

# COVID-19

## Air transport: a global perspective

Brian Pearce

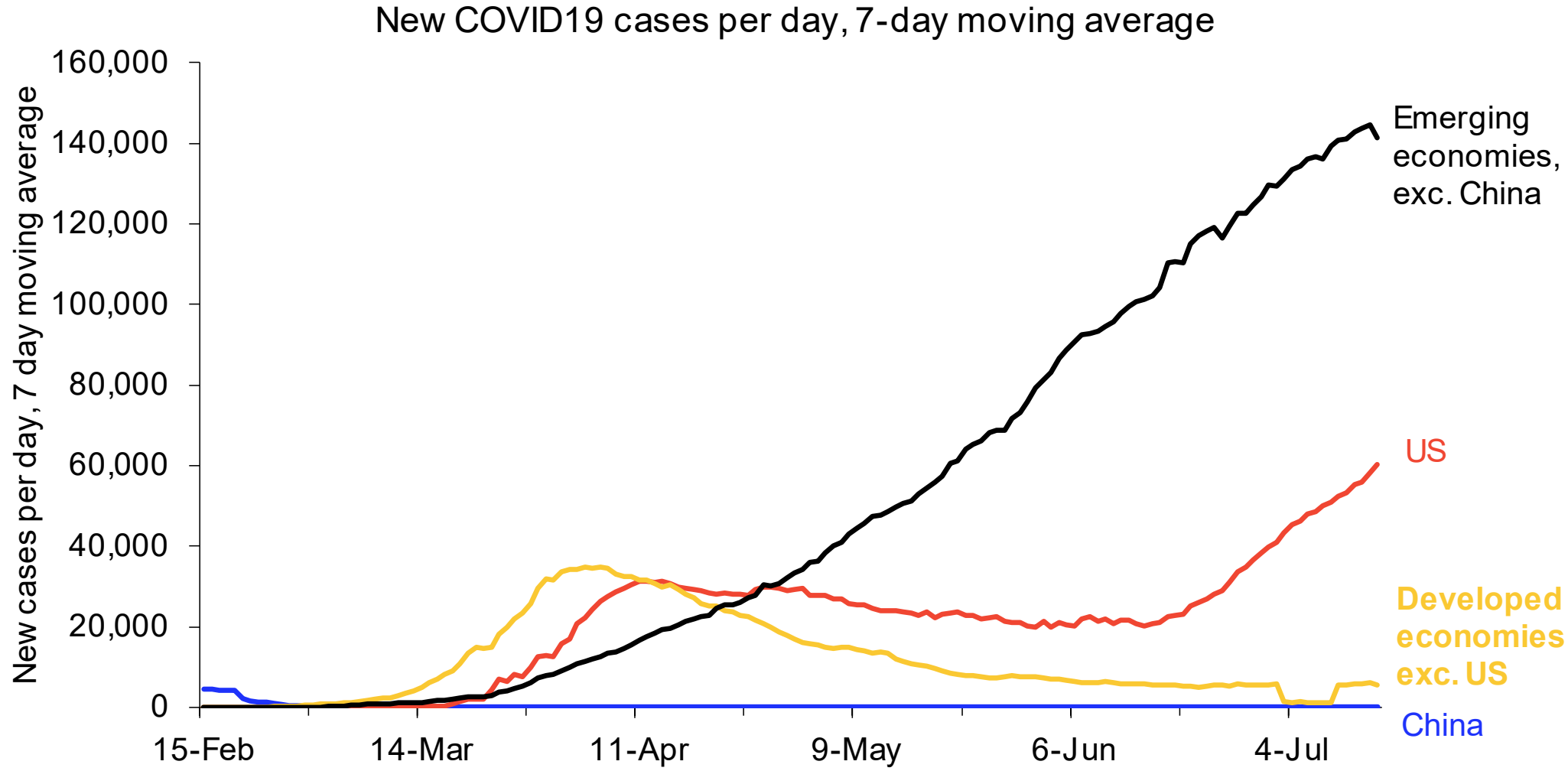
Chief Economist

16<sup>th</sup> July 2020



# COVID19 trajectory highly uncertain

New case numbers still rising in many significant air travel markets

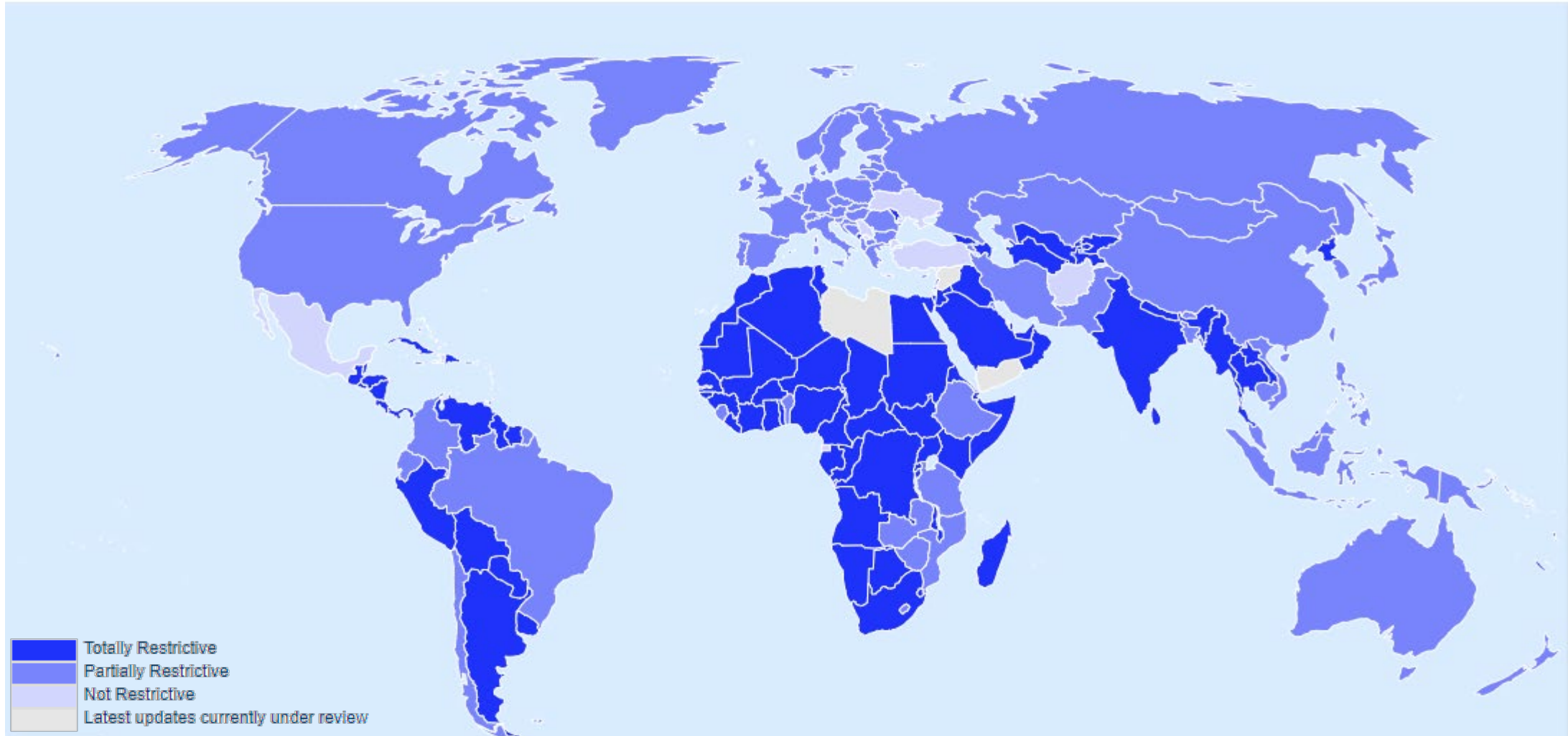


Source: IATA Economics using data from WHO and ECDC

# Border restrictions not yet widely relaxed

## International air travel markets will only open when COVID controlled

Current Border Restrictions, as of 30 June

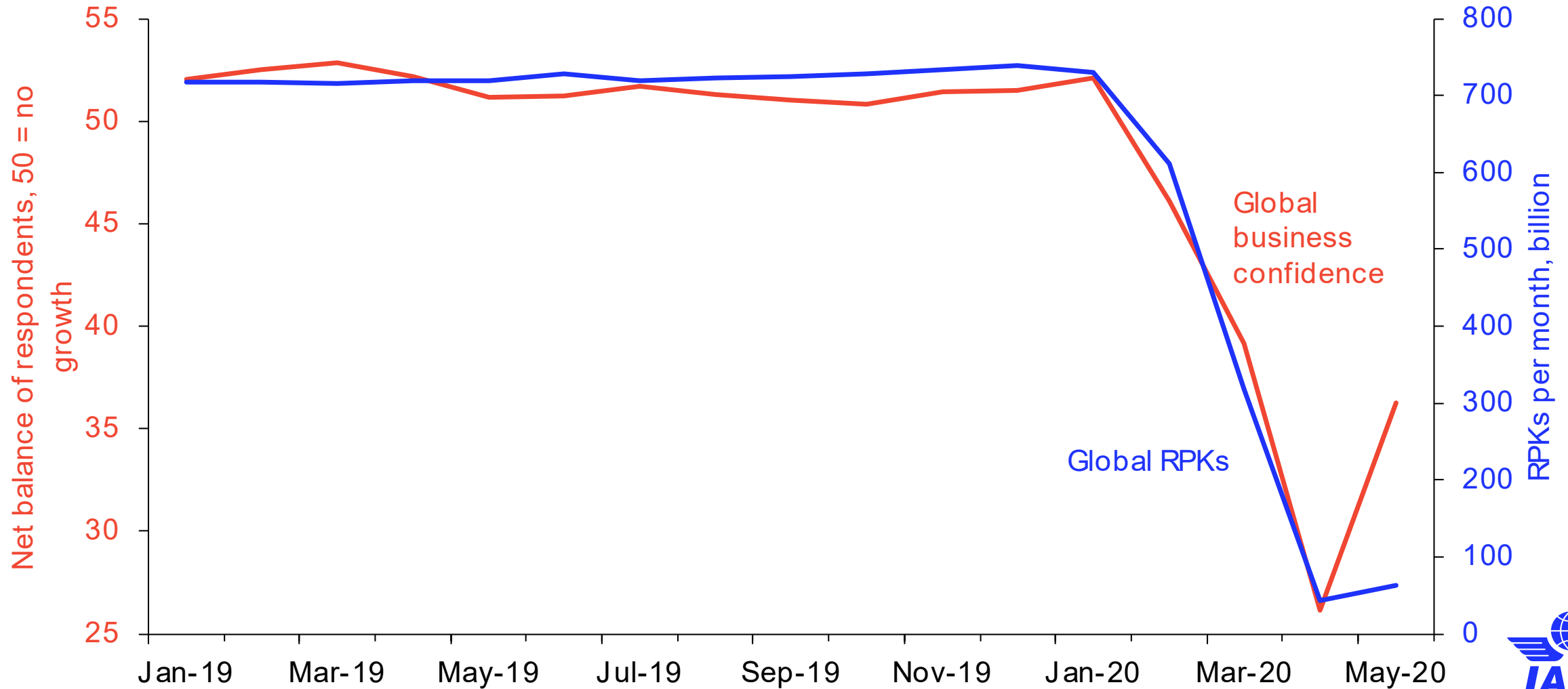


Source: IATA Timatic ([www.iatatravelcentre.com](http://www.iatatravelcentre.com))

# So air travel is lagging rise in business confidence

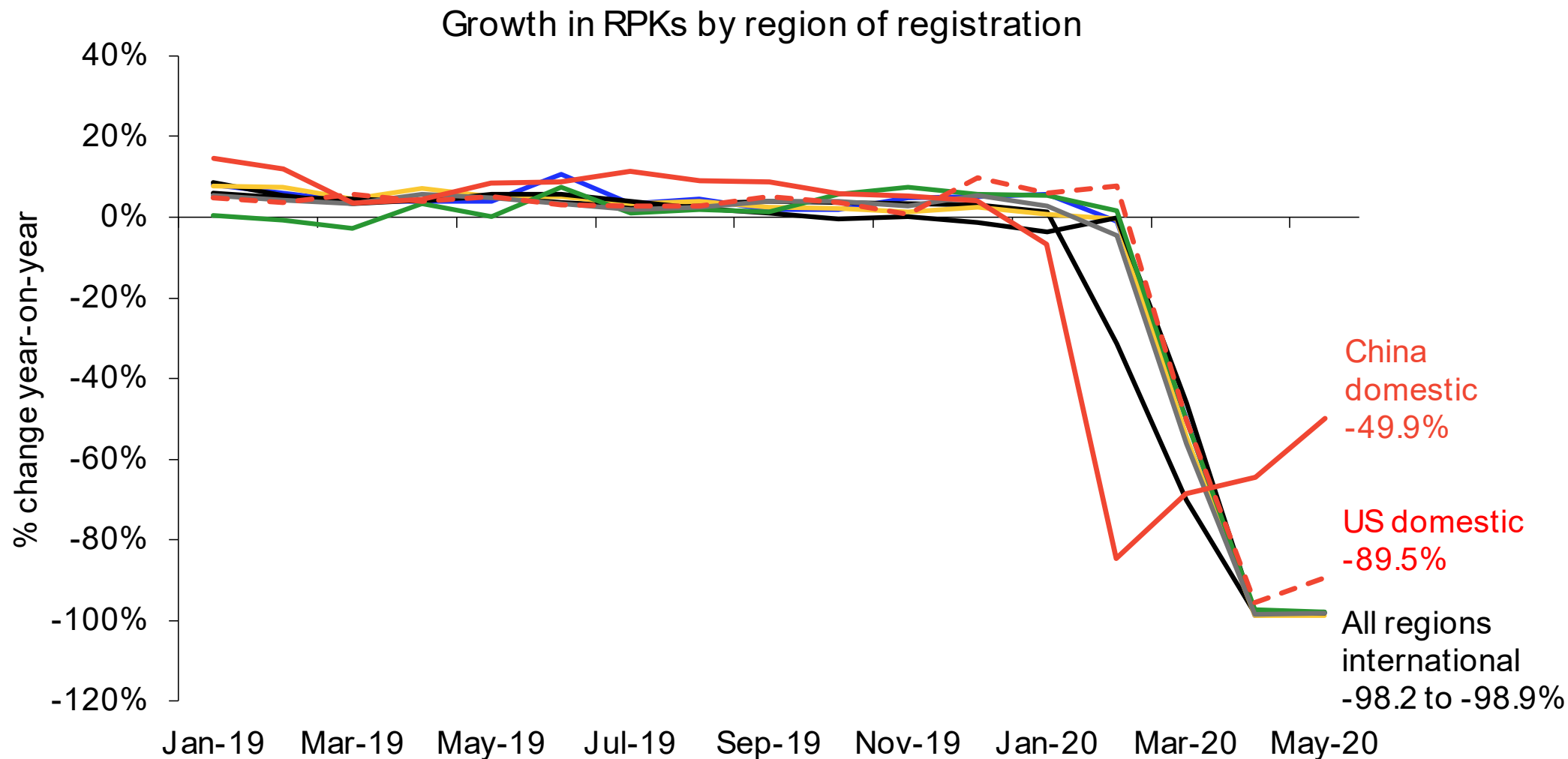
## As lock-downs eased business confidence rose but air travel weak in May

Global RPKs and global business confidence, monthly



# China's domestic market added the most to growth

## No improvement in international as quarantine equivalent to travel ban

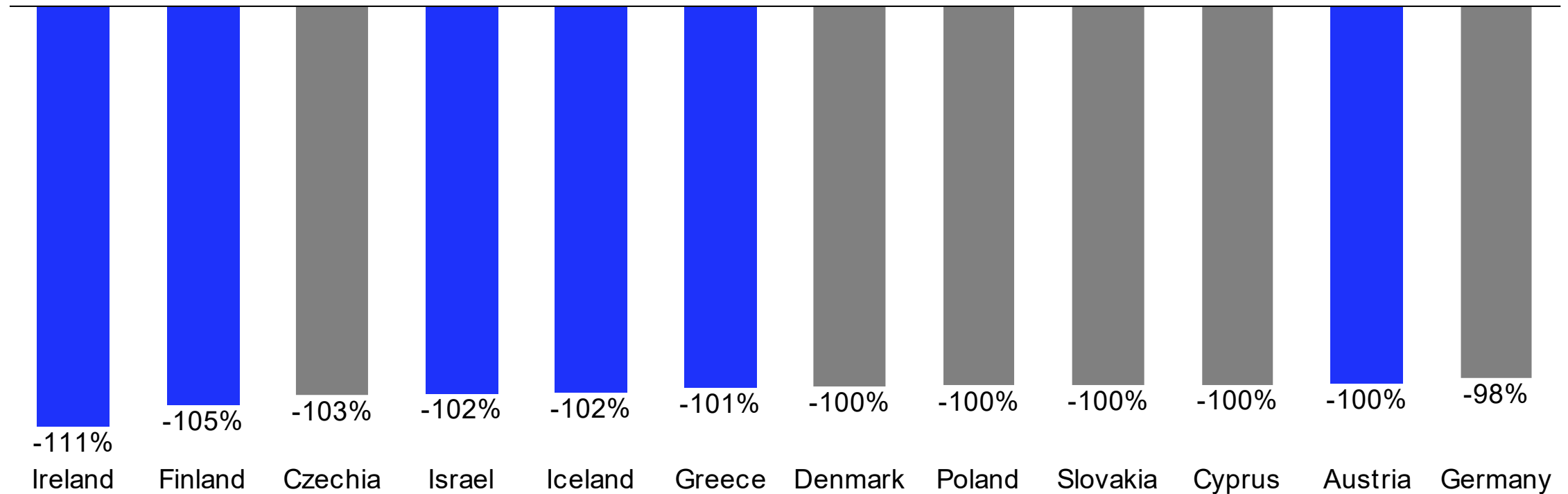


# Some international markets opened with a quarantine

## In practice a quarantine seems equivalent to a full travel ban

YoY change in net bookings (sales net of refunds) by country, 1-17 May 2020

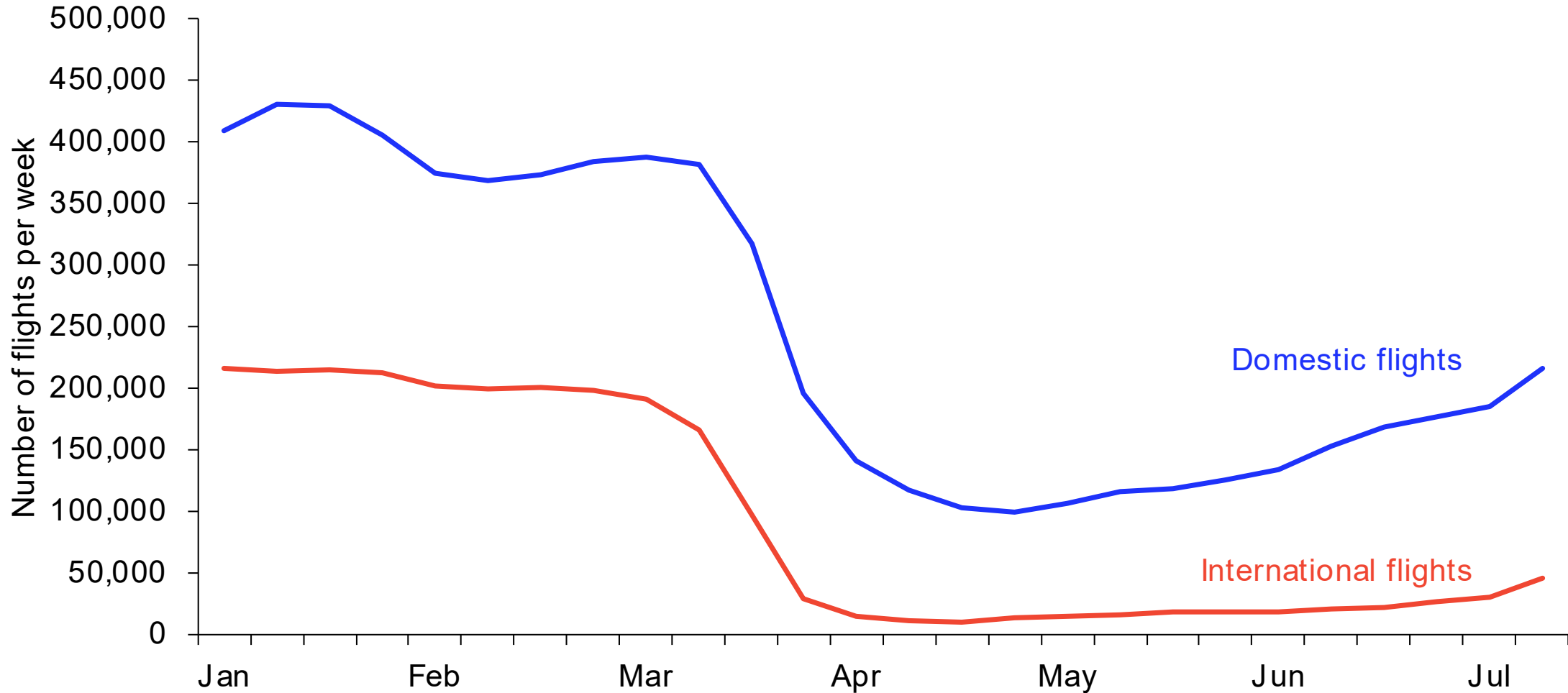
■ Full travel ban (foreign nationals)  
■ Entry allowed but quarantine



# June/July saw a slow but continuing increase in flights

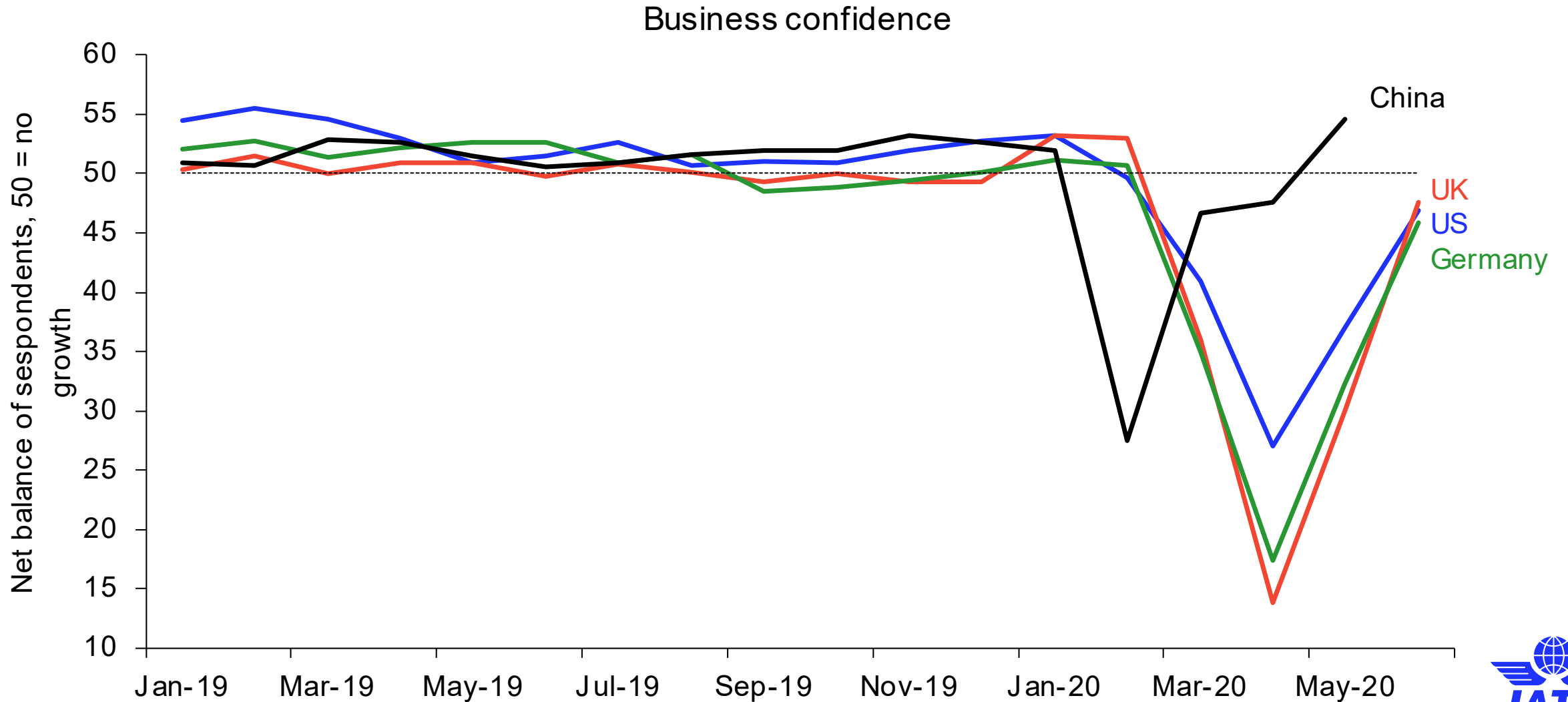
## Rise still dominated by domestic, but international travel 'corridors' rising

Worldwide flights per week



# Businesses confidence has recovered strongly

## Points to a rebound in GDP but not necessarily in corporate travel

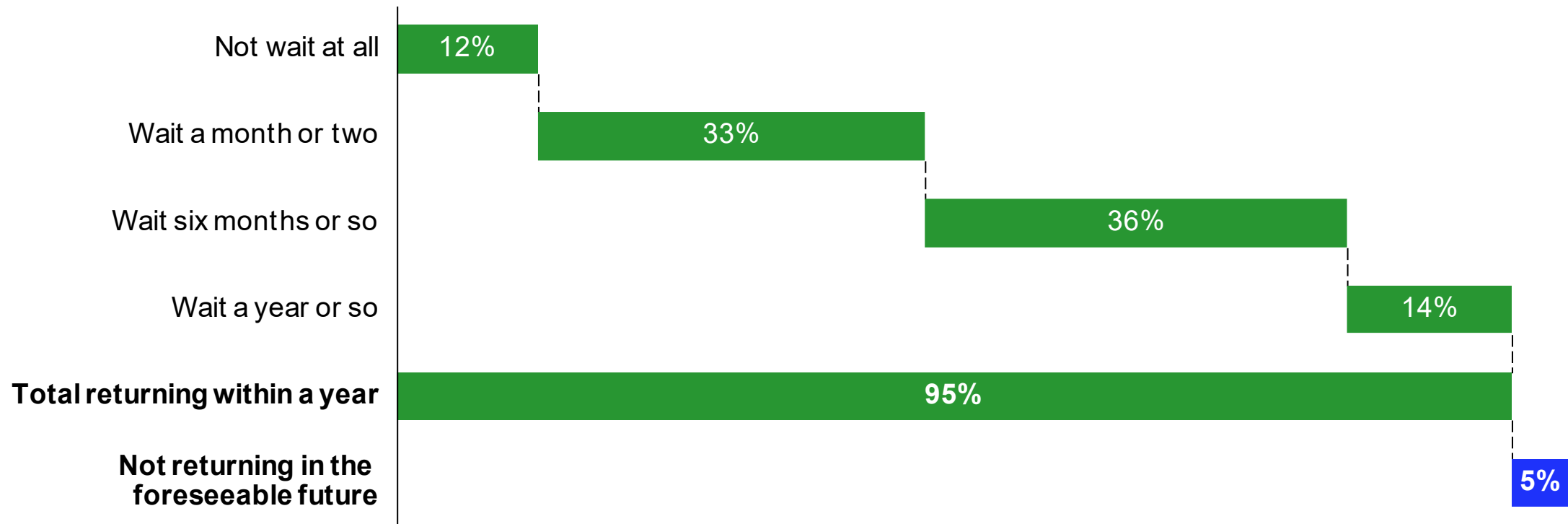




# Consumers are cautious about resuming air travel

Now only 45% will fly within 1-2 months. Previous survey shows 60%

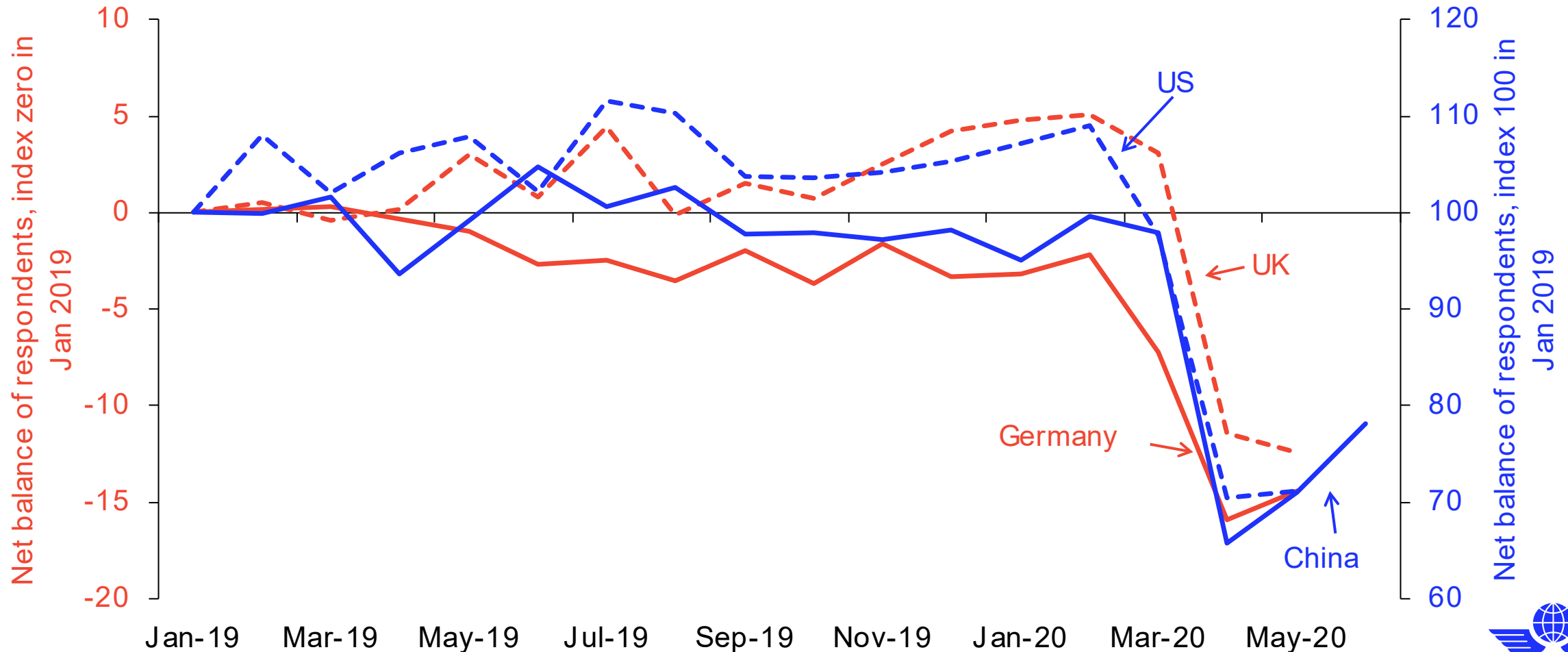
Once the pandemic has subsided, how long would you wait, if at all, to return to your usual travel plans?



# Unlike businesses, consumers confidence remains weak

## Will be pent-up demand for VFR but leisure travel requires confidence

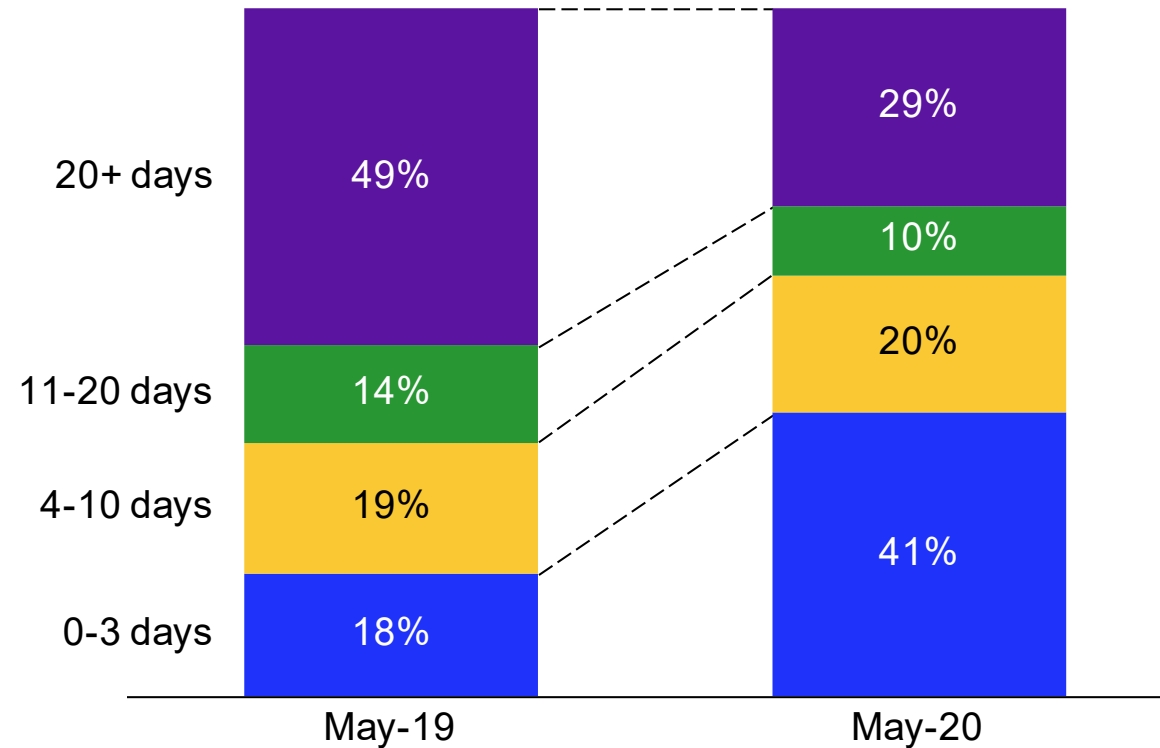
Consumer confidence



# Passengers are also booking much later

Last year 49% bookings 20+ days ahead, but only 29% this year

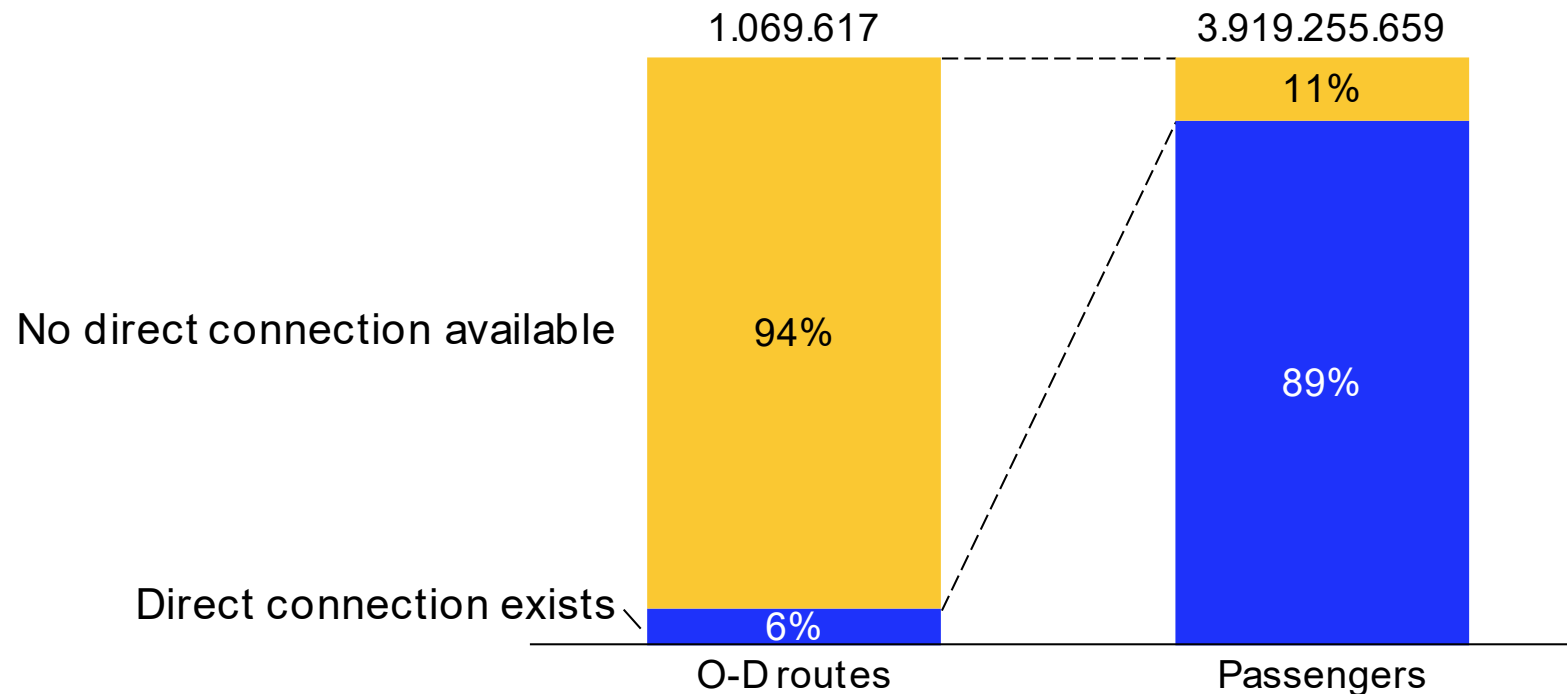
Number of days between booking and travel time, bookings worldwide made in May 2019 vs. 2020



# Wider economic risk is that air connectivity could be lost

## 94% airport-pairs connect indirectly, though most travel on trunk routes

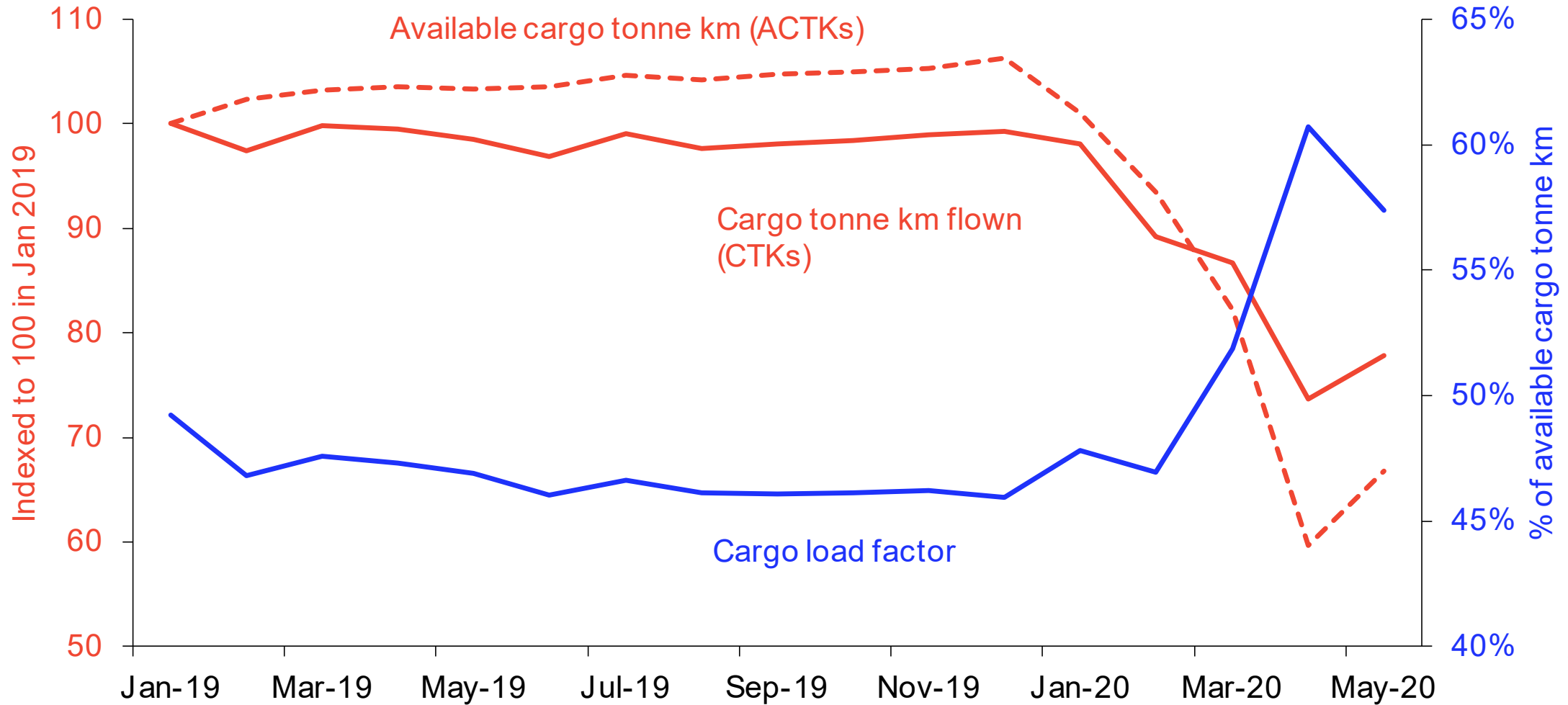
Share of origin-destination airport pairs and passengers where direct connection was available in 2019



# Very different experience in air cargo business

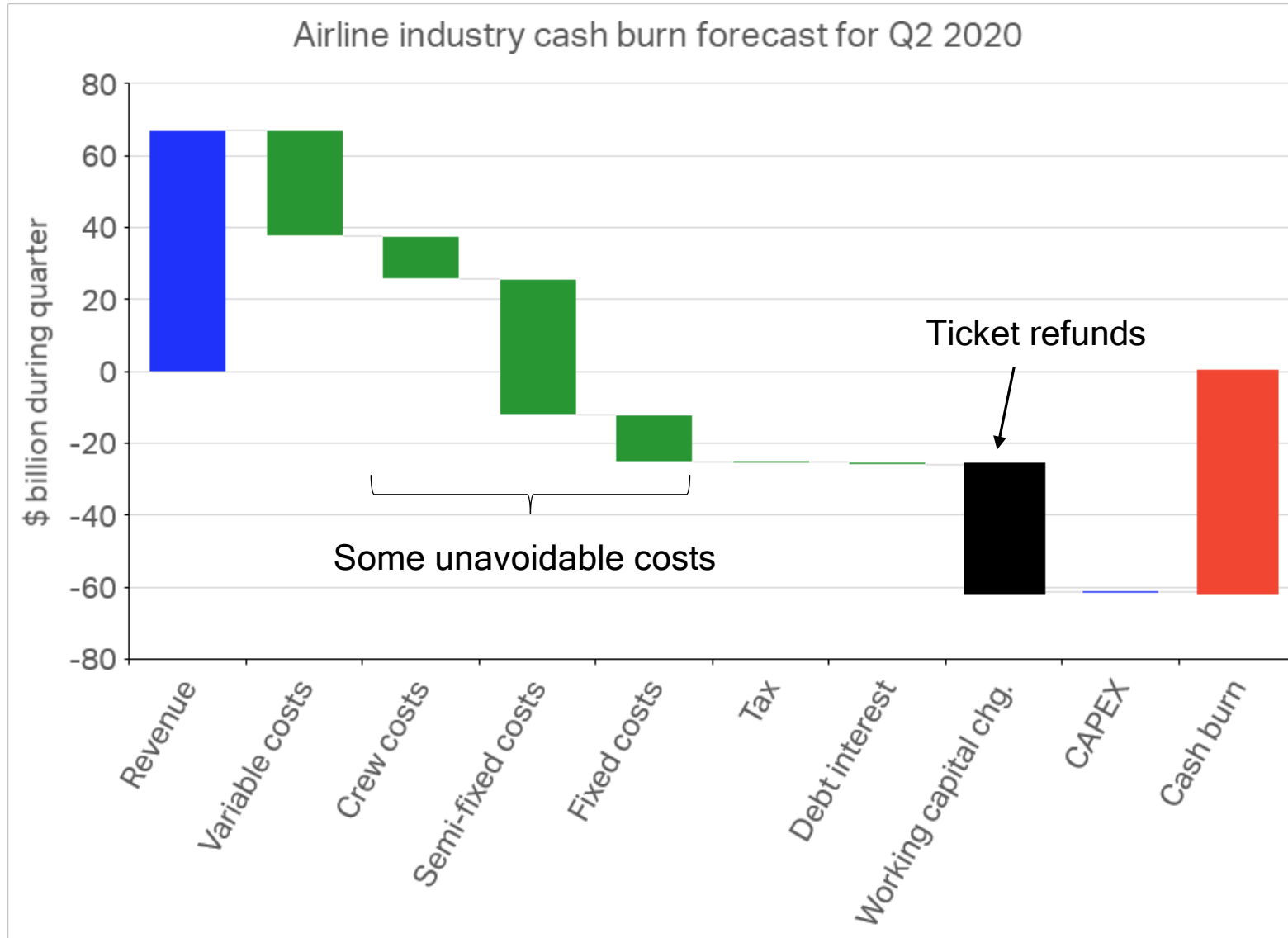
## Disappearance of passenger belly capacity created significant shortage

Air cargo CTKs, available CTKs and cargo load factors



# But collapse of passenger revenues means cash burn

## On top of unavoidable cost, ticket refunds burning cash in 2020 Q2

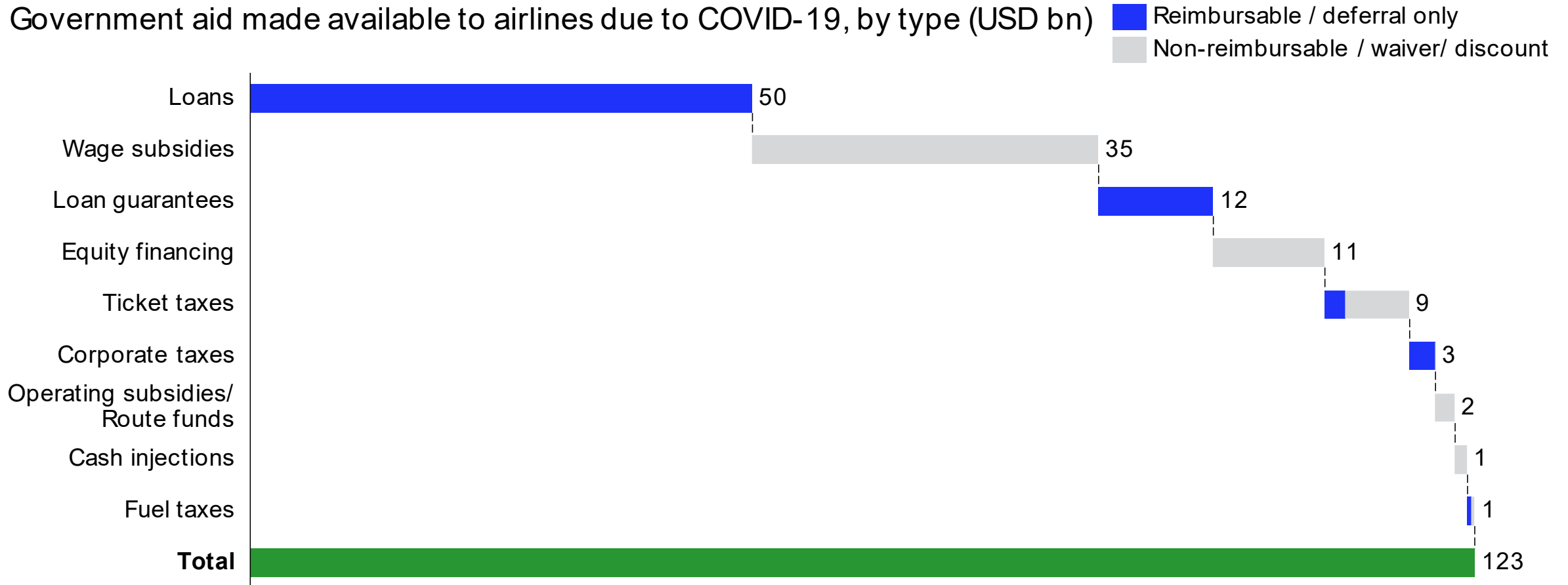


Cash burn of  
~\$60bn in Q2



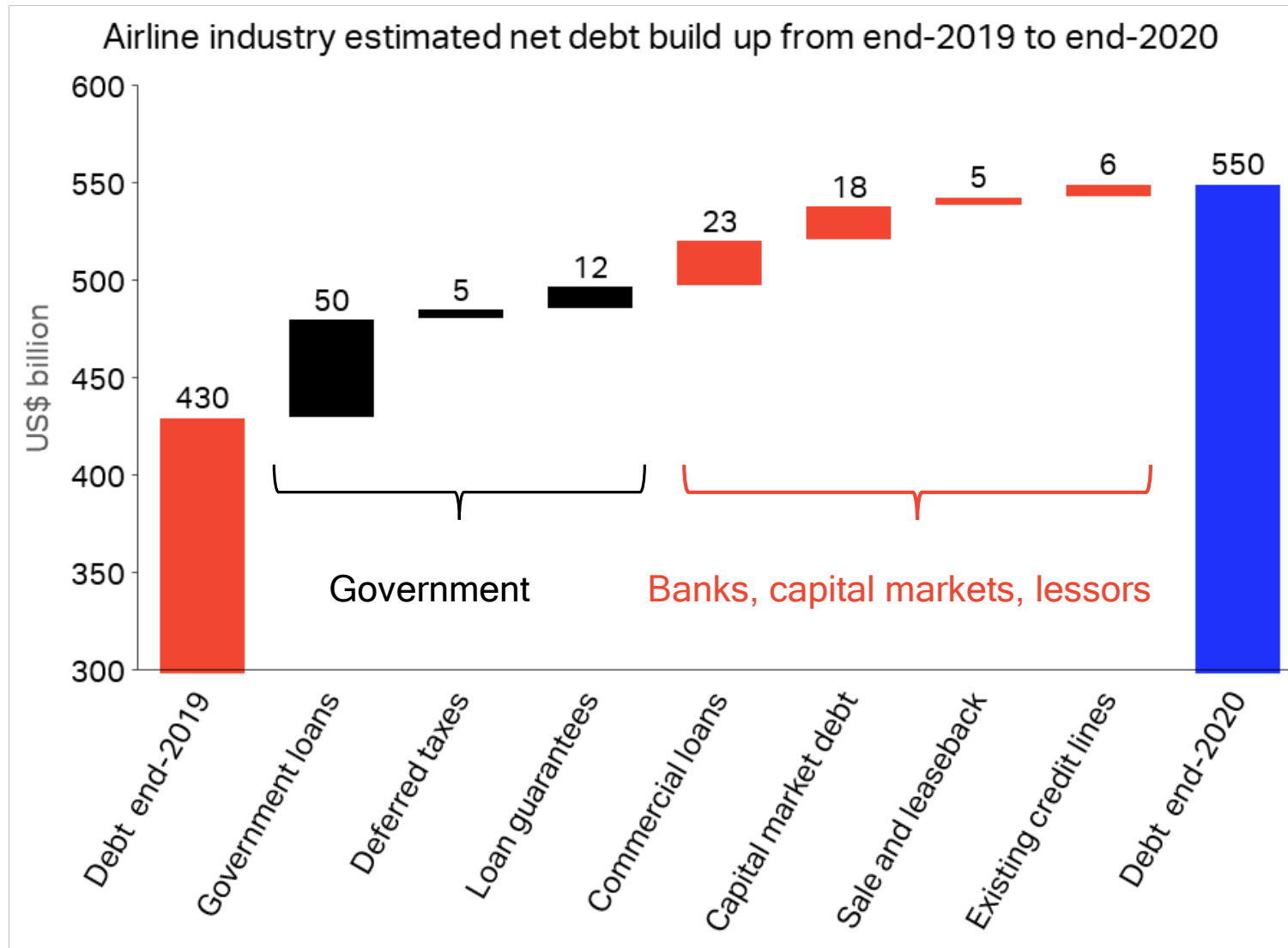
# Governments have provided substantial cash aid

## Airlines kept on life support in 2020 but majority of aid has to be repaid



# Airlines will enter 'restart' with very high levels of debt

\$120bn rise in debt but <\$30bn new equity (\$11bn from Govt)



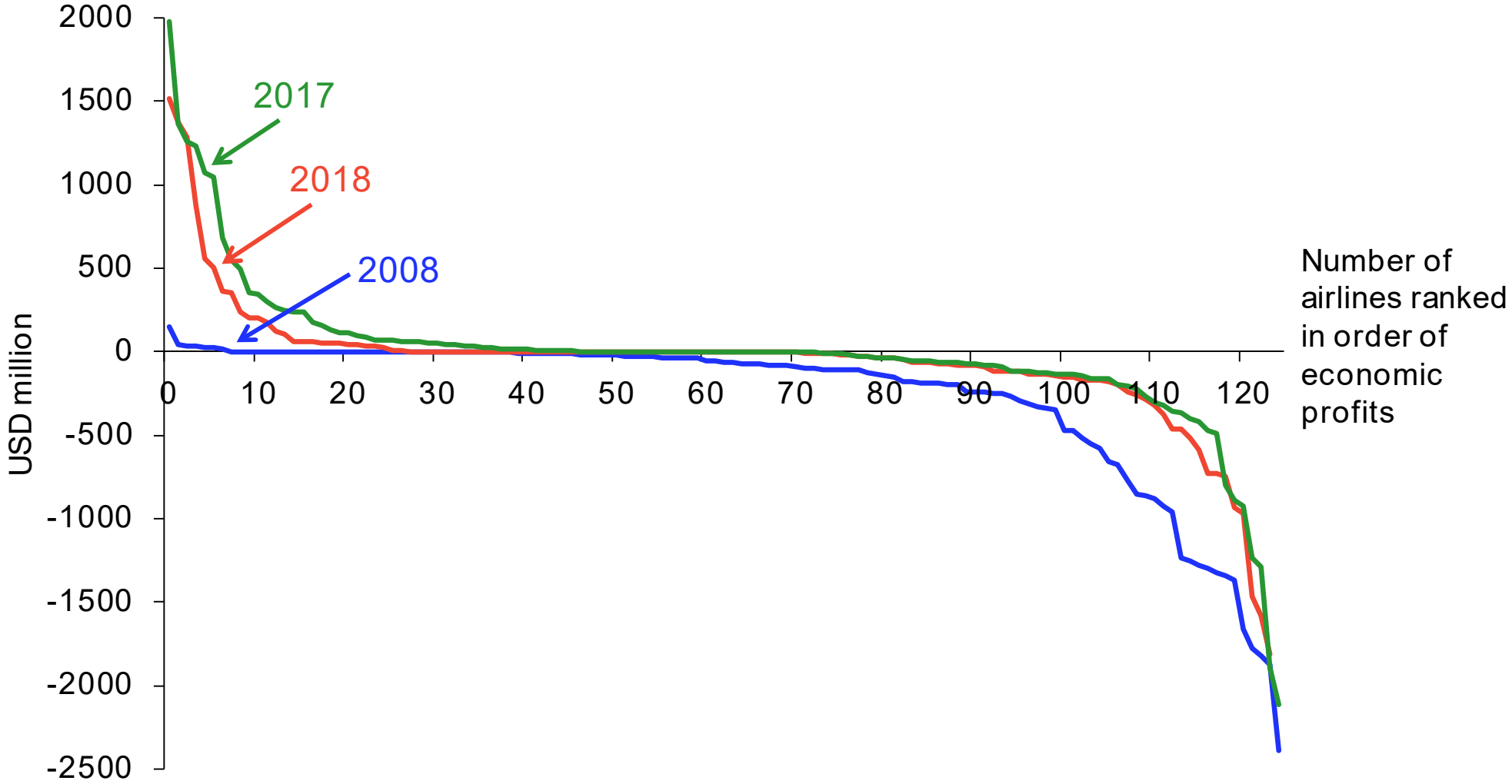
Source: IATA Economics using data from own estimates of Government aid, private debt estimates from Airfinance Journal 'Cash Burn and Liquidity Webinar, 14 May 2020. Debt includes adjustment for operating leases.



# Even before COVID-19 much of the industry was fragile

Only around 30 airlines drove improvement. Long tail of weaker airlines

World's airlines ranked by economic profits

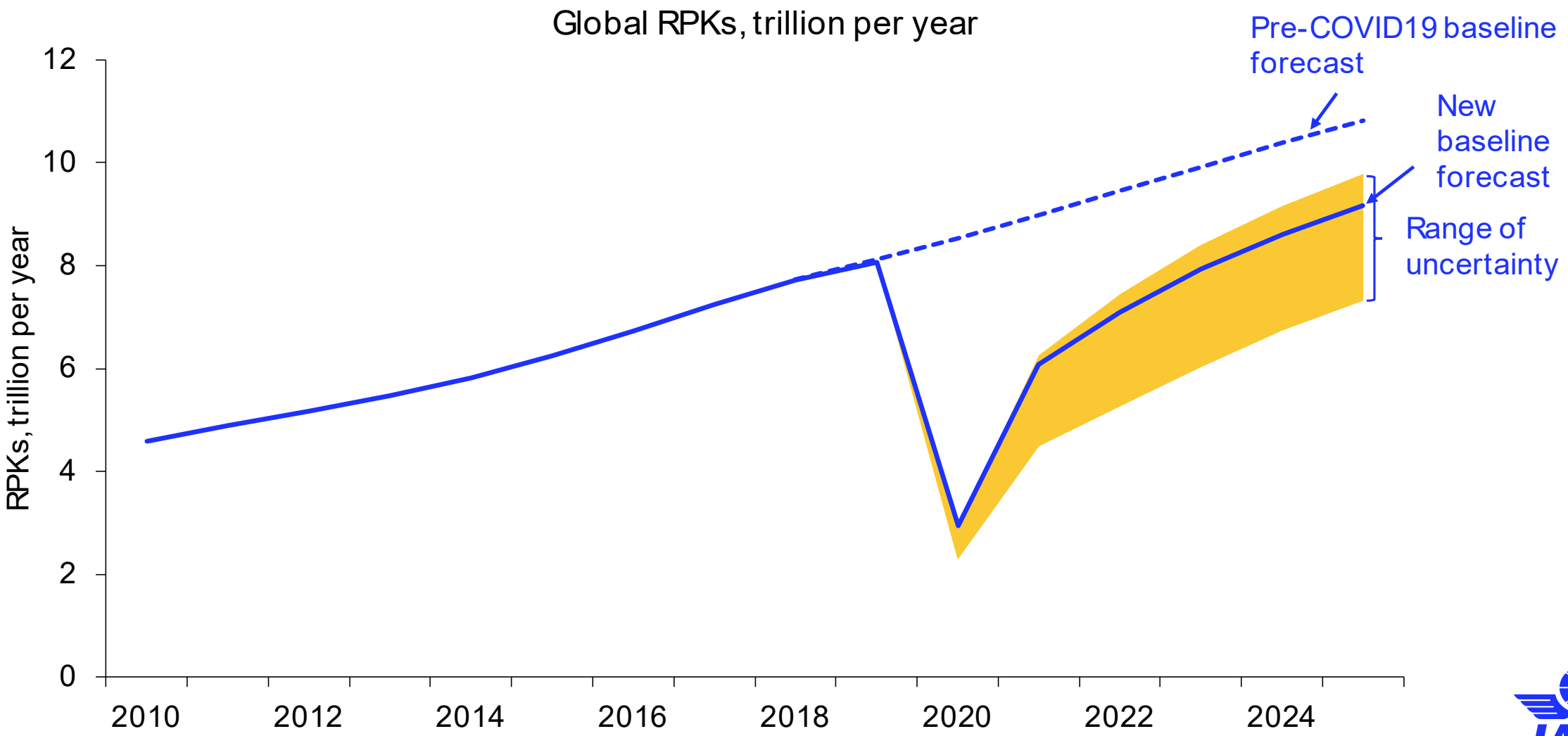


Source: IATA Economics using data from a McKinsey study for IATA



# Global RPKs do not recover 2019 levels until 2023/24

## More risk remains on the downside of our baseline forecast



Source: IATA/Tourism Economics 'Air Passenger Forecasts'

# Contacts

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