



# AIR PASSENGER MARKET ANALYSIS **November 2018**

## Another month of solid RPK growth, but the trend has moderated

- Industry-wide revenue passenger kilometres (RPKs) grew by 6.2% in November. The upward traffic trend has moderated over the past six months alongside signs that the pace of global economic expansion is slowing.
- The industry-wide load factor fell in annual terms in November, for just the third month in two years. Passenger capacity has continued to trend upwards at a faster annualized rate than demand.
- Russia topped the domestic growth chart for the first time since April 2017 while domestic India posted its 51<sup>st</sup> consecutive month of double-digit annual growth. European airlines posted the fastest int'l RPK growth rate again.

### Solid, but moderating, RPK growth in November

Industry-wide revenue passenger kilometres (RPKs) grew by 6.2% year-on-year in November – a slight deceleration from 6.3% in the previous month.

The result is just ahead of the average RPK growth rate seen over the past decade (6.0%). However, it is some way below its five-year average (7.1%) and also lower than the growth rate this year to date (6.6%).

All told, the seasonally adjusted (SA) upward trend in RPKs has moderated over the second half of 2018. Passenger volumes have risen at a 6% annualized pace over the past six months – down from closer to 9% earlier in the year. (See Chart 1.)

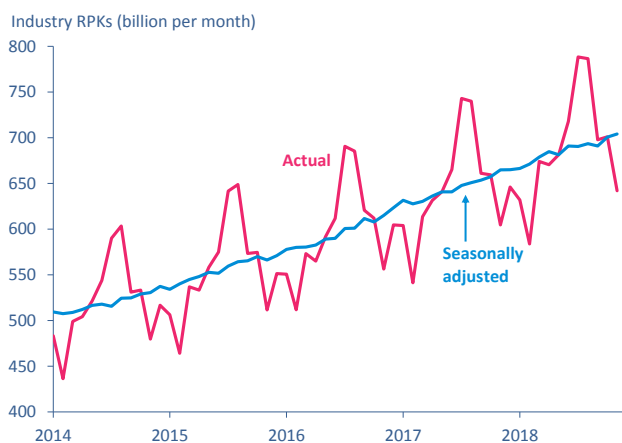
### Economic backdrop has become less supportive

The recent moderation in industry-wide RPK growth has come alongside ongoing signs that the pace of

global economic expansion is slowing. Indeed, the global composite Purchasing Managers' Index (PMI) – a business survey that has proven to be a very good leading indicator of RPK growth in the past – recently fell to its lowest level in 28 months. Admittedly, the indicator remains consistent with industry-wide RPK growth remaining at or around its current pace into 2019. (See Chart 2.) But equally, based on past experience, it suggests that a sharp pick-up in annual RPK growth is unlikely anytime soon.

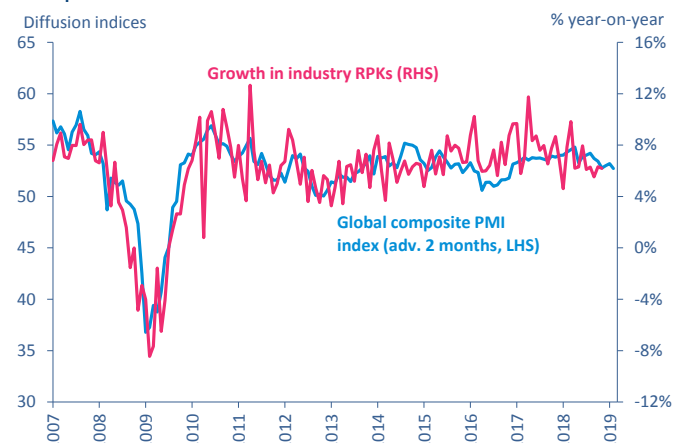
As we have noted before, the moderation in passenger volume growth has also partly reflected an ongoing reduced boost to demand from lower airfares than what we have seen in recent years. The manner in which these two drivers combine will be a key determinant to how fast passenger volumes will grow in 2019.

**Chart 1 – Air passenger volumes**



Sources: IATA Economics, IATA Monthly Statistics

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



Sources: IATA Economics, IATA Monthly Statistics, Markit

### Air passenger market overview - November 2018

	World share <sup>1</sup>	November 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>6.8%</b>	<b>-0.4%</b>	<b>80.0%</b>	<b>6.6%</b>	<b>6.1%</b>	<b>0.4%</b>	<b>82.0%</b>
International	64.1%	6.6%	6.7%	-0.1%	78.4%	6.4%	5.7%	0.5%	81.4%
Domestic	35.9%	5.6%	6.9%	-1.0%	82.8%	7.1%	6.7%	0.3%	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

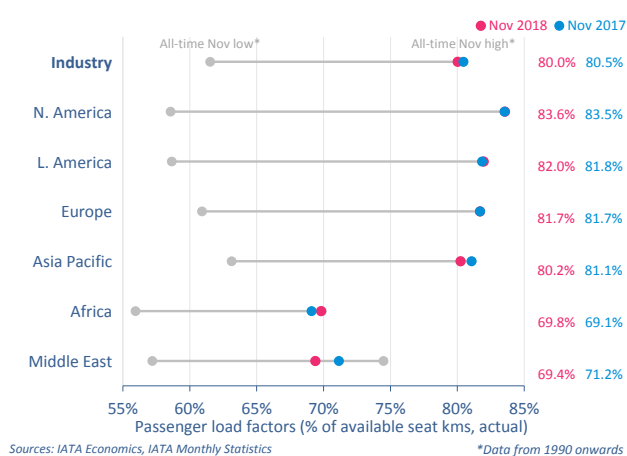
Our latest [forecasts](#), released in December 2018, expect to see RPK growth of 6.0% in 2019 as a whole.

### Load factor falls in annual terms in November

Industry-wide available seat kilometres (ASKs) grew by 6.8% year-on-year in November. As a result, the industry-wide passenger load factor fell in year-on-year terms for only the third time in two years, to 80.0%. However, this was driven entirely by falls in Asia Pacific and the Middle East. (See Chart 3.)

Following the recent moderation in the SA RPK trend, capacity has continued to trend higher at a faster rate than demand (currently around 0.5 percentage points on an annualized basis).

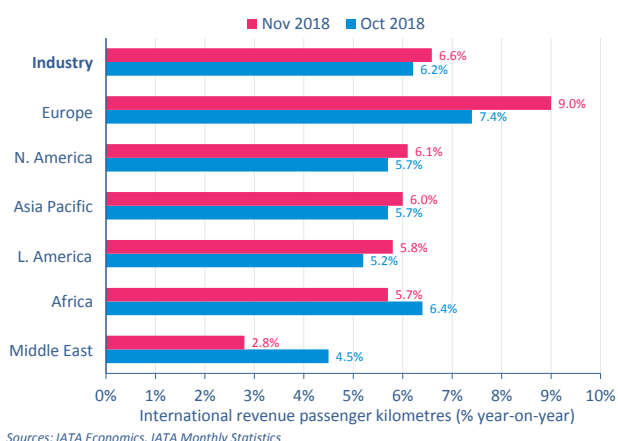
**Chart 3 – Passenger load factors by region**



### Int'l RPK growth accelerates in most regions

Year-on-year growth in industry-wide international RPKs increased to 6.6% in November, up from 6.2% in the previous month. (See Chart 4.)

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



### European airlines top the growth chart again...

Year-on-year growth in international RPKs flown by European airlines accelerated to a nine-month high in November (9.0%). The SA passenger trend had slowed sharply during mid-2018, but RPKs have risen strongly in month-on-month terms since September.

Given the mixed signs on the economic backdrop in the region it is unclear whether this pace of growth can be sustained going into 2019.

### ...ahead of North America and Asia Pacific

The groupings of airlines based in North America and Asia Pacific both posted similar year-on-year international RPK growth rates in November (6.1% and 6.0%, respectively).

Passenger demand in North America has been supported by comparatively strong momentum in the US economy in recent years. The current growth rate is well above its five-year average rate (4.0%).

Meanwhile, international passenger demand in Asia Pacific has continued to be underpinned by structural changes, including ongoing rises in living standards in the region, as well as network changes that ultimately stimulate demand. However, as we have noted before, the upward trend in traffic has moderated to an annualized pace of around 5% since mid-2018 – less than half the five-year average RPK growth rate in the region (9.0%). This ties in with signs of slowing growth in the Chinese economy (see next page). We will continue to monitor developments in the trend closely over the coming months.

### Divergent trends in Latin America and Africa

Carriers based in Latin America and Africa also posted very similar rates of year-on-year international RPK growth in November, at 5.8% and 5.7%, respectively.

Despite the solid pace of annual RPK growth seen in Latin America, the key point is that much of this growth took place in early-2018. The SA upward trend in passenger demand in the region has slowed over the second half of the year following the disruption evident from the general strikes seen in Brazil.

By contrast, despite ongoing challenges in the economic backdrops of Africa's largest economies, the upward trend in regional passenger demand remains strong. At 5.7% in November, annual international RPK growth remains higher than its five-year average (4.8%).

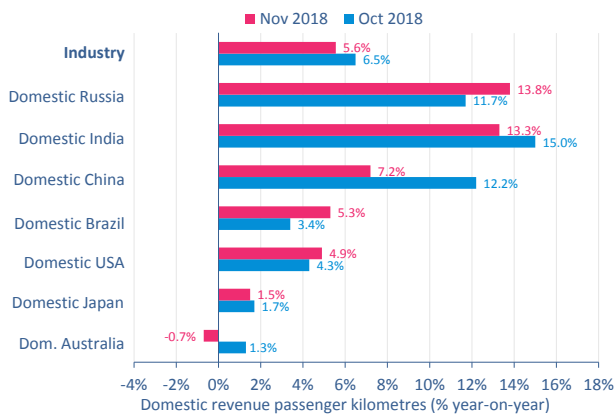
### Middle Eastern carriers post slowest growth again

Middle Eastern airlines posted the slowest annual international RPK growth rate for the third month in a row (2.8%). The region's airlines have been impacted by a number of policy measures and geopolitical tensions in recent years, including the ban on portable electronic devices and travel restrictions. However, while volatile, passenger volumes are once again trending upwards in SA terms.

## Domestic RPK growth slows to an 11-month low

Annual growth in domestic RPKs remained slowed to 5.6% in November – its slowest pace in 11 months and down from 6.5% in October. (See Chart 5.)

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



Sources: IATA Economics, IATA Monthly Statistics

## Strong upward RPK trend in Russia...

Domestic Russia topped the annual growth chart for the first time since April 2017 (13.8%). The traffic trend has accelerated sharply since the middle of 2018 alongside a pick-up in business confidence. RPKs are currently surging upwards at 22% annualized rate.

## ...lifts it ahead of India in the growth chart

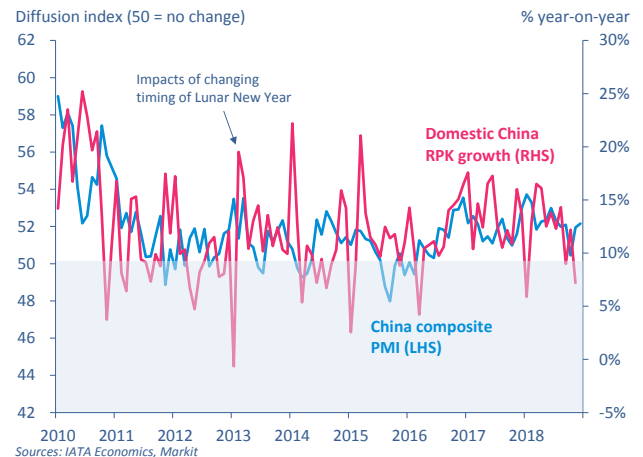
India posted its 51<sup>st</sup> consecutive month of double-digit domestic RPK growth in November (13.3%). This was the slowest pace in 16 months, but the bigger picture is that the strong upward trend in traffic remains in place. As we have argued before, strong gains in the domestic India market are being supported by structural changes, including ongoing rises in living standards, as well as large increases in the number of airport connections within the country. The latter translate into time savings and has a similar stimulatory impact on demand as reductions in fares

## Further signs of slowing trend in China...

Annual growth in domestic China RPKs fell to 7.2% in November, from 12.2% in the previous month. There have been ongoing signs of a slowdown in the SA RPK trend, with passenger volumes currently trending upwards at a 5% annualized rate. This has come alongside rising concerns of a slowdown in the pace of economic growth within the country. While business confidence has picked up in November and

December we will continue to monitor closely in the coming months. (See Chart 6.)

**Chart 6 – Domestic China RPKs and composite PMI**



## ...alongside a similar picture in the US too

Domestic US RPKs grew by a solid 4.9% year-on-year in November, up from 4.3% in October. Strong momentum in the US economy has supported domestic passenger growth in recent years. Nonetheless, the upward trend in SA traffic has also moderated since the middle of the year.

## Domestic Brazil RPKs surpass late-2014 SA peak

Annual growth in domestic Brazil RPKs rose to a four-month high of 5.3% in November, from 3.4% in October. The economic backdrop remains fragile, but domestic passenger traffic finally surpassed its late-2014 peak in SA terms in October.

## Domestic Japan RPKs growth stays in positive territory...

Annual growth in domestic Japan RPKs remained in positive territory in November (1.5%) as SA traffic continued to recover from the significant disruption caused by Typhoon Jebi in October – most notably at Kansai airport.

## ...but turns negative in Australia

Domestic Australia RPKs fell by 0.7% in November from the same month in 2017. Nonetheless, the bigger picture is that RPKs are continuing to trend sideways in a narrow band in SA terms.

IATA Economics  
[economics@iata.org](mailto:economics@iata.org)  
10<sup>th</sup> January 2019

## Air passenger market detail - November 2018

	World share <sup>1</sup>	November 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>6.8%</b>	<b>-0.4%</b>	<b>80.0%</b>	<b>6.6%</b>	<b>6.1%</b>	<b>0.4%</b>	<b>82.0%</b>
Africa	2.2%	2.2%	1.2%	0.7%	69.8%	2.5%	0.9%	1.1%	71.4%
Asia Pacific	33.8%	6.3%	7.4%	-0.8%	80.2%	8.7%	8.0%	0.6%	81.6%
Europe	26.7%	8.8%	8.8%	0.0%	81.7%	6.5%	5.5%	0.8%	84.8%
Latin America	5.1%	6.2%	6.0%	0.1%	82.0%	6.1%	6.5%	-0.3%	81.5%
Middle East	9.4%	2.6%	5.2%	-1.8%	69.4%	4.5%	5.0%	-0.3%	75.0%
North America	22.8%	5.1%	5.0%	0.0%	83.6%	5.1%	4.8%	0.3%	83.9%
<b>International</b>	<b>64.1%</b>	<b>6.6%</b>	<b>6.7%</b>	<b>-0.1%</b>	<b>78.4%</b>	<b>6.4%</b>	<b>5.7%</b>	<b>0.5%</b>	<b>81.4%</b>
Africa	1.9%	5.7%	3.9%	1.2%	68.9%	6.7%	4.4%	1.5%	70.9%
Asia Pacific	18.8%	6.0%	6.0%	0.0%	79.1%	7.4%	6.5%	0.6%	80.5%
Europe	23.9%	9.0%	9.1%	-0.1%	82.1%	6.5%	5.7%	0.7%	85.3%
Latin America	2.7%	5.8%	6.6%	-0.6%	80.6%	6.7%	7.6%	-0.7%	81.9%
Middle East	9.1%	2.8%	5.6%	-1.9%	69.0%	4.7%	5.3%	-0.4%	74.9%
North America	7.8%	6.1%	3.8%	1.7%	80.6%	5.2%	3.8%	1.1%	82.6%
<b>Domestic</b>	<b>35.9%</b>	<b>5.6%</b>	<b>6.9%</b>	<b>-1.0%</b>	<b>82.8%</b>	<b>7.1%</b>	<b>6.7%</b>	<b>0.3%</b>	<b>83.2%</b>
Dom. Australia <sup>4</sup>	0.9%	-0.7%	-1.1%	0.3%	82.6%	1.8%	0.1%	1.3%	80.1%
Domestic Brazil <sup>4</sup>	1.2%	5.3%	4.1%	1.0%	83.6%	4.9%	5.4%	-0.3%	81.0%
Dom. China P.R. <sup>4</sup>	9.1%	7.2%	10.2%	-2.3%	82.0%	12.0%	12.1%	0.0%	84.4%
Domestic India <sup>4</sup>	1.4%	13.3%	19.8%	-4.8%	84.4%	19.2%	17.6%	1.2%	86.9%
Domestic Japan <sup>4</sup>	1.1%	1.5%	3.0%	-1.1%	75.6%	1.7%	0.7%	0.7%	72.1%
Dom. Russian Fed. <sup>4</sup>	1.4%	13.8%	10.9%	2.1%	81.6%	8.8%	6.2%	2.0%	83.8%
Domestic US <sup>4</sup>	14.3%	4.9%	5.9%	-0.8%	85.2%	5.2%	5.4%	-0.2%	84.7%

<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.

### Get the data

Access data related to this briefing through IATA's Monthly Statistics publication:  
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