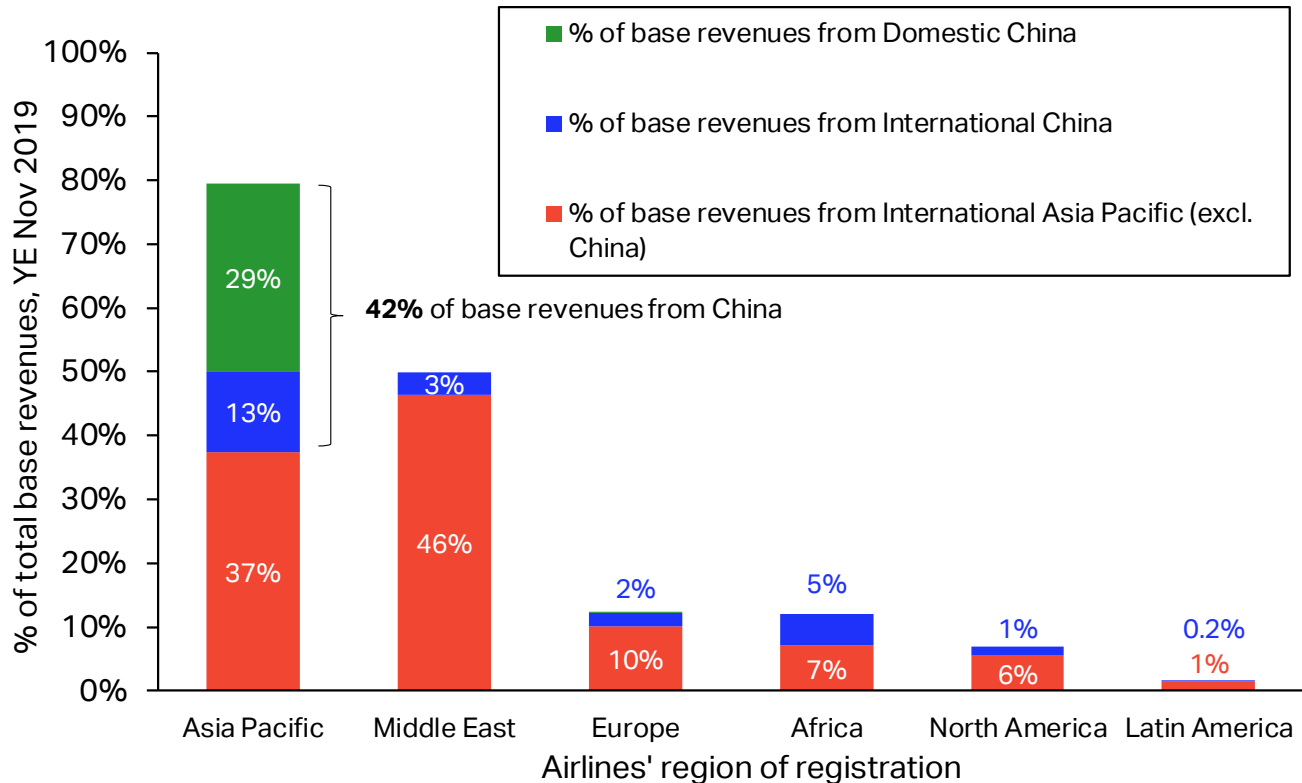




IATA Economics' Chart of the Week

14 February 2020

Risk of regional decline in demand affects wide range of carriers



Source: IATA Economics using DDS

Base revenues: excluding revenues from ancillaries, baggage fees, etc.

- After looking at the [initial impact](#) of the coronavirus (Covid-19) on air travel demand, this week's chart explores the regional impact on passenger revenues. Not surprisingly, Asia Pacific carriers are the most vulnerable with about 42% of their total base passenger revenues (i.e. excluding ancillary revenues) coming from the routes to, from and within China. China being the second largest domestic market in terms of RPKs in the world further exacerbates its importance. The domestic China market constitutes almost one third of passenger revenues, which is almost double of the share of revenues from China international routes for Asia-Pacific carriers.
- The direct impact of the decline in international travel from China on the airlines based in other regions is much lower, as passenger revenues stemming from China constitute less than 5% of their total passenger revenues. This revenue loss could be compensated with the decline in fuel prices (18% decline since the beginning of January) for some airlines depending on the hedging profile, i.e. European airlines would benefit less as they have the highest hedging ratios (on average c.70% for the largest carriers).
- Nevertheless, if the travel restrictions spread further to the rest of Asia Pacific and if the slow-down in Chinese economy was to impact the travel demand in the region, revenue risk of carriers based in other regions would rise sharply. Under that scenario, the Middle East carriers' exposure increases from 3% to almost 50%, as they are connecting the region to the rest of the world, mainly Europe. This poses a substantial business risk for a regional group which has been posting [losses](#) even before the virus outbreak. Similarly, for European carriers' exposure rises six-fold to 12%.

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