

COVID-19

State of the aviation industry

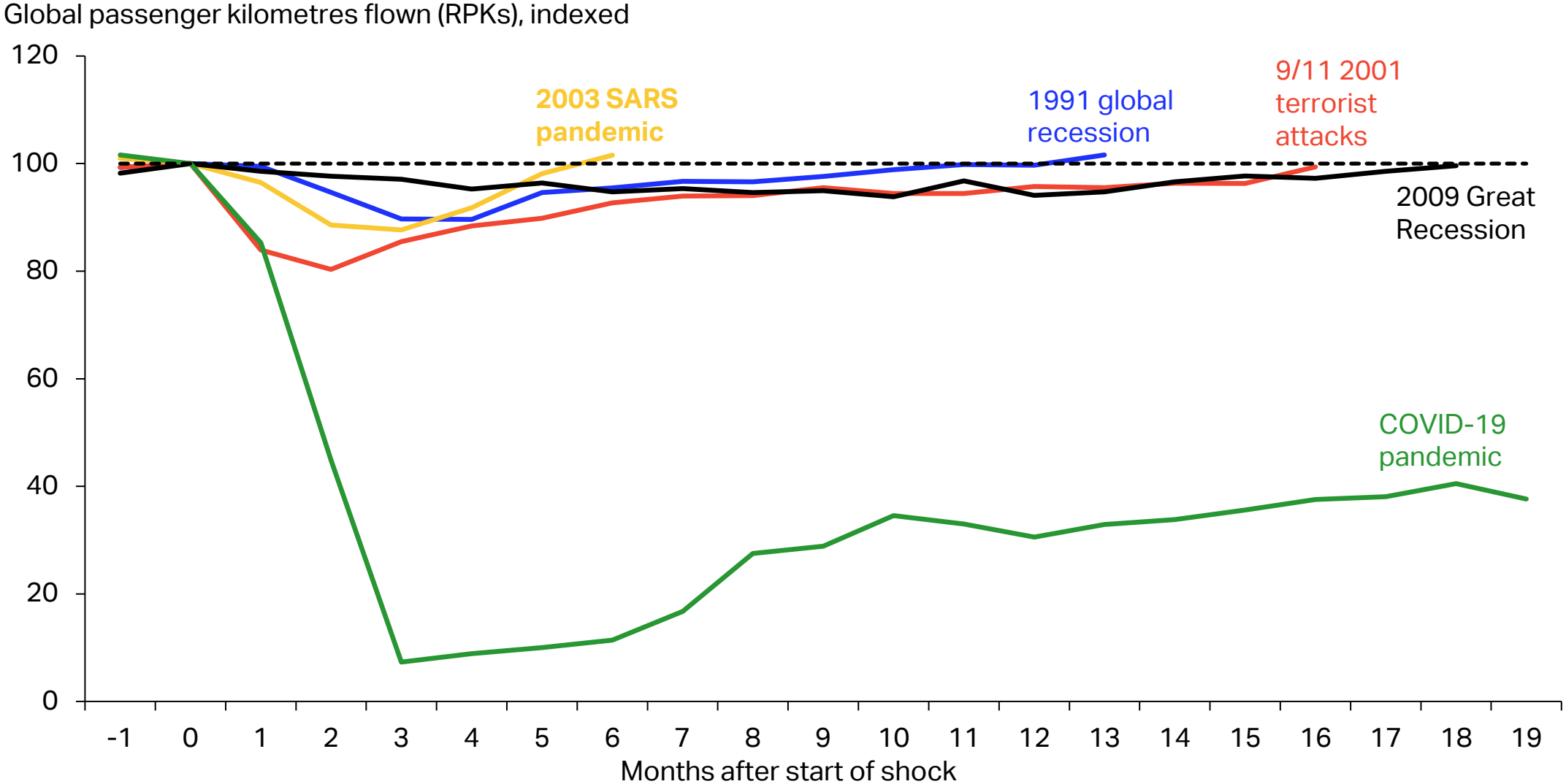
IATA Economics

9th November 2021



COVID-19 is the biggest and longest shock to hit aviation

Previous shocks cut 5-20% from RPKs and recovered after 6-18 months

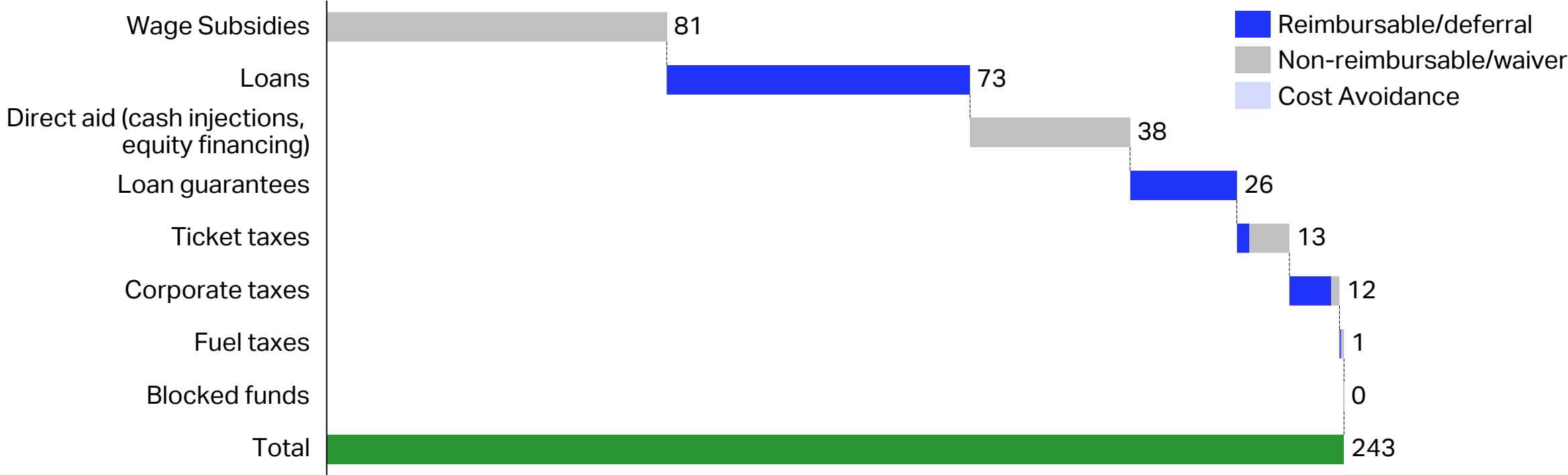


Source: IATA Economics using data from IATA Monthly Statistics. Data is adjusted for seasonality.

Financial aid has kept airline industry on life support

Airlines received \$243bn of financial aid worldwide so far & much must be reimbursed

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

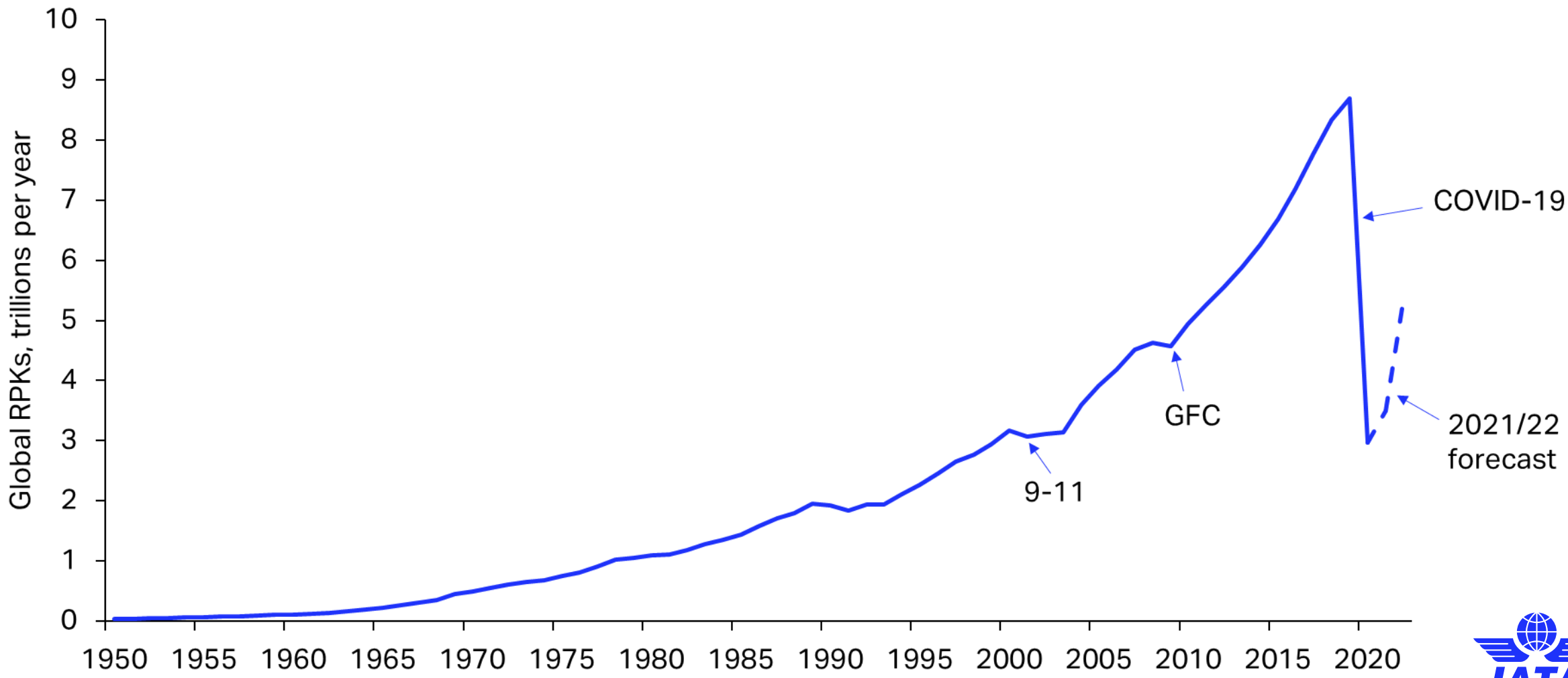


Source: IATA Economics as at September 2021

Recovery has started but will take several years

And with significant regional variation in pace of recovery expected

Worldwide passenger kilometres flown (RPKs) annually

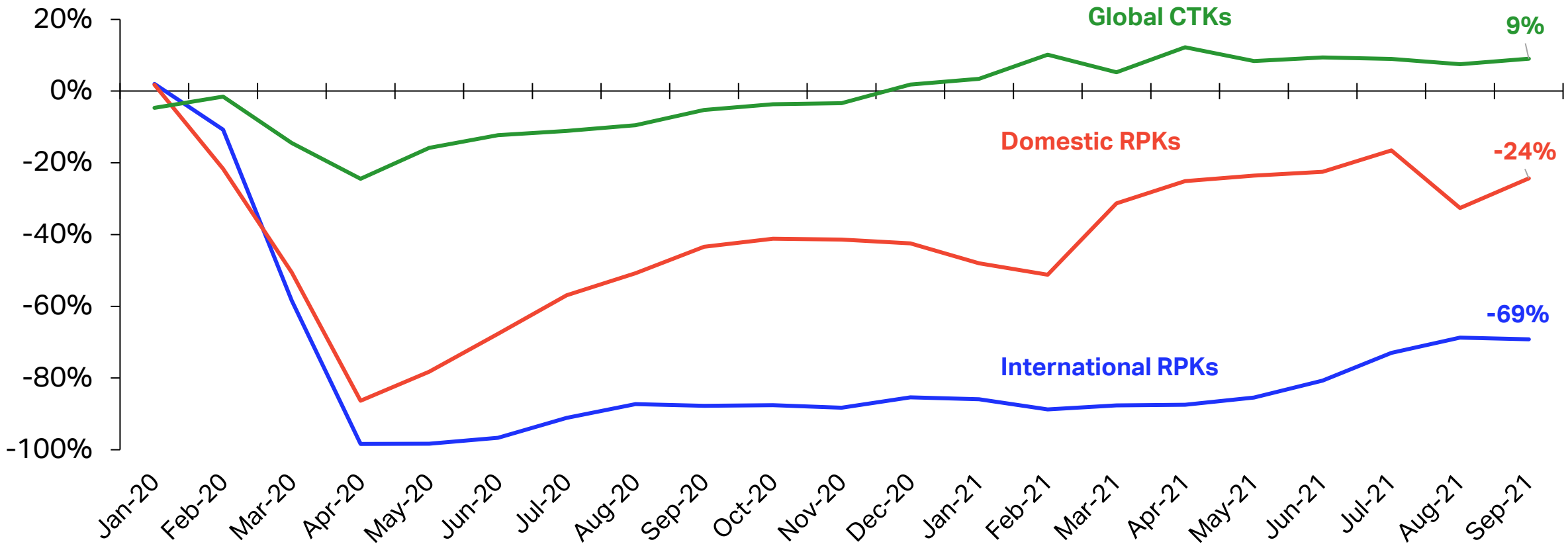


Source: IATA Economics using data from IATA Statistics and ICAO

Cargo remains strong, domestic travel rebounds

Economy supportive but recovery is vulnerable to outbreaks

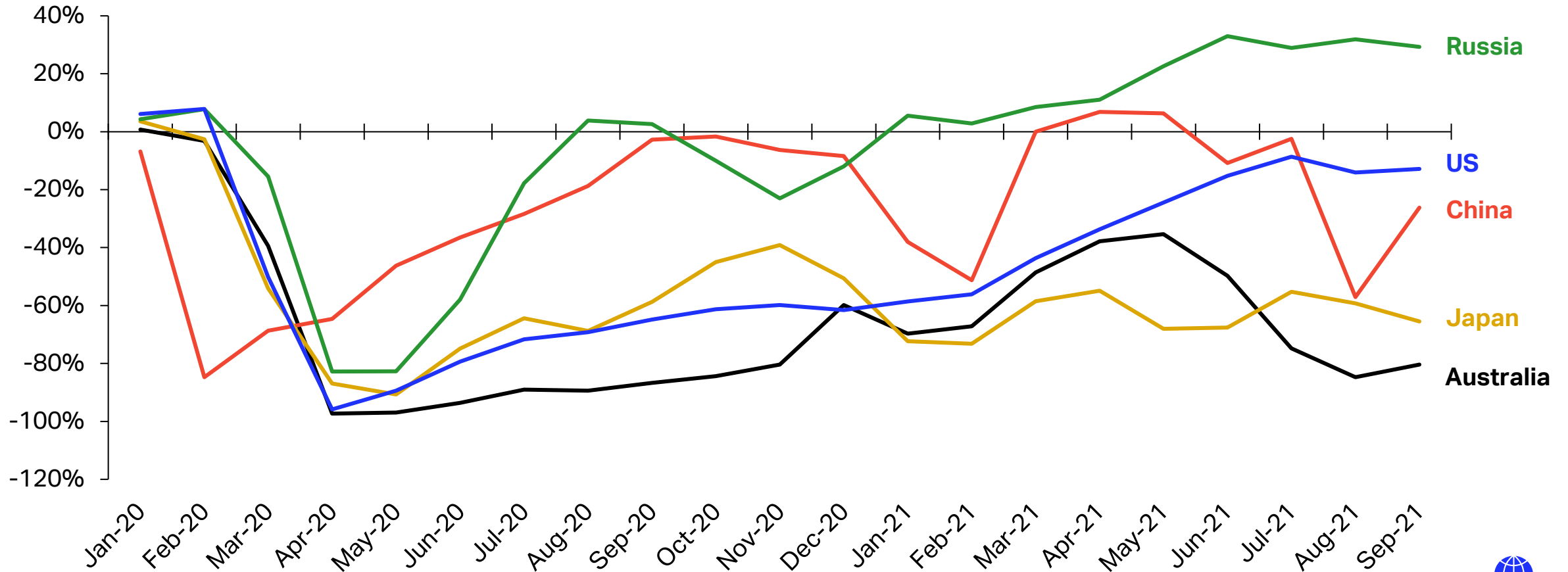
RPKs & CTKs, % ch. vs. the same month in 2019



Broad range of domestic outcomes

Dependent on government policy, vaccination, COVID waves

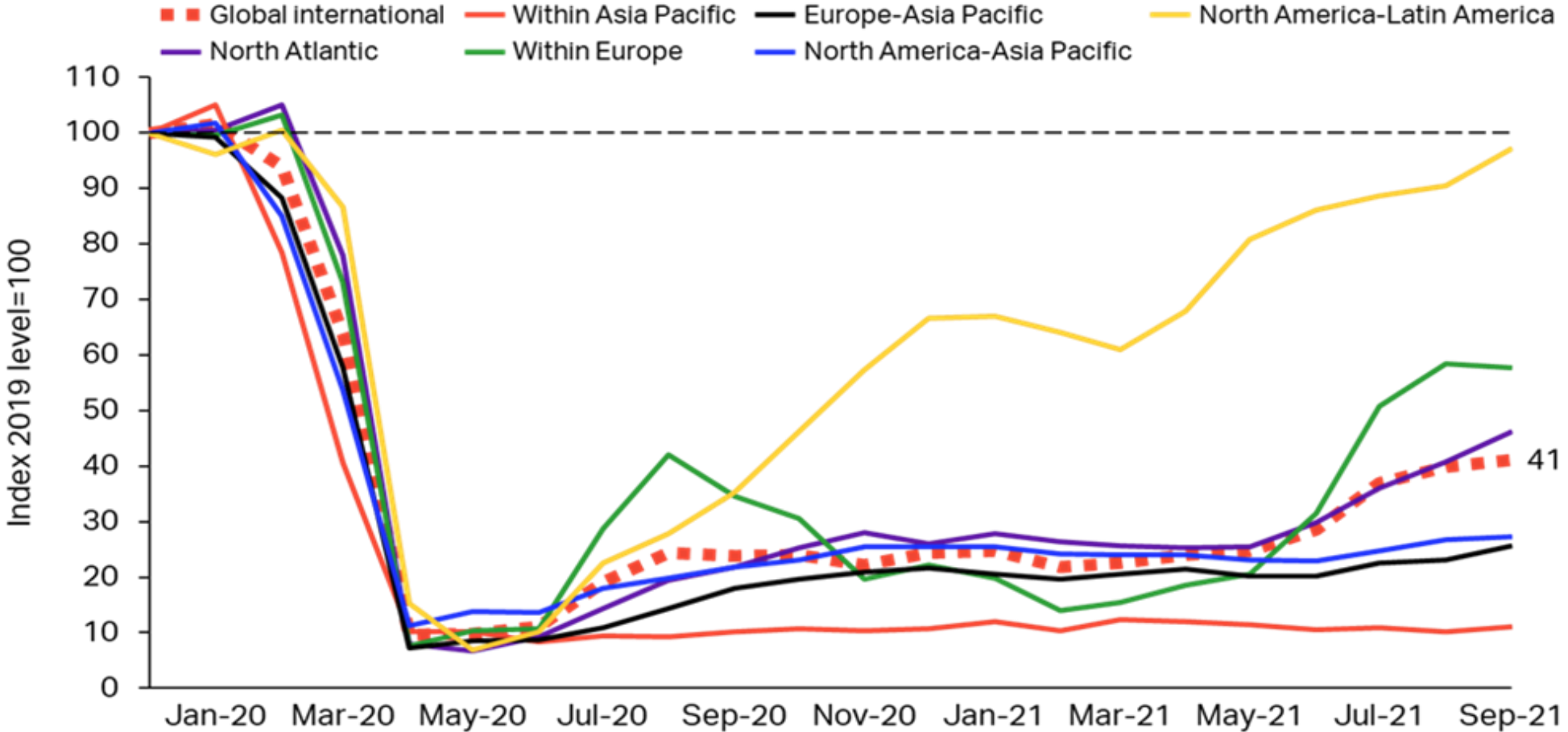
Domestic RPKs, % change vs. the same month in 2019



International air connectivity recovery diverges across regions

Missing benefits from aviation can hinder economic rebound, e.g. tourism

IATA International Air Connectivity Index for selected route areas, monthly Jan 2020-Sep 2021



IATA Connectivity Index using data from OAG

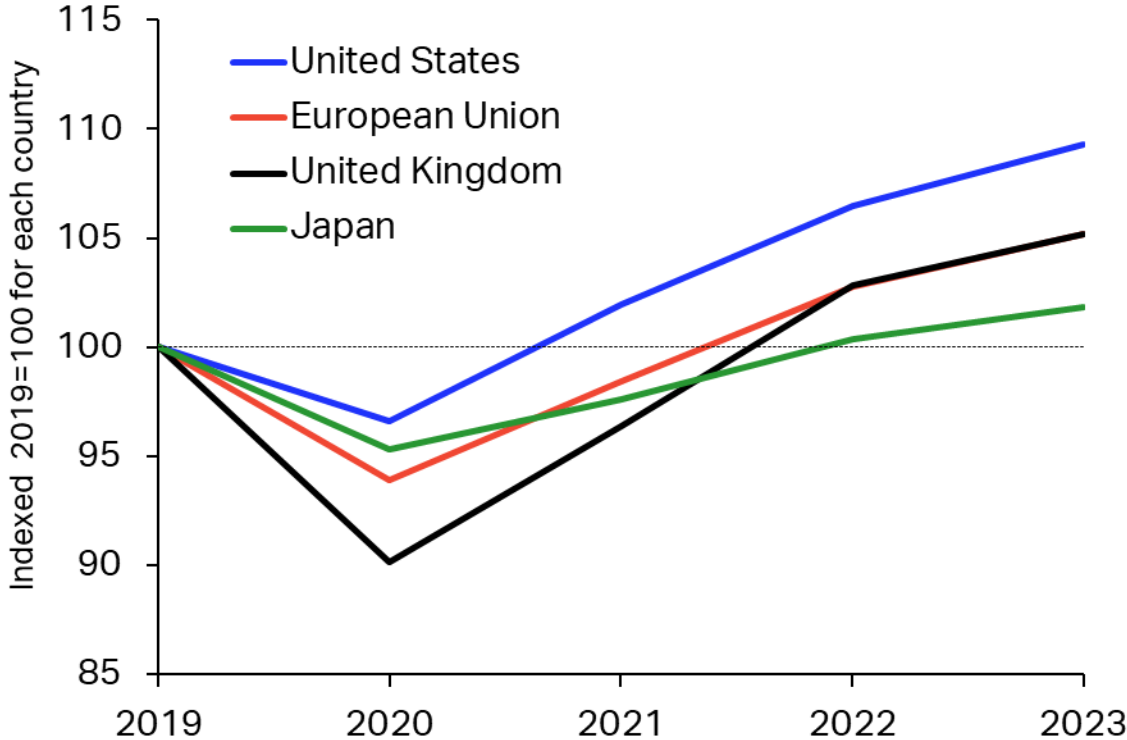


Economic growth expectations are positive but uneven

U.S. and China are ahead of others, EMs rebound at different rates

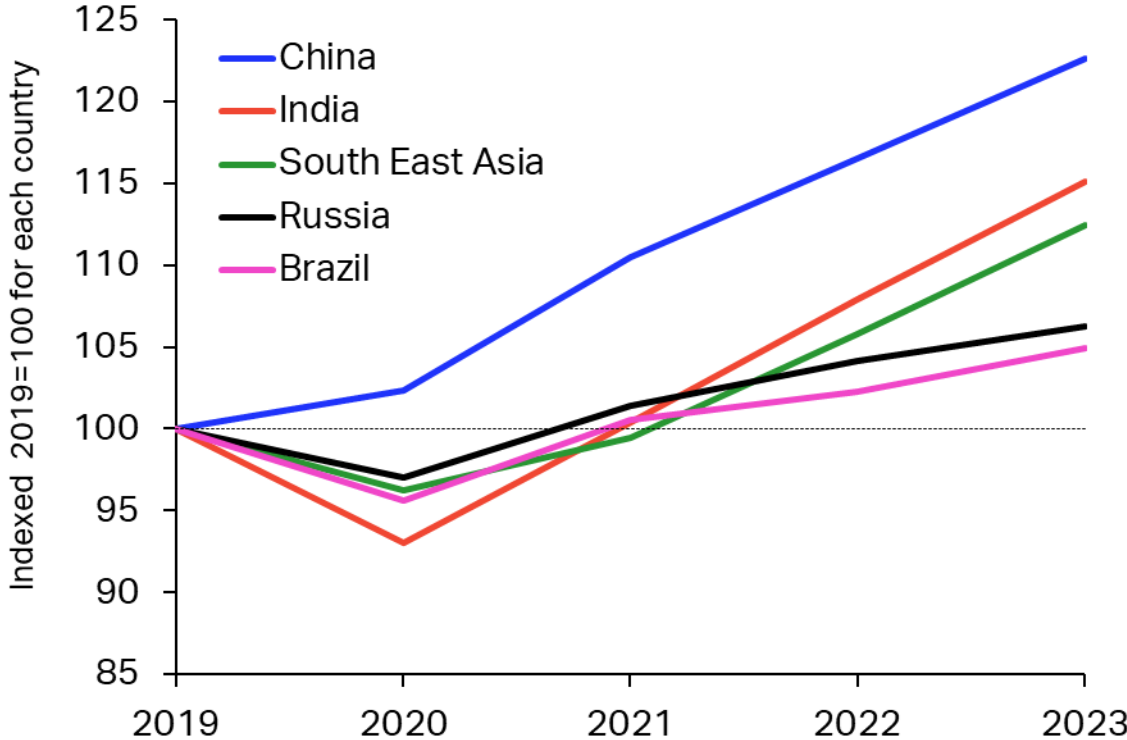
Advanced Economies Real GDP

2019-2023 (index, 2019=100)



Emerging Market Economies Real GDP

2019-2023 (index, 2019=100)

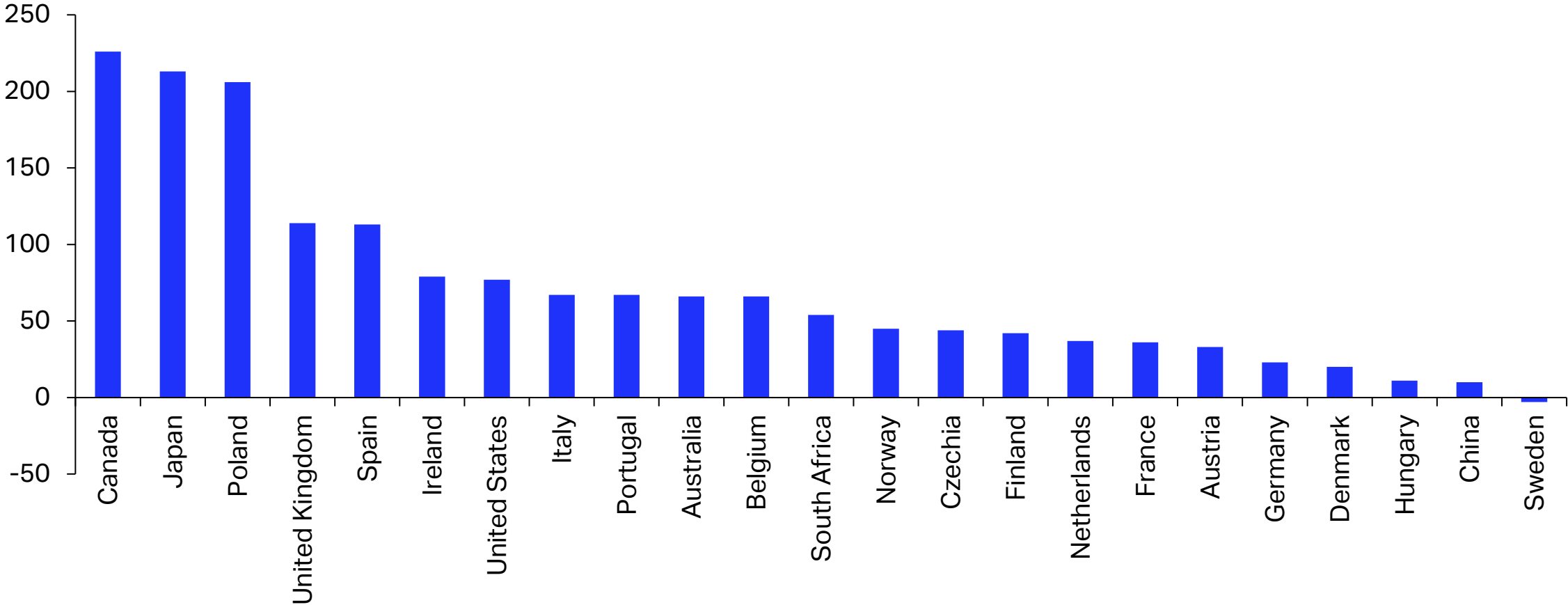


Source: IATA Economics using Oxford Economics

Consumers accumulated income during the pandemic

The release of excess savings expected to fuel spending in 2022

Cumulative Excess Savings (% of expected savings)



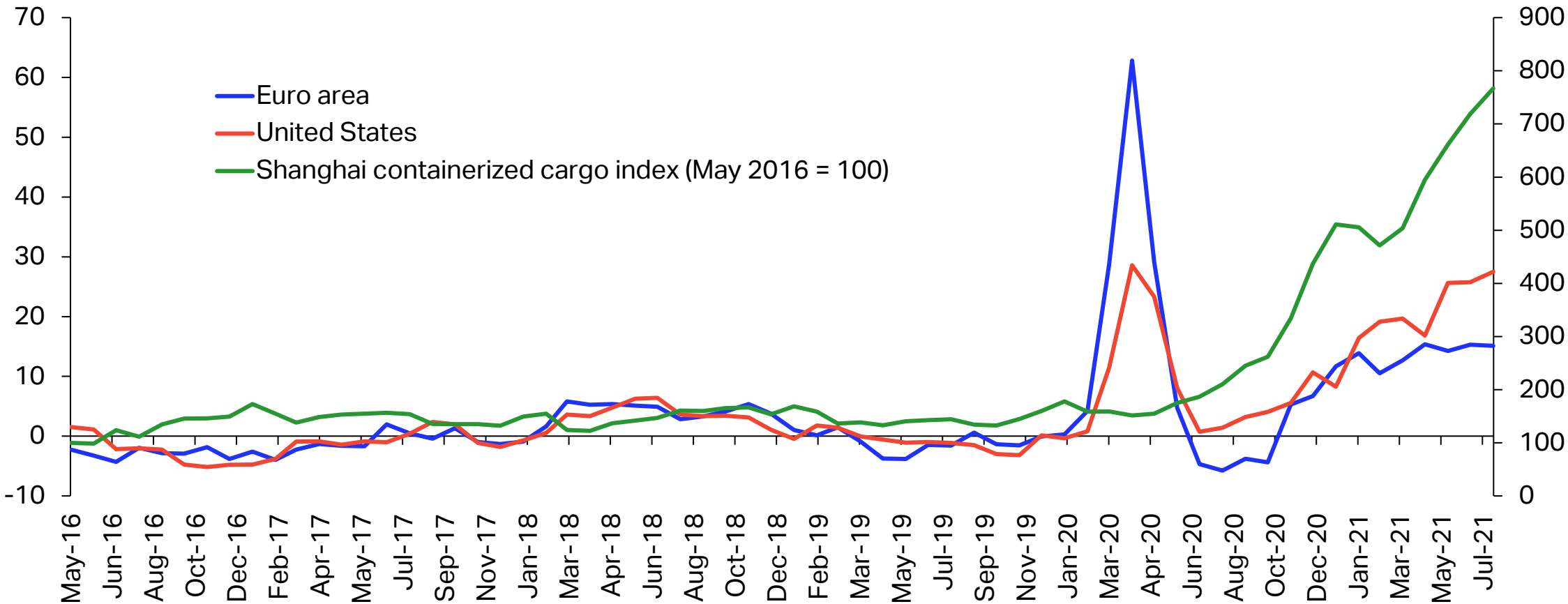
**Cumulative excess savings are household savings from 2020:Q1–21:Q1 or the latest quarter available, exceeding expected savings based on a calculated linear trend from 2017:Q1–19:Q4 for each country*



Supply chain disruptions have been rising

Inflation could damage purchasing power of consumers and travellers

Supply Chain Disruptions (Index*)



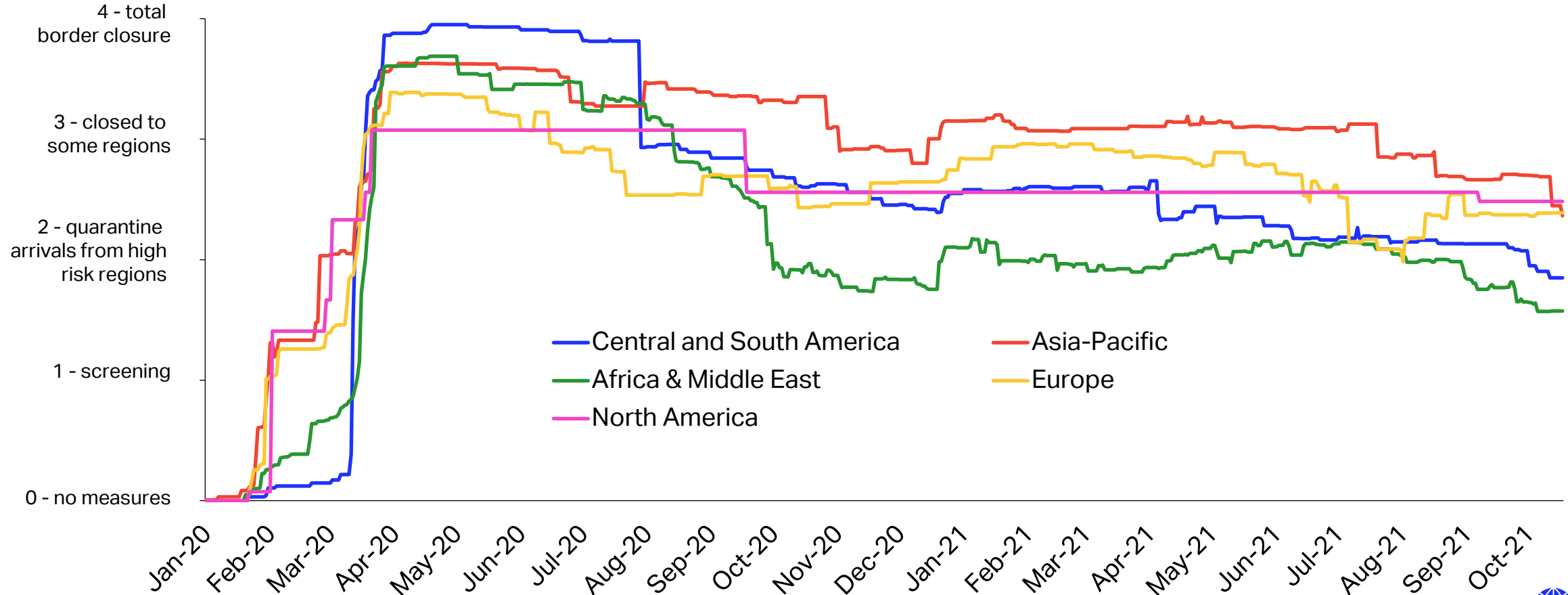
*Supply chain disruptions are calculated as the difference between the supply delivery times subindex in the purchasing managers' index (PMI) and a counterfactual, cyclical measure of supply delivery times based on the manufacturing output subindex in the PMI.



Travel restrictions remain elevated

However, some markets have started to open up

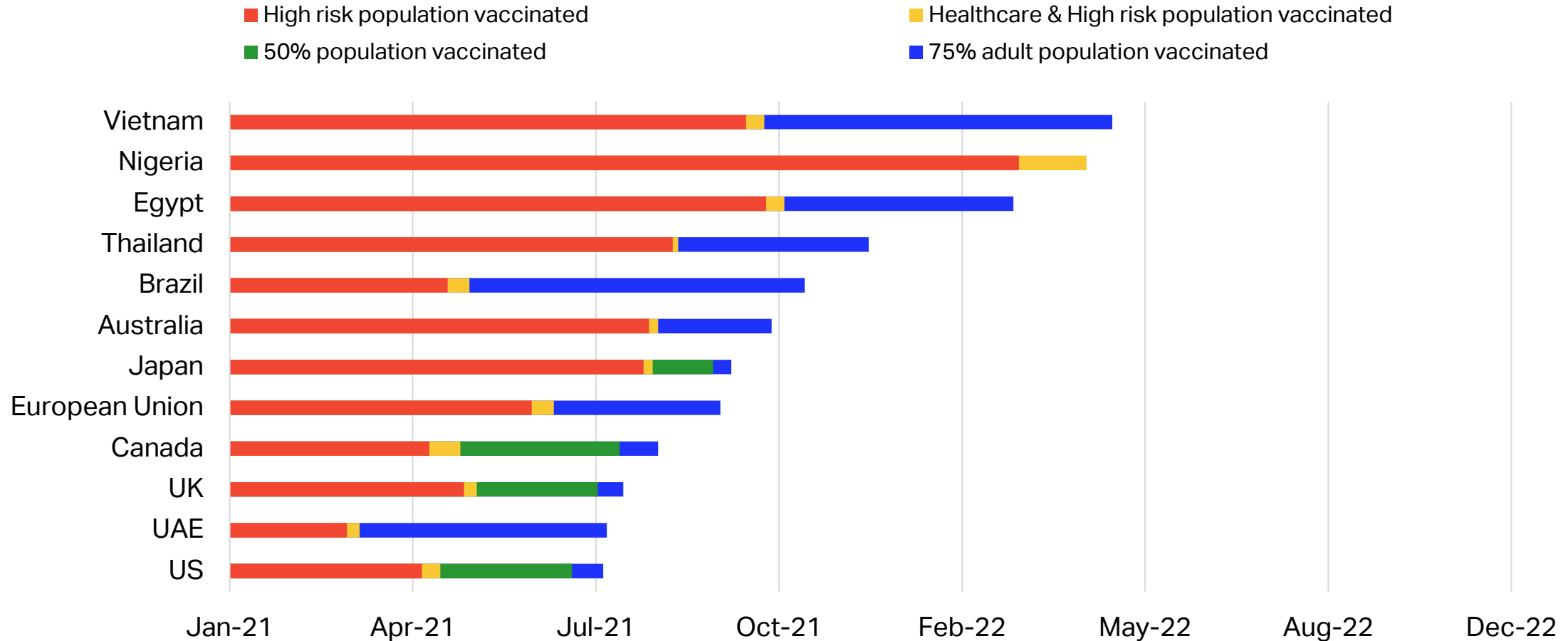
International travel stringency index weighted by population (Jan 2020 - Oct 2021)



Vaccination progress should allow easing of restrictions

Widespread vaccination has been achieved in major developed markets

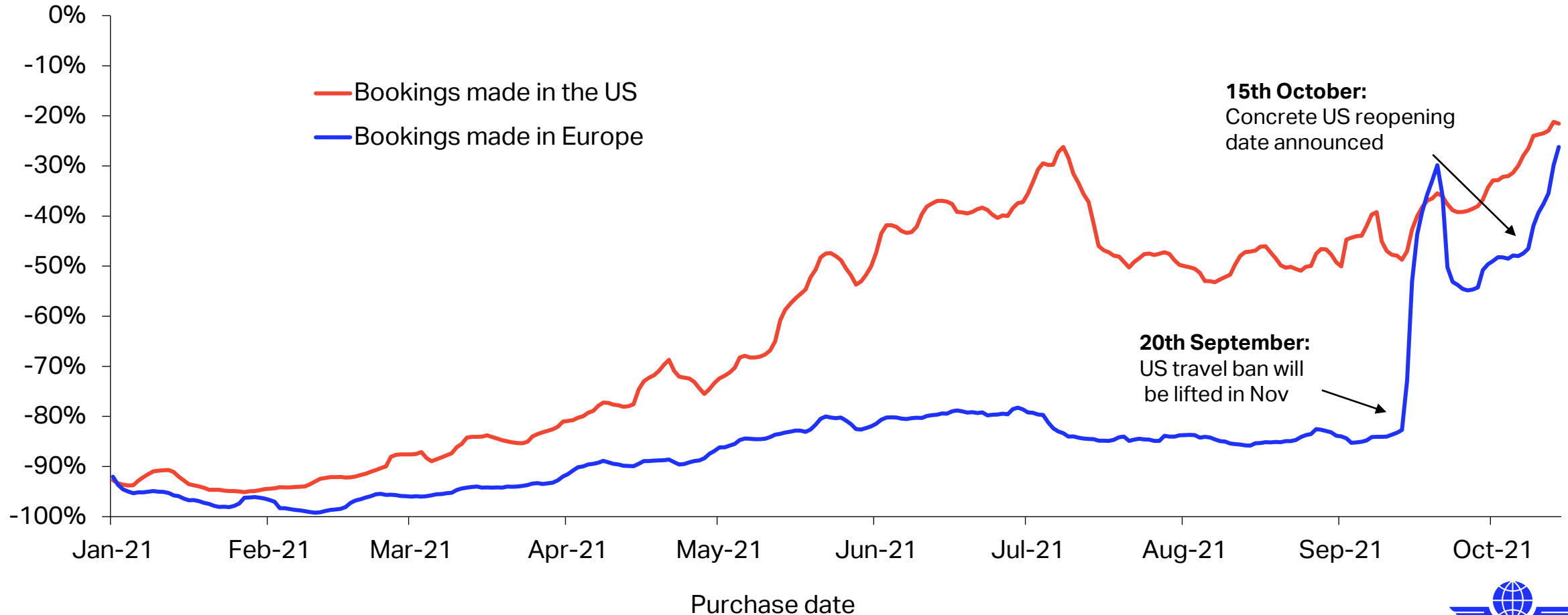
Airfinity's vaccination rollout forecast



Willingness to travel remains strong

Bookings rose sharply following US-Europe reopening announcement

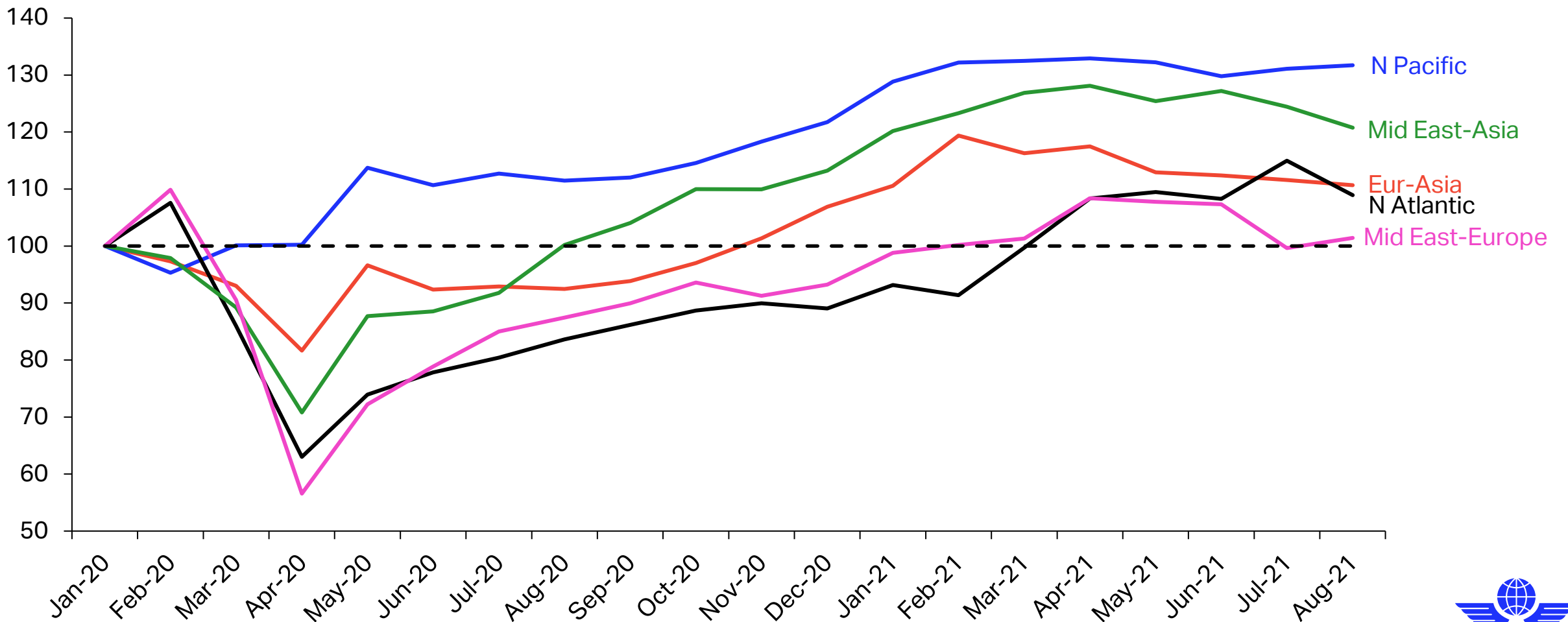
Bookings US-Europe, 7-day MA in % change vs 2019



Air cargo strong across the board with high demand

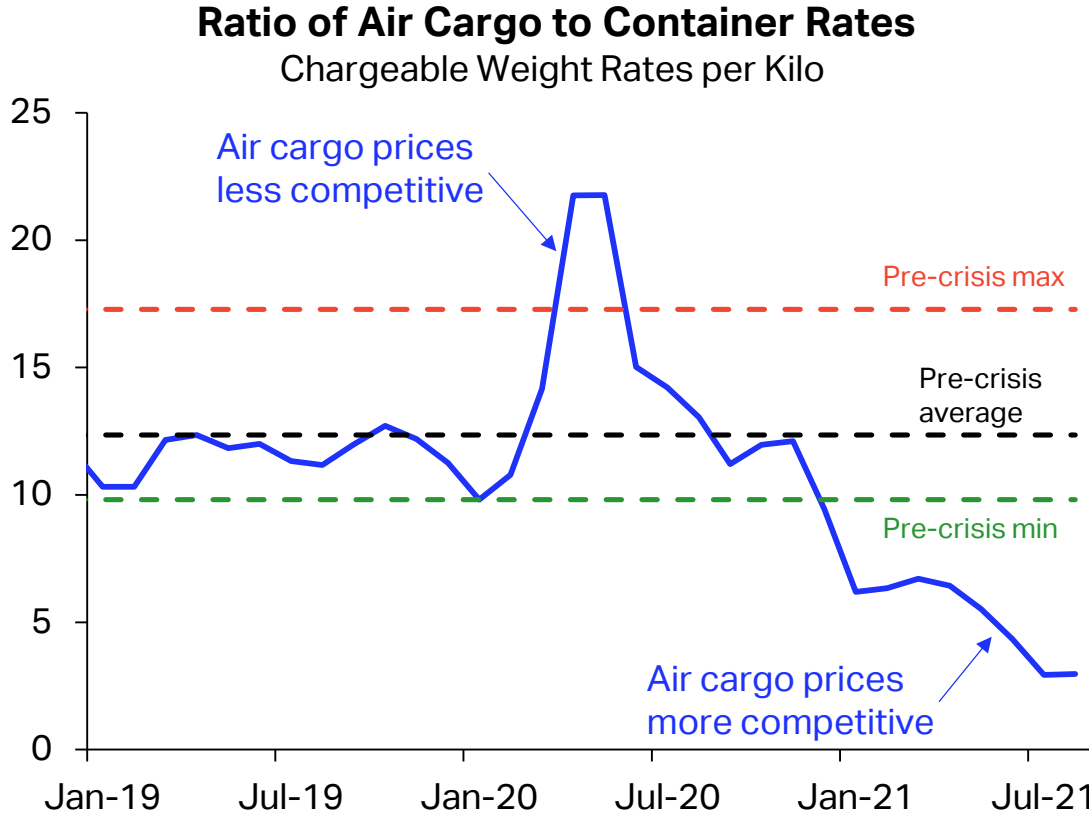
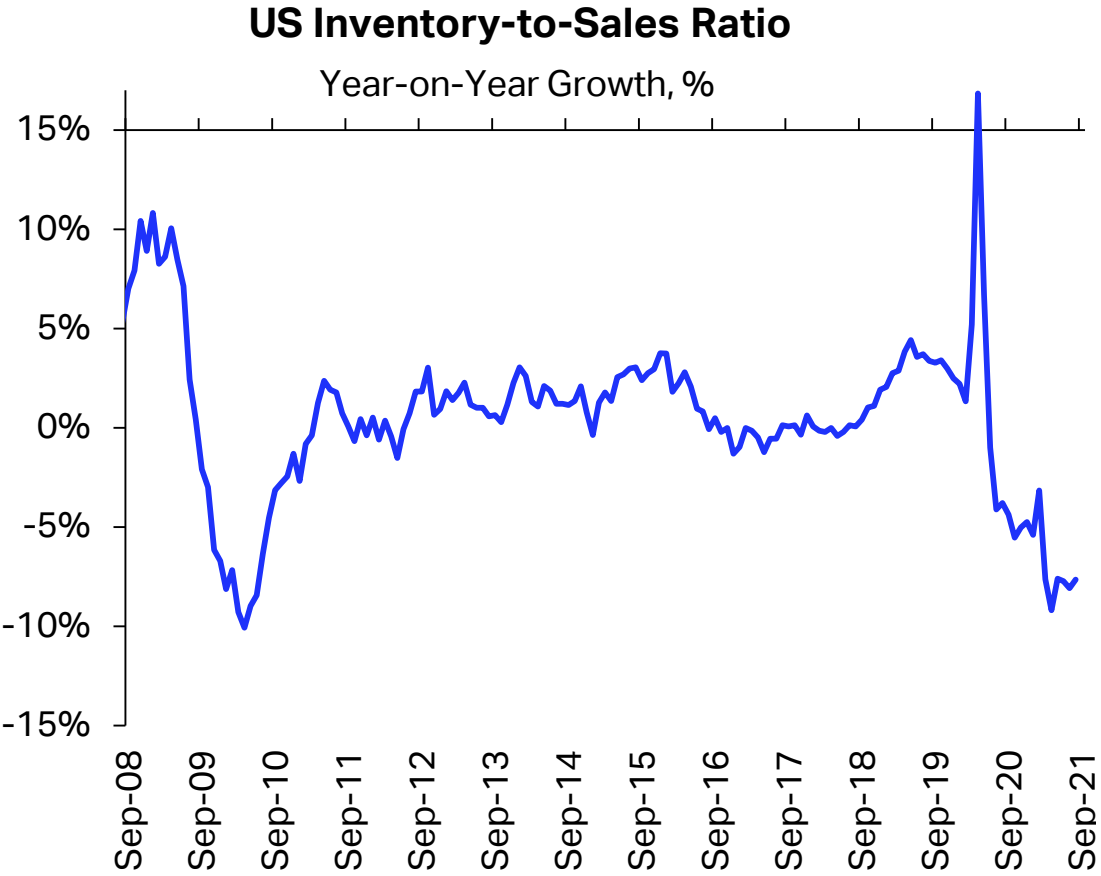
But capacity and supply chain issues limit further gains

Seasonally adjusted segment-based CTKs for main trade lanes, indexed, Jan 2020 = 100)



Inventory rebuilding is an opportunity for air cargo

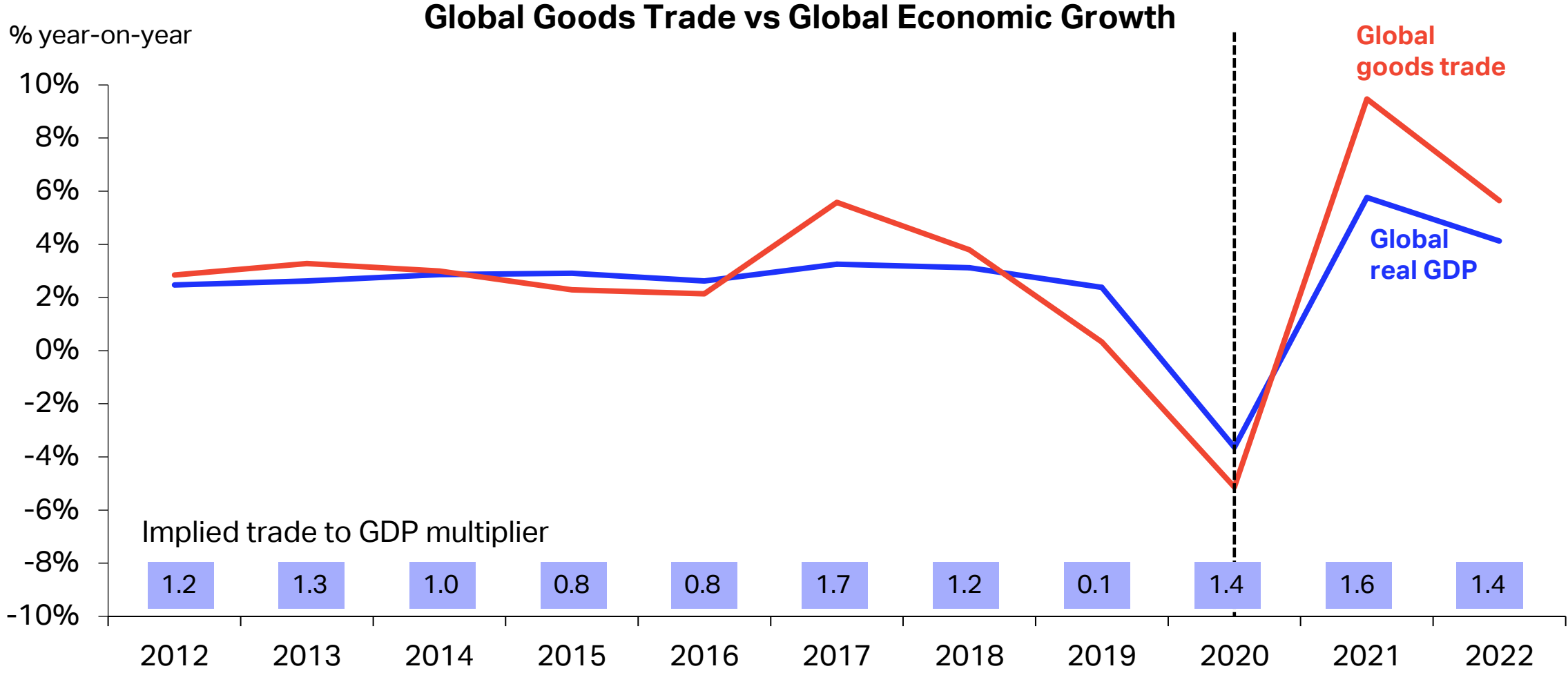
Despite lack of capacity, air cargo is less congested than ocean shipping



Source: IATA Economics, Refinitiv Eikon, Boeing, IATA CargoIS, Freightos Baltic Index

World trade to grow faster than global economy

Implied trade to GDP multiplier above the average of last decade

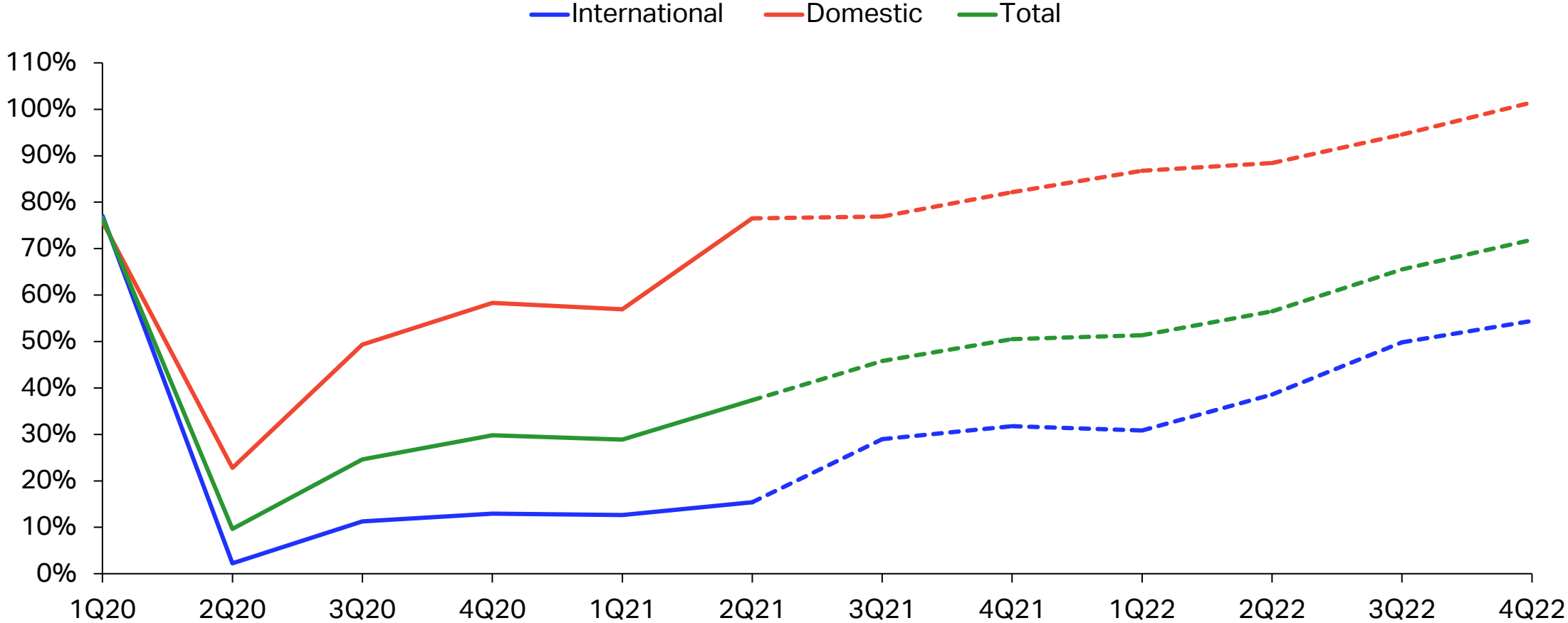


Source: WTO, IMF WEO

Domestic travel demand will continue to be strong

Domestic RPKs will be 93%, international 44% of pre-crisis levels in 2022

Global Revenue Passenger Km (Quarterly RPKs % of 2019)

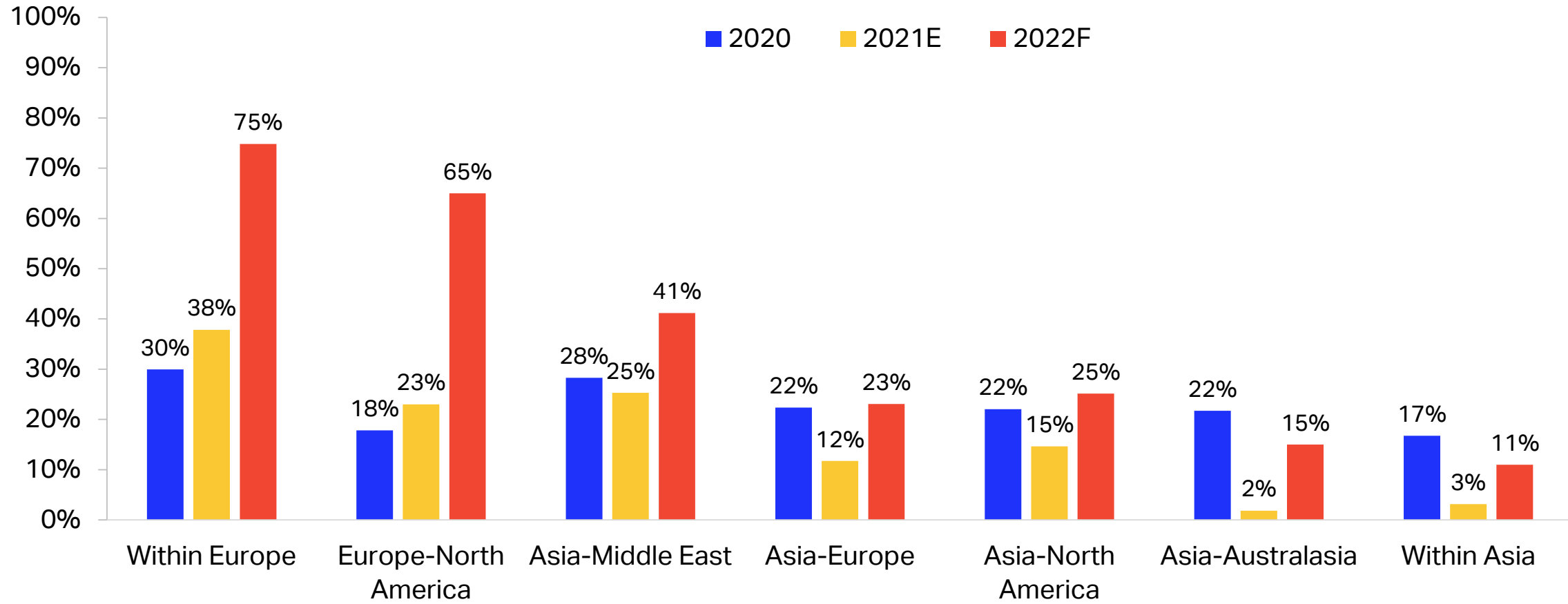


Source: IATA Economics Airline Industry Financial Forecast update, October 2021

Recovery in international travel will be uneven in 2022

Intra-Europe and Europe-Nth America travel will outpace Asia

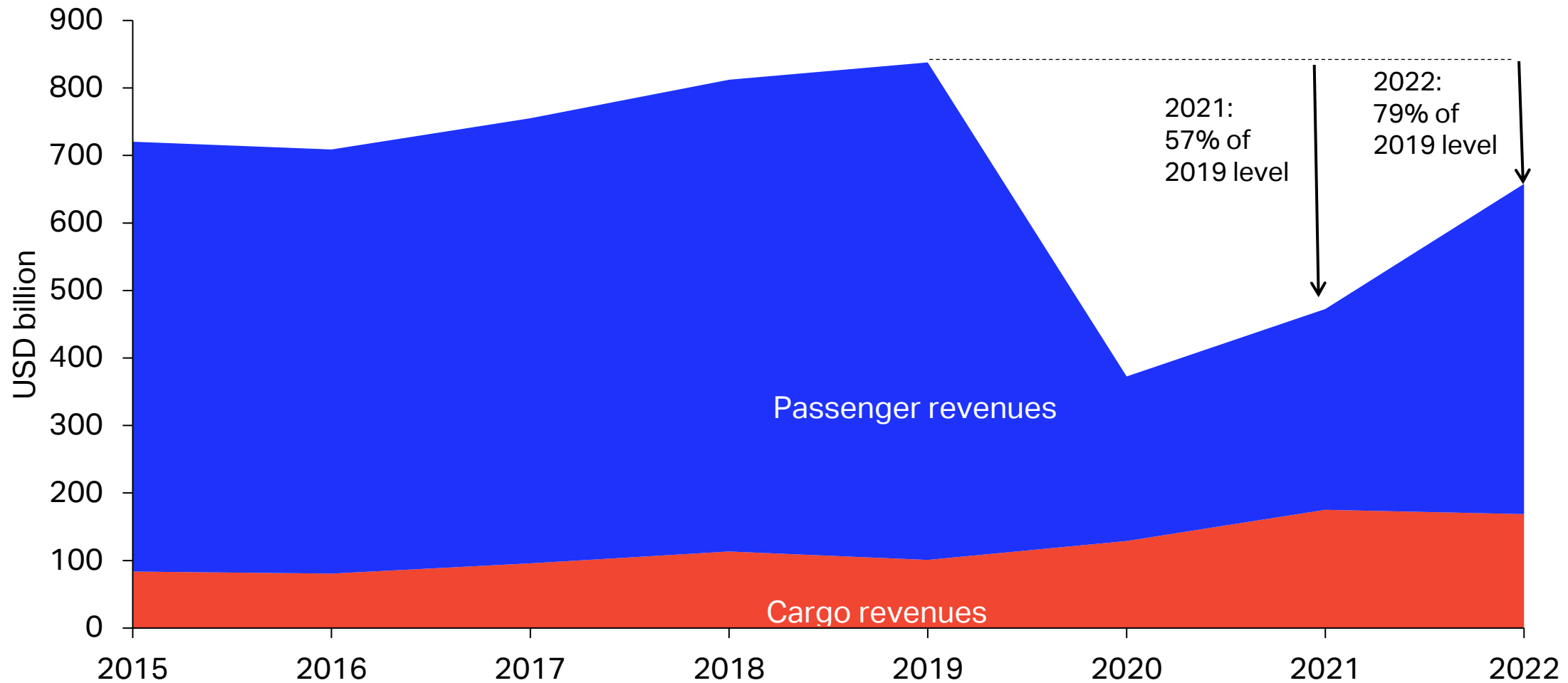
Main International Routes (RPKs % of 2019 levels)



Revenue recovery will continue in 2022 - to 79% of 2019

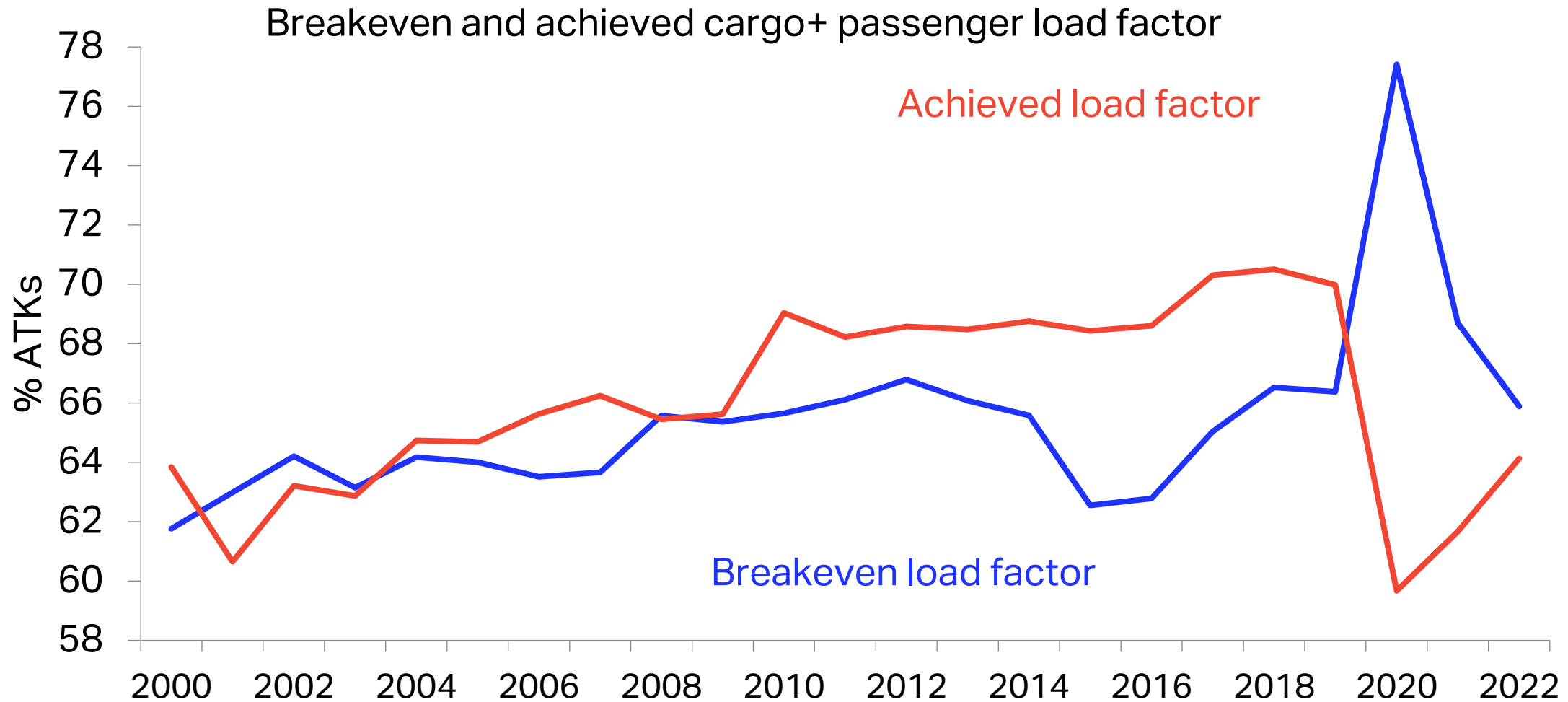
Strong cargo revenues will be insufficient to offset loss in pax revenues

Global airlines revenue, USD billion



Load factors improve but still below break-even level

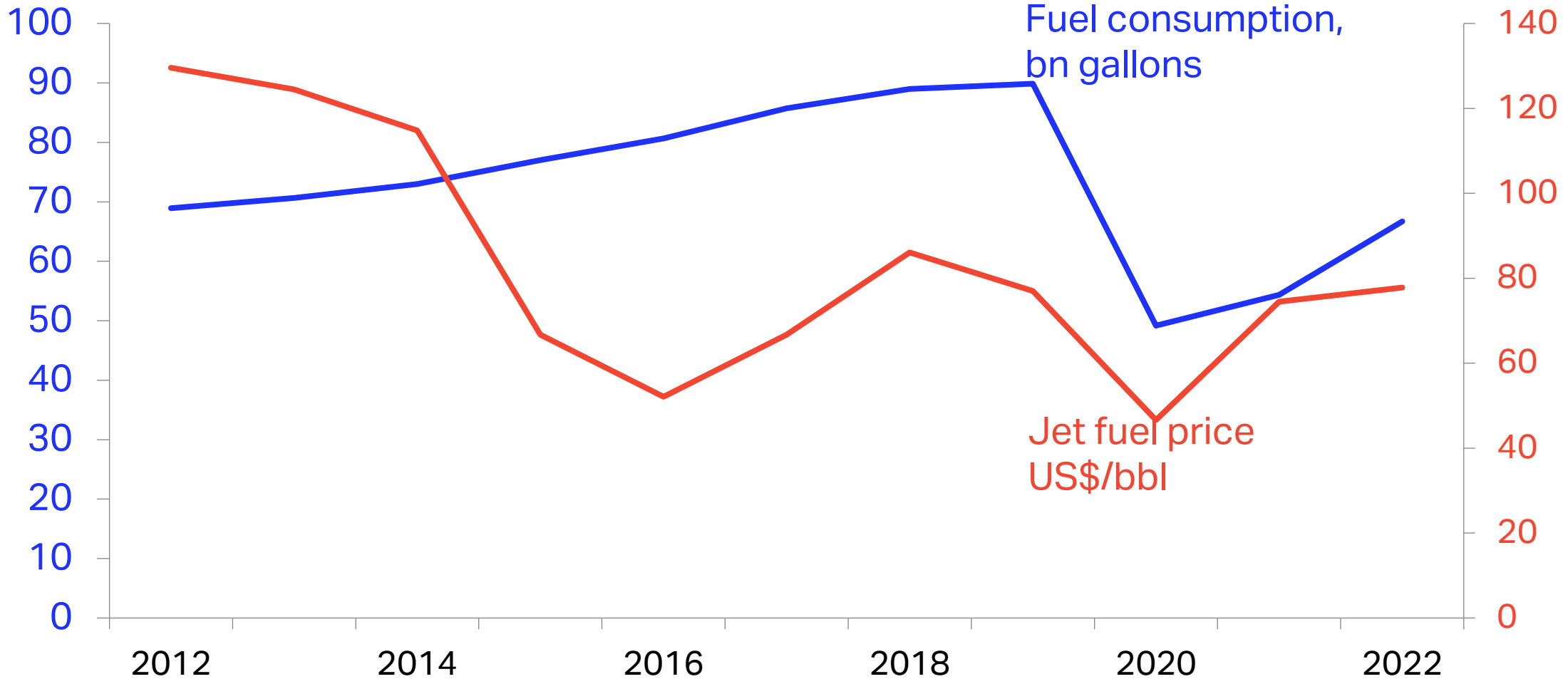
Passenger load factor is expected to recover to 75% in 2022



Fuel cost rising with the higher traffic and fuel prices

Jet fuel price is expected to be \$77.8/bbl in 2022 vs \$74.5/bbl in 2021

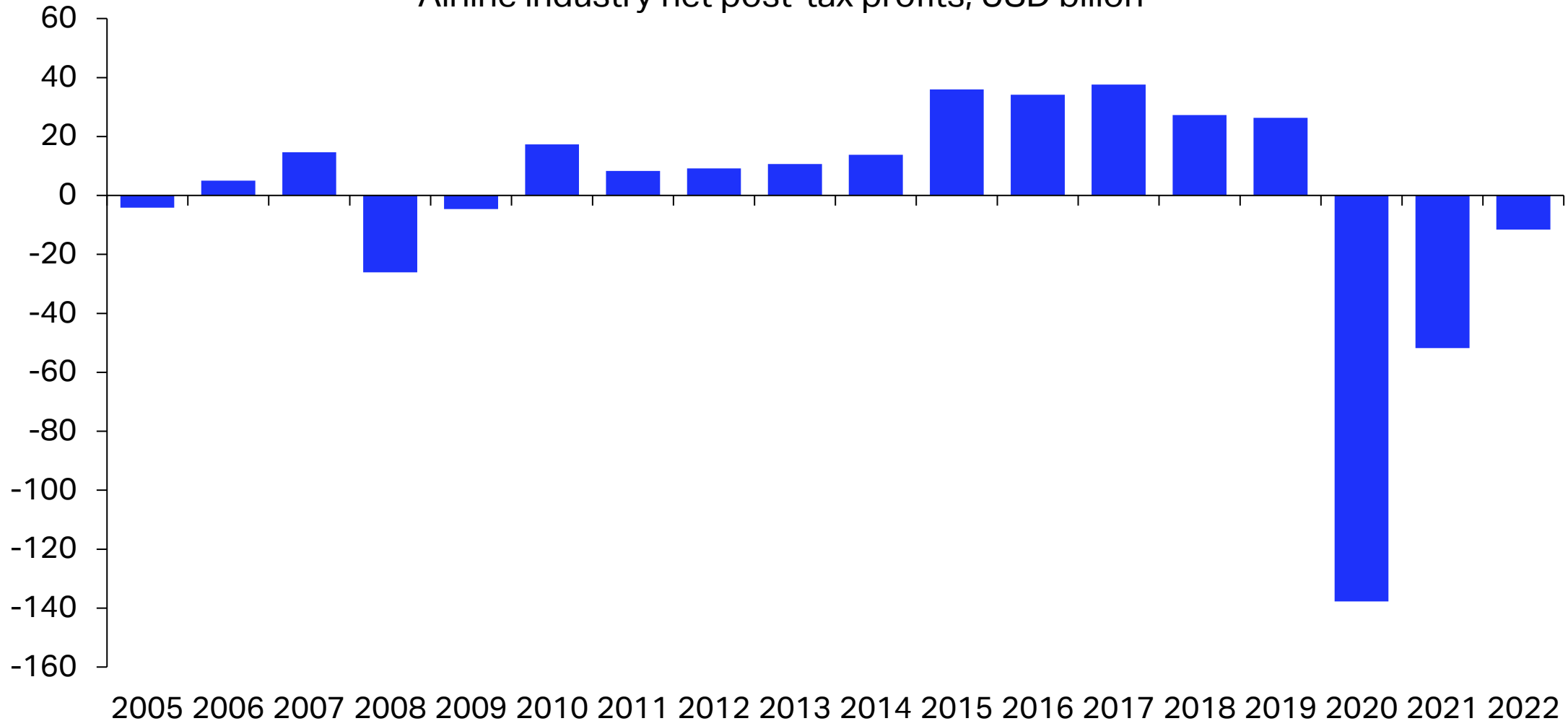
Fuel Consumption and the price of jet fuel



Return to profitability likely to be delayed by another year

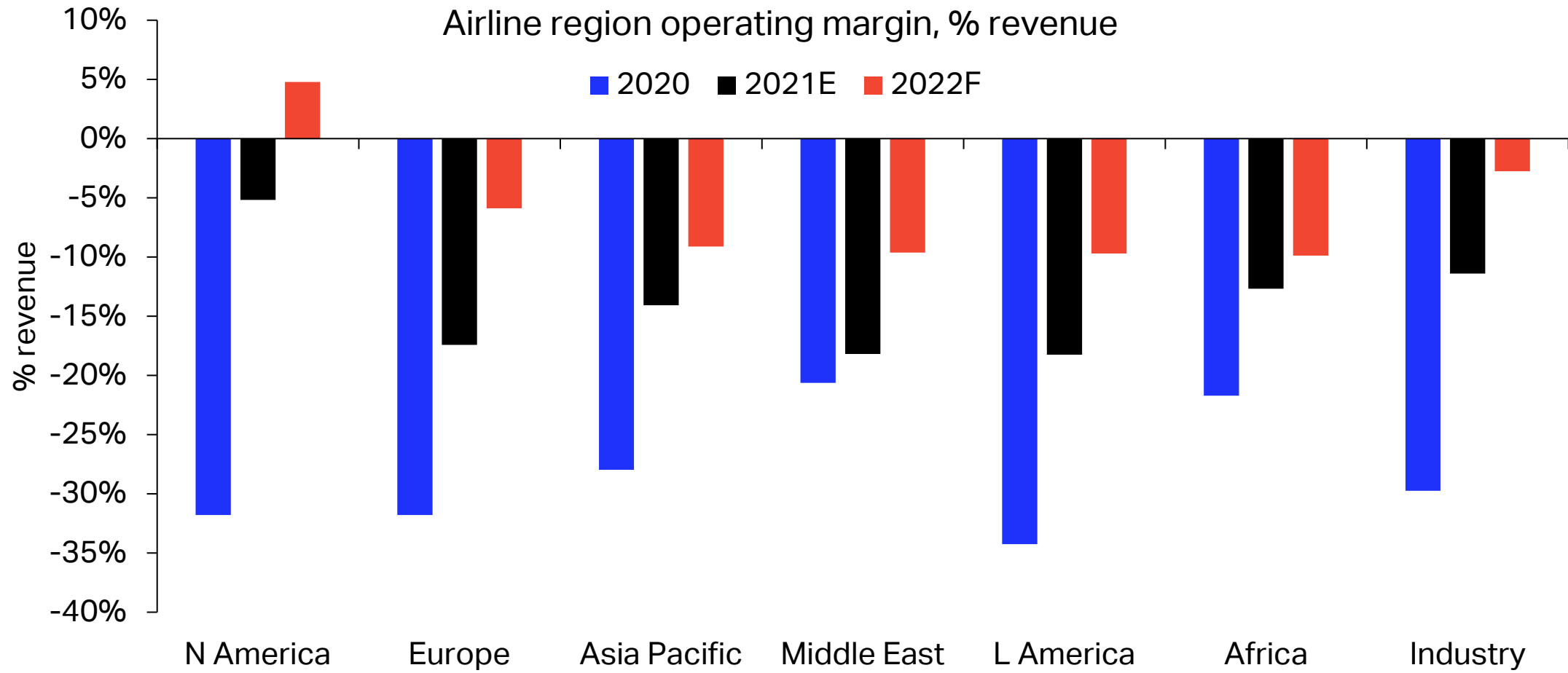
With gradual traffic recovery, 2022 another year of loss

Airline industry net post-tax profits, USD billion



N American airline financials improving fast, other regions lag

Operating margins will still be negative in most of the regions in 2022



Contacts

economics@iata.org

www.iata.org/economics

