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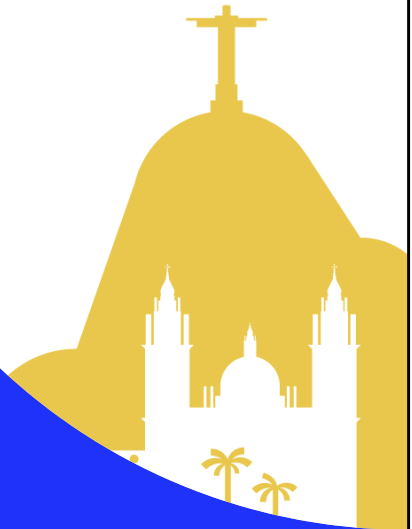
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Media Briefing North Asia

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Market Overview – China

30% of global domestic RPK

+17.5% highest YoY international PAX growth in 2025 among top 10 markets

249 airports with regular scheduled flights

+64% total number of routes between 2015-2025

\$115 billion airline revenue*

4,574 registered aircraft*

Note: Figures as at end 2025. USD/CNY=6.8. * Data from CAAC annual report.



China is one of the leading markets in the airline industry. In the past few decades, both supply capacity and passenger demand, as well as aviation infrastructure, have grown significantly.

Domestic air traffic: By the end of 2025, China has become the 2nd largest market for domestic air traffic with 4.7% YoY RPK growth (domestic RPK of China is about 83% of the US level). It accounts for about 30% of the global domestic RPK.

International air traffic: International traffic has been gradually recovering since 2023, although it has not fully rebounded to pre-COVID levels (mainly due to the lack of China-North America routes). For Q1 2026, the China-North America passenger traffic was at 58.9% of 2019 Q1 level

Airports: China has 249 airports with regular scheduled flights.

Routes: the total number of routes (international and domestic) has increased by 64% between 2015 and 2025 .

Revenue: The total operating revenue of the Chinese aviation industry reached 1,143.64 billion yuan in 2025, up 3.0% from the previous year.

Fleet: As of the end of 2025, the total number of aircraft registered in China reached 4,574, an increase of 180 aircraft from the end of the previous year. In particular, the number of COMAC aircraft registered was 220, including 31 C919 aircraft, 164 C909 aircraft, and 25 MA60 (Xinzhou 60) aircraft.

Market Overview - Opportunities



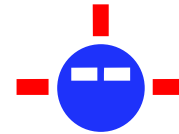
Demand

- **900 million** people in China have never flown on an airplane
- In 2025, the number of international visitors to China reached **35.17 million**, YoY increase of 30.5%



Digitalization

- **Smart Airport**
- **Modernized Logistics**
- **Digital Yuan** wallets have exceeded **230 million** at the end of 2025; Total transactions are over 16 trillion CNY



C919

- **C919** has injected new vitality into the aviation industry for China



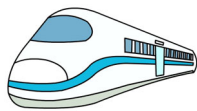
Strong Demand: By 2025, China's total aviation population exceeded 500 million. According to data from China's National Bureau of Statistics, thanks to the relaxed entry policy, the number of international visitors to China reached 35.17 million in 2025, a year-on-year increase of 30.5%, while total spending by international visitors rose by 39.2% year-on-year.

Digitalization

- **Smart Airport:** As of 2025, China has over 15 airports with annual passenger throughput exceeding 20 million. Core hubs have deployed biometric travel solutions, with an overall passenger self-service rate surpassing 75%.
- **Modernized Logistics:** Modernized air logistics accelerates digital transformation and evolves toward standardization(ONE Record), unmanned operation, multimodal integration. E-AWB (Air Way Bill) penetration rate is 80%. 30+ major Chinese airport have started their digitalization journey. 9 airlines and 12 airports performed ONE Record pilots.
- **Digital Yuan** wallets have exceeded 230 million at the end of 2025; Total transactions are over 16 trillion CNY

C919: The introduction of the C919 has provided airlines with an additional option.

Market Overview – Challenges



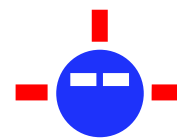
High-speed Rail

- High-speed rail has firmly established itself in the short-distance transportation market of **800 kilometers or less**



Low Yield

- For China, air transport revenue stood at **USD0.7 per ton-kilometer**, a decrease of **4.9%** from the previous year*



Supply Chain Issue

- Used to be one of world's youngest fleet
- Since 2020, the number of aircraft aged 20 years or older has exceeded new aircraft deliveries

Note: USD/CNY=6.8. * Data from CAAC annual report.

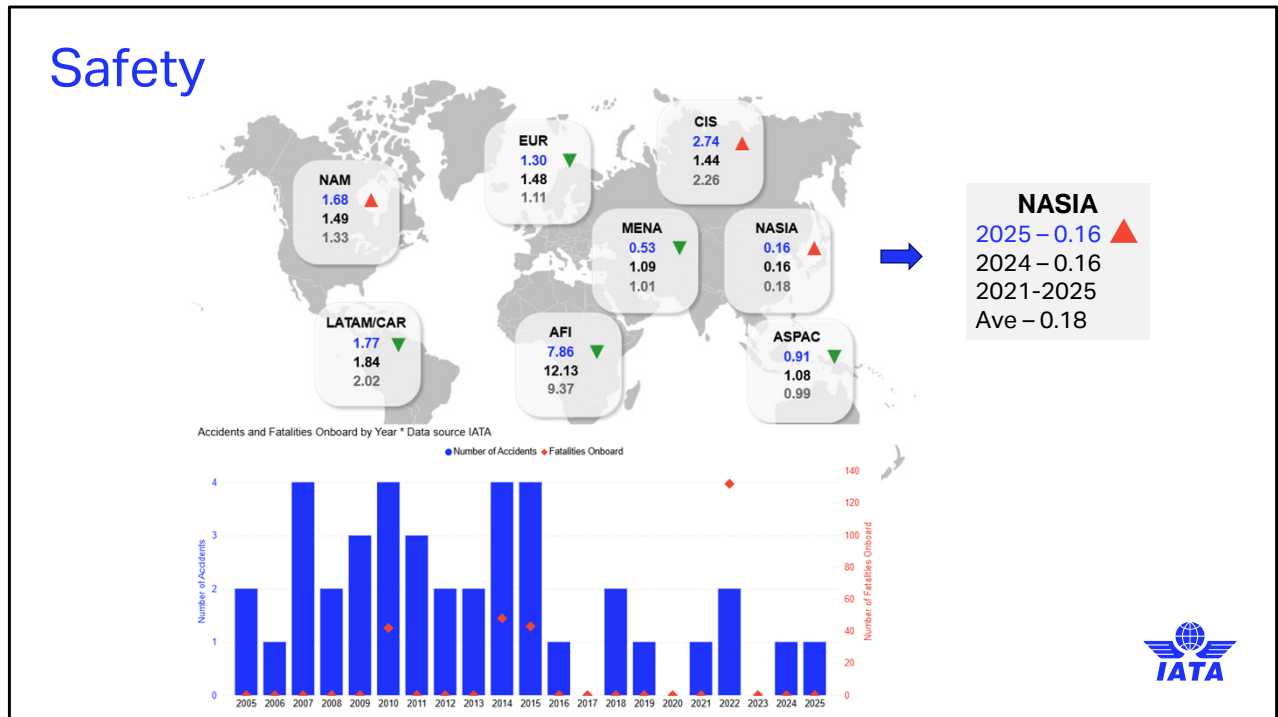


High-speed Rail: high-speed rail has firmly established itself in the short-distance travel market for journeys of 800 kilometers or less, where it holds a significant competitive advantage. At the same time, its service coverage is gradually expanding into the medium-distance travel sector—for journeys of 1,000 kilometers or more—thereby continuously squeezing the growth potential of short- and medium-haul air routes.

Low Yield: In 2025, air transport revenue stood at USD0.7 (RMB4.5) per ton-kilometer, a decrease of 4.9% from the previous year. Specifically, passenger transport revenue was USD0.8 (RMB5.29) per ton-kilometer, down 3.8% from the previous year, while revenue from cargo and mail transport was USD0.3 (RMB2.16) per ton-kilometer, down 4.0% from the previous year (according to CAAC). The Chinese civil aviation market continued to adopt a “price-for-volume” strategy, exhibiting a typical phenomenon of “high passenger numbers but low revenue.”

Supply Chain Issue: The fleet’s average age rose from 7 years to 10 years. Since deliveries are not currently expected to rebound to pre-2019 levels, and the number of older aircraft requiring replacement is growing, there is a risk that the fleet will continue to age unless deliveries pick up. Since 2020, the number of aircraft aged 20 years or older has exceeded new aircraft deliveries, suggesting that the fleet replacement rate is too low to maintain a stable fleet age. The aging fleet will increase the operating costs for the airlines.

Safety

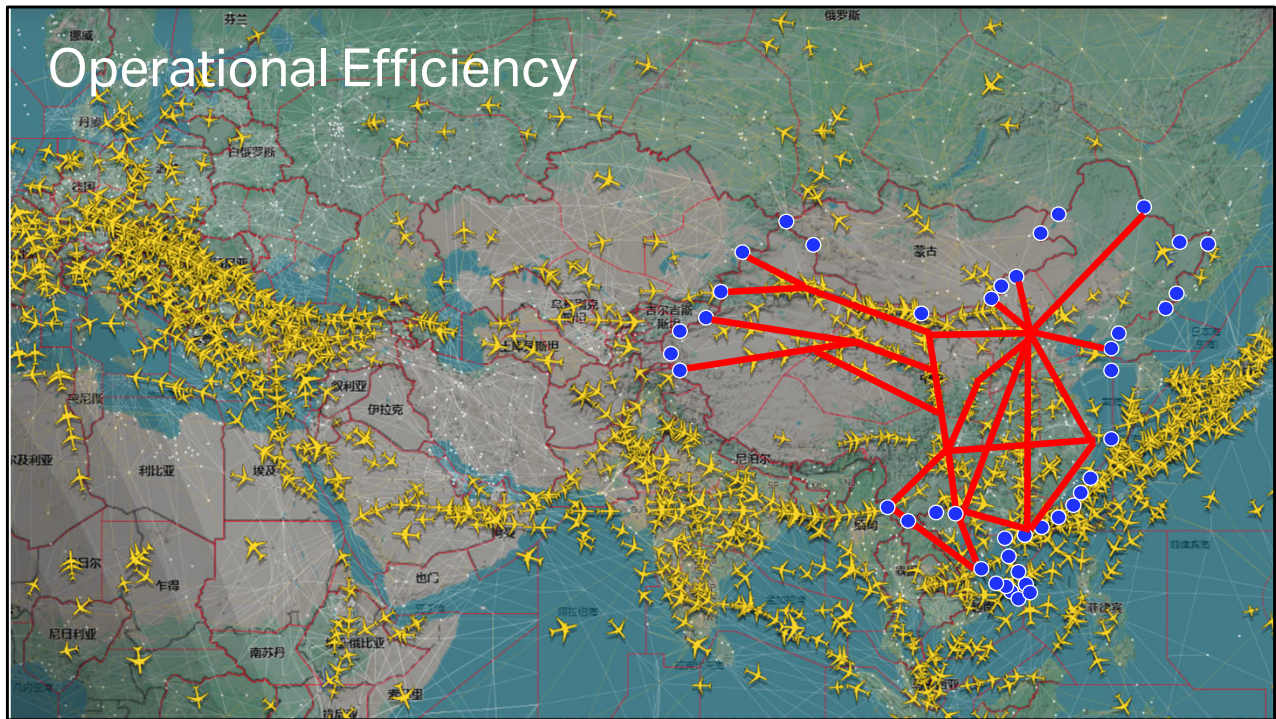


North Asia has the best safety performance result in terms the number of accident per million sectors. In 2025, this number remains 0.16, same with 2024, and improved compared with the average rate from 2021 to 2025 which is 0.18.

Major reasons for the excellent outcomes:

- Strong regulator (CAAC) oversights
- High commitments from the top management across the aviation sector.
- Robust capacity and resources in pilot training, maintenance, ATC, Airport and Ground Ops
- Investment on safety (training/new technology/people/equipment)
- IATA support North Asia’s safety by IOSA, ISAGO, CBTA, Safety Leadership Charter, workshops/conference

Accident investigation reports can improve safety. We continue to urge governments to publish accident reports in compliance with ICAO standards.



Chinese airspace is becoming more important during the geopolitical conflicts, to connect Asia and Europe. There have been improvements in China Airspace over the years – flight delays are no longer an issue. IATA is working with key stakeholders to provide feedback from airlines to the CAAC/ATMB for operational efficiency (for example. Flexible usage of the entry/exit points).

Digital China

~90%

Mobile payment penetration



01

Demand

- Digital-native users
- Wallet preference
- Biometric adoption

02

CBDC & Infrastructure

- Operational at scale
- ¥16.7T volume
- 230M wallets

03

Aviation Implications

- Retailing accelerates
- New channels emerge
- Cross-selling models



Challenges

- Vendor lock-in
- Regulation
- Competition
- Differentiation

China is a distinctive digital aviation market. There are three forces moving at the same time.

First, demand. Chinese consumers are already highly digital in daily life. Mobile payment penetration is around 90%, and digital-native users increasingly expect wallet-based payment, app-based service, biometric verification, and instant checkout. For airlines, this changes the baseline expectation: passengers do not compare airline digital service only with other airlines. They compare it with e-commerce, mobility, food delivery, banking, and super-app experiences.

Second, supply. Airlines and travel aggregators are responding by accelerating retailing. More than 30 airlines and aggregators are adopting retailing practices faster. The business model is also shifting. Airlines are no longer only selling a seat from A to B. They are trying to cross-sell ancillary products, bundled services, and partner products, using digital channels to increase revenue and improve customer stickiness. Cross selling among competing airlines is the latest business model innovation to maximize the benefits of new technology and enablers.

Third, infrastructure, technology, and regulation. China has built a very strong digital payment and platform infrastructure. The e-CNY / CBDC pilot shows the scale of policy-led innovation: 230 million wallets, over RMB 16.7 trillion in transaction volume, and multi-sector use cases. At the same time, new channels, platform ecosystems, data rules, and identity technologies are shaping how aviation products can be distributed, paid for, and settled.

For North Asia, the competitive question is no longer only route network or ticket price. It is also whether airlines can participate in a broader digital ecosystem — with faster retailing, trusted payments, compliant data use, and more seamless customer journeys.

Sustainability



SAF - China

- Production: currently around **10** producers operating SAF facilities, over 2 MT of SAF capacity expected by end 2026
- Policy: Industry policy to support SAF under discussion, 15th Five-Year Plan in progress
- Usage pilot: pilot completed in 2025

CORSIA

- China and Russia are expected to participate in CORSIA from 2027
- Voluntary GHG Reduction System of the Russian Federation has applied to become a CORSIA Eligible program. This could increase the supply of CORSIA EEUs in the region



During ICAO A42, China indicated its support for IATA's working paper on such exclusivity and agreed that countries and international organizations should refrain from introducing national/regional/international patchwork, and to avoid imposing discriminatory taxes on international air transport. This is a very significant position switch by China on CORSIA, and indicated that China is likely to participate and start offset obligations from 2027.

Earlier this year, Russia applied to ICAO for accreditation of its national voluntary compensation system under CORSIA. This is progress to enable possibly more EEUs supply. Russia is also expected to participate in CORSIA from 2027.

To achieve net zero emission goals, a significant aviation energy transition is crucial to sustainable energy sources, by increasing the usage of SAF, low carbon aviation fuel, and other clean energy. Right now, there are a total of 10 SAF producers in China (including those in HK SAR and Chinese Taipei), with total SAF production capacity over 1.5 million tons, and expected to exceed 2 million tons by the end of 2026 (including those located in Chinese Taipei). Meanwhile, Chinese producers are also advancing new SAF production pathways, such as FT, AtJ, and PtL (for eSAF).

Currently, it is the 15th five-year planning circle and CAAC will release the critical Five Year Plan later this year. Aviation sustainability will feature a specific plan, and new SAF usage targets and policy tools will be released. Stakeholders are intensively discussing the industry policy to support SAF production, so that aviation energy transition solutions can be made available to

airlines in an effective and affordable way.

Takeaway

- The growth trajectory in North Asia remains promising, and market resilience is holding strong amid ongoing challenges.
- Recognizing safety as the industry's foundation, North Asia maintains excellent and stable safety performance, while regulators' efforts to improve airspace operational efficiency are acknowledged by members.
- China has the highest digital wallet coverage. Digital payment is no longer a differentiator but a default. Customer demand and expect fast, cost effective, secure, frictionless and touchless payment.
- During ICAO A42, China indicated its support to CORSIA's exclusivity as the only global market-based-measure for international aviation and is actively accelerating its production capacity to emerge as a global leader in SAF.

