

Air Passenger Forecasts Global Report

UPDATED

April 2016

A joint venture between



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

Contents

Welcome	03
Introduction	04
Overview of forecasts (long-term, 2015-2035)	05
Selected forecast stories	07
2015 – The year in review	09
Looking ahead	11
Box – The impact on emerging markets of further deregulation	12
Scenarios	14
Long-run forecasting framework	15
The role of living standards	15
The role of population and demographics	22
The price of air travel	29
Other relevant factors	32
Annex A – Forecasting within our framework: a stylized example	34

Welcome

Once again, it is my pleasure to introduce this latest installment of IATA and Tourism Economics' joint Passenger Forecasting service. The strength of IATA Economics' analysis of airlines and global air travel markets brought together with the leading economics and tourism forecasting of Tourism Economics, part of Oxford Economics, is an unbeatable combination. Having the best possible understanding of future growth trends in air travel markets undoubtedly will be of value to your business.

From just one route and one passenger on the 1st January 1914, the industry served over 65 billion passengers in its first 100 years. In a stark illustration of how a once daring activity for the few is now an opportunity for the many, the next 65 billion passengers are expected to take to the skies before 2030 – well within our forecast horizon.

Our Passenger Forecasting service is the most comprehensive assessment to have been undertaken to date of how air travel markets will evolve during the early years of the second century of commercial flight. Our approach encompasses annual forecasts of air passenger flows for almost 4,000 country pairs over the next 20 years.

We are well aware of the uncomfortable but realistic fact that any set of forecasts looking so far out into the future are likely to be wrong. But informed decision-making still requires us to peer into the future. So we have focused on prising open the forecasting 'black box' and have emphasized the drivers and underpinnings of our forecasts, to help you better understand what might shape the future of your business and, through several scenarios, the different paths that the future might take. As before, the overarching emphasis of this *Global Report* is on giving you the knowledge that you need to make informed decisions for the future.

Another key focus has been on making our extensive forecast database accessible, and not to simply deluge you with numbers. Our online web-tool offers an easy-to-use and fully customizable way to explore our forecasts with advanced charting and mapping facilities. All told, it could not be easier to incorporate our insights into your analysis and decision-making processes.

I hope that this *Global Report* and Forecasting Service continues to be your guide to meeting the market challenges to come.



If you have any questions or comments on any aspect of the Passenger Forecasting service, please contact:

 **David Oxley**
Senior Economist, IATA
oxleyd@iata.org

 **David Goodger**
Director, Tourism Economics
dgoodger@tourismeconomics.com

Introduction

Details of our coverage

Our forecast service contains annual forecasts of air passenger flows for almost 4,000 country pairs over the next 20 years on an origin-destination basis¹. Our main focus is on the largest country-pair relationships – those where at least 1,000 passengers a month currently travel between them (on a bi-directional basis). These are the present-day powerhouses.

Crucially, our forecasts also include almost 800 country pair relationships that, while below our threshold of 1,000 passengers a month at present, we assess are likely to exceed it over the coming 20 years. The following word cloud depicts the countries that make up these country pairs, where the size of the lettering for each country indicates its relative prominence in our list of upcoming markets; the ‘markets of tomorrow’. As this report will explain, despite near-term outlooks, it is no surprise that the most prominent countries in the word cloud are from the emerging world.

Our forecasting framework

Our approach boils down the myriad factors that will combine to shape air travel markets in the long run into just three main drivers; doing so offers a simple but powerful framework to think about long-term trends in the industry.

Most factors that will influence air travel markets in the long run, from shifting dynamics in energy markets to structural economic reforms, will affect air markets through one of the three following channels.



The next section provides an overview of our main forecast numbers and stories. Additional details can be found in the accompanying global PDF report.

This rest of this report considers each of the three main drivers in detail, highlighting the fundamental factors that underpin our forecasts.

Chart 1 – The ‘markets of tomorrow’



What’s new with this update?

- Review of air passenger markets in 2015
- A section looking ahead at some of the key themes that will shape global markets in the near and long terms
- A special feature investigating where the biggest potential gains from air liberalization lie

¹The passenger numbers in our service are taken from IATA’s Passenger Intelligence Service (better known as PaxIS: www.pax-is.com). The data cover scheduled flights only and measure the annual flow of air passengers between two countries on a bi-directional basis (eg, the country pair ‘United States - United Kingdom’ includes passenger flows from the US to the UK as well as from the UK to the US). The country pairs are also reported on an origin-destination basis. For example, if a passenger flies from an origin in the UK to a destination in the US via a connection in another country, the trip will be recorded as a passenger traveling from the UK to the US.