



IATA Factsheet

The impact of the conflict between Russia and Ukraine on aviation

Impact on passenger and cargo traffic

- The impact on aviation pales in comparison to the unfolding humanitarian crisis, though our industry promotes peace and freedom by bringing people together, and its implications need to be both assessed and addressed.
- The Ukrainian airspace is closed, putting a halt to the movements by air of roughly 3.3% of total air passenger traffic in Europe, and to 0.8% of total traffic globally, as per 2021.
- Belarus has prohibited flights over parts of its territory, while Moldova has fully shut its airspace. Those two countries account for minor shares of regional and global air passenger traffic.
- Based on the latest news, close to 40 countries, including EU countries, the UK and the US, have closed their airspace to Russian airlines. Russia has in turn banned airlines in most of those countries from entering or flying over Russia. International air passengers between Russia and Europe accounted for 5.7% of total European traffic in 2021, 5.2% of global international traffic and for 1.3% of global total traffic (Table 1).

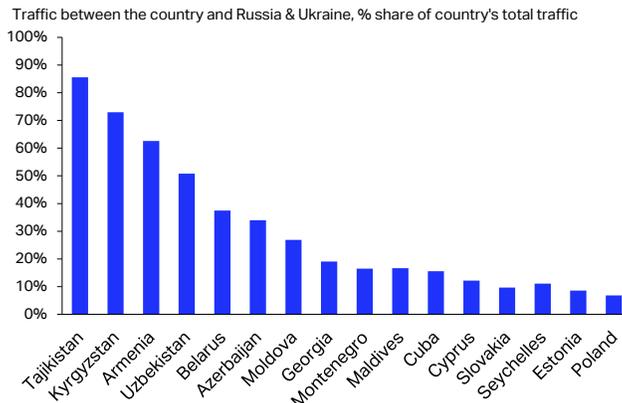
Table 1: Traffic shares for selected markets impacted by the conflict

% share of passenger numbers in 2021	Total European traffic (excl. Russia domestic)	Global traffic
Ukraine	3.3%	0.8%
Belarus	0.3%	0.1%
Moldova	0.4%	0.1%
Russia international	5.7%	1.3%

Source: IATA Economics using DDS

- Total segment-based freight tons carried by air to, from and within Russia accounted for 0.6% of the global total cargo traffic in 2021. That number captures traffic that transits in Russia, notably from large Russian air cargo carriers.
- Several countries are highly dependent on Russia and Ukraine for their air passenger traffic. In most cases, those are countries neighboring Russia and Ukraine, that have not at this stage implemented a flight ban on Russia. Tajikistan and Kyrgyzstan are the most exposed, at respectively 86% and 73% of their total passenger numbers.

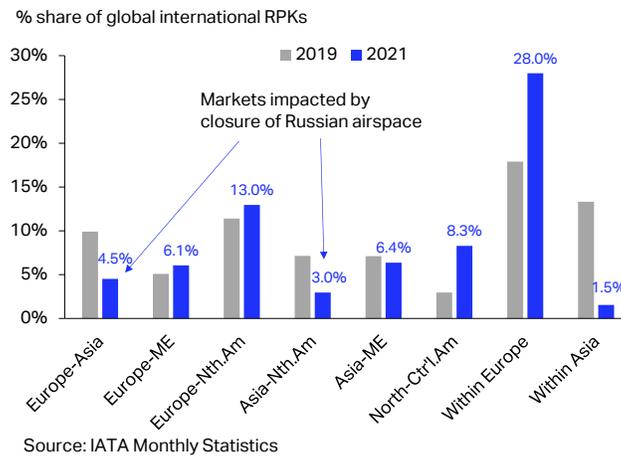
Figure 1: Countries with high share of traffic to and from Russia and Ukraine in 2021



Source: IATA Economics using DDS

- In 2021, Russian domestic RPKs (revenue passenger kilometers) accounted for 4.5% of global RPKs. The Russian domestic air passenger and cargo market will be impacted by sanctions on leased aircraft, spare parts, maintenance, and training. At present, airlines continue to operate regular schedules, outside of the airspace close to Ukraine, which has been shut. Industry experts in Russia estimate that after the extent of the disruption is likely to become more apparent within two months from the start of the war.
- In the week ending 25 February, inflation in Russia reached 9% year-on-year, a 7-year high, and is likely to rise further as a result of sanctions and of the ruble's depreciation. The Russian central bank lifted its key interest rate to 20% on 28 February but this action failed to halt the slide in the USD/RUB exchange rate which hit a historic low of 131 rubles per USD on 7 March, from around 77 rubles per USD in January. Russian consumers have thus lost both domestic and international purchasing power and spending on air travel can be expected to fall.
- With Russian airspace closed to carriers from close to 40 countries, flights will have to be rerouted or cancelled. The most heavily impacted markets are Europe-Asia and Asia-North America. This includes flights between the US and Northeast Asia, and between Northern Europe and most of Asia. In 2021, RPKs flown between Asia-North America and Asia-Europe accounted for 3.0% and 4.5% of global international RPKs respectively, both below their shares prior to the pandemic, due to the slow international recovery in Asia.

Figure 2: Key international markets, % share of total international RPKs in 2019 and 2021



- In terms of air cargo, the Europe-Asia market represented 20.6% of all international CTGs (cargo ton kilometers) over the past 12 months. The Asia-North America trade lanes accounted for 26.7% of global international CTGs, and Within Europe 2.2% (including Russia) over the same period. Flight bans and sanctions will cause a loss of capacity, especially affecting Europe-Asia and exacerbating the current capacity crunch. It is, however, possible that airlines in other parts of the world can fill the gap, such as the super-connector airlines in the Middle East.
- Jet fuel prices had risen to USD 141 per barrel on 4 March, up 27% on the month, following the launch of the invasion. Upward pressures on prices will continue, in particular if more stringent sanctions were to be applied to the Russian energy sector. All airlines that have some unhedged fuel demand will be directly impacted. Airlines may pass the higher fuel costs on passengers through higher air fares. At a time of already elevated inflation (5.8% for the all-items CPI in G7 countries in January), higher air fares could reduce demand for air travel.
- Passenger demand for air travel will in all probability also be curtailed or delayed by mounting safety concerns, notably in countries neighboring Russia.
- Air cargo rates are already close to record highs (120% above pre-crisis levels), and the rising jet fuel price combined with loss of capacity are likely to push rates even higher. As for passenger traffic, this could reduce demand.



Impact on the broader economy

- Beyond air cargo, merchandise trade will be affected globally. Rail linking Asia and Europe through Russia could come to a halt, and the important Black Sea trade area is already mostly closed to maritime transport. Hence, already significant supply chain issues will likely be exacerbated and linger for longer.
- The conflict and related sanctions will clearly reduce global trade, investment, and overall economic activity. Much uncertainty still reigns regarding the war, its potential reach, and its duration. From where we stand today, we can expect up to 1 percentage point of global GDP growth to be lost. Hence, a global recession is not currently in the cards, as the IMF forecasted global GDP to grow by 4.4% before the war. It is also worth noting that the world faced a Brent oil price in excess of USD 100 per barrel during 2011-2014, a period when global GDP growth averaged close to 3%.
- Though Russia and Ukraine are important to the world economy as large exporters of energy, precious metals, wheat, and other commodities, the two together account for less than 2% of global GDP. Most major economies have only limited trade exposure to Russia. Only 0.5% of US trade is with Russia, and the latter represents 2.4% of China's trade. The economy of Russia, on the other hand, is likely to see a double-digit outright contraction this year, and for Ukraine the outcome will in all probability be worse still.
- Longer term, Russia's war on Ukraine will almost certainly lead to increased military spending. Total global military expenditure rose to nearly USD 2 trillion in 2020, according to the Stockholm International Peace Research Institute (SIPRI), representing 2.4% of global GDP. Military spending adds to GDP growth but detracts from achieving development goals in a world already carrying record levels of debt.

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