Air Passenger Forecasts: Potential Paths for Recovery into the Medium- and Long-run

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Outline

• Air traffic has hit a turning point in mid-2020 but remains lower than usual

• Baseline forecasts suggest recovery is not expected until 2023

• There remains uncertainty in the outlook and recovery could be delayed

• Long-run growth potential is evident but with risks more skewed to the downside
The global number of flights is increasing, but still down 60% vs 1 January

Daily flights, indexed 1st January = 100

Number of flights operated, global

-60%

Source: IATA, using FlightRadar24 data, under licence

Questions: Use the question panel
Regional recovery has been mixed, with a recent surge from European carriers.

![Graph showing daily flights, indexed 1st January = 100, with data from 1-Jan to 1-Jul. The graph indicates the recovery of flights across different regions: Asia Pacific, Europe, North America, Latin America, and Africa.](image)

Source: IATA, using FlightRadar24 data, under licence

Questions: Use the question panel
Domestic travel has recovered more quickly than international, as expected.

Source: IATA, using FlightRadar24 data, under licence.

Questions: Use the question panel.
Traffic volumes suggest April is the low point, but with only a modest recovery.
Global macro backdrop has softened as the virus has persisted & evolved

Annual GDP growth, selected, 2020 & 2021

Source: IMF

Questions: Use the question panel
Three broad areas of uncertainty in the outlook

- Enduring travel restrictions
- Economic uncertainty & loss in GDP
- Weakened consumer confidence

Drop in international travel
Travel restrictions will be lifted sequentially

Travel restriction stringency index, baseline scenario, global travel

Index (Max = 100)

Air Passengers by region, 2019

% share

Source: Tourism Economics

Source: IATA, Tourism Economics
Economic recovery will begin in H2, but with lingering impacts

Global GDP: distribution of plausible scenarios
Index 2019Q4 = 100

Source: Oxford Economics

Questions: Use the question panel
Unemployment impact is seemingly limited for now

**Advanced economies: Unemployment rates**

Source: Oxford Economics/Haver Analytics

*Questions: Use the question panel*
But there is significant underemployment, and rises to come in some markets.

**Job postings per month**

- UK
- AU
- CA
- US (RHS)

Source: Oxford Economics/Burning Glass

**G7 unemployment and Google trends**

Source: Oxford Economics/Haver Analytics/Google

Questions: Use the question panel
Air passenger demand is not expected to regain 2019 levels until 2023

Source: IATA, Tourism Economics

Questions: Use the question panel
Domestic passenger demand should recover ahead of international

World international and domestic air passengers

Millions

- 500
- 1,000
- 1,500
- 2,000
- 2,500
- 3,000


International
Domestic
- 2019 peak
- 2019 peak

2022
2024

Source: IATA, Tourism Economics

Questions: Use the question panel
Domestic and short-haul passengers will remain important

Domestic & short-haul share of passenger demand

% share

- Domestic share of all passenger demand
- Short- & mid- haul share of international demand

Source: IATA, Tourism Economics

Questions: Use the question panel
Importance of long-haul demand is one key factor for recovery

2020 passenger demand falls and initial recovery
Difference in annual pax, mns

- MEA Long-haul: -9
- MEA Short-haul: 3
- MEA Domestic: -1

- Asia Pacific Long-haul: -57
- Asia Pacific Short-haul: 55
- Asia Pacific Domestic: 168

- L. America Long-haul: -51
- L. America Short-haul: 3
- L. America Domestic: 6

- N. America Long-haul: -36
- N. America Short-haul: -9
- N. America Domestic: -4

- Europe Long-haul: -63
- Europe Short-haul: 22
- Europe Domestic: 21

Source: IATA, Tourism Economics

Questions: Use the question panel
Two short-term scenarios, incorporating macroeconomic & consumer drivers

Global GDP, US$ trillion, 2015 prices

- Faster vaccine/testing scenario
- Baseline forecast
- 2nd wave COVID + financial crisis scenario

Source: IATA/Tourism Economics

Questions: Use the question panel
Passenger numbers will recover their 2019 level by 2023 (baseline scenario)

Scenario comparison with 2019

Per cent

Source: IATA/Tourism Economics
Risks and uncertainty remains tilted to the downside

Global RPKs, trillion per year

- Pre-COVID19 baseline forecast
- New baseline forecast
- Range of uncertainty
- 2019 levels recovered by 2024

Source: IATA/Tourism Economics

Questions: Use the question panel
Consumer confidence remains key, even as business sentiment has lifted.

Return to travel after the pandemic has subsided

- Not wait at all
- Wait 1-2mths
- Wait ~6mths
- Wait ~1yr
- Not travel in foreseeable future

Source: IATA
Potential for long-run growth, but with risks skewed more to the downside

World passenger flows long-run outlook

- Downside
- Upside
- Baseline
- 2019 baseline

Millions

Source: IATA, Tourism Economics

Questions: Use the question panel
Thank-you. Any questions?

Updated Air Passenger Forecasts and scenarios are now available on the databank for subscribers along with new global reports.

For further information, please contact: sales@oxfordeconomics.com