

IATA predicts delayed recovery as international travel remains locked down

The [International Air Transport Association](#) (IATA) released an updated global passenger forecast yesterday that the recovery in traffic has been slower than expected. The full report [Air Passenger Market Analysis](#) is available online.

According to the press release, the following will occur in the best case scenario:

- Global passenger traffic (revenue passenger kilometers or RPKs) will not return to pre-COVID-19 levels until 2024, a year later than previously projected
- The recovery in short haul travel is still expected to happen faster than for long haul travel. As a result, passenger numbers will recover faster than traffic measured in RPKs. Recovery to pre-COVID-19 levels, however, will also slide by a year from 2022 to 2023. For 2020, global passenger numbers (enplanements) are expected to decline by 55 percent compared to 2019, worsened from the April forecast of 46 percent

June 2020 passenger traffic foreshadowed slower-than-expected recovery. Traffic, measured in RPK, fell 86.5 percent compared to the year-ago period. That is only slightly improved from a 91.0 percent contraction in May. This was driven by rising demand in domestic markets. The June load factor set an all-time low for the month at 57.6 percent.

The recovery outlook incorporates these recent trends among others, according to the IATA forecast:

- **Reduced corporate travel:** Corporate travel budgets are expected to be very constrained as companies continue to be under financial pressure even as the economy improves. In addition, while historically GDP growth and air travel have been highly correlated, surveys suggest this link has weakened, particularly with regard to business travel, as video conferencing appears to have made significant inroads as a substitute for in-person meetings
- **Weak consumer confidence:** While pent-up demand exists for VFR (visiting friends and relatives) and leisure travel, consumer confidence is weak in the face of concerns over job security and rising unemployment, as well as risks of catching COVID-19. Some 55 percent of respondents to IATA's June passenger survey don't plan to travel in 2020

Owing to these factors, IATA's revised baseline forecast is for global enplanements to fall 55 percent in 2020 compared to 2019 (the April forecast was for a 46 percent decline). Passenger numbers are expected to rise 62 percent in 2021 off the depressed 2020 base, but still will be down almost 30 percent compared to 2019. A full recovery to 2019 levels is not expected until 2023, one year later than previously forecast.

Meanwhile, since domestic markets are opening ahead of international markets, and because passengers appear to prefer short haul travel in the current environment, RPKs will recover more slowly, with passenger traffic expected to return to 2019 levels in 2024, one year later than previously forecast. Scientific advances in fighting COVID-19 including development of a successful vaccine, could allow a faster recovery. However, at present there appears to be more downside risk than upside to the baseline forecast.

"What improvement we have seen has been domestic flying," said Alexandre de Juniac, IATA's Director General and Chief executive Officer. "Consumer confidence is depressed and not helped by the UK's weekend decision to impose a blanket quarantine on all travelers returning from Spain. And 1

in many parts of the world infections are still rising. All of this points to a longer recovery period and more pain for the industry and the global economy.

For airlines, this is bad news that points to the need for governments to continue with relief measures—financial and otherwise. A full Northern Winter season waiver on the 80-20 use-it-or-lose-it slot rule, for example, would provide critical relief to airlines in planning schedules amid unpredictable demand patterns. Airlines are planning their schedules. They need to keep sharply focused on meeting demand and not meeting slot rules that were never meant to accommodate the sharp fluctuations of a crisis. The earlier we know the slot rules the better, but we are still waiting for governments in key markets to confirm a waiver,” de Juniac said.

June 2020 Performance

JUNE 2020 (% YEAR-ON-YEAR)	WORLD SHARE ¹	RPK	ASK	PLF (%-PT) ²	PLF (LEVEL) ³
Domestic	36.2%	-67.6%	-55.9%	-22.8%	62.9%
Australia	0.8%	-93.8%	-89.1%	-33.8%	44.4%
Brazil	1.1%	-84.7%	-83.3%	-7.1%	74.7%
China P.R.	9.8%	-35.5%	-21.3%	-15.2%	69.5%
Japan	1.1%	-74.9%	-63.4%	-22.4%	48.8%
Russian Fed.	1.5%	-58.0%	-36.4%	-28.9%	56.4%
US	14.0%	-80.1%	-67.4%	-34.9%	54.7%

1) % of industry RPKs in 2019 2) Year-on-year change in load factor 3) Load Factor Level

International Passenger Markets

June international traffic shrank by 96.8 percent compared to June 2019, only slightly improved over a 98.3 percent decline in May, year-over-year. Capacity fell 93.2 percent and load factor contracted 44.7 percentage points to 38.9 percent.

Domestic Passenger Markets

Domestic traffic demand fell 67.6 percent in June, improved from a 78.4 percent decline in May. Capacity fell 55.9 percent and load factor dropped 22.8 percentage points to 62.9 percent.

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The Bottom Line

“Domestic traffic improvements notwithstanding, international traffic, which in normal times accounts for close to two-thirds of global air travel, remains virtually non-existent. Most countries are still closed to international arrivals or have imposed quarantines, that have the same effect as an outright lockdown. Summer — our industry’s busiest season — is passing by rapidly; with little chance for an upswing in international air travel unless governments move quickly and decisively to find alternatives to border closures, confidence-destroying stop-start re-openings and demand-killing quarantine,” said de Juniac.

IATA is encouraging governments to put measures in place, including the [International Civil Aviation Organization’s](#) (ICAO’s) global [guidelines for restoring air connectivity](#). According to the press release, IATA also sees potential for accurate, fast, scalable and affordable testing measures and comprehensive contact tracing to play a role in managing the risk of virus spread while re-connecting economies and re-starting travel and tourism.

“We need to learn to manage the risks of living with COVID-19 with targeted and predictable measures that will safely re-build traveler confidence and shattered economies,” said de Juniac.