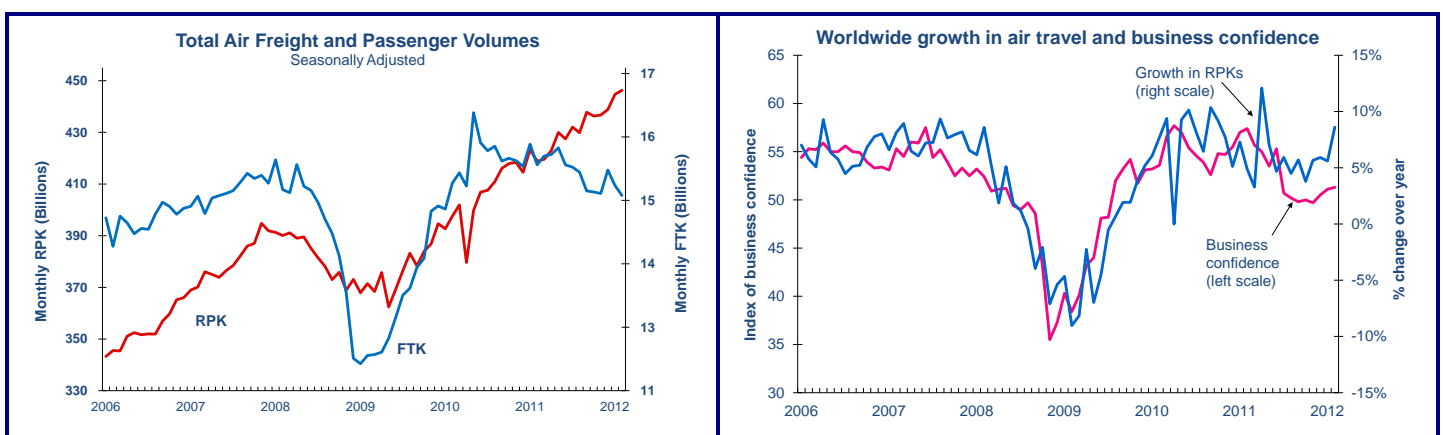


# AIR TRANSPORT MARKET ANALYSIS

## FEBRUARY 2012

### KEY POINTS

- Passenger and freight volumes in February were considerably higher than a year ago. Air travel markets were up 8.6% compared to the same month a year ago, a significant acceleration on January. Air freight markets rebounded strongly from a weak January to expand by 5.2% in February year-on-year.
- However, there were distortions to the data in February. Weaker air traffic during Arab Spring a year ago; postponed shipments of cargo in January from the Chinese New Year holiday; and Carnival in Brazil occurring a month early in 2011 all tend to inflate February 2012 traffic growth when compared to February 2011 levels.
- Regions specifically impacted by these events show exaggerated year-on-year growth rates in February - passenger travel increased by more than 20% in Africa and the Middle East and by 16% in Latin America, while freight markets in Asia/Pacific grew 9%. North America, conversely, performed strongly on the basis of improved consumer confidence and economic conditions, with passenger traffic expanding 5% compared to a year ago.
- The first chart below provides an indication of trends in air traffic, showing the seasonally adjusted levels of passenger and freight travel. Passenger markets have increased at an annualized rate of 6% since last April, after the initial impact of the Arab Spring subsided, close to the 20-year trend. By contrast, freight markets continued to decline beyond the Arab Spring at an annualized rate of 5% through to September 2011. But have subsequently stabilized and have moved around a broadly flat trend through to February 2012. This stabilization in freight markets is consistent with improvements in business confidence in recent months.
- Capacity has expanded at a slightly lower rate than the growth in demand, allowing a further rise in passenger load factors in February. Together with stabilization in freight load factors, this will help to contain the damage to airline profitability from high fuel costs.
- The outlook for markets still remains fragile, however, with improvements in business confidence slowing in February, containing the upside for business travel, and higher fuel costs threatening price sensitive markets.



Year on Year Comparison	February 2012 vs. February 2011						YTD 2012 vs. YTD 2011					
	RPK	ASK	PLF	FTK	AFTK	FLF	RPK	ASK	PLF	FTK	AFTK	FLF
International	9.3%	7.3%	74.4%	5.1%	7.7%	50.0%	7.3%	5.6%	75.6%	-1.6%	3.1%	47.8%
Domestic	7.6%	7.5%	76.7%	5.7%	4.1%	26.5%	7.0%	5.8%	76.7%	-0.4%	2.2%	26.2%
<b>Total Market</b>	<b>8.6%</b>	<b>7.4%</b>	<b>75.3%</b>	<b>5.2%</b>	<b>6.9%</b>	<b>44.8%</b>	<b>7.2%</b>	<b>5.7%</b>	<b>76.0%</b>	<b>-1.5%</b>	<b>2.9%</b>	<b>43.0%</b>

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

## COMPARING JANUARY TO DECEMBER

### February 2012 vs. January 2012

Month on Month Comparison	RPK	ASK	PLF pt	FTK	AFTK	FLF pt
International	0.5%	0.3%	0.2%	-1.9%	-0.5%	-0.7%
Domestic	0.2%	0.3%	-0.1%	-0.8%	-0.2%	-0.2%
<b>Total Market</b>	<b>0.4%</b>	<b>0.3%</b>	<b>0.1%</b>	<b>-1.2%</b>	<b>-0.3%</b>	<b>-0.4%</b>

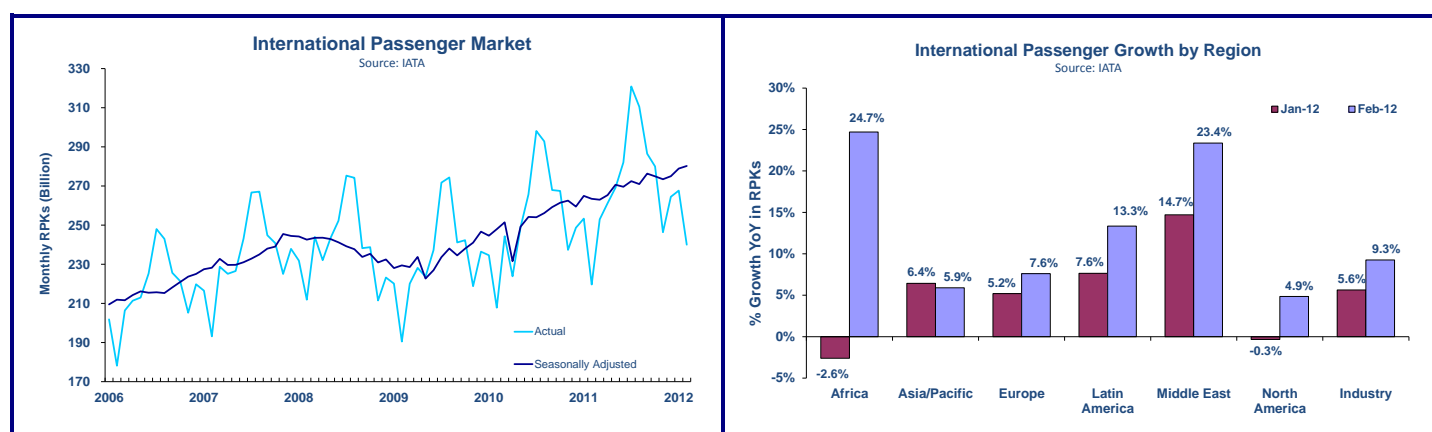
Data are seasonally adjusted.

All figures are expressed in % change month on month except, PLF pt and FLF pt which are the percentage point difference between load factors of two consecutive months.

- After seasonally adjusting the February traffic results, passenger markets were still up on January. With capacity increasing less than the growth in traffic, passenger load factors improved slightly in February and maintained the strong level achieved in January.
- Air freight declined in February compared to January, particularly on international markets where the fall was 1.9%. Freight load factors also deteriorated further, with the fall in traffic outstripping the capacity contraction.

## PASSENGER MARKET

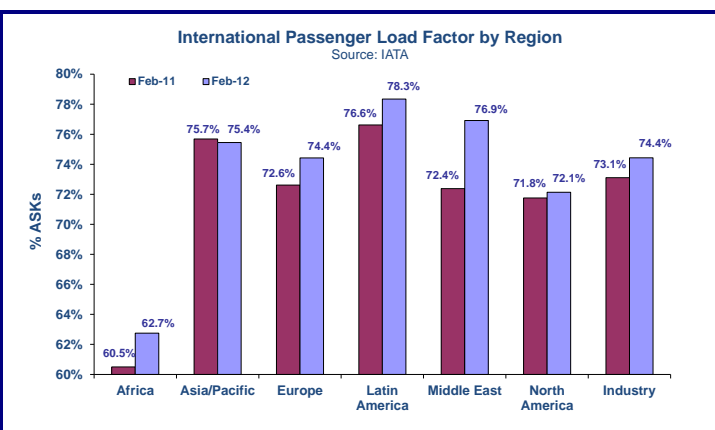
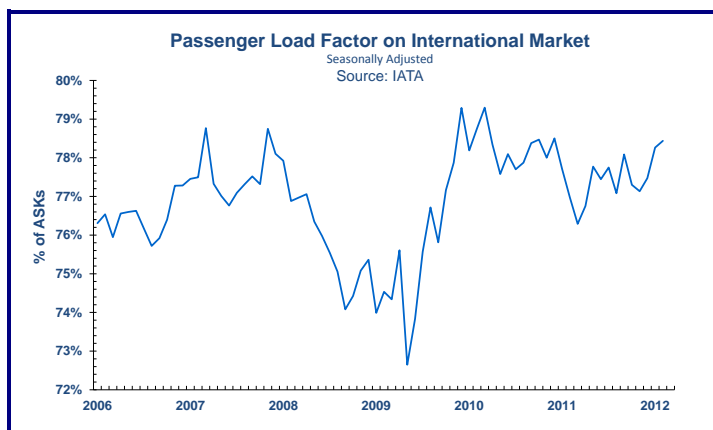
### International Markets



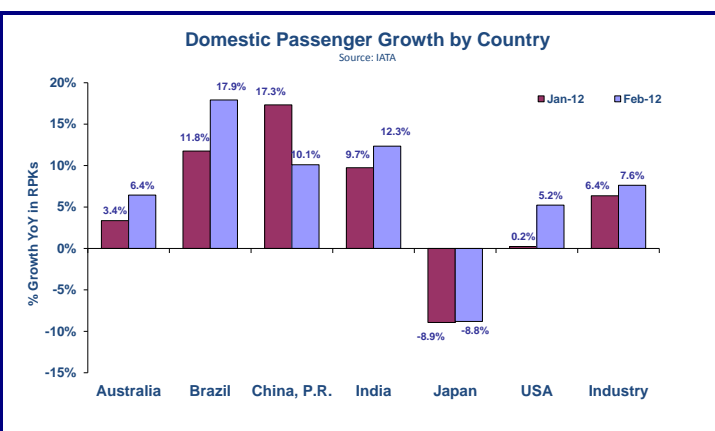
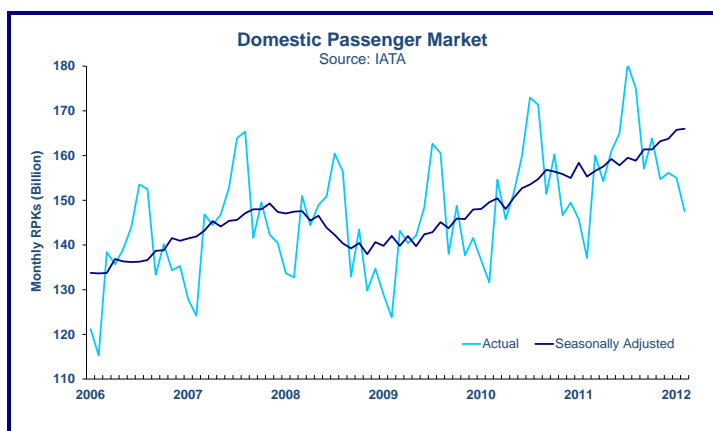
- Several regions recorded exaggerated international passenger traffic in February due to events taking place either in the same month last year or more recently. International passenger travel increased by more than 20% in Africa and the Middle East and by 13% in Latin America, overstated by the disruptions of Arab Spring last February and Carnival occurring a month early this year in Brazil, respectively. The Chinese New Year holiday had a slight negative impact on Asia/Pacific international travel, with markets in February contracting after the spike from the holiday in January.
- Improved consumer confidence and economic conditions in North America provided a basis for a significant increase in international travel, with the market expanding by 4.9%. This is a notable improvement on January, when international passenger travel had contracted by 0.3%.
- Europe, despite continued sovereign debt issues and weakened consumer confidence, also improved in February with international passenger markets increasing by 7.6% from a year ago. However, the seasonally adjusted data indicates that over the month, European international travel contracted by 0.4%.
- Industry international load factors improved significantly in February, likely as a result of Arab Spring last February, and Chinese New Year and Carnival both occurring a month earlier than in 2011. However, even after adjusting for these events, airlines are still managing to maintain load factors at high levels.

Predict future demand  
and minimize  
investment risk.

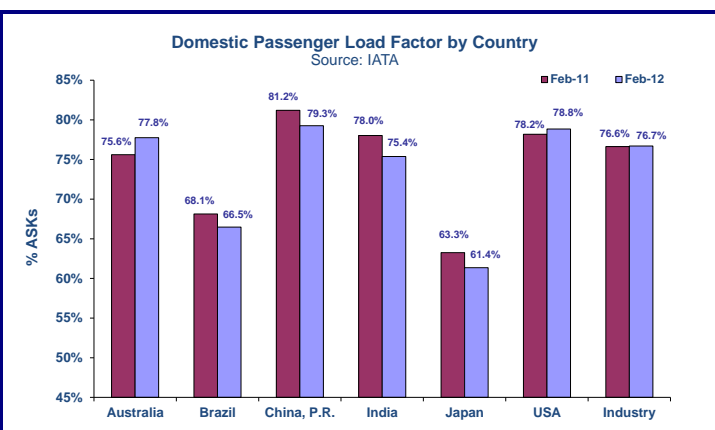
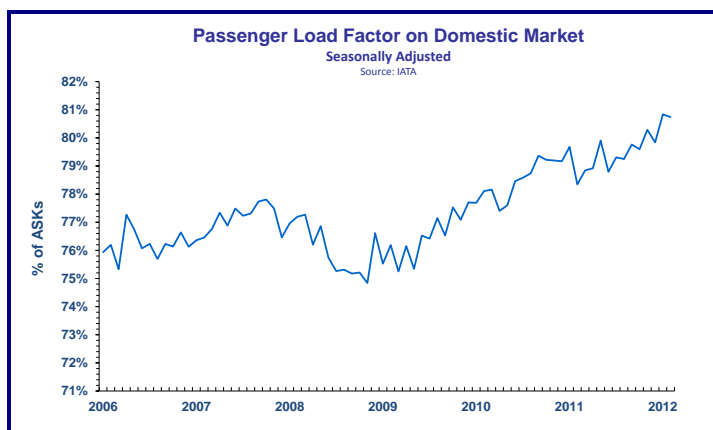
Airline Industry  
Forecast 2011-2015  
now available  
[www.iata.org/forecast](http://www.iata.org/forecast)



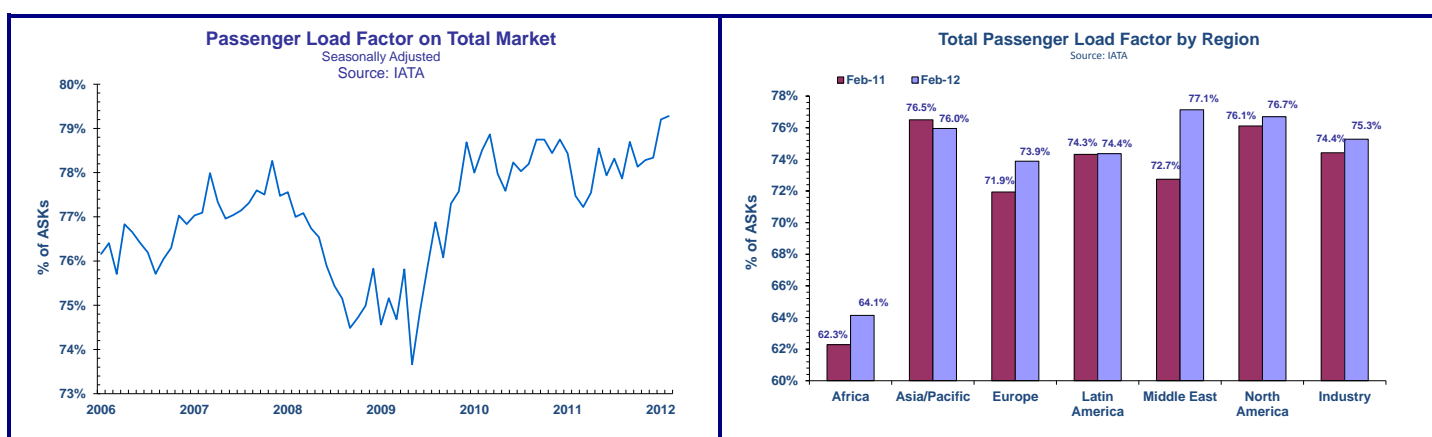
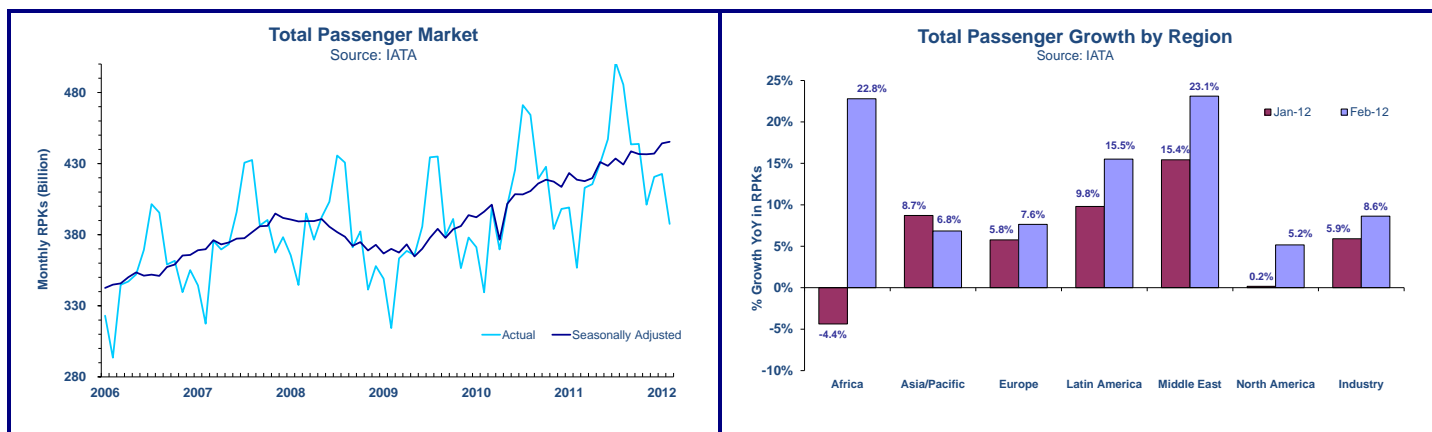
### Domestic Market



- Domestic passenger markets in Brazil were up significantly in February due to Carnival occurring a month earlier than last year, the year-on-year growth rate of about 18% was significantly above that of January. The impact of Chinese New Year occurring in January had a different outcome on February growth rates, which appear contracted in comparison to the strength of the previous month.
- Domestic air travel continues to expand in India. In February domestic passenger travel increased by 12.3% from a year ago, with strong domestic demand and economic growth continuing to support air travel.
- The US, which has the largest domestic market, experienced significantly improved performance in February from a year ago, well above the January result. The market grew by 5.2% in February year-on-year, after being flat in January. Although capacity cutting has been the strategy among US airlines for some months, in February capacity was increased by 4.4%. Even so, the increase in demand was larger, and load factors increased further from a year ago.

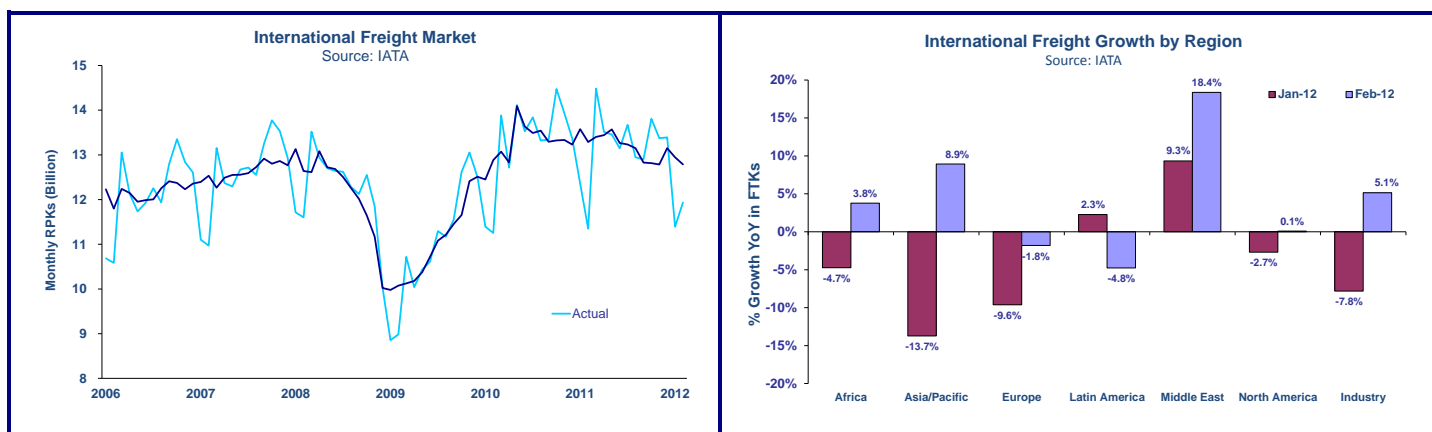


## Total Market (Domestic + International)



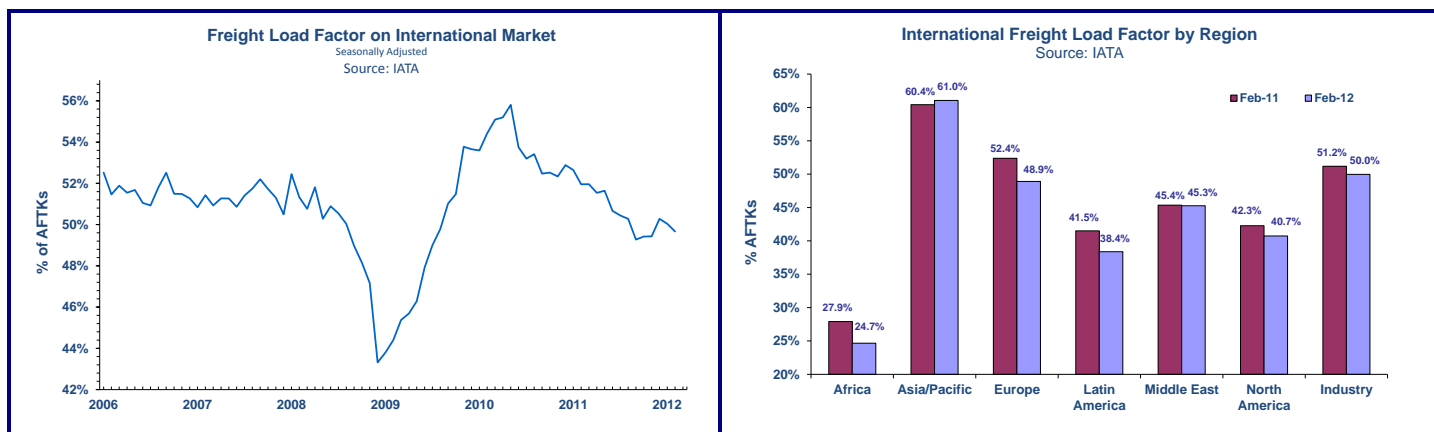
## FREIGHT MARKET

### International Market

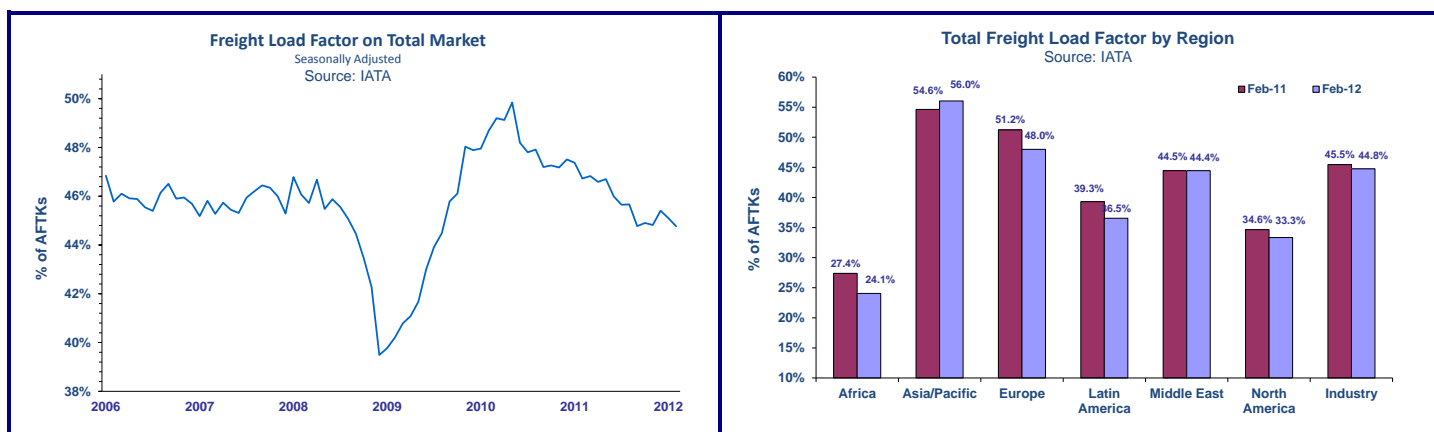
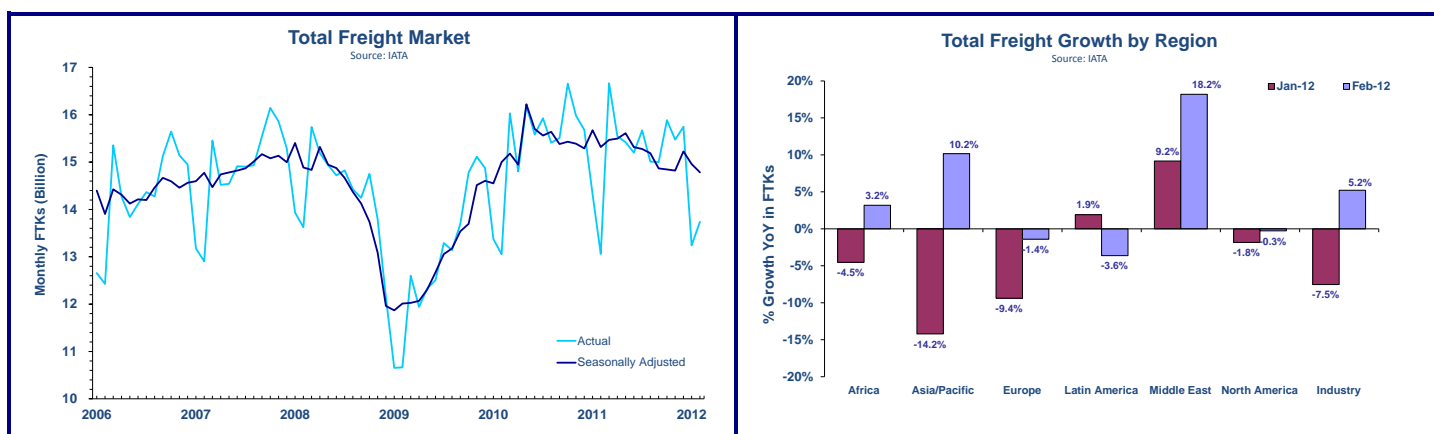


- Air freight volumes increased in February from a year ago, but largely as a result of cargo shipments that were postponed in January during the Chinese New Year holiday, as well as the comparison being made to the weak Arab Spring period a year ago. The trend in air freight, after controlling for these impacts, shows a decline in the total market of 1.2% in February compared to January, with a majority of that coming from international freight markets which fell by 1.9%.
- The month-on-month comparison of international markets also reveals that Asia/Pacific, the largest air freight region, trended upward by only 1% - putting in perspective the inflated year-on-year growth rate of 8.9%. Nevertheless, Asia/Pacific was the only region, other than the Middle East, to gain over the month in February.

➤ Air freight load factors remain well below their peak in early 2010, and this continues to place downward pressure on freight market profitability. Weak traffic performance has been exacerbated by new capacity arriving through wide-body passenger aircraft entering the fleet over the last several months. Although capacity was reigned in slightly in February, the traffic weakness over the month was too great to boost load factors. Nevertheless, it does appear that freight load factors have stabilized, albeit at low levels, limiting further deterioration in freight markets.



**Total Market**



## ANNEX

Year on Year Comparison	February 2012 vs. February 2011						YTD 2012 vs. YTD 2011					
	RPK	ASK	PLF	FTK	AFTK	FLF	RPK	ASK	PLF	FTK	AFTK	FLF
Africa	24.7%	20.2%	62.7%	3.8%	17.4%	24.7%	8.4%	8.1%	64.2%	-0.6%	6.4%	22.4%
Asia/Pacific	5.9%	6.2%	75.4%	8.9%	7.8%	61.0%	6.2%	6.3%	76.7%	-3.3%	0.9%	58.0%
Europe	7.6%	5.0%	74.4%	-1.8%	5.2%	48.9%	6.3%	3.7%	75.1%	-5.7%	1.2%	46.6%
Latin America	13.3%	10.8%	78.3%	-4.8%	3.0%	38.4%	10.3%	8.8%	79.2%	-1.3%	4.4%	38.0%
Middle East	23.4%	16.1%	76.9%	18.4%	18.6%	45.3%	18.7%	13.2%	77.8%	13.7%	14.0%	43.5%
North America	4.9%	4.3%	72.1%	0.1%	3.9%	40.7%	2.0%	1.6%	74.9%	-1.3%	1.8%	39.8%
<b>International</b>	<b>9.3%</b>	<b>7.3%</b>	<b>74.4%</b>	<b>5.1%</b>	<b>7.7%</b>	<b>50.0%</b>	<b>7.3%</b>	<b>5.6%</b>	<b>75.6%</b>	<b>-1.6%</b>	<b>3.1%</b>	<b>47.8%</b>
Australia	6.4%	3.5%	77.8%				4.8%	1.6%	78.2%			
Brazil	17.9%	20.9%	66.5%				14.4%	19.0%	70.4%			
China P.R.	10.1%	12.8%	79.3%				13.8%	13.7%	80.2%			
India	12.3%	16.3%	75.4%				11.0%	15.0%	75.1%			
Japan	-8.8%	-6.0%	61.4%				-8.9%	-7.2%	58.8%			
US	5.2%	4.4%	78.8%				2.7%	1.3%	78.5%			
<b>Domestic</b>	<b>7.6%</b>	<b>7.5%</b>	<b>76.7%</b>	<b>5.7%</b>	<b>5.7%</b>	<b>5.7%</b>	<b>7.0%</b>	<b>5.8%</b>	<b>76.7%</b>	<b>-0.4%</b>	<b>2.2%</b>	<b>26.2%</b>
Africa	22.8%	19.2%	64.1%	3.2%	17.5%	24.1%	6.8%	6.6%	64.9%	-0.8%	6.6%	22.0%
Asia/Pacific	6.8%	7.6%	76.0%	10.2%	7.4%	56.0%	7.8%	7.7%	76.7%	-3.1%	1.0%	53.2%
Europe	7.6%	4.8%	73.9%	-1.4%	5.2%	48.0%	6.7%	3.7%	74.5%	-5.4%	1.3%	45.7%
Latin America	15.5%	15.4%	74.4%	-3.6%	3.6%	36.5%	12.4%	13.3%	76.3%	-0.9%	4.7%	35.8%
Middle East	23.1%	16.1%	77.1%	18.2%	18.2%	44.4%	19.0%	13.4%	78.0%	13.6%	13.8%	42.8%
North America	5.2%	4.4%	76.7%	-0.3%	3.6%	33.3%	2.6%	1.5%	77.3%	-1.1%	1.9%	33.0%
<b>Total Market</b>	<b>8.6%</b>	<b>7.4%</b>	<b>75.3%</b>	<b>5.2%</b>	<b>6.9%</b>	<b>44.8%</b>	<b>7.2%</b>	<b>5.7%</b>	<b>76.0%</b>	<b>-1.5%</b>	<b>2.9%</b>	<b>43.0%</b>

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

Month on Month Comparison	February 2012 vs. January 2012						Market Share	
	RPK	ASK	PLF	FTK	AFTK	FLF	RPK	FTK
Africa	2.3%	1.6%	0.5%	-1.3%	1.9%	-0.8%	3.3%	1.2%
Asia/Pacific	-0.7%	-1.0%	0.3%	1.0%	0.3%	0.4%	28.9%	42.4%
Europe	-0.4%	-0.3%	-0.1%	-0.6%	1.4%	-1.0%	36.3%	24.5%
Latin America	2.6%	0.8%	1.3%	-5.2%	-0.2%	-2.1%	5.1%	3.0%
Middle East	1.9%	1.6%	0.3%	0.5%	2.7%	-1.0%	12.7%	12.6%
North America	-0.3%	0.4%	-0.6%	-5.7%	-0.3%	0.4%	13.7%	16.3%
<b>International</b>	<b>0.5%</b>	<b>0.3%</b>	<b>0.2%</b>	<b>-1.9%</b>	<b>-0.5%</b>	<b>-0.7%</b>	<b>100%</b>	<b>100%</b>
Australia	-0.7%	-0.6%	-0.1%				3.2%	
Brazil	0.6%	0.6%	0.0%				4.0%	
China P.R.	1.0%	0.6%	0.4%				20.5%	
India	1.6%	-0.7%	1.7%				3.3%	
Japan	-0.9%	0.2%	-0.7%				2.9%	
US	0.8%	0.8%	0.0%				44.7%	
<b>Domestic</b>	<b>0.2%</b>	<b>0.3%</b>	<b>-0.1%</b>	<b>-0.8%</b>	<b>-0.2%</b>	<b>-0.2%</b>	<b>100%</b>	
Africa	2.5%	1.6%	0.6%	-1.5%	2.1%	-0.9%	2.4%	1.1%
Asia/Pacific	0.1%	-0.3%	0.2%	1.6%	0.6%	0.6%	31.3%	40.2%
Europe	-0.7%	-0.4%	-0.2%	-0.6%	1.5%	-0.9%	25.4%	21.7%
Latin America	2.2%	0.9%	1.0%	-4.2%	-0.2%	-1.6%	6.2%	2.9%
Middle East	1.8%	1.4%	0.3%	0.4%	2.6%	-1.0%	8.3%	11.0%
North America	0.2%	0.7%	-0.5%	-4.9%	-0.8%	-1.4%	26.3%	23.1%
<b>Total Market</b>	<b>0.4%</b>	<b>0.3%</b>	<b>0.1%</b>	<b>-1.2%</b>	<b>-0.3%</b>	<b>-0.4%</b>	<b>100%</b>	<b>100%</b>

Data are seasonally adjusted.

All figures are expressed in % change month on month except, PLF pt and FLF pt which are the percentage point difference between load factors of two consecutive months.

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3<sup>RD</sup> April 2012

#### FURTHER ANALYSIS AND DATA

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

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