

COVID-19

Updated Impact Assessment

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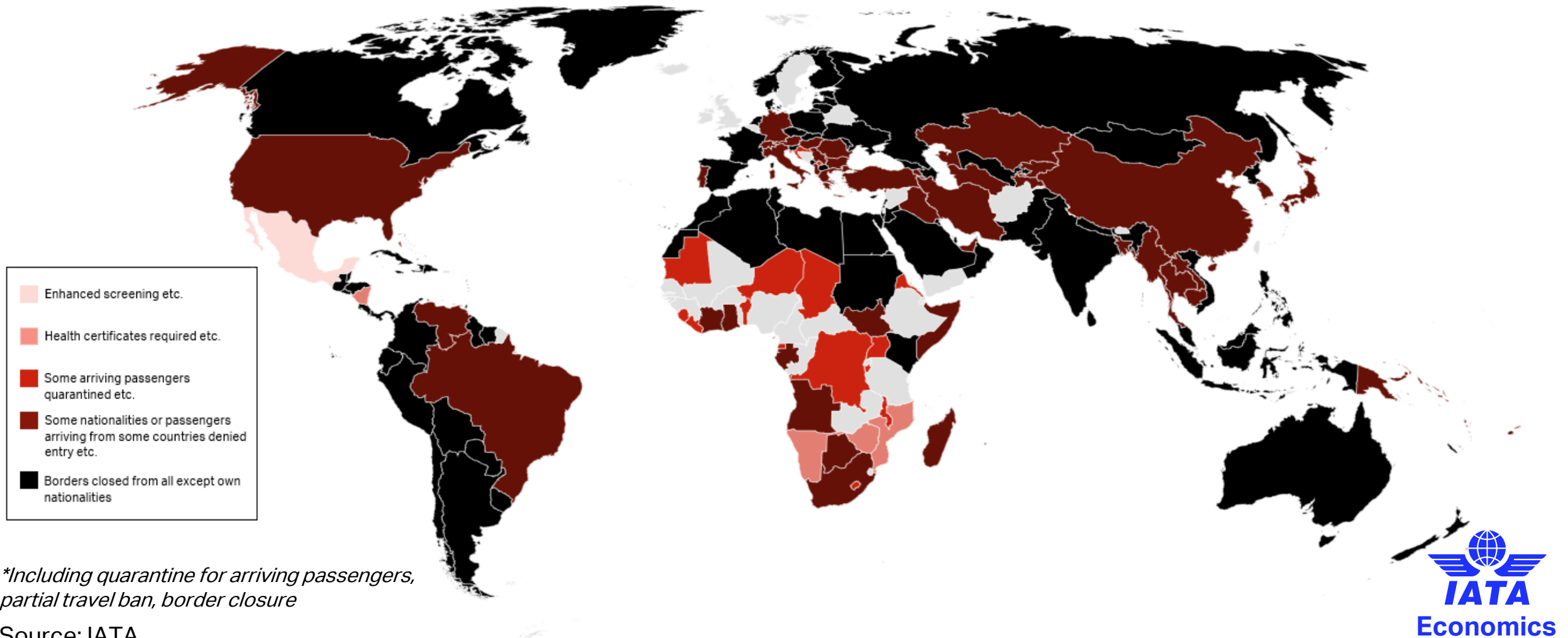
Chief Economist

24th March 2020



Travel restrictions are closing down international aviation

Markets with severe* restrictions cover 98% of global passenger revenues



The impact has moved beyond our 'Extensive Spread' scenario* implying **\$113 bn loss of passenger revenues (19%)** worldwide in 2020

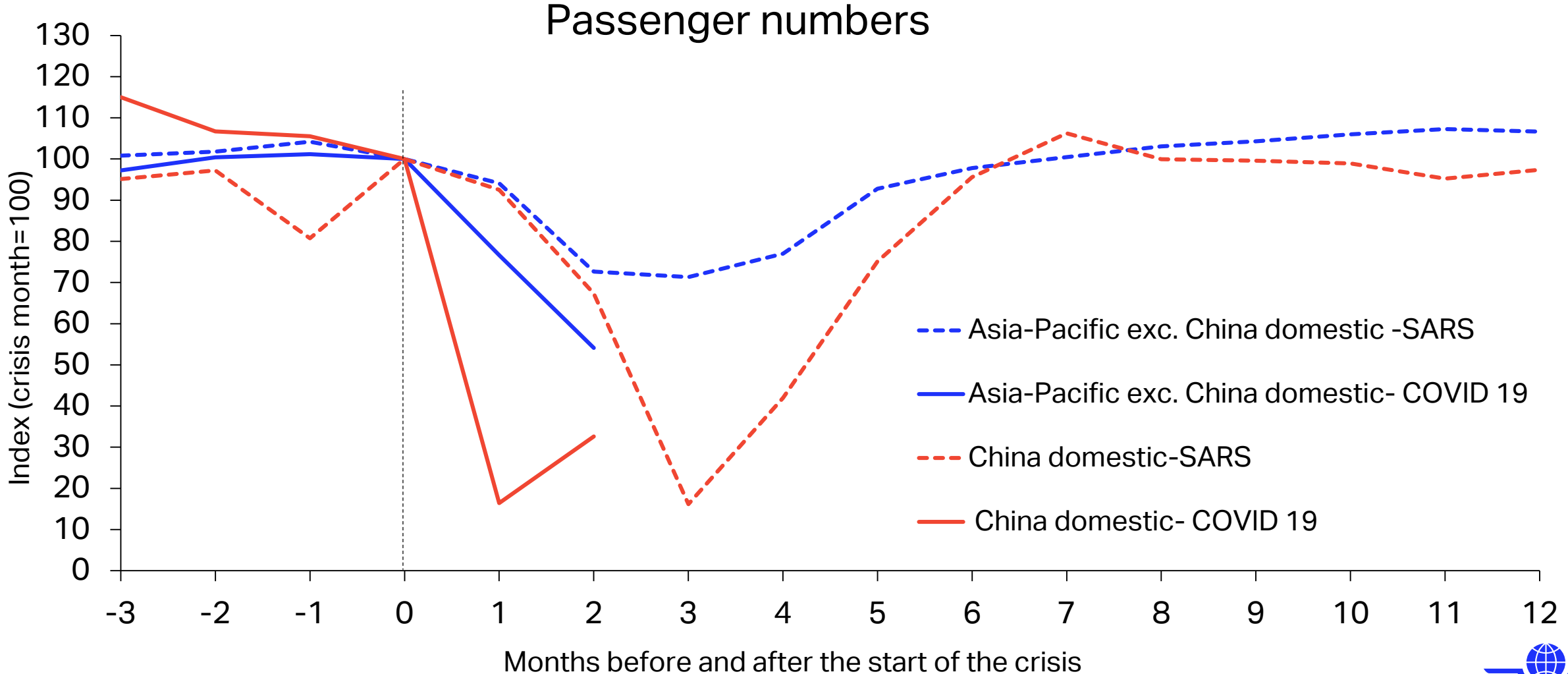
Market	Impact on passenger numbers	Impact on passenger revenue (Billion US\$)*
Australia, China, Japan, Malaysia, Singapore, South Korea, Thailand, Vietnam	-23%	-49.7
<i>APAC excluding the above</i>	-9%	-7.6
Austria, France, Italy, Germany, Netherlands, Norway, Spain, Switzerland, Sweden, the United Kingdom	-24%	-37.3
<i>Europe excluding the above</i>	-9%	-6.6
Bahrain, Iraq, Iran, Kuwait, Lebanon, the United Arab Emirates	-23%	-4.9
<i>Middle East excluding the above</i>	-9%	-2.3
Canada, United States	-10%	-21.1

*** Note:**

Revenue numbers do not add up to the \$113 bn global total because of route overlaps e.g. China and Japan include revenues on the China-Japan market. We adjust for overlaps in calculating the worldwide total. Revenues are base fare revenues for all airlines serving routes to, from and within each country

Signs of a turning point in China domestic air travel

Compared to SARS the initial decline has been much more severe



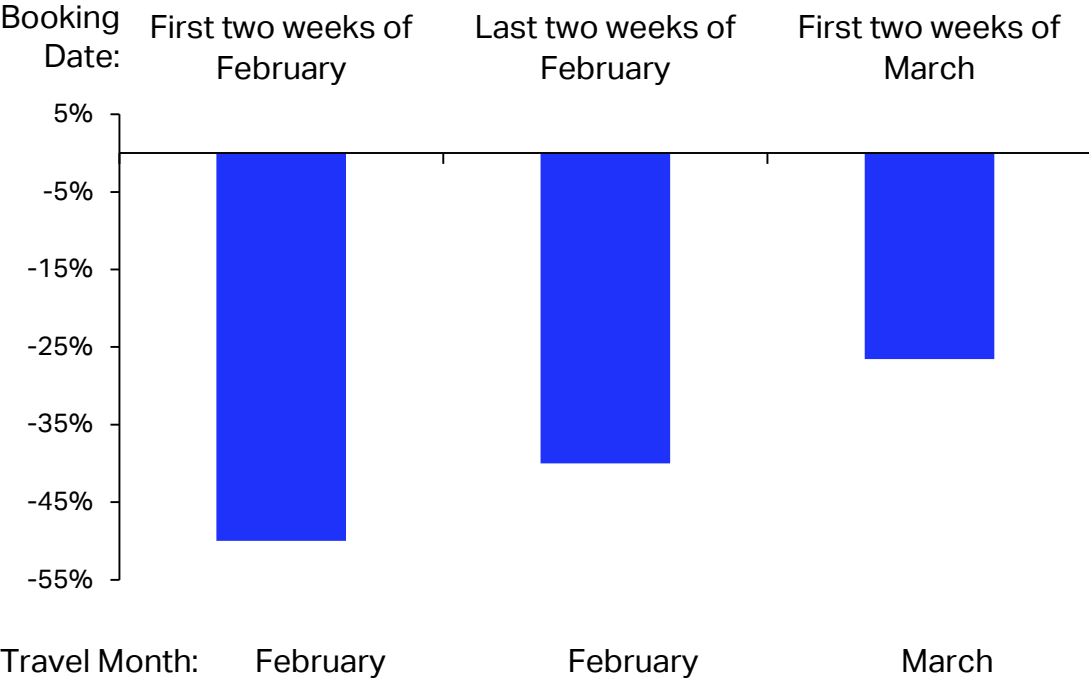
* Months after COVID-19 outbreak is based on bookings data
Source: IATA Economics using DDS



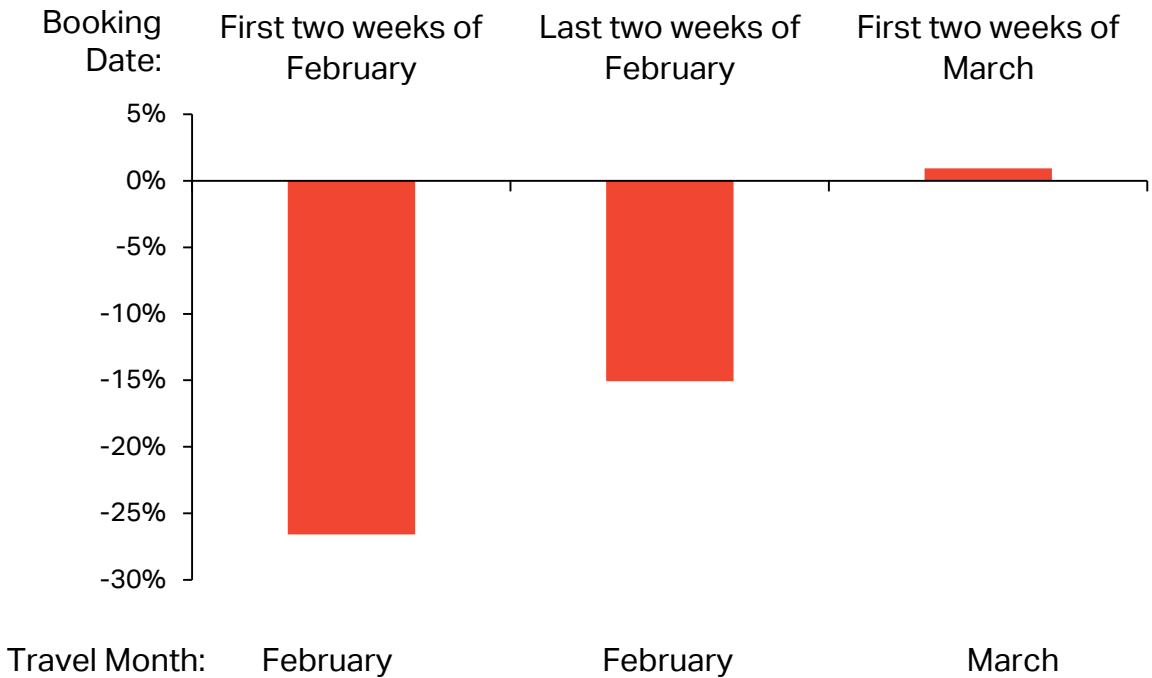
Passenger yields stabilizing on China's domestic market

Including international China passenger yields falling 25% yoy or more

Passenger Yields China Year-on-Year Change



Passenger Yields China Domestic Year-on-Year Change

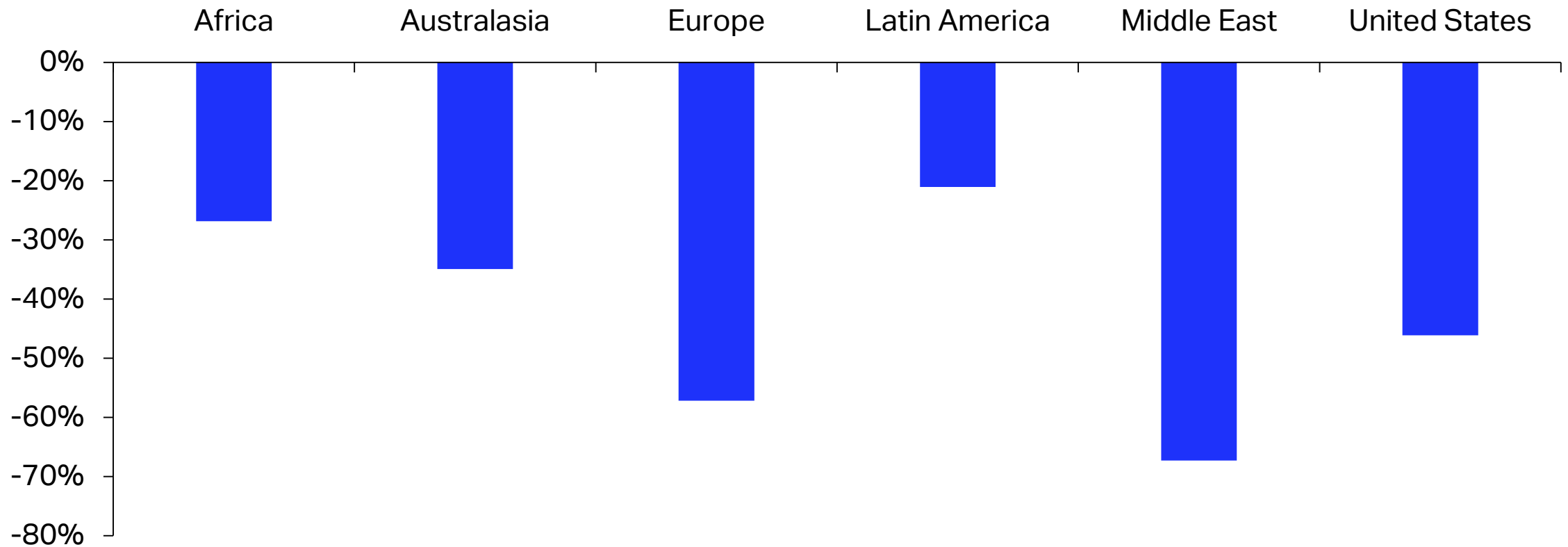


Source: IATA Economics using DDS

But dramatic case spread outside Asia Pacific hit bookings

And led to a surge of 'imported' cases in Asia

Number of Passengers* for Travel Month March
Year-on-Year Change

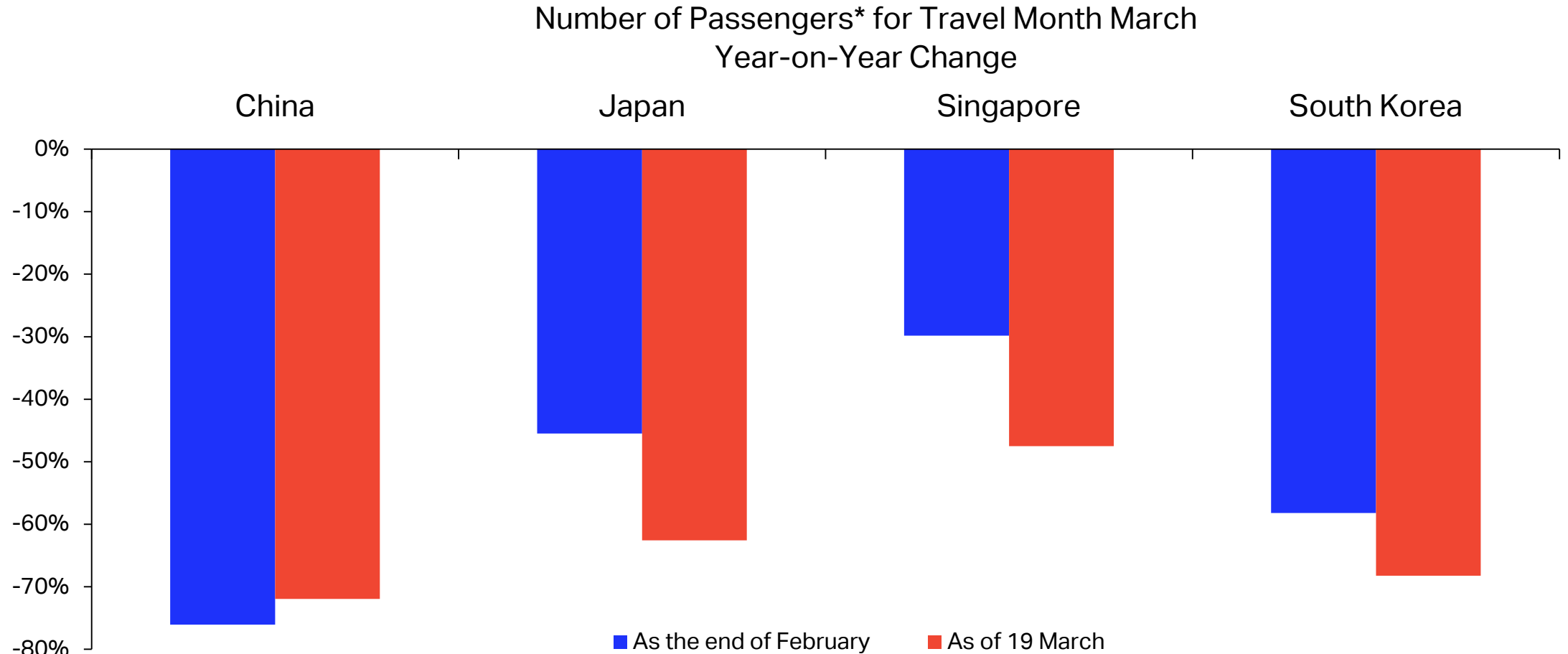


* Based on bookings data for the month of March

Source: IATA Economics using DDS

Even where containment successes bookings falling

Imported cases from Europe and Middle East driving border closures

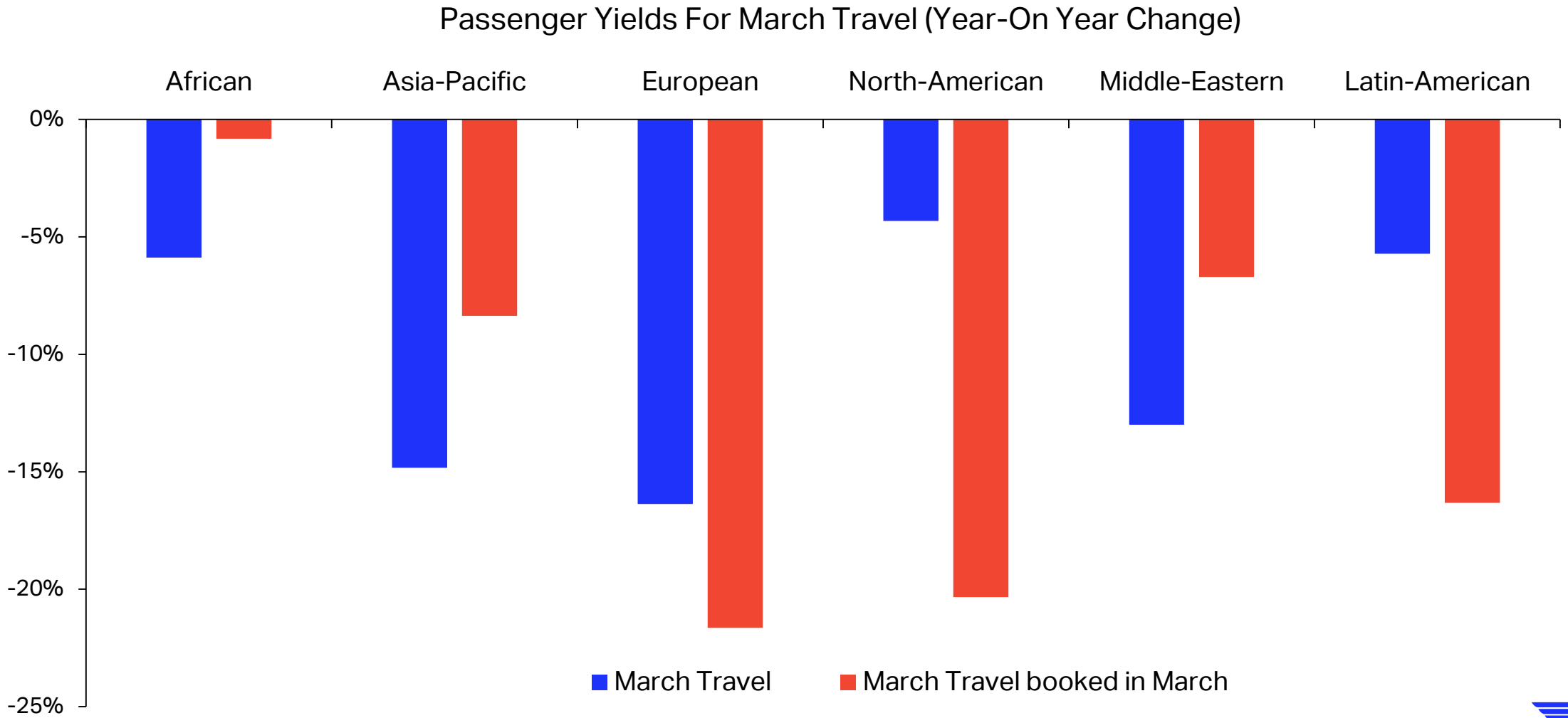


* Cumulative numbers based on bookings data

Source: IATA Economics using DDS

Passenger yields down sharply as well as bookings

Airlines unable to fill seats by discounting in this crisis



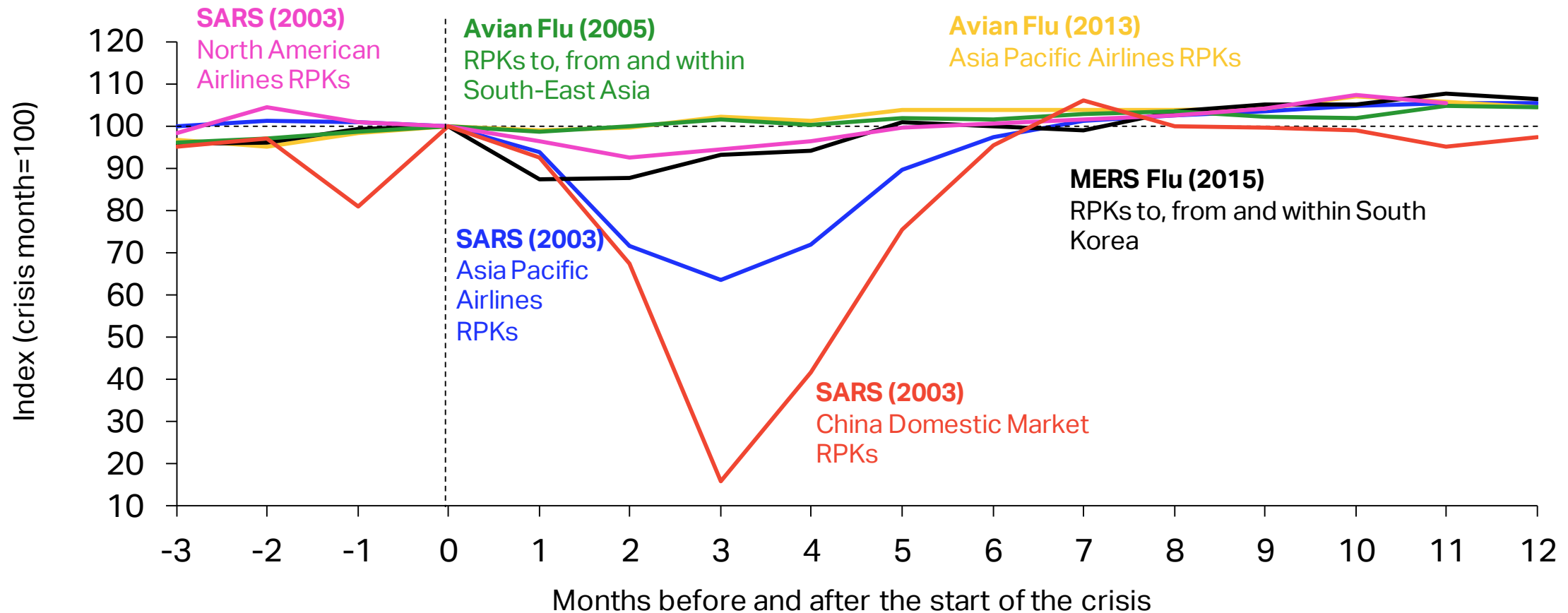
Source: IATA Economics using DDS



This time recovery may not come 6 months after the crisis

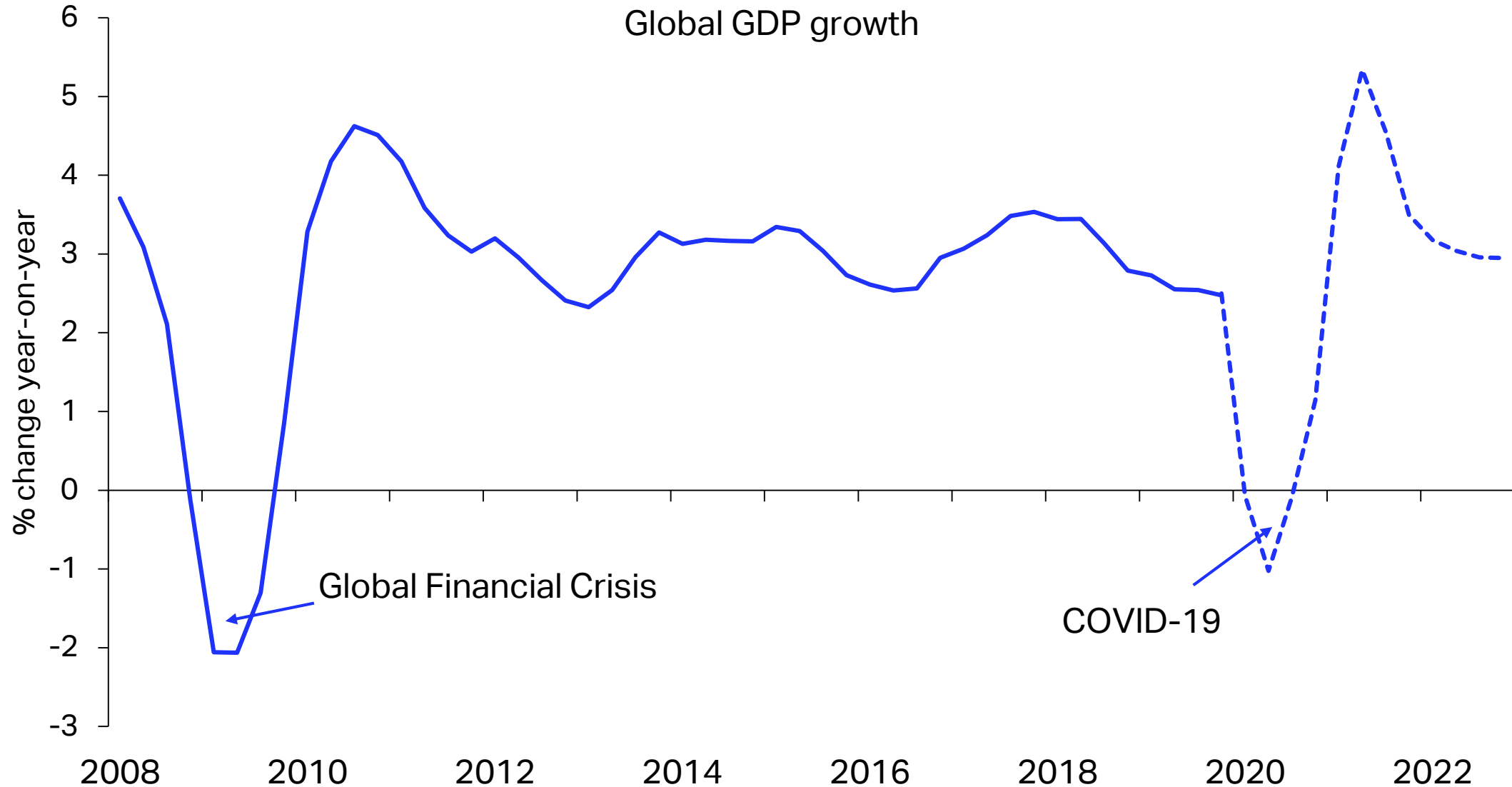
All previous pandemics had a sharp V-shape, but there was no recession

Impact of past disease outbreaks on aviation



Deep economic recession will delay recovery

Fiscal stimulus expected to stop recession exceeding GFC in depth and duration

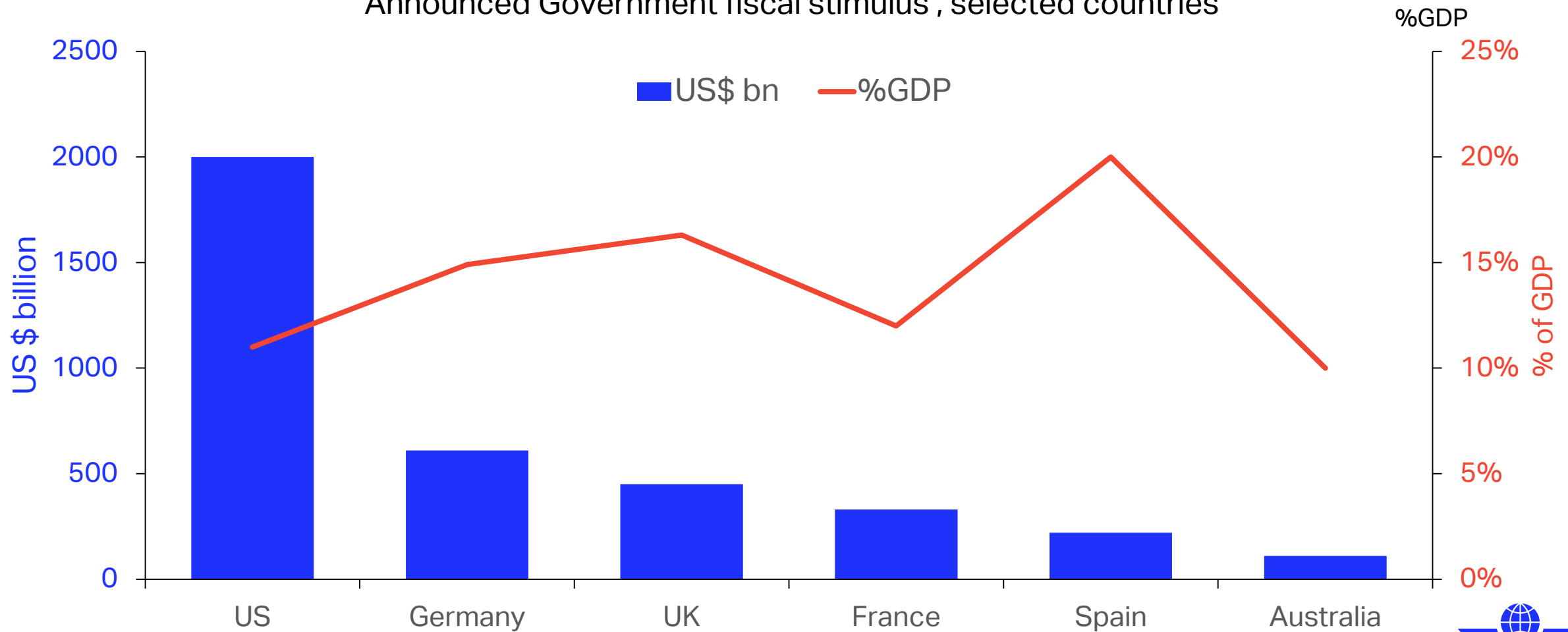


Source: Oxford Economics March 2020 forecast

Governments implementing huge fiscal stimulus

Adding spending worth 10-20% of annual GDP

Announced Government fiscal stimulus , selected countries



Source: Reuters, CNN, various media reports

Updated forecast based on 3m lock-down & capacity plans

This is contingent on lock-downs not rising to European levels in all regions

Capacity (% change year-on-year) assumptions

Region of airline registration	1Q20	2Q20	3Q20	4Q20
Asia Pacific	-18%	-50%	-25%	-10%
North America	-8%	-50%	-25%	-10%
Europe	-10%	-90%	-45%	-10%
Middle East	-23%	-80%	-40%	-10%
Africa	-10%	-60%	-30%	-10%
Latin America	-9%	-80%	-40%	-10%
Industry	-14%	-65%	-33%	-10%

Passenger yield (% change year-on-year) assumption

Region of airline registration	1Q20	2Q20	3Q20	4Q20
Industry	-8%	-6%	-4%	-3%

Forecast update assumptions

- **Capacity:**
 - Based on announced airline plans
 - Restrictions imposed assumed to continue through the second quarter
- **Demand and Yield Assumptions:**
 - Recession prevents V-shaped recovery
 - Three months of lock down and then gradual recovery
 - Passenger demand is forecast to fall by more than capacity is cut. Industry-wide load factors are expected to be gradually recovering towards year-end.
 - Passenger yield is expected to decline on average by 5% in these conditions. Given recent declines this may be an underestimate.

Before any recovery the immediate impact will be severe

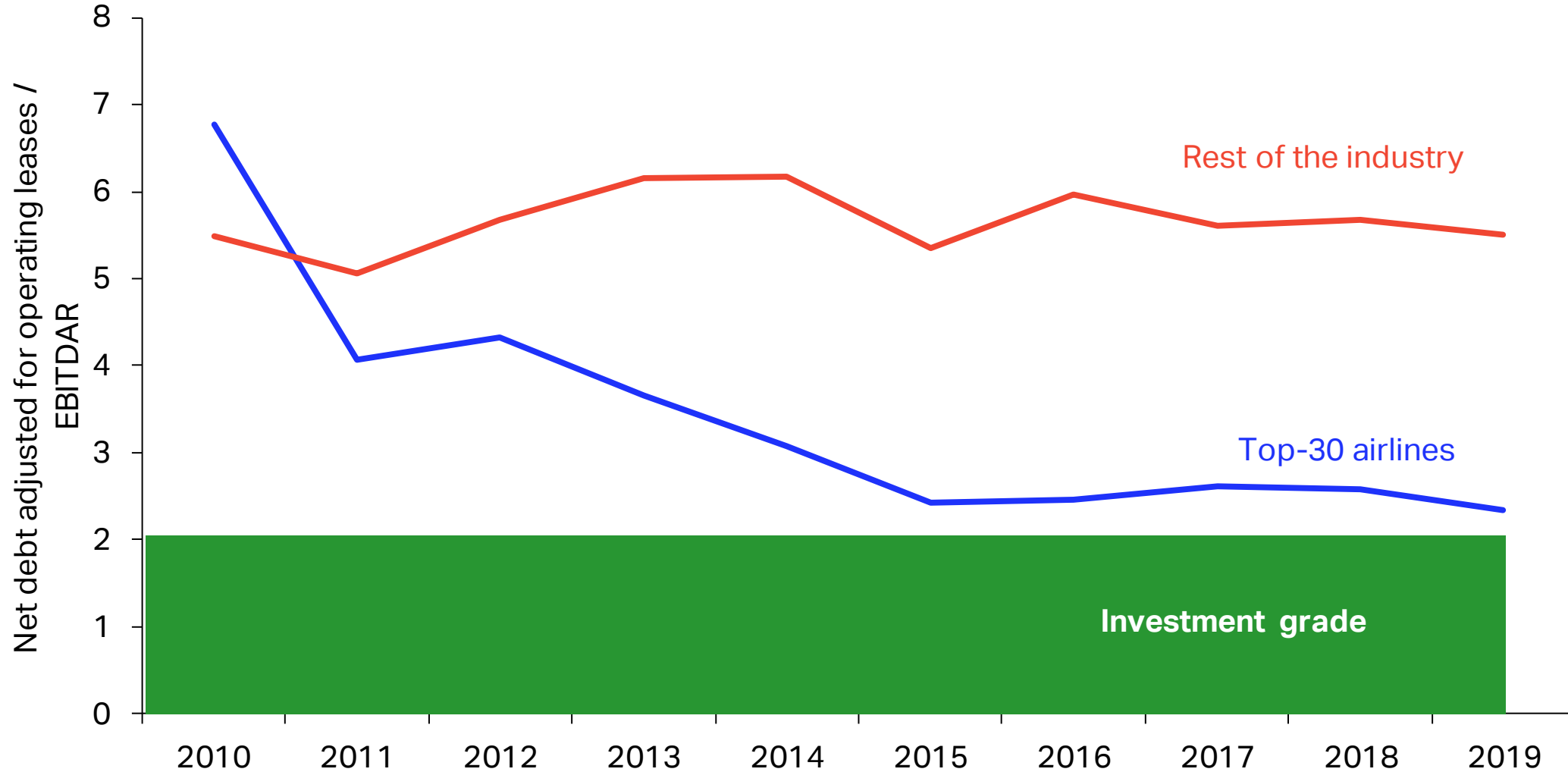
We now expect a 38% fall in RPKs and \$252 billion pax revenue loss in 2020

Region of airline registration	RPKs 2020 % yoy	Passenger revenue \$ billion 2020 vs. 2019 levels
Asia-Pacific	-37%	-88
North America	-27%	-50
Europe	-46%	-76
Middle East	-39%	-19
Africa	-32%	-4
Latin America	-41%	-15
Industry	-38%	-252

Outside the top-30 balance sheets debt levels are high

So many airlines will have fixed obligations of debt to service and repay

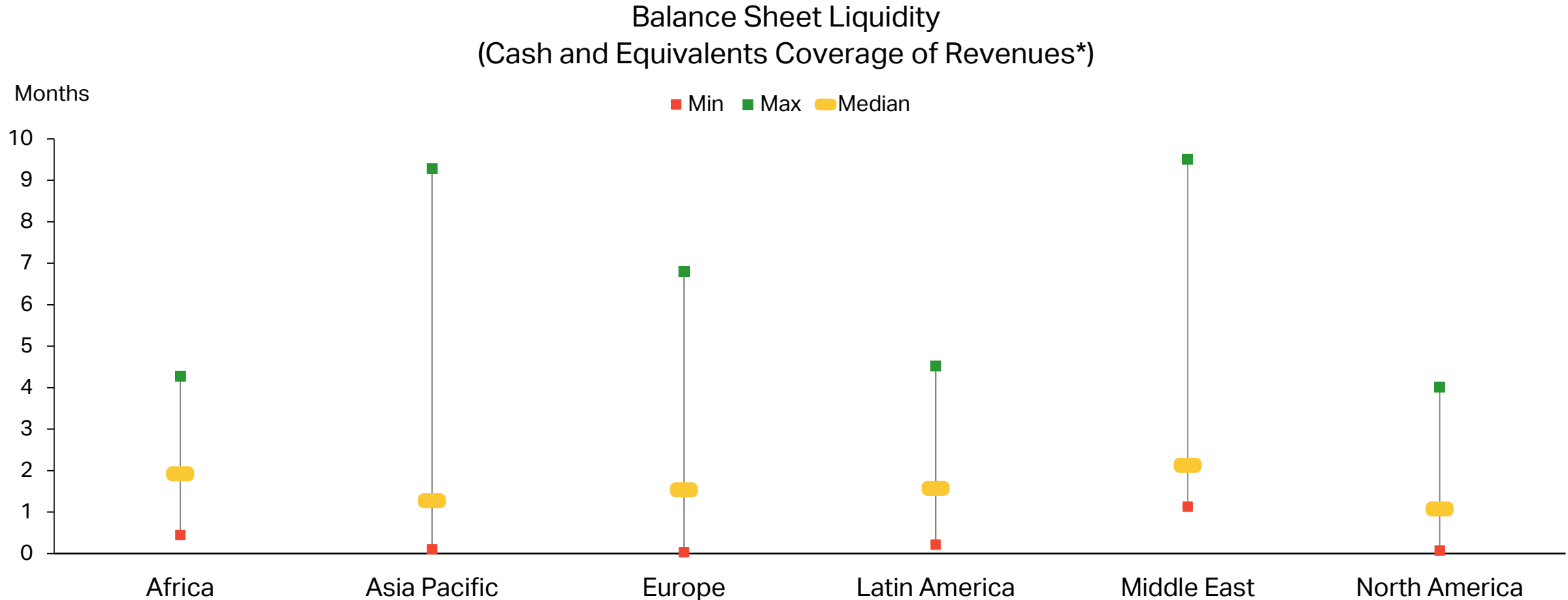
Net debt adjusted for operating leases / EBITDAR



Source: IATA Economics using data from the Airline Analyst, own estimates

Airlines will run out of cash before recovery arrives

The typical airline had 2 months of cash at the start of this year



**Latest available 12 months cumulative revenues Africa, Latin America and the Middle East might not be representative due to small sample size.*

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