



IATA ECONOMICS' CHART OF THE WEEK

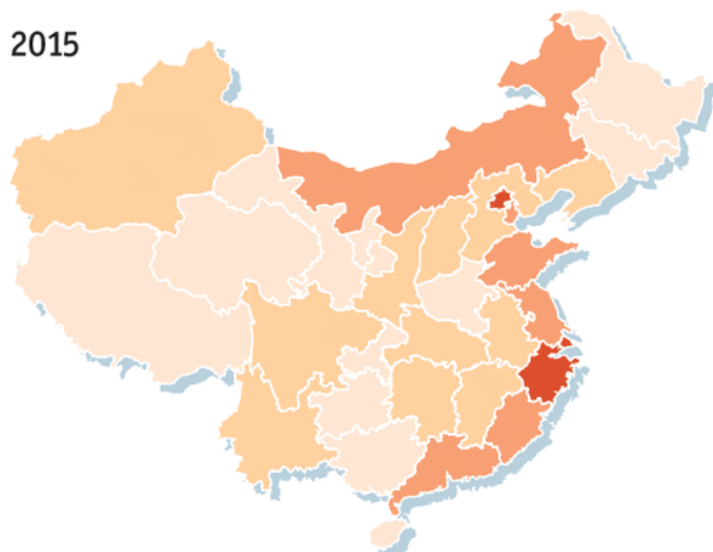
15 JULY 2016

CHINA – THE MIDDLE CLASS IN THE MIDDLE KINGDOM...

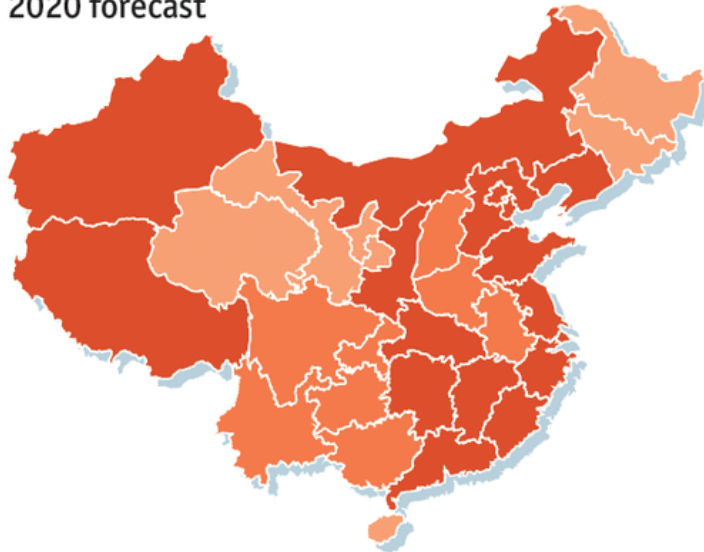
Middle class urban households (% of total urban)

<30 30-40 40-50 50-60 >60

2015



2020 forecast



Source: The Economist

- China is often talked about as the world's largest emerging economy. And it is. But what is sometimes forgotten is that the country has already come a long way in its journey of economic development. McKinsey estimates the size of the middle class in China is currently around 225 million households, up from just 5 million in 2000. Another 50 million households are expected to join the ranks of the middle class between now and 2020.
- No surprise then, that this growing middle class – and the increase in household incomes that accompanies such economic development – has impacted air transport. More people are able to fly more often, to more destinations.
- In the past 5 years alone, the total number of flights from China to the rest of the world has increased at an average rate of just over 12% per year and the number of unique airport pairs is up 13.5% per year. In the China domestic market, the total number of flights per year is up 8.7% and the number of airport pairs up 10.5%.
- As today's chart (from *The Economist*) demonstrates, the rise of the middle class is no longer focused on the coastal regions, particularly Beijing and Shanghai, but is spreading rapidly across the country. In turn, this helps to drive demand for a rapidly expanding transport network, including new airports, in what were once isolated regional areas.
- Of course, this rapid growth also brings challenges – for example, placing additional demands on infrastructure, airspace, and the environment and on policy-makers to ensure that the regulatory environment remains relevant. Nonetheless, the development of China's air transport sector clearly has some way to run, with our current forecasts suggesting the number of Origin-Destination passenger journeys to, from and within China will increase by almost 240 million over the next 5 years, at a brisk rate of 8.3% per year.

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