

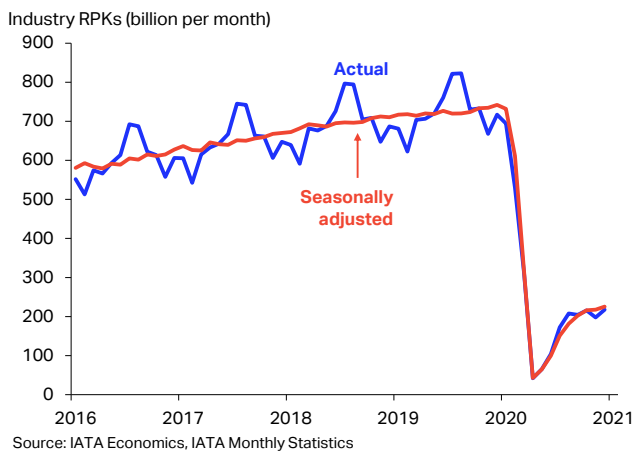
Passenger volumes did not improve in December

- December figures confirm that the recovery in air travel has been stagnating. Industry-wide revenue passenger-kilometres (RPKs) fell by 69.7% year-on-year, which was broadly in line with the declines in November and October. In 2020 as a whole, passenger traffic plunged by 66% – by far the sharpest decline in the aviation history.
- The RPK rebound has been impacted by a sharp spike in COVID-19 cases and new travel restrictions. Forward bookings have been falling sharply since late-December, which points to a challenging start for 2021.
- In 2020, the industry-wide passenger load factor was on average 17.8 percentage points lower vs. 2019, at 64.8%.

No air travel improvement in the fourth quarter

The global resurgence of the virus and the related shutdowns halted the air travel recovery during the fourth quarter of the year. The industry-wide revenue passenger-kilometres (RPKs) fell by 69.7% year-on-year, which was a similar contraction as in November (-70.4%) and October (-70.6%). In month-on-month terms, passenger volumes ticked up by ~4% – the second weakest growth since the air travel recovery started in May (Chart 1).

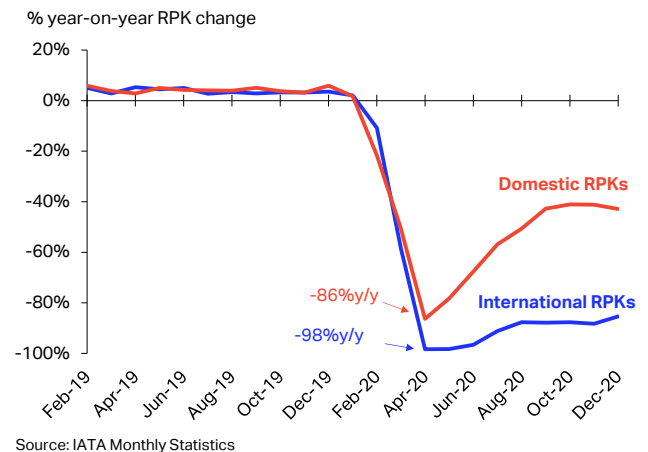
Chart 1 – Air passenger volumes



The year 2020 brought an unprecedented challenge to the airline industry in a form of closed borders, strict travel controls, and depressed travel confidence – all effects of the pandemic. RPKs plunged by a dramatic 66% compared with 2019 – eight times faster than during the 12 months following the 9/11 attacks – considered to be the most severe aviation crisis prior to 2020.

International markets have been impacted to a greater extent than domestic routes since many countries closed their borders or imposed travel regulations to limit the virus spread. In December, international RPKs were down 85.3%yoy – just a 13 pts improvement from the peak of the crisis in April. In contrast, domestic markets saw RPK contraction reduced by half over the same period (Chart 2). However, despite these differences, the bigger picture remains that the air travel recovery has paused across both domestic and international markets towards the year end.

Chart 2 – Year-on-year change in domestic and international RPKs, global level



All regions were severely affected in 2020. The Middle Eastern airlines reported the sharpest RPK decline this year (-72.2%) due to their reliance on long-haul international routes, which are still largely closed.

Looking ahead, the first quarter of the year will remain extremely challenging for the airline industry. The

Air passenger market overview - December 2020

	World share ¹	December 2020 (% year-on-year)				2020 calendar year (% year-on-year)			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	-69.7%	-56.7%	-24.6%	57.5%	-65.9%	-56.5%	-17.8%	64.8%
International	45.7%	-85.3%	-74.5%	-34.7%	47.0%	-75.6%	-68.1%	-19.2%	62.8%
Domestic	54.3%	-42.9%	-25.7%	-19.1%	63.7%	-48.8%	-35.7%	-17.0%	66.6%

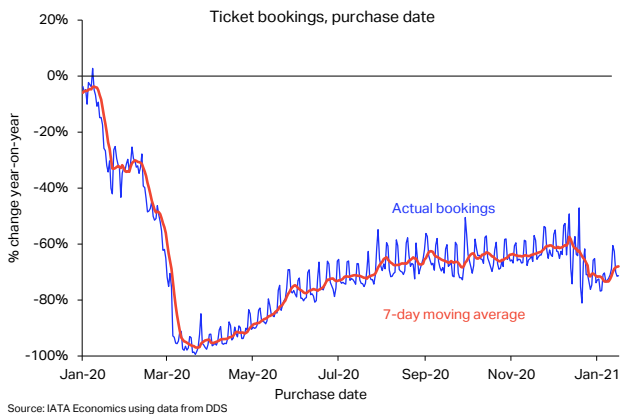
¹of industry RPKs in 2020

²Year-on-year change in load factor

³Load factor level

number of confirmed cases reached record-high level in January. New, more aggressive, virus mutations resulted in travel bans in several key markets including the UK. Although vaccine rollout is good news for air travel, the immunization has been slow so far, and it will take time before its impact is reflected in passenger numbers. For now, willingness to travel is low – at least based on the evidence from bookings for future travel which were down ~70%yoy in January (Chart 3).

Chart 3: Y/y change in net passenger bookings, global

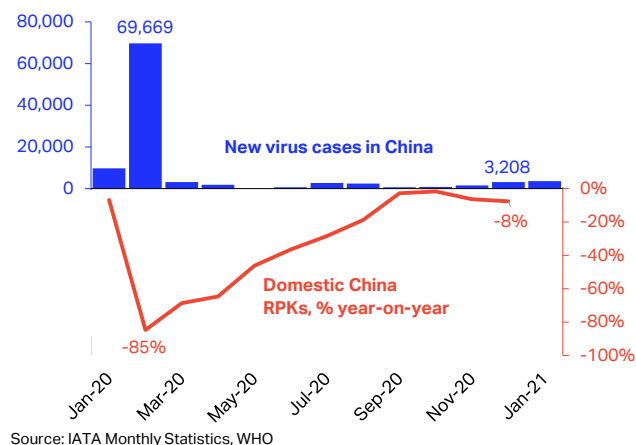


Virus containment is the key driver in the short-term

The economic backdrop continues to look positive despite the current spike of the virus and the renewed restrictions. Business confidence picked up following the peak of the crisis and the global purchasing manufacturers index (PMI) for the manufacturing and services sector is back to pre-crisis levels. Looking ahead, governments will continue to provide significant fiscal and monetary stimulus, while vaccines will help to reduce the infection rates. This should ensure that the economic rebound continues into 2021. Indeed, the IMF became recently more optimistic about 2021 GDP growth, revising their forecast upwards by 0.3ppts, to 5.1%.

For now, the health crisis remains critical but there is a light at the end of the tunnel. The swift recovery in China – but more recently also in Australia – following

Chart 4: COVID-19 and RPK developments in China



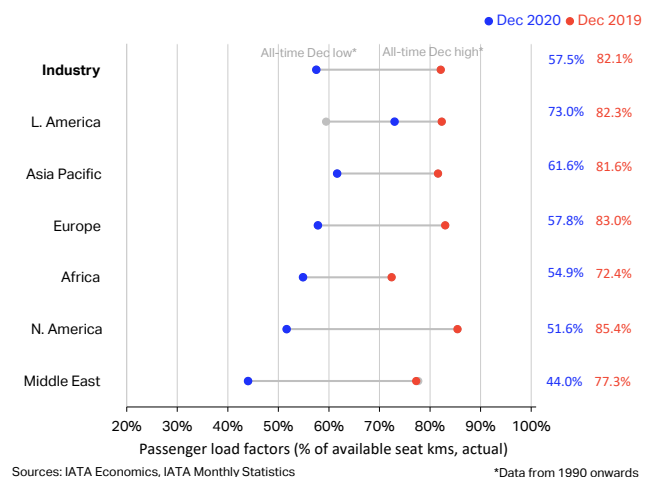
the relaxation of restrictions indicates that there is a pent-up demand for flying (Chart 4). Therefore, once the virus is defeated globally, and this demand is released, the RPKs rebound should accelerate.

2020 load factors in record lows despite capacity cuts

Airlines had been cautious about adding capacity back to the market during Q4 amidst slowing demand recovery. The industry-wide available seat-kilometres (ASKs) fell by 56.7% year-on-year in December – a similar decline as in the previous two months. In 2020 as a whole, seat capacity was down 56.5% – about 9ppts smaller contraction than in RPKs.

Global passenger load factor (PLF) remained in record lows in December, at 57.5%. Overall, 2020 was a dismal year for this metric since the majority of carriers struggled to adjust their capacity fast enough to collapsing passenger numbers and frequently changing travel restrictions. On average, the global PLF was 17.8ppts lower vs. 2019, at 64.8%.

Chart 5 – Passenger load factors by region



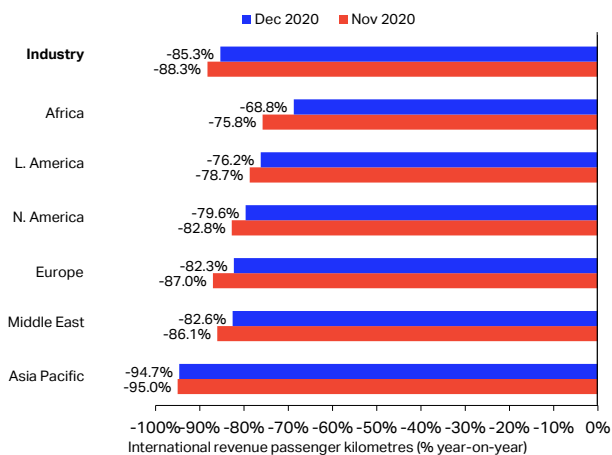
Recovery in international traffic remains slow

International demand did not show any significant improvement in December; RPKs fell by 85.3% year-on-year, just a 3ppts uptick vs. November (Chart 6).

Carriers in **Africa** posted the lowest international RPK decline of all regions in December (-68.8%yoy), and also showed the most resilient outcome for the year as a whole, at -69.8%. The region has benefitted from relatively less strict international travel restrictions compared to the rest of the world.

Latin American and **North American** airlines ended the year with RPKs down -76.2% & -79.6%, respectively. International traffic flown by these airlines started to recover towards the year-end amidst increased flows to/from the Central America. However, new travel restrictions in the region in January will weigh on further improvement in the near-term.

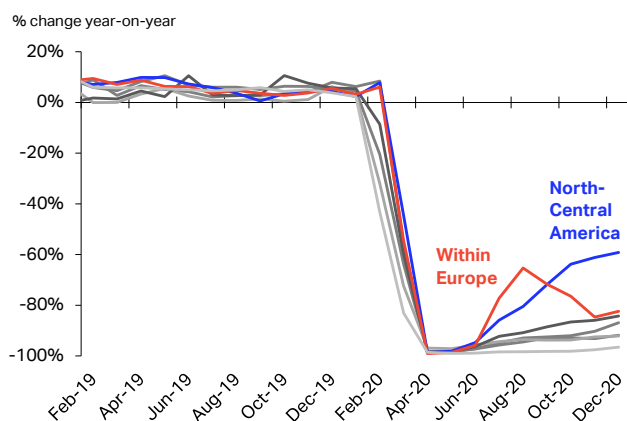
Chart 6 – International RPK growth, yearly (airline region of registration basis)



Sources: IATA Economics, IATA Monthly Statistics

The contraction in **European** international RPKs eased to -82.3% since increased flows ahead of the holiday season offset falls from new travel bans later in the month. In the June-August period, airlines benefitted from looser travel restrictions on Within Europe routes but the promising recovery was later reversed amidst new virus waves (Chart 7).

Chart 7 – Growth in int'l RPKs by market segment



Source: IATA Monthly Statistics

Middle Eastern carriers posted a slightly lower fall in international traffic versus November, but their RPKs were still down almost 83%yoy. The reliance on currently muted long-haul connections will remain one of the key challenges for the region's faster recovery.

Airlines based in **Asia Pacific** showed the worst performance of all regions for another month, with international RPKs falling by ~95%yoy. Strict travel restrictions remain in place on the majority of the region's key international routes.

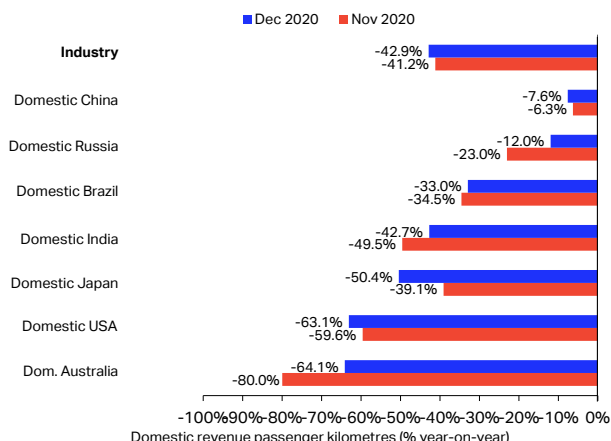
Recovery was reversed in domestic markets

Domestic markets were the only relatively bright spot in 2020 but their performance recently deteriorated. Domestic RPKs fell by 42.9%yoy in December.

Annual domestic RPK decline accelerated to -7.6% in **China** amidst new COVID-19 outbreaks and resulting restrictions. Despite that, the country was amongst

the best performers last year due to a quick containment of the virus in spring and solid economic recovery. Its RPKs were 30.8% lower in 2020 vs. 2019.

Chart 8 – Domestic RPK growth by market



Sources: IATA Economics, IATA Monthly Statistics

Despite a sharp RPK deterioration in Q4 amidst virus spikes, **Russia** became the most resilient key domestic market in 2020 (RPKs down 23.5% vs. 2019). Its recovery was supported by booming domestic tourism in the summer and falling fares. The country's PLF in December reached 2019 levels (77.1%), pointing to a solid appetite for flying.

Elevated COVID-19 cases weighed on recovery also in **Brazil**. Domestic RPKs fell by 33%yoy, just a 1.5ppts smaller decline than in November. However, the PLF was the highest amongst the key markets, at 82.1%.

In **India**, domestic RPKs fell by 42.7%yoy – a solid improvement on 49.5% decline in November. The near-term outlook looks positive since the number of confirmed cases has been falling and the Indian government has allowed local carriers to increase their domestic capacity since December.

The contraction in domestic RPKs sharply increased in **Japan** (+ 11.3ppts, at -50.4%yoy) as the country grapples with a new virus wave. Volumes will remain under pressure also in January since cases continued to rise, and airlines reduced their domestic capacity.

RPK developments deteriorated also in the **US** in December (-63.1% vs. -59.6% in November). Although the softer outcome this month can be partly attributed to a strong month of December 2019, the flat trend in seasonally-adjusted RPKs confirms that the recovery has been stalling in this market.

Although **Australian** domestic market posted the largest RPK fall in December (-64.1%yoy), the volumes have been improving swiftly there since some of the key local routes re-opened in late-November.

Air passenger market detail - December 2020

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		RPK	ASK	PLF (%-Pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	-69.7%	-56.7%	-24.6%	57.5%	-65.9%	-56.5%	-17.8%	64.8%
Africa	1.9%	-67.7%	-57.5%	-17.5%	54.9%	-68.8%	-61.0%	-14.4%	57.4%
Asia Pacific	38.6%	-63.8%	-52.1%	-20.0%	61.6%	-61.9%	-53.9%	-14.3%	67.5%
Europe	23.6%	-77.5%	-67.7%	-25.2%	57.8%	-69.9%	-62.1%	-17.4%	67.8%
Latin America	5.7%	-57.3%	-51.8%	-9.3%	73.0%	-62.1%	-58.3%	-7.7%	74.9%
Middle East	7.4%	-81.3%	-67.2%	-33.2%	44.0%	-72.2%	-63.3%	-18.5%	57.6%
North America	22.7%	-68.9%	-48.5%	-33.8%	51.6%	-65.2%	-50.2%	-25.6%	59.2%
International	45.7%	-85.3%	-74.5%	-34.7%	47.0%	-75.6%	-68.1%	-19.2%	62.8%
Africa	1.6%	-68.8%	-57.6%	-19.0%	53.1%	-69.8%	-61.5%	-15.4%	55.9%
Asia Pacific	11.0%	-94.7%	-86.4%	-49.7%	32.1%	-80.3%	-74.1%	-19.5%	61.4%
Europe	18.5%	-82.3%	-72.2%	-30.4%	53.3%	-73.7%	-66.3%	-18.8%	66.8%
Latin America	2.2%	-76.2%	-68.9%	-19.2%	62.7%	-71.8%	-67.7%	-10.4%	72.4%
Middle East	6.9%	-82.6%	-68.7%	-34.3%	43.1%	-72.9%	-63.9%	-18.9%	57.3%
North America	5.5%	-79.6%	-63.0%	-38.1%	46.6%	-75.4%	-65.5%	-23.9%	60.1%
Domestic	54.3%	-42.9%	-25.7%	-19.1%	63.7%	-48.8%	-35.7%	-17.0%	66.6%
Dom. Australia ⁴	0.7%	-64.1%	-46.3%	-27.5%	55.4%	-69.5%	-62.8%	-14.7%	66.1%
Domestic Brazil ⁴	1.6%	-33.0%	-31.4%	-1.9%	82.1%	-49.0%	-47.4%	-2.4%	80.3%
Dom. China P.R. ⁴	19.9%	-7.6%	6.1%	-10.6%	71.2%	-30.8%	-19.7%	-11.7%	72.9%
Domestic India ⁴	2.1%	-42.7%	-28.3%	-17.7%	70.4%	-55.6%	-48.0%	-12.8%	74.6%
Domestic Japan ⁴	1.4%	-50.4%	-20.5%	-26.3%	43.5%	-53.6%	-32.7%	-22.9%	50.9%
Dom. Russian Fed. ⁴	3.4%	-12.0%	-11.2%	-0.7%	77.1%	-23.5%	-12.6%	-10.3%	72.9%
Domestic US ⁴	16.6%	-63.1%	-40.8%	-32.4%	53.5%	-59.6%	-41.4%	-26.4%	58.8%

¹% of industry RPKs in 2020

²Year-on-year change in load factor

³Load factor level

⁴Note: the seven domestic passenger markets for which broken-down data are available accounted for 46% of global total RPKs and approximately 84% of total domestic RPKs in 2020

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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