

Air Passenger Market Analysis

February 2019

RPK growth slows in February but load factor remains elevated

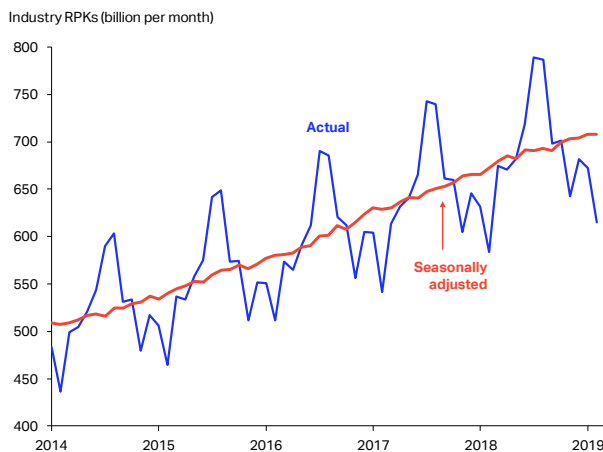
- Annual growth in industry-wide revenue passenger kilometres (RPKs) eased to 5.3% in February, broadly in line with its long-run average rate of growth.
- The load factor remains elevated, at 80.6% this month, as capacity growth continues to closely match demand. New record high load factors for the month of February were set for airlines in Asia Pacific, North America & Africa.
- China was the fastest growing domestic market again this month with RPK growth of 11.4% year-on-year. Russia and India also posted double-digit annual growth in February.

Annual passenger growth moderates in February...

Industry-wide revenue passenger kilometers (RPKs) slowed moderately in February, to 5.3% year-on-year. Following the brisk but short-lived uptick to 6.5% last month, the annual growth rate settled back to a rate broadly in line with the long-run average rate of growth on this occasion. The February outcome represents the slowest rate of year-on-year growth in passenger volumes in more than a year.

Although the steady upwards trend in the seasonally adjusted (SA) data remains in place (Chart 1), RPK growth has clearly slowed. Over the past six months, the annualised rate of growth is around 4.5%, a clear step-down from the almost 8% pace observed over the first half of 2018.

Chart 1 – Air passenger volumes



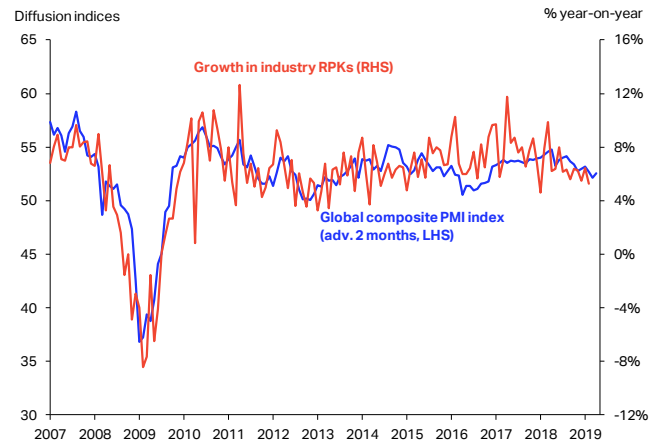
Sources: IATA Economics, IATA Monthly Statistics

Economic backdrop remains less supportive

The slowdown in industry-wide RPK growth reflects a range of factors, including a softening in some of the key leading indicators, as well as concerns about the broader global economic outlook.

The global composite Purchasing Managers' Index ticked up this month, however the bigger picture is that business confidence has been trending downwards since around the middle of 2018 (Chart 2).

Chart 2 – RPK growth and global business confidence



Sources: IATA Economics, IATA Monthly Statistics, Markit

Even with this month's positive outcome, the index is at a level last seen in 2016. Recent developments in business confidence are consistent with RPK growth of around 6%, in line with our current forecast for 2019.

Air passenger market overview - February 2019

	World share ¹	February 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%	5.3%	5.4%	-0.1%	80.6%	5.9%	5.9%	0.0%	80.1%
International	63.9%	4.6%	5.1%	-0.4%	79.5%	5.3%	5.5%	-0.1%	79.7%
Domestic	36.1%	6.4%	5.8%	0.5%	82.4%	6.9%	6.8%	0.1%	80.8%

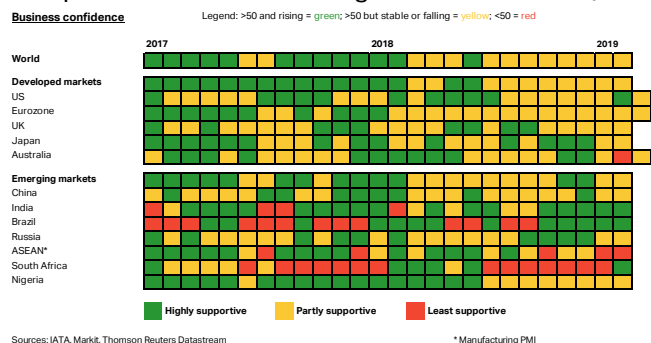
¹% of industry RPKs in 2018

²Year-on-year change in load factor

³Load factor level

At the country level, developments in business confidence are mixed (Chart 3). Overall, the emerging markets – with the notable current exception of the ASEAN group of countries – are showing conditions more supportive of air transport demand than is the case for the so-called advanced economies. Brazil and India, in particular, have shown favourable outcomes for a number of months now.

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

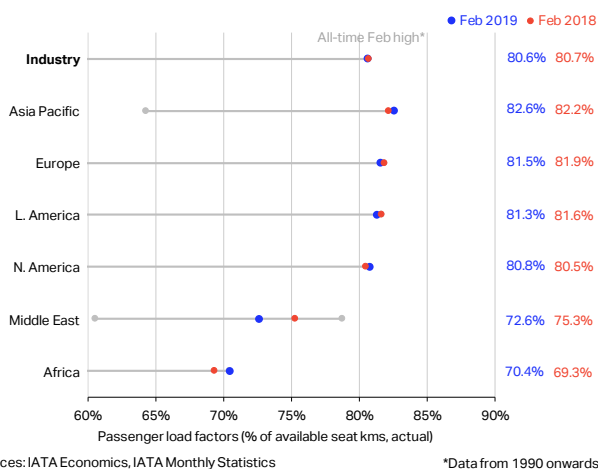


Load factor steady compared with January 2018

Industry-wide available seat kilometres (ASKs) grew by 5.4% year-on-year in February, once again broadly in line with the pace of industry-wide RPKs. As a result, the passenger load factor (PLF) dipped slightly compared with its level of a year ago, but remains elevated, at 80.6% this month – only marginally below last year’s record high for February, of 80.7%.

Across the regions (see Chart 4), the performance was mixed this month, with carriers in Asia Pacific recording the highest PLF (82.6%), in the process setting a new record high for February. North America and Africa also set record monthly highs on this occasion, at 80.8% and 70.4%, respectively.

Chart 4 – Passenger load factors by region

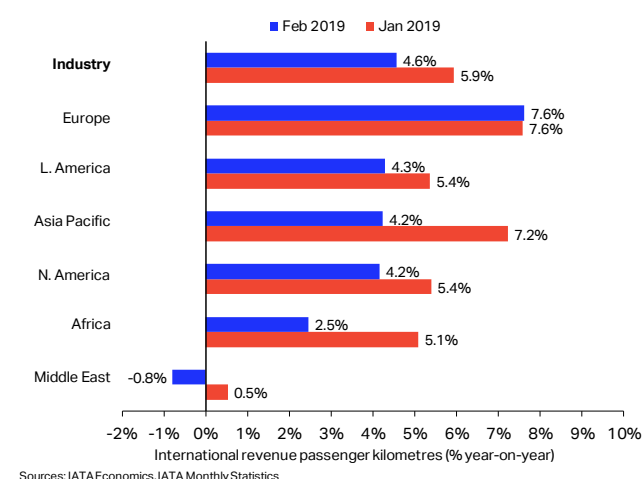


Compared with the outcomes of a year ago, the Middle East carriers recorded the largest deterioration with the passenger load factor down a sizeable 2.7 percentage points from February 2018.

International RPK growth also eased this month...

Consistent with the outcome seen in the industry-wide aggregate, annual growth in international RPKs also moderated this month, to 4.6% year-on-year, from 5.9% in January. At the regional level, international RPK growth outcomes showed considerable variation (Chart 5).

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



European airlines top the growth chart again...

For the 5th consecutive month, it was the European carriers with the strongest performance over the year to February, with international RPKs up a strong 7.6%, unchanged from last month.

Despite the ongoing uncertainty surrounding Brexit and some signs of a softer economic outlook – both of which have contributed to a sizeable unwinding in business confidence over recent months – European international RPKs continue to trend solidly upwards, outperforming the other regions by a considerable margin on this occasion.

...the Americas & Asia Pacific follow, at a distance

This month, the trailing three regions are showing a tightly clustered growth performance, with both North and Latin America, as well as the Asia Pacific, recording a year-on-year international RPK growth rate of 4.2-4.3%.

For Asia Pacific in particular, this represents a substantial slowdown (of 3 percentage points) from the robust pace observed last month.

In North America, indications of a softening in economic activity at the end of last year, combined with the effects of ongoing trade tensions, may present some headwinds for air transport demand. Nonetheless, a low unemployment rate and still generally sound economic backdrop will be

supportive – although perhaps not to the same degree that we have observed in recent years.

In Latin America, renewed economic and political uncertainties in a number of key countries may weigh upon air transport demand in coming months. We will be maintaining a close eye on such developments to understand their likely impact.

RPK growth halves for airlines based in Africa...

Year-on-year growth in international RPKs flown by airlines based in Africa halved in February, from the solid 5.1%yoy pace in January, to a more modest 2.5% in February.

Business conditions remain challenging for many airlines in the region. Over recent months, the upward trend in SA passenger traffic has generally softened with growing concerns around the economic outlook in key countries in the region.

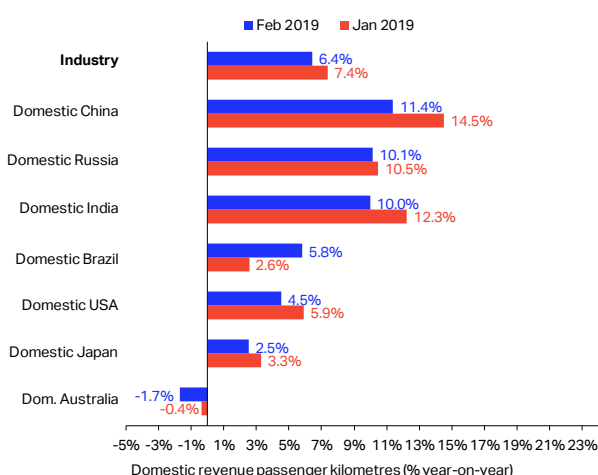
...and returns to negative territory in the Middle East

International RPKs for airlines based in the Middle East are currently 0.8% lower than their level of a year ago, down from a small positive growth rate of 0.5% last month. Broadly speaking, passenger volumes have been moving sideways for the past 12-15 months now.

Domestic RPK growth also slips back

Industry-wide domestic RPK growth also moderated this month, to 6.4% year-on-year in February, an even one percentage point lower than last month's outcome (Chart 6).

Chart 6 – Domestic RPK growth by market



Sources: IATA Economics, IATA Monthly Statistics

Domestic China stays on top of the growth chart

Amongst the key domestic markets we consistently follow, domestic China topped the growth chart for a second consecutive month, with RPKs up a strong 11.4% year-on-year. This comes despite ongoing

concerns regarding the possible impacts of the China-US trade tensions and indications of a slowing domestic economy.

India & Russia also post double-digit growth

The domestic markets of both India and Russia continue to perform strongly, again registering double digit growth over the year to February.

For India, this marks the 54th consecutive month of double-digit domestic RPK growth. A generally solid economic backdrop, combined with continued growth in the number of airport pairs have all contributed to this sustained growth performance.

RPKs for the Russia domestic market have trended sharply higher in 2H18, recording a 10.1% year-on-year growth rate in February, similar to the January outcome. While the pace of growth has moderated somewhat from that seen previously, the healthy upward trend in passenger traffic remains in place.

A solid outcome for Brazil & US domestic markets...

Annual RPK growth in the Brazil domestic market increased in February, more than doubling from a modest 2.6% last month, to 5.8% on this occasion – its fastest pace in more than six months. The Brazilian market was the only one of the domestic markets we regularly track to show an increase in the year-on-year growth rate this month.

After registering a brief pick-up last month, annual growth in RPKs for the US domestic market moderated to 4.5% in February, from around 6%. This represents a return to the average year-on-year rate of growth observed over the past two years. Looking ahead, a solid, if slowing, US economy will support further growth, but ongoing trade tensions may work against this favourable backdrop.

...but growth in Japan and was subdued...

RPK growth in the domestic Japan market eased further this month, to a moderate 2.5%yoy in February. In broader terms, however, the modest upwards trend that has been in place since around the middle of 2016 has been maintained.

...and was negative in Australia

For Australia, the year-on-year growth rate also eased this month, dipping further into negative territory. RPKs for the Australia domestic market are currently 1.7% lower than their level of a year ago. The annual rate of growth has now been negative for four consecutive months.

IATA Economics
economics@iata.org
4 April 2019

Air passenger market detail - February 2019

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TOTAL MARKET	100.0%	5.3%	5.4%	-0.1%	80.6%	5.9%	5.9%	0.0%	80.1%
Africa	2.1%	2.8%	1.1%	1.1%	70.4%	3.3%	1.6%	1.2%	70.7%
Asia Pacific	34.5%	6.3%	5.8%	0.4%	82.6%	7.5%	6.7%	0.6%	81.8%
Europe	26.7%	7.3%	7.7%	-0.3%	81.5%	7.3%	8.0%	-0.5%	80.6%
Latin America	5.1%	5.0%	5.5%	-0.4%	81.3%	5.1%	5.8%	-0.5%	81.9%
Middle East	9.2%	-0.9%	2.7%	-2.6%	72.6%	-0.5%	2.8%	-2.4%	73.8%
North America	22.4%	4.2%	3.9%	0.3%	80.8%	4.9%	4.4%	0.4%	80.1%
International	63.9%	4.6%	5.1%	-0.4%	79.5%	5.3%	5.5%	-0.1%	79.7%
Africa	1.8%	2.5%	0.3%	1.5%	69.7%	3.9%	1.7%	1.5%	70.4%
Asia Pacific	18.9%	4.2%	4.7%	-0.3%	81.0%	5.8%	4.9%	0.7%	81.4%
Europe	23.9%	7.6%	8.0%	-0.3%	82.3%	7.6%	8.3%	-0.5%	81.3%
Latin America	2.7%	4.3%	5.6%	-1.0%	81.4%	4.9%	6.0%	-0.9%	82.1%
Middle East	8.9%	-0.8%	2.9%	-2.7%	72.6%	-0.1%	3.0%	-2.3%	73.8%
North America	7.6%	4.2%	2.9%	1.0%	79.0%	4.8%	3.5%	1.0%	79.9%
Domestic	36.1%	6.4%	5.8%	0.5%	82.4%	6.9%	6.8%	0.1%	80.8%
Dom. Australia ⁴	0.9%	-1.7%	-1.6%	-0.1%	78.0%	-1.0%	-0.9%	-0.1%	78.1%
Domestic Brazil ⁴	1.1%	5.8%	3.1%	2.1%	82.5%	4.0%	3.3%	0.6%	83.3%
Dom. China P.R. ⁴	9.5%	11.4%	8.9%	1.9%	86.9%	12.9%	11.8%	0.8%	84.0%
Domestic India ⁴	1.6%	10.0%	12.3%	-1.9%	89.1%	11.2%	14.4%	-2.5%	87.4%
Domestic Japan ⁴	1.0%	2.5%	2.9%	-0.2%	70.9%	2.9%	2.5%	0.3%	68.3%
Dom. Russian Fed. ⁴	1.4%	10.1%	11.8%	-1.1%	76.9%	10.3%	11.2%	-0.6%	76.1%
Domestic US ⁴	14.1%	4.5%	4.8%	-0.2%	81.7%	5.2%	5.3%	-0.1%	80.3%

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

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