



AIR PASSENGER MARKET ANALYSIS October 2017

Air passenger volumes post robust year-on-year growth in October

- Global revenue passenger kilometres (RPKs) rose by a robust 7.2% year-on-year in October. As expected, volumes rose strongly in seasonally adjusted (SA) month-on-month terms after the hurricane-related disruption in September.
- The upward trend in RPKs has moderated over the course of the year, but remains solid by historical standards.
- Once again, the industry-wide load factor posted a record high for the month (80.8% of available seat kilometres).
- Domestic US pax volumes bounced back in October, while India topped the domestic growth chart once again.

Annual RPK growth makes a robust start to Q4...

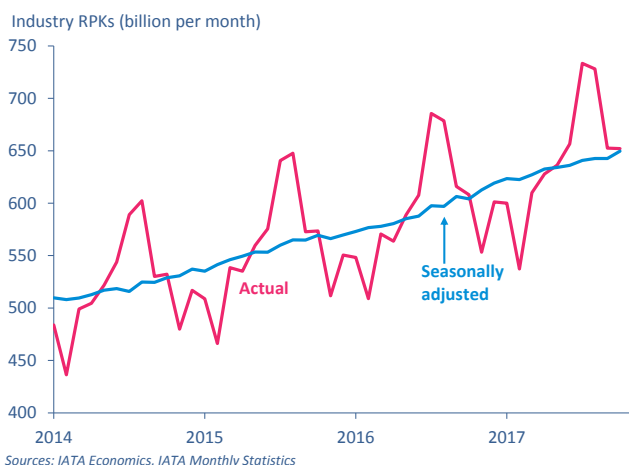
Year-on-year growth in industry-wide revenue passenger kilometres (RPKs) accelerated to a robust 7.2% in October, up from 6.0% in the previous month.

Global RPKs have now grown by 7.7% in annual terms so far this year. All told, 2017 remains on course to be another year of above-trend passenger growth, some way ahead of the ten-year average pace (5.5%).

...as RPKs bounce back from hurricane disruption

As expected, passenger volumes recovered in October following the disruption caused by Hurricanes Irma and Maria on operations in the Americas in September. Global RPKs did not grow at all in SA month-on-month terms last month, but jumped by 1.1% in October as operations returned to normal – the strongest rise on this basis in ten months.

Chart 1 – Air passenger volumes



Upward trend in SA traffic has slowed...

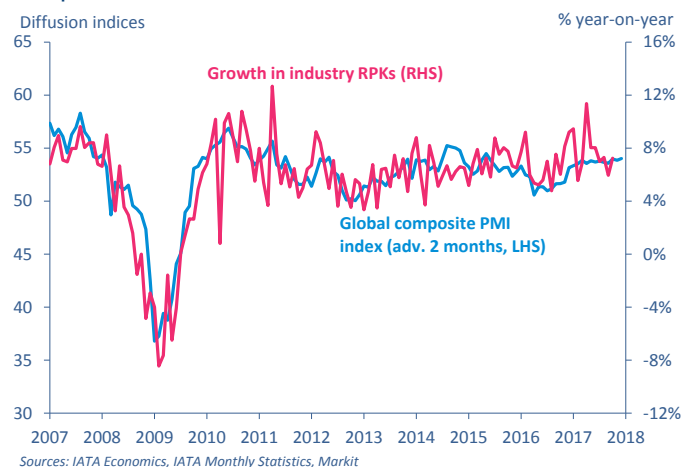
That said, and as we have noted before, the broader upward trend in SA RPKs has slowed over the course of 2017. This is principally because the degree of stimulation to demand from lower airfares has fallen.

Indeed, despite the large month-on-month rise in October, industry-wide RPKs are currently trending upwards at an annualized pace of around 5.5-6%. This is still slightly faster than the ten-year average pace, but to put it in perspective, it is only around half of the trend rate during H2 2016. (See Chart 1.)

...but growth is expected to be solid in 2018

The ongoing upturn in global economic conditions is continuing to lend support to passenger demand growth. The composite Purchasing Managers' Index (PMI) – a measure of global business confidence, which has proved to be a useful leading indicator of air

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



Air passenger market overview - October 2017

	World share ¹	October 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%	7.2%	6.2%	0.8%	80.8%	7.7%	6.4%	1.0%	81.6%
International	63.6%	7.3%	6.0%	1.0%	79.4%	8.0%	6.5%	1.2%	80.9%
Domestic	36.4%	7.2%	6.6%	0.4%	83.4%	7.0%	6.2%	0.6%	83.0%

¹% of industry RPKs in 2016

²Year-on-year change in load factor

³Load factor level

passenger demand growth in the past – recently rose to its highest level since early-2015. It is currently consistent with year-on-year RPK growth remaining in the region of 7-7.5% over the final two months of 2017. (See Chart 2, previous page).

The current broad-based global economic upturn is expected to persist into 2018, and is likely to continue to offer support to passenger demand growth. However, given increases in airline input costs, and by contrast to the situation in recent years, we are unlikely to see a boost to demand from lower airfares. All told, we expect this combination of factors to see passenger traffic continue to trend upwards into 2018, broadly in line with its current rate.

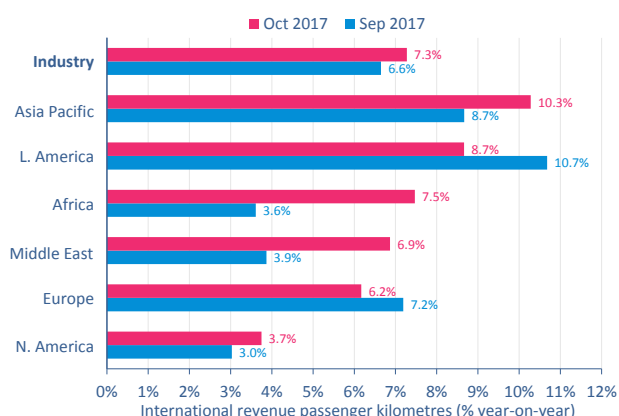
Load factor reaches a record-October high

Industry-wide available seat kilometres (ASKs) increased by 6.2% year-on-year in October. As a result, the passenger load factor increased by 0.8 percentage points compared to October 2016, to a record-high for the month (80.8%). This was the 12th month in a row in which the load factor increased in year-on-year terms.

A mixed month for international RPK growth

Year-on-year growth in international RPKs accelerated to 7.3% in October, from 6.6% in September. (See Chart 3.)

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



Asia Pacific airlines top the growth chart

Airlines based in Asia Pacific posted the fastest year-on-year international RPK growth rate (10.3%, up from 8.7% in September). SA passenger volumes are currently trending upwards at an annualized rate in the region of 8-9%, helped by the solid regional economic backdrop and ongoing strong growth in the number of airport-pairs in operation.

Subdued post-hurricane activity in the Americas

Airlines based in Latin America posted the second fastest international RPK year-on-year growth rate in

October (8.7%). However, this was a slowdown from 10.7% in September, and the result owed much to the previous strong upward trend in traffic; in fact, volumes in SA terms are currently slightly below where they were three months ago. Indeed, international passenger volumes for the region’s airlines look to have struggled to recover in October from the impacts of Hurricanes Irma and Maria. We will continue to monitor developments closely in the coming months.

It is a similar story with regard to international traffic flown by North American airlines. RPK growth increased to 3.7% in year-on-year terms in October, from 3.0% in September, but the SA level of traffic is barely higher than it was in April. The comparatively robust economic backdrop in North America will continue to support outbound passenger demand in the near term. However, as we have noted before, reports continue to indicate that inbound travel to the US is being deterred by the additional security measures now involved with travelling to the country.

Ongoing easing in int’l European RPK trend...

Year-on-year growth in international RPKs flown by European airlines – the largest region in these terms – slowed to 6.2% in October from 7.2% in September.

Economic conditions in the region have improved strongly over the past year or so. However, the upward trend in SA RPKs has slowed considerably since May, with international RPKs currently trending upwards at an annualized rate of 4-5%, compared to more than 14% over the second half of 2016. The slowdown in the trend reflects the predominately short-haul, and hence highly price sensitive, nature of international travel in the region.

...as well as in the Middle East

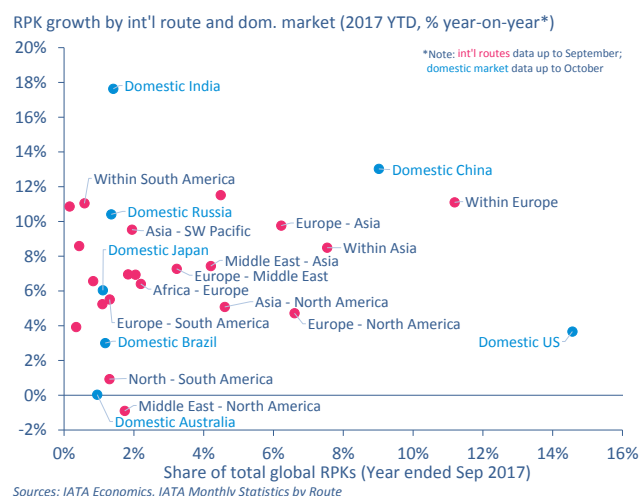
Year-on-year growth in international RPKs flown by Middle Eastern airlines climbed to 6.9% in October. However, as in Europe, the upward trend in RPKs has also slowed, to an annualized pace of less than 4% over the past three months.

RPKs flown on the market segment to and from North America fell in year-on-year terms for the seventh month in a row in September; 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, overleaf.) Traffic on this market has been affected heavily by a combination of factors, including the now-lifted ban on personal electronic devices, as well as a wider impact from the proposed travel bans to the US. All told, the SA level of passenger volumes is currently back down to levels last seen in early-2016.

Diverging drivers for int'l African passenger traffic

Annual growth in international RPKs flown by African airlines increased to a four-month high of 7.5% in October. Volumes have started to rise again in SA terms in recent months. Economic conditions in the continent's two largest economies – Nigeria and South Africa – have continued to diverge. Business confidence in the former recently rose to its highest level in nearly three years, helped by the pick-up in oil prices, while indicators in South Africa are once again consistent with *falling* economic activity.

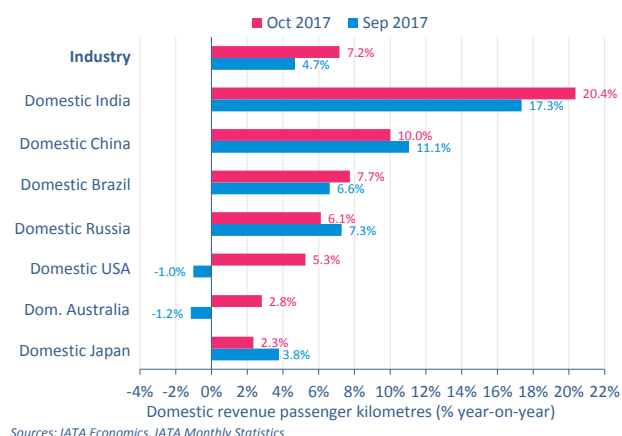
Chart 4 – RPK growth by route and market (YTD)



Big spread in domestic market RPK growth

Domestic RPK growth increased to 7.2% in October, from 4.7% in September. (See Chart 5.)

Chart 5 – Domestic RPK growth by market



Domestic US traffic rebounds from hurricanes...

As expected, the domestic US market bounced back in October, fully recovering the monthly decline seen in September from the hurricane-related disruption. The comparatively strong economic backdrop is helping to underpin domestic demand (consumer confidence is currently at a 17-year high level). Having fallen into negative territory last month for the

first time since early-2014, the year-on-year domestic RPK growth rate rose to 5.3% in October, well ahead of its five-year average rate (3.7%).

...but Typhoon Lan weighs on Japanese demand

The economic backdrop in Japan is also comparatively strong by its historical standards. Nonetheless, disruption caused by Super Typhoon Lan in October means that the expected rebound in domestic Japan RPKs from September's Typhoon Talim did not materialize. Passenger volumes were broadly flat in SA terms in October, and remain more than 4% below the level reached in August.

India and China lead the way once again

Year-on-year growth in domestic India RPKs increased to a ten-month high of 20.4% in October – its 38th month in double-digit territory. The upward SA traffic trend has accelerated over the second half of the year, with domestic RPKs currently rising at an annualized rate of more than 35%.

Meanwhile, having tracked sideways in SA terms during the middle months of the year, the upward trend in domestic China RPKs looks to have resumed in recent months. Passenger volumes grew by 10.0% year-on-year in October, down from 11.1% in the previous month. More than 19% more domestic routes are scheduled to be operated within China in 2017 compared to a year ago.

Ongoing recovery in domestic Brazil RPKs...

The Brazilian economy is continuing to recover slowly from the deep recession seen in recent years, and annual growth in domestic passenger traffic accelerated to a 27-month high of 7.7% in October. Volumes in SA terms remain around 4% lower than their late-2014 peak, but have trended upwards at a 12% annualized rate over the past six months or so.

...but more modest trends in Russia and Australia

Year-on-year growth in domestic Russia RPKs slowed to 6.1% year-on-year in October – the slowest pace in 12 months. The upward trend in SA domestic Russia RPKs has remained much slower than that seen throughout 2016 and into early-2017. In fact, SA RPKs are currently below where they were in April.

Meanwhile, annual growth in domestic Australia RPKs increased to a 13-month high of 2.8% in October. RPKs have been largely trending sideways in SA terms over the past year or so. But both demand and capacity have trended upwards very modestly in recent months.

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 4th December 2017

Air passenger market detail - October 2017

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		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	7.2%	6.2%	0.8%	80.8%	7.7%	6.4%	1.0%	81.6%
Africa	2.2%	5.7%	2.2%	2.4%	71.9%	6.7%	3.0%	2.4%	70.9%
Asia Pacific	32.9%	10.1%	8.9%	0.8%	80.2%	10.0%	8.3%	1.3%	81.0%
Europe	26.4%	6.3%	4.5%	1.4%	84.3%	8.4%	6.4%	1.5%	84.3%
Latin America	5.2%	6.7%	4.9%	1.4%	82.5%	7.6%	5.8%	1.4%	81.9%
Middle East	9.6%	6.8%	5.4%	0.9%	69.4%	6.8%	6.9%	-0.1%	74.8%
North America	23.8%	4.8%	5.3%	-0.4%	83.3%	4.1%	4.0%	0.1%	83.7%
International	63.6%	7.3%	6.0%	1.0%	79.4%	8.0%	6.5%	1.2%	80.9%
Africa	1.9%	7.5%	3.4%	2.7%	70.9%	7.7%	3.5%	2.7%	70.3%
Asia Pacific	18.2%	10.3%	8.4%	1.3%	78.0%	9.3%	7.7%	1.1%	79.6%
Europe	23.6%	6.2%	4.5%	1.3%	84.9%	8.4%	6.2%	1.7%	84.9%
Latin America	2.7%	8.7%	9.1%	-0.3%	82.6%	10.2%	8.5%	1.3%	82.3%
Middle East	9.2%	6.9%	5.3%	1.0%	69.6%	7.0%	6.8%	0.2%	75.0%
North America	8.0%	3.7%	5.2%	-1.1%	79.2%	4.8%	4.3%	0.4%	82.0%
Domestic	36.4%	7.2%	6.6%	0.4%	83.4%	7.0%	6.2%	0.6%	83.0%
Dom. Australia ⁴	1.0%	2.8%	1.4%	1.1%	79.8%	0.0%	-1.5%	1.2%	77.8%
Domestic Brazil ⁴	1.2%	7.7%	2.7%	3.9%	83.2%	3.0%	1.3%	1.3%	81.2%
Dom. China P.R. ⁴	8.7%	10.0%	11.0%	-0.8%	84.3%	13.0%	11.5%	1.2%	84.6%
Domestic India ⁴	1.3%	20.4%	15.5%	3.4%	84.9%	17.6%	15.2%	1.8%	84.9%
Domestic Japan ⁴	1.1%	2.3%	-0.8%	2.3%	76.1%	6.0%	1.2%	3.2%	71.5%
Dom. Russian Fed. ⁴	1.3%	6.1%	2.3%	2.9%	80.2%	10.4%	10.6%	-0.2%	81.4%
Domestic US ⁴	15.0%	5.3%	5.4%	-0.1%	85.6%	3.7%	3.8%	-0.1%	84.8%

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](#).

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