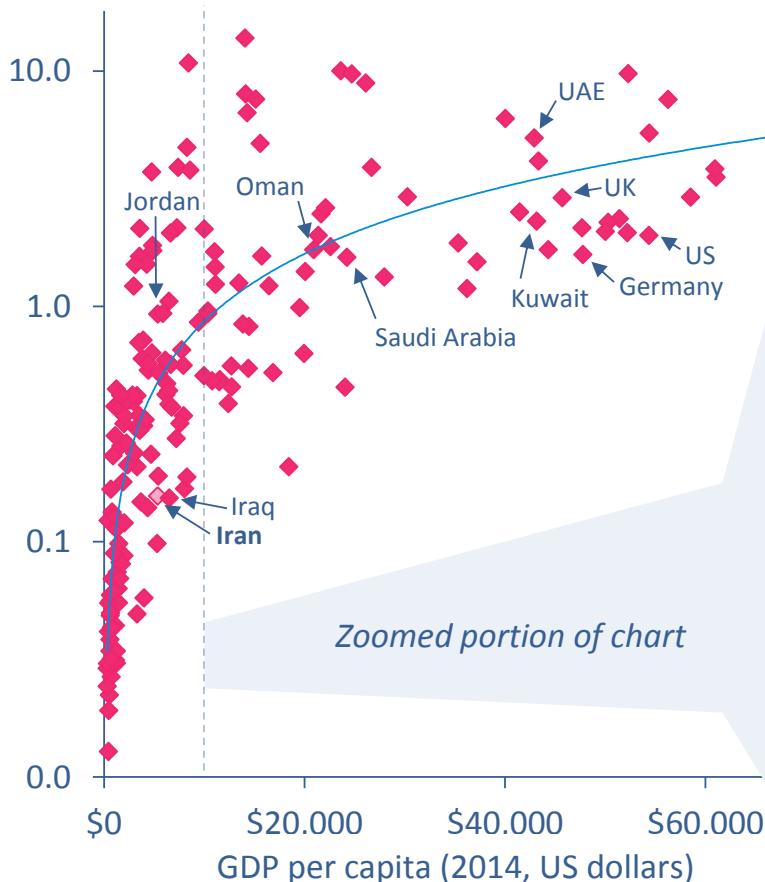


IATA ECONOMICS' CHART OF THE WEEK

22 JANUARY 2016

POTENTIAL FOR A POST-SANCTION SURGE IN IRAN'S AIR MARKET

Air passenger journeys per capita (2014, log scale)



Sources: IATA PaxIS, IMF

- According to the IMF, the recent lifting of sanctions on Iran could help to boost the country's GDP by a cumulative 15% over the next five years. Taken together with the growth that was already expected, this would lift per capita incomes to around \$7,700 in 2020. Given the well-known relationship between living standards and the number of air journeys that people make each year, this boost to prosperity implies that each Iranian would take 0.06 additional journeys in 2020 compared to 2014 (as shown by the shift to marker A in the chart). This does not sound a lot, but with a similarly-sized population to Germany's, this would translate into an additional 5 million trips being made in 2020, with the market growing by a cumulative 40%.
- But clearly an even bigger gain is possible if the air passenger market 'normalizes'. This relates to the fact that the average Iranian currently takes comparatively few air journeys each year compared to other countries at a similar stage of economic development, partly as a result of years of sanctions, which, for example, have constrained business travel to and from Iran. A lot remains uncertain as to the speed and extent of future normalization, but it would be considered 'normal' for inhabitants of a country with Iran's estimated standard of living in 2020 to take around 0.5 trips each year, compared to just 0.16 in 2014. Strikingly, given its large population, a fully 'normal' Iran market would be around 42 million – not far short of its much richer regional counterparts Saudi Arabia and UAE.

Air passenger journeys per capita (2014, log scale)

