

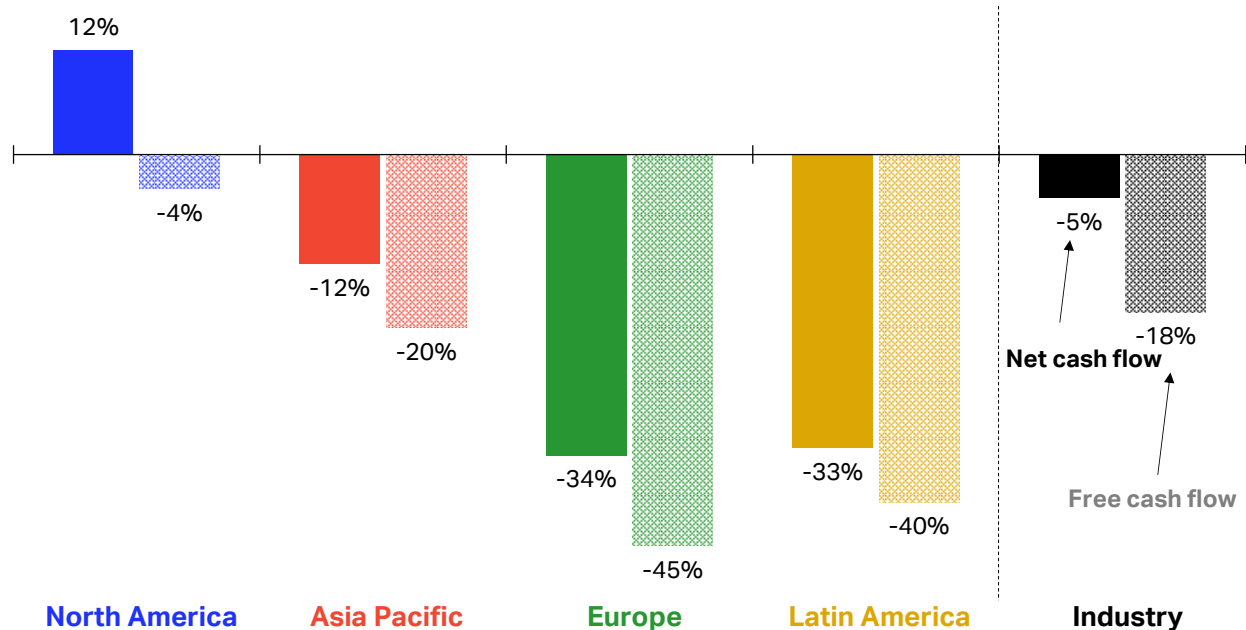


IATA Economics' Chart of the Week

04 June 2021

Cash flow generation varies by region

Net cash flow from operating activities (darker colour) and free cash flow (lighter colour) in Q1 2021*, % of revenues



Source: IATA Economics using data from the Airline Analyst

*sample of 26 airlines

- In our latest [Airlines Financial Monitor](#) we showed that the airline industry posted Q1 net losses similar to those in Q4 as the global resurgence of COVID-19 halted air travel recovery in early-2021 and fuel costs increased. On a more positive note, rate of cash burn slowed over the same period. Based on the initial financial results, industry-wide Q1 net cash outflow from operating activities was at ~5% revenues and free cash outflow at 18% of revenues – robust improvement on -37% (NCF) and -52% (FCF) results in Q4.
- The chart above shows that although cash burn continued amongst regions we track, there were significant differences across airlines. North American carriers were the key outperformers, posting positive net cash flow from operating activities for the first time since the crisis started. The improvement stemmed from a rebound in US domestic bookings in March as vaccination rate accelerated. Nth.Am airlines' free cash flow remained negative at -4% of revenues in Q1, but was the most resilient amongst regions. Asia Pacific carriers in our sample reported the second best performance although their cash burn increased vs. Q4 due to a temporary weakness in China domestic traffic in January and February. European and Latin American airlines continued to burn cash at a high rate in Q1 since new virus waves kept traffic volumes low throughout the quarter.
- Looking forward, financial performance will vary across regions. Airlines with large share of domestic traffic, which is expected to recover first. For now, the outlook is the most positive for North American carriers – some of which should stop burning cash in Q2 and reach profitability in H2 should the US domestic bookings momentum continue over the summer.

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