

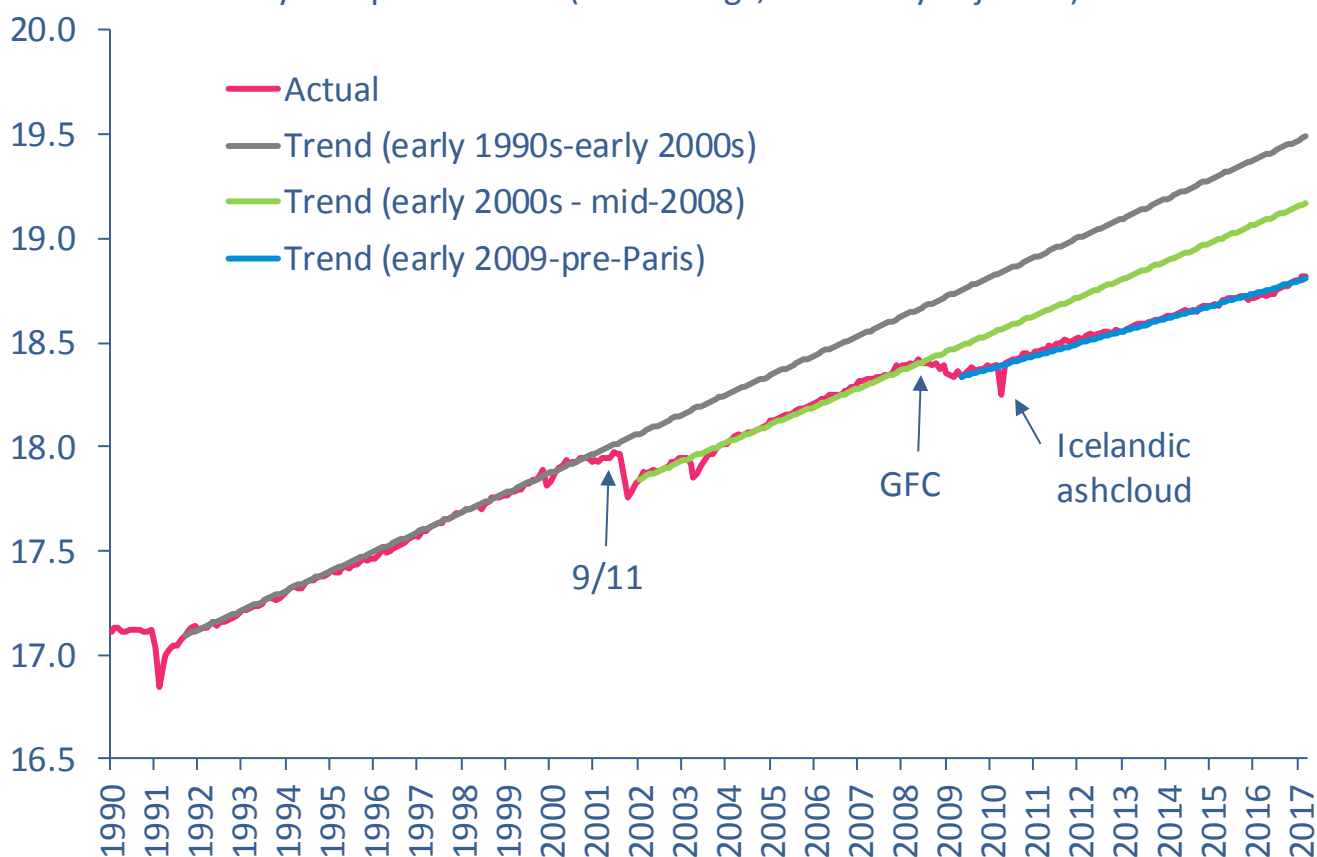


## IATA ECONOMICS' CHART OF THE WEEK

7 JULY 2017

### ESTIMATING THE IMPACT OF EXTERNAL SHOCKS ON PASSENGER DEMAND

Int'l RPKs flown by European airlines (natural logs, seasonally adjusted)



Source: IATA Economics

- Negative shocks to air passenger demand come in a variety of guises, and no two are the same. The key thing is that most shocks prove to be just temporary: the impact on demand takes a short-term toll on traffic and revenues, but conditions ultimately recover back in line with the previous level and growth trend once the shock dissipates.
- The impact on passenger traffic following the spate of terrorist attacks in Western Europe in late-2015 and early-2016 is a clear example of a temporary shock. While demand has recovered since, we estimate that European airlines' international traffic was around 1.6% lower in the year following the November 2015 attacks in Paris than it would have been in the absence of such events. (Read our full analysis note for more details – [link](#).)
- That said, experience shows that some shocks, such as those following 9/11 and the global financial crisis, can have *permanent*, and therefore much larger, impacts on airlines. Indeed, for European airlines' international traffic, the latter was associated with a lasting change in both the trend RPK level and growth rate (ie, the slope of the blue line is less steep than both the grey and the green lines). In fact, given the change in trend growth, international RPKs flown by European airlines are currently around 30% lower than where they would have been if they had followed the trend path seen during the early to mid-2000s.

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