



## Travel Industry Update

January 4, 2021

### U.S. airlines' 2020 losses expected to top \$35 billion as pandemic threatens another difficult year

- U.S. carriers' 2020 net losses likely topped \$35 billion, according to analyst estimates provided by FactSet. That includes what's expected to be Southwest Airlines' first annual loss in more than four decades.
- The pandemic ended a decade of profits that the historically boom-and-bust industry enjoyed until 2020, a stretch during which they hired tens of thousands of workers, bought new planes and expanded their networks.
- Airline stocks in 2020 dropped the most in years. American Airlines' share price lost 45%, its biggest percentage decline since before the carrier's 2013 merger with US Airways. Delta Air Lines' stock lost 31%, while United Airlines fell 51% over the last 12 months, its biggest drop since 2008. Southwest shed 14%. The S&P 500, meanwhile, rose by more than 16% in 2020.
- Carriers recently won \$15 billion in additional payroll support in the latest coronavirus relief package that President Donald Trump signed Sunday. That requires airlines to keep employees on staff through March 31 and to call back more than 30,000 workers they furloughed when the terms of last package, which was \$25 billion, expired on Oct. 1.
- United Airlines executives said they expect it will be temporary. "The truth is, we just don't see anything in the data that shows a huge difference in bookings over the next few months," CEO Scott Kirby and President Brett Hart said in a Dec. 21 employee note. "That is why we expect the recall will be temporary."
- Most carriers won't see relief until the second half of 2021.

### 2020 was brutal for airlines. Next year could be even trickier.

- The pandemic-pummeled airlines are retooling for 2021, trying to keep industry jobs on life support while strategically streamlining and dangling rock-bottom rates in the hopes customers return.
- From Boeing to bailouts, the aviation industry had one of its worst years in 2020, a radical comedown after a run of profits right up to coronavirus lockdowns.
- "Airlines were operating at the pace of a record earnings year, through the third week of February — then went over a cliff, like Thelma and Louise, when the pandemic struck," Bob Mann, airline industry analyst with New York-based consulting firm R.W. Mann & Company, told NBC News in an email.
- While it is too early to tell what impact Christmas travel will have on coronavirus infection rates, experts fear an additional spike, as was recorded after Thanksgiving travel. Economic recovery for airlines and other in-person industries hinges on a health recovery, and trying to put the latter before the former ultimately risks both.
- "Air travel gives people hope," Helene Becker, airline analyst for Cowen, told NBC News, "but you can't travel if nothing is open."

- North American airline industry profits are forecast to be down nearly \$46 billion in 2020, according to estimates by IATA, an airline trade association. Assuming a national vaccine distribution by the second half of the year, profits for 2021 are predicted to be down by \$11 billion.
- “Consumers will face lower real travel costs, as airlines will continue to significantly discount ticket prices to stimulate demand,” IATA reported, based on surveys of airline chief financial officers.
- Airlines will have to embrace new technologies and retire older, less fuel efficient planes to stay afloat, and overhaul some of its longstanding business models, according to a report by consulting firm McKinsey and Co. The company predicts fewer hubs, longer layovers to pad out operations, more dynamic pricing, and using advanced analytics to adjust cruising speeds and gate assignments to make it easier for passengers to make tight connections.
- Airlines built up cash reserves at the start of the crisis, but those will be stretched going into 2021. The hope is that if they hunker down, get lean while being flexible to ramp up when demand returns, they can catch a ride on what is expected to be a surge in pent-up demand when safety re-emerges and widespread travel resumes.
- Analysts don’t think there will be meaningful further consolidation in the industry unless the vaccine doesn’t go according to plan.
- “If the pandemic persists, we will likely see bankruptcies” in the second half of 2021, Becker said.

### **Qantas To Resume Acceptance Of International Flight Bookings**

- Qantas has rung in the New Year with an upbeat note of confidence in the belief that COVID-19 vaccinations and pre-flight testing will help to restart international travel. Hinting at a return of overseas vacations, the Australian national flag carrier has said that international flights could resume in six months. Its reservations system is now open for international booking from July 2021.
- With advertising that it will take bookings for international flights from July 2021, Qantas is now accepting reservations for flights to flagship destinations like the United Kingdom and the United States. Both destinations were previously not expected to return until at least October.

### **Sunday, Jan. 3 will be busiest travel day in pandemic, TSA projected**

- More than 14 million people passed through their checkpoints since Friday, Dec. 18, according to data collected by ABC News. That number is less than how many people traveled during the same time period last year - more than 33 million.
- On Saturday alone, the TSA screened 1,192,881 people.
- On New Year's Day, TSA officers screened 805,990 people at security checkpoints, compared to 2,311,732 on Jan. 1, 2020.
- According to TSA, Sunday, Jan. 3 could be the busiest day for air travel since the pandemic started.