

Air Transport Economic Outlook

Martina Bednarikova

Economist, Policy
Analysis

IATA

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Agenda

- Macroeconomic Performance
- Industry Performance
- Passenger and Financial Forecast

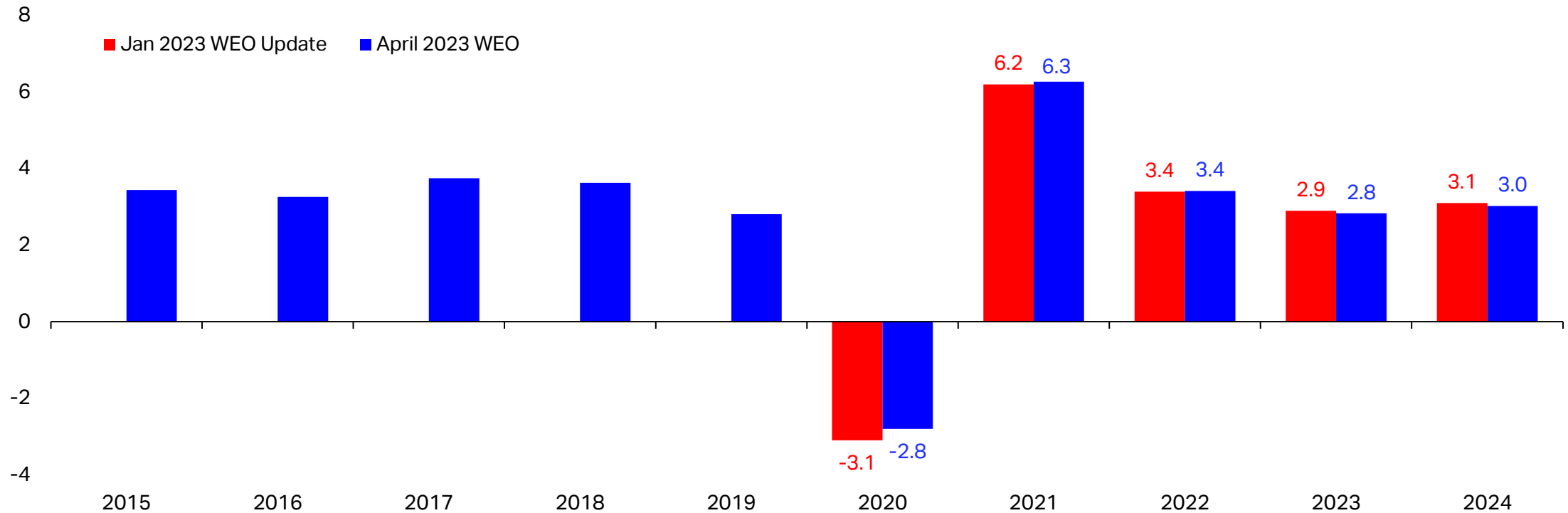
Macroeconomic outlook



Global economic growth continues to slow

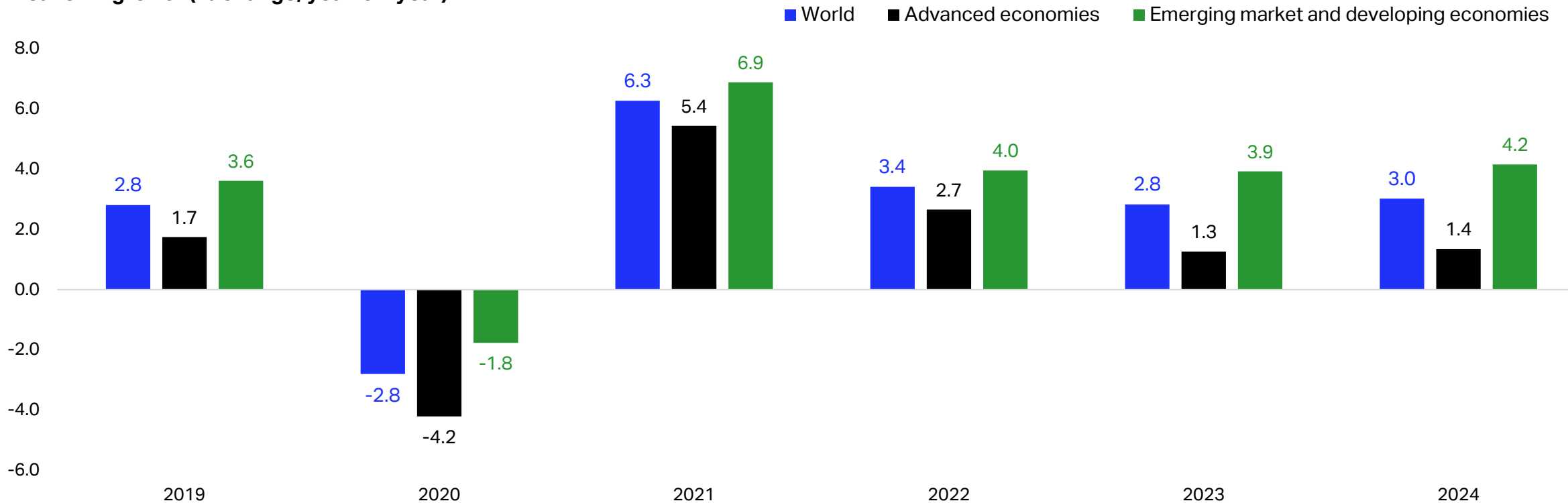
GDP growth to remain just under 3% in 2023

Real GDP growth (% change, year-on-year)



Slowdown is expected to be worse for advanced economies

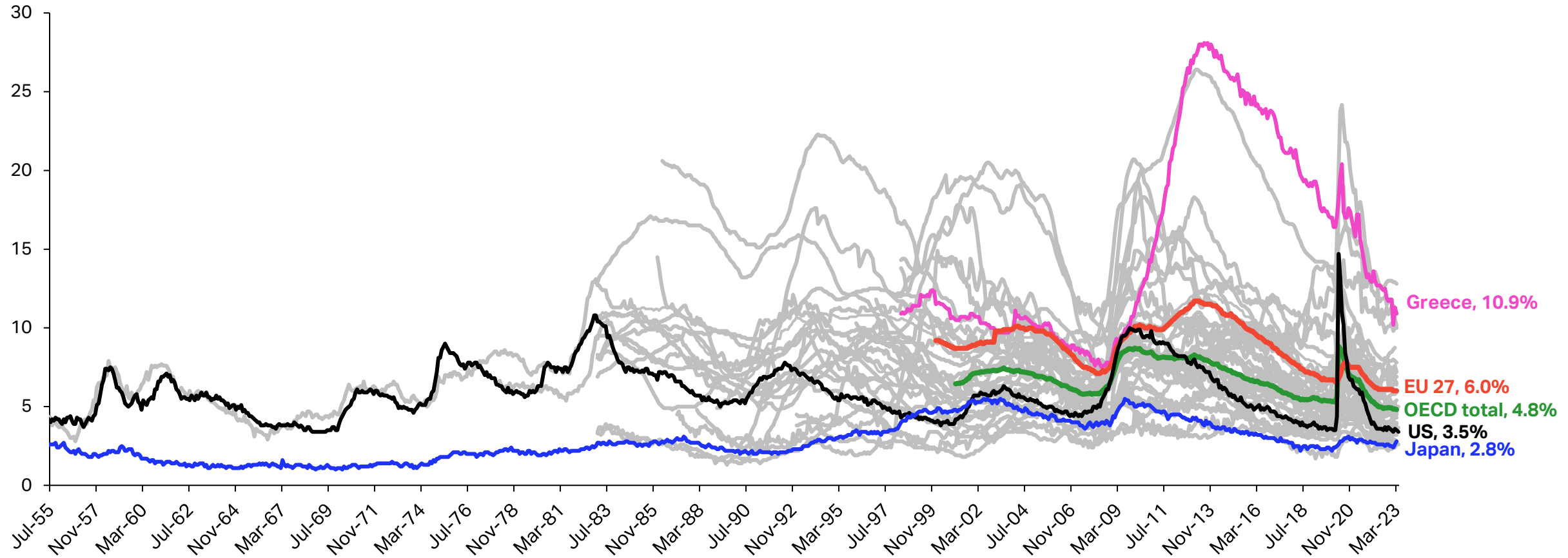
Real GDP growth (% change, year-on-year)



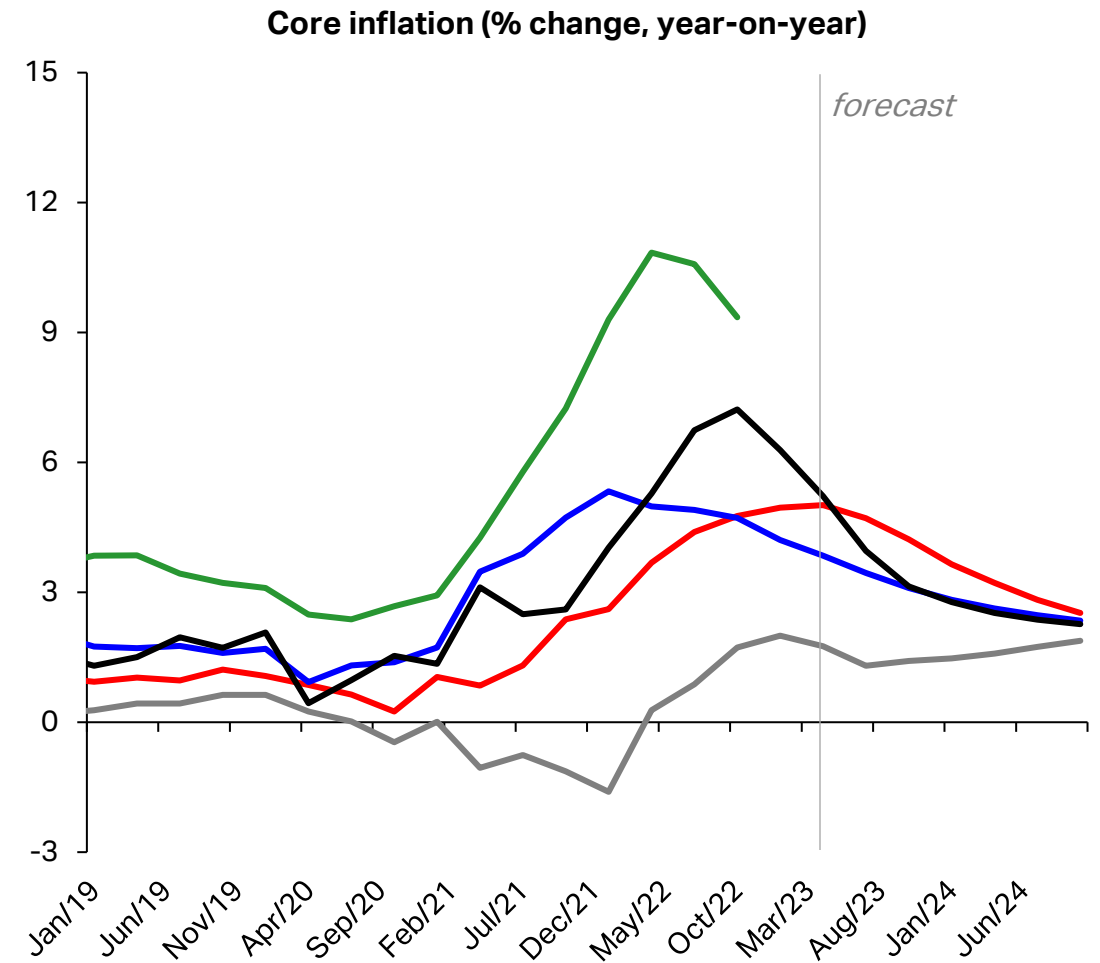
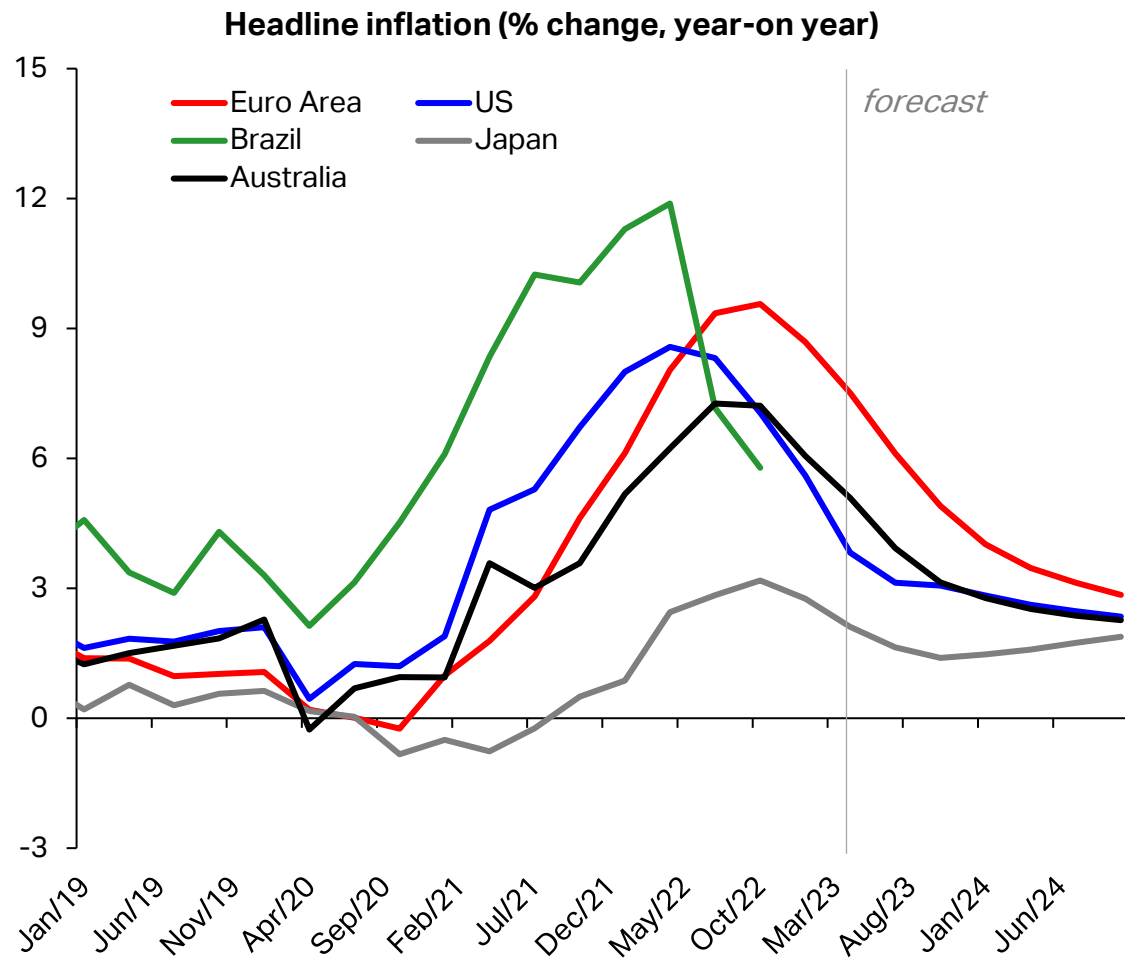
Labor markets remain tight

With the unemployment rate at historic lows

Unemployment rate, % share of labor force



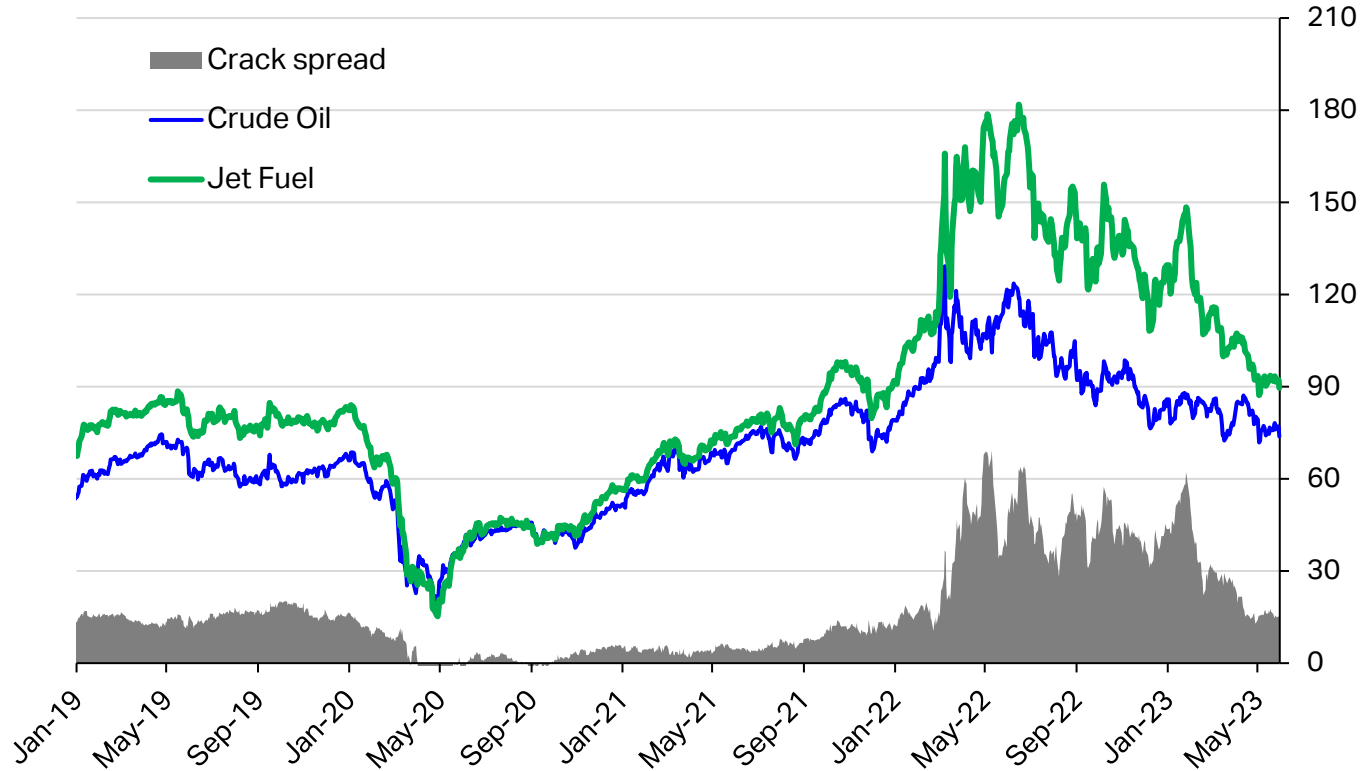
Inflation likely peaked in 2022



Pressures on operating costs peaked in 2022

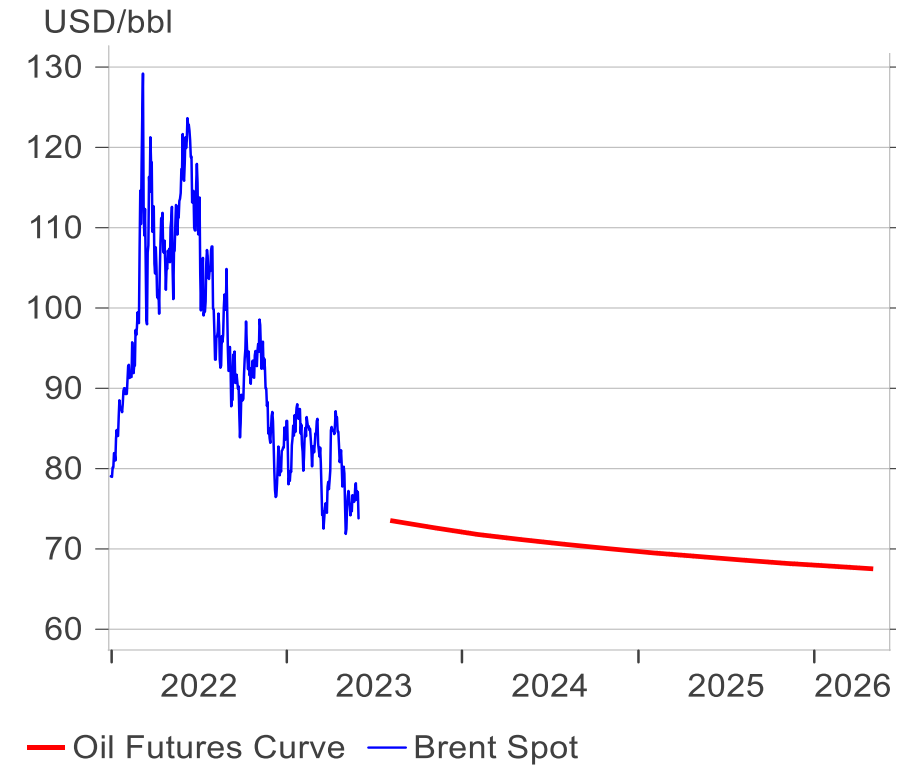
Jet crack spread also narrowed

Jet fuel price and crude oil price (USD/bbl)



Brent Oil, Spot Price

ICE Oil Futures as of 31-May-23 (qtrly)



MACROBOND



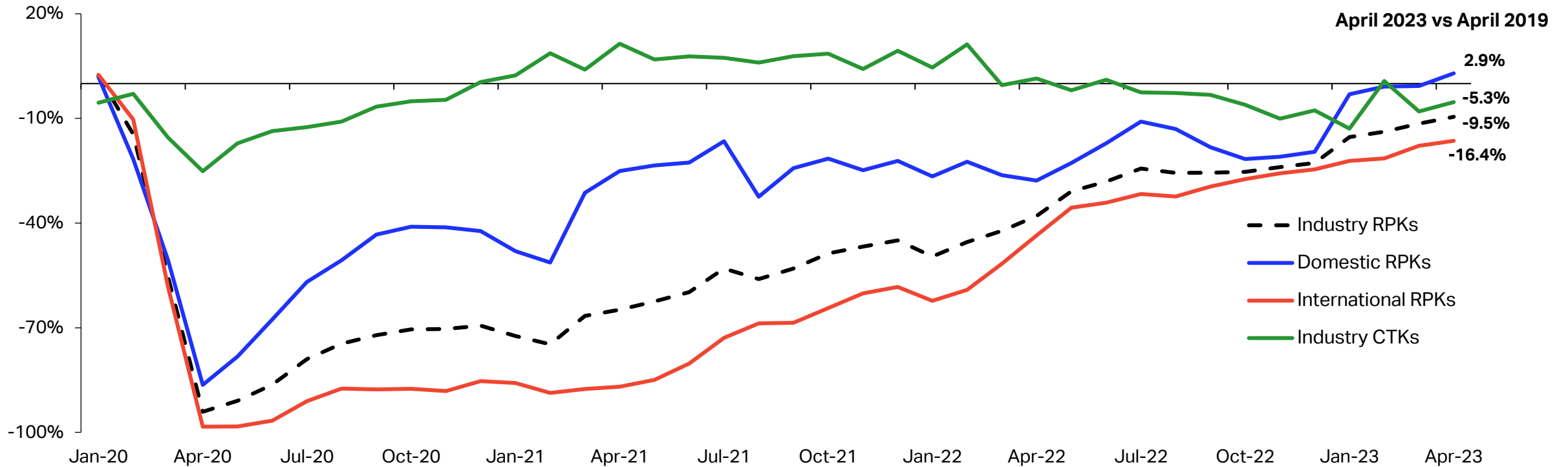
Industry Outlook



Recovery remains on track despite headwinds

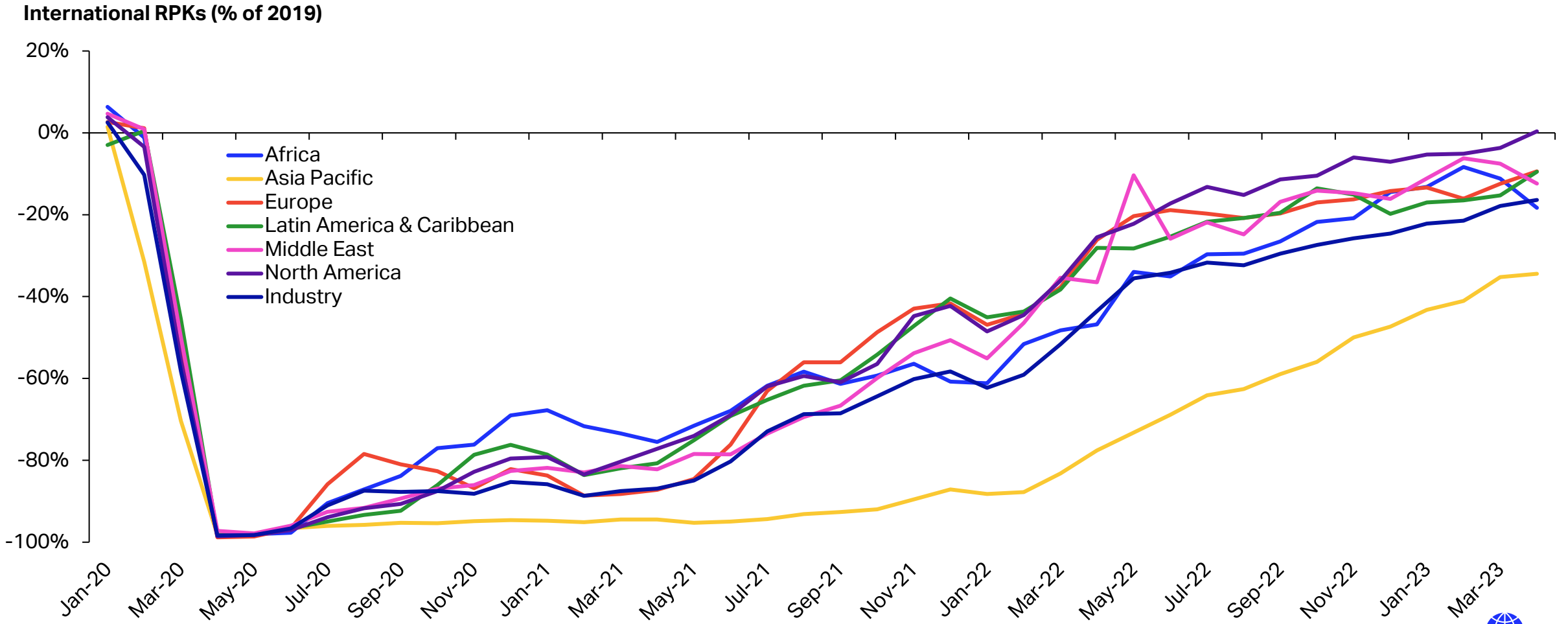
Industry-wide RPKs are currently within 10% of 2019 levels

Industry RPKs and CTKs, year-on-year % change vs 2019



Regions have faced different outcomes

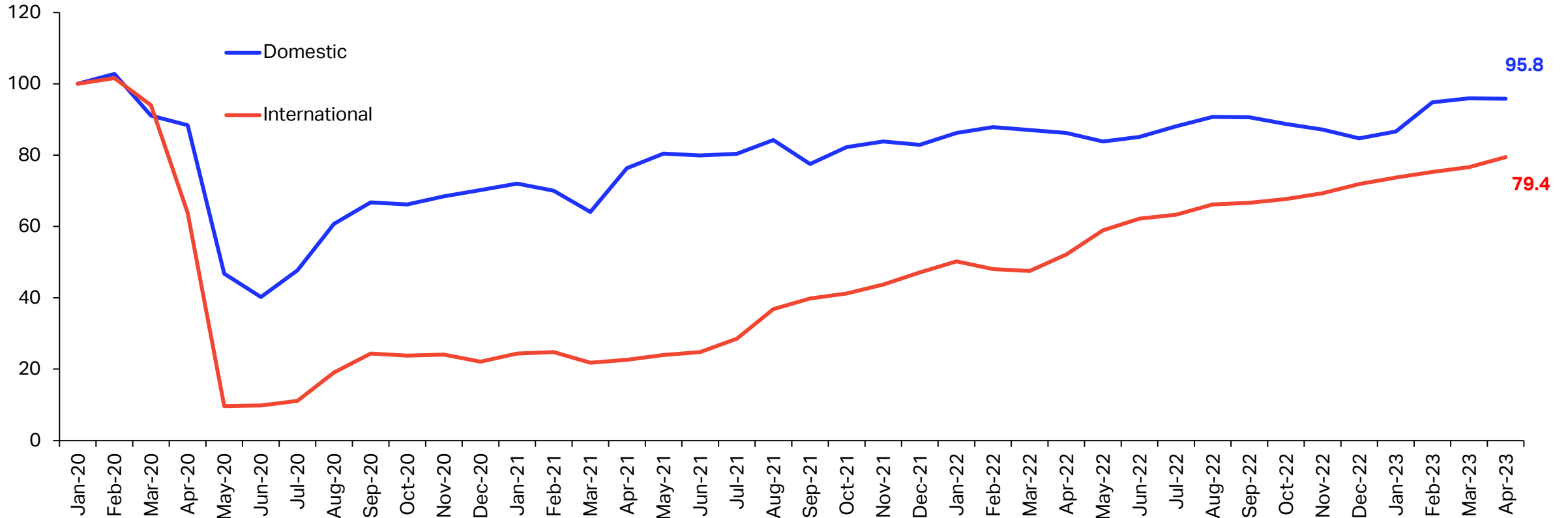
Growth in passenger traffic for all regions while cargo traffic outcomes varied



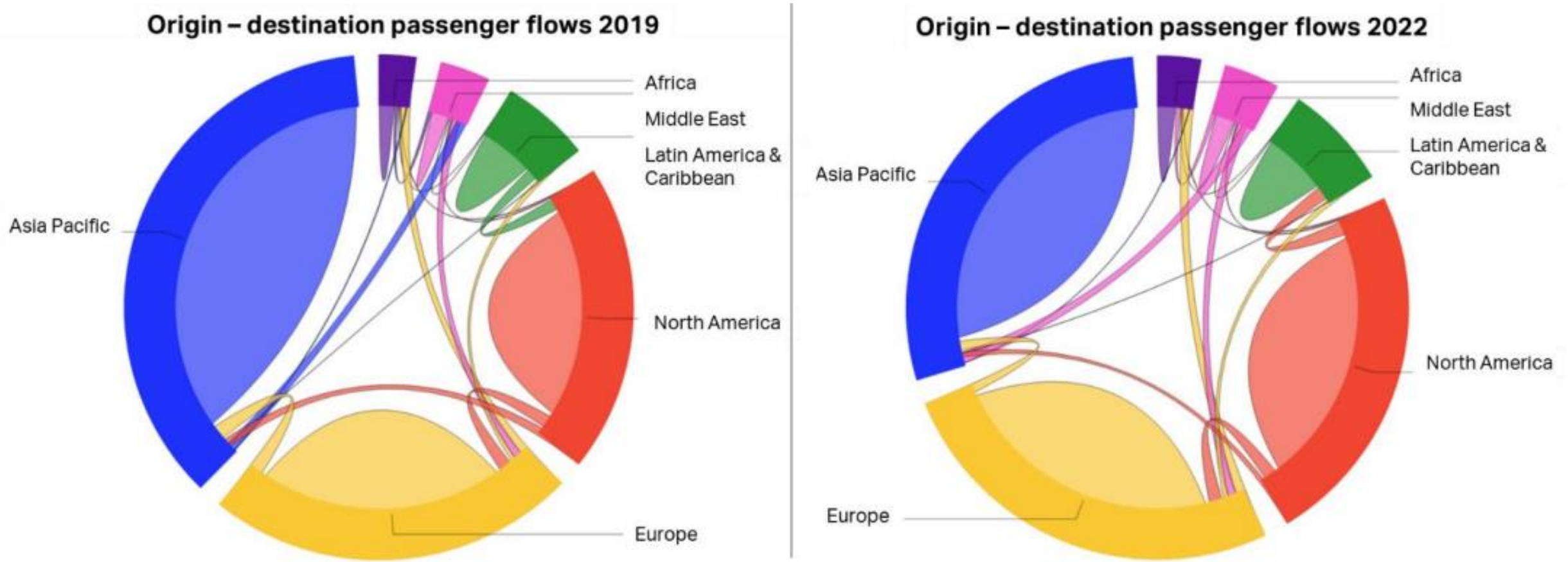
International air connectivity restored to 79.4% of 2019 levels

Domestic reached 95.8% in March 2023

IATA Global Air Connectivity Index (Jan 2020 = 100), Jan 2020 – Mar 2023



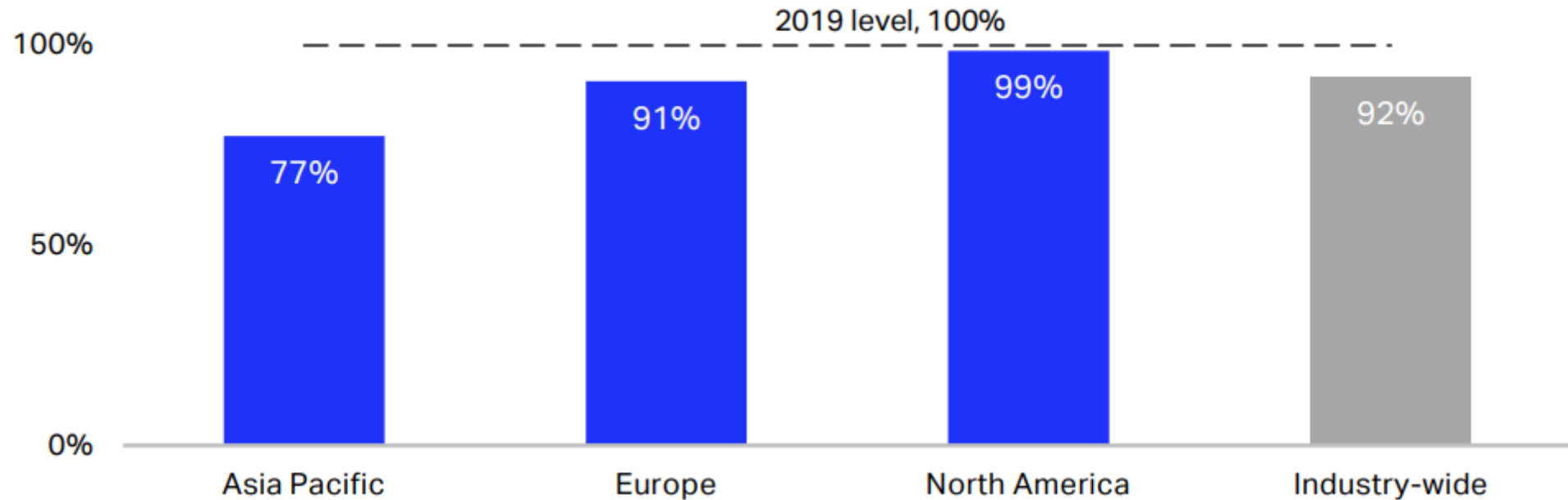
Post-pandemic traffic shows only slight change in pax flows



Strong ticket sales point to a busy summer travel season

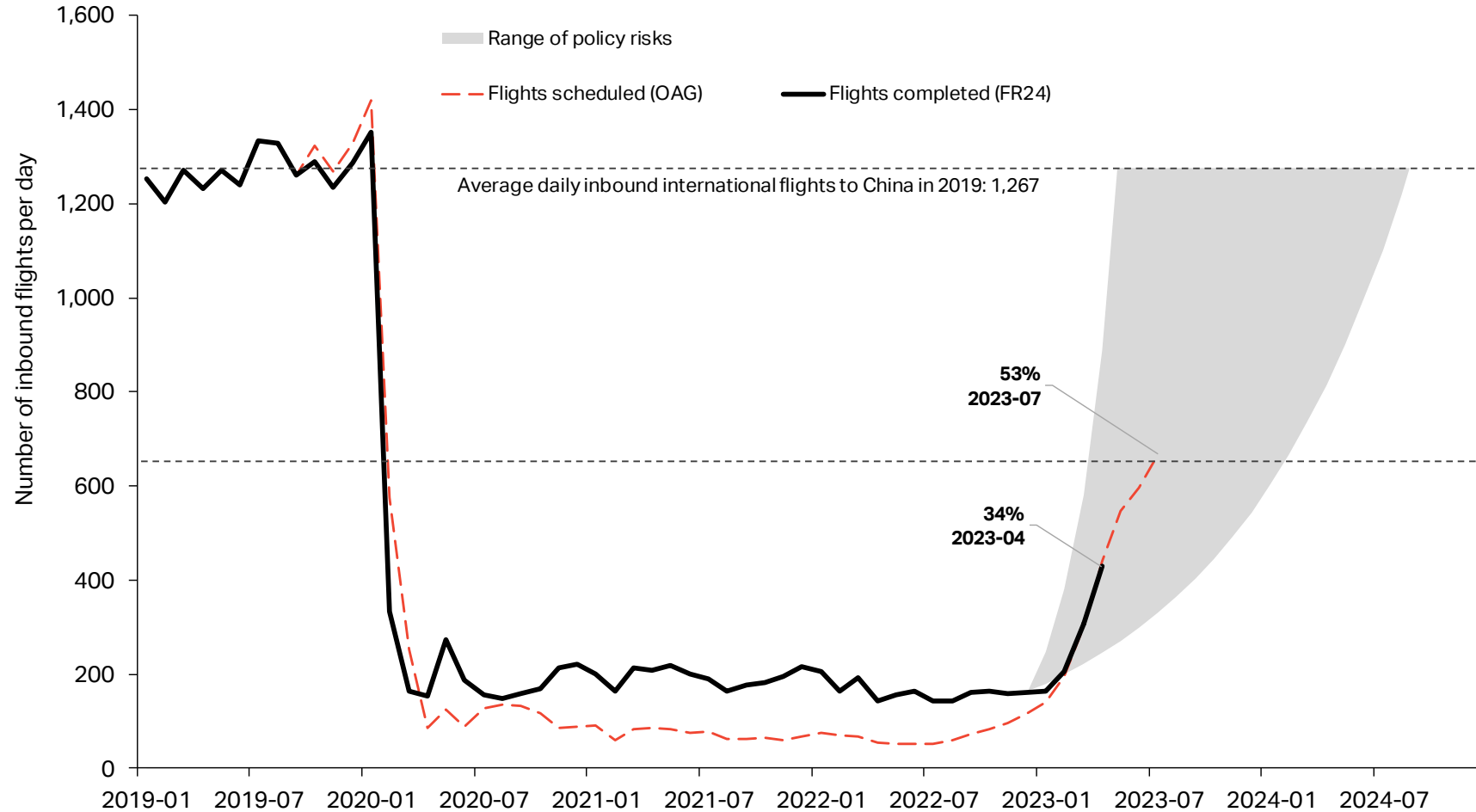
Recovery of summer travel air ticket sales, 2023

Share of 2019 tickets purchased for the May-September travel period



Source: IATA S&E Economics, using data from DDS for tickets purchased in Q1 of 2023 and 2019

Possible recovery profiles for China's international capacity under policy risks



Source: IATA Sustainability and Economics market statistics compiled by IATA using FlightRadar24 under license, OAG

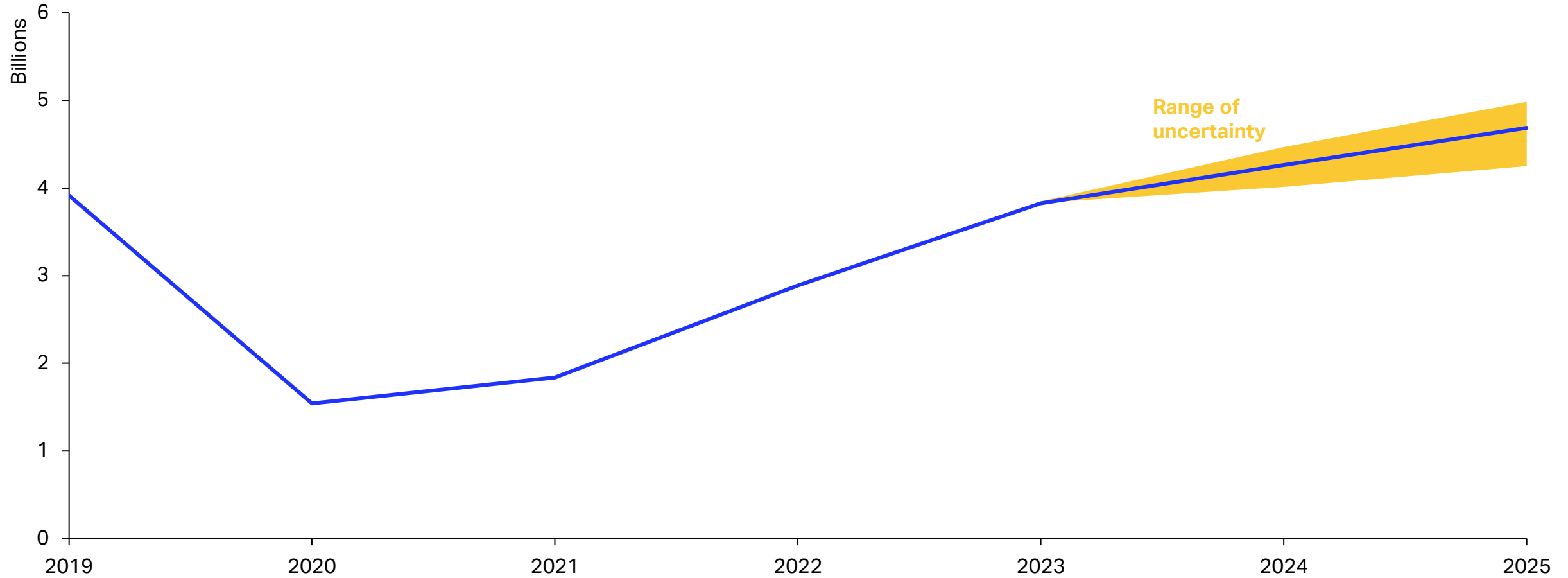
Notes: The gap between OAG and FR24 flights during the Covid-19 pandemic is partly due to the inclusion of 'preighters' (passenger aircraft used only for cargo operations) in the FR24 data and not in OAG. Preighters have been phased out by most airlines in 2022. For Chinese airlines, preighter operations were substantial until October 2022.

Looking ahead



Industry recovers to 2019 traffic levels in 2024

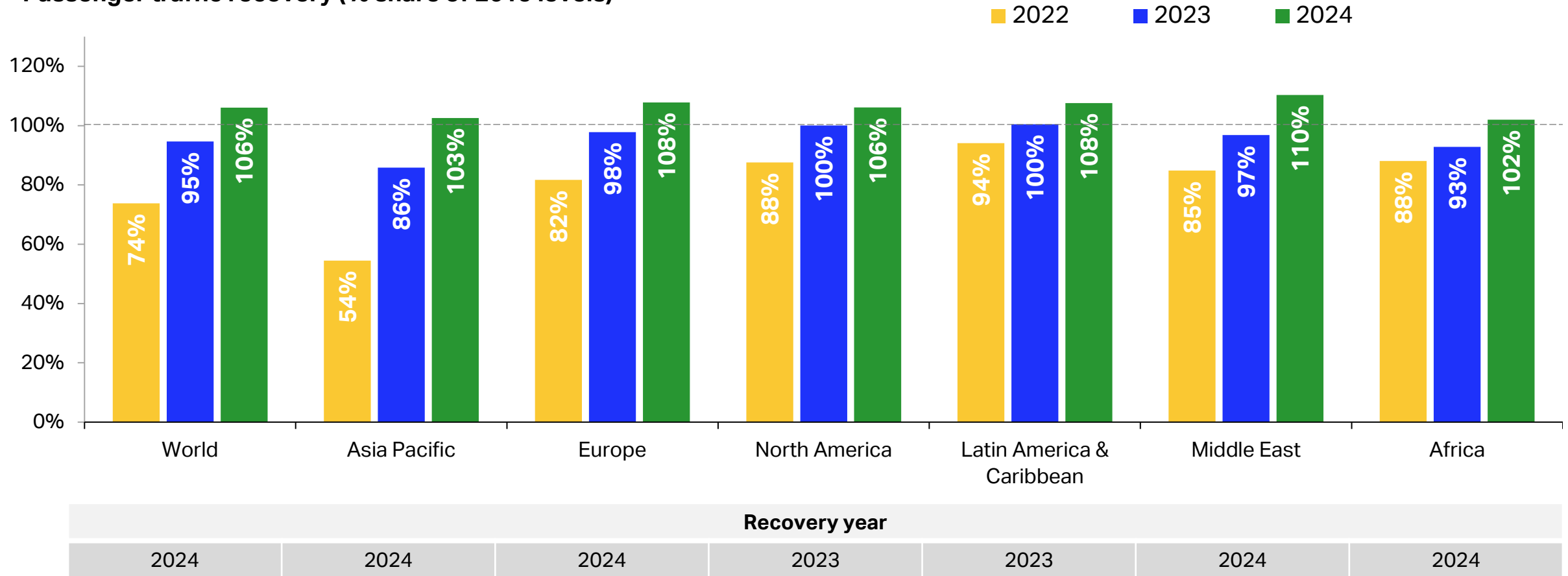
But some headwinds persist



Forecast upgrades reflecting recent developments

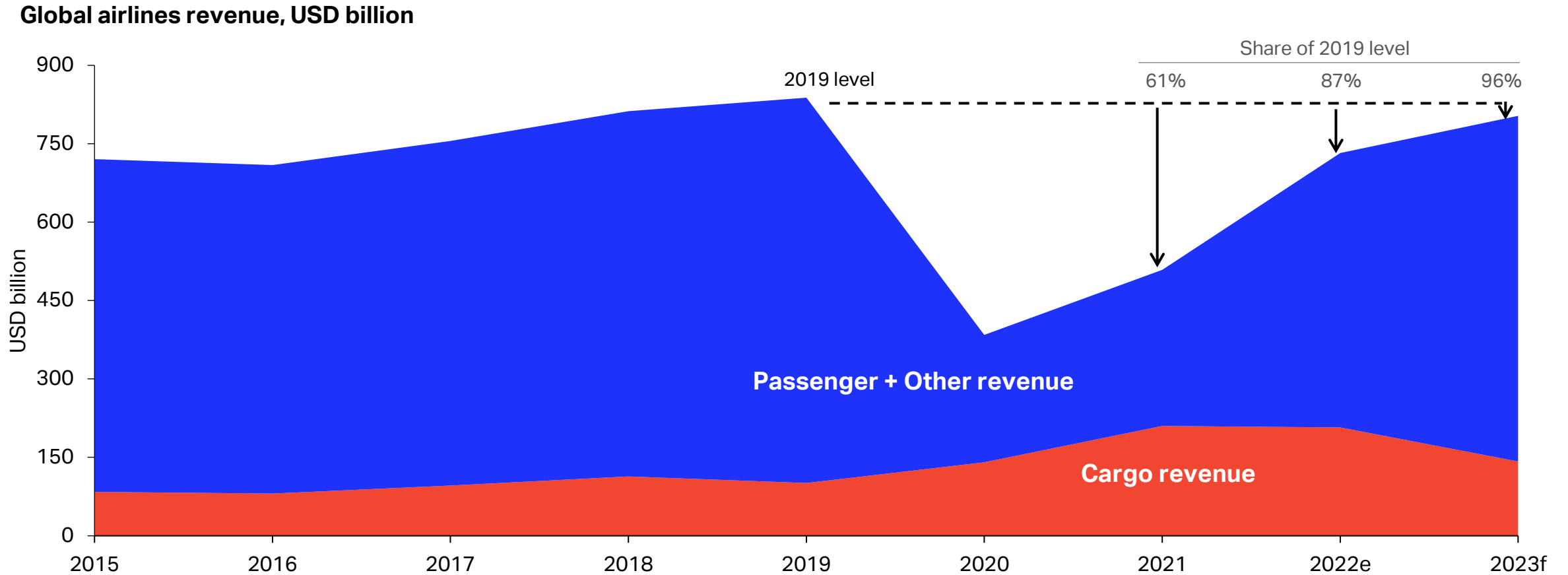
North America and Latin America to recover in 2023, ASPAC in 2024

Passenger traffic recovery (% share of 2019 levels)



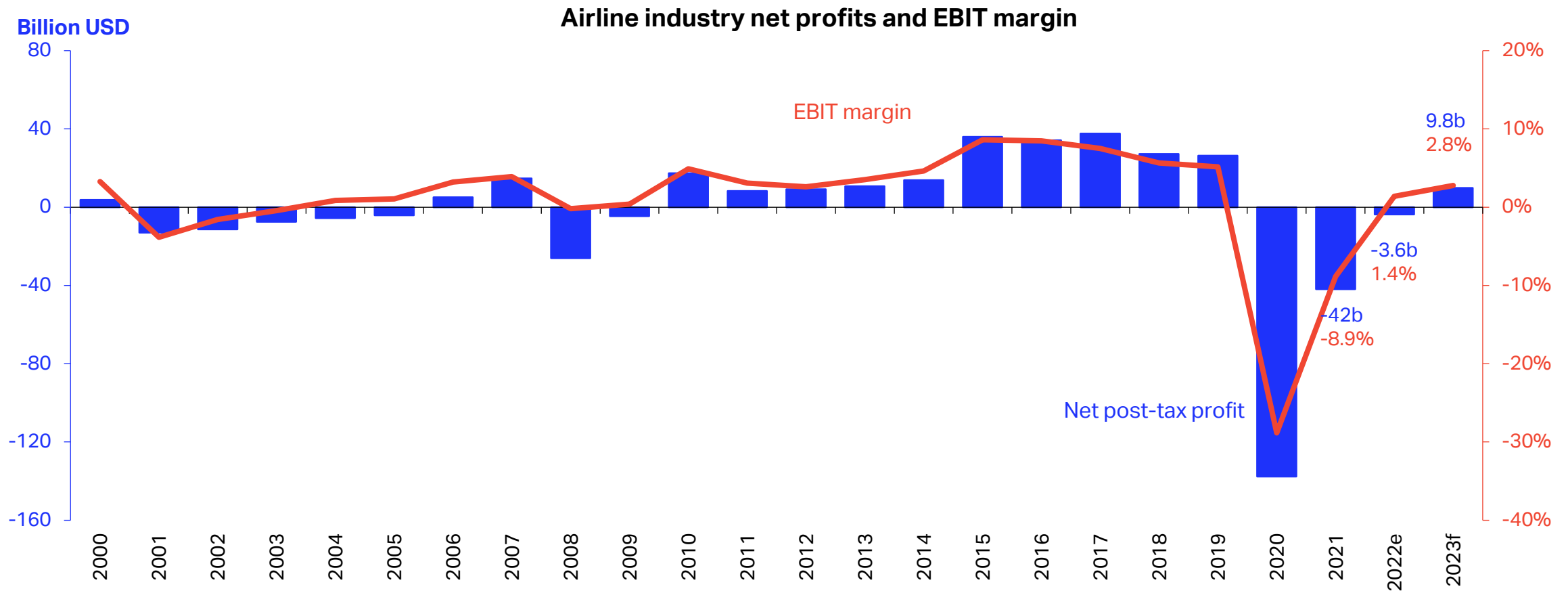
Cargo revenue moderating but higher than in 2019

Industry revenue is rising driven by the recovery of passenger air transport demand



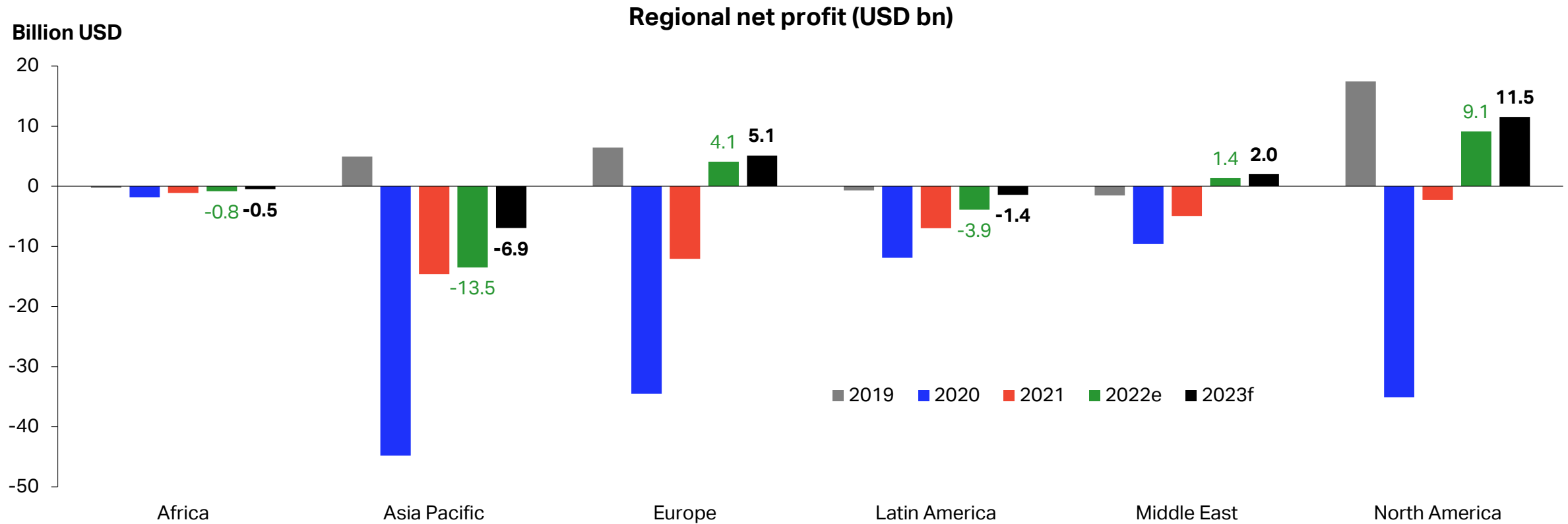
Industry returns to profitability this year

Net profit of USD 9.8bn forecast in 2023



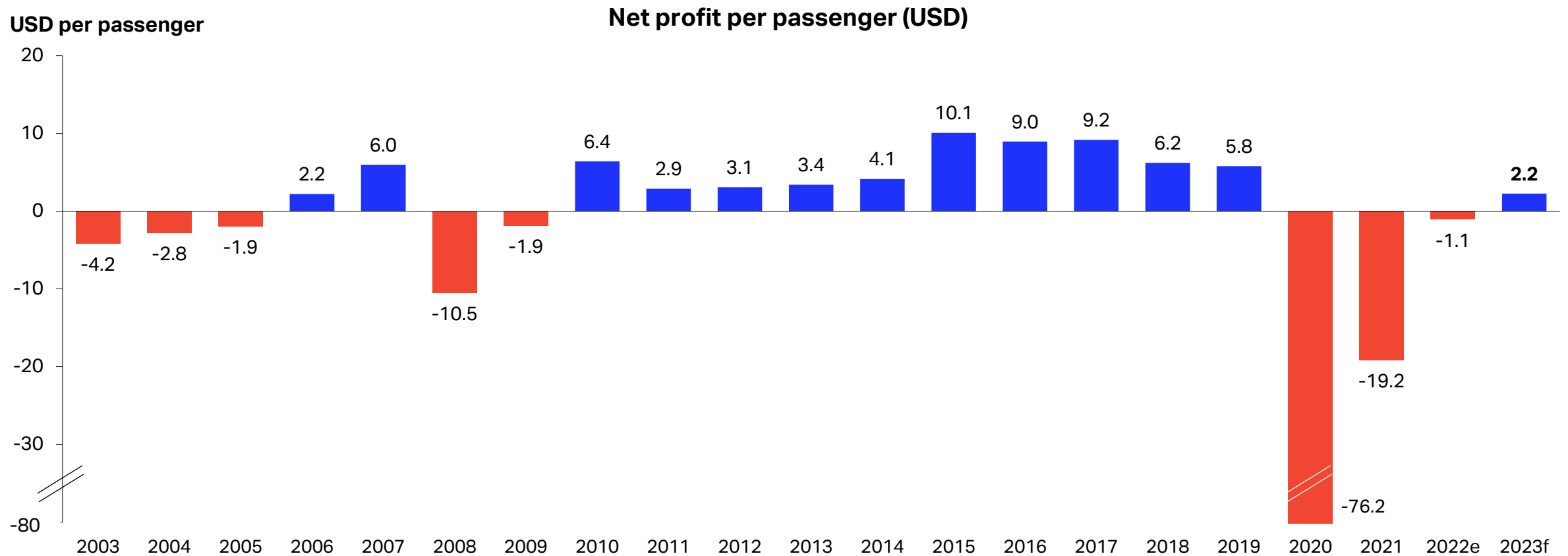
Financials improve in all regions, but differences remain

Profit performance led by Nth America, Europe & Middle East carriers



Profit margins remain very slim

At just USD 2.2 net profit per passenger for 2023



Industry key risks on the horizon in 2023

US Debt Default

**Global
Recession**

Jet Fuel Price

Trade Wars

**Supply-demand
Imbalances**

Global Inflation

**Travel
Restrictions**

War in Europe

China Recovery

Pandemics

**Oil Price
Volatility**

**Blocked Funds:
62 vulnerable
countries**

Climate

**Foreign
Exchange**

Black swans

Thank you

Contact:

economics@iata.org

