IATA Economics’ Chart of the Week

Cash burn now likely to continue through 2021

- 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.

Source: IATA Economics

Scenario 1: 2021 USD 75 billion
Scenario 2: 2021 USD 95 billion
Dec forecast: 2021 USD 48 billion

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