



# AIR PASSENGER MARKET ANALYSIS

April 2018

## Solid growth in RPKs in April, with another record high load factor

- Industry-wide revenue passenger kilometres (RPKs) increased by 6.2% in year-on-year terms in April, while the industry-wide load factor posted yet another monthly record high (82.3% of available seat kilometres).
- 2018 is on track to be another year of above-trend RPK growth. However, reduced stimulus from lower airfares and a moderate slowdown in economic growth ahead of the summer passenger peak, are both expected to see RPK growth slow slightly in calendar-year 2018 relative to that seen last year.
- Domestic India RPKs posted double-digit annual growth for the 44<sup>th</sup> month in a row, while airlines based in Asia Pacific topped the international RPK growth chart for the first time since December.

### The upward trend in RPKs remains robust

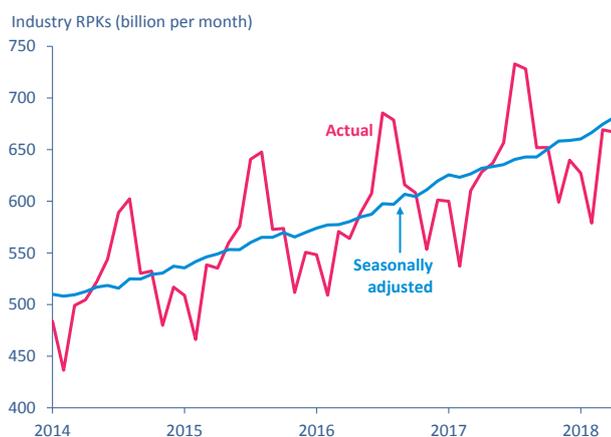
Year-on-year growth in industry-wide revenue passenger kilometres (RPKs) slowed to 6.2% in April, down from a 12-month high of 9.7% in March.

The slowdown in the annual RPK growth rate was driven largely by developments a year ago – including the comparatively late timing of Easter in 2017 – rather than any notable change in the near-term traffic trend. In fact, while the opening months of the year are a comparatively quiet period for industry-wide passenger demand, the upward trend in seasonally adjusted (SA) RPKs has strengthened over the past three months or so. (See Chart 1.)

### Another year of above-trend growth forecast...

2018 remains on track to be another year of above-trend growth for industry-wide RPKs. Nonetheless, as

**Chart 1 – Air passenger volumes**



Sources: IATA Economics, IATA Monthly Statistics

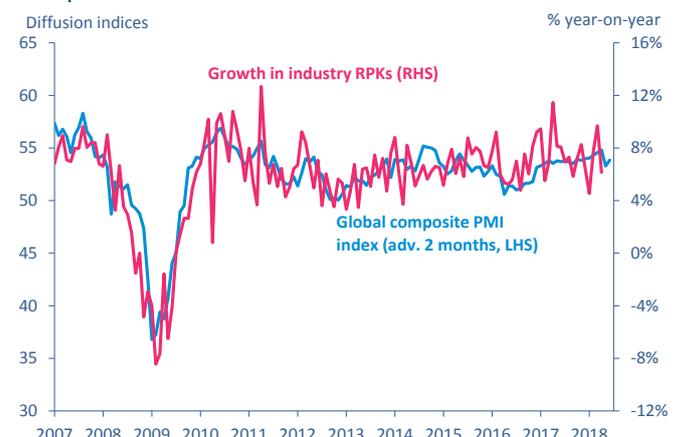
we have noted before, we forecast a moderate slowdown in demand growth in calendar-year 2018 from that seen during last year as a whole.

This is partly because increases in airline input costs – notably fuel prices but also labor costs in some cases – mean that we expect to see a reduced boost to demand from lower airfares in 2018 than we have in recent years. While hedging practices differ throughout the industry, oil prices have rallied over recent months and are currently around 50% higher in US dollar terms than they were a year ago.

### ...but economic conditions have eased slightly

Moreover, while the economic backdrop remains broadly supportive of passenger demand, the global composite Purchasing Managers' Index (PMI) indicates that the pace of global activity growth has

**Chart 2 – Air passenger volume growth and global composite business confidence measure**



Sources: IATA Economics, IATA Monthly Statistics, Markit

### Air passenger market overview - April 2018

	World share <sup>1</sup>	April 2018 (% year-on-year)				% year-to-date			
		RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>	RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>
<b>TOTAL MARKET</b>	<b>100.0%</b>	<b>6.2%</b>	<b>5.9%</b>	<b>0.2%</b>	<b>82.3%</b>	<b>7.0%</b>	<b>6.0%</b>	<b>0.8%</b>	<b>81.3%</b>
International	63.8%	4.8%	4.9%	-0.1%	81.4%	6.7%	5.6%	0.8%	80.5%
Domestic	36.2%	8.5%	7.6%	0.7%	84.0%	7.5%	6.6%	0.7%	82.6%

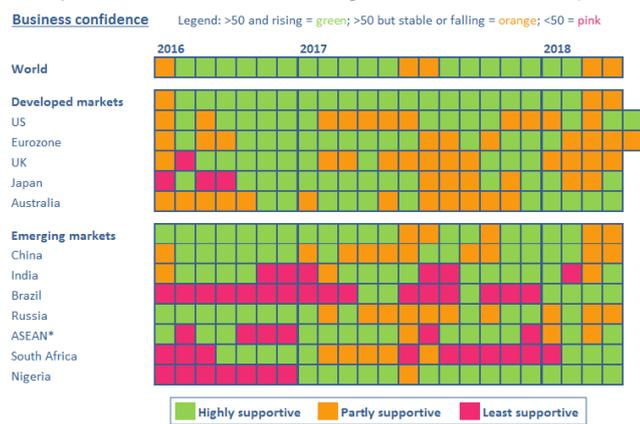
<sup>1</sup> of industry RPKs in 2017

<sup>2</sup>Year-on-year change in load factor

<sup>3</sup>Load factor level

slowed in recent months. To the extent that this is sustained, it would be consistent with a similar slowdown in annual industry-wide RPK growth during the peak period for passenger demand around the time of the northern-hemisphere summer. (See Chart 2, previous page.) The moderation in economic growth has been most visible up to now in the Eurozone, but there have been other mixed signals in other major countries/regions as well. (See Chart 3.)

**Chart 3 – Economic conditions (monthly data from composite PMIs, selected regions and countries)**



We will continue to monitor developments closely particularly over the forthcoming peak period. However, it is worth noting that annual RPK growth has already slowed over the first four months of this year combined relative to that seen in the same period of 2017 (to 7.0% so far this year to date, compared to 8.3% a year ago).

**Another record month for the pax load factor**

Industry-wide available seat kilometres (ASKs) increased by 5.9% year-on-year in April. This helped to lift the passenger load factor to another record monthly high (82.3%), 0.2 percentage points above that seen in April 2017. Given the recent pick-up in the SA industry-wide demand trend, demand is once again rising slightly ahead of capacity.

**Broad slowdown in int'l RPK growth from March**

Year-on-year growth in international RPKs slowed to 4.8% in April, having jumped to 10.6% in March. (See Chart 4.) Year-on-year growth slowed in all regions compared to the previous month. But as in the global case, this appears to reflect developments a year ago rather than any notable changes in the current upward SA traffic trends (which remain strong in most cases).

**Asia Pacific posts the fastest int'l growth rate...**

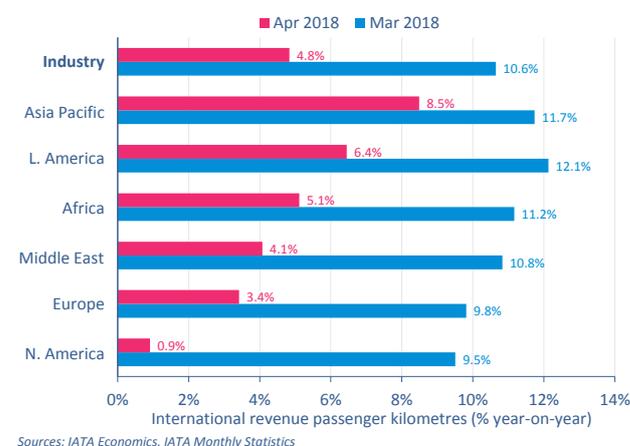
Airlines based in Asia Pacific topped the international growth chart for the first time since December, with year-on-year RPK growth of 8.5%. Passenger traffic has continued to trend upwards at an annualized rate

in the region of 10% supported by robust regional economic expansion and ongoing growth in the number of options for travelers, which translates into time savings for passengers.

**...followed by airlines based in Latin America**

Similarly, while international RPKs flown by carriers based in Latin America increased by 6.4% year-on-year in April, the bigger picture is that SA RPK volumes have risen at a double-digit annualized rate over the past six months. This has been supported in part by a recovery in the region's largest economy, Brazil. (Again, see Chart 3.)

**Chart 4 – International passenger traffic growth by airline region of registration**



**European traffic recovers from weather-related drop in March**

European airlines flew 3.4% more international RPKs in April than they did in the same month last year. Having been affected by the unusual period of wintry weather during March, passenger demand picked up in SA terms in April, and the upward trend in demand remains robust.

**Slowdown in N. America expected to be temporary**

The sharp slowdown in annual growth in international RPKs for North American airlines, to 0.9% from 9.5%, was distorted by a pronounced pick-up in SA traffic in April 2017. As a result, we expect to see the year-on-year RPK growth rate rebound sharply in May. The bigger picture is that the comparatively robust economic backdrop in the US is continuing to support outbound passenger demand from the region.

**Annual comparison to become more favorable for the Middle East in the coming months**

Year-on-year growth in international RPKs flown by airlines based in the Middle East slowed to 4.1% in April, from 10.8% in March. The SA upward trend has strengthened since the start of the year, helped by robust growth on the key routes to/from Asia and Europe, as well as continuing signs of recovery on the

market segment to/from North America. Given that we are approaching the one year anniversary of the peak disruption caused by proposed travel bans to the US and the now-lifted ban on personal electronic devices, the annual comparison for traffic growth is likely to become more favorable in the coming months.

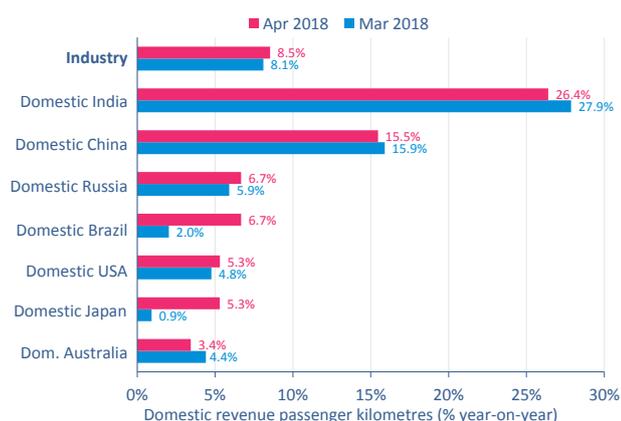
### Strong upward trend in African passenger traffic

Annual growth in international RPKs flown by African airlines halved to 5.1% in April, from 11.2% in March, but remained slightly ahead of its five-year average pace (4.9%). As in the case for the other regions, the upward SA demand trend remains strong, helped by continuing signs of improvement in the region's largest economies: business surveys in Nigeria and South Africa are both currently consistent with rising economic activity, which is just the fourth time this has been the case in the past 41 months. (Again, see Chart 3.)

### Slight pick-up in domestic RPK growth...

Annual industry-wide domestic RPK growth rose to 8.5% in April, from 8.1% in March. (See Chart 5.)

**Chart 5 – Domestic RPK growth by market**



Sources: IATA Economics, IATA Monthly Statistics

### ...helped by a pick-up in domestic US growth

This pick-up was driven by a modest acceleration in annual growth in the world's largest domestic market, the US (to 5.3%, from 4.8% in March). The robust upward trend in passenger demand is continuing to be supported by the comparatively bright economic performance of the US economy.

### India and China stay in a league of their own

Meanwhile, the upward trends in SA passenger volumes in India and China both remain very strong too. Domestic India RPKs posted double-digit annual growth for the 44<sup>th</sup> month in a row (26.4%), with passenger demand continuing to be supported by a combination of strong economic and network growth.

The domestic India load factor rose above 90% for just the second time on record (we recently released a research note that focused on the turnaround in airline performance in India in recent years: [link](#)).

Meanwhile, domestic China RPKs grew by 15.5% year-on-year in April, which was well above the five-year average pace (11.9%). Trade tensions with the US continue to pose risks to economic activity, but the bigger picture is that the services sector in China remains in good health. In fact, the expected rebalancing in the economy away from exports and investment towards consumer spending is likely to continue to bolster air passenger demand growth in both the short and the long run.

### Russia and Brazil post same growth rates in April

Domestic Russia RPKs increased by 6.7% year-on-year in April, up from 5.9% in March. With RPKs continuing to trend upwards at a double-digit annualized rate, any potential impacts on passenger demand from recently-imposed international sanctions appear to be being offset by the beneficial impact from higher oil prices.

Meanwhile, and as expected given the soft patch in demand seen a year ago, annual passenger growth in Brazil also accelerated to 6.7% in April (up from 2.0% in March). The key point is that domestic passenger traffic is continuing to trend upwards modestly (around an annualized pace of 4%), alongside an ongoing recovery in domestic economic conditions.

### Australia and Japan post the slowest growth

Domestic Australia RPKs increased by 3.4% year-on-year in April – a slowdown from March but still well above the five-year average pace (1.6%). The strong upward trend seen in late-2017 is continuing to provide a beneficial base for the year-on-year comparison.

In a reflection of volatility seen a year ago, annual growth in domestic Japan RPKs jumped to 5.3% in April, from 0.9% in the previous month. That said, the Japanese economy shrank for the first time in nine quarters in Q1, and passenger traffic has trended broadly sideways since May 2017. As we noted last month, the annual comparison is likely to become more challenging over the coming months.

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 31<sup>st</sup> May 2018

## Air passenger market detail - April 2018

	World share <sup>1</sup>	April 2018 (% year-on-year)				% year-to-date			
		RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>	RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>
<b>TOTAL MARKET</b>	<b>100.0%</b>	<b>6.2%</b>	<b>5.9%</b>	<b>0.2%</b>	<b>82.3%</b>	<b>7.0%</b>	<b>6.0%</b>	<b>0.8%</b>	<b>81.3%</b>
Africa	2.2%	0.9%	0.9%	0.0%	73.1%	2.9%	1.6%	0.9%	71.0%
Asia Pacific	33.7%	10.9%	9.2%	1.3%	82.8%	9.5%	8.5%	0.8%	81.9%
Europe	26.5%	3.7%	4.1%	-0.3%	84.1%	6.6%	5.1%	1.2%	82.5%
Latin America	5.2%	5.5%	5.8%	-0.3%	81.1%	7.0%	6.1%	0.7%	82.1%
Middle East	9.5%	3.9%	2.8%	0.8%	77.1%	4.9%	3.9%	0.7%	76.2%
North America	23.0%	3.7%	4.8%	-0.9%	83.3%	4.9%	4.5%	0.3%	82.2%
<b>International</b>	<b>63.8%</b>	<b>4.8%</b>	<b>4.9%</b>	<b>-0.1%</b>	<b>81.4%</b>	<b>6.7%</b>	<b>5.6%</b>	<b>0.8%</b>	<b>80.5%</b>
Africa	1.9%	5.1%	4.6%	0.4%	72.8%	6.8%	4.7%	1.4%	70.6%
Asia Pacific	18.5%	8.5%	7.6%	0.6%	81.0%	8.2%	7.4%	0.6%	80.7%
Europe	23.7%	3.4%	4.0%	-0.5%	84.6%	6.5%	5.1%	1.1%	83.2%
Latin America	2.8%	6.4%	7.5%	-0.8%	81.4%	9.0%	8.5%	0.4%	82.1%
Middle East	9.1%	4.1%	3.2%	0.7%	77.2%	4.8%	4.1%	0.5%	76.3%
North America	7.8%	0.9%	2.4%	-1.2%	80.7%	5.2%	4.0%	1.0%	80.6%
<b>Domestic</b>	<b>36.2%</b>	<b>8.5%</b>	<b>7.6%</b>	<b>0.7%</b>	<b>84.0%</b>	<b>7.5%</b>	<b>6.6%</b>	<b>0.7%</b>	<b>82.6%</b>
Dom. Australia <sup>4</sup>	0.9%	3.4%	2.0%	1.1%	80.2%	3.7%	1.0%	2.1%	79.1%
Domestic Brazil <sup>4</sup>	1.2%	6.7%	5.9%	0.5%	80.7%	5.1%	4.0%	0.8%	81.7%
Dom. China P.R. <sup>4</sup>	9.1%	15.5%	13.7%	1.3%	86.1%	12.6%	12.6%	0.0%	84.6%
Domestic India <sup>4</sup>	1.4%	26.4%	18.4%	5.8%	90.9%	23.7%	17.7%	4.3%	89.6%
Domestic Japan <sup>4</sup>	1.1%	5.3%	1.7%	2.3%	67.5%	3.5%	1.6%	1.3%	69.9%
Dom. Russian Fed. <sup>4</sup>	1.4%	6.7%	4.7%	1.5%	80.7%	6.6%	2.9%	2.7%	78.0%
Domestic US <sup>4</sup>	14.5%	5.3%	6.3%	-0.8%	84.8%	4.8%	4.8%	0.0%	83.2%

<sup>1</sup>% of industry RPKs in 2017      <sup>2</sup>Year-on-year change in load factor      <sup>3</sup>Load factor level

<sup>4</sup>Note: the seven domestic passenger markets for which broken-down data are available account for 30% of global total RPKs and approximately 82% of total domestic RPKs

**Note:** the total industry and regional growth rates are based on a constant sample of airlines combining reported data and estimates for missing observations. Airline traffic is allocated according to the region in which the carrier is registered; it should not be considered as regional traffic.

Further details about the statistics in this publication can be found [here](#).

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