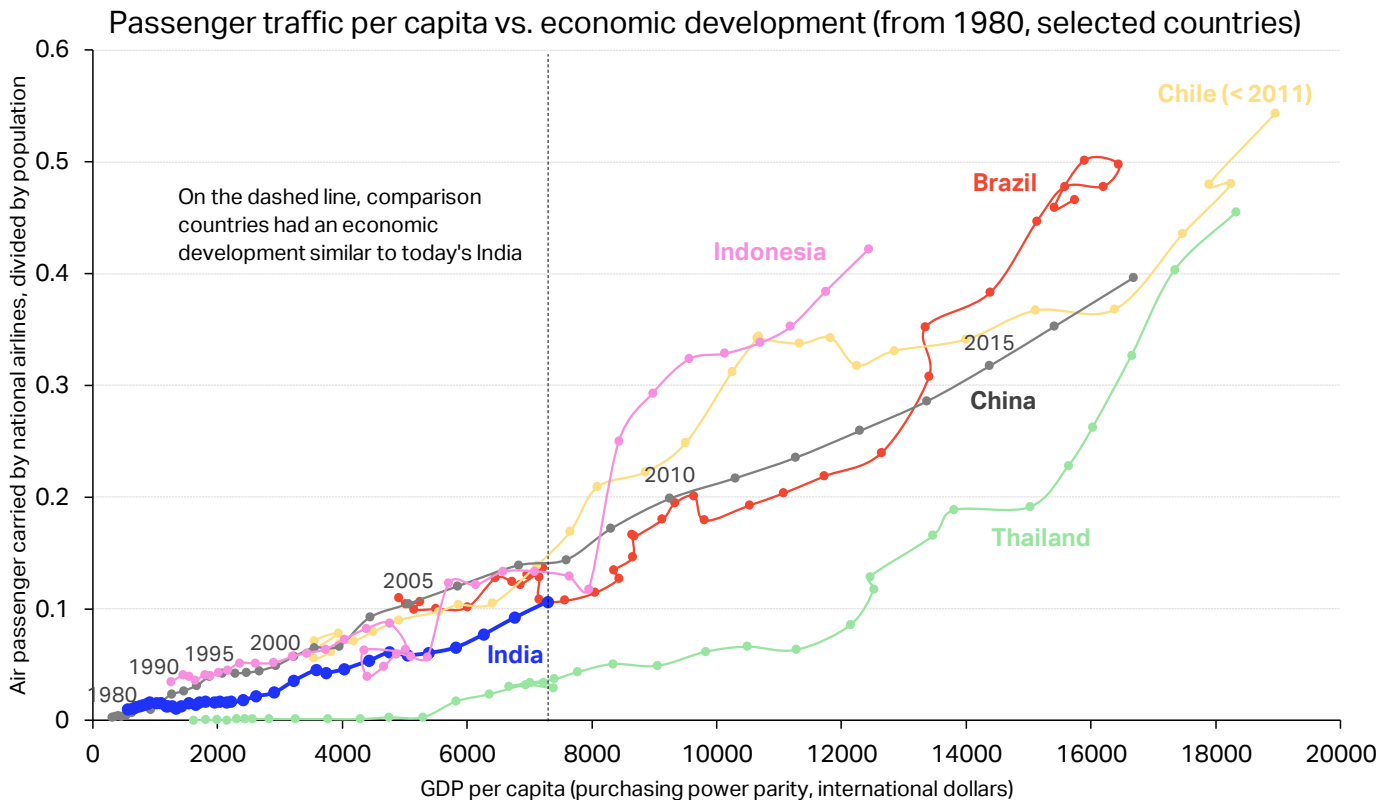


Long-term trends remain supportive of Indian air transport growth



- In the April [passenger note](#), we pointed out the significant slowdown in the Indian domestic market. Year-on-year growth rates went from a double-digit positive rate to negative between January and April 2019. So does this herald the end of the rapid and sustained period of growth (recall that domestic India realized its 50th consecutive month of double-digit year-on-year growth in October 2018) in this market? The short answer is no.
- Most of the decline in recent months can be attributed to the demise of Jet Airways in April, which resulted in a significant slowdown in capacity growth in the market (ASK growth fell from 20% yoy in November to 0.1% yoy in April). In addition, recent economic conditions have also softened in recent quarters, with weak government finances and declining consumer credit growth. Domestic capacity has not fully recovered yet and we might see further softness in GDP growth, creating uncertainty about the short-term passenger traffic outlook.
- But stepping back, the long-term trends which underpin air transport demand growth in India look set to continue, notwithstanding the recent disruption. As this week's chart makes clear, although the path of development in the air transport industry is rarely a smooth one, rapid growth can be sustained for an extended period; the opportunity available to India, underpinned by further growth in incomes is substantial. Taking the examples of Brazil and China, for example, from a similar income level as India has currently, the former grew at a rate of 7.3% per year for 25 years from 1992, and the latter at 13% since 2008 (World Bank).
- With favourable forecasts in income per capita and population, the continued development in India's air transport market appears positive, despite the recent disruption. This is consistent with our long-term passenger forecast which expects the growth in India to propel it to the world's 3rd largest air transport market by the mid-2020s.