



ICAO

International Civil Aviation Organization

The Second Meeting of the South Asia, Indian Ocean and Southeast Asia ATM Coordination Group (SAIOSEACG/2)

Bangkok, Thailand, 20 – 24 March 2023

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### Agenda Item 3: Review of Current Operations and Problem Areas

#### STATE OF AVIATION POST-COVID-19

(Presented by IATA)

##### SUMMARY

This paper presents a summary of economic and traffic data illustrating the impacts of COVID-19 on the airline industry and the progress of recovery now States have re-opened international borders.

## 1. INTRODUCTION

1.1 The IATA Economics team provides analysis of economic, traffic and policy developments affecting the operational and financial performance of the global airline industry.

1.2 The following paper and accompanying presentation provide economic data describing the extent of the COVID-19 disruption to the aviation industry and the recovery of air traffic back toward pre-COVID-19 levels.

## 2. DISCUSSION

### Impact on airlines

2.1 COVID-19 was the greatest shock to aviation in its history in both terms of magnitude and length of time to commence a recovery.

2.2 “Lost” travel between 2020 and 2022 was equivalent to 1.8 x 2019 Revenue Passenger Kilometres (RPKs), and by 2040, if our current forecast is realized, traffic will still be 6% below pre-pandemic forecasts.

2.3 After a slow start, post COVID-19 recovery remains on track despite several obstacles, both predicted and unforeseen. Overall RPKs are currently at 77% of 2019 levels.

2.4 Expected losses in 2022 reduced to USD 6.9 billion (-1.3%) and are estimating a first 2023 financial forecast of a profit of USD 4.6 billion (+0.4%). This is a significant performance given the magnitude of the loss in 2020 (USD138b).

2.5 Notwithstanding that, margins remain slim in the industry and the profit per passenger in 2023 is a mere one US dollar per flight. So, with revenue drivers (# of flights) increasing, ANSP revenues are growing back to 2019 levels which avoids the need for charges increases.

2.6 With respect to regional recovery, North America will likely be profitable from this year, followed by Europe and the Middle East in 2023, and the other regions will have to look to 2024 or beyond regarding their return to profitability.

2.7 International traffic is well on the rise however Asia Pacific still lags due to some delayed border openings and related travel restrictions being lifted later. However, the confidence in the increasing traffic levels is reflected in sharp increases in percentage return of invested capital for the airline industry and the number of new aircraft deliveries.

2.8 But these remain turbulent times as encouraging signs are still competing with persistent barriers. Positives such as the easing and lifting of travel restrictions, willingness of people to travel, demand for cargo, business model developments and the possibility of energy abundance are being offset by negatives such as debt burden and cost, labor costs, energy costs (fuel prices are soaring), climate change costs and geopolitical conflict.

#### Forecast

2.9 We expect the industry to recover to 2019 levels in 2024. Risks to our forecast are predominantly on the downside: travel restrictions, jet fuel prices, US dollar appreciation, high inflation, slowing GDP growth, rising unemployment at some point, higher real interest rates, etc. Upside risks include peace – always the superlative growth policy – and the end to all lockdowns, particularly in the busy markets.

2.10 Domestic and international passengers still expected to recover to 2019 levels in 2024 and 2025 respectively. Asia Pacific lags in the regional recovery in the short term with the regional split showing North America in the lead, in 2023, followed by Europe and the Middle East in 2024, and Latin America, Africa, and Asia Pacific in 2025.

2.11 Asia Pacific is forecast to lead traffic growth in the longer term (2040 horizon) surpassing other regions by 2028.

#### Update on COVID-19 impact in Asia-Pacific

2.12 By the end of 2022, recovery against 2019 baselines for the end of 2019 were as follows: Cargo Tonne-Kilometres (CTKs) 85%, Domestic RPKs 63%, International RPKs 52%, and Total RPKs 57%. It is expected that once the current period is analysed these figures will again be significantly higher.

2.13 Throughout 2022, international forward bookings to specific countries grew with end of year showing seven ASPAC countries had returned to between 50% and 80% of levels versus same day in 2019. China was lower at that time due to border restrictions but again, it is expected that once the current period is analysed these figures will again be significantly higher.

2.14 It is worthwhile noting that in Asia-Pacific, air transport supports 46.7 million jobs and generates USD944billion of Gross Domestic Product (GDP) for the States.

#### Air connectivity market reopening (Asia Pacific)

2.15 IATA air connectivity index is a metric used to quantify how well connected cities are to other cities around the world. It is a composite measure reflecting the number of seats flown to various destinations and the relative importance of those destinations.

2.16 Global international air connectivity in December 2022 had reached 74% of pre-crisis levels, however the results across the regions varied from just over 100% for Latin America and the Caribbean to just over 50% for Asia Pacific.

2.17 International air connectivity recovery within regions by December 2022 varies significantly with intra-regional international routes in the Middle East showing strongest recovery to 110%. Asia Pacific routes were again the lowest recovery at just below 50%.

2.18 Of the extent of recovery of all air connectivity for Asia Pacific, comparing December 2022 against December 2019, domestic routes have recovered to 84%, international routes within Asia Pacific 33%, routes to Europe 52%, to North America 50%, to Middle East 86%, to Africa 42%, and to Latin America & Caribbean 42%.

2.19 As a proportion of current total Asia Pacific traffic, the breakdown of the volumes from those recoveries is as follows: domestic routes 60%, international routes within Asia Pacific 30%, routes to Europe ~4%, to North America ~2%, to Middle East ~4%, with Africa / Latin America & Caribbean being the very small remainder.

**2.20** In summary, all markets are beginning to show strong recovery. Notwithstanding a relapse of pandemic conditions, and relying on geopolitical events to be resolved, air traffic globally is expected to be fully recovered by 2025 with Asia Pacific being in the later stage. It is expected that analyses of current quarter operations will show significant increases again particularly for inter and intra-international air connectivity for Asia Pacific.

**3. ACTION BY THE MEETING**

- 3.1 The meeting is invited to:
- a) note the information contained in this paper; and
  - b) discuss any relevant matters as appropriate.

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