



# Air Passenger Market Analysis

July 2021

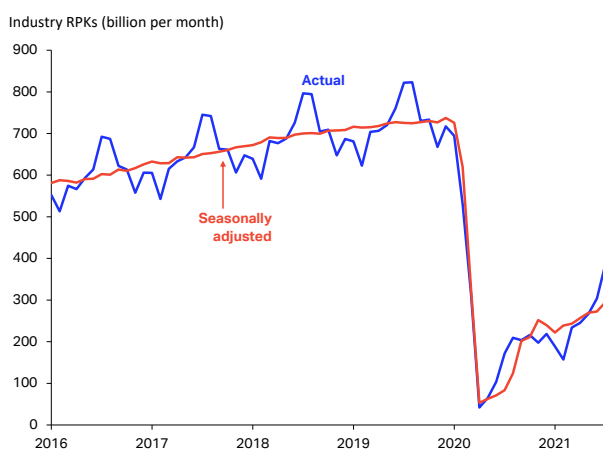
## Air travel rebounded in July, but risks are rising

- Rebound in global air travel continued for another month supported by willingness to travel during the northern hemisphere summer. Industry-wide revenue passenger kilometres (RPKs) fell by 53.1% in July 2021 vs. July 2019 compared with a 60.0% contraction in June. In month-on-month terms, RPKs picked up by a robust 8.0%.
- Amongst key domestic markets, Russia posted the best outcome for another month, supported by booming domestic tourism. On the other hand, recovery reverted in Australia amidst new travel restrictions imposed to fight new COVID wave. International traffic improved slightly across all regions, but it remained well below 2019 levels.
- Bookings for August travel have been falling. The weakness has been largely driven by China domestic market where the latest COVID outbreak resulted in a shutdown of many important routes.

### Demand picked up across all regions in July

Global air travel recovery improved in July, supported by vaccine rollout and appetite for travel during the traditionally busy northern hemisphere summer. Industry-wide revenue passenger kilometres (RPKs) fell by 53.1% compared with pre-crisis July 2019 – a robust improvement on a 60.0% fall in June. In month-on-month terms, RPKs picked up by 8.0% (the red line in **Chart 1**) – the fastest growth since November 2020. All regions that we tracked this month contributed to the uptick, most significantly Europe (note that Africa data is not available this month).

**Chart 1** – Global air passenger volumes (RPKs)



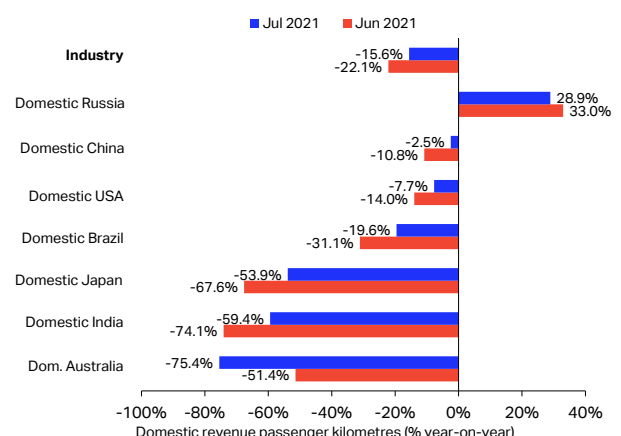
Sources: IATA Economics, IATA Monthly Statistics

### Domestic recovery remains uneven

Aggregated domestic RPKs continued to recover, reaching nearly 85% of the pre-pandemic levels in July

**(Chart 2).** Amongst the key domestic markets, Russia posted the best result for another month, with RPKs up a robust 28.9% vs. July 2019. The travel demand in the country remains supported by booming domestic tourism while many of the popular international destinations keep being closed. Unsurprisingly, cities on a seashore have been enjoying popularity during the summer (domestic passenger arrivals to Sochi up 64% based on June data). The second-best performer was China, where July domestic RPKs partly offset the 10.8% fall in June as some of the domestic restrictions were eased. However, passenger volumes in the country remained below the pre-crisis levels (-2.5% vs. July 2019).

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



Sources: IATA Economics, IATA Monthly Statistics

## Air passenger market overview - July 2021

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

	World share <sup>1</sup>	July 2021 (% ch vs the same month in 2019)				July 2021 (% year-on-year)			
		RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>	RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>
<b>TOTAL MARKET</b>	<b>100.0%</b>	<b>-53.1%</b>	<b>-45.2%</b>	<b>-12.4%</b>	<b>73.1%</b>	<b>123.9%</b>	<b>80.0%</b>	<b>14.3%</b>	<b>73.1%</b>
International	45.8%	-73.6%	-63.8%	-23.1%	62.1%	197.6%	133.8%	13.3%	62.1%
Domestic	54.2%	-15.6%	-10.7%	-4.8%	81.4%	96.1%	53.5%	17.7%	81.4%

<sup>1</sup>% of industry RPKs in 2020

<sup>2</sup>Change in load factor vs. the same month in 2019

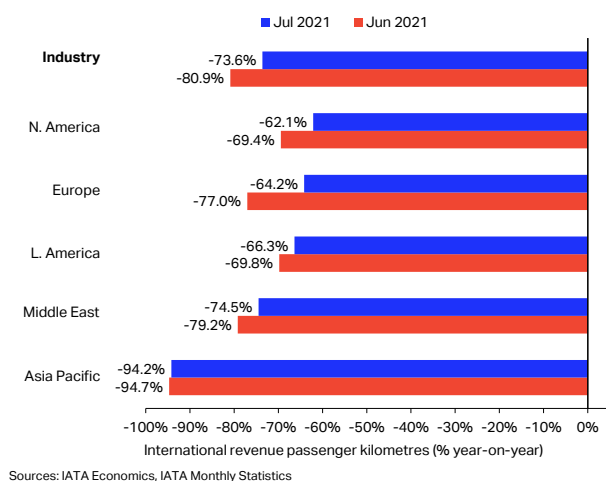
<sup>3</sup>Load factor level

Positive developments continued in the US and Brazil domestic markets where domestic RPK contraction eased to 7.7% and 19.6%, respectively (both vs. July 2019 levels). In the two countries, vaccine rollout has been one of the key contributors to the travel recovery. In the remaining three key domestic markets (Japan, India and Australia), passenger volumes were down by still significant 50-60% in July 2021 vs. two years ago. However, while there has been some improvement in India and Japan recently, the traffic recovery reverted in Australia amidst new strict restrictions to limit Delta variant spread (RPK decline accelerated by 24ppts, to -75.4% (vs. July 2021)).

### Another month of gain in international traffic

Gradual recovery in international air travel continued in July. Aggregated international RPKs fell by 73.6% compared with July 2019 – a 7.3ppts uptick on the decline in the same metric in June (**Chart 3**). Month-on-month, int'l RPKs rose by 8.4%. All regions contributed to the better outcome this month. North American carriers showed the most resilient result (-62.1%) closely followed by European airlines that were supported by recovering intra-European traffic. On the other hand, the Asia Pacific region ended at the bottom of the chart for another month due to still elevated travel restrictions.

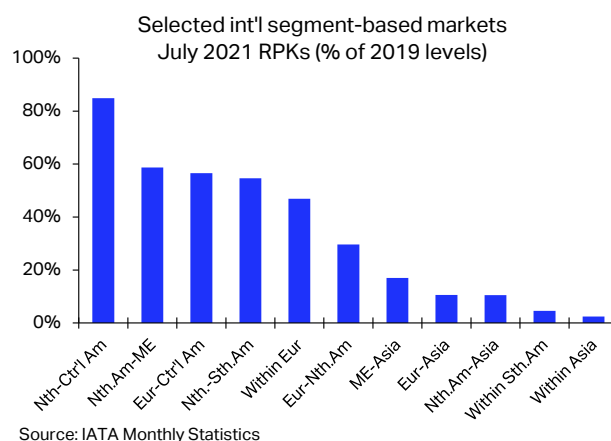
**Chart 3** – International RPK growth versus the same month in 2019 (airline region of registration basis)



Amongst the key segment based international markets, Central America-North America has been significantly outperforming the rest of the industry (**Chart 4**), benefitting from the proximity between the two areas and relatively less strict restrictions compared with the rest of the world. In contrast, Within Asia routes remain the weakest, with RPKs at only 2.0% of pre-crisis levels in July as they face some of the highest travel restrictions globally. Overall, passenger traffic on most of the largest international routes such as Asia-North America and Asia-Europe

remains subdued since long-haul connections are still largely closed.

**Chart 4:** International RPKs by route (segment based)



### Europe showed the fastest capacity growth in July

Global seat capacity trended higher in July in order to accommodate the slowly rising passenger demand. Industry-wide available seat kilometres (ASK) fell by 45.2% vs. July 2019 vs. a 51.6% fall in June. At the regional level, European carriers showed the largest capacity growth (+26% m-o-m) although their ASKs were still about half of the pre-crisis levels. The capacity recovery in the region was lagging the rest of the world due to strict lockdowns that grounded int'l travel – Europe's key source of traffic before the pandemic. However, the recent reopening of the intra-European borders reverted the odds and helped to boost European airlines' ASK recovery since May.

International capacity rebounded across all regions that we tracked in July, most notably in Europe and the Middle East. Overall, aggregated international ASKs were down 63.8% vs. two years ago. Domestic capacity reached nearly 90% of pre-pandemic levels this month and most key domestic markets posted capacity growth vs. June. The only outlier was Australia, where the latest lockdowns erased 2021 gains and sent ASKs back to December 2020 levels.

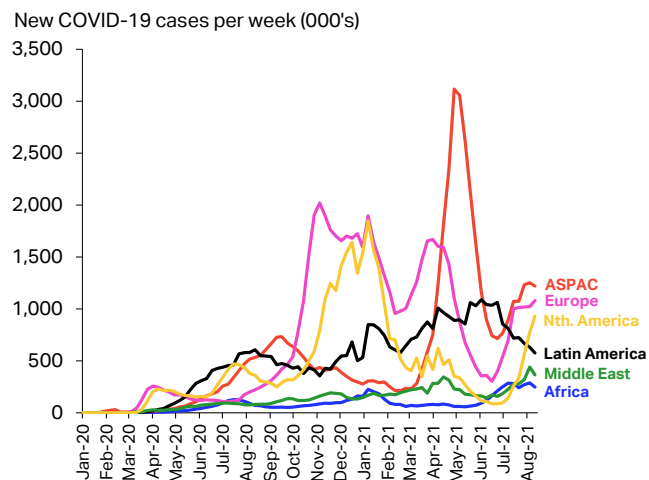
Industry-wide passenger load factor (PLF) reached 73.1% – down 12.4 ppts vs. July 2019. Domestic load factors continued to significantly outperform their international counterpart (81.4% vs. 62.1%), which is consistent with faster domestic demand recovery. At the regional level, North American airlines reported the highest load factor at 84.1%.

### Risks to air travel recovery are rising

Despite the positive RPK developments observed in July, the uncertainty about air travel recovery is rising sharply due to fast spread of Delta variant around the world. At the global level, the number of confirmed COVID infections per week reached approximately 4.5 million in mid-August – nearly double the amount

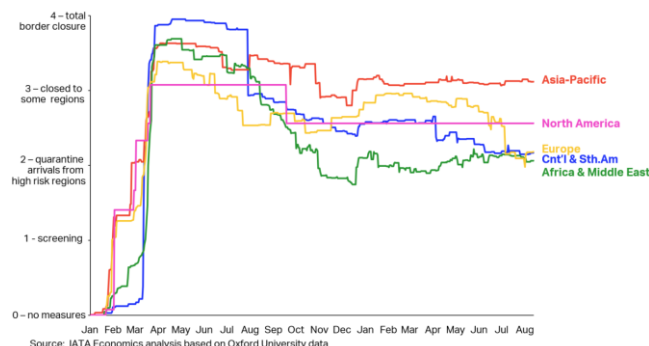
compared with mid-June. At the regional level, the cases were rising the most in Asia Pacific, Europe and North America (**Chart 5**).

**Chart 5: COVID-19 cases**



The resurgence of the virus might bring back stricter travel restrictions and potentially also lockdowns in regions where measures started to be relaxed recently, such as Europe (**Chart 6**). This can in turn stop or reverse the little progress in international travel we have seen so far.

**Chart 6 – Stringency of government international air travel measures by region**



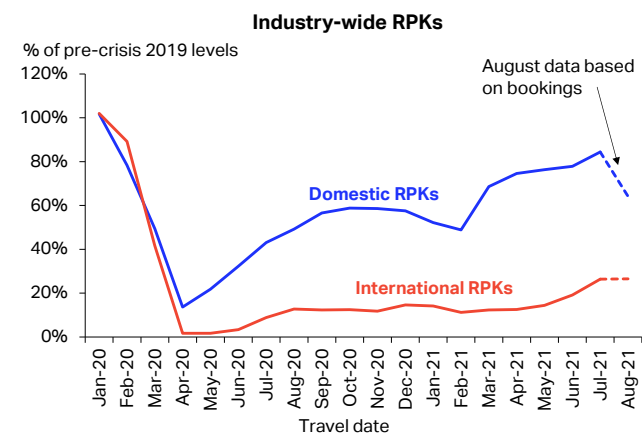
The macroeconomic drivers of air travel demand remain supportive for now. The latest global manufacturing PMI was at 54, indicating that the global economy continues to recover. Moreover, consumer confidence hovers close to pre-crisis levels, which means that consumers are becoming more positive about their personal finances and might be willing to spend money on air travel. However, these developments will have little impact on passenger numbers if borders close again or if entry quarantine requirements are reimposed.

The latest bookings show that the new pandemic wave has already started to take its toll on travel demand.

**Chart 7** displays domestic and international market traffic, including August data indicated by ticket sales. In international markets, the recovery observed since May stalled in August. More importantly, the bookings

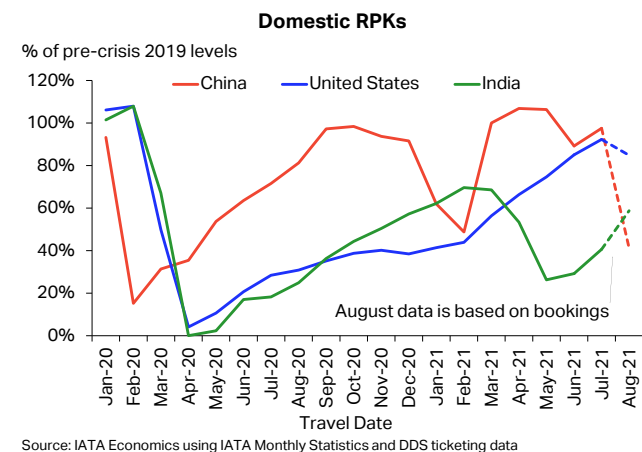
show that the passenger traffic on the previously outperforming domestic routes is falling. This is not good news since it has been domestic markets that were driving the industry rebound during the crisis.

**Chart 7: Trends in passenger bookings (dom. vs. int'l)**



A more detailed view shows that the drop in aggregated domestic bookings in August has been largely driven by a sharp fall in China market (**Chart 8**), as the country imposed strict domestic travel restrictions amid a growing spread of the Delta variant. The bookings indicate that the extent of the fall might be similar to the one experienced during the Chinese New Year in February 2021.

**Chart 8: Domestic RPKs – selected markets**



However, it's not all bad news. In late August, China reported no new local COVID cases, which brings some hope that the country's domestic traffic deterioration might be short-lived. In the US, RPKs reached 92% of the pre-crisis levels in July and August bookings for now hint that there should not be any significant deterioration in the next month's results. Some of the most positive progress has been observed in India recently, where domestic traffic bounced back quickly following easing of travel restrictions.

## Air passenger market detail - July 2021

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

	World share <sup>1</sup>	July 2021 (% ch vs the same month in 2019)				July 2021 (% year-on-year)			
		RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>	RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>
<b>TOTAL MARKET</b>	<b>100.0%</b>	<b>-53.1%</b>	<b>-45.2%</b>	<b>-12.4%</b>	<b>73.1%</b>	<b>123.9%</b>	<b>80.0%</b>	<b>14.3%</b>	<b>73.1%</b>
Asia Pacific	38.6%	-62.7%	-54.1%	-15.4%	67.5%	33.1%	30.9%	1.1%	67.5%
Europe	23.7%	-56.5%	-46.5%	-16.5%	72.5%	121.2%	92.6%	9.4%	72.5%
Latin America	5.7%	-44.5%	-40.5%	-5.8%	79.3%	318.3%	249.5%	13.0%	79.3%
Middle East	7.4%	-73.2%	-57.5%	-30.0%	51.3%	227.7%	153.6%	11.6%	51.3%
North America	22.7%	-28.5%	-24.7%	-4.5%	84.1%	254.8%	101.3%	36.4%	84.1%
<b>International</b>	<b>45.8%</b>	<b>-73.6%</b>	<b>-63.8%</b>	<b>-23.1%</b>	<b>62.1%</b>	<b>197.6%</b>	<b>133.8%</b>	<b>13.3%</b>	<b>62.1%</b>
Asia Pacific	10.9%	-94.2%	-86.0%	-48.2%	34.3%	47.6%	65.5%	-4.1%	34.3%
Europe	18.6%	-64.2%	-53.8%	-19.9%	69.0%	157.3%	115.6%	11.2%	69.0%
Latin America	2.2%	-66.3%	-60.5%	-12.6%	72.9%	572.3%	424.1%	16.1%	72.9%
Middle East	7.0%	-74.5%	-59.5%	-30.1%	51.3%	240.1%	154.3%	12.9%	51.3%
North America	5.4%	-62.1%	-52.0%	-18.6%	69.3%	528.1%	222.7%	33.7%	69.3%
<b>Domestic</b>	<b>54.2%</b>	<b>-15.6%</b>	<b>-10.7%</b>	<b>-4.8%</b>	<b>81.4%</b>	<b>96.1%</b>	<b>53.5%</b>	<b>17.7%</b>	<b>81.4%</b>
Dom. Australia <sup>4</sup>	0.7%	-75.4%	-61.0%	-30.8%	52.4%	124.2%	150.0%	-6.0%	52.4%
Domestic Brazil <sup>4</sup>	1.6%	-19.6%	-18.0%	-1.7%	83.1%	261.1%	227.0%	7.8%	83.1%
Dom. China P.R. <sup>4</sup>	19.9%	-2.5%	6.2%	-7.0%	77.9%	36.2%	30.1%	3.5%	77.9%
Domestic India <sup>4</sup>	2.1%	-59.4%	-47.1%	-20.1%	66.5%	123.0%	96.1%	8.0%	66.5%
Domestic Japan <sup>4</sup>	1.4%	-53.9%	-36.1%	-20.0%	51.8%	29.6%	10.9%	7.5%	51.8%
Dom. Russian Fed. <sup>4</sup>	3.4%	28.9%	34.8%	-4.0%	88.2%	56.8%	35.9%	11.8%	88.2%
Domestic US <sup>4</sup>	16.6%	-7.7%	-7.1%	-0.6%	88.7%	225.2%	82.3%	39.0%	88.7%

<sup>1</sup>% of industry RPKs in 2020

<sup>2</sup>Change in load factor vs. the same month in 2019

<sup>3</sup>Load factor level

<sup>4</sup>Note: 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. - July 2021 vs. Jan. - July 2019)

	Year-to-date (% ch vs the same period in 2019)			
	RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>
<b>TOTAL MARKET</b>	<b>-64.5%</b>	<b>-54.7%</b>	<b>-17.9%</b>	<b>64.7%</b>
Asia Pacific	-64.8%	-55.4%	-17.2%	64.7%
Europe	-74.1%	-65.3%	-21.5%	63.2%
Latin America	-57.1%	-52.0%	-8.8%	74.0%
Middle East	-78.9%	-63.1%	-32.7%	43.4%
North America	-48.0%	-36.9%	-14.9%	70.2%

<sup>1</sup>% of industry RPKs in 2020

<sup>2</sup>Change in load factor vs same period in 2019

<sup>3</sup>Load factor level

#### Year-to-date (% ch vs the same period in 2019)

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	RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>		RPK	ASK	PLF (%-pt) <sup>2</sup>	PLF (level) <sup>3</sup>
<b>Domestic</b>	<b>-30.2%</b>	<b>-20.7%</b>	<b>-10.1%</b>	<b>73.7%</b>	<b>International</b>	<b>-83.9%</b>	<b>-73.4%</b>	<b>-32.1%</b>	<b>49.8%</b>
Dom. Australia	-53.5%	-43.4%	-14.1%	65.1%	Asia Pacific	-94.7%	-86.7%	-48.7%	32.4%
Domestic Brazil	-38.9%	-36.0%	-3.7%	78.9%	Europe	-81.0%	-71.8%	-27.9%	57.2%
Dom. China P.R.	-12.7%	-1.2%	-9.9%	74.9%	Latin America	-76.5%	-70.2%	-17.6%	65.5%
Domestic India	-52.1%	-36.3%	-21.7%	66.2%	Middle East	-80.4%	-65.0%	-33.5%	42.6%
Domestic Japan	-63.8%	-42.9%	-26.1%	45.2%	North America	-74.4%	-59.1%	-31.4%	52.5%
Dom. Russian Fed.	18.3%	18.1%	0.1%	82.4%					
Domestic US	-32.2%	-23.1%	-10.2%	75.6%					

<sup>1</sup>% of industry RPKs in 2020

<sup>2</sup>Change in load factor vs same period in 2019

<sup>3</sup>Load factor level

<sup>1</sup>% of industry RPKs in 2020

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