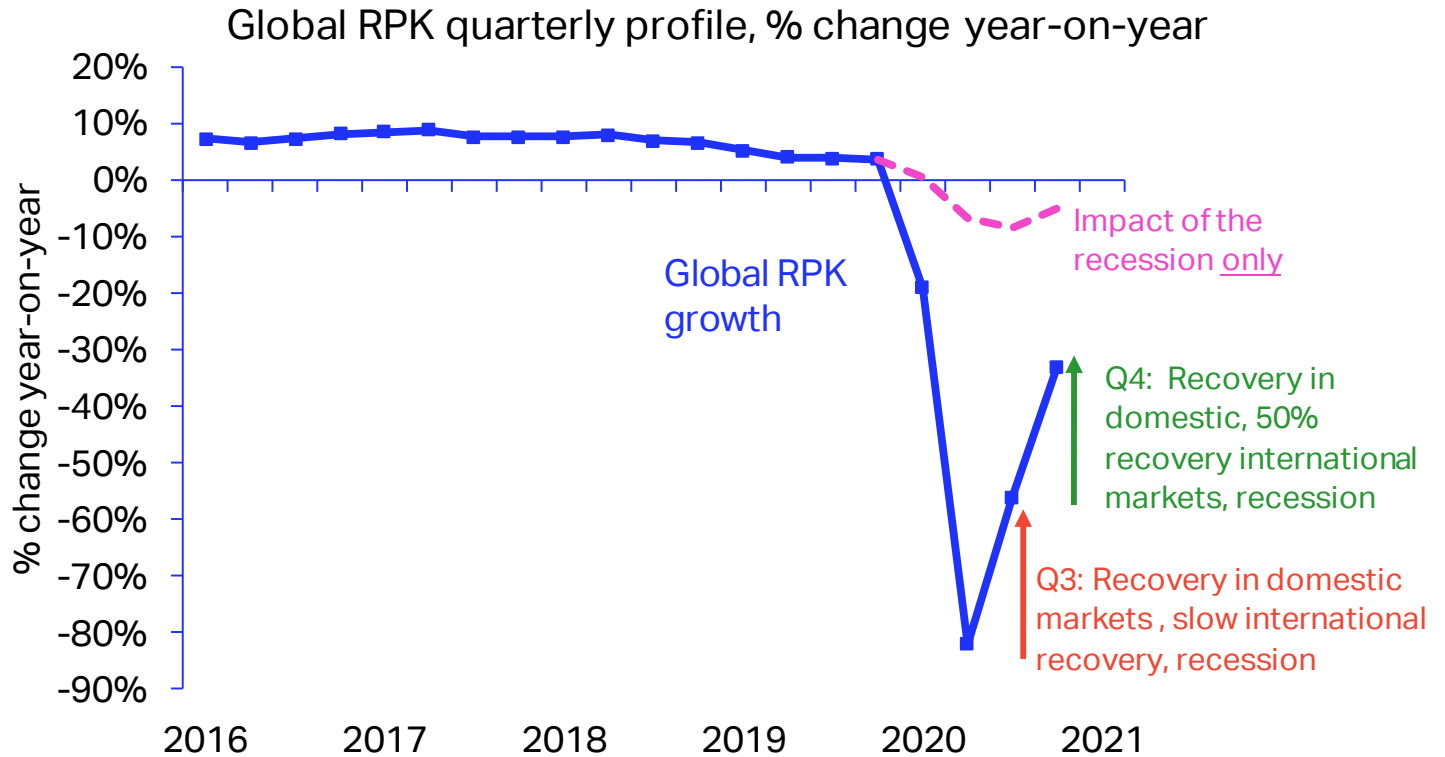




IATA Economics' Chart of the Week

17 April 2020

Return to air travel expected to be slow



- This week, we published our [updated impact assessment](#) which takes into account the deterioration in the global economic outlook and the latest developments in air travel. Our [earlier assessment](#), published in March, was based on a global economic recession less severe than the Global Financial Crisis (GFC). However, expectations have become much more pessimistic since then. The latest Oxford Economics forecast shows that the loss in global output could be *double* that of the GFC. This has implications for our view on the speed of the recovery in air travel in the second half of 2020.
- In our new scenario, we still assume a three month 'lock-down' of the global air travel market but we incorporate recent data for Africa and Latin America which shows that the closures have been extended into Q2 and are approaching the point of complete lock-down, akin to that in Europe.
- Today's chart shows our industry wide RPK growth expectations (solid blue line) based on the revised economic growth and capacity assumptions. In Q3, some limited opening of international markets and the release of pent-up demand in domestic markets is expected to offset the recession impact. Recovery continues in Q4, but international RPKs are still only expected to have recovered 50% of their initial decline by this time. To provide some additional insight, the dotted pink line shows the impact of the recession alone on RPK growth; i.e. without border closures, the recession alone would cause ~10% fall in RPKs.
- Given the assumptions above, we estimate that RPKs will decline by 48% in year-on year terms and passenger revenues will be \$314 billion lower this year compared to 2019. As we have noted previously the typical airline has cash to cover around two months of revenue loss. Hence, managing costs in order to cover this unprecedented loss in revenues will continue to be the main concern of the airline industry in 2020.

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IATA Economics
economics@iata.org