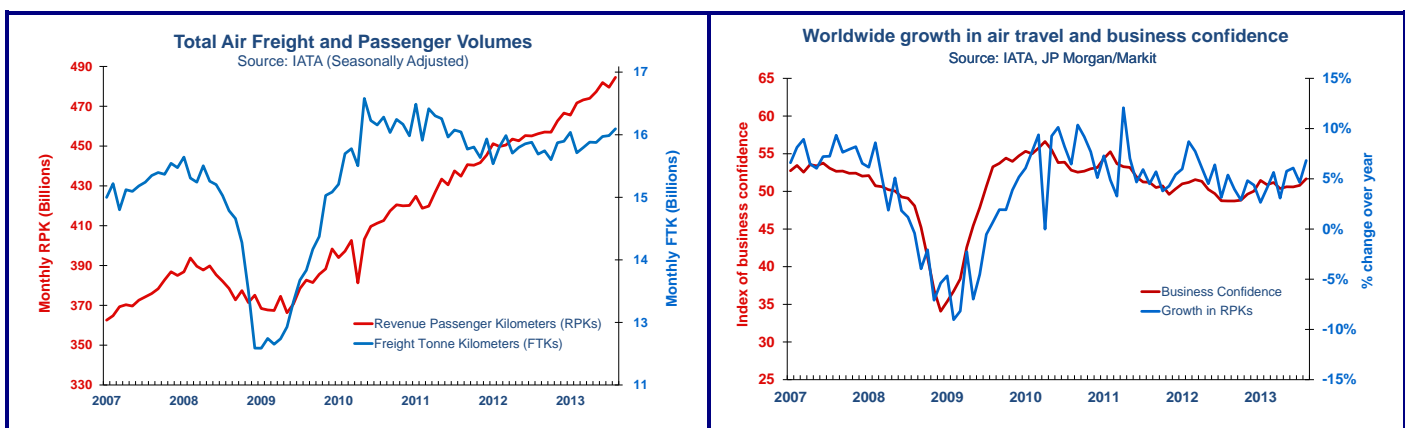


# AIR PASSENGER MARKET ANALYSIS

## AUGUST 2013

### KEY POINTS

- Air travel markets expanded strongly in August. Global revenue passenger kilometers were up 6.8% compared to a year ago, an improvement on July growth of 4.6% and above the 5.1% growth year-to-date.
- There was also a solid increase in air travel volumes over the month, presented in the first chart below, with a 1.0% expansion in August compared to July. The slight pickup in air travel growth in August is a reflection of improvements in the demand environment, with business confidence gaining momentum as the US and Europe show signs of better economic performance. However, the same improvement is not being seen in some emerging markets, like Asia Pacific, where economic conditions are stabilizing at best.
- Performance for international air travel was positive across all regions in August. Middle Eastern carriers continue to experience the strongest rates of increase; in August international RPKs were up 15.1% compared to a year ago. This result is positively biased by the timing of Ramadan, but year-to-date growth is strong at 12.2%. In Europe, modest economic improvements and rising consumer confidence supported a 5.4% rise in international RPKs. Asia Pacific international traffic rose 8.6% in August on a year ago, but growth year-to-date is not quite half of that rate (4.6%). Regional emerging market indicators have been weak for several months, but conditions appear to be stabilizing in China and Asian trade volumes rebounded in Q3 after a sharp June decline.
- Domestic air travel growth was also positive in all markets, but rates varied considerably. Air travel in China recorded a strong 13.7% rise in August on a year ago – recent data suggest that the slowdown in economic activity seen earlier in the year has stabilized. Air travel in Japan continues to increase, with a rise of 8.8% in August year-on-year. Japan's economy, much like the rest of the developed world, is showing signs of steady improvement with business activity and trade demand continuing to rise. Brazil's air travel markets, by contrast, rose just 0.5% in August, as a result of both capacity reductions and sluggish domestic demand.
- Load factors on international markets rose to record levels in August (seasonally adjusted), but domestic load factors have experienced some weakness over recent months, with capacity growth outstripping expansion in demand on some markets. This has kept overall industry load factors from rising further over recent months.
- The demand environment for air travel continues to show signs of improvement, pointing toward a possible acceleration in growth toward the end of the year. Business confidence is increasing, export orders suggest slightly stronger growth in world trade, and the slowdown in some emerging markets appears to be stabilizing.



#### Year on Year Comparison

	Aug 2013 vs. Aug 2012			YTD 2013 vs. YTD 2012		
	RPK	ASK	PLF	RPK	ASK	PLF
International	7.5%	5.6%	84.0%	5.2%	4.4%	79.8%
Domestic	5.6%	5.7%	82.4%	4.8%	4.2%	80.4%
<b>Total Market</b>	<b>6.8%</b>	<b>5.6%</b>	<b>83.4%</b>	<b>5.1%</b>	<b>4.3%</b>	<b>80.0%</b>

#### Month on Month Comparison

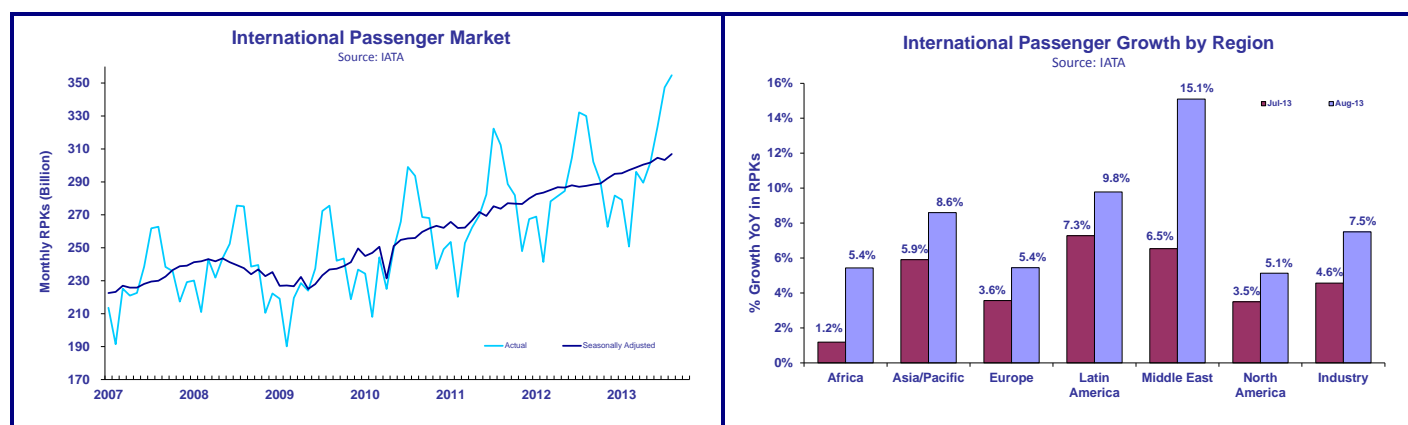
Aug 2013 vs. Jul 2013		
RPK	ASK	PLFpt
1.2%	0.5%	0.5%
0.8%	0.5%	0.2%
<b>1.0%</b>	<b>0.5%</b>	<b>0.4%</b>

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.

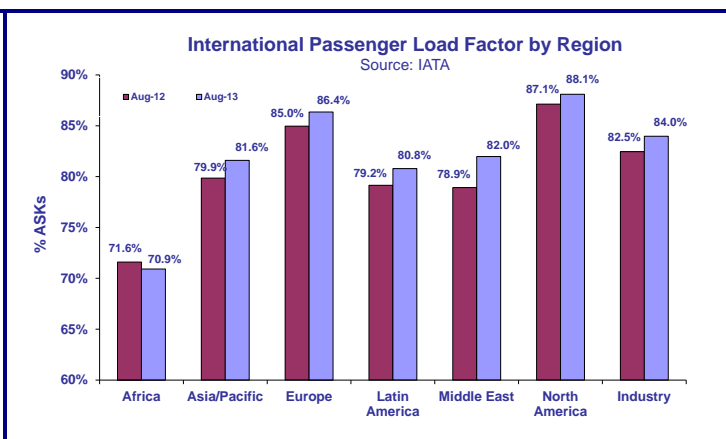
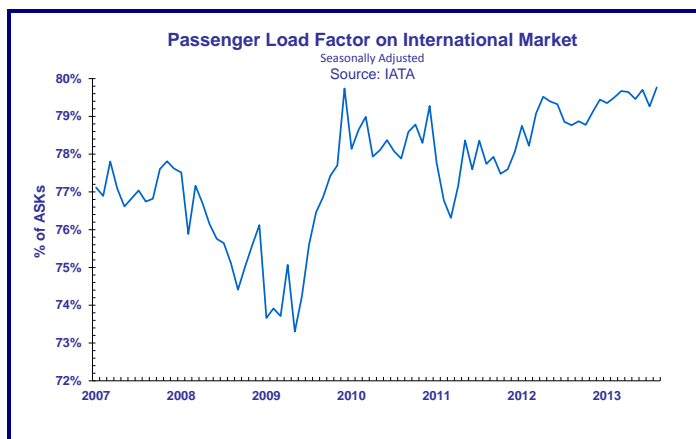
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

## PASSENGER MARKET

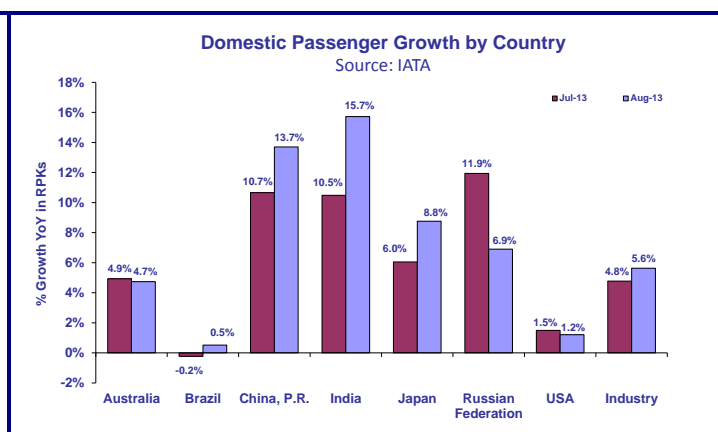
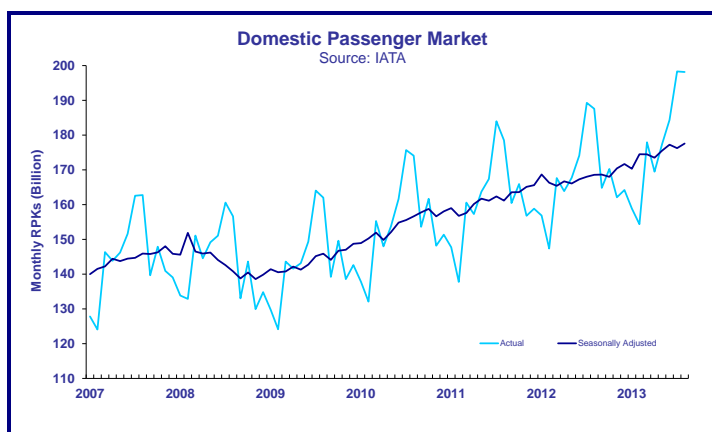
### International Markets



- International air travel recorded a strong rise in August compared to a year ago, up 7.5%. This result is an improvement on July growth of 4.6%, and is notably above year-to-date growth of 5.2%. There was solid increase in the monthly growth trend in August, with volumes expanding 1.2% compared to July, reflecting recent improvements in the demand environment.
- Performance was positive for all regions on international markets in August. Middle Eastern carriers continue to experience the strongest rates of increase, in August international RPKs were up 15.1% compared to a year ago. This result is positively biased from the timing of Ramadan, which occurred a month earlier in 2013 (in July) - year-to-date growth is strong at 12.2%. The trend is likely to continue, with August data showing solid progress in non-oil producing sectors of economies like Saudi Arabia and the United Arab Emirates (UAE). In Saudi Arabia the business sector recorded the strongest pace of growth for four months, and in the UAE export orders continue to expand solidly, according to JP Morgan/Markit surveys of purchasing managers.
- In Europe, modest economic improvements and rising consumer confidence are supporting a 5.4% rise in international RPKs in August year-on-year. The cautiously optimistic outlook for the second half of 2013 for the Eurozone remains intact so far – business confidence continues to show improvement with Q3 shaping up to be the strongest quarter of manufacturing activity since Q2 2011, and export orders show further increase reaching a 27-month high in August.
- Asia Pacific traffic also rose 8.6% in August on a year ago. While regional emerging market indicators have been weak, downward pressure on growth appears to have eased in August, at least with respect to developments in China. Latest indicators show an improvement in China's new export orders, which increased strongly in September to re-enter expansion territory, as major customers like the US show signs of a firmer economy. In fact, there are already some signs of improving demand conditions, with emerging Asia trade volumes rebounding in Q3 after a sharp decline in June. These positive developments could help sustain further growth in international travel on Asia Pacific airlines.
- Other emerging market regions also saw strong growth, including Latin America and Africa. Latin American airlines saw international traffic rise 9.8% in August compared to a year ago. Developments in the region's largest economy, Brazil, do not seem to be hampering international air travel for regional airlines. Although Brazil continues to face deteriorating business confidence, other economies like Colombia, Peru and Chile are expanding strongly. The region also continues to record solid growth in trade volumes, particularly exports, well above the global trend. Since world trade is associated with international trading industries which rely on air travel to facilitate their business development, air travel demand stands to benefit when trade expands. And the same goes for Africa, where international air travel rose 5.4% in August compared to a year ago.
- North American airlines experienced a strong 5.1% rise in August year-on-year, above the trend so far this year (2.7%) for the second consecutive month. This is consistent with recent indicators, which suggest a more supportive business environment. However, while manufacturing activity has started to improve in Q3, it remains below the average seen at the start of the year, meaning there is still some progress to be made before we see significant acceleration in demand. Also, looking ahead, North American airlines could face negative impacts on traffic and revenues as a result of the US Government shutdown coming into effect in October, which back in 1996 caused tens of thousands of visa and passport applications to go unprocessed over a 27 day period.



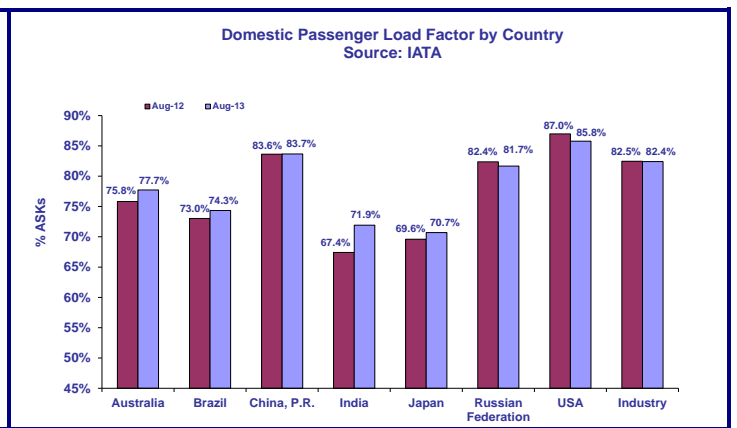
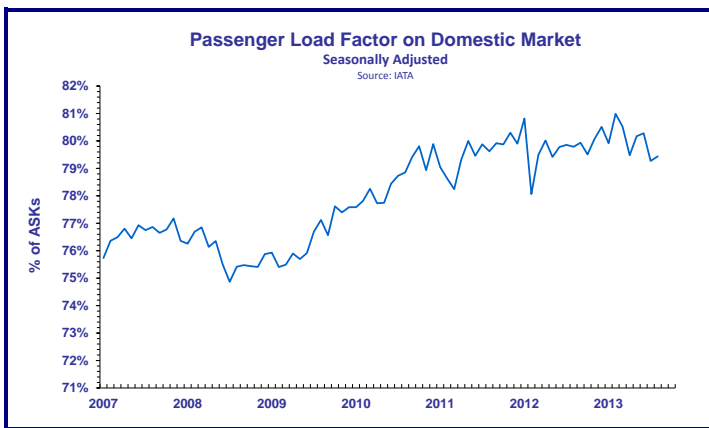
## Domestic Market



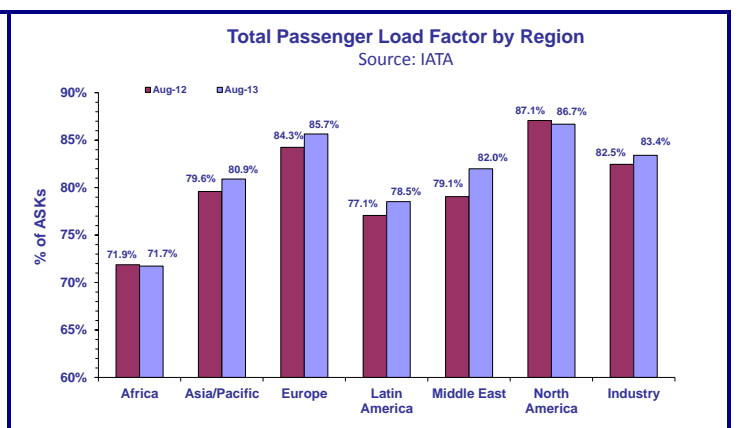
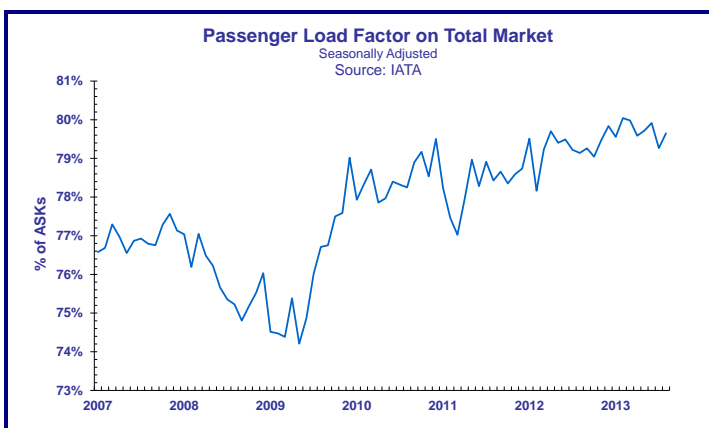
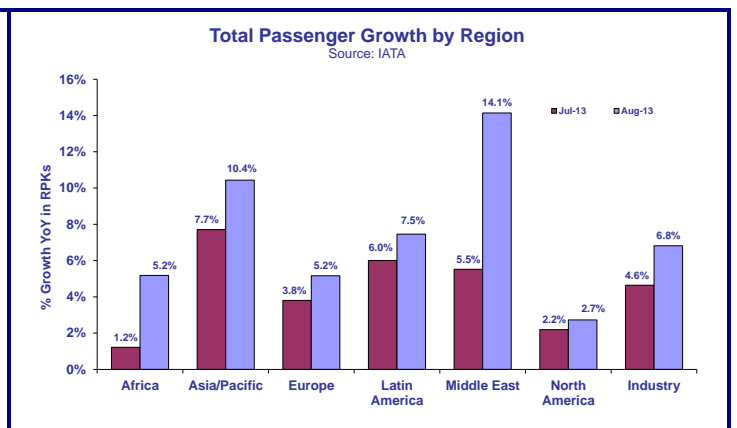
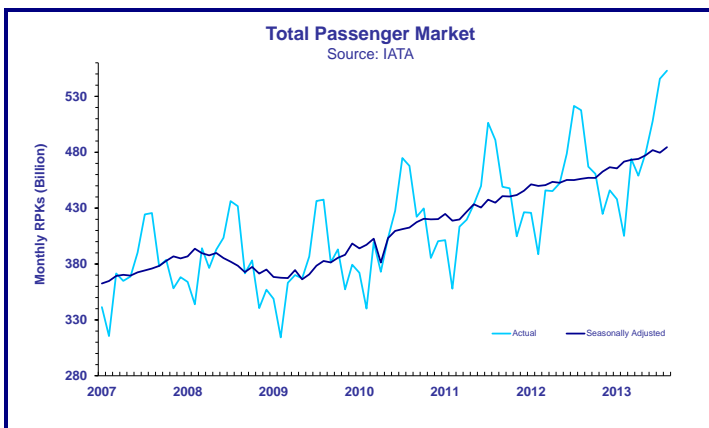
- Domestic RPKs rose in August compared to July (0.8%), continuing the solid growth trend in domestic demand seen throughout 2013. The rise in traffic over the month led to a small improvement in load factors in August compared to July (0.2%). Domestic air travel load factors are high, but prior to the August result, there were some decline when compared to the start of the year, with capacity growth outstripping expansion in demand on some markets.
- Air travel in China recorded a strong 13.7% rise in August on a year ago, confirming that the trend in air travel remains robust. Indicators of manufacturing and services activity increased in China in August, after reaching a post-crisis low in July, suggesting that conditions are stabilizing. Load factors for Chinese domestic air travel were similar in August to rates of a year ago and showed improvement in August compared to July (1.4% points). This market, however, is one of the reasons for the overall slip in domestic loads in prior months, when strong growth in demand was actually outpaced by expansion in capacity.
- Air travel in Japan continues to increase, with a rise of 8.8% in August year-on-year. Japan's economy, much like the rest of the developed world, is showing signs of steady improvement with business activity and trade growth continuing to rise. Moreover, consumer prices continue to increase, which is confirmation that the government's initiatives to end years of deflation are on track. The risk, however, is that wages fail to rise with the increase in prices, causing real incomes and consumer demand to fall. Load factors for Japanese airlines improved in August both year-on-year and month-on-month. Since the start of the year, however, there was some weakening in load factors. Improving economic conditions likely led to increases in capacity that ultimately were stronger than the solid expansion in air travel seen so far this year.
- Brazil's air travel market, by contrast, rose just 0.5% in August, a result of both capacity reductions and sluggish domestic demand. So far this year, Brazil is the only major domestic market to see a traffic decline (0.4%), with an even greater fall in capacity (5.1%). In fact, the capacity cuts have come as a result of airline concerns over weak economic conditions and the impact that would have on profitability. Load factors have improved – average load factors in 2013 are 75.3%, while in 2012 they were almost 3.5% points lower at 71.8%.
- Domestic air travel in Russia was up by a solid 6.9% in August compared to a year ago, but down on the July result of 11.9%. So far this year, domestic air travel in Russia has grown strongly, up 9.6% in August year-to-date. This result has come despite economic growth in Q2 being below expectation and indicators in Q3 looking shaky – while business activity in the services sector continues to expand, manufacturing activity is in contraction

and employment is declining at the fastest rate in 4 years. Load factors, while being among the highest across markets, slipped in August compared to July (1.1% points), and have been showing weakness for several months as a result of relatively strong growth in capacity.

- Indian domestic traffic was up 15.7% in August year-on-year, a significant rise on July growth of 10.5%. Over recent months, growth rates have experienced substantial volatility, but performance year-to-date in August (2.8%) reveals that growth has been weak overall this year. This is consistent with weakening economic conditions in India, as indicators of manufacturing and services activity still decisively showing contraction.
- Australian domestic air travel increased 4.7% in August compared to a year ago, similar to growth of 4.9% in July. Growth so far this year (4.0%) is tracking slightly behind performance in 2012 (above 5%), with a broadly weak global economy and conservative domestic demand keeping GDP growth contained so far this year.
- The US domestic market was up 1.2% in August compared to a year ago, largely in line with July's 1.5% growth. The market has expanded 1.8% year-to-date, which is an improvement on 2012 performance, when US domestic air travel grew just 0.8%. The current demand environment is broadly optimistic, with measures of business activity (JP Morgan/Markit) suggesting that the faster rates of economic growth seen in Q2 will likely be maintained in Q3. With respect to load factors, however, there was a decline in August compared to a year ago, as capacity expansion grew at a faster pace than demand. Nonetheless, US airlines continue to maintain the highest load factors on domestic markets, at almost 86%.



**Total Market (Domestic + International)**



## ANNEX

Year on Year Comparison	Aug 2013 vs Aug 2012			YTD 2013 vs. YTD 2012		
	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>
Africa	5.4%	6.5%	70.9%	6.7%	5.3%	69.1%
Asia/Pacific	8.6%	6.3%	81.6%	4.6%	4.2%	78.3%
Europe	5.4%	3.7%	86.4%	4.0%	2.5%	81.5%
Latin America	9.8%	7.6%	80.8%	8.6%	9.4%	78.8%
Middle East	15.1%	10.8%	82.0%	12.2%	12.4%	78.2%
North America	5.1%	4.0%	88.1%	2.7%	1.2%	83.5%
<b>International</b>	<b>7.5%</b>	<b>5.6%</b>	<b>84.0%</b>	<b>5.2%</b>	<b>4.4%</b>	<b>79.8%</b>
Australia	4.7%	2.2%	77.7%	4.0%	4.3%	76.5%
Brazil	0.5%	-1.2%	74.3%	-0.4%	-5.1%	75.3%
China P.R.	13.7%	13.6%	83.7%	12.3%	12.1%	81.3%
India	15.7%	8.5%	71.9%	2.8%	0.4%	76.1%
Japan	8.8%	7.1%	70.7%	5.2%	5.4%	62.8%
Russian Federation	6.9%	7.8%	81.7%	9.6%	8.3%	75.2%
US	1.2%	2.6%	85.8%	1.8%	1.7%	84.4%
<b>Domestic</b>	<b>5.6%</b>	<b>5.7%</b>	<b>82.4%</b>	<b>4.8%</b>	<b>4.2%</b>	<b>80.4%</b>
Africa	5.2%	5.4%	71.7%	6.6%	4.7%	70.0%
Asia/Pacific	10.4%	8.6%	80.9%	6.9%	6.4%	78.1%
Europe	5.2%	3.4%	85.7%	3.9%	2.3%	80.7%
Latin America	7.5%	5.5%	78.5%	6.1%	4.9%	77.5%
Middle East	14.1%	10.0%	82.0%	11.2%	11.4%	78.5%
North America	2.7%	3.2%	86.7%	2.1%	1.5%	84.0%
<b>Total Market</b>	<b>6.8%</b>	<b>5.6%</b>	<b>83.4%</b>	<b>5.1%</b>	<b>4.3%</b>	<b>80.0%</b>

*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	Aug 2013 vs. Jul 2013			Market Share
	RPK	ASK	PLFpt	RPK
Africa	1.1%	1.6%	-0.3%	3.2%
Asia/Pacific	1.0%	0.5%	0.4%	25.5%
Europe	0.8%	0.4%	0.3%	40.1%
Latin America	0.7%	0.8%	-0.1%	4.2%
Middle East	3.4%	1.0%	1.8%	12.5%
North America	0.8%	0.4%	0.3%	14.6%
<b>International</b>	<b>1.2%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>100.0%</b>
Australia	0.2%	0.5%	-0.2%	3.0%
Brazil	1.6%	-1.0%	2.6%	3.7%
China P.R.	2.5%	0.7%	1.4%	21.9%
India	4.1%	2.6%	1.1%	2.4%
Japan	2.7%	0.4%	1.5%	3.4%
Russian Federation	-0.8%	0.6%	-1.1%	4.4%
US	0.2%	0.5%	-0.2%	43.6%
<b>Domestic</b>	<b>0.8%</b>	<b>0.5%</b>	<b>0.2%</b>	<b>100.0%</b>
Africa	1.3%	1.6%	-0.2%	2.4%
Asia/Pacific	0.9%	0.6%	0.2%	29.4%
Europe	0.8%	0.3%	0.4%	28.9%
Latin America	1.7%	0.9%	0.6%	5.0%
Middle East	3.2%	0.9%	1.7%	8.4%
North America	0.5%	0.3%	0.2%	26.0%
<b>Total Market</b>	<b>1.0%</b>	<b>0.5%</b>	<b>0.4%</b>	<b>100%</b>

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  
E-Mail: [economics@iata.org](mailto:economics@iata.org)  
2<sup>ND</sup> October 2013

#### FURTHER ANALYSIS AND DATA

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

[www.iata.org/ps/publications/Pages/carrier-tracker](http://www.iata.org/ps/publications/Pages/carrier-tracker)

#### NEW RELEASE ALERTS

To receive email notification of new analysis from IATA Economics, select 'Economic Briefings' from:

[www.iata.org/optin](http://www.iata.org/optin)