COVID-19

Airline industry outlook

Ezgi Gulbas
Senior Economist

4th October 2021
COVID-19 is the biggest and longest shock to hit aviation. Previous shocks cut 5-20% from RPKs and recovered after 6-18 months.

Source: IATA Economics using data from IATA Monthly Statistics. Data is adjusted for seasonality.
Financial aid has kept airline industry on life support
Airlines received $243bn of financial aid worldwide so far

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

- Wage Subsidies: 81
- Loans: 73
- Direct aid (cash injections, equity financing): 38
- Loan guarantees: 26
- Ticket taxes: 13
- Corporate taxes: 12
- Fuel taxes: 1
- Blocked funds: 0
- Total: 243

Source: IATA Economics
Economic recovery boost air cargo and domestic travel

Int. RPKs -68.8%, domestic RPKs -32.2%, CTKs +7.7% (Aug 21 vs Aug 19)

Source: IATA Economics using data from IATA Monthly Statistics. Data is adjusted for seasonality.
Travel restrictions limit the international travel recovery

There has been a modest easing of travel restrictions

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

Source: IATA Economics analysis based on Oxford University data
Progress in vaccination would allow ease of restrictions
Widespread vaccination has been achieved in major developed markets

Airfinity's vaccination rollout forecast

- Red: High risk population vaccinated
- Green: 50% population vaccinated
- Yellow: Healthcare & High risk population vaccinated
- Blue: 75% adult population vaccinated

- Vietnam
- Nigeria
- Egypt
- Thailand
- Brazil
- Australia
- Japan
- European Union
- Canada
- UK
- UAE
- US

Source: IATA Economics using forecasts from Airfinity Science Tracker
There is a substantial pent-up demand for travel US-Europe reopening followed by surge in bookings

Bookings US-Europe, 7-day MA in % change vs 2019

- Bookings made in the US
- Bookings made in Europe

20th September:
Travel ban will be lifted in November

Purchase date

Source: IATA Economics using data from DDS
Recovery in international travel will be uneven in 2022. Intra-Europe and Europe-Nth America travel will outpace Asia.

Main International Routes (RPKs % of 2019 levels)

- **Within Europe**: 30% (2020), 38% (2021), 75% (2022)
- **Europe-North America**: 18% (2020), 23% (2021), 65% (2022)
- **Asia-Middle East**: 28% (2020), 25% (2021), 41% (2022)
- **Asia-Europe**: 22% (2020), 12% (2021), 23% (2022)
- **Asia-North America**: 22% (2020), 15% (2021), 25% (2022)
- **Asia-Australasia**: 22% (2020), 15% (2021), 17% (2022)
- **Within Asia**: 2% (2020), 3% (2021), 11% (2022)

Source: IATA Economics Airline Industry Financial Forecast update, October 2021
Domestic travel demand will continue to be strong. Domestic RPKs will be 93%, international 44% of pre-crisis levels in 2022.
Air cargo strong across the board with high demand
But capacity and supply chain issues limit further gains

Source: IATA Economics Airline Industry Financial Forecast update, October 2021
Strong trade growth will sustain robust air cargo traffic. Air cargo demand is expected to rise 13% above 2019 levels.

Source: IATA Economics Airline Industry Financial Forecast update, October 2021
Load factors will improve but still below break-even level.
Passenger load factors is expected to recover to 75% in 2022.

Source: IATA Economics using data from IATA Monthly Statistics.
Revenue recovery will continue in 2022 - to 79% of 2019

Strong cargo revenues will be insufficient to offset loss in pax revenues

Source: IATA Economics Airline Industry Financial Forecast update, October 2021
Fuel cost will rise with the higher traffic and fuel prices.

Jet fuel price is expected to be $77.8/bbl in 2022 vs $74.5/bbl in 2021.

Source: IATA Economics, Refinitiv Eikon data.
Unit costs will continue to surpass passenger yields. Passenger yields are expected to rise both in 2021 and 2022.

Source: IATA Economics
Return to profitability will be delayed another year…
With gradual traffic recovery, 2022 another year of loss

Source: IATA Economics Airline Industry Financial Forecast update, October 2021
N American airlines improving fast, other regions lag
Operating margins will be negative in most of the regions

Source: IATA Economics Airline Industry Financial Forecast update, October 2021
Contacts

economics@iata.org
www.iata.org/economics