

# COVID-19

## Outlook for air transport and the airline industry

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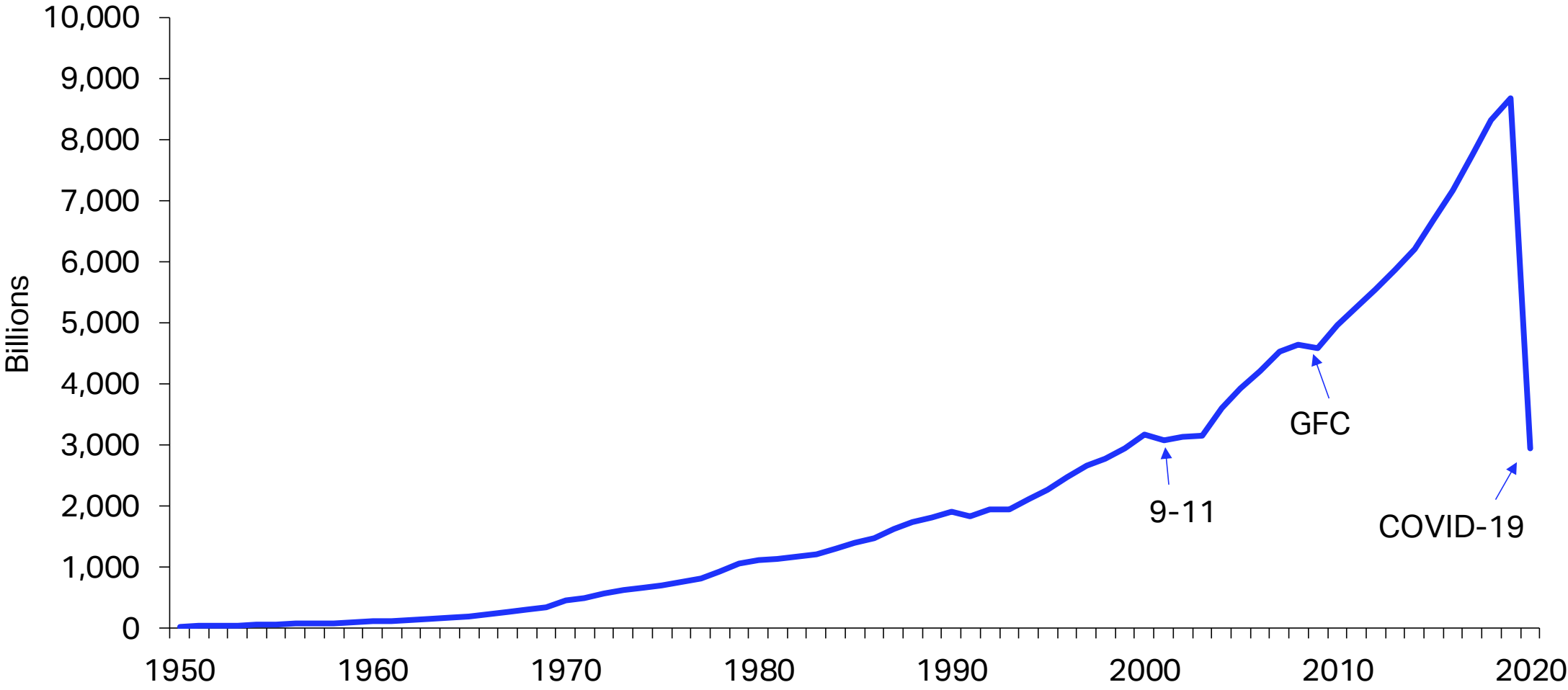
24<sup>th</sup> November 2020



# COVID-19 is the biggest shock to hit aviation since WW2

Global RPKs estimated to have shrunk an average of 66% in 2020

Worldwide passengers kilometers flown (RPKs) annually

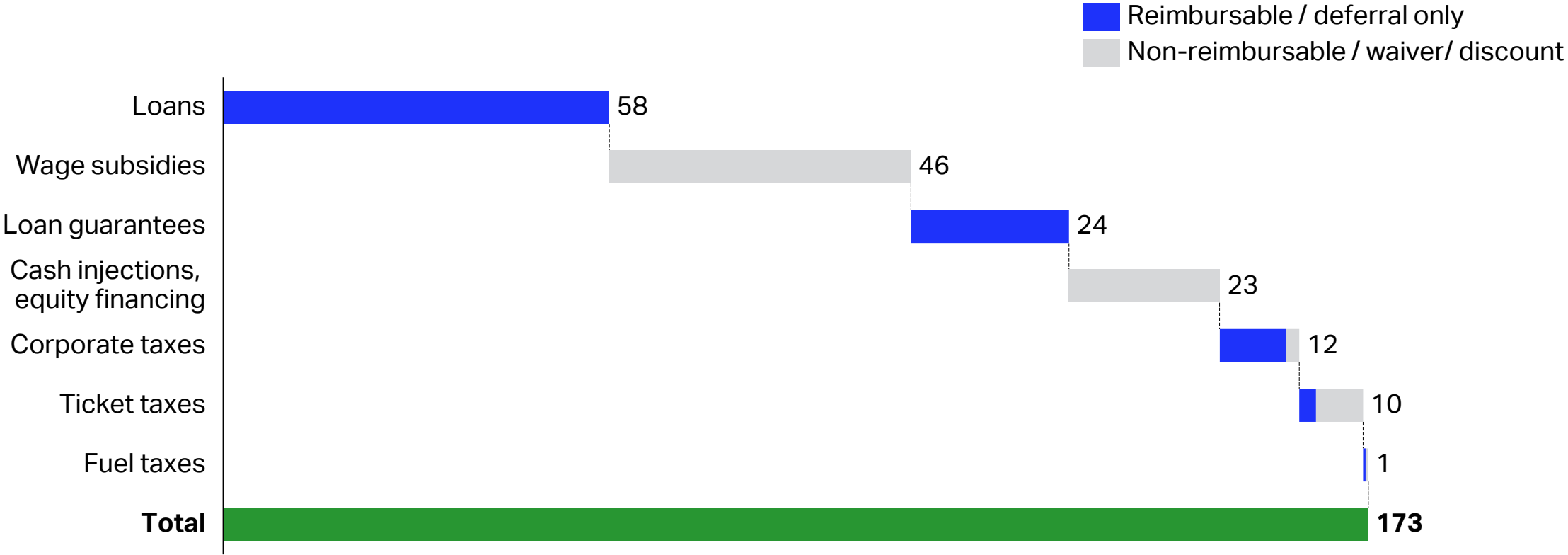


Source: IATA Economics using data from IATA Statistics and Refinitiv Datastream

# Government aid has kept airlines on life support

## USD173 Bn of aid from governments worldwide so far

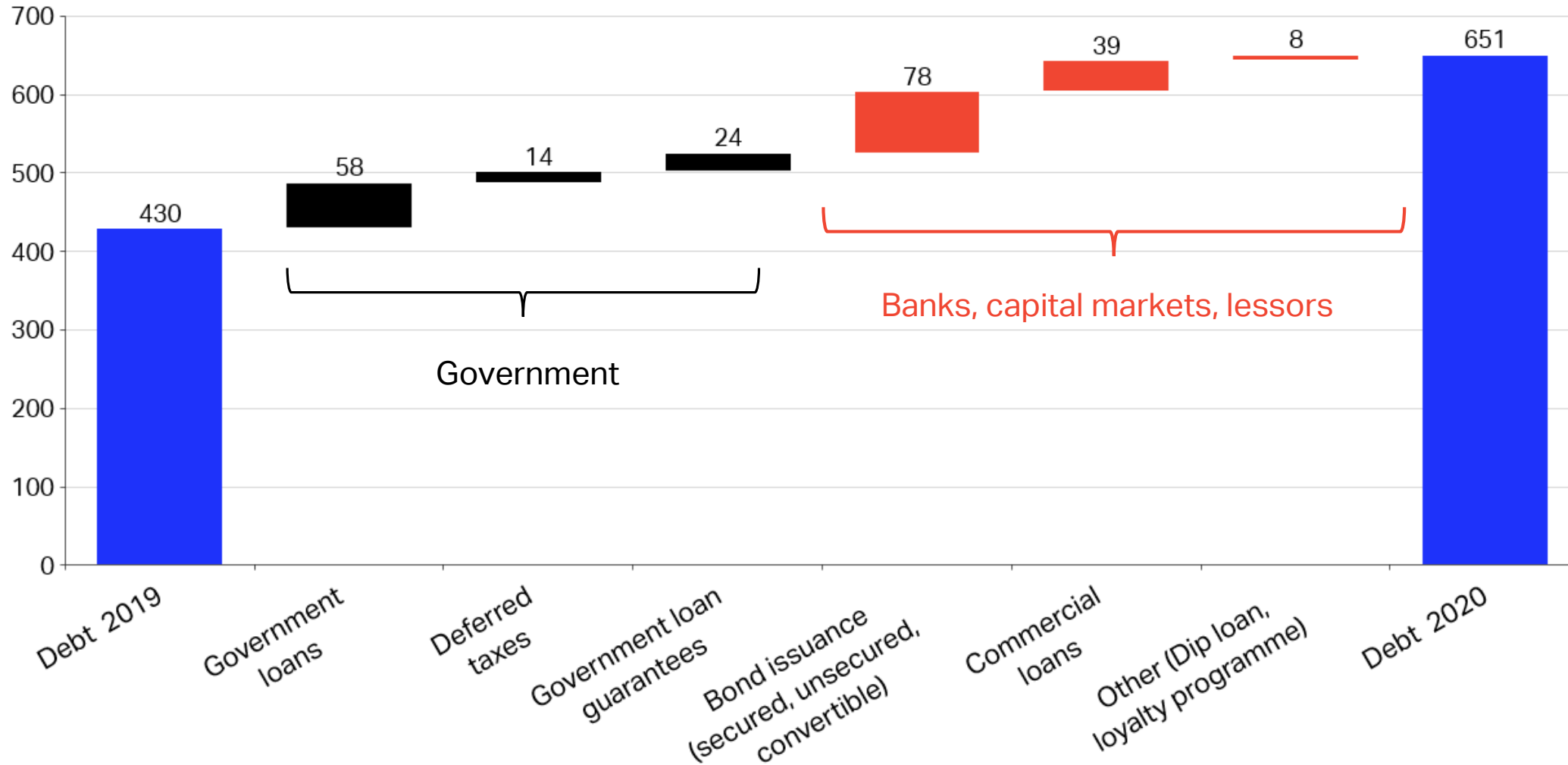
Government aid made available to airlines due to COVID-19, by type (USD bn)



Source: IATA Economics analysis using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Includes relief measures up to 13 Nov 2020.

# Airlines have also raised cash from capital markets

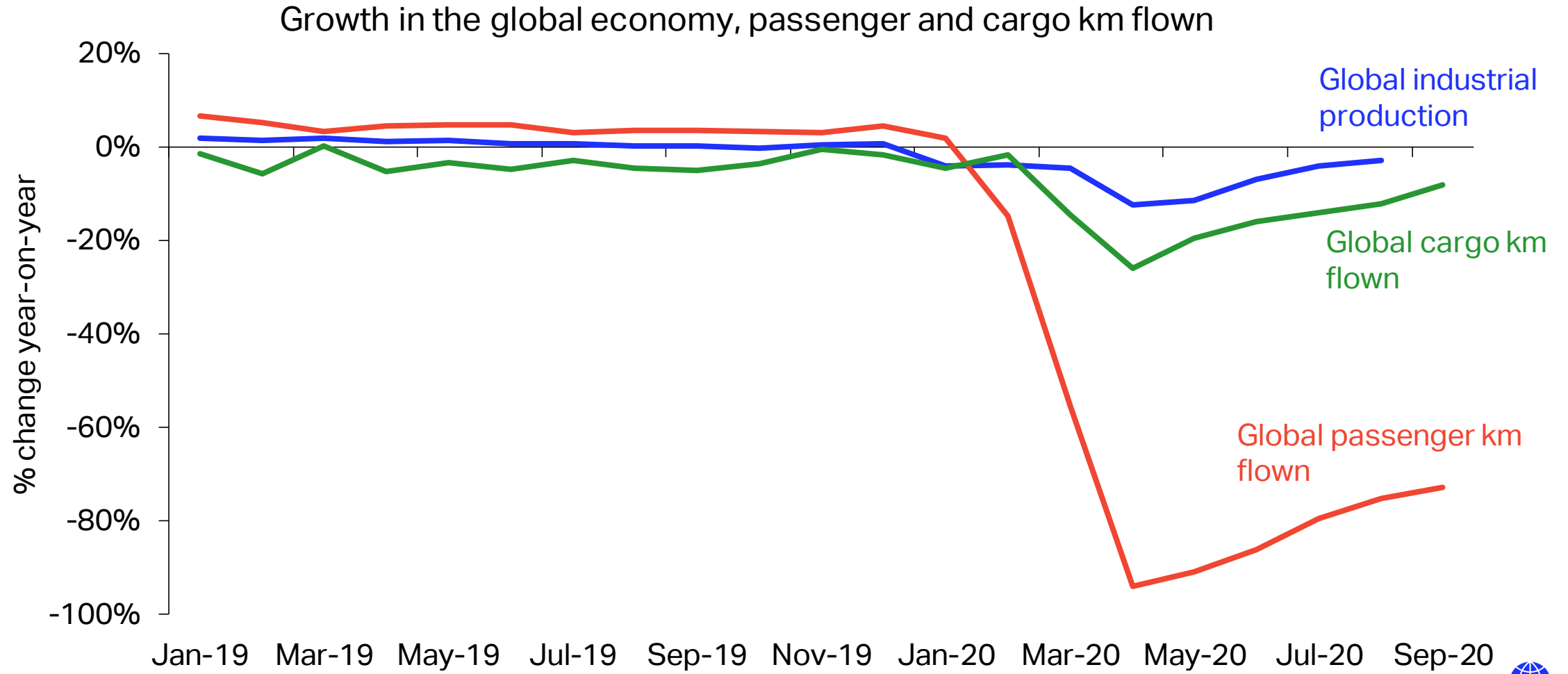
## Government aid + capital markets added more than USD220bn to debt



Source: IATA Economics using data from own estimates of Government aid, private debt estimates from Airfinance Journal, November 2020. Debt includes adjustment for operating leases.

# Air travel recovery stalling but global economy stronger

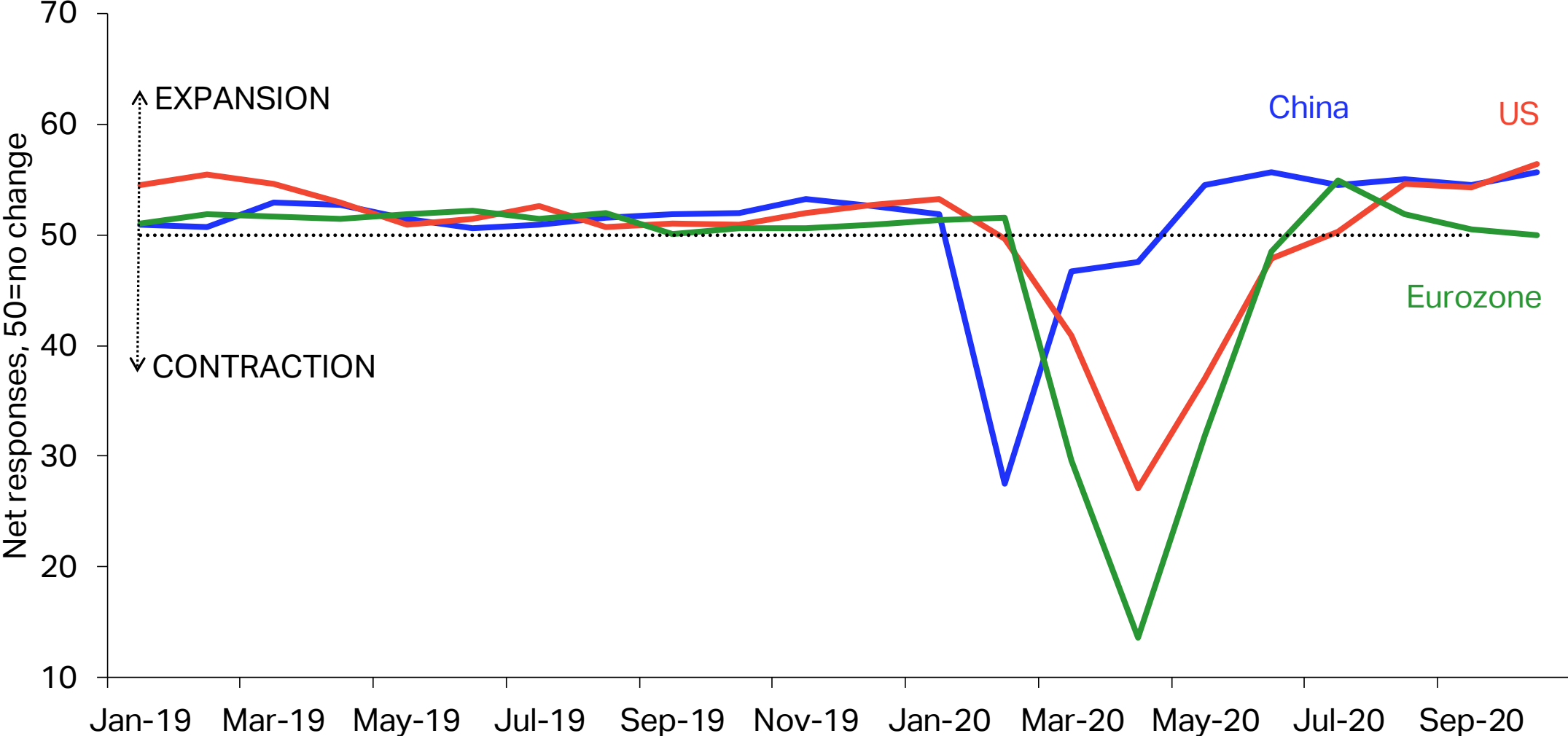
## Recovering global economy boosting air cargo but not air travel



# When lock-downs end business confidence rebounds

## Wider economy revival encouraging for air cargo but not helping travel

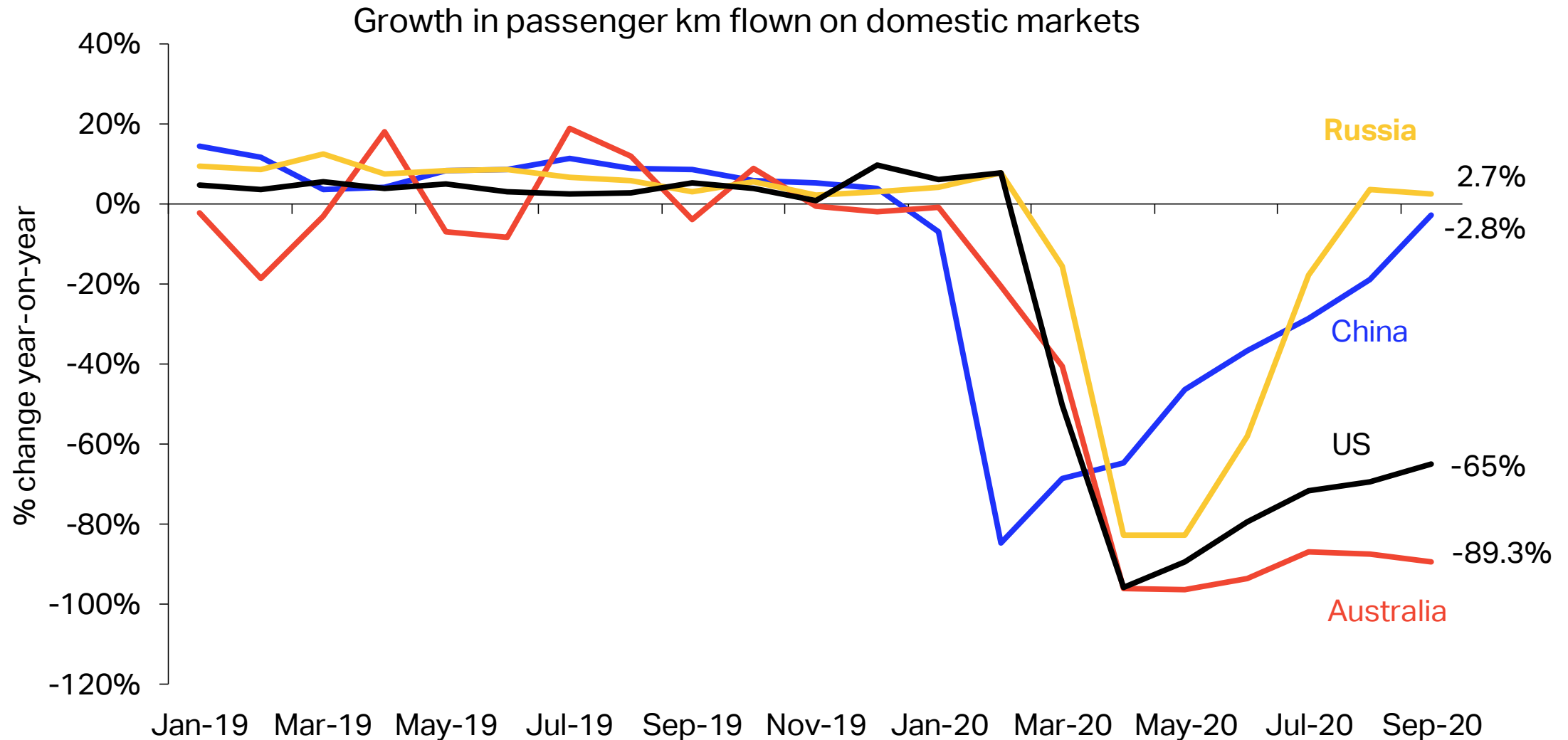
Business confidence in manufacturing and services (PMI)



Source: IATA Economics using data from Markit

# Domestic air travel reviving but not in all markets

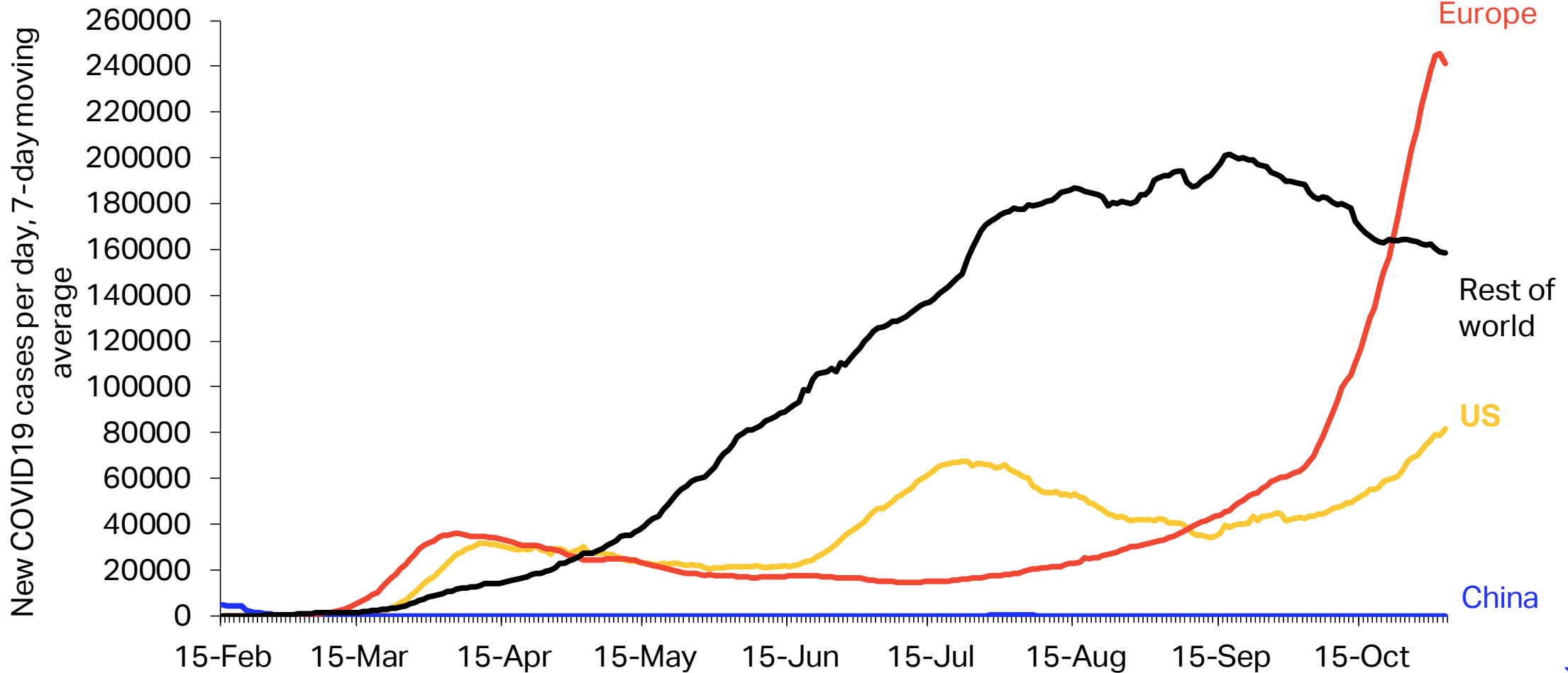
China and Russia fully recovered, but limited progress in US & Australia



# 2<sup>nd</sup> waves hitting air travel in many developed markets

## Large rise in COVID cases in Europe leading to renewed lock-downs

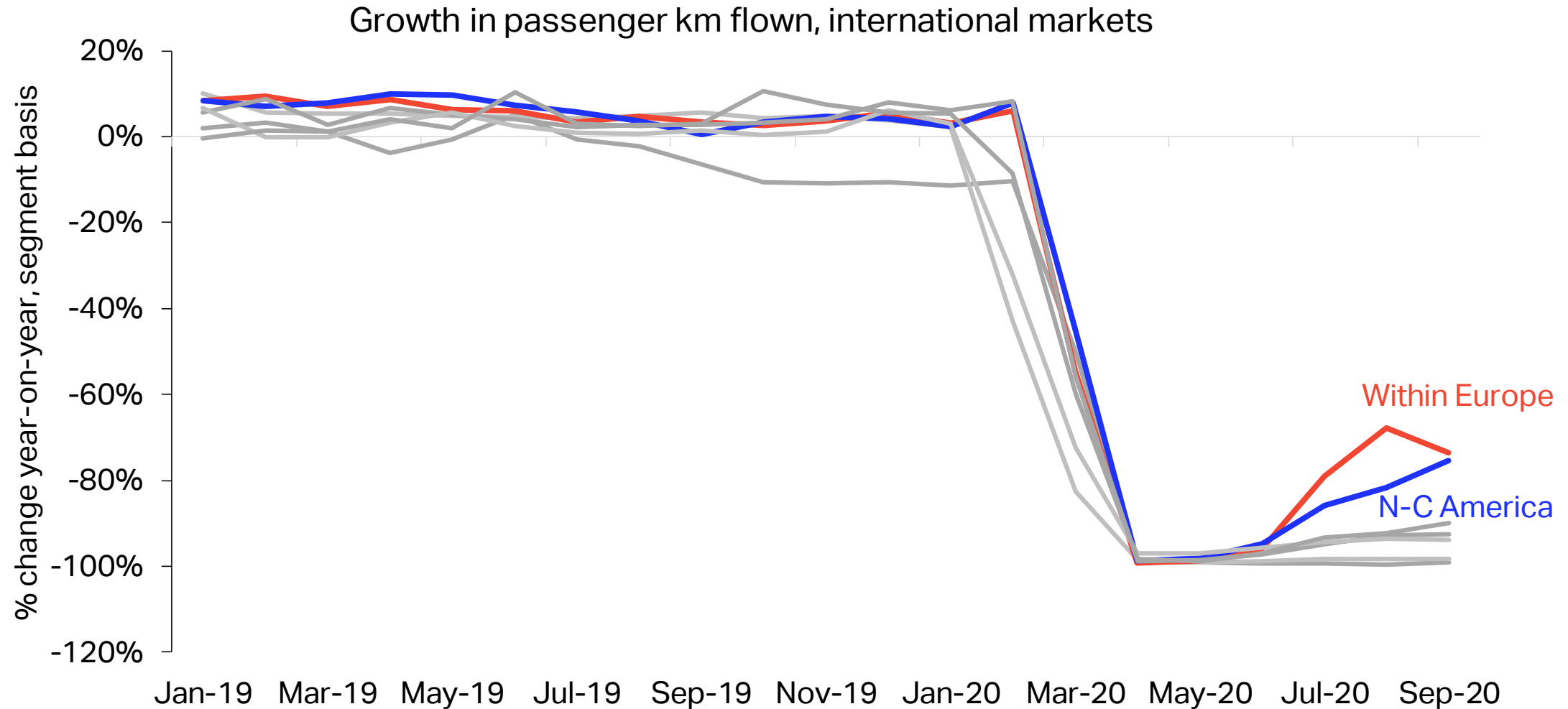
New COVID19 cases per day, 7-day moving average





# 2<sup>nd</sup> wave caused reverse in Europe international revival

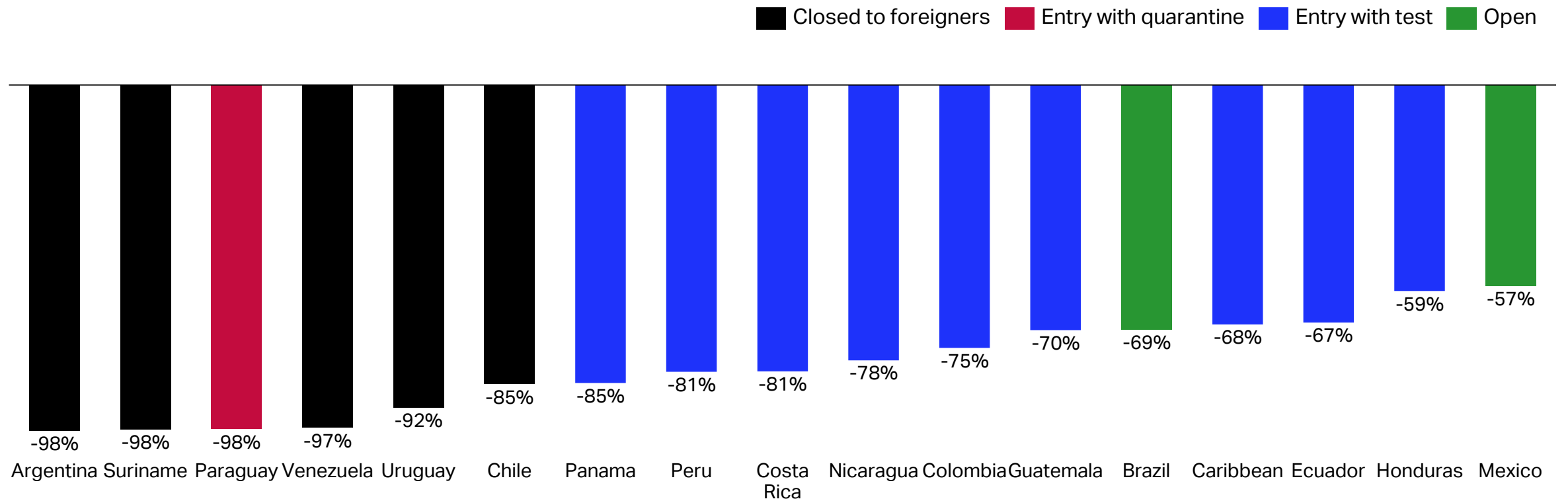
## Central-N America market rising but <10% of within-Europe market



# Latin America shows entry with testing can boost travel

## October booking significantly higher if testing rather than quarantine

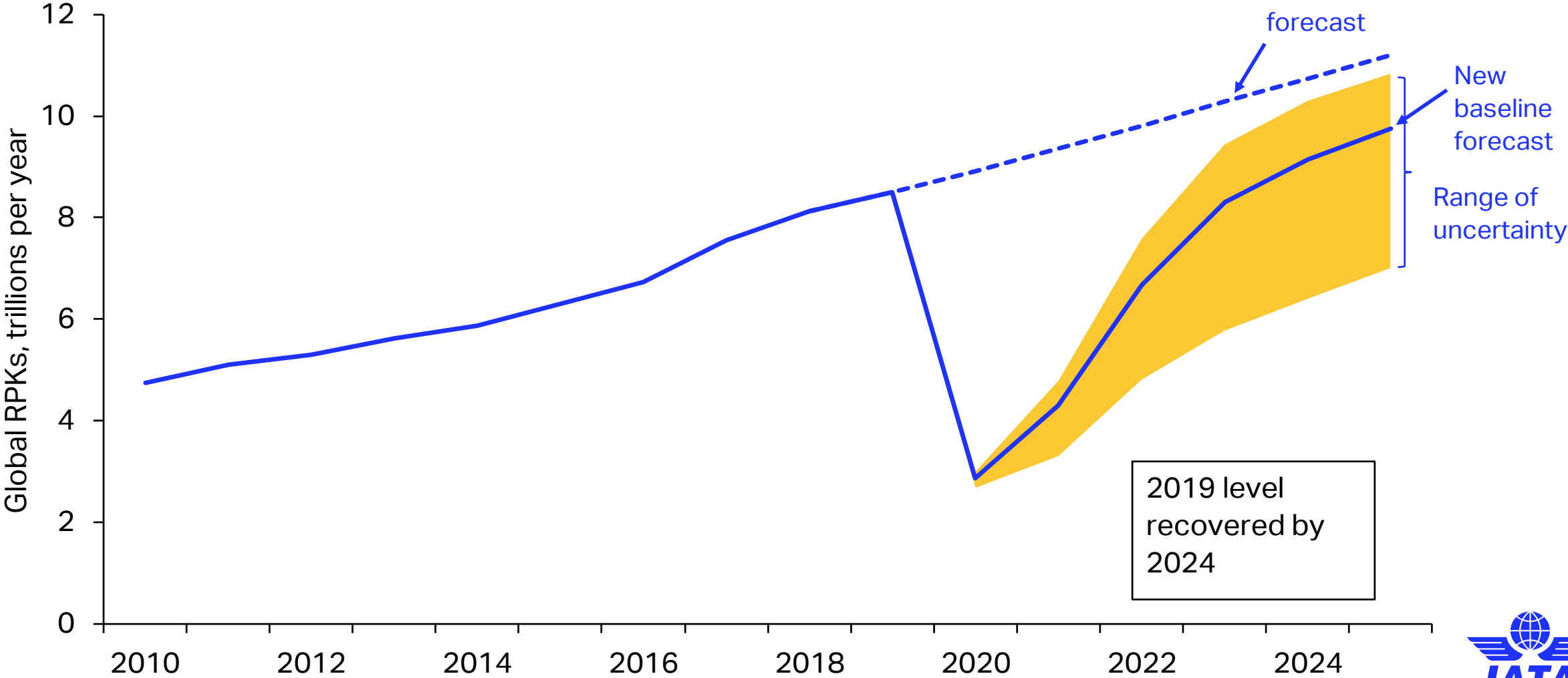
% change year-on-year in net bookings, 1-15 Oct 2020 vs. 2019



# Vaccine news positive but recovery will still take time

## Issues with vaccine implementation and the impact of economic damage

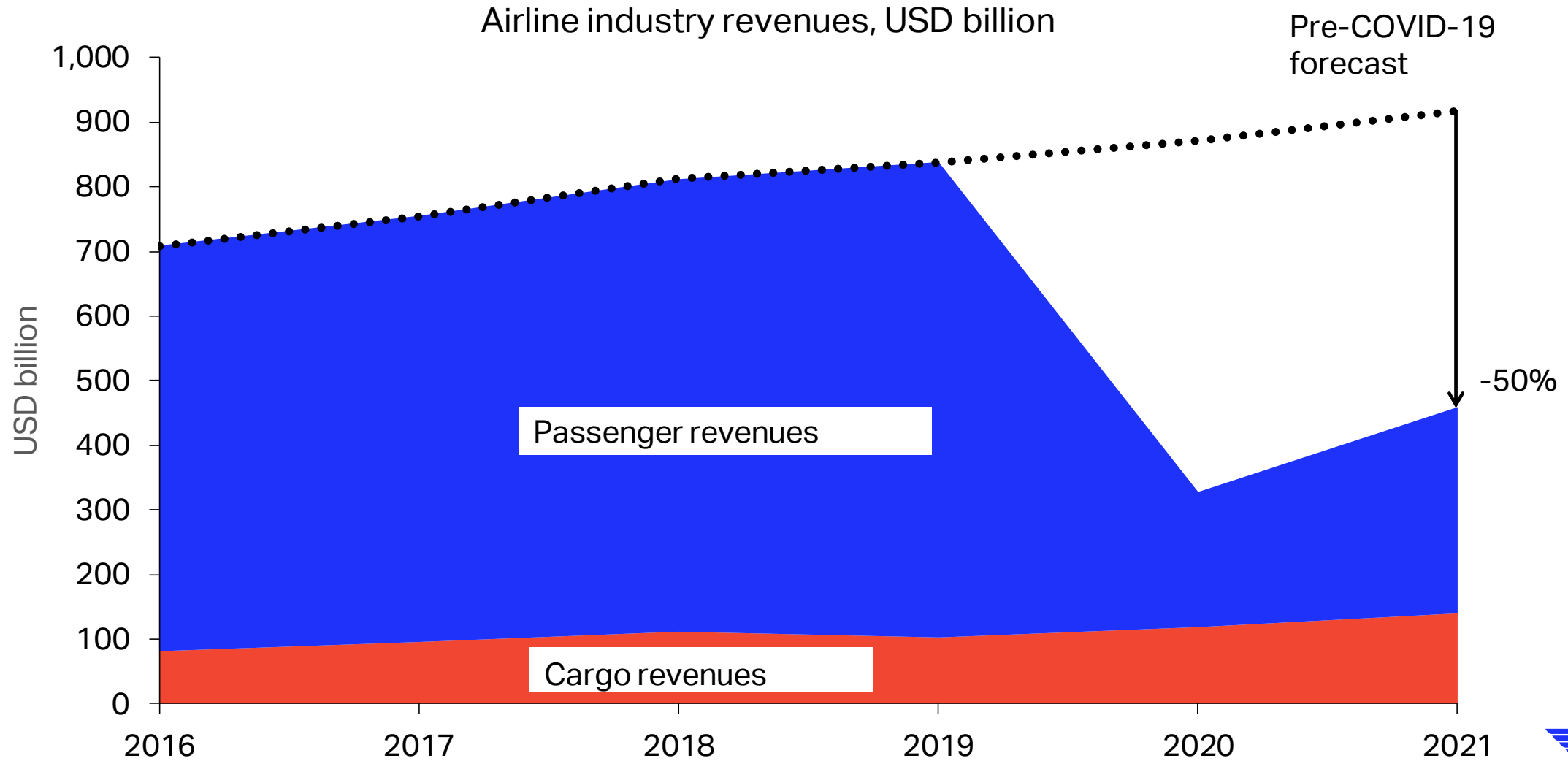
Global RPKs departures, trillions per year



Source: IATA/Tourism Economics 'Air Passenger Forecasts' October 2020

# Costs need to be downsized to match lower revenues

Revenues in 2021 are estimated to be ~50% of pre-crisis expectations

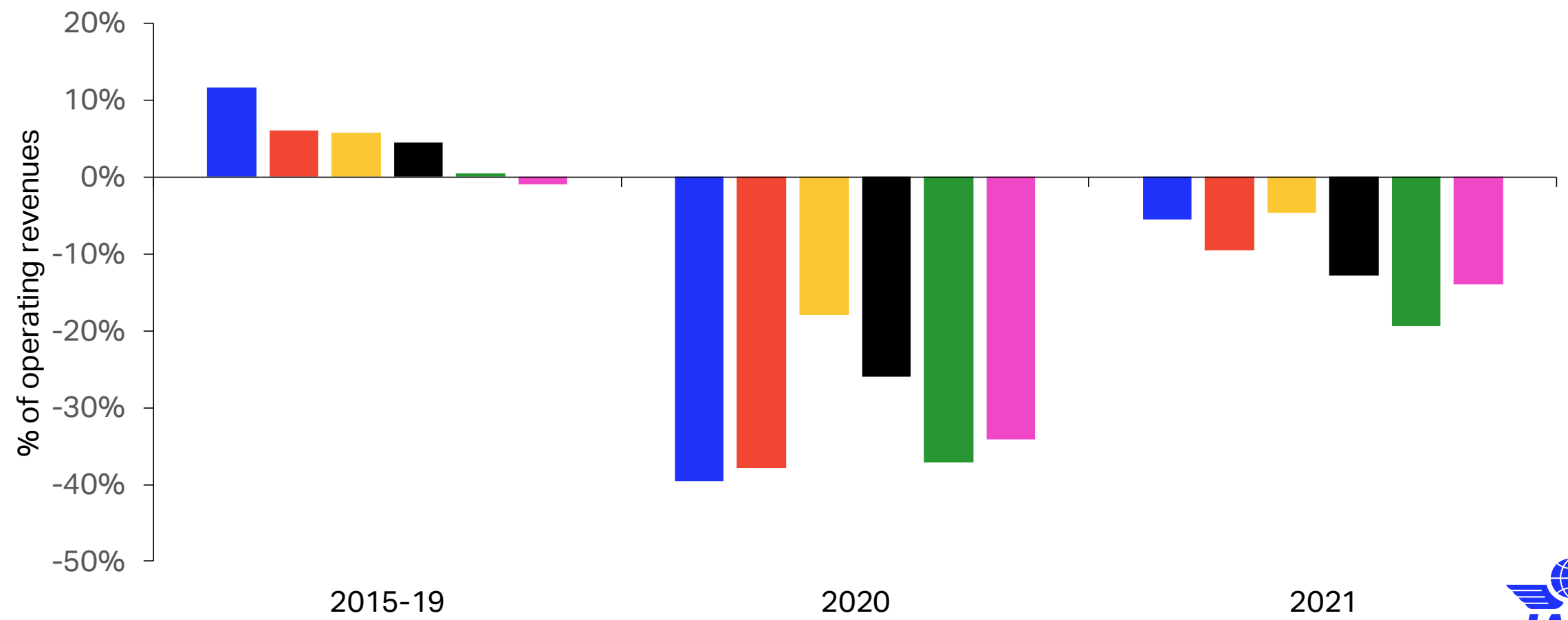


# Asia-Pacific turns around 1<sup>st</sup> then developed markets

## China's airlines turn cash +ve now, vaccine distribution uneven at first

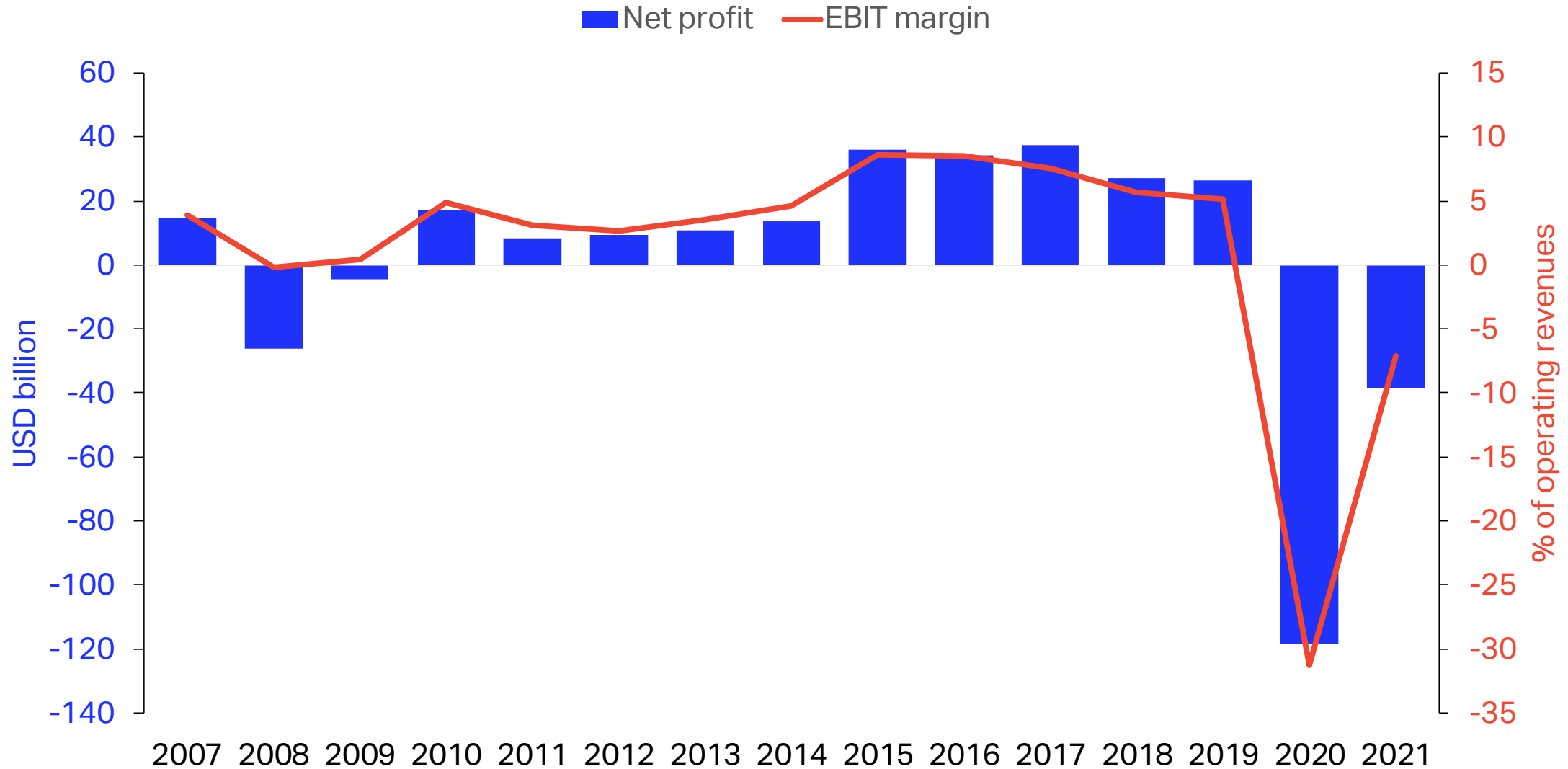
EBIT margins, region of airline registration

■ N America ■ Europe ■ Asia Pacific ■ L America ■ Africa ■ Middle East



# Losses forecast to be reduced to USD38bn in 2021

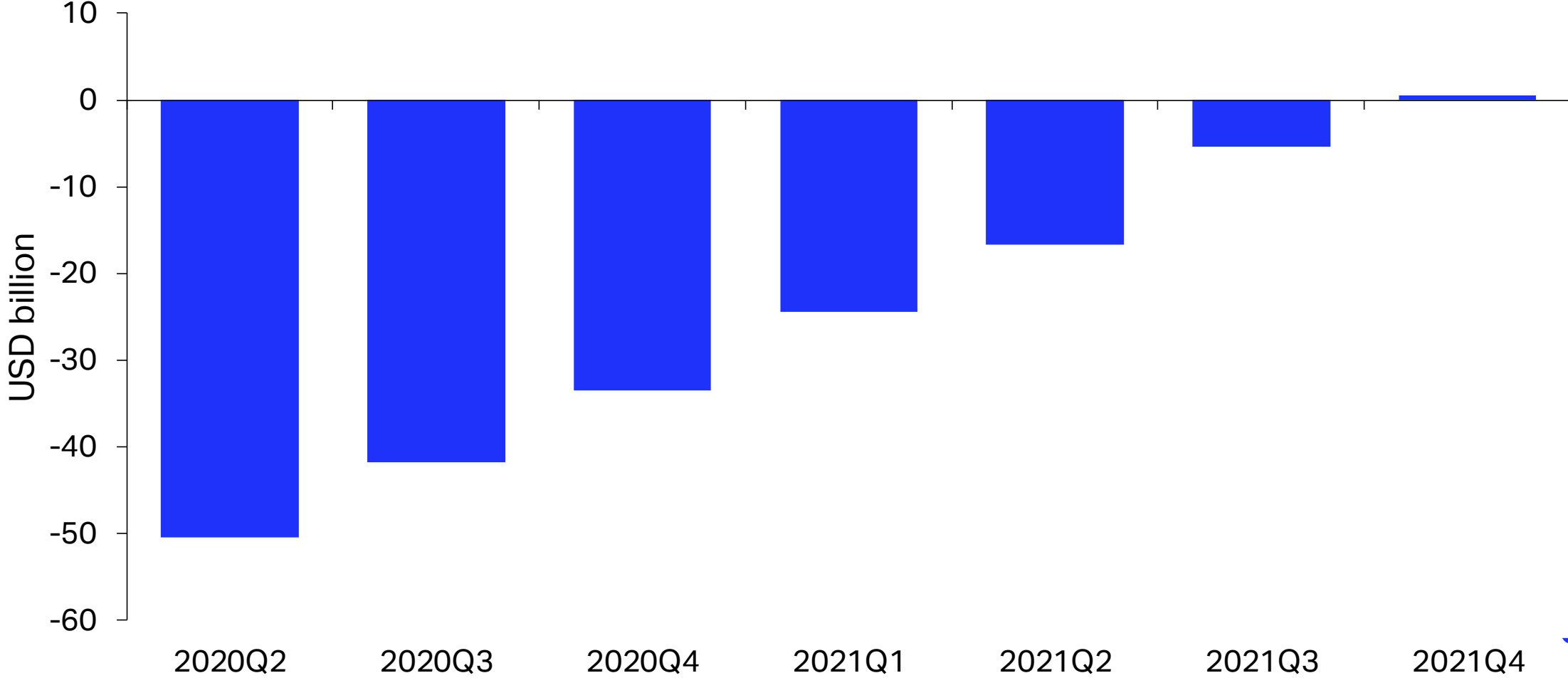
That's after an estimated USD118bn in 2020 but still exceeds GFC loss



# Airline industry may turn cash positive in late 2021

## Vaccine boost to revenues likely in H2 2021 but challenging first half

Airline industry quarterly cash burn forecast



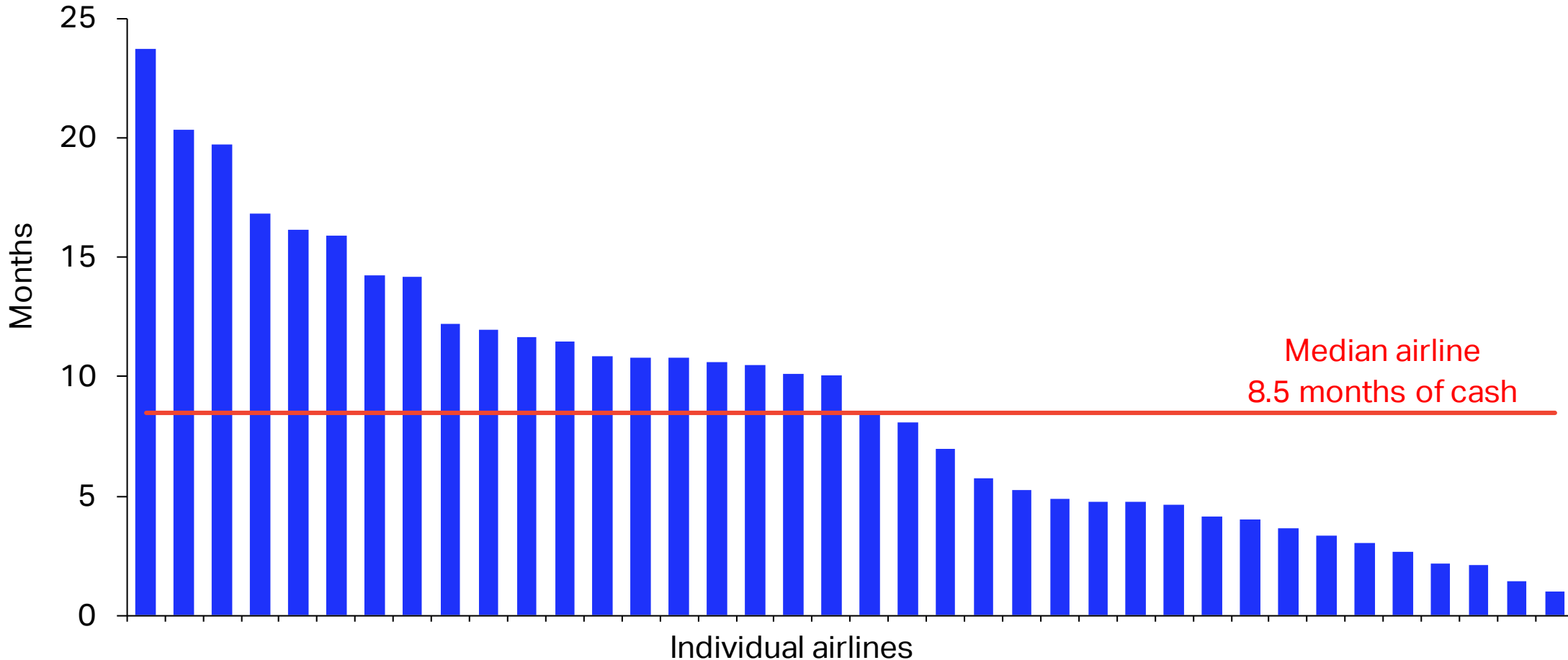
Source: IATA Economics



# Some airlines may run out of cash before vaccine boost

## Median airline's cash lasts 8.5 months (end Q1) at 2020H2 cash burn

2020 end June cash+cash equivalents/2020 H2 monthly cash burn



Median airline  
8.5 months of cash





# Contacts

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