LOW OIL PRICES ARE GOOD FOR AIRLINES...AREN’T THEY?

Commodity dependency, 2010-13 average, % of GDP

- Countries that depend on exports of oil and other commodities for a significant share of trade income have been hit hard by the recent fall in commodity prices, particularly on government revenues and currency reserves.

- In some regions this has led to a perfect storm for airlines of falling demand, blocked funds and increased taxation. The map above shows which countries are net importers (green shading) and net exporters (orange shading) of primary commodities. Two key points stand out. First, of the countries where our members are experiencing blocked funds issues, several are major commodity exporters including Venezuela, Nigeria, Algeria and Libya. Angola and Zambia are on our watch-list. Second, governments in several other countries have sought to plug the gap in revenues by further increasing taxes on aviation. Examples include Bolivia and Ecuador.

- Of course, some commodity-dependent economies are better placed to ride out the falls in prices than others. However, even Norway has recently announced a new tax on air tickets to be introduced next year.

- Industry performance data for 2015 already show a sharp divergence between North and South America. With oil prices now forecast to stay lower for longer, the fear is that more commodity-dependent economies cross the pain threshold with potentially important consequences for our members that serve those markets.

Sources: UNCTAD, Economist, IATA Economics

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