

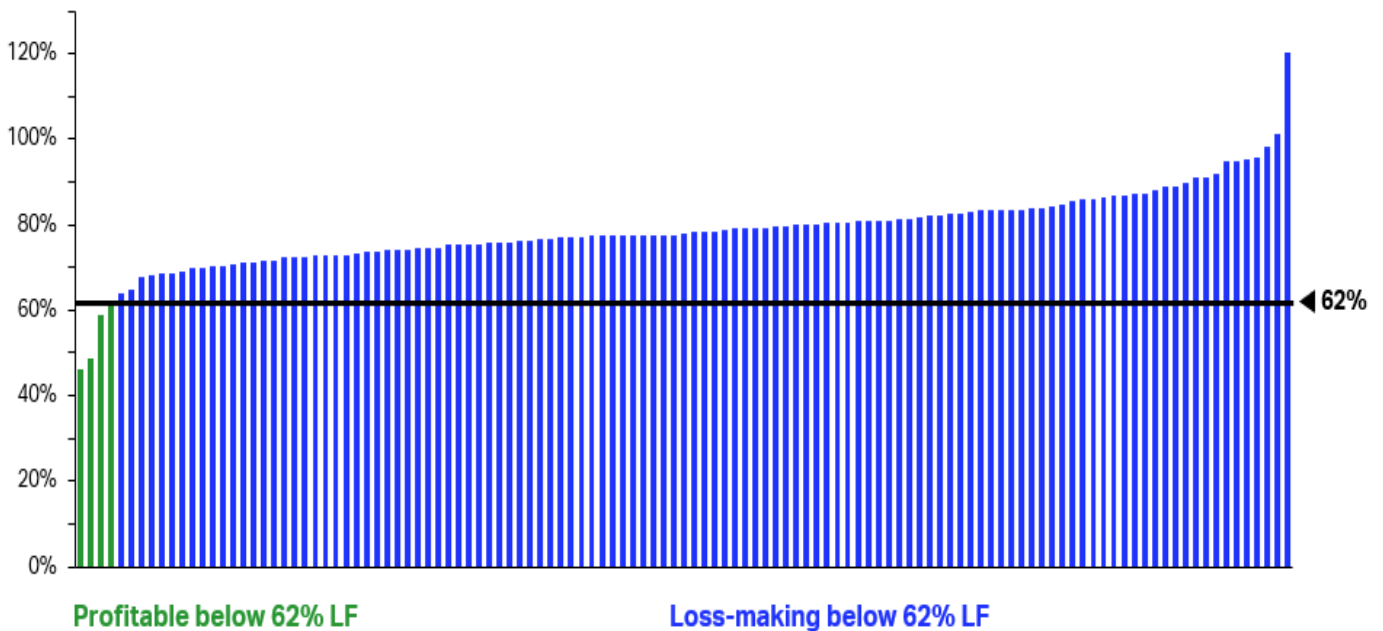


IATA Economics' Chart of the Week

08 May 2020

Social distancing would make most airlines financially unviable

EBIT Break-even load factors (LFs) of 122 airlines, majority 2019, (%)



Source: IATA Economics using data from the Airline Analyst and SRS Analyser

- With the outbreak of COVID-19, many governments implemented strict social distancing requirements to help limit the spread of the virus. Some governments have indicated that similar measures should be applied to air travel, including that airlines should leave empty seats between passengers in the aircraft. When such policies are pursued, the seat load factor of an aircraft is artificially capped.
- Depending on the aircraft type and the seat configuration, social distancing could reduce the available seat capacity by 33-50%. For example, with the popular 3-3 seat configuration, social distancing could mean leaving the middle seat empty on both sides of the aisle. In contrast, for turboprop aircraft with a 2-2 seat configuration, it could imply filling only one seat per row on each side of the aisle. If the entire global fleet of aircraft is considered, we estimate that such social distancing would reduce the bookable seat capacity to 62% of normal capacity.
- The proportion of seats filled on an aircraft (load factor) is an important driver of airline financial performance. Based on a sample of 122 airlines, on average, airlines break even at a load factor of 77%. Only 4 airlines in the sample could break even at load factors below 62%. The remaining 118 airlines would, with their current pricing policies, become loss-making at load factors below 62%.
- It is also debatable whether airlines would be able to achieve the full 62% load factor when the bookable capacity is capped. Due to seasonality of demand, achieved load factors can rarely average at higher than 80-85% of the bookable capacity. Even if a large number of aircraft are grounded currently and airlines have some possibility to optimize their fleet allocation between flights, we estimate that airlines could fill on average about 85% of 62%, i.e. 53% of their seats. Under this assumption, only two charter carriers in the sample would break even.
- In order to cover the costs of a flight with fewer passengers on board, airlines would likely need to increase air fares just to break even (i.e. without generating any profit). However, raising air fares in an environment where demand is expected to be weak and slow to recover is unlikely to be possible, at least initially. More information on this analysis can be found [here](#).

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