

Global air pax +8.2% as IATA outlook is strong

Global air travel rose by 8.2% in July, as all regions in the world also reported positive growth for the month - including Russia - although sadly the latter only on the domestic market - due to the weak rouble.



In overall terms, the International Air Transport Association (IATA) says that the upward trend for the month was helped by the timing of Ramadan and vacation periods - although still stronger than might have been expected - but the same could not be said for falling air cargo volumes.

IATA said: "There has been some downward pressure on air travel demand due to recent softening in global economic growth, mostly in emerging markets, but there is no sign of adverse impacts on RPK [*revenue per kilometre*] volumes.

"Growth in air travel, particularly the more price sensitive economy class leisure travel, has been given a boost by lower fares."

Turning to international air travel growth, IATA added that carriers performed strongly in all major regions in July: "Asia Pacific, Europe and North America recorded gains of 8.5%, 6.7% and 5.3% in July year-o-year. Emerging Asia has experienced notable declines in trade activity in 2015 as well as slower than expected growth in China.

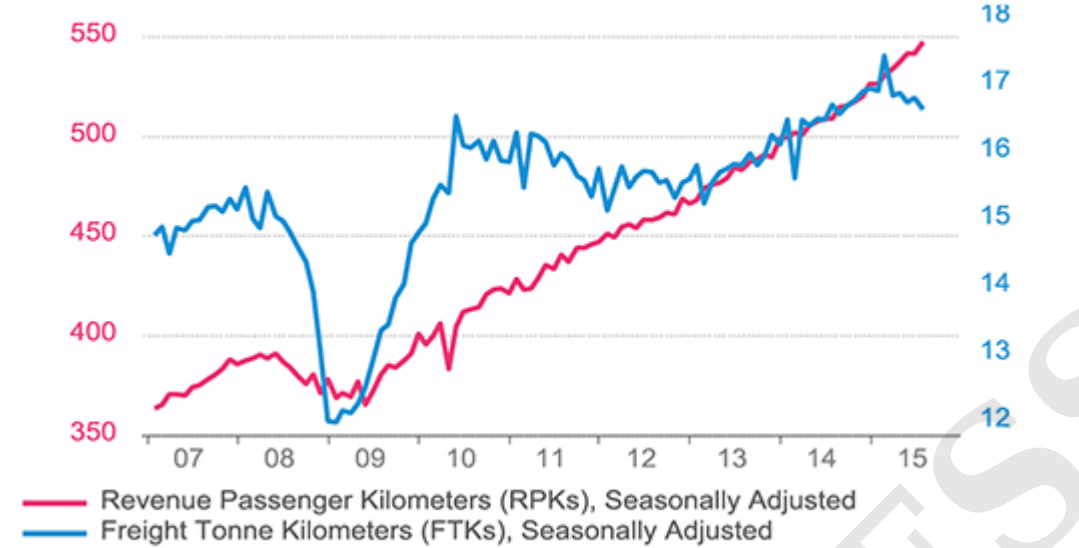


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Total Air Freight and Passenger Volumes

Monthly RPKs, billion

Monthly FTKs, billion



“Neither factor appears to be impacting international air travel on the region’s carriers to date. Economic recovery in the Eurozone and expectations for stronger demand in H2 in the US are supporting demand for international travel on carriers in these regions.

IATA added that international air travel on Middle Eastern carriers also rose by an impressive 19.8% in July year-on-year, although partly due to the timing of Ramadan, which fell only partly in July 2015, but took place mostly in July 2014. This holy month traditionally tends to be one where air travel demand reduces.

Meanwhile, on domestic markets, India continued to record ‘very strong growth, up 28.1%’, largely reflecting increases in service frequencies as well as improvements in economic growth. By contrast, air travel in Australia rose by only 2.8% in July year-on-year reflecting the depressed economy.

During July, industry load factors also rebounded after a few months of weakness, with the seasonally adjusted load factors resulting from a strong pick-up in volumes that outstripped growth in capacity.

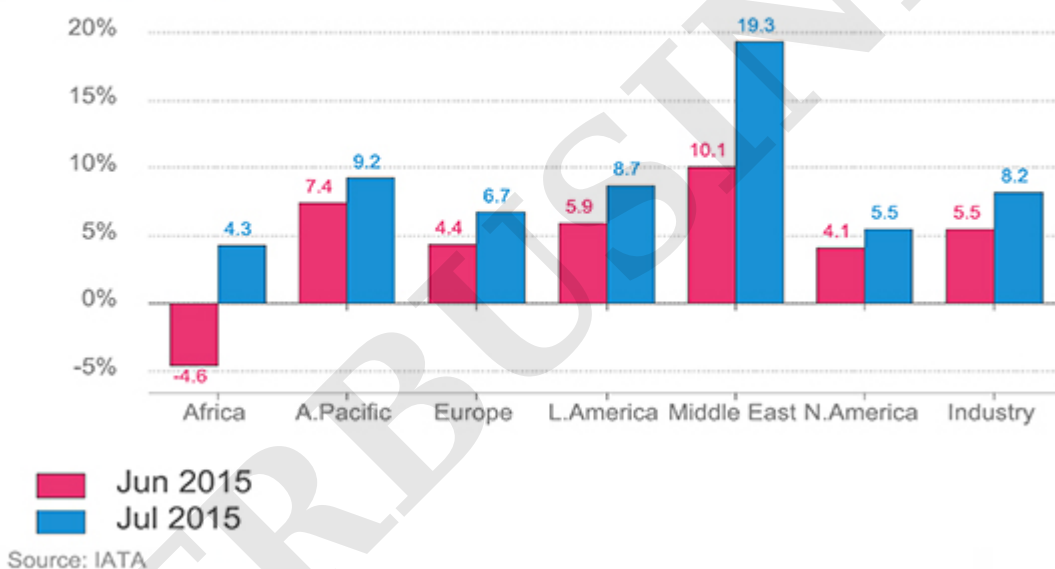
By contrast, the global economic outlook came under downward pressure due to deepening weakness in emerging markets – particularly in China. Having said that, IATA adds that ‘expectations are broadly positive’, with the fall in oil prices compared to mid-2014 expected to sustain growth and demand for passenger travel in 2015.

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Total Passenger Growth by Region

% change over year



Turning to international travel, Asia Pacific carriers rose by a strong 8.5% in July year-on-year, although IATA notes that 'emerging Asia' has experienced notable declines in trade activity in 2015, as well as slower than expected growth in China.

Nevertheless, it said: "Neither factor appears to be impacting international air travel on the region's carriers, so far. According to Markit, China's manufacturing sector has been struggling during recent months, accompanied by weakness in export orders, causing some firms to cut employment at the steepest rates since 2009."

In other regions, international air travel on Middle Eastern carriers rose 19.8% in July year-on-year. Part of this acceleration in the year-on-year comparison is due to the timing of Ramadan, which fell only partly in July this year but took place mostly in July 2014. The holy month tends to subdue demand for air travel.

IATA added: "Economic recovery in the Eurozone and expectations for stronger demand in H2 in the US are supporting demand for international travel on carriers in these regions. Carriers in these regions saw

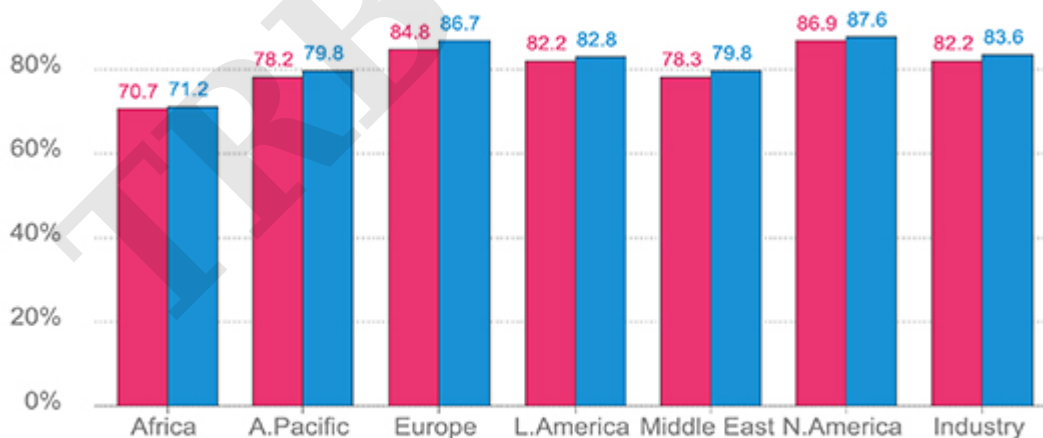
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international RPKs rise 6.7% and 5.3%, respectively.

“Growth for Latin American carriers was a robust 8.5% in July year-on-year. Regional trade volumes have shown strong improvement during H1 2015, and despite recessionary conditions in Brazil and Argentina, the increase in trade activity has provided a boost to business-related international travel.”



Total Passenger Load Factor by Region

% of ASKs



Jul 2014
Jul 2015

Source: IATA

Interestingly, IATA says that international RPK growth for African carriers was weakest amongst all of the regions, although volumes improved on the previous month with a solid rise of 4.9% in July year-on-year.

“The trend over recent months, however, has been very weak, with volumes year-to-date contracting 1.7%.” said IATA. “The recent weakness has likely reflected adverse economic developments in parts of the

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continent, not least in its largest economy, Nigeria, which is highly reliant on oil revenues.

“The July result, although an improvement, could well be owing to volatility in the volumes, as fundamental drivers suggest that the weakness year-to-date could continue.”



Year on Year Comparison

	Jul 2015 vs. Jul 2014			YTD 2015 vs. YTD 2014		
	RPK	ASK	PLF	RPK	ASK	PLF
International	8.6%	6.5%	83.5%	6.6%	6.2%	79.4%
Domestic	7.6%	6.5%	83.6%	6.4%	5.7%	81.2%
Total Market	8.2%	6.5%	83.6%	6.5%	6.0%	80.1%

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.

Back in China, IATA said that domestic RPKs grew by a strong 10.9% in July year-on-year, although recent developments in the Chinese economy, including the nation's stock market experiencing its largest one-day fall since 2007, have increased concerns about further slowdown in the economy.

The growth trend in Chinese domestic RPKs, however, suggests that weakness in the economy may have already impacted demand earlier in the year with a flattening of volumes in March.

Last, but not least, US results in July show a 5.9% rise in domestic RPKs, which is an improvement on the first quarter performance, while domestic air travel in Japan recorded yet another month of weak growth in July with a rise of only 0.4%.