



Airlines Financial Monitor

August-September 2021

Key points

- The latest sample of Q2 2021 financial results confirms that airlines' aggregated net losses were reduced considerably compared with Q1 2021. Airlines in all regions showed improvement. North American airlines' net income at the aggregated level became positive amidst a strong rebound in US domestic travel.
- Financial performance of airline industry is expected to improve further with the loosening of travel restrictions in 2022 but it will be varied across regions. North America will continue to be the best performer amongst all regions.
- Global airline share price index increased in September with the reopening expectations of the US-Europe travel. Although the year-to-date performance of the index is still lagging wider global equity markets, gap narrowed in September.
- Brent crude oil and jet fuel prices picked up in September amidst rising optimism about fuel demand recovery.

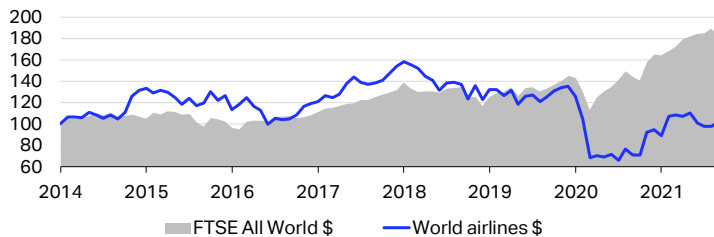
Airline shares outpaced the wider equity index amid reopening of US-EU routes

Airline Share Prices

US\$ indices (Jan 2014=100)	Index Sep 29th	% change on		
		vs Aug 2021	vs Dec 2019	start of year
World airlines	101.9	+4.7%	-19.1%	+7.9%
Asia Pacific airlines	84.6	+4.1%	-13.3%	+9.2%
European airlines	83.9	+5.8%	-20.9%	-1.6%
North American airlines	130.2	+5.9%	-18.6%	+13.2%
FTSE All World \$	182.3	-3.6%	+27.6%	+10.5%

- Expectations regarding the reopening of US-Europe market supported airline stocks in September. Progress on the vaccine rollout has also increased optimism of future travel recovery. Airline share prices increased in all regions in September compared with the previous month.
- The recovery in airline stocks has been limited since the beginning of the year due to the uncertainty of full reopening of international travel. Nevertheless, airline shares performed better in September than wider global equity markets. As a result, the year-to-date performance gap narrowed between global airline stock index and wider global equity markets (7.9% vs. 10.5%).

Index (Jan 2014=100)



Source: Refinitiv Eikon Datastream

Airline financials improved in Q2 2021, North America is leading the recovery

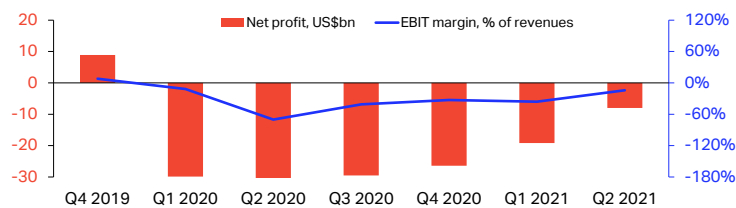
Airline Financial Results

Number of airlines in sample	Regions	Q1 2021		Q2 2021	
		EBIT margin ¹	Net post-tax profit ²	EBIT margin ¹	Net post-tax profit ²
30	North America	-38%	-4,469	-8%	1,050
33	Asia-Pacific	-26%	-6,577	-17%	-3,654
12	Europe	-54%	-5,833	-30%	-4,545
8	Latin America	-38%	-2,091	-18%	-700
5	Others	-32%	-189	-21%	-170
88	Sample total	-36%	-19,159	-14%	-8,019

- The larger sample of Q2 2021 financial results confirms that net losses of airlines at the aggregated level moderated compared with Q1 2021. North American airlines' bottom-line turned positive since vaccine rollout facilitated the rebound of the domestic traffic. Latin American airlines' losses also diminished substantially in Q2 with the support of the revival in regional traffic.
- EBIT margins remained negative in all regions. European airlines were the worst performers among all regions since intra-regional travel was muted ahead of the summer quarter. While North American carriers bottom-line turned positive in Q2, their operating profitability was negative albeit at single-digit levels.
- Looking forward, financial performance will improve with the loosening of travel restrictions but it will be varied across regions. In our [updated forecast](#), while North America is expected to be the best performer, Europe and Latin American airlines' performance will also improve considerably in 2022.

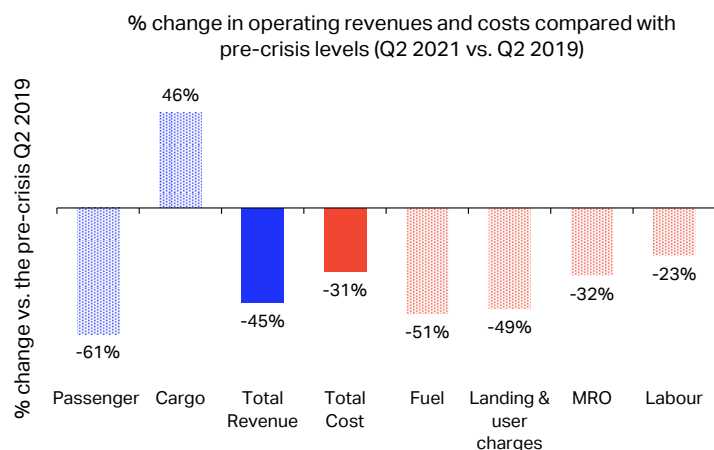
¹% of revenues ²US\$ million
Sources: The Airline Analyst, IATA

Sample Historical Profitability



Source: IATA Economics using data from the Airline Analyst

Operating revenues continue to fall faster than operating costs



Source: IATA Economics using data from the Airline Analyst

- In Q2 2021, passenger revenues declined by 61% compared to the pre-crisis levels (Q2 2019). Robust cargo revenues continued to support airlines (up 46%) since both demand and yields remained strong. At the regional level, North American airlines showed the most resilient resilient passenger revenues (-48%). In terms of cargo revenues, Asia Pacific and Middle Eastern carriers performed better than the other regions.
- The fall in operating costs remained short of the decline in revenues. Operating expenses in our sample of airlines went down by 31% in 2Q21 compared with the pre-crisis levels, due to the volume-related decline in fuel costs, landing fees and user charges. The fall in labour cost was limited to 23%.

Industry-wide cash flow generation improved in Q2 2021

Airline Cash Flow¹

Number of airlines in sample	Regions	Q1 2021			Q2 2021		
		Net cash flow ²	Capex	Free cash flow	Net cash flow ²	Capex	Free cash flow
14	North America	12.1%	15.9%	-3.8%	39.9%	10.6%	29.3%
24	Asia-Pacific	-5.6%	10.6%	-16.3%	0.0%	8.4%	-8.5%
10	Europe	-46.1%	14.9%	-61.0%	11.2%	15.1%	-3.9%
5	Latin America	-34.8%	5.7%	-40.5%	-11.6%	7.2%	-18.8%
5	Others	-11.2%	9.4%	-20.6%	27.5%	11.6%	15.9%
58	Sample total	-9.1%	13.2%	-22.3%	20.3%	10.8%	9.5%

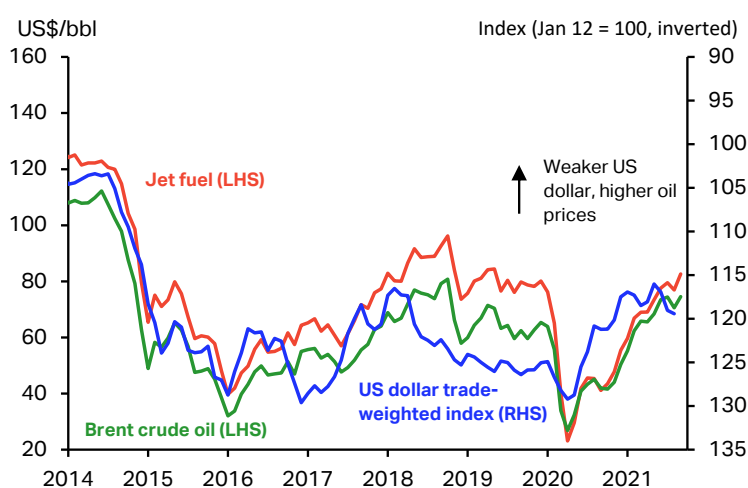
¹% of revenues

²From operating activities

Sources: The Airline Analyst, IATA

- In our larger sample of airline financials, the cash flow generation improved in Q2 2021. The industry-wide improvement was largely driven by North American airlines amidst the rebound in bookings for domestic travel. North American carriers at the aggregated level became positive both in operating and free cash flow generation. Operating cash flow of European carriers at the aggregated level also turned positive with the support of bookings for the summer travel.

Oil and jet fuel price ticked up in September



Sources: Platts, Refinitiv Eikon Datastream, as of September 29th

- Following the weakness in August, average Brent crude oil and jet fuel price picked up by 7% and 6%, respectively in September. Year-to-date, average jet fuel price hovers around US\$73/bbl, up 57% compared with 2020 but 8% below average 2019 price. Jet fuel crack spread remains well below the pre-crisis levels due to still subdued international air travel.
- The latest price increase can be largely attributed to rising optimism about fuel demand recovery. Oil supply remained stable in September as shortages resulting from Hurricane Ida in the US Gulf Coast were offset by rising output from Opec+ group.

IATA Economics

economics@iata.org

5th October 2021

Get the data

Access data related to this briefing through IATA's Monthly Statistics publication: www.iata.org/monthly-traffic-statistics

20-year passenger forecasts

To find out more about our long-term passenger forecasts, and to sign up, visit: www.iata.org/pax-forecast

IATA Economics Mobile App

100% free access to our analysis & briefing for iOS & Android devices. For more details or to download, see [here](#):

Terms and Conditions for the use of this IATA Economics Report and its contents can be found [here](#):

By using this IATA Economics Report and its contents in any manner, you agree that the IATA Economics Report Terms and Conditions apply to you and agree to abide by them. If you do not accept these Terms and Conditions, do not use this report. IATA Economics: www.iata.org/economics