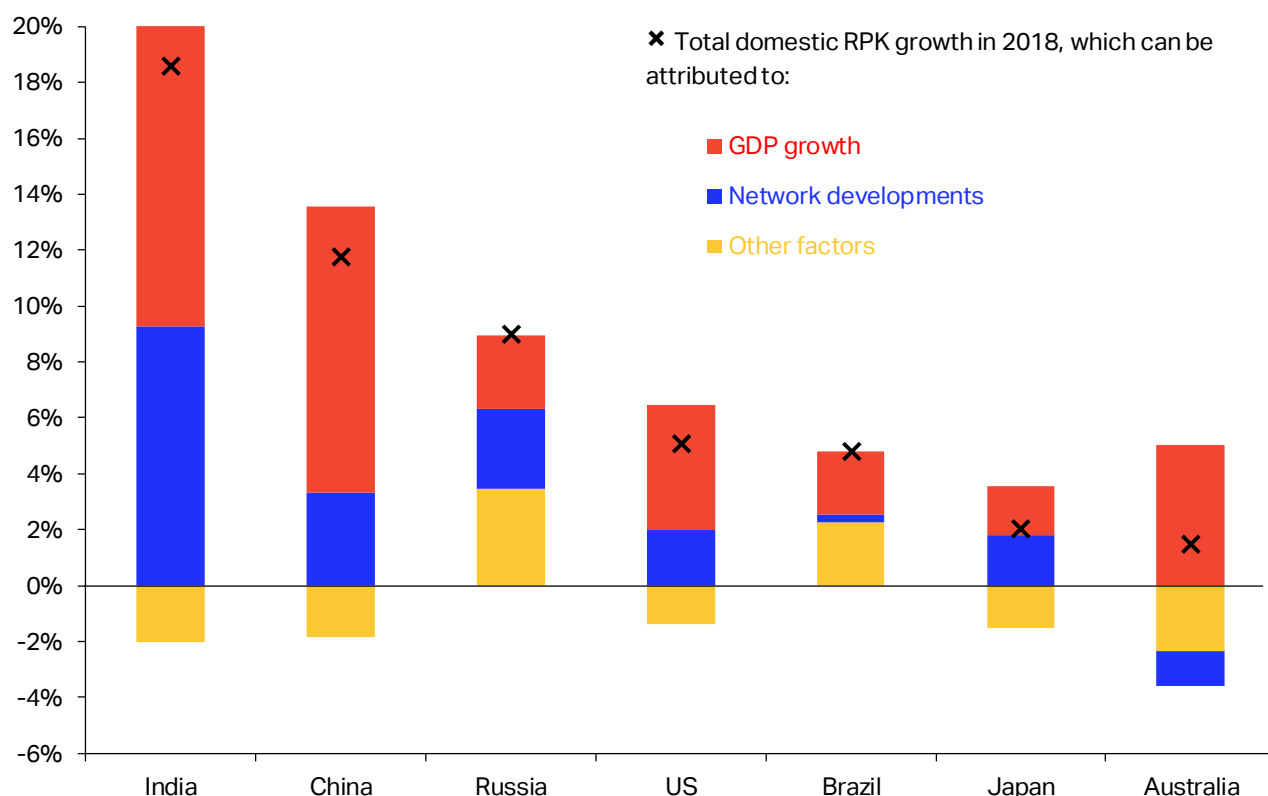


New airport pairs connections propel India growth to 1st place

% year-on-year (2018 calendar year)



Sources: IATA Economics, IMF, SRS Analyser

- We recently released a [note](#) summarizing the performance of air passenger markets in 2018 which revealed a robust full-year 7.0% growth in global domestic revenue passenger kilometers (RPKs). This week's chart takes a closer look at the main drivers of this demand in the seven main domestic markets that we track using our econometric model.
- Not surprisingly, living standards, proxied by GDP growth played a key role in explaining domestic air traffic growth in 2018. Economic activity supported passenger demand across all domestic markets although the relative impact varied. This effect was most notable in India and China, countries with a strong GDP growth rate of 6.5-7.5% in 2018. It was less of a support in Japan & Brazil where GDP grew more modestly this year at 1.1% & 1.4%, respectively.
- Another important driver of RPK growth was the stimulus from the number of additional airport pairs. These new services translate into time savings for passengers and have a similar stimulatory impact on demand as cuts in airfares. This drove major differences in growth between domestic markets. At one extreme, growth of more than 20% in the number of new routes in India provided a sizeable boost to passenger demand in that market, while in contrast our model suggests that the modest decline in airport pairs in Australia slowed traffic growth in 2018.
- Although the combination of GDP and network developments explain more than three quarters of the variation in domestic RPK growth rates over time in our simple model, there are other factors - such as tourism attractiveness, the availability of travel alternatives (substitutes), trade flows and demographics - which account for the residual growth in traffic.