

Another solid outcome in the face of global headwinds

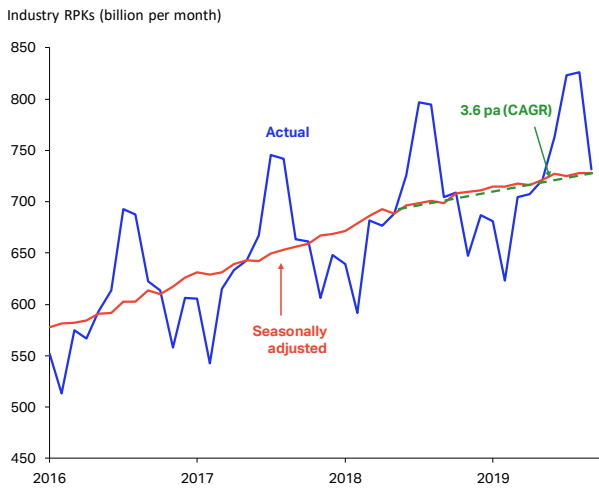
- Industry-wide revenue passenger kilometres (RPKs) increased by 3.8% over the year to September, a broadly unchanged pace from August. The moderate upward trend in underlying demand remains firmly in place.
- Demand growth continues to outpace that of capacity, leading to an all-time September high industry load factor. At the regional level, Europe (86.6%), North America (82.8%), and Latin America (81.9%) were the best performers.
- Growth in international RPKs eased modestly versus August, driven by weaker outcomes in all regions except for North America and Asia Pacific. By contrast, growth in domestic RPKs improved this month, although in the case of Japan and the US, the latest outcome was boosted by a weak outturn a year ago.

Growth largely unchanged at the aggregated level...

Annual growth in industry-wide revenue passenger kilometres (RPKs) remained broadly unchanged from August, at 3.8%. This marked the eighth consecutive month of year-on-year growth below the long-run average rate of ~5.5%.

Seasonally adjusted (SA) RPKs moved sideways in September, leading to slight moderation in the annualized pace of growth from 3.8% in August, to 3.6% currently (green line in Chart 1).

Chart 1 – Air passenger volumes and latest trend



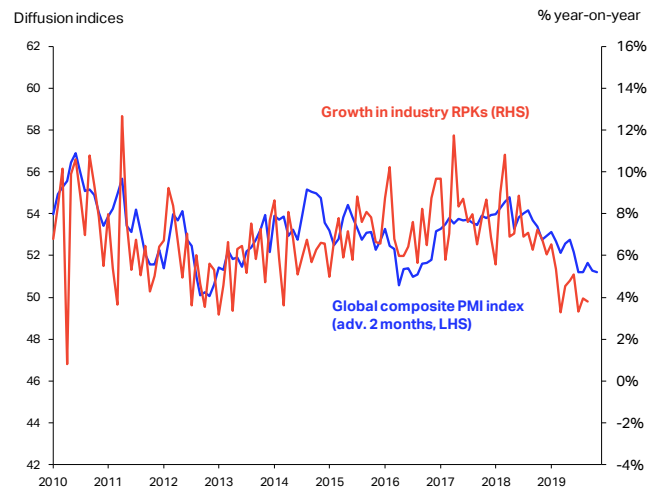
Sources: IATA Economics, IATA Monthly Statistics

The weaker pace observed over the past 18 months has come against a backdrop of slowing momentum in the global economy, easing business confidence, declining world trade activity and various political and geopolitical tensions across the regions.

Weaker support from economic indicators over 2019

Despite some recent improvements across key economies, including China, Japan and Brazil, the global composite Purchasing Managers' Index (PMI) continues to trend sideways – an indication that any sharp uptick in RPKs is unlikely in the near-term (Chart 2).

Chart 2 – RPK growth and global business confidence



Sources: IATA Economics, IATA Monthly Statistics, Markit

The global economic backdrop is also less supportive currently. The IMF recently revised down its GDP growth forecasts for 2019 to 3.0%. If correct, this would be the weakest outcome since 2009. The IMF are more optimistic regarding growth in 2020, although they note that the global outlook remains 'precarious', with the risks remaining tilted firmly to the downside.

At the country level, economic conditions remain

Air passenger market overview - September 2019

	World share ¹	September 2019 (% 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%	3.8%	3.3%	0.4%	81.9%	4.5%	3.9%	0.4%	82.9%
International	63.9%	3.0%	2.6%	0.3%	81.6%	4.3%	3.8%	0.4%	82.3%
Domestic	36.1%	5.3%	4.7%	0.5%	82.3%	4.7%	4.2%	0.4%	83.9%

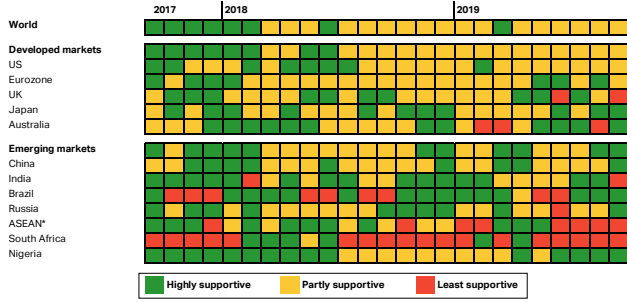
¹% of industry RPKs in 2018

²Year-on-year change in load factor

³Load factor level

mixed across both developed and emerging markets (Chart 3).

Chart 3 – Economic conditions (monthly data from composite PMIs, selected regions and countries)

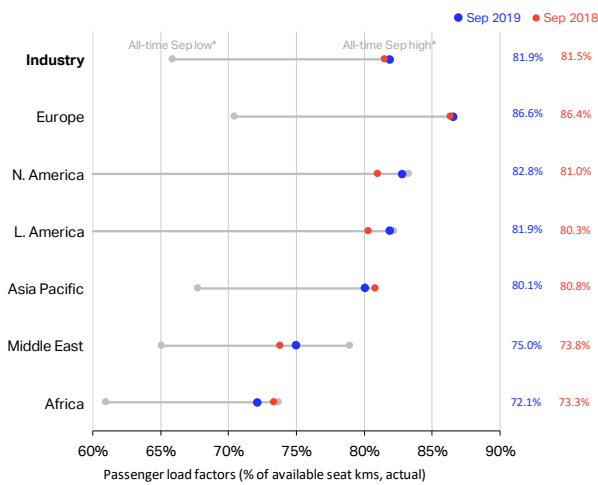


Growth trend in capacity is slower than that of demand

Industry-wide available seat kilometres (ASKs) grew by 3.3% year-on-year in September, 0.5ppt slower than the pace of RPKs. As a result, the industry-wide passenger load factor (PLF) ticked up to 81.9% - a record high outcome for the month.

Once again, most of the regions posted load factors close to (or at) their historical maximum. The Middle East carriers were the exception, but even for this region the latest data showed a solid improvement over last year's result (Chart 4).

Chart 4 – Passenger load factors by region



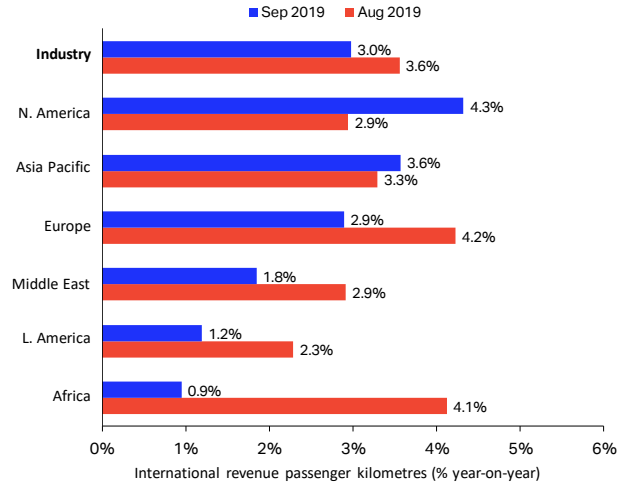
International growth

Year-on-year growth in industry-wide international RPKs (64% of the total traffic) softened to an even 3.0% in September (Chart 5).

North America the strongest performer this month...

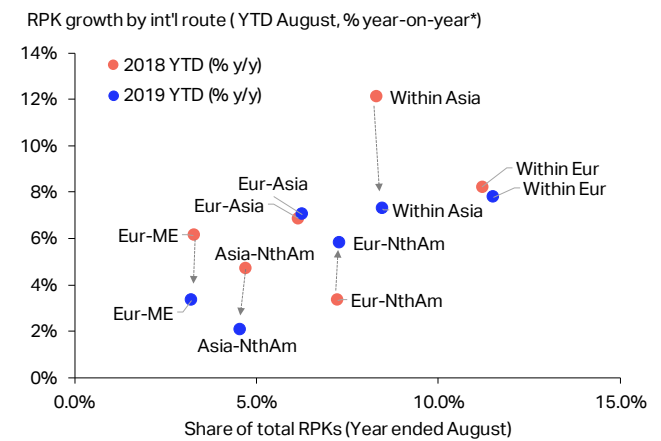
For North American carriers, RPK growth picked up to 4.3%yoy in September, shifting them to the top of the growth chart. SA volumes also lifted, supported by consumer spending and solid labour market outcomes. Looking forward, ongoing trade tensions and a moderation in global economic activity remain key risks.

Chart 5 – International RPK growth (airline region of registration basis)



Based on August data (latest available), the NthAm-Europe market has performed strongly, with RPKs up ~6% yoy in the first eight months of the year – almost twice the pace recorded last year (Chart 6). In contrast, demand has been subdued on NthAm-Asia routes, with year-to-date growth at a modest ~2%.

Chart 6 – International RPK growth (selected markets)



...followed by Asia Pacific carriers

Asia Pacific carriers flew 3.6% more international RPKs in September than a year ago. The pace remains well below that of 2018 amidst a weaker economic backdrop in some of the region's key economies, combined with trade tensions between the US and China and more recently between Japan and South Korea. The disruption experienced in Hong Kong has also contributed to subdued regional passenger demand and led to sharp capacity cuts to/from this important hub airport.

Of the main international markets, year-to-date growth has fallen sharply on the larger Within Asia and NthAm-Asia routes (down 5ppt and 3ppt, respectively). The Europe-Asia market has held up well, with growth picking up slightly (by 0.1ppt) to 7% YTD in 2019.

Europe impacted by airline collapses...

Following a short-lived improvement in August, international RPK growth eased to 2.9% year-on-year for European carriers, the weakest outcome this year. In addition to slowing economic activity and faltering business confidence in many of the key European economies, this month's traffic result was also affected by the demise of a number of airlines, along with pilot strikes.

That said, the larger international passenger markets for the region have been holding up well this year. Within Europe posted 7.8% year-to-date growth – similar to that over the same period of last year. As mentioned above, RPK growth almost doubled vs a year ago on Europe-NthAm routes (5.8% YTD).

Softer growth in Latin America and the Middle East...

International RPKs expanded by a modest 1.2% and 1.8% year-on-year for Latin America and Middle Eastern airlines, respectively – both ~1ppt lower than in August.

Latin American carriers continue to face several challenges including weaker economic and business confidence outcomes and currency exposure to the strengthening US\$. For Middle Eastern airlines, international RPK growth continues to be impacted by a mix of structural challenges in some of the region's large airlines, geopolitical risks and weaker business confidence in some countries.

Africa falls to the bottom of the growth chart

After outperforming most of the regions last month, African airlines dipped to the bottom of the growth chart in September, with RPKs up 0.9%yoy. Looking through recent volatility, however, RPK growth for Q3 2019 remains solid at ~3%yoy.

Domestic RPK growth lifts in September

Annual growth in domestic RPKs picked up modestly to 5.3% this month, underpinned by robust growth in the domestic China, US and Japan markets (Chart 7).

Japan's outturn boosted by events of a year ago

Domestic Japan expanded by 10% year-on-year, topping the domestic RPK growth chart for the first time since November 2012. However, this month's result has been impacted by a weak outcome 12 months ago due to the disruption caused by Typhoon Jebi. Although year-on-year growth reached double digits, SA RPKs eased, notwithstanding the start of the Rugby World Cup in the second half of the month.

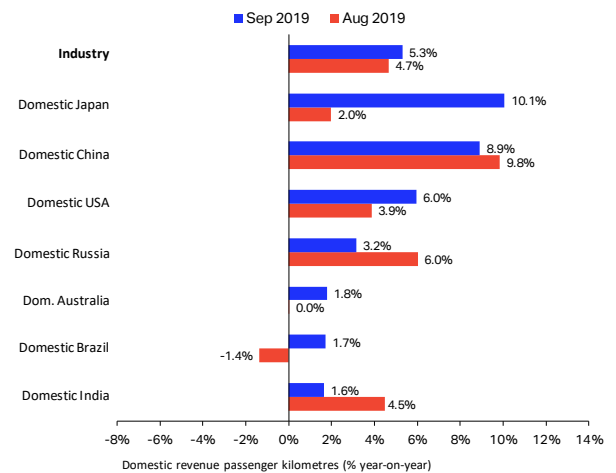
Another month of strong growth for China

Although SA RPKs ticked down this month, the domestic China market continues to grow strongly at 9% year-on-year. Local air passenger volumes have

been supported by improved network connectivity, business confidence and solid outcomes for domestic demand.

Even so, the country faces various challenges that could weigh on RPKs in the period ahead including trade war uncertainty and a swine fever outbreak that could boost inflation and thus lower consumer spending.

Chart 7 – Domestic RPK growth by market



Sources: IATA Economics, IATA Monthly Statistics

Growth in the US domestic market also lifts in Sept.

Annual growth in US domestic RPKs accelerated to 6% year-on-year this month. However, as in the case of Japan, this outcome is impacted by a softer demand outcome from a year ago. Indeed, SA volumes trended sideways this month – partly reflecting flight cancellations on the East coast due to hurricane Dorian. All told, the bigger picture is that domestic passenger demand remains robust for now.

Further RPK growth slowdown in domestic Russia

Annual growth in Russian domestic RPKs eased for the third consecutive month to 3.2% year-on-year. This corresponds with moderation in the underlying SA RPK trend observed since Q4 2018 – in line with the softer economic activity in the country. That said, the recent easing of visa requirements is likely to provide some impetus for the period ahead.

Growth rates converge in India, Brazil and Australia...

Domestic RPKs for India, Brazil and Australia expanded by 1.6-1.8% year-on-year in September.

For Australia, this represents the best outcome since April 2019, although it remains uncertain if the improvement will continue into October, given the country's softer economic result.

Growth picked up in domestic Brazil – a tentative sign that the market is recovering from the disruption caused by the demise of Avianca Brazil, along with some improvement in economic outcomes.

By contrast, growth in domestic India RPKs eased to 1.6% year-on-year, from 4.5% observed in August. Following a sustained period of double-digit year-on-year growth between 2015 and 2018, the pace has slowed significantly throughout 2019 amidst weaker economic activity, subdued private consumption and

the Jet Airways bankruptcy which disrupted the market earlier this year.

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 7 November 2019

Air passenger market detail - September 2019

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		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	3.8%	3.3%	0.4%	81.9%	4.5%	3.9%	0.4%	82.9%
Africa	2.1%	1.7%	3.4%	-1.2%	72.1%	4.3%	4.1%	0.2%	72.0%
Asia Pacific	34.5%	4.8%	5.7%	-0.7%	80.1%	5.0%	5.1%	-0.1%	81.9%
Europe	26.8%	2.6%	2.3%	0.2%	86.6%	5.1%	4.8%	0.2%	85.5%
Latin America	5.1%	3.3%	1.3%	1.6%	81.9%	4.7%	3.2%	1.2%	82.8%
Middle East	9.2%	2.0%	0.3%	1.2%	75.0%	1.7%	0.7%	0.8%	76.6%
North America	22.3%	5.1%	2.7%	1.8%	82.8%	3.9%	2.7%	1.0%	85.2%
International	63.9%	3.0%	2.6%	0.3%	81.6%	4.3%	3.8%	0.4%	82.3%
Africa	1.8%	0.9%	2.5%	-1.1%	71.7%	4.3%	3.9%	0.3%	71.5%
Asia Pacific	19.0%	3.6%	5.0%	-1.1%	78.2%	4.3%	4.4%	0.0%	80.9%
Europe	23.9%	2.9%	2.5%	0.3%	86.9%	5.3%	5.0%	0.2%	85.9%
Latin America	2.7%	1.2%	-1.6%	2.3%	82.5%	4.2%	2.9%	1.0%	83.2%
Middle East	8.9%	1.8%	0.2%	1.2%	75.2%	1.9%	0.8%	0.9%	76.8%
North America	7.6%	4.3%	1.6%	2.2%	83.0%	3.9%	2.4%	1.2%	84.4%
Domestic	36.1%	5.3%	4.7%	0.5%	82.3%	4.7%	4.2%	0.4%	83.9%
Dom. Australia ⁴	0.9%	1.8%	1.4%	0.3%	81.7%	0.1%	0.2%	-0.1%	79.4%
Domestic Brazil ⁴	1.1%	1.7%	0.3%	1.1%	81.7%	-0.3%	-2.5%	1.8%	82.4%
Dom. China P.R. ⁴	9.5%	8.9%	10.1%	-0.9%	83.5%	9.0%	9.6%	-0.4%	85.0%
Domestic India ⁴	1.6%	1.6%	-0.4%	1.7%	85.8%	4.8%	4.6%	0.2%	87.4%
Domestic Japan ⁴	1.1%	10.1%	6.5%	2.5%	77.9%	4.5%	3.4%	0.8%	73.3%
Dom. Russian Fed. ⁴	1.5%	3.2%	5.5%	-1.9%	85.7%	7.6%	7.8%	-0.1%	83.9%
Domestic US ⁴	14.0%	6.0%	3.8%	1.7%	82.7%	4.3%	3.2%	0.9%	85.7%

¹% of industry RPKs in 2018

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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