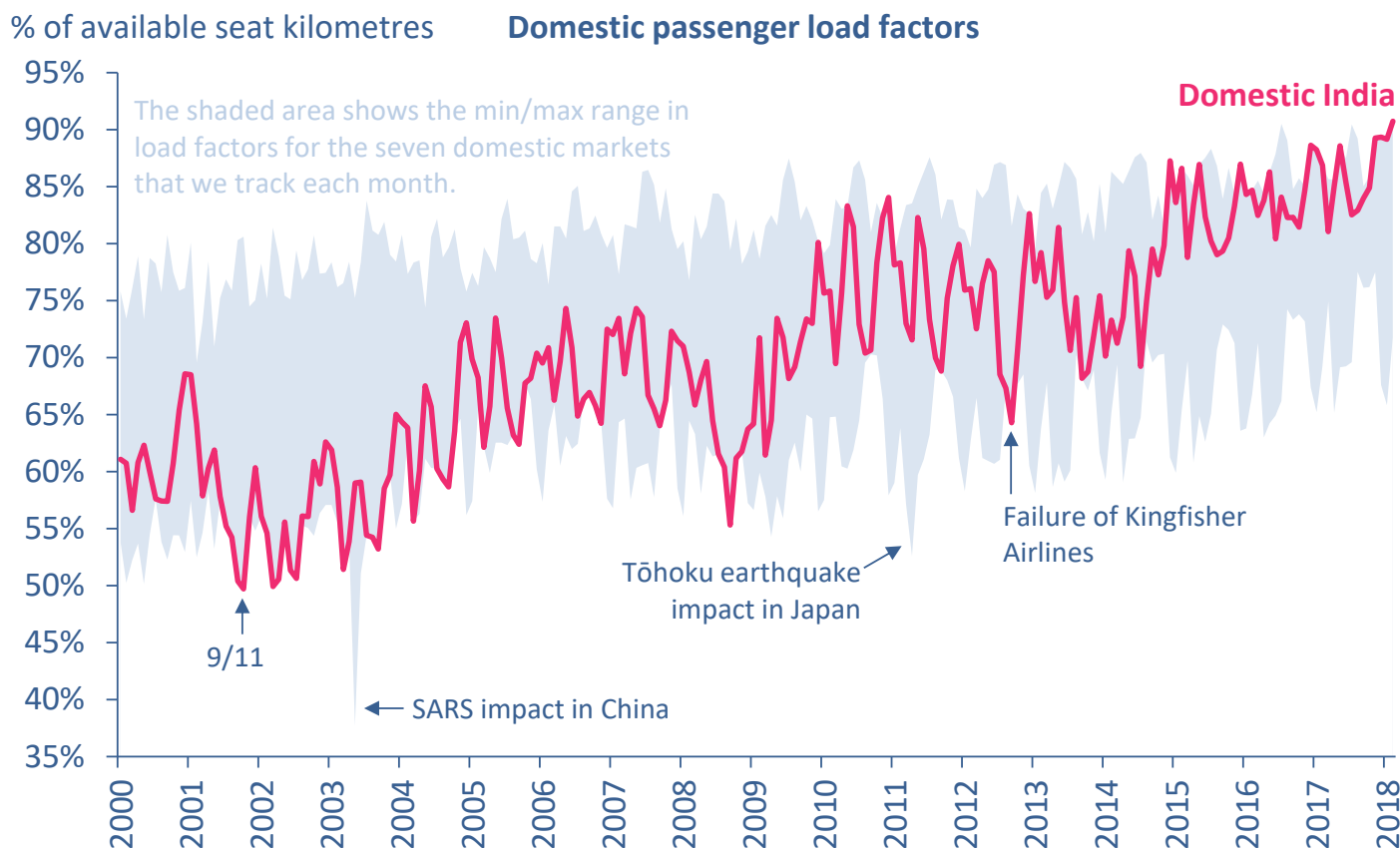




## IATA ECONOMICS' CHART OF THE WEEK

13 APRIL 2018

### TURNAROUND IN PERFORMANCE IN THE DOMESTIC INDIA AIRLINE SECTOR



Source: IATA Monthly Statistics

- As noted in our latest *Air Passenger Market Analysis* [report](#), the domestic India passenger load factor exceeded 90% for the first time ever in February 2018, hitting an all-time high for the seven domestic markets that we track each month.
- Monthly and seasonal volatility means that the series' foray into territory above 90% may be short-lived. Certainly, in the two previous instances where this occurred – Russia in the summer peaks of July 2016 and 2017 – the passenger load factor subsequently fell back below 90% the following month. Even so, as this week's chart shows, the bigger picture is that the current load factor performance represents a significant turnaround from the early-2000s when India regularly posted the *lowest* domestic passenger load factor amongst our group of countries, even dipping below 50% on occasion.
- So how to explain this turnaround? One factor appears to have been the increasing influence of competitive (market) pressures over time via a mix of policy, regulatory and industry developments. Such forces have instilled a greater focus on airlines to achieve the load factor levels needed to generate adequate returns for their investors. In this regard it is illustrative to contrast the situation in India around the time of 9/11, when domestic capacity continued to increase even as demand slumped, with that in late-2014 when Indian airlines slowed capacity growth to support the load factor even as demand was growing strongly.
- More importantly, the turnaround reflects the emergence of a healthier airline sector in the country, which is capable of generating profits as well as delivering benefits for Indian passengers and the wider economy. As the load factor has increased in recent years, the number of airport pairs in operation in India has risen by more than 50% since 2015, while air fares have fallen by around 5% each year since 2014 after adjusting for inflation.

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[economics@iata.org](mailto:economics@iata.org)