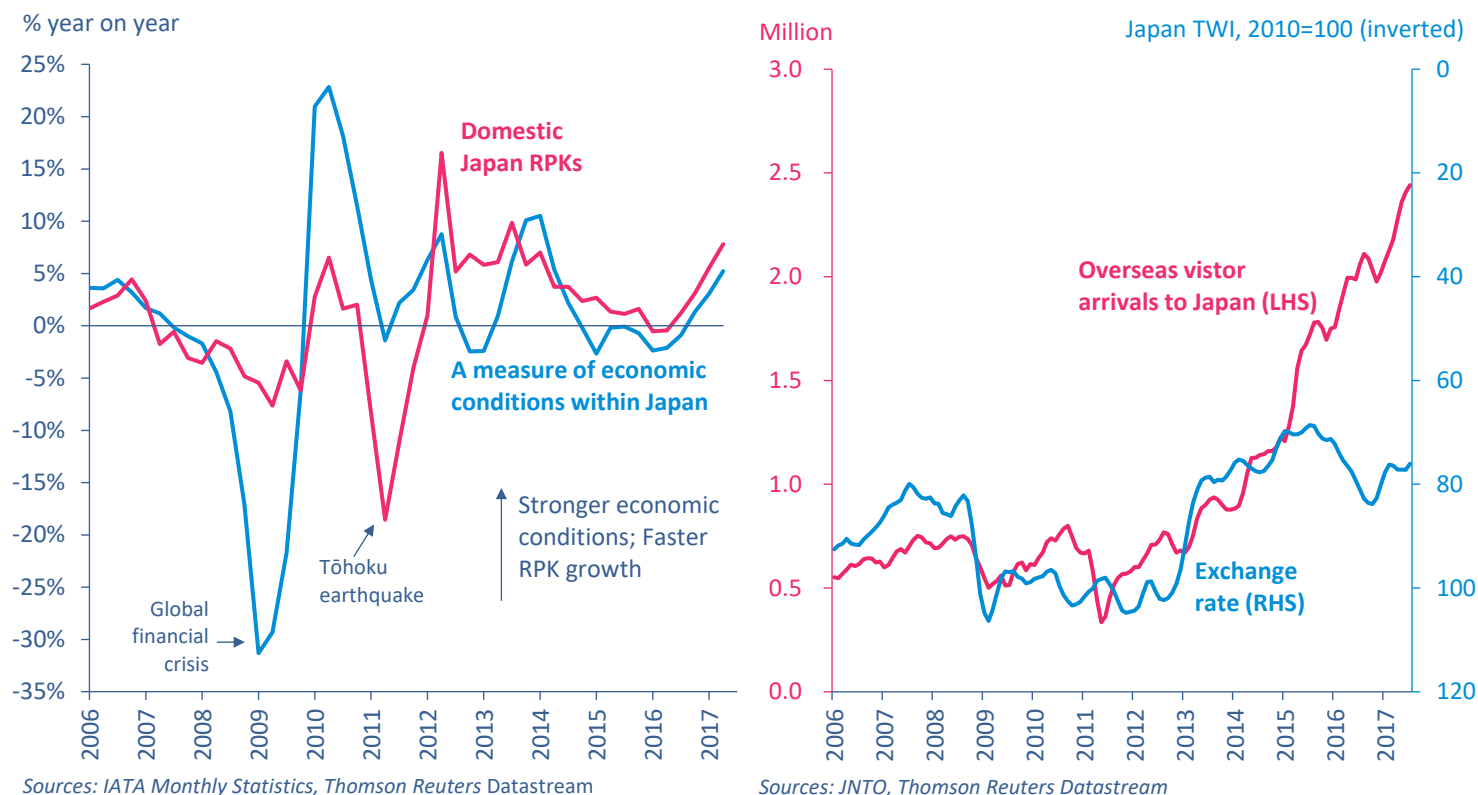




# IATA ECONOMICS' CHART OF THE WEEK

8 SEPTEMBER 2017

## EXPLAINING THE RECENT GAINS IN AIR PASSENGER DEMAND IN JAPAN



- In this week's [Air Passenger Market Analysis](#) we noted the recent improvement in passenger volumes for the Japan domestic market, where RPKs are now up a robust 6.6% in year-on-year terms – well above the five-year average pace of 4.0%. The recent pick-up has coincided with an improvement in economic conditions (see Panel A of today's chart), with the economy having now expanded for six consecutive quarters, the longest streak in 11 years. But it's not just the domestic market that has shown recent improvement; Japan has also seen a sizeable increase in the number of inbound visitors as well – up 21.8% in 2016, to a record 24 million.
- Exchange rates are often an important determinant of international travel flows (both in and outbound) because of their pivotal role in determining the cost of visiting a particular destination. Historically, Japan has been no exception (Panel B), with visitor arrivals tending to move broadly in line with swings in the Japanese yen trade-weighted exchange rate until around the middle of 2015. But since then a significant gap has opened between the exchange rate (which has been relatively stable, increasing a little) and visitor arrivals which have continued to rise strongly.
- So how to explain this divergence? One factor is the strong gains observed in Chinese outbound travel in recent years – a phenomenon that is not unique to Japan. Secondly, the recent uplift in visitor arrivals coincides with the liberalization in visa requirements for travelers from a number of countries, including China, Russia and India. While difficult to precisely quantify the impact of any single factor, this nonetheless demonstrates the important role that government policy can play – positively in this case, but, unfortunately not always – on the travel and tourism industry.

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