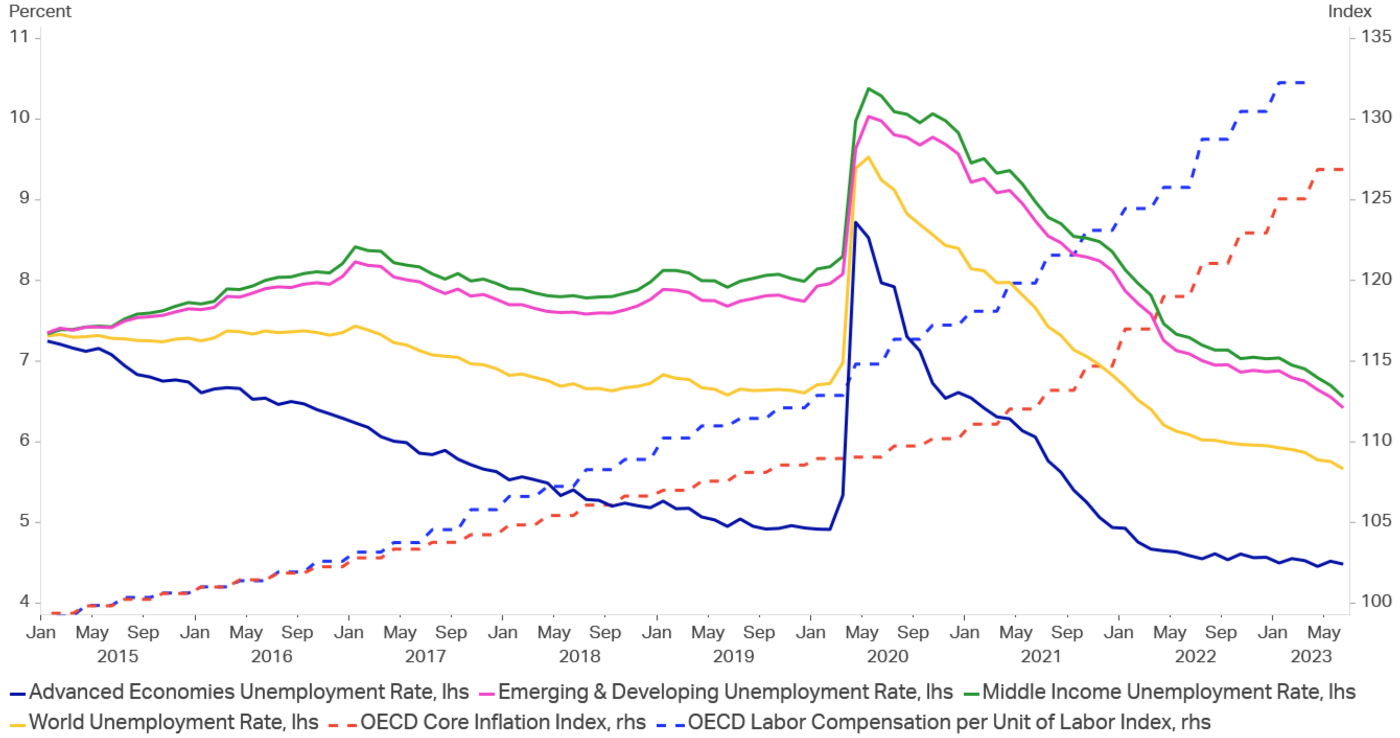
Chart of the Week

20 Oct 2023

Strong global labor market is both good and bad for airlines

Unemployment rates, %, (left), core inflation and labor compensation costs, indices, (right)



Source: World Bank, OECD, Macrobond

- World Bank data show that global unemployment rates (solid lines on the chart above) have been decreasing steadily since the spike that accompanied the Covid-19 crisis and are now below their pre-pandemic levels. While this holds true across the range of country groupings, it is the most pronounced in the advanced economies. The unemployment rate in this group of countries has fallen faster than elsewhere, and remains close to historic lows at 4.5% as of mid-2023.
- In broad terms, the implications for aviation are two-fold. These low unemployment rates mean that more people have jobs today than ever before, earning steady incomes and supporting air transport demand. On the other hand, staff and skill shortages have become more widespread and apparent in the post-pandemic world. Challenges with recruitment have been reported across the aviation value chain from ground handlers to airline staff and air traffic controllers, with visible operational disruptions across various countries since 2022.
- The tight labor markets have led to nominal wages increasing at a higher pace than core inflation. Since 2015 in the OECD countries core inflation reached approximately 25% by March 23, compared to an approximate growth in labor compensation per unit of labor of 33% (dashed lines in the chart above). While airlines' financial performance is improving from the historic losses recorded during the pandemic, the industry is facing headwinds across a number of cost categories, the two most important of which are fuel and labor.

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