

The recovery in passenger travel slows amid elevated risks

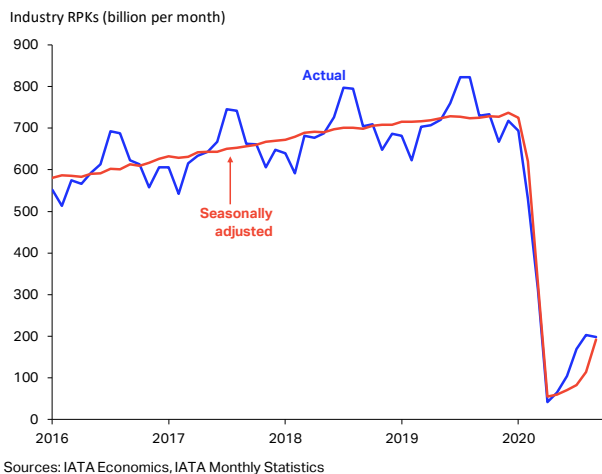
- Industry-wide revenue passenger-kilometres (RPKs) declined by 72.8% year-on-year in September, a small improvement from the 75.2% fall in August. The recovery remained mostly driven by domestic markets – down 43.3% year-on-year – while there was no clear recovery in international traffic in September.
- Even though the rebound in global economic activity continued in September, new outbreaks and further restrictions – in particular in Europe – have put some pressure on passenger traffic. This explains the moderation in the pace of the recovery this month.
- Despite that, Europe remained the most resilient international passenger market in September. Among the main domestic markets, Russia grew in annual terms for the second consecutive month, with domestic RPKs in China also close to last year’s values.

The pace of improvement in traffic moderates further

In September, the pace of the improvement has moderated further compared to the previous months. Industry-wide revenue passenger-kilometres (RPKs) were 72.8% below September 2019 levels. This is only slightly better than the fall seen in August (75.3%).

Seasonal patterns have been muted since the start of the crisis. On average since 1990, actual global traffic in September is more than 10% below that of August due to the end of the Northern Hemisphere Summer season. This year, the decline was smaller (2.3%), leading to a rise in seasonally adjusted (SA) RPKs in September (Chart 1).

Chart 1 – Air passenger volumes

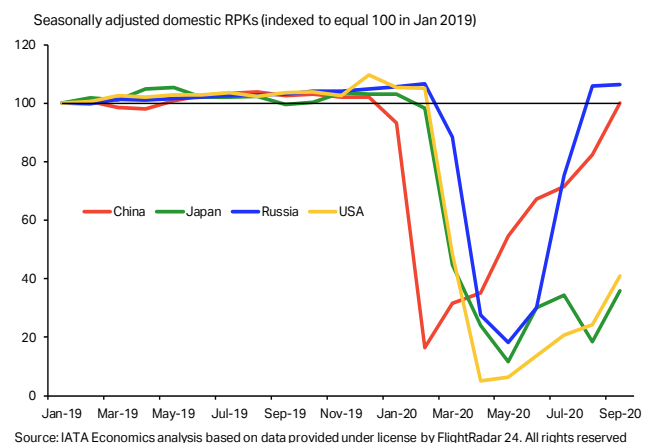


Domestic markets drive the changes in September

RPKs flown in domestic markets worldwide fell by 43.3% year-on-year in September, up 7.4 percentage points (ppts) from August. The pace of the rebound has stayed similar to last month (6.0ppts), despite renewed outbreaks in countries that include India, Indonesia and most of Europe.

Domestic China and Russia have been the key contributors to the improvement in total domestic traffic. In seasonally adjusted terms, both markets have returned close to 2019 levels. Markets such as domestic US and Japan also rebounded in September compared to August (Chart 2).

Chart 2 – Domestic passenger volumes (seasonally adjusted data, selected markets)



Air passenger market overview - September 2020

	World share ¹	September 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%	-72.8%	-63.0%	-21.8%	60.1%	-64.7%	-56.2%	-16.1%	66.7%
International	63.8%	-88.8%	-78.9%	-38.2%	43.5%	-72.3%	-65.9%	-15.3%	67.0%
Domestic	36.2%	-43.3%	-33.3%	-12.4%	69.9%	-51.2%	-38.4%	-17.4%	66.4%

¹% of industry RPKs in 2019

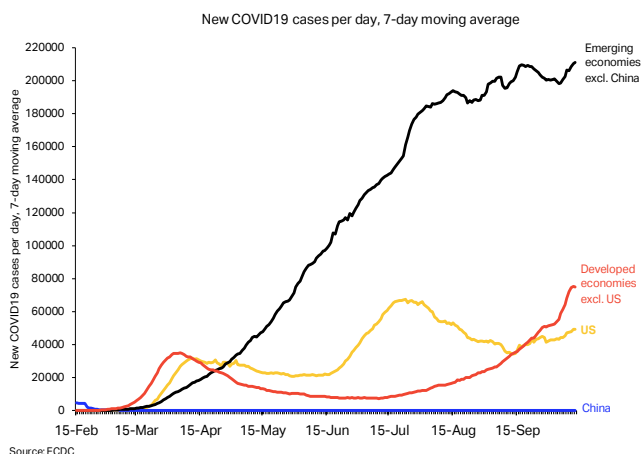
²Year-on-year change in load factor

³Load factor level

International air passenger demand did not improve in September, with international RPKs contracting by 88.8% year-on-year, versus 88.5% in August. In many countries and notably in Asia, border traffic remains strictly controlled, and there has not been clear and coordinated moves to implement efficient testing methods at airports.

Renewed outbreaks in September – in particular in Europe – also led to some countries implementing new restrictions. With the growing number of cases, measures are becoming stricter and will further impact the recovery in aviation in October (Chart 3).

Chart 3 – New COVID cases by group of economies

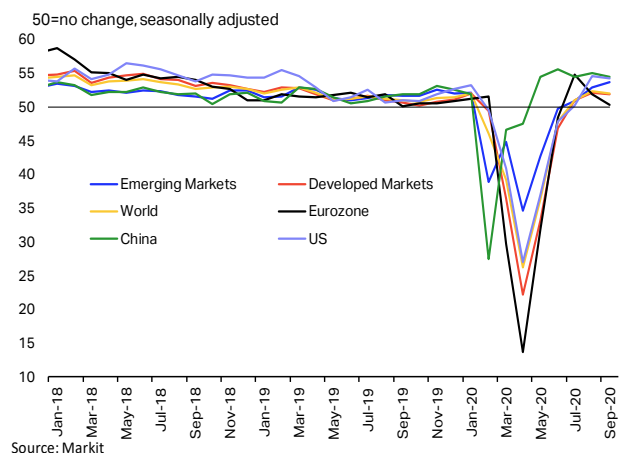


The strong rebound in economic activity is vulnerable

The acceleration of new COVID cases comes amid a period of robust economic recovery. The OECD’s consumer confidence – although it remains low – continued to improve in September, as did its composite leading indicators. Trade and industrial production indices remain on a strong upwards path.

Business confidence – indicated by Composite PMIs – remained in the expansionary region (above the 50 mark) in most key markets. That being said, it moderated slightly in September, except in the Emerging Markets aggregate (Chart 4).

Chart 4: Economic conditions (monthly data from composite PMIs, selected markets)



Economic and health risks are however accumulating. Renewed measures to stop the spread of the pandemic are likely to also impact economic activity, resulting in high unemployment and suppressed consumer confidence. There is high uncertainty about the extent of fiscal and monetary policies in the coming period.

Although there are some improvements in economic activity, the recovery is vulnerable. Medical progress on COVID-19 is slow and a vaccine may not be widespread before the second half of 2021. Moreover, there will be distribution challenges and there are risks that immunity will be temporary.

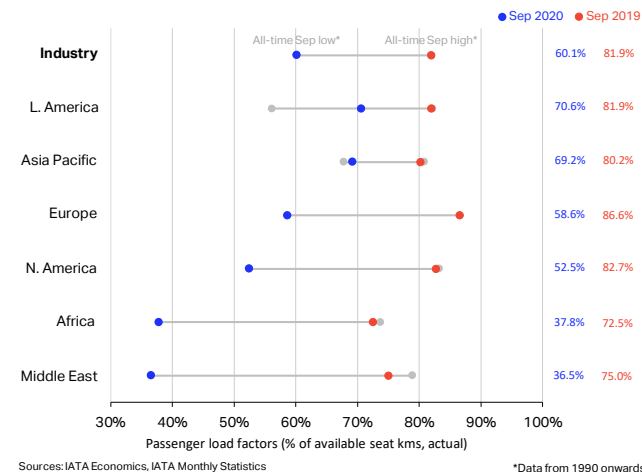
Load factors improved in September

A number of airlines have recently announced reductions in capacity plans for the end of the year, in reaction to rising COVID cases. This has led to industry-wide available seat-kilometres (ASKs) falling by an even 63.0% in September, close to the outcome of the previous month (63.9%).

Europe and North America were the two regions in which the capacity fall accelerated in September, while Asia Pacific was the most resilient (-57.7% year-on-year).

With demand improving faster than capacity in September, load factors improved slightly. The industry-wide load factor was at 60.1% in September, the highest level since February 2020 but down 21.8 ppts year-on-year. This was still a record-low value for any month of September (Chart 5).

Chart 5 – Passenger load factors by region



International traffic did not improve in September...

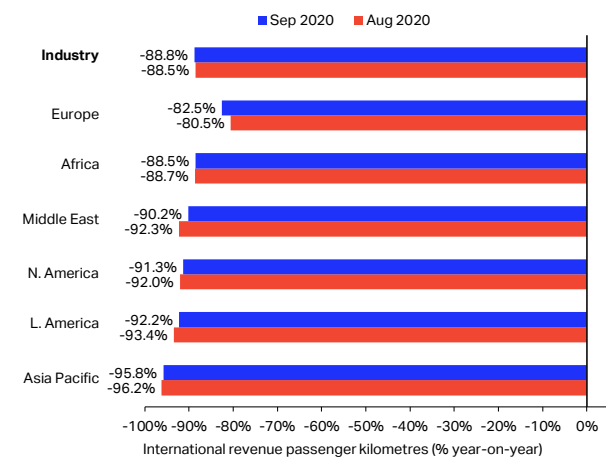
International RPKs declined by 88.8% year-on-year (yoy) in September. Improvements in that category have been minor since the peak of the crisis in April, when demand was down 98.4% year-on-year.

A significant portion of the rebound in international traffic in previous months had come from the Within Europe market, owing to the stronger integration of

the Schengen Area. With renewed infections since late-August, traffic on that market fell by 73.6% yoy in September, down from 67.7% the month before.

With demand on other European routes still muted, airlines in Europe saw international RPKs fall by 82.5% yoy, the only deterioration among the main regions. This is likely to weaken further in October (Chart 6).

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



Sources: IATA Economics, IATA Monthly Statistics

Airlines based in Africa posted a 88.5% decline in international passenger demand in September, broadly unchanged from August. Routes to/from Europe and the Middle East were the most resilient.

International RPKs of carriers in the Middle East contracted by 90.2% yoy in September. In North America and Latin America, international passenger demand decreased by 91.3% yoy and 92.2% yoy respectively. In those three regions, improvements have been slow and are hampered by elevated numbers of COVID cases in some key countries.

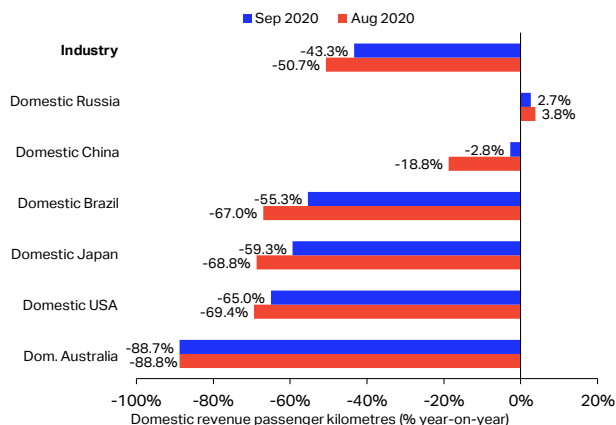
Carriers registered in Asia Pacific faced a 95.8% yoy fall in their international RPKs in September. Flight restrictions have been stringent in that region, and improvements since the start of the crisis have been restrained.

...while domestic traffic performance varies

Global domestic RPKs contracted by 43.3% yoy in September, extending the relatively robust monthly improvements seen since April. Performance however varies across the countries, with traffic ranging from quasi-inexistent to back to pre-pandemic.

Indeed, domestic RPKs of airlines in Russia were up in year-on-year terms for the second consecutive month in September (2.7%), the only large market to post such as feat. This is driven by lower fares and limited restrictions within the country. The recent sharp rise in infections puts that recovery under pressure (Chart 7).

Chart 7 – Domestic RPK growth by market



Sources: IATA Economics, IATA Monthly Statistics

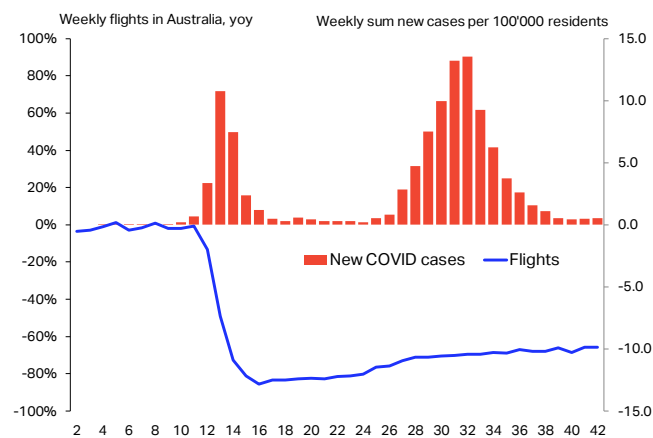
Domestic passenger traffic in China was down by a modest 2.8% year-on-year in September, up 16ppts from August. The pace of the recovery accelerated recently, with signs that consumer spending and the overall economy are almost back to normal.

Domestic RPKs in Brazil fell by 55.3% yoy in September. The recovery in traffic has gathered pace, with an 11.7 ppts improvement compared to August. Airlines have kept capacity under control, and domestic load factors were at 80.7%, second highest after Russia (82.4%).

In Japan and the US, domestic RPKs declined by 59.3% yoy and 65.0% yoy, respectively. In both countries, the pandemic is not controlled in September, although Japan had far fewer cases than the US.

Domestic volumes of airlines in Australia have remained soft since the start of the crisis. In September, they were down 88.7% yoy, unchanged from a month before. Containment measures have been particularly strict, with travel between states being limited (Chart 8).

Chart 8 – COVID cases vs. domestic flights in Australia



Source: IATA Economics analysis based on data provided under license by FlightRadar24. All rights reserved. ECDC

Air passenger market detail - September 2020

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		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	-72.8%	-63.0%	-21.8%	60.1%	-64.7%	-56.2%	-16.1%	66.7%
Africa	2.1%	-85.6%	-72.4%	-34.7%	37.8%	-68.5%	-61.5%	-13.1%	58.9%
Asia Pacific	34.6%	-63.5%	-57.7%	-11.0%	69.2%	-61.9%	-54.1%	-13.9%	68.1%
Europe	26.8%	-75.8%	-64.3%	-27.9%	58.6%	-67.5%	-60.8%	-14.7%	70.8%
Latin America	5.1%	-76.2%	-72.4%	-11.3%	70.6%	-62.3%	-58.7%	-7.1%	75.6%
Middle East	9.1%	-88.9%	-77.2%	-38.5%	36.5%	-68.7%	-61.9%	-13.7%	63.0%
North America	22.3%	-74.7%	-60.0%	-30.3%	52.5%	-64.2%	-50.0%	-24.1%	61.0%
International	63.8%	-88.8%	-78.9%	-38.2%	43.5%	-72.3%	-65.9%	-15.3%	67.0%
Africa	1.8%	-88.5%	-74.7%	-39.4%	32.6%	-69.6%	-62.2%	-14.0%	57.6%
Asia Pacific	19.1%	-95.8%	-89.6%	-46.8%	31.7%	-75.6%	-69.8%	-15.7%	65.3%
Europe	24.0%	-82.5%	-70.7%	-35.1%	51.8%	-71.0%	-64.8%	-15.3%	70.6%
Latin America	2.7%	-92.2%	-87.9%	-29.3%	53.3%	-69.1%	-65.8%	-8.0%	75.1%
Middle East	8.7%	-90.2%	-78.5%	-40.9%	34.4%	-69.2%	-62.4%	-13.9%	62.8%
North America	7.5%	-91.3%	-78.3%	-49.8%	33.4%	-73.1%	-65.1%	-19.3%	65.1%
Domestic	36.2%	-43.3%	-33.3%	-12.4%	69.9%	-51.2%	-38.4%	-17.4%	66.4%
Dom. Australia ⁴	0.8%	-88.7%	-82.8%	-28.3%	54.1%	-67.1%	-61.8%	-11.0%	68.9%
Domestic Brazil ⁴	1.1%	-55.3%	-54.7%	-1.1%	80.7%	-53.2%	-51.5%	-3.0%	79.4%
Dom. China P.R. ⁴	9.8%	-2.8%	2.3%	-4.2%	79.4%	-43.8%	-32.1%	-14.6%	72.0%
Domestic Japan ⁴	1.1%	-59.3%	-45.6%	-19.5%	58.1%	-56.3%	-34.1%	-24.6%	48.7%
Dom. Russian Fed. ⁴	1.5%	2.7%	6.8%	-3.3%	82.4%	-26.1%	-14.0%	-11.7%	72.1%
Domestic US ⁴	14.0%	-65.0%	-49.3%	-25.6%	57.0%	-59.1%	-41.2%	-26.1%	59.5%

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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