

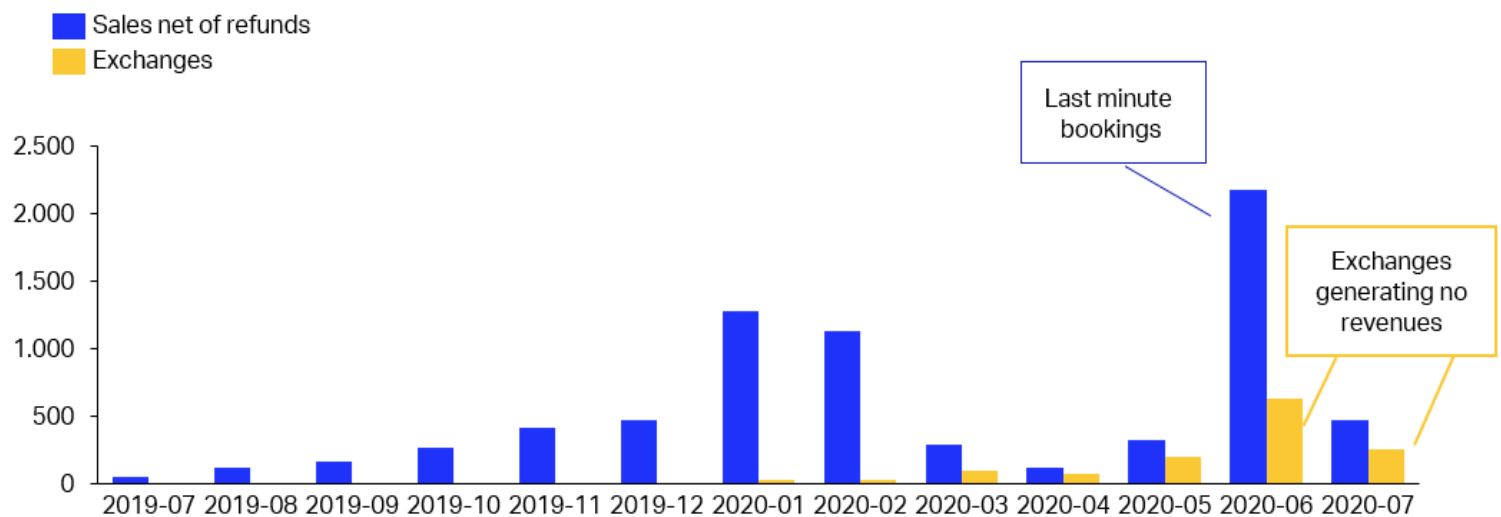


IATA Economics' Chart of the Week

17 July 2020

Many of those travelling now are exchanging tickets bought earlier

Intra-EU passengers travelling in first month after opening of intra-EU borders (Jun 15-Jul 15), by date of purchase ('000)



IATA Economics analysis based on data from DDS

- This week's chart focuses on the widespread use of vouchers, which is one of the difficulties airlines will be facing as they are slowly moving towards restarting their operations.
- Starting from mid-March, as airlines grounded their fleet globally and their new booking revenues plummeted, they preferred to provide vouchers to passengers rather than refunds. This proved useful in slowing down their cash burn and helped prevent bankruptcies. However, airlines' liability to transport these passengers was only deferred but did not disappear.
- Today, a month after the easing of travel restrictions on intra-EU routes, we can already observe that passengers have used a large number of vouchers to pay for their travel. This means that airlines now incur the cost of transporting these passengers - against no or limited new revenues. Whilst the issuance of vouchers helped decelerate cash burn a few weeks ago, their use will now accelerate cash burn in the coming months.
- The booking behavior of passengers has also changed dramatically, with 41% of global travelers booking up to 3 days before travel in June (compared to 18% last year). This makes it difficult for airlines to plan and optimize their schedules, crew and fleet.
- It is also important to note that the above chart shows data based on IATA's Billing and Settlement Process, which does not in all cases record vouchers as exchanges. Therefore, the use of vouchers is even under-estimated by the chart.

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