

Flash Analysis Airports

Credit Analysis

>>> The correlation between GDP growth and the increase in airline passengers 2001-2015

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GDP growth is the main driving force behind air passenger traffic

As the main driver in forecast models, the relationship between GDP growth and air traffic development naturally draws a lot of attention. It is widely acknowledged that the number of passengers at airports around the world grows at a rate of about 1.5 times that of worldwide GDP. But how true is this assumption nowadays? Does this coefficient change over time? What differences are there on a regional level? We analysed publicly available datasets to answer these questions.

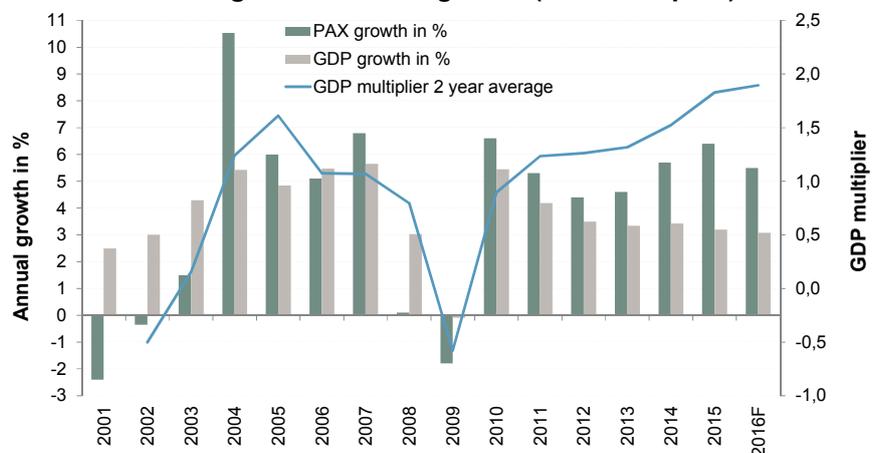
2001-15: GDP multiplier of 1.0x worldwide

The data from Airports Council International (ACI), the leading umbrella organisation of airport operators, and the IWF show that for the period 2001-2015, the worldwide number of airline passengers displayed an annual average growth of 3.9% and for GDP an annual growth of 3.8%. This results in a factor of 1.0x for the correlation between the inquiry driver GDP and passenger (PAX) growth ("GDP multiplier"). What has not been considered here is the (larger) growth in the number of kilometres per person.

GDP multiplier increases steadily from 2010 - 2015: 2.0x

The value 1.0x seems low. The GDP multiplier has, however, recently been on the increase. Whereas from 2001-2010, it lay only at 0.8x and was negatively impacted by the attacks on the World Trade Center as well as by the Lehmann crisis, the GDP multiplier reached a level of 1.5x in the period 2011-2015. In addition to this, since 2010 the factor has been increasing steadily and reached a level of 2.0x in 2015. A similarly high value is expected in 2016. Economic growth has been weakening continuously worldwide since 2010 whereas passenger growth, with an annual increase of about 5%, has remained at a high level. The reasons for this robust passenger growth are the worldwide population increase, expanding networks, the expansion of the middle class in emerging nations, the increase in international tourism and the growing low-cost market.

Worldwide PAX growth vs. GDP growth (GDP multiplier)



Source: ACI, IWF, KfW IPEX Bank

There are distinct differences on a regional level

Region	GDP multiplier 2001-2015	PAX growth 2001-2015	GDP growth 2001-2015	GDP multiplier 2001-2005	GDP multiplier 2006-2010	GDP multiplier 2011-2015
World	1,0	3,9%	3,8%	0,8	0,9	1,5
Africa	0,8	4,1%	4,9%	0,9	1,2	0,3
Asia/Pacific	0,9	7,0%	7,5%	0,8	0,9	1,2
Europe	2,3	3,7%	1,6%	1,6	2,1	3,4
Latin America	1,9	5,6%	3,0%	1,4	1,6	2,9
Middle East	1,9	8,6%	4,6%	1,2	2,0	2,9
North America	0,5	1,0%	2,2%	0,3	-0,2	1,2

Source: ACI, IWF, KfW IPEX Bank

There are, however, distinct differences especially on a regional level. In Asia/Pacific, passenger growth in the period 2001-2015 increased by a factor of 0.9x, which is about the same dimension as the GDP. High passenger growth rates stand in direct relation to high GDP growth rates. The values for Africa are similar, with a GDP multiplier of 0.8x. Over the past years, the unstable political situation in North Africa and the associated significant decrease in the number of tourists has had a negative impact.

High GDP multipliers in Europe, Latin America and the Middle East

In Europe, Latin America and the Middle East, passenger growth in the time period 2001-2015 increased by a factor of around 2.0x, double that of the GDP. The reasons for the significant passenger growth are diverse. In Europe, following the example of Ryanair and Easyjet, a fast-growing, low-cost airline sector has been established. Furthermore, international tourism, especially from Asia, has increased significantly. The weak GDP growth could thereby be more than compensated. In the Middle East, the strong air traffic growth largely reflects the international growth of the native flag carriers like Emirates, which connects the European and Asian markets through its hub in Dubai. In Latin America, an increasing middle class resulted in a robust passenger growth, even though the GDP growth was not able to keep up with it. The increasing GDP multiplier trend (2011-2015: around 3.0x) over a specific period of time, is very pronounced in all three regions.

Low GDP multipliers in the mature North American market

In the mature North American market, the GDP multiplier from 2001-2015 was situated at an under-average level of 0.5x, although it displays an upward tendency. The demand seems more saturated here than on the world market. The American airport infrastructure is also frequently outdated. Airport expansion is however often impeded by physical, ecological and political restraints. On the supply-side, US carriers have also limited the increase in capacity in the past. In international comparison, US airlines are currently the most profitable, owing to their consolidation.

National PAX growth is strongly dependent on local structure

National passenger growth is still more dependent on domestic structure. For example, during the period 2001-2015, passenger traffic in the UK grew at an average annual rate of 1.5x faster than the GDP, whereas the value for Finland was 3.6x (Germany: 2.2x). This reflects the state of the air traffic market in the individual countries. While capacity restrictions at the London airports and air traffic taxes limited growth in the UK, Finland developed into an international hub with Helsinki airport. The Finnish passenger growth was driven more strongly by increasing traffic from Asia than by the national economic situation.

Conclusion

The appeal of the airport sector continues to be high. Growth rates of passenger numbers over the past few years remained stable at a high level despite a weakening world economy. There are, however, distinct differences in the various world regions, that are more apparent on a national level.