CPWG Plenary

COVID-19 impact on airlines

9 March 2021

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Every day in 2019...

12.4 million passengers

106,600 flights

$17.8 billion worth of goods carried

Source: IATA
Every day in 2020...

4.9 million passengers

44,900 flights

$16 billion worth of goods carried

Source: IATA
INDUSTRY IN CRISIS
TOTAL LOSSES IN 2020: $118 BILLION
DEMAND: DOWN 65.9% vs 2019
Setback to air travel, but cargo regains pre-crisis traffic
Global RPKs fell to -72% vs Jan 2019, but cargo tonne km 1.1% higher

Passenger and cargo tonne km flown (RPKs, CTKs), billion per month

Cargo traffic (CTKs)
Passenger traffic (RPKs)

Source: IATA Economics using data from IATA Statistics. Data is adjusted for seasonality.
Air travel recovery in 2020 stalled after the summer, RPKs ended year down 70%: domestic -43%, international -85% y-o-y

Source: IATA Economics using data from IATA Statistics
January weakness due to a fall in domestic air travel
Domestic RPKs down 47.4% on pre-crisis level. International down 85.6%

Source: IATA Economics using data from IATA Statistics. Data is not adjusted for seasonality.
Air travel setback due to China domestic market fall
Travel restrictions weakened China. US domestic increases but slow

Passenger km flown (RPKs) on domestic markets, billions per month

Source: IATA Economics using data from IATA Statistics. Data is adjusted for seasonality
The air passenger business will worsen before improving. Travel restrictions still tightening, and China domestic travel fell in Feb. 

Global bookings (inc. refunds), millions per week

Source: IATA Economics using data from DDS
Air travel revenue boost from Chinese New Year absent
Passenger load factors low despite service cutbacks
Industry load factor 25.7% points lower than pre-crisis levels at 54.1%

Source: IATA Economics using data from IATA Statistics

*Data from 1990 onwards*
Substantial pent-up demand but vulnerable to shocks
Bookings surged when quarantine relaxed, here for UK-UAE market

Forward bookings, year-on-year % change

12th November: UK announce the UAE exempt from quarantine rules

New COVID-19 variant emerges in the UK

Source: IATA Economics using data from DDS
2021 H1 will be weaker than expected in December. There is also a risk to H2 from policy response to new virus variants.

Global RPKs, billions per quarter

- **Scenario 1**: Travel restrictions lifted in developed economies once vulnerable vaccinated.
- **Scenario 2**: Governments more cautious to relax travel restrictions.

**Dec forecast**
- 51% of 2019
- 38%
- 33%

Source: IATA Economics
Airlines’ cash burn worse than forecast in December
Delay in travel recovery implies 2021 cash burn of USD 75-95 billion

Global airline industry cash burn forecast, USD billion per quarter

Scenario 1: 2021 USD 75 billion
Scenario 2: 2021 USD 95 billion
Dec forecast: 2021 USD 48 billion

Source: IATA Economics
Travel fell as governments imposed tighter restrictions
International travel restrictions up, and domestic restrictions also rose

Source: IATA Economics using data from Oxford University
But business and market confidence reaching new highs

Business and financial markets expecting strong economic rebound

Global business confidence and share prices

FTSE World share price index

PMI business confidence index, manufacturing & services

Source: IATA Economics using data from Markit, Definitiv Datastream
Driving strong demand for air cargo services
Strongest trade lanes between Asia & N America and over M East hubs

Cargo tonne km flown by region segment, % change year-on-year

Source: IATA Economics using data from IATA Statistics
Bookings for critical summer period remain weak

Cumulative global bookings for July-August travel

Source: IATA Economics using data from DDS

Bookings (million)

200
180
160
140
120
100
80
60
40
20
0

Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun

2019
2020

18 Feb
-78% vs. 2019

2021

Purchase month

Source: IATA Economics using data from DDS
International traffic in Asia Pacific worst performing
Resurgence of COVID-19 stopped further progress

Growth in international air travel, RPKs by market

% change year-on-year

Source: IATA Economics, IATA Monthly Statistics
International traffic in Asia Pacific worst performing

International RPK growth, yearly (airline region of registration basis)

Sources: IATA Economics, IATA Monthly Statistics
Domestic markets showed there is a demand to fly Russia near full recovery, but others revealed fragility.

Seasonally adjusted domestic RPKs (indexed to 100 in Jan 2019)

Source: IATA Monthly Statistics
# of unique city-pairs down amid COVID-19

Unique city-pairs and real transport costs

Source: IATA Economics using data from ICAO, IATA Statistics, SRS Analyzer and our own forecasts
Breakeven will not be achieved in 2021

Source: The Airline Analyst, IATA Economics
Costs need to be downsized to match lower revenues. Revenues in 2021 are estimated to be ~50% of pre-crisis expectations.

Source: IATA Economics
Even with big labor cost cuts, break-even not achieved. Airlines need further support to stop continuing cash burn.

Assumptions:
1. Slow rise in fuel price in 2021
2. Unit labour costs cut to previous low (-52%) 
3. MRO, infrastructure & other unit costs no price changes. Down due to impact of higher ASKs on fixed cost elements

Costs still higher than revenues in 2021

Source: IATA Economics using data from IATA, Airline Analyst
Asia-Pacific turns around 1st then developed markets

EBIT margins, region of airline registration

Source: IATA Economics
Per passenger (net) losses show regional variation

Profit per passenger (US$)

Source: IATA Economics
Thank you

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