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Economic Outlook: Air Transport in Times of Turbulence

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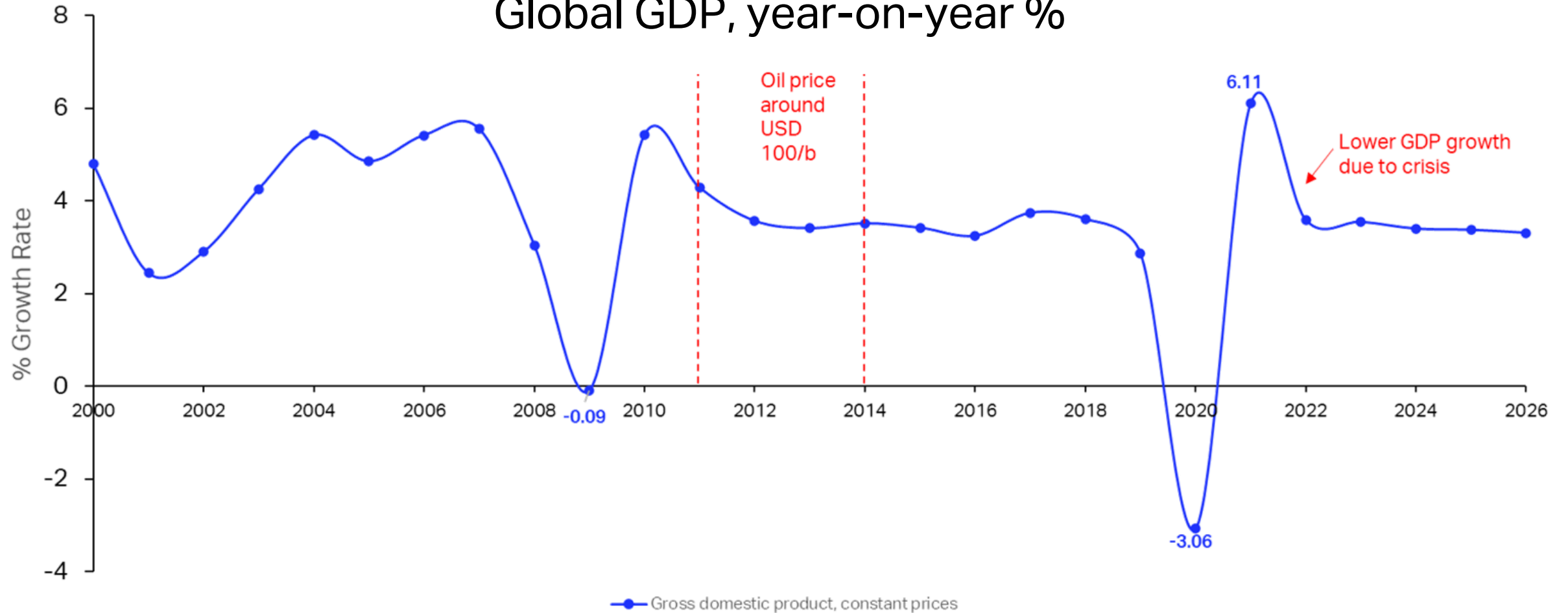


The Big Picture



The COVID-19 Pandemic

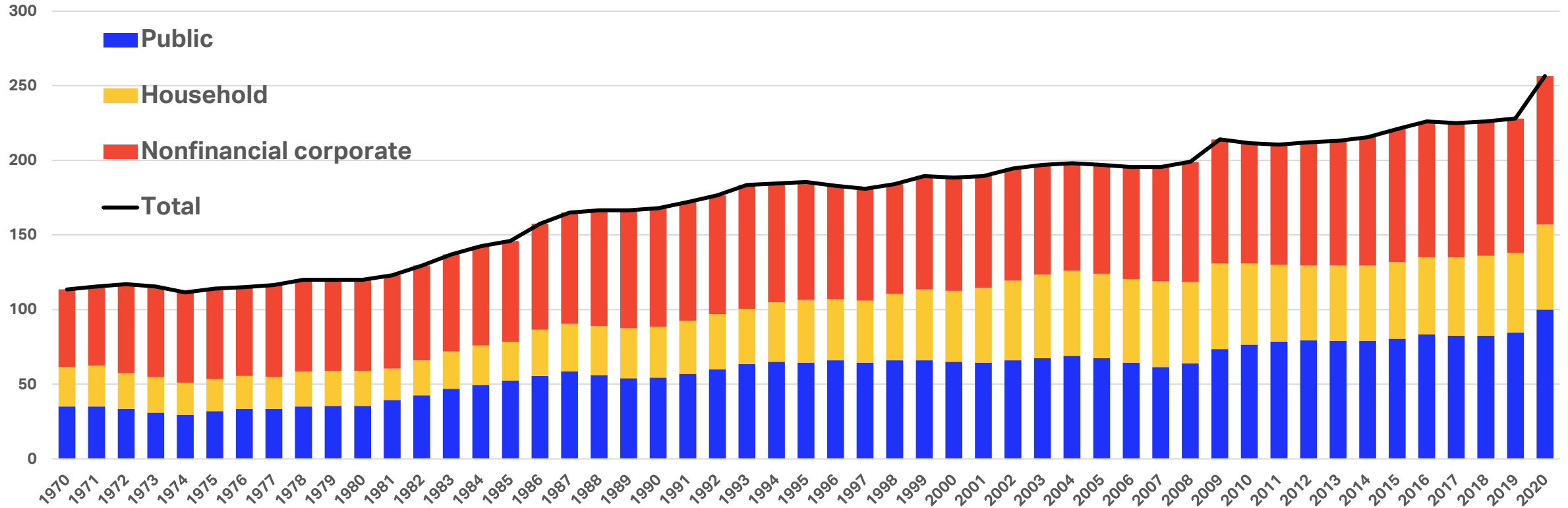
Global GDP, year-on-year %



Source: IATA Economics using IMF data January 2022 update.



Global debt at historic highs



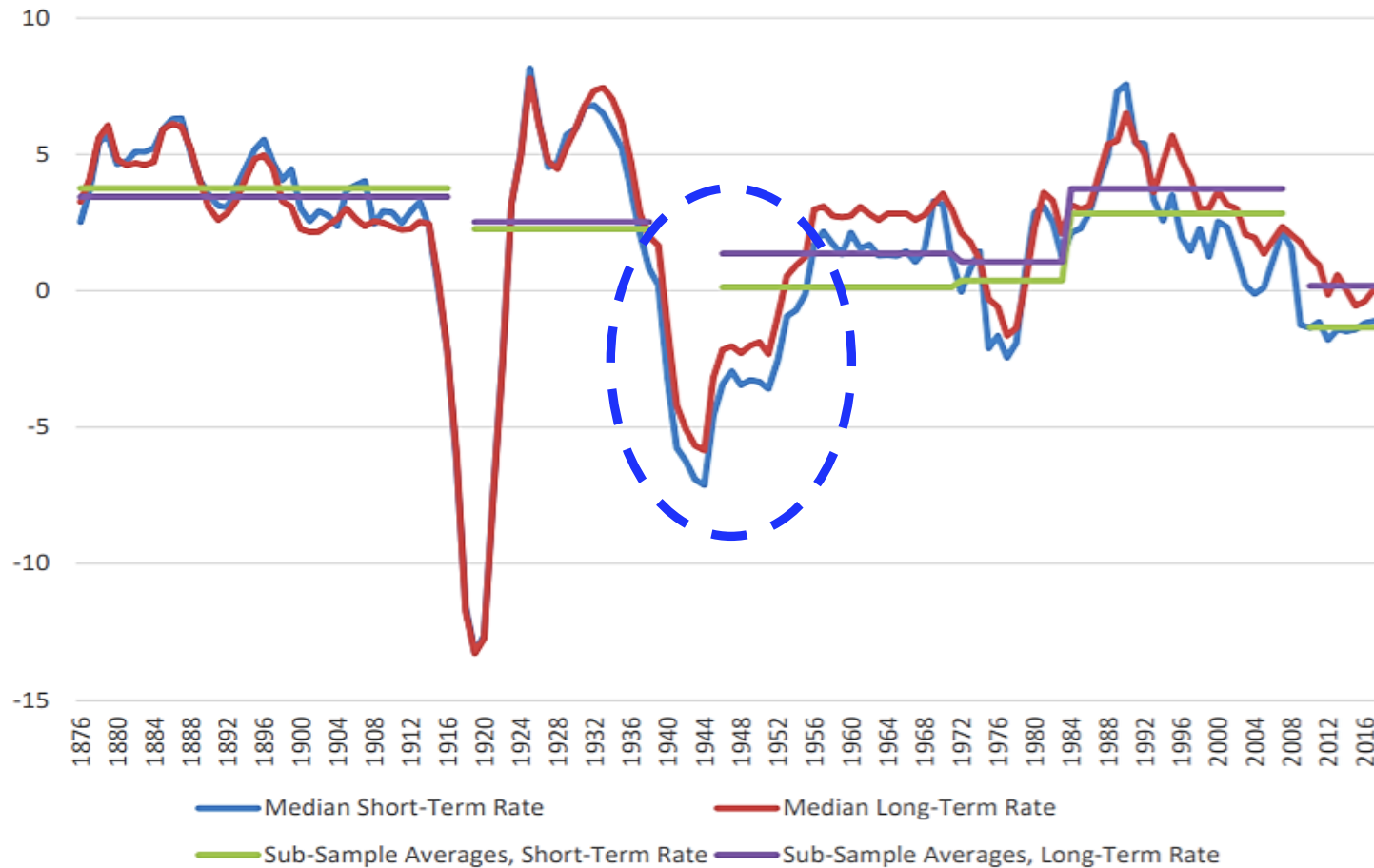
- 2020 debt increase highest in 50 years.
- Public debt now 40% of total global debt, the highest share since the mid-1960s.
- Advanced economies and China accounted for more than 90% of the **USD 28 trillion debt surge in 2020**.

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



Expect low real interest rates

Global Real Interest Rates, 1876 to 2018, %



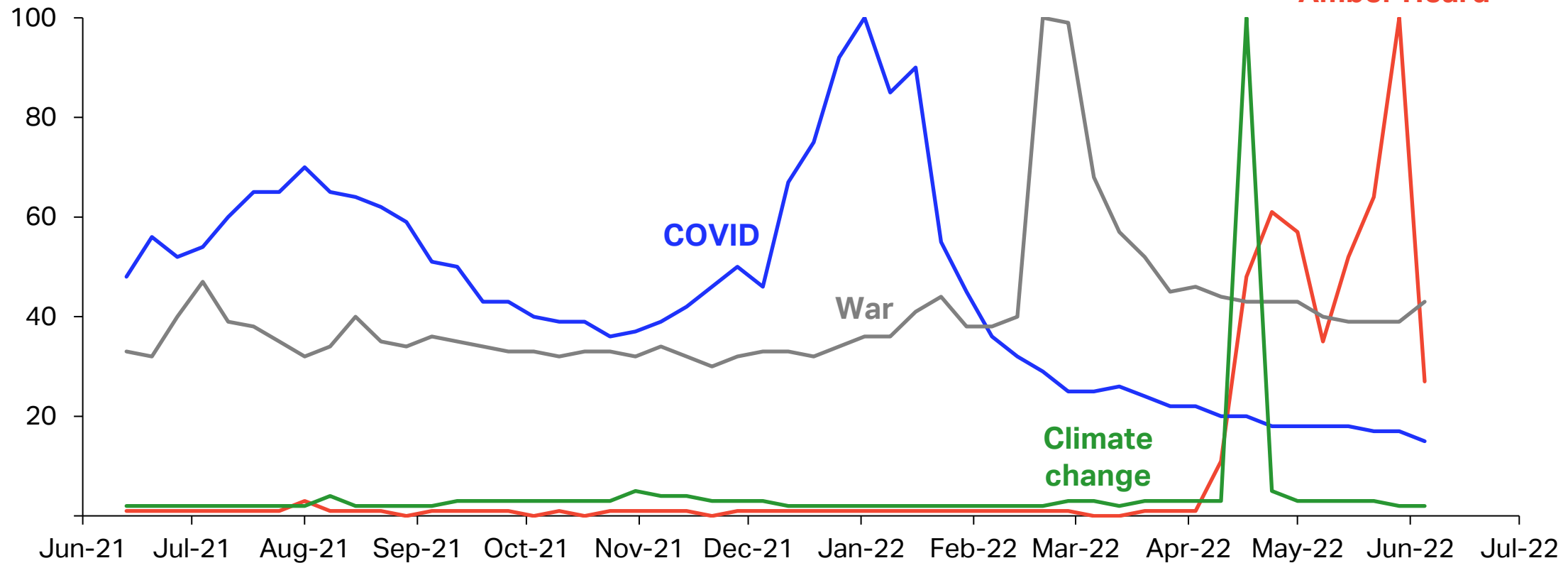
- **Roughly 20 years of negative real interest rates globally** in the wake of the Great Depression and the Second World War.

Source: Edward N. Bamber, "The Historical Decline in Real Interest Rates and Its Implications for CBO's Projections", CBO Working Paper 2020-09, December 2020.

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.



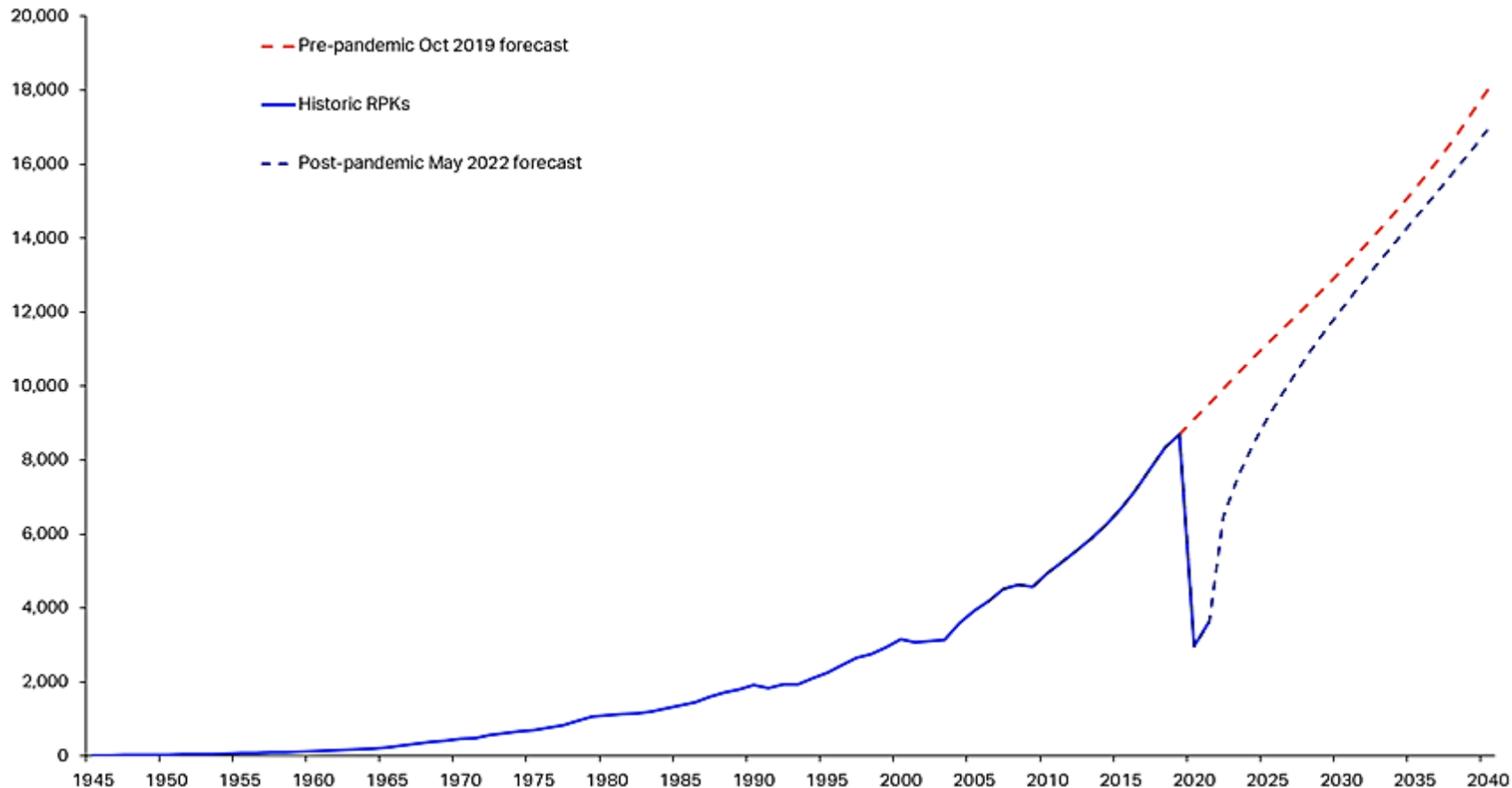
Our industry



The greatest shock to aviation in its history

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

Global RPKs (billions)



- “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.

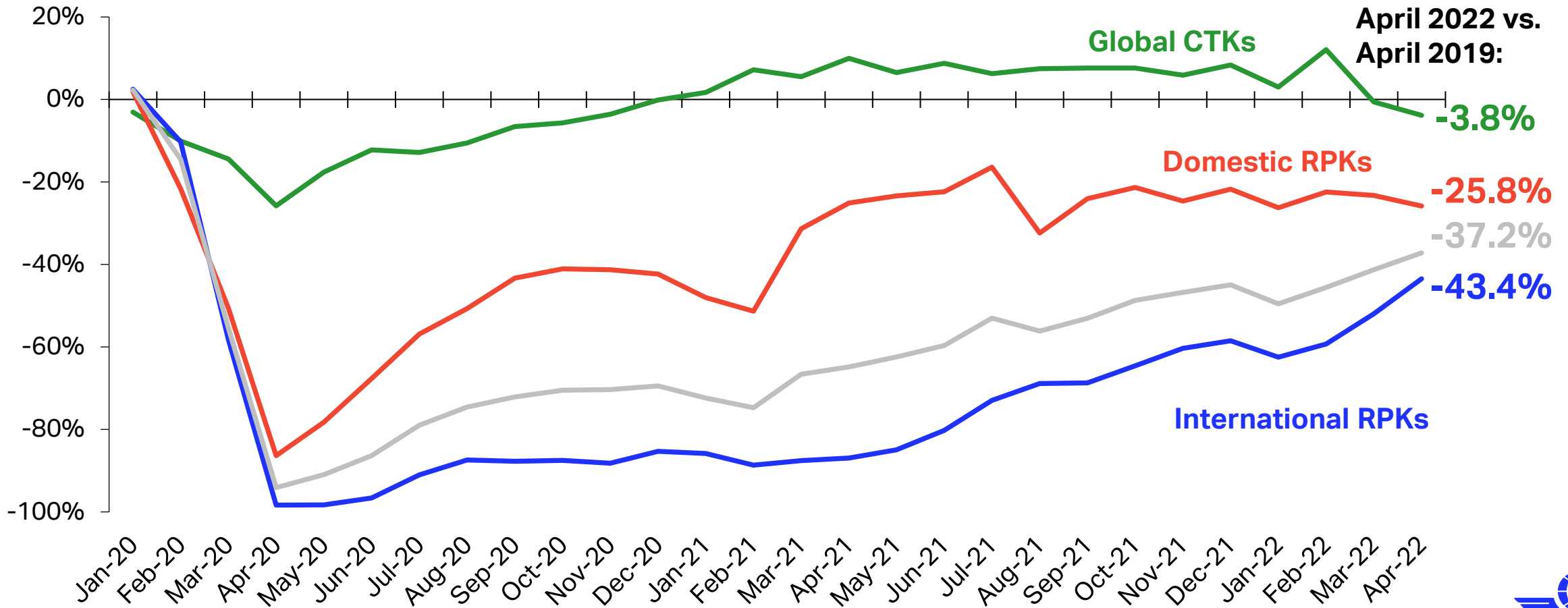
Source: IATA Annual airline traffic statistics, IATA Economics/Tourism Economics.



Industry recovery remains uneven

Domestic RPKs pause, International RPKs accelerate

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



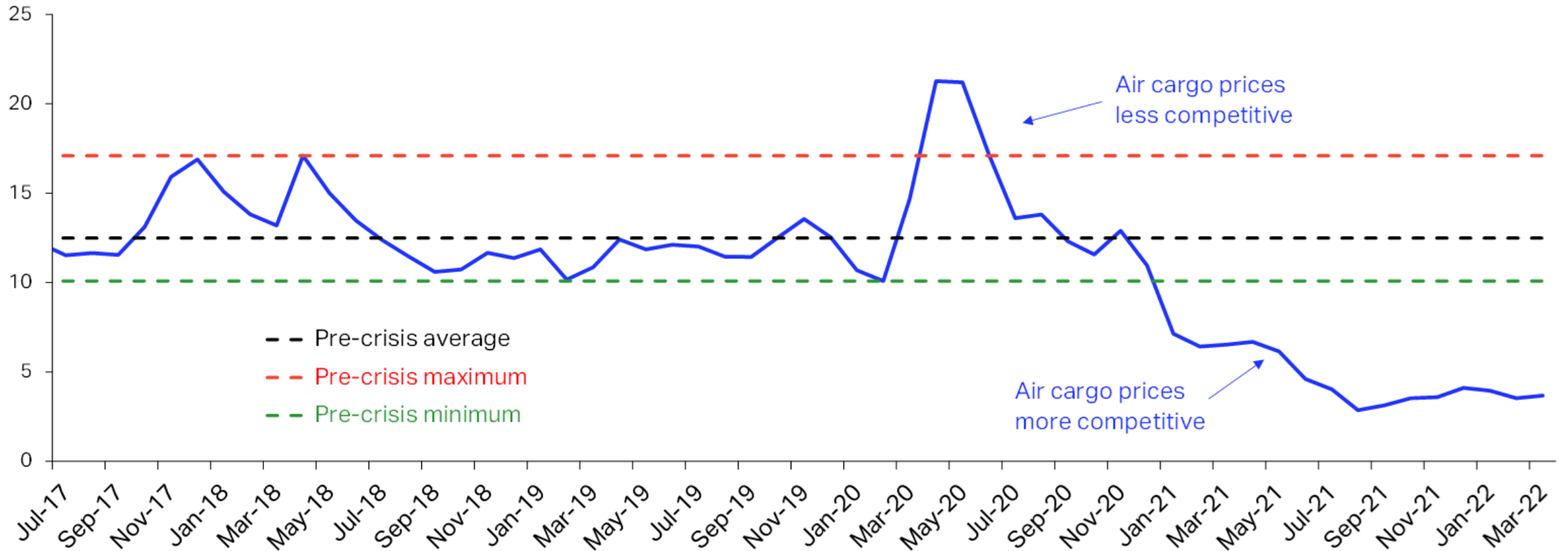
Source: IATA Economics.



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

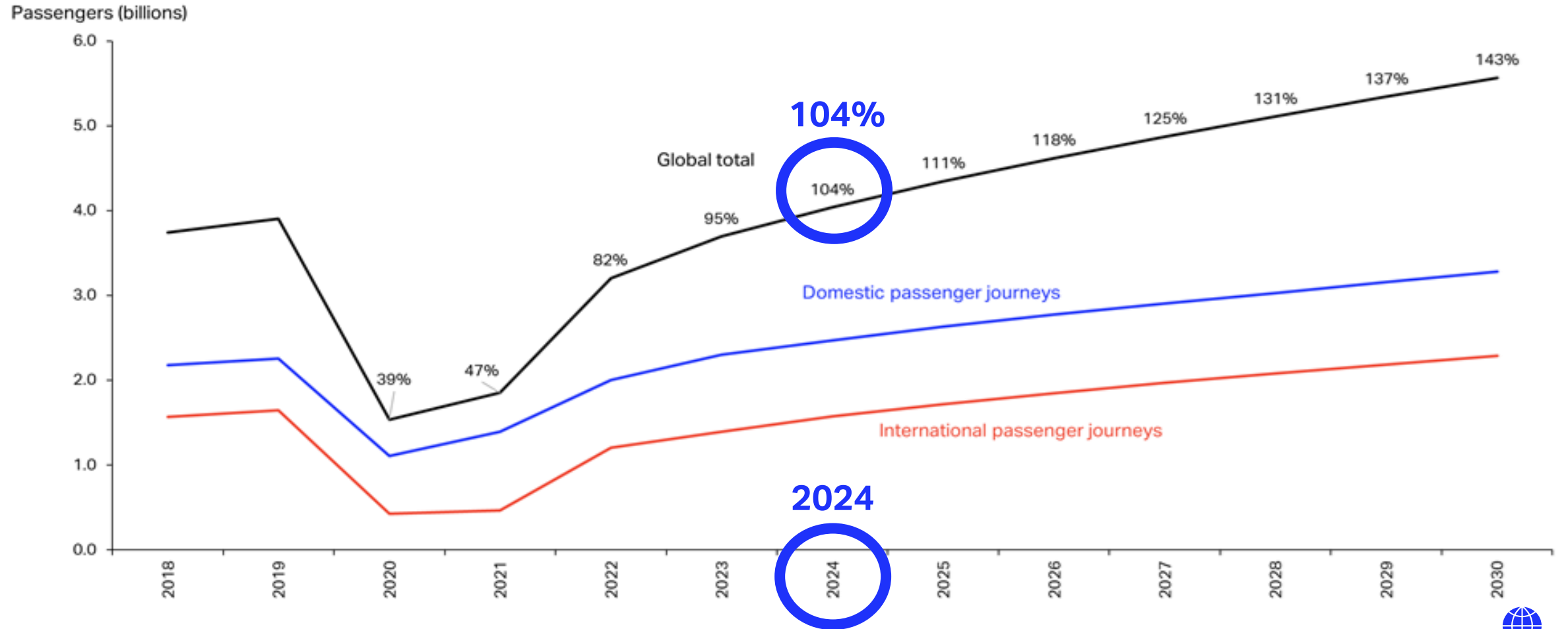


Source: Boeing, IATA CargoIS, Freightos Baltic Index.



More belly capacity with strong passenger traffic

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



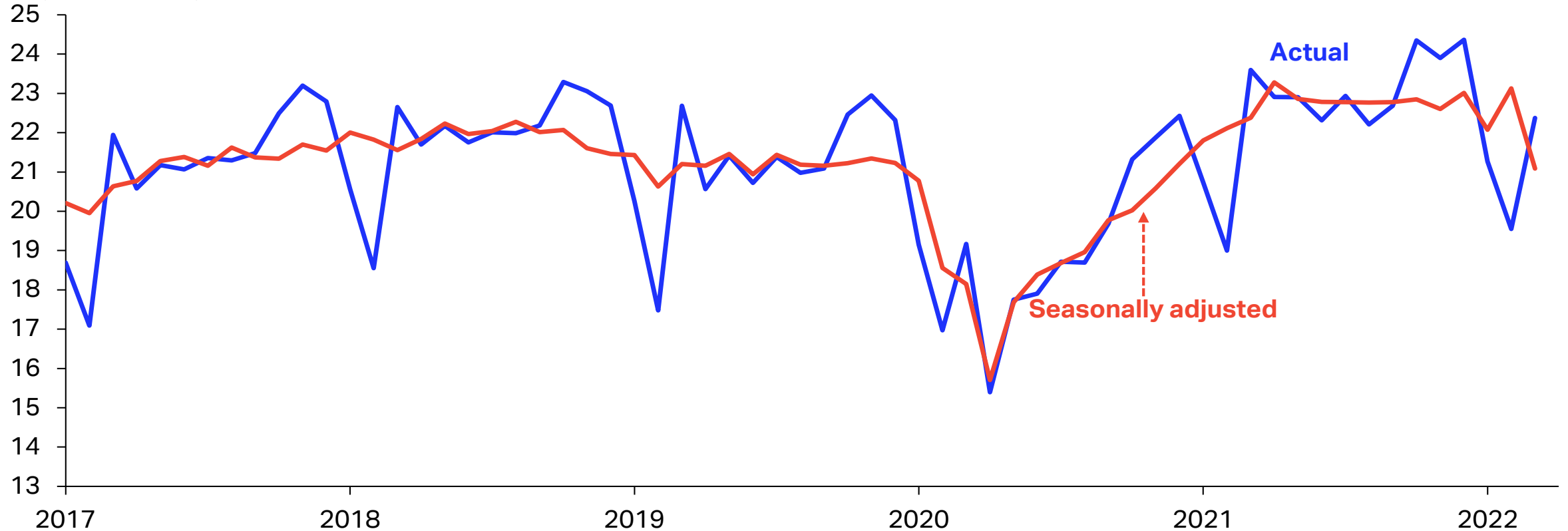
Source: IATA Economics/Tourism Economics – 20-year Passenger Forecast – May 2022 update.



Cargo growth is flattening

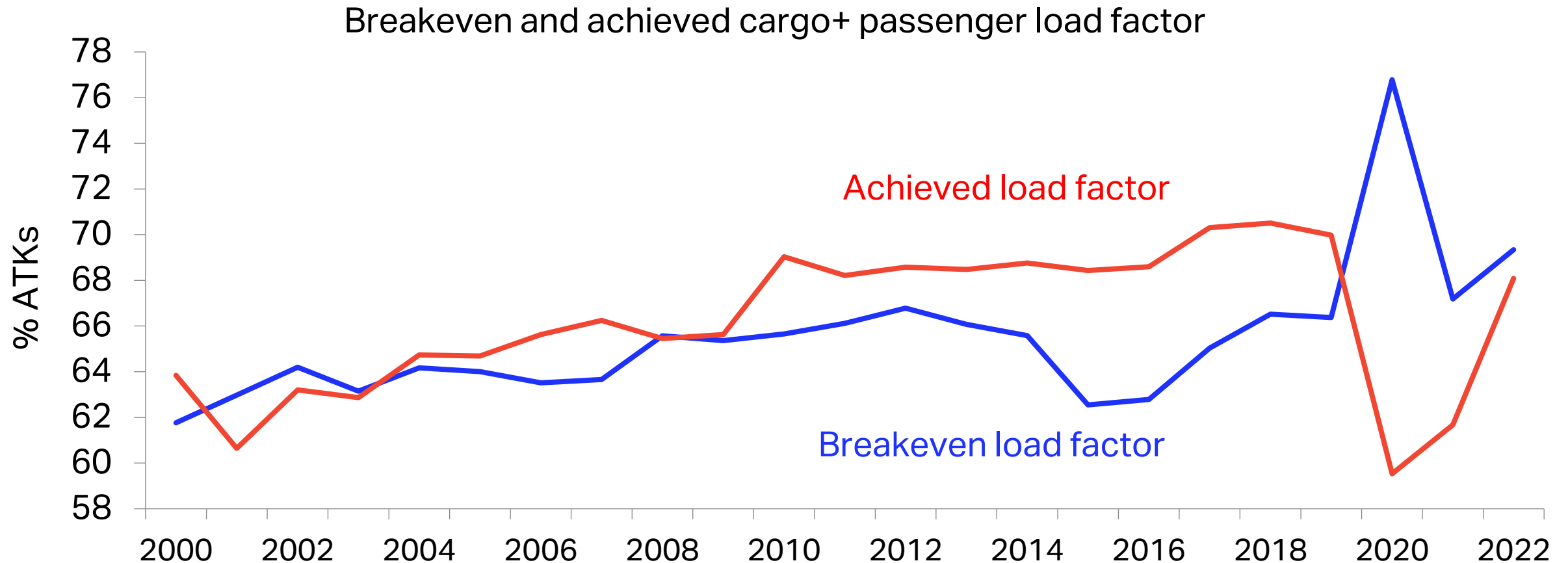
Industry Cargo-Tonne-Kilometers, actual and seasonally adjusted, billion

Industry CTKs (billion per month)



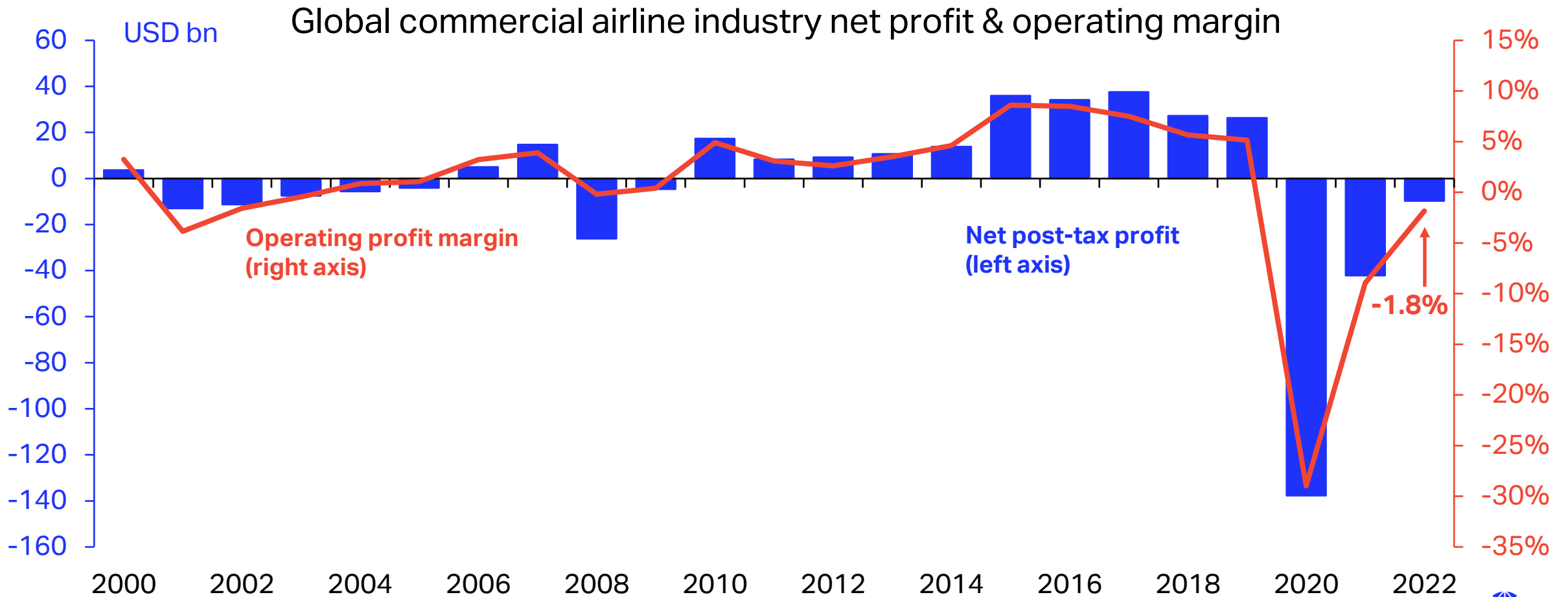
Total load factor up and nearing breakeven

Cargo load factor eases on added belly capacity



Financial performance improves to – USD 9.7bn

Highlighting the resilience of the industry

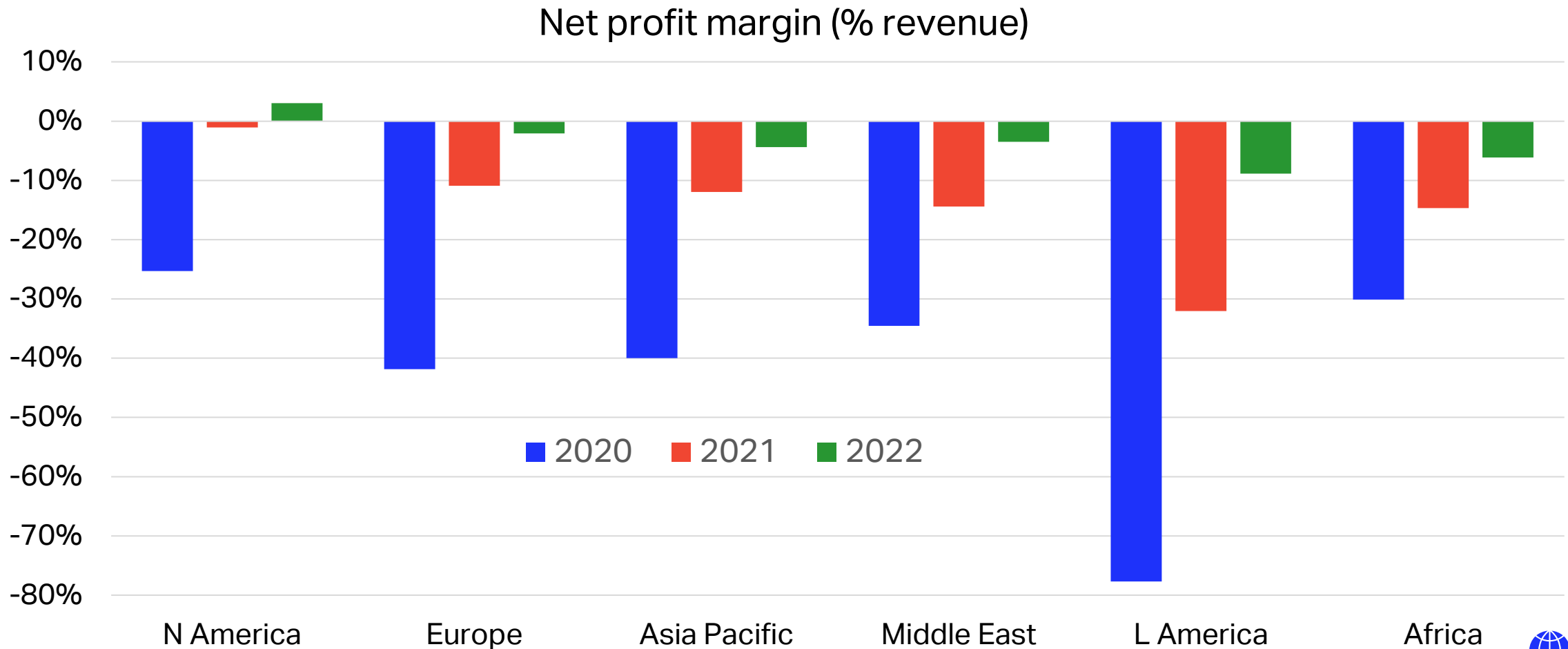


Source: IATA Economics.



North America returns to profitability in 2022

But financial performance is improving in all regions

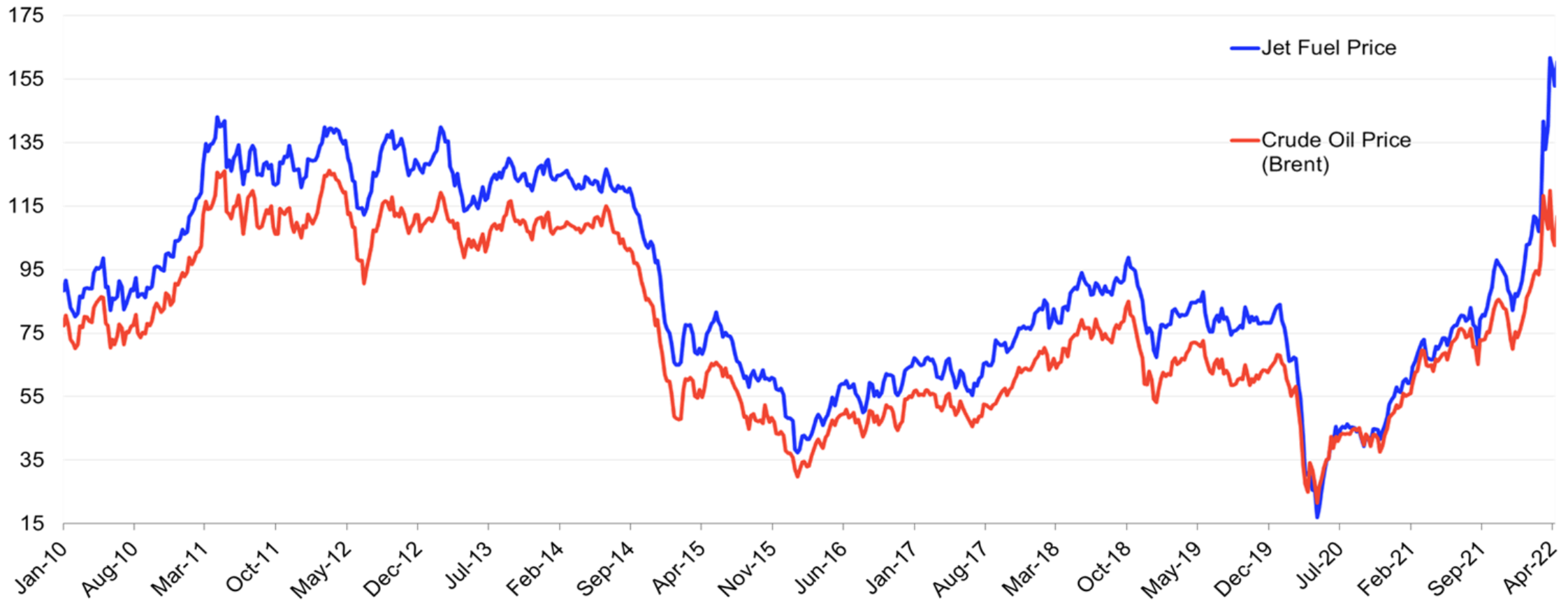


Costs are a key industry challenge this year

Fuel, infrastructure, labor, interest rates

Jet Fuel & Crude Oil Price (\$/barrel)

Jet fuel and crude oil price, USD per barrel



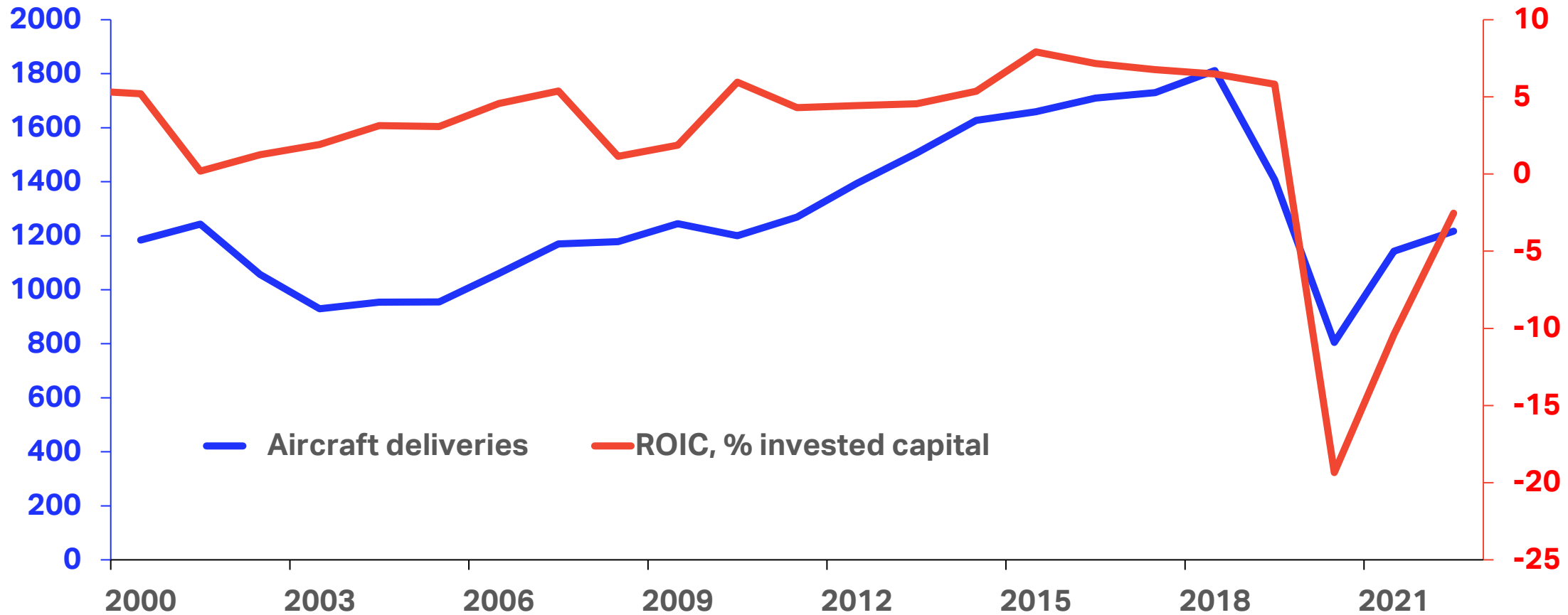
Source: S&P Global, Refinitiv Eikon.



Industry confidence reflected in rising deliveries

Supported by improved financial performance

Aircraft deliveries and airline industry ROIC

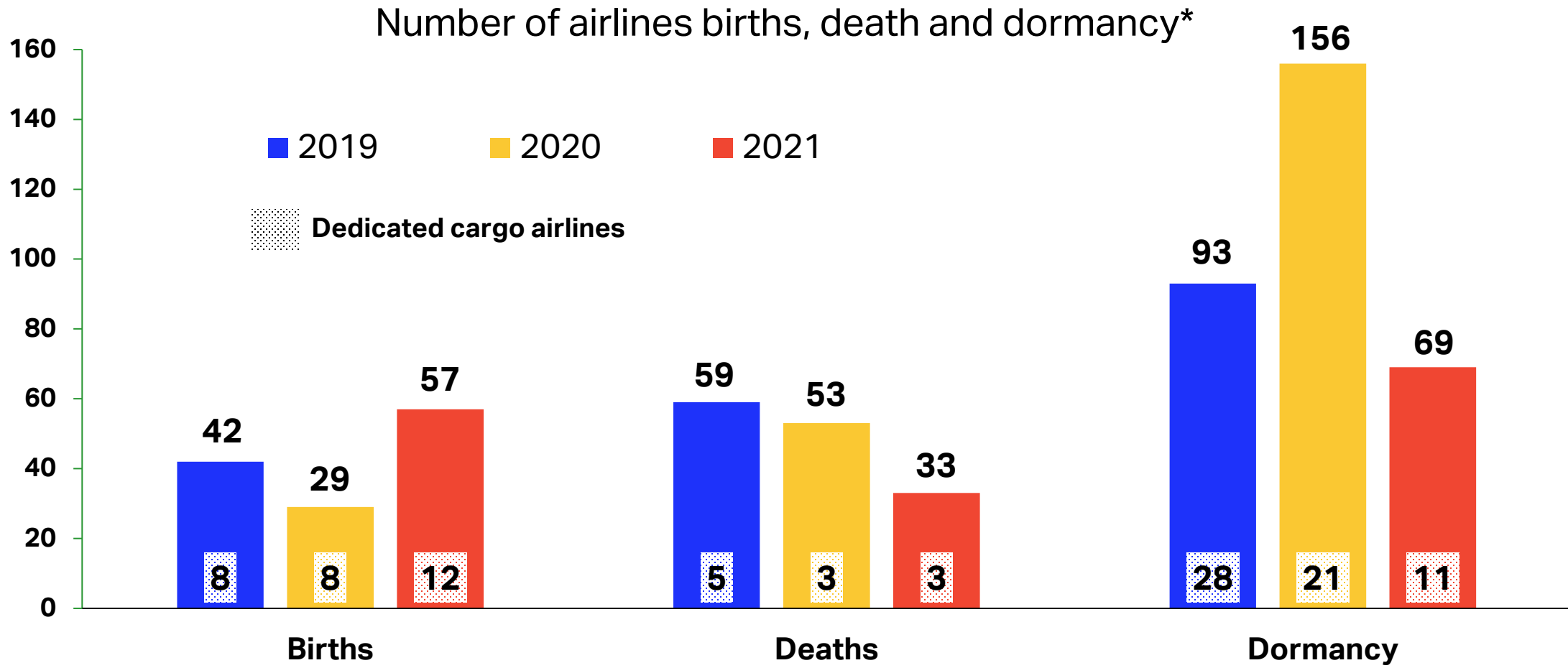


Source: IATA Economics.



Airline entrepreneurship buoyant in 2021

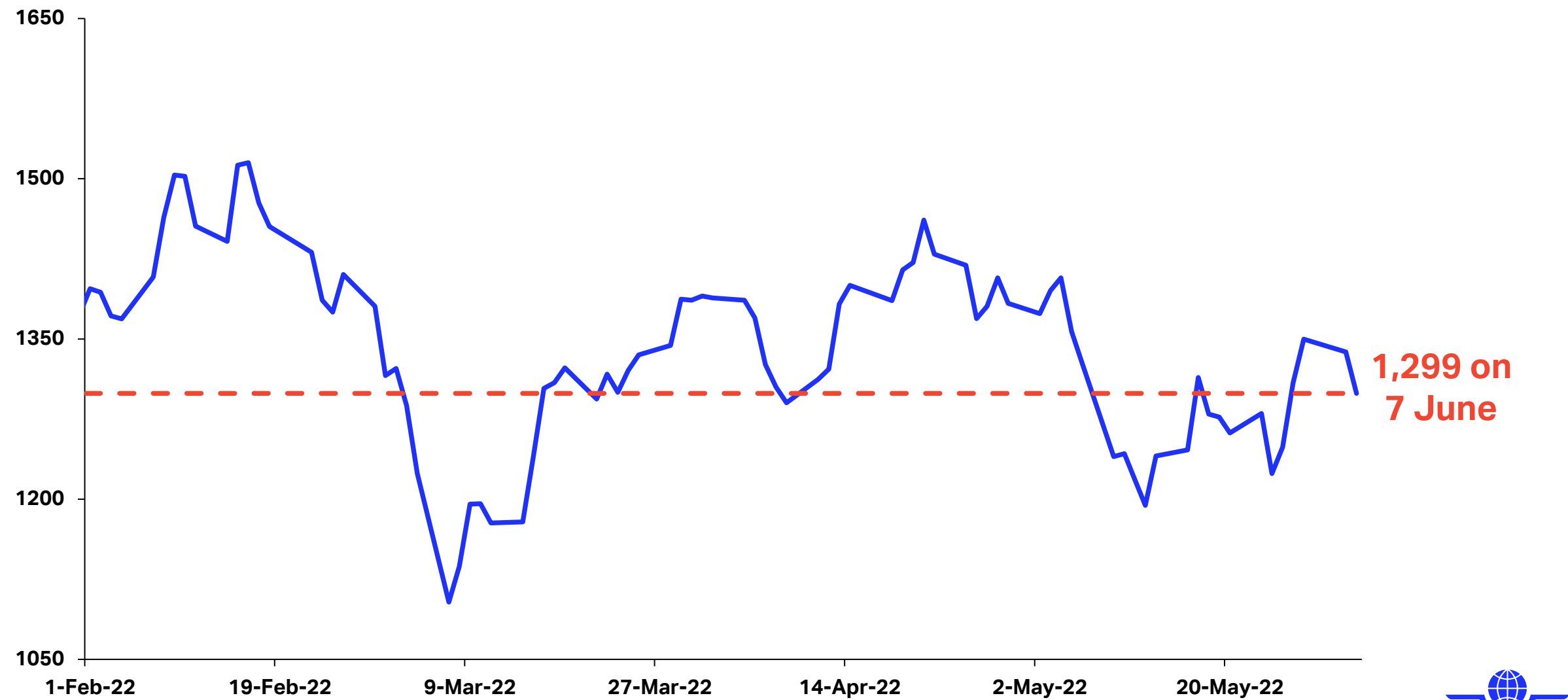
Beating 2019 on all counts



*dormancy means <10 flights per month

Source: IATA using data from FR24, Cirium, public sources.

NYSE Arca Global Airline Index

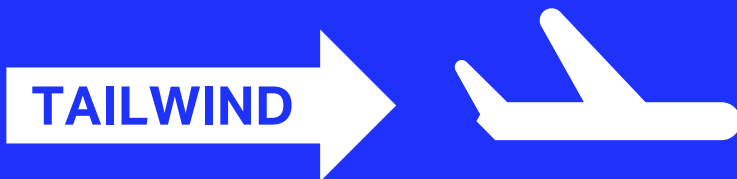


Source: Google Finance, 7 June 2022.



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

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