

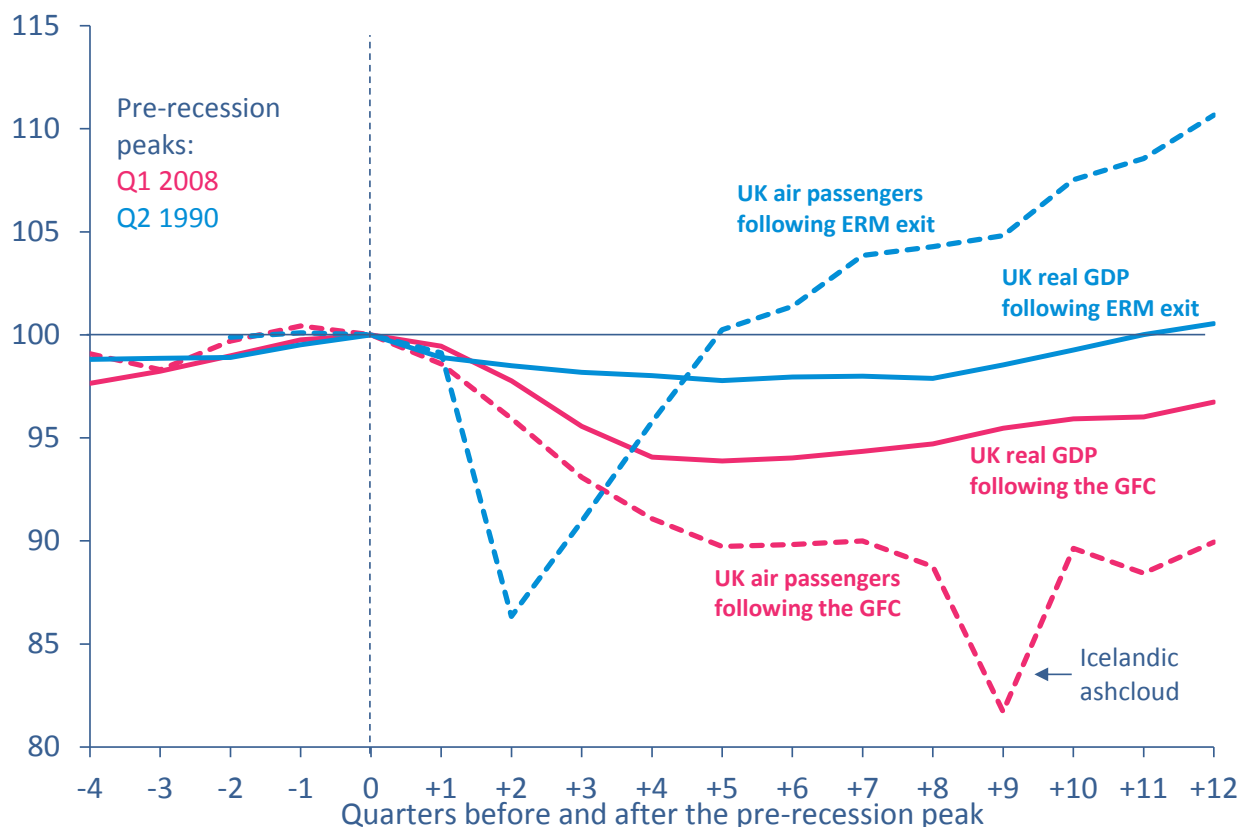


IATA ECONOMICS' CHART OF THE WEEK

24 JUNE 2016

THE NEAR-TERM IMPACT OF 'BREXIT' ON UK AIR TRANSPORT

Indices (Pre-recession peak = 100 and quarter zero, seasonally adjusted)



Sources: UK CAA, Thomson Reuters Datastream

- In the referendum held yesterday, the UK voted to leave the European Union. 'Brexit' is widely expected to present a significant negative shock to the UK economy and, by extension, to air travel demand as well.
- The majority of commentators expect the magnitude of the economic shock to be similar to that which followed the UK's decision to exit the European Exchange Rate Mechanism (ERM) in the early-1990s. But whereas GDP recovered to its pre-recession peak within 11 quarters in that episode, the recovery following Brexit is estimated to be longer and shallower – more akin to the economic recovery following the more recent global financial crisis (GFC).
- As such, we expect the impact on air passenger demand to be something of a mix of the post-ERM and GFC scenarios. Indeed, the direct economic impact is likely to see the UK air passenger market be 3-5% lower by 2020 than the 'no Brexit' baseline. In other words, the outcome of yesterday's referendum could reduce UK air passenger growth by 1.0-1.5 percentage points each year over the near term.
- See our full report on the impact of Brexit on UK air transport, incl. longer-term & regulatory considerations, [here](#).

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