



AIR PASSENGER MARKET ANALYSIS **September 2017**

Hurricane impacts visible in Sept, alongside a slowing RPK trend

- Global revenue passenger kilometres (RPKs) increased by a solid 5.7% in September compared to a year ago. While the upward trend in RPKs has slowed, 2017 is set to be another year of above-average passenger growth.
- Hurricanes Irma and Maria weighed on volumes this month, but their impacts are expected to largely be temporary.
- The global passenger load factor posted a record high for the month (81.6% of available seat kilometres).
- India topped the domestic growth chart again, while domestic US and Australia RPKs both *fell* in annual terms.

Solid industry-wide RPK growth in September...

Industry-wide revenue passenger kilometres (RPKs) grew by 5.7% year-on-year in September – slightly faster than the ten-year average growth rate (5.5%).

Following a strong first half of the year and robust growth during the peak northern-hemisphere summer period, industry-wide RPKs have now grown by 7.7% so far this year to date. All told, 2017 is set to be another year of above-trend passenger growth, some way ahead of the five-year average pace (6.6%).

...but an impact from Hurricanes Irma and Maria

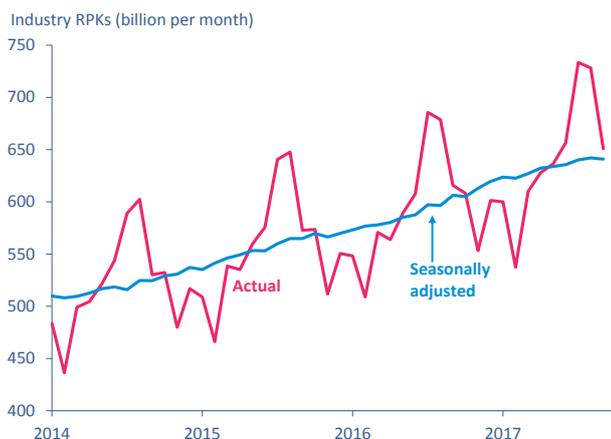
That said, September's annual RPK growth rate was the slowest since February. Moreover, passenger volumes fell in SA month-on-month terms for the first time since February and for only the third time in the past 12 months.

This month-on-month decline mainly reflected the impact of disruption caused by Hurricanes Irma and Maria on airline operations in the Americas. There is likely to be significant ongoing impacts on passenger traffic to and from the most affected Caribbean islands. But the fact that airport operations in the major US airports have since returned to normal suggests that the industry-wide impact will largely be reversed in next month's data.

Upward trend in SA traffic has slowed

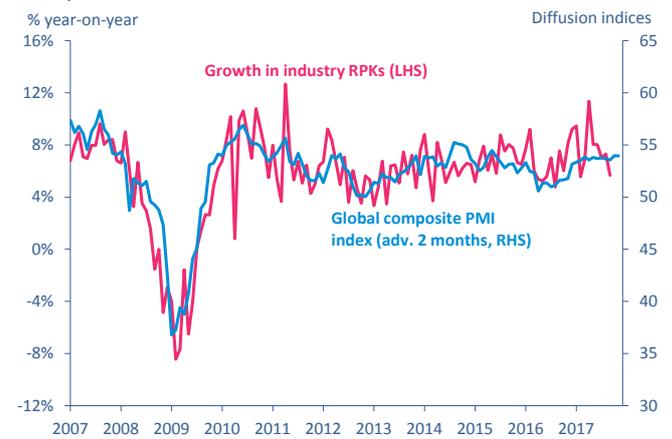
More generally, and as we have noted before, the bigger picture is that the upward trend in SA RPKs has slowed from that seen at the end of 2016. Even looking through the hurricane-related disruption in September, industry-wide RPKs are currently trending upwards at an annualized pace (~6%) of around half of that seen during H2 2016. (See Chart 1.)

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 - September 2017

	World share ¹	September 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%	5.7%	5.3%	0.3%	81.6%	7.7%	6.4%	1.0%	81.7%
International	63.6%	6.5%	5.6%	0.7%	81.3%	8.0%	6.5%	1.2%	81.0%
Domestic	36.4%	4.2%	4.7%	-0.4%	82.2%	7.0%	6.2%	0.6%	83.0%

¹% of industry RPKs in 2016

²Year-on-year change in load factor

³Load factor level

The global economic backdrop remains supportive of passenger demand. The global Purchasing Managers' Index (PMI) remains consistent with rising economic activity as well as robust year-on-year RPK growth in the region of 6.5-7%. (See Chart 2, previous page). However, the current degree of demand stimulus from lower airfares is now much lower than that seen during much of 2016.

All told, we expect this combination of factors to see passenger traffic continue to trend upwards into 2018, but at a more moderate pace than in the recent past.

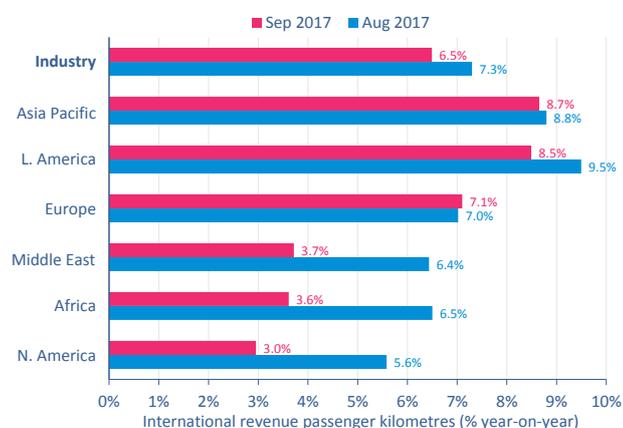
Capacity generally tracking in line with demand

Industry-wide available seat kilometres (ASKs) increased by 5.3% year-on-year in September. As a result, the passenger load factor increased by 0.3 percentage points compared to September 2016, to a record-high for the month (81.6%). It's worth noting too that capacity also declined in month-on-month terms in September, which prevented the SA load factor from declining.

Accelerations in int'l RPK growth in most regions

Year-on-year growth in international RPKs slowed to a six-month low of 6.5% in September, from 7.3% in August. (See Chart 3.)

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



Sources: IATA Economics, IATA Monthly Statistics

Asia Pacific airlines posted the fastest growth

Airlines based in Asia Pacific posted the fastest year-on-year international RPK growth rate in September for just the second time in 20 months (8.7%, compared to 8.8% in August). A solid regional economic backdrop, helped by robust growth in China, is helping to support passenger demand within the region.

The impacts of Irma and Maria in the Americas...

Hurricanes Irma and Maria affected international passenger volumes flown by airlines based in the Americas, particularly in the case of Latin American

airlines. Nonetheless, given the long-standing strong upward trend in traffic, international RPKs flown by the region's airlines still grew by 8.5% relative to September 2016.

North American airlines' international RPKs grew by 3.0% in year-on-year terms in September, down from 5.6% in August. The comparatively bright economic backdrop in the North American region should continue to support outbound passenger demand in the near term. However, as we have noted before, anecdotes continue to suggest that inbound travelers to the US are being deterred by the additional security measures now involved with travelling to the US.

Slower upward trend in int'l European RPKs

Year-on-year growth in international RPKs flown by European airlines – the largest region on this basis – was broadly unchanged in September relative to August (7.1% vs 7.0%). However, the upward trend in SA RPKs has slowed considerably since May: international RPKs have risen at an annualized rate of around 4.5% over the past four months compared to more than 14% over H2 2016.

That said, with business confidence in the region recently rising to a 17-year high, the economic backdrop looks likely to remain supportive of passenger demand in the near term.

Ongoing subdued trend in Middle Eastern RPKs

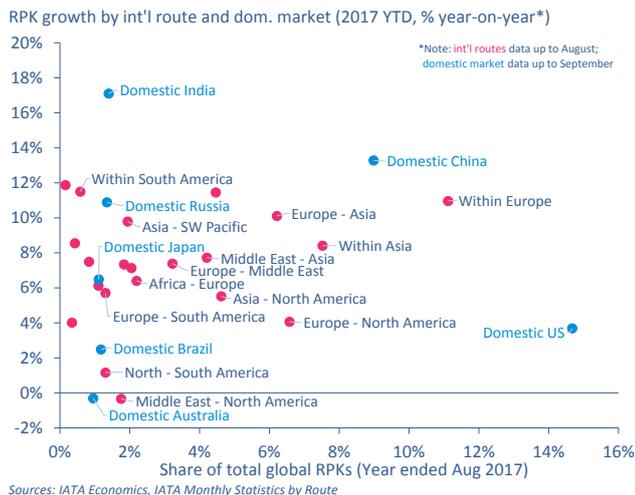
Year-on-year growth in international RPKs flown by Middle Eastern airlines fell to 3.7% in September – the slowest rate since February 2009. In SA terms, RPKs have now trended upwards at an annualized pace of just 2% since early-2017.

The Middle East to North America market has been hit hard 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. RPKs flown on the route fell in year-on-year terms for the sixth consecutive month in August (the latest data available). In fact, it is the only international market not to have grown in annual terms over the first eight months of the year. (See Chart 4, overleaf.)

African international RPKs are trending sideways

International RPKs flown by African airlines increased by 3.6% year-on-year in September, down from 6.5% in August. In SA terms, RPKs have now trended sideways since February. Economic conditions in the continent's two largest economies – Nigeria and South Africa – have started to diverge again, with business confidence in the latter once again consistent with falling output.

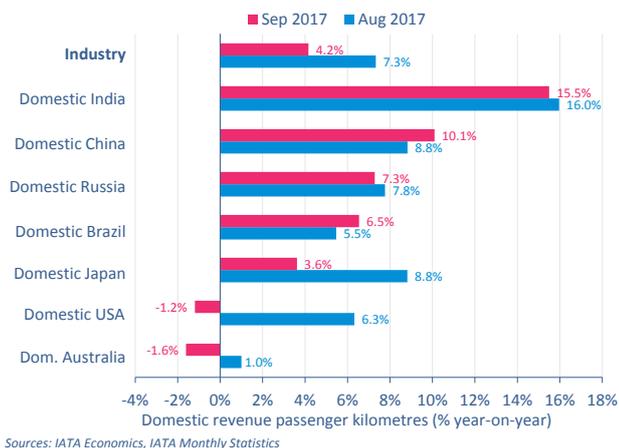
Chart 4 – RPK growth by route and market (YTD)



Big spread in domestic market RPK growth

Domestic RPK growth slowed to an eight-month low of 4.2% in August, well below the five-year average pace (6.3%). (See Chart 5.)

Chart 5 – Domestic RPK growth by market



Domestic US traffic hit by impact of hurricanes...

The slowdown was driven by hurricane-related disruption in the domestic US market, which accounts for more than 40% of all domestic RPKs flown: SA RPKs fell by 2.4% in month-on-month terms in September (the biggest decline on this basis since late-2008), which left RPKs 1.2% lower than a year ago. The fact that operations in the major airports affected by Irma and Maria have since returned to normal suggests that September's month-on-month fall will be largely reversed next month.

...with Typhoon Talim taking a toll in Japan too

Typhoon Talim also caused significant disruption in Japan passenger traffic; domestic Japan RPKs saw their largest month-on-month decline in SA terms since the Great Tōhoku earthquake in March 2011. As a result, year-on-year RPK growth slowed to 3.6%, from 8.8% in August. As with the US, we expect the

impact to be temporary, with comparatively strong economic conditions likely to support demand into 2018.

Domestic India regains position at top of chart

Year-on-year growth in domestic India RPKs slowed to 15.5% in September, but remained in double-digit territory for the 37th consecutive month. With the economy looking to have weathered the introduction of a nation-wide sales tax earlier in the summer, the strong upward SA traffic trend has strengthened: domestic RPKs have surged at an annualized rate of more than 40% over the past three months.

Traffic trending sideways in SA terms in China...

Domestic China RPKs grew by 10.1% year-on-year in September, up from 8.8% in the previous month. However, the upward trends in SA RPKs and ASKs have both slowed over the past four months: indeed, traffic has risen at an annualized rate of less than 2% over the period. We will continue to monitor developments closely over the coming months.

...as well as in the domestic Russia market

It is a similar picture in Russia: domestic Russia RPKs grew by 7.3% year-on-year in September, but SA RPKs are currently no higher than they were in April. That said, at nearly 85%, the domestic load factor in September was still the highest of the seven domestic markets that we track.

Ongoing recovery in domestic Brazil RPKs...

Domestic Brazil RPKs grew by 6.5% year-on-year in September, up from 5.5% in August and the fastest pace since July 2015. Domestic RPKs in SA terms remain more than 4% lower than their late-2014 peak. However, with the economy continuing to recover from the deep recession seen in recent years, domestic RPKs are currently trending upwards at a double-digit annualized pace.

...alongside ongoing stagnation in Australia

Domestic Australia RPKs fell by 1.6% in year-on-year terms in September. RPKs have been trending sideways in SA terms over the past year or so, although domestic capacity has trended *down* over the same period. As a result, the domestic Australia passenger load factor increased to its highest September-level since 2011 (79.5%).

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 2nd November 2017

Air passenger market detail - September 2017

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TOTAL MARKET	100.0%	5.7%	5.3%	0.3%	81.6%	7.7%	6.4%	1.0%	81.7%
Africa	2.2%	2.8%	0.0%	2.0%	74.0%	6.8%	3.1%	2.4%	70.8%
Asia Pacific	32.9%	8.7%	8.1%	0.5%	80.1%	10.0%	8.2%	1.3%	81.1%
Europe	26.4%	7.1%	5.3%	1.4%	86.4%	8.5%	6.5%	1.6%	84.3%
Latin America	5.2%	7.1%	5.6%	1.2%	81.9%	7.5%	5.7%	1.4%	81.8%
Middle East	9.6%	3.5%	4.5%	-0.7%	74.0%	6.7%	7.1%	-0.2%	75.3%
North America	23.8%	0.4%	2.0%	-1.3%	82.0%	4.1%	3.8%	0.2%	83.9%
International	63.6%	6.5%	5.6%	0.7%	81.3%	8.0%	6.5%	1.2%	81.0%
Africa	1.9%	3.6%	0.3%	2.4%	73.8%	7.7%	3.6%	2.7%	70.2%
Asia Pacific	18.2%	8.7%	7.8%	0.6%	78.3%	9.2%	7.6%	1.1%	79.8%
Europe	23.6%	7.1%	5.2%	1.6%	86.8%	8.5%	6.3%	1.8%	84.9%
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North America	8.0%	3.0%	3.6%	-0.5%	81.0%	4.7%	4.0%	0.5%	82.2%
Domestic	36.4%	4.2%	4.7%	-0.4%	82.2%	7.0%	6.2%	0.6%	83.0%
Dom. Australia ⁴	1.0%	-1.6%	-3.1%	1.2%	79.5%	-0.3%	-2.2%	1.5%	77.8%
Domestic Brazil ⁴	1.2%	6.5%	2.9%	2.8%	82.9%	2.5%	1.2%	1.0%	81.0%
Dom. China P.R. ⁴	8.7%	10.1%	10.7%	-0.5%	83.6%	13.3%	11.5%	1.4%	84.6%
Domestic India ⁴	1.3%	15.5%	13.9%	1.1%	83.4%	17.1%	15.0%	1.5%	84.9%
Domestic Japan ⁴	1.1%	3.6%	-0.4%	3.0%	76.3%	6.5%	1.4%	3.4%	71.0%
Dom. Russian Fed. ⁴	1.3%	7.3%	7.2%	0.1%	84.8%	10.9%	11.6%	-0.5%	81.5%
Domestic US ⁴	15.0%	-1.2%	0.9%	-1.8%	82.6%	3.7%	3.7%	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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