



Private & Confidential

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Impact of Previous Crises on Travel & Tourism and Estimates on the Recovery Period

Impact of previous Crises on the Economy, Travel, and Tourism

- Impact of 1990 Gulf War on the Global & Arab World Economies, Travel, and Tourism
- Impact of 9/11 & SARS on the Global & Arab World Economies, Travel, and Tourism
- Impact of the Financial Crisis on the Global & Arab World Economies, Travel, and Tourism

Scenarios of Recovery Post COVID-19 in Economy, Travel, and Tourism

- Expected Impact of COVID-19 and Time for Recovery of the Global & Arab World Economies, Travel, and Tourism (**Best-case Scenario**)
- Expected Impact of COVID-19 and Time for Recovery of the Global & Arab World Economies, Travel, and Tourism (**Worst-case Scenario**)
- Expected Impact of COVID-19 and Time for Recovery of the Global & Arab World Economies, Travel, and Tourism (**Median Scenario**)

Comparative Analysis between COVID-19 and Previous Crises

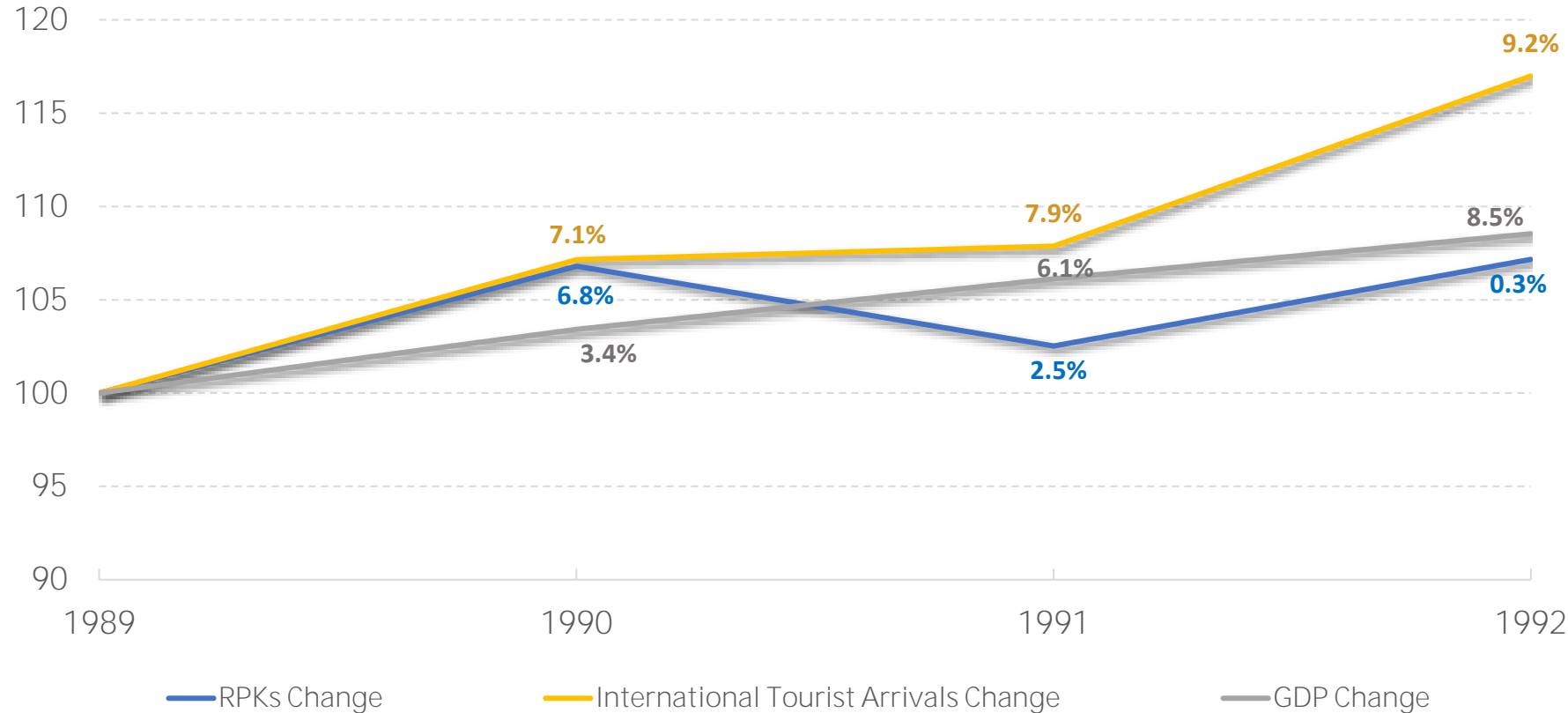
- Expected Impact of COVID-19 vs Previous Crises and Time for Recovery of the Global & Arab World Economy
- Expected Impact of COVID-19 vs Previous Crises and Time for Recovery of the Global & Arab World Travel
- Expected Impact of COVID-19 vs Previous Crises and Time for Recovery of the Global & Arab World International Tourist Arrivals
- Travel and Tourism Contribution to GDP in Some Arab Countries
- Summary of All Comparative Scenarios – Global vs Arab world

Conclusion

Impact of 1990 Gulf War on the Global Economy, Travel, and Tourism

Data Points Compared to Base Year 1989 (Last Normal Year Before the Crisis)

Base year 1989=100



Source: AACO and Various Sources

The 1990-91 Gulf War, after the invasion of the Iraqi forces to Kuwait, which occurred between August 1990 and February 1991, had a limited impact on the global economy. Global GDP grew by 3.4% in 1990 over 1989 (the last normal year before the crisis), and by 6.1% in 1991 compared to 1989.

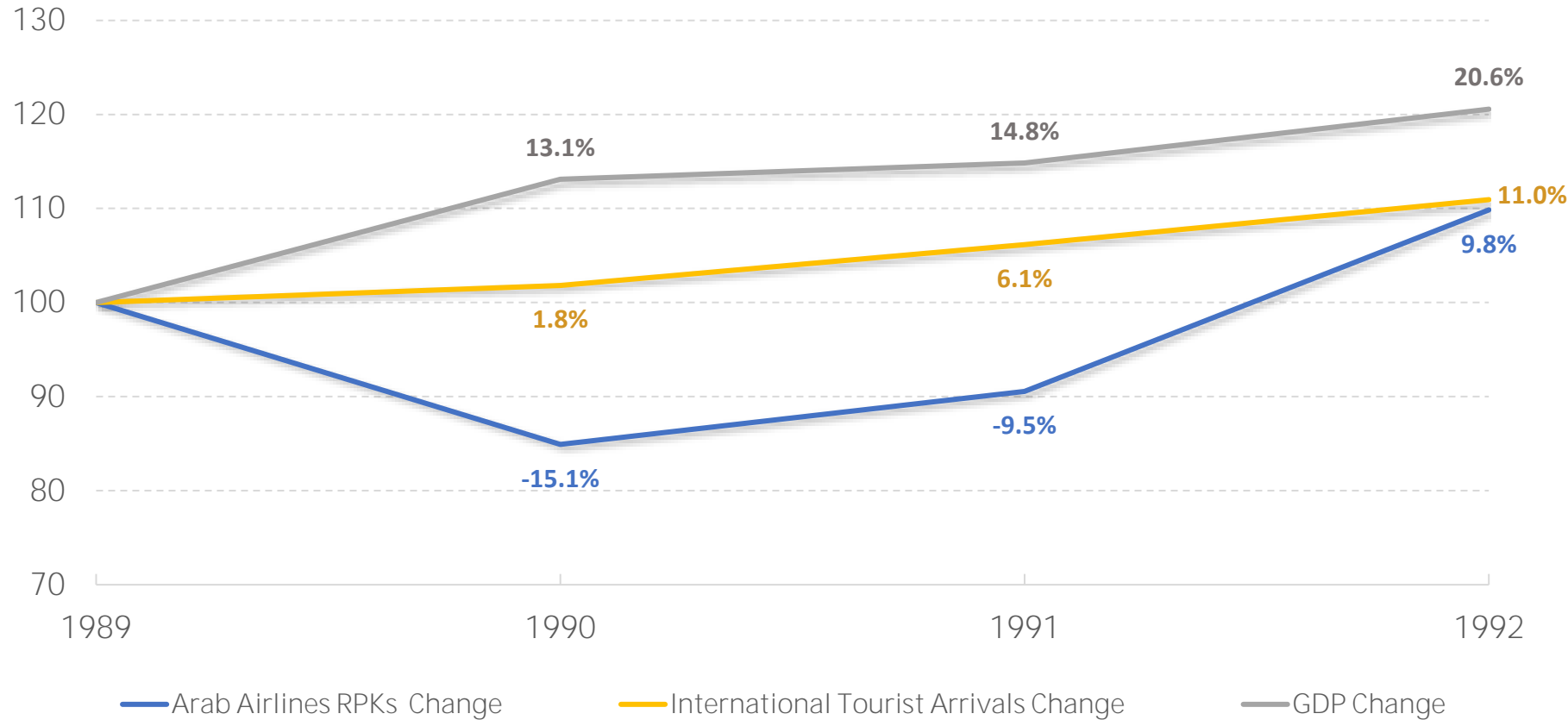
Other sectors, such as travel and tourism, were mainly affected by the repercussions of the crisis in 1991. Global RPKs growth witnessed a slowdown in 1991, growing by 2.5% over 1989, down from 6.8% registered in 1990 compared to 1989.

As for tourism, international tourist arrivals grew by 7.1% in 1990 compared to 1989, and almost maintained the same level in 1991 compared to 1989.

Impact of 1990 Gulf War on the Arab World Economy, Travel, and Tourism

Data Points Compared to Base Year 1989 (Last Normal Year Before the Crisis)

Base year 1989=100



Source: AACO and Various Sources

Despite the Gulf War crisis, the Arab economy grew by 13.1% in 1990 compared to 1989, fueled by the 30% year-on-year increase in oil prices. The Arab world economy stabilized in 1991 as oil prices returned to pre-crisis levels.

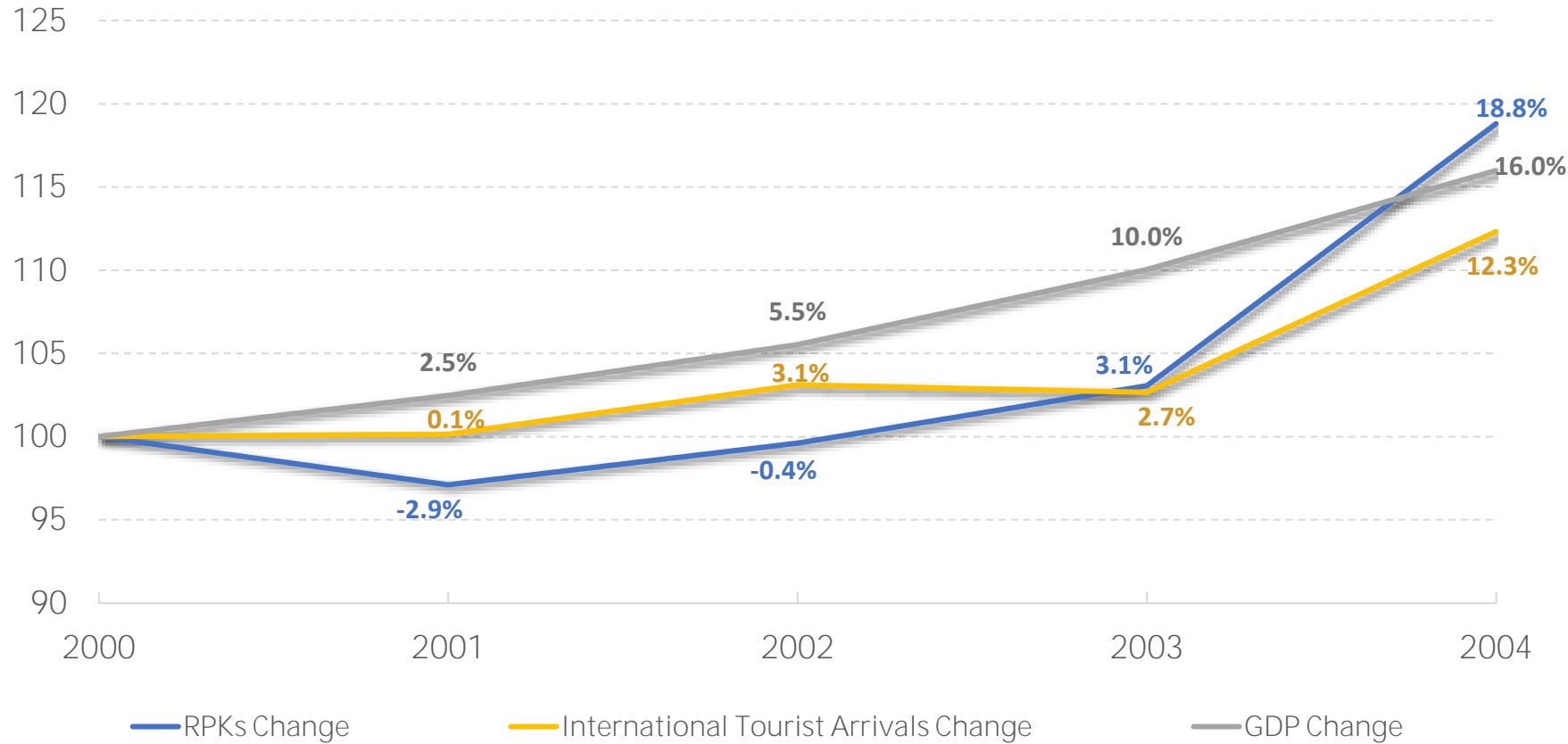
The crisis mostly hit travel and tourism. Arab airlines Revenue Passenger Kilometers (RPKs) contracted by 15.1% and 9.5% in 1990, and 1991 respectively compared 1989 levels. Travel demand needed two years to recover from the impact of the Gulf War crisis.

Looking at tourism, international tourist arrivals to the Arab world recorded a shy growth of 1.8% in 1990 compared to 1989, down from a growth of 4.3% recorded in 1989 over 1988. The growth trend in the number of international tourist arrivals to the Arab world returned to normalcy in 1991.

Impact of 9/11 & SARS on the Global Economy, Travel, and Tourism

Data Points Compared to Base Year 2000 (Last Normal Year Before the Crisis)

Base year 2000=100



Source: AACO and Various Sources

Between 2001 and 2003, the world witnessed two consecutive shocks, the 9/11 terrorist attacks followed by the SARS outbreak, which resulted in a slowdown in the global economy and a deeper hit for the travel and tourism sector.

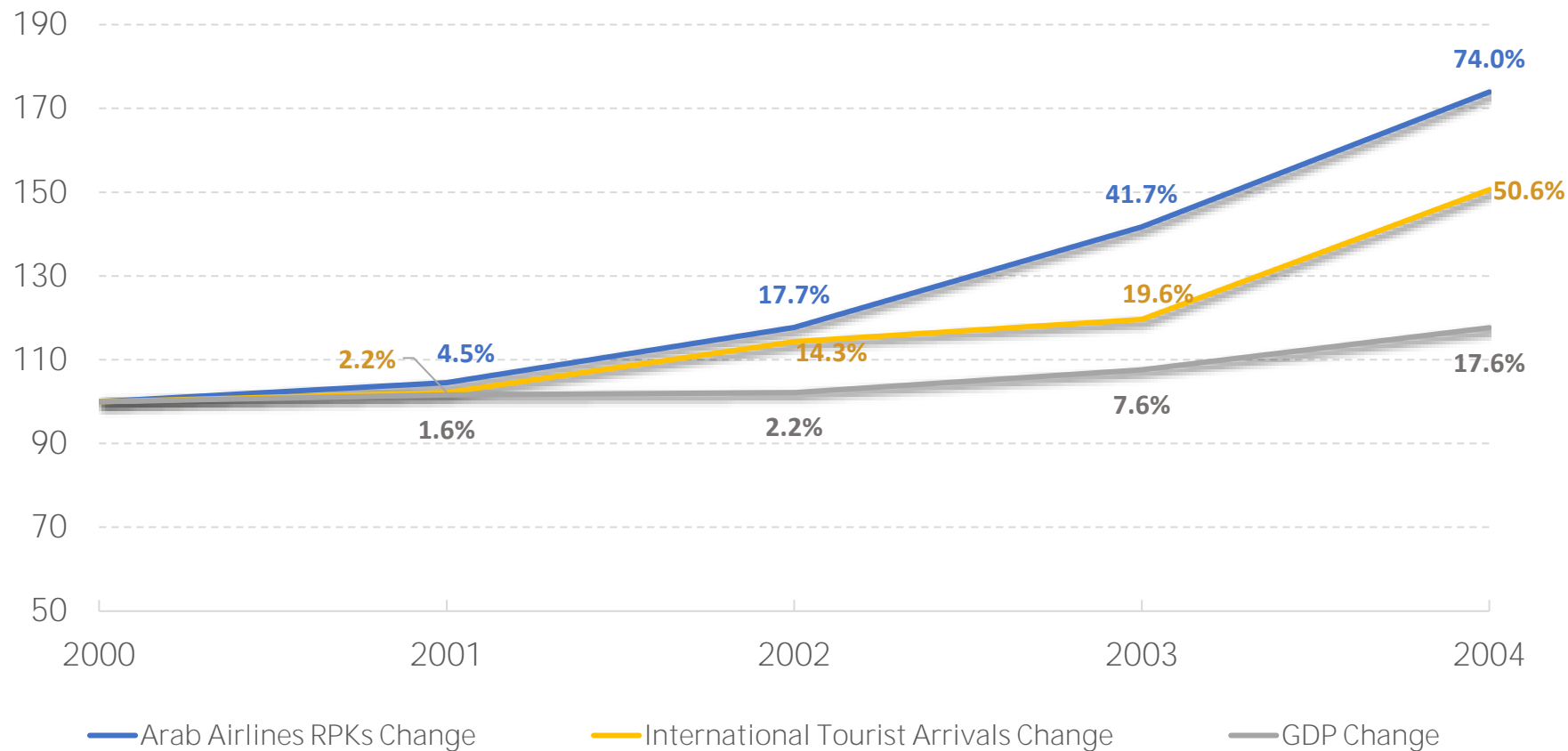
Global GDP grew by 2.5% in 2001 over 2000, which represents 2.3 percentage points (pp) less than the growth registered in 2000 compared to 1999. Moreover, despite the SARS outbreak, which started in 2002, the economy managed to recover to 2000 levels in 2002.

Looking at air travel, global RPKs contracted by 2.9% and 0.4% in 2001 and 2002, respectively, when compared to 2000 levels. Moreover, the SARS outbreak prevented a notable growth in 2003, where RPKs grew by 3.1% compared to 2000. Similarly, tourism took the hit in 2001, with almost no growth, followed by a growth of 3.1% in 2002 compared to 2000.

Impact of 9/11 & SARS on the Arab World Economy, Travel, and Tourism

Data Points Compared to Base Year 2000 (Last Normal Year Before the Crisis)

Base year 2000=100



Source: AACO and Various Sources

Looking at the Arab world, 9/11 terrorist attacks had an adverse effect on the economy, air transport, and tourism, while the SARS outbreak only had a minimal effect on international tourist arrivals in 2003.

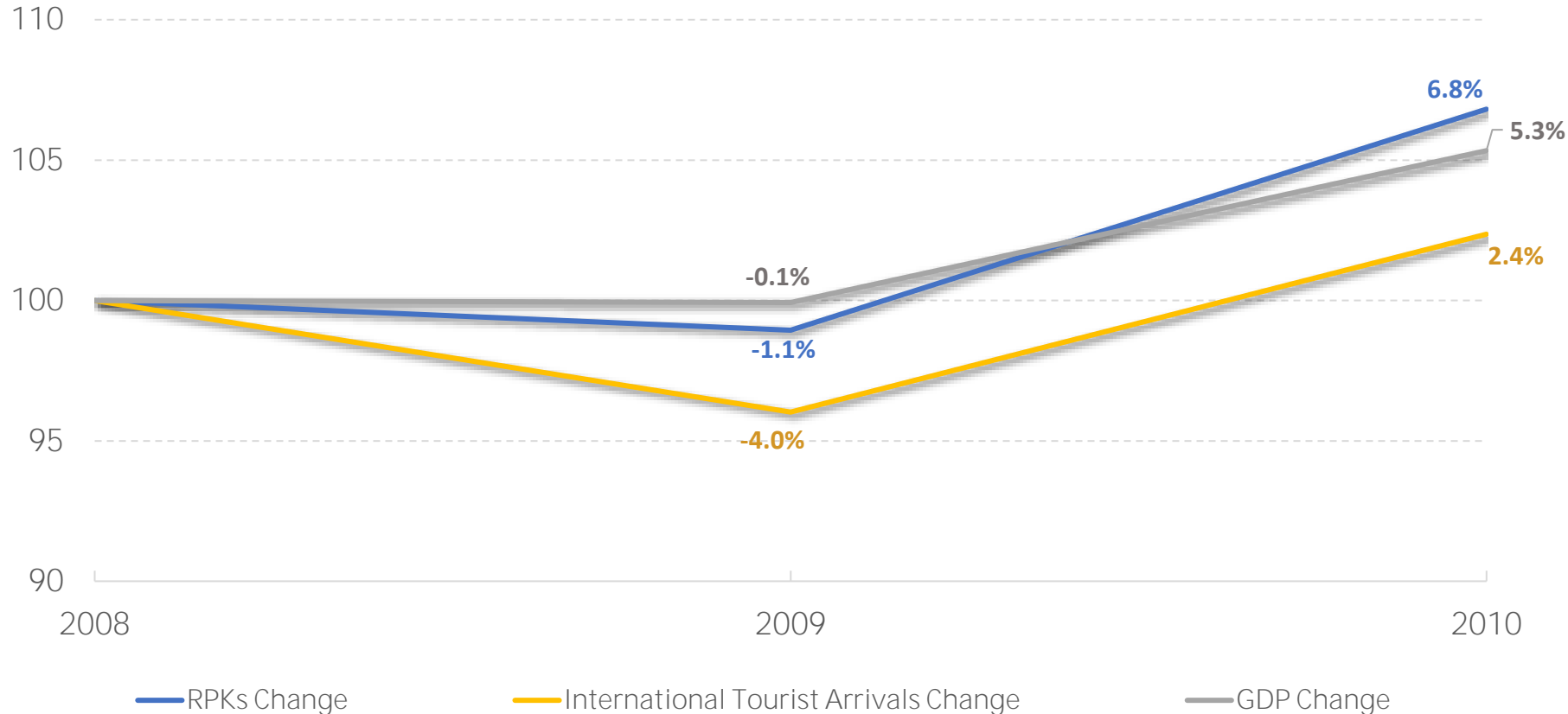
Arab world GDP growth witnessed a slowdown in 2001, growing by 1.6% over 2000, down from 5.5% registered in 2000 compared to 1999, affected by the 9/11 terrorist attacks, which caused oil prices to drop by -14.7% in 2001 compared to 2000. GDP growth in 2002 compared to 2000 remained below expectations as oil prices remained lower than pre-crisis levels.

Similarly, Arab airlines RPKs grew by 4.5% in 2001 over 2000, down from a growth of 8.6% registered in 2000 over 1999. Also, international tourist arrivals grew by 2.2% in 2001 over 2000, down from a growth of 10.0% registered in 2000 compared to 1999.

Impact of the Financial Crisis on the Global Economy, Travel, and Tourism

Data Points Compared to Base Year 2008 (Last Normal Year Before the Crisis)

Base year 2008=100



Source: AACO and Various Sources

Between 2008-09, the world witnessed at that time its worst economic recession since the great depression. The crisis devastated world financial markets as well as the banking and real estate industries. In 2009, global GDP contracted by 0.1% compared to 2008. However, the global economy managed to recover to 2008 levels after one year.

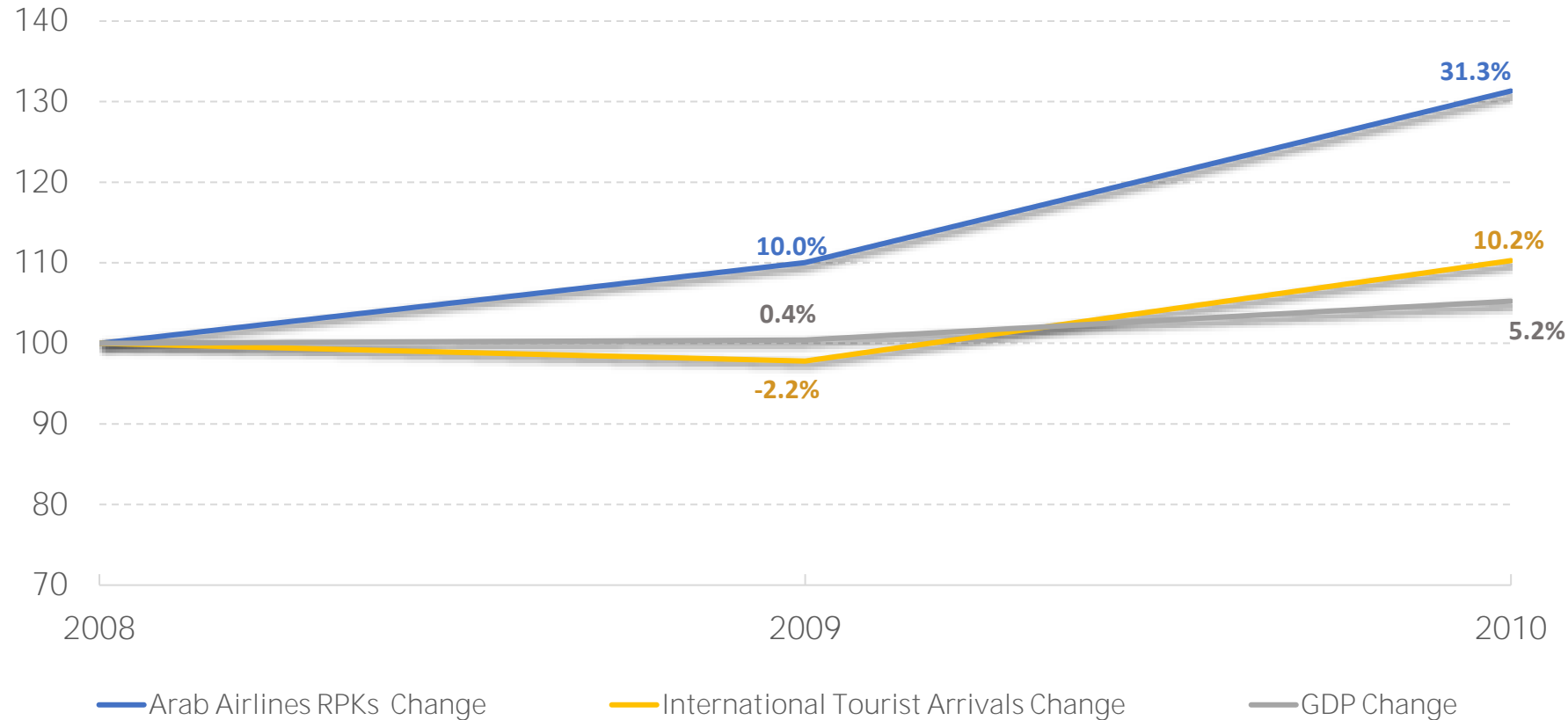
Similarly the travel and tourism sector was affected by the crisis. Demand for air travel measured in RPKs contracted by 1.1% in 2009 compared to 2008. Also, the number of international tourist arrivals contracted by 4.0% during the same period.

The recovery to 2008 levels was achieved in 2010 for the economy, travel demand, and tourism.

Impact of the Financial Crisis on the Arab World Economy, Travel, and Tourism

Data Points Compared to Base Year 2008 (Last Normal Year Before the Crisis)

Base year 2008=100



Source: AACO and Various Sources

The global financial crisis did not spare the Arab world. The drop in oil prices, along with external financial conditions, led the Arab world GDP to grow by 0.4% in 2009 compared to 2008, down from a growth of 5.8% registered in 2008 compared to 2009.

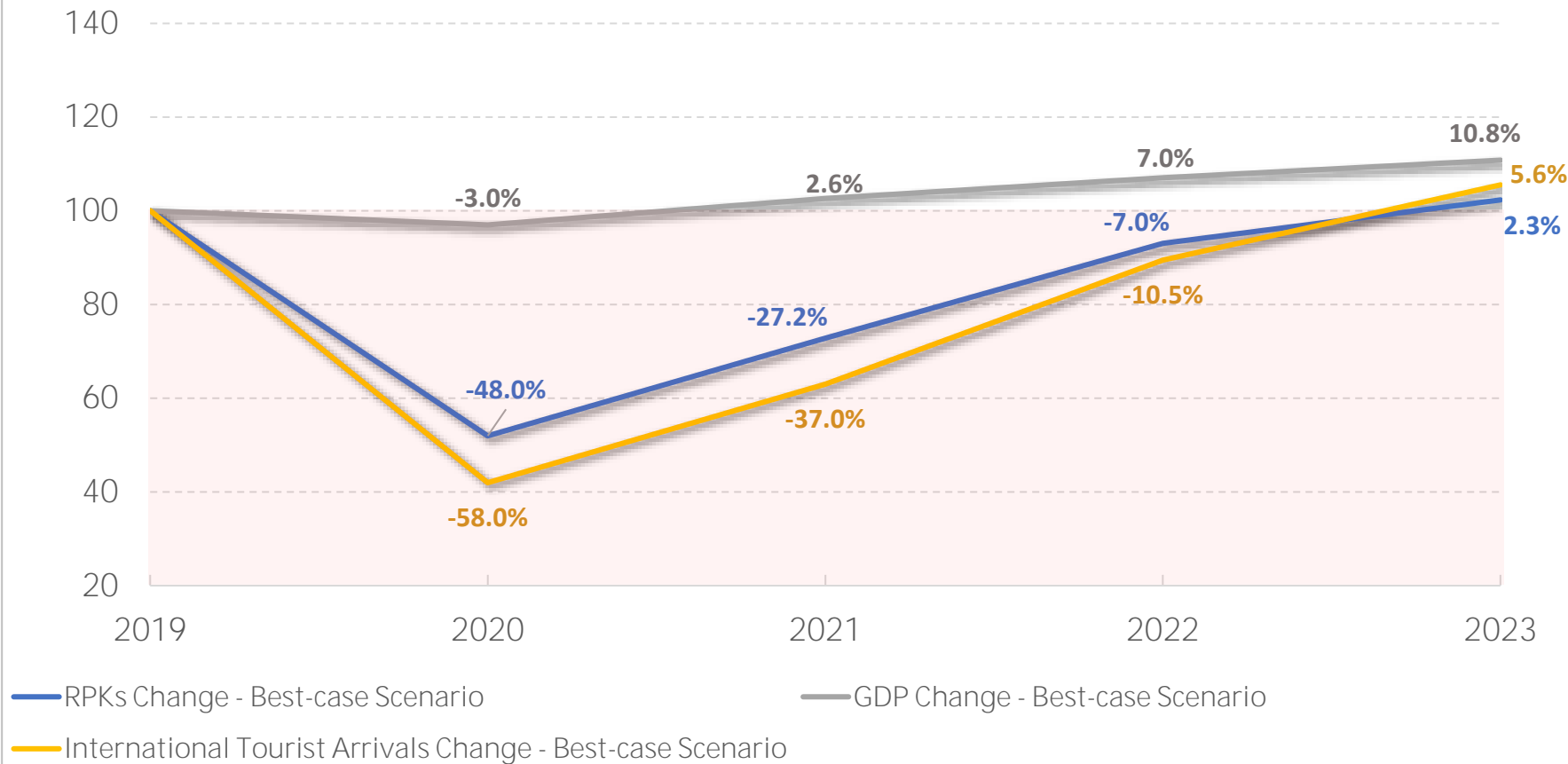
On the same front, international tourist arrivals to the Arab world contracted by 2.2% in 2009 compared to 2008.

On the other hand, Arab airlines RPKs expanded by 10.0% in 2009 compared to 2008, benefiting from lower oil prices, and focusing on limiting costs and expanding their network.

Expected Impact of COVID-19 and Time for Recovery of the Global Economy, Travel, and Tourism (Best-Case Scenario)

Data Points Compared to Base Year 2019 (Last Normal Year Before the Crisis)

Base year 2019=100



Source: AACO and Various Sources

COVID-19 is an unprecedented crisis the world has witnessed. In order to assess the impact of COVID-19 on the economy, travel demand, and tourism we have developed three recovery scenarios based on data collected from various sources and observing the recovery trend of previous crises.

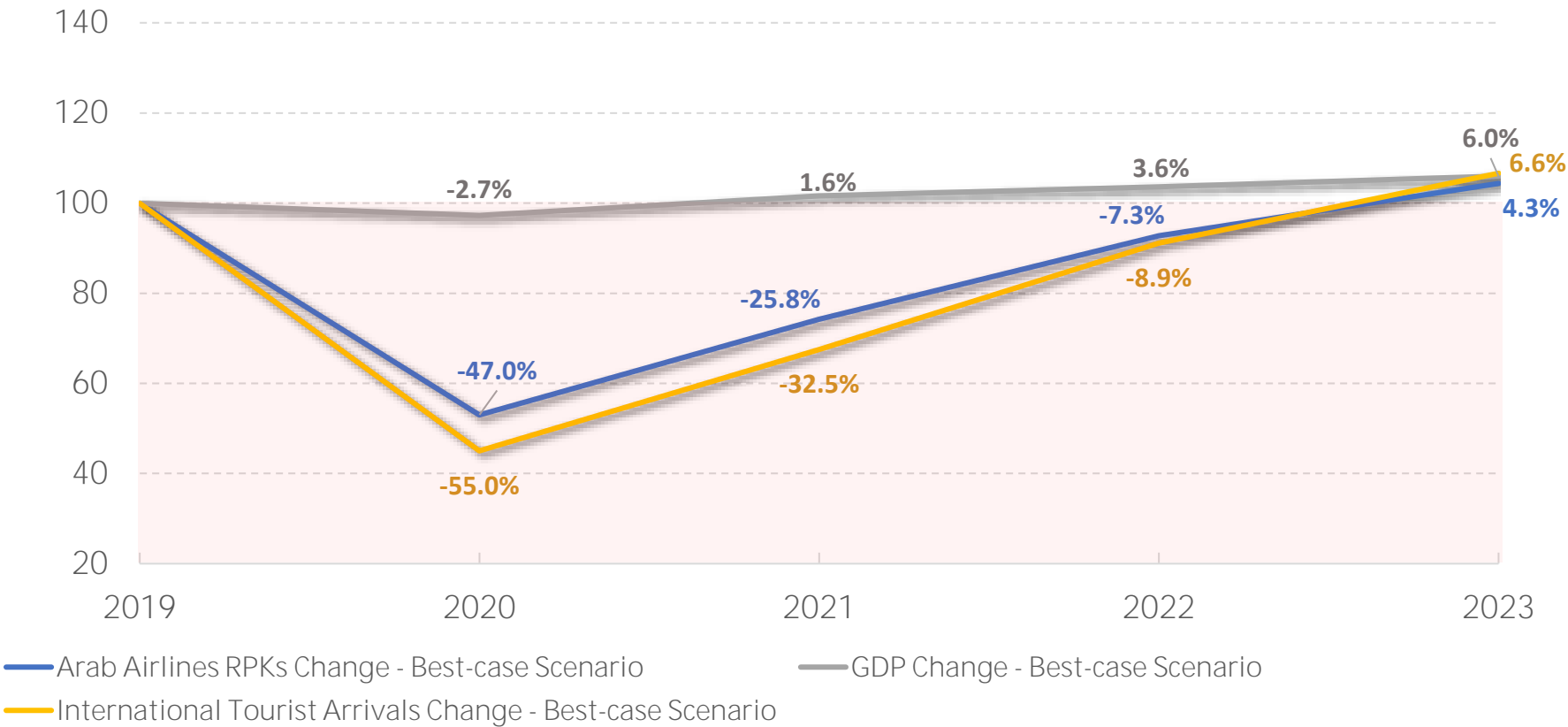
The first scenario is the **“Best-case Scenario”**: This scenario assumes economies rebounding quickly, countries applying harmonious health measures, retraction of the threat of trade wars, and a vaccine is widely available at the latest by the end of Q3-2021, or virus dissipating by that time.

Considering this scenario, the economy is expected to return to 2019 levels in 2021, whereas demand for air travel and tourism will require until 2023 to return to 2019 levels.

Expected Impact of COVID-19 and Time for Recovery of the Arab World Economy, Travel, and Tourism (Best-case Scenario)

Data Points Compared to Base Year 2019 (Last Normal Year Before the Crisis)

Base year 2019=100



Source: AACO and Various Sources

The Best-case scenario discussed on the previous page was applied on the data set for the Arab world and Arab airlines.

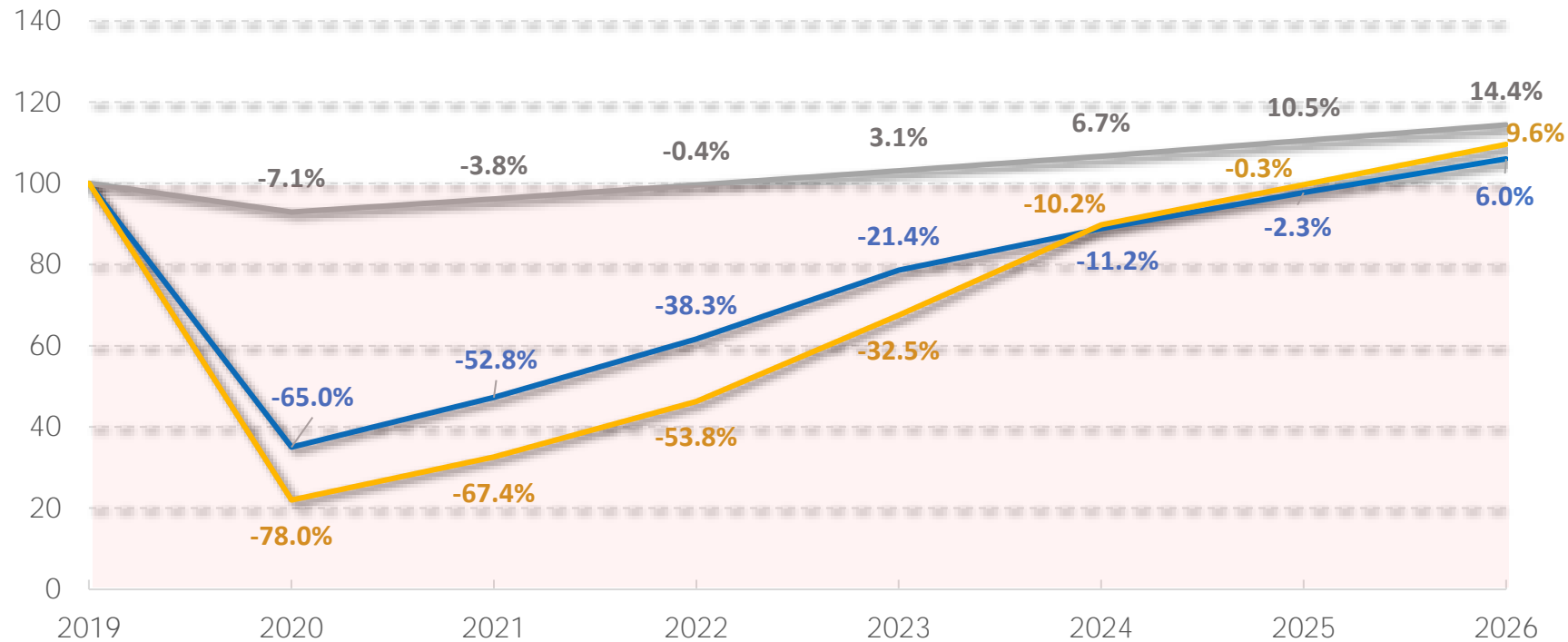
Considering the best-case scenario, Arab world GDP is expected to recover in 2021, assuming that oil prices would reach USD 45 by 2021 and back to USD 60 afterwards; noting that oil revenues represented around 65% of the Arab world nominal GDP in 2019.

As for air travel and tourism, assuming the implementation of harmonious global health measures, speedy return of passenger confidence, and going back to normal market access conditions, we expect travel and tourism to return back to 2019 levels by 2023.

Expected Impact of COVID-19 and Time for Recovery of the Global Economy, Travel, and Tourism (Worst-case Scenario)

Data Points Compared to Base Year 2019 (Last Normal Year Before the Crisis)

Base year 2019=100



— RPKs Change - Worst-case Scenario

— GDP Change - Worst-case Scenario

— International Tourist Arrivals Change - Worst-case Scenario

Source: AACO and Various Sources

The second scenario is the **“Worst-case Scenario”**. This scenario assumes the following:

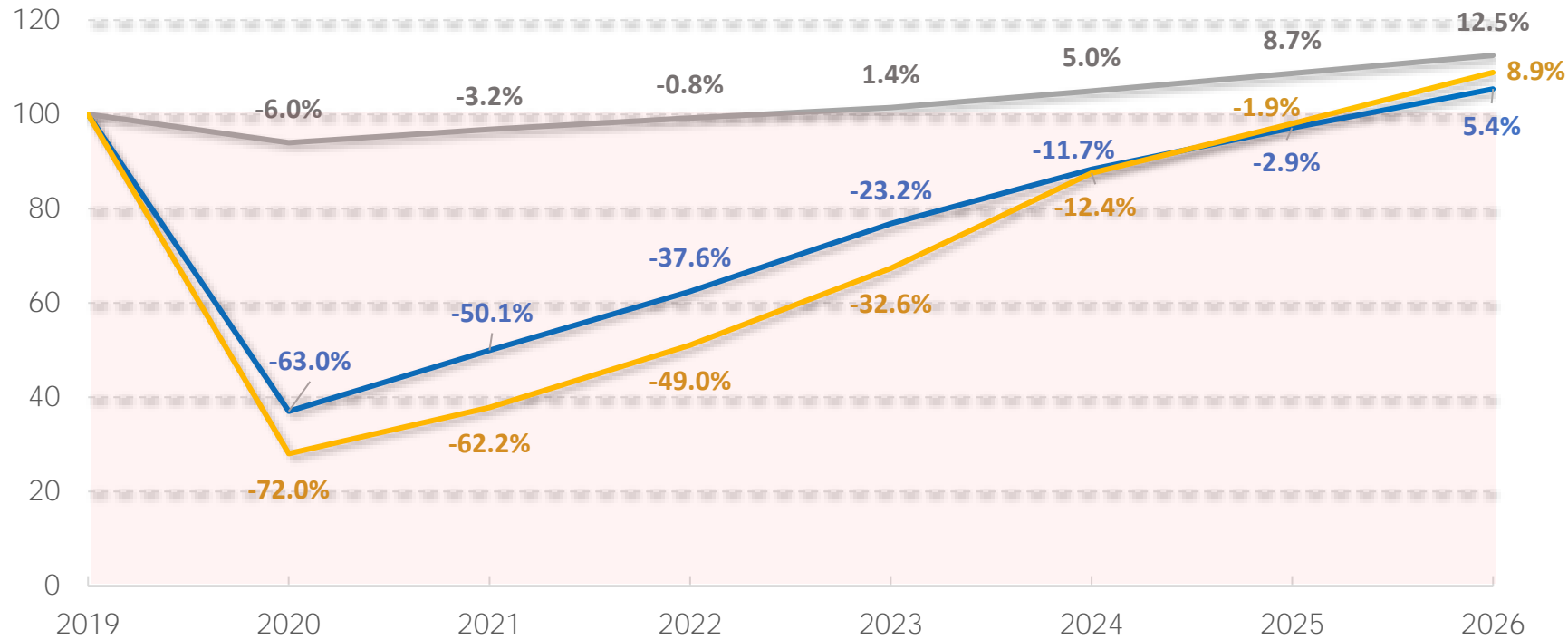
- Economies recovering at a slower pace than anticipated.
- Countries applying fragmented health measures which will disrupt travel activity.
- Additional threats from trade wars, which will affect business continuity, and air cargo.
- The availability of a vaccine will take longer than 18 months.

Considering this scenario, the economy is expected to return to 2019 levels in 2023, whereas demand for air travel and tourism will require until 2026 to return to 2019 levels.

Expected Impact of COVID-19 and Time for Recovery of the Arab World Economy, Travel, and Tourism (Worst-case Scenario)

Data Points Compared to Base Year 2019 (Last Normal Year Before the Crisis)

Base year 2019=100



The worst-case scenario discussed on the previous page was applied on the data set for the Arab world and Arab airlines.

Considering the worst-case scenario, Arab world GDP is expected to recover in 2023, assuming that oil prices will remain around USD 35 by 2021, and USD 45 by 2022.

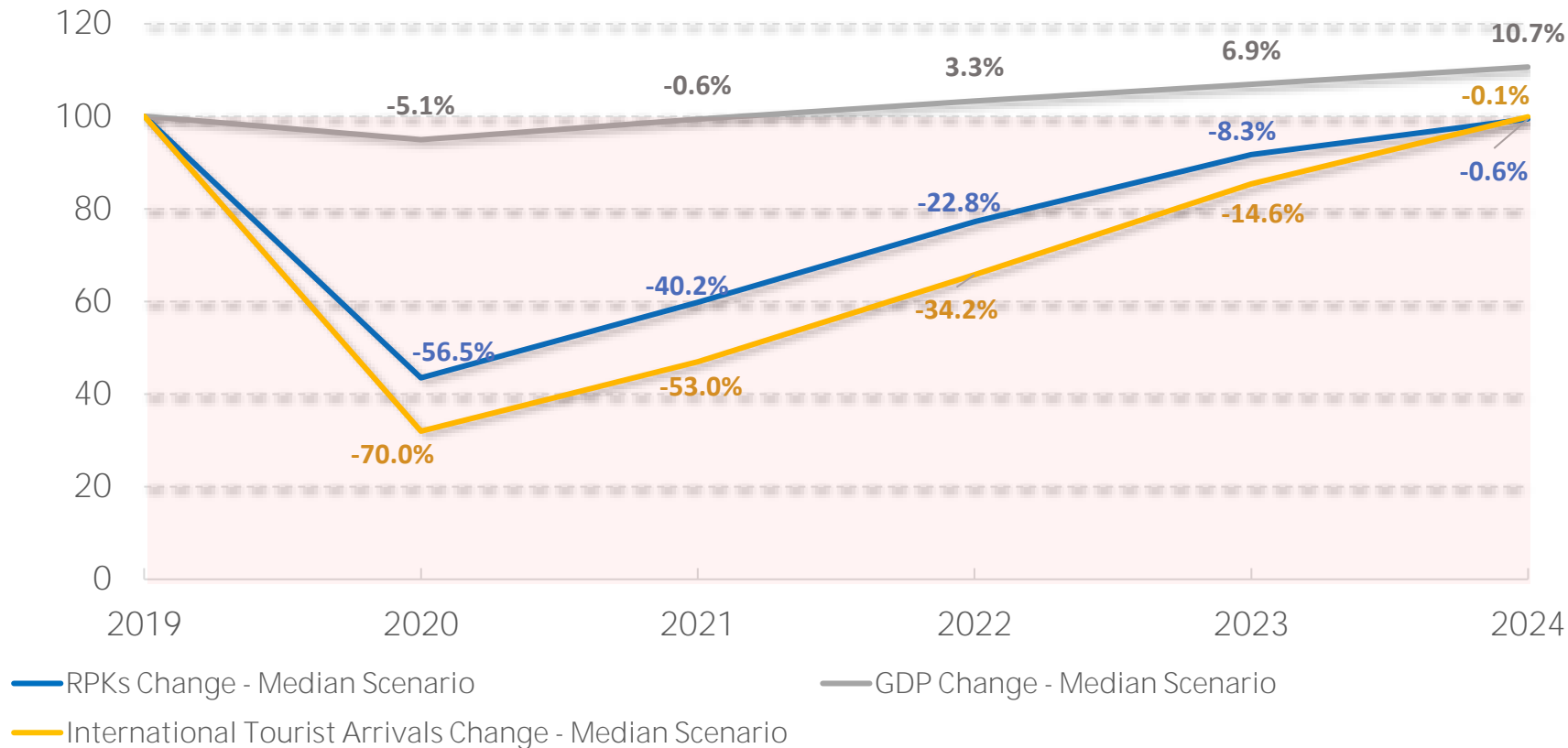
As for air travel and tourism, assuming that no harmony in global health measures exist, passenger confidence remains weak, and more restrictions on market access conditions are applied, we expect travel and tourism to return back to 2019 levels by 2026.

Source: AACO and Various Sources

Expected Impact of COVID-19 and Time for Recovery of the Global Economy, Travel, and Tourism (Median Scenario)

Data Points Compared to Base Year 2019 (Last Normal Year Before the Crisis)

Base year 2019=100



Source: AACO and Various Sources

The third scenario is the **“Median Scenario”**. This scenario assumes the following:

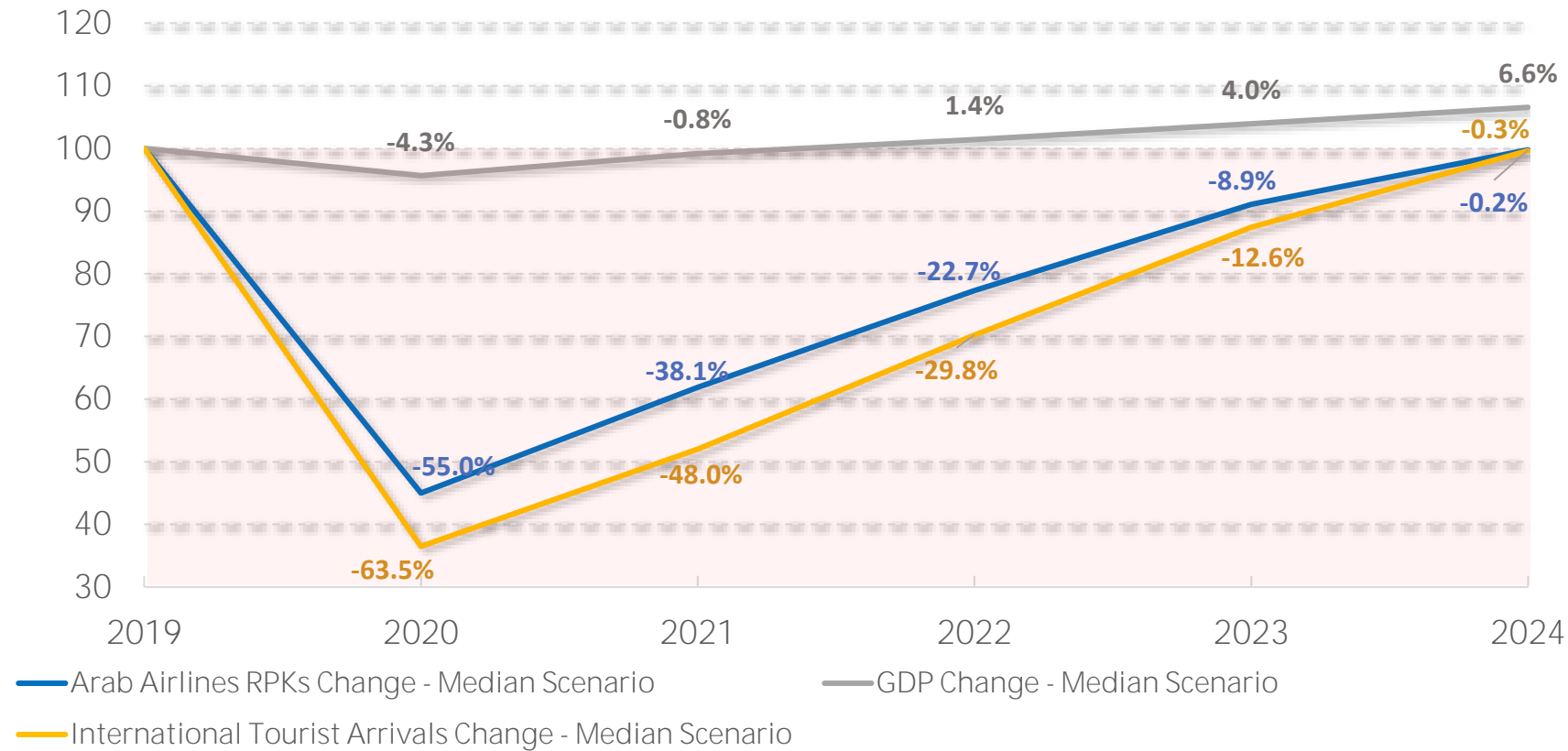
- Economies recovering at a steady pace.
- Countries harmonizing part of their health requirements with other states.
- Threat of trade war remains tamed.
- The availability of a vaccine will take until the beginning of Q1-2022.

Considering this scenario, the economy is expected to return to 2019 levels in 2022, whereas demand for air travel and tourism will require until 2024 to almost return to 2019 levels.

Expected Impact of COVID-19 and Time for Recovery of the Arab World Economy, Travel, and Tourism (Median Scenario)

Data Points Compared to Base Year 2019 (Last Normal Year Before the Crisis)

Base year 2019=100



Source: AACO and Various Sources

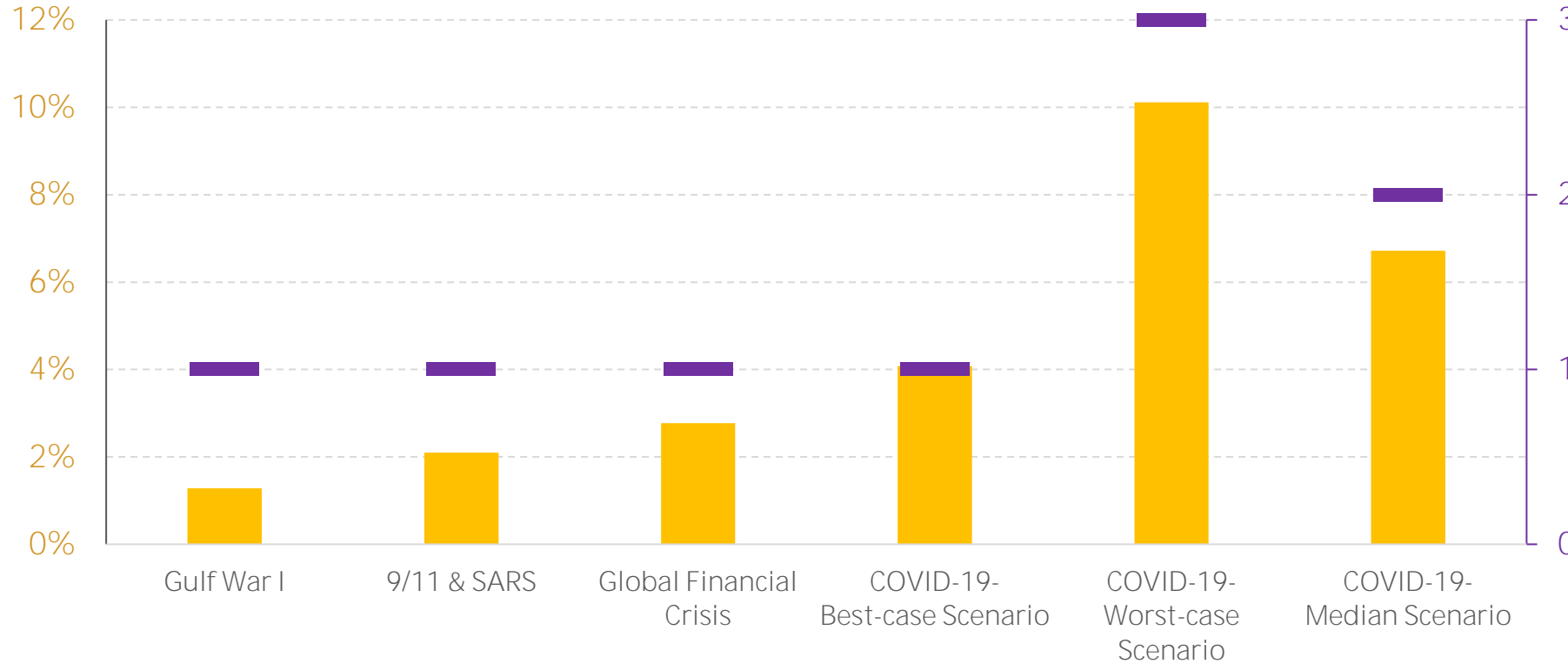
The median scenario discussed on the previous page was applied on the data set for the Arab world and Arab airlines.

Considering the median scenario, Arab world GDP is expected to recover in 2022, while air travel and tourism will require until 2024 to almost recover to 2019 levels.

Expected Impact of COVID-19 vs Previous Crises and Time for Recovery of the Global Economy - Comparative Summary

Lost opportunity of growth
(at recovery year compared to
business as usual scenario)

Number of Years
to recover after
Crisis Year



Crisis Impact Year	1990	2001	2009	2020

■ GDP (left)

— Years to Recover (Right)

Source: AACO and Various Sources

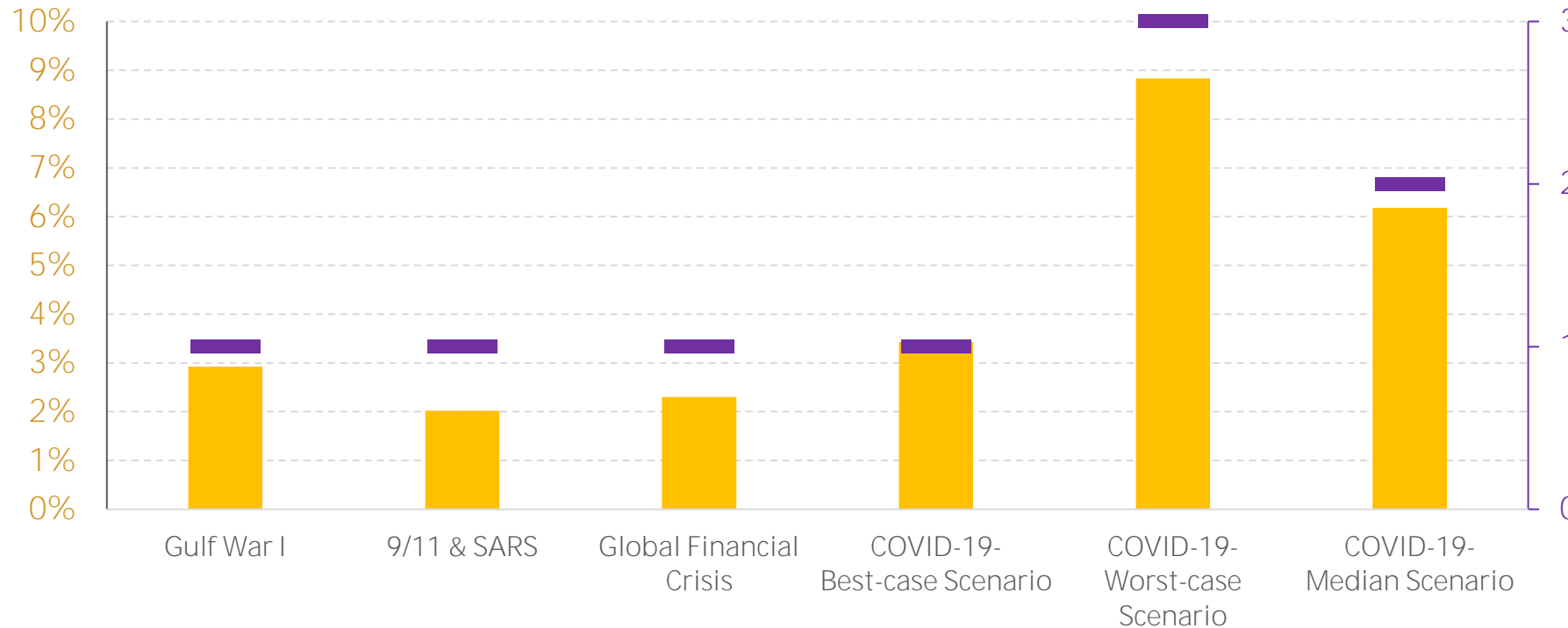
During all previous shocks the economy, air travel demand, and tourism managed to recover to pre-crisis levels between 1 to 2 years after the crisis. However, despite going back to pre-crisis levels, the numbers remain below what was expected if a business as usual scenario have occurred and a crisis never happened.

The chart to the left compares the lost opportunity of growth for the Economy (measured in GDP) during previous crises versus expectations for COVID-19 for the three scenarios discussed in earlier pages.

Expected Impact of COVID-19 vs Previous Crises and Time for Recovery of the Arab World Economy - Comparative Summary

Lost opportunity of growth
(at recovery year compared to
business as usual scenario)

Number of
Years to recover
after Crisis Year



Crisis Impact Year	1990	2001	2009	2020

■ Arab World GDP (left)

— Years to Recover (Right)

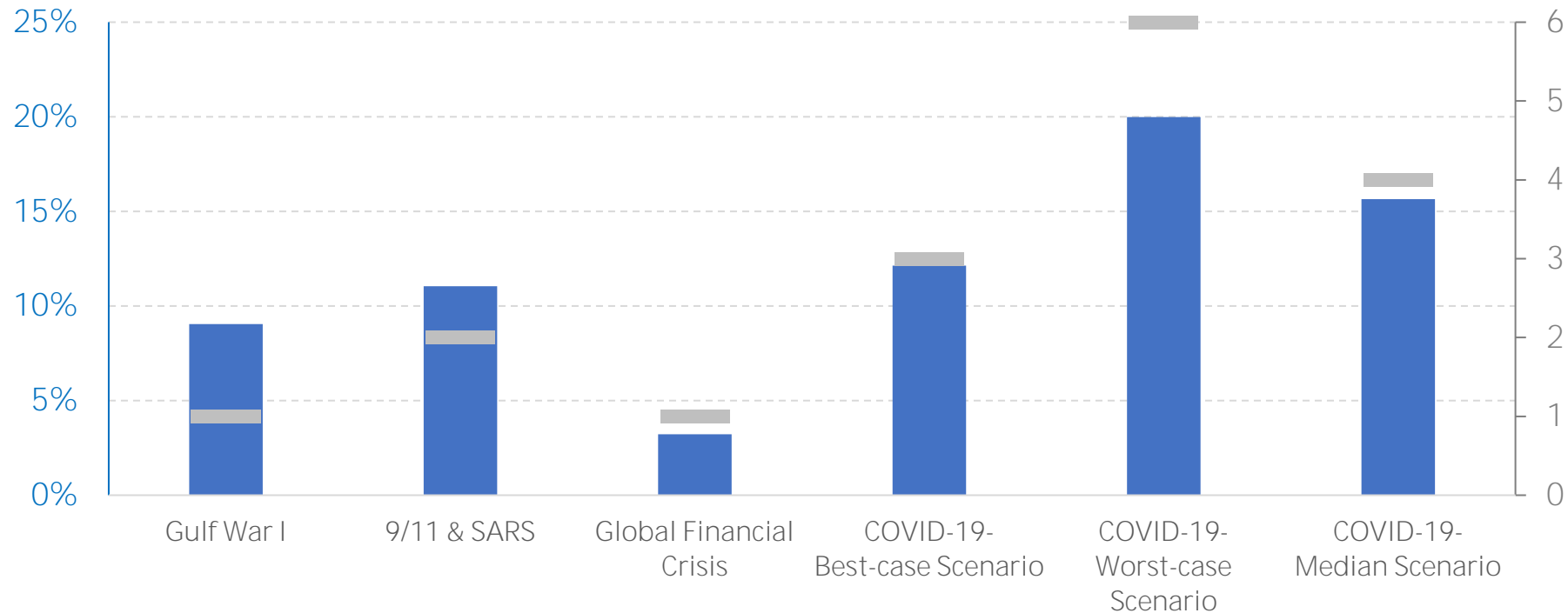
Source: AACO and Various Sources

Similar to the previous page, this chart compares the lost opportunity of growth for the Arab world economy (measured in GDP) during previous crises versus expectations for COVID-19 for the three scenarios discussed in earlier pages.

Expected Impact of COVID-19 vs Previous Crises and Time for Recovery of the Global Travel - Comparative Summary

Lost opportunity of growth
(at recovery year compared to
business as usual scenario)

Number of Years
to recover after
Crisis Year



Crisis Impact Year	1990	2001	2009	2020
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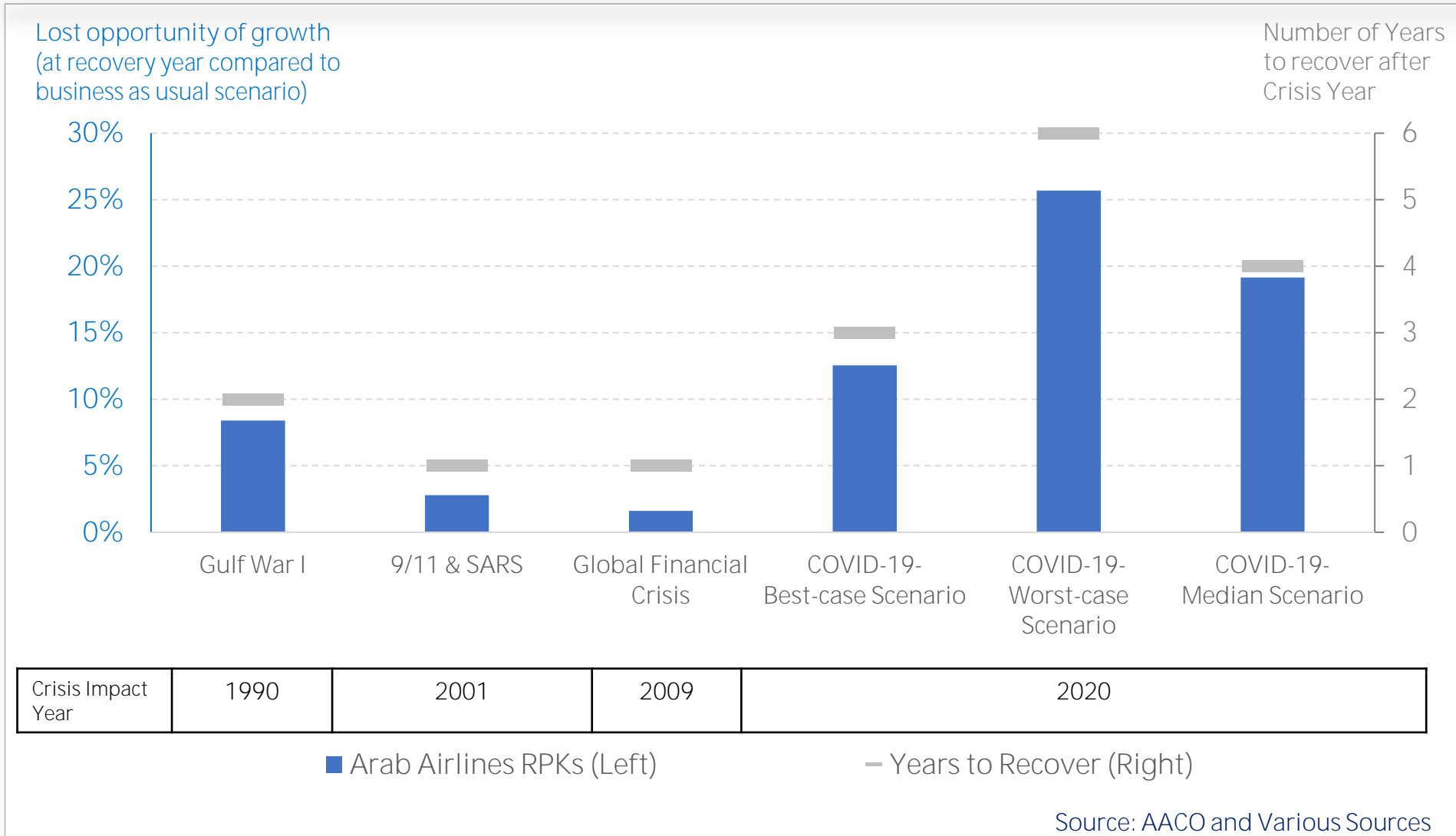
■ Global RPKs (Left)

— Years to Recover (Right)

Source: AACO and Various Sources

Similar to the previous chart, The chart to the left compares the lost opportunity of growth for Travel Demand (measured in RPKs) during previous crises versus expectations for COVID-19 for the three scenarios discussed in earlier pages.

Expected Impact of COVID-19 vs Previous Crises and Time for Recovery of the Arab World Travel - Comparative Summary



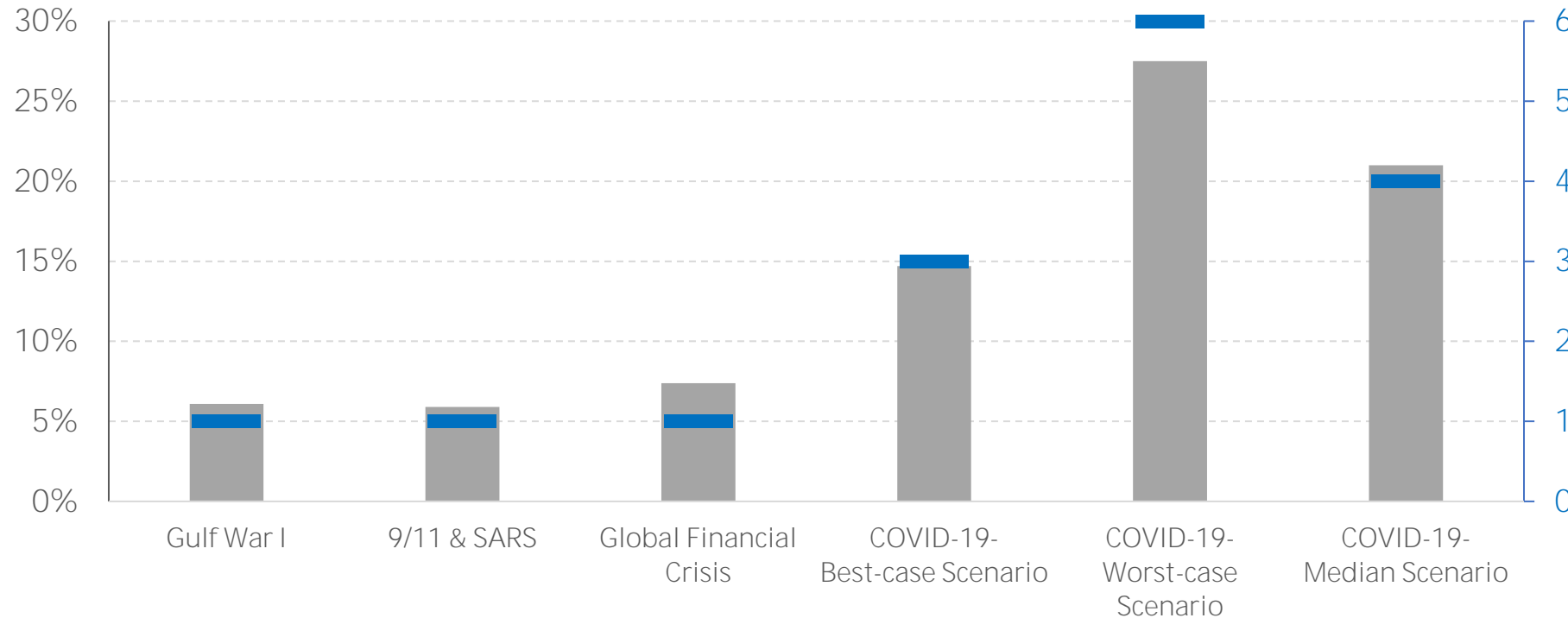
Similar to the previous chart, The chart to the left compares the lost opportunity of growth for Travel Demand (measured in RPKs) for AACO members during previous crises versus expectations for COVID-19 for the three scenarios discussed in earlier pages.

Source: AACO and Various Sources

Expected Impact of COVID-19 vs Previous Crises and Time for Recovery of the Global International Tourist Arrivals - Comparative Summary

Lost opportunity of growth
(at recovery year compared to
business as usual scenario)

Number of Years
to recover after
Crisis Year



Crisis Impact Year	1990	2001	2009	2020

■ International Tourist Arrivals (left)

— Years to Recover (Right)

Source: AACO and Various Sources

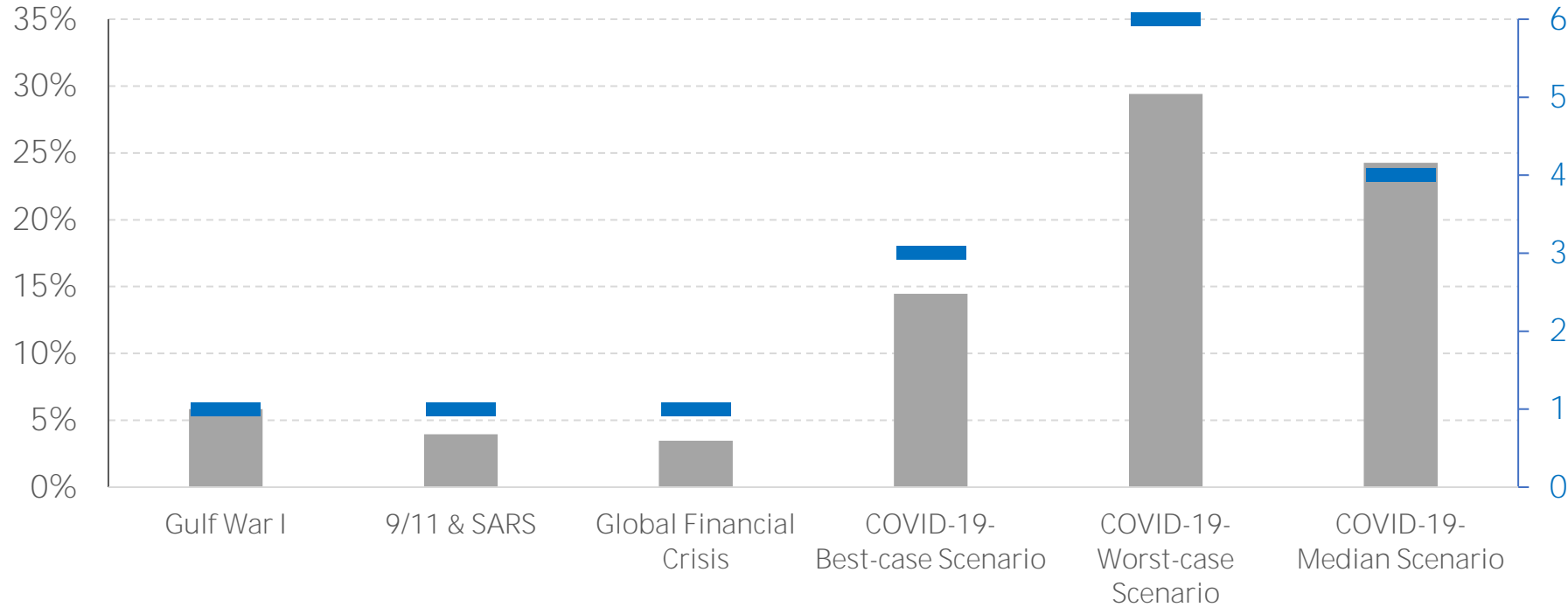
Similar to the previous chart, the chart to the left compares the lost opportunity of growth for International Tourists Arrivals during previous crises versus expectations for COVID-19 for the three scenarios discussed in earlier pages.

Expected Impact of COVID-19 vs Previous Crises and Time for Recovery of the Arab World

International Tourist Arrivals - Comparative Summary

Lost opportunity of growth (at recovery year compared to business as usual scenario)

Number of Years to recover after Crisis Year



Crisis Impact Year	1990	2001	2009	2020
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■ International Tourist Arrivals to the Arab World(left) — Years to Recover (Right)

Source: AACO and Various Sources

Similar to the previous chart, the chart to the left compares the lost opportunity of growth for International Tourists Arrivals to the Arab world during previous crises versus expectations for COVID-19 for the three scenarios discussed in earlier pages.

Travel and Tourism Contribution to GDP in Some Arab Countries



Contribution of Travel & Tourism to GDP (%) in 2019

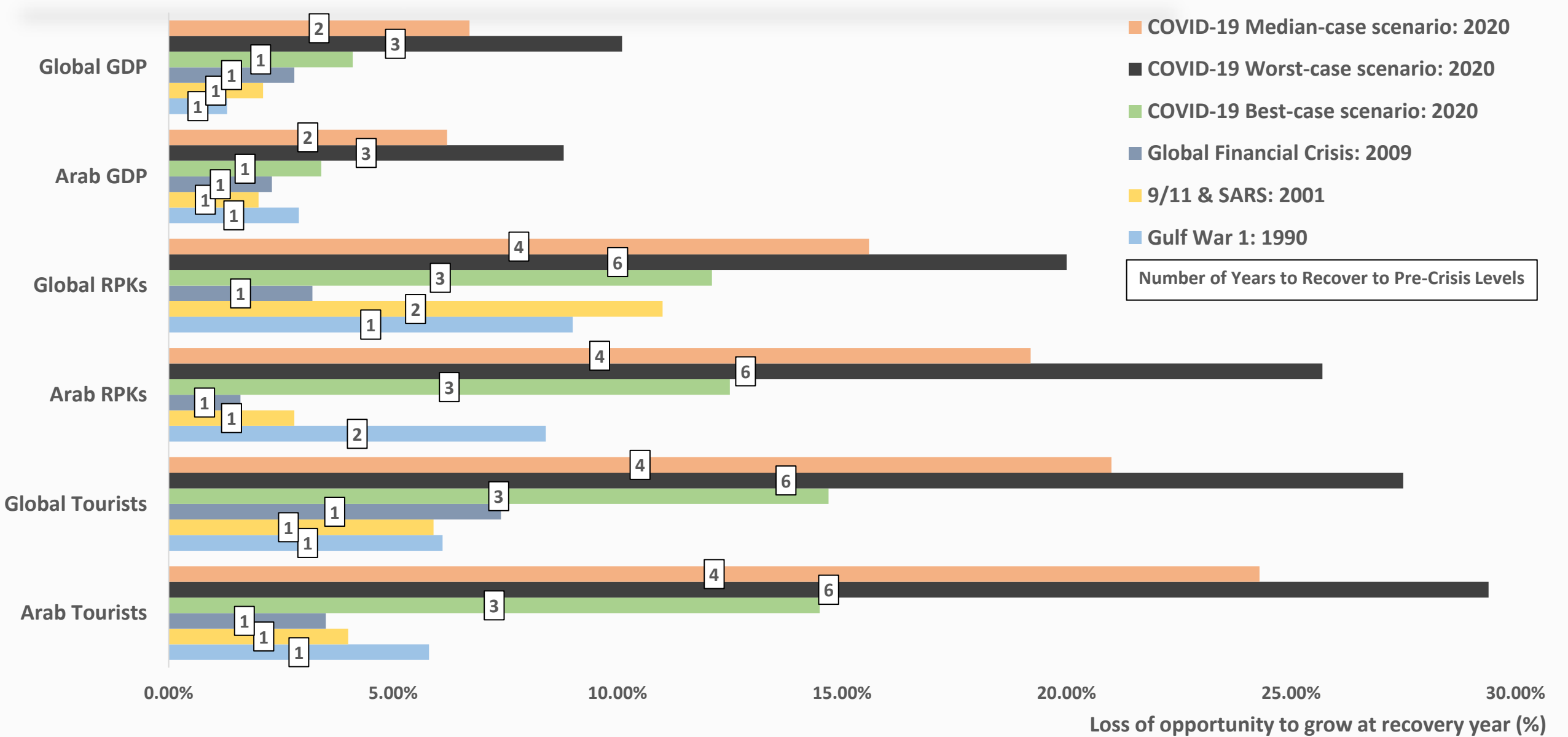
Estimated Contribution of Travel & Tourism to GDP (%) in 2020
(if the restart of travel and tourism activity begins in mid June onward)

% of Total Employment in Travel & Tourism Sector in 2019





Estimated % of Total Employment in Travel & Tourism Sector in 2020
(Based on the Drop in Travel & Tourism Contribution to GDP in 2020)

Source: AACO and Various Sources

Summary of All Comparative Scenarios – Global vs Arab World



Conclusion

-  **COVID-19 crisis is unprecedented, and the recovery in travel and tourism will take at least three years.**
-  **The time of transition to normalcy in travel and tourism depends heavily on governments applying reasonable and proportional measures that correspond to the mitigation of the virus.**
-  **Travel and tourism is no more a luxury, and it is part of the modern way of life. Regaining passenger confidence will depend on trusting the system and for governments taking proportionate measures to the threat of exposure and avoid quarantine on arrival.**
-  **Governments to continue to embrace the value of travel and tourism in regaining economic activity and creation of jobs and avoid taking decisions in the reopening phase based on politics.**