

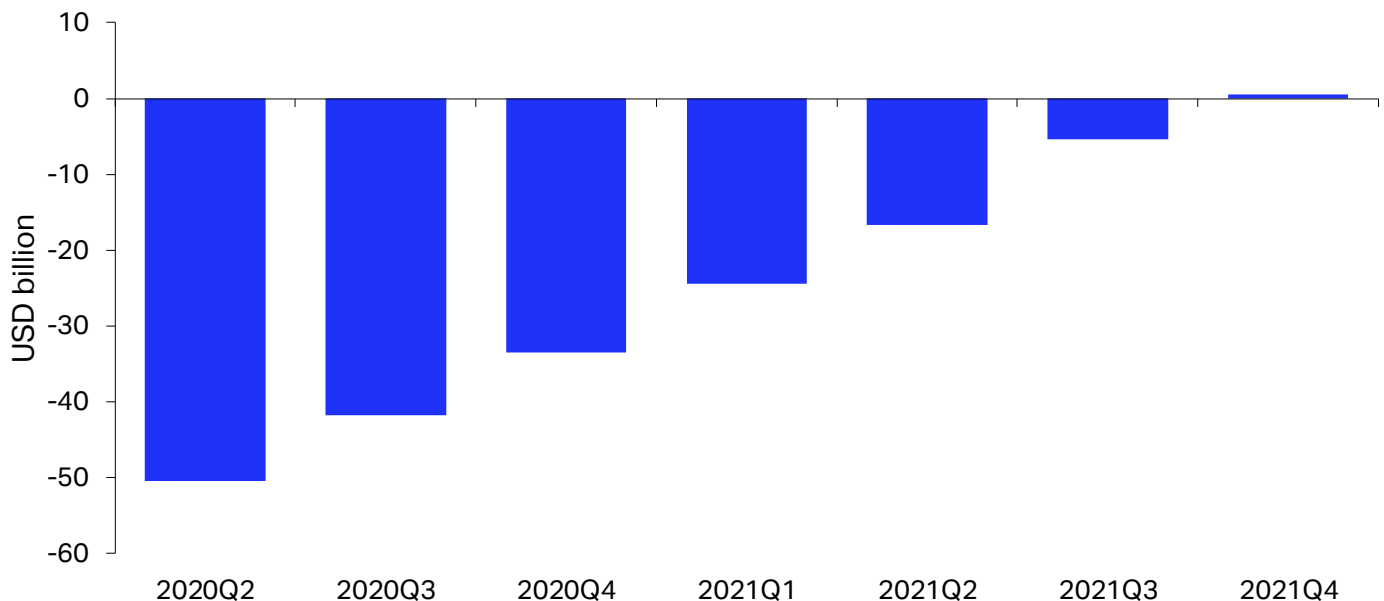


IATA Economics' Chart of the Week

27 November 2020

Vaccines may bring end to cash burn by the end of 2021

Airline industry quarterly cash burn forecast



Source: IATA Economics

- This week we released our updated [industry financial forecasts](#). Our new forecast assumes that vaccines will be deployed in the 2nd half of 2021. However, there will still be production and distribution challenges. As a result, the recovery of air travel demand will take time and be uneven between emerging and developed markets. Hence, airlines will continue to face the challenge of controlling their cash burn. This week's chart looks at the rate of cash burn for airline industry based on our new forecasts.
- Q2 had been the worst quarter for the industry (est. cash burn of \$50 bn) with almost full grounding of the passenger fleet. Although some airlines reported improved cash burn towards the end of Q2 with the restart of operations, the recovery in the third quarter remained slower than expected and 2nd waves of outbreak hindered the recovery. Initial [Q3 results](#) indicate that airlines continue to burn cash due to subdued travel demand and ongoing travel restrictions albeit at a slower rate than Q2.
- Looking forward, we have upgraded our forecasts for cash flows in the second half of next year. [Previously we anticipated cash burn until 2022](#). But the industry faces a very tough time getting to that point. We are projecting a further \$75 billion of cash to be burned between 4Q 2020 and mid-2021. We expect availability of the vaccine will allow travel demand to rebound only in the 2nd half of 2021 and see a possibility of turning cash positive at aggregate level only in 4Q 2021. Hence, government support or progress on the use of testing to accelerate market opening will be critical for the survival of airlines in many regions over the next 6-9 months.

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