

Media Release: Allianz Trade Study: Airlines are recovering – ascent is slowed by capacities

- **Taking off: Demand for air travel has increased significantly in 2023 compared to the previous year – despite inflation**
- **Winners: Airlines likely to return to profit sooner than expected, margins recovering**
- **Bottleneck: Capacity constraints are slowing the climb to new heights, flying is likely to remain expensive for the time being**

Munich, July 3, 2023 - Are you still going camping or are you flying again? Demand for air travel plummeted with the Corona pandemic and rising ticket prices. Now, despite inflation, it is rising significantly and gradually approaching pre-pandemic levels. Rising airfares and falling operating costs due to lower kerosene prices are helping airlines return to profitability, according to a recent study by Allianz Trade, the world's leading credit insurer.

"People want to travel again, and they want to fly again. This is good news for airlines: after three years of losses, the airline industry could return to profitability in 2023 – that's earlier than expected," says Milo Bogaerts, CEO of Allianz Trade in Germany, Austria and Switzerland. "However, the lack of capacity remains the bottleneck. This is likely to slow down the airlines' ascent to new heights for the time being. For consumers, it also means that flying is likely to remain expensive."

Capacities remain tight – aircraft deliveries still delayed

A shortage of components caused aircraft deliveries to slump by half in 2020. While they have gradually recovered since then, aircraft manufacturers continue to struggle to keep up with demand.

In 2022, aircraft deliveries increased by +19.1% year-on-year and global available seat kilometers by +39.6% year-on-year. For 2023, deliveries are expected to increase by +19.8%, but the current six-month delay does not seem to match the optimistic plans of the aircraft manufacturers. This supply shortage could lead to airfares remaining high.

Demand is rising – especially in Asia. But Europeans are also taking off again

However, passenger demand is again on the rise despite the high prices. In the first quarter of 2023, global revenue passenger kilometers (RPK) increased by +58.3% year-on-year and

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reached 85.9% of the pre-pandemic level. The increase was particularly strong in Asia in the wake of the reopening of China (+125.5% year-on-year).

"Europeans are also increasingly taking off more," says Maria Latorre, industry expert at Allianz Trade. "After a 44.3% increase in the first quarter, levels are only about 12% lower than before the 2019 pandemic. In addition, the vacation season is upon us and consumers are getting back on the plane after the pandemic and energy crisis."

I'm taking off again... on summer vacation

Global airline ticket sales this summer (May-September 2023) increased +35.2% year-over-year, reaching 92% of pre-pandemic (2019) levels, with sales in North America already at 99%. Approximately 4.3 billion travelers are expected for all of 2023 (up from 4.5 billion in 2019).

Airlines: Margins increase due to expensive airline tickets and falling kerosene prices

Airline margins are benefiting from rising fares and falling operating costs. Although jet fuel prices, which account for 30% of revenue, remain above pre-pandemic levels, they have fallen - 36% this year to \$91.3/barrel. This is about half of the June 2022 energy crisis high of \$184.8/barrel.

At the same time, airfares have risen, especially for international routes such as those between the USA and Europe (+23% average for the year). Airlines are expected to return to profit. According to the International Air Transport Association (IATA), total revenues are expected to increase by 9.7% year-on-year to USD 803 billion (compared to USD 838 billion in 2019), and net profits could rise to USD 9.8 billion this year (compared to USD 26.4 billion in 2019). North American airlines are expected to perform the best in this regard.

The full study can be found [here](#).

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** As of Dec 31, 2022

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