

NEWSLETTER

3RD ISSUE | JUL – SEP 2020 | IBA ALUMNI UAE CHAPTER

WELCOME NOTE

Greeting IBAians,

Year 2020 has been quite tough and challenging for many of us, however it is good to see that the worst is over now. The Covid graph is flattening gradually and the economic activity has commenced with full swing. We are hoping things will be back to the pre-covid times very soon both socially and economically.

Amidst of all these challenging times, we had some very encouraging news about our alma matter. Muhammad Tahir, MBA class of 1994, has been conferred with Tamgha-e-Shujaat for his courageous and fearless services to the Police Department. We are all proud to be part of an institution that has produced gems like Mr. Tahir. A big congratulations from our entire team. Another positive news all over the media was that IBA Alumni across the globe came together and generously collected huge sums for the Student Scholarship Endowment Fund. Our alumni truly showed what it means to give back to society even during the toughest times. Many batches became part of this cause and contributed to make a difference in someone's life. One such narrative of Class of 1995 has been added to this quarter's newsletter detailing their journey towards this noble cause.

IBA and its values are deeply embedded into each one of us and have become part of us over time. Portraying the same in his article, Saad Usmani, a graduate of 1995, has beautifully recollected his memories at IBA and how IBA as an institution has been a life-changing experience for him. He is an entrepreneur and recently launched his own digital gifting platform. He owes his success to the rigorous training and discipline at IBA that enabled him to handle the dynamics and complexities of international work place.

UAE is a land of rich history with landmarks and monuments. In this newsletter Khadija Abubakar has featured some archeological sites located in Ras Al Khaimah.

This will be a good read to know more about the history and culture of the place where we live in.

A few of our Senior alumni working in various fields in UAE have contributed their golden words for our fresh graduates and new entrant in the job market. I would like to thank each one of them for taking out time to pen down these valuable words of wisdom. The quotes would definitely be enlightening and motivational for the potential newcomers.

We have also included an analysis on the Airline Industry, its major players and how the future aviation industry would look like after the pandemic. The article highlights the successful strategies and continuity plans adopted by major airlines worldwide. The numbers predict an upward trend in passenger traffic in future which will improve the bottom line of the industry players.

Faisal Ghani of 2003 has been gracious enough to share his digital master piece with us.

Lastly, we would like to give a warm welcome to Javeria Mustaqeem, BBA graduate of 2015, as our new member of the Publications Committee UAE Chapter. She has contributed a write-up to this quarter's issue highlighting how work places and offices would look like after the pandemic. You will be witnessing more of her work and reports in the upcoming newsletters. Welcome Javeria to our family of UAE Alumni Chapter.

I am always keen to hear any suggestions and feedback regarding our newsletter. Please feel free to contact us.

Stay safe and stay blessed.

Kind Regards,
Ms. Andaleeb Shahid
Head of Publication Committee

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WHAT DID IBA GIVE ME...

By Mr. Saad Usmani

Class of 1995

Co-Founder/CEO, Giftkarte Technologies, Pakistan

Have you ever been in a relationship where you just give & give & give and yet expect nothing in return? I think IBA – my alma mater – would give a resounding yes to this question if it could talk. The historic 'Institute of Business Administration' has given so much to generations of corporate leaders, senior executives, bankers, entrepreneurs & to the broader Pakistani society – that it's literally impossible to do justice to that in a brief article. Here, however, I'd try to share few memories, few experiences as a tribute to the institution that played a significant part in making me who I am today.

Not all students who get the privilege of getting admitted into IBA are beaming with confidence & belief in themselves. Some are like me – a bit shaky in self-confidence, unsure of our place in the world, undecided on what path to choose and even uncertain of what we truly want.

In that backdrop, as I started my journey in IBA (after a gruelling admission process), I expected & hoped for a bit of settle-down period – a gradual progression into adulthood, but boom - that's what IBA doesn't give you. Right from day 1 – I felt as if I've been thrown in the deep end, without the proverbial life-vest. With an unending barrage of assignments, deadlines, presentations, hourlies, surprise tests and constant expectation of active class participation, I quickly realized that IBA truly believes in the 'tough-love works' mantra. That toughness I felt every second of the day in the

campus & beyond. I became obsessed & fixated on the single pursuit of passing through that day or that week or that term & preparing for the next. There was no world outside the bubble that somehow got built around me, without me even realizing. Everything & every moment had to be focussed on productive utilization of time, be it academic or be it societies & clubs that I somehow found myself associated with. My friends, cousins, relatives somehow didn't exist for me anymore. The movie-watching habit went out of the window – there was never any time. My parents didn't know what's gotten into my head as my routine became erratic – had meals at odd hours, slept at even odder ones and seemed to have lost interest in anything other than IBA. Our then Dean - Dr. Wahab often used to say, 'Excellence is Painful' and boy, painful it was, at least initially.

After initial shock & awe, however, I got used to the rhythm of IBA life, lectures became less intimidating, hourlies turned into a routine affair, presentations less daunting and deadlines manageable. Got used to sleeping less & pretty soon realized that not only am getting through this alright but I am actually enjoying the ride.

No sooner that had reached this level of comfort that another curve ball was thrown at my way. Our economics professor – Mr. Inayat Din somehow chose me to be part of the debating team representing the batch. My new found self-confidence had

reached a level that I thought I could just go there and talk extempore with few points jotted down on a scratch pad. Well, when the time came, I soon realized that discussing an academic topic in front of 30 odd peers is one while making a strong forceful speech in front of auditorium full of few hundreds of students, faculty and guests, is a completely different ballgame. I dutifully choked, every argument I tried to give, that made perfect sense in my head, somehow lost its punch when delivered. Every statement somehow seemed flawed and unnecessary. The piercing eyes of the faculty at the front row, didn't make it any easier either. I did manage to salvage my dignity in the end though and managed to complete the speech relatively strongly – but the damage was done and our team lost. The loss, however, did wonders for me. I learnt two valuable life lessons. Firstly, never go unprepared in a new situation and secondly, public speaking – well it isn't as hard as I'd thought. Since then, I've never looked back and spoke on many conferences in front of thousands with ease & comfort on matters as boring as financial derivatives – or as exciting as joys of entrepreneurship.

What followed IBA was 20 odd years of banking in the middle east with some of the top international names. It was the training & discipline that I got at IBA that equipped me, right from the onset, to handle the dynamism, complexity & stress of working with diverse multi-lingual colleagues,

clients & other counterparties from all over the world & do so successfully. Be it enjoying the pre-2008 bull run in financial markets, the joys (& pains) of endless travels, the adrenaline rush of closing trades, meeting & entertaining with clients and colleagues or be it the subsequent subdued measured business development of the previous decade – IBA's training was enough to take me through.

It was IBA that somehow had inculcated the desire to be an

entrepreneur at some stage in my life. After 20+ years in banking, I embarked on a new journey, driven mainly by two things: firstly, to be an entrepreneur but not just any business – but to do something different, something new for Pakistan – solve a problem somehow and secondly, to reconnect with the motherland.

In this spirit & partnering with another IBA Alumni, I launched a digital gifting platform www.gifkarte.com in Pakistan in

April this year– the first online mall for eGift Cards in Pakistan. Our portal / mobile app not only solves gifting problems for Pakistanis residing in Pakistan – but provides a convenient user-friendly solution to over 10mio+ overseas Pakistani community as well. We are hoping that our new way of digital gifting would strengthen relationships & solidify bonds between loved ones, regardless of how far apart they are geographically, and thus spread happiness in our community.



WORDS OF WISDOM BY UAE ALUMNI

Contributed by Ms. Andaleeb Shahid

The focus of getting the education should be to create difference by being creative and exploring innovative ideas.

The passion should be to achieve excellence by hard work, dedication and commitment. Failures in life are part of the broader learning curve which will bring reward in future.

*Mir Ahmed Sultan
Vice President*

*At a leading International Bank, UAE
MBA Class of 2003*

To all graduates out there, never shy away from looking around for new careers arising out of the innovations in technology and the proliferation of the online industry. Whilst your peers, classmates, and seniors might be vying for a spot with a 'safe' career choice, unconventional careers with start-ups and newer services will provide the most learning and development.

*Fahad Ali
Founder & Director of Digital & Media - Broomstick
Creative, UAE
BBA/MBA Class of 2003*

Life is all about continuous improvement and striving for betterment. Never lose hope, stay focused and don't get bogged down by negativity. The day you learn to control your reactions is the day you have succeeded.

*Asad Hasan, CFA
Senior Credit Officer
International, United Bank Ltd, UAE
BBA/MBA Class of 2003*

I know these are very challenging times with some of you just entering the job market and some of you just in initial phases of your careers. With all the negative and gloom news floating around, I strongly advise to stay positive. Hard work coupled with learning attitude is always welcomed by all companies. You have graduated from an institution which prepares for the toughest times. So, go on and leverage on your strengths, take calculated decisions but never put self-limitations. Find yourself a good mentor who listens to your concerns and is able to give you good advice. Use your digital social circle to help you in your endeavor and think positive.

Best way to handle this uncertainty is to deal with every day as it comes, stay focused on where you are and what you are doing. Cherish small happy times, stay strong and stay safe, this shall pass too and 'Humanity' will come out winning.

*Arjumand Rizwan
Expert Strategic Planning, UAE
MBA Class of 2001*

During student life at IBA more than 2 decades ago, strict rules and discipline felt restrictive. However, the same discipline has made me learn the value of perseverance and dedication in life. In short IBA taught me the Attitude which is in fact determining Altitude in my career and life. This is IBA which has transformed a non-English medium, Govt school student to grow on the trajectory of success in corporate world. I will remain thankful to my alma mater for the best contribution to my life.

*Jai Perkash Mehta
Corporate Banker at Invest Bank, UAE
BBA/MBA Class of 1998*

EMERGING WORK TRENDS

By Ms. Javeria Mustaqeem

BBA- 2015

IBA Alumni UAE Chapter

Covid-19, previously known as Novel Coronavirus (nCoV) and the latest strain of the Coronavirus family, has claimed over 0.8 million deaths globally with over 23 million people affected throughout the world. (Source: WHO, as of 23rd Aug 2020)

Notoriously known for its contagiousness and declared as a global pandemic by the WHO, Covid-19 has undoubtedly changed the way humans interact daily. Not only has this impacted how people mingle in social settings but also how they conduct themselves in a professional environment.

The virus has greatly transformed the workplace and organizations have resorted to stringent measures to keep the profitability intact and the employees safe. Businesses are struggling to stay afloat amid the pandemic and managers across the globe are trying hard to devise policies to safeguard employee health & safety and encourage consistent performance at the same time. Social distancing and the use of face masks have become the new normal.

Lock-downs all over the world have forced companies to shut their offices and mandated employees to work from home. Even though remote working was already on the rise from 2005 to 2017 by 159% as per FlexJobs and Global Workplace Analytics, Covid-19 has given organizations, their employees and managers a chance to get more comfortable with the concept. However, working from home comes with its fair share of

challenges. Technology is at the forefront of making this experience more viable. All kinds of digital tools ranging from emails to virtual conference call tools are being used by employees wanting to connect with their peers, customers and stakeholders for effective communication. Most of the onus lies on people being able to access internet connection at their homes especially for people residing in rural areas and/or in the third world. Such an extensive and sudden stay at home routine also poses a challenge for working parents who juggle between work and homeschooling their kids with little or no help around. 69% of remote employees have experienced burnout symptoms according to Monster and even though stress and anxiety is extremely prevalent, around 59% of workers are not taking time off from work compared to normal circumstances.¹

Employers are revisiting their business goals and employing newer strategies to overcome this latest challenge. There have been efforts to ensure that workers have access to internet by investing in data plans and mobile hotspots as well as giving out allowances for setting up home internet and workstations. In addition to this, there is a growing acceptability that remote working is here to stay and thus there is a dire need to develop a remote working culture and enhance key skills pertinent to effective remote work coordination.

It is estimated that the coronavirus could potentially cost the global

economy around USD 2 trillion in 2020 while reducing global growth rates by 0.5%.²

There is little hope that a patent vaccine which can suppress this virus spread can be invented in the year 2020, therefore countries are employing the next best strategy to help keep their economies going. This means implementing strict policies such as shutdowns to help flatten the curve and then slowly opening up economic activities. People are urged to follow SOPs, practice social distancing, wear masks and avoid unnecessary mingling to curb the spread. Workplaces have also started to open in countries where active cases are on the decline. However, much of these organizations are operating at a lesser capacity than usual while also thoroughly sanitizing and disinfecting the office spaces. Not only are the workstations cleaned, but shared resources are kept to a minimum and employees are grouped to attend office only on designated days. Ventilation systems are revamped to increase outdoor air circulation while facilities such as food service and communal indoor spaces such as dining halls and games rooms are restricted.

Unfortunately, no one really knows how long this virus could last and the only hope perhaps is the development of a vaccine. In the meanwhile, we can only adapt to the new information pertaining to the virus and keep our policies evolving to suit the health and safety needs of all.

¹ (Fox, 2020)

² (Amadeo, 2020)

UAE HERITAGE IN RAS AL KHAIMAH

By Ms. Khadija Abubakar

MBA-2017

Works as a Sales Consultant for a Chemical Distribution Company, IBA Alumni UAE Chapter

The Northern emirate of Ras Al Khaimah is renowned for its historical places, rich culture and striking archeological heritage. This Emirate has also enticed its inhabitants with its unique combination of four diverse landscapes found in the United Arab Emirates: desert, mangroves, sandy beaches and breathtaking mountains. There are many traditional attractions in the Emirate to visit and explore. These sites that are spanning 5,000 years of heritage have been added in the UNESCO's list of world heritage sites.

UNESCO is the cultural arm of the United Nations and recognizes the world heritage, cultural, natural and historic sites that are of outstanding value to humanity.

The four sites submitted for consideration are:

- An abandoned pearling village
- Palm oasis cradled between mountains & mangroves
- Remains of a medieval metropolis
- Megalithic stone tombs

The best-preserved **pearling town** in the Gulf is here in Jazirah al Hamra in Ras Al Khaimah. This is believed to have been founded in the 17th century. It was built at the edge of a desert on an island of red sand because of which the settlement got its name as the Red Island.

This area was abandoned in the late 1960s. It represents an example of an original maritime town which was completely unaffected by the development in Gulf during the oil boom in the 20th century. It is a large compound with courtyard houses,

mosques, schools, an open-air souq, a fort, watchtowers and twisting alleys.

Portraying the Middle eastern architecture through the centuries, it is built from both traditional and



modern materials like coral stones, palm, beach rocks as well as concrete and bricks made of sand. The traces of a 20-domed mosque were also revealed during the rainfall in the year 2015.

Dhayah fort has been added to the list for its diverse geography of mountains (Hajar mountains), natural palm gardens and coastal settlements. There is a prehistoric cemetery at the foot of the mountains which testifies for the



inhabitation in the olden days. The settlements found on an island are dating back to the early Islamic era.

This fort also contains the last remaining natural palm orchards

which are watered only by the rainfalls. The relics of a mudbrick fort are also found within the shades of these palms. There is another fort over a hill which overlooks the oasis. There are stone villages with adjoining fields which were constructed centuries ago up over the mountains.

Julfar was a main thriving port city for international trade for centuries. This city, the predecessor to Ras Al Khaimah, is located at the entrance to the Gulf. It had a population of fifty to seventy thousand people in the 14th to 16th centuries and it was one of the few places in Gulf which was continuously inhabited through the Islamic period.



This city played a significant role in the emerging trade network in the Indian Ocean. There were three large creeks that housed Julfar's ships during those times. The excavations have found



large amounts of Chinese porcelain and ceramics in Nudud as old as of 700 years and this proves that the city had expansive trade.



The city was originally protected by a five-meter high wall that stretched seven kilometers from the coast to the mountains. The wall had several watch towers and deep moat to protect the port, city's oasis and the administrative center within.

As there appeared changes in the harbors and the coastline, the city

of Julfar shifted. The entry to the UNESCO list includes the spots of Kush, Mataf, Nudud and the old town of Ras Al Khaimah.

The **Shimal's tombs** stand as impressive remains of a vanished culture. These are extraordinary in their size as well as in variety.

There are two round tombs in Umm al Nar which are believed to be



around 4,600 years old. These are the largest monuments in the Southeast Arabia.

Hundreds of years later, tombs are built around 20 meters in length with stones which weighed up to one ton.

These magnificent tombs are described as "a masterpiece of human creative genius" in the UNESCO listing due to the domed structured tombs with the gigantic stone slabs overlapping each other.

There is a medieval Islamic palace on the mountain highlands above the plains of Shimal. This was constructed between the 13th to 16th century and is known as the Palace of Queen Sheba. This was where the Julfar's ruler resided for years. Pottery kilns, built in 17th to 19th centuries were found amongst the valleys of Shimal.

Courtesy: Ras Al Khaimah Government Media Office

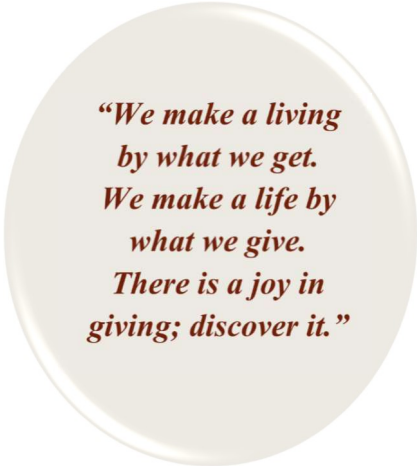
TOGETHER WE CAN MAKE A DIFFERENCE

THE SCHOLARSHIP ENDOWMENT FUND BY CLASS OF 1995

By Ms. Andaleeb Shahid

MBA-2003

Head of Publication Committee, IBA Alumni UAE Chapter



*“We make a living
by what we get.
We make a life by
what we give.
There is a joy in
giving; discover it.”*

These are the words quoted by Ghulam Nabi Athar; the coordinator of “MBA Banking and Finance Class of 1995 Diversity Scholarship Fund.” Athar has been gracious enough to spare some of his precious time to explain us the specifics and the mechanism of this Scholarship Endowment Fund. I would also like to thank Shahzad Aftab for helping me align with Athar. Athar has worked over 19 years in UAE, taking on various roles in the banking industry in Dubai. Nowadays he is enjoying his life in Kuala Lumpur, Malaysia.

IBA has various programs for awarding scholarships to its students. One of which is the National Talent Hunt Program run in partnership with Ihsan Trust, a program run with TCF for providing financial assistance to TCF Alumni attending IBA. Another program is the Scholarship Endowment Fund Program which the class of 1995 became part of. IBA does not have any prerequisite as to what amount each batch/person can contribute to the Endowment Fund. It is a general fund where all contributions are accumulated into one pool. IBA has strategically invested the principal sum of this fund with

various banks. The returns generated from these investments are then used to award scholarships to students. In this way, the principal remains intact, thereby providing a permanent reservoir of funds on a recurring basis for the students' scholarships. Another brilliant feature of this Endowment Fund is that IBA encourages its alumni to also mentor these students and help them in their journey through IBA and after IBA.

https://www.iba.edu.pk/financial_assistance.php

<https://nthp.iba.edu.pk/>

<https://support.tcf.org.pk/fundraisers/tcf-alumni-at-ibakarachi>

The Class of 1995 initially targeted to collect PKR 9 million so the batch can pledge to both funds viz, National Talent Hunt Program, and the Student Scholarship Endowment Fund. This would enable them to sponsor one student in each category. Per head contribution to be made by each classmate was calculated to be USD 1,950. The class collectively decided to name the fund as “MBA Banking and Finance Class of 1995 Diversity Scholarship Fund.” For them it was all about giving back to IBA and its graduates. This Diversity Scholarship Fund aims to support a student belonging to minorities; female candidate from financially and socially challenged backgrounds and candidates from underprivileged or marginalized segments of our society.

I also would like to mention here that Athar made a nostalgic video of the class of 1995's journey at IBA. Old pictures, admission process, fun

times, hourlies, campus, comprise result all reminded the batch of their golden moments at IBA. The video was highly appreciated by all and helped encouraged many of the people from other batches too.

Indeed, the class of 1995 faced few challenges also along the way. The initial stumbling block was undoubtedly the coordination and the management part. Everyone was so geographically spread out that it was not convenient for each classmate to coordinate and align things on their own. At this point, few dedicated and selfless classmates teamed up and took upon themselves to take this initiative forward.

Other challenges faced were the logistics and AML issues. People were remitting money from all over the world and many of them had to face various hurdles to transfer money to the IBA Endowment Fund account in a bank in Karachi. Many were to be given a receipt and accounting evidence for claiming tax credits in their respective countries. But as we say, where there is a will, there is a way. The class of 1995 together managed all hurdles; from the paper work, tracking payments to coordinating everything with the IBA management. It is noteworthy to appreciate the continuous cooperation and support of IBA Alumni team based in Karachi who guided the class of 1995 at every step.

The first contribution came on June 21st which marked the start of realization of their dream. And

then there was no stopping. The batch mates contributed with open hearts and came forward for this generous cause. In just under 30 days, the Class of 1995 was able to close at PKR 6.6 million. This marked 25 years of their graduation ... 18th of July, 1995 the day their

comprehensive examination result was announced. The Class of 1995 has been a great inspiration for all the IBA alumni batches; they came forward, took up the challenge and made it happen. In Athar's words; ***"Don't wait for 25 years, do it today rather than waiting for tomorrow. No***

matter how small you volunteer, remember it always makes a difference. Give someone a chance today to transform their lives for better, just like IBA did to ours. Be the change in someone's life. Together we can ... and the sooner the better."



ART WORK

By Mr. Faisal Ghani Qureshi
MBA-2003



A Masterpiece by **Faisal Ghani Qureshi Alumni of MBA 2003**
Faisal took inspiration from a real-life photograph and then
made the above art piece in Photoshop. He completed it
in multiple sittings stretching over just an hour.

WILL THE AIRLINE INDUSTRY BOUNCE BACK?

By Ms. Andaleeb Shahid

MBA-2003

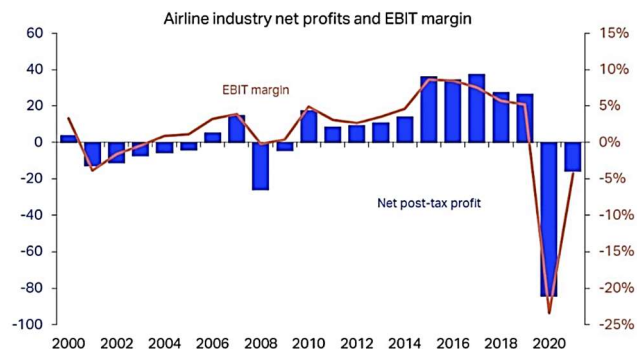
Head of Publication Committee, IBA Alumni UAE Chapter

When the pandemic first came in December last year, people were skeptical of it being contagious and fatal. However, its economic consequences seem to be much worse and far-reaching. Now that we are 9 months into the pandemic, its adverse economic effects have started to become more and more visible. The aviation industry was the first sector to take the direct blow of corona, with travel restrictions and planes being grounded almost immediately. It was perhaps considered, by few, as the main reason for the world-wide spread of this pandemic. It is still one of the worst affected sectors due to covid-19.

Experts believe that unlike other industries, the airline industry does not foresee any major industry mergers. The main reason being that any mergers or acquisition do not address the fundamental problem of weak demand. Liquidation of smaller players has already begun and few others are expected over the coming months. Industry experts are expecting a full bloom recovery to pre COVID levels in at least 3 years from now.

IATA (International Air Transport Association) forecasted that global passenger traffic will not return to pre-pandemic levels until 2024. IATA estimated that the airline industry will suffer losses of more than USD 84 billion in 2020 alone due to this pandemic. Revenues are expected to tumble 50% from \$838 billion in 2019 to \$419 billion in 2020. IATA reckons that even by the end of 2020, a decline of 55% in passenger volume will persist. Airline industry recovery is expected to be choppy. Almost 7.5 million flights were cancelled between Jan-July 2020 only. Airlines need to have a balance between profits and safety and communicate the same to investors and share-holders; the idea that

safety is as important as profits. This is the only key to survival within the next few months.



Source: IATA Economic Performance of the Airline Industry, June 2020

US announced a \$25 billion government bailout program that barred airlines from making any significant job cuts. The combination of cash grants, unsecured loans and secured loans have boosted market confidence. It helped keep airlines afloat at least in the short run. However, this program will end on September 30th after which it is expected that we will witness further large layoffs, furloughs, and unpaid leaves in the industry. According to an estimate, COVID 19 will have a far-reaching impact on US airline industry than the historic 9/11 attack. The planes have been grounded and the financial impacts of the pandemic will change the industry and air travel for the foreseeable future.

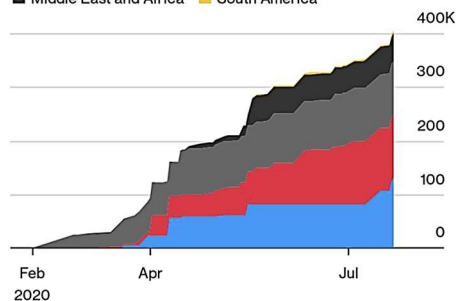
American Airline, one of the largest airlines in the world, has received USD 5.8 billion from the US payroll aid program. The management expects a 50% capacity utilization of flights in the fourth quarter of 2020. Announcing 19,000 job cuts by October, American Airline workforce will dip from 140,000 in March to 100,000. 12,500 people have already left voluntarily and a further 11,000 will be on leave by October end.

Delta Airlines has also announced that it is planning to furlough 2,000 pilots by next month. They had earlier announced an early retirement package for employees but the airline fears that this alone will not solve the problem. Delta received USD 5.4 billion in grant funds and secured loans under the CARES Act. The company projects that the demand for air travel might pick up by summer 2021. But still, not back to the historic levels. Delta Airlines' revenues plunged by 56% due to the pandemic and its operating margin dropped from a positive 14% to a negative 40%.

Redundancy Wave

Airlines plan to or have already fired or furloughed about 400,000 employees

Legend: North America (Blue), Europe (Red), Asia Pacific (Grey), Middle East and Africa (Black), South America (Yellow)



Source: Bloomberg July 2020

Other US airlines like United Airline is also skeptical that it might also cut 36,000 positions.

S&P Global Ratings has lowered its credit ratings on almost all US airlines. The main reason being lower demand of air travel, resulting in weakened financial condition, heightened risk and diminishing investors' confidence.

British Airways' parent company IAG (International Airlines Group) announced this April that it had to go ahead with restructuring and redundancy program until demand for air travel improves. IAG fears that the pandemic's impact could be huge on group's revenues. In the first three months of 2020, revenues fell 13% to £ 4 billion.

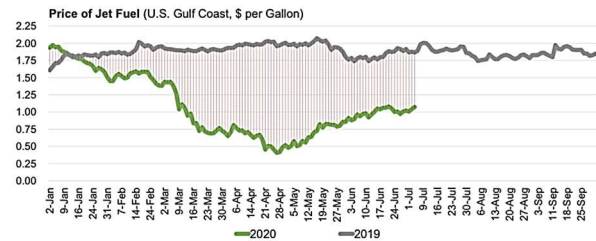
German Airline Lufthansa has revealed that it will be cutting around 22,000 jobs worldwide due to slump in air travel. The airline employs around 135,000 people worldwide, half of them are based in Germany. The company is skeptical that half of its job cuts could be in Germany alone. Lufthansa Group and the German government are in negotiation for a Euro 9 billion rescue deal. The government intends to buy 20% of stakes in the airline and will later sell it back by 2023. The group has already closed its budget airline Germanwings GmbH this April owing to the pandemic.

UK's EasyJet has also laid off 4,500 cabin crew members in just two months. Virgin Atlantic has reached out to the government to bail out the airline with a loan amounting to £500 million. It announced it will reduce 30% of its workforce. Dubai Government has already pumped USD 2 bn into Emirates Airline as fresh equity since March. Qantas, an Australian based airline, has also sent 20,000 staff on leave. Air Canada came up with 15,200 leaves and furloughs. Norwegian Air fears it might face massive cash flow issues in the coming months.

Air passenger demand continues to recover gradually but at a very slow rate. Industry data revealed that revenue reduced 79.85% year-on-year in July. A slight growth was witnessed in the month of July but not enough. In various regions of the world, domestic demand has shown an improvement. But international demand remains stagnant. The main reasons being the travel restrictions by various countries and new outbreaks/epicenters of COVID in several countries.

Tourism and business travel both are hard hit. Companies are cost cutting on business travels and reverting to video conferencing for the time being. Business travel is highly profitable to airlines, as fares are high, with no major discounts. They account for approximately 40% of the total revenue from air tickets as against passenger volume of only 10-15%. Families are also hesitant to travel for tourism because of the risk of contracting virus, as well as by the unexpected change in travel policies by the countries.

A significant dip in jet fuel prices compared to last year provided some cost relief to the struggling airline companies. However, this could not help much, as most of the planes were grounded and there was no air travel to realize the gain on low oil prices.



Source: Energy Information Administration (EIA) Weekly Petroleum Status Report

Many of the airline companies have filed for bankruptcy or sought economic support packages from their governments. Few small and mostly domestic airlines are already facing troubled times and are forced to enter into restructuring or cease operations. Alitalia Italy, Miami Air International USA, Germanwings, and Thai Airways just to name a few. Ryan Airlines, a budget airline based in the Republic of Ireland have pulled back on schedules and are resorting to cost cuts.

The economic disruption of aviation industry is felt along its supply chain. Boeing recently cut back its aircraft deliveries from 240 (Jan-June) last year to just 70 this year. Airbus is in a similar position with orders being delayed. Rolls-Royce aero-engines is also shrinking with 700 job losses.

The airline industry can survive undoubtedly on its financial reserves in the short run. Various government incentives will help retain employment at least for now. But quick recovery as to the passenger volume is needed to pull it through these struggling times. We are already witnessing gradual improvement in the air passenger traffic and hoping that soon the pre-covid volumes will be back, giving a much-needed boost to the airline industry.

Source: BBC, CNN, Bloomberg, IATA