

COVID-19

An almost full recovery of air travel in prospect

Brian Pearce

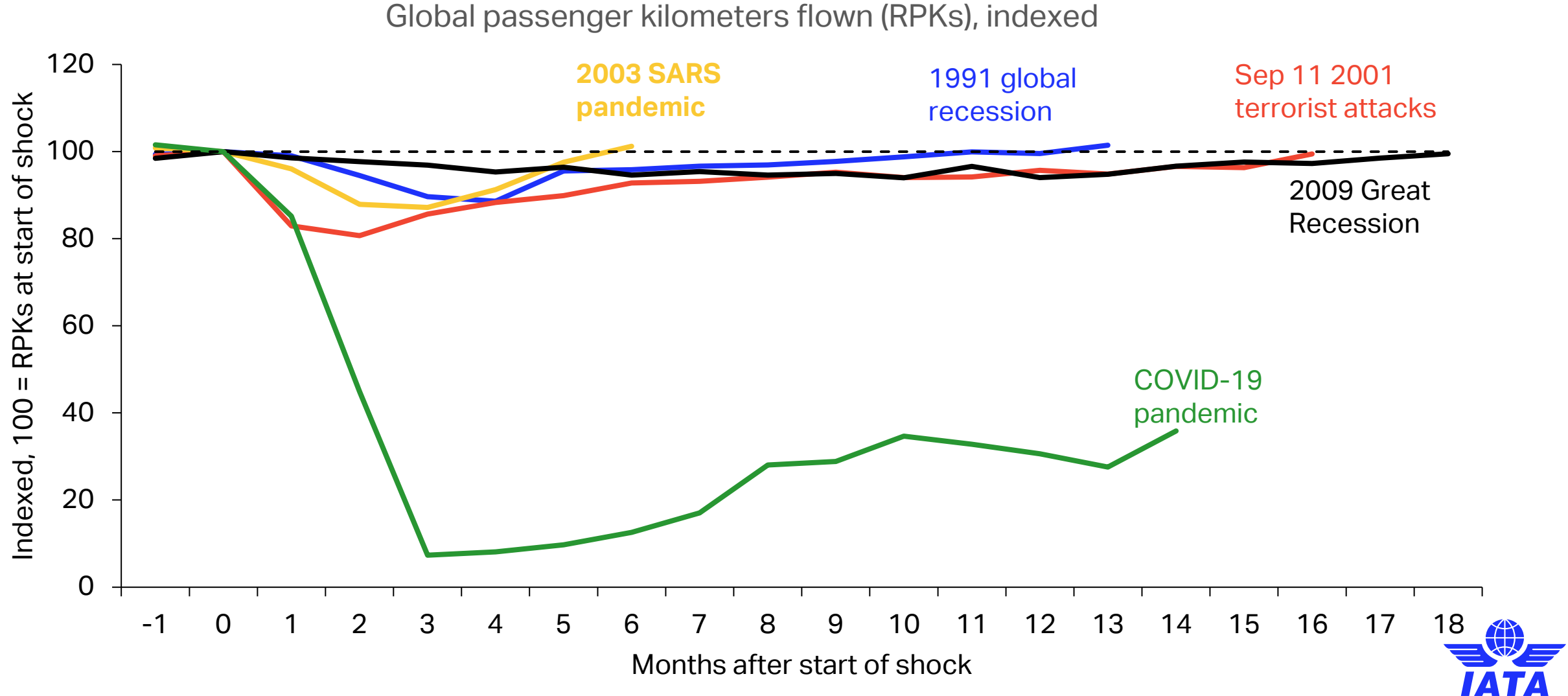
Chief Economist

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

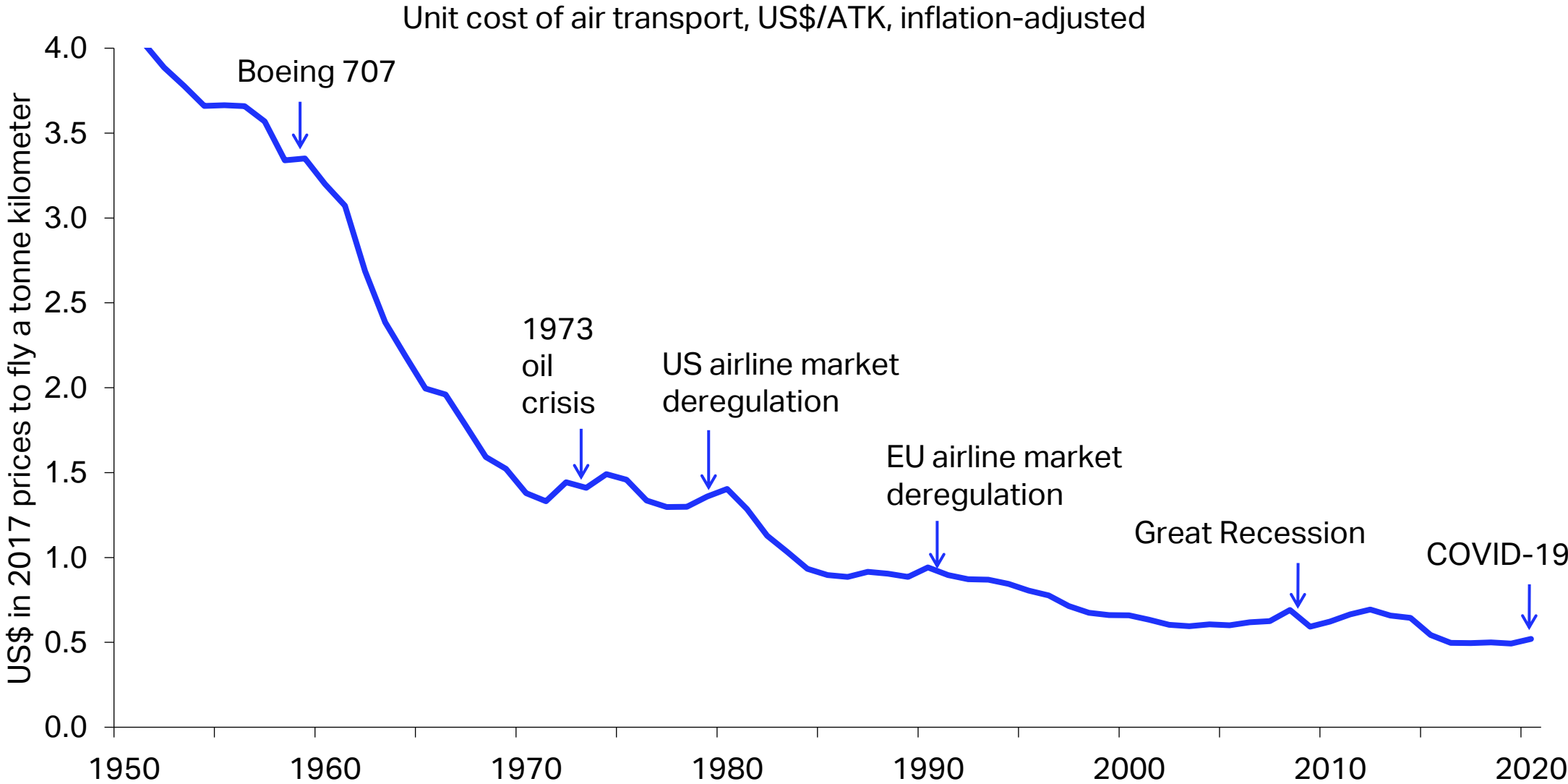


Source: IATA Economics using data from IATA Monthly Statistics. Data is adjusted for seasonality.



Structural change in aviation driven by the supply-side

Technology, liberalization & innovation drove unit costs down 90%

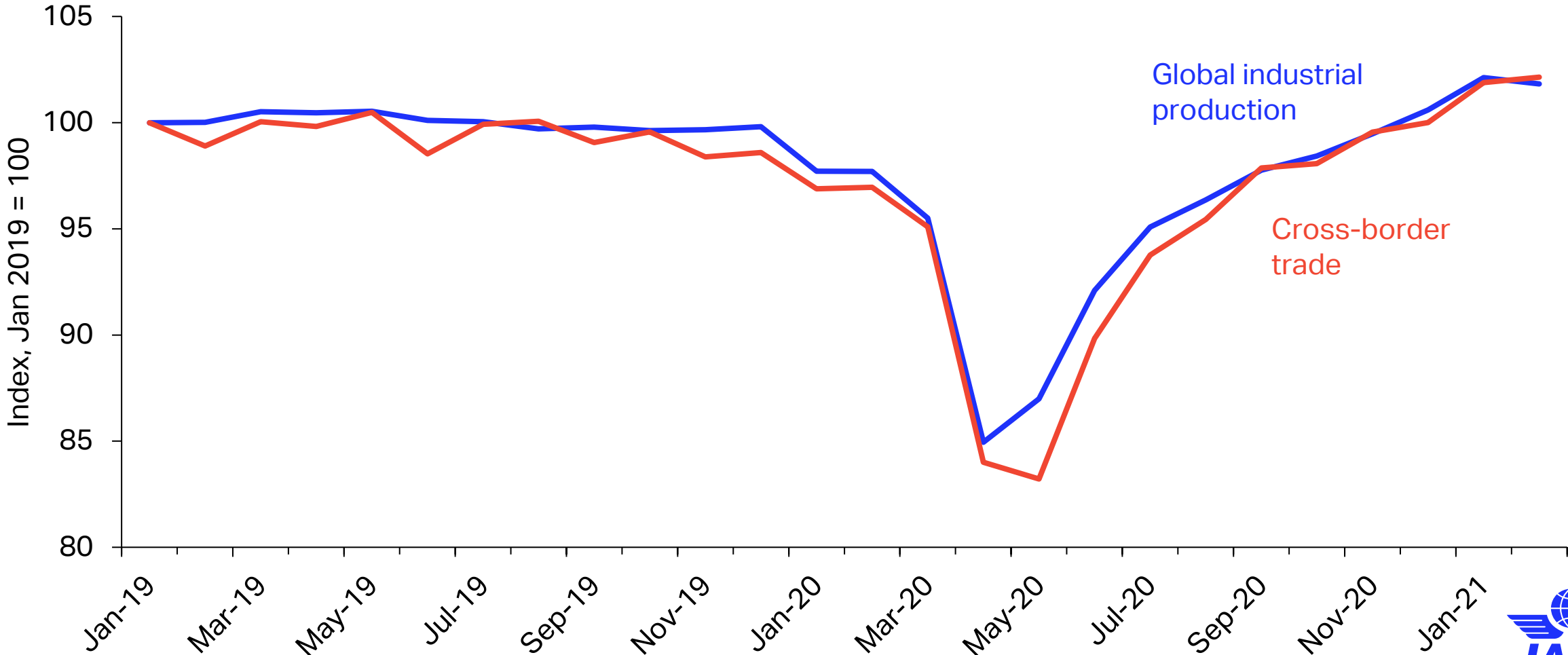


Source: IATA Economics using data from ICAO, IATA Statistics and OECD

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

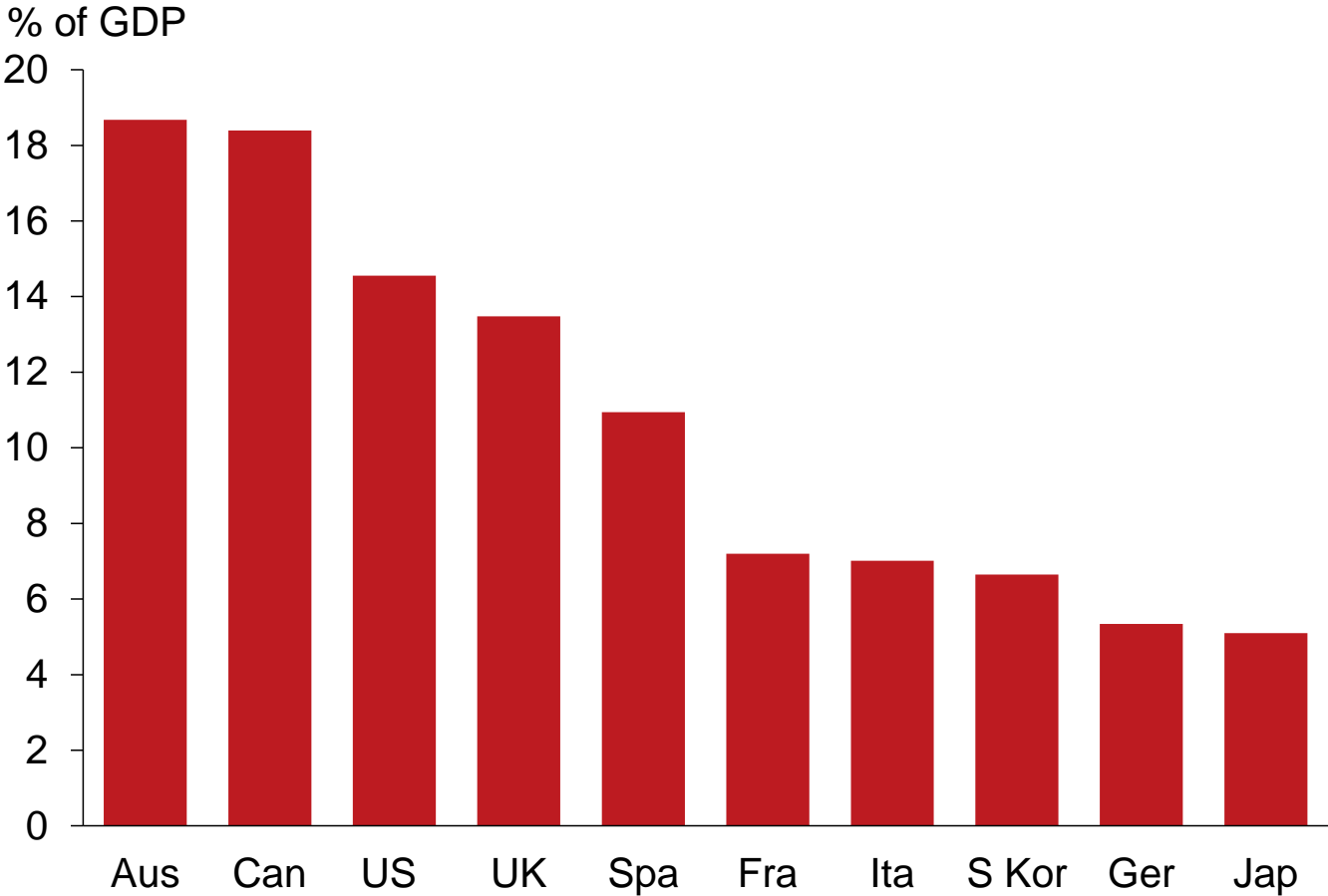


Source: IATA Economics using data from ICAO, IATA Statistics and OECD

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

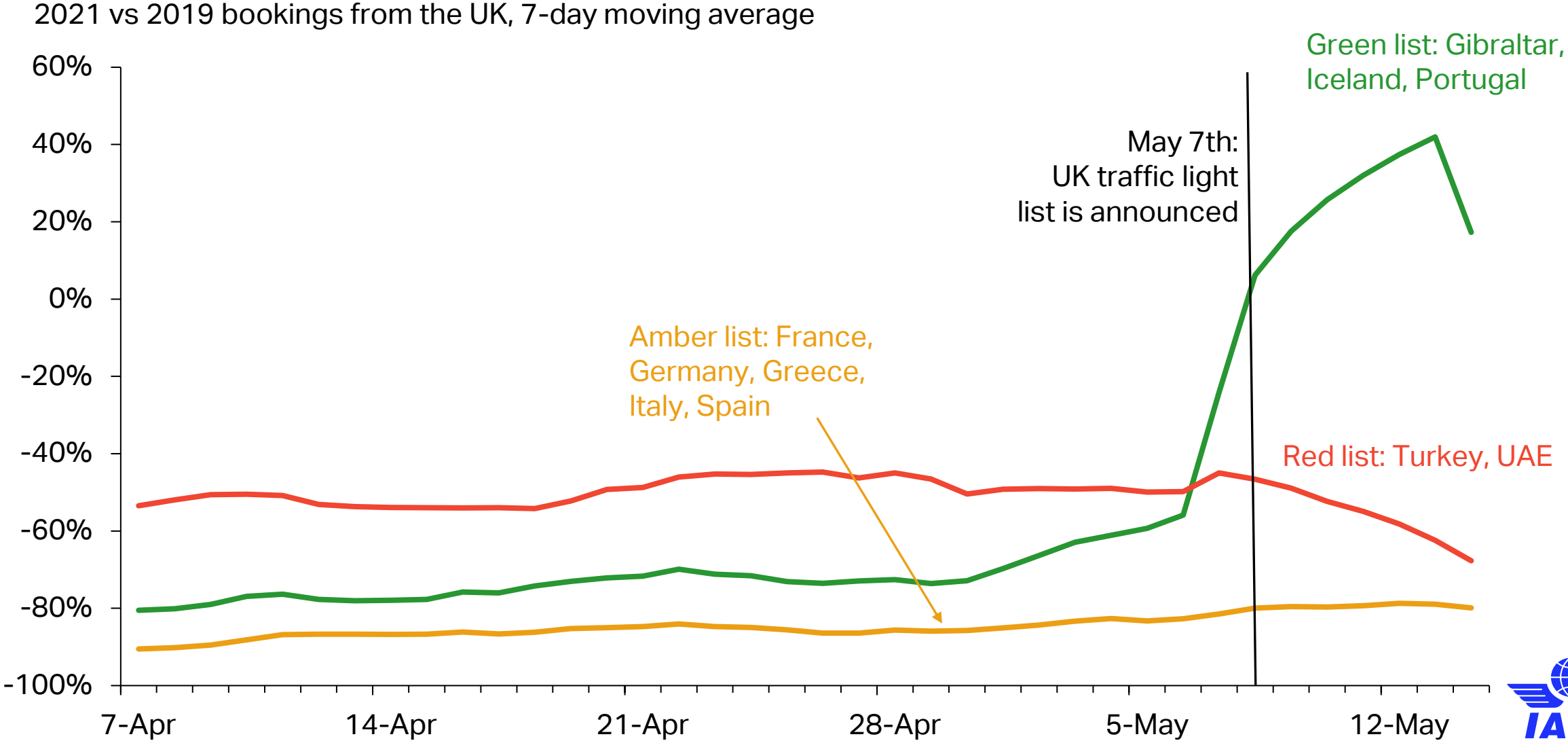


Source : Oxford Economics/Haver Analytics



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

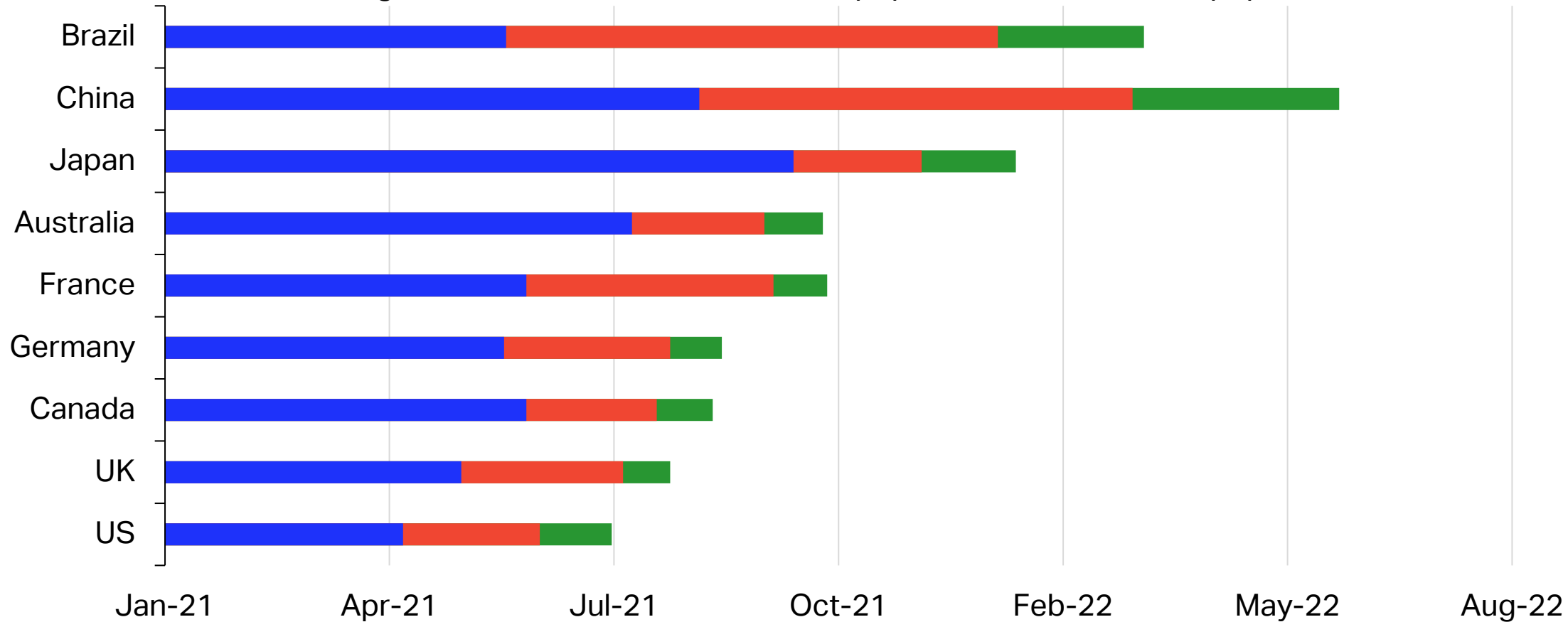


Vaccination should allow staged reopening of air travel

Widespread vaccination should allow some key market to open in H2

Airfinity's vaccination rollout forecast

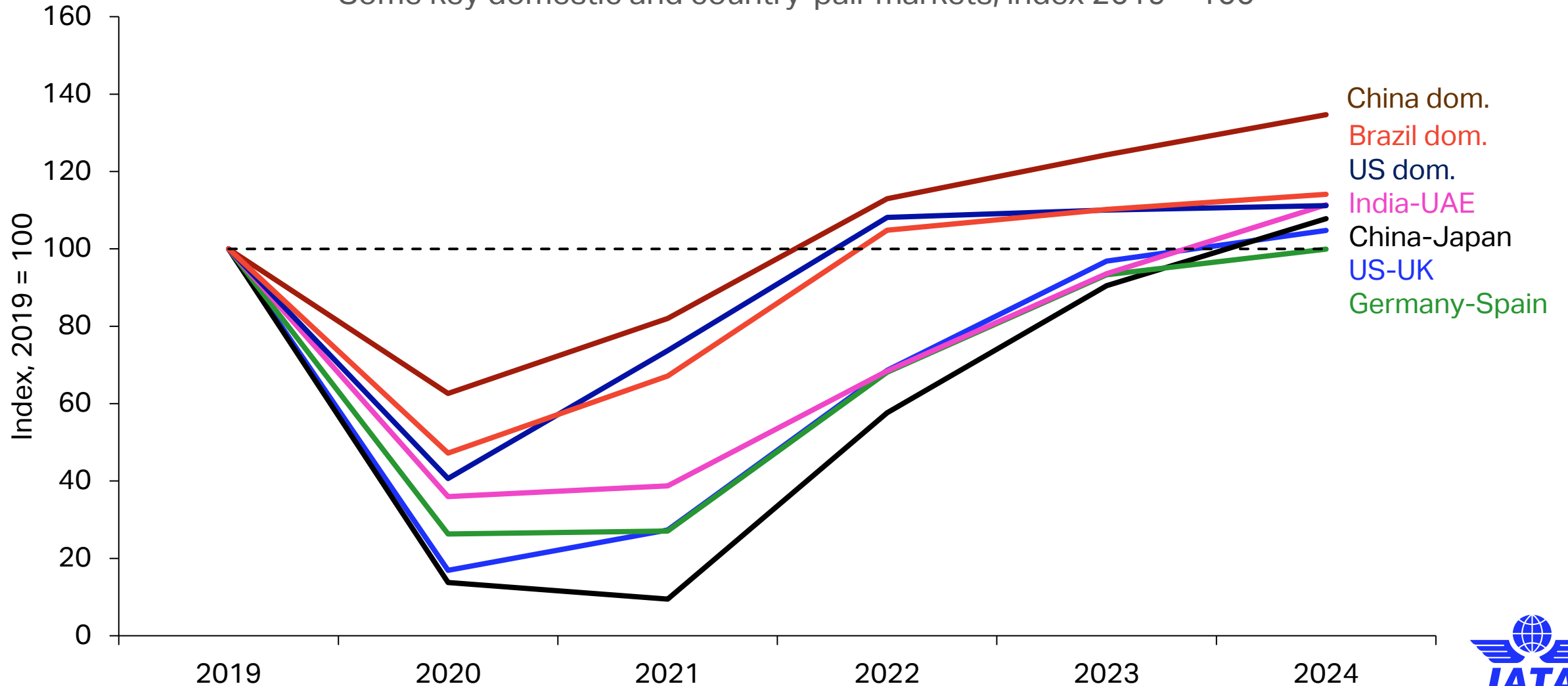
■ High risk & healthcare ■ 50% population ■ 75% population



Different markets will recover at different paces

Recovery profile dependent on restrictions, vaccination, risk-aversion

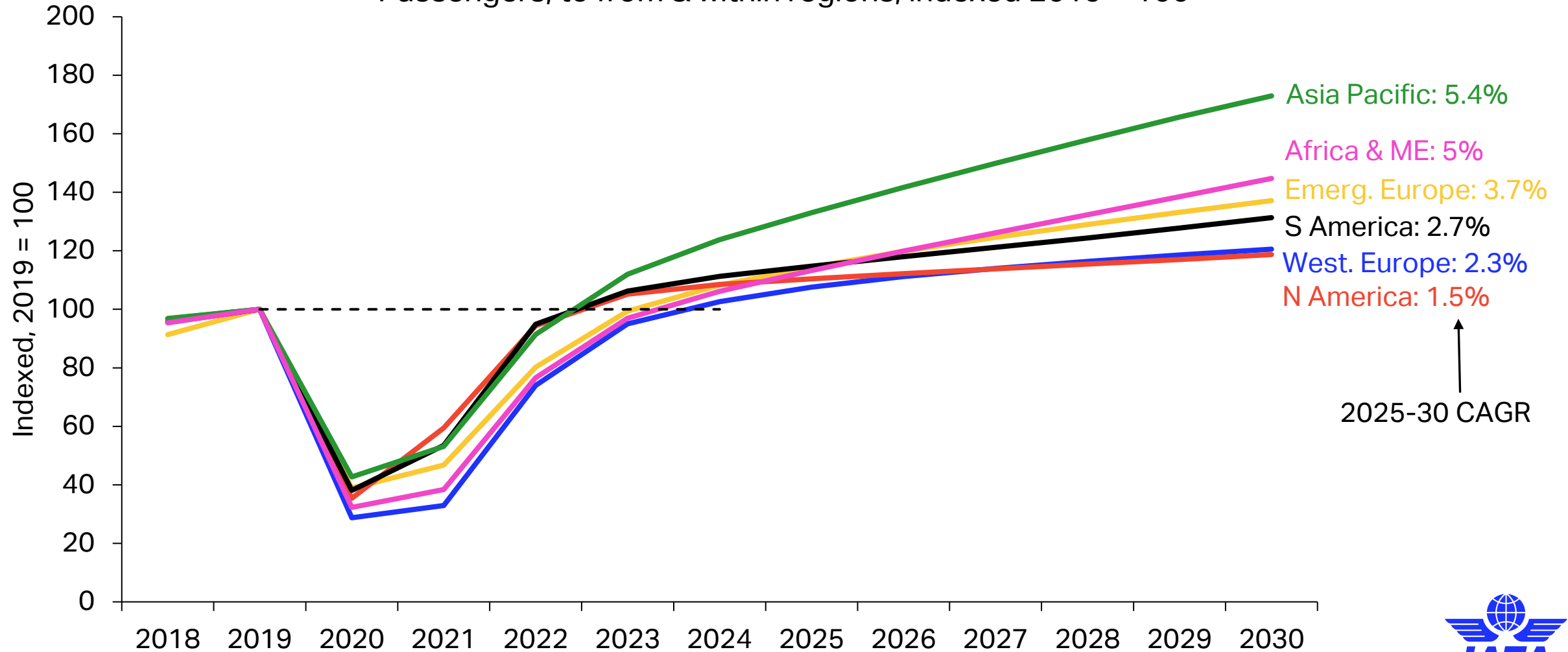
Some key domestic and country-pair markets, index 2019 = 100



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



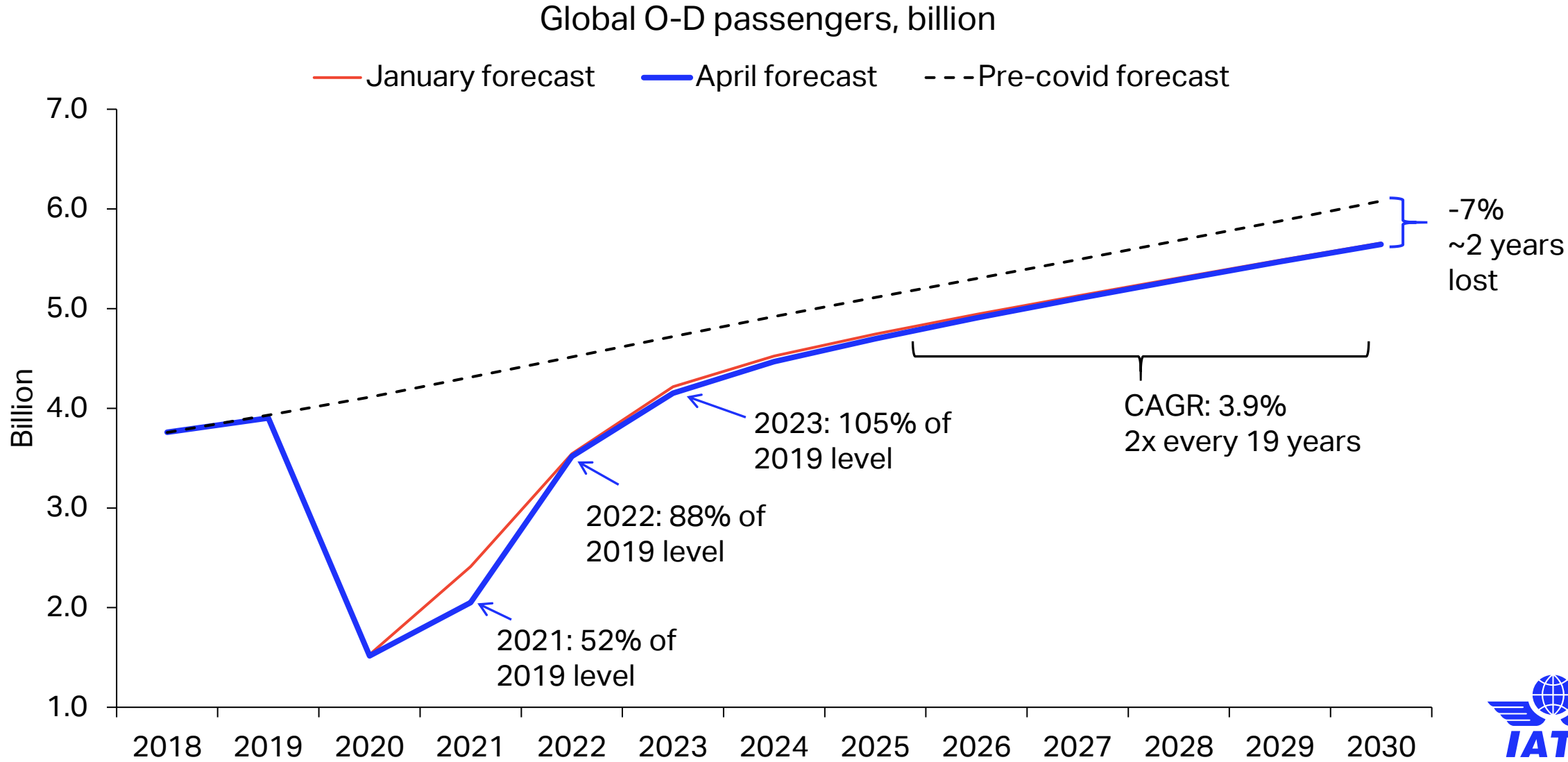
COVID-19 boost East-shift of air travel centre of gravity

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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