COVID-19

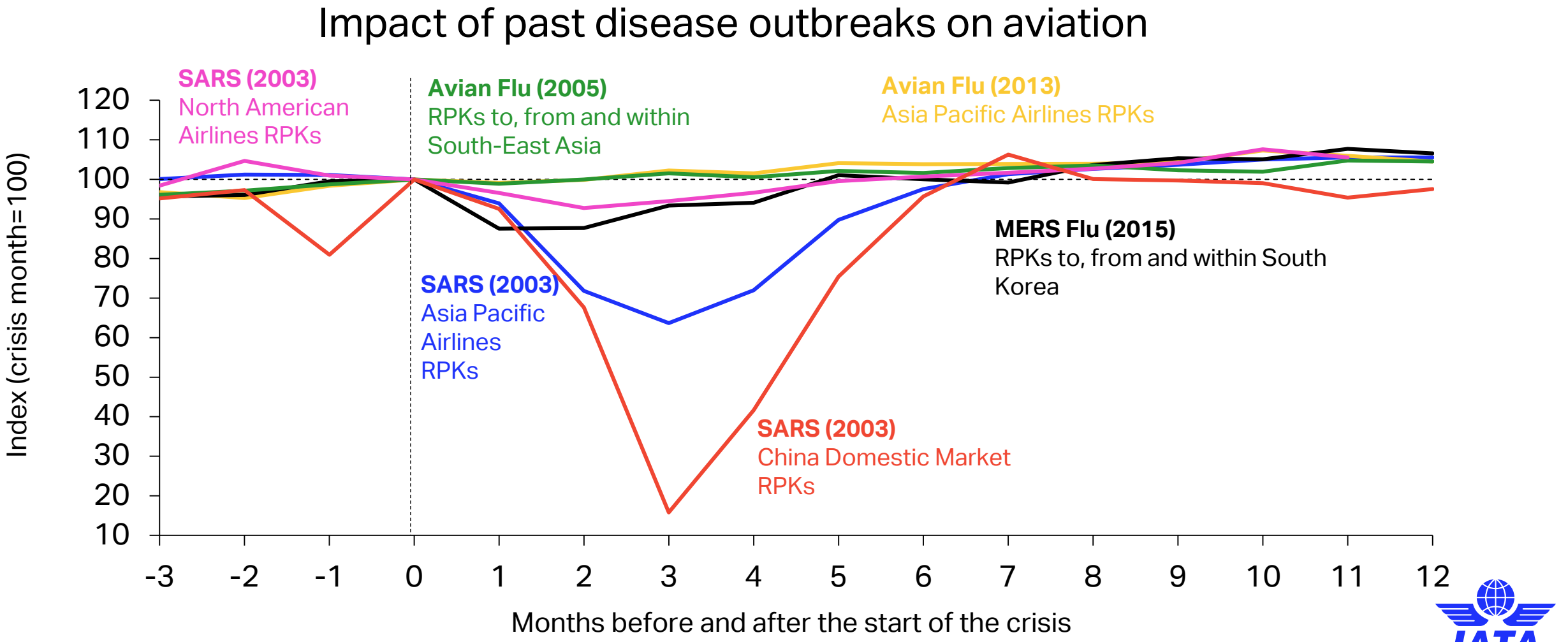
Initial impact* assessment of the novel Coronavirus

IATA Economics

20th February 2020

** This is a preliminary scenario. It is likely to change as the situation evolves and evidence builds.*

Previous disease outbreaks have peaked after 1-3 months and recovered pre-outbreak levels in 6-7 months



Source: IATA Economics using data from IATA Statistics

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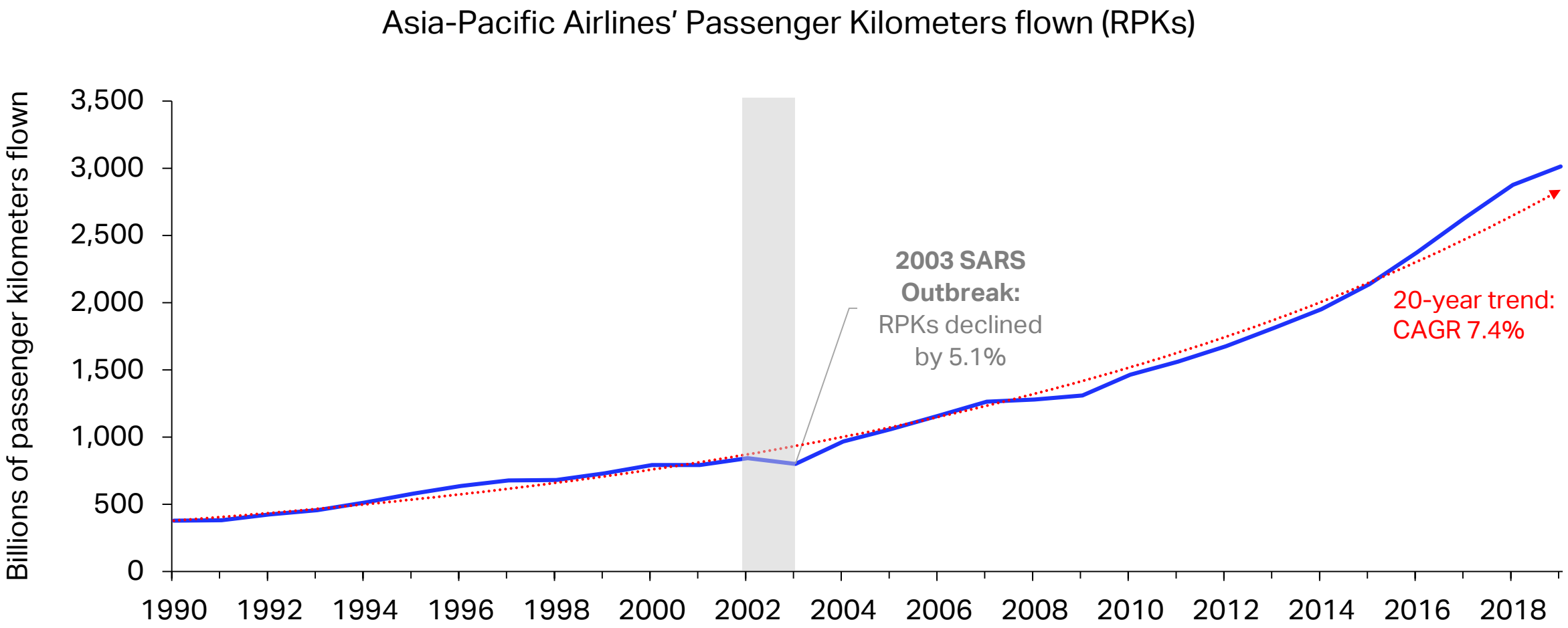
SARS caused the only annual decline in Asia-Pacific traffic in almost two decades



Source: IATA Economics using data from IATA Statistics

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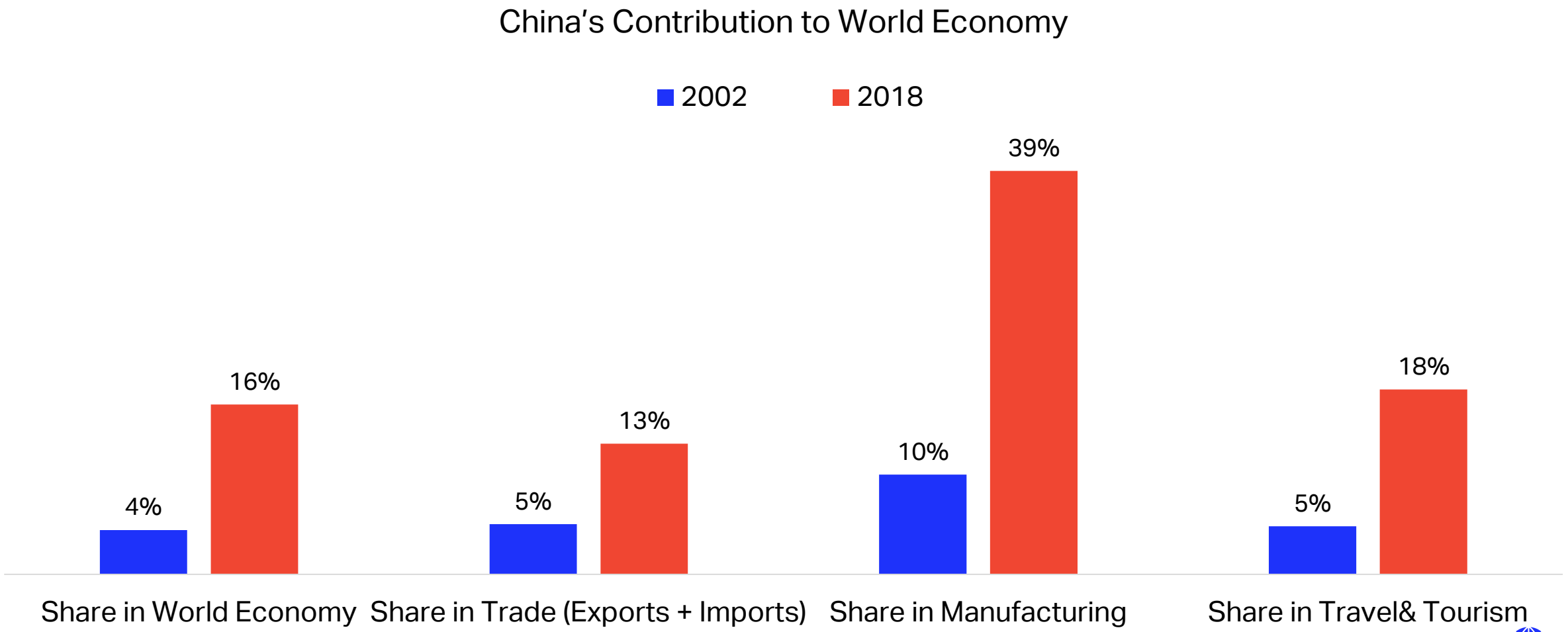
SARS experience may underestimate today's impact because China's economic size is now much greater



Source: IATA Economics using data from the IMF WEO, UN, WTTC

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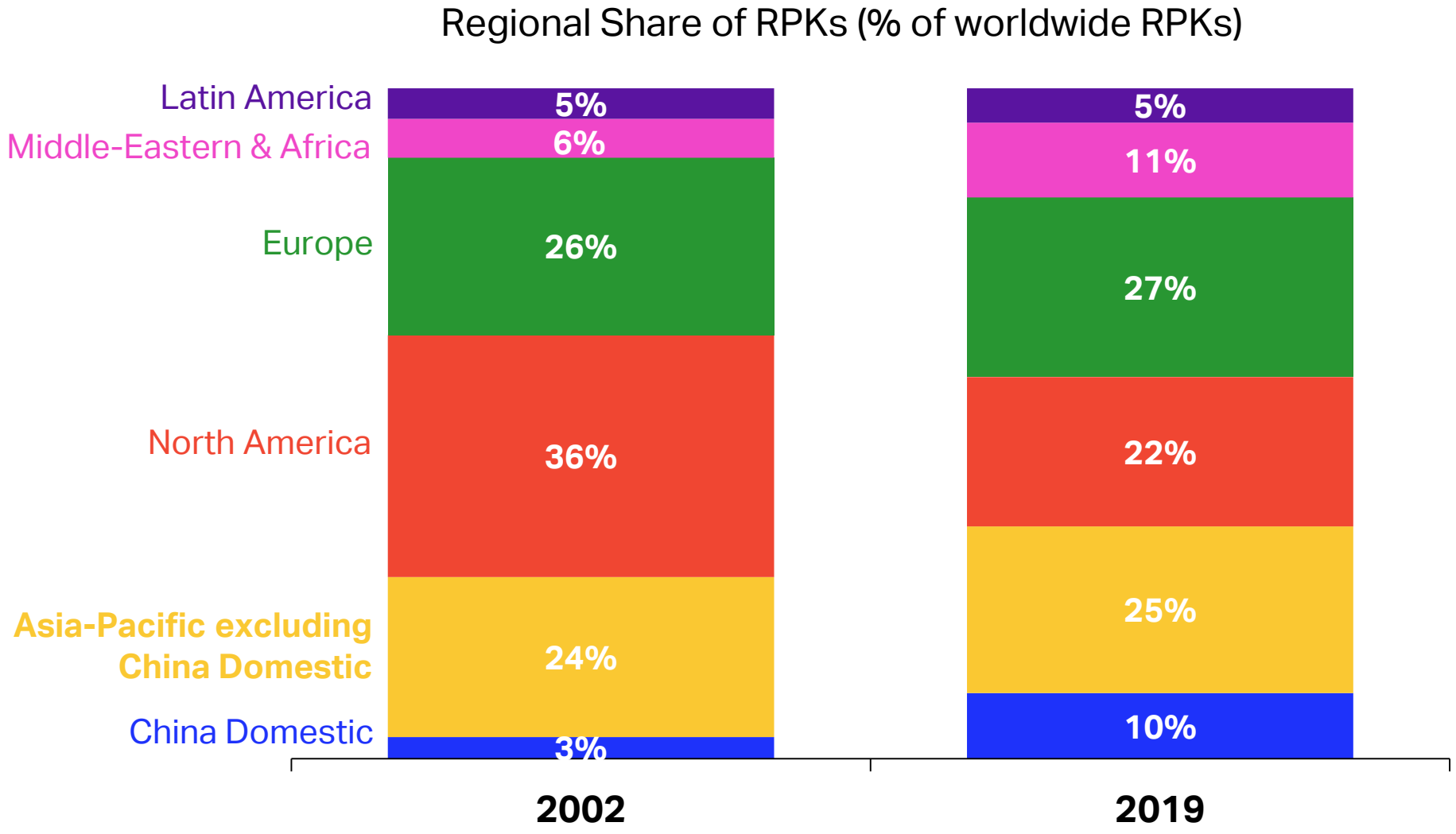
Since SARS China and other Asia Pacific airlines' share in worldwide RPKs have risen from 27% to 35%



Source: IATA Economics using data from IATA Statistics

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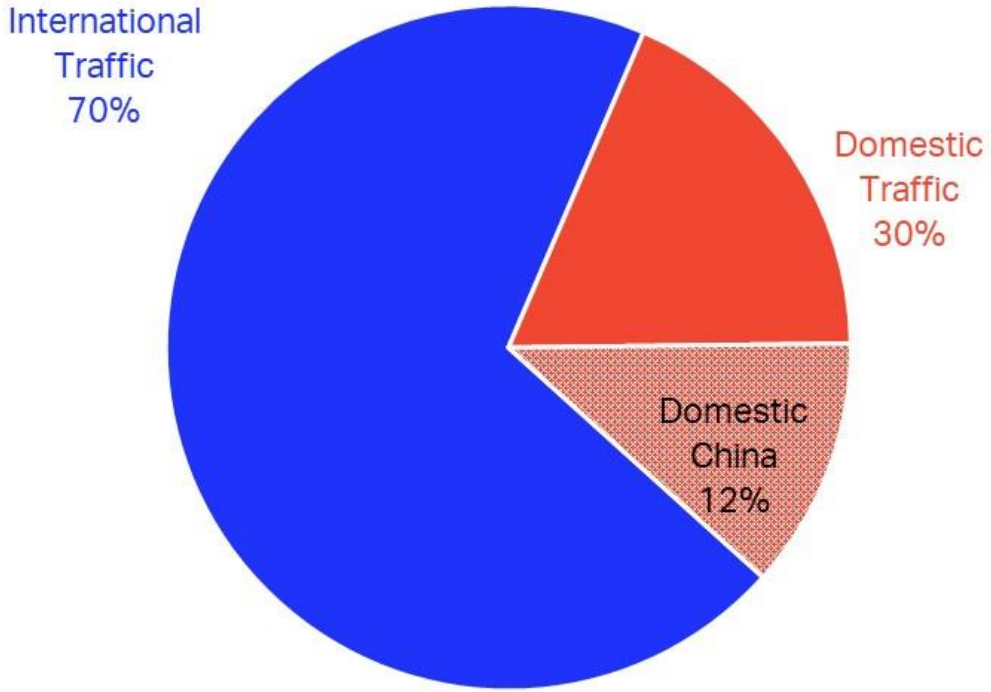
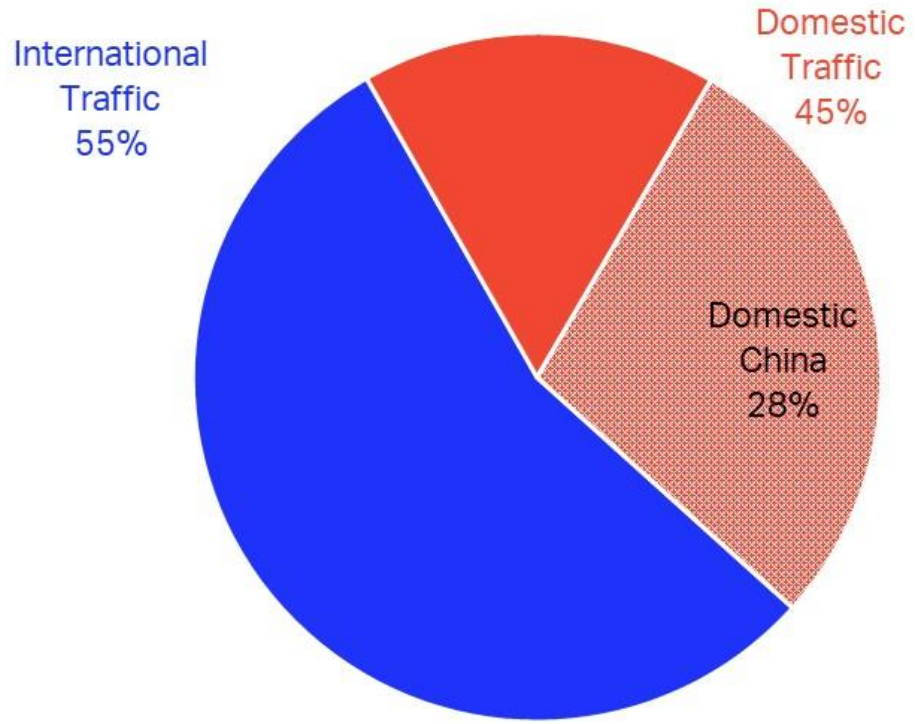
China's domestic market has become twice as important for total Asia Pacific airlines' RPKs

Asia-Pacific airlines RPKs
2002



Asia-Pacific airlines RPKs
2019



Source: IATA Economics using data from IATA Statistics

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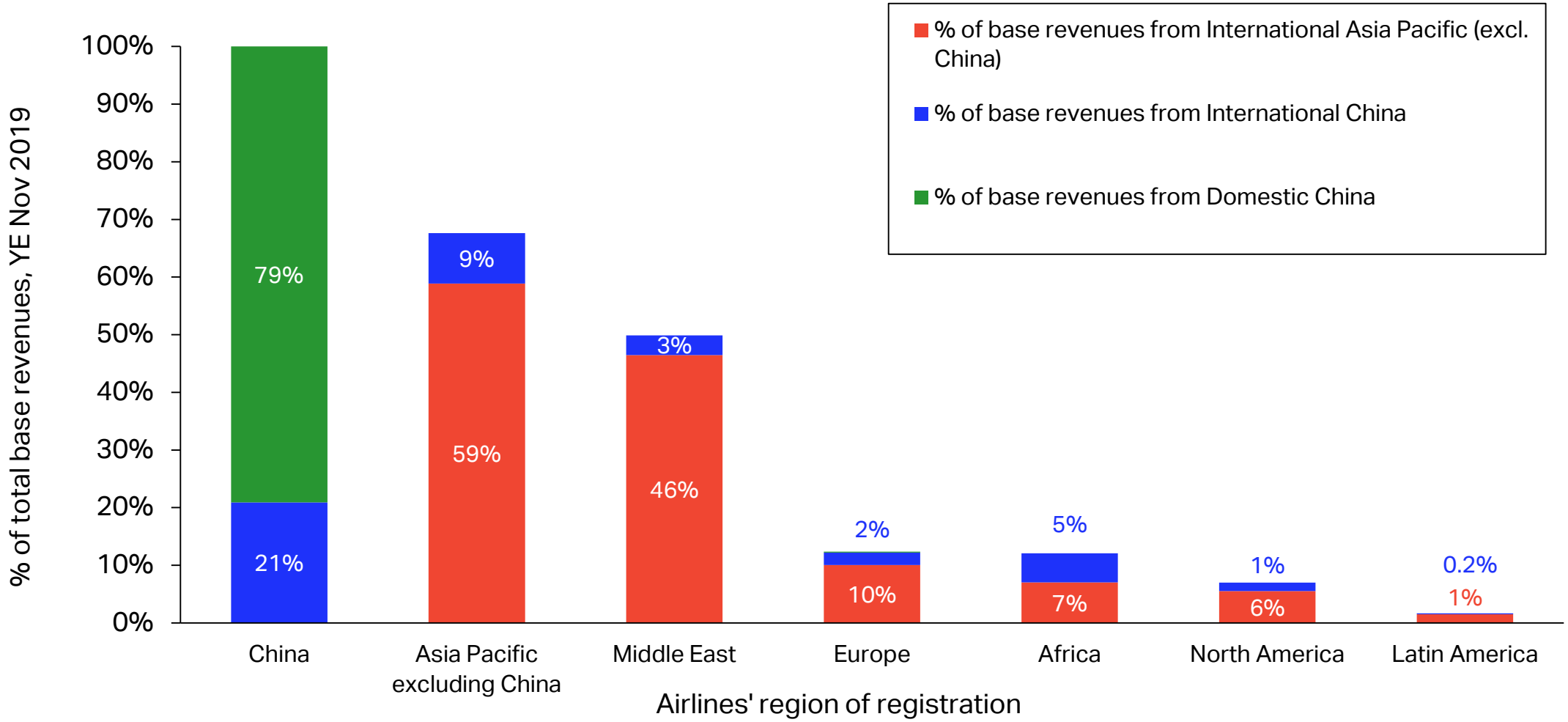
Asia-Pacific airlines are most exposed to Chinese markets, but others impacted if COVID-19 effects widen



Base revenues: excluding revenues from ancillaries, baggage fees, etc.

Source: IATA Economics using Jan-Nov 2019 data from DDS

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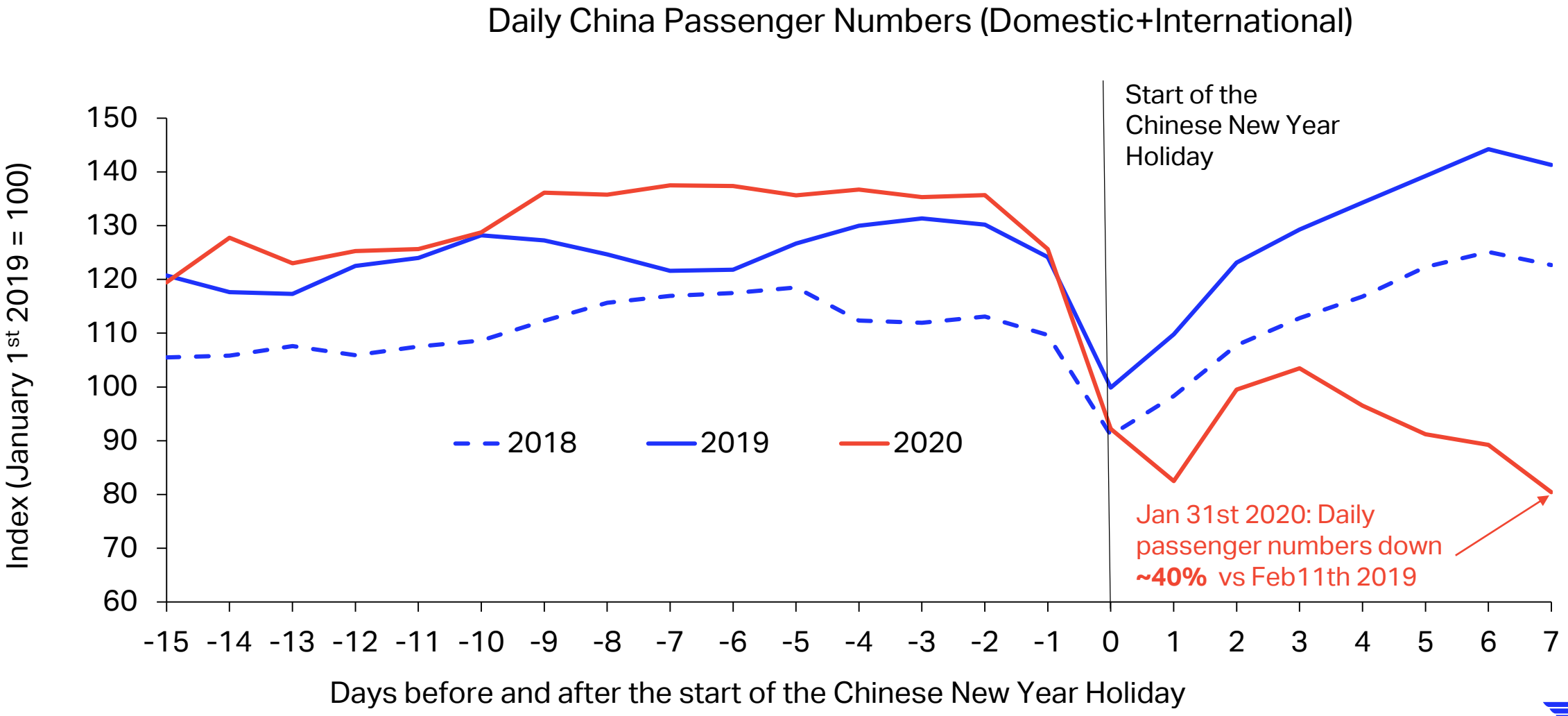
January data from China indicates a sharper decline than SARS outbreak in the first month after the outbreak



Source: IATA Economics using data from DDS

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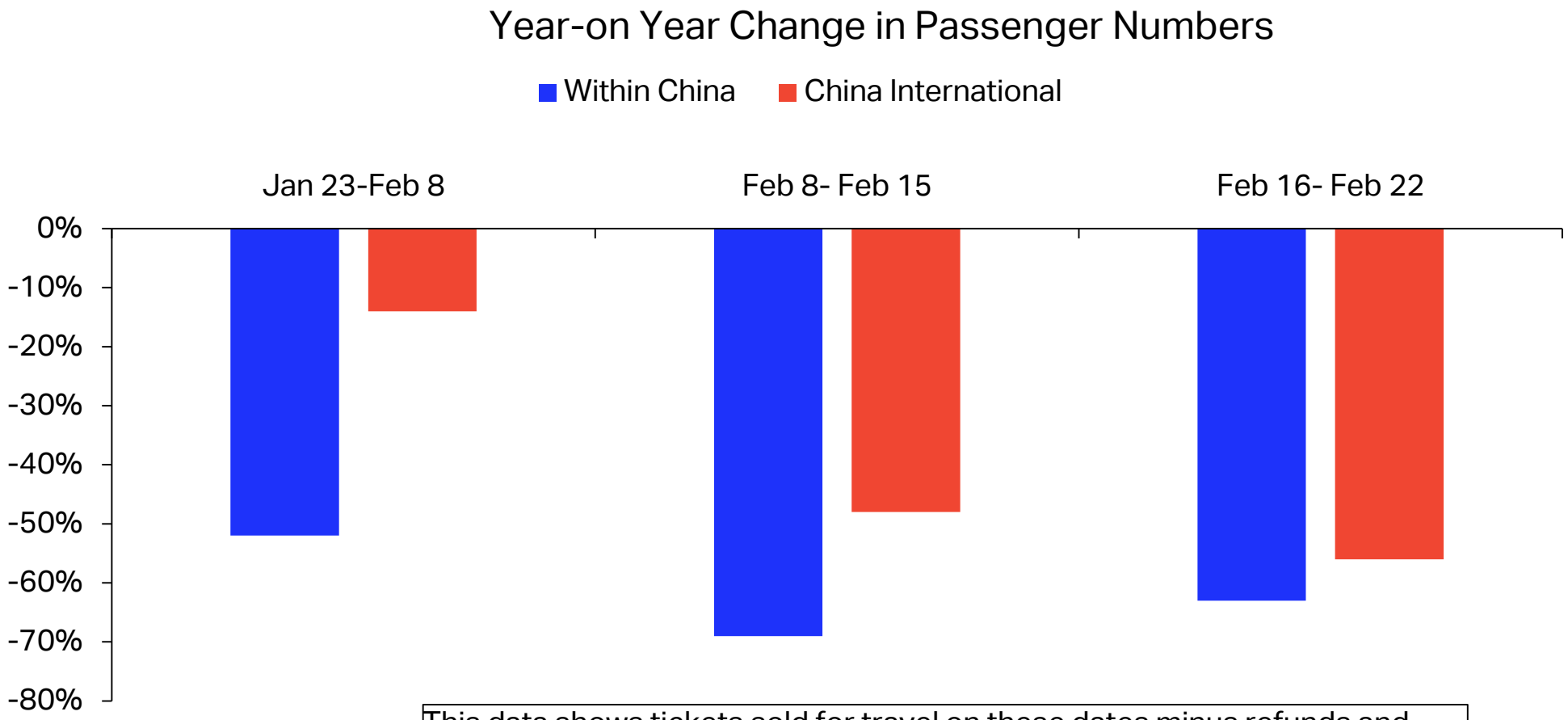
February data shows further decline with domestic + international China passenger numbers down around 60%



This data shows tickets sold for travel on these dates minus refunds and exchanges. It is for scheduled travel and so will not include charter services.

Source: IATA using data from DDS

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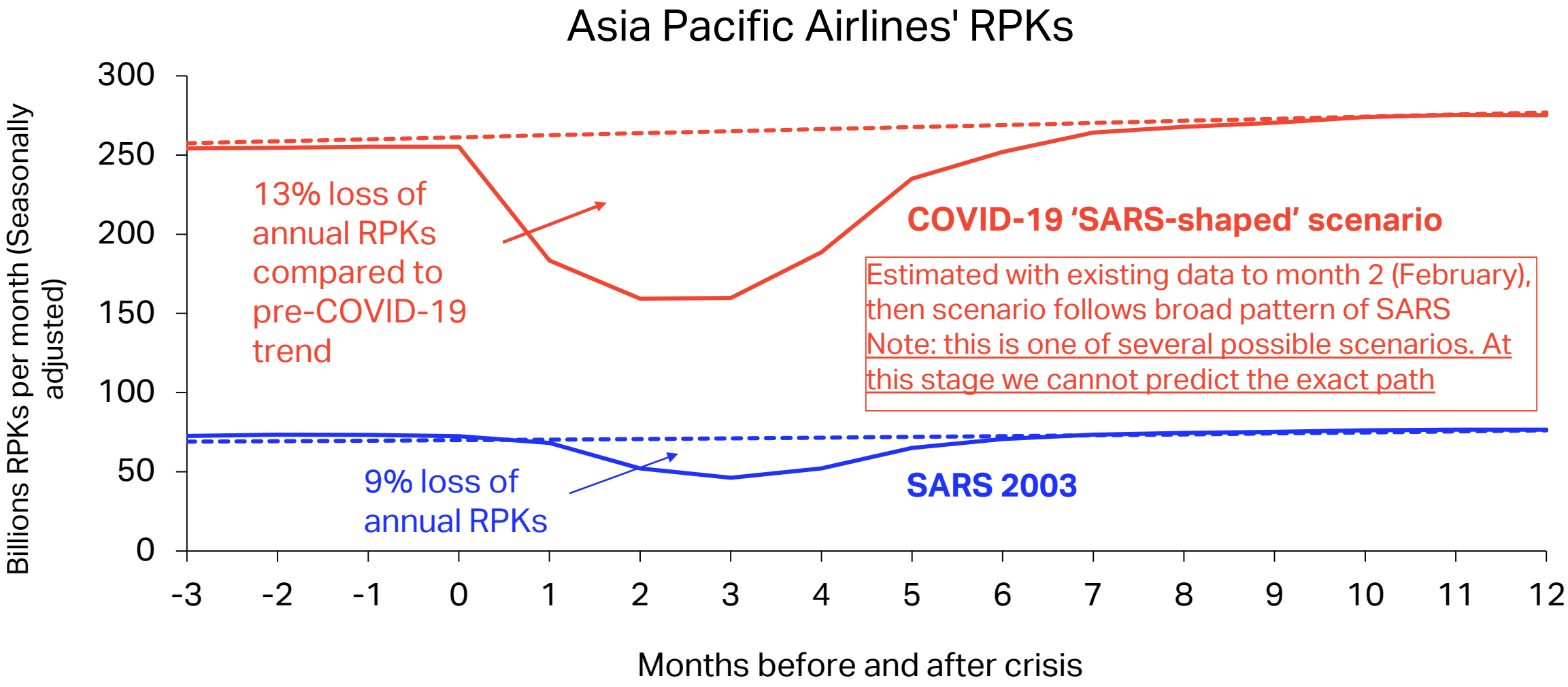
If COVID-19 impact has a SARS-shaped profile this implies a 13% loss of RPKs in 2020 for Asia-Pacific airlines



Source: IATA Economics using data from IATA Statistics

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COVID-19 'SARS-shaped' scenario implies a 4.7% loss to industry-wide RPKs in 2020 and a $29bn loss of passenger revenues

Region of airline registration	Estimated Impact on 2020 RPKs (% of December forecast for 2020)	Estimated Impact on 2020 Passenger revenue (billion US$)
Asia Pacific	-13.0%	-27.8
North America	-0.4%	-0.7
Europe	-0.4%	-0.6
Middle East	-0.2%	-0.1
Africa	-0.4%	-0.04
Latin America	-0.1%	-0.03
Industry	**-4.7%**	**-29.3**

US$ 12.8 bn comes from China domestic market.

Scenario notes: Regional impacts outside Asia Pacific Region are based only on the direct exposure to Chinese markets. No additional or second round weakness of Asia Pacific markets are included. SARS had wider impacts but so far COVID 19 has 99% of its cases in mainland China. Revenue impacts are estimated based on the 2020 RPK impact assuming no change in yields.

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2020 RPK forecasts before and after COVID-19 (assumes 'SARS-shaped' scenario and no other changes)

Region of airline registration	December 2019 forecast	COVID-19 'SARS-shaped' scenario impact	Implied COVID-19 'SARS-shaped' scenario
Asia Pacific	4.8%	-13.0%	-8.2%
North America	3.8%	-0.4%	3.4%
Europe	3.8%	-0.4%	3.4%
Middle East	2.5%	-0.2%	2.3%
Africa	3.8%	-0.4%	3.4%
Latin America	4.3%	-0.1%	4.2%
Industry	**4.1%**	**-4.7%**	**-0.6%**

Scenario notes: The December 2019 forecast can be found at Economic performance report. The final column is indicative, showing how the forecasts RPK growth numbers for 2020 could be reduced if this particular COVID-19 scenario came about. It takes no account of any other changes, such as lower fuel prices, policy actions or knock-on and second-round effects. The scenario impacts are subtracted from the December forecast for simplicity, though this is not exact.

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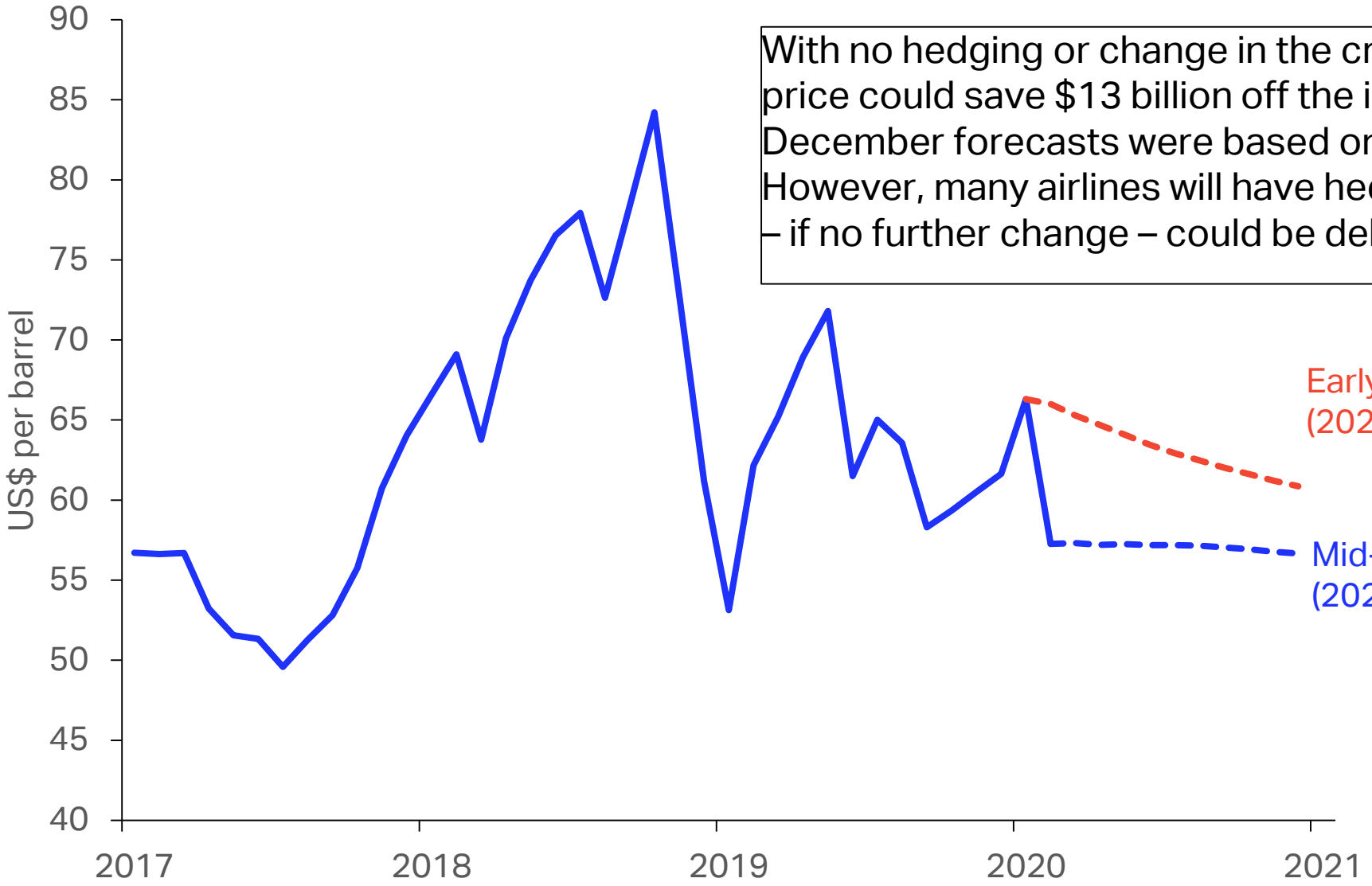
Lower fuel prices may provide some offset

Brent crude oil prices and futures curves,US$ per barrel



With no hedging or change in the crack spread, a 6 $/b lower fuel price could save $13 billion off the industry's 2020 fuel bill. Our December forecasts were based on an average 63 $/b oil price. However, many airlines will have hedged 2020 fuel so this benefit – if no further change – could be delayed for some.

Early-Jan futures curve (2020 average 63 $/b)

Mid-Feb futures curve (2020 average 57 $/b)

Source: IATA Economics using data from Refinitiv Datastream

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