

Upward trend remains in place despite slowing RPK growth

- Industry-wide revenue passenger kilometres (RPKs) grew by a moderate 3.1% year-on-year in March – the softest growth outcome in 9 years. However, this month’s result has been influenced by the earlier timing of Easter last year which boosted demand in March 2018.
- With capacity outpacing demand over the past year, the passenger load factor is down 0.9 percentage points from its record March high of last year, but remains elevated at 81.7%.
- RPK growth dipped sharply in domestic India to 3.1% year-on-year, amidst operational disruptions for Jet Airways. China also recorded a slowdown, although the outcome more reflected developments of a year ago.

RPK growth well below 5-year average...

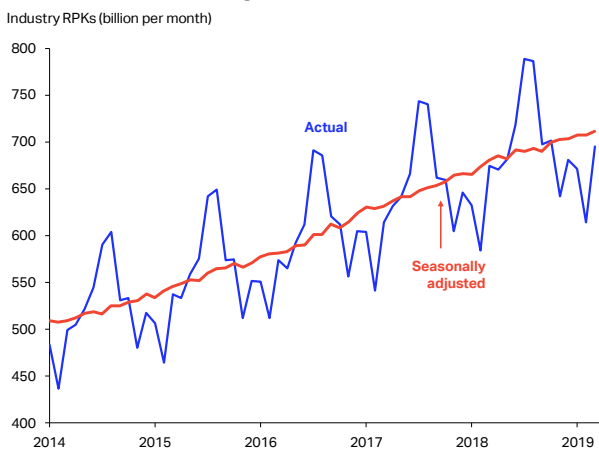
Annual growth in industry-wide revenue passenger kilometres (RPKs) eased to 3.1%, down from 5.1% in February. This was the weakest annual growth outcome since early-2010 and well below the five-year average growth rate (7.0%).

Having said that, this month’s result was impacted by the earlier timing of the 2018 Easter holiday period, which boosted demand in March last year.

...but the solid upward trend remains in place

Putting aside the monthly volatility, in seasonally adjusted (SA) terms, the solid upward trend in passenger volumes remains in place.

Chart 1 – Air passenger volumes



Sources: IATA Economics, IATA Monthly Statistics

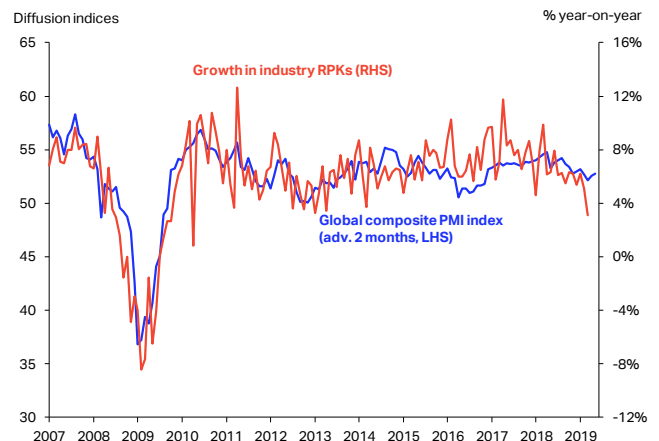
The underlying growth rate has been relatively steady at a 4.1% annualized pace since October; a solid outcome, but a clear slowing from the very strong 8.6% pace of the same period a year ago.

Economic backdrop remains less supportive

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 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, despite a modest pick-up 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 emerging markets than

Air passenger market overview - March 2019

	World share ¹	March 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%	3.1%	4.2%	-0.9%	81.7%	4.8%	5.2%	-0.4%	80.6%
International	64.0%	2.5%	4.0%	-1.2%	80.8%	4.3%	5.0%	-0.5%	80.0%
Domestic	36.0%	4.1%	4.5%	-0.3%	83.4%	5.6%	5.7%	0.0%	81.7%

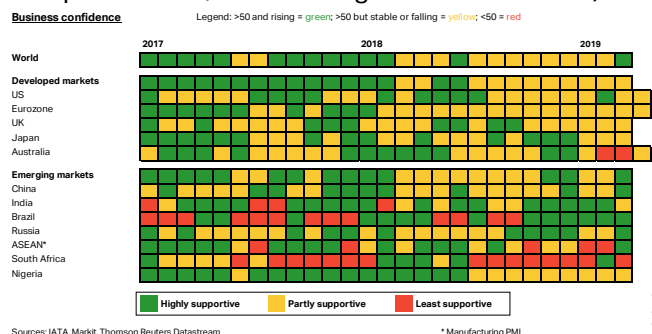
¹% of industry RPKs in 2018

²Year-on-year change in load factor

³Load factor level

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

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



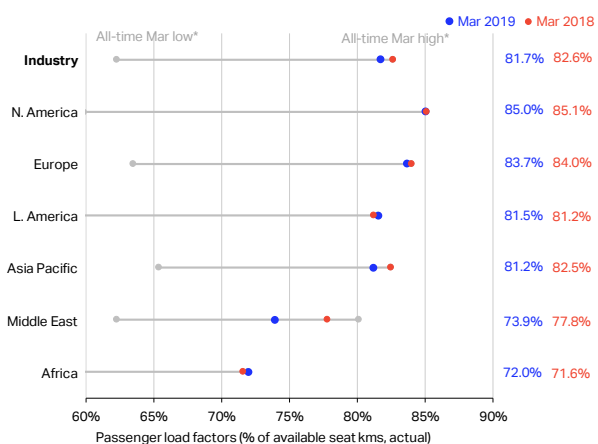
In addition, the International Monetary Fund has recently revised its forecast for 2019 global GDP growth downward for the fourth time in the past year, to 3.3%. Given expectations of a less supportive economic backdrop over the course of 2019, the passenger demand outlook has become a little less favorable than was expected six months ago.

Load factor falls in annual terms in March

Industry-wide available seat kilometres (ASKs) increased by 4.2% year-on-year in March (vs 3.1%yoy for RPKs). As a result, the industry-wide passenger load factor (PLF) eased to 81.7%, 0.9 ppt lower than the record high for the month of March achieved last year.

At the regional level, Latin America and Africa posted the highest load factor for March since 1990 (81.5% & 72.0%, respectively) and both North America and Europe also showed robust results. By contrast, carriers based in Asia Pacific and the Middle East saw the load factor falling in annual terms (Chart 4).

Chart 4 – Passenger load factors by region

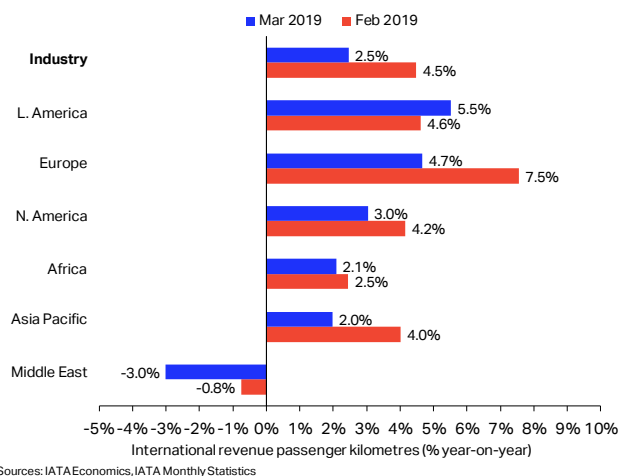


International RPK growth eased further this month...

Year-on-year growth in total international RPKs eased further this month to 2.5% and is currently almost 5 percentage points below its five-year average pace. Most of the regions recorded a

slowdown in international RPK growth compared to the previous month (Chart 5).

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



Latin America topped the growth chart in March

With RPKs up 5.5% versus a year ago, Latin America was the only international market to show an increase in the year-on-year growth rate compared to February.

In seasonally adjusted terms, RPKs continue to trend upwards solidly, notwithstanding the renewed economic and political uncertainty in a number of key countries in the region.

Solid upward trend remains in place for Europe

Europe slipped to second place in March after leading the international RPK growth chart for five consecutive months. Indeed, 4.7% represents the region's slowest pace of growth since April 2018.

This month's outcome partly reflects falling business confidence in the Eurozone and ongoing uncertainty about Brexit (the original deadline for Brexit was set for 29th March). All told, however, the steady upward trend in SA RPKs remains in place for the region.

Passenger growth eased in North America...

Year-on-year RPK growth in North America eased modestly to 3.0%, down from 4.2% in the previous month. That said, SA trend has been trending upwards swiftly at a 7.9% annualized pace over the past three months.

...as well in Africa & Asia Pacific...

Airlines based in both Africa and Asia Pacific posted RPK growth of ~2% in year-on-year terms in March.

Although SA volumes picked-up for African carriers this month, the key takeaway remains that the upward trend has softened since mid-2018 amidst falling

business confidence in some of the key economies in the region (Chart 3).

Growth in Asia Pacific, the second largest region in terms of international RPKs flown, eased for a second consecutive month and was the weakest in six years or so. That said, it was not enough to disrupt the modest upwards trend in the SA RPK series.

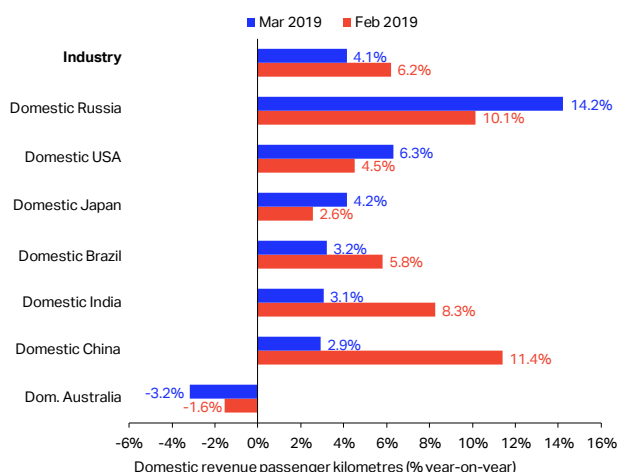
[...while growth in the Middle East contracts again](#)

The Middle East was the only international market where RPK volumes contracted compared to a year ago (down 3.0%). The downward trend in the SA adjusted RPK data observed since around mid-2018 partly reflects the broader structural changes in the industry which have been taking place in that region.

[Domestic RPK growth slows further...](#)

Annual growth in domestic RPKs eased to 4.1% in March, down from 6.2% seen in the previous month. This month's moderation 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

[Domestic Russia tops the growth chart this month...](#)

Domestic Russia continues to be a strong performer in terms of passenger demand, recording a double-digit year-on-year growth rate for the eighth consecutive month.

The recent brisk performance has been supported by lower airfares, a generally solid economic backdrop (including higher oil prices) and growth in the number of airport connections within the country compared to a year ago. The latter translates into time savings for passengers and thus stimulates demand for air travel.

[...followed by the US](#)

Passenger volumes in the domestic US market increased by 6.3% compared to March 2018, the second-best performance among the domestic

markets this month and the strongest outcome for this market since early 2016. The robust outcome has been supported by a strong labor market and solid household consumption spending.

[Japan performs strongly in March...](#)

Unusually for recent years, where growth has typically been subdued and overshadowed by the likes of China and India, domestic Japan became third fastest growing market in terms of RPKs this month. The current 4.2% pace of growth is the third strongest outcome recorded for this market over the past year.

[...while growth in Brazil slips below its 12mth average](#)

After a strong performance in February (5.8%yoy), annual RPK growth in Brazil domestic market softened to 3.2% this month and is currently ~1.5ppt below its 12-month average. Even so, the upward trend in SA RPKs remains firmly in place.

[Flight cancellations disrupt growth in India...](#)

Year-on-year RPK growth slowed substantially in the domestic India market this month, from 8.3% in February, to 3.1% currently. Over the past five years, annual growth has averaged a double-digit pace close to 20%.

In large part, the slowdown reflects the disruption of flight operation for Jet Airways, including a number of flight cancellations, as well as construction works at Mumbai airport which also interrupted operations. Rising airfares in recent months are also likely to have weighed upon passenger demand.

[...China growth slows on developments of a year ago..](#)

Growth in the domestic China market, also slowed this month, with RPKs up ~3% vs a year ago, its weakest performance since early-2015.

That said, the year-on-year RPK growth rate was impacted by the very strong demand outcome in March 2018. In addition, some signs of a slowing in domestic economic activity may also be having an influence, although the upwards trend in SA RPKs remains in place.

[...and annual growth remains negative in Australia](#)

RPK volumes contracted in the domestic Australia market for the fifth consecutive month and are currently 3.2% lower than their level in March 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.

IATA Economics
economics@iata.org
 7 May 2019

Air passenger market detail - March 2019

	World share ¹	March 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%	3.1%	4.2%	-0.9%	81.7%	4.8%	5.2%	-0.4%	80.6%
Africa	2.1%	2.6%	2.0%	0.4%	72.0%	3.0%	1.7%	0.9%	71.1%
Asia Pacific	34.4%	1.9%	3.5%	-1.3%	81.2%	5.4%	5.4%	0.0%	81.6%
Europe	26.7%	4.9%	5.4%	-0.4%	83.7%	6.4%	7.1%	-0.5%	81.6%
Latin America	5.1%	5.6%	5.1%	0.3%	81.5%	5.3%	5.7%	-0.3%	81.7%
Middle East	9.2%	-3.0%	2.1%	-3.9%	73.9%	-1.3%	2.6%	-2.9%	73.8%
North America	22.5%	4.9%	5.0%	-0.1%	85.0%	4.7%	4.4%	0.2%	81.9%
International	64.0%	2.5%	4.0%	-1.2%	80.8%	4.3%	5.0%	-0.5%	80.0%
Africa	1.8%	2.1%	1.1%	0.7%	71.4%	3.2%	1.5%	1.2%	70.7%
Asia Pacific	18.9%	2.0%	4.0%	-1.6%	80.1%	4.4%	4.6%	-0.1%	80.9%
Europe	23.9%	4.7%	5.4%	-0.6%	84.2%	6.5%	7.2%	-0.6%	82.3%
Latin America	2.7%	5.5%	5.8%	-0.2%	81.9%	5.2%	6.2%	-0.8%	81.9%
Middle East	8.9%	-3.0%	2.3%	-4.0%	73.8%	-1.1%	2.8%	-2.9%	73.8%
North America	7.6%	3.0%	2.6%	0.3%	83.7%	4.1%	3.2%	0.7%	81.2%
Domestic	36.0%	4.1%	4.5%	-0.3%	83.4%	5.6%	5.7%	0.0%	81.7%
Dom. Australia ⁴	0.9%	-3.2%	-2.1%	-0.9%	79.3%	-1.7%	-1.3%	-0.3%	78.6%
Domestic Brazil ⁴	1.1%	3.2%	2.1%	0.9%	80.9%	3.7%	2.9%	0.7%	82.6%
Dom. China P.R. ⁴	9.5%	2.9%	4.4%	-1.2%	84.2%	9.4%	9.3%	0.1%	84.1%
Domestic India ⁴	1.6%	3.1%	4.7%	-1.4%	86.6%	7.8%	10.4%	-2.1%	87.1%
Domestic Japan ⁴	1.0%	4.2%	3.6%	0.4%	74.5%	3.4%	2.9%	0.3%	70.5%
Dom. Russian Fed. ⁴	1.4%	14.2%	11.1%	2.2%	80.5%	11.7%	11.1%	0.4%	77.7%
Domestic US ⁴	14.1%	6.3%	6.9%	-0.5%	85.8%	5.3%	5.4%	-0.1%	82.4%

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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