

COVID-19

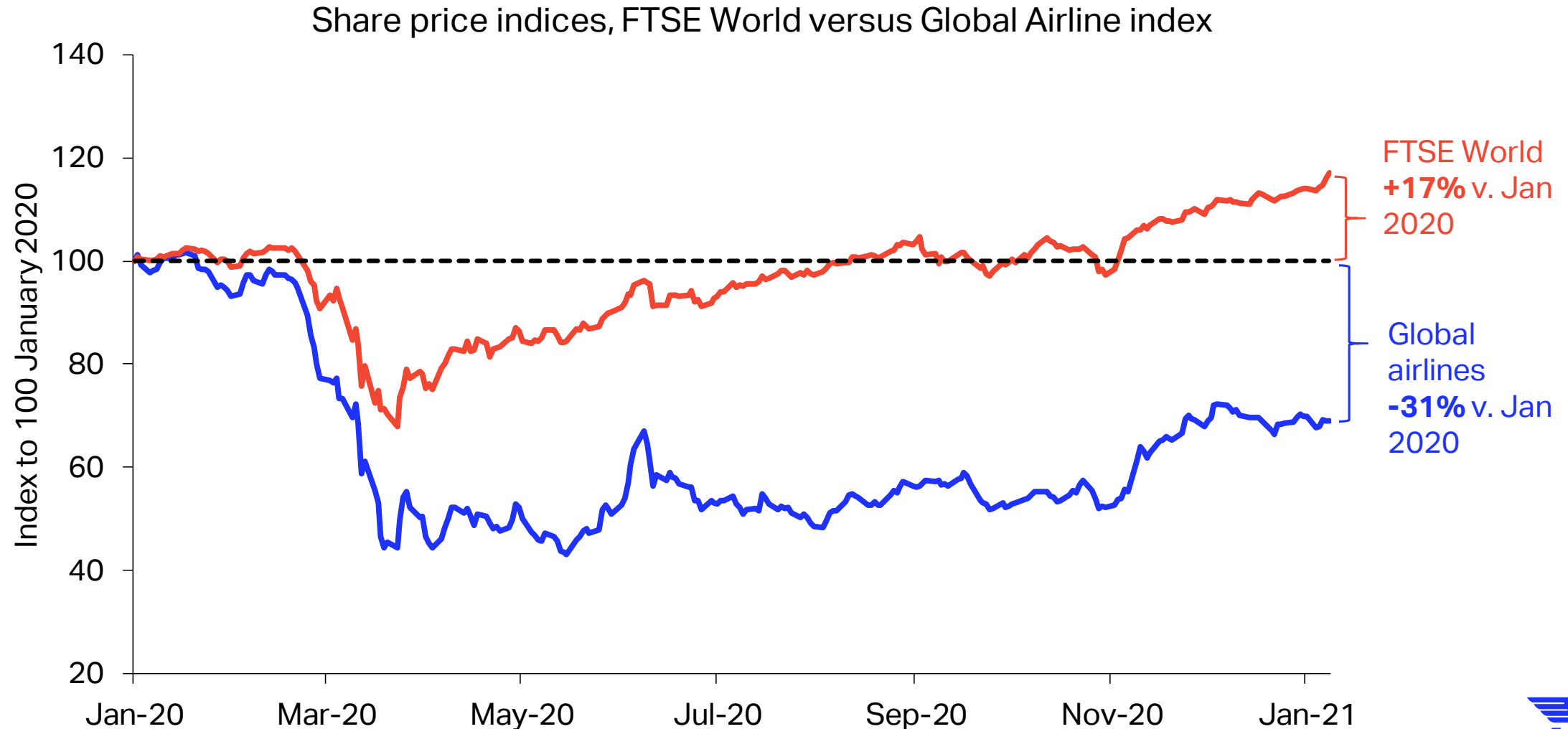
Challenging outlook for airlines, despite vaccine progress

17th February 2021



Financial markets reveal continuing crisis for airlines

Pandemic is over for world equity markets, but airline shares 31% down

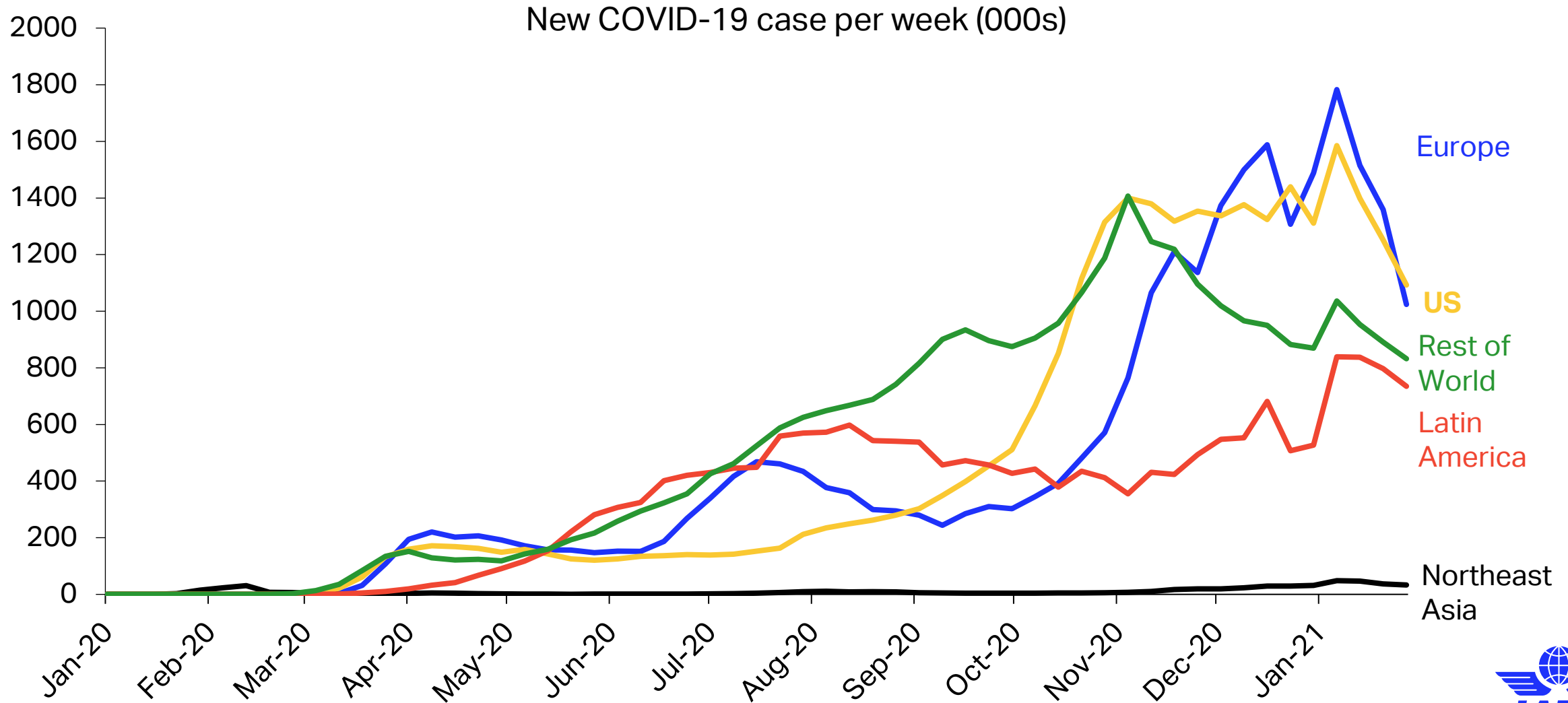


Source: IATA Economics using data from Refinitiv Eikon



New COVID-19 cases remain high in most regions

New variants have meant virus control much harder than expected



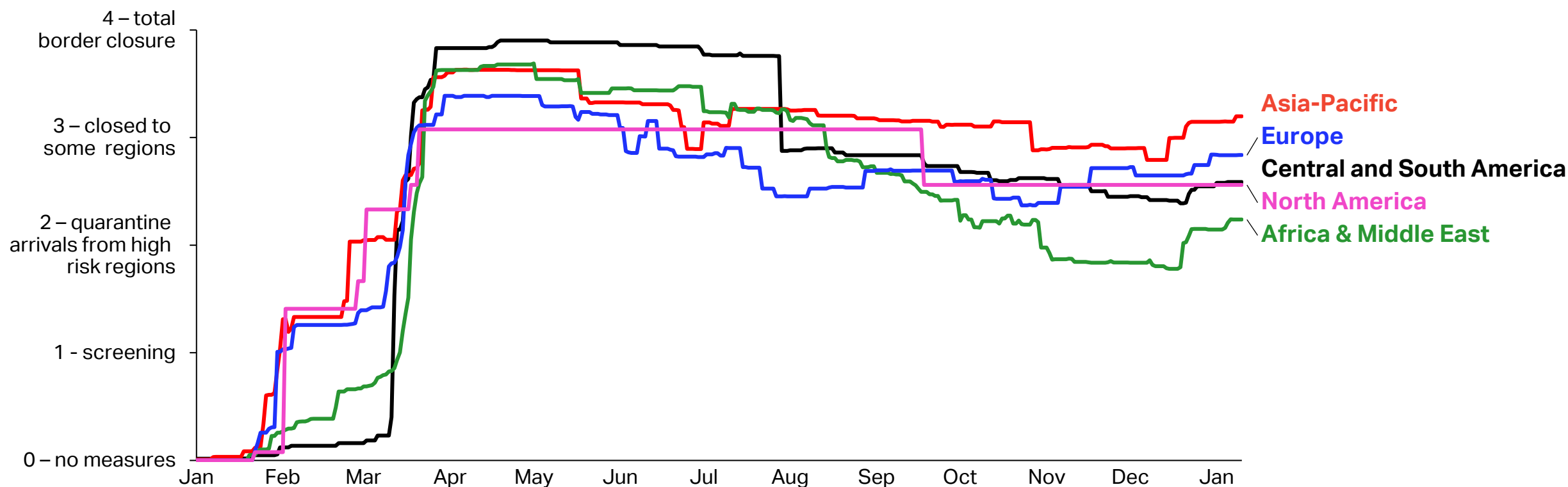
Source: IATA Economics using data from European Centre for Disease Control



Causing renewed travel restrictions in all regions

Asia remains most stringent but travel barriers rising in all regions

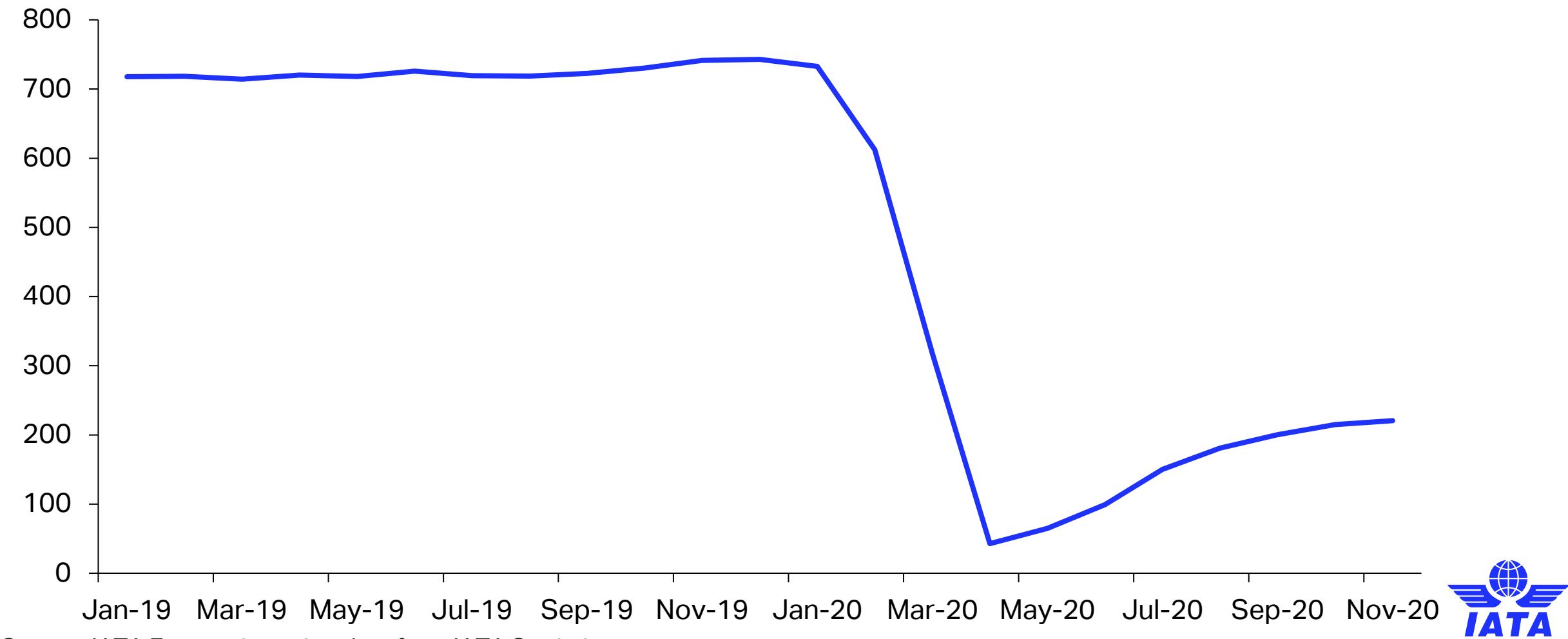
International travel stringency index weighted by population (Jan 2020-Jan 2021)



Global air travel in 2021 starts from very weak point

Global RPKs slowed after summer rise almost to a complete stop

Global RPKs, US\$ billion, seasonally adjusted

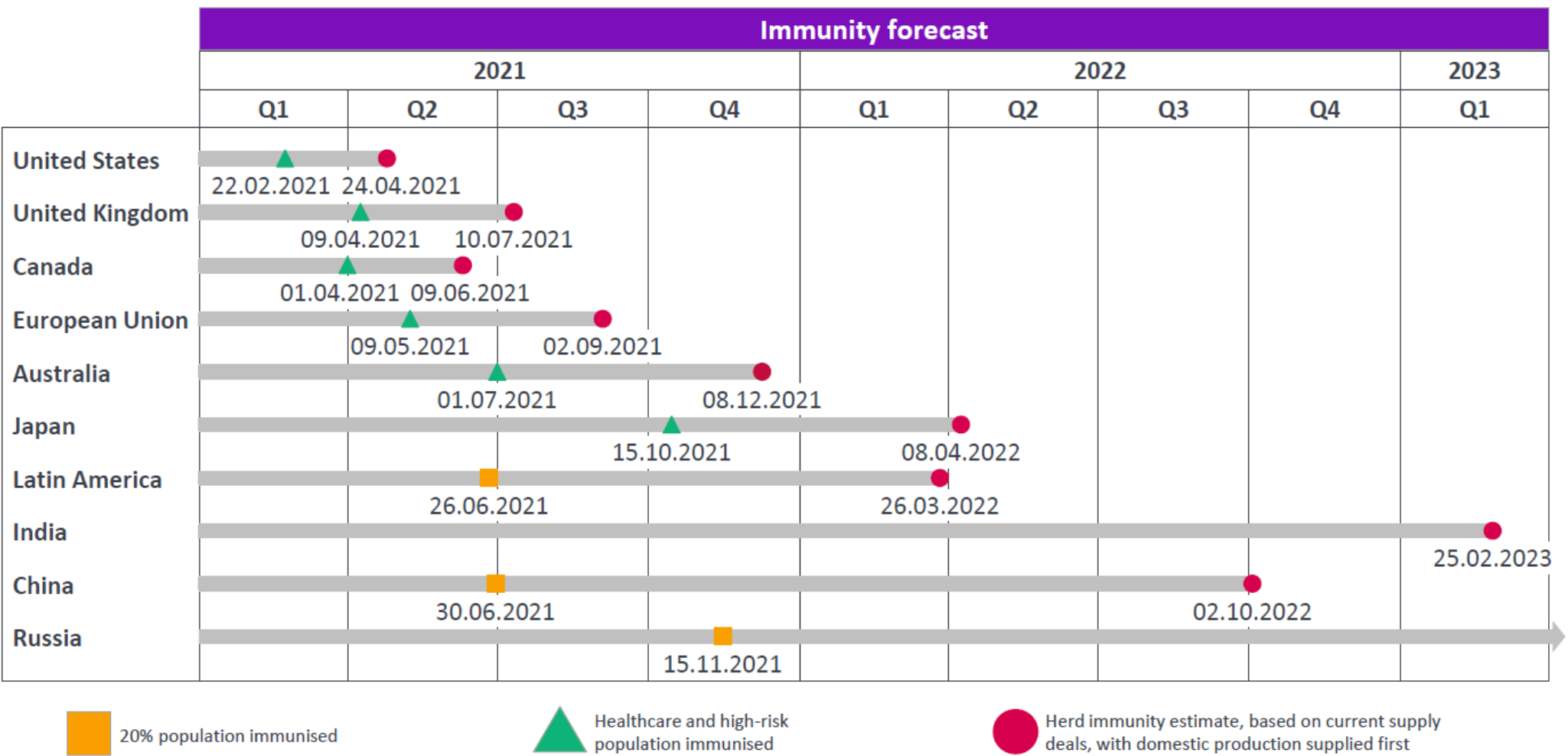


Source: IATA Economics using data from IATA Statistics



'Pre-variant' herd immunity projections looked promising

Reduction in travel restrictions will depend on efficacy against variants

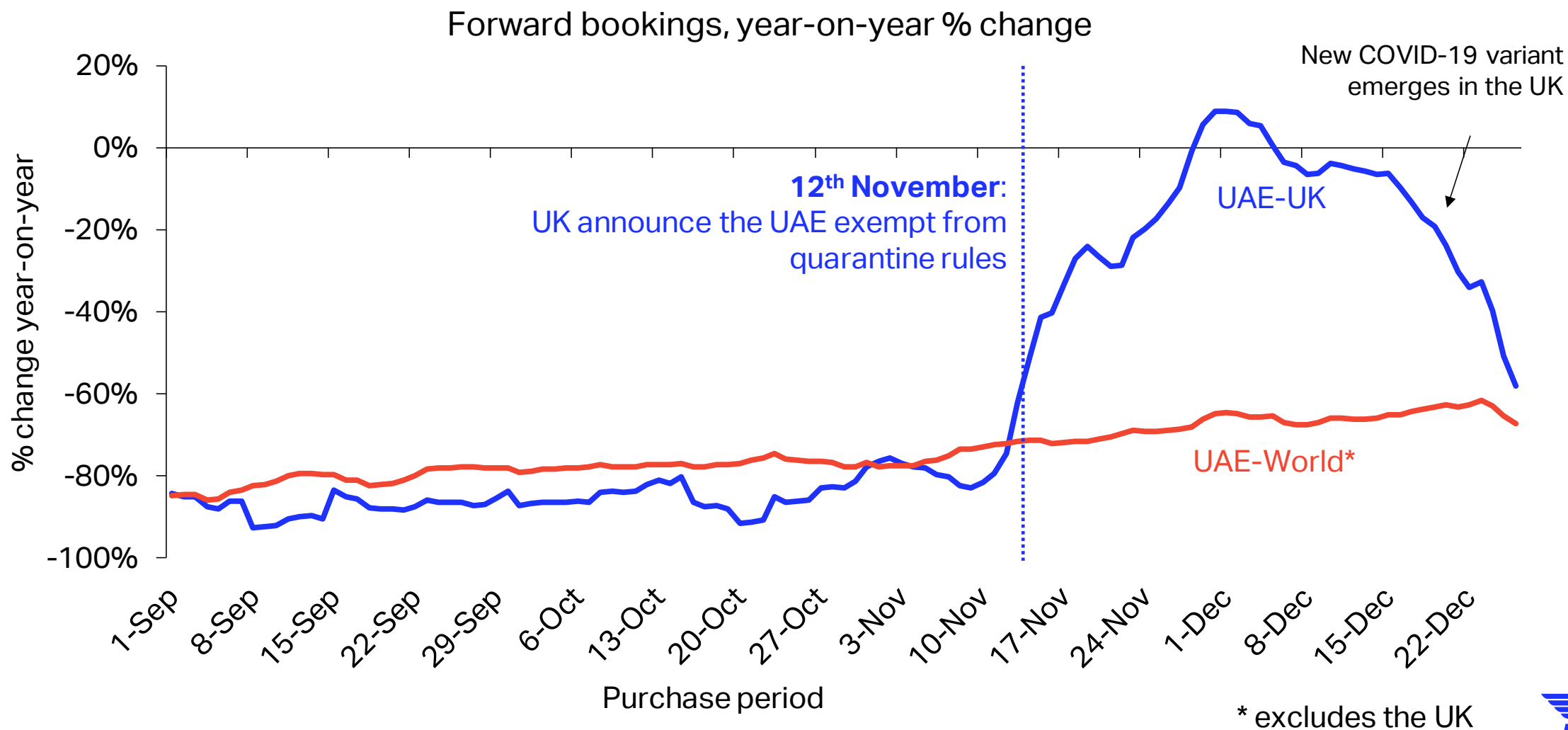


Source: Airfinity research shown at 8 Dec IFPMA conference <https://www.ifpma.org/resource-centre/slides-airfinity-5th-global-biopharma-ceo-top-execs-virtual-press-briefing-covid-19-8-december-2020/>



We know that there is substantial pent-up demand

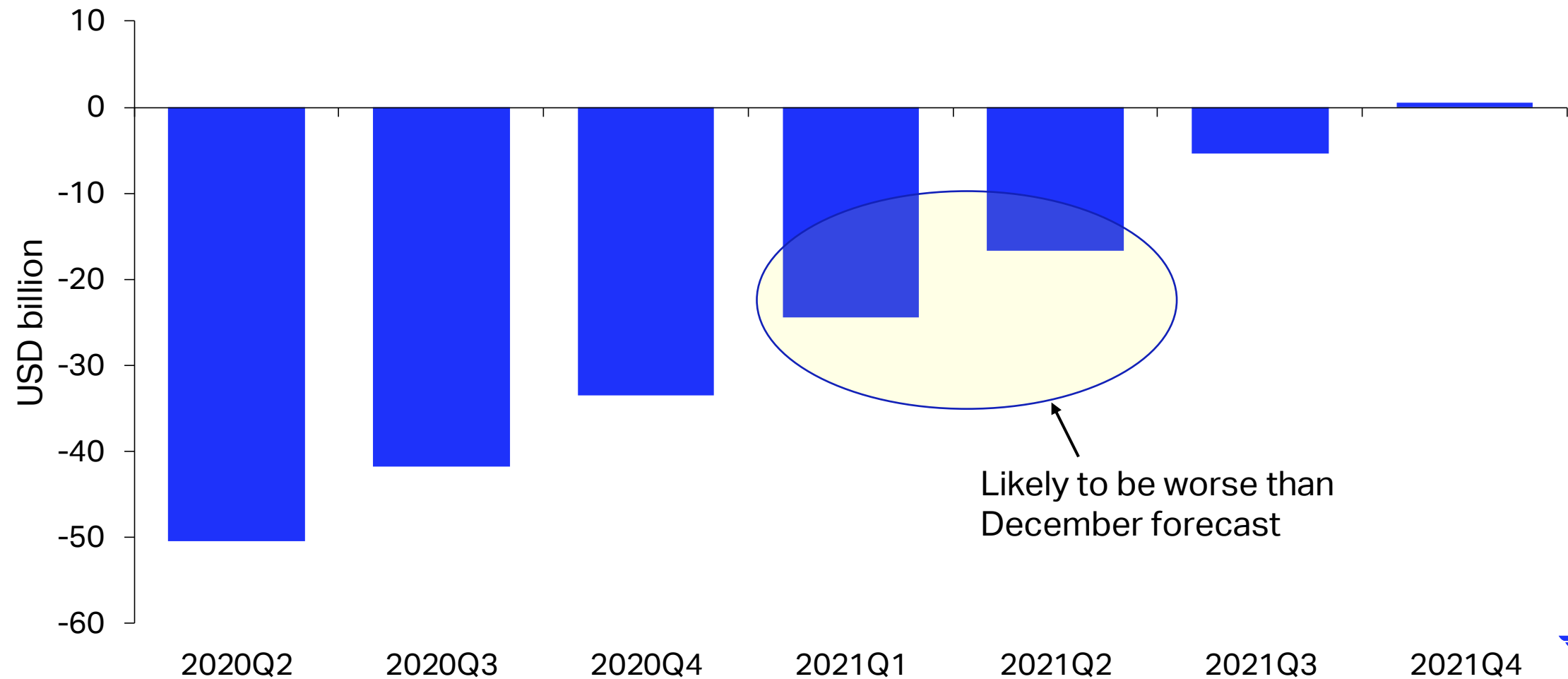
Whenever travel restrictions are eased leisure/VFR demand surges



Change from cash burn to generation in sight but distant

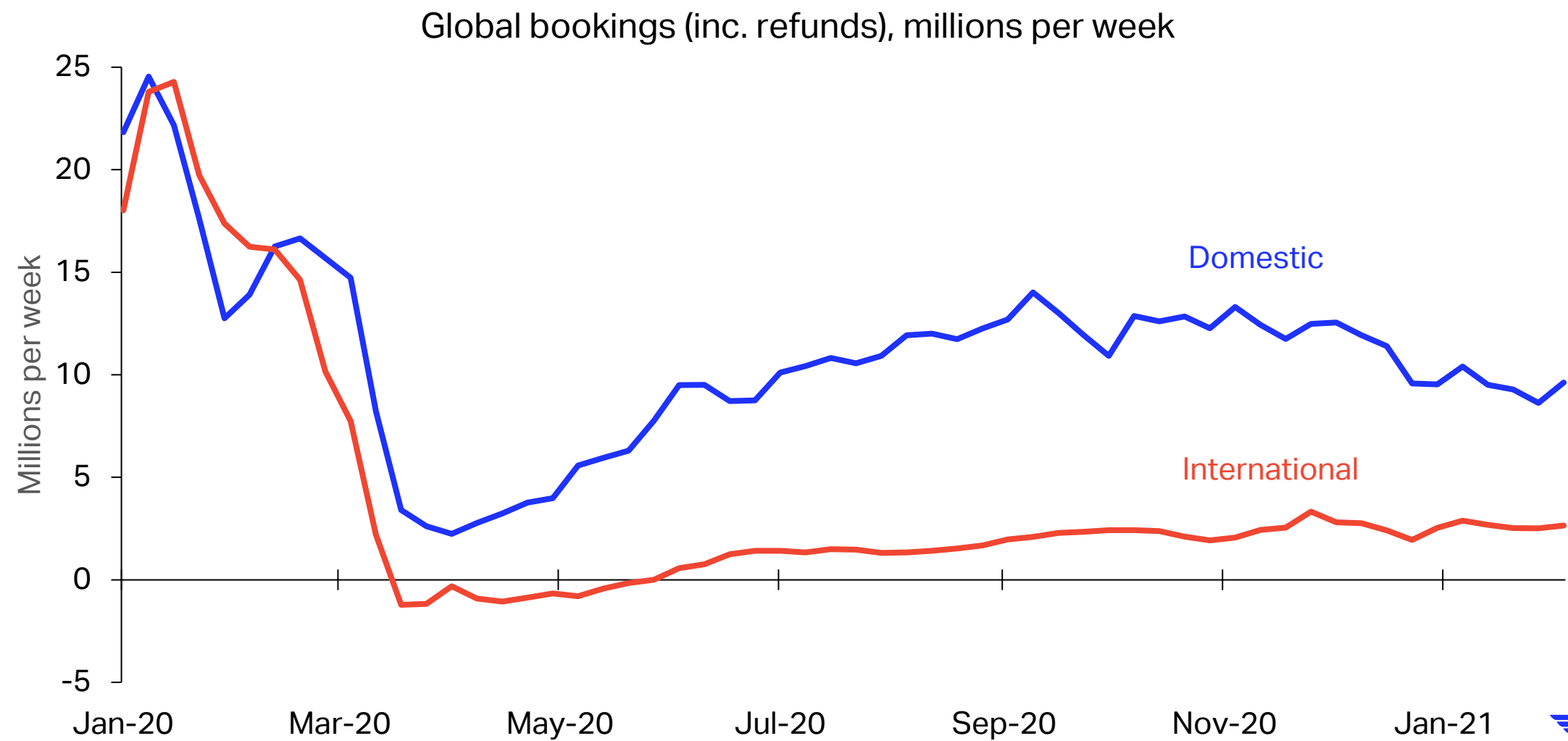
H2 vaccine boost to cash flows uncertain and H1 could get worse

Airline industry quarterly cash burn forecast



Bookings indicate a weak Q1, before any vaccine boost

Bookings for future travel declining after mid-year rise in domestic travel



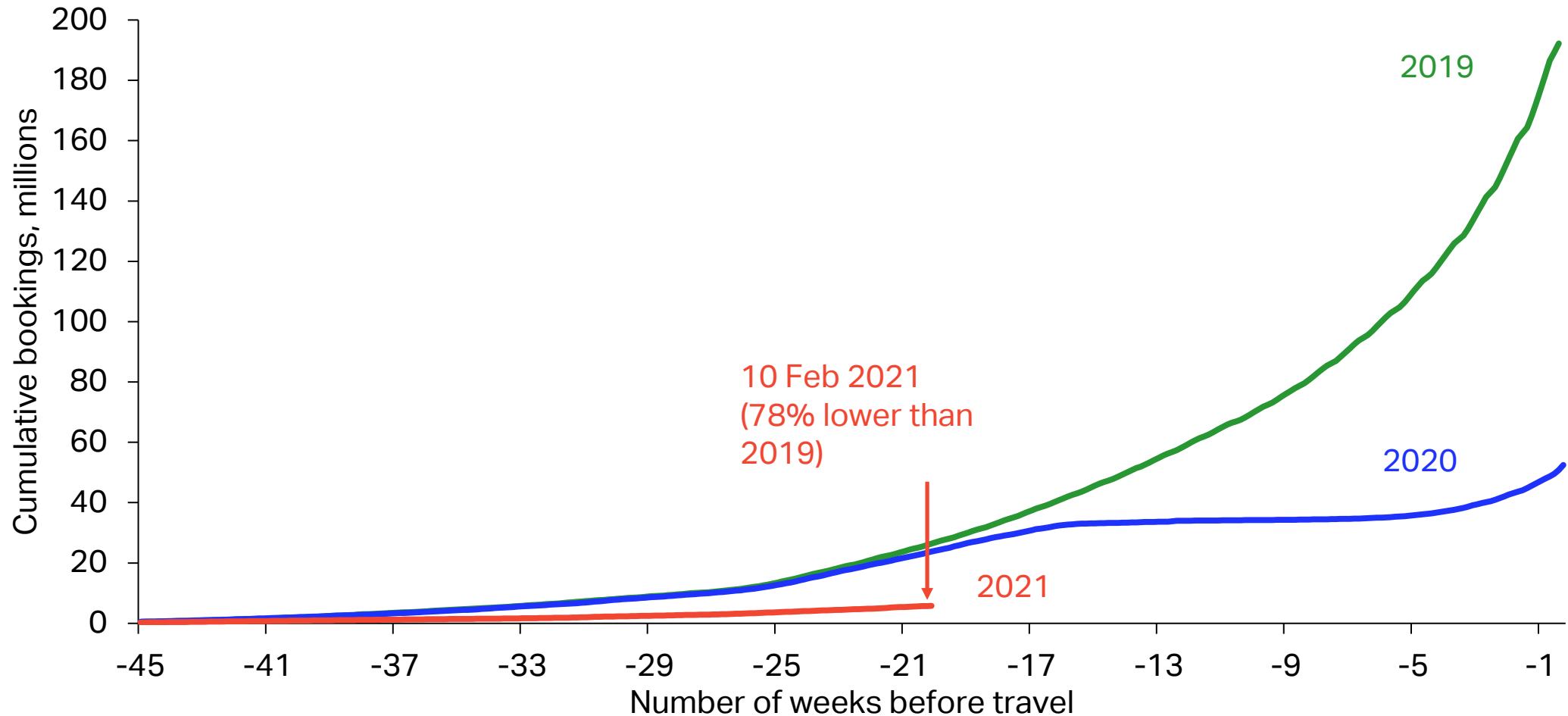
Source: IATA Economics using data from DDS



Bookings for critical summer period remain weak

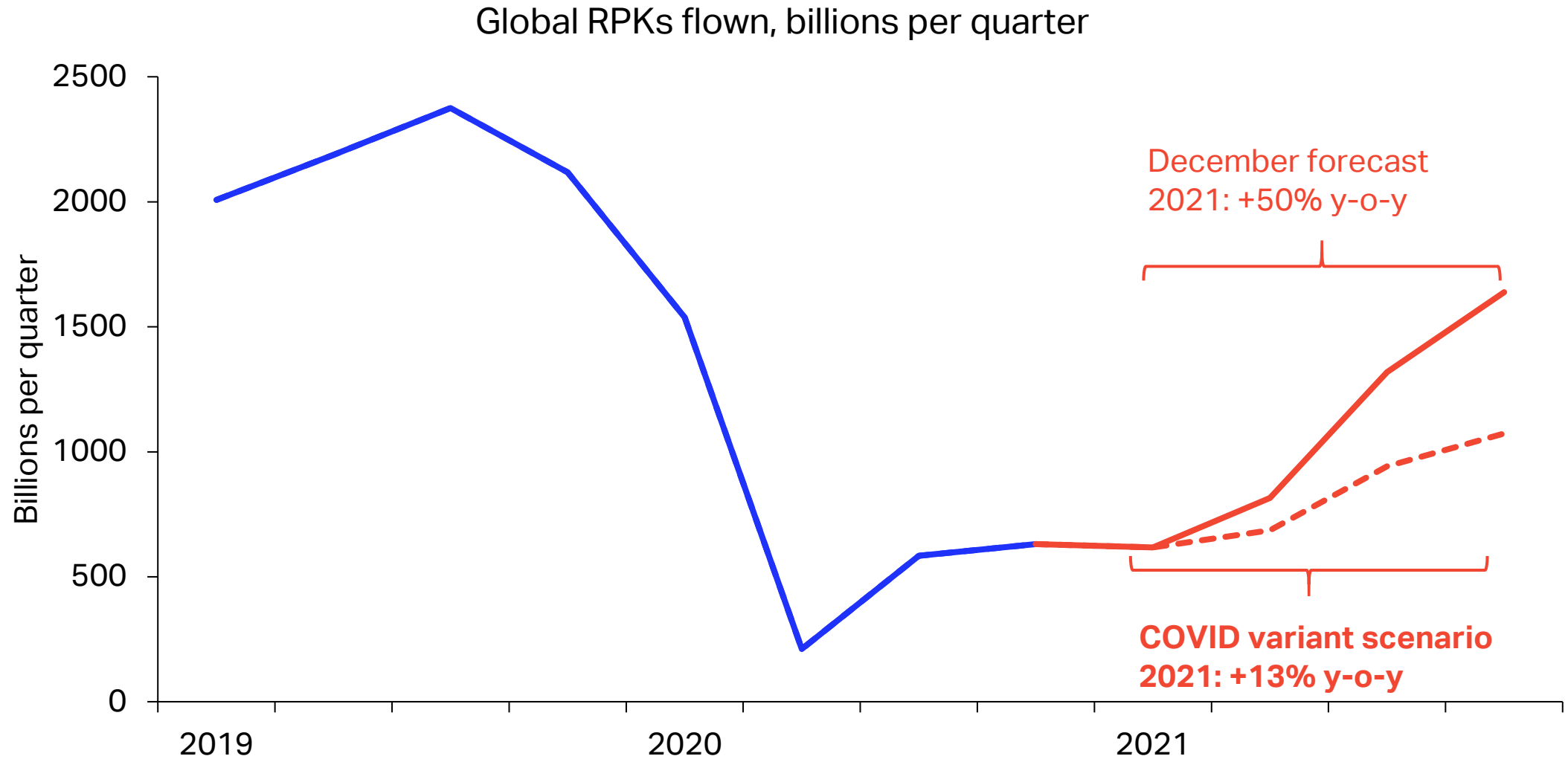
Pre-crisis only 13% summer travel booked by now, but still a concern

Global bookings curve for July-August travel, cumulative, millions



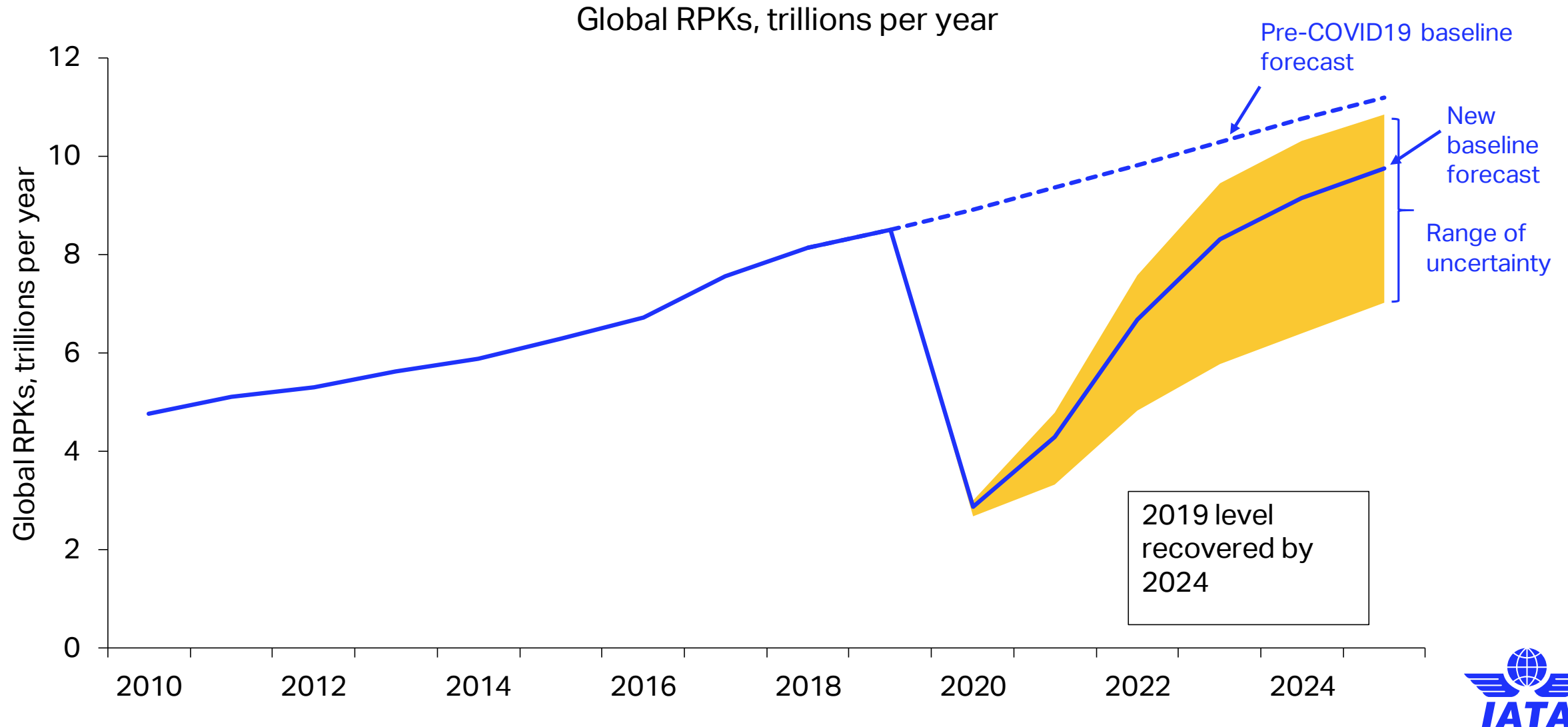
RPK path depends on new variants and policy response

Risk that 2021 RPKs might only grow 13% to average 38% of 2019 levels



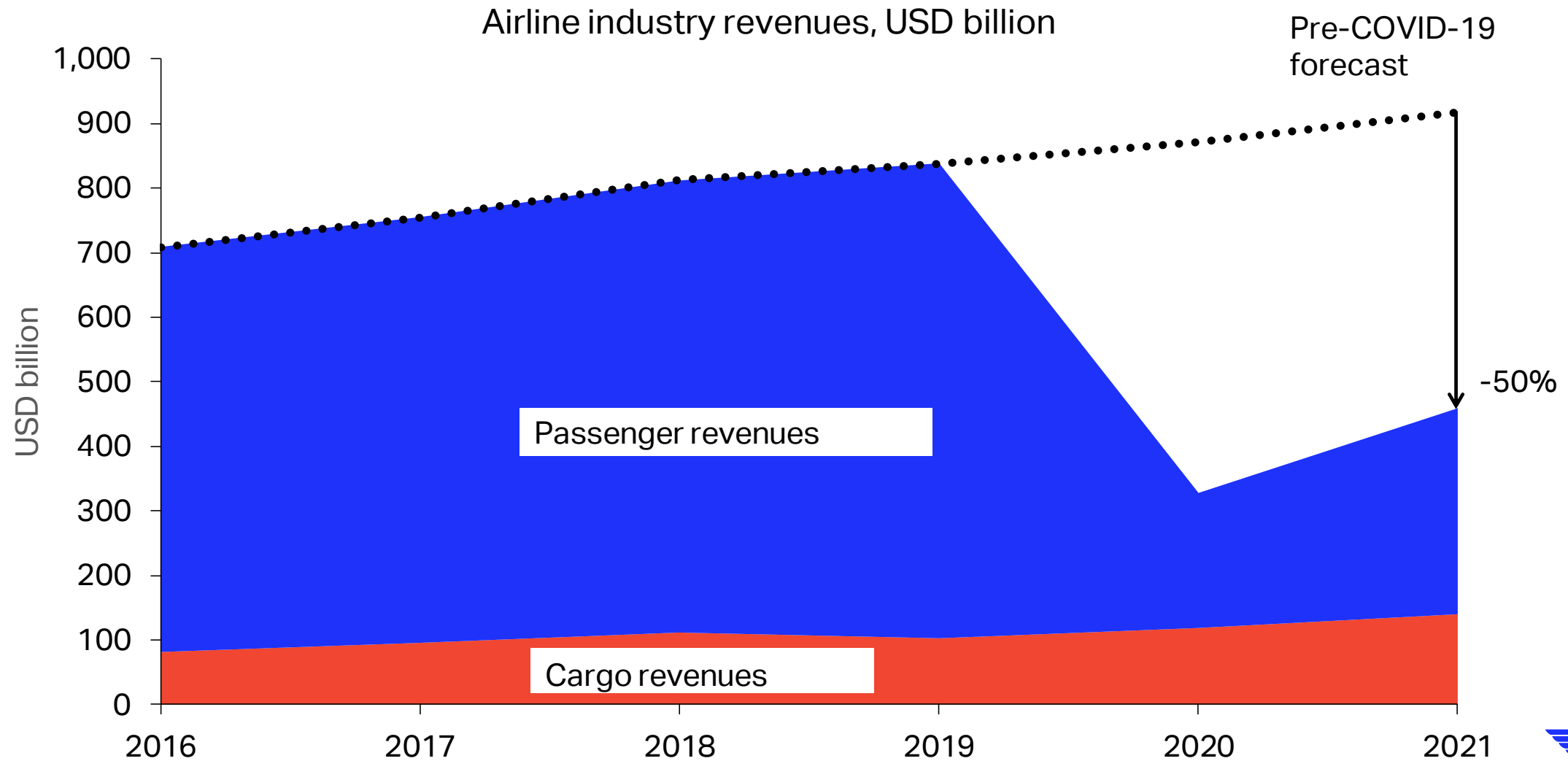
Full recovery of air travel will still take several years

Domestic recovers first but international travel rule relaxation will lag



Strong cargo will not offset passenger revenue collapse

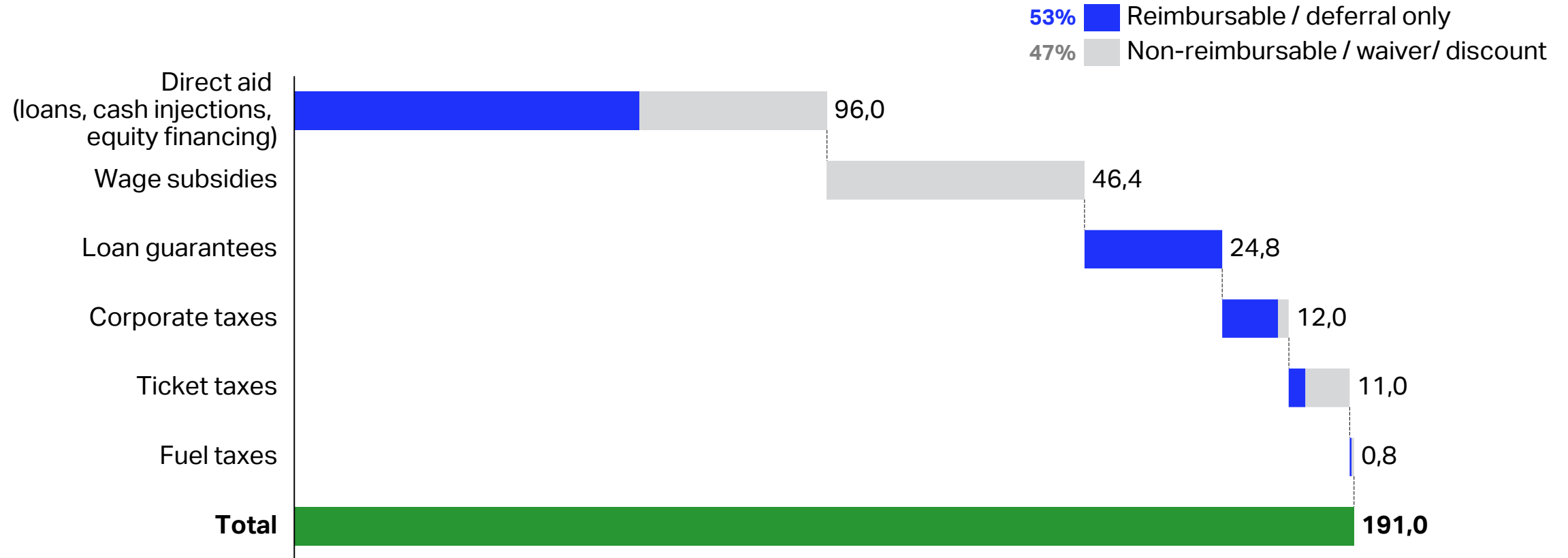
Despite some rise in revenues need to downsize costs to stop cash burn



Government aid of \$191 billion (mostly) filled cash hole

Few airline failures but challenge now is to make flying financially viable

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

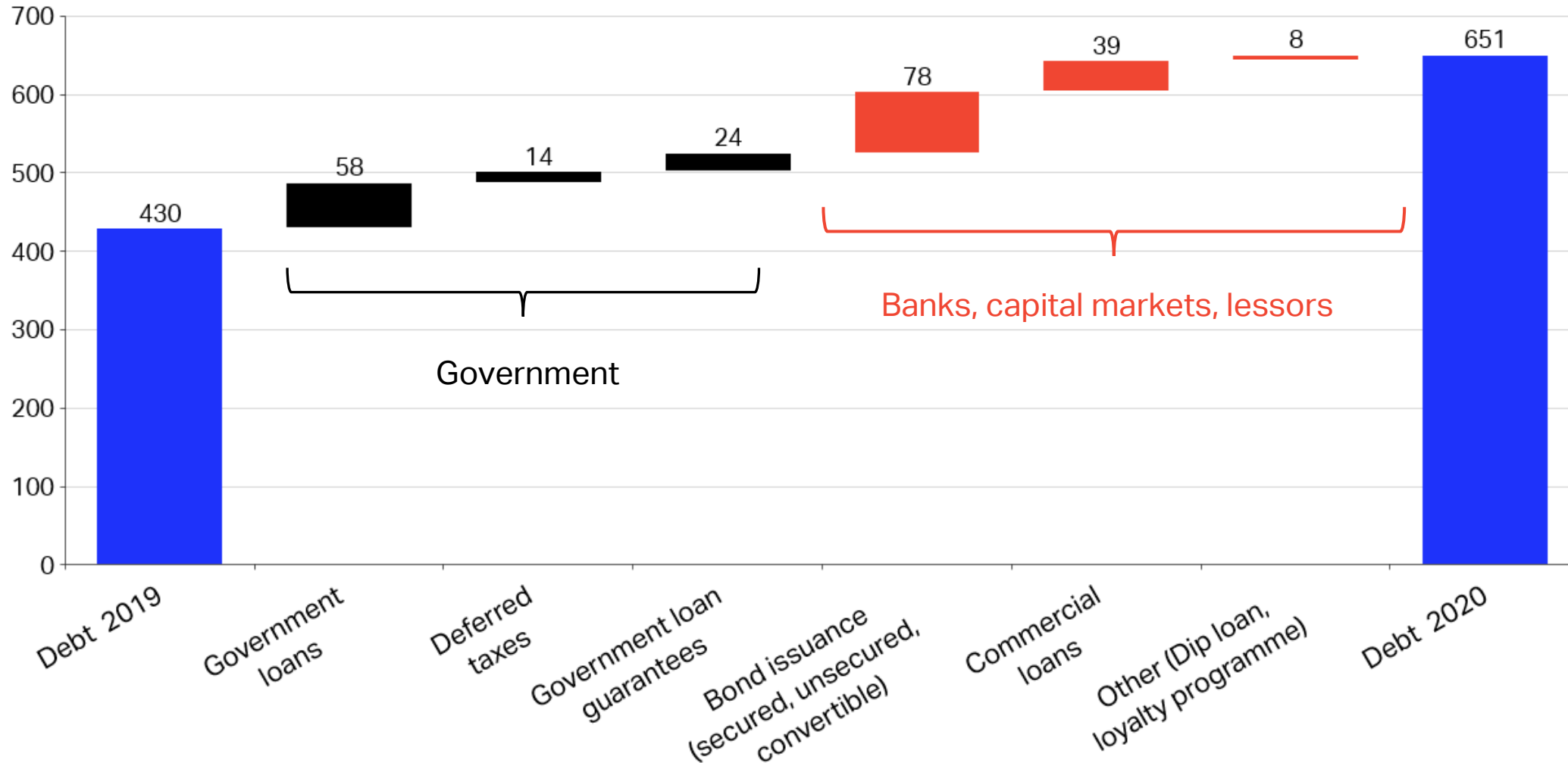


Source: IATA Economics analysis using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports



But survival is at the cost of a large debt burden

On top of debt from government aid, debt from capital markets has risen

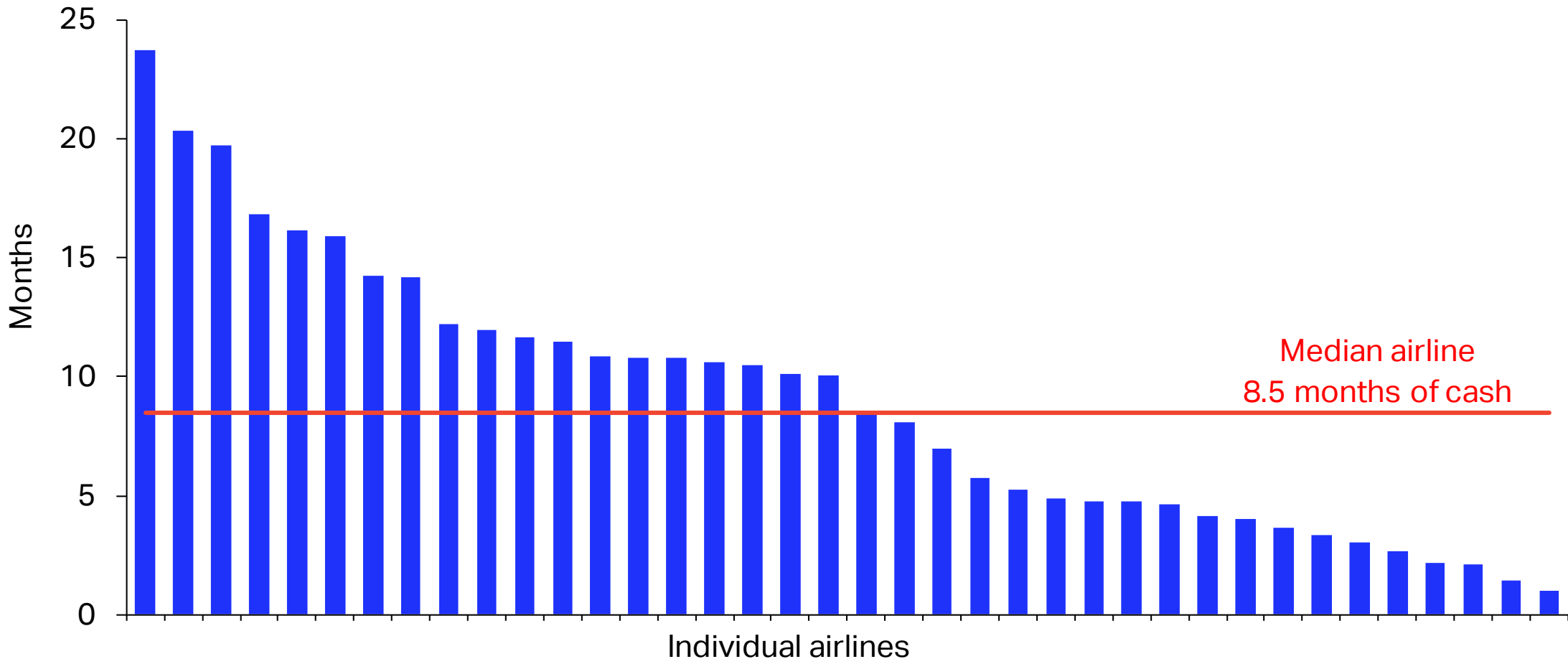


Source: IATA Economics using data from own estimates of Government aid, private debt estimates from Airfinance Journal, November 2020. Debt includes adjustment for operating leases.

Some airlines will need more cash before vaccine boost

Large airlines have raised sufficient cash, but smaller have not

2020 end June cash+cash equivalents/2020 H2 monthly cash burn



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