The Business of Airports: Economic Trends and Non-Aeronautical Growth

The MEADFA Conference 2025

ACI Asia-Pacific and Middle East

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Head, Economics and Middle East Office

- ✓ Airport Economics
- ✓ Economic Regulation
- ✓ Economic Policy
- ✓ Non-Aeronautical Revenues
- ✓ Industry Stakeholder Engagement

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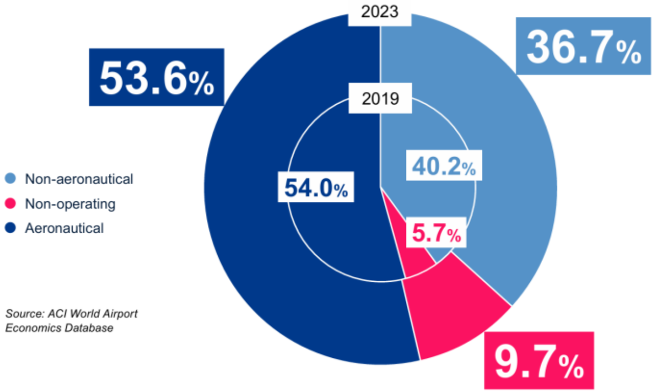
ACI advances the collective interests and acts as the voice of the world's airports and the communities they serve and promotes professional excellence in airport management and operations.

- 624 Airports
- 133 Members
- 47 Countries and Territories

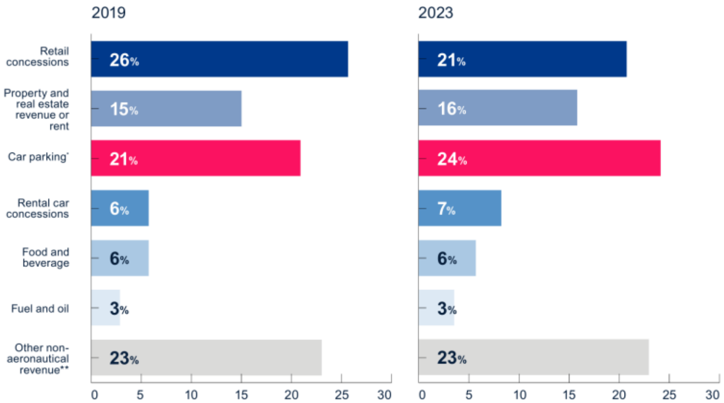
AGENDA

1. Context

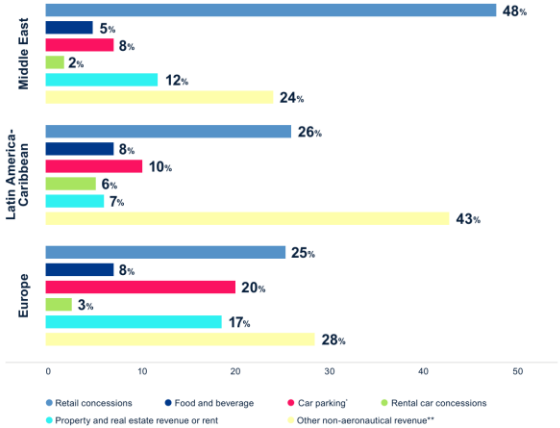
Non-aeronautical revenues in the global airport context



Source: ACI World Airport Economics Database

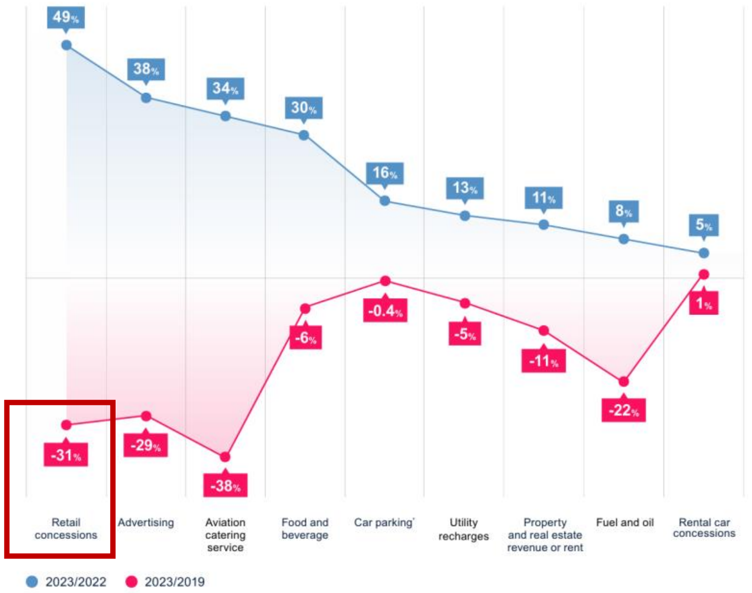


	Total revenue	2023/2022 % change	Aero-nautical revenue	2023/2022 % change	Non-aero-nautical revenue	2023/2022 % change	Non-operating revenue	2023/2022 % change
Africa	3,200	38.0%	2,200	31.6%	800	27.0%	200	190.2%
Asia-Pacific	33,300	55.6%	17,400	69.7%	14,100	52.4%	1,800	-5.5%
Europe	51,600	13.2%	29,600	16.4%	19,900	12.3%	2,100	-11.3%
Latin America-Carribean	10,200	11.1%	6,400	8.6%	2,600	10.8%	1,200	26.7%
Middle East	11,100	22.4%	5,900	19.4%	4,800	26.9%	400	14.1%
North America	36,600	13.7%	17,500	7.5%	12,200	11.7%	6,900	20.7%
World	**146,000**	**21.4%**	**79,000**	**21.5%**	**54,400**	**21.1%**	**12,600**	**12.1%**



Key revenue categories performance

Year-over-year % change in selected non-aeronautical revenues (2023/2019 and 2023/2022) – Global perspective



* Includes revenue from airport-operated parking lots and car parking concessions revenue.

Source: ACI World Airport Economics Database

- Drop in global travel retail revenues
- Africa ~ global trend
- Asia-Pacific: deep decline
- Middle East: resilience

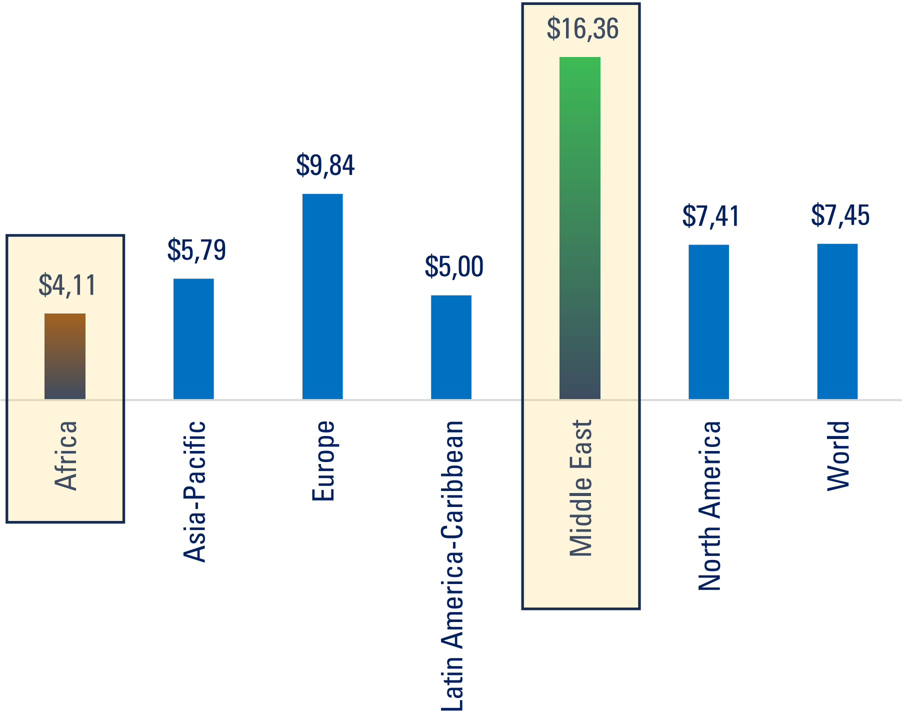
Year-over-year % change in selected non-aeronautical revenues (2023/2019)

	Retail concessions	Food and beverage	Car parking	Property and real estate revenue or rent
Africa	-34%	-1%	-35%	-11%
Asia-Pacific	-45%	-25%	-11%	-15%
Europe	-20%	3%	-3%	-9%
Latin America-Carribean	-2%	18%	-18%	-49%
Middle East	-17%	-8%	-20%	-2%
North America	-27%	-13%	4%	4%

Source: ACI World Airport Economics Database

Unit revenues

Operating non-aeronautical revenue per passenger (2023, USD)



Unit airport revenues (non-aero/pax)

Middle East: global x2
Africa: global / 2

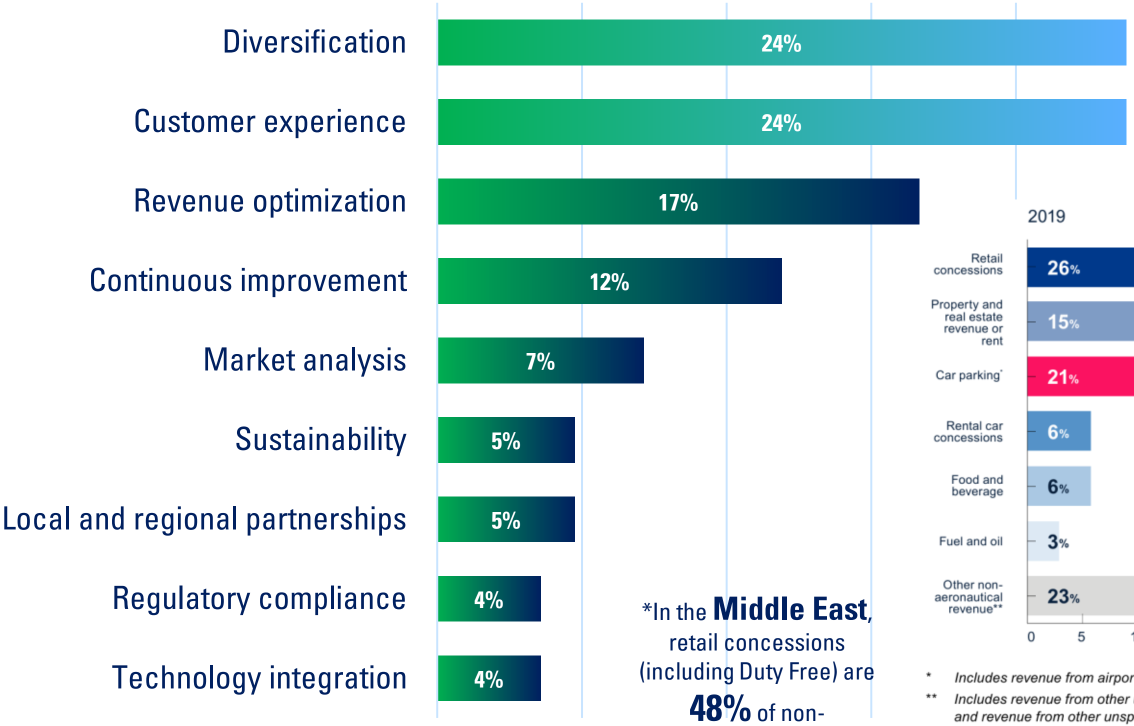
Middle East = Africa x 4!

Purchasing power

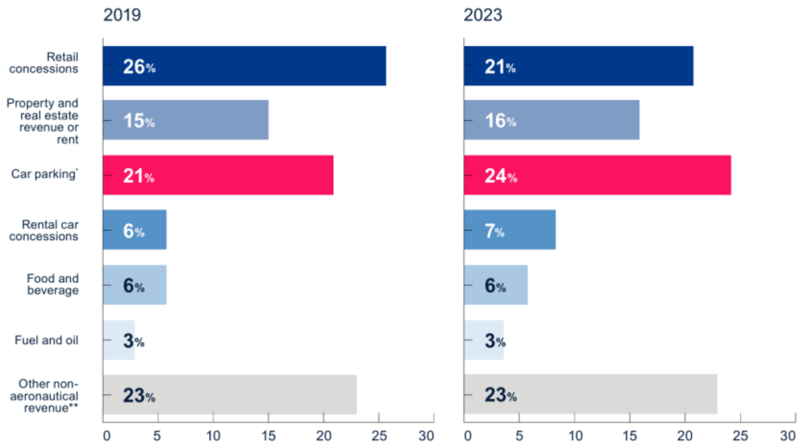
Middle East	≈ 1.8–2.0 × global purchasing power	Driven by Gulf economies (Qatar, UAE, KSA) with high per-capita incomes, strong currency, and large premium-travel base
Africa	≈ 0.4–0.5 × global purchasing power	Reflects lower per-capita income, limited discretionary spending, and weaker exchange-rate power

2. Policies and Principles

What are the key policies and principles that guide the development of non-aeronautical revenues and activities at airports?



*In the **Middle East**, retail concessions (including Duty Free) are **48%** of non-aeronautical revenues



* *Includes revenue from airport-operated parking lots and car parking concessions revenue.*

** *Includes revenue from other unspecified concessions, revenue from other unspecified activities undertaken by an airport, and revenue from other unspecified non-aeronautical activities.*

Source: ACI World Airport Economics Database

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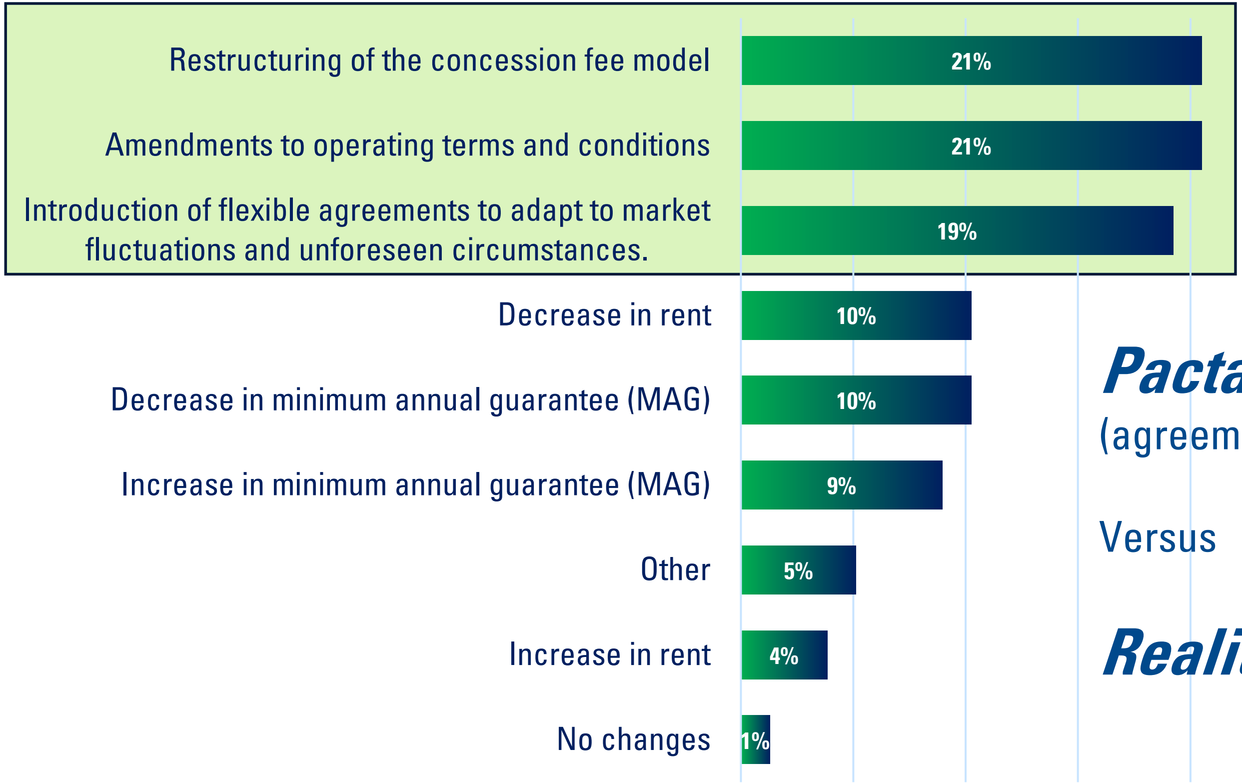
3. Reality on the Ground

What type of changes have you seen in business relations between your airport(s) and concessionaires since 2019?



Pacta sunt servanda

(agreements must be kept)

Versus

Reality on the ground

What factors have driven recent changes in business relations between airports and concessionaires?

- ❖ Experience first, goods second
- ❖ Price elevation, value pushback
- ❖ Narrower cross-border arbitrage
- ❖ Time compression, digital distraction
- ❖ Digital pre-planning
- ❖ Currency swings re-route purchases
- ❖ Chinese demand normalized and repatriated
- ❖ Quiet luxury, the rise of second-hand

Experience first, goods second

Leisure for longer

Worldwide, travelers are extending their trips by **+1 day** on average

+2 days in Middle East and Africa

MASTERCARD ECONOMICS INSTITUTE

Eventful economy

Consumers are traveling for memorable events ranging from Solar Eclipses to Taylor Swift shows, Carnival in Brazil, and the World Cup.

Singapore

Singapore's economy boosted by Taylor Swift, Coldplay shows; over half of concertgoers 'likely' from overseas

The Monetary Authority of Singapore (MAS) noted estimates by private-sector analysts indicating the concerts could have generated tourism receipts of up to S$450 million.

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Press release

Global luxury spending to land near €1.5 trillion in 2024, remaining relatively flat as consumers prioritize experiences over products amid uncertainty

November 13, 2024 • 5 min read

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Price elevation, value pushback

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Luxury goods + Add to myFT

Luxury brands ease off on price rises as shoppers push back

Price of luxury goods has increased at slowest pace since 2019 as the industry battles a longer than expected downturn

ADVANCED

RETAIL

What consumers want from luxury in 2025

Between a creative rejig and climbing price tags, it's a strange time to shop luxury. In a survey of more than 4,000 luxury consumers, we found out what brands need to do to succeed in the court of consumer opinion.

BY VOGUE BUSINESS CUSTOM INSIGHTS TEAM IN PARTNERSHIP WITH PHRONESIS PARTNERS

March 26, 2025

Slowdown in luxury price increases

Global luxury goods prices increased by just **+3%** in early 2025 - the slowest pace since 2019 - as brands tone down hikes amid consumer fatigue (UBS)

Price hikes fuelled growth, but now slowing

Between 2019–2023, **80%** of the global luxury market's growth came from **price increases**, with just 20 percent from volume gain (McKinsey)

Market contraction, retreat of aspirational buyers (Bain)

2 percent contraction in the global personal luxury goods market in 2024 - the first decline in fifteen years (excluding early COVID)

50 million luxury consumers **exited the market in 2024**

Share of second-tier (aspirational) luxury customers **dropped from 65 percent in 2021 to 55 percent in 2024**

Narrower cross-border arbitrage

Price harmonization has reduced regional gaps that once favored airport purchases. Several brands explicitly raised prices to align markets, **shrinking differentials below 10 percent** in some cases.

<u>No arbitrage condition:</u>
There is no opportunity to make a risk-free profit by buying and selling assets in markets

Time compression and digital distraction

- **Dwell time**: **-16%** from 125 minutes in 2018 to 104 minutes in 2024.
- **Spend per traveller**: **-8%** compared to 2019.
- **Total travel retail sales**: Remain **23% below** 2019 levels.
- **Digital distraction**: **62%** of passengers use smart devices to manage their journey, diverting attention from browsing.

More than 50% of passengers spend their "free" time online in terminals, with shopping dropping to third place behind connecting and dining

(Airport Dimensions)

Digital pre-planning

Spontaneous shopping

Impulse-driven, unplanned purchases

Structured shopping

Pre-researched and pre-reserved purchases

Click-and-collect services

Price-point impacts

Self-purchase comes a different price sensitivity. Travelers tend to:

- Select items within mid-range price bands that deliver clear value
- Allocate more spend to practical or experiential categories (e.g., cosmetics, electronics, F&B, wellness).
- Reduce impulse splurges on ultra-luxury items, particularly as cross-border price harmonization narrows arbitrage opportunities

Self-purchase replacing gifting

Self-purchase has overtaken gifting as the primary purchase driver, reflecting shifts in demographics, values, and the pursuit of personal indulgence

This transition is also influencing category shares:

- Beauty, wellness, and tech are gaining ground
- High-ticket gifting items (watches, jewelry, luxury accessories) are experiencing slower growth

Behavioral implications

- Consumers now enter stores with intent: rather than browsing multiple aisles, they go straight to the reserved counter or specific brand
- This reduces dwell time inside retail environments, reinforcing the time compression trend
- At the same time, the digital touchpoint becomes the true "first shop window."
- Airports and retailers that fail to capture travelers online risk losing them before they ever set foot in the store.

Currency swings re-route purchases

Exchange rates as invisible price tags

- Luxury prices are nominally harmonized across regions, but currency fluctuations quickly re-open arbitrage windows
- A weak local currency makes luxury goods cheaper in real terms, stimulating inbound tourist shopping.
- Conversely, a strong currency suppresses foreign demand and reroutes spend to other hubs

Elasticity of luxury travel retail to ForEx

- **10% currency depreciation** in a destination market can **boost luxury sales to tourists by 7–9%** if brands have not yet re-priced (Bain & Co)
- **More than 60% of duty-free shoppers compare prices across regions**, making them acutely sensitive to FX-driven gaps (m1nd-set research)

Japan – Yen depreciation

Prices up to **30% cheaper than in Paris or Hong Kong** before brands adjusted

South Korea – Strong won periods

Chinese daigou shifted purchases back to domestic China duty free

UK – Pound swings

American and Chinese tourists saw **effective discounts of 10–15%** after Brexit

Middle East – USD peg stability

Fixed exchange rates pegged to **USD make prices stable and predictable**

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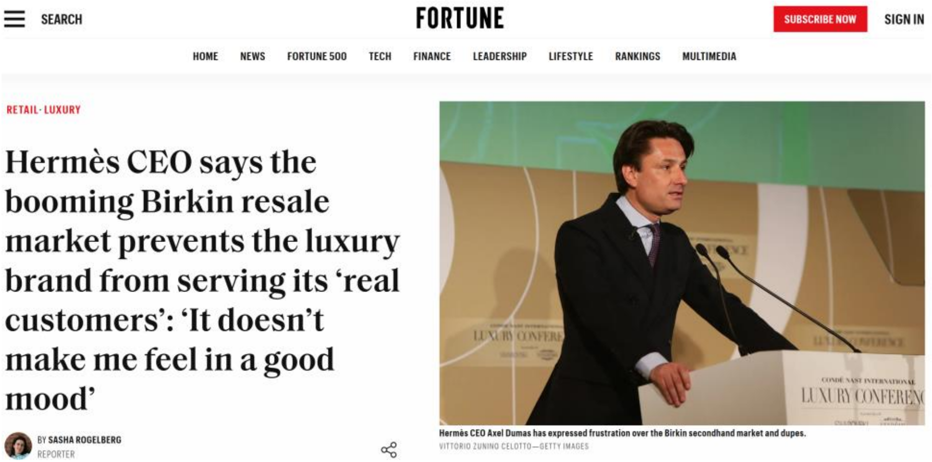
Chinese demand normalized and repatriated

The story of Hainan

- Policy support and investment in Hainan's Free Trade Port and downtown duty free has shifted spend back inside China
- In 2020-22, Hainan sales expanded at >30% CAGR, overtaking many international hubs
- Even with a cooling in 2024 (-29% sales, -16% shoppers, Bain/Reuters), Hainan remains a structurally important anchor of domestic luxury demand
- Brands have adapted: LVMH, Kering, and Estée Lauder now allocate more inventory to mainland and Hainan channels rather than relying on offshore duty free

- 20-22% fall in Chinese luxury spending (2024)
- Outbound travel only 60-77% of 2019 levels (as of 2023-24)
- Hainan sales down 29% in 2024, but still structurally large
- Seoul duty free >30% below 2019, still heavily exposed to Chinese flows
- Luxury price gap narrowed from 40% → <10% between Europe and China

Quiet luxury, the rise of second-hand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RETAIL · LUXURY

Hermès CEO says the booming Birkin resale market prevents the luxury brand from serving its 'real customers': 'It doesn't make me feel in a good mood'

BY SASHA ROGELBERG
REPORTER

Hermès CEO Axel Dumas has expressed frustration over the Birkin secondhand market and dupes.
VITTORIO ZUNINO CELOTTO—GETTY IMAGES

Some luxury SKUs up **+200-300% in list price since 2015** (UBS), reinforcing consumer pushback and interest in discreet, durable alternatives

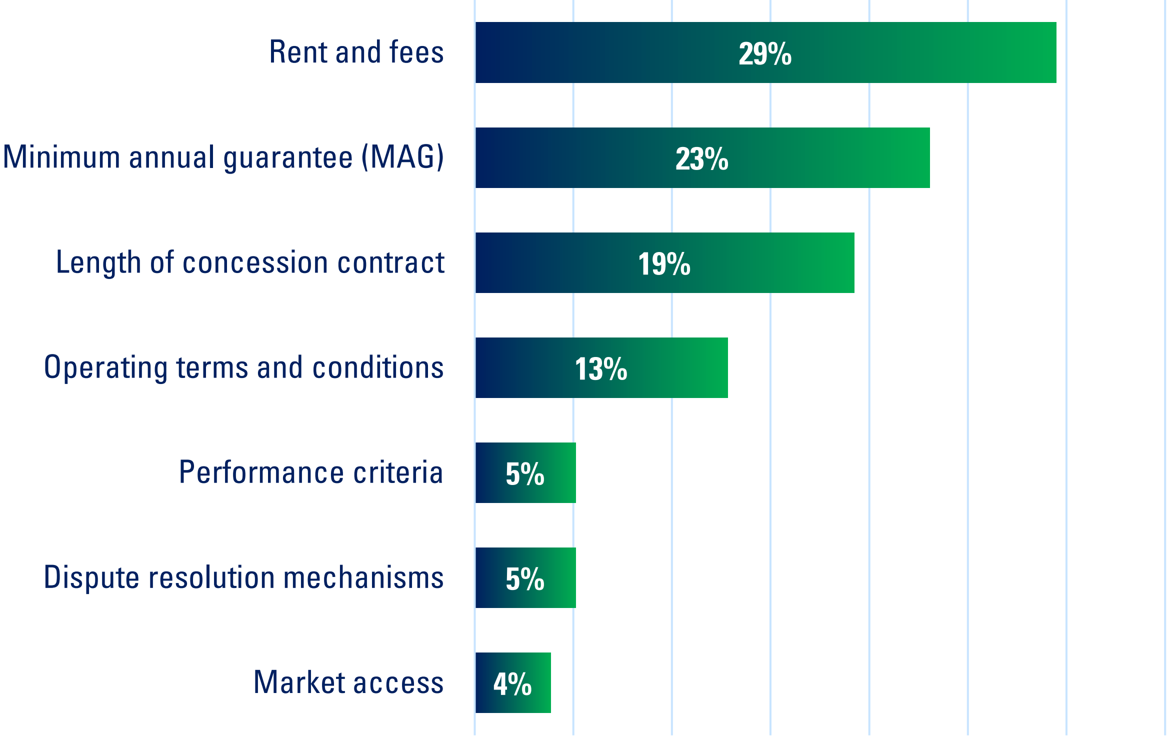
Value consciousness	Sustainability
Re-sale liquidity	Cultural aesthetics

Rise of the second-hand luxury market

- The global pre-owned luxury goods market has emerged as one of the fastest-growing segments of fashion and accessories
- Bain & Co. estimates the second-hand luxury market reached €48 billion in 2024, up 7% year-on-year and continuing to outpace growth in the primary market
- Approximately one in three younger luxury consumers (Gen Z and Millennials) report having purchased a pre-owned luxury item, a figure that has more than doubled since 2018 (BCG / Vestiaire Collective).

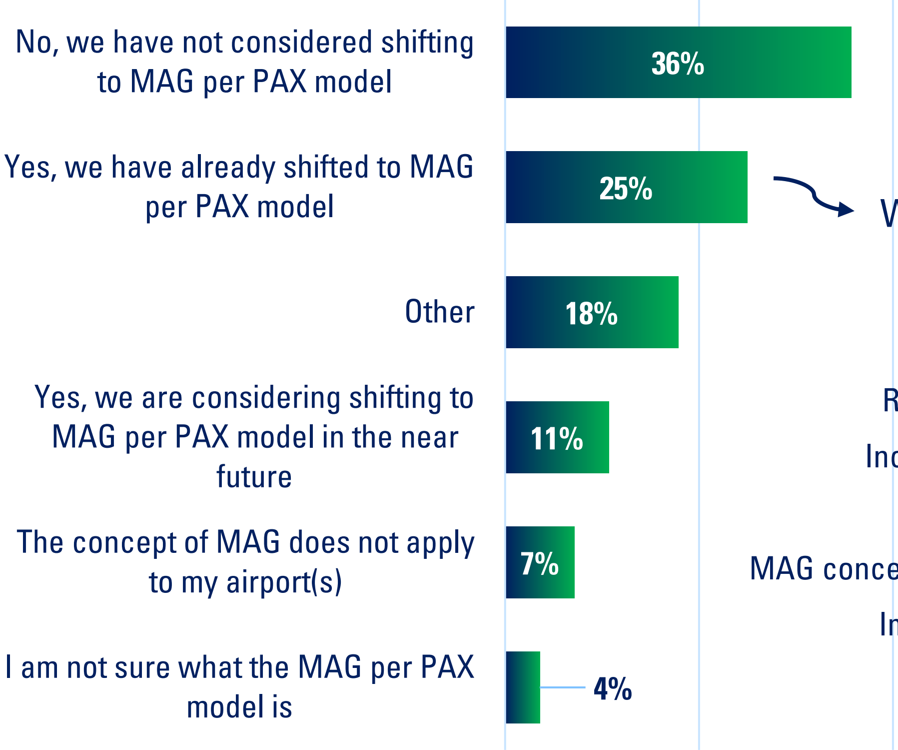
4. Rent, Relief, and Relationship Status

What are the key contract terms between your airport operator and concessionaires that generate or have most propensity to generate tensions between the two parties?

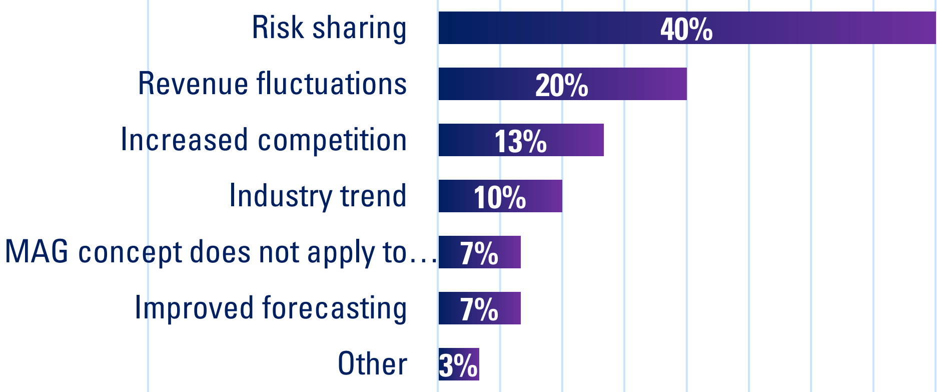


"Money talks"

Have you considered shift from a fixed MAG to variable MAG?



What are the **reasons behind shifting from a fixed to variable MAG?**



Sources of risk ⚠

Traffic volatility

- Pandemics, geopolitical tensions, sudden regulatory changes
- COVID-19 devastated fixed-rent models

Consumer behavior and spending patterns

- Less luxury, more self-purchase, digital pre-planning, etc.

Macroeconomic and currency fluctuations

- Inflation, exchange rate swings, and local purchasing power shifts
- Currency appreciation/depreciation can boost or reduce spending

Industry competition

- Increased competition from e-commerce and downtown retail
- Online pre-order platforms reduce in-terminal conversion

Regulatory and policy shifts

- Policy shocks like the UK's removal of VAT-free shopping (2021) or China's expansion of Hainan duty
- MAGs can become unsustainable overnight

Operational disruptions

- Security, strikes, weather, or infrastructure failures

Brand and product cycles

- If a key luxury brand raises global prices aggressively, elasticity kicks in

When even variable MAG cannot absorb the shock: the case of duty free in Korea

Daigou (lit. 'surrogate shopping') is a form of cross-border trade in which an individual or a syndicated group of exporters outside China purchases commodities (mainly luxury goods but sometimes also groceries such as infant formulas) for customers in China.

THAAD Crisis (2017):
A diplomatic and economic dispute triggered by South Korea's decision to deploy the **U.S. Terminal High Altitude Area Defense (THAAD) anti-missile system**. In retaliation, China imposed unofficial sanctions: restricting tourism flows, banning group tours to South Korea, and curbing Chinese consumer demand for Korean goods and services.

Daigou shoppers once accounted for >70% of Korean duty-free sales

Sales plunged over 40% during THAAD crisis (2017) and another 80–90% during COVID travel restrictions

Even with variable MAG, **operators faced existential losses** as the business model relied on one nationality and one channel

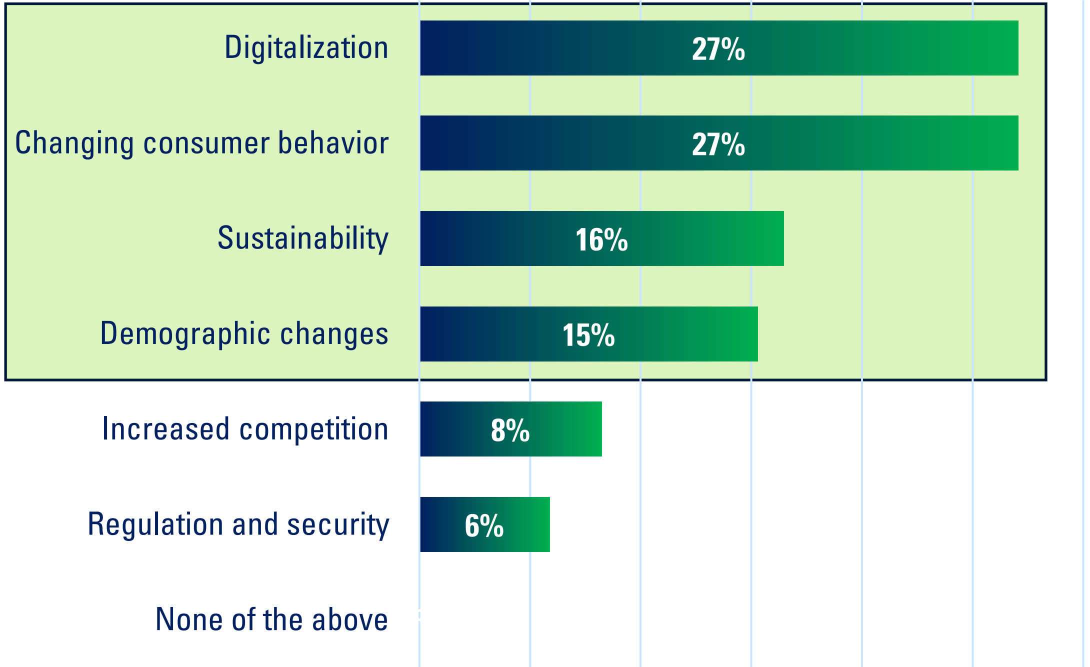
Impact on aviation & duty free:

- Chinese visitor arrivals to Korea dropped by **~50% in 2017**.
- Duty free sales, heavily reliant on Chinese *daigou* shoppers, contracted sharply, with some operators losing over **40% of revenues** almost overnight.

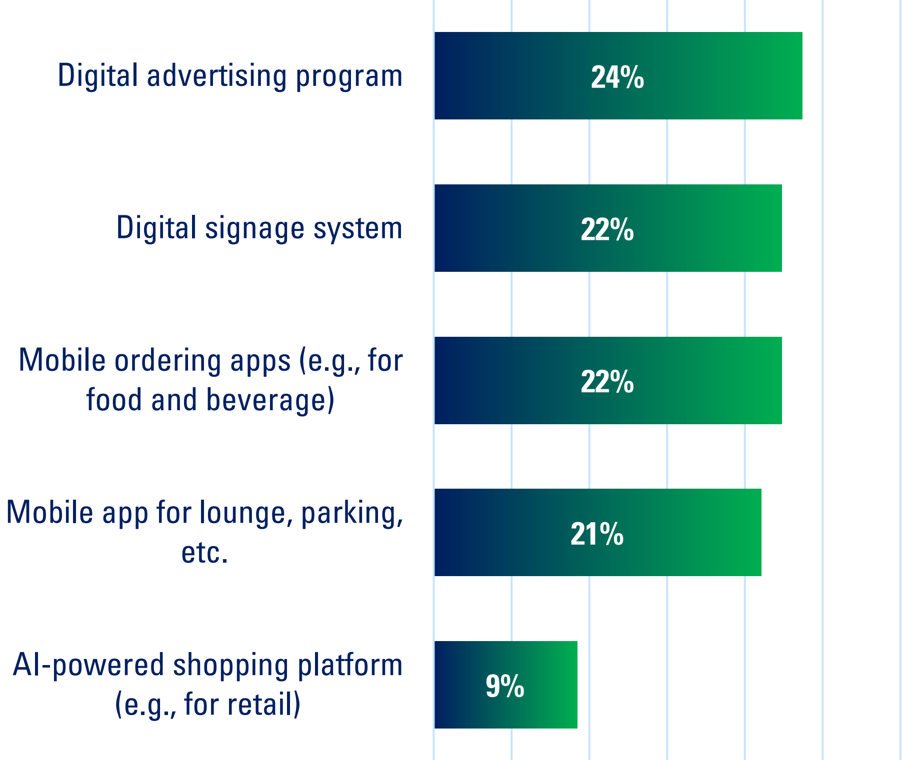
Beyond rent & MAG: reinventing the partnership

5. Megatrends

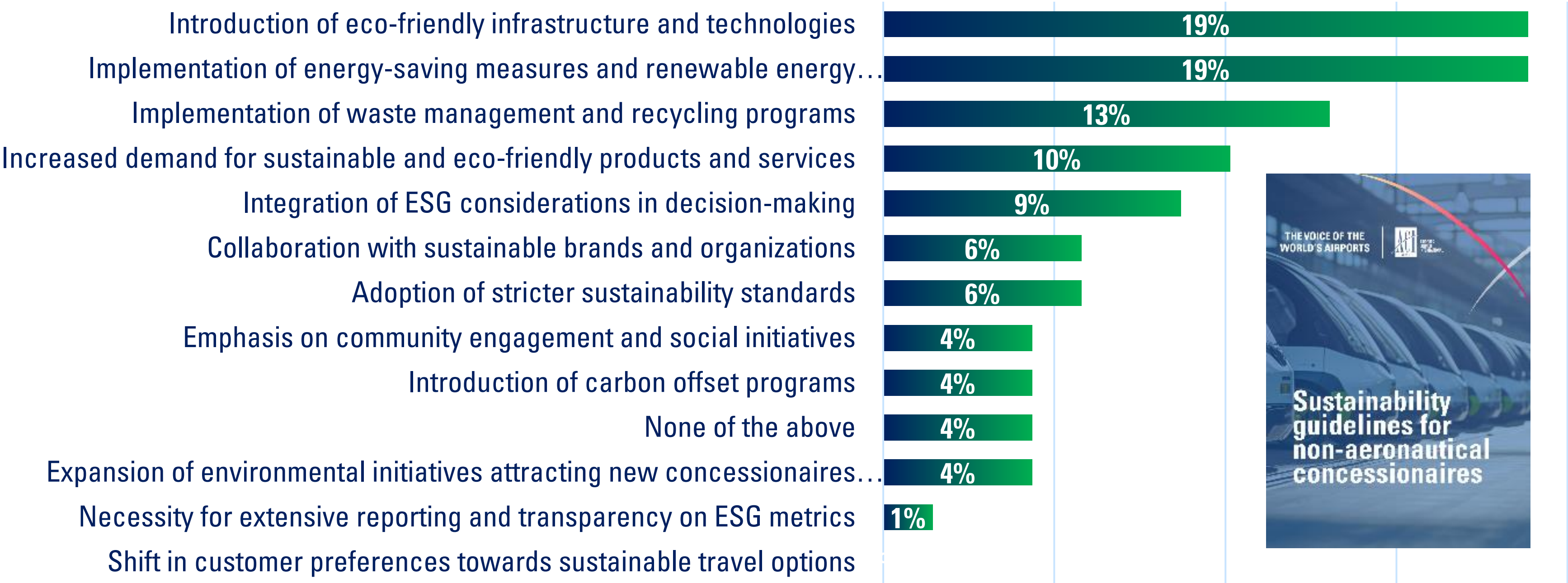
What are the megatrends likely to impact non-aeronautical revenues at your airport(s) and the business relationships with your key concessionaires?



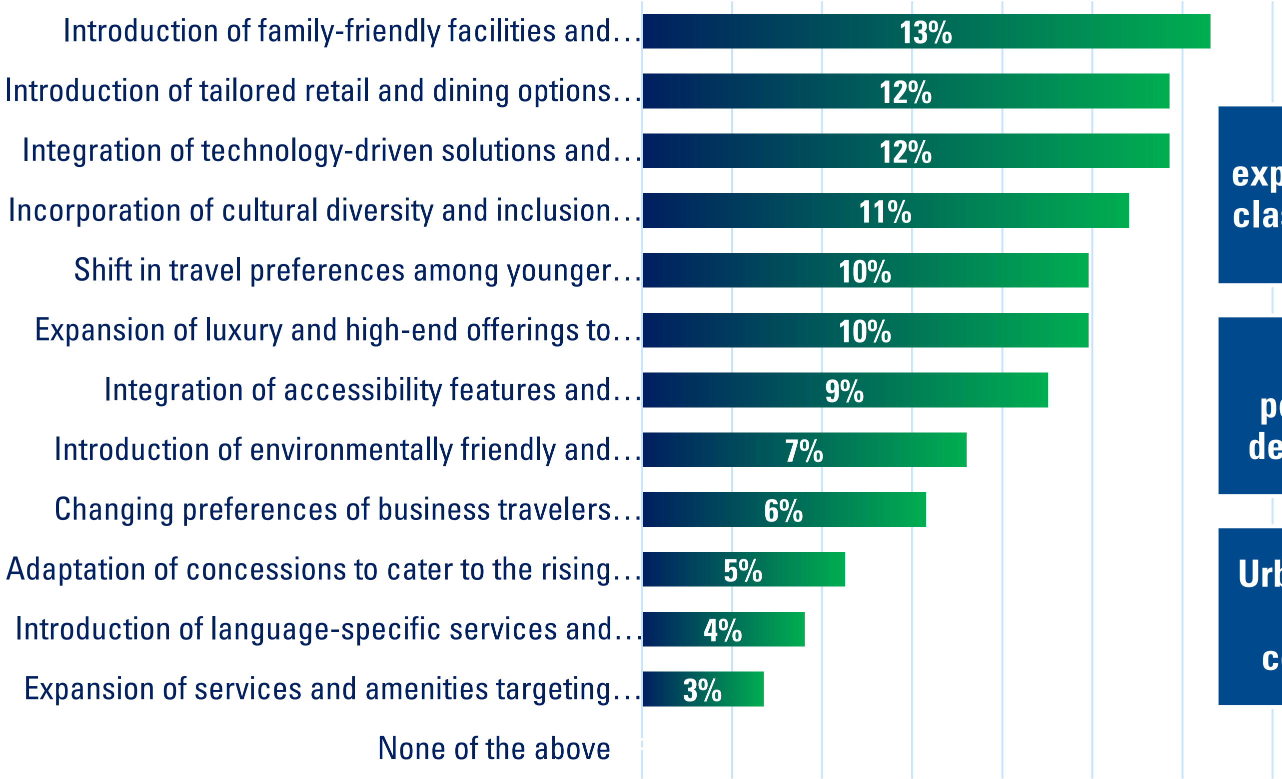
Which of the following digitalization strategies and solutions have you implemented or consider implementing in the foreseeable future?



How has the environmental agenda and increased Environmental, Social, and Governance (ESG) requirements impacted your airport(s)' non-aeronautical revenues and activities?



How have demographic shifts and changes impacted the non-aeronautical revenues and activities at your airport(s)?



Youthful, expanding middle class in emerging markets

Ageing populations in developed hubs

Urbanisation and mega-city concentration

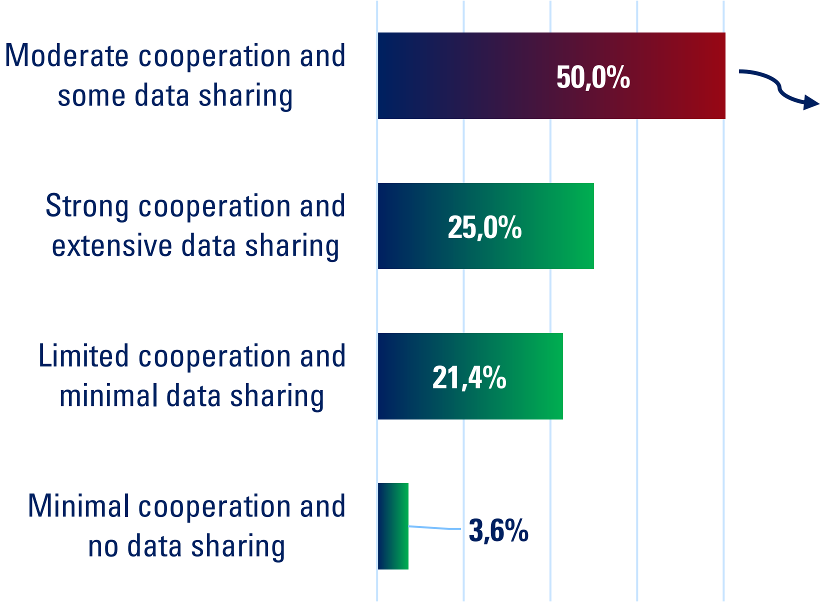
Demographic shifts and changes: how does it really work?

Youthful middle class	Surge in first-time flyers; short-haul leisure boom	Affordable luxuries, self-purchase, bundles
Ageing populations	More seniors flying; premium & assisted services	Health, wellness, provenance-led shopping
Urbanization and mega-cities	Airports as mobility anchors; hub dominance	Airport = lifestyle hub; retail expands beyond travellers

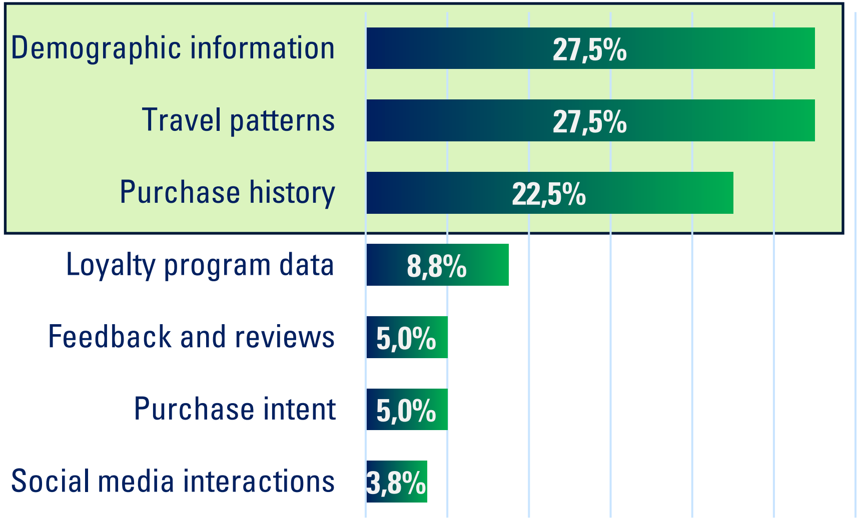
6. Data Sharing and Insights

Passenger data – a goldmine?

Level of cooperation in commercial partnerships and data sharing activities with retail and other commercial outlets



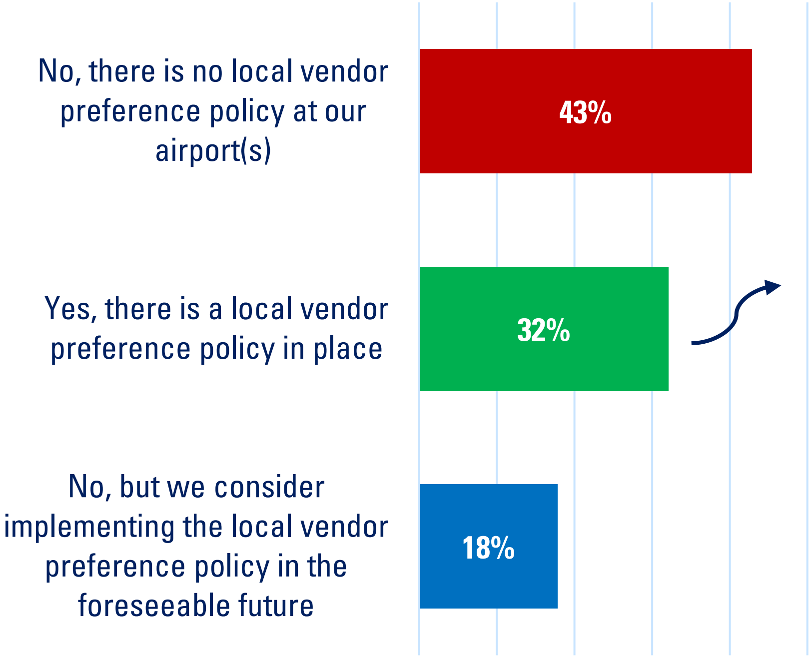
What are the k**ey dimensions of data and intelligence** that your airport(s) can gain significant advantages through data acquisition?



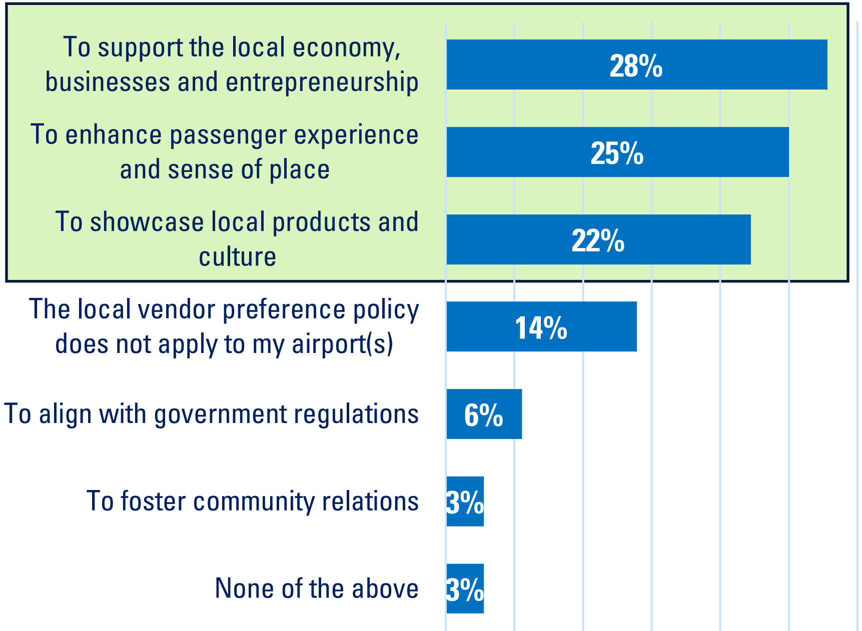
7. Connect Globally, Think Local

Local vendor preference: adoption and key drivers

Does your airport operator have a local vendor preference policy in place?



What are the key motivations behind the local vendor preference policy?



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8. Business Outlook

Diversification, customer experience, continuous improvement

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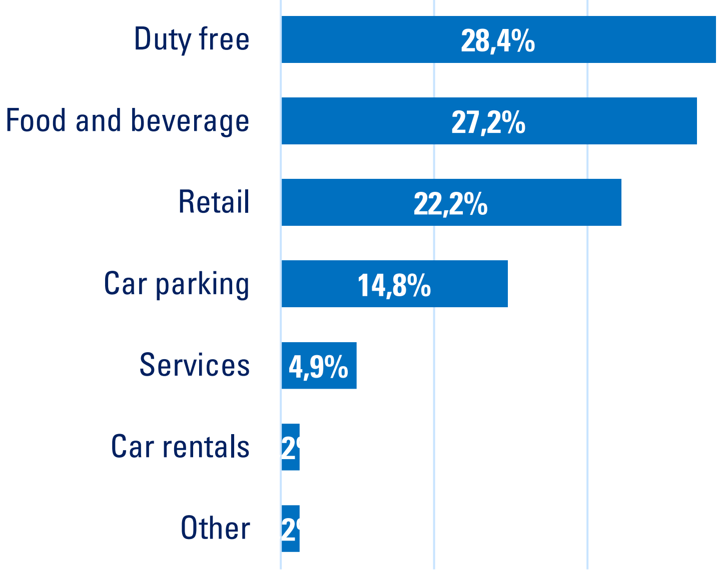
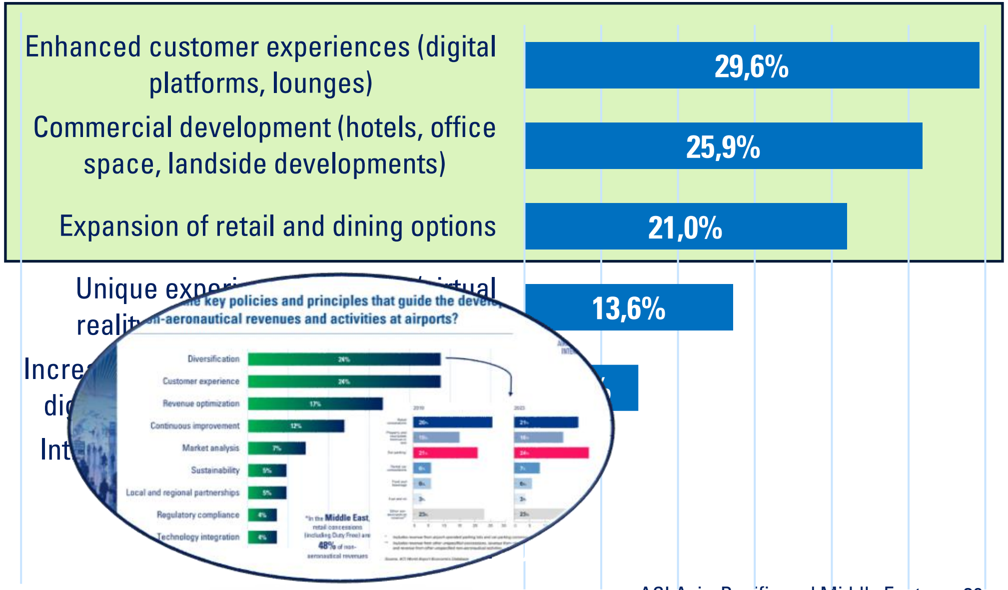
In the next 3 years, which segment do you foresee as the fastest-growing within your airport's non-aeronautical activities?



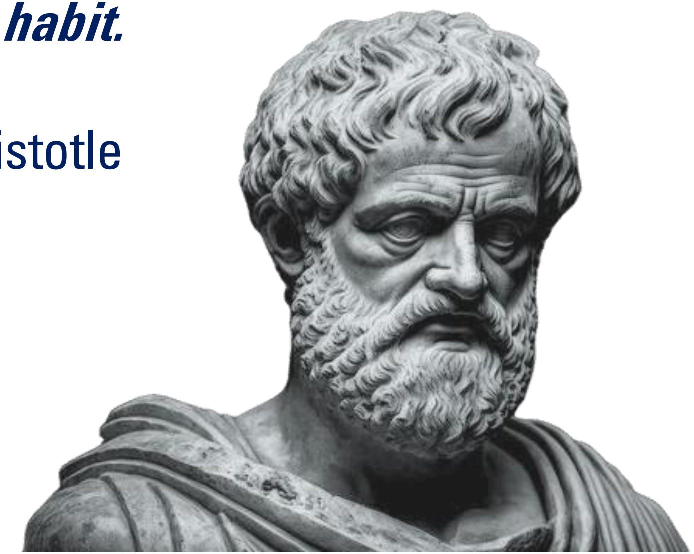
Considering the current trends and future projections, which non-aeronautical activities do you think will emerge as key growth drivers in the next three to five years at your airport?



Thank you!

We are what we repeatedly do. Excellence, then, is not an act, but a habit.

Aristotle



One more thing…

Upcoming in 2026:

Study On Travel Retail In the Post-Pandemic Era: Emerging Trends, Passenger Behavior, And Policy Recommendations

To be released at Trinity Forum in Doha (5-6 February 2026)

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