



Quarterly Air Transport Chartbook

IATA Economics
Q3 2022



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Glossary

ACTKs – Available Cargo Tonne-Kilometers

ASKs – Available Seat-Kilometers

ASPAC – Asia Pacific

ATKs – Available Tonne-Kilometers

BLF – Breakeven Load Factor

CLF – Cargo Load Factor

CTKs – Cargo Tonne-Kilometers

FRT – Freight Tonnes

GDP – Gross Domestic Product

LF – Load Factor

OPEC – Organization of the Petroleum Exporting Countries

Passenger Traffic O-D – Passenger Traffic Origin-destination

PAX – Revenue Passengers

PLF – Passenger Load Factor

RPKs – Revenue Passenger-Kilometers

RTKs – Revenue Tonne-Kilometers

SA – Seasonally adjusted

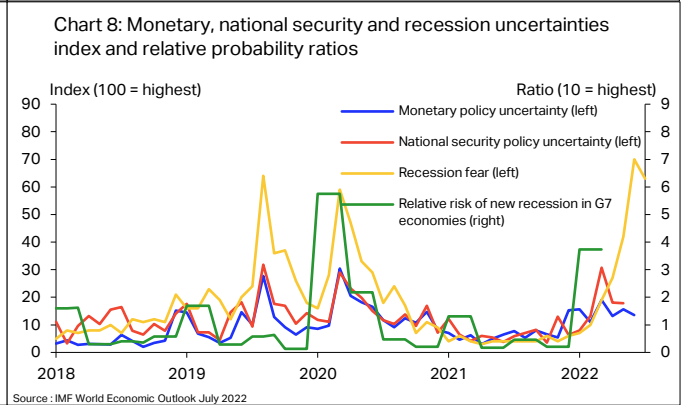
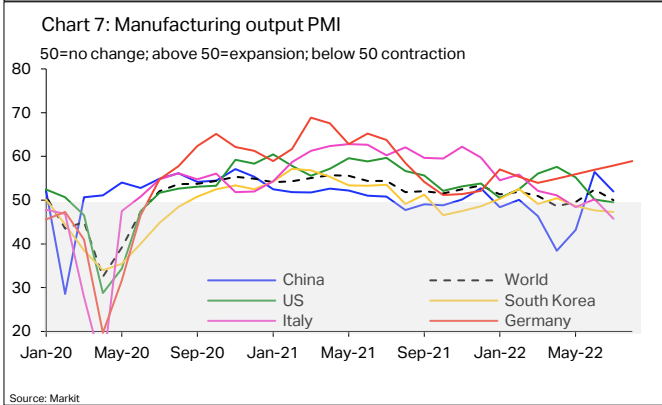
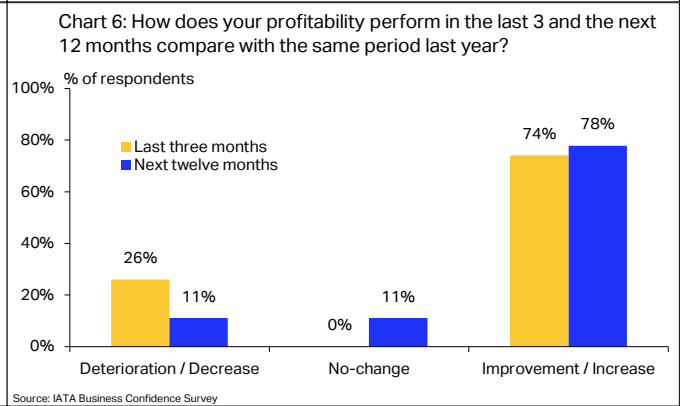
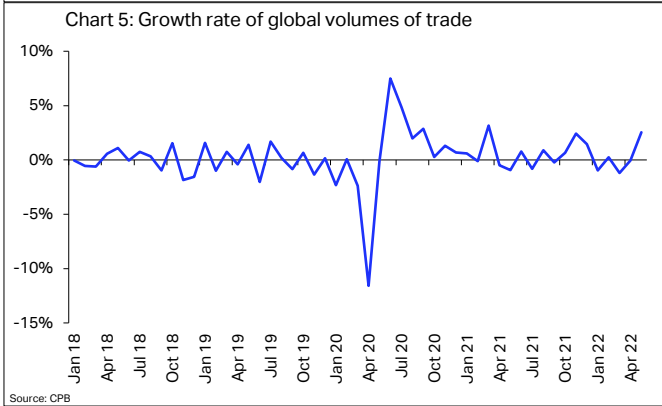
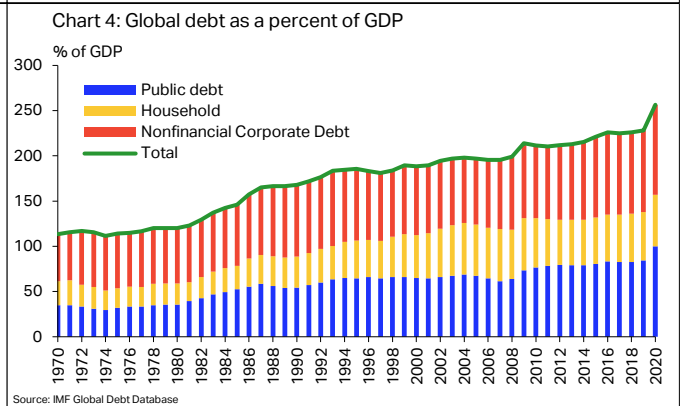
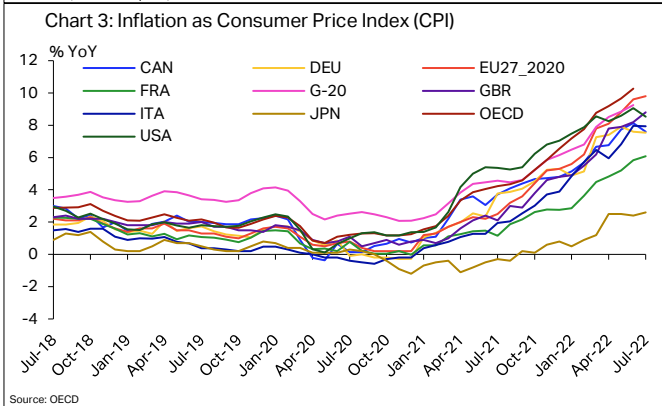
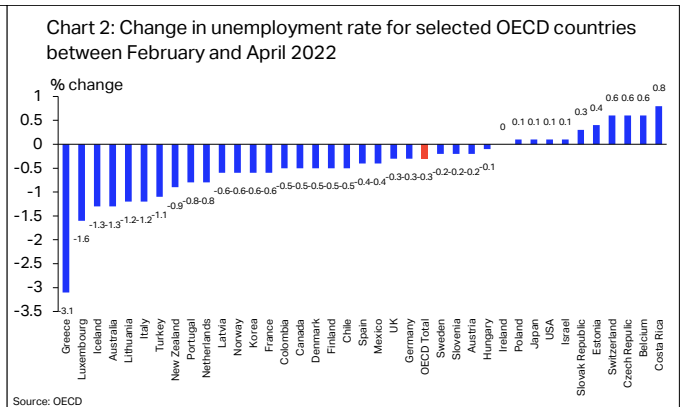
USD – United States Dollar

WLF – Weight Load Factor

YoY – year-on-year

I. The business cycle

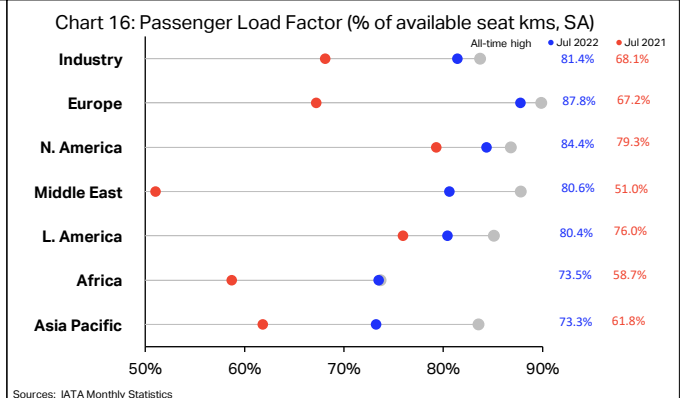
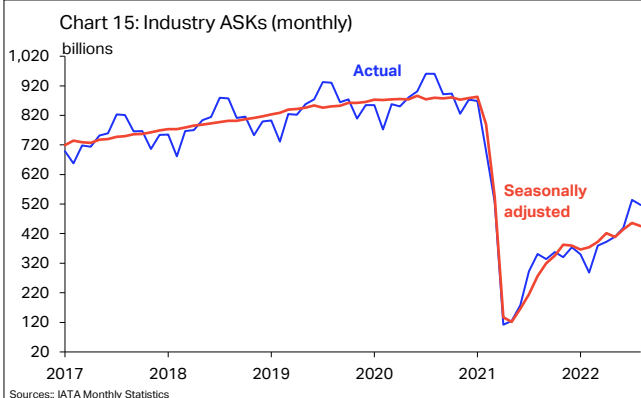
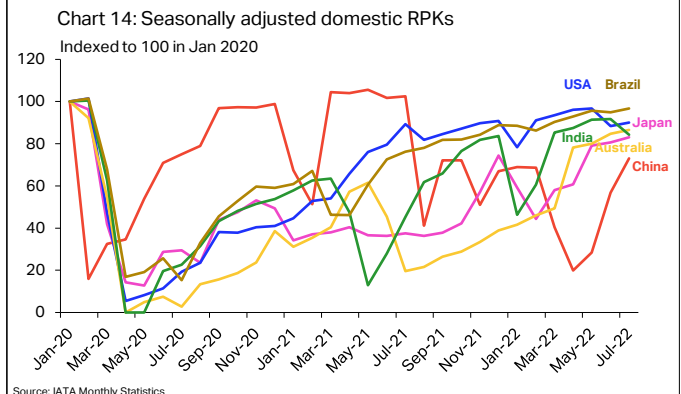
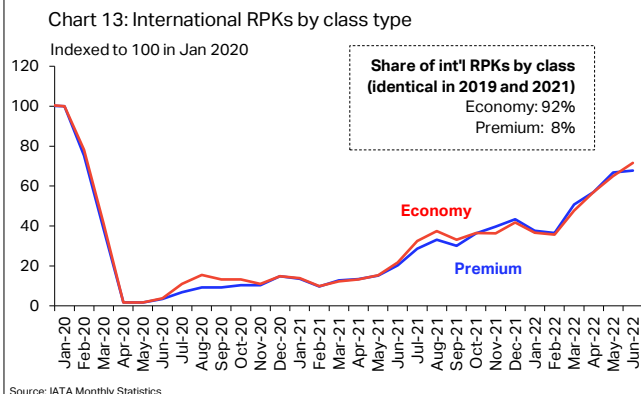
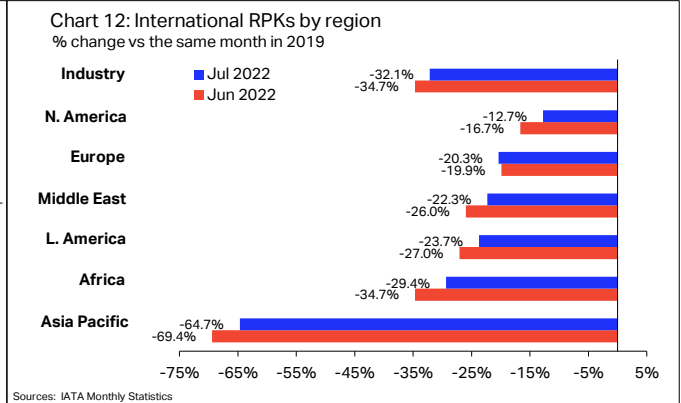
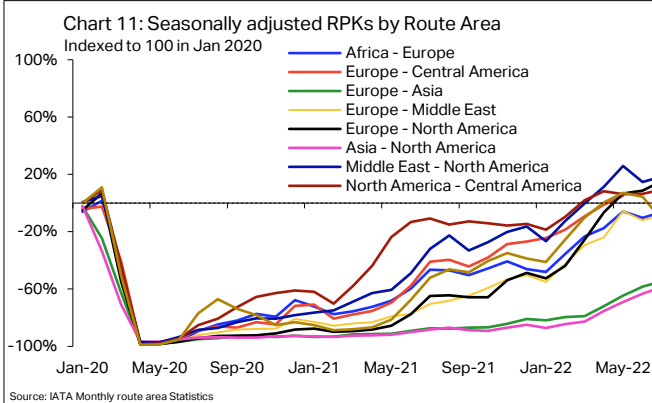
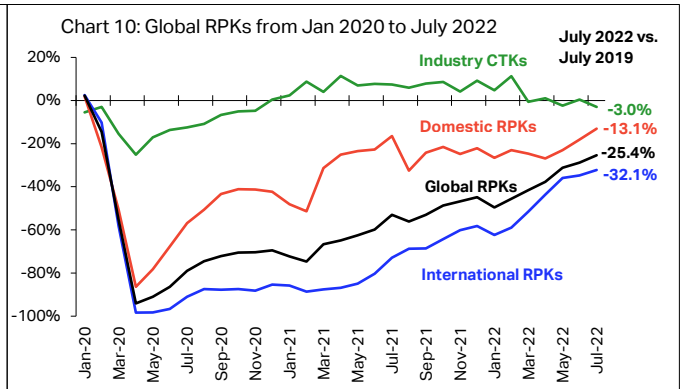
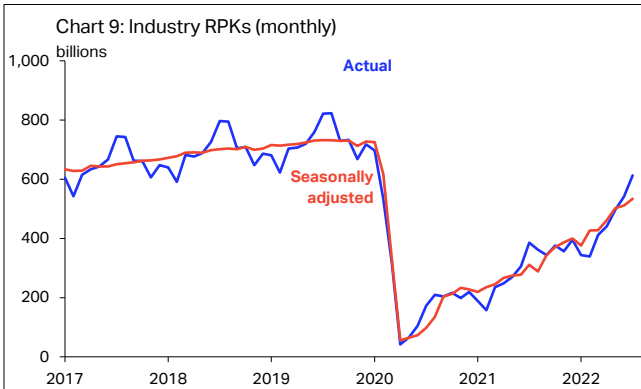
- Recession fears have risen sharply in recent months as central banks around the world have lifted policy interest rates in rapid succession. The US federal funds rate (upper limit) now stands at 3.25% and is expected to reach and possibly surpass 4% by the end of the year and further increases are likely in 2023. With August consumer price inflation in the US at 8.3%, real interest rates are still negative and policy therefore remains accommodative, which should allay some recession fears (Chart 3).
- The low and still falling unemployment rates that many countries are benefitting from should also mitigate recessionary impacts. Qatar has one of the world's lowest rates at 0.2% as per the first quarter of 2022, the European Union has the lowest rate since the introduction of the euro, and in many countries there are now more persons working than in 2019 (Chart 2). This good news puts a floor under GDP growth in general as 60% of global GDP is generated by private consumption. The fact that people are earning is a greater positive than the negative impact of those earnings' purchasing power being curtailed by the rate of inflation.
- Nevertheless, the economic slowdown is well underway and can be expected to continue over the coming years. The global economy expanded by around 6% in 2021 but will in all probability grow at half that rate in 2022 and slow marginally further next year (Chart 1). While a global recession is still on balance unlikely, local recessions are to be expected, and the US is in a technical recession already, defined by two consecutive negative quarterly evolutions. As for the world's preeminent growth engine, China (People's Republic of), its GDP might be struggle to reach 3% this year – the lowest since 1976. Europe's largest economy, Germany, could well enter a recession this winter. This all points to rising unemployment rates in 2023 and arguably a more challenging environment for the recovery in air transportation going forward, compared to the relative sweet spot marked in 2022.
- The risks to this outlook remain skewed to the downside. The longer China (People's Republic of) follows its strict zero-Covid policy, the greater the risks of a global recession. This is true also regarding the war in Europe for which no end is in sight as of yet. Moreover, the appreciation of the US dollar versus most other countries' currencies heightens the risks of balance-of-payments crises in a number of emerging economies.
- Airlines have proven their resilience throughout the historic shock of the pandemic, showing great agility and innovation during this truly exceptional period. Financial profitability is, rather remarkably, within reach for the industry as a whole. However, given the complex macro-economic environment, the pressure on cost evolutions is still on. Unusually high spreads between jet fuel and crude oil prices mean that airlines cannot benefit from potential crude oil price declines as other industries might. Limited refinery capacity could mean that this problem will linger in 2023. Tight labor markets imply higher wages. Outsized pricing power in the upstream aviation value chain will likely continue to manifest itself in 2023, in addition to the very real challenge of coping with the impact of the more than 400 aircraft retained in Russia.
- In this difficult environment, we nevertheless expect the industry to reach 2019 levels of traffic in 2024. The Americas will likely reach that level already in 2023, while China (People's Republic of) is expected to do the same in 2025. The single most important factor in determining airline profitability and air traffic in general currently is still the presence or absence of travel restrictions. As the World Health Organization states that the end to the pandemic is in sight, the time to eliminate ineffective travel restrictions has surely arrived.



II. Passenger and Cargo traffic

Passenger Traffic

- Industry-wide Revenue Passenger-Kilometers (RPKs) have risen steadily since early 2021 and continue to do so in function mostly of travel restrictions and their removal (Chart 9). Hence, the recovery has been the strongest in domestic travel, though international traffic is now catching up, thanks notably to the easing of travel restrictions in the Asia Pacific region. Overall, global RPKs are currently at 75% of the 2019 level, with International and Domestic RPKs at around 68% and 87% respectively of their pre-pandemic levels (Chart 10).
- The recovery in domestic air travel has accelerated since May, after a long period of sideways performance, greatly aided by somewhat less strict COVID-19 restrictions in China (People's Republic of) and certain other Asia Pacific countries. The passenger demand for domestic travel is expected to pick up strongly as restrictions continue to be lifted (Chart 10 and 14).
- The recovery in International RPKs has picked up strongly in 2022, again as a result of multiple major markets reopening their borders, including Asia Pacific. Total international RPKs rose by 150.6% YoY in July, showing that the strong recovery continues for the global international market (Chart 10 and 12).
- The remarkably strong willingness to travel observed globally has benefited the more open markets the most. The routes between North America and the Middle East, Within Americas, and Europe-North America have returned to their pre-pandemic level. Also, the Europe-Middle East and Africa-Europe routes have recovered swiftly and will most likely continue to grow, given that these markets are now mostly open to international travellers. Connecting routes, however, are still lagging behind and have not reached even 50% of the pre-crisis levels (Chart 11). Nevertheless, demand does respond to any removal of travel restrictions and the opening up of Hong Kong to international travel will most likely accelerate the recovery in that region.
- Looking at travel by cabin class, we note that the premium class (business and first-class), has been recovering at the same pace as economy-class travel, apart from the summer period during which economy took the lead (Chart 13). Economy class RPKs (including premium economy) accounted for 92% of total RPKs and stood at 71.5% of their January 2020 levels in July 2022. Premium RPKs reached a more modest 67.7% of January 2020 traffic levels in May (Chart 13).
- Global passenger capacity, measured by available seat-kilometers (ASKs), continues to grow but the pace has slowed and is currently at 76% of pre-pandemic levels (Chart 15). The loss of capacity due to the war in Ukraine has not yet been compensated for and this remains a challenge, particularly in Europe. On the other hand, the Americas are leading the recovery in terms of capacity, reaching 81% of the 2019 level. Load factors (LF) are currently close to all-time highs and reached 81.4% in July 2022 globally (Chart 16). The highest increases in LF YoY across the globe were recorded in the Middle East, Europe, and Africa with almost a 29, 20 and 15 percentage points increase respectively.



- Global passenger traffic (Origin-Destination) continues to climb and is currently at 81% of the pre-pandemic level (Chart 17). With a 55% YoY increase in July 2022, we expect this trend to continue over the coming months.

- After northern hemisphere's summer, passenger ticket bookings are still on the rise. International bookings have now nearly caught up with domestic bookings which had been recovering at a faster pace since the start of the crisis. The narrowing of the gap between international and domestic bookings points to a positive outlook for international travel (Chart 18). It is noteworthy that international bookings improved also in July despite high energy prices, traffic disruptions, and other economic headwinds.
- On the other hand, bookings are mostly for travel in the near future, as passengers still perceive some degree of uncertainty. More than 88% of all bookings are for travel in the next months and only 12% of bookings are for travel beyond January 2023 (Chart 19).
- In our September 2022 passenger forecast update, the coronavirus is now a lesser concern in terms of what could impact the global economy over the coming years. For 2022, the slower than anticipated removal of travel restrictions in the Asia Pacific region, combined with labor and skill shortages contributed to our modest downwards revision (Chart 20).
- Consumer surveys confirm that geopolitical and macroeconomic concerns have overtaken COVID-19 as the primary risk. Furthermore, it is unclear whether Asian and Pacific markets will face supply side constraints similar to those seen in Europe and North America. Overall, the balance of risks remains tilted to the downside. We nevertheless still expect the global passenger market to recover to 2019 levels in 2024, led by the US in 2023 while China (People's Republic of) and Africa are unlikely to reach that level until 2025 (Chart 21).

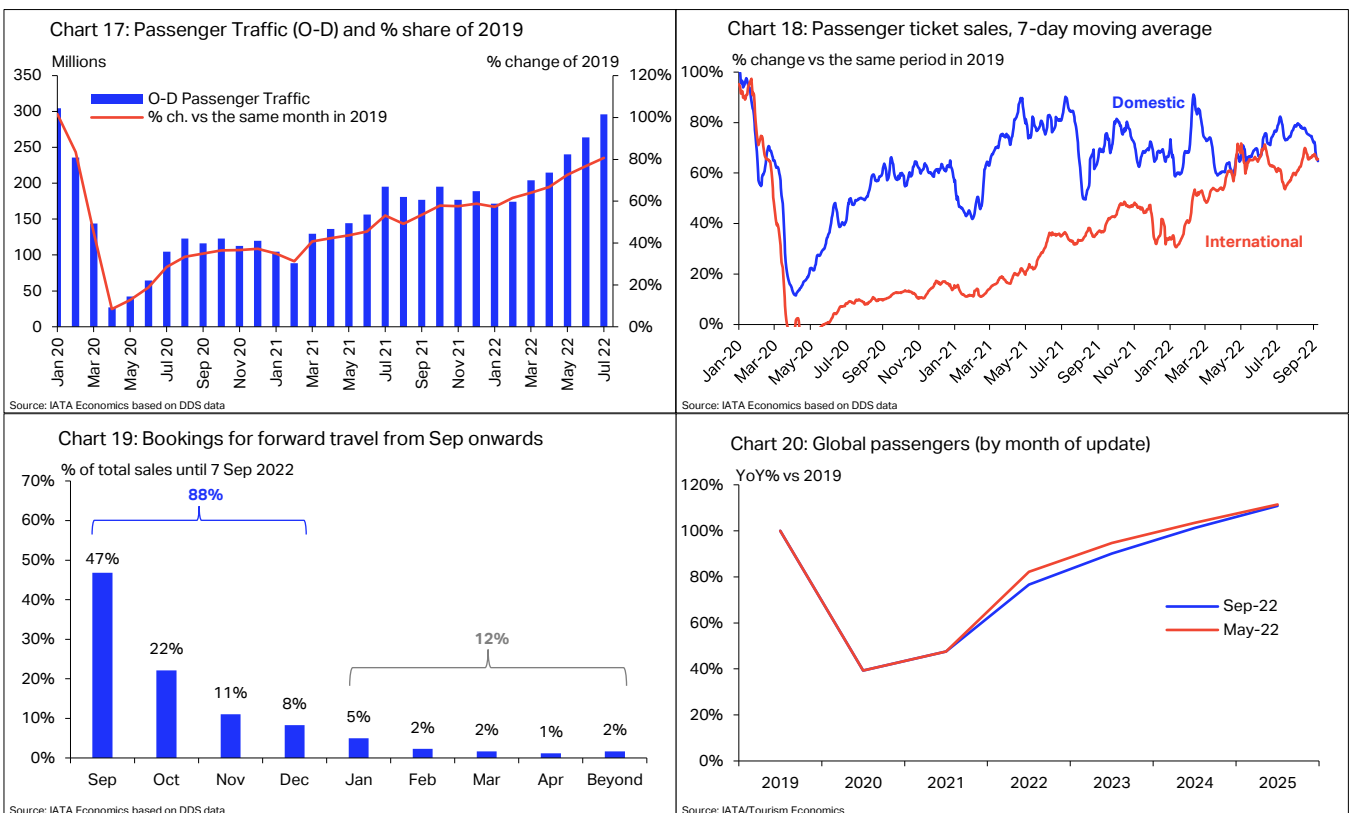
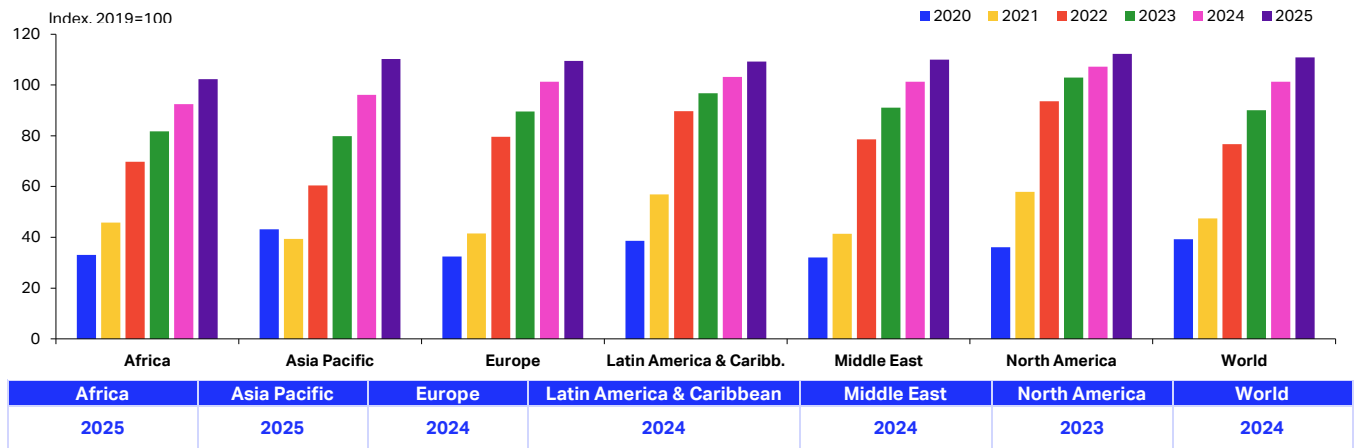


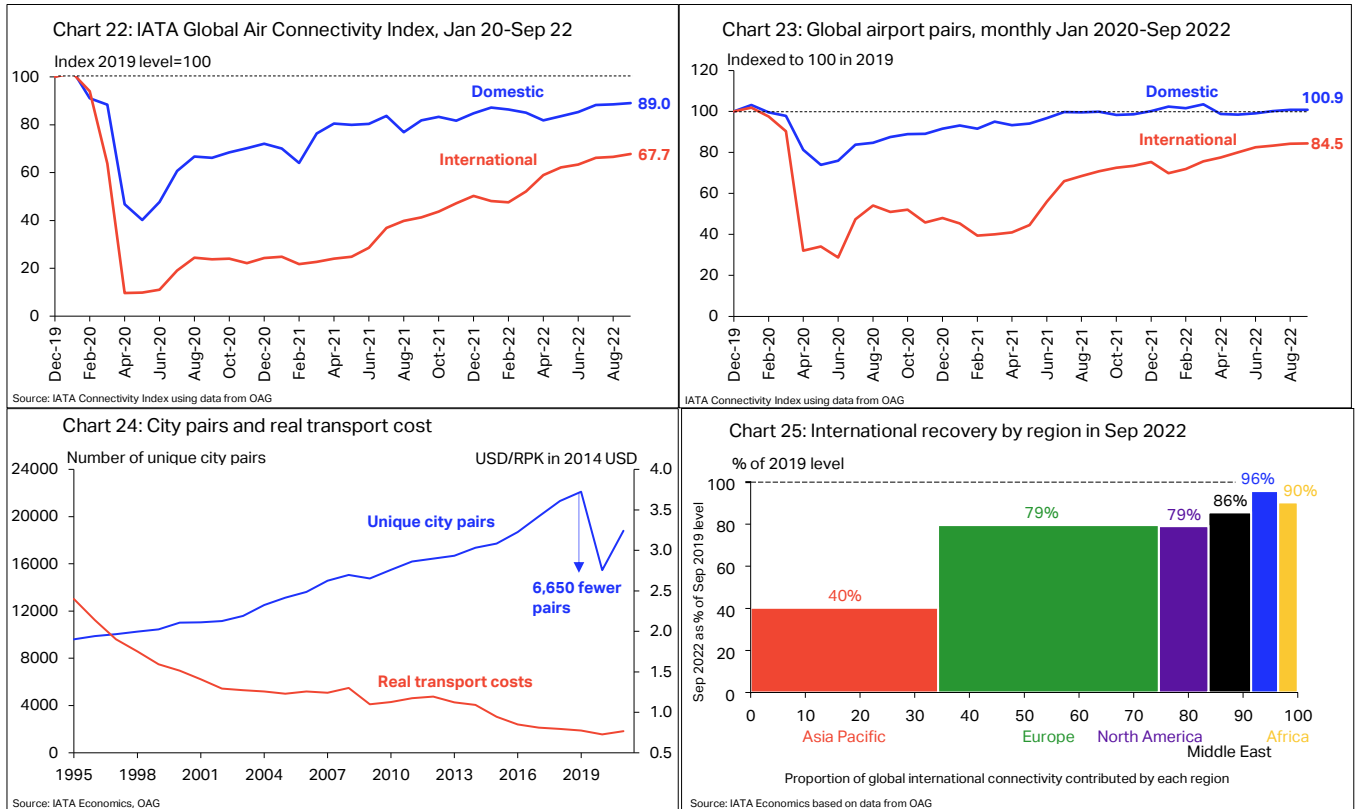
Chart 21: Regional passenger recovery (2019=100) 2020-2025



Source: IATA/OE Passenger Forecast

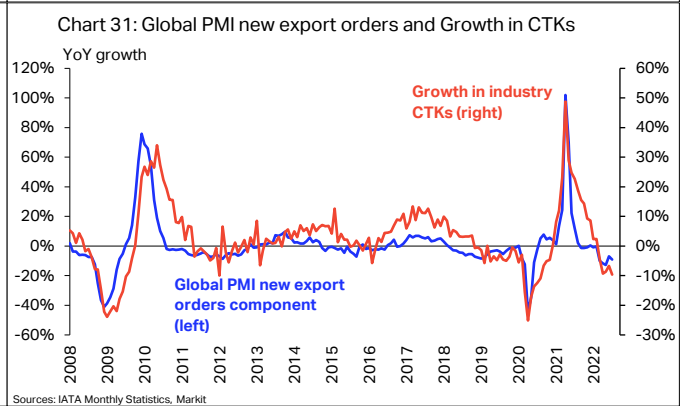
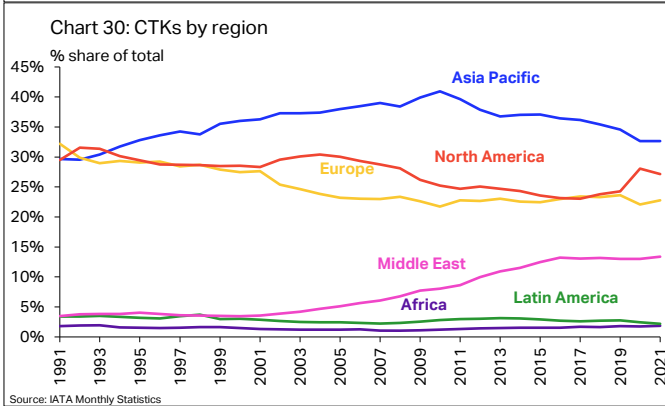
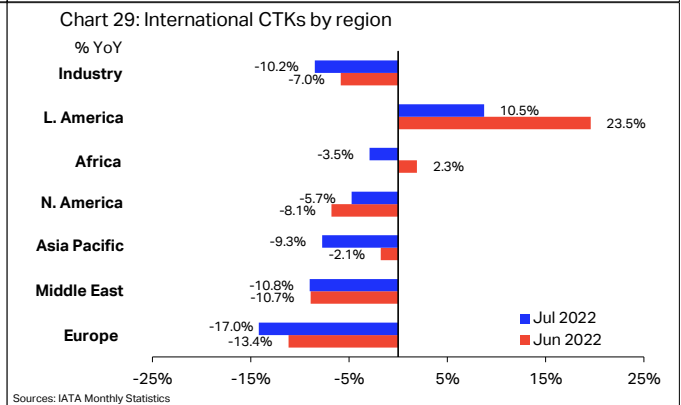
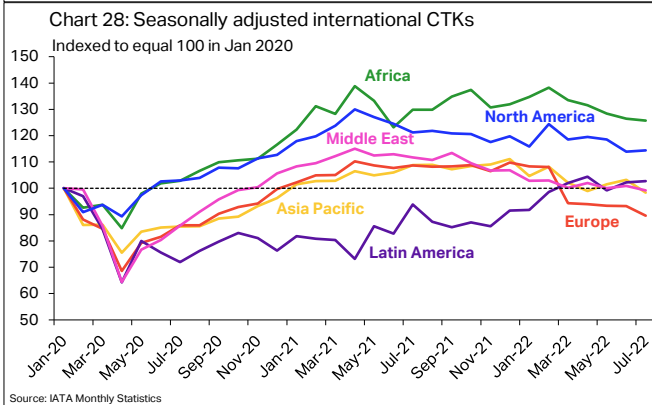
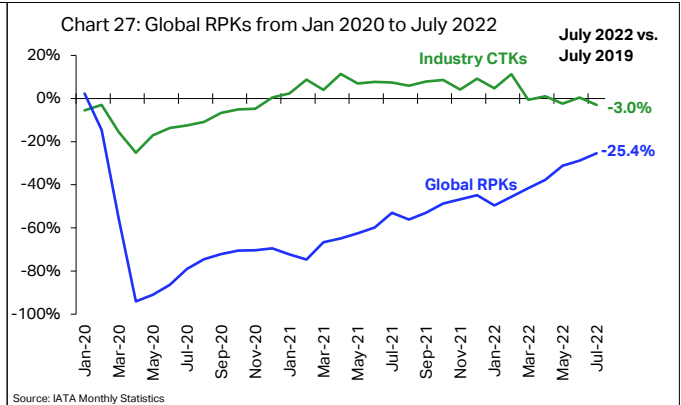
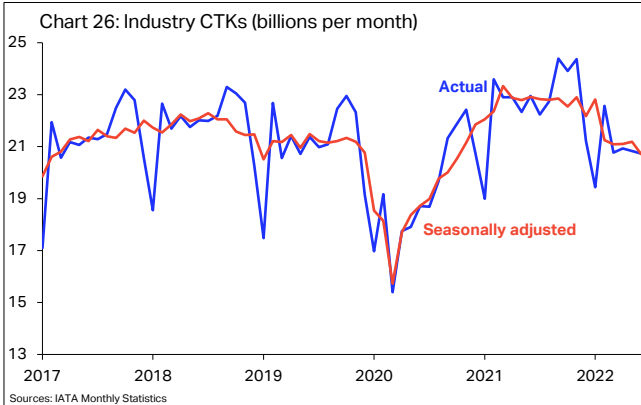
Global Air Connectivity

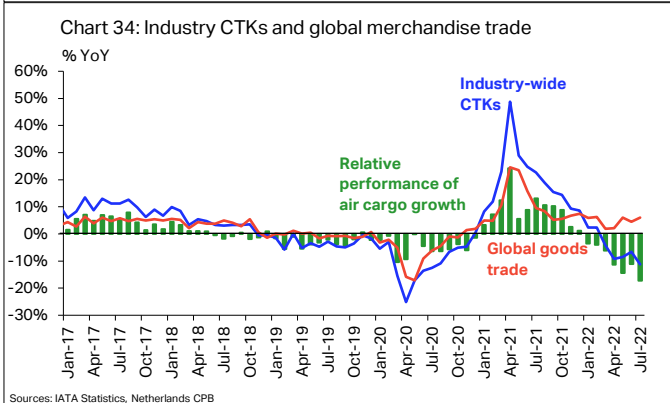
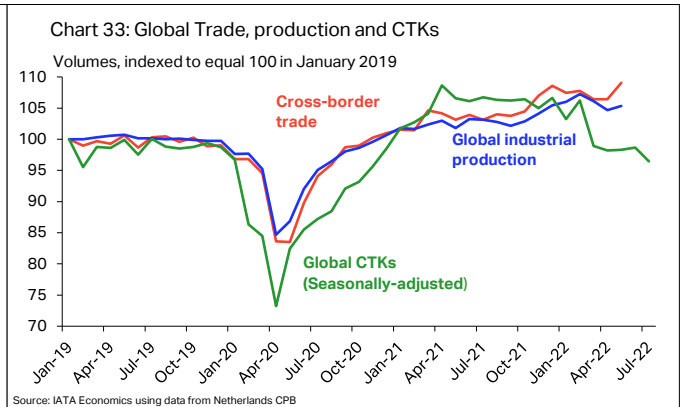
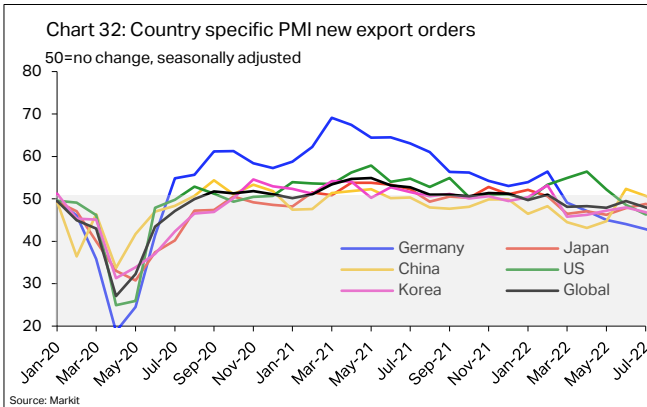
- Air transport is vital for the modern economy. It provides the city-pair connections that serve as virtual bridges supporting the flows of key economic activities between markets. As the only rapid global transportation network, air transport facilitates links between businesses, governments and people – enabling world trade, investment, tourism and travel among other key economic activities. Increased connectivity can help drive improved economic outcomes for countries and communities.
- By September 2022, IATA's [Global Air Connectivity Index](#), which measures connectivity through weighting scheduled passenger capacity by the relative economic scale of destinations served, had recovered to 68% of pre-pandemic levels for international connectivity and 89% for domestic (Chart 22).
- While the number of domestic airport pairs served has returned to pre-pandemic levels, only 84% of international pairs have been restored (Chart 23) and the recovery in international flight frequency, particularly important for business travellers, lags further behind at only 73% of pre-pandemic.
- Travel restrictions have lingered longer in Asia-Pacific, notably in China (People's Republic of), dampening the recovery in international connectivity in that region to 40% of 2019 levels still lags significantly behind the recovery seen in all other regions ranging from 79% in North America and Europe to 90% or more in Latin America and Africa (Chart 25).
- The speedy restoration of international air connectivity will help support the recovery of economic benefits associated with air transport for countries heavily affected by the pandemic. It is particularly vital for regions that are highly dependent on international tourism receipts and trade.



Cargo traffic

- Cargo Tonne Kilometers (CTKs) continue to outperform passenger traffic, compared to their respective 2019 levels (Chart 27). However, a minor slowdown in the growth of CTKs has been seen over the third quarter.
- Cargo traffic is not immune to the slowdown in global GDP growth, nor to the high inflation rates and energy prices. In July, global CTKs declined by 3% YoY (Chart 27).
- Global trade has continued to recover, driven by strong cargo volumes in Latin America, but also in Europe and China (People's Republic of) (Chart 29). With the COVID-19 restrictions in place, the economic growth of China (People's Republic of) is estimated to grow by 3% only which could have an impact on the global economy and cargo outlook as well.
- Global new export orders – a component of the purchasing managers index, PMI – are a leading indicator of demand for air cargo shipments with a strong positive correlation to CTKs historically. After the boom in export orders seen in 2021, the view of the purchasing managers is that orders have stabilized around the current level (Chart 31). Sanctions against Russia have disrupted manufacturing activity, causing export orders to diminish in Q3 2022 for major European exporters such as Germany. Chinese export orders are holding above the 50-mark, showing a degree of resilience in this market in spite of the remaining lockdowns that are part of the country's zero-COVID policy (Chart 32).





- Capacity in Europe has been heavily perturbed by the war in Ukraine and the region's performance is currently below 2020 levels and continues to develop sideways. Latin America remains the only region with positive YoY growth in July 2022.
- Global Available Cargo Tonne Kilometers (ACTks) are nevertheless growing with the incoming belly capacity as passenger traffic continues to recover (Chart 36). With increased capacity also in the form of standard freighters, global capacity is close to the 2021 high (Chart 35).
- After a period of record-high load factors, the growth in capacity has dampened load factors which continue to develop sideways (Chart 37). With slower growth in global trade, global capacity might exceed cargo demand in the coming months, putting some pressure on yields. However, specific cargo routes remain capacity constrained, and load factors can mask volume-constrained cargo flights.
- Our July survey of airline Heads of Cargo shows that the outlook for air cargo over the next 12 months has deteriorated while remaining in the expansionary territory with a reading of 56.3 (Chart 39).

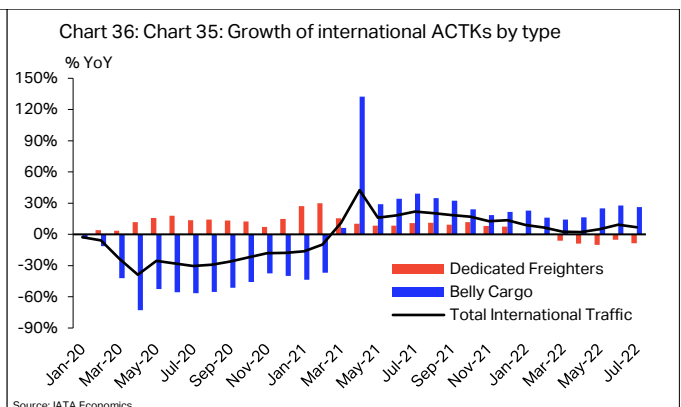
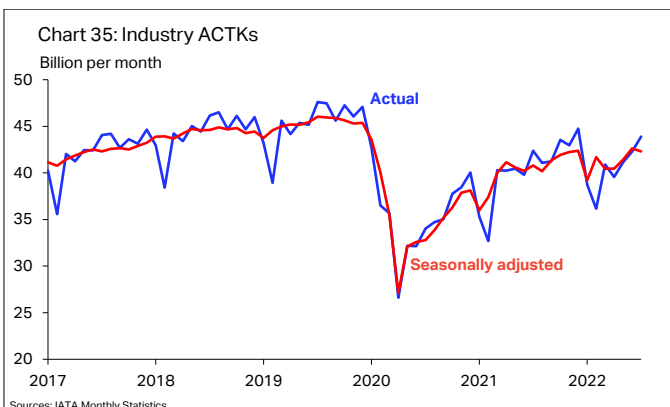
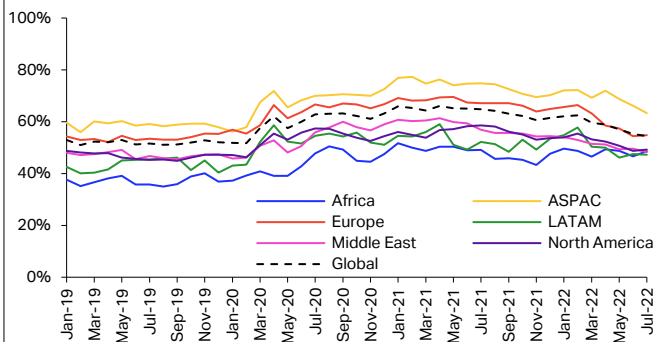
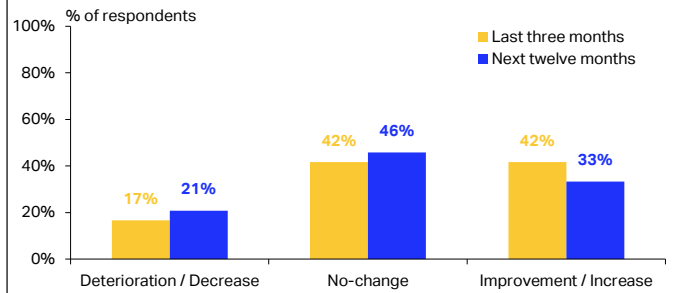


Chart 37: International Cargo Load Factors (SA) over time



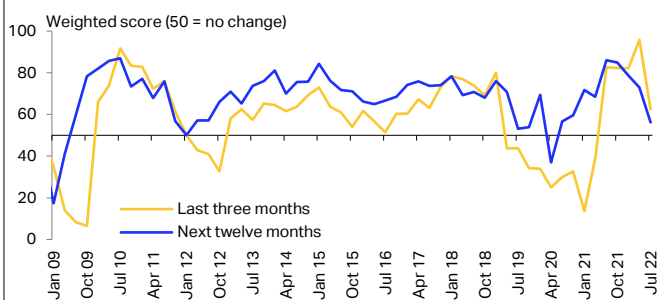
Source: IATA Monthly Statistics

Chart 38: How did your cargo operations perform in the last three months compare with the same period last year and how do you expect them to change over the next twelve months?



Source: IATA Business Confidence Survey (August 2022)

Chart 39: How did your cargo operations in the last three months compare with the same period last year and how do you expect them to change over the next 12 months?

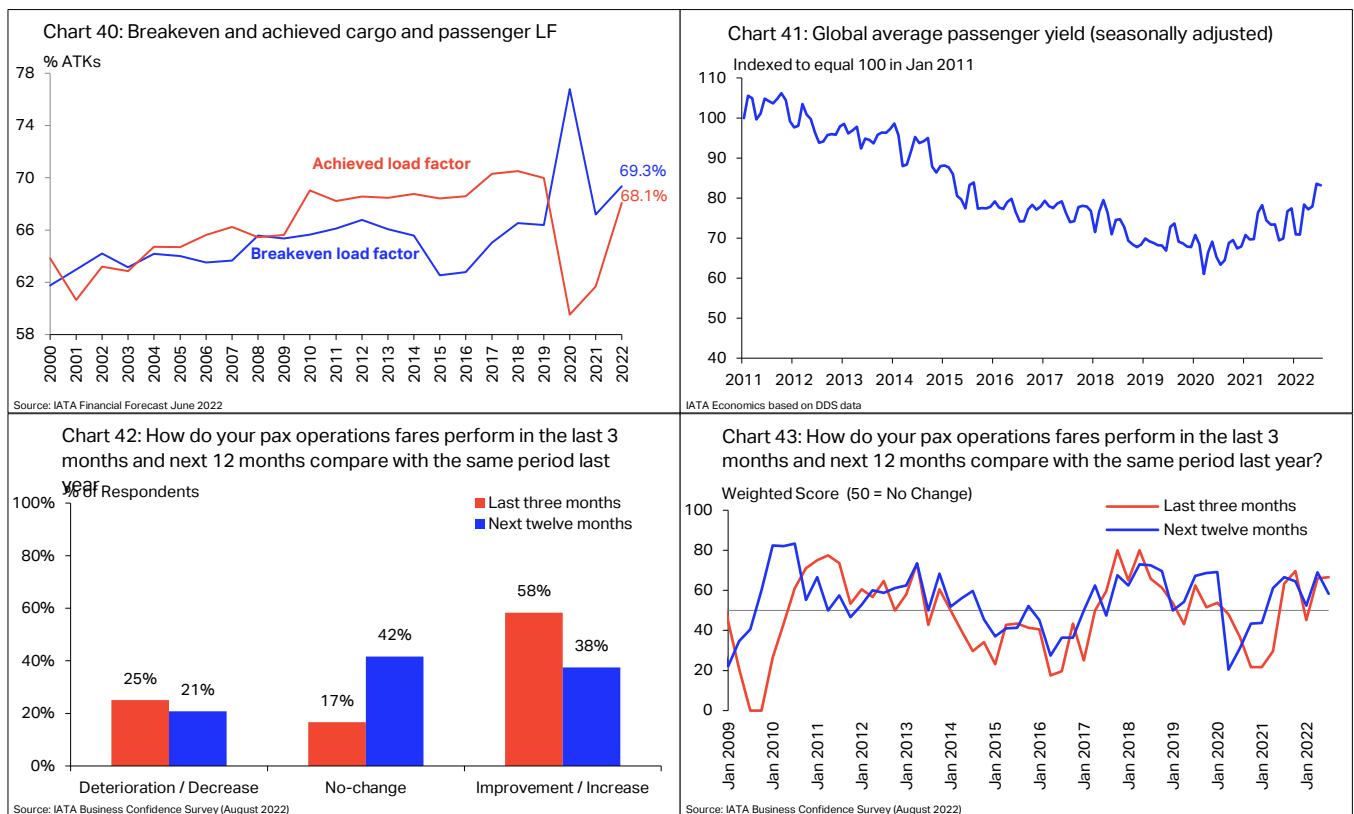


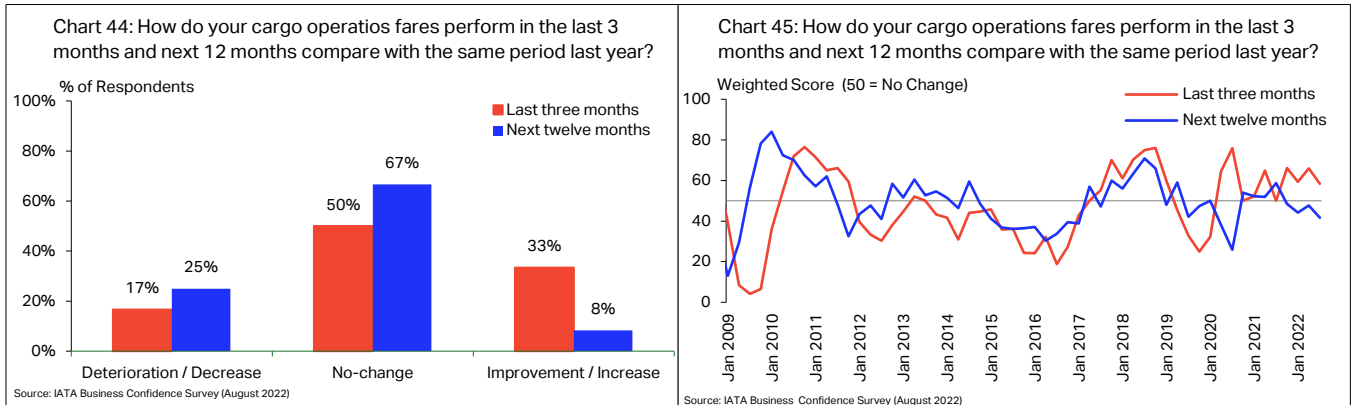
Source: IATA Business Confidence Survey (August 2022)

III. Airline Financial Performance

Revenue

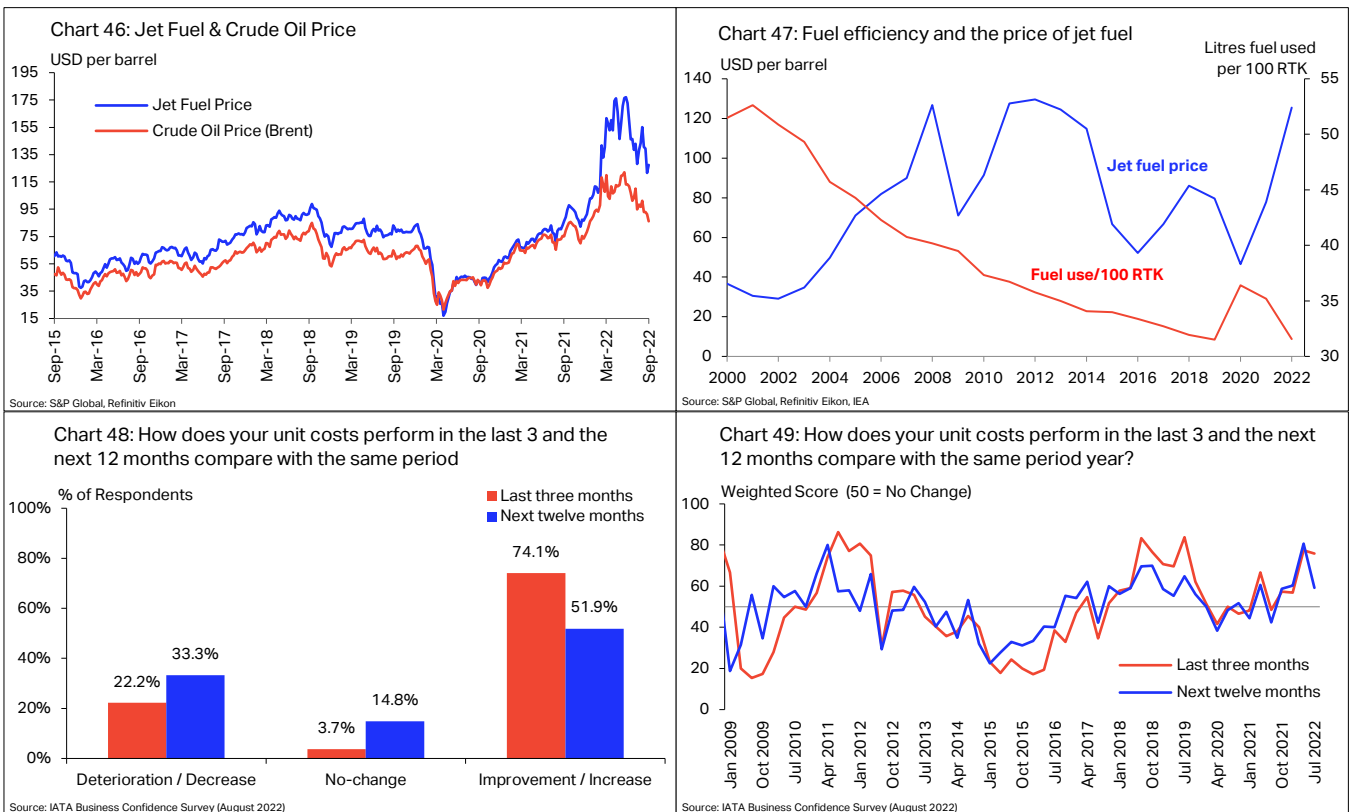
- Improvements in cargo and passenger demand meant that airlines were able to increase their overall load factor in 2021 compared to 2020 (Chart 40). This trend has continued so far in 2022, and overall load factors remain at around 74.6%. When looking at the breakeven load factor – which is the overall load factor that allows the airline industry to reach financial breakeven – we see it has eased from its 2020 peak. Yields have improved steadily from the depth of the crisis in 2020 (Chart 41). The achieved load factor nevertheless remains below what is needed to break even, but the gap has narrowed markedly so far in 2022. On current trend, a return to profitability is in the offing for 2023, though this will require continued intense attention to all and any cost items as the pressure is high across the board.
- IATA's airline business confidence survey confirms that passenger fares have been improving (Chart 42 and 43). However, the evolution over the past 3 months is seen to have been more positive than the outlook over the coming 12 months. Cargo performance is similarly viewed positively regarding the recent past and only a quarter of respondents expect lower cargo fares over the coming 12 months (Charts 44 and 45).





Cost

- Jet fuel and crude oil prices have risen sharply in 2022, notably as a consequence of Russia's invasion of Ukraine. To be sure, this is putting pressures on already strained airline finances (Chart 46). The crack spread (jet fuel versus crude oil price) is unusually wide and this prevents the aviation industry from benefiting from potential declines in crude oil prices to the same extent as other industries. Limited refinery capacity is likely to stay with us also in 2023, and the crack spread can be expected to remain elevated as a result.
- Nevertheless, airlines have made stunning progress in terms of reducing fuel consumption thanks to aircraft manufacturers' progress and to airlines investing in the fleet renewals (Chart 47).
- The elevated jet fuel price adds to airlines' operating costs (Chart 48 and 49). These costs will either have to be absorbed by airlines, pushing margins further into the red, or passed on to consumers with the risk of impairing demand. It should be noted though, that airlines have lived through periods of high oil prices in the past and remained profitable (notably 2011-2014). However, airlines have also accumulated substantial financial debt since the start of the pandemic, which will need to be serviced at higher nominal interest rates. Here, there is a silver lining in that real interest rates remain low and in many cases negative, meaning that the real value of the debt to be reimbursed and services is reduced.
- Still, should that debt be denominated in US dollars, all airlines' earning revenue in another currency will feel the impact of the former currency's appreciation – by as much as some 20% versus the UK's pound sterling or Japan's yen, for instance. Obviously, the US dollar's appreciation will also add to the already elevated fuel bill. In addition, labor costs can be expected to rise, as will most likely insurance and lessor fees given the situation in Russia, among a slew of cost increases relating to the global inflation surge. Absorbing these cost increases will remain a key challenge in the industry over the coming years.



Industry financial results

- After the unprecedented shock to the industry in 2020, the improvement has been nothing short of spectacular. In 2022 we expect industry losses to shrink to USD 9.7 billion for a net loss margin of -1.2% (Chart 50).
- Total industry revenues are expected to recover to 93% of 2019 levels. Passenger revenue looks set to double in 2022 compared to 2021, going from USD 239 billion to USD 498 billion. Cargo revenue should reach USD 191 billion in 2022. While this is down slightly from the USD 204 billion recorded in 2021, it is nearly double the USD 100 billion achieved in 2019 (Chart 51).
- The North America region will see the benefits of a large and robust US domestic market and strong international traffic recovery due to post-pandemic openness, making it the best-performing region and the only one expected to be profitable in 2022 (Chart 52). Due to strict border restrictions and a zero-covid policy in China (People's Republic of), Asia Pacific remains the weakest region and will post the highest losses in 2022. This is of course reflected in the EBIT margins per region (Chart 53).
- The financial troubles brought on by the COVID-19 pandemic broke an unprecedented trend of equity investors in Europe and North America receiving returns in excess of the cost of capital (Chart 55). We forecast that the industry will again generate a negative return on invested capital (ROIC) of -2.9% in 2022, but it is a notable improvement on the prior two years (Chart 54 and 55). This underpins confidence in the industry, and airlines are expecting to take delivery of more than 1,200 aircraft this year. The new generation aircraft will be less costly to operate and will also generate environmental benefits through greater fuel efficiency.

- The results of our survey of CFOs and Cargo Heads show nearly 80% expecting greater profitability over the coming 12 months. The view of the past 3 months has deteriorated somewhat, but the outlook for the coming 12 months is now just shy of the high set in 2010 (Charts 56, 57 and 58). Undoubtedly, the strong recovery seen in the passenger business this year is a key driver of this positive outlook for profitability going forward.

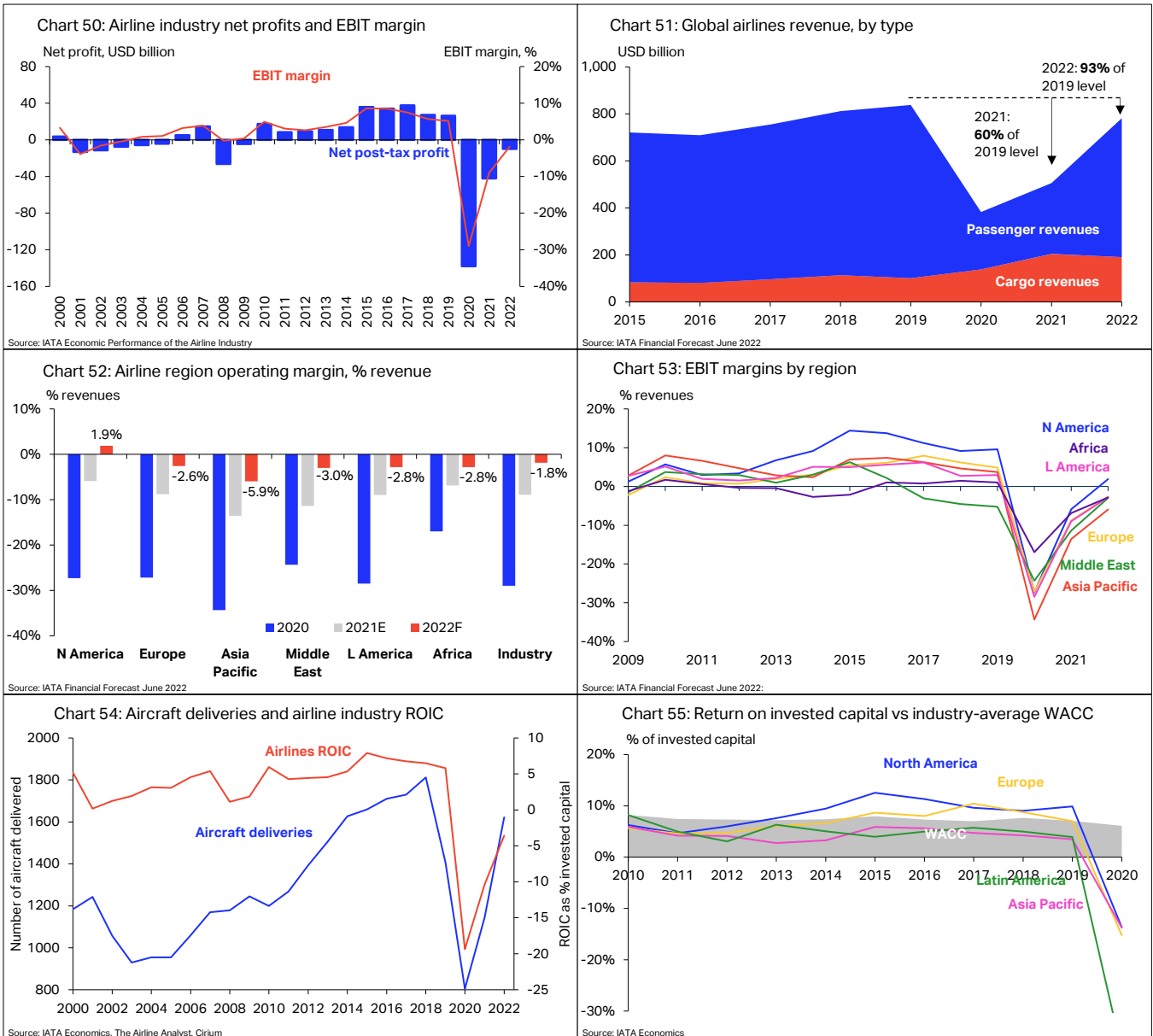
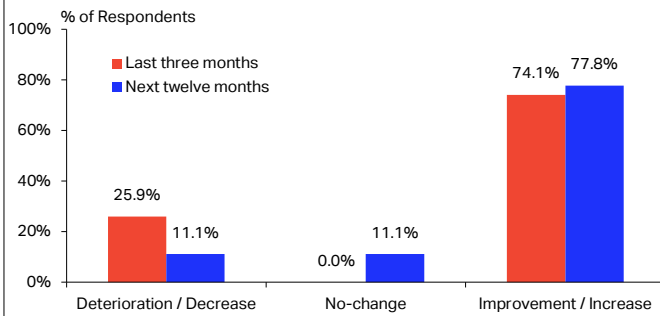
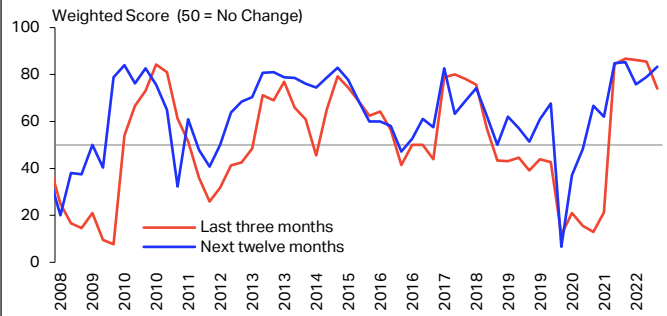


Chart 56: How does your profitability in the last three months compare with the same period last year?



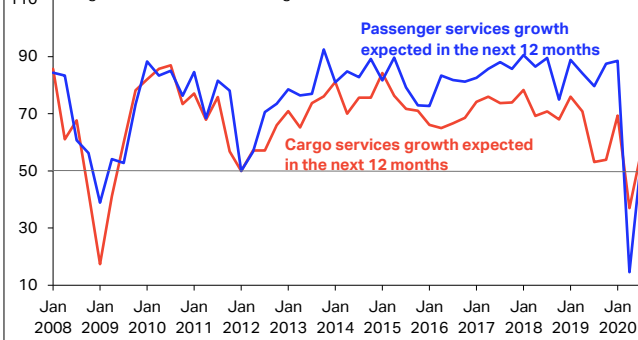
Source: IATA Business Confidence Survey (August 2022)

Chart 57: How does your profitability in the last three months compare with the same period last year?



Source: IATA Business Confidence Survey (August 2022)

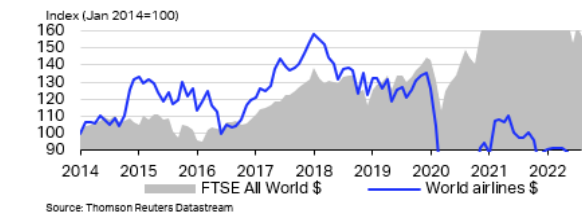
Chart 58: IATA survey of airline CFOS and Heads of cargo



Source: IATA Business Confidence Survey (August 2022)

Table 1: Airline Share Prices

US\$ indices (Jan 2014=100)	Index	% change on		
		Aug 31st	one month	one year
World airlines	75.9	-0.5%	-22.0%	-38.2%
Asia Pacific airlines	72.3	+1.6%	-11.1%	-34.8%
European airlines	54.2	-0.9%	-31.6%	-47.2%
North American airlines	90.8	-3.5%	-26.2%	-40.7%
FTSE All World \$	156.7	-3.8%	-17.2%	+34.4%



Source: Thomson Reuters Datastream

Key forecasts and assumptions

	ROIC	EBIT margin	Net post-tax profits	Spend on air transport	Passengers	RPK	CTK	World GDP	World trade	Average jet fuel price
	% invested capital	% revenue	USD billion	USD billion	Billion	Billion	Billion	% YoY	% YoY	USD/barrel
2019	5.8%	5.2%	26.4	876	4.5	8.7	254	2.5	0.3	
2020	-19.3%	-29.0%	-137.7	394	1.8	3	229	-3.5	-5.1	
2021e	-8.0%	-8.9%	-42.1	521	2.2	3.6	272	5.8	9.8	
2022f	-2.5%	-1.8%	-9.7	813	3.8	7.2	284	3.4	3.0	125.5

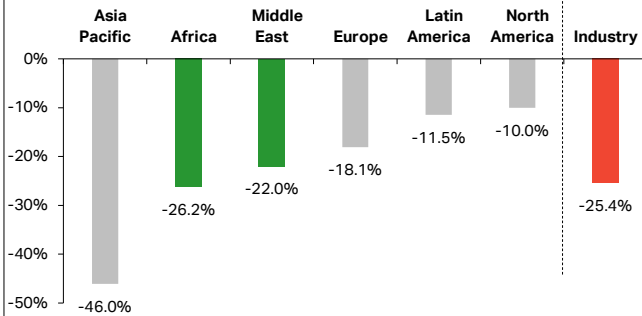
IV. Regional Outlook

Africa and the Middle East

- African airlines have been in steady recovery since the start of 2022. By July, although the passenger traffic still stood 26% below its level achieved in the same month of 2019, it had almost doubled since January this year. Middle Eastern airlines are also recovering, reaching 78% of the RPK from its pre-pandemic level in July (Chart 59). In line with the easing of travel restrictions and opening up across borders, international RPKs from Middle Eastern airlines grew by 193% from July in 2021, among the highest year-on-year increases compared to other regions (next to Asia Pacific). African airlines have also increased by 85% from the same period last year (Chart 60).
- On the cargo's side, African airlines registered a 2% gain compared to the same month before the pandemic. This is in line with the gradual increase in the market share of African airlines in the global air cargo market since 2007. In the meantime, cargo traffic from Middle Eastern airlines is down by 2% from its 2019 level, but its market share remained broadly the same as for the past five years (Chart 61).
- The volatility in ticket bookings in the Middle East region continued into the second quarter of 2022. The pace of recovery in the region has been ahead of the global average, although the level remained below those prior to the pandemic. Recovery in bookings originated from Africa has been slightly behind the global average (Chart 62).
- Among the largest markets in Africa, Egypt and Nigeria have been the main drivers of the recovery in passenger traffic (Chart 63). All three countries rebounded from the pandemic with strong and sustained growth since early 2020, and surpassed pre-pandemic levels entering the second quarter of 2022. The recovery in the Middle East is also in progress, with the UAE reaching the pre-pandemic level in May, and Qatar in June. Our latest Air Passenger Forecast (from September 2022) suggests that total passenger traffic in the region is expected to recover to the pre-pandemic level by 2025 (Chart 21). Over the next 20 years, the number of airline passengers in both regions are expected to more than double and possibly triple from today.
- In a comparison of passenger load factors to 2019 levels, the recovery in African airlines are among the fastest in all regions. Since May, the average passenger load factor has exceeded its corresponding monthly level in 2019, reaching 75% in July. Middle Eastern airlines also surpassed pre-pandemic passenger load factors in May, posting 81% in July. Capacity, measured by Available Seat Kilometers (ASKs), has seen slow recovery in both regions. As of July, capacity was 28% below pre-pandemic levels for African airlines, and 22% below for Middle Eastern airlines.
- Aircraft deliveries in both regions have been improving since the depth of the pandemic, and the growth is especially strong in Middle Eastern airlines, suggesting confidence with respect to future demand within the industry (Chart 64).

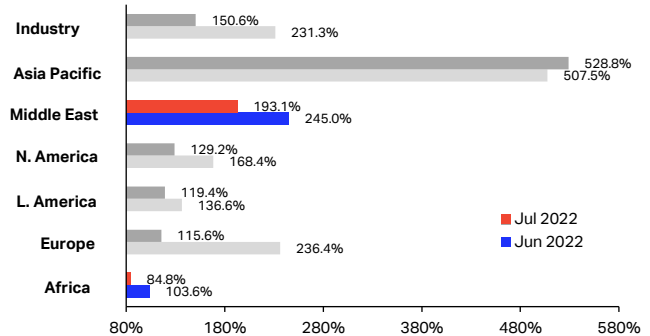
Chart 59: Growth in RPKs by region

% change in July 2022 vs 2019



Source: IATA Monthly Statistics

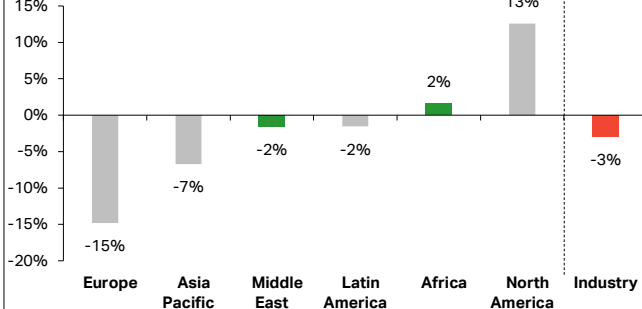
Chart 60: Growth in international RPKs (% YoY)



Source: IATA Monthly Statistics

Chart 61: Growth in CTGs by region

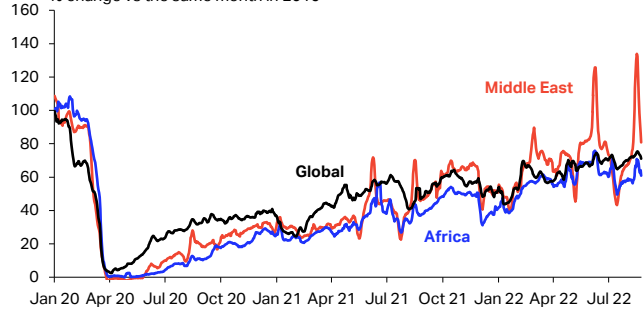
% change in July 2022 vs 2019



Source: IATA Monthly Statistics

Chart 62: Ticket bookings, by regions (7 day moving average)

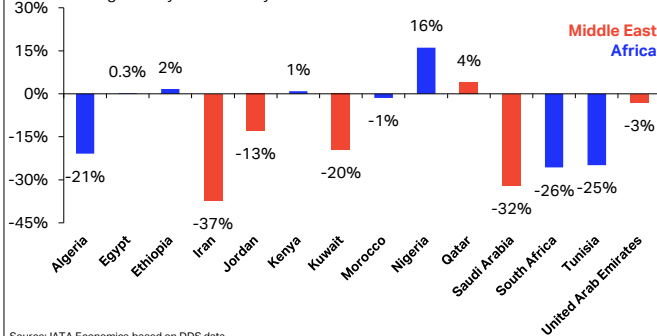
% change vs the same month in 2019



Source: IATA Economics based on DDS data

Chart 63: Passenger traffic (O-D) by country in June 2022

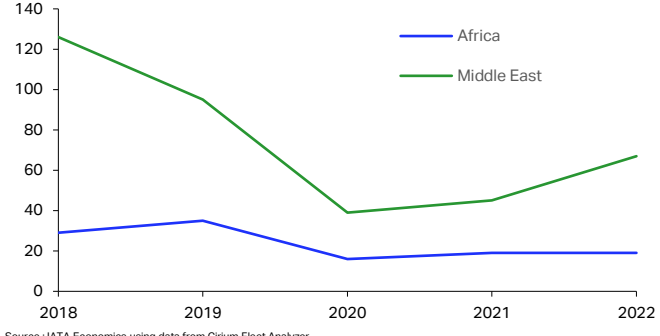
% change in July 2022 vs July 2019



Source: IATA Economics based on DDS data

Chart 64: Aircraft deliveries in 2018-22

Aircrafts delivered



Source: IATA Economics using data from Cirium Fleet Analyzer

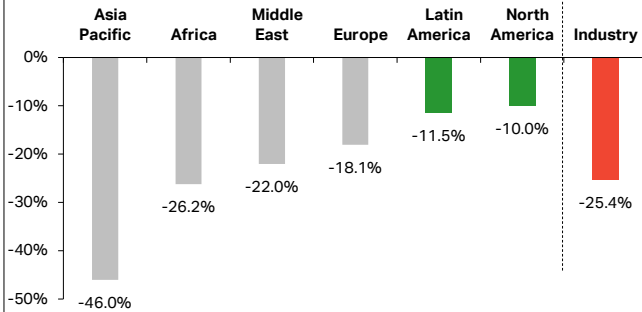
	World share ¹	July 2022 (% ch vs the same month in 2019)				July 2022 (% year-on-year)			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	-25.4%	-23.6%	-2.0%	83.5%	58.8%	37.3%	11.3%	83.5%
Africa	1.9%	-26.2%	-28.5%	2.3%	75.3%	81.9%	48.3%	13.9%	75.3%
Middle East	6.6%	-22.0%	-22.0%	0.0%	81.2%	176.7%	75.3%	29.8%	81.2%

Americas

- North and South America registered the strongest recovery pattern among all regions globally. The fast and continuous recovery path of the Americas can be associated with the extensive vaccination rollout, relief measures provided by governments, and recently the easing of travel restrictions in the top markets, notably the United States and Canada. To be sure, the recovery of the US market played a vital part in restoring passenger flows and routes from South America and Europe to the region.
- In July 2022, the passenger traffic in North America increased by 48% since Omicron's peak in January, led by the US' continued recovery which market reached nearly 92% of corresponding 2019 passenger level in July 2022. Meanwhile, Canada performed remarkably in the second quarter, recovering to almost 83% of July 2019 levels in July 2022. In addition, the forward bookings point to continued growth in passenger numbers and the August 2019 level of bookings could be reached by August 2022 (Chart 68).
- The US acting as an open corridor for the region (to/from and within the US) and considering that it represents nearly 11% of the total international traffic originating in South America, the former has greatly facilitated the recovery in the latter region's markets. Countries such as Colombia, Mexico, and some Caribbean States that maintain or implement flexible operation conditions have benefited from this situation, reporting in July 2022 higher levels than those flown in the same month of 2019. Another essential component exploited by the mentioned countries is the Intra-South American traffic representing 77.9%, and growing in July 2022 by an impressive 119% versus the same month of 2019. Due to the above, Latin America and the Caribbean have recovered strongly and continue growing, with RPKs standing at a mere 11% below their pre-pandemic level.
- However, the passenger flows for some Latin American and Caribbean countries, such as Cuba, Argentina, and Peru, are still lagging behind (Chart 69). In the particular case of Argentina, the macro-economic turmoils of high inflation rates (above 80%), the new government policy to apply different exchange rates depending on the industry, plus the measures that the Argentinian government has imposed on air transport in the past, generates unnecessary market pressures for airlines operating in the country.
- Cargo traffic in American airlines was less affected by the pandemic and has stayed close to or above its pre-pandemic levels. For July 2022, CTKs in Northern America rose to 13% above the same month in 2019. This outcome may be attributed to the consolidation in cargo process done in the United States to fly the cargo out to the Caribbean, Central, and South America which were active markets during the crisis (Chart 67). On the other hand, most Latin American carriers predominantly fly cargo in the belly of passenger aircraft, and were therefore harder hit by the onset of the pandemic. As the cargo business evolved during the pandemic, the possibility of retrofitting passenger aircraft for cargo operations and the high revenue generated in the air cargo market drove many airlines in the region (LATAM Airlines, Air Canada, and Wingo) to increase their cargo capacity, showing a strong recovery in the past months. As of July 2022, CTKs from Latin American airlines was only 2% below its pre-pandemic level.
- Aircraft deliveries in these regions have been improving, and the growth is robust for North American carriers, up 43% compared to 2021 (Chart 70). Also, during 2022, Latin American carriers have seen aircraft deliveries rise by 114% versus 2021. Confidence in this part of our industry and in this region is strong, and countries such as the Dominican Republic and Colombia have seen new airlines (e.g., Arajjet and Ultra Air) entering the market, all of which contributes to the positive evolution in the numbers.

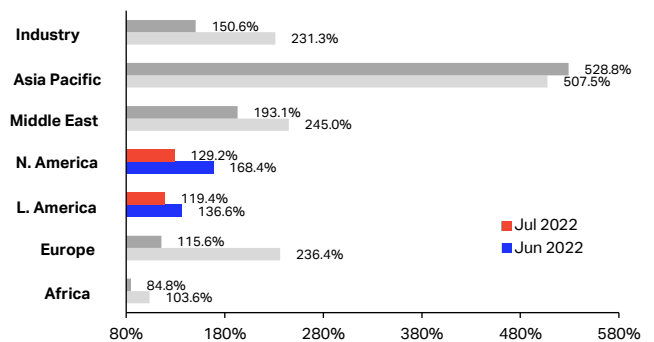
Chart 65: Growth in RPKs by region

% change in July 2022 vs 2019



Source: IATA Monthly Statistics

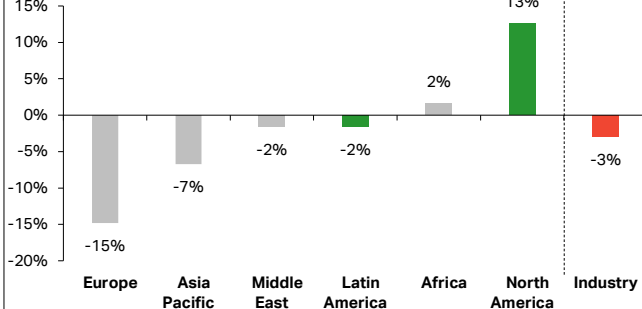
Chart 66: Growth in international RPKs (% YoY)



Source: IATA Monthly Statistics

Chart 67: Growth in CTGs by region

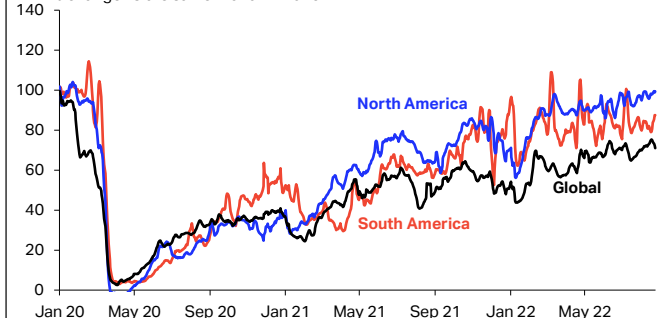
% change in July 2022 vs 2019



Source: IATA Monthly Statistics

Chart 68: Ticket bookings, by regions (7 day moving average)

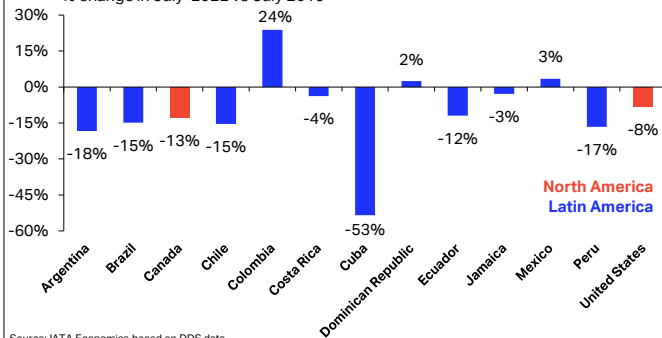
% change vs the same month in 2019



Source: IATA Economics based on DDS data

Chart 69: Passenger traffic (O-D) by country in June 2022

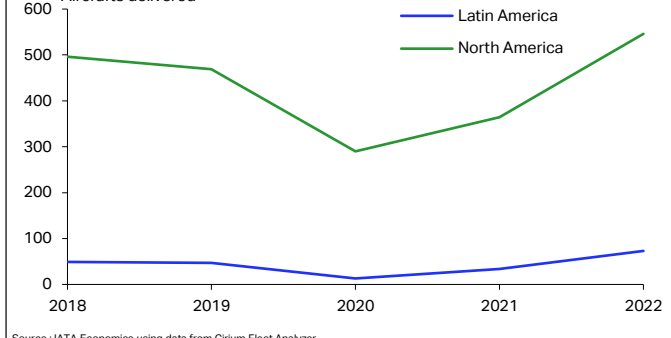
% change in July 2022 vs July 2019



Source: IATA Economics based on DDS data

Chart 70: Aircraft deliveries in 2018-22

Aircrafts delivered

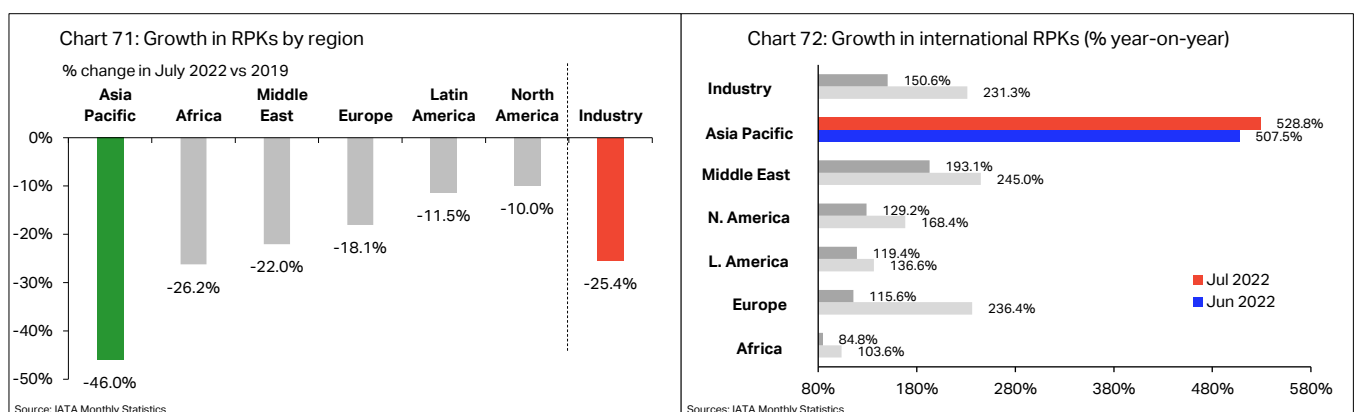


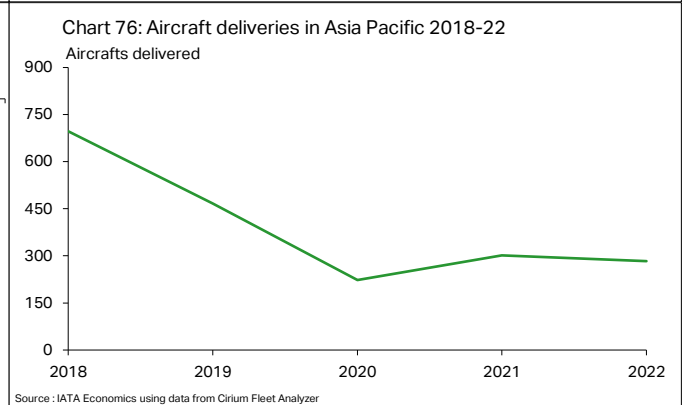
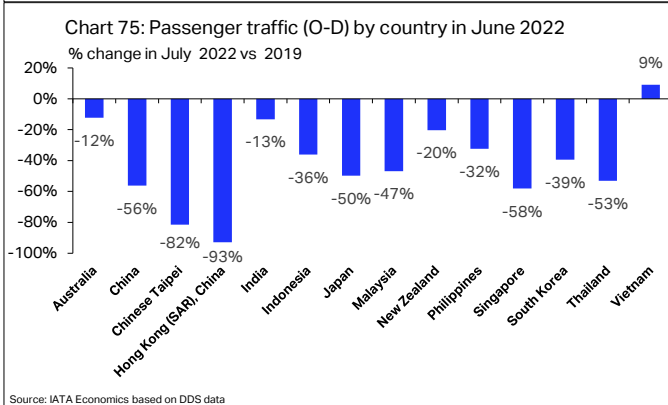
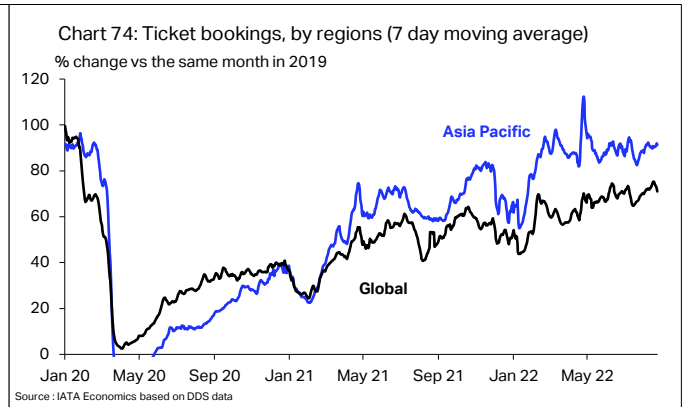
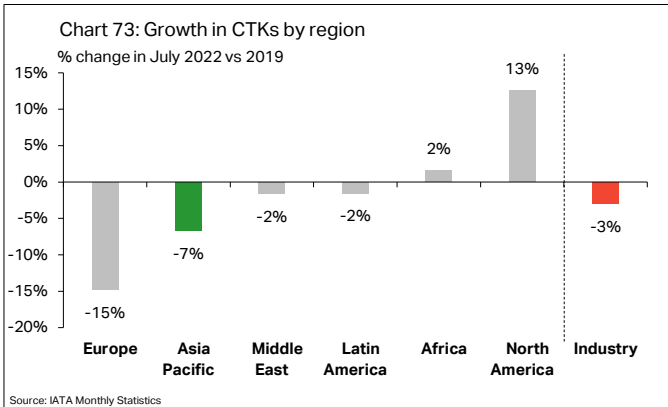
Source: IATA Economics using data from Cirium Fleet Analyzer

	World share ¹	July 2022 (% ch vs the same month in 2019)				July 2022 (% year-on-year)			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	-25.4%	-23.6%	-2.0%	83.5%	58.8%	37.3%	11.3%	83.5%
Latin America	6.5%	-11.5%	-9.3%	-2.0%	83.1%	59.2%	53.2%	3.1%	83.1%
North America	32.6%	-10.0%	-9.7%	-0.4%	88.2%	26.9%	21.2%	4.0%	88.2%

Asia Pacific

- Passenger traffic, measured in RPKs, of airlines in Asia Pacific continues to lag behind that of other regions. In July 2022, RPKs of airlines in the region were down 46% compared to July 2019 levels (Chart 71). While there has been further lifting of COVID-related restrictions in the past few months, including in Australia, New Zealand, South Korea and Singapore, the key markets of Japan and China (People's Republic of) remain largely closed to visitors.
- International RPKs of airlines in Asia Pacific grew by more than 500% in June-July 2022 compared to June-July 2021 (Chart 72). However, this is only because of the low levels of international traffic in 2021. When compared with pre-COVID levels, international RPKs of airlines in the region in July 2022 are only at 35.3% of July 2019 levels. This is by far the lowest of all regions, with the other regions ranging between 87.3% (North America) and 70.6% (Africa).
- Cargo traffic in the Asia Pacific region saw a 9% year-on-year decrease in July, and is now 7% below its pre-pandemic level, while its market share hovered around one third of the global air cargo market during the past year (Chart 73).
- Among the largest markets in the region, passenger traffic is slowly recovering in countries such as India, but were still below their corresponding pre-pandemic levels as of July, in almost all countries. Vietnam is the only country that has recovered to pre-pandemic levels. Travel originating from Vietnam has seen a strong recovery during the past year and surpassed its 2019 level since May 2022 (Chart 75). Zooming in on international travel in the Asia Pacific region, China (People's Republic of) and Japan lagged behind other markets that had opened their borders by July.
- On the other hand, forward bookings have seen strong growth in the region, and are getting close to pre-pandemic levels, showing that the urge to travel remains strong also in this region (Chart 74).
- The recovery in capacity and passenger load factors in Asia Pacific airlines lags behind the rest of the world. As of July, the capacity, measured by ASK, stood at 59% of that achieved in the same month in 2019 for Asia Pacific airlines, much lower than the global average of 76%. In the meantime, the load factor has been increasing slowly to 75% in July, but remained below its pre-pandemic levels.
- Aircraft deliveries have been lagging in the region as well. After a rebound in 2021, aircraft deliveries continued to fall in 2022, clouded by high uncertainty regarding future demand (Chart 76).

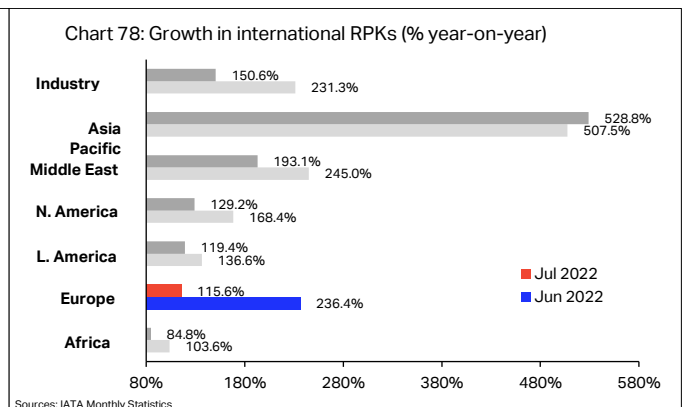
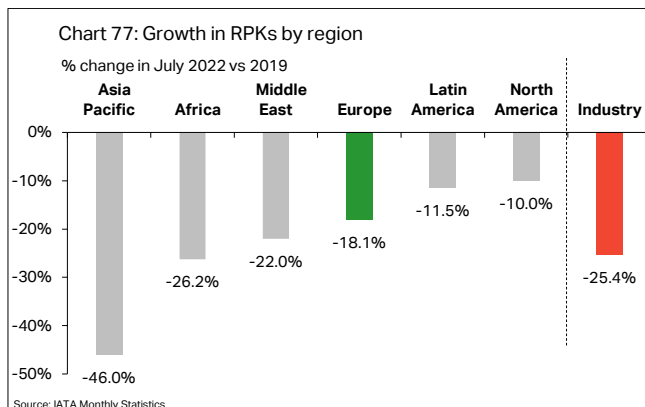


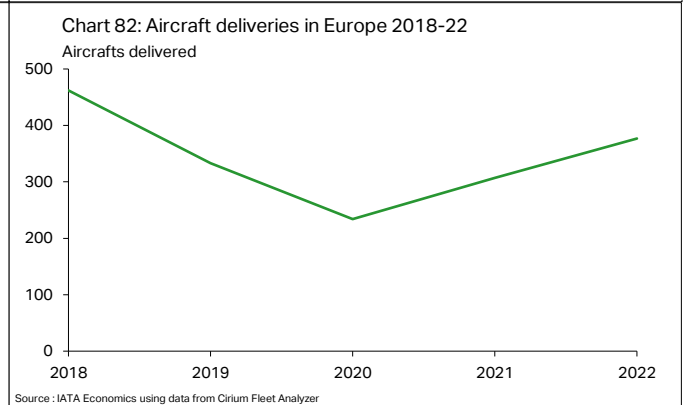
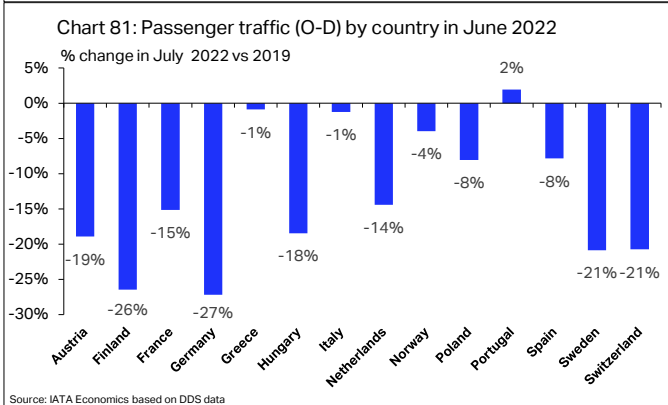
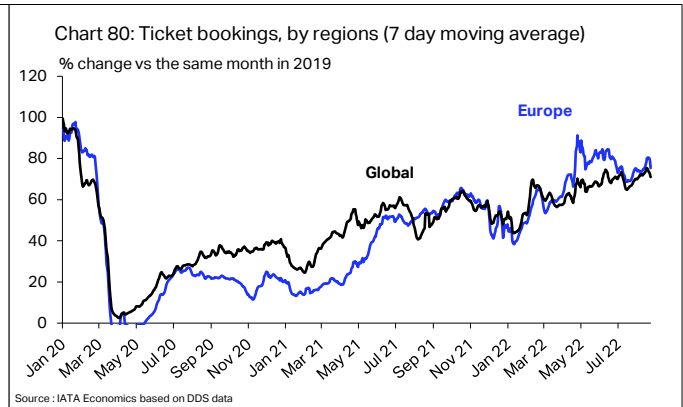
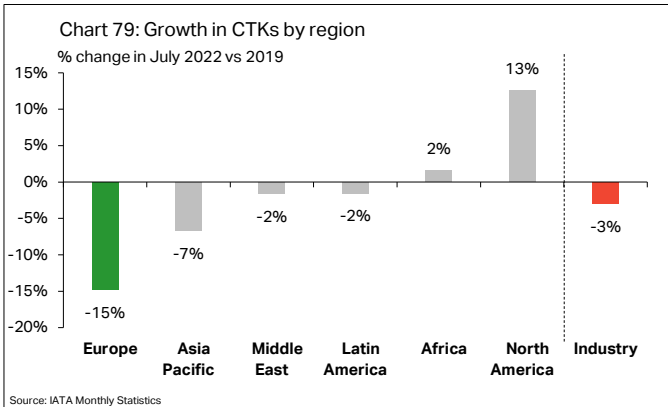


	<i>World</i>	July 2022 (% ch vs the same month in 2019)				July 2022 (% year-on-year)			
	<i>share</i> ¹	RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	-25.4%	-23.6%	-2.0%	83.5%	58.8%	37.3%	11.3%	83.5%
Asia Pacific	27.5%	-46.0%	-41.4%	-6.5%	76.4%	47.5%	28.1%	10.0%	76.4%

Europe

- European airlines too have rebounded encouragingly since the vertiginous plummet at the beginning of the pandemic. RPKs have risen at the pace of 17% per month on average for the past five months, reaching 82% of the pre-pandemic level in July (Chart 77). In line with the easing of travel restrictions globally, international RPKs from European airlines grew by 116% between July 2021 and the same month in 2022 (Chart 78).
- On the cargo side, European airlines experienced strong recovery during the first year after the onset of the pandemic, and started cooling down afterwards. In July 2022, the European CTGs went down to 85% of the same month in 2019 (Chart 79). Similarly, the market share of European airlines in global cargo market also dropped from around 23% at the beginning of the pandemic to around 20% as of July 2022, following a downward trend over the past 30 years.
- Forward ticket bookings from the Europe area have been rising continuously in line with the recovery in the global market, although remain below pre-pandemic levels as of July (Chart 80).
- Among the largest markets in Europe, Portugal was the first to recover to pre-pandemic level as of June, and Italy and Greece are close behind, thanks to the busy travel season during the summertime (Chart 81). Our Air Passenger Forecast (September 2022) predicts that total passenger traffic will recover to pre-pandemic levels by 2024. Over the next 20 years, the number of airline passengers in the region is expected to more than double from today.
- European airlines have registered a strong recovery in terms of capacity, which grew by almost 50% year-on-year in July and stood at 84% of the ASK compared to the same month in 2019. In the meantime, the passenger load factor has also been rising steadily to as high as 87% in July, marking its highest level in 3 years.
- Aircraft deliveries to European airlines have shown a V-shape recovery, with 2022 deliveries more than 60% higher than in 2020, surpassing its pre-pandemic level by 13 percentage points - a clear measure of the confidence in demand going forward (Chart 82).





	World	July 2022 (% ch vs the same month in 2019)				July 2022 (% year-on-year)			
	share ¹	RPK	ASK	PLF (%-pt) ²	PLF (level) ³	RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	-25.4%	-23.6%	-2.0%	83.5%	58.8%	37.3%	11.3%	83.5%
Europe	25.0%	-18.1%	-16.1%	-2.1%	87.0%	84.0%	48.9%	16.6%	87.0%



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