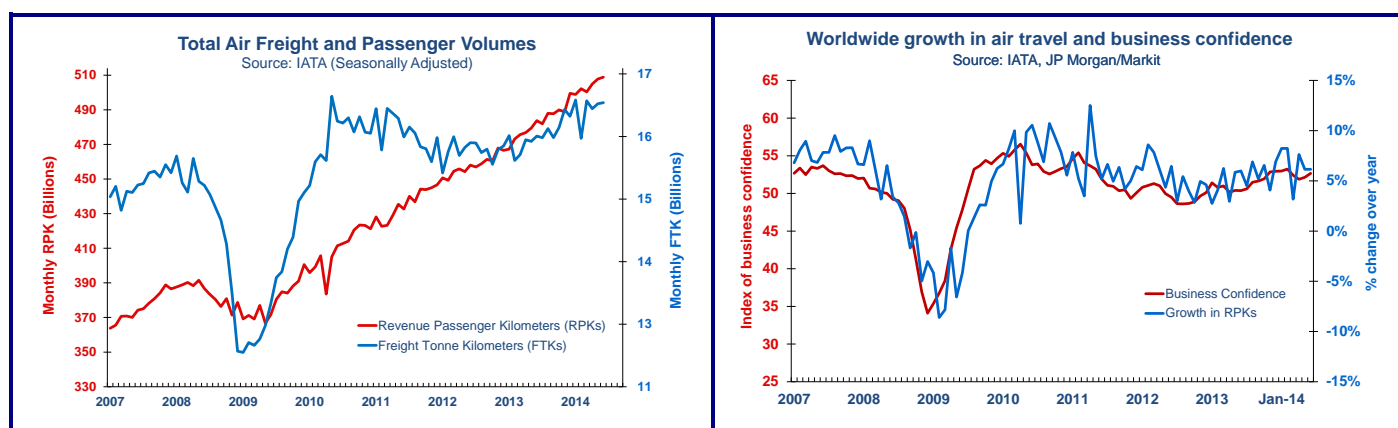


AIR PASSENGER MARKET ANALYSIS

JUNE 2014

KEY POINTS

- ➔ Air travel markets rose by a solid 4.7% in June year-on-year, but slightly down on May growth of 6.2%. Growth during the first six months of the year was 5.9%, up from 5.2% overall in 2013.
- ➔ The first chart below shows that expansion in air traffic volumes started to accelerate in Q2 after a slowdown in the growth at the start of the year. The trend in air travel volumes has followed developments in demand drivers. Toward the end of 2013 there was a solid upturn in the global economic cycle, but that momentum paused during the early months of 2014. Recent data show signs of resumption in improvements in trade and business activity.
- ➔ International revenue passenger kilometers increased by a solid 5.5% in June year-on-year. This helped growth year-to-date reach 6.4%. Several regions have benefitted from the global economic upturn, but there are some differences in performance developing. European airlines have recorded growth of 5.8% in international RPKs so far this year, compared to 3.8% from 2013, consistent with steady and continued economic recovery. Carriers in Latin America experienced strong growth of 5.9% in June year-to-date, but that is a notable slowdown on 2013 overall, when growth was 8.1%. Part of the relative weakness is due to a notable cut-back in capacity in 2014, as well as sluggishness in major local economies and regional trade growth.
- ➔ Domestic RPKs rose 3.4% in June year-on-year and by a solid 5.1% year-to-date, but with significant variation in performance across markets. Russian domestic RPKs have increased at the strongest rate in June year-to-date, up 11.6%, with demand for air travel supported by the government's policy to sustain employment and incomes. By contrast, growth in India so far this year has been weak at 2.0%. Although there is positive sentiment toward the incoming government, inflation is high and consumer demand remains constrained.
- ➔ Industry load factors declined in June compared to May as a result of a strong expansion in capacity. The rate of decline in load factors was strongest on domestic markets, where expansion in capacity was met with a contraction in RPKs. The decline was seen in most major markets, but most pronounced in India and Brazil.
- ➔ Earlier signs of wavering in the demand environment now appear to be dissipating. Business activity is picking up again and improving conditions in emerging markets like China point to easing downward pressure on demand. Combined with continued improvement in advanced economies, it is likely that current performance growth in RPKs will be at least sustained in months ahead.



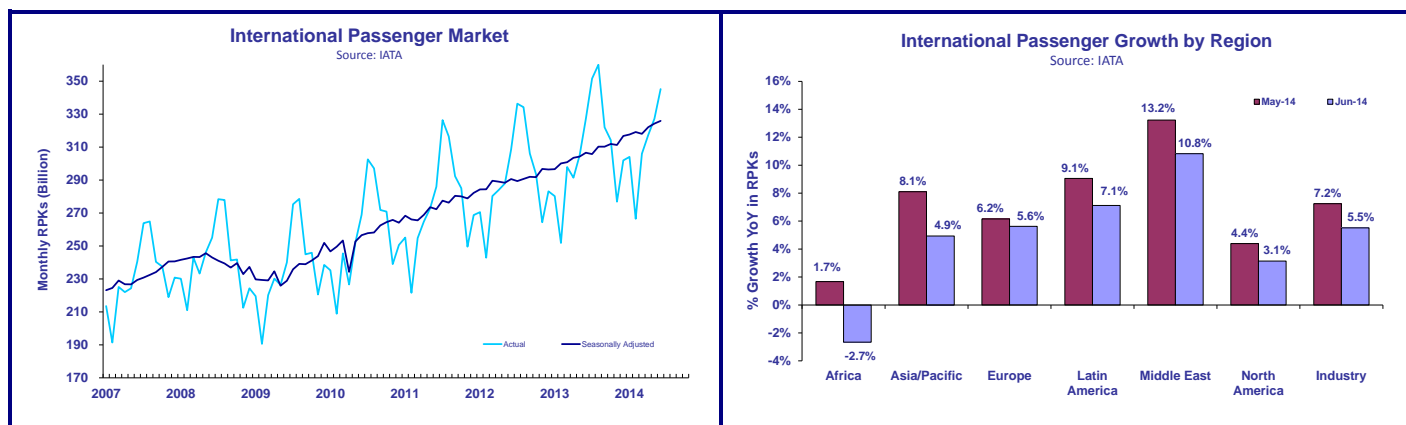
	Year on Year Comparison						Month on Month Comparison		
	Jun 2014 vs. Jun 2013			YTD 2014 vs. YTD 2013			Jun 2014 vs. May 2014		
	RPK	ASK	PLF	RPK	ASK	PLF	RPK	ASK	PLFpt
International	5.5%	5.7%	81.4%	6.4%	6.4%	78.7%	0.5%	0.7%	-0.2%
Domestic	3.4%	3.8%	81.7%	5.1%	4.3%	80.3%	-0.3%	0.5%	-0.8%
Total Market	4.7%	5.0%	81.5%	5.9%	5.6%	79.3%	0.2%	0.6%	-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

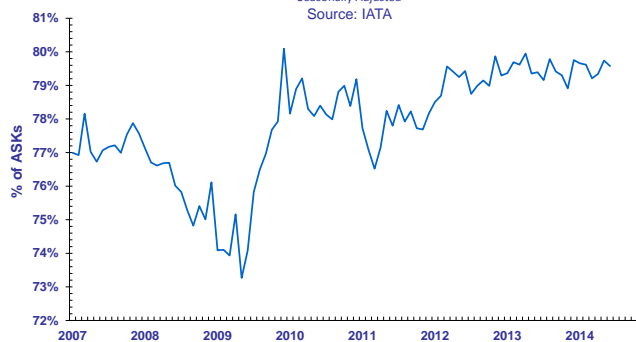
International Markets



- ➔ International revenue passenger kilometers increased by a solid 5.5% in June year-on-year. This helped growth year-to-date reach 6.4%, one percentage point higher than expansion in 2013. Several regions have benefitted from the global economic upturn, but there are some differences in performance developing.
- ➔ European airlines have recorded growth of 5.8% in international RPKs so far this year, compared to 3.8% in 2013 overall, consistent with steady and continued economic recovery. Economic activity in the Eurozone has been gaining momentum slowly, and recent data suggest that strong increases in industrial production should result in acceleration in Eurozone GDP in Q2. Some potential downside to this positive development is a slowdown in manufacturing activity and no increase in regional trade volumes, which could be a dampener on business-related international air travel.
- ➔ Airlines in Asia Pacific recorded a solid increase of 4.9% in June, and 6.1% year-to-date. This is an improvement on the expansion in 2013 overall (5.3%). The outlook for this region looks broadly positive, with measures of manufacturing activity and export orders pointing to better performance of the major regional economy, China. This bodes well for regional trade and related international air travel.
- ➔ North American airlines experienced a 3.1% increase in international RPKs in June compared to a year ago, similar to the expansion seen so far this year, 3.4%. In the US, recent data reveal that underlying growth trends in business activity are positive and the unemployment rate continue to ease. According to JP Morgan/Markit, overall business conditions in the US are the strongest they have been since May 2010. These developments bode well for growth in air travel on regional carriers, least at current rates.
- ➔ Carriers in the Middle East recorded the strongest increases in international air travel in June, rising 10.8% and 13.9% year-to-date. Airlines in the Middle East continue to benefit from the strength of regional economies and solid growth in business-related premium travel.
- ➔ Carriers in Latin America experienced strong growth of 5.9% in June year-to-date, but that is a notable slowdown on 2013 overall, when growth was 8.1%. Part of the relative weakness is due to a notable cut-back in capacity in 2014, and partly also due to sluggishness in major local economies and, consequently, regional trade growth. Although economies like Colombia, Peru and Chile continue to expand robustly, regional trade volumes have made no progress this year compared to the highs reached at the end of 2013 and growth in the Brazilian economy remains fundamentally weak.
- ➔ By contrast, airlines in Africa experienced a 2.7% decline in international RPKs in June, year-on-year, with year-to-date expansion of just 0.5%. This is a considerable slowdown from 2013, when growth reached 5.5% for the year overall. The weakness in international air travel for regional carriers over recent months could be in part reflecting adverse economic developments in some parts of the continent, with the slowdown of the major economy of South Africa. However, latest trade data show a slight pick-up in volumes. If that trend continues, there could be some added support for business-related international air travel.

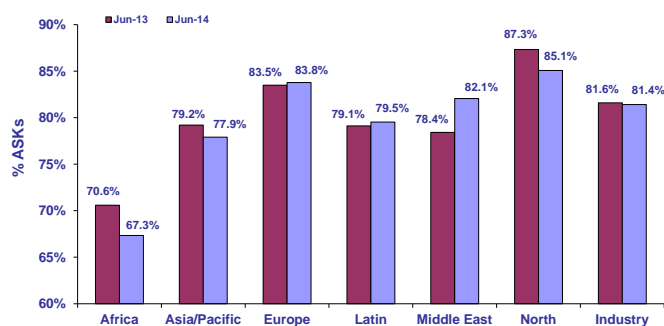
Passenger Load Factor on International Market

Seasonally Adjusted
Source: IATA



International Passenger Load Factor by Region

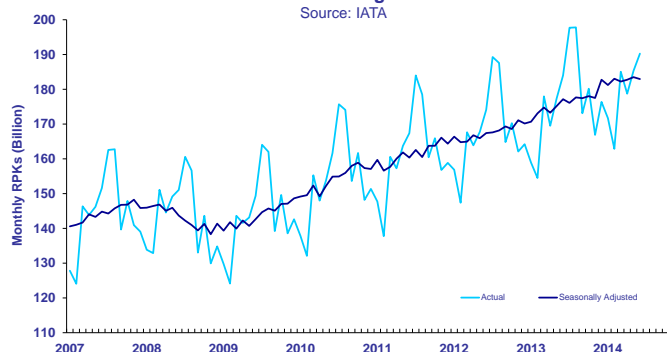
Source: IATA



Domestic Market

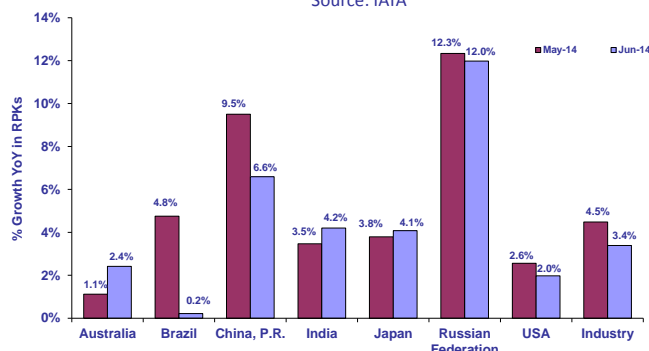
Domestic Passenger Market

Source: IATA



Domestic Passenger Growth by Country

Source: IATA

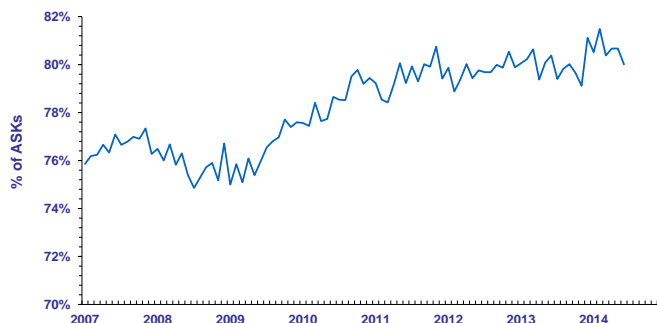


- ✈ Domestic RPKs rose 3.4% in June year-on-year and by a solid 5.1% year-to-date. There was a contraction in volumes in June compared to May (0.3%), which, when combined with a solid (0.5%) expansion in capacity, led to a notable drop of in load factors (0.8%). The decline was seen in most major markets, but most pronounced in India and Brazil.
- ✈ Russian domestic RPKs have increased at the strongest rate in June year-to-date, up 11.6%, with demand for air travel supported by the government's policy to sustain employment and incomes. Chinese RPKs were not too far behind, expanding 10.8% in June year-to-date. Despite the slowdown in the Chinese economy in early 2014, growth remains robust and recent indicators suggest the economy has stabilized. Industrial production in June showed signs of improvement, helped by government-backed infrastructure investment.
- ✈ By contrast, in other emerging markets, like India, growth so far this year was a fraction of the pace at 2.0%. Although there is positive sentiment toward the incoming government, inflation is high and consumer demand remains constrained.
- ✈ Domestic air travel in Brazil increased by a weak 0.2% in June year-on-year, but growth for the first six months of 2014 has been solid at 7.3%. Part of the increase could be reflecting some of the benefits of the FIFA World Cup. But mostly, the solid rise in RPKs compared to a year ago reflects growth that took place late in 2013. So far this year, conditions in the Brazilian economy have done little to boost growth in air travel, with inflation continuing to rise and consumer confidence waning.
- ✈ In the US, domestic air travel rose 2.0% in June year-on-year, similar to growth year-to-date of 2.1%. Indicators continue to show steady increases in consumer confidence as well as rising employment activity. However, with wage growth remaining subdued, the benefits for air travel demand could be limited for the time being.
- ✈ Japan's domestic air travel increased by 4.1% in June compared to a year ago, and 5.3% year-to-date. April's sales tax increase could erode some of the previous progress made by the government to boost growth and domestic demand. Latest results of JP Morgan/ Markit business survey, however, indicate a small rebound in domestic demand since the introduction of the tax. If this trend continues, growth in domestic air travel could be sustained.
- ✈ Air travel growth in Australia increased by a weak 2.4% in June year-on-year, with growth of 3.1% for the first 6 months of 2014. The outlook for domestic demand is mixed; there have been recent improvements in the unemployment rate and business sentiment, but the latest data points to further increase in inflation.

Passenger Load Factor on Domestic Market

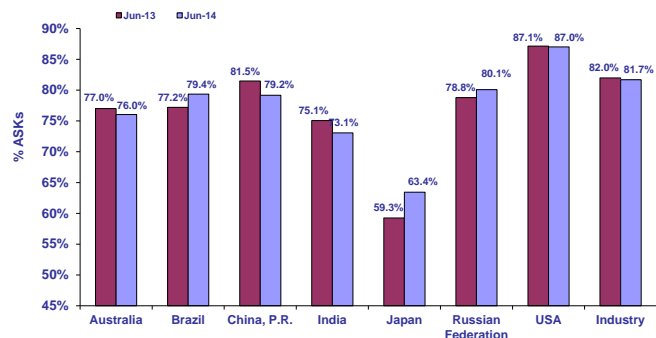
Seasonally Adjusted

Source: IATA



Domestic Passenger Load Factor by Country

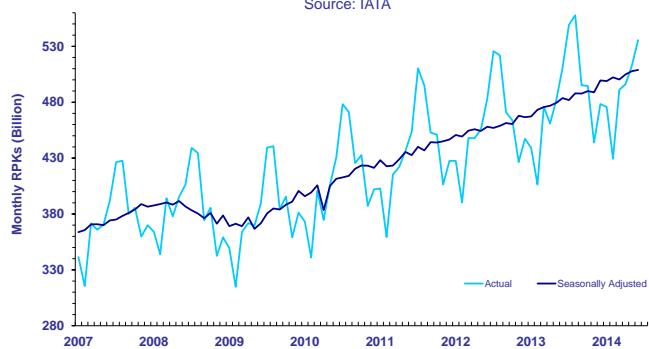
Source: IATA



Total Market (Domestic + International)

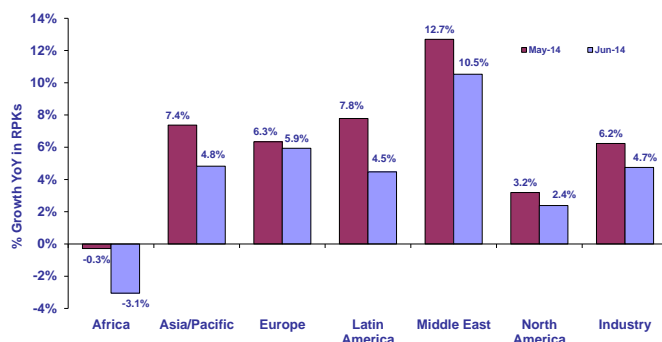
Total Passenger Market

Source: IATA



Total Passenger Growth by Region

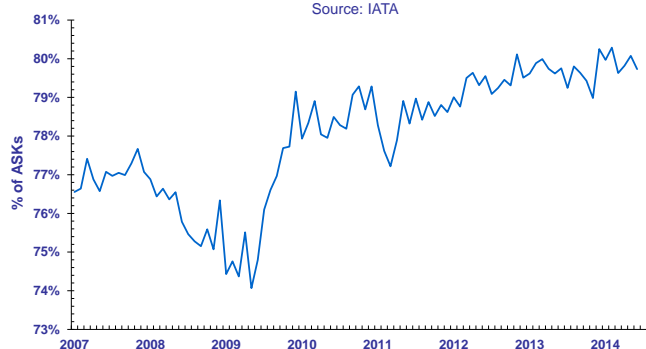
Source: IATA



Passenger Load Factor on Total Market

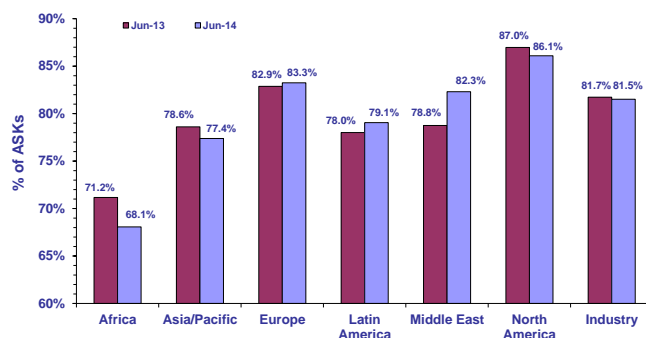
Seasonally Adjusted

Source: IATA



Total Passenger Load Factor by Region

Source: IATA



ANNEX

Year on Year Comparison	Jun 2014 vs Jun 2013			YTD 2014 vs. YTD 2013		
	RPK	ASK	PLF	RPK	ASK	PLF
Africa	-2.7%	2.0%	67.3%	0.5%	4.7%	65.8%
Asia/Pacific	4.9%	6.7%	77.9%	6.1%	7.3%	76.5%
Europe	5.6%	5.3%	83.8%	5.8%	5.5%	80.2%
Latin America	7.1%	6.6%	79.5%	5.9%	3.9%	79.3%
Middle East	10.8%	5.9%	82.1%	13.9%	10.7%	79.9%
North America	3.1%	5.9%	85.1%	3.4%	4.3%	81.1%
International	5.5%	5.7%	81.4%	6.4%	6.4%	78.7%
Australia	2.4%	3.7%	76.0%	3.1%	3.6%	74.9%
Brazil	0.2%	-2.5%	79.4%	7.3%	0.9%	79.5%
China P.R.	6.6%	9.7%	79.2%	10.8%	11.2%	80.6%
India	4.2%	7.1%	73.1%	2.0%	7.1%	73.7%
Japan	4.1%	-2.8%	63.4%	5.3%	1.8%	63.8%
Russian Federation	12.0%	10.2%	80.1%	11.6%	10.5%	72.7%
US	2.0%	2.1%	87.0%	2.1%	0.9%	84.7%
Domestic	3.4%	3.8%	81.7%	5.1%	4.3%	80.3%
Africa	-3.1%	1.4%	68.1%	-0.6%	3.7%	66.8%
Asia/Pacific	4.8%	6.5%	77.4%	6.9%	7.8%	76.9%
Europe	5.9%	5.5%	83.3%	6.1%	5.7%	79.3%
Latin America	4.5%	3.1%	79.1%	6.9%	3.5%	79.1%
Middle East	10.5%	5.8%	82.3%	13.4%	10.3%	80.2%
North America	2.4%	3.4%	86.1%	2.6%	2.1%	83.4%
Total Market	4.7%	5.0%	81.5%	5.9%	5.6%	79.3%

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	Jun 2014 vs. May 2014			Market Share
	<i>RPK</i>	<i>ASK</i>	<i>PLFpt</i>	<i>RPK</i>
Africa	-0.4%	-0.9%	0.3%	3.0%
Asia/Pacific	0.4%	1.0%	-0.4%	25.3%
Europe	0.8%	0.5%	0.2%	40.2%
Latin America	-0.2%	1.5%	-1.3%	4.1%
Middle East	0.4%	0.3%	0.1%	12.9%
North America	0.4%	1.4%	-0.8%	14.5%
International	0.5%	0.7%	-0.2%	100.0%
Australia	2.7%	0.3%	2.5%	3.0%
Brazil	-2.2%	0.1%	-2.2%	3.7%
China P.R.	-0.1%	1.3%	-1.1%	20.0%
India	-3.1%	0.9%	-2.9%	2.7%
Japan	0.7%	-0.6%	0.9%	2.8%
Russian Federation	0.7%	0.9%	-0.2%	4.3%
US	-0.5%	0.3%	-0.7%	45.9%
Domestic	-0.3%	0.5%	-0.8%	100.0%
Africa	0.0%	-0.7%	0.5%	2.2%
Asia/Pacific	0.2%	0.9%	-0.5%	28.5%
Europe	0.8%	0.5%	0.2%	29.1%
Latin America	-0.9%	0.5%	-1.1%	4.9%
Middle East	0.4%	0.3%	0.1%	8.7%
North America	-0.3%	0.7%	-0.8%	26.5%
Total Market	0.2%	0.6%	-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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6TH August 2014

FURTHER ANALYSIS AND DATA

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

<http://www.iata.org/publications/Pages/monthly-traffic-statistics.aspx>

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