

Air travel recovery delayed by the resurgence of the virus

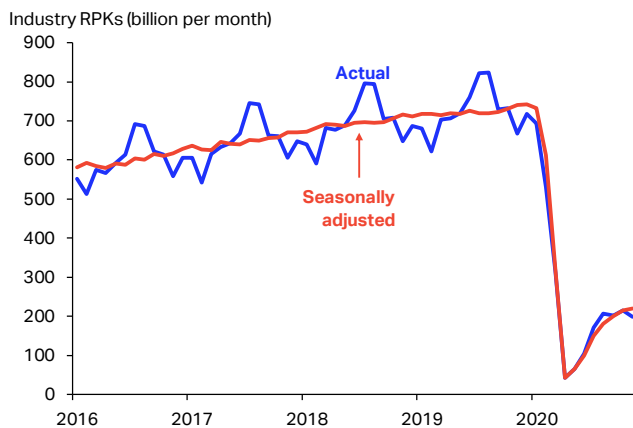
- Recovery in air passenger volumes stalled towards the end of the year. Industry-wide revenue passenger-kilometres (RPKs) fell by -70.3% year-on-year in November – the same contraction as in the previous month.
- The resurgence of the virus and associated restrictions weighed on air travel recovery progress across many domestic and international markets. Europe remained the most severely impacted region due to strict containment measures. That said, recovery accelerated for another month in Latin America.
- The industry-wide passenger load factor reached a new record-low for November, at 58%.

Air travel demand did not improve in November

The recovery in air travel has stalled amidst elevated COVID-19 cases and re-introduction of travel restrictions in some regions. Industry wide-revenue passenger-kilometres fell by 70.3% year-on-year in November, which was broadly unchanged from the 70.6% decline seen in October and only slightly better compared to a 72.2% fall in September.

In month-on-month terms, there was a small rise in passenger volumes, but much slower than in the previous months. October and November seasonally adjusted results confirm that the summer recovery stagnated in Q4.

Chart 1 – Air passenger volumes



Recovery stalling across domestic and int'l RPKs

Overall, performance was weak on both domestic and international routes. Aggregated domestic RPKs showed the same annual contraction as in October

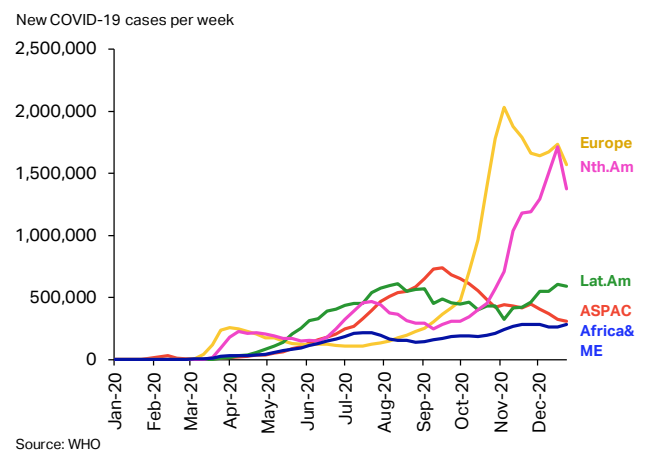
(-41%) since faster declines in Russia and China offset RPK recovery in the other key domestic markets.

The contraction in international RPKs accelerated compared with October (-88.3% vs. -87.8%). Europe was the main culprit behind the weakness as new lockdowns weighed on travel demand on the larger Within Europe routes.

Elevated infection rates hinder air travel improvement

The pandemic crisis has gained momentum over the recent months, further delaying air travel recovery. In the second week of December about 4.6 million people tested COVID-19 positive – almost twice as many compared with two months ago.

Chart 2 – New COVID-19 cases by region



Although number of confirmed cases eased in the second half of December, a new rise is expected in post-Christmas period due to holiday gatherings. At

Air passenger market overview - November 2020

	World share ¹	November 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%	-70.3%	-58.6%	-23.0%	58.0%	-65.6%	-56.5%	-17.2%	65.5%
International	63.8%	-88.3%	-77.4%	-38.7%	41.5%	-74.7%	-67.6%	-18.1%	64.0%
Domestic	36.2%	-41.0%	-27.1%	-15.7%	66.6%	-49.3%	-36.6%	-16.8%	66.8%

¹% of industry RPKs in 2019

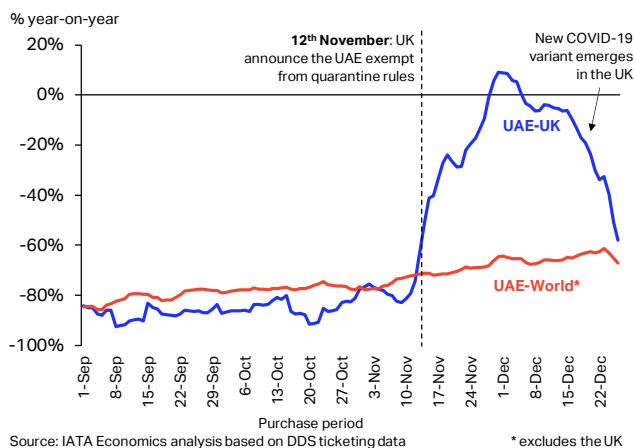
²Year-on-year change in load factor

³Load factor level

the regional level, Europe and North America have been reporting the highest infection rates (Chart 2).

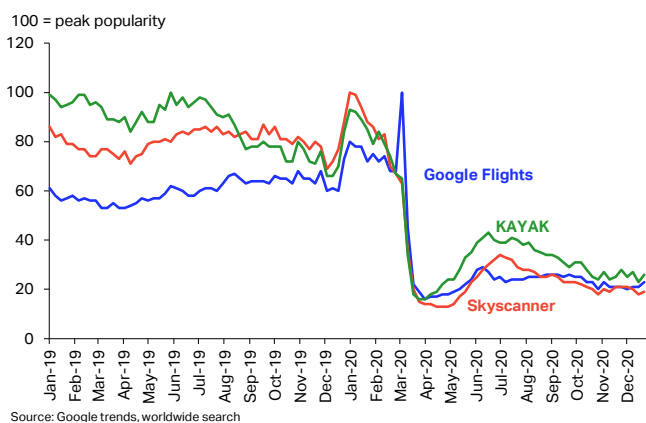
It's not only the infection rate but also resulting government response that has been impacting passengers' travel plans. Indeed, the evidence from the UAE-UK route indicates that lifting travel restrictions results in higher number of bookings (Chart 3). This suggests that once people are allowed to travel more freely, recovery in air travel demand will accelerate. (Note that on the UK-UAE route, passenger numbers deteriorated since mid-Dec due to the new COVID-19 variant in the UK).

Chart 3: YoY change in net bookings between the UAE and the rest of the world



Other important drivers of air travel demand continue to show mixed results. The manufacturing PMI reached its highest level since early-2018. The service sector has also performed solidly in November since setbacks in Europe due to new restrictions were offset by robust outcomes in China and the US. As a result, the global composite PMI – a proxy of economic activity – remained elevated in November, indicating that economic recovery from the crisis continued in the fourth quarter.

Chart 4: Activity on flight search websites



However, improving economic activity will have little impact on passenger volumes unless travelers regain confidence to get on board again. According to the subdued use of flight search sites, travel intentions

have not been transformed yet despite the positive vaccine news (Chart 4).

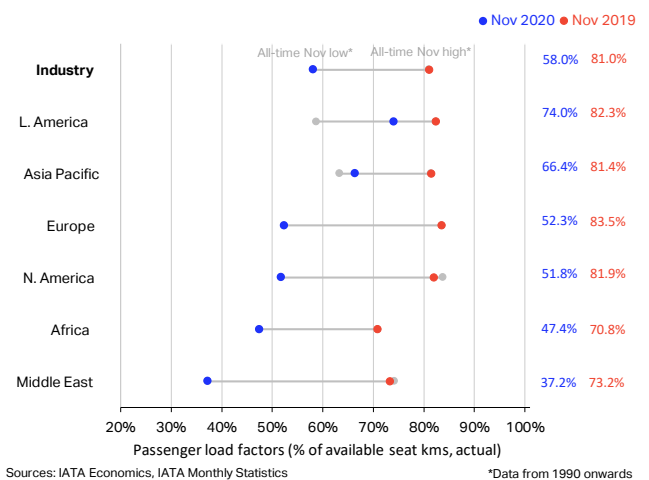
Moreover, following the improvements in the recent months, overall consumer confidence has weakened in November. The resurgence of the virus led to renewed concerns about rising unemployment and falling incomes. Given these concerns, consumers will remain cautious about their personal finances and future expenses (including spending on air travel) in the near-term.

Passenger seat capacity climbs back only slowly

In response to faltering air travel demand, airlines have been cautious about adding more capacity back to the market. Industry-wide available seat-kilometres (ASKs) fell by 58.6% year-on-year in November, just a 1ppts smaller decline than in October. That said, apart from Europe, all regions reported smaller capacity contractions. Latin American airlines added the capacity back at the fastest pace (+ 8.2ppts, at -55%yoY) to match swiftly recovering demand.

The industry-wide passenger load factor remained at record lows across most regions and at the industry level (58%). The only outlier was Latin America with PLF at a relatively strong 74% (Chart 5).

Chart 5 – Passenger load factors by region



RPK contraction accelerates on international routes

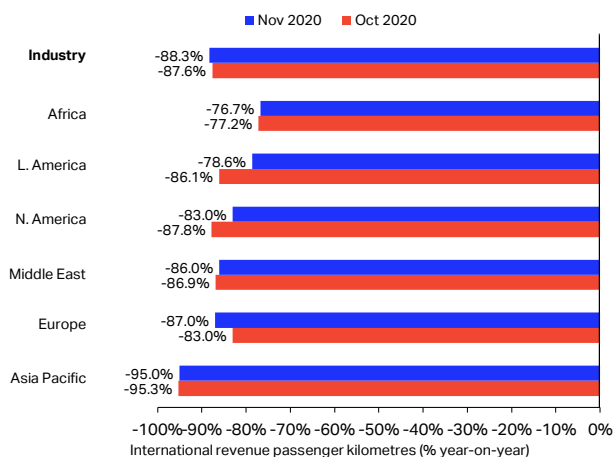
International passenger traffic remains close to record lows. Year-on-year international RPK contraction accelerated from -87.6% in October to -88.3% in November. That said, the aggregated result hides differences across the regions (Chart 6).

Carriers based in Africa reported the most resilient outcome for another month, with international RPKs down 76.7% year-on-year, compared to 77.2% annual fall in October. The performance has been driven by smaller RPK declines on Africa-Middle East routes (Chart 7).

Latin American airlines showed the fastest improvement of all regions in November (+7.4ppts, at

-78.6%). Routes to/from Central America were the most resilient due to less strict travel requirements in some countries in this area.

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

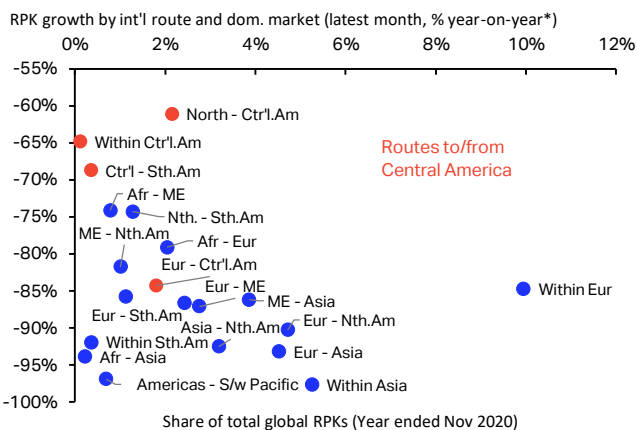


Sources: IATA Economics, IATA Monthly Statistics

International RPKs flown by **North American** airlines fell by 83% year-on-year in November vs. 87.8% annual fall in October. Same as for Latin American carriers, the recovery has been positively impacted by improving demand on the routes to/from Central America.

In the **Middle East**, airlines reported little improvement from October (-86%yoy vs. -86.9%yoy) since long-haul traffic remained muted this month.

Chart 7 – International RPKs by route (segment-based)



Sources: IATA Economics, IATA Monthly Statistics by Route

European carriers saw further deterioration in international passenger traffic due to renewed virus outbreaks and travel restrictions. International RPKs fell by 87% year-on-year, vs. 83% decline in October. On the key Within Europe route, year-on-year contraction accelerated by 8 ppts, to -84.7%. The new COVID-19 variant which appeared in the UK and led to travel bans by many countries, will probably lead to a further fall in RPKs in December.

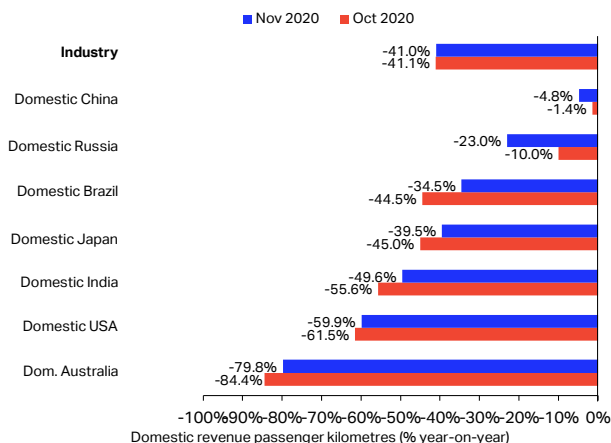
Asia Pacific airlines remained at the bottom of the contraction chart for the 5th consecutive month, with international RPKs down at 95% year-on-year. The virus resurgence in some countries has led to a swift

re-introduction of travel restrictions, and has weighed on already dramatically low demand.

Domestic RPK contraction unchanged from October

Domestic RPKs declined by 41% year-on-year – an unchanged outcome from October.

Chart 8 – Domestic RPK growth by market



Sources: IATA Economics, IATA Monthly Statistics

China reported slightly faster fall in domestic RPKs vs. October (-4.8%yoy), but it was still the best performing domestic market. Lower fares, swift recovery in consumer confidence and successful control of the virus have supported the market's recovery.

In **Russia**, domestic RPKs fell by 23%yoy – more than twice faster than in October. High infection rate in the country resulted in travel restrictions, which in turn led to softer travel demand and sharp capacity cuts.

Brazilian carriers showed swift RPK recovery (-34.5%yoy) and the highest PLF (84.5%) amongst the key domestic markets in November. Starting summer season has stimulated demand, along with lower domestic fares. RPK contraction eased for another month also in **Japan**, to -39.5%yoy. However, the third COVID-19 wave along with pause in domestic Go To Travel campaign will weigh on results in December.

In **India**, domestic RPKs contracted by 49.6% year-on-year in November vs. 55.6% fall in October. A further improvement is expected in the near-term as more schools and businesses reopen. In the **US**, recovery remained slow (RPKs down 59.9%) despite increased passenger traffic during Thanksgiving holidays. The country is experiencing a high infection rate, which has been hampering faster rebound in pax volumes.

Domestic travel demand ticked up in **Australia** as some state borders reopened in late-November and airlines briskly added back capacity. That said, RPKs are still almost 80% lower vs. a year ago, significantly underperforming the other key domestic markets.

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Air passenger market detail - November 2020

	World share ¹	November 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%	-70.3%	-58.6%	-23.0%	58.0%	-65.6%	-56.5%	-17.2%	65.5%
Africa	2.1%	-75.6%	-63.6%	-23.4%	47.4%	-69.6%	-62.2%	-13.9%	57.8%
Asia Pacific	34.6%	-61.6%	-52.9%	-15.0%	66.4%	-61.7%	-54.0%	-13.8%	68.1%
Europe	26.8%	-82.2%	-71.6%	-31.2%	52.3%	-69.3%	-61.7%	-16.9%	68.5%
Latin America	5.1%	-59.8%	-55.3%	-8.3%	74.0%	-62.6%	-58.8%	-7.5%	75.1%
Middle East	9.1%	-84.5%	-69.5%	-36.1%	37.2%	-71.3%	-62.9%	-17.3%	58.8%
North America	22.3%	-67.6%	-48.7%	-30.1%	51.8%	-65.0%	-50.4%	-24.9%	59.8%
International	63.8%	-88.3%	-77.4%	-38.7%	41.5%	-74.7%	-67.6%	-18.1%	64.0%
Africa	1.8%	-76.7%	-63.7%	-25.2%	45.2%	-70.6%	-62.8%	-14.9%	56.4%
Asia Pacific	19.1%	-95.0%	-87.4%	-48.4%	31.6%	-79.0%	-73.0%	-17.9%	62.9%
Europe	24.0%	-87.0%	-76.5%	-37.4%	46.6%	-73.0%	-65.8%	-18.1%	67.7%
Latin America	2.7%	-78.6%	-72.0%	-19.5%	62.7%	-71.4%	-67.6%	-9.7%	73.3%
Middle East	8.7%	-86.0%	-71.0%	-37.9%	35.3%	-71.9%	-63.5%	-17.6%	58.5%
North America	7.5%	-83.0%	-66.1%	-40.5%	40.8%	-75.0%	-65.8%	-22.6%	61.4%
Domestic	36.2%	-41.0%	-27.1%	-15.7%	66.6%	-49.3%	-36.6%	-16.8%	66.8%
Dom. Australia ⁴	0.8%	-79.8%	-70.8%	-25.8%	57.8%	-70.2%	-64.5%	-12.9%	67.6%
Domestic Brazil ⁴	1.1%	-34.5%	-36.0%	1.8%	84.5%	-50.6%	-49.1%	-2.5%	80.1%
Dom. China P.R. ⁴	9.8%	-4.8%	6.0%	-8.5%	74.7%	-32.6%	-21.8%	-11.7%	73.1%
Domestic India ⁴	1.6%	-49.6%	-37.8%	-17.0%	72.8%	-56.9%	-50.0%	-12.1%	75.2%
Domestic Japan ⁴	1.1%	-39.5%	-25.6%	-14.7%	64.0%	-53.9%	-33.9%	-22.5%	51.7%
Dom. Russian Fed. ⁴	1.5%	-23.0%	-14.0%	-8.4%	71.6%	-24.4%	-12.8%	-11.1%	72.5%
Domestic US ⁴	14.0%	-59.9%	-39.9%	-27.4%	54.8%	-59.4%	-41.5%	-26.1%	59.2%

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 accounted for 30% of global total RPKs and approximately 82% of total domestic RPKs in 2019

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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