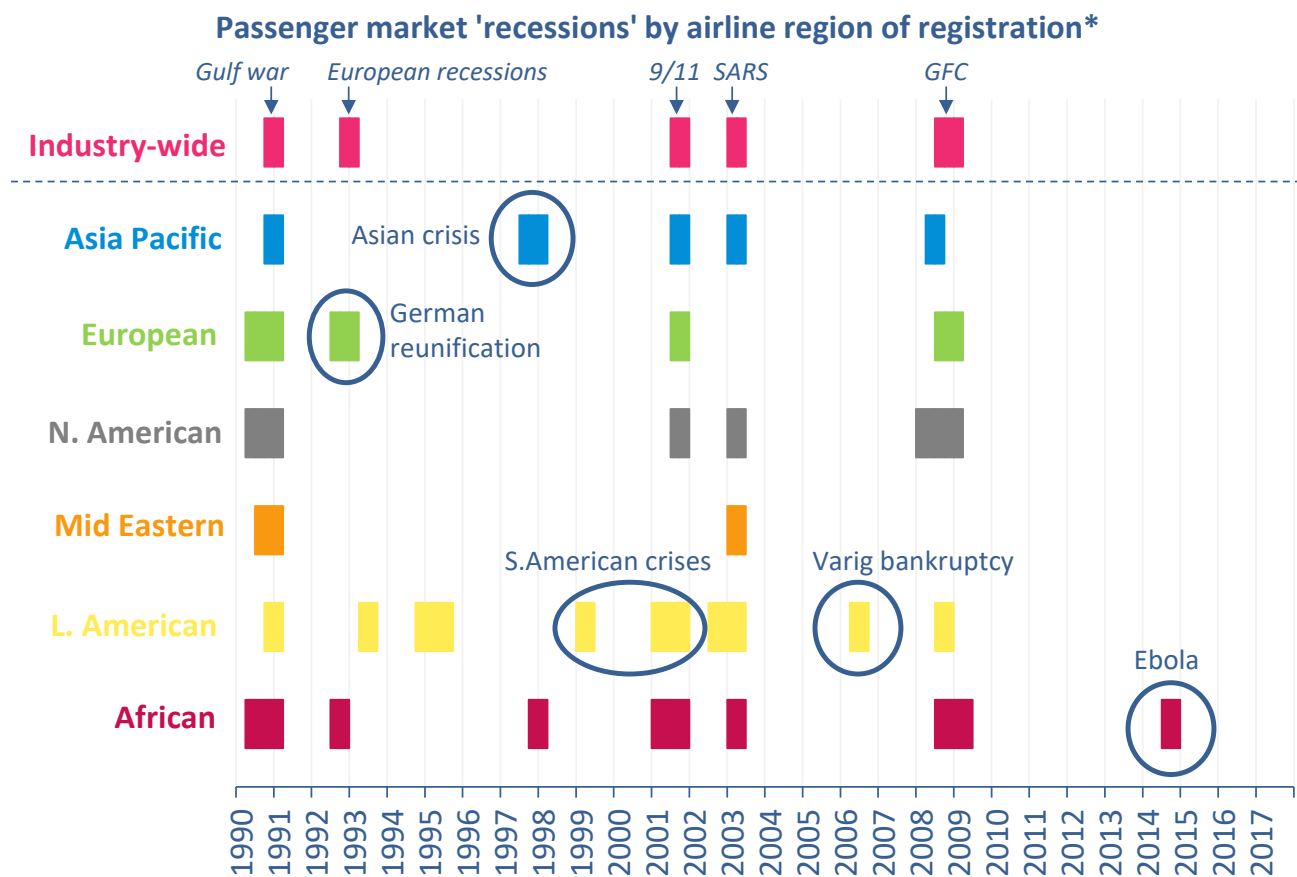




IATA ECONOMICS' CHART OF THE WEEK

25 MAY 2018

NO TWO PASSENGER MARKET SHOCKS ARE THE SAME



Source: IATA

*Defined as two quarters of consecutive declines in RPKs

- A recent chart of the week looked at where the next shock to industry-wide passenger traffic was likely to come from. While there is no obvious trigger on the horizon, financial market vulnerabilities are one key area to watch ([link](#)). This week's chart shows how industry-wide recessionary episodes relate to the experiences at a regional level.
- As can be seen, four of the five industry-wide 'recessions' since 1990 – those around the time of the Gulf War, 9/11, SARS, and the global financial crisis (GFC) – reflected widespread downturns in demand across most regions. The main exceptions are Middle Eastern airlines, who managed to avoid two consecutive declines in traffic during both the 9/11 and GFC shocks, and European carriers, who similarly avoided a 'recession' during the SARS pandemic. Clearly, a falling tide sinks all boats, although geopolitical and pandemic-type events are not easy or even possible to forecast.
- However, there are also numerous examples of region-specific recessionary episodes, including the impact of Ebola on African airline passenger traffic in 2014 as well as the impacts of numerous economic shocks in Latin America in the late-1990s and early-2000s. Such events disrupt regional passenger traffic and airline performance, but their impact on industry-wide passenger volumes differs depending on the severity of the shock and the relative importance of the region.
- The key point is that no two crises are the same and that the origins of the next downturn may differ from those in the past. Given the ongoing eastward shift in aviation's centre of gravity, a shock for Asian airlines, along the lines of that seen during 1997/98 for example, would have a much bigger impact on industry-wide traffic now than it did previously.

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