

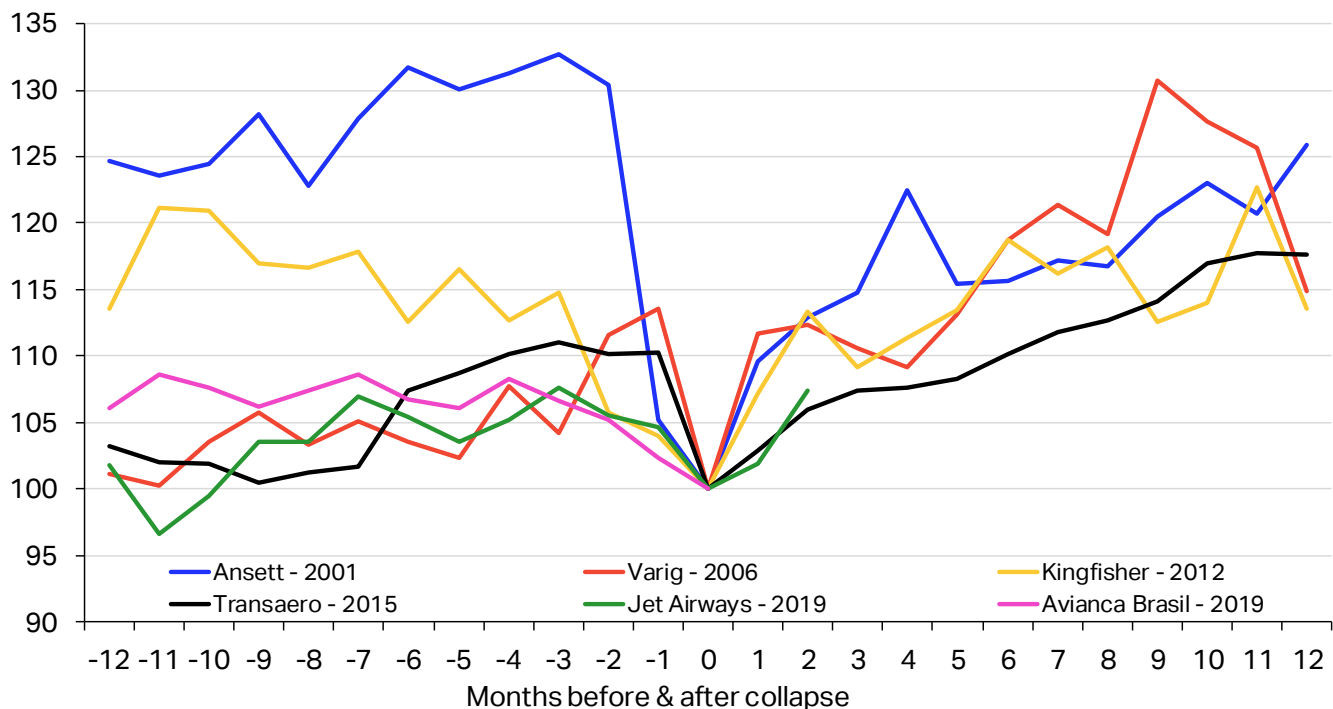


IATA Economics' Chart of the Week

9 August 2019

Domestic markets historically resilient to airline collapse

Seasonally adjusted domestic RPK Index (100 = RPK in month of airline collapse)



Source: IATA Monthly Statistics

- Our latest passenger traffic [note](#) showed that the Brazil domestic market remains under pressure following the suspension of flight operations of Avianca Brasil, the country's 4th largest carrier. Passenger volumes in the domestic market are currently ~6% lower vs a year ago, a sharp slowdown from the average growth of ~4% seen earlier in the year. Today's chart looks at how domestic markets have recovered following similar episodes in the past.
- The chart shows that while each event is different, demand generally returned to the 'pre-collapse level' within twelve months as the airlines remaining in the market move quickly to fill the gap created by the loss of their competitor. The most recent example is India where the domestic market has shown robust recovery in just two months following the Jet Airways demise (April 2019). The main exception is Australia where the market took about two years to recover subsequent to the collapse of Ansett in 2001. However, that recovery was affected by the 9/11 terror attacks and the fact that Ansett had had a 40% market share, meaning it left a sizeable gap to fill.
- Not surprisingly, the domestic economic backdrop is one of the key factors affecting the pace of recovery following a collapse (of course, it is often also a contributing factor behind the demise, too). For example, in India, real GDP growth was at its trough during the collapse of Kingfisher in 2012. The same was true for Russia at the time of the Transaero demise in 2015. In both countries, the economy recovered sharply a year after, enabling the airlines remaining in the market to swiftly fill the capacity gap and to meet passenger demand.
- It is important to keep in mind that there are numerous other factors that play an important role in the speed of market adjustment after any airline collapse. These include the number and characteristics of the remaining market players, the regulatory environment and other country-specific factors. The broader point is that air transport has historically shown to be resilient in the face of various market 'shocks' and this bodes well for the travelling public in Brazil in the coming months.

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