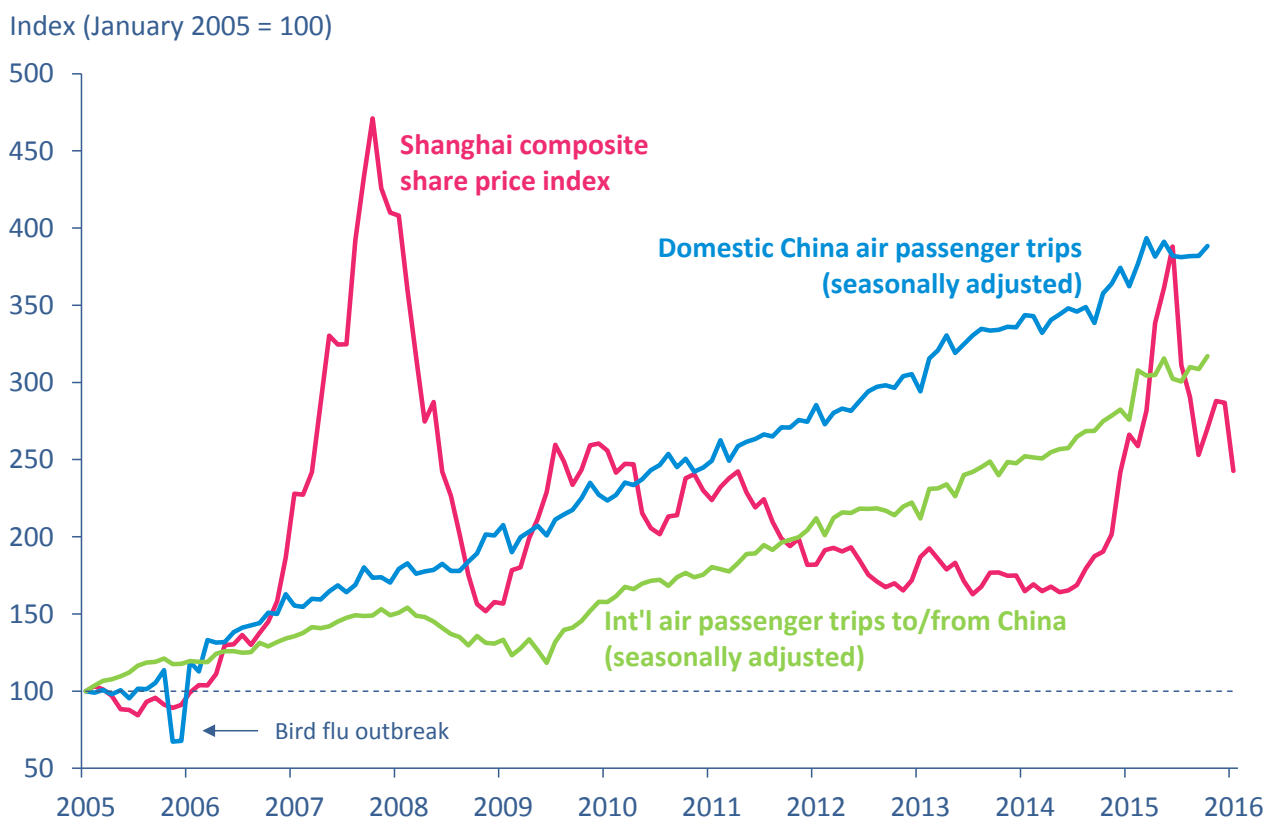




# IATA ECONOMICS' CHART OF THE WEEK

15 JANUARY 2016

## CHINA'S AIR PASSENGER MARKET CAN WITHSTAND STOCK BUBBLE BURST



Sources: IATA PaxIS, Quandl.com

- Large falls in the Chinese stock market since the start of 2016 have filled global headlines and have drawn parallels with the collapse of a previous market bubble in 2007. In the year or so following the 2007 episode, international air passenger traffic to and from China fell by nearly a quarter. Are we set for a similar experience this time around?
- There are good reasons to think not, not least because the 2007 bubble was followed by the global financial crisis. Unless another global economic downturn unfolds – which is possible but perhaps unlikely – a repeat looks doubtful.
- Moreover, the bigger point is that China domestic traffic – which is over three times the size of the China international market – was much less affected following the 2007 stock market collapse. A range of factors, including the ongoing rebalancing of the Chinese economy towards consumption as a source of growth, lagged boosts from lower oil prices, and plenty of potential for increased services, are likely to continue to underpin strong air passenger demand growth in both the short and long term.
- All told, we expect China domestic and international air passenger traffic to grow by 8.6% and 5.5% respectively each year over the next five years, with the China domestic market still on track to overtake the US as the world's single largest air passenger market in 2020. (See [here](#) for further details about IATA's passenger forecasting service.)

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