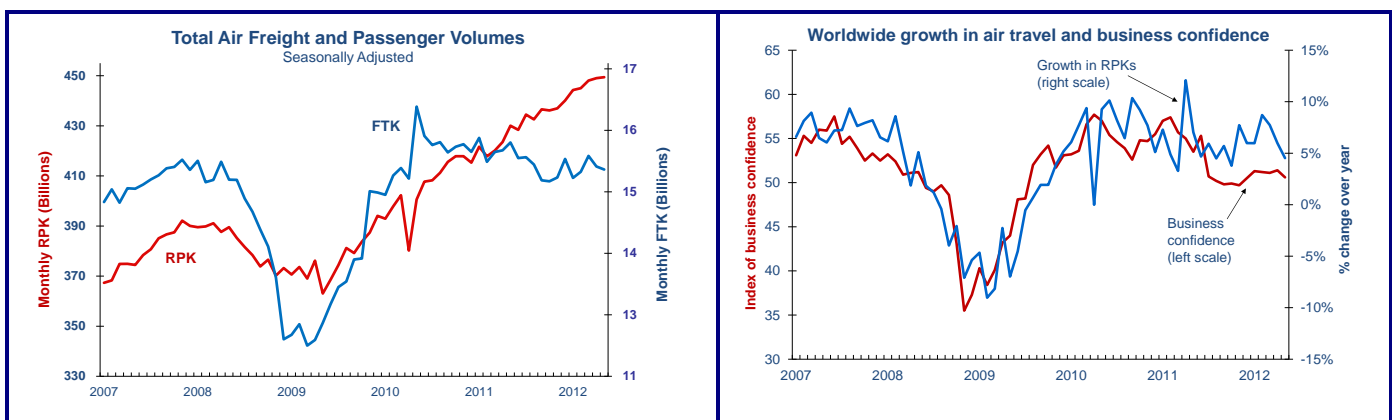


# AIR TRANSPORT MARKET ANALYSIS

## MAY 2012

### KEY POINTS

- Air travel markets fell in May, after a period of above-trend growth, weakened by recent declines in business confidence and growth in world trade. Global RPKs were 4.5% higher in May than in the previous year, compared to 6% in April. Removing the seasonal ups and downs from the data in the first chart below shows that, after a strong upward trend in RPKs, there was little further advance in air travel during May – which is consistent with recent weakness of economic developments in several regions of the world.
- Air freight was also soft in May, although the recent trend shows that seasonally adjusted levels of FTKs are still above the lows of late 2011. But the recovery so far has been minor, with May air freight traffic only 1.5% above Q4 2011 levels. Compared to the same month a year ago air freight was still down by 1.9% in May. Moreover, the gain in air freight since end 2011 has been narrowly based, with Middle Eastern airlines responsible for the majority of the increase. For airlines in other regions, such as Asia/Pacific, over the past 6-9 months the market has been flat at best.
- On international passenger markets, all regions except for the Middle East have shown declines in year-on-year growth rates in May compared to April. The strong performance of Middle Eastern airlines is a notable acceleration on the single figure growth rates seen in 2011, and is supported by an increased growth in capacity.
- Domestic passenger markets are weaker, reflecting local economic slowdowns. China's domestic travel has grown little in recent months, with the size of the market now just 4.4% higher than May last year. In India, domestic travel has been shrinking and in May was only 0.1% higher than last year. Japan's domestic market is still over 8% lower than before the tsunami and earthquake, as recovery stalled at the end of last year.
- Passenger load factors in May fell compared to the previous month, as capacity growth exceeded softer demand. A record high (seasonally adjusted) had been reached in April. Air freight load factors were almost flat in May compared to April, with the levels only just above the 2011 year-end lows.
- Recent renewed weakness in business and consumer confidence is likely to undermine both air travel and freight volumes in the coming months. Softer demand and weaker passenger load factors will dilute the benefits to airline profits arising from the recent falls in fuel prices during the second quarter.



Year on Year Comparison	May 2012 vs. May 2011						YTD 2012 vs. YTD 2011					
	RPK	ASK	PLF	FTK	AFTK	FLF	RPK	ASK	PLF	FTK	AFTK	FLF
International	5.6%	4.1%	77.0%	-2.2%	1.2%	49.7%	7.5%	4.9%	77.1%	-1.9%	2.0%	49.7%
Domestic	2.7%	3.8%	78.8%	0.0%	-1.5%	28.3%	4.9%	4.3%	78.2%	0.1%	-1.4%	28.3%
<b>Total Market</b>	<b>4.5%</b>	<b>4.0%</b>	<b>77.6%</b>	<b>-1.9%</b>	<b>0.7%</b>	<b>45.3%</b>	<b>6.5%</b>	<b>4.7%</b>	<b>77.5%</b>	<b>-1.6%</b>	<b>1.3%</b>	<b>45.2%</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 MAY TO APRIL

### May 2012 vs. April 2012

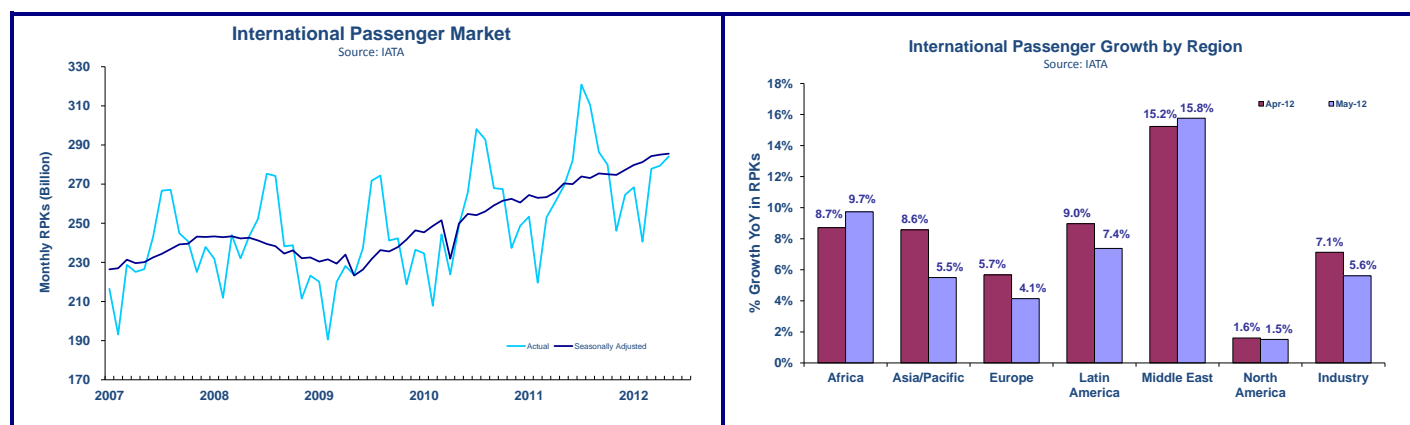
Month on Month Comparison	RPK	ASK	PLF pt	FTK	AFTK	FLF pt
International	0.2%	0.5%	-0.3%	0.3%	0.7%	-0.4%
Domestic	-0.1%	0.5%	-0.4%	-4.4%	-3.0%	-0.4%
<b>Total Market</b>	<b>0.1%</b>	<b>0.5%</b>	<b>-0.3%</b>	<b>-0.4%</b>	<b>-0.1%</b>	<b>-0.1%</b>

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 adjusting the May traffic data for seasonal factors, passenger markets were almost flat, increasing only 0.1% in May compared to April. The increase in capacity was greater than the growth in demand, so passenger load factors in May fell on the previous month, by 0.3% points.
- Freight markets softened slightly over the month, contracting by 0.4% compared to April. Although capacity also contracted over the month, it was less than the fall in demand, pushing freight load factors down slightly, by 0.1% points in May.

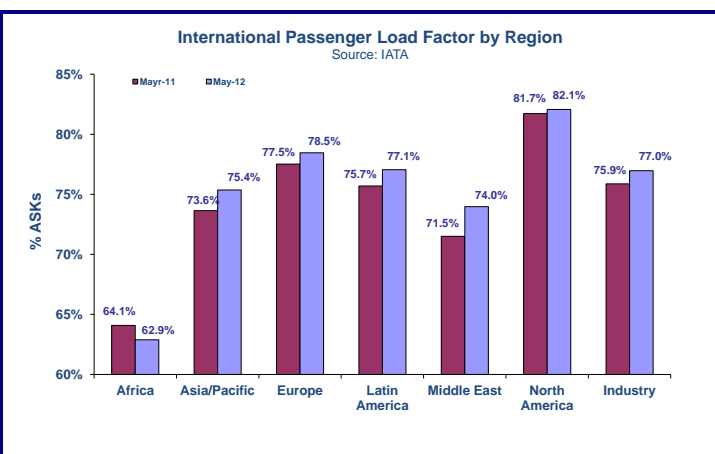
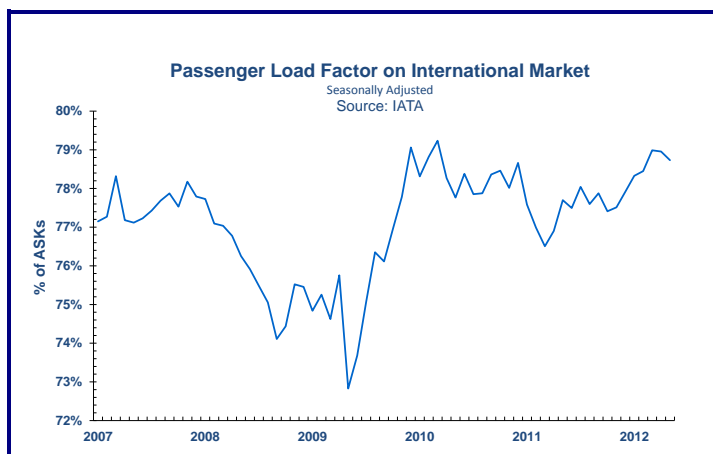
## PASSENGER MARKET

### International Markets

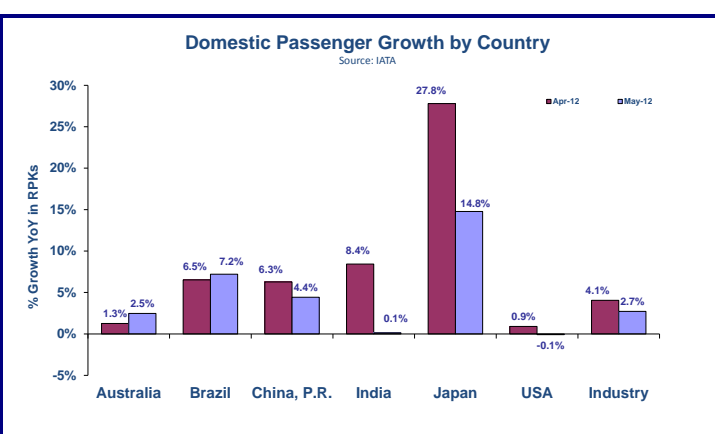
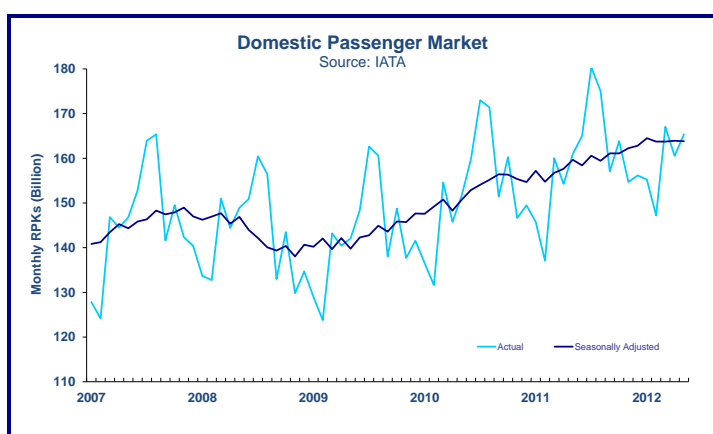


- The trend in international passenger travel slowed in May, increasing only 0.2% over the prior month. Compared to a year ago, the market grew by 5.6%, but that was down on the April growth rate.
- In Europe, the year-on-year growth rate in May was 4.1%. This indicates another solid month of performance, but when looking at the monthly trend, the signals are more in line with the persisting economic weakness throughout much of the continent. Since the start of 2012, the growth trend has flattened. In May, the month-on-month growth rate was positive, but only slightly, by 0.2%.
- International passenger travel on North American airlines increased by 1.5% in May year-on-year, almost flat on the April result of 1.6%. However, the seasonally adjusted levels indicate a clear improvement in the trend for international passenger travel in the region, which is consistent with better economic conditions in the US. The market gained 1% in May compared to April.
- Performance on international markets by Asia/Pacific airlines was down in May compared to April, when year-on-year growth rates were significantly exaggerated by the Japan earthquake a year ago. Although the growth on a year ago was still solid, at 5.5%, the month-on-month result was down significantly, by 0.8%. The series of monthly adjusted levels for Asia-Pacific international travel, however, still indicates the continuation of the positive trend that started toward the end of 2011.
- International load factors fell in May, after strong demand had pushed the seasonally adjusted levels to pre-recession highs in April. In May, growth in capacity was larger than the slight increase in demand over the month, forcing load factors to retract on the recent highs. Asia-Pacific and Latin American international load factors declined most over the month, by 0.4% and 0.3%, respectively.

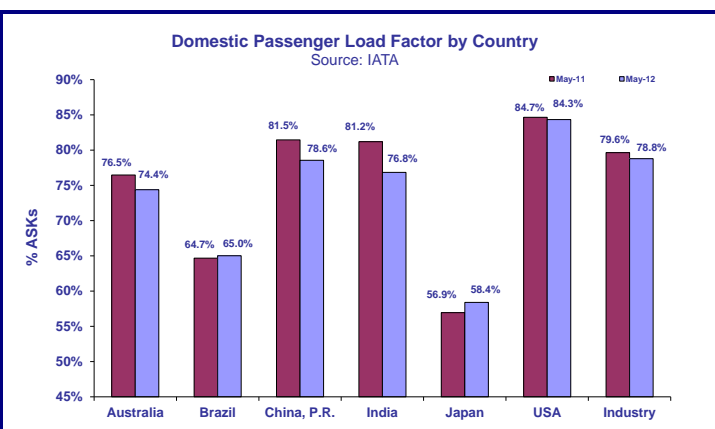
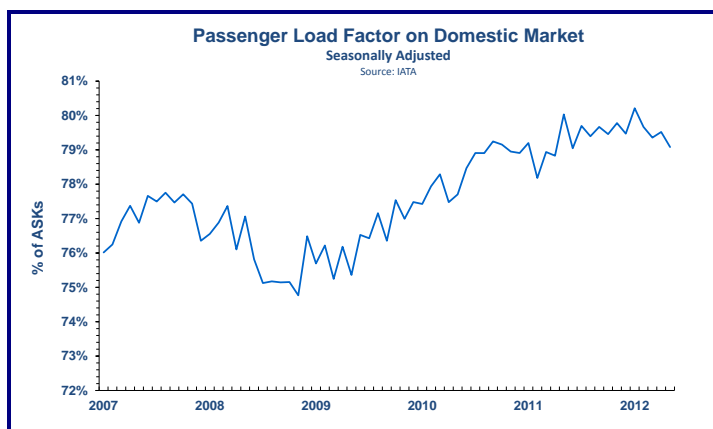
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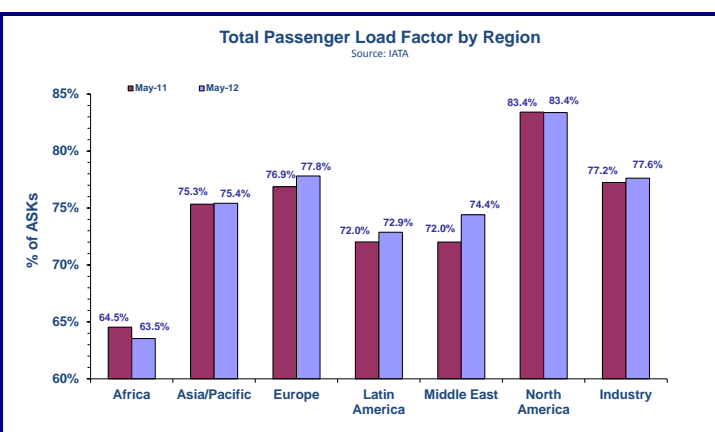
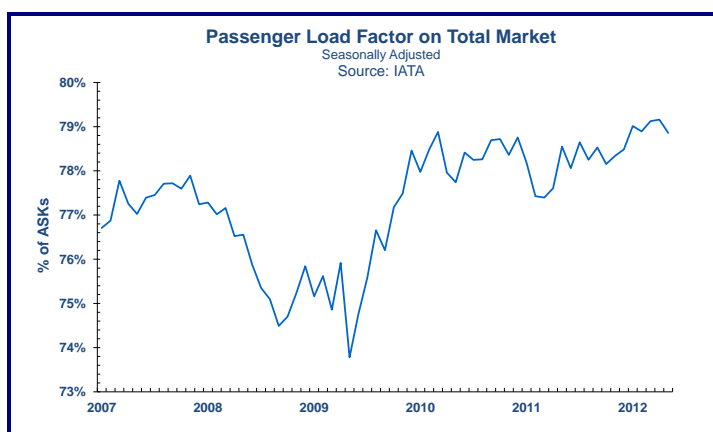
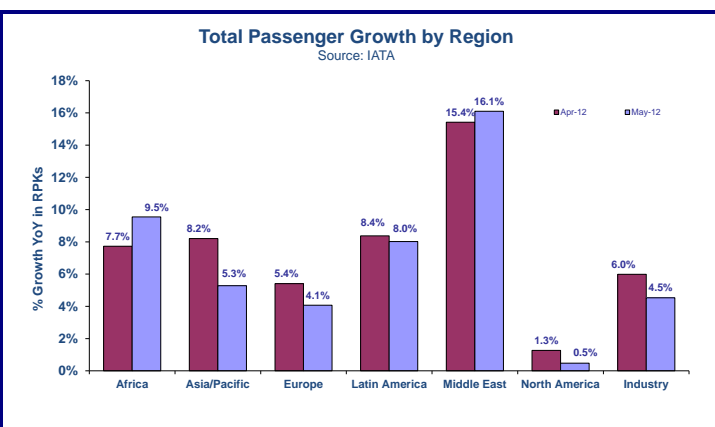
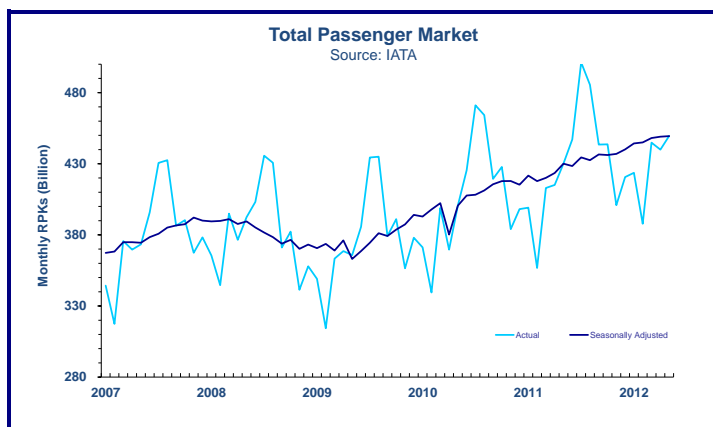
## Domestic Market



- On domestic passenger markets, China's domestic travel has had another month of relatively slow growth, with May year-on-year growth of 4.4%. These lower growth rates have not been seen since early 2011, and are consistent with the slowdown in the Chinese economy.
- In India, domestic travel fell sharply in May compared to April, with the market staying at almost the same size with 0.1% growth year-on-year. The trend in India's domestic air travel flattened at the start of 2012, and over the last month has shown notable decline.
- The recovery in Japan's domestic air travel market stalled at the end of last year. Since then there has been no further growth at all. The market is 14.8% higher than May last year, but that is entirely due to growth in the second half of 2011. The domestic market remains over 8% smaller than before the tsunami and earthquake.
- The softening trend in domestic demand is putting pressure on load factors, which have been trending downward for several months. More specifically, domestic load factors in China, Japan and the US have been starting to show various degrees of weakness since the end of 2011.

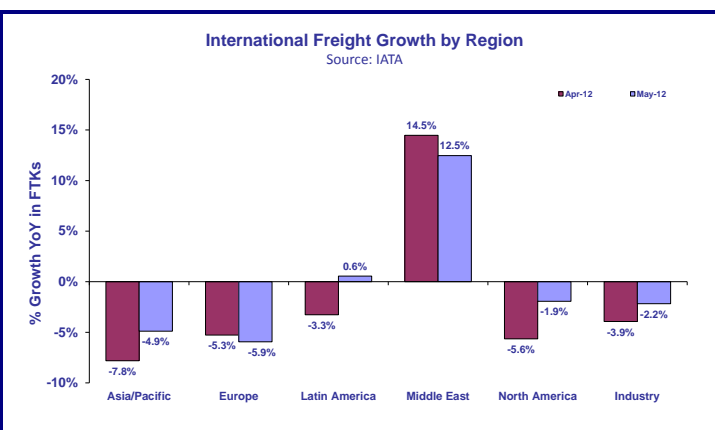
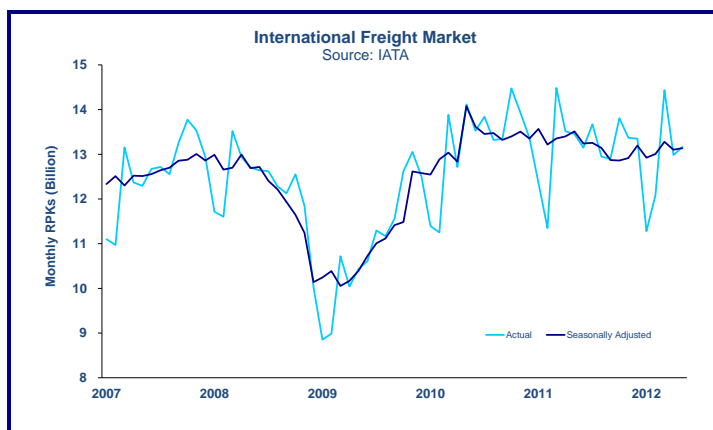


## Total Market (Domestic + International)

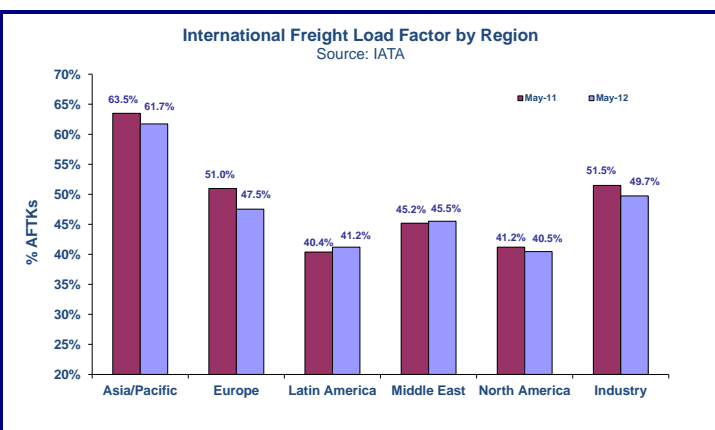
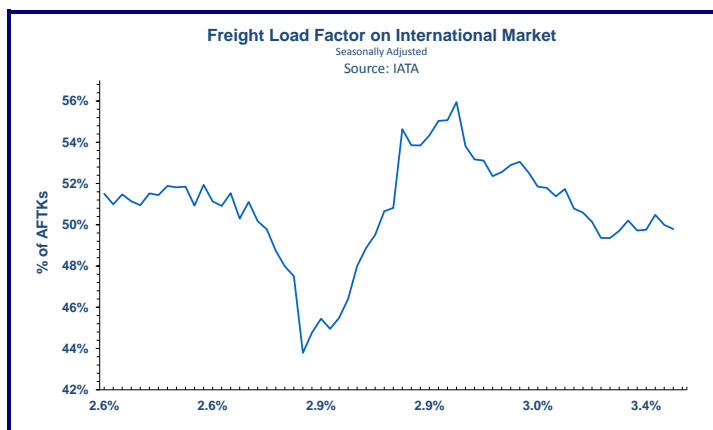


## FREIGHT MARKET

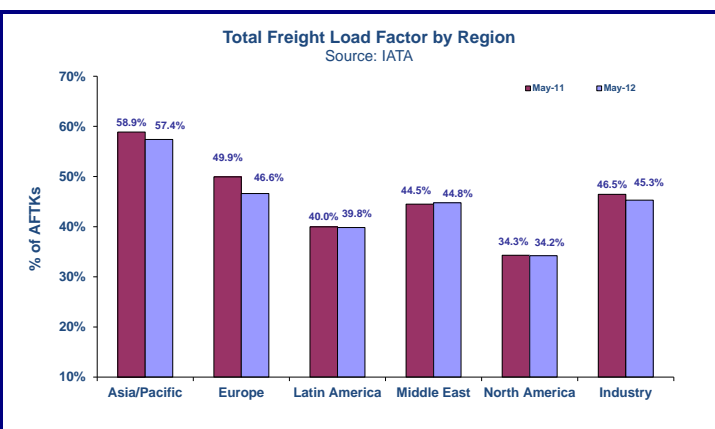
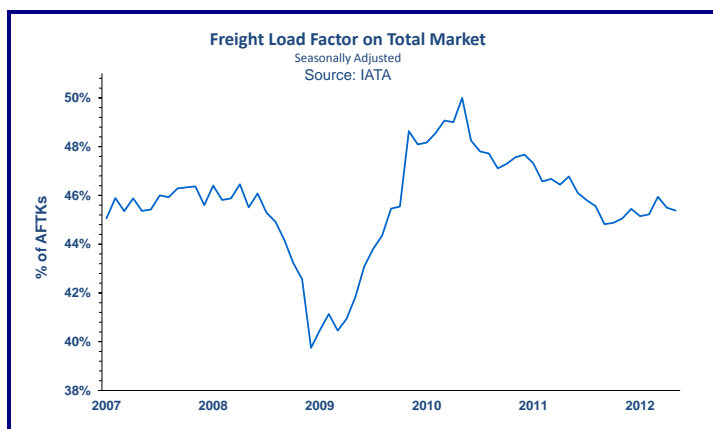
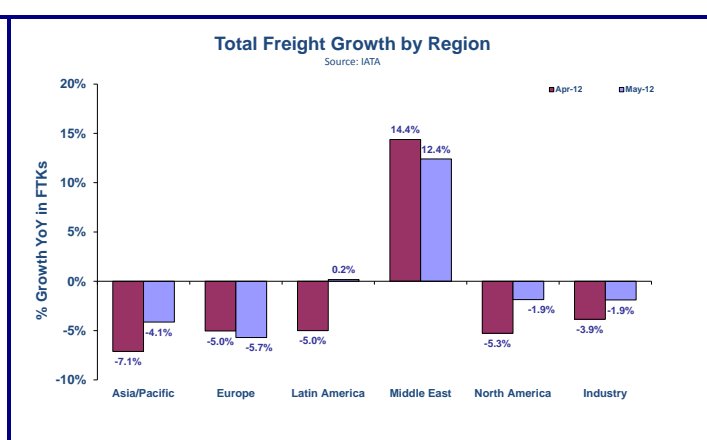
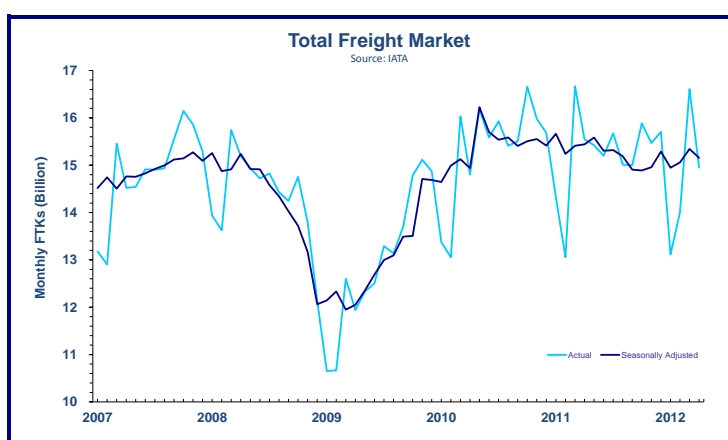
### International Market



- The trend for international air freight continues to indicate improvement on the lows of Q4 2011. The positive trend has been consistent with improvements in business and consumer confidence seen earlier in the year. In the most recent months, however, business confidence has started to soften, and this does not bode well for air freight markets. The international air freight market was 2.2% lower in May than the same month last year, but the month-on-month trend was positive, with growth of 0.3% in May compared to April.
- International air freight load factors were down in May month-on-month, but the levels are still above the 2011 year-end lows. Expansion in international freight capacity was greater than the improvement in demand, bringing load factors down in May by 0.4% points compared to the prior month. On the domestic air freight market, the fall in demand was greater than the contraction in capacity, also pulling load factors down by 0.4% points over the month.



**Total Market**



- The total freight market chart above shows the seasonally adjusted levels of FTk, indicating that current levels are still above the lows of 2011 year-end. The recovery is very small, however, with May air freight traffic about 1.5% above Q4 2011 levels. Air freight was down on a year ago, by 1.9%, but that is an improvement on April.
- The improvement is narrowly based, with Middle Eastern airlines continuing to take advantage of the improvement in freight from late 2011 until May. They have captured 50% of the growth in air freight, more than any other region. Air freight carried by Asia/Pacific airlines, the largest share of the air cargo market, has taken about 30% of the growth in demand, but the trend for this market continues to show decline in 2012.

## ANNEX

Year on Year Comparison	May 2012 vs. May 2011						YTD 2012 vs. YTD 2011					
	RPK	ASK	PLF	FTK	AFTK	FLF	RPK	ASK	PLF	FTK	AFTK	FLF
Africa	9.7%	11.8%	62.9%				10.4%	9.5%	64.9%			
Asia/Pacific	5.5%	3.1%	75.4%	-4.9%	-2.2%	61.7%	7.3%	4.9%	76.8%	-4.4%	-1.6%	61.0%
Europe	4.1%	2.9%	78.5%	-5.9%	0.9%	47.5%	6.1%	3.4%	77.7%	-4.9%	0.8%	48.3%
Latin America	7.4%	5.5%	77.1%	0.6%	-1.4%	41.2%	9.8%	7.8%	78.4%	0.0%	5.4%	38.8%
Middle East	15.8%	11.9%	74.0%	12.5%	11.7%	45.5%	17.6%	12.5%	77.2%	14.0%	13.7%	45.2%
North America	1.5%	1.1%	82.1%	-1.9%	-0.2%	40.5%	2.7%	0.9%	78.7%	-2.6%	0.7%	41.0%
<b>International</b>	<b>5.6%</b>	<b>4.1%</b>	<b>77.0%</b>	<b>-2.2%</b>	<b>1.2%</b>	<b>49.7%</b>	<b>7.5%</b>	<b>4.9%</b>	<b>77.1%</b>	<b>-1.9%</b>	<b>2.0%</b>	<b>49.7%</b>
Australia	2.5%	5.4%	74.4%				3.1%	3.6%	76.5%			
Brazil	7.2%	6.7%	65.0%				8.7%	12.1%	68.2%			
China P.R.	4.4%	8.3%	78.6%				9.5%	11.2%	80.3%			
India	0.1%	5.8%	76.8%				5.8%	6.9%	75.2%			
Japan	14.8%	11.9%	58.4%				6.4%	0.2%	59.6%			
US	-0.1%	0.3%	84.3%				1.4%	0.3%	82.0%			
<b>Domestic</b>	<b>2.7%</b>	<b>3.8%</b>	<b>78.8%</b>	<b>0.0%</b>	<b>-1.5%</b>	<b>28.3%</b>	<b>4.9%</b>	<b>4.3%</b>	<b>78.2%</b>	<b>0.1%</b>	<b>-1.4%</b>	<b>28.3%</b>
Africa	9.5%	11.3%	63.5%				9.0%	8.2%	65.6%			Africa
Asia/Pacific	5.3%	5.2%	75.4%	-4.1%	-1.7%	57.4%	7.7%	6.4%	76.7%	-4.0%	-1.2%	56.5%
Europe	4.1%	2.8%	77.8%	-5.7%	1.0%	46.6%	6.1%	3.2%	76.9%	-4.6%	0.9%	47.4%
Latin America	8.0%	6.8%	72.9%	0.2%	0.5%	39.8%	9.9%	9.9%	75.1%	-0.3%	7.2%	36.6%
Middle East	16.1%	12.4%	74.4%	12.4%	11.7%	44.8%	18.0%	12.9%	77.3%	13.9%	13.6%	44.4%
North America	0.5%	0.5%	83.4%	-1.9%	-1.6%	34.2%	1.9%	0.5%	80.9%	-1.7%	-1.1%	34.7%
<b>Total Market</b>	<b>4.5%</b>	<b>4.0%</b>	<b>77.6%</b>	<b>-1.9%</b>	<b>0.7%</b>	<b>45.3%</b>	<b>6.5%</b>	<b>4.7%</b>	<b>77.5%</b>	<b>-1.6%</b>	<b>1.3%</b>	<b>45.2%</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	May 2012 vs. April 2012						Market Share	
	RPK	ASK	PLF	FTK	AFTK	FLF	RPK	FTK
Africa*	1.6%	1.4%	0.1%				3.0%	1.5%
Asia/Pacific	-0.8%	-0.3%	-0.4%	-0.1%	1.4%	-1.0%	25.5%	40.8%
Europe	0.2%	0.5%	-0.2%	0.5%	0.9%	-0.2%	40.9%	24.8%
Latin America	0.1%	0.5%	-0.3%	1.8%	-0.6%	1.0%	4.3%	3.1%
Middle East	1.3%	0.7%	0.4%	-0.1%	1.3%	-0.6%	11.5%	13.0%
North America	1.0%	1.2%	-0.2%	-0.7%	0.3%	-0.4%	14.7%	16.8%
<b>International</b>	<b>0.2%</b>	<b>0.5%</b>	<b>-0.3%</b>	<b>0.3%</b>	<b>0.7%</b>	<b>-0.4%</b>	<b>100.0%</b>	<b>100.0%</b>
Australia	1.0%	1.5%	-0.5%				3.1%	
Brazil	-3.1%	-0.3%	-2.8%				3.4%	
China P.R.	0.1%	0.6%	-0.3%				18.5%	
India	-2.7%	2.2%	-3.6%				3.3%	
Japan	-0.7%	1.5%	-1.4%				2.7%	
US	0.0%	0.3%	-0.3%				47.7%	
<b>Domestic</b>	<b>-0.1%</b>	<b>0.5%</b>	<b>-0.4%</b>	<b>-4.4%</b>	<b>-3.0%</b>	<b>-0.4%</b>	<b>100.0%</b>	
Africa*	1.7%	1.5%	0.1%				2.2%	1.3%
Asia/Pacific	-0.6%	0.2%	-0.6%	0.2%	1.4%	-0.7%	28.2%	39.0%
Europe	0.2%	0.5%	-0.3%	0.5%	0.8%	-0.1%	28.9%	21.9%
Latin America	0.1%	0.4%	-0.2%	2.6%	-5.0%	2.9%	5.2%	3.0%
Middle East	1.3%	0.8%	0.4%	-0.1%	1.4%	-0.6%	7.8%	11.4%
North America	0.3%	0.6%	-0.3%	-2.7%	-1.2%	-0.6%	27.7%	23.3%
<b>Total Market</b>	<b>0.1%</b>	<b>0.5%</b>	<b>-0.3%</b>	<b>-0.4%</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>100.0%</b>	<b>100.0%</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.*

*\*Africa freight statistics are not published due to data limitations this month.*

**IATA Economics**  
E-Mail: [economic@iata.org](mailto:economic@iata.org)  
2<sup>ND</sup> July 2012

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