

COVID-19

An almost full recovery of air travel in prospect

Brian Pearce

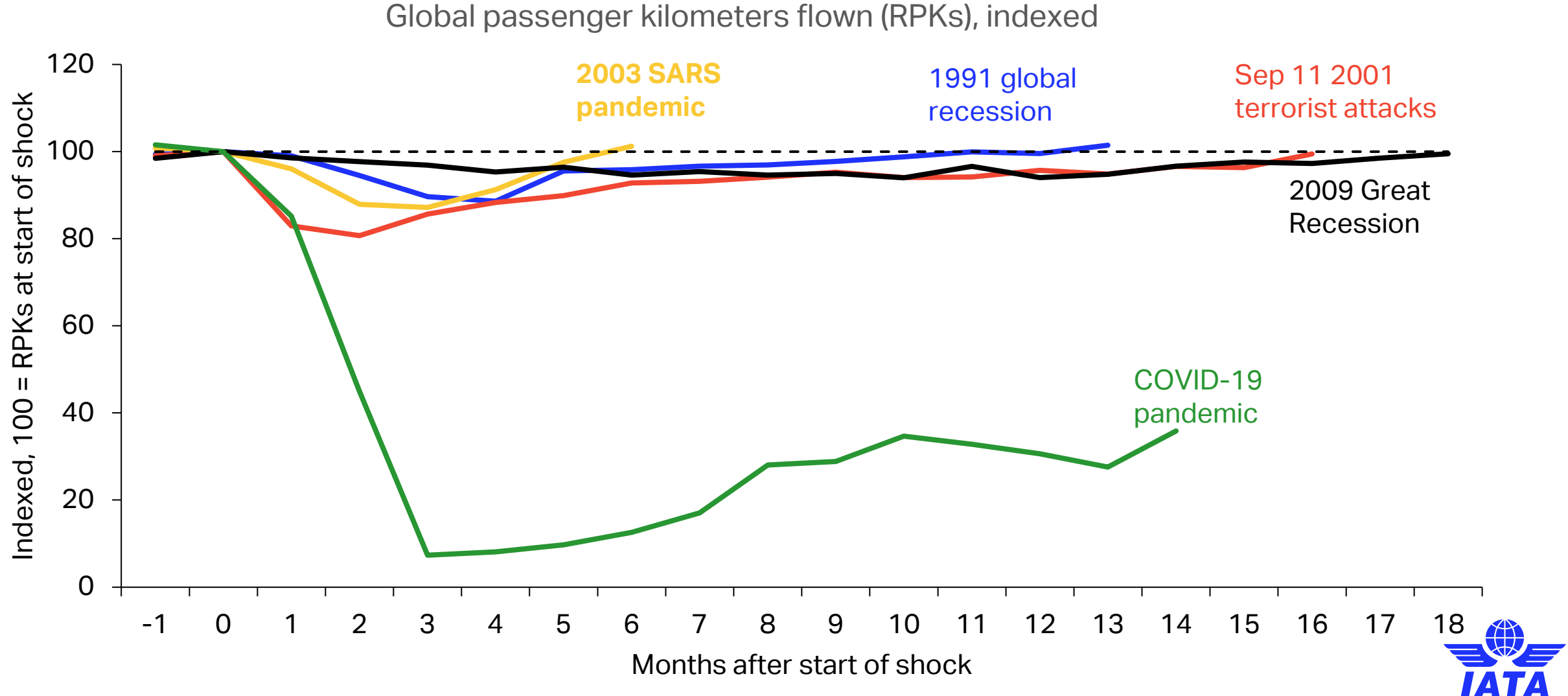
Chief Economist

26th May 2021



Demand shocks do not usually have long-lasting impacts

Previous shocks cut 5-20% from RPKs but recovered after 6-18 months

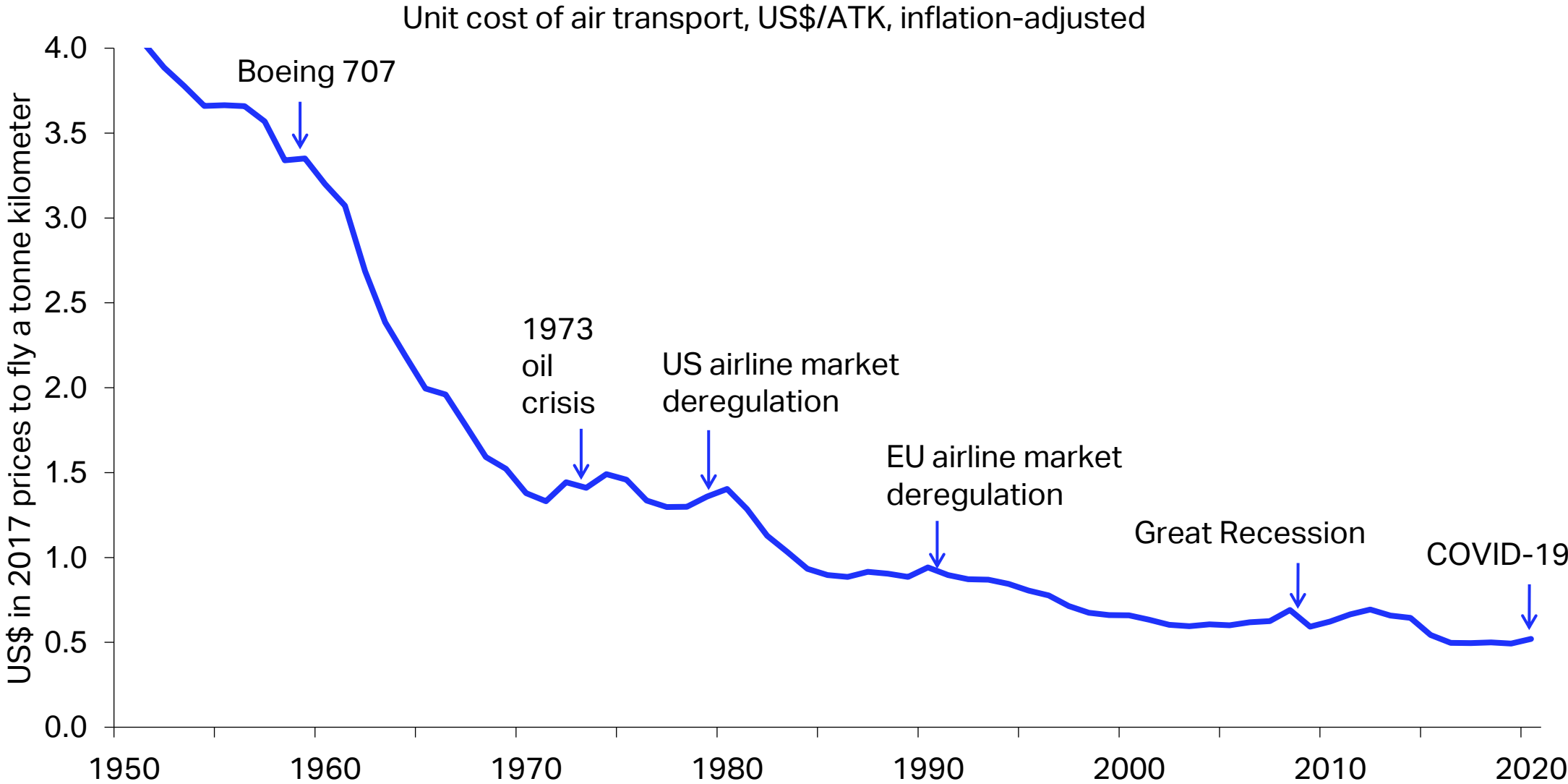


Source: IATA Economics using data from IATA Monthly Statistics. Data is adjusted for seasonality.



Structural change in aviation driven by the supply-side

Technology, liberalization & innovation drove unit costs down 90%

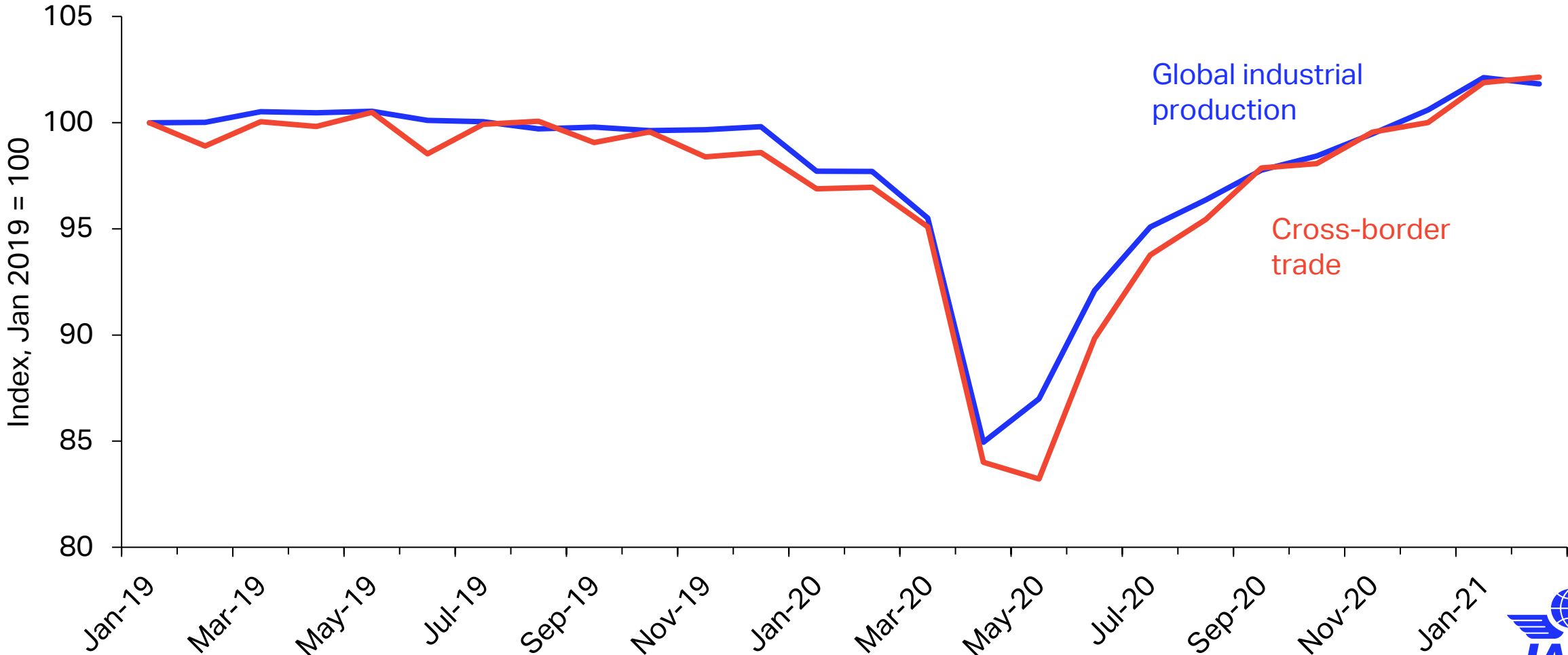


Source: IATA Economics using data from ICAO, IATA Statistics and OECD

Global economy already back above pre-crisis output

Global industrial production and trade 2% above 2019 levels by February

Global industrial production and cross-border trade, indexed

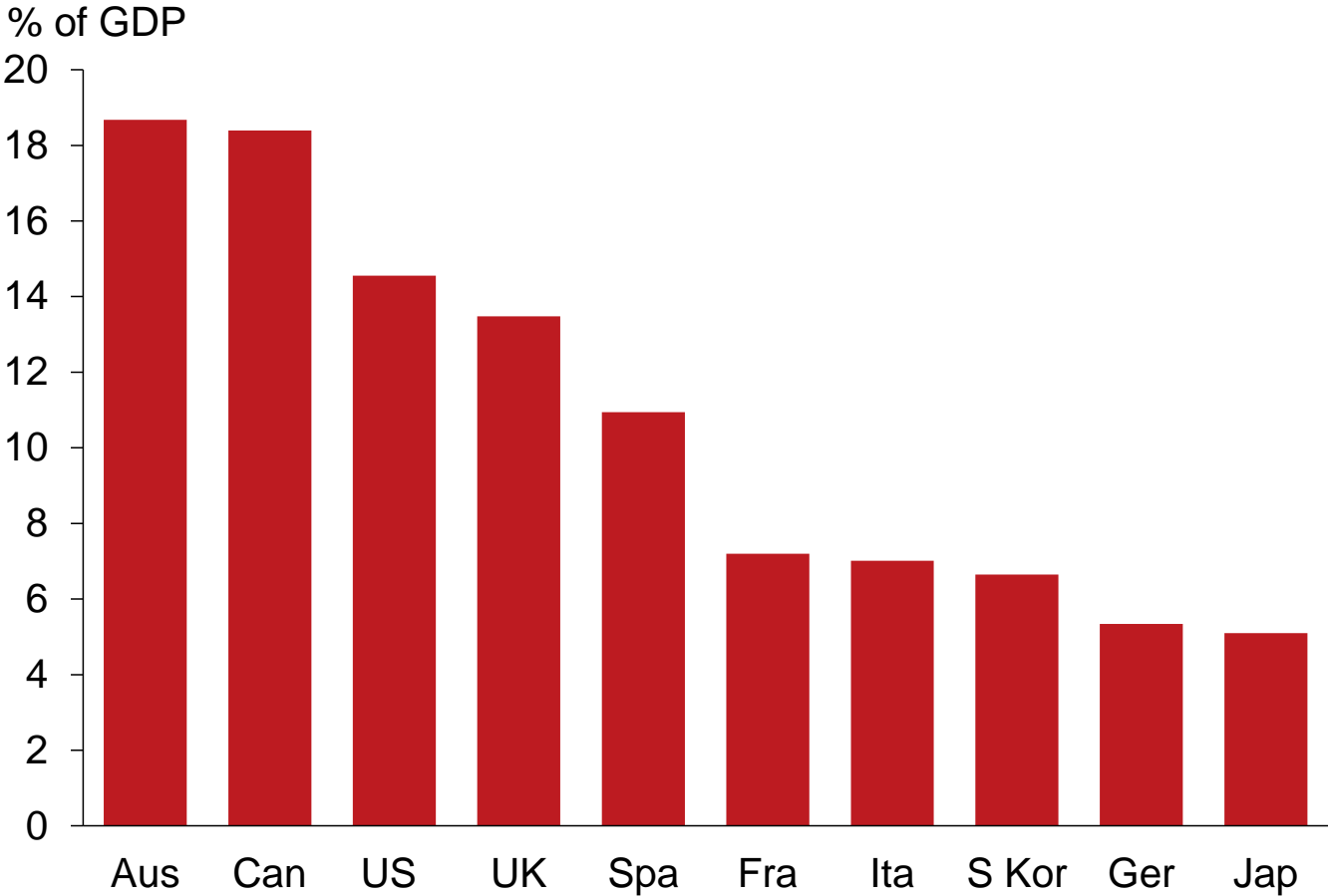


Source: IATA Economics using data from ICAO, IATA Statistics and OECD

Consumers have accumulated savings to spend

In some markets (US, UK) consumers 'excess' savings exceed 10% of GDP

Stock of excess accumulated savings in 2020

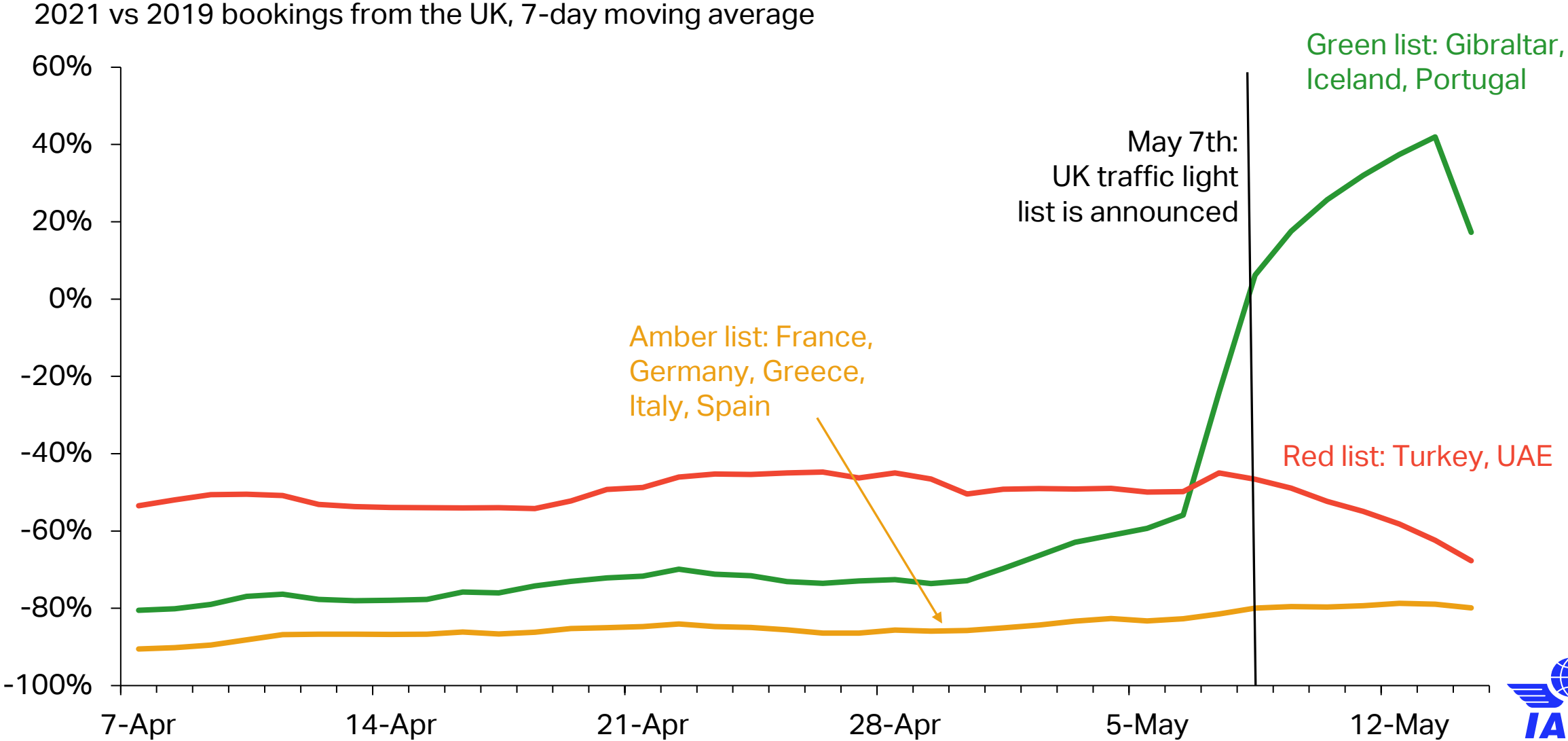


Source : Oxford Economics/Haver Analytics



Strong evidence of pent-up demand for leisure air travel

Latest evidence from surge of UK bookings for air travel to 'green list'



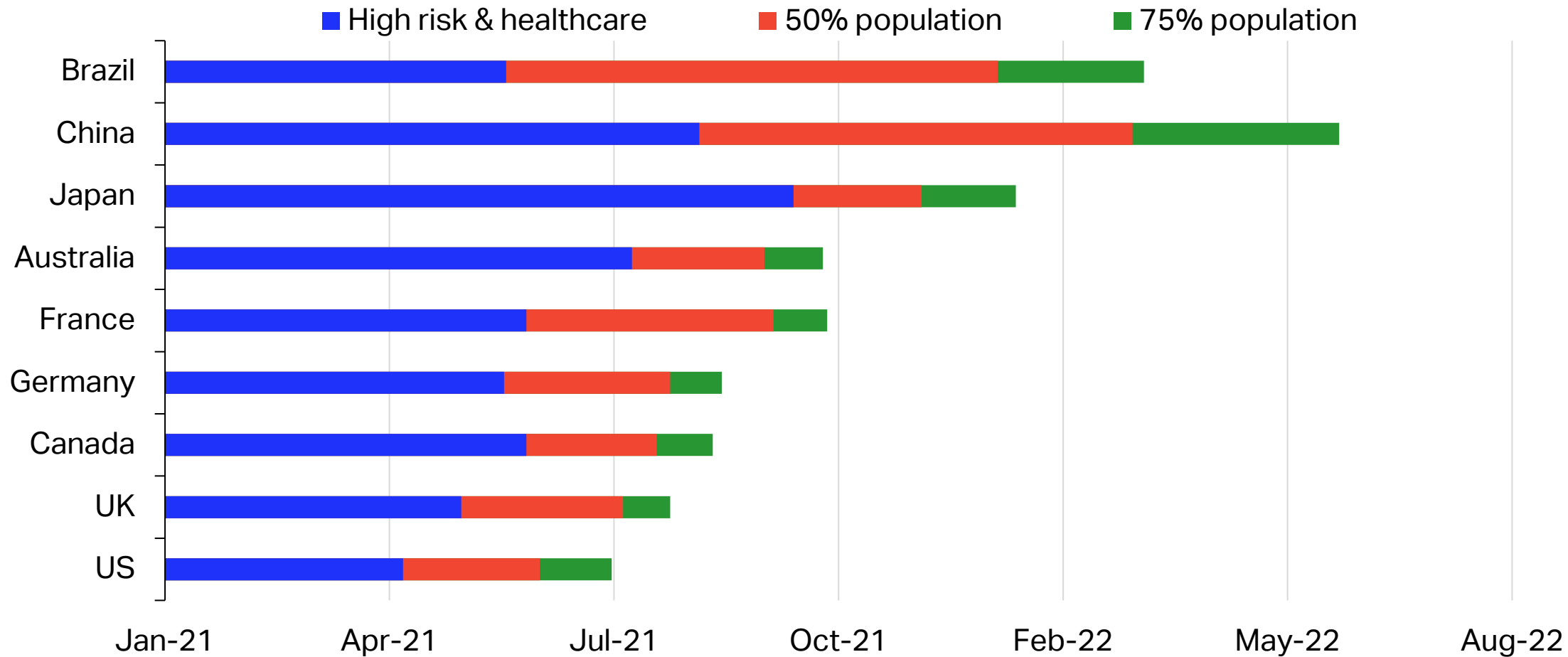
Source: IATA Economics using data from DDS



Vaccination should allow staged reopening of air travel

Widespread vaccination should allow some key market to open in H2

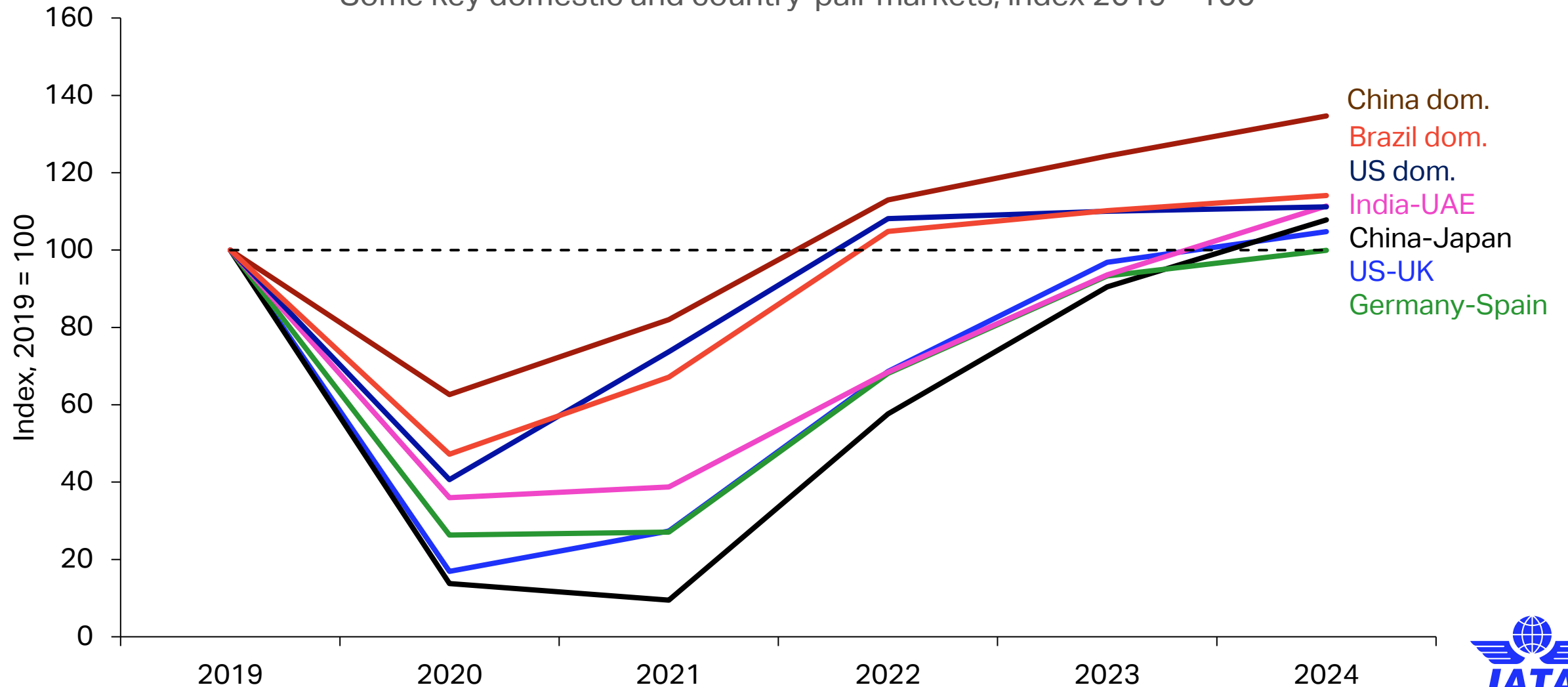
Airfinity's vaccination rollout forecast



Different markets will recover at different paces

Recovery profile dependent on restrictions, vaccination, risk-aversion

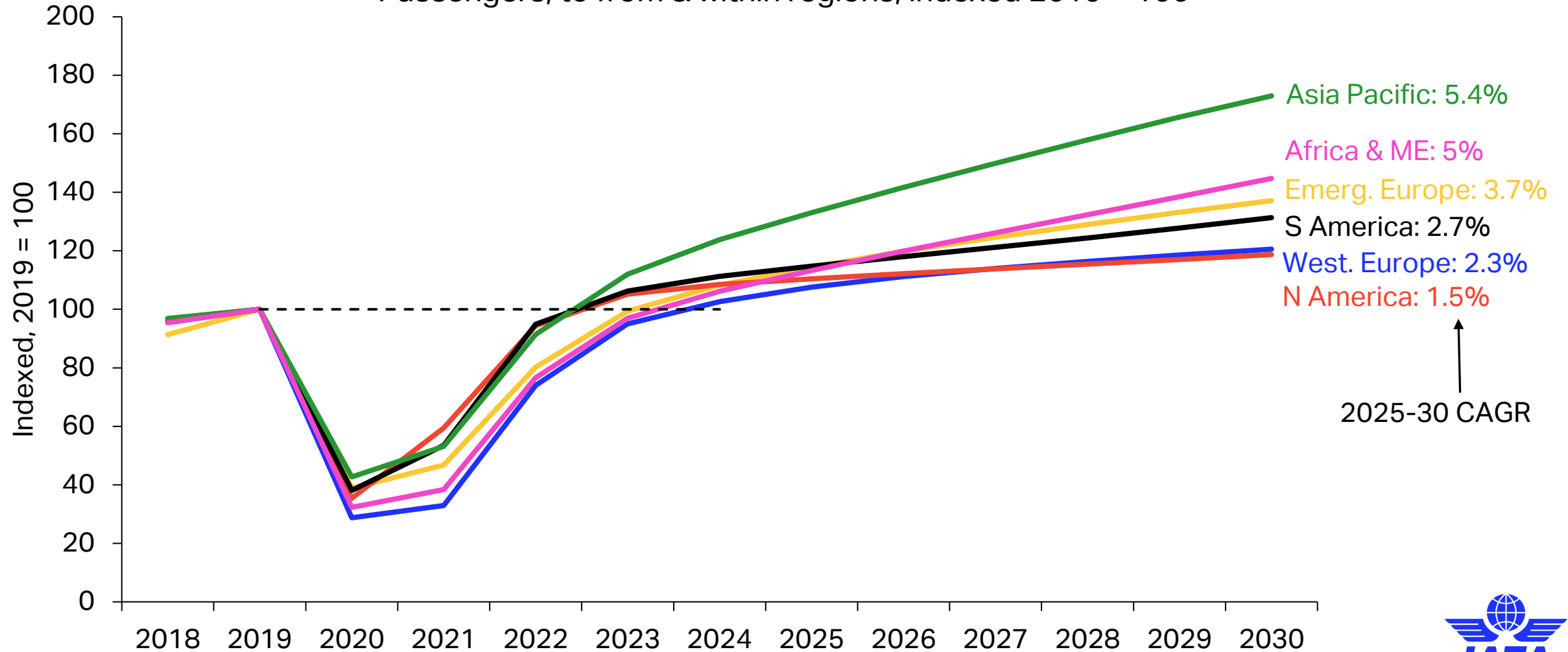
Some key domestic and country-pair markets, index 2019 = 100



Regions with large domestic markets recover first

European, Africa & Middle East regions lags due to international markets

Passengers, to from & within regions, indexed 2019 = 100



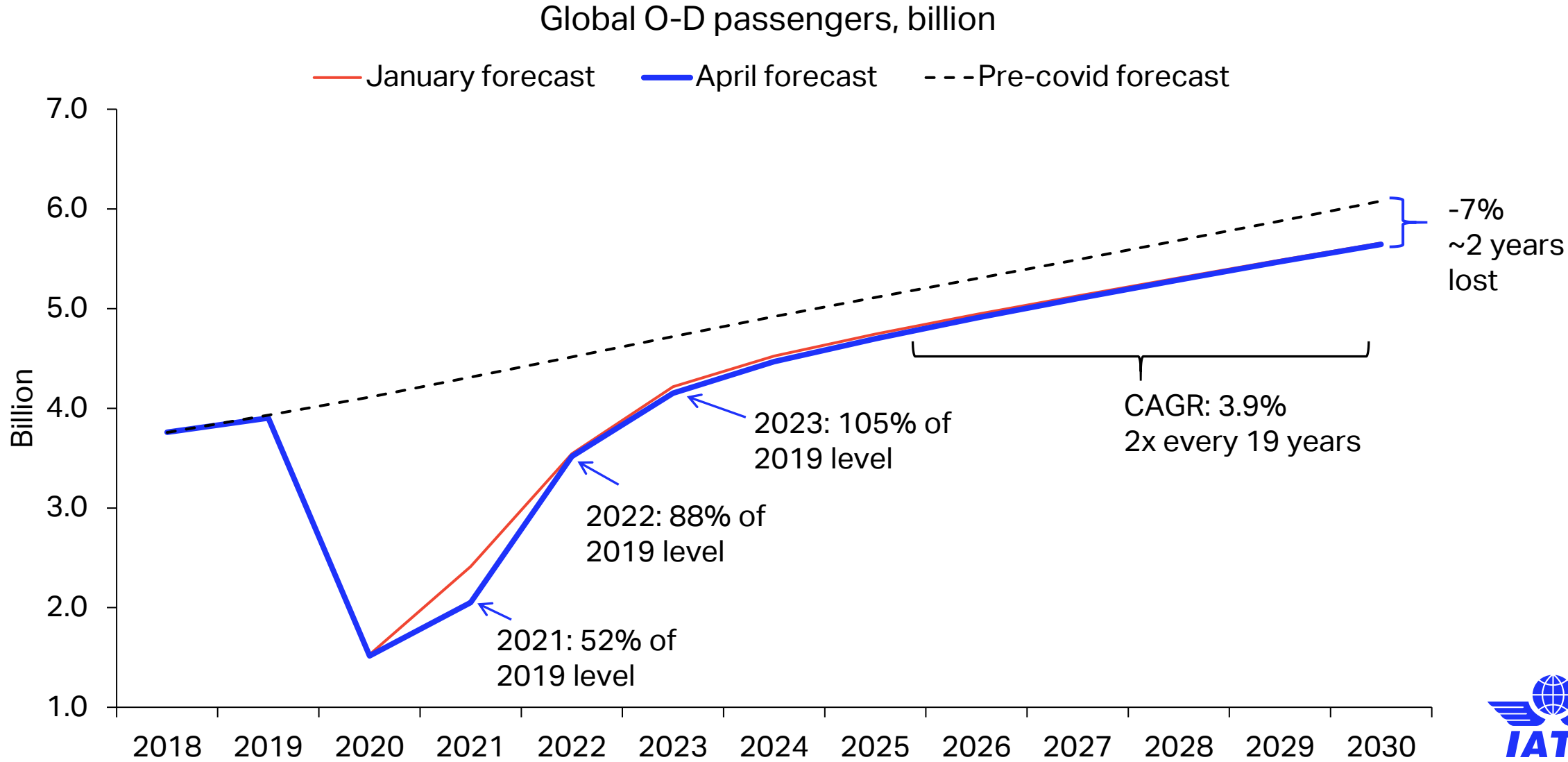
COVID-19 boost East-shift of air travel centre of gravity

Temporary shift East to where we forecast centre of gravity in 20 years



We estimate COVID-19 long-term loss of 2 years growth

Strong rebound when border travel barriers removed but not full recovery



Source: IATA Economics using data from Tourism Economic/IATA Air Passenger Forecast, April 2021.



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