Economic Outlook: Air Transport in Times of Turbulence

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The Big Picture
The COVID-19 Pandemic

Global GDP, year-on-year %

- During May and June, as many economies tentatively reopened from the Great Lockdown, the global economy started to climb from the depths to which it had plunged in April. But with the pandemic spreading and accelerating in places, many countries slowed reopening, and some are reinstating partial lockdowns. While the swift recovery in China has surprised on the upside, the global economy’s long ascent back to pre-pandemic levels of activity remains prone to setbacks.

- The adoption of lockdowns was an important factor in the recession, but voluntary social distancing in response to rising infections also contributed very substantially to the economic contraction. Therefore, although easing lockdowns can lead to a partial recovery, economic activity is likely to remain subdued until health risks abate.

Global debt at historic highs

• 2020 debt increase highest in 50 years.
• Public debt now 40% of total global debt, the highest share since the mid-1960s.

Source: IMF Global Debt Database, Global debt, % of GDP.

• Advanced economies and China accounted for more than 90% of the USD 28 trillion debt surge in 2020.
Expect low real interest rates

Global Real Interest Rates, 1876 to 2018, %

- Roughly 20 years of negative real interest rates globally in the wake of the Great Depression and the Second World War.

Focus is on one issue at a time
And often fails to reflect any order of importance

Source: Google Trends.
Our industry
The greatest shock to aviation in its history

Global RPKs, with pre-pandemic (red) and current forecasts (blue), billion

- “Lost” travel between 2020 and 2022 is equivalent to 1.8 x 2019 RPKs.
- In 2040, if our current forecast is realized, traffic would still be 6% below our pre-pandemic forecast.

Source: IATA Annual airline traffic statistics, IATA Economics/Tourism Economics.
Industry recovery remains uneven
Domestic RPKs pause, International RPKs accelerate

RPKs & CTKs, % change vs. the same month in 2019

April 2022 vs. April 2019:
- Global CTKs: -3.8%
- Domestic RPKs: -25.8%
- International RPKs: -43.4%
- International RPKs: -37.2%

Source: IATA Economics.
Air cargo prices are more competitive
Relative air and maritime cargo rates favor air cargo

Ratio of chargeable weight rates per kg for air cargo and container

Source: Boeing, IATA CargoIS, Freightos Baltic Index.
More belly capacity with strong passenger traffic

Long-term passenger forecast, billion passengers and % of 2019 level

Capacity to improve with return of pax operations
Cargo growth is flattening

Industry Cargo-Tonne-Kilometers, actual and seasonally adjusted, billion

Source: IATA Economics.
Total load factor up and nearing breakeven
Cargo load factor eases on added belly capacity

Breakeven and achieved cargo+ passenger load factor

Achieved load factor

Breakeven load factor

Source: IATA Economics.
Financial performance improves to – USD 9.7bn
Highlighting the resilience of the industry

Source: IATA Economics.
North America returns to profitability in 2022
But financial performance is improving in all regions

Source: IATA Economics.
Costs are a key industry challenge this year
Fuel, infrastructure, labor, interest rates

Jet fuel and crude oil price, USD per barrel

Source: S&P Global, Refinitiv Eikon.
Industry confidence reflected in rising deliveries
Supported by improved financial performance

Aircraft deliveries and airline industry ROIC

Source: IATA Economics.
Airline entrepreneurship buoyant in 2021
Beating 2019 on all counts

Number of airlines births, death and dormancy*

* dormancy means <10 flights per month
Source: IATA using data from FR24, Cirium, public sources.

"The need for human connection, as we've all been isolated for so long... Everyone is desperate to meet other people and have new experiences,"
NYSE Arca Global Airline Index

Source: Google Finance, 7 June 2022.

1,299 on 7 June
Turbulent times

• Easing and lifting of travel restrictions
• Willingness to travel
• Cargo
• Business model developments
• The possibility of energy abundance

and

• Debt burden and cost
• Labor costs
• Energy costs
• Climate change costs
• Geopolitical conflict
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