

Air travel recovery resumed in September

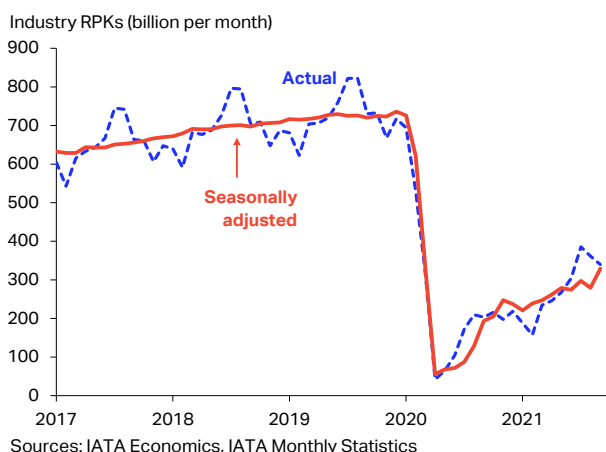
- Global air travel picked up in September, following a slight deterioration in the previous month. Industry-wide revenue passenger kilometres (RPKs) were down 53% compared with pre-crisis 2019. In month-on-month terms, RPKs rose by 18% – a robust improvement, but from a very low base.
- This month's growth can be largely attributed to the recovery in domestic markets, in particular China where some travel curbs that had been implemented during COVID outbreaks in August were lifted.
- Travel bookings point to further passenger growth across domestic and international markets, but any significant improvement looks unlikely in the near-term.

Air travel recovery resumed after a pause in August

Air travel picked up in September, after a slight deterioration in the previous month, but remained well below pre-crisis levels. Industry-wide revenue passenger-kilometres (RPKs) fell by 53% compared with pre-crisis September 2019, vs. a 56% contraction in August. In month-on-month terms, RPKs rose by 18% (red line in **Chart 1**) – a robust improvement but from a very low base.

The performance in passenger traffic was mixed across regions. While Asia Pacific airlines reported a 9 percentage points (ppts) reduction in the fall in RPKs compared with August on the back of China's recovery, the contraction accelerated slightly in Europe and Africa (to -50% and -61% vs. Sept 2019, respectively).

Chart 1 – Global air passenger volumes (RPKs)

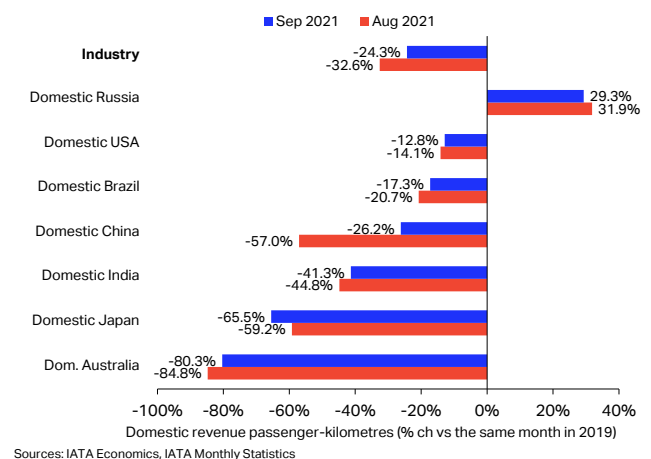


Domestic markets dominated the recovery

Developments in domestic traffic were the key driver behind the industry-wide improvement. Aggregated domestic RPKs fell by 24% compared with September 2019 – an uptick on a 33% fall in August (**Chart 2**).

Russia remained the fastest growing key domestic market for the ninth consecutive month (+29% vs. 2019), benefitting from booming domestic tourism and relatively loose travel restrictions on domestic routes. That said, the ticket sales have been falling recently amidst new stay-at-home rules and the approaching less tourist-friendly winter season. This indicates that passenger growth might decelerate in this market in the coming months.

Chart 2 – Domestic RPK growth versus the same month in 2019, region of registration basis



Air passenger market overview - September 2021

To aid understanding, the table includes both % comparisons with pre-crisis 2019 months and 2020 months.

	World share ¹	September 2021 (% ch vs the same month in 2019)				September 2021 (% year-on-year)			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	-53.4%	-43.6%	-14.3%	67.6%	67.3%	51.1%	6.6%	67.6%
International	45.8%	-69.2%	-59.1%	-20.1%	61.6%	150.9%	88.6%	15.3%	61.6%
Domestic	54.2%	-24.3%	-14.7%	-9.3%	73.0%	33.8%	28.3%	3.0%	73.0%

¹% of industry RPKs in 2020

²Change in load factor vs same month in 2019

³Load factor level

Passenger volumes in the **US** domestic market – the second-best performer – reached 87% of the pre-crisis levels. Following the promising start of the summer season, the domestic RPK recovery paused in August due to new COVID outbreaks. However, September data showed a modest rebound in RPKs and travel bookings indicate that the growth should accelerate in October. Domestic **Brazil** market extended its gradual recovery amidst positive vaccination progress, reporting RPKs down 17% vs. pre-crisis September 2019.

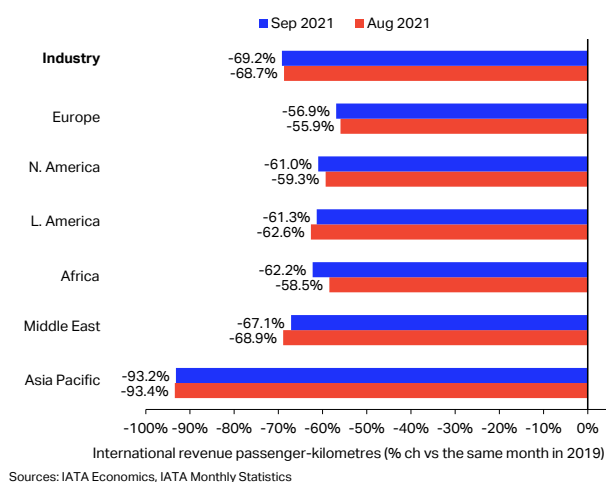
In **China**, domestic passenger traffic partly recovered from the dip in August (RPKs down 26% vs. 2019 in September) when many larger airports temporarily closed due to local COVID outbreaks but remained below its post-pandemic peak of May 2021. Moreover, new COVID curbs in October will continue to weigh on country's traffic recovery.

Domestic **India** traffic continued its V-shaped recovery, reaching 59% of 2019 levels in September. The prospects for the market are positive since domestic bookings continue rising and domestic capacity caps were lifted in October. In contrast, air travel remained weak in **Japan** and **Australia** in September due to the impact of restrictions, at 34% and 20% of pre-crisis 2019 levels respectively.

No improvement in global international travel

The contraction in global international RPKs stabilized in September, at -69% below 2019 levels (**Chart 3**). Traffic developments were muted across all regions.

Chart 3 – International RPK growth versus the same month in 2019 (airline region of registration basis)

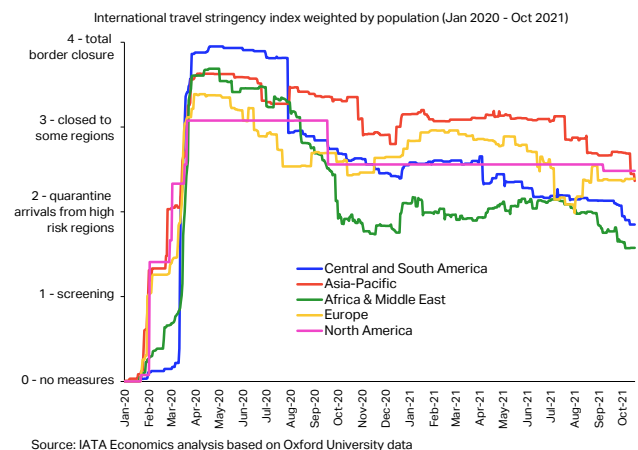


European airlines showed the most resilient outcome in the industry, largely on the back of the intra-European travel recovery. Their international RPKs were at 43% of pre-crisis levels. North American carriers were the second-best performers, reporting international RPKs at 39% of pre-crisis September 2019. The region continues to benefit from the robust

passenger demand in the short-haul North America - Central America market, where RPKs reached 92% of pre-crisis levels in September. The lack of any significant improvement in international travel in September could be partly explained by the start of less busy travel season and concerns about pandemic developments.

Travel restrictions were either unchanged or relaxed vs. August but remain overall elevated. The most progress in terms of border openings was achieved by the group of African and the Middle Eastern countries and in Latin America (**Chart 4**), in particular in Egypt and Chile that completely opened up. The long-time closed Asia Pacific region has also started to show some signs of easing of restrictions, for instance in India and Singapore. That said, China has not lifted its zero COVID policy yet and keeps its borders largely closed. There were no particular changes in restrictions in Europe and North America.

Chart 4: Stringency of g'vnmt int'l travel measures

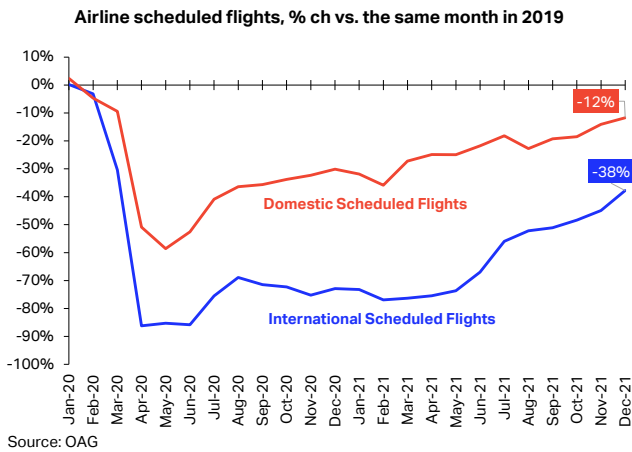


Capacity recovery back on track

Same as for RPKs, global seat capacity recovered from the temporary weakness in August. Industry-wide seat-kilometres (ASKs) were down by 44% in September, after a 46% contraction in August. All regions showed smaller ASK falls but Europe, where the rate of capacity decline was unchanged. Asia Pacific airlines reported the most significant capacity recovery this month (ASK contraction eased by 8ppts to -59%), although this can be largely attributed to partial return of China domestic capacity.

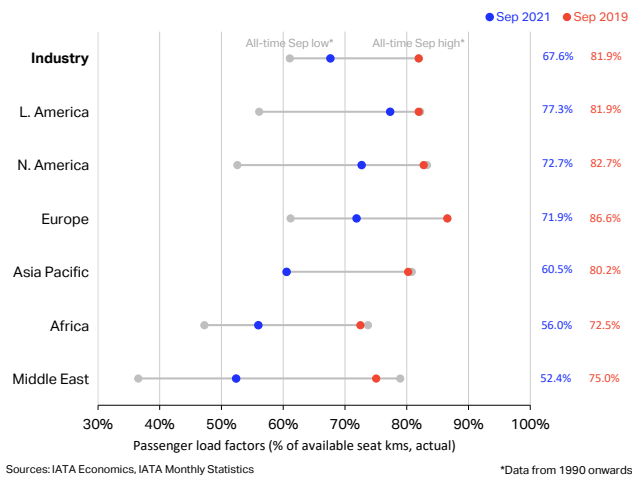
Looking ahead, there are indications that passenger capacity should continue to improve further. Global flight schedules show that airlines have become increasingly optimistic about adding more capacity back to the market by the year-end; domestic and international flights should reach 88% and 62% of pre-crisis levels, respectively, this December (**Chart 5**). That said, these schedules are still subject to revision and will depend on the near-term pandemic developments around the world.

Chart 5: Airline flight schedules, global level



The recovery in the global passenger load factor (PLF) has been stalling throughout 2021. In September, the industry-wide metric was 14 ppts below pre-crisis 2019, at 67.6% (Chart 6) – little improvement vs. August, when it was down 15ppts. However, regions show some variation. While PLFs have been approaching pre-crisis levels in the Americas, they remained very low in the Middle East and Africa.

Chart 6 – Passenger load factor by region



Travel bookings rise, but slowly...

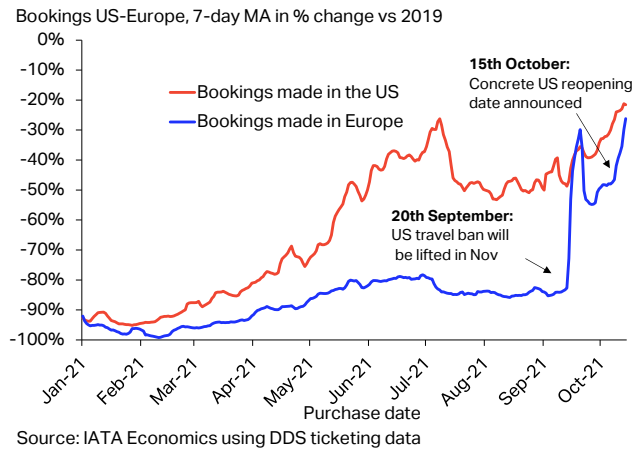
The latest developments in key demand drivers and travel bookings indicate that air travel recovery will continue, although any significant improvement looks unlikely before the year-end.

Vaccination rates have been rising around the world, albeit slowly. Nearly half of the global population has received at least one vaccine dose as of October, but large differences remain across advanced and emerging markets. These differences are further exacerbated by the growing need for booster shots. An additional challenge is vaccine hesitancy, which makes countries vulnerable to new COVID outbreaks and prevents them from lifting all control measures.

The vaccine progress in advanced economies combined with falling virus cases has allowed a more

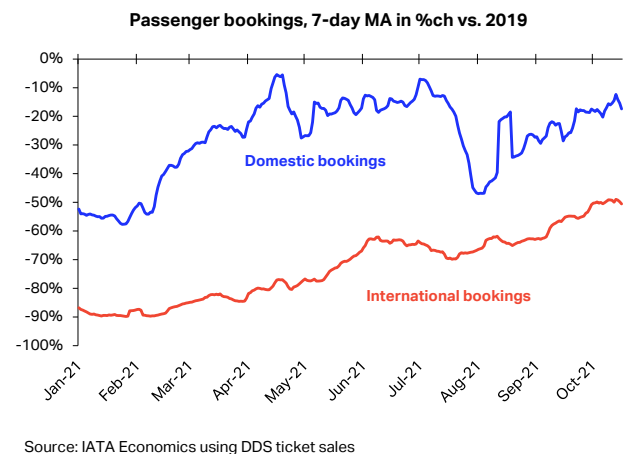
significant reopening of some larger international markets. The US announced that it will re-open to fully vaccinated foreign travelers from November 8th, which was immediately followed by a sharp spike in bookings on North Atlantic routes (Chart 7). There has been also rising optimism around the reopening of some countries in the long-closed Asia Pacific region. One example is Australia, that plans to reopen its external borders in November – although only for vaccinated citizens and their families. That said, many key routes, especially long-haul, remain closed.

Chart 7: Passenger bookings in North Atlantic route



Despite the promising rise in bookings on some routes, the aggregated global domestic and international bookings do not indicate any significant acceleration in air recovery in the near-term (Chart 8).

Chart 8: Trends in passenger bookings (dom. vs. int'l)



One of the latest challenges to the air travel rebound is rising inflation around the world. Should the trend in soaring prices continue, it might slow the economic activity and eat up the savings that people accumulated during the pandemic. This might in turn negatively impact travelers' plans for future travel.

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Air passenger market detail - September 2021

To aid understanding, the table includes both % comparisons with pre-crisis 2019 months and 2020 months.

	World share ¹	September 2021 (% ch vs the same month in 2019)				September 2021 (% year-on-year, 2020)			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	-53.4%	-43.6%	-14.3%	67.6%	67.3%	51.1%	6.6%	67.6%
Africa	1.9%	-61.4%	-49.9%	-16.5%	56.0%	129.2%	93.4%	8.7%	56.0%
Asia Pacific	38.6%	-69.0%	-58.9%	-19.7%	60.5%	-16.0%	-3.4%	-9.1%	60.5%
Europe	23.7%	-50.3%	-40.1%	-14.7%	71.9%	96.0%	66.9%	10.7%	71.9%
Latin America	5.7%	-39.4%	-35.7%	-4.6%	77.3%	153.9%	133.3%	6.3%	77.3%
Middle East	7.4%	-65.9%	-51.1%	-22.7%	52.4%	184.1%	98.2%	15.8%	52.4%
North America	22.7%	-30.5%	-20.8%	-10.1%	72.7%	171.4%	96.3%	20.1%	72.7%
International	45.8%	-69.2%	-59.1%	-20.1%	61.6%	150.9%	88.6%	15.3%	61.6%
Africa	1.6%	-62.2%	-49.3%	-18.4%	53.7%	133.4%	92.6%	9.4%	53.7%
Asia Pacific	11.0%	-93.2%	-85.2%	-42.3%	36.2%	44.9%	37.2%	1.9%	36.2%
Europe	18.6%	-56.9%	-46.3%	-17.2%	69.6%	126.8%	80.3%	14.3%	69.6%
Latin America	2.2%	-61.3%	-55.6%	-10.7%	72.0%	409.1%	277.7%	18.6%	72.0%
Middle East	7.0%	-67.1%	-52.6%	-23.1%	52.2%	204.9%	101.8%	17.7%	52.2%
North America	5.4%	-61.0%	-47.6%	-21.3%	61.9%	320.4%	137.7%	26.9%	61.9%
Domestic	54.2%	-24.3%	-14.7%	-9.3%	73.0%	33.8%	28.3%	3.0%	73.0%
Dom. Australia ⁴	0.7%	-80.3%	-71.2%	-26.2%	56.2%	47.8%	48.5%	-0.3%	56.2%
Domestic Brazil ⁴	1.6%	-17.3%	-16.8%	-0.5%	81.2%	85.2%	83.9%	0.6%	81.2%
Dom. China P.R. ⁴	19.9%	-26.2%	-10.5%	-14.6%	68.9%	-24.1%	-12.5%	-10.5%	68.9%
Domestic India ⁴	2.1%	-41.3%	-30.5%	-13.4%	72.4%	61.6%	44.1%	7.8%	72.4%
Domestic Japan ⁴	1.4%	-65.5%	-34.5%	-36.7%	40.9%	-16.4%	18.2%	-16.9%	40.9%
Dom. Russian Fed. ⁴	3.4%	29.3%	33.3%	-2.6%	83.1%	26.0%	24.8%	0.8%	83.1%
Domestic US ⁴	16.6%	-12.8%	-5.5%	-6.5%	76.1%	148.0%	85.1%	19.3%	76.1%

¹% of industry RPKs in 2020

²Change in load factor vs same month in 2019

³Load factor level

⁴Note: the seven domestic passenger markets for which broken-down data are available account for approximately 46% of global total RPKs and 84% 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.

Year-to-date developments (Jan. - Sept. 2021 vs. Jan. - Sept. 2019)

	Year-to-date (% ch vs the same period in 2019)			
	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	-62.2%	-52.3%	-17.1%	65.7%
Asia Pacific	-67.0%	-57.2%	-18.7%	63.3%
Europe	-67.8%	-58.7%	-18.8%	66.7%
Latin America	-53.5%	-48.7%	-7.7%	75.0%
Middle East	-75.3%	-59.6%	-29.7%	46.9%
North America	-44.2%	-33.7%	-13.5%	71.7%

¹% of industry RPKs in 2020

²Change in load factor vs same period in 2019

³Load factor level

	Year-to-date (% ch vs the same period in 2019)					Year-to-date (% ch vs the same period in 2019)			
	RPK	ASK	PLF (%-pt) ²	PLF (level) ³		RPK	ASK	PLF (%-pt) ²	PLF (level) ³
Domestic	-30.0%	-20.4%	-10.2%	73.7%	International	-80.2%	-69.9%	-28.1%	54.2%
Dom. Australia	-61.4%	-50.9%	-17.1%	62.8%	Asia Pacific	-94.5%	-86.5%	-47.8%	33.2%
Domestic Brazil	-34.4%	-31.9%	-3.1%	79.3%	Europe	-74.7%	-65.1%	-23.7%	62.1%
Dom. China P.R.	-19.7%	-6.5%	-12.0%	73.0%	Latin America	-73.3%	-67.3%	-15.3%	67.9%
Domestic India	-50.2%	-35.6%	-19.7%	67.7%	Middle East	-76.7%	-61.5%	-30.3%	46.5%
Domestic Japan	-63.5%	-40.4%	-28.4%	44.8%	North America	-71.0%	-56.7%	-27.9%	56.5%
Dom. Russian Fed.	21.6%	21.9%	-0.2%	83.7%					
Domestic US	-28.3%	-19.5%	-9.3%	76.3%					

¹% of industry RPKs in 2020

²Change in load factor vs same period in 2019

³Load factor level

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