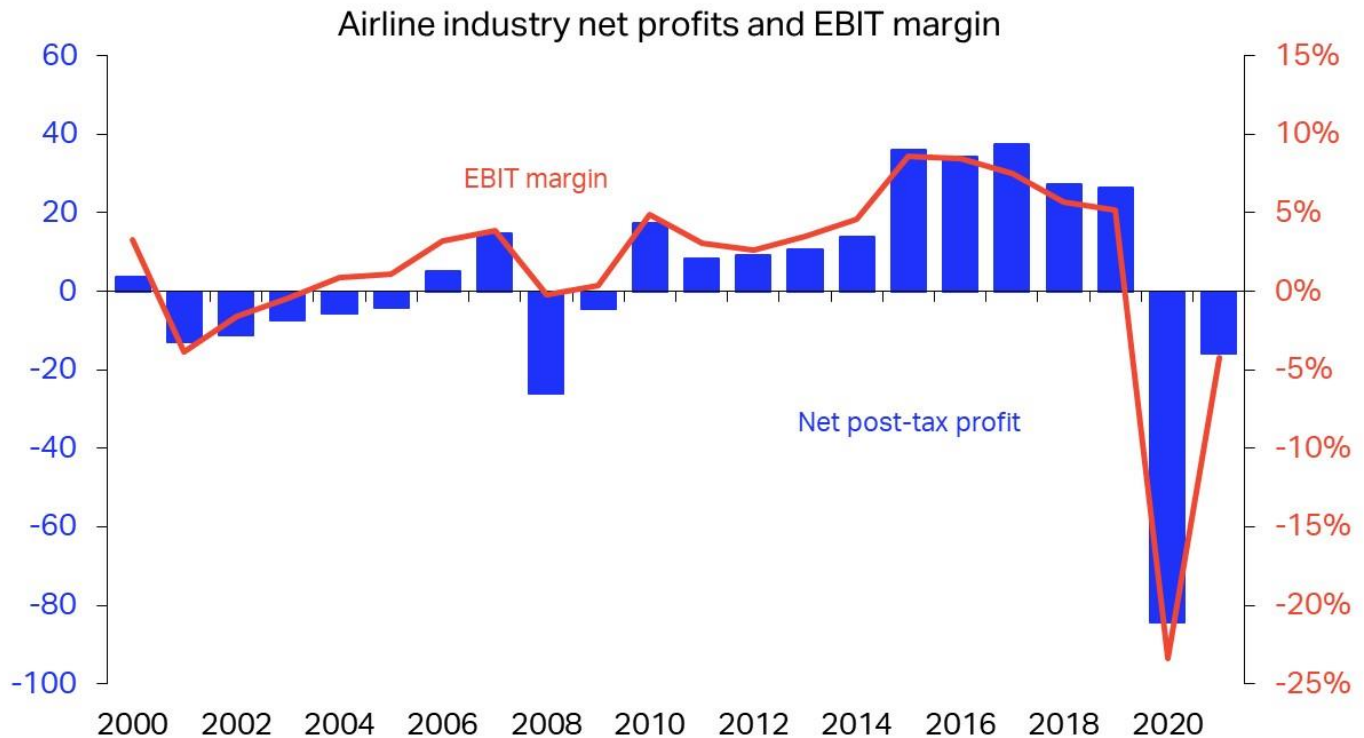




IATA Economics' Chart of the Week

12 June 2020

Record loss in 2020 extending to 2021 but at a lower level



Source: IATA Economic Performance of the Airline Industry, June 2020

- This week, we released our latest [industry financial forecasts](#). Our revised 2020 estimate and the 2021 outlook incorporate the effect of the COVID-19 shock and the expected phased recovery of travel markets. Our forecasts assume that the pandemic will gradually be contained and there will not be a second wave of COVID cases.
- The global airline industry is forecast to lose a record \$84 billion this year, which is 3.2 times higher than in the Global Financial Crisis. We expect travel demand to gradually recover from the low point in April with the step-by-step opening of markets. However, the extremely deep recession and loss of traveler confidence will have an impact on travel demand in the rest of the year. In 2020, RPKs are expected to decline by 54.7%, resulting in a 50% loss of industry-wide revenue, despite a more promising cargo revenue performance.
- Against the collapse in demand, airlines have faced challenges in reducing operating costs due to the relatively high share of fixed and semi-fixed costs. Airline costs are expected to decline at a slower pace (-35%) than the loss in revenues. As markets open following the lock-down period in the second quarter of 2020, airlines are likely to incur higher operating costs due to new health and regulatory requirements. At the same time, we expect airfares to be low initially to help stimulate demand and this will put pressure on airline finances and profitability.
- Looking to 2021, a return to profitability will be difficult for the industry. Although economic activity is expected to improve sharply in 2021, returning to pre-crisis levels of air transport activity looks unlikely (RPKs will still be c.30% lower than 2019 levels). We expect the cautious behavior of travelers will continue to affect travel demand at the start of 2021 and the recovery in business travel will come with a lag. As in the Global Financial Crisis, industry-wide losses are expected to extend into a consecutive year. However, the losses in 2021 will moderate to \$16 billion with the rise of revenues and the EBIT margin will improve from -23.4% to -4.2%.

Terms and Conditions for the use of this IATA Economics Report and its contents can be found here: www.iata.org/economics-terms
By using this IATA Economics Report and its contents in any manner, you agree that the IATA Economics Report Terms and Conditions apply to you and agree to abide by them. If you do not accept these Terms and Conditions, do not use this report.

IATA Economics
economics@iata.org