IATA NEWS

At the end of August it was announced from Geneva by the International Air Transport Association (IATA) that international scheduled traffic results for July showing passenger demand declining 2.9% compared to the same month in the previous year while freight demand was down 11.3%. The international passenger load factors stood at 80.3%.

The July passenger demand fall of 2.9% was a relative improvement over the 7.2% drop in June and the 6.8% decline recorded over the first seven months of the year. July capacity was more in line with reduced demand than in previous months and load factors are similar to those recorded in July 2008. These positive developments, however, have come at the expense of yields which continue to fall sharply.

The 11.3% decline in cargo demand for July was also a relative improvement over the -16.5% recorded in June and the -19.3% average for the first seven months of the year. Despite this improvement, the July freight load factor of 47.6% was lower than the 49% recorded in July 2008. “Demand may look better, but the bottom line has not improved. We have seen little change to the unprecedented fall in yields and revenues. The months ahead are marked by many uncertainties, including the price of oil. The road to recovery will be both slow and volatile. In the meantime, the industry remains in intensive care,” said Giovanni Bisignani, IATA’s Director General and CEO.

International Passenger Demand

All regions saw improved demand performance compared to June, but significant differences by region should be noted:

- **Asia-Pacific carriers** are experiencing the extremes of this recession. The 7.6% fall in passenger demand compared to July 2008, was the largest decline of any region. At the same time, compared to the -14.5% recorded in June, the relative improvement to -7.6% was also the biggest among all regions. Economic growth returned during the second quarter in a number of Asian economies, to a much larger extent than elsewhere. This was likely the driver behind July’s better performance. The impact on passenger confidence from Influenza A (H1N1) was also somewhat diminished as media coverage of the disease decreased.

- **European and North American carriers** saw declines of 3.1% and 3.2% respectively. Passengers have been trading down to cheaper seats in the face of recession pressures. Airlines have also been leaving less expensive fares open for sale much longer (closer to departure dates) in the face of excess
capacity and intensifying competition. The July improvement in travel demand was more the result of deep discounting than stronger incomes or greater economic confidence.

- **Latin American carriers** saw demand decline by 3.5%. This was the only region to see a greater decline in July than the seven month average which is -3.0%.

- **African carriers** saw a fall of 5.5% compared to the seven month average of -8.6%.

- **Middle Eastern carriers** were the only region to grow in July. The 13.2% growth in July was slightly better than the 12.9% recorded in June. The growth is fuelled by increased capacity and greater market share in traffic between Europe and Asia.

**International Air Freight**
Freight demand on international markets was 11.3% lower in July than a year earlier, but was a considerably better result than the -16.5% recorded in June. All regions, except Africa, saw improvement in demand compared to June. The Middle East was the only region to grow.

- Falls by **Asia-Pacific carriers**, **European carriers** and **North American carriers** were 9.5%, 16.2% and 14.6% respectively.
- **African carriers** posted the worst performance at -25.9%. This was the only region to see a deterioration in freight demand compared to June when the region’s carriers posted a 20.2% decline compared to the same month in the previous year.
- **Middle Eastern carriers** were the only region to grow, posting a 1% growth in demand compared to July 2008.
- **Latin American carriers** posted a 1.2% fall in demand compared to July 2008.

The stabilization of air freight demand in the first quarter and its improvement in the second quarter has helped reduce the rate at which excess capacity has been growing. But load factors are still lower than levels seen at the same time last year. Downward pressure on freight rates and revenues continued to intensify in July.

“The freight numbers tell an interesting story. The sector is being boosted as companies re-stock depleted inventories. Once inventories are at desired levels in relation to sales, improvements in demand will level off until business and consumer confidence returns. Given the large amount of debt in all sectors of the economy, instant relief is not in the forecast,” said Bisignani who added, “Airlines need to make their money in the June-August peak travel season. Planes are full.
Load factors are high. But revenues are way down. Conserving cash, effectively managing capacity and cutting costs will be the long-term theme for every business in the air transport value chain.”.