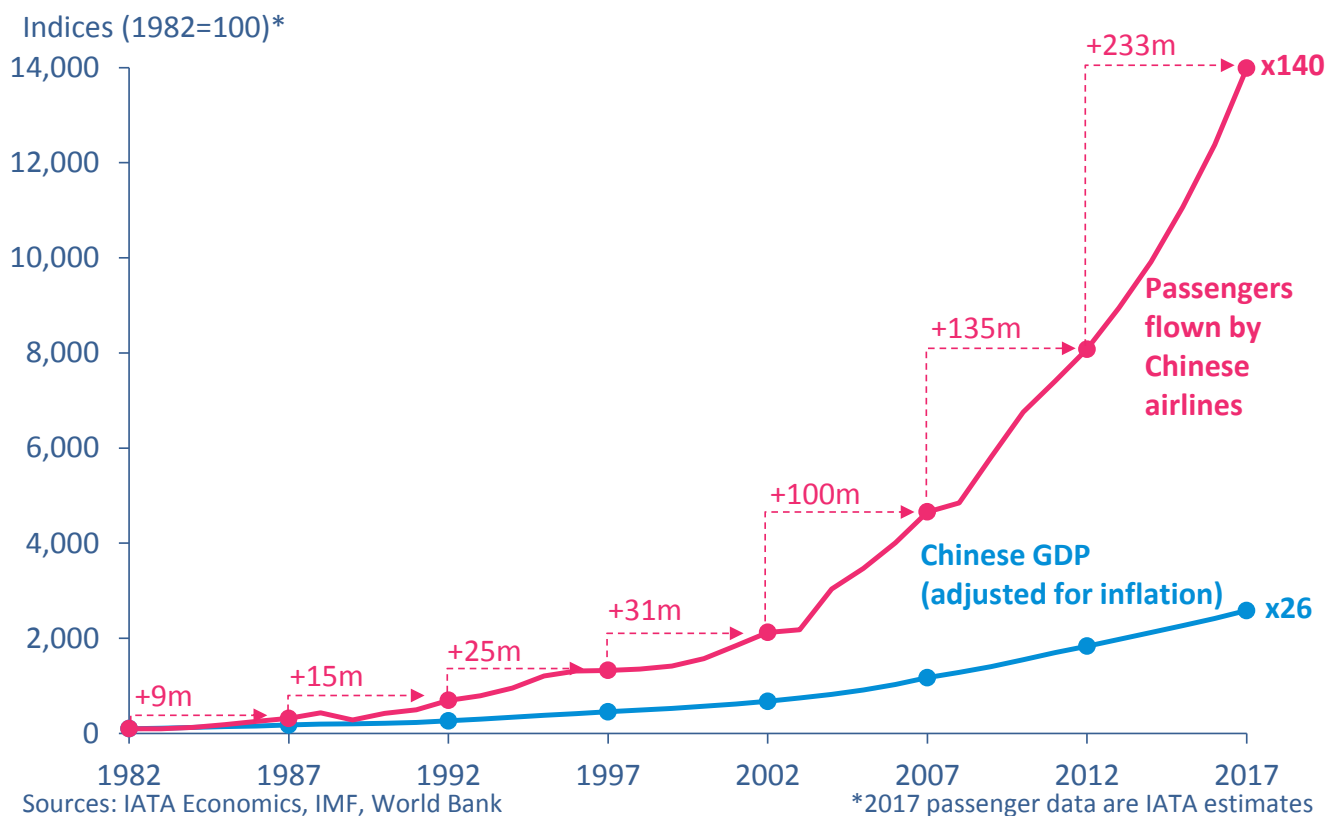




IATA ECONOMICS' CHART OF THE WEEK

20 OCTOBER 2017

WHAT HAS DRIVEN THE OUTPERFORMANCE OF CHINESE AVIATION?



- To mark the 19th National Congress currently taking place in China, this week we take a closer look at the huge increases in economic and aviation activity seen in the country over the past 35 years. The success of the economy is well known: economic activity in China, adjusted for inflation, will be almost 26 times higher in 2017 than it was in 1982. (On one measure the country overtook the US to become the largest economy in the world in 2014.) Strikingly, however, Chinese aviation has grown *much* faster: Chinese airlines will fly 140 times more passengers in 2017 than they did 35 years ago.
- This is mostly because rapid economic growth has propelled China into the ranks of the middle-income countries. With more money to spend on travel, residents in middle-income countries tend to fly almost seven times as often as people in lower-income countries. (The purchasing power of Chinese residents has risen from around 3% of the US in 1982 to around 28% at present.) Much of the growth in aviation has so far been in domestic travel, but outbound Chinese tourism flows are becoming increasingly important too, particularly for markets within the Asia Pacific region.
- Chinese GDP growth has slowed in recent years, but the *level* of activity is still rising strongly: in fact, the increases seen in Chinese output each year are currently as large as the entire economy was in the mid-1980s. It is a similar story for aviation: the number of passengers flown annually by Chinese airlines has risen by 233 million in the five years since the 18th National Congress – it previously took ten years for a change of this magnitude to happen.
- The rebalancing in China away from investment towards consumption as the key driver of economic growth is expected to support air passenger growth, and will help to counteract the impact of China's ageing population. In fact, by the time that the 20th National Congress takes place in 2022, we expect the Chinese passenger market (measured as origin-destination passengers flying to, from and within the country) to be on the cusp of the largest in the world.

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