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## **Fitch: Travel Rebound to Boost US, Canadian Airport and Airline Recovery**

Fitch Ratings-New York-11 March 2021: Air traffic recovery in the US and Canada was slower at the beginning of the year than previously forecast but is expected to accelerate heading into the summer months with greater vaccination rates and the release of pent-up travel demand, Fitch Ratings says. The recovery will be led by leisure travel, with domestic leisure and origination and destination airports expected to rebound more quickly than international gateways or those with a high reliance on business travelers. Similarly, domestic-focused leisure carriers are better positioned to benefit from the early stages of the recovery, although competition will pressure airline yields into 2022.

We are forecasting a prolonged recovery for the air travel industry, with full recovery in the US not expected until 2024 at the earliest. As such, credit ratings in the sector remain under pressure. US airports and airlines have benefited from substantial federal aid through multiple recovery stimulus bills, unlike their Canadian counterparts. US airports and airlines were more active in issuing debt to achieve cost savings or bolster liquidity.

US traffic levels remained down 60% or more yoy as of YE 2020 and into the early weeks of 2021. Canadian airport traffic continues to be more severely impaired by the pandemic relative to the US, remaining down by 80%-90% of pre-pandemic levels, and a sustained recovery may take more time. Canadian airports, operating under long-term leases with the federal government, are more sensitive to volume fluctuations and lack the protection of cost recovery agreements, which are common for US airports.

Our new report, North American Airport and Airline Pressures to Ease, Accelerating Recovery Later This Year, indicates air carriers and airports remain exposed to pandemic-related volatility, and key uncertainties such as vaccine rollouts, more contagious variants and travel restrictions may impede a rapid rebound in the near term.

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