

A month of moderate volume growth but stabilizing drivers

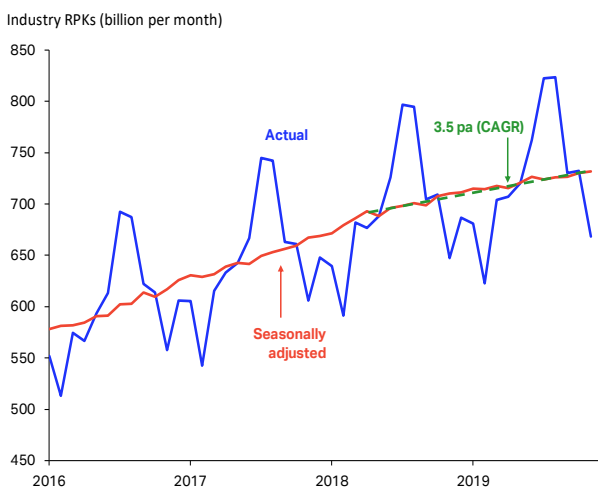
- Annual growth in industry-wide revenue passenger kilometres (RPKs) was unchanged in November, at 3.3%. Europe's contribution to growth has softened in the past three months, offset by an improvement from Asia Pacific and the Middle East.
- The recent modest outcomes in passenger growth are a reflection of slower global economic activity, along with various geopolitical tensions and other disruptions. That said, there are signs of stabilization in some of the drivers of air transport demand, including business confidence and positive developments in the US-China trade talks.
- Middle Eastern airlines experienced a second consecutive month of strong international RPK annual growth, while growth in India domestic RPKs recorded a double-digit pace for the first time since January.

Modest performance in industry-wide growth...

Year-on-year growth in industry-wide revenue passenger kilometres (RPKs) was unchanged in November, at 3.3%. This outcome is below that of the year-to-date measure (4.2%) and signals another month of moderate performance for passenger demand, in what is typically one of the least busy months of the year.

In seasonally-adjusted (SA) terms, RPKs were steady in November. While the recent SA trend – which commenced in around Q2 2018 – remains robust, the results of the past two months have nudged it slightly lower, to 3.5% pa (Chart 1).

Chart 1 – Air passenger volumes and latest trend



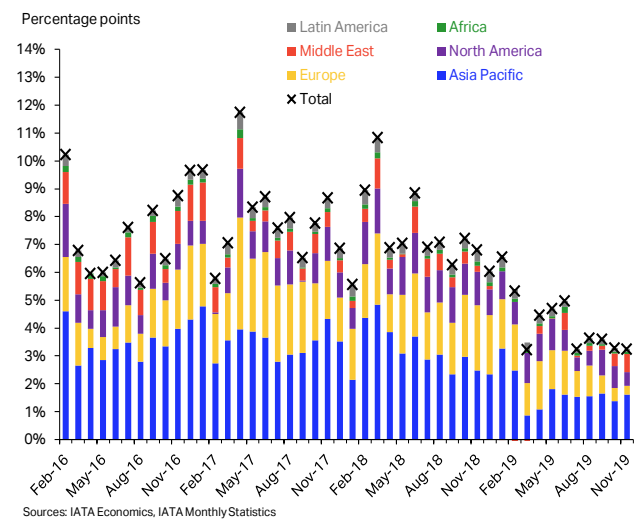
Sources: IATA Economics, IATA Monthly Statistics

... with APAC supplying almost half of the growth

Looking at the regional contributions to the annual industry-wide growth output, the Asia-Pacific region contributed around half of the growth in November. The Middle East made its largest contribution in more than five years (~20% of the total).

This contrasts with Europe, a region that supplied only 10% of the growth in volumes over the past year, despite accounting for 27% of overall passenger traffic (Chart 2). Europe's contribution to global RPK growth has now declined for the past three months.

Chart 2 – Contribution to annual RPK growth (airline region of registration)



Sources: IATA Economics, IATA Monthly Statistics

Air passenger market overview - November 2019

	World share ¹	November 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%	3.3%	1.8%	1.1%	81.1%	4.2%	3.5%	0.5%	82.6%
International	63.9%	3.1%	0.7%	1.8%	80.1%	4.0%	3.2%	0.7%	82.0%
Domestic	36.1%	3.5%	3.8%	-0.2%	82.8%	4.4%	4.1%	0.3%	83.8%

¹% of industry RPKs in 2018

²Year-on-year change in load factor

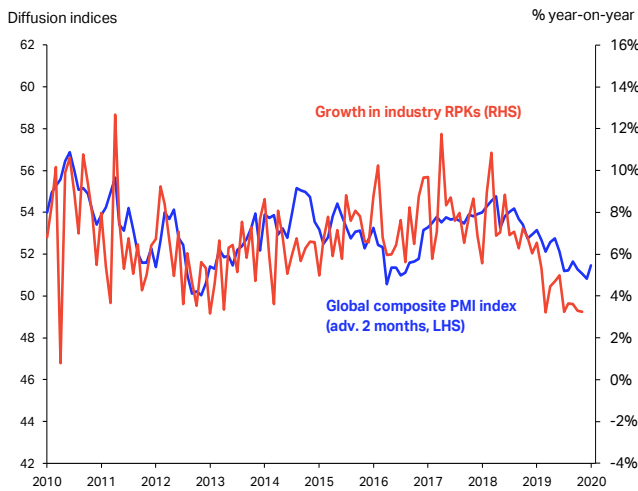
³Load factor level

Overall conditions improve but remain generally soft

The conditions surrounding air transport remain less supportive than a year ago, with a moderation in economic activity in a number of large economies, and a recent increase in protests and geopolitical tensions in several regions of the world. That said, there are some improvements in the demand backdrop. For example, the US-China trade talks are taking a more positive direction and the latest IMF forecasts suggest a moderate rebound in global growth in 2020.

On another positive note, the global composite Purchasing Manager's Index (PMI) – historically a strong leading indicator for global RPK growth – lifted slightly this month. An improvement in business conditions should help to support overall air passenger demand going forward (Chart 3).

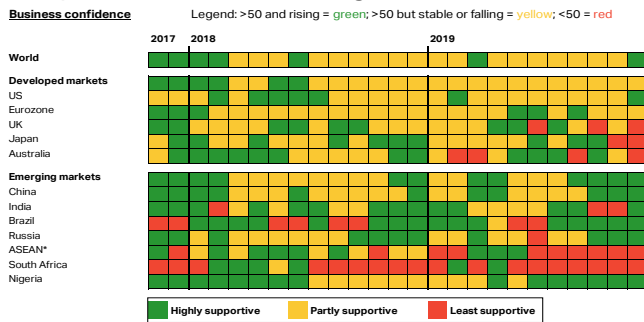
Chart 3 – RPK growth and global business confidence



Sources: IATA Economics, IATA Monthly Statistics, Markit

At the individual country level, business conditions remain mixed, with weakness evident in markets including the UK, Australia and South Africa (Chart 4). It remains the case that conditions in emerging markets are generally more favourable than in the developed markets.

Chart 4 – Economic conditions (monthly data from composite PMIs, selected regions and countries)



Sources: IATA, Markit, Thomson Reuters Datastream

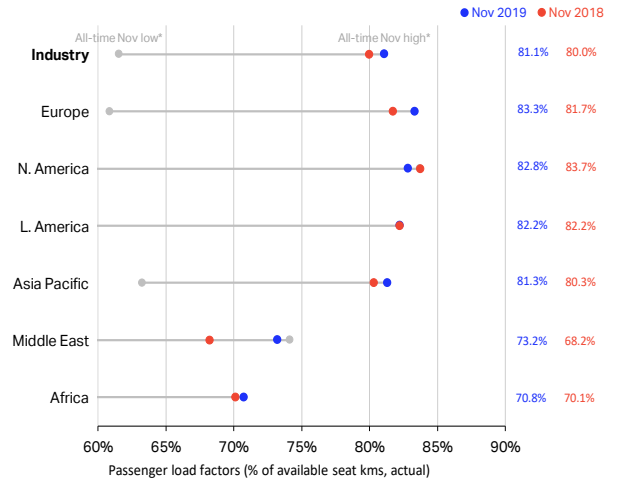
Low capacity growth, monthly records in load factors

Annual growth in industry-wide available seat kilometres (ASKs) eased further in November, at 1.8%

versus 2.1% in October. This is the slowest rate of capacity growth since early 2013.

Consequently, the industry-wide passenger load factor reached a record level for November, at 81.1%. Europe, Asia-Pacific and Africa also posted record November highs, while the load factor in the Middle East surged 5ppts year-on-year to 73.2% (Chart 5).

Chart 5 – Passenger load factors by region



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

International growth also broadly unchanged

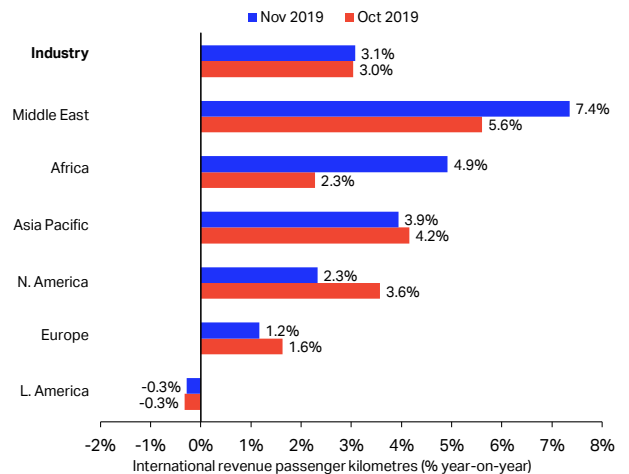
In November, international RPK volumes grew by 3.1% year-on-year. This is broadly unchanged from October, but softer than the outcome for the year-to-date, at 4.0% (Chart 6).

2nd consecutive month of strong results in the ME

Middle Eastern airlines recorded a 7.4% increase in passenger traffic in November, up from 5.6% in October and significantly above the performance for the year-to-date (2.2%). Capacity was unchanged from November 2018.

This was driven by results for the large ME to/from Europe and Asia markets, where RPKs have increased by 9-10% year-on-year in October (latest available).

Chart 6 – International RPK growth (airline region of registration basis)



Sources: IATA Economics, IATA Monthly Statistics

Contrasting results in Africa and Asia Pacific...

Carriers registered in Africa saw international RPK volumes grow by ~5% year-on-year in November, rebounding after two consecutive months of modest growth around 2-2.5%. Ongoing challenges in the South African market have been more than offset by strong performances elsewhere in the region.

In the meantime, growth in international passenger traffic of airlines based in Asia Pacific eased slightly, from 4.2% year-on-year in October to 3.9% in November. SA volumes are increasing but the trend has clearly moderated in 2019. Disruptions in Hong Kong, slowing demand in India and China and less supportive business confidence in several key economies are among the contributing factors.

...while growth slows in both Nth America and Europe

For North American carriers, international passenger demand grew 2.3% annually in November. This is a modest performance compared with the year-to-date growth rate of 3.7%. Despite a slowing in economic activity, fundamentals remain generally sound for the region although the rise in geopolitical tensions may impact international demand going forward.

Airlines based in Europe saw RPK volumes grow by 1.2% year-on-year in November. This is the third consecutive monthly slowdown in growth, and the slowest outcome since early 2013. Recent industrial action (strikes) has disrupted operations for a number of airlines and contributed to recent outcomes.

Latin America closes the ranking

Airlines based in Latin America experienced a second consecutive month of contraction in RPKs in November (-0.3% yoy). A number of countries in the region are currently facing (various) economic headwinds which has maintained SA international volumes on a downward trend since in mid-2019.

Domestic RPK growth broadly unchanged in Nov

Year-on-year growth in domestic RPKs at the global level in November (3.5%) was similar to that of October (Chart 7) and remains slightly stronger than that of international RPKs (3.1%).

Strong surge in RPK growth in India...

Annual growth in India domestic RPKs jumped to 11.3% in November, reaching double-digits for the first time since January 2019. That said, economic growth in Q3 was the slowest in around six years amidst a broad-based slowdown that is affecting many sectors of the economy. This less supportive backdrop will present a more challenging environment for the industry going forward.

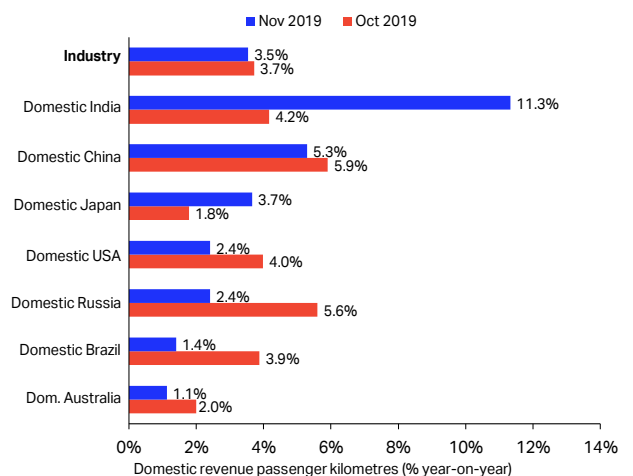
...followed by China on a downward trend

Domestic RPK growth in China slowed for the fourth consecutive month in November, to 5.3% year-on-year. Consequently, a modest downward trend in SA volumes has taken hold amidst a slowing in economic growth. Apparent progress toward a US-China trade deal and a lift in business confidence will help to support the near-term outlook.

Another month of volatility in Japan

Domestic RPK growth in Japan rebounded to 3.7% year-on-year in November. Growth has been volatile in the past 6 months or so, but the upshot is that SA volumes are trending modestly upward in this market.

Chart 7 – Domestic RPK growth by market



Sources: IATA Economics, IATA Monthly Statistics

Growth converges in the US and Russia...

In parallel with developments in international volumes for Nth America, and against a moderating economic backdrop, domestic passenger traffic growth slowed in the US, to 2.4% year-on-year in November.

Domestic RPK growth in Russia also eased to 2.4% annually in November. With broadly supportive business confidence and economic conditions, a strong RPK outturn in November 2018 helps to explain this softer growth result.

...with Brazil and Australia closing out the rankings

Domestic air passenger traffic growth in Brazil eased to 1.4% in November, pausing after a recent improved growth performance. A lift in consumer spending in Q4 bodes well for near-term results.

Outcomes in the Australian market remain subdued. Domestic RPKs grew by just 1.1% annually in November, a modest outcome that is broadly in keeping with the lackluster recent economic data.

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Air passenger market detail - November 2019

	World share ¹	November 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%	3.3%	1.8%	1.1%	81.1%	4.2%	3.5%	0.5%	82.6%
Africa	2.1%	3.5%	2.5%	0.6%	70.8%	4.8%	4.7%	0.1%	71.7%
Asia Pacific	34.5%	4.4%	3.2%	1.0%	81.3%	4.9%	4.8%	0.1%	81.9%
Europe	26.8%	1.3%	-0.7%	1.6%	83.3%	4.2%	3.7%	0.4%	85.3%
Latin America	5.1%	2.0%	2.0%	0.0%	82.2%	4.5%	3.2%	1.0%	82.6%
Middle East	9.2%	7.2%	-0.1%	5.0%	73.2%	2.0%	0.1%	1.4%	76.0%
North America	22.3%	2.3%	3.4%	-0.9%	82.8%	3.6%	2.7%	0.8%	84.8%
International	63.9%	3.1%	0.7%	1.8%	80.1%	4.0%	3.2%	0.7%	82.0%
Africa	1.8%	4.9%	2.8%	1.4%	70.3%	4.9%	4.5%	0.3%	71.2%
Asia Pacific	19.0%	3.9%	2.8%	0.8%	79.9%	4.5%	4.2%	0.2%	80.8%
Europe	23.9%	1.2%	-1.1%	1.8%	83.8%	4.4%	3.8%	0.4%	85.7%
Latin America	2.7%	-0.3%	-1.8%	1.3%	82.1%	3.4%	2.0%	1.1%	82.9%
Middle East	8.9%	7.4%	0.0%	5.0%	73.2%	2.2%	0.2%	1.5%	76.2%
North America	7.6%	2.3%	1.6%	0.6%	81.2%	3.7%	2.2%	1.2%	84.0%
Domestic	36.1%	3.5%	3.8%	-0.2%	82.8%	4.4%	4.1%	0.3%	83.8%
Dom. Australia ⁴	0.9%	1.1%	0.2%	0.8%	83.2%	0.2%	0.0%	0.1%	80.1%
Domestic Brazil ⁴	1.1%	1.4%	2.5%	-0.9%	82.7%	0.3%	-1.7%	1.6%	82.6%
Dom. China P.R. ⁴	9.5%	5.3%	4.7%	0.5%	83.2%	8.3%	8.7%	-0.3%	84.9%
Domestic India ⁴	1.6%	11.3%	5.0%	5.1%	89.4%	5.4%	4.6%	0.7%	87.2%
Domestic Japan ⁴	1.1%	3.7%	2.2%	1.1%	78.7%	4.1%	2.9%	0.8%	74.1%
Dom. Russian Fed. ⁴	1.5%	2.4%	4.7%	-1.8%	80.0%	7.0%	7.3%	-0.2%	83.6%
Domestic US ⁴	14.0%	2.4%	4.4%	-1.6%	83.7%	3.9%	3.3%	0.5%	85.4%

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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