

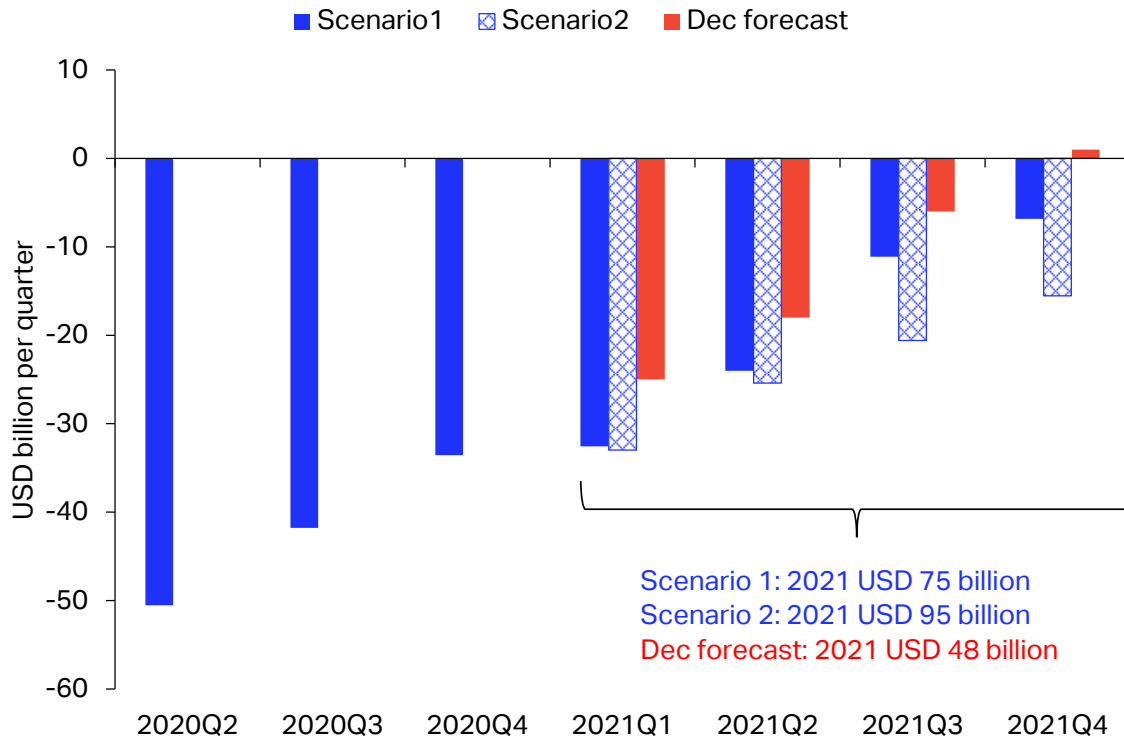


IATA Economics' Chart of the Week

26 February 2021

Cash burn now likely to continue through 2021

Global airline industry cash burn forecast, USD billion per quarter



Source: IATA Economics

- Cash burn is the key metric for airlines now; maintaining sufficient cash is the difference between survival or failure. Evidence on the efficacy of the vaccines and their rollout across populations is encouraging for a future rebound of passenger revenues, but that date is still a long way off for most airlines. Meantime, high rates of cash burn continue.
- There had been progress in reducing cash burn during 2020, despite the weakness of international travel. Our December forecasts predicted that the vaccines would allow a sufficiently strong rebound in passenger revenues in the second half of 2021 to stop cash burn by Q4. This now looks unlikely.
- The weakening of travel in Q1, due to the virus variants and the tightening of travel restrictions looks certain to interrupt the reduction of cash burn. [We see two possible scenarios](#) for the second half when vaccination has reached significant levels in the developed economies. Scenario 1 assumes travel restrictions are lowered, following the vaccination of the healthcare and vulnerable populations, leading to a sharp rise in travel – at a similar pace to our December forecast. Due to the weaker start to 2021, we estimate this means airlines would burn through a total of USD75 billion this year (versus USD 48 billion in December). But there is uncertainty about how quickly governments will be prepared to lower international travel restrictions. With a slower market opening cash burn this year could be as high as USD 95 billion. Many airlines will need to raise more cash.

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IATA Economics
economics@iata.org