

Chinese airlines' losses mitigated by domestic travel

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China Southern Airlines reported a lower loss in the second quarter and said the aviation market in China would be the first to rebound from the pandemic

China's biggest airline on Saturday reported less severe losses in the second quarter as domestic travel picks up with the coronavirus outbreak brought largely under control.

The country where the disease first emerged last year has reported no new deaths since May—allowing for a tentative return of business and tourist [travel](#) within its borders, even as the virus wreaks havoc elsewhere.

China Southern Airlines, the nation's largest carrier in terms of passenger numbers, posted losses of 2.9 billion yuan (\$422 million) in April-June, compared with 5.3 billion yuan in the first quarter from January to March.

"The Covid-19 pandemic has exerted a long-term and profound impact globally," the company said in its results announcement, predicting further uncertainty.

But "the aviation market in China will be the first to

rebound, and the overall trend of recovery and development is prosperous", it said, noting a "strong potential demand for passenger travel" if the virus is suppressed.

Flag carrier Air China reported total first-half losses of 9.4 billion yuan, with the [second-quarter](#) loss of 4.6 billion only slightly lower than 4.8 billion posted in the [first quarter](#).

The country's second largest carrier China Eastern Airlines bucked the trend, however, with larger losses in April-June of 4.6 billion yuan than the 3.6 billion in January-March.

This was thanks to an aggressive pricing policy that drew travellers back to the airline but resulted in lower margins.

About 10 Chinese airlines have launched unlimited-flight deals to boost demand since the virus was stamped out through strict lockdowns, contact tracing and close monitoring of neighbourhoods.

"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," said Olivier Ponti, vice-president of travel analysts ForwardKeys.

"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," he said.

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