COVID-19

Challenging outlook for airlines, despite vaccine progress

Brian Pearce

Chief Economist

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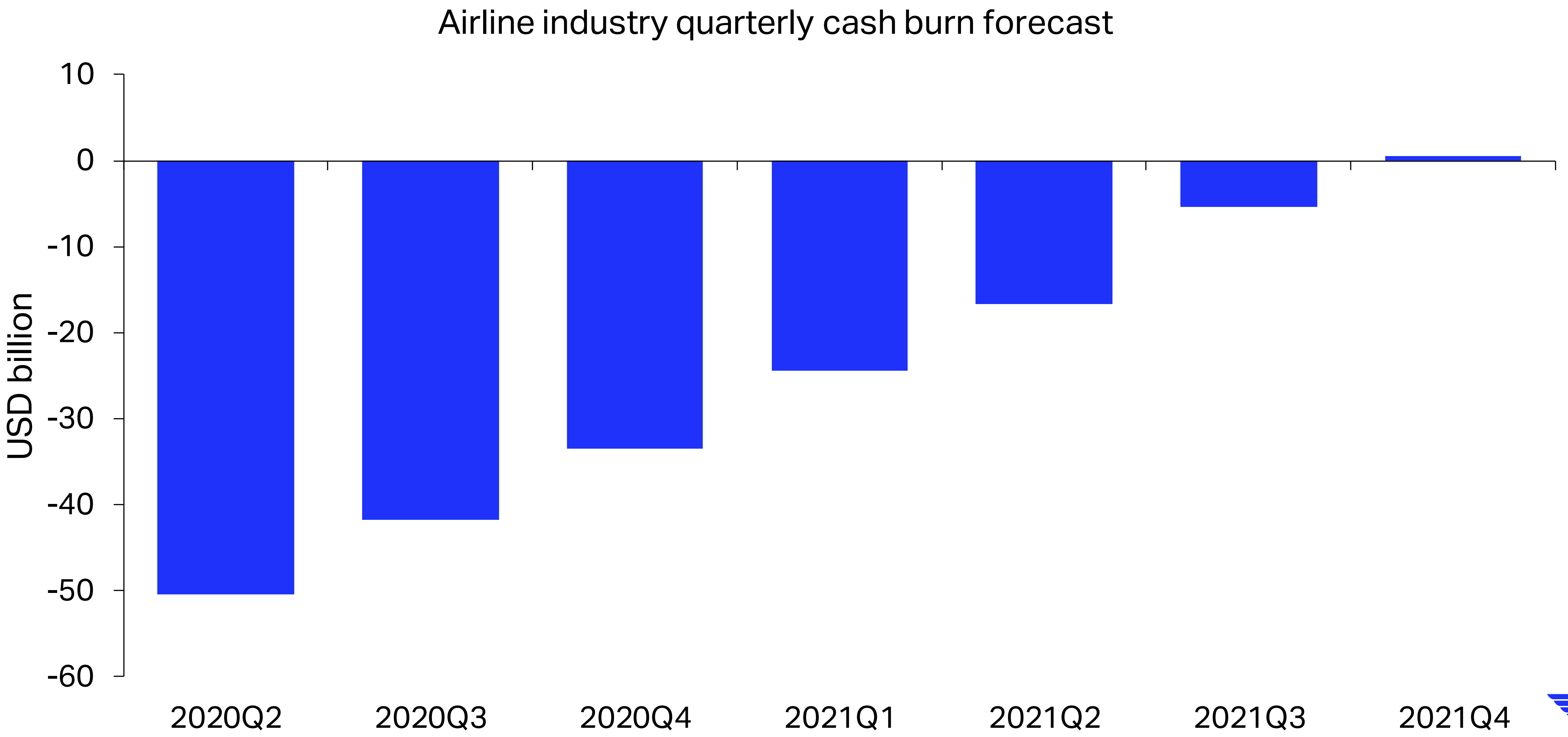
Transition from cash burn to cash generation in sight

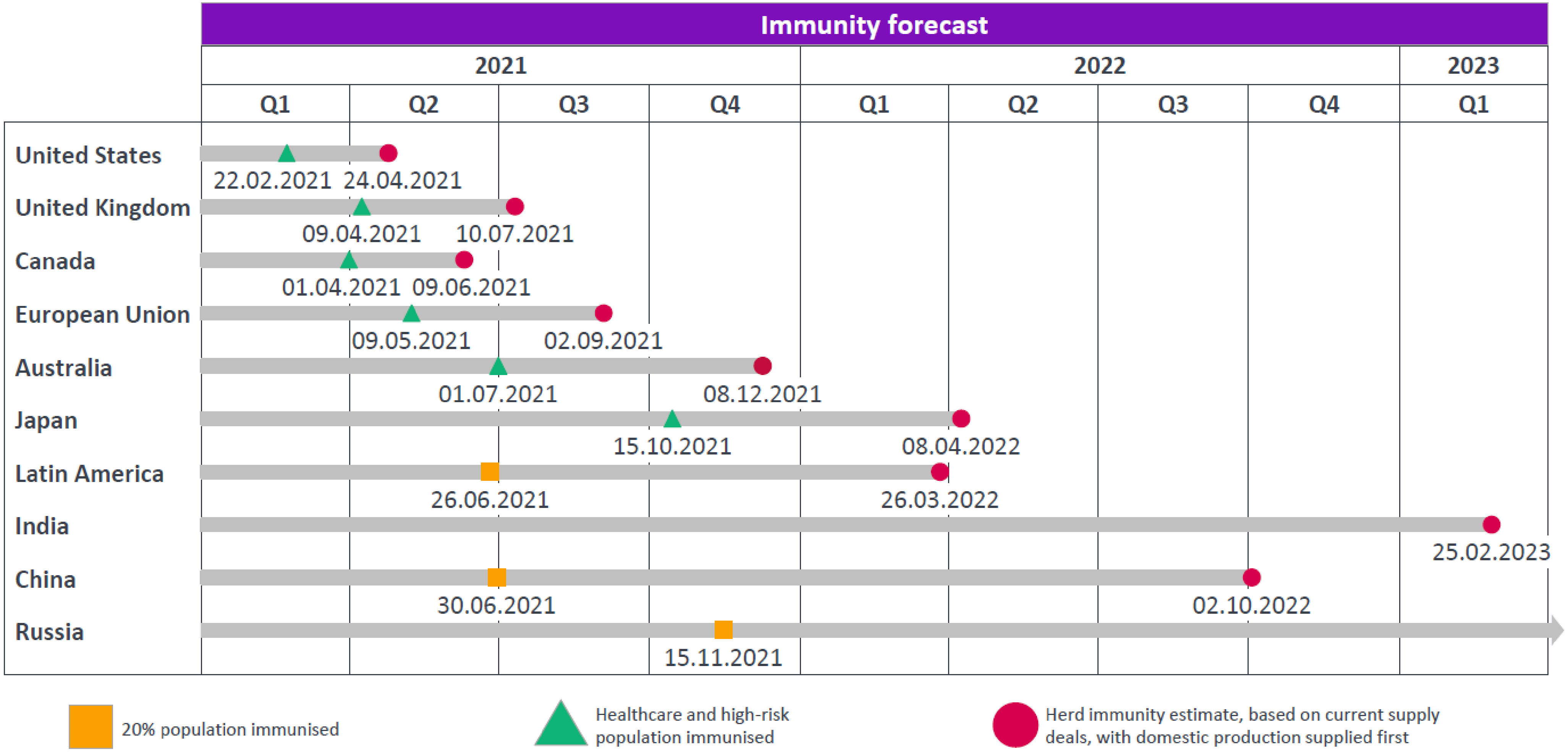
Vaccine boost to cash flows likely in H2 2021 but challenging first half



Source: IATA Economics

Vaccines transform outlook but pace varies by market

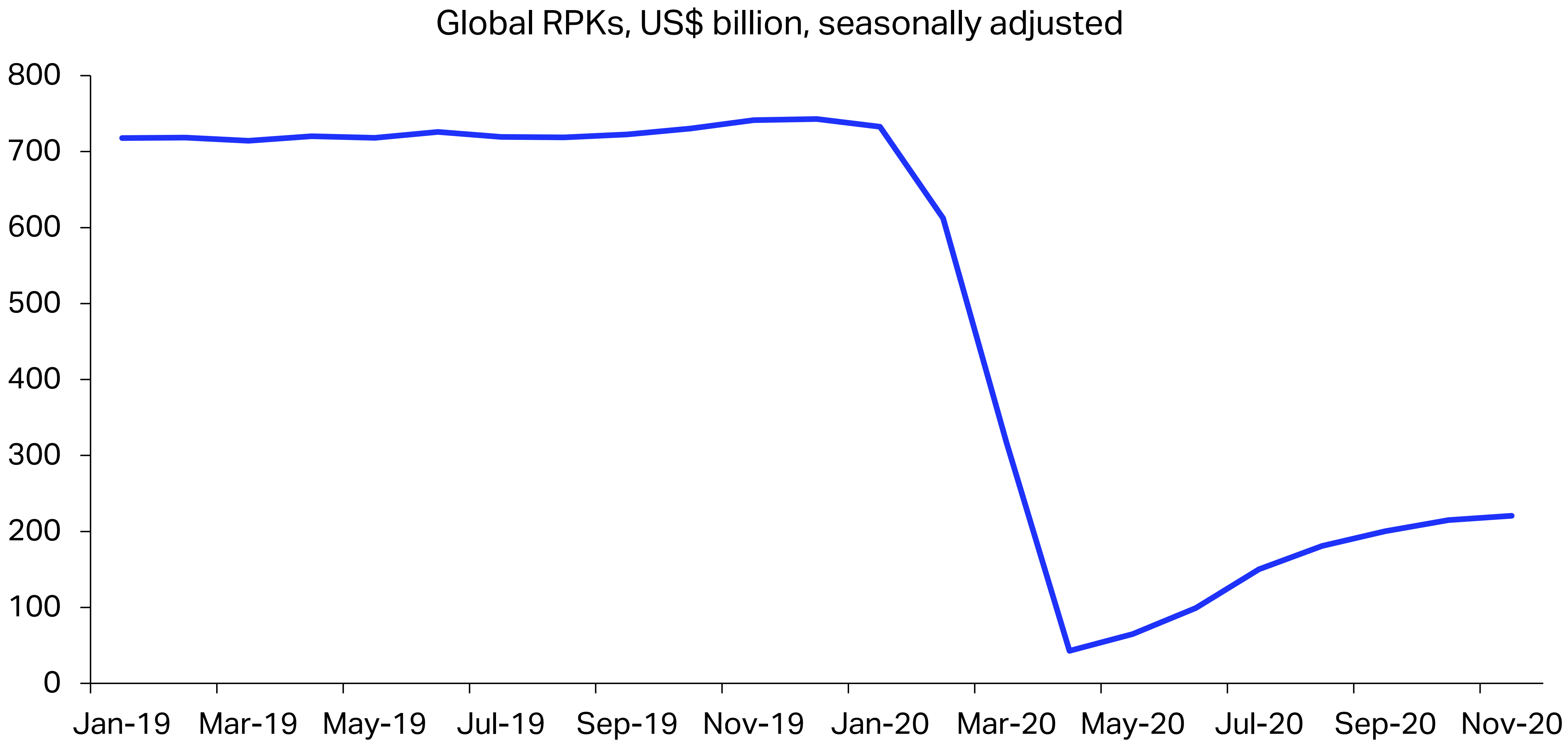
Developed markets much stronger 2021H2 but slower elsewhere



Source: Airfinity research shown at 8 Dec IFPMA conference https://www.ifpma.org/resource-centre/slides-airfinity-5th-global-biopharma-ceo-top-execs-virtual-press-briefing-covid-19-8-december-2020/

And global air travel in 2021 starts from very low base

Global RPKs slowed after summer rise almost to a complete stop



Source: IATA Economics using data from IATA Statistics

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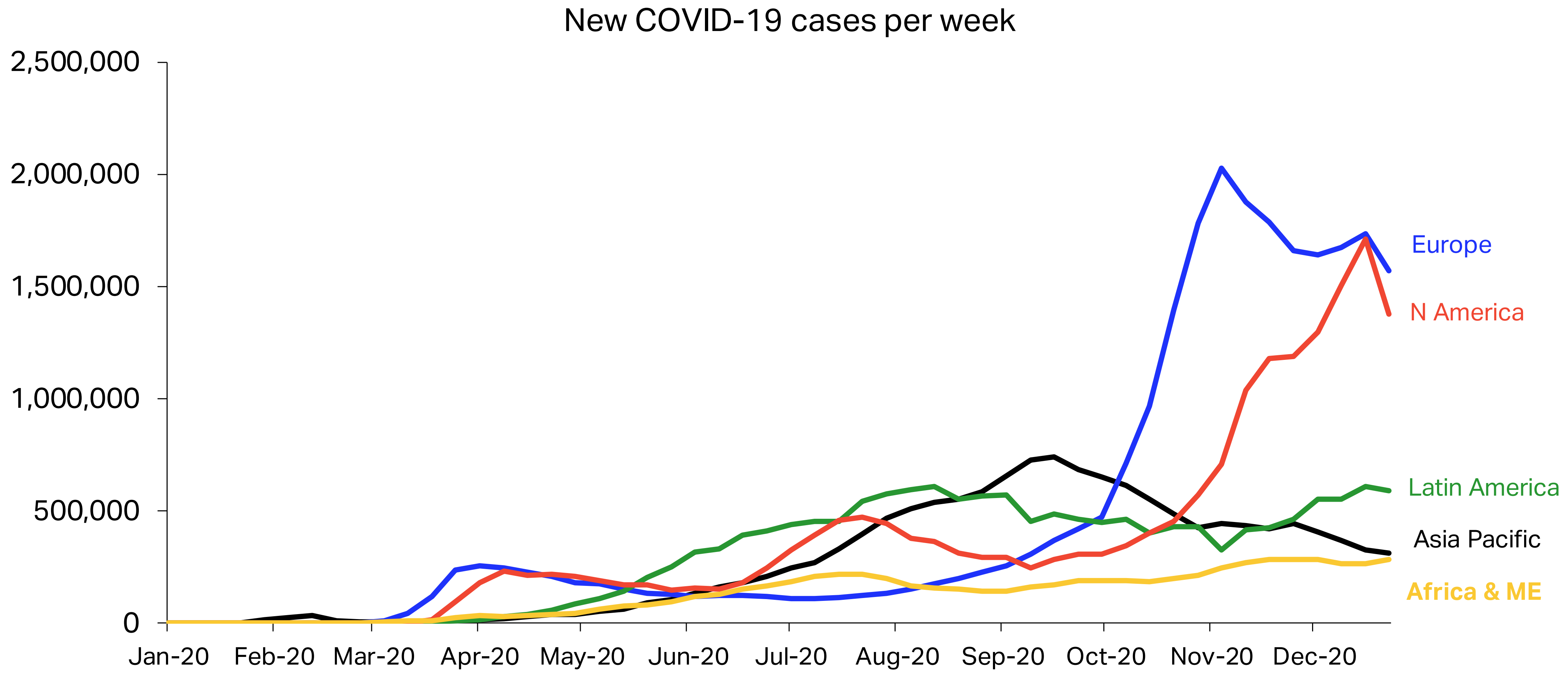
2nd and 3rd waves of COVID19 hit Europe and N America

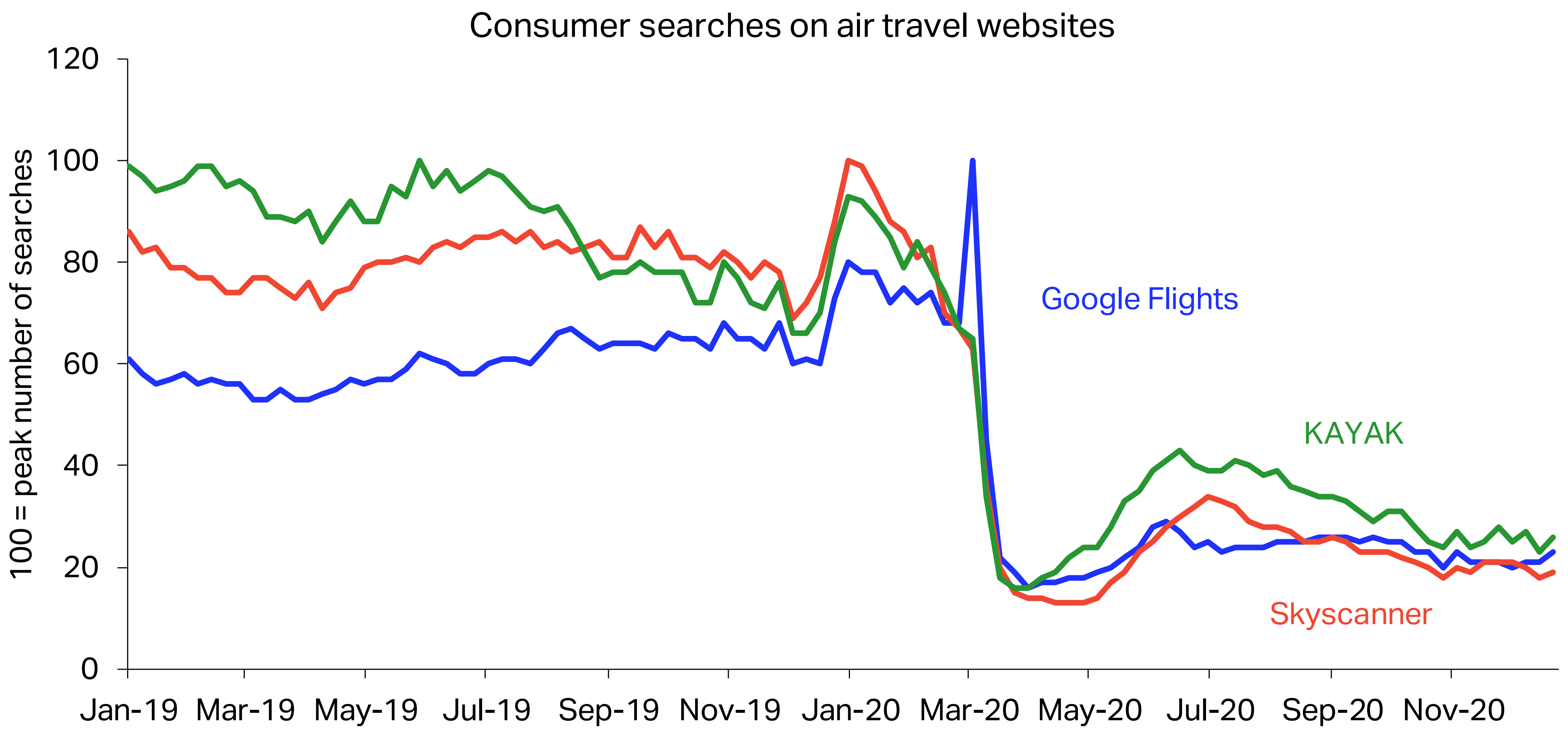
Summer travel recovery halted as travel restrictions reimposed



Source: IATA Economics using data from IATA Statistics

Travel website searches show limited revival so far

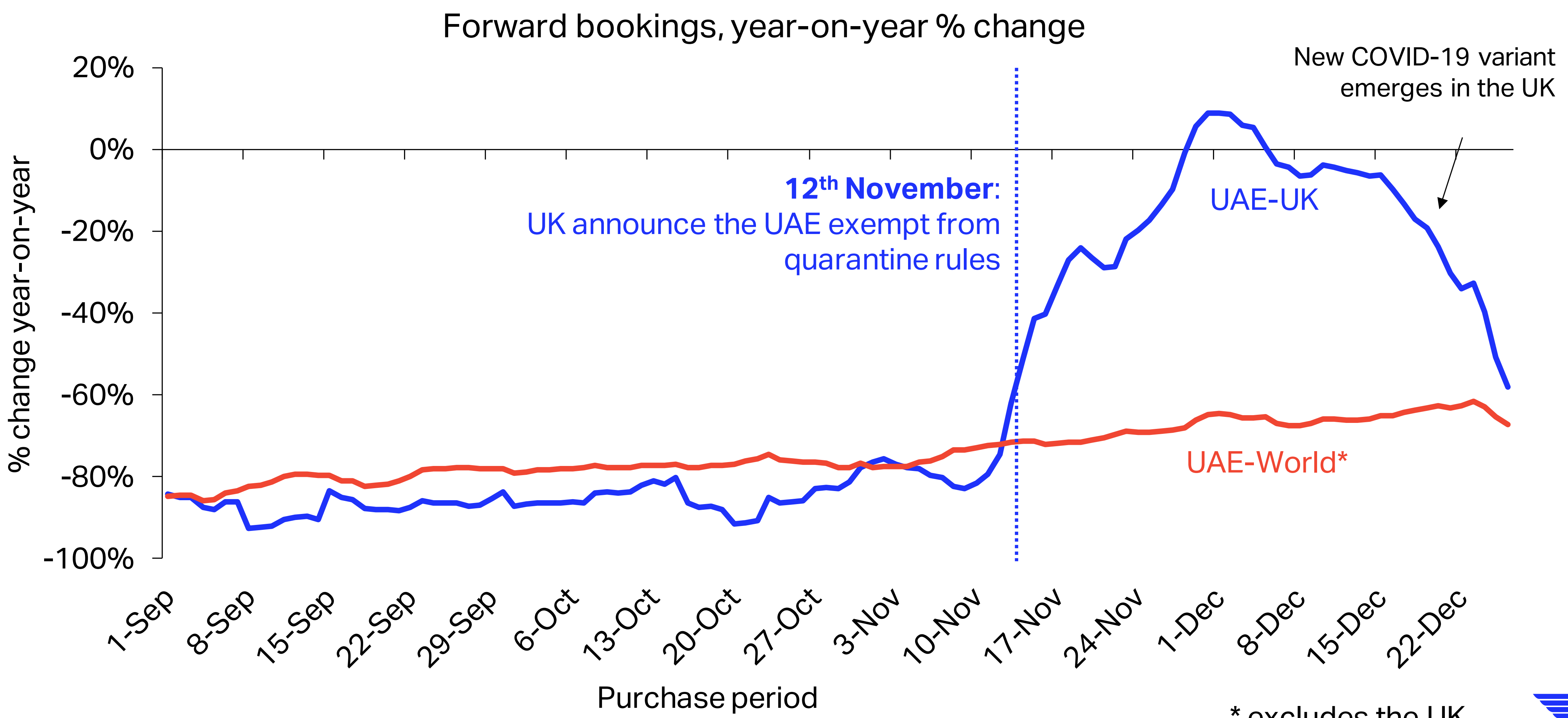
Despite encouraging vaccine news, consumers are cautious



Source: IATA Economics using data from Google trends, worldwide search

But we know that there is substantial pent-up demand

Whenever travel restrictions are eased leisure/VFR demand surges

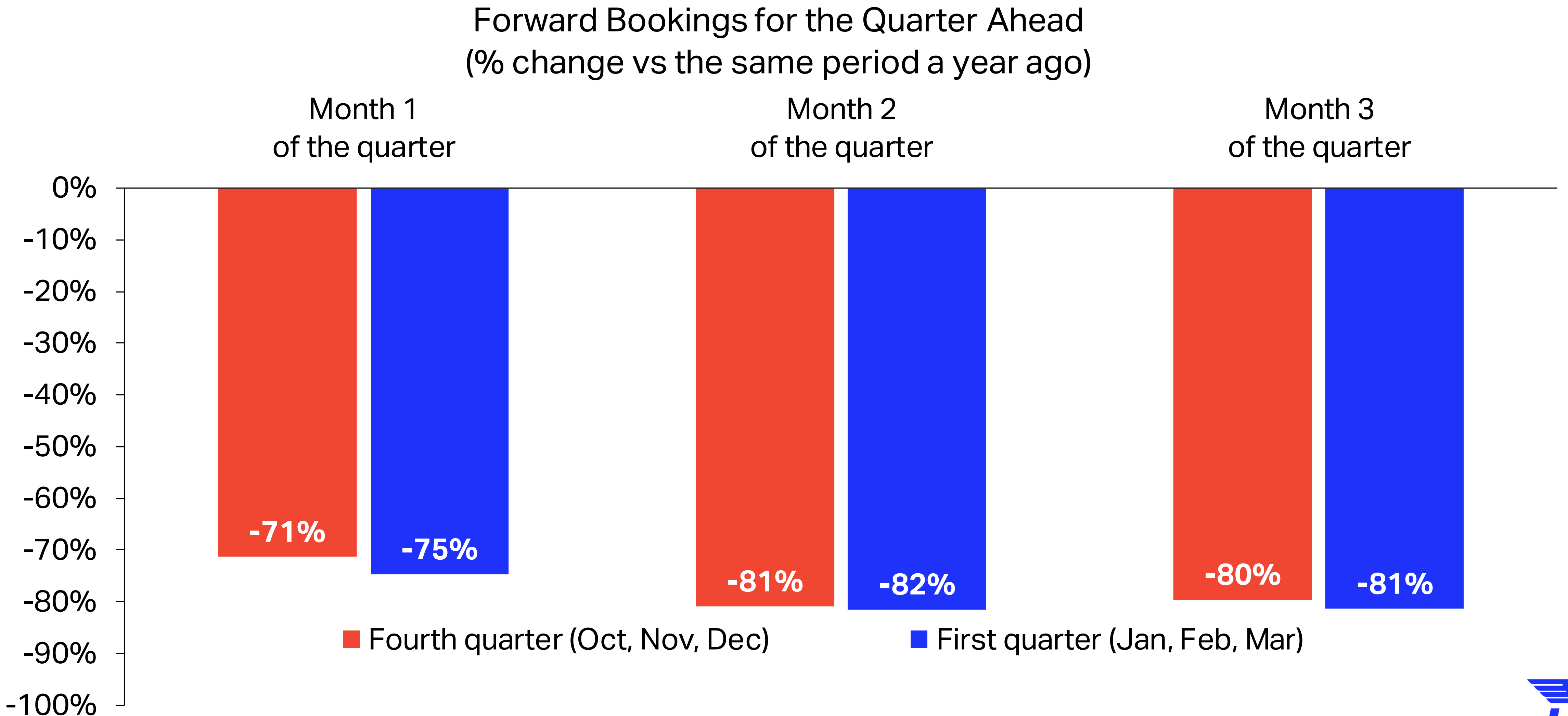


* excludes the UK

Source: IATA Economics using data from DDS

Bookings indicate a weak Q1, before any vaccine boost

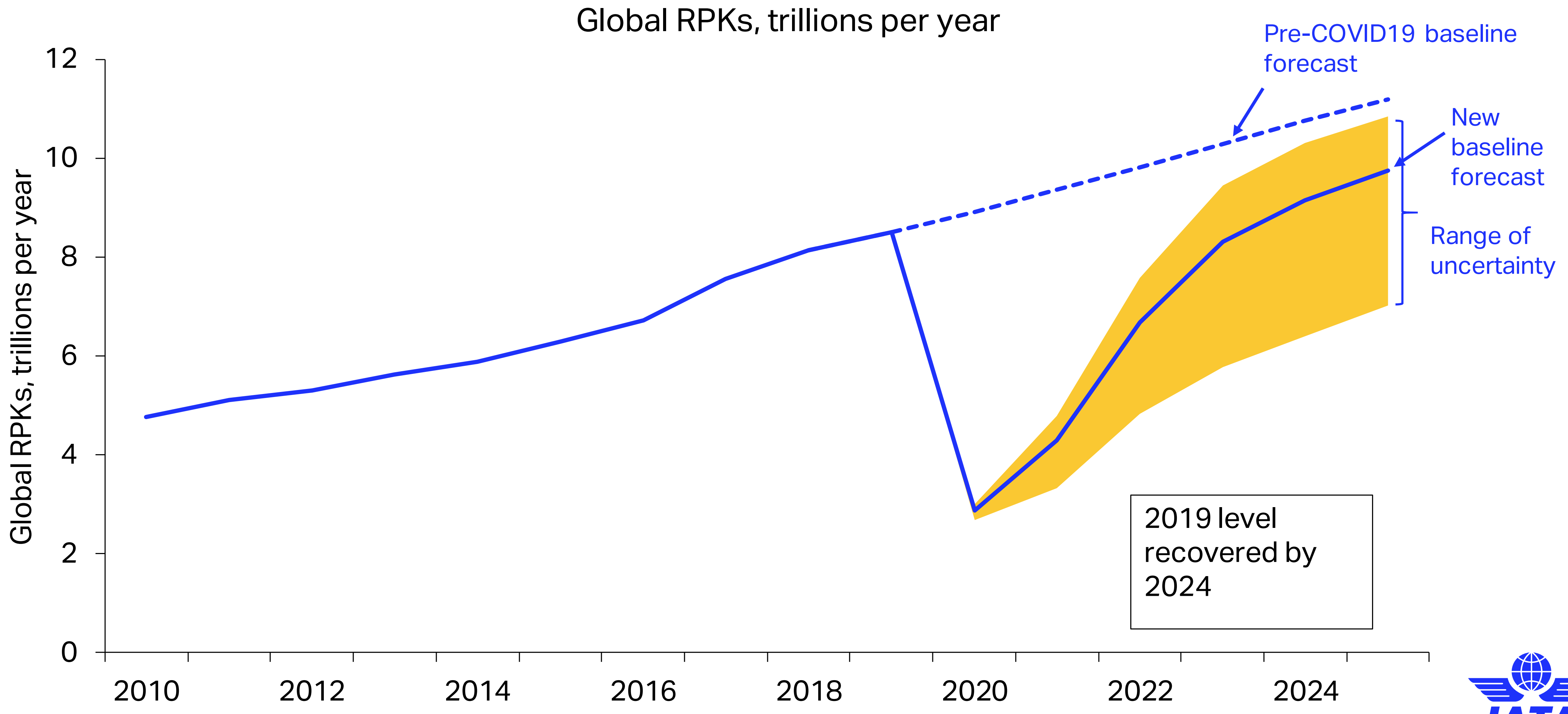
Forward bookings down more than 80% year-on-year in February/March



Source: IATA Economics using data from DDS

Strong 2021H2 but weak start depresses 2021 average

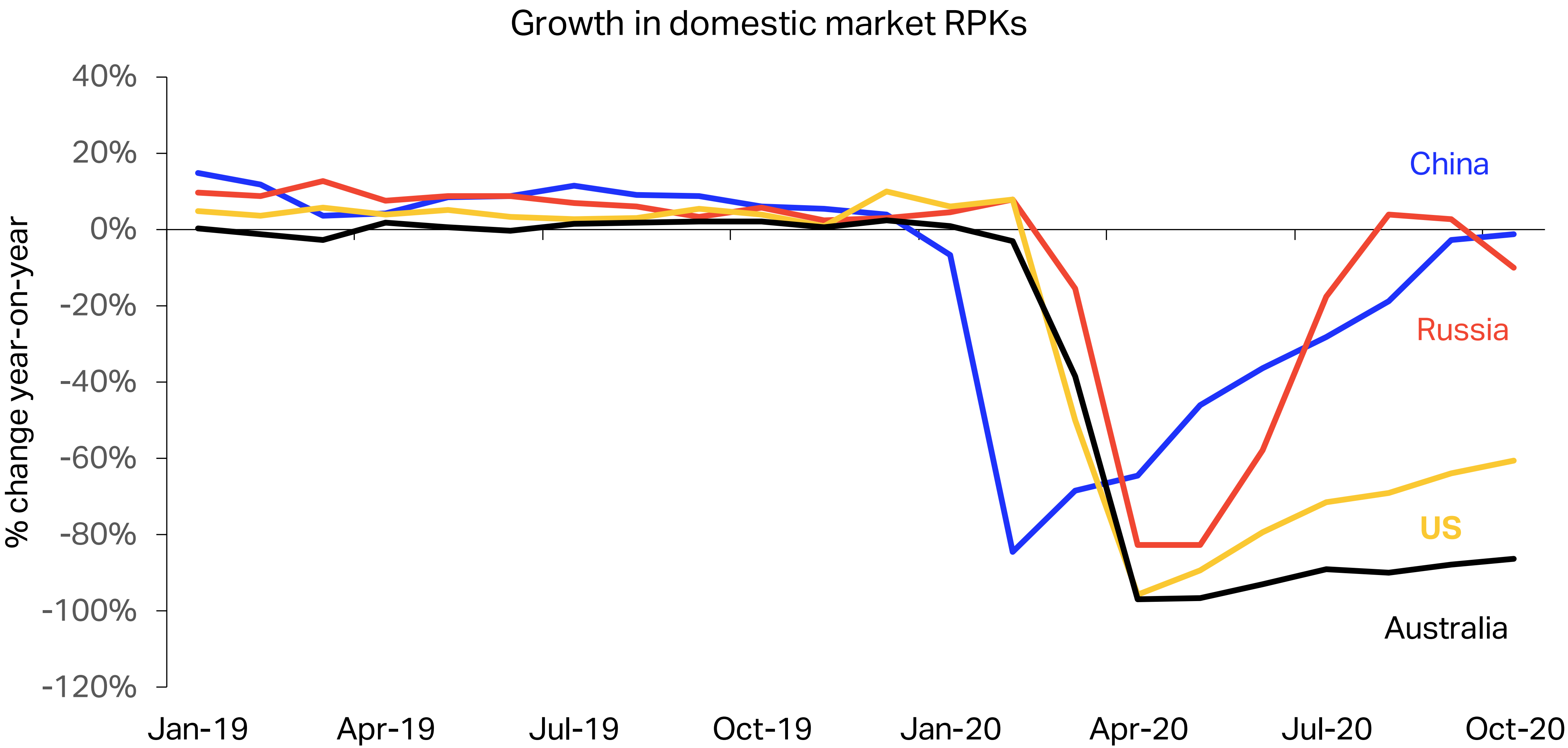
We expect 2021 RPKs to reach 50% of 2019 levels but end-year stronger



Source: IATA/Tourism Economics ‘Air Passenger Forecasts’ October 2020

Some with large domestic markets already cash positive

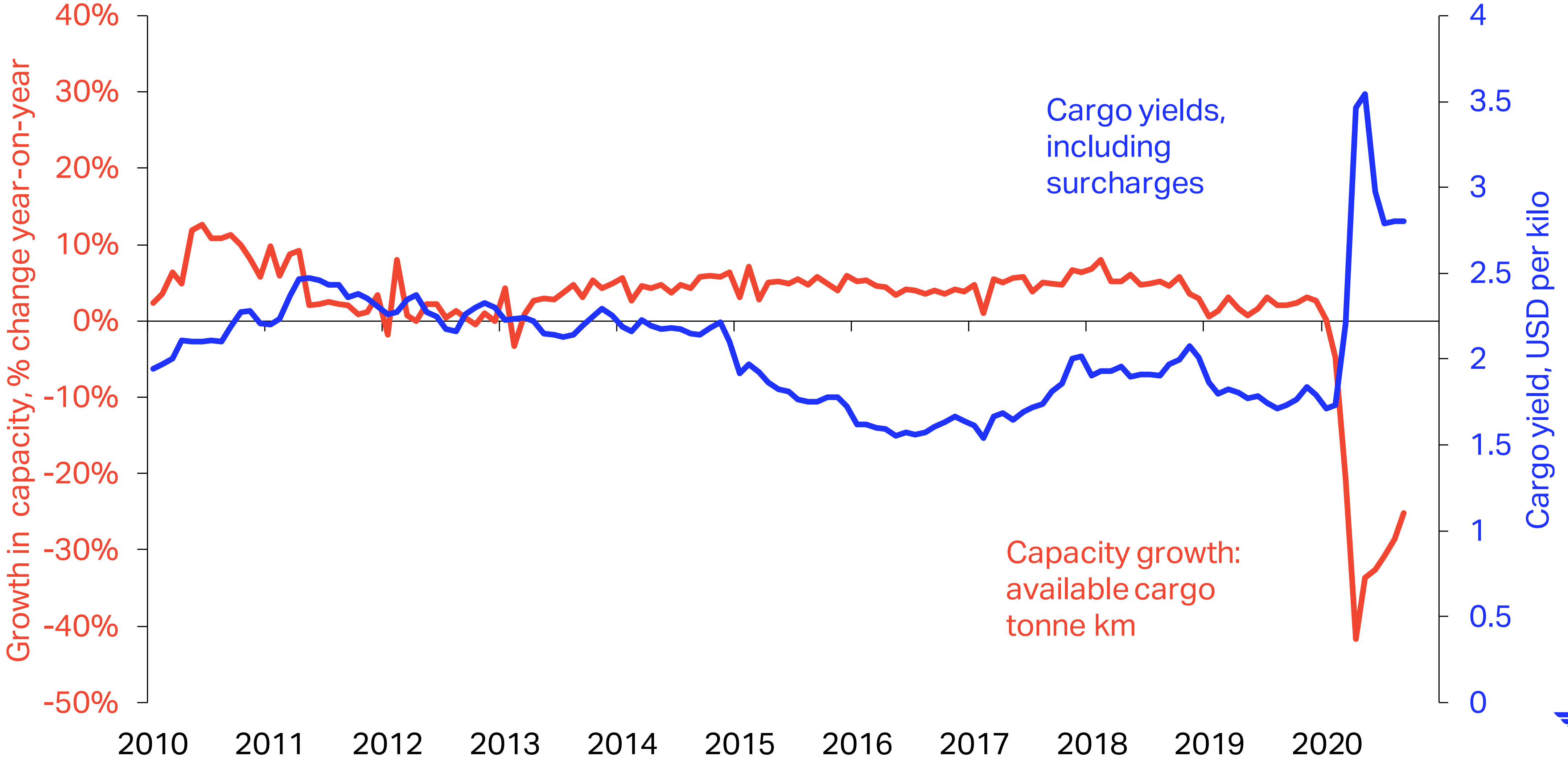
China domestic market has fully recovered but other markets lagging



Source: IATA Economics using data from IATA Statistics

And strength in air cargo looks set to continue in 2021

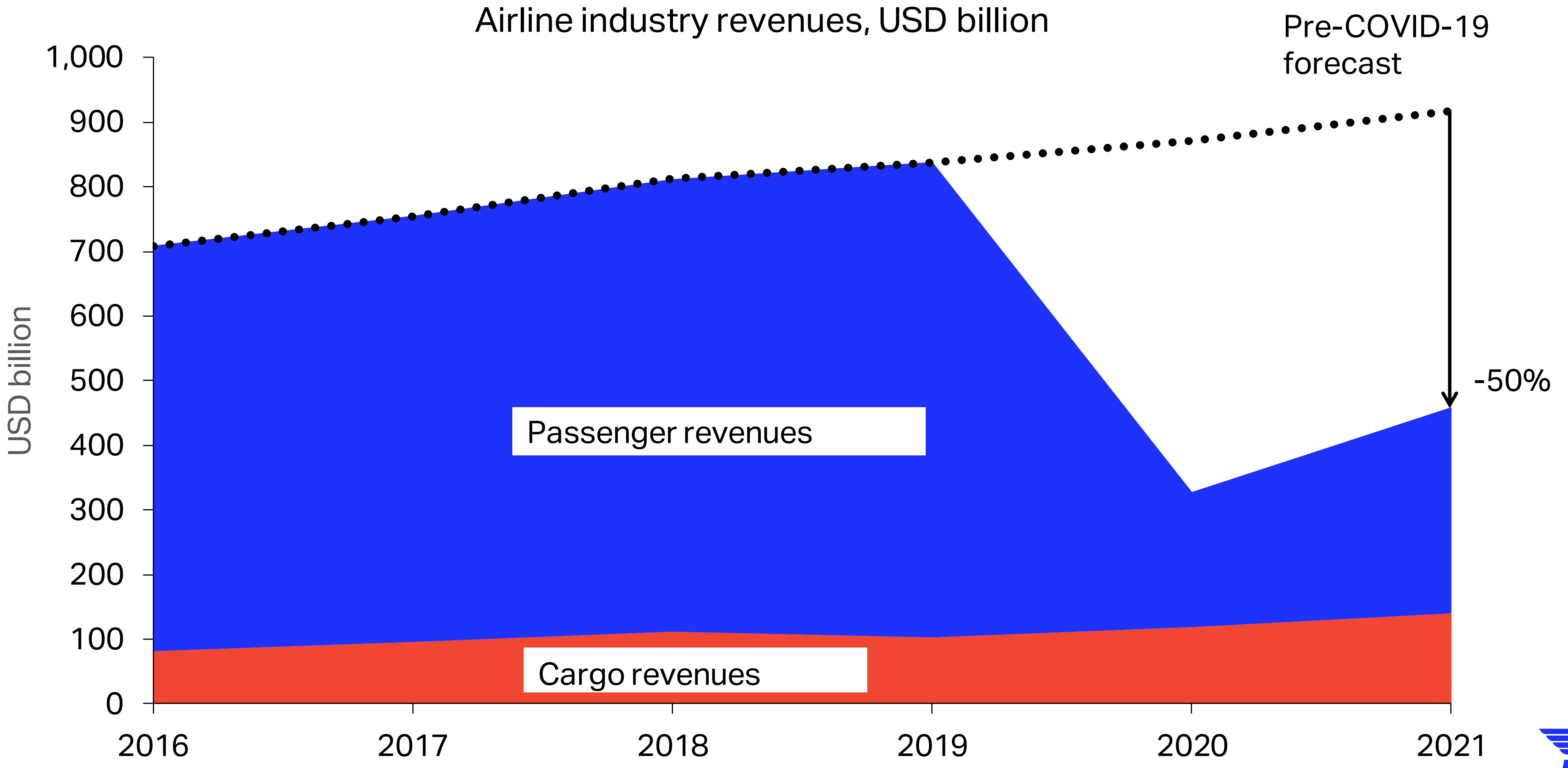
A shortage of capacity has led to strong cargo yields and revenues



Source: IATA Economics using data from IATA Statistics

Strong cargo will not offset passenger revenue collapse

Despite vaccine-driven traffic recovery ongoing need to shrink costs

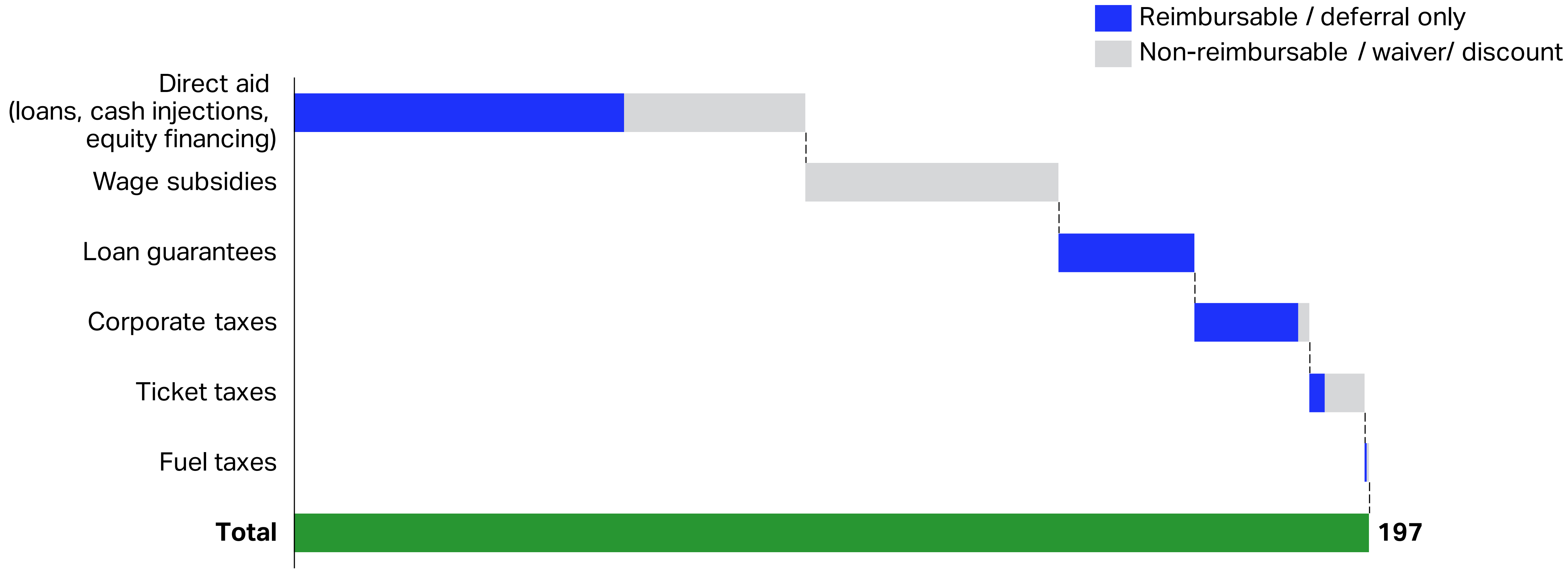


Source: IATA Economics

Government aid of $197 billion (mostly) filled cash hole

Few airline failures but majority of aid in form of debt

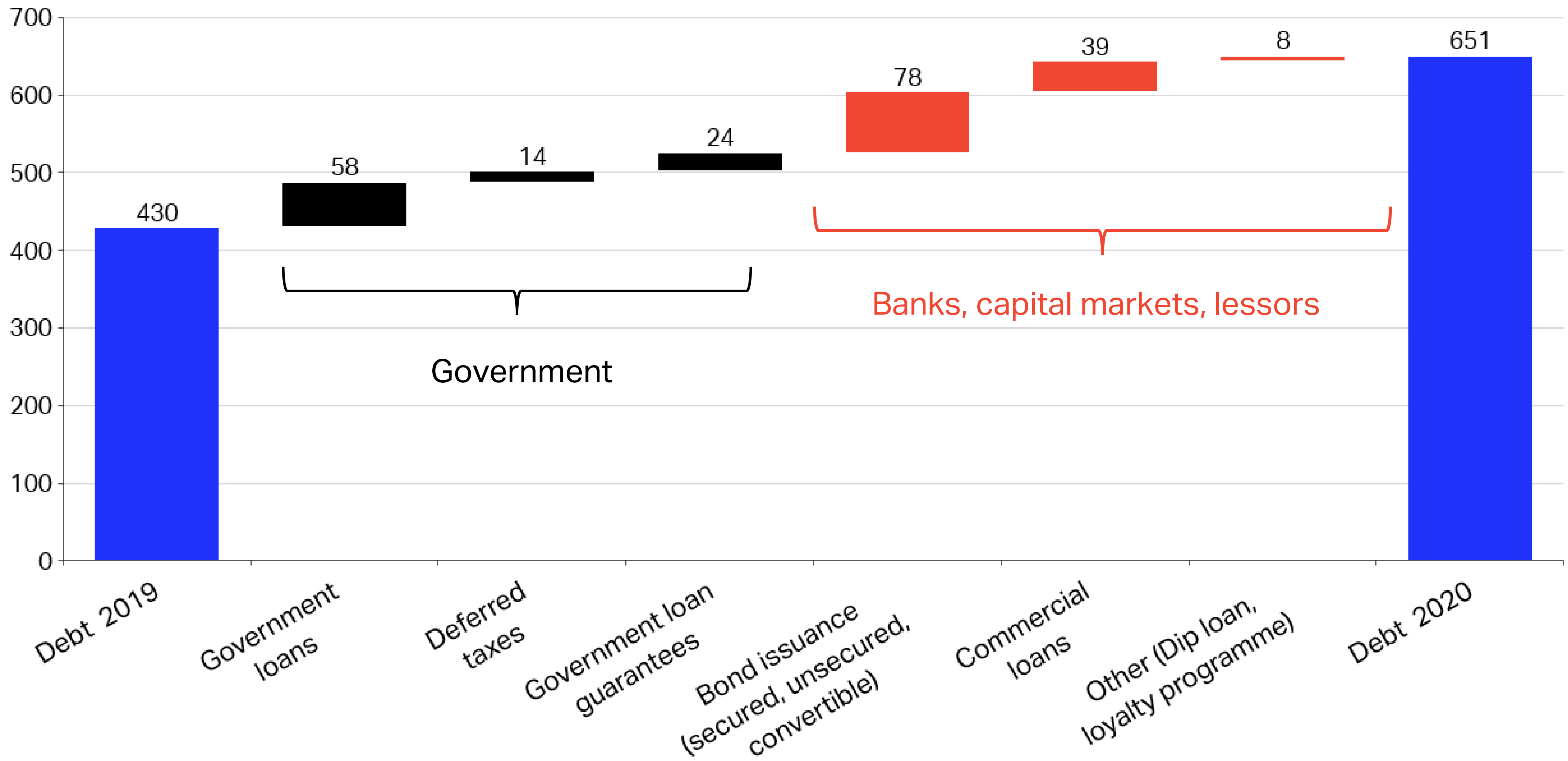
Government aid made available to airlines due to COVID-19, by type (USD bn)



Source: IATA Economics analysis using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports

The challenge after survival will be to reduce debt

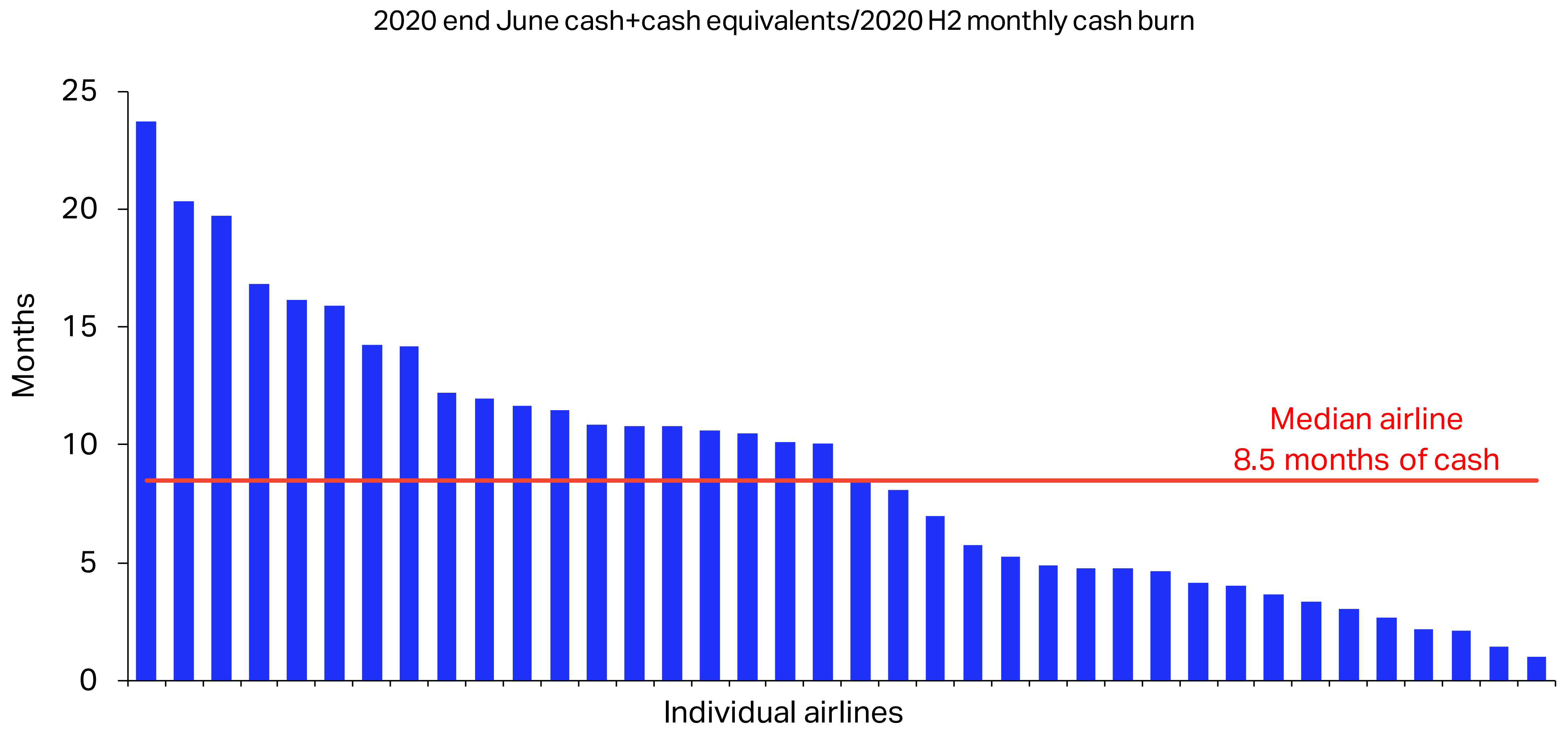
Survival has come at cost of large and unsustainable rise in debt



Source: IATA Economics using data from own estimates of Government aid, private debt estimates from Airfinance Journal, November 2020. Debt includes adjustment for operating leases.

Major airlines have substantial cash, but others may not

For some airlines cash may run out before vaccine boost to cash in H2



Source: IATA Economics using data from the Airline Analyst

Contacts

economics@iata.org

www.iata.org/economics