

COVID-19

Air travel update: Optimism with caution

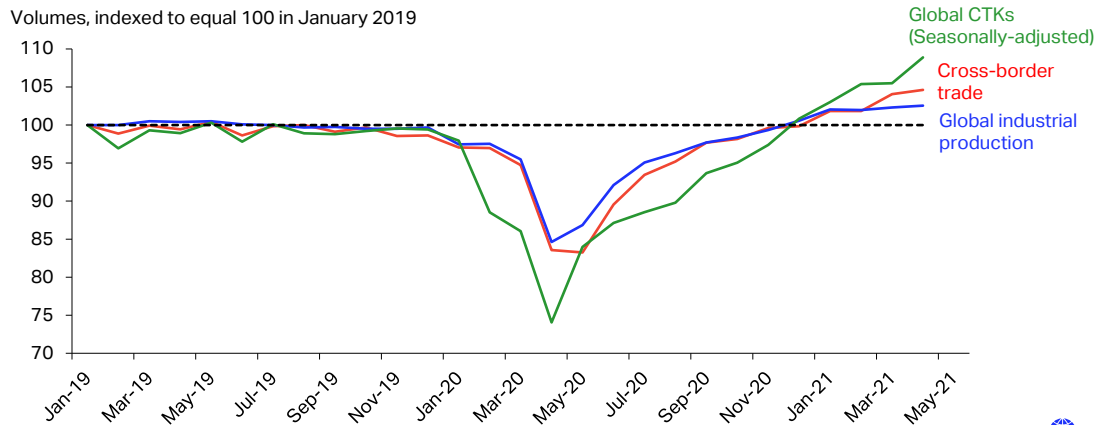
Ezgi Gulbas

Senior Economist

7th July 2021



Strong global economic rebound favorable for air cargo Cargo tonne km (CTKs) flown are 9.4% above pre-crisis level (May19)



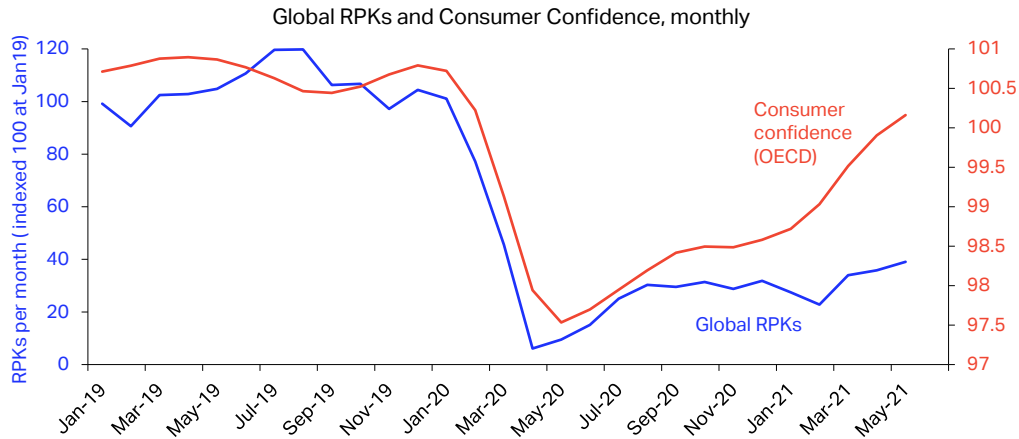
Source: IATA Economics using data from Netherlands CPB



- V-shaped economic recovery is reflected in the performance of air cargo.
- Cargo tonne volumes trend above pre-crisis levels. This strength is expected to continue since underlying economic fundamentals are favorable for air cargo.

Global air travel (RPKs) sustains recovery in May

-62.7% in May21 (vs May19), but lagging the rise in consumer confidence

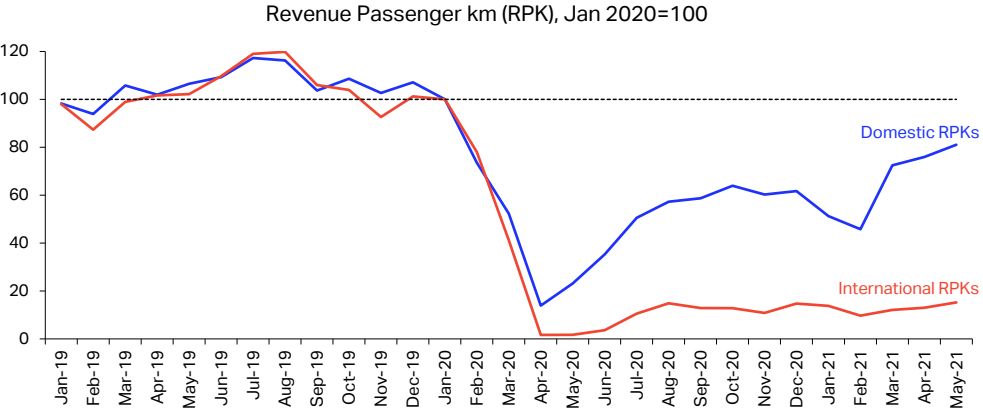


Source: IATA Economics using data from IATA Statistics and Refinitiv Eikon Datastream



- Global air travel measured by passenger kilometers flown has been recovering since March, but it is very slow and global RPKs are still 62.7% down compared to the pre-crisis level in May 2019.
- Restoring consumer confidence is a key for the recovery in air travel demand.
- Consumer confidence rebounded but travel demand diverges due to the strict travel restrictions.

Domestic recovery strong, but international is still weak
 Int'l RPKs -85.1%, while domestic RPKs -23.9% (May21 vs May19)

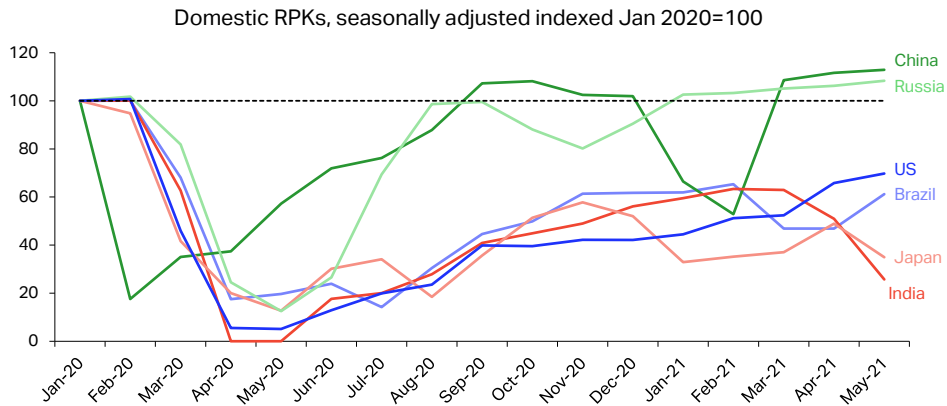


Source: IATA Economics using data from IATA Statistics



- The recovery in domestic and international markets diverge.
- Domestic side is strong, international improved slightly in May but still depressed at 85.1% lower than pre-pandemic levels.

Domestic recovery varies dependent on virus control China and Russia domestic rose above pre-crisis levels, US on track



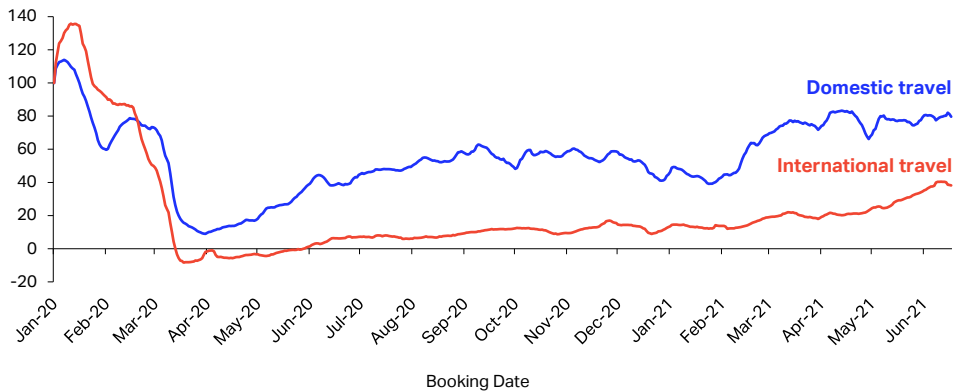
Source: IATA Economics using data from IATA Monthly Statistics



- There are also disparities between domestic markets. China and Russia recovered above pre-crisis levels.

International bookings jumped ahead of holiday season Int'l bookings rose from very low base with significant forward uncertainty

Bookings all future travel dates , 7 days moving average
Indexed at Jan, 20=100



Source: IATA Economics using data from DDS

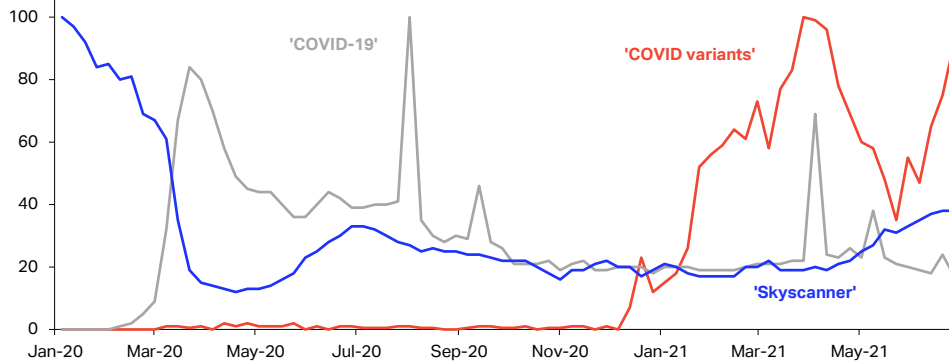


- Domestic air travel bookings remain strong in June. On the international side there is a rebound from very low base since mid-April.

Covid-19 variants are new source of uncertainty Not only searches for flight bookings are rising but also 'Covid variants'

Google searches worldwide for 'COVID-19', 'COVID variants' and 'Skyscanner'

Index, 100 = peak popularity for the search term



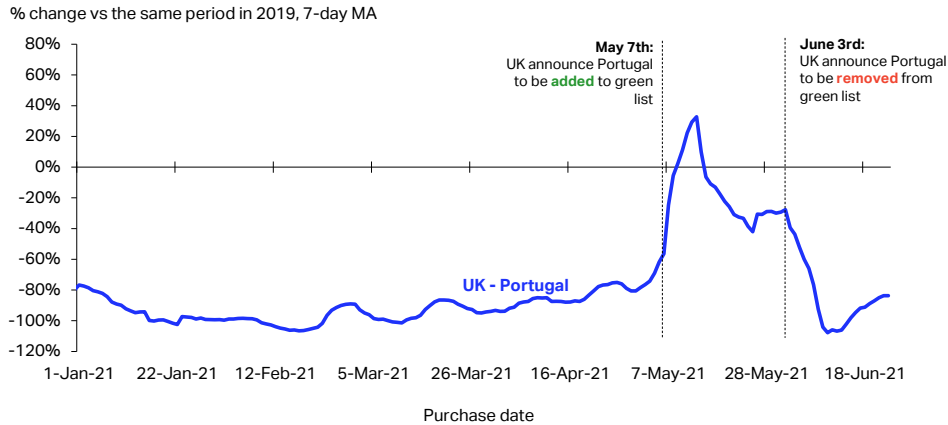
Source: IATA Economics using Google Trends, search period between 1.1.2019-30.6.2021



- The main concern now is new covid-19 variants which could cause a delay in the opening of some markets.
- Based on google searches, there is increased interest for booking flights, but interest in COVID-19 variants are rising.

Demand is fragile amidst COVID-19 variant concerns Surge of bookings from the UK to Portugal reversed in a month

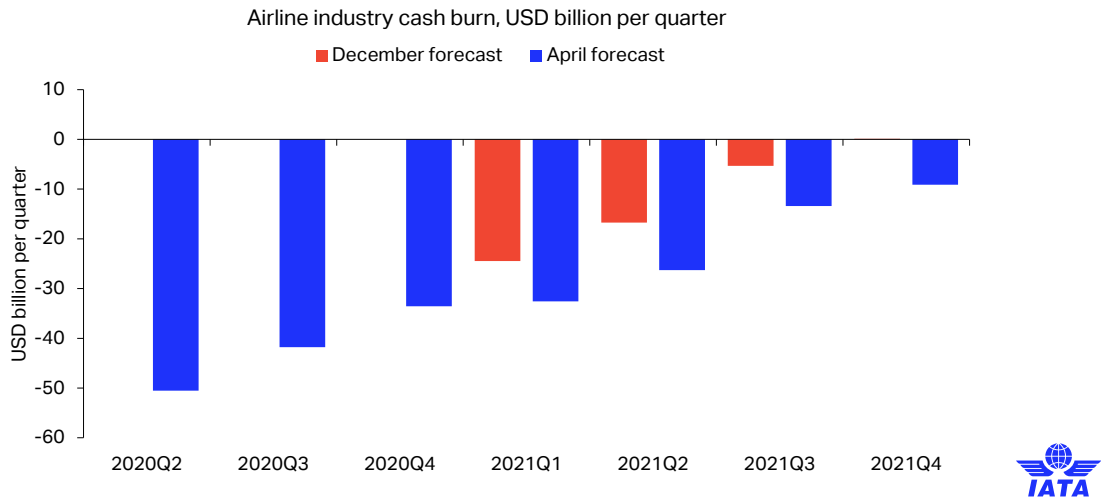
Forward bookings, UK - Portugal travel



Source: IATA Economics using data from DDS

- There is pent-up demand but the recovery in bookings could change in a very short time depending on government policies.

Recovery in the H2 is crucial to reduce the cash burn Stronger H2 will reduce cash burn but cash break-even delayed to 2022



- Air travel demand showed limited recovery in the first half of 2021; hence airlines continued to burn cash.
- The recovery in travel demand in second half of this year is critical for airline industry to reduce cash burn.

Contacts

economics@iata.org

www.iata.org/economics

