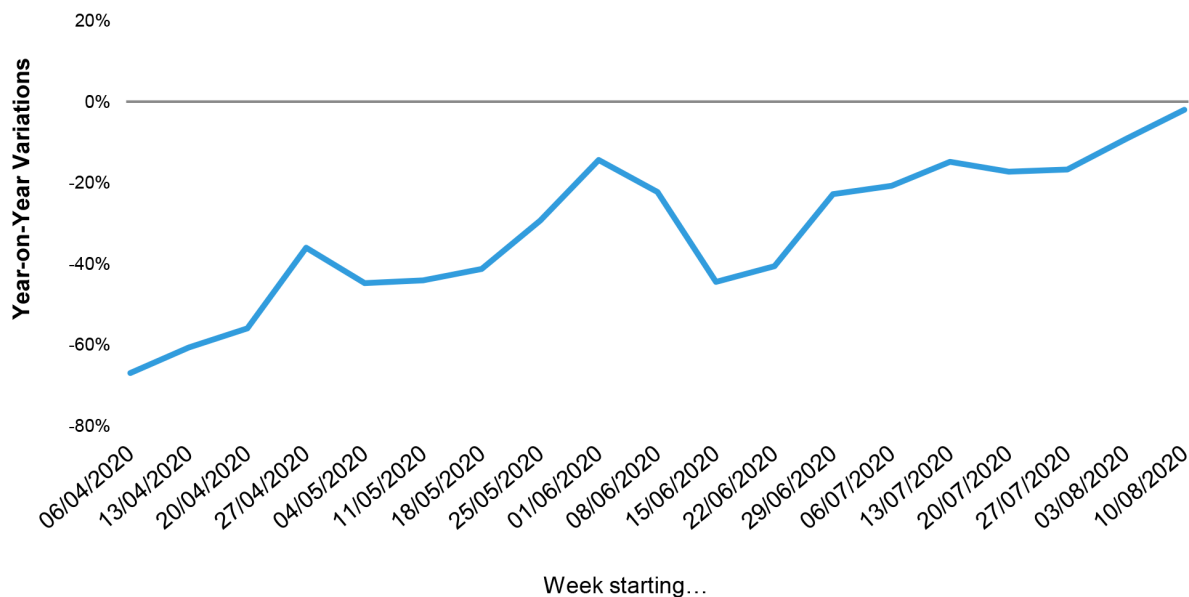


ForwardKeys calls full recovery in Chinese domestic air travel

China Domestic Air Travel Ticketing History



Ticketing dates from 6 April to 16 August 2020 vs. same period in 2019.



Considered all Length of Stays at destinations, except Transits.

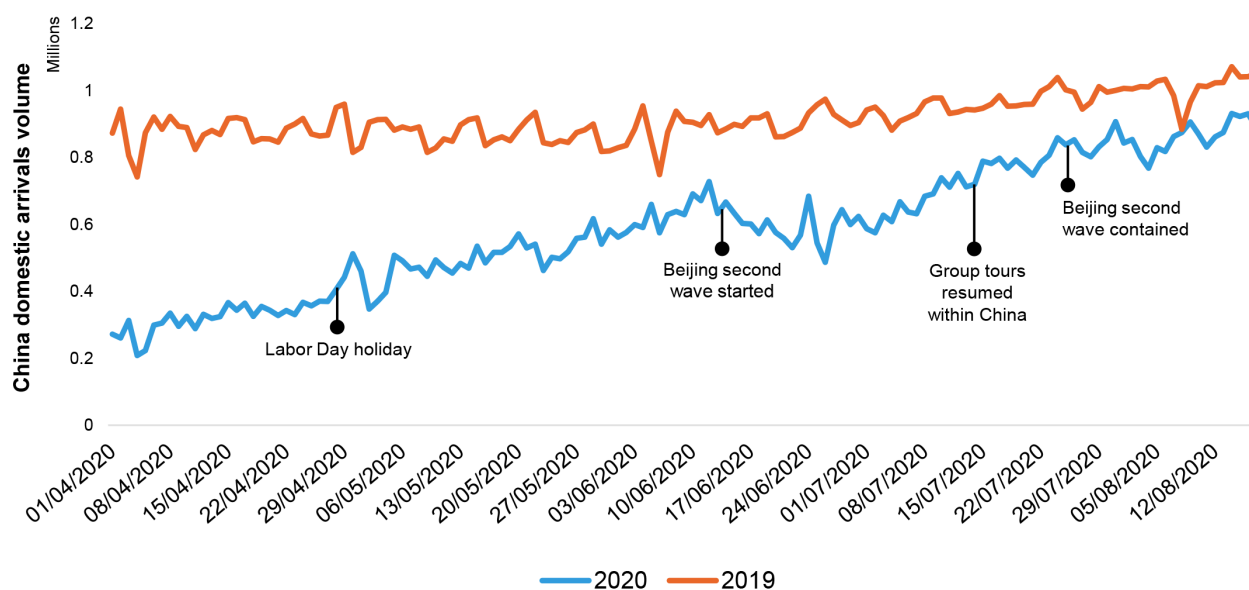


Source: ForwardKeys Air Ticket data.

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A snapshot of year-on-year variations regarding the recovery of domestic air travel within China

China Domestic Air Arrivals



Travel dates from 1 April to 17 August 2020 vs. same period in 2019.



Considered all Length of Stays at destinations, except Transits.



Source: ForwardKeys Air Ticket data.

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A snapshot of the volume of domestic arrivals within China, based on the highlights of the recovery process

ForwardKeys, the travel analytics company, is predicting that domestic air travel within China, which has been recovering progressively in the wake of the COVID-19 outbreak, will reach a full recovery by the start of September.

In the second week of August, domestic arrivals at Chinese airports reached 86% of 2019 levels and bookings (issued air tickets) reached 98%, with most being for travel in mid to late August.

ForwardKeys' forecast of a full recovery is based on four factors:

- The pandemic is now under control.
- Domestic aviation seat capacity is set to increase by 5.7% in the last week of August
- School and university students are traveling ahead of the start of term in September
- Aggressive price promotions have greatly stimulated demand

Since mid-June, nine Chinese airlines have launched a dozen different offers. For example, China Southern's *Fly Happily* promotion allows customers to fly to any destination across the country, before January 6, for \$529. Until year end, HNA allows passengers on its airlines to fly to and from Hainan for \$386 and Xiamen Airlines is launching *Students Fly*, which allows first-year university students to take a flight from August 25 - September 25 for just \$40.

Looking back, the aviation market in China bottomed in the second week of February and since then it's improved slowly. Along the way, the recovery highlights include Labour Day holiday at the start of May, resumption of group tours within China in mid-July, containment of Beijing's second wave of COVID-19 later that month and the ruling on August 20 by the Beijing Centre for Disease Prevention and Control that people in Beijing were no longer required to wear a mask in public. The most notable

setback was Beijing's second COVID-19 outbreak, which caused the recovery to stall from the second week of June for a month.

Analysis of destinations within China reveals that Sanya, the holiday hotspot in the South China Sea, has been the stand-out performer, with 14.2% growth year-on-year in the second week of August, helped by Hainan province's new duty-free policy introduced on July 1.

Chongqing, Chengdu, Shanghai and Shenzhen have also seen positive year-on-year growth, due to higher levels of economic activity. However, Chinese travel to Beijing is still 24.8% behind the same period in 2019, held back by the city's second COVID-19 outbreak.

"This is a highly significant moment because it is the first time, since the start of the COVID-19 outbreak, that a major segment of the aviation market anywhere in the world has returned to pre-pandemic levels. The crunch question is whether heavy discounting will still be needed to maintain the recovery or whether the industry will return to profitability during the upcoming Golden Week holiday in October," says Olivier Ponti, VP, Insights, ForwardKeys.

ForwardKeys will provide more data on the rise of duty-free shopping in Hainan and travel trends in domestic China, especially for Golden Week, during a free webinar on September 17 at 11am CEST. To register, visit: <https://forwardkeys.com/domestic-china-travel-webinar/>.