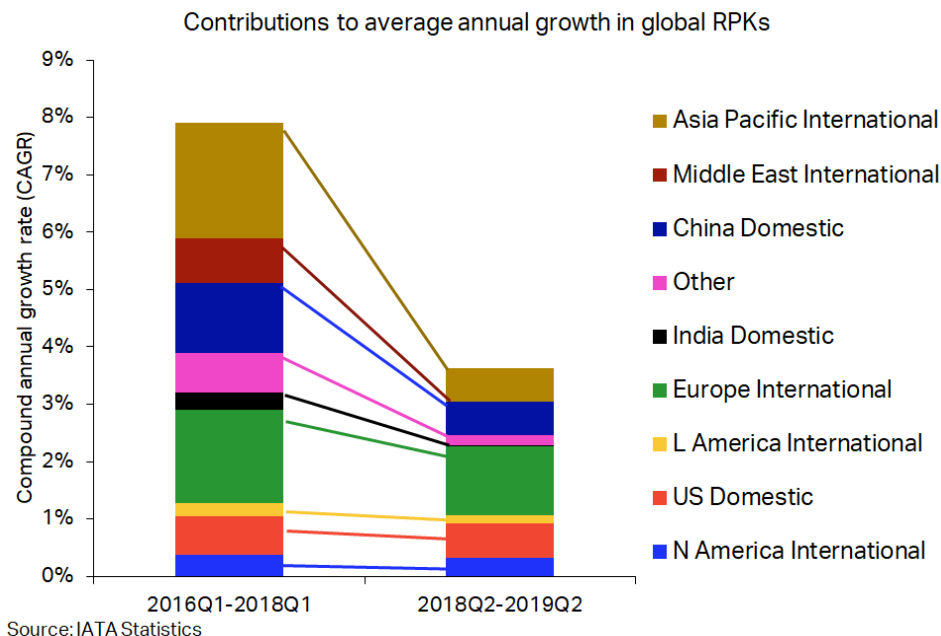
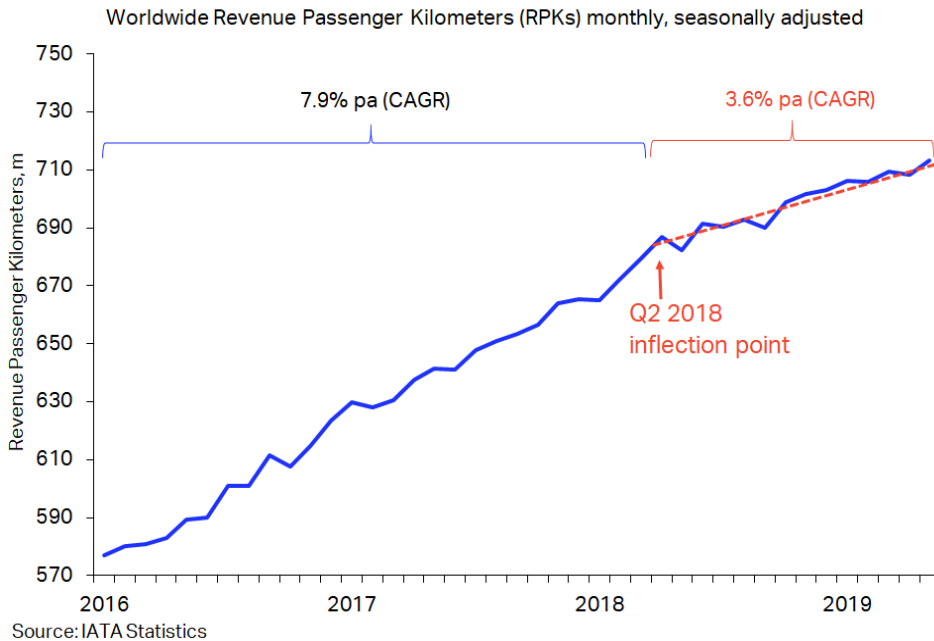


IATA Economics Chart of the Week

5 July 2019

The source of the halving in air travel growth



- This week [we released May data](#) on Revenue Passenger Kilometer (RPK) developments worldwide, which showed year-on-year growth of 4.5% - a marked slowdown on 2018's 7.4% average. But if we examine the seasonally adjusted data in the first chart it is apparent that the inflection point was reached early last year, in the second quarter.

- In the 2-3 years before that point air travel (RPKs) grew at a fairly consistent average annual rate of 7-8%. Since 2018Q2 there has been a clear downward shift in the slope - an average growth rate since then of less than half the previous trend, at 3.6%.

- One issue is the cause of this slowdown: the end of the stimulus from lower fuel costs, and then the impact of the early 2018 tariffs on business confidence and travel. But in this COTW we focus on the contributions from different markets and regions to the slowdown in the average growth of global RPKs.

- There were substantial differences across markets. The US domestic, North and Latin America international markets barely saw any slowdown. European airlines didn't see that much slowdown, despite weak domestic economies. The major contributors to recent weakness were Asia Pacific airlines' international business and the Chinese domestic market. India weakened as well. On top of which the contribution of Middle East airlines to growth in global RPKs disappeared.

- Weakness in the Middle East reflects the restructuring taking place in the Gulf. Elsewhere, relative weakness in Asia compared to Europe or the Americas is consistent with the trade war also weakening air travel, as the tariffs cause wider damage to business through Asia's integrated supply chains.