



Air Passenger Market Analysis

June 2020

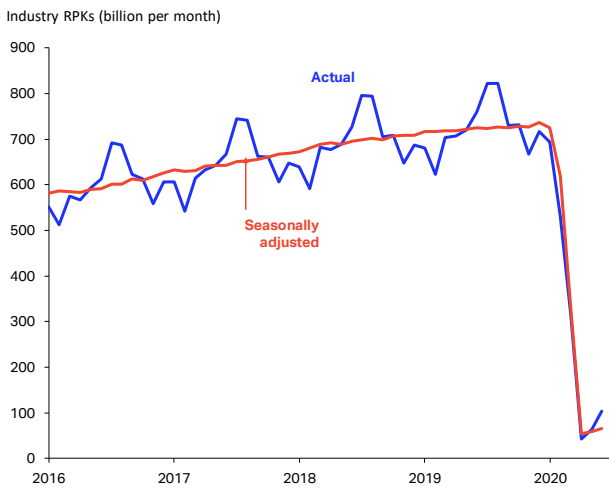
Domestic air travel continues to drive the recovery in June

- Industry-wide revenue passenger-kilometres (RPKs) fell by 86.5% year-on-year in June, compared with 91.0% contraction in May. Seasonally adjusted RPKs lifted modestly for the second consecutive month.
- The rebound continues to be dominated by rising demand in domestic markets. International RPKs contracted by close to 100% for another month. However, some improvement is expected in July as international travel restrictions have been lifted in some parts of the world including the Schengen Area.
- Passenger volumes continued to fall faster than the industry-wide available seat-kilometres (ASKs). As a result, the global passenger load factor reached all-time low for the month of June, at 57.6%.

Passenger demand improved slightly in June

Air travel demand continues to show signs of recovery from the low point in April but remains significantly below the pre-COVID levels. Industry-wide revenue passenger-kilometres (RPKs) contracted by 86.5% year-on-year in June, compared with a 91% decline in May. Seasonally adjusted (SA) RPKs also showed some improvement, lifting for the second consecutive month (Chart 1). The pressure on passenger volumes eased a little across all regions, with the Asia Pacific region registering the most resilient outcome (-76.4% year-on-year).

Chart 1 – Air passenger volumes



Sources: IATA Economics, IATA Monthly Statistics

The severity of the COVID-19 impact is clearly shown in semiannual results. Global RPKs fell by 58% in H1 2020 vs. H1 2019. To put this into context, in the six

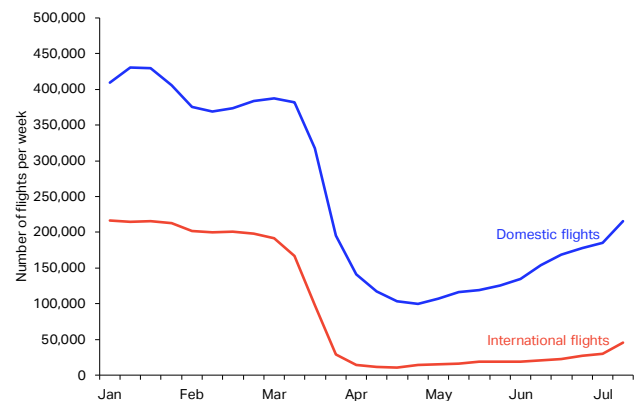
months immediately following the 9/11 attacks – considered to be the most severe aviation crisis prior to 2020 – RPKs declined by 12%.

Domestic markets dominate the industry recovery

The upturn in passenger demand has been driven by domestic markets as more countries began to loosen travel restrictions within their borders. Domestic RPKs fell by 67.6% year-on-year in June, compared with 78.4% annual decline in May.

International air travel showed little improvement since most of the markets were still heavily restricted. Indeed, international RPKs fell by 96.8% annually - only 1.5ppts smaller contraction compared with the previous month. On a more positive note, we have started to see some tentative signs of an increase in international flights since late June in part due to the lifting of restrictions in the Schengen Area (Chart 2).

Chart 2 – Worldwide flights per week



Source: IATA Economics analysis based on data provided under license by FlightRadar24. All rights reserved.

Air passenger market overview - June 2020

	World share ¹	June 2020 (% year-on-year)				% year-to-date			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	-86.5%	-80.1%	-26.8%	57.6%	-58.4%	-51.0%	-12.4%	69.6%
International	63.8%	-96.8%	-93.2%	-44.7%	38.9%	-62.2%	-57.3%	-9.3%	71.9%
Domestic	36.2%	-67.6%	-55.9%	-22.8%	62.9%	-51.6%	-39.5%	-16.8%	66.6%

¹% of industry RPKs in 2019

²Year-on-year change in load factor

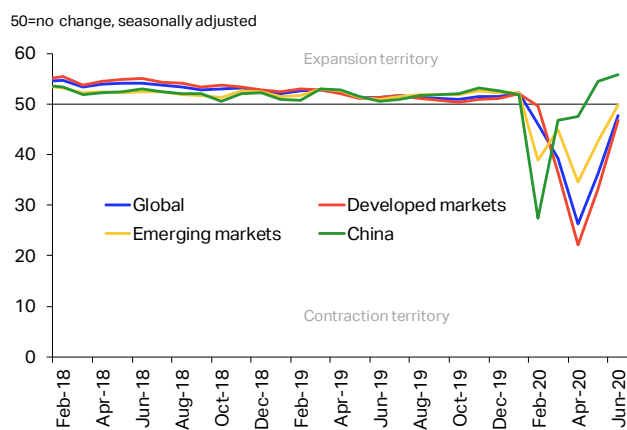
³Load factor level

Developments in key demand drivers were mixed

Demand indicators have shown mixed results in June. Based on the latest available data, consumer spending has been recovering in several economies including the US, Eurozone and China following the easing of restrictions. However, the unemployment rates remained elevated in most of the countries.

Business sentiment in the manufacturing and services sector (a proxy for economic activity) has rebounded sharply across developed and emerging economies (Chart 3). China, which eased its lockdown in March, recorded a PMI above its pre-COVID level in each of the past two months. Many countries that relaxed their restrictions later have seen their business confidence hovering not far from the 50-mark that divides contraction from expansion. However, note that the historically strong relationship between the PMI and air passenger volumes has weakened in 2020.

Chart 3: Economic conditions (monthly data from composite PMIs, selected markets)



Source: Markit

While business confidence is still an important driver, near-term travel demand will depend also on consumer sentiment which has been subdued. According to the latest passenger survey conducted in June, the majority (55%) of respondents don't plan to travel in 2020. There is still a high uncertainty among travelers about the potential second wave of virus infections. While many developed economies have successfully contained the virus, emerging economies have yet to win their fight. Virus containment, vaccine availability, and perception of safety will be some of the key determinants in the near-term willingness to fly.

The economic outlook for 2020 also remains gloomy. The International Monetary Fund (IMF) revised down their forecast in June, due to a more profound impact of COVID-19 on economic activity and slower H2 2020 recovery than originally expected. Global GDP is now estimated to contract by 4.9% in 2020 according to the organization, compared with the -3% estimate

from April. The downward revisions were recorded across developed and emerging economies.

Slight improvement in capacity this month

The decline in capacity eased slightly in June as airlines started to return some of their grounded aircraft back to service amidst rising demand. Industry-wide available seat-kilometres (ASKs) contracted by 80.1% year-on-year, c. 6ppts smaller decline compared with May.

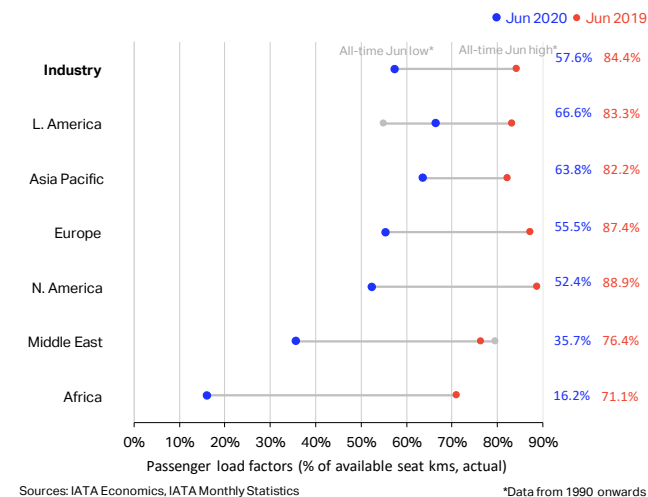
All regions but Africa recorded smaller falls in capacity than in the previous month. The Asia Pacific region continued to post the most resilient outcome, with ASKs down 70% year-on-year.

...but PLFs remain in record lows across most regions

Although airlines have been making more flights available following the lockdown easing, passengers seem to have been hesitant to travel. The industry-wide passenger load factor remained in all-time low for another month, at 57.6% (down 26.8ppts vs. the same period a year ago).

The record-low load factors were experienced by airlines in all regions but Latin America. African carriers continued to post the weakest result, with only 16% of their seats filled on average in June (down 55ppts vs a year ago).

Chart 6 – Passenger load factors by region



Sources: IATA Economics, IATA Monthly Statistics *Data from 1990 onwards

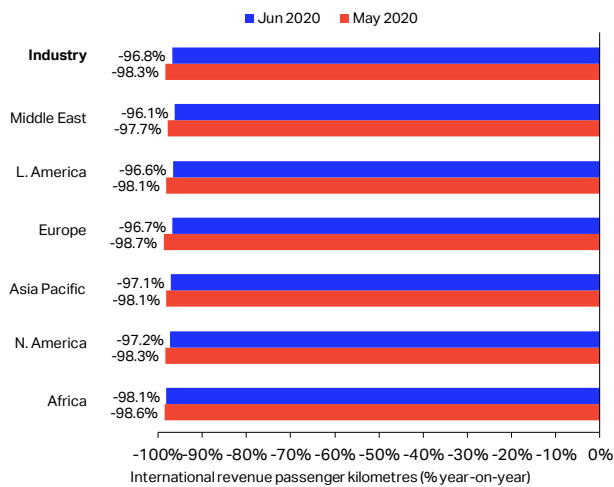
Int'l demand showed little improvement from May

International air travel remained largely closed, with international RPKs falling by 96.8% over the year to June compared with a 98.3% contraction in May. All regions recorded a modestly smaller RPK decline compared with May.

On the upside, there have been some very early signs of demand recovery due to the rise of intra-EU travel after travel restrictions were relaxed in the Schengen Area. The emergence of travel corridors (so-called travel bubbles) among countries elsewhere in the

world have also supported the slight upturn in international demand.

Chart 7 – International RPK growth, yearly (airline region of registration basis)



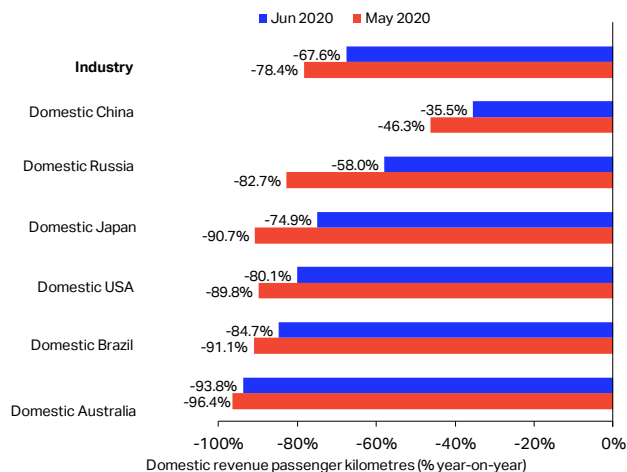
Sources: IATA Economics, IATA Monthly Statistics

Contraction slows across all key domestic markets

Domestic markets continue to drive the industry rebound. This is consistent with our expectations that governments will allow opening of domestic routes first to boost economic activity while limiting the spread of the virus across the borders. In June, domestic RPKs contracted by 67.6% year-on-year, compared with 78.4% decline in May (Chart 8).

The **China** domestic market continues to lead the improvement amongst the key domestic markets that we regularly track, with passenger volumes down 67.6% year-on-year, up 11ppts vs. May. The gradual rebound of the market since the low-point in February has been hampered in June by the second wave of COVID-19 cases, which resulted in flight cancellations to and from Beijing. That said, the latest flight data indicate a return to upwards trend in July (Chart 9).

Chart 8 – Domestic RPK growth by market



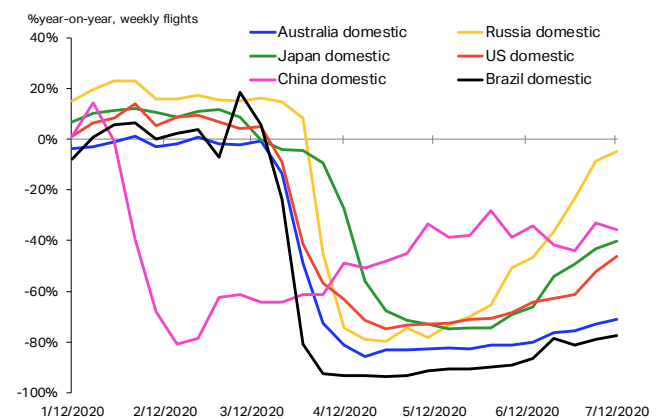
Sources: IATA Economics, IATA Monthly Statistics

Domestic RPKs registered by carriers based in **Russia** contracted by 58% year-on-year, compared with the 82.7% decline in May. Russia posted the fastest recovery (25ppts) amongst the key domestic markets since some of the local carriers resumed all their domestic flights in June.

Domestic demand also started to improve in **Japan** after the state of COVID-19 emergency was lifted in late-May. Domestic RPKs fell by 74.9% year-on-year, compared with c. 90% annual declines seen in the previous two months.

In the **US**, the recovery has been relatively moderate so far due to the resurgence of COVID-19 cases in a number of states in June. US domestic passenger volumes contracted by 80.1%, compared with the 89.8% fall in May.

Chart 9: Flights in the key domestic markets



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Domestic RPKs flown by carriers in **Brazil** declined by 84.7% annually – a modest improvement on the 91.1% fall in May. The country has the second largest number of infections worldwide which has been – along with a large number of airline bankruptcies in the Latin America region – hindering a faster recovery in the country's domestic air travel so far.

Despite the relatively low number of infections in June, **Australia** remained at the bottom of the growth chart, with RPKs contracting by 93.8% year-on-year vs. 96.4% fall in the previous month.

Weekly aircraft movements indicate that the key domestic markets will continue to recover in July (Chart 9). Russia, the US and Japan have been showing the fastest increase in flights in the first half of the month while Brazil, Australia and China seem to continue in more gradual recovery.

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 28th July 2020

Air passenger market detail - June 2020

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TOTAL MARKET	100.0%	-86.5%	-80.1%	-26.8%	57.6%	-58.4%	-51.0%	-12.4%	69.6%
Africa	2.1%	-96.5%	-84.5%	-54.9%	16.2%	-57.1%	-47.3%	-13.2%	57.9%
Asia Pacific	34.6%	-76.4%	-69.6%	-18.5%	63.8%	-58.6%	-50.6%	-13.2%	68.5%
Europe	26.8%	-93.7%	-90.0%	-31.9%	55.5%	-61.6%	-57.6%	-8.1%	75.8%
Latin America	5.1%	-91.2%	-89.0%	-16.7%	66.6%	-52.0%	-48.8%	-5.1%	77.3%
Middle East	9.1%	-95.5%	-90.4%	-40.7%	35.7%	-56.0%	-51.6%	-6.8%	68.3%
North America	22.3%	-86.3%	-76.9%	-36.5%	52.4%	-56.9%	-44.4%	-18.9%	65.5%
International	63.8%	-96.8%	-93.2%	-44.7%	38.9%	-62.2%	-57.3%	-9.3%	71.9%
Africa	1.8%	-98.1%	-84.5%	-62.1%	8.9%	-57.6%	-46.9%	-14.2%	56.3%
Asia Pacific	19.1%	-97.1%	-93.4%	-45.8%	35.6%	-65.1%	-59.1%	-11.8%	69.0%
Europe	24.0%	-96.7%	-94.4%	-35.7%	52.0%	-63.2%	-60.0%	-6.7%	77.6%
Latin America	2.7%	-96.6%	-95.7%	-17.7%	66.2%	-56.4%	-53.4%	-5.4%	77.3%
Middle East	8.7%	-96.1%	-91.1%	-43.1%	33.3%	-56.2%	-51.7%	-6.9%	68.3%
North America	7.6%	-97.2%	-92.8%	-53.8%	34.1%	-61.9%	-55.9%	-11.4%	71.7%
Domestic	36.2%	-67.6%	-55.9%	-22.8%	62.9%	-51.6%	-39.5%	-16.8%	66.6%
Dom. Australia ⁴	0.8%	-93.8%	-89.1%	-33.8%	44.4%	-55.2%	-50.1%	-8.0%	70.5%
Domestic Brazil ⁴	1.1%	-84.7%	-83.3%	-7.1%	74.7%	-46.0%	-44.5%	-2.2%	80.0%
Dom. China P.R. ⁴	9.8%	-35.5%	-21.3%	-15.2%	69.5%	-51.1%	-39.3%	-16.5%	68.3%
Domestic Japan ⁴	1.1%	-74.9%	-63.4%	-22.4%	48.8%	-52.3%	-33.5%	-20.2%	51.1%
Dom. Russian Fed. ⁴	1.5%	-58.0%	-36.4%	-28.9%	56.4%	-41.9%	-26.3%	-16.9%	63.2%
Domestic US ⁴	14.0%	-80.1%	-67.4%	-34.9%	54.7%	-54.1%	-37.9%	-22.3%	63.0%

¹% of industry RPKs in 2019

²Year-on-year change in load factor

³Load factor level

⁴Note: the six domestic passenger markets for which broken-down data are available accounted for 28% of global total RPKs and approximately 78% of total domestic RPKs in 2019

Note: The total industry and regional growth rates are based on a constant sample of airlines combining reported data and estimates for missing observations. Airline traffic is allocated according to the region in which the carrier is registered; it should not be considered as regional traffic.

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