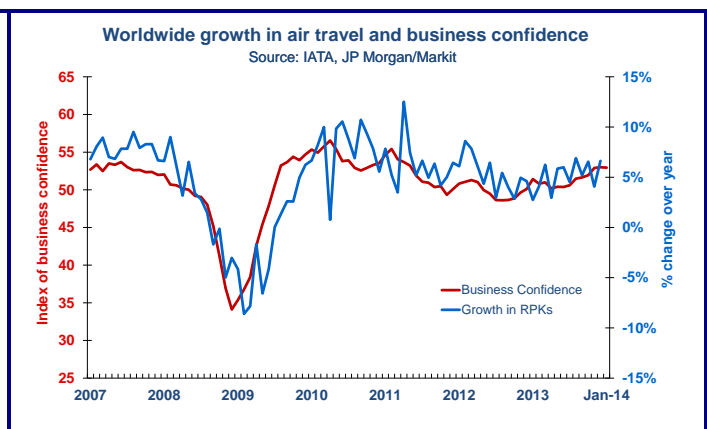
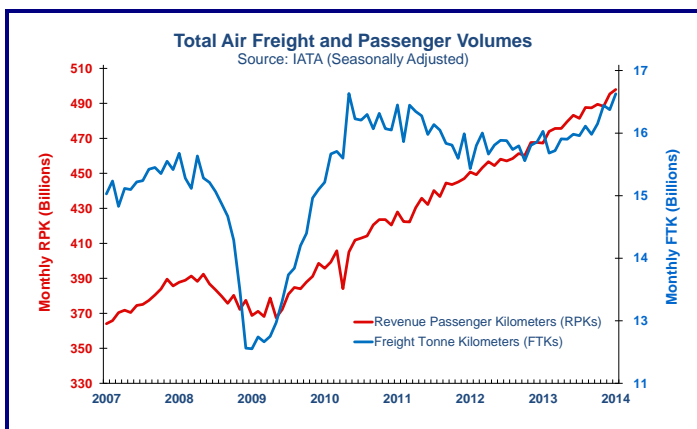


AIR PASSENGER MARKET ANALYSIS

JANUARY 2014

KEY POINTS

- Air travel markets commenced 2014 with a strong increase in January, rising 8.0% compared to a year ago. This result is stronger than both December growth (6.8%) and 2013 performance overall (5.2%).
- Over recent months, the trend in air travel markets has accelerated, consistent with a pick-up in global economic growth. This recent acceleration reflects a combination of stronger growth in both advanced economies and emerging market regions.
- International air travel results show airlines in the Middle East posting the strongest increase in January, up 18.1%. Airlines in the Middle East continue to benefit from the strength of regional economies and solid growth in business-related premium travel. Carriers in Europe and Asia Pacific also experienced strong growth, up 6.4% and 8.0%, respectively. The result for European airlines reflects continued improvement in the region's economic performance, but for Asia Pacific airlines part of the strong rise is owing to the timing of Chinese New Year, which took place in January, a month earlier than in 2013, in January. The month-on-month results suggest a contraction in volumes for Asia Pacific international RPKs, potentially reflecting the recent slowdown in China's economy and export activity.
- Domestic air travel volumes increased by a strong 8.2% in January year-on-year, with several markets recording double-digit growth. Air travel in China, Russia and Japan rose 20.1%, 10.9% and 10.7%, respectively. While the timing of the Chinese New Year holiday resulted in an upward bias of China's growth result, there was still a solid expansion in the month-to-month volumes (1.8%), which indicates continued strength in domestic demand. Robust employment rates in Russia are supporting air travel markets, while in Japan expansionary monetary policy has resulted in sustained economic improvements and increasing domestic demand for air travel.
- Load factors on both international and domestic markets improved in January compared to a year ago, driven by the strength of the rise in volumes. All regions recorded a rise, with only load factors of Africa airlines losing ground on a year ago. Industry wide, the strength of load factors above 80% on a seasonally adjusted basis should provide support to yields.
- The demand environment for air travel remains broadly positive, but improvements in the business environment seen throughout H2 2013 appear to have paused in January. Global business confidence continues to signal economic growth; readings are the highest they have been since Q1 2011, but the trend has now flattened. Nonetheless, current conditions should help sustain robust growth in air travel in the months ahead.



Year on Year Comparison

Jan 2014 vs. Jan 2013

2013 vs. 2012

Month on Month Comparison

Jan 2014 vs. Dec 2013

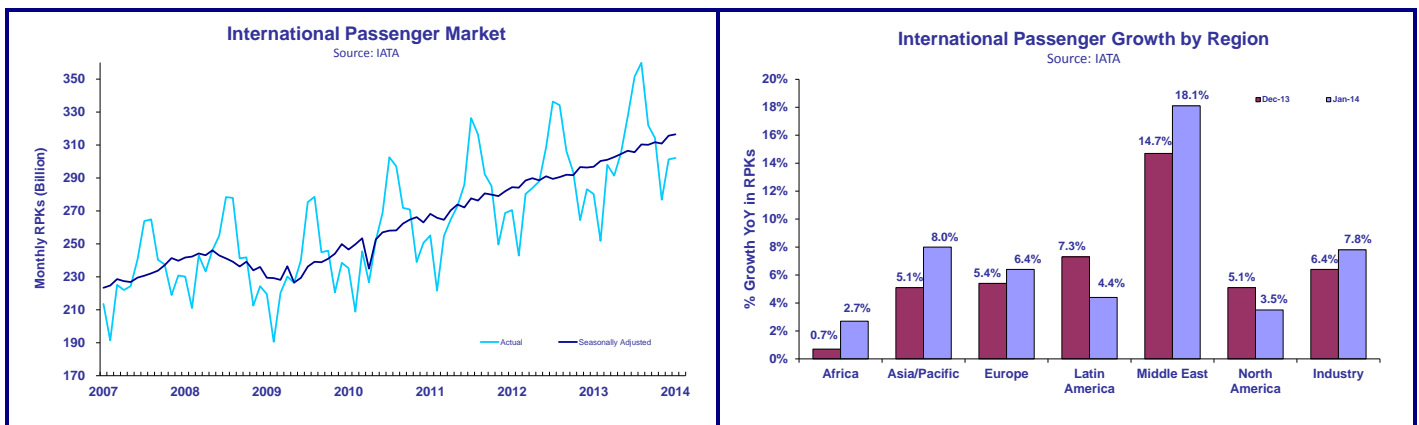
	RPK	ASK	PLF	RPK	ASK	PLF	RPK	ASK	PLFpt
International	7.8%	6.8%	78.3%	5.4%	4.9%	79.3%	0.3%	0.3%	0.0%
Domestic	8.2%	6.5%	77.7%	4.9%	4.6%	79.9%	0.9%	0.0%	0.9%
Total Market	8.0%	6.7%	78.1%	5.2%	4.8%	79.5%	0.5%	0.2%	0.2%

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.

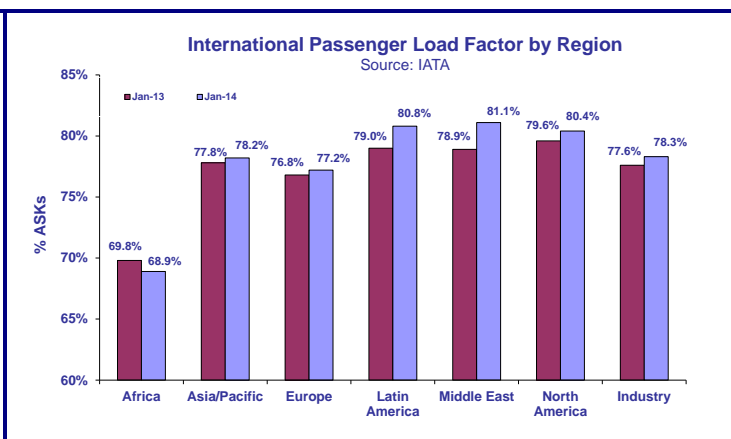
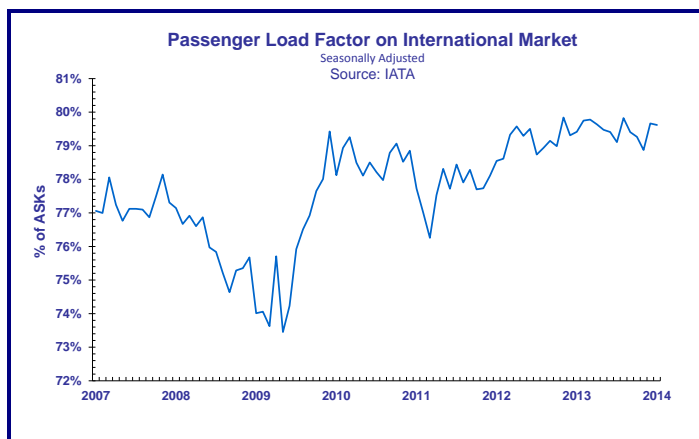
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

PASSENGER MARKET

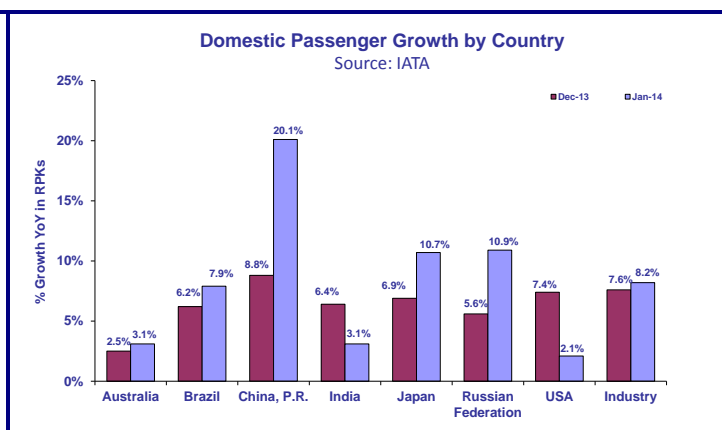
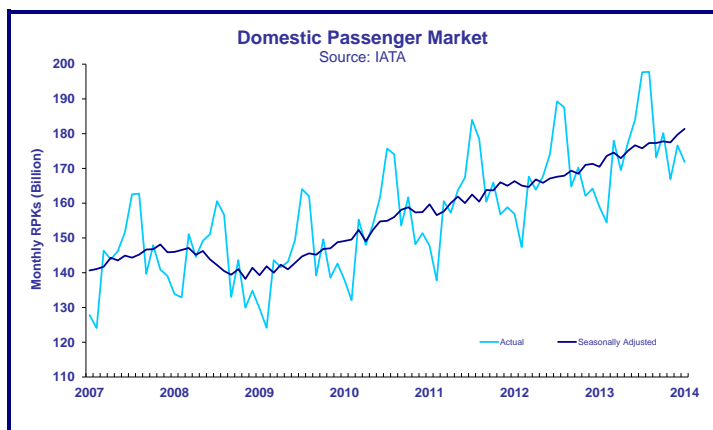
International Markets



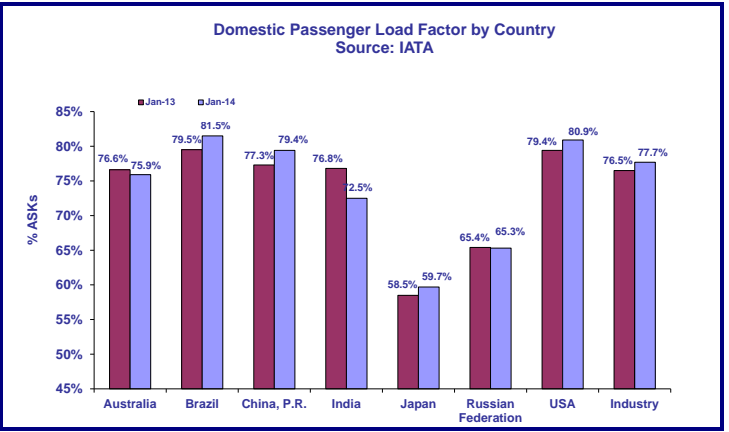
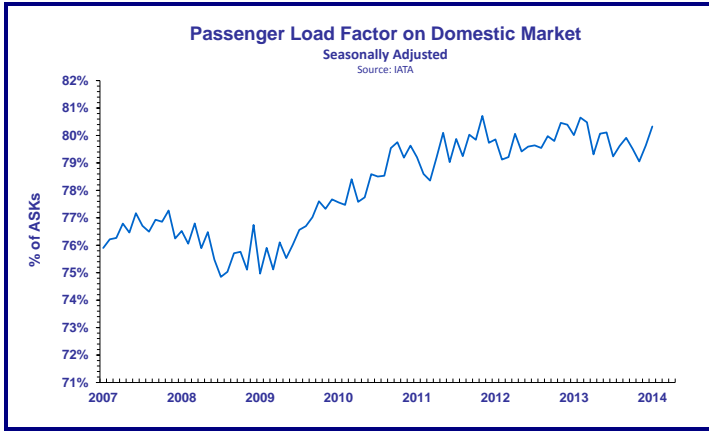
- Air travel on international markets increased by a robust 7.8% in January compared to a year ago, accelerating on December growth (6.4%). There was also an expansion in volumes in January compared to December (0.3%), which matched the increase in capacity, keeping seasonally adjusted load factors unchanged in January compared to December.
- International air travel results show airlines in the Middle East posting the strongest increase in January, up 18.1%. Airlines in the Middle East continue to benefit from the strength of regional economies and solid growth in business-related premium travel. Business-related air travel has been supported by performance of internationally trading industries, which will likely continue expanding as export orders suggest further gains in trade ahead. Solid performance of key economies like Saudi Arabia and the United Arab Emirates has also supported strong expansion in both business and leisure travel to regions such as Europe.
- Asia Pacific airlines also recorded strong growth, up 8.0%, but this result is partly distorted by the timing of the Chinese New Year in January, a month earlier than in 2013. The month-on-month results suggests a contraction in volumes, which indicates a continuation of the slower growth momentum seen toward the end of 2013, likely in part reflecting the signs of slowdown in the Chinese economy. Economic growth in China picked up toward the end of H1 2013, benefitting other major Asian economies and providing a boost to regional trade volumes, which had incurred significant declines mid-year. But by year end, there were signs of slowdown – growth in business activity indicators has slackened as have increases in export orders – which place a downside risk to international travel demand for regional carriers.
- European airlines saw a strong 6.4% rise in international air travel in January compared to a year ago. Modest economic improvements in the Eurozone since Q2, and rising consumer and business confidence have been providing a stronger demand base for international air travel. The services sector has been signaling expansion and job losses in the Eurozone have stabilized. If business activity continues to grow, employment and consumer demand could see some improvement in early 2014, providing sustained support to air travel demand.
- Growth on airlines in other regions was relatively slower than those described above. North American airlines international RPKs rose 3.5% in January year-on-year, similar to the growth throughout 2013 (3.0%). Air travel on carriers in the region should continue to expand at least these rates in the months ahead, with the demand backdrop showing signs of improvement, employment growth picking-up and consumer spending on the rise.
- Growth in international travel on Latin American and African carriers was 4.4% and 2.7% in January year-on-year, respectively. Both results are well below the overall growth performance in 2013. For Latin American carriers, the outlook for growth remains broadly positive, however, with continued robust performance of economies like Colombia, Peru and Chile, and the up-coming demand to be generated by the FIFA World Cup in Brazil. By contrast, the weak result for airlines in Africa could be in part reflecting adverse developments in some parts of the continent, with the slowdown of major economy South Africa as well as some moderation in trade volumes.



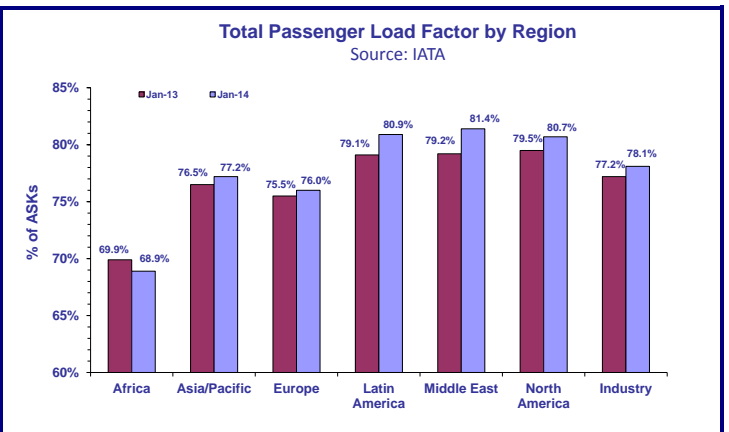
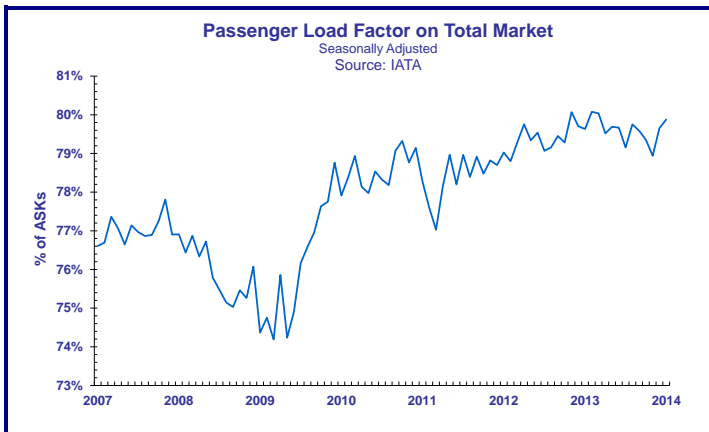
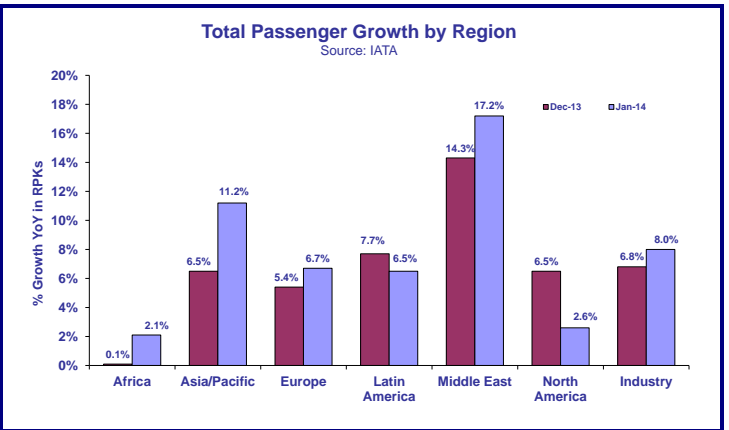
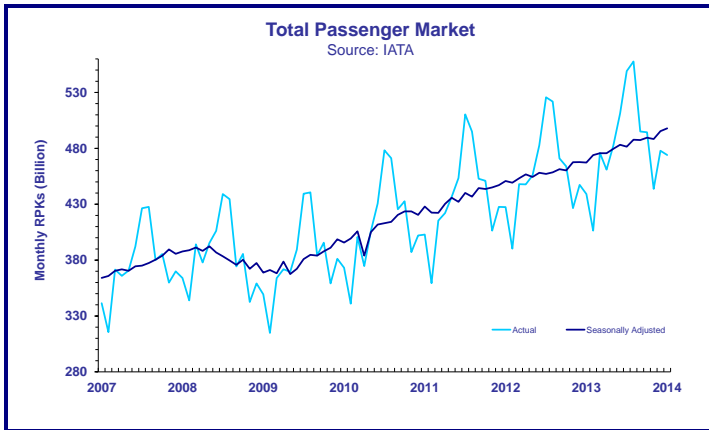
Domestic Market



- Domestic air travel volumes increased by a strong 8.2% in January year-on-year, with several markets recording double-digit growth. Domestic market load factors reached 77.7% in January, up 1.2% pts. compared to a year ago, supported by the strong rise in demand in most markets.
- Air travel in China, Russia and Japan rose 20.1%, 10.9% and 10.7%, respectively. While the timing of the Chinese New Year holiday resulted in an upward bias of China's growth result, there was still a solid expansion in the month-to-month volumes (1.8%), which indicates continued strength in domestic demand. And although there have been indicators of slowdown in the Chinese economy, as mentioned in the previous section, domestic demand remains solid and that should support continued growth in air travel. Air travel in Russia has been supported by the government's policy to sustain employment and incomes. In Japan, expansionary monetary policy has resulted in sustained economic improvements and increasing domestic demand for air travel.
- Air travel in Brazil and India is not growing at rates as fast as those in the other BRIC states, but January demand showed some improvement on the trend in 2013. Growth in air travel rose 7.9% and 3.1%, respectively. The fundamental drivers in both Brazil and India remain fragile and both economies have suffered setbacks over recent years, weakening domestic demand. In the case of Brazil, however, the economy should receive some boost from the upcoming World Cup mid-year.
- Air travel growth in Australia remains subdued, up just 3.1% in January year-on-year. Despite interest rate cuts, the economy remains broadly sluggish with rising unemployment and fragile business and consumer confidence tainting the performance outlook for the coming year.
- In the US, domestic air travel rose 2.1% in January, in line with the growth trend in 2013. Domestic air travel in the US should receive support for continued growth with recent increases in consumer confidence throughout the year as well as rising employment activity.



Total Market (Domestic + International)



ANNEX

Year on Year Comparison	Jan 2014 vs Jan 2013			2013 vs. 2012		
	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>	<i>RPK</i>	<i>ASK</i>	<i>PLF</i>
Africa	2.7%	4.0%	68.9%	5.5%	5.2%	69.0%
Asia/Pacific	8.0%	7.5%	78.2%	5.3%	5.2%	77.7%
Europe	6.4%	5.9%	77.2%	3.8%	2.8%	81.0%
Latin America	4.4%	2.0%	80.8%	8.1%	7.4%	79.2%
Middle East	18.1%	15.0%	81.1%	12.1%	12.8%	77.3%
North America	3.5%	2.5%	80.4%	3.0%	2.2%	82.8%
International	7.8%	6.8%	78.3%	5.4%	4.9%	79.3%
Australia	3.1%	4.0%	75.9%	2.8%	3.8%	76.5%
Brazil	7.9%	5.3%	81.5%	0.8%	-3.3%	76.3%
China P.R.	20.1%	16.9%	79.4%	11.7%	12.2%	80.3%
India	3.1%	9.3%	72.5%	4.0%	3.5%	74.6%
Japan	10.7%	8.5%	59.7%	5.2%	5.1%	64.3%
Russian Federation	10.9%	11.1%	65.3%	9.6%	9.1%	74.0%
US	2.1%	0.2%	80.9%	1.9%	1.9%	83.8%
Domestic	8.2%	6.5%	77.7%	4.9%	4.6%	79.9%
Africa	2.1%	3.7%	68.9%	5.1%	4.5%	69.9%
Asia/Pacific	11.2%	10.3%	77.2%	7.1%	7.1%	77.6%
Europe	6.7%	6.1%	76.0%	3.8%	2.7%	80.2%
Latin America	6.5%	4.1%	80.9%	6.3%	4.5%	78.0%
Middle East	17.2%	14.1%	81.4%	11.4%	12.0%	77.6%
North America	2.6%	1.1%	80.7%	2.3%	2.0%	83.4%
Total Market	8.0%	6.7%	78.1%	5.2%	4.8%	79.5%

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	Jan 2014 vs. Dec 2013			Market Share
	RPK	ASK	PLFpt	RPK
Africa	0.2%	0.4%	-0.1%	3.5%
Asia/Pacific	-0.9%	-0.4%	-0.4%	29.5%
Europe	0.6%	0.6%	-0.1%	33.1%
Latin America	-1.7%	0.0%	-1.4%	5.0%
Middle East	2.5%	1.7%	0.6%	15.1%
North America	0.1%	-0.5%	0.5%	13.7%
International	0.3%	0.3%	0.0%	100.0%
Australia	0.3%	0.3%	0.0%	3.4%
Brazil	-0.1%	1.0%	-1.1%	5.0%
China P.R.	1.8%	1.0%	0.6%	23.7%
India	-0.1%	-0.2%	0.1%	3.0%
Japan	0.5%	1.8%	-0.9%	3.0%
Russian Federation	3.5%	1.7%	1.3%	2.8%
US	-10.4%	-5.5%	-4.5%	41.3%
Domestic	0.9%	0.0%	0.9%	100.0%
Africa	0.1%	0.4%	-0.2%	2.6%
Asia/Pacific	0.1%	0.3%	-0.1%	33.1%
Europe	0.7%	0.7%	0.0%	23.6%
Latin America	-1.2%	0.3%	-1.1%	6.2%
Middle East	2.3%	1.5%	0.6%	10.1%
North America	0.5%	-0.9%	1.2%	24.4%
Total Market	0.5%	0.2%	0.2%	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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5TH March 2014

FURTHER ANALYSIS AND DATA

Access data related to this briefing through the Monthly Statistics publication:

<http://www.iata.org/publications/Pages/monthly-traffic-statistics.aspx>

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