Quarterly Air Transport Chartbook

IATA Economics

Q2 2022

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Glossary

ACTKs – Available Cargo Tonne-Kilometers

ASKs – Available Seat-Kilometers

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 – 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

I. The business cycle

- Although the COVID-19 pandemic produced the sharpest contraction in global Gross Domestic Product (GDP) since the Great Depression, it was also the shortest recession in the US history, lasting only two months in 2020 (Chart 1). Thanks to unprecedented fiscal support and monetary easing, the world economy has surprised most forecasters on the upside. Unemployment rates have declined to or in the vicinity of pre-pandemic levels, greatly supporting household income though in turn producing tight labor markets (Chart 2).

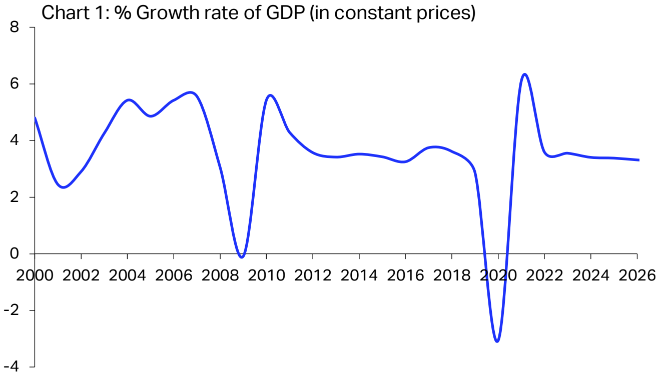
- The war in Ukraine has added to price pressures and inflation has risen to levels not seen in decades (Chart 3). Energy and food prices in particular have soared, though price increases are quite broad-based and on a global scale. The global surge in inflation has nevertheless affected some countries in Asia, such as China and Japan, to a lesser extent so far.

- The combination of upended supply chains, inflation, tight labor markets, and war in Europe will likely mean that global GDP growth will decelerate to 3.0 - 3.5% in 2022, which is one percentage point lower than widely expected at the start of this year. The risks to this outlook remain skewed to the downside. The strict lockdowns still in place in China imperils this country's GDP growth rate and with it that of the global economy. A recession on a global scale remains unlikely, and we would assign a 20% probability to such an outcome in the near term, in part thanks to continued strong growth in global trade, growing at over 6% on a monthly basis (Chart 4).

- The most salient legacy of the pandemic recession, apart from the human tragedy, is the increase in the global debt burden, which reached a record 256% of world GDP in 2020 (Chart 5). Such a level cannot be considered sustainable but might nevertheless be affordable thanks to the higher inflation and consequently low or negative real interest rates. Inflation reduces the real value of the debt to be reimbursed and the cost of servicing the debt can even be negative where the rate of inflation exceeds the nominal interest rate.

- In spite of this challenging macro-economic environment, airlines retain a rather positive outlook as measured by our Business Confidence survey. Regarding their profitability, they have seen an improvement over the past three months and expect this trend to continue (Chart 6). The single most important factor in determining airline profitability and air traffic in general remains the presence or absence of travel restrictions. Strong pent-up demand for travel ensures rapid growth in traffic when the regulatory environment allows it. This could wane somewhat in 2023 when some of the passenger "travel deficit" has been filled, and inflation might take a greater toll on household income. However, as long as unemployment remains low, traffic should still grow albeit at a potentially slower rate.

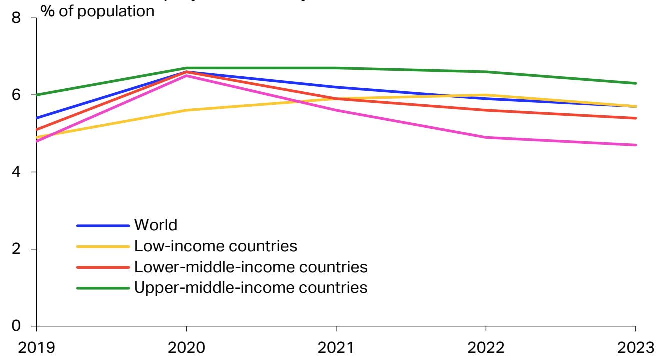
Chart 1: % Growth rate of GDP (in constant prices)



Source: IMF (March 2022 update)

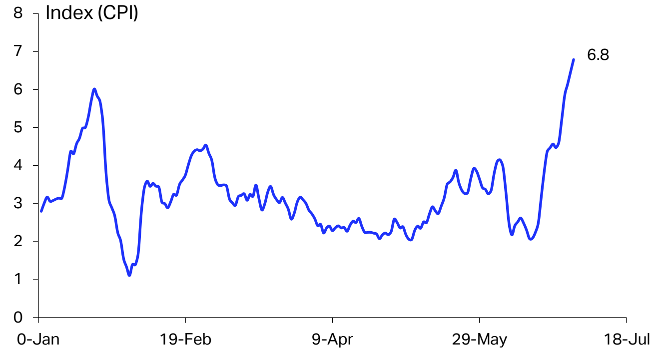
Chart 2: Unemployment rate by income countries

% of population



Source: ILO 2022

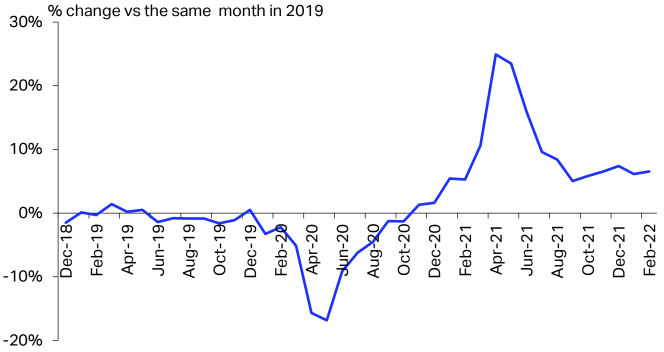
Chart 3: Inflation rate in G20 countries as Consumer Price Index (CPI)



Source: OECD

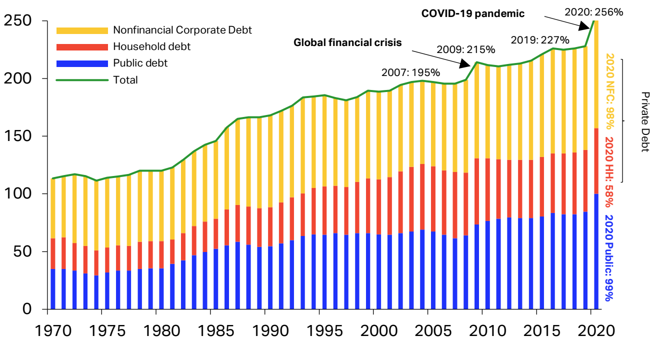
Chart 4: Growth rate of global volumes of trade

% change vs the same month in 2019



Source: CPB

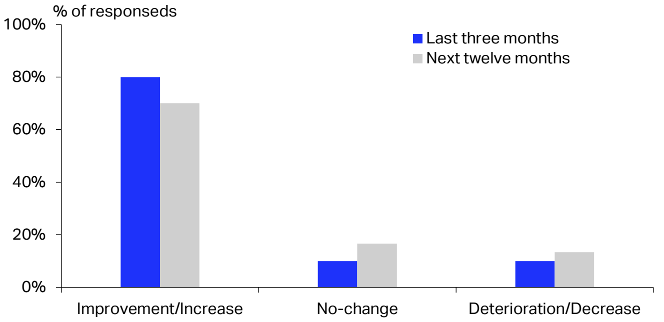
Chart 5: Global debt as a percent of GDP



Source: IMF Global Debt Database

Chart 6: How does your profitability in the last 3 and the next 12 months compare with the same period last year?

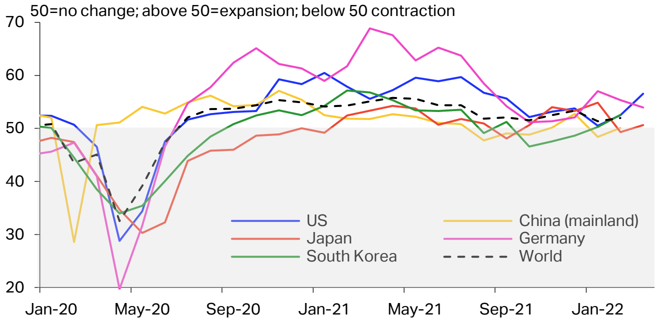
% of responseds



Source: IATA Business Confidence Survey

Chart 7: Manufacturing output PMI

50=no change; above 50=expansion; below 50 contraction



Source: Markit

II. Passenger and Cargo traffic

Passenger Traffic

- Industry-wide Revenue Passenger-Kilometers (RPKs) have been increasing continually since early 2021 (Chart 8). However, the recovery has not been the same for domestic and international travel, nor across regions. Overall, global RPKs are currently at around 69% of the 2019 level, with International and Domestic RPKs at around 64% and 77% respectively of their pre-pandemic levels (Chart 9).

- The recovery in domestic air travel has been sustained since early 2021, from the time that travel restrictions started to loosen. Domestic RPKs have been dampened more recently due to the strict lockdowns in China and certain other Asian countries (Chart 9 and13). The good news is that other markets previously closed even to domestic traffic, such as Australia, are seeing their passenger demand picking up strongly as restrictions are lifted (Chart 13).

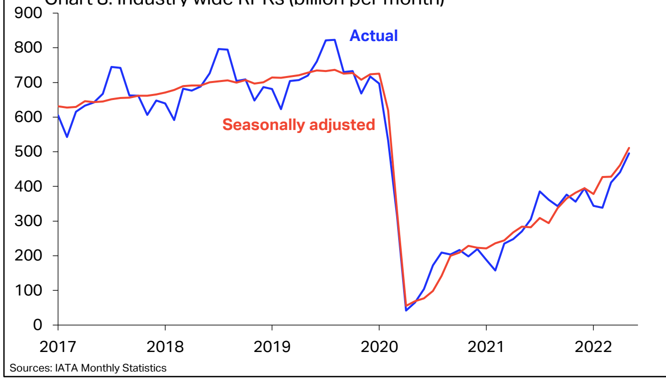
- Following the initial hit from the pandemic and for most of 2020 and in early 2021, international air travel was penalized by travel restrictions, and travelers switched to domestic trips subjected to fewer restrictions. That trend reversed around mid-2021. As soon as governments started to lift international travel restrictions, demand for international travel surged, in particular for leisure trips and short-haul routes (Chart 9).

- The opening of borders around the world has led to swift rebounds on some key markets. The North America and Middle East connection has almost returned to its pre-pandemic level (Charts 10 and 11). Also, within Europe, the North Atlantic, and Europe-Middle East routes are performing strongly and will most likely continue to grow, given that most COVID-19 restrictions have been lifted in Europe and North America. On the other hand, routes within Asia are heavily impacted by strict lockdowns and the ban to travel internationally, even within the region. However, the intra-Asian market and connections with Asia are slowly picking up due to some markets opening that were previously closed (Chart 10).

- Looking at travel by cabin class, the international business and first-class travel, i.e. premium class, has recovered at the same pace as economy-class travel (Chart 12). This equal recovery was driven by a fall in air fares for business and first-class travel compared to economy fares, as well as by increased demand from leisure travelers for comfort and space onboard aircraft.

- Global passenger capacity has been rising steadily after some seasonal shocks at the end of 2021 and the loss of capacity in Ukraine and Russia in February 2022 (Chart 14). Load Factors reached almost 81% in May 2022 globally, but with some disparity among the regions (Chart 15).

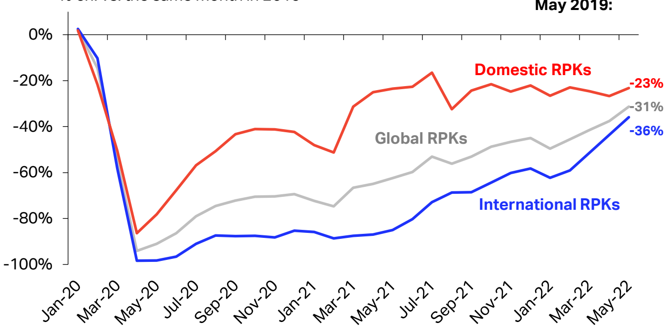
Chart 8: Industry wide RPKs (billion per month)



Sources: IATA Monthly Statistics

Chart 9: Global RPKs from Jan 2020 to May 2022

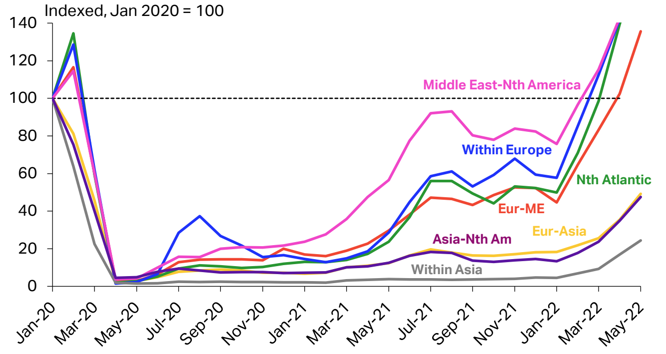
% ch. vs. the same month in 2019



Source: IATA Monthly Statistics

Chart 10: Seasonally adjusted RPKs by Route Area

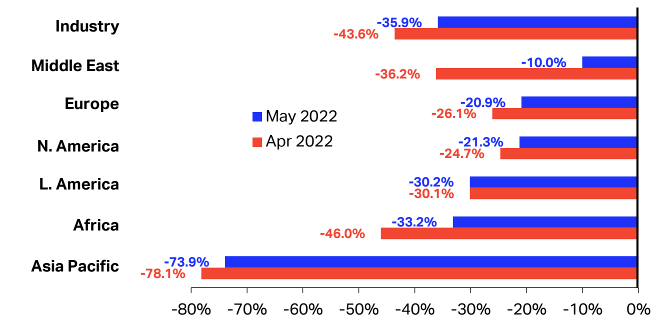
Indexed, Jan 2020 = 100



Source: IATA Monthly Statistics by Route Area

Chart 11: Chart International RPKs by region

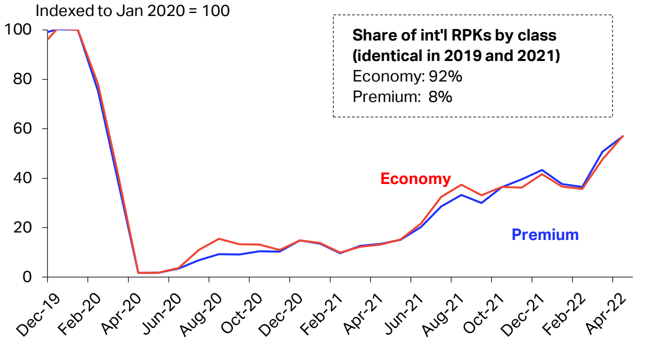
% ch vs the same month in 2019



Sources: IATA Monthly Statistics

Chart 12 : International RPKs by class type

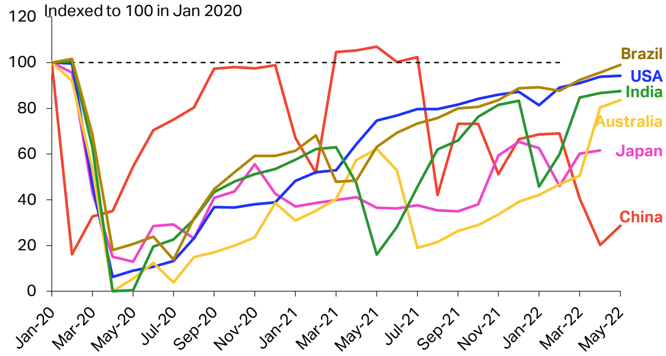
Indexed to Jan 2020 = 100



Source: IATA Monthly Statistics

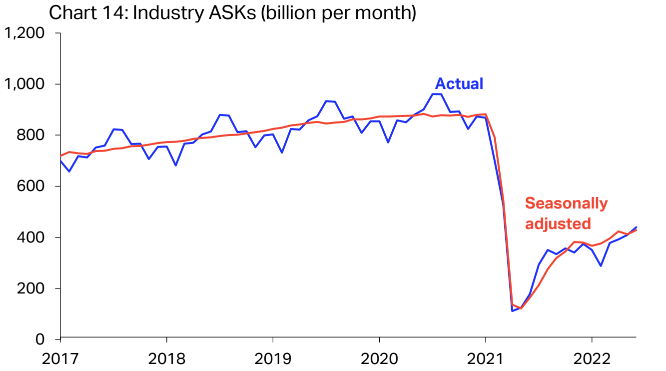
Chart 13: Seasonally adjusted domestic RPKs

Indexed to 100 in Jan 2020



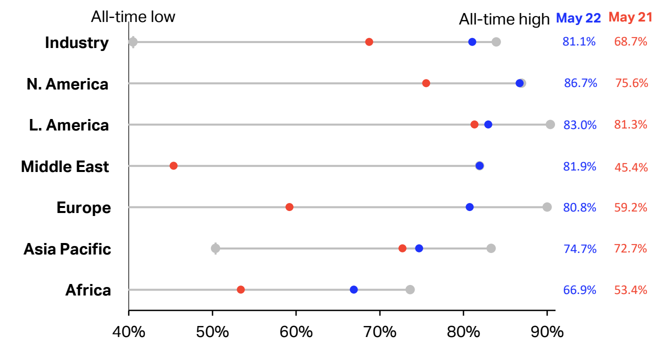
Source: IATA Monthly Statistics

Chart 14: Industry ASKs (billion per month)



Sources: IATA Monthly Statistics

Chart 15: Passenger Load Factor (% of available seat kms, SA)



Sources: IATA Monthly Statistics

- The global passenger traffic (Origin-Destination) has been increasing steadily and is currently at 67% of the pre-crisis levels (Chart 16). With the travel restrictions lifting across the world, we estimate this trend will continue in the next months.

- Passenger ticket sales, both international and domestic, showed a setback due to the war in Ukraine which proved to be rather short lived at the global level. International bookings have now nearly almost 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 17).

- However, in terms of bookings for future travel, it is evident that passengers still perceive a high degree of uncertainty, because the vast majority of bookings are for travel within a few months. Only 8% of bookings made before June 28 were for travel beyond September and staggering 92% of bookings are for travel for this summer (Chart 18). This curtails airlines' visibility regarding demand and adds to a complicated operational environment.

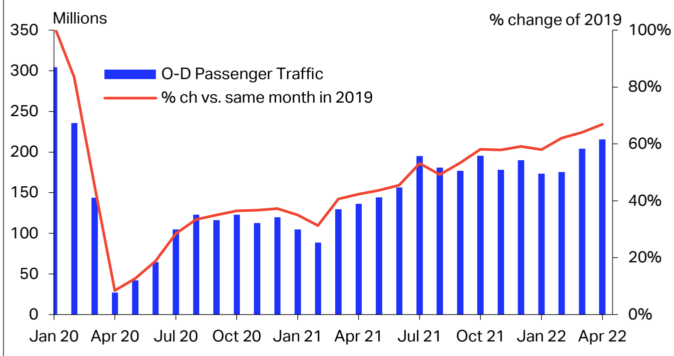
- As per May 2022, IATA's [Global Air Connectivity Index](), which weighs scheduled passenger capacity by the relative economic scale of destinations served, had recovered to 62% of pre-pandemic levels for international connectivity and to 88% for domestic (Chart 19).

- While the number of domestic airport pairs served has returned to pre-pandemic levels, only 80% of international pairs have been restored (Chart 20), and the recovery in international flight frequency, particularly important for business travelers, lags further behind at only 68% of pre-pandemic levels.

- Lingering travel restrictions, notably in China, have limited the recovery in international connectivity in Asia-Pacific to a mere 29% of 2019 levels, lagging significantly behind the recovery seen in all other regions, with North America at 72% of pre-pandemic service and Latin America and Africa at over 90% on the same basis (Chart 22).

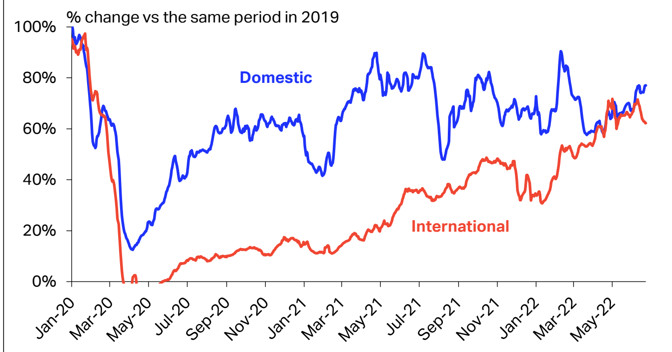
- The now speedy restoration of international air connectivity will help support the recovery in the global economy and in trade and tourism in particular (Chart 21). Even, in the current inflation environment, it must be stressed that the cost of flying has fallen to 77 cents per kilometer flown from nearly USD 2.4/km in 1995.

Chart 16: Passenger Traffic (O-D) and % share of 2019



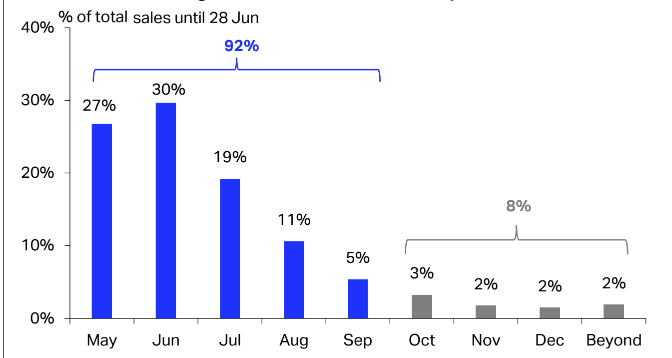
Source: IATA Economics based on DDS data

Chart 17: Passenger ticket sales, 7-day moving average



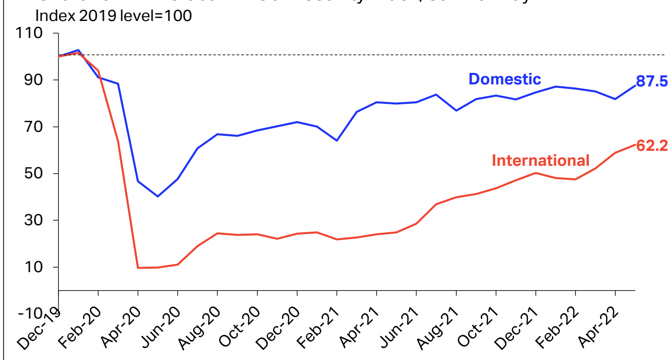
Source: IATA Economics based on DDS data

Chart 18: Bookings for forward travel from May onwards



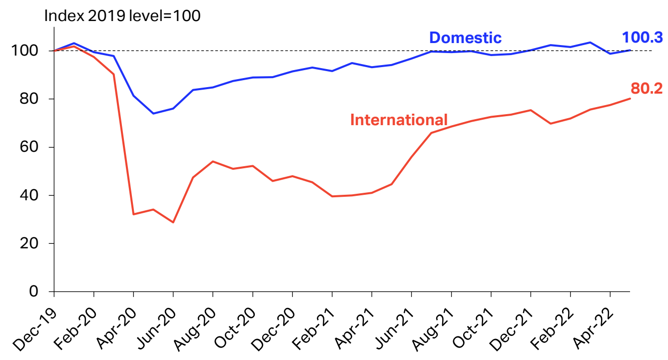
Source: IATA Economics based on DDS data

Chart 19: IATA Global Air Connectivity Index, Jan 20-May 22



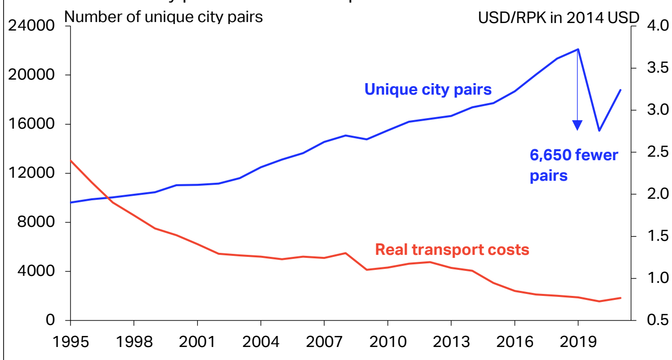
Source: IATA Connectivity Index using data from OAG

Chart 20: Global airport pairs, monthly Jan 2020-May 2022



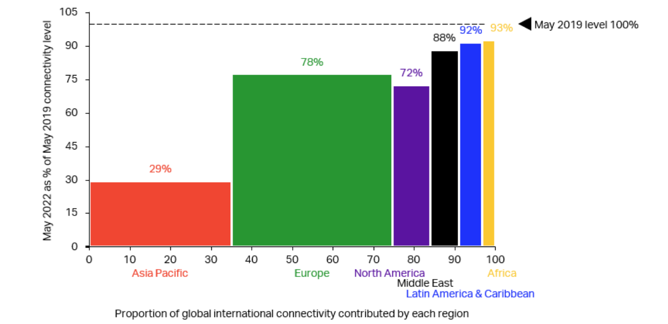
IATA Connectivity Index using data from OAG

Chart 21: City pairs and real transport cost



Source: IATA Economics, OAG

Chart 22: International recovery by region in May 2022



Source: IATA Economics based on data from OAG

Cargo traffic

- Compared to pre-crisis levels, Cargo Tonne Kilometers (CTKs) have been outperforming passenger traffic (Chart 24). Consumer demand switched from services which were inaccessible during lockdowns to ordering goods online. Impaired supply chains forced many who might not have done so otherwise to turn to air transport. Questions remain as to the longevity of this new trend in air cargo, though we do now see somewhat slower growth in cargo demand (Chart 23 and 24).

- Other factors may also be weighing on air cargo. In March 2022, due to the war in Ukraine and the outbreak of Omicron in China, global CTKs fell to levels last seen in late 2020 (Chart 24). Latin America is the only regions which recorded an increase in CTKs in May 2022. CTKs in all other regions, particularly in Europe, have been heavily impacted by these developments (Charts 25 and 26).

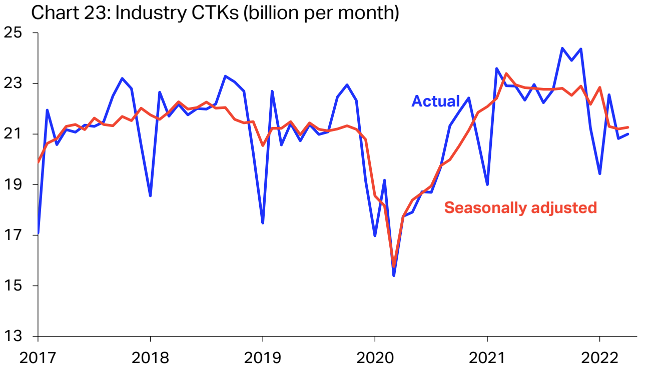
- Some of the drivers and leading indicators of air cargo demand are suggesting declines ahead and will be important to survey over the coming quarter (Chart 29). We see that global goods trade has flatlined in 2022, and China's economy could grow by 4% or less this year, down from nearly 8.1% last year (Chart 30). The supply chain disruptions are adding to the downward pressure on trade.

- Global new export orders – a component of the PMI which is a leading indicator of demand for air cargo shipments, historically strongly and positively correlated with CTKs – are now deteriorating (Chart 29). Declines are not widespread, but the negative global reading is a result of major events impacting important economies. Sanctions against Russia have disrupted manufacturing activity, causing export orders to diminish in Q1 2022 for major European exporters such as Germany. Chinese export orders fell further below the 50-mark, pointing to a sharper downturn in exports in Q2 2022 amid lockdowns. This is an important development, and arguably the greatest source of recessionary risk in the global economy.

While the duration of the lockdowns is not known, they will likely have a negative impact on air cargo markets serving this vital manufacturing center.

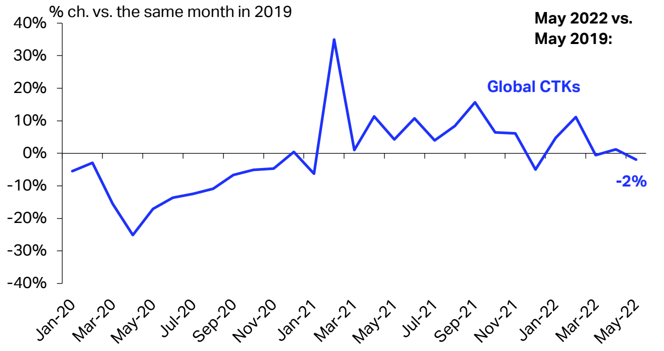
- Passenger aircraft that were turned into cargo flights (so called preighters) due to the increased demand for cargo capacity during the pandemic have recorded a decline in CTKs as well (Chart 28).

Chart 23: Industry CTKs (billion per month)



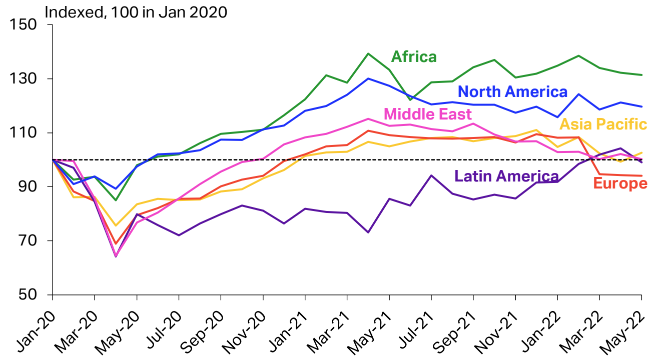
Sources: IATA Monthly Statistics

Chart 24: Global CTKs from Jan 2020 to May 2022



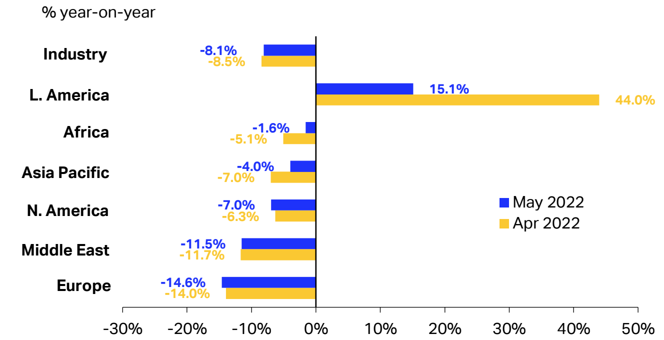
Source: IATA Monthly Statistics

Chart 25: Seasonally adjusted international CTKs



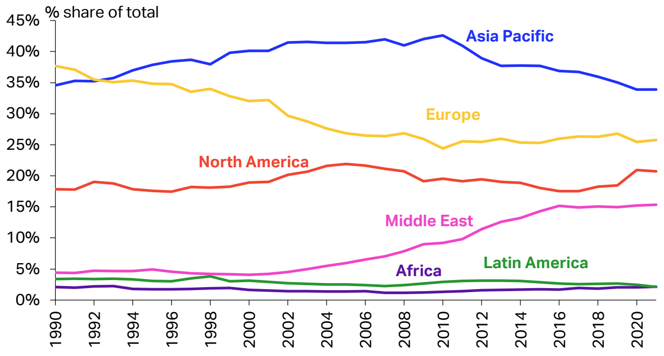
Source: IATA Monthly Statistics

Chart 26: International CTKs by region



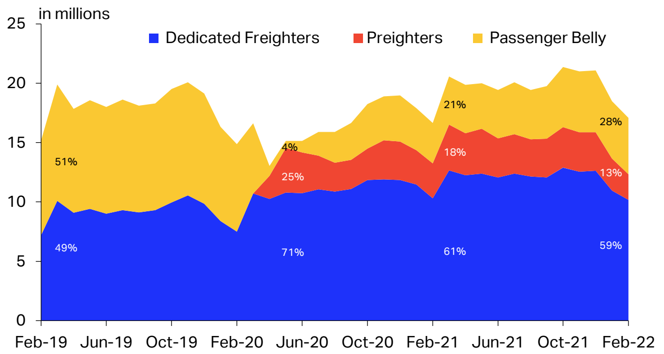
Sources: IATA Monthly Statistics

Chart 27: CTKs by region



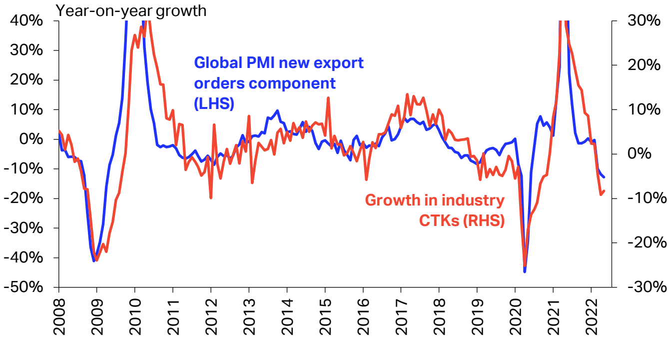
Source: IATA Monthly Statistics

Chart 28: International CTKs by type



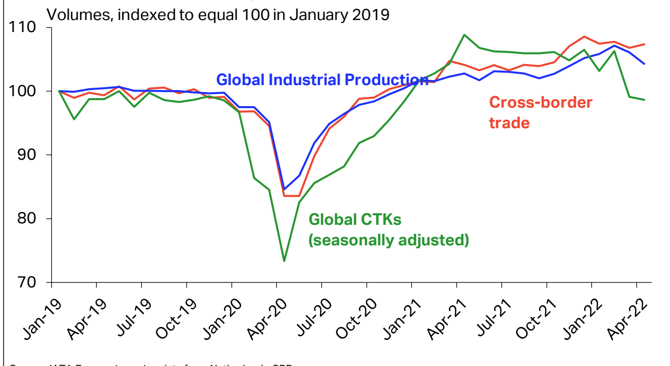
Source : IATA Economics

Chart 29: Global PMI new export orders and Growth in CTKs



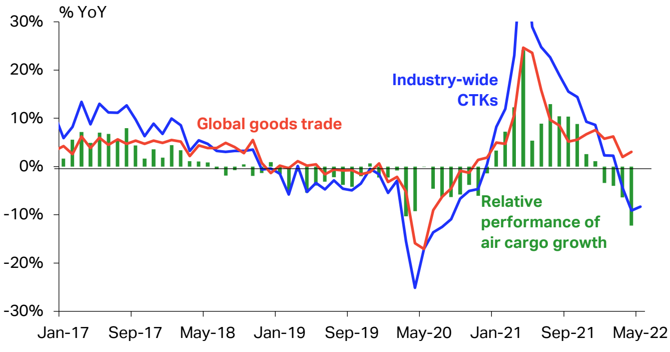
Sources: IATA Monthly Statistics, Markit

Chart 30: Global Trade, production and CTKs



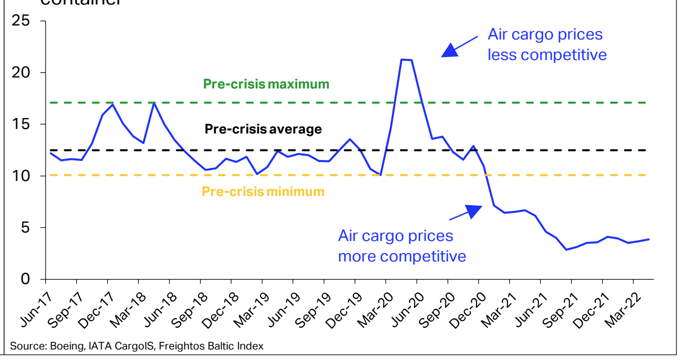
Source: IATA Economics using data from Netherlands CPB

Chart 31: Industry CTKs and global merchandise trade



Sources: IATA Statistics, Netherlands CPB

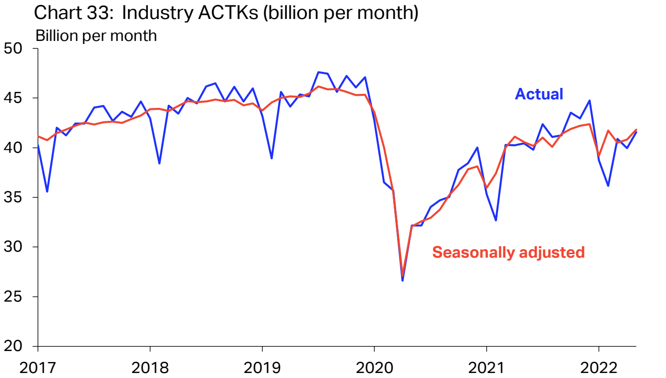
Chart 32: Ratio of chargeable weight rates per kg for air cargo and container



Source: Boeing, IATA CargoIS, Freightos Baltic Index

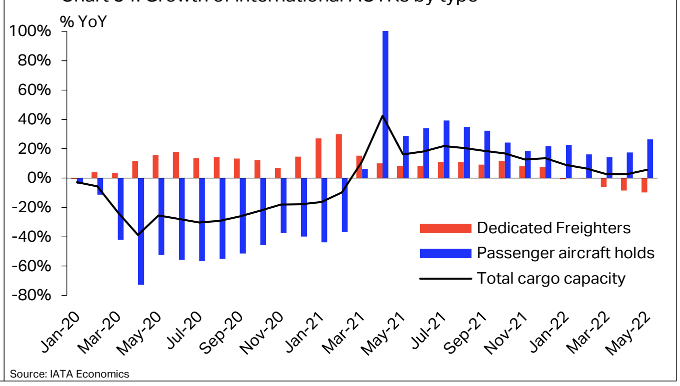
- The resumption of international passenger traffic has supported air cargo Available Cargo Tonne Kilometers (ACTKs) (Chart 33). Despite this, the growth in total capacity – made up of belly capacity, preighters, and standard freighters – has slowed over the past several months (Chart 34).
- Tight capacity had led to record-high load factors (Chart 35) and supported strong air cargo yields, though both have come under some downward pressure during Q1 2022 with the Russia-Ukraine conflict and China COVID restrictions causing further supply chain and capacity issues.
- Indeed, our June survey of airline Heads of cargo shows that while their outlook for air cargo over the next 12 months remains positive, it is slightly less so than when they were asked at the end of 2021.

Chart 33: Industry ACTKs (billion per month)



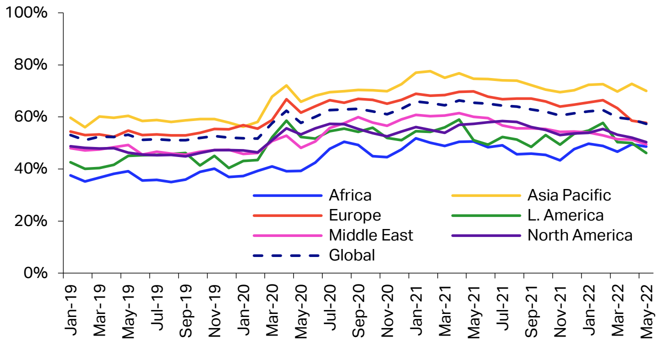
Sources: IATA Monthly Statistics

Chart 34: Growth of international ACTKs by type



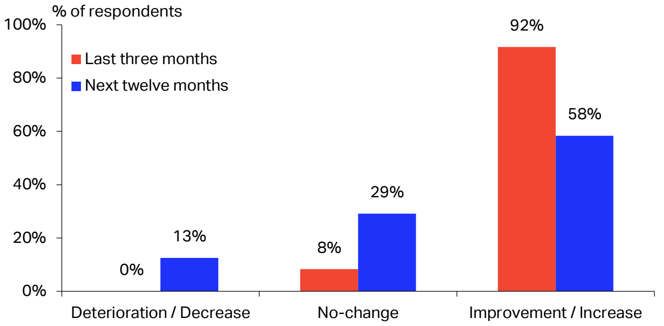
Source: IATA Economics

Chart 35: International Cargo Load Factors (SA) over time



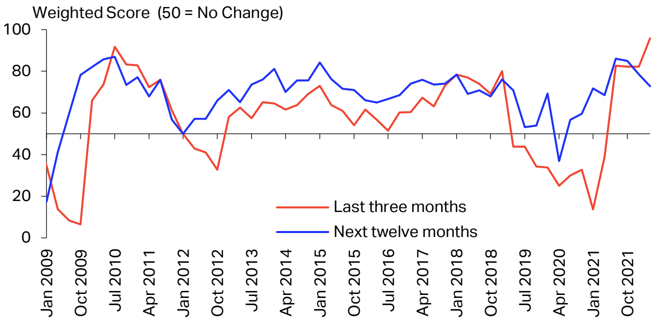
Source: IATA Monthly Statistics

Chart 36: How does 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 twelve months?



Sources: IATA Business Confidence Survey (June 2022)

Chart 37: How does 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 twelve months?



Sources: IATA Business Confidence Survey (June 2022)

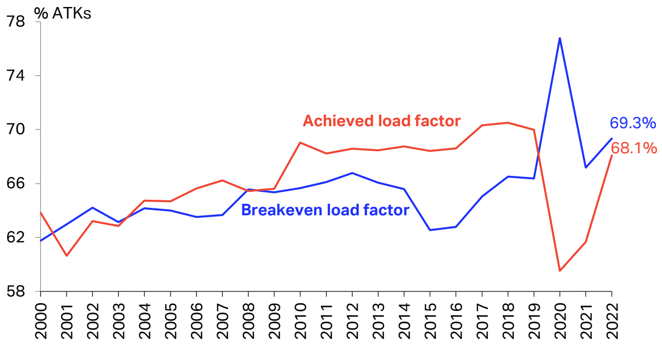
III. Airline Financial Performance

Revenue

- Improvements in cargo and passenger demand meant airlines were able to increase their overall load factor in 2021 compared to 2020 (Chart 40). This trend has continued so far in 2022, but overall load factors remain at around 68% are still below the 70% achieved in 2019. 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. The slow recovery in air transport markets from the pandemic has seen operational unit costs come down steadily and yields to improve after plunging in early 2020 (Chart 41). Together these developments have pushed break-even load factors down. 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.

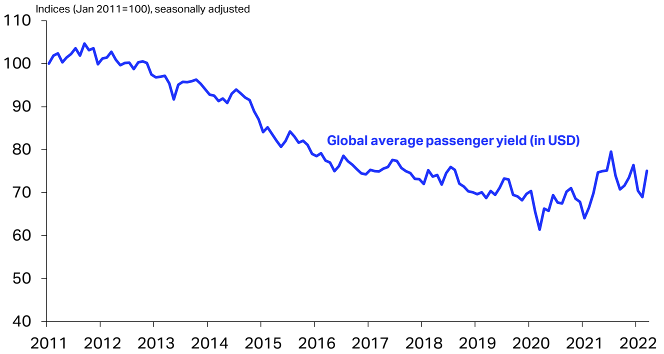
- IATA's airline business confidence survey confirms that passenger fares have been improving, and indeed that the outlook for the next 12 months is supportive of airline financial recovery (Chart 42 and 43). Cargo performance is similarly viewed positively regarding the recent past and, critically, respondents indicate that the overall weaker assessment of cargo fares for the next 12 months is still an improvement compared with the mid-2021 survey (Charts 44 and 45).

Chart 40: Breakeven and achieved cargo and passenger LF



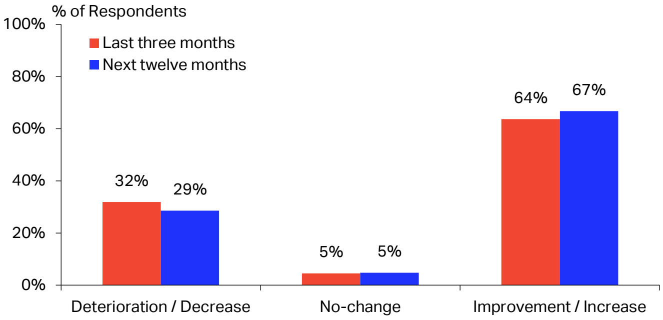
Source: IATA Financial Forecast June 2022

Chart 41: Global average passenger yield



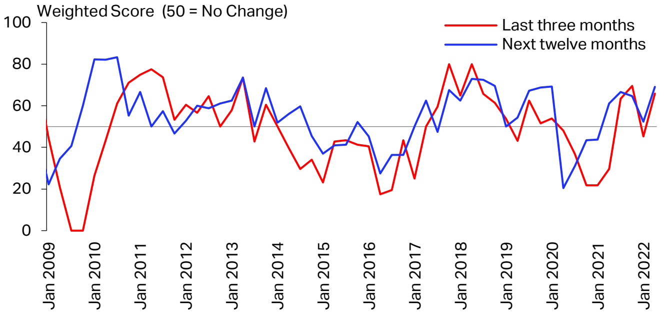
Source: IATA Economics based on DDS data

Chart 42: How do your pax operations fares in the last 3 months and next 12 months compare with the same period last year?



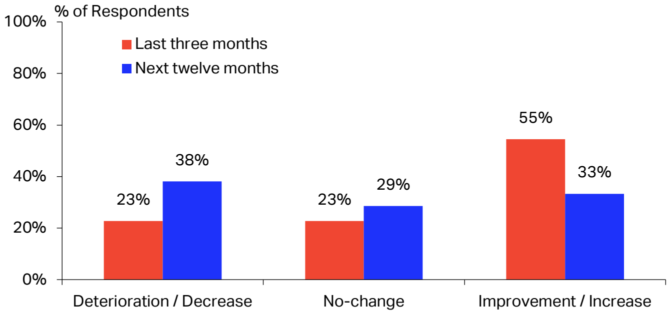
Source: IATA Business Confidence Survey (June 2022)

Chart 43: How do your pax operations fares in the last 3 months and next 12 months compare with the same period last year?



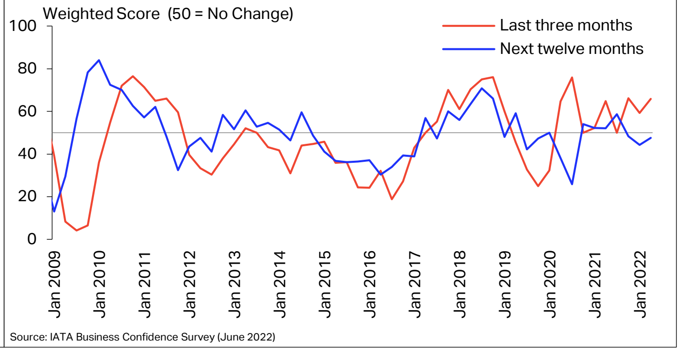
Source: IATA Business Confidence Survey (June 2022)

Chart 44: How do your cargo ops fares in the last 3 months and next 12 mths compare with the same period last year?



Source: IATA Business Confidence Survey (June 2022)

Chart 45: How do your cargo perations fares in the last 3 months and next 12 months compare with the same period last year?

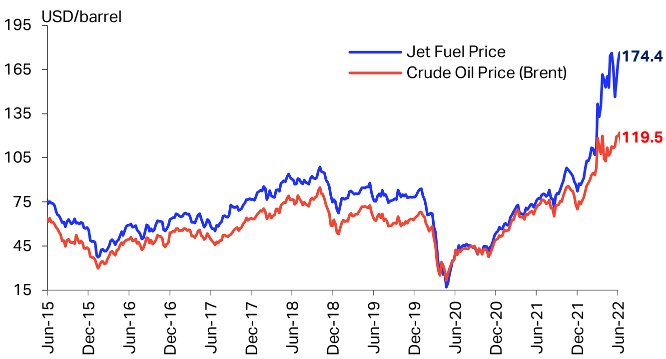


Source: IATA Business Confidence Survey (June 2022)

Cost

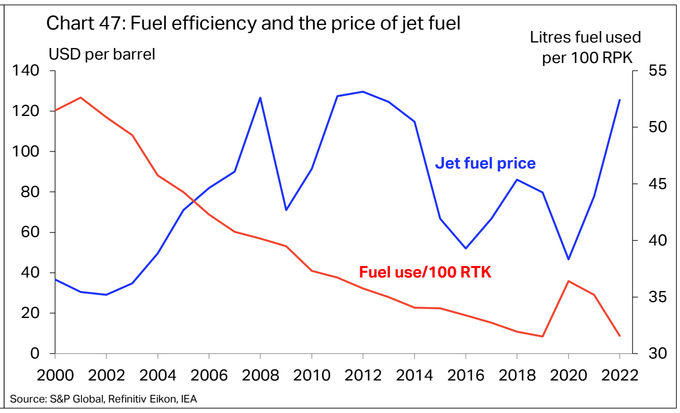
- Jet fuel and crude oil prices rose markedly throughout 2021 and into Q1 2022, putting pressures on already strained airline finances (Chart 46). As economic activity started to recover with easing lockdowns, OPEC+ supply remained tight, pushing oil prices steadily higher. The war in Ukraine added to supply pressures and drove oil prices higher still in 2022. The crack spread (jet fuel versus crude oil price) rose further in early 2022 as the aviation industry continues to recover, but also because of limited refinery capacity as well as unusual volatility in the price of jet fuel on specific contracts in the US.
- 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. These will 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 and absorbing increased operational costs will remain a key challenge in the industry (Chart 48 and 49).

Chart 46: Jet Fuel & Crude Oil Price

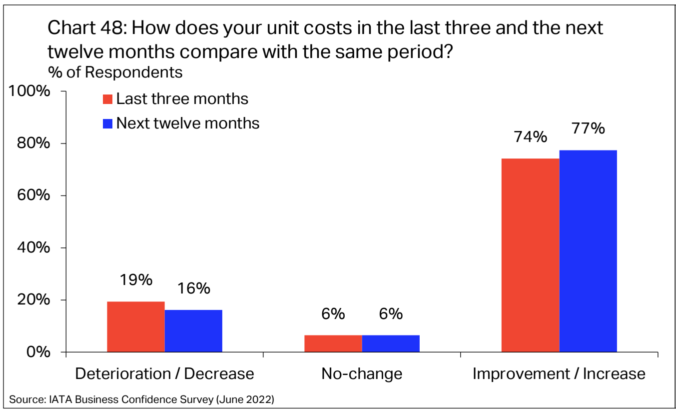


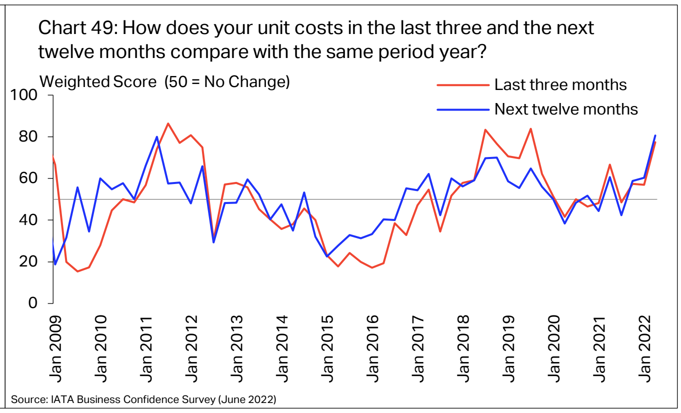
Source: S&P Global, Refinitiv Eikon

Chart 47: Fuel efficiency and the price of jet fuel



Source: S&P Global, Refinitiv Eikon, IEA





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).

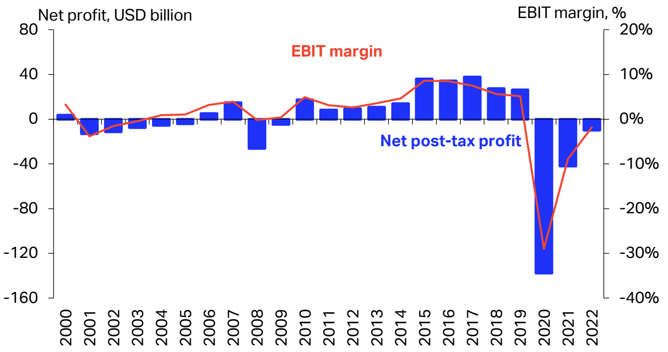
- Total industry revenues are expected to recover to 93% of 2019 levels. Passenger revenue looks set to double in 2022 compared to 2021, going from USD 239 billion to USD 498 billion. Cargo revenue should reach USD 191 billion in 2022. While this is down slightly from the USD 204 billion recorded in 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, 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.

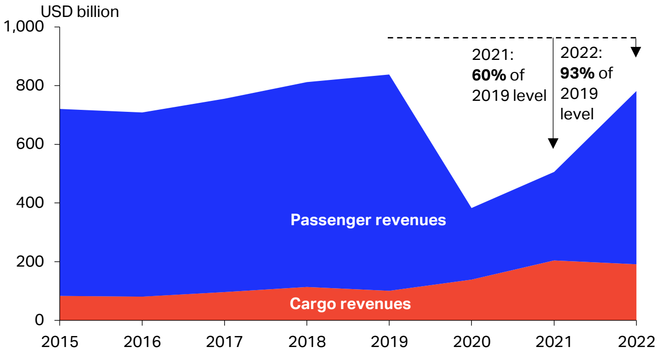
- The results of our survey of CFOs and Cargo Heads are also more optimistic now than a year ago. With regard to recent (Q1 2022) financial performance and indeed the outlook for the next 12 months, over 70% of respondents have seen gains and believe this will continue (Charts 56, 57 and 58). Optimism around the performance of the passenger business is a key driver of this positive outlook.

Chart 50: Airline industry net profits and EBIT margin



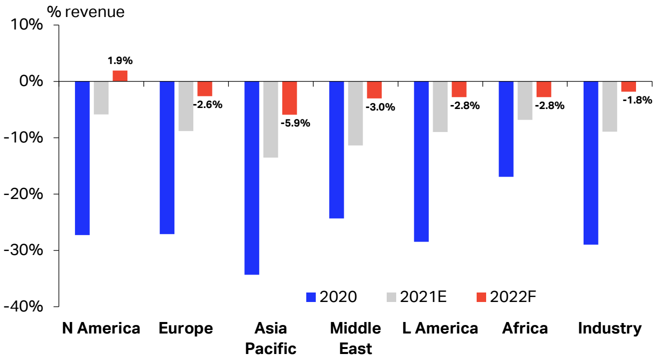
Source: IATA Economic Performance of the Airline Industry

Chart 51: Global airlines revenue, by type



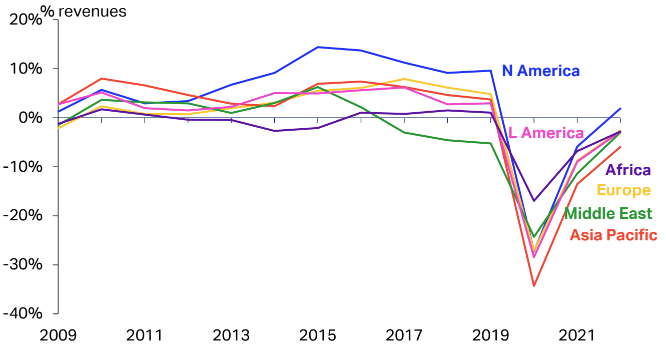
Source: IATA Financial Forecast June 2022

Chart 52: Airline region operating margin, % revenue



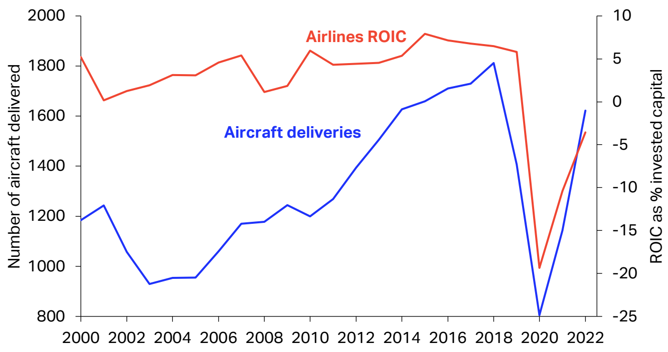
Source: IATA Financial Forecast June 2022

Chart 53: EBIT margins by region



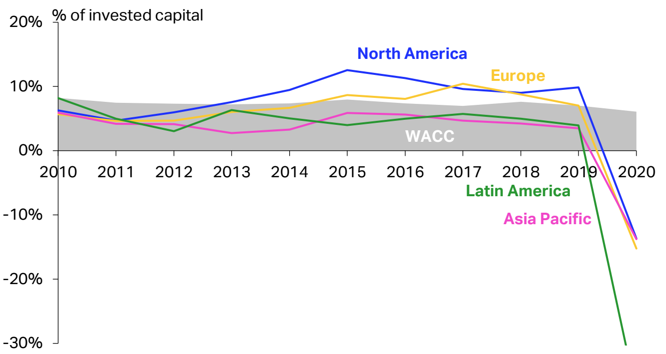
Source: IATA Financial Forecast June 2022:

Chart 54: Aircraft deliveries and airline industry ROIC



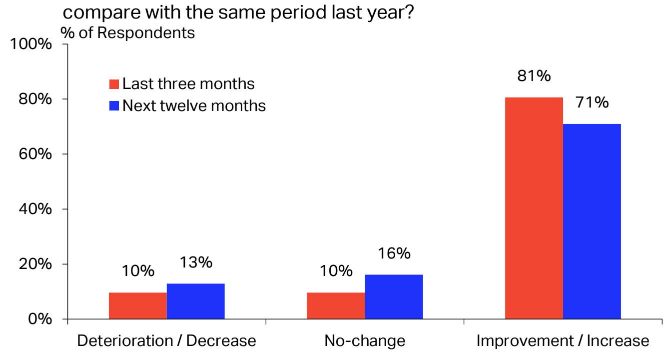
Source: IATA Economics, The Airline Analyst, Cirium

Chart 55: Return on invested capital vs industry-average WACC



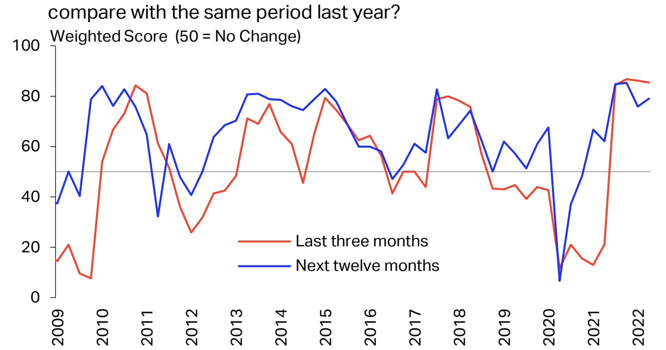
Source: IATA Economics

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



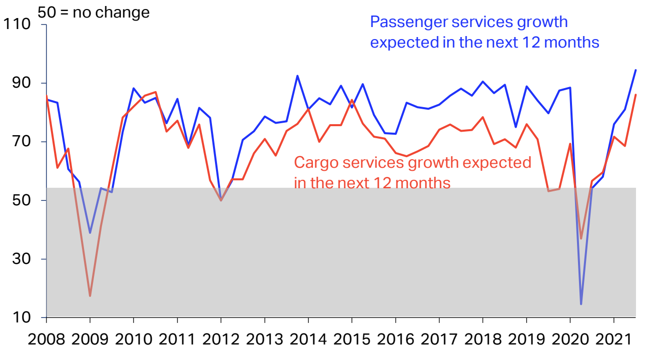
Source: IATA Business Confidence Survey

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



Source: IATA Business Confidence Survey

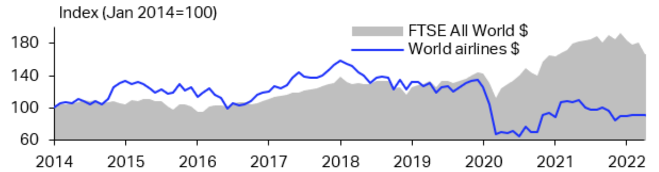
Chart 58: IATA survey of airline CFOs and Heads of cargo



Source: IATA Business Confidence Survey

Table 1: Airline Share Prices

US$ indices (Jan 2014=1	Index May 31st	% change on vs Apr 2022	vs May 2019	start of year
World airlines	**88.9**	**-2.4%**	**-32.4%**	**-0.7%**
Asia Pacific airlines	76.7	0.6%	-33.7%	-0.1%
European airlines	65.5	-3.6%	-36.7%	-8.7%
North American airlines	118.0	-4.0%	-30.8%	5.0%
FTSE All World $	**166.9**	**-0.1%**	**24.4%**	**-13.3%**



Source: Refinitiv Eikon 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

- The air traffic recovery has been slower in Africa than in other regions. Africa's RPKs are at 70% of pre-crisis levels. Middle Eastern airlines are doing better and are currently at 90% of 2019 RPKs levels, which is a better performance than in the previous quarter (Chart 59). The opening of the international markets, for which Middle Eastern countries serve as hubs, facilitated the recovery and will probably drive further growth in RPKs. In comparison to the previous year, international RPKs grew by 317% in Middle East and by 134% in Africa, which is the most modest increase among the regions (Chart 60).

- Africa is one of two regions that recorded growth in CTKs (8%) in May 2022 versus the same month in 2019. On the other hand, Middle Eastern cargo carriers saw their CTKs fall by 1% in May compared with May 2019, but it continues to have a stable growth in comparison to the previous quarter (Chart 61).

- The first quarter of 2022 showed some volatility in ticket bookings in the Middle East, oscillating between 60-100% of 2019 levels and is currently similar to the global industry. Bookings in Africa have been lagging behind, reaching only around 50% of pre-COVID levels. There is furthermore a great degree of volatility in ticket bookings, given the frequent changes in border restrictions due to COVID-19 as well as local outbreaks (Chart 62).

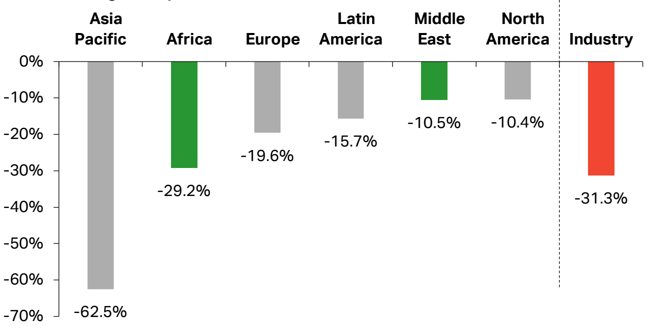
- As for the passenger traffic, Nigeria is leading the recovery in April 2022 and is at 15% above 2019 levels. Kenya, Egypt, and Ethiopia have also performed well with the passenger traffic at 89% and 85% respectively of their 2019 totals. Due to harsh restrictions and the associated low numbers of incoming tourists, Iran and Morocco are the worst-performing African and Middle Eastern countries, currently only at 52% and 47% respectively of 2019 levels (Chart 63).

- Load factors have been increasing, particularly in the Middle East region, where it is currently at 76%. This represents quite a substantial recovery from the approximately 40% passenger load factor seen in the summer of 2020. In Africa, the passenger load factor has been evolving sideways, currently at around 70%. The capacity (measured in ASKs) has been increasing steadily as well, with Middle East and Africa growing 77% and 103% respectively, in comparison with the same month in 2021. Currently, the capacity in Middle Eastern and African airlines are at 86% and 69% respectively of 2019 levels.

- In Africa, aircraft deliveries are now equal to pre-crisis levels, showing the region's optimism regarding passenger demand. In the Middle East deliveries are also picking up but somewhat less so (Chart 64).

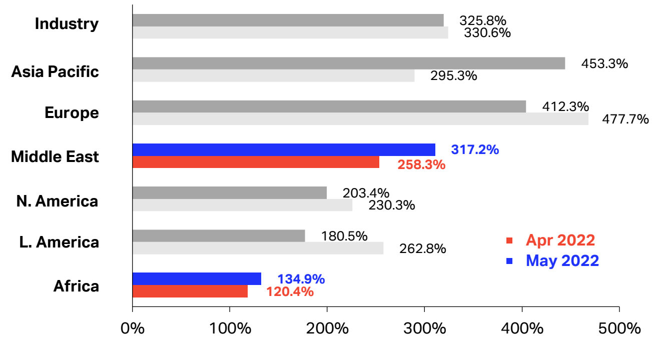
Chart 59: Growth in RPKs by region

% change in May 2022 vs 2019



Source: IATA Monthly Statistics

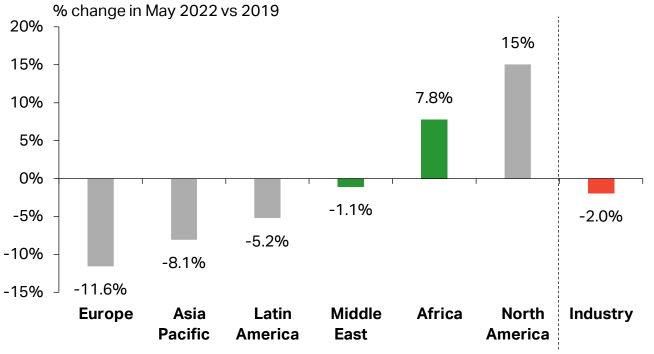
Chart 60: International RPKs (% year-on-year)



Sources: IATA Monthly Statistics

Chart 61: Growth in CTKs by region

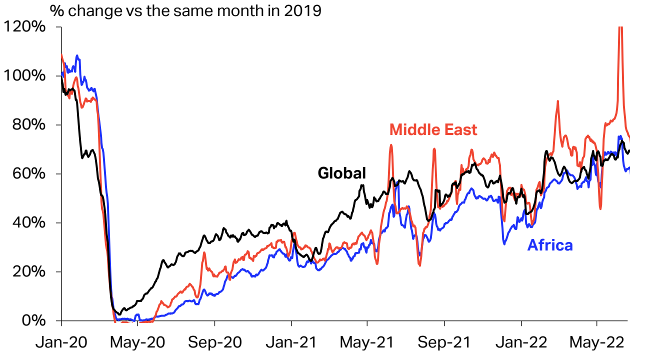
% change in May 2022 vs 2019



Source: IATA Monthly Statistics

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

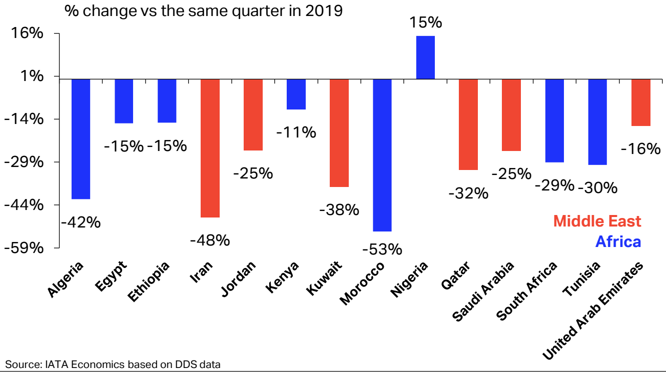
% change vs the same month in 2019



Source: IATA Economics based on DDS

Chart 63: Passenger traffic by country in Q1 2022

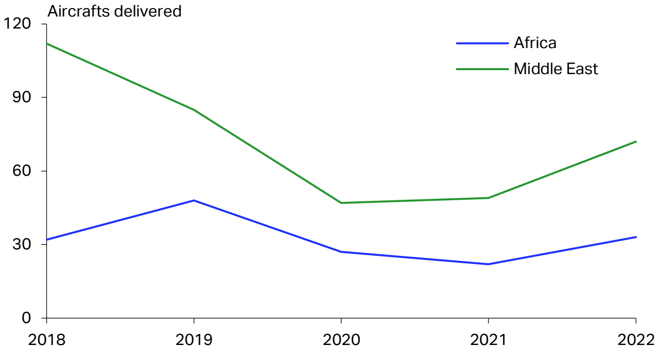
% change vs the same quarter in 2019



Source: IATA Economics based on DDS data

Chart 64: Aircraft deliveries in 2018-2022

Aircrafts delivered



Source: IATA Economics using data from Cirium Fleet Analyzer

	World share[1]	May 2022 (% ch vs the same month in 2019)				May 2022 (% year-on-year)			
		RPK	ASK	PLF (%-pt)[2]	PLF (level)[3]	RPK	ASK	PLF (%-pt)[2]	PLF (level)[3]
TOTAL MARKET	***100.0%***	**-31.3%**	**-28.9%**	**-2.7%**	**79.1%**	**83.1%**	**52.8%**	**13.1%**	**79.1%**
Africa	*1.9%*	-29.2%	-31.1%	1.9%	69.6%	124.9%	76.8%	14.9%	69.6%
Middle East	*6.6%*	-10.5%	-14.2%	3.1%	76.2%	279.6%	103.5%	35.4%	76.2%

[1]% of industry RPKs in 2021 [2]Year-on-year change in load factor [3]Load factor level

Note: The total industry and regional growth rates are based on a constant sample of airlines combining reported data and estimates for missing observations. Airline traffic is allocated according to the region in which the carrier is registered; it should not be considered as regional traffic.

Americas

- In May 2022, RPKs in the Americas region showed a remarkable recovery. North America is leading the sector's recovery worldwide and is currently at almost 90% of the 2019. Latin America and the Caribbean have surprised on the upside and are currently the third-best recovering region with 84% of RPKs and around 16 percentage points above the global industry (Chart 65). These results have been possible thanks to the flexibility of governments with respect to COVID-related travel restrictions, government relief measures, countries' economic performance, and resilient domestic markets. North America's success is partly due to its large domestic market and the fast-paced vaccination rollout. Also, the US provided a comprehensive package to support the industry during the pandemic. On the downside, Canada has been holding back the regional recovery, largely because of a more stringent travel policy and fewer relief measures provided. Latin America and the Caribbean were badly impacted by COVID. Many countries in these areas do not have robust health systems, nor positive fiscal balances, or sufficient economic growth to provide relief measures to citizens or industry. RPKs in the region were impacted by a drop in Latin America and a more modest decline in North America in May 2022 (Chart 66).

- The previous unprecedent growth in CTKs in both regions was mainly driven by two effects, the first one is related to the bigger airlines in the region increasing cargo capacity, and the second to the recovery of the passenger markets (mainly intra-region), that allowed an increase capacity, widely use to mitigate the current international supply chain crunch. Currently, the markets have stabilized near to 2019 values slowing down in May 2022. On the other hand, North American cargo carriers saw their CTKs increase by 15% in May compared with May 2019, which may be related to the dynamism of the US economy. (Chart 67).

- Passenger bookings in the Americas are outperforming global ticket sales. While there is still a high degree of volatility, the positive trend is clear. With the borders being completely open in the United States, we expect the recovery to continue at a sustained pace (Chart 68).

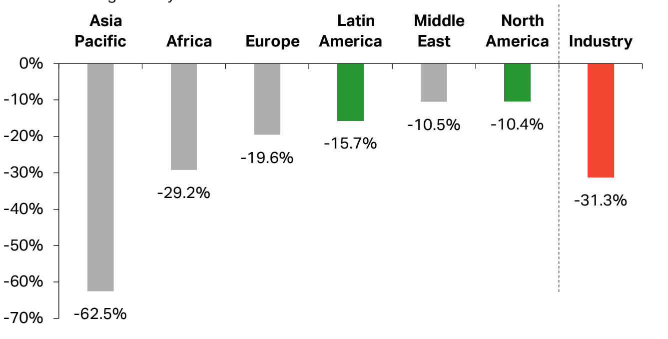
- The Americas region looks set to reach the 2019 levels of traffic faster than other regions. Colombia registered the most positive recovery in passenger numbers, currently 25% above 2019 levels. Mexico and the Dominican Republic have also performed well with passenger traffic at 96% and 91% respectively of their 2019 totals. Cuba and Canada are the two worst-performing countries in the region (Chart 69).

- North America is due to accept more than 500 aircraft deliveries in 2022, which is almost double the pre-crisis levels. Aircraft deliveries in Latin America are also growing and have reached 2019 levels. This strong performance is mainly driven by high passenger and cargo demand and the crunch in capacity that the Americas are currently experiencing (Chart 70).

- Both Latin and North America are currently at passenger load factors of about 81% and 86% which is almost at pre-crisis levels. At the same time, capacity is also recovering. In Latin America the capacity is nearly double that seen in the same month a year prior, at 87% of 2019 levels. Similarly, capacity in North America is almost at pre-crisis levels, currently 90% of that in 2019, and it has grown by 36% over the past year.

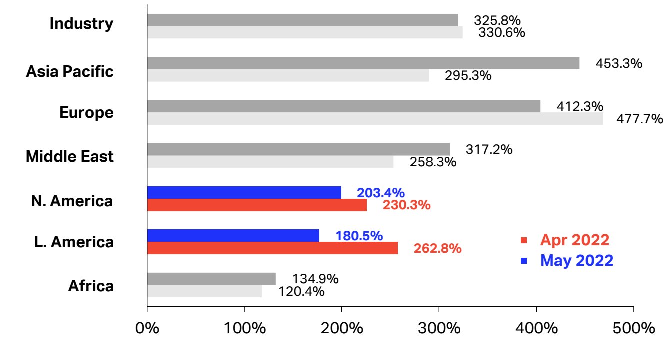
Chart 65: Growth in RPKs by region

% change in May 2022 vs 2019



Source: IATA Monthly Statistics

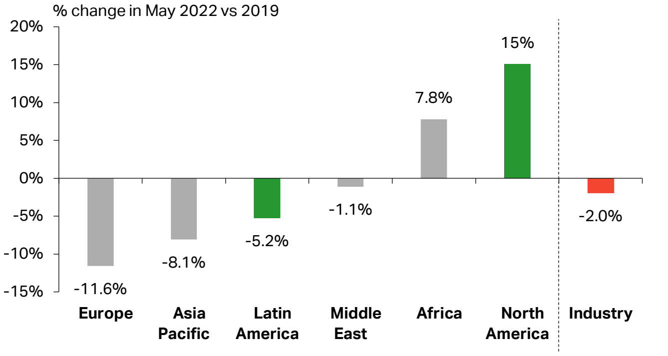
Chart 66: International RPKs (% year-on-year)



Sources: IATA Monthly Statistics

Chart 67: Growth in CTKs by region

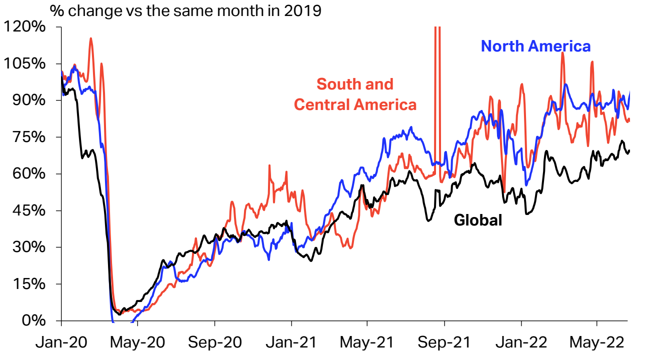
% change in May 2022 vs 2019



Source: IATA Monthly Statistics

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

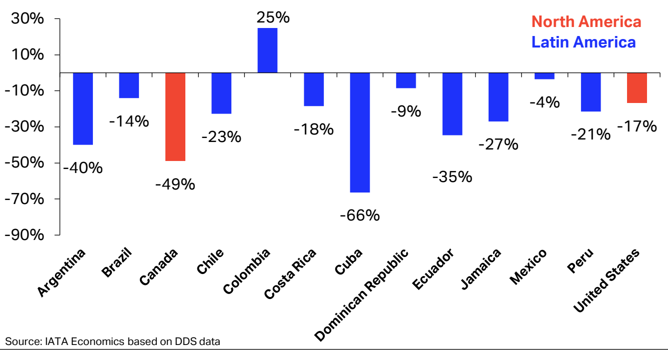
% change vs the same month in 2019



Source: IATA Economics based on DDS

Chart 69 : Passenger traffic by country in Q1 2022

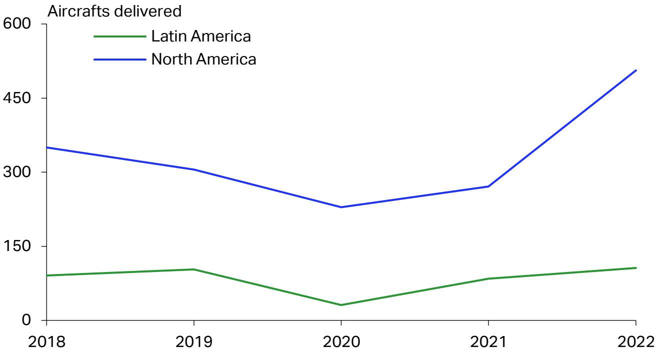
% change vs the same quarter in 2019



Source: IATA Economics based on DDS data

Chart 70: Aircraft deliveries in 2018-2022

Aircrafts delivered



Source: IATA Economics using data from Cirium Fleet Analyzer

	World	May 2022 (% ch vs the same month in 2019)				May 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%***	**-31.3%**	**-28.9%**	**-2.7%**	**79.1%**	**83.1%**	**52.8%**	**13.1%**	**79.1%**
Latin America	*6.5%*	-15.7%	-13.0%	-2.6%	80.7%	99.3%	89.5%	4.0%	80.7%
North America	*32.6%*	-10.4%	-10.3%	-0.2%	86.0%	56.3%	36.6%	10.8%	86.0%

[1]% of industry RPKs in 2021 [2]Year-on-year change in load factor [3]Load factor level

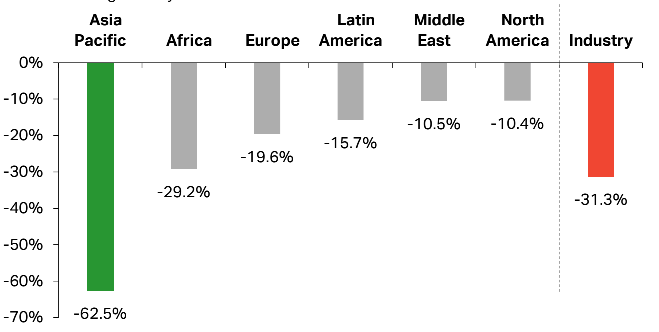
Note: The total industry and regional growth rates are based on a constant sample of airlines combining reported data and estimates for missing observations. Airline traffic is allocated according to the region in which the carrier is registered; it should not be considered as regional traffic.

Asia Pacific

- Passenger traffic, measured in RPKs, of airlines in Asia Pacific continues to lag that of other regions. In May 2022, RPKs of airlines in the region were only at 37.5% of May 2019 levels. While there have been significant border re-openings and easing of restrictions in the region including in Australia, New Zealand, Singapore, Thailand, Japan and Vietnam, the key market China remains closed to a large extent. The Chinese government continues to maintain its zero-COVID case approach, and there is still no clear plan for the reopening of China for all inbound visitors (Chart 71).
- With the reopening that have occurred in several countries, May showed a sharp increase in the region's international RPKs (Chart 72).
- The Asia Pacific region recorded a decline of 8% in CTKs in May 2022 versus the same month in 2019. Given the current situation in the region and the lack of available capacity, this result comes as no surprise (Chart 73).
- Ticket bookings for Asia Pacific have been below the global average since May 2021 and are currently at around 46% of pre-crisis levels. This year has seen a turn for the worse, mainly due to strict restrictions imposed as a result of Omicron. While bookings improve as borders reopen, the regional numbers are dominated by the continued restrictions on travel in the Greater China region. As soon as countries in the region ease travel restrictions we have seen and expect to continue to see a rapid and strong increase in ticket bookings (Chart 74).
- In May 2022, passenger traffic (Origin-Destination) remains limited across all Asia Pacific countries. Strict travel restrictions and further spread of COVID-19 in the region makes travel impossible in some areas. Vietnam and India are only exceptions, currently at 68% and 67% respectively of pre-crisis levels in terms of passenger numbers, thanks to their allowing travelers to enter the country. Similarly, Australia opened the borders for international travel. On the other hand, Hong Kong, Chinese Taipei, and Singapore are still lagging regarding re-opening, and this is restricting both international and domestic travel (Chart 75).
- With this in mind, the recovery in travel is still limited in the region, a fact that is reflected in the relatively lower number of aircraft expected to be delivered in the region. (Chart 76).
- Capacity and passenger load factors in the region remained low in May 2022, even compared to May 2021 levels. This is mainly due to Omicron-related restrictions, particularly in China.

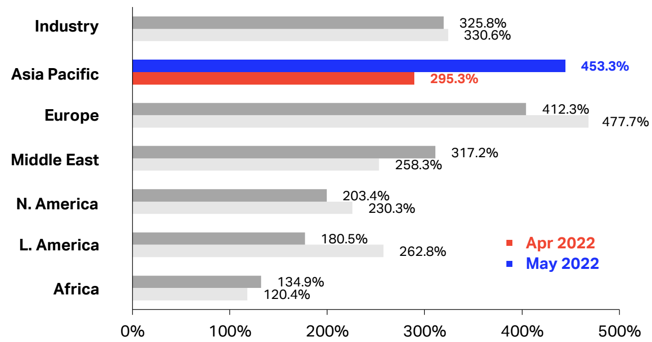
Chart 71: Growth in RPKs by region

% change in May 2022 vs 2019



Source: IATA Monthly Statistics

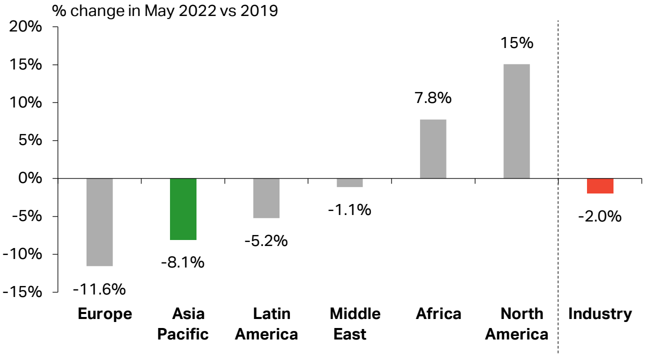
Chart 72: International RPKs (% year-on-year)



Sources: IATA Monthly Statistics

Chart 73: Growth in CTKs by region

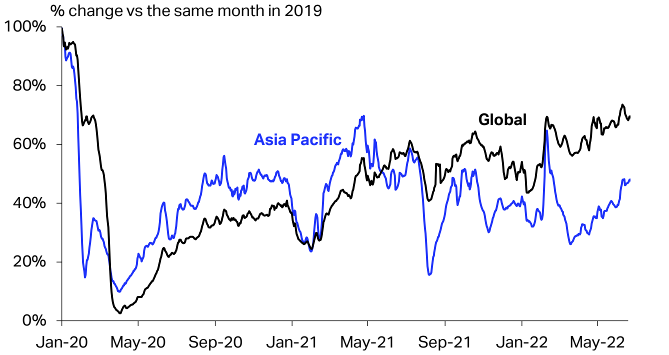
% change in May 2022 vs 2019



Source: IATA Monthly Statistics

Chart 74: Ticket bookings, by region (7 day moving average)

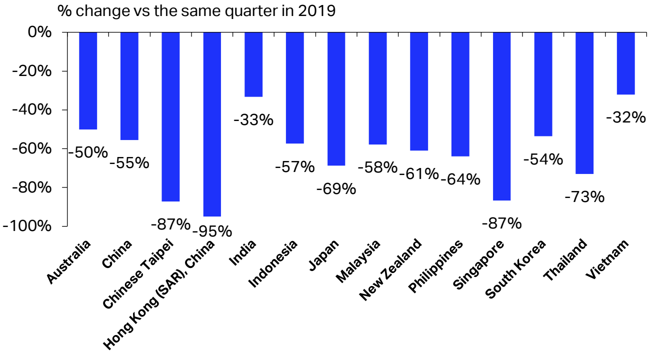
% change vs the same month in 2019



Source: IATA Economics based on DDS

Chart 75: Passenger traffic by country in Q1 2022

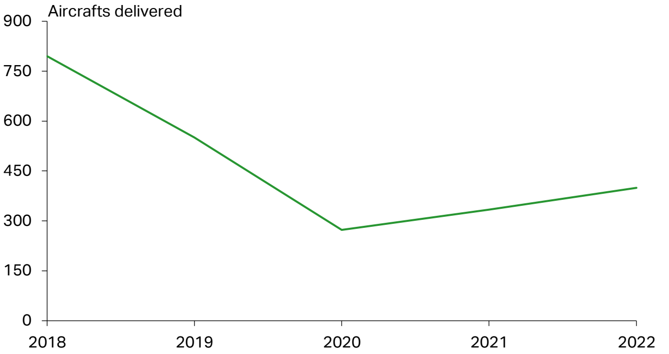
% change vs the same quarter in 2019



Source: IATA Economics based on DDS data

Chart 76: Aircraft deliveries in Asia Pacific 2018-2022

Aircrafts delivered



Source: IATA Economics using data from Cirium Fleet Analyzer

	World	May 2022 (% ch vs the same month in 2019)				May 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%***	**-31.3%**	**-28.9%**	**-2.7%**	**79.1%**	**83.1%**	**52.8%**	**13.1%**	**79.1%**
Asia Pacific	*27.5%*	-62.5%	-56.7%	-10.8%	69.6%	-4.7%	-8.2%	2.6%	69.6%

[1]% of industry RPKs in 2021 [2]Year-on-year change in load factor [3]Load factor level

Note: The total industry and regional growth rates are based on a constant sample of airlines combining reported data and estimates for missing observations. Airline traffic is allocated according to the region in which the carrier is registered; it should not be considered as regional traffic.

Europe

- The air travel recovery has been relatively quick in Europe. In May 2022, RPKs were at 80% of pre-crisis levels (Chart 77). This is almost a 5-fold improvement on a year ago (Chart 78). The easing of travel restrictions and swift vaccination roll-out in Europe have facilitated this strong recovery. Some specific routes from other regions connecting with Europe even exceed pre-crisis levels and we expect the trend to continue as long as regulation and airport capacity allow it.

- The geopolitical situation in Europe and the war in Ukraine had only a limited impact on passenger demand. Bookings in Europe[1] experienced a drop in February but have now recovered and are constantly growing (Chart 79). Additionally, European bookings are now above the global average. With the northern hemisphere summer, bookings are expected to grow further.

- In terms of the passenger traffic (Origin-Destination), Portugal is now at 79% of pre-crisis levels, the best performance among the selected European countries. Similarly, passenger traffic in Spain, Italy, and Greece is performing well, with Spain at 74% and both Greece and Italy at 73% of pre-crisis levels, thanks to strong inbound traffic. Unsurprisingly, this performance is driven by a high willingness of people to travel, and all these countries are major tourism destinations. Conversely, Germany, Finland, and Sweden are the weakest markets in Europe, currently at 43%, 50% and 51% of pre-crisis levels, respectively (Chart 80).

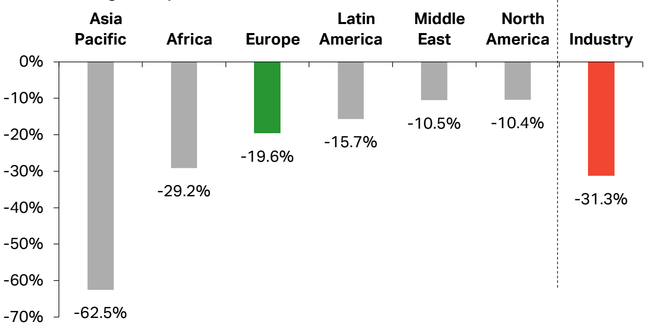
- After an extended period of growth, March 2022 saw European airlines' cargo volumes slip to 88% of pre-pandemic levels, mainly driven by disruption in capacity (Chart 81). The war in Ukraine and the loss of a large number of cargo carriers are now putting pressure on cargo revenues as well.

- The outlook is positive with aircraft deliveries set to increase in the region, which should accommodate the expected growth in demand and facilitate a return to 2019 levels (Chart 82). As part of our latest passenger forecast, we estimate that passenger demand in Europe will reach pre-crisis levels in 2024 and for this to be possible, the availability of new aircraft is key.

- Load factors in Europe are now at 81% which is a 22 percentage point increase in comparison to the same period last year, but also 3 percentage points less than in the same month in 2019. Available seat kilometers are up by 159% compared to last year, but still 16.5% below the pre-crisis level.

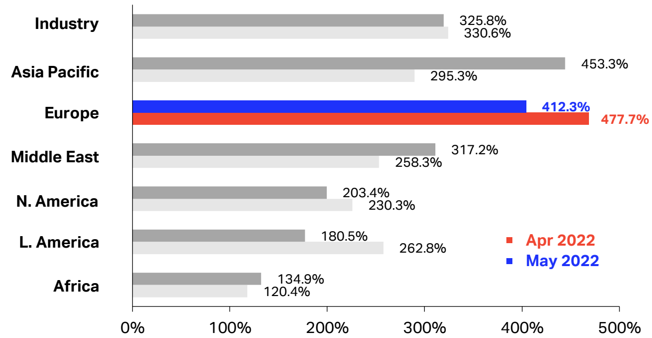
Chart 77: Growth in RPKs by region

% change in May 2022 vs 2019



Source: IATA Monthly Statistics

Chart 78: International RPKs (% year-on-year)

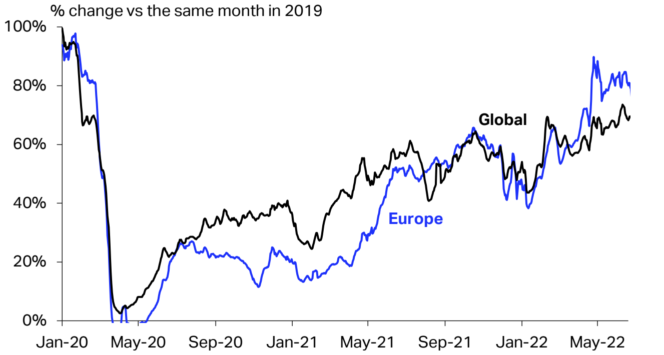


Sources: IATA Monthly Statistics

[1] Russia bookings not included in the analysis for the lack of data

Chart 79: Ticket bookings, by region (7 day moving average)

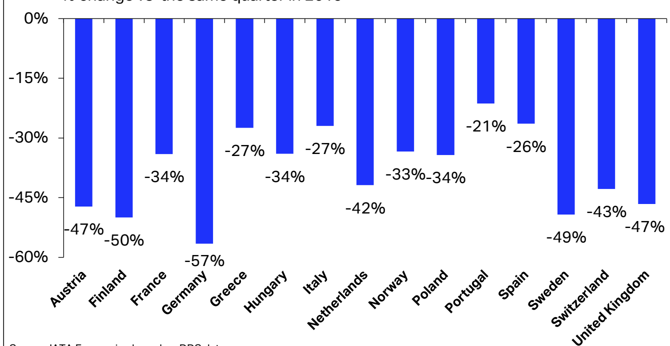
% change vs the same month in 2019



Source: IATA Economics based on DDS

Chart 80 : Passenger traffic by country in Q1 2022

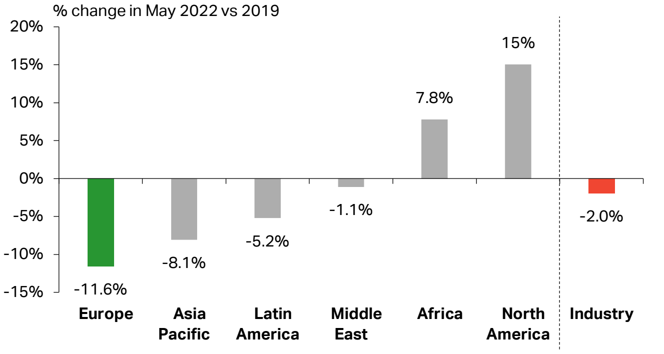
% change vs the same quarter in 2019



Source: IATA Economics based on DDS data

Chart 81: Growth in CTKs by region

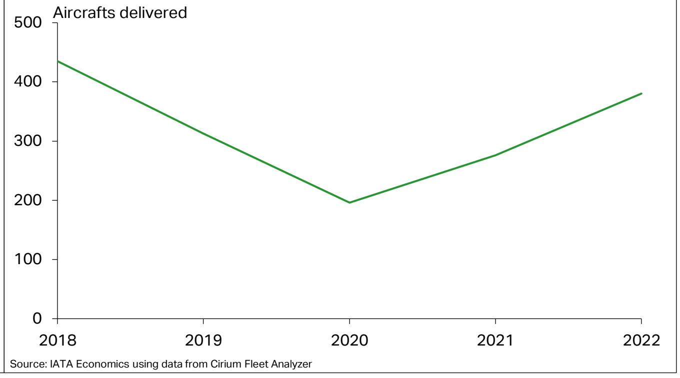
% change in May 2022 vs 2019



Source: IATA Monthly Statistics

Chart 82: Aircraft deliveries in Europe between 2018-2022

Aircrafts delivered



Source: IATA Economics using data from Cirium Fleet Analyzer

	World share[1]	May 2022 (% ch vs the same month in 2019) RPK	ASK	PLF (%-pt)[2]	PLF (level)[3]	May 2022 (% year-on-year) RPK	ASK	PLF (%-pt)[2]	PLF (level)[3]
TOTAL MARKET	***100.0%***	**-31.3%**	**-28.9%**	**-2.7%**	**79.1%**	**83.1%**	**52.8%**	**13.1%**	**79.1%**
Europe	*25.0%*	-19.6%	-16.5%	-3.0%	80.7%	258.8%	159.1%	22.4%	80.7%

[1]% of industry RPKs in 2021 [2]Year-on-year change in load factor [3]Load factor level

Note: The total industry and regional growth rates are based on a constant sample of airlines combining reported data and estimates for missing observations. Airline traffic is allocated according to the region in which the carrier is registered; it should not be considered as regional traffic.

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