GLOBAL FINANCIAL CRISIS COST THE INDUSTRY $280BN IN LOST REVENUES

- 10 years on from the collapse of Lehman Brothers, which is widely viewed as the event that triggered the global financial crisis (GFC), this week’s chart takes a closer look at how aviation has fared in the decade since.

- Somewhat paradoxically, the downturn in passenger demand during the GFC was not especially deep; the peak-to-trough decline in revenue passenger kilometres (RPKs) was less than half that seen following the SARS outbreak in 2003, for example (6.3% versus 15.8%). However, where the GFC downturn did differ was in its duration – it took 12 months for RPKs to reach the trough at the time of the GFC, compared to just five months post-SARS – and the comparatively muted recovery. Indeed, while RPKs had quickly regained their pre-SARS trend level by late-2003, sluggish economic conditions post-GFC mean that RPKs didn’t surpass their pre-crisis trend level until late-2016.

- As for air freight, the 22% peak-to-trough decline in freight tonne kilometres (FTKs) during the GFC was almost twice as large as that seen in the previous freight downturn in the early-2000s (not shown on the chart). However, while freight volumes initially bounced back strongly after the GFC, the disappointing growth experience thereafter means that they are still marginally below their pre-crisis trend level to this day.

- The key point is that it has taken a long time for the industry to recover from the GFC, and this has had a big impact on activity and revenues. All told, we estimate that 5.8% fewer RPKs and 8.9% fewer FTKs were flown in the years following the GFC than would have been the case had they continued their pre-crisis trends. This is equivalent to 2.9 trillion fewer RPKs and 180 billion fewer FTKs. At current yields, this equates to around US$280 billion in lost revenue for the industry over the past decade.