

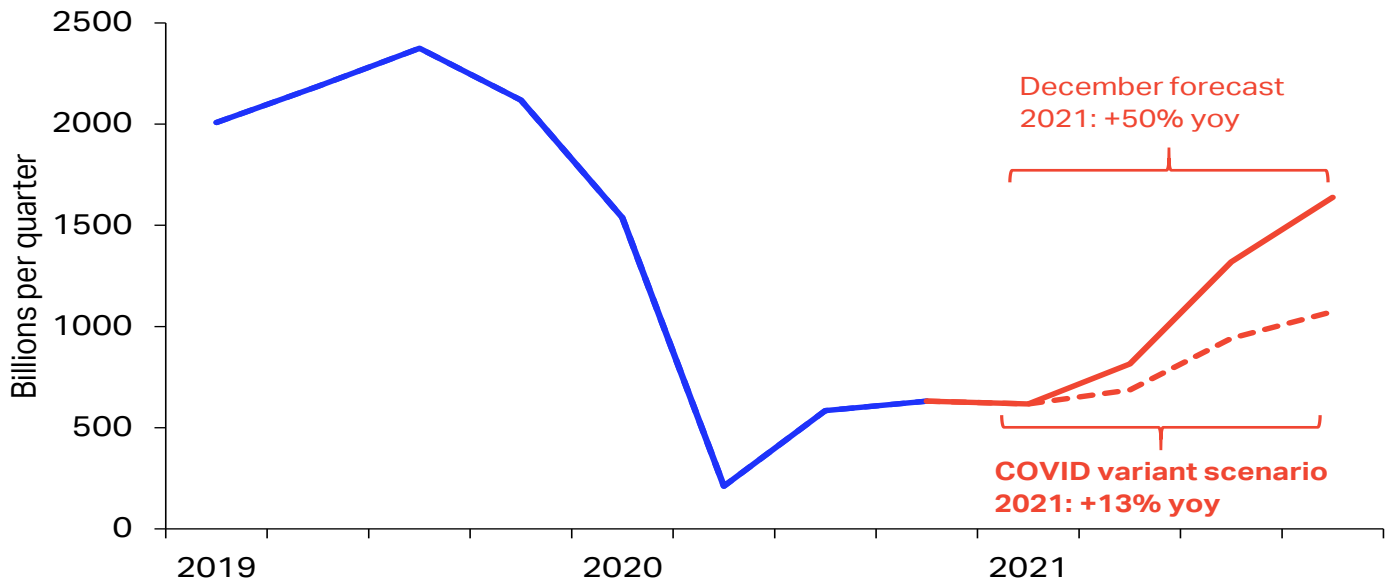


# IATA Economics' Chart of the Week

05 February 2021

## New Covid variants pose a risk to air travel recovery

Global RPKs flown, billions per quarter



Source: IATA Economics

- This week, we published [air passenger market figures](#) for the whole year 2020. Air passenger traffic measured by revenue passenger-kilometers plunged by 66% in 2020 which was the biggest shock that the aviation industry has experienced. Following the initial unprecedented shock, air traffic recovered gradually from the low point in April. However, the recovery has stagnated after new waves of COVID-19 cases started in October. Today's chart looks at our passenger traffic forecast for 2021 published in December and compares it with a risk scenario accounting for the emergence of new virus variants.
- In our baseline scenario (solid red line), we assumed that the limited recovery in the first half of 2021 since there would be challenges surrounding vaccine production and distribution. However, we were also expecting that there would be a strong recovery in the second half of 2021 once vulnerable populations and healthcare workers are vaccinated, since the recent experience in domestic markets suggests that there is pent-up demand for travel. We also saw in markets like Latin America and UK that bookings surged after governments lifted travel restrictions.
- However, the emergence of new virus variants made governments to take a more risk averse approach, indicating a more challenging year ahead. Governments reacted strongly by imposing [new travel restrictions](#), and forward travel bookings have been falling sharply since late-December. The dotted line in the chart shows a possible risk scenario in which governments keep travel restrictions as new virus variants emerge. In this downside scenario, travel demand recovers by only 13% compared to very low level in 2020. This slow recovery would result in airlines continue burning cash through 2021, as opposed to our expectation of a possibility of turning cash positive at the aggregated level in 4Q 2021.

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