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Fitch Revises US Air Traffic Assumptions Upward For Airlines and Airports.

Fitch Ratings-Austin/New York/Chicago-12 July 2021: We are revising upward our forward-looking US air traffic assumptions due to the strong rebound in domestic air travel driven by increased US vaccinations and a surge in US leisure air traffic since March 2020, Fitch Ratings says. Travel volumes are expected to see additional growth in 2H21 and beyond, as business and international travel climbs from pandemic lows.

Risks remain for the industry, primarily uncertainties around the pace and timing of air traffic recovery, the potential impact of virus variants, and lagging business and international travel. However, the financial risk to airports that are on Negative Outlook has considerably diminished due to improving passenger volumes, effective management oversight of budgets and the three rounds of federal aid that appear to be sufficient to cover revenue losses. Growing revenues will help cover costs and restore metrics to levels consistent with current rating levels. Several airports were revised to Stable Outlook during 1H21, and more airports could be positioned for a restoration of a Stable Outlook due to the new traffic assumptions.

In contrast, most US airlines continue to have Negative Outlooks, reflecting the relatively greater impact that the pandemic had on airline balance sheets compared with airports. While most airlines have Negative Outlooks, there have been a few stabilizations, and we believe that domestic- and leisure-focused carriers are poised to benefit from stronger US domestic traffic in 2H21. Additional ratings stabilization for the airlines will depend on their ability to sustainably return to positive cash flow and address pandemic-related debt balances.

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