Economic & Industry Outlook

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#IATAWFS
Global economic activity has moderated and appears to have stabilized at around its long-run average rate.
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

Source: IATA Sustainability & Economics.
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

Source: IATA
Global passenger traffic expected to recover in 2024
But most regions return to pre-Covid levels this year

Source: IATA Sustainability & Economics, Tourism Economics.
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

Source: IATA Sustainability & Economics
Air fares have risen
But not at the same rate as inflation
Geopolitical risk remains elevated
Have we entered a new period of (de-)globalization?

Source: Policyuncertainty.com
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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