

Slow improvement in global traffic amid wide regional disparities

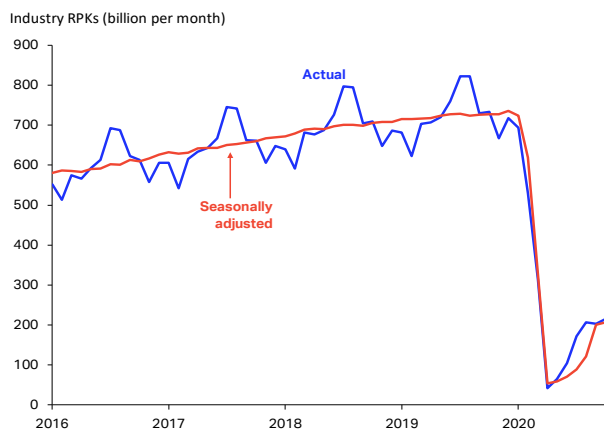
- Industry-wide revenue passenger-kilometres (RPKs) fell by 70.6% year-on-year in October, a modest improvement from the 72.2% decline in September. As for the previous months, that gain has been driven by domestic markets (down 40.8% year-on-year), as the pace of the fall in international RPKs was similar to last month (-87.8%).
- Those aggregates hide large disparities across the regions. Europe deteriorated for the second consecutive month, but the recovery accelerated in Latin America. Traffic in Asia Pacific remained muted, with domestic outcomes ranging from back to pre-crisis demand in China to no clear rebound in Australia.
- Those differences are explained by divergences in new COVID cases and government responses. The rebound in economic activity is also patchy, with certain sectors performing strongly while others double dipped.

Improvements in passenger traffic remain slow...

Improvements in air passenger traffic slowed further in October, with industry-wide revenue passenger-kilometres (RPKs) declining by 70.6% year-on-year. The same metric had fallen by 72.2% in September and 74.8% in August. As has been the case since the start of the rebound in May, improvements were driven by domestic markets in October.

Seasonally adjusted (SA) RPKs also recovered in October, but the month-on-month pace of growth (3.5%) was much slower than in previous months (Chart 1).

Chart 1 – Air passenger volumes



...but regional disparities are wide...

While domestic markets overall drove the recovery, there are currently significant divergences across countries and regions. Domestic China was mostly

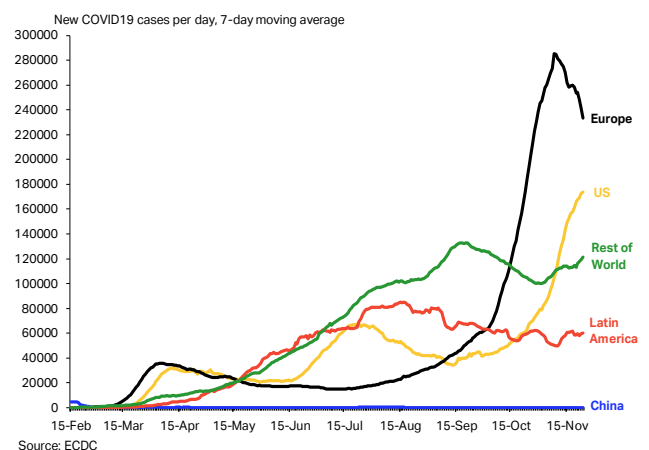
back to normal in October, Japan and Brazil posted robust improvements, and Russia remained more resilient than most markets. But traffic is still very weak in domestic US and even more so in Australia.

International markets overall did not improve in October. But there were also some disparities, with airlines in Latin America posting a strong rebound, while international traffic worsened in Europe and remained muted in Asia Pacific.

...as new cases and government responses diverge

Clearly, the timing and intensity of new COVID-19 outbreaks play a key role in those divergences. Indeed, Europe has been the most impacted region in October, with a strong 2nd wave that peaked in the first half of November (Chart 2).

Chart 2 – New COVID cases by group of economies



Air passenger market overview - October 2020

	World share ¹	October 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%	-70.6%	-59.9%	-21.8%	60.2%	-65.1%	-56.4%	-16.7%	66.1%
International	63.8%	-87.8%	-76.9%	-38.3%	42.9%	-73.6%	-66.7%	-16.9%	65.3%
Domestic	36.2%	-40.8%	-29.7%	-13.2%	70.4%	-50.1%	-37.5%	-16.9%	66.9%

¹% of industry RPKs in 2019

²Year-on-year change in load factor

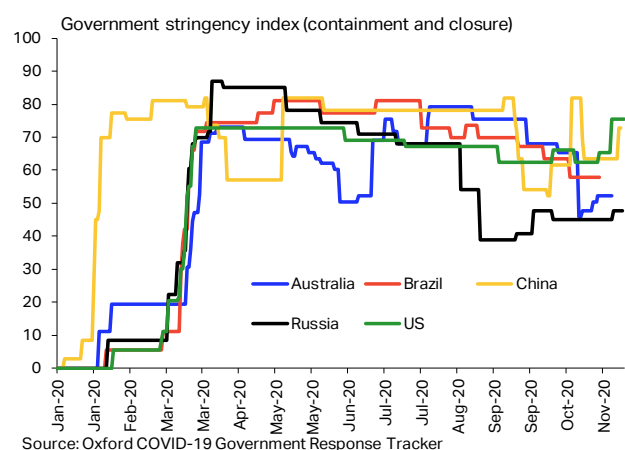
³Load factor level

New cases started to rise in the US in October as well, suggesting that traffic in those regions may soften in November. Cases however diminished somewhat in Latin America.

Having said that, new COVID cases have been partly decorrelated from passenger traffic in some countries, such as Russia and Australia. This is because air travel demand is driven by both the number of infections – through travelers’ behaviour – and government-imposed restrictions.

In the past few months, control measures (containment and closure policies) were strict in Australia, but relatively laxer in Russia, even though the former had far fewer COVID cases than the latter (Chart 3).

Chart 3 – Stringency of government control measures



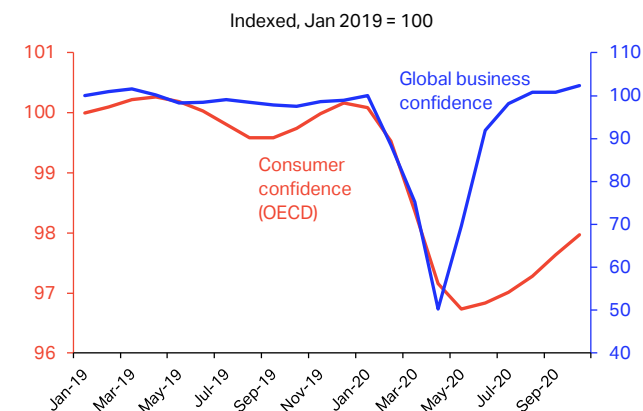
Economic drivers are also disparate

Globally, new COVID-19 cases were at a record high in October. Control measures and changing consumer behaviour have consequently strongly impacted the services sector, which is facing a double dip in the most impacted countries. Manufacturing however remained buoyant, as it did during the past few months, driven by strong e-commerce demand.

Global business confidence – indicated by the Composite PMI, which combine the service and manufacturing sectors – continued to improve in October. While this indicator has historically been strongly correlated with air passenger demand, the relationship has weakened after business travel became hampered by the crisis.

Consumer confidence – more closely linked with demand for leisure travel – has been slow to recover in the past few months. It remains below pre-crisis levels, as individuals worry about high unemployment and the end of government support (Chart 4). That said, travel restrictions mean that travelers’ confidence is also partly decorrelated with their ability to travel by air.

Chart 4: Business confidence (composite PMI) and consumer confidence



All in all, the recovery in economic activity is disparate, and certain sectors or regions continue to face difficult conditions. Despite positive announcements on COVID-19 vaccines – which put a floor on downside risks and uncertainty – we think that the traffic recovery will remain gradual and patchy until the second half of 2021, as outlined in our latest [Economic Performance of the Industry forecast](#).

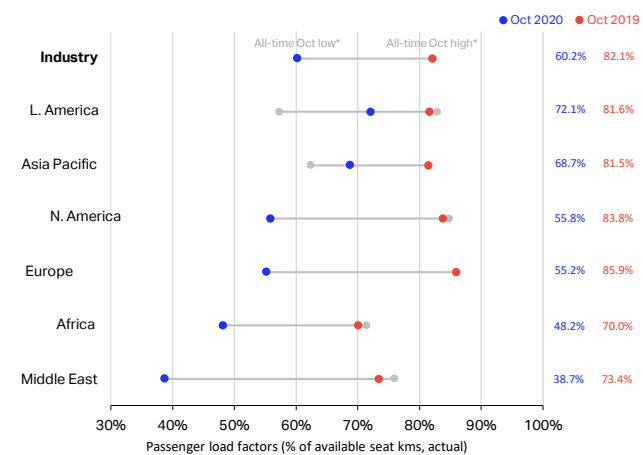
In the meantime, efficient tracking and testing methods at airports are the best solutions to allow the return of air passenger traffic.

Capacity returned faster than demand in October

Industry-wide available seat-kilometres (ASKs) decreased by 59.9% year-on-year in October, compared with a 62.3% fall the month before. Apart from Europe where capacity was cut slightly, all the regions contributed to that recovery.

Unlike in September, when industry-wide passenger load factors had improved, capacity recovered faster than demand in October. This means that the global load factor remained close to record-low values, at 60.2% (Chart 5). This is another sign that despite the recent positive news, the financial situation of airlines remains very challenging.

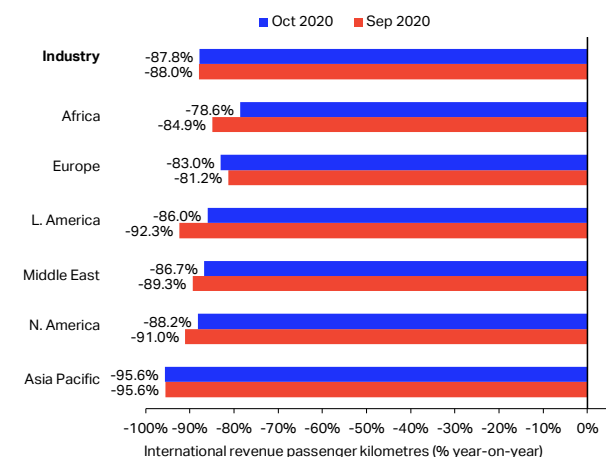
Chart 5 – Passenger load factors by region



International performance varies across the regions

International passenger traffic trended sideways in October, with international RPKs down 87.8% year-on-year (yoy), unchanged from September (a fall of 88.0%). This hides some disparities across the regions, which are following different trends (Chart 6).

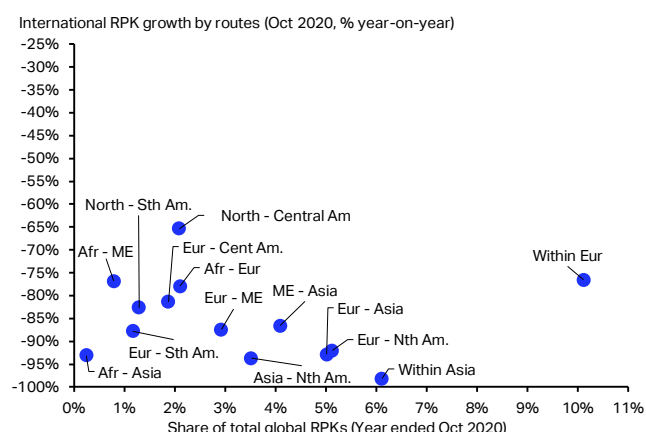
Chart 6 – International RPK growth, yearly (airline region of registration basis)



Sources: IATA Economics, IATA Monthly Statistics

Airlines registered in **Africa** became the most resilient region in October, with international RPKs falling 78.5% yoy, up from an 84.9% decline the previous month. **Latin American** airlines also saw a robust improvement in international volumes, down 86.0% yoy in October. The Nth-Central America market stood out in October, with traffic down 65.3% yoy (Chart 7).

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



Sources: IATA Economics, IATA Monthly Statistics by Route

Europe was faced with renewed COVID outbreaks and control measures became stricter than in September. This impacted international RPKs of airlines in the region, which decreased by 83.0% yoy in October, the second consecutive monthly decline. In particular, traffic Within Europe, which had rebounded during the mid-year, fell by 76.6% yoy, the weakest performance since July.

Airlines based in the **Middle East** and **North America** pencilled in soft performances, as international

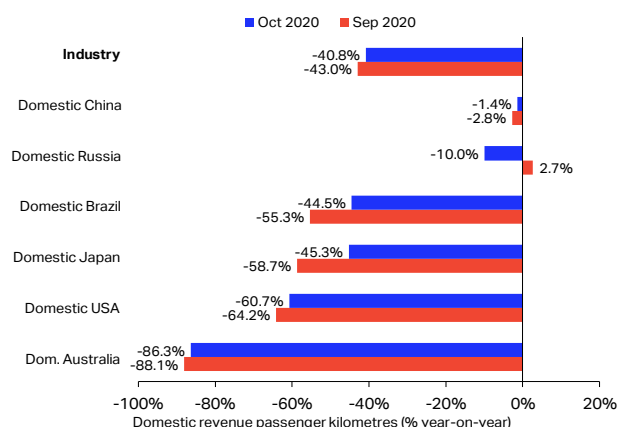
connectivity and long-haul traffic remain muted. International RPKs were down 86.7% and 88.2% yoy respectively in October. While this is an improvement from September, it is unclear whether the recovery will extend into November.

Carriers registered in **Asia Pacific** once more saw no improvement in international RPKs (down 95.6% yoy), as traffic restrictions remained in place in October.

Domestic markets once more drive the recovery

Industry-wide domestic RPKs decreased by 40.8% yoy in October, a smaller improvement compared with the previous months (Chart 8).

Chart 8 – Domestic RPK growth by market



Sources: IATA Economics, IATA Monthly Statistics

Domestic RPKs of **Chinese** airlines were close to pre-crisis levels for the second consecutive month in October (down 1.4% yoy). The domestic economy is close to normality, and air traffic was above last year values during the Golden Week (Oct 1st – Oct 7th). Low fares and 'fly-at-will' deals have boosted demand.

In **Russia**, domestic RPKs were down 10% yoy, after 2 consecutive months of growth. Despite low domestic travel restrictions, elevated new COVID cases have taken their toll on travelers' confidence.

Domestic RPKs in **Brazil** and **Japan** both improved significantly in October, with annual declines of respectively 44.5% and 45.3%. While COVID cases rose again in November, they had decreased in October in both countries.

Domestic RPKs of **US** airlines fell by 60.7% yoy in October. This is a relatively weak outcome in light of the robust economic recovery in the country, due to elevated COVID cases and a 3rd wave that started in October.

Some domestic travel restrictions were recently lifted in **Australia**, but domestic RPKs were still down 86.3% yoy in October.

Air passenger market detail - October 2020

	World share ¹	October 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%	-70.6%	-59.9%	-21.8%	60.2%	-65.1%	-56.4%	-16.7%	66.1%
Africa	2.1%	-76.3%	-65.6%	-21.8%	48.2%	-69.0%	-62.2%	-12.9%	58.9%
Asia Pacific	34.6%	-61.6%	-54.5%	-12.7%	68.7%	-61.8%	-54.1%	-13.8%	68.1%
Europe	26.8%	-77.6%	-65.1%	-30.7%	55.2%	-68.2%	-60.8%	-16.0%	69.5%
Latin America	5.1%	-68.0%	-63.9%	-9.4%	72.1%	-62.8%	-59.2%	-7.3%	75.3%
Middle East	9.1%	-85.5%	-72.4%	-34.7%	38.7%	-70.0%	-62.3%	-15.6%	60.7%
North America	22.3%	-70.1%	-55.1%	-27.9%	55.8%	-64.7%	-50.5%	-24.4%	60.6%
International	63.8%	-87.8%	-76.9%	-38.3%	42.9%	-73.6%	-66.7%	-16.9%	65.3%
Africa	1.8%	-78.6%	-67.5%	-23.8%	45.5%	-70.1%	-62.9%	-13.7%	57.6%
Asia Pacific	19.1%	-95.6%	-88.5%	-49.4%	30.3%	-77.6%	-71.6%	-17.1%	63.8%
Europe	24.0%	-83.0%	-70.4%	-36.7%	49.5%	-71.8%	-64.9%	-17.0%	68.9%
Latin America	2.7%	-86.0%	-80.3%	-23.5%	57.7%	-70.7%	-67.2%	-8.9%	74.1%
Middle East	8.7%	-86.7%	-73.6%	-36.6%	37.0%	-70.6%	-62.9%	-15.9%	60.5%
North America	7.5%	-88.2%	-73.1%	-46.2%	36.2%	-74.4%	-65.8%	-21.2%	63.0%
Domestic	36.2%	-40.8%	-29.7%	-13.2%	70.4%	-50.1%	-37.5%	-16.9%	66.9%
Dom. Australia ⁴	0.8%	-86.3%	-80.3%	-25.7%	58.0%	-69.4%	-64.2%	-11.8%	68.5%
Domestic Brazil ⁴	1.1%	-44.5%	-41.7%	-4.1%	79.9%	-52.3%	-50.4%	-3.1%	79.5%
Dom. China P.R. ⁴	9.8%	-1.4%	7.6%	-7.1%	78.3%	-43.8%	-32.1%	-14.6%	72.9%
Domestic Japan ⁴	1.1%	-45.3%	-34.1%	-13.1%	64.5%	-56.3%	-34.1%	-24.6%	50.3%
Dom. Russian Fed. ⁴	1.5%	-10.0%	0.4%	-8.7%	76.0%	-24.5%	-12.6%	-11.4%	72.6%
Domestic US ⁴	14.0%	-60.7%	-45.3%	-23.8%	60.9%	-59.2%	-41.6%	-25.8%	59.7%

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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