GLOBAL AIR TRENDS: JULY 2020

A ROAD TO RECOVERY SERIES REPORT

3VICTORS TRAVEL ai

Phocuswright

ABOUT PHOCUSWRIGHT

Phocuswright is the travel industry research authority on how travelers, suppliers and intermediaries connect. Independent, rigorous and unbiased, Phocuswright fosters smart strategic planning, tactical decision-making and organizational effectiveness. Phocuswright delivers qualitative and quantitative research on the evolving dynamics that influence travel, tourism and hospitality distribution. Our marketplace intelligence is the industry standard for segmentation, sizing, forecasting, trends, analysis and consumer travel planning behavior. Every day around the world, senior executives, marketers, strategists and research professionals from all segments of the industry value chain use Phocuswright research for competitive advantage.

To complement its primary research in North and Latin America, Europe and Asia, Phocuswright produces several high-profile conferences in the United States, Europe and Asia Pacific. Industry leaders and company analysts bring this intelligence to life by debating issues, sharing ideas and defining the ever-evolving reality of travel commerce.

Phocuswright also operates [PhocusWire](), a media service that covers the world of digital travel 365 days a year with a range of news, analysis, commentary and opinion from across the travel, tourism and hospitality sector.

The company is headquartered in the United States with Europe and Asia Pacific operations and local analysts on five continents.

Phocuswright is a wholly owned subsidiary of Northstar Travel Group.

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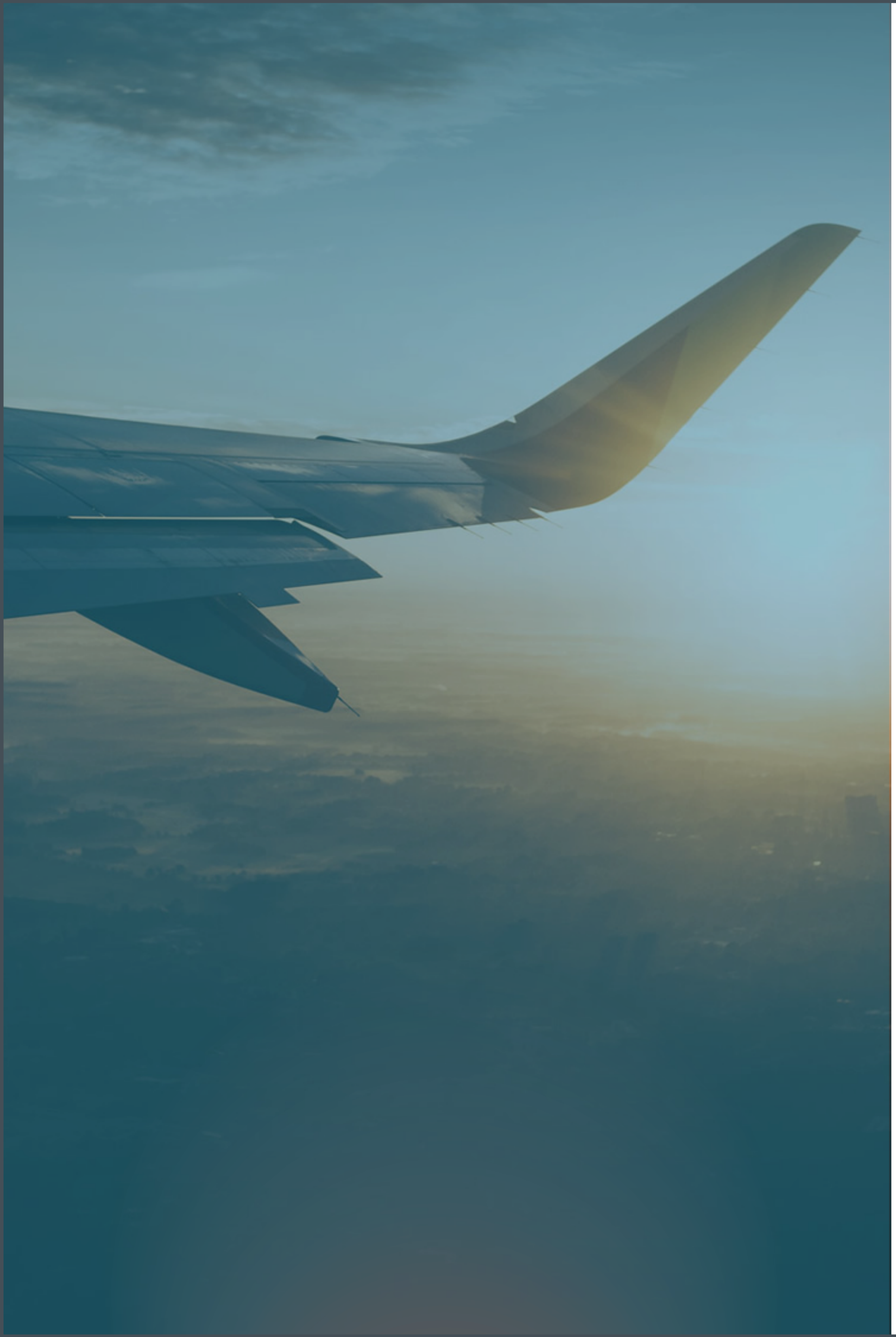

ABOUT 3VICTORS

3Victors is a venture-funded, early stage, big data travel technology company. Our goal is to lead generational change from batch decision-making to "real-time" usage of a "Travel Data Analytics as a Service" business model. 3V aggregates the best-of-breed high velocity data in travel, combined with state-of-the-art AI algorithms, providing customers the insights they need to move the needle in dozens of travel-related use cases.

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INTRODUCTION & KEY TERMS

Introduction

The coronavirus continues to wreak havoc across the globe. Early hopes for a quick resolution to the crisis have, by now, been quashed. A return to the pre-pandemic normal and resumption of business as usual seems far off.

Travel and tourism is among the hardest hit sectors, and the virus has been particularly catastrophic for airlines. Airline traffic and demand disappeared almost overnight. In their efforts to stay afloat, airlines have taken drastic measures, including furloughs, buyouts and layoffs. Government aid has come mostly in the form of loans, and with strings attached. Shoring up finances, reducing expenses and conserving cash are the top priorities for airline executives. Regardless of the actions they take, one thing is certain: the airline industry will be much smaller post-COVID than it was before the pandemic.

Government regulations and health concerns make it difficult to take a leisure or business trip. But there are glimmers of hope. Numerous countries have opened back up, albeit with an abundance of caution. But the threat lingers, and some countries remain wary of completely opening their borders too quickly. What does this mean for the travel industry? When will travelers get over their apprehension and feel comfortable taking to the skies again? Most travelers remain wary of getting on a plane. Amidst the most uncertain times the travel industry has known, Phocuswright has partnered with 3Victors to monitor air capacity and search trends. These forward-looking metrics yield insights into traveler intent and may provide early indicators of an uptick in travel.

This report is part of Phocuswright's Road to Recovery series and will be updated regularly.

About This Report

This report presents analysis of airline seat capacity and search traffic trends for key markets globally.

a. **The Americas:** Brazil, Canada, Mexico and the U.S.

b. **Europe:** France, Germany, Italy, Spain and the U.K.

c. **Asia Pacific and Middle East:** Australia, China, India, Japan and the UAE

This report covers historical airline seat capacity and search traffic from January 2019 to June 2020. It also covers forward projections for both seat capacity and search traffic from July 2020 to December 2020.

Phocuswright partnered with 3Victors, a travel big data company, to analyze monthly search requests made on pricing engines utilized by agent desktops, mobile apps, metasearch and websites. Search data may not include searches made on airline websites or low-cost carriers (LCCs) that do not distribute through their pricing engine channels.

Seat capacity data is powered by OAG's *Schedules Analyser* and provided by 3Victors. Seat capacity is subject to change by airlines as they update their flight schedules.

The ranking of top domestic and international destinations is based on search traffic for the month in which the report was published. For example, for this report, the top destination rankings are based on search traffic for July 2020.

Key Terms

Monthly Airline Seat Capacity: Average seat capacities as reported by airlines and captured by OAG's *Schedules Analyser*. For charts that present aggregate data for multiple months, the average seat capacities of those months have been considered. Seat capacity is subject to change as airlines update their flight schedules and equipment.

Unique Air Searches: All searches made by users in each month for a set of origin-destination (O&D) pairs. This data is provided by 3Victors. Searches are treated as unique, provided the O&D pair and travel dates are different. Similar to seat capacity, for charts presenting aggregate data for multiple months, the average search volumes of those months have been considered.

Top International Destinations: The most searched destinations from an origin market. These may include both countries as well as cities, depending on the level of analysis. For country-level analysis, search volumes for all cities for the destination country have been rolled up.

THE AMERICAS

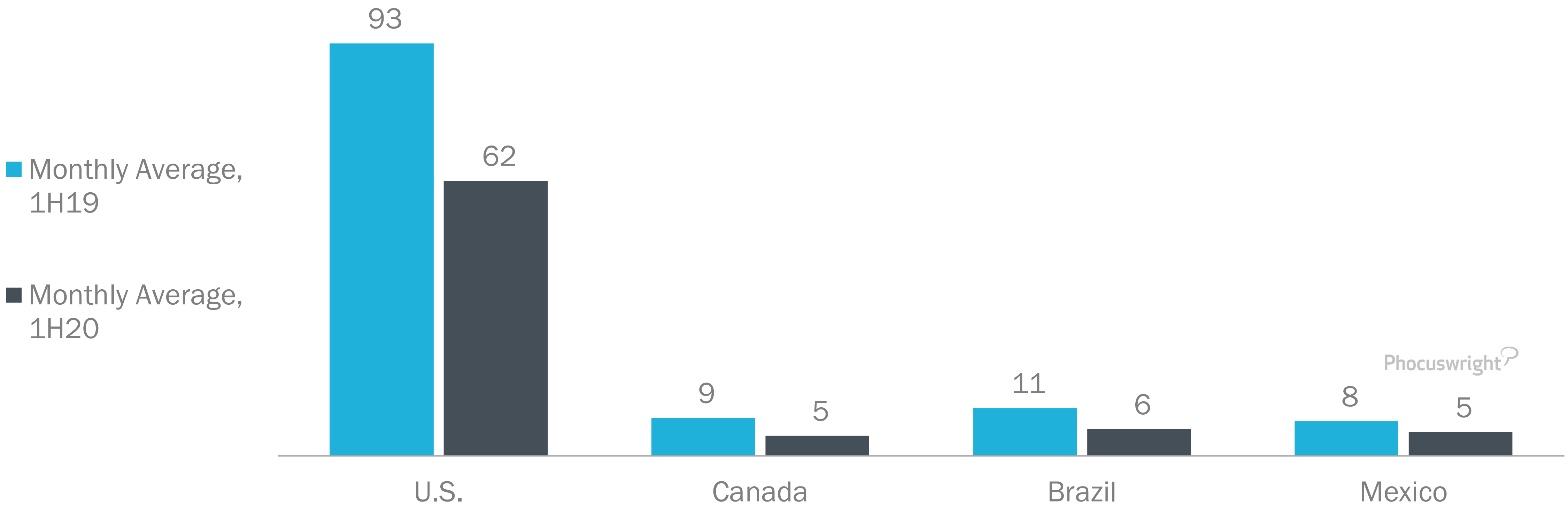
The Americas:
Seat Capacity and Unique Air Searches

The Americas: Seat Capacity Trends

- Airline capacity, measured in seats, fell in the first six months of 2020 compared to the same period in 2019, ranging from a 31% YoY decline in Mexico to a 47% drop in Canada (see Figure 1).
- The decline stemmed mostly from steep cuts in capacity in the second quarter, as coronavirus-related travel restrictions took effect.
- The first two months of 2020 saw slightly more seats offered for sale in the Americas than in the same period in 2019. But as COVID-19 escalated, airlines started to pull back capacity. Canada and Brazil saw reductions of 17% and 13% respectively in March, though the U.S. and Mexico were nearly flat (see Figure 2).
- The largest declines were seen in May when cuts ranged from 76% in the U.S. to 92% in Brazil.
- Looking ahead to the remainder of 2020, seat capacity for August through December in all countries is significantly higher – close to or more than double that in July (see Figure 3). While this is a positive sign, airlines are monitoring demand and making capacity adjustments closer in – a trend we expect will continue for some time.

Figure 1: The Americas – Average Seat Capacity (millions)

1H2020 vs. 1H2019



Annual Change (%)	-33%	-47%	-44%	-31%

Note: Actual seat capacities for January-June 2020 could be lower than figures presented in the charts, as flights cancelled by some airlines may not have been reported/captured.

Figure 2: The Americas – Seat Capacity

YoY Change by Month (%), January – June 2020 vs. 2019

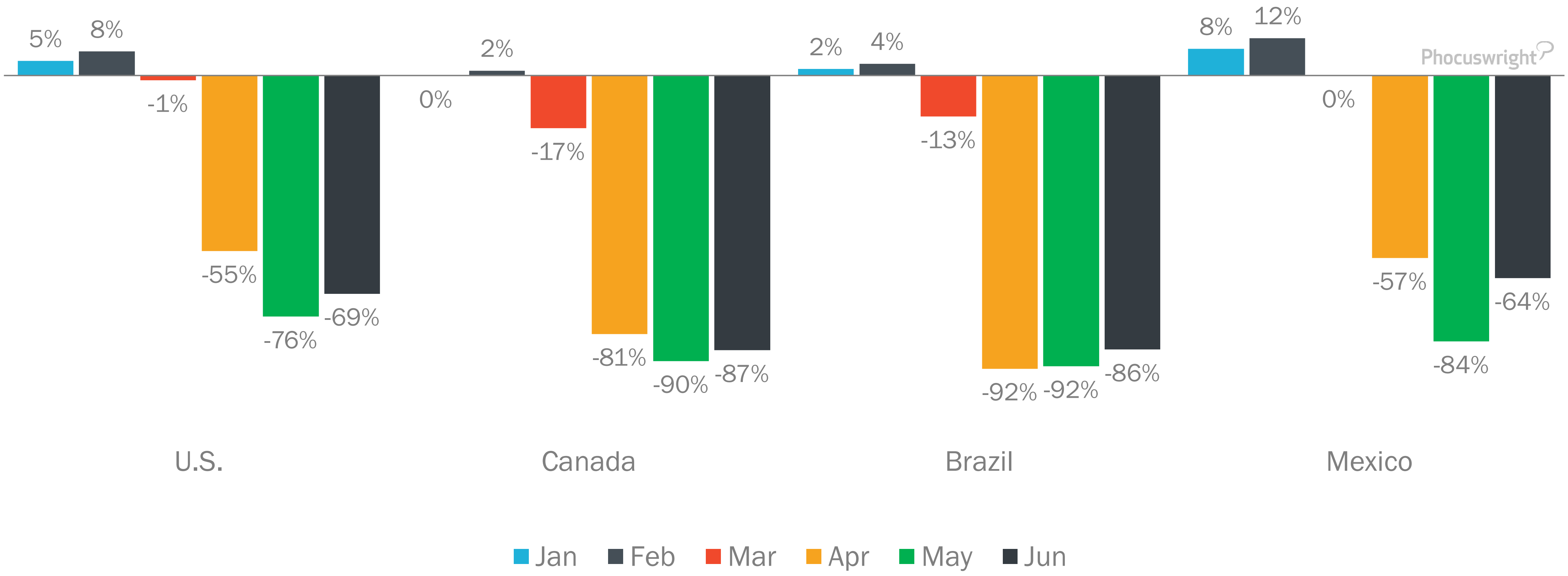
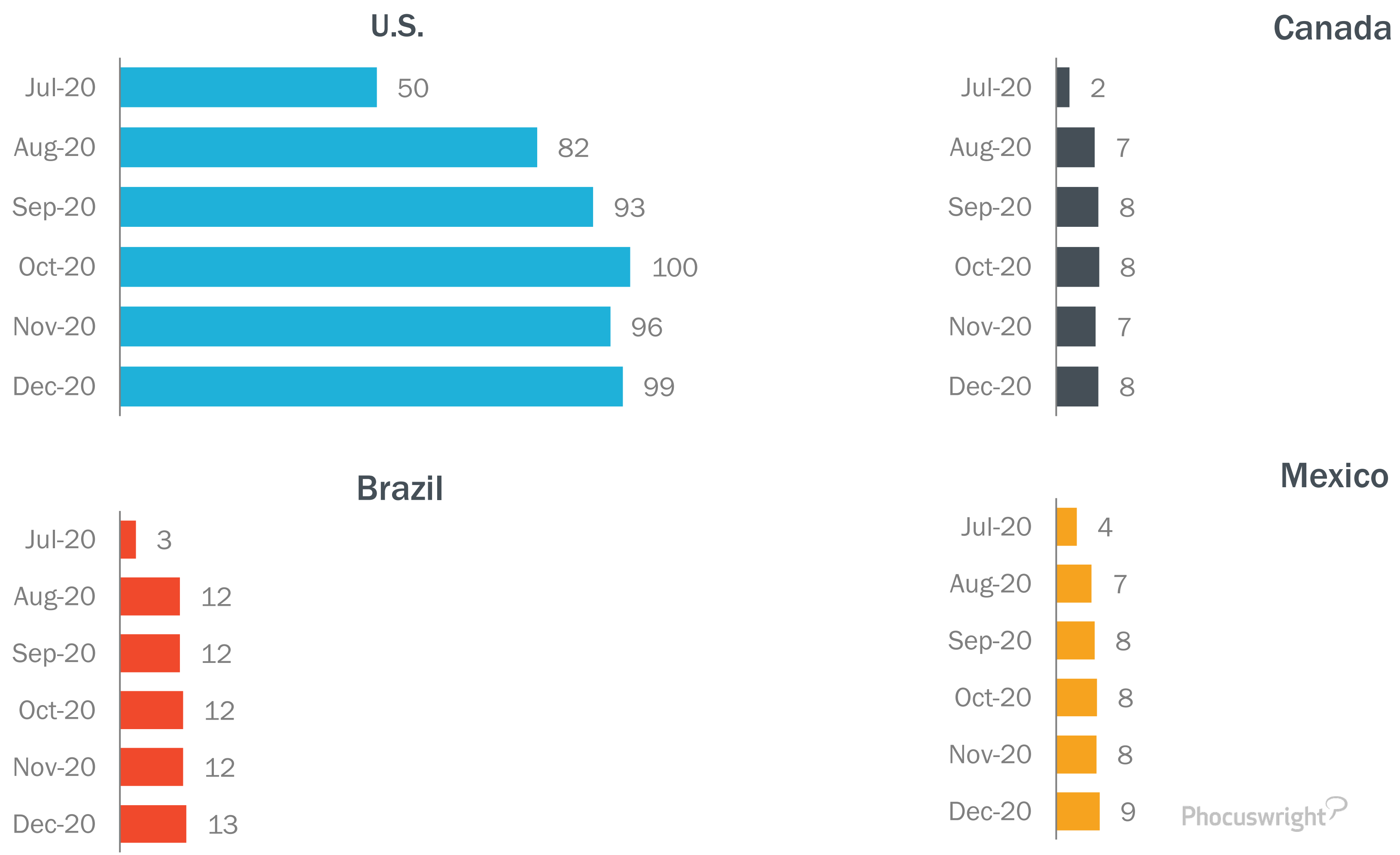


Figure 3: The Americas – Monthly Seat Capacity (millions)

July – December 2020



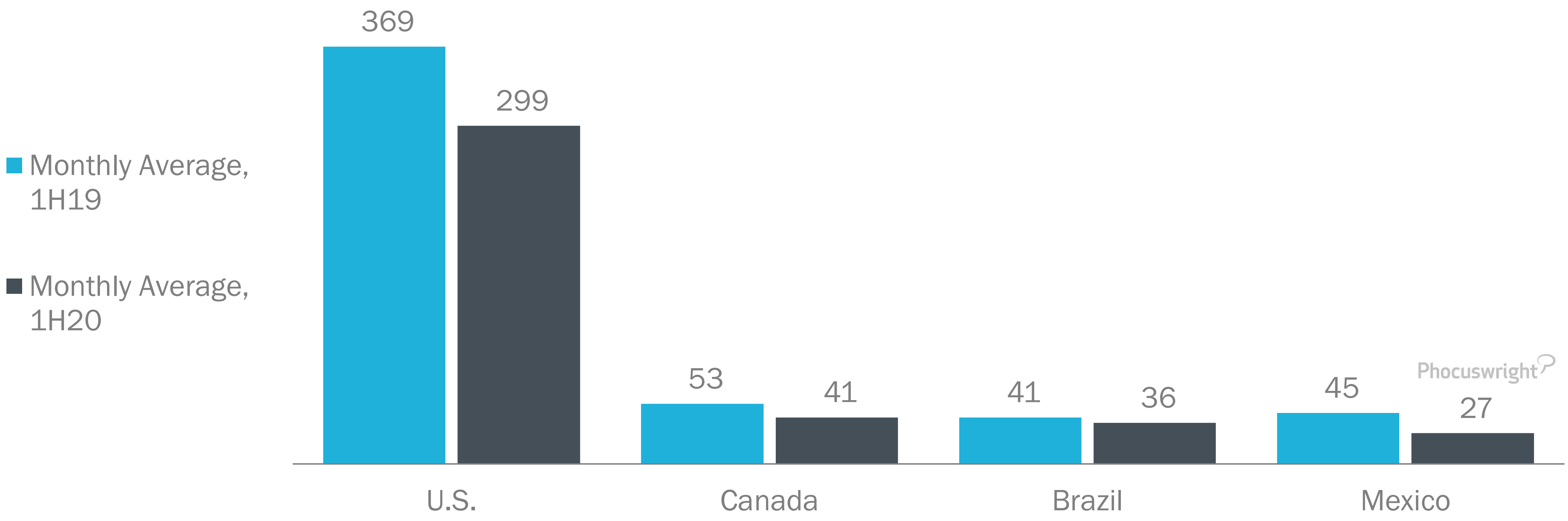
Note: The seat capacity data for July-December 2020 was captured on July 2, 2020 and may change over time.

The Americas: Unique Search Trends

- In normal times, capacity is a good indicator of demand, as airlines increase capacity when and where they expect traffic growth. But in the current circumstances, when capacity changes take place in a reactive manner, it may not be a gauge for expected demand.
- Searches made by consumers may be a good proxy for intent to travel. In the U.S., average monthly searches fell by nearly a fifth to 299 million in the first half of 2020 from 369 million in the corresponding period in 2019 (see Figure 4). Searches in Mexico dropped nearly 40% in that timeframe.
- January and February 2020 showed consumers' confidence and willingness to travel. As with capacity, searches were up significantly – from just over a quarter in Mexico to nearly double in Brazil in February (see Figure 5). But search volume fell significantly in March over the previous month and continued falling steadily through the rest of the second quarter.
- Phocuswright research indicates that travelers are waiting until the last minute to make travel plans. This is borne out by the air search data, which shows that searches are highest for the immediately upcoming period and taper off for travel dates further in the future. Our data from early July shows interest for travel within that month was the highest in every country (see Figure 6). Even searches for peak holiday season in November and December aren't very high yet, reflecting the uncertainty around travel.

Figure 4: The Americas – Monthly Air Searches (millions)

January – June 2020 vs. 2019



Annual Change (%)	-19%	-23%	-12%	-40%

Note: Actual seat capacities for January-June 2020 could be lower than figures presented in the charts as flights cancelled by some airlines may not have been reported/captured.

Figure 5: The Americas – Air Searches

YoY Change by Month (%), January – June 2020 vs. 2019

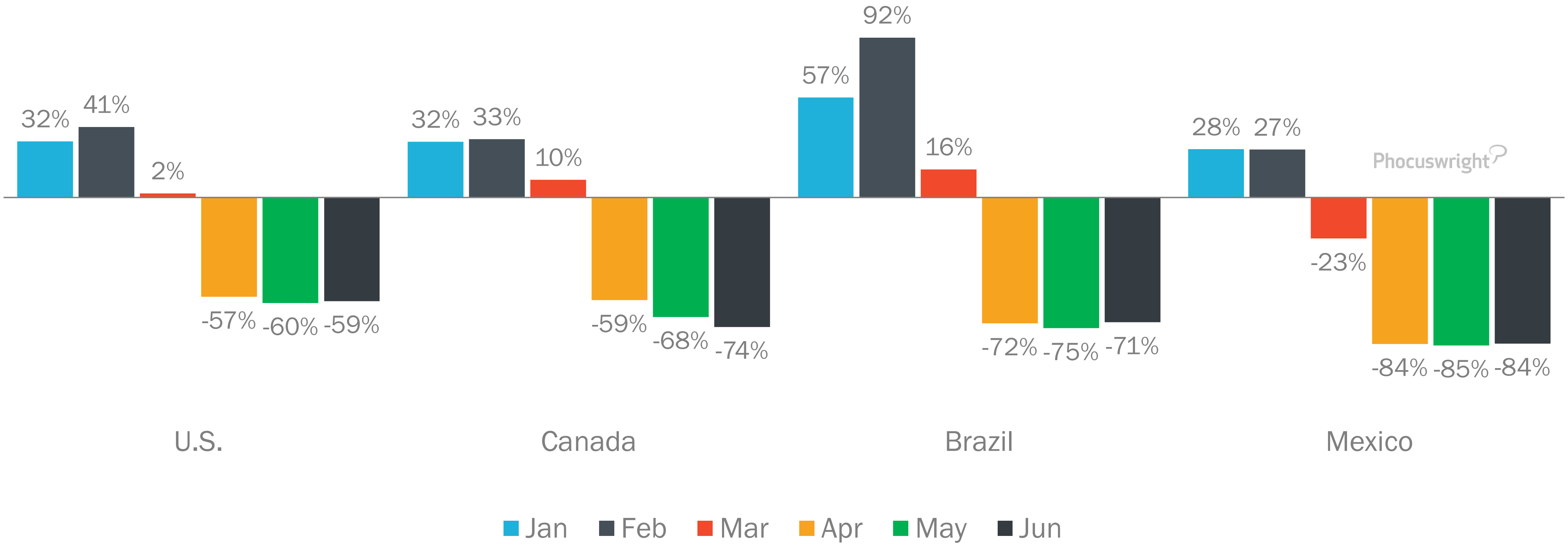
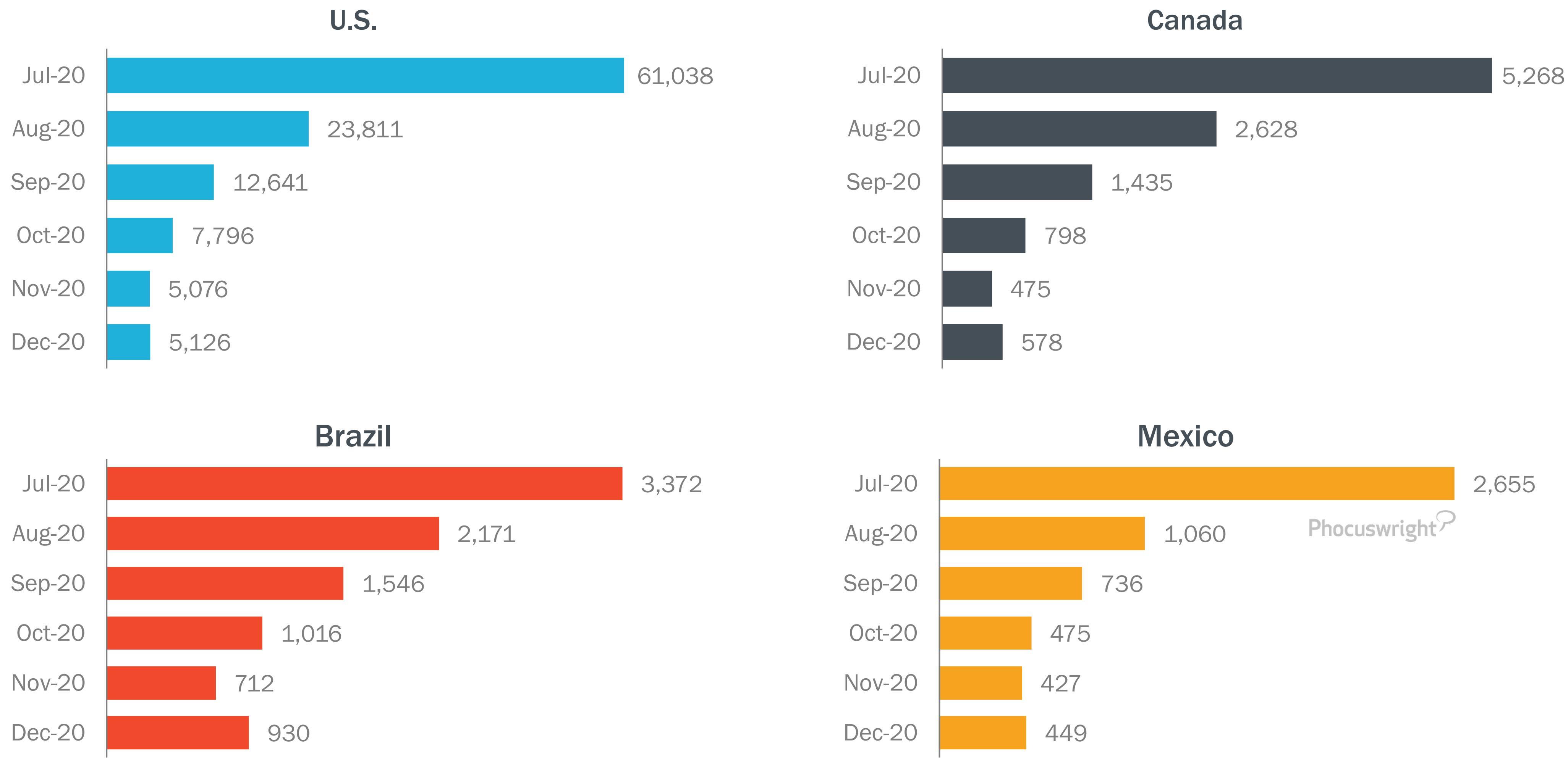


Figure 6: The Americas – Monthly Airline Searches (‘000)

July – December 2020



Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

The Americas:
Unique Air Searches by Destination

The Americas: Destination Search Trends

- There are distinct differences between consumers' searches across countries. U.S. travelers tend to search for domestic destinations close to their departure month, as evidenced by the 65% domestic share of searches in July. That falls to 53% in August and further to 31% by December (see Figure 7). On the other hand, Canadians are far more eager to fly across borders.
- This pattern isn't, unexpected as travelers with a desire to go abroad want to lock in dates and take advantage of cheaper prices. Airlines' flexibility with cancellation and refund policies is also attractive to travelers, since there is less risk of losing money if plans change. The international destination that U.S. travelers exhibit the most interest in over the few months is Mexico. China, the U.K. and Japan also make the top five (see Figure 8).
- In sharp contrast to the U.S., Canadian travelers are eager to go abroad. International searches far outweigh domestic, ranging from 74% in July to 94% in December. Canadian travelers searched most frequently for China and the U.S., with the U.K. a distant third (see Figure 9).
- The U.S. ranks as the top market for potential travelers from both Brazil and Mexico (see Figures 10 and 11). But the skew is much more pronounced in Mexico, where more than seven in 10 searches in July and August were for U.S. destinations.

Figure 7: The Americas – Monthly Airline Searches

Share by Destination, July – December 2020

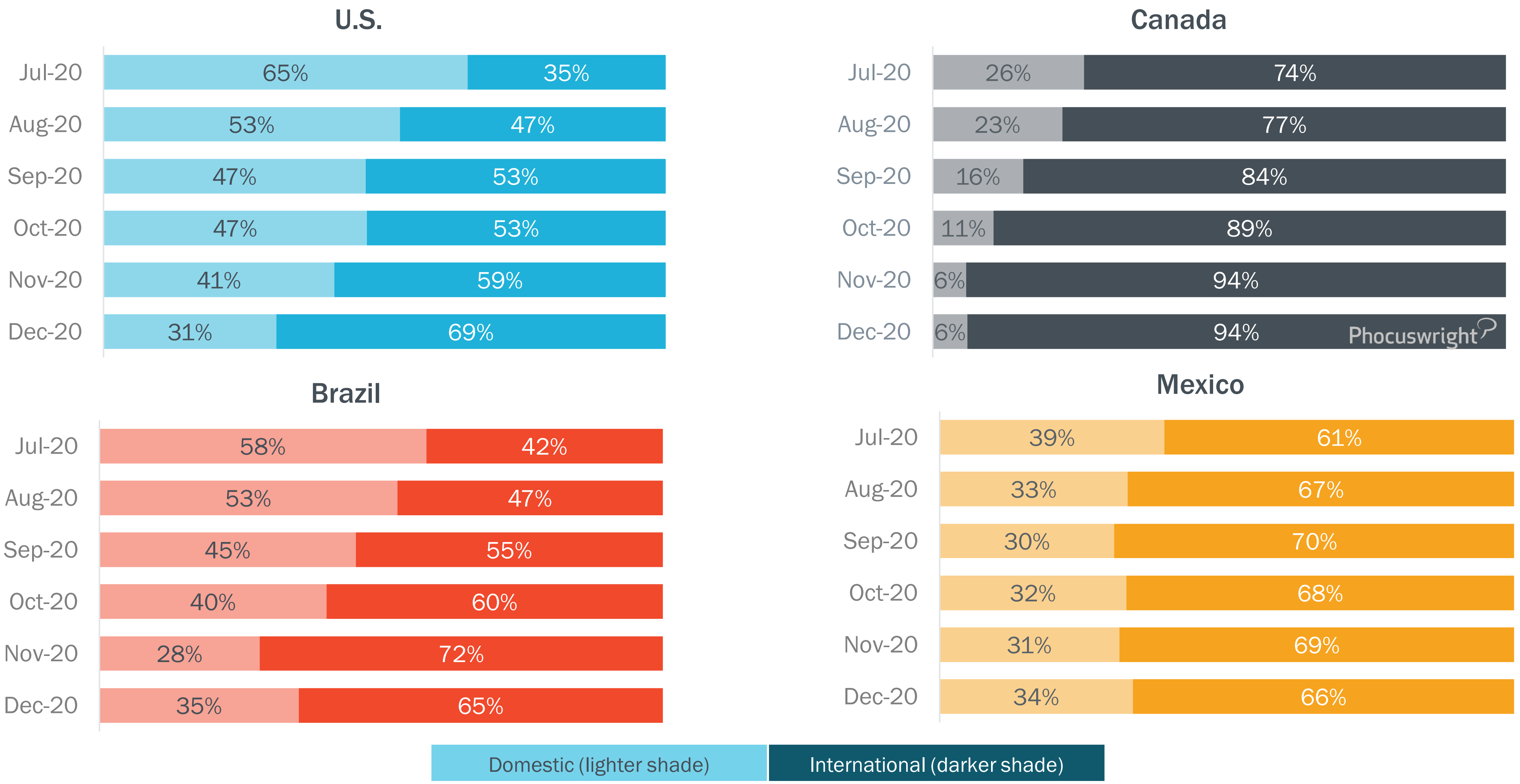
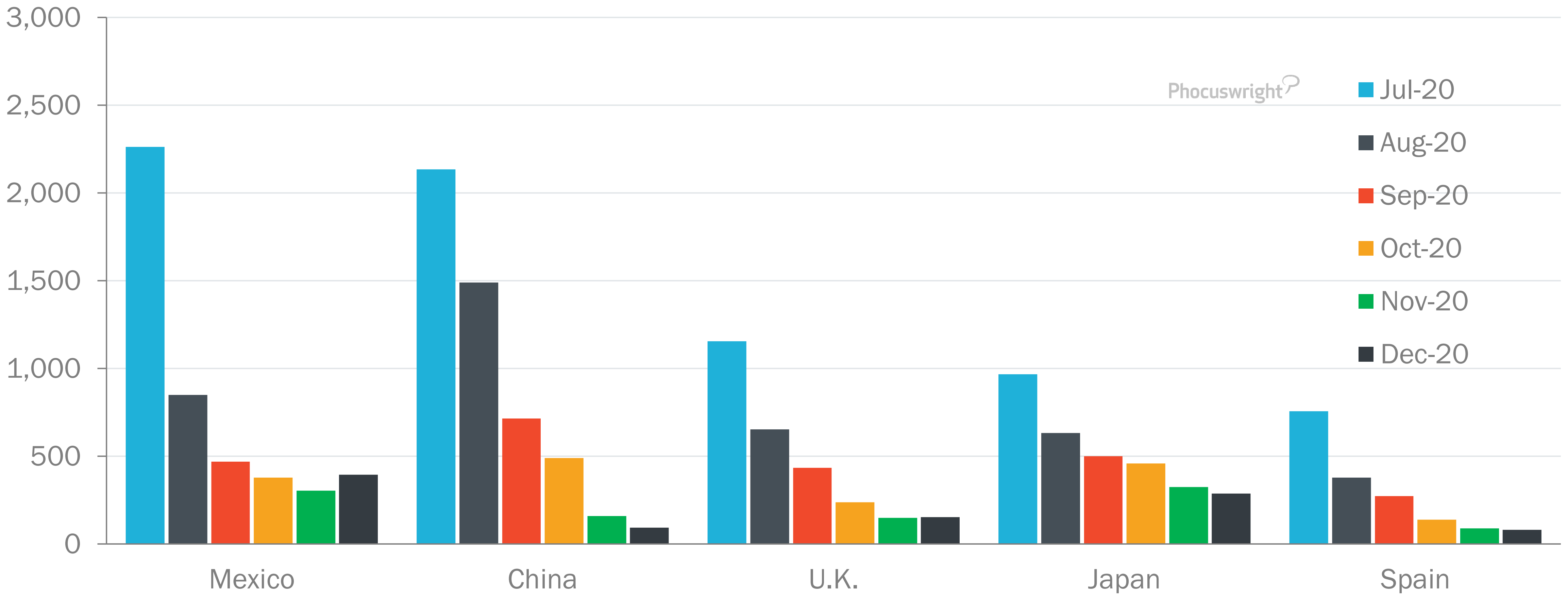


Figure 8: U.S. – Monthly Airline Searches ('000)

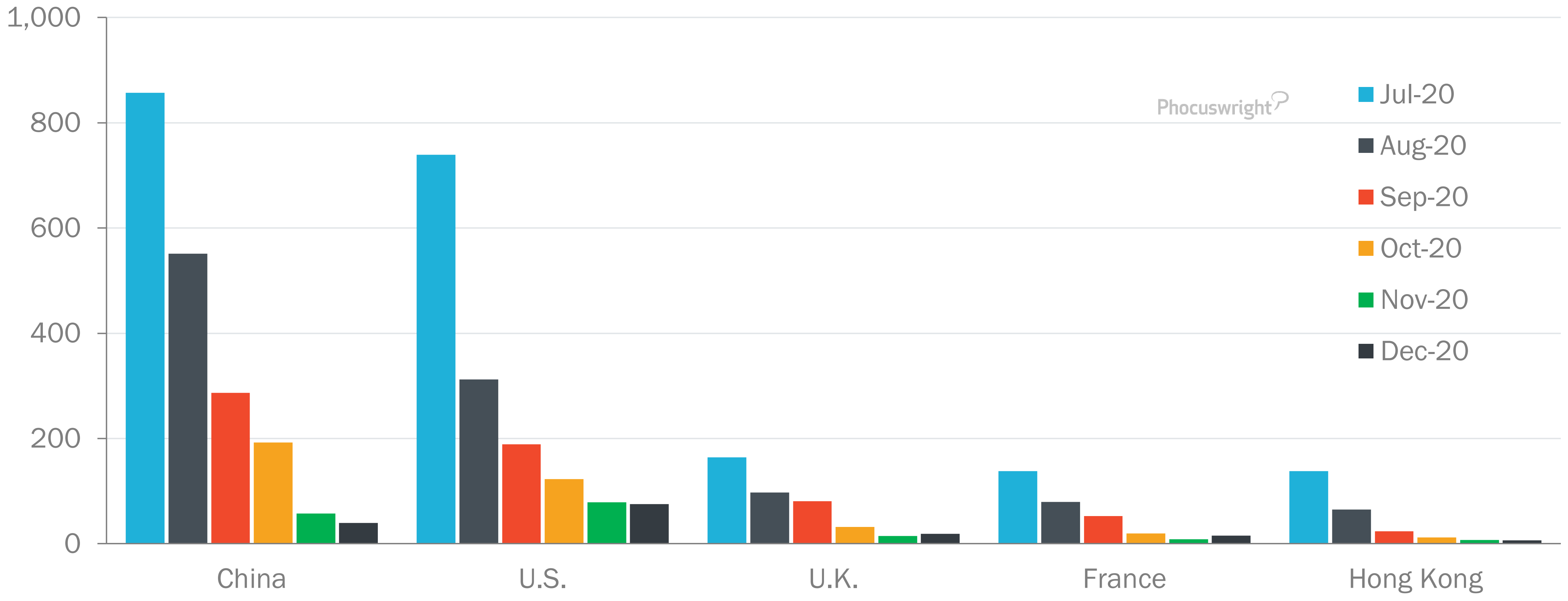
Top Five International Destinations, July – December 2020



Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

Figure 9: Canada – Monthly Airline Searches ('000)

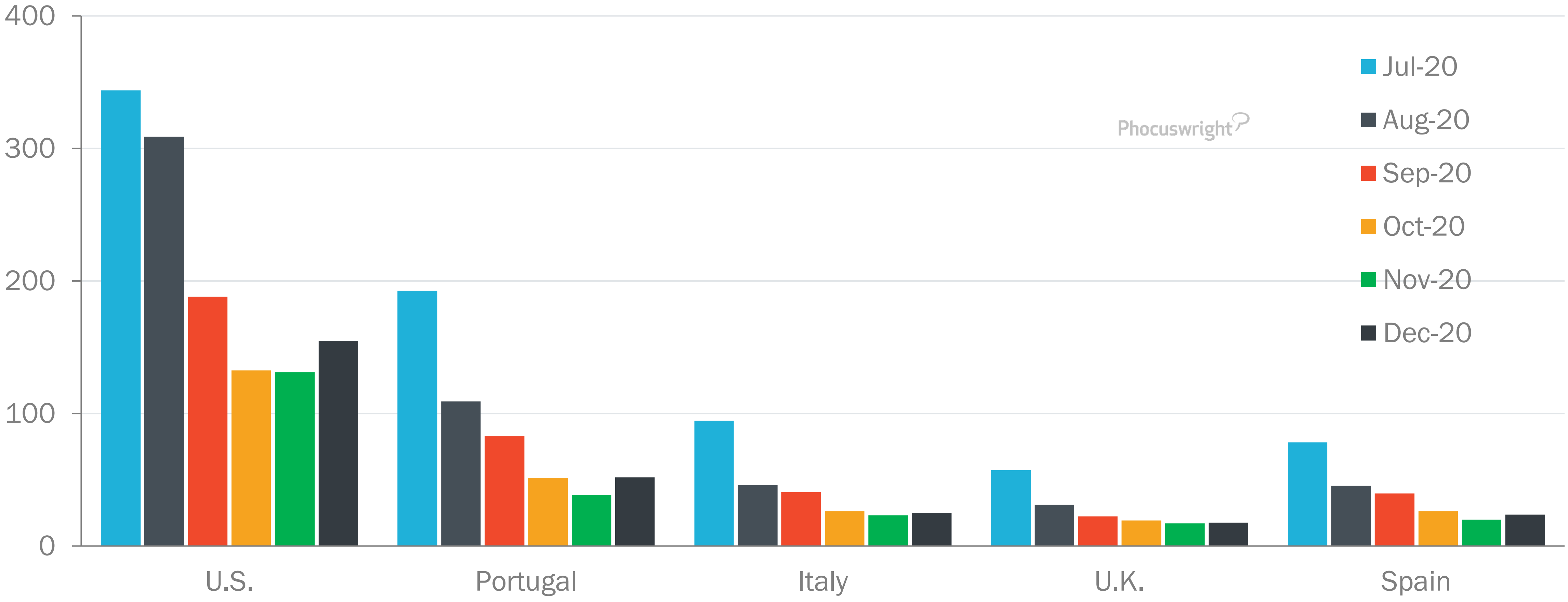
Top Five International Destinations, July – December 2020



 Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

Figure 10: Brazil – Monthly Airline Searches (‘000)

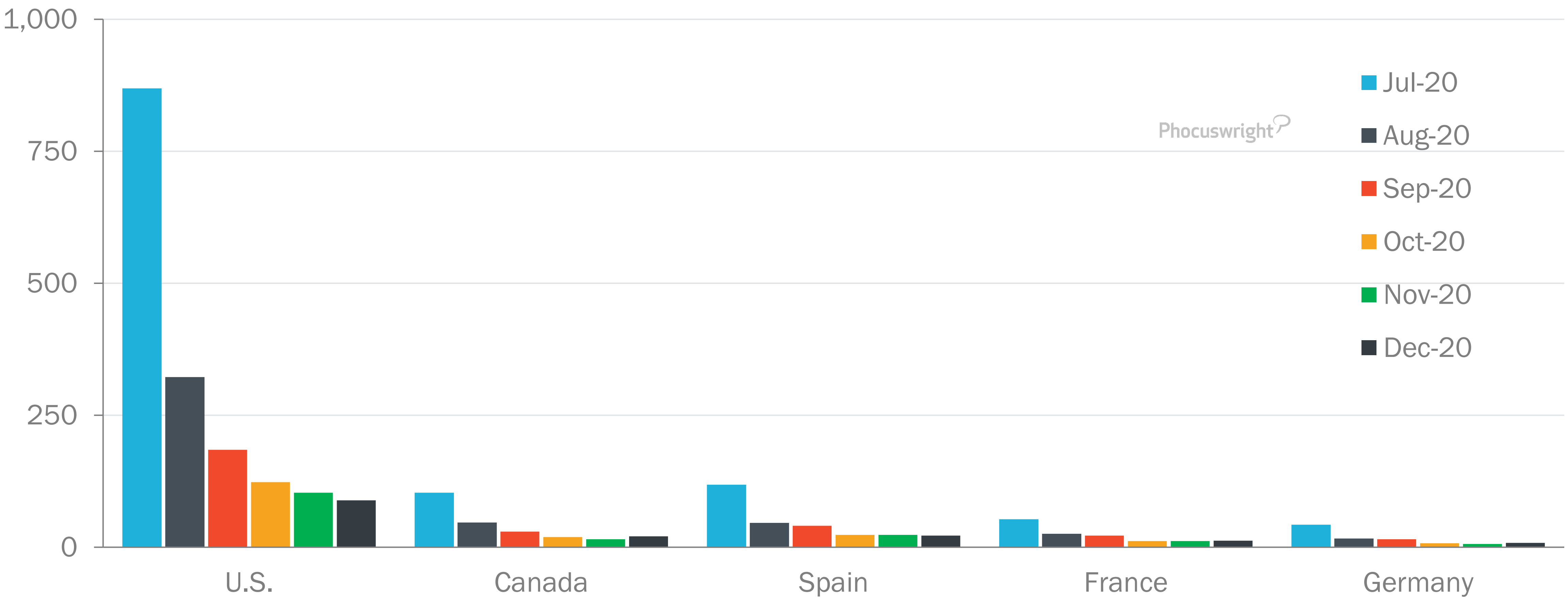
Top Five International Destinations, July – December 2020



Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

Figure 11: Mexico – Monthly Airline Searches ('000)

Top Five International Destinations, July – December 2020



Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

EUROPE

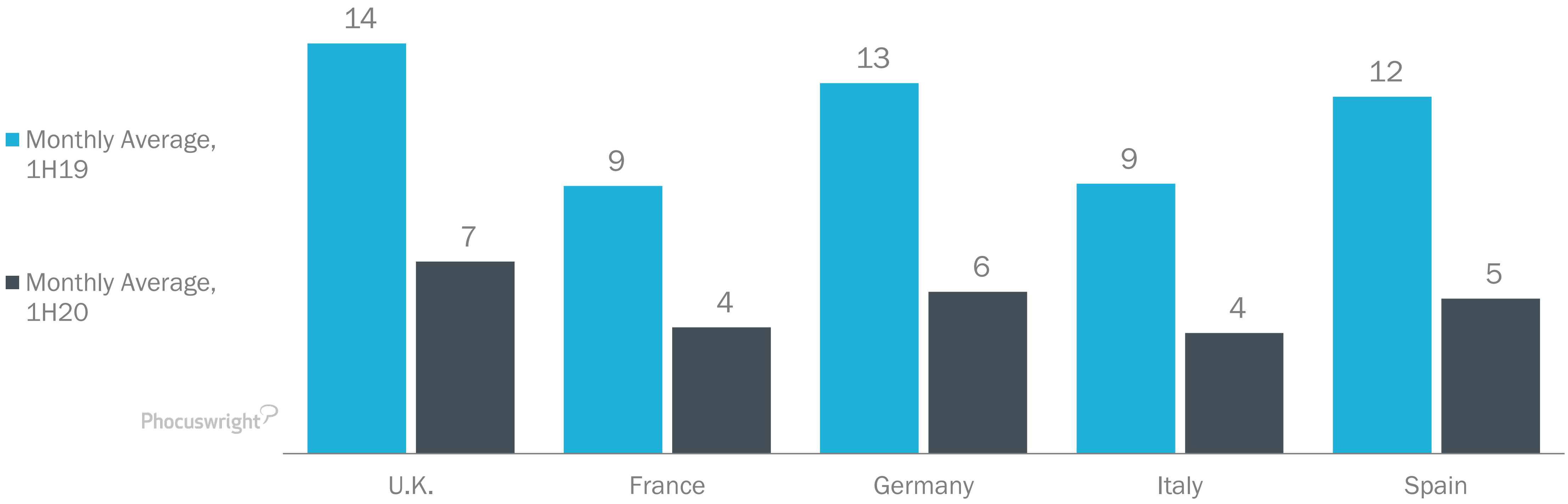
Europe:
Seat Capacity and Unique Air Searches

Europe: Seat Capacity Trends

- Europe had its first major outbreak and COVID-19-related death earlier than the Americas. By mid-March the EU had sealed its borders to the rest of the world. Perhaps that explains the near-halving of capacity in the first half of 2020 vs. 2019 in key European countries (see Figure 12).
- Italy had the first major cluster of cases and seat capacity there was cut by 49% in March (see Figure 13). Other countries quickly followed, and Europe saw flights come to a near halt from April through June 2020. Capacity cuts were in the high 80 to low 90 percent range in the U.K., France, Germany, Italy and Spain.
- Overall seat capacity in Europe was down 47% YoY in July, but it still reflected a significant jump in available seats over the previous three months. Coming in the wake of measured steps towards re-opening economies, this also portends some return of leisure travel during the summer holiday season. As anticipated demand increases, capacity in August and beyond is also correspondingly higher in every country (see Figure 14). However, as we have seen, the virus is unpredictable; if a second wave materializes, countries will be quick to shut down again with a corresponding negative impact on capacity.

Figure 12: Europe – Monthly Average Seat Capacity (millions)

January – June 2020 vs. 2019



Annual Change (%)	-53%	-53%	-56%	-55%	-57%

Note: Actual seat capacities for January-June 2020 could be lower than figures presented in the charts, as flights cancelled by some airlines may not have been reported/captured.

Figure 13: Europe – Seat Capacity

YoY Change by Month (%), January – June 2020 vs. 2019

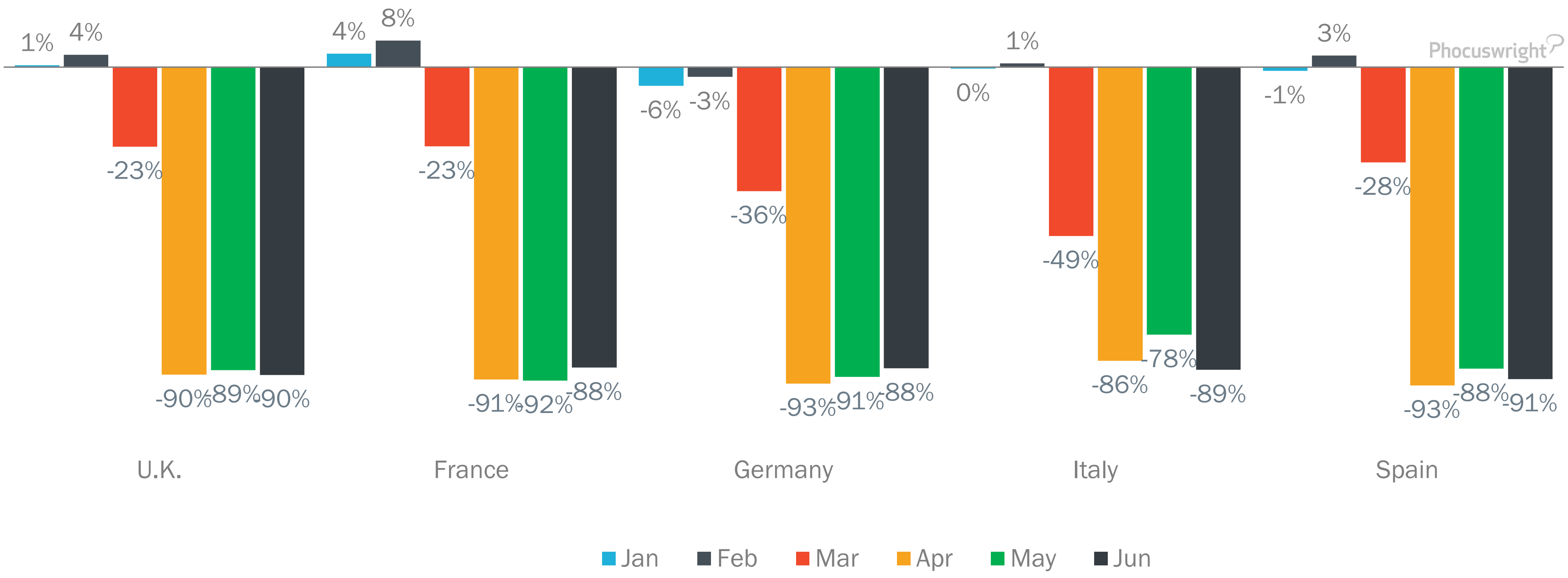
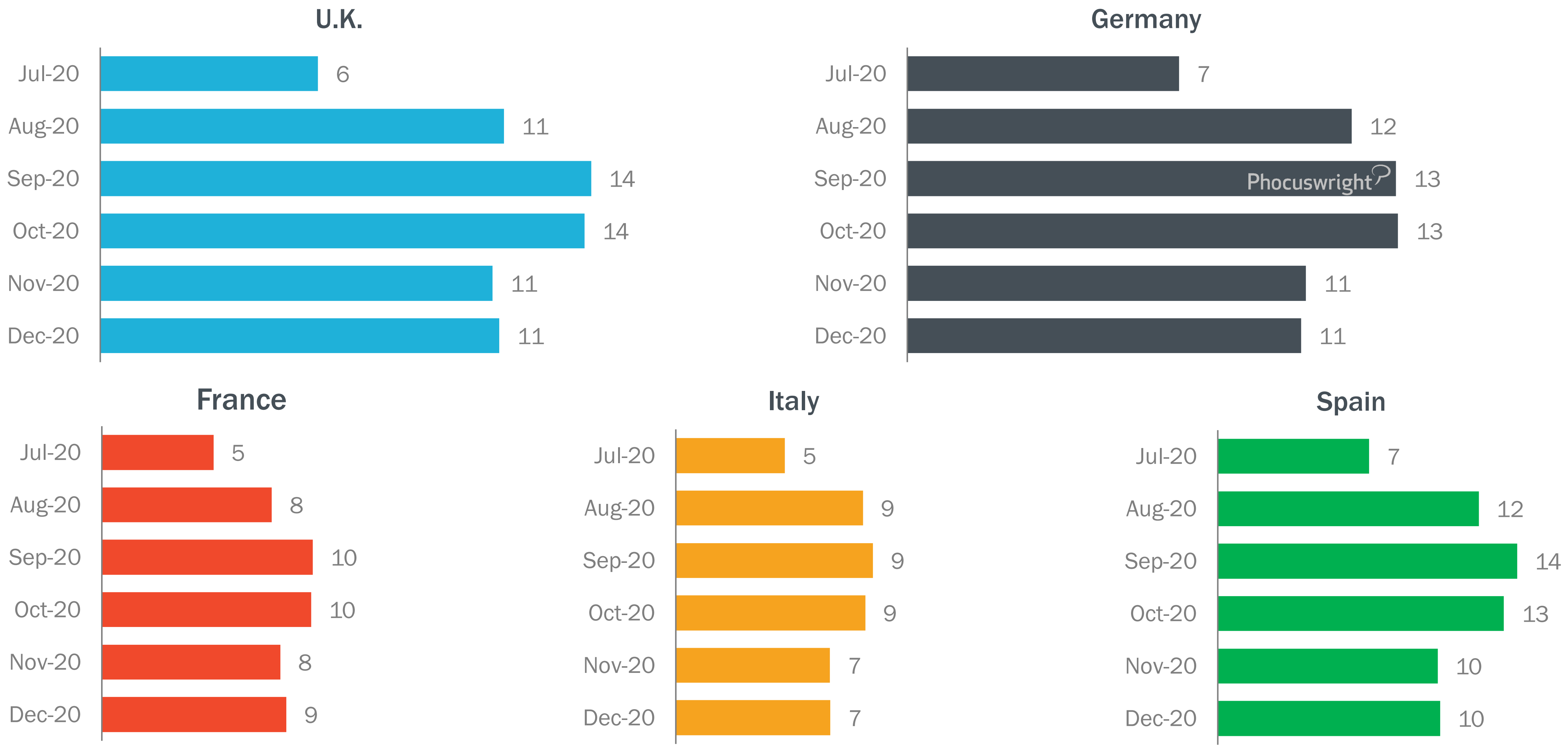


Figure 14: Europe – Monthly Seat Capacity (millions)

July – December 2020



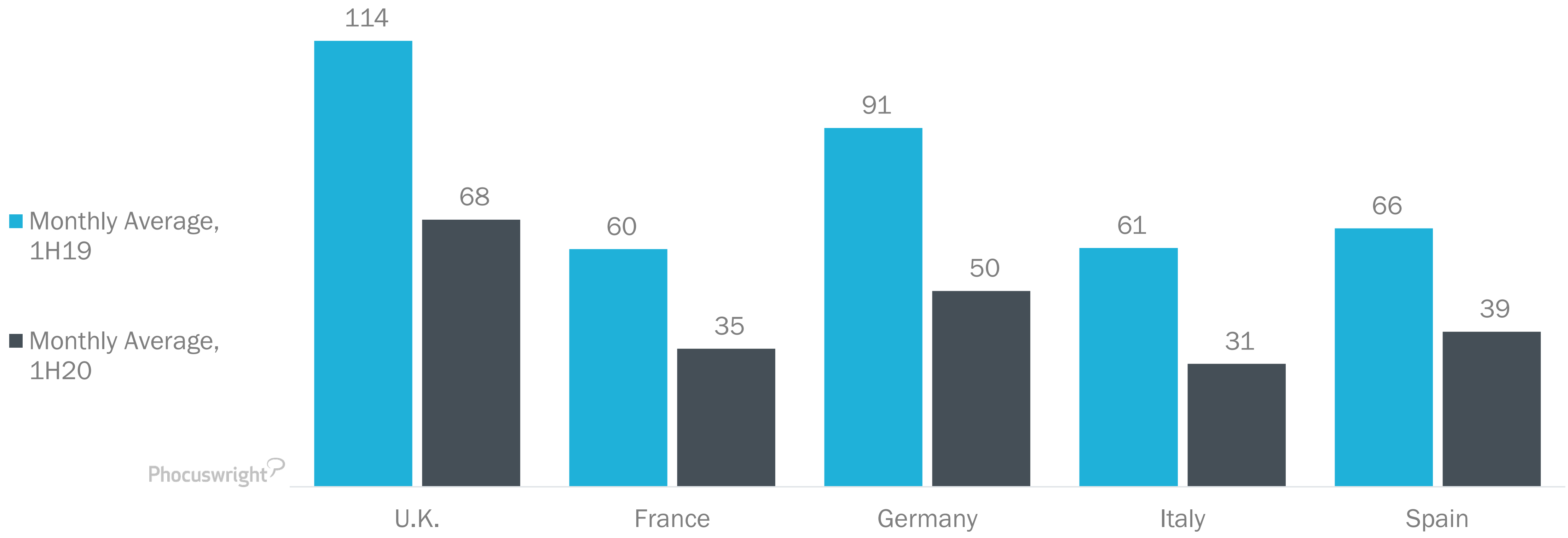
 Note: The seat capacity data for July-December 2020 was captured on July 2, 2020 and may change over time.

Europe: Unique Search Trends

- Average monthly searches in Europe dropped in 1H2020 as compared to the same period in the previous year, driven by a steep fall in the second quarter. Italy, one of the hardest hit countries, saw searches decline by nearly half (see Figure 15). Even the U.K., which was one of the slowest to take steps to shut down, saw searches drop by 40%.
- As countries entered strict lockdowns in March, travel searches started falling too. The uncertainty around the virus's spread and the sheer magnitude of the crisis may have hit would-be travelers' confidence. Searches dropped by 80% - 90% in April and remained at close to those levels in May (see Figure 16).
- The worst of the crisis seemed to have passed by June. Though search volume remained abysmally low at a quarter or less of 2019 levels, the month-on-month improvement provided some hope for the industry.
- But in a sign of travelers' wariness around planning too far in advance, a majority of searches were for departures within a few weeks. Search volumes in July were close to double or more those for August and far exceeded those for the rest of 2020 (see Figure 17).

Figure 15: Europe – Monthly Air Searches (millions)

January – June 2020 vs. 2019



Annual Change (%)	-40%	-42%	-45%	-49%	-40%

Figure 16: Europe – Air Searches

Annual Change (%), 2020 vs. 2019

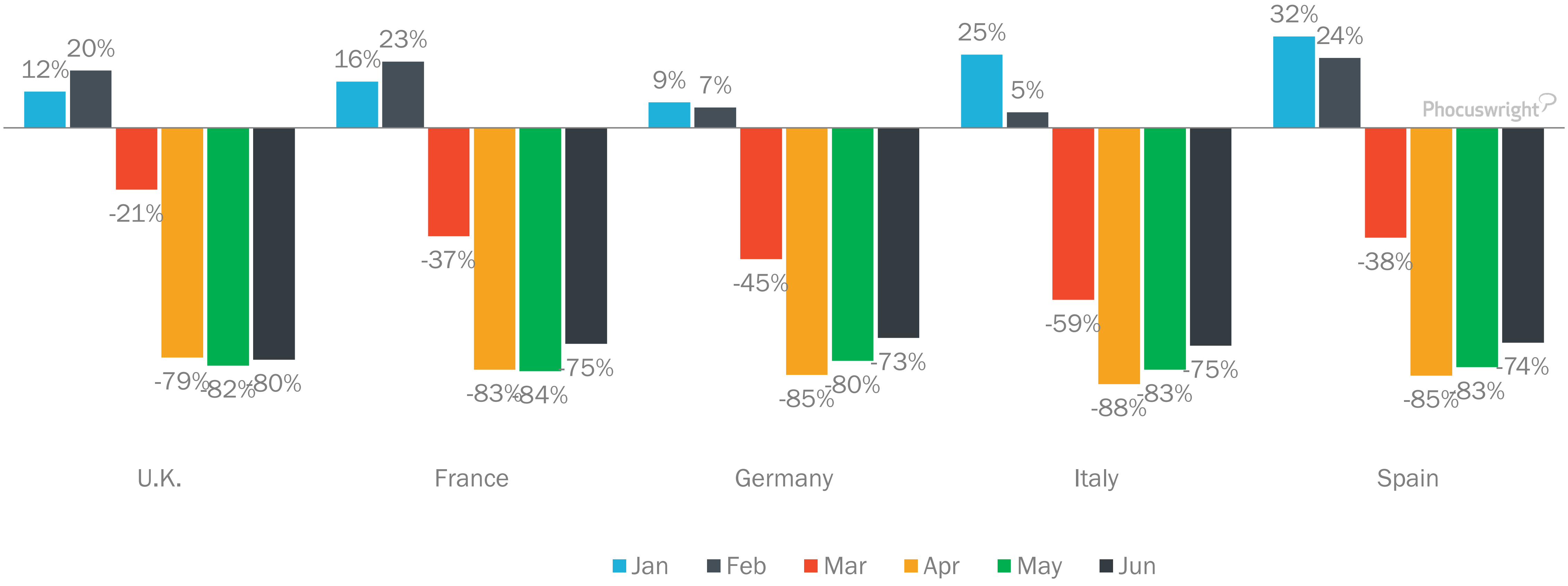
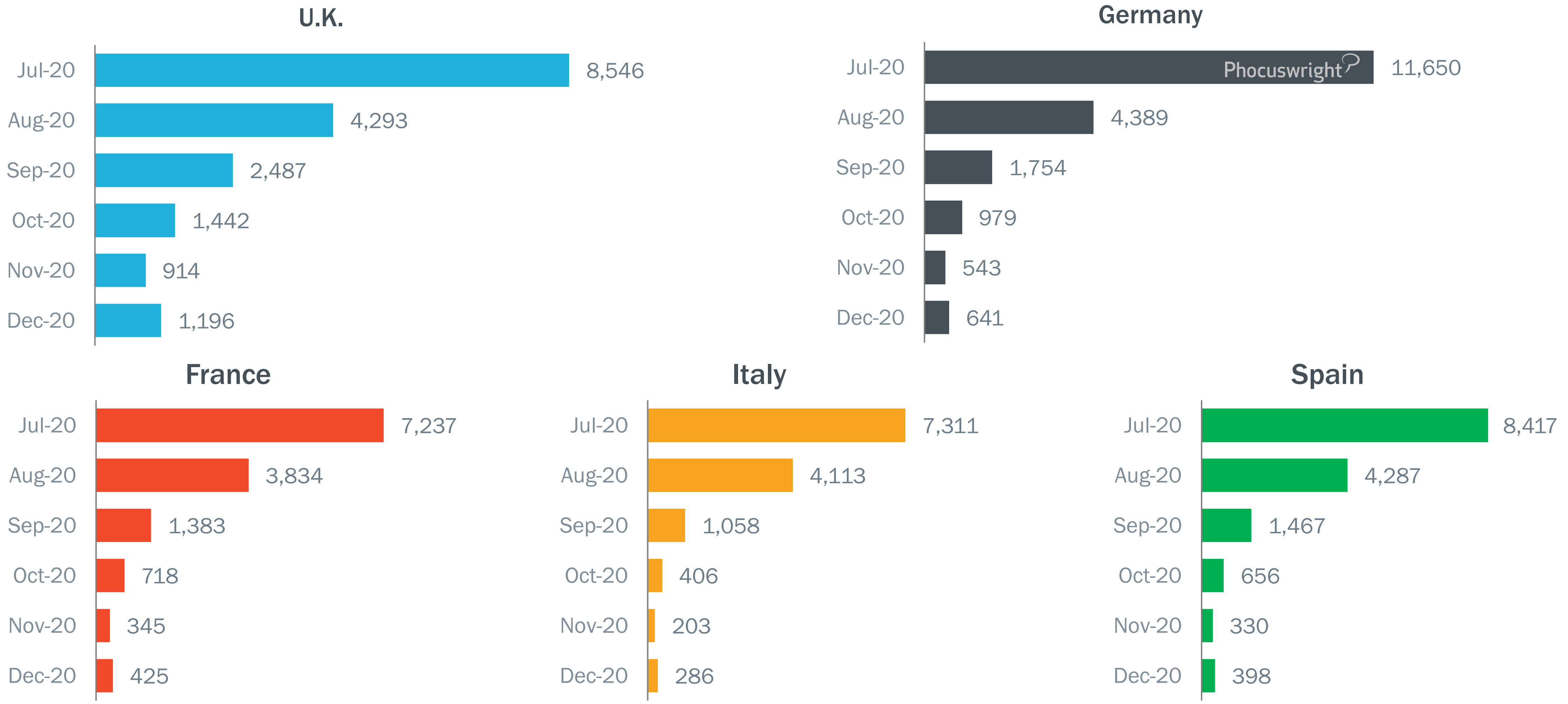


Figure 17: Europe – Monthly Airline Searches ('000)

July – December 2020



Note: The seat capacity data for July-December 2020 was captured on July 2, 2020 and may change over time.

Europe:
Unique Air Searches by Destination

Europe: Destination Search Trends

- Open borders and countries' proximity, combined with dominant LCCs offering cheap flights to multiple destinations, should make intra-Europe travel a breeze. Despite this, seven out of 10 trips taken by Europeans are to domestic destinations[1] and of those, 95% are overland[2]. Just over 70% of U.K. travelers' trips abroad were to Europe[3]. This explains why a vast majority of air searches were for international trips (see Figure 18).
- Spain is the most desirable destination for travelers, as evidenced by the search volume from the U.K., France, Germany and Italy (see Figures 19, 20, 21 and 22). Italy ranks at the top of the list for searches from Spain, but is also among the top three for France, Germany and the U.K.
- The U.S. is the only non-EU country that makes an appearance in the top 5 for every country. But Germans seem to prefer Turkey over the U.S., as it ranks second compared to fifth for the U.S.
- As with the Americas, search volume is concentrated toward trips in the near future, as travelers seem reluctant to make plans for later in the year given the fluid situation.

[1] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Trips,_nights_spent_and_expenditure_of_EU_residents_by_destination,_EU-27,_2018_(%25)_.png
[2] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Trips_made_by_EU-27_residents_by_main_means_of_transport,_2018.png
[3] https://www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/datasets/monthlyoverseastravelandtourismreferencetables

Figure 18: Europe – Monthly Airline Searches

Share by Destination, July – December 2020

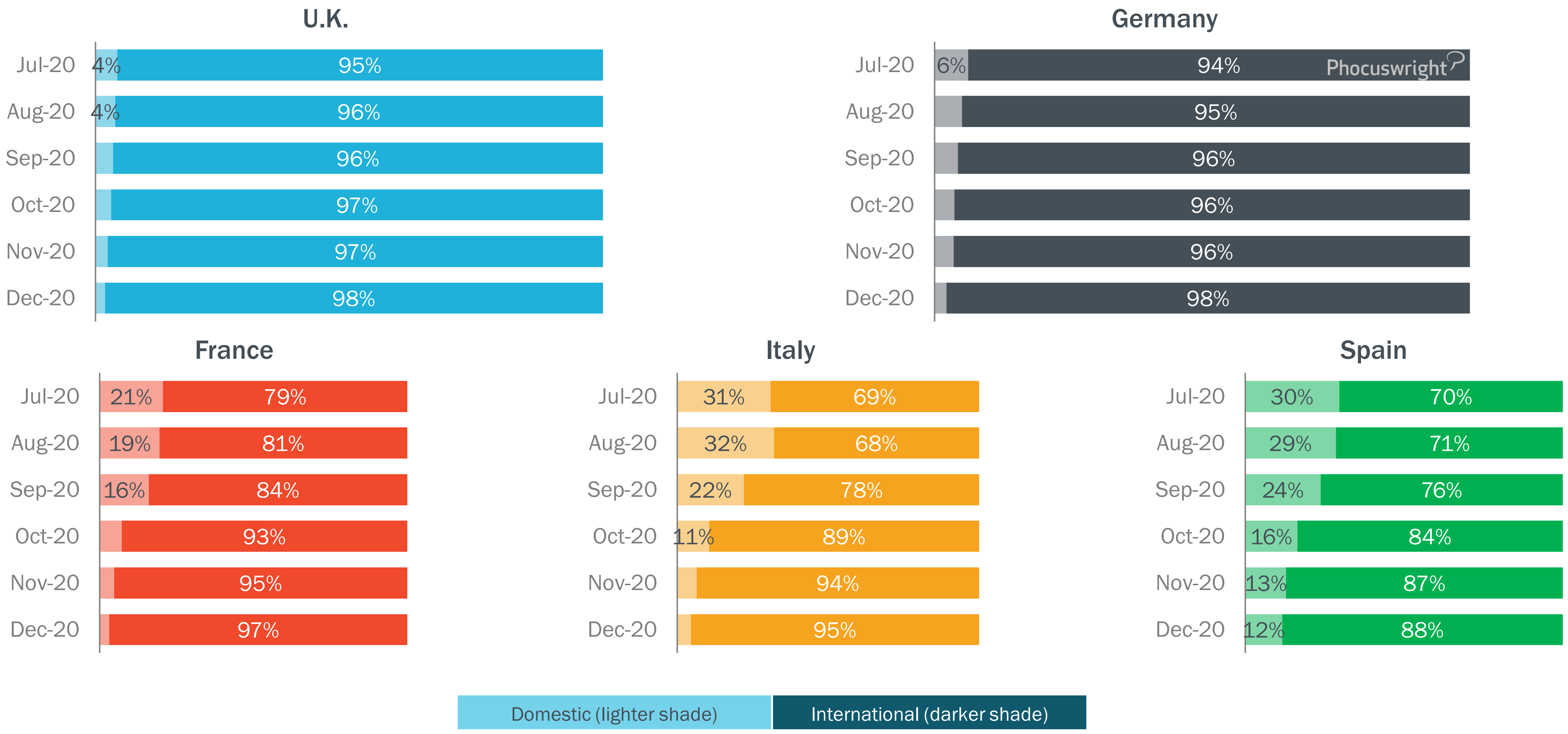
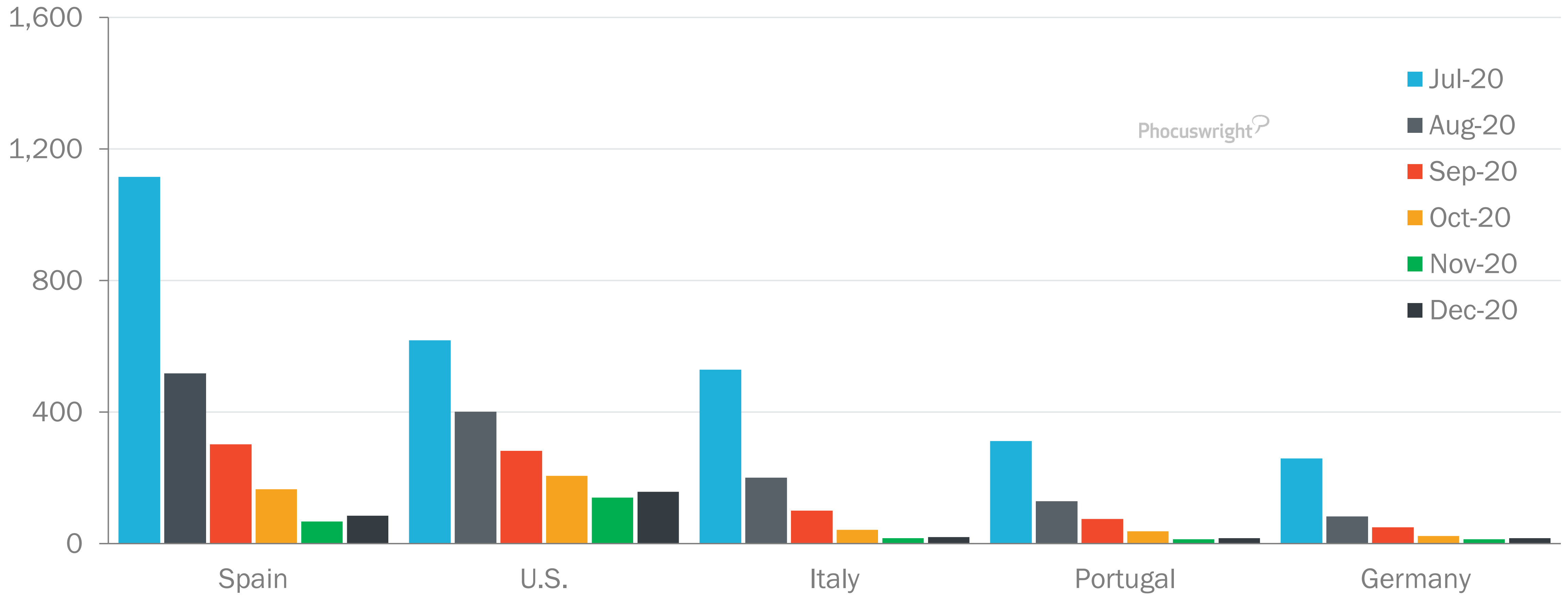


Figure 19: U.K. – Monthly Airline Searches (‘000)

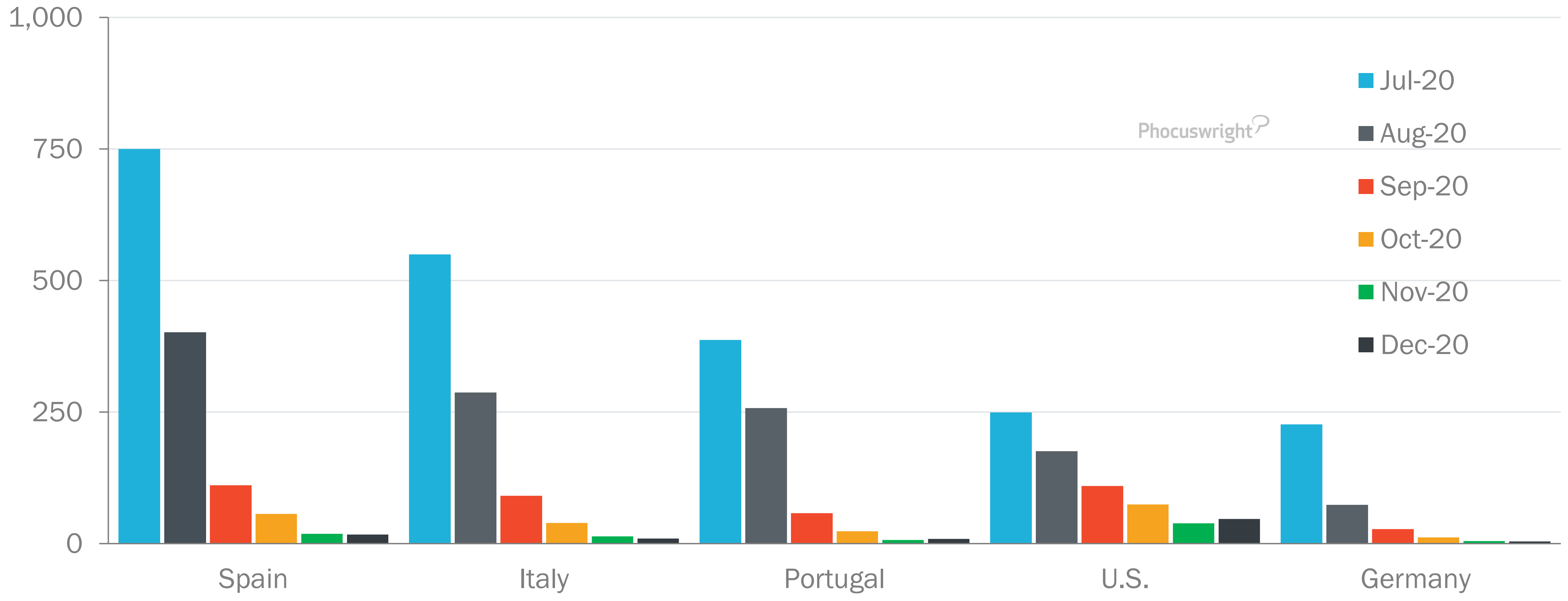
Top Five International Destinations, July – December 2020



Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

Figure 20: France – Monthly Airline Searches (‘000)

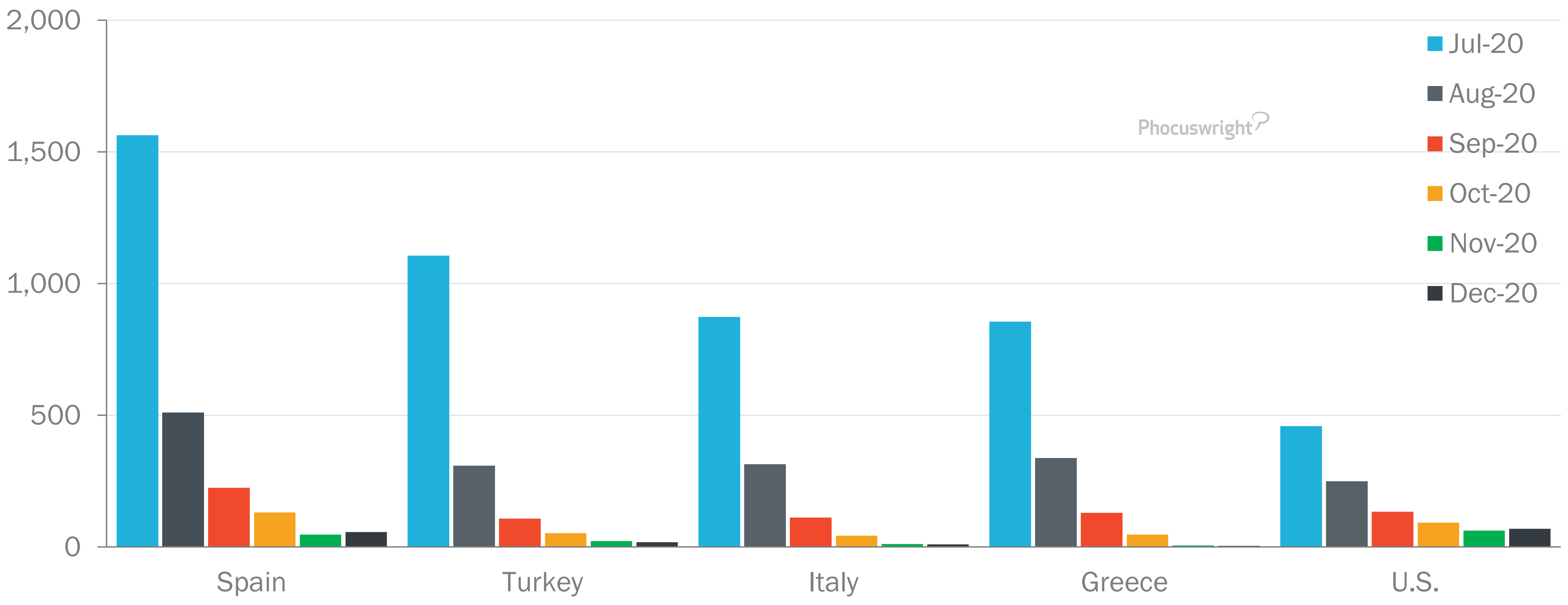
Top Five International Destinations, July – December 2020



Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

Figure 21: Germany – Monthly Airline Searches ('000)

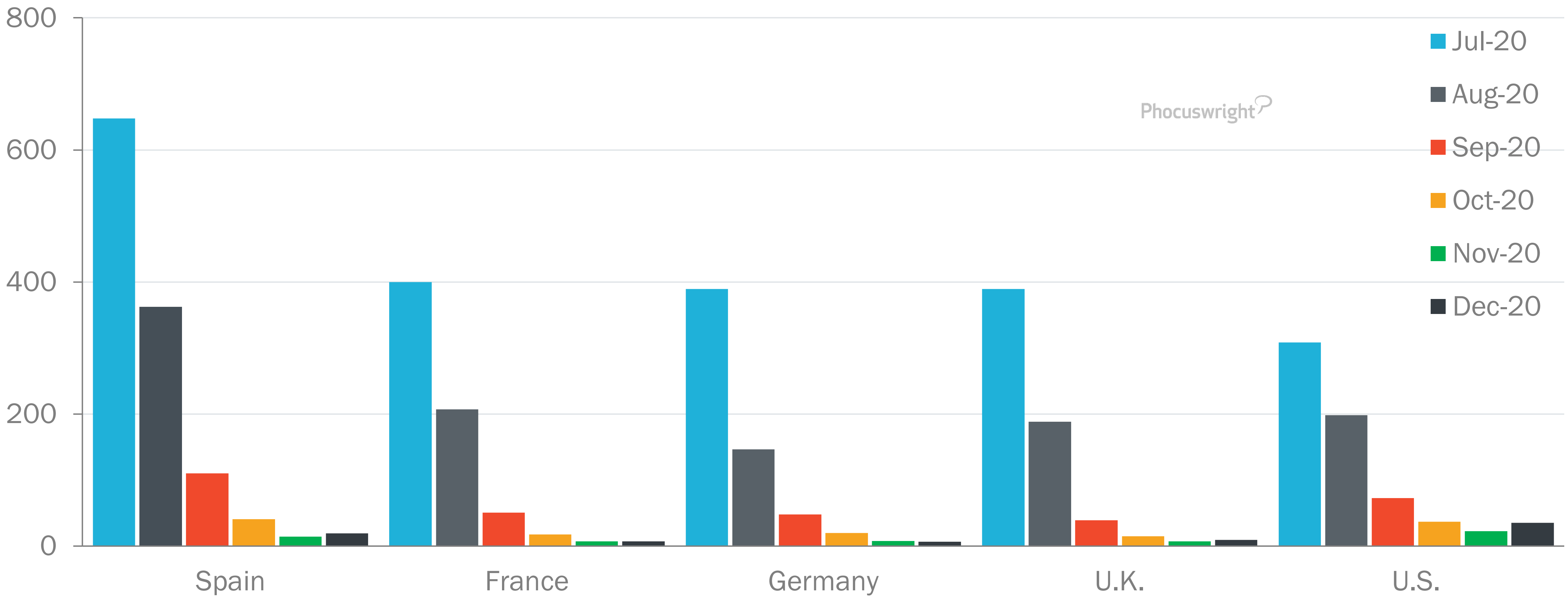
Top Five International Destinations, July – December 2020



Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

Figure 22: Italy – Monthly Airline Searches ('000)

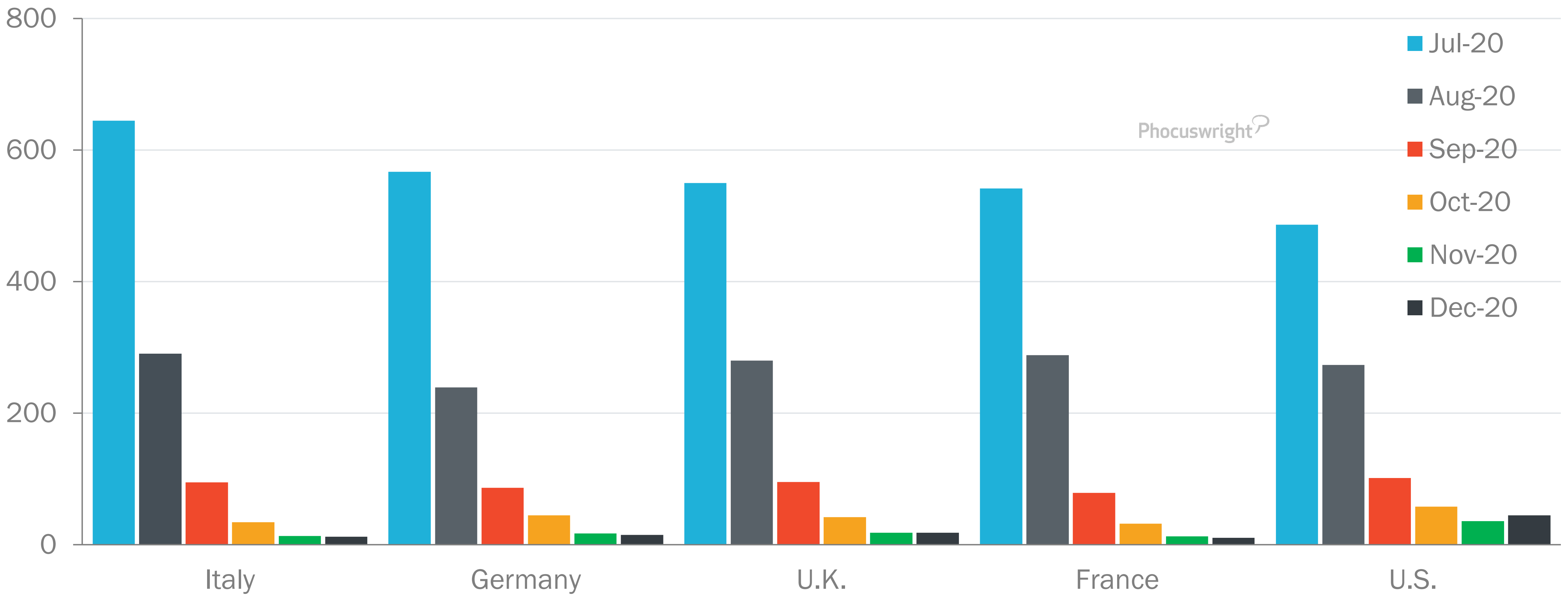
Top Five International Destinations, July – December 2020



Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

Figure 23: Spain – Monthly Airline Searches ('000)

Top Five International Destinations, July – December 2020



Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

APAC AND THE MIDDLE EAST

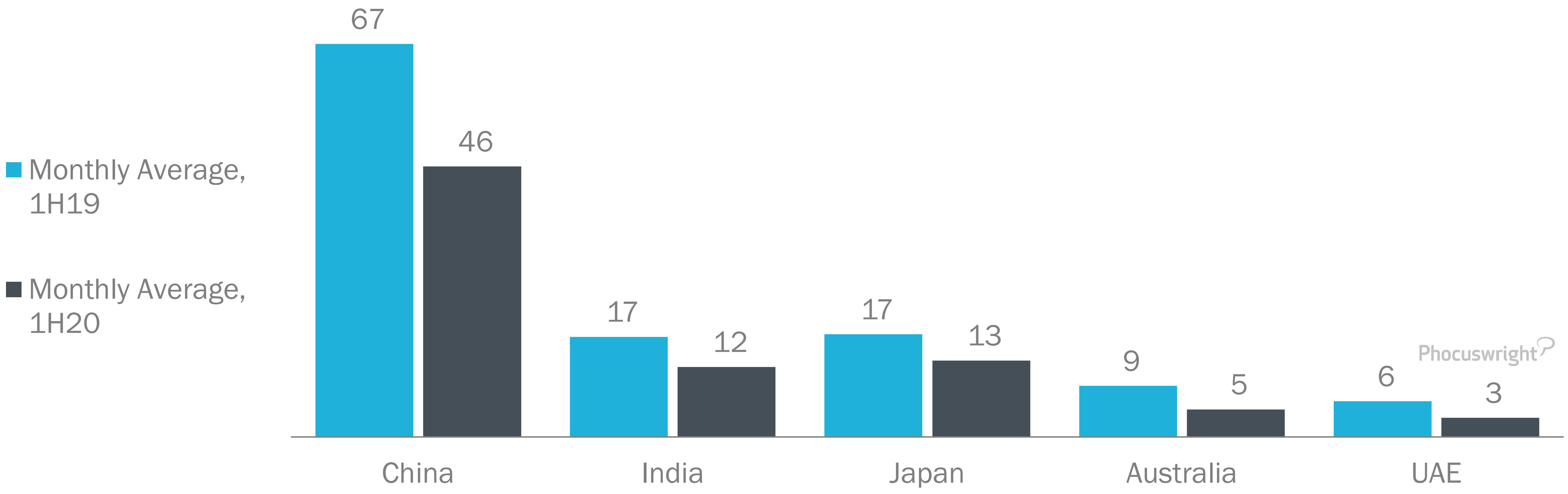
APAC and the Middle East: Seat Capacity and Unique Air Searches

APAC and the Middle East: Seat Capacity Trends

- China was the first country hit by the coronavirus, and its strict lockdown in virus-hit regions likely contributed to the country's seat capacity being lower by only 31% in the first half of 2020 vs. 2019 (see Figure 24). Capacity was reduced by more than half in February but started being added back in the following months (see Figure 25). Looking ahead, capacity peaks at 73 million seats in August and September, higher than the monthly average in 1H2020 (see Figure 26).
- India's ban on all commercial flights from the end of March contributed to its 30% capacity fall. Domestic flights resumed in late May, but international flights are unlikely to commence before the end of July.
- Japan saw only a quarter of its capacity reduced in the first half of the year. Without clear directives from the government, airlines kept most of their domestic schedules in place but made deep cuts to international routes, which explains why capacity only fell by 25%.
- Australia shut its borders to most inbound and outbound travelers in March. Aviation came to a standstill, as capacity dropped by close to 90% in the second quarter. Though most airports have restricted the number of daily arrivals, scheduled capacity shows a steady increase from July through December.
- Capacity in the UAE was nearly halved in the six months through June 2020. The major airlines, Emirates and Etihad, each cancelled all flights from the end of March and services are expected to resume gradually.

Figure 24: APAC and ME – Monthly Average Seat Capacity (millions)

January – June 2020 vs. 2019

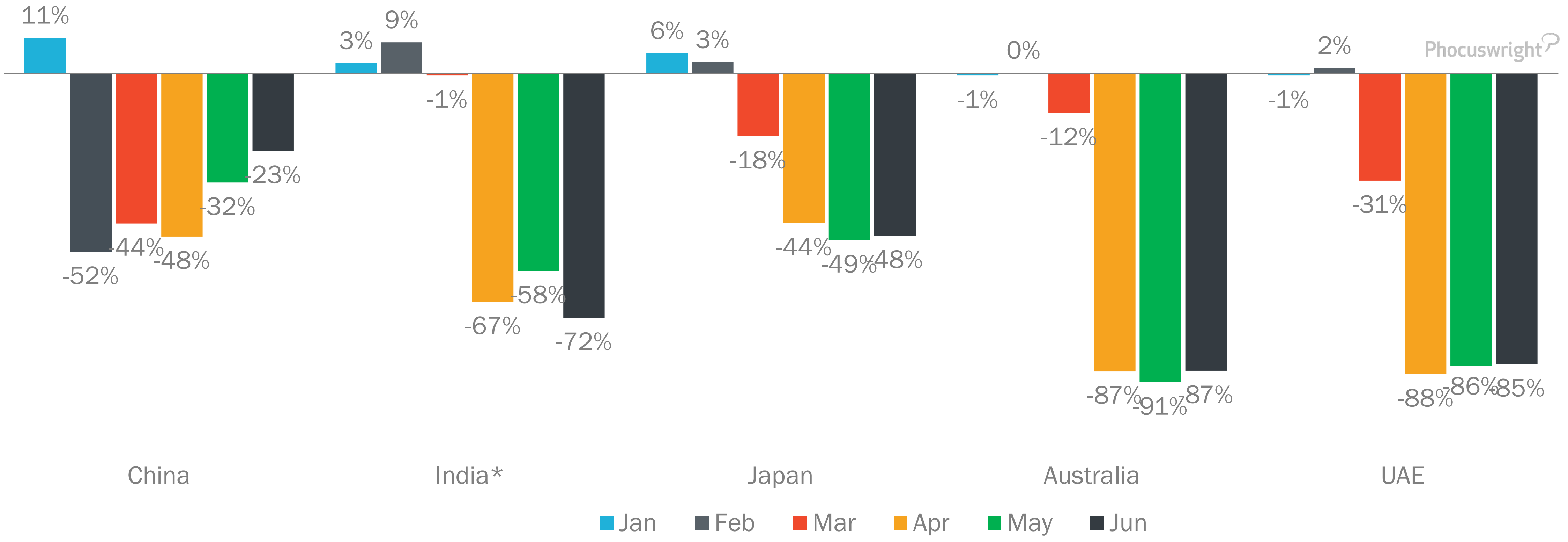


Annual Change (%)	-31%	-30%	-25%	-46%	-47%

Note: Actual seat capacities for January-June 2020 could be lower than figures presented in the charts, as flights cancelled by some airlines may not have been reported/captured.

Figure 25: APAC and ME – Seat Capacity

YoY Change by Month (%), January – June 2020 vs. 2019

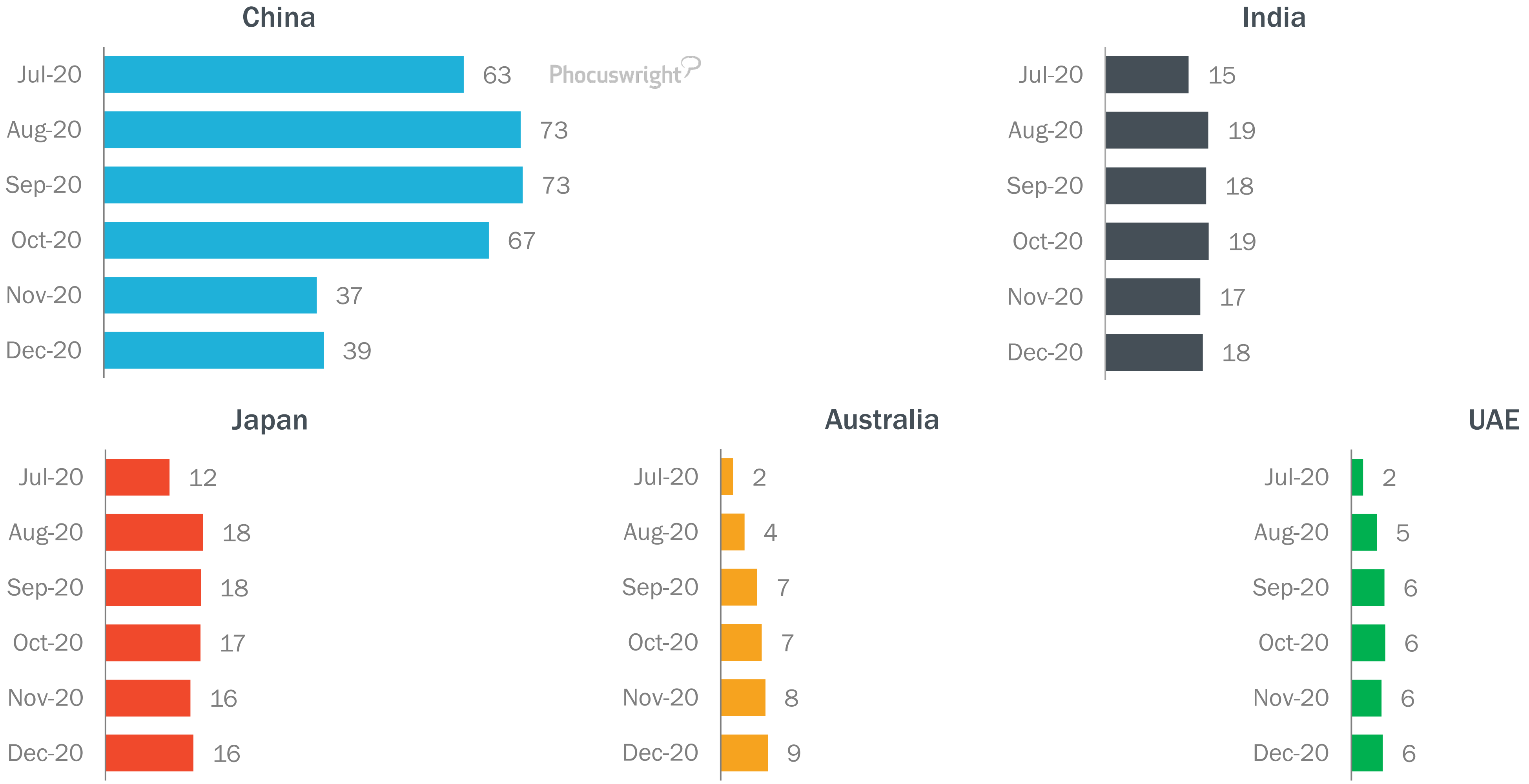


Note: Actual seat capacities for January-June 2020 could be lower than figures presented in the charts, as flights cancelled by some airlines may not have been reported/captured.

*No commercial flights operated in April 2020 in India, so the capacity change for April is underreported.

Figure 26: APAC and ME – Monthly Seat Capacity (millions)

July – December 2020



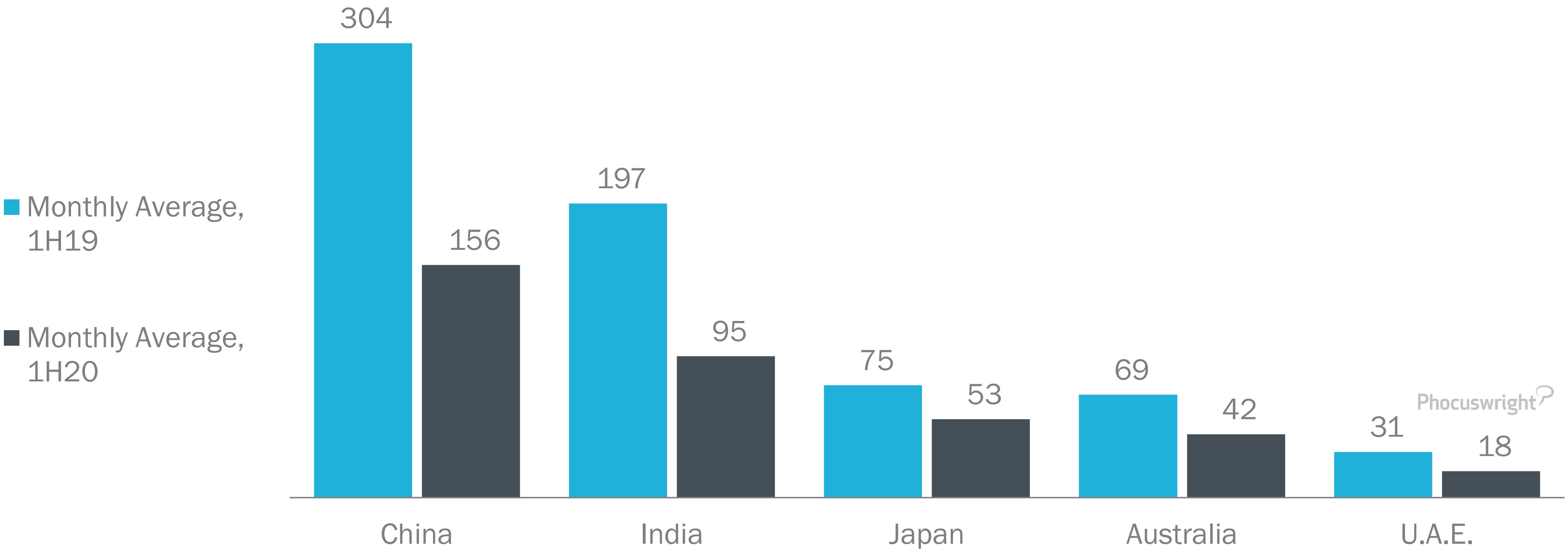
Note: The seat capacity data for July-December 2020 was captured on July 2, 2020 and may change over time.

APAC and the Middle East: Unique Search Trends

- Searches for air travel dropped the most in India, at 52%, over the first six months of 2020 (see Figure 27). China was close behind with a drop of nearly half. Japan's slow response to capacity adjustments seems to have percolated to consumer sentiment, as searches fell in line with capacity.
- Capacity in China was most impacted from February but started recovering in May (see Figure 28). In Australia and the UAE, travel intent fell off a cliff in the second quarter.
- Travelers across the globe are exhibiting similar behavior when it comes to planning trips. Uncertainty, fed by travel restrictions, repeat outbreaks and warnings of a second wave later in the year, may be among the reasons travelers are searching for trips in the next 4-8 weeks, rather than planning their end-of-year holidays.
- Accordingly, China's search volume for July was almost double that for August (see Figure 29), while India had three times as many searches for July compared to August.

Figure 27: APAC and ME – Monthly Air Searches (millions)

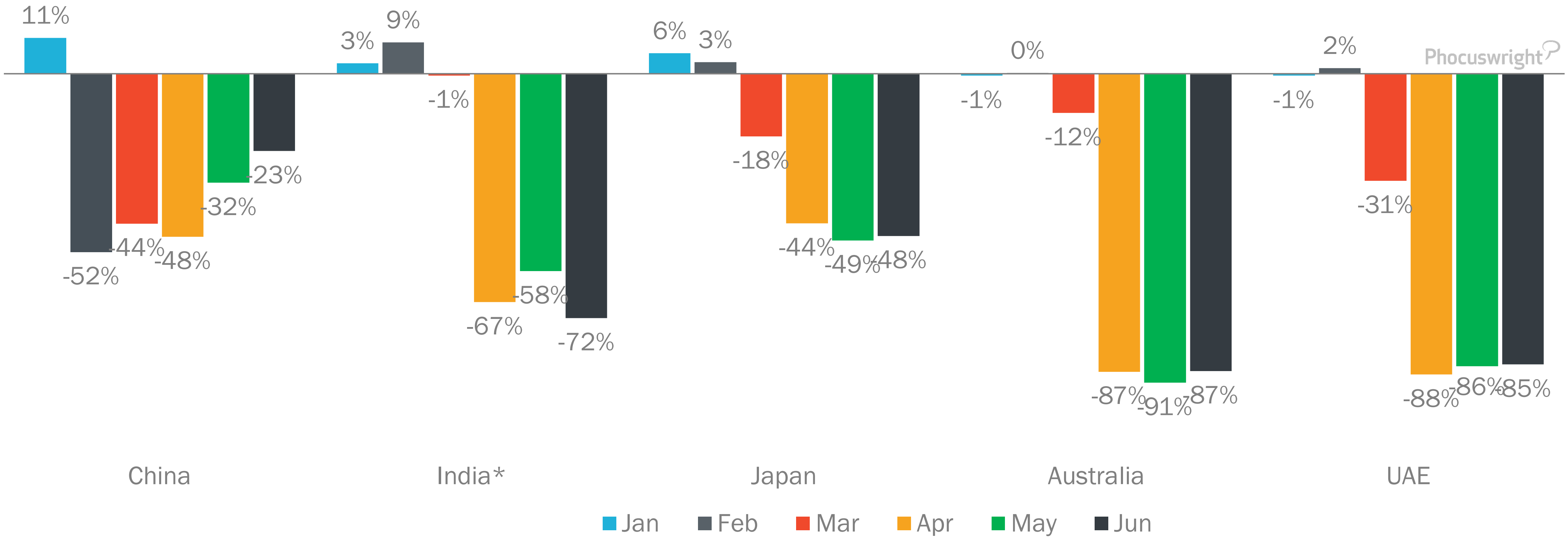
January – June 2020 vs. 2019



Annual Change (%)	-49%	-52%	-30%	-38%	-42%

Figure 28: APAC and ME – Air Searches

Annual Change (%), 2020 vs. 2019

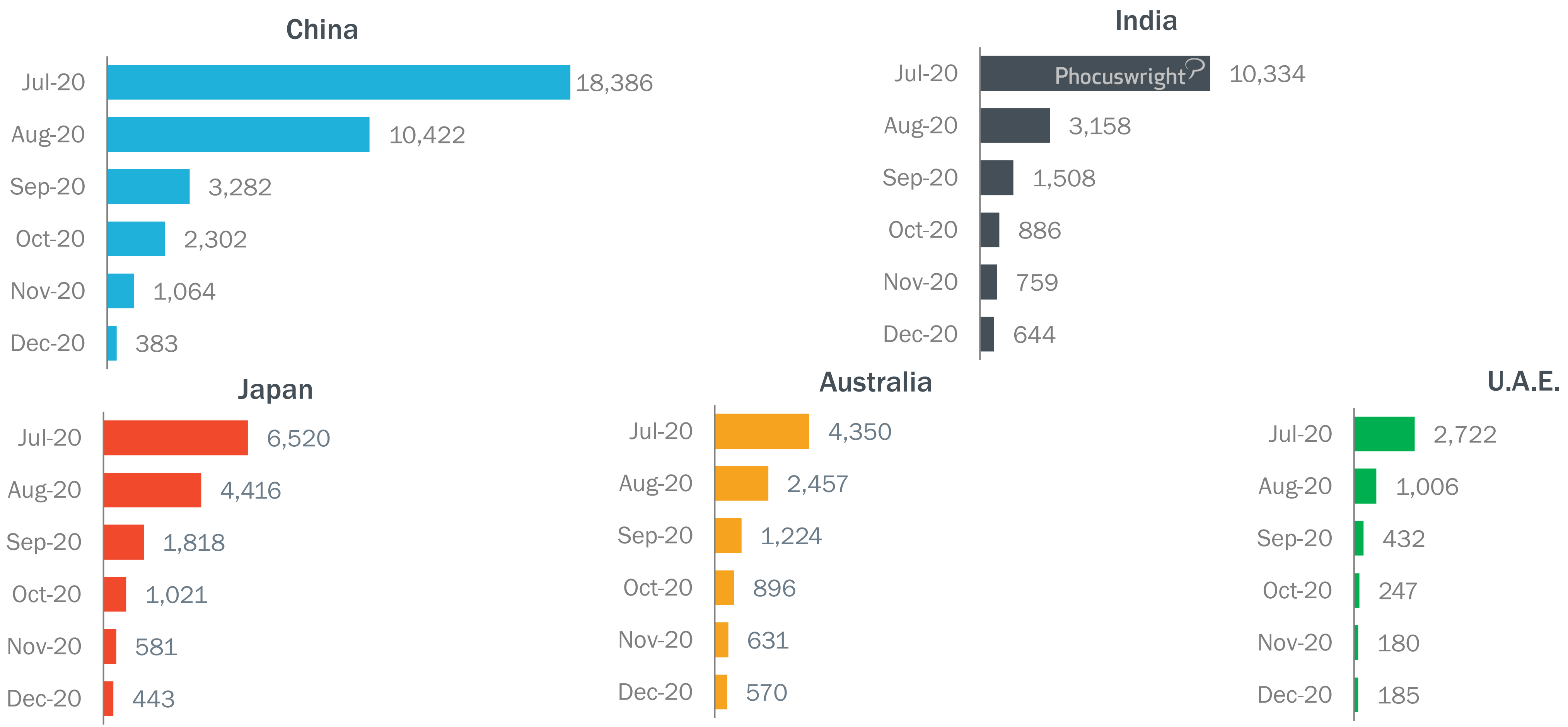


Note: Actual seat capacities for January-June 2020 could be lower than figures presented in the charts, as flights cancelled by some airlines may not have been reported/captured.

*No commercial flights operated in April 2020 in India, so the capacity change for April is underreported.

Figure 29: APAC and ME – Monthly Airline Searches (‘000)

July – December 2020



Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

APAC and the Middle East: Unique Air Searches by Destination

APAC and the Middle East: Destination Search Trends

- Except for India, all other countries exhibit a keen interest in foreign destinations (see Figure 30). In the case of the UAE, that is attributable to geography. Indian travelers, on the other hand, perhaps due to the fact that international flights are not operational, were overwhelmingly interested in domestic destinations in July. That interest shifts to international destinations, slowly but steadily, over the rest of the year.
- Japan is the top destination of interest for Chinese travelers over the next two months. The U.S., Taiwan, Korea and Canada also make the list (see Figure 31).
- The U.S. dwarfs all other nations when it comes to Indian travelers and their searches for air travel (see Figure 32). The UAE is a distant second.
- Japanese travel searches were highly concentrated toward China in July and August (see Figure 33).
- Despite the unrest in Hong Kong, search volumes from Australia indicate traveler interest in visiting is high in the next couple of months (see Figure 34), but the U.S. is also an attractive destination.
- Pakistan and the Philippines were the most searched countries from the UAE – no surprise given the high proportion of migrant workers in the UAE (see Figure 35).

Figure 30: APAC and ME – Monthly Airline Searches

Share by Destination, July – December 2020

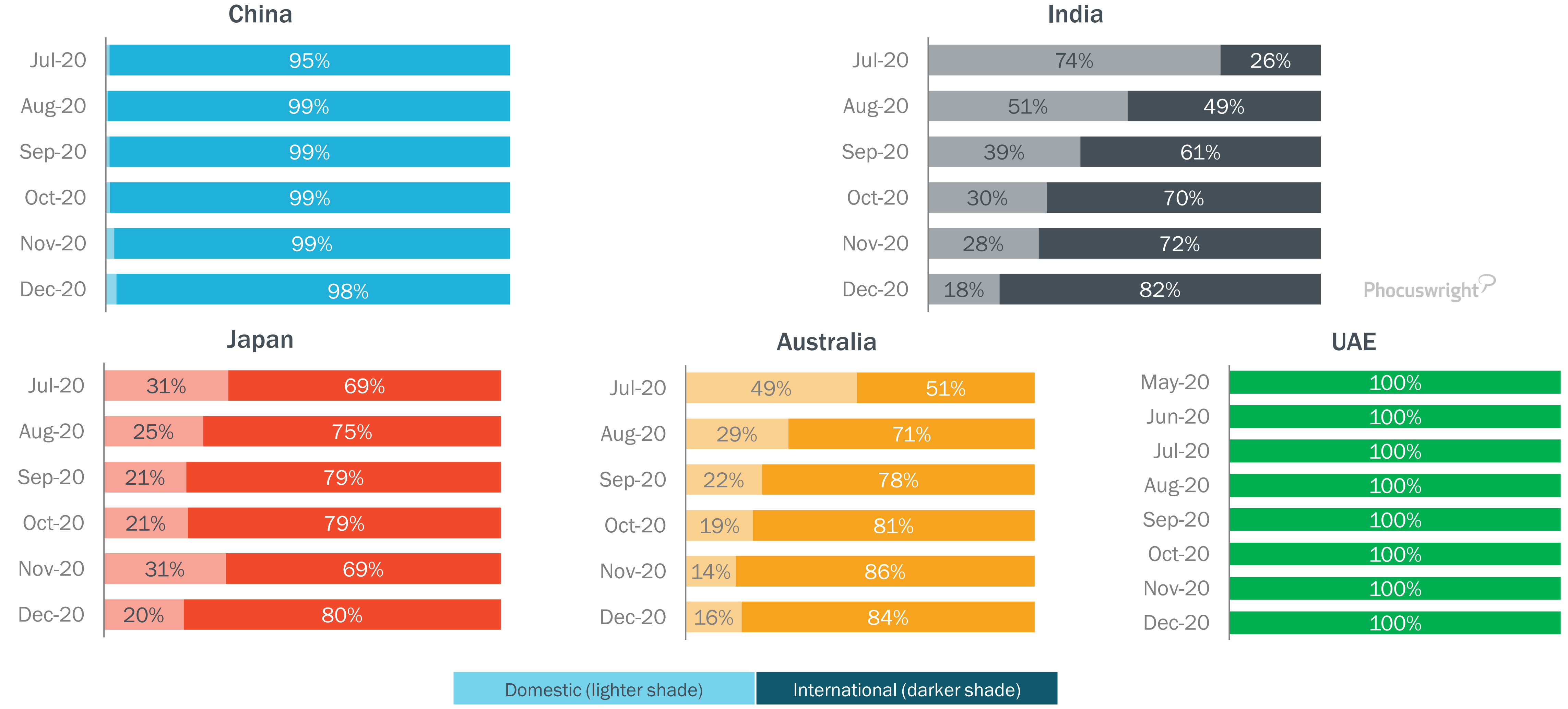
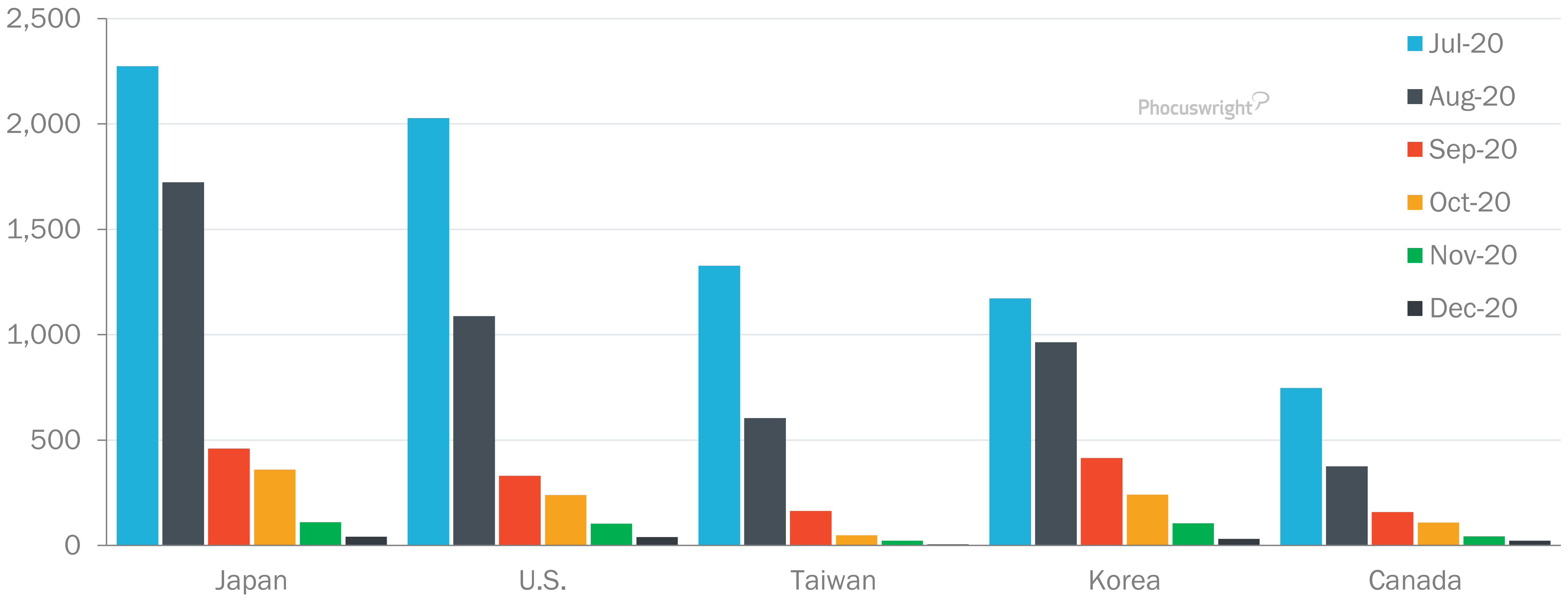


Figure 31: China – Monthly Airline Searches (‘000)

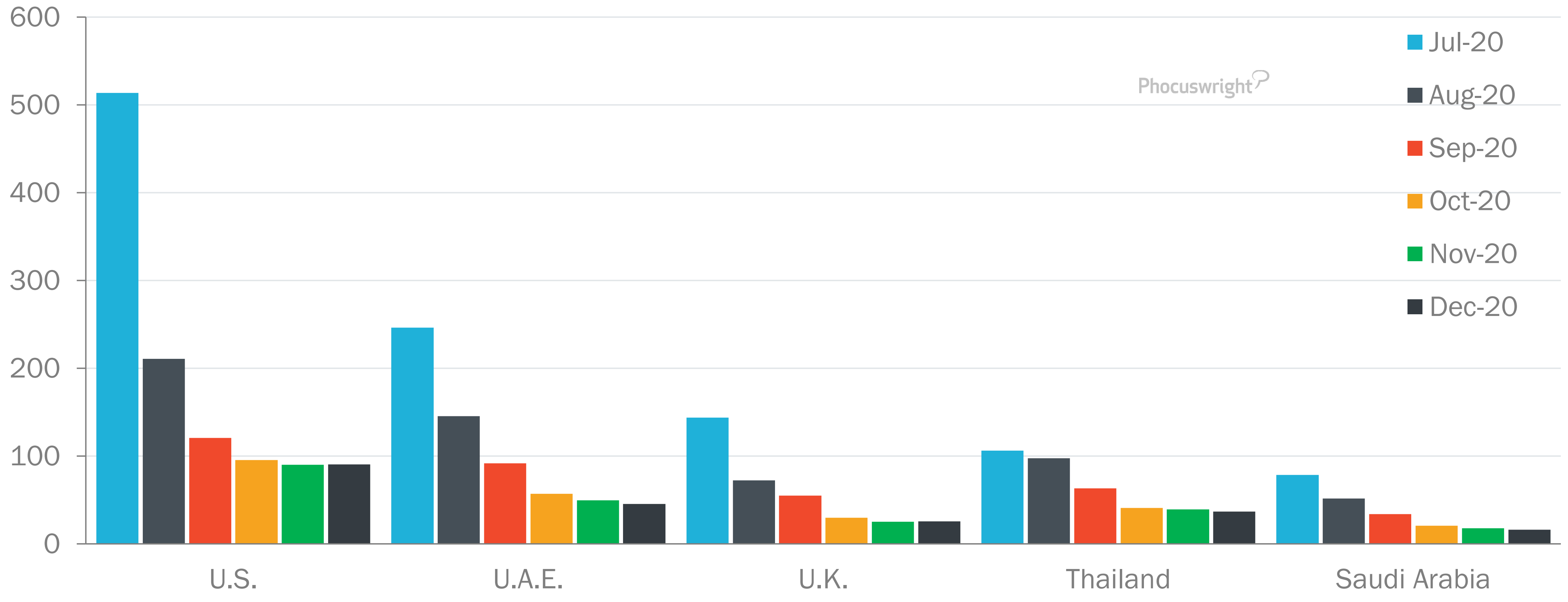
Top Five International Destinations, July – December 2020



 Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

Figure 32: India – Monthly Airline Searches ('000)

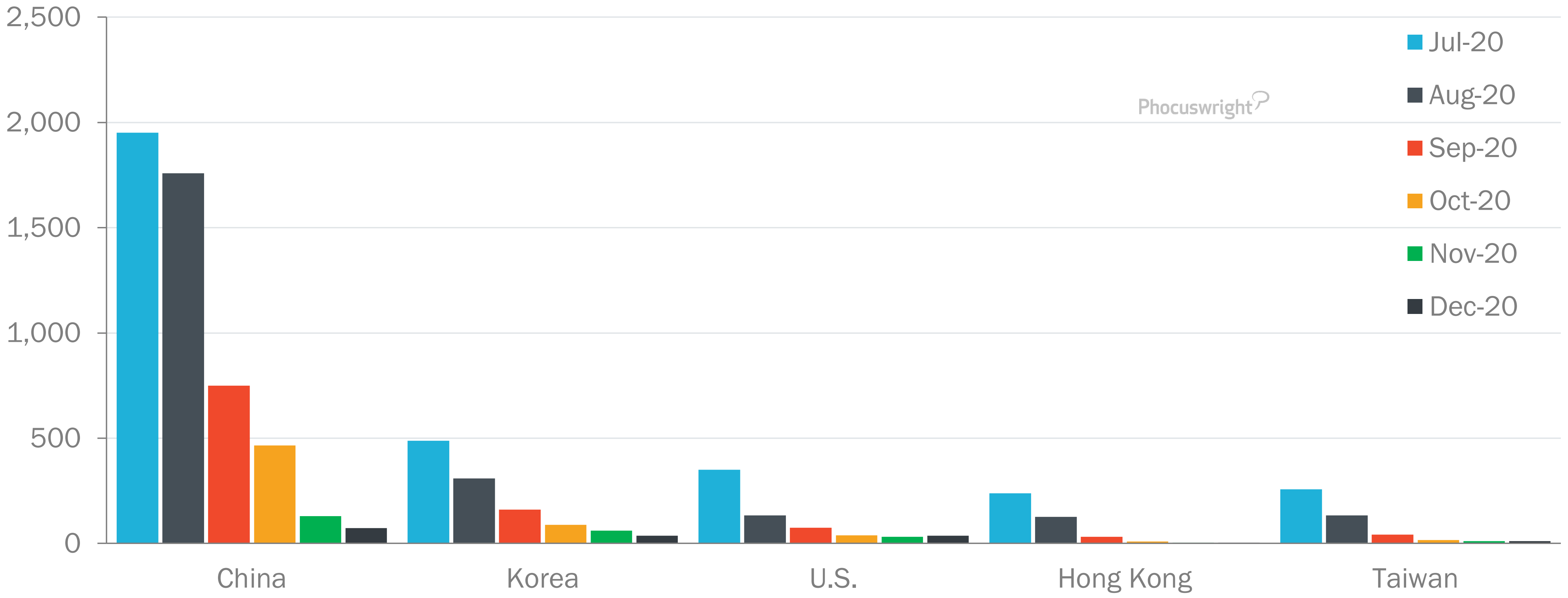
Top Five International Destinations, July – December 2020



Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

Figure 33: Japan – Monthly Airline Searches ('000)

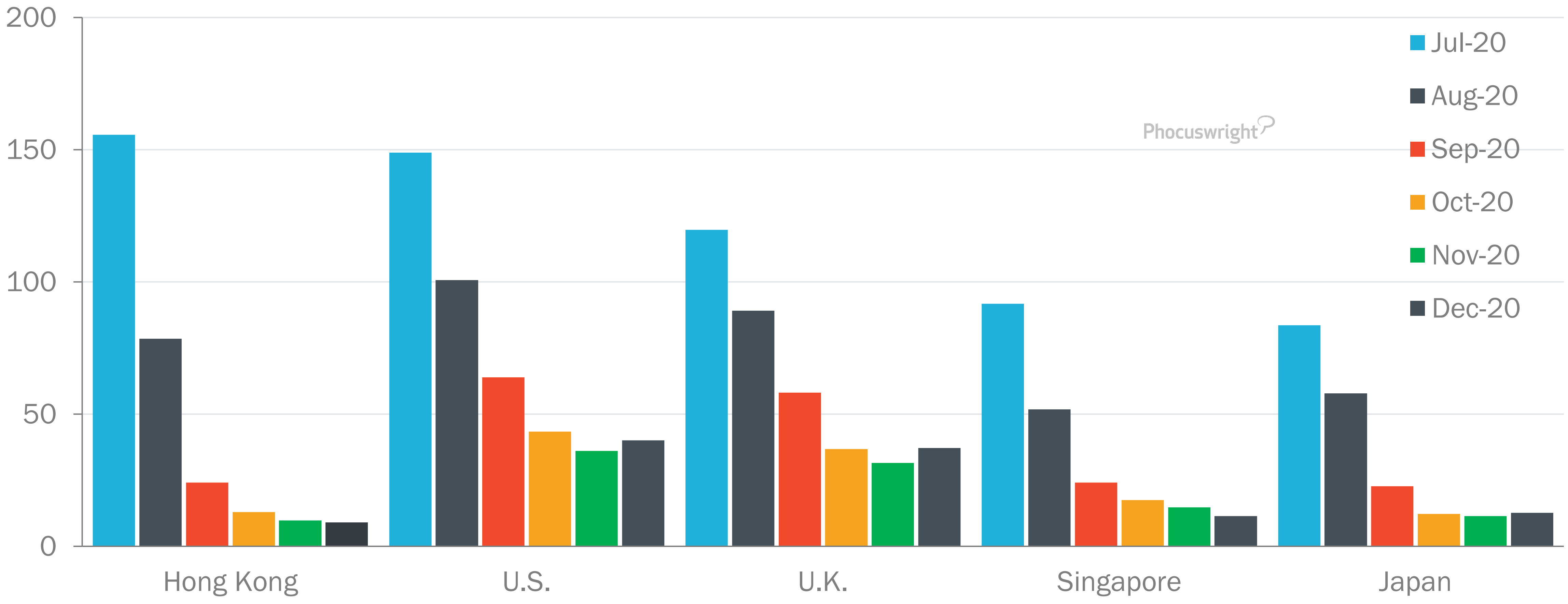
Top Five International Destinations, July – December 2020



Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

Figure 34: Australia – Monthly Airline Searches ('000)

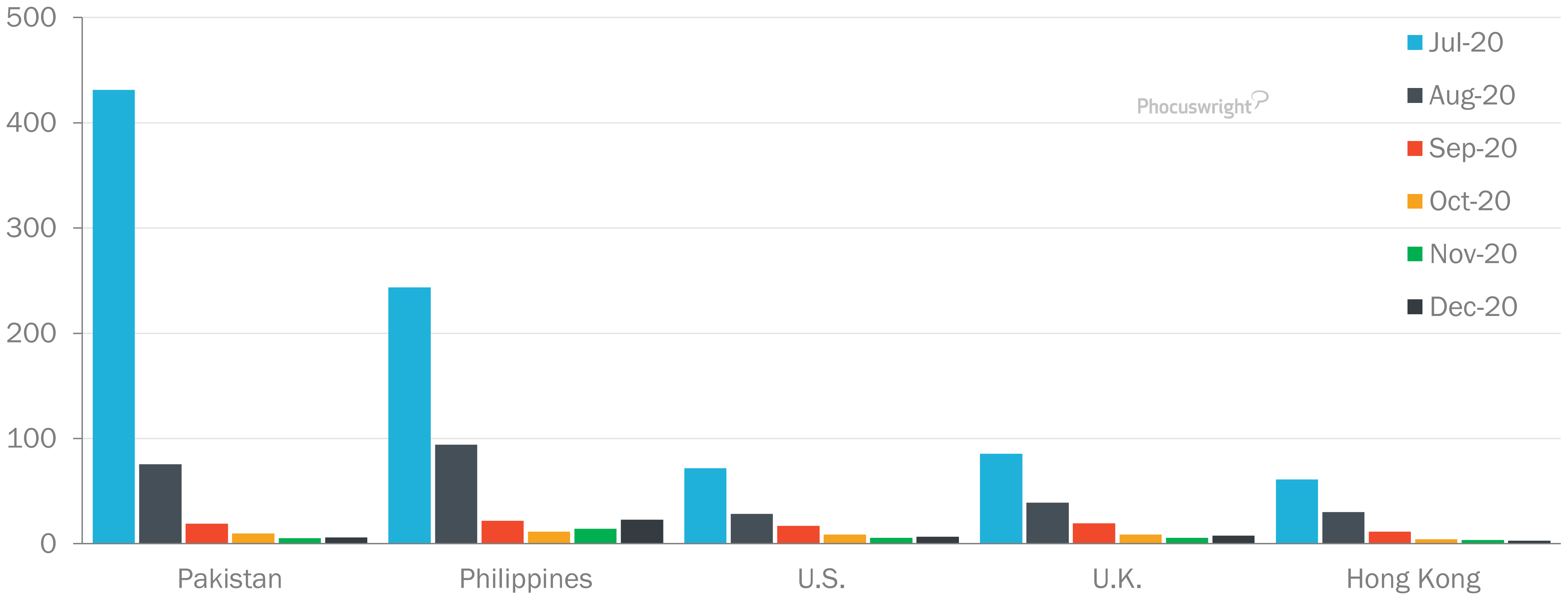
Top Five International Destinations, July – December 2020



Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

Figure 35: UAE – Monthly Airline Searches ('000)

Top Five International Destinations, July – December 2020



Note: The search data for July-December 2020 was captured on July 2, 2020 and may change over time.

Summary

In any normal year, July and August would be peak summer travel season in many parts of the globe. But the outlook for travel is grim, and a sustained recovery remains fraught with challenges as the coronavirus threat ebbs and flows.

The U.S. has been battling with increasing infections in most states. The lack of a coordinated federal response has led to a patchwork of policies and regulations, making it difficult to control the spread of the virus. Canada is the only bright spot in an otherwise dismal near-term outlook for the Americas, but continues to maintain strict entry and quarantine requirements.

Europe took the slow approach, but within a few weeks of allowing travelers to cross borders, it is seeing spikes in several member states. This has led to warnings to avoid travel to certain regions or even a quarantine for returning holidaymakers. A second wave would hamper what was shaping up to be a steady recovery.

Meanwhile, countries in Asia Pacific continue to see surges but move quickly to contain them. Cash-strapped Chinese airlines are introducing “all you can fly” passes to stimulate air travel and many Chinese travel agencies expect to see travel recover over the next year. Australia, Japan and other countries where the virus is in check are actively embracing the idea of establishing travel bubbles or air bridges to allow travel between select countries without punishing constraints.

Phocuswright continues to monitor the fluid situation and, as part of its Road to Recovery series, will update this report regularly.