

# 2026

## **Economic Impact of Air Connectivity Between India and Abu Dhabi**

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# STATEMENTS ECONOMICS

- **Executive Summary**
- **Introduction**
- **Trends and Needs Assessment**
- **Economic Impact of Enhanced Capacity**
- **Technical Appendix**

# EXECUTIVE SUMMARY





# EXECUTIVE SUMMARY

## India's aviation potential

India is entering a significant period of aviation growth, supported by an expanding population and consistent economic performance, with annual GDP growth averaging 7.3% between 2010 and 2024. This economic environment has led to an increase in households with the means to travel, resulting in higher demand for air connectivity and increased expenditure on travel services. The proportion of households in this category grew from 24% of the population in 2010 to 40% in 2024.

Based on these fundamentals, unconstrained passenger demand to and from India is projected to grow at an average annual rate of 7.2% between 2025 and 2035.

## Growing travelling class and air travel demand



**40%** "travelling class" households within the total Indian population



**7.2%** expected average annual growth in air travel demand in the next decade

Source: Tourism Economics

## Supply and demand gap widening in the UAE-India air corridor

The UAE remains India's primary international gateway, projected to account for nearly 20% of all international traffic in 2025. Within this, the Abu Dhabi-India corridor represents 4.5% of the total international market, anchored by the Mumbai-Abu Dhabi route—one of India's busiest international sectors. This corridor reinforces Abu Dhabi's role as a critical hub for Indian travellers accessing global markets and for international travellers bound for India; however, existing regulatory constraints continue to limit the realisation of its full potential.

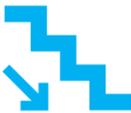
The existing bilateral Air Services Agreement (ASA) restricts Abu Dhabi-based carriers to 50,000 weekly seats across specific 11 airports. This capacity is already fully utilised by airlines such as Etihad and Air Arabia, with load factors consistently exceeding 85% for main routes throughout the year. Should capacity remain unchanged, available spare capacity is expected to be exhausted by 2026. Beyond this threshold, demand will exceed existing supply.

By 2035, the cumulative gap between projected passenger demand and existing 2024 capacity levels across the UAE-India air corridor in both ways will equate to approximately 54.5 million passengers. Within the Abu Dhabi-India corridor, a similar analysis indicates a cumulative supply shortfall of around 13.2 million passengers. These figures highlight the critical need for capacity expansion to accommodate future growth and prevent a significant portion of demand from going unmet.

## Cumulative supply shortfall in Abu Dhabi-India air corridor, 2026-2035



**13.2M** cumulative supply shortfall



**27%** of projected demand is expected to be constrained by available capacity.

Source: Tourism Economics

## The Solution: Strategic Expansion

Abu Dhabi-based carriers' current operations remain centred on legacy metropolitan centres and traditional labour corridors, limited to the 11 designated destinations. This backbone includes connectivity to **North India** (*Delhi (DEL), Jaipur (JAI)*), **West India** (*Mumbai (BOM), Ahmedabad (AMD)*), **East India** (*Kolkata (CCU)*), and **South India** (*Bangalore (BLR), Chennai (MAA), Hyderabad (HYD), Kochi (COK), Kozhikode (CCJ), Thiruvananthapuram (TRV)*).

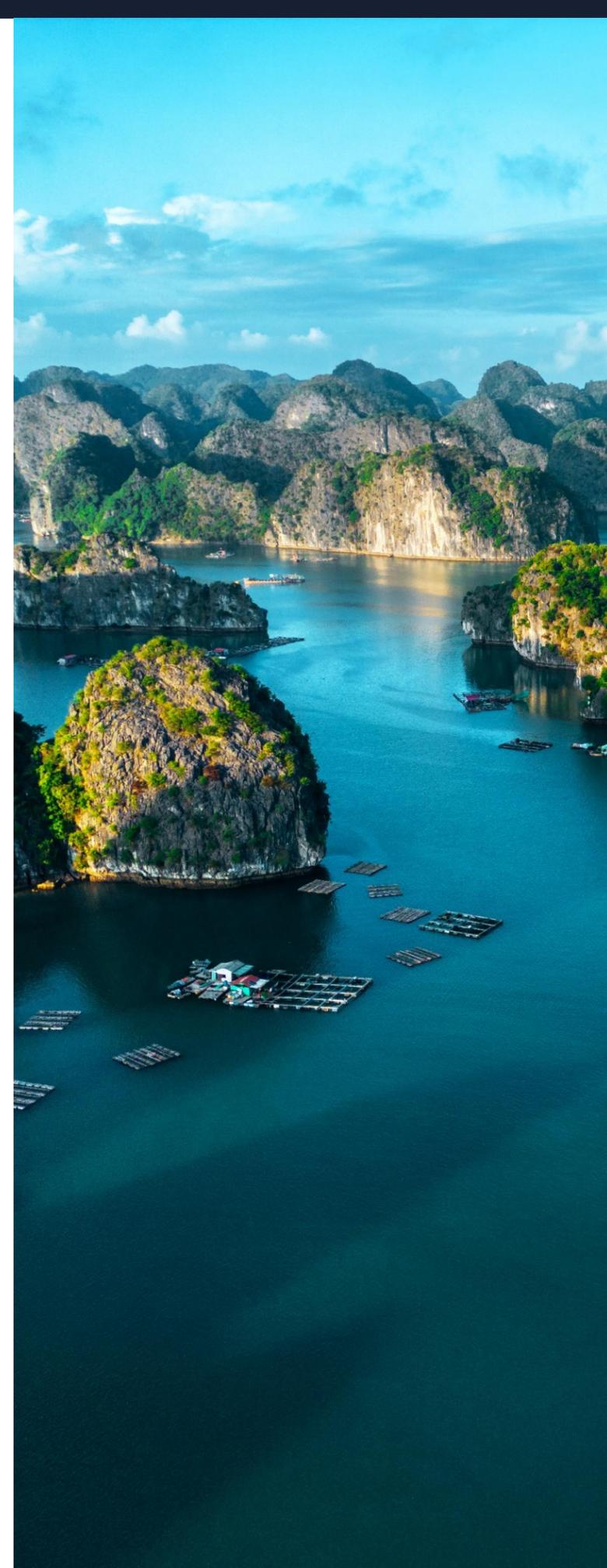
To optimize India's aviation ecosystem, there is a strategic need to bypass infrastructure bottlenecks at major metropolitan hubs by fostering direct international connectivity for Tier-2 economic centres.

Expanding the ASA to include increased frequencies in existing airports and new routes for cities such as **Pune, Lucknow, Goa, Mangalore** and **Vadodara** would decongest primary gateways like Delhi and Mumbai while providing regional passengers with more efficient travel options.

## Scenarios on capacity allowance

To assess the economic implications of expanded capacity, this study utilises three scenarios to project expected passenger volumes in the UAE–India air corridor through 2035:

- **Baseline (business-as-usual):** Abu Dhabi-based carriers continue serving 11 airports with a total of 50,000-seat weekly cap per side. Under these restrictions, 138 million journeys are expected in the corridor, but 54.5 million potential travellers are estimated to remain unserved or must utilise indirect, higher-cost routes between 2026 and 2035.
- **50% capacity uplift:** Increasing the bilateral seat cap to 75,000 and adding direct paths to Tier-2 cities would facilitate approximately 155 million journeys between 2026 and 2035, reducing unmet demand to 37.7 million over the same period.
- **100% capacity uplift:** Doubling the current entitlement to 100,000 set-cap would result in nearly 167 million journeys across existing and new destinations, bringing the unmet demand down to 26 million over the ten-year period.



Comparing India and Vietnam demonstrates that **proactive aviation liberalisation** converts economic potential into **lower airfares** and **higher traffic volumes**.

## The economic footprint of the UAE–India air corridor

In 2025, the UAE–India air corridor was estimated to support 4 million inbound travellers and \$7.7 billion (~₹670 billion) in total GDP, representing approximately 0.2% of India’s economy. This activity sustained approximately one million jobs and enabled more than \$1.2 billion (₹108 billion) in tax revenue.

If ASA constraints in the Abu Dhabi–India corridor persist, the corridor’s economic contribution is expected to grow at a compound annual rate of 3% through 2030. However, providing additional capacity for Abu Dhabi-based carriers is projected to facilitate a higher growth trajectory for the broader UAE–India corridor, with GDP contributions estimated to increase at a CAGR of 5.5% under a 50% capacity uplift and 7% under a 100% uplift through 2030.

### UAE–India air corridor’s economic footprint in India in 2025



**4M** inbound travellers are expected to arrive to India from the UAE air corridor



**\$7.7B** in GDP is estimated to be supported by the operations and tourism the corridor enables

Source: Tourism Economics

### Incremental impacts of capacity enhancements

Expanding the weekly seat capacity to 75,000 (a 50% uplift) is projected to generate an additional 2.2 million inbound travellers to India between 2026 and 2030. Accounting for the additional flights required and the operational spending associated with these services, this scenario is estimated to increase India’s GDP by a cumulative \$4.5 billion (~₹391 billion) over the five-year period. Furthermore, this expansion is expected to support an average of 100,000 additional jobs annually and generate \$733 million (~₹64 billion) in total tax revenues.

Alternatively, raising the capacity ceiling to 100,000 weekly seats (a 100% uplift) is estimated to facilitate 3.5 million additional inbound visitors to India through 2030. Given the substantial increase in tourism spending and carrier operations, this upper scenario is projected to contribute a cumulative \$7.2 billion (₹627 billion) to the country’s GDP. This level of connectivity is expected to sustain an average of 170,000 additional jobs each year and is projected to deliver nearly \$1.2 billion (₹102 billion) in tax revenues over the next five years.

## Tourism and aviation figures enabled by Abu Dhabi carriers

USD, 2025 prices, cumulative over 2026 – 2030

				
<b>50% Uplift</b>	<b>2.2M</b>	<b>\$4.4B</b>	<b>58K</b>	<b>\$89M</b>
<b>100% Uplift</b>	<b>3.5M</b>	<b>\$7.0B</b>	<b>116K</b>	<b>\$178M</b>
	Inbound visitors supported	Tourism spending enabled	Additional flights operated	Carriers’ OPEX enabled

Figures are rounded and represent the incremental changes compared to the baseline scenario.  
Source: Tourism Economics

## Incremental economic impact enabled by Abu Dhabi carriers

USD, 2025 prices, cumulative over 2026 – 2030

				
<b>50% Uplift</b>	<b>\$9.5B</b>	<b>\$4.5B</b>	<b>100K</b>	<b>\$0.7B</b>
<b>100% Uplift</b>	<b>\$15.2B</b>	<b>\$7.2B</b>	<b>170K</b>	<b>\$1.2B</b>
	Total spending supported	Total GDP supported	Average jobs supported	Total taxes supported

Total includes direct, indirect, and induced impacts. Figures are rounded and represent the incremental changes compared to the baseline.  
Source: Tourism Economics

## The long-term economic opportunity created by enhanced connectivity

Beyond near-term effects, increased connectivity delivers a more strategic benefit through long-run productivity gains. The expanded network between the UAE and India will strengthen India's access to global markets, lower trade and coordination costs for firms, and improve the speed and reliability of international business travel.

Enhanced connectivity generates both immediate and long-run economic benefits. Some effects—such as improved travel options and reduced coordination costs for firms—begin to materialise as soon as expanded services to Abu Dhabi start operating. However, the full productivity impact builds gradually, as businesses reorganise supply chains, expand market reach, and deepen international engagement.

By 2035, enhanced connectivity between the UAE and India is expected to raise India's GDP by an incremental 0.14% per year, equivalent to \$9 billion (₹831 billion) in 2025 prices. In addition, the enhanced connectivity is projected to support \$75 million (₹7 billion) in exports and \$550 million (₹50 billion) in foreign-direct-investment flows in 2035. These gains are structural, reflecting deeper integration into global value chains, higher FDI flows supported by stronger links through Abu Dhabi, and improved export competitiveness.

Consumers also are expected to benefit significantly. Expanded routing options and stronger network competition are expected to reduce average long-haul fares by approximately 3%, generating \$91 million (₹8.5 billion) in consumer surplus and enabling an additional 250,000 journeys in 2035. These benefits extend even to passengers who do not fly to or via Abu Dhabi, highlighting the wider market impact of increased capacity. On average, at least 7 million passengers per year will benefit from lower fares.

Overall, liberalising the corridor unlocks a high-value economic dividend for India. Near-term gains flow directly through aviation and tourism value chains, while long-term gains enhance the country's productivity trajectory and competitiveness. Together, these impacts provide a clear, data-driven case for expanding capacity to fully capture the economic potential of the India–Abu Dhabi corridor.

### Impact of improved connectivity impact in 2035

2025 prices, USD



**0.14%**

Productivity  
impact



**\$9B**

GDP impact



**\$75M**

Exports  
supported



**\$550M**

FDI inflows  
supported

Source: Tourism Economics

### Consumer benefits enabled in 2035

2025 prices, USD



**\$91M**

Increase in  
consumer  
surplus



**\$12**

Per passenger  
air fare  
savings



**7M**

Benefitting  
passengers



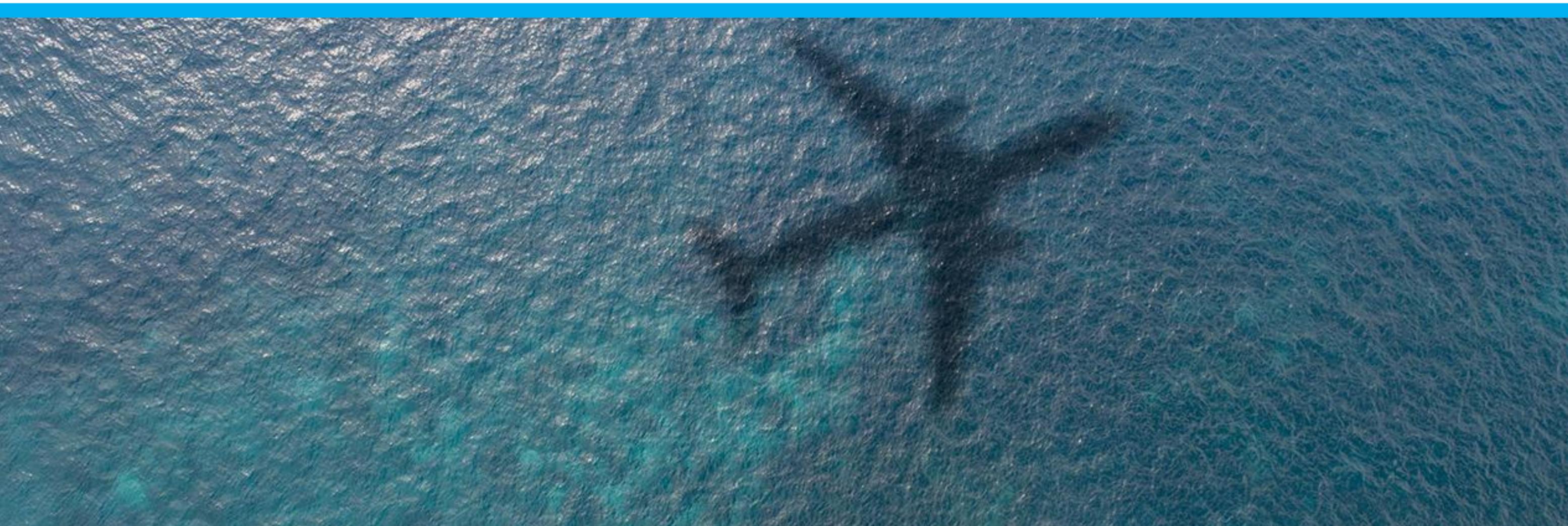
**250K**

Additional  
passengers on  
board due to  
lower prices

Source: Tourism Economics



# INTRODUCTION





# Introduction

This report examines the current state of the UAE–India air travel market and evaluates how easing existing bilateral constraints on the Abu Dhabi–India corridor specifically can unlock substantial socio-economic benefits for India. The study, commissioned by Etihad Airways, was conducted independently by Tourism Economics, an Oxford Economics company. Tourism Economics retained full editorial control over the methodology, analysis, and findings.

We set out the underlying demand dynamics, the scale and distribution of unmet need, and the forward-looking scenarios that illustrate how liberalisation could reshape the market and stimulate growth across both primary and underserved Indian cities.

Chapter 2 provides a detailed assessment of historical traffic patterns, macroeconomic drivers, and the unconstrained demand given historical trends and macro drivers. We analyse the current connectivity gap and quantify unmet demand using a range of market and capacity indicators. Scenario modelling then demonstrates how partial or full liberalisation would influence unmet demand over the next 10 years, with a focus on the gains accruing to high-growth secondary cities.

From an economic perspective, expanded Abu Dhabi–India connectivity represents a significant opportunity to strengthen India’s GDP, enhance employment, and generate higher tax revenues. Chapter 3 outlines the mechanisms through which increased capacity delivers economic value, from short-term tourism and operational spending to long-term productivity gains driven by improved trade access, global market reach, and enhanced competition. We quantify both the immediate macroeconomic impacts and the wider consumer benefits arising from lower fares, increased affordability, and greater travel choice.

By presenting a transparent methodology and clear evidence base, the analysis highlights how strategic liberalisation of the corridor can unlock meaningful and sustained benefits for India’s economy, its regions, and its travellers.

All values in this report are in 2025 prices unless otherwise stated, expressed in USD (\$) or INR (₹), and rounded for simplicity. Detailed results can be found in the appendix.

# TRENDS AND NEEDS ASSESSMENT



**2.1**



## **OVERVIEW OF INDIA AIR TRAVEL MARKET**



# INDIA AIR TRAVEL MARKET

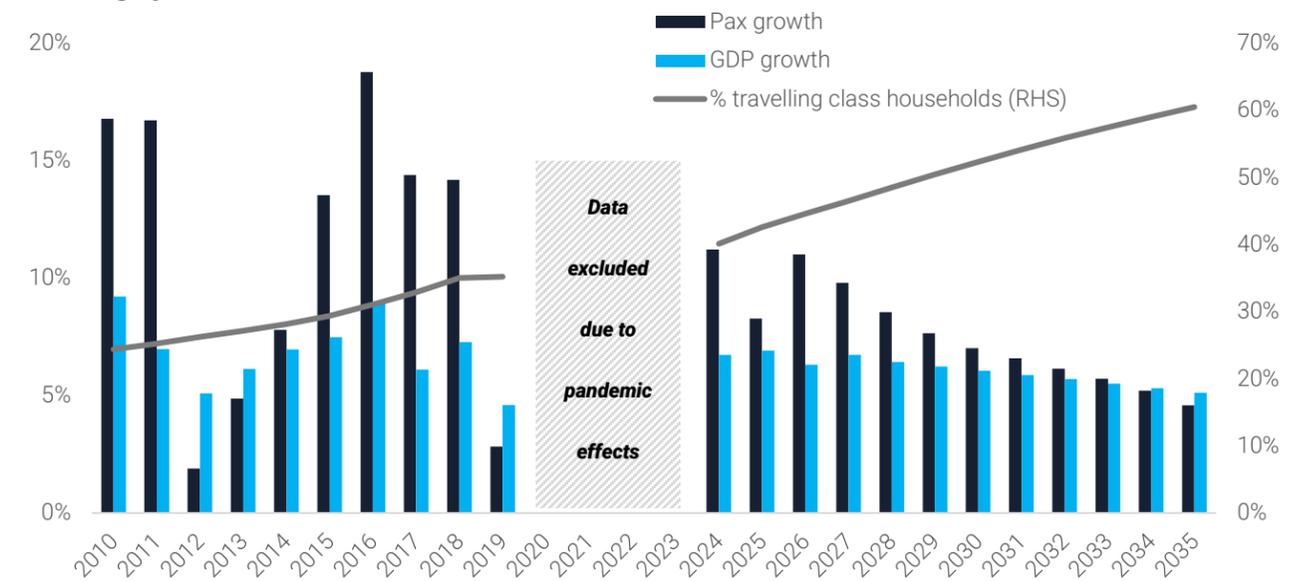
India stands on the precipice of a decade of unprecedented aviation growth. The country has firmly established itself as a global aviation powerhouse, ranking as the third-largest air transport market in the world by passenger departures, behind only the United States and China. In 2024, 211 million passengers flew to, from, and within India. Passenger traffic is expected to reach 229 million in 2025, an increase of 8.3%. Current passenger volumes account for approximately 5.3% of the global total, with this share projected to rise steadily to 7.2% by 2035.

This growth is not merely a post-pandemic rebound but part of a resilient, long-term trajectory. Between 2010 and 2019, passenger traffic grew at a double-digit compound annual growth rate (CAGR) of 10.4%, significantly outpacing the Asia-Pacific average. As of 2025, traffic levels have exceeded 2019 levels by 20%, with international traffic specifically surging to stand 23% above pre-COVID levels as of November 2025.

Looking ahead, the market is poised for significant growth. Our forecasts indicate an average annual growth rate of 7.2% over the next 10 years, a trajectory that will result in an additional 230 million passenger journeys by 2035, effectively doubling current volumes.

## India pax demand performance vs. GDP

% change year



Source: Tourism Economics

## Structural drivers of air travel demand in India

India has established itself as one of the strongest growing economies of recent decades, delivering an average annual GDP growth rate of 7.3% between 2010 and 2024. This sustained economic momentum has fuelled a massive swell in households with sufficient disposable income for air travel. Since 2010, the proportion of these "travelling class" households has surged by 67%, rising from 24% of the population to 40% in 2024.

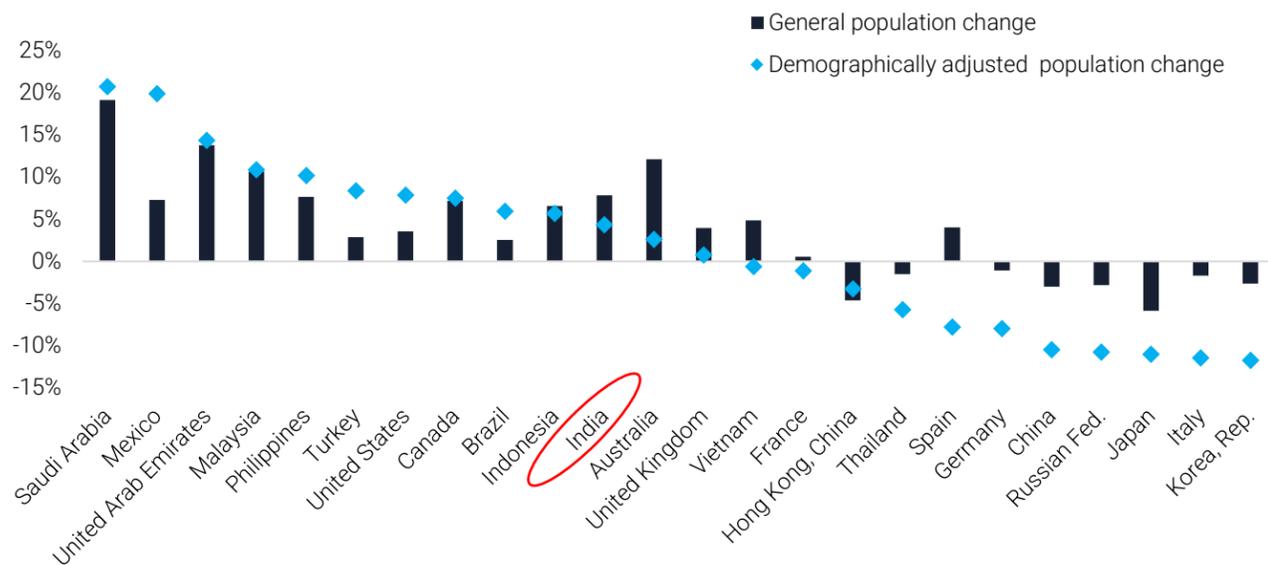
This expansion is supported by a structural shift in consumer behaviour. As real disposable per capita income rose by almost 50% in the last ten years, there has been a clear decline in the proportion of income spent on essentials and a concurrent rise in spending on transport services. Oxford Economics estimates the share of consumer spending on transport services and vehicle purchases has risen from 14.3% to 19.4% over the decade to 2025 and will reach over 21% by 2035. This shift validates the existence of a robust, consumption-driven demand engine that will sustain long-term aviation growth.

Crucially, this economic engine is amplified by India's unique demographic profile. Unlike mature markets such as Japan, China, Italy, and Russia which face population declines, India benefits from a growing population with an increasing propensity to travel. While older generations in emerging markets typically fly less, India's youthful demographic profile acts as a tailwind for demand.

For the 2025–35 period, India is projected to see a general population increase of approximately 8%. Crucially, the demographically adjusted population—which weights growth by the propensity to travel—is also set to rise by around 4%. This structural advantage stands in sharp contrast to major economies like China, Russia, and Japan, where both the general and demographically adjusted populations are projected to contract over the same decade.

With India expected to post the fastest economic growth among G20 economies in the decade ahead, millions more will enter this demographic, offering significant potential for air travel to, from, and within the country. As seen historically, air passenger growth has consistently trended well above GDP growth, with exceptions only during periods of industry instability such as the collapse of Kingfisher in 2012 and Jet Airways in 2019.

**Growth in demographically adjusted population vs. general population**  
% change, 2025-35



Source: Tourism Economics

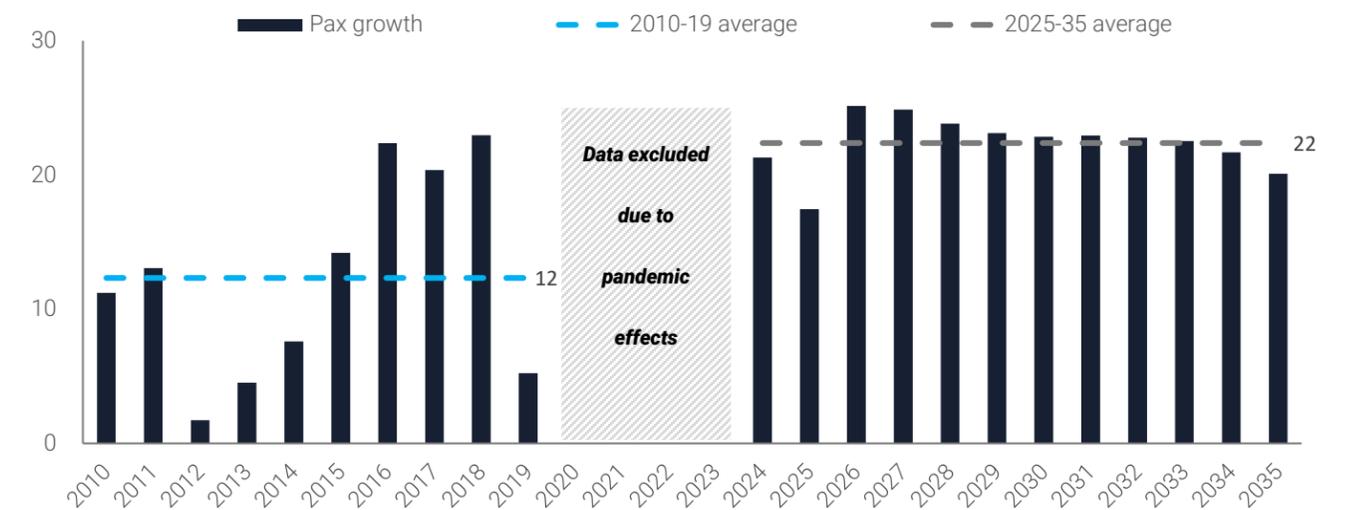
**Demand outlook (2025 – 2035)**

Driven by these factors, we project Indian air passenger demand to grow at an average annual rate of 7.2% over the 2025–35 period. While this is slower than the blistering 10.4% average seen between 2010–19, the absolute volume is significantly higher.

- 2010–2019: Average annual incremental uptake of 12 million passengers.
- 2025–2035: Expected average annual uptake of 22 million additional passengers.

This represents an 80% increase in the volume of additional passengers per year compared to the previous decade.

**Absolute passenger demand to, from, and within India**  
Pax change, mns



Source: Tourism Economics



2.2



## **INDIA - UAE AIR CORRIDOR**



## UAE–INDIA AIR CORRIDOR

The scale and concentration of traffic on the United Arab Emirates (UAE) and India air corridor underline its strategic importance to India's international connectivity. The Middle East is the largest destination region for international passengers from India, accounting for an estimated 34% of total international traffic, or approximately 28.1 million passengers in 2025.

Within this regional context, the UAE emerges as India's single largest international country market. Passenger volumes between India and the UAE are projected to reach 16.4 million in 2025, representing 19.8% of all international passenger traffic to and from India in 2025—more than 70% greater than the share of the next largest international markets, Saudi Arabia (9%) and the United States (8.8%).

The intensity of air connectivity further reinforces the corridor's structural importance. Mumbai – Dubai and Delhi – Dubai rank among the busiest international routes originating from India, together accounting for nearly 5% of all international flights.

Further, Abu Dhabi plays a significant role within this high-volume corridor and represents 4.5% of the total international market. The Mumbai – Abu Dhabi and Kochi – Abu Dhabi routes rank among the busiest international services from India, together representing around 2.7% of all international flights, underscoring Abu Dhabi's function as a major gateway for Indian travellers accessing global markets beyond the region.

### Supply-side reality

We estimate that unconstrained passenger demand on the UAE–India air corridor will grow at an average annual rate of approximately 7.2% between 2025 and 2035, broadly in line with expected growth in India's aviation market. Whether this growth materialises depends on the aviation system's ability to deliver sufficient capacity. At present, capacity expansion faces binding constraints at both the global aircraft manufacturing level and the local regulatory level.

At the global level, the aviation industry faces a severe production bottleneck. As of late 2025, nearly 18,000 aircraft remain undelivered, equivalent to a backlog-to-active-fleet ratio of approximately 57%. Ongoing supply-chain disruptions, particularly shortages of semiconductors, avionics and engine components, continue to limit production rates. As a result, airlines serving India must expand fleets under tight delivery schedules while also retiring older aircraft, which significantly restricts net capacity growth.

At the corridor level, regulatory constraints further limit the ability to respond to demand. Despite being one of the most dynamic international aviation markets globally, growth on the UAE–India air corridor is constrained by bilateral Air Services Agreements (ASAs). For Abu Dhabi–based carriers in particular, the full seat entitlement is concentrated across a fixed set of 11 designated Indian airports, effectively exhausting available capacity within the existing network footprint and leaving no scope for incremental growth through additional frequencies or the addition of new points. Current agreements cap annual seat capacity at approximately 5.2 million seats to and from Abu Dhabi (50,000 per week in one direction) and approximately 6.8 million seats to and from Dubai (65,000 per week in one direction). High load factors exceeding 85% among the main airlines and main routes, alongside fare increases during peak periods, provide clear evidence of suppressed demand rather than weak market fundamentals.



## Flat capacity scenario signals material supply shortfall

Our analysis shows that if capacity remains flat at 2024 levels, with any new aircraft deliveries sufficient only to replace retiring aircraft, remaining spare capacity is expected to be fully absorbed by 2026. Until then, supply restrictions are likely to keep load factors elevated, reflecting strong underlying demand. Beyond 2026, the situation is expected to become more critical as projected demand exceeds available supply (available seats operating at a maximum passenger load factor of 90%), implying growing levels of unmet demand.

We estimate that annual passenger demand has the potential to reach nearly 25 million by 2035 along the **UAE–India** air corridor, of which 10.8 million passengers are likely to remain unserved under fixed supply levels. Over the period from 2026 to 2035, the cumulative supply shortfall is estimated at approximately 54.5 million passengers, representing around 27% of total projected cumulative demand under unconstrained demand conditions.

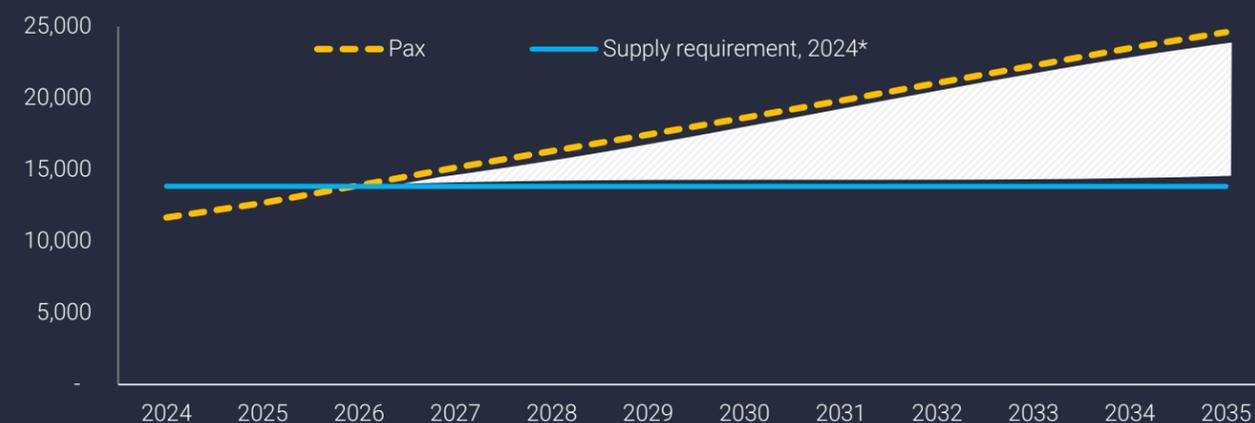
Capacity pressures are similarly acute on the **Abu Dhabi–India** corridor, leaving limited scope for organic growth despite strong underlying demand fundamentals. Our analysis indicates the supply shortage is expected to widen rapidly, reaching approximately 2.5 million passengers by 2035. Over the 2026–2035 period, the cumulative supply shortage on this corridor is estimated at approximately 13.2 million passengers, equivalent to around 27% of projected cumulative demand over the same period.

The pronounced supply shortages observed on these corridors are artificial in nature, driven primarily by capacity constraints rather than weak demand fundamentals. Under unconstrained assumptions, these corridors have the potential to serve significantly higher passenger volumes, with demand expected to continue growing strongly over the forecast period.



## Unconstrained UAE–India air travel demand and fixed supply\*

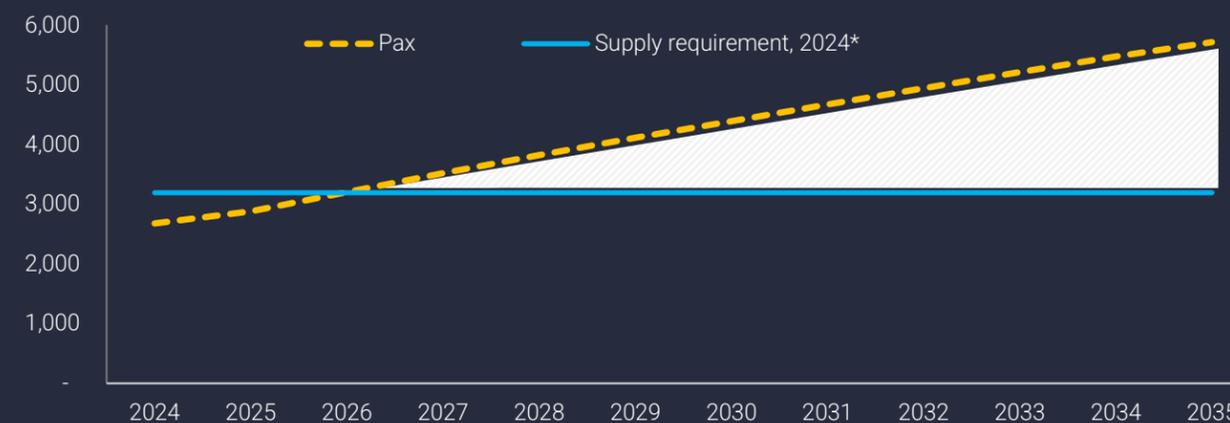
Pax/seats, 000s



\*All available seats operating at a passenger load factor of 90%  
Pax and capacity are calculated for the 16 airports and include both outbound and return journeys.  
Source: Tourism Economics

## Unconstrained Abu Dhabi–India air travel demand and fixed supply\*

Pax/seats, 000s



\*All available seats operating at a passenger load factor of 90%  
Pax and capacity are calculated for the 16 airports and include both outbound and return journeys.  
Source: Tourism Economics

## Case study: Vietnam – the liberalisation dividend

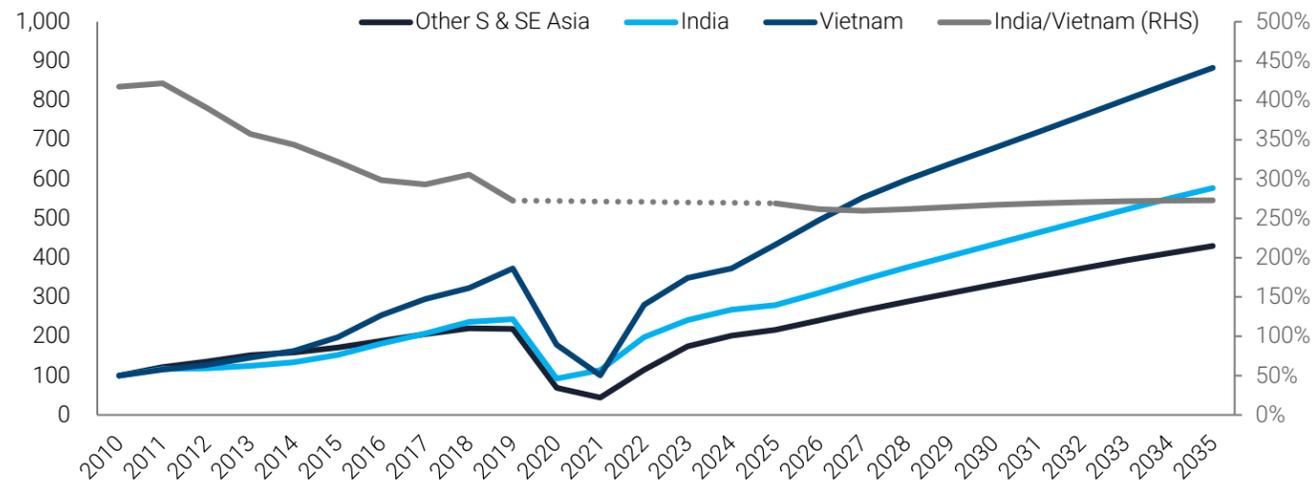
**The Structural Parallel** India and Vietnam share striking macroeconomic similarities. Both are high-growth Asian economies, beneficiaries of the manufacturing shift, and home to young, aspiring middle classes. Between 2010 and 2024, both nations enjoyed comparable GDP growth rates and a similar surge in "travelling class" households.

**The Divergence** Despite these structural parallels, their aviation trajectories have diverged significantly. Vietnam has successfully converted its economic potential into explosive air traffic growth, while India's growth—though robust—has effectively been "taxed" by supply-side constraints.

- **The Price of Constraint:** Between 2010 and 2019, while average airfares across the Asia-Pacific region and Vietnam trended downward due to capacity growth and deregulation, India's fares were slower to fall.

### Pax demand comparison

Index, 2010=100



Source: Tourism Economics

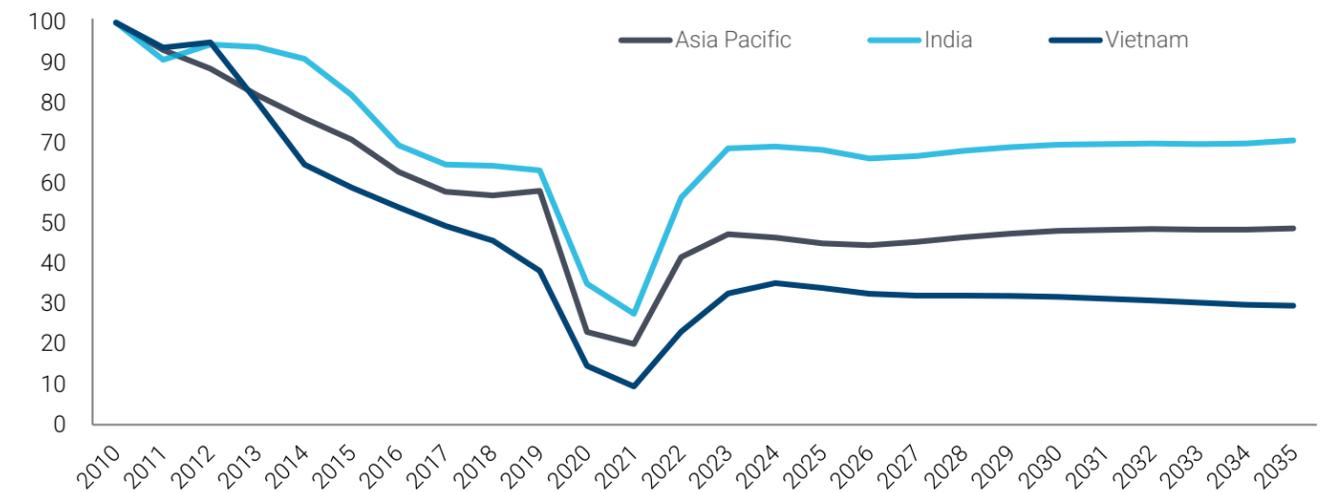
- **The Post-Pandemic Gap:** Crucially, in the post-pandemic recovery phase, Indian airfares have trended higher than 2019 levels. In contrast, Vietnam's market has maintained a more competitive pricing structure relative to demand.

**The Strategic Lesson** The divergence is not a result of demand, but of supply. Vietnam aggressively liberalised its air service agreements and expanded capacity ahead of the demand curve. This ensured that rising disposable incomes were met with affordable, abundant seat supply.

For India, the lesson is clear: High demand met with constrained supply results in higher fares, not higher traffic. Restricting capacity on key corridors like the UAE does not preserve the market for domestic carriers; it merely dampens the total market size and forces Indian travellers to pay a premium for limited connectivity.

### Average air fares, APAC vs. India vs. Vietnam

Real air fares, index (2010=100)



Source: Tourism Economics



## The rise of Tier-2 cities and the connectivity gap

India's growth engine has moved beyond the traditional metropolitan centres of Delhi and Mumbai. Wealth creation is increasingly concentrated in Tier-2 cities such as Vadodara's industrial corridors, Pune's technology and automotive clusters, Lucknow's expanding SME base, and Goa's high-value tourism market. These regions now play a growing role in India's economic and consumption landscape.

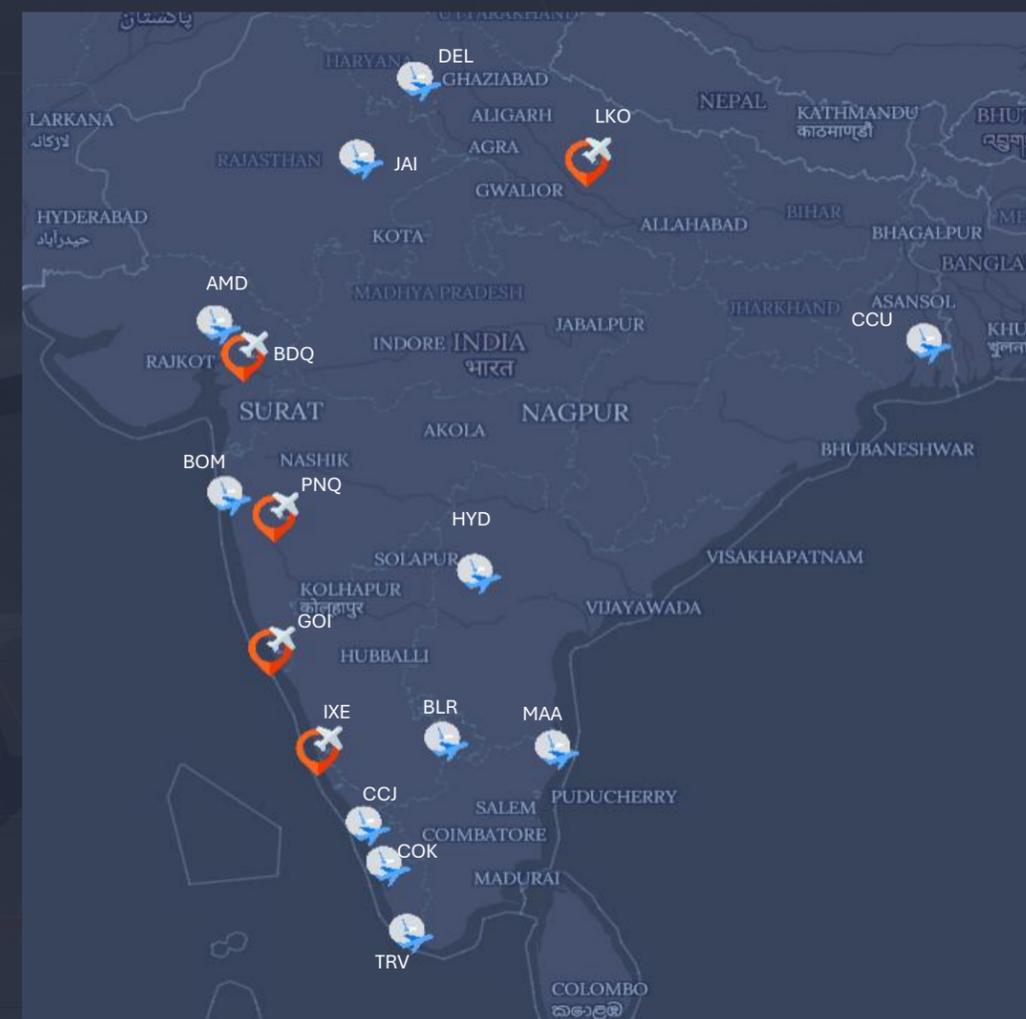
Despite this shift, international air connectivity has not kept pace. Travellers from high-growth Tier-2 cities remain largely dependent on indirect routings via Mumbai or Delhi. These multi-step journeys impose significant friction, particularly for business and premium leisure travellers, adding hours of travel time, increasing fatigue, and raising the risk of missed connections. For example, inbound tourists connecting via Abu Dhabi to Goa currently cannot fly directly and must transit through a major metro airport before continuing domestically. In many cases, this friction makes alternative destinations such as Thailand or the Maldives more attractive. For India, this results in economic leakage and a missed opportunity to capture high-value tourism spend and international investment directly into regional states.

## Proposed network expansion to support regional connectivity

Current operations of Abu Dhabi-based carriers remain centred on legacy metropolitan centres and traditional labour corridors, limited to the 11 designated destinations. This backbone includes connectivity to **North India** (Delhi (DEL), Jaipur (JAI)), **West India** (Mumbai (BOM), Ahmedabad (AMD)), **East India** (Kolkata (CCU)), and **South India** (Bangalore (BLR), Chennai (MAA), Hyderabad (HYD), Kochi (COK), Kozhikode (CCJ), Thiruvananthapuram (TRV)). While this structure supports high-volume demand, it does not fully reflect the geographic diversification of India's economic growth.

Expanding direct connectivity to selected Tier-2 cities would allow Abu Dhabi-based carriers to bypass congested metropolitan airports and serve high-growth catchment areas more efficiently. Priority markets include **Pune (PNQ)**, a rapidly growing premium-travel market close to Mumbai and well-placed to ease its capacity constraints; **Lucknow (LKO)**, combining large population scale with rising business demand; **Goa (GOI)**, offering both high-end inbound leisure and outbound VFR flows; **Mangalore (IXE)**, a high-income coastal market with deep Gulf ties; and **Vadodara (BDQ)**, Gujarat's industrial centre with strong business and diaspora links. Strengthening direct access to these cities would reduce travel friction, improve regional accessibility, and enhance the overall effectiveness of the UAE-India air corridor.

## Existing operations and key regions for expansion for Abu Dhabi carriers



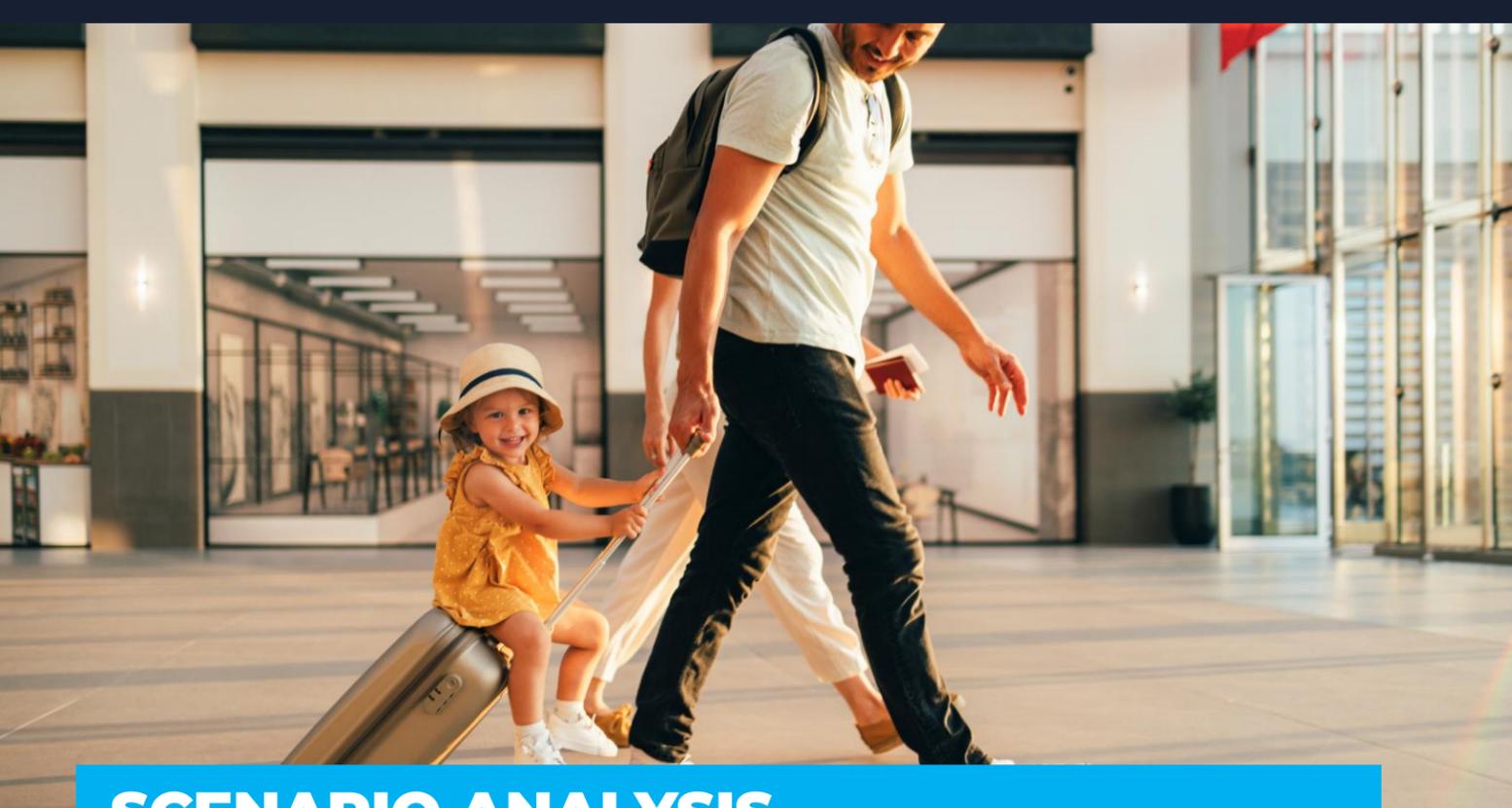
-  Existing operations
-  New destinations expansion strategy

Note: The map is generated with Flourish.

2.3



## **SCENARIO ANALYSIS**



## SCENARIO ANALYSIS

To assess the impact of regulatory caps, we used Tourism Economics' Air Passenger Forecast (APF) model, developed in partnership with the International Air Transport Association (IATA). We modelled unconstrained demand for 16 airports that Abu Dhabi-based carriers currently serve or plan to serve and benchmarked it against three supply scenarios.

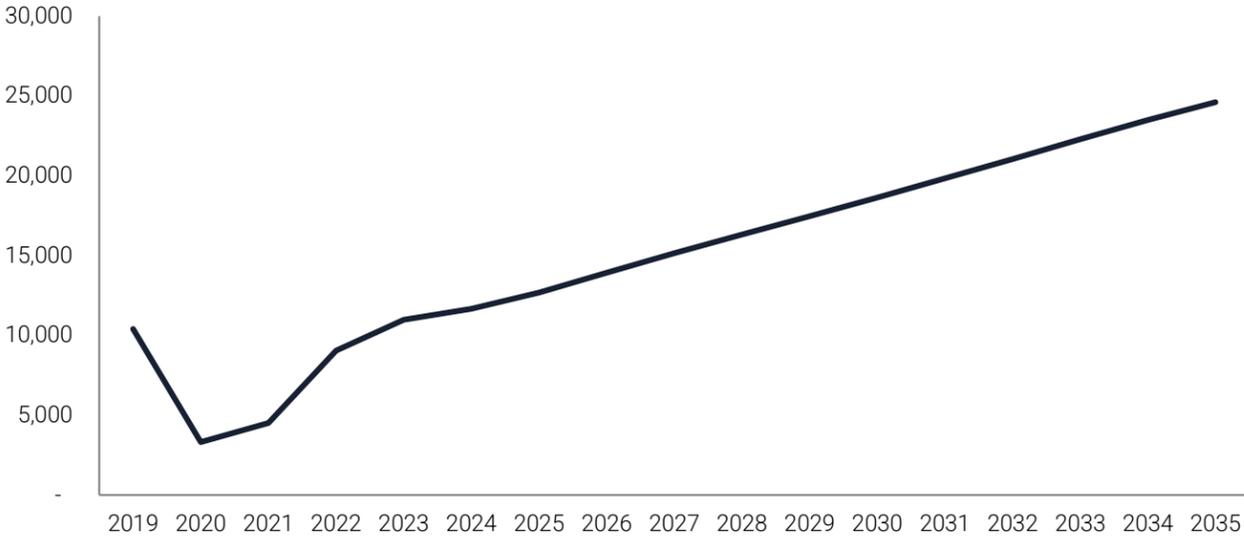
### Demand outlook for select airports of interest

We produced demand forecasts for each airport of interest based on the current operations of Abu Dhabi-based carriers and the airports identified as priorities for potential expansion. The airports included in the analysis are Ahmedabad, Bengaluru, Chennai, Cochin, Delhi, Goa, Hyderabad, Jaipur, Kolkata, Kozhikode, Lucknow, Mangalore, Mumbai, Pune, Thiruvananthapuram, and Vadodara.

We estimated unconstrained passenger demand to and from these airports across the wider UAE-India air corridor. Our analysis indicates that unconstrained demand across this airport set is expected to grow at a compound annual growth rate of 6.9% over the 2025-2035 period, reaching nearly 25 million passengers in 2035.

### UAE-India pax demand outlook for selected airports, unconstrained

Pax, 000s



Source: Tourism Economics

### Capacity constrains and scenario design

Given the strong potential for air passenger demand growth between the UAE and India over the coming decades, the ability of the industry to provide sufficient seat and flight capacity will be critical. Under the current bilateral framework, however, the market cannot accommodate this growth without a renegotiation of the Air Services Agreement (ASA).

A renegotiated ASA for the Abu Dhabi-India air corridor would allow additional capacity to be injected into a market that otherwise risks becoming increasingly constrained. Tourism Economics modelled a range of capacity expansion scenarios to assess the extent to which additional seats would support projected demand growth or, if insufficient, continue to restrict it. These scenarios represent incremental uplifts to existing seat caps and quantify the impact of added capacity on the market's ability to meet expected demand based on an unconstrained demand outlook.

To assess how different capacity rules influence unmet demand, we modelled medium- and high-uplift scenarios and compared them with a baseline outlook. For each percentage increase in capacity, 50% of additional seats are allocated to current routes served by Abu Dhabi-based carriers and 50% to proposed new routes in Tier-2 cities, with the distribution within each group based on relative market size.

## Scenario parameters

Scenario	Markets	Uplift in seat capacity vs. counterfactual (%)	Allocation of additional seats (%)	Unmet passenger demand, 2026-35 (000s)
Baseline: Business-as-usual (BAU)	Current markets	0%	50%	49,667
	Proposed markets	0%	50%	4,828
Scenario 1: Medium uplift	Current markets	50%	50%	43,902
	Proposed markets	50%	50%	-6,187
Scenario 2: Higher uplift	Current markets	100%	50%	41,564
	Proposed markets	100%	50%	-15,567

Under the 50:50 allocation assumption, the baseline demand outlook for the 16 airports serves as the reference point for measuring unmet demand. If no action is taken, unmet passenger demand on the UAE–India corridor is expected to reach nearly 50 million passengers over the next ten years across the airports that Abu Dhabi–based carriers are currently permitted to serve. Over the same period, unmet demand at the proposed new airports is expected to reach nearly 5 million passengers.

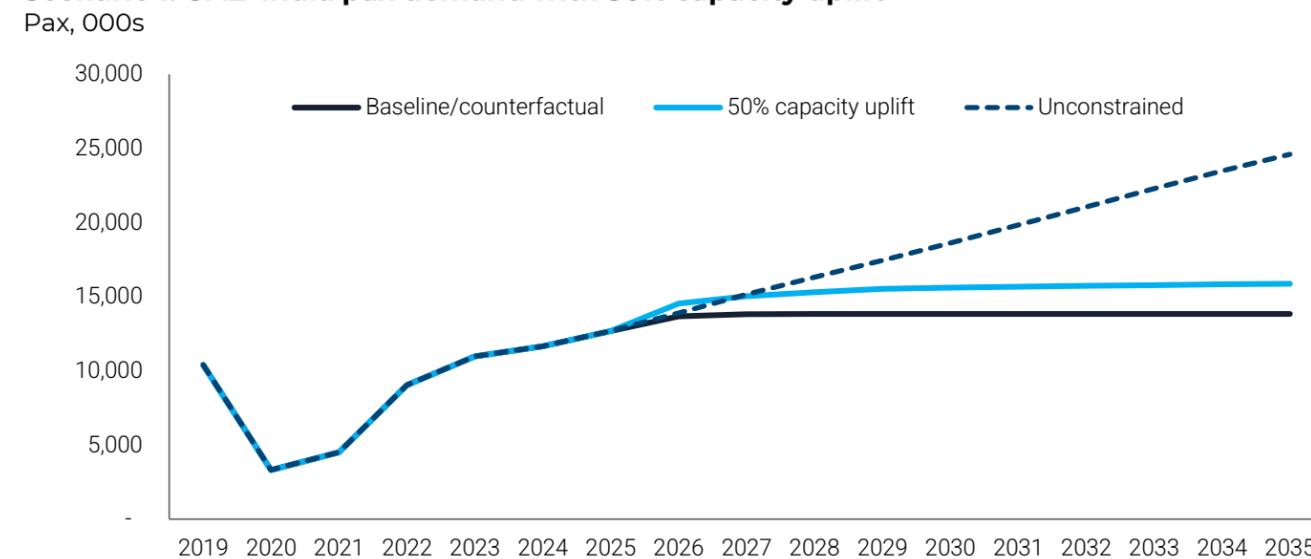
The modelling indicates an oversupply in the proposed markets of 6.2 million seats under the 50% uplift scenario and 15.6 million seats under the 100% uplift scenario relative to expected demand, while existing markets remain undersupplied even after the uplift. Reallocating a portion of the additional capacity from proposed to existing markets would therefore deliver a more efficient overall allocation.

## Scenario 1: 50% capacity uplift

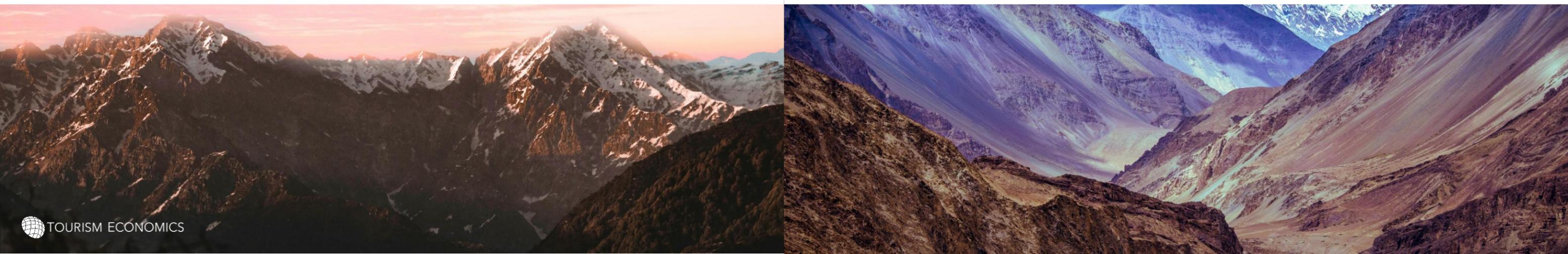
Under this scenario, we modelled a 50% increase in seat capacity permitted to Abu Dhabi–based carriers under the ASA with India. The uplift is applied from 2026 onwards. Additional capacity is allocated equally between current airports of operation and proposed new airports, with seats distributed within each group according to each airport’s historical market share.

Relative to the unconstrained demand outlook, this scenario highlights the importance of additional capacity. Without the uplift, existing supply cannot absorb expected demand growth, leaving a substantial share of potential demand unserved. Under the 50% uplift scenario, unmet demand remains significant, reaching approximately 8.7 million passengers in 2035, or around 37.7 million passengers cumulatively over the 2026–2035 period.

### Scenario 1: UAE–India pax demand with 50% capacity uplift



Source: Tourism Economics

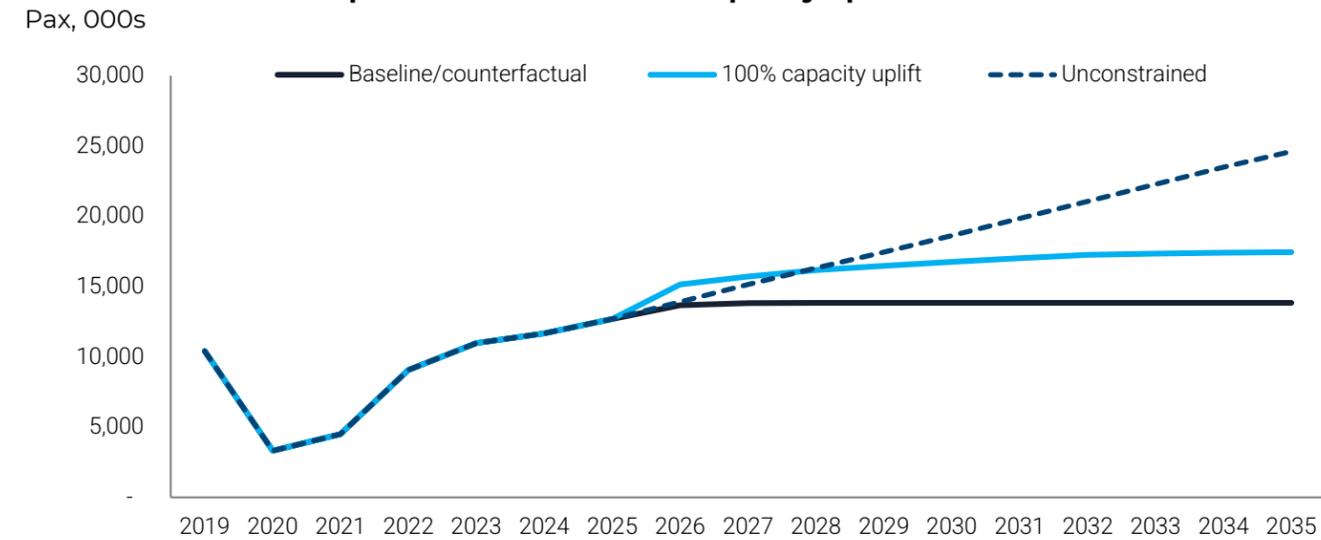


## Scenario 2: 100% capacity uplift

Under this scenario, we modelled a 100% increase in seat capacity permitted to Abu Dhabi-based carriers under the ASA with India. While this level of expansion goes further towards addressing the supply shortfall implied by the counterfactual outlook for the wider UAE–India corridor, it does not fully eliminate unmet demand.

The gap between unconstrained demand and available capacity under this scenario implies that 7.2 million passengers would remain unserved in 2035, or approximately 26 million passengers cumulatively over the 2026–2035 period.

### Scenario 2: UAE–India pax demand with 100% capacity uplift



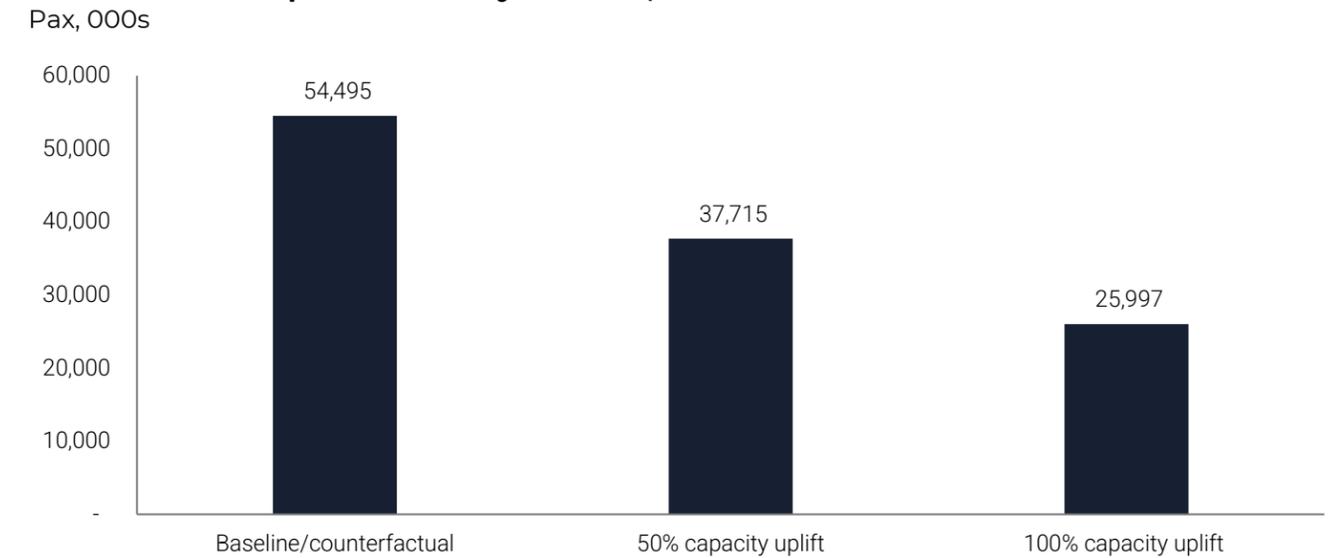
Source: Tourism Economics

## Large-scale expansion needed to capture full market potential

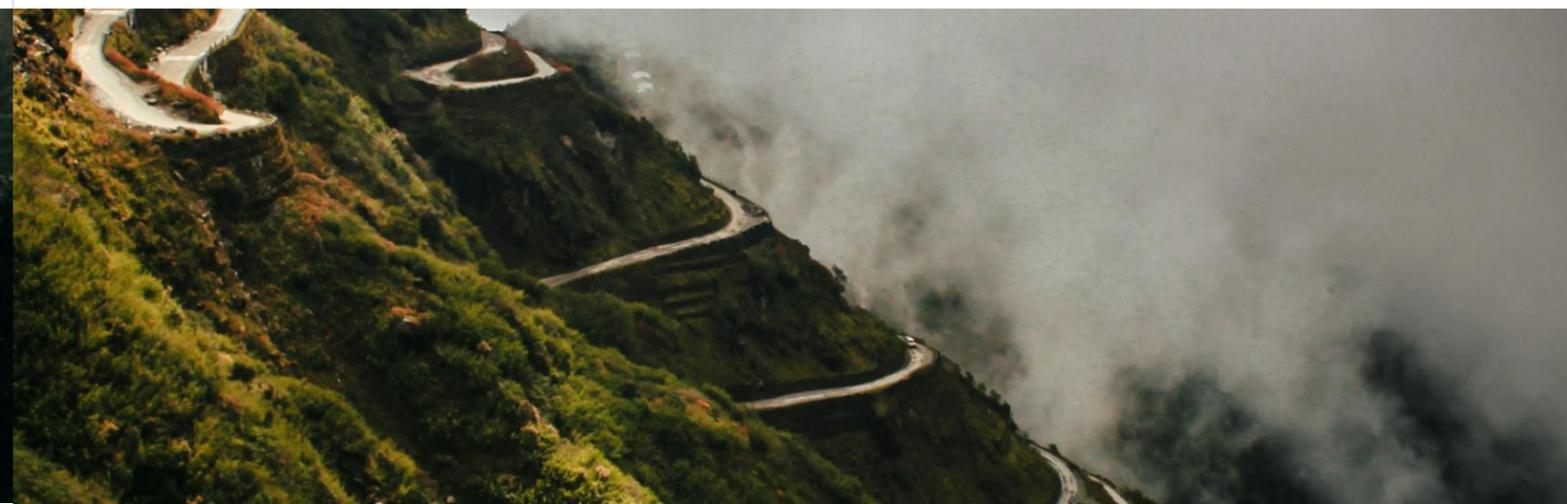
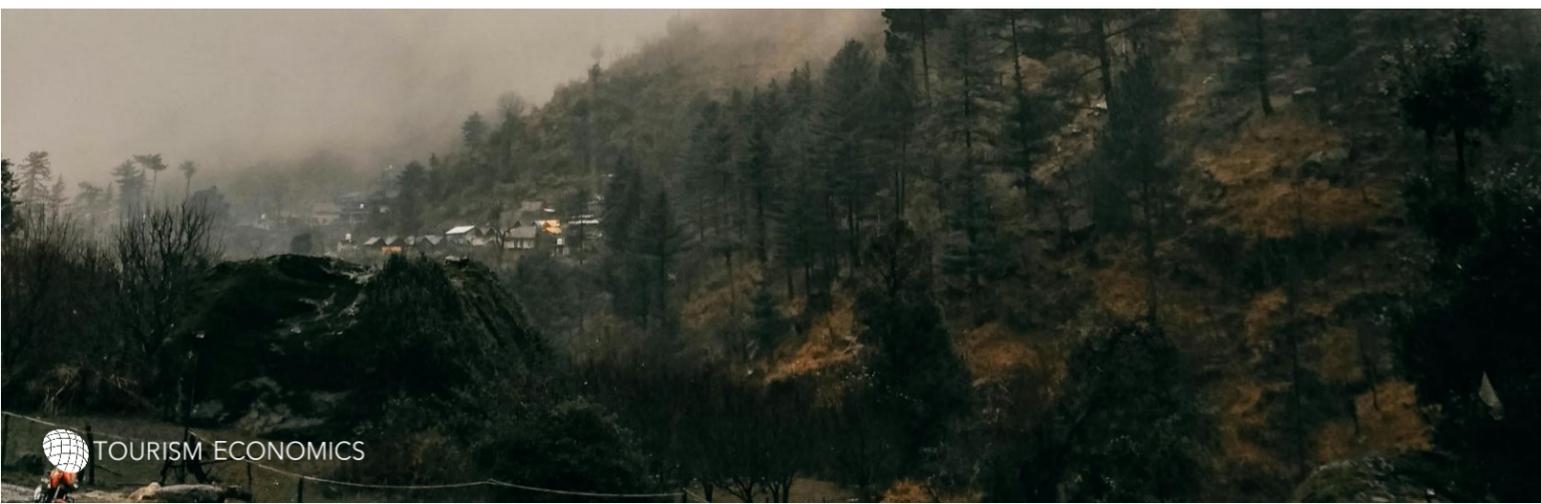
For as long as passenger demand grows faster than capacity, unmet demand will persist and accumulate. Under the counterfactual outlook, cumulative unmet demand across the UAE–India corridor would reach approximately 54.5 million passengers over the 2026–2035 period relative to the unconstrained demand forecast.

Capacity increases under the modelled scenarios reduce these losses materially. A 50% capacity uplift lowers cumulative unmet demand to 37.7 million passengers, while a 100% uplift reduces it further to 26 million passengers over the same period. These results demonstrate that expanding capacity on the Abu Dhabi–India air corridor can significantly reduce unmet demand across the wider UAE–India market, although even substantial uplifts fall short of fully accommodating projected demand growth.

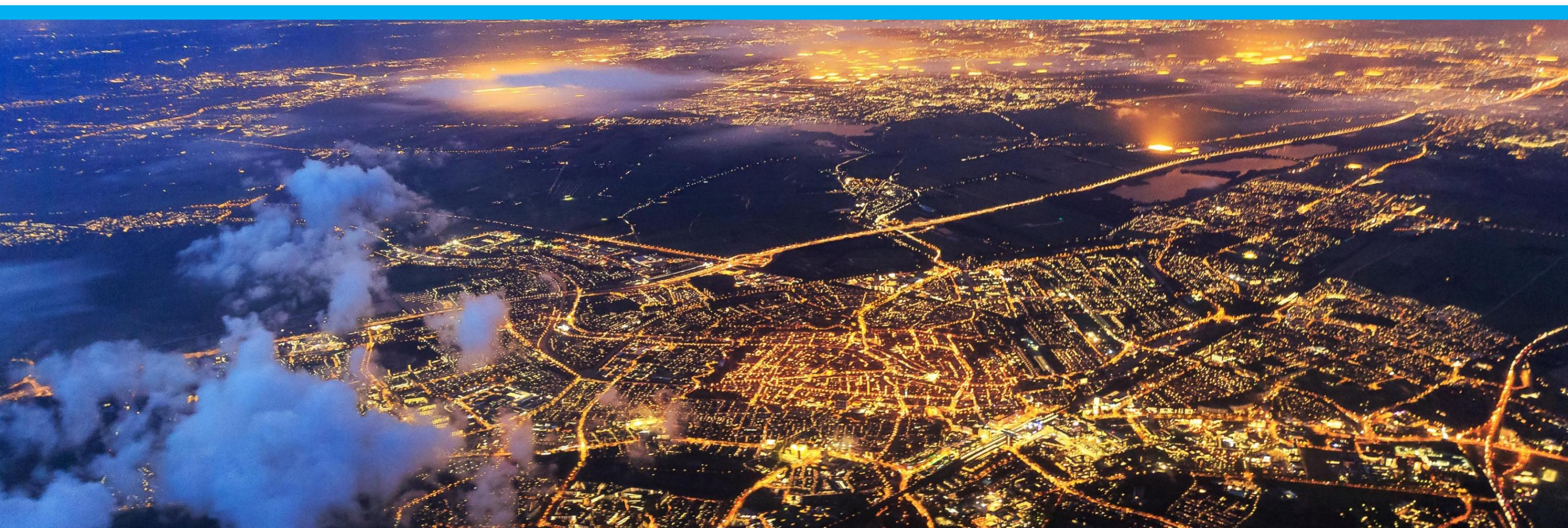
### UAE-India unmet pax demand by scenario, 2026-35



Source: Tourism Economics



# ECONOMIC IMPACT





# THE OPPORTUNITY

## Cost of capacity restrictions

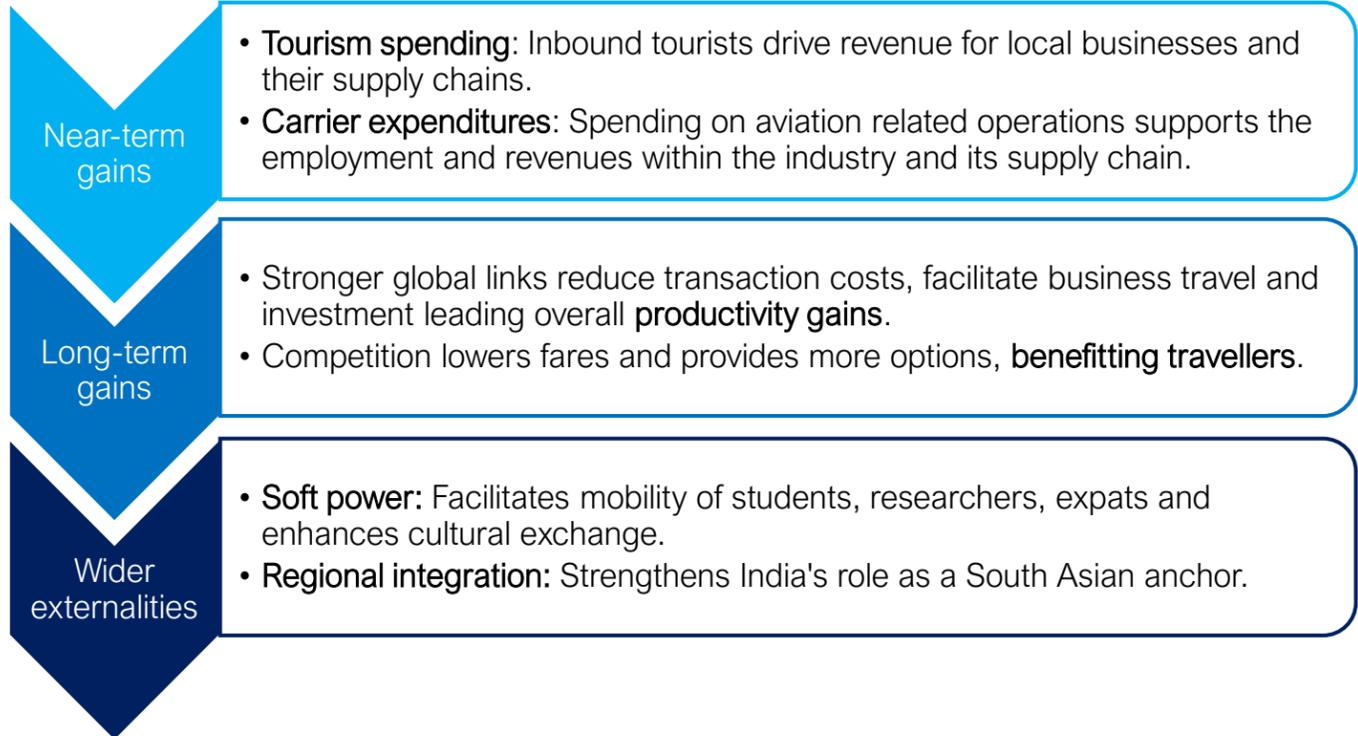
The UAE–India air travel market currently operates below its economic potential because available capacity cannot adjust to strong underlying demand. Passenger demand between the UAE and India is robust, driven by a growing middle class, a large and active diaspora, and increasing global economic integration. However, existing capacity restrictions prevent the market from responding efficiently to these fundamentals.

This artificial supply scarcity has three critical limiting effects:

1. **Concentration of Connectivity:** Limits concentrate international traffic in major hub cities (like Delhi and Mumbai), preventing airlines from initiating or increasing services to high-growth secondary and tertiary cities where demand is rapidly rising.
2. **Suppressed Traffic:** The inability to add frequencies and destinations suppresses "induced" traffic—the consumer and business travel that would materialise if fares were lower and connectivity options were more abundant.
3. **Sub-optimal Economic Value Capture:** As a result, India captures only a portion of the potential economic value including tourism spending, business travel, trade flows, and consumer benefits, that expanded, competitive connectivity would generate.

Increasing air capacity allows airlines to respond to demand with additional routes and frequencies, improving connectivity, and lowering travel costs. These changes support higher passenger volumes, increased tourism spending, and greater business travel. Over the longer term, improved air links also strengthen investment attractiveness and India’s integration into global economic networks.

## Economic impact channels



## Quantification of impacts

This study quantifies the near-term and long-term economic gains driven by the UAE–India air corridor.

- Using the scenarios defined in previous chapters, we assess the immediate results of capacity liberalisation. The delta between the “business-as-usual” (stagnant capacity) and “capacity enhancement” outcomes represents the expected economic growth enabled by the expansion of operations by Abu Dhabi carriers—or, conversely, the opportunity cost of maintaining current regulatory restrictions.
- Long-term impacts reflect the corridor’s underlying growth potential once capacity limits no longer apply. These effects materialise through productivity improvements and increased consumer surplus driven by stronger connectivity.

**3.1**



## **NEAR-TERM ECONOMIC GAINS**



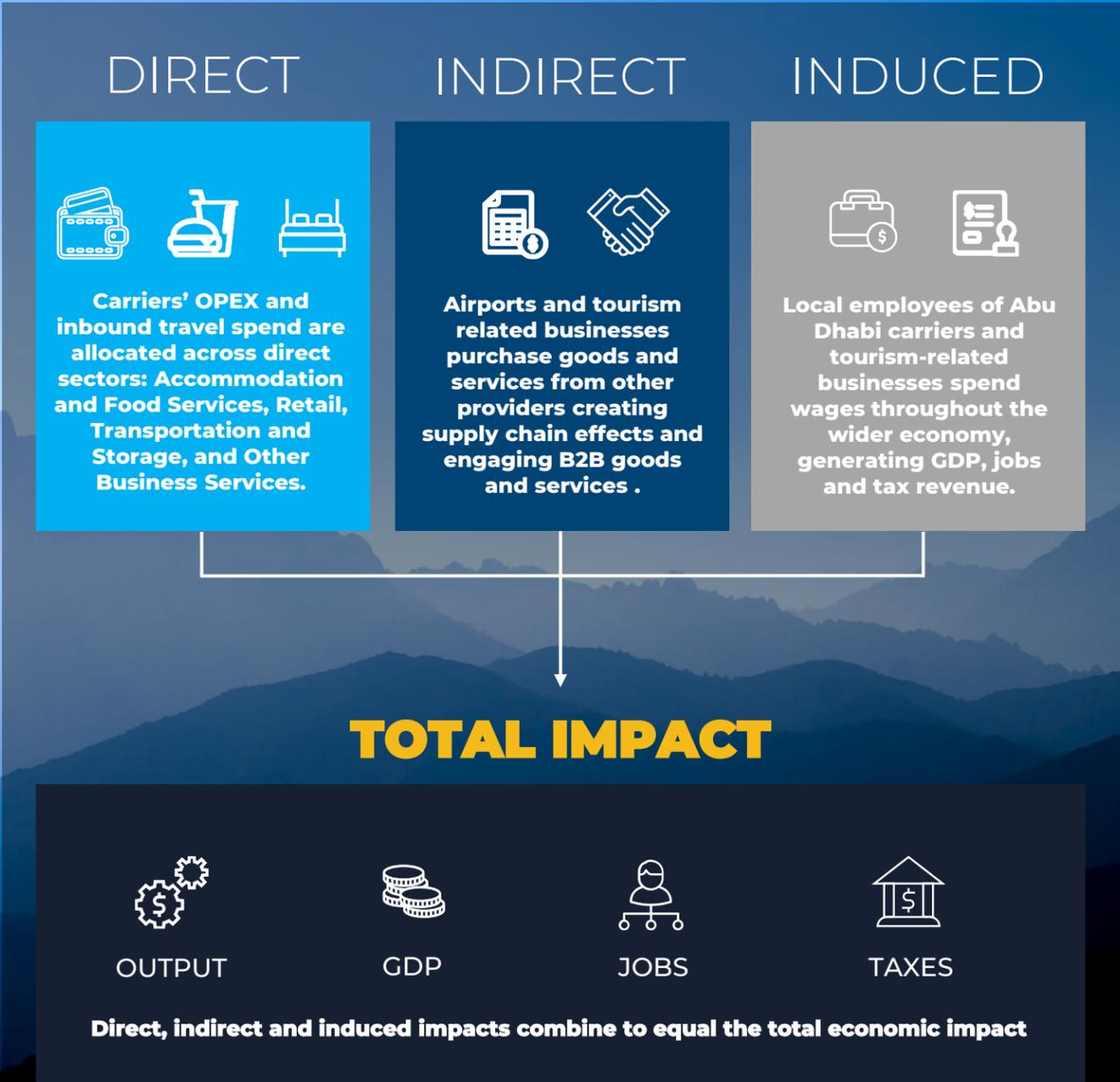
## NEAR-TERM ECONOMIC GAINS

### Modelling framework

The assessment of near-term economic gains translates the theoretical value of air travel market into quantifiable results. The full economic impact is captured by tracing the flow of initial spending through three core channels across the Indian economy, which together constitute the total economic value:

1. **Direct Impact:** This is the immediate GDP, job, and tax contribution stemming from the direct operational spending of Abu Dhabi carriers (aero-related expenses, parking fees, etc.) and tourism revenues generated by inbound travellers using these carriers.
2. **Indirect Impact:** This represents the secondary effects generated by supply chain activity. It includes the revenue and employment generated by Indian businesses directly supplying goods and services to the impacted sectors (e.g., a hotel utilising local laundries).
3. **Induced Impact:** This is the tertiary impact resulting from the spending of wages by Abu Dhabi carriers' employees and employees whose jobs are generated directly or indirectly by this activity, which stimulates the broader local economy (e.g., retail and housing expenditures).

This multi-faceted approach allows us to quantify the gross value-added contribution to the Indian economy, utilising the following three key metrics for the time period between 2025 and 2030: Output (spending), GDP, Employment (total number of jobs supported), and Taxes (government revenues collected from income, profits, and consumption).



## Visitor numbers

In 2025, approximately 4 million inbound travellers are expected to arrive in India via the UAE air corridor. With total inbound air arrivals to India estimated at 17 million, inbound tourism through UAE is expected to account for around 24% of the country's inbound air travel market.

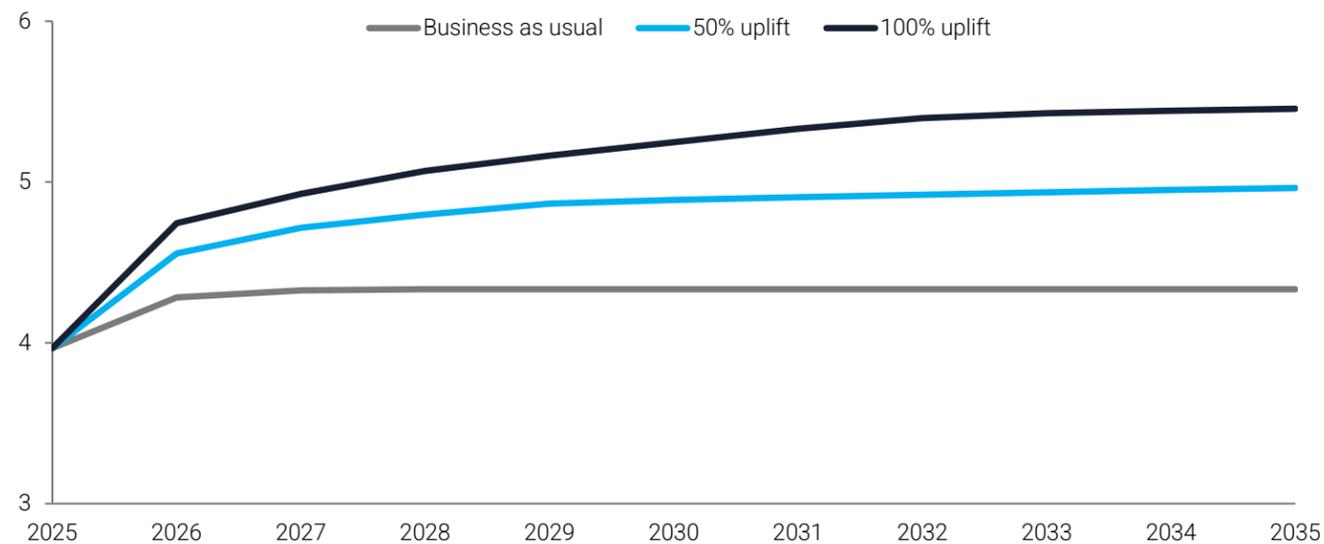
Under the current bilateral ASA, capacity is expected to remain capped, limiting tourism growth. Inbound travellers are expected to rise to around 4.3 million passengers in 2026, driven mainly by higher load factors, before stabilising at around similar levels once operational limits are reached.

**Medium scenario (50% uplift):** Additional capacity is expected to support an immediate increase in inbound travel. Inbound tourists are expected to reach around 4.6 million in 2026 and increase to approximately 4.9 million in 2030. This scenario is expected to deliver around 2.2 million additional passengers over 2026–2030 compared with the constrained baseline.

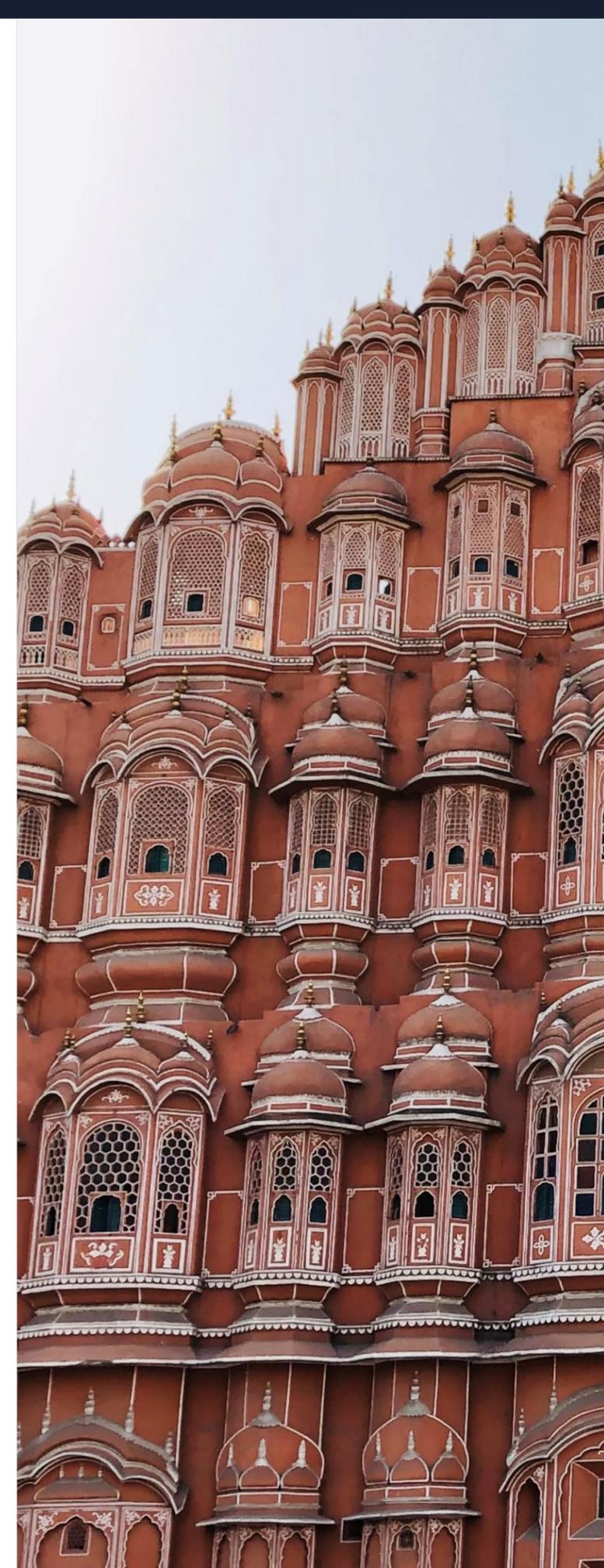
**Upper scenario (100% uplift):** A full doubling of capacity is expected to raise annual inbound passenger volumes to around 4.7 million in 2026 and to approximately 5.2 million in 2030. Over the next five years, this scenario is expected to generate an additional 3.5 million inbound tourists, representing volumes around 16% higher than those achievable under current capacity constraints.

### Inbound travellers to India from UAE air corridor (2025-2030)

Inbound travellers (millions)



Source: Tourism Economics



Over the next five years, inbound travellers to India on Abu Dhabi carriers could increase by **3.5 million** if ASA restrictions are relaxed.

## Visitors across Indian airports

Tier-1 cities, served by 11 Indian airports currently accessible to Abu Dhabi-based carriers, are expected to welcome around 3.6 million inbound passengers from the UAE in 2025. Mumbai and Kochi are projected to receive the largest volumes, at more than half million travellers each, highlighting the continued importance of business travel in these markets. If operations continue under existing capacity constraints, growth at proposed new destinations is expected to remain limited, with a projected CAGR of around 1.3% over the 2025–2030 period.

**Medium scenario (50% uplift):** Abu Dhabi-based carriers are expected to introduce new routes and support 1.6 million additional inbound travellers at new destinations, including Pune, Goa, Lucknow, Mangalore, and Vadodara, over the next five years. In addition, more than 0.5 million additional inbound visitors are expected to arrive at airports already served by Abu Dhabi-based carriers over the same period.

**Upper scenario (100% uplift):** Abu Dhabi-based carriers are expected to enable a substantial increase in regional connectivity. Between 2026 and 2030, additional inbound arrivals are projected to reach around 1 million passengers in Pune and 0.8 million in Goa. In total, approximately 2.8 million additional travellers are expected to be carried to new destinations not currently served, supporting more balanced distribution of inbound travel across India.

### Inbound travellers to India from UAE air corridor

by airport and time periods (thousands)

Tiers	Destinations	2025	2026 - 2030		
		BAU	BAU	50% Uplift	100% Uplift
Existing 11 destinations (A)	Ahmedabad	175	1,018	1,045	1,064
	Bangalore	230	1,274	1,325	1,327
	Mumbai	626	3,331	3,483	3,495
	Kozhikode	438	2,357	2,403	2,439
	Kolkata	113	643	654	654
	Kochi	584	3,212	3,311	3,379
	Delhi	452	2,354	2,421	2,421
	Hyderabad	266	1,487	523	1,523
	Jaipur	80	405	419	419
	Chennai	267	1,538	1,567	1,567
	Thiruvananthapuram	362	1,999	2,058	2,103
	<b>Sub total</b>	<b>3,594</b>	<b>19,619</b>	<b>20,208</b>	<b>20,391</b>
Proposed new destinations (B)	Pune	52	272	890	1,333
	Goa	45	245	736	1,088
	Lucknow	125	663	1,055	1,329
	Mangalore	144	776	893	962
	Vadodara	7	33	42	48
		<b>Sub total</b>	<b>373</b>	<b>1,989</b>	<b>3,615</b>
<b>Total (A+B)</b>		<b>3,966</b>	<b>21,608</b>	<b>23,823</b>	<b>25,151</b>

Source: Tourism Economics

Note: Totals may not sum due to rounding.

Abu Dhabi based carriers could support regional tourism in new destinations by carrying up to **2.8 million** inbound travellers on new flight paths over the 2026-2030 period.



## Visitor spending

In 2025, inbound visitors travelling via the UAE to the 16 Indian destinations are expected to spend around \$7.6 billion (₹658 billion) during their stay, supporting tourism activity across the country. This accounts for roughly 20% of total inbound visitor spending in that year. Nearly half of this expenditure is allocated to accommodation, followed by retail at around one quarter.

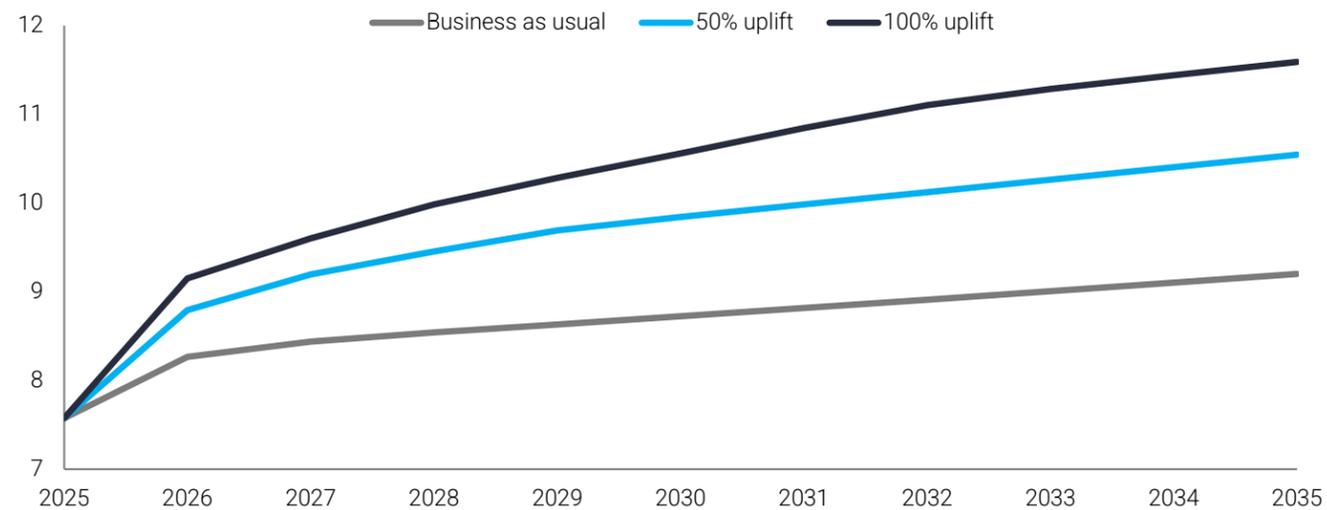
If Abu Dhabi–India operations remain constrained at current capacity levels, total visitor spending supported by these services is projected to rise to \$8.7 billion (₹776 billion) by 2030. This represents a 15% increase relative to 2025, compared with a 9% increase in visitor numbers, driven primarily by real growth in per-capita income.

**Medium scenario (50% uplift):** Inbound passengers carried by Abu Dhabi–based carriers are expected to enable an additional \$530 million (₹46 billion) in visitor spending in 2026, and \$4.4 billion (₹387 billion) cumulatively over the 2026–2030 period. This corresponds to a cumulative increase in visitor spending of around 10% relative to the business-as-usual case over the next five years.

**Upper scenario (100% uplift):** With a doubling of capacity, Abu Dhabi–based carriers are expected to support an additional \$880 million (₹78 billion) in visitor spending in 2026, rising to \$7 billion (₹618 billion) cumulatively over 2026–2030. This represents a cumulative increase of around 16% compared with the business-as-usual case over the same period.

### Visitor spending associated with UAE air corridor, (2025-2030)

Visitor spending (USD billions, 2025 prices)



Source: Tourism Economics

Abu Dhabi carriers could enable an additional **\$7 billion (₹618 billion)** tourism revenue in India over the next five years if capacity is doubled.



## Carrier spending

In 2025, operational spending associated with the UAE–India air corridor across 16 Indian airports is estimated at around \$110 million (₹9.5 billion) in India. This includes aerobridge charges, landing and take-off fees, parking fees, employee wages, and other operating costs. Of this total, \$19 million (₹1.6 billion) is estimated to be wages for carriers’ employees associated with UAE flight operations.

Carriers’ spending is concentrated in India’s major aviation hubs. This pattern is expected to continue over the next five years under the business-as-usual case, with existing 11 airports accounting for 92% of total aviation spending.

**Medium scenario (50% uplift):** Abu Dhabi–based carriers are expected to generate an additional \$89 million (₹7.7 billion) in operational spending over 2026–2030, a 15% increase compared with the business-as-usual case. Nearly half of this additional spending is expected to occur at new airports, broadening the geographic footprint of aviation-related spending.

**Upper scenario (100% uplift):** If capacity is doubled, Abu Dhabi–based carriers are expected to generate an additional \$178 million (₹15.4 billion) in operational spending across the 16 airports between 2026 and 2030. Similar to the medium scenario, nearly half of this incremental spending is expected to occur at new destination airports, supporting local aviation industries.

### Carriers’ spending across India

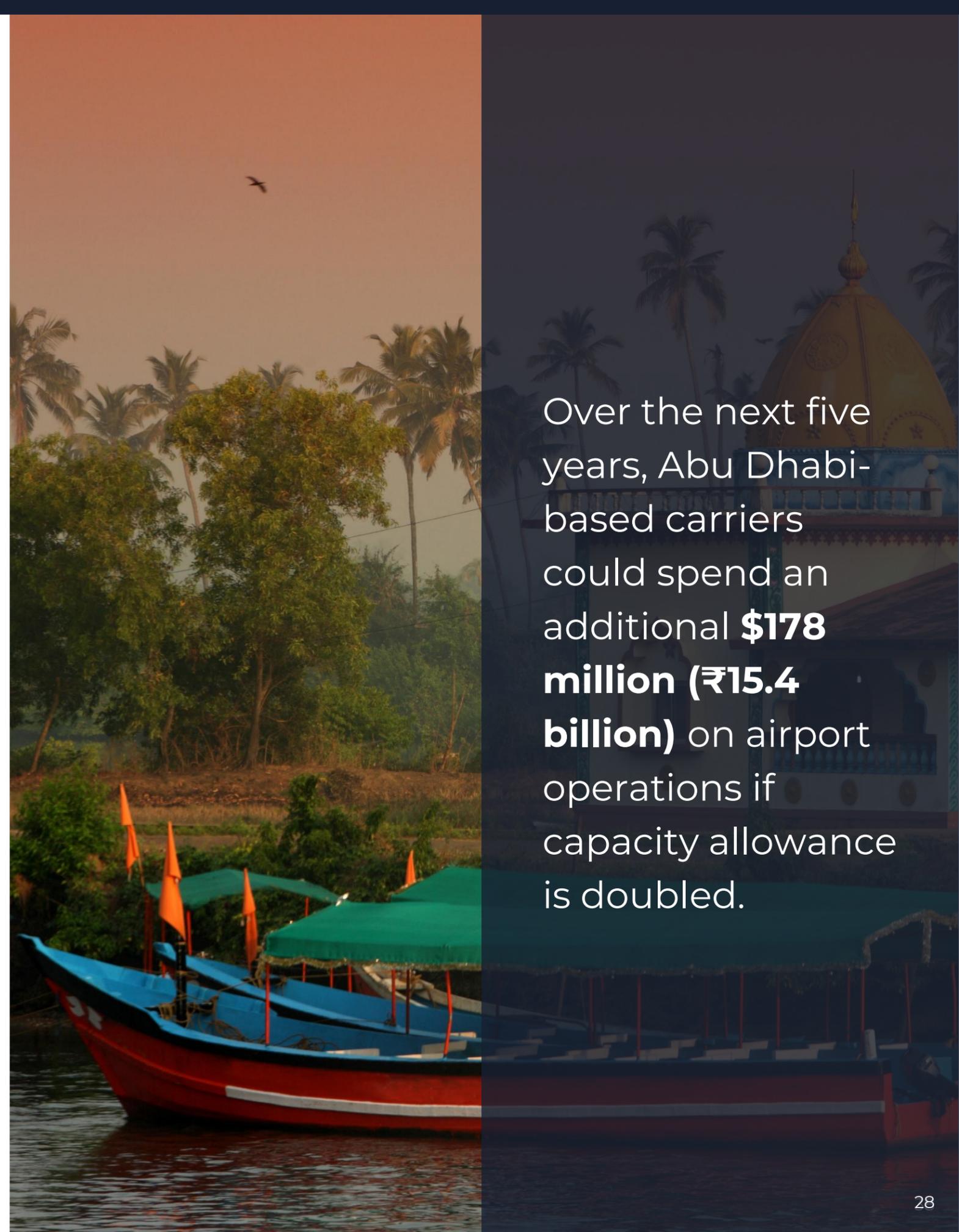
by airport and time periods (thousands, 2025 USD)

Tiers	Destinations	2025	2026 - 2030		
		BAU	BAU	50% Uplift	100% Uplift
Existing 11 destinations (A)	Ahmedabad	2,636	13,725	14,177	14,628
	Bangalore	4,726	24,986	26,827	28,668
	Mumbai	22,288	113,046	121,126	129,205
	Kozhikode	15,121	87,502	89,535	91,569
	Kolkata	3,910	21,235	24,713	28,191
	Kochi	12,285	66,419	69,077	71,734
	Delhi	14,347	74,313	88,647	102,980
	Hyderabad	6,246	32,577	37,474	42,370
	Jaipur	2,892	14,796	17,412	20,027
	Chennai	3,578	21,158	24,645	28,132
	Thiruvananthapuram	13,090	66,583	68,966	71,349
	<b>Sub total</b>	<b>101,119</b>	<b>536,342</b>	<b>582,598</b>	<b>628,854</b>
Proposed new destinations (B)	Pune	1,201	6,280	22,069	37,857
	Goa	1,095	5,743	18,446	31,150
	Lucknow	2,935	15,279	25,613	35,946
	Mangalore	3,403	17,727	21,234	24,740
	Vadodara	147	751	999	1,247
	<b>Sub total</b>	<b>8,782</b>	<b>45,781</b>	<b>88,361</b>	<b>130,940</b>
<b>Total (A+B)</b>		<b>109,901</b>	<b>582,123</b>	<b>670,958</b>	<b>759,794</b>

Source: Tourism Economics

Note: Totals may not sum due to rounding.

Over the next five years, Abu Dhabi-based carriers could spend an additional **\$178 million (₹15.4 billion)** on airport operations if capacity allowance is doubled.



## Economic footprint of the UAE–India air corridor

### Direct economic contribution in 2025

In 2025, the UAE–India air corridor across 16 Indian airports is estimated to enable \$7.7 billion (~₹666 billion) in direct spending across airport operations and tourism. This translates into a direct GDP contribution of \$3.4 billion (~₹295 billion) and \$609 million (~₹53 billion) in direct tax revenues. Together with employment directly associated with air services between the UAE and India, this spending is estimated to support nearly half million jobs across aviation and tourism-related sectors.

### Total economic contribution in 2025

Once multiplier effects are taken into account, the UAE–India air corridor is estimated to support \$16.2 billion (~₹1.4 trillion) in total spending across India’s aviation and tourism value chains. This generates a total GDP contribution of \$7.7 billion (~₹670 billion), equivalent to approximately 0.2% of India’s GDP in 2025.

According to IATA (2025), the total economic contribution of India’s aviation sector through tourism and sectoral spending amounted to \$53.6 billion in 2023, of which \$27.1 billion was tourism-related. While the figures are not directly comparable due to different base years, this comparison suggests that the UAE–India air corridor accounts for nearly 15% of the aviation sector’s total economic footprint in India. However, our results are largely driven by tourism-related expenditure, reflecting the nature of international operations where carriers have leaner local operating footprints than domestic airlines but generate a disproportionate share of economic value through high-yield tourism spending by long-haul passengers.

Through these activities, the corridor is estimated to support approximately one million jobs in total and generate nearly \$1.2 billion (~₹108 billion) in tax revenues.

### Projected impact under current constraints and capacity enhancements

If existing capacity constraints persist and demand continues to go unmet, the economic contribution of the UAE–India air corridor is expected to grow at a modest compound annual rate of around 3% in real terms between 2025 and 2030.

Expanded capacity is expected to facilitate a higher growth trajectory. Annual GDP enabled by the corridor is projected to increase at a CAGR of 5.5% through 2030 under a 50% capacity uplift and 7% under a 100% uplift.

The following section examines these scenarios, and the additional economic value associated with increased capacity.

## Economic contribution of the UAE–India air corridor in 2025

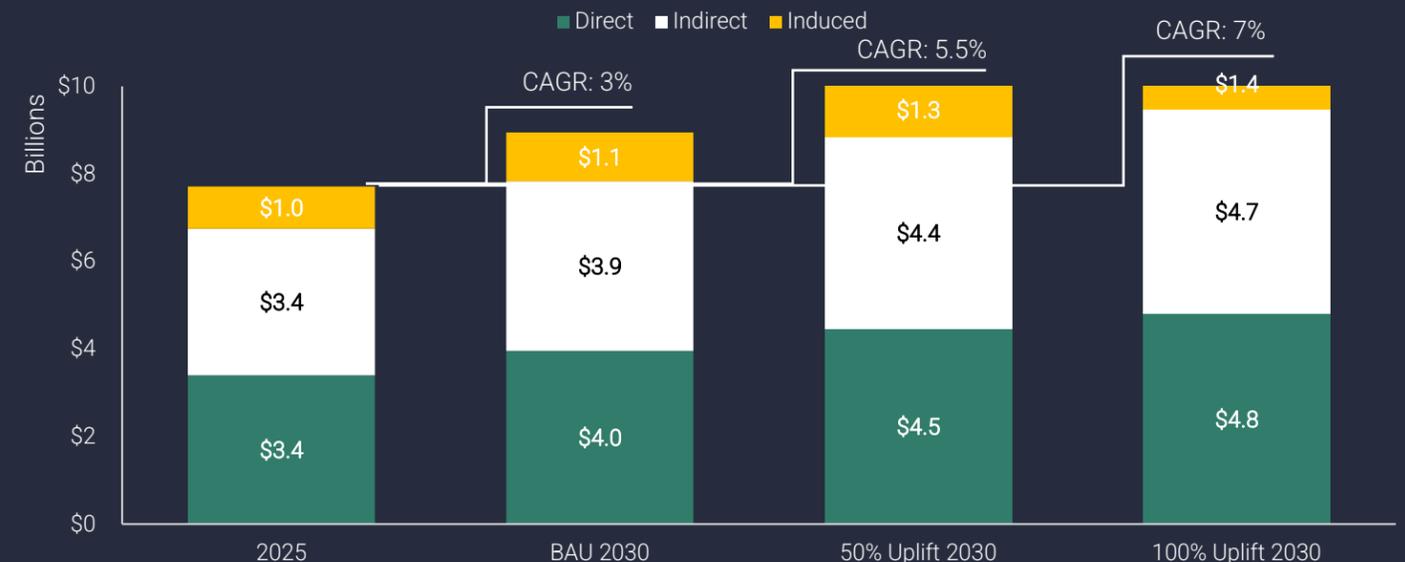
USD, 2025 prices, annual



Source: Tourism Economics

## GDP enabled by the UAE–India air corridor

Billion USD, 2025 prices, annual values across scenarios



Source: Tourism Economics

## Incremental economic impact of capacity improvements supported by Abu Dhabi-based carriers

Comparing the projected economic footprint of the UAE–India air corridor across scenarios highlights the incremental value enabled by expanded operations of Abu Dhabi–based carriers.

### Medium scenario (50% uplift)

An authorised capacity of 75,000 seats per week across 16 key Indian airports is expected to deliver an immediate economic dividend. This expansion is projected to generate an additional \$550 million (approximately ₹48 billion) in GDP in 2026, rising to an annual incremental impact of \$1.2 billion (₹100 billion) by 2030.

Over the 2026–2030 period, this scenario is expected to support a cumulative \$9.5 billion (₹822 billion) in total output and \$4.5 billion (₹391 billion) in GDP. Increased capacity is projected to sustain an average of around 100,000 additional jobs per year and generate approximately \$733 million (₹64 billion) in additional tax revenues over five years.

### Upper scenario (100% uplift)

Raising the capacity ceiling further to 100,000 weekly seats unlocks substantially higher economic value. The impact materialises quickly, with an additional \$923 million (₹80 billion) in GDP expected in 2026 alone, scaling to \$1.9 billion (₹165 billion) annually by 2030.

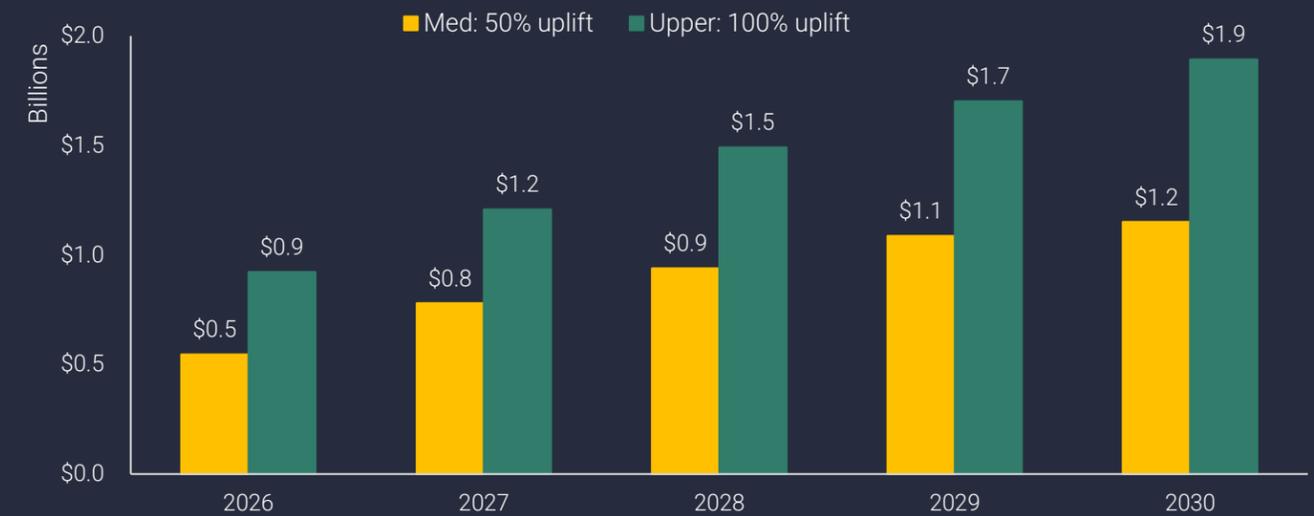
Total output enabled by Abu Dhabi–based carriers’ capacity expansion is expected to reach approximately \$15.2 billion (₹1.3 trillion) over the next five years. Cumulative GDP impact over the same period is projected at \$7.2 billion (₹627 billion). Socio-economic benefits are correspondingly larger, with an average of approximately 170,000 additional jobs supported each year and government tax revenues increasing by around \$1.2 billion (₹102 billion) over five years.

### Moving forward

While the gains in GDP, employment, and tax revenue are significant, they reflect only the near-term transactional impacts of increased connectivity across aviation and tourism. The broader economic value of enhanced connectivity extends beyond these sectors. In the following section, we assess how improved air links act as a catalyst for the wider Indian economy, supporting long-term productivity gains for businesses and generating consumer surplus through greater choice, lower fares, and improved global access.

## Incremental GDP enabled by Abu Dhabi carriers

Billion USD, 2025 prices, annual



Source: Tourism Economics

## Incremental economic impact enabled by Abu Dhabi carriers

USD, 2025 prices, cumulative over 2026 – 2030



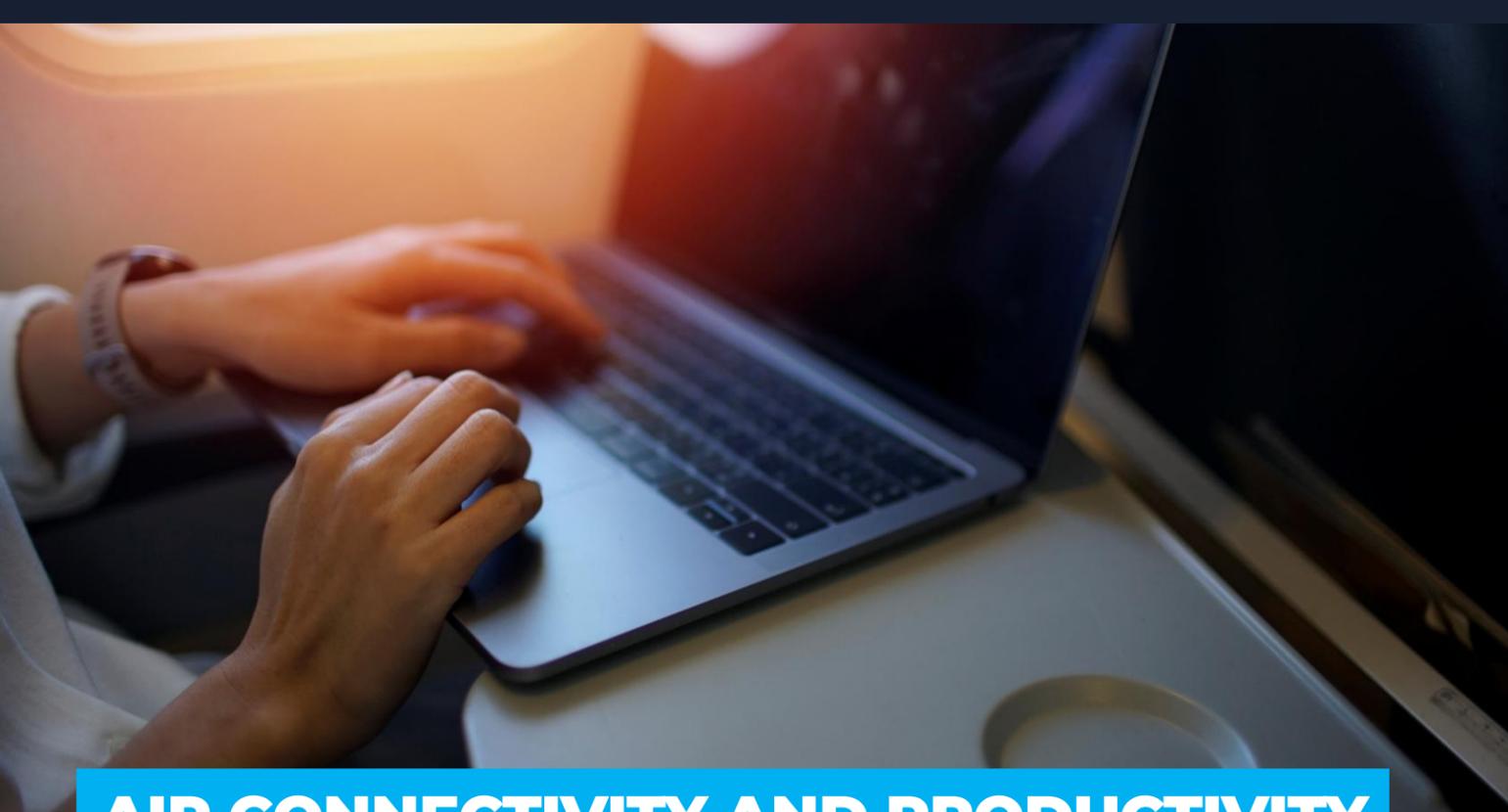
\*Total includes direct, indirect, and induced impacts. Figures are rounded.

Source: Tourism Economics

**3.2**



## **LONG-TERM ECONOMIC GAINS**



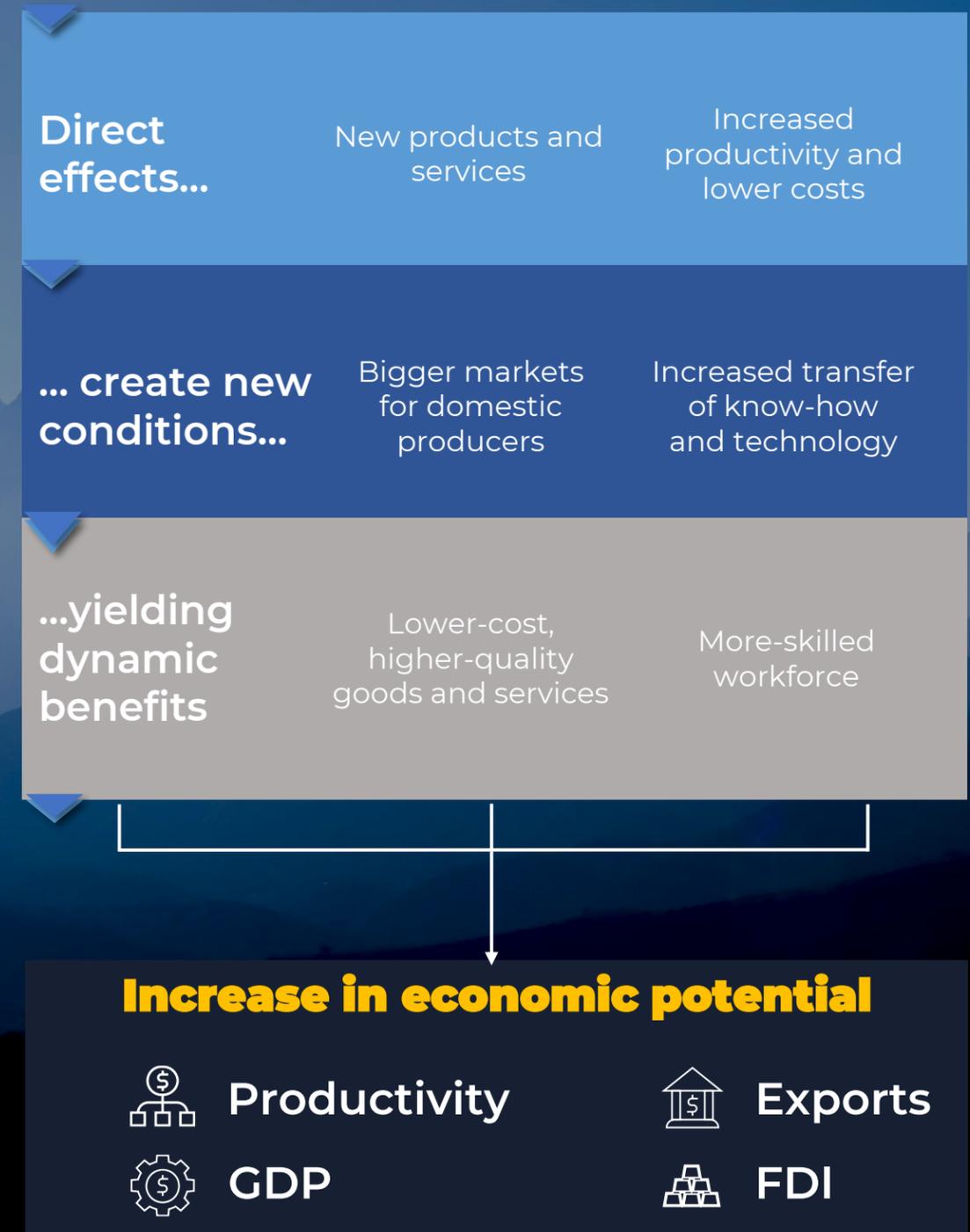
## AIR CONNECTIVITY AND PRODUCTIVITY

The direct economic activity linked to aviation is only the starting point of its value to India. The far larger contribution comes from what air services enable. By connecting India more efficiently with key global markets, aviation enhances competition and trade, supports two-way investment, facilitates business travel, and encourages the exchange of ideas and talent. Together, these catalytic pathways raise the productivity of the domestic economy.

### How connectivity drives economic performance

The scale and quality of a country's air network can be measured in many ways, but the most economically meaningful metric is the degree to which it connects businesses and people with the global economy. This concept of air connectivity captures how easily travellers can reach major international economic centres. A widely used measure—developed based on IATA methodology—quantifies connectivity based on the number of outbound seats on scheduled flights, weighted by the economic significance and onward linking capacity of each destination. Under this approach, a seat to a major global hub is valued more highly than a seat to a smaller regional airport because it opens access to a far larger set of markets. The logic is straightforward: the more India is linked to hubs with deep onward connectivity, the greater the economic value the network generates.

## Modelling Framework for Connectivity



## Enhancing India's connectivity

India is already served by a broad set of international routes, but Abu Dhabi plays a uniquely important role in strengthening its global access. By 2035, enhanced networks—combining existing services with planned additional routes to both metro and emerging Indian cities—is expected to account for around 6.4% of India's weighted international connectivity.

In 2035, more than **18 million passengers** are expected to travel between India and the UAE on existing and proposed routes. These flights will anchor India's access to key global markets across Europe, North America, the Middle East, and Africa.

Enhanced connectivity generates both immediate and long-run economic benefits. Some effects—such as improved travel options and reduced coordination costs for firms—begin to materialise right away. However, the full **productivity impact builds gradually**, as businesses reorganise supply chains, expand market reach, and deepen international engagement.

## The productivity boost from enhanced connectivity

When the full set of UAE-India routes—both existing and new services—are considered together, the productivity benefits materialise in India's economy by 2035. Our estimates suggest that UAE-India connectivity will deliver a \$9 billion (₹831 billion), in 2025 prices, boost to India's GDP in 2035, equivalent to 0.14% of national output.

The scale of this uplift reflects both the expansion of the UAE-India network and India's deeper integration into global value chains.

## Foreign direct investment attracted by better connectivity

Stronger air links make it easier for multinational firms to invest, manage operations, and integrate into India's fast-growing industries. Connectivity to Abu Dhabi, with its deep linkages into Europe, North America, and the Middle East. In 2035, the India-UAE connectivity will support **\$550 million (₹50 billion)** of India's total inward FDI flows, strengthening its integration with global capital markets.

## Trade and export gains enabled by improved connectivity

Enhanced connectivity significantly reduces the trade costs faced by Indian exporters. Improved access to the Abu Dhabi hub allows Indian exporters to reach a wider set of markets more quickly and reliably.

The 2035 India-UAE network, after accounting for the expansion, is expected to support an additional **\$75 million (₹7 billion)** in exports, equivalent to 0.1% of India's total goods and services exports.



## Impact in 2040 through connectivity via the UAE

2025 prices, USD



**0.14%**

Productivity  
impact



**\$9B**

GDP impact



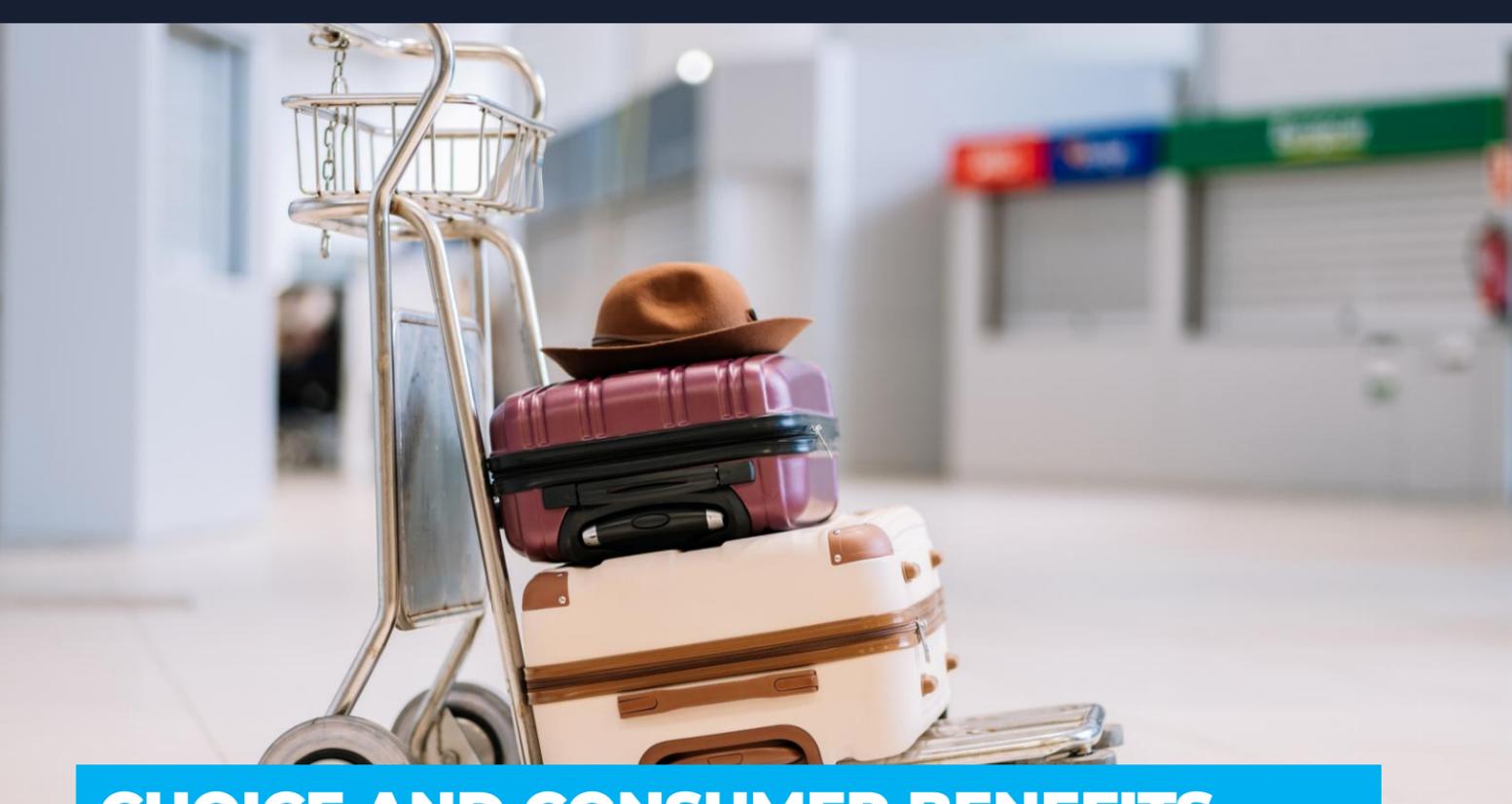
**\$75M**

Exports  
supported



**\$550M**

FDI inflows  
supported



## CHOICE AND CONSUMER BENEFITS

Air passengers—like any consumers—benefit when they have access to a wider choice of services. Increased competition between airlines not only improves the variety of service quality available but also helps make airfares more affordable. With more options, airlines must price competitively or risk losing market share. Lower fares remain the most visible and immediate benefit of greater choice.

### How connectivity via the UAE enhances choice and competition for Indian travellers

Abu Dhabi's position as a fast-growing hub provides Indian passengers with meaningful competition on routes between many major global destinations. The presence of options to fly via Abu Dhabi increases both the number of airlines travellers can choose from and the routing options available.

For example, a traveller flying between Ahmedabad and London may choose a direct service with a European or Indian airline or opt to travel via a hub such as Abu Dhabi. In recent years, a substantial share of passengers on this and other long-haul routes have chosen to connect through Gulf hubs, including Abu Dhabi, in search of competitive fares or better connectivity. This has increased the degree of competition on long-haul flows touching India—reducing prices not only for those who fly via Abu Dhabi, but also for passengers travelling by any other route.

Greater competition lowers prices for all passengers. The availability of additional routing options through Abu Dhabi limits the pricing power of airlines operating between major cities worldwide. Consequently, every passenger making an international trip that could be routed via Abu Dhabi—including those flying with other carriers—benefits indirectly from lower fares.



## Quantifying the benefits to travellers

Economists refer to the gains passengers enjoy from lower prices as consumer surplus. This represents the difference between the fare a traveller actually pays and the maximum price they would have been willing to pay in the absence of routing options via Abu Dhabi. As operations expand between India and Abu Dhabi, competition intensifies on many long-haul city pairs, increasing consumer surplus for travellers across the world.

## Consumer benefits associated with increased choice and competition

The UAE-India network is estimated to deliver a combined **\$91 million (₹8.5 billion)** increase in consumer surplus for more than **7 million** passengers in 2035. With a deeper network reach through new and expanded services in India, it exerts competitive influence across a broader range routes from India to various global markets. This produces measurable airfare reductions even on routes where flying via Abu Dhabi is not chosen.

Based on our econometric findings, airfares on long-haul routes that include the option to fly via Abu Dhabi are estimated to be **3% lower**—equivalent to around **\$12 per passenger (₹1,100)** in fare savings for passengers flying in 2035.

These reductions accrue to all travellers on those flows, regardless of carrier or routing.

In addition to lowering fares for existing travellers, the option to fly via Abu Dhabi also increases the number of people able to travel by reducing effective price barriers. We estimate that an additional **250 thousand** passengers will fly in 2035 because competitive fare reductions—driven by the option to fly via Abu Dhabi—bring air travel within reach for more consumers.

## Consumer benefits enabled by connectivity via Abu Dhabi in 2035

2025 prices, USD



**\$91M**

Increase in consumer surplus



**\$12**

Per passenger air fare savings



**7M+**

Benefitting passengers

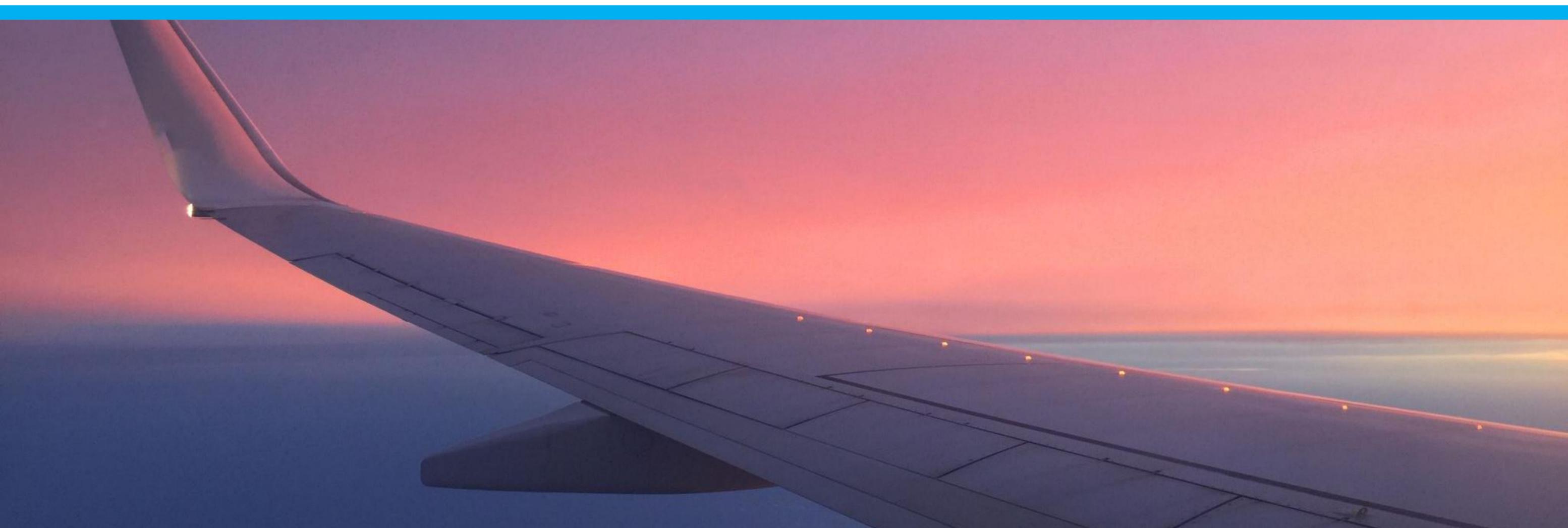


**250K**

Additional passengers on board due to lower prices



# TECHNICAL APPENDIX



## Short-term Economic Impact Modelling

This appendix outlines the methodology used to translate the impact of increased air traffic capacity—specifically additional operational spending and tourism revenue—into employment, GDP, and tax outcomes. The assessment begins by estimating the direct spending generated under the three scenarios defined in the report.

- **Carrier Operational Spending:** Aviation-related costs such as aerobridging, landing, and parking fees.
- **Tourism Spending:** Revenue generated by inbound passengers in India. To avoid double counting, travellers' transportation expenditures are excluded, as these are captured in carriers' ticketing.

Supply and Use Tables are applied to map this direct spending to relevant ISIC sectors, including Accommodation and Food Services, Transportation and Storage, and Retail. The full economic impact—capturing downstream effects—flows through three channels:

- **Direct Impact:** GDP, jobs, and taxes generated directly from carriers' operations and associated tourism spending.
- **Indirect Impact:** Supply chain effects, such as spending on intermediate goods and services (e.g., catering, utilities).
- **Induced Impact:** Household spending by employees whose income is supported directly or indirectly by this activity.

The sum of these channels forms the total economic impact, measured using the following metrics:

- **Output (spending):** The value of goods and services produced, aligned with turnover.
- **GDP:** Gross value added, reflecting wages and profits after input costs.
- **Jobs:** Jobs supported (FTEs). For cumulative periods, figures are presented as an average rather than a sum, as jobs are continuous regardless of who fills them.
- **Taxes:** Government revenues from income and profit taxes, social security contributions, and taxes on goods and services.

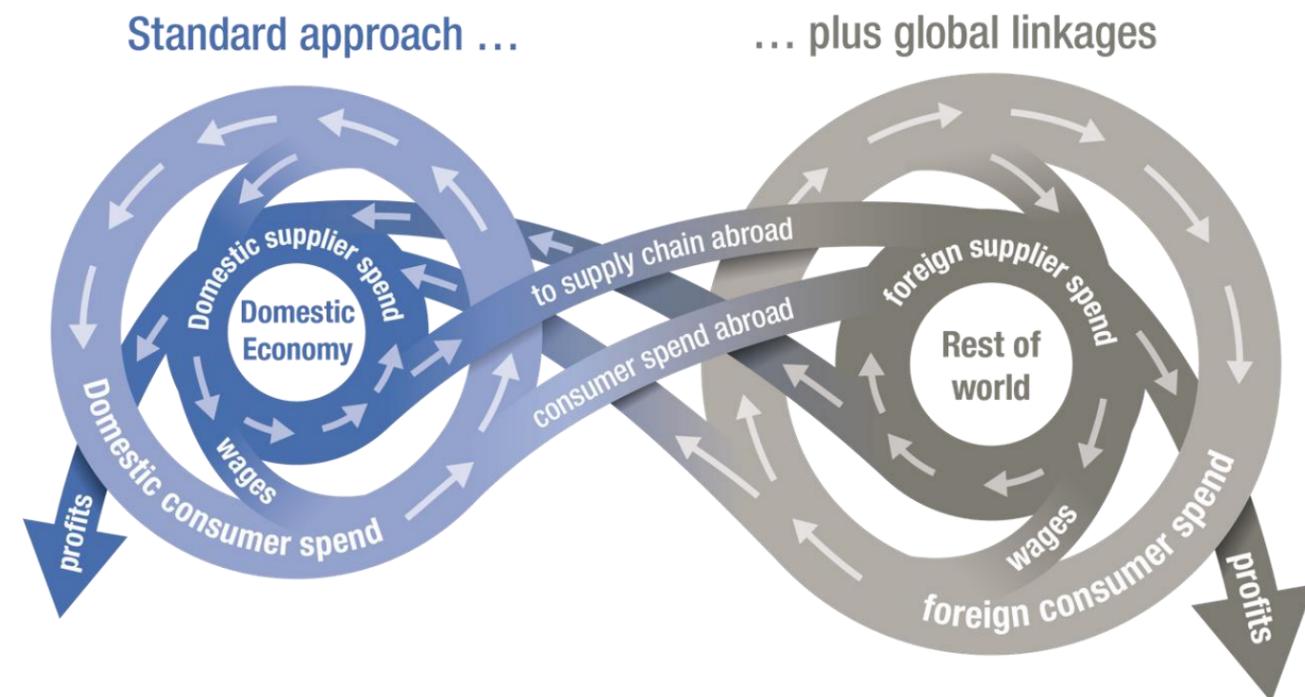
## Economic Impact Framework



## What is the GSM

Oxford Economics' Global Sustainability Model is a bespoke impact model. It is constructed and specified to quantify the full, global footprint of a user-defined set of expenditures or production. The GSM leverages the knowledge and techniques we have developed in mapping economic footprints. These footprints incorporate not only the activities of the entity/sector in question, but also its global supply chain.

Our Global Economic Impact Model (GEIM) includes the global supply chains typically excluded from standard economic impact assessments, enabling comprehensive measurement of economic footprints.



Underlying the GSM is an extended global input-output table. This I-O table maps total global output and value-added between 36 industries across 96 countries (along with a 'rest of world' aggregate). This global I-O is constructed by Oxford Economics, drawn together from a wide variety of sources:

- **Input-output tables:** the OECD's database of I-O tables form the initial basis for the model. We extend this framework, adding input-output tables for each country that is incorporated into the model, and respecifying the 'Rest of World' residual each time. The additional I-O tables are sourced from respective national statistical offices or constructed by Oxford Economics.

- **Global trade flows:** information about how each economy interacts with every other is mapped using UNCTAD's trade structure database, along with an estimated bilateral disaggregation of global services trade, by Oxford Economics;
- **National accounts:** To ensure a common base year for the entire model, we source national accounts information for every country in the Oxford Economics Global Industry databank. This ensures that our model reflects the actual observed size of all industries in the desired base year.
- **Employment:** The GSM incorporates Labour Force Surveys from national statistical agencies or the International Labour Organisation (ILO). This allows us to resolve global employment into the industry sectors included in the model.

Given its global scope, it enables the measurement of economic impact and resource use throughout the world. The base year of the economic data is 2019, but it can be re-calibrated and re-specified for any historic year from 2010 to 2025.

## Overview of input-output modelling approach

IO tables are designed to give a snapshot of an economy at a point in time, showing the major spending flows. These include "final demand" (i.e. consumer spending, government spending and exports to the rest of the world); intermediate spending patterns (i.e. what each sector buys from every other sector—the supply chain); how much of that spending stays within the economy; and the distribution of income between employment income and other income (mainly profits). Input-output tables are therefore particularly useful when estimating indirect and induced economic impacts.

The idea behind the input-output table is that the economy can be divided into a number of producing industries, and that the output of each industry is either used as an input into another industry, or in final consumption. For example, grain produced by the farm sector becomes an input into flour milling; flour produced by the milling sector becomes an input into the baking sector; and so on. In essence an input-output model tracks who buys what from whom in the economy.

## Result tables in detail

### Expected Cumulative Economic Contributions of Abu Dhabi-Based Carriers by Scenarios

2026 – 2030, (USD, 2025 prices), incremental impact of expansion

Metric	Channel	%50 Uplift	100% Uplift
Output	Direct	\$4,473,929,790	\$7,167,946,376
	Indirect	\$3,931,231,878	\$6,296,182,245
	Induced	\$1,060,380,360	\$1,709,654,152
	<b>Total</b>	<b>\$9,465,542,028</b>	<b>\$15,173,782,773</b>
GDP	Direct	\$1,991,065,839	\$3,190,109,053
	Indirect	\$1,947,993,669	\$3,117,651,311
	Induced	\$565,016,002	\$910,977,616
	<b>Total</b>	<b>\$4,504,075,510</b>	<b>\$7,218,737,979</b>
Jobs	Direct	46,798	74,893
	Indirect	48,086	76,856
	Induced	11,430	18,432
	<b>Total</b>	<b>106,314</b>	<b>170,181</b>
Taxes	Direct	\$357,518,847	\$573,654,547
	Indirect	\$294,178,655	\$471,313,981
	Induced	\$80,815,112	\$130,296,426
	<b>Total</b>	<b>\$732,512,614</b>	<b>\$1,175,264,954</b>

### Expected Cumulative Economic Contributions of Abu Dhabi-Based Carriers by Scenarios

2026 – 2030, (INR, 2025 prices), incremental impact of expansion

Metric	Channel	%50 Uplift	100% Uplift
Output	Direct	₹388,695,020,127	₹622,751,181,178
	Indirect	₹341,545,425,587	₹547,012,313,424
	Induced	₹92,125,845,668	₹148,534,752,758
	<b>Total</b>	<b>₹822,366,291,382</b>	<b>₹1,318,298,247,360</b>
GDP	Direct	₹172,983,800,056	₹277,156,674,490
	Indirect	₹169,241,689,969	₹270,861,545,881
	Induced	₹49,088,590,256	₹79,145,735,279
	<b>Total</b>	<b>₹391,314,080,281</b>	<b>₹627,163,955,651</b>
Jobs	Direct	46,798	74,893
	Indirect	48,086	76,856
	Induced	11,430	18,432
	<b>Total</b>	<b>106,314</b>	<b>170,181</b>
Taxes	Direct	₹31,061,237,386	₹49,839,107,036
	Indirect	₹25,558,241,585	₹40,947,758,627
	Induced	₹7,021,216,906	₹11,320,153,509
	<b>Total</b>	<b>₹63,640,695,877</b>	<b>₹102,107,019,171</b>

## Measuring Air Connectivity

To measure global air connectivity, we adapt the approach developed by Arvis and Shepherd (2011), which applies network analysis concepts commonly used in international trade. Unlike simple measures—such as counting flights or seats—this method captures the hub-and-spoke nature of global aviation. It reflects not only direct links between countries, but also the indirect access created through major hubs.

A limitation of the original Arvis and Shepherd index is that it used a single week of data from June, which can overstate connectivity for countries experiencing seasonal peaks. To address this, we use annual data from 2015 to 2019 (i.e., pre-pandemic), reducing the influence of one-off events and seasonal patterns. Incorporating each country's GDP also ensures that economic scale is reflected in expected seat capacity.

We follow a two-step approach.

Step 1: We estimate each country's "connectivity value" as an origin and as a destination using the following econometric model (with subscripts  $i$  and  $j$  representing origin and destination and  $t$  representing time.):

$$\text{Seats}_{i,j,t} = \beta_0 + \beta_1 * \text{GDP}_{i,t} + \beta_2 * \text{GDP}_{j,t} + \beta_3 * \text{Distance}_{i,j} + \varepsilon$$

The coefficients are estimated using the Poisson pseudo-maximum likelihood estimator applied to a multi-country dataset. GDP captures economic demand for travel, distance proxies travel costs, and the error term reflects non-systematic events (e.g., special events temporarily boosting traffic).

Step 2: These estimated values are combined to form an Air Connectivity Index for each country. This accounts for:

- a) the connectivity of all countries it links to, and
- b) the overall increase in global connectivity over time.

Scores are then normalised to allow comparison across years.

Results align with expectations: large economies such as the USA, China, and Germany score highly, but so do major hubs like the UAE and Singapore, reflecting their strategic aviation role.

## Estimating the impact of connectivity on productivity

We apply several panel-data econometric approaches—pooled OLS, fixed effects, random effects, and dynamic GMM—to estimate how changes in connectivity influence productivity. Because connectivity and productivity may influence one another, simpler models suffer from bias.

The system GMM estimator is more appropriate: it corrects for endogeneity, handles the lagged dependent variable, and accommodates country-specific effects.

The method uses lagged values of explanatory variables as instruments and has been widely applied in cross-country growth studies. Diagnostic tests—including Hansen's J test and serial-correlation checks—confirm the validity of our specification. This approach allows us to estimate how improvements in air connectivity contribute to long-run productivity growth.

## Measuring consumer benefits from increased competition

Airlines with strong hub networks increase competition across global markets, lowering fares even for passengers who do not fly with them. To estimate this benefit, we measure competition using the Herfindahl-Hirschman Index (HHI)—the sum of squared market shares across airlines serving a route.

A higher HHI indicates less competition and therefore higher expected fares.

We estimate a fare model of the form:

$$\ln(\text{Fare}_{r,t}) = \alpha + \beta_1 * \ln(\text{Fare}_{r,t-1}) + \beta_2 * \text{HHI}_{r,t} + X\gamma$$

where  $X$  includes tourism flows, population, GDP per capita, distance, and the number of stops.

Using system GMM, we find that a 0.1 increase in HHI raises fares by about 9%, consistent with competition theory.

To estimate consumer surplus, we measure how fares would change if a hub airline did not operate on a route, apply the estimated elasticity, and multiply the resulting fare change by total passenger volumes. Demand elasticities, sourced from IATA, are then used to estimate how many additional journeys occur due to lower fares.

## About the Research Team

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Oxford Economics is an adviser to corporate, financial and government decision-makers and thought leaders. Our worldwide client base comprises over 2,000 international organizations, including leading multinational companies and financial institutions; key government bodies and trade associations; and top universities, consultancies, and think tanks.

This study was conducted by the Tourism Economics group within Oxford Economics. Tourism Economics combines an understanding of traveler dynamics with rigorous economics in order to answer the most important questions facing destinations, investors, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, forecasting models, policy analysis, and economic impact studies.

Oxford Economics employs 600 full-time staff, including 300 professional economists and analysts. Headquartered in Oxford, England, with regional centers in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington DC.

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The modelling and results presented here are based on information provided by third parties, upon which Tourism Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.



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