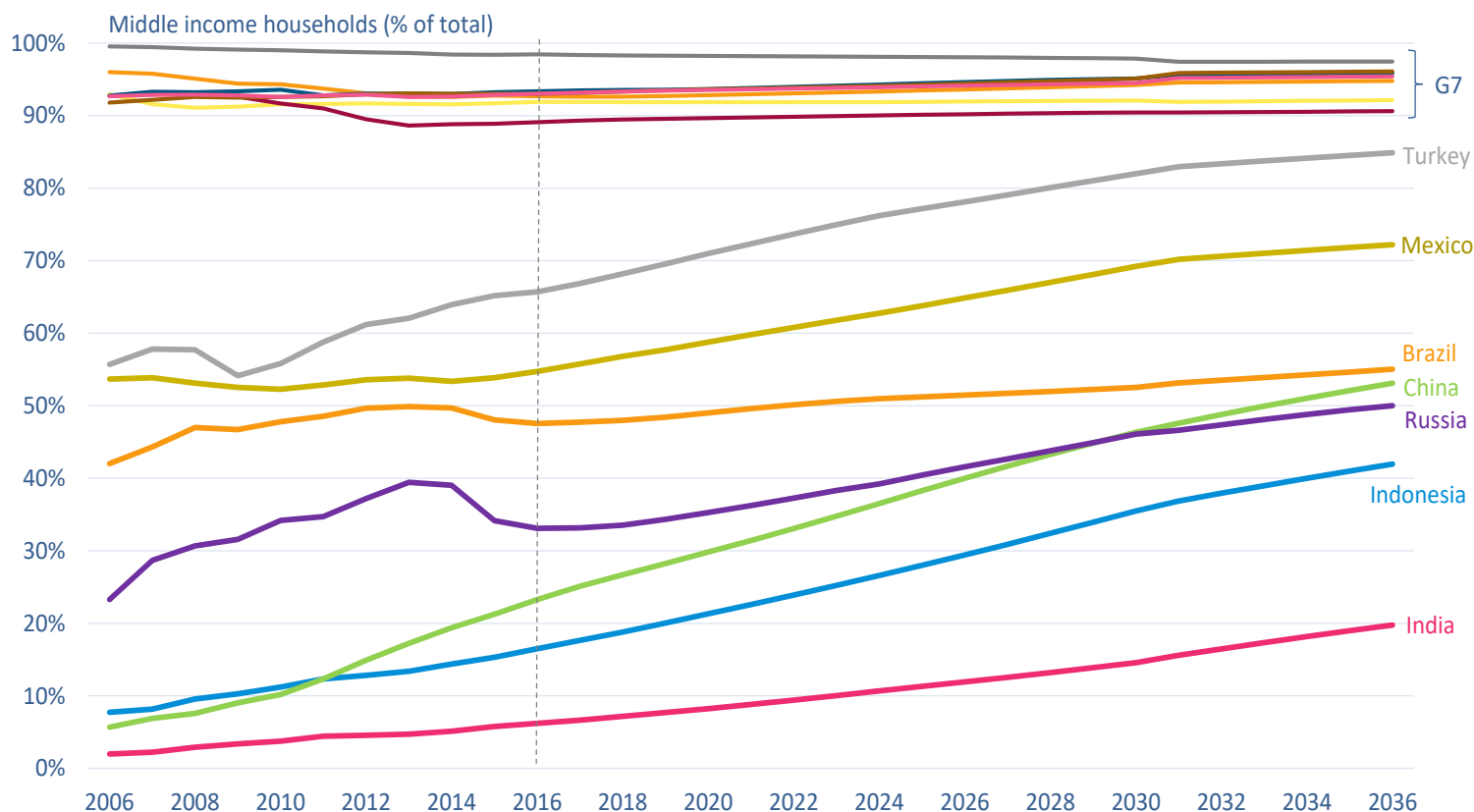




IATA ECONOMICS' CHART OF THE WEEK

17 NOVEMBER 2017

THE IMPORTANCE OF MIDDLE INCOME HOUSEHOLDS IN AIR PAX DEMAND



Source: IATA/TE Air Passenger Forecasts

- A couple of weeks [ago](#) we looked at the role of population growth and how it was helping to drive the eastward shift in aviation's center of gravity over our 20-year forecasting horizon. While an important variable in our long-term passenger forecasting framework, population growth doesn't necessarily translate into stronger air passenger demand; the available *income* of that population is also critical. And it is when incomes reach these so-called 'middle income' thresholds that we typically see a pick-up in the amount of air travel undertaken by households.
- Today's chart shows recent developments as well as the 20-year outlook for household incomes for a selection of countries. Specifically, it considers the evolution of the number of middle-income households as a share of the total in that country. Unsurprisingly, the shares of the (high income) G7 countries are all elevated (around 90% or more) and don't change significantly over the period shown. However, the increase in some of the emerging economies is stark.
- For example, the share of middle income households in China rises by 30pp over the forecast horizon to 53% in 2036. The rise in Indonesia is almost as significant, at 25pp to 42%. The share of middle income households rises above 80% in Turkey, approaching the levels of the G7 countries. (As an aside, the impact of the recent economic recession in both Brazil and Russia is clearly evident, with the share declining in both countries in recent years, particularly in the latter.)
- These favourable developments in household incomes are positive for air transport demand over our long-term forecast horizon. And they reinforce, or in some cases help to offset, the trends in population and demographics. Indeed, this improvement in incomes contributes to China becoming the largest air transport market in the world early next decade and plays a key role in propelling India from #7 to #3, Indonesia from #10 to #4 and Turkey into the Top 10 by 2036.

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