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Fitch: Revenue Pressures Persist for North American Airports & Airlines

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Fitch Ratings-New York-22 September 2020: The prolonged recovery period in both the U.S. and Canada will intensify revenue and cost pressures on North American airports and airlines, according to Fitch Ratings in a new report.

The coronavirus pandemic continues to grip the aviation sector and the global economy. Passenger traffic, which fell by 95% during the first two months of the pandemic, has only recovered to roughly a 65%-75% reduction level compared with the same period in the prior year. Fitch projects traffic volumes will remain 75% lower this quarter and remain 60% lower for the fourth quarter. Further, government actions, airline financial health and broader economic factors muddy the prospects for recovery in 2021 and beyond.

‘A new normal in air travel has materialized and will persist over the next several years, exacerbated in part by general decline in demand coupled with risks to continued use of imposed travel restrictions at national and state levels,’ said Fitch Senior Director Seth Lehman. ‘Domestic and leisure-oriented travel are best positioned to demonstrate earlier recovery while international and business-related travel will likely take far longer.’

‘For the airlines, the prolonged recovery will at least push a return to more normalized credit metrics beyond 2021, and in some cases will have negative rating impacts, though near-term risks have been mitigated by large amounts of new liquidity that have been raised to date,’ said Joe Rohlena a Senior Director in Fitch’s corporates group.

Airport revenues have become increasingly dependent on revenue streams generated from terminal concessions, parking and rental car activities, which have allowed airport costs to remain in check. Also helping to stem the coronavirus tide has been the efforts of North American airlines in raising capital since the onset of the pandemic. This has kept rating actions fairly limited to date, with most adjustments at one to two notch downgrades, Negative Outlook revisions or placement of Rating Watches. That said, risks for both airports and airlines will continue to elevate as adverse conditions linger. Absent government financial infusions, key metrics will weaken over a sustained period of time.

‘North American Aviation Update: Airports and Airlines’ is available at www.fitchratings.com.

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