

Indonesia Investments

‘Commercial Aviation Crisis’

- Dozens of Airlines Ceased Operations around the world in 2020 due to the COVID-19 Crisis
- Airlines Post Massive Losses over 2020 amid The COVID-19 Pandemic
- Indonesia Saw Huge Drop in International Air Passengers in 2020, but Domestic Air Travel and Cargo Services Threw a Financial Lifeline
- What Are the Incentives Offered by the Indonesian Government to Domestic Airlines?
- The Commercial Aviation Crises to End in 2021?

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Van Der Schaar Investments B.V.
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Preface

In addition to our reports, Indonesia Investments sends updates on key economic, political or social developments to our subscribers to make sure that our subscribers do not miss out on vital information. Topics in these updates will often be discussed in more detail (and in an updated form) in forthcoming monthly reports.

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Latest Data Show that the COVID-19 Crisis Caused the Worst Crisis in Commercial Aviation History

As we have mentioned on various occasions in our updates and reports before, the year 2020 was a very tough one for airlines. The social and business restrictions that governments imposed across the world in an effort to curb the spread of the COVID-19 virus took a huge toll on demand for passenger air transportation (in particular tourism-related air travel which typically contributes most to the total number of air passengers). In fact, it has turned into the worst crisis in commercial aviation history.

According to US business and financial information provider S&P Global, the airline industry is the hardest hit industry in this COVID-19 crisis, outpacing the decline of sales in other badly-affected industries (such as restaurants, resorts, theme parks, and other leisure facilities). Air passenger bookings reportedly plunged between 71 and 96 percent, globally, in the months after COVID-19 arrived on the scene.



The decline in global air passengers is caused by the following developments:

- In some countries, governments (temporarily) closed their borders (sometimes they only closed borders for arrivals from specific countries), thereby making it impossible to opt for an international flight (either entering or exiting the country).
- The COVID-19 crisis also caused the collapse of business, investment and trade, hence the need for business, investment or trade-related air travel collapsed accordingly.
- As we have seen in Indonesia, the COVID-19 crisis has caused a significant increase in unemployment and poverty because many companies, industries, and entrepreneurs experienced a significant setback in their financial conditions. With declining purchasing power, demand for air travel (which tends to be more expensive than travel by sea or land) declines.
- And then there is the element of fear. We assume that there are many people who are currently simply too afraid to travel (for whatever purpose) as the global mainstream media are focusing on the growing COVID-19 death toll (while rarely mentioning that COVID-19 is harmless for an estimated 98 percent of mankind). This makes it quite understandable that many people

become too afraid to fly because they are concerned about contracting the COVID-19 virus (either at the airport, during the flight, or at the destination).

- Lastly, people could be unwilling to undergo or comply with new rules and requirements when taking a flight, such as the COVID-19 test prior to the journey (as airlines need a negative COVID-19 test result) or the wearing of facemasks during the flight. Especially those who feel governments have been overreacting to the COVID-19 virus may not want to comply with new protocols.

[...]

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