

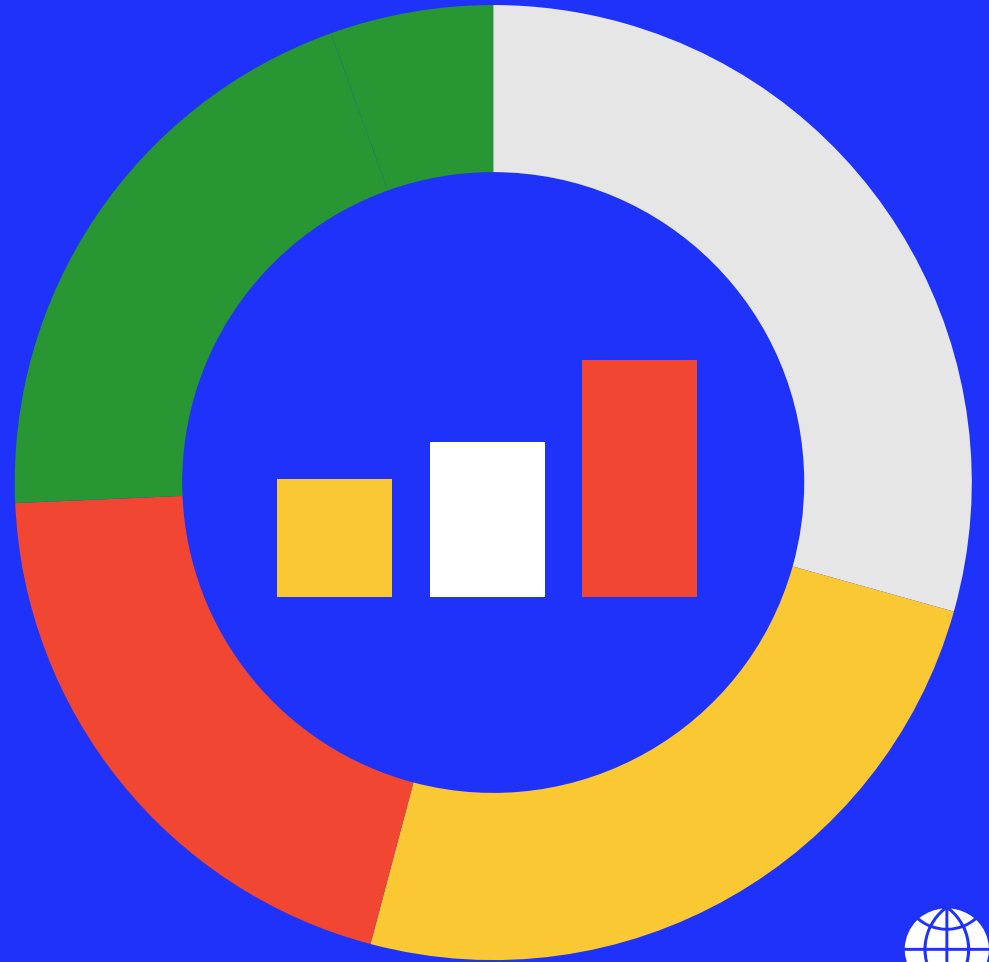
# COVID-19

## Air transport markets and the airline industry

Brian Pearce

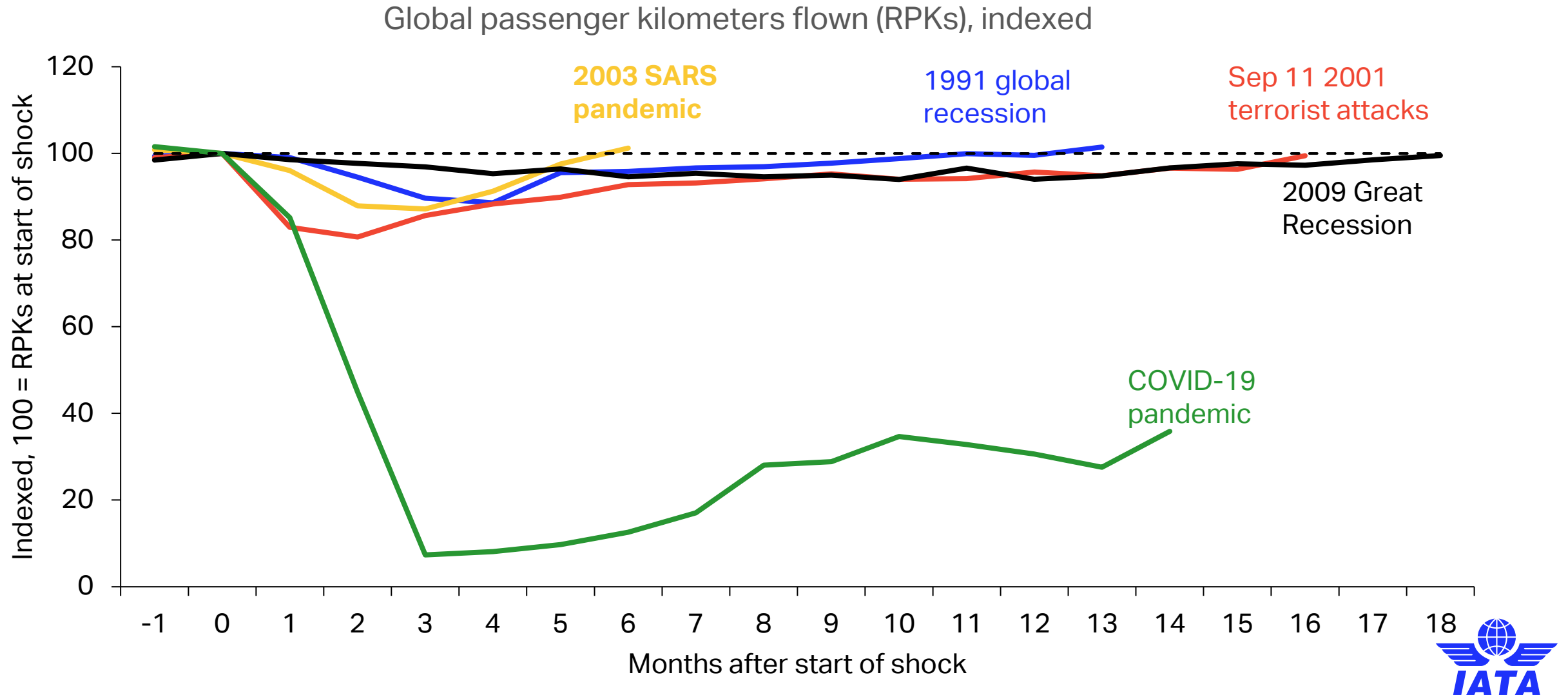
Chief Economist

28<sup>th</sup> May 2021



# Demand shocks do not usually have long-lasting impacts

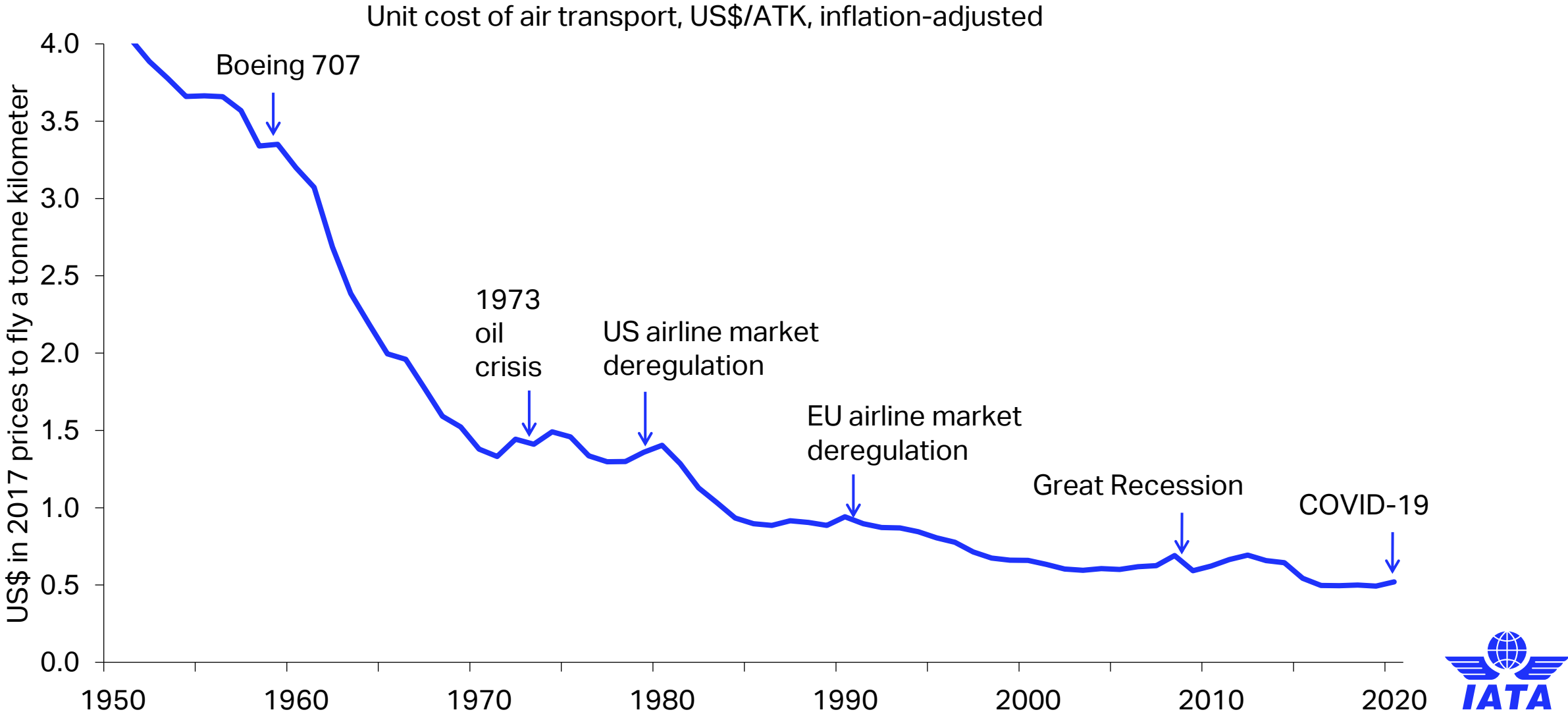
Previous shocks cut 5-20% from RPKs but recovered after 6-18 months



Source: IATA Economics using data from IATA Monthly Statistics. Data is adjusted for seasonality.

# Structural change in aviation driven by the supply-side

Technology, liberalization & innovation drove unit costs down 90%



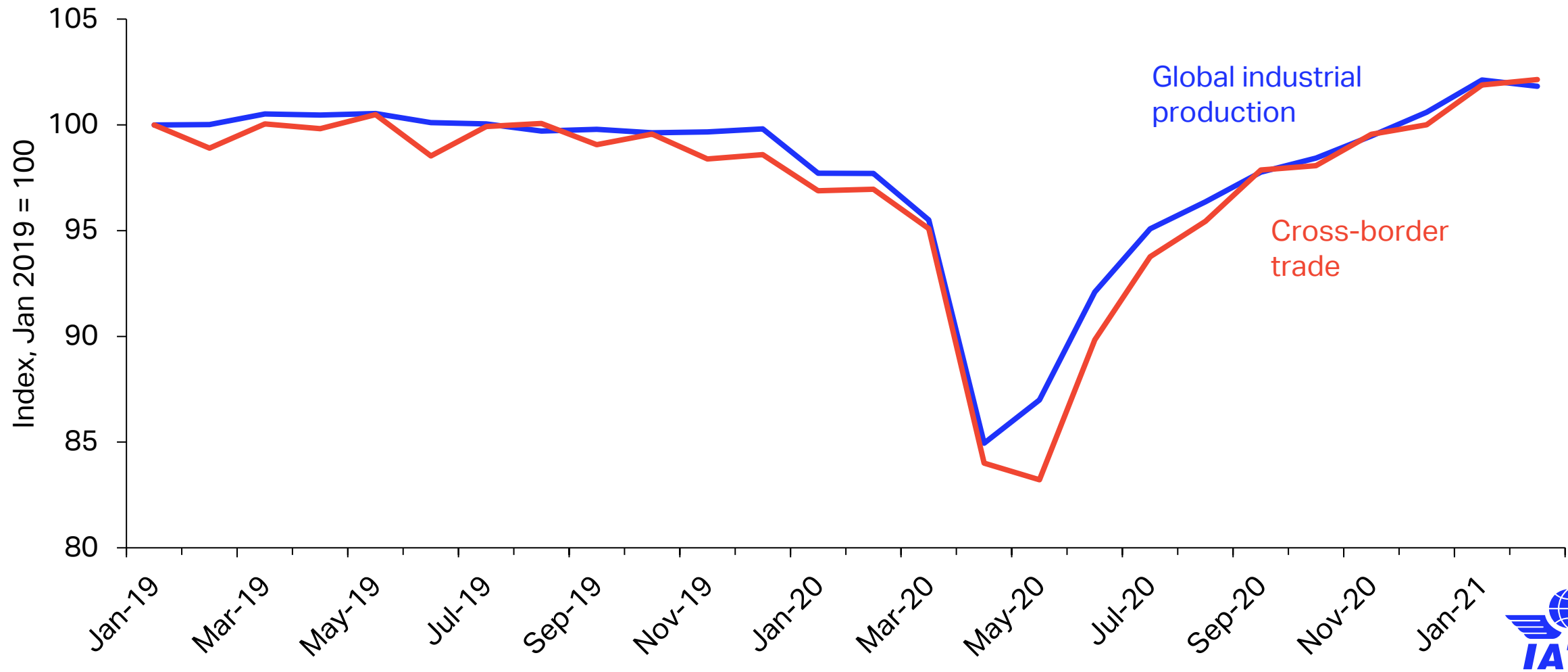
Source: IATA Economics using data from ICAO, IATA Statistics and OECD



# Global economy already back above pre-crisis output

## Global industrial production and trade 2% above 2019 levels by February

Global industrial production and cross-border trade, indexed

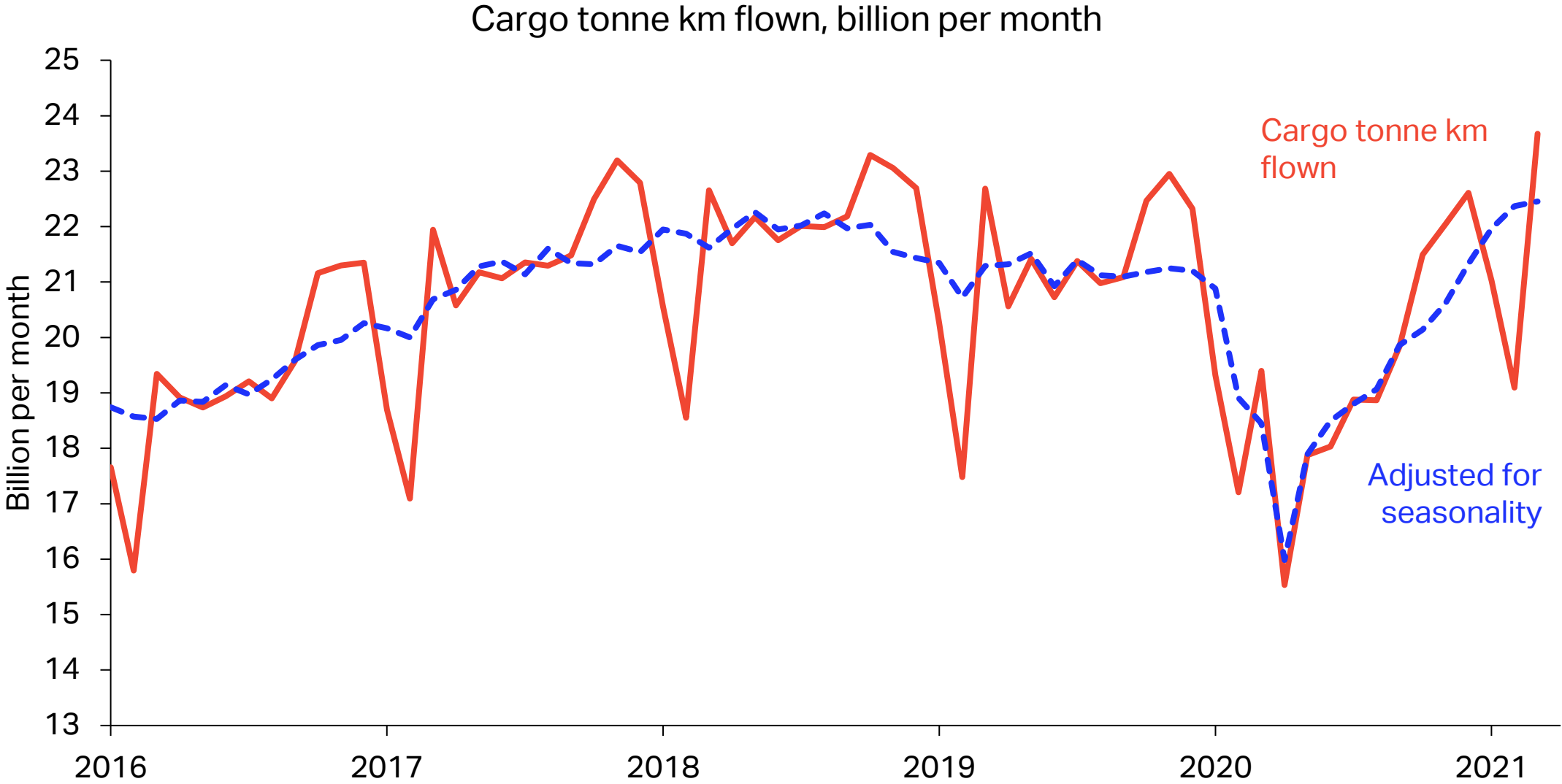


Source: IATA Economics using data from ICAO, IATA Statistics and OECD



# Record high for air cargo tonne km flown in March

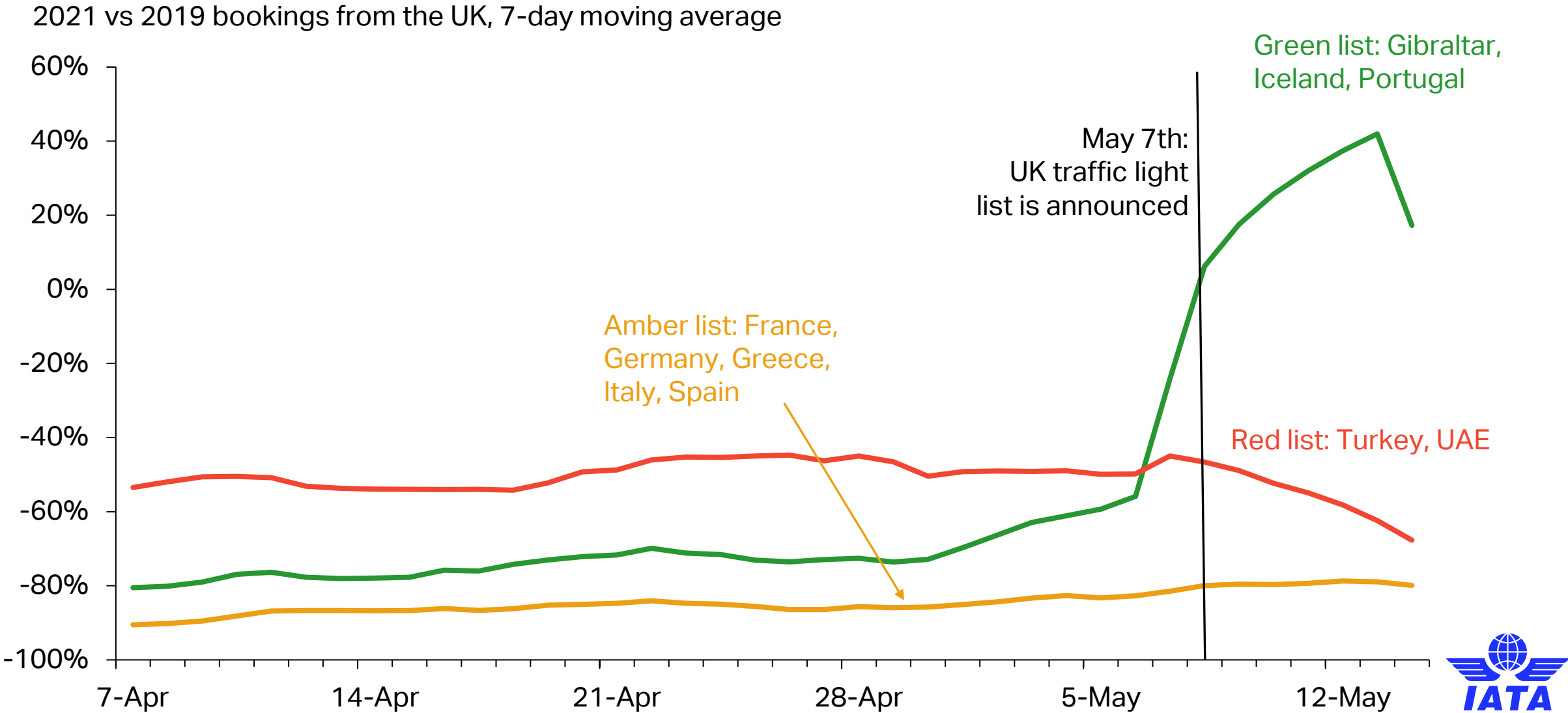
Cargo tonne km (CTKs) flown rise 4.4% above pre-crisis March 2019 level



Source: IATA Economics using data from IATA Monthly Statistics

# Strong evidence of pent-up demand for leisure air travel

## Latest evidence from surge of UK bookings for air travel to 'green list'



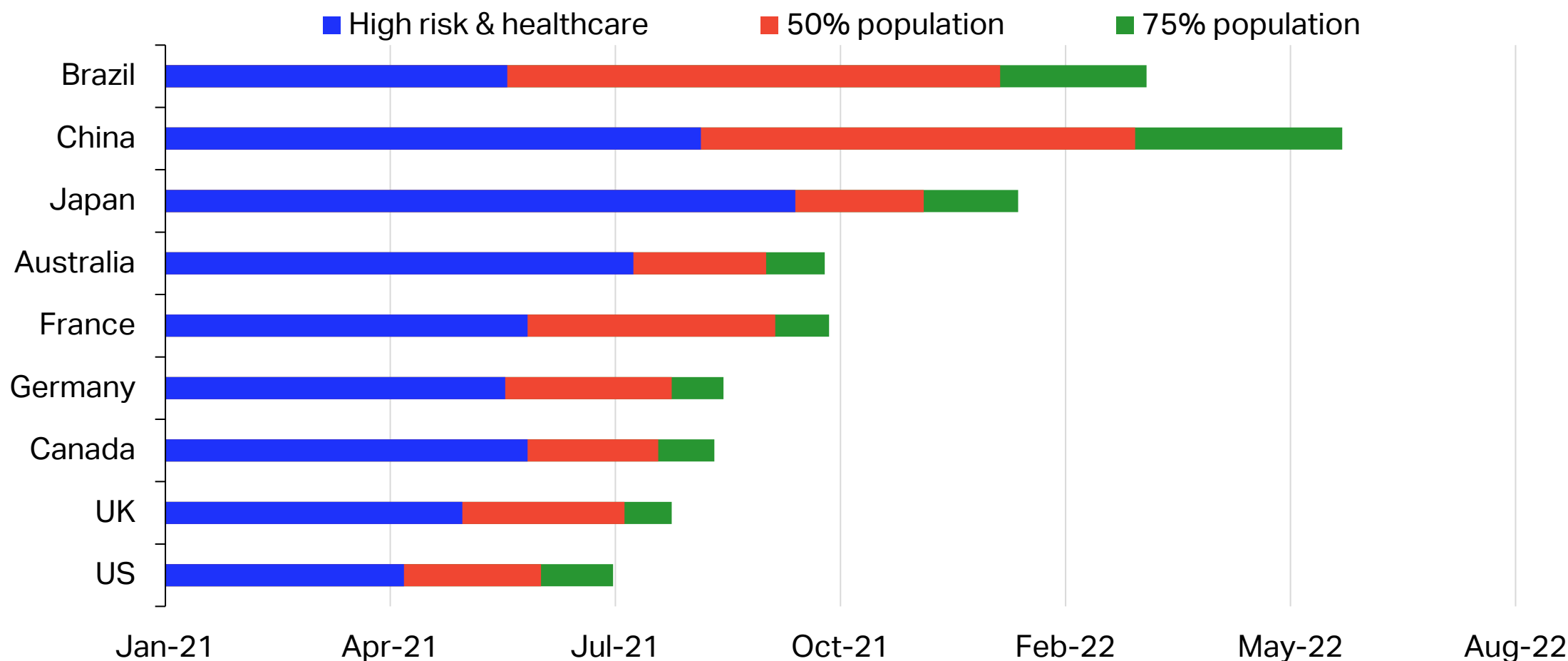
Source: IATA Economics using data from DDS



# Vaccination should allow staged reopening of air travel

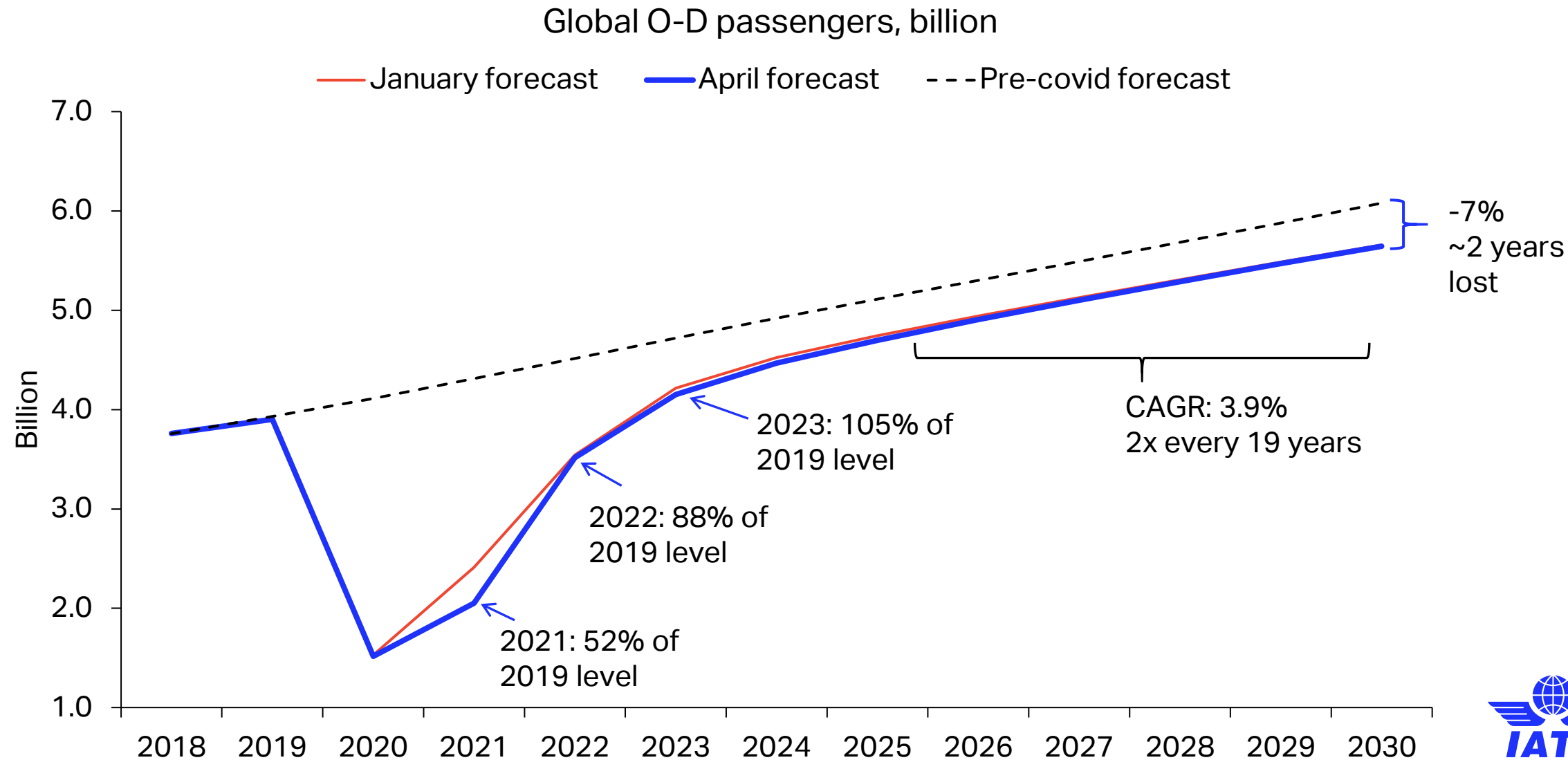
## Widespread vaccination should allow some key market to open in H2

Airfinity's vaccination rollout forecast



# We estimate COVID-19 long-term loss of 2 years growth

## Strong rebound when border travel barriers removed but not full recovery



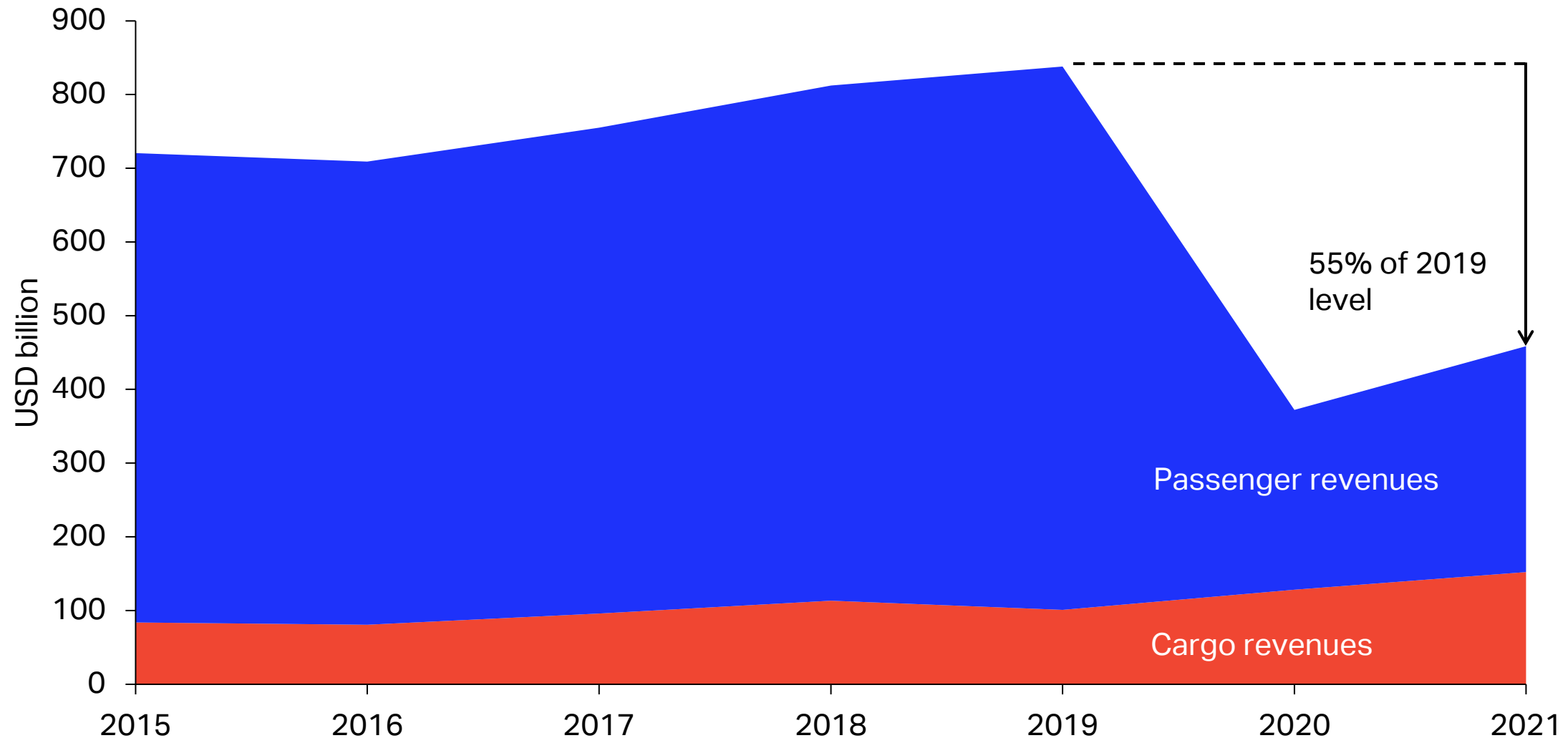
Source: IATA Economics using data from Tourism Economic/IATA Air Passenger Forecast, April 2021.



# Some revenue recovery in 2021 - to 55% of 2019 level

## Cargo revenues strong, but insufficient to offset shrunk pax revenues

Global airlines revenue, USD billion

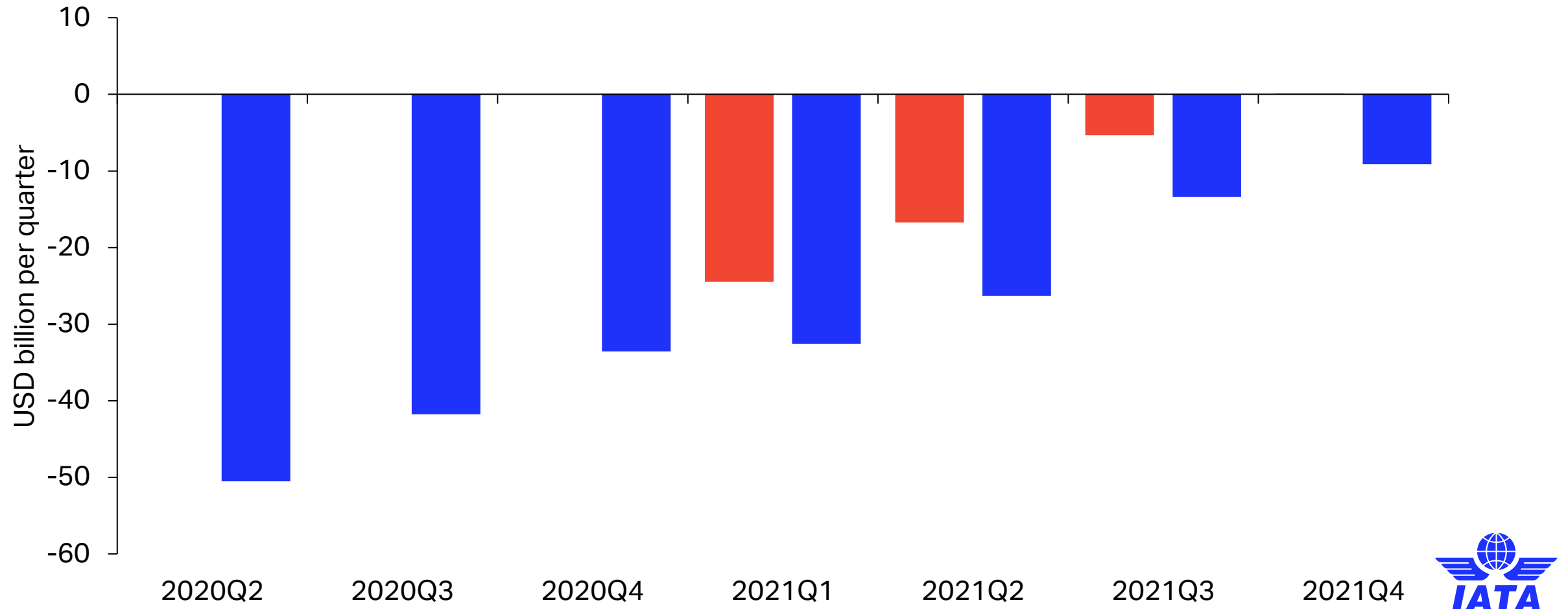


# Cash burn diminishing in second half of 2021

## Stronger H2 helps to reduce cash burn but +ve cash flow delayed to 2022

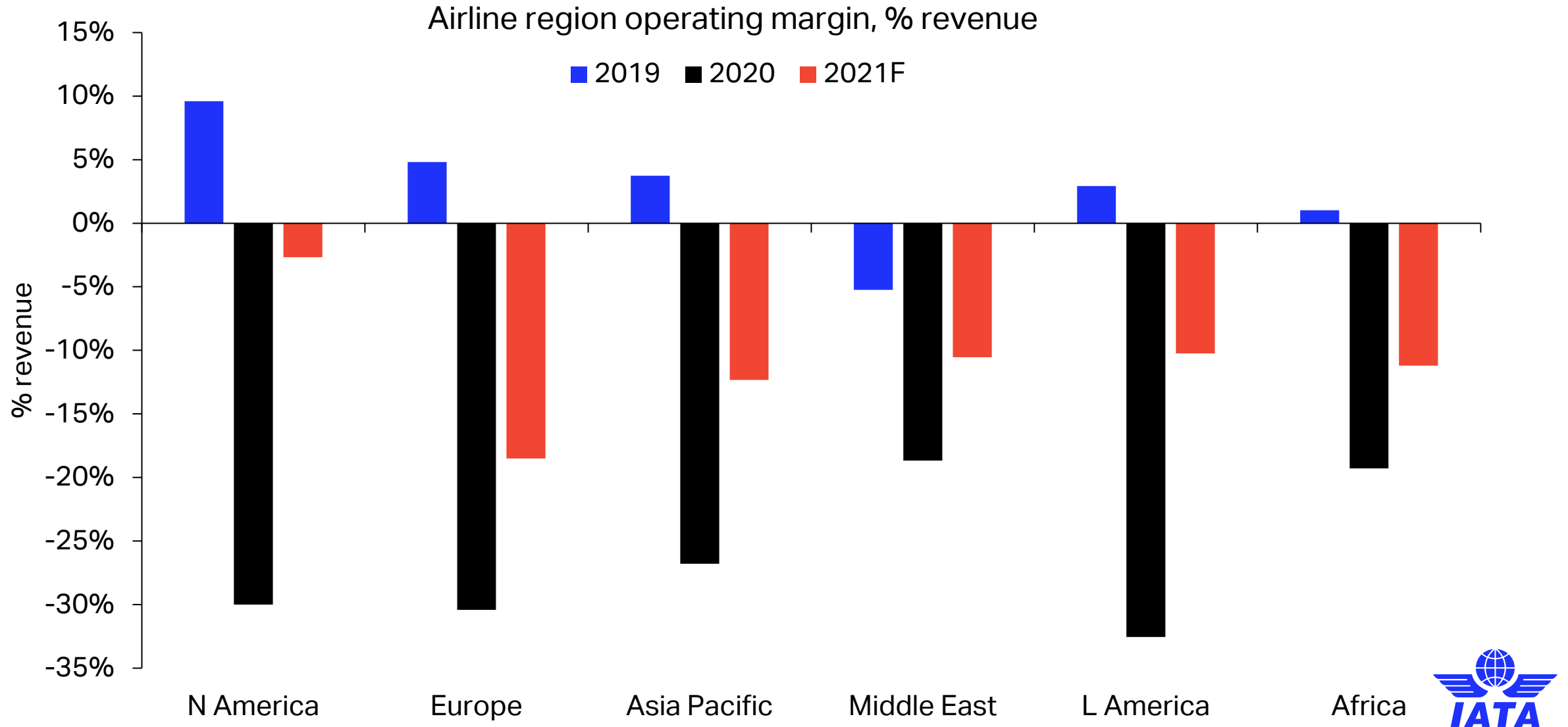
Airline industry cash burn, USD billion per quarter

December forecast    April forecast



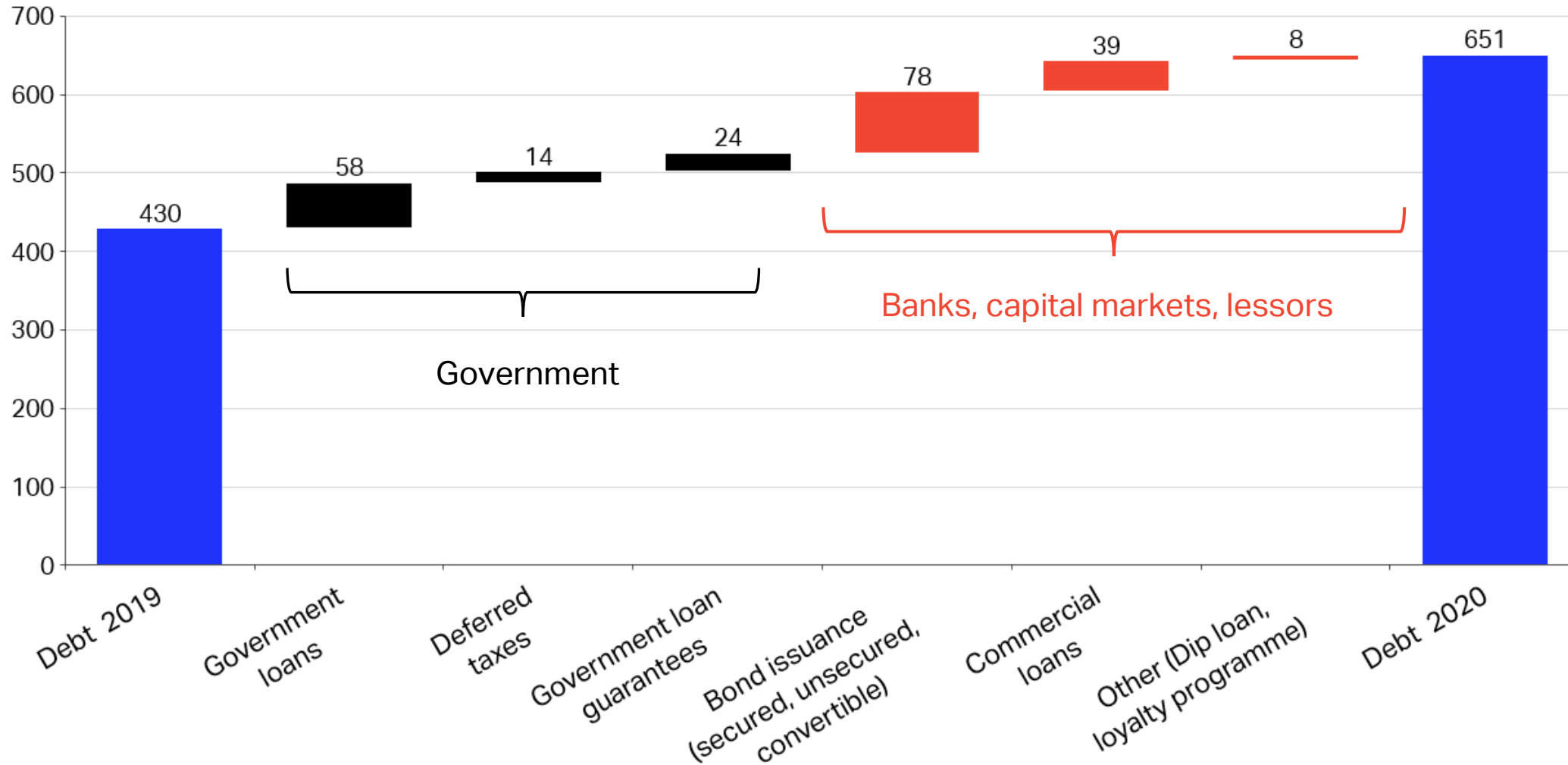
# N American airlines improving fast, Europe the least

## Regions with large domestic markets forecast to perform better in 2021



# Large rise in debt has been the cost of survival

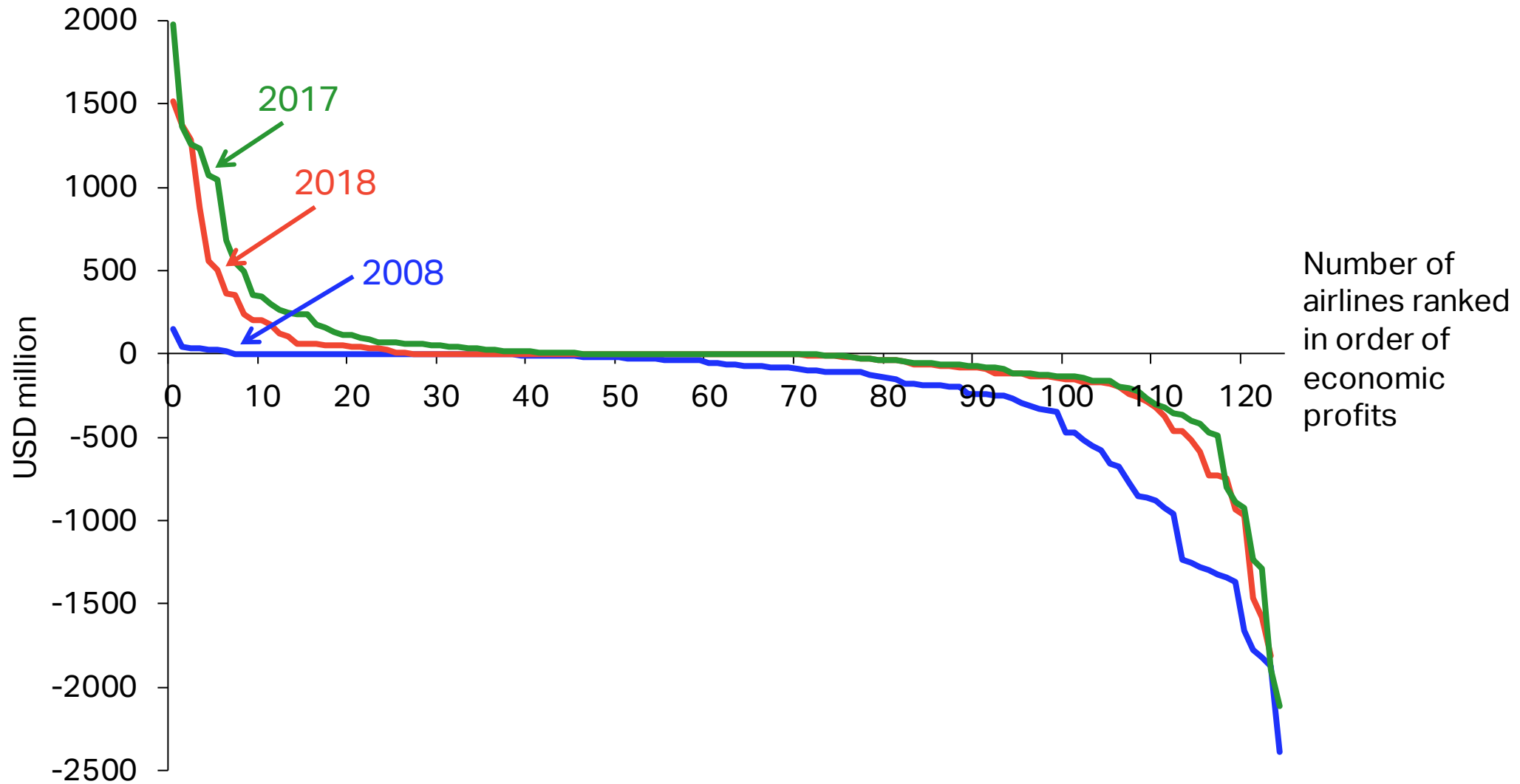
## Essential deleveraging will absorb free cash flow for years limiting CAPEX



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.

# Pre-Covid improvement driven by only 30 airlines

World's airlines ranked by economic profits



Source: IATA Economics using data from a McKinsey study for IATA



# Darwinian creative destruction may be absent

## Failure and consolidation usually important part of adjustment to shock

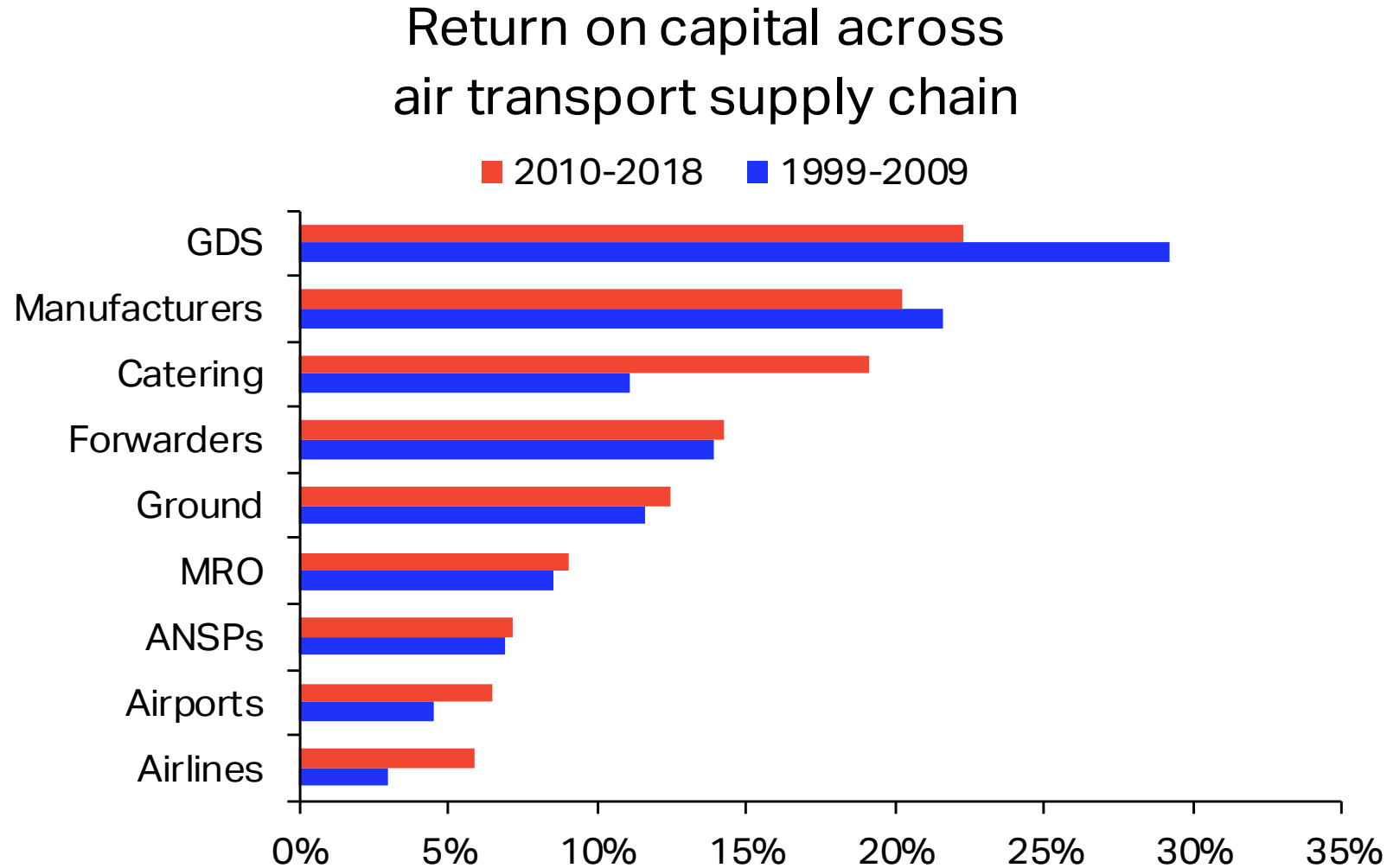
Commercial airlines, worldwide exits and entries



Source: IATA Economics using data from Ascend.

# Increased pre-crisis airline profitability improved returns

## But airlines still rank low compared to supply chain partners



Source: McKinsey& Company for IATA



# Contacts

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