

PRESS RELEASE

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Asia Pacific Airlines Cautiously Optimistic as Regional Traffic Takes Off *Industry encouraged by the reopening of borders despite a slowing global economy*

Bangkok, Thailand – Asia Pacific airline leaders gathering at the Association of Asia Pacific Airlines (AAPA) 66th Assembly of Presidents in Bangkok, Thailand, this week welcomed the resumption of international air travel, which has surged as the region's governments gradually removed border restrictions imposed since 2020. As cross-border travel was progressively restored, regional carriers have raced to put on flights to meet runaway demand, stimulated by the pent-up desire to travel and savings accumulated in the two years of isolation. During the first nine months of 2022, Asia Pacific airlines recorded a robust increase in the number of international passengers carried by more than five-fold to 62 million compared to the same period in 2021. Consequently, with capacity expanding by 125% over the same period, the international passenger load factor jumped by 40 percentage points to average 70%.

By contrast air cargo markets, often an indicator of the state of the global economy, saw demand as measured in international freight tonne kilometers (FTK) fall by 4.4% during the first nine months of 2022 as export orders waned and supply chain problems mounted. The macro-economic outlook has weakened, with rising inflation rates in many countries, stubbornly high energy prices and a strengthening US Dollar.

Nevertheless, prospects for the region's airlines remain promising as long as pent-up demand continues to hold up and cargo yields remain healthy despite the easing of demand.

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Reflecting the sentiment at the Assembly, Subhas Menon, Director General AAPA, observed that, “The region’s recovery still lags behind the rest of the world and is expected to reach only 75% of 2019 levels by year-end. Except for mainland China, the gradual re-opening of borders in many economies in Asia and strong recovery in air services only serve to underscore the magnitude of pent-up travel demand.”

Apart from consolidating the lessons learned from managing the pandemic, the industry is also bracing to navigate the multiple headwinds that appear ahead as a result of a moderation in the outlook for the global economy. Overall, airline margins remain under pressure.

Noting that the pandemic brought regional air transport to a complete standstill for two years, Mr. Menon added: “As air travel gradually recovers, the airline industry is taking extra care to maintain its outstanding safety record. Airlines continue to actively invest in recruitment and training to address additional manpower needs as air travel demand is expected see healthy growth in the coming year.”

At the same time, airlines remain firmly committed to their sustainability goals. AAPA welcomes the commitments and resolutions passed by member states at the ICAO Assembly in October, particularly in relation to the adoption of a long term aspirational goal of net zero carbon emissions by 2050 and the commitment to the Carbon Offsetting and Reduction Scheme in Aviation (CORSIA) as the only market-based offsetting scheme for international aviation. Underlining the significance of the resolutions, Mr. Menon said that, “Government support in the form of policy, investment and subsidies, particularly for sustainable aviation fuels and CORSIA, will be key to the industry achieving its goal of net zero emissions by 2050. All stakeholders, including fuel suppliers, whose investment and commitment to support the energy transition, will need to work closely together in order to achieve this ambitious goal”.

In conclusion, Mr. Menon said, “The general outlook for air travel in Asia Pacific in 2023 remains positive. However, there are some significant downside risks. The business environment for airlines is challenging and ongoing geo-political tensions could undermine recovery. Despite the softening of the global economic outlook, Asia Pacific airlines are well-placed to see traffic volumes recover closer to pre-pandemic levels if demand

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continues to stay strong.”

AAPA performs a critical role in addressing the key policy issues that affect all carriers in the Asia Pacific region, including safety, security, infrastructure, environment, passenger facilitation, and taxation. The Association is dedicated to ensuring a strong, efficient and sustainable Asia Pacific air transport industry for the longer term, contributing to the social and economic development of the region.

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Association of Asia Pacific Airlines (AAPA)

The AAPA is the trade association for scheduled international airlines based in the Asia Pacific region. The AAPA permanent secretariat is headquartered in Kuala Lumpur, Malaysia with international representation in Brussels and Washington, D.C. Collectively, the region's airlines represent over one-third of global passenger and air cargo traffic, and thus play a leading role in the ongoing development of global aviation.

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