

Background information on the impact of COVID-19 on aviation and other related sectors

General context

- **Global air travel has been crippled by border closures**, with airlines scrapping plane orders and MRO companies (including component manufacturers and maintenance facilities) cutting costs and manpower due to declining business.
 - 59-62% decline in world passenger traffic; most unprecedented decline/collapse since 1945, even after accounting for the oil crisis in 1972, Gulf crisis in 1990, Asian financial crisis in 1997, SARS and other epidemics
- In an increasingly globalised and tightly-connected world, **disruption to the air transport in turn affects downstream sectors** and their related economic activities, on which global trade and services depend. (*OECD Report: COVID-19 and the Aviation Industry, 15 Oct 2020*)
 - **Global economy**: A projected -4.9% to -5.2% contraction in world GDP in 2020, far worse than during the 2008–09 financial crisis (*IMF and World Bank*)
 - Air transport and other related economic activities
 - i. General travel crucial for **tourism sector**
 - a. Decline in international tourism receipts (USD910-1170bn in 2020 vs USD1.5 trillion in 2019) with 100% of worldwide destinations with travel restrictions (*UNWTO*)
 - b. The World Travel and Tourism Council forecasts the loss of 197mn jobs worldwide and a \$5.5 trillion reduction in the sector's contribution to global GDP in 2020 – a 62% drop compared to 2019.
 - ii. Fall of global merchandise trade volume of 13-32% in 2020 compared to 2019 (*WTO*)
 - iii. Cargo and air freight necessary for exchange of essential goods and medical supplies and equipment
 - iv. Business travel for international knowledge transfer
 - v. Availability of non-stop intercontinental flights are a determinant of location of large firms' HQs

Overall impact on aviation

- **Passenger travel**: Revenue passenger kilometre (RPK) down 90% YOY in April, remained down 75% in August (*IATA, 2020*). Overall reduction of up to 2,981m passengers
Passenger operating revenues of airlines: Approx. USD388-400bn loss
- On 6 October 2020, IATA warned that the airline industry will **burn through \$77 billion in cash** in second half of 2020 (*i.e. \$13bn/month or \$418mn/day*) despite operations restarting. This will continue through 2021 at **rate of \$5 to \$6 billion a month**
- In April 2020, IATA estimated that COVID-19 would **cost airlines USD252 billion in lost revenue for 2020** (an already optimistic estimate on hindsight)
- From Jan to early Oct 2020, **43 commercial airlines have failed** (*i.e. completely ceased or suspended operations*).

- 2020's figure hasn't yet equaled the 46 failed in 2019 and 56 in 2018, partially due to government support, but the industry is bracing for further failures which usually occur during the year end (*Data by Cirium; reported by CNBC, 2020*)
- The collapse in aviation caused by COVID-19 could wipe out **46mn jobs worldwide** (*CNN, Sept 2020*)

Impact on aviation in Asia Pacific:

- In 2019, APAC region accounted for **27% of international passengers** (517m passengers) (*ICAO, Oct 2020*)
- APAC's international traffic for 2020 is expected to see a drop of 420-429m in passenger numbers and a dip of USD87-89 bn in revenue (*ICAO, Oct 2020*)
- US\$29 billion loss expected for Asia Pacific airlines in 2020 due to the pandemic (*IATA, July 2020*)
- An estimated loss of approximately 59% of passenger traffic and 55% or over USD 27.6 billion airport revenues expected for Asia-Pacific airports in 2020 compared to business as usual (Airports Council International, August 2020).
- In 2019, almost 80% of international seats offered in Asia Pacific were for **intra-regional traffic** (*ICAO, Oct 2020*) – regional efforts to support recovery could have a significant impact on aviation's recovery in the region

Government bailout/support to keep aviation afloat:

- In Apr 2020, IATA estimated that COVID-19 would cost airlines USD252 billion in lost revenue for 2020 and suggested **\$200 billion of state aid** to save the industry from collapse.
- As of 6 Oct 2020, **governments globally have provided \$160 billion** in financial support (e.g. aid, subsidies, tax reliefs) to aviation industry (*IATA, 2020*)