Economic Outlook: Air Transport in Times of Turbulence

Marie Owens Thomsen
Chief Economist, IATA
The Big Picture
The COVID-19 Pandemic

Global GDP, year-on-year %

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.
- Advanced economies and China accounted for more than 90% of the USD 28 trillion debt surge in 2020.

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

Popularity of search term for a given period, max = 100

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

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

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

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

Source: IATA Economics.

Global commercial airline industry net profit & operating margin

Operating profit margin
(right axis)

Net post-tax profit
(left axis)

USD bn


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 & Crude Oil Price ($/barrel)  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**

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<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<tbody>
<tr>
<td><strong>Deaths</strong></td>
<td></td>
<td></td>
<td>53</td>
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<td><strong>Dormancy</strong></td>
<td>93</td>
<td>28</td>
<td>69</td>
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<td><strong>Births</strong></td>
<td>42</td>
<td>29</td>
<td>57</td>
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* dormancy means <10 flights per month

Source: IATA using data from FR24, Cirium, public sources.
Source: Google Finance, 7 June 2022.
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
Contacts

economics@iata.org

www.iata.org/economics