

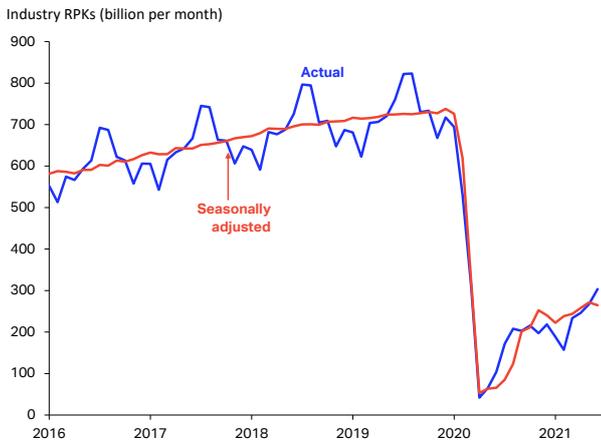
Slow air travel recovery continued for another month

- June was another month of modest gains in air travel. Industry-wide revenue passenger-kilometres (RPKs) fell by 60.1% compared with the pre-crisis June 2019 – an improvement on the 62.9% decline in May.
- Global domestic RPKs continued to recover, however performance was mixed across the key domestic markets. Russia, the US and Brazil showed positive RPK developments, but air traffic deteriorated in China and Australia. Int'l traffic also sustained its moderate recovery, with all regions but Asia Pacific showing better outcomes vs. May.
- Passenger's willingness to travel remains strong but elevated international travel restrictions and rising COVID cases in some regions represent a risk to further air travel rebound.

Global RPK contraction eased for another month

Slow air travel recovery continued in June amidst modest improvements in both domestic and international travel. Industry-wide revenue passenger-kilometres (RPKs) declined by 60.1% compared with the pre-crisis June 2019 – an uptick from the 62.9% contraction in May. In seasonally adjusted terms, RPKs continued to trend upwards (**Chart 1**).

Chart 1 – Air passenger volumes



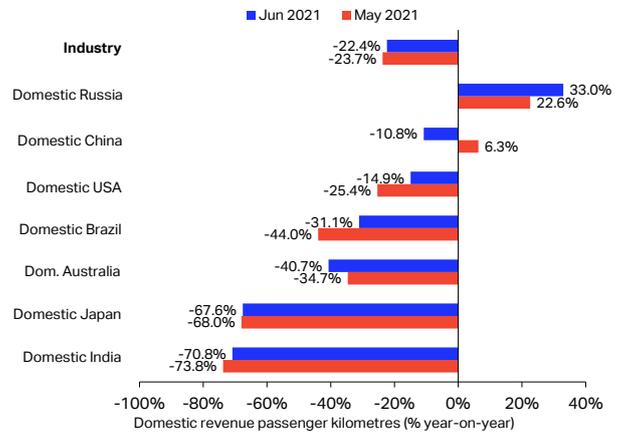
Sources: IATA Economics, IATA Monthly Statistics

Mixed developments across key domestic markets

Aggregated domestic RPKs fell by 22.4% in June compared with the same period two years ago – a 1.4ppts smaller decline than in May (**Chart 2**). Performance across the key domestic markets was mixed reflecting pandemic developments and government restrictions. Russia was the best performer by far with domestic passenger volumes

expanding by a robust 33% compared with the pre-crisis period. Despite the surge in COVID cases and new restrictions in some areas, country's domestic air travel was largely unaffected in June. That said, some of the most popular tourist destinations such as Black Sea resorts recently started to implemented rules that will allow only vaccinated travelers, travelers with negative PCR tests or confirmed antibody tests to stay in hotels. This might weigh on passengers' willingness to travel in the coming months.

Chart 2 – Domestic RPK growth versus the same month in 2019, registration basis



Sources: IATA Economics, IATA Monthly Statistics

Positive RPK developments were reported also in the US and Brazil domestic markets. In the former, passenger traffic reached 85% of the pre-crisis levels as life returns quickly back to normal with successful COVID vaccine rollout.

Air passenger market overview - June 2021

To aid understanding, the table includes both % comparisons with pre-crisis 2019 months and 2020 months.

	World share ¹	June 2021 (% ch vs the same month in 2019)				June 2021 (% year-on-year)			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	-60.1%	-51.6%	-14.8%	69.6%	192.5%	145.6%	11.1%	69.6%
International	45.7%	-80.9%	-71.0%	-28.5%	55.2%	470.5%	327.0%	13.9%	55.2%
Domestic	54.3%	-22.4%	-15.5%	-6.9%	78.8%	140.2%	93.3%	15.4%	78.8%

¹% of industry RPKs in 2020

²Change in load factor vs. the same month in 2019 ³Load factor level

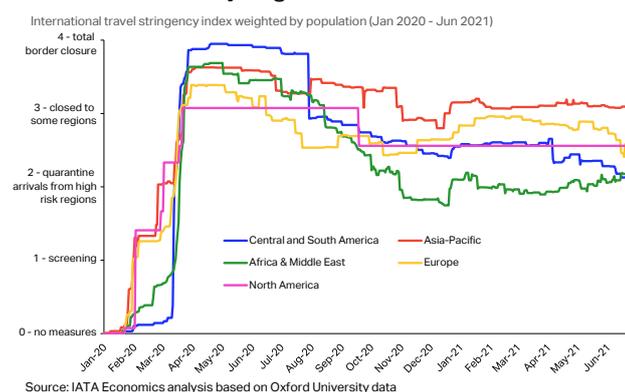
In Brazil, the pandemic is far from over but there has been a clear improvement in air travel demand compared with the previous month (-44.0% RPK fall in May vs. -31.1% decline in June). The recovery has been largely driven by positive vaccine progress in the country.

RPK outcomes in the remaining key domestic markets were less positive. Domestic China returned to contraction and RPK decline accelerated in Australia amidst new virus outbreaks and the resulting travel restrictions in both countries. The pandemic resurgence weighed also on passenger recovery in India and Japan – with both markets reporting RPKs only at ~30% of the pre-crisis levels. The start of the Olympic games in Tokyo would typically be associated with rising air traffic in July but since fans are not allowed to attend the event, the air travel boost will most likely be less significant compared to similar sport events in the past.

International air travel sustained its recovery in June

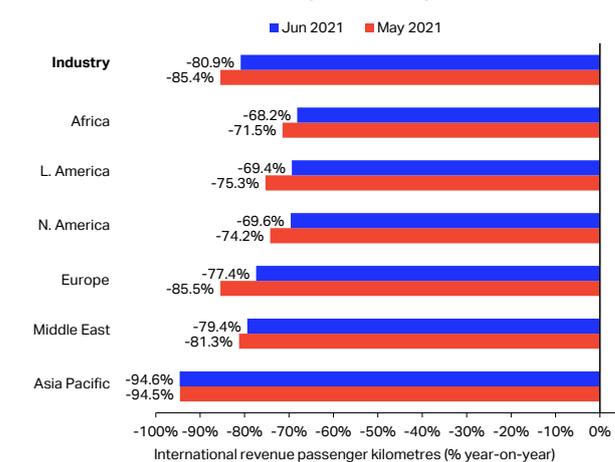
Global international air travel continued to recover in June, albeit slowly due to still elevated international restrictions that have been one of the key obstacles to faster air travel rebound (**Chart 3**). The measures have been the strictest in Asia Pacific where vaccination has been slow, and governments are risk-averse towards border openings to limit the spread of the virus. That being said, travel regulations remained elevated even in the regions with swift vaccine rollouts and more successful pandemic control, such as North America and Europe.

Chart 3 – Stringency of government international air travel measures by region



Overall, the decline in industry-wide international RPKs eased to 80.9% in June 2021 vs. June 2019 (**Chart 4**). All regions with the exception of Asia Pacific – where the travel restrictions remain the highest – contributed to this minor improvement. African airlines posted the smallest int'l RPK decline for another month (-68.2%) since cross-border travel regulations in the region are less strict compared with the other parts of the world.

Chart 4 – International RPK growth versus the same month in 2019 (airline region of registration basis)

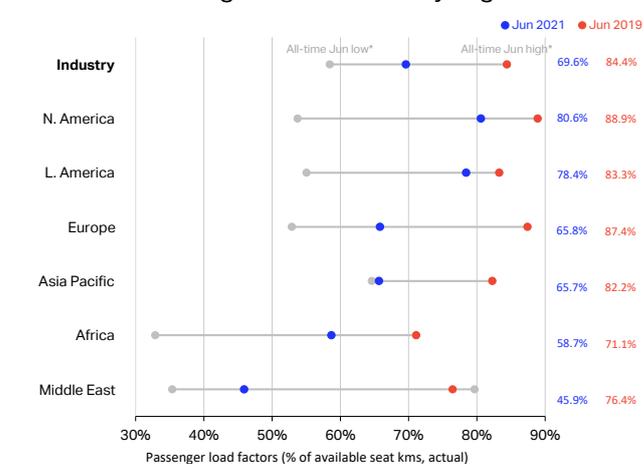


Sources: IATA Economics, IATA Monthly Statistics

Recovery in passenger capacity remains slow

Passenger capacity showed a small improvement vs. the previous month. Industry-wide available seat kilometers (ASKs) fell by 51.6% vs. June 2019, compared with a 54.1% decline in the same metric in May. At the regional level, North American airlines posted the smallest capacity fall (-29.6%) on the back of the recovering US domestic market. On the other hand, Middle Eastern airlines reported the weakest outcome, with ASKs down -62.9% vs. June 2019.

Chart 5 – Passenger load factors by region



Sources: IATA Economics, IATA Monthly Statistics

*Data from 1990 onwards

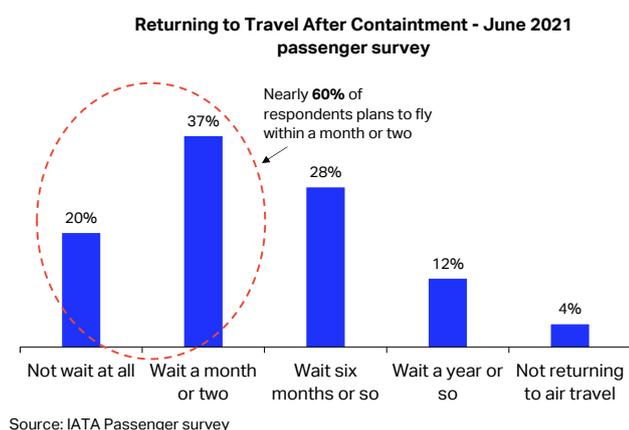
Although passenger load factors (PLF) recovered from the last year's record lows, they remained well below the pre-crisis levels in June. The industry-wide metric was at 69.6% – ~15ppts lower compared with the same month two years ago (**Chart 5**). Regions show some variation. PLFs in Latin America were hovering close to pre-pandemic levels and were also rebounding robustly in North America due to improving demand in key domestic markets (Brazil and the US resp.). In the regions with high reliance on still muted international travel such as Africa and the Middle East, the load factors were the lowest this month. Overall, domestic load factors perform significantly better

compared with the international counterpart (78.8% vs. 55.2% in June).

Economy is improving but COVID cases are rising

The drivers of air travel demand have been mixed. The latest global manufacturing and services PMI hovered above 50, indicating that the global economy continues to recover from the crisis, led by China and the US. This is good news because improving economic activity has been historically associated with healthy demand for air travel. Another positive development is the recovery in consumer confidence, which means that consumers are becoming less worried about their financial situation. A closer look into air travelers' confidence is also promising, indicating that there has been a strong demand to travel. The results of IATA's latest passenger survey for June show nearly 60% of the respondents plan to take a flight within a month or two (**Chart 6**), and other 30% plan get on the plane within six months or so.

Chart 6: Survey data for air travel confidence

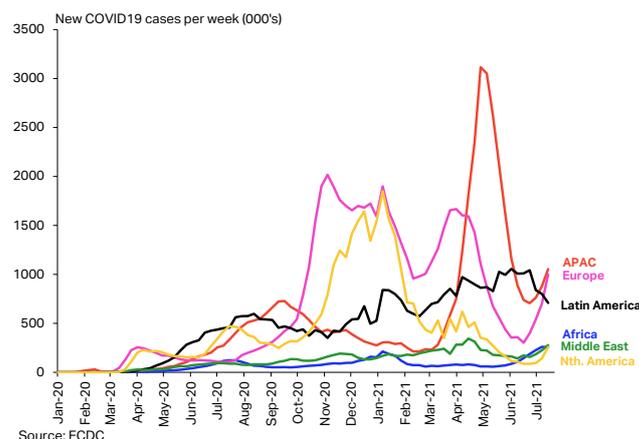


However, despite the positive developments mentioned above, there are significant challenges ahead. The number of COVID-19 cases has been rising in many regions (**Chart 6**) amidst the spread of more contagious variants such as Delta variant. Global new cases are currently hovering around 3.5 million per week, while a month ago it was 1.5 million per week. New virus outbreaks have emerged recently even in countries where the pandemic seem to have been largely under control such as China and Australia. The resulting travel restrictions swiftly reversed positive demand and capacity developments in these countries, showing how fragile air travel recovery is amidst the pandemic uncertainty.

Another challenge is the still slow pace of vaccine rollout globally. Although administration of the vaccines has been gaining momentum in the US and Eurozone allowing markets to reopen, in many

emerging economies, the vaccine supplies remain tight, raising the risk of new outbreaks.

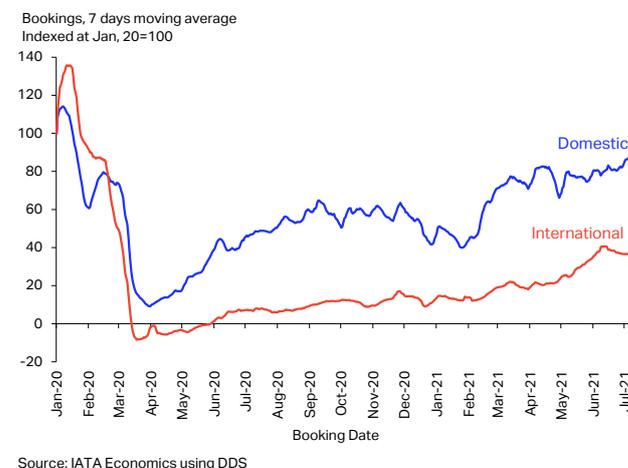
Chart 6: COVID cases



Mixed developments in passenger bookings

Domestic and international bookings for future travel diverged in July (**Chart 8**). On domestic routes, net ticket sales continued to trend modestly upwards, driven largely by improvements in some of the key domestic markets such as the US where the metric is already hovering around pre-crisis levels. On the international side, bookings had been trending upwards until early-June but more recently the recovery has paused. The deterioration partly reflects the latest pandemic developments. Some countries have recently imposed new travel measures to limit the spread of new variants. As a result, the rise in summer bookings – an important source of revenues in the past – has stopped on some important routes. Looking forward, the spread of new variants and associated new lockdowns will remain the main risk for air travel recovery in the second half of the year.

Chart 8: Trends in passenger bookings (dom. vs. int'l)



Air passenger market detail - June 2021

To aid understanding, the table includes both % comparisons with pre-crisis 2019 months and 2020 months.

	World share ¹	June 2021 (% ch vs the same month in 2019)				June 2021 (% year-on-year)			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	-60.1%	-51.6%	-14.8%	69.6%	192.5%	145.6%	11.1%	69.6%
Africa	1.9%	-66.6%	-59.5%	-12.4%	58.7%	1206.8%	632.0%	25.8%	58.7%
Asia Pacific	38.6%	-65.6%	-56.9%	-16.6%	65.7%	46.2%	43.8%	1.1%	65.7%
Europe	23.7%	-69.2%	-59.1%	-21.6%	65.8%	387.7%	291.9%	12.9%	65.8%
Latin America	5.7%	-50.2%	-47.1%	-4.8%	78.4%	449.7%	381.3%	9.8%	78.4%
Middle East	7.4%	-77.7%	-62.9%	-30.5%	45.9%	377.2%	267.7%	10.5%	45.9%
North America	22.7%	-36.2%	-29.6%	-8.3%	80.6%	351.2%	200.8%	26.9%	80.6%
International	45.7%	-80.9%	-71.0%	-28.5%	55.2%	470.5%	327.0%	13.9%	55.2%
Africa	1.6%	-68.2%	-60.0%	-14.5%	56.5%	1283.4%	605.9%	27.7%	56.5%
Asia Pacific	11.0%	-94.6%	-86.7%	-48.3%	33.1%	59.9%	100.3%	-8.4%	33.1%
Europe	18.5%	-77.4%	-67.3%	-27.1%	60.7%	584.5%	434.9%	13.3%	60.7%
Latin America	2.2%	-69.4%	-64.6%	-11.3%	72.7%	802.8%	714.0%	7.1%	72.7%
Middle East	7.0%	-79.4%	-65.3%	-31.1%	45.3%	405.9%	269.8%	12.2%	45.3%
North America	5.5%	-69.6%	-57.3%	-25.3%	62.6%	937.0%	483.1%	27.4%	62.6%
Domestic	54.3%	-22.4%	-15.5%	-6.9%	78.8%	140.2%	93.3%	15.4%	78.8%
Dom. Australia ⁴	0.7%	-40.7%	-28.5%	-13.3%	65.0%	825.2%	713.0%	7.9%	65.0%
Domestic Brazil ⁴	1.6%	-31.1%	-30.4%	-0.9%	80.9%	355.5%	319.7%	6.4%	80.9%
Dom. China P.R. ⁴	19.9%	-10.8%	-0.8%	-8.6%	76.2%	40.5%	28.2%	6.7%	76.2%
Domestic India ⁴	2.1%	-70.8%	-59.1%	-25.8%	63.8%	71.4%	61.3%	3.7%	63.8%
Domestic Japan ⁴	1.5%	-67.6%	-45.1%	-29.2%	42.0%	28.9%	48.6%	-6.4%	42.0%
Dom. Russian Fed. ⁴	3.4%	33.0%	39.4%	-4.0%	81.3%	216.2%	119.1%	25.0%	81.3%
Domestic US ⁴	16.6%	-14.9%	-11.2%	-3.8%	85.9%	312.2%	169.1%	29.8%	85.9%

¹% of industry RPKs in 2020

²Change in load factor vs. the same month in 2019

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 84% 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.

Year-to-date developments (Jan.-June 2021 vs Jan.-June 2019)

	Year-to-date (% ch vs the same period in 2019)			
	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	-66.7%	-56.4%	-19.4%	62.6%
Africa	-70.1%	-60.8%	-17.0%	54.1%
Asia Pacific	-65.0%	-55.5%	-17.6%	64.2%
Europe	-78.1%	-69.2%	-24.1%	59.7%
Latin America	-59.4%	-54.1%	-9.6%	72.8%
Middle East	-80.2%	-64.4%	-33.4%	41.7%
North America	-52.1%	-39.3%	-17.8%	66.6%

¹% of industry RPKs in 2020 ²Change in load factor vs same period in 2019 ³Load factor level

	Year-to-date (% ch vs the same period in 2019)			
	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
Domestic	-33.1%	-22.4%	-11.5%	71.8%
Dom. Australia	-47.5%	-38.3%	-11.7%	66.7%
Domestic Brazil	-42.4%	-39.2%	-4.3%	77.9%
Dom. China P.R.	-14.6%	-2.6%	-10.5%	74.3%
Domestic India	-48.8%	-31.5%	-22.2%	66.0%
Domestic Japan	-65.6%	-44.1%	-27.4%	43.9%
Dom. Russian Fed.	15.6%	14.4%	0.8%	80.9%
Domestic US	-37.3%	-26.1%	-12.9%	72.3%

¹% of industry RPKs in 2020 ²Change in load factor vs same period in 2019 ³Load factor level

	Year-to-date (% ch vs the same period in 2019)			
	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
International	-85.8%	-75.3%	-34.8%	46.5%
Africa	-71.6%	-60.9%	-19.2%	51.3%
Asia Pacific	-94.7%	-86.8%	-48.7%	32.1%
Europe	-84.8%	-75.6%	-32.0%	52.4%
Latin America	-78.3%	-71.9%	-19.0%	63.8%
Middle East	-81.7%	-66.3%	-34.4%	40.7%
North America	-77.0%	-60.6%	-34.7%	48.4%

¹% of industry RPKs in 2020 ²Change in load factor vs same period in 2019 ³Load factor level

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