



AIR PASSENGER MARKET ANALYSIS **September 2018**

Weather effects at play in Sept, but upward trend slowed in Q3

- Annual growth in industry-wide revenue passenger kilometres (RPKs) slowed to an eight-month low of 5.5% in September. The outcome was affected in part by weather impacts, although the upward traffic trend slowed in Q3.
- The industry-wide load factor fell in annual terms for the first time in eight months in September. Nonetheless, airlines based in Europe, Asia Pacific, and Africa all managed to post record-high passenger loads for the month.
- Domestic India RPKs posted their 49th consecutive month of double-digit annual growth, while Latin American and African airlines posted the fastest international RPK growth rates.

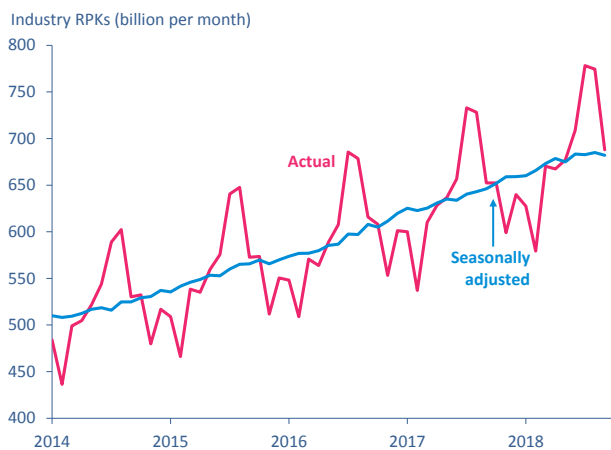
Weather effects distorted growth in September...

Annual growth in industry-wide revenue passenger kilometres (RPKs) slowed to an eight-month low of 5.5% in September, down from 6.4% in August.

The slowdown in year-on-year RPK growth from the previous month in part reflects the disruptive impact of hurricane and typhoon activity during September, particularly Typhoon Jebi in Japan, which caused the complete closure of Kansai airport for a number of days. All told, we estimate weather-related disruption to have reduced year-on-year industry-wide RPK growth by around 0.1-0.2 percentage point in September ([link](#)).

Allowing for the impact of this disruption, year-on-year RPK growth in September was broadly in line with its ten-year average pace (5.7%). To be clear, this is still a solid pace. Nonetheless, it is somewhat slower than

Chart 1 – Air passenger volumes



Sources: IATA Economics, IATA Monthly Statistics

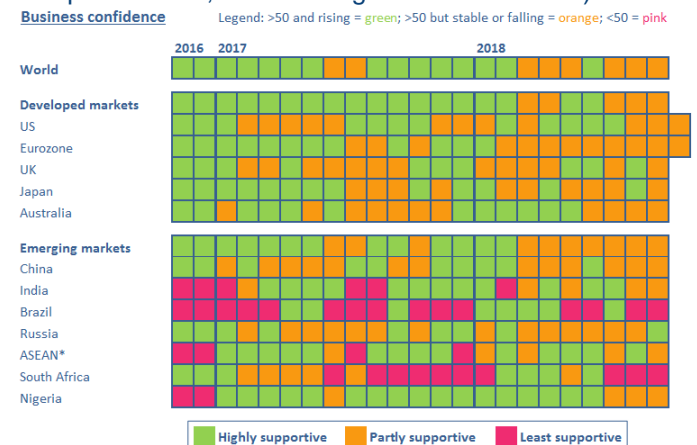
the growth rates we have become accustomed to in recent years, and below the pace that RPKs have grown by so far this year to date (6.7%).

...alongside signs that the SA trend slowed in Q3

In fact, it is important to note that the upward trend in seasonally adjusted (SA) RPKs has moderated over the course of the third quarter. (See Chart 1.) This is perhaps the clearest indication yet of the extent to which we are seeing a reduced boost to demand from lower airfares than we have seen in recent years.

Moreover, the moderation in the upward RPK trend has continued to come alongside a more mixed picture on the economic backdrop too. This is being driven by a range of factors, including heightened uncertainty about trade policies, geopolitical tensions in parts of the world and region-specific issues such as Brexit. While business surveys continue to point to rising

Chart 2 – Economic conditions (monthly data from composite PMIs, selected regions and countries)



Sources: IATA, Markit, Thomson Reuters Datastream

* Manufacturing PMI

Air passenger market overview - September 2018

	World share ¹	September 2018 (% year-on-year)				% year-to-date			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	5.5%	5.8%	-0.3%	81.4%	6.7%	6.0%	0.6%	82.3%
International	63.8%	4.9%	5.1%	-0.1%	81.2%	6.4%	5.5%	0.6%	81.7%
Domestic	36.2%	6.5%	7.4%	-0.6%	81.6%	7.4%	6.7%	0.5%	83.4%

¹ of industry RPKs in 2017

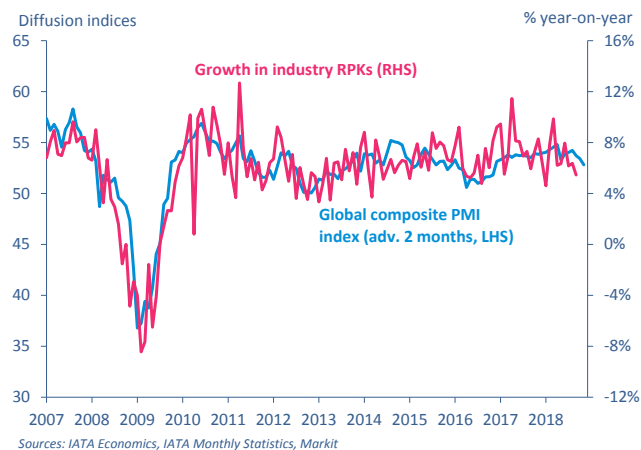
²Year-on-year change in load factor

³Load factor level

economic activity in most of the world, economic conditions are less supportive today than they were in late-2017, for example. (See Chart 2, previous page.)

The global composite Purchasing Managers' Index (PMI) is still consistent with solid rates of industry-wide RPK growth over the coming months, in the region of 6%. (See Chart 3.) However, as we have noted before, the indicator appears to rule out a significant or sustained acceleration in industry-wide RPK growth between now and the end of 2018.

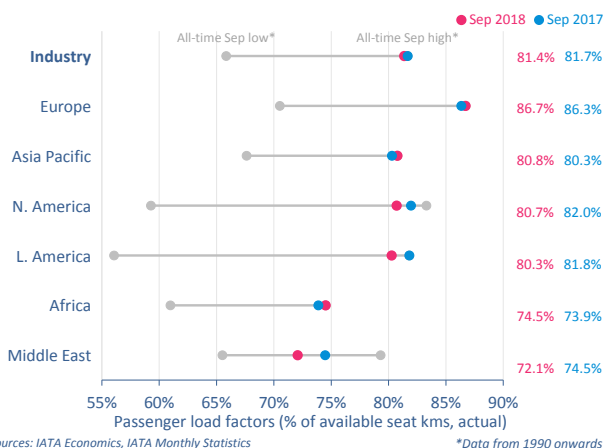
Chart 3 – Air passenger volume growth and global composite business confidence measure



Load factor falls in annual terms in September

Industry-wide available seat kilometres (ASKs) grew by 5.8% year-on-year in September. As a result, the industry-wide passenger load factor fell in annual terms for the first time in eight months (0.3 percentage point relative to the record-September high that was recorded last year). That said, airlines based in Europe, Asia Pacific, and Africa still all managed to post record load factors for the month of September. (See Chart 4.)

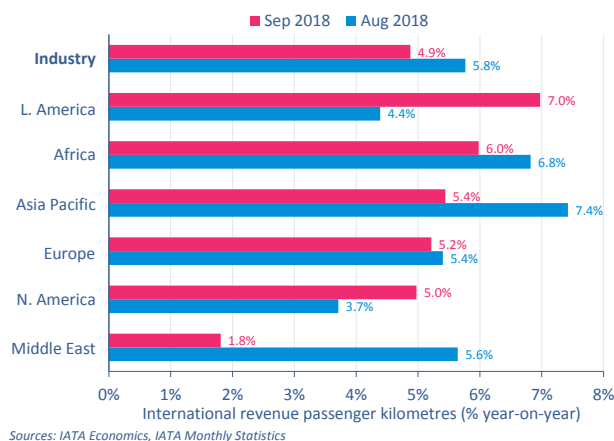
Chart 4 – Passenger load factors by region



International RPK growth slows in most regions

Year-on-year growth in industry-wide international RPKs slowed to 4.9% in September. (See Chart 5.)

Chart 5 – International passenger traffic growth by airline region of registration



Latin American airlines top the growth chart...

The two smallest regions in terms of international RPKs flown – Africa and Latin America – posted the fastest annual growth in September.

Indeed, airlines based in Latin America topped the international growth chart for the first time in four months (7.0%). RPKs have continued to stage a modest recovery from the softness seen during the summer, which coincided with the general strikes seen in Brazil. The current growth rate is broadly in line with its five-year average pace (7.4%).

...ahead of African airlines

Meanwhile, year-on-year RPK growth of 6.0% in September was enough to keep African airlines in the top two for the fourth month in a row. While such growth was a slight deceleration from August, the bigger picture is that the upward SA demand trend remains strong, and annual RPK growth is still ahead of its five-year average (4.9%). As we have noted before, this is set alongside an increasingly challenging economic backdrop for the continent's largest economies, with South Africa reentering recession in Q2 and a moderation in business confidence in Nigeria in recent months. (Again, see Chart 2, previous page.)

Weather disruption most visible in Asia Pacific

We estimate that the net impact of typhoons to have subtracted between 0.3 and 0.6 percentage point from year-on-year international RPK growth for airlines based in Asia Pacific in September (link). Accordingly, while annual growth slowed to 5.4% in September, the 'true' pace of growth could have been closer to 6%.

In any case, the upward trend in passenger traffic remains very strong, supported by structural changes, including ongoing rises in living standards in the region, as well as network changes that translate into time savings and ultimately stimulate demand.

European traffic trend has moderated markedly

European airlines flew 5.2% more international RPKs in September 2018 than they did in the same month last year. However, most of this growth occurred in late-2017 and early-2018: passenger volumes are currently trending upwards at a more moderate 2% annualized rate, consistent with recent mixed signs on the economic backdrop in the region.

Ongoing robust upward trend in North America

Strong momentum in the US economy has helped to underpin a pick-up in international passenger demand for North American airlines. Carriers based in the region flew 5.0% more international FTKs in September compared with September 2017 – some way above the five-year average pace (3.7%).

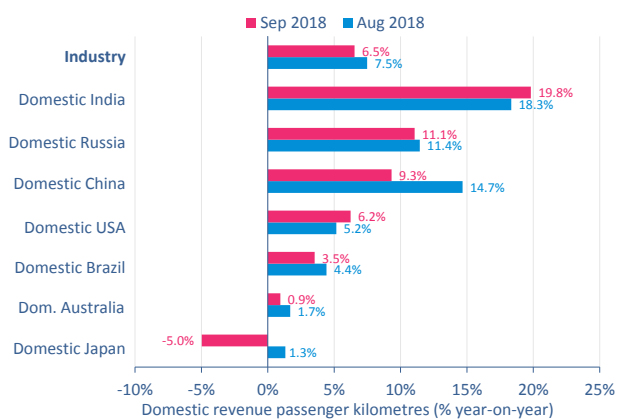
Middle Eastern carriers post the slowest growth

Meanwhile, year-on-year growth in international RPKs flown by airlines based in the Middle East fell to a four-month low of 1.8% in September. As in previous months, the current volatility in the annual growth rate mainly reflects developments a year ago than a marked change in the ongoing moderate upward trend. Recall that 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.

Modest deceleration in domestic RPK growth

Annual growth in domestic RPKs slowed to 6.5% in September, from 7.5% in August. (See Chart 6.)

Chart 6 – Domestic RPK growth by market



Typhoon Jebi took a big toll in Japan in Sept...

We estimate that around one-fifth of this deceleration was accounted for by the significant disruption caused by Typhoon Jebi in Japan last month – most notably at Kansai airport. Domestic Japan RPKs fell by 5.0% in year-on-year terms in September. Nonetheless, the key point is that this impact is likely to have been temporary, and we expect to see a bounce-back in the October growth rate.

...while growth slowed sharply in China too

Weather-related disruption may also have played a limited role in the slowdown in annual RPK growth in China in September too (to 9.3%, from 14.7% in August). However, it's important to note that the SA upward trend has slowed over the past six months, alongside ongoing signs that trade tensions are starting to weigh on economic activity.

India tops the growth chart once again

India topped the domestic chart once again, with its 49th consecutive month of double-digit growth (19.8%). The already very strong upward trend in traffic has strengthened in recent months. As we have noted before, domestic expansion is being supported structural changes, including ongoing rises in living standards, as well as large increases in the number of airport connections within the country. The latter translates into time savings and has a similar stimulatory impact on demand as reductions in fares.

Strong upward RPK trend in Russia...

Domestic Russia RPKs have also continued to trend upwards strongly in SA terms. Year-on-year growth in domestic Russia RPKs remained in double-digit territory in September (11.1%).

...alongside solid momentum in the US too

The strong economic backdrop in the US is continuing to help to drive robust growth in domestic passenger volumes. Year-on-year growth in domestic RPKs rose to 6.2% in September, from 5.2% in August, and well above the five-year average pace (4.3%).

Domestic Brazil RPKs continuing to recover

Annual growth in domestic Brazil RPKs fell to a six-month low in September (to 3.5%, from 4.4%). However, as was the case last month, developments in the current annual growth rate mainly reflect strong growth in the year-ago period rather than any slump at present. Indeed, while the economic backdrop remains challenging, the recovery in domestic passenger traffic from the low reached in early-2016 has continued.

Another month of moderate growth in Australia

Year-on year growth in domestic RPKs fell to 0.9% in September, from 1.7% in the previous month. The bigger picture is that RPKs have now broadly tracked sideways in SA terms over the past year or so.

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6th November 2018

Air passenger market detail - September 2018

	World share ¹	September 2018 (% year-on-year)				% year-to-date			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	5.5%	5.8%	-0.3%	81.4%	6.7%	6.0%	0.6%	82.3%
Africa	2.2%	2.3%	1.4%	0.6%	74.5%	2.8%	1.0%	1.3%	72.0%
Asia Pacific	33.7%	6.7%	6.0%	0.5%	80.8%	9.2%	8.2%	0.8%	81.9%
Europe	26.6%	5.4%	4.9%	0.4%	86.7%	6.2%	5.0%	0.9%	85.2%
Latin America	5.1%	6.3%	8.3%	-1.5%	80.3%	6.1%	6.3%	-0.2%	81.5%
Middle East	9.5%	1.4%	4.8%	-2.4%	72.1%	4.6%	4.9%	-0.2%	75.2%
North America	23.0%	5.6%	7.2%	-1.2%	80.7%	5.1%	4.8%	0.3%	84.1%
International	63.8%	4.9%	5.1%	-0.1%	81.2%	6.4%	5.5%	0.6%	81.7%
Africa	1.9%	6.0%	4.9%	0.8%	74.6%	6.8%	4.4%	1.6%	71.9%
Asia Pacific	18.5%	5.4%	4.3%	0.9%	79.2%	7.8%	6.8%	0.8%	80.6%
Europe	23.7%	5.2%	4.9%	0.2%	87.0%	6.2%	5.2%	0.8%	85.6%
Latin America	2.8%	7.0%	9.8%	-2.1%	80.3%	7.0%	7.5%	-0.4%	81.9%
Middle East	9.1%	1.8%	5.3%	-2.4%	72.3%	4.8%	5.2%	-0.3%	75.3%
North America	7.8%	5.0%	5.4%	-0.3%	80.8%	5.0%	3.8%	0.9%	83.2%
Domestic	36.2%	6.5%	7.4%	-0.6%	81.6%	7.4%	6.7%	0.5%	83.4%
Dom. Australia ⁴	0.9%	0.9%	-0.4%	1.1%	80.6%	2.1%	0.3%	1.4%	79.1%
Domestic Brazil ⁴	1.2%	3.5%	6.0%	-2.0%	81.1%	5.1%	5.4%	-0.2%	80.8%
Dom. China P.R. ⁴	9.1%	9.3%	10.3%	-0.7%	83.6%	12.7%	12.5%	0.1%	84.8%
Domestic India ⁴	1.4%	19.8%	18.8%	0.7%	84.7%	20.5%	17.3%	2.3%	87.2%
Domestic Japan ⁴	1.1%	-5.0%	-3.7%	-1.0%	75.1%	1.7%	0.3%	1.0%	72.0%
Dom. Russian Fed. ⁴	1.4%	11.1%	8.5%	2.0%	87.0%	8.0%	5.5%	1.9%	83.6%
Domestic US ⁴	14.5%	6.2%	8.6%	-1.8%	80.7%	5.3%	5.3%	-0.1%	84.7%

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

⁴Note: 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.

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