

Strong demand recovery in January but impacted by Omicron

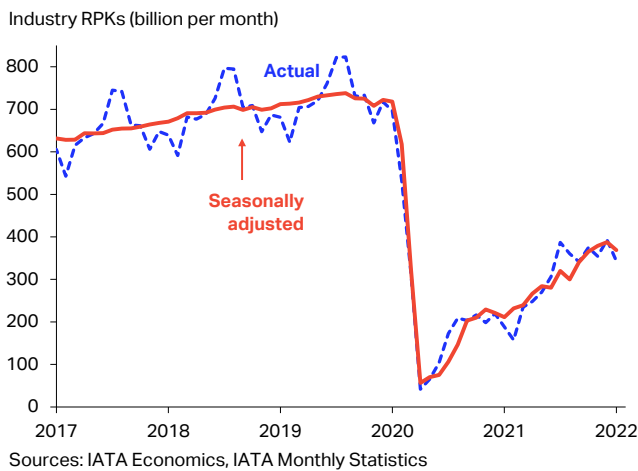
- Global air travel was negatively impacted by the Omicron disruptions at the start of 2022 but was nevertheless significantly better than at the beginning of 2021. Industry-wide revenue passenger-kilometers (RPKs) rose by 82.3% year-on-year (YoY) in January 2022, but month-on-month (MoM) RPKs fell by 4.9%.
- The adverse impact of the Omicron outbreak on air travel was broad-based. Global domestic RPKs fell by 7.2% MoM between December 2021 and January 2022, while global international RPKs ticked down 2.2% over the same period.
- Improving pandemic developments bode well for the air travel recovery in 2022, though the geopolitical issues in Eastern Europe combined with rising inflationary pressures will negatively impact some markets.

Omicron outbreak weighed on January results

Global air travel was hit by Omicron disruptions at the start of 2022 but was nevertheless significantly better than at the beginning of 2021. Industry-wide revenue passenger-kilometers (RPKs) grew by 82.3% YoY in January 2022, up slightly from the 79.1% YoY growth seen in December 2021. However, the strength of the January number can be attributed to the base effect stemming from the comparison with low traffic volumes at the start of 2021.

Tellingly, the month-on-month developments reveal that global RPKs in fact fell by 4.9% between December and January (**Chart 1**) – the weakest outcome since August 2021 (-6.2% MoM) when global air travel was negatively impacted by the Delta variant outbreak.

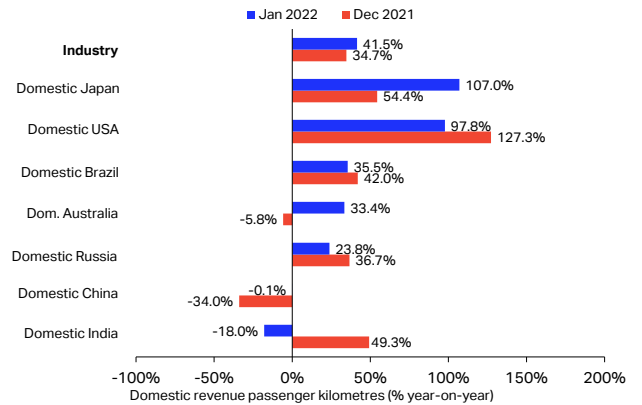
Chart 1 – Global air passenger volumes (RPKs)



Performance of key domestic markets was mixed

Global domestic RPKs rose by 41.5% over the year to January 2022, up from 34.7% YoY in December 2021 (**Chart 2**), though the strength in this January data was of also heavily impacted by the weakness seen in January 2021. Indeed, month-on-month, domestic RPKs fell by 7.2%, seasonally adjusted.

Chart 2 – Domestic RPK growth (airline region of registration basis), YoY %



RPKs in **Japan's** domestic market showed the fastest year-on-year growth among key domestic markets in January (up 107%) but remained 44.4% below pre-crisis levels. Month-on-month change in seasonally adjusted (SA) RPKs was negative at -4.1% as a majority of prefectures in the country introduced new travel restrictions in response to the pandemic escalation. Since the stricter travel measures remained in place also in February, any significant improvement in next months' data is unlikely.

Air passenger market overview - January 2022

	World share in 2021 ¹	January 2022 (% 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%	82.3%	51.8%	10.8%	64.5%	82.3%	51.8%	10.8%	64.5%
International	37.6%	165.6%	87.9%	18.0%	61.7%	165.6%	87.9%	18.0%	61.7%
Domestic	62.4%	41.5%	27.2%	6.8%	67.4%	41.5%	27.2%	6.8%	67.4%

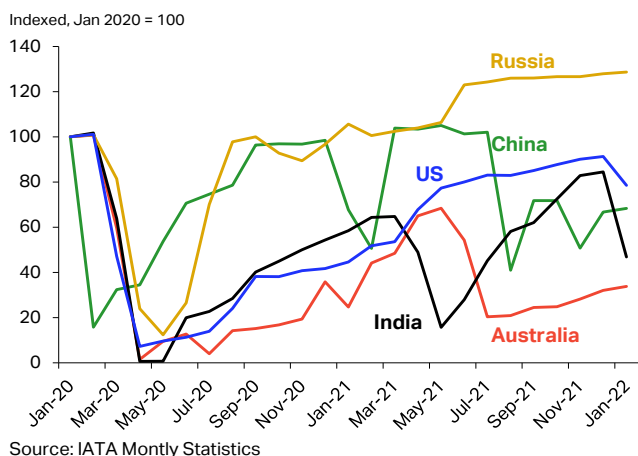
¹% of industry RPKs

²Year-on-year change in load factor

³Load factor level

In the **US** and **Brazil's** domestic markets, RPK growth rate slowed in January to 97.8% and 35.5% YoY, respectively. Putting the annual comparison aside, traffic levels moved sideways month-on-month in Brazil after nine months of a robust upward trend and declined 14% in the US (**Chart 3**). Both markets were substantially affected by flight cancellations and staff shortages related to COVID quarantines. Seat capacity in the US was also disrupted by a complicated 5G rollout and by heavy snowstorms which led to additional flight cancellations and power outages at airports.

Chart 3: Domestic RPKs, seasonally adjusted



In **Australia**, domestic RPKs rose 33.4% YoY in January – an improvement on a 5.8% YoY contraction in December. The month-on-month change in SA RPKs was also positive (5.7%). The market has been slowly recovering from the collapse in Q2 2021 caused by the Delta variant but remained 58.2% below pre-crisis levels, which is the weakest performance among key domestic markets.

Domestic RPKs in **Russia** rose by 23.8% YoY in January, down from 36.7% YoY in December. SA RPK levels continued to trend modestly upward (0.5%) at well above pre-crisis levels between December 2021 and January 2022. The air travel outlook for this market is pessimistic, however. A strong pandemic surge since February compounded with economic sanctions and flight disruptions linked to the Ukrainian war will impact capacity and passengers' willingness to travel.

In **China**, January virtually erased the YoY contraction in domestic RPKs seen in December, improving from 34.0% in December to -0.1% in January. Air travel improved also on a month-on-month basis – up 2.4% from December. Higher demand ahead of the Chinese New Year celebrations helped to offset the negative impact of travel restrictions aimed to contain small COVID outbreaks.

India's domestic air travel was hit the most significantly among key domestic markets by the Omicron outbreak. Domestic RPKs in this market fell by 18% YoY

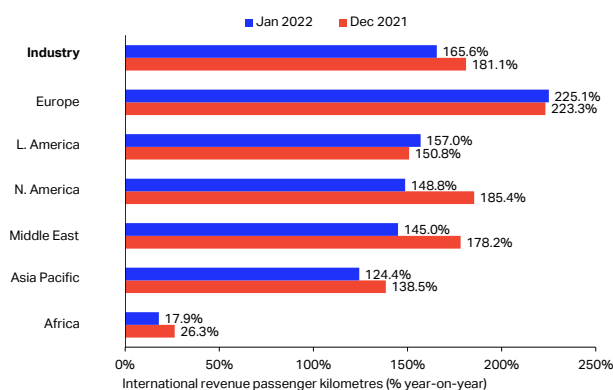
in January 2022 after a robust 49.3% YoY growth in December. On the month, SA RPKs plummeted by nearly 45%.

Omicron impacted international travel in all regions

Although global international RPKs were significantly higher in January 2022 versus January 2021 (165.6%), they fell by 2.2% month-on-month between December 2021 and January 2022. This reflects the negative impact of new international travel restrictions linked to the Omicron outbreak on capacity and demand.

At the regional level, European and Latin American carriers reported slightly faster YoY growth rates in international RPKs in January compared with December while the remaining airlines saw a slower expansion (**Chart 4**). SA RPK levels moved sideways or declined between December and January across all regions. North American airlines reported the largest month-on-month international SA RPK decline (12.4%), followed by Latin American airlines (9.7%).

Chart 4 – International RPK growth (airline region of registration basis), YoY %

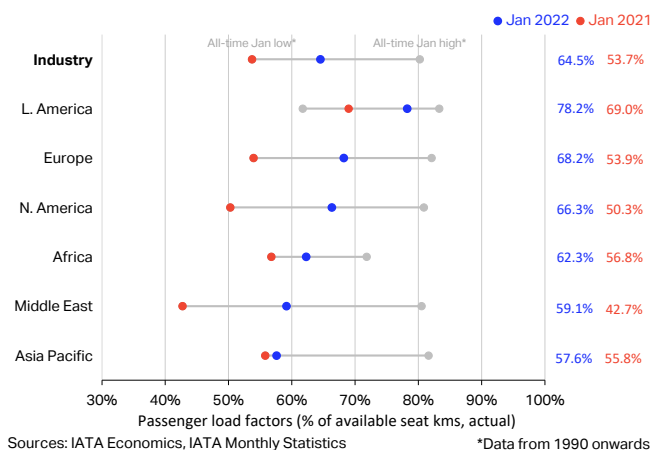


Capacity moved sideways, load factors weakened

Year-on-year growth in global seat capacity (ASKs), improved from 45.7% in December 2021 to 51.8% in January 2022. However, month-on-month SA ASK growth was flat for the second consecutive month as airlines cancelled thousands of flights in response to the Omicron outbreak since late-November. The sideways ASK trend between December and January was reported by airlines in all regions apart from Latin America where the metric rose by 2.5%.

Passenger load factors (PLF) improved versus early 2021 across all regions, although in Asia Pacific the gain was small (**Chart 5**). Industry-wide PLF was at 64.5% in January – up 10.8 percentage points (ppts) versus January 2021. That said, the PLF performance was weaker than in December when the metric was 13.4 ppts higher YoY. At the regional level, PLFs posted by Latin American airlines were the highest for the 5th consecutive month (78.2%), followed by PLFs of European carriers (68.2%).

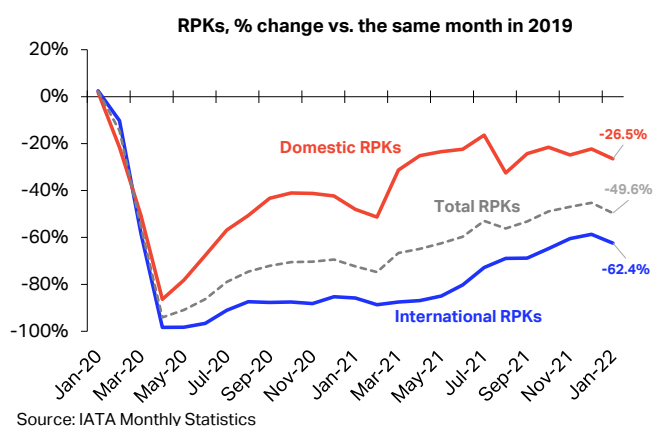
Chart 5: Passenger load factor by region



Air travel performance versus pre-crisis 2019 levels

Despite the elevated year-on-year RPK growth rates, comparison with pre-COVID levels shows that the industry still has a ground to cover to return to pre-pandemic levels of activity. Industry-wide RPKs were at 50.4% of 2019 levels in January 2022 (**Chart 6**) – a deterioration from 54.8% in December 2021 related to the Omicron outbreak. International RPKs eased from 41.4% of pre-pandemic levels in December to 37.6% in January while global domestic RPKs fell from 77.7% to 73.5% over the same period.

Chart 6: RPK comparison with 2019 levels



Looking into 2022...

After two years of severe COVID disruptions to the world as we knew it, the pandemic situation has started to slowly improve. This brings a more optimistic outlook for air transport beyond Q1 but the geopolitical issues in Eastern Europe and rising inflationary pressures pose downside risks to further recovery.

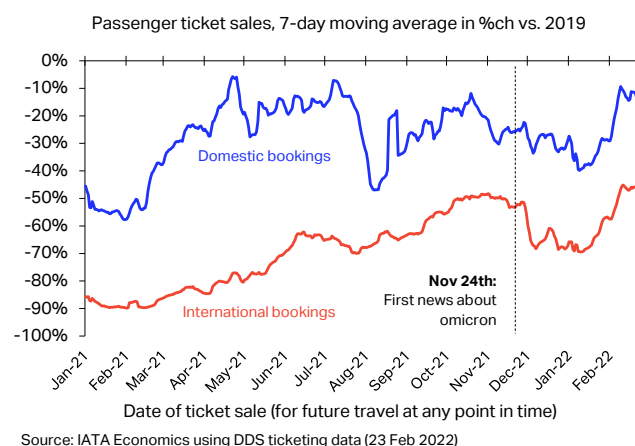
Although still elevated versus the pre-Omicron period, the number of global COVID infections per week more than halved between mid-January and late-February to 11 million. While some markets continue to have high infection numbers, hospitalizations remain low overall, which alleviates the strain on their economies and healthcare systems. In response to such favorable pandemic developments, more countries started to lift

their international travel restrictions, including some in the long-time closed Asia Pacific region such as Australia. That said, the key Chinese international market remains tightly shut.

The progress on border openings has been reflected in a swift rebound of bookings from the Omicron dip in December (**Chart 7**). In the week ending 23 February, international and domestic ticket sales reached 50% and 76% of pre-crisis levels respectively, up from 33% and 63% in mid-January. Since travelers tend to book close to the travel date, this increase in sales bodes well for actual global traffic in February and March. However, since the bookings chart does not include flight cancellations related to the Ukraine invasion since 24 February, the traffic improvements will be less significant than what the current data indicates.

The modest fall in domestic bookings since mid-February reflects a deterioration in China's domestic market where passenger demand softened following the end of Chinese New Year holidays.

Chart 7: Passenger ticket sales (dom. vs. int'l), global



The impact of the Eastern European conflict

Although the bookings data is not yet available, it is clear that the geopolitical issues in Eastern Europe will disrupt air travel in this area, and likely also beyond.

The Ukrainian air space has been closed and traffic flying over the country rerouted. The Ukraine market accounted for just 3.3% of total European passenger traffic (excluding Russia domestic) and 0.8% of global traffic in 2021 (**Table 1**), but that share is unlikely to be made up elsewhere. Georgia and Slovakia are most exposed to the closure of Ukrainian airspace, with 14% and 9% of their total passenger numbers coming from this country in 2021.

Two other states bordering Ukraine also introduced wide-ranging air traffic restrictions. Belarus has prohibited flights over parts of the territory while Moldova shut down its airspace completely. The role of these two markets in European and global traffic is relatively small.

Table 1: Traffic shares for selected markets impacted by the conflict

% share of passenger numbers in 2021	Total European traffic (excl. Russia domestic)	Global traffic
Ukraine	3.3%	0.8%
Belarus	0.3%	0.1%
Moldova	0.4%	0.1%
Russia international	5.7%	1.3%

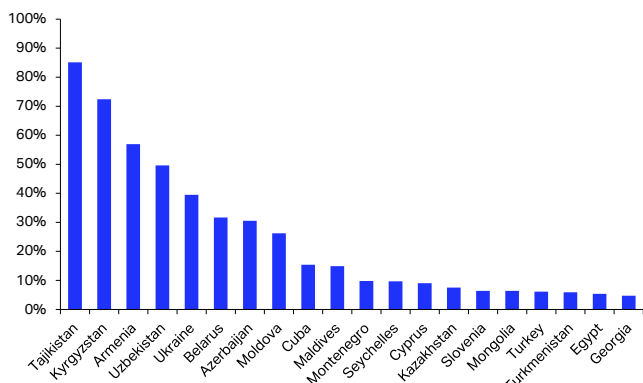
Source: IATA Economics using DDS

Turning to Russia, international passenger traffic flow to and from the country has collapsed since 24 February. At the time of writing, close to 40 countries, including the EU, the US and the UK, have shut their airspace to Russian airlines, meaning Russian planes will not be able to fly over or land at any of the airports located in those countries. In tit-for-tat response, Russia also barred most of these countries from its airspace. Majority of the European air travel is driven by Western markets, but Russia international traffic nevertheless accounted for 5.7% of total European traffic in 2021 (excluding Russia domestic).

Looking at the role of the international Russian market at the global level, it represented 1.3% of global traffic and 5.2% of global international traffic in 2021. Unsurprisingly, neighboring countries are the most dependent on travel to and from Russia. Tajikistan and Kyrgyzstan have the highest exposure with 85% and 72% of their total passenger numbers coming to and from Russia in 2021 (Chart 8). They could be therefore the most impacted should Russia close its borders completely. That said, these two countries account each for a small 0.2% share of global traffic.

Chart 8: Countries with high share of traffic to and from Russia in 2021

Traffic between the country and Russia, % share of country's total traffic



Source: IATA Economics using DDS

Russia's domestic air travel market will also face negative effects of the conflict. For now, disruptions to seat capacity have been limited. Even though the airspace close to the Ukraine border was shut down, most airlines continue operating their regular schedules. However, that might not last long. European and US sanctions on leased aircraft, maintenance, and

training will impact the ability of Russian airlines to continue normal operations beyond few months and will cause sharp falls in capacity. Passenger demand might be disrupted by soaring inflation that will eat up travelers' budgets. The importance of the Russian domestic market to global air travel increased during the pandemic. In 2021, Russian domestic RPKs accounted for 4.5% of global RPKs, up from 1.5% in 2019. Passenger numbers represented 3.2% of the global total in 2021, up from 1.4% in 2019.

The ban of flying over Russian airspace for European and US carriers will lead to delays, expensive rerouting, or complete cancellations of flights on some routes, mostly in the Europe-Asia but also in Asia-North America market. That said, the role of the two regional pairs in global international traffic diminished during the pandemic since borders in Asia were largely closed. In 2021, RPKs flown between Asia-North America and Asia-Europe accounted for 3.0% and 4.5% of global international RPKs, respectively – down significantly from 2019 (Chart 9). This suggests that even if some flights are lost on these routes, the effect on the global air travel should be limited – provided the conflict does not spread further.

Chart 9: Key international markets, % share of total international RPKs in 2019 and 2021



Source: IATA Monthly Statistics

Flight bans and other operational disruptions are not the only channel through which air travel will be disrupted. The sharp increase in jet fuel prices will put pressure on airlines' operating costs and thus might lead to higher fares on some routes. This could in turn impact the price-sensitive leisure travel segment, which was driving the industry's recovery from the pandemic. Some people might also choose to avoid travelling due to safety concerns, notably to neighboring countries, including Georgia, the Baltics, and Finland, all of which may lose traffic from the word outside of Russia.

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Air passenger market detail - January 2022

	World share	January 2022 (% year-on-year)				% year-to-date			
	in 2021 ¹	RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	82.3%	51.8%	10.8%	64.5%	82.3%	51.8%	10.8%	64.5%
Africa	1.9%	21.3%	10.6%	5.5%	62.3%	21.3%	10.6%	5.5%	62.3%
Asia Pacific	27.5%	19.4%	15.7%	1.8%	57.6%	19.4%	15.7%	1.8%	57.6%
Europe	24.9%	161.4%	106.7%	14.3%	68.2%	161.4%	106.7%	14.3%	68.2%
Latin America	6.5%	80.5%	59.2%	9.2%	78.2%	80.5%	59.2%	9.2%	78.2%
Middle East	6.5%	128.1%	64.8%	16.4%	59.1%	128.1%	64.8%	16.4%	59.1%
North America	32.7%	109.7%	59.0%	16.0%	66.3%	109.7%	59.0%	16.0%	66.3%
International	37.6%	165.6%	87.9%	18.0%	61.7%	165.6%	87.9%	18.0%	61.7%
Africa	1.5%	17.9%	6.3%	6.0%	60.5%	17.9%	6.3%	6.0%	60.5%
Asia Pacific	3.2%	124.4%	54.4%	14.7%	47.0%	124.4%	54.4%	14.7%	47.0%
Europe	18.6%	225.1%	129.9%	19.4%	66.4%	225.1%	129.9%	19.4%	66.4%
Latin America	2.1%	157.0%	91.2%	19.4%	75.7%	157.0%	91.2%	19.4%	75.7%
Middle East	5.9%	145.0%	71.7%	17.5%	58.6%	145.0%	71.7%	17.5%	58.6%
North America	6.2%	148.8%	78.0%	17.0%	59.9%	148.8%	78.0%	17.0%	59.9%
Domestic	62.4%	41.5%	27.2%	6.8%	67.4%	41.5%	27.2%	6.8%	67.4%
Dom. Australia ⁴	0.7%	33.4%	43.0%	-3.8%	53.4%	33.4%	43.0%	-3.8%	53.4%
Domestic Brazil ⁴	1.9%	35.5%	32.3%	2.0%	83.5%	35.5%	32.3%	2.0%	83.5%
Dom. China P.R. ⁴	17.8%	-0.1%	3.2%	-2.0%	60.6%	-0.1%	3.2%	-2.0%	60.6%
Domestic India ⁴	2.2%	-18.0%	-13.7%	-3.4%	65.6%	-18.0%	-13.7%	-3.4%	65.6%
Domestic Japan ⁴	1.1%	107.0%	51.1%	11.7%	43.4%	107.0%	51.1%	11.7%	43.4%
Dom. Russian Fed. ⁴	4.5%	23.8%	21.5%	1.6%	84.4%	23.8%	21.5%	1.6%	84.4%
Domestic US ⁴	25.7%	97.8%	51.7%	16.1%	69.0%	97.8%	51.7%	16.1%	69.0%

¹% of industry RPKs

²Year-on-year change in load factor

³Load factor level

⁴Note: the seven domestic passenger markets for which broken-down data are available account for approximately 46% of global total RPKs and 86% of total domestic RPKs

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.

Starting from this note, we are returning to the year-on-year traffic comparisons, instead of comparisons with 2019. Note that due to the low traffic base in 2021, some markets will record elevated year-on-year growth rates, even if the size of these markets is still significantly smaller than in 2019. Key comparisons with 2019 are available in the table below.

Air passenger market - January 2022 vs. January 2019

	World share	January 2022 (% ch vs the same month in 2019)			
	in 2021 ¹	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	-49.6%	-37.7%	-15.2%	64.5%
International	37.6%	-62.4%	-51.3%	-18.2%	61.7%
Domestic	62.4%	-26.5%	-13.3%	-11.0%	67.4%

Get the data

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