



# Air Travel Restrictions in 2021

## Country by Country Analysis



Airlines UK

Final Report

March 2021



## York Aviation Contacts

Originated by:

**James Brass**  
Partner

T. +44 (0)7767 455614  
E. james.brass  
@yorkaviation.co.uk

**Karan Mudaliar**  
Consultant

T. +44 (0)1625 614051  
E. karan.mudaliar  
@yorkaviation.co.uk

# Contents

	Page
0. Summary of Impacts by Country	1
1. Introduction	4
2. United States of America	9
3. European Union	16
4. India	26
5. China	26
6. Brazil	33
7. Australia	40
8. South Africa	53
9. Brunei	53
10. Canada	59
11. Chile	63
12. Japan	70
13. Malaysia	83
14. Mexico	89
15. New Zealand	94
16. Peru	99
17. Singapore	103
18. Vietnam	109

York Aviation is the trading name of York Aviation LLP, registered in Cardiff, No. 0C307526. Registered Office: Smithfield House, 92 North Street, Leeds, LS2 7PN

### Disclaimer of Liability

Although every effort has been made to ensure the accuracy of the material and the integrity of the analysis presented herein, York Aviation LLP accepts no liability for any actions taken on the basis of its contents.

York Aviation LLP is neither authorised nor regulated by the Financial Conduct Authority or the Prudential Regulation Authority. Anyone considering a specific investment should consult their own broker or other investment adviser. York Aviation LLP accepts no liability for any specific investment decision, which must be at the investor's own risk.

### Copyright

Copyright © 2021 York Aviation LLP. All rights reserved. Except for the quotation of short passages for the purposes of criticism or review, no part may be used or reproduced without permission.

## 0. Summary of the Costs of Ongoing Travel Restrictions

### Introduction

- 0.1. In February 2021, Airlines UK, the trade body for airlines registered in the United Kingdom, supported by IAG, Virgin Atlantic, Heathrow, Gatwick, Manchester Airports Group and Collinson Group, commissioned York Aviation to undertake a review of the potential economic costs to the UK economy of ongoing air travel restrictions to a range of countries imposed due to the COVID-19 pandemic continuing throughout 2021.

### Purpose of the Analysis

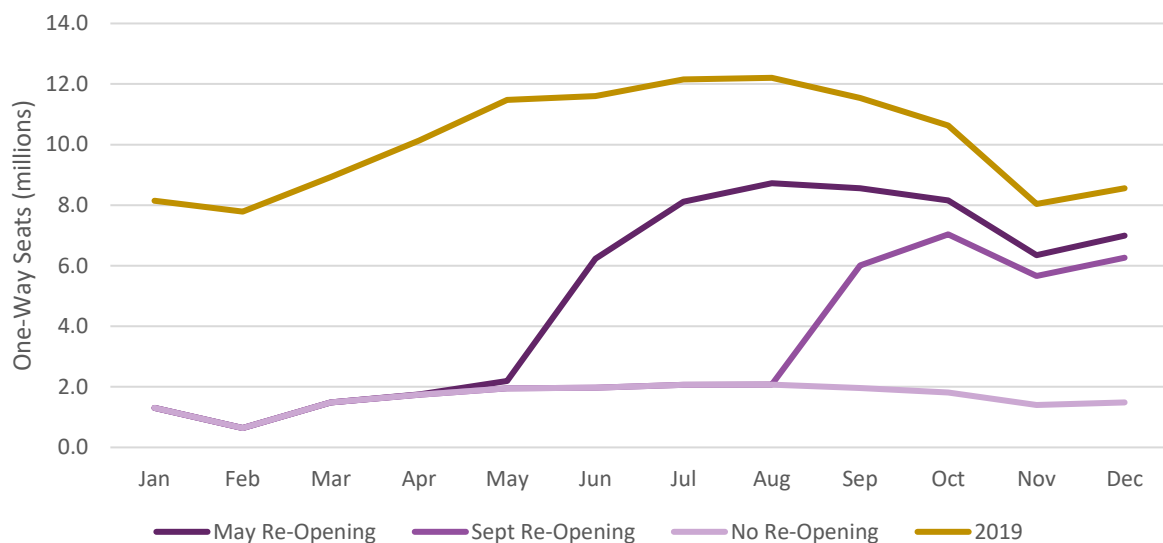
- 0.2. The research examines two potential scenarios for the meaningful opening up of international travel during 2021:
- ➔ Re-opening in May 2021 – this scenario corresponds to the Prime Minister’s Road Map plan, which identifies May 17<sup>th</sup> as the earliest date at which international travel will be allowed for anything other a small number of specific purposes;
  - ➔ Re-opening in September 2021 – this scenario reflects a scenario in which international travel cannot be meaningfully re-opened over the summer and international travel only starts to return in September.
- 0.3. These scenarios are compared to a baseline position in which the level of flying remains largely as it is currently, with only very limited services being offered by airlines from the UK’s airports to enable essential travel. It should also be noted that the two re-opening scenarios reflect conservative and cautious re-opening. Even by the end of 2021, seat capacity is still assumed to be substantially below 2019 levels. This means that the economic costs of failing to re-open or conversely the economic benefits of re-opening are likely to be relatively conservative. It is also important to be clear on what is meant by re-opening in the context of air travel markets. For the purposes of this analysis, the fundamental point is that passengers will not be travelling against UK Government advice and that quarantine or similar restrictions will no longer be in place at either end of a route. We would expect some social distancing to remain in place in airports and for masks to remain mandatory on aircraft. It would also seem reasonable to suggest that some form of proof of vaccination or recent negative COVID test could be part of re-opening, but would need to be reasonably priced and not overly burdensome on passengers, otherwise it will ultimately limit the ability to restart.
- 0.4. The review seeks to estimate the economic costs of failing to re-open (or conversely the economic benefits of reopening) in terms of the effects on trade, tourism and overall UK GDP in 2021. It regards the costs to the economy of the loss of international connectivity in 2020 as already gone and instead focusses on the impact of continued restrictions moving forward through the rest of 2021. It is also important to note that this analysis does not seek to identify losses compared to the pre-pandemic position 2019. It focusses purely on the costs of failing to re-open travel over the rest of 2021.
- 0.5. The analysis focusses on UK’s relationship with a number of countries or country groups:
- ➔ the USA;
  - ➔ the EU;
  - ➔ the members of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), which includes Canada, Mexico, Peru, Chile, New Zealand, Australia, Brunei, Singapore, Malaysia, Vietnam and Japan, and which has been the subject of recent discussions around post-BREXIT trade deals;
  - ➔ a number of other emerging market economies, including India, China, Brazil and South Africa.
- 0.6. The results of the analysis in this summary are presented in aggregate in line with the groupings above. Impacts on a country by country basis are set out in the main body of the report.
- 0.7. In each case, the analysis considers how these metrics will be impacted if the UK is not able to plot and deliver a clear course out of lockdown for the aviation industry. Such a course is vital not only for the survival and recovery

of the industry itself, and the many people it employs across the UK, but also for the recovery of the wider UK economy. The UK is, fundamentally, a trading nation and has been for centuries. Its wealth and prosperity are inextricably linked to its ability to interact with global markets. Without air travel, this ability is severely limited.

### Summary of the Costs of Ongoing Travel Restrictions

- 0.8. Figure 0.1 shows the different scenarios for the recovery in seat capacity aggregated across the country markets considered compared to both the baseline for this assessment and activity in 2019. This shows the reopening scenarios and the importance of the Summer season in terms of delivering flying activity. Again, its worth highlighting that even with recovery, flying levels are substantially below 2019, pre-pandemic levels.

**Figure 0.1: Assumed Aggregated Seat Capacity by Scenario**



- 0.9. Table 0.1 summarises the results of this analysis for the US, the EU, the CPTPP and Other Emerging Economies groups. These estimates have been based on the scenarios above and the use of a range of secondary research and data to estimate the economic costs of not re-opening international travel. It should be recognised that the relationships used to estimate these effects are generalised and are reflective of long term relationships. However, we believe they are a reasonable basis for considering the potential scale of the economic costs here. Specifically in relation to the numbers of jobs placed at risk, it is important to understand that we would not expect these jobs necessarily to be lost, although some would be. The number of jobs placed at risk represents the number that would normally be required to produce the level of GDP lost in a given year. If the output that supports this GDP is lost, it ultimately threatens these jobs, even if they are not ultimately lost.
- 0.10. The Table sets out two sets of results reflecting the two scenarios identified for the re-opening of international travel:
- ➔ **The Economic Cost of Not Re-Opening in May during 2021** – these results reflect the estimated lost GDP, trade and tourism resulting from international travel failing to re-open in May and then remaining largely closed for the rest of 2021;
  - ➔ **The Economic Cost of Delaying Re-Opening until September** – these results reflect the cost of not re-opening in May but instead re-opening in September. The costs identified here are a sub-set of the economic costs of not re-opening in May. They are not additive. They are a demonstration of the economic cost of losing the summer season through delay.

**Table 0.1: Aggregated Summary of the Economic Costs of Failing to Open Up International Travel in 2021**

Country / Country Group	UK Economy		Trade			Tourism		
	UK GDP (£ billion)	UK Jobs at Risk (000s)	Exports (£ billion)	Imports (£ billion)	Total Trade (£ billion)	Tourism Expenditure (£ billion)	Tourism GDP (£ billion)	Tourism Jobs at Risk (000s)
<b>The Economic Cost of Not Opening in May during 2021</b>								
US	-£3.6	-79	-£7.9	-£7.0	-£14.9	-£0.9	-£1.0	-24
EU	-£42.0	-920	-£31.6	-£41.9	-£73.5	-£2.7	-£3.0	-71
CPTPP Countries	-£1.4	-31	-£3.1	-£3.3	-£6.3	-£0.5	-£0.6	-13
Other Emerging Economies	-£0.7	-15	-£2.2	-£2.7	-£4.8	-£0.5	-£0.6	-13
<b>Total Impact</b>	<b>-£47.6</b>	<b>-1,044</b>	<b>-£44.7</b>	<b>-£54.8</b>	<b>-£99.5</b>	<b>-£4.7</b>	<b>-£5.2</b>	<b>-122</b>
<b>The Economic Cost of <u>Delaying</u> Re-Opening until September</b>								
US	-£2.4	-52	-£5.2	-£4.6	-£9.7	-£0.6	-£0.7	-15
EU	-£22.6	-495	-£17.0	-£22.6	-£39.6	-£1.6	-£1.8	-41
CPTPP Countries	-£0.9	-20	-£1.8	-£2.0	-£3.8	-£0.3	-£0.3	-7
Other Emerging Economies	-£0.4	-8	-£1.2	-£1.5	-£2.7	-£0.3	-£0.3	-8
<b>Total Impact</b>	<b>-£26.2</b>	<b>-574</b>	<b>-£25.1</b>	<b>-£30.6</b>	<b>-£55.7</b>	<b>-£2.7</b>	<b>-£3.0</b>	<b>-71</b>

Source: York Aviation.

- 0.11. The economic costs of not re-opening international travel in May and remaining largely closed until the end of 2021 are undoubtedly substantial. In total, across all the countries examined in this analysis, the impact on UK GDP is estimated to be around £47.6 billion, with nearly £100 billion in lost trade and tourism GDP losses of around £5.3 billion. These losses would potentially put over 125,000 jobs at risk in the already hard hit international tourism sector, with particular impacts on the hospitality sector, and threaten over a million jobs across the wider economy across a wide range of sectors.
- 0.12. By far the largest driver of this economic cost is the lost connectivity with the EU over the period from May to December, which alone accounts for £42 billion in lost GDP, £73.5 billion in trade and £3.0 billion in tourism GDP. Given the singular importance of the UK's trading relationship with EU, this is perhaps unsurprising. However, it is also worth noting the significant impact of the loss of connectivity with the USA, which is the UK's largest single country trading partner. The CPTPP countries and Other Emerging Economies would together account for economic costs of around £2.1 billion in lost GDP, £11.4 billion in lost trade and £1.3 billion in lost tourism GVA if international travel cannot be re-opened in May.
- 0.13. The consequences of delaying re-opening until September effectively crystallises a significant proportion of the losses from not opening in May, demonstrating the economic importance of the summer season. The cost of this delay is estimated to be around £26.2 billion in UK GDP, around £55.7 billion in trade and £3.0 billion in tourism GDP.
- 0.14. Figure 0.2 Provides the same analyses but on a country by country basis.



**Figure 0.2: Country by Country Summary of the Economic Costs of Failing to Open Up International Travel in 2021**

Country / Country Group	UK Economy		Trade			Tourism		
	UK GDP (£m)	UK Jobs at Risk	Exports (£m)	Imports (£m)	Total Trade (£m)	Tourism Expenditure (£m)	Tourism GDP (£m)	Tourism Jobs at Risk
<b>The Economic Cost of Not Opening in May during 2021</b>								
US	-£3,600	-78,900	-£7,870	-£6,980	-£14,850	-£920	-£1,030	-24,070
EU	-£41,960	-920,000	-£31,640	-£41,890	-£73,530	-£2,730	-£3,030	-71,070
India	-£220	-4,800	-£310	-£830	-£1,140	-£120	-£140	-3,220
China	-£210	-4,700	-£1,460	-£1,440	-£2,900	-£310	-£340	-7,960
Brazil	-£40	-900	-£110	-£60	-£170	-£30	-£30	-780
South Africa	-£200	-4,300	-£270	-£350	-£620	-£40	-£50	-1,080
Australia	-£20	-400	-£120	-£90	-£210	-£90	-£100	-2,400
Brunei	-£20	-500	-£10	£0	£0	£0	£0	-60
Canada	-£670	-14,700	-£920	-£860	-£1,780	-£160	-£170	-4,090
Chile	-£20	-400	-£100	-£60	-£160	-£10	-£10	-140
Japan	-£80	-1,800	-£670	-£850	-£1,520	-£80	-£80	-1,960
Malaysia	-£100	-2,200	-£230	-£200	-£430	-£60	-£60	-1,520
Mexico	-£190	-4,200	-£210	-£250	-£460	-£30	-£30	-700
New Zealand	-£30	-700	-£110	-£80	-£190	-£20	-£20	-550
Peru	-£10	-100	-£20	-£40	-£60	£0	£0	-20
Singapore	-£230	-5,000	-£590	-£580	-£1,170	-£70	-£80	-1,780
Vietnam	-£40	-800	-£80	-£270	-£350	-£10	-£10	-160
<b>The Economic Cost of Delaying Re-Opening until September</b>								
US	-£2,350	-51,600	-£5,150	-£4,550	-£9,700	-£590	-£660	-15,380
EU	-£22,565	-494,800	-£17,000	-£22,550	-£39,550	-£1,570	-£1,750	-40,980
India	-£115	-2,500	-£150	-£450	-£600	-£70	-£80	-1,840
China	-£120	-2,600	-£800	-£800	-£1,600	-£190	-£210	-4,900
Brazil	-£20	-500	-£50	-£50	-£100	-£20	-£20	-450
South Africa	-£100	-2,100	-£150	-£200	-£350	-£20	-£30	-600
Australia	£0	0	£0	£0	£0	£0	£0	0
Brunei	-£15	-400	£0	£0	£0	£0	£0	-50
Canada	-£450	-9,900	-£600	-£600	-£1,200	-£100	-£120	-2,730
Chile	-£10	-200	-£50	-£50	-£100	£0	£0	-90
Japan	-£50	-1,000	-£400	-£500	-£900	-£40	-£50	-1,130
Malaysia	-£60	-1,300	-£150	-£100	-£250	-£40	-£40	-940
Mexico	-£140	-3,100	-£150	-£200	-£350	-£20	-£20	-440
New Zealand	-£15	-300	-£50	-£50	-£100	-£10	-£10	-310
Peru	£0	0	£0	£0	£0	£0	£0	0
Singapore	-£140	-3,100	-£350	-£350	-£700	-£40	-£50	-1,060
Vietnam	-£15	-300	-£50	-£100	-£150	£0	£0	-90

Source: York Aviation.

# 1. Introduction

## Background

- 1.1. In February 2021, Airlines UK, the trade body for airlines registered in the United Kingdom, supported by supported by IAG, Virgin Atlantic, Heathrow, Gatwick, Manchester Airports Group and Collinson Group, commissioned York Aviation to undertake a review of the potential economic costs to the UK economy of ongoing air travel restrictions to a range of countries related to the COVID-19 pandemic. This research builds on and updates the previous research undertaken by York Aviation examining the economic costs of UK-US travel restrictions in 2020<sup>1</sup>. The review seeks to estimate this impact in terms of the effects on trade, tourism and overall UK GDP.
- 1.2. 2020 was a catastrophic year for the aviation industry globally, including in the UK. The COVID-19 pandemic all but halted air travel as harsh travel restrictions were imposed to stop the spread of the virus and all but the most essential travel was either banned or subject to significant restrictions, such as quarantines for arriving travellers for much of the year. Passenger traffic at UK airports fell by 75% in 2020 compared to 2019. The picture is even more stark if we remember that much of the passenger traffic at UK airports in 2020 was in fact handled in the first quarter of the year, before travel restrictions came into force. 2021, sadly, has started in a similar vein. The resurgence of the virus before Christmas, fuelled by new variants, and the UK's consequent entry into a third national lockdown, has seen the extension of travel restrictions, the withdrawal of 'Travel Corridors' introduced in the summer of 2020 and the introduction of new measures, such as 'quarantine hotels' and pre-departure and arrivals testing. The result has been that air transport markets from the UK have remained largely closed.
- 1.3. There is, however, cause for optimism. The UK's vaccine roll-out has so far proved successful and the third lockdown has significantly reduced new case numbers and deaths. As a result, the UK Government has set out a programme for moving out of lockdown and re-opening the economy. This process includes the Government's Global Travel Taskforce reporting on 12<sup>th</sup> April with recommendations aimed at facilitating a return to international travel as soon as possible while still managing the risk from imported cases and variants of concern. This precedes a UK Government decision on when international travel should resume, that should be no earlier than 17<sup>th</sup> May.
- 1.4. Plotting and delivering a clear course out of lockdown for the aviation industry is essential. It is vital not only for the survival and recovery of the industry itself, and the many people it employs across the UK, but also for the recovery of the wider UK economy. The UK is, fundamentally, a trading nation and has been for centuries. Its wealth and prosperity are inextricably linked to its ability to interact with global markets. Without air travel, this ability is severely limited. It needs to be remembered that air travel is not just about holidays. A significant proportion of passengers travel for business and air transport also plays a central role in moving cargo around the world. The UK's ability to develop export markets, to source materials and expertise from overseas, to attract foreign direct investment (FDI), and to bring international visitors to the country is dependent on air travel. The longer that the re-opening of international travel is delayed, the greater the economic cost will be to the UK's economy.
- 1.5. This research considers the UK's economic and air transport links with a range of countries around the world to demonstrate the value of the UK's international connections with global economies both large and small. In each case, we examine:
  - the extent of air transport links to / from the UK before the onset of the pandemic;
  - trade and investment links between the UK and each country;
  - the contribution each country makes to tourism in the UK;

<sup>1</sup> York Aviation (2020). The Wider Economic Impact of UK – US Travel Restrictions in 2020.



- how 2021 might look in terms of the recovery of air transport links with and without an effective course out of lockdown for the industry;
- the economic cost to the UK in terms of trade, tourism and GDP from failing to deliver an effective opening up of the various air transport markets.

1.6. The research examines two potential scenarios for the meaningful opening up of international travel during 2021:

- Re-opening in May 2021 – this scenario corresponds to the Prime Minister’s Road Map plan, which identifies May 17<sup>th</sup> as the earliest date at which international travel will be allowed for anything other a small number of specific purposes;
- Re-opening in September 2021 – this scenario reflects a scenario in which international travel cannot be meaningfully re-opened over the summer and international travel only starts to return in September.

1.7. These scenarios are compared to a baseline position in which the level of flying remains largely as it is currently, with only very limited services being offered by airlines from the UK’s airports to enable essential travel. It should also be noted that the two re-opening scenarios reflect conservative and cautious re-opening. Even by the end of 2021, seat capacity is still assumed to be substantially below 2019 levels. This means that the economic costs of failing to re-open or conversely the economic benefits of re-opening are likely to be relatively conservative. It is also important to be clear on what is meant by re-opening in the context of air travel markets. For the purposes of this analysis, the fundamental point is that passengers will not be travelling against UK Government advice and that quarantine or similar restrictions will no longer be in place at either end of a route. We would expect some social distancing to remain in place in airports and for masks to remain mandatory on aircraft. It would also seem reasonable to suggest that some form of proof of vaccination or recent negative COVID test could be part of re-opening, but would need to be reasonably priced and not overly burdensome on passengers, otherwise it will ultimately limit the ability to restart.

1.8. The review seeks to estimate the economic costs of failing to re-open (or conversely the economic benefits of reopening) in terms of the effects on trade, tourism and overall UK GDP in 2021. It regards the costs to the economy of the loss of international connectivity in 2020 as already gone and instead focusses on the impact of continued restrictions moving forward through the rest of 2021. It is also important to note that this analysis does not seek to identify losses compared to the pre-pandemic position 2019. It focusses purely on the costs of failing to re-open travel over the rest of 2021.

1.9. The countries considered in this research are a mixture of major trading partners, countries that are part of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), which the UK may seek to join in a post-BREXIT trade deal, and some other important emerging market economies. The countries examined in this research are as follows:

- United States of America;
- European Union;
- India;
- China;
- Brazil;
- Australia;
- South Africa;
- Brunei;
- Canada;
- Chile;
- Japan;
- Malaysia;
- Mexico;
- New Zealand;
- Peru;

- Singapore;
- Vietnam.

### Assessing the Economic Cost

- 1.10. Below, we have set out our approach to assessing the additional economic costs of failing to effectively re-open international travel for the remainder of 2021. There is a wide and well recognised body of evidence that demonstrates the importance of air links to international economies. Air links enable:
- Trade;
  - FDI;
  - Competition;
  - Labour Market Effects;
  - Knowledge Transfer;
  - Tourism.
- 1.11. In combination, these different channels of effect drive productivity and increase output, leading ultimately to increased GDP and employment.
- 1.12. Quantifying effects on the wider economy is challenging, particularly in relation to a ‘shock’ event, such as COVID-19, as statistical relationships generally reflect the direction and scale of long term effects. In the main, short term impacts tend to be more volatile, with markets overcompensating for shock signals. However, using these relationships does still provide a useful guide to direction and scale of effects, accepting that in many cases they may reflect a conservative estimate of the short term.
- 1.13. In this analysis, we have focussed on how the re-opening of international travel to the countries specified above will impact on the UK economy in terms of:
- Trade – considering the impact of the restrictions on the air transport market on exports and imports of goods and services;
  - Tourism – lost tourism expenditure in the UK economy and the consequent impact on GVA;
  - UK GDP – the overall impact on UK Gross Domestic Product (GDP).
- 1.14. It should be emphasised that these effects are not additive, as this would potentially lead to double counting, but provide different views on the scale and nature of the effect.
- 1.15. In relation to each GDP effect, we have also provided an assessment of the number of jobs that might be put at risk as a result of the lost output. It is important to recognise that is not to say that these jobs will be lost. Given the extent of the Government support for employment and also the shock nature of the impact, it is highly unlikely that all of these jobs would be lost (although, equally, it is likely that some will). Instead, this analysis provides an assessment of the number of jobs that would normally be required to support the level of GDP lost, and hence the number that are, to at least some extent, being put at risk by the economic damage being wrought by impaired international connectivity.
- 1.16. The analysis of the impact on trade and GDP draws on analysis undertaken for the Airports Commission on the linkages between aviation and the economy<sup>2</sup>. This detailed econometric analysis identified a series of elasticities for trade and GDP relative to direct seat capacity from the UK:
- GDP – a 10% increase in direct seat capacity from the UK resulted in a 1% increase in UK GDP;

<sup>2</sup> PwC for Airports Commission (2013). Econometric Analysis to Develop Evidence on the Links Between Aviation and the Economy.

- Goods Exports - a 10% increase in direct seat capacity from the UK resulted in a 3.3% increase in UK goods exports;
- Service Exports - a 10% increase in direct seat capacity from the UK resulted in a 2.5% increase in UK service exports;
- Goods Imports - a 10% increase in direct seat capacity from the UK resulted in a 1.7% increase in UK goods imports;
- Service Imports - a 10% increase in direct seat capacity from the UK resulted in a 6.6% increase in UK service imports.

- 1.17. These elasticities have been used to assess the effect of the unprecedented decline in direct seat capacity seen in air transport markets if a reopening of air transport markets cannot be delivered through the rest of the year.
- 1.18. The analysis of the effect on inbound tourism uses data on visits and expenditure from VisitBritain<sup>3</sup>, combined with the UK Tourism Satellite Accounts<sup>4</sup> and research by Deloitte into the economic impact of tourism in the UK<sup>5</sup> to estimate the expenditure and GVA impacts on the UK economy.

---

<sup>3</sup> <https://www.visitbritain.org/nation-region-county-data>.

<sup>4</sup> <https://www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/datasets/uktourismsatelliteaccountssatables>.

<sup>5</sup> Deloitte and Oxford Economics (2014). Tourism: Jobs and Growth. The Economic Contribution of the Tourism Economy in the UK.

## 2. United States of America

### Introduction

- 2.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and the US, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021.

### Air Transport Links

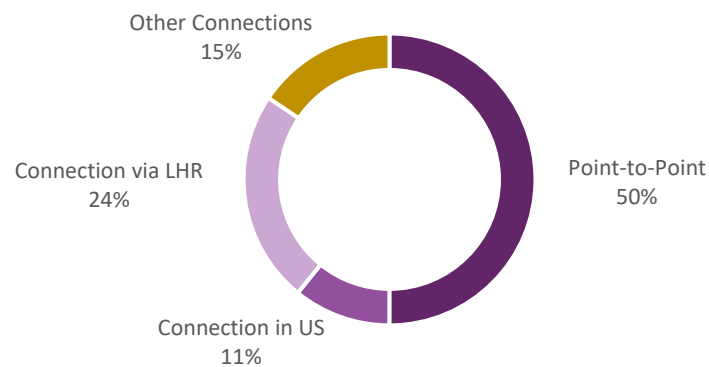
- 2.2. The transatlantic market is vitally important for the aviation sector. Over 22 million passengers used direct air services between the two countries in 2019, which represented 8.7% of international air travel from the UK. The scale and scope of direct air services between UK and the US demonstrate the importance of travel between the two countries.
- 2.3. Figure 2.1 shows the number of US destinations served by airports across the UK in 2019. London Heathrow had the largest range of services to the US, serving a total of 29 cities across the US. This includes high-frequency services to key business centres, including New York and Chicago, and less frequently served links to secondary cities such as Nashville, New Orleans and Charleston. London Gatwick follows Heathrow as providing the second greatest range of services to US cities, totalling 14 direct connections in 2019.

**Figure 2.1: Number of Destinations Served in the US by Airport Category in 2019.**



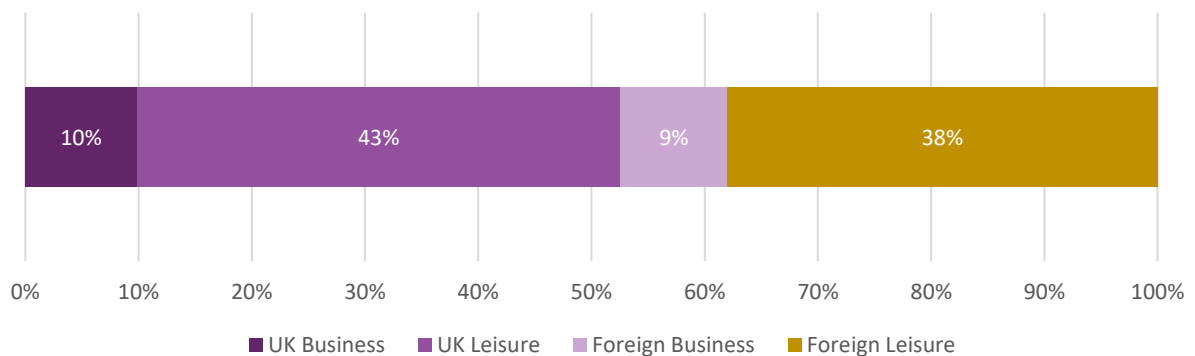
Source: OAG & York Aviation Analysis.

- 2.4. A further observation can be made on the US-UK passenger market as a whole by looking at Figure 2.2, which details the proportion of passengers who travel on point-to-point (i.e. single direct service), those who transit via an intermediate airport in the US and those who make other connections on their journey (e.g. passengers travelling from Manchester to Austin via Amsterdam).
- 2.5. Figure 2.2 shows that majority of the traffic between UK and US is carried on point-to-point services (50%). Around 24% of the passengers make connections via the Heathrow hub to get to their end destination in the US. A further 11% of passengers make connections within the US on their journeys between the two countries.

**Figure 2.2: Proportion of Passengers Travelling Between the UK and US on Direct and Connecting Services.**

Source: CAA Passenger Survey 2019.

- 2.6. Figure 2.3 below presents the profile of passengers travelling from UK Airports to the US by purpose of journey and nationality. Leisure travellers, which includes those travelling for tourism but also people visiting friends and relatives, account for the majority of passenger traffic between the two nations, representing approximately 81% of the total traffic.
- 2.7. Business travel, which makes up a total of approximately 19% passengers, is higher than that typically seen on long haul routes out of UK airports.

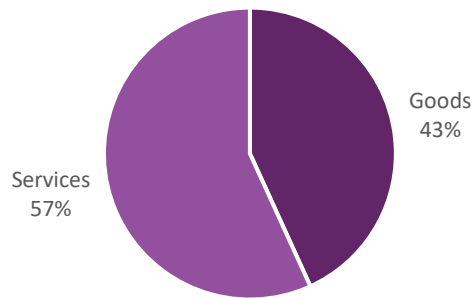
**Figure 2.3: Profile of Passengers Travelling Between the UK and US by UK Airport in 2017, 2018 and 2019**

Source: CAA Passenger surveys 2017-19.

## Economic Links between the UK and the US

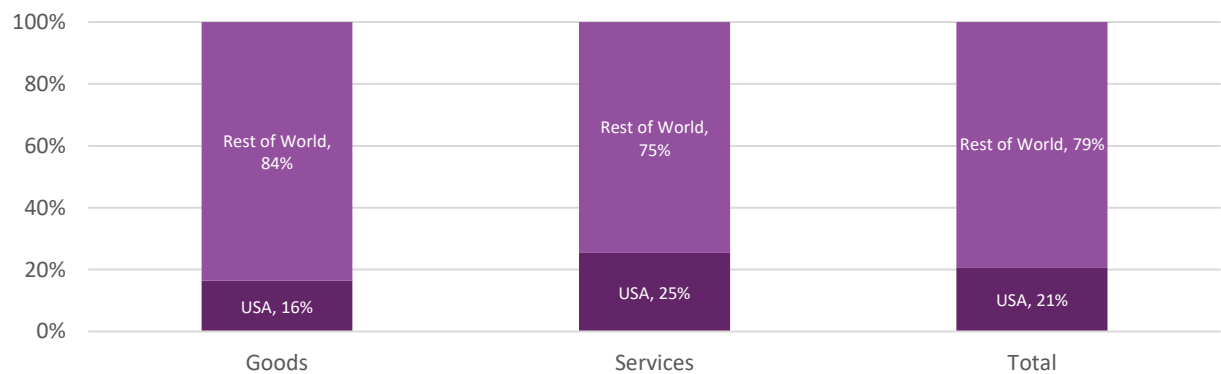
### Trade

- 2.8. The US is the UK's most important single trading partner. In 2019, the total value of trade between two nations amounted to just over £230 billion, representing a 10% growth since 2018. Of this, exports form a crucial part of this trading relationship (£121 billion), as the US is one of few countries that contributes to the UK's current account surplus.
- 2.9. The trading relationship is further broken down into goods and services in Figure 2.4, where exports in services outweigh exports in goods, comprising nearly 60% of total exports by value to the US.

**Figure 2.4: Exports by Value to the US by Type**

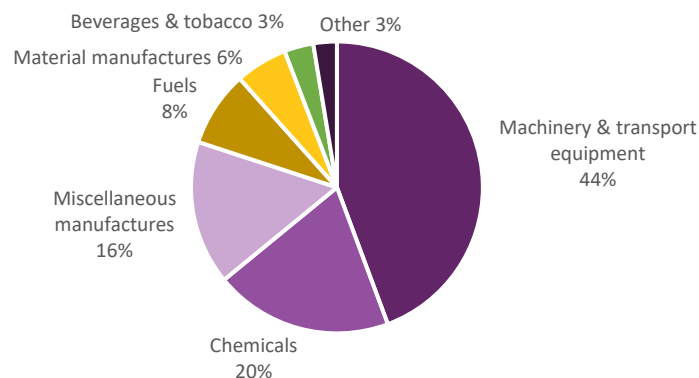
Source: ONS The Pink Book 2020.

- 2.10. The importance of the US as a trading partner is shown below in Figure 2.5. The US is the single biggest export destination for the UK in all three categories, goods (16% of total goods exports), services (25% of total service exports) and total exports (21% of total exports).

**Figure 2.5: Exports to the US as a Proportion of Total Exports**

Source: ONS The Pink Book 2020.

- 2.11. Exports of Machinery and Transport Equipment forms the largest commodity type (44% of total goods exports). Exports of chemicals forms approximately 20% of the UK's exports to the US, this includes pharmaceuticals, for which rapid air transport services are essential to ensure the efficacy of medicines that may have a short shelf-life.

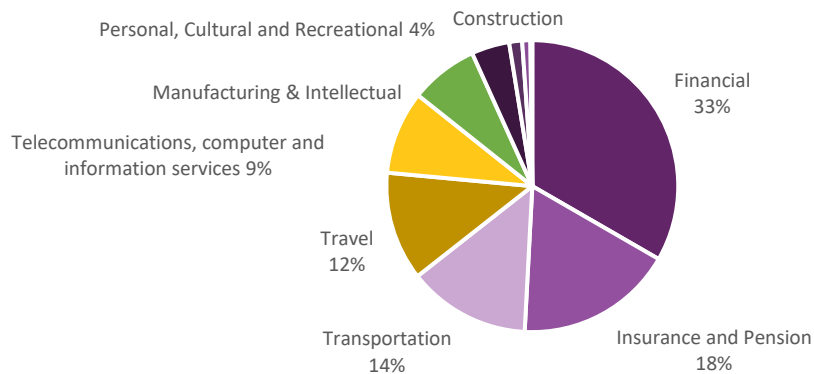
**Figure 2.6: Exports in Goods by Category in 2019**

Source: ONS The Pink Book 2020.



- 2.12. Figure 2.7 presents the UK's exports in services to the US by sector in 2019. Financial Services represents the largest standalone sector, accounting for around 33% of the UK's exports in services. With Insurance and Pension Services (18%), the two sectors take up over half the service exports by value.

**Figure 2.7: Exports in Services by Category in 2019**

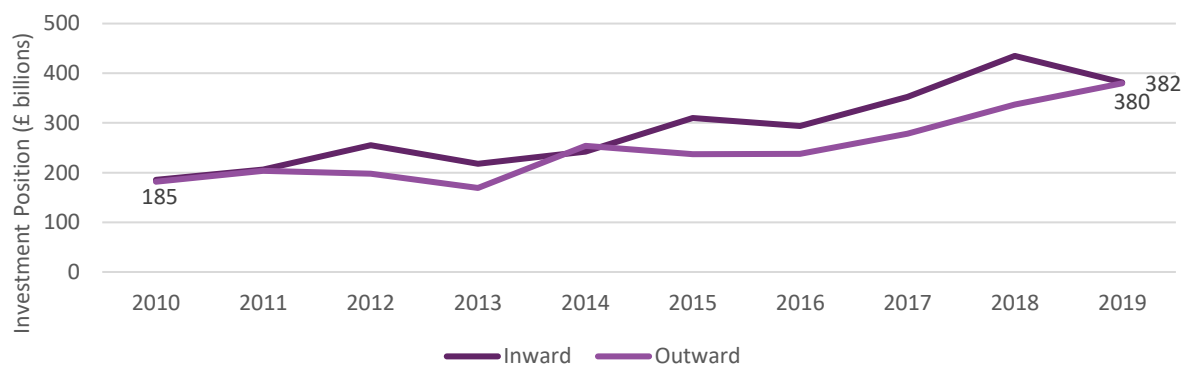


Source: ONS The Pink Book 2020.

### Foreign Direct Investment

- 2.13. The US and UK have made numerous cross-border investments between the two nations. Figure 2.8 illustrates that the UK has been a marginally larger beneficiary than the US, with an inward investment position of £382 billion in 2019, which represents an 8% average growth per annum from 2010. This is compared with a similar growth of 8% from the same period for the US, where investment stock reached £380 billion from the UK in 2019. The U.S. Chamber of Commerce reports that the UK is the single largest investor in the US.

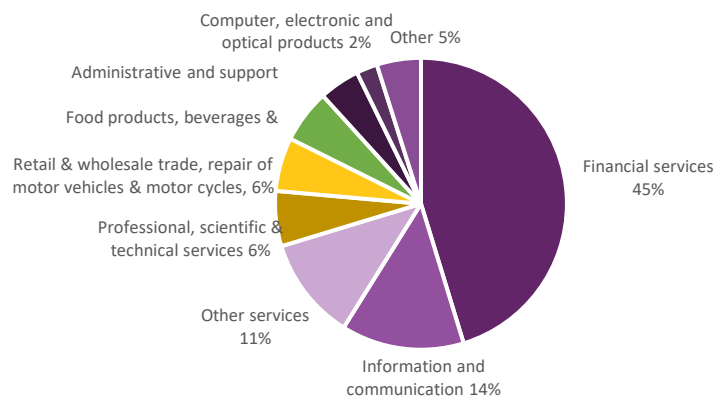
**Figure 2.8: International Inward and Outward Investment Position since 2010 (£ billions)**



Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward & Outward.

- 2.14. Figure 2.9 presents a breakdown of the US investments in the UK by sector, which clearly illustrates that services-based sectors are the primary type of investment made by US companies, with investments in the financial services sector representing the majority.

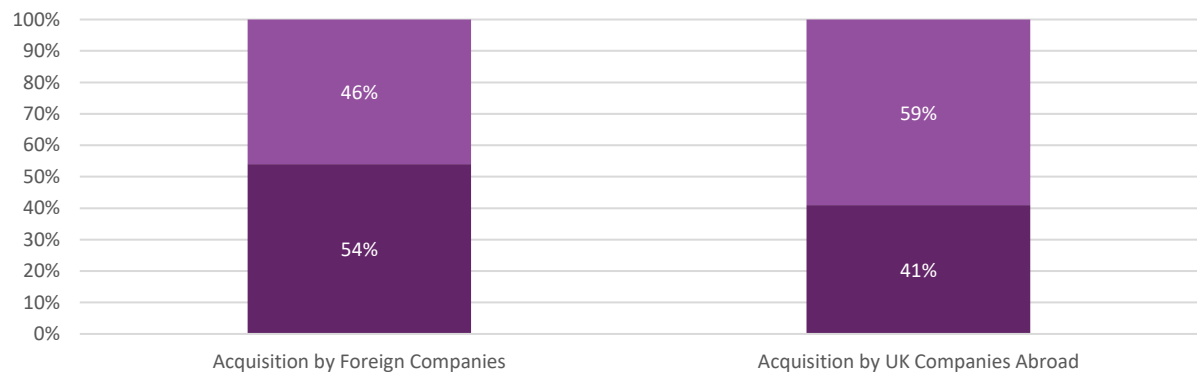
**Figure 2.9: Foreign Direct Investment from the US by Sector**



Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward & Outward.

- 2.15. Figure 2.10 details the mergers and acquisitions activity that took place between UK and US firms in 2019. Over 50% of the cross-border acquisitions of UK firms by value, were made by US firms, whilst the US was the single largest destination country for UK firms making cross border acquisitions by value.

**Figure 2.10: Proportion of Cross-Border Acquisitions between UK and the US in 2019**



Source: ONS Business mergers and acquisitions involving UK companies (2019).

- 2.16. On an individual deal-by-deal basis, firms in the USA made larger investments in the UK with around £136 million per acquisition in 2019, compared to £91 million average across all nations. A similar pattern can be seen in UK companies investing abroad, with UK firms paying an average of £104 million per transaction in comparison to £84 million across all nations.

**Figure 2.11: Average Cross-Border Acquisition Value in Comparison to the US.**



Source: ONS Business mergers and acquisitions involving UK companies (2019).

## Tourism

- 2.17. The UK welcomes more visitors from the US by air than any other foreign country, as can be seen in Figure 2.12. Inbound visitors from the US account for 12% of total inbound visitors to the UK who arrive by air.

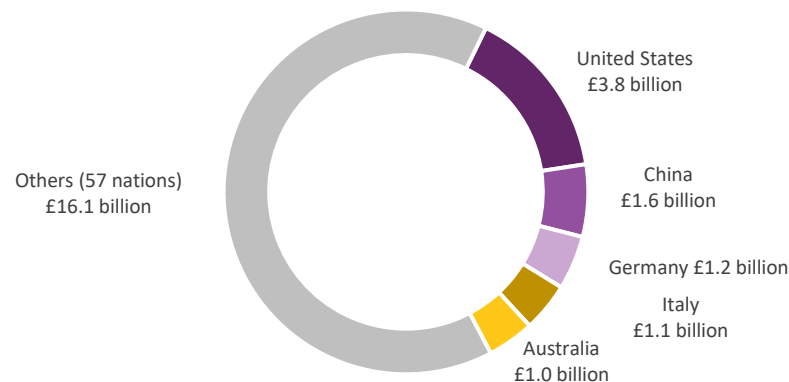
**Figure 2.12: Top 5 UK Inbound Tourism Markets by Visitor Numbers in 2019**



Source: VisitBritain Tourism Survey (2019).

- 2.18. Given that the UK welcomes more visitors from the US than any other country, it is perhaps no surprise that the US is the largest single source of inbound tourism expenditure for the UK. Figure 2.13 illustrates that visitors from the US arriving by air spent a total of £3.8 billion in the UK during 2019.

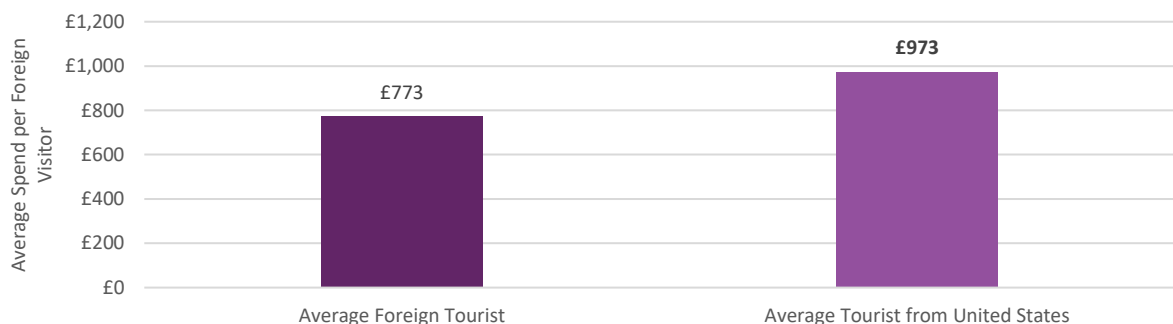
**Figure 2.13: Visitor Spend by Country (£ billions, 2019)**



Source: VisitBritain Tourism Survey (2019).

- 2.19. Figure 2.14 demonstrates that visitors from the US, on average, spend 26% more per visit than the average foreign visitors from all other foreign countries.

**Figure 2.14: Average Spend per Foreign Visitor Compared to Visitors from the US in 2019**

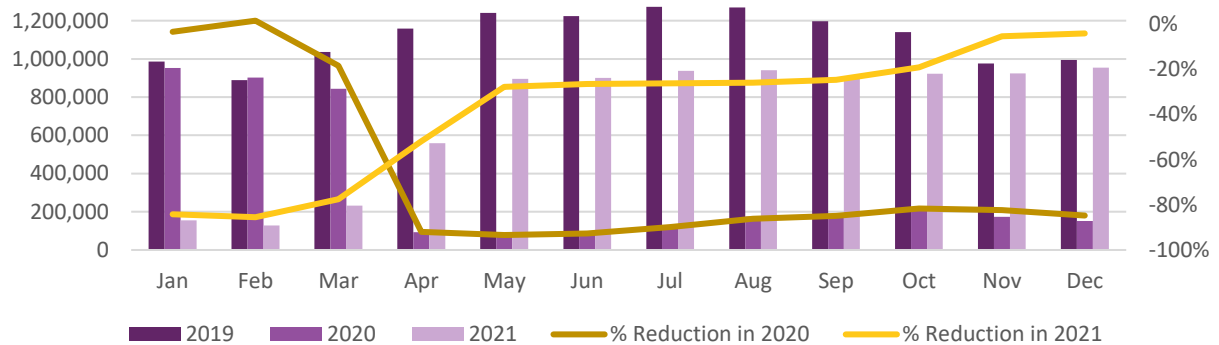


Source: VisitBritain Tourism Survey (2019).

## The Impact on the Air Transport Market

- 2.20. The Impact of COVID-19 on the air transport market between the UK and the US was significant, as can be seen in Figure 2.15. As travel restrictions were introduced in late March, seat capacity fell by around 90% and remained around 80% for the rest of 2020. However, published schedules suggest that seat capacity is expected to improve and approach 2019 levels by the end of 2021.

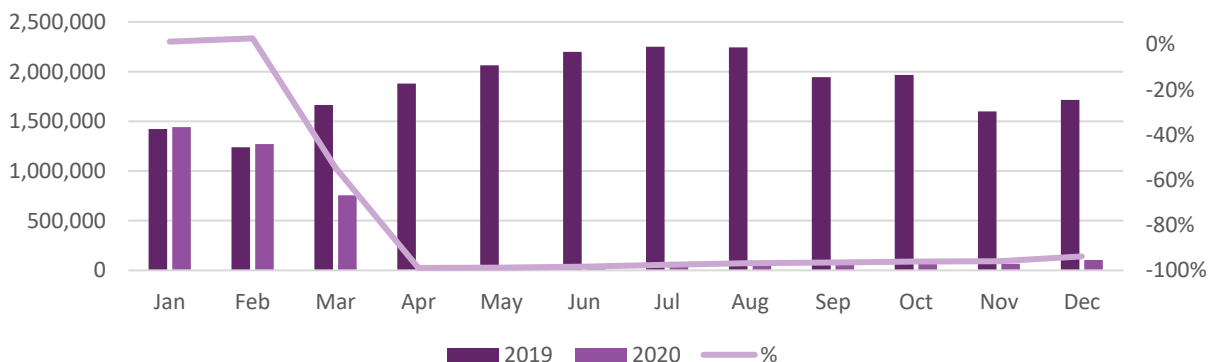
**Figure 2.15: Published One Way Seat Capacity Between the UK and US**



Source: OAG.

- 2.21. The impact on passenger numbers is shown in Figure 2.16, which is more dramatic. Passenger numbers dropped by 99% in April compared to 2019 and the situation marginally improved at the end of 2020, with passenger numbers still reduced by 94% compared to 2019. The implication of this is that not only are airlines operating a massively reduced schedule between the two countries but that the load factors at which they are operating are heavily reduced as well.

**Figure 2.16: Passenger Numbers by Month Between the UK and the US**



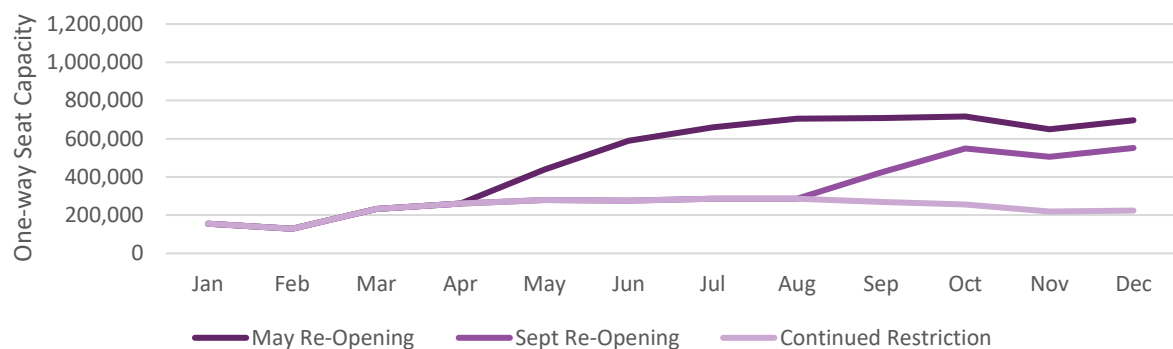
Source: CAA Statistics.

## The Real Outlook for the Remainder of 2021

- 2.22. Our assumed outlook for the remainder of 2021 for the purposes of assessing the economic cost of ongoing restrictions can be seen in Figure 2.17 below, outlining the one-way seat capacity between the UK and the US. This has been based around the UK Government's pathway for easing lockdown restrictions. It is assumed that if travel restrictions continue through 2021, there is minimal growth and recovery in seat capacity. However, if travel restrictions are lifted in May, the market starts to recover and approaches seat capacities of around 70% of 2019 levels by the end of the year.
- 2.23. Furthermore, an additional scenario has been added to understand the impacts if flight restrictions are lifted later, in September 2021. As can be seen in Figure 2.17, the majority of the flying activity is dependent on the summer

period, where traffic is usually greater and, therefore, it is anticipated that a high proportion of the economic costs of not opening up occur during this summer period.

**Figure 2.17: Seat Capacity Outlook for 2021 With and Without Actions on Restrictions**

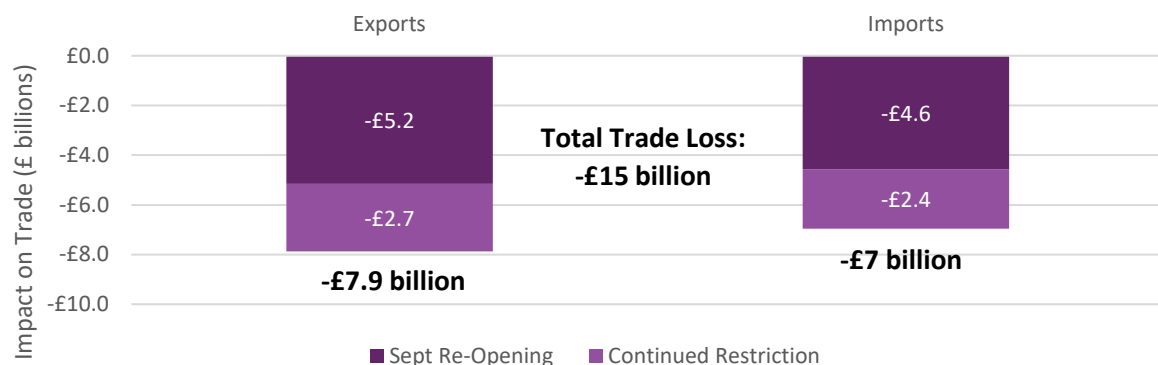


Source: York Aviation.

### The Economic Impact of Ongoing Restrictions

- 2.24. The impact of not opening air links between UK and the US in May 2021, as per the UK Government's roadmap, is detrimental to the trading relationship between the US and the UK. If restrictions continue through to the end of 2021, the value of trade lost is estimated to be around £15 billion in total. This includes an £8 billion fall in exports to the US.
- 2.25. The timeline here, too, is important because even a delay in re-opening to September 2021 will have a significant impact. If re-opening is delayed to September, around two thirds of the benefits that could have been accrued by re-opening in May 2021, could no longer be achieved. This equates to around a nearly £10 billion loss in trade.

**Figure 2.18: Impact on UK – US Trade**



Source: York Aviation Analysis.

- 2.26. The impact on inbound tourism to the UK is expected to be significant. By not opening air links in May 2021, it is estimated that £900 million in tourism spend will be lost, resulting in a loss in GDP of around £1 billion, putting 24,000 jobs at risk.
- 2.27. If re-opening is delayed until September, only a small proportion of these losses could then be recovered. As can be seen in Figure 2.19, in each case, the majority of the tourism spend, GVA and tourism related jobs would be at risk during the summer period. By delaying until September, around £600 million in tourism spend and £700 million in GDP could not then be recovered, putting around 15,400 jobs at risk.

**Figure 2.19: Impact on Inbound Tourism to the UK**

Source: York Aviation Analysis.

- 2.28. The overall loss in GDP from not opening UK-US air links in May through 2021 is estimated to be around £3.6 billion. This equates to around 79,000 jobs being put at risk. Again, if re-opening is delayed until September, then it will not be possible to recover all these costs. It is estimated that this delay would cost around £2.4 billion in GDP, putting 52,000 jobs at risk.

**Figure 2.20: Impact on UK GDP**

Source: York Aviation Analysis.

**Total Loss**  
**GDP: -£3.6 billion**  
**Jobs: -79,000**



### 3. European Union

#### Introduction

- 3.1. The European Union, with its 27 member states, is the largest air transport market for the UK and also its most important economic partner. Despite its geographic proximity, the combination of the travel restrictions associated with the COVID-19 pandemic and BREXIT have resulted in significant declines in air travel.

#### Air Transport Links

- 3.2. The EU is served from airports across the UK and around 142 million passengers travelled to / from destinations in the EU in 2019. Figure 3.1 shows that in 2019 79 EU destinations were served from Heathrow, 218 from the other London airports and 168 from other UK airports.

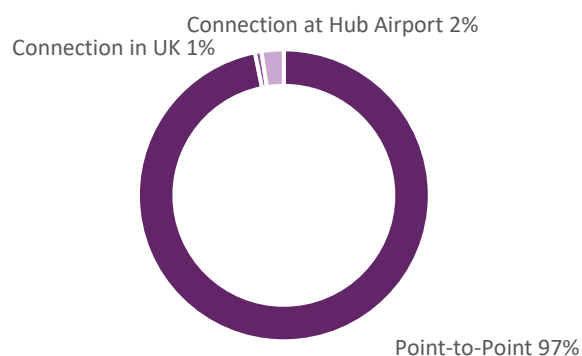
**Figure 3.1: Number of Destinations Served in the EU by Airport Category in 2019.**



Source: OAG & York Aviation Analysis.

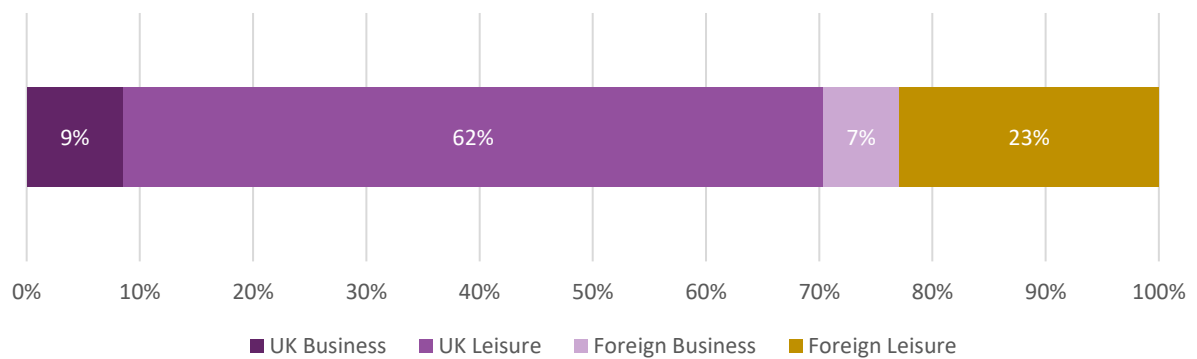
- 3.3. The great majority of passengers travelling between the UK and EU use direct services (97%), reflecting the significant EU route networks of airports across the UK.

**Figure 3.3: Proportion of Passengers Travelling Between the UK and EU on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 3.4. Passengers travel to and from the EU for a variety of reasons and the market is split between UK and overseas resident passengers. Figure 3.4 below shows the make up of the EU passenger air transport from the UK based on CAA Passenger Surveys for 2017 to 2019. The largest segment of the market is UK leisure passengers, but there is also a significant business component, at around 15% of the total, and a significant proportion of inbound leisure visitors, at around 23% of the total.

**Figure 3.4: Profile of Passengers Travelling Between the UK and the EU by UK Airport in 2017, 2018 and 2019**

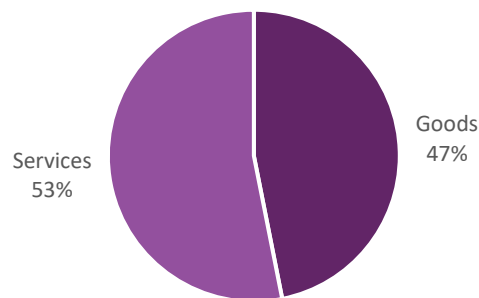
Source: CAA Passenger Surveys 2017-19.

### Economic Links between the UK and the EU

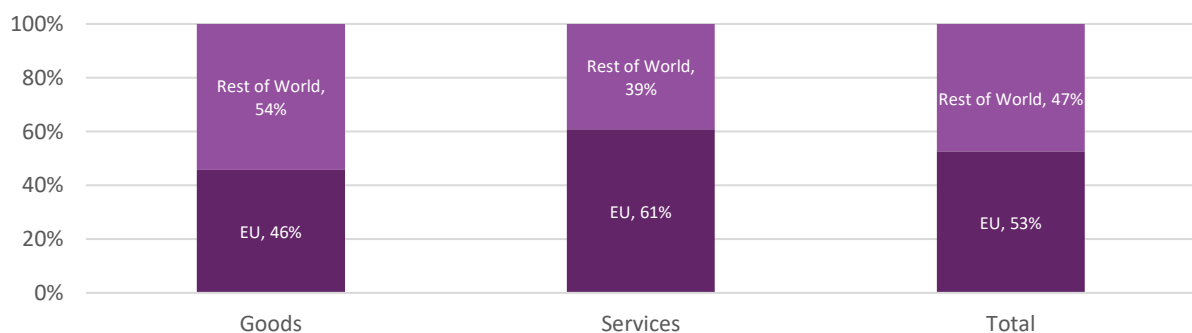
- 3.5. The EU is, and has been for some time, the UK's most important international market. It is a major export and import market and a significant source of investment.

#### Trade

- 3.6. In 2019, total trade between the UK and the EU was valued at around £670 billion, of which around £300 billion was exports and £370 billion imports. This made the EU, by some margin, the UK's largest trading partner.
- 3.7. Exports to the EU were broadly balanced between goods and services (see Figure 3.5) and made up around 53% of the UK's total exports by value (see Figure 3.6).

**Figure 3.5: Exports to the EU by Type**

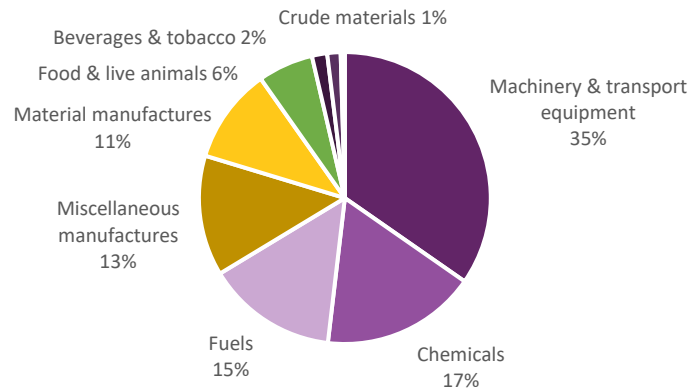
Source: ONS The Pink Book 2020.

**Figure 3.6: Exports to the EU as a Proportion of Total Exports**

Source: ONS The Pink Book 2020.

- 3.8. UK goods exports to the EU are broad based, with representation from a wide range of sectors, but Machinery and Transport Equipment make up around 35% of the total (see Figure 3.7).

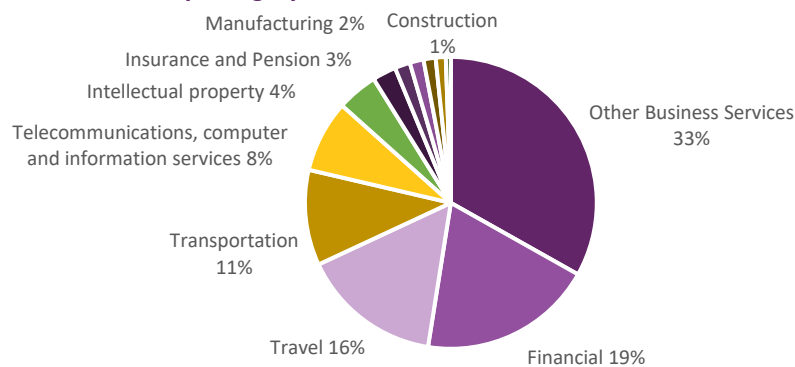
**Figure 3.7: Exports in Goods by Category in 2019**



Source: ONS The Pink Book 2020.

- 3.9. In terms of service exports, Figure 3.8 clearly demonstrates the importance of the EU as a market for the UK's 'powerhouse' financial and business services sector. Combined, these two sectors account for over half of the UK's service exports to the EU.

**Figure 3.8: Exports in Services by Category in 2019**

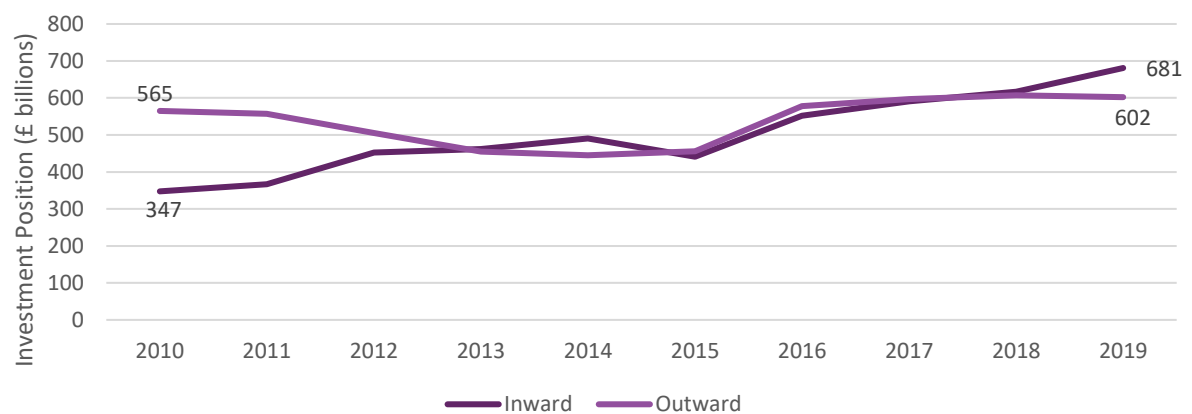


Source: ONS The Pink Book 2020.

- 3.10. These statistics clearly articulate the vital trading relationship that the UK has with the EU. It is sizable in terms of its value, but also broad based in terms of the sectors involved.

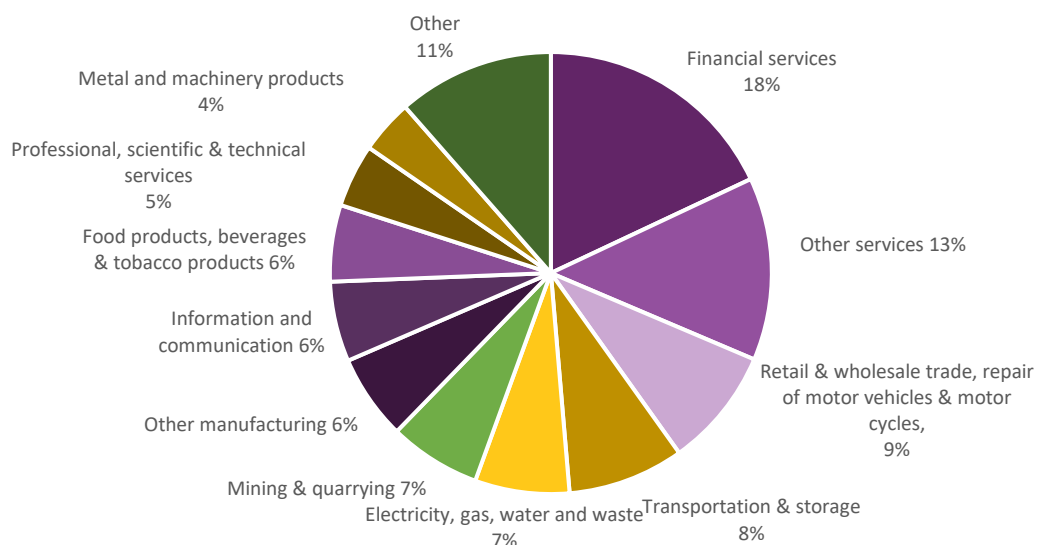
### Foreign Direct Investment

- 3.11. In addition to the extensive trading relationship with the EU, the bloc is also a substantial source and destination for foreign direct investment. Figure 3.9 demonstrates the extent to which the economies are interlinked through investment. Both the stock of investment in the UK from the EU and the stock of UK investment in the EU has been growing over time, with EU investment in the UK standing at around £681 billion in 2019, and UK investment in the EU at around £602 billion.

**Figure 3.9: International Inward and Outward Investment Position since 2010 (£ billions)**

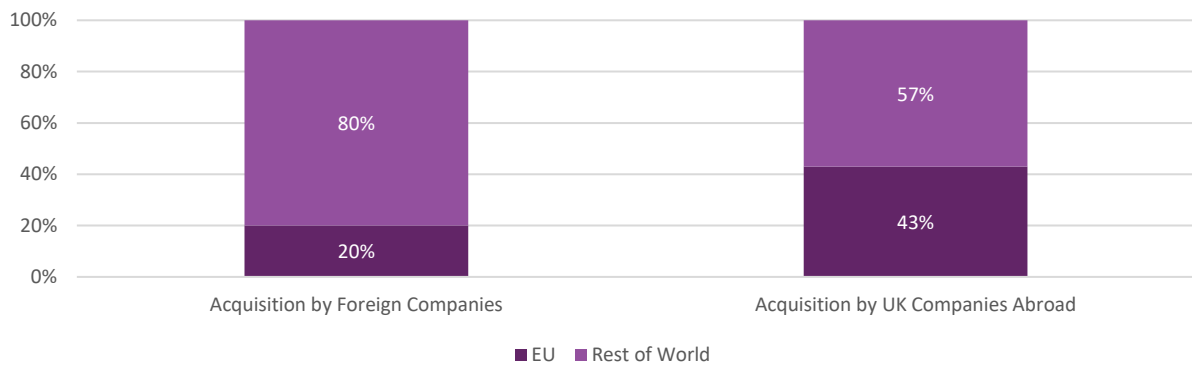
Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward & Outward.

- 3.12. Figure 3.10 analyses the sectors that were recipients of FDI from the EU in 2019. This, again, demonstrates the broad based nature of the economic relationship between the UK and the EU, with representation from a wide range of sectors. The importance of the financial services sector is, however, again noteworthy.

**Figure 3.10: Foreign Direct Investment from the EU by Sector**

Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward & Outward.

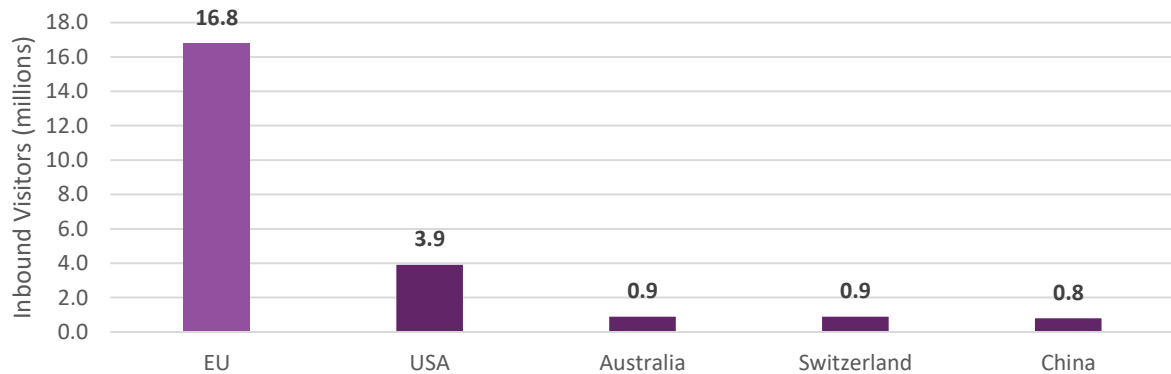
- 3.13. These investment links are also evident in the statistics on cross-border merger and acquisitions. Around 20% of cross-border acquisitions of UK companies in 2019 were from EU sources, while 43% of UK acquisitions overseas were of EU companies.

**Figure 3.11: Proportion of Cross-Border Acquisitions between UK and the EU in 2019**

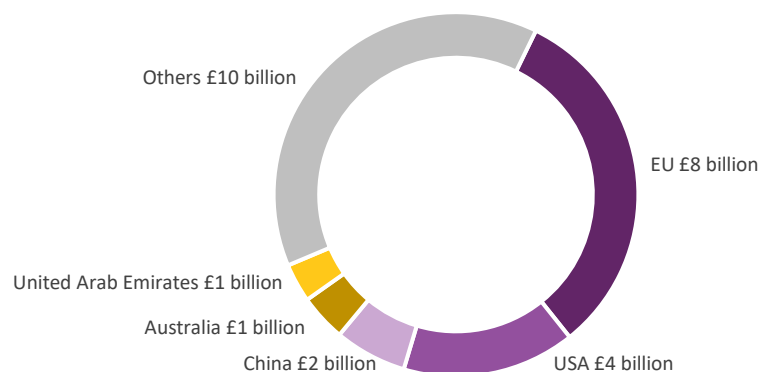
Source: ONS Business Mergers and Acquisitions involving UK Companies (2019).

### Tourism

- 3.14. In addition to the business linkages between the UK and the EU, the EU is also the UK's largest source of inbound tourism visits. Figure 3.12 shows that around 16.8 million visitors came to the UK from the EU in 2019 based on statistics from VisitBritain. The next largest market, as we have seen was the USA. These visitors injected around £8 billion into the UK economy in terms of visitor expenditure (see Figure 3.13).

**Figure 3.12: Top 5 UK Inbound Tourism Markets by Visitor Numbers in 2019**

Source: VisitBritain Tourism Survey (2019).

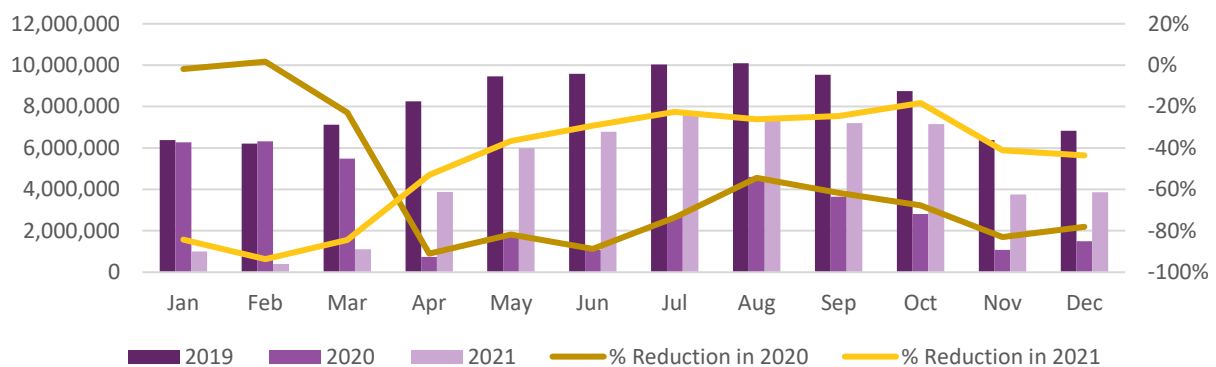
**Figure 3.13: Visitor Spend by Country in 2019 (£ billions)**

Source: VisitBritain Tourism Survey (2019).

## The Impact on the Air Transport Market

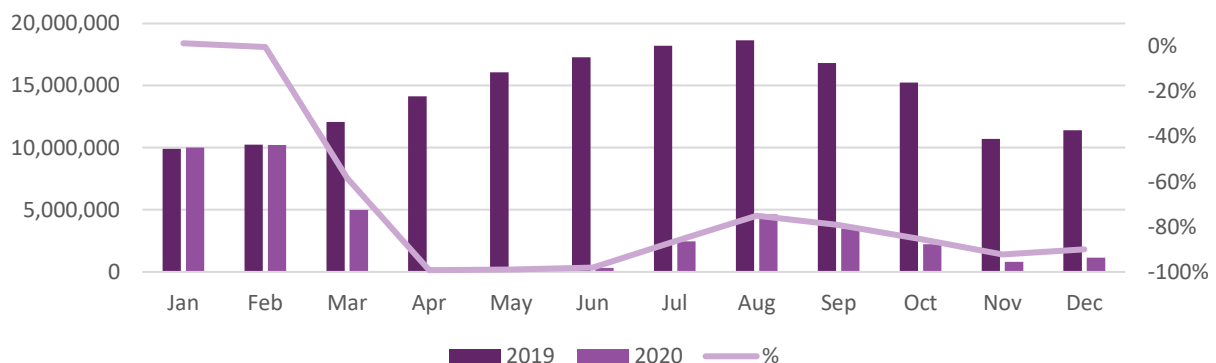
- 3.15. In common with all air transport markets to / from the UK, the impact of COVID-19 on the air transport market between UK and EU in 2020 was dramatic. Capacity was down 91% compared to 2019 in April and, while there was some brief improvement over the summer period following the announcement of travel corridors, capacity was still down 78% in December (see Figure 3.14). The position has, if anything, worsened in the early part of 2021, following the imposition of the UK's third lockdown and even tighter restrictions on international travel. The current published schedules do see recovery through the year but it is unlikely that these gains are likely to be achieved in the short run particularly, given the ongoing travel restrictions and the programme announced for easing lockdown. Figure 3.15 shows the position in terms of passenger numbers on EU routes in 2020. This demonstrates that not only was capacity significantly down, but that load factors were also depressed, with losses in passengers compared to 2019 greater than capacity.

**Figure 3.14: Published One Way Seat Capacity between UK and EU**



Source: OAG.

**Figure 3.15: Passenger Numbers by Month between UK and the EU**



Source: CAA Statistics.

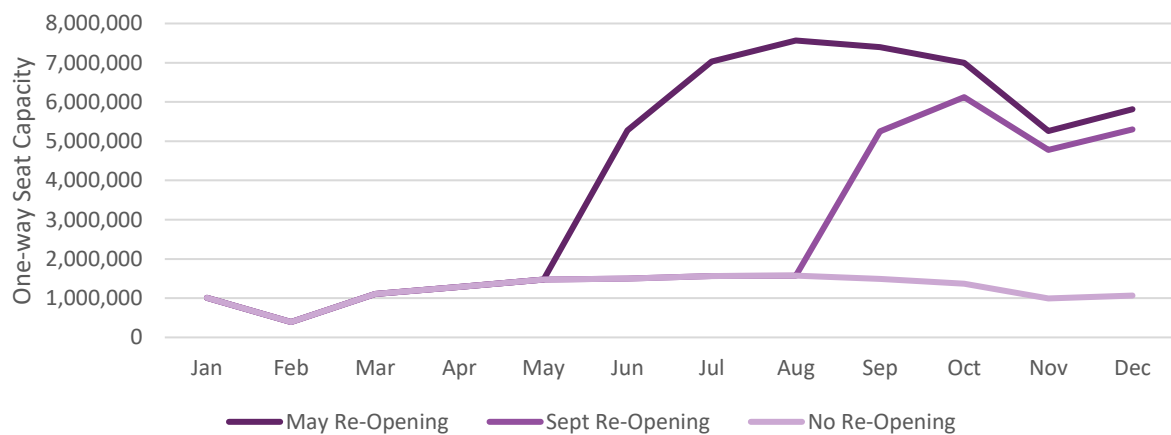
## The Real Outlook for the Remainder of 2021

- 3.16. Our assumed outlook for the remainder of 2021 for the purposes of assessing the economic cost of ongoing restrictions can be seen in Figure 3.16 below, outlining the one-way seat capacity between UK and the EU. This has been based around the UK Government's pathway for easing lockdown restrictions. It is assumed that if travel restrictions continue, there is limited growth and recovery in seat capacity. However, if travel restrictions are removed in May, the market starts to recover and approaches seat capacities of around 85% of 2019 levels by the end of the year.
- 3.17. Furthermore, an additional scenario has been included to understand the potential impacts if flight restrictions are lifted later in September 2021. As can be seen in Figure 3.16, the majority of the flying activity is dependent



on the summer period, where traffic is usually greater and therefore it is expected that a greater proportion of the potential economic costs are likely to be lost during this summer period.

**Figure 3.16: Seat Capacity Outlook for 2021 With and Without Action on Restrictions**

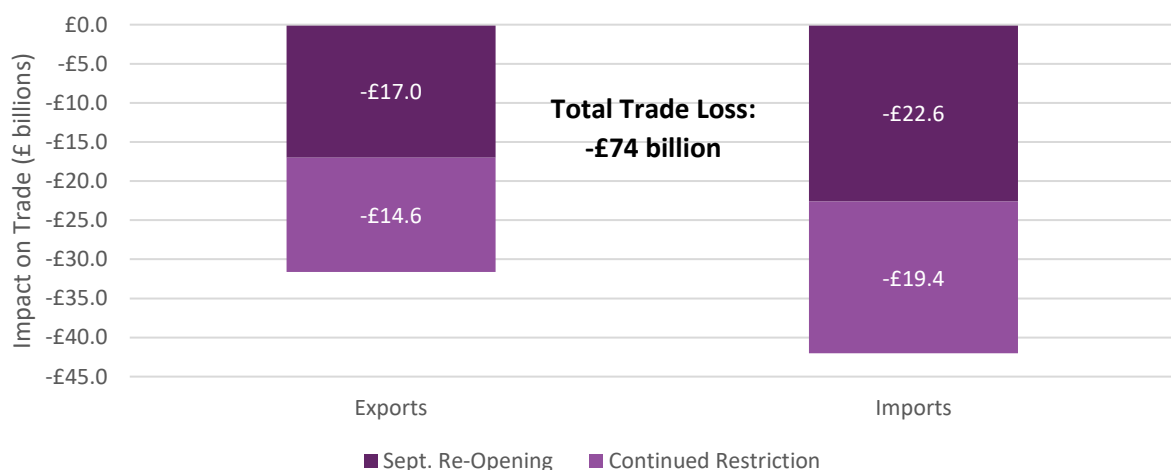


Source: York Aviation.

### The Economic Impact of Ongoing Restrictions

- 3.18. The impact of not opening air links between UK and the EU in May 2021, as per the UK Government's roadmap, is detrimental to the trading relationship between the EU and the UK. If restrictions continue through to the end of 2021, the value of trade lost is estimated to be around £74 billion in total. This includes a £32 billion fall in exports to the EU.
- 3.19. The timeline here is, again, important because even a delay in re-opening to September 2021 will have a significant impact. If re-opening is delayed to September, around two thirds of the benefits that could have been accrued by opening in May, could no longer be achieved. This equates to around a nearly £10 billion loss in trade.

**Figure 3.17: Impact on UK – EU Trade**



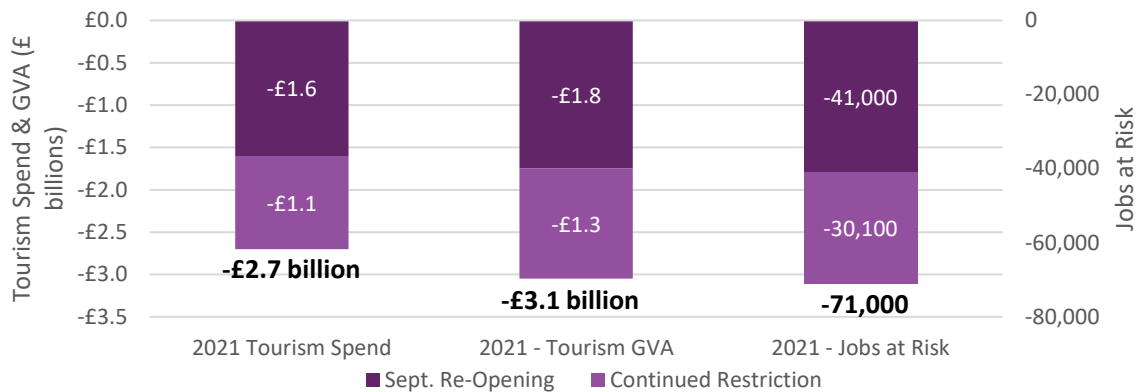
Source: York Aviation Analysis.

- 3.20. The impact on inbound tourism to the UK is expected to be significant. By not opening air links in May 2021, it is estimated that £2.7 billion in tourism spend will be lost, resulting in a loss in GDP of around £3.1 billion, putting 71,000 jobs at risk.
- 3.21. If re-opening is delayed until September, a relatively small proportion of these costs could then be recovered. As can be seen in Figure 3.18, in each case, the majority of the tourism spend, GVA and tourism related jobs would

be at risk during the summer period. By delaying until September, around £1.6 billion in tourism spend and £1.8 billion in GDP could not then be recovered, putting around 41,000 jobs at risk.

- 3.22. These impacts are likely to hit sectors such as accommodation services and food and beverage services particularly hard, as these make up more than half of employment in the tourism sector in the UK.

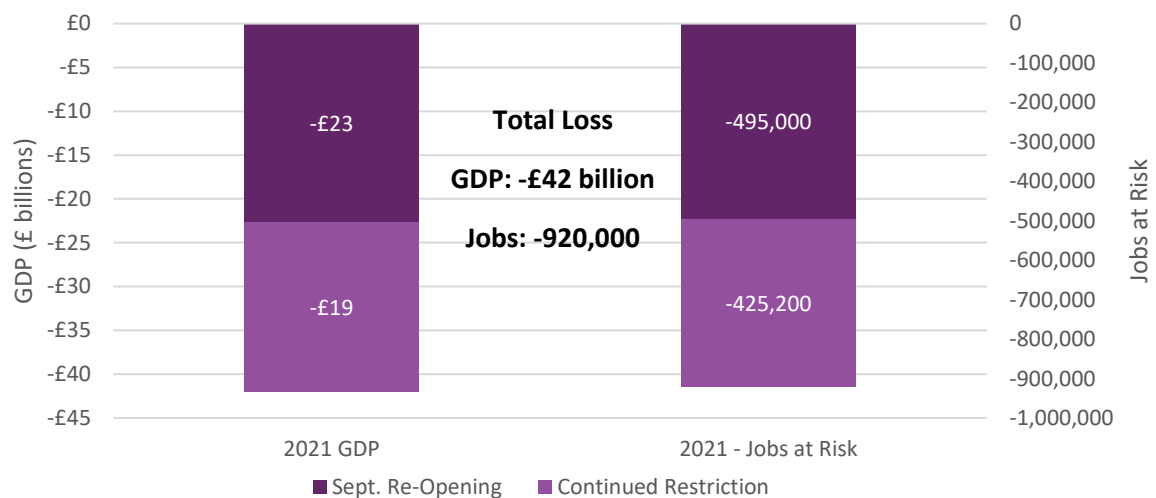
**Figure 3.18: Impact on Inbound Tourism to the UK**



Source: York Aviation Analysis.

- 3.23. The overall loss in GDP from not opening UK-EU air links in May throughout 2021 is estimated to be around £42 billion. This equates to around 920,000 jobs being put at risk. Again, if re-opening is delayed until September, then, it will not be possible to recover all these costs. It is estimated that this delay would cost around £23 billion in GDP, putting nearly 500,000 jobs at risk.

**Figure 3.21: Impact on UK GDP**



Source: York Aviation Analysis.

## 4. India

### Introduction

- 4.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and India, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021.

### Air Transport Links

- 4.2. In 2019, the origin and destination market between the UK and India was around 3 million passengers. London Heathrow operates services to six destinations in India, in comparison to two from Other London Airports and four from regional airports. The point-to-point traffic is primarily driven by services from London Heathrow.

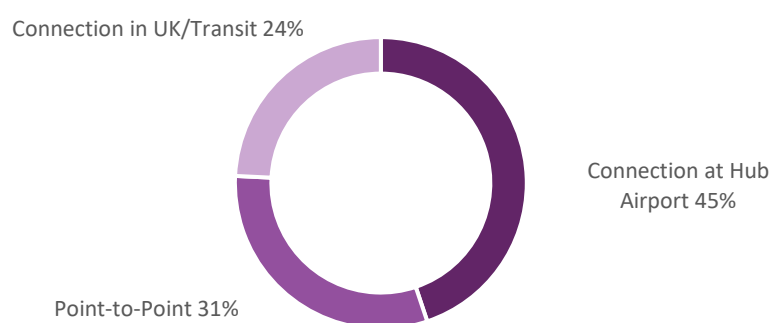
**Figure 4.1: Number of Destinations Served in India by Airport Category in 2019.**



Source: OAG & York Aviation Analysis.

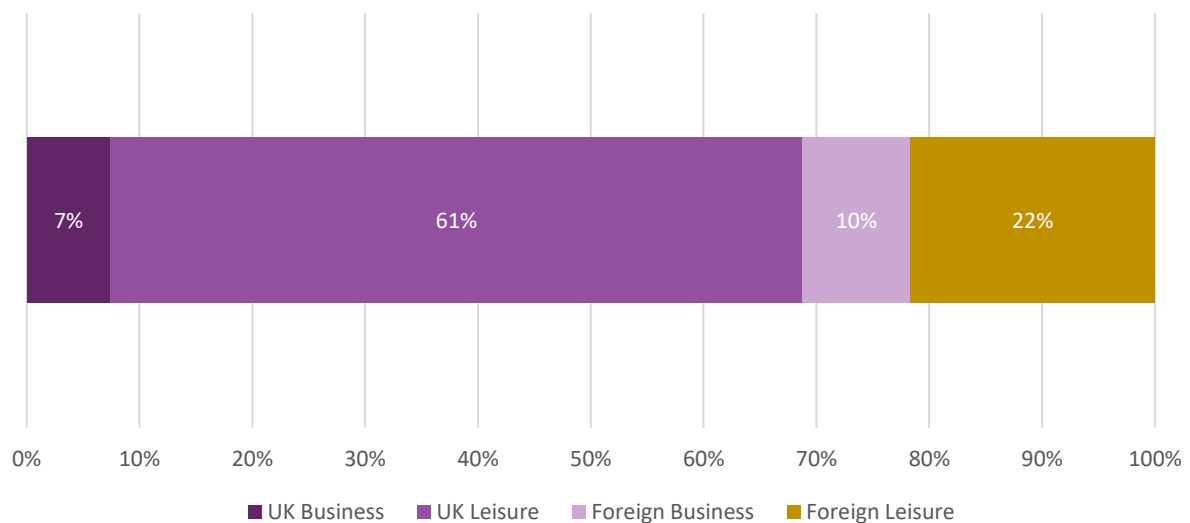
- 4.3. The majority of passengers travelling between the UK and India make an onward connection at some point, as can be seen in Figure 4.2. Only around 31% of the total passengers travelled directly between the two countries non-stop.

**Figure 4.2: Proportion of Passengers Travelling Between the UK and India on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 4.4. Figure 4.3 highlights the profile of passengers travelling between UK and India. It is evident that leisure passengers make up a significant proportion of total passengers by purpose, at 83%. Whilst the proportion of business passengers travelling between the two nations is relatively smaller, the overall proportion of passengers flying from the UK abroad is higher, accounting to approximately 67%.

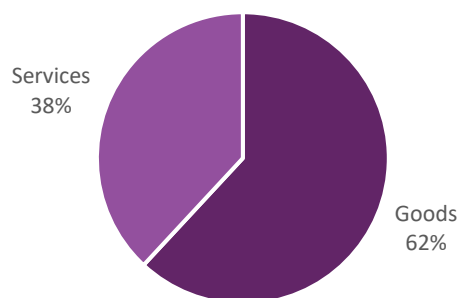
**Figure 4.3: Profile of Passengers Travelling Between the UK and India by UK Airport in 2017, 2018 and 2019**

Source: CAA Passenger surveys 2017-19.

## Economic Links between the UK and India

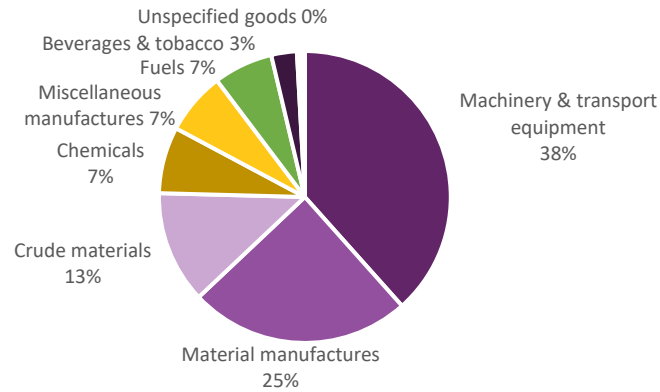
### Trade

- 4.5. The total value of trade between the UK and India reached around £23.5 billion in 2019, of which, around £7.8 billion worth of goods and services was exported to India.
- 4.6. The UK exported a greater proportion of goods than services to India, as can be seen in Figure 4.4. Around £4.8 billion in goods was exported to India (62% of exports to India), compared to under £3 billion in service exports in the same year.

**Figure 4.4: Exports by Value to India by Type**

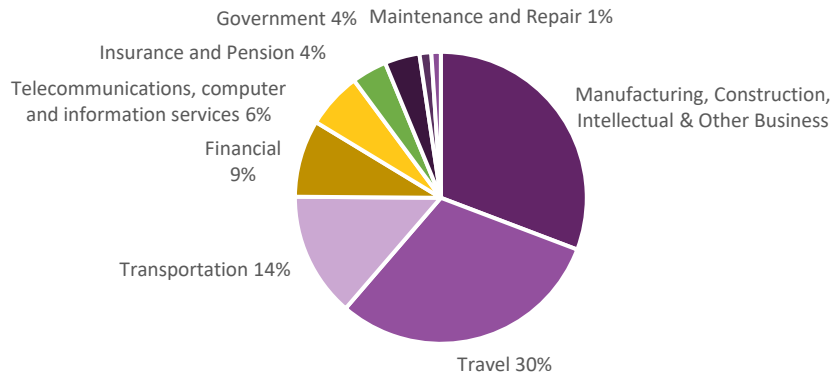
Source: ONS The Pink Book 2020.

- 4.7. Goods exports to India were primarily comprised of Machinery and Transport Equipment (38%), material manufactures (25%) and crude materials (13%) as shown in Figure 4.5. These sectors make up around 75% of goods exports, or in other words, just over 45% of total exports to India.

**Figure 4.5: Exports in Goods by Value by Sector in 2019**

Source: ONS The Pink Book 2020.

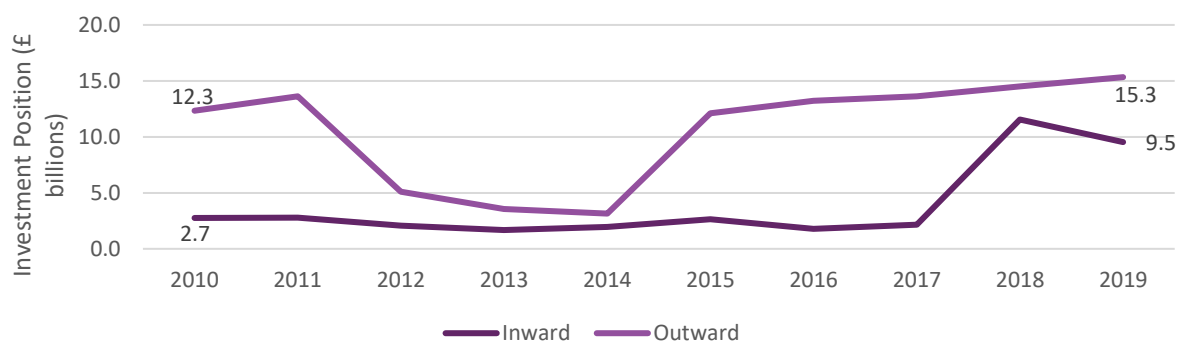
- 4.8. Service exports to India are shown in Figure 4.6. Manufacturing, Construction, Intellectual Property and Other Business Services make up the largest section of service Exports to India at 31%. Travel and Transportation make up the two biggest standalone sectors of service export, at 30% and 14% respectively.

**Figure 4.6: Exports in Services by Category in 2019**

Source: ONS The Pink Book 2020.

### Foreign Direct Investment

- 4.9. The UK's inward investment position from India remained relatively static at around £3 billion until 2018, when the FDI stock peaked at nearly £12 billion before falling back to £9.5 billion in 2019, as can be seen in Figure 4.7. UK FDI in India experienced a trough in the early 2010s but has grown steadily since reaching £15.3 billion in 2019.
- 4.10. Overall, while there has been some volatility, in general FDI links between the two countries have been growing over recent years.

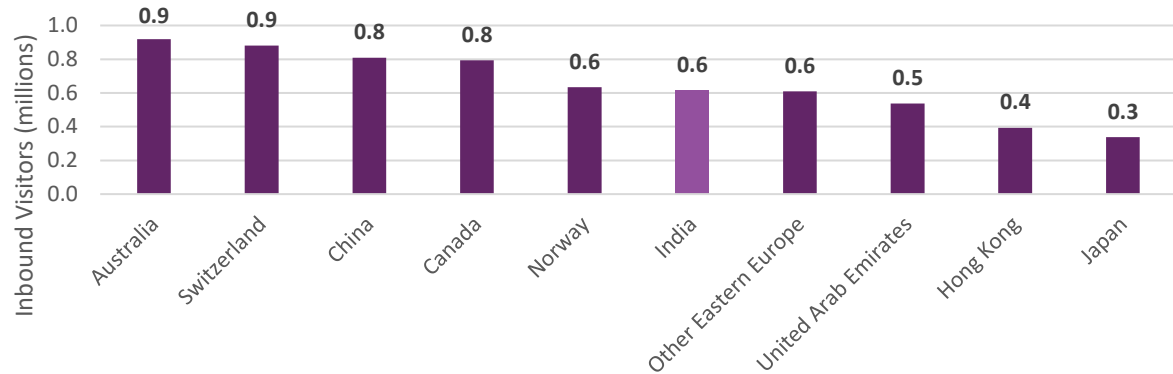
**Figure 4.7: International Inward and Outward Investment Position since 2010 (£ billions)**

Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward &amp; Outward

## Tourism

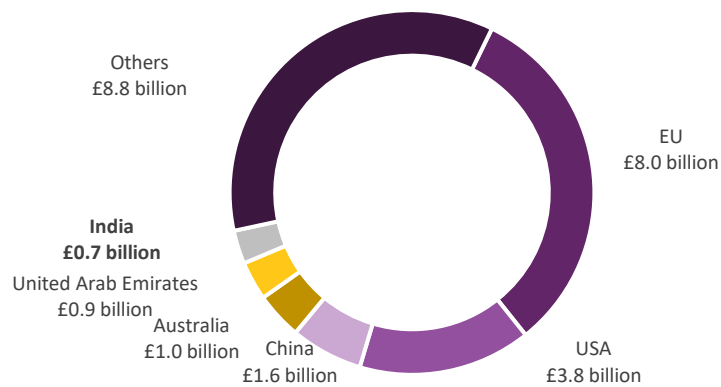
- 4.11. The UK welcomed around 600,000 air visitors from India in 2019. As shown in Figure 4.8, excluding the USA & the EU nations, India was the sixth biggest source of inbound air tourists by volume to the UK. Tourists from India spent around £700 million in 2019 (see Figure 4.9).

**Figure 4.8: Top 10 UK Inbound Tourism Markets by Visitor Numbers in 2019 (Excluding USA & EU)**



Source: VisitBritain Tourism Survey (2019).

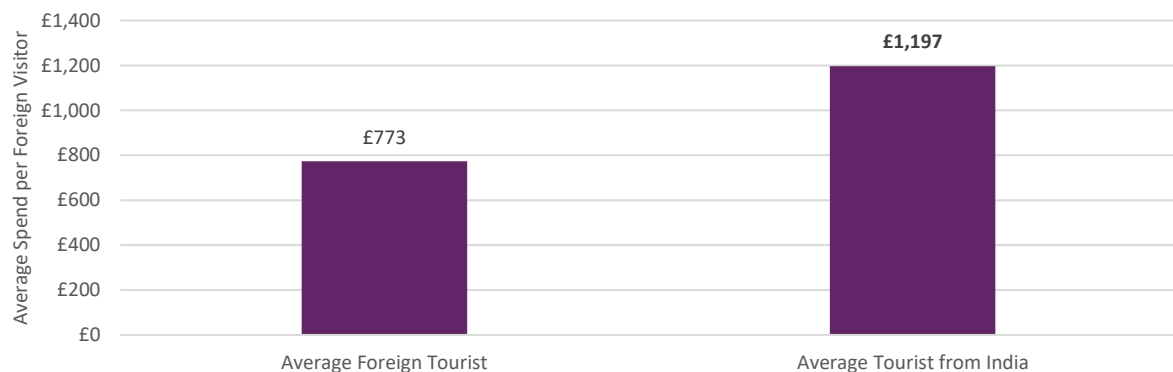
**Figure 4.9: Visitor Spend by Country (£ billions, 2019)**



Source: VisitBritain Tourism Survey (2019).

- 4.12. It should be noted that, in common with many long haul destination countries, air-visitors from India spent more on average than the typical overseas visitor. Figure 4.10 shows that an average tourist from India spent around 55% more than the average overseas visitor in 2019.

**Figure 4.10: Average Spend per Foreign Visitor Compared to Visitors from India in 2019**



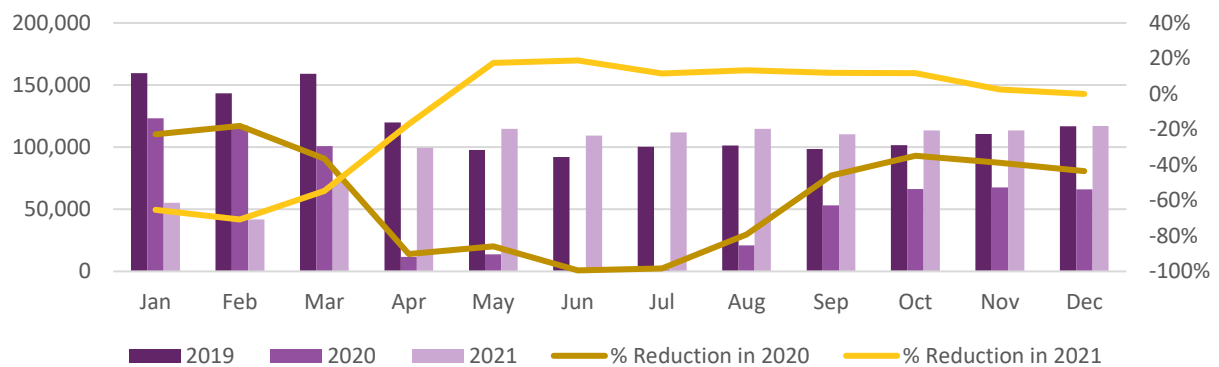
Source: VisitBritain Tourism Survey (2019).



## The Impact on the Air Transport Market

- 4.13. The Impact of COVID-19 on the air transport market between the UK and India has been marginally less dramatic compared to other countries. This is due to the larger proportion of expatriation flights that were operational throughout the period. Figure 4.11 shows that in 2020, seat capacity dropped by 90% in April and a further 8% by June and July. However, the seat capacity drops in later months of 2020 improved and reduced to around a 40% drop by December 2020. Seat capacity schedules released for 2021 suggests a rapid recovery in 2021 with flights returning to 2019 levels later in the year. However, this position should be viewed with some caution.

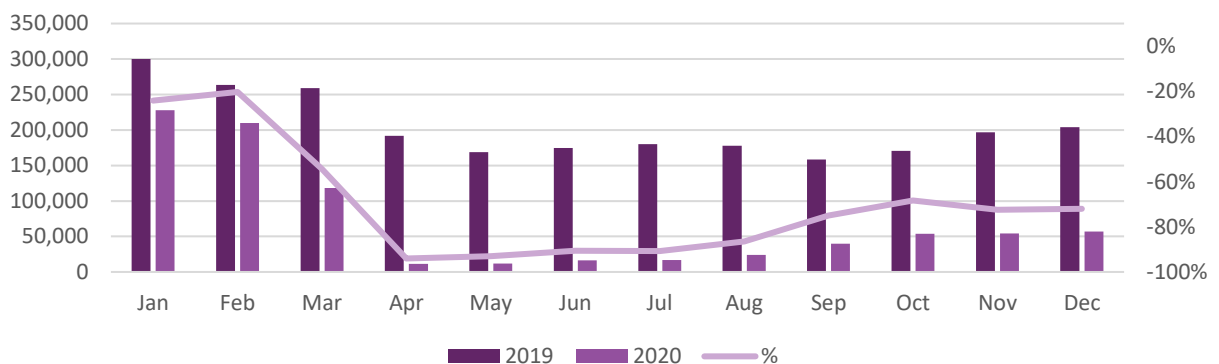
**Figure 4.11: Published One Way Seat Capacity between the UK and India**



Source: OAG.

- 4.14. The impact on passenger numbers too has been relatively less drastic in comparison to other nations. Figure 4.12 shows the drop in passenger numbers in April by 94% compared to 2019, but the drop slowly recovering to around 72% by the end of the year in comparison to 2019, following the seat capacity path during the year.

**Figure 4.12: Passenger numbers by month between the UK and India**



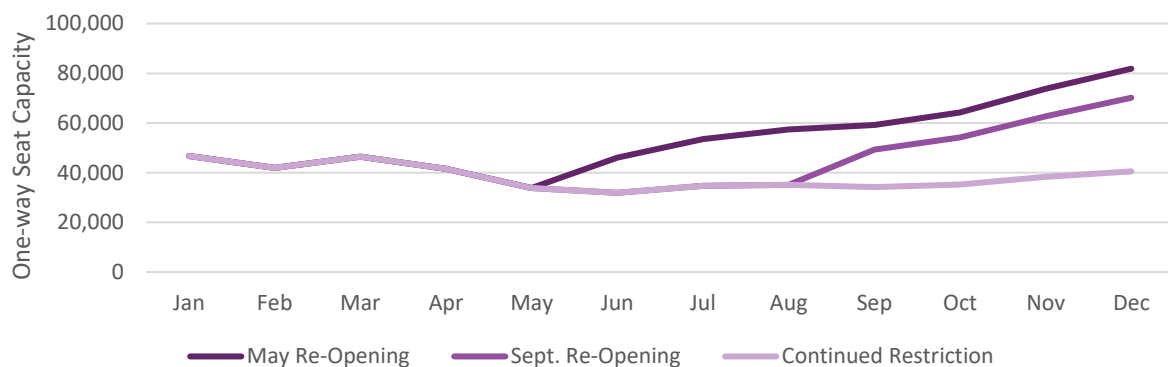
Source: CAA Statistics.

## The Real Outlook for the Remainder of 2021

- 4.15. Our assumed outlook for the remainder of 2021 for the purposes of assessing the economic cost of ongoing restrictions can be seen in Figure 4.13 below, outlining the one-way seat capacity between UK and India. This has been based around the UK Government's pathway for easing lockdown restrictions. It is assumed that if travel restrictions continue, there is minimal growth and recovery in seat capacity. However, if travel restrictions can be lifted in May, the market starts to recover and approaches seat capacities of around 70% of 2019 levels by the end of the year.
- 4.16. Furthermore, an additional scenario has been added to understand the potential impact if travel restrictions are lifted, later in September 2021. As can be seen in Figure 4.11, passenger traffic peaks (albeit marginally) in the winter months of November to February, which suggests that in comparison to others, traffic between the UK and

India is less reliant on the UK summer season. This suggests that a relatively smaller proportion of economic activity would be lost in the summer period in comparison to lifting restrictions in September than in some markets.

**Figure 4.13: Seat Capacity Outlook for 2021 With and Without Actions on Restrictions**

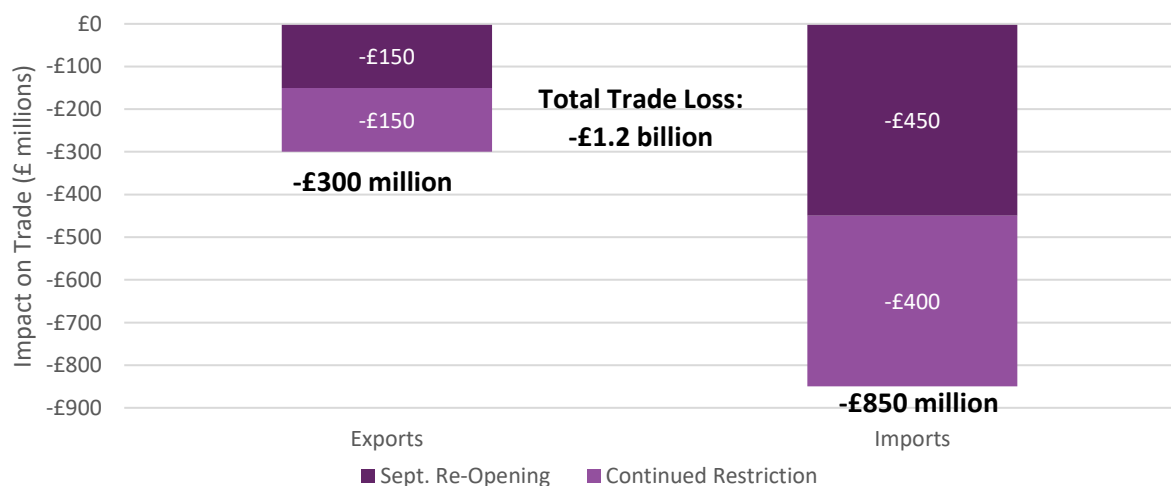


Source: York Aviation.

### The Economic Impact of Ongoing Restrictions

- 4.17. The impact of not opening air links between UK and India in May 2021, as per the UK Government's roadmap, is detrimental to the trading relationship between India and the UK. If restrictions continue through to the end of 2021, the value of trade loss is estimated to be around £1.2 billion in total. This includes a £300 million fall in exports to India.
- 4.18. A delay in re-opening to September 2021 will have a significant impact. If re-opening is delayed to September, only around half of the benefits that could have been accrued by opening in May 2021, could no longer be achieved. This equates to around a nearly £600 million loss in trade.

**Figure 4.14: Impact on UK – India Trade**

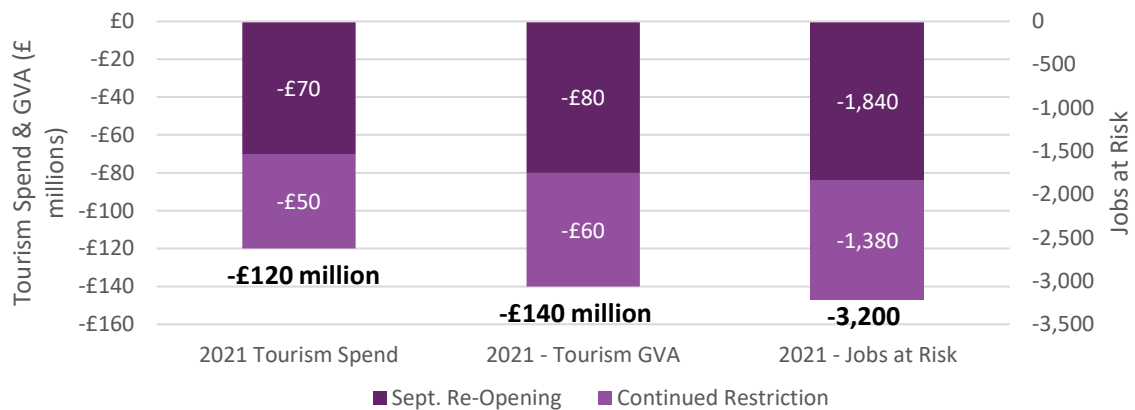


Source: York Aviation Analysis.

- 4.19. The impact on inbound tourism to the UK is expected to be significant. By not opening air links in May 2021, it is expected to result in a loss of £120 million in tourism spend, resulting in a loss in GDP of around £140 million, putting 3,200 jobs at risk.
- 4.20. If re-opening is delayed until September, only around 40% of these impacts could then be recovered. As can be seen in Figure 4.15, in each case, the majority of the tourism spend, GVA and tourism related jobs would be at risk

during the summer period. By delaying until September, around £70 million in tourism spend and £80 million in GDP could not then be recovered, putting around 1,840 jobs at risk.

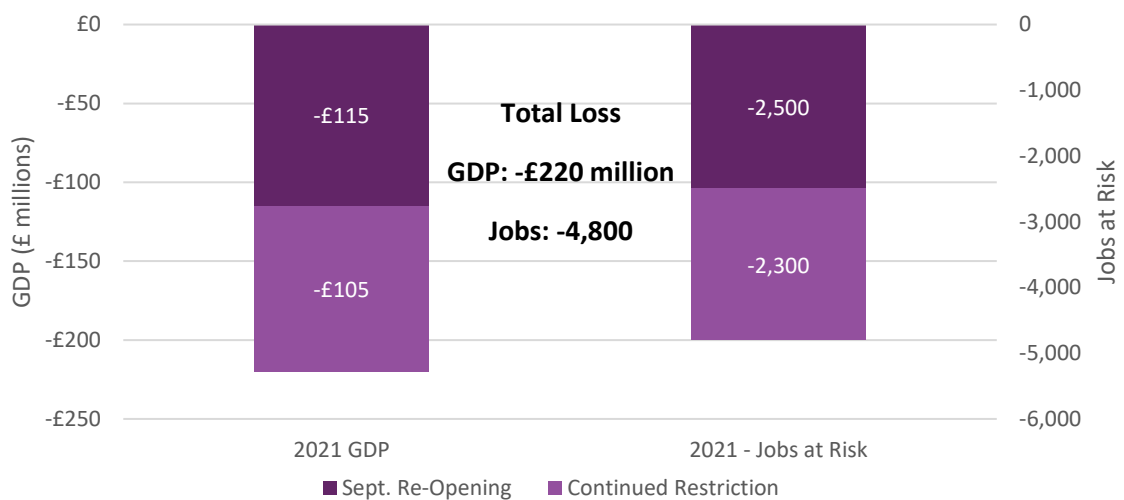
**Figure 4.15: Impact on Inbound tourism to the UK**



Source: York Aviation Analysis.

- 4.21. The overall loss in GDP from not opening UK-India air links in May 2021 is estimated to be around £220 million. This equates to around 4,800 jobs being put at risk. Again, if re-opening is delayed until September, then, it will not be possible to recover all these costs. It is estimated that this delay would cost around £115 million in GDP, putting 2,500 jobs at risk.

**Figure 4.16: Impact on UK GDP**



Source: York Aviation Analysis.

## 5. China

### Introduction

- 5.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and China, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021.

### Air Transport Links

- 5.2. In 2019, the origin and destination market between the UK and China was around 2.1 million. The majority of direct air services to China are operated from London Heathrow by various airlines, with two destinations in China operated from Gatwick and one from Manchester.

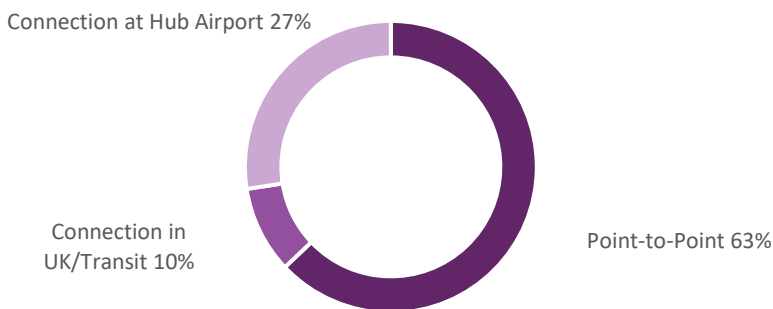
**Figure 5.1: Number of Destinations Served in China by Airport Category in 2019.**



Source: OAG & York Aviation Analysis.

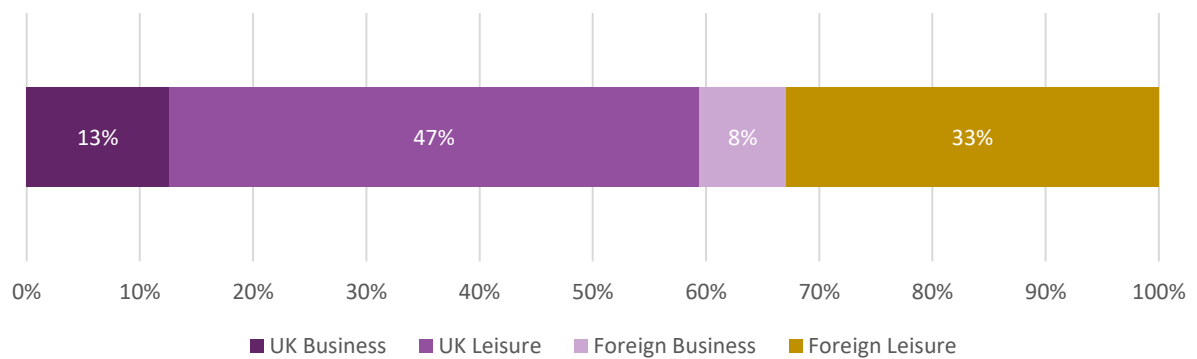
- 5.3. The majority of the passengers travelling between the UK and China flew on direct non-stop services. This reflects the strong connections out of London and the advent of the Beijing service from Manchester.

**Figure 5.2: Proportion of Passengers Travelling Between the UK and China on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 5.4. The passenger profile, is in line with various long-haul destination countries, with a high proportion of leisure passengers, as seen in Figure 5.3. However, there is a significant proportion of business traffic and a strong inbound leisure market.

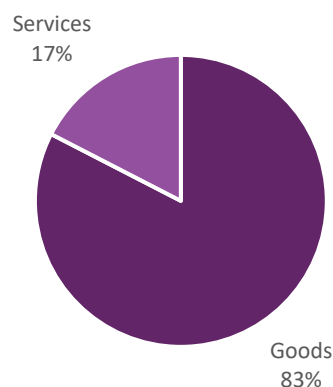
**Figure 5.3: Profile of Passengers Travelling Between the UK and China by UK Airport in 2017, 2018 and 2019**

Source: CAA Passenger surveys 2017-19.

## Economic Links between the UK and China

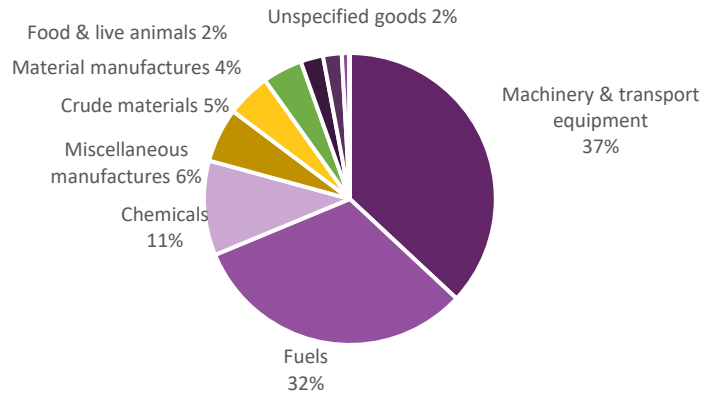
### Trade

- 5.5. The total value of trade between the UK and China reached around £80 billion in 2019, of which, around £30 billion worth of goods and services were exported from the UK. It is worth noting that China is the biggest trading partner by value after the US and the EU.
- 5.6. Exports to China are predominantly goods oriented. As can be seen in Figure 5.4, goods make up for over 80% of UK's total exports to China, the largest by far to any country.

**Figure 5.4: Exports to China by Type**

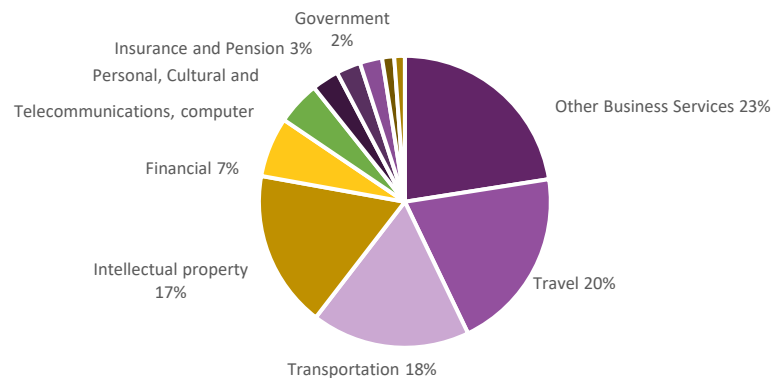
Source: ONS The Pink Book 2020.

- 5.7. Goods exports by sector are shown in Figure 5.5. Machinery & transport equipment and Fuels together make up over two thirds of goods exports by value. The sheer size of the Chinese economy, combined with its rapid growth up to 2019, makes China a unique candidate for the UK to export and serve the growing demand for high value machinery and fuels.

**Figure 5.5: Exports in Goods by Category in 2019**

Source: ONS The Pink Book 2020.

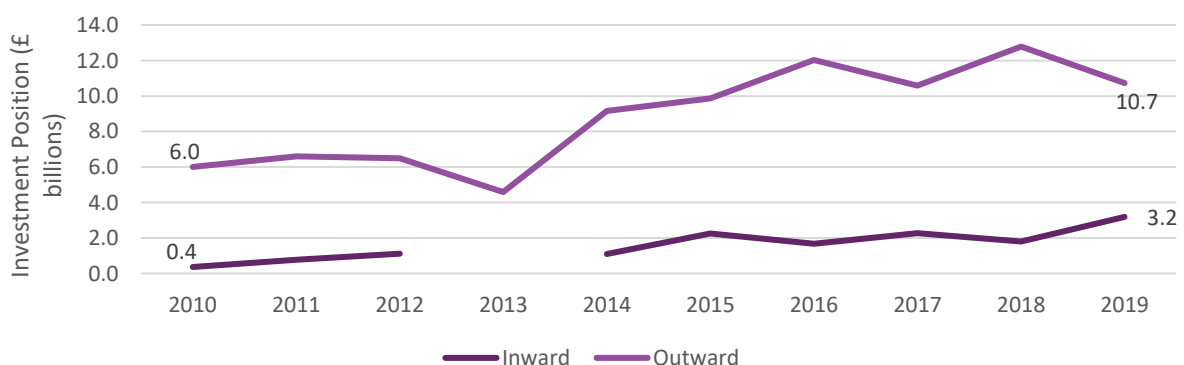
- 5.8. Service exports to China are concentrated over a number of sectors. As can be seen in Figure 5.6, service exports are mainly comprised of Other Business Services (23%), Travel (20%), Transportation (18%) and Intellectual Property (17%).

**Figure 5.6: Exports in Services by Category in 2019**

Source: ONS The Pink Book 2020.

### Foreign Direct Investment

- 5.9. Throughout the period shown in Figure 5.7, China has been a bigger beneficiary of FDI, with the UK outward investment position around three times the value of its inward investment position (£10.7 billion outward compared to £3.2 billion inward). However, the inward FDI trend suggests a rapid growth in investments from China, from £1.1 billion in 2014, to £3.2 billion in 2019, nearly tripling in five years.

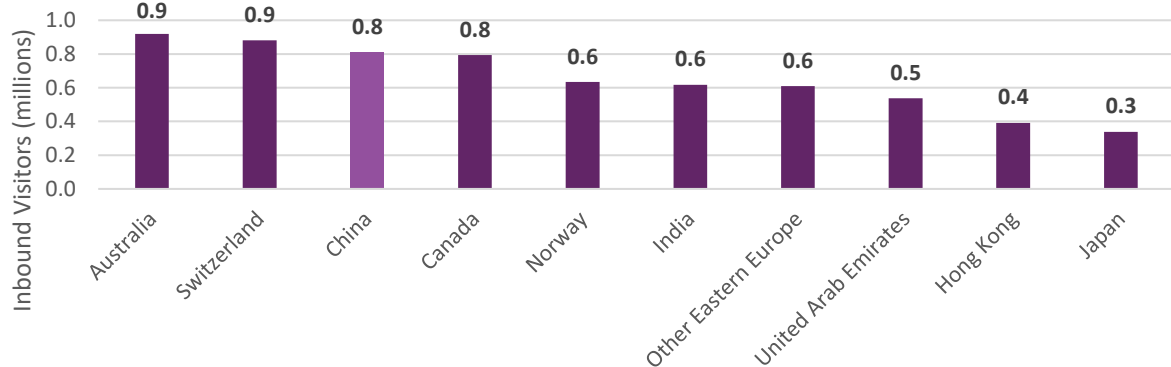
**Figure 5.7: International Inward and Outward Investment Position since 2010 (£ billions)**

Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward &amp; Outward

## Tourism

- 5.10. Chinese tourists make up the third largest source of visitors, excluding USA and EU. Data from Figure 5.8 suggests that the UK welcomed around 800,000 air visitors from China in 2019.

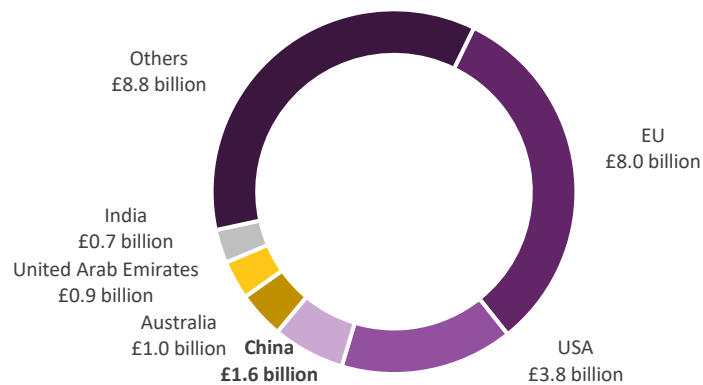
**Figure 5.8: Top 10 UK Inbound Tourism Markets by Visitor Numbers in 2019 (Excluding USA & EU)**



Source: VisitBritain Tourism Survey (2019).

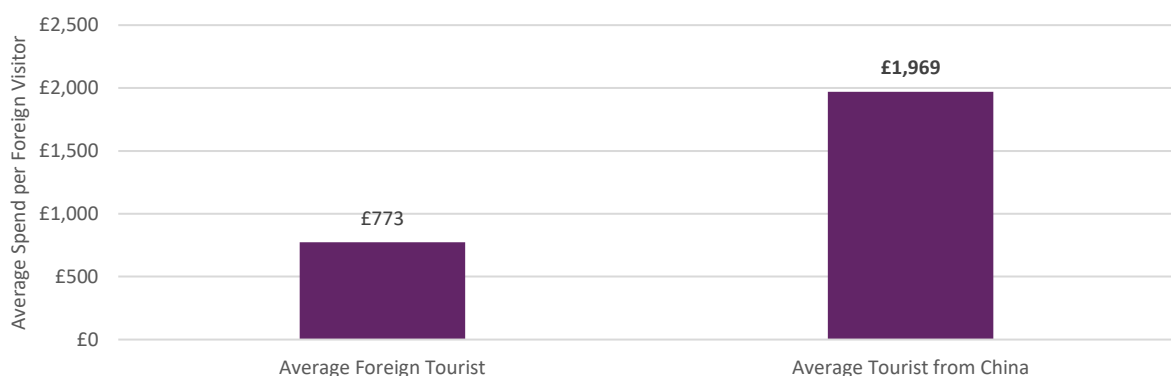
- 5.11. Tourists from China spent around £1.6 billion (see Figure 5.9), driven by very high levels of average spend per visit (see Figure 5.10).

**Figure 5.9: Visitor Spend by Country in 2019 (£ billions)**



Source: VisitBritain Tourism Survey (2019).

**Figure 5.10: Average Spend per Foreign Visitor compared to Visitors from China in 2019**

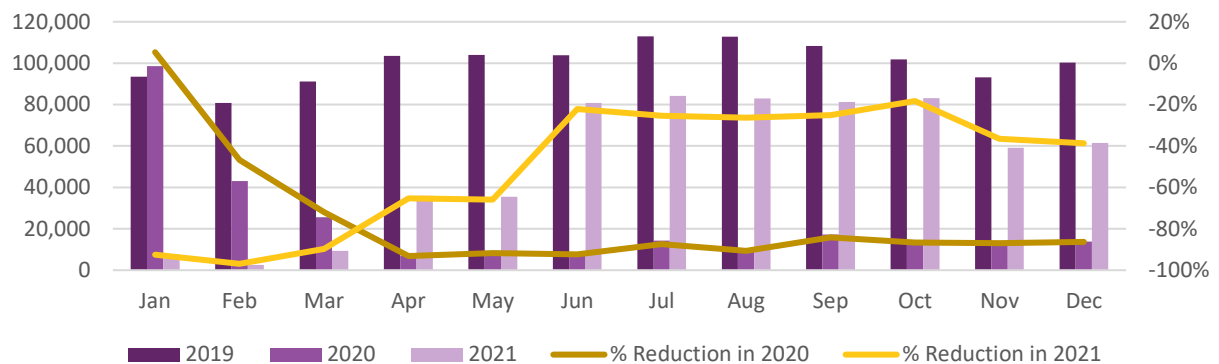


Source: VisitBritain Tourism Survey (2019).

## The Impact on the Air Transport Market

- 5.12. The Impact of COVID-19 on the air transport market between UK and China has been severely detrimental. Figure 5.11 highlights the reduction in seat capacity in 2020 and 2021. Seat capacity dropped by around 93% in April 2020 and remained down by around 80% to 90% throughout the year. A further drop was observed in February 2021, but published on seat capacity data suggests that the capacity drop slowly recovers to under 20% during summer of 2021. However, this forward position should be regarded with some caution.

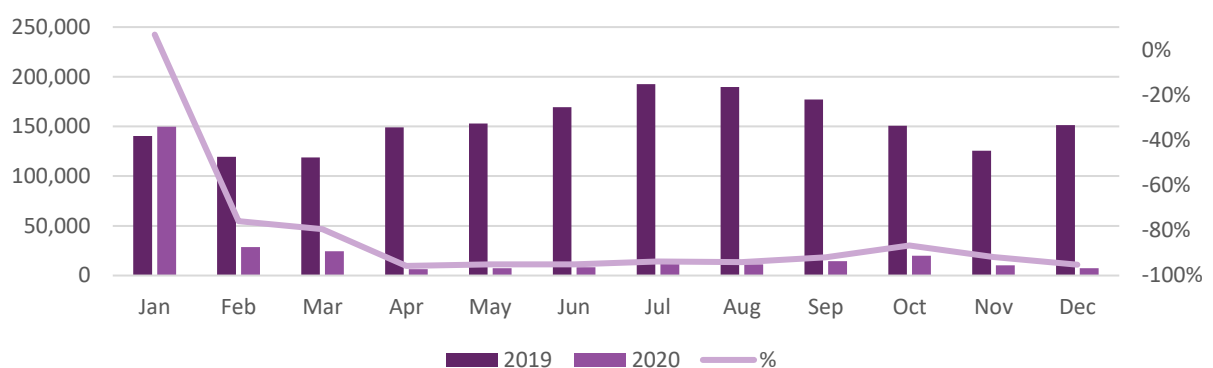
**Figure 5.11: Published One Way Seat Capacity between UK and China**



Source: OAG.

- 5.13. The impact on passenger volumes can be seen in Figure 5.12, where a bigger drop was observed in April and the passenger volumes remained steady ever since, with a marginal growth in the month of October.

**Figure 5.12: Passenger numbers by month between UK and China**

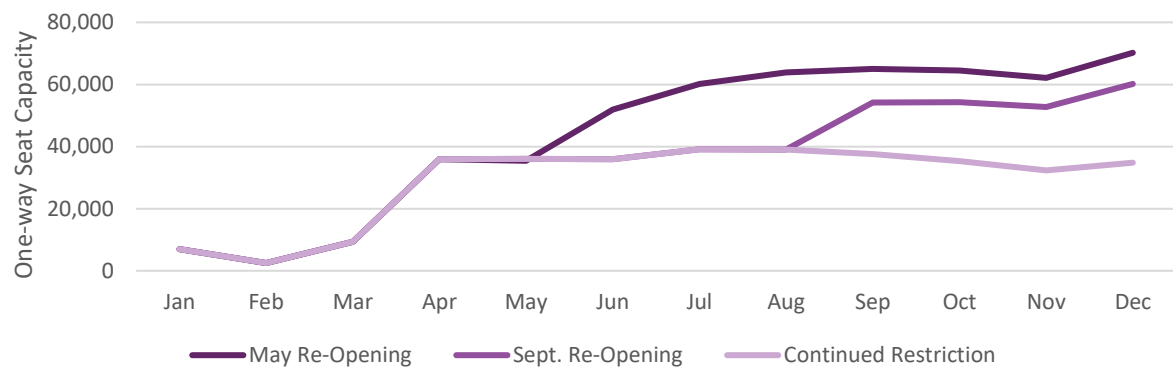


Source: CAA Statistics.

## The Real Outlook for the Remainder of 2021

- 5.14. Our assumed outlook for the remainder of 2021 for the purposes of assessing the economic cost of ongoing restrictions can be seen in Figure 5.13 below, outlining the one-way seat capacity between the UK and China. This has been based around the UK Government's pathway for easing lockdown restrictions. It is assumed that if travel restrictions continue, there is minimal growth and recovery in the seat capacity. However, if travel restrictions are lifted in May, the market starts to recover and approaches seat capacities of around 70% of 2019 levels by the end of the year.
- 5.15. Furthermore, an additional scenario has been added to understand the potential impacts if flight restrictions are lifted later, in September 2021. As can be seen in Figure 5.12, the greater share of flying activity is generally in the summer period, where traffic is higher and therefore it is anticipated that a marginally greater proportion of the economic costs would be lost during this summer period.

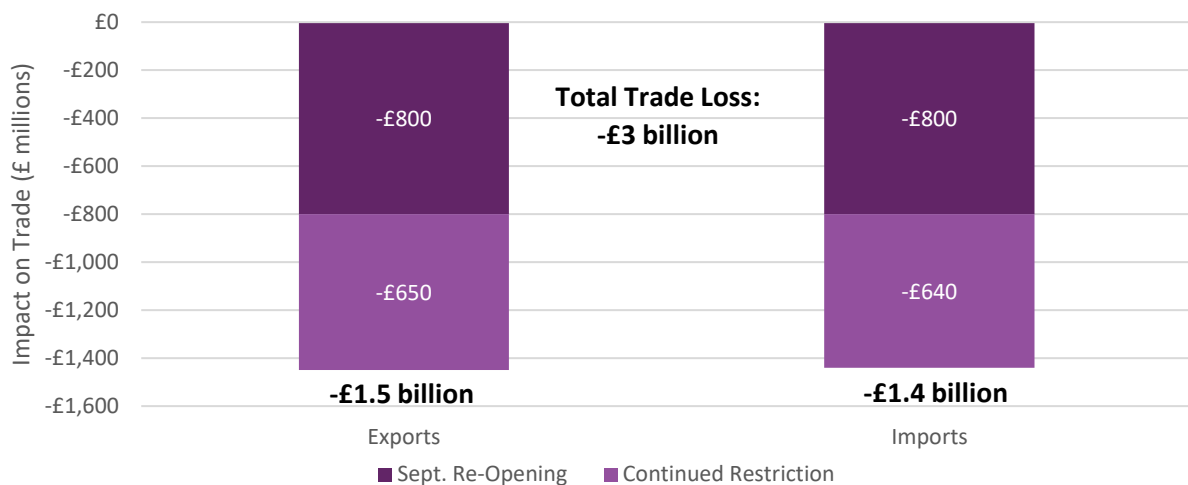


**Figure 5.13: Seat Capacity Outlook for 2021 With and Without Actions on Restrictions**

Source: York Aviation.

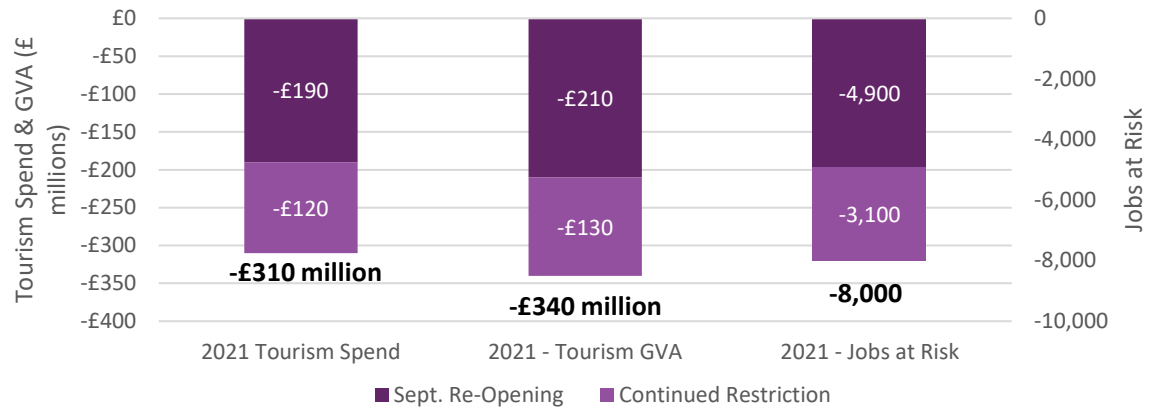
### The Economic Impact of Ongoing Restrictions

- 5.16. The impact of not opening air links between the UK and China in May 2021, as per the UK Government's roadmap, is detrimental to the trading relationship between the China and the UK. If restrictions continue through to the end of 2021, the value of trade lost is estimated to be around £3 billion in total. This includes a £1.5 billion fall in exports to China.
- 5.17. A delay in re-opening to September 2021 will have a significant impact. If re-opening is delayed to September, just over a half of the benefits that could have been accrued by opening in May 2021, could no longer be achieved. This equates to around a nearly £1.6 billion loss in trade.

**Figure 5.14: Impact on UK – China Trade**

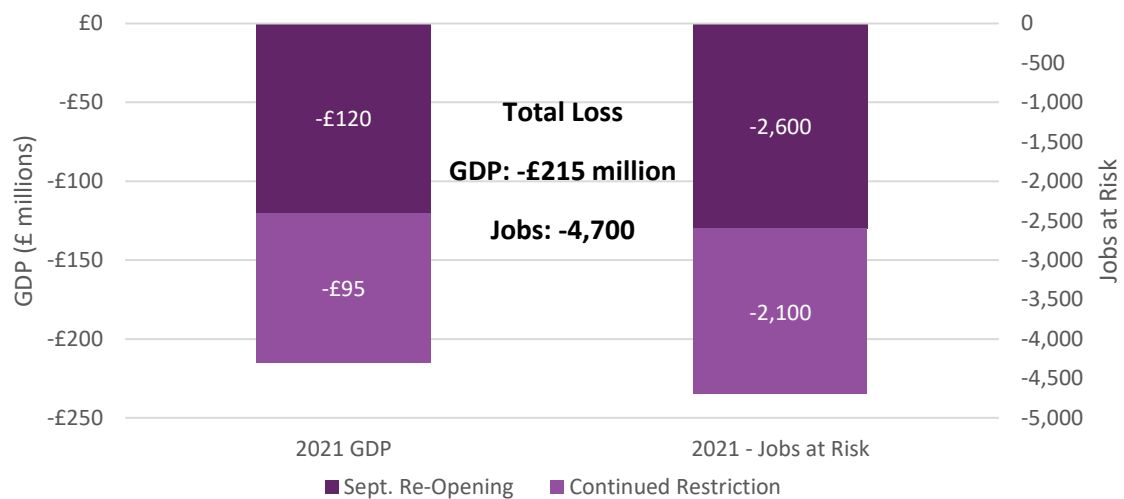
Source: York Aviation Analysis.

- 5.18. The impact on inbound tourism to the UK is expected to be significant. By not opening air links in May 2021, around £310 million in tourism spend is estimated to be lost, resulting in a loss in GDP of around £340 million, putting 8,000 jobs at risk.
- 5.19. If re-opening is delayed until September, less than 40% of these impacts could then be recovered. As can be seen in Figure 5.15, in each case, the majority of the tourism spend, GVA and tourism related jobs would be at risk during the summer period. By delaying until September, around £190 million in tourism spend and £210 million in GDP could not then be recovered, putting around 4,900 jobs at risk.

**Figure 5.15: Impact on Inbound Tourism to the UK**

Source: York Aviation Analysis.

- 5.20. The overall loss in GDP from not opening UK-China air links in May 2021 is estimated to be around £215 million. This equates to around 4,700 jobs being put at risk. Again, if re-opening is delayed until September, then it would not be possible to recover a significant proportion of these costs. It is estimated that this delay would cost around £120 million in GDP, putting 2,600 jobs at risk.

**Figure 5.16: Impact on UK GDP**

Source: York Aviation Analysis.

## 6. Brazil

### Introduction

- 6.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and Brazil, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021.

### Air Transport Links

- 6.2. In 2019, the origin and destination market between the UK and Brazil was around 0.8 million. Brazil's two core cities, Sao Paulo and Rio de Janeiro, are both served from London Heathrow Airport on direct services. However, a direct service to Rio de Janeiro is operated from London Gatwick too, at a lower frequency.

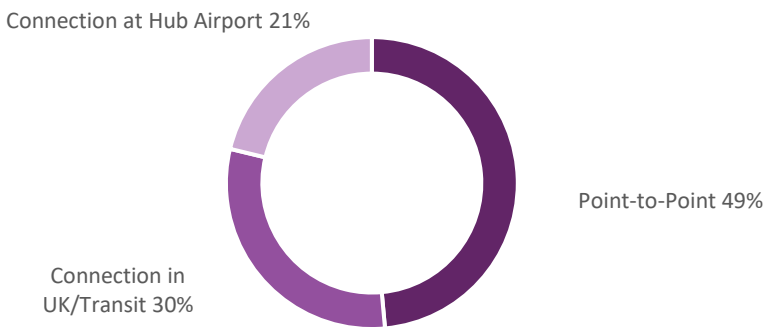
**Figure 6.1: Number of Destinations Served in Brazil by Airport Category in 2019.**



Source: OAG & York Aviation Analysis.

- 6.3. Approximately 50% of the passengers fly on direct non-stop services between Brazil and the UK. Figure 6.2 shows that the other half either make onward connections at London Heathrow or stop over at another hub airport to make their journeys to Brazil.

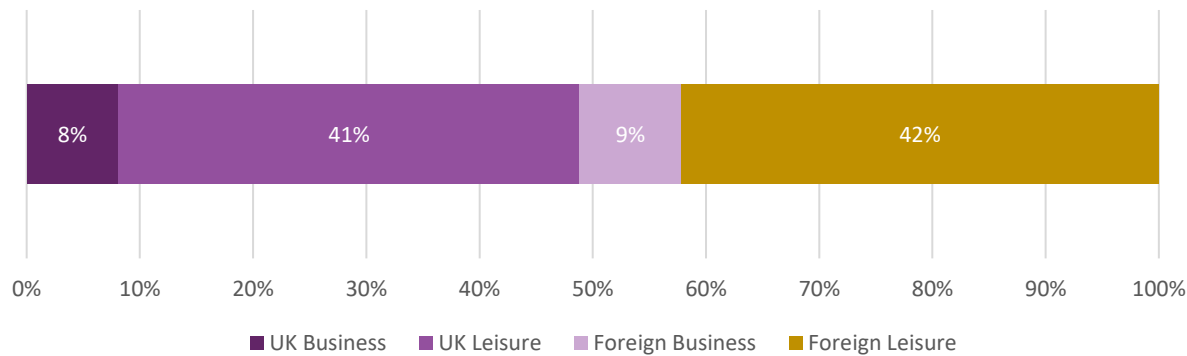
**Figure 6.2: Proportion of Passengers Travelling Between the UK and Brazil on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 6.4. In line with most long-haul destinations, leisure passengers make up the largest group by purpose, approximately 83% of total market.

Figure 6.3: Profile of Passengers Travelling Between the UK and Brazil by UK Airport in 2017, 2018 and 2019



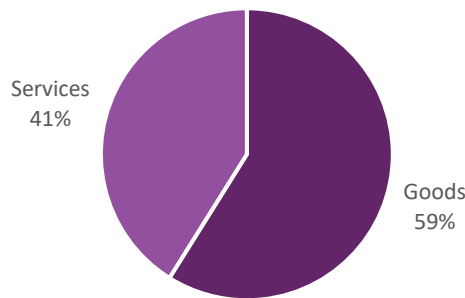
Source: CAA Passenger surveys 2017-19.

Economic Links between the UK and Brazil

Trade

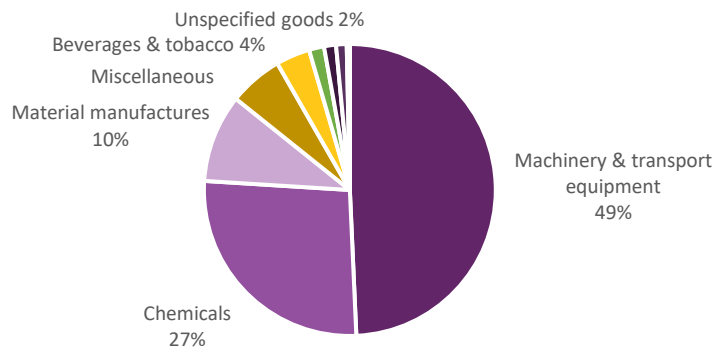
- 6.5. The total value of trade between the UK and Brazil reached around £6.5 billion in 2019, of which, around £3.8 billion worth of goods and services was exported from the UK.
- 6.6. Exports to Brazil were focussed more on goods than services (see figure 6.4). UK goods exports to Brazil are primarily made up of Machinery and Transport Equipment (42%), miscellaneous manufactures (20%) and Chemicals (16%), as can be seen in Figure 6.5. Key sectors for service exports include Other Business Services, Travel, Insurance, and Financial Services, which together make up around 68% of total service exports (see Figure 6.6).

Figure 6.4: Exports to Brazil by Type



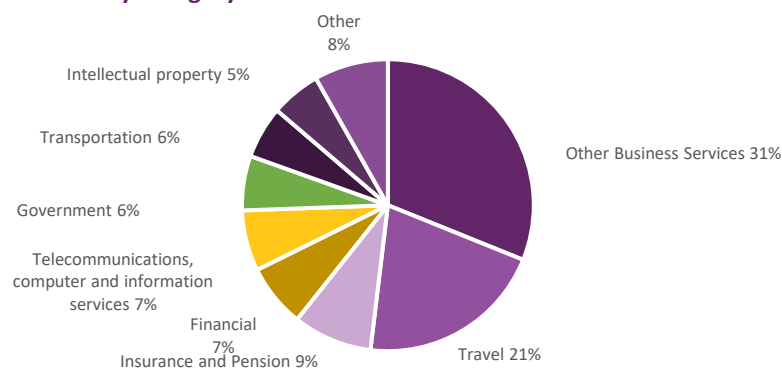
Source: ONS The Pink Book 2020.

**Figure 6.5: Exports in Goods by Category in 2019**



Source: ONS The Pink Book 2020.

**Figure 6.6: Exports in Services by Category in 2019**

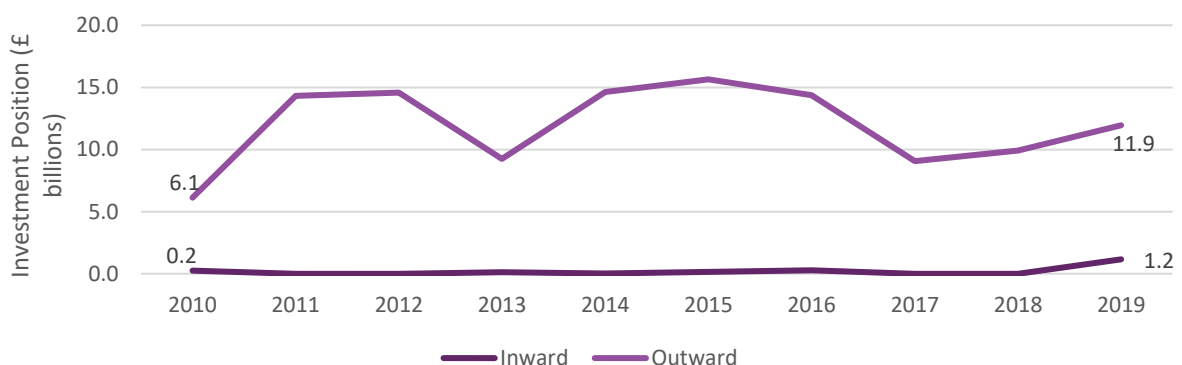


Source: ONS The Pink Book 2020.

### Foreign Direct Investment

- 6.7. Brazil, like India and China, has been a net recipient of FDI in its relationship with the UK. As can be seen in Figure 6.7, the UK's outward investment position has grown from £6.1 billion in 2010 to £11.9 billion in 2019, whilst the inward investment position remained flat at near 0 for much of the period, with growth to £1.2 billion in 2019.

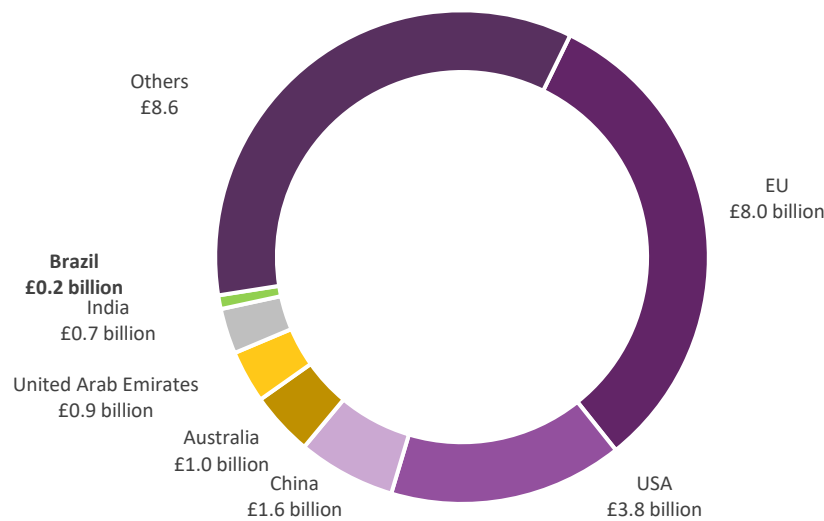
**Figure 6.7: International Inward and Outward Investment Position since 2010 (£ billions)**



Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward & Outward

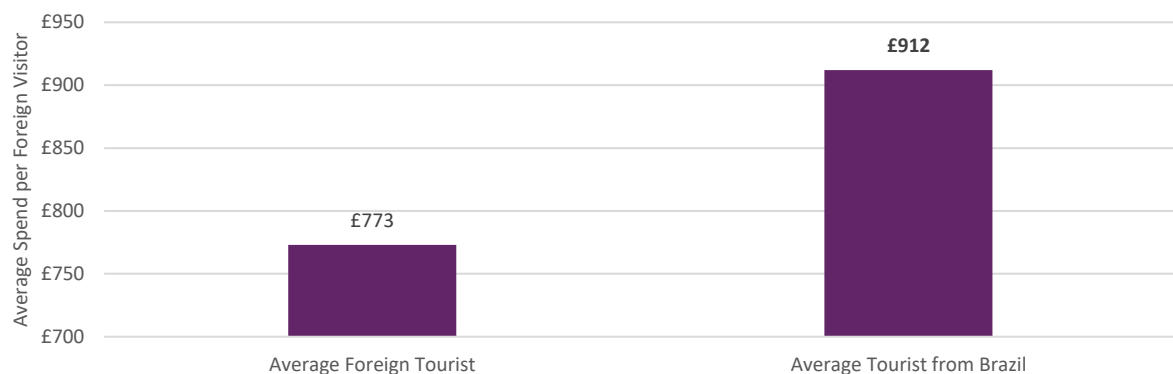
### Tourism

- 6.8. The UK welcomed approximately 223,000 air visitors from Brazil in 2019, who injected around £200 million into the UK economy in terms of visitor expenditure.

**Figure 6.8: Visitor Spend by Country (£ billions, 2019)**

Source: VisitBritain Tourism Survey (2019).

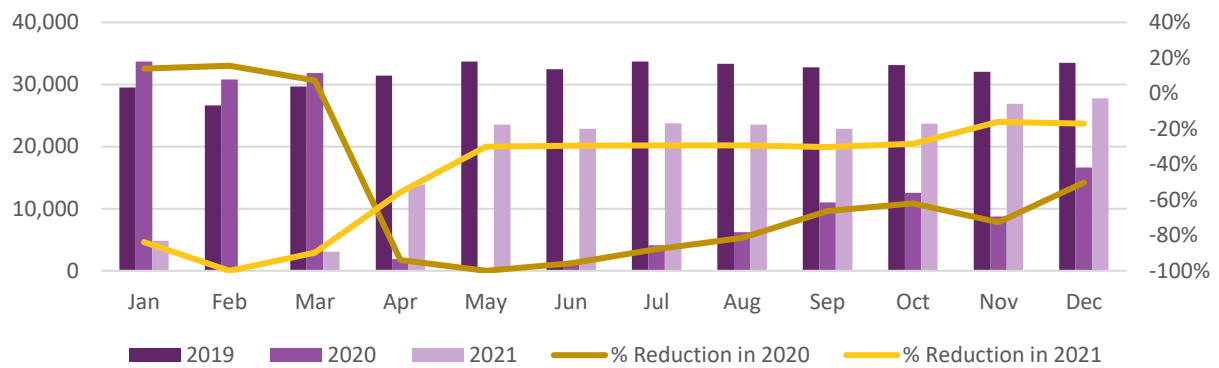
- 6.9. Figure 6.9 outlines the average spend per air visitor arriving from Brazil in comparison to other visitors. In 2019, air visitors from Brazil spent an average of around £912 per visit. This spend is approximately 20% higher than the average foreign tourist spend in the UK.

**Figure 6.9: Average Spend per Foreign Visitor compared to Visitors from Brazil in 2019**

Source: VisitBritain Tourism Survey (2019).

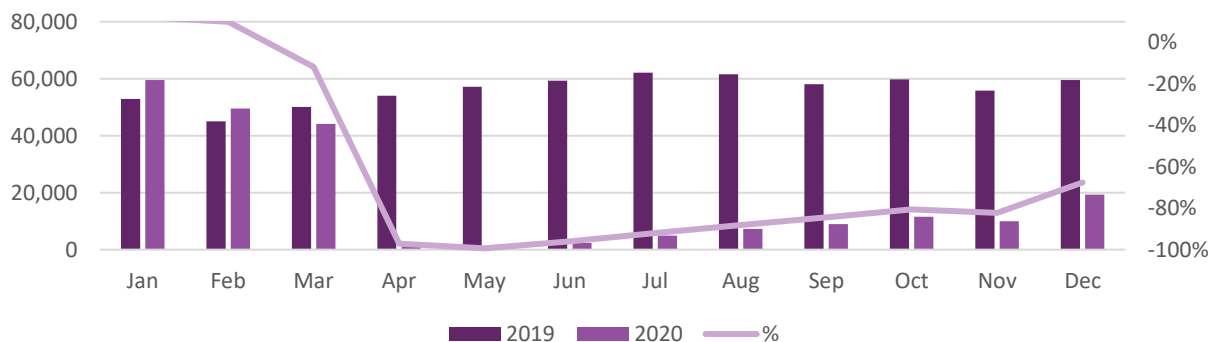
### The Impact on the Air Transport Market

- 6.10. The Impact of COVID-19 on the air transport market between UK and Brazil has been lower than in some markets. This is outlined in Figure 6.10 in the form of one way seat capacity between UK and Brazil. Although initially there was 94% drop in seat capacity, this has recovered more quickly than in some markets through the year. However, the discovery of the new Brazilian variant earlier this year meant that further restrictions were introduced in the early months of 2021 and direct links have been banned. Published schedules suggest a relatively strong recovery through 2021, but this must be regarded with considerable caution.

**Figure 6.10: Published One Way Seat Capacity between UK and Brazil**

Source: OAG.

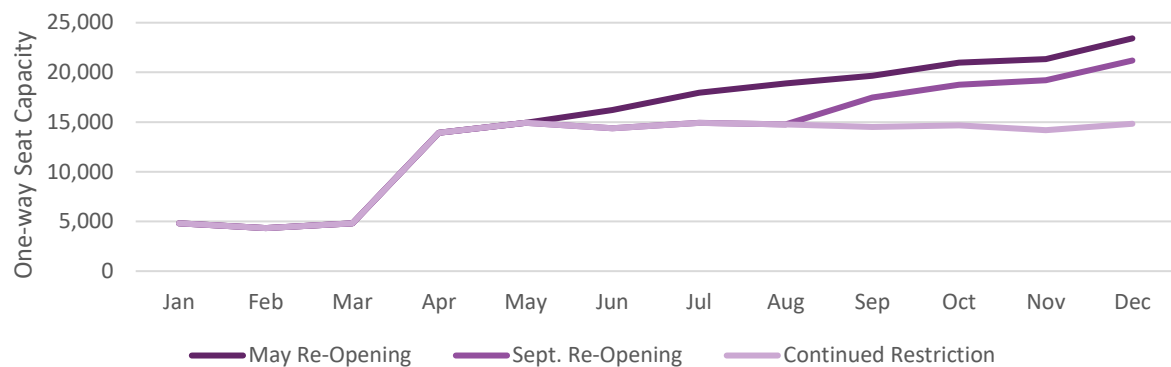
- 6.11. The impact on monthly passenger volumes has been similar to the seat capacity trend. The number of passengers dropped by 97% in April 2020, compared to the same month in 2019 and passenger numbers slowly picked up in the latter half of the year, but at a slower rate than for capacity, reflecting low load factors.

**Figure 6.11: Passenger Numbers by Month between UK and Brazil**

Source: CAA Statistics.

### The Real Outlook for the Remainder of 2021

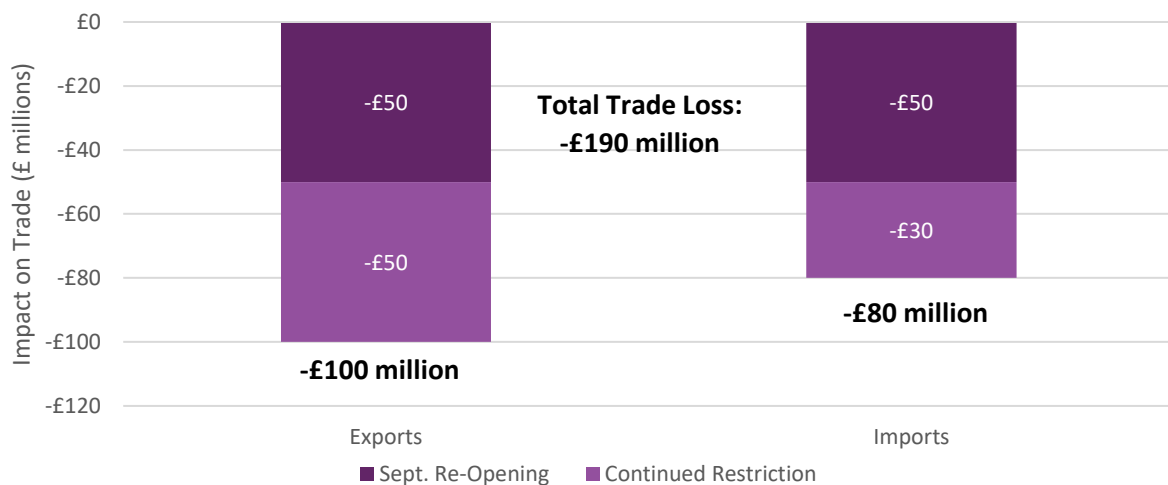
- 6.12. The assumed outlook for the remainder of 2021 is shown in Figure 6.12 to inform our assessment of economic costs. If restrictions are removed according to the Government pathway, then it is assumed that seat capacity would recover sooner than expected and approach 2019 seat capacities quicker. However, capacity is still expected to be considerably below 2019 levels by the end of 2021. Given the seriousness of the ongoing COVID-19 situation in Brazil, it should be recognised that this is, very much, an illustrative forward assessment.
- 6.13. Furthermore, an additional scenario has been added to understand the potential impacts if flight restrictions are lifted later, in September 2021.

**Figure 6.12: Seat Capacity Outlook for 2021 under With and Without Actions on Restrictions**

Source: York Aviation.

### The Economic Impact of Ongoing Restrictions

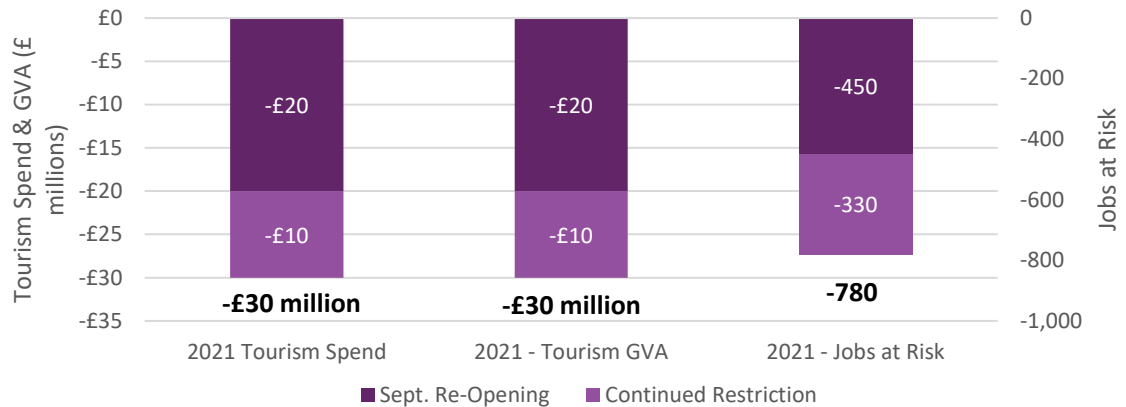
- 6.14. The impact of not opening air links between the UK and Brazil in May 2021, as per the UK Government's roadmap, is detrimental to the trading relationship between Brazil and the UK. If restrictions continue through to the end of 2021, the value of trade loss is estimated to be around £190 million in total. This includes a £50 million drop in exports to Brazil.
- 6.15. The timeline here, too, is crucial because even a delay in re-opening to September 2021 will have a significant impact. If re-opening is delayed to September, just over a half of the benefits that could have been accrued by May 2021, could no longer be achieved. This equates to around a nearly £100 million loss in trade.

**Figure 6.13: Impact on UK – Brazil Trade**

Source: York Aviation Analysis.

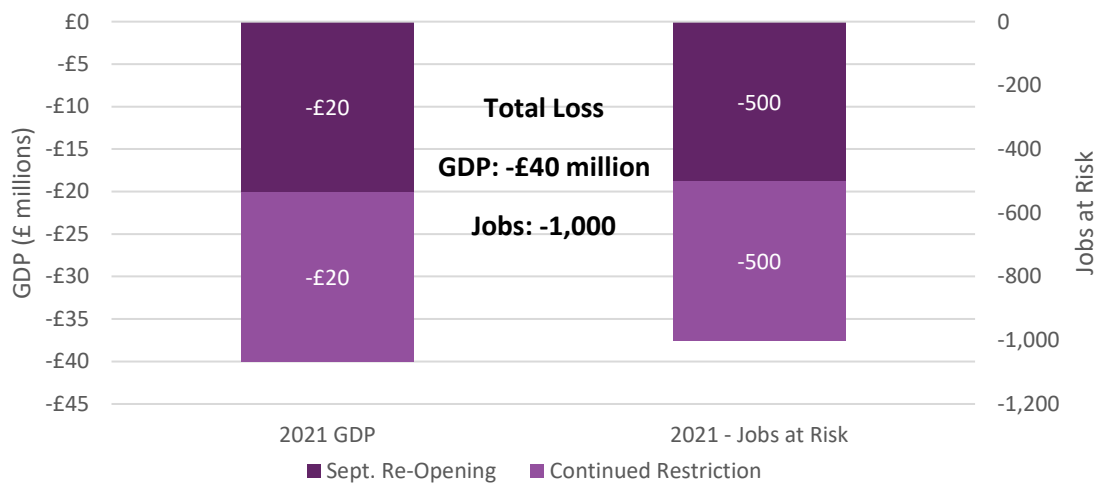
- 6.16. The impact on inbound tourism to the UK is expected to be significant. By not opening air links in May 2021, it is estimated that there will be a loss of £30 million in tourism spend, resulting in a loss in GDP of around £30 million, putting nearly 800 jobs at risk.
- 6.17. If re-opening is delayed until September, only around a third of these impacts could then be recovered. By delaying until September, around £20 million in tourism spend and £20 million in GDP could not then be recovered, putting around 450 jobs at risk.



**Figure 6.14: Impact on Inbound tourism to the UK**

Source: York Aviation Analysis.

- 6.18. The overall loss in GDP from not opening UK-Brazil air links in May 2021 is estimated to be around £40 million. This equates to around 1,000 jobs being put at risk. Again, if re-opening is delayed until September, then, it will not be possible to recover all these costs. It is estimated that this delay would cost around £20 million in GDP, putting 500 jobs at risk.

**Figure 6.15: Impact on UK GDP**

Source: York Aviation Analysis.

## 7. Australia

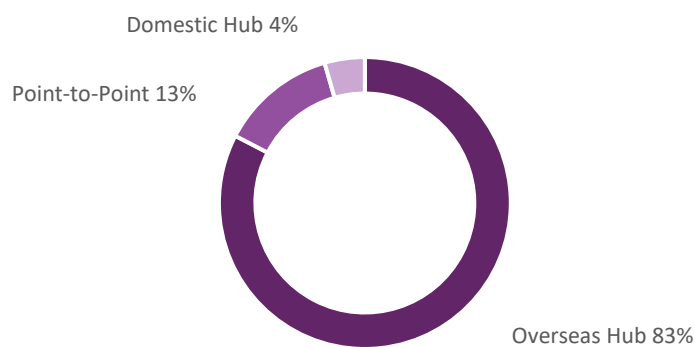
### Introduction

- 7.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and Australia, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021.

### Air Transport Links

- 7.2. In 2019, the origin and destination market between the UK and Australia was around 3.5 million. 2019 also marked the launch of the first non-stop direct service between London Heathrow and Perth. Most passengers travelled indirectly with a stop at an overseas hub airport (83%). Only a small proportion of total passengers used direct point-to-point services.

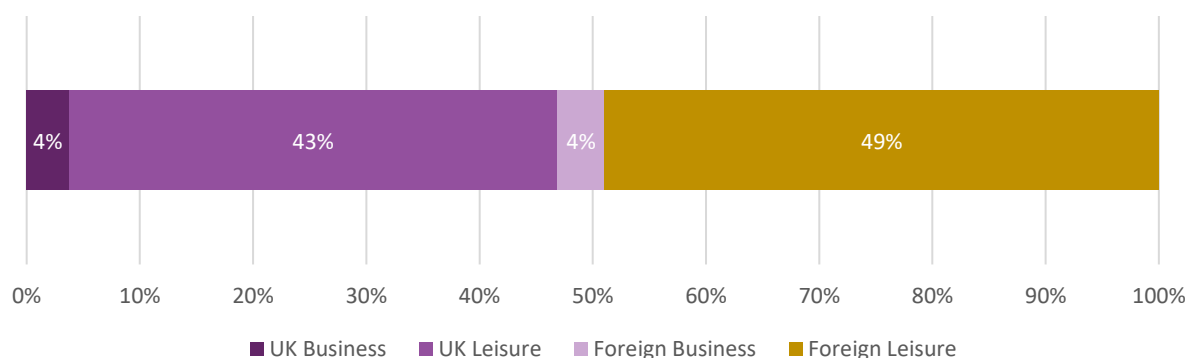
**Figure 7.1: Proportion of Passengers Travelling Between the UK and Australia on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 7.3. Given the deep historic connection and the unique tourism products offered by the two nations, it is unsurprising to see the heavy concentration of leisure passengers flying between UK and Australia. The passenger profile is highlighted in Figure 7.2, which suggests that approximately 92% of passengers travelled with the purpose of leisure.

**Figure 7.2: Profile of Passengers Travelling Between the UK and Australia in 2017, 2018 and 2019**



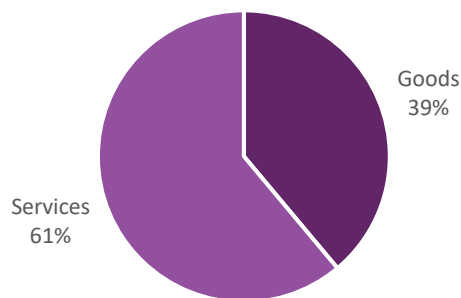
Source: CAA Passenger surveys 2017-19.

## Economic Links between the UK and Australia

### Trade

- 7.4. The total value of trade between the UK and Australia reached around £18.5 billion in 2019. Out of this trade, around £12 billion worth of goods and services (65% of total trade with Australia, by value) was exported from the UK.
- 7.5. Exports to Australia were focussed more on services than goods (see Figure 7.3). Services accounted for approximately 61% of the total exports to Australia.

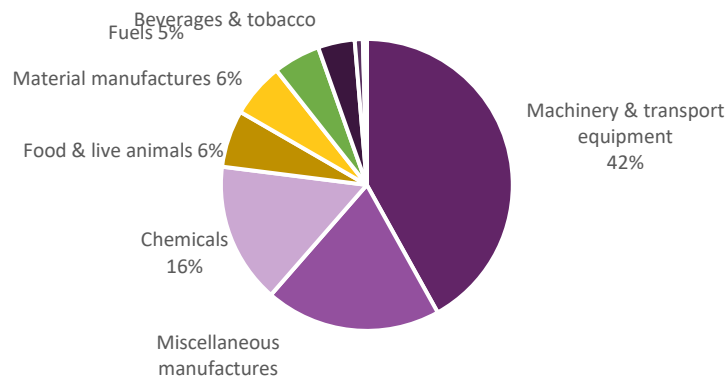
**Figure 7.3: Exports to Australia by type**



Source: ONS The Pink Book 2020.

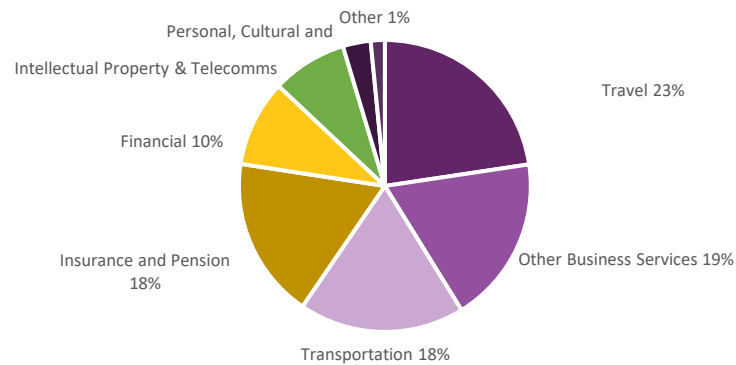
- 7.6. UK goods exports to Australia are primarily made up of Machinery and Transport Equipment (42%), Miscellaneous Manufactures (20%) and Chemicals (16%), as can be seen in Figure 7.4.

**Figure 7.4: Exports in Goods by Category in 2019**



Source: ONS The Pink Book 2020.

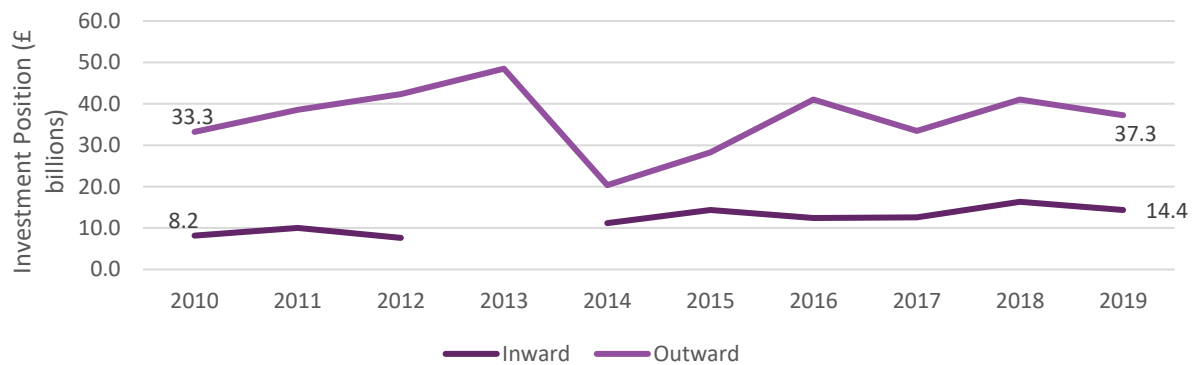
- 7.7. UK services exports to Australia are mainly broad based, with representation from a wide range of sectors, but particularly Travel (23%), Other Business Services (19%), Transportation (18%) and Insurance and Pension Activities (18%).

**Figure 7.5: Exports in Services by Category in 2019**

Source: ONS The Pink Book 2020.

### Foreign Direct Investment

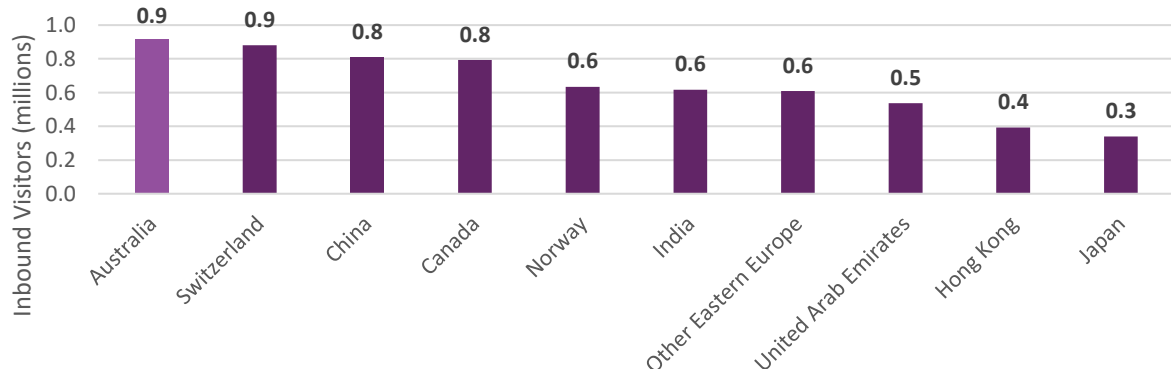
- 7.8. Since 2010, Australia has been net beneficiary of FDI, with UK's outward investment position in Australia valued at around £37 billion in 2019, a slow growth from £33 billion in 2010. In comparison, the UK's inward investment position from Australia is relatively lower at £14.4 billion in 2019, although this has grown substantially.

**Figure 7.6: International Inward and Outward Investment Position since 2010 (£ billions)**

Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward &amp; Outward.

### Tourism

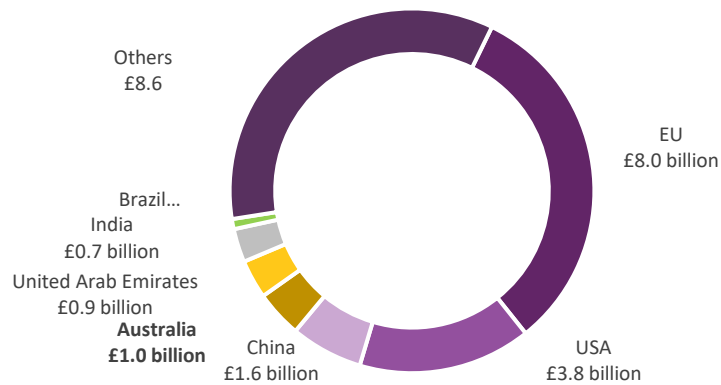
- 7.9. Data from VisitBritain suggests that approximately 900,000 visitors came to the UK from Australia in 2019. Figure 7.7 shows the number of tourist visitors from a selection of countries excluding the US and the EU nations. Australia had the highest number of inbound visitors to the UK in 2019 of any nation in this group.

**Figure 7.7: Top 10 UK Inbound Tourism Markets by Visitor Numbers in 2019 (Excluding USA & EU)**

Source: VisitBritain Tourism Survey (2019).

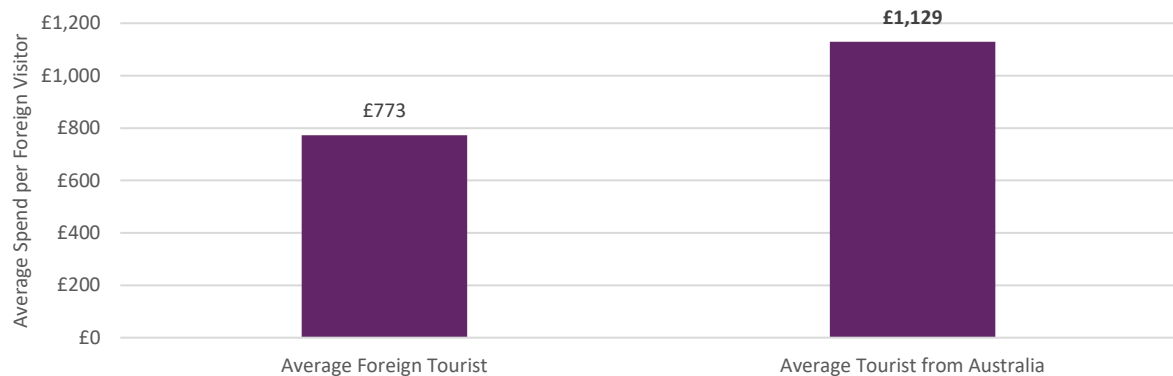
- 7.10. Air visitors from Australia injected approximately £1 billion in the form of tourism spend into the UK. On average, a visitor from Australia spends around 46% more than an average foreign visitor to the UK (see figure 7.9).

**Figure 7.8: Visitor Spend by Country (£ billions, 2019)**



Source: VisitBritain Tourism Survey (2019).

**Figure 7.9: Average Spend per Foreign Visitor Compared to Visitors from Australia in 2019**

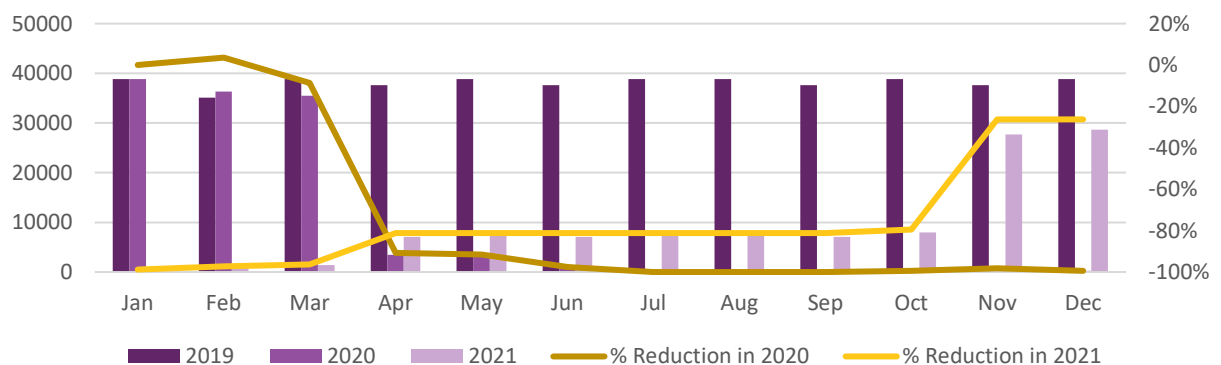


Source: VisitBritain Tourism Survey (2019).

## The Impact on the Air Transport Market

- 7.11. The Impact of COVID 19 has led to a complete cessation in direct air services between the two nations, as shown in Figure 7.10, when authorities in Australia introduced a complete restriction on international passenger flights. Current published schedules suggest that services would soon begin to recover from April 2021 with a more substantive recovery by the end of 2021. However, given the Australian Government's position, even this should be regarded with some caution.

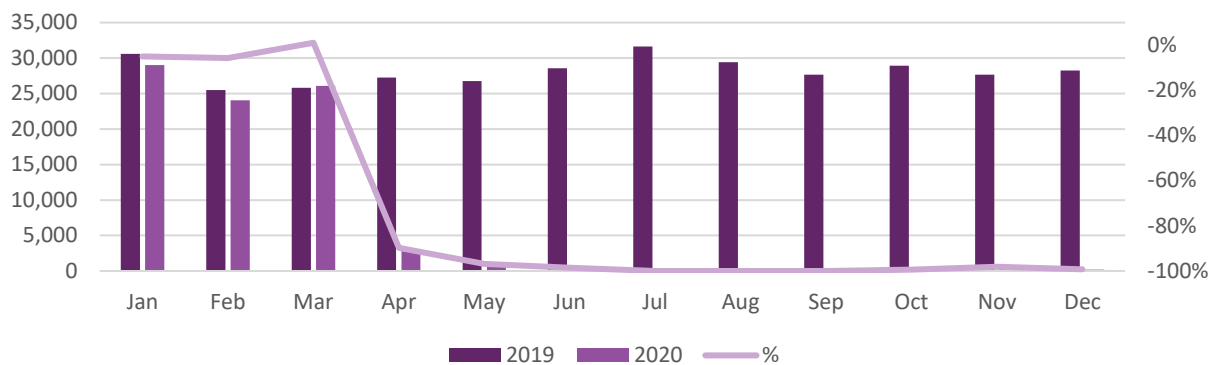
**Figure 7.10: Published One Way Seat Capacity between UK and Australia**



Source: OAG.

- 7.12. The impact on passenger volumes has followed a similar path to the flight capacity, with minimal passengers flying directly between the two nations.

**Figure 7.11: Passenger numbers by month between UK and Australia**

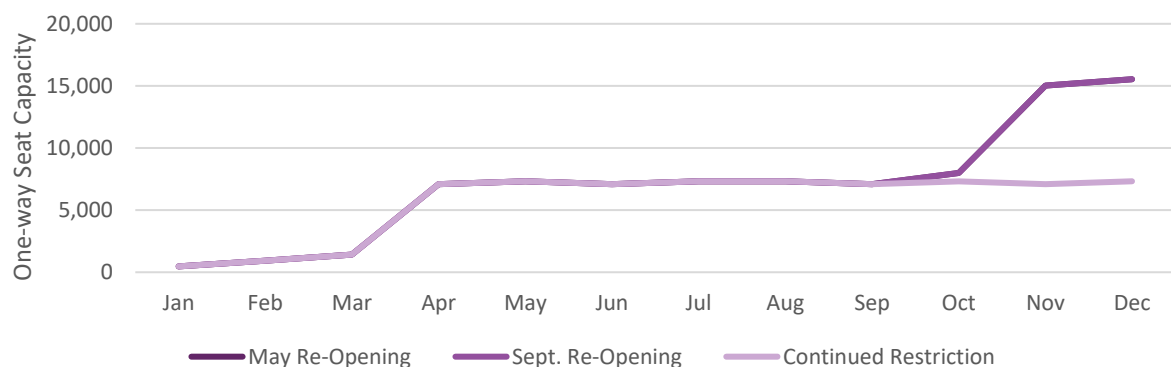


Source: CAA Statistics.

### The Real Outlook for the Remainder of 2021

- 7.13. Figure 7.12 shows the basis for assessment of the potential costs of failing to reopen international travel between UK and Australia in 2021. Australia is a market in which there are clear indications that there is unlikely to be significant recovery until late in 2021. On this basis, we have assumed re-opening starts meaningfully in November. This means that there is no difference between re-opening in May and September in this case.

**Figure 7.12: Seat Capacity Outlook for 2021 under With and Without Actions on Restrictions**



Source: York Aviation.

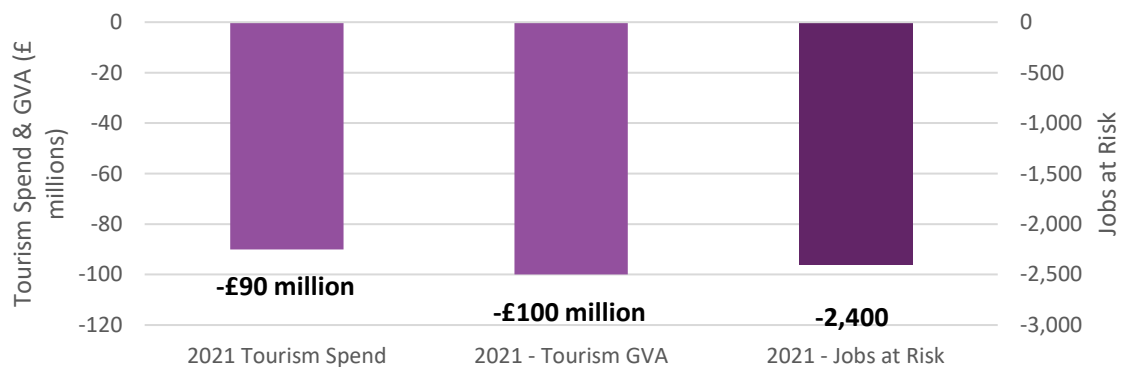
### The Economic Impact of Ongoing Restrictions

- 7.14. The impact of ongoing travel restrictions on UK / Australia trade is shown in Figure 7.13 below. It is estimated that a total of £210 million would be lost in trade.

**Figure 7.13: Impact on UK – Australia Trade**

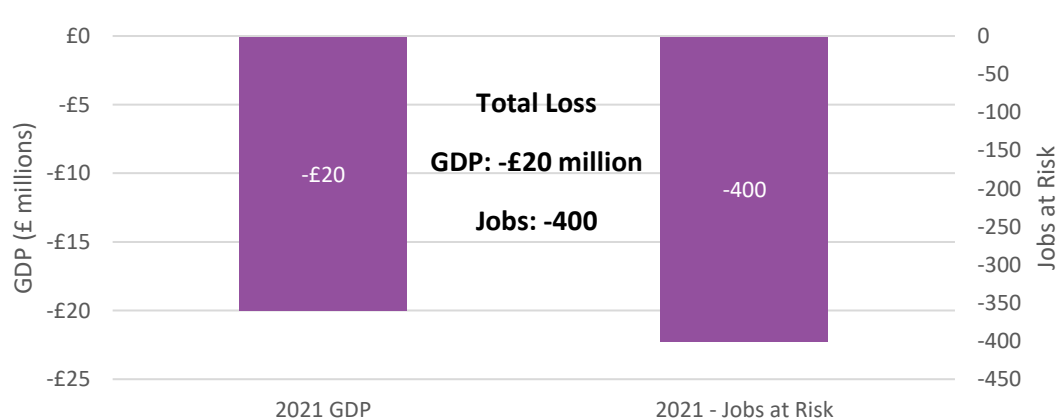
Source: York Aviation Analysis.

- 7.15. Given the importance of Australian visitors to the UK, the tourism economy too is expected to be significantly impacted, with an estimated loss of £90 million in tourism expenditure, resulting in a loss of GDP of around £100 million, which equates to 2,400 jobs at risk.

**Figure 7.14: Impact on Inbound tourism to the UK**

Source: York Aviation Analysis.

- 7.16. The overall impact on UK GDP from continued travel restrictions between Australia and the UK in 2021 is estimated to be around £20 million in GDP, equating to around 400 jobs at risk.

**Figure 7.15: Impact on UK GDP**

Source: York Aviation Analysis.

## 8. South Africa

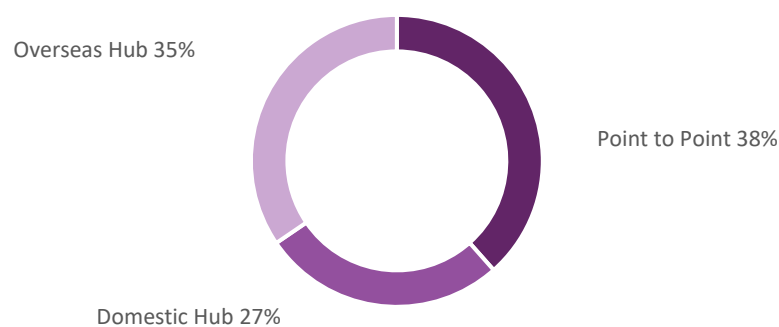
### Introduction

- 8.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and South Africa, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021.

### Air Transport Links

- 8.2. In 2019, the origin and destination market between the UK and South Africa was just over 1.5 million passengers. Direct services between the two nations were only operated from the London Airports, namely London Heathrow and London Gatwick.
- 8.3. The proportion of passengers travelling directly on a point-to-point service is 38%, whilst the majority of passengers use some form of indirect connectivity to travel between the two nations.

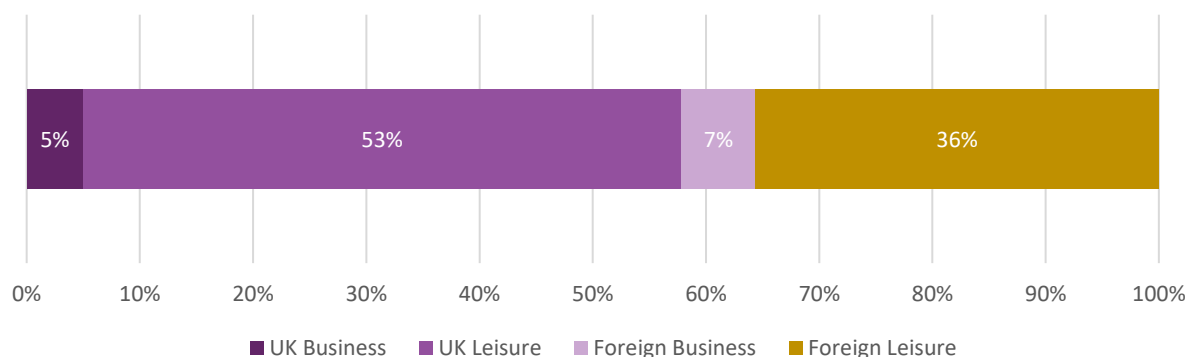
**Figure 8.1: Proportion of Passengers Travelling Between the UK and South Africa on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 8.4. The largest segment of the passenger profile is UK Leisure, with around 53% of the total passengers. In total, around 89% of the total passenger market is leisure oriented. 12% of the total market is comprised of business passengers.

**Figure 8.2: Profile of Passengers Travelling Between the UK and South Africa in 2017, 2018 and 2019**



Source: CAA Passenger surveys 2017-19.

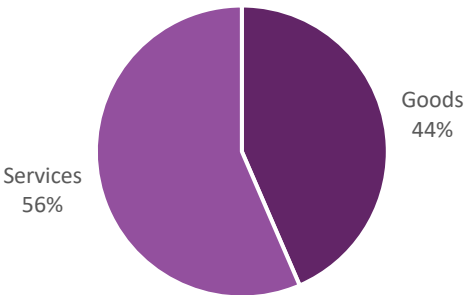


Economic Links between the UK and South Africa

Trade

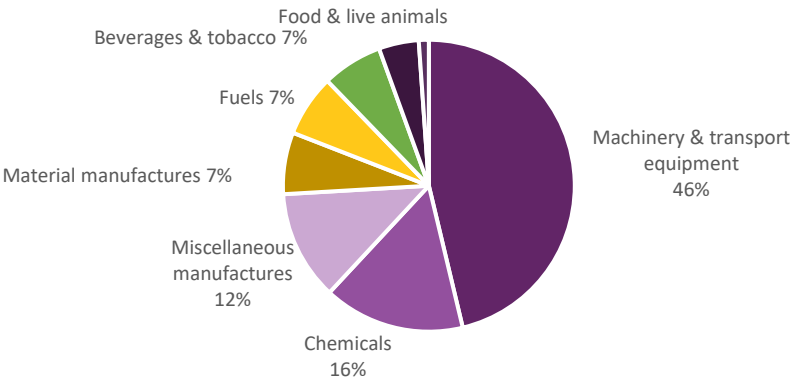
- 8.5. In 2019, the total trade between UK and South Africa was valued at around £10.8 billion, of which around £4.7 billion was exports and around £5.3 billion imports.
- 8.6. Service exports to South Africa were marginally higher than goods exports, representing around 56% of the total (see Figure 8.3). Key sectors for services included Other Business Services, Travel, Intellectual Property, IT & Telecoms and Financial Services. The key economic sectors for good exports include Machinery & Transport Equipment, Chemicals and Miscellaneous Manufactures (see figure 8.5-8.6)

Figure 8.3: Exports to South Africa by Type



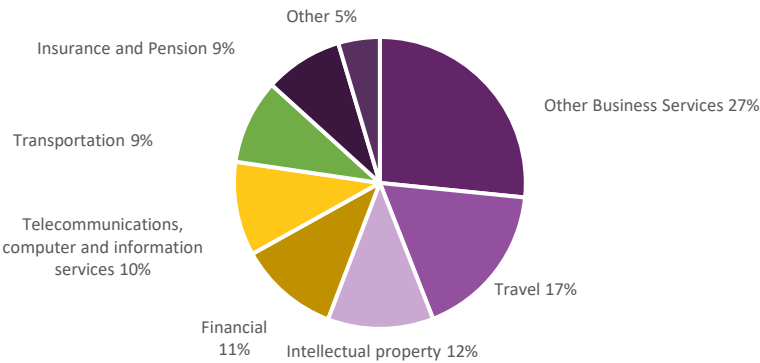
Source: ONS The Pink Book 2020.

Figure 8.4: Exports in Goods by Category in 2019



Source: ONS The Pink Book 2020.

Figure 8.5: Exports in Services by Category in 2019

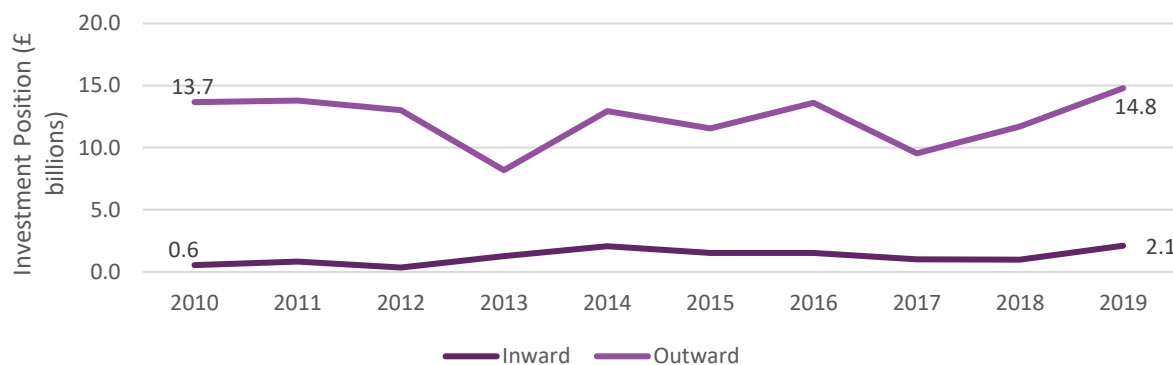


Source: ONS The Pink Book 2020.

### Foreign Direct Investment

- 8.7. South Africa, too, is a net beneficiary of FDI from the UK, with a UK outward investment position of around £14.8 billion in 2019. However, it is worth noting that the UK's inward investment position from South Africa has been growing steadily from £600 million in 2010 to over £2 billion in 2019.

**Figure 8.6: International Inward and Outward Investment Position since 2010 (£ billions)**

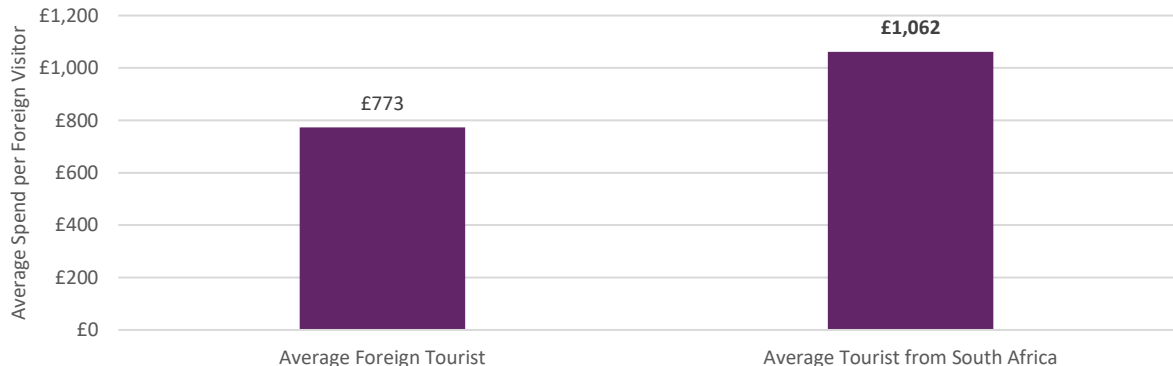


Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward & Outward

### Tourism

- 8.8. VisitBritain estimates that around 205,000 visitors came to the UK from South Africa in 2019 and spent around £220 million in the UK economy. It is also worth noting the relatively high value of these visitors in terms of average spend (see figure 8.8).

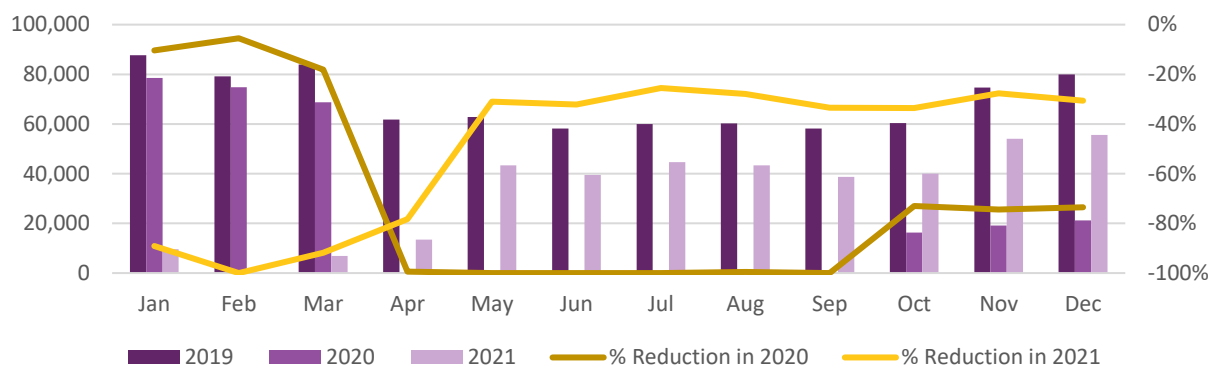
**Figure 8.7: Average Spend per Foreign Visitor compared to Visitors from South Africa in 2019**



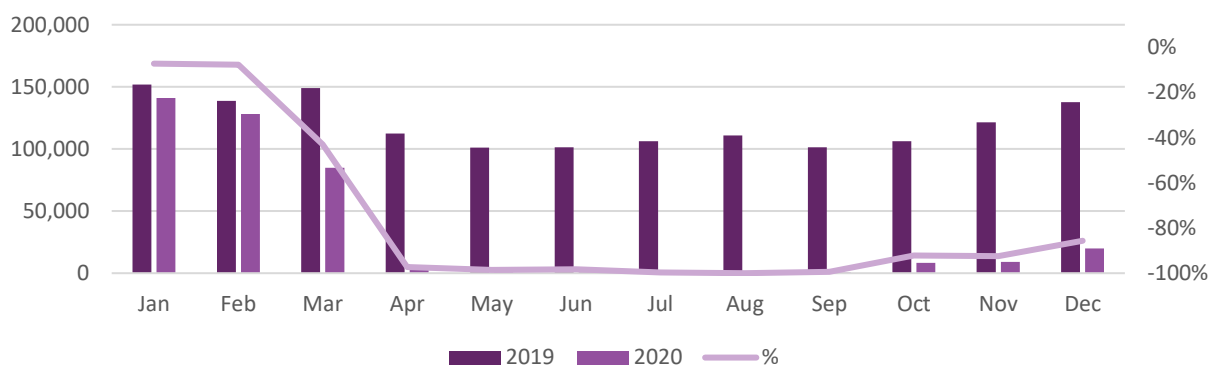
Source: VisitBritain Tourism Survey (2019).

### The Impact on the Air Transport Market

- 8.9. The COVID-19 pandemic saw direct air services between the two countries cease for much of 2020. Some limited service was restored in October, but services completely ceased again in February 2021 due to the new South African variant being reported in mid-December (see Figure 8.8). Unsurprisingly, even when services have been operating, passenger numbers have been weak (see Figure 8.9). Current published schedules suggest that services will start to recover again in April and grow through the year to around a 30% drop in 2019 seats by the end of the year. This, again, should be viewed with caution.

**Figure 8.8: Published One Way Seat Capacity between UK and South Africa**


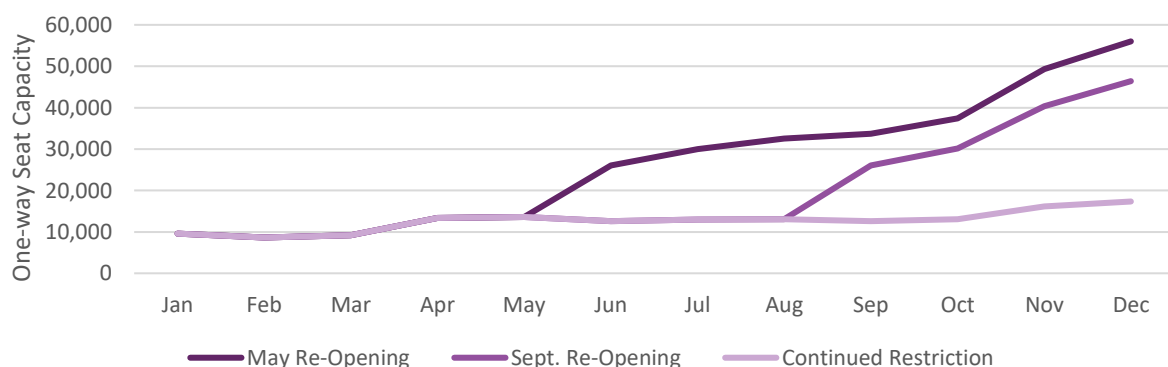
Source: OAG.

**Figure 8.9: Passenger Numbers by Month between UK and South Africa**


Source: CAA Statistics.

## The Real Outlook for the Remainder of 2021

- 8.10. The assumed outlook for the remainder of 2021 is shown in Figure 8.10 to inform our assessment of economic costs. If restrictions are removed according to the Government pathway, then it is assumed that seat capacity would recover sooner than expected and approach 2019 seat capacities quicker. However, capacity is still expected to be considerably below 2019 levels by the end of 2021. Given the seriousness of the ongoing COVID-19 situation in South Africa, it should be recognised that this is, very much, an illustrative forward assessment.
- 8.11. Furthermore, an additional scenario has been added to understand the potential impacts if flight restrictions are lifted later in September 2021.

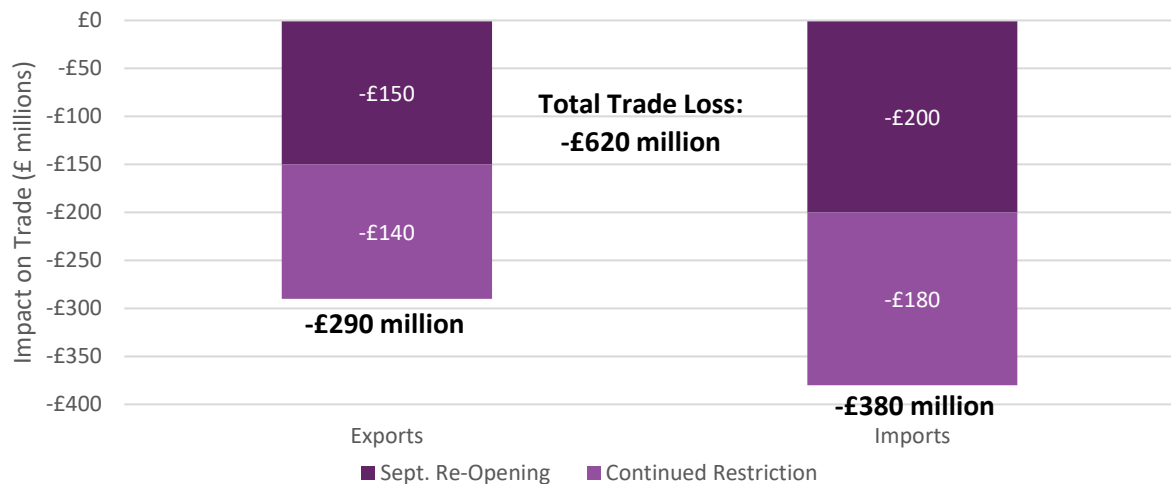
**Figure 8.10: Seat Capacity Outlook for 2021 under With and Without Actions on Restrictions**


Source: York Aviation.

## The Economic Impact of Ongoing Restrictions

- 8.12. The impact of not opening air links between the UK and South Africa in May 2021, as per the UK Government's roadmap, is detrimental to the trading relationship between the UK and Brazil. If restrictions continue through to the end of 2021, the value of trade loss is estimated to be close to £620 million in total. This includes a £290 million drop in exports to South Africa.
- 8.13. A delay in re-opening to September 2021 will have a significant impact. If re-opening is delayed to September, around half of the benefits that could have been accrued by May 2021, could no longer be achieved. This equates to around a nearly £350 million loss in trade.

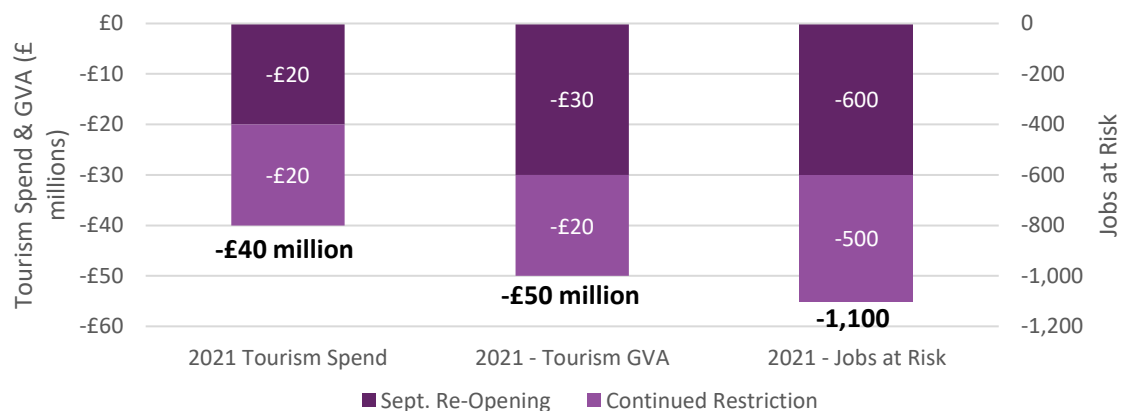
**Figure 8.11: Impact on UK – South Africa Trade**



Source: York Aviation Analysis.

- 8.14. The impact on inbound tourism to the UK is expected to be significant. By not opening air links in May 2021, it is estimated there will be a £40 million in tourism spend, resulting in a loss in GDP of around £50 million, putting 1,100 jobs at risk.
- 8.15. If re-opening is delayed until September, only around half of these impacts could then be recovered. As can be seen in Figure 8.12, in each case, much of the tourism spend, GVA and tourism related jobs would be at risk during the summer period. By delaying until September, around £20 million in tourism spend and £30 million in GDP could not then be recovered, putting around 600 jobs at risk.

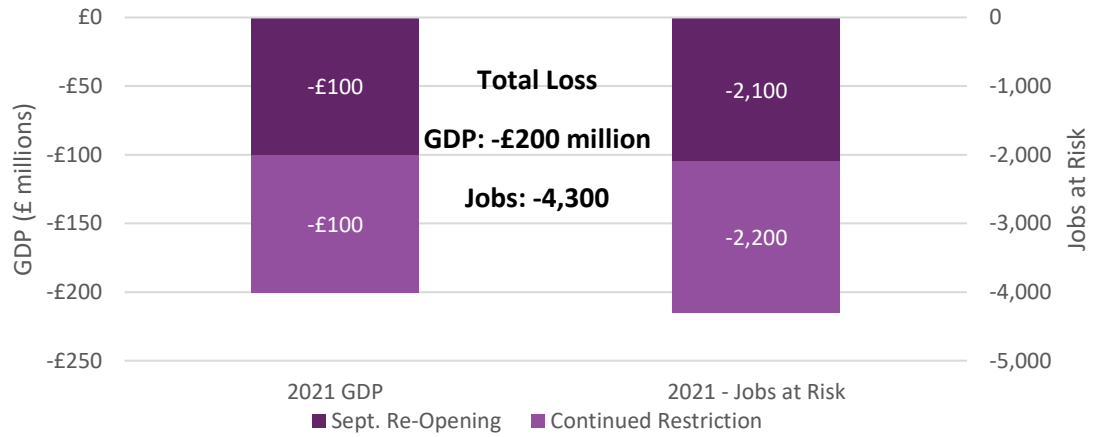
**Figure 8.12: Impact on Inbound Tourism to the UK**



Source: York Aviation Analysis.

- 8.16. The overall loss in GDP from not opening UK-South Africa air links in May 2021 is estimated to be around £200 million. This equates to around 4,300 jobs being put at risk. Again, if re-opening is delayed until September, then, it will not be possible to recover all these costs. It is estimated that this delay would cost around £100 million in GDP, putting 2,100 jobs at risk.

**Figure 8.13: Impact on UK GDP**



Source: York Aviation Analysis.

## 9. Brunei

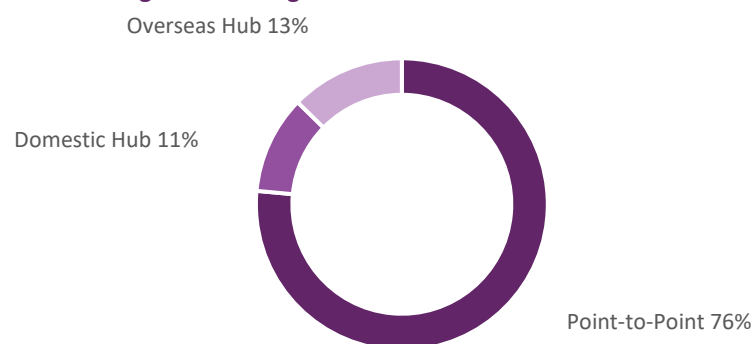
### Introduction

- 9.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and Brunei, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021.

### Air Transport Links

- 9.2. In 2019, the origin and destination market between the UK and Brunei was around 33,000 passengers. The only direct service between the two countries is from Heathrow. The majority of travellers to / from the UK are using the direct service from Heathrow (see Figure 9.1).

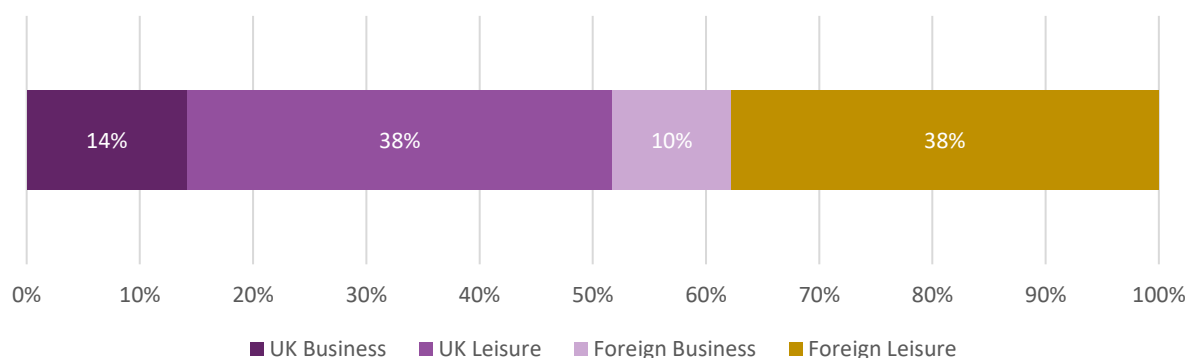
**Figure 9.1: Proportion of Passengers Travelling Between the UK and Brunei on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 9.3. The largest proportions of passengers outbound leisure passengers and inbound leisure passengers, which are equally distributed. The proportion of business passengers is also relatively strong (see Figure 9.2).

**Figure 9.2: Profile of Passengers Travelling Between the UK and Brunei in 2017, 2018 and 2019**



Source: CAA Passenger surveys 2017-19.

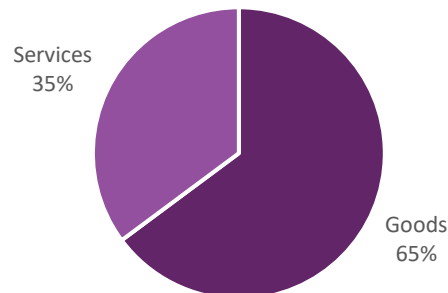
### Economic Links between the UK and Brunei

#### Trade

- 9.4. In 2019, total trade between the UK and Brunei was valued at around £101 million, of which around £91 million was exported in goods and services to Brunei and £10 million imports into the UK.

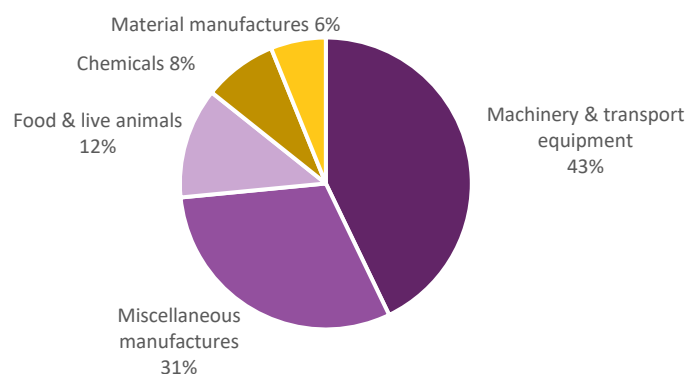
- 9.5. Exports to Brunei were focussed more on goods than services (see Figure 9.3), with Machinery and Transport Equipment and Miscellaneous Manufactures being the two most dominant sectors (see Figure 9.4). No further data is available on services exports.

**Figure 9.3: Exports to Brunei by Type**



Source: ONS The Pink Book 2020.

**Figure 9.4: Exports in Goods by Category in 2019**



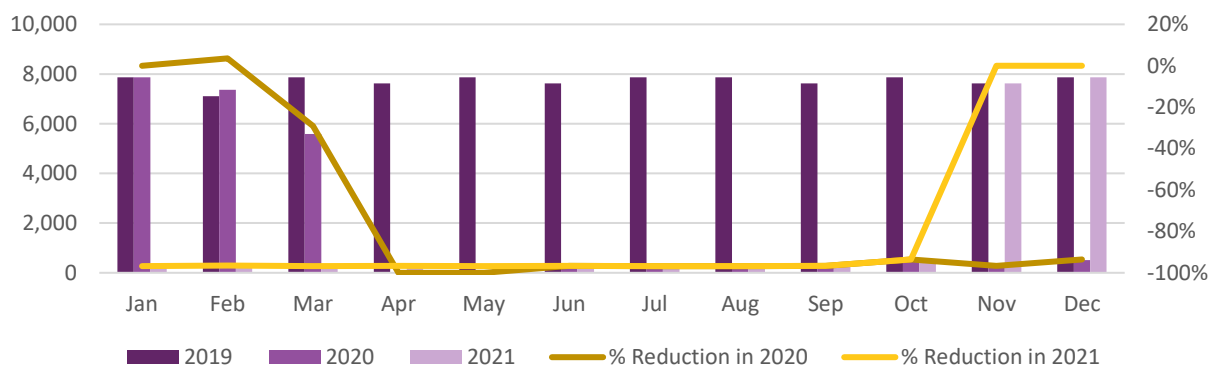
Source: ONS The Pink Book 2020.

### Tourism

- 9.6. Data from the CAA Passenger Survey suggests that the UK welcomed around 8,000 air visitors from Brunei in 2019.

### The Impact on the Air Transport Market

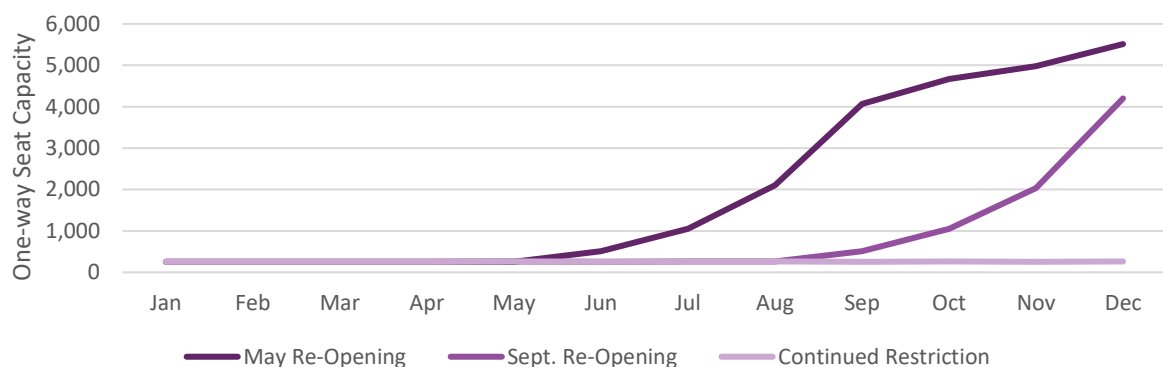
- 9.7. The Impact of COVID-19 on the air transport market between UK and Brunei has been detrimental with a complete cessation in April 2020. However, a small number of flights were kept operational throughout the rest of the 2020. Current published schedules suggest that services would start picking up later by around October 2021, returning to 2019 levels by November. This should, again, be viewed with some caution.

**Figure 9.5: Published One Way Seat Capacity between UK and Brunei**

Source: OAG.

### The Real Outlook for the Remainder of 2021

- 9.8. Figure 9.6 shows the basis for our assessment of the potential economic costs of failing to reopen international travel between the UK and Brunei in 2021. If international travel can be effectively reopened, then recovery begins in May and grows towards around 70% of 2019 levels by the end of the year. If progress cannot be made, then only very limited service is seen between the two countries throughout 2021. Again, we have included an additional scenario that examines the potential impacts of re-opening being delayed until September.

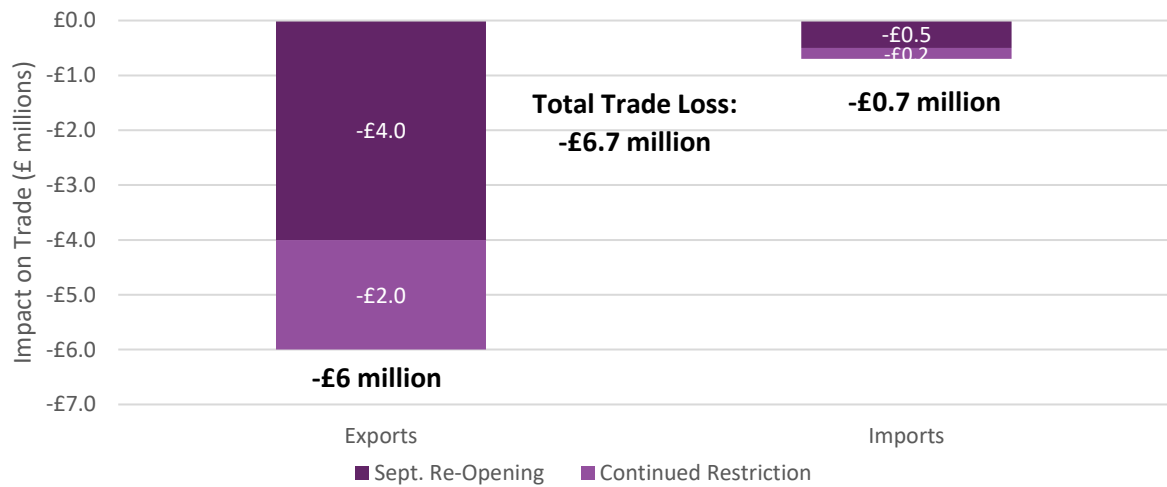
**Figure 9.6: Seat Capacity Outlook for 2021 under With and Without Actions on Restrictions**

Source: York Aviation.

### The Economic Impact of Ongoing Restrictions

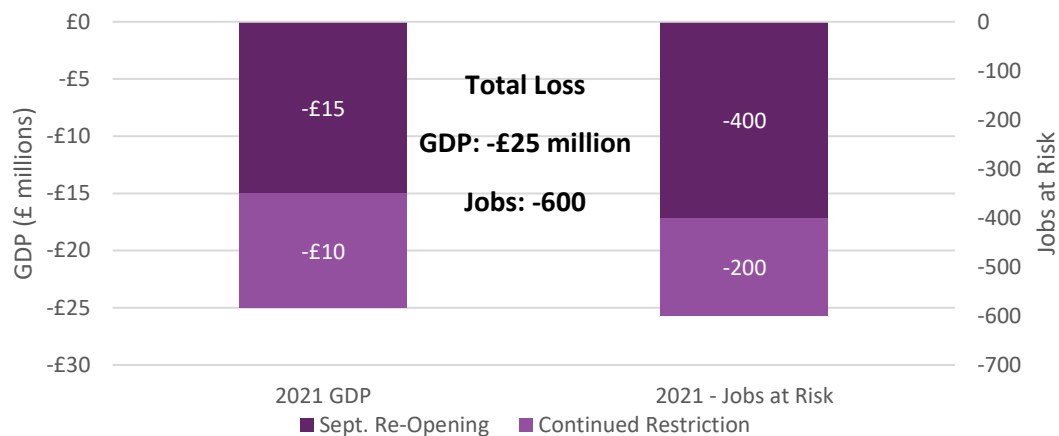
- 9.9. The impact of ongoing travel restrictions with Brunei through 2021 would have a small but still noteworthy impact on the UK economy. Below, we have set out the estimated impact on trade and overall UK GDP and jobs. We have not sought to estimate tourism impacts in this case due to the lack of data and the small size of the market.
- 9.10. The impact of not opening air links between the UK and Brunei in May 2021, as per the UK Government's roadmap, is detrimental to the trading relationship between the UK and Brunei. If restrictions continue through to the end of 2021, the value of trade loss is estimated to be close to £6 million in total. This includes a £4 million drop in exports to Brunei.
- 9.11. A delay in re-opening to September 2021 will have a significant impact. If re-opening is delayed to September, 75% of the benefits that could have been accrued by May 2021, could no longer be achieved. This equates to around a nearly £4.5 million loss in trade.



**Figure 9.7: Impact on UK – Brunei Trade**

Source: York Aviation Analysis.

- 9.12. The overall loss in GDP from not opening UK-Brunei air links in May 2021 is estimated to be around £25 million. This equates to around 600 jobs being put at risk. Again, if re-opening is delayed until September, then, it will not be possible to recover all these costs. It is estimated that this delay would cost around £15 million in GDP, putting 400 jobs at risk.

**Figure 9.8: Impact on UK GDP**

Source: York Aviation Analysis.

## 10. Canada

### Introduction

- 10.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and Canada, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021.

### Air Transport Links

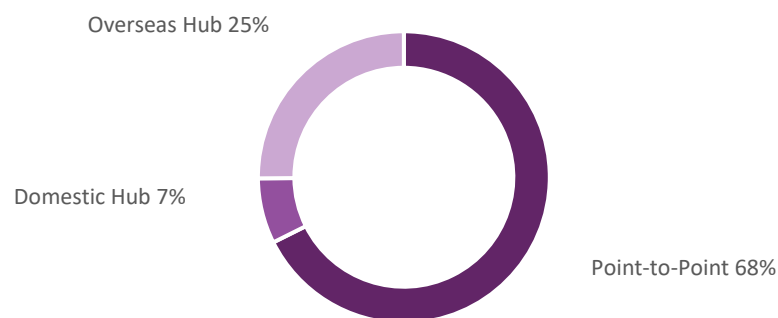
- 10.2. In 2019, the origin and destination market between the UK and Canada was around 2.6 million passengers. Heathrow operated services to the greatest number of destinations in Canada, with five cities (See Figure 10.1). Gatwick operated services to four destinations, while a number of regional airports offered access to two destinations. The majority of passengers travelling used direct, point to point services to travel (see Figure 10.2).

**Figure 10.1: Number of Destinations Served in Canada by Airport Category in 2019.**



Source: OAG & York Aviation Analysis.

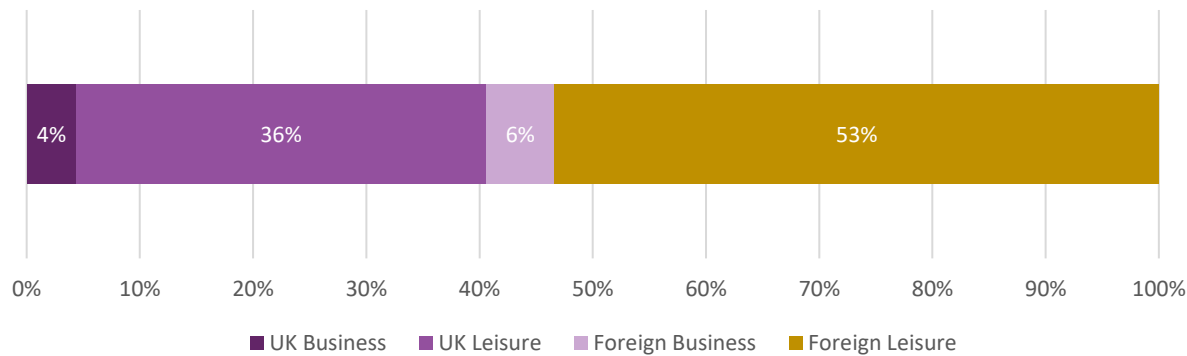
**Figure 10.2: Proportion of Passengers Travelling Between the UK and Canada on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 10.3. The largest segment of the market was overseas leisure travellers, at 53% (see Figure 10.3), followed by UK Leisure passengers (36%). Around 10% of the passengers were business passengers.

Figure 10.3: Profile of Passengers Travelling Between the UK and Canada in 2017, 2018 and 2019



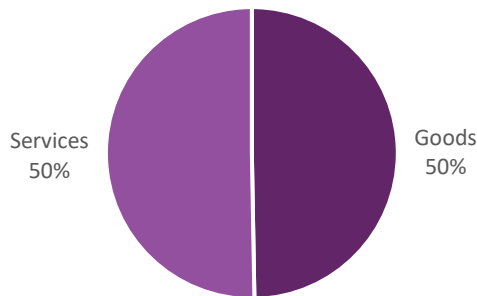
Source: CAA Passenger surveys 2017-19.

Economic Links between the UK and Canada

Trade

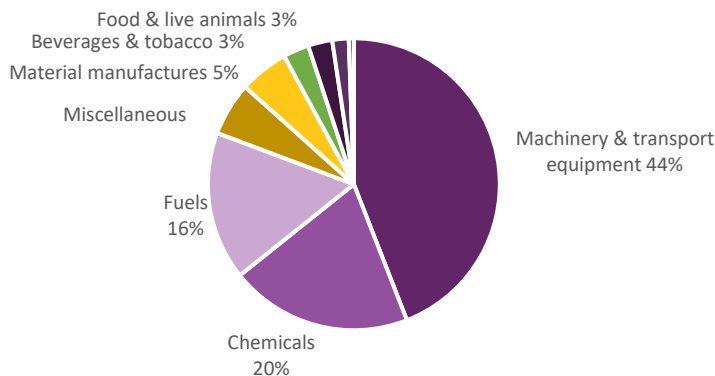
- 10.4. In 2019, total trade between the UK and Canada was valued at around £22.4 billion, of which around £11.4 billion was exports and £11 billion imports.
- 10.5. Exports to Canada were evenly balanced between goods and services (see Figure 10.4), with Machinery and Transport Equipment, chemicals and fuels being the dominant sectors for exports in goods (see Figure 10.5). Key sectors for exports in services included Insurance and Pension Activities, Other Business Services, Travel and Financial services, which together made up around 61% of total service exports (see Figure 10.6).

Figure 10.4: Exports to Canada by Type

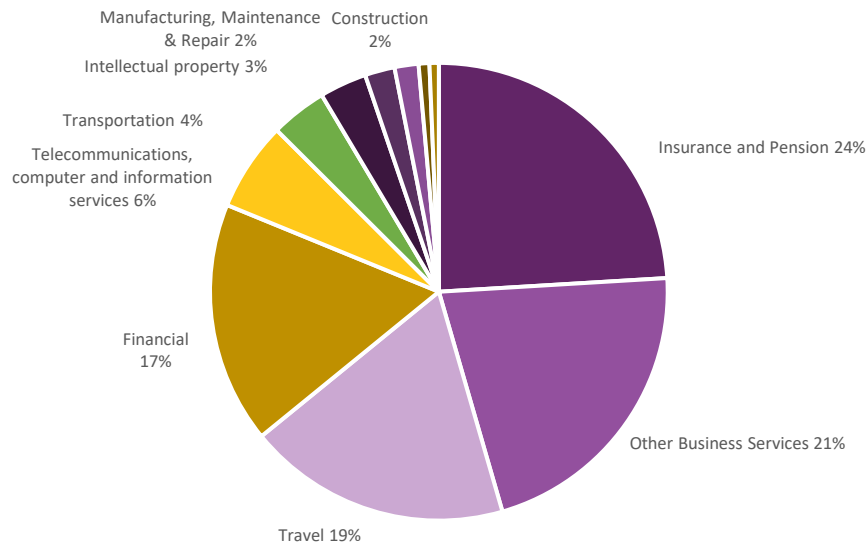


Source: ONS The Pink Book 2020.

Figure 10.5: Exports in Goods by Category in 2019



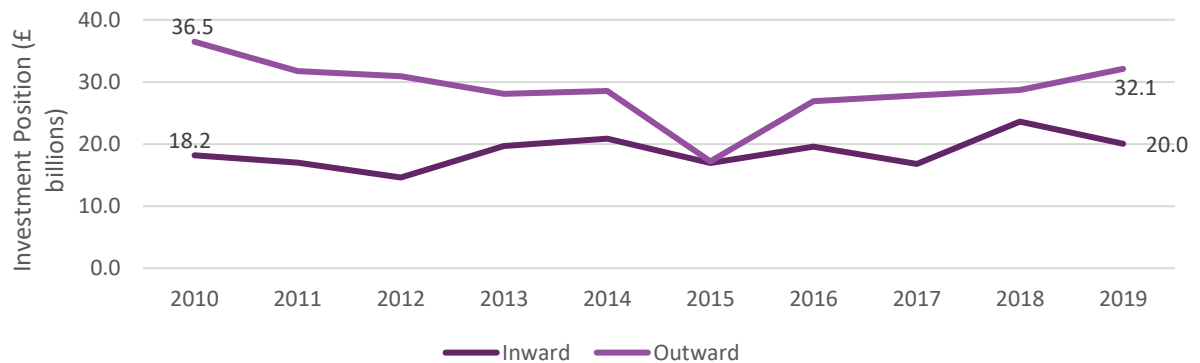
Source: ONS The Pink Book 2020.

**Figure 10.6: Exports in Services by Category in 2019**

Source: ONS The Pink Book 2020.

**Foreign Direct Investment**

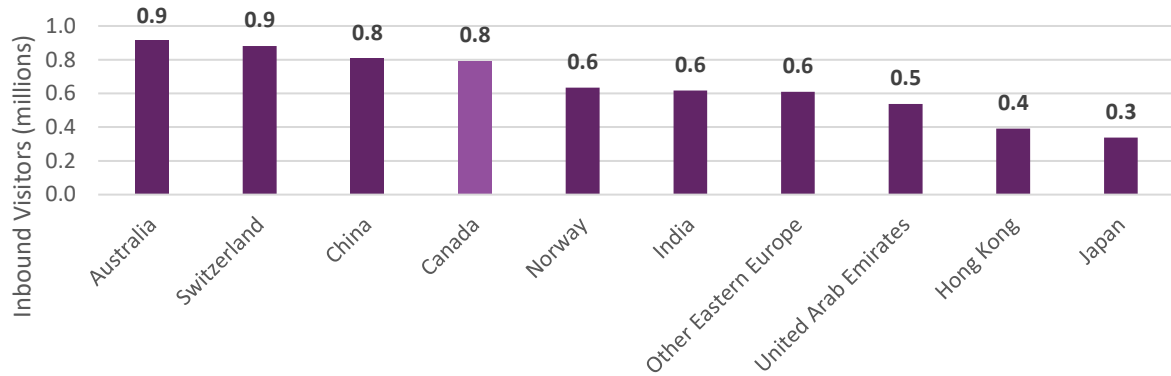
- 10.6. Although a net beneficiary of FDI, Canada is still a growing inward investor in the UK. Canada is home to some of the largest pension funds in the world, with investments across various sectors in the UK. Since 2010, the value of outward investment position has been dropping over time, whilst the inward investment position from Canada has been experiencing a modest growth (see figure 10.7)

**Figure 10.7: International Inward and Outward Investment Position since 2010 (£ billions)**

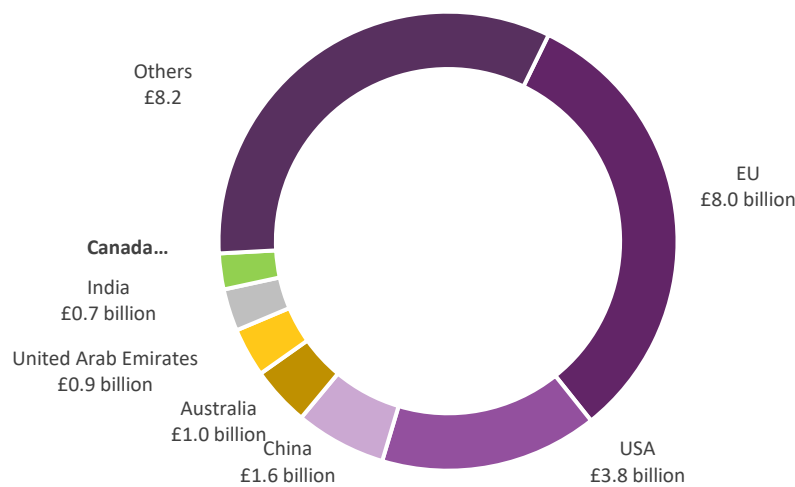
Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward &amp; Outward.

**Tourism**

- 10.7. In 2019, the UK welcomed around 800,000 air visitors from Canada, making it an important inbound tourism market for the UK. Excluding the US and EU nations, Canada is ranked fourth as a source of inbound visitors to the UK. VisitBritain estimates around £600 million was spent by tourists from Canada in the UK economy in 2019.

**Figure 10.8: Top 10 UK Inbound Tourism Markets by Visitor Numbers in 2019 (Excluding USA & EU)**

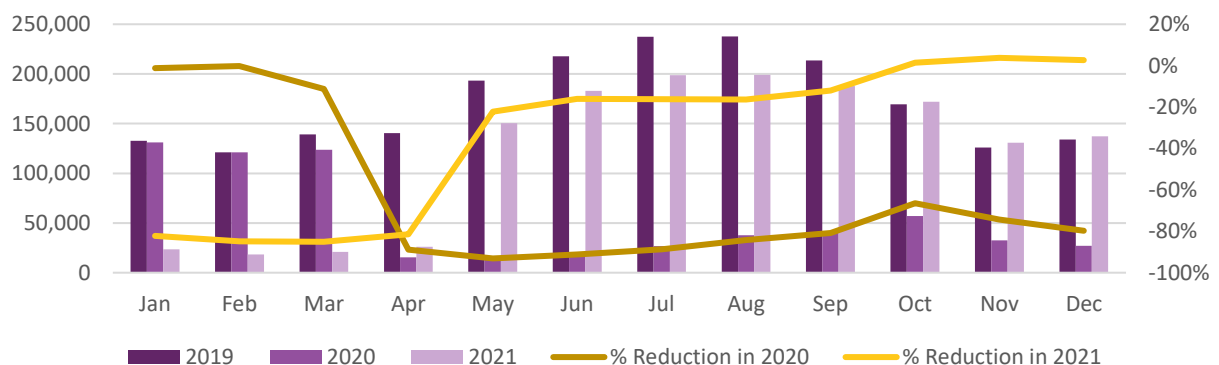
Source: VisitBritain Tourism Survey (2019).

**Figure 10.9: Visitor Spend by Country (£ billions, 2019)**

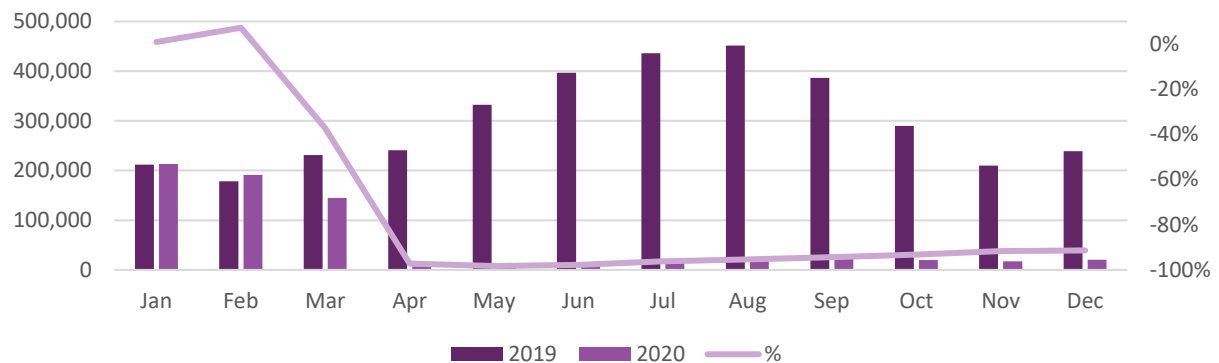
Source: VisitBritain Tourism Survey (2019).

## The Impact on the Air Transport Market

- 10.8. While COVID-19 has not resulted in the cessation of direct services between the two countries, the impact has been dramatic, with seat capacity down up to 89% in 2020 compared to 2019 (see Figure 10.10). Recovery at the start of 2021 has still been slow, again reflecting the additional travel restrictions in place. Passenger statistics are even more extreme, reflecting low load factors through much of 2020 (see Figure 10.11). Published schedules currently suggest a strong recovery from May through to the end of 2021 but it is unclear whether this will genuinely be achieved.

**Figure 10.10: Published One Way Seat Capacity between UK and Canada**

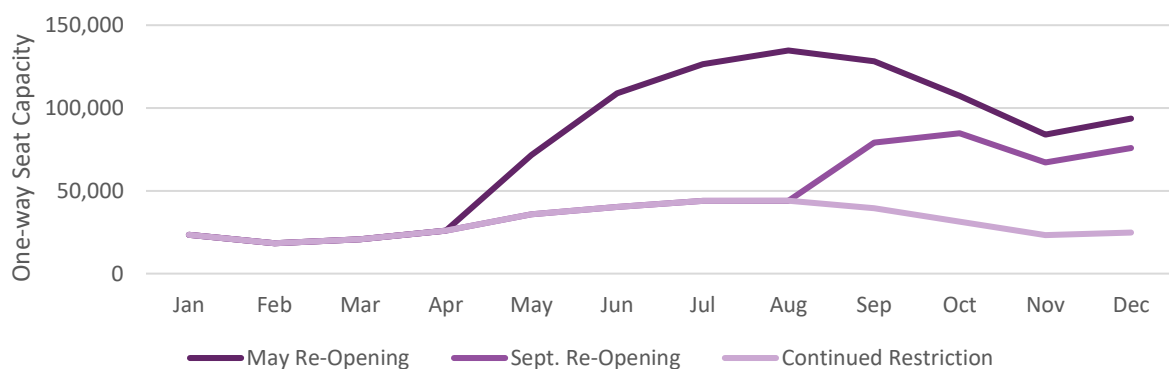
Source: OAG.

**Figure 10.11: Passenger numbers by month between UK and Canada**

Source: CAA Statistics.

### The Real Outlook for the Remainder of 2021

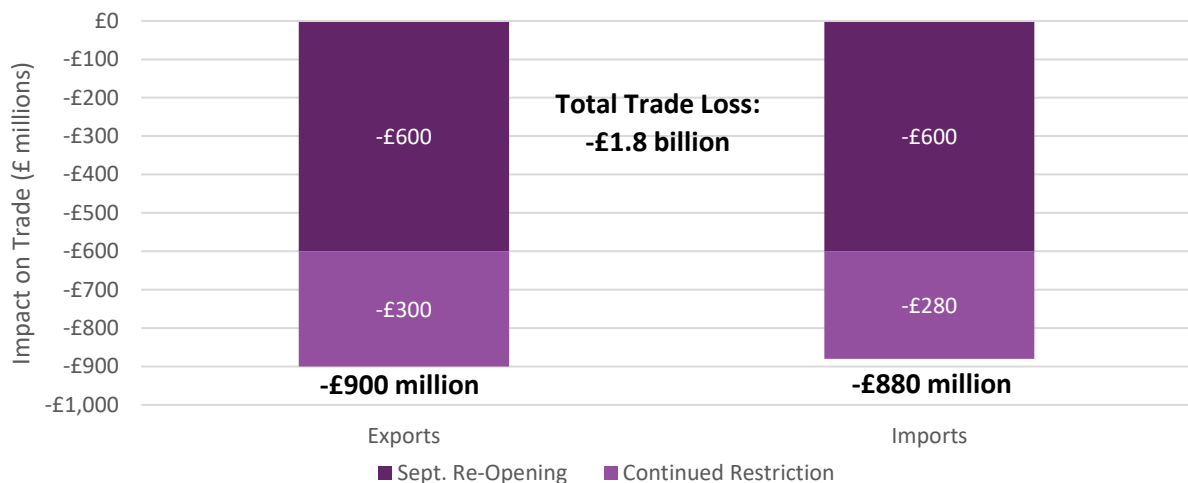
- 10.9. Our assumed outlook for the remainder of 2021 for the purposes of assessing the economic cost of ongoing restrictions can be seen in Figure 10.12 below, outlining the one-way seat capacity between the UK and Canada. This has been based around the UK Government's pathway for easing lockdown restrictions. It is assumed that if travel restrictions still continue, there is minimal growth and recovery in the seat capacity. However, if travel restrictions are lifted in May, the market starts to recover and approaches seat capacities of around 70% of 2019 levels by the end of the year.
- 10.10. Furthermore, an additional scenario has been added to understand the overall impacts if flight restrictions are lifted later in September 2021.

**Figure 10.12: Seat Capacity Outlook for 2021 With and Without Action on Restrictions**

Source: York Aviation.

### The Economic Impact of Ongoing Restrictions

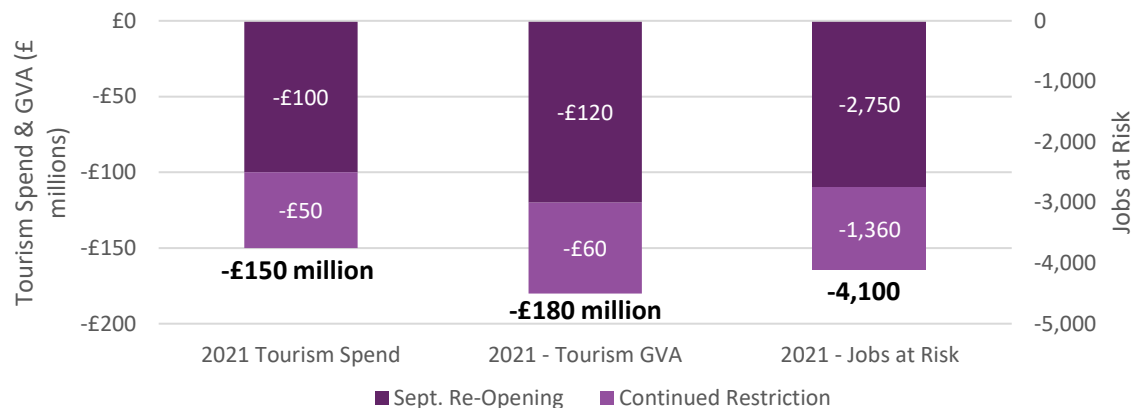
- 10.11. The impact of not opening air links between the UK and Canada in May 2021, as per the UK Government's roadmap, is detrimental to the trading relationship between the Canada and the UK. If restrictions continue through to the end of 2021, the value of trade loss is estimated to be close to £1.8 billion in total. This includes a £600 million drop in exports to Canada.
- 10.12. The timeline here, too, is crucial because even a delay in re-opening to September 2021 will have a significant impact. If re-opening is delayed to September, around two thirds of the benefits that could have been accrued by re-opening in May 2021, could no longer be achieved. This equates to around a nearly £1.2 billion loss in trade.

**Figure 10.13: Impact on UK – Canada Trade**

Source: York Aviation Analysis.

10.13. The impact on inbound tourism to the UK is expected to be significant. By not opening air links in May 2021, it is estimated that £150 million in tourism spend will be lost, resulting in a loss in GDP of around £180 million, putting 4,100 jobs at risk.

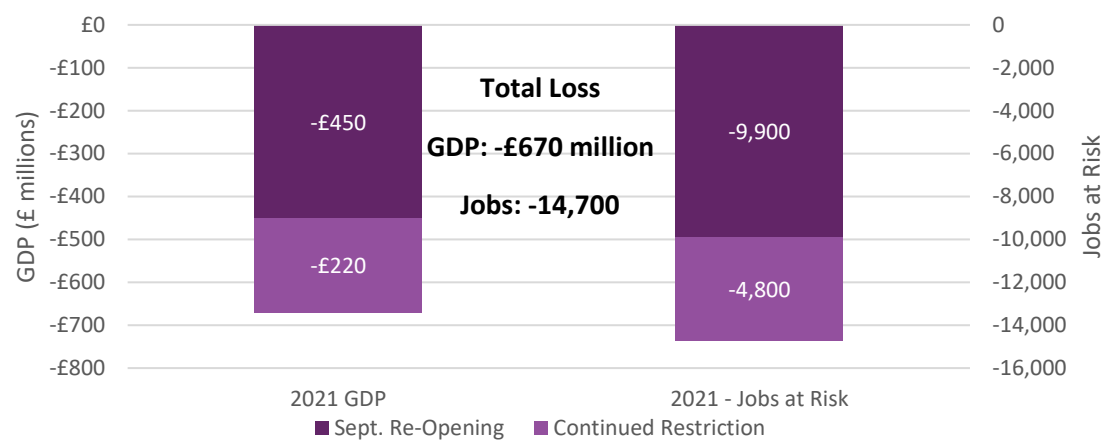
10.14. If re-opening is delayed until September, only around a quarter of these impacts could then be recovered. As can be seen in Figure 10.15, in each case, the relative majority of the tourism spend, GVA and tourism related jobs would be at risk during the summer period. By delaying until September, around £100 million in tourism spend and £120 million in GDP could not then be recovered, putting around 2,750 jobs at risk.

**Figure 10.15: Impact on Inbound tourism to the UK**

Source: York Aviation Analysis.

10.15. The overall loss in GDP from not opening UK-Canada air links in May 2021 is estimated to be around £670 million. This equates to around 14,700 jobs being put at risk. Again, if re-opening is delayed until September, then, it will not be possible to recover all these costs. It is estimated that this delay would additionally cost around £450 million in GDP, putting 9,900 jobs at risk.

Figure 10.16: Impact on UK GDP



Source: York Aviation Analysis.



## 11. Chile

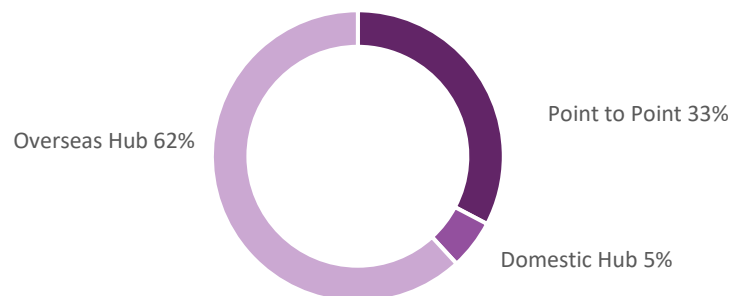
### Introduction

- 11.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and Chile, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021.

### Air Transport Links

- 11.2. In 2019, the origin and destination market between the UK and Chile was around 120,000 passengers. The only direct service between the two countries were from Heathrow. The majority of travellers to / from the UK were, therefore, using hub services for their journeys (see Figure 11.1).

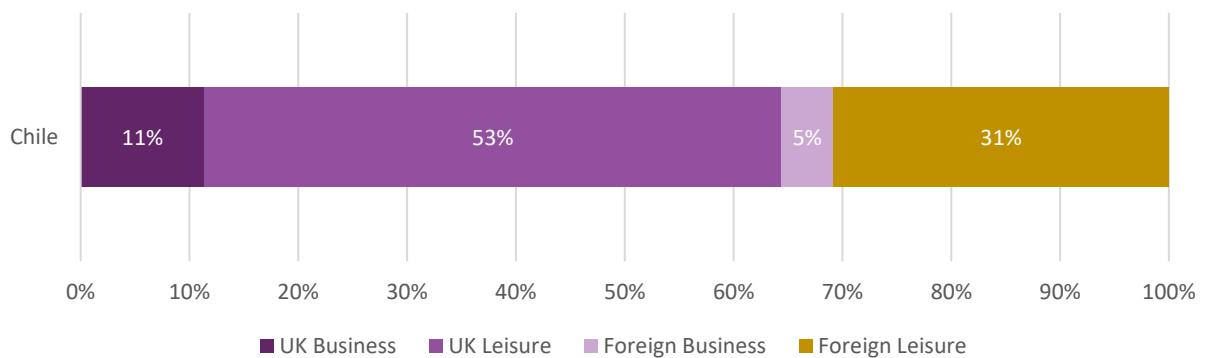
**Figure 11.1: Proportion of Passengers Travelling Between the UK and Chile on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 11.3. The largest segment of the market was UK leisure travellers, but there was a significant component of business travellers and inbound visitors to the UK.

**Figure 11.2: Profile of Passengers Travelling Between the UK and Chile in 2017, 2018 and 2019**



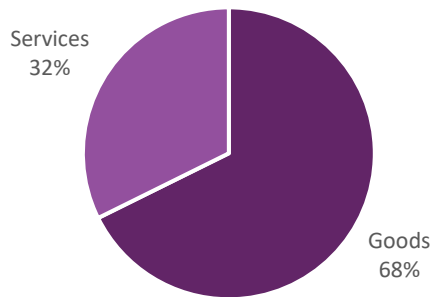
Source: CAA Passenger Surveys 2017-19.

Economic Links between the UK and Chile

Trade

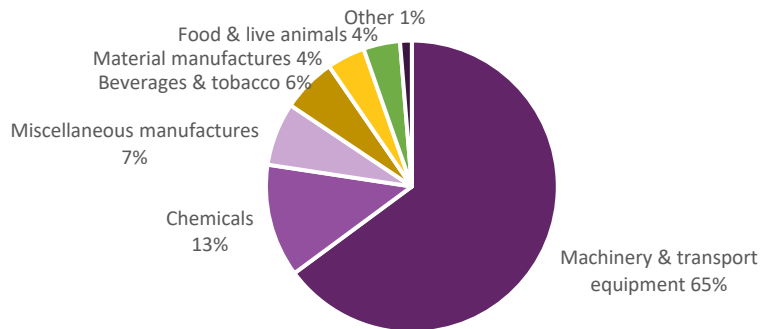
- 11.4. In 2019, total trade between the UK and Chile was valued at around £2.2 billion, of which around £1.2 billion was exports and £1 billion imports.
- 11.5. Exports to Chile were focussed more on goods than services (see Figure 11.3), with Machinery and Transport Equipment the dominant sector (see Figure 11.4). The key economic sectors for service exports include Transportation, Insurance and Pension Activities, and Other Business Services (see Figure 11.5).

Figure 11.3: Exports to Chile by Type



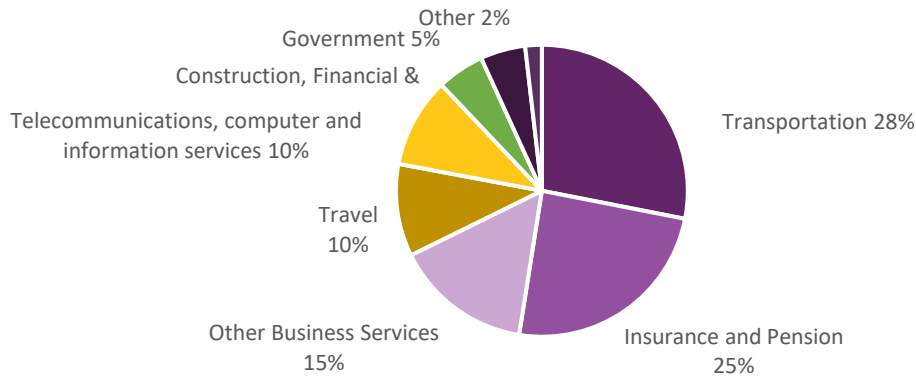
Source: ONS The Pink Book 2020.

Figure 11.4: Exports in Goods by Category in 2019



Source: ONS The Pink Book 2020.

Figure 11.5: Exports in Services by Category in 2019

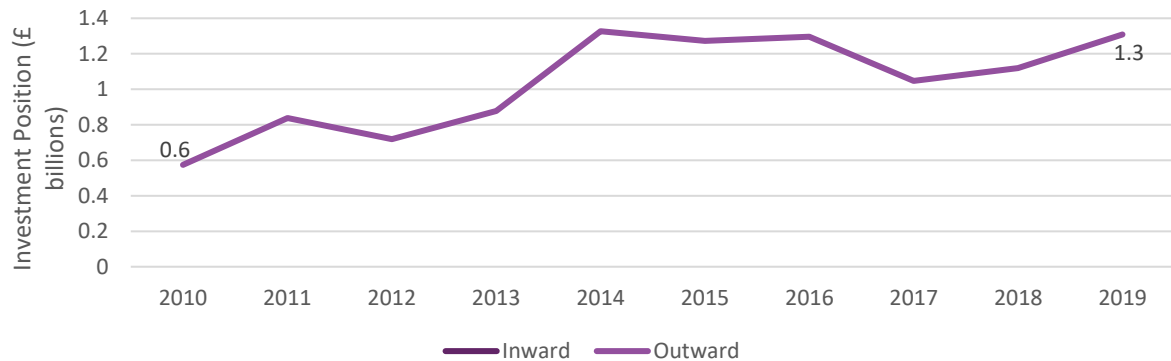


Source: ONS The Pink Book 2020.

### Foreign Direct Investment

- 11.6. Chile is not a significant inward investor in the UK but the UK does have significant and growing investment interests in Chile. By 2019, the UK's foreign direct investment stock in Chile had reached around £1.3 billion.

**Figure 11.6: International Inward and Outward Investment Position since 2010 (£ billions)**

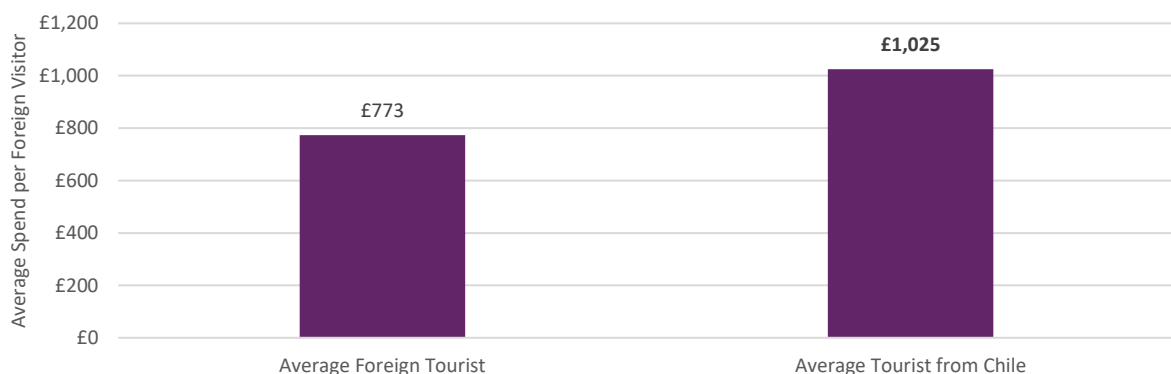


Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward & Outward.

### Tourism

- 11.7. VisitBritain estimated that around 26,500 visitors came to the UK from Chile in 2019 and spent around £27 million in the UK economy. It is also worth noting the relatively high value of these visitors in terms of average spend (see Figure 11.7).

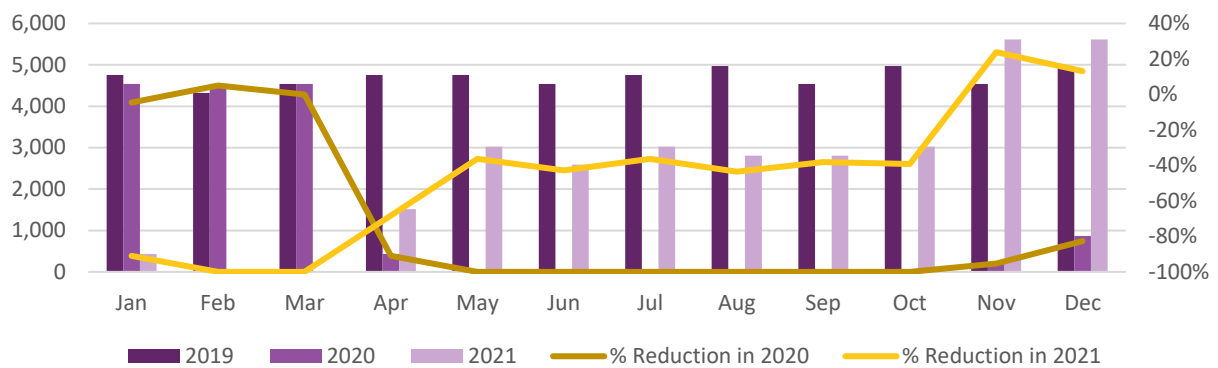
**Figure 11.7: Average Spend per Foreign Visitor compared to Visitors from Chile in 2019**



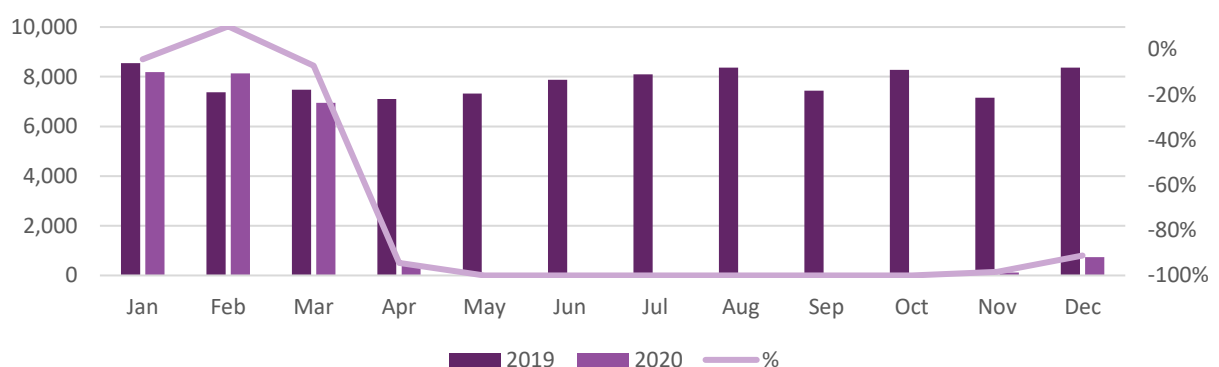
Source: VisitBritain Tourism Survey (2019).

### The Impact on the Air Transport Market

- 11.8. The COVID-19 pandemic saw direct air services between the two countries cease for much of 2020. Some limited service was restored in November but services ceased again in February 2021 (see Figure 11.8). Unsurprisingly, even when services have been operating, passenger numbers have been weak (see Figure 11.9). Current published schedules suggest that services will be restored again in April and recover through the year.

**Figure 11.8: Published One Way Seat Capacity between UK and Chile**

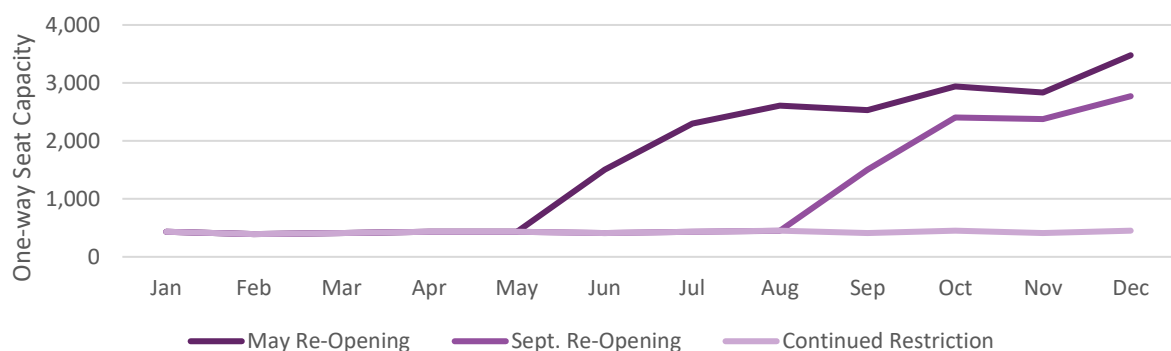
Source: OAG.

**Figure 11.9: Passenger numbers by month between UK and Chile**

Source: CAA Statistics.

### The Real Outlook for the Remainder of 2021

- 11.9. Our assumed outlook for the remainder of 2021 for the purposes of assessing the economic cost of ongoing restrictions can be seen in Figure 10.12 below, outlining the one-way seat capacity between the UK and Chile. This has been based around the UK Government's pathway for easing lockdown restrictions. It is assumed that if travel restrictions continue, there is minimal growth and recovery in the seat capacity. However, if travel restrictions are lifted in May, the market starts to recover and approaches seat capacities of around 70% of 2019 levels by the end of the year.
- 11.10. Furthermore, an additional scenario has been added to understand the overall impacts if flight restrictions are lifted later in September 2021.

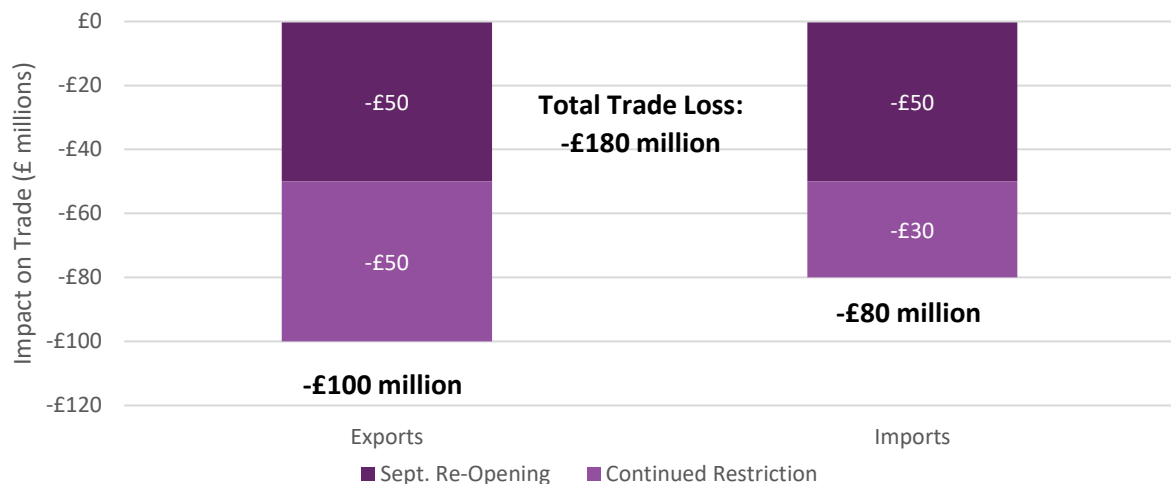
**Figure 11.10: Seat Capacity Outlook for 2021 With and Without Actions on Restrictions**

Source: York Aviation.

## The Economic Impact of Ongoing Restrictions

- 11.11. The impact of not opening air links between the UK and Chile in May 2021, as per the UK Government's roadmap, is detrimental to the trading relationship between Chile and the UK. If restrictions continue through to the end of 2021, the value of trade loss is estimated to be close to £180 million in total. This includes a £100 million drop in exports to Chile.
- 11.12. A delay in re-opening to September 2021 will have a significant impact. If re-opening is delayed to September, nearly half of the benefits that could have been accrued by May 2021, could no longer be achieved. This equates to around a nearly £100 million loss in trade.

**Figure 11.11: Impact on UK – Chile Trade**



Source: York Aviation Analysis.

- 11.13. By not opening air links in May 2021, it is estimated that there will be a £5 million loss in tourism spend throughout 2021, resulting in a loss in GDP of around £6 million, putting 150 jobs at risk.
- 11.14. If re-opening is delayed until September, only around a third of these impacts could then be recovered. As can be seen in Figure 11.12, in each case, the relative majority of the tourism spend, GVA and tourism related jobs would be at risk during the summer period. By delaying until September, around £3 million in tourism spend and £4 million in GDP could not then be recovered, putting around 90 jobs at risk.

**Figure 11.12: Impact on Inbound tourism to the UK**

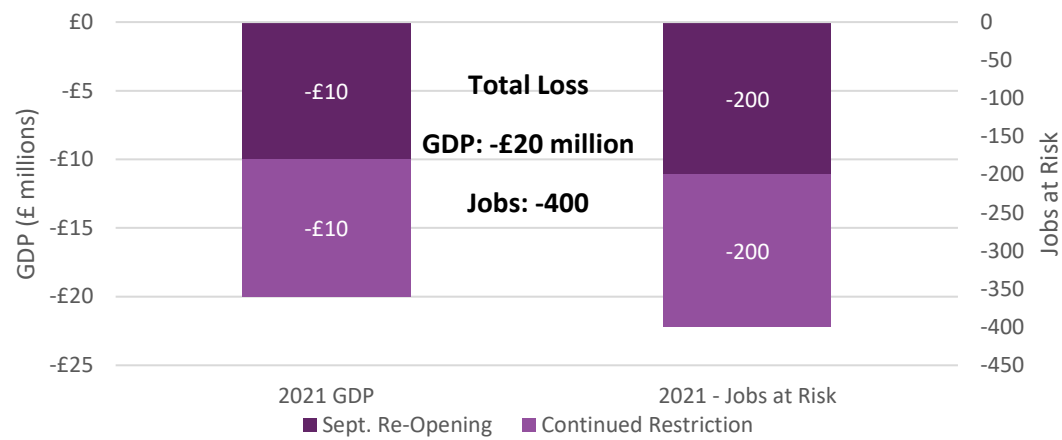


Source: York Aviation Analysis.

- 11.15. The overall loss in GDP from not opening UK-Chile air links in May 2021 is estimated to be around £20 million. This equates to around 400 jobs being put at risk. Again, if re-opening is delayed until September, then, it will not be

possible to recover all these costs. It is estimated that this delay would additionally cost around £10 million in GDP, putting 200 jobs at risk.

Figure 11.13: Impact on UK GDP



Source: York Aviation Analysis.

## 12. Japan

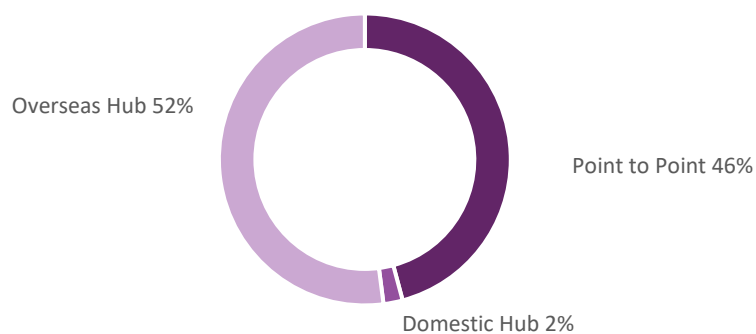
### Introduction

- 12.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and Japan, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021. Japan is the world's third largest economy and one of the UK's most important trading partners in Asia.

### Air Transport Links

- 12.2. In 2019, the origin and destination market between the UK and Japan was just over 1 million passengers. The only direct services between the two countries were from Heathrow. The majority of travellers to / from the UK were therefore using hub services for their journeys (see Figure 12.1).

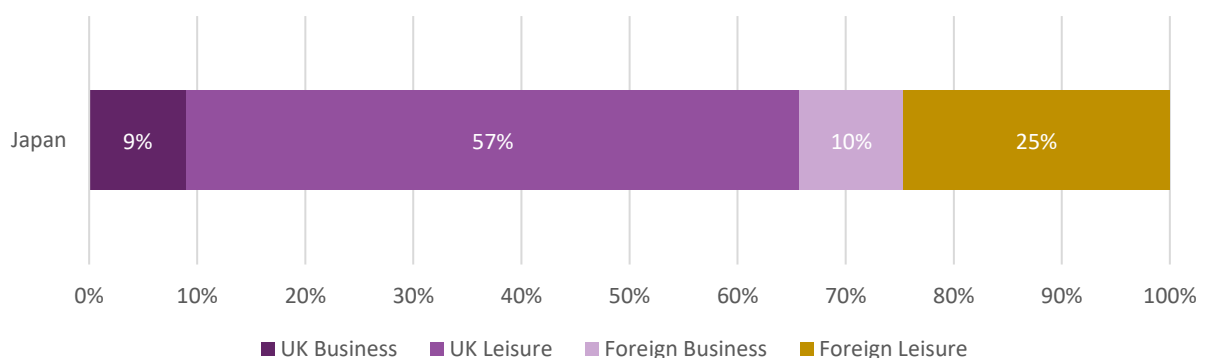
**Figure 12.1: Proportion of Passengers Travelling Between the UK and Japan on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 12.3. The largest segment of the market was UK leisure travellers, but there is a particularly significant component of business travellers. 25% of passengers were also inbound leisure travellers.

**Figure 12.2: Profile of Passengers Travelling Between the UK and Japan in 2017, 2018 and 2019**



Source: CAA Passenger Surveys 2017-19.

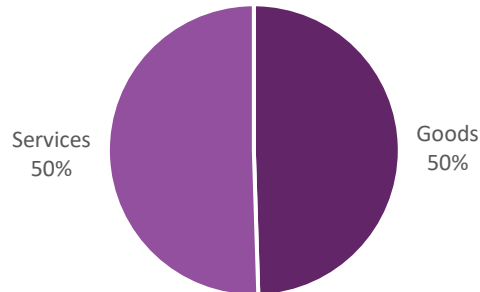
### Economic Links between the UK and Japan

#### Trade

- 12.4. In 2019, total trade between the UK and Japan was valued at around £30 billion, of which around £14.7 billion was exports and £15.3 billion imports.

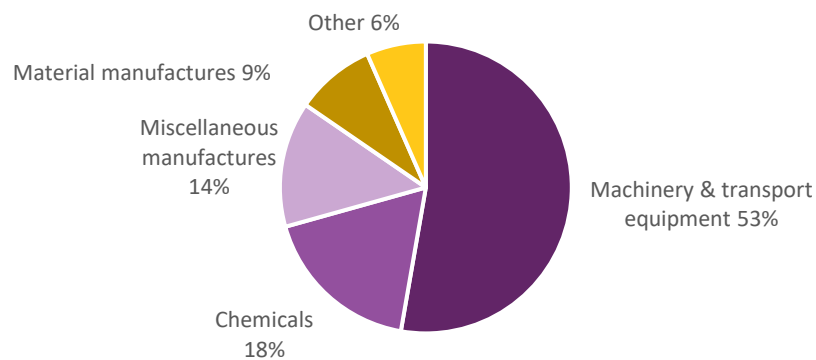
- 12.5. Exports to Japan are evenly balanced between goods and services (see Figure 12.3), with Machinery and Transport Equipment the dominant sector (see Figure 12.4). The key economic sectors for service exports include Financial Services, Insurance and Pension Activities, and Other Business Services (see Figure 12.5).

**Figure 12.3: Exports to Japan by type**



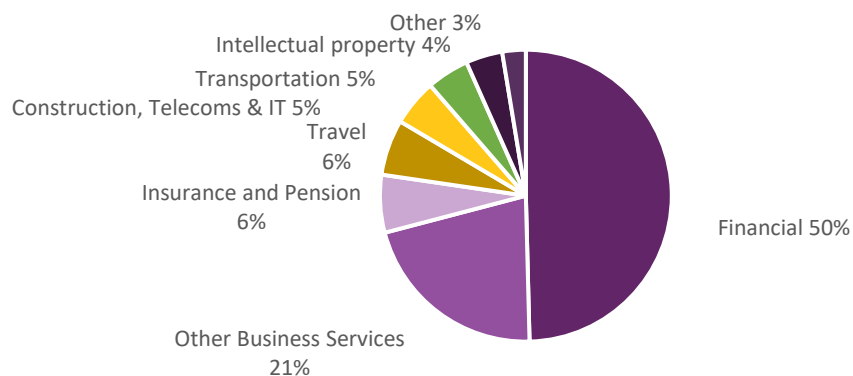
Source: ONS The Pink Book 2020.

**Figure 12.4: Exports in Goods by Category in 2019**



Source: ONS The Pink Book 2020.

**Figure 12.5: Exports in Services by Category in 2019**

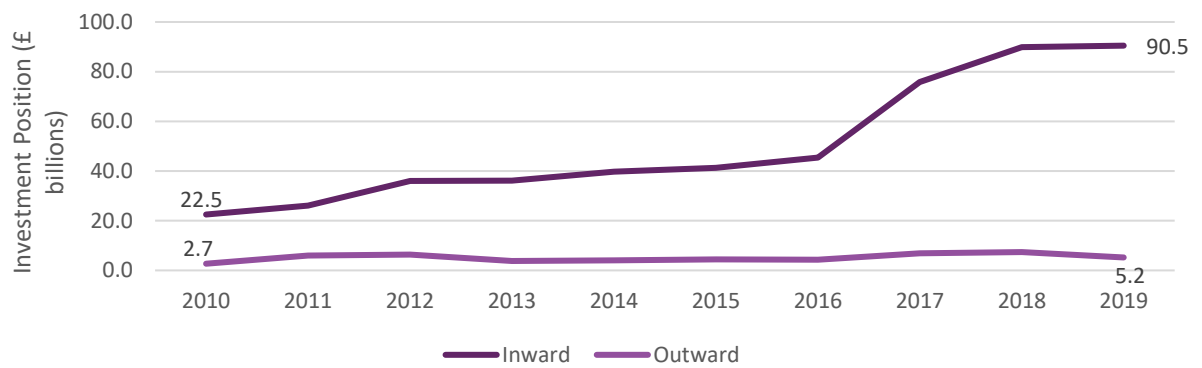


Source: ONS The Pink Book 2020.

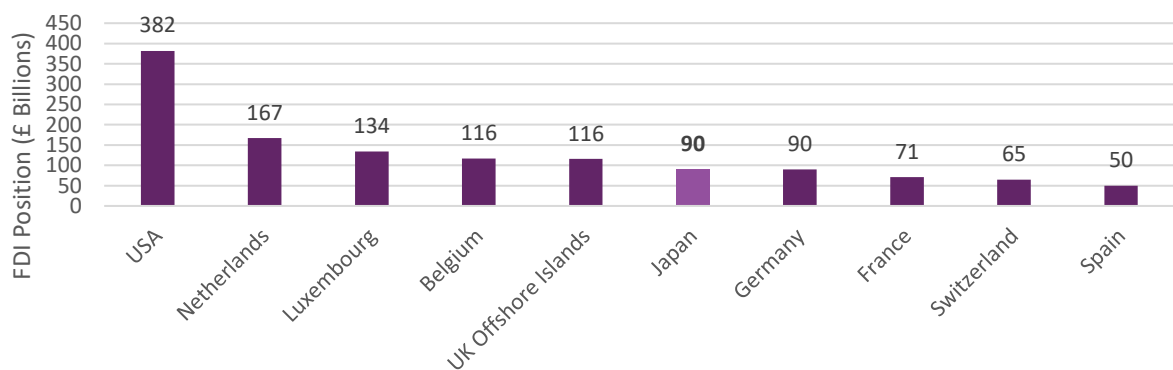
### Foreign Direct Investment

- 12.6. Japan is a significant and growing inward investor in the UK (see Figure 12.6). Its investment stock in the UK in 2019 had reached a value of £90.5 billion. Japan was the sixth largest investor in the UK as of 2019 (see Figure 12.7). The UK's investment stock in Japan is considerably smaller, but still significant at £5.2 billion in 2019.



**Figure 12.6: International Inward and Outward Investment Position since 2010 (£ billions)**

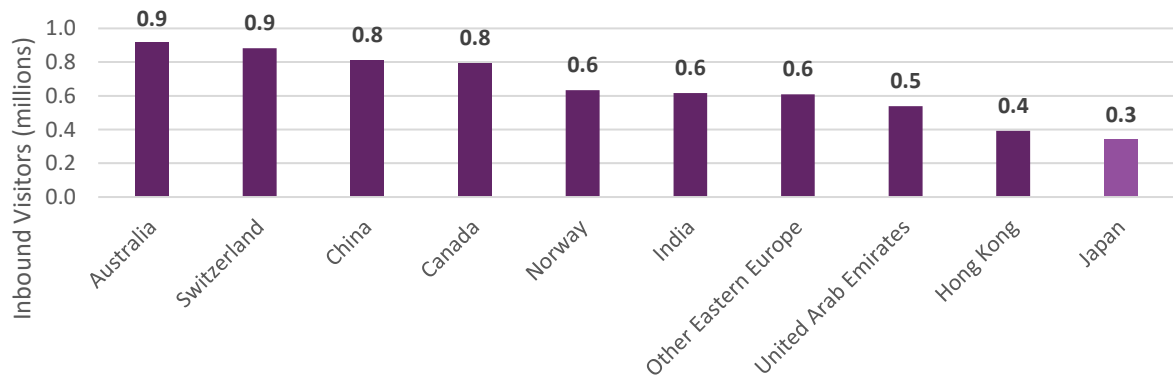
Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward & Outward.

**Figure 12.7: Top 10 nations with Largest FDI Positions in the UK (£ Billions)**

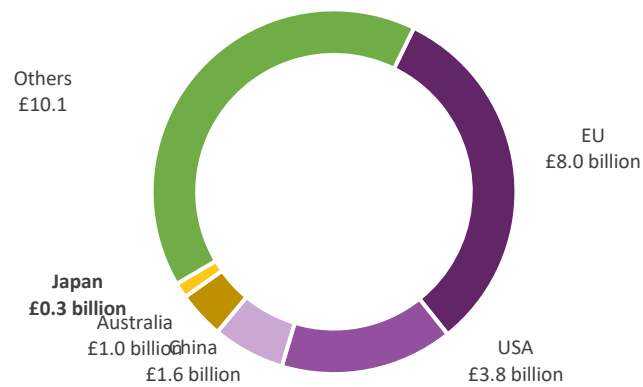
Source: VisitBritain Tourism Survey (2019).

## Tourism

- 12.7. Japan is also an important inbound tourism market for the UK. VisitBritain estimates that around 340,000 Japanese visitors came to the UK in 2019 and that they spent around £0.3 billion (see Figure 12.8 and Figure 12.9).

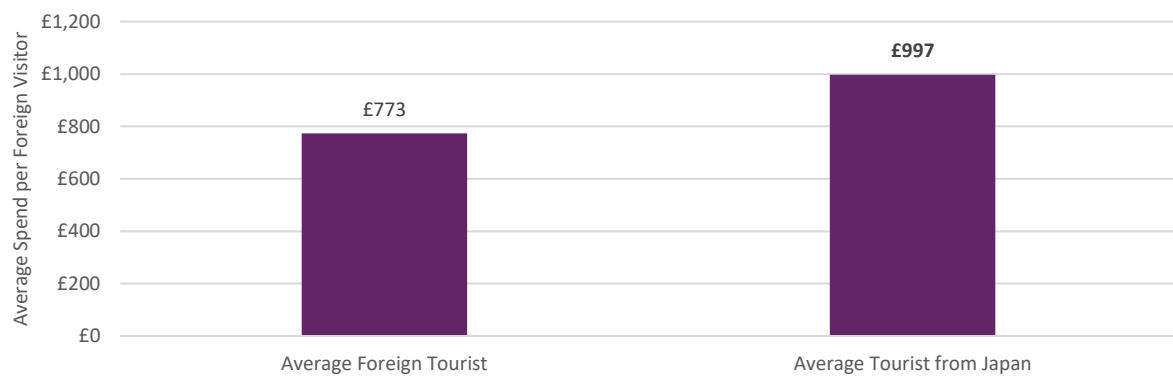
**Figure 12.8: Top 10 UK Inbound Tourism Markets by Visitor Numbers in 2019 (Excluding USA & EU)**

Source: VisitBritain Tourism Survey (2019).

**Figure 12.9: Visitor Spend by Country (£ billions, 2019)**

Source: VisitBritain Tourism Survey (2019).

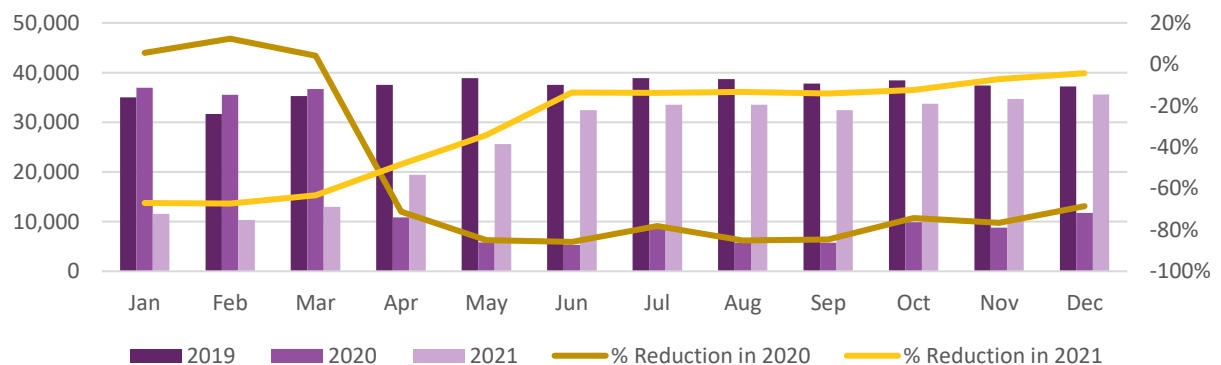
- 12.8. It is also worth noting that Japanese visitors are relatively large contributors to the tourism economy on a per visitor basis, spending substantially above the average for an overseas visitor.

**Figure 12.10: Average Spend per Foreign Visitor compared to Visitors from Japan in 2019**

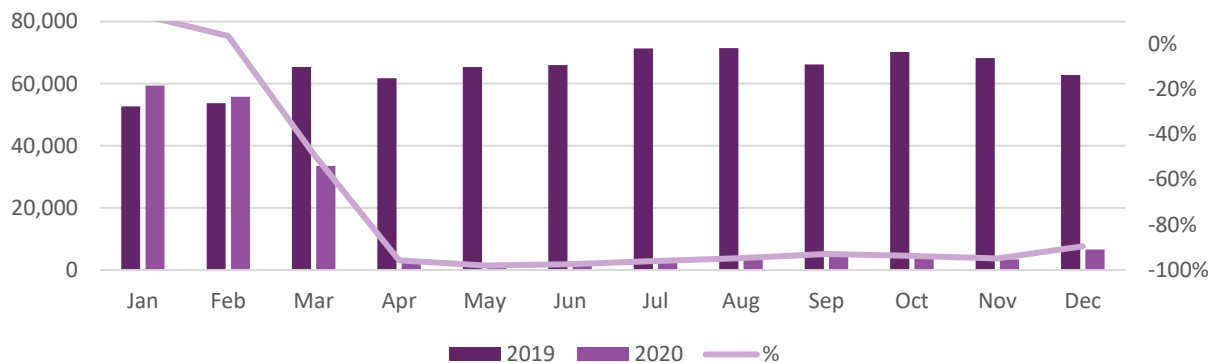
Source: VisitBritain Tourism Survey (2019).

### The Impact on the Air Transport Market

- 12.9. While COVID-19 has not resulted in the cessation of direct services between the two countries, the impact has been significant, with seat capacity down dramatically, up to 85% in 2020 compared to 2019 (see Figure 12.11). 2021 has seen a slight recovery in capacity but it is still very low, again reflecting the travel restrictions in place. Passenger statistics are even more extreme, reflecting low load factors through much of 2020 (see Figure 12.12). Published schedules currently suggest a strong recovery through 2021 but it is unclear whether this will genuinely be achieved.

**Figure 12.11: Published One Way Seat Capacity between UK and Japan**

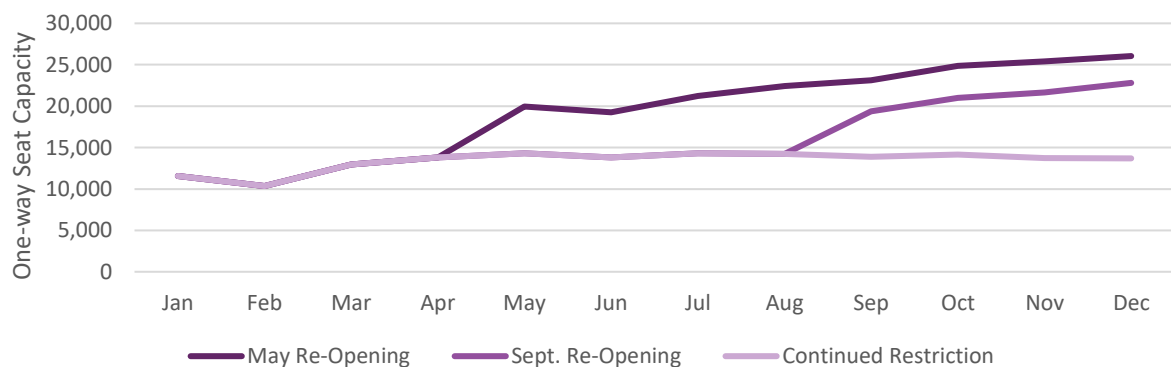
Source: OAG.

**Figure 12.12: Passenger numbers by month between UK and Japan**

Source: CAA Statistics.

### The Real Outlook for the Remainder of 2021

12.10. Figure 12.13 shows the basis for our assessment of the potential economic costs of failing to reopen international travel between the UK and Japan in 2021. Again, if international travel can be effectively reopened in line with the UK Government's road map, then recovery begins in May and grows steadily through the year. If progress cannot be made, then only very limited service is seen between the two countries throughout 2021. The graph also shows the assumed seat capacity scenario if re-opening is delayed until September.

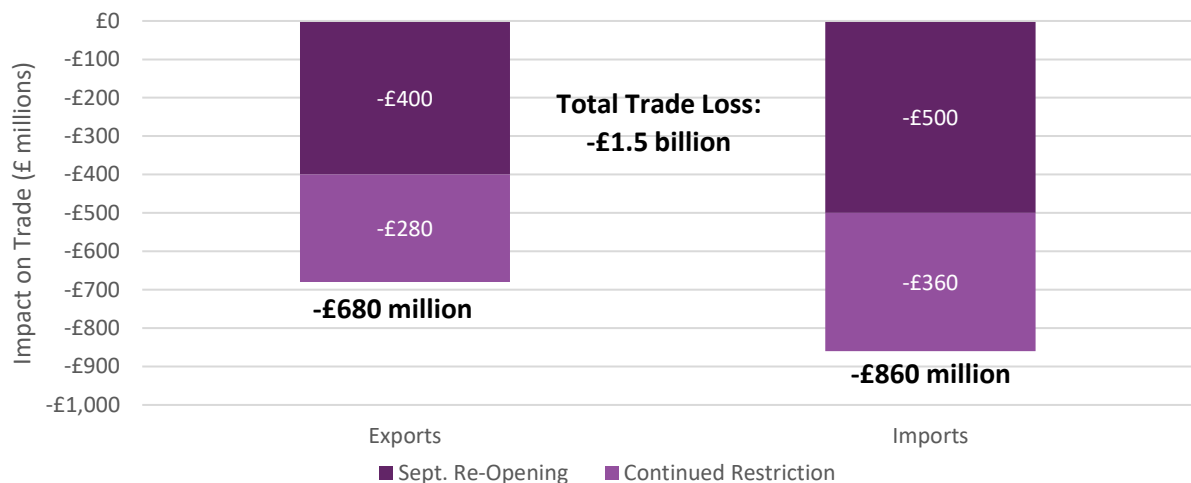
**Figure 12.13: Seat Capacity Outlook for 2021 With and Without Actions on Restrictions**

Source: York Aviation.

### The Economic Impact of Ongoing Restrictions

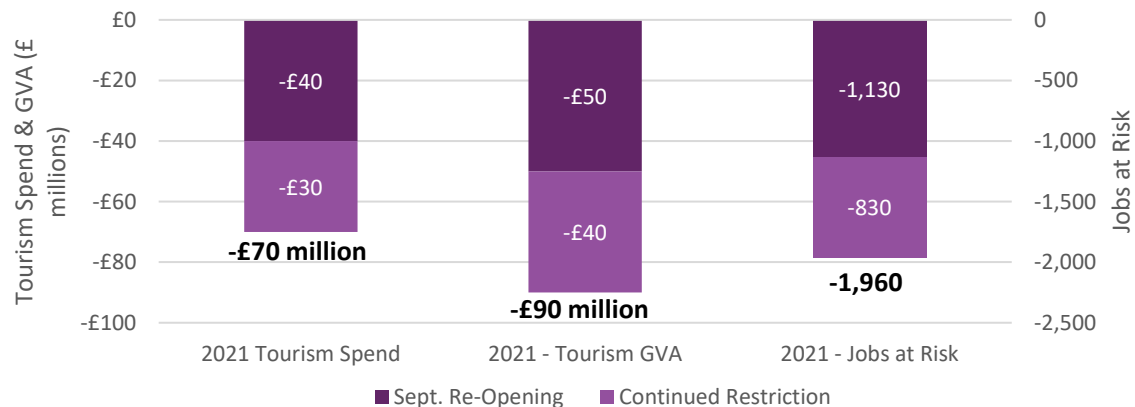
12.11. The impact of ongoing travel restrictions with Japan through 2021 would have a significant impact on the UK economy. Below, we have set out the estimated impact on trade, inbound tourism and overall UK GDP and jobs.

12.12. Figure 12.14 shows the estimated impact on trade from the failure to effectively open up international travel in May for the remainder of 2021. In this instance, the total value of trade lost is estimated to be around £1.5 billion. This includes a £680 million fall in exports. It also shows that the ability to recoup over half of these costs, lost trade of around £900 million, will be lost if re-opening is delayed until September.

**Figure 12.14: Impact on UK – Japan Trade**

Source: York Aviation Analysis.

12.13. Figure 12.15 shows the potential impact of continued restrictions on travel to / from Japan on inbound tourism. If air travel cannot be reopened in May, the impact on tourism expenditure over the rest of 2021 is expected to be a fall of £70 million, resulting in a loss of GDP of around £90 million, putting 1,960 jobs at risk. Again, delaying re-opening until September results in more than half of these costs no longer being recoverable: £40 million in tourism expenditure and £50 million in GDP, putting 1,130 jobs at risk.

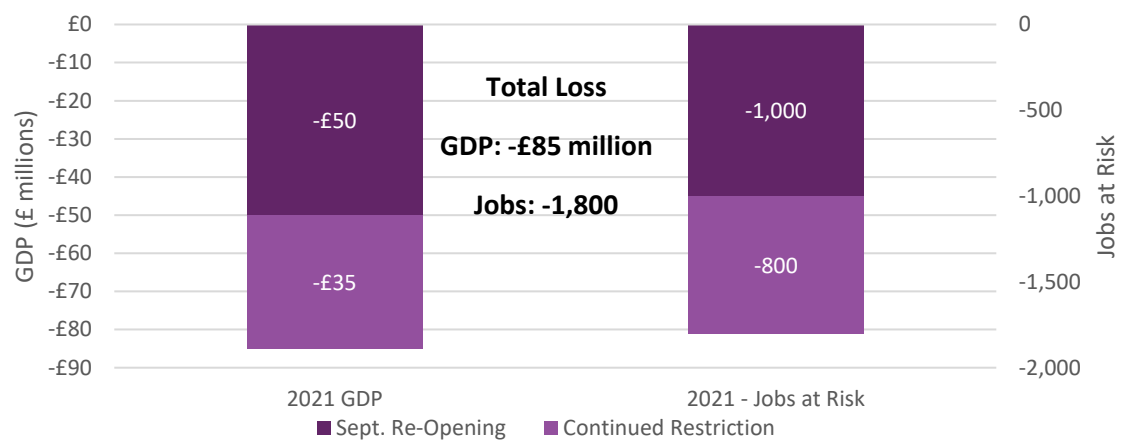
**Figure 12.15: Impact on Inbound Tourism to the UK**

Source: York Aviation Analysis.

12.14. The overall effect on UK GDP from the continued travel restrictions between Japan and the UK in 2021 is estimated to be around £80 million. This equates to around 1,800 jobs being at risk.

12.15. The overall effect on UK GDP from the continued travel restrictions between Japan and the UK not being lifted in May across the rest of 2021 is estimated to be around £85 million. This equates to around 1,800 jobs being put at risk. Again, if re-opening is delayed until September, the ability to recoup a significant proportion of these costs is lost: around £50 million in GDP, putting 1,000 jobs at risk.

Figure 12.16: Impact on UK GDP



Source: York Aviation Analysis.

## 13. Malaysia

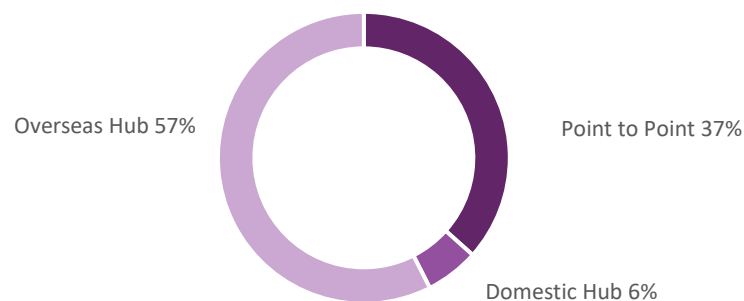
### Introduction

- 13.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and Malaysia, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021.

### Air Transport Links

- 13.2. In 2019, the origin and destination market between the UK and Malaysia was around 550,000 passengers. The only regular direct service to Malaysia was from Heathrow. This limited access to direct services meant that the majority of travellers to / from the UK were therefore using hub services for their journeys (see Figure 13.1).

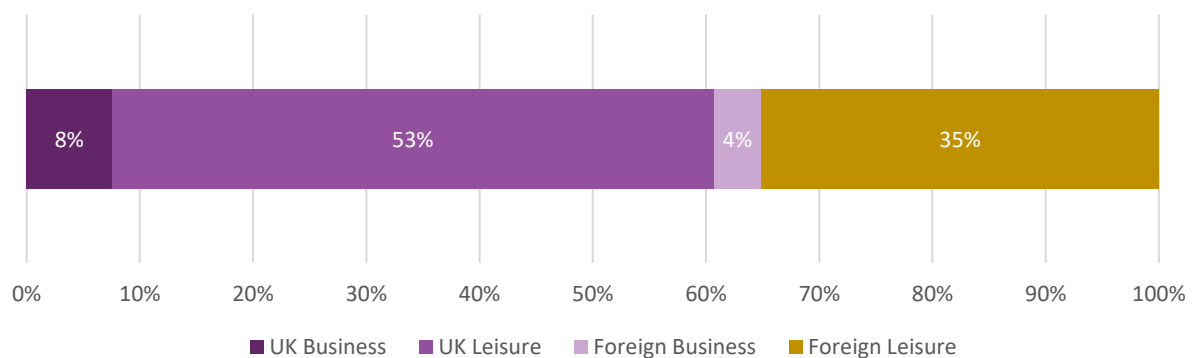
**Figure 13.1: Proportion of Passengers Travelling Between the UK and Malaysia on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 13.3. The Malaysian market is largely leisure focused. UK leisure passengers are the largest group, but there is also a large inbound leisure component as well.

**Figure 13.2: Profile of Passengers Travelling Between the UK and Malaysia in 2017, 2018 and 2019**



Source: CAA Passenger Surveys 2017-19.

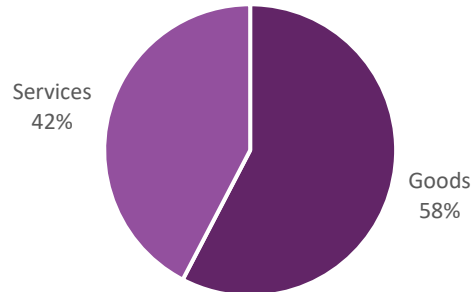
### Economic Links between the UK and Malaysia

#### Trade

- 13.4. In 2019, total trade between the UK and Malaysia was valued at around £5 billion, of which around £2.7 billion was exports and £2.3 billion imports.

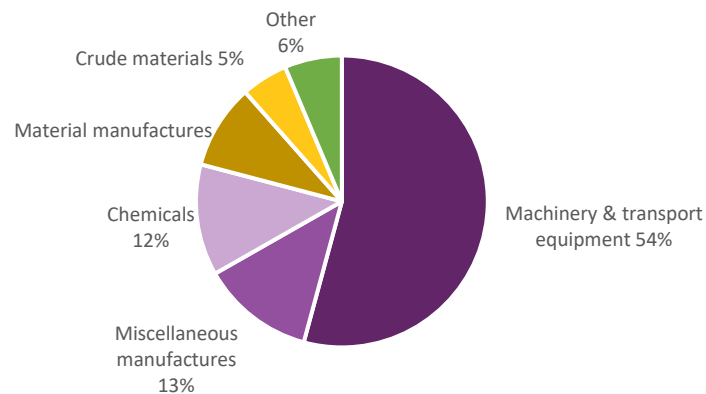
- 13.5. Exports to Malaysia are focussed towards goods (see Figure 13.3), with Machinery and Transport Equipment the dominant sector (see Figure 13.4). The key economic sectors for service exports include Travel and Other Business Services (see Figure 13.5).

**Figure 13.3: Exports to Malaysia by type**



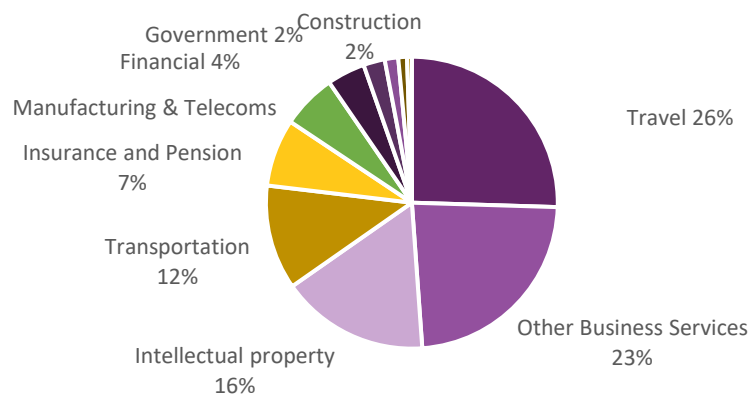
Source: ONS The Pink Book 2020.

**Figure 13.4: Exports in Goods by Category in 2019**



Source: ONS The Pink Book 2020.

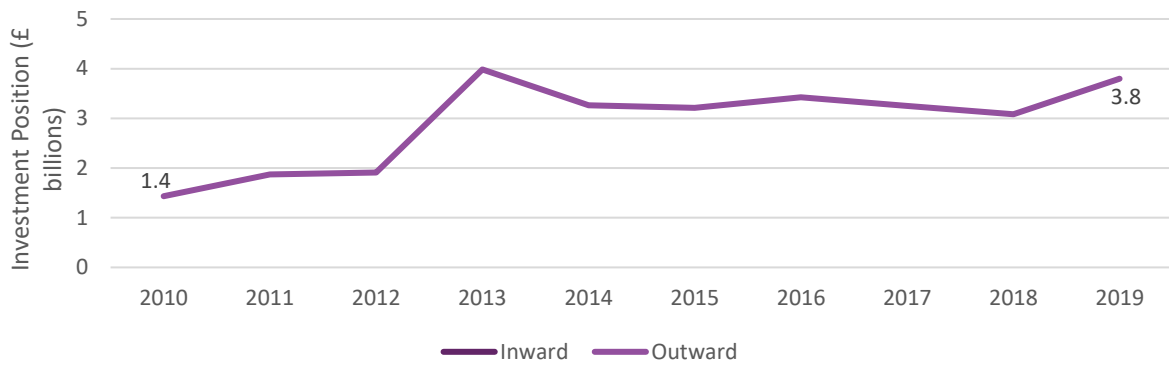
**Figure 13.5: Exports in Services by Category in 2019**



Source: ONS The Pink Book 2020.

### Foreign Direct Investment

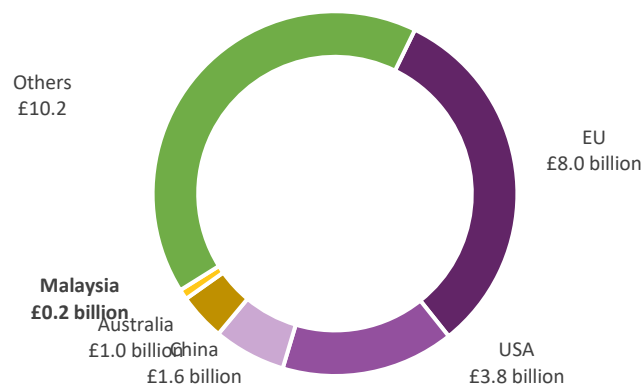
- 13.6. Malaysia does not have significant inward investment holdings in the UK. However, the UK has invested significantly in Malaysia. The stock of UK FDI in Malaysia in 2019 reached £3.8 billion.

**Figure 13.6: International Inward and Outward Investment Position since 2010 (£ billions)**

Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward & Outward.

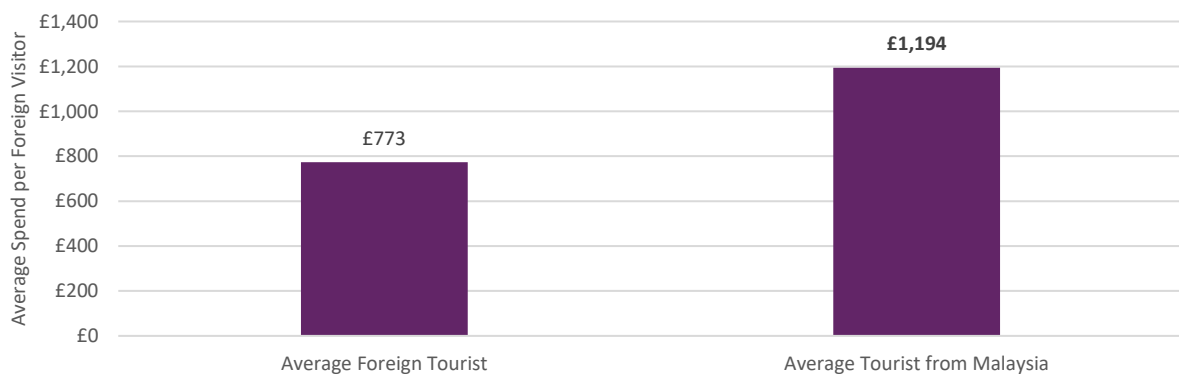
### Tourism

- 13.7. Malaysia is also an important inbound tourism market for the UK. VisitBritain estimates that around 190,000 Malaysian visitors came to the UK in 2019 and that they spent around £0.2 billion (see Figure 13.8).

**Figure 13.7: Visitor Spend by Country (£ billions, 2019)**

Source: VisitBritain Tourism Survey (2019).

- 13.8. Again, it is worth highlighting the relatively high average spend per visit for Malaysian visitors compared to the average foreign visitor to the UK.

**Figure 13.8: Average Spend per Foreign Visitor compared to Visitors from Malaysia in 2019**

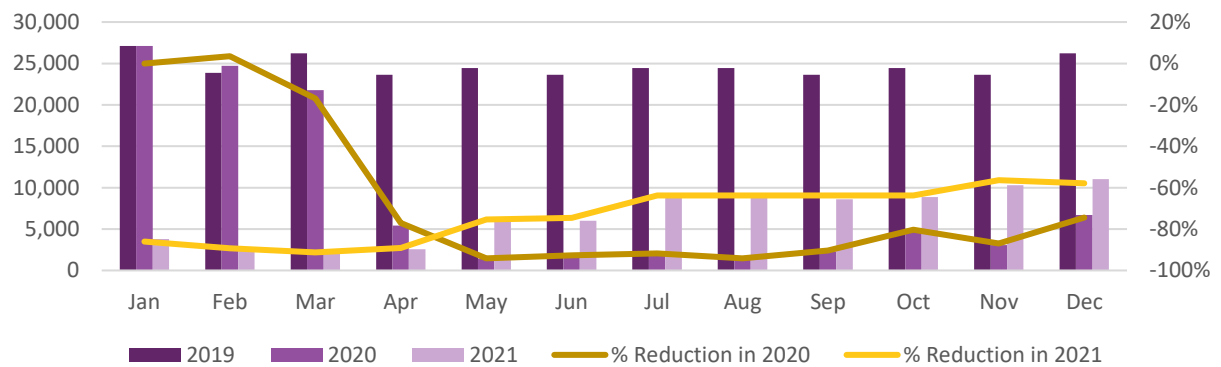
Source: VisitBritain Tourism Survey (2019).



## The Impact on the Air Transport Market

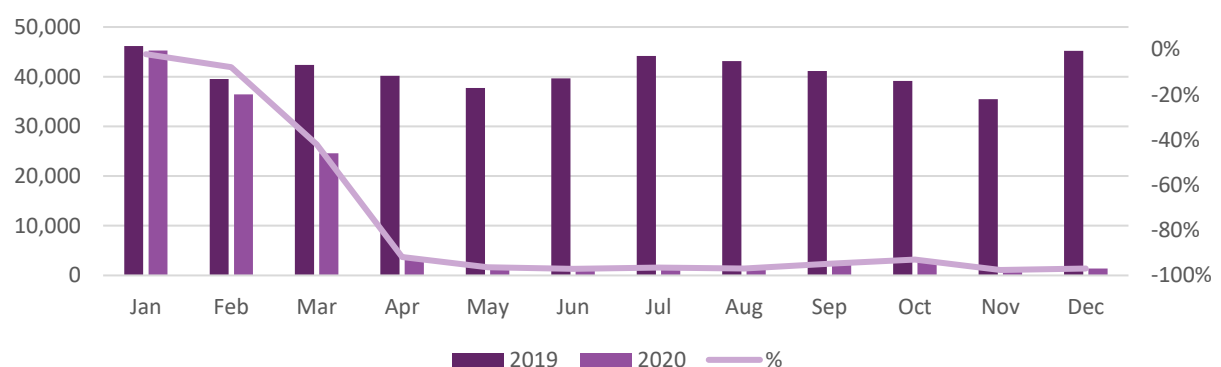
- 13.9. While COVID-19 has not resulted in the cessation of direct services between the two countries, the impact has been dramatic, with seat capacity down dramatically, up to 95% compared to 2019, in 2020 (see Figure 13.9). There was some recovery towards the end of the year but the beginning of 2021 has seen further declines following the resurgence of the virus. Passenger statistics are even more extreme, reflecting low load factors through much of 2020 (see Figure 13.10). Published schedules currently suggest a modest recovery through 2021.

**Figure 13.9: Published One Way Seat Capacity between UK and Malaysia**



Source: OAG.

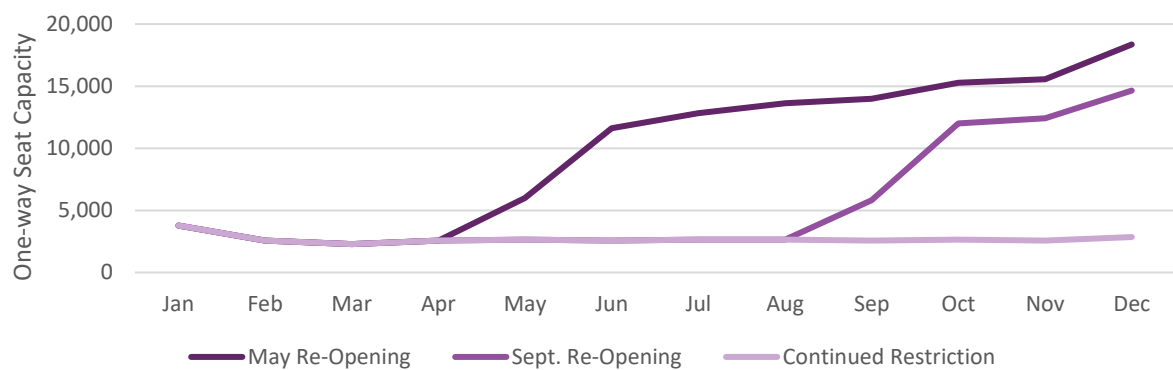
**Figure 13.10: Passenger numbers by month between UK and Malaysia**



Source: CAA Statistics.

## The Real Outlook for the Remainder of 2021

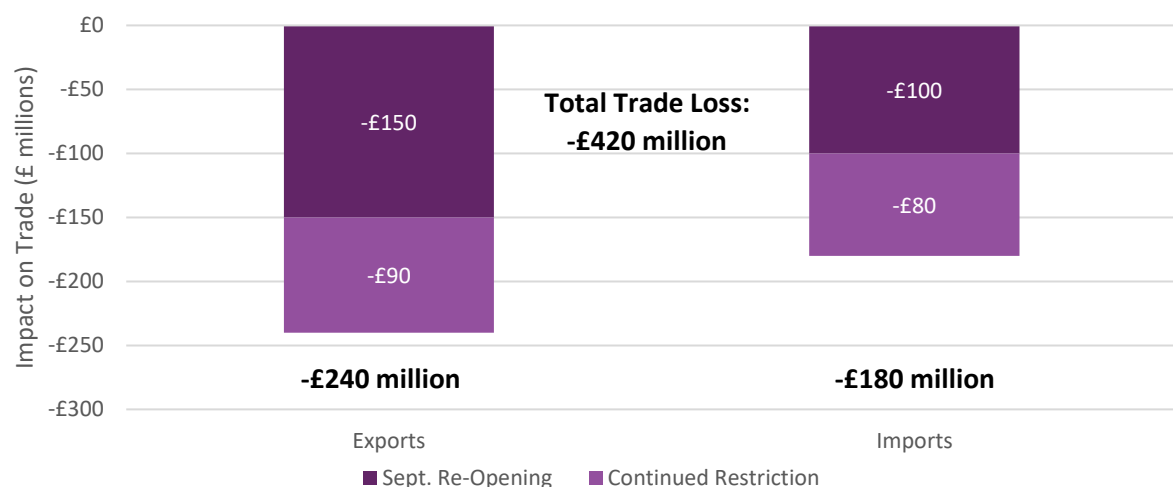
- 13.10. Figure 13.11 shows the basis for our assessment of the potential economic costs of failing to reopen international travel between the UK and Malaysia in 2021. Again, if international travel can be effectively reopened in line with the UK Government's road map, then recovery begins in May and grows steadily through the year. If progress cannot be made, then only very limited service is seen between the two countries throughout 2021. The graph also shows the assumed seat capacity scenario if re-opening is delayed until September.

**Figure 13.11: Seat Capacity Outlook for 2021 With and Without Actions on Restrictions**

Source: York Aviation.

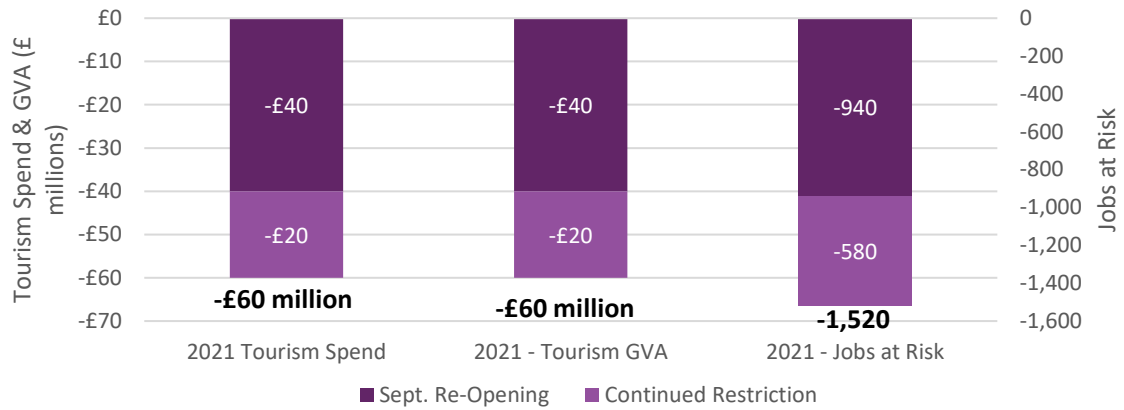
### The Economic Impact of Ongoing Restrictions

- 13.11. The impact of ongoing travel restrictions with Malaysia through 2021 would have a significant impact on the UK economy. Below, we have set out the estimated impact on trade, inbound tourism and overall UK GDP and jobs.
- 13.12. Figure 13.12 shows the estimated impact on trade from the failure to effectively open up international travel in May for the remainder of 2021. In this instance, the total value of trade lost is estimated to be around £420 million. This includes a £240 million fall in exports. It also shows that the ability to recoup over half of these costs, lost trade of around £420 million, will be lost if re-opening is delayed until September.

**Figure 13.12: Impact on UK – Malaysia Trade**

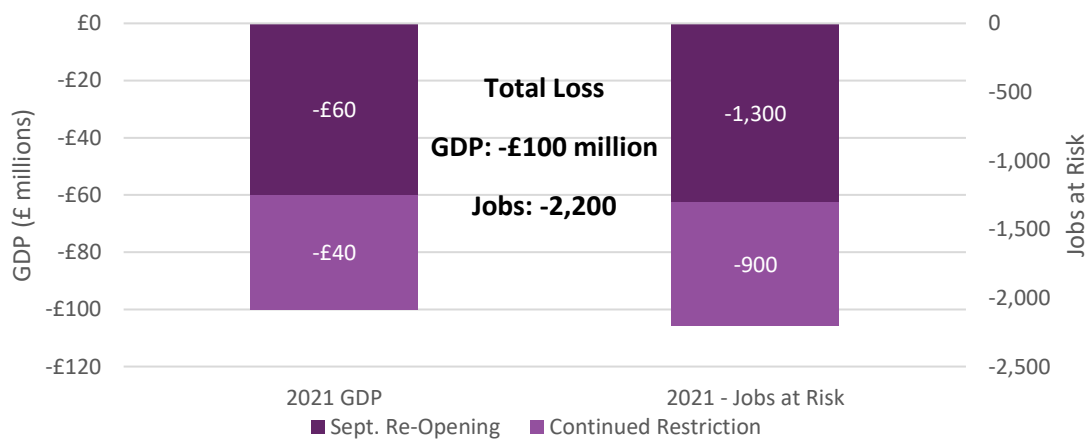
Source: York Aviation Analysis.

- 13.13. Figure 13.13 shows the potential impact of continued restrictions on travel to / from Malaysia on inbound tourism. If air travel cannot be reopened in May, the impact on tourism expenditure over the rest of 2021 is expected to be a fall of £60 million, resulting in a loss of GDP of around £60 million, putting 1,520 jobs at risk. Again, delaying re-opening until September results in two thirds of these costs no longer being recoverable: £40 million in tourism expenditure and £40 million in GDP, putting 940 jobs at risk.

**Figure 13.13: Impact on Inbound Tourism to the UK**

Source: York Aviation Analysis.

13.14. The overall effect on UK GDP from the continued travel restrictions between Malaysia and the UK not being lifted in May across the rest of 2021 is estimated to be around £100 million. This equates to around 2,200 jobs being put at risk. Again, if re-opening is delayed until September, the ability to recoup a significant proportion of these costs is lost: around £60 million in GDP, putting 1,300 jobs at risk.

**Figure 13.14: Impact on UK GDP**

Source: York Aviation Analysis.

## 14. Mexico

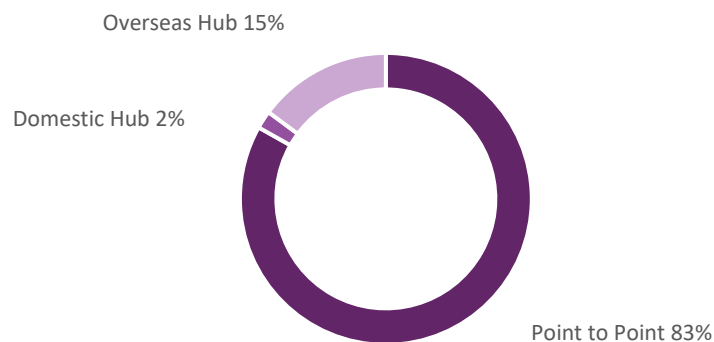
### Introduction

- 14.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and Mexico, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021.

### Air Transport Links

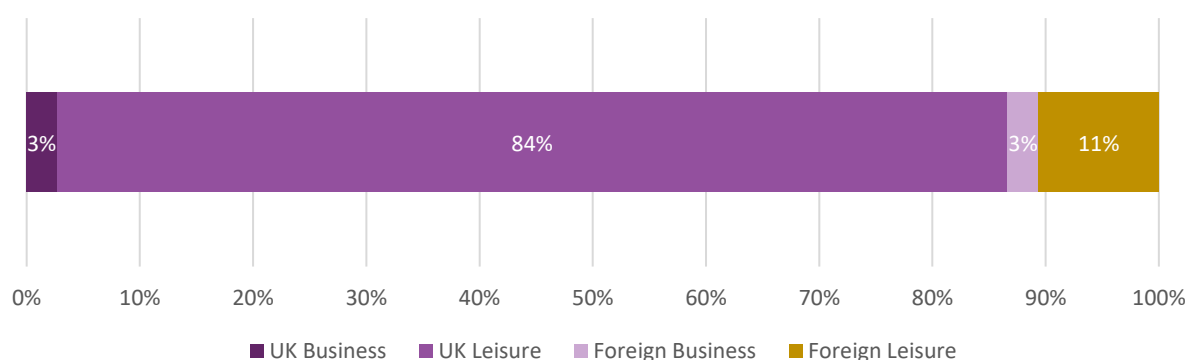
- 14.2. In 2019, the origin and destination market between the UK and Mexico was around 1.1 million passengers. There were regular direct services to Mexico from Heathrow and a number of other airports across the UK, although these other services were low frequency services to holiday destinations, such as Cancun.
- 14.3. The Mexican market is strongly focussed on UK outbound leisure passengers (see Figure 14.2) and this is reflected in the strength of point to point services in the market (see Figure 14.1).

**Figure 14.1: Proportion of Passengers Travelling Between the UK and Mexico on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

**Figure 14.2: Profile of Passengers Travelling Between the UK and Mexico in 2017, 2018 and 2019**



Source: CAA Passenger Surveys 2017-19.

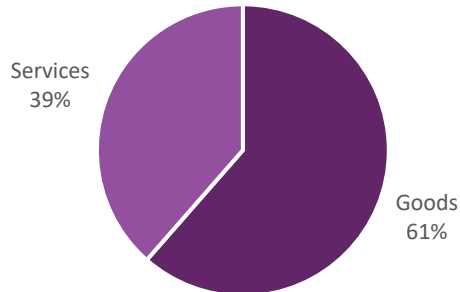
### Economic Links between the UK and Mexico

#### Trade

- 14.4. In 2019, total trade between the UK and Mexico was valued at around £5 billion, of which around £2.6 billion was exports and £2.4 billion imports.

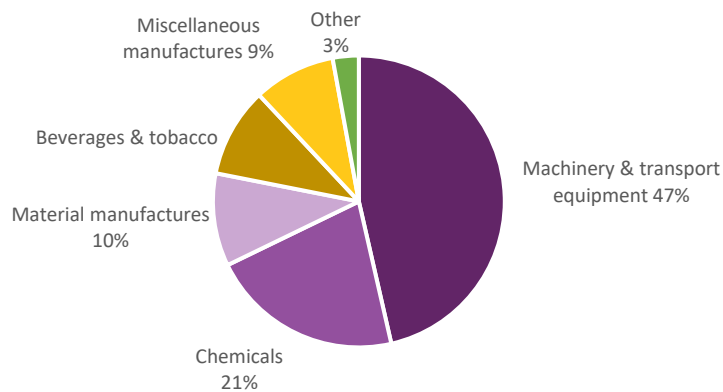
- 14.5. Exports to Mexico are focussed towards goods (see Figure 14.3), with Machinery and Transport Equipment and Chemicals the dominant sectors (see Figure 14.4). The key economic sectors for service exports include Insurance and Pension Activities and Other Business Services (see Figure 14.5).

**Figure 14.3: Exports to Mexico by type**



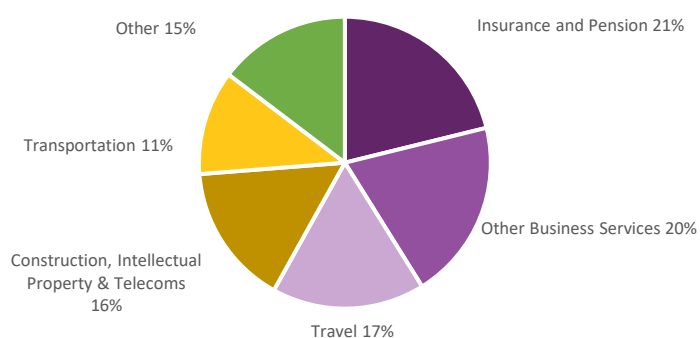
Source: ONS The Pink Book 2020.

**Figure 14.4: Exports in Goods by Category in 2019**



Source: ONS The Pink Book 2020.

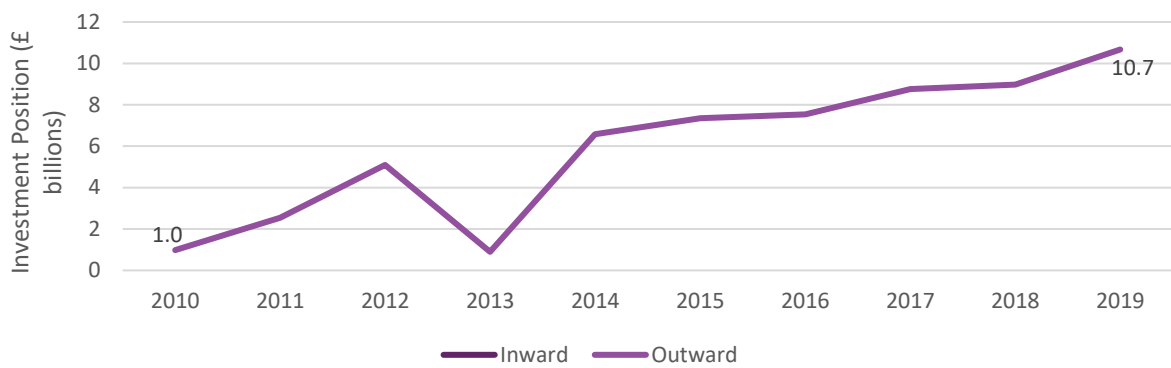
**Figure 14.5: Exports in Services by Category in 2019**



Source: ONS The Pink Book 2020.

### Foreign Direct Investment

- 14.6. Mexico does not have significant inward investment holdings in the UK. However, the UK has invested significantly in Mexico. The stock of UK FDI in Mexico in 2019 reached £10.7 billion.

**Figure 14.6: International Inward and Outward Investment Position since 2010 (£ billions)**

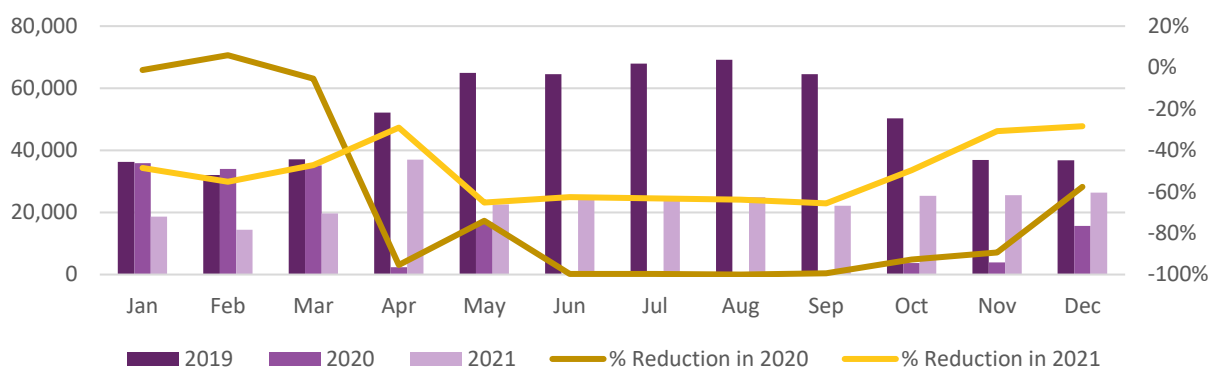
Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward & Outward

### Tourism

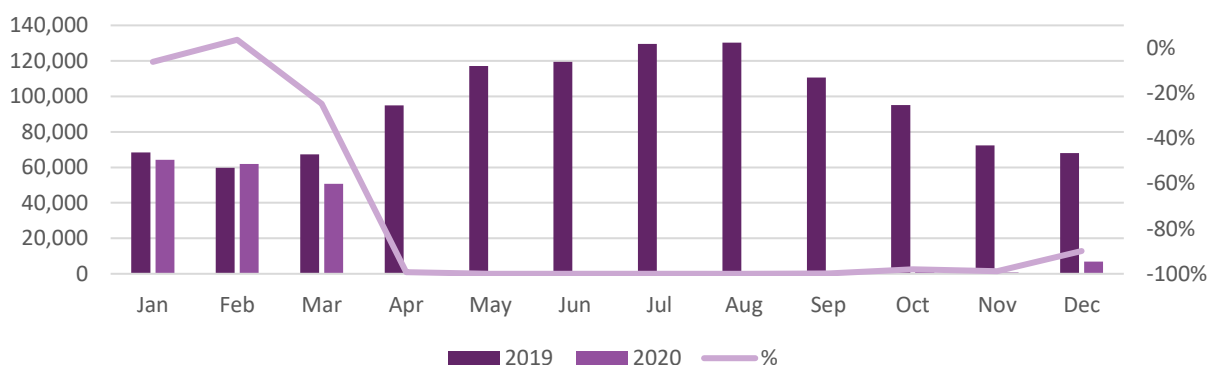
- 14.7. VisitBritain statistics suggest that around 115,000 visitors came to the UK from Mexico in 2019. These visitors spent around £86 million in the UK economy.

### The Impact on the Air Transport Market

- 14.8. The COVID-19 pandemic saw direct air services between the two countries cease for much of 2020. Some limited service was restored in October and some level of service has been maintained since (see Figure 14.7). Unsurprisingly, even when services have been operating, passenger numbers have been weak (see Figure 14.8).

**Figure 14.7: Published One Way Seat Capacity between UK and Mexico**

Source: OAG.

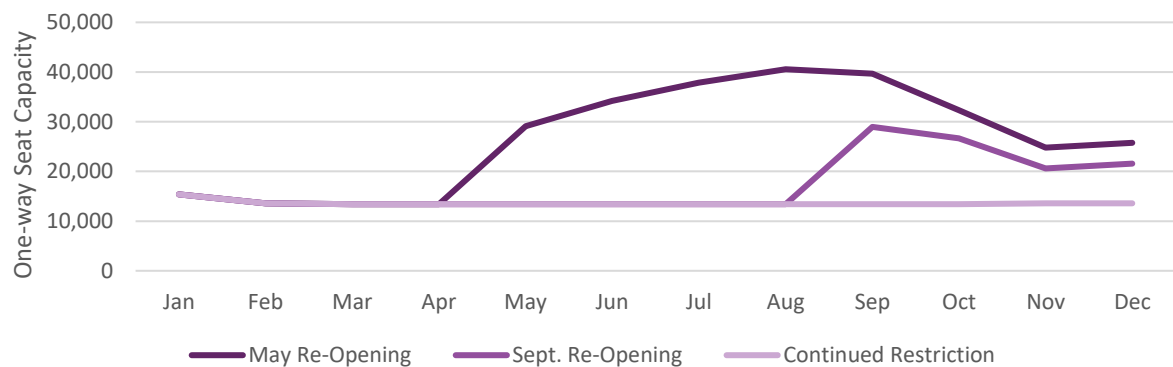
**Figure 14.8: Passenger numbers by month between the UK and Mexico**

Source: CAA Statistics.

## The Real Outlook for the Remainder of 2021

- 14.9. Figure 14.9 shows the basis for our assessment of the potential economic costs of failing to reopen international travel between the UK and Mexico in 2021. Again, if international travel can be effectively reopened in line with UK Government's road map, then recovery begins in May and grows steadily through the year (allowing for the seasonal nature of the market generally). If progress cannot be made, then only very limited service is seen between the two countries throughout 2021. The graph also shows the assumed seat capacity scenario if re-opening is delayed until September.

**Figure 14.9: Seat Capacity Outlook for 2021 With and Without Actions on Restrictions**

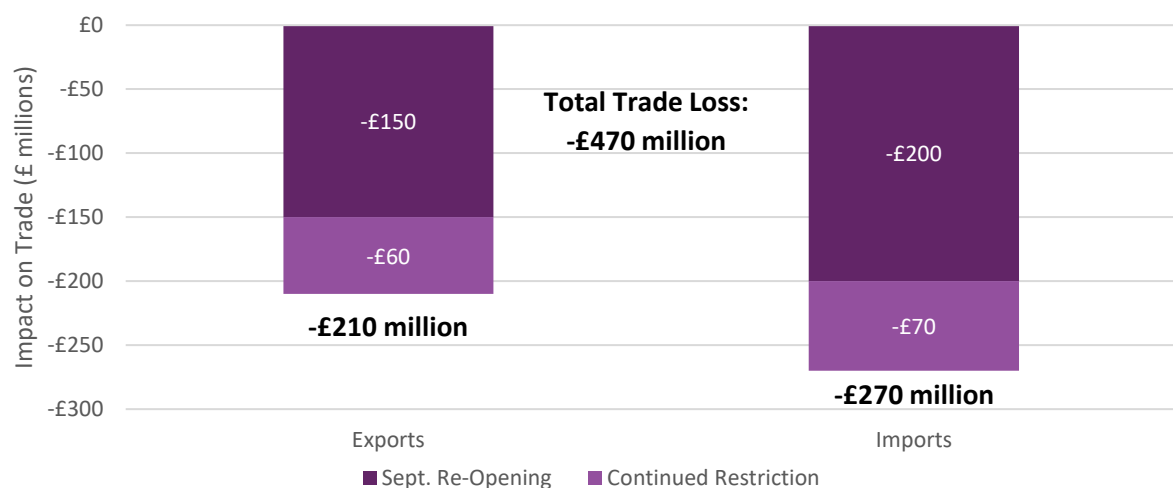


Source: York Aviation.

## The Economic Impact of Ongoing Restrictions

- 14.10. The impact of ongoing travel restrictions with Mexico through 2021 would have a significant impact on the UK economy. Below, we have set out the estimated impact on trade, inbound tourism and overall UK GDP and jobs.
- 14.11. Figure 14.10 shows the estimated impact on trade from the failure to effectively open up international travel in May for the remainder of 2021. In this instance, the total value of trade lost is estimated to be around £470 million. This includes a £210 million fall in exports. It also shows that the ability to recoup over half of these costs, lost trade of around £350 million, will be lost if re-opening is delayed until September.

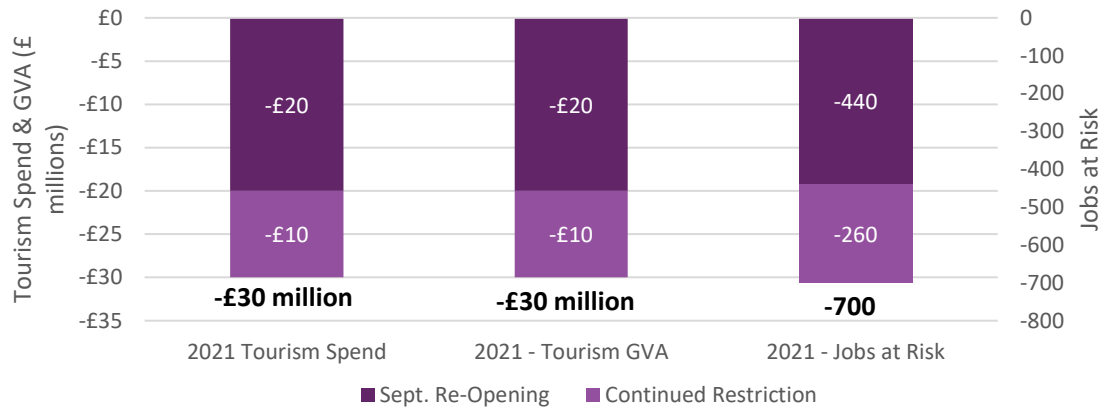
**Figure 14.10: Impact on UK – Mexico Trade**



Source: York Aviation Analysis.

14.12. Figure 14.11 shows the potential impact of continued restrictions on travel to / from Mexico on inbound tourism. If air travel cannot be reopened in May, the impact on tourism expenditure over the rest of 2021 is expected to be a fall of £30 million, resulting in a loss of GDP of around £30 million, putting 700 jobs at risk. Again, delaying re-opening until September results in a significant proportion of these costs no longer being recoverable: £20 million in tourism expenditure and £20 million in GDP, putting 440 jobs at risk.

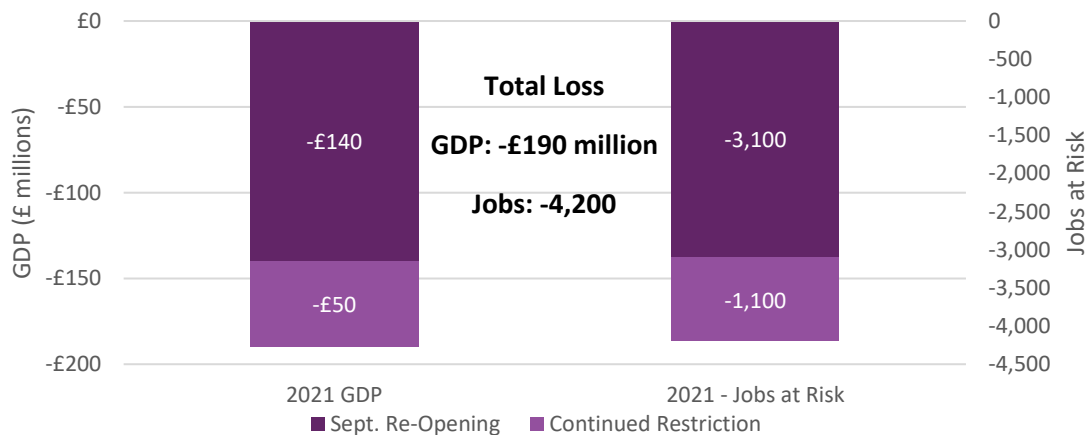
**Figure 14.11: Impact on Inbound Tourism to the UK**



Source: York Aviation Analysis.

14.13. The overall effect on UK GDP from the continued travel restrictions between Mexico and the UK not being lifted in May across the rest of 2021 is estimated to be around £190 million. This equates to around 4,200 jobs being put at risk. Again, if re-opening is delayed until September, the ability to recoup a significant proportion of these costs is lost: around £140 million in GDP, putting 3,100 jobs at risk.

**Figure 14.14: Impact on UK GDP**



Source: York Aviation Analysis.



## 15. New Zealand

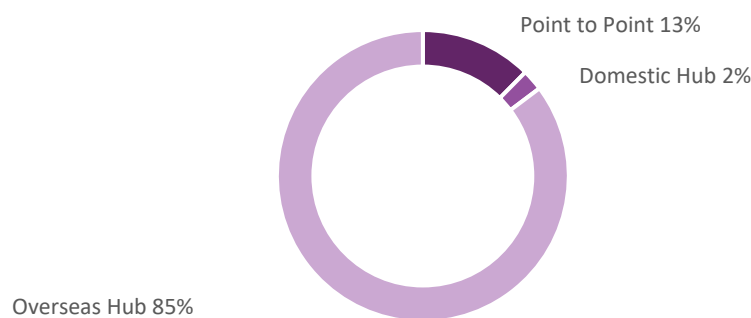
### Introduction

- 15.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and New Zealand, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021. It should be noted that New Zealand is taking an extremely cautious path to reopening and any recovery in 2021 is likely to be limited.

### Air Transport Links

- 15.2. In 2019, the origin and destination market between the UK and New Zealand was around 880,000 passengers. New Zealand is directly served from Heathrow but, given the distances involved, indirect routings are highly competitive and the majority of passengers use hub services (see Figure 15.1).

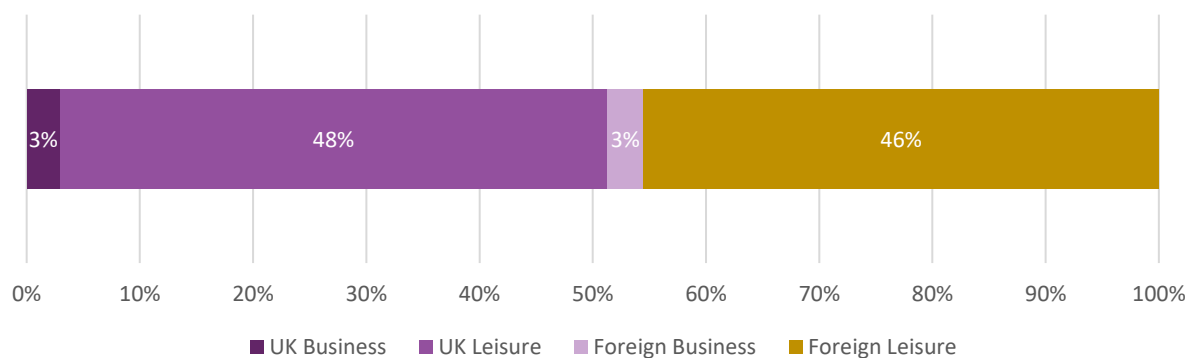
**Figure 15.1: Proportion of Passengers Travelling Between the UK and New Zealand on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 15.3. Figure 15.2 shows that the market between the UK and New Zealand is leisure focussed but there is a notably high proportion of inbound visitors to the UK.

**Figure 15.2: Profile of Passengers Travelling Between the UK and New Zealand in 2017, 2018 and 2019**



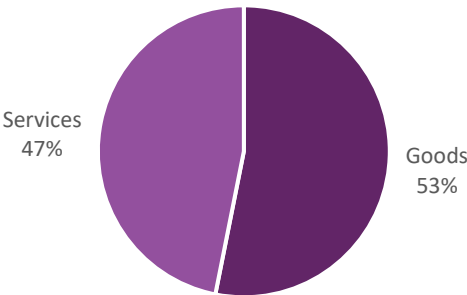
Source: CAA Passenger surveys 2017-19.

Economic Links between the UK and New Zealand

Trade

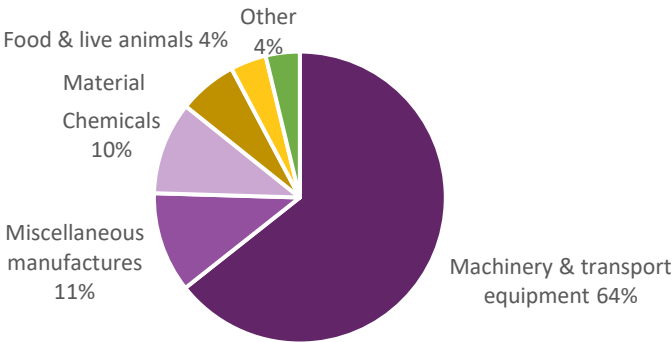
- 15.4. In 2019, total trade between the UK and New Zealand was valued at around £3 billion, of which around £1.7 billion was exports and £1.3 billion imports.
- 15.5. Exports to New Zealand are broadly balanced between goods and services (see Figure 15.3). Goods exports are dominated by Machinery and Transport Equipment (see Figure 15.4), while the largest sector for services is Intellectual Property and Other Business Services (see Figure 15.5).

Figure 15.3: Exports to New Zealand by type



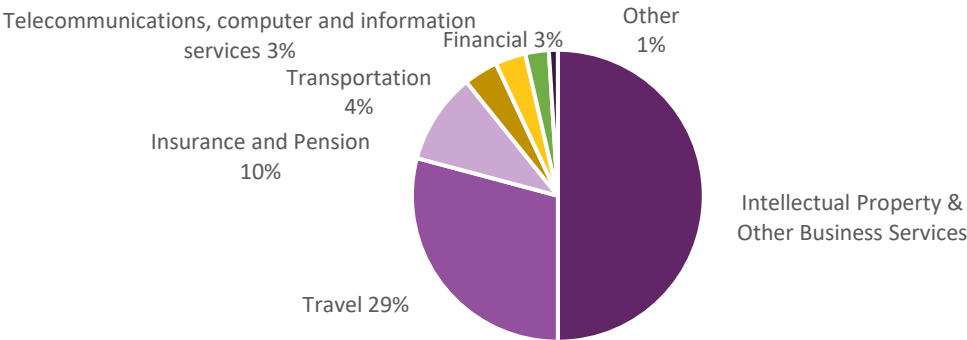
Source: ONS The Pink Book 2020.

Figure 15.4: Exports in Goods by Category in 2019



Source: ONS The Pink Book 2020.

Figure 15.5: Exports in Services by Category in 2019

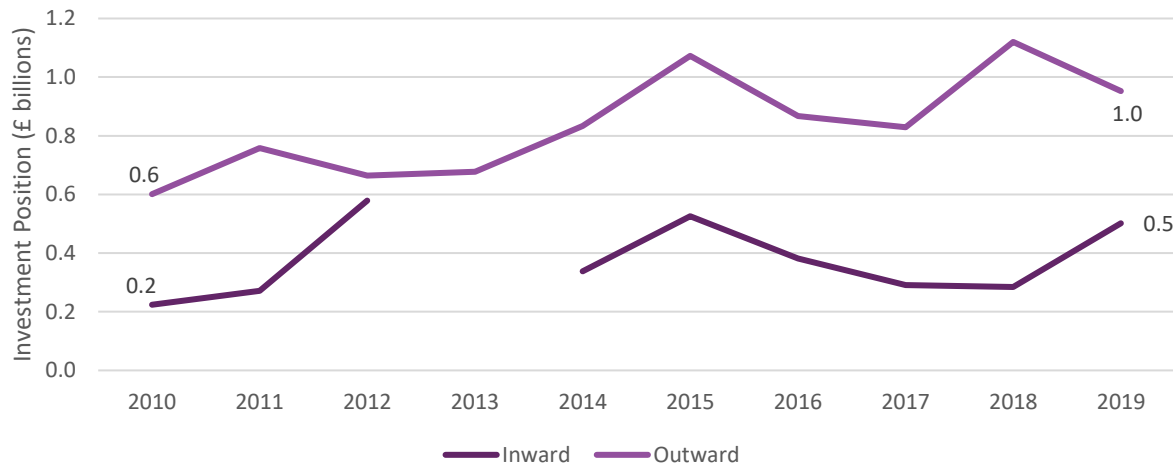


Source: ONS The Pink Book 2020.

### Foreign Direct Investment

- 15.6. New Zealand is a small inward investor in the UK (see Figure 15.6). Its investment stock in the UK in 2019 had reached a value of £0.5 billion in 2019. The UK's investment stock in New Zealand is larger at around £1 billion in 2019.

**Figure 15.6: International Inward and Outward Investment Position since 2010 (£ billions)**



Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward & Outward

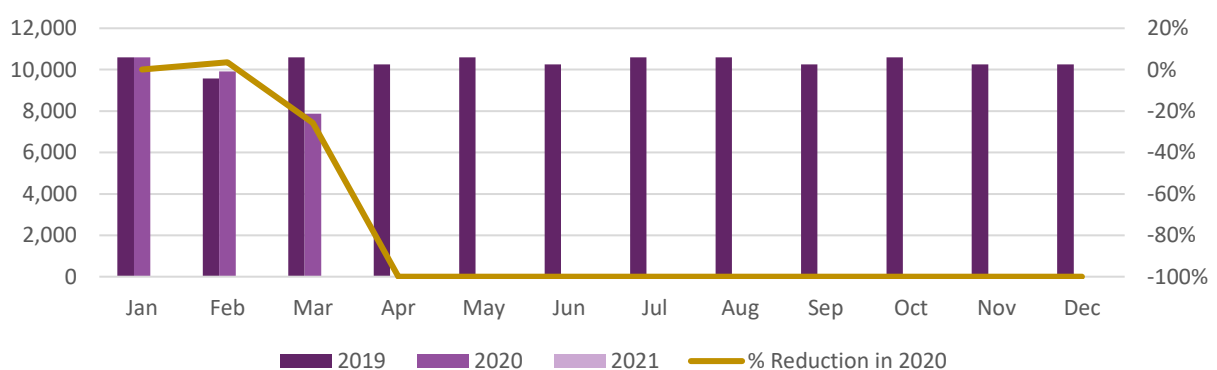
### Tourism

- 15.7. VisitBritain statistics suggest that around 158,000 visitors came to the UK from New Zealand in 2019. These visitors spent around £152 million in the UK economy.

### The Impact on the Air Transport Market

- 15.8. New Zealand has taken an extremely cautious approach to COVID-19 and essentially closed its borders to all but essential travel in April 2020 and borders remain closed and are likely to do so for some time to come.

**Figure 15.7: Published One Way Seat Capacity between UK and New Zealand**



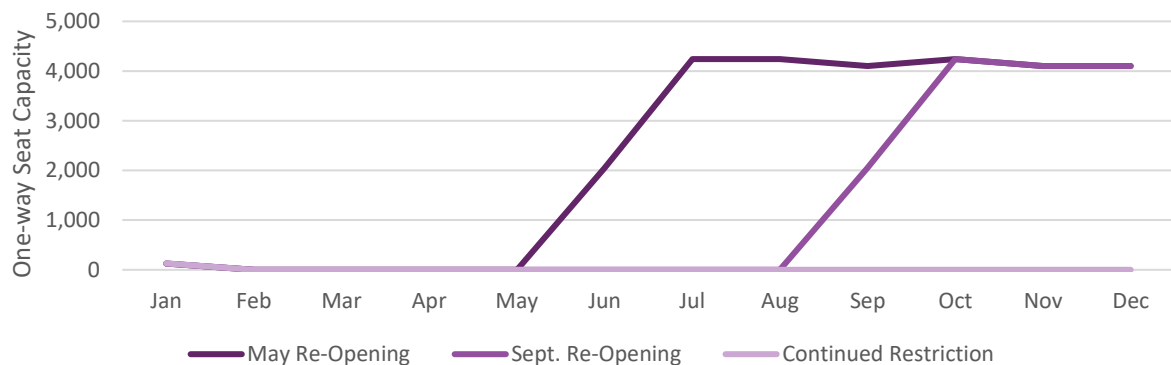
Source: OAG.

### The Real Outlook for the Remainder of 2021

- 15.9. Figure 15.8 shows the basis for our assessment of the potential economic costs of failing to reopen international travel between the UK and New Zealand in 2021. Again, if international travel can be effectively reopened in line with the UK Government's road map, then a basic recovery begins in May. If progress cannot be made, then only no service is seen between the two countries throughout 2021. The graph also shows the assumed seat capacity

scenario if re-opening is delayed until September. New Zealand is another country where short term re-opening may prove difficult but the estimates have based on the assumptions below.

**Figure 15.8: Seat Capacity Outlook for 2021 With and Without Actions on Restrictions**



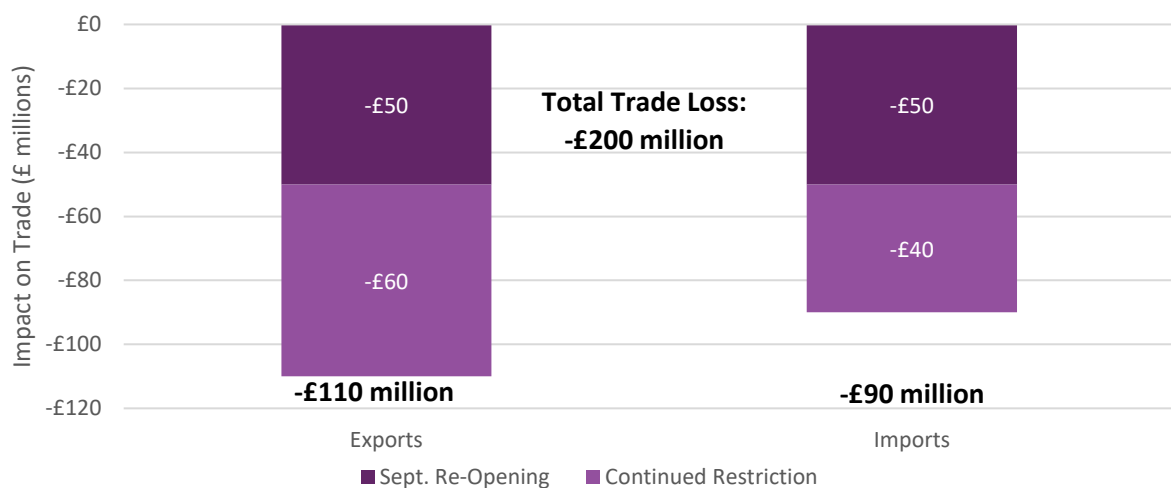
Source: York Aviation.

### The Economic Impact of Ongoing Restrictions

15.10. The impact of ongoing travel restrictions with New Zealand through 2021 would have a significant impact on the UK economy. Below, we have set out the estimated impact on trade, inbound tourism and overall UK GDP and jobs.

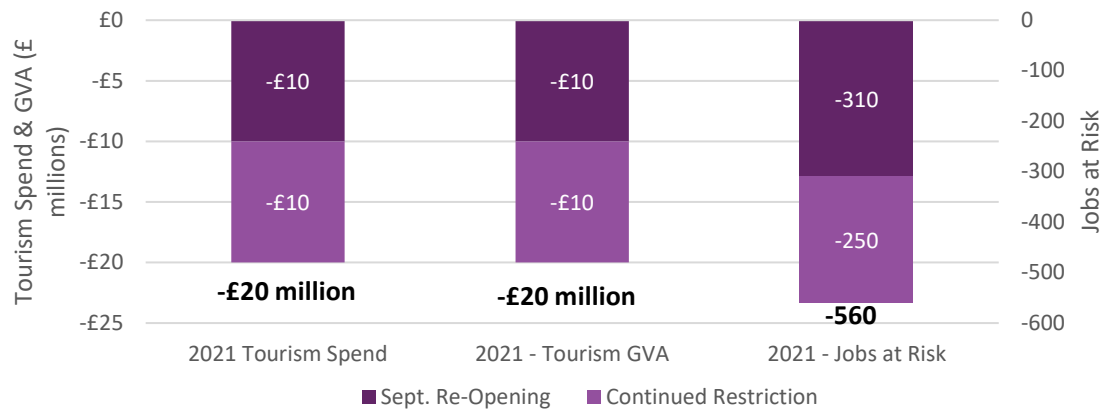
15.11. Figure 15.9 shows the estimated impact on trade from the failure to effectively open up international travel in May for the remainder of 2021. In this instance, the total value of trade lost is estimated to be around £200 million. This includes a £110 million fall in exports. It also shows that the ability to recoup around half of these costs, lost trade of around £100 million, will be lost if re-opening is delayed until September.

**Figure 15.9: Impact on UK – New Zealand Trade**



Source: York Aviation Analysis.

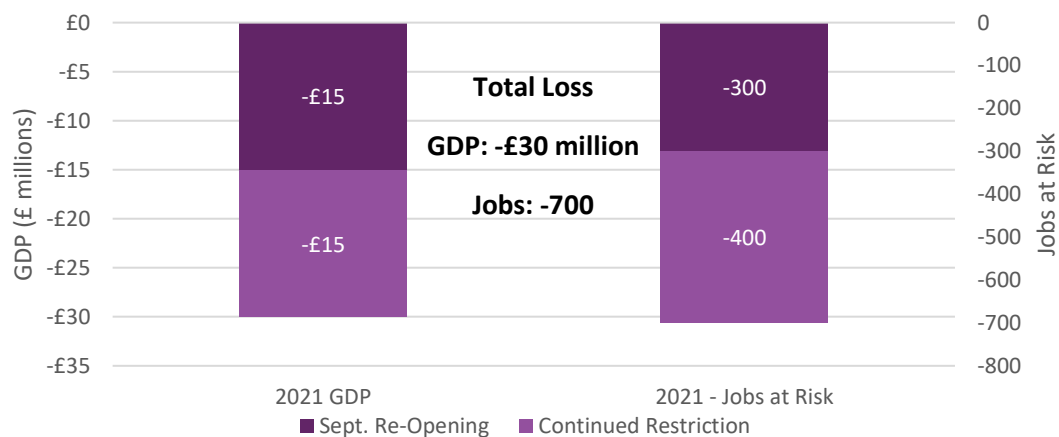
15.12. Figure 15.12 shows the potential impact of continued restrictions on travel to / from New Zealand on inbound tourism. If air travel cannot be reopened in May, the impact on tourism expenditure over the rest of 2021 is expected to be a fall of £20 million, resulting in a loss of GDP of around £20 million, putting 560 jobs at risk. Delaying re-opening until September results in a proportion of these costs no longer being recoverable: £10 million in tourism expenditure and £10 million in GDP, putting 310 jobs at risk.

**Figure 15.12: Impact on Inbound Tourism to the UK**

Source: York Aviation Analysis.

15.13. The overall effect on UK GDP from the continued travel restrictions between New Zealand and the UK in 2021 is estimated to be around £30 million. This equates to around 700 jobs being at risk.

15.14. The overall effect on UK GDP from the continued travel restrictions between New Zealand and the UK not being lifted in May across the rest of 2021 is estimated to be around £30 million. This equates to around 700 jobs being put at risk. Again, if re-opening is delayed until September, the ability to recoup a proportion of these costs is lost: around £15 million in GDP, putting 300 jobs at risk.

**Figure 15.13: Impact on UK GDP**

Source: York Aviation Analysis.

## 16. Peru

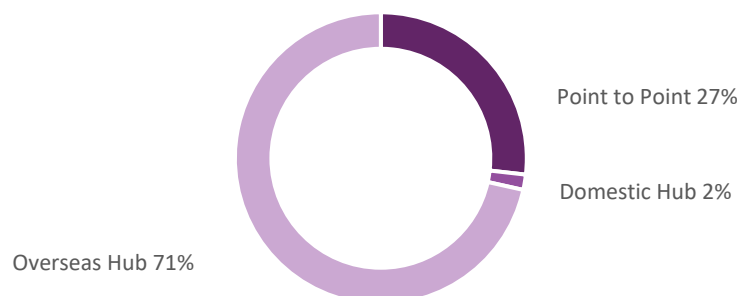
### Introduction

- 16.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and Peru, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021.

### Air Transport Links

- 16.2. In 2019, the origin and destination market between the UK and Peru was around 125,000 passengers. Lima is directly served from Gatwick but there are no other direct services from the UK. As a result, the majority of passengers use indirect routings (see Figure 16.1).

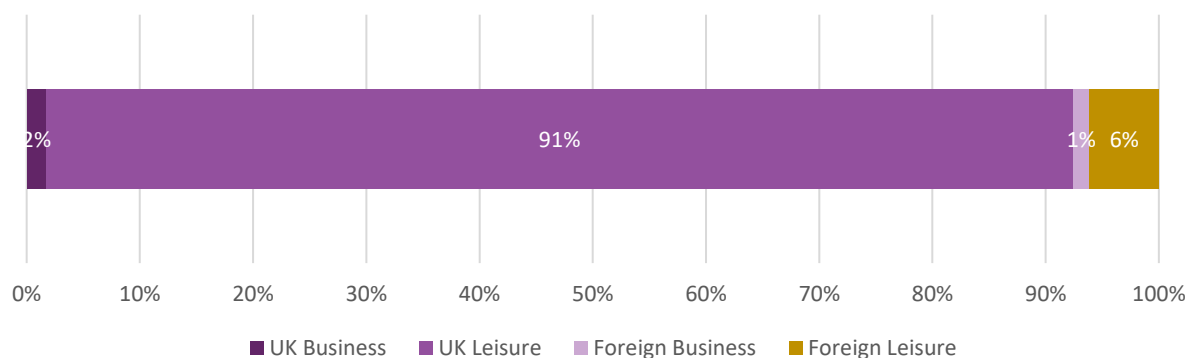
**Figure 16.1: Proportion of Passengers Travelling Between the UK and Peru on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 16.3. The market is dominated by UK leisure passengers, who make up 91% of the total.

**Figure 16.2: Profile of Passengers Travelling Between the UK and Peru in 2017, 2018 and 2019**



Source: CAA Passenger surveys 2017-19.

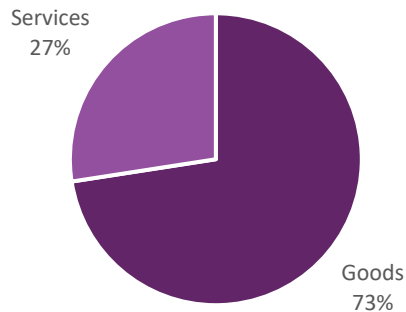
### Economic Links between the UK and Peru

#### Trade

- 16.4. In 2019, total trade between the UK and Peru was valued at around £900 million, of which around £270 million was exports.

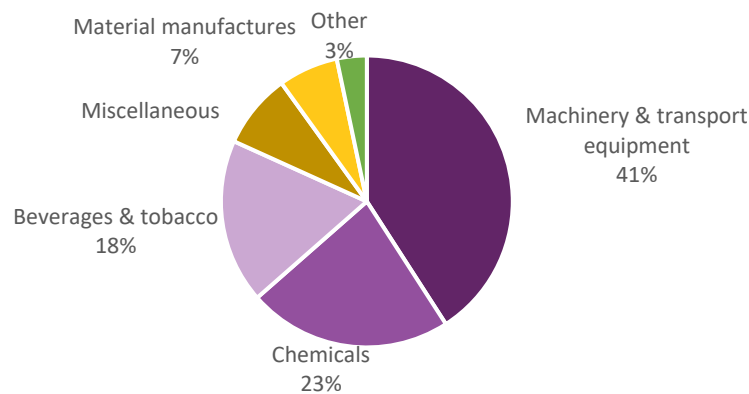
- 16.5. Exports to Peru are focussed towards goods (see Figure 16.3), with Machinery and Transport Equipment, and Chemicals the dominant sectors (see Figure 16.4). The key economic sector for service exports is Construction services (see Figure 16.5).

**Figure 16.3: Exports to Peru by type**



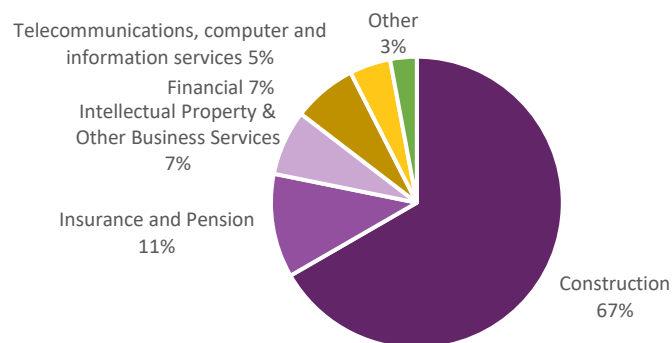
Source: ONS The Pink Book 2020.

**Figure 16.4: Exports in Goods by Category in 2019**



Source: ONS The Pink Book 2020.

**Figure 16.5: Exports in Services by Category to Other Americas in 2019**



Source: ONS The Pink Book 2020.

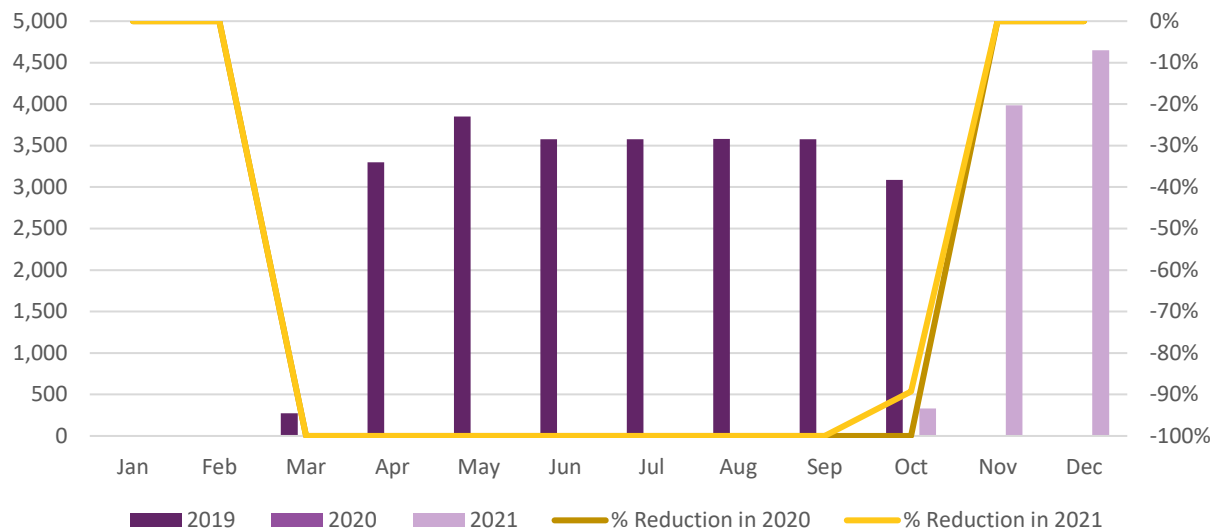
### Foreign Direct Investment & Tourism

- 16.6. No data is available on the FDI relationships between the UK and Peru. Similarly, no information is available from VisitBritain in relation to inbound tourism from Peru. However, CAA Passenger Survey data suggests that there may have been around 5,000 in 2019.

## The Impact on the Air Transport Market

- 16.7. The direct air links between the UK and Peru did not operate in 2020 following the onset of the pandemic and published schedules suggest that these are not expected to restart until later in 2021.

**Figure 16.6: Published One Way Seat Capacity between UK and Peru**

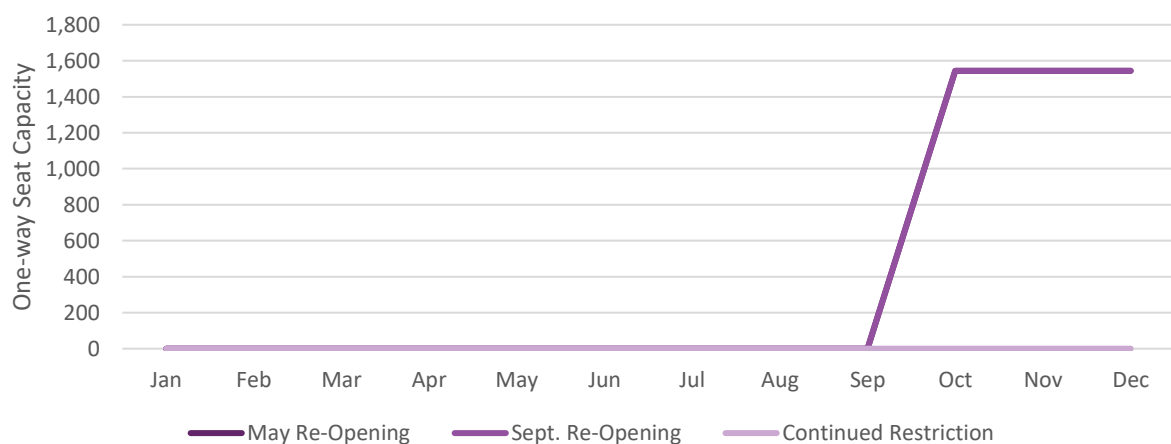


Source: OAG.

## The Real Outlook for the Remainder of 2021

- 16.8. In relation to Peru, given the pattern of published schedules data, we have assumed recovery is delayed until the latter part of the year and even then it is limited. This means that there is no difference in this market between re-opening in May and in September.

**Figure 16.7: Seat Capacity Outlook for 2021 under With and Without Actions on Restrictions**



Source: York Aviation.

## The Economic Impact of Ongoing Restrictions

- 16.9. The impact of ongoing travel restrictions with Peru through 2021 would have a small but noticeable impact on the UK economy. Below, we have set out the estimated impact on trade and overall UK GDP and jobs. We have not sought to estimate tourism impacts in this case due to the lack of data and the small size of the market. It should



also be noted that, as re-opening is not expected until later in 2021 anyway, there is no difference between re-opening in May and September.

16.10. Figure 16.8 shows the estimated impact on trade from the failure to effectively open up international travel through 2021. Across the whole of 2021, the total value of trade lost is estimated to be around £40 million. This includes a £10 million fall in exports.

**Figure 16.8: Impact on UK – Peru Trade**



Source: York Aviation Analysis.

16.11. The overall effect on UK GDP from the continued travel restrictions between Peru and the UK in 2021 is estimated to be around £10 million. This equates to around 100 jobs being at risk.

**Figure 16.9: Impact on UK GDP**



Source: York Aviation Analysis.

## 17. Singapore

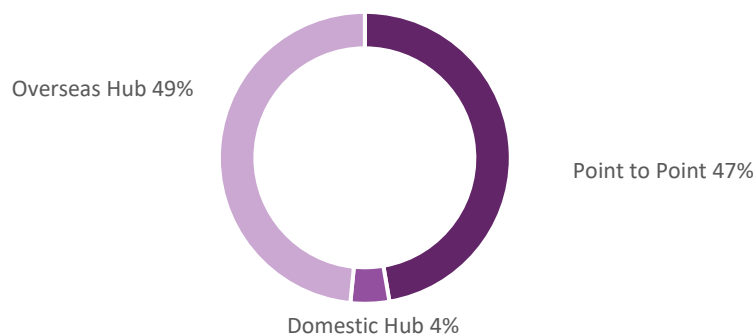
### Introduction

- 17.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and Singapore, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021.

### Air Transport Links

- 17.2. In 2019, the origin and destination market between the UK and Singapore was around 710,000 passengers. The city state was served directly from Heathrow and Manchester on a regular basis. The market is split relatively evenly between passengers using direct services and those travelling via hubs (see Figure 17.1).

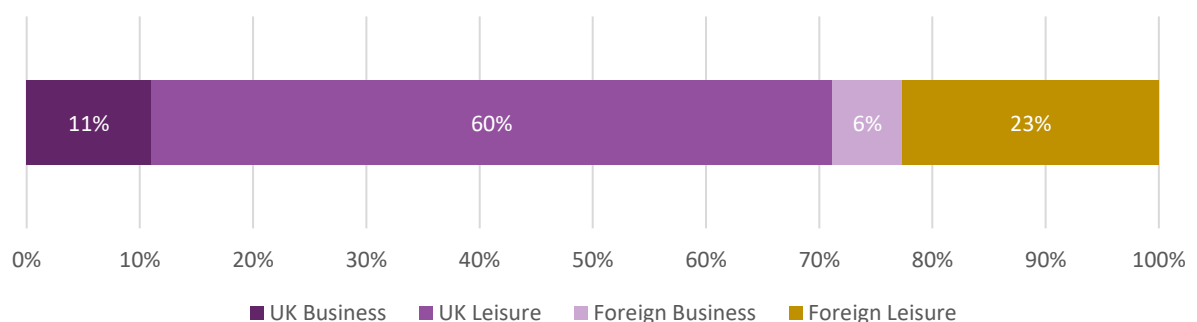
**Figure 17.1: Proportion of Passengers Travelling Between the UK and Singapore on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 17.3. The Singapore market is typical of many large long haul markets from the UK. While the largest segment is UK leisure travellers, there are also significant numbers of business travellers and inbound visitors to the UK.

**Figure 17.3: Profile of Passengers Travelling Between the UK and Singapore in 2017, 2018 and 2019**



Source: CAA Passenger surveys 2017-19.

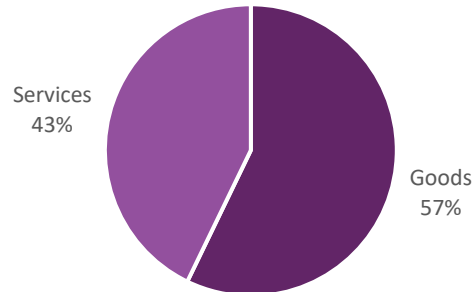
### Economic Links between the UK and Singapore

#### Trade

- 17.4. In 2019, total trade between the UK and Singapore was valued at around £18 billion, of which around £11 billion was exports.

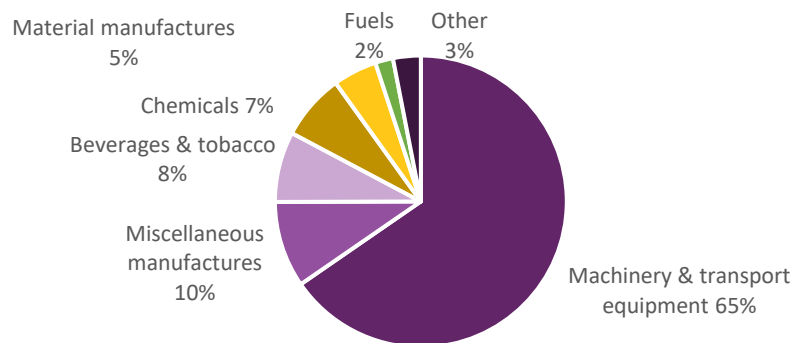
- 17.5. Exports to Singapore are focussed towards goods (see Figure 17.3), with Machinery and Transport Equipment the dominant sector (see Figure 17.4). The key economic sectors for service exports include Finance and Other Business Services (see Figure 17.5).

**Figure 17.3: Exports to Singapore by type**



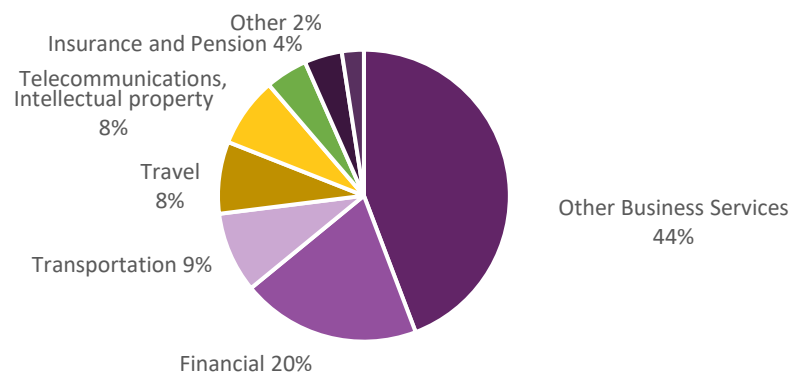
Source: ONS The Pink Book 2020.

**Figure 17.4: Exports in Goods by Category in 2019**



Source: ONS The Pink Book 2020.

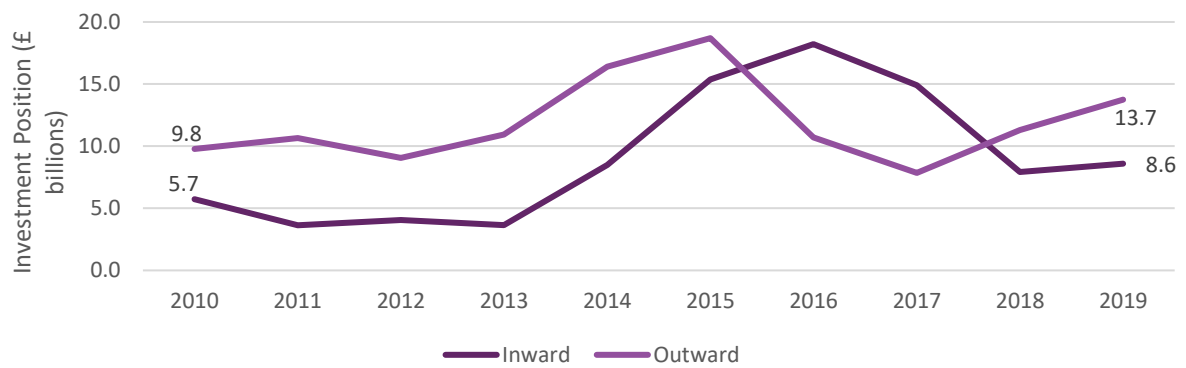
**Figure 17.5: Exports in Services by Category in 2019**



Source: ONS The Pink Book 2020.

### Foreign Direct Investment

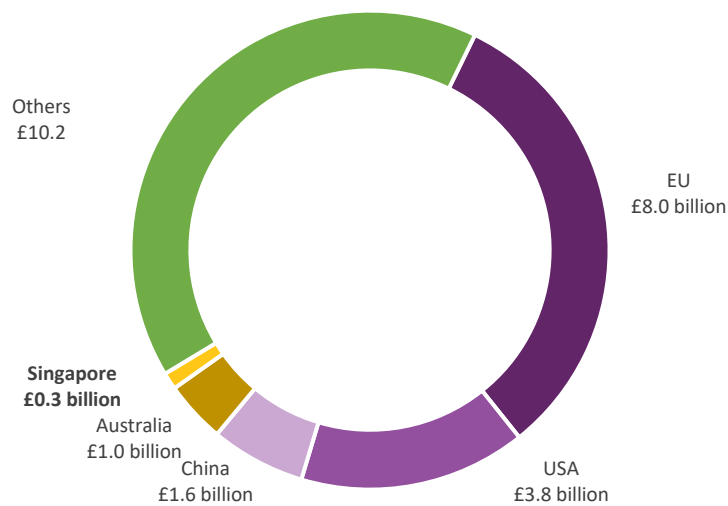
- 17.6. Singapore's investment stock in the UK in 2019 had reached a value of £8.6 billion. The UK's investment stock in Singapore was somewhat larger at £13.7 billion in 2019.

**Figure 17.6: International Inward and Outward Investment Position since 2010 (£ billions)**

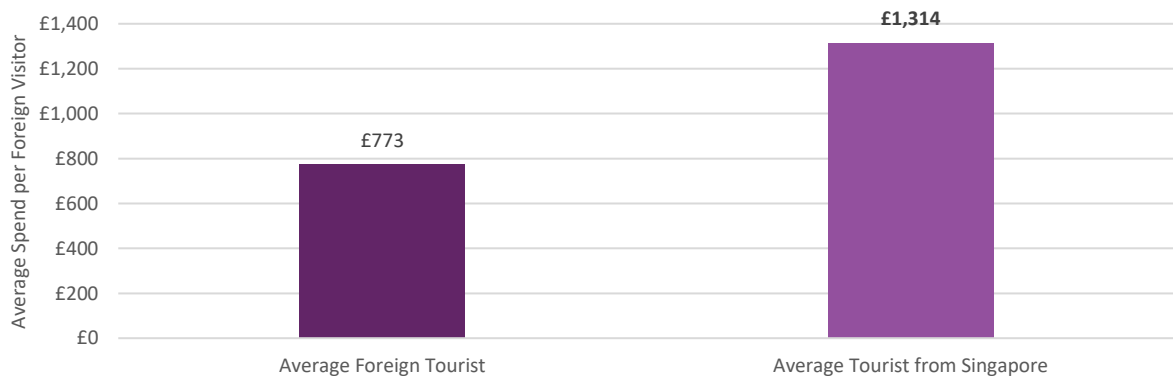
Source: Foreign Direct Investment Involving UK companies, 2019 (Directional): Inward & Outward.

### Tourism

- 17.7. Singapore is an important inbound tourism market for the UK, driven by its high spend per visit (see Figure 17.8). VisitBritain statistics suggest that around 218,000 visitors came to the UK from Singapore in 2019, spending around £286 million in the UK economy.

**Figure 17.7: Visitor Spend by Country (£ billions, 2019)**

Source: VisitBritain Tourism Survey (2019).

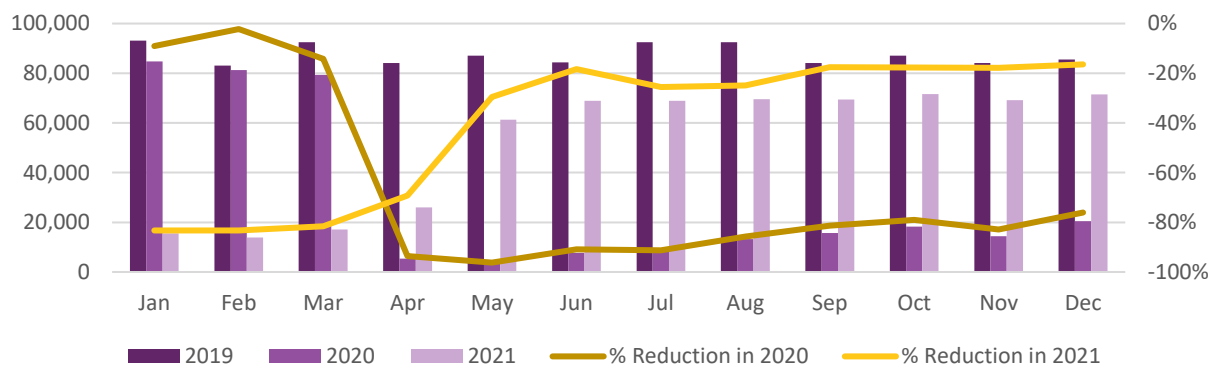
**Figure 17.8: Average Spend per Foreign Visitor compared to Visitors from Singapore in 2019**

Source: VisitBritain Tourism Survey (2019).

## The Impact on the Air Transport Market

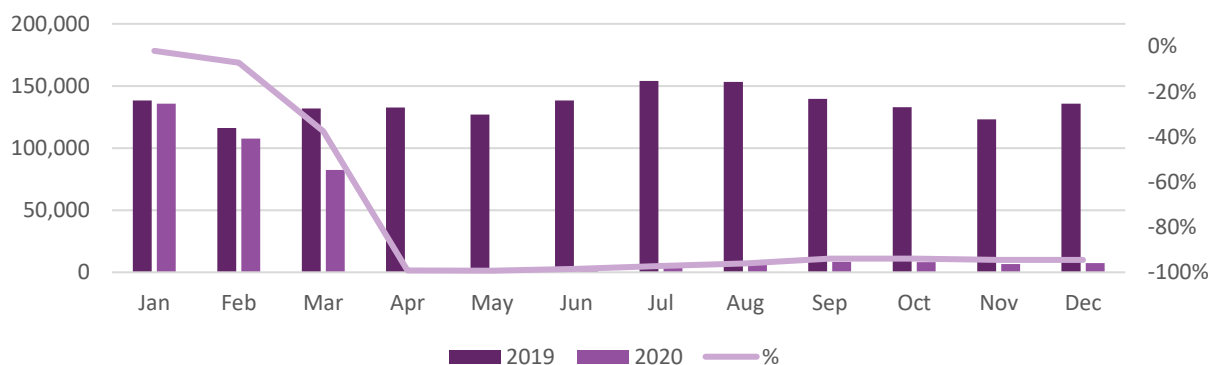
- 17.8. While COVID-19 has not resulted in the cessation of direct services between the two countries, the impact has been dramatic, with seat capacity down significantly, up to 96% in 2020 compared to 2019 (see Figure 17.9). 2021 has seen a slight recovery in capacity but it is still very low, again reflecting the travel restrictions in place. Passenger statistics are even more extreme, reflecting low load factors through much of 2020 (see Figure 17.10). Published schedules currently suggest a strong recovery through 2021, but again these should be viewed with considerable caution.

**Figure 17.9: Published One Way Seat Capacity between UK and Singapore**



Source: OAG.

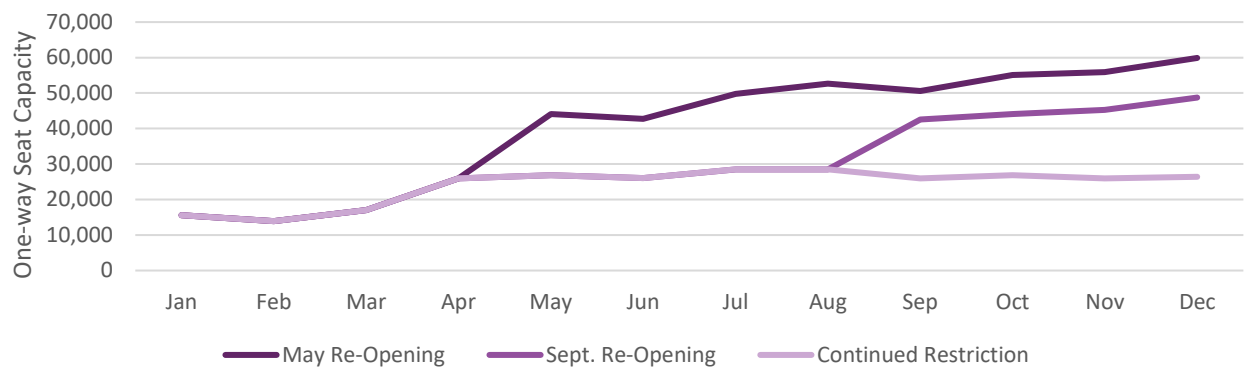
**Figure 17.10: Passenger numbers by month between UK and Singapore**



Source: CAA Statistics.

## The Real Outlook for the Remainder of 2021

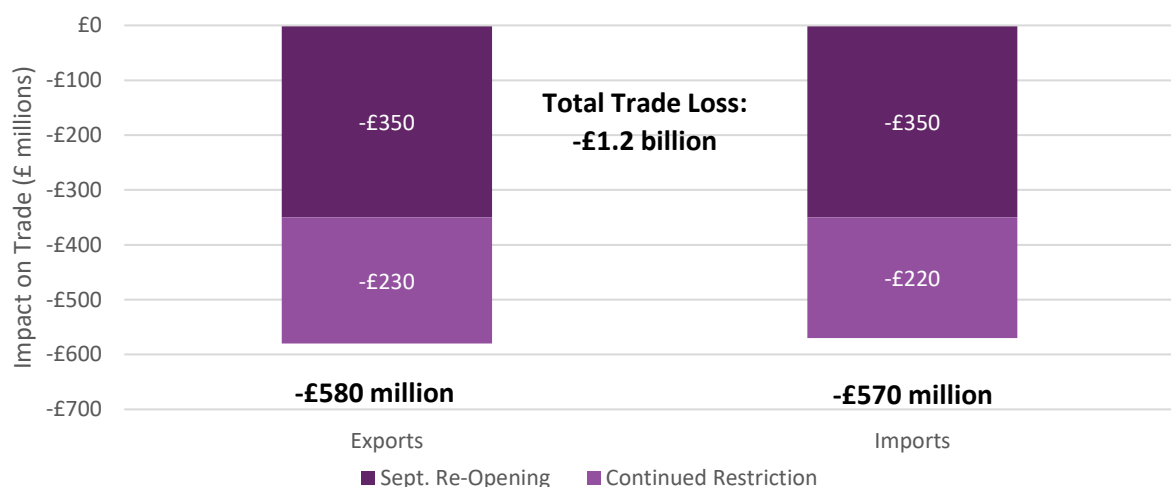
- 17.9. Figure 17.11 shows the basis for our assessment of the potential economic costs of failing to reopen international travel between the UK and Singapore in 2021. Again, if international travel can be effectively reopened in line with UK Government's road map, then recovery begins in May and grows steadily through the year. This is broadly in line with the pattern seen in the current published schedules. If progress cannot be made, then only very limited service is seen between the two countries throughout 2021. The graph also shows the assumed seat capacity scenario if re-opening is delayed until September.

**Figure 17.11: Seat Capacity Outlook for 2021 With and Without Actions on Restrictions**

Source: York Aviation.

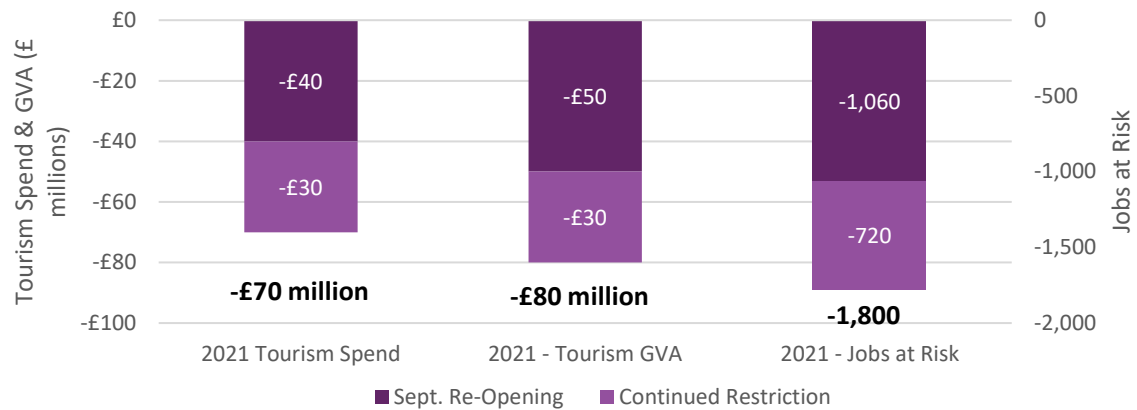
### The Economic Impact of Ongoing Restrictions

- 17.10. The impact of ongoing travel restrictions with Singapore through 2021 would have a significant impact on the UK economy. Below, we have set out the estimated impact on trade, inbound tourism and overall UK GDP and jobs.
- 17.11. Figure 17.12 shows the estimated impact on trade from the failure to effectively open up international travel in May for the remainder of 2021. In this instance, the total value of trade lost is estimated to be around £1.2 billion. This includes a £580 million fall in exports. It also shows that the ability to recoup over half of these costs, lost trade of around £700 million, will be lost if re-opening is delayed until September.

**Figure 17.12: Impact on UK – Singapore Trade**

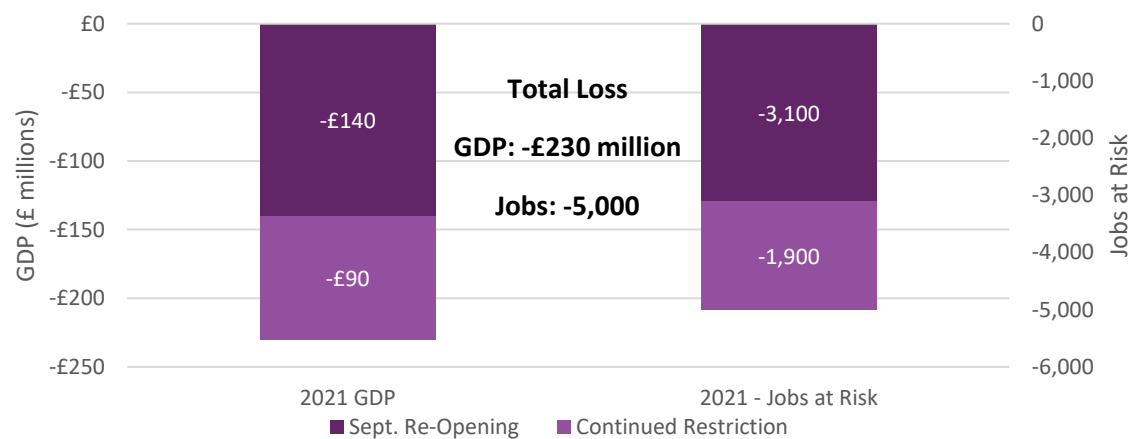
Source: York Aviation Analysis.

- 17.12. Figure 17.13 shows the potential impact of continued restrictions on travel to / from Singapore on inbound tourism. If air travel cannot be reopened in May, the impact on tourism expenditure over the rest of 2021 is expected to be a fall of £70 million, resulting in a loss of GDP of around £80 million, putting 1,800 jobs at risk. Again, delaying re-opening until September results in a significant proportion of these costs no longer being recoverable: £40 million in tourism expenditure and £50 million in GDP, putting 1,060 jobs at risk.

**Figure 17.13: Impact on Inbound Tourism to the UK**

Source: York Aviation Analysis.

17.13. The overall effect on UK GDP from the continued travel restrictions between Singapore and the UK not being lifted in May across the rest of 2021 is estimated to be around £230 million. This equates to around 5,000 jobs being put at risk. Again, if re-opening is delayed until September, the ability to recoup a significant proportion of these costs is lost: around £140 million in GDP, putting 3,100 jobs at risk.

**Figure 17.14: Impact on UK GDP**

Source: York Aviation Analysis.

## 18. Vietnam

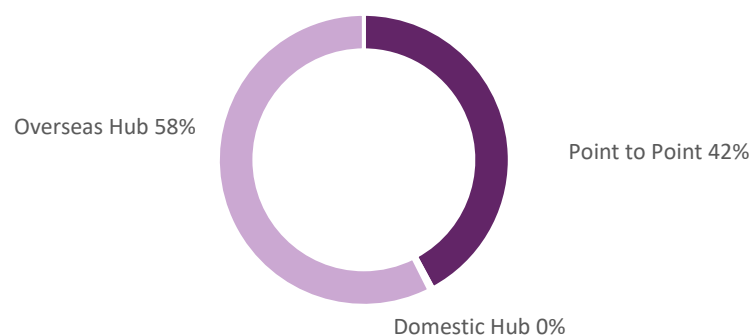
### Introduction

- 18.1. This section presents an analysis of the pre-COVID-19 air transport market and economic linkages between the UK and Vietnam, before moving on to consider the economic costs of a failure to reopen international travel between the two countries during 2021.

### Air Transport Links

- 18.2. In 2019, the origin and destination market between the UK and Vietnam was around 290,000 passengers. Two destinations are served on a regular basis from Heathrow. The market is balanced slightly towards those travelling via hubs (see Figure 18.1).

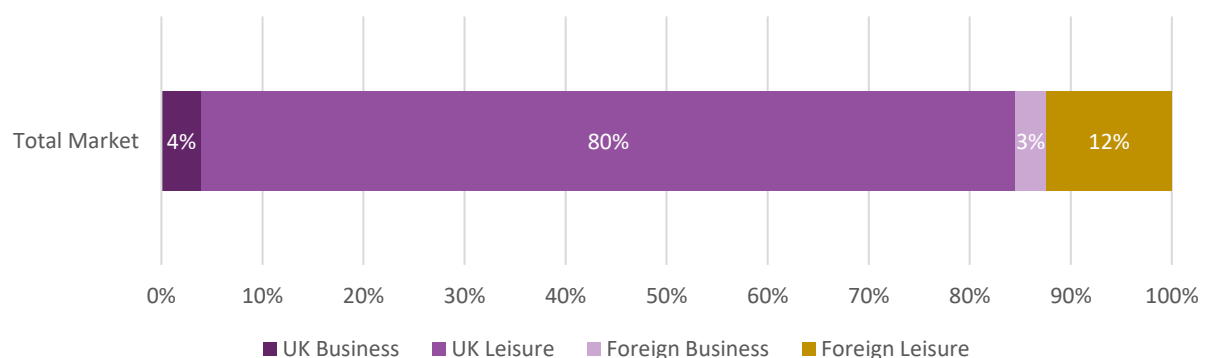
**Figure 18.1: Proportion of Passengers Travelling Between the UK and Vietnam on Direct and Connecting Services.**



Source: CAA Passenger Survey 2019.

- 18.3. The market is strongly focussed towards UK leisure passengers, but there is a component of business travel and some inbound leisure travellers.

**Figure 18.2: Profile of Passengers Travelling Between the UK and Vietnam in 2017, 2018 and 2019**



Source: CAA Passenger Surveys 2017-19.

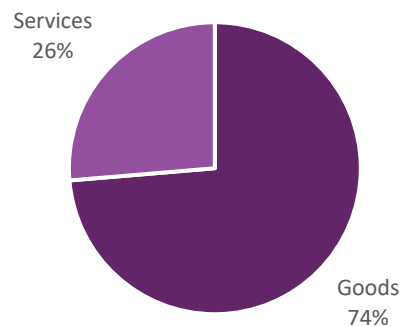


## Economic Links between the UK and Vietnam

### Trade

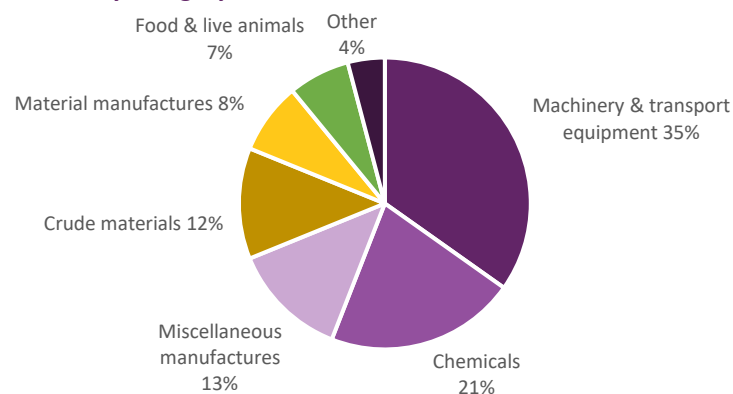
- 18.4. In 2019, total trade between the UK and Vietnam was valued at around £5 billion, of which around £900 million was exports. Exports to Vietnam are strongly focussed towards goods (see Figure 18.3), with Machinery and Transport Equipment and Chemicals the dominant sectors (see Figure 18.4).

**Figure 18.3: Exports to Vietnam by type**



Source: ONS The Pink Book 2020.

**Figure 18.4: Exports in Goods by Category in 2019**



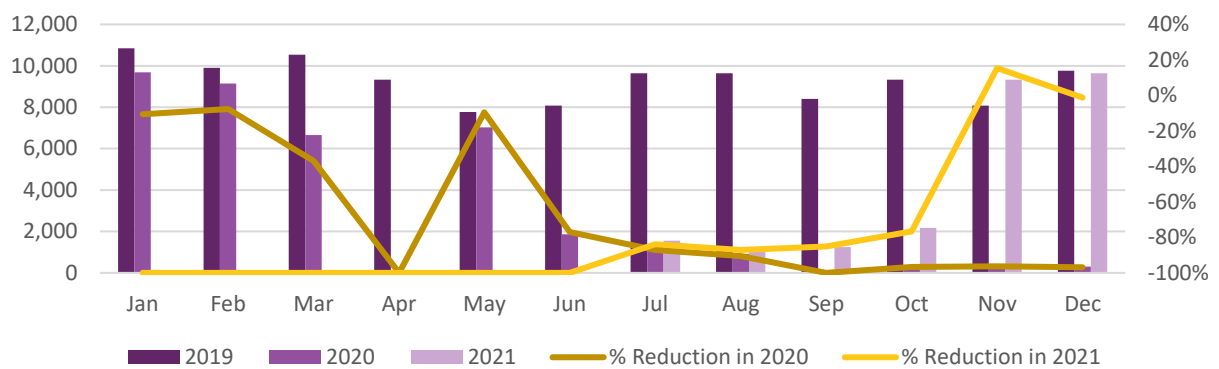
Source: ONS The Pink Book 2020.

### Foreign Direct Investment & Tourism

- 18.5. No data is available on the FDI relationships between the UK and Vietnam. Similarly, no information is available from VisitBritain in relation to inbound tourism from Vietnam. However, CAA Passenger Survey data suggests that there may have been around 22,000 visitors in 2019.

### The Impact on the Air Transport Market

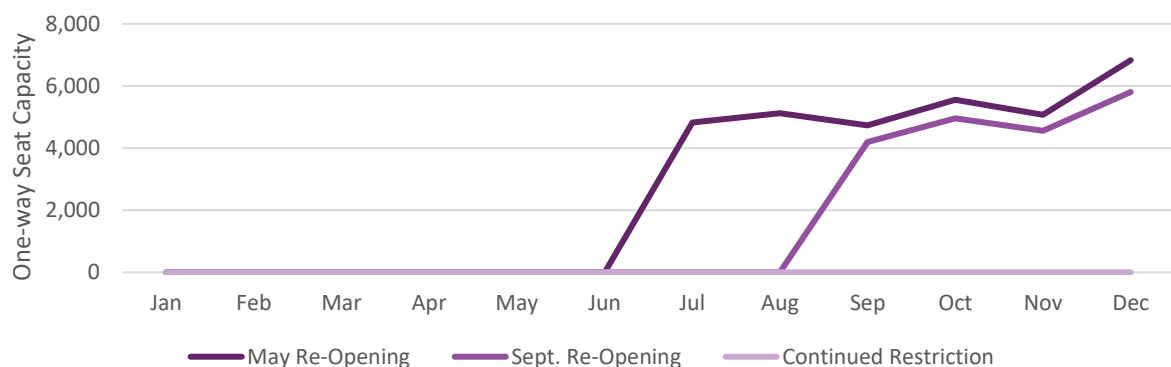
- 18.6. In common with all air transport markets, capacity between Vietnam and the UK was massively reduced in 2020, with seat capacity down 97% in December compared to 2019. At present, there are no direct services between the UK and Vietnam. Current published schedules suggest a restart in July with recovery through the year, but November and December look unlikely to be achieved.

**Figure 18.5: Published One Way Seat Capacity between UK and Vietnam**

Source: OAG.

### The Real Outlook for the Remainder of 2021

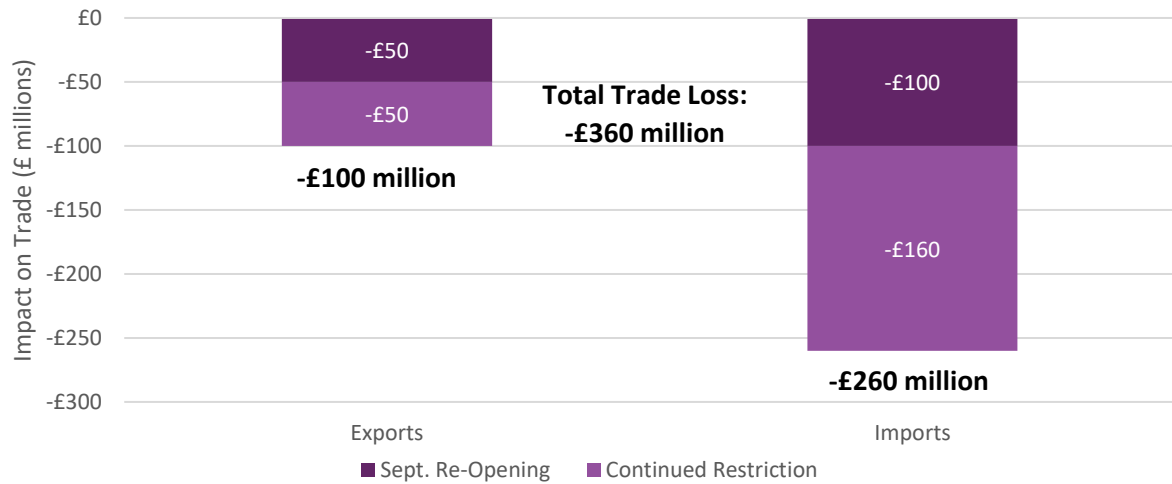
- 18.7. Figure 18.6 shows the basis for our assessment of the potential economic costs of failing to reopen international travel between the UK and Vietnam in 2021. Again, if international travel can be effectively reopened in line with the UK Government's road map, then recovery begins in July, in line with published schedules, and grows steadily through the year. If progress cannot be made, then no direct service is seen between the two countries throughout 2021. As in other markets, an additional scenario has been included to understand the overall impacts if flight restrictions are lifted later in September 2021.

**Figure 18.6: Seat Capacity Outlook for 2021 With and Without Action on Restrictions**

Source: York Aviation.

### The Economic Impact of Ongoing Restrictions

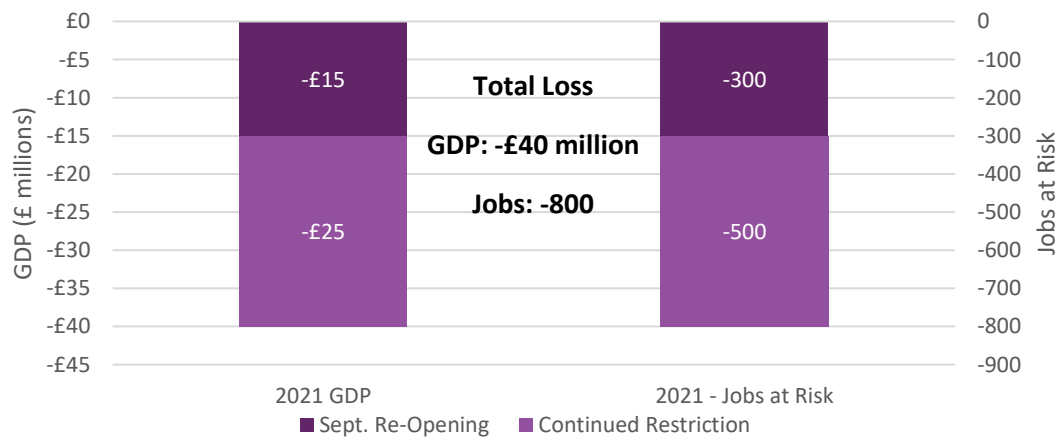
- 18.8. The impact of ongoing travel restrictions with Vietnam through 2021 would have some impact on the UK economy. Below, we have set out the estimated impact on trade and overall UK GDP and jobs. We have not sought to estimate tourism impacts in this case due to the lack of data and the small size of the market.
- 18.9. The impact of not opening air links between UK and the EU in May 2021, as per the UK Government's roadmap, significantly impacts on the trading relationship between Vietnam and the UK. If restrictions continue through to the end of 2021, the value of trade loss is estimated to be around £360 million in total. This includes a £100 million fall in exports to Vietnam.
- 18.10. If re-opening is delayed to September, a proportion the trade benefits that could have been accrued by opening in May 2021, can no longer be achieved. This equates to around a nearly £150 million loss in trade.

**Figure 18.7: Impact on UK – Vietnam Trade**

Source: York Aviation Analysis.

18.11. The overall effect on UK GDP from the continued travel restrictions between Vietnam and the UK in 2021 is estimated to be around £40 million. This equates to around 800 jobs being at risk.

18.12. The overall loss in GDP from not opening UK - Vietnam air links in May 2021 is estimated to be around £40 million. This equates to around 800,000 jobs being put at risk. Again, if re-opening is delayed until September, then, it will not be possible to recover all these losses. It is estimated that this delay would cost around £15 million in GDP, putting around 300 jobs at risk.

**Figure 18.12: Impact on UK GDP**

Source: York Aviation Analysis.

**Contact York Aviation at:**

Atlas House  
Old Hall Street  
Macclesfield  
Cheshire  
SK10 2DT

United Kingdom

Telephone No: 01625 614051

Fax No. 01625 426159

[yal@yorkaviation.co.uk](mailto:yal@yorkaviation.co.uk)

[www.yorkaviation.co.uk](http://www.yorkaviation.co.uk)