COVID-19 AIR TRANSPORTATION STRAINS

Fysyna K.A
National Aviation University, Kyiv
Scientific advisor: Vysotska I.I.,PhD , Associate Professor,

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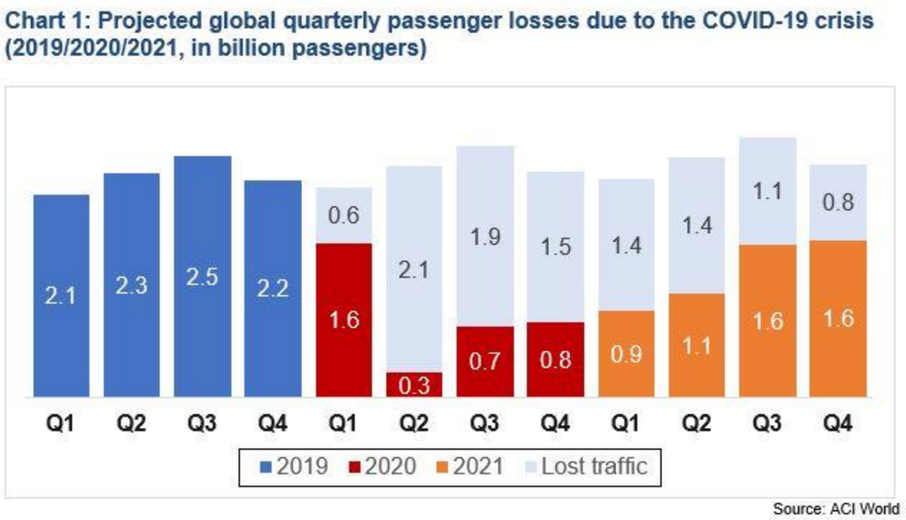
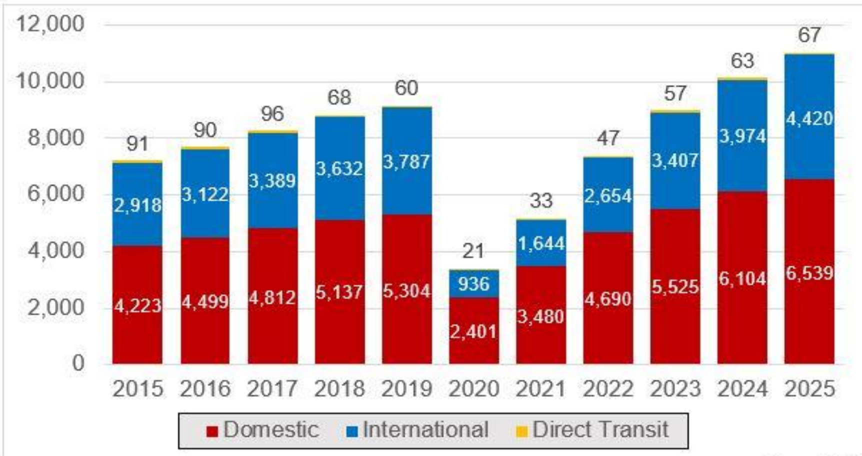
Around 58% of tourists arrive at their destination by air and the stop in air traffic has created a massive negative effect on that industry as well. Over $630 billion in reduced GDP benefits from air travel-related tourism will be matched with 26.4 million jobs lost. But tourism in a wider sense is also very hard-hit, with analysis suggesting the pandemic could translate into a drop of 850 million to 1.1 billion international tourists and a loss of $910 billion to $1.2 trillion in export revenues from tourism, putting 100 to 120 million direct tourism jobs at risk.

The change in the behaviour of passengers following the COVID-19 crisis, travel restrictions and the ensuing economic crisis have resulted in a dramatic drop in demand or airline services. According to IATA, passenger air transport measured as revenue passenger kilometre was down 90% year-on-year in April 2020 and still down 75% in August. The collapse in economic activity and trade affected freight, which was almost 30% lower year-on-year in April and still about 12% lower in August.



When it comes to the response to the COVID-19 crisis, most of the sector- or firm-specific measures thus far have targeted air transport. As of August 2020, governments have provided about USD 160 billion of support to airlines (Figure 3). Almost two-thirds of that support consists of direct aid (subsidies, loans, equity, cash injection), while one quarter takes the form of wage subsidies.

Chart 2: Global passenger traffic by type (in million passengers)



Source: ACI World

As the crisis lingers, governments may resort more to equity injections. Even if airline companies did not appear to enter the crisis with higher leverage than firms in other sectors, their debt level could increase by as much as 28% in 2020, according to IATA. Absent any equity injection, this would significantly affect their capacity to finance new investments and, for some firms, affect their solvency.

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