



German air travel takes a hit – but not due to “flight shame”

November 25, 2019

Authors

Eric Heymann
+49(69)910-31730
eric.heymann@db.com

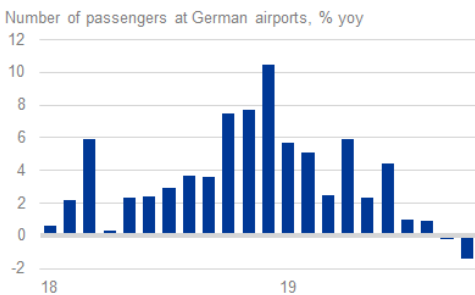
Nils Burkhard
+49(69)910-30062
nils.burkhard@db.com

www.dbresearch.com

Deutsche Bank Research Management
Stefan Schneider

Passenger numbers at German airports recently fell for the first time since December 2017. The decline is largely due to economic reasons, such as the cyclical slowdown and lower supply due to airline bankruptcies. Air travel is increasingly coming into the focus of climate-policy regulation. Traffic at regional airports may be hit most. In contrast, large airports are likely to see passenger numbers increase further. “Flight shame” looks set to remain a niche phenomenon.

German air travel is declining of late



Source: ADV

In September and October 2019, passenger numbers at German airports fell for the first time since December 2017. The decline amounted to 0.2% year-on-year in September and even 1.4% year-on-year in October. This downtrend is in line with the general slowdown in German air traffic, which started around the turn of the year 2018/2019.

What are the reasons for this development? Overall economic activity has weakened and is dampening demand. Companies often cut back on business trips when they need to reduce expenses quickly. At the same time, the tourism business remained healthy during the summer because household consumption was robust. The good labour-market situation and above-average wage increases provided a boost.

Rather, supply-side difficulties appear to be behind the recent downtrend. Airline bankruptcies have reduced the number of available seats, particularly on domestic flights. Air travel to European destinations is not booming either due to the cyclical slowdown, Brexit-related uncertainties and consolidation moves at the European level. Most recently, the failure of a large tour operator led to flight cancellations.

All in all, the slowdown in German air travel growth is largely due to economic reasons. “Flight shame”, or individual passengers’ decision not to fly for climate-protection reasons, is unlikely to have played a major role. Most passengers still highly value their personal mobility.



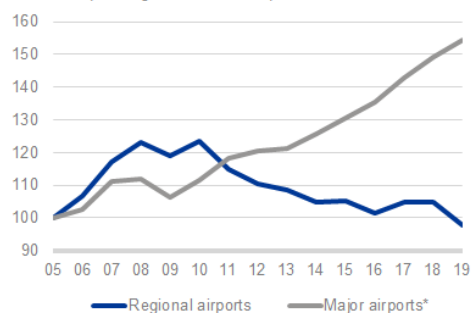
German air travel takes a hit – but not due to “flight shame”

Air travel increasingly coming into the focus of climate-policy regulation

What is going to happen next? Air travel is increasingly coming into the focus of German climate-policy regulation. Under the recent climate package, taxes on flights will be raised by up to EUR 17 per ticket from April 2020, depending on the distance travelled. At the same time, VAT on train tickets will be reduced. This is likely to make more passengers go by train, at least for domestic travel.

Number of passengers at regional airports has been declining for some years now

Number of passenger at German airports, 2005=100



* Airports with more than 3 million passengers per year

2019: Forecast

Source: ADV

A look at the past may help to gauge the effect of the flight tax hike. When the tax was introduced in Germany in 2011, low-cost airlines in particular thinned out their flights at regional airports. Typical customers of such airlines tend to respond more sensitively to price changes than business travellers at larger airports. In addition, if ticket prices are low, the price increase triggered by a lump-sum tax is proportionately higher. Some airlines shifted part of their business to airports near the borders, for example in the Netherlands, France or Poland. And the passengers followed suit. Many regional airports have not seen their passenger numbers rise back to the 2010 level (i.e. the year before the introduction of the tax) even by 2018. The planned tax increase is therefore likely to hit smaller regional airports again.

Over the last few years, air passenger numbers mainly increased at larger airports. Numerous customers got used to the flight tax after some time, particularly since efficiency gains and intense competition in the sector tend to dampen prices. Customers will probably get used to the announced higher tax level as well, particularly since there is usually no viable alternative to flying for travelling across middle to long distances. As economic activity picks up again, air travel in Germany is likely to increase moderately, too, if less dynamically than at the global level. In contrast, “flight shame” looks set to remain a niche phenomenon.

National regulatory burdens on air traffic obviously sum up to a competitive disadvantage for national suppliers (airlines and airports) in this highly globalised sector. They make it more difficult to invest in more efficient aircraft or airport modernisation. The fact that a number of airlines got into trouble (and ultimately went bankrupt) in a highly competitive market during the last few years is not exclusively, but to some extent due to such additional burdens.

Original in German published on November 22, 2019: “Dämpfer für den Luftverkehr in Deutschland, aber nicht wegen Flugscham”



German air travel takes a hit – but not due to “flight shame”

© Copyright 2019. Deutsche Bank AG, Deutsche Bank Research, 60262 Frankfurt am Main, Germany. All rights reserved. When quoting please cite “Deutsche Bank Research”.

The above information does not constitute the provision of investment, legal or tax advice. Any views expressed reflect the current views of the author, which do not necessarily correspond to the opinions of Deutsche Bank AG or its affiliates. Opinions expressed may change without notice. Opinions expressed may differ from views set out in other documents, including research, published by Deutsche Bank. The above information is provided for informational purposes only and without any obligation, whether contractual or otherwise. No warranty or representation is made as to the correctness, completeness and accuracy of the information given or the assessments made. In Germany this information is approved and/or communicated by Deutsche Bank AG Frankfurt, licensed to carry on banking business and to provide financial services under the supervision of the European Central Bank (ECB) and the German Federal Financial Supervisory Authority (BaFin). In the United Kingdom this information is approved and/or communicated by Deutsche Bank AG, London Branch, a member of the London Stock Exchange, authorized by UK’s Prudential Regulation Authority (PRA) and subject to limited regulation by the UK’s Financial Conduct Authority (FCA) (under number 150018) and by the PRA. This information is distributed in Hong Kong by Deutsche Bank AG, Hong Kong Branch, in Korea by Deutsche Securities Korea Co. and in Singapore by Deutsche Bank AG, Singapore Branch. In Japan this information is approved and/or distributed by Deutsche Securities Inc. In Australia, retail clients should obtain a copy of a Product Disclosure Statement (PDS) relating to any financial product referred to in this report and consider the PDS before making any decision about whether to acquire the product.