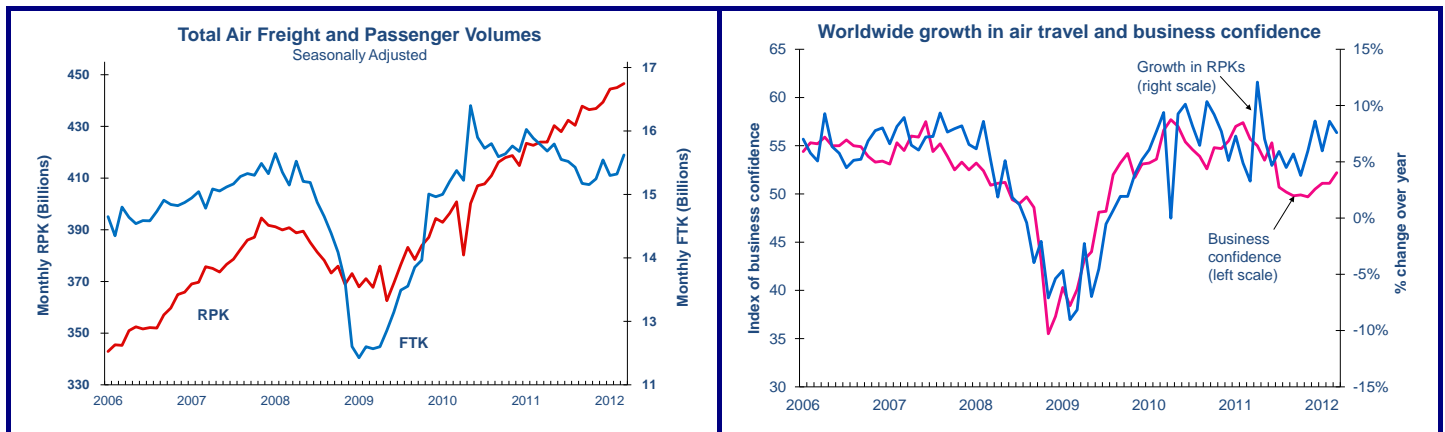


# AIR TRANSPORT MARKET ANALYSIS

## MARCH 2012

### KEY POINTS

- Air travel markets recorded another month of solid growth in March, with passenger demand increasing 7.6% compared to a year ago. Air freight markets are now showing signs of improvement, with a rise of more than 4% since the fourth quarter – though the size of the market is almost unchanged compared to March 2011.
- Air travel year-on-year growth rates are being positively impacted by events that occurred a year ago which significantly reduced air transport demand. Starting in February and continuing into March, the Arab Spring disturbed air travel in the Middle East and North Africa in 2011, while the Japan earthquake of 11 March 2011 impacted air travel throughout Asia Pacific. We estimate that air travel worldwide was about 2% points higher this March than it would have been in the absence of these events. In other words, air travel would have otherwise grown about 5.5% in March compared to a year ago – a solid result indicating steady improvement in travel, supported by recovering business confidence and therefore business travel.
- The underlying trend in air cargo was positive in March, despite flat year-on-year growth due to timing of the Chinese New Year holiday. The seasonally adjusted series shows cargo increasing 2.2% in March compared to February, consistent with the improvements in business and consumer confidence seen over the last several months. However, the extent of the improvement is uncertain so far since some of this growth could be a result of the volatility inherent in the monthly growth rates, which on average can be around +/-2%. The performance of world trade, a key driver of air cargo which contracted slightly in February, will provide more insight into the momentum of air freight markets over the coming months.
- Load factors are being maintained at solid levels, and in March approached pre-recession highs in international passenger markets. Although airlines are continuing to increase capacity, this is occurring at a rate that is slower than the growth in demand, and this is keeping load factors high. On the cargo side, the trend has been positive with load factors showing improvement over the last 6 months, helping support cargo profitability.



Year on Year Comparison	March 2012 vs. March 2011						YTD 2012 vs. YTD 2011					
	RPK	ASK	PLF	FTK	AFTK	FLF	RPK	ASK	PLF	FTK	AFTK	FLF
International	9.6%	5.0%	77.7%	0.1%	1.7%	53.6%	8.2%	5.5%	76.4%	-0.9%	2.6%	49.9%
Domestic	4.5%	3.3%	79.3%	1.3%	1.7%	29.0%	6.0%	4.9%	77.5%	0.5%	2.1%	27.2%
<b>Total Market</b>	<b>7.6%</b>	<b>4.4%</b>	<b>78.3%</b>	<b>0.3%</b>	<b>1.7%</b>	<b>48.2%</b>	<b>7.4%</b>	<b>5.3%</b>	<b>76.8%</b>	<b>-0.7%</b>	<b>2.5%</b>	<b>44.8%</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 MARCH TO FEBRUARY

### March 2012 vs. February 2012

Month on Month Comparison	RPK	ASK	PLF pt	FTK	AFTK	FLF pt
International	0.9%	0.7%	0.2%	2.0%	1.4%	0.6%
Domestic	-0.6%	0.4%	-0.8%	3.2%	0.9%	0.6%
<b>Total Market</b>	<b>0.3%</b>	<b>0.6%</b>	<b>-0.2%</b>	<b>2.2%</b>	<b>1.3%</b>	<b>0.4%</b>

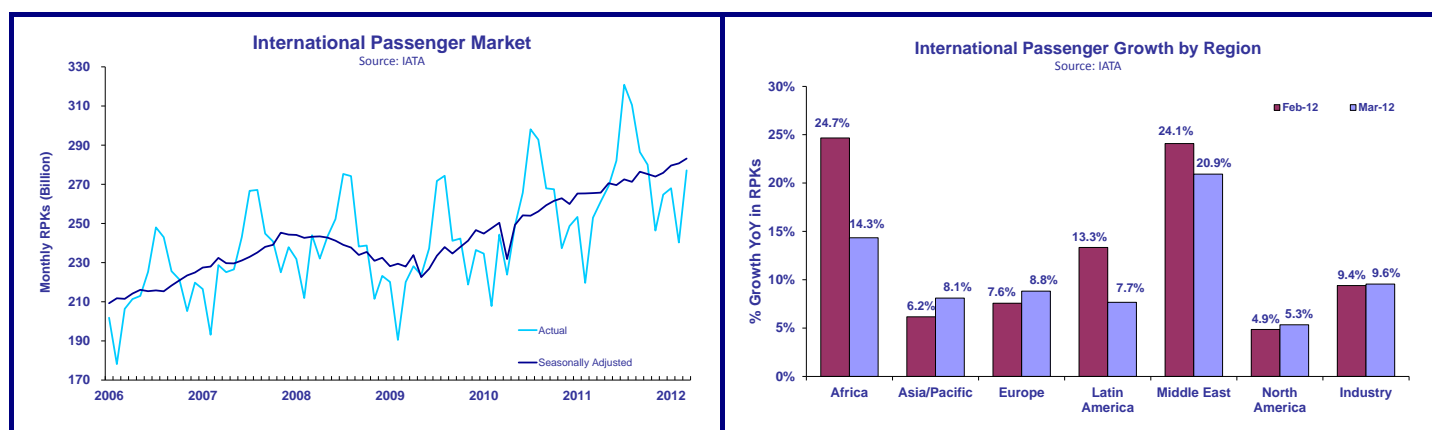
Data are seasonally adjusted.

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 March traffic data, passenger markets showed an increase compared to February of 0.3%. Because capacity increased at a greater rate than the growth in traffic, passenger load factors were down slightly over the previous month, by 0.2% points.
- Freight markets performed strongly over the month, increasing 2.2% overall in March compared to February. Despite growth in capacity, the strong traffic performance helped load factors rise 0.4% points.

## PASSENGER MARKET

### International Markets

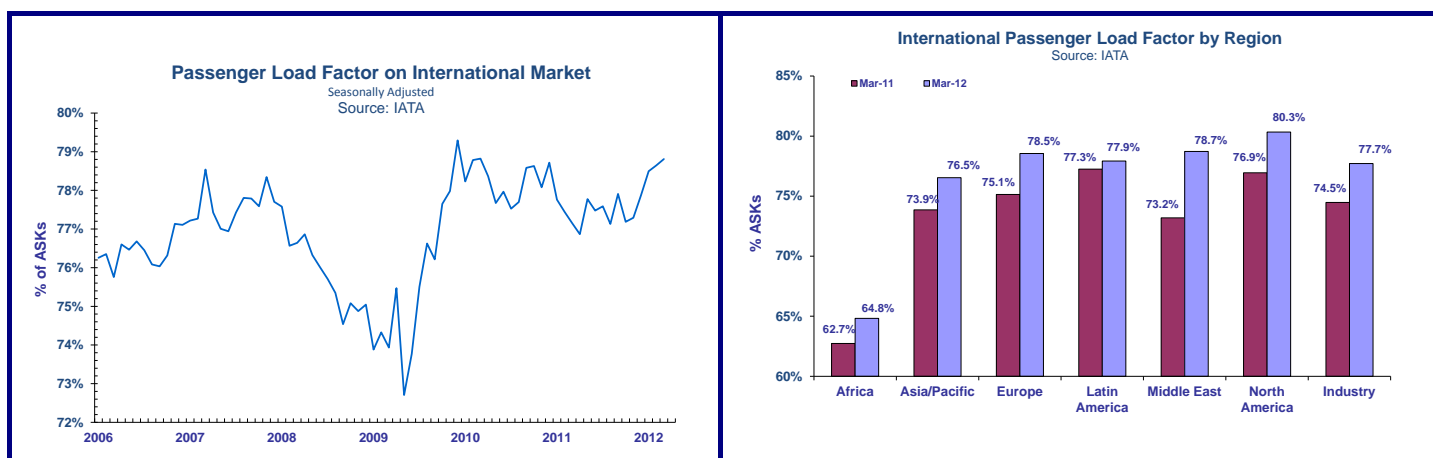


- International passenger travel showed strong growth again in March, increasing 9.6% from over a year ago. However, several events occurring last year helped to exaggerate this result – most significantly the Arab Spring which commenced in February and continued into March 2011, as well as the Japan earthquake which impacted traffic for weeks from the 11<sup>th</sup> of March 2011.
- Growth rates for several regions were impacted by these events. International passenger traffic continued to show unusually high year-on-year growth rates in Africa in March, of 14.3%, after another exaggerated February result of 24.7%. We estimate that about 11% points of the March results is attributable to the impact of the Arab Spring a year ago. And for Middle East international passenger traffic the story is rather similar – March recording 20.9% year-on-year growth, of which we estimate 7% points are due the Arab Spring in 2011.
- The Japan earthquake in March 2011 has had a significant impact on year-on-year growth rates for the Asia/Pacific region. The earthquake which subsequently brought on a devastating tsunami and impacted international flights to Japan is estimated to have reduced traffic by 3% points in March 2011, exaggerating this month's year-on-year growth rate by that amount.
- International passenger markets in North America had another solid month of growth, increasing 5.3% from a year ago. These results are concurrent with positive economic results from the US, and particularly with increasing consumer confidence. The monthly trend is also promising; with another month-on-month increase in March, of 1.8%, compared to February.
- In Europe, the year-on-year growth rate in March was 8.8%, a strong performance despite the persisting economic weakness throughout much of the continent. The month-on-month growth was also improved in March, increasing by 0.9%, after contracting in both January and February.

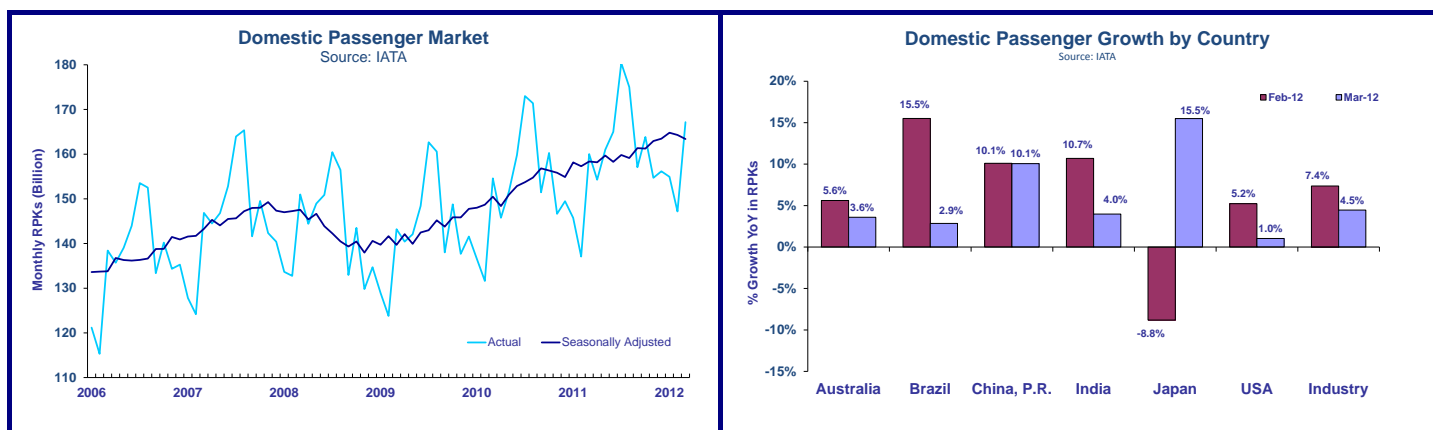
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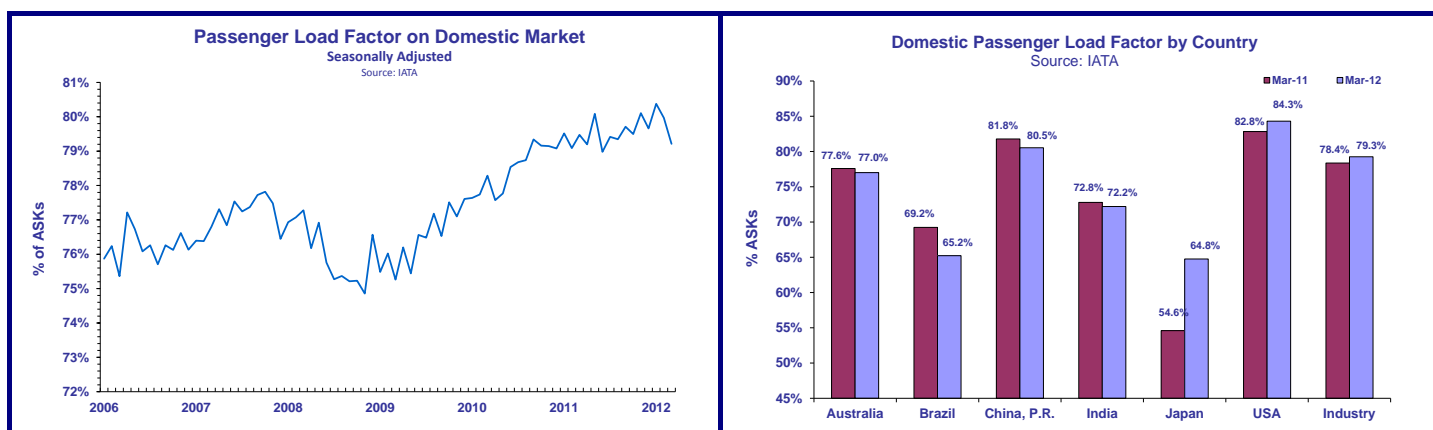
- Load factors in international passenger markets continued to trend higher in March, approaching pre-recession levels as capacity additions were held below growth in demand. North American load factors continue to be highest among regions, despite relatively slower growth in demand, with US airlines limiting capacity growth.



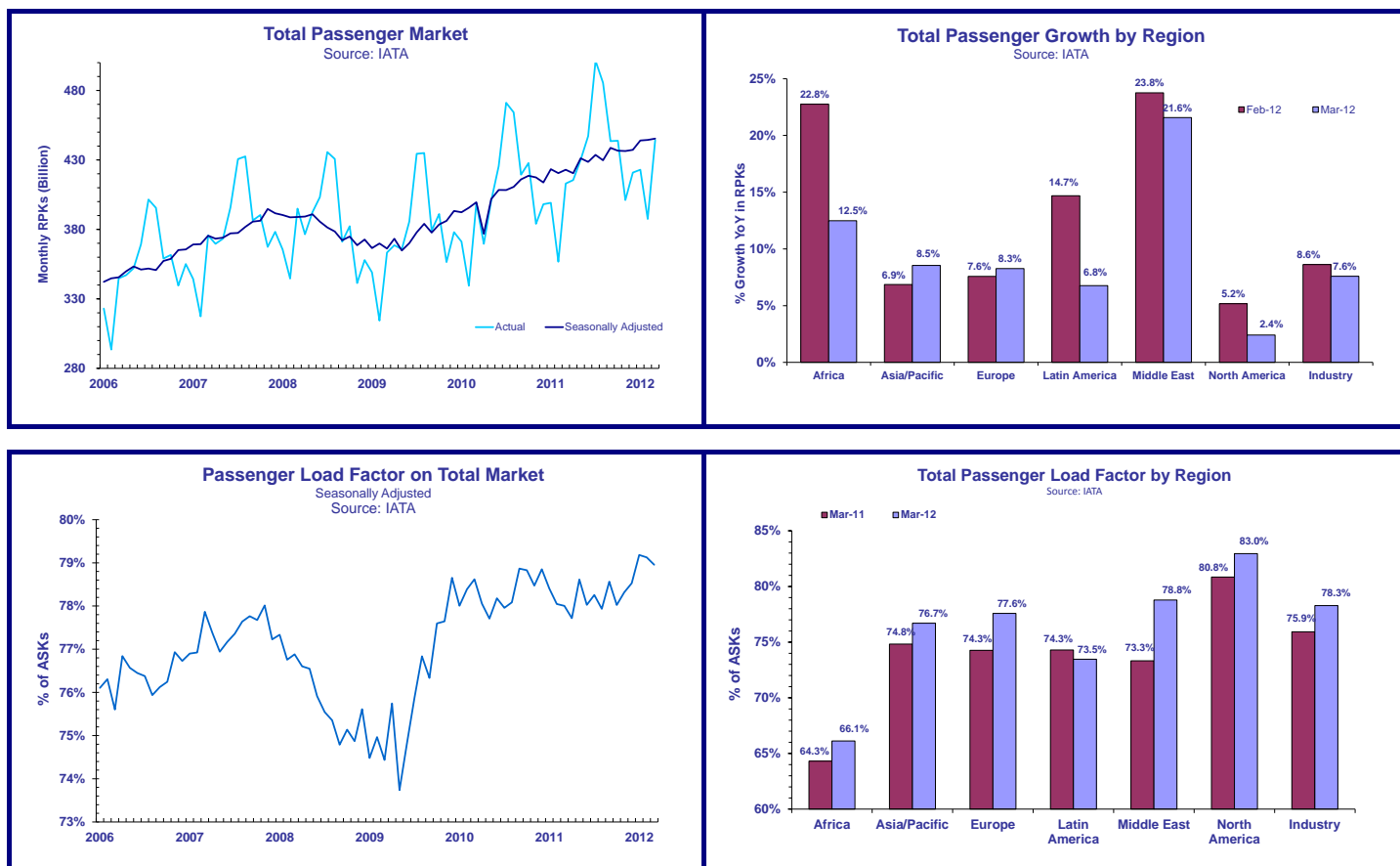
### Domestic Market



- The effect of the earthquake in Japan is very evident on Japan's domestic passenger travel market year-on-year growth this March. The result of 15.5% increase in domestic travel is due to that fact that air travel was devastated by the natural disaster a year ago. Had it not been for this event, we estimate domestic passenger travel would show decline of about 10% this month, in line with results in previous months.
- Domestic passenger travel in Brazil was suppressed in March compared to February – largely the result of Carnival occurring in February in 2012, a monthly earlier than in 2011. We estimate that the March growth result of 2.9% is about half of what would be the case had carnival not taken place in the same month a year ago.
- In the USA, domestic travel in March was more subdued compared to February, with a year-on-year growth rate of 1.0%. The monthly trend was also weak this month compared to February, with growth almost flat at 0.1%. The airlines, however, managed to maintain load factors with reductions in capacity both over the year and month.

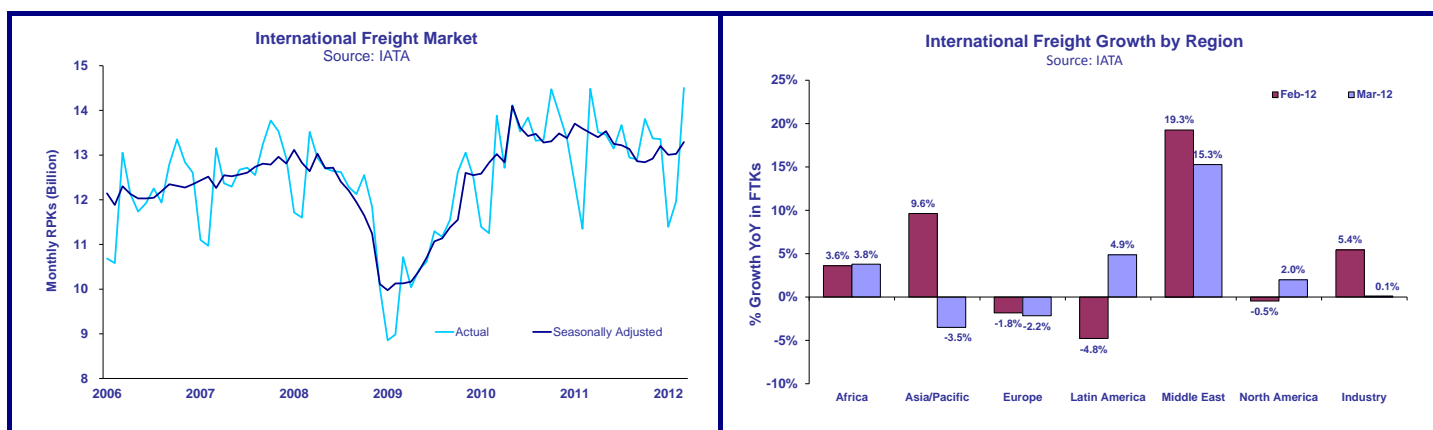


## Total Market (Domestic + International)



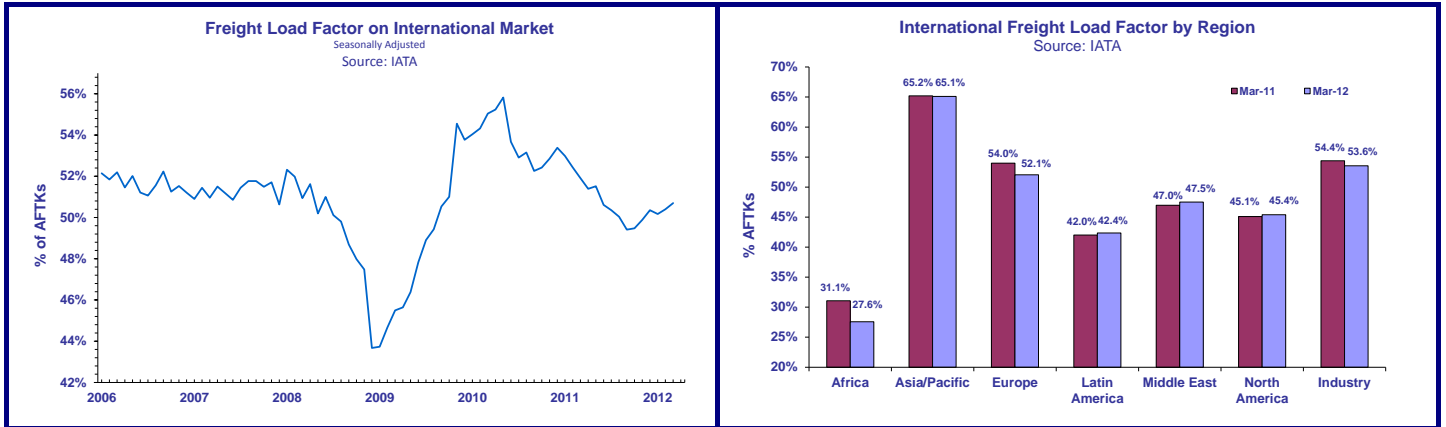
## FREIGHT MARKET

### International Market

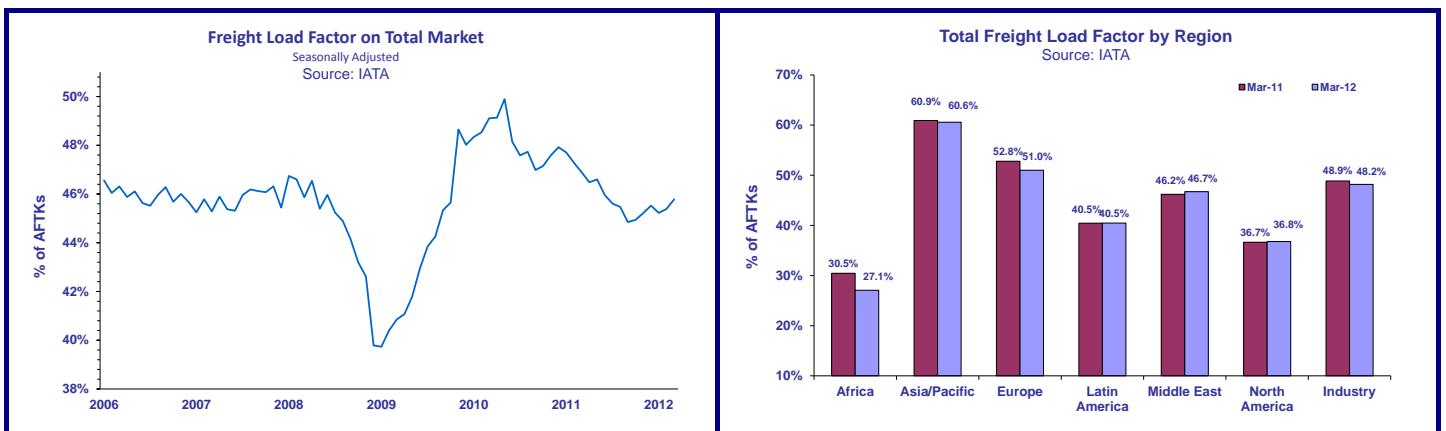
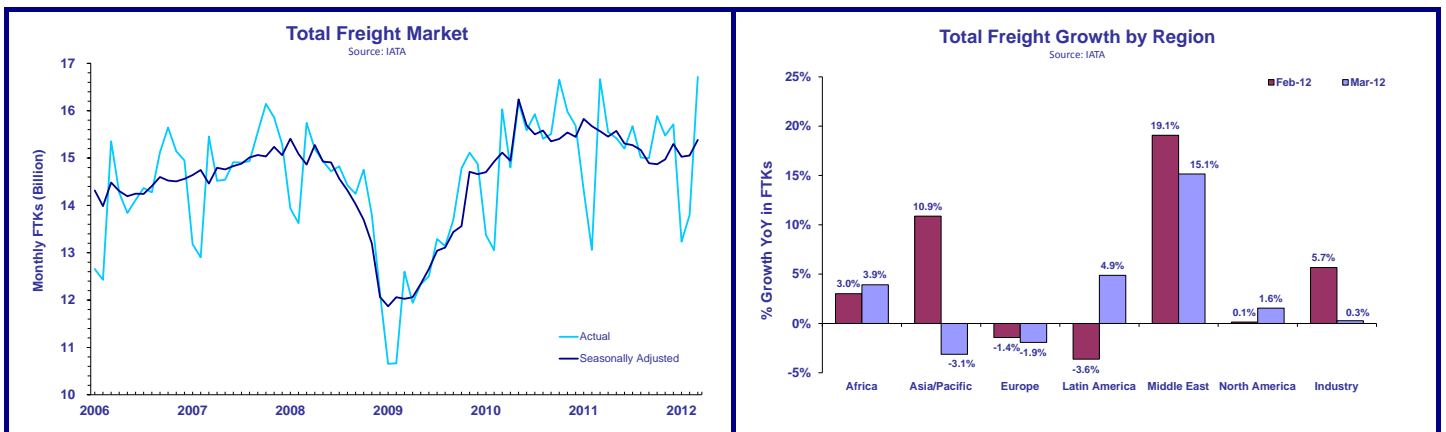


- The trend for air freight was positive in March with the seasonally adjusted month-on-month growth rate showing an uptick. The increase in March compared to February for the total market was 2.2%. The positive trend is consistent with the improvements in business and consumer confidence seen over the last several months. However, the extent of the improvement is uncertain so far since some of this growth could be a result of the volatility inherent in the monthly growth rates, which on average can be around +/-2%. The performance of world trade, a key driver of cargo which contracted slightly in February, will provide more insight into the momentum of air freight markets over the coming months.
- Compared to a year ago, however, the size of the total market is almost unchanged, with growth of just 0.3%. This is likely because the comparison is being made to a strong March in 2011, when shipments after the Chinese New Year holiday in February were resumed.

- The Arab Spring a year ago affected growth rates this March for some regions, particularly for the Middle East, where air freight showed a total market increase of 15.1% from a year ago. We estimate the growth after adjusting for the effect of the Arab Spring to be about 4% points less – still indicated strong performance for the region.
- The strong growth result over the month has helped keep a positive trend in load factors, which have been increasing now for the last 6 months. Even with capacity expanding by 1.3% in March compared to February for the overall market, freight load factors were able to rise by 0.4% points over the month.



**Total Market**



## ANNEX

Year on Year Comparison	March 2012 vs. March 2011						YTD 2012 vs. YTD 2011					
	RPK	ASK	PLF	FTK	AFTK	FLF	RPK	ASK	PLF	FTK	AFTK	FLF
Africa	14.3%	10.7%	64.8%	3.8%	17.0%	27.6%	10.4%	8.9%	64.4%	1.0%	9.8%	24.1%
Asia/Pacific	8.1%	4.3%	76.5%	-3.5%	-3.4%	65.1%	7.0%	5.9%	76.6%	-3.2%	-0.5%	60.6%
Europe	8.8%	4.1%	78.5%	-2.2%	1.5%	52.1%	7.3%	3.8%	76.4%	-4.4%	1.2%	48.6%
Latin America	7.7%	6.7%	77.9%	4.9%	4.0%	42.4%	9.4%	8.1%	78.8%	1.0%	4.7%	39.4%
Middle East	20.9%	12.4%	78.7%	15.3%	14.0%	47.5%	19.7%	13.1%	78.2%	14.6%	14.2%	45.0%
North America	5.3%	0.9%	80.3%	2.0%	1.3%	45.4%	3.2%	1.3%	76.8%	-0.2%	1.5%	41.8%
<b>International</b>	<b>9.6%</b>	<b>5.0%</b>	<b>77.7%</b>	<b>0.1%</b>	<b>1.7%</b>	<b>53.6%</b>	<b>8.2%</b>	<b>5.5%</b>	<b>76.4%</b>	<b>-0.9%</b>	<b>2.6%</b>	<b>49.9%</b>
Australia	3.6%	4.4%	77.0%				4.1%	3.7%	76.7%			
Brazil	2.9%	9.2%	65.2%				9.9%	15.1%	68.6%			
China P.R.	10.1%	11.8%	80.5%				12.5%	13.0%	80.3%			
India	4.0%	4.8%	72.2%				7.7%	10.3%	74.2%			
Japan	15.5%	-2.6%	64.8%				-1.1%	-5.7%	60.9%			
US	1.0%	-0.7%	84.3%				2.0%	0.6%	80.6%			
<b>Domestic</b>	<b>4.5%</b>	<b>3.3%</b>	<b>79.3%</b>	<b>1.3%</b>	<b>1.7%</b>	<b>29.0%</b>	<b>6.0%</b>	<b>4.9%</b>	<b>77.5%</b>	<b>0.5%</b>	<b>2.1%</b>	<b>27.2%</b>
Africa	12.5%	9.4%	66.1%	3.9%	17.0%	27.1%	8.7%	7.5%	65.3%	0.9%	9.9%	23.7%
Asia/Pacific	8.5%	5.9%	76.7%	-3.1%	-2.6%	60.6%	8.1%	7.2%	76.6%	-2.9%	-0.2%	55.9%
Europe	8.3%	3.6%	77.6%	-1.9%	1.5%	51.0%	7.2%	3.7%	75.6%	-4.1%	1.3%	47.7%
Latin America	6.8%	8.0%	73.5%	4.9%	4.8%	40.5%	10.3%	11.3%	75.4%	1.2%	5.1%	37.3%
Middle East	21.6%	13.2%	78.8%	15.1%	13.9%	46.7%	20.1%	13.4%	78.3%	14.4%	14.0%	44.2%
North America	2.4%	-0.2%	83.0%	1.6%	1.2%	36.8%	2.5%	0.9%	79.3%	0.0%	1.7%	34.3%
<b>Total Market</b>	<b>7.6%</b>	<b>4.4%</b>	<b>78.3%</b>	<b>0.3%</b>	<b>1.7%</b>	<b>48.2%</b>	<b>7.4%</b>	<b>5.3%</b>	<b>76.8%</b>	<b>-0.7%</b>	<b>2.5%</b>	<b>44.8%</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	March 2012 vs. February 2012						Market Share	
	RPK	ASK	PLF	FTK	AFTK	FLF	RPK	FTK
Africa	0.0%	0.1%	0.0%	4.8%	1.9%	0.7%	3.2%	1.2%
Asia/Pacific	-0.6%	0.1%	-0.5%	0.1%	-1.0%	0.7%	27.4%	41.6%
Europe	0.9%	0.6%	0.2%	4.0%	0.9%	1.4%	37.9%	24.3%
Latin America	0.8%	0.4%	0.3%	7.9%	0.6%	2.8%	4.6%	3.1%
Middle East	1.1%	0.9%	0.1%	1.6%	1.4%	0.1%	12.3%	12.4%
North America	1.8%	0.5%	1.1%	7.9%	3.8%	1.6%	14.7%	17.4%
<b>International</b>	<b>0.9%</b>	<b>0.7%</b>	<b>0.2%</b>	<b>2.0%</b>	<b>1.4%</b>	<b>0.6%</b>	<b>100%</b>	<b>100%</b>
Australia	1.6%	0.4%	1.2%				3.2%	
Brazil	-2.2%	-1.2%	-1.1%				3.5%	
China P.R.	-1.1%	-0.4%	-0.5%				18.9%	
India	0.5%	-1.4%	1.5%				2.9%	
Japan	-1.9%	0.3%	-1.4%				2.9%	
US	0.1%	-0.1%	0.2%				48.4%	
<b>Domestic</b>	<b>-0.6%</b>	<b>0.4%</b>	<b>-0.8%</b>	<b>3.2%</b>	<b>0.9%</b>	<b>0.6%</b>	<b>100%</b>	
Africa	-0.2%	0.0%	-0.1%	5.0%	1.9%	0.7%	2.3%	1.1%
Asia/Pacific	-0.4%	-0.3%	-0.1%	0.0%	-1.4%	0.8%	29.4%	39.5%
Europe	0.6%	0.5%	0.1%	3.9%	0.8%	1.4%	26.5%	21.5%
Latin America	-0.8%	-1.0%	0.2%	7.0%	0.4%	2.5%	5.5%	2.9%
Middle East	1.1%	1.1%	0.0%	1.6%	1.4%	0.1%	8.2%	10.8%
North America	0.2%	-3.1%	2.8%	5.2%	1.9%	1.1%	28.1%	24.2%
<b>Total Market</b>	<b>0.3%</b>	<b>0.6%</b>	<b>-0.2%</b>	<b>2.2%</b>	<b>1.3%</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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2<sup>ND</sup> May 2012

**FURTHER ANALYSIS AND DATA**

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

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