

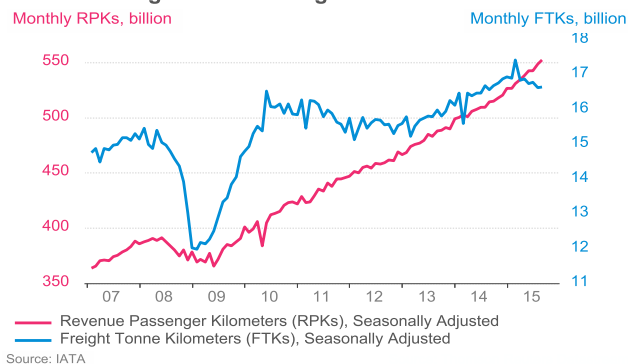
AIR PASSENGER MARKET ANALYSIS

AUGUST 2015

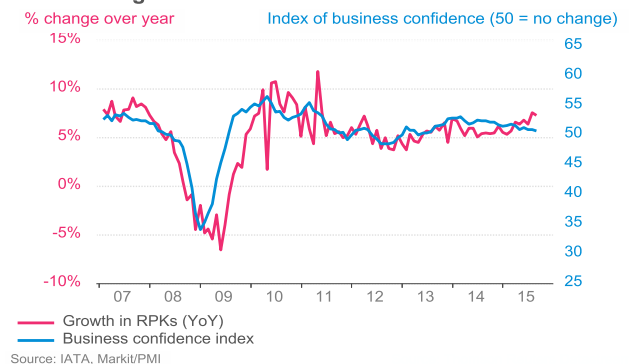
KEY POINTS

- ✈ Global air travel rose 7.1% in August compared to a year ago. The previous few months of data showed some distortion from holiday impacts, but the August result confirms that the trend in air travel growth remains very strong, despite weakening economies in some regions.
- ✈ There has been some softening in global economic growth, mostly in emerging markets, but there is no sign of adverse impacts on RPK volumes. Growth in air travel, particularly the more price sensitive economy class leisure travel, has received some support from lower fares. The first chart below (RPKs adjusted for seasonal and holiday impacts) shows that after a moderation in volumes in June, the industry expanded in July and August to resume the robust growth trend seen earlier in the year.
- ✈ International air travel growth for carriers in all major regions was strong in August. Asia Pacific, Europe and North America recorded gains of 7.7%, 5.7% and 4.5%, respectively year-on-year. Emerging Asia has experienced notable declines in trade activity in 2015 as well as slower than expected growth in China. Neither factor appears to be impacting international air travel on the region's carriers to date. Economic recovery in the Eurozone and stronger demand conditions in H2 in the US are supporting international air travel on carriers in these regions.
- ✈ On domestic markets, India continues to record very strong growth, up 18.3%, largely reflecting notable increases in service frequencies as well as ongoing economic strength. By contrast, air travel in Australia rose just 1.7% in August year-on-year. There are signs of improvements in the economy with business activity increasing over recent months, but income growth remains relatively subdued.
- ✈ Industry load factors increased for the second consecutive month in August, reaching an all-time high. The increase in seasonally adjusted load factors resulted from a strong pick-up in volumes that outstripped growth in capacity, and this is likely helping support asset utilization which is critical for financial performance in a capital intensive industry such as aviation.
- ✈ The global economic outlook has come under some downward pressure due to deepening weakness in emerging markets, particularly in China. But although there is no evidence of expected growth acceleration, there is still economic growth, and the fall in oil prices since mid-2014 is expected to sustain growth and demand for passenger travel in 2015.

Total Air Freight and Passenger Volumes



Worldwide growth in air travel and business confidence



Air Passenger Forecast service

The new joint venture between
IATA and Tourism Economics



Including
comprehensive
forecasts down to
a country-pair level

Year on Year Comparison

Month on Month Comparison

	Aug 2015 vs. Aug 2014			YTD 2015 vs. YTD 2014			Aug 2015 vs. Jul 2015		
	RPK	ASK	PLF	RPK	ASK	PLF	RPK	ASK	PLFpt
International	7.1%	5.8%	85.2%	6.7%	6.1%	80.2%	0.9%	0.4%	0.4%
Domestic	7.1%	6.1%	83.8%	6.6%	5.7%	81.6%	0.3%	0.3%	0.0%
Total Market	7.1%	5.9%	84.7%	6.6%	6.0%	80.7%	0.7%	0.3%	0.3%

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.

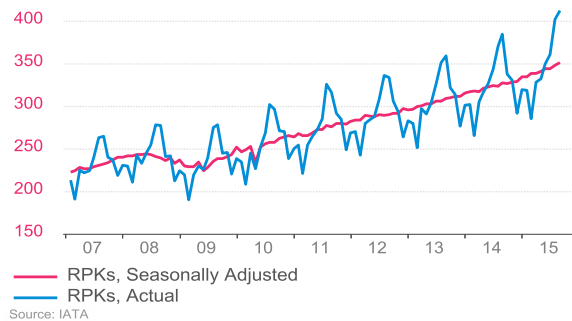
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

PASSENGER MARKET

International Markets

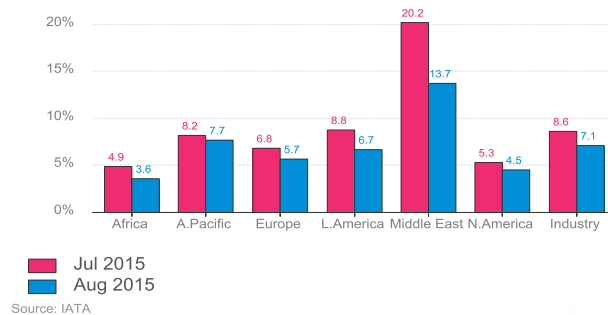
International Passenger Market

Monthly RPKs, billion



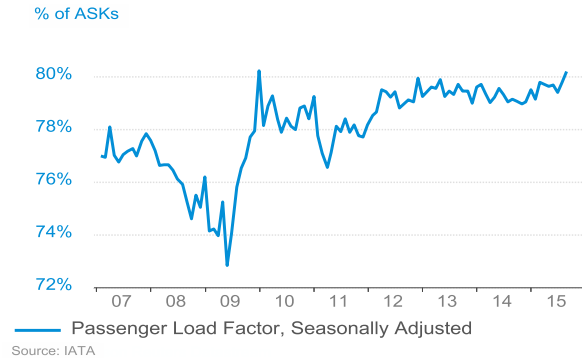
International Passenger Growth by Region

% change over year

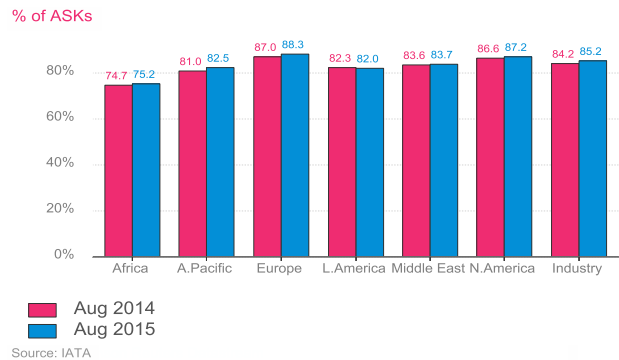


- ✈ International travel on Asia Pacific carriers rose by a strong 7.7% in August year-on-year. Emerging Asia has experienced notable declines in trade activity in 2015 as well as slower than expected growth in China. Neither factor appears to be impacting international air travel on the region's carriers, so far. According to Markit, China's manufacturing sector has been struggling during recent months, accompanied by weakness in export orders, causing some firms to cut employment at the steepest rates since 2009.
- ✈ Economic recovery in the Eurozone and expectations for stronger demand in H2 in the US are supporting demand for international travel on carriers in these regions. Carriers in these regions saw international RPKs rise 5.7% and 4.5%, respectively.
- ✈ International air travel on Middle Eastern carriers rose 13.7% in August year-on-year. This is a slowdown on July, but that month's results showed a positive bias owing to the timing of Ramadan. Major economies in the Middle East, including Saudi Arabia and the United Arab Emirates, have seen slowdowns in non-oil sectors in Q2 2015 (Markit), but the rates of growth remain robust and this should help sustain solid growth in air passenger demand for local carriers.
- ✈ Growth for Latin American carriers was a robust 6.7% in August year-on-year. Regional trade volumes have shown strong improvement during H1 2015, and despite recessionary conditions in Brazil and Argentina, the increase in trade activity has provided a boost to business-related international travel.
- ✈ International RPK growth for African carriers was weakest among all regions again this month, with volumes up by 3.6% in August year-on-year. Other than the July result, the trend over recent months has been very weak, with volumes year-to-date contracting 0.9%. The recent weakness has likely reflected adverse economic developments in parts of the continent, not least in its largest economy, Nigeria, which is highly reliant on oil revenues. Looking through the volatility in monthly volumes, fundamental drivers suggest the weakness year-to-date could continue.

Passenger Load Factor on International Market

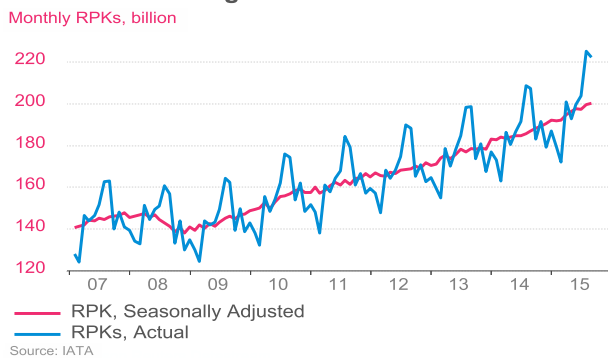


International Passenger Load Factor by Region

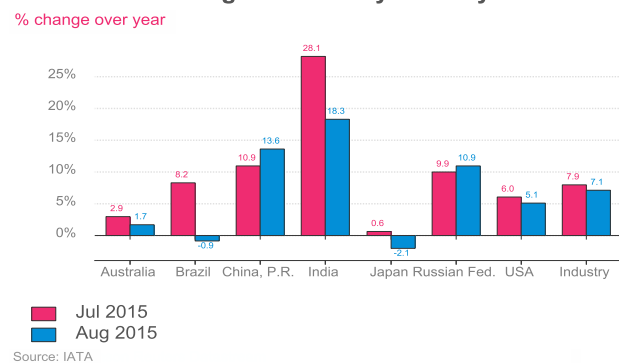


Domestic Market

Domestic Passenger Market

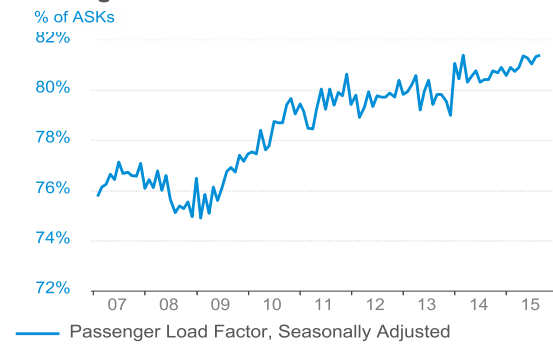


Domestic Passenger Growth by Country

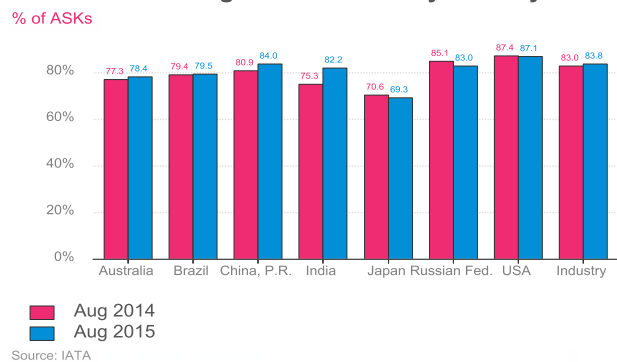


- ✈ On domestic markets, India continues to record very strong growth, up 18.3%, largely reflecting notable increases in service frequencies but also ongoing economic strength. Supportive monetary policy is expected to help economic growth in India surpass that of China during the next 2 years.
- ✈ By contrast, air travel in Australia increased only 1.7% in August year-on-year. There are signs of improvements in the economy with business activity increasing over recent months, but income growth remains relatively subdued
- ✈ Domestic RPKs in China were up by a strong 13.6% in August year-on-year. Recent developments in the Chinese economy, including the nation's stock market experiencing its largest one-day fall since 2007, have increased concerns about further slowdown in the economy. The growth trend in Chinese domestic RPKs, however, suggests that weakness in the economy may have already impacted demand earlier in the year with a flattening of volumes in March. Positively though, the trend in China domestic RPKs has been stable since April 2015.
- ✈ There was another strong increase in air travel in Russia in August, with a rise of 10.9% compared to a year ago. Despite the nation's economic woes, a combination of added capacity and a weak ruble has helped boost domestic air travel.
- ✈ The US domestic air travel market was up by a robust 5.1%, 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 Q2, part of the solid growth in domestic air travel we are seeing is related to an acceleration in capacity growth.
- ✈ Domestic air travel in Japan recorded another month of weakness with RPKs falling 2.1% year-on-year. This result is well below trend for 2015, and although the economy remains fragile, the expectation is that the weak yen should help support demand for domestic travel over international trips.

Passenger Load Factor on Domestic Market

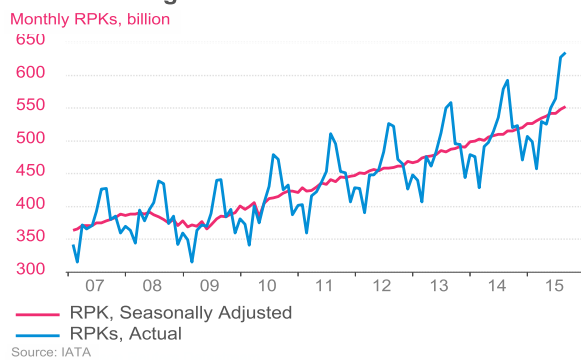


Domestic Passenger Load Factor by Country

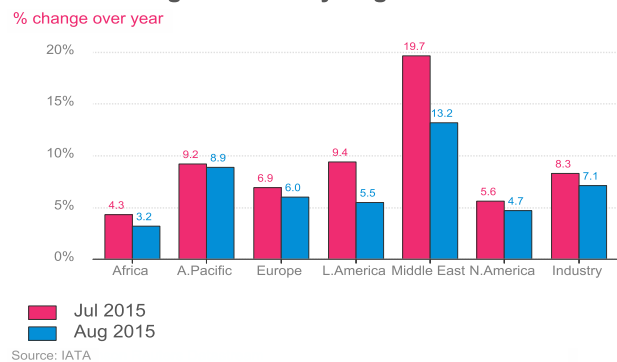


Total Market (Domestic + International)

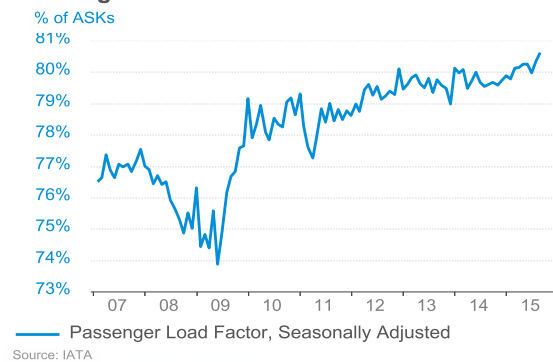
Total Passenger Market



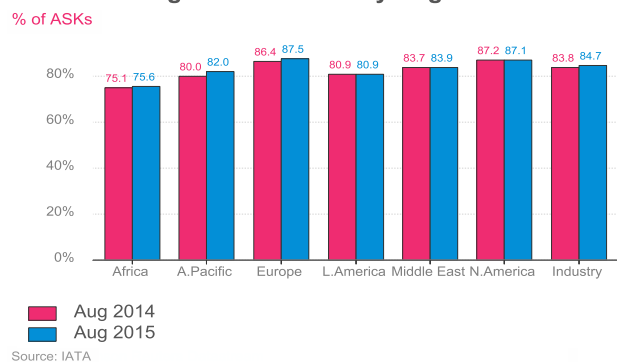
Total Passenger Growth by Region



Passenger Load Factor on Total Market



Total Passenger Load Factor by Region



ANNEX

Year on Year Comparison	Aug 2015 vs Aug 2014			YTD 2015 vs. YTD 2014		
	RPK	ASK	PLF	RPK	ASK	PLF
Africa	3.6%	2.9%	75.2%	-0.9%	-1.0%	67.7%
Asia/Pacific	7.7%	5.8%	82.5%	8.1%	6.5%	78.6%
Europe	5.7%	4.1%	88.3%	5.2%	4.0%	82.9%
Latin America	6.7%	7.1%	82.0%	6.7%	6.6%	80.2%
Middle East	13.7%	13.5%	83.7%	13.1%	15.9%	78.0%
North America	4.5%	3.7%	87.2%	3.1%	3.4%	82.1%
International	7.1%	5.8%	85.2%	6.7%	6.1%	80.2%
Australia	1.7%	0.3%	78.4%	0.4%	-0.4%	76.1%
Brazil	-0.9%	-1.1%	79.5%	3.8%	2.8%	80.4%
China P.R.	13.6%	9.4%	84.0%	12.3%	10.8%	81.7%
India	18.3%	8.4%	82.2%	20.2%	6.6%	83.4%
Japan	-2.1%	-0.2%	69.3%	1.9%	0.8%	65.7%
Russian Federation	10.9%	13.7%	83.0%	7.8%	10.6%	74.5%
US	5.1%	5.4%	87.1%	4.2%	4.4%	85.5%
Domestic	7.1%	6.1%	83.8%	6.6%	5.7%	81.6%
Africa	3.2%	2.5%	75.6%	-0.7%	-0.8%	68.5%
Asia/Pacific	8.9%	6.2%	82.0%	9.1%	7.0%	78.8%
Europe	6.0%	4.7%	87.5%	5.3%	4.2%	82.0%
Latin America	5.5%	5.6%	80.9%	6.4%	5.9%	80.1%
Middle East	13.2%	12.9%	83.9%	12.6%	15.2%	78.4%
North America	4.7%	4.8%	87.1%	3.8%	4.0%	84.2%
Total Market	7.1%	5.9%	84.7%	6.6%	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	Aug 2015 vs. Jul 2015			Market Share
	RPK	ASK	PLFpt	RPK
Africa	1.7%	0.6%	0.7%	2.3%
Asia/Pacific	1.6%	0.6%	0.8%	25.1%
Europe	0.4%	0.4%	0.0%	40.0%
Latin America	0.4%	0.3%	0.1%	4.1%
Middle East	1.3%	0.0%	1.0%	14.0%
North America	0.4%	0.2%	0.1%	13.6%
International	0.9%	0.4%	0.4%	100.0%
Australia	-0.1%	-0.1%	-0.1%	2.8%
Brazil	-3.3%	-4.2%	0.7%	3.5%
China P.R.	1.9%	0.9%	0.8%	23.6%
India	0.3%	-0.2%	0.5%	2.8%
Japan	-2.4%	0.1%	-1.6%	3.3%
Russian Federation	-0.5%	0.9%	-1.1%	4.8%
US	0.2%	0.3%	0.0%	41.6%
Domestic	0.3%	0.3%	0.0%	
Africa	2.0%	0.6%	0.9%	2.3%
Asia/Pacific	1.2%	0.6%	0.5%	29.7%
Europe	0.4%	0.5%	0.0%	29.3%
Latin America	-0.8%	-0.6%	-0.1%	4.9%
Middle East	1.3%	0.0%	1.0%	9.5%
North America	0.3%	0.3%	0.0%	24.4%
Total Market	0.7%	0.3%	0.3%	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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1st October 2015

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