

COVID-19

Airline industry financial outlook update

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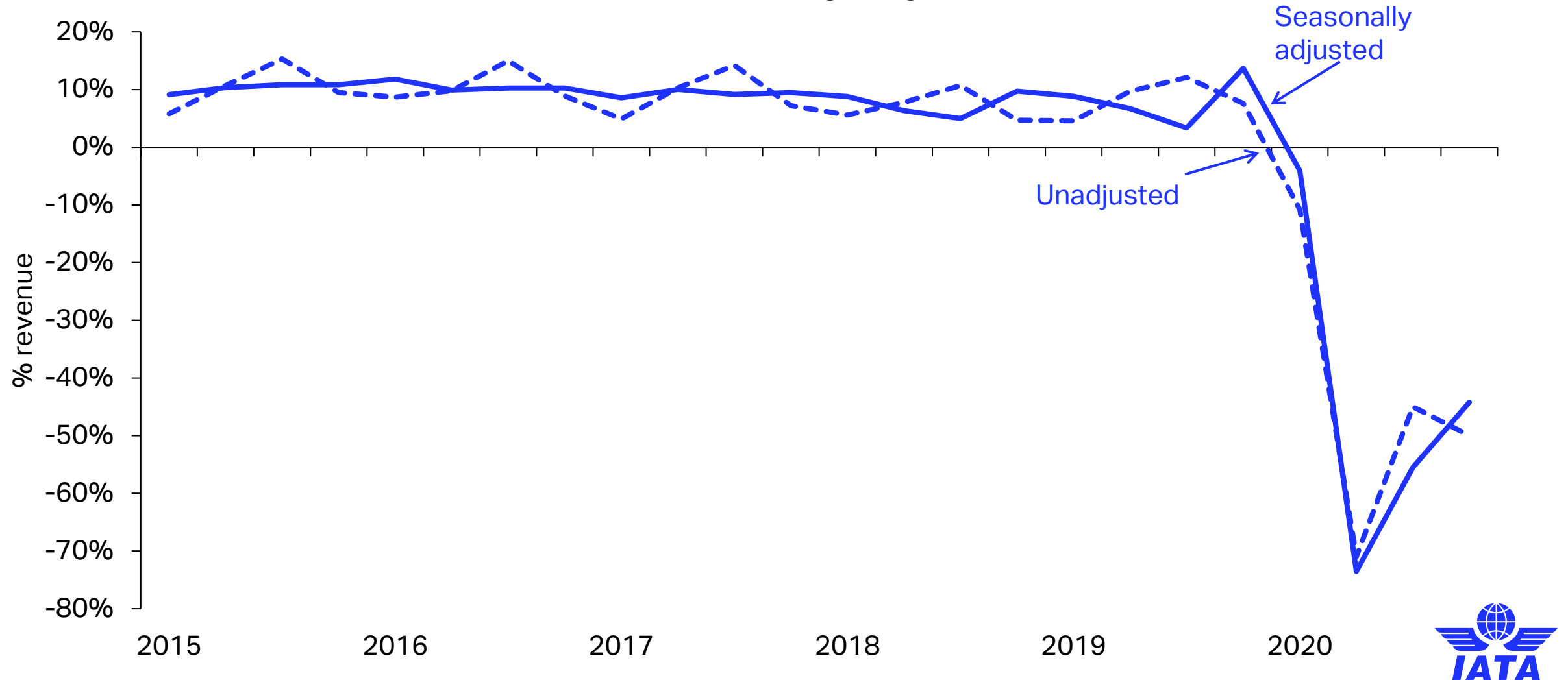
21st April 2021



Airline industry finances improving but still weak

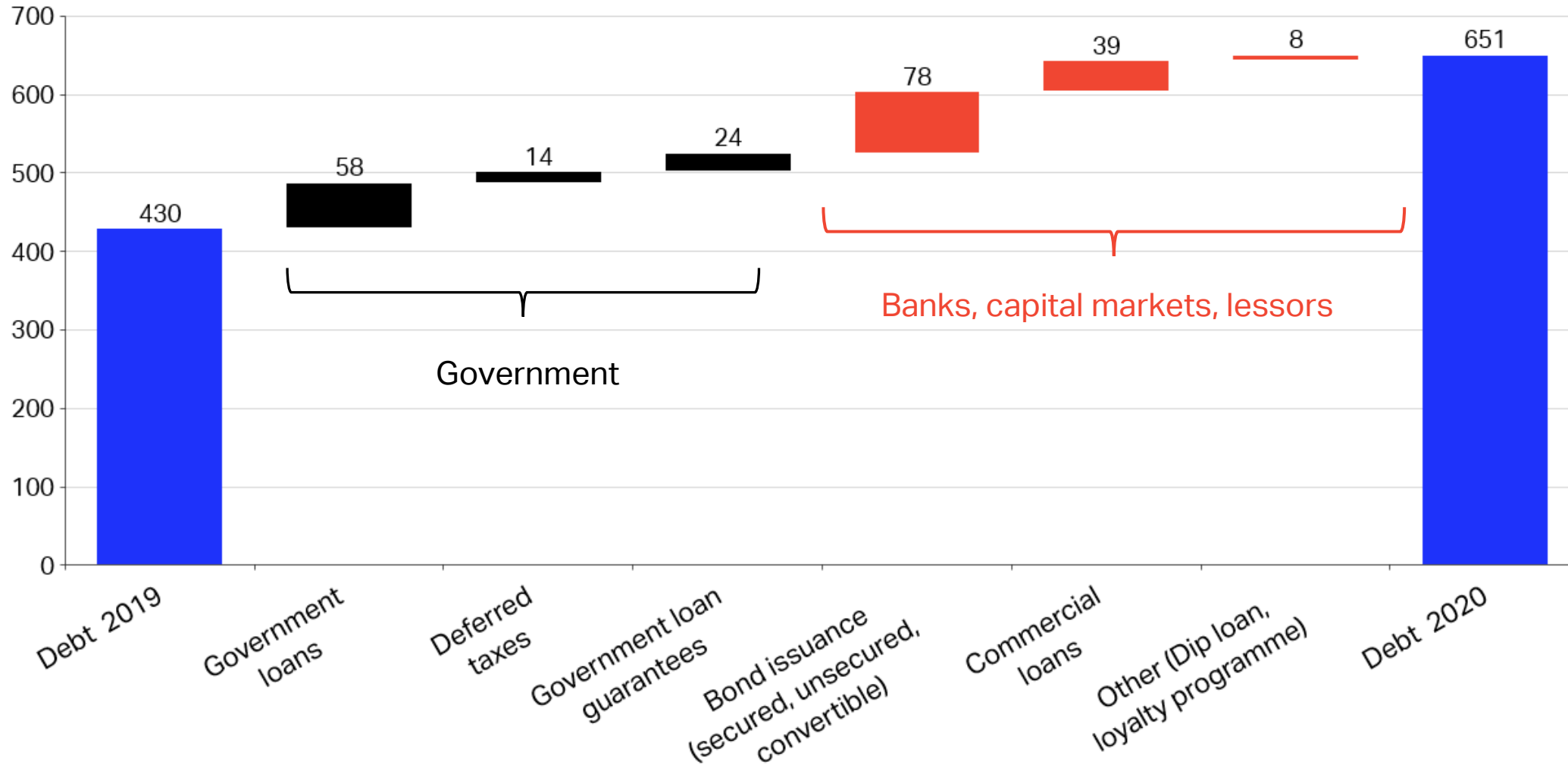
Operating losses reduced only to 50% of revenues by Q4 of 2020

Global airline industry operating margin, % revenue



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



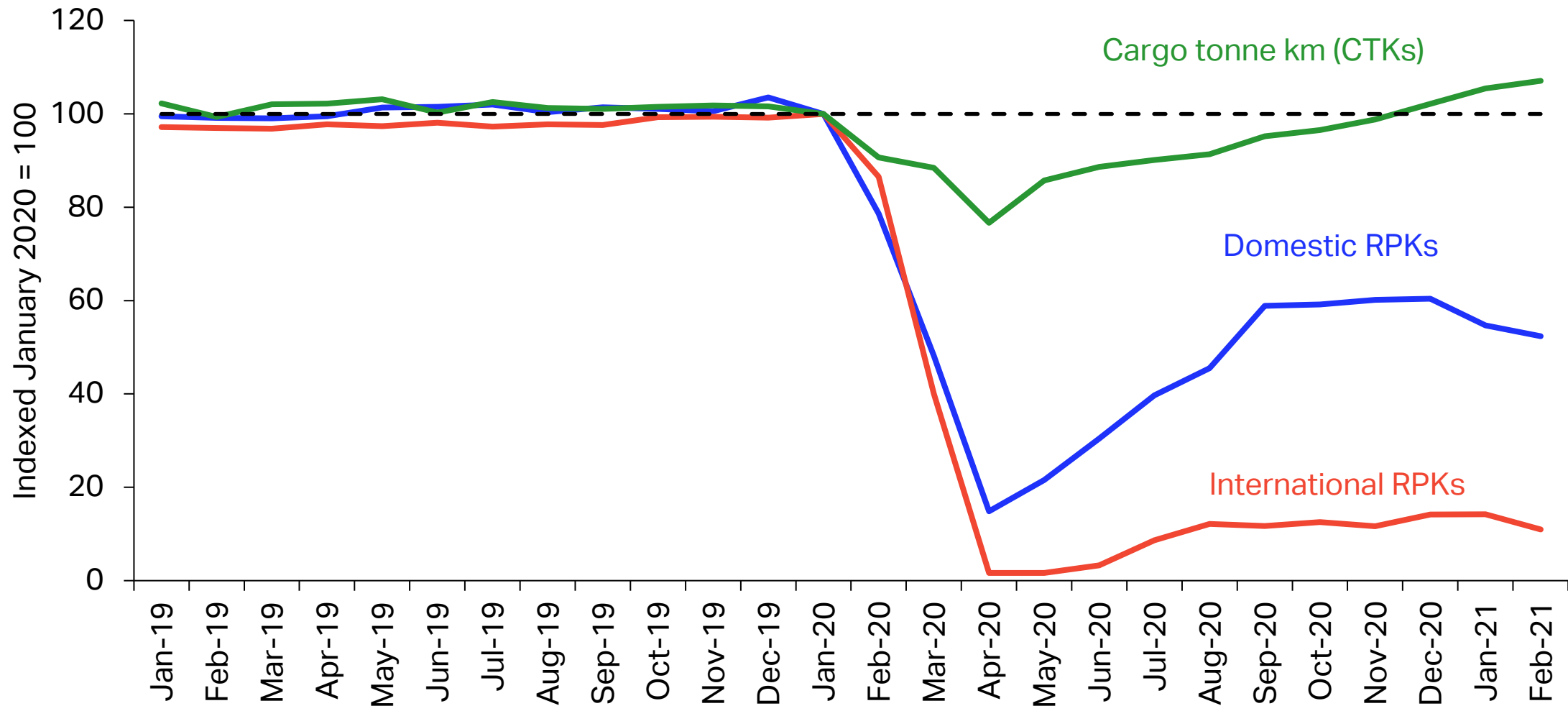
Source: IATA Economics using data from own estimates of Government aid, private debt estimates from Airfinance Journal, November 2020. Debt includes adjustment for operating leases.



Airlines need revenues to recover, but air travel still weak

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

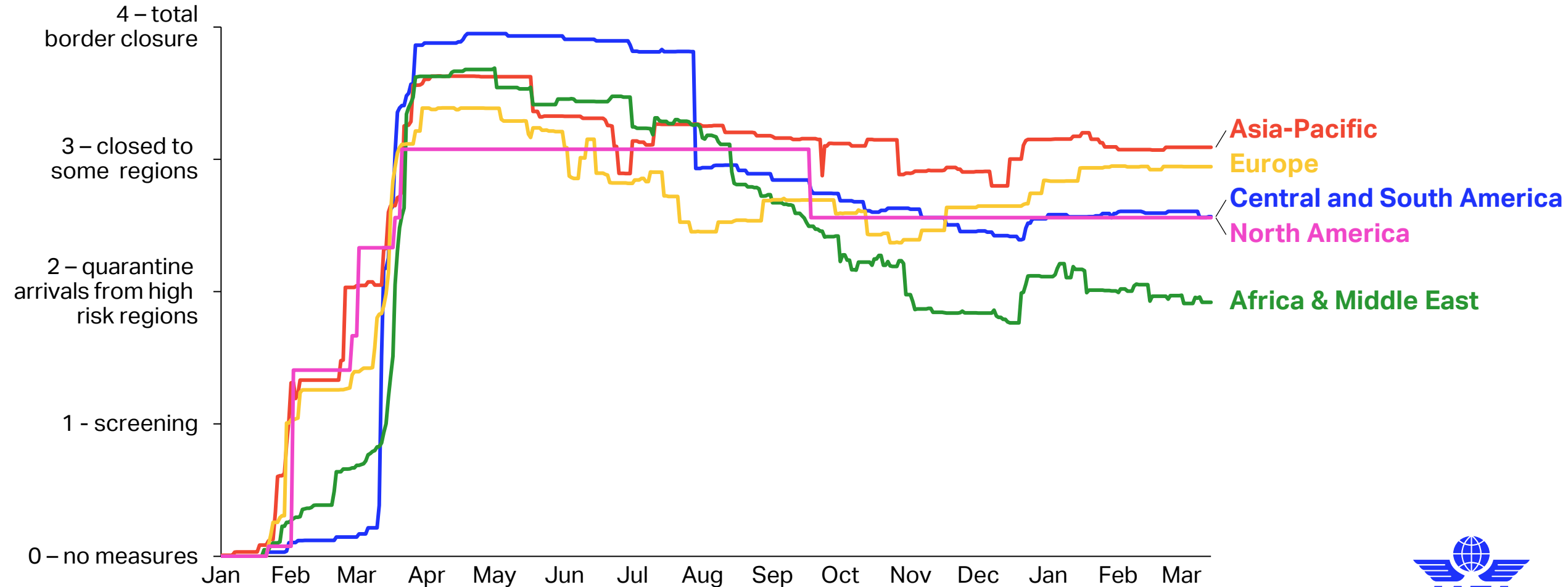
Cargo tonne km (CTK) and passenger km (RPK), Jan 2020 = 100



Travel weak until international restrictions are reduced

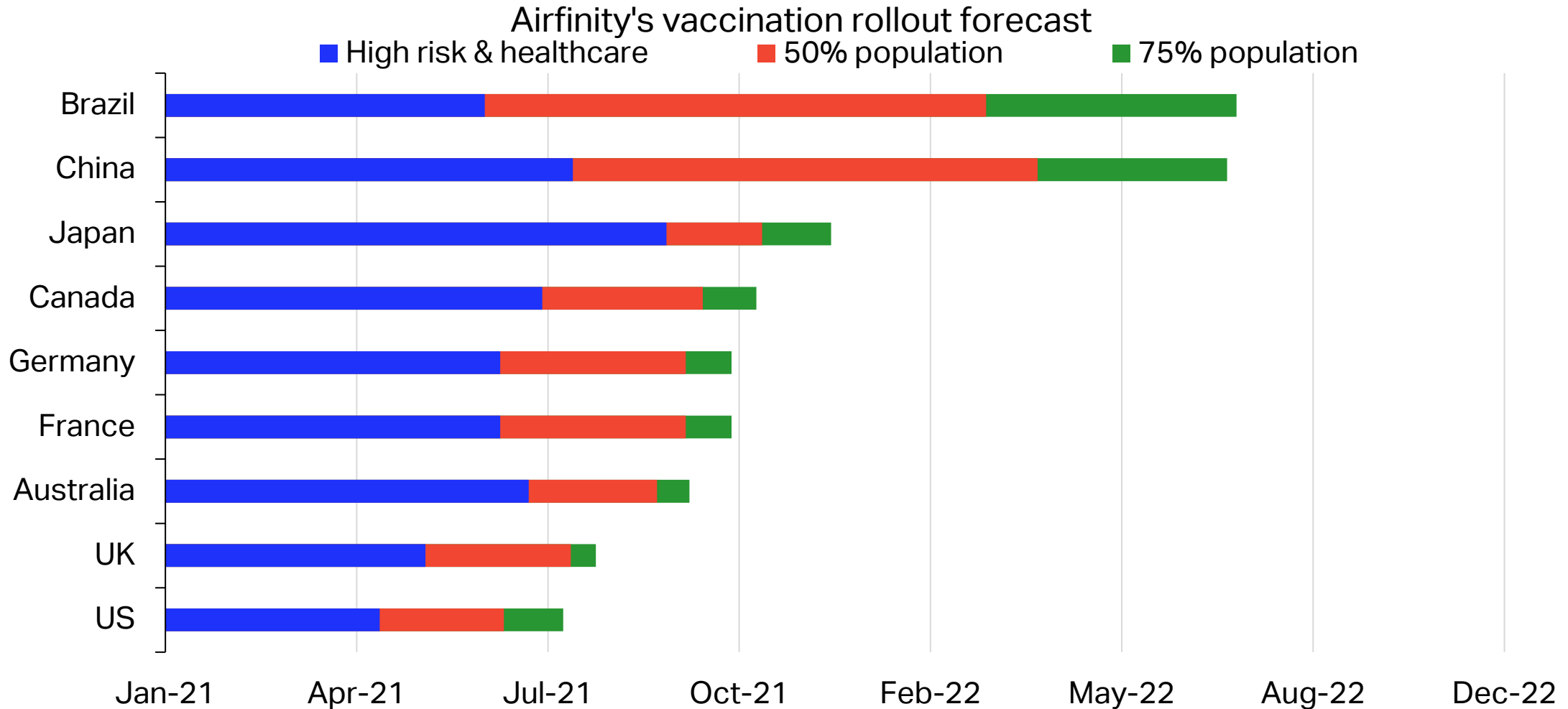
Most international air travel markets are at less than 15% of 2019 RPKs

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



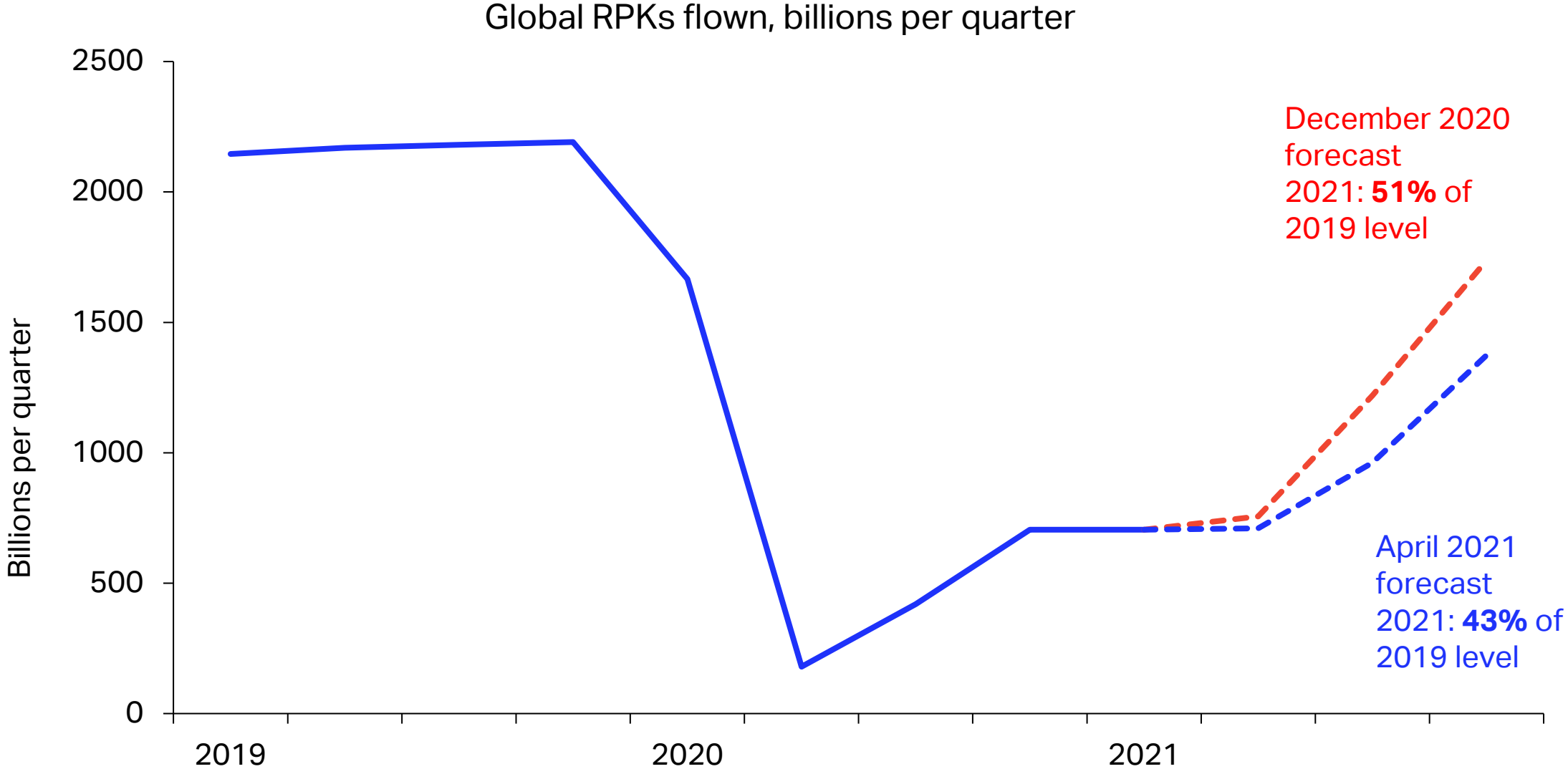
Vaccine rollout should allow some markets to open in H2

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



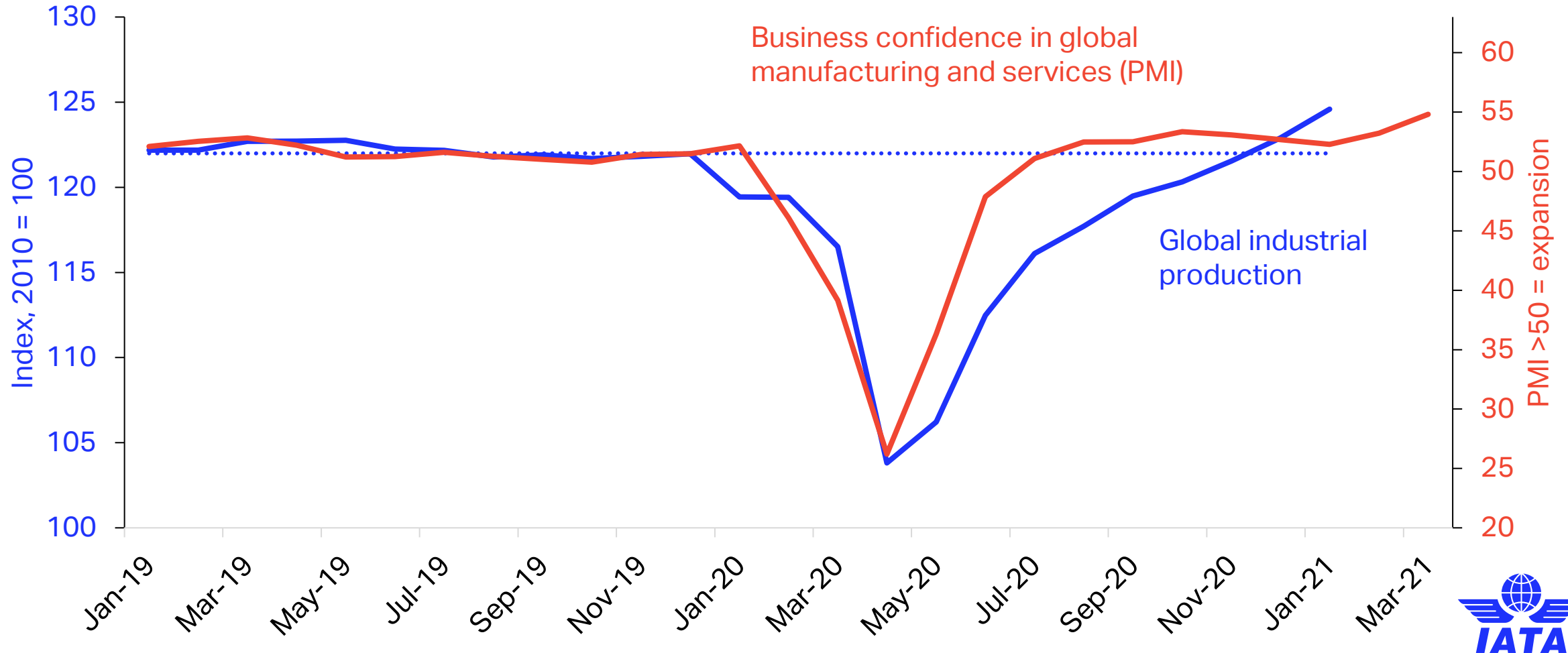
Source: IATA Economics Airline Industry Financial Forecast update, April 2021. Data is seasonally adjusted.



But pent-up travel demand stoked by strong economy

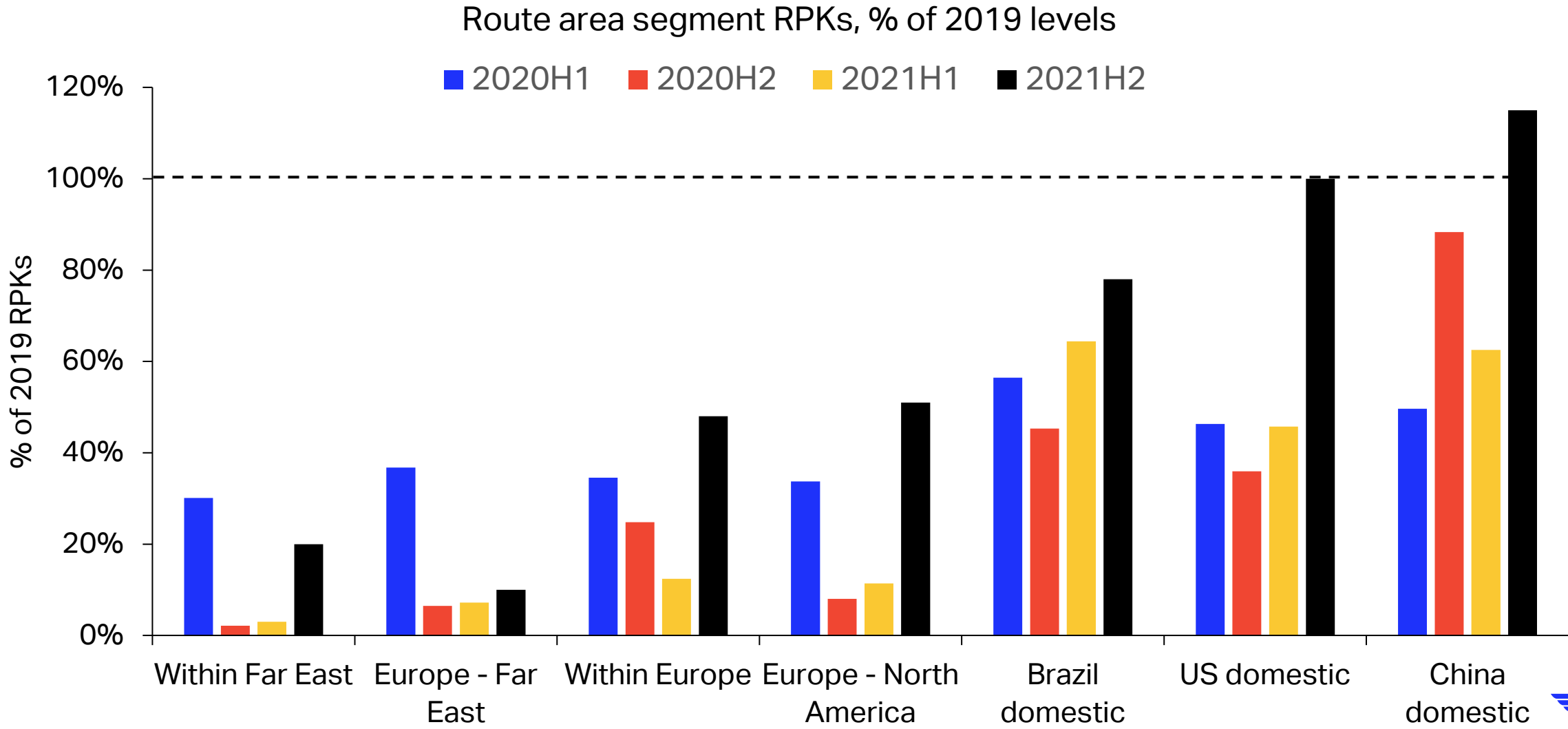
Travel rules prevent international travel but domestic should rebound

Global industry production and business confidence



Strong 2nd half in domestic markets, international weak

International RPK only 34% of 2019 by 2021H2, but domestic back to 96%

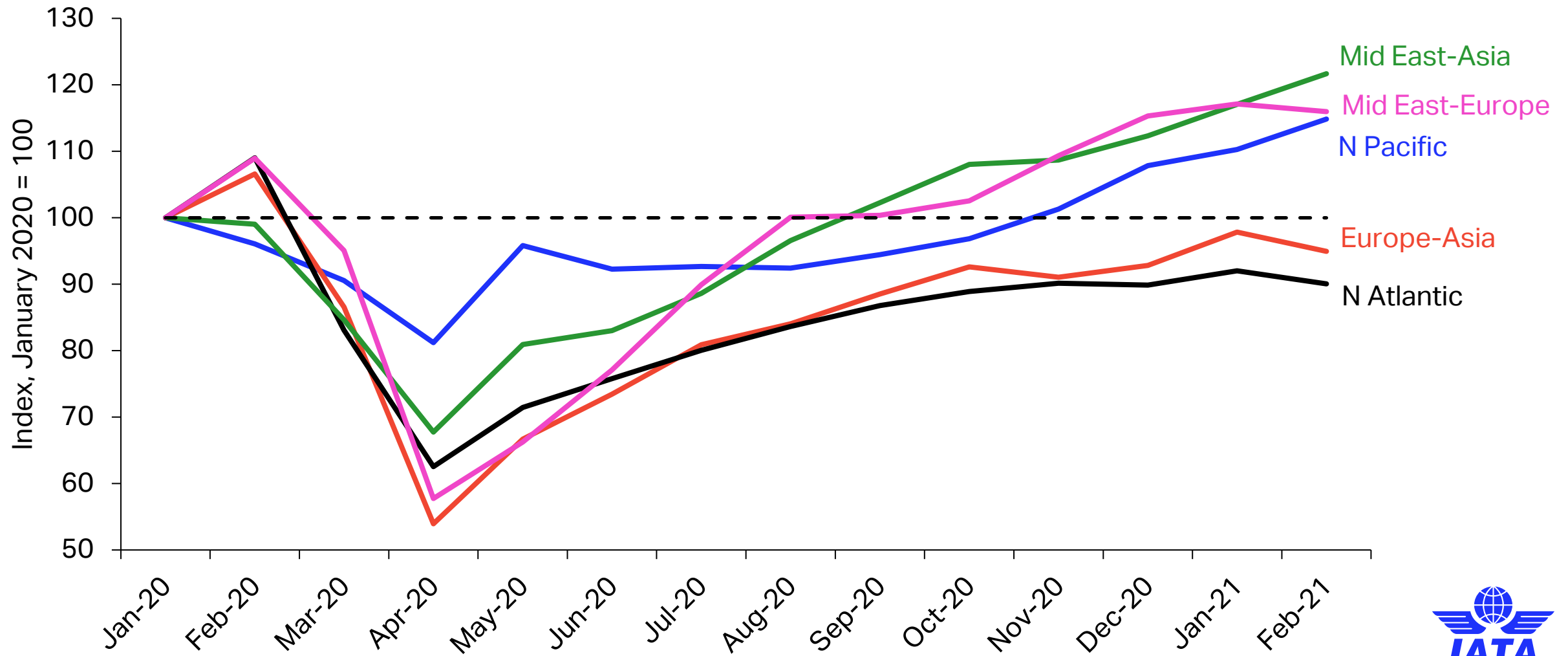


Source: IATA Economics Airline Industry Financial Forecast update, April 2021

Cargo remaining strong but trade lane variations

Strongest trade lanes between Asia & N America and over M East hubs

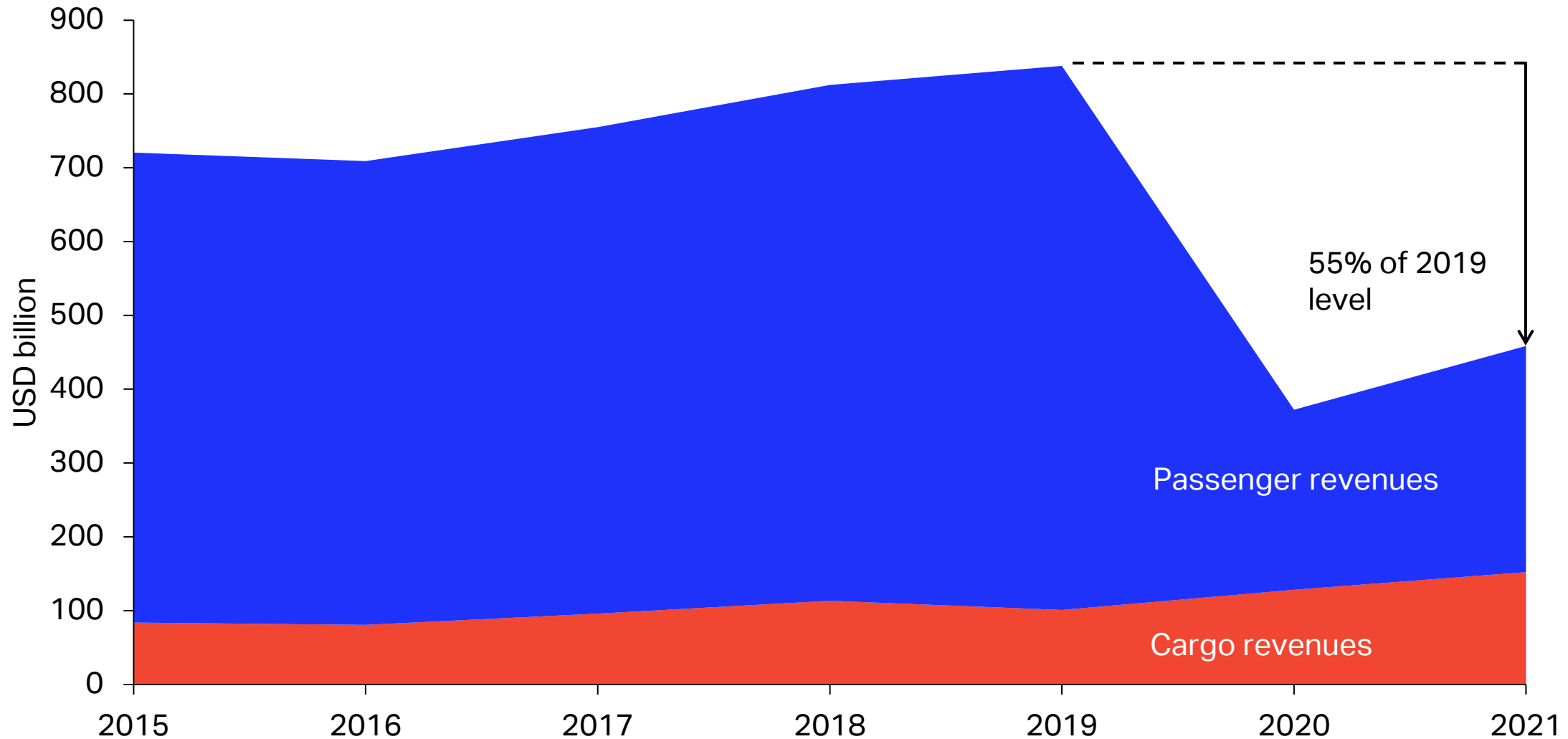
Cargo tonne km flown by major trade lane, indexed Jan 2020=100, segment basis



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

Cargo revenues strong, but insufficient to offset shrunken pax revenues

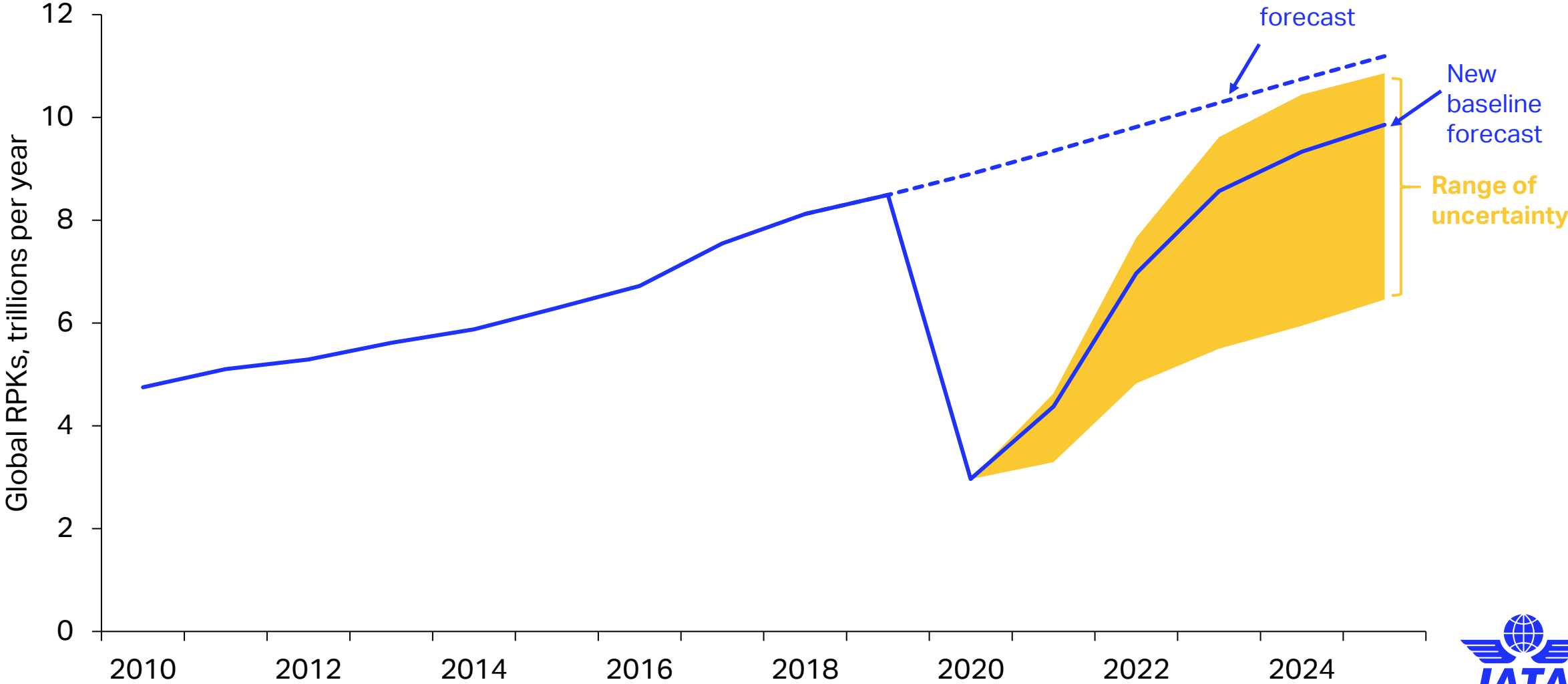
Global airlines revenue, USD billion



2022/23 should see much stronger rebound of revenues

Once barriers down there is large pent-up demand and savings to spend

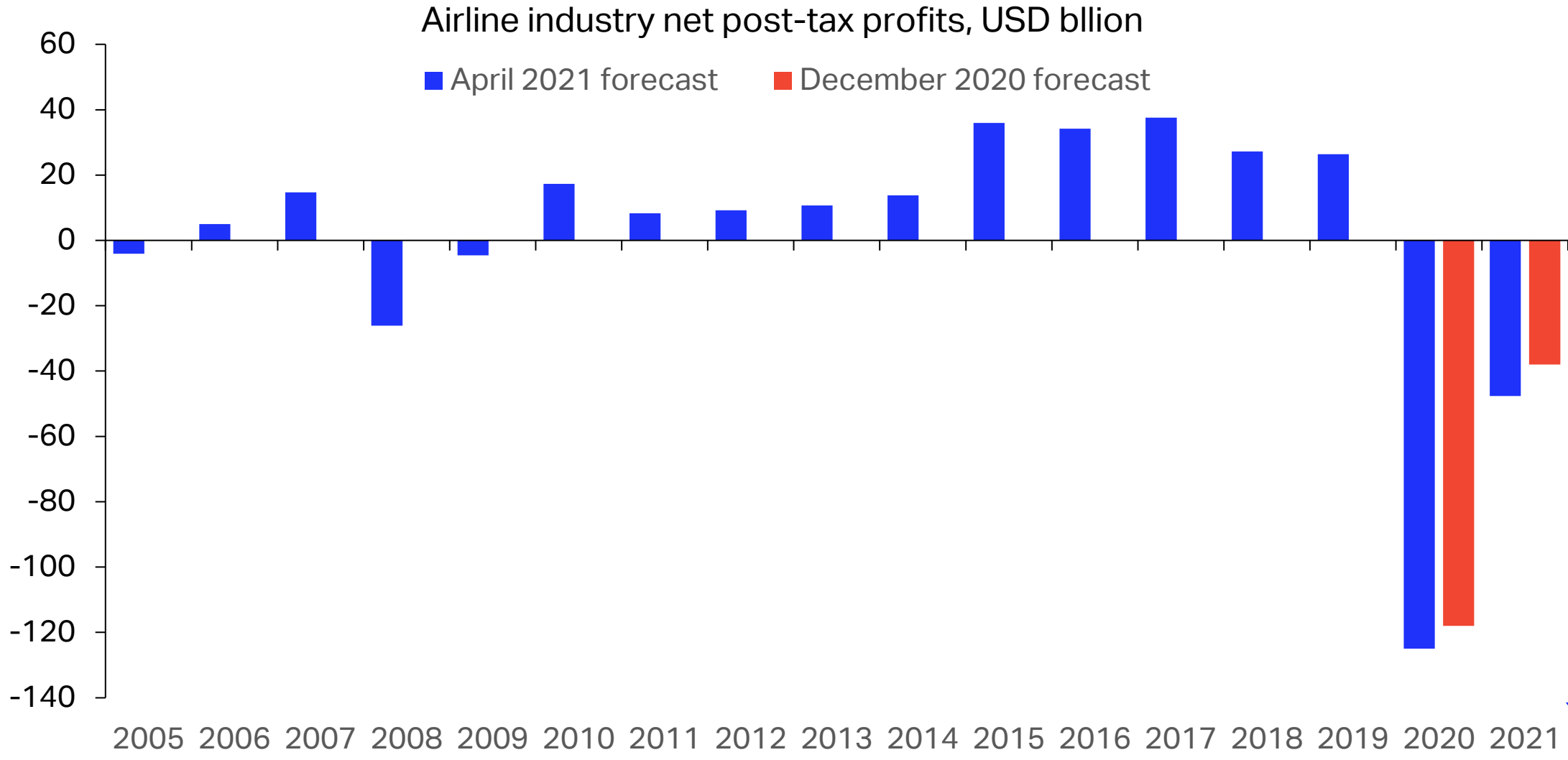
Global RPKs, trillions per year



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

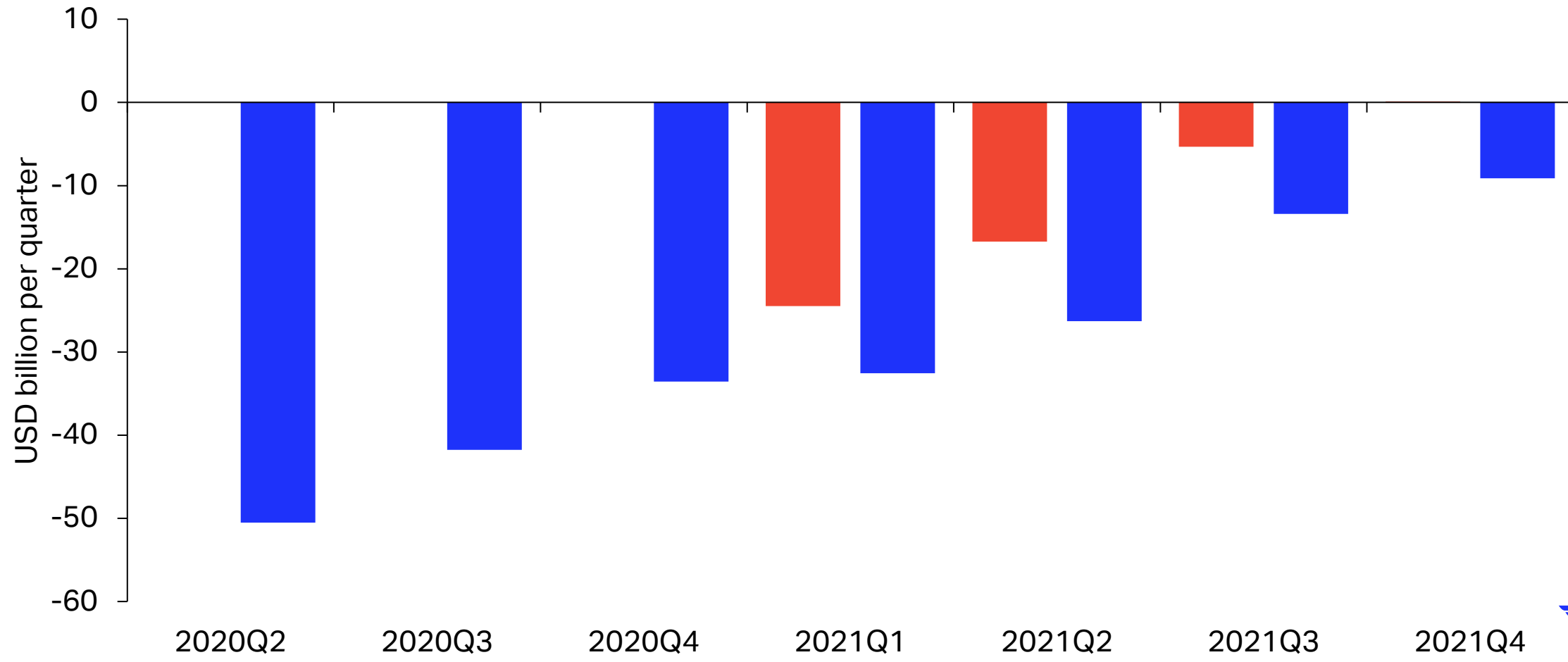


Cash burn diminishing in second half of 2021

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

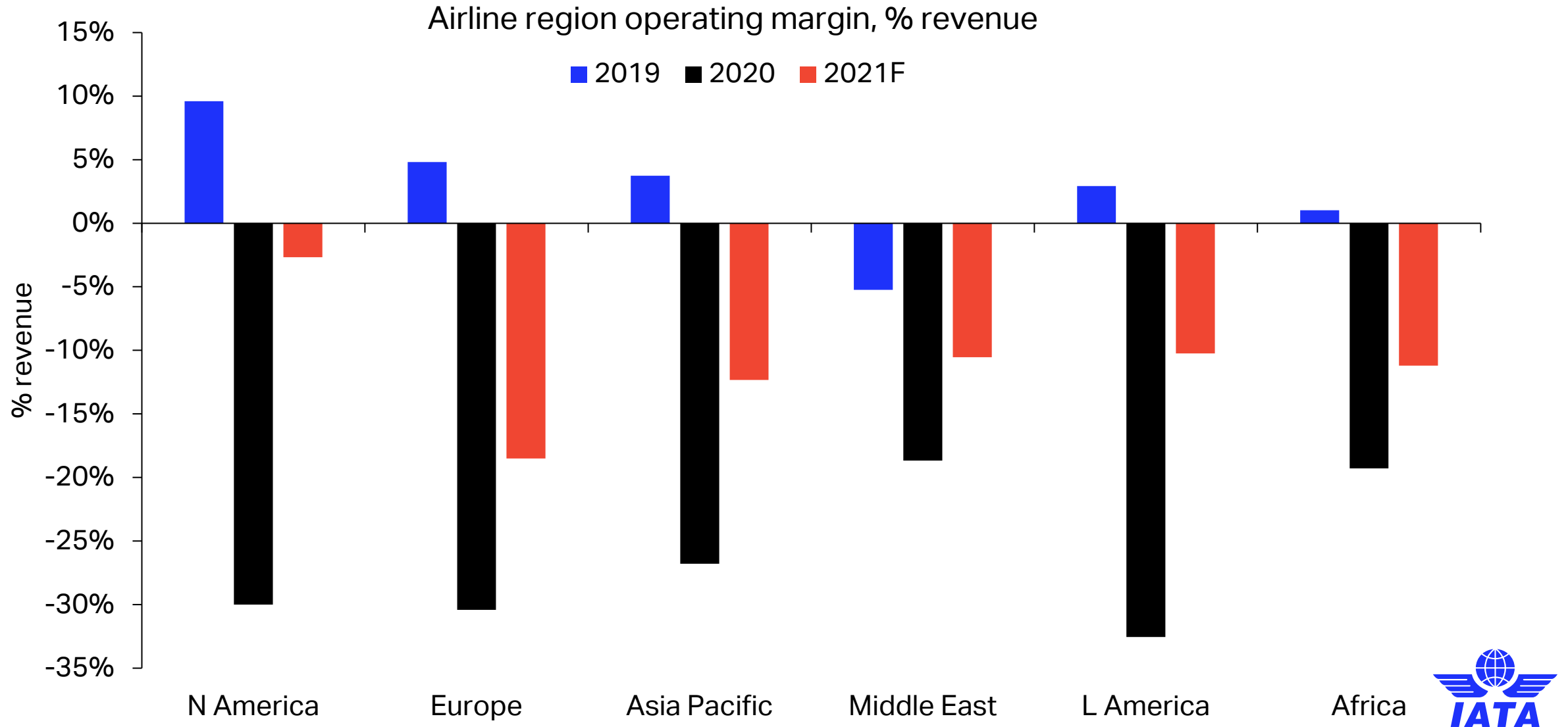
Airline industry cash burn, USD billion per quarter

December forecast April forecast



N American airlines improving fast, Europe the least

Regions with large domestic markets forecast to perform better in 2021



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