

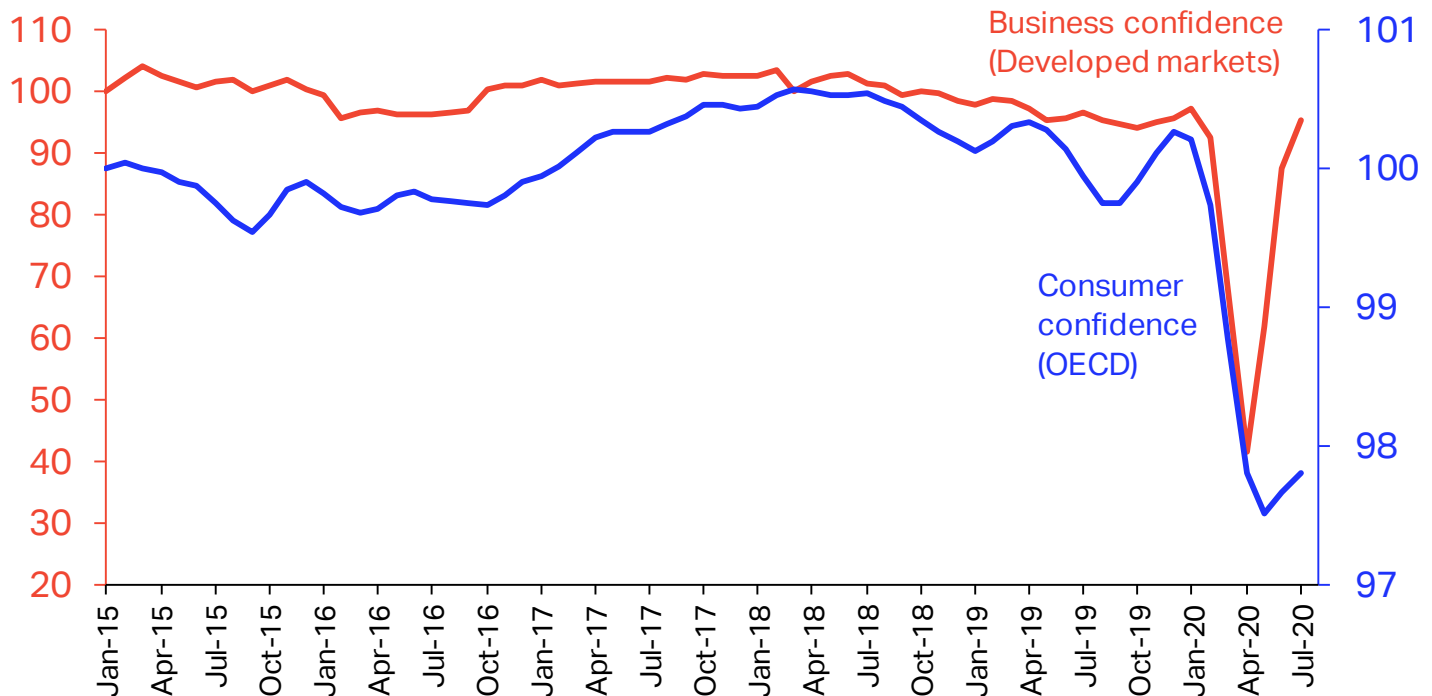


# IATA Economics' Chart of the Week

14 August 2020

## Restoring confidence will be key for recovery in air travel demand

Indexed, Jan 2015 = 100



Source: IATA Economics using data from Markit and Thomson Reuters Datastream

- In [last week's chart](#), we reported the results of our quarterly industry confidence survey which showed a diverging outlook for airline yields and demand. In keeping with that theme, today we take a look at the measures of global business and consumer confidence to get a sense of the 'bigger picture' of potential traveler sentiment and the implications for industry recovery.
- Global business confidence has rebounded sharply following the April low as countries loosened COVID-19 restrictions and business became more upbeat about the restart of economic activity. Given the historical relationship between business sentiment and air passenger volumes, this rebound would normally bode well for the air travel outlook. However, these are far from normal times; limited corporate travel budgets, the increased use of online conferencing, continued international travel restrictions and ongoing health (and duty of care) concerns all contribute to a weakened relationship between business confidence and air travel at present.
- Furthermore, despite a modest improvement from May, consumer sentiment remains subdued, close to a record low. In large part this reflects concerns about rising unemployment and the continuity of government support programs in the months ahead. Along with uncertainty around the containment of the virus, these concerns are likely to weigh upon the demand for leisure travel going forward.
- All told, developments in business and consumer confidence will be a critical input into understanding the timing and nature of the recovery in air transport volumes. However, at this stage, confidence points to the recovery being gradual and patchy.

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