



AIR PASSENGER MARKET ANALYSIS

January 2016

A bright start to 2016 for air passenger traffic

- The global air passenger market carried strong momentum into 2016...
- ...with passenger load factors in most regions reaching an all-time January high.
- With further stimulus to come from lower oil prices, 2016 is set to be another strong year.

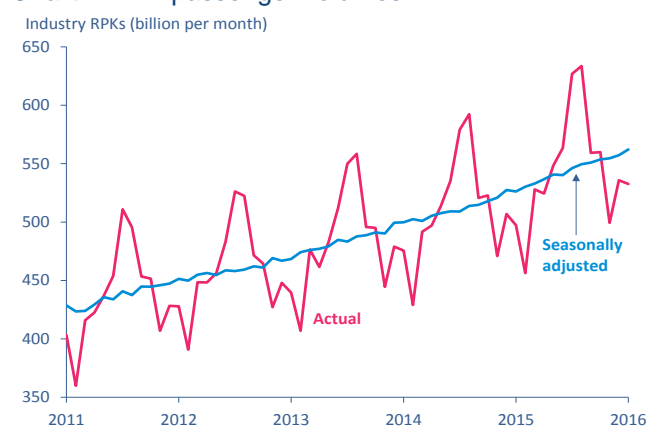
A bright start to the year for passenger traffic...

The global air passenger market carried strong momentum into 2016, with passenger traffic in January coming in 7.1% higher than in the same month in 2015. The continuation of the strong upward trend in seasonally-adjusted traffic underlines the resilience of industry performance to the equity market turmoil seen early this year. (See Chart 1.)

...with load factors reaching all-time January highs

Airlines have continued to react to robust travel demand by adding capacity cautiously (total available seat kilometres increased by 5.6% year-on-year in January). As a result, at 78.8% in January, the industry load factor was the highest ever recorded in the month and 1.1 percentage point higher than in the same period in 2015.

Chart 1 – Air passenger volumes



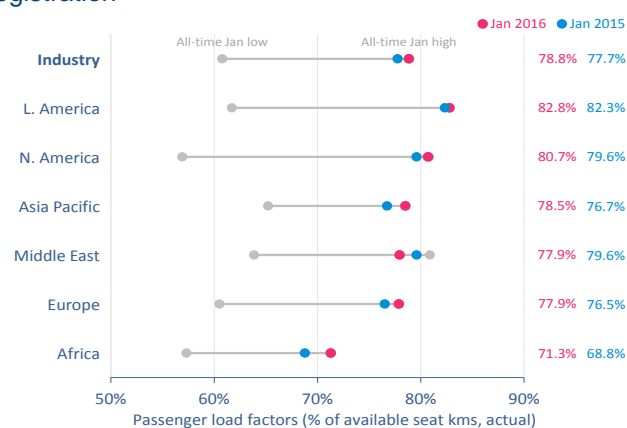
Source – IATA Monthly Statistics

In fact, passenger loads reached an all-time January-high in four of the six regions, and were just 0.1 percentage points below their record high in North America too. (See Chart 2.) As was the case in 2015, the Middle East remains the notable exception, with capacity growth continuing to outstrip even double-digit annual growth in passenger traffic.

2016 shaping up to be another strong year

All told, underlying conditions continue to point to another strong year of growth for passenger traffic. While the global economy continues to face downside risks, another year of modest economic growth will not present a major headwind. Moreover, although the downward trend in global air fares eased towards the end of 2015, the additional decline in oil prices seen

Chart 2 – Passenger load factors by carrier region of registration



Source – IATA Monthly Statistics

Air passenger market overview - January 2016

	World share ¹	January 2016 (% year-on-year)				2015 (% year-on-year)			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	7.1%	5.6%	1.1%	78.8%	6.5%	5.6%	0.6%	80.4%
International	63.6%	7.3%	5.9%	1.0%	78.8%	6.6%	5.9%	0.5%	79.7%
Domestic	36.4%	6.8%	5.1%	1.3%	78.9%	6.4%	5.2%	0.9%	81.5%

¹% of industry RPKs in 2015

²Year-on-year change in load factor

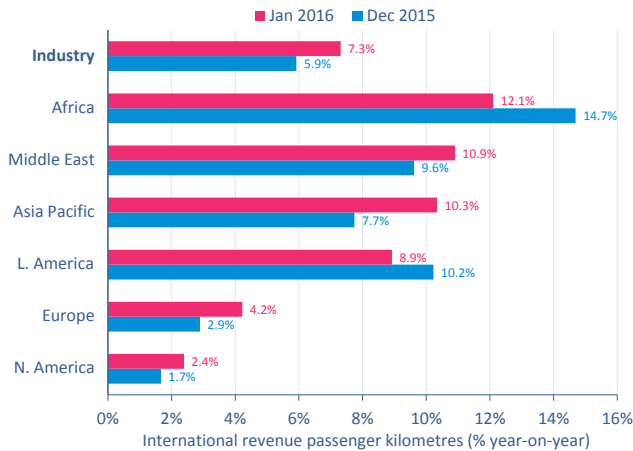
³Load factor level

during the final months of last year and into January is likely to provide further stimulus for air travel growth during the course of 2016.

Strong growth in international traffic...

International passenger traffic growth accelerated to 7.3% year-on-year in January, from 5.9% in December. (See Chart 3.)

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



Source – IATA Monthly Statistics

International revenue passenger kilometres (RPKs) flown by European carriers – the largest region in terms of international traffic – fell in seasonally adjusted terms in the final quarter of 2015, following airline strikes and the shutdown of Transaero in Russia. Seasonally-adjusted passenger volumes have picked up in recent months, but January traffic was still only marginally higher (0.1%) than that seen in September last year.

Shifts in the timing of Chinese New Year can complicate matters in Asia Pacific at this time of year. Nonetheless, the upward trend in international traffic carried by the region’s airlines has accelerated in recent months. A 7.3% increase in the number of direct airport connections within the Asia region over the past 12 months or so has helped to stimulate demand by affording time savings for passengers, and has helped to offset negative impacts of slower economic growth in many of the region’s economies.

Meanwhile, having overtaken North American carriers in terms of international traffic during 2015, Middle Eastern RPKs increased by 10.9% year-on-year in January, helped by ongoing network and fleet expansion.

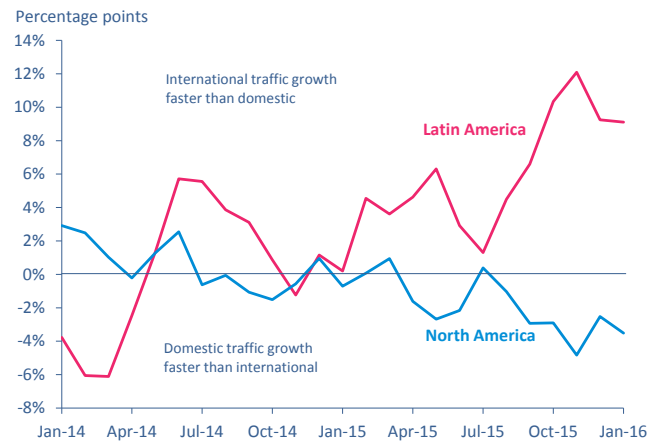
...but divergent trends for carriers in the Americas

There was no definitive sign of adverse impacts related to the emergence of the Zika virus on carrier traffic in the

Americas. Admittedly, North American international RPKs saw the slowest growth in international traffic of all carriers in January (2.4%). But the bigger picture is North American international traffic has trended downwards in seasonally adjusted terms since July as the region’s carriers have focused on the stronger, and much larger, domestic market. Indeed, while seasonally-adjusted international traffic carried by the region’s airlines in January was 0.4% lower than in July 2015, domestic traffic grew by 2.8% over the same period.

It remains the opposite case for Latin American carriers. (See Chart 4.) Domestic traffic remains under pressure from economic difficulties in the region’s biggest economies – notably Brazil. But the strong upward trend in their international operations continues to show little sign of slowing.

Chart 4 – International traffic growth minus domestic traffic growth



Source – IATA Monthly Statistics

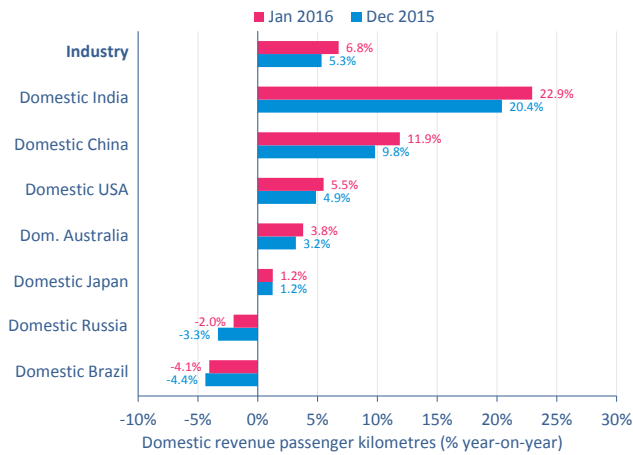
African airlines carry just 3% of industry-wide international traffic. Such carriers have seen a strong upward trend in seasonally-adjusted international traffic since the middle of last year, in conjunction with a jump in exports from the region over the same period.

Domestic India marches on

Total domestic air travel in January grew by 6.8% year-on-year. The domestic India market continues to top the growth chart; at 22.9% in January, annual growth was almost twice the pace of the next fastest growing market (China). (See Chart 5, overleaf.)

Growth in India is being propelled by the comparatively strong economic backdrop – India overtook China as the fastest growing major economy in the world in 2015 – and increases in services (average flight frequencies within India are scheduled to increase by 11.5% year-on-year in 2016). In seasonally-adjusted terms, the

Chart 5 – Domestic passenger growth by country



Source – IATA Monthly Statistics

Indian market overtook both Australia and Japan in terms of seasonally-adjusted international RPKs during the course of 2015, and it is currently level with Russia.

Meanwhile, although shifts in the timing of Chinese New Year can complicate analysis at this time of year, the upward trend in domestic China traffic remains strong. Overall economic growth in China may have slowed, but business confidence indicators continue to show the services side of the economy is holding up better. Moreover, following nearly 8% expansion in network size in 2015, the latest schedules indicate a greater focus on frequency gains this year, which will provide additional stimulus to demand.

Japanese domestic RPKs increased by just 1.2% year-on-year in January, an unchanged pace of growth from December. That said, seasonally-adjusted traffic has edged up in recent months and reached a nine-year high in January. Domestic Australian RPKs have also picked up strongly in seasonally-adjusted terms in recent months, and were 3.8% higher than in January 2015.

Recessions weighing on Brazil and Russia markets

Domestic passenger market conditions remain under more pressure in Brazil and Russia, whose energy-dependent economies remain in recession. While there are tentative signs that the downward trend in seasonally-adjusted traffic in Brazil may have bottomed out, domestic traffic was 4.1% lower than in January 2015. The annual growth rate has now been in negative territory for the past six months.

Meanwhile, despite bouncing back strongly in seasonally-adjusted terms from the November low-point following the shutdown of Transaero, Russian domestic traffic in January was 2.0% lower than in January 2015. That said, traffic has not fallen as much as capacity, suggesting that remaining carriers have absorbed traffic affected by the shutdown. All told, while still low compared to others carriers, the Russian domestic load factor reached an all-time January-high, 2.2 percentage points above its January 2015 level.

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 4th March 2016

Air passenger market detail - January 2016

	World share ¹	January 2016 (% year-on-year)				2015 (% year-on-year)			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	7.1%	5.6%	1.1%	78.8%	6.5%	5.6%	0.6%	80.4%
Africa	2.2%	11.0%	7.1%	2.5%	71.3%	3.1%	1.4%	1.1%	69.5%
Asia Pacific	31.5%	10.4%	7.9%	1.8%	78.5%	8.7%	6.7%	1.4%	78.6%
Europe	26.7%	4.0%	2.1%	1.4%	77.9%	5.1%	3.9%	0.9%	81.7%
Latin America	5.4%	5.1%	4.6%	0.4%	82.8%	6.8%	6.5%	0.2%	79.9%
Middle East	9.4%	10.5%	12.8%	-1.6%	77.9%	10.1%	12.6%	-1.7%	76.7%
North America	24.7%	4.3%	2.9%	1.1%	80.7%	4.3%	3.8%	0.4%	84.0%
International	63.6%	7.3%	5.9%	1.0%	78.8%	6.6%	5.9%	0.5%	79.7%
Africa	1.9%	12.1%	8.2%	2.5%	71.3%	3.3%	1.5%	1.2%	68.7%
Asia Pacific	17.4%	10.3%	7.6%	2.0%	79.2%	8.3%	6.5%	1.3%	78.2%
Europe	23.8%	4.2%	2.6%	1.2%	78.8%	5.0%	3.8%	1.0%	82.6%
Latin America	2.9%	8.9%	7.8%	0.8%	82.5%	9.4%	9.2%	0.1%	80.1%
Middle East	9.1%	10.9%	12.9%	-1.4%	77.8%	10.5%	13.2%	-1.8%	76.4%
North America	8.5%	2.4%	1.3%	0.8%	80.3%	3.2%	3.1%	0.1%	81.8%
Domestic	36.4%	6.8%	5.1%	1.3%	78.9%	6.4%	5.2%	0.9%	81.5%
Dom. Australia ⁴	1.1%	3.8%	2.3%	1.1%	76.9%	0.4%	-0.2%	0.4%	76.7%
Domestic Brazil ⁴	1.4%	-4.1%	-2.6%	-1.3%	83.3%	0.9%	0.8%	0.1%	80.0%
Dom. China P.R. ⁴	8.4%	11.9%	10.6%	0.9%	79.1%	11.0%	9.4%	1.2%	81.3%
Domestic India ⁴	1.2%	22.9%	21.9%	0.7%	84.7%	19.8%	10.2%	6.7%	83.2%
Domestic Japan ⁴	1.2%	1.2%	-4.3%	3.5%	64.7%	1.9%	0.1%	1.2%	67.2%
Dom. Russian Fed. ⁴	1.3%	-2.0%	-5.2%	2.2%	68.4%	6.2%	7.1%	-0.6%	74.5%
Domestic US ⁴	15.4%	5.5%	3.7%	1.4%	81.0%	4.9%	4.2%	0.6%	85.4%

¹% of industry RPKs in 2015

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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