



# IATA Economics' Chart of the Week

13 November 2020

## Airline stocks rally in anticipation of stronger bookings

Indexed, January 1<sup>st</sup> 2020 = 100

% change, year-on-year



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

- Early this week, BioNTech/Pfizer reported that their vaccine is 90% effective in preventing COVID-19. The announcement resulted in renewed optimism amongst investors about the future recovery in airline profits and led to a 12% rise in airline share prices in four days.
- The context of this week's spike is different from the similar-sized jump in early-June. Back then, airline share prices soared as air traffic numbers were improving while the pandemic seemed to be - at least in part - under control. In contrast, today many countries are experiencing a resurgence of the virus and the recovery in air travel has gone into reverse, with passenger bookings for future travel down about 75% year-on-year on November 10<sup>th</sup>.
- The current divergence between rising airlines' share prices and falling bookings highlights the forward-looking nature of the stock markets. The rising share value reflects investors' expectations that air travel and airline profits will recover, at least to some extent, next year. However, in the short-term, the business environment for airlines remains extremely challenging because travel bookings are falling, so airlines will keep burning cash due to weak revenues and [unavoidable costs](#).

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