



Air Passenger Market Analysis

March 2020

Air passenger demand & capacity evaporate amid COVID-19

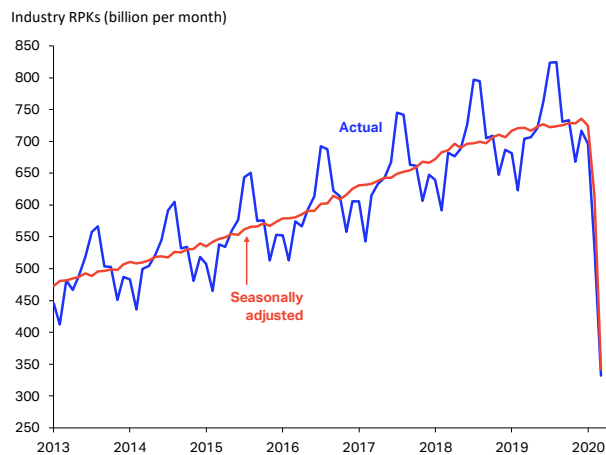
- Industry-wide revenue passenger kilometres (RPKs) fell by a massive 52.9% year-on-year in March, the largest decline in recent history. In seasonally-adjusted terms global passenger volumes returned to levels last seen in 2006.
- March was marked by the rapid advance of COVID-19 across the world, with subsequent widespread lockdowns and travel restrictions. No market was untouched, although a tentative re-start emerged in the domestic China market.
- Available seat kilometres (ASKs) contracted by 36.2% year-on-year in March, which resulted in the global load factor declining by 21.4 ppts to 60.6%.

Passenger demand falls at an unprecedented rate...

As anticipated, and building on the initial decline observed in February, industry-wide revenue passenger kilometres (RPKs) fell sharply in March, to be 52.9% below their level of a year ago. Prior to this, the largest year-on-year falls since our data began in 1990 came in the aftermath of 9/11 where RPKs fell by 19%yoy in Oct 2001 and by 16% in Nov.

Seasonally adjusted RPKs followed a similar path, falling sharply by around 45% month-on-month and sending passenger volumes to a 14-year low (Chart 1).

Chart 1 – Air passenger volumes



Sources: IATA Economics, IATA Monthly Statistics

...and the recovery will not be V-shaped...

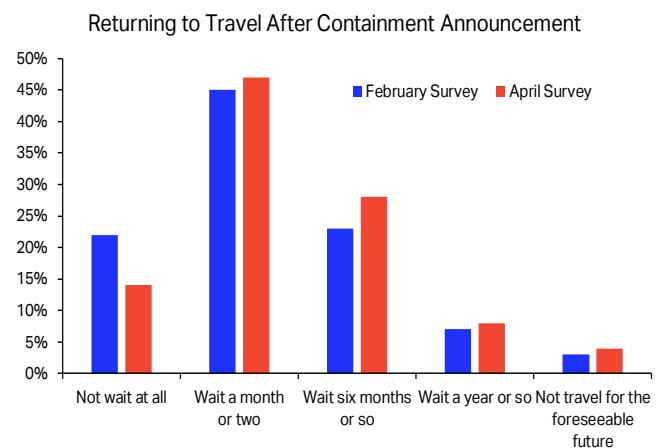
While COVID-19 already had a foothold on most continents by the end of February, its spread – and related containment measures – accelerated in most parts of the world in March. Large-scale lockdowns became the norm around the second half of March,

and repatriation flights provided only little support to traffic volumes. All regions made a negative contribution to RPK growth in March.

Looking ahead, even when travel restrictions and lockdowns are lifted, the willingness of consumers to travel by air is expected to remain limited initially, in particular on international markets.

Almost 30% of respondents to a [survey conducted by IATA](#) in April indicated that they would wait six months or so before travelling by air, with an additional 10% expecting not to travel before a year or so (Chart 2).

Chart 2 – Survey data for air traveler confidence



Source: IATA

...amidst weak economic data for 2020

The typical drivers of air transport are now less correlated with passenger volumes than in the usual circumstances. However, GDP and employment will continue to determine the available income of would-be travelers during and after the crisis.

Air passenger market overview - March 2020

	World share ¹	March 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%	-52.9%	-36.2%	-21.4%	60.6%	-22.2%	-14.7%	-7.1%	73.7%
International	63.8%	-55.8%	-42.8%	-18.4%	62.5%	-21.7%	-16.1%	-5.4%	74.8%
Domestic	36.2%	-47.8%	-24.5%	-26.0%	58.1%	-23.1%	-12.2%	-10.2%	71.9%

¹% of industry RPKs in 2019

²Year-on-year change in load factor

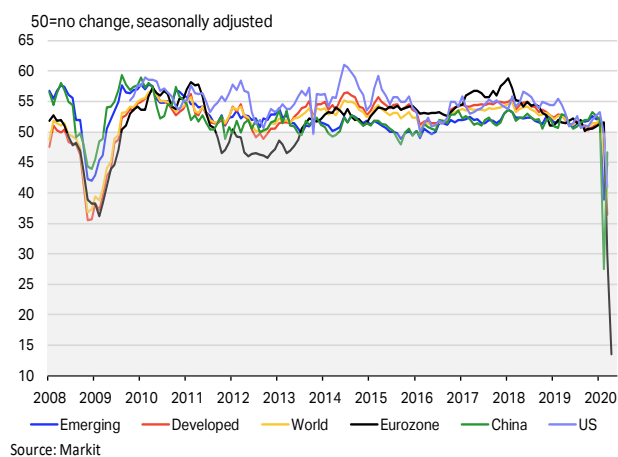
³Load factor level

In China, official releases show GDP contracted by 6.8% year-on-year in Q1 2020, the worst outcome in decades. Early indicators point to large falls in most key economies globally. Unemployment also surged in March in the US and in February in China.

More broadly, the IMF now forecasts global economic output to fall by 3% in 2020 – more than during the GFC, and with strong downside risks even to that downbeat outlook.

The Purchasing Managers' Indices (PMIs) – traditional timely indicators for economic activity – have collapsed below levels seen during the Global Financial Crisis in 2009 in many markets. That said, business confidence in China rebounded strongly in March, signaling that confidence in other economies may similarly start to recover once strict containment measures are lifted (Chart 3) and activity resumes.

Chart 3 - Economic conditions (monthly data from composite PMIs, selected regions and countries)



All in all, [our latest impact assessment](#) points to air passenger volumes contracting by 48% year-on-year in 2020, with international traffic being impacted more strongly than domestic travel. While the recession explains part of the expected annual fall, most of it comes on the back of travel restrictions and loss of traveler confidence.

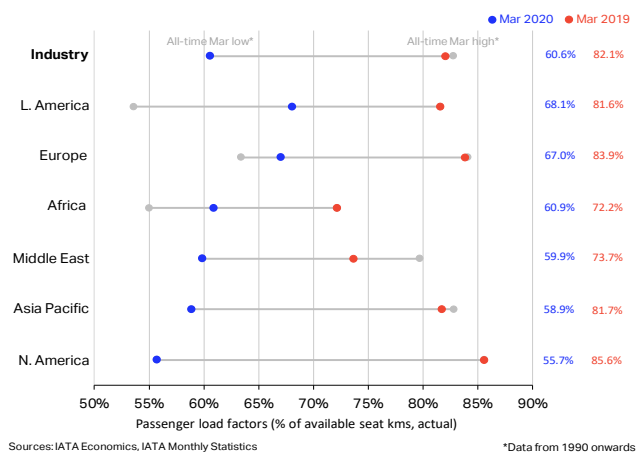
Load factors tumble despite widespread groundings

Capacity, as measured by industry-wide available seat kilometres (ASKs) fell by 36.2% annually in March. While the largest decline remained in Asia Pacific (down 44.4%), all regions registered unprecedented capacity reductions.

But despite cancelling flights and grounding aircraft, airlines were unable to adjust to evaporating demand in March. The industry-wide load factor fell by 22 ppts compared to March 2019 (Chart 4).

Several regions posted record-low passenger load factors for March, and while Europe and Latin America were slightly more resilient, even they registered falls of around 15 ppts.

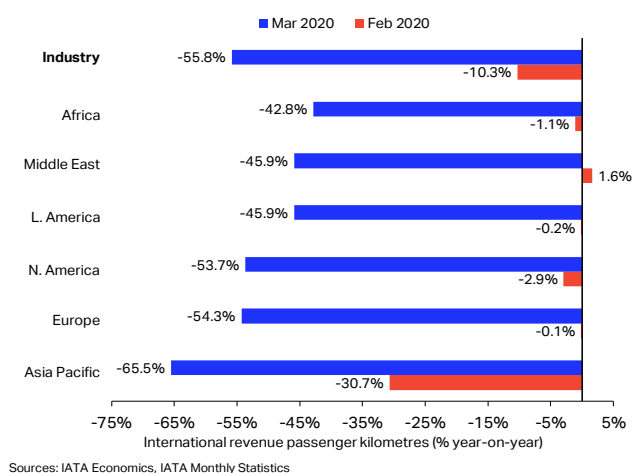
Chart 4 – Passenger load factors by region



International demand plummets as borders close

International RPKs plummeted by 55.8% year-on-year in March (Chart 5), mainly driven by the widespread border closures and travel restrictions. The steep declines were recorded across all regions.

Chart 5 – International RPK growth, yearly (airline region of registration basis)

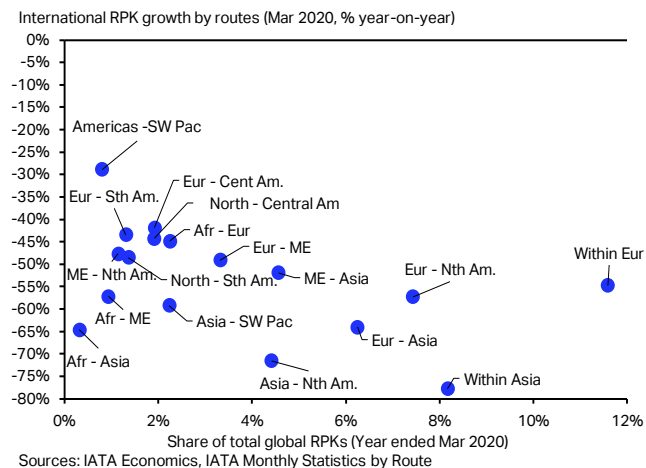


For airlines in **Africa**, international RPKs contracted by 42.8% in annual terms in March. Unsurprisingly, Africa-Asia was the worst performing market for the region, with volumes down around 65% year-on-year as the flow of investment and business from China came to an abrupt halt (Chart 6).

Airlines in the **Middle East** and **Latin America** both registered a 45.9% year-on-year (yoy) drop in international passenger volumes in March. The Middle East was the only region to record a positive year-on-year growth rate last month and this has been quickly reversed. The key Middle East markets of Europe and Asia both saw declines of around 50% year-on-year in March.

For Latin America, despite the region being impacted by COVID-19 at a relatively later stage than was the case elsewhere, several key countries went into lockdown during the second half of March amidst an already challenging economic background (Chart 6).

Chart 6 – RPK growth in international segment based RPKs, selected routes



For **North America** and **Europe**, in annual terms, international RPKs were more than halved in March, down 53.7% and 54.3%, respectively.

For Nth America, the decline was around 20pp worse than the 34% decline recorded in October 2001, with SA RPKs returning to levels last seen in mid 2003. The Asia-Nth America market was among the most heavily impacted this month, with passenger volumes falling by 71.5%yoy.

In Europe, some countries, notably Italy, were in lockdown from the start of March, with other countries following throughout the month. Within Europe traffic was down around 55% in year-on-year terms. The Europe-US travel ban from mid-March led to a 57.3% decline in this key market.

Asia Pacific remained the most impacted region in March, with a 65.5% annual drop in international RPKs. The rate of decline more than doubled compared with February. SA volumes fell by almost 50% month-on-month in March, versus 32% in February, showing that the decline accelerated as the global spread of COVID-19 forced China and other countries in the region to further restrict international air transport.

While all routes were heavily impacted, the pace of the fall was particularly harsh for the major Within Asia market (8.2% of total global RPKs) where volumes fell by almost 80% vs a year ago.

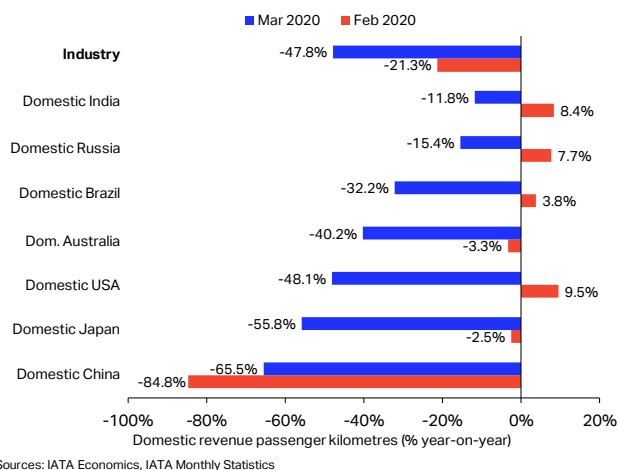
Domestic RPKs contract slightly slower than internat'l Domestic RPKs fell by 47.8%yoy in March. While still a dramatic decline, this was moderately slower than the pace of international demand decline as some domestic markets continued to operate for a period after international routes were closed and domestic China traffic began to recover (Chart 7).

China domestic RPKs show early signs of recovery RPKs in domestic China fell by 65.5%yoy in March, the weakest performing domestic market again this

month. That said, the March outcome was not as bad as the 85% decline in February. SA RPKs also showed a small rebound, but remain around mid-2009 levels.

Although some travel restrictions remain in place, airlines have begun to resume domestic flights, allowing stranded citizens to return home. The number of weekly flights has, however, been relatively unchanged since early March. With only limited flights operating, the passenger load factor has lifted from 47.1% in Feb to 60.2% in March.

Chart 7 – Domestic RPK growth by market



In March, **Japan** recorded a 55.8%yoy decline in domestic RPKs, despite not implementing any widespread lockdown. At the same time, capacity was only reduced by 14.3%, leading to a load factor of just 36.7% in the month.

Both Australia and the US put lockdown measures into place during March and had implemented some restrictions on international air transport prior to that. Domestic passenger volumes in the **US** fell by 48.1%yoy, with ASKs declining by 14.7%. Domestic demand in **Australia** fell by 40.2%yoy in March, while that of **Brazil** declined by 32.2%. In both of these latter markets, capacity fell by around 25%yoy.

The experience of the domestic Russia and India markets currently sits in contrast with the outcomes elsewhere. Passenger volumes in domestic **Russia** fell by 15.4%yoy in March, and by 11.8% in **India**; both represent relatively resilient outcomes. In annual terms, capacity increased in both markets this month.

However, the COVID-19 outbreak began to impact these countries later than elsewhere and lockdowns also lagged the experience of many other nations. As a result, the relative outperformance in traffic volumes may not be sustained in April, with larger declines still to come.

Air passenger market detail - March 2020

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TOTAL MARKET	100.0%	-52.9%	-36.2%	-21.4%	60.6%	-22.2%	-14.7%	-7.1%	73.7%
Africa	2.1%	-44.6%	-34.4%	-11.3%	60.9%	-13.6%	-7.9%	-4.4%	66.8%
Asia Pacific	34.7%	-59.9%	-44.4%	-22.8%	58.9%	-33.3%	-23.3%	-10.7%	71.3%
Europe	26.8%	-51.8%	-39.7%	-16.8%	67.0%	-18.0%	-13.8%	-4.0%	77.9%
Latin America	5.1%	-39.3%	-27.2%	-13.5%	68.1%	-11.6%	-7.8%	-3.4%	78.4%
Middle East	9.0%	-46.0%	-33.6%	-13.8%	59.9%	-13.2%	-10.8%	-1.9%	71.6%
North America	22.2%	-49.8%	-22.8%	-29.9%	55.7%	-15.7%	-5.5%	-8.8%	73.2%
International	63.8%	-55.8%	-42.8%	-18.4%	62.5%	-21.7%	-16.1%	-5.4%	74.8%
Africa	1.8%	-42.8%	-32.9%	-10.5%	60.8%	-13.0%	-7.6%	-4.1%	66.5%
Asia Pacific	19.1%	-65.5%	-51.4%	-23.4%	57.1%	-30.5%	-21.7%	-9.1%	72.1%
Europe	24.0%	-54.3%	-42.9%	-16.8%	67.6%	-19.1%	-15.4%	-3.6%	78.9%
Latin America	2.7%	-45.9%	-33.5%	-15.3%	66.5%	-16.6%	-12.6%	-3.7%	78.2%
Middle East	8.7%	-45.9%	-33.5%	-13.7%	59.9%	-13.3%	-10.9%	-2.0%	71.6%
North America	7.5%	-53.7%	-38.1%	-21.1%	62.8%	-19.7%	-13.5%	-5.7%	75.4%
Domestic	36.2%	-47.8%	-24.5%	-26.0%	58.1%	-23.1%	-12.2%	-10.2%	71.9%
Dom. Australia ⁴	0.8%	-40.2%	-25.2%	-15.9%	63.4%	-14.6%	-10.0%	-4.1%	74.4%
Domestic Brazil ⁴	1.1%	-32.2%	-24.0%	-8.7%	72.2%	-8.2%	-6.4%	-1.6%	80.9%
Dom. China P.R. ⁴	9.8%	-65.5%	-51.4%	-24.7%	60.2%	-52.5%	-40.4%	-17.2%	67.7%
Domestic India ⁴	1.6%	-11.8%	0.7%	-10.7%	76.0%	-0.2%	4.2%	-3.7%	83.6%
Domestic Japan ⁴	1.1%	-55.8%	-14.3%	-36.7%	39.0%	-20.1%	-3.1%	-12.5%	59.0%
Dom. Russian Fed. ⁴	1.5%	-15.4%	5.2%	-15.8%	64.6%	-1.8%	7.5%	-6.7%	70.9%
Domestic US ⁴	14.0%	-48.1%	-14.7%	-33.9%	52.7%	-13.6%	-1.0%	-10.5%	72.1%

¹% of industry RPKs in 2019

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 30% of global total RPKs and approximately 83% 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.

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