

EasyJet warns of 'softening' demand as Omicron worries consumers

Fresh travel restrictions to stem spread of new coronavirus variant have dented bookings

By Philip Georgiadis

EasyJet warned flight bookings had been hit by the return of travel restrictions as the emergence of the Omicron coronavirus variant threatened to upset the industry's fragile recovery.

The airline's shares fell close to their lowest level in more than a year on Tuesday as the UK reintroduced expensive PCR testing for all international arrivals and along with other European countries restricted travel from southern Africa following the detection of the new Omicron strain.

The company said there had been "some softening of trading" for the rest of 2021, although the impact from the Omicron variant had been less severe than when travel curbs were introduced earlier in the pandemic with shares recovering slightly by early afternoon to 492.4p, 2 per cent down.

Tim Clark, the chief executive of Gulf carrier Emirates, said the variant could lead to "significant traumas" for airlines, one of the starkest warnings yet over its possible impact on the industry.

"December is a very important month for the air travel business. If that is lost, or the winter is lost to a lot of carriers, there will be significant traumas in the business," he told a Reuters event.

EasyJet said it was too early to tell if the industry's recovery had been blown off course, but it slightly pared back its flight schedules for the rest of this year.

The airline planned to fly 65 per cent of 2019's capacity in the current quarter — down from the 70 per cent forecast in a trading update in October.

EasyJet has been notably more cautious in its scheduling than low-cost rivals Ryanair and Wizz Air, and expected its planes to be 80 per cent full over the rest of this year.

"We remain mindful that many uncertainties remain as we navigate the winter," said chief executive Johan Lundgren.

City breaks had been the worst hit by the travel restrictions, but more people had been transferring flights over to next year than cancelling them, Lundgren said.

He was upbeat over the longer-term recovery from the pandemic, and said bookings for the spring and summer were still strong and running ahead of pre-pandemic levels.

The airline expected to return to near pre-pandemic levels of trading by the end of its fourth quarter, which runs from July to September.

“This was always going to be a year of two halves, where there will be uncertainty over the winter, and we expect things to pick up strongly into the summer,” Lundgren said.

The carrier has secured new slots at airports including Gatwick, Lisbon and Porto, and planned to lease six new aircraft to meet the pent-up demand for travel next summer.

“EasyJet expects a significant benefit as the UK bounces back next summer,” Lundgren said.

The hit from the new variant came as easyJet reported a loss of £1.1bn for its financial year ending in September. It also lost more than £1bn in its previous financial year — a period that included the start of the coronavirus crisis. Total revenue fell 52 per cent across the financial year to £1.5bn.

The UK airline turned to shareholders for a £1.2bn cash call to bolster its finances in September, and had access to £4.4bn of liquidity by the end of September.

“It is too soon to tell what impact Omicron will have on travel restrictions, but easyJet has the balance sheet strength to deal with such a challenge,” said Gerald Khoo, a transport analyst at Liberum.

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