COVID-19
Airline industry financial outlook update

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Airline industry finances improving but still weak
Operating losses reduced only to 50% of revenues by Q4 of 2020

Global airline industry operating margin, % revenue

Source: IATA Economics Airline Industry Financial Forecast update, April 2021
Survival cost - a huge rise in airlines’ debt by end-2020

$220bn rise in airline debt as a result of govt aid and market issues

Airlines need revenues to recover, but air travel still weak

International air travel 89% down, domestic falling, though cargo strong

Cargo tonne km (CTK) and passenger km (RPK), Jan 2020 = 100

Source: IATA Economics using data from IATA Monthly Statistics. Data is adjusted for seasonality.
Travel weak until international restrictions are reduced
Most international air travel markets are at less than 15% of 2019 RPKs

Source: IATA Economics analysis based on Oxford University data
Vaccine rollout should allow some markets to open in H2

Widespread vaccination has not been as rapid as expected in December

But our RPK forecast is not as positive as in December. Delays to vaccination and government risk aversion limits market opening.

But pent-up travel demand stoked by strong economy
Travel rules prevent international travel but domestic should rebound

Global industry production and business confidence

Business confidence in global manufacturing and services (PMI)

Global industrial production

Source: IATA Economics using data from Markit and Netherlands CPB
Strong 2\textsuperscript{nd} half in domestic markets, international weak
International RPK only 34\% of 2019 by 2021H2, but domestic back to 96\%
Cargo remaining strong but trade lane variations
Strongest trade lanes between Asia & N America and over M East hubs

Cargo tonne km flown by major trade lane, indexed Jan 2020=100, segment basis

Source: IATA Economics using data from IATA Monthly Statistics. Data is seasonally adjusted
Some revenue recovery in 2021 - to 55% of 2019 level
Cargo revenues strong, but insufficient to offset shrunken pax revenues

Source: IATA Economics Airline Industry Financial Forecast update, April 2021
2022/23 should see much stronger rebound of revenues. Once barriers down, there is large pent-up demand and savings to spend.

Source: IATA/Tourism Economics ‘Air Passenger Forecasts’ January 2020
Another year of losses in 2021 but down 2-3x on last year
With a slower revenue recovery, return to profit delayed until 2022

Source: IATA Economics Airline Industry Financial Forecast update, April 2021
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

Source: IATA Economics Airline Industry Financial Forecast update, April 2021
N American airlines improving fast, Europe the least
Regions with large domestic markets forecast to perform better in 2021

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

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