



# AIR PASSENGER MARKET ANALYSIS October 2016

## Solid RPK growth in October, albeit an easing from September

- Industry-wide passenger traffic grew by 5.8% year-on-year in Oct, after a short-lived pick-up in September.
- Passenger growth remains broadly in line with its 10-yr avg. pace, driven by a range of competing factors.
- Ongoing signs of normalization for European carriers, but domestic market performance remains mixed.
- The seasonally-adjusted passenger load factor eased compared to September, but remained above 80%.

### Solid passenger growth in October

Annual growth in industry-wide revenue passenger kilometres (RPKs) eased back to 5.8% year-on-year in October, from 7.1% in September. Airlines from the Middle East and Asia Pacific posted the fastest traffic growth for the fifth month in a row, while North American carriers posted the slowest pace of change.

### Are we starting to see a turnaround in growth drivers?

Developments in industry-wide traffic growth so far in 2016 have reflected the net impact of a number of competing drivers. There are tentative signs of a turnaround in these driving factors.

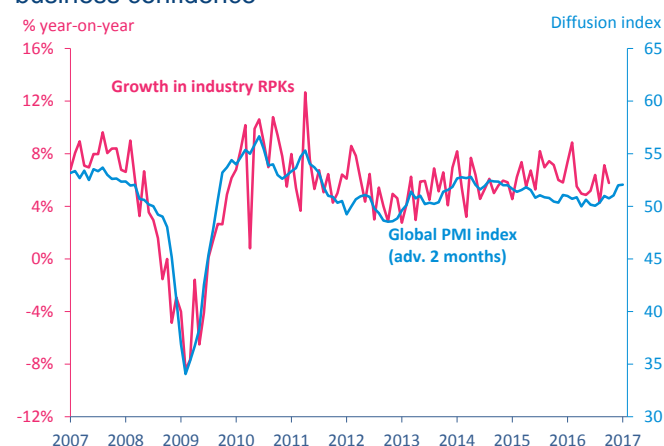
Certainly, the headwinds from high-profile terrorist attacks and political instability in parts of the world look to have

eased in the final third of 2016. Following the disruption seen earlier this year, the upward trend in European international traffic has resumed, and conditions on the Asia to Europe market, which tends to be highly sensitive to such shock events, look to be recovering.

Meanwhile, although risks and uncertainty concerning the global economic and political outlook have increased of late, global business confidence has actually picked up in recent months. The global PMI reached a 27-month high in November, driven by increases in advanced economies. (See Chart 1.) If stronger economic activity can be sustained, this would help to support demand for air travel going into 2017.

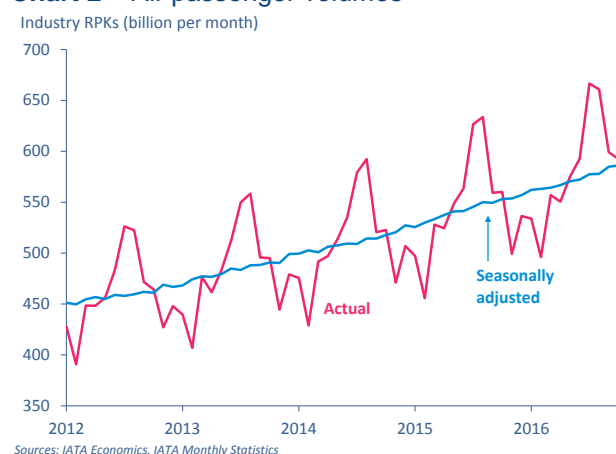
On the other hand, the biggest stimulus from lower oil prices and airfares that has been a key driver of demand

**Chart 1 – Air passenger volume growth and global business confidence**



Sources: IATA Economics, IATA Monthly Statistics, Markit

**Chart 2 – Air passenger volumes**



Sources: IATA Economics, IATA Monthly Statistics

### Air passenger market overview - October 2016

	World share <sup>1</sup>	October 2016 (% year-on-year)				% year-to-date			
		RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>	RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>
<b>TOTAL MARKET</b>	<b>100.0%</b>	<b>5.8%</b>	<b>6.3%</b>	<b>-0.4%</b>	<b>80.1%</b>	<b>6.0%</b>	<b>6.2%</b>	<b>-0.2%</b>	<b>80.5%</b>
International	63.6%	5.9%	6.6%	-0.6%	78.6%	6.3%	6.9%	-0.5%	79.7%
Domestic	36.4%	5.6%	5.6%	0.0%	82.8%	5.4%	4.9%	0.4%	82.1%

<sup>1</sup>% of industry RPKs in 2015    <sup>2</sup>Year-on-year change in load factor    <sup>3</sup>Load factor level

in recent years may now be behind us. Certainly, the steep downward trend in yields that was a feature of early 2016 has paused in recent months. Following the recent agreement by OPEC to restrict oil supplies, a further decline in oil prices looks less likely too. The majority of respondents to our latest quarterly Business Confidence survey reported that they expected passenger yields to remain unchanged in the year ahead. With input prices expected to rise over the year ahead, the upshot is that our respondents expect profit margins to come under pressure going into the New Year.

Adjusting for the fact that 2016 is a leap year, we estimate that industry-wide RPKs have grown by around 5.7% this year to date, compared to the (oil price-assisted) 6.6% in the same period of 2015. All told, growth this year has been slightly ahead of its 10-year average pace, and the upward trend in seasonally-adjusted traffic remains solid. (See Chart 2, previous page.)

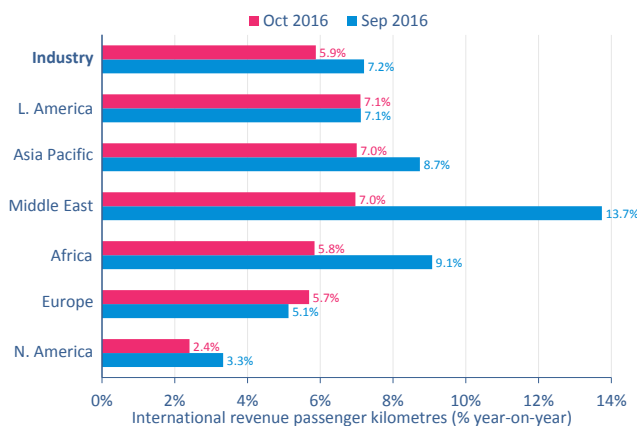
### Load factor slips back in Oct. but remains above 80%

The industry-wide load factor fell by 0.4 percentage points in October compared to the same month a year ago. The load factor increased between the periods in Asia Pacific, Africa, and notably Latin America, but it fell in the other three regions (most notably the Middle East). In seasonally-adjusted terms, the industry-wide load factor eased by 0.2 percentage points compared to the previous month, although it remained above the 80%-mark.

### European int'l traffic is getting back to normal...

Annual growth in international RPKs moderated to 5.9% in October, from 7.2% in September. (See Chart 3.)

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



Sources: IATA Economics, IATA Monthly Statistics

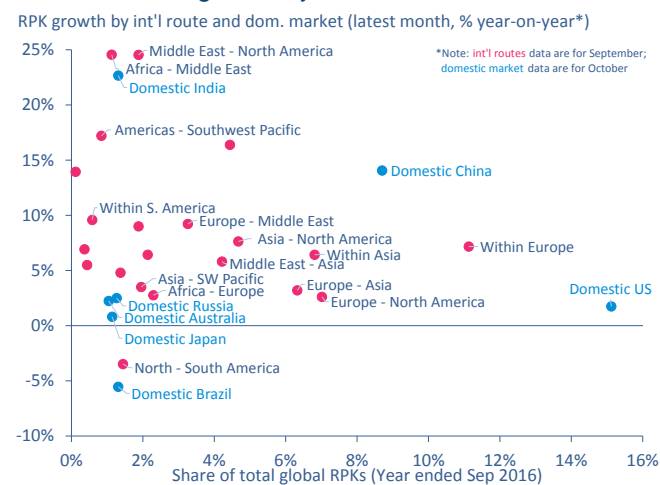
Europe – the largest region in terms of international RPKs flown – was the only region in which year-on-year traffic growth accelerated compared to September 2016. The seasonally-adjusted traffic trend remains robust, with

international demand for European carriers getting back to normal after the disruption caused by terrorism and political instability earlier this year. This is set against a backdrop of a subdued but growing Eurozone economy; the latest data from business confidence surveys suggest that the economy has remained solid in Q4.

### ...with robust growth in most of the other regions

International traffic flown by Asia Pacific airlines – the second largest international region – rose by a robust 7.0% year-on-year in October. The strong upward trend in seasonally-adjusted traffic has slowed in recent months, although it is too soon to say whether this is a true weakening or just a brief pause. Traffic on int'l routes within the region grew by 6.3% year-on-year in September (the latest data available). (See Chart 4.)

**Chart 4 – RPK growth by route and market**



Sources: IATA Economics, IATA Monthly Statistics by Route

The upward trend in North American carriers' international traffic has also eased in recent months. But following the strong increase seen during Q2, seasonally-adjusted passenger volumes have still risen at an annualized rate of around 5% since March. Given the shape of traffic developments last year, annual growth is likely to pick up into Q1 2017. Meanwhile, the upward trend in Latin American carriers' international traffic has remained strong, helped by robust demand in international traffic within the region (+9.6% year-on-year in September). Annual growth in international RPKs was unchanged at a solid 7.1% year-on-year in October.

International traffic flown by African carriers slowed to 5.8% year-on-year in October, from 9.1% in September. While economic conditions in much of the continent remain challenging, particularly in the biggest economies of Nigeria and South Africa, the upward trend in passenger traffic looks to have started to reassert itself in recent months.

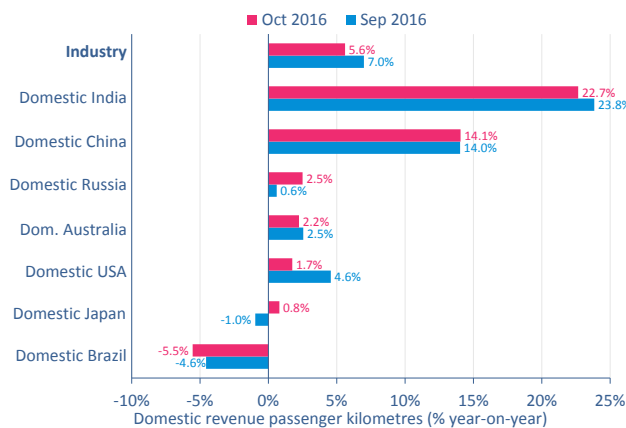
## Middle Eastern int'l load factors are under pressure

Annual growth in international RPKs flown by Middle Eastern airlines slowed to 7.0% in October – its slowest pace in 18 months (although the timing of regional celebrations may have affected the results). In seasonally adjusted terms, traffic has barely grown since July. All told, the Middle East international passenger load factor fell to 70.1% in October – its lowest level for the month since 2006.

## India and China remain in a league of their own

Domestic RPKs increased by 5.6% year-on-year in October, down from 7.0% in September. (See Chart 5.)

**Chart 5 – Domestic RPK growth by market**



The domestic India and China markets remain in a league of their own: the two markets topped the domestic growth chart for the 11<sup>th</sup> consecutive month in October, with year-on-year traffic growth of 22.7% and 14.1% respectively. Robust growth is being supported on multiple fronts, including sizeable increases in real consumer spending in both countries and growing options for passengers. Both Indian and Chinese airlines have increased the number of airport-pairs served in 2016 (although average flight frequencies in China have fallen compared to last year). Adding airport-pairs and flight frequencies reduces journey times for passengers and has the same stimulatory effect on demand as a cut in fares.

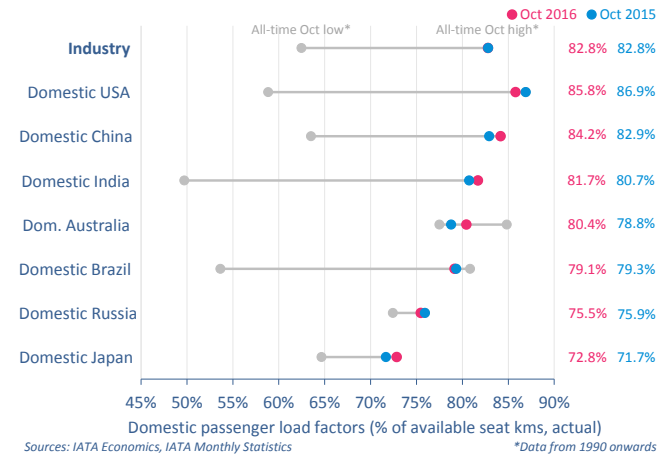
The domestic US market – the world's largest in terms of RPKs flown – expanded by 1.7% year-on-year in October. Having trended sideways in seasonally-adjusted terms since late-2015, passenger traffic picked up in September and held on to this gain in October, in keeping with signs of strong momentum in consumer retail spending.

## Mature markets see modest growth, but higher loads

Domestic traffic in Australia grew by 2.2% year-on-year in October, although traffic has trended upwards at an

annualized pace of less than 1% over the past three years. Capacity was more or less flat compared to October 2015, meaning the domestic Australia load factor increased by 1.7 percentage points to 80.4%. However, as shown in Chart 6, the load factor remains well below the record high for the month that was reached in 2007.

**Chart 6 – Domestic load factors by market**



Meanwhile, domestic traffic in Japan increased by a modest 0.8% year-on-year in October. Traffic has trended sideways in seasonally-adjusted terms for the best part of two years, alongside a backdrop of weak momentum in consumer spending (retail sales have now declined in year-on-year terms for eight consecutive months). However, air capacity in Japan has been reduced since the start of 2015, as operators have cut airport-pairs and moved to smaller aircraft. While still low by the standards of the other markets, Japan's load factor posted an all-time October-high.

## Annual comparison to boost Russian growth in Nov.

Domestic RPKs in Russia increased by 2.5% year-on-year in October, alongside ongoing signs that the country's economic recession is easing (business confidence recently increased to its highest level since April 2011). With November marking the one-year anniversary of the collapse of Transaero, the annual comparison will become very favourable in the coming months. Year-on-year growth in domestic RPKs could easily exceed 15% in November.

Although the deep economic recession in Brazil may be starting to bottom out, the recovery in seasonally-adjusted passenger traffic has stalled: RPKs fell by 5.5% in October. In addition to economic challenges, domestic travel options are being constrained by fewer and less frequent air connections. All told, domestic RPKs are almost 12% below the seasonally-adjusted peak reached in early 2015.

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 7th December 2016

## Air passenger market detail - October 2016

	World share <sup>1</sup>	October 2016 (% year-on-year)				% year-to-date			
		RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>	RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>
<b>TOTAL MARKET</b>	<b>100.0%</b>	<b>5.8%</b>	<b>6.3%</b>	<b>-0.4%</b>	<b>80.1%</b>	<b>6.0%</b>	<b>6.2%</b>	<b>-0.2%</b>	<b>80.5%</b>
Africa	2.2%	5.3%	3.9%	1.0%	70.1%	6.6%	6.7%	-0.1%	69.4%
Asia Pacific	31.5%	9.2%	8.5%	0.6%	79.3%	8.9%	8.0%	0.6%	79.4%
Europe	26.7%	5.3%	5.7%	-0.4%	82.5%	3.8%	3.9%	-0.1%	82.3%
Latin America	5.4%	3.9%	0.9%	2.4%	82.3%	3.6%	2.1%	1.2%	81.2%
Middle East	9.4%	6.5%	10.0%	-2.3%	70.0%	11.0%	14.0%	-2.1%	75.4%
North America	24.7%	2.1%	3.7%	-1.4%	83.7%	3.2%	3.9%	-0.6%	83.7%
<b>International</b>	<b>63.6%</b>	<b>5.9%</b>	<b>6.6%</b>	<b>-0.6%</b>	<b>78.6%</b>	<b>6.3%</b>	<b>6.9%</b>	<b>-0.5%</b>	<b>79.7%</b>
Africa	1.9%	5.8%	4.3%	1.0%	68.8%	7.5%	7.8%	-0.2%	68.5%
Asia Pacific	17.4%	7.0%	7.1%	-0.1%	76.9%	8.2%	7.9%	0.2%	78.5%
Europe	23.8%	5.7%	6.2%	-0.4%	83.2%	4.1%	4.7%	-0.4%	82.7%
Latin America	2.9%	7.1%	2.1%	4.0%	84.3%	7.3%	5.0%	1.8%	82.0%
Middle East	9.1%	7.0%	10.0%	-2.0%	70.1%	11.5%	14.1%	-1.8%	75.3%
North America	8.5%	2.4%	4.9%	-1.9%	80.1%	2.5%	3.4%	-0.7%	81.4%
<b>Domestic</b>	<b>36.4%</b>	<b>5.6%</b>	<b>5.6%</b>	<b>0.0%</b>	<b>82.8%</b>	<b>5.4%</b>	<b>4.9%</b>	<b>0.4%</b>	<b>82.1%</b>
Dom. Australia <sup>4</sup>	1.1%	2.2%	0.1%	1.7%	80.4%	1.8%	0.2%	1.3%	77.5%
Domestic Brazil <sup>4</sup>	1.4%	-5.5%	-5.3%	-0.2%	79.1%	-6.3%	-6.0%	-0.2%	80.0%
Dom. China P.R. <sup>4</sup>	8.4%	14.1%	12.4%	1.2%	84.2%	10.8%	10.2%	0.5%	82.2%
Domestic India <sup>4</sup>	1.2%	22.7%	21.2%	1.0%	81.7%	23.4%	21.6%	1.2%	83.9%
Domestic Japan <sup>4</sup>	1.2%	0.8%	-0.8%	1.2%	72.8%	0.1%	-2.4%	1.7%	68.8%
Dom. Russian Fed. <sup>4</sup>	1.3%	2.5%	3.1%	-0.4%	75.5%	-0.5%	-5.4%	3.9%	79.0%
Domestic US <sup>4</sup>	15.4%	1.7%	3.1%	-1.1%	85.8%	3.5%	4.2%	-0.6%	85.0%

<sup>1</sup>% of industry RPKs in 2015

<sup>2</sup>Year-on-year change in load factor

<sup>3</sup>Load factor level

<sup>4</sup>Note: 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.

### Get the data

Access data related to this briefing through IATA's Monthly Statistics publication: [www.iata.org/monthly-traffic-statistics](http://www.iata.org/monthly-traffic-statistics)

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