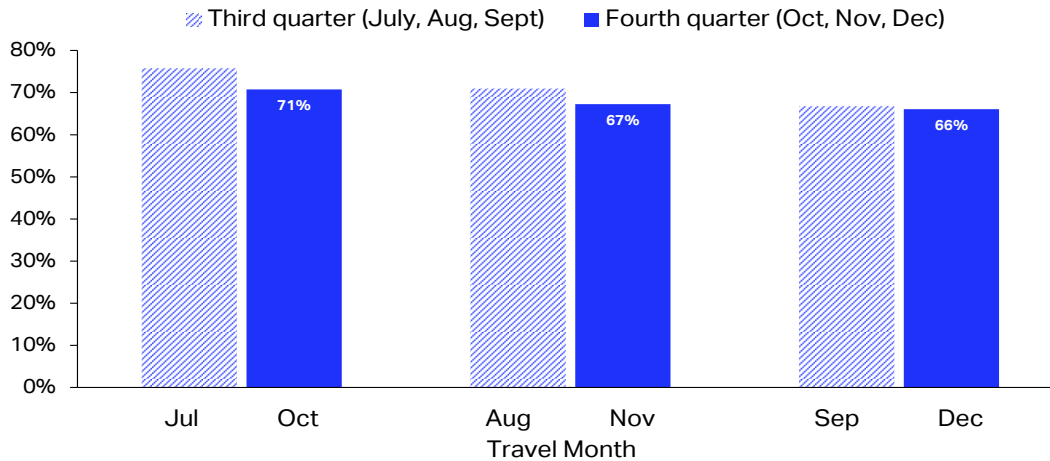


IATA Economics' Chart of the Week

Lights off, Heat down in Europe: What about Travel in the Winter?

Europe Forward Bookings* for the Quarter Ahead
(% of 2019 level)



Source: IATA DDS, *All bookings made as of June 20th for Q3 and as of September 20th for Q4

- The global economy is losing momentum mainly due to Russia's invasion of Ukraine and the lockdowns in China. Projections for 2023 are becoming gloomier and concerns regarding global recession are rising. While red-hot labor markets and still low or negative real interest rates should allay at least some of those concerns, Europe in particular is expected to face a difficult winter due to rising energy prices and likely energy-supply shortages. In this context, we look at forward air travel bookings for the quarter ahead in Europe to gauge whether the economic challenges are affecting air travel demand.
- The chart above compares bookings made as of 20 June for each month in the third quarter, and as of 20 September for the months in the fourth quarter. We can see that 10 days before the start of the third quarter bookings were 76% of the 2019 level and followed a downward trend over the course of the quarter due to late booking behavior of travelers. Regarding travel in the fourth quarter, we can indeed see a decline compared to the previous quarter. Expressed in percent of 2019 levels, bookings for travel in October are 5 percentage points (ppt) below those for July, and November stands 4 ppt below August. December is merely 1 ppt below September but still only 66% of 2019 levels.
- It could be seen as quite encouraging that bookings are holding up this well in the face of such important economic challenges. On the other hand, these numbers strongly suggest that the European market could remain one third below its 2019 level at the end of this year. Ponder then the policy impulse to return to 2019 rules regarding the percentage of landing and take-off slots allocated to airlines that have to be utilized. Prior to the pandemic, airlines were required to use 80% of their allocated slots. Were this to be reinstated, airlines would be encouraged to fly empty this winter.

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