

THE FUTURE OF THE AIRLINE INDUSTRY - 50% DROP IN SALES EXPECTED



According to the latest data by the International Air Transport Association (IATA), by June 30 around 4.5 million flights have been cancelled worldwide. Moreover, by then there the decline in sales will have reached 55% (\$314 billion). What is the future of the airline industry?

IATA Director-General, Alexandre de Juniac, said that **he expects the largest losses ever recorded this year - around \$84 billion**. In comparison, during the global financial crisis in 2008, airline losses worldwide reached around \$ 31 billion (almost three times lower than expected now).

The decrease in Passengers and Sales by Half

De Juniac also predicted that the sales will drop by \$419 billion by the end of the year. This represents a 50% decrease compared to 2019. It also means that in the second half of the year, not much-lost ground will be made up for.

The decrease goes hand in hand with the number of passengers, which is expected to be 2.25 billion in 2020. This is half of the numbers from last year. It also means that a decade of significant growth will be wiped out and the airline industry will fall back to the levels of 2006.

These developments have also exceeded IATA's expectations, in a negative sense. In February, the association said it was expecting Coronavirus losses of around \$ 29 billion this year. This number has been updated several times and, as explained above, it now amounts to \$ 419 billion, about 15 times higher than the first estimate. Initially, only flights to China were expected to be interrupted, while the reality was quite different, with a global halt and capacity reductions of up to 95%.

Future of the Airline Industry

While there are now gradual signs that the worst could be over, the overall situation will still be somewhat dire. For 2021, IATA expects the airline industry to lose \$15.8 billion globally. The demand should pick up again, even if the economy will be weakened which will have a negative impact on the travel demand.

Meanwhile, the surviving airlines will be all significantly more indebted than before. De Juniac also said that severe travel restrictions - such as the mandatory quarantine introduced in Great Britain - would permanently damage the airlines as well as the entire travel ecosystem. All in all, the way back will be long and arduous for the industry.

The airspace is opening very slowly. The countries consider other regions as potential sources of health problems and customers are mostly discouraged from travelling. Moreover, the media continue to instil fear in customers of flying, or at least of being in a confined space. The future of the airline industry is therefore very complicated.

Some experts suggest that only a very small part of today's 1,000 airlines, largely supported by their respective governments, can survive. Air transport will take at least a decade to recover. **Air transport stakeholders with more positive views, however, suggest that the future of the**

airline industry greatly lies in the hands of the individual governments. They are the ones who decide about the opening of their borders and not imposing administrative constraints and additional taxes on the most wealth-creating sector of activity, which they are accustomed to. But transporters also have their share of responsibility. They will have to come to their senses. Leave entry-level customers to "low cost" carriers and stop the mad rush to call prices.

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