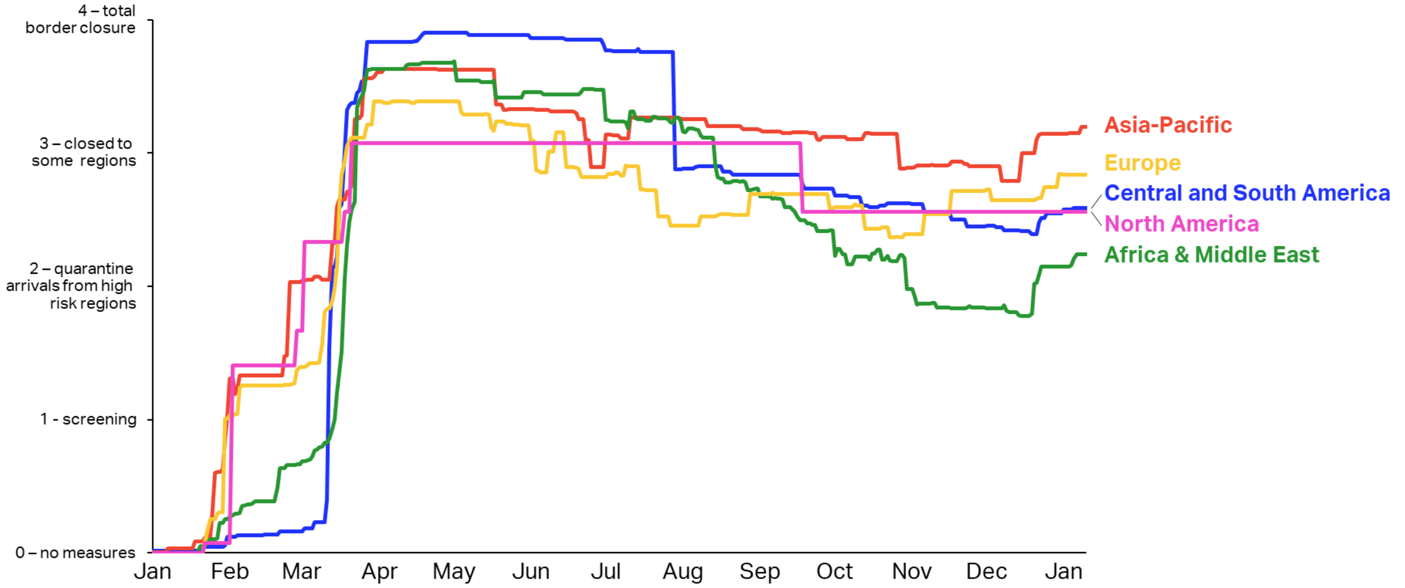
IATA Economics' Chart of the Week

29 January 2021

Travel restrictions rise amidst new COVID variants

International travel stringency index weighted by population (Jan 2020-Jan 2021)



Source: IATA Economics analysis based on Oxford University data

- In the last quarter of 2020, Latin American, African and Middle Eastern countries started loosening travel restrictions and allowed for international travel which resulted in the immediate pick up in passenger demand. However, optimism has been short-lived as the expected recovery in travel demand was affected by the spread of new variants of COVID-19.
- The new variants of COVID-19 were first reported in the UK, South Africa and Brazil in December 2020 and are confirmed to be more contagious. Since the first appearance of these new variants, countries around the globe have reported a higher rate of spread and responded by putting further restrictions on international travel. This is the case particularly in Europe, where the majority of the EU countries have closed their borders to South Africa and Brazil to contain the spread of the new variants.
- With such travel restrictions in place, we expect weaker demand in Q1 2021 for both international and domestic travel worldwide. The second half of 2021, and mainly the northern hemisphere summer period, will be critical for the recovery of passenger revenues when we expect airlines to get much of the bulk of this year's cash flow. Our forecast of cash burn ending by Q4 is entirely dependent on a second half travel recovery.
- With the COVID-19 vaccination programs being rolled out in many developed countries, we expect a steeper recovery of passenger demand to start in Q3 2021. However, for a swift recovery, effective international cooperation as well as the mutual recognition of vaccines between countries will be of key importance. Airlines will also need additional near-term support as it is clear that, as a result of the travel restrictions, cash burn will be more than expected in the next few months.

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