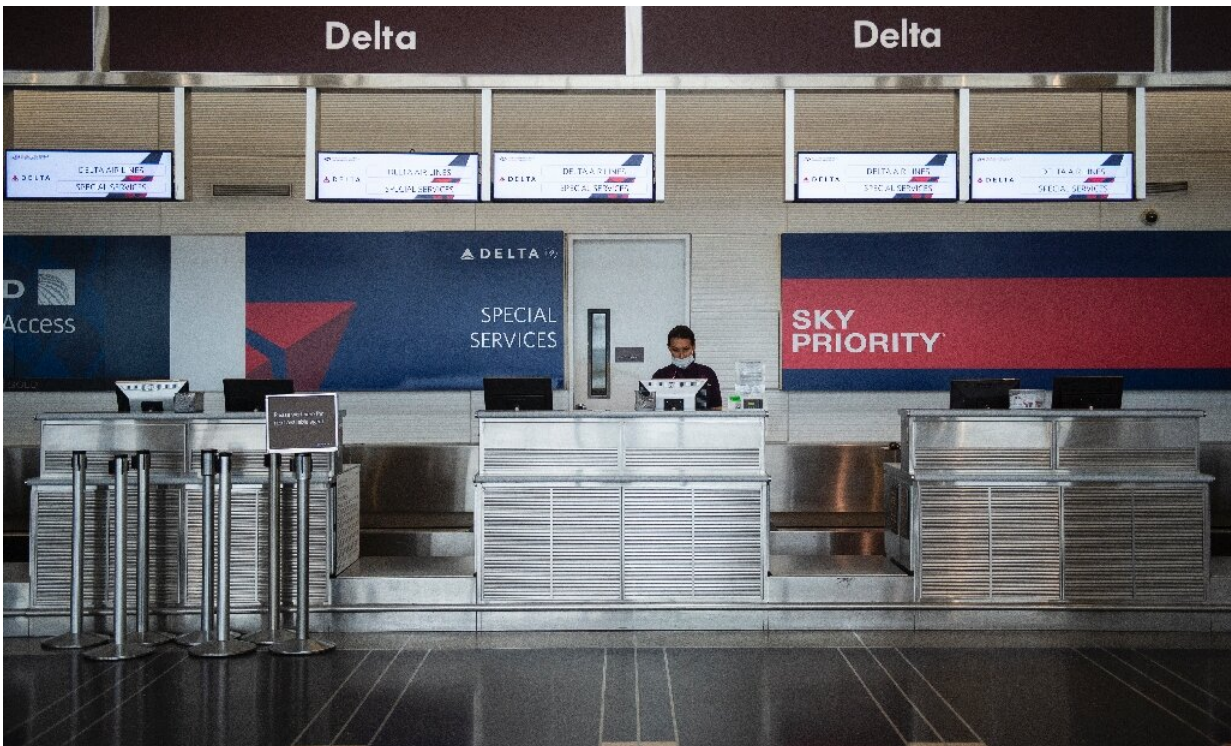


US airlines eye slow, gradual comeback after 2020 battering

January 28 2021, by John Biers



The four largest US airlines lost more than \$31 billion in 2020 following the devastating hit of Covid-19

US airlines expect a better year in 2021 after last year's disastrous showing, but the comeback will be gradual and include more pain in the short-run.

On Thursday, Southwest Airlines pointed to "stalled" demand in January and February, while American Airlines described a continuation in early 2021 of the same anemic booking trends that pummelled the industry in 2020.

In total, the biggest four US carriers suffered losses of \$31.5 billion as COVID-19 restrictions devastated travel.

The arrival of coronavirus vaccines has allowed the industry to begin to contemplate the contours of a post-COVID market. But the expectation is that a full recovery could take another two years and that leisure travel will return before business, and domestic will outpace international.

"Our fourth-quarter financial results close out the most challenging year in our company's history," said American Airlines Chief Executive Doug Parker.

"While we don't know exactly when passenger demand will return, as [vaccine](#) distribution takes hold and travel restrictions are lifted, we will be ready."

American reported an \$8.9 billion loss in 2020, compared with profits of \$1.7 billion in 2019, as revenues plunged 62 percent to \$17.4 billion.

Like its peers, American has trimmed its capital budget, retired older aircraft, deferred delivery of new planes and reduced headcount through early retirement. It has also taken on billions of dollars of debt to ride out the downturn.

Carriers have pointed to gradual progress in lowering their cash burn rates as they contend with revenues that are only about one-third of last year's.

Delta said earlier this month it expects a sustained recovery to start in the second half of the 2021, sketching out three phases of the year.

After continued "demand choppiness" early in the year, the market will shift once vaccines become more widespread and travel restrictions are eased. A third phase of 2021 will see worldwide vaccines and offices begin to reopen, said Delta President Glen Hauenstein.

Critical mass on vaccines

However, Delta does not expect a full recovery in business travel until after this year. A survey of clients showed 40 percent of corporate customers see a return to 2019 levels by 2022 and another 11 percent see a full return by 2023, executives said.

United Airlines described 2021 as a "transition year" towards a comeback but that it expects to exceed its pre-coronavirus profit margins only in 2023.

United Chief Executive Scott Kirby said a key turning point will be once the US reaches critical mass on vaccinations, which should lead to a dramatic rise in demand once widespread vaccines means "you're not only immune from catching COVID, you are no longer a transmission vector for COVID."

A full recovery will be when restaurants are back at 100 percent and not at 25 percent, and people are able to go to Disneyland or Broadway shows, Kirby said.

"Those are demand generators for aviation," said Kirby, adding there is "huge huge pent-up demand."

But between now and then, the industry still faces another period of

choppy, mostly weak demand.

American Airlines described sales for the upcoming spring break period as a "[question mark](#)" in light of coronavirus trends.

That uncertain outlook raises tough questions for the industry over staffing after airlines received \$15 billion in payroll support funds from Congress that requires them to keep employees on staff through the end of March.

American Chief Executive Doug Parker said he is already held talks with American's unions. In the past, some carriers have hashed out deals with labor where involuntary layoffs are averted if workers agree to reduce hours.

"We are definitely going to need to address this unless demand starts to pick up," Parker said.

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Citation: US airlines eye slow, gradual comeback after 2020 battering (2021, January 28)
retrieved 26 April 2024 from
<https://techxplore.com/news/2021-01-airlines-eye-gradual-comeback-battering.html>

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