COVID-19
An almost full recovery of air travel in prospect

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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%

Unit cost of air transport, US$/ATK, inflation-adjusted

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.

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

Source: IATA Economics using data from Oxford Economics
Strong evidence of pent-up demand for leisure air travel
Latest evidence from surge of UK bookings for air travel to 'green list'

2021 vs 2019 bookings from the UK, 7-day moving average

-100% -80% -60% -40% -20% 0% 20% 40% 60%
7-Apr 14-Apr 21-Apr 28-Apr 5-May 12-May
2021 vs 2019 bookings from the UK, 7-day moving average

Green list: Gibraltar, Iceland, Portugal
Amber list: France, Germany, Greece, Italy, Spain
Red list: Turkey, UAE

May 7th: UK traffic light list is announced

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

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

- China dom.
- Brazil dom.
- US dom.
- India-UAE
- China-Japan
- US-UK
- Germany-Spain

Regions with large domestic markets recover first. European, Africa & Middle East regions lag due to international markets.

COVID-19 boost East-shift of air travel centre of gravity
Temporary shift East to where we forecast centre of gravity in 20 years

Source: IATA Economics using data from TE/IATA Air Passenger Forecast, April 2021
We estimate COVID-19 long-term loss of 2 years growth. Strong rebound when border travel barriers removed but not full recovery.

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