

Passenger growth improves, but the trend remains moderate

- Year-on-year growth in industry-wide revenue passenger kilometres (RPKs) edged up to 3.8% in August. Despite the difficult economic conditions in several key markets, the moderate upward trend in passenger traffic continues.
- This month has again been one of record-high load factors. The industry-wide load factor reached 85.7% in August, with records in domestic load factors too, carried by Russia (91%), China (87.6%) and the USA (87.1%).
- Domestic RPK volumes in China grew the fastest of all markets we follow, at 10.1% annually. Year-on-year growth in international RPKs lifted in all regions compared to last month, except Latin America due to slowdown in economic growth and currency depreciation in some of its largest economies.

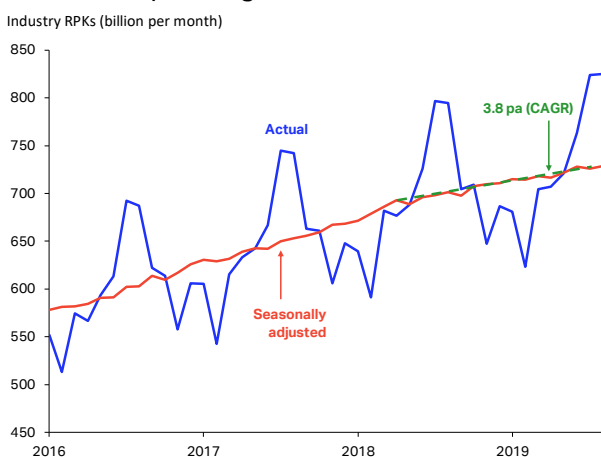
Continuation of a subdued peak travel season...

Industry-wide growth in revenue passenger kilometres (RPKs) lifted moderately to 3.8% year-on-year in August 2019, up from 3.5% in July.

In seasonally-adjusted (SA) terms, RPK levels continued trending upwards at a soft pace in August. The latest month-on-month change is consistent with the more moderate trend that has been in place since Q2 2018 – as depicted in green in Chart 1 – after a stretch of strong growth from 2016 to early 2018.

Over that recent period, SA RPKs have grown by 3.8% on average in annualized terms, versus roughly 8.5% over the 2016 to Q1 2018 period.

Chart 1 – Air passenger volumes and latest trend



Sources: IATA Economics, IATA Monthly Statistics

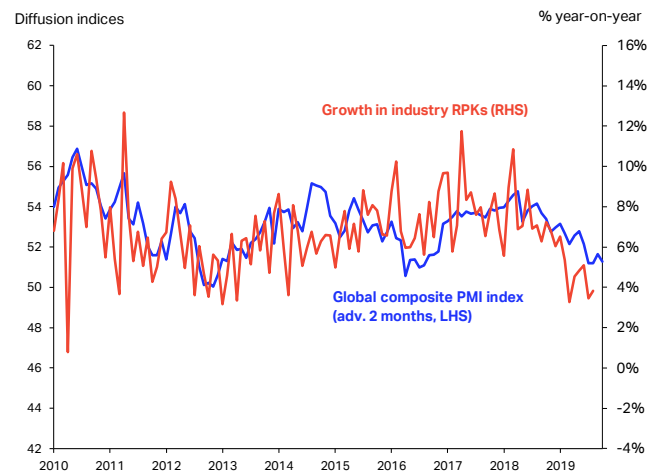
... with mixed support from key drivers

This slower trend comes alongside a slowdown in

economic activity in a number of important markets, and mixed business confidence indicators. Despite falling in year-on-year terms, the global composite Purchasing Managers' Index (PMI) has remained in the territory typically associated with increasing output.

The deterioration in business confidence has shown signs of stabilizing in recent months and this suggests that that the current moderate trend in RPKs is likely to persist in the near future (See Chart 2).

Chart 2 – RPK growth and global business confidence



Sources: IATA Economics, IATA Monthly Statistics, Markit

Meanwhile, business confidence at the country and regional levels remains mixed. Sentiment fell in the UK and Australia amidst soft economic performance. That said, sentiment improved in emerging countries as a whole, and the Eurozone and Japan, (See Chart 3).

Air passenger market overview - August 2019

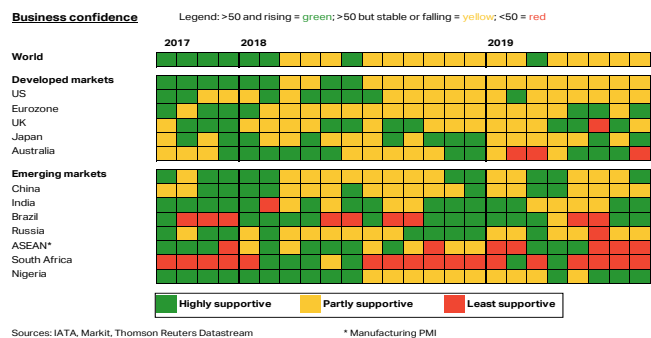
	World share ¹	August 2019 (% year-on-year)				% year-to-date			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	3.8%	3.5%	0.3%	85.7%	4.5%	4.0%	0.4%	83.0%
International	63.9%	3.3%	2.9%	0.3%	85.6%	4.5%	3.9%	0.5%	82.4%
Domestic	36.1%	4.7%	4.6%	0.1%	85.9%	4.7%	4.2%	0.4%	84.1%

¹% of industry RPKs in 2018

²Year-on-year change in load factor

³Load factor level

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

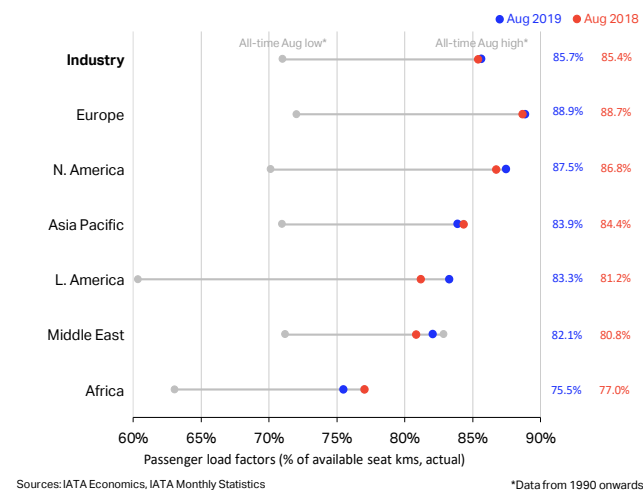


Capacity growth remains slower than demand

Industry-wide available seat kilometres (ASKs) grew by 3.5% year-on-year in August, after rising 3.2% in July. In SA terms, the level of ASKs continue to follow the moderate upward trend that began in the summer of 2018. Since then, SA ASKs have grown at roughly 3.5% in annualized terms, almost half the pace observed during the period from 2016 – mid-2018.

With the trend in RPKs being stronger than that of ASKs, we have seen passenger load factors reaching all-time high levels in the recent months. This was the case in August as well, with the industry-wide load factor reaching 85.7%, in what is yet another monthly record in our 30 year-long series (See Chart 4).

Chart 4 – Passenger load factors by region



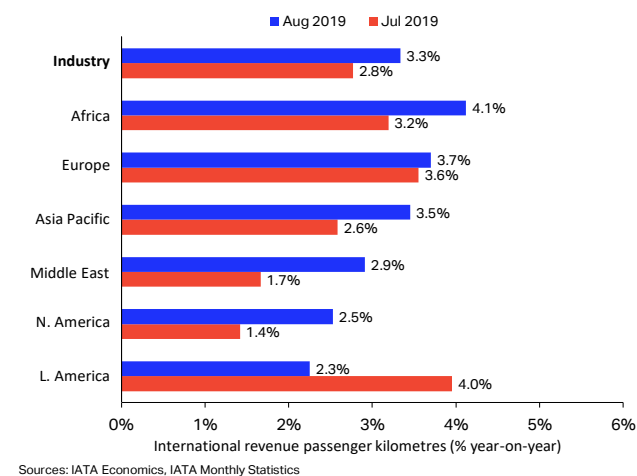
At the regional level, Europe, North America and Latin America posted monthly record load factors in August. All other regions also registered strong performances, despite small year-on-year declines in Africa and Asia Pacific.

Modest recovery in international RPK volumes

Year-on-year growth in industry-wide international RPKs picked up to 3.3% in August. Although this is an improvement from the 2.8% annual growth seen in July, it remains significantly below the long-term average growth rate of around 6.5%. With the exception of Latin America, all regions saw a

moderate acceleration in international RPK volumes (See Chart 5).

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



Africa tops the international growth chart...

International RPK volumes registered by African airlines grew by 4.1% in August versus the year ago. This is up from the 3.2% growth rate recorded in July.

This solid performance comes after South Africa – the second largest economy in the region after Nigeria – returned to positive economic growth in Q2 2019, following a contraction in activity in Q1.

... followed by Europe

European airlines posted a 3.7% annual growth rate in international RPKs in August, broadly unchanged from July's 3.6% increase.

With slowing economic growth in some of the key economies – in particular the UK and Germany – as well as ongoing uncertainties and disparate business confidence outcomes, conditions in Europe remain soft. Consequently, the latest passenger traffic growth number is aligned with the weaker trend that has been observed in the region since Q4 2018, as already detailed [last month](#).

Growth rises in Asia Pacific despite headwinds...

Airlines based in Asia Pacific experienced a modest rebound in international RPKs in August, with growth climbing to 3.5% year-on-year, after a trough in growth of 2.6% in July. This remains well below the long-term average annual growth rate, which is more in the order of 6.5%yoy.

Economic growth Australia and India slowed to their lowest levels in several years in Q2. Meanwhile, the various trade disputes continue to weigh on exports and business confidence throughout the region. In Hong Kong, protests caused flight cancellations as well as loss of reputation and business confidence. This is likely to have weighed on traffic in the region.

... with recovery in the Middle East & Nth America too

International traffic volumes registered by airlines in the Middle East lifted to 2.9% in August, up from 1.7% in July. While this is better than the average of the past twelve months, it remains far below the double-digit average of recent years. Falling business confidence in parts of the region, combined with some key airlines going through a process of structural change and geopolitical tensions are all likely to be contributing factors.

In North America, the region’s airlines recorded a 2.5% year-on-year increase in international RPKs in August. As for the Middle East and Asia Pacific, this represents an improvement from July, but remains relatively soft compared to long-term norms in those regions (~4% in North America).

Trade tensions and slowing global demand continue to impact passenger traffic in the region, and the broader seasonally adjusted trend has generally softened since early 2019.

Latin America slows and closes the ranking

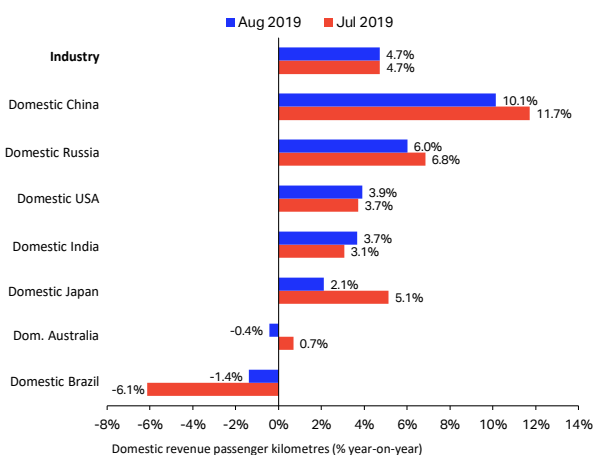
Airlines based in Latin America saw their international RPK volumes slow to 2.3% in August compared to the year ago. This is down from 4% annually in July, and the first time Latin America closes the ranking since January 2011.

The economic context in the region has clearly played a role in the passenger traffic slowdown. For example in Argentina which has experienced a financial market crash and sharp currency depreciation. Economic conditions in key markets such as Brazil and Mexico are also challenging at present.

Growth in domestic RPKs was unchanged

Annual growth in domestic RPK volumes remained at 4.7% in August. Domestic RPKs grew faster than international RPKs as has been the case, in 21 of the past 24 months. Performance was disparate across the key markets we follow (See Chart 6).

Chart 6 – Domestic RPK growth by market

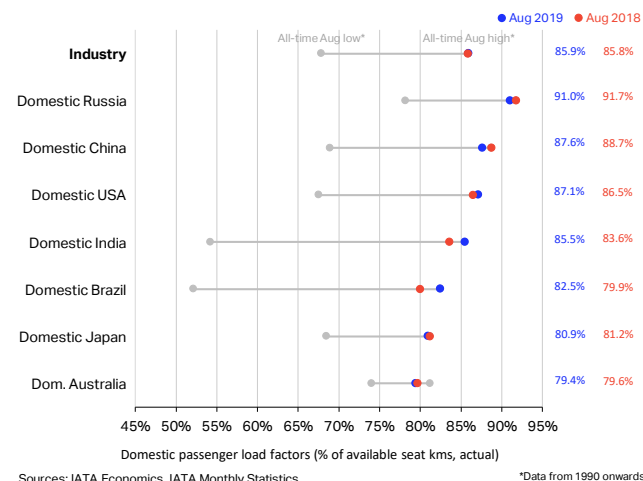


Sources: IATA Economics, IATA Monthly Statistics

Domestic load factors at record-high levels for August

Domestic ASKs increased by 4.6% annually in August, essentially unchanged from July (4.5%). As a result, the industry-wide domestic load factor grew by 0.1pp compared to a year ago, reaching another record level for August (85.9%). This feat was shared with domestic USA, India and Brazil (See Chart 7).

Chart 7 – Domestic passenger load factors by market



Sources: IATA Economics, IATA Monthly Statistics *Data from 1990 onwards

Taking a step back from the monthly numbers, we have seen load factors trending upwards and reaching high levels in many markets in the recent period. Airlines have been much better at adjusting capacity to changing business conditions, than has been the case historically.

Double-digit growth for China again...

For the third consecutive month, domestic RPKs in China grew the fastest of all the domestic markets we follow, at 10.1% annually. Despite trade conflicts and decreasing business confidence, Chinese consumer confidence remains elevated, on a background of fiscal stimulus by the government. Consequently, after a softer period from early 2018 to early 2019, a strong upward trend has reappeared in the SA traffic data.

... with Russia and USA following

Year-on-year growth in domestic RPKs in Russia slowed to an even 6% in August, down from 6.8% in July. While this remains elevated, it is below the long-term average growth rate in that market (~10%). The latest growth number also fits in the more moderate – but still very dynamic – trend that emerged in Q4 2018.

In the USA, annual growth in domestic RPKs edged up to 3.9% in August, after posting a 3.7% outcome in July. Again, despite the negative impact of the trade conflict with China, consumer spending grew solidly in Q2, helping to maintain the robust upward trend in SA RPKs.

Growth improves in India...

Annual growth in India domestic RPK volumes accelerated moderately to 3.7% in August, up from a revised 3.1% in July.

The country experienced its slowest economic growth in several years in Q2 2019 (5%yoy), with slowing consumption growth and some emerging concerns regarding the financial sector. This has contributed to maintaining the SA traffic numbers on a more modest trend, which emerged in early 2019.

... but falls in Japan

Turning to Japan, annual growth in domestic RPKs slowed to 2.1% in August, after a brisk 5.1% in July. Economic growth was revised downwards in Q2 for Japan and weakness in the global economy together

with trade tensions with South Korea are key risks to growth which could also impact passenger travel.

Australia and Brazil close the rankings again

Year-on-year growth in Australia domestic RPKs was negative in August, at -0.4% versus +0.7% in July. With weak GDP growth numbers in Q2, and unsupportive business confidence in August, the flat trend in SA RPK numbers looks set to continue.

Meanwhile, domestic RPKs in Brazil were 1.4% lower than the year before in August. This is the fourth consecutive month of falling air traffic, amidst soft economic conditions and disruption related to the demise of Avianca Brasil.

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 10 October 2019

Air passenger market detail - August 2019

	World share ¹	August 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%	3.5%	0.3%	85.7%	4.5%	4.0%	0.4%	83.0%
Africa	2.1%	4.0%	6.1%	-1.5%	75.5%	4.7%	4.2%	0.4%	71.9%
Asia Pacific	34.5%	4.9%	5.4%	-0.4%	83.9%	5.0%	5.0%	0.0%	82.2%
Europe	26.8%	3.6%	3.3%	0.2%	88.9%	5.4%	5.1%	0.2%	85.4%
Latin America	5.1%	3.4%	0.8%	2.1%	83.3%	4.9%	3.5%	1.1%	82.9%
Middle East	9.2%	2.6%	1.1%	1.2%	82.1%	1.7%	0.7%	0.7%	76.9%
North America	22.3%	3.1%	2.3%	0.7%	87.5%	3.9%	2.7%	0.9%	85.5%
International	63.9%	3.3%	2.9%	0.3%	85.6%	4.5%	3.9%	0.5%	82.4%
Africa	1.8%	4.1%	6.1%	-1.4%	75.6%	4.8%	4.1%	0.5%	71.5%
Asia Pacific	19.0%	3.5%	3.9%	-0.4%	82.8%	4.5%	4.3%	0.1%	81.2%
Europe	23.9%	3.7%	3.4%	0.2%	89.0%	5.6%	5.4%	0.2%	85.7%
Latin America	2.7%	2.3%	-0.3%	2.1%	83.9%	4.6%	3.5%	0.9%	83.2%
Middle East	8.9%	2.9%	1.3%	1.3%	82.4%	2.0%	0.9%	0.8%	77.0%
North America	7.6%	2.5%	1.3%	1.0%	88.3%	3.7%	2.4%	1.1%	84.5%
Domestic	36.1%	4.7%	4.6%	0.1%	85.9%	4.7%	4.2%	0.4%	84.1%
Dom. Australia ⁴	0.9%	-0.4%	-0.2%	-0.2%	79.4%	-0.2%	0.1%	-0.2%	79.1%
Domestic Brazil ⁴	1.1%	-1.4%	-4.4%	2.5%	82.5%	-0.5%	-2.8%	1.9%	82.5%
Dom. China P.R. ⁴	9.5%	10.1%	11.5%	-1.1%	87.6%	9.2%	9.6%	-0.3%	85.2%
Domestic India ⁴	1.6%	3.7%	1.4%	1.9%	85.5%	5.1%	5.1%	0.0%	87.6%
Domestic Japan ⁴	1.1%	2.1%	2.4%	-0.2%	80.9%	3.8%	3.1%	0.5%	72.7%
Dom. Russian Fed. ⁴	1.5%	6.0%	6.8%	-0.7%	91.0%	8.3%	8.1%	0.1%	83.6%
Domestic US ⁴	14.0%	3.9%	3.2%	0.6%	87.1%	4.2%	3.2%	0.8%	86.1%

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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