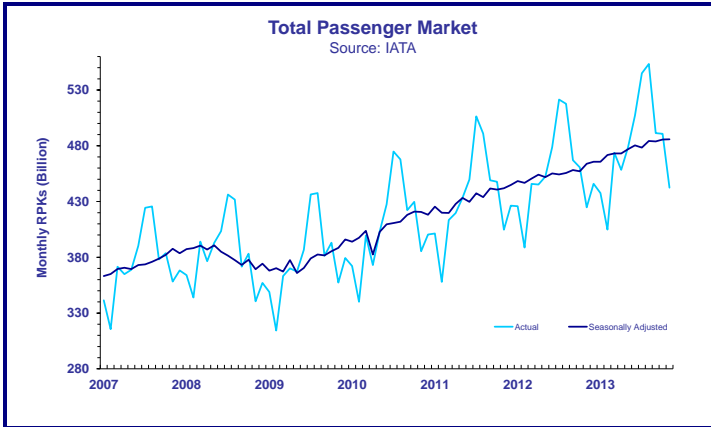
## Domestic Market



- Domestic RPKs were up 3.1% in November year-on-year, a notable slowdown on the October increase of 5.9%. There was, however, a rise in volumes over the month of 0.5% in November compared to October, which suggests a continuation of the positive (albeit moderate) growth trend in domestic air travel.
- Several domestic markets continue to post strong growth rates but significant variation across markets remains. The Chinese and Russia markets recorded the strongest increases, up 9.3% and 9.2% in November. While robust economic activity in China is consistent with growth in domestic air travel, growth in Russia's market continues despite persisting deceleration in economic growth. Demand for air travel in Russia is being supported by a resilient labor market; with government policy firmly set to maintain high employment and sustained income levels.
- Brazil's air travel markets increased 4.5% in November, which is the second month of solid performance (October volume rose 4.3%). Tax breaks and investment incentives have done little to boost growth in the Brazilian economy, dampening domestic demand. This coupled with capacity reductions has resulted in growth of just 0.5% so far this year. Load factors have benefited from the capacity cuts, with levels almost 3% points higher in November compared to a year ago – the largest improvement on any major domestic markets.
- Indian domestic traffic was up 3.4% in November year-on-year. Growth rates continue to show significant volatility - October growth had reached 8.6%. Performance this month is more in line with growth so far this year (4.2%), and this is a significant improvement on 2012 performance, when the market contracted 2.1%.
- Domestic air travel in advanced economies showed mixed results in November. Japan's market continues to show solid growth, with a rise of 3.3% in November, supported by sustained increases in business activity and improving employment rates. In the US, domestic air travel slipped 1.2% in November, but this result is negatively impacted by the timing of Thanksgiving – air travel related to the holiday occurred partially in December this year, having taken place only in November last year. After seasonal impacts, the data shows a strong 1.0% increase in domestic air travel in November compared to October. The Australia domestic market recorded another month of weakness, contracting 1.0%. Despite interest rate cuts, the economy remains broadly sluggish with rising unemployment and fragile business and consumer confidence tainting the performance outlook for the coming year.



**Total Market (Domestic + International)**



ANNEX

Year on Year Comparison	Nov 2013 vs Nov 2012			YTD 2013 vs. YTD 2012		
	RPK	ASK	PLF	RPK	ASK	PLF
Africa	-2.0%	2.6%	63.5%	5.7%	5.4%	68.8%
Asia/Pacific	5.5%	6.8%	75.4%	5.4%	5.1%	77.8%
Europe	4.1%	4.8%	77.0%	3.7%	2.6%	81.3%
Latin America	6.9%	3.6%	79.4%	8.2%	7.9%	79.1%
Middle East	9.7%	12.8%	72.1%	12.0%	12.6%	77.3%
North America	1.7%	4.7%	77.5%	2.8%	2.1%	82.8%
<b>International</b>	<b>4.8%</b>	<b>6.3%</b>	<b>75.5%</b>	<b>5.3%</b>	<b>4.8%</b>	<b>79.4%</b>
Australia	-1.0%	1.0%	77.7%	2.8%	3.8%	76.5%
Brazil	4.5%	0.5%	79.5%	0.5%	-4.0%	76.1%
China P.R.	9.3%	12.3%	76.9%	11.8%	12.1%	80.7%
India	3.4%	13.2%	70.6%	4.2%	2.8%	74.4%
Japan	3.3%	3.1%	69.2%	5.1%	5.3%	64.4%
Russian Federation	9.2%	10.8%	67.9%	9.9%	9.2%	74.6%
US	-1.2%	2.1%	80.4%	1.5%	1.8%	83.6%
<b>Domestic</b>	<b>3.1%</b>	<b>5.6%</b>	<b>77.7%</b>	<b>4.7%</b>	<b>4.5%</b>	<b>80.0%</b>
Africa	-2.8%	1.6%	65.3%	5.3%	4.7%	69.8%
Asia/Pacific	6.2%	8.3%	75.6%	7.2%	7.0%	77.8%
Europe	4.4%	5.0%	76.0%	3.7%	2.6%	80.4%
Latin America	6.6%	3.8%	79.2%	6.2%	4.6%	77.9%
Middle East	9.8%	12.8%	72.5%	11.3%	11.9%	77.6%
North America	-0.3%	2.9%	79.5%	1.9%	1.9%	83.3%
<b>Total Market</b>	<b>4.1%</b>	<b>6.1%</b>	<b>76.3%</b>	<b>5.1%</b>	<b>4.7%</b>	<b>79.6%</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	Nov 2013 vs. Oct 2013			Market Share
	RPK	ASK	PLFpt	RPK
Africa	-2.7%	-3.0%	0.2%	3.3%
Asia/Pacific	0.1%	0.4%	-0.2%	29.2%
Europe	-0.4%	0.2%	-0.5%	35.8%
Latin America	1.1%	-0.2%	1.0%	4.9%
Middle East	0.4%	1.1%	-0.6%	13.4%
North America	-0.7%	0.4%	-0.9%	13.3%
<b>International</b>	<b>-0.2%</b>	<b>0.3%</b>	<b>-0.4%</b>	<b>100.0%</b>
Australia	-2.2%	-1.7%	-0.5%	3.4%
Brazil	1.1%	-0.1%	1.2%	4.4%
China P.R.	-0.1%	1.3%	-1.1%	21.2%
India	-1.9%	2.4%	-3.0%	3.0%
Japan	3.7%	0.0%	2.3%	3.5%
Russian Federation	0.1%	0.4%	-0.2%	3.3%
US	1.0%	-0.1%	0.9%	43.0%
<b>Domestic</b>	<b>0.5%</b>	<b>0.4%</b>	<b>0.1%</b>	<b>100.0%</b>
Africa	-2.5%	-2.7%	0.1%	2.4%
Asia/Pacific	0.0%	0.6%	-0.5%	32.4%
Europe	-0.3%	0.3%	-0.5%	25.2%
Latin America	0.9%	0.2%	0.6%	5.9%
Middle East	0.5%	1.2%	-0.5%	8.8%
North America	0.4%	0.1%	0.2%	25.3%
<b>Total Market</b>	<b>0.1%</b>	<b>0.3%</b>	<b>-0.2%</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.

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13<sup>TH</sup> January 2014

#### FURTHER ANALYSIS AND DATA

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

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