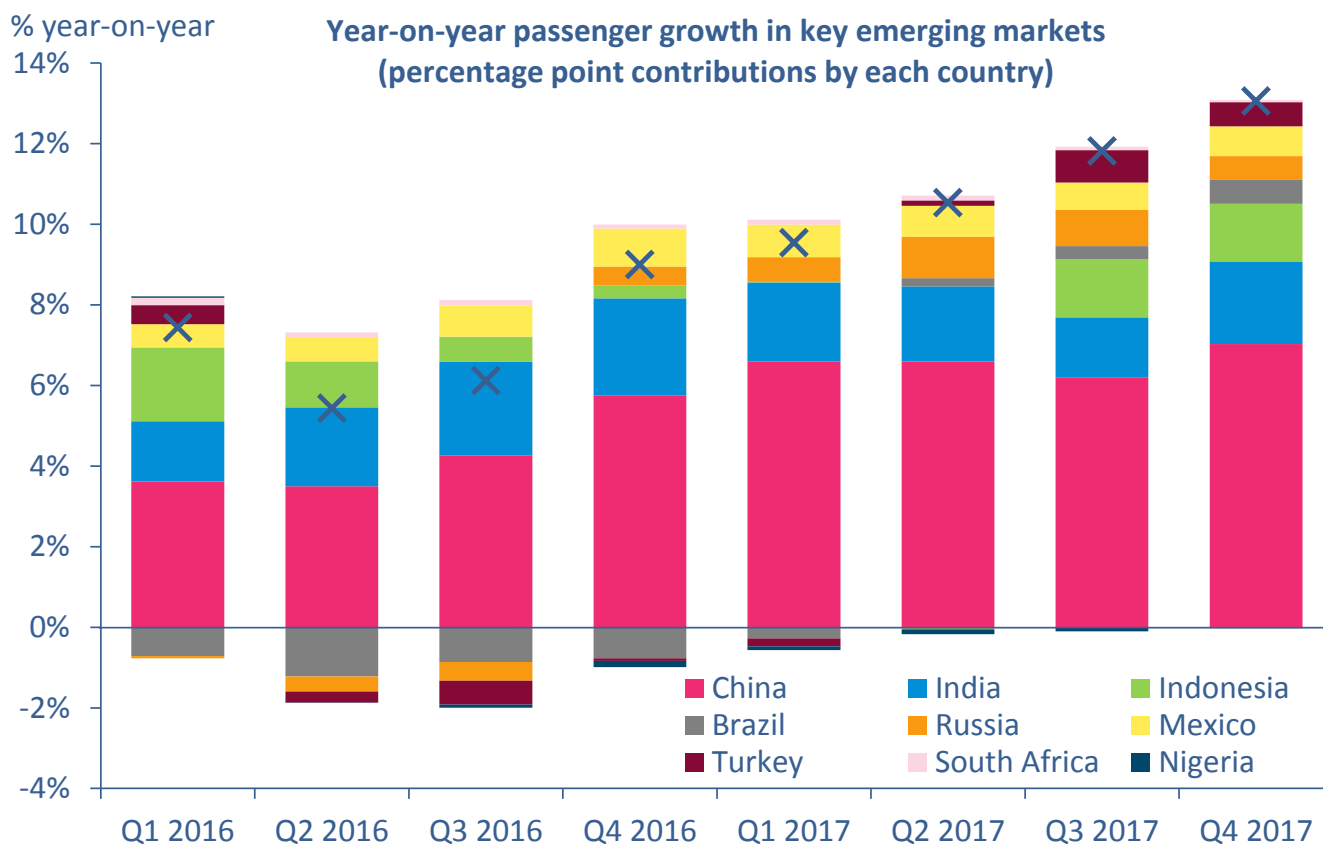




IATA ECONOMICS' CHART OF THE WEEK

20 APRIL 2018

WHAT'S DRIVEN THE PICK-UP IN EMERGING MARKET PASSENGER GROWTH?



Source: IATA Travel Intelligence

- The turnaround in passenger demand growth in the so-called emerging markets (EM) has been a notable development in aviation in recent years. Having slowed to 7.0% in 2016, annual passenger growth in our group of nine large emerging market economies shown in today's chart accelerated throughout 2017, rebounding to 11.3% in the year as a whole.
- This turnaround in performance has owed to a range of factors, not least the broad-based pick-up in global economic conditions over the past 18 months or so. This has partly been driven by stimulus efforts in EMs themselves, notably China. The recovery in global commodity prices over the period has also supported incomes and passenger demand in commodity-dependent EMs countries, particularly Russia. (Admittedly, the year-on-year growth numbers were also boosted when the collapse of Transaero dropped out of the annual comparison in late-2016.) More generally, and in line with existing [research](#), economic activity in EMs also looks to have been helped since start-2017 by the weaker US dollar.
- More stable political conditions have also been a contributing factor to the turnaround, particularly in Turkey where passenger demand was affected badly by the attempted coup and terrorist attacks in mid-2016. Finally, the addition of new air services has also played a role by saving time for passengers and ultimately having a similar stimulatory impact on demand as a cut in airfares. It is illustrative to note that new routes flown between the nine EMs in our group accounted for 40% of the world-wide increase in non-stop airport-pairs flown between 2016 and 2017.
- The future for EM passenger traffic remains bright. While potential trade disputes are a risk – most directly for China – it's worth noting that the International Monetary Fund recently nudged up its economic forecasts for EMs over the next two years. Looking further ahead, a combination of ongoing 'catch-up' growth in per capita incomes, as well as generally favorable population and demographic factors, are likely to continue to drive EM passenger demand over the long term.

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