Teneo Aviation Outlook H2 2024

Passenger Traffic Forecast and Thematic Analysis Covering 2024 – 2026

Teneo Aviation Insights

June 2024

Ti Teneo

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Section 01

Foreword and Executive Summary

Foreword

The rapidly evolving macroeconomic and geopolitical landscape and changing consumer preferences will continue to impact aviation passenger volume for the foreseeable future.

The outlook for aviation is complex and varies significantly around the world. Macroeconomic factors continue to affect disposable income, placing greater strain on consumer choice and spending prioritisation. Meanwhile, geopolitical developments and environmental regulations indirectly affect demand through increased fare prices. On the supply side, aircraft production constraints and industry-wide labour shortages continue to pressure the industry.

This report combines Teneo's extensive experience in the global transportation industry with its proprietary aviation passenger forecasting model. The model can produce detailed forecasts for every major country and airline, taking into account a range of drivers and inhibitors. This paper presents Teneo's aviation volume forecast up to the end of 2026 on a regional level.

The forecast considers consumer spending and ticket prices, macroeconomic conditions and business confidence, and longer-term trends around sustainability and regulation.

Executive Summary

Global aviation volume has largely recovered to its 2019 levels; however, in H2 2024 and beyond, the industry is expected to face headwinds as economies battle slowing growth. The growth picture beyond 2024 is complex and varies significantly by region.

Global passenger volumes by region
% of 2019 levels, total traffic (international and regional)

Key: North America, Europe, Asia, China, Latin America

Forecast

100% of 2019 Pax
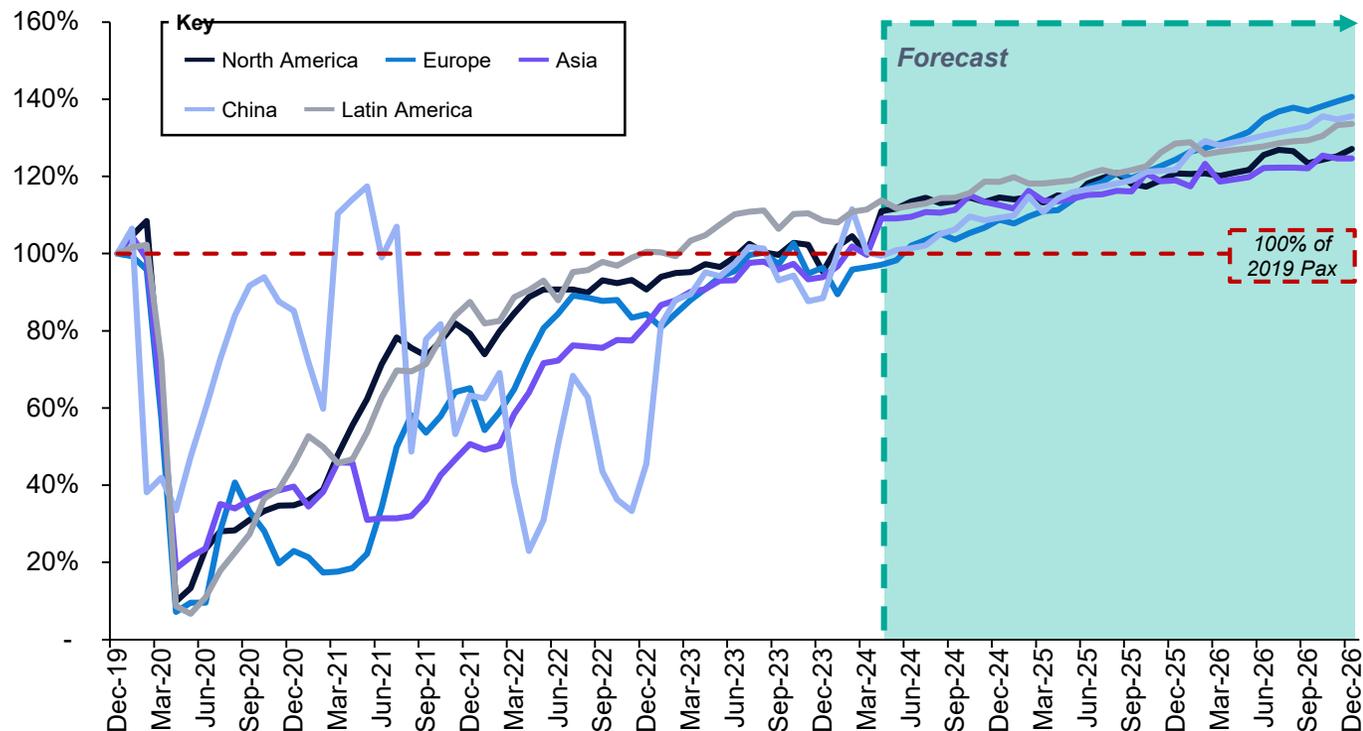
Overall, 2023 saw a strong rebound in travel demand. Leisure travel led the recovery, as consumers exercised "revenge travel" to compensate for lost time due to COVID-19. However, **future growth is mixed:**

- In Europe, robust summer travel and the discharge of pent-up demand helped airlines recover lost revenues; we expect that pent-up demand will no longer impact the travel market and that long-term **cost-of-living pressures will likely result in relatively slow growth.**

- In North America, demand is expected to make a full recovery, partly driven by U.S. consumers' prioritisation of travel spending, albeit at a slow rate due to **cost of living pressures, election uncertainty and aircraft supply issues.**

- In Asia, **strong economic growth coupled with easing travel restrictions** is expected to fuel aviation demand.

- In China, the **economic slowdown caused by the real estate collapse** is likely to constrain travel demand in the medium term.

- In Latin America, there has been a robust post-pandemic recovery, though headwinds lie ahead in the form of **slowing growth in China, a key trading partner for most countries in the region and currency risks.**

In addition to regional factors, several global drivers must be considered. Geopolitical conflicts will likely restrict airspace and increase fuel prices. Industry-wide supply chain issues are expected to continue in H2 2024. Lastly, concerns around sustainability and safety have been front-of-mind for consumers and legislators alike, leading to increased industry regulation.

Section 02

Key Themes Impacting Aviation Volume to 2026

We use a granular, bottom-up methodology to construct our proprietary aviation volume forecasting model.

Using 2019 passenger volumes and revenue as the base, **historical volume is segmented by factors such as country, purpose of travel, passenger age, passenger income, airline and airport** to provide a granular view of pre-pandemic volume.

Our methodology is based on four key steps, which can be applied to any country or airline globally

1 Detailed segmentation of passenger volume by month

2 Determination of growth and suppression factors

3 Application of growth and suppression factors on a monthly and segmented basis

4 Passenger volume and revenue forecast results from volume over time

Segments	*See next page*

Time Monthly
Air travel passenger revenue is highly dependent on seasonality. This month-by-month variation is fundamental to determining the suppression of geography and purpose segments and is applied across all segments.

Geography Country-by-country or regional
Different regions are likely to exhibit different behaviours in the future based on macroeconomic conditions, geopolitical factors and environmental regulation. Geographic forecasts are adjusted using Point of Sale (PoS) splits to reflect the directionality of travel.

Purpose Business, leisure
Different types of passengers are likely to exhibit different behaviours in the return to travel, given factors such as pent-up demand and changing business travel attitudes.

Passenger age 18-24, 24-44, >45
Passengers in different age groups will likely have different travel plans and needs, due primarily to differences in travel requirements, frequencies and attitudes to the environment.
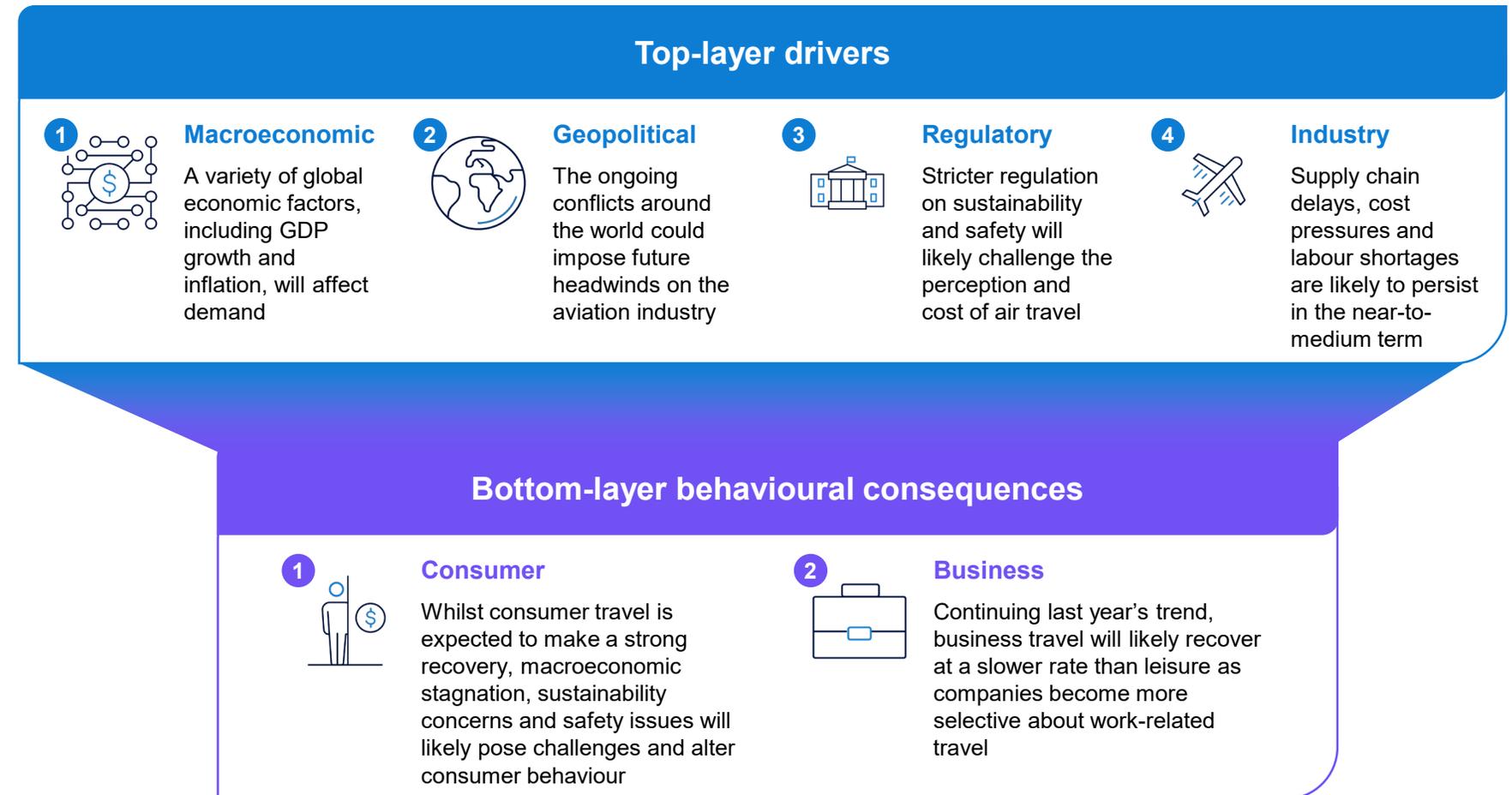
Passenger income <£23k, £23k-£45k, £46k-£80k, >£81k
The income level of passengers dictates the affordability of travel and therefore the impact that economic factors such as a recession will have.

Teneo

We use a granular, bottom-up methodology to construct our proprietary aviation volume forecasting model.

Various growth and suppression factors are applied to each segment to account for factors such as macroeconomic conditions, the geopolitical environment (e.g., the Middle East conflict, the war in Ukraine), the regulatory landscape and industry capacity constraints.

Teneo's aviation forecast considers multiple drivers and their consequences on consumer and business behaviour

Top-layer drivers

1 Macroeconomic
A variety of global economic factors, including GDP growth and inflation, will affect demand

2 Geopolitical
The ongoing conflicts around the world could impose future headwinds on the aviation industry

3 Regulatory
Stricter regulation on sustainability and safety will likely challenge the perception and cost of air travel

4 Industry
Supply chain delays, cost pressures and labour shortages are likely to persist in the near-to-medium term

Bottom-layer behavioural consequences

1 Consumer
Whilst consumer travel is expected to make a strong recovery, macroeconomic stagnation, sustainability concerns and safety issues will likely pose challenges and alter consumer behaviour

2 Business
Continuing last year's trend, business travel will likely recover at a slower rate than leisure as companies become more selective about work-related travel
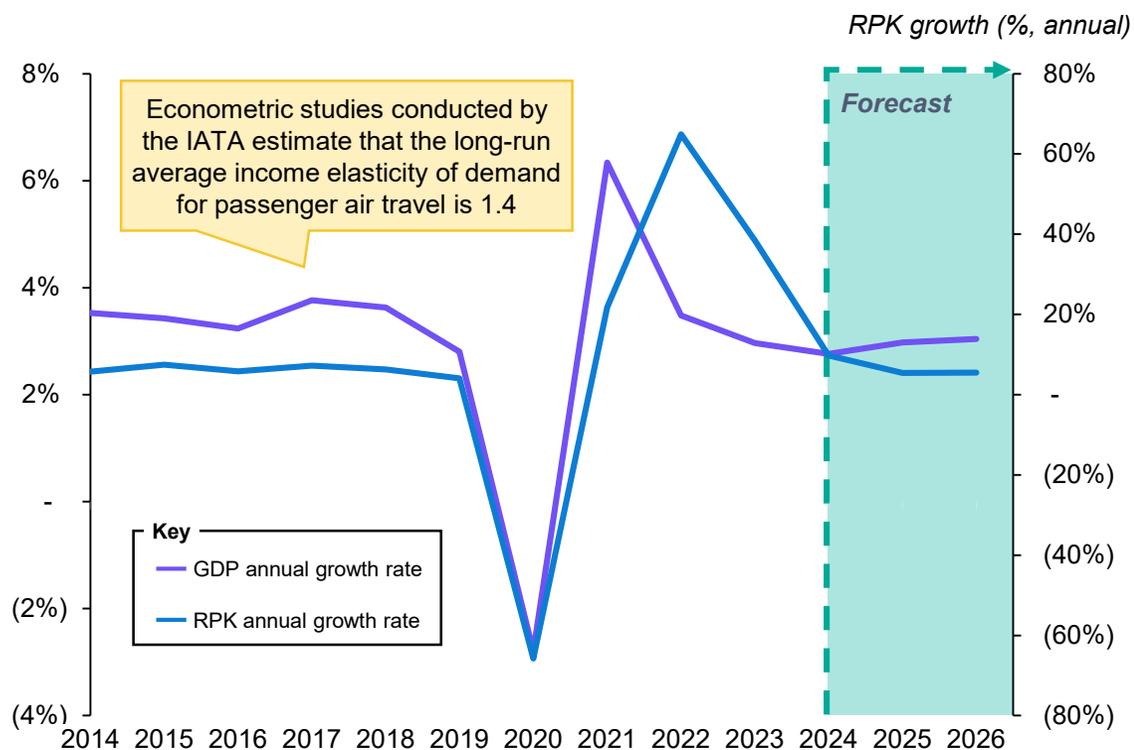
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Demand Drivers – Real Income

Real GDP growth, a key driver of passenger demand, is expected to make a gradual recovery in 2024 as several worldwide trends dampen growth prospects.

Global GDP and revenue passenger kilometres (RPK) growth
Real GDP growth (%, annual)

Econometric studies conducted by the IATA estimate that the long-run average income elasticity of demand for passenger air travel is 1.4

Key
— GDP annual growth rate
— RPK annual growth rate

The global economy is expected to grow between 2.8% and 3.0% annually between 2024 and 2026. However, growth will remain subdued this year due to the lagged impact of monetary policy, restrictive financing costs and a downturn in trade and investment.

Emerging economies with solid fundamentals are likely to fare better than advanced economies as consumer spending, exports and investment surge in countries such as India and Indonesia.

Historically, income has been the fundamental driver of passenger growth (measured by RPK[1]). Generally, the income elasticity of demand for air travel is higher for developing economies, as demand is primarily driven by disposable income and the level of aviation infrastructure.

| Region	Forecasted annual GDP growth[2]		
	2024	**2025**	**2026**
Global	2.8%	3.0%	3.0%
Asia (excl. China)	4.7%	4.5%	4.5%
China	4.5%	4.2%	4.1%
Latin America	2.4%	2.6%	2.7%
North America	1.5%	1.8%	2.0%
Europe	1.4%	1.9%	2.0%

Sources: OECD; World Bank; IMF; IATA; Teneo research and analysis
Notes: RPK (revenue passenger kilometres) is defined as the total number of revenue-paying passengers multiplied by the distance travelled; 2. Depicts midpoint of a range of GDP forecasts

Demand Drivers – Consumer Economics

Inflation across both developed and developing economies is expected to decline over 2024, which will likely have positive effects on consumers' willingness to spend on air travel in the medium term.

Consumer Price Index (CPI) inflation by country
% change year-on-year

Key
— Developed economies[1] — Emerging economies[2]
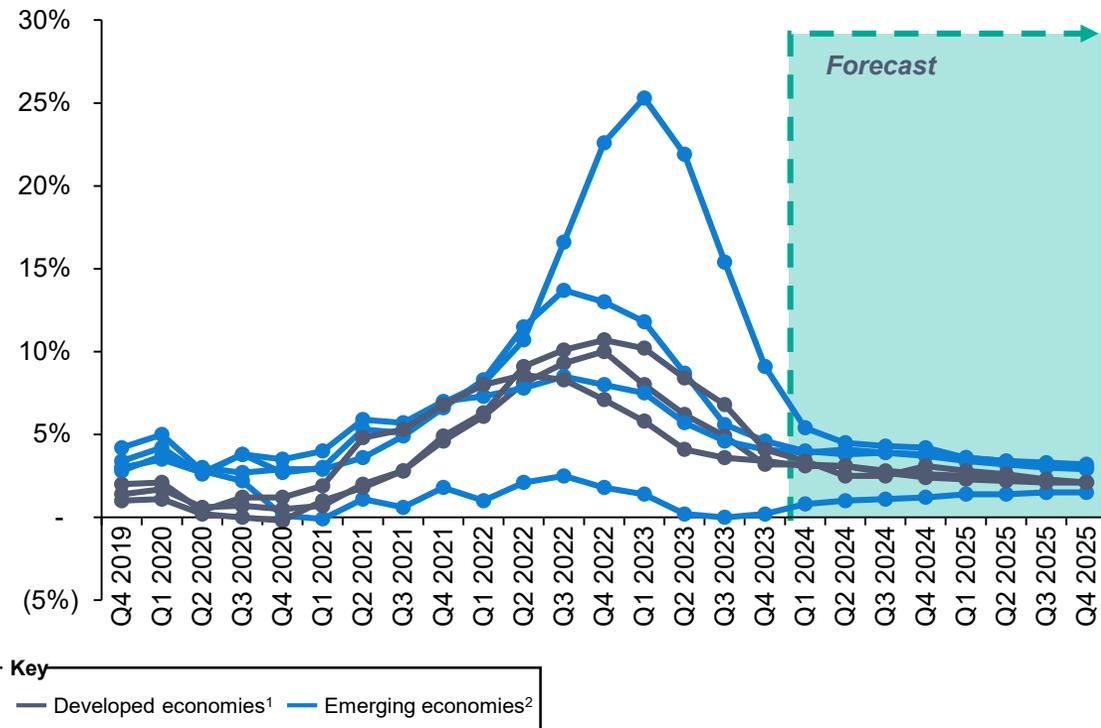
Global 2024 inflation trends

Energy prices
Coal and natural gas prices are projected to decline by c.25% and c.33% in 2024 from their respective peaks driven by new supply, decreased demand and increased storage capacity.

Food prices
Food prices will likely fall due to expectations for **bumper global supplies of wheat and maize** and the recovery of the poultry supply following the 2022 H5N1 outbreak.

Supply constraints easing
Manufacturing capacity is expanding in the U.S. and China, and there is expected to be an **excess of semiconductors this year** in contrast to shortages in previous years.

Global

Slower EM recovery
Relatively slow disinflation as the **lagged effects of contractionary monetary policy take effect**; reliance on the primary sector also introduces exposure to **commodity price volatility**.

Diverging EM recovery
Divergence is expected due to a **high variance in macroeconomic conditions;** forecasts indicate a more drastic recovery for Asia compared to developing Europe, driven by inflation in Turkey.

Emerging markets

Sources: OECD, IMF, Morningstar
Notes: 1. Developed economies include the Euro Area, UK, and US; 2. Emerging economies include Chile, China, Hungary, and Mexico

Demand Drivers – Geopolitical Flashpoints

Ongoing geopolitical conflicts are likely to continue putting upward pressure on costs and downward pressure on demand, exacerbated by key "flashpoints."

Key – Magnitude of potential impact on aviation demand

1 → 8

Highest impact   *Lowest impact*

1 U.S.-China trade relations
- The Biden administration recently imposed tariffs on $18bn worth of Chinese imports.
- Worsening relations could lead to a decrease in business and leisure passenger flows between the two countries.

2 Major elections
- Several critical elections, most notably in the U.S., the UK and the EU, may adversely affect the ease of travel.
- For instance, a Trump victory could see a reintroduction of travel restrictions on the countries targeted in his first term.

3 Venezuela sanctions
- In April, the U.S. announced plans to reimpose oil sanctions on Venezuela, albeit with exemptions protecting the ability of Western energy companies to maintain operations.

4 Russia-Ukraine war
- Ukraine has begun successfully targeting Russian oil refineries and infrastructure.
- Prolonging the conflict will likely put upwards pressure on oil prices and fuel costs.

5 Middle East conflict
- Escalating tensions could spark region-wide conflict and continued disruptions on shipping routes.
- Concerns over an expansion of the conflict in the Middle East have already led to upwards pressure on oil prices.

6 Korean tensions
- North Korean military testing and drills in early 2024 sparked fears over a renewal of the Korean conflict.
- This would have a knock-on effect on demand for travel across East Asia.

7 China-Taiwan tensions
- Taiwan's recent election of Lai Ching-te as president has increased tensions with China.
- Escalation could worsen tensions between the West and China and cause supply chain disruption.

8 India-Pakistan tensions
- In May, conflict reignited as violent protests erupted in Pakistan-occupied Kashmir.
- A rise in tensions could see a significant fall in travel demand in South Asia.

# Demand Drivers – Sustainability

Recent sustainability regulations will likely have negative cost impacts on airlines, potentially driving up costs and pricing. These are most prominent in the EU and North America.

Sustainability dominates the regulatory landscape, with reductions in free carbon allowances and the introduction of fuel blending mandates at the forefront of the EU's efforts to make the aviation sector more sustainable. With bio-SAFs still costing 2-3 times more than conventional jet fuel, this could increase fare prices substantially as airlines pass on the costs to passengers. Tax credits have been employed in North America to incentivise airlines to adopt SAFs.

	Regulation	Description	Region	Status
1	CORSIA[1]	CORSIA requires airlines with significant international aviation activities to offset any emissions exceeding the baseline for the period 2024-2026.	Global	In place
2	Sustainable Skies Act	Offers tax credits for the use of sustainable fuels that reduce greenhouse gas emissions by at least 50% compared to petroleum-based jet fuel.	USA	In place
3	Reduction in free carbon allowances	Free carbon allowances are gradually being phased out for intra-EEA flights[2] before complete removal by 2026.	EU	In place
4	Blending mandates for SAFs	EU blending mandates require airlines to blend 2% SAF by 2025 and 6% by 2030; the industry average was only 0.3% in 2022.	EU	In place
5	Airport charge increases	Increased charges have been introduced in some airports, with Australia increasing charges by more than any other country in 2024.	Global	In place
6	Noise pollution policies	Belgium is considering introducing a night flight ban at Brussels Airport, while the Netherlands has previously considered an enforced flight cap.	EU	Pending approval

Sources: The Guardian; Airport Technology; ING; BTN Europe; The Brussels Times
Notes: 1. Carbon Offsetting and Reduction Scheme for International Aviation; 2. European Economic Area

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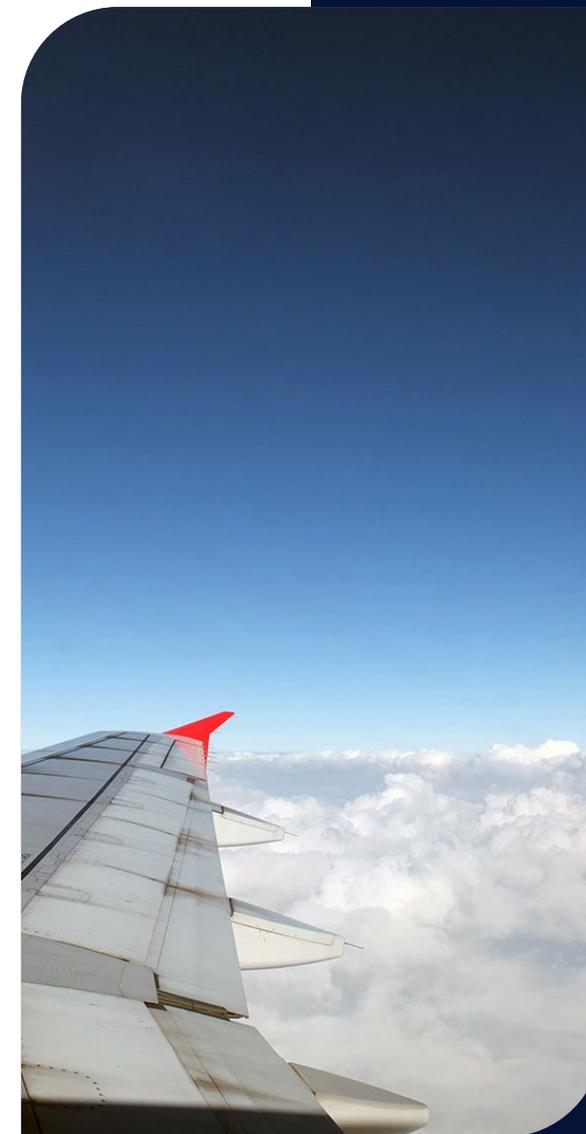
Demand Drivers – Safety

Safety continues to be a key concern for consumers and incidents in recent years could impact demand from certain passenger segments.
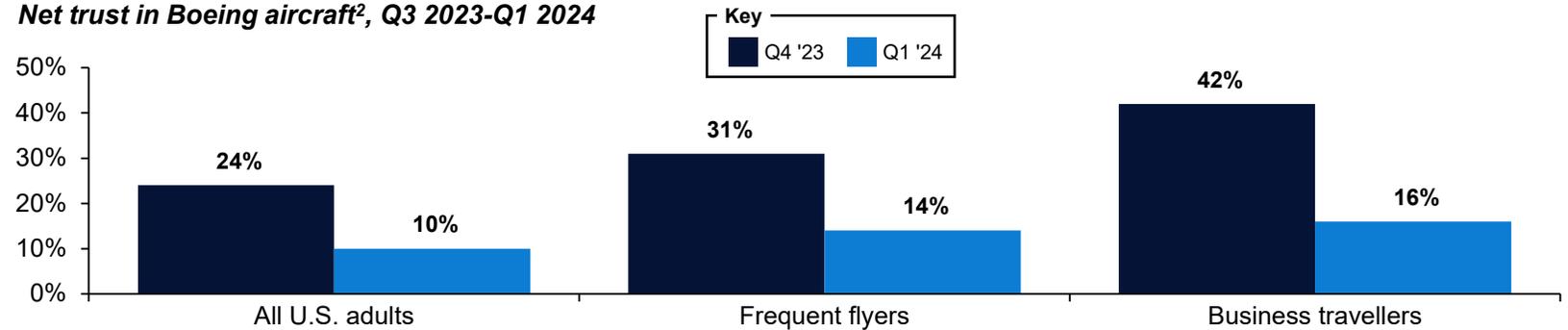
Aircraft safety incidents

Air travel is one of the safest modes of transportation available, yet accidents have a severe impact on consumer behaviour. A study conducted after the Malaysian Airlines MH17 accident highlighted that consumers perceive physical risk and avoidability of accidents as the most important factors in avoiding future air travel[1].

More recently, the 737-MAX was granted clearance to fly in January 2024 following several safety incidents. Since then, consumer trust declined across most passenger segments and negative sentiment is likely to persist until safety concerns are fully addressed.

Airlines with large 737 MAX fleets, such as United Airlines and Southwest, have suffered losses following the incidents. Southwest reported over $800 million in losses from the 2019 grounding.

Net trust in Boeing aircraft[2], Q3 2023-Q1 2024

Key: Q4 '23   Q1 '24

Segment	Q4 '23	Q1 '24
All U.S. adults	24%	10%
Frequent flyers	31%	14%
Business travellers	42%	16%

Sources: Morning Consult; CNBC; Washington Post; FT; Flight Global; Yang et. al., *Journal of Travel and Tourism Marketing*, May 2018
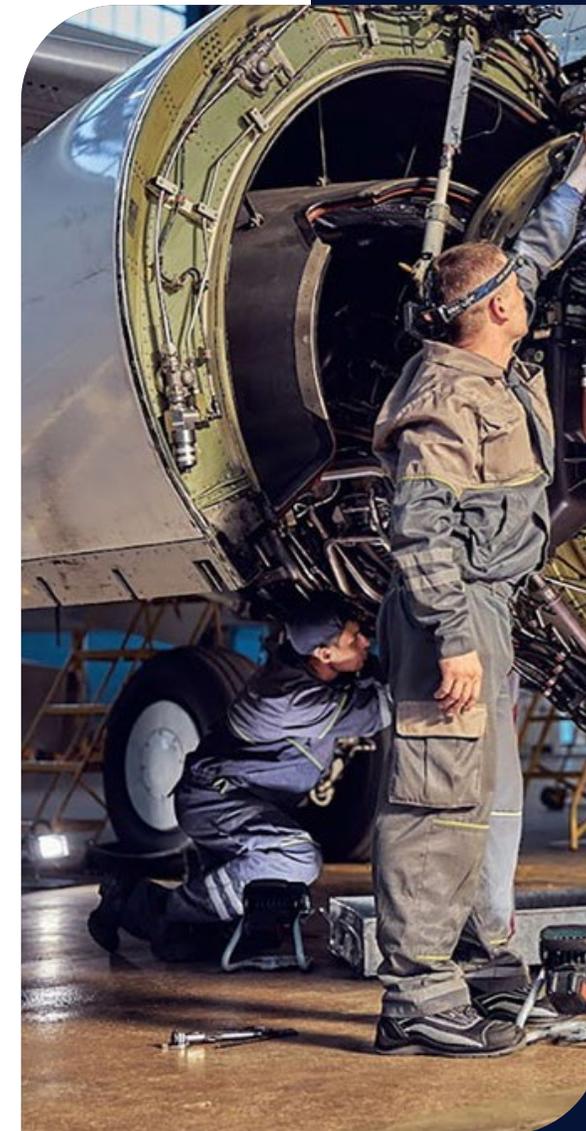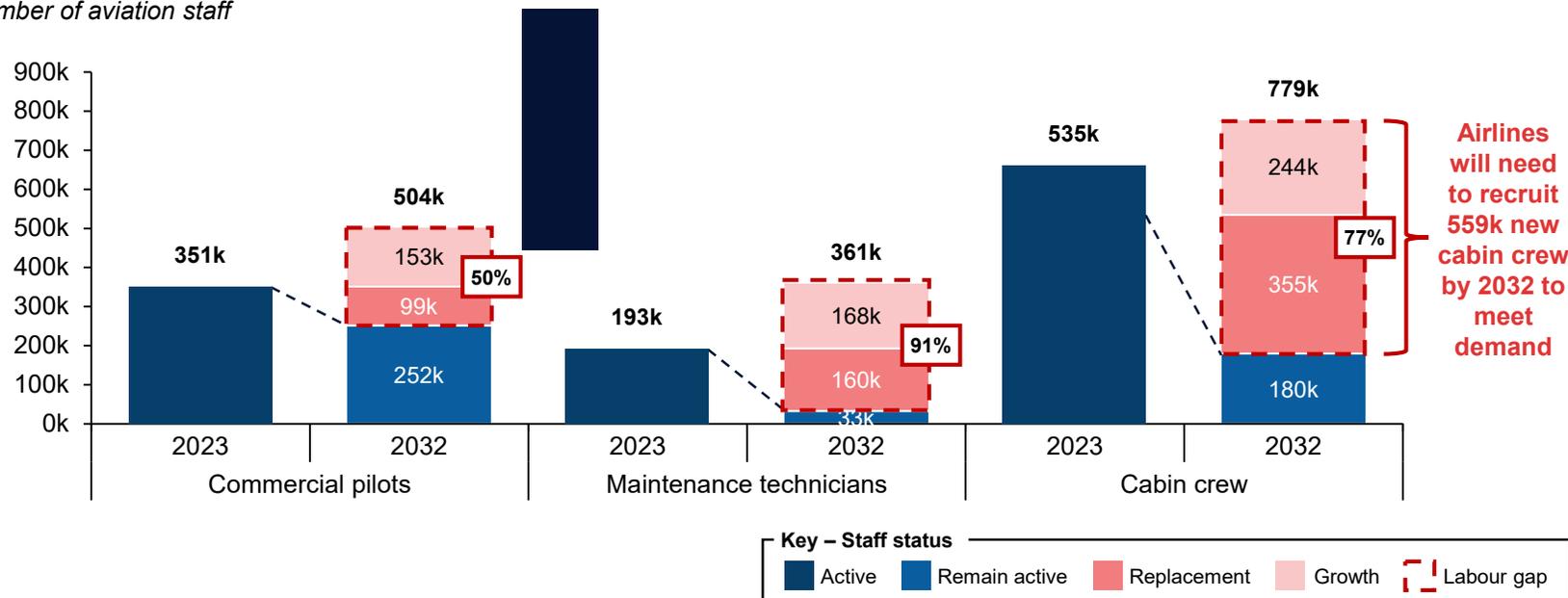**Notes:** 1. n=200; 2. Among U.S. adults who are familiar with the Boeing brand

Supply Drivers – Labour Shortages

Aviation labour shortages look set to persist in the long run and will likely continue to negatively impact airlines' capacities and cost bases.

In 2024, airlines will likely continue to see the impact of supply chain issues, leading to groundings and reductions in service frequencies. This includes aircrew and ground staff, whose numbers fell significantly during the COVID-19 pandemic and proved insufficient to handle the resurgence in demand last year. Labour supply issues will likely remain in the long run as technology cannot replace certain roles, such as aircrew and maintenance technicians.

Global aviation labour demand by role
Number of aviation staff

Airlines will need to recruit 559k new cabin crew by 2032 to meet demand

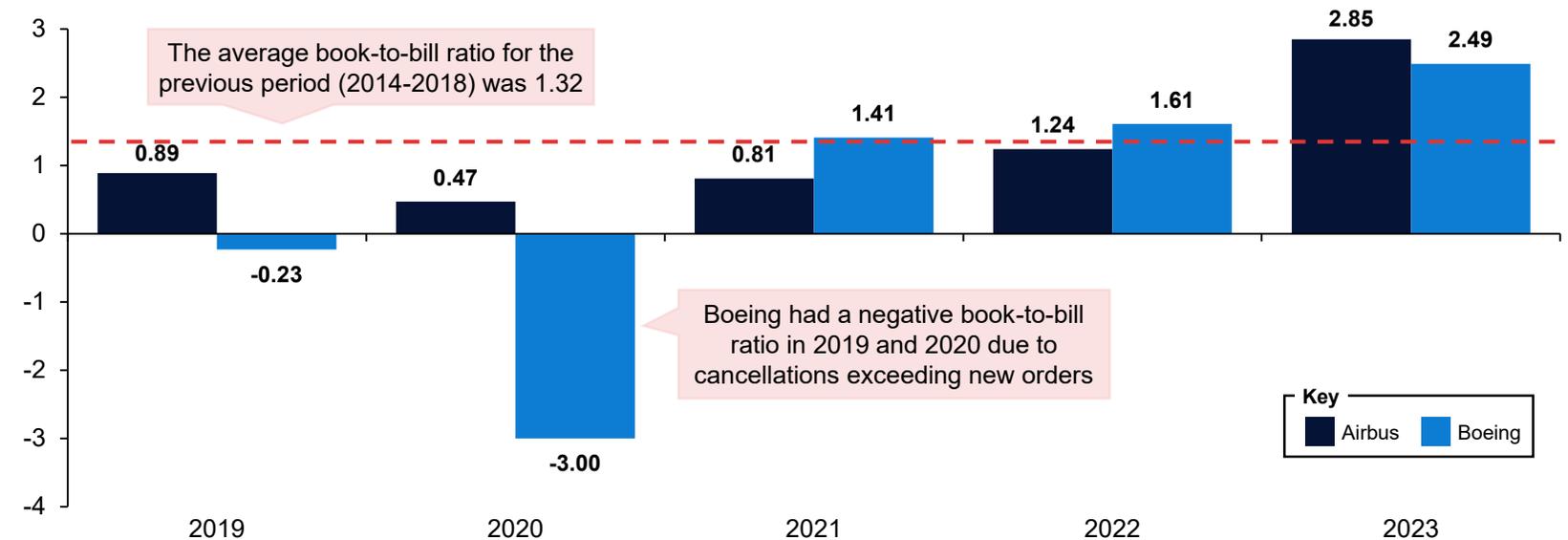Key – Staff status: Active | Remain active | Replacement | Growth | Labour gap

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Supply Drivers – New Aircraft Deliveries

High book-to-bill ratios[1] indicate that aircraft production cannot keep up with the demand for new aircrafts.

Both Boeing and Airbus encountered record backlogs towards the end of 2023. Based on current production, the number of Boeing and Airbus aircrafts to be built and delivered is equivalent to 12.8- and 11.7-years' worth of production at 2019 levels, respectively. These high backlog levels are driven by strong demand for new aircrafts and comparatively low production rates. Furthermore, shortages of key components and safety inspections have hampered Boeing's and Airbus's production schedules.

Airbus and Boeing aircraft production backlogs
Book-to-bill ratio

The average book-to-bill ratio for the previous period (2014-2018) was 1.32

Boeing had a negative book-to-bill ratio in 2019 and 2020 due to cancellations exceeding new orders

Year	Airbus	Boeing
2019	0.89	-0.23
2020	0.47	-3.00
2021	0.81	1.41
2022	1.24	1.61
2023	2.85	2.49

Key: Airbus, Boeing

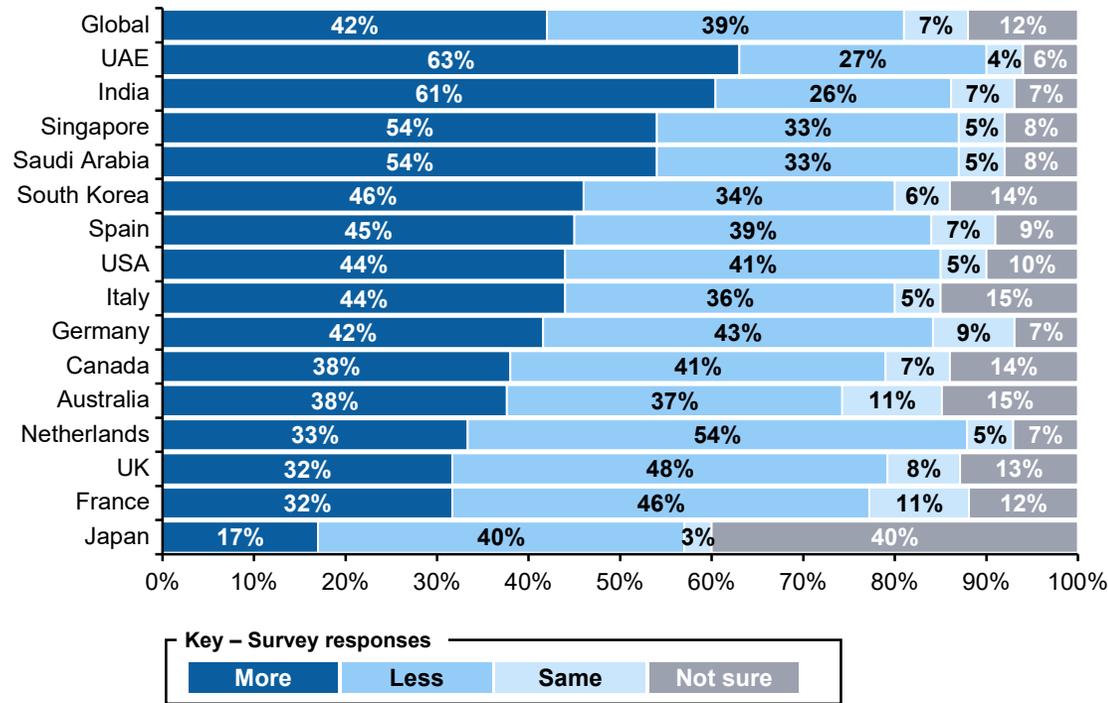**Sources:** Forecast International; ING; Reuters; CAPA
Notes: 1. Calculated as net new orders divided by deliveries

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Behavioural Impact – Consumers

Consumer travel is expected to recover and exceed its pre-pandemic levels in 2024, however the leisure passenger profile is changing due to a variety of factors.

Likelihood of travelling aboard for leisure in 2024 vs. 2023
Q: Are you planning on vacationing abroad more, less or the same in 2024 vs. 2023? (March 2024; n=18,000)

Country	More	Less	Same	Not sure
Global	42%	39%	7%	12%
UAE	63%	27%	4%	6%
India	61%	26%	7%	7%
Singapore	54%	33%	5%	8%
Saudi Arabia	54%	33%	5%	8%
South Korea	46%	34%	6%	14%
Spain	45%	39%	7%	9%
USA	44%	41%	5%	10%
Italy	44%	36%	5%	15%
Germany	42%	43%	9%	7%
Canada	38%	41%	7%	14%
Australia	38%	37%	11%	15%
Netherlands	33%	54%	5%	7%
UK	32%	48%	8%	13%
France	32%	46%	11%	12%
Japan	17%	40%	3%	40%

Key – Survey responses

More	Less	Same	Not sure

Demand growth for air travel will likely be uneven, with Asia and Europe leading the recovery. Similarly, growth between international and regional travel will be uneven – for instance, slowing economic growth in China will likely reduce demand for international travel.

Globally, the cost-of-living crisis, concerns around sustainability and climate change, and the collective impact of the COVID-19 pandemic have led to several consumer travel behaviours that are likely to persist in the medium term:

Value for money is a priority for many consumers, causing them to look for special offers and loyalty programs for savings

Consumers are looking for more authentic experiences, such as experiential travel

Millennials are spending more on travel compared to other generations, marking a shift in demographics

Rail has emerged as a popular alternative for short-haul travel due to greater climate consciousness

**Social media is having a much greater influence on travel decisions than in the past**

Behavioural Impact – Businesses

Business travel is expected to make a full recovery to 2019 levels, albeit at a slower rate than leisure, and is experiencing behavioural change as companies and employees deploy greater scrutiny around business travel.

Changes in business travel volume 2024 vs. 2023
Q: How do you expect your company's spending on business travel to change in 2024 compared to last year? (January 2024; n=707)
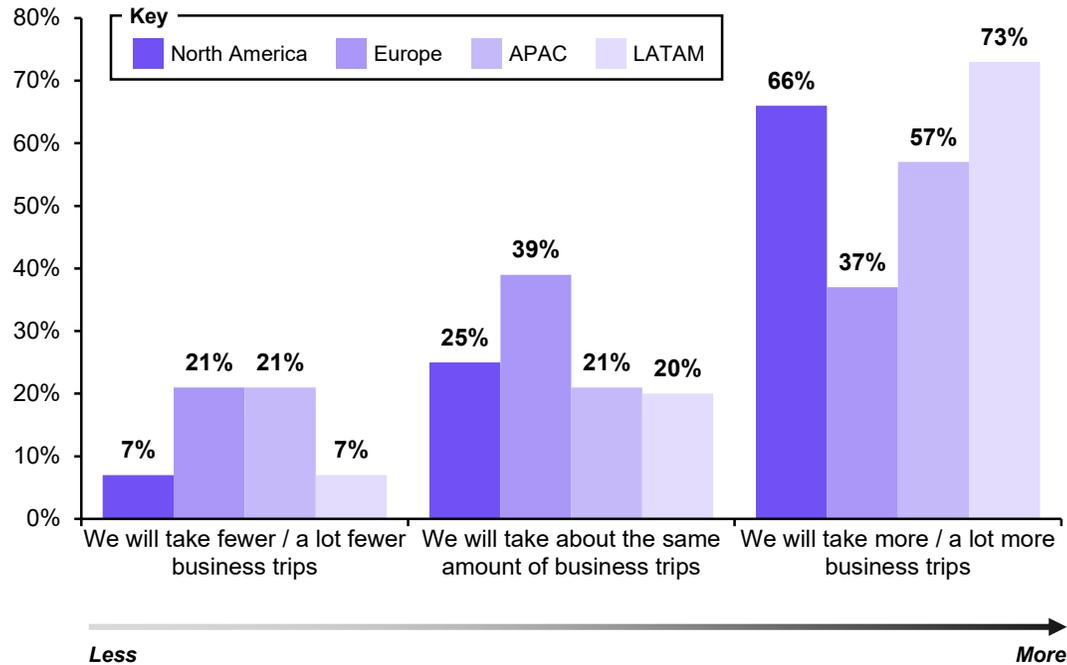
Business travel is expected to reach pre-pandemic levels in 2024, with robust recoveries in Latin America and North America.

Globally, corporate cost-cutting and sustainability efforts have led to selectivity around business travel, though these are offset by trends such as the recovery in face-to-face meetings. Several business travel behaviours are likely to persist in the medium term:

Companies are more selective about business travel, shifting towards purposeful, targeted trips with specific objectives in mind

Environmental concerns are causing companies to reduce air travel where possible to meet emissions targets

Face-to-face meetings are recovering, as business travellers view them as valuable for maintaining relationships

Business travel is more technology-driven, as corporate travel management platforms use AI to optimise trips

Business travel is increasingly combined with leisure travel, made possible by greater flexibility in working patterns

Chart: Key — North America, Europe, APAC, LATAM

We will take fewer / a lot fewer business trips: North America 7%, Europe 21%, APAC 21%, LATAM 7%

We will take about the same amount of business trips: North America 25%, Europe 39%, APAC 21%, LATAM 20%

We will take more / a lot more business trips: North America 66%, Europe 37%, APAC 57%, LATAM 73%

Less ——→ More

Section 03

Regional Outlooks

Air travel in Europe is expected to surpass its pre-pandemic levels in 2024, driven by leisure travel via LCCs.

However, supply chain shortages and stricter regulation are expected to keep prices somewhat elevated as additional costs are imposed on airlines.

Furthermore, the ongoing Russia-Ukraine conflict has restricted air connectivity and contributed to uneven recovery across regions.

Regional Outlook – Europe (incl. UK), 2019 – 2026F

Forecasted Europe (incl. UK) monthly passenger volume
% of 2019 levels, total traffic (international and regional / domestic)

Key — International travel — Regional travel — 2019 level
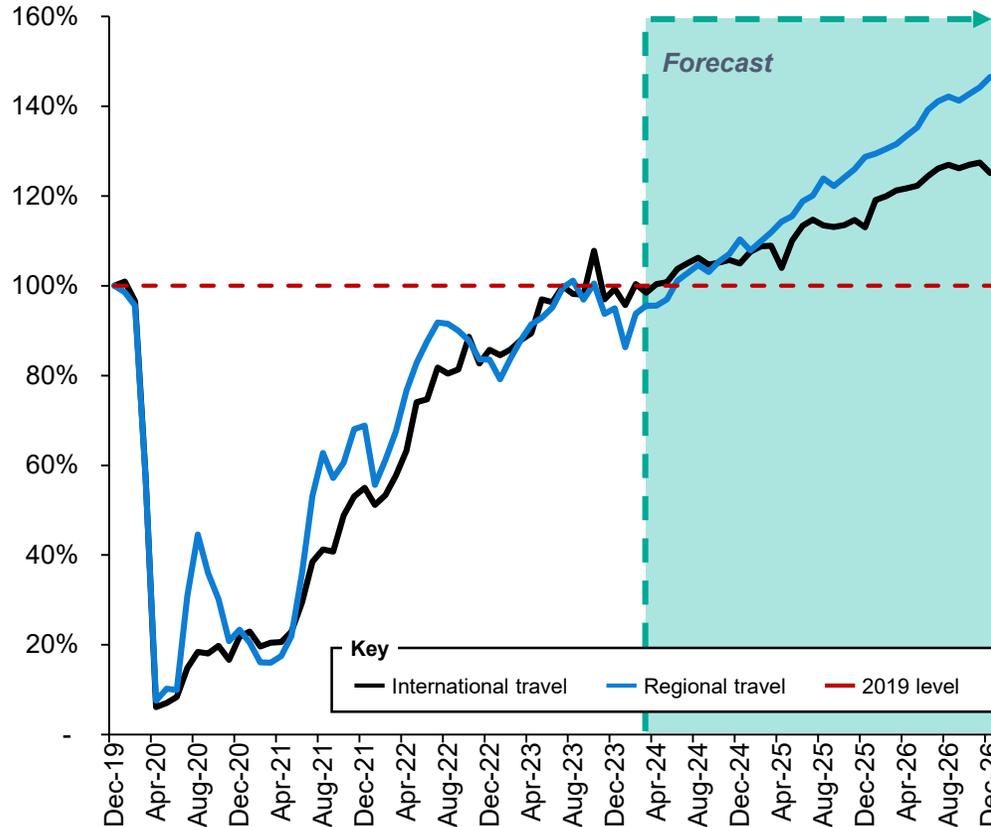
Cost of living
- Prolonged inflation has exacted downward pressure on real wages, which **fell by 0.8% in 2023 across the EU**.
- This will force some consumers to make choices between travel and other discretionary activities.

Russia-Ukraine War
- The prolonged Russia-Ukraine conflict will indirectly keep interest rates high – the **ECB rate is currently sitting at a record-high at 4%.**
- This is expected to contribute to relatively low GDP growth in Europe.

Sustainable regulations
- **Stricter environmental regulations, such as EU SAF blending requirements**, will increase costs for airlines.
- These will likely be passed on to consumers, increasing fares and dampening aviation demand.

Regional travel
- Low-cost carriers and intra-Europe routes are leading the leisure travel recovery, with **Ryanair forecasting a 9% rise in full-year traffic in 2024.**
- This comes as consumers continue to prioritise value for money.

Sources: OAG; IATA; OECD; Bloomberg; Reuters; FT; Skift Research; Teneo research and analysis

Similarly to Europe, both regional and international North American air travel demand is expected to recover by 2024.

The impact of slowing growth and cost-of-living pressures will be mitigated as North American consumers prioritise spending on travel.

However, political tensions could adversely impact international travel. Aircraft supply issues may also limit airlines' ability to meet demand and supply in-demand routes.

Regional Outlook – North America, 2019 – 2026F

Forecasted North America monthly passenger volume
% of 2019 levels, total traffic (international and regional / domestic)
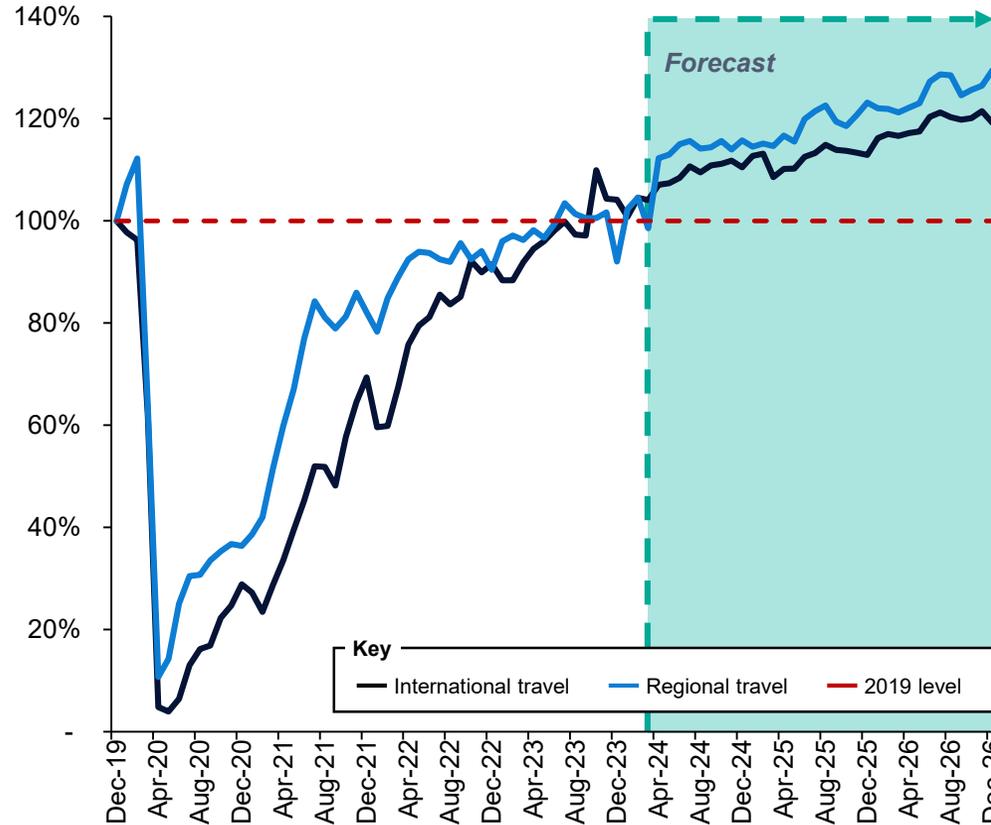
Cost of living
- The U.S. economy is experiencing slowing growth and negative cost-of-living pressures.
- **The proportion of U.S. consumers planning to take a summer vacation in 2024 is 53%,** down from 63% last year, with affordability being the most frequently-cited reason.

Travel resurgence
- **Spending on international travel grew c.30% last year in North America**, five times the rate of overall spending growth.
- Consumers are expected to prioritise experiences, which includes travel, over physical products.

U.S. election outcomes
- The result of the U.S. election may harm travel if it leads to an **escalation in tensions with China or other regions.**
- During Trump's presidency, his "travel ban" executive orders suspended or imposed strict travel restrictions on certain countries.

Aircraft supply
- Limited aircraft supply is expected to limit capacity, with **major U.S. airlines set to receive almost 50% fewer aircrafts in 2024**, from Boeing and Airbus, than anticipated.
- Airlines, including United, have already planned to reduce capacity in response.
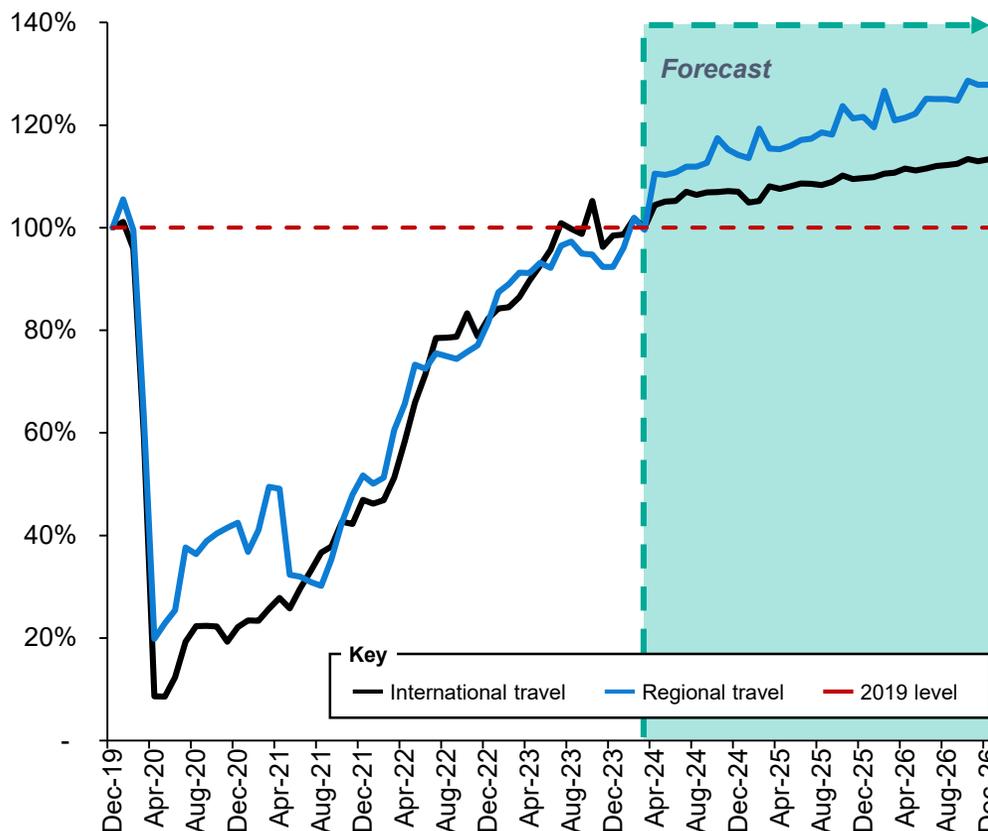
Economic growth in Asian economies is likely to fuel a significant increase in air travel.

The easing of travel restrictions and growing real incomes among fast-growing economies, such as India and Indonesia, will likely fuel demand for air travel. Consequently, Asian economies, notably in North and Southeast Asia, are strategically investing in tourism to capture regional travel demand.

However, like other areas of the world, supply chain issues are impacting expansion. Simultaneously, the risk of escalation in critical conflicts in the Middle East and U.S.-China tensions overshadows the region's recovery and risks, destabilising fuel prices.

Regional Outlook – Asia (excl. China), 2019 – 2026F

Forecasted Asia (excl. China) monthly passenger volume
% of 2019 levels, total traffic (international and regional / domestic)

Key: — International travel — Regional travel - - - 2019 level

Consumer spending
- Economic growth in Asian emerging economies is projected to support a **4% increase in consumer spending in 2024**.

Travel resurgence
- Travel will be supported by easing travel restrictions, particularly in South Asia.
- India and Thailand recently eased visa rules for foreign tourists and **increased average flight capacity by 43%**.

Investment
- Strategic investments may drive tourism, especially in Northeast Asia – **2024 bookings are on track to significantly surpass pre-pandemic numbers**.

Geopolitical risk
- Geopolitical risk – namely **U.S.-China, Taiwan, India-Pakistan, Korea and the Middle East** – could adversely impact travel demand and disrupt flight routes.

Aircraft supply
- **Supply chain issues continue to plague fleet renewal programs**, potentially constraining capacity as older aircraft cannot be replaced effectively.

Sources: S&P; OAG; IATA; Bloomberg; Reuters; FT; Skift Research; Phocus Wright; Teneo research and analysis

Over the past few years, China's economy has faced significant headwinds that will have a lasting effect on travel demand.

The recent real estate crisis and slow export growth have led to a forecasted slowdown in GDP growth in 2024 and 2025.

This is expected to impact air travel significantly as consumers opt to travel less often and closer to home. Geopolitical disputes with the West have exacerbated this, as companies with manufacturing bases in China may be incentivised to diversify to other low-cost manufacturing hubs such as Malaysia and Vietnam.

Regional Outlook – China, 2019 – 2026F

Forecasted China monthly passenger volume
% of 2019 levels, total traffic (international and regional / domestic)

Key:
— International travel — Regional travel - - - 2019 level
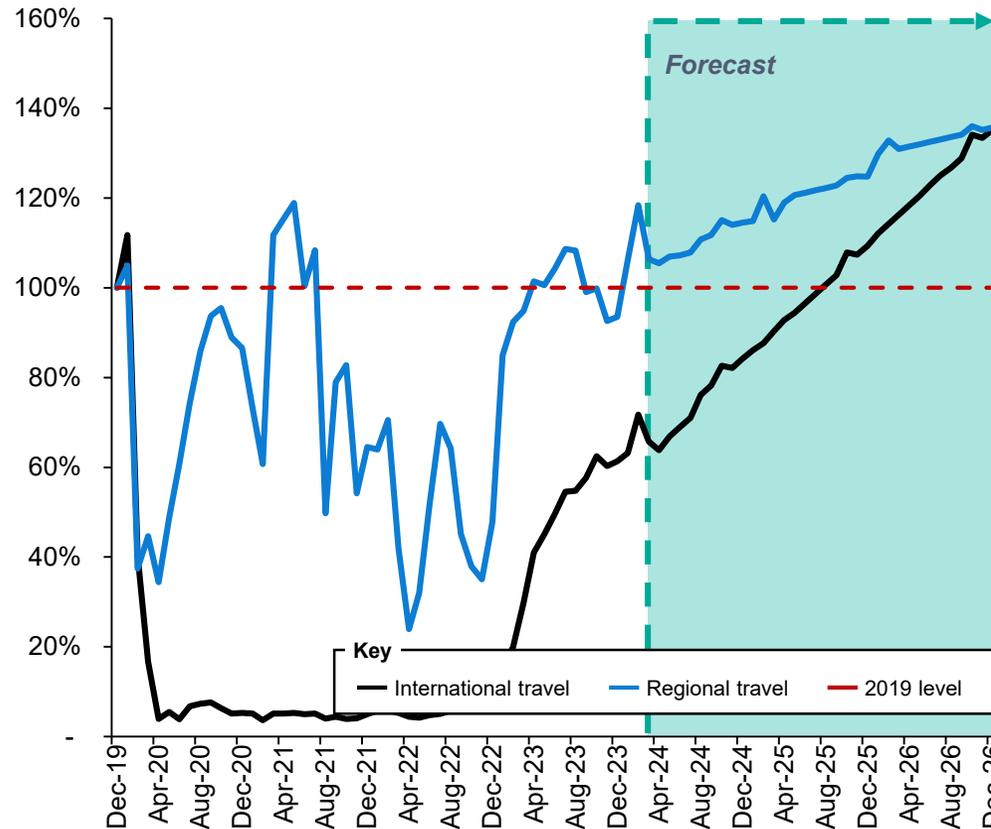
Economic downturn
- China's GDP growth is projected to **fall from 5.2% in 2023 to 4.6% in 2024 and 3.8% in 2026**.
- This will likely dampen the amount that consumers and businesses are willing to spend on travel.

Trading-down
- Consumer emphasis on value-for-money introduces tailwinds for domestic travel.
- Q1 2024 **domestic travel was 17% higher** than 2023, representing 1.4 billion trips in total.

Geopolitical risk
- Geopolitical disputes with the West are ongoing.
- The Biden administration recently introduced **tariffs on $18bn worth of Chinese goods** which could cause headwinds for leisure and business travel.

Industry tensions
- Industrial disputes between Chinese airlines and international carriers remain.
- **U.S. airlines recently asked Biden not to approve new flight routes** due to "anti-competitive" Chinese policies.

Overall, the region has seen a robust post-pandemic aviation demand recovery.

Regional Outlook – Latin America, 2019 – 2026F

However, there has been significant variance across the region, with Mexico and Columbia leading the recovery while Uruguay and Peru struggle to reach pre-COVID-19 levels.

Subdued economic growth in China, a significant trading partner of the region, and weakened Latin American currencies will hinder the recovery. However, airline partnerships with U.S. carriers and the travel demands of the emerging middle class will at least partially offset this.

Forecasted Latin America monthly passenger volume
% of 2019 levels, total traffic (international and regional / domestic)

Key
— International travel — Regional travel --- 2019 level
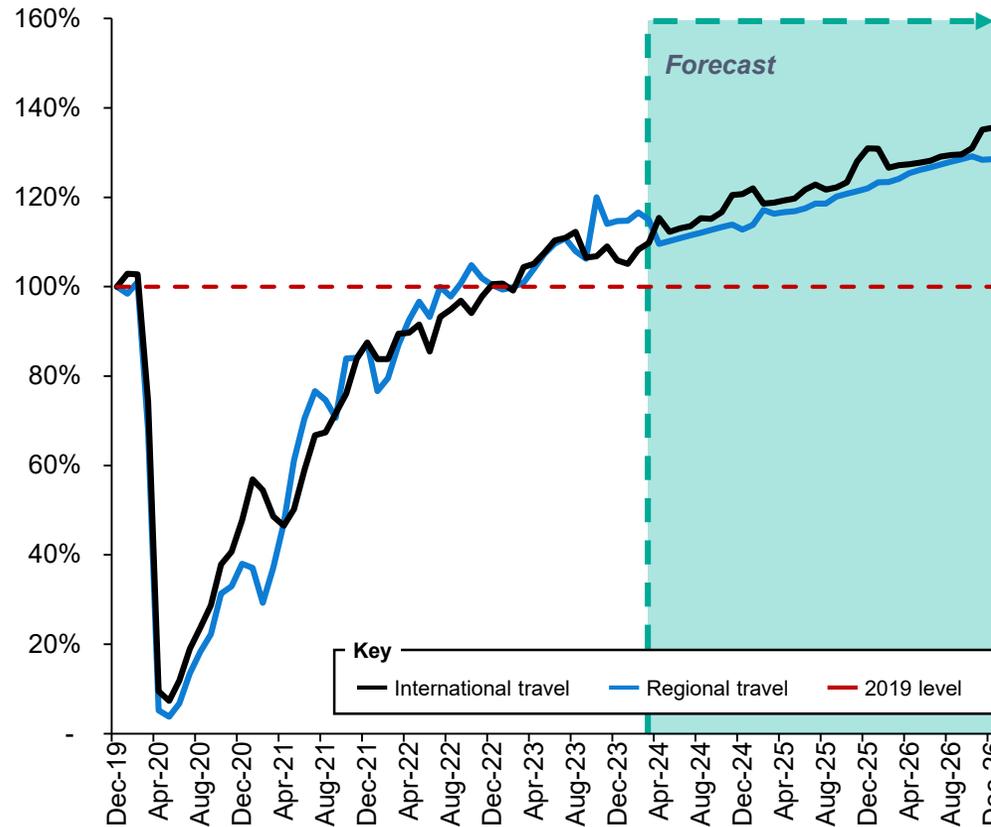
Chinese trade
- China is Latin America's second-largest trading partner, with **annual bilateral trade volume growth averaging 16% since 2000**.
- The Chinese economic slowdown may adversely affect incomes.

Fuel prices
- Air fares are significantly impacted by fuel prices, which are paid in dollars and **represent c.30-40% of airline costs**.
- Weakened currencies have increased ticket prices, with future volatility expected.

Airline partnerships
- Carriers are adding capacity through commercial partnerships with U.S. carriers.
- **American Airlines (AA) signed an exclusive codeshare agreement with GOL** in 2023, with AA investing c.$200m.

Middle-class growth
- Growth in household income is expected to lead **to c.30% growth in the middle-class population by 2037**.
- This is expected to contribute to higher demand for both international and domestic leisure travel.

Section 04

Previous Forecast Accuracy Review

Here, we compare the Teneo Q2 2023 forecast with the actual passenger numbers to test our modelling accuracy.

In some regions, Teneo slightly underestimated aviation recovery due primarily to the prevalence of pent-up demand, which supported strong bookings growth.

This supported most regions in recovering to or surpassing 2019 levels by March 2024, with the notable exception of international travel to and from China, which currently sits well below 2019 levels.

Q2 2023 Teneo Forecast Compared to Actuals in Key Regions

Teneo Q2 2023 forecast vs. actuals; North America, Europe, China
% of 2019 levels, total traffic (international and regional / domestic)
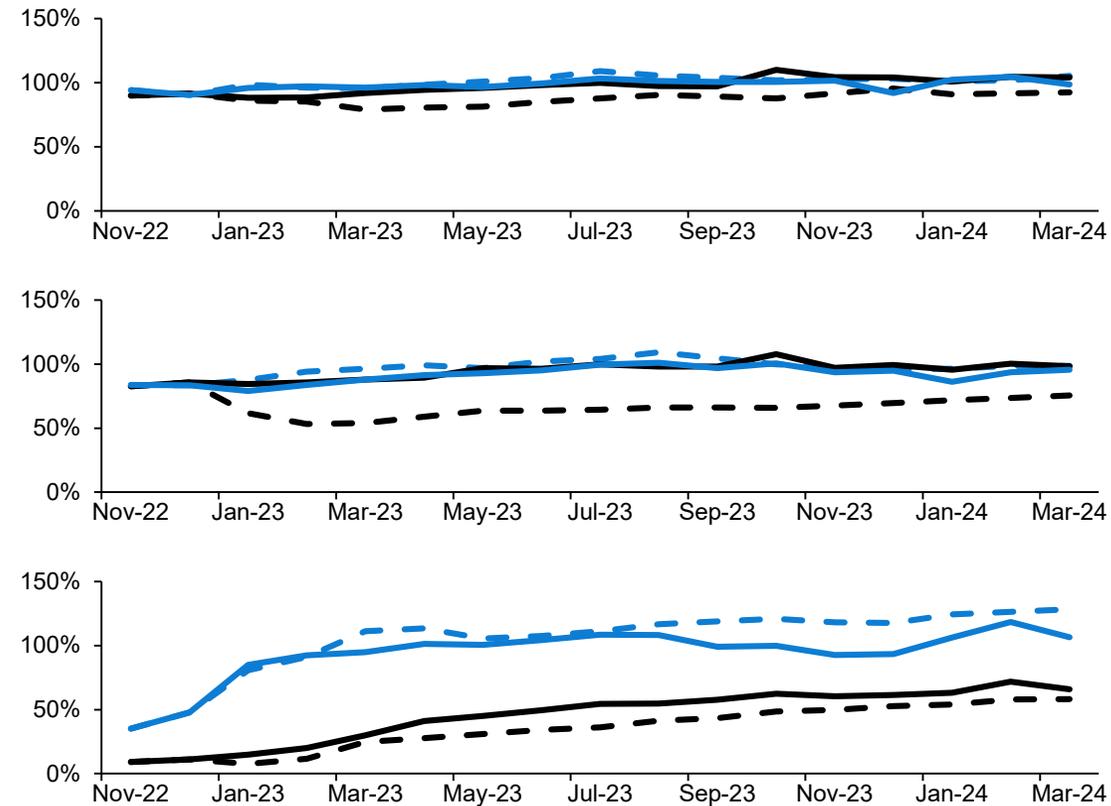
Key — International — Regional / Domestic --- Teneo Forecast

North America

Forecasts and actuals were **broadly in line with Teneo estimates**, which pointed towards moderate growth based on weaker consumer confidence and stagnating real income. By November 2023, international travel was 104% (vs. 92% forecasted) and regional travel was 102% (vs. 102% forecasted).

Europe

The region saw a peak in pent-up demand in summer 2023. **A stronger-than-expected tourism rebound** accounted for most of the discrepancy. By November 2023, international travel was 97% (vs. 68% forecasted) and regional travel was 94% (vs. 98% forecasted) of 2019 levels.

China

The economic slowdown led to travellers seeking closer destinations. Recovery was led by domestic travel, which ended 2023 lower than expected due to high airfares and a weaker currency. By November 2023, international travel was 50% (vs. 60% forecasted) and domestic travel was 118% (vs. 93% forecasted) of 2019 levels.

Data Tables

Forecast Data Tables – Europe (incl. UK), 2019 – 2026F
Source data for the chart on p.19

2019 / 2020 / 2021 / 2022

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
International	100%	101%	97%	58%	6%	7%	8%	15%	18%	18%	20%	17%	22%	23%	20%	20%	21%	23%	29%	38%	41%	41%	49%	53%	55%	51%	53%	58%	63%	74%	75%	82%	80%	81%	89%	83%	86%
Regional	100%	99%	96%	57%	8%	10%	10%	31%	45%	36%	30%	21%	23%	20%	16%	16%	18%	22%	36%	53%	63%	57%	61%	68%	69%	56%	61%	68%	77%	83%	88%	92%	92%	90%	88%	84%	84%

2023 / 2024 / 2025

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
International	85%	86%	88%	89%	97%	96%	100%	98%	98%	108%	97%	99%	96%	100%	98%	100%	101%	104%	105%	106%	105%	105%	106%	105%	108%	109%	109%	104%	110%	113%	115%	113%	113%	114%	115%	113%
Regional	79%	84%	88%	91%	93%	95%	100%	101%	97%	101%	94%	95%	86%	94%	96%	96%	97%	101%	103%	105%	103%	105%	107%	110%	108%	110%	112%	114%	115%	119%	120%	124%	122%	124%	126%	129%

2026

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
International	119%	120%	121%	122%	122%	124%	126%	127%	126%	127%	127%	125%
Regional	129%	131%	132%	133%	135%	139%	141%	142%	141%	143%	144%	147%

Key

Actuals Forecast

Sources: Teneo research and analysis

Forecast Data Tables – North America, 2019 – 2026F
Source data for the chart on p.20

	2019	2020												2021												2022											
---	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
International	100%	98%	96%	62%	5%	4%	6%	13%	16%	17%	22%	25%	29%	27%	23%	29%	33%	39%	45%	52%	52%	48%	58%	64%	69%	60%	60%	67%	76%	80%	81%	86%	84%	85%	92%	90%	92%
Regional	100%	107%	112%	64%	11%	14%	25%	30%	31%	34%	35%	37%	36%	39%	42%	52%	60%	67%	77%	84%	81%	79%	81%	86%	82%	78%	85%	89%	92%	94%	94%	92%	92%	96%	92%	94%	90%

	2023												2024												2025											
---	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
International	88%	88%	92%	95%	96%	98%	100%	97%	97%	110%	104%	104%	101%	104%	104%	107%	107%	108%	111%	109%	111%	111%	112%	110%	113%	113%	109%	110%	110%	113%	113%	115%	114%	114%	113%	113%
Regional	96%	97%	96%	98%	97%	99%	103%	101%	101%	101%	102%	92%	102%	105%	99%	112%	113%	115%	116%	114%	114%	116%	114%	116%	115%	115%	115%	117%	116%	120%	121%	123%	119%	119%	121%	123%

	2026											
---	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
International	116%	117%	117%	117%	118%	120%	121%	120%	120%	120%	121%	119%
Regional	122%	122%	121%	122%	123%	127%	129%	128%	125%	126%	126%	129%

Key — Actuals | Forecast

Forecast Data Tables – Asia (excl. China), 2019 – 2026F
Source data for the chart on p.21

	2019	**2020**													**2021**												**2022**											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
International	100%	101%	96%	60%	9%	9%	12%	19%	22%	22%	22%	19%	22%	23%	23%	26%	28%	26%	30%	33%	37%	38%	43%	42%	47%	46%	47%	51%	58%	66%	71%	78%	79%	79%	83%	79%	82%
Regional	100%	106%	100%	63%	20%	23%	25%	38%	36%	39%	40%	42%	43%	37%	41%	49%	49%	32%	32%	31%	30%	35%	43%	48%	52%	50%	51%	61%	66%	73%	73%	76%	75%	74%	76%	77%	82%

	2023												**2024**												**2025**												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
International	84%	84%	86%	90%	93%	96%	101%	100%	99%	105%	96%	98%	99%	102%	100%	104%	105%	105%	107%	106%	107%	107%	107%	107%	105%	105%	108%	108%	108%	109%	109%	108%	109%	110%	109%	110%
Regional	87%	89%	91%	91%	93%	92%	96%	97%	95%	95%	92%	92%	96%	102%	100%	111%	110%	111%	112%	112%	113%	117%	115%	114%	114%	119%	115%	115%	116%	117%	117%	119%	118%	124%	121%	122%

	2026											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
International	110%	111%	111%	112%	111%	112%	112%	112%	112%	113%	113%	113%
Regional	120%	127%	121%	121%	122%	125%	125%	125%	125%	129%	128%	128%

Key
Actuals Forecast

Forecast Data Tables – China, 2019 – 2026F
Source data for the chart on p.22

	2019	**2020**													**2021**												**2022**											
	Dec	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
International	100%	112%	40%	17%	4%	5%	4%	7%	7%	8%	6%	5%	5%	5%	4%	5%	5%	5%	5%	5%	4%	4%	4%	4%	5%	6%	6%	5%	4%	4%	5%	5%	6%	7%	8%	9%	11%
Regional	100%	105%	37%	45%	34%	49%	61%	74%	86%	94%	96%	89%	87%	73%	61%	112%	115%	119%	100%	108%	50%	79%	83%	54%	65%	64%	71%	42%	24%	32%	52%	70%	64%	45%	38%	35%	48%

	2023												**2024**												**2025**											
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
International	15%	20%	30%	41%	45%	50%	55%	55%	58%	63%	60%	61%	63%	72%	66%	64%	67%	69%	71%	76%	78%	83%	82%	84%	86%	88%	90%	93%	94%	97%	99%	101%	103%	108%	107%	109%
Regional	85%	92%	95%	101%	101%	104%	109%	108%	99%	100%	93%	93%	106%	118%	106%	105%	107%	107%	108%	111%	112%	115%	114%	115%	115%	120%	115%	119%	121%	121%	122%	122%	123%	125%	125%	125%

	2026											
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
International	112%	114%	116%	118%	121%	123%	125%	127%	129%	134%	133%	135%
Regional	130%	133%	131%	131%	132%	133%	133%	134%	134%	136%	135%	136%

Key

Actuals	Forecast

Sources: Teneo research and analysis

Forecast Data Tables – Latin America, 2019 – 2026F
Source data for the chart on p.23

	2019	2020												2021												2022											
---	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
International	100%	98%	101%	68%	5%	4%	7%	14%	18%	22%	31%	33%	38%	37%	29%	37%	47%	61%	71%	77%	75%	71%	84%	84%	87%	77%	80%	87%	93%	97%	93%	100%	98%	101%	105%	102%	100%
Regional	100%	103%	103%	74%	9%	7%	12%	19%	24%	29%	38%	41%	48%	57%	54%	49%	46%	50%	59%	67%	67%	72%	76%	84%	87%	84%	84%	89%	90%	92%	86%	93%	95%	97%	94%	98%	101%

	2023												2024												2025											
---	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
International	99%	100%	101%	104%	107%	110%	111%	108%	106%	120%	114%	115%	115%	117%	115%	110%	110%	111%	111%	112%	113%	113%	114%	113%	114%	117%	116%	117%	117%	118%	119%	119%	120%	121%	121%	122%
Regional	101%	99%	104%	105%	108%	110%	111%	112%	106%	107%	109%	106%	105%	108%	110%	115%	112%	113%	114%	115%	115%	117%	120%	121%	122%	119%	119%	119%	120%	122%	123%	122%	122%	123%	128%	131%

	2026											
---	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
International	123%	123%	124%	125%	126%	127%	127%	128%	129%	129%	128%	129%
Regional	131%	127%	127%	127%	128%	128%	129%	129%	130%	131%	135%	136%

Key

Actuals	Forecast

The Global CEO Advisory Firm

Teneo is the global CEO advisory firm. We partner with our clients globally to do great things for a better future.

Drawing upon our global team and expansive network of senior advisors, we provide advisory services across our five business segments on a stand-alone or fully integrated basis to help our clients solve complex business challenges. Our clients include a significant number of the Fortune 100 and FTSE 100, as well as other corporations, financial institutions and organizations.

Our full range of advisory services includes strategic communications, investor relations, financial transactions and restructuring, management consulting, physical and cyber risk, organizational design, board and executive search, geopolitics and government affairs, corporate governance, ESG and DE&I.

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Teneo