

IATA WORLD FINANCIAL SYMPOSIUM

Chicago, USA
25-26 October 2023



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Economic & Industry Outlook

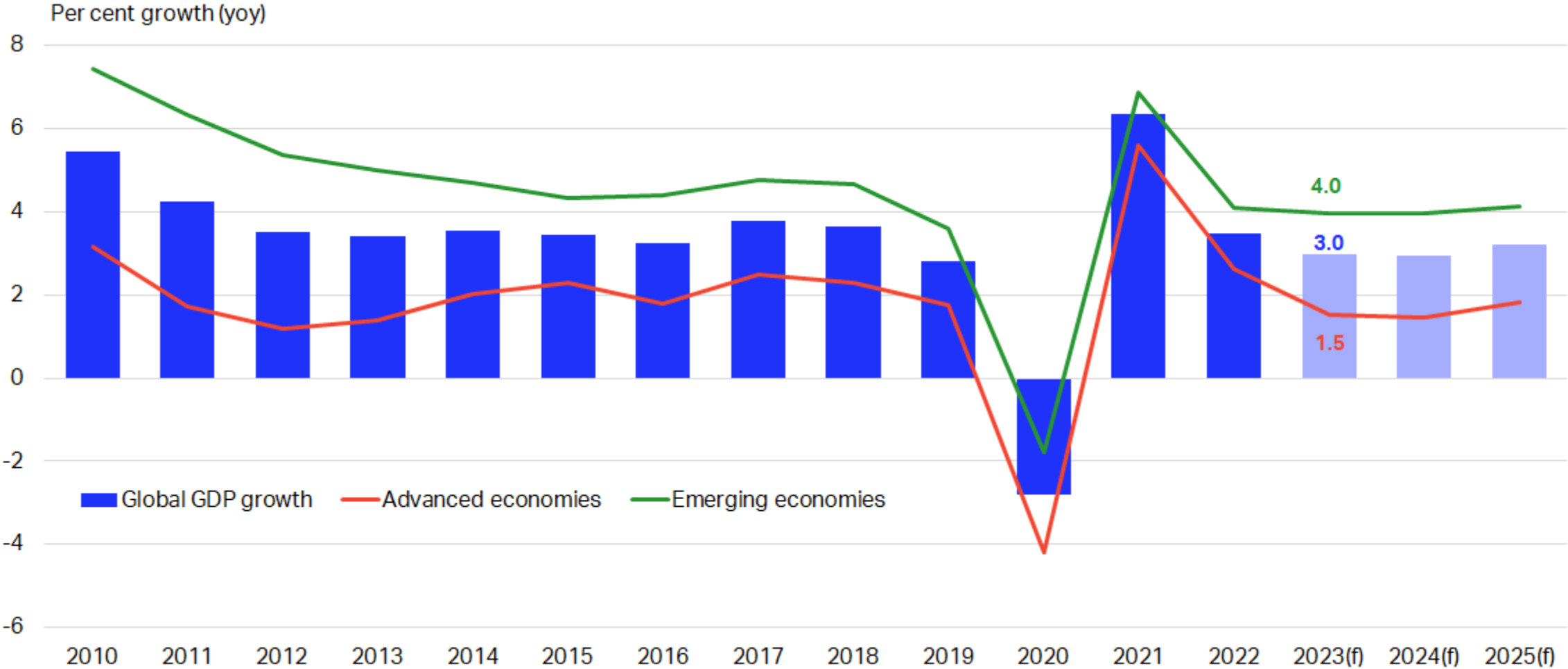
Andrew Matters
Director, Policy & Economics, IATA

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Global economic activity has moderated

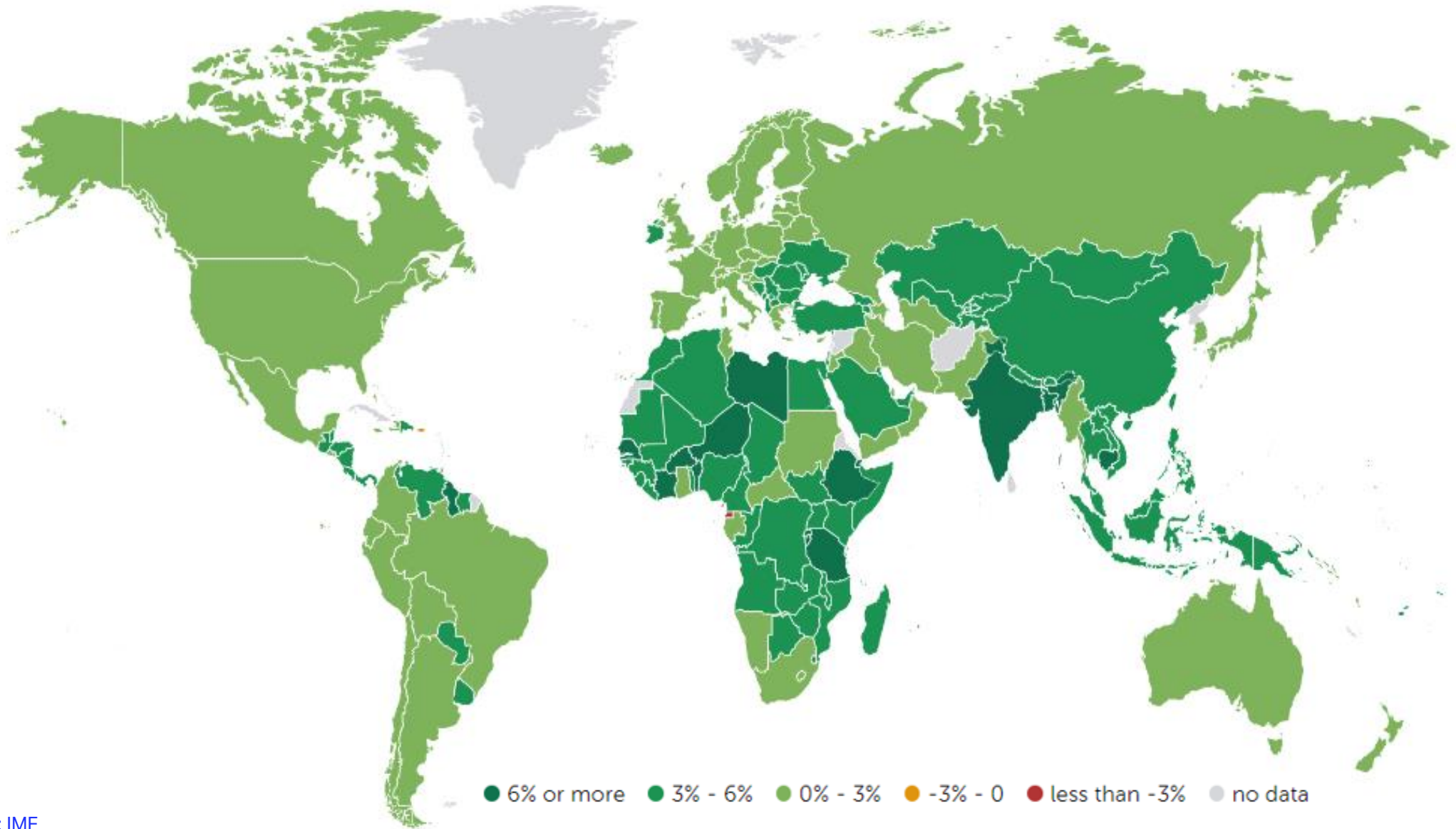
And appears to have stabilized at around its long-run average rate



Source: IMF



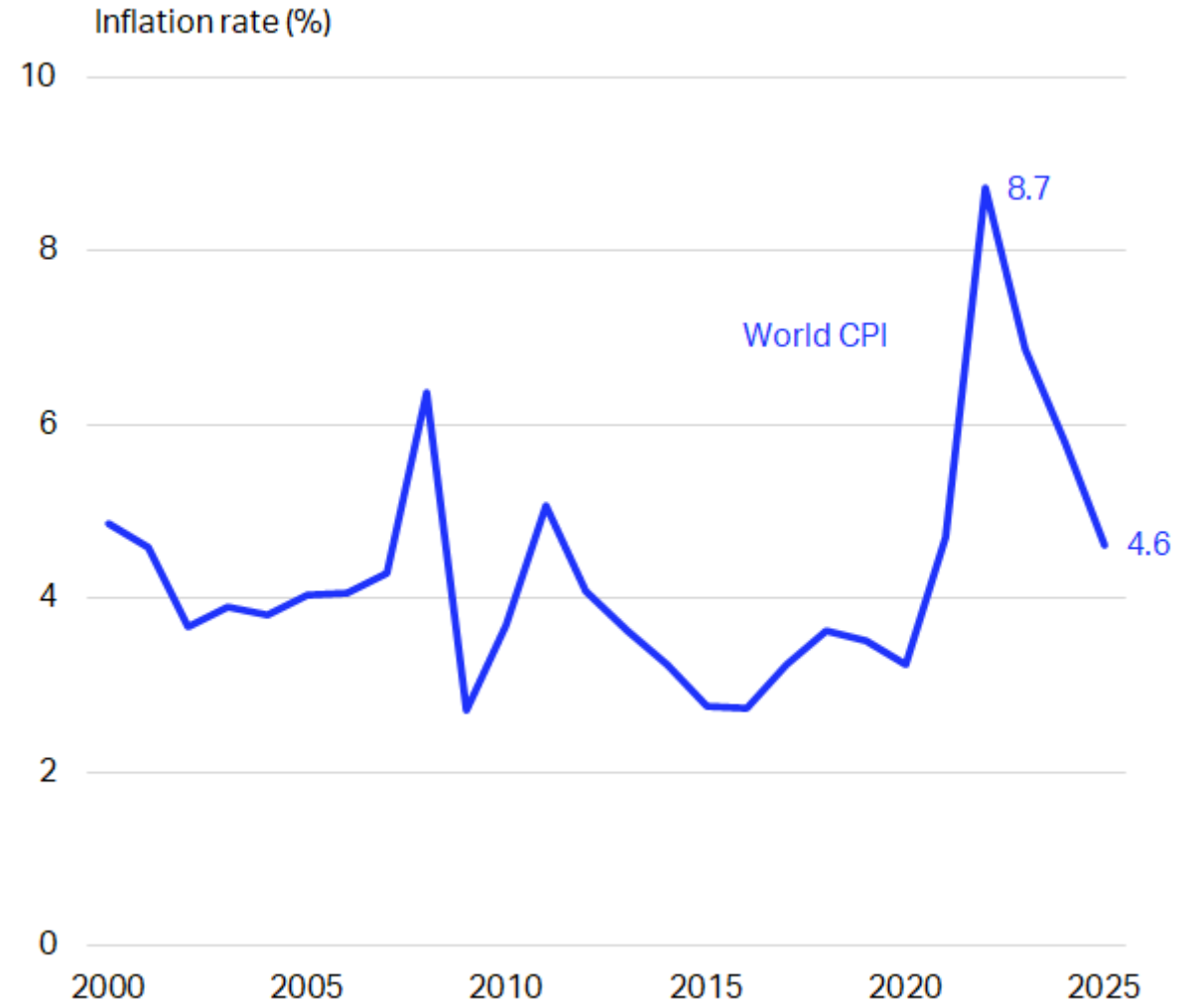
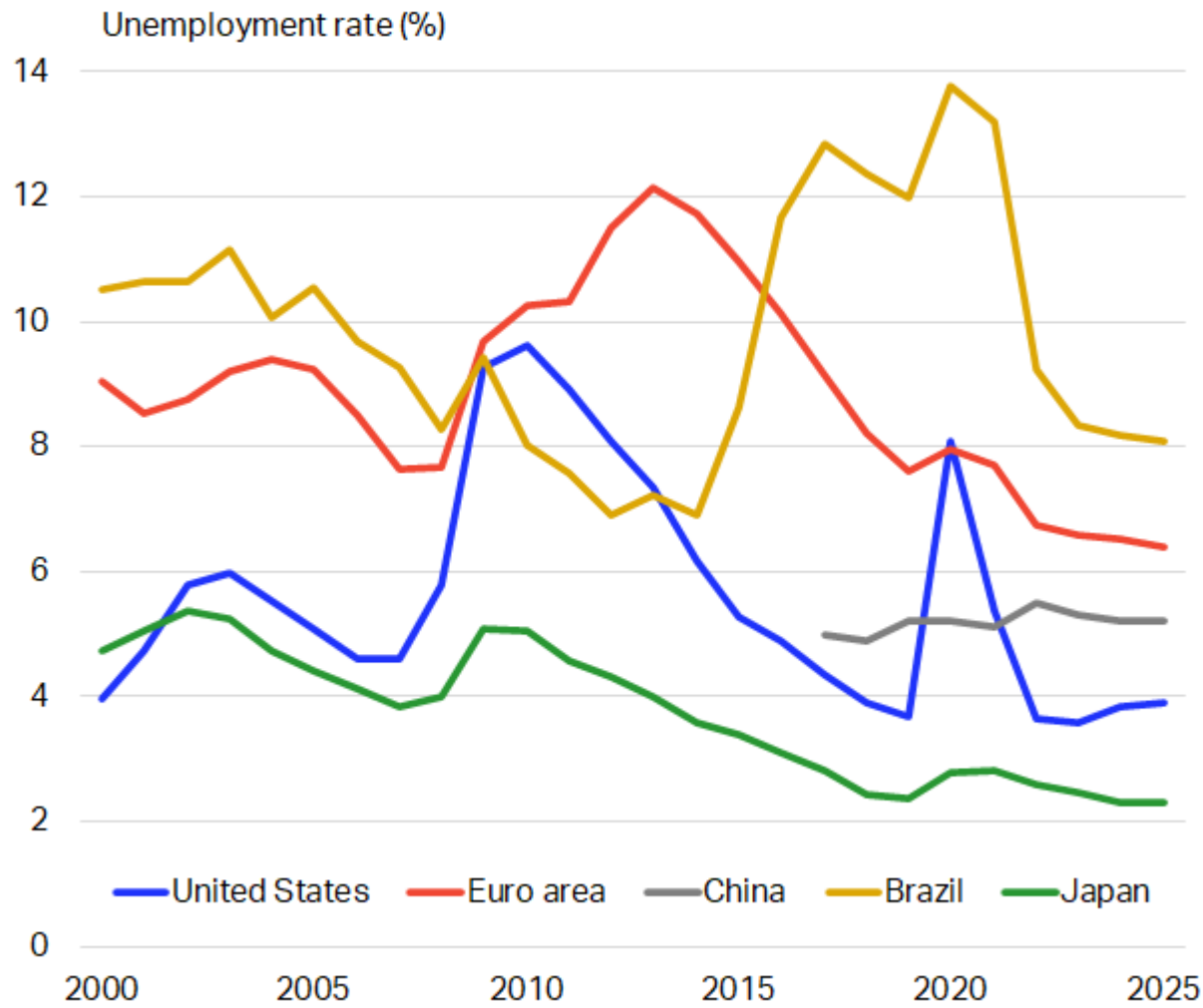
A positive global economic growth outlook for 2024



Source: IMF

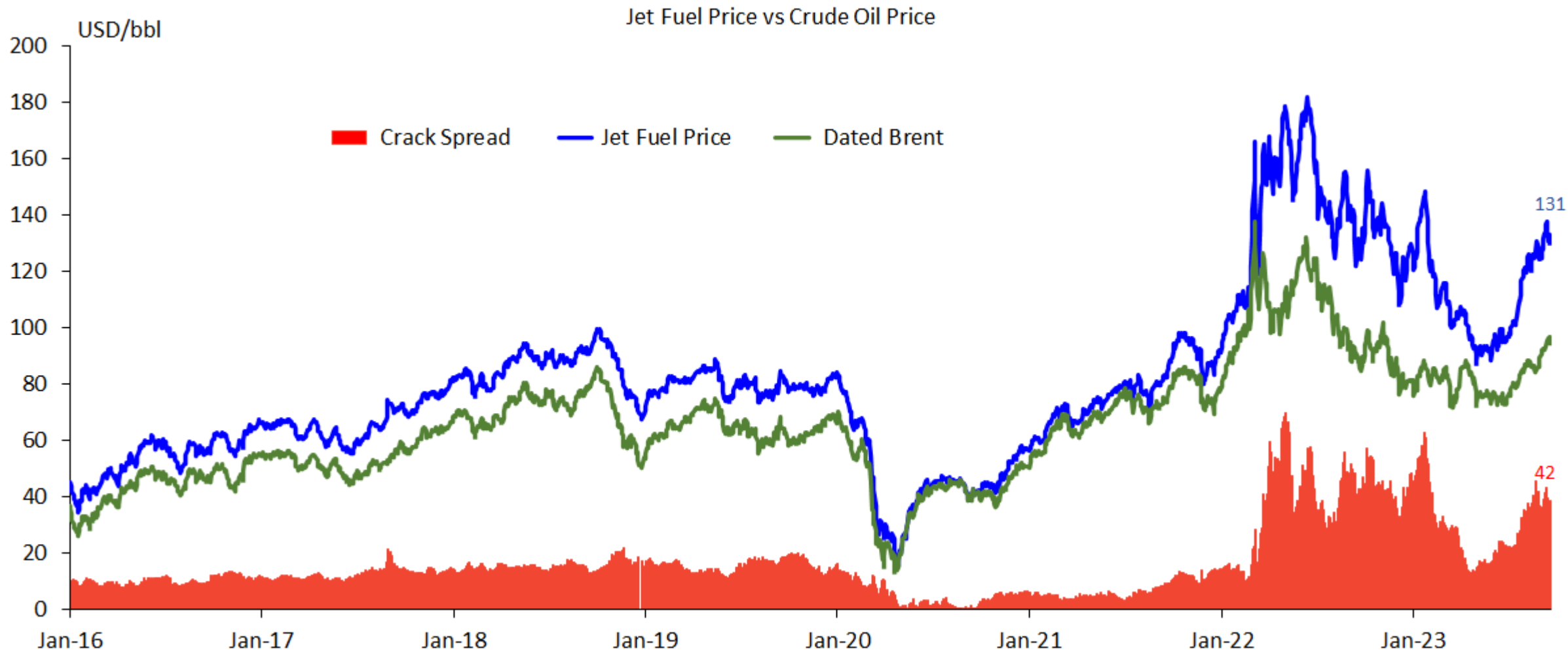
Labor markets remain robust, supporting demand

While inflation – but not necessarily interest rates – has likely peaked



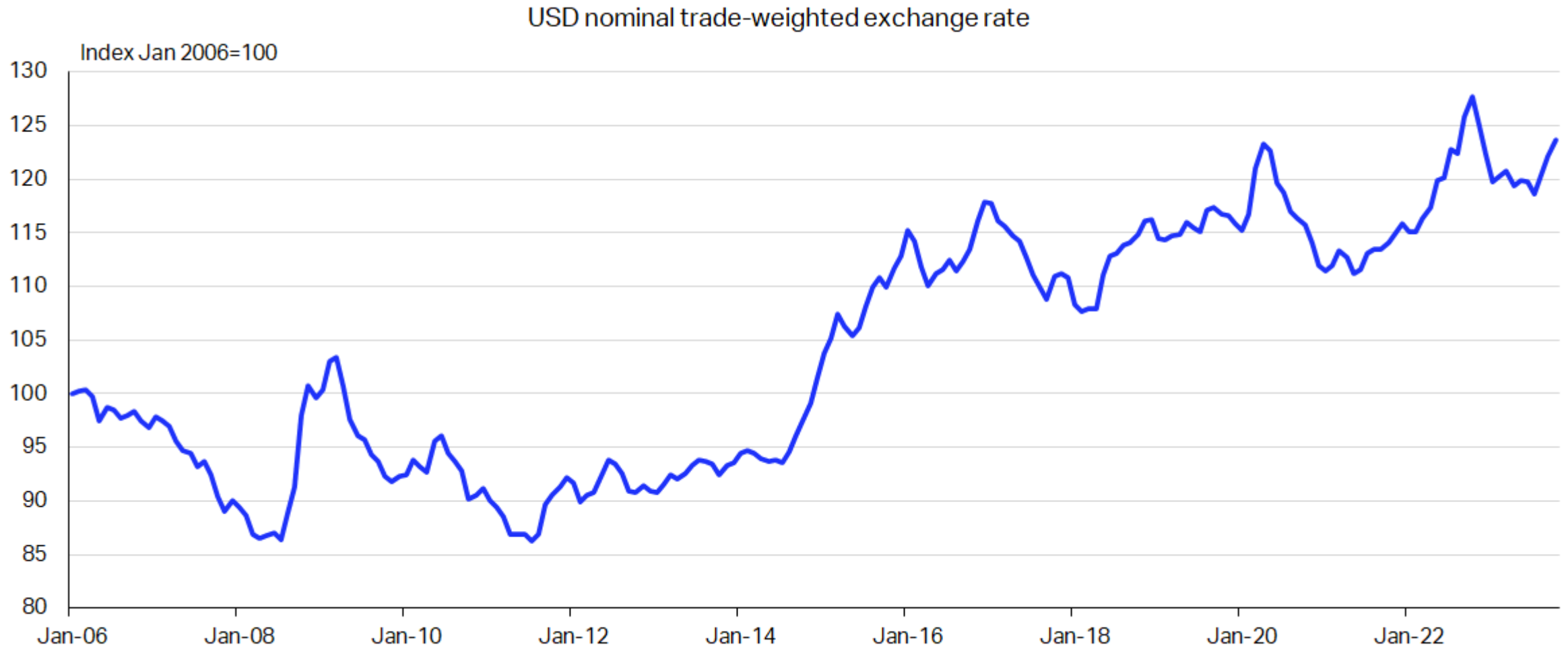
Oil prices are rising again

And the crack spread is also (re)widening, adding to fuel costs



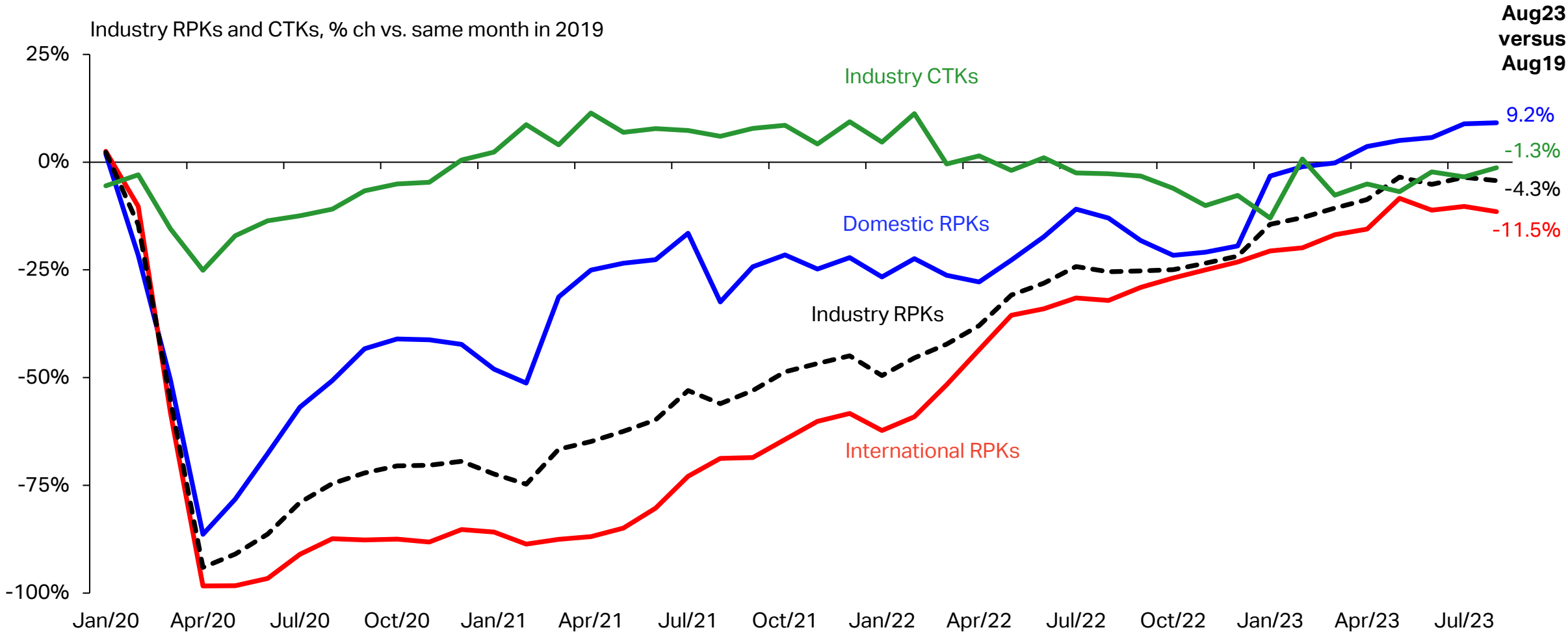
The USD has eased a little from its 2022 peak

But remains elevated vs historical levels, maintaining cost pressure



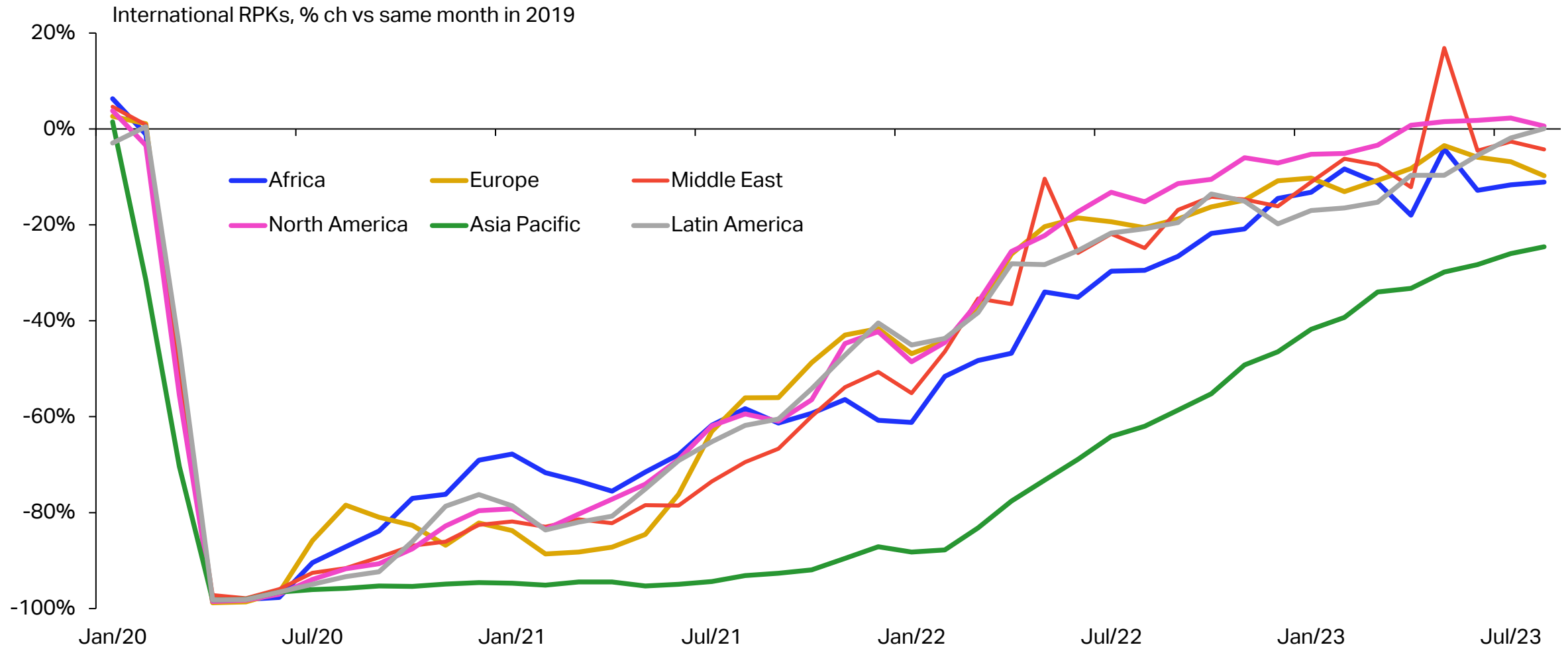
Total passenger traffic is just 4.3% short of 2019 level

Domestic RPKs have been above 2019 levels since April



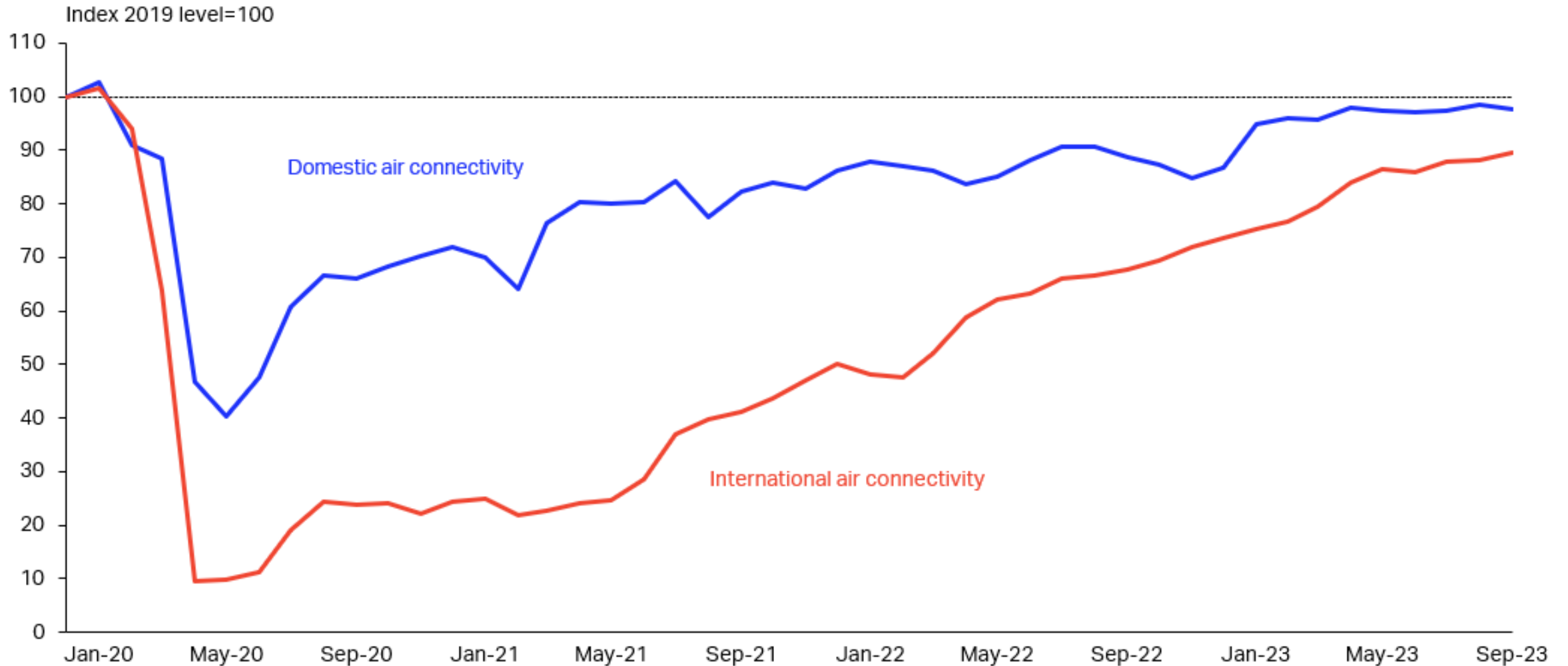
The international travel recovery is well-established

Market re-openings give 'catch-up' momentum to Asia



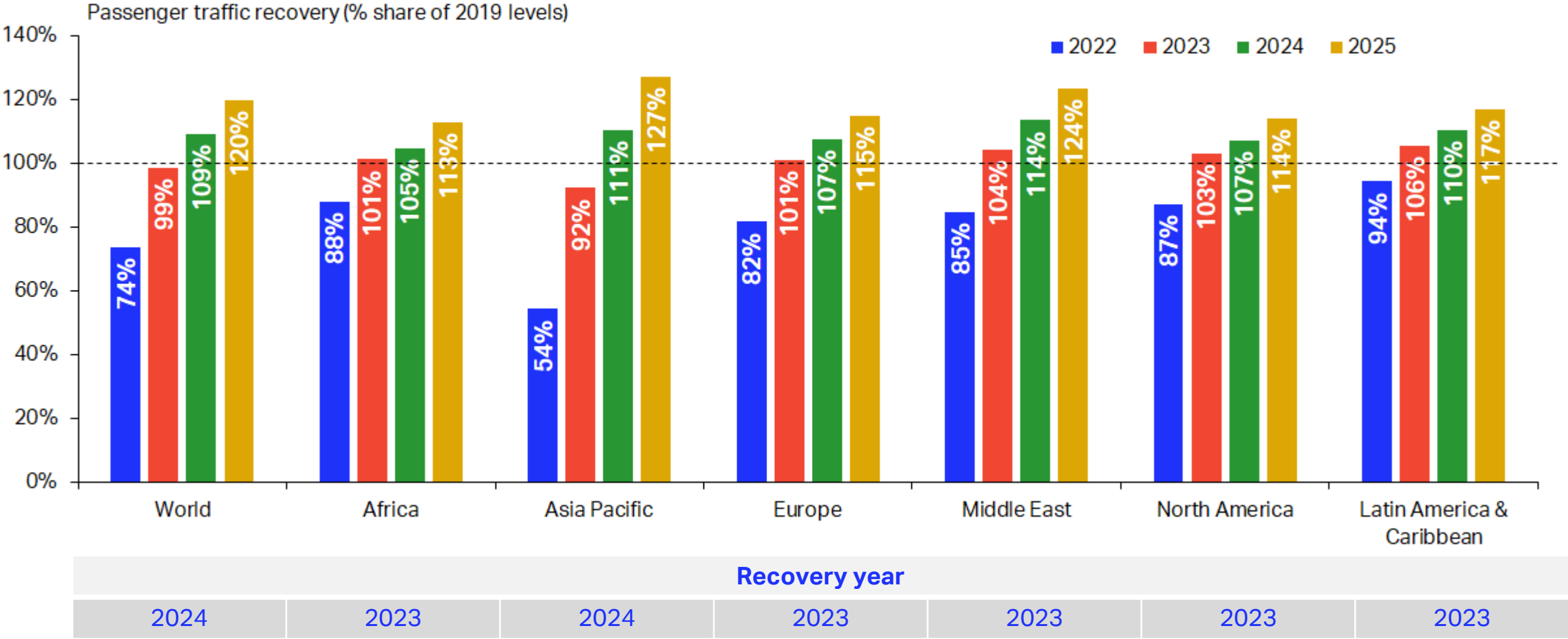
Global air connectivity is yet to return to pre-Covid level

Recovery in scheduled frequency lags the recovery in the # of routes



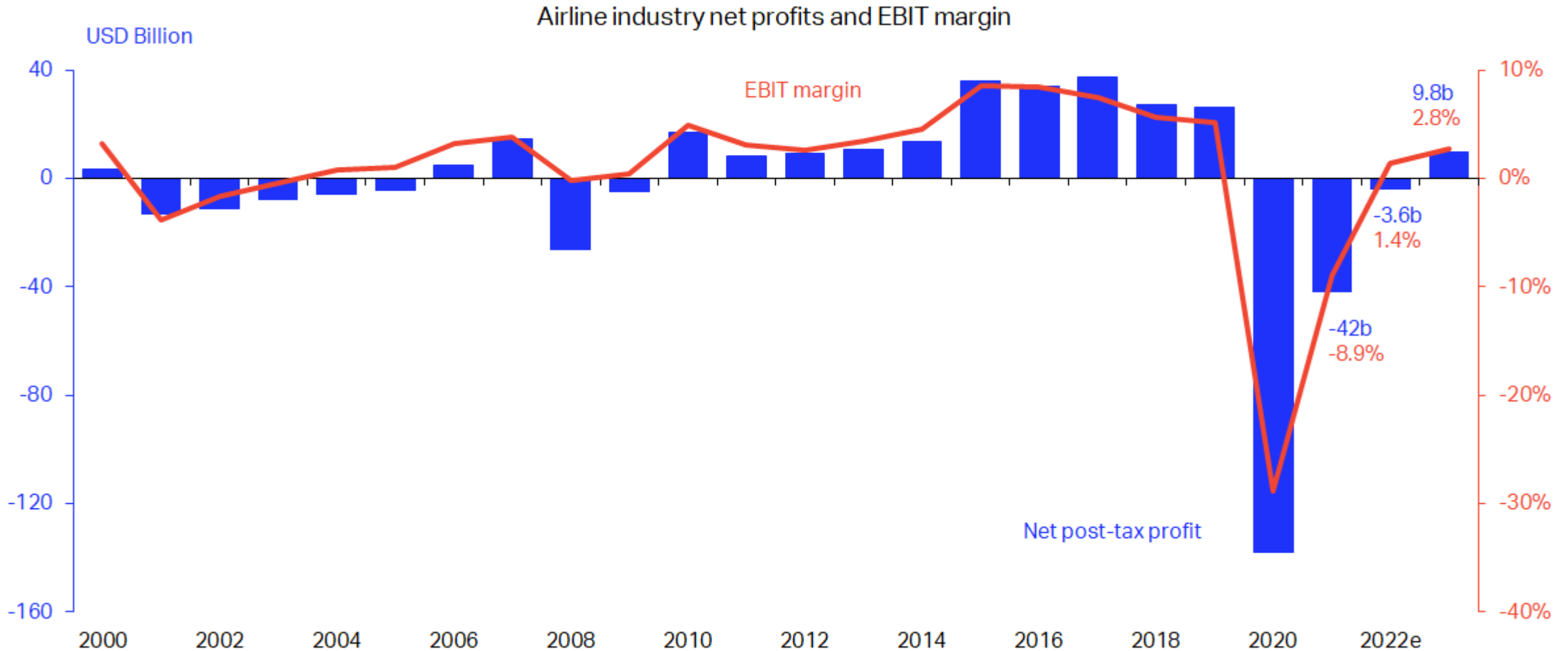
Global passenger traffic expected to recover in 2024

But most regions return to pre-Covid levels this year



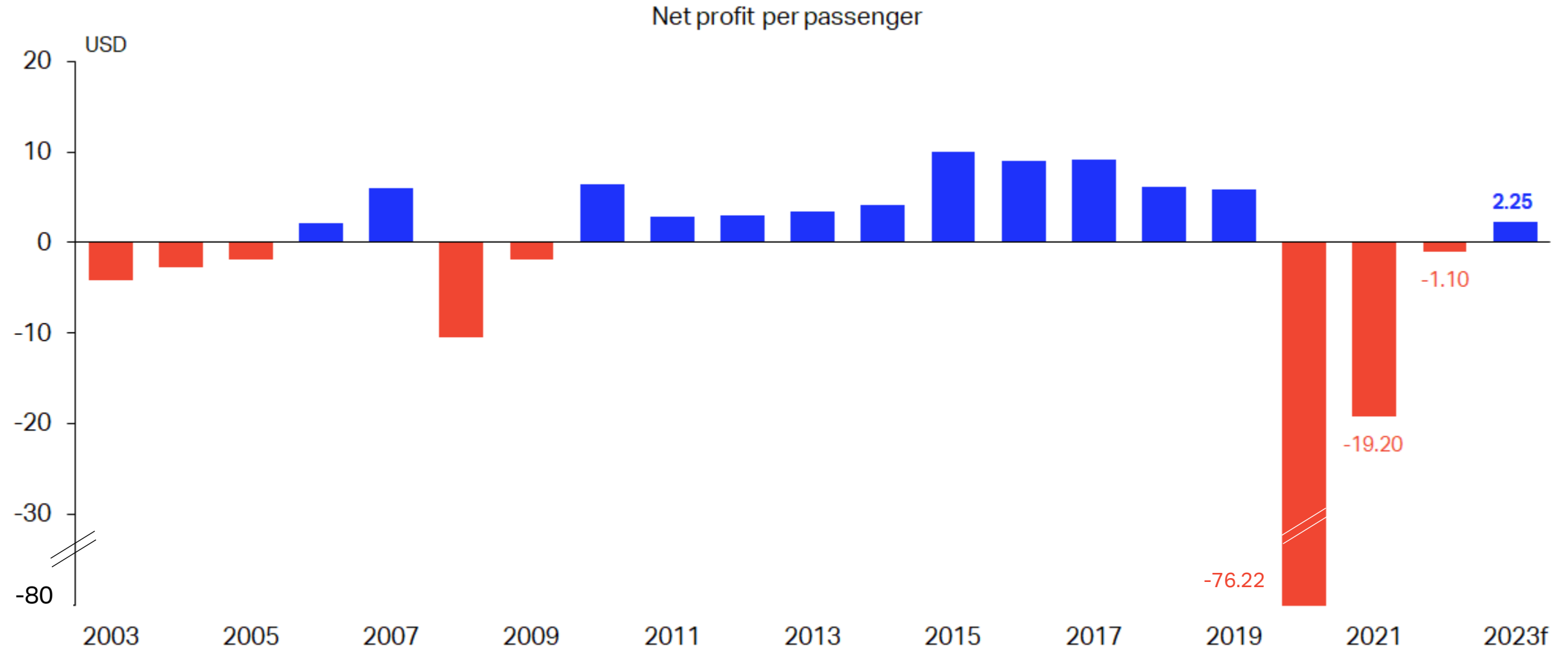
Financial performance has rebounded strongly

Industry to return to profitability in 2023, led by NthAm, Europe, ME



A remarkable financial turnaround...

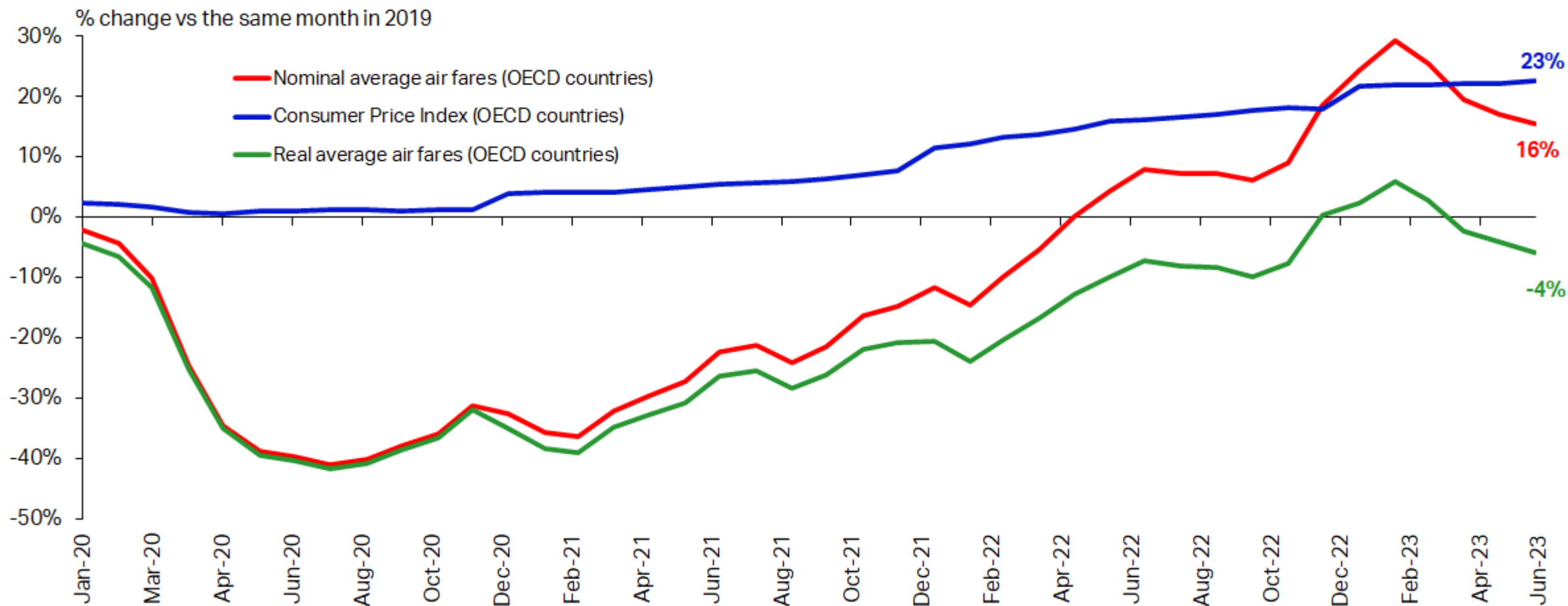
But profits remain slim at just \$2.25 per passenger



Air fares have risen

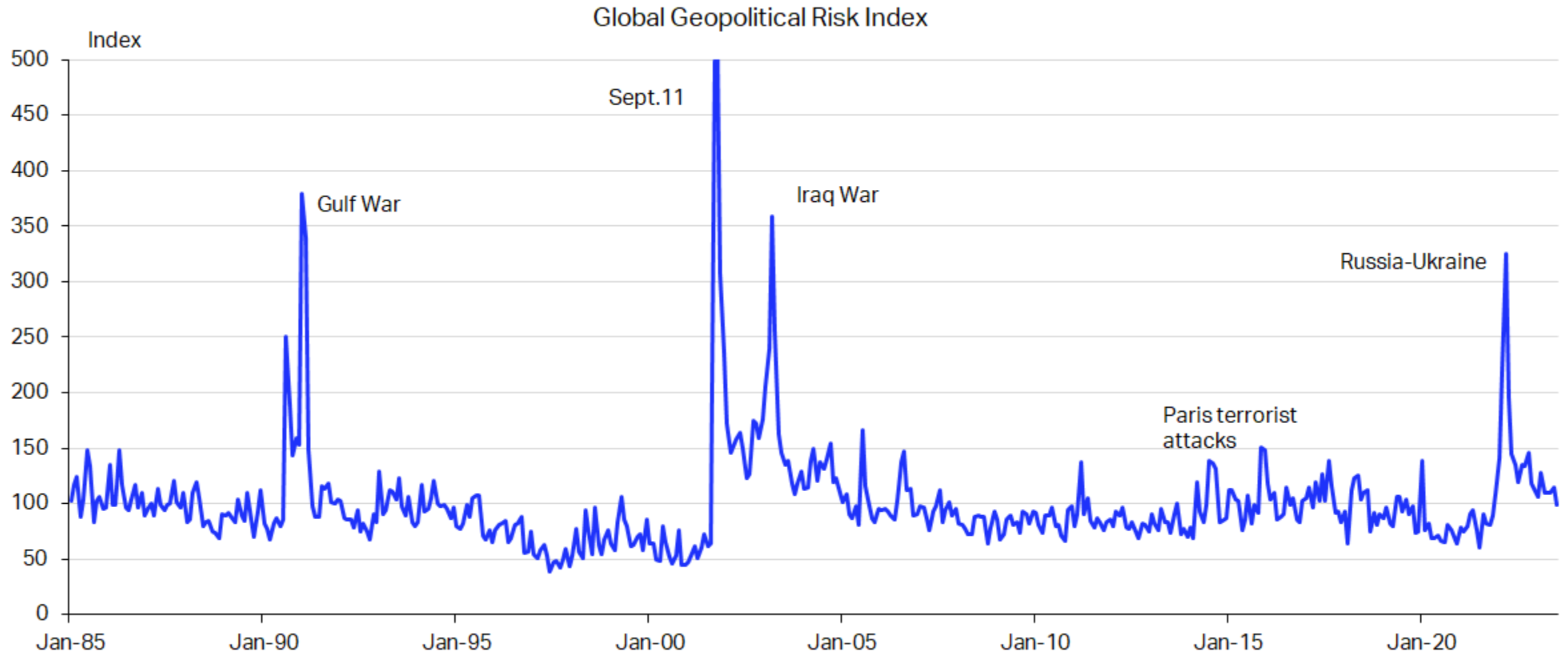
But not at the same rate as inflation

Average fares & inflation in OECD countries, from January 2020 to June 2023

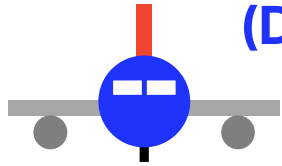


Geopolitical risk remains elevated

Have we entered a new period of (de-)globalization?



Key risks



(Direct) Risks to the industry

- Geopolitical disruption affecting traffic flows
- Pent-up demand helps to overcome cost pressures, but this impact is temporary
- Impact of climate change on operations
- Renewed regulatory intervention, especially when not coordinated
 - Taxes, fees and charges, noise
 - Consumer protection, slots, accessibility
 - Climate-related



Risks to the economy (indirect risks to the industry)

- Geopolitical disruption affecting economic variables
 - Incl. supply chains, fuel costs, USD
- Macro-economic headwinds
 - Including softer GDP growth, resilient inflation, possibility of country-level recessions
- Labor markets
 - unemployment rates are low but real wages are falling

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