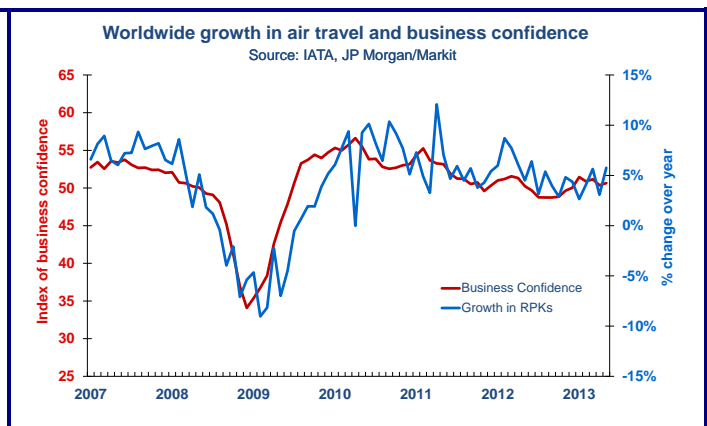
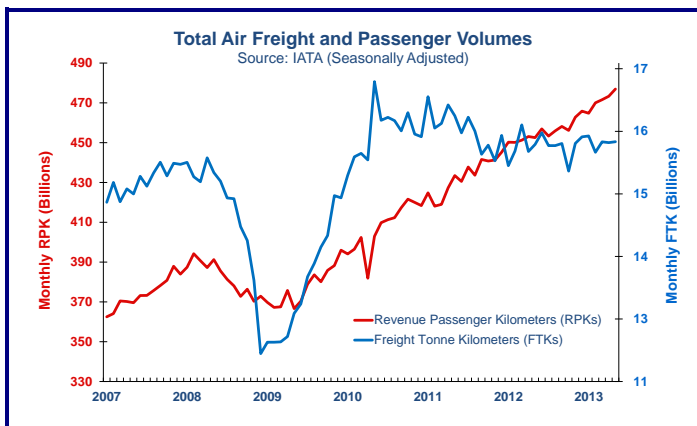


AIR PASSENGER MARKET ANALYSIS

MAY 2013

KEY POINTS

- Air travel continues to expand at a solid rate. Global revenue passenger kilometers were up 5.6% in May compared to a year ago. This is similar to the growth result in April (about 5%), after adjusting for seasonal impacts including the timing of the Easter holiday.
- The trend in global air travel, presented in the first chart below, shows that the pick-up in growth since late-2012 has continued into the second quarter of 2013. Although business confidence has flattened over recent months, the business environment is better than in mid-2012, and this improvement along with growth in trade in emerging markets has supported the acceleration in air travel over the past 7 months.
- Airlines in emerging regions continue to post the strongest growth rates in international air travel. Middle Eastern and African airlines lead the regions with growth of 11.7% and 9.8%, respectively. Latin American airlines experienced a 7.9% rise in international RPKs in May compared to a year ago, supported by further expansion in trade volumes in Q2 and growth in regional economies. European airlines, which have been seeing slower growth in 2013, recorded a solid rise in international air travel of 5.6% in May compared to a year ago. In fact, the underlying growth trend has also picked up, suggesting that the improvement in European consumer and business confidence is translating to stronger growth in air travel demand.
- Asia-Pacific airlines, which had driven the acceleration in passenger traffic in previous months, recorded another month of relatively weaker growth in May, up just 3.7% on a year ago. This softness is consistent with falls in business confidence in major Asian economies as well as a slowdown in trade growth momentum.
- Domestic air travel was up in all markets in May. Air travel growth in China remains strong – up 13.4% in May on a year ago – despite recent weakening in both the manufacturing and services sectors. Japan's domestic market showed solid growth in May, up 5.9% on a year ago, reflecting improvements in key economic indicators.
- Passenger load factors remain high at about 80%. Airlines in most regions experience better load factors both compared to a year ago and over the month, consistent with solid growth in demand. African airlines continue to record some of the biggest improvements in load factors, along with airlines in Latin America.
- While current levels of business confidence remain close to stagnation, a recent easing in the rate of decline in the Eurozone could help reduce downward pressure on global growth. More specifically, this could help revive some emerging economies – like China – who have hit a soft patch due to weak global demand. Stability in the European economy coupled with continued strong growth in emerging market trade should provide continued support for further growth in air travel in the months ahead.



Year on Year Comparison

	May 2013 vs. May 2012			YTD 2013 vs. YTD 2012		
	RPK	ASK	PLF	RPK	ASK	PLF
International	5.7%	5.6%	77.0%	4.5%	3.6%	77.9%
Domestic	5.6%	4.5%	79.9%	4.0%	3.1%	79.2%
Total Market	5.6%	5.2%	78.1%	4.3%	3.4%	78.4%

Month on Month Comparison

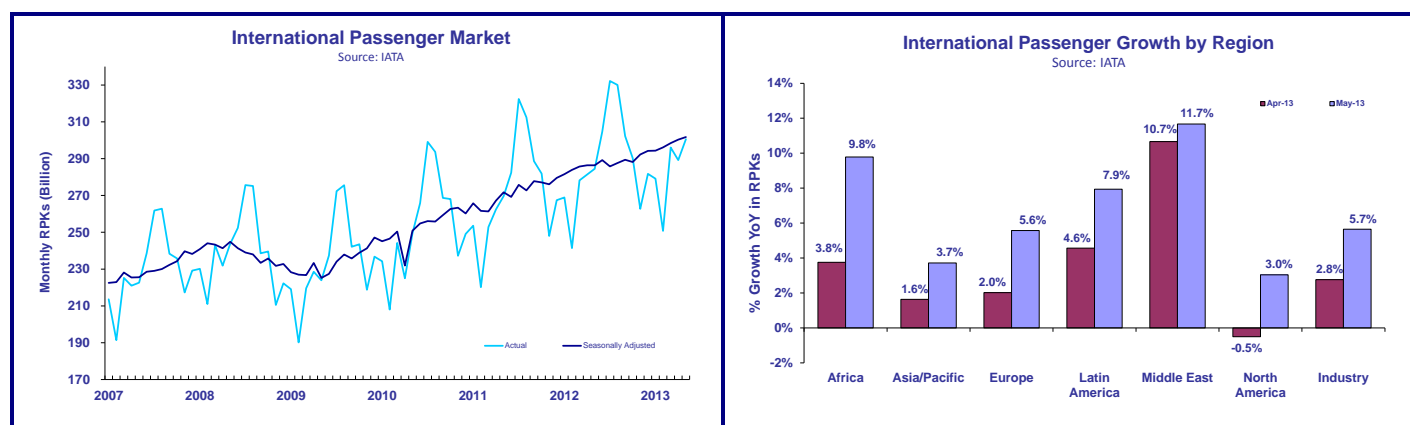
	May 2013 vs. Apr 2013		
	RPK	ASK	PLFPt
International	0.7%	0.9%	-0.2%
Domestic	0.4%	0.0%	0.3%
Total Market	0.8%	0.4%	0.3%

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.

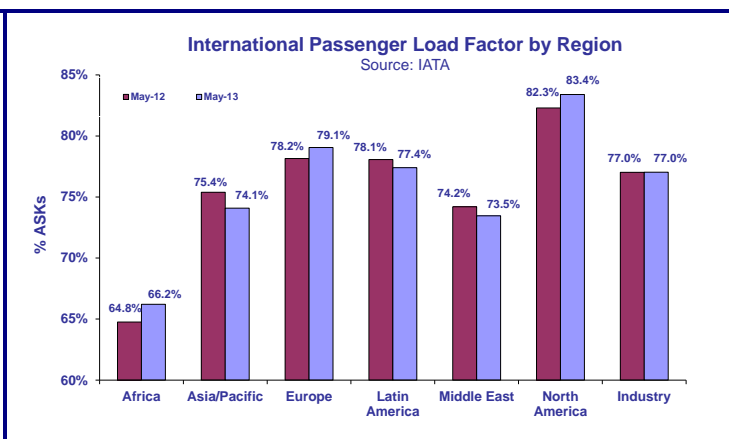
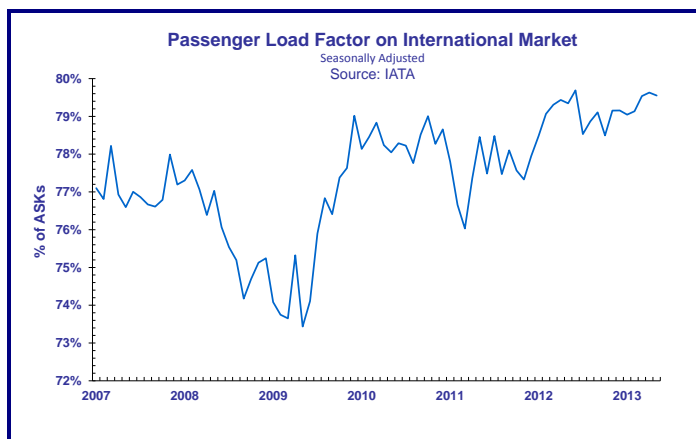
Data are seasonally adjusted. All figures are expressed in % change MoM except FLFPt which are the percentage point difference between LF of two months.

PASSENGER MARKET

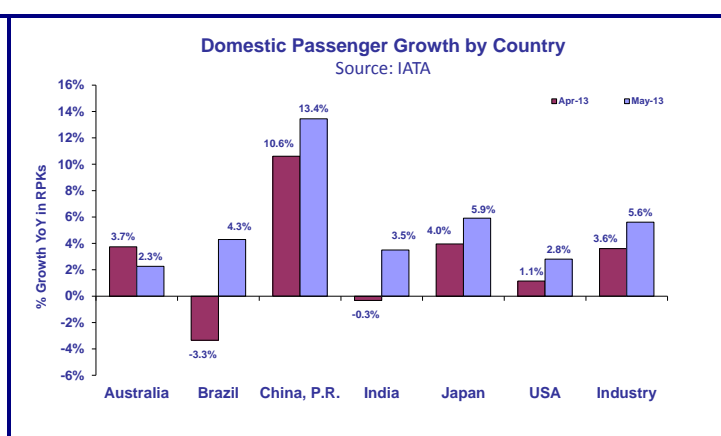
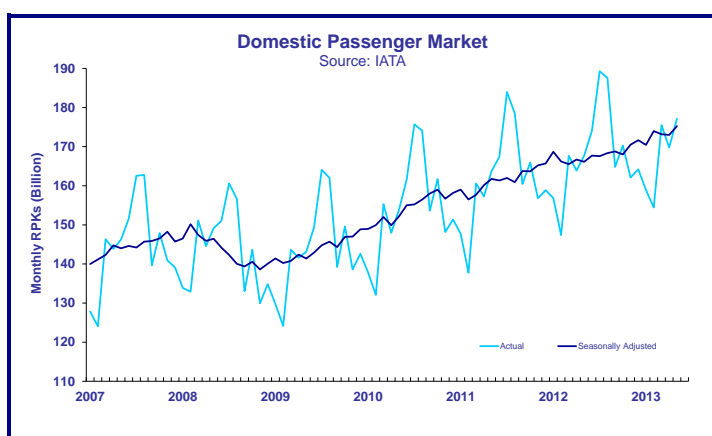
International Markets



- The growth trend in international passenger travel continues to rise, with expansion of 0.7% in May compared to April. Compared to a year ago, international air travel was up 5.7%, which is a solid improvement on the April (Easter-impacted) result of 2.8%.
- Although airlines in all regions recorded an improvement in May year-on-year growth compared to April, the rates of growth varied significantly. Airlines in emerging regions posted the strongest growth rates in international passenger travel. The regions showing the strongest growth also continue to see solid expansion in trade volumes, since world trade is associated with international trading industries which rely on air travel to facilitate their business development. Middle Eastern and African airlines lead the regions with growth of 11.7% and 9.8%, respectively. Demand for air travel has benefitted from continued expansion in trade volumes in the Middle East and Africa since late 2011, with regional airlines embarking on network and capacity expansion to take advantage of that growth. Similarly, African air travel has also benefitted from sustained increase in trade through developing links to Asia and the Middle East, as well as from strong GDP growth in some local economies, mostly those in Western Africa. Airlines in Africa recorded the biggest improvement in load factors in May compared to a year ago, by 1.4% points. In Latin America, demand for air travel continues to rise strongly. Latin American airlines experienced a 7.9% rise in international RPKs in May compared to a year ago. The outlook for international air travel looks solid for Latin American airlines with trade volumes experiencing strong expansion in Q2.
- European airlines, which have seen slower growth in 2013, recorded a solid rise in international air travel of 5.6% in May compared to a year ago. In fact, the underlying growth trend has also picked up, suggesting that the improvement in European consumer and business confidence could be supporting stronger growth in air travel demand. Moreover, Eurozone business-confidence recorded a 15-month high in May, and although the level of business confidence still indicates economic weakness, the improvements could help contain further downward pressure on international travel for European airlines in the months to come. As a result of the improvement in demand, European airlines' saw load factors rise 0.9% points in May compared to a year ago.
- Asia-Pacific airlines, which have driven the acceleration in passenger traffic over recent months, recorded another month of relatively weaker growth in May, up just 3.7% on a year ago. This softness is consistent with falls in business confidence in major Asian economies as well as a slowdown in trade growth momentum. More specifically, the major regional and global economy, China, has hit a soft patch in its growth trajectory. GDP growth in China failed to meet expectations in Q1 and business confidence has now slipped to levels which indicate contraction in manufacturing activity. Moreover, growth momentum in Asian trade has slowed this year after picking-up at the end of 2012.
- North American airlines' international traffic recorded a rebound in growth in May (3.0%) compared to the contraction in April (0.5%), but significant improvement in demand would be an overstatement since April data was negatively biased by the timing of the Easter holiday. The May traffic result is slightly up on growth year-to-date, 1.6%. In May the Market indicators of activity in the manufacturing and services sectors showed an improvement in May compared to April in services activity, after several months of decline. By contrast, however, the manufacturing activity slowed for the third month running. Moreover, trade volumes for the US look even weaker than the global trend, actually showing a continuation of the slow and steady decline seen since mid-2012.

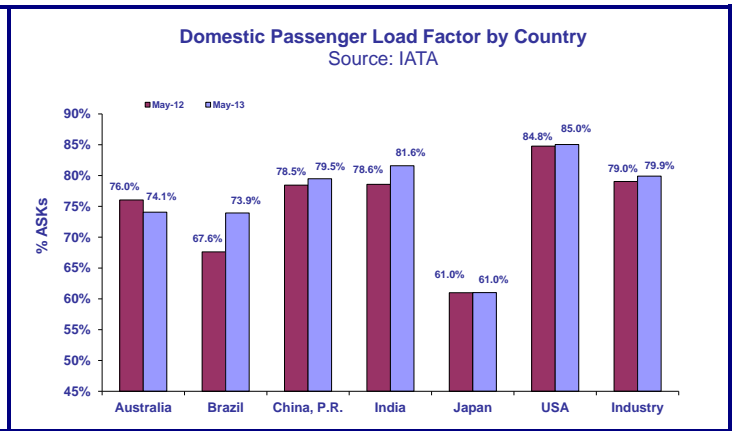
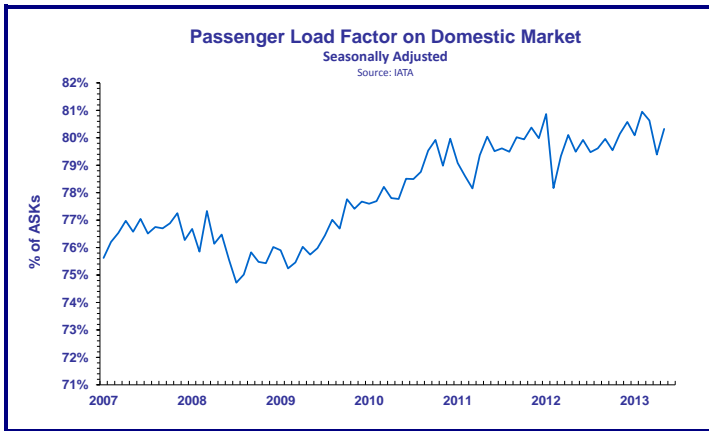


Domestic Market

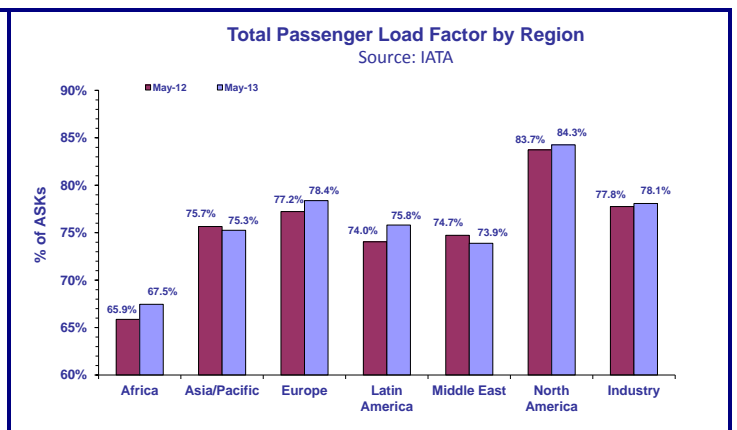
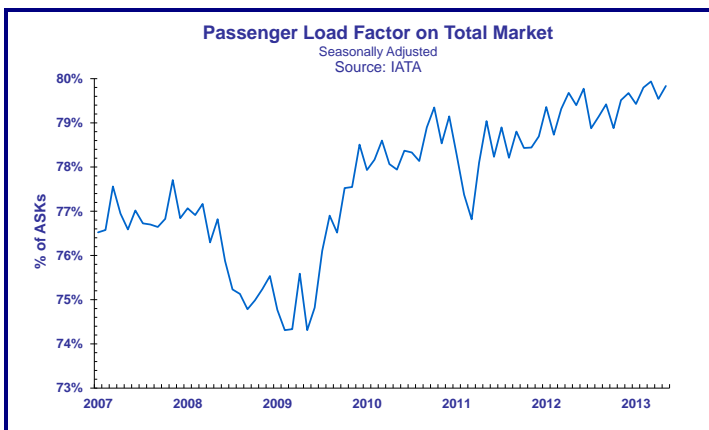
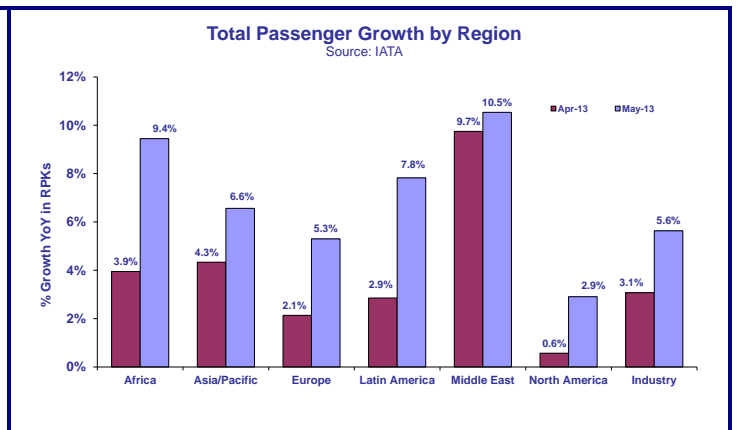
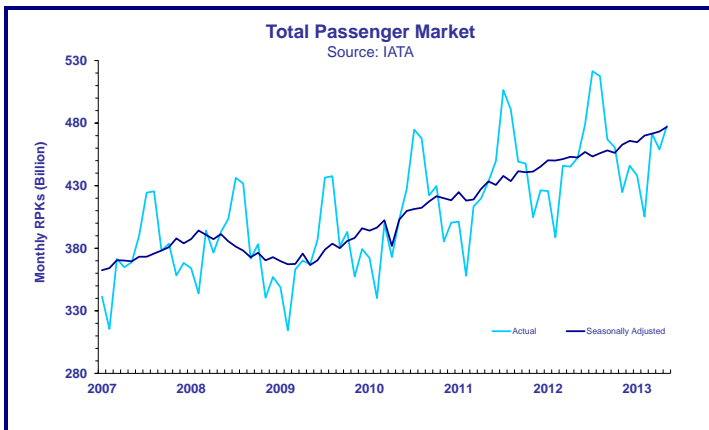


- Total domestic air travel performed strongly in May with a rise of 5.6% compared to a year ago, an improvement on the April result of 3.8%. In fact, domestic air travel was up in all markets in May.
- Air travel growth within China remains strong – up 13.4% in May on a year ago - despite recent weakening in both the manufacturing and services sectors. Even the growth trend, which indicated strong expansion of 1.8% in May compared to April, shows no sign of slowing as yet.
- Japan's domestic market showed solid growth for a second consecutive month, up 5.9% on a year ago, reflecting improvement in key economic indicators. While there were improvements in several advanced economies in May, Japan recorded the strongest positive change in business conditions to match a near six year high in the Markit's Purchasing Managers' Index of manufacturing and services activity combined.
- Air travel in Brazil was up 4.3% in May compared to a year ago. Growth in travel demand appears to be holding up for now, despite weakening in confidence indicators over recent months. The outlook for domestic demand looks vulnerable, however, with consumer-led growth showing impacts of persistently high inflation, above the target range. Nonetheless, capacity management by airlines has helped load factors improve markedly in May compared to a year ago, by a huge 6.3% points.
- The US domestic market was up 2.8% in May compared to a year ago, which is an improvement on April growth of 1.1%. However, growth so far this year remains subdued, at a slow 1.2% year-to-date. Weakness in growth rates for this market reflects a combination of capacity management and market maturity, as well as recent falls in business confidence which negatively impact growth in demand for air travel.
- Indian domestic traffic was up 3.5% in May, after contracting 0.3% in April. There has been substantial volatility in growth rates over recent months. Reductions in domestic fares had resulted in stronger demand in March and possibly again now in May, but this trend has not been consistent and when coupled with a weak economic backdrop, a growth trend is difficult to establish.
- Australian domestic air travel increased 2.3% in May compared to a year ago. After solid growth throughout 2012 (above 5%), the growth trend for Australia domestic air travel has slowed in 2013. Growth year-to-date has been just 3.5%. Economic growth in 2013 is projected to slow on the previous year, and consumer spending is expected to decline, eroding some of the demand base for air travel.

➤ The slight weakening in seasonally adjusted traffic volumes over previous months, coupled with continued expansion in capacity, caused loads to slip slightly in March and April. However, there was a rebound in domestic market load factors in May, up 0.3% points compared to April, keeping load factors strong and around 80%. Brazil and China drove the improvement in domestic load factors over the month.



Total Market (Domestic + International)



ANNEX

Year on Year Comparison	May 2013 vs May 2012			YTD 2013 vs. YTD 2012		
	RPK	ASK	PLF	RPK	ASK	PLF
Africa	9.8%	7.4%	66.2%	7.7%	5.1%	68.2%
Asia/Pacific	3.7%	5.5%	74.1%	3.2%	3.0%	77.0%
Europe	5.6%	4.4%	79.1%	3.1%	1.5%	78.7%
Latin America	7.9%	8.9%	77.4%	8.7%	10.6%	77.6%
Middle East	11.7%	12.8%	73.5%	12.7%	12.8%	77.5%
North America	3.0%	1.7%	83.4%	1.6%	-0.3%	80.6%
International	5.7%	5.6%	77.0%	4.5%	3.6%	77.9%
Australia	2.3%	5.0%	74.1%	3.4%	5.0%	75.5%
Brazil	4.3%	-4.6%	73.9%	-1.6%	-7.6%	74.2%
China P.R.	13.4%	12.0%	79.5%	11.9%	11.0%	80.8%
India	3.5%	-0.3%	81.6%	0.1%	-2.3%	77.9%
Japan	5.9%	5.9%	61.0%	3.9%	3.9%	62.2%
US	2.8%	2.5%	85.0%	1.2%	0.7%	82.9%
Domestic	5.6%	4.5%	79.9%	4.0%	3.1%	79.2%
Africa	9.4%	6.9%	67.5%	7.5%	4.6%	69.3%
Asia/Pacific	6.6%	7.1%	75.3%	5.6%	5.1%	77.2%
Europe	5.3%	3.7%	78.4%	3.0%	1.4%	77.8%
Latin America	7.8%	5.3%	75.8%	5.6%	4.4%	76.3%
Middle East	10.5%	11.8%	73.9%	11.7%	11.9%	77.8%
North America	2.9%	2.3%	84.3%	1.3%	0.3%	82.1%
Total Market	5.6%	5.2%	78.1%	4.3%	3.4%	78.4%

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	May 2013 vs. Apr 2013			Market Share
	RPK	ASK	PLFpt	RPK
Africa	0.9%	3.5%	-1.8%	3.2%
Asia/Pacific	0.0%	0.1%	-0.1%	25.9%
Europe	0.5%	0.4%	0.1%	39.4%
Latin America	0.3%	1.8%	-1.1%	4.3%
Middle East	0.0%	0.7%	-0.6%	12.5%
North America	1.5%	0.6%	0.8%	14.8%
International	0.7%	0.9%	-0.2%	100.0%
Australia	-0.6%	-1.1%	0.5%	3.1%
Brazil	3.2%	0.3%	2.9%	3.9%
China P.R.	1.8%	0.4%	1.2%	20.0%
India	-0.4%	0.0%	-0.3%	3.1%
Japan	-1.2%	0.6%	-1.2%	3.0%
US	0.4%	0.1%	0.3%	45.8%
Domestic	0.4%	0.0%	0.3%	100.0%
Africa	1.3%	3.4%	-1.5%	2.4%
Asia/Pacific	0.5%	0.1%	0.3%	29.3%
Europe	0.5%	0.2%	0.2%	27.7%
Latin America	2.3%	0.9%	1.1%	5.2%
Middle East	0.0%	0.7%	-0.6%	8.3%
North America	1.2%	0.4%	0.7%	27.2%
Total Market	0.8%	0.4%	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.

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3RD July 2013

FURTHER ANALYSIS AND DATA

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

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