



AIR PASSENGER MARKET ANALYSIS **November 2017**

Air passenger volumes are carrying solid momentum into 2018

- Industry-wide revenue passenger kilometres (RPKs) rose by a robust 8.0% year-on-year in November. With just one month's worth of data to come, 2017 remains on track to be another year of above-trend air passenger growth.
- The upward RPK trend has strengthened towards the end of 2017, pointing to good start for pax growth in 2018.
- The industry-wide seasonally adjusted (SA) load factor rose above 82% for the first time ever in November...
- ...with load factors in each of the seven domestic markets that we track posting record highs for the month.

Robust passenger demand growth in November

Industry-wide revenue passenger kilometres (RPKs) grew by 8.0% year-on-year in November – the fastest rate in five months and up from 7.3% in October.

With just one month's worth of data to come, 2017 remains on track to be another year of above-trend passenger growth, some way ahead of the ten-year average pace (5.5%).

Another above-trend year expected in 2018...

We expect another year of above-trend passenger growth in 2018 as a whole, albeit at a slightly slower pace than seen in 2017. This view mainly reflects increases in airline input costs – notably fuel prices but also labor costs in certain countries – which mean that we are unlikely to see the same degree of stimulation to demand from lower airfares in 2018 than we have in recent years.

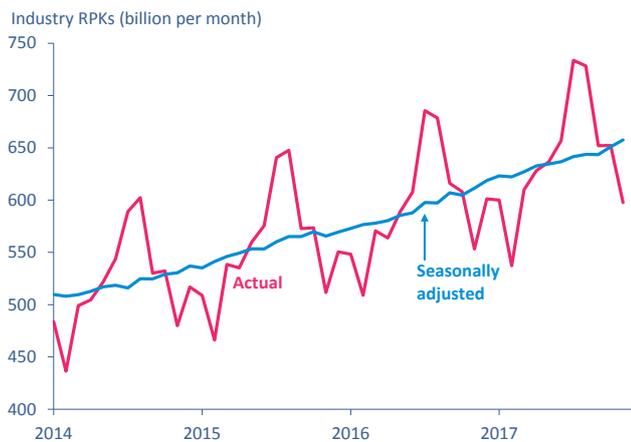
Indeed, at the time of writing, oil prices are currently at their highest level since May 2015, more than 50% higher than their level in mid-2017.

...helped by buoyant global economic conditions

Nonetheless, global passenger traffic is carrying solid momentum into 2018; having moderated slightly over the course of 2017, the upward trend in RPKs has since increased to an annualized pace of around 7-8% over the past six months or so.

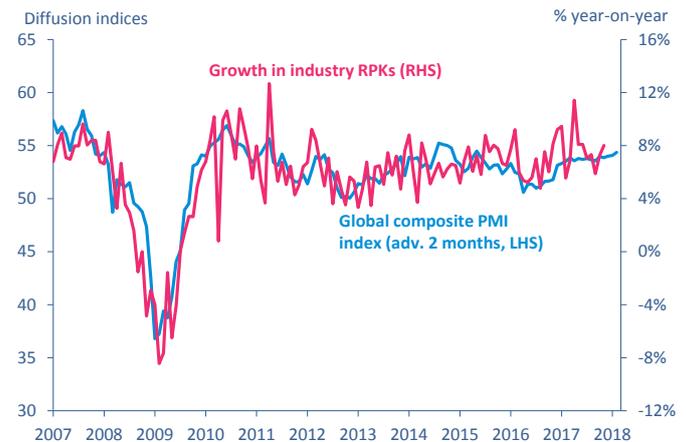
Moreover, recent increases in business confidence point to a strong start to 2018 for passenger growth. The composite Purchasing Managers' Index (PMI) – a measure of global business confidence, which has proved to be a useful leading indicator of air passenger demand growth in the past – ended 2017 at its highest level in almost three years. At current levels, the indicator is consistent with year-on-year

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 2017

	World share ¹	November 2017 (% 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%	8.0%	6.3%	1.2%	80.2%	7.7%	6.4%	1.0%	81.5%
International	63.6%	8.1%	6.6%	1.1%	78.2%	8.1%	6.5%	1.2%	80.6%
Domestic	36.4%	7.8%	5.9%	1.4%	83.6%	7.1%	6.2%	0.7%	83.1%

¹% of industry RPKs in 2016

²Year-on-year change in load factor

³Load factor level

RPK growth staying in the region of 7.5-8% into the start of 2018. (See Chart 2.)

SA load factor reaches an all-time high above 82%

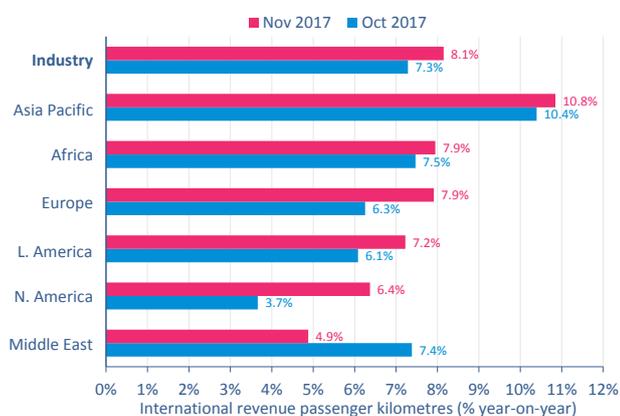
Industry-wide available seat kilometres (ASKs) increased by 6.3% year-on-year in November. As a result, the passenger load factor increased by 1.2 percentage points compared to November 2016, to a record-high for the month (80.2%).

With aggregate capacity expanding at a slower pace than demand, the SA load factor rose above 82% for the first time on record in November.

A mixed month for international RPK growth

Year-on-year growth in international RPKs accelerated to 8.1% in October, from 7.3% in the previous month. (See Chart 3.)

Chart 3 – International passenger traffic growth by airline region of registration



Asia Pacific airlines top the growth chart again...

Airlines based in Asia Pacific posted the fastest year-on-year international RPK growth rate for the third month in a row (10.8%, up from 10.4% in October and the fastest pace in seven months). Passenger volumes have continued to trend upwards strongly in SA terms, driven by robust regional economic growth and ongoing expansion in options for travelers.

...as growth is picking up for African airlines too

Annual growth in international RPKs flown by African airlines also increased in November, to a six-month high of 7.9%. Volumes have started to trend upwards strongly again in SA terms in recent months, in line with an improvement in business confidence in key economies including Kenya and Nigeria (the latter has been helped by recent rises in oil prices). However, amid recent political uncertainty, economic indicators in South Africa are still consistent with *falling* economic activity.

Strong rise in European RPKs in November

European airlines flew 7.9% more international RPKs in November 2017 than they did in the same month a year ago.

The upward trend in SA RPKs had slowed during the middle of 2017, which we attribute to the predominately short-haul, and hence highly price sensitive, nature of international travel in the region. RPKs gained strongly in SA terms in November, although it is too soon to tell if this is a one-off or the start of a new robust upward trend in traffic. In any case, economic conditions in the region remain highly supportive, with business confidence recently having risen to its strongest level in seven years.

A mixed few months for carriers in the Americas...

Airlines based in Latin America posted year-on-year RPK growth of 7.2% in November, up from 6.1% in October. This was broadly in line with the region's five-year average rate, although the result owed much to the previous strong upward trend in traffic; after a mixed few months, SA volumes are still below the peak level reached in July 2017.

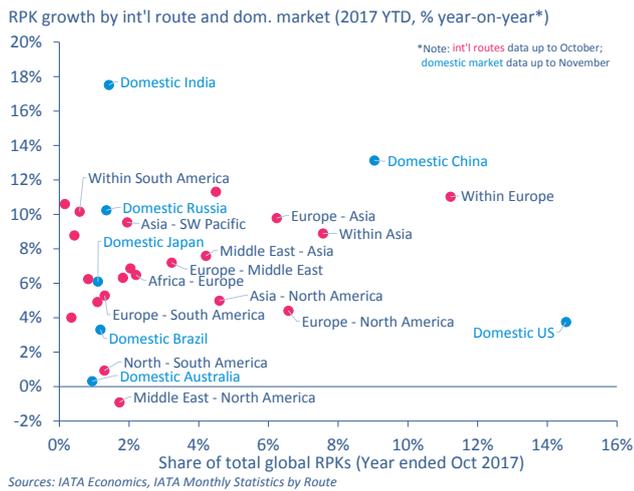
It is a similar story for North American airlines. The comparatively robust economic backdrop is helping to support outbound passenger demand, but this appears to be being offset in part by a negative impact on inbound travel to the US from the additional security measures involved with travelling there. RPK growth increased to 6.4% year-on-year in November, although traffic has trended upwards at a slower annualized rate of around 3% over the past six months or so.

...as well as in the Middle East

The Middle East was the only region to see a slowdown in its annual RPK growth rate in November, to 4.9%, from 7.4% in the previous month. This mainly reflected a strong month-on-month gain in traffic a year ago rather than a marked change in trend this year. Indeed, having trended downwards in SA terms during H1 2017, the upward trend has resumed, recovering to a robust pace over the second half of the year.

The market segment to and from North America was affected by a combination of factors during 2017, including the now-lifted ban on personal electronic devices, as well as a wider impact stemming from the proposed travel bans to the US; it remains the only one of the main international markets that we track regularly not to have grown in annual terms this year to date. (See Chart 4.)

Chart 4 – RPK growth by route and market (YTD)



Wide variation in domestic RPK performance

Domestic RPKs grew by 7.8% year-on-year in November, up from 7.2% in October. (See Chart 5.) November was also notable because each of the seven domestic markets that we track posted record high load factors for the month. (See Chart 6.)

Chart 5 – Domestic RPK growth by market

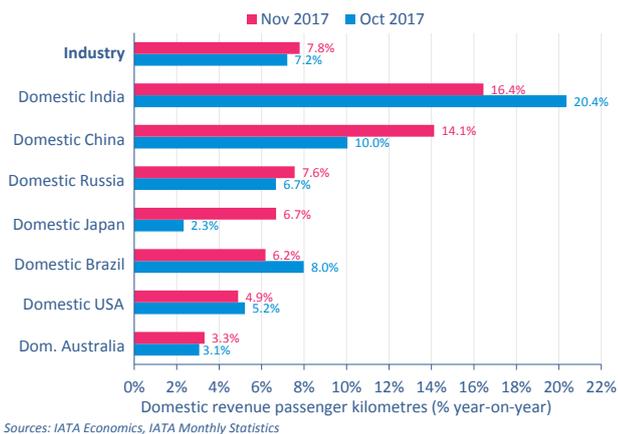


Chart 6 – Domestic load factors



India and China top the growth chart for 7th month

Domestic India RPKs posted their 39th consecutive month of double-digit annual growth in November (16.4%). The upward SA traffic trend remains very

strong, supported by sustained increases in living standards and increased options for passengers.

It is a similar story in China, where the strong upward trend in domestic RPKs has also continued. Passenger volumes grew by 14.1% year-on-year in November – the fastest pace in five months.

Domestic US and Japan RPKs are continuing to recover from weather-related disruption

The domestic US market has continued to recover from the hurricane-related disruption seen in September. Domestic RPKs grew by 4.9% year-on-year in November and are trending upwards solidly. The comparatively strong economic backdrop is helping to underpin domestic demand, with consumer confidence at historically high levels. The potential boost to activity from the recently agreed tax package may be a further positive in this regard.

Having been disrupted by typhoons in the previous two months, domestic Japan passenger volumes rose strongly in SA terms in November. This helped lift the year-on-year growth rate to a three-month high of 6.7%. The Japanese economy is enjoying its longest stretch of growth since at least 1994, which is likely to continue to support passenger demand.

Ongoing recovery in domestic Brazil RPKs...

Domestic Brazil RPKs are also continuing to recover following the impacts related to the country's deep recession in recent years. Admittedly, annual RPK growth slowed to 6.2% in November, from 8.0% in October. However, this mainly reflected developments seen a year ago rather than movements this year. The bigger picture is that SA RPKs are trending upwards and are now back to levels last seen in mid-2015.

...as well as in Russia and Australia

Year-on-year growth in domestic Russia RPKs accelerated to 7.6% year-on-year in November. The upward trend in SA domestic Russia RPKs resumed in the final third of 2017, alongside recent rises in oil prices; indeed, traffic has trended upwards at a double-digit annualized pace over the past three months or so.

Domestic Australia RPKs have also risen strongly in the latter months of 2017, which lifted year-on-year growth to a 14-month high of 3.3% in November. This has happened against a backdrop of *falling* capacity (-0.5% year-on-year in November).

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 11th January 2018

Air passenger market detail - November 2017

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TOTAL MARKET	100.0%	8.0%	6.3%	1.2%	80.2%	7.7%	6.4%	1.0%	81.5%
Africa	2.2%	5.6%	2.0%	2.3%	69.4%	6.6%	2.9%	2.4%	70.7%
Asia Pacific	32.9%	11.3%	9.0%	1.6%	80.6%	10.2%	8.4%	1.3%	81.0%
Europe	26.4%	7.9%	5.8%	1.6%	81.5%	8.3%	6.4%	1.5%	84.1%
Latin America	5.2%	5.8%	4.7%	0.9%	82.4%	7.1%	5.5%	1.2%	81.8%
Middle East	9.6%	4.8%	4.4%	0.3%	70.2%	6.7%	6.6%	0.0%	74.4%
North America	23.8%	5.4%	4.6%	0.6%	83.5%	4.2%	4.0%	0.1%	83.7%
International	63.6%	8.1%	6.6%	1.1%	78.2%	8.1%	6.5%	1.2%	80.6%
Africa	1.9%	7.9%	3.7%	2.7%	68.3%	7.8%	3.6%	2.7%	70.1%
Asia Pacific	18.2%	10.8%	8.7%	1.5%	78.6%	9.5%	7.8%	1.2%	79.5%
Europe	23.6%	7.9%	6.2%	1.3%	81.9%	8.4%	6.2%	1.7%	84.6%
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North America	8.0%	6.4%	6.1%	0.2%	79.1%	4.9%	4.4%	0.4%	81.7%
Domestic	36.4%	7.8%	5.9%	1.4%	83.6%	7.1%	6.2%	0.7%	83.1%
Dom. Australia ⁴	1.0%	3.3%	-0.5%	3.0%	82.0%	0.3%	-1.8%	1.6%	78.4%
Domestic Brazil ⁴	1.2%	6.2%	3.6%	2.0%	82.9%	3.3%	1.5%	1.4%	81.4%
Dom. China P.R. ⁴	8.7%	14.1%	12.9%	0.9%	82.9%	13.1%	11.6%	1.2%	84.4%
Domestic India ⁴	1.3%	16.4%	10.4%	4.6%	89.3%	17.5%	14.7%	2.0%	85.3%
Domestic Japan ⁴	1.1%	6.7%	0.7%	4.3%	77.5%	6.1%	1.2%	3.3%	72.0%
Dom. Russian Fed. ⁴	1.3%	7.6%	0.9%	4.9%	79.0%	10.2%	9.8%	0.3%	81.2%
Domestic US ⁴	15.0%	4.9%	3.9%	0.8%	85.8%	3.7%	3.8%	0.0%	84.9%

¹% of industry RPKs in 2016 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

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

Get the data

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