



Air Passenger Market Analysis

April 2019

RPK growth recovers in April, amid a slower trend

- As expected, industry-wide revenue passenger kilometres (RPKs) recovered this month, lifting to a 4.3% annual rate of growth. As we noted last month, the timing of Easter has affected the performance in March and April this year.
- The industry-wide load factor rose to a record high for April at 82.8%, as ASKs increased by 3.6% year-on-year. Amongst the regions, record (April) load factors were recorded in each of Europe, Latin America and Africa.
- After a sustained period of very strong growth, RPKs in the domestic India market are 0.5% lower than their year-ago level. This is the first negative growth rate in more than 5 years and is largely due to the demise of Jet Airways.

RPK growth trend has slowed...

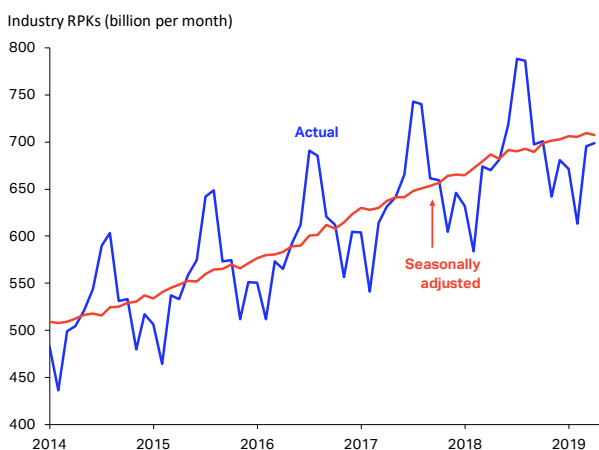
Annual growth in industry-wide revenue passenger kilometres (RPKs) recovered to 4.3%, up from 3.1% in March. Growth remains steady, but is still well below the long-run average pace of around 5%.

As we noted last month, the March and April results are blurred by the later timing of the 2019 Easter holiday period and this month's recovery comes as no surprise. Taking the average for the past two months gives an underlying growth rate of around 3.7% compared with the same period last year.

...but the upward trend remains in place

In seasonally adjusted (SA) terms, the level of passenger volumes has flattened in recent months, confirming the slowdown in growth noted above (Chart 1).

Chart 1 – Air passenger volumes



Sources: IATA Economics, IATA Monthly Statistics

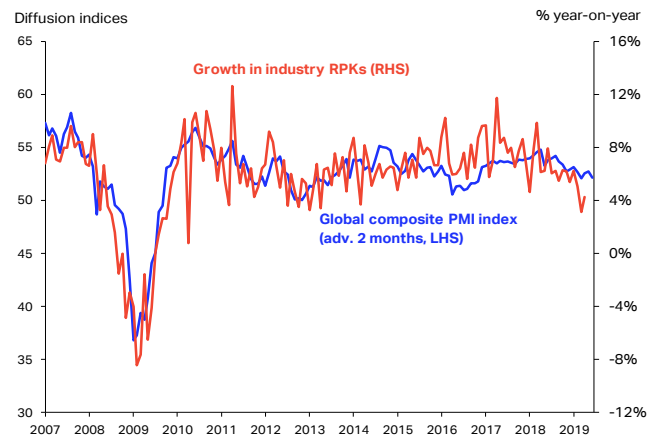
Highlighting this, over the past six months the annualized growth rate has been a relatively modest 2.6%, a clear slowing from the very strong 9.3% pace of the same period a year ago.

Global headwinds limiting expansion...

The moderation in industry-wide RPK growth over the past year or so has come alongside a softening in some of the key indicators and rising concerns about the broader global economic outlook.

The global composite Purchasing Managers Index (PMI) – a very good leading indicator of RPK growth in the past – remains well below its level of 2017 and 2018 and slipped further this month (Chart 2).

Chart 2 – RPK growth and global business confidence



Sources: IATA Economics, IATA Monthly Statistics, Markit

At the country level, business confidence remains generally more supportive for the world's emerging

Air passenger market overview - April 2019

	World share ¹	April 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%	4.3%	3.6%	0.6%	82.8%	4.6%	4.8%	-0.1%	81.2%
International	64.0%	5.1%	3.8%	1.1%	82.5%	4.5%	4.7%	-0.1%	80.7%
Domestic	36.0%	2.8%	3.2%	-0.3%	83.2%	4.8%	4.9%	-0.1%	82.1%

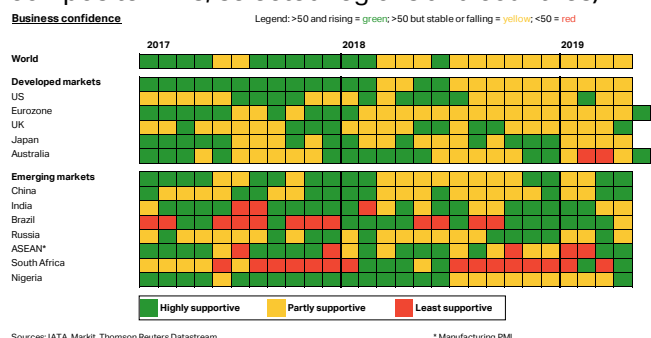
¹% of industry RPKs in 2018

²Year-on-year change in load factor

³Load factor level

markets than is the case for the major advanced economies (Chart 3).

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



In addition, the OECD recently revised its forecast for 2019 global GDP growth downward to 3.2%, noting a sharp slowdown in late 2018, with growth now stabilizing at a 'moderate' level.

The OECD's downgrade follows that of the IMF noted last month. Given expectations of a less supportive economic backdrop over the course of 2019, the passenger demand outlook has likewise become somewhat less favorable than was expected six months ago.

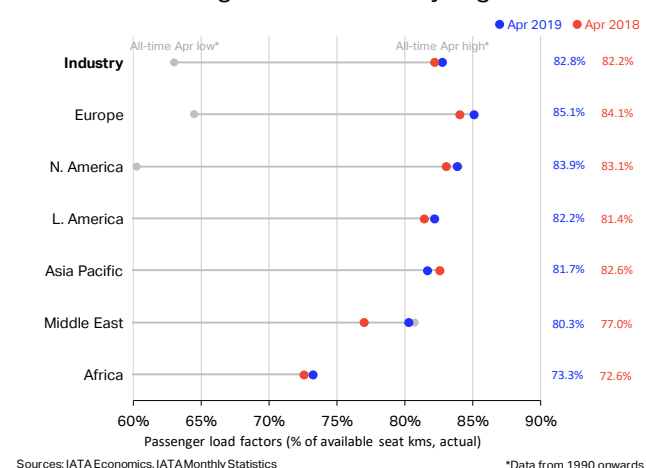
A record April load factor

Industry-wide available seat kilometres (ASKs) increased by a moderate 3.6% year-on-year in April, as the industry adjusts to the weaker business environment by reducing capacity growth.

With RPKs growing by 4.3%yoy, the industry-wide passenger load factor (PLF) lifted to 82.8%, 0.6 ppt higher than last year. This outcome represents a new record high load factor outcome for the month of April (Chart 4).

An improved load factor performance has been a notable development for the industry in recent years, and has helped to support the improvement in airline financial performance over this period.

Chart 4 – Passenger load factors by region



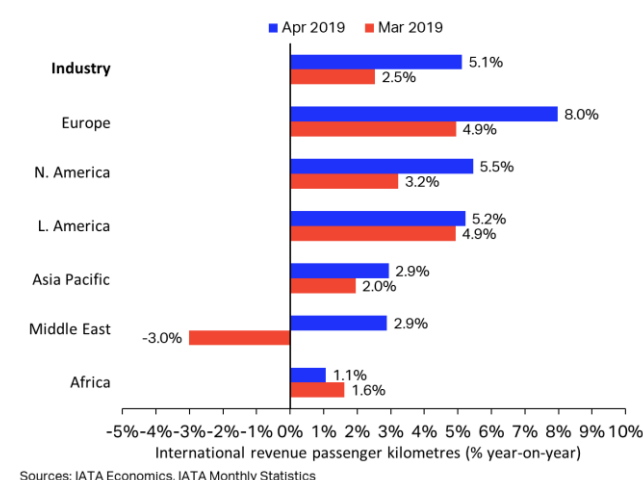
At the regional level, Latin America, Africa and Europe also posted their highest load factor outcomes for the month of April, at 82.2%, 73.3% 85.1%, respectively. Both North America and the Middle East also showed robust results on this occasion. The latter, in particular, saw a sizeable 3.3ppt improvement in the passenger load factor result compared with that of a year ago, as a decline in ASKs (down 1.6%yoy) more than offset the subdued demand outcome.

Asia Pacific was the only region to experience a fall in the load factor compared with a year ago (down 0.9ppt), albeit to a still relatively elevated level of 81.7%.

International RPK growth also rebounds

Year-on-year growth in total international RPKs also recovered this month, rising to 5.1%. While a robust pace, it is still below the average growth rate over the past five-years. The improvement in international RPK growth compared to the previous month was wide-based across all regions, with the exception of Africa (Chart 5).

Chart 5 – International passenger traffic growth by airline region of registration



Europe topped the growth chart in April

After the trough in March, Europe reclaimed the position of fastest growing region for international RPKs, at an even 8.0% year-on-year. This is the strongest outcome for the region since December 2018, above the 5-year average of around 7%.

It is noteworthy, however, that the bulk of this growth occurred in early to mid-2018. In SA terms, RPKs have only risen by 1% since November; clearly the global economic and trade backdrop – along with region-specific issues such as the uncertainty surrounding Brexit – is having an impact on demand, despite what appears at first glance to be a very strong outcome.

Passenger growth lifted in North America...

Year-on-year RPK growth in North America recovered to 5.5%, up from 3.2% in the previous month. The SA trend continued upward at a solid pace, similar to the past 2-3 years. An environment in the US of low inflation, strong labour market outcomes and sustained economic expansion has clearly been supportive of air transport demand.

Latin America growth was robust again this month

With RPKs up 5.2% versus a year ago, Latin America maintained a robust trend in the year-on-year growth rate this month, albeit slower than what was seen in 2017 and early 2018.

In seasonally adjusted terms, RPKs continue to trend upwards, notwithstanding the renewed economic and political uncertainty in a number of key countries in the region, and despite the IMF's recent downward revision to Brazil's economic outlook for 2019.

Asia Pacific and Middle East also saw a recovery

Airlines based in both Asia Pacific and Middle East posted modest RPK growth of 2.9% in year-on-year terms in April.

Growth in Asia Pacific, the second largest region in terms of international RPKs flown, lifted from the trough seen in March, but remains far below the long-term average. The slowdown in global trade, including the impact from the China-US trade tensions on the broader region, continue to weigh on passenger demand.

For the Middle East, international RPK volumes returned to positive territory in April after falling 3%yoy in March. Nonetheless, the downward trend in the SA adjusted RPK data observed since around mid-2018 remains in place for the time being, and partly reflects the broader structural changes in the industry which have been taking place in that region.

Africa was the only region with slower growth in April

International RPK volumes grew by a meager 1.1% in Africa compared to April 2018. This represents the slowest RPK growth outcome in the region since early 2015.

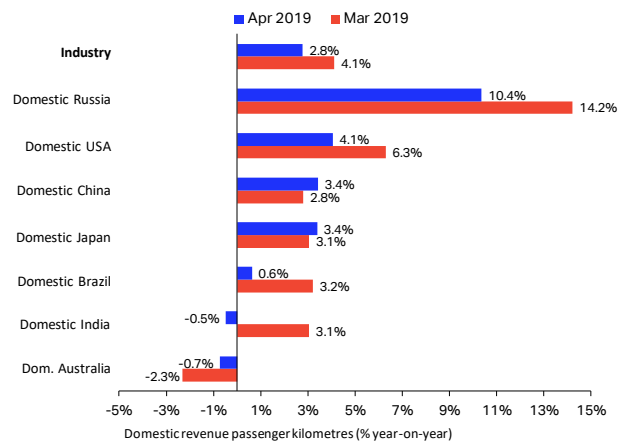
In SA terms, passenger volumes fell for African carriers this month for the first time since May of last year. The trend has definitely softened since mid-2018 amidst falling business confidence and rising concerns about economic and political conditions in some of the key economies in the region.

Domestic RPK growth slows further...

Annual growth in domestic RPKs eased to 2.8% in April, down from 4.1% seen in the previous month.

This month's moderation – the fourth consecutive one – has been driven mostly by developments in the domestic China and domestic India markets (Chart 6).

Chart 6 – Domestic RPK growth by market



Sources: IATA Economics, IATA Monthly Statistics

Flight cancellations disrupt growth in India...

Following a sustained period of strong double-digit RPK growth, the India domestic market recorded its first negative growth rate since January 2014 this month. RPKs are currently 0.5% lower than their level of a year ago, down from a 15%yoy pace as recently as December. Over the past five years, annual growth has averaged a pace close to 20%.

The main explanation for this dramatic slowing is the exit of Jet Airways from the market. This sizeable supply side interruption has not yet been offset by other carriers, resulting in ASK growth also slowing sharply, to just 0.5%yoy currently (compared to an average pace of around 15% in the past two years). More broadly, rising airfares in recent months are also likely to have weighed upon passenger demand.

Domestic Russia tops the growth chart this month...

Domestic Russia continues its strong recent passenger demand trend, recording a double-digit year-on-year growth rate for the ninth consecutive month.

Generally favorable conditions in the domestic economy – supported higher world oil prices – along with lower air fares and growth in airport connectivity have all contributed to the recent strong performance.

...followed by the US

Passenger volumes in the domestic US market increased by 4.1% compared to April 2018, and extends the positive run going back to September 2017. The sustained economic expansion and jobs growth continues to support household spending and flight demand.

China growth has softened

Growth in the domestic China market picked up slightly this month – with RPKs up 3.4% vs a year ago – but is still much softer than the 2016-2018 period, during which growth averaged around 12%. The damaging effects of the trade dispute with the US, along with the softening in a number of economic indicators over the past year or so has contributed to this slowdown in the demand for air travel.

Japan performs strongly in April...

Domestic Japan RPKs grew by 3.4%yoy this month, similar to the outcome for March (3.1%) and in-line with the average annual pace over the past six months. This represents a step-up in growth rate (having averaged around 2% in the preceding year) which has been supported by price stimulation via lower average fares and a solid economic backdrop.

...while growth in Brazil eases further

Annual RPK growth in Brazil domestic market slipped to just 0.6% this month, the weakest outcome since early 2017. With a slowly recovering economy presenting challenging business conditions, airlines have reduced capacity by 1.1% over the past year to try to restore financial performance.

...and annual growth remains negative in Australia

Weakness in RPK growth continued in the domestic Australia market in April, with volumes currently 0.7% lower than their level in April 2018. All told, following a period of relatively stable demand over much of last year, a downward trend in seasonally adjusted RPKs began to emerge from late-2018.

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 29 May 2019

Air passenger market detail - April 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%	4.3%	3.6%	0.6%	82.8%	4.6%	4.8%	-0.1%	81.2%
Africa	2.1%	1.6%	0.6%	0.7%	73.3%	2.6%	1.4%	0.8%	71.6%
Asia Pacific	34.4%	2.1%	3.2%	-0.9%	81.7%	4.6%	4.8%	-0.2%	81.7%
Europe	26.7%	7.6%	6.3%	1.0%	85.1%	6.9%	6.9%	0.0%	82.7%
Latin America	5.1%	5.7%	4.7%	0.8%	82.2%	5.4%	5.3%	0.1%	81.9%
Middle East	9.2%	2.6%	-1.6%	3.3%	80.3%	-0.3%	1.5%	-1.4%	75.4%
North America	22.5%	4.4%	3.4%	0.8%	83.9%	4.5%	4.1%	0.3%	82.3%
International	64.0%	5.1%	3.8%	1.1%	82.5%	4.5%	4.7%	-0.1%	80.7%
Africa	1.8%	1.1%	0.1%	0.7%	72.6%	2.5%	1.1%	1.0%	71.2%
Asia Pacific	18.9%	2.9%	3.7%	-0.6%	80.8%	4.1%	4.3%	-0.2%	81.0%
Europe	23.9%	8.0%	6.6%	1.1%	85.7%	7.0%	7.1%	0.0%	83.3%
Latin America	2.7%	5.2%	4.0%	0.9%	82.8%	5.0%	5.3%	-0.2%	82.3%
Middle East	8.9%	2.9%	-1.6%	3.5%	80.5%	-0.1%	1.7%	-1.3%	75.4%
North America	7.6%	5.5%	3.2%	1.8%	82.2%	4.6%	3.5%	0.8%	81.3%
Domestic	36.0%	2.8%	3.2%	-0.3%	83.2%	4.8%	4.9%	-0.1%	82.1%
Dom. Australia ⁴	0.9%	-0.7%	0.4%	-0.9%	79.5%	-1.0%	-0.7%	-0.2%	79.0%
Domestic Brazil ⁴	1.1%	0.6%	-1.1%	1.4%	81.9%	3.0%	1.9%	0.9%	82.4%
Dom. China P.R. ⁴	9.5%	3.4%	5.4%	-1.6%	84.3%	7.8%	8.2%	-0.3%	84.1%
Domestic India ⁴	1.6%	-0.5%	0.5%	-0.9%	88.6%	5.7%	7.9%	-1.8%	87.5%
Domestic Japan ⁴	1.0%	3.4%	2.6%	0.5%	67.3%	3.1%	2.5%	0.4%	69.7%
Dom. Russian Fed. ⁴	1.4%	10.4%	10.4%	0.0%	81.0%	11.3%	10.9%	0.3%	78.6%
Domestic US ⁴	14.1%	4.1%	3.8%	0.2%	84.7%	4.7%	4.8%	-0.1%	82.9%

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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