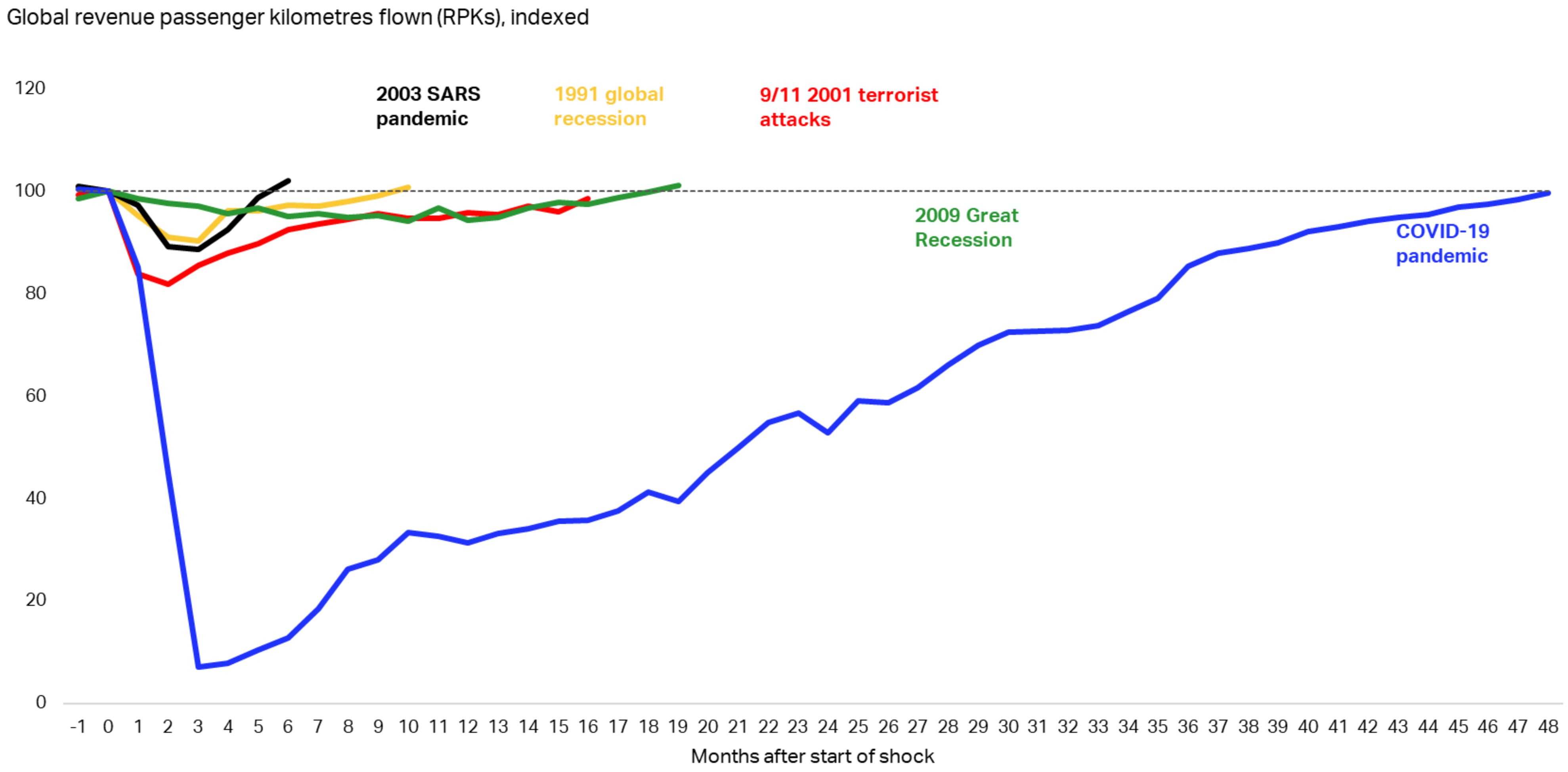
IATA Econ information pack for external meetings

August 2024

1. INTRODUCTION

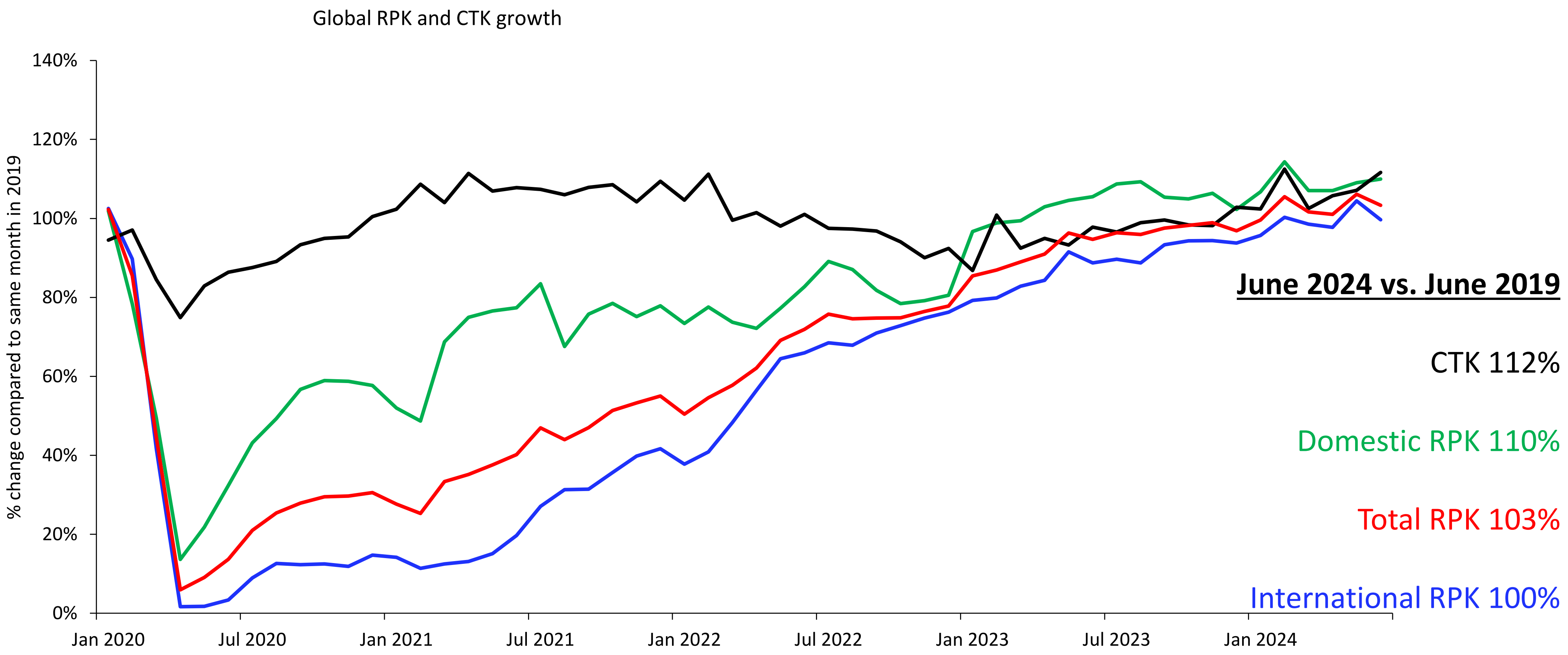
- The global aviation industry is in steady recovery
- Some regions have recovered more rapidly than others however all are either back to 2019 performance or expected to be by 2025
- Airlines are returning to profits however still face several financial challenges
- Some airlines have been unable to recover
- Airlines and ANSPs must work together to ensure investment in future ATM infrastructure matches user needs and strategic planning so that cost-recovery for all parties is ensured and achievable.
- ICAO guidelines for setting ANS charges provides an effective methodology for achieving these outcomes.

Scale of past events' impact on air traffic pales in comparison to COVID-19



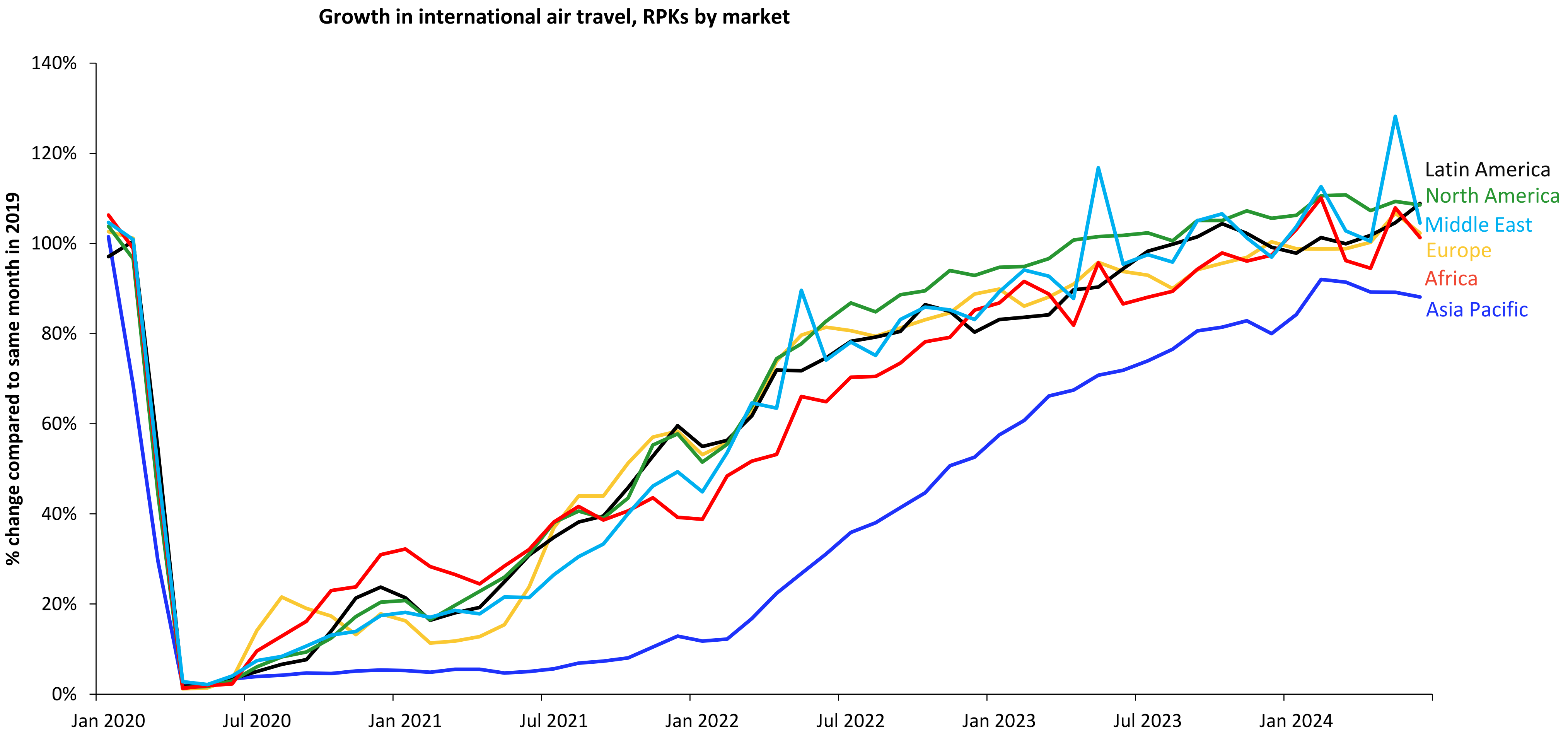
Source: IATA Economics using data from IATA Monthly Statistics. Data is adjusted for seasonality.

Global recovery remains on track
Total RPKs are currently at 103% of 2019 levels



Source: IATA Monthly Statistics

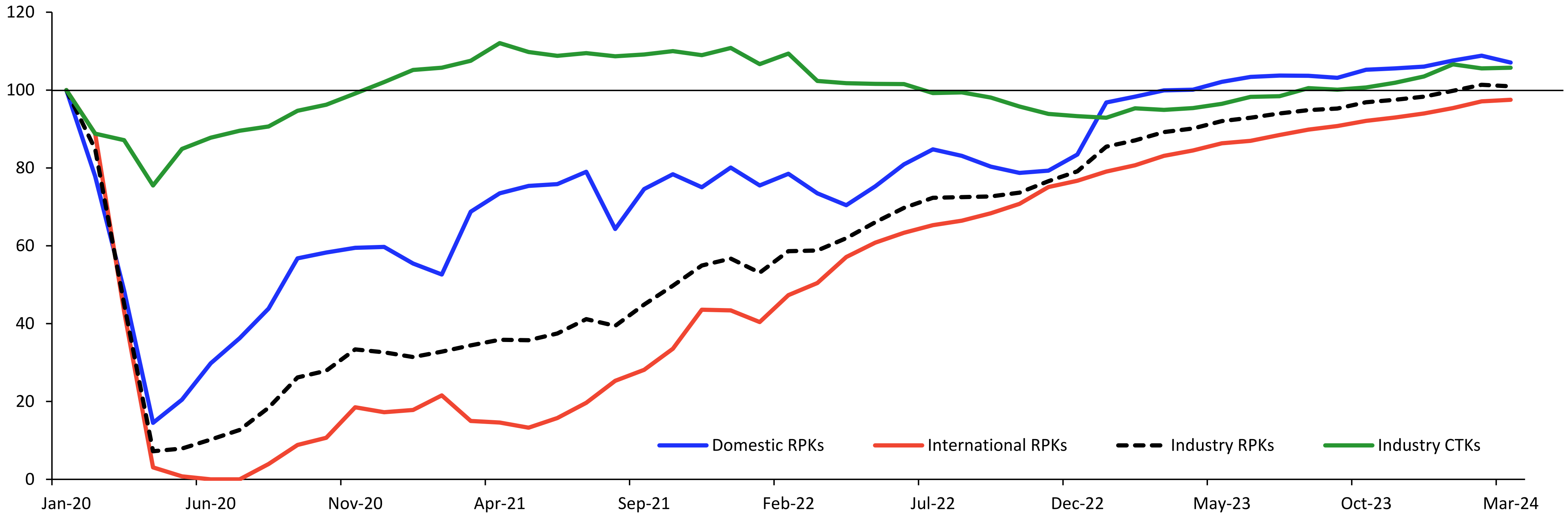
International traffic for all regions except Asia Pacific has recovered Asia Pacific traffic in June 2024 at 88% of pre-COVID levels



Source: IATA Monthly Statistics; traffic by **airline region of registration**

Solid uptrend in passenger traffic, cargo holding up

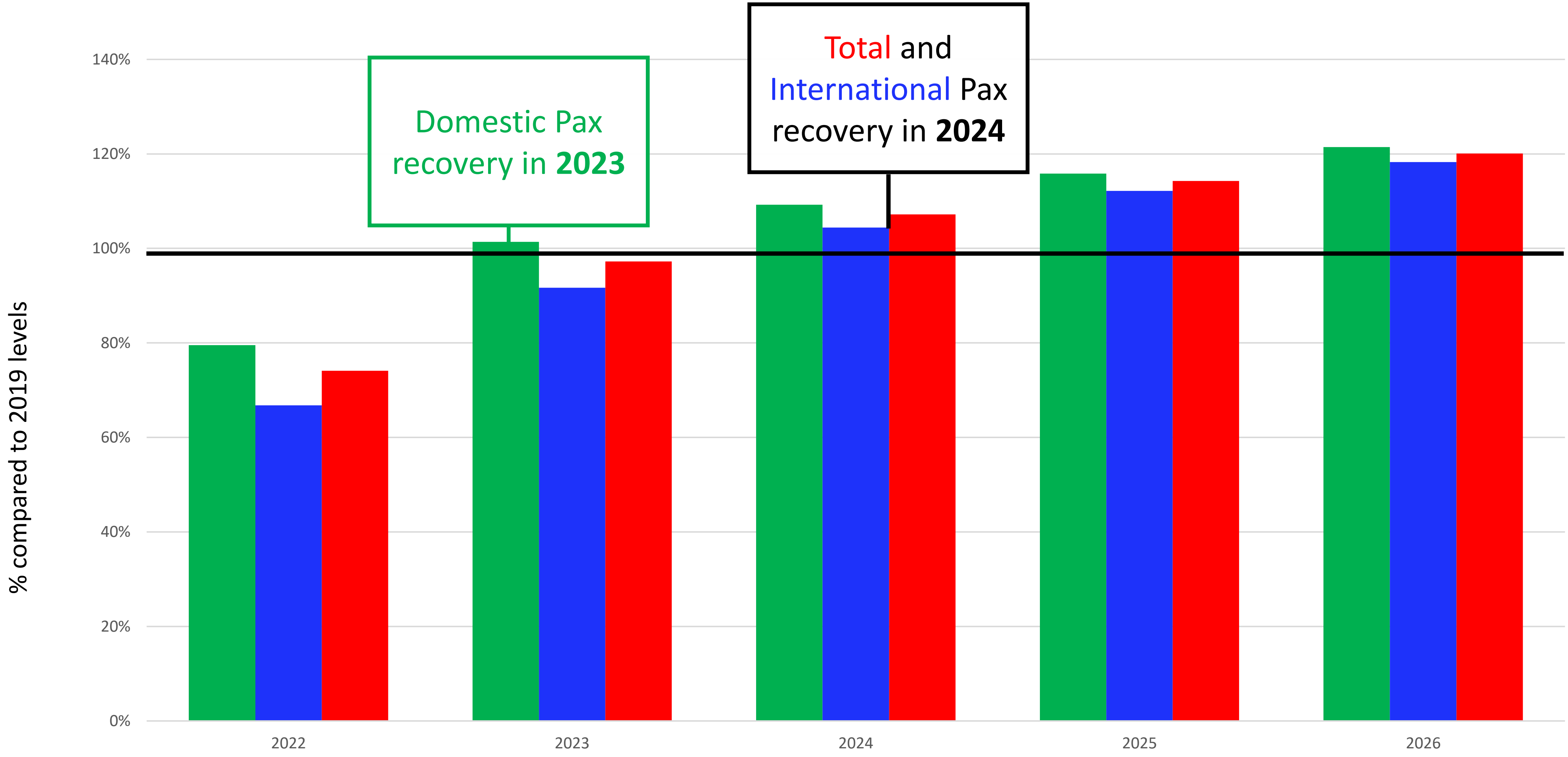
Industry RPKs and CTKs, Seasonally Adjusted, indexed, January 2020 = 100



RPK: Revenue Passenger-Kilometers; CTK: Cargo Tonne-Kilometers

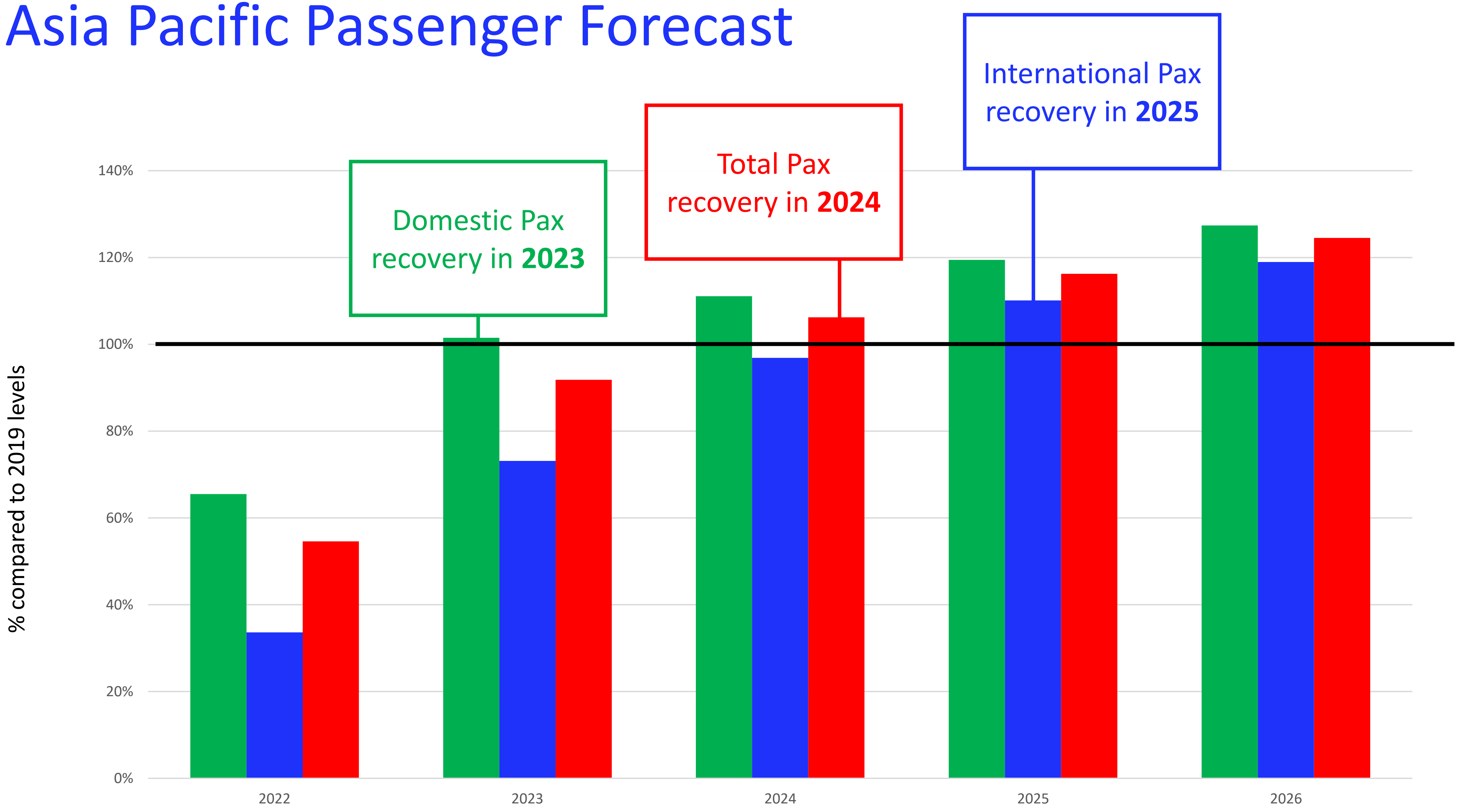
Source: IATA Sustainability & Economics, IATA Monthly Statistics

Global Passenger Forecast



Source: IATA; Tourism Economics. May 2024

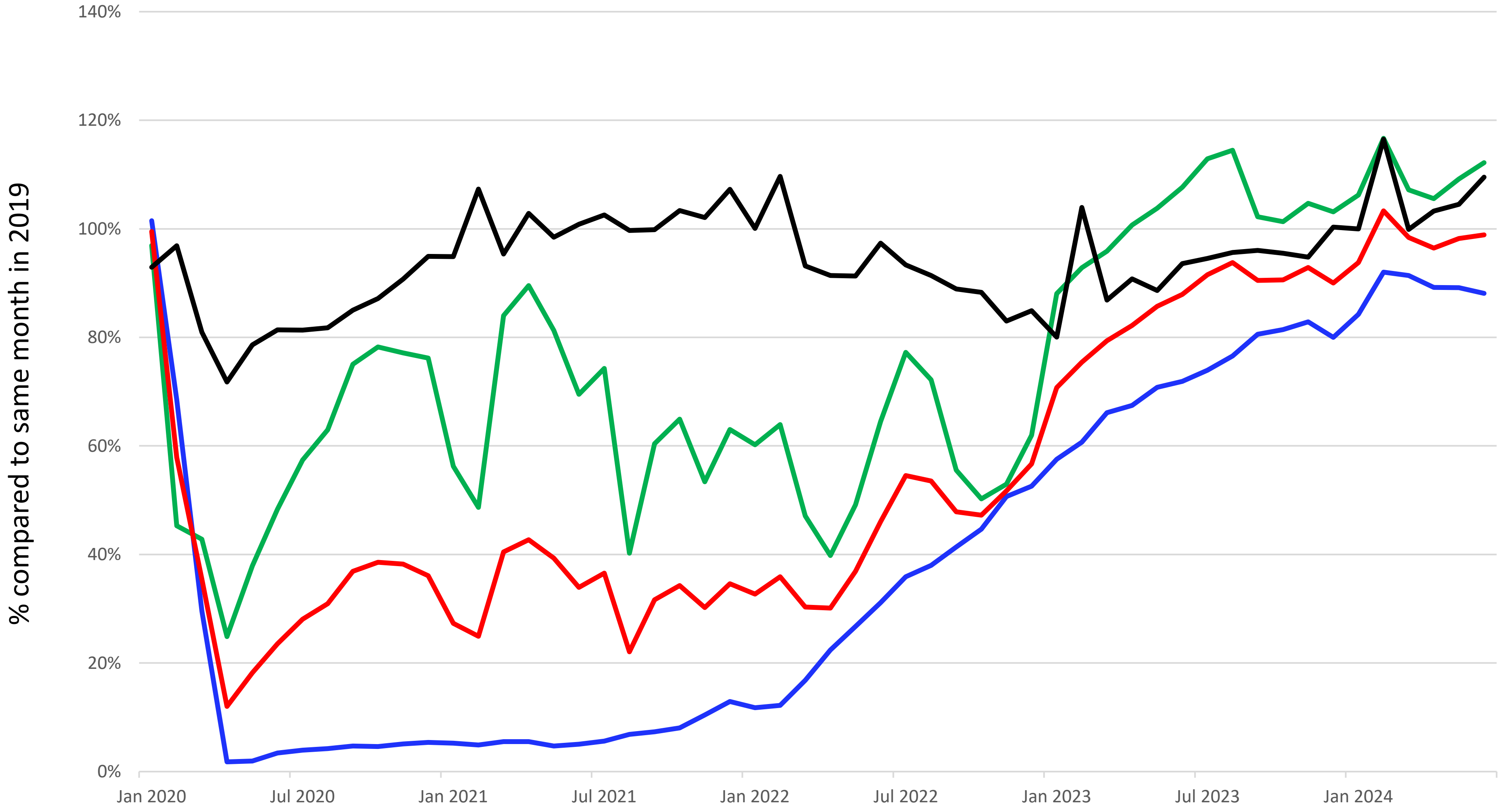
Asia Pacific Passenger Forecast



Source: IATA; Tourism Economics. May 2024

Status of recovery in Asia Pacific

RPKs have recovered and are currently at 99% of 2019 levels



June 2024 vs. June 2019

Domestic RPK 112%

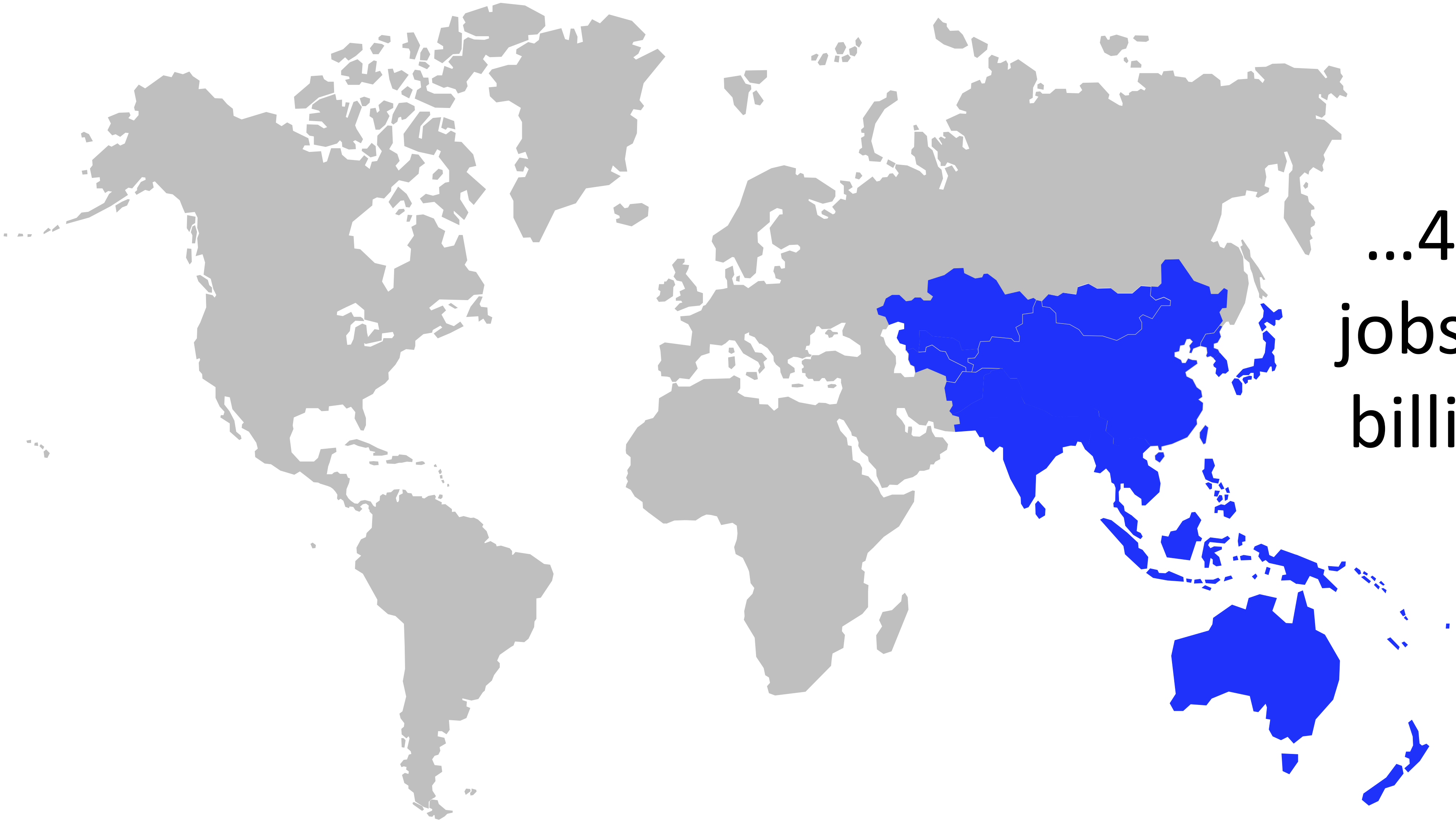
CTK 110%

Total RPK 99%

International RPK 88%

Source: IATA

In Asia Pacific, air transport supports:



…46.7 million jobs and $944 billion of GDP

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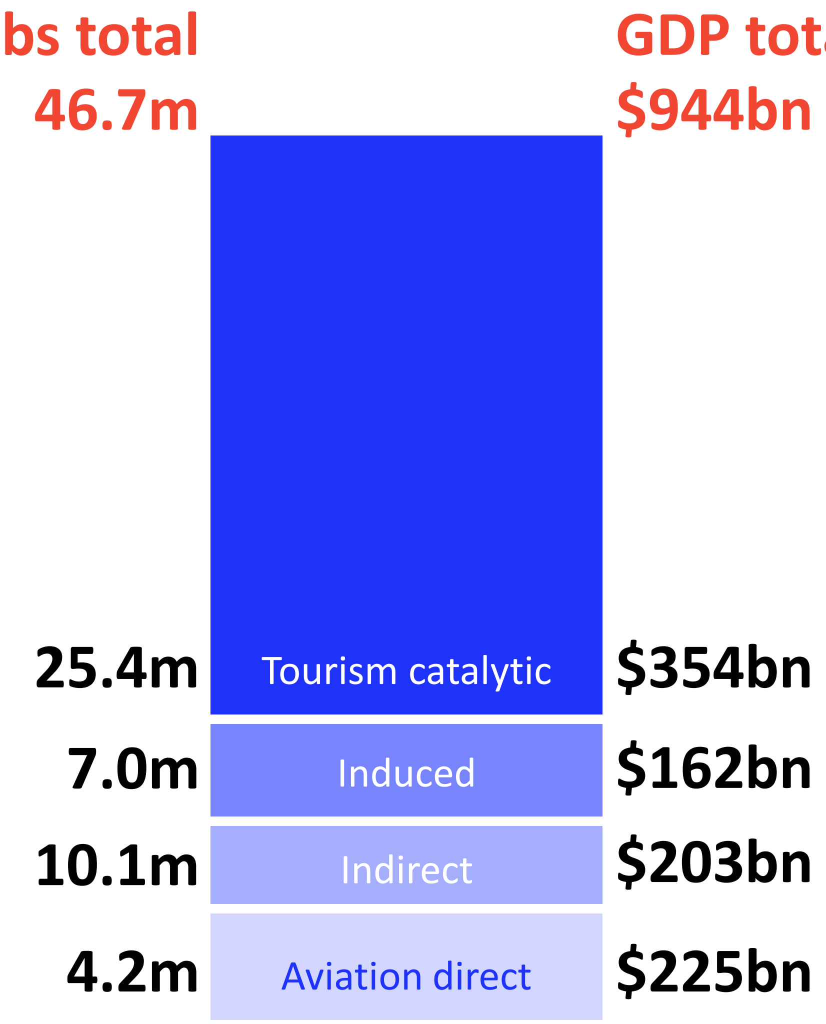
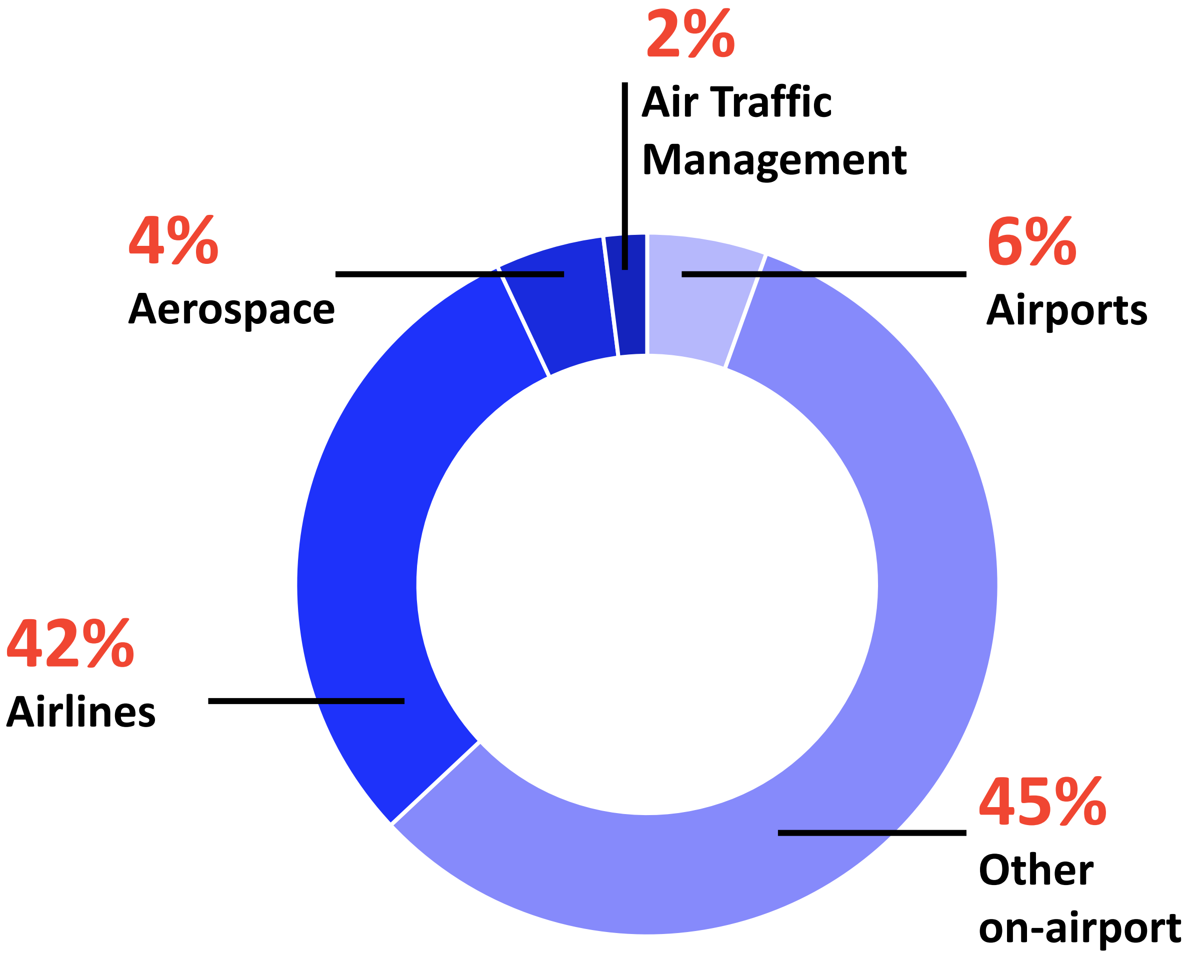
Asia Pacific aviation footprint

GDP and total jobs supported by air transport



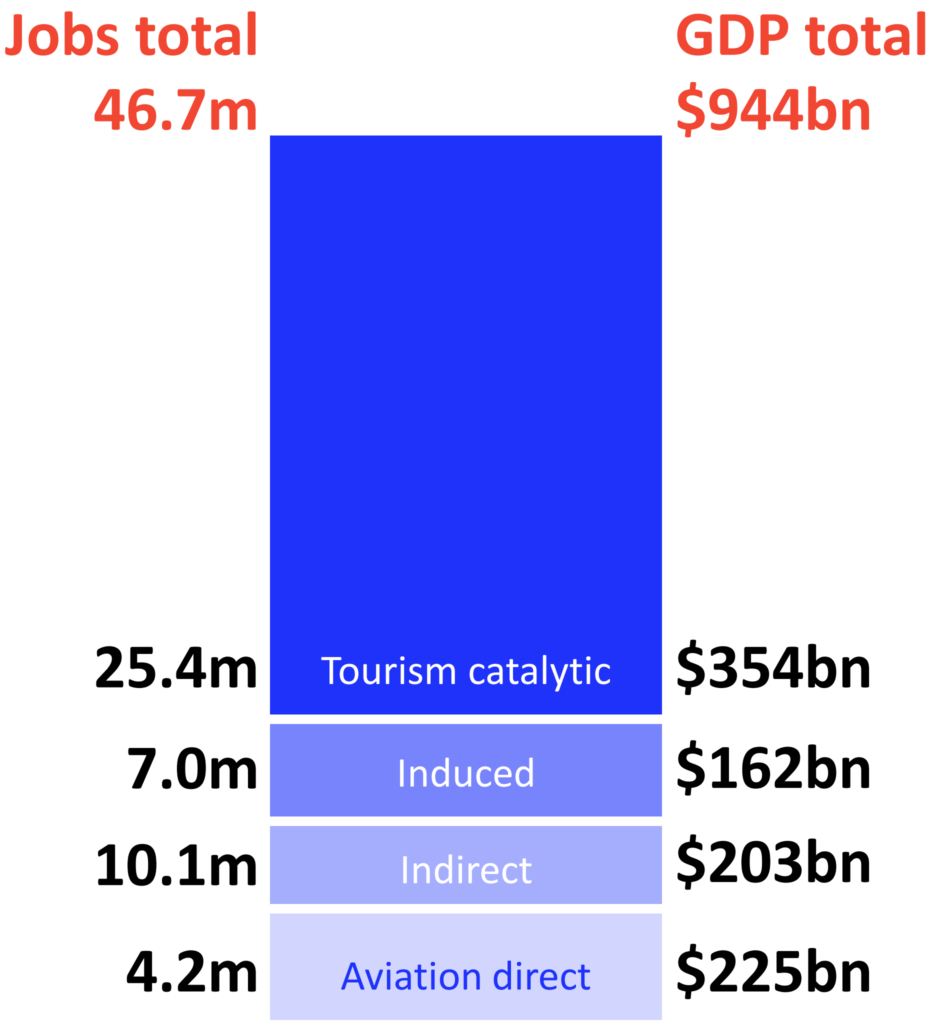
Direct jobs generated by air transport



Source: ATAG

Asia Pacific aviation footprint

GDP and total jobs supported by air transport



Direct jobs generated by air transport

648,000
Airport operators[16]
(operations, planning, engineering, security)

1.3 million
Civil aerospace[19]
(engineers and designers of civil aircraft, engines and components)

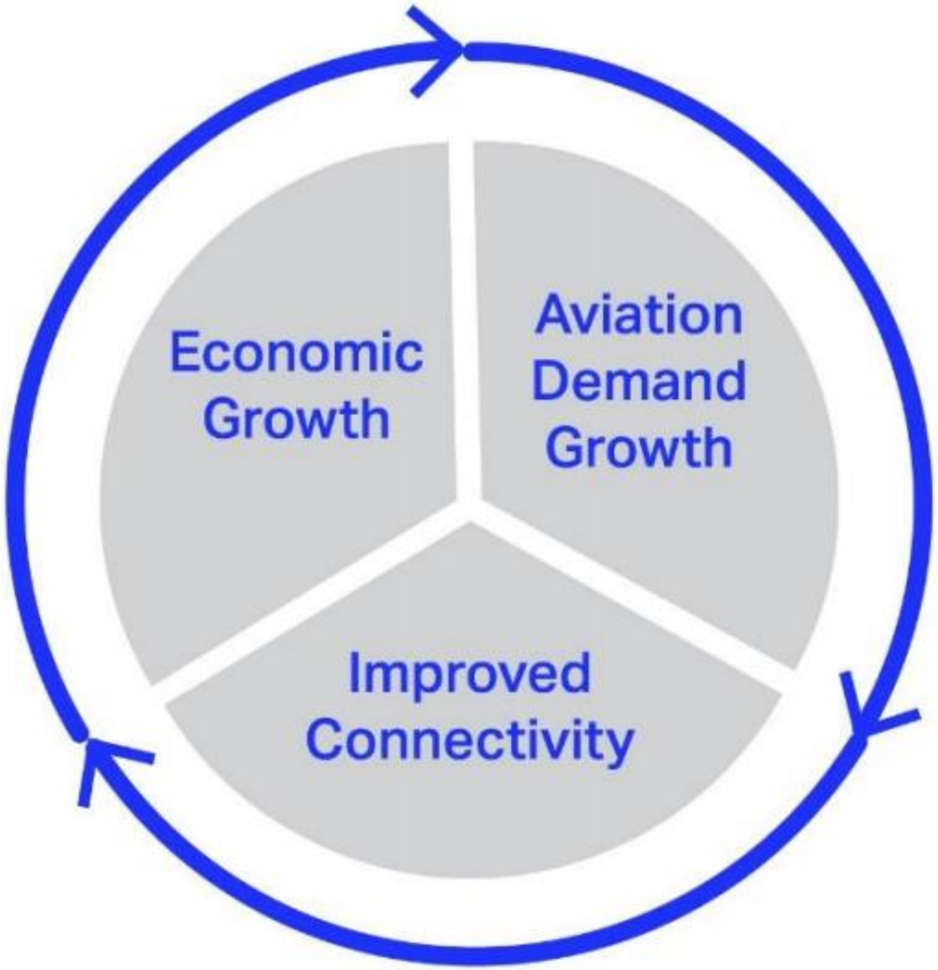
5.5 million
Other on-airport[17]
(retail, car rental, government agencies such as customs and immigration, freight forwarders, some catering)

237,000
Air navigation service providers[20]
(air traffic controllers, engineers, executives)

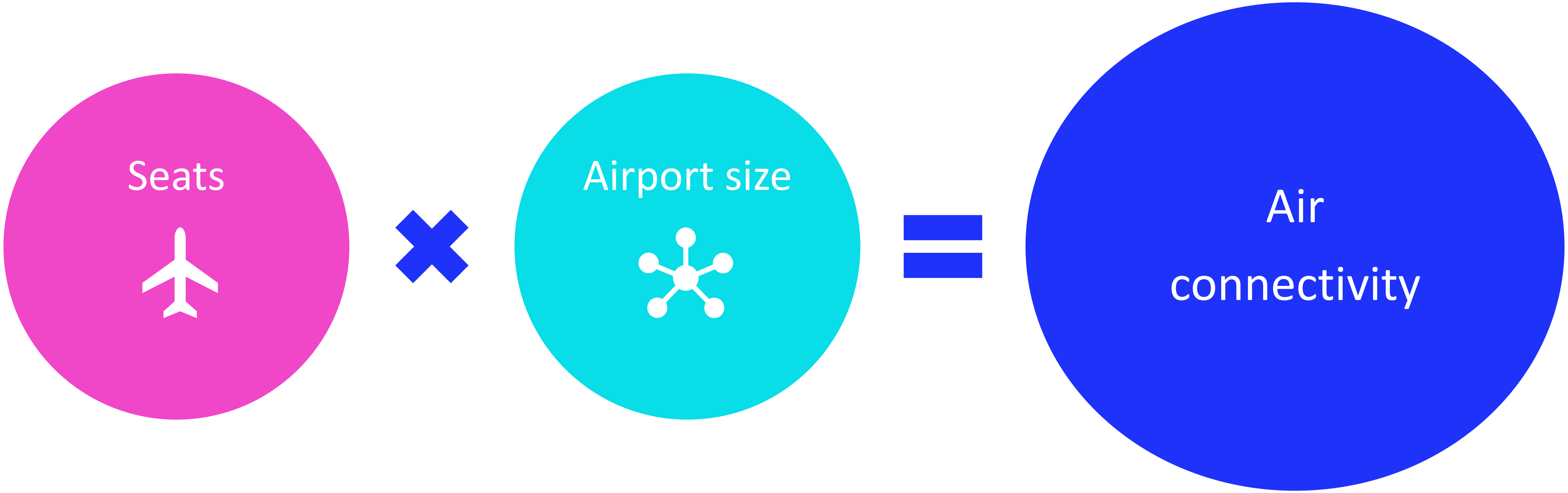
3.6 million
Airlines[18]
(flight and cabin crews, executives, ground services, check-in, training and maintenance staff)

Source: ATAG

Air connectivity is an engine of economic growth
The virtuous circle of air connectivity and economic performance



IATA Air Connectivity Index

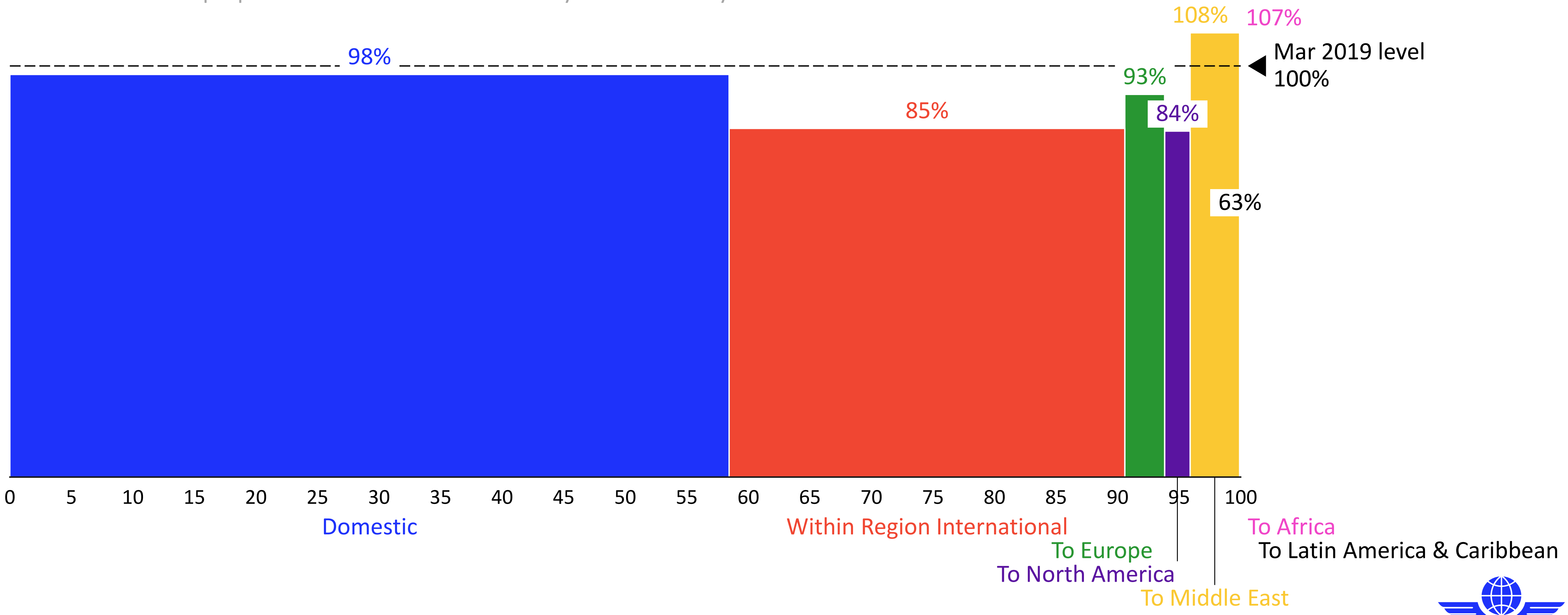


The above is for illustration purposes only. For a full methodological explanation please refer to the Air Connectivity report.

Extent of recovery to Mar 2019 connectivity for Asia Pacific by Mar 2024

Asia Pacific connectivity recovery by route area in Mar 2024 as % of Mar 2019 level

Horizontal scale shows proportion of Mar 2019 connectivity contributed by each route area

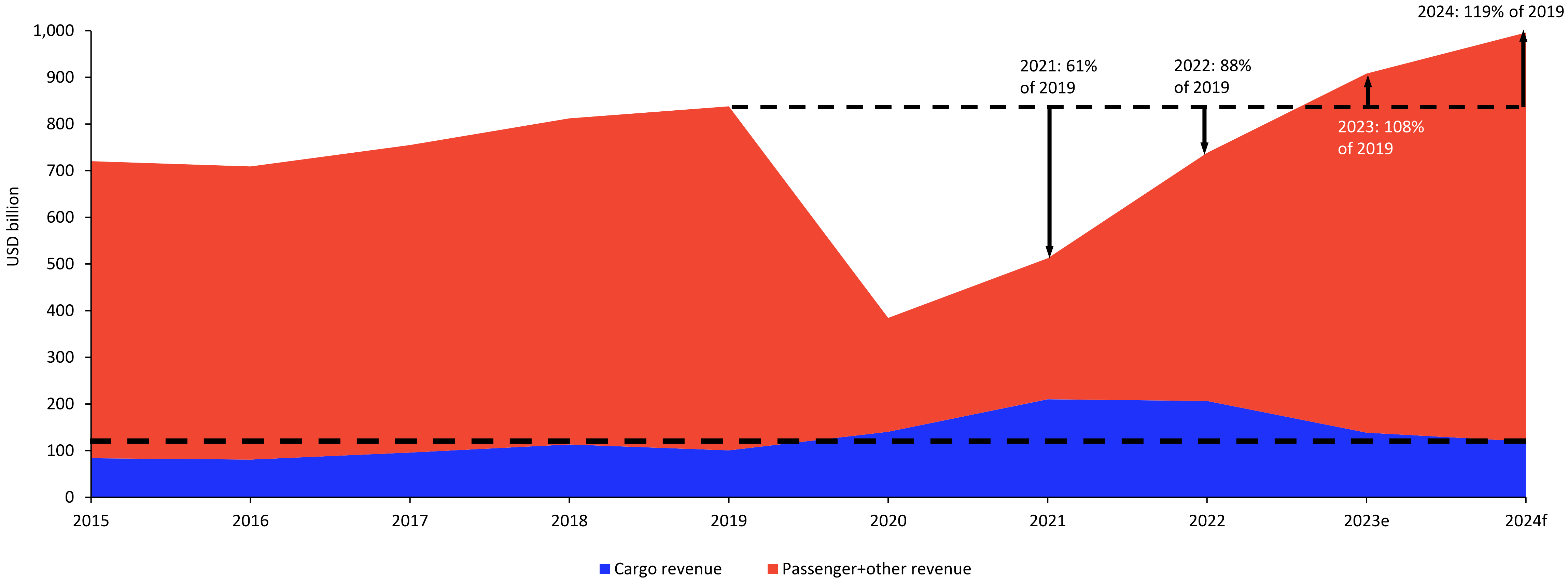


IATA Connectivity Index using data from OAG

TC09 OAG_20210914

Revenue growth is on the passenger side

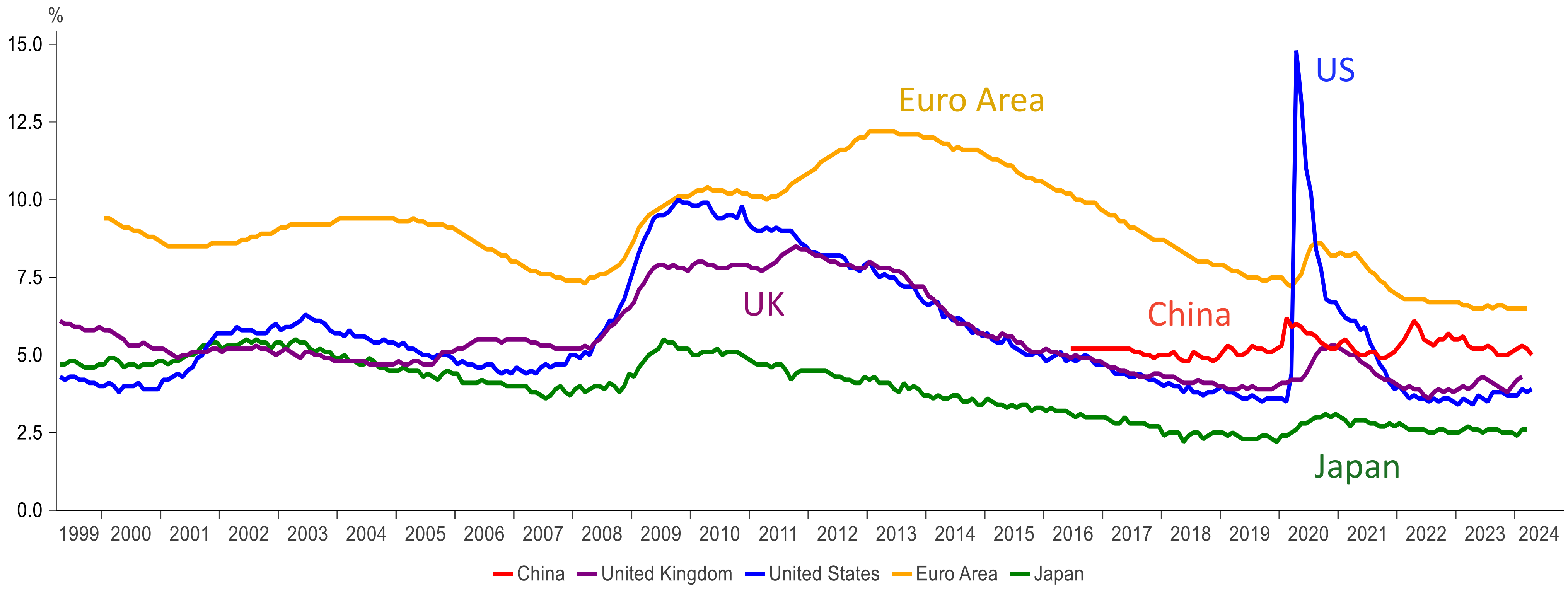
Airline passenger and cargo revenue, USD billion



Source: IATA Sustainability and Economics, The Airline Analyst

Labor markets remain exceptionally tight

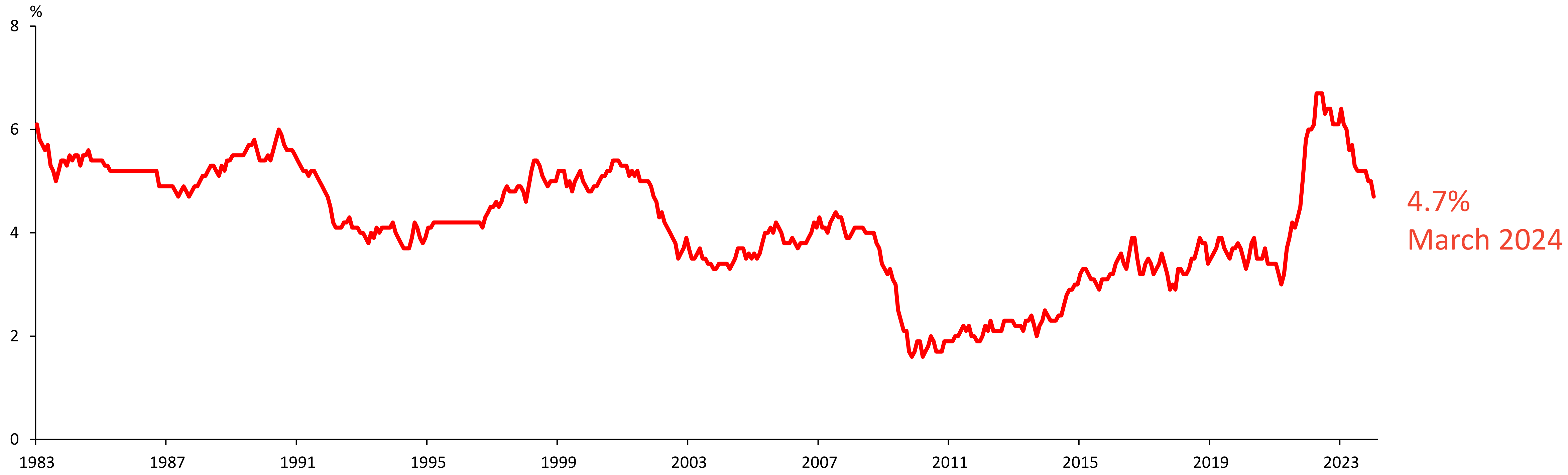
Unemployment rate in selected economies, %



Source: MacroBond

Wage growth

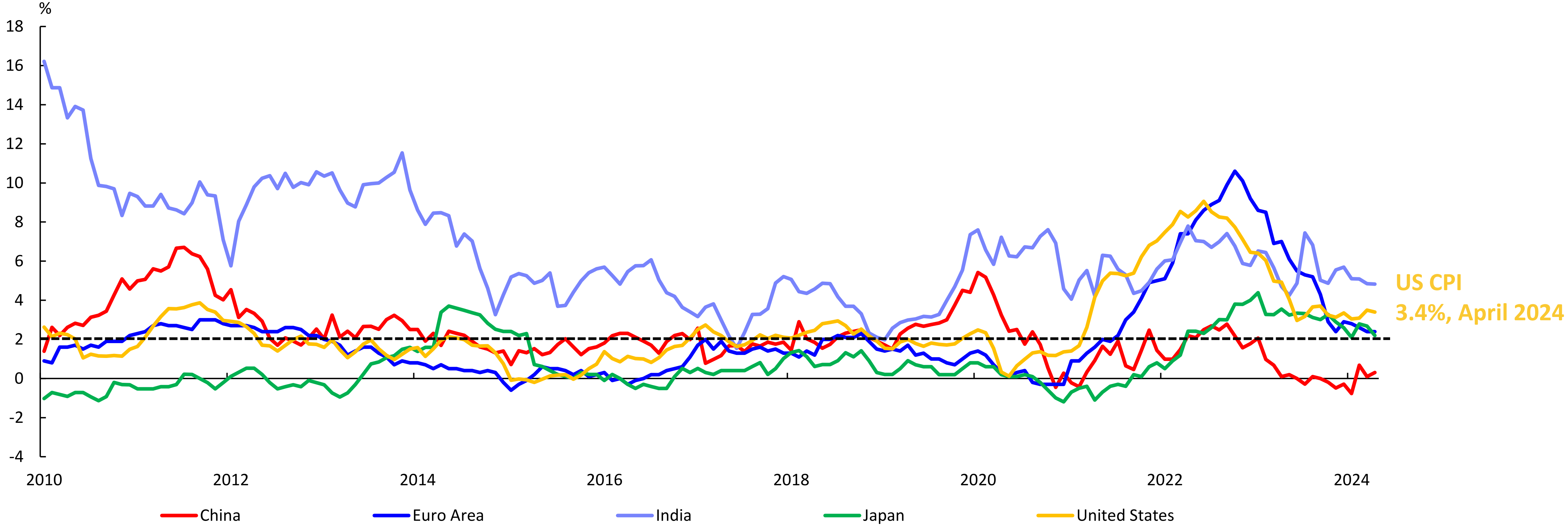
US Nominal Wage Growth, % YoY



Source: Federal Reserve Bank of Atlanta

Inflation is still too high for big policy rate cuts

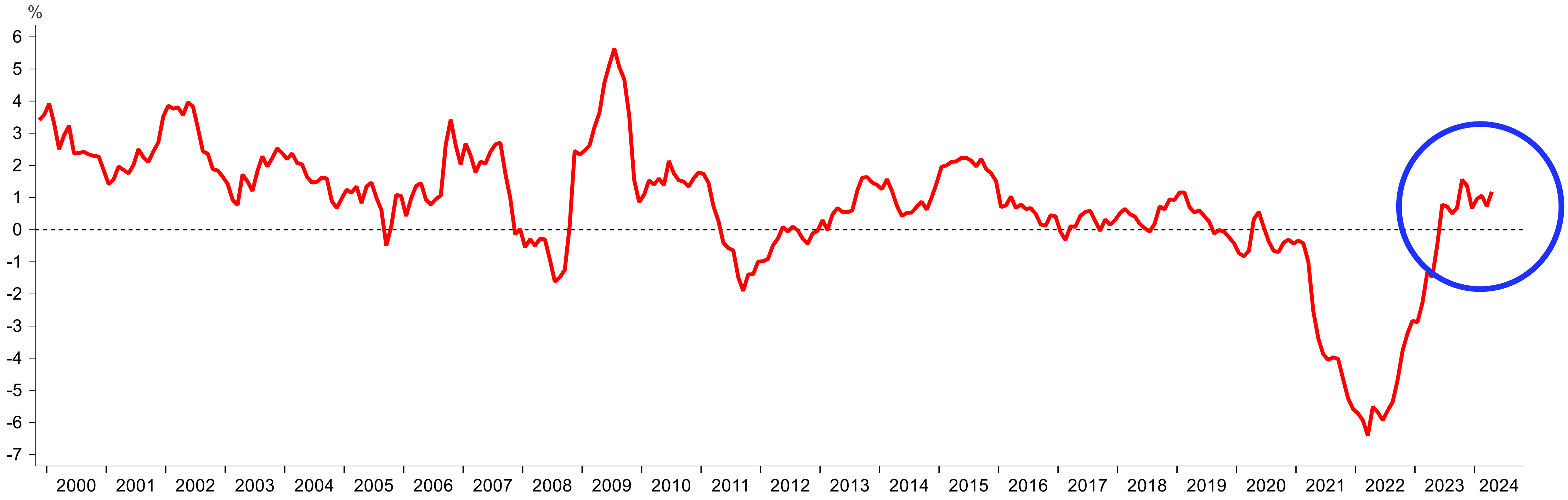
Consumer Price Inflation in selected economies, %



Source: MacroBond

Real interest rates will rise further

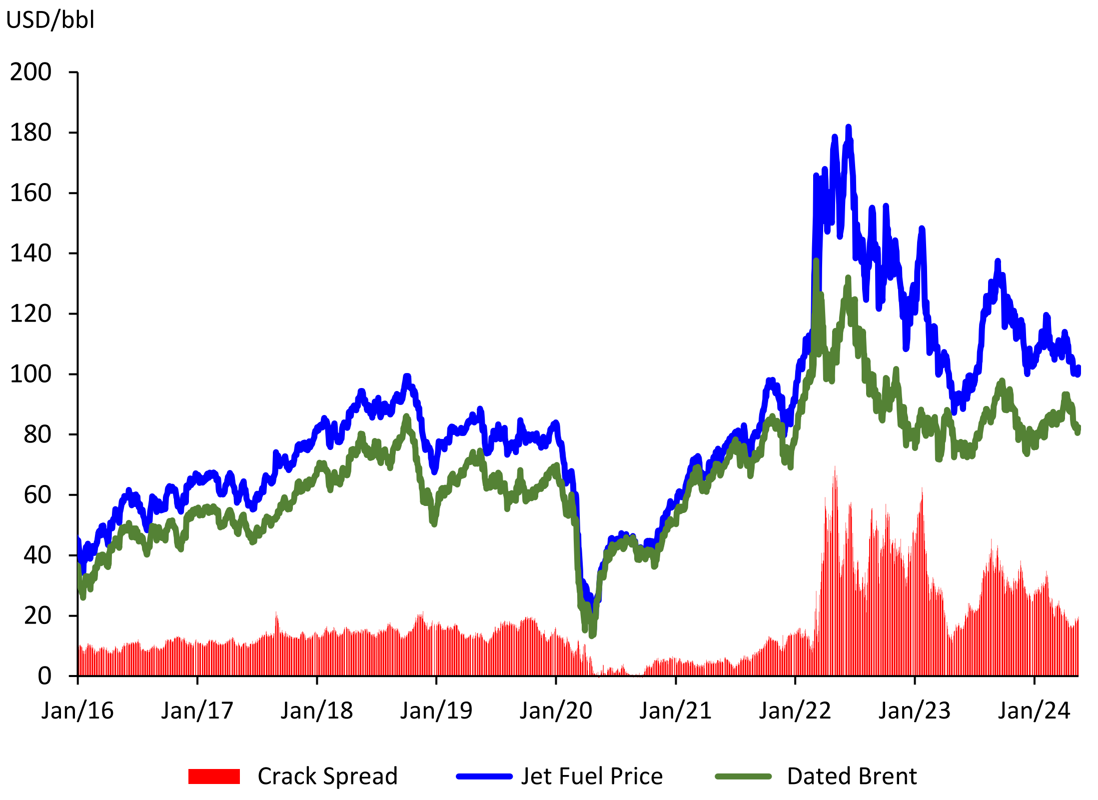
Real US 10-year interest rate, %



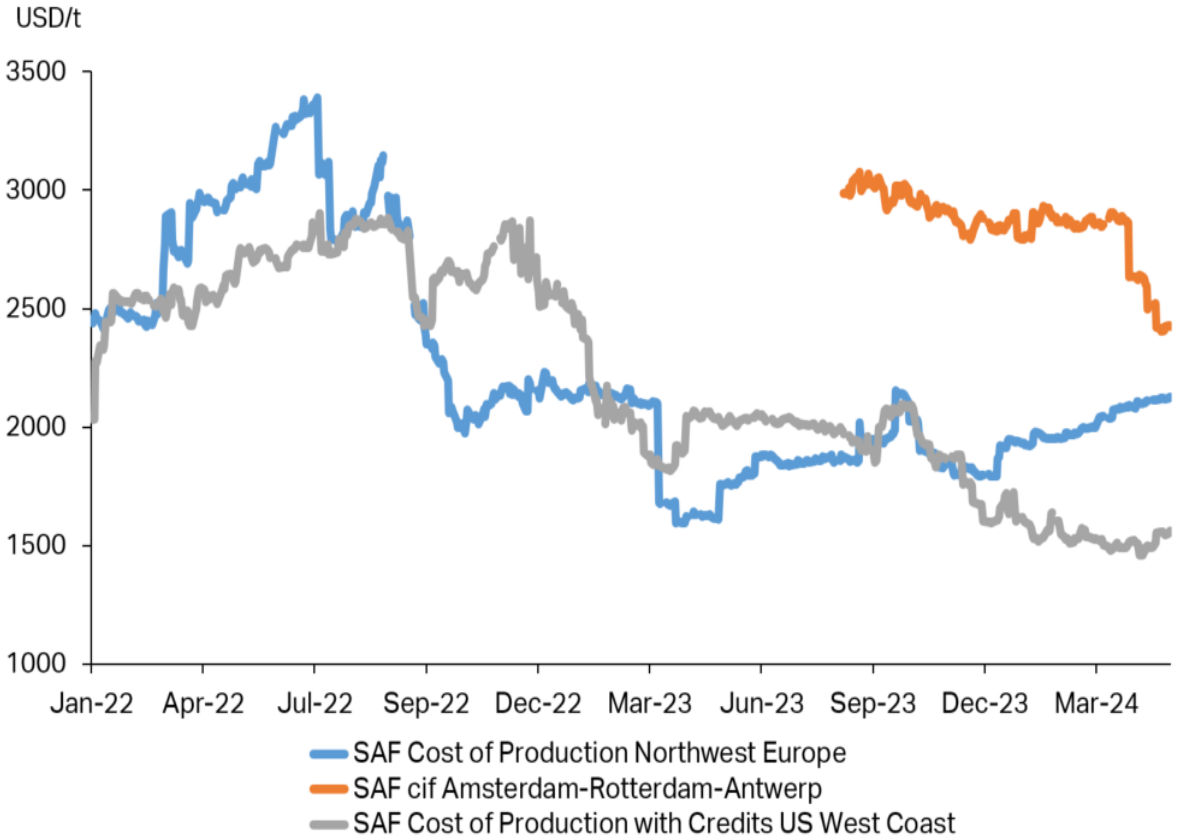
Source: MacroBond

Fuel: Jet and SAF

Jet fuel, Brent crude, and Crack Spread, USD per barrel

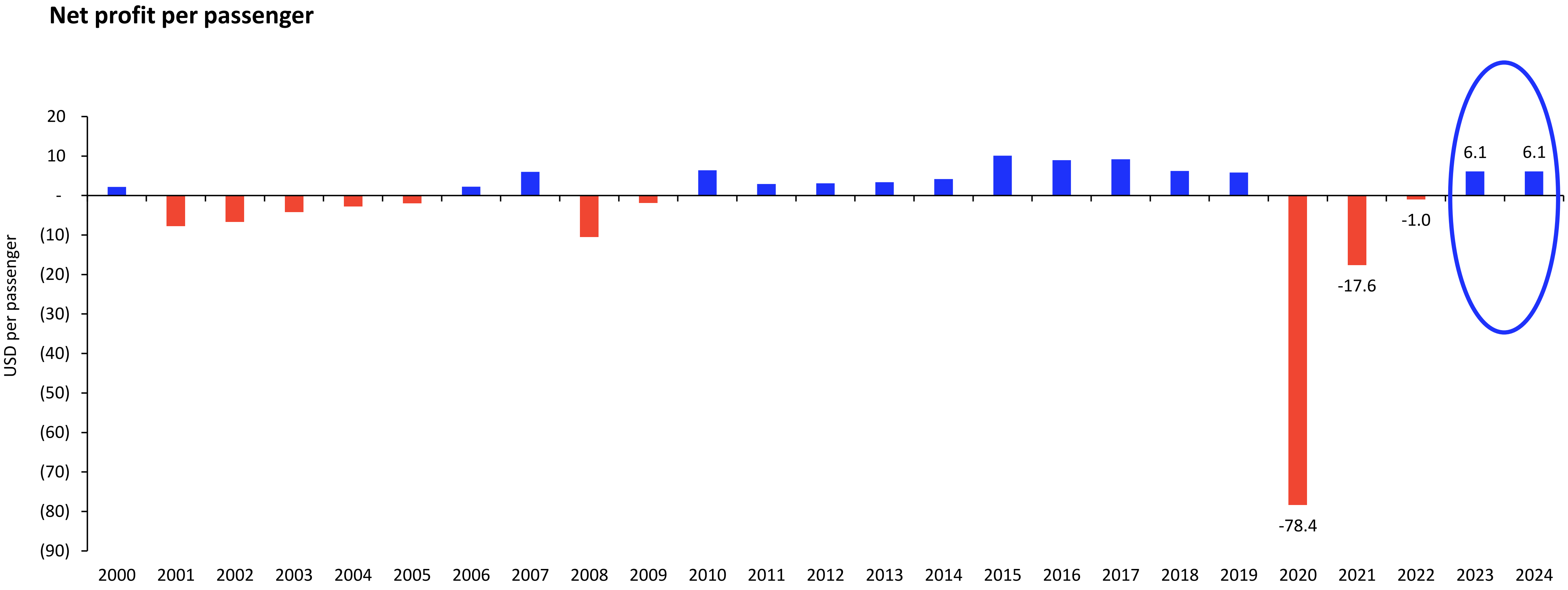


SAF cost of production and price estimates, USD per tonne



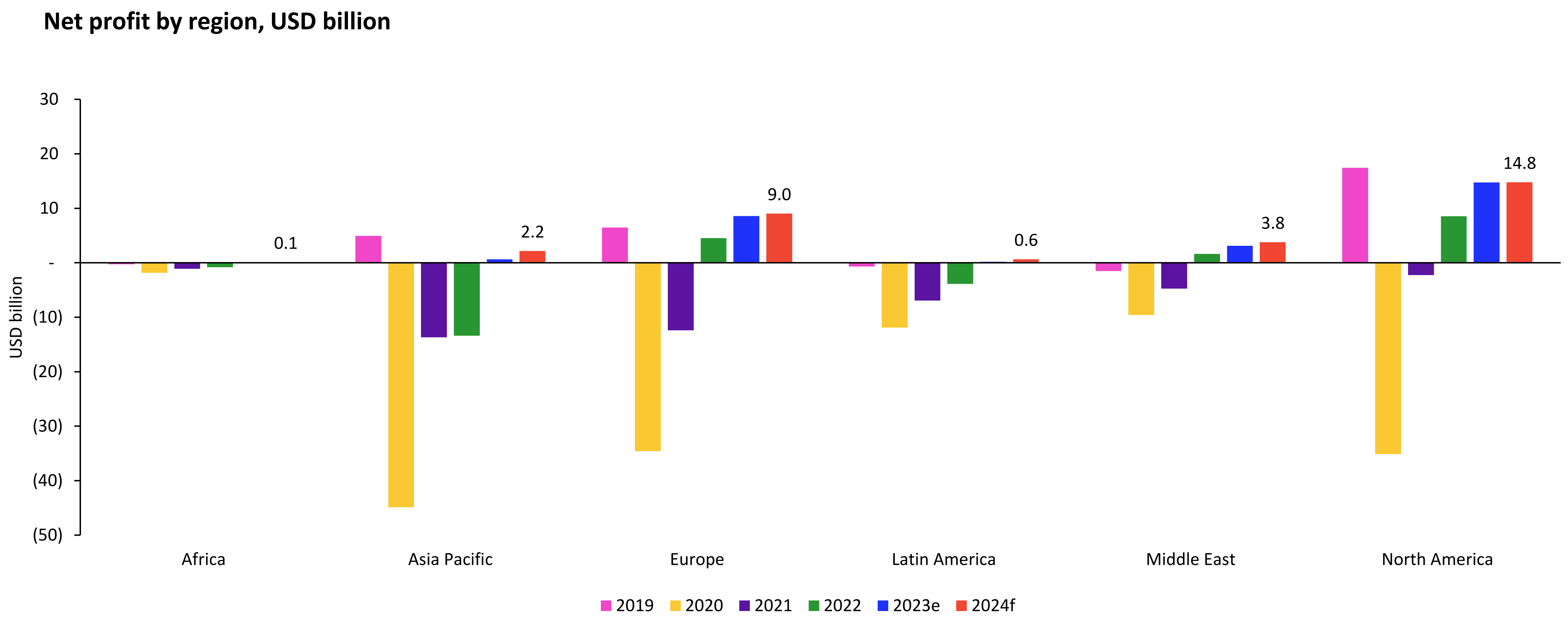
Source: Platts, S&P Global Commodities Insights

Per passenger profit at USD 6.1



Source: IATA Sustainability and Economics, The Airline Analyst

All regions show profits with N. America in the lead



Source: IATA Sustainability and Economics, The Airline Analyst

APANPIRG Conclusion 34/15 (13Dec23)

Adherence to ICAO Principles and Recommendations for Setting Air Navigation Charges

States are urged to:

1) Incorporate the four key charging principles from ICAO Docs 9082 and 9161 into national legislation, regulation or policies, and air services agreements; and

2) Provide direction to ANSPs, airport operators and other service provider entities to comply with the Doc 9082 and 9161 guidance and intent, particularly the provisions relating to consultation with airspace users.

Why: To encourage timely (i.e., prior to promulgation) and adequate consultation with AUs by ANSPs, airport operators and other service providers.

APANPIRG Conclusion 34/15 (13Dec23)

Adherence to ICAO Principles and Recommendations for Setting Air Navigation Charges

This continues to be ignored by many States! Only a handful of States follow ICAO guidance.

Common challenges:

- No prior engagement with Airspace Users to determine user needs
- Absence of a National Air Navigation Plan
- Little or no financial CapEx or OpEx financial figures provided so no accurate cost-recovery targets
- Unreliable traffic forecasts used to set unit rates
- Varying interpretations of what 'meaningful consultation' involves – often airlines receive a briefing on what has already been decided

APANPIRG Conclusion 34/15 (13Dec23)

Adherence to ICAO Principles and Recommendations for Setting Air Navigation Charges

Recent examples:

- Claim that consultation was conducted in 2013 for a 2021 increase and therefore no further engagement. Followed by another increase in 2024.
- Successive increases citing same investments as part of cost-base – no way to track what has been completed or not.
- Short-notice invitation to a charges briefing to be advised new figures already approved by the Regulator or Govt Department.
- Commitment in late 2023 to a full consultation process then discovery of publication in May 2024 of new increases effective Jan 2024 without any further engagement.
- Cancelled CAPEX project already collected for cost recovery

E•qui•lib•ri•um

An IATA Asia-Pacific strategy for balancing the needs of Airspace Users and Air Navigation Service Providers

Partnering for mutual benefit to strike the right balance between the needs of ANSPs and AUs, including:

- Safety – as the foremost priority!
- Regulation and legislation
- Future investment plans and operational strategies

…in order to:

- Enhance understanding of CAPEX and OPEX plans
- Prioritize investments to ensure safety and capacity
- Support strategic objectives to improve and support the international and domestic aviation sectors.

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Thank you!