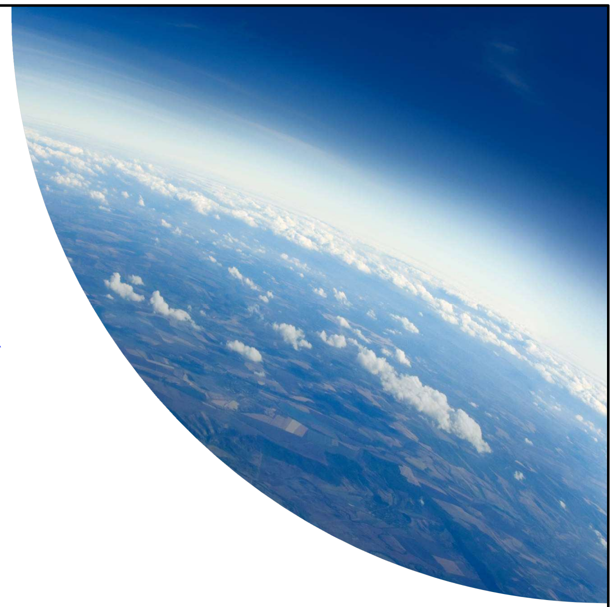
IATA
GLOBAL
MEDIA DAY

Global Economic & Industry Outlook

Recovery, risks & resilience



Andrew Matters
Director, Policy and Economics

IATA

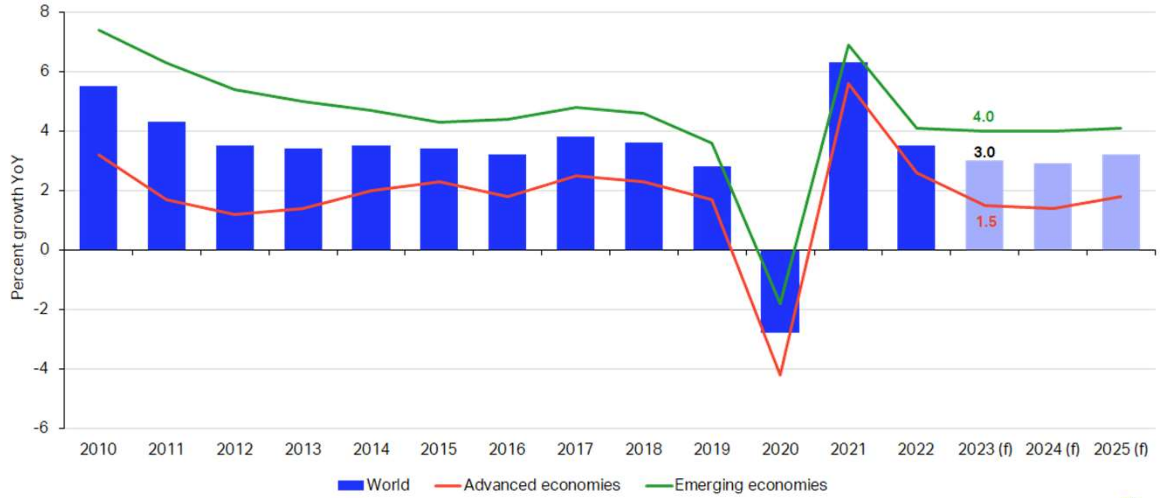
2023 (estimate)	2024 (forecast)
$23.3 billion industry-wide net profit	**$25.7 billion** industry-wide net profit
2.6% net profit margin	**2.7%** net profit margin
$5.44 profit per passenger	**$5.45** profit per passenger

Source: IATA Sustainability & Economics, Tourism Economics

Global economic activity has moderated

And has stabilized at around its long-run average rate of around 3%

Real GDP growth, percent yoy



Source: IATA Sustainability & Economics, Tourism Economics

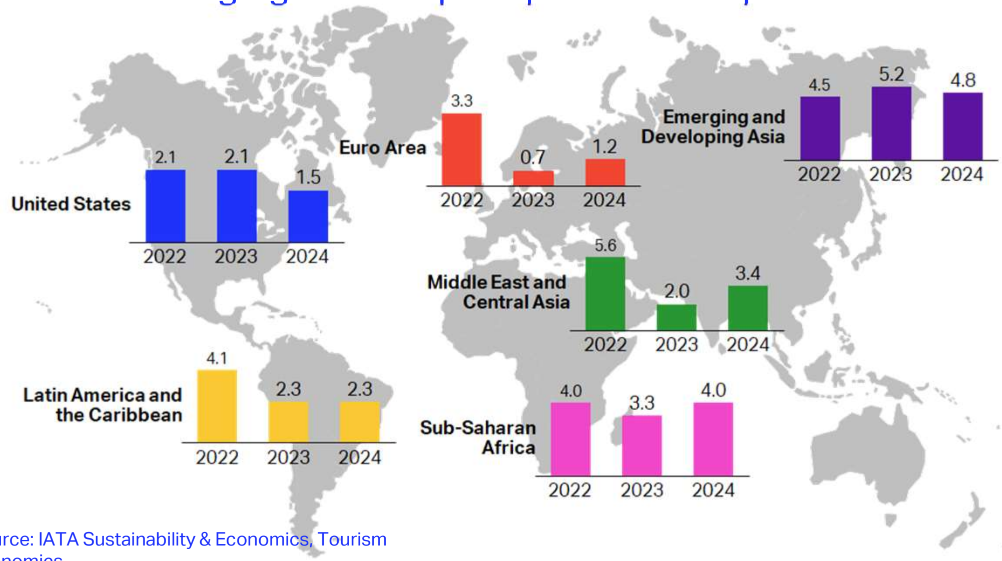
GDP growth has moderated from the post-Covid rebound in 2021.

The IMF are forecasting global economic growth of around 3% this year (2023) and next. This is broadly in line with the long-run average global growth rate.

The world's emerging economies are forecast to grow at a quicker rate than the so-called 'advanced' economies – around 4% compared with around 1.5% this year, and similar next

Upbeat GDP growth outlook for Emerging Asia & SSA

But a more challenging backdrop for parts of Europe & the US

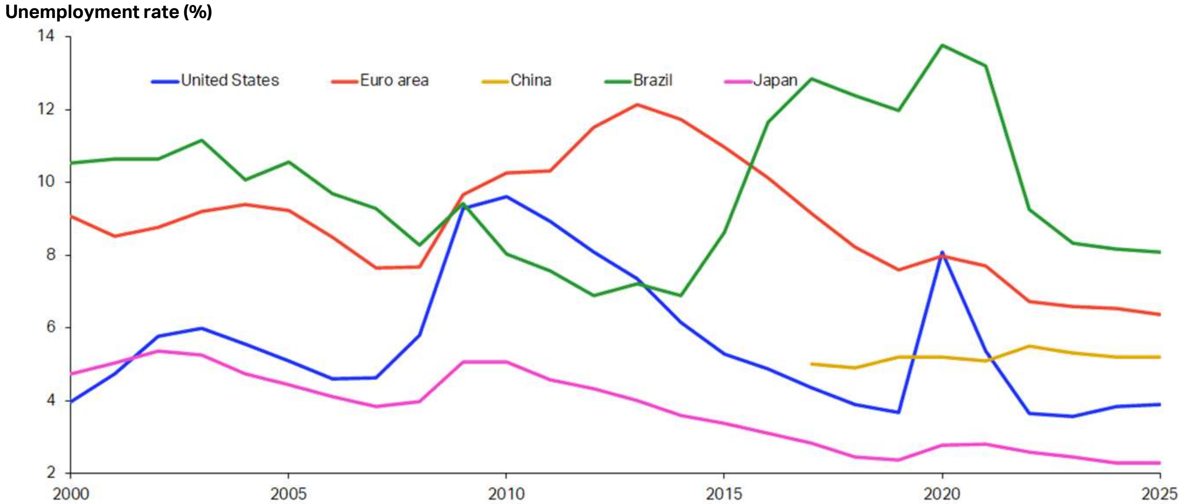


Source: IATA Sustainability & Economics, Tourism Economics

- Across regions, the economic outlook is varied.
- Consistent with the previous slide, the more 'emerging and developing' regions – such as Asia and Sub-Saharan Africa – have a relatively upbeat growth outlook.
- The US and euro area have a more subdued outlook

Labor markets remain robust, supporting demand

But contributing to labor & skills shortages and wage pressures



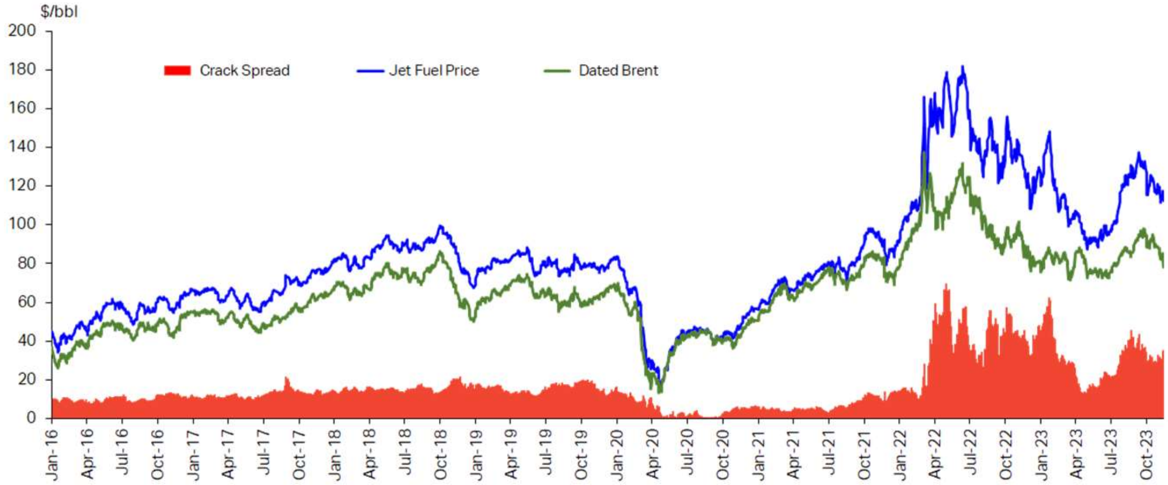
Source: IATA Sustainability & Economics, Tourism Economics

- An important recent economic development has been the performance of labour markets around the world.
- In many countries, the unemployment rate has been at or around historically low levels.
- This is good news for air transport demand – both on the passenger side, as well as for cargo (via e-commerce)
- However, tight labour markets have also created some challenges – contributing to labour and skill shortages across the aviation value chain and, in some markets, have contributed to wage and labour cost pressures.

Oil prices have risen from their Q2 lows

And the crack spread has also widened, adding to fuel costs

Jet Fuel Price vs Crude Oil Price



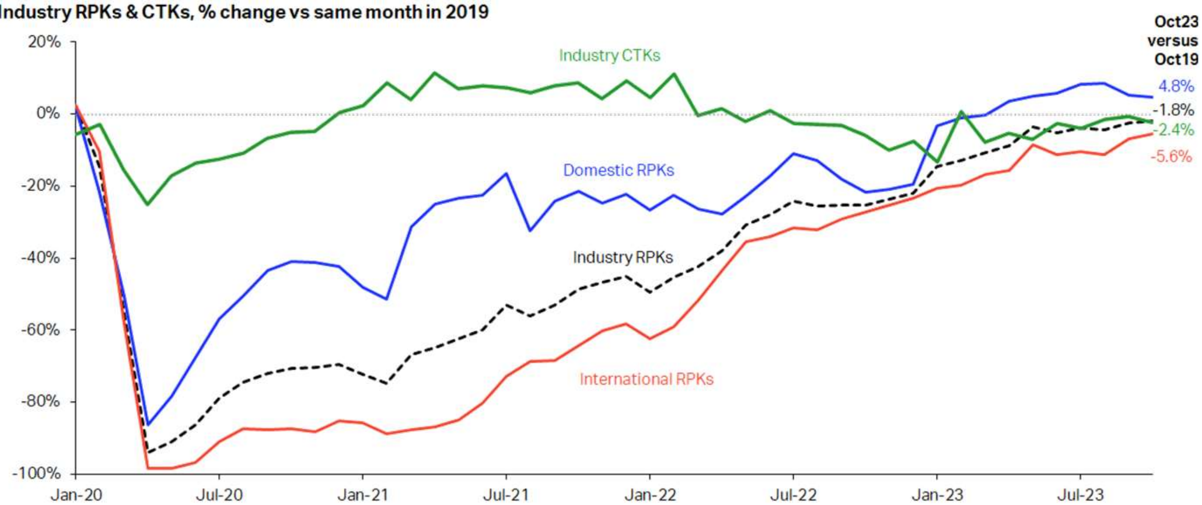
Source: IATA Sustainability & Economics, Tourism Economics

- Oil prices have risen from their low point in Q2. They moved higher again on the escalation of conflict in the Middle East, but have since retreated somewhat from those levels.
- At the same time, the crack spread has also widened, putting additional pressure on airline fuel costs.
- We expect an average jet fuel price of around USD115.5 this year and 113.8 next year.
- While remaining elevated, both are below the USD135.6 level of 2022, which was driven in large part by the Russia-Ukraine conflict

Total traffic is within 2-2½% of its 2019 level

Domestic RPKs have been above 2019 levels since April

Industry RPKs & CTKs, % change vs same month in 2019



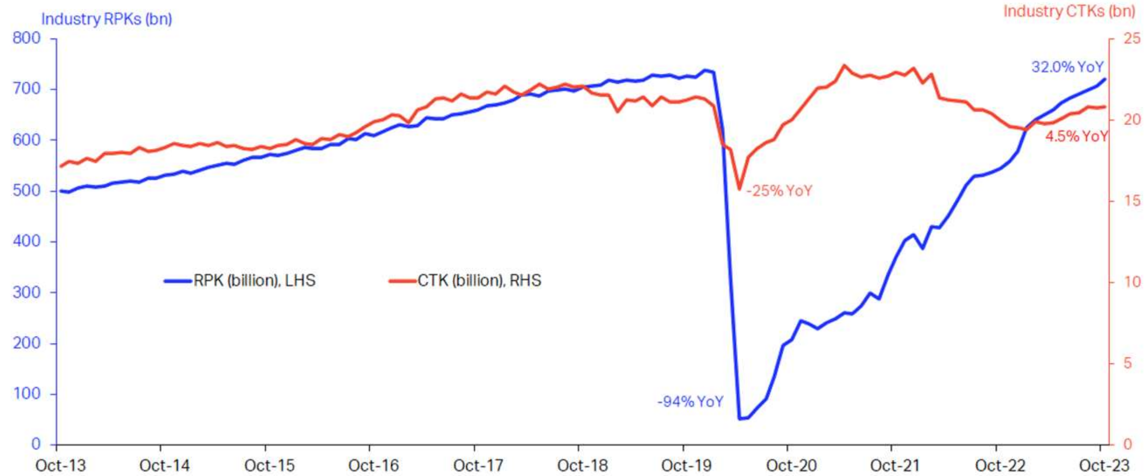
Source: IATA Sustainability & Economics, Tourism Economics

- Total traffic has almost completely recovered to its 2019 level
- Industry-wide RPKs and CTKs are within 1.8% and 2.4%, respectively of their 2019 levels
- Domestic RPKs have exceeded their 2019 level since April 2023.
- International RPKs are lagging slightly, at 5.6% below their pre-Covid level

Positive trends support growth in traffic volumes

RPKs forecast to increase by 9.8%, CTKs by 4.5% in 2024

Industry RPKs and CTKs, seasonally adjusted (bn)

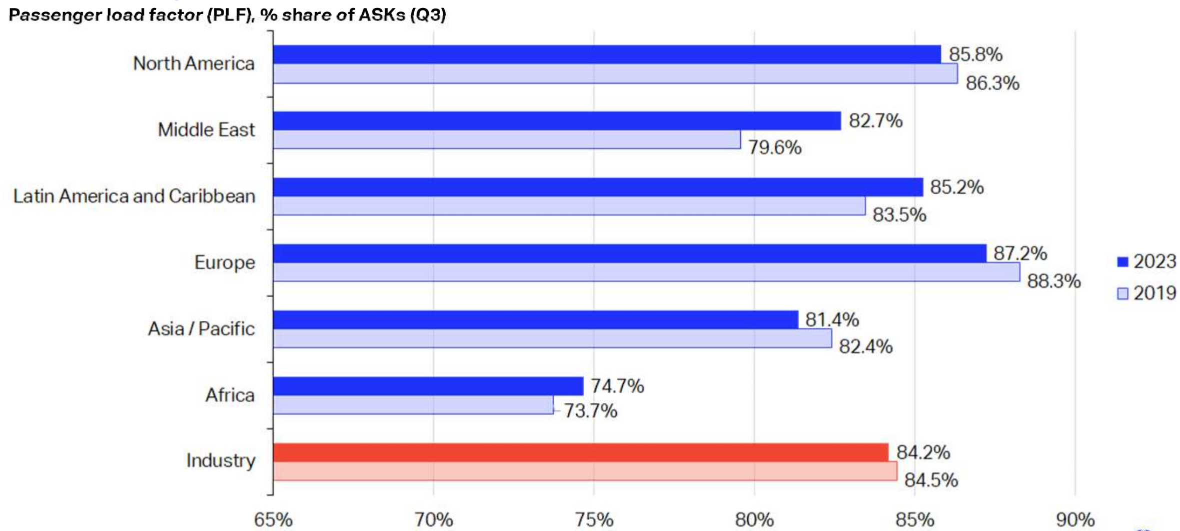


Source: IATA Sustainability & Economics, Tourism Economics

- RPKs over the year to October 2023 have increased by a very strong 32% in seasonally adjusted terms. After a period of declining cargo volumes, CTKs are current 4.5% above their year ago level.
- This provides a solid foundation and growth momentum for the 2024 traffic outlook.
- We expect RPKs will increase by 9.8% in 2024 and CTKs by 4.5% (following a decline of 3.7% in 2023)

Industry passenger load factor is nearing its 2019 level

Supporting the financial recovery of airlines



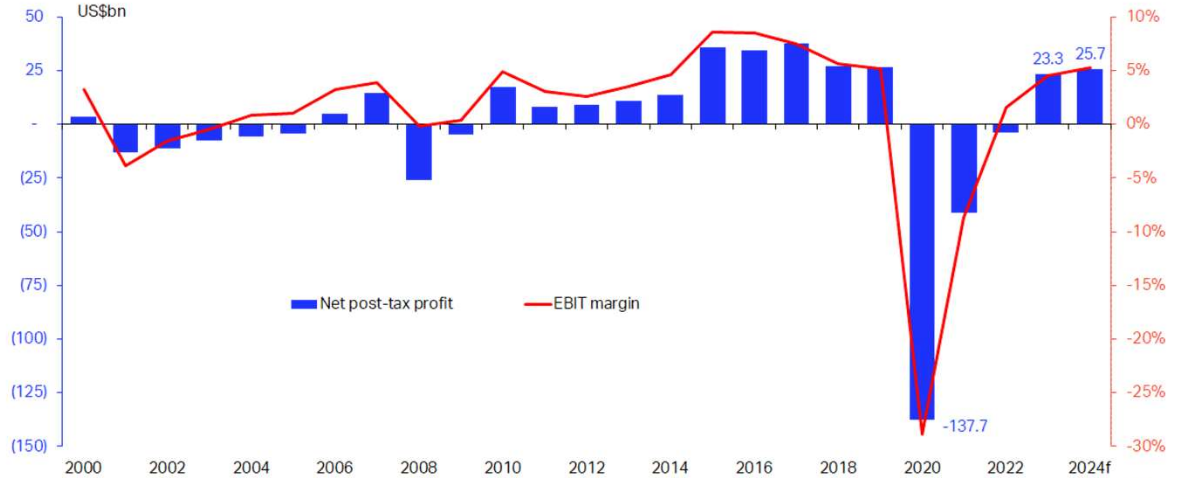
Source: IATA Sustainability & Economics, Tourism Economics

- At the industry level, the passenger load factor is nearing its 2019 level; 84.2% in Q3 2023 vs 84.5% in Q3 2019.
- For a number of regions – Middle East, Latin America and Africa – the PLF currently exceeds its 2019 level.
- The recovery in load factors (as well as overall volumes) has supported the industry's financial recovery

Industry financial recovery has exceeded expectations

But per passenger net profit remains modest at just USD 5.45 in 2024

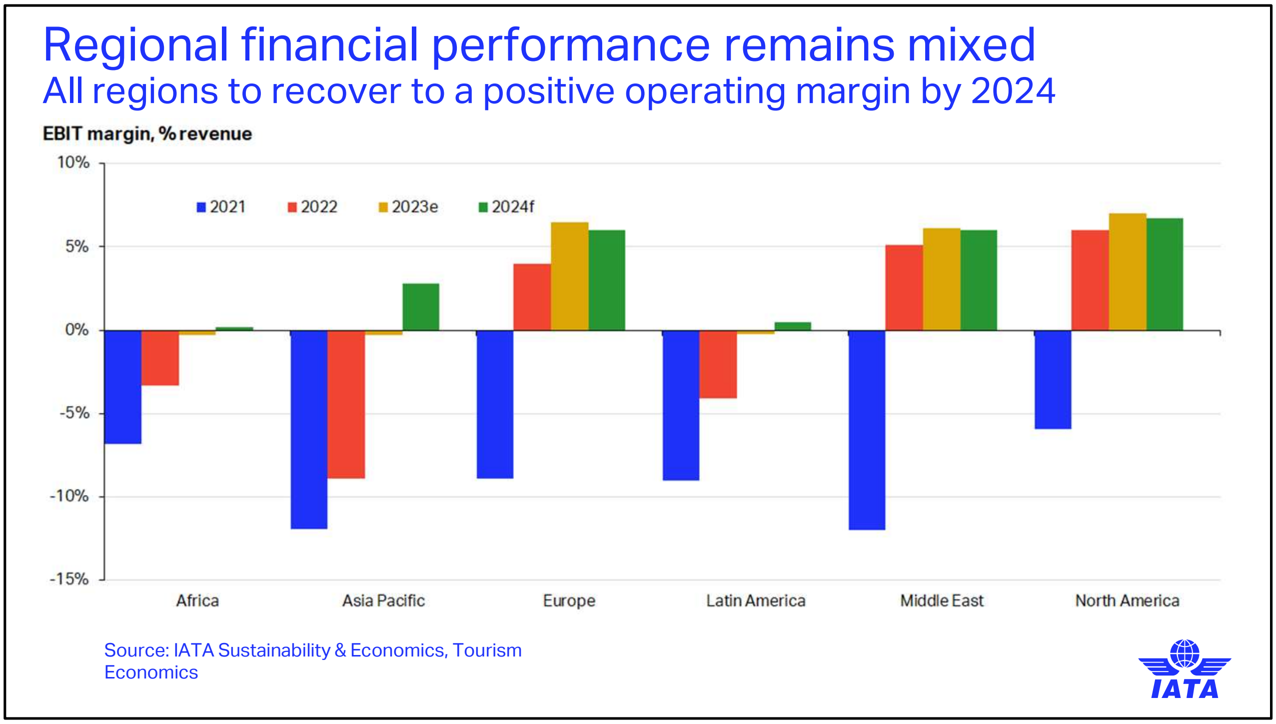
Industry net profit (USD bn) & EBIT margin (% of revenue)



Source: IATA Sustainability & Economics, Tourism Economics

- Highlighting the resilience of the air transport industry, we are forecasting a return to profitability this year.
- Net post-tax profit is expected to be USD23.3bn – a remarkable turnaround from the losses of almost USD140bn in 2020, just three years ago!
- In 2024, net profit will rise a little to USD 25.7bn.

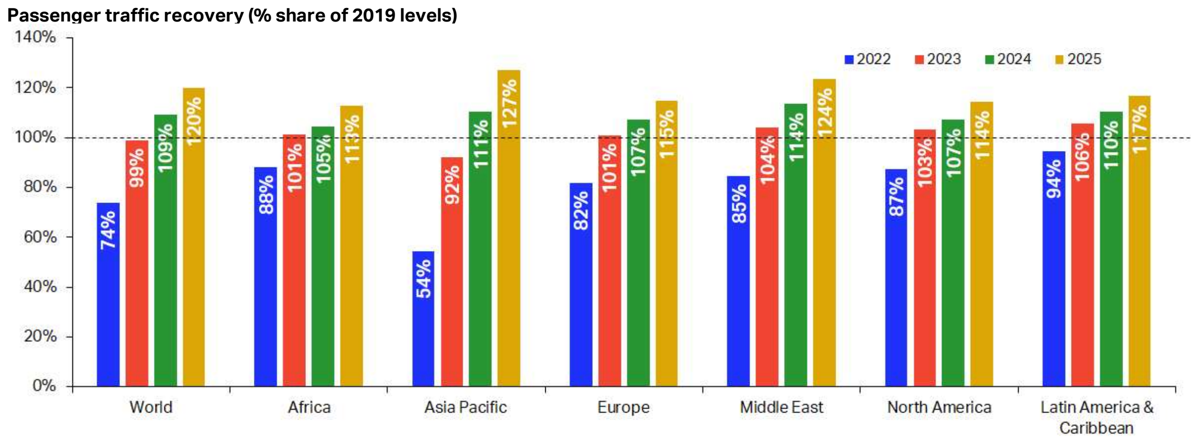
- Although this return to profitability is a welcome development, it is far from delivering financial sustainability for the industry.
- As a share of revenue, this equates to a net profit margin of 2.6% this year and 2.7% in 2024.
- On a per passenger basis, this equates to a modest USD5.44 in 2023 and a similar USD5.45 next year.



- Regional performance is recovering but remains mixed.
- All regions are expected to generate a positive EBIT margin (EBIT (operating profit) as a share of revenue) by 2024). The financial improvement for all regions is clear.

Global passenger traffic expected to recover in 2024

Except Asia Pacific, all regions return to pre-Covid levels this year



Recovery year						
2024	2023	2024	2023	2023	2023	2023

Source: IATA Sustainability & Economics, Tourism Economics

- Overall at the annual level, global air passenger numbers are expected to recover their 2019 level in 2024.
- At the regional level, all regions except Asia Pacific will recover this year (2023)

Key risks to the outlook

Risks are to both the upside & downside

- On balance, risks remain tilted to the downside

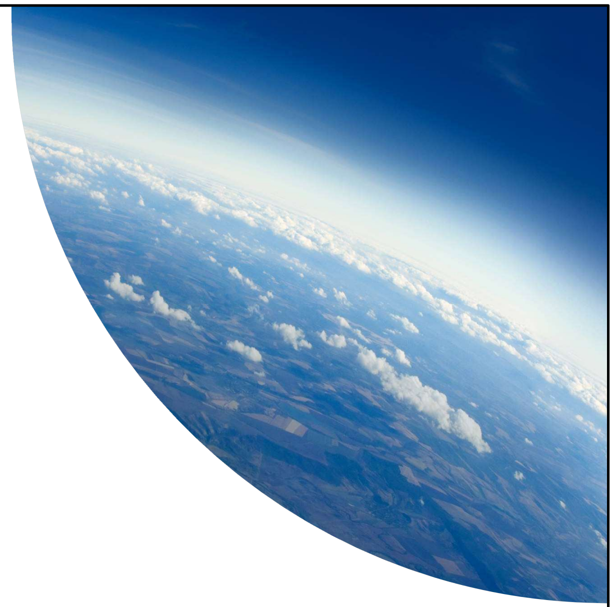
Key risks relate to:

- Global economic developments
  - GDP, inflation, labor markets, oil prices, USD etc
- Supply chain disruption
- Recovery in Asia Pacific
- Geopolitical developments
- Regulatory intervention

- As always, there are numerous risks around the economic and industry outlook.
- These are both to the upside (that things will turn out to be better than we expect) as well as to the downside.
- While it is natural to worry more about the downside risks, we should not forget about the upside risks.
- On balance the risks to the outlook remain titled to the downside

IATA
GLOBAL
MEDIA DAY

Questions?



IATA