

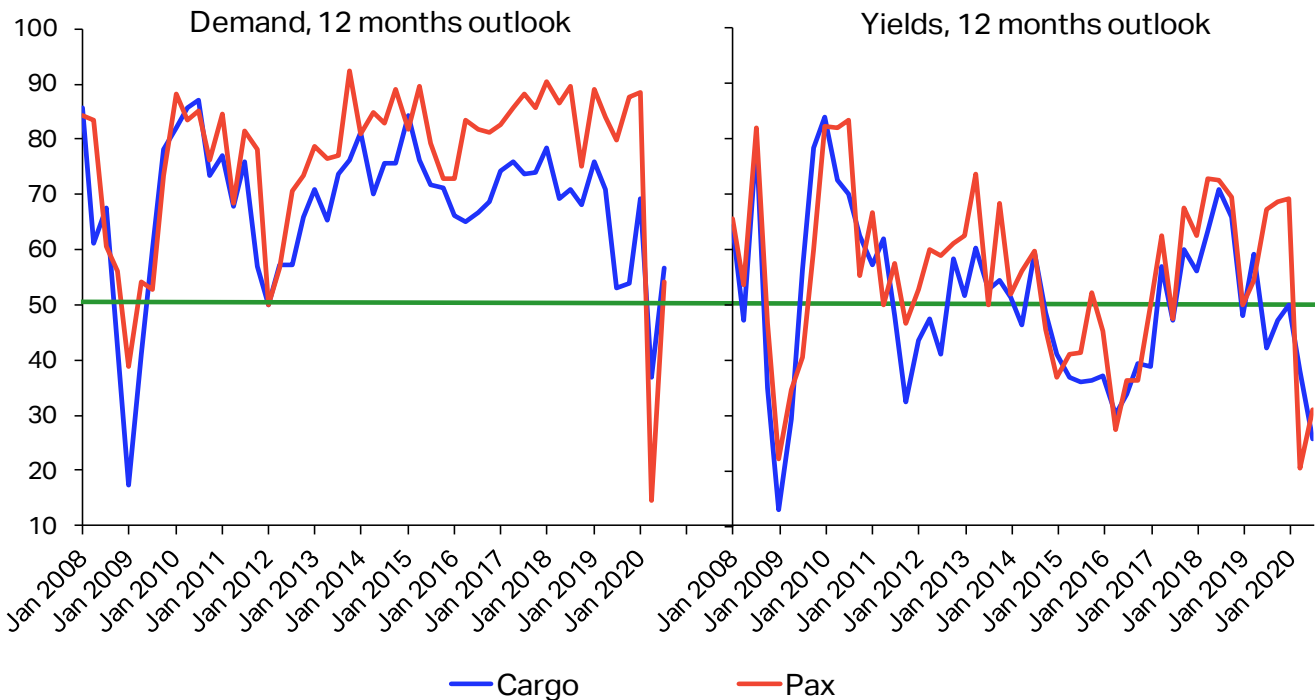


IATA Economics' Chart of the Week

07 August 2020

Industry outlook for demand and yields diverge

Demand and Yield Expectations



Source: IATA Economics

- This week, we released the results of our quarterly [Business Confidence Survey](#) of airline CFOs and Heads of Cargo. The results of the survey confirm the severe impact of COVID-19 on the industry in Q2 2020. Today's chart shows the forward-looking demand and yield industry expectations for both the passenger (red) and cargo (blue) segments.
- The left panel of the chart depicts the year-ahead air passenger and cargo demand expectations. The forward looking passenger demand index recovered from an all-time low in April with the easing of travel restrictions in many regions. Nevertheless, those expecting a recovery in demand remain cautious, acknowledging that the risks are on the downside in this highly uncertain environment. For cargo, expectations did not decline as much as on the passenger side, as personal protective equipment and other vital shipments supported demand. The year-ahead cargo demand expectations also returned to expansionary territory in the post-lock-down period on the rebound in business confidence and activity.
- Yield expectations (right panel of the chart) tell a different story, remaining weak and around the levels of the Global Financial Crisis. On the passenger side, a majority of the respondents expect airlines to have to decrease air fares in order to help stimulate demand in the recovery period. Cargo yields - which soared with the lack of bellyhold cargo capacity in Q2 2020 - are also expected to decline from their current elevated levels as cargo capacity returns to the market. Overall, the industry's profit expectations remain in contractionary territory since the recovery in demand is expected to be gradual and limited and insufficient to offset the expected deterioration in yields.

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