

# COVID-19

## Government financial aid for airlines

Brian Pearce

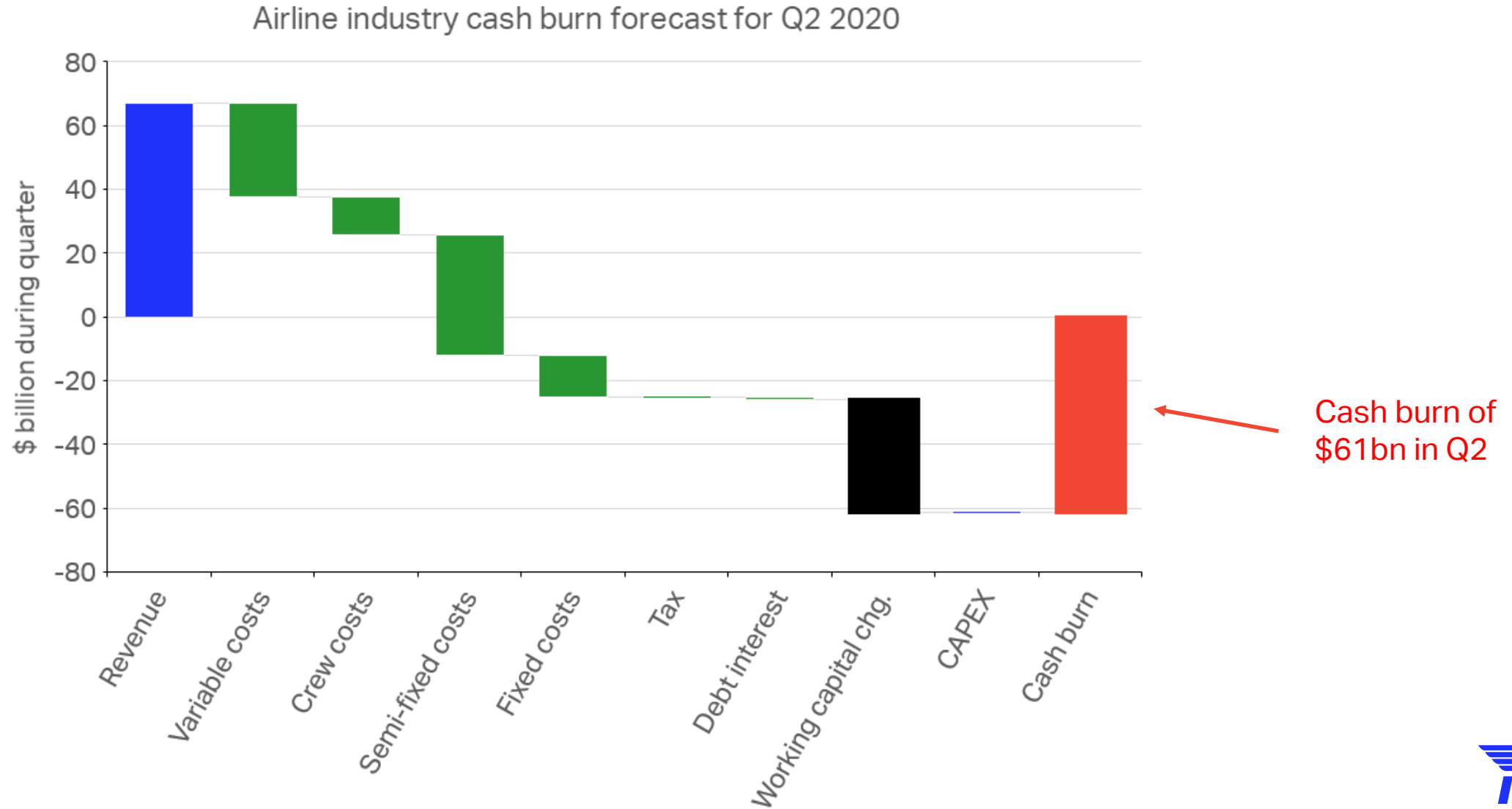
Chief Economist

26<sup>th</sup> May 2020



# We estimated airlines' cash burn at ~\$60bn a quarter

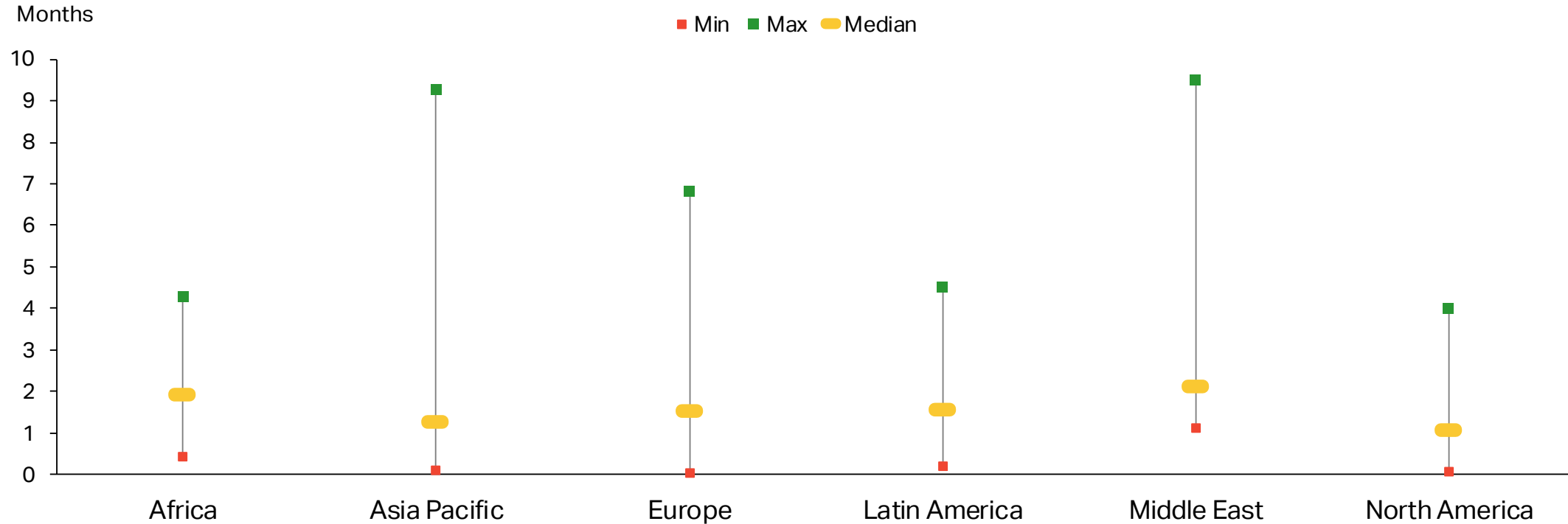
On top of unavoidable cost, ticket refunds will burn cash in 2020 Q2



# End-2019 cash reserves already low at many airlines

Compared to 2019 revenues, the median airline had 2 months of cash

Balance Sheet Liquidity  
(Cash and Equivalents Coverage of Revenues\*)



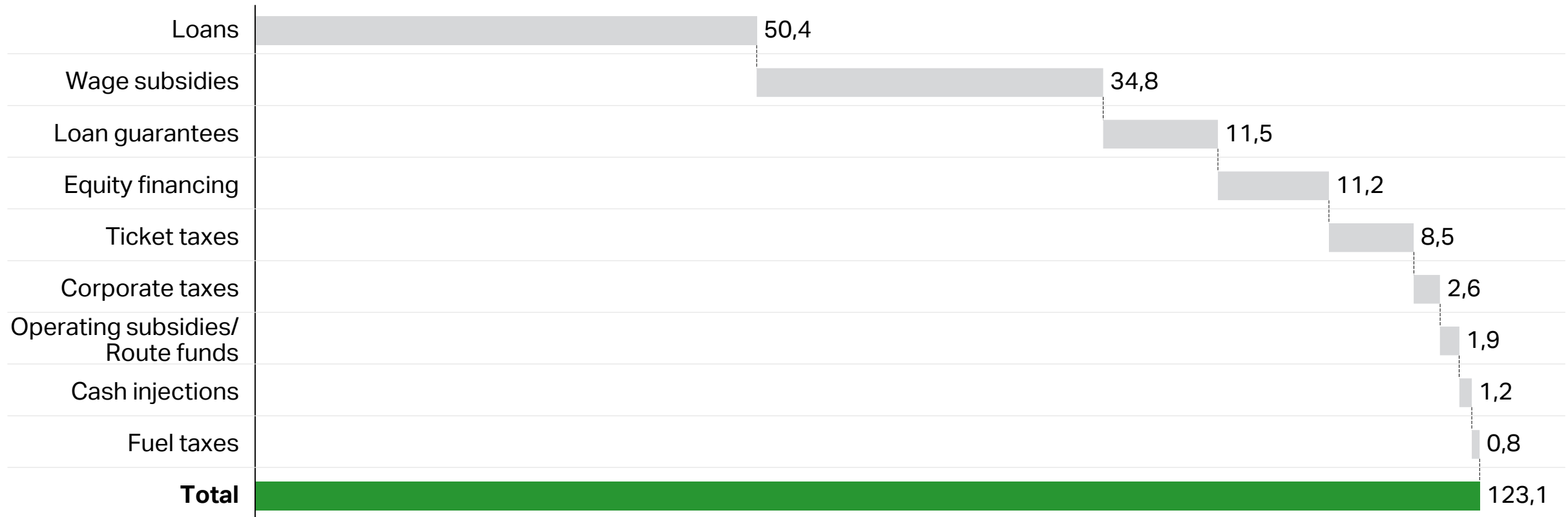
\*Latest available 12 months cumulative revenues Africa, Latin America and the Middle East might not be representative due to small sample size.



# Governments have now provided USD 123bn of cash

## Financial aid in a variety of forms is keeping the industry on life support

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

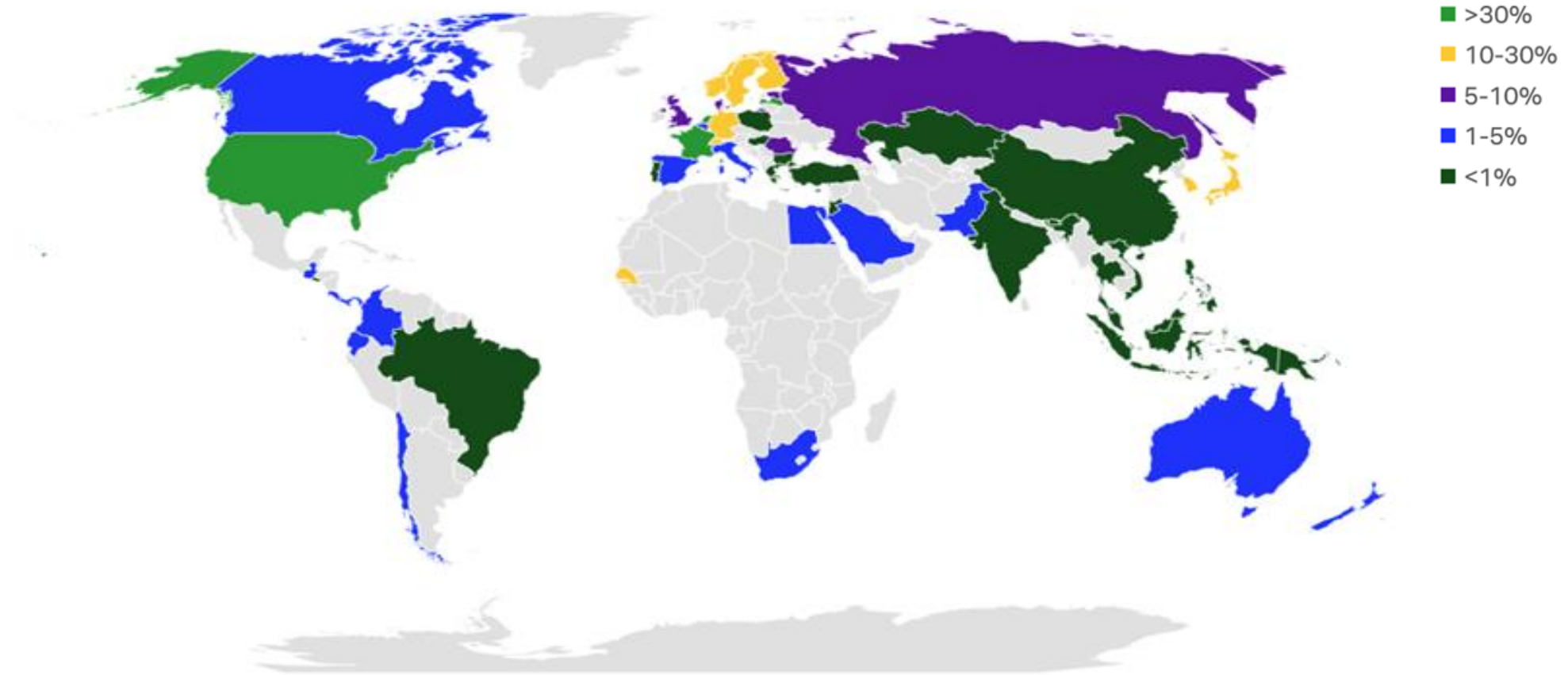


Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Government measure included up until 15 May 2020

# But Government cash is very unevenly spread by country

## Very limited support for emerging market airlines

Total amount of government aid as % of airline ticket revenues to/from/within country in 2019



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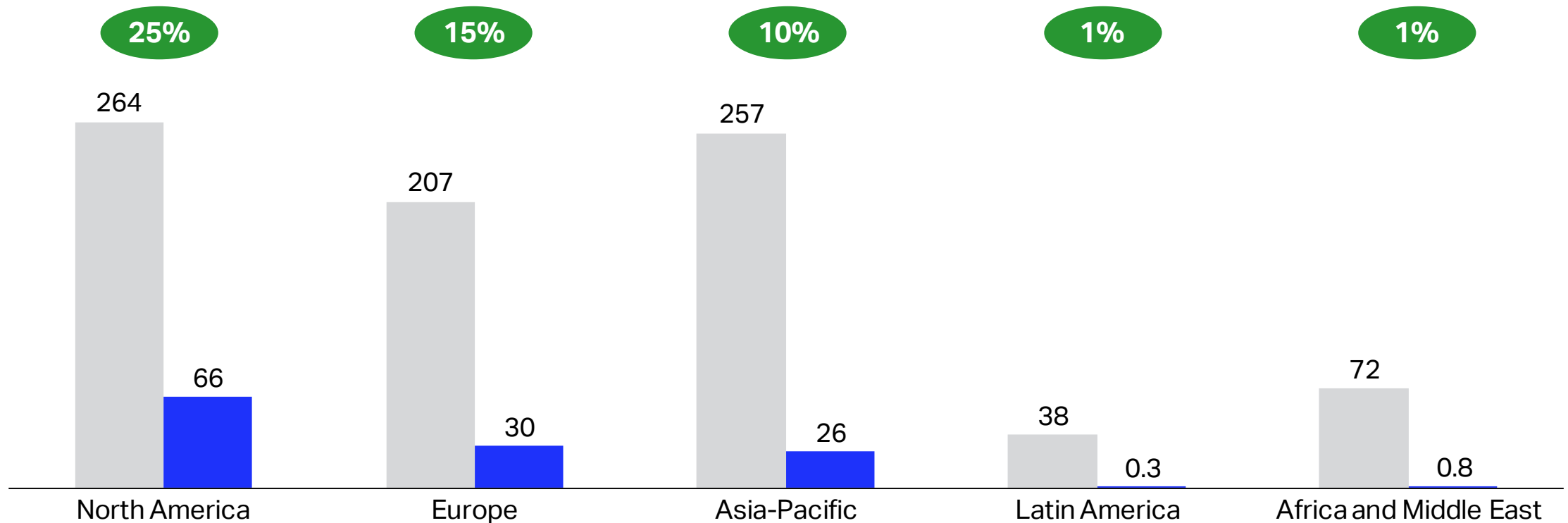
Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Note: revenue data is base fare revenue for all services flying within, to and from the country.

# Financial aid varies from 1% to 25% of regional revenues

## Latin America & AME aid is only 1% of airlines' 2019 operating revenues

Total amount of government aid vs. airline revenues to/from/within region in 2019 (USD bn)

2019 revenues  
Financial relief



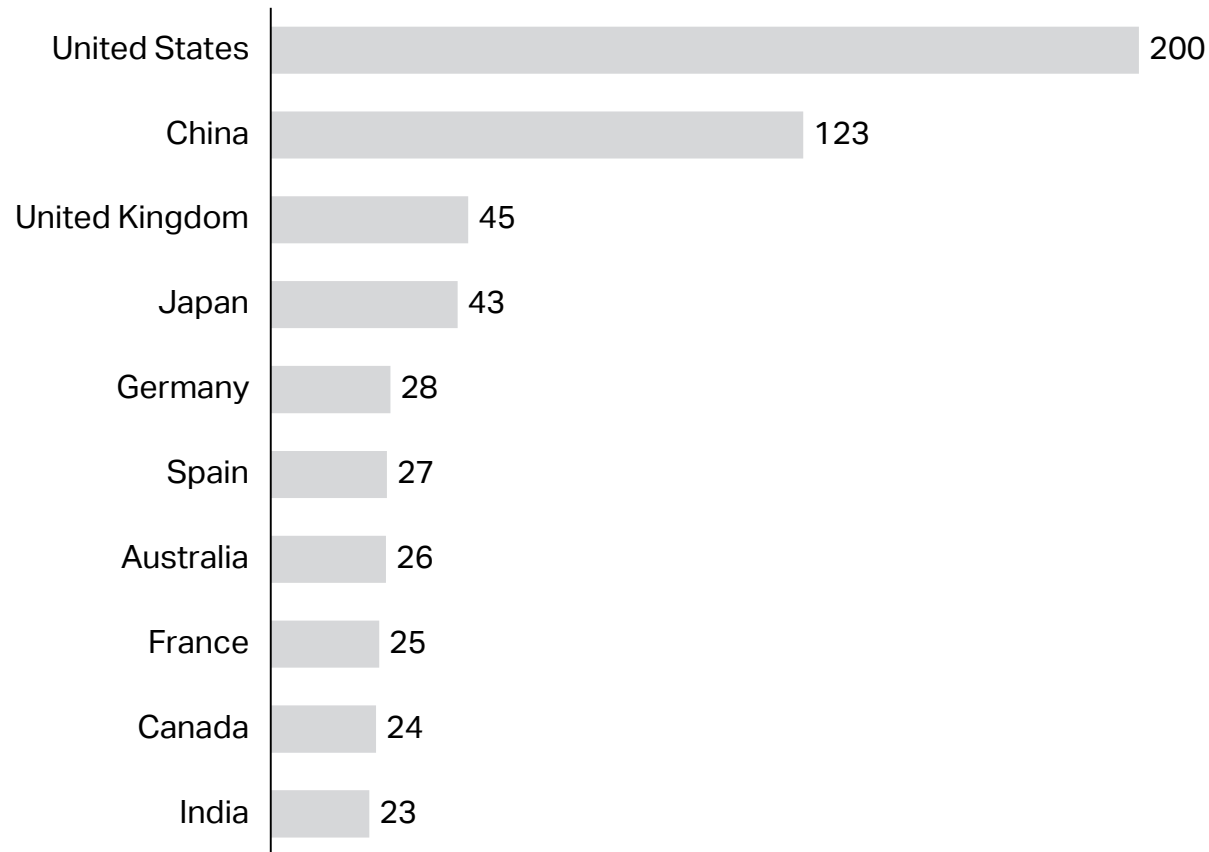
Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Note: revenues in this slide are total airline operating revenues by region of registration.



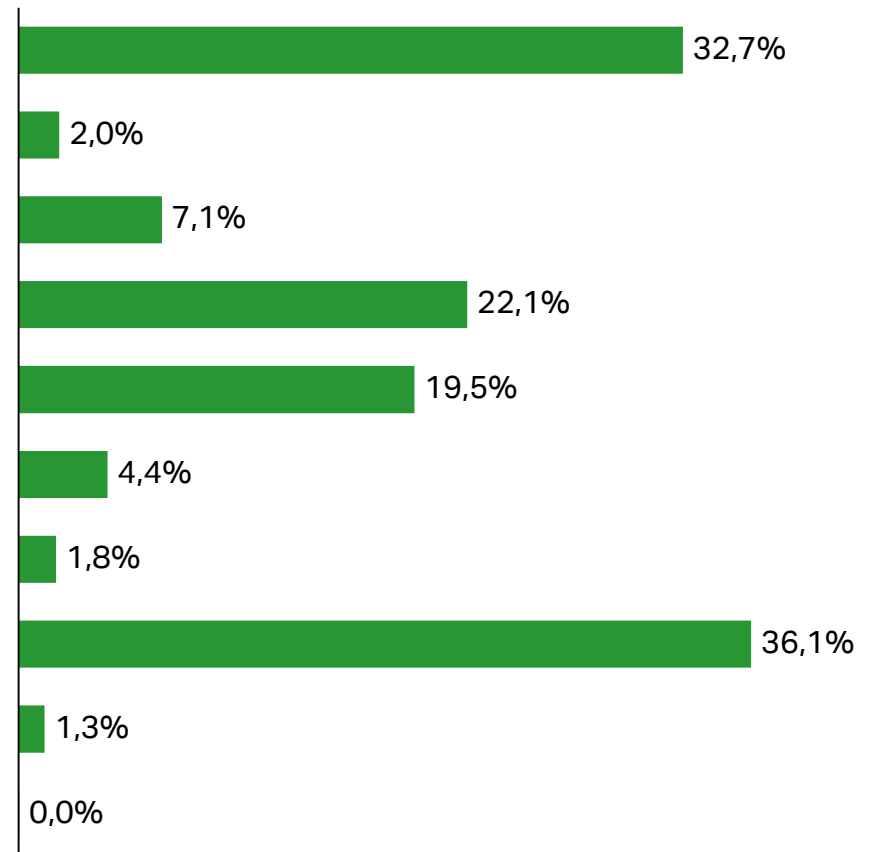
# Wide variation in aid for top-10 passenger markets

## Government support varies even between developed economies

Top 10 markets by 2019 ticket revenues (USD bn)



Government aid as % of 2019 ticket revenues



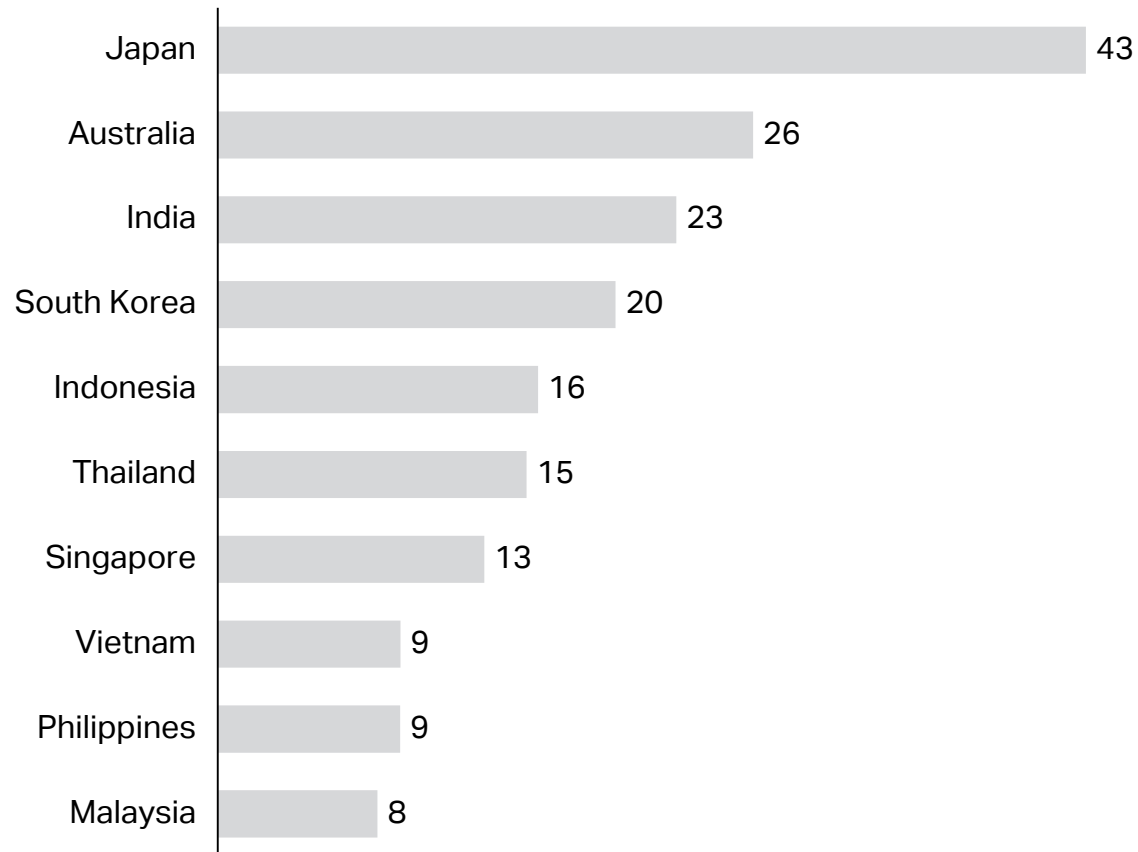
Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Note: revenue data is base fare revenue for all services flying within, to and from the country. In addition, some governments – e.g. Australia and China - provide a package of indirect support to airlines including the waiver of government charges.



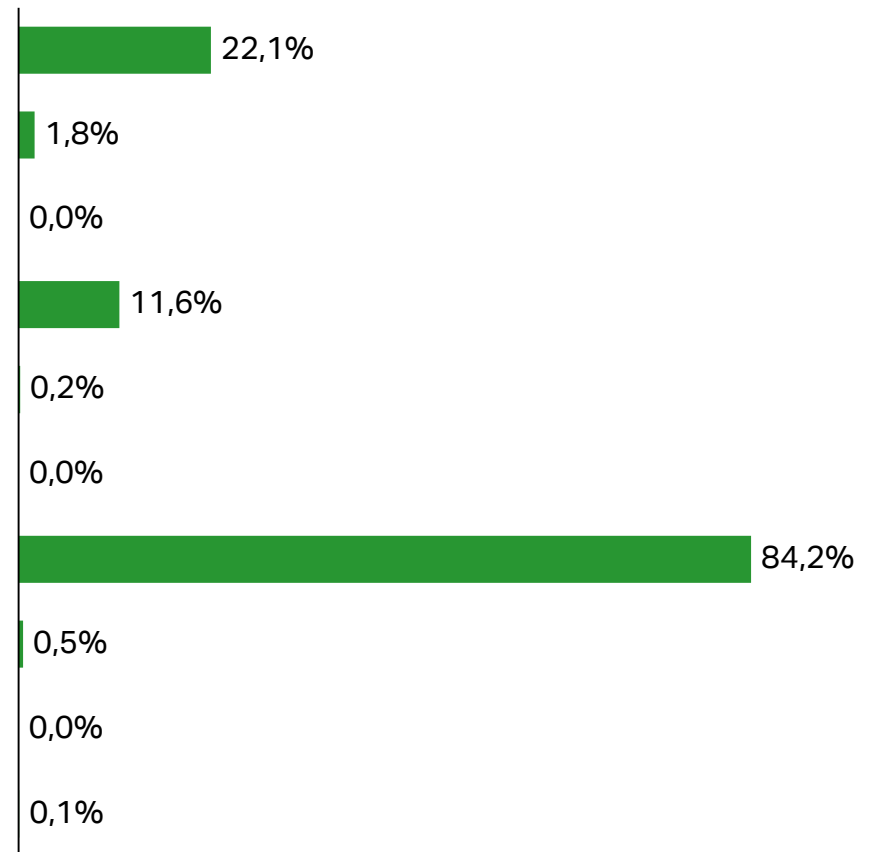
# In Asia Pacific Singapore has provided most aid

## Emerging market support for airlines in this regions is minimal so far

Top 10 Asia-Pacific markets by 2019 ticket revenues (USD bn)



Government aid as % of 2019 ticket revenues



Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Note: revenue data is base fare revenue for all services flying within, to and from the country. In addition, some governments – e.g. Australia and China - provide a package of indirect support to airlines including the waiver of government charges.

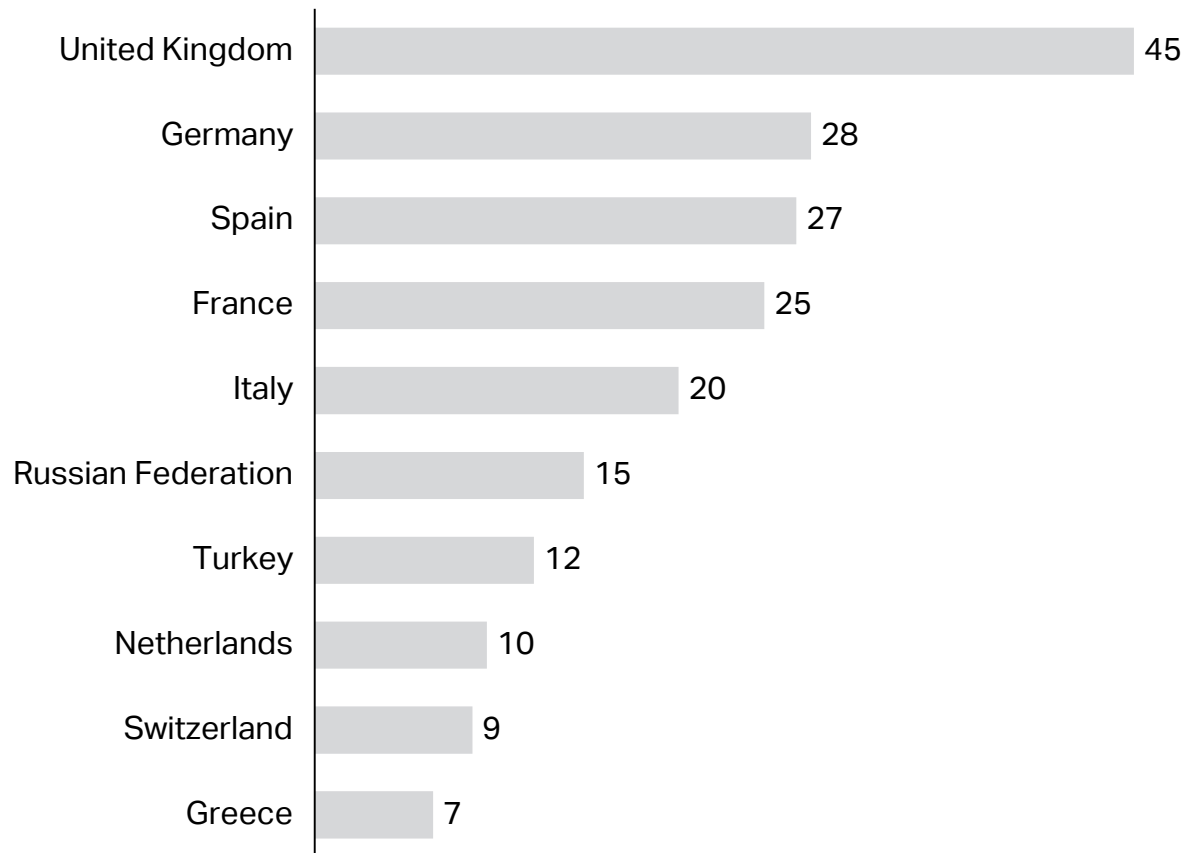




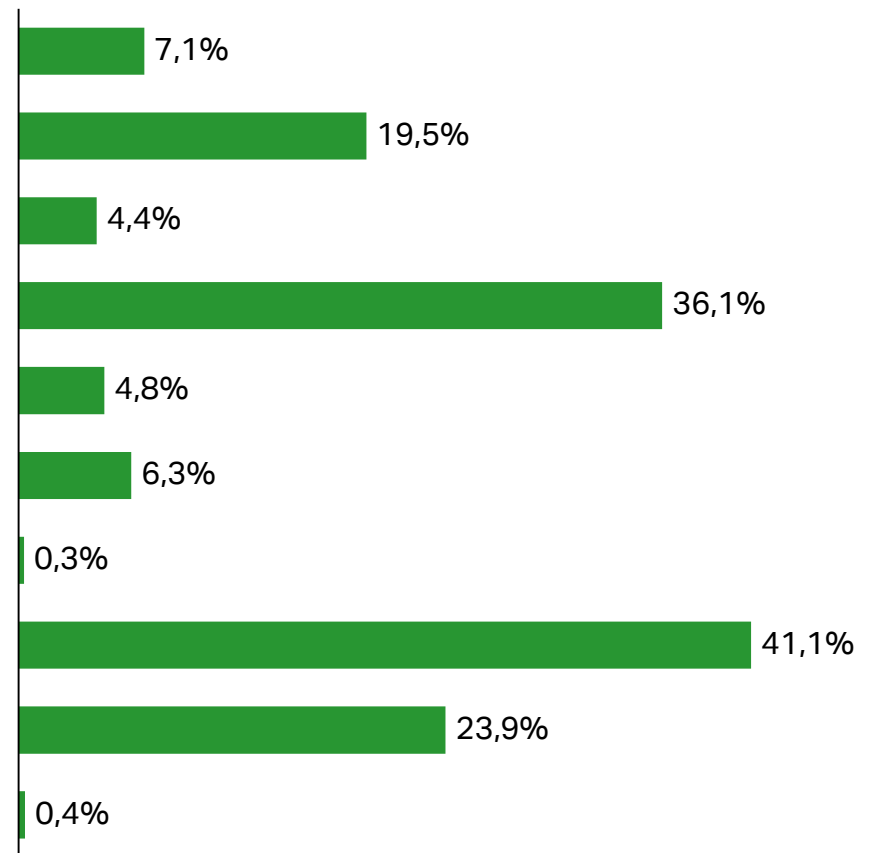
# In Europe aid is more extensive but still uneven

## Airlines in the more fragile economies have much less support

Top 10 European markets by 2019 ticket revenues (USD bn)



Government aid as % of 2019 ticket revenues

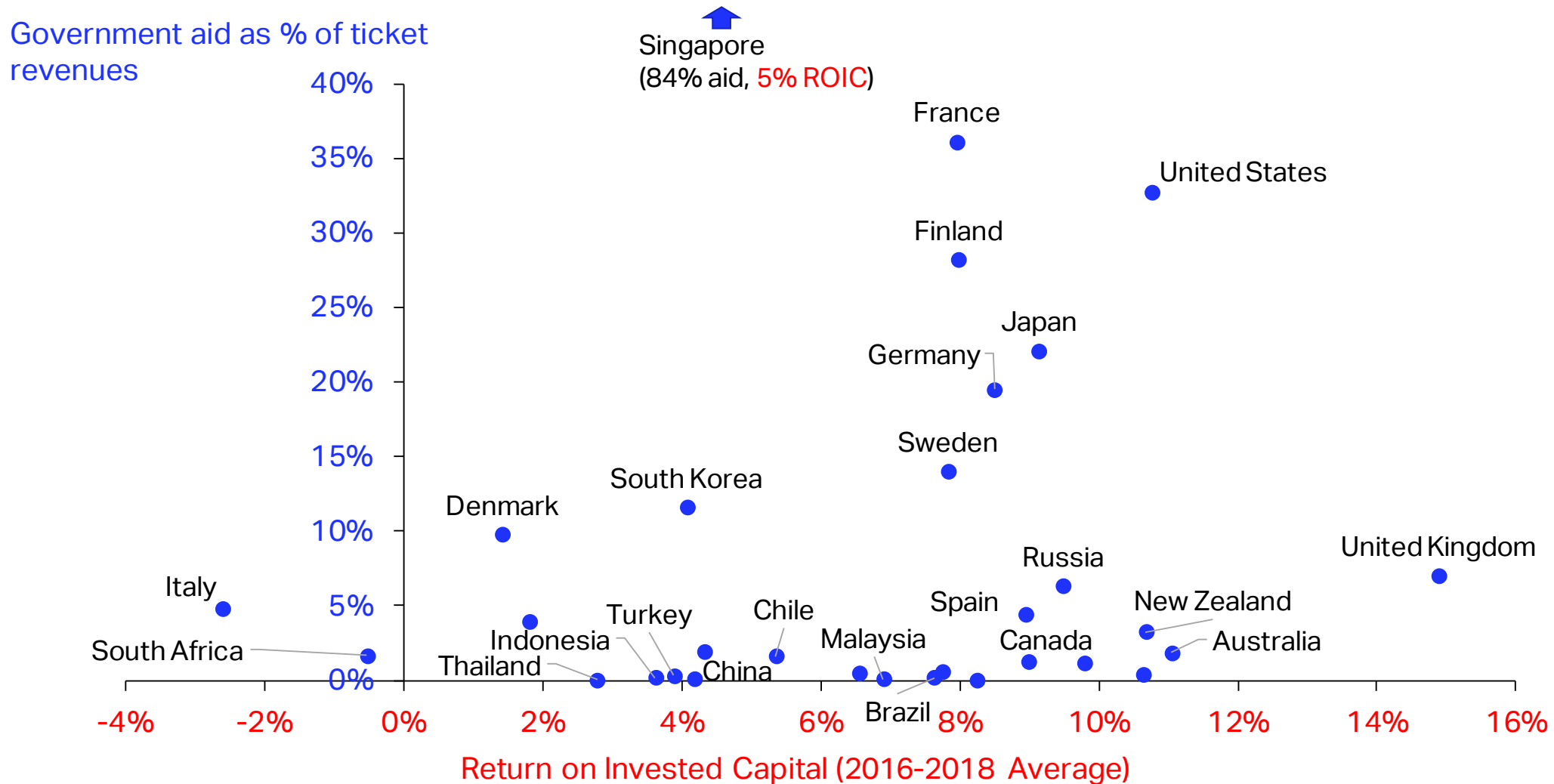


Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports. Note: revenue data is base fare revenue for all services flying within, to and from the country. In addition, some governments – e.g. Australia and China - provide a package of indirect support to airlines including the waiver of government charges.



# Aid is not focused on sustaining 'viable' business models

## Correlation between size of aid and pre-crisis ROIC close to zero

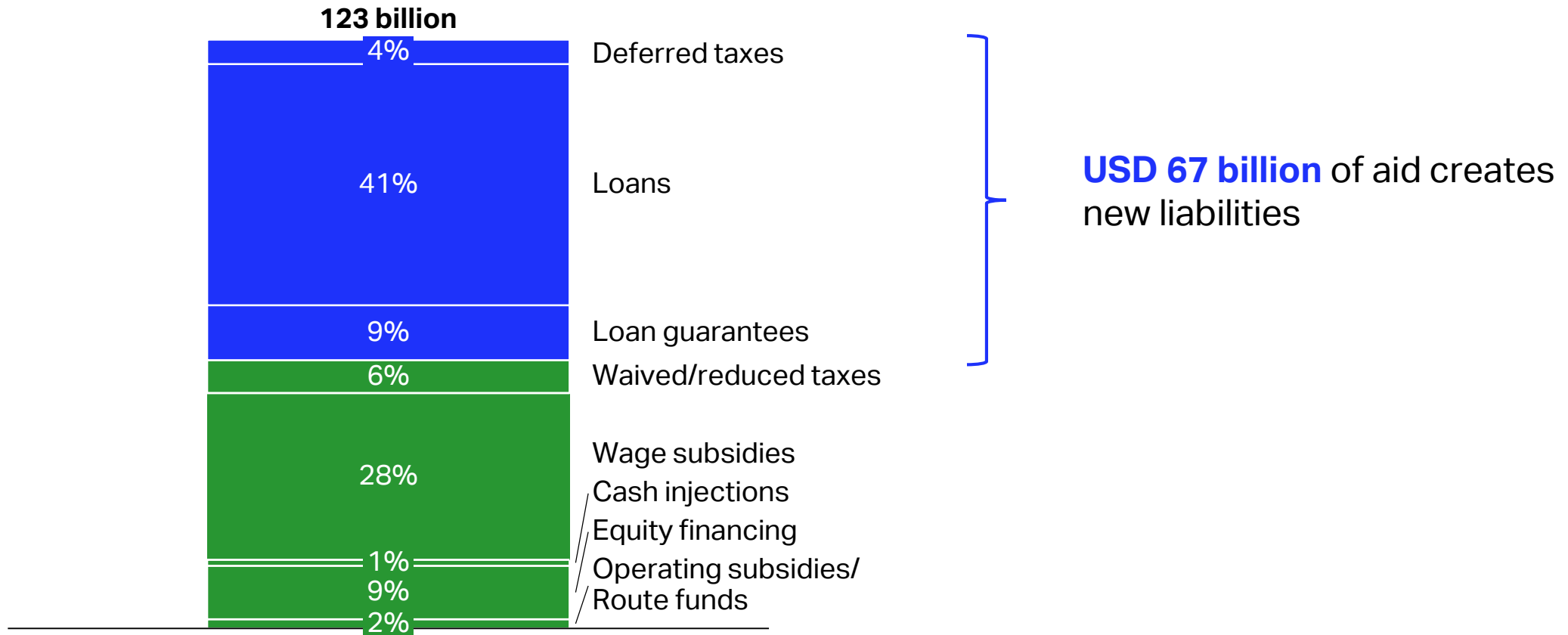


Source: IATA Economics using data from public sources on aid and a McKinsey study for IATA for ROIC

# 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)

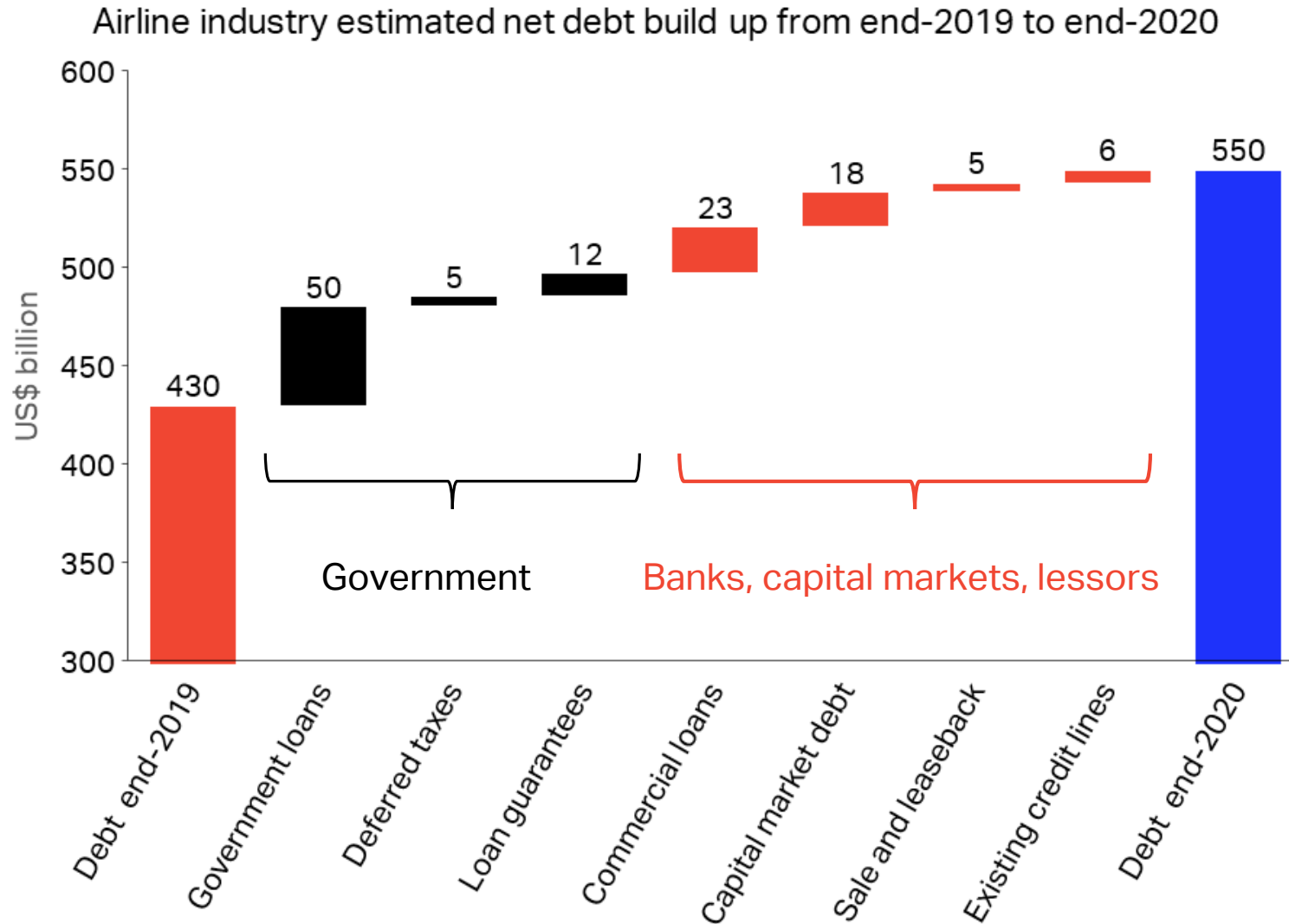


Source: IATA Economics using public information and data from SRS Analyser, DDS, FlightRadar 24, TTBS, ACIC, Platts, Airline Analyst, annual reports



# 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.



# Contacts

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