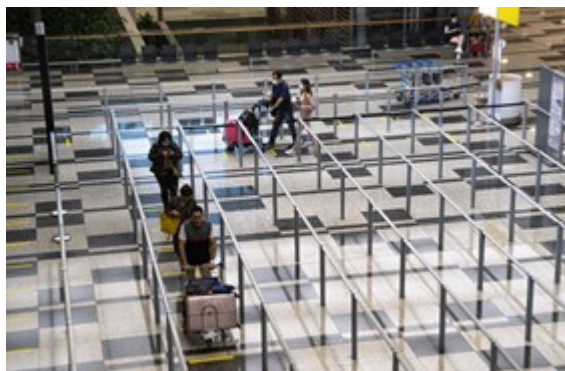


Recovery delayed as international travel remains locked down



According to an updated forecast released by IATA, global passenger traffic will not return to pre-COVID-19 levels until 2024

The International Air Transport Association (IATA) released an updated global passenger forecast showing that the recovery in traffic has been slower than had been expected. 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 take place 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% compared to 2019, worsened from the April forecast of 46%.

June 2020 passenger traffic foreshadowed the slower-than-expected recovery. Measured in RPK, traffic fell 86.5% compared to the year-ago period. This is only slightly improved from a 91% contraction in May. This was driven by rising demand in domestic markets, particularly China. The June load factor set an all-time low for the month at 57.6%.

A more pessimistic recovery outlook is based on a number of recent trends:

Slow virus containment in the US and other developing economies:

Although developed economies outside of the US have been largely successful in containing the spread of the virus, renewed outbreaks have occurred in these countries and in China.

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 rising unemployment and job security, as well as the risk of catching COVID-19. Some 55% of respondents to IATA's June passenger survey don't plan to travel in 2020.

"Passenger traffic hit bottom in April, but the strength of the upturn has been weak. What improvement we have seen has been domestic flying. International markets remain largely closed. 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 in many parts of the world infections are still rising. 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 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,"

says Alexandre de Juniac, IATA's Director General and CEO.

June 2020 Performance

A breakdown of the international passenger markets:

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

JUNE 2020 (% YEAR-ON-YEAR)	WORLD SHARE¹	RPK	ASK	PLF (%-PT)²	PLF (LEVEL)³
Total Market	100.0%	-86.5%	-80.1%	-26.8%	57.6%
Africa	2.1%	-96.5%	-84.5%	-54.9%	16.2%
Asia Pacific	34.6%	-74.4%	-69.6%	-18.5%	63.8%
Europe	26.8%	-93.7%	-90.0%	-31.9%	55.5%
Latin America	5.1%	-91.2%	-89.0%	-16.7%	66.6%
Middle East	9.1%	-95.5%	-90.4%	-40.7%	35.7%
North America	22.3%	-86.3%	-76.9%	-36.5%	52.4%

1) % of industry RPKs in 2019

2) Year-on-year change in load factor

3) Load Factor Level

Asia-Pacific airlines:

In June, traffic plummeted 97.1% compared to the year-ago period, little improved from the 98.1% decline in May. Capacity fell 93.4% and load factor shrank 45.8 percentage points to 35.6%.

European carriers:

In June, demand toppled 96.7% versus a year ago compared to a 98.7% decline in May. Capacity dropped 94.4% and load factor lessened 35.7 percentage points to 52%.

Middle Eastern airlines:

In June, traffic collapsed 96.1% against June 2019 compared to a 97.7% demand drop in May. Capacity contracted 91.1% and load factor crumbled to 33.3%, down 43.1% compared to a year ago.

North American carriers:

In June, traffic declined 97.2%, barely improved from a 98.3% decline in May. Capacity fell 92.8% and load factor dropped 53.8 percentage points to 34.1%.

Latin American airlines:

In June, traffic suffered a 96.6% demand drop compared to the same month last year, from a 98.1% drop in May. Capacity fell 95.7% and load factor sagged 17.7 percentage points to 66.2%, which was the highest among the regions.

African airlines:

In June, traffic sank 98.1%, little changed from a 98.6% demand drop in May. Capacity contracted 84.5% and load factor dived 62.1 percentage points to just 8.9% of seats filled, which was the lowest among regions.

A breakdown of the domestic passenger markets:

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

JUNE 2020 (% YEAR-ON-YEAR)	WORLD SHARE¹	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

China carriers

Continued to lead the recovery, with traffic down 35.5% in June compared to the year-ago period, raised from a 46.3% decline in May.

Japan airlines:

Experienced improved domestic demand after the state of COVID-19 emergency was lifted in late May. Domestic RPKs decreased by 74.9% year-on-year in June compared to around 90% annual declines in the previous two months.

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 quarantine, 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.

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," adds de Juniac.

IATA urges governments to implement a layer of measures including the International Civil Aviation Organization's (ICAO's) global guidelines for restoring air connectivity contained in ICAO's *Takeoff: Guidance for Air Travel through the COVID-19 Public Health Crisis*," adds de Juniac.