

# ICAO COVID-19 Related ATM Economics Seminar

8 October 2020

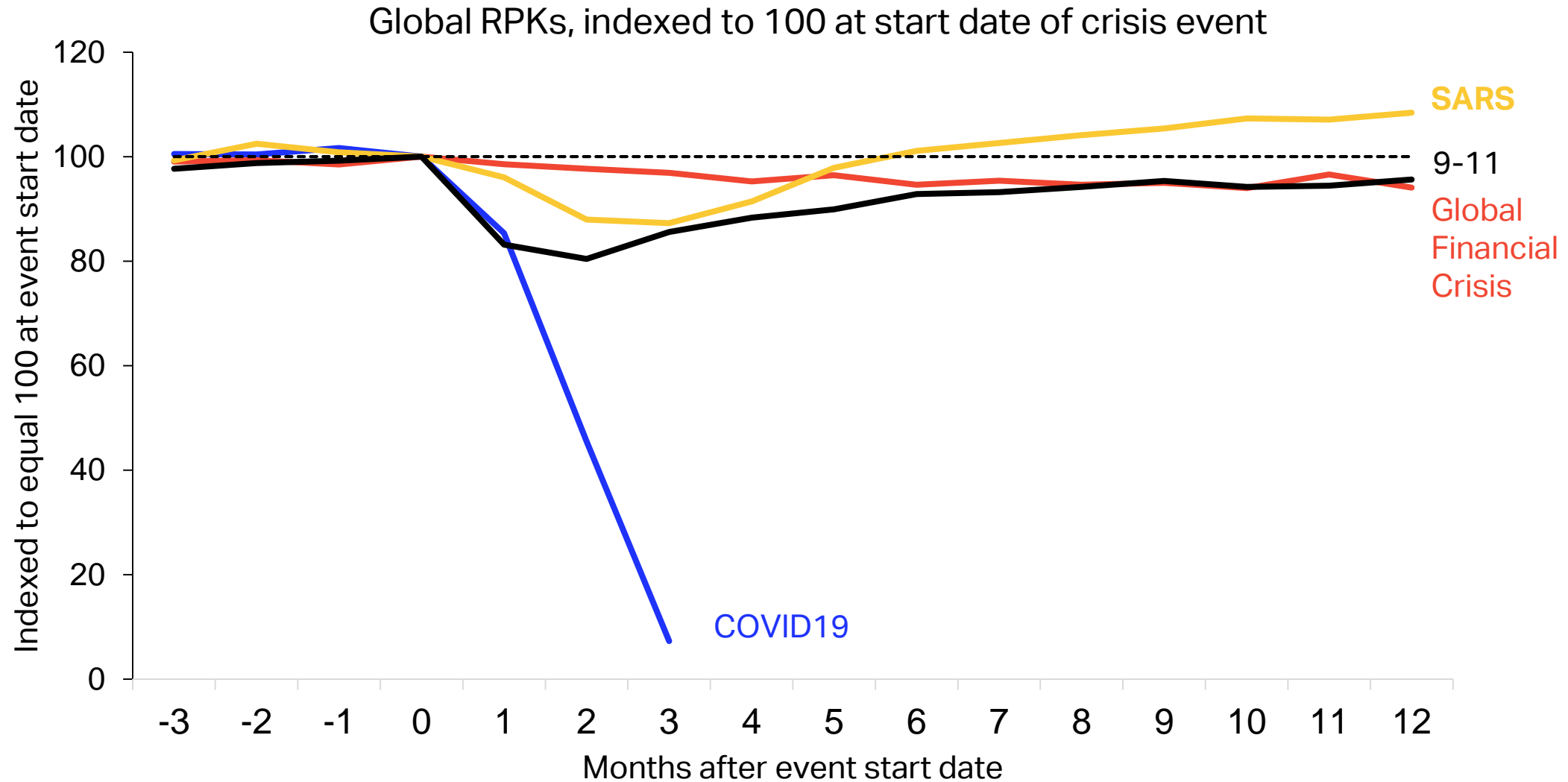
Blair Cowles and John Moore  
IATA Safety and Flight Operations  
Asia Pacific



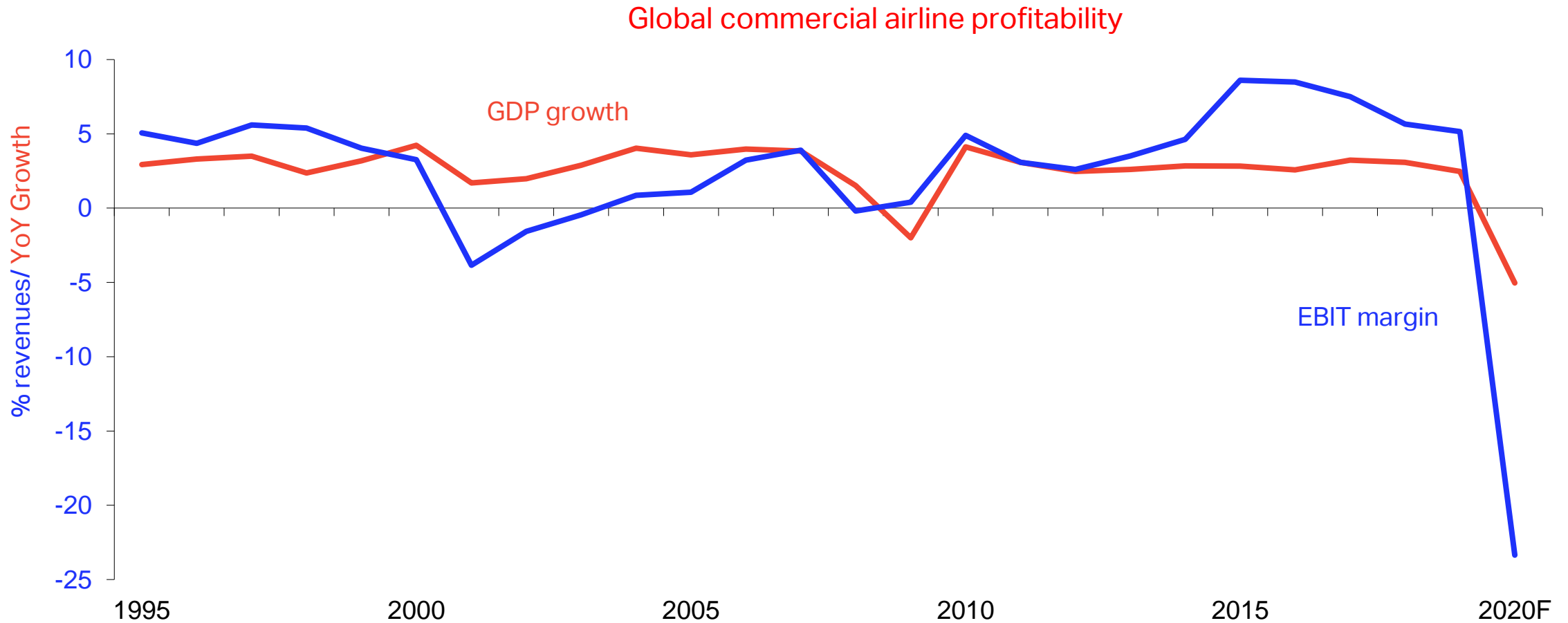
TOTAL LOSSES (EST. 2020 US\$)		DEMAND (RPK, 2020)
✘ \$84.3 billion		↓ 54%
WORLDWIDE FLIGHTS OPERATED		
AUGUST 2019 3.14 million	AUGUST 2020 1.52 million	↓ 52%
TOTAL REVENUE LOSSES (EST. 2020 US\$)		
✘ \$419 billion		↓ 50%

# Depth of COVID19 impact far exceeds previous crises

RPKs fell 20% after 9-11 and 12% after SARS vs **95%** fall in April 2020



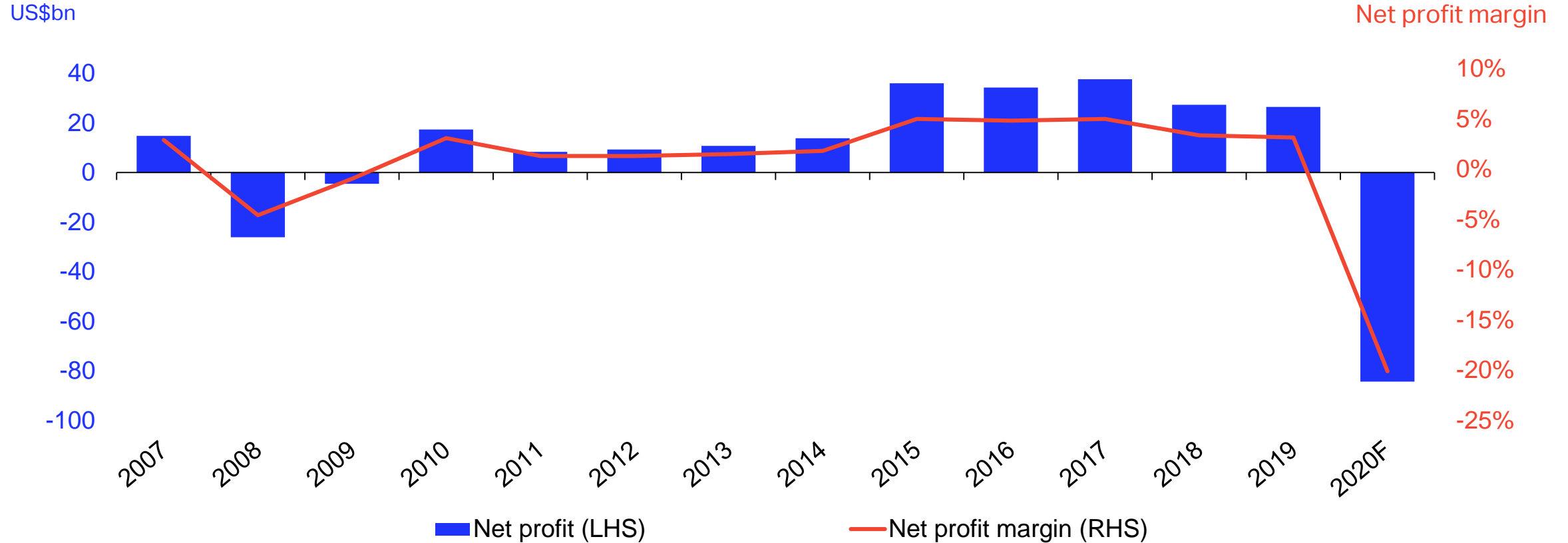
# Airline industry hit particularly hard by the crisis



Source: IATA Economics

# Record financial loss expected in 2020

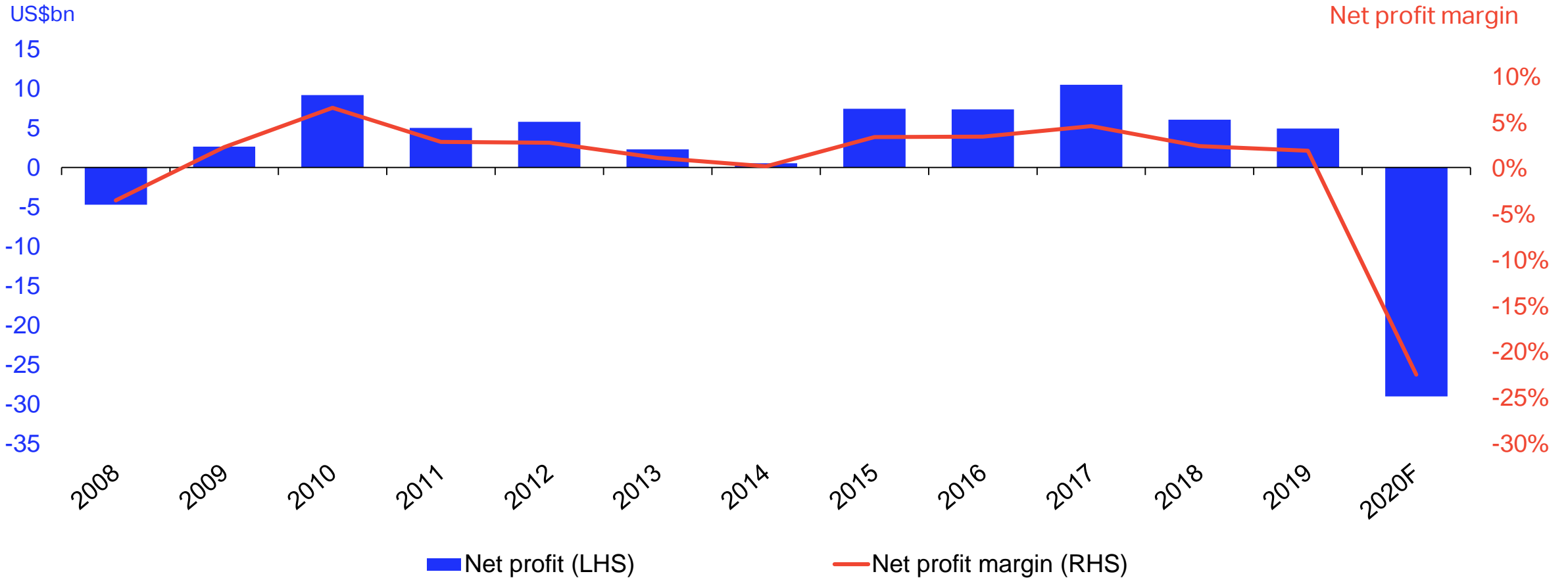
## Net profit & Net profit margin - Industry



Source: IATA

# Regional (net) profitability – Asia Pacific

## Net profit & Net profit margin - Asia Pacific

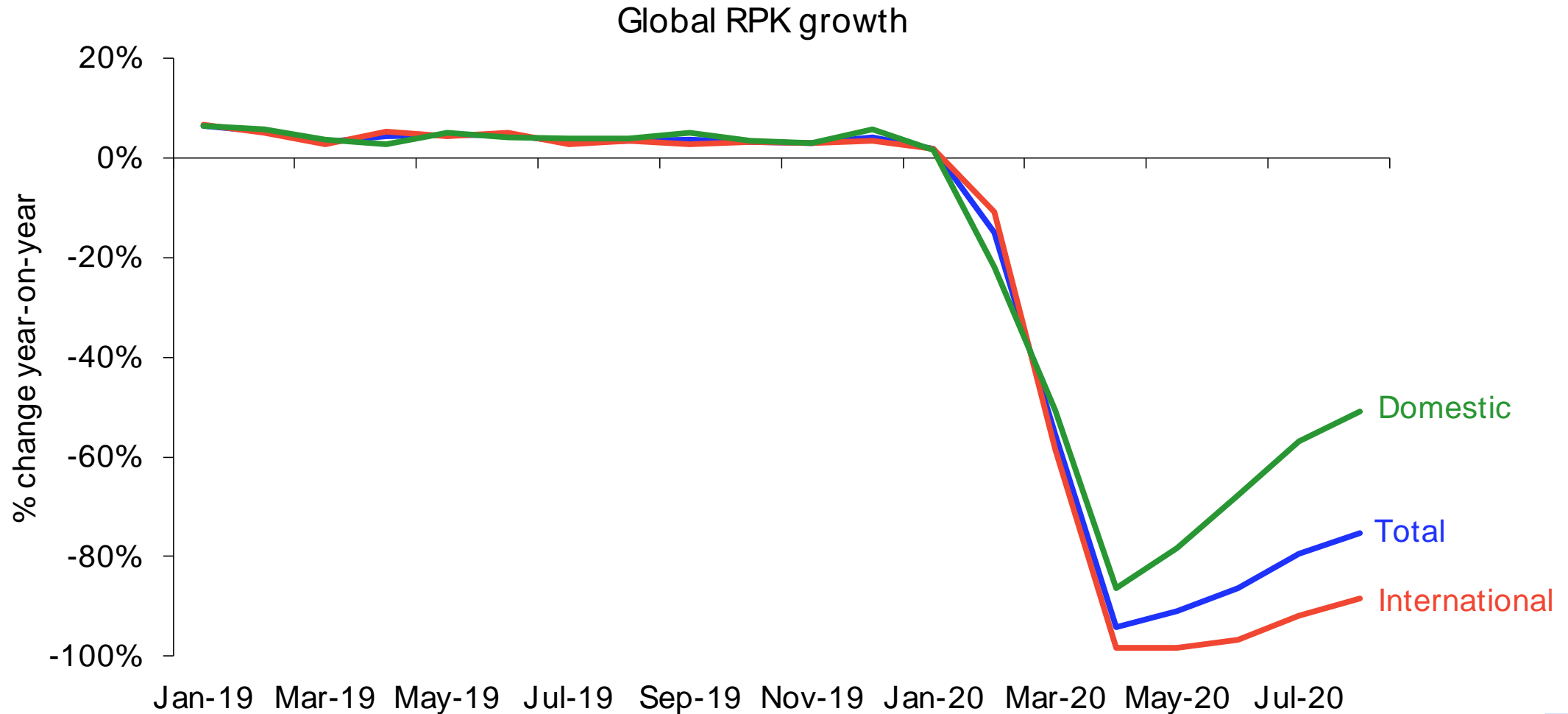


Source: IATA



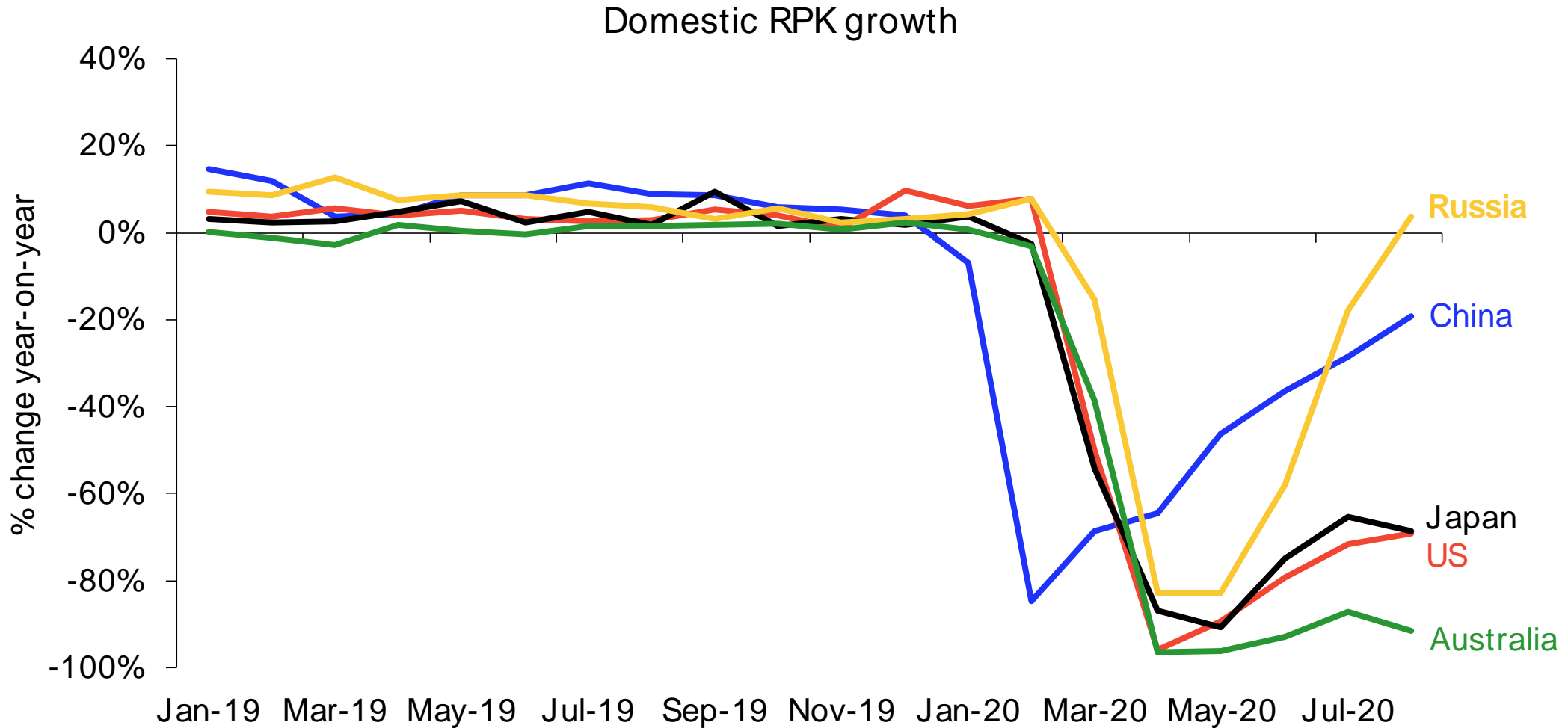
# Pace of air travel recovery slowed in August

## Continued weakness on international markets holding back recovery



# Huge variations in domestic air travel markets

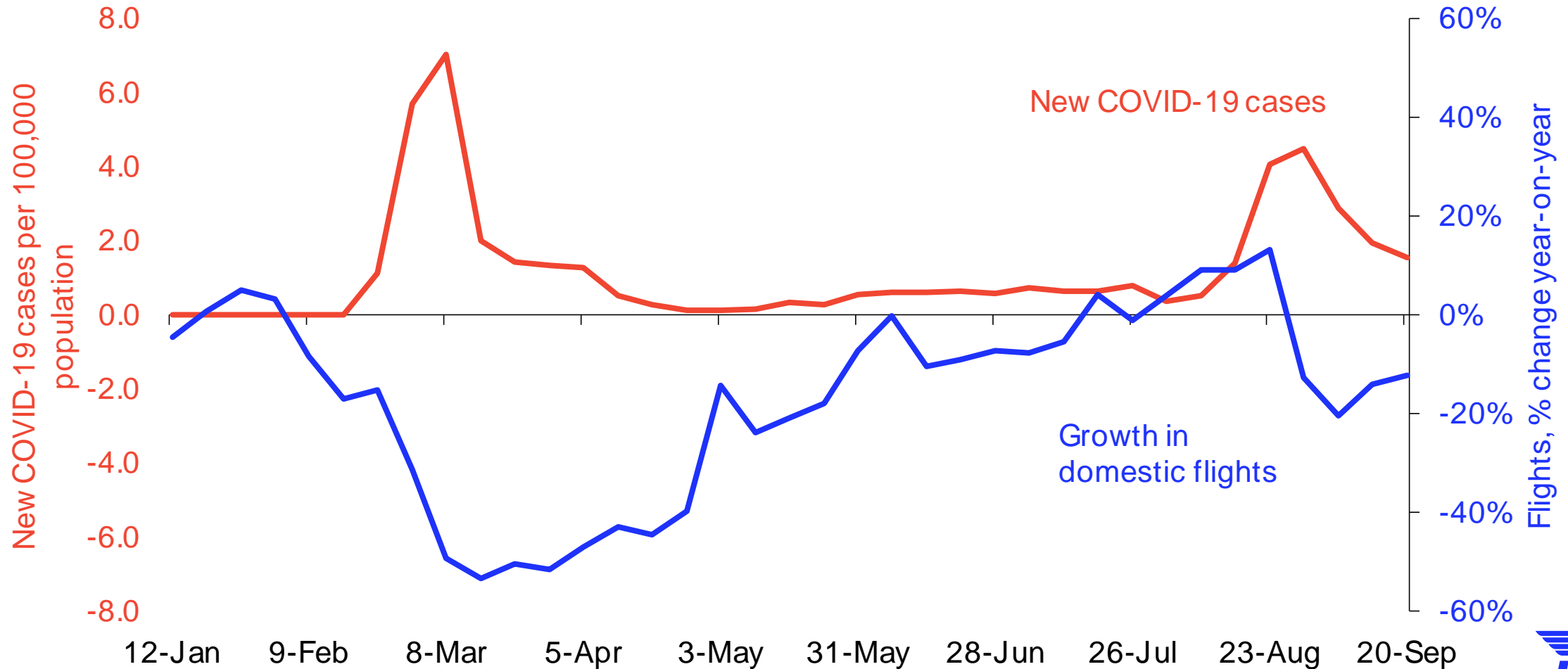
Russia recovered pre-crisis levels, while Australia remains grounded



# Even domestic markets sensitive to COVID-19 profile

## 2<sup>nd</sup> waves COVID-19 cause travel restrictions and damage confidence

Korea domestic air travel market

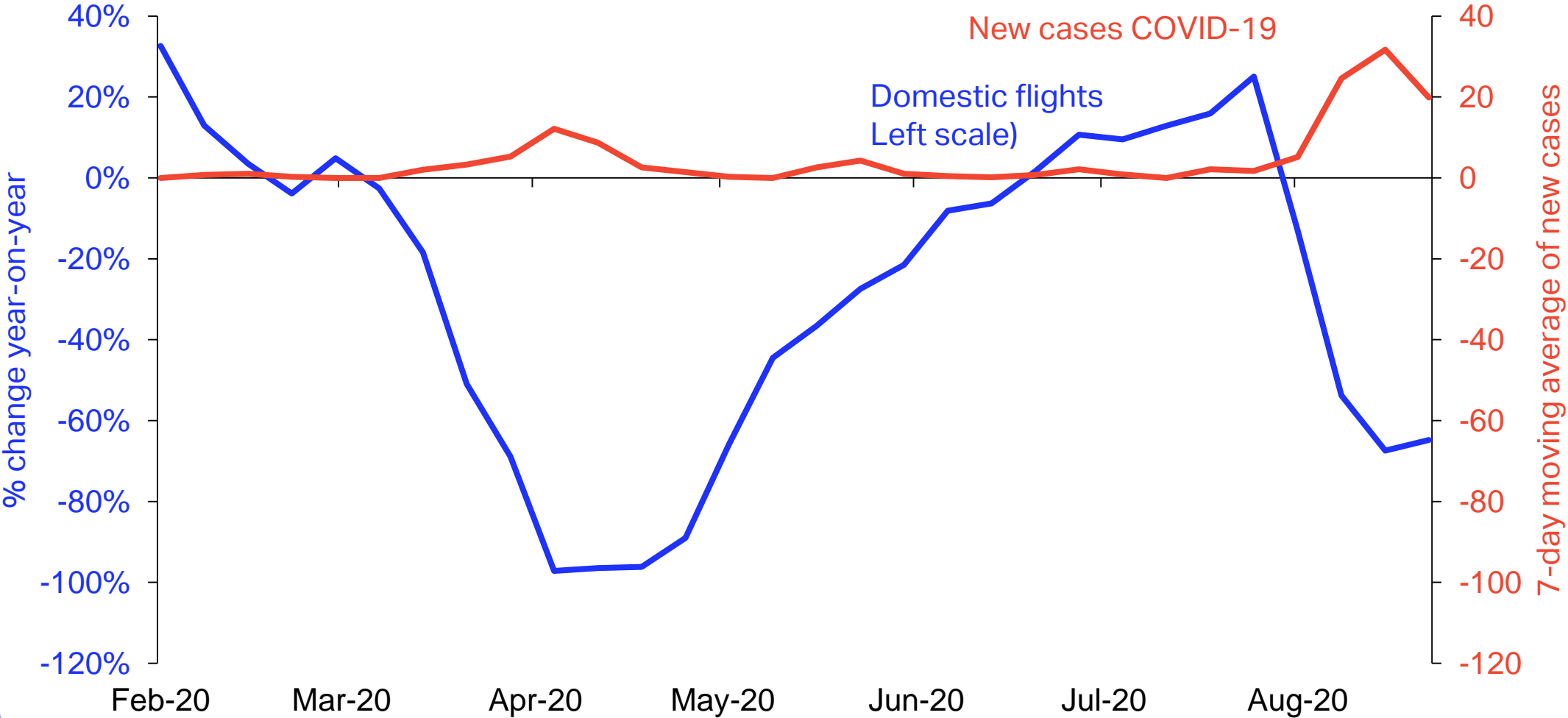


Source: IATA Economics analysis based on data provided under license by FlightRadar 24, WHO

# Reappearance of COVID19 reversed Vietnam's recovery

## Vietnam's domestic market had recovered pre-crisis levels in July

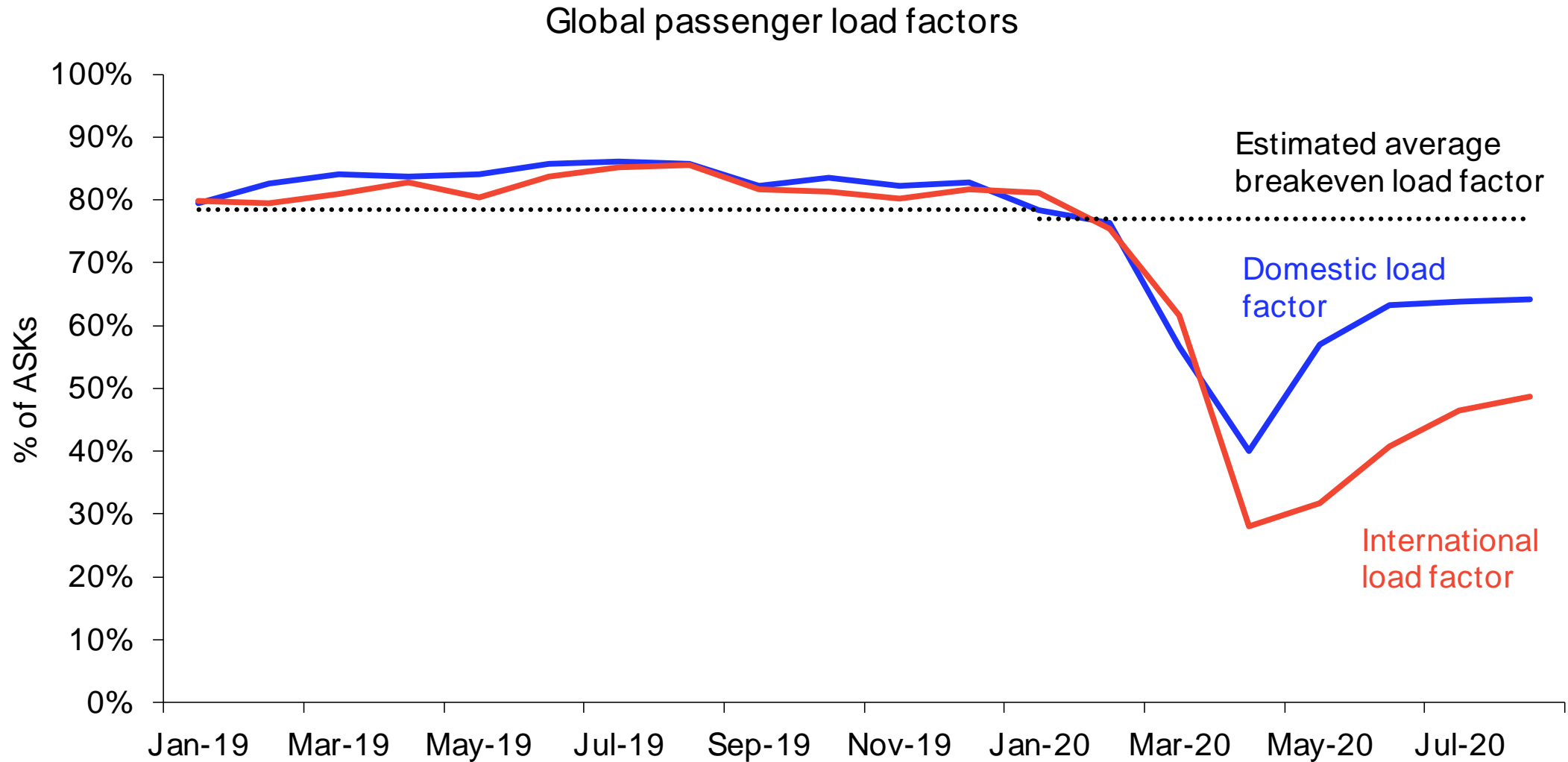
Vietnam domestic flights and new cases of COVID-19



Source: IATA Economics using data from IATA Statistics and Markit Purchasing Managers Index

# Load factors remain well below breakeven

Airlines need to boost load factors to stop burning through cash



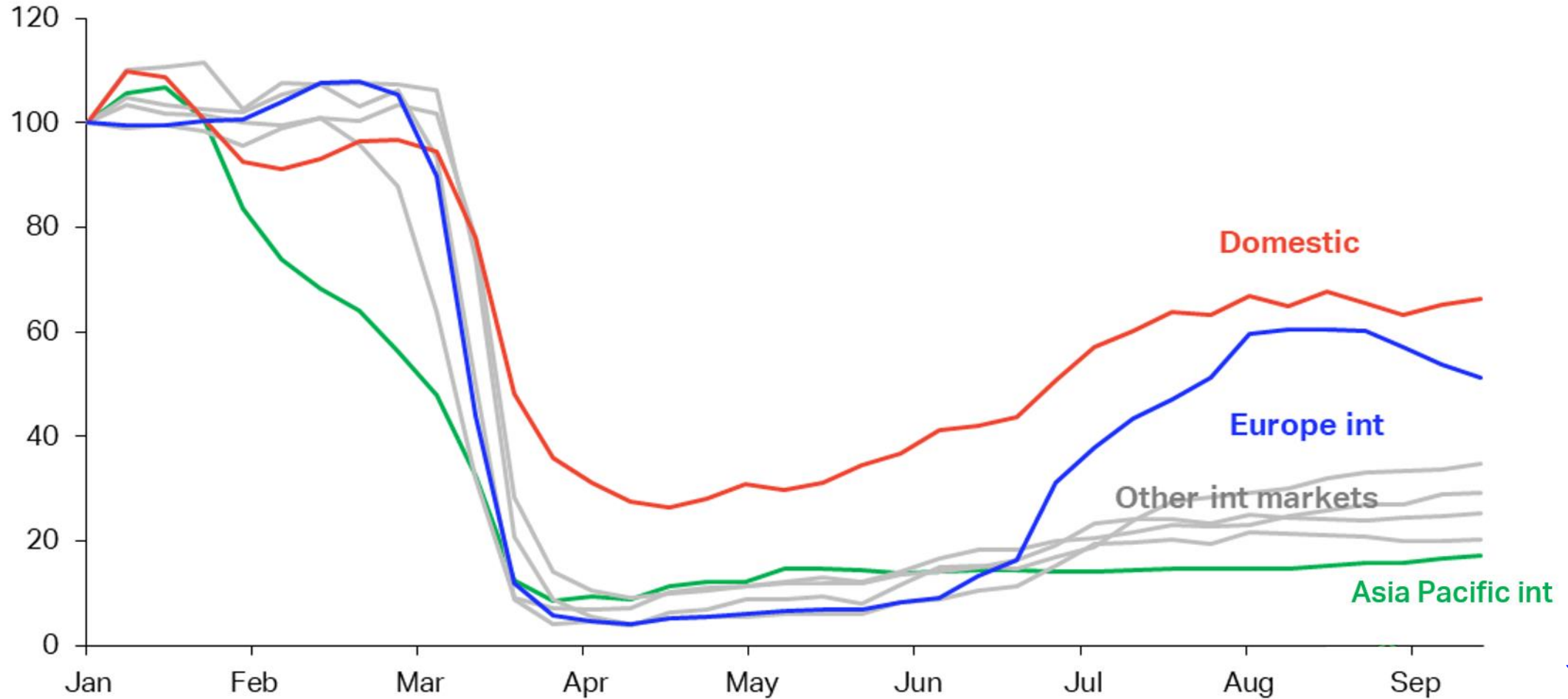
Source: IATA Economics analysis based on data from IATA Statistics



# Air travel growth stalled in mid-August and September

## Rising COVID-19 cases stopped further progress

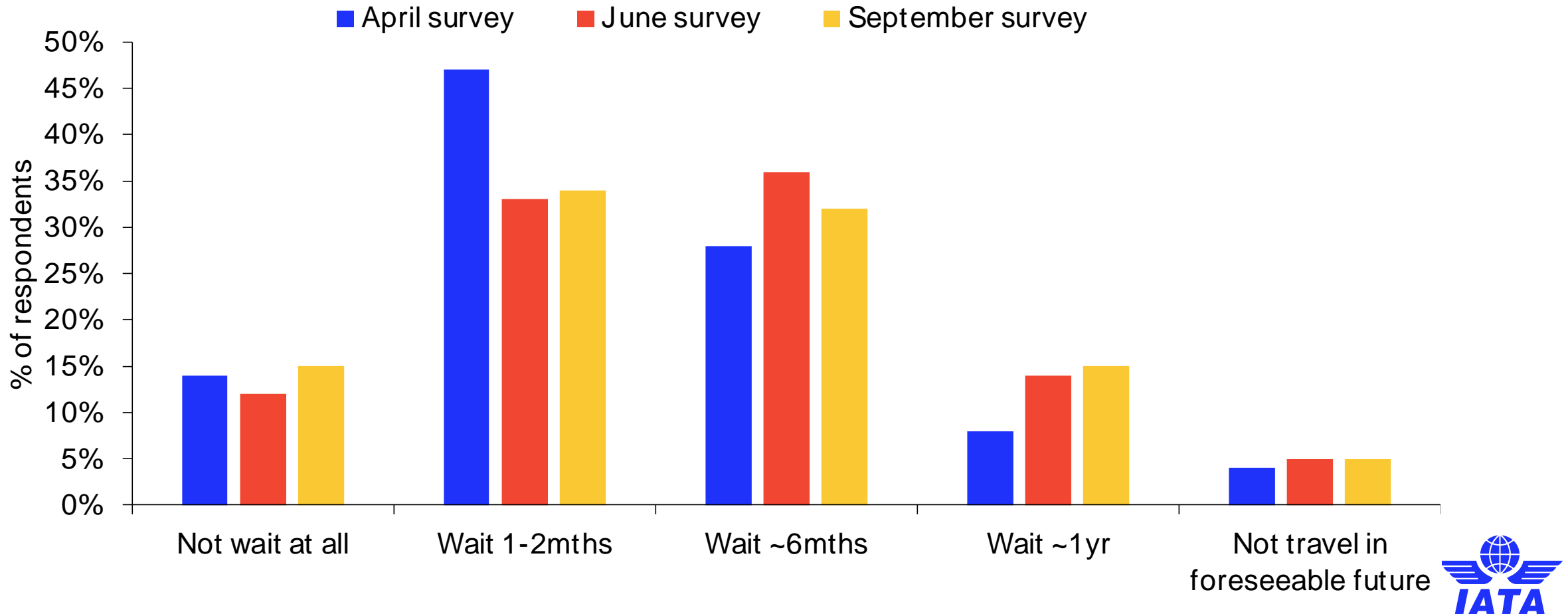
Weekly flights, indexed 2nd week = 100



# There is a willingness to fly, but only 50% in 2020

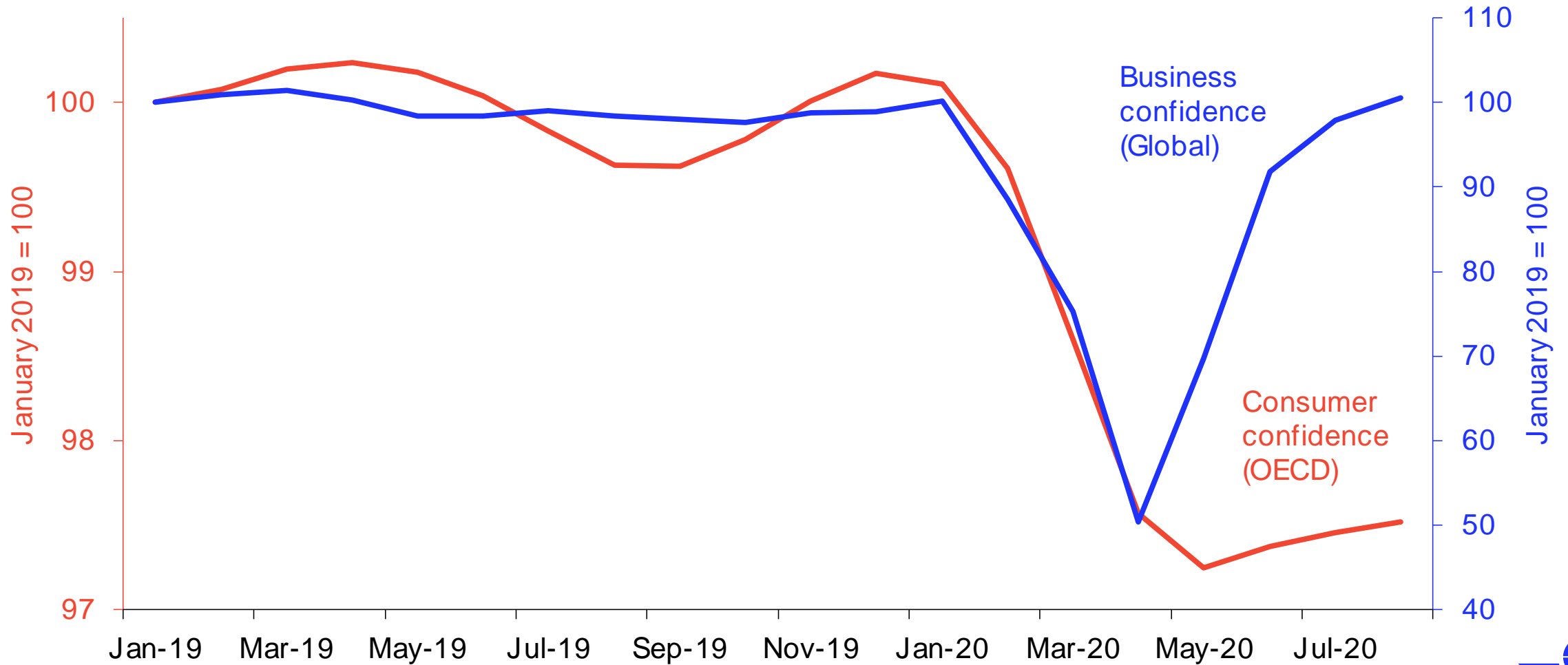
## Consumer sentiment towards air travel did not improve in September

Survey question: When will you return to air travel?



# Consumers also concerned about economic future

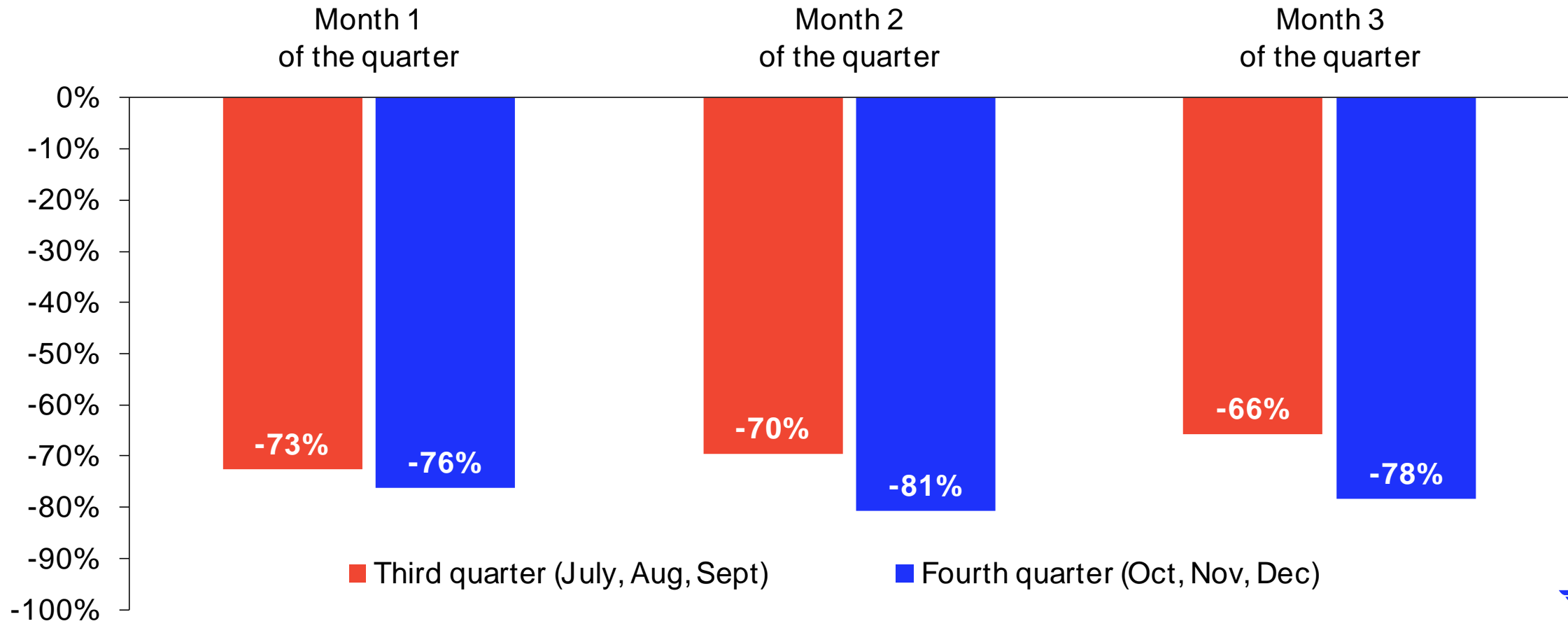
## Business confidence recovered but job losses impacting consumers



# Bookings data point to a weak fourth quarter for 2020

## Comparison of bookings as of 10 days before start of the quarter ahead

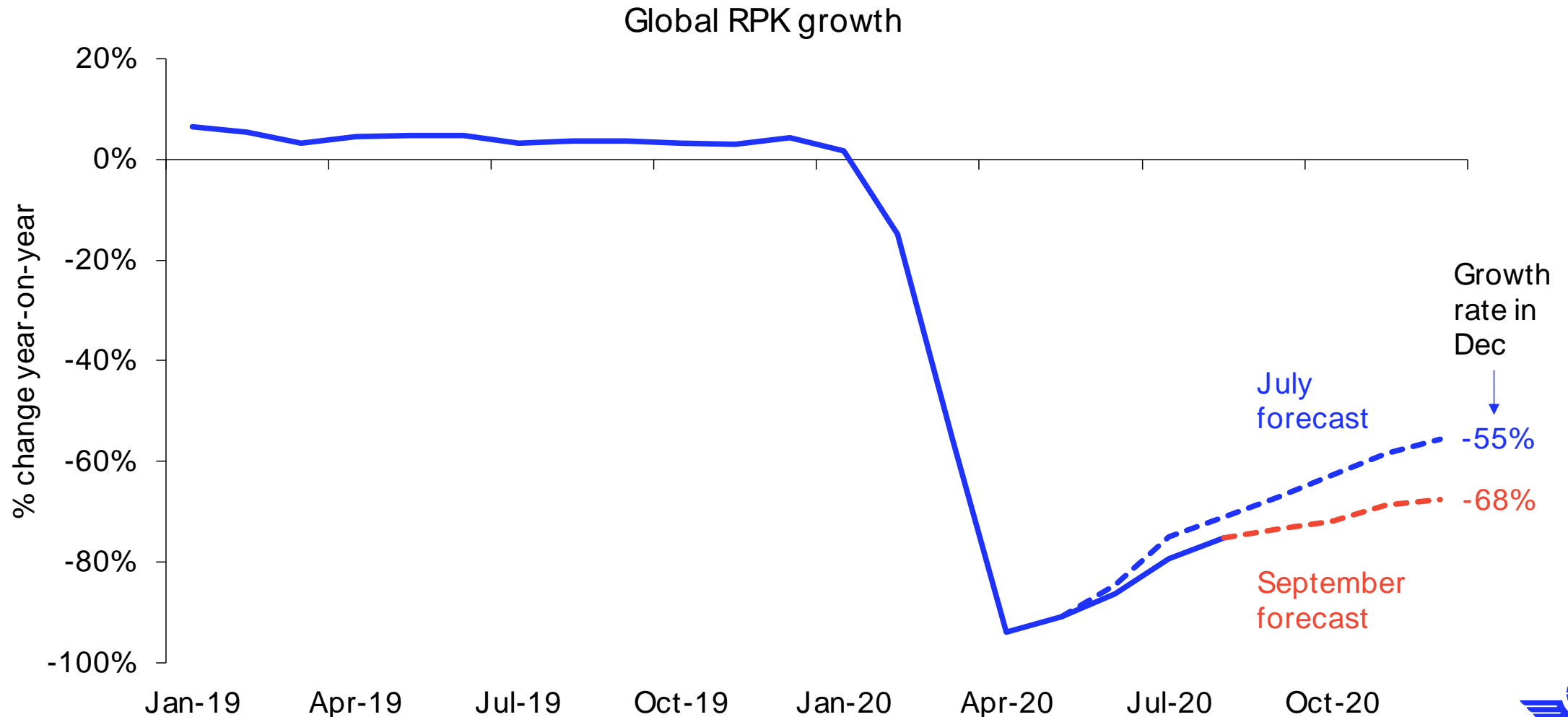
Forward Bookings for the Quarter Ahead  
(% change vs the same period a year ago)



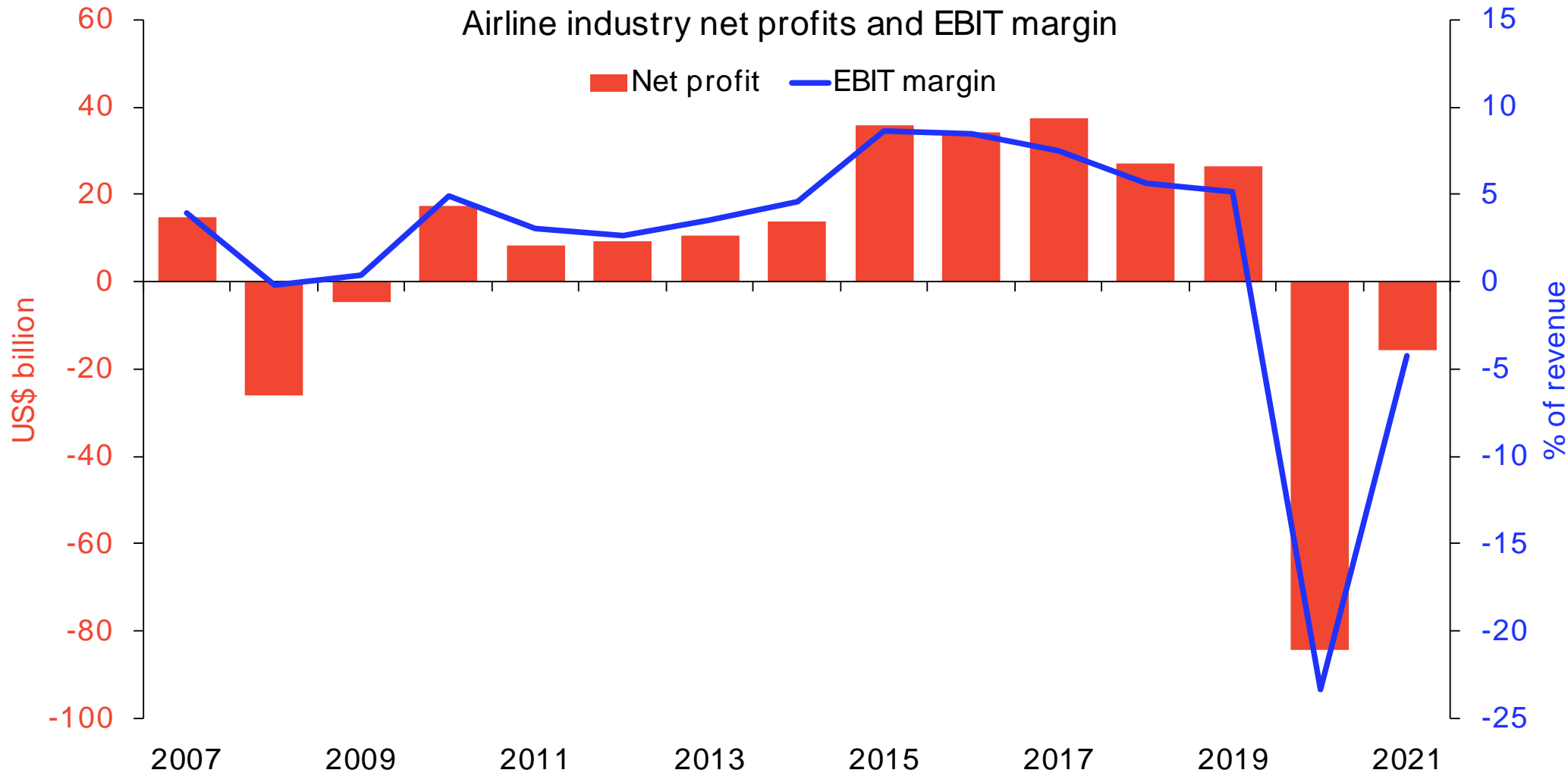
Source: IATA Economics using data from DDS

# Air travel forecast downgraded for rest of this year

Slower growth to year end means 2020 avg. growth of -66% (was -63%)



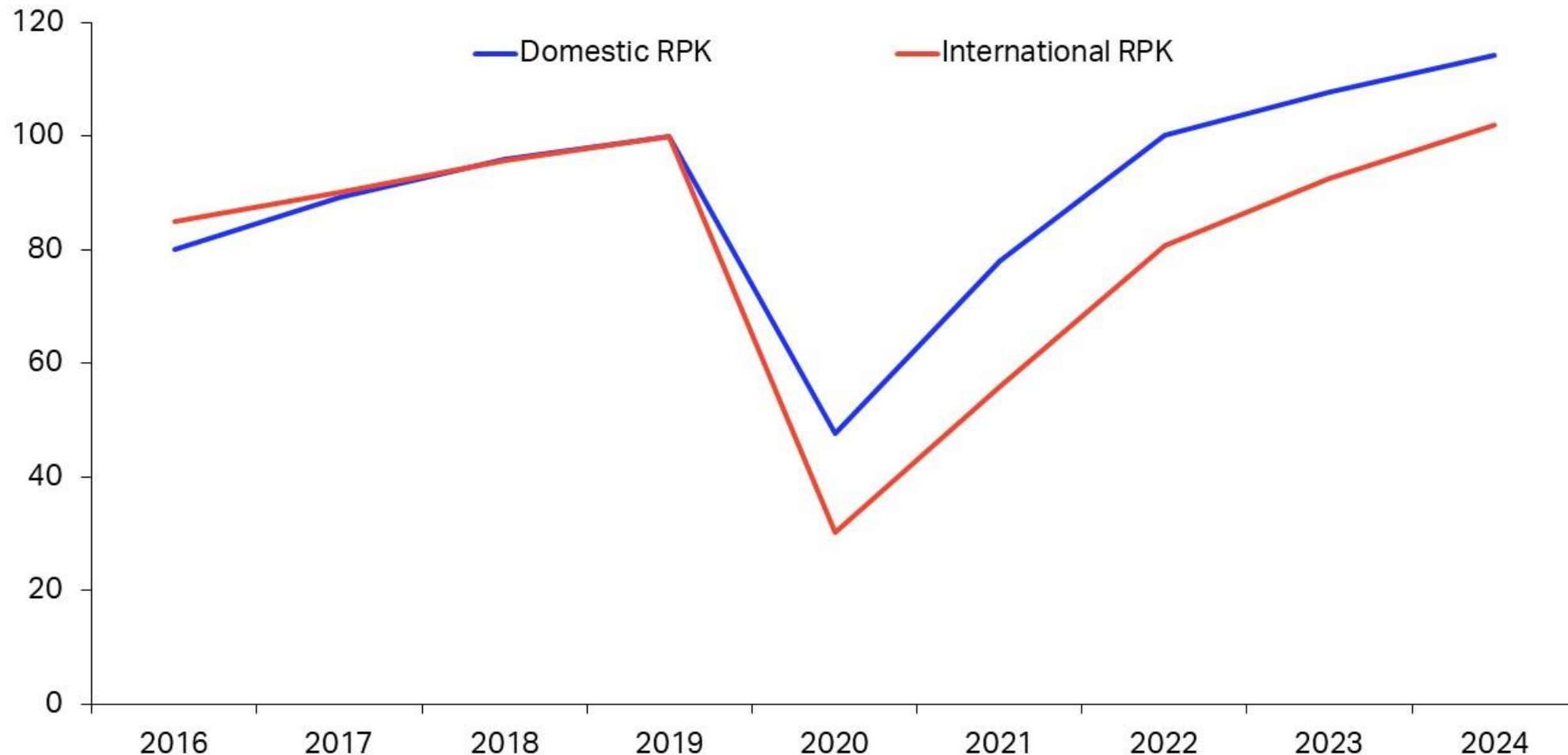
Global airline revenues will fall by half from \$838 billion in 2019 to \$419 billion in 2020  
 After \$84 billion net loss this year we forecast further loss of \$15 billion in 2021



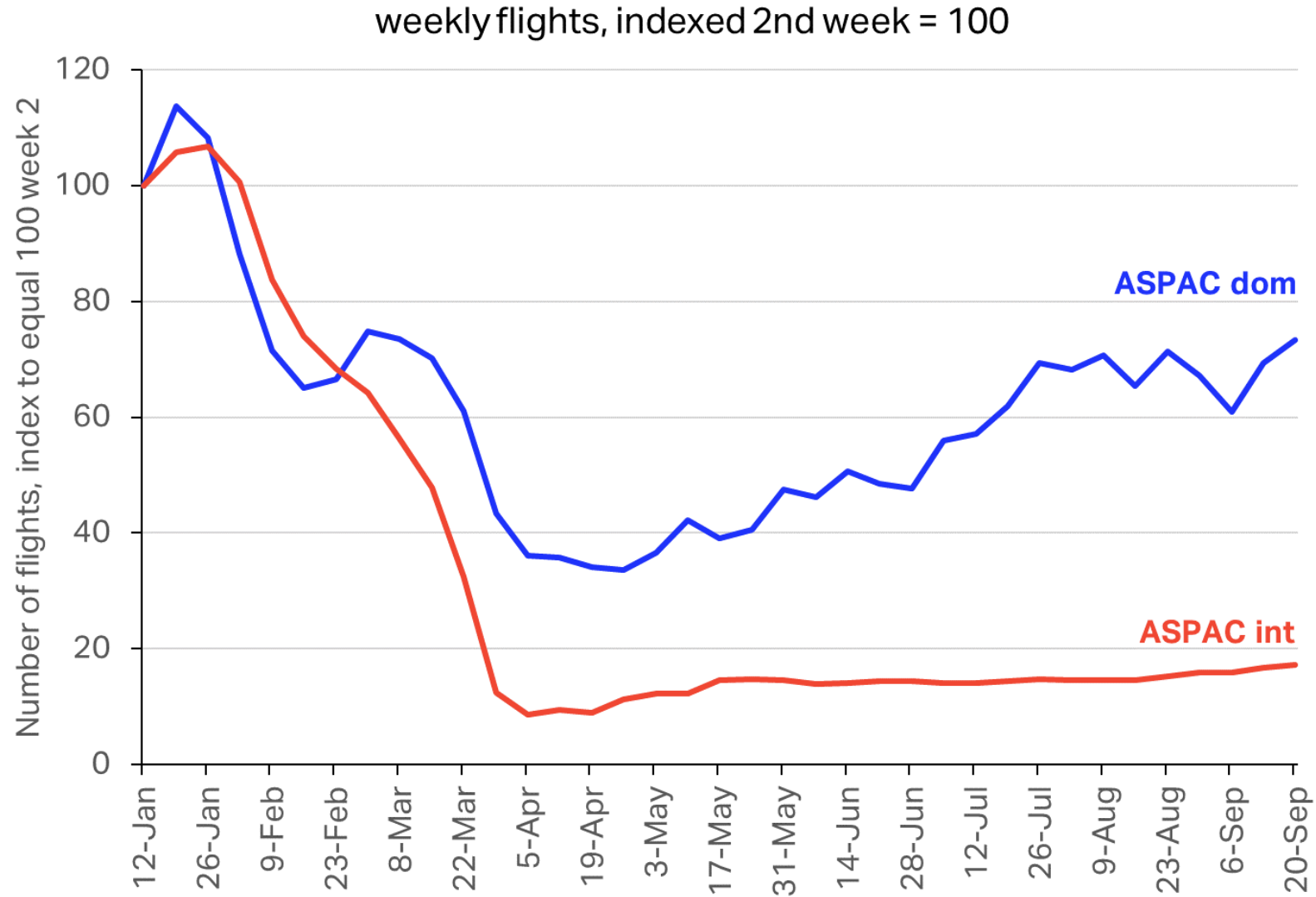
# International RPKs will lag domestic air travel markets

## International air travel may not recover to 2019 levels until 2023-24

Global domestic and international RPKs, indexed 2019=100



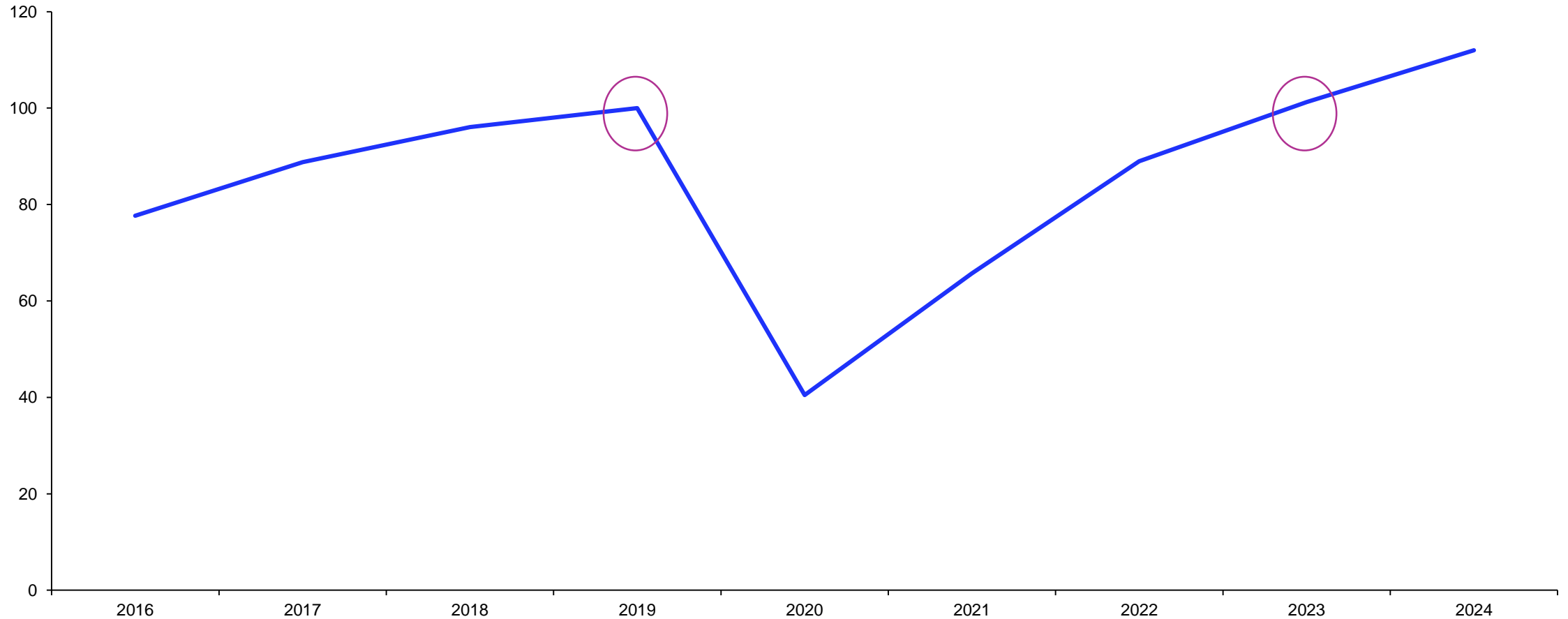
# Asia Pacific flights remain weak in comparison to pre-COVID-19



# Asia Pacific RPKs will only recover to 2019 levels in 2023

Asia Pacific RPKs

Indexed 2019=100, O-D basis

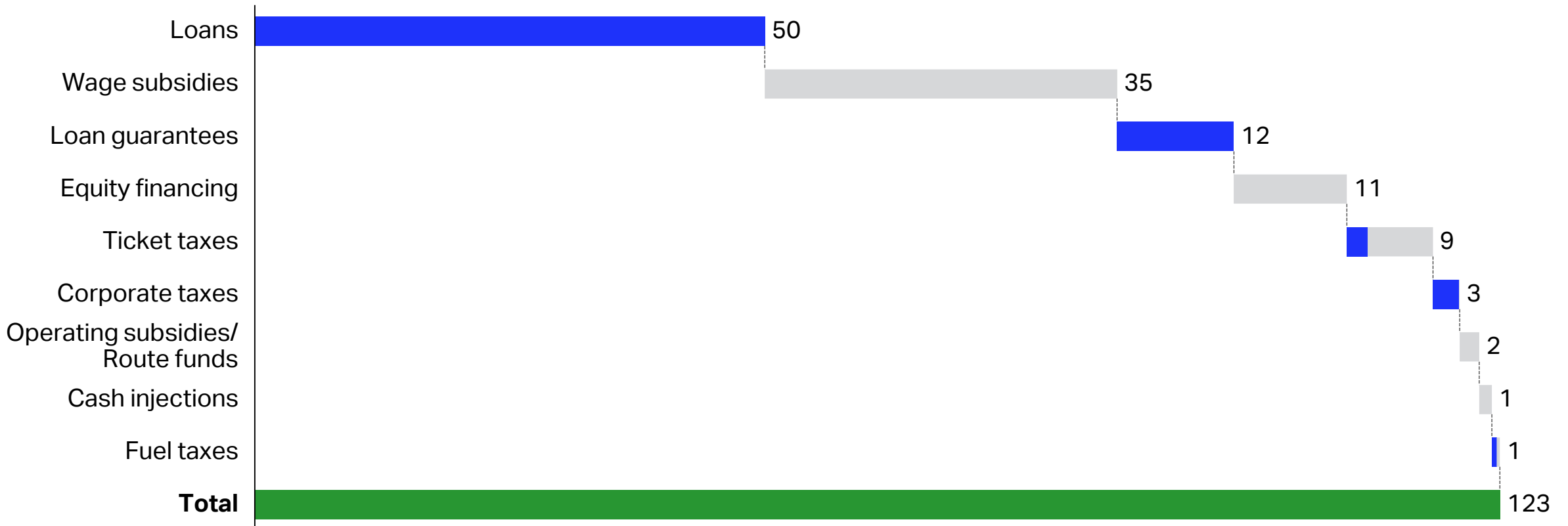


# Governments have provided substantial cash aid

Airlines kept on life support in 2020 but majority of aid must be repaid

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

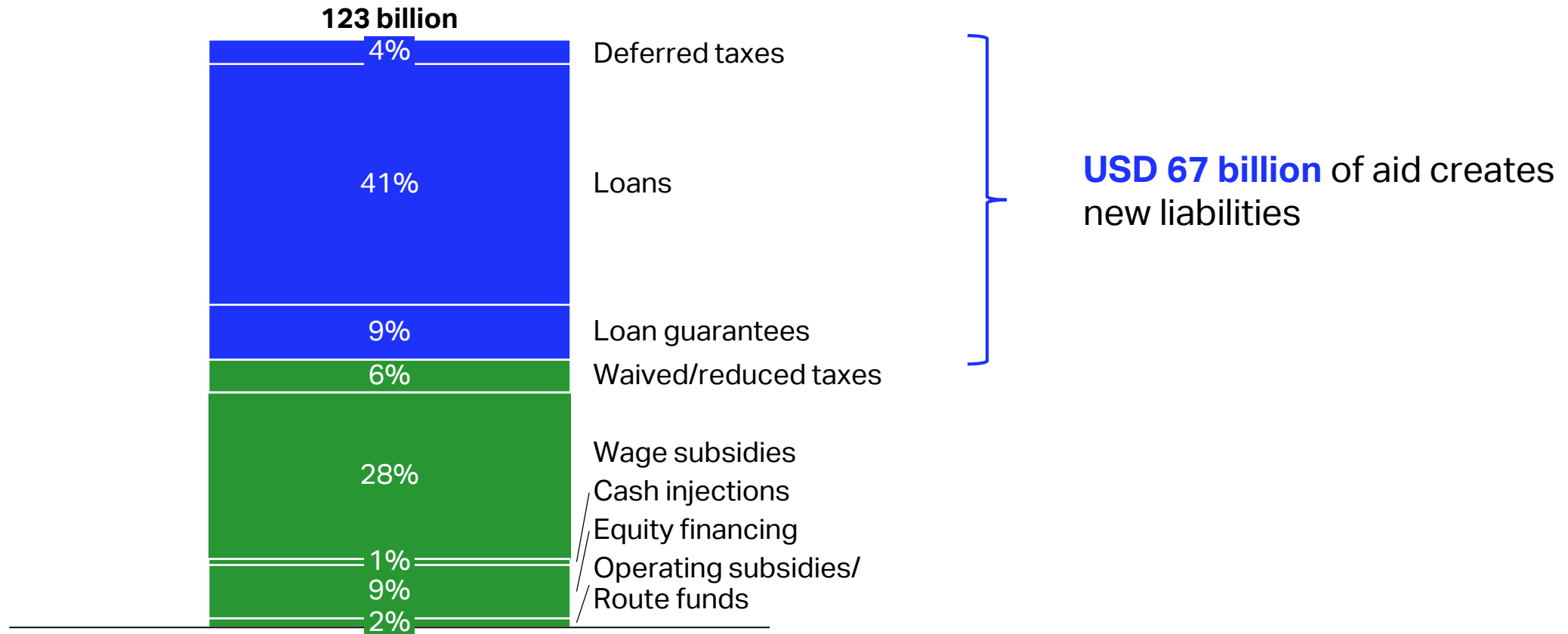
■ Reimbursable / deferral only  
■ Non-reimbursable / waiver/ discount



# Majority of aid will leave airlines with more debt

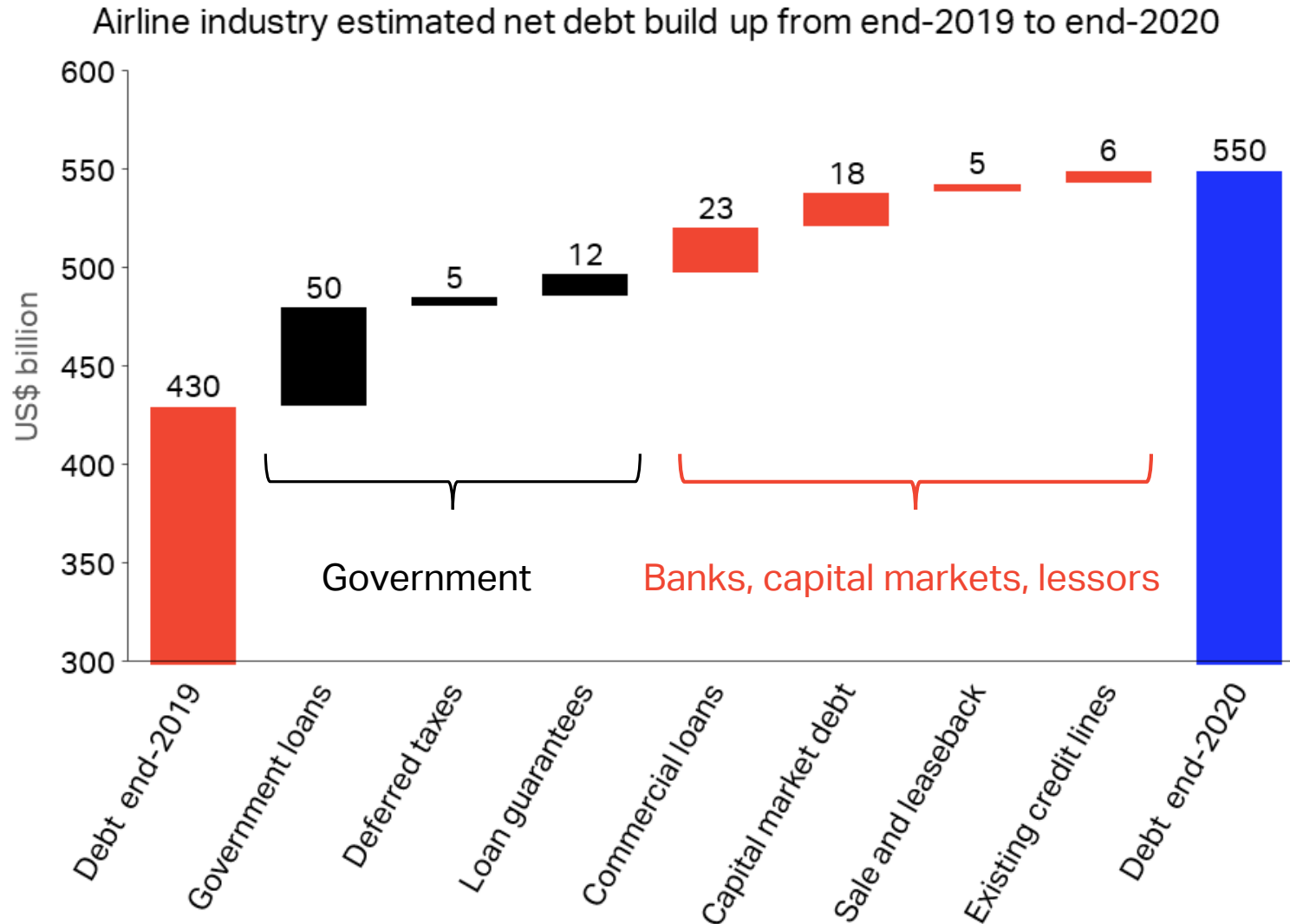
\$67bn or 55% of Government aid creates debt – only \$11bn of equity

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

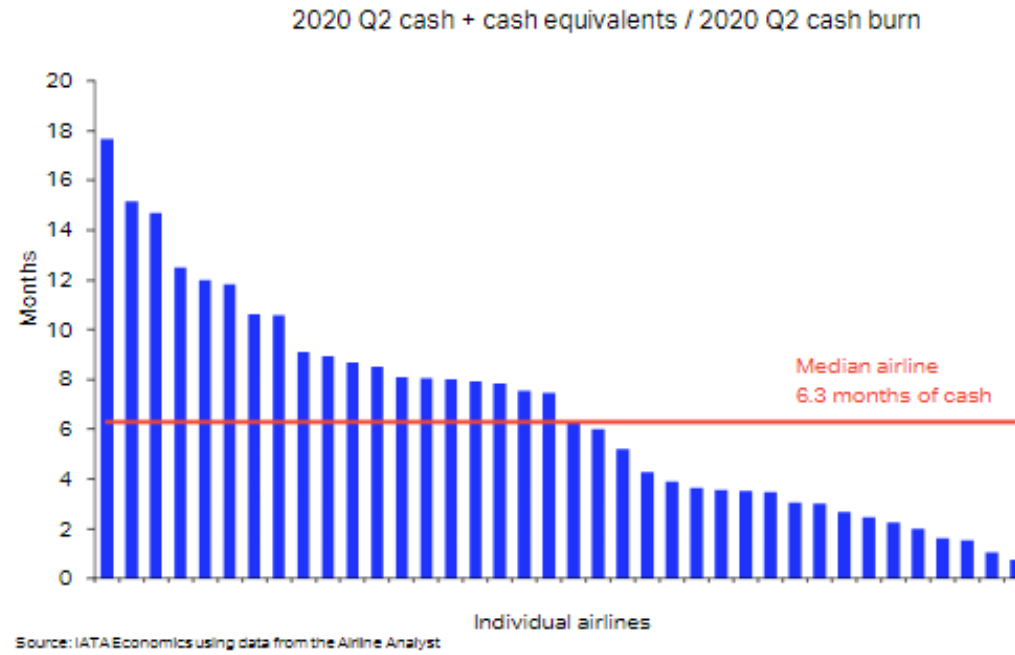


# Airlines will enter 'restart' with very high levels of debt

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



# Airline cash burn



Why is this important?



# The global air transport industry

**87.7 million**

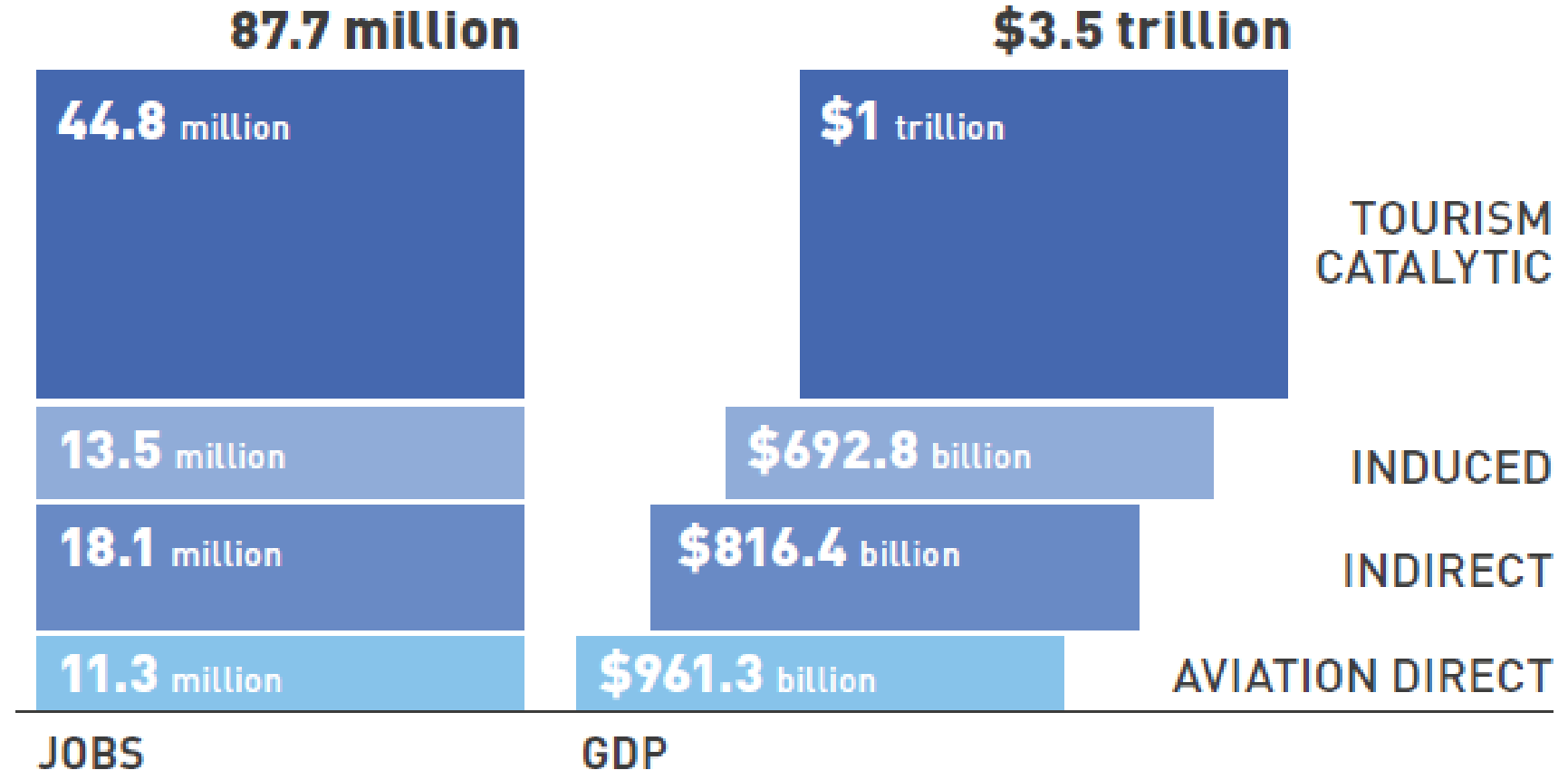
Jobs supported by aviation worldwide

**\$3.5 trillion**

Aviation's global economic impact (including direct, indirect, induced and tourism catalytic)

**4.1%**

Global GDP supported by aviation

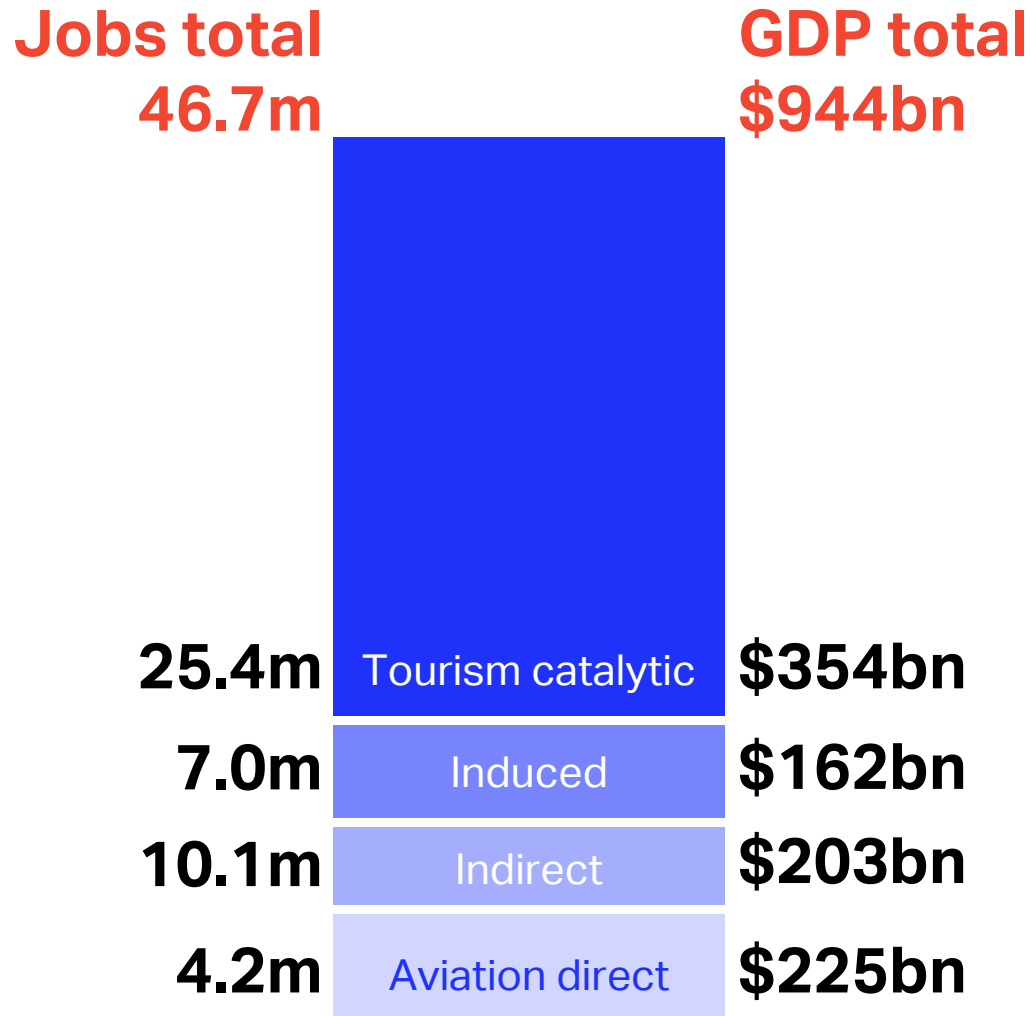


# In Asia Pacific, air transport supports...

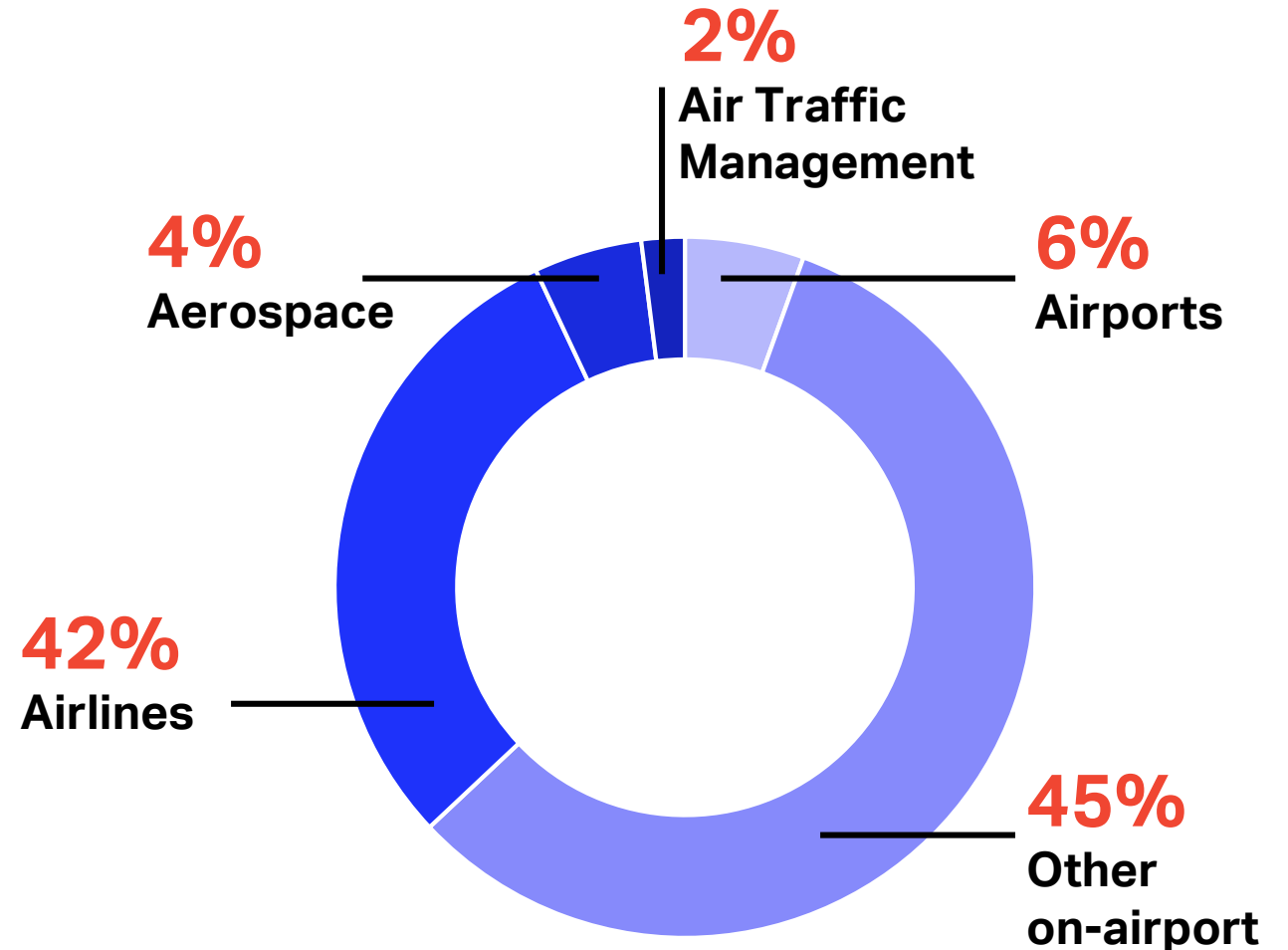


...46.7 million  
jobs and  
\$944 billion  
of GDP

## Asia Pacific: total jobs and GDP supported by air transport



## Asia Pacific: direct jobs generated by air transport



Source: ATAG



# At risk...

**46 million**

Jobs at risk normally supported by aviation.

**\$1.8 trillion**

Economic activity normally supported by aviation at risk due to Covid-19.

**↓ 50.6%**

Forecast drop in 2020 passengers vs. 2019.

**↓ 94.4%**

Drop in revenue passenger kilometres in April 2020 vs. April 2019 (the height of the shutdown).

**↓ 56.7%**

Drop in airport revenues predicted for 2020.

**4.8 million**

Aviation jobs at risk (a 43% reduction compared to pre-Covid levels):

- » 1.3 million at airlines (-36%)
- » 220,000 at airport operators (-34%)
- » 3.2 million other on-airport (-55%)
- » 151,000 in civil aerospace (-11%)

**64%**

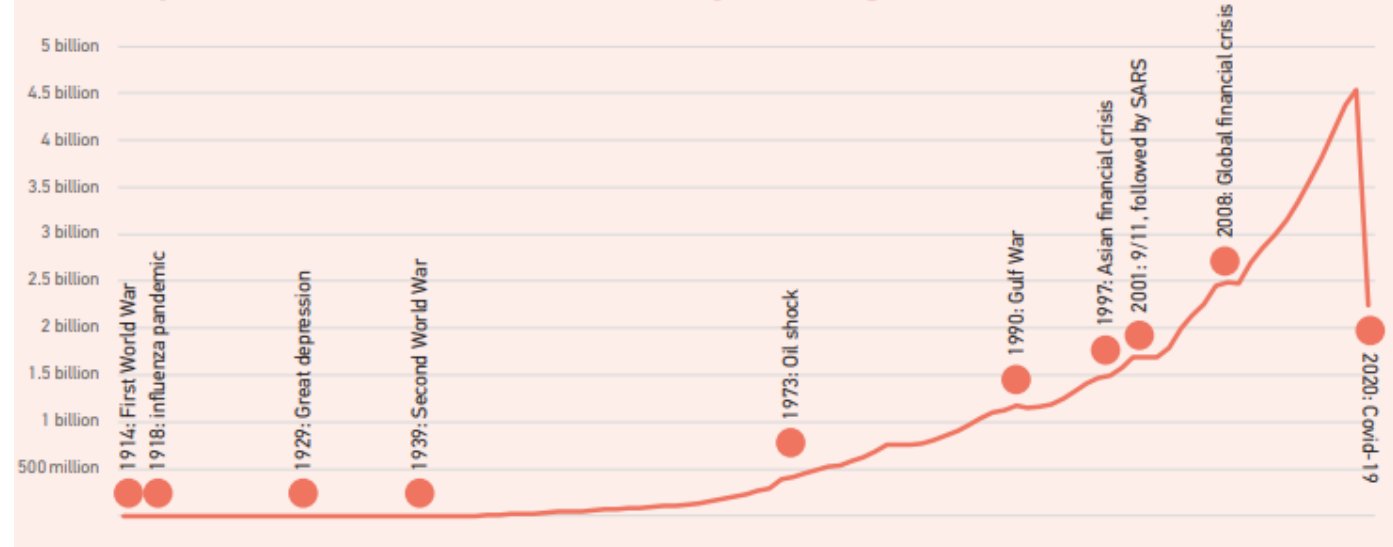
of the global fleet grounded in April 2020.

**↓ 50%**


Drop in revenue for airlines expected for 2020: around \$419 billion.

*Analysis based on traffic forecasts, business activity, announcements of redundancies and modelling. Could be more or less severe as the situation evolves.*

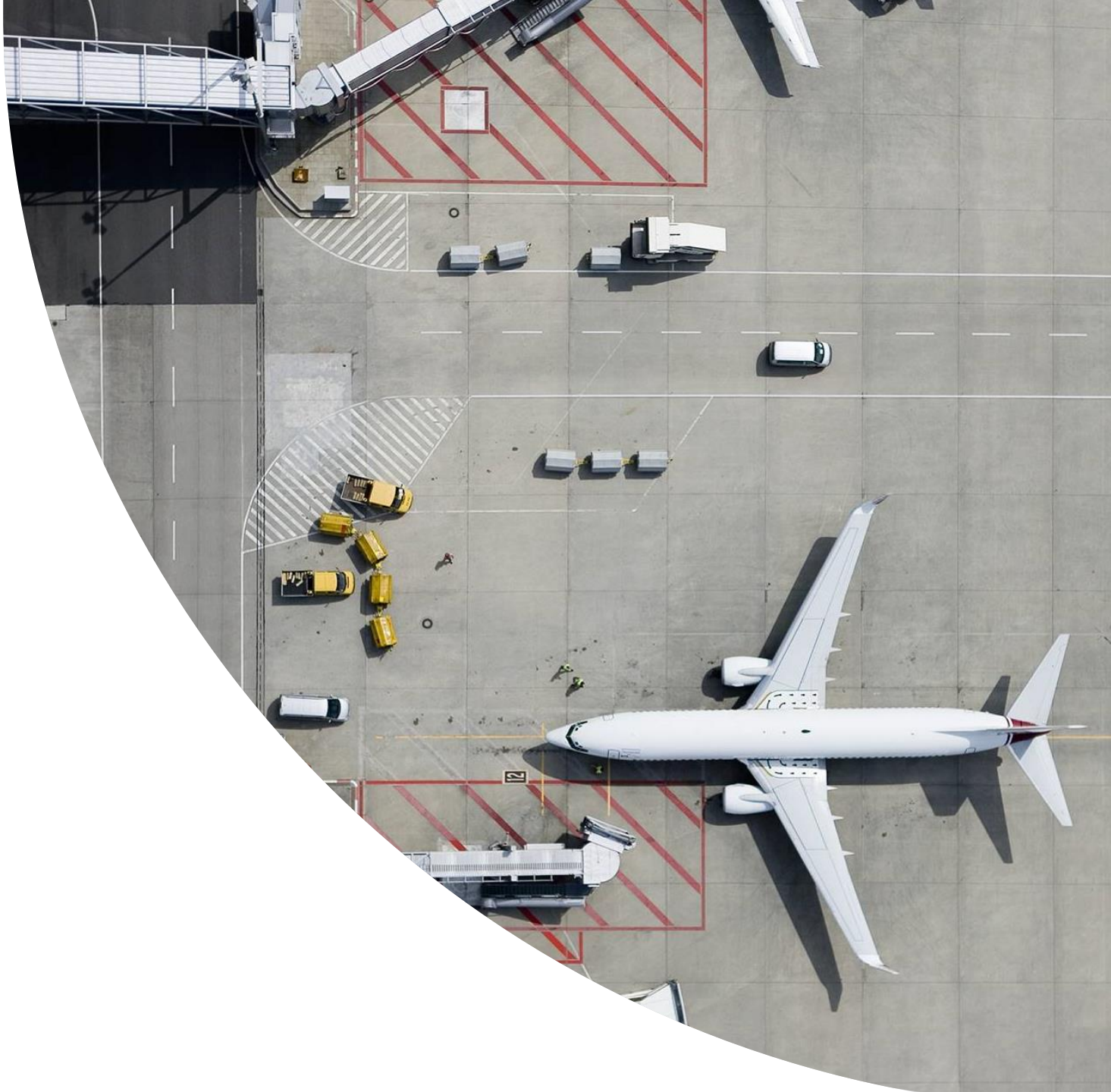
## History of commercial air traffic passengers 1914-2020F



# Thank you

 [cowlesb@iata.org](mailto:cowlesb@iata.org)  
and [moorej@iata.org](mailto:moorej@iata.org)

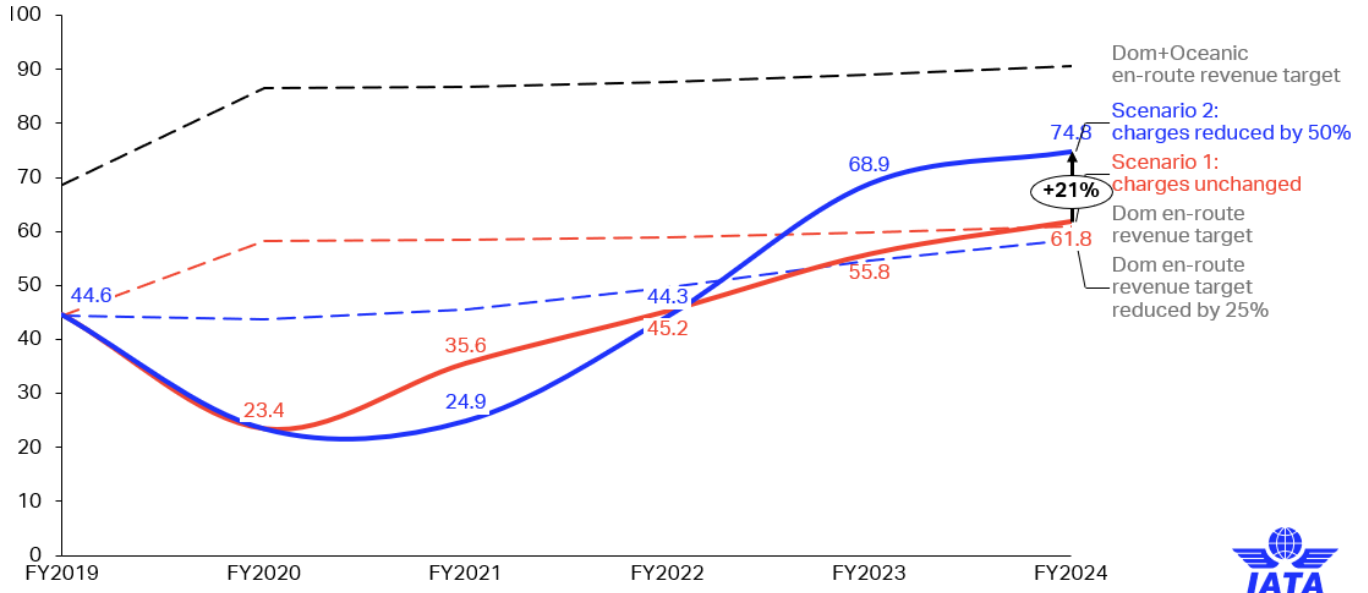
 [www.iata.org](http://www.iata.org)



ANNEX III: Revenue Analysis

# En-route revenue projections

With reduced charges and reduced ANS cost base



This generic comparative analysis looks at the impact on ANSP revenue as a function of cost-base / target revenue and reduction or waiver in aviation charges. The analysis is based on real data from one of our ASPAC States. The example uses 25% reduction in target revenue based on reduced costs and 50% discount in ANS charges rates.

The analysis shows that the liability for Governments to support ANSPs in the post-COVID-19 recovery could potentially be reduced markedly if cost-base / target revenue is reduced and aviation charges are reduced or waived. The elasticity for demand is based on IATA member airline feedback and the IATA economists' experience of the aviation market.

## Decreasing en-route charges by 50% Could reduce government funding requirements by 39%

