

IATA Media Update on COVID-19

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For questions:

You can use the chat feature, and the presenters will get to as many as possible.

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24 February 2021



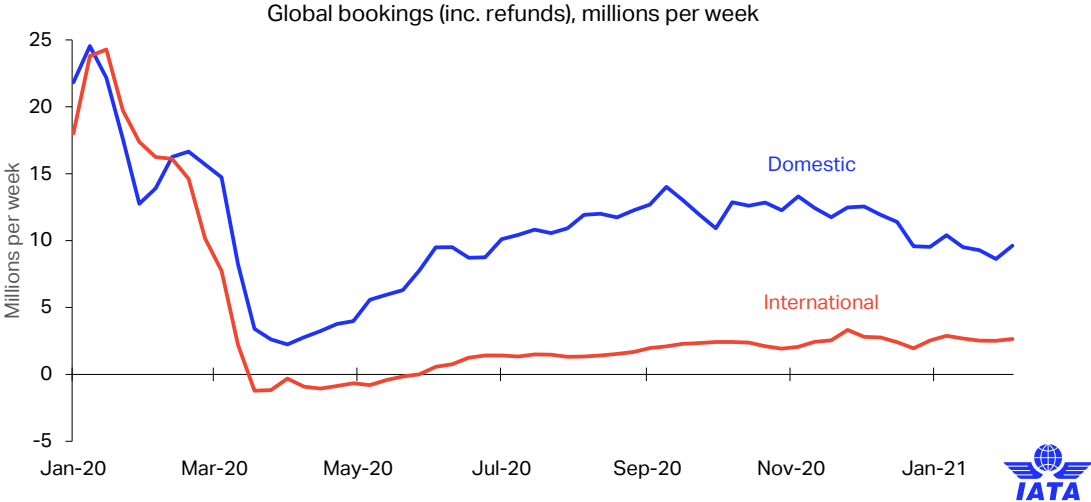
COVID-19

Airline industry cash burn now expected to continue through 2021

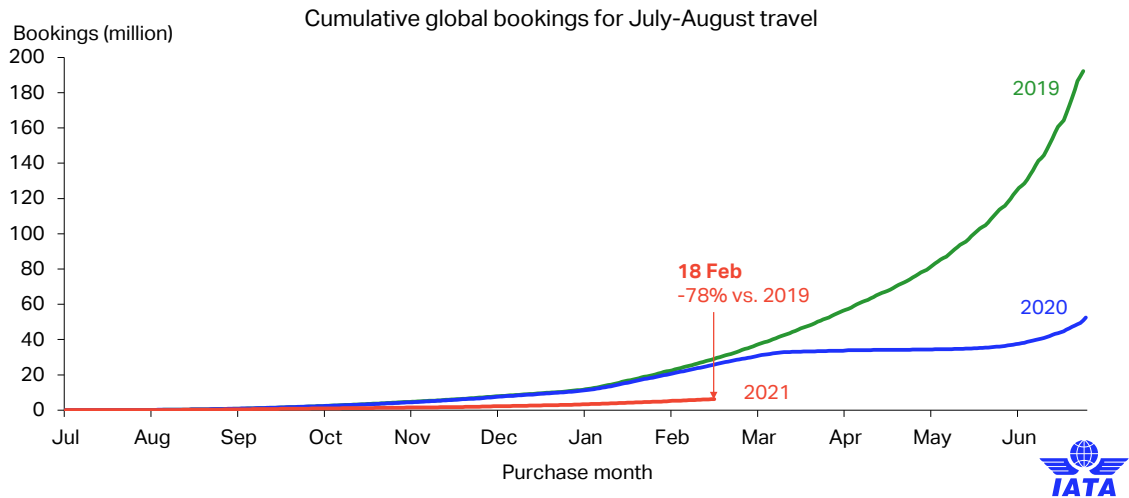
24th February 2021



Bookings indicate a weak H1, before any vaccine boost Bookings for future travel declining after mid-year rise in domestic travel

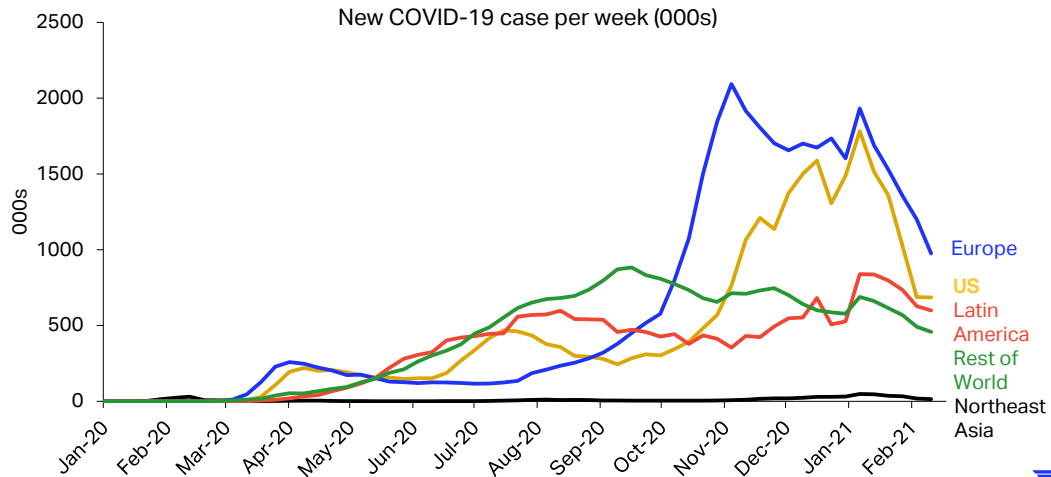


Bookings for critical summer period remain weak Pre-crisis only 7% summer travel booked by now, but still a concern



Source: IATA Economics using data from DDS

New COVID-19 cases remain high in most regions New variants have meant virus control much harder than expected



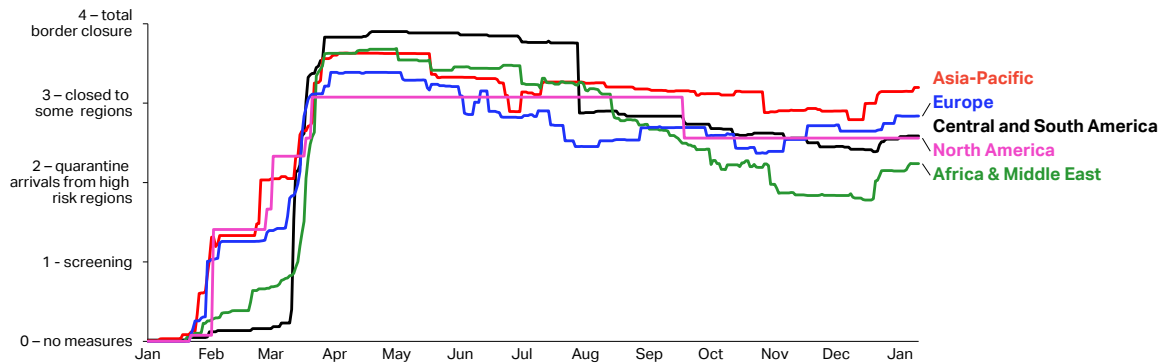
Source: IATA Economics using data from European Centre for Disease Control



Causing renewed travel restrictions in all regions

Asia remains most stringent but travel barriers rising in all regions

International travel stringency index weighted by population (Jan 2020-Jan 2021)

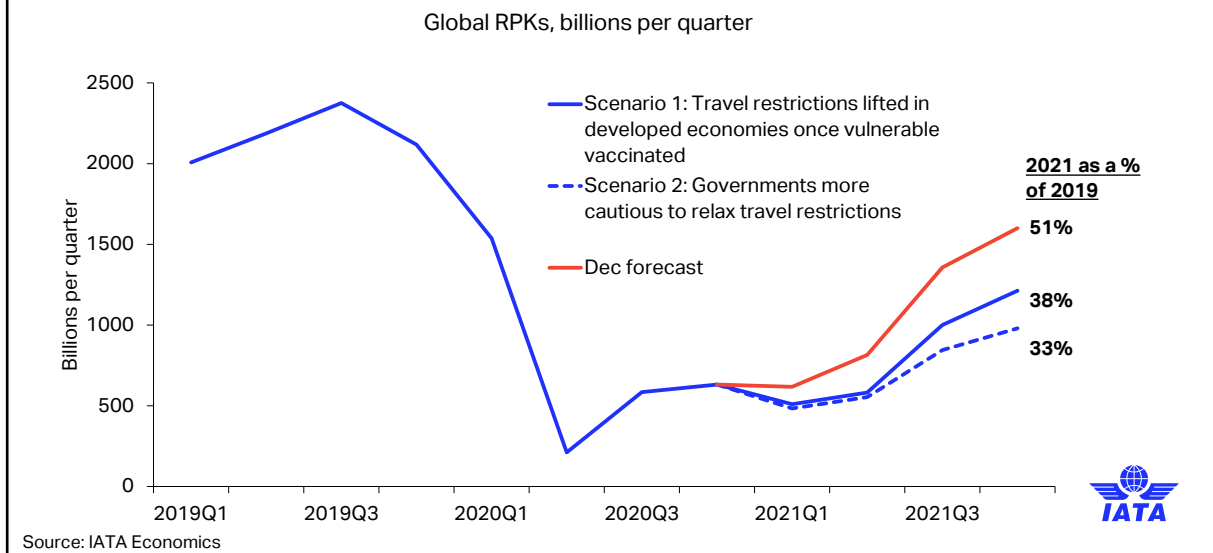


Source: IATA Economics using data from Oxford University



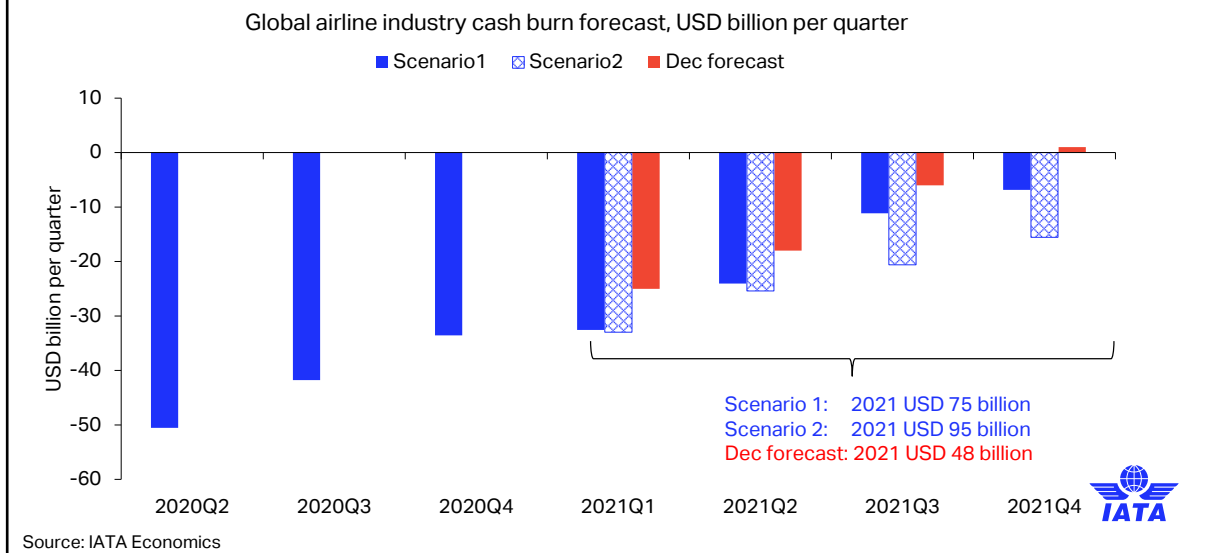
2021 H1 will be weaker than expected in December

There is also a risk to H2 from policy response to new virus variants



- We know from the experience of January, and bookings data for Feb/Mar, that Q1 and probably Q2 will show lower RPKs than we had forecast in December – when we had expected a flat but not worse outcome than Q4.
- More important is that the expected H2 recovery, due to widespread vaccination and lowering of travel restrictions in the developed economies, is at risk as a result of the new COVID-19 variants and the uncertain impact that will have on populations reaching herd immunity and on how quickly governments will lower international travel restrictions.
- We have constructed 2 scenarios:
- Scenario 1 is based on a fast rebound in travel, similar to the slope of the December forecast, based on developed economies lowering travel restrictions after the vaccine rollout has covered the healthcare and vulnerable population and is moving towards herd immunity. Because of the weaker start in H1 the level of RPKs in Q4 is 57% of 2019Q4 (compared to the 76% we expected in our December forecast).
- Scenario 2 is based on a more limited number of international markets opening up for inbound travel without a quarantine requirement, due to more risk averse government border policies. In this case RPKs may only get to 46% of 2019Q4 levels by the end of this year.

Airlines' cash burn worse than forecast in December Delay in travel recovery implies 2021 cash burn of USD 75-95 billion



- The slower recovery of international passenger revenues will clearly have an adverse impact on the industry's cash burn profile through 2021.
- Our December forecast expected a difficult H1, before vaccination allowed a rebound in revenues, but anticipated an end to cash burn at the industry level in Q4. That now looks unlikely.
- Under scenario 1, where we see a strong rise in travel from the Northern summer months but after a much weaker H1, we estimate cash burn for 2021 as a whole would total USD 75 billion.
- Under scenario 2, where governments are slower to relax travel restrictions, cash burn although improving through the year could total USD 95 billion.

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