## COVID-19 Airlines' Liquidity Crisis

17 ${ }^{\text {th }}$ March 2020

## COVID-19 \& restrictions closed many markets to air travel Markets with >10 cases now cover 94\% of global passenger revenues



Economics

## The situation has moved beyond our 'Extensive Spread' scenario implying \$113 bn loss of passenger revenues (19\%) worldwide in 2020

| Market | Impact on passenger numbers | Impact on passenger revenue (Billion US\$)* |
| :---: | :---: | :---: |
| Australia, China, Japan, Malaysia, Singapore, South Korea, Thailand, Vietnam | -23\% | -49.7 |
| APAC excluding the above | -9\% | -7.6 |
| Austria, France, Italy, Germany, Netherlands, Norway, Spain, Switzerland, Sweden, the United Kingdom | -24\% | -37.3 |
| Europe excluding the above | -9\% | -6.6 |
| Bahrain, Iraq, Iran, Kuwait, Lebanon, the United Arab Emirates | -23\% | -4.9 |
| Middle East exc/uding the above | -9\% | -2.3 |
| Canada, United States | -10\% | -21.1 |

* Note:

Revenue numbers do not add up to the $\$ 113$ bn global total because of route overlaps e.g. China and Japan include revenues on the ChinaJapan market. We adjust for overlaps in calculating the worldwide total.
Revenues are base fare revenues for all airlines serving routes to, from and within each country


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

 Only around 30 airlines drove improvement. Long tail of weaker airlinesWorld's airlines ranked by economic profits


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

## Outside the top-30 balance sheets debt levels are high

 So many airlines will have fixed obligations of debt to service and repayNet debt adjusted for operating leases / EBITDAR


# Cash covered less than 3 months of expenses for most Cash and equivalents at the start of 2020 as a ratio of non-avoidable costs 

Number of Months Cash to Cover EBITDAR and Aircraft Rental Costs*


## There are also short-term liabilities to service and repay

 Cash and equivalents as a ratio of loans and bonds with less 1 year maturity

## Now airlines are fast running out of cash.

## The typical airline had 2 months of cash at the start of this year


*Latest available 12 months cumulative revenues Africa, Latin America and the Middle East might not be representative due to small sample size.

## Contacts

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