Air Passenger Market Analysis

May 2022

International markets continue to soar

- International revenue passenger kilometers (RPKs) continued to drive the global industry's recovery in May while the global domestic market trended sideways.
- Several major international route areas overperformed 2019 levels while many others likely reached pre-pandemic RPK levels in June.
- Asia Pacific airlines registered substantial international growth four months in a row, reaching a year-on-year (YoY) recovery rate of 453.3% in May, a great increase from 103.5% in January 2022. This positive trend is expected to continue as the region reopens gradually.
- The global industry's recovery accelerated and global international RPKs are now at 64.1% of pre-crisis levels. Global domestic RPKs reached 76.7% of the 2019 level in May. Compared to April 2022, global RPKs grew 10.7% month-on-month (MoM).
- The rebound continues despite inflation, high jet fuel prices and low consumer confidence. International bookings briefly exceeded domestic bookings in May, confirming that a high willingness to travel abroad persists.

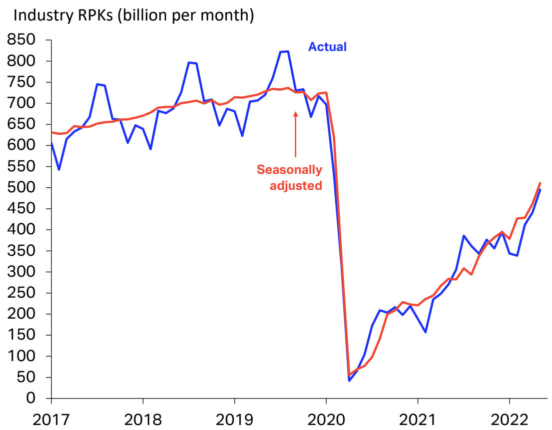
Strong global recovery continues in May

Despite the ongoing war in Ukraine and lingering zero-Covid policies in China PR, the global airline industry pushes for recovery.

In May 2022, industry-wide revenue passenger-kilometers (RPKs) grew by 83.1% YoY. Air passenger volumes are now 31.3% below pre-pandemic 2019 levels, which represents a 6% increase from April.

Seasonally adjusted data suggest an accelerating industry-wide recovery with a 10.7% MoM increase (**Chart 1**).

Chart 1: Global air passenger volumes (RPKs)



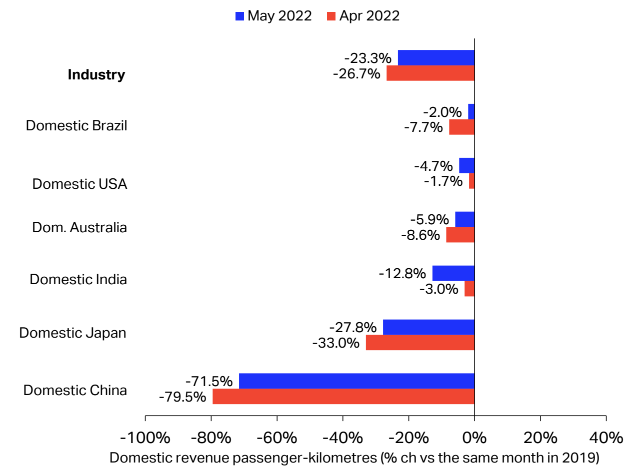
Sources: IATA Economics, IATA Monthly Statistics

Domestic air traffic volumes still on a sideways trend, steep decline halted in Asia Pacific

Industry-wide domestic RPKs grew 9.3% MoM, with positive results reported in all regions. The steep decline seen in Asia Pacific was halted in May with a 18.7% MoM increase.

In China PR, domestic RPKs grew 42.2% MoM. Traffic levels in the country are still down compared to pre-pandemic levels at -71.5% though now recovering from the repeated shocks of restrictive travel policies (**Chart 2**).

Chart 2 – Domestic RPK growth (airline region of registration basis), YoY% ch vs 2019



Sources: IATA Economics, IATA Monthly Statistics

Air passenger market overview - May 2022

	World share [1]	May 2022 (% year-on-year) RPK	ASK	PLF (%-pt) [2]	PLF (level) [3]	% year-to-date RPK	ASK	PLF (%-pt) [2]	PLF (level) [3]
TOTAL MARKET	***100.0%***	**83.1%**	**52.8%**	**13.1%**	**79.1%**	**84.7%**	**53.2%**	**12.4%**	**72.8%**
International	*37.7%*	325.8%	152.1%	32.0%	78.6%	276.0%	130.8%	27.2%	70.5%
Domestic	*62.3%*	0.2%	-3.3%	2.9%	79.8%	16.3%	8.1%	5.3%	75.7%

[1] % of industry RPKs in 2021 [2] Year-on-year change in load factor [3] Load factor level

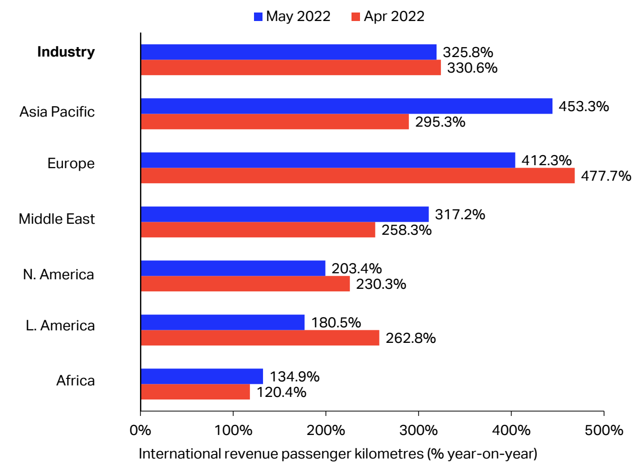
The US domestic traffic increased on the month by 3.1% and remains below 2019 RPK levels. Domestic RPKs are down 4.7% compared to the same month in 2019 (versus -1.6% in April). Capacity is down 6.0% YoY; load factors remain high at 88.7% country wide. Pressure on traffic might increase in this market with high fuel prices and ongoing labor-related issues. In May, US domestic RPK growth decreased to 26.1% YoY from 48.1% YoY in April.

In Brazil, volumes are up 73.1% YoY in May, lower than the month prior. A 0.3% MoM decrease was registered in India, in YoY terms traffic increased by 405.7% in this domestic market. In Japan, the growth in domestic RPKs accelerated in May with easing travel restrictions and rising consumer confidence. Domestic traffic is 27.3% below pre-pandemic levels and the rebound continues.

Although in Australia domestic RPKs decreased by 6.2% MoM, current levels are still merely 5.9% below achieved traffic in May 2019.

International traffic continues to soar in all markets, signs of recovery in Asia Pacific

Chart 3: International RPK growth (airline region of registration basis), %YoY



Sources: IATA Economics, IATA Monthly Statistics

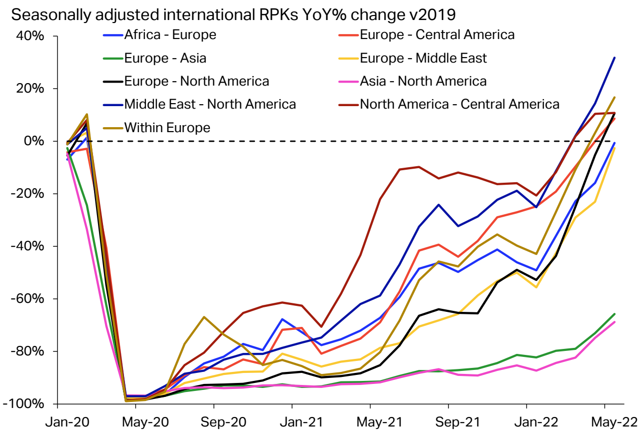
International RPKs rose by 325.8% YoY in May, sustaining strong growth (**Chart 3**).

Airlines based in Europe continued to deliver robust growth in May in YoY terms, up 412.3%, below the growth rate seen in April but still benefiting from healthy buoyancy in the Within Europe route area (**Chart 4**). In addition, international RPKs are now 20.9% below the levels of May 2019, which is a 5-percentage point (ppt) increase from April. Insufficient data do not allow us to report on Russia.

The war in Ukraine shows scant signs of abating. Despite this ongoing crisis, most European airlines did not sustain any major direct impacts in May, as has generally been the case since the start of the invation on 24 February 2022.

The positive industry trend lasted into May and international traffic within Europe continued to grow in seasonally adjusted terms, recording a 5.2% YoY increase, bringing RPKs to as much as 16.7% above pre-pandemic levels.

Chart 4: Seasonally adjusted international RPKs, selected routes



Source: IATA Monthly route area statistics

International RPKs for airlines registered in Asia Pacific leapt in May, up 453.3% YoY, and continue the positive trend with SA volumes growing 31.1% MoM. Thanks to easier entry conditions for travelers, the international traffic recovery is accelerating in the region. Overall, the region still lags in terms of traffic and connectivity. One can expect a swift rebound in Asia Pacific as travel conditions gradually ease and the region reopens.

Latin American and North American carriers saw diminished growth in May. International RPKs rose by 180.5% and 203.4% YoY respectively and recovery towards 2019 levels is ongoing in both regions. In April, a few major routes connected to these regions outperformed pre-pandemic levels. In May, traffic on these routes grew further:

- Europe – Central America: 8.6% above 2019 levels
- Middle East – North America: 31.8% above 2019 levels
- North America – Central America: 10.8% above 2019 levels

Tourism and the high willingness to travel continue to foster the international industry's recovery and several other routes are now also outperforming 2019 results. We expect several additional routes to reach and exceed the 2019 level over the summer season.

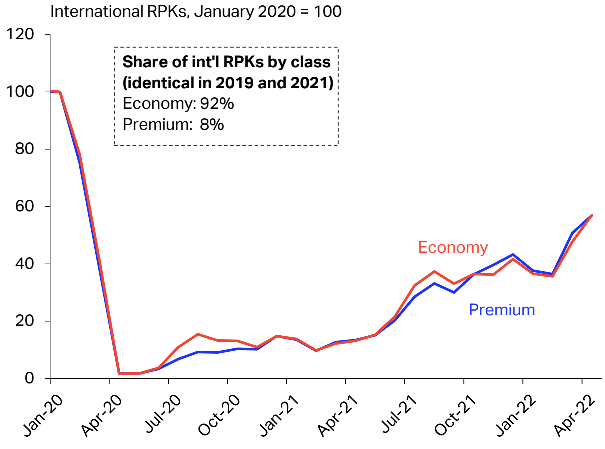
For Middle Eastern carriers, recovery in international RPKs remains strong, with volumes up 317.2.0% YoY in May, and down 10.0% compared to the same month in 2019.

In Africa, the international recovery remains slower than in other regions. Airlines based in Africa saw a 134.9% YoY growth rate in their international RPKs in May. International RPKs for these airlines are down 33.2% compared to pre-pandemic levels. While traffic between Europe and the Middle East is rebounding fast, traffic between Africa and Europe is down 0.7% compared to 2019 and that between Africa and the Middle East up by a modest 1.2% YoY.

Premium and Economy classes grow in parallel

The recovery proceeds at a similar pace for both the Premium and Economy classes. Economy RPKs – which include premium economy (8% of total RPKs) – were at 57.0% of January 2020 levels in April 2022, and up 331.9% YoY in April 2022. Premium RPKs – which capture first and business class – were at 59.9% of January 2020 values and up 323.9% YoY in April 2022 (**Chart 5**).

Chart 5: International RPKs by cabin class



Source: IATA Monthly Statistics

Industry capacity increases along with passenger traffic

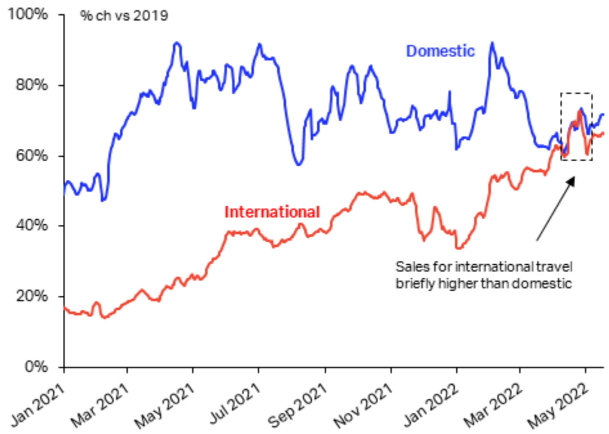
Available seat-kilometers (ASKs) grew by 52.8% YoY in May and were down 28.9% versus the same month in 2019, hence extending the positive industry-wide trend. The gap between domestic and international capacity that had developed since February, diminished slightly as domestic capacity in Asia Pacific increased by 18% MoM. Overall, domestic capacity increased in all regions from April, with the largest month-on-month increase in Europe at 24.8%.

Load factors remained high globally. The industry-wide load factor climbed to 79.1% in May, a 1.3 ppts increase from last month. The global domestic load factor is down 0.3 ppts and the global international load factor is up 2.4 ppts compared to April.

International forward bookings overperformed domestic bookings in May

Domestic bookings improved in May. After the repeated shocks, the global domestic market's resilience is now staging a slight recovery. International bookings continued to increase markedly, overperforming domestic sales briefly thanks to the easing of travel restrictions and a strong desire to travel abroad which have encouraged consumers to book for the summer season (**Chart 6**).

Chart 6: Passenger ticket sales (dom. vs. int'l), global



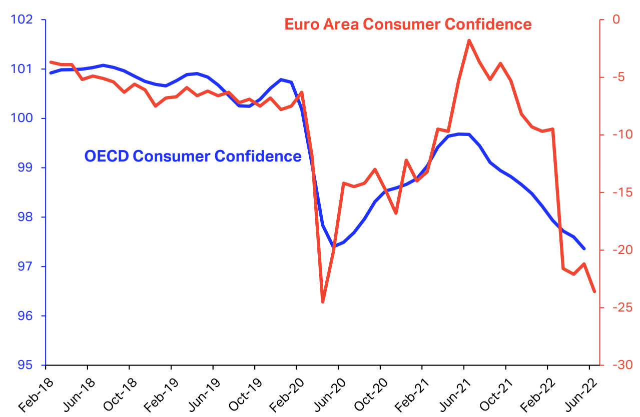
Source: IATA Economics based on data from DDS

Consumer confidence down to early-2020 levels

Consumer confidence in the euro area and the OECD decreased further in May, reaching early-2020 levels. Low unemployment rates and accumulated savings will continue to benefit consumers in advanced economies. The impacts of high inflation rates (**Chart 7**).

Jet fuel and crude oil prices decreased somewhat in May but remained around the decades-high peak we have observed. Coupled with inflation, current fuel prices continue to put additional pressure on the industry.

Chart 7: Consumer confidence indexes, OECD, and Euro Area



Source: IATA Economics using Refinitiv Eikon

Air passenger market in detail - May 2022

	World share[1]	May 2022 (% year-on-year) RPK	ASK	PLF (%-pt)[2]	PLF (level)[3]	% year-to-date RPK	ASK	PLF (%-pt)[2]	PLF (level)[3]
TOTAL MARKET	**100.0%**	**83.1%**	**52.8%**	**13.1%**	**79.1%**	**84.7%**	**53.2%**	**12.4%**	**72.8%**
Africa	1.9%	124.9%	76.8%	14.9%	69.6%	78.0%	46.6%	11.8%	66.7%
Asia Pacific	27.5%	-4.7%	-8.2%	2.6%	69.6%	-2.7%	-3.3%	0.4%	63.9%
Europe	25.0%	258.8%	159.1%	22.4%	80.7%	241.9%	154.7%	18.8%	73.7%
Latin America	6.5%	99.3%	89.5%	4.0%	80.7%	105.3%	84.1%	8.2%	80.0%
Middle East	6.6%	279.6%	103.5%	35.4%	76.2%	213.2%	86.7%	27.9%	69.1%
North America	32.6%	56.3%	36.6%	10.8%	86.0%	86.7%	49.6%	15.8%	79.4%
International	**37.7%**	**325.8%**	**152.1%**	**32.0%**	**78.6%**	**276.0%**	**130.8%**	**27.2%**	**70.5%**
Africa	1.5%	134.9%	78.5%	16.4%	68.4%	84.5%	46.1%	13.6%	65.4%
Asia Pacific	3.1%	453.3%	118.8%	43.6%	72.1%	239.0%	80.0%	27.7%	59.0%
Europe	18.7%	412.3%	221.3%	30.1%	80.6%	385.7%	207.5%	26.7%	72.9%
Latin America	2.1%	180.5%	135.3%	13.5%	83.4%	210.3%	141.8%	17.6%	79.8%
Middle East	6.0%	317.2%	115.7%	37.1%	76.8%	238.7%	95.9%	29.2%	69.3%
North America	6.2%	203.4%	101.1%	27.1%	80.3%	208.5%	92.6%	27.3%	72.6%
Domestic	**62.3%**	**0.2%**	**-3.3%**	**2.9%**	**79.8%**	**16.3%**	**8.1%**	**5.3%**	**75.7%**
Dom. Australia[4]	0.8%	34.7%	23.1%	6.5%	75.6%	34.6%	26.5%	4.3%	70.8%
Domestic Brazil[4]	1.9%	73.1%	89.6%	-7.1%	74.8%	64.6%	60.4%	2.0%	79.2%
Dom. China P.R.[4]	17.8%	-73.2%	-64.7%	-18.8%	59.1%	-49.0%	-40.4%	-10.5%	62.1%
Domestic India[4]	2.2%	405.7%	205.7%	32.4%	81.8%	45.5%	21.9%	12.9%	79.3%
Domestic Japan[4]	1.1%	132.7%	70.7%	15.2%	56.9%	71.6%	51.9%	5.8%	50.8%
Domestic US[4]	25.6%	26.1%	15.6%	7.3%	88.7%	60.0%	34.7%	13.0%	82.1%

[1]% of industry RPKs in 2021 [2]Year-on-year change in load factor [3]Load factor level

[4] Note: the seven domestic passenger markets for which broken-down data are available account for approximately 54% 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 registrated; it should not be considered as regional traffic.

Air passenger market - 2022 vs. 2019

	World share[1]	May 2022 (% ch vs the same month in 2019) RPK	ASK	PLF (%-pt)[2]	PLF (level)[3]
TOTAL MARKET	**100.0%**	**-31.3%**	**-28.9%**	**-2.7%**	**79.1%**
Africa	1.9%	-29.2%	-31.1%	1.9%	69.6%
Asia Pacific	27.5%	-62.5%	-56.7%	-10.8%	69.6%
Europe	25.0%	-19.6%	-16.5%	-3.0%	80.7%
Latin America	6.5%	-15.7%	-13.0%	-2.6%	80.7%
Middle East	6.6%	-10.5%	-14.2%	3.1%	76.2%
North America	32.6%	-10.4%	-10.3%	-0.2%	86.0%

[1]% of industry RPKs in 2021 [2]Change in load factor vs same month in 2019 [3]Load factor level

	World share[1]	May 2022 (% ch vs the same month in 2019) RPK	ASK	PLF (%-pt)[2]	PLF (level)[3]
Domestic	**62.3%**	**-23.3%**	**-19.2%**	**-4.2%**	**79.8%**
Dom. Australia	0.8%	-5.9%	-5.2%	-0.5%	75.6%
Domestic Brazil	1.9%	-2.0%	7.0%	-6.9%	74.8%
Dom. China P.R.	17.8%	-71.5%	-59.5%	-24.9%	59.1%
Domestic India	2.2%	-12.8%	-4.0%	-8.2%	81.8%
Domestic Japan	1.1%	-27.8%	-7.2%	-16.2%	56.9%
Domestic US	25.6%	-4.7%	-6.0%	1.3%	88.7%

[1]% of industry RPKs in 2021 [2]Change in load factor vs same month in 2019 [3]Load factor level

	World share[1]	May 2022 (% ch vs the same month in 2019) RPK	ASK	PLF (%-pt)[2]	PLF (level)[3]
International	**37.7%**	**-35.9%**	**-34.3%**	**-1.9%**	**78.6%**
Africa	1.5%	-33.2%	-34.4%	1.2%	68.4%
Asia Pacific	3.1%	-73.9%	-71.5%	-6.6%	72.1%
Europe	18.7%	-20.9%	-17.4%	-3.5%	80.6%
Latin America	2.1%	-30.2%	-29.6%	-0.6%	83.4%
Middle East	6.0%	-10.0%	-14.5%	3.8%	76.8%
North America	6.2%	-21.3%	-17.8%	-3.5%	80.3%

[1]% of industry RPKs in 2021 [2]Change in load factor vs same month in 2019 [3]Load factor level

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