Air Passenger Market Analysis

July 2023

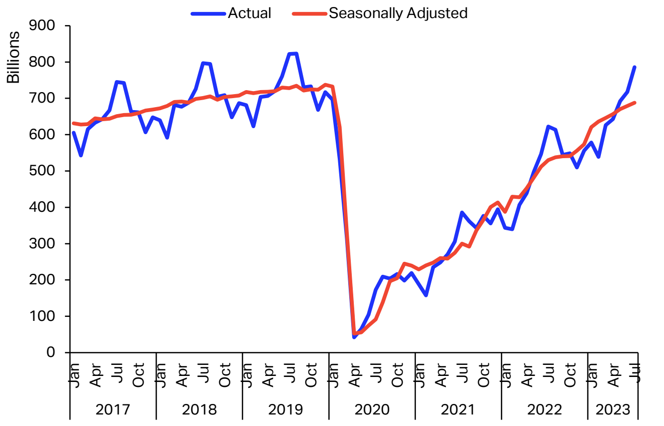
Robust growth in domestic RPKs bolsters global recovery

- Industry-wide revenue passenger-kilometers (RPKs) increased 26.2% year-on-year (YoY) in July, reaching 95.6% of the traffic numbers seen in 2019. Available seat-kilometers (ASKs) also saw a strong growth of 23.7% YoY, totaling 96.1% of the pre-pandemic capacity.
- Domestic passenger traffic reached an all-time high and rose 8.3% over 2019 levels, mainly driven by the surge in PR China, where domestic RPKs grew by 22.5% relative to 2019 figures.
- The recovery of international traffic remained stable in July, with industry-wide international RPKs standing at 11.3% below pre-covid levels.
- Passenger load factors approached the levels achieved in 2019, reaching an industry-wide average of 85.2%, only 0.4 percentage points (ppts) away from full recovery. The latest forward-looking ticket sales indicate that this recovery momentum is expected to continue in the near term.

Steady traffic growth continued in July…

Industry-wide revenue passenger-kilometers (RPKs) continued to expand in July, growing 26.2% year-on-year (YoY). In seasonally-adjusted terms, total passenger traffic climbed 1.7% month-on-month (MoM). This growth aligns with the steady recovery trend observed in the industry over the past seven months, exhibiting a slowing but resilient growth momentum (**Chart 1**).

Chart 1 – Global air passengers, revenue-passenger kilometers (RPKs), billions per month



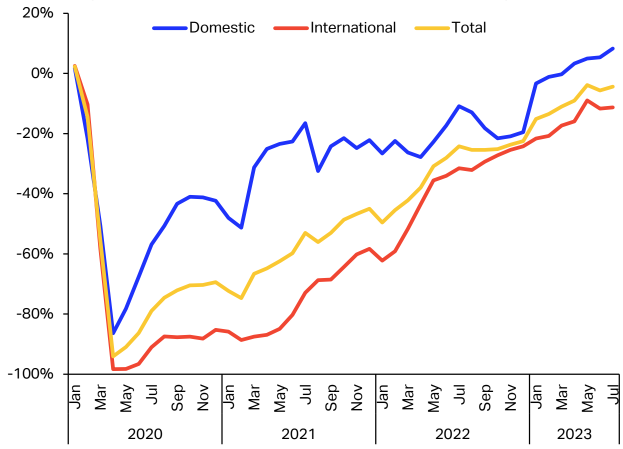
Sources: IATA Sustainability and Economics, IATA Monthly Statistics

Seat capacity, measured in available seat-kilometers (ASKs), increased 23.7% YoY, and 1.5% MoM in seasonally-adjusted terms. Industry-wide RPKs and ASKs were still 4.4% and 3.9% below 2019 levels, respectively. Overall, seat capacity growth aligned with the expansion of passenger traffic in July.

…while the recoveries in international and domestic RPKs diverged

The recovery in international traffic steadied this month as RPKs stood 11.3% under pre-pandemic levels, a modest 0.5 percentage point (ppt) improvement from the previous month. In contrast, domestic traffic expanded further and continued to rise over 2019 levels, achieving 8.3% growth over July 2019 levels and reaching an all-time high record, a development attributable to the strong performance of major markets and PR China in particular (**Chart 2**).

Chart 2 – Global domestic and international revenue passenger-kilometers (RPKs), YoY% change vs. 2019



Sources: IATA Sustainability and Economics, IATA Monthly Statistics

Air passenger market in detail - July 2023

	World share[1]	July 2023 (% year-on-year)				July 2023 (% ch vs the same month in 2019)			
		RPK	ASK	PLF (%-pt)[2]	PLF (level)[3]	RPK	ASK	PLF (%-pt)[2]	PLF (level)[3]
TOTAL MARKET	***100.0%***	**26.2%**	**23.7%**	**1.7%**	**85.2%**	**-4.4%**	**-3.9%**	**-0.4%**	**85.2%**
International	*58.1%*	29.6%	28.9%	0.5%	85.7%	-11.3%	-11.7%	0.4%	85.7%
Domestic	*41.9%*	21.5%	16.7%	3.3%	84.5%	8.3%	10.4%	-1.7%	84.5%

[1]% of industry RPKs in 2022 [2]Change in load factor [3]Load factor level

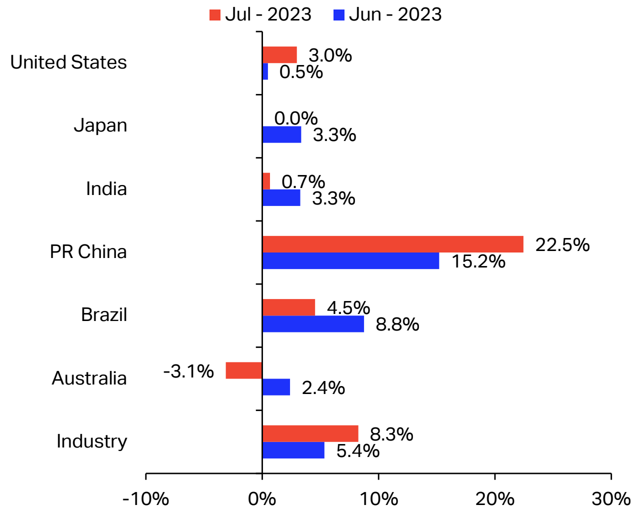
Domestic passenger traffic surged in China…

Domestic RPKs in China grew 22.5% compared to July 2019 and 71.9% YoY, propelled by record high domestic tourism (**Chart 3**). Seat capacity performed by Chinese airlines was 31.3% higher than July 2019 levels, outpacing passenger demand. The average passenger load factor in the country was only 5.7 ppts lower than pre-pandemic levels, reaching 79.2%.

In India, domestic RPKs rose 21.1% YoY and by 0.7% compared to 2019 levels. Over the past months, India has seen an uninterrupted positive growth pattern, in seasonally-adjusted terms, indicating that domestic traffic is likely to resume its expansion.

July was the third consecutive month where Japan's domestic traffic had fully recovered, with RPKs equalling those of 2019 levels and seat capacity only 1.2 ppts short on pre-pandemic ASKs. In Australia, passenger flows still trended near 2019 levels, as July numbers rose 3.5% YoY and were 3.1% short of full recovery.

Chart 3 – Domestic RPK growth by market, YoY% change vs. 2019



Sources: IATA Sustainability and Economics, IATA Monthly Statistics

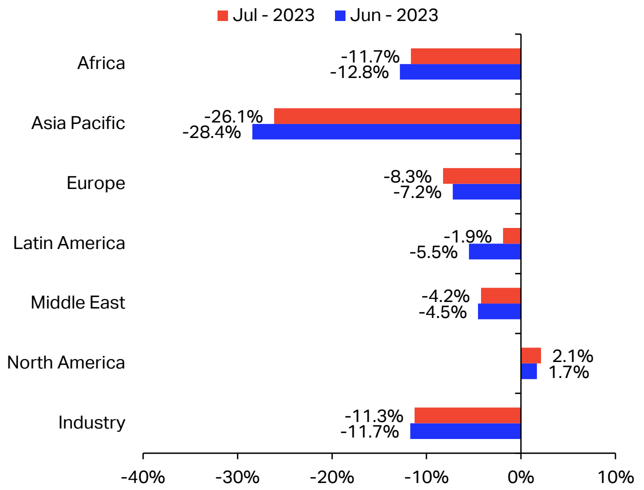
The US market still boasts strong results, with RPKs 3.0% above the pre-covid level, 11.1% YoY growth, and an average load factor within pre-pandemic territory. Brazil saw full monthly recovery for the third consecutive month, as domestic RPKs increased 4.5% on July 2019 levels (**Chart 3**). Both markets have exhibited overall growth trends over the past several months.

… but global international recovery slowed down

In July, industry-wide international RPKs and ASKs increased 29.6% and 28.9% YoY, respectively. Compared to 2019 levels, growth in passenger traffic also slightly outpaced growth in seat capacity. Overall, the industry load factor was 0.5 ppts and 0.4 ppts higher than last year and 2019 levels. While international traffic continues to ramp up, the recovery momentum steadied this month as regions faced different challenges.

Asia Pacific carriers doubled their international passenger traffic over the year, surging 105.8% YoY but remaining 26.1% lower than July 2019 numbers (**Chart 4**). The current state of international recovery diverges greatly from the overall performance of the region, primarily due to the slow rebound of intra-regional and inter-regional tourism.

Chart 4 – International RPK growth by airline region of registration, YoY% change versus 2019



Sources: IATA Sustainability and Economics, IATA Monthly Statistics

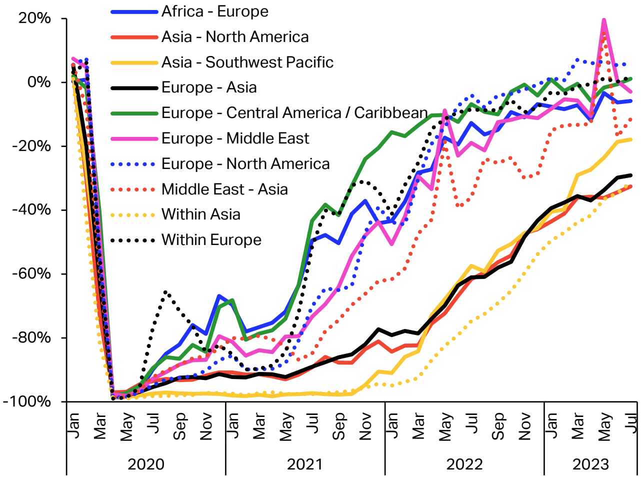
International RPKs for North American airlines outperformed pre-pandemic levels this month by 2.1%, with an average load factor of 90.3% (**Chart 4**).

Compared to the previous year, international traffic for the region's airlines increased by 17.7%. Consistent with these positive trends, most route areas from North America continued to exceed pre-pandemic levels in July, especially those connecting markets in the Middle East and in Central America. The major Europe - North America route area expanded international RPKs by 6.0% compared to those of July 2019. Passenger flows on major routes between Asia Pacific and the rest of the world continued to increase in July (**Chart 5**).

International RPKs performed by European carriers grew 17.7% YoY and were 8.3% short on 2019 figures. In the region, the month of July was challenging as it was marked by strikes and exceptional weather conditions that caused traffic disruptions. Nonetheless, international RPKs within Europe rose 1.7% over pre-pandemic levels.

Latin American airlines have taken another significant step toward complete international traffic recovery this month, with international RPKs only 1.9 ppts lower than 2019 levels. The routes connecting Latin America to the rest of the world have shown a similar trend, mirroring the airlines' performance. Specifically, international traffic within Central America has surged 15.8% compared to 2019 levels, and the major Europe – Central America/Caribbean route area has fully recovered (**Chart 5**).

Chart 5 – International RPKs, YoY% change vs. 2019 – Top 10 route areas in 2019



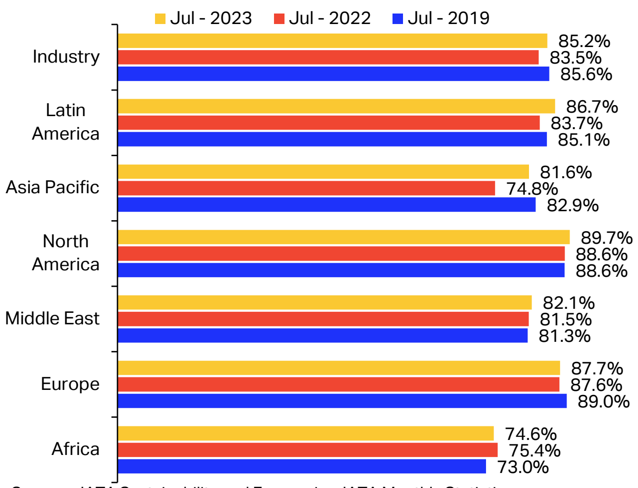
Sources: IATA Sustainability and Economics, IATA Monthly Statistics

For the Middle East, international recovery remained on track with passenger traffic up 22.6% YoY (down 4.2% on pre-covid levels). In Africa, international RPKs grew 25.6% YoY and remained 11.7% under 2019 levels.

High load factors recorded across all regions

All regions have seen improved passenger load factors, approaching pre-pandemic levels (**Chart 6**). However, this was achieved with less passenger traffic, marking a significant improvement from the previous year. Higher load factors amidst a period of continuous traffic recovery signal sustained high demand for air travel.

Chart 6 – Passenger load factors (PLF) by airline region of registration, total traffic



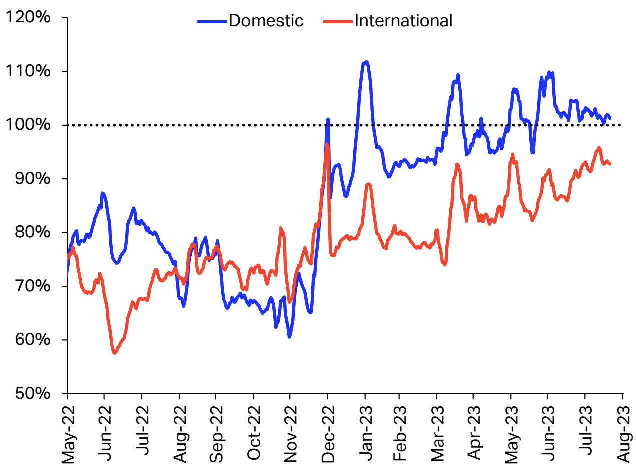
Sources: IATA Sustainability and Economics, IATA Monthly Statistics

Notably, the industry-wide load factor approached the all-time high level of 85.7% reached in August 2019. The industry average international load factor established a new record in July 2023, climbing up to 85.7%. This is an important development for the financial health of airlines, particularly in consideration of the current economic headwinds on consumers.

Ticket sales indicate sustained demand in upcoming months

As the third quarter draws to a close, ticket sales for domestic travel are trending slightly downwards, while international ticket sales have seen a slight acceleration in recovery **(Chart 7)**. Across regions, demand was resilient in comparison to 2019 sales levels for both international and domestic travel. Ticket sales for travel from and to Asia Pacific have seen different develoments, with the recovery in international ticket sales rapidly approaching the resoration of domestic ticket sales. Overall, ticket sales continue to give a positive near term demand outlook for the global industry.

Chart 7 – Ticket sales by purchase date, 7-day moving average - % share of 2019 levels



Sources: IATA Sustainability and Economics, DDS

Air passenger market in detail - July 2023

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TOTAL MARKET	*100.0%*	**26.2%**	**23.7%**	**1.7%**	**85.2%**	**-4.4%**	**-3.9%**	**-0.4%**	**85.2%**
Africa	*2.1%*	25.0%	26.3%	-0.8%	74.6%	-8.2%	-10.1%	1.5%	74.6%
Asia Pacific	*22.1%*	67.1%	53.4%	6.7%	81.6%	-8.8%	-7.3%	-1.3%	81.6%
Europe	*30.8%*	11.7%	11.5%	0.2%	87.7%	-5.5%	-4.1%	-1.3%	87.7%
Latin America	*6.4%*	15.5%	11.4%	3.1%	86.7%	3.9%	1.9%	1.6%	86.7%
Middle East	*9.8%*	21.9%	21.0%	0.6%	82.1%	-4.4%	-5.4%	0.8%	82.1%
North America	*28.8%*	13.2%	11.9%	1.0%	89.7%	2.4%	1.2%	1.0%	89.7%
International	*58.1%*	**29.6%**	**28.9%**	**0.5%**	**85.7%**	**-11.3%**	**-11.7%**	**0.4%**	**85.7%**
Africa	*1.8%*	25.6%	27.4%	-1.0%	73.9%	-11.7%	-13.4%	1.4%	73.9%
Asia Pacific	*8.9%*	105.8%	96.2%	3.9%	84.5%	-26.1%	-27.9%	2.0%	84.5%
Europe	*26.5%*	13.8%	13.6%	0.1%	87.0%	-8.3%	-6.1%	-2.0%	87.0%
Latin America	*2.8%*	25.3%	21.2%	2.9%	89.1%	-1.9%	-5.8%	3.5%	89.1%
Middle East	*9.4%*	22.6%	22.1%	0.3%	82.6%	-4.2%	-5.7%	1.3%	82.6%
North America	*8.7%*	17.7%	17.2%	0.3%	90.3%	2.1%	-0.6%	2.4%	90.3%
Domestic	*41.9%*	**21.5%**	**16.7%**	**3.3%**	**84.5%**	**8.3%**	**10.4%**	**-1.7%**	**84.5%**
Dom. Australia[4]	*1.0%*	3.5%	8.5%	-4.1%	83.2%	-3.1%	-3.1%	0.0%	83.2%
Domestic Brazil[4]	*1.5%*	3.6%	-0.1%	3.0%	83.4%	4.5%	6.2%	-1.3%	83.4%
Dom. China P.R.[4]	*6.4%*	71.9%	49.1%	10.5%	79.2%	22.5%	31.3%	-5.7%	79.2%
Domestic India[4]	*2.0%*	21.1%	13.3%	5.3%	83.3%	0.7%	4.7%	-3.3%	83.3%
Domestic Japan[4]	*1.2%*	13.4%	1.3%	7.8%	72.7%	0.0%	-1.2%	0.9%	72.7%
Domestic US[4]	*19.2%*	11.1%	9.5%	1.3%	89.2%	3.0%	3.1%	-0.1%	89.2%

[1]% of industry RPKs in 2022 [2]Change in load factor [3]Load factor level

4 Note: the six domestic passenger markets for which broken-down data are available account for approximately 31.3% of global total RPKs and 74.6% 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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