

State of the Airline Industry

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Director General
Association of Asia Pacific Airlines



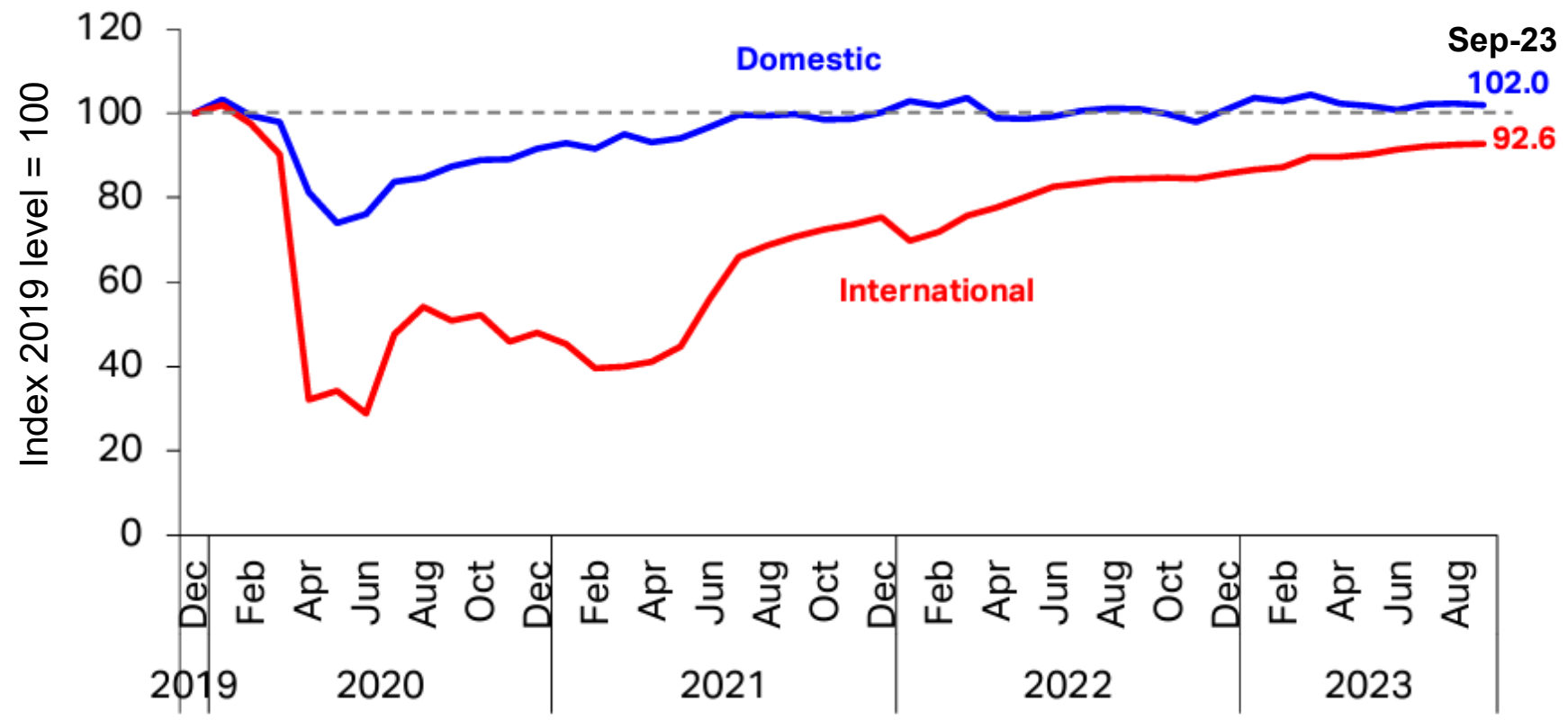
Routes Asia 2024

27 – 29 February 2024
Langkawi, Malaysia

Post-pandemic connectivity recovery nearly complete



Global Airport Pairs



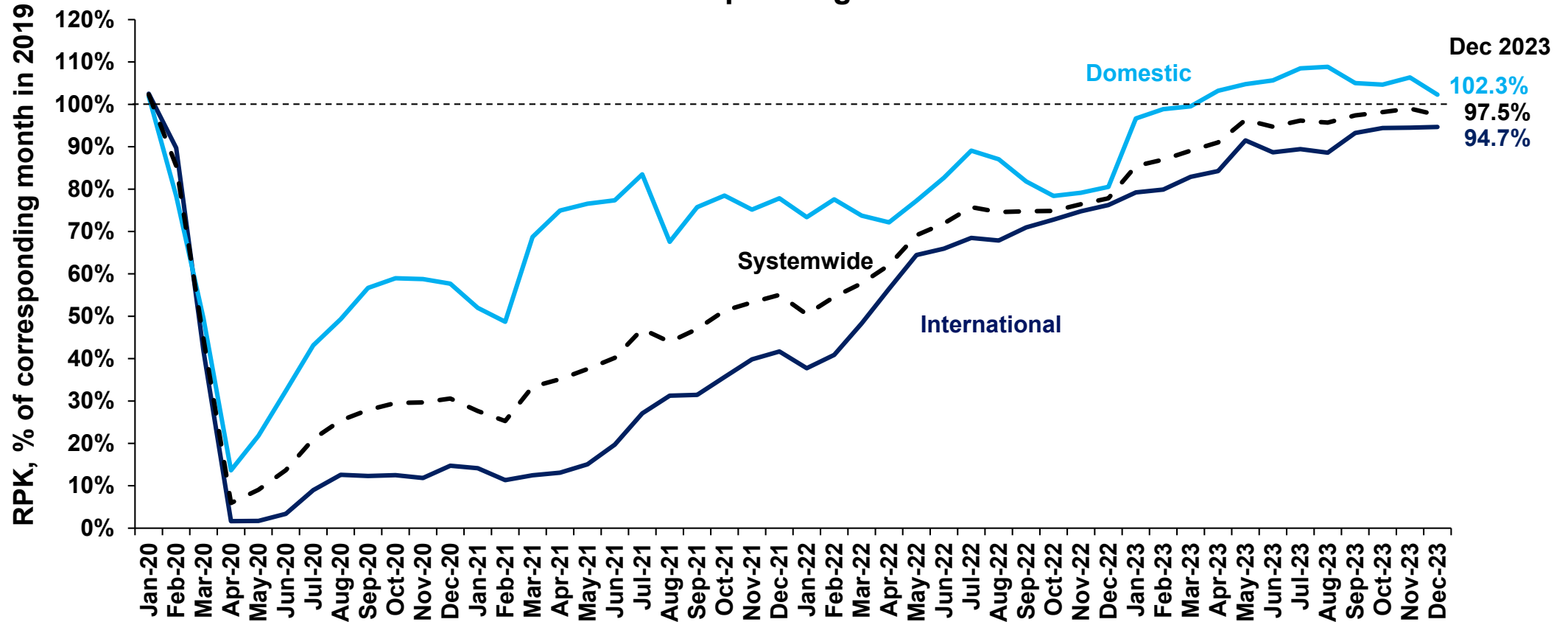
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Industry traffic close to pre-pandemic levels



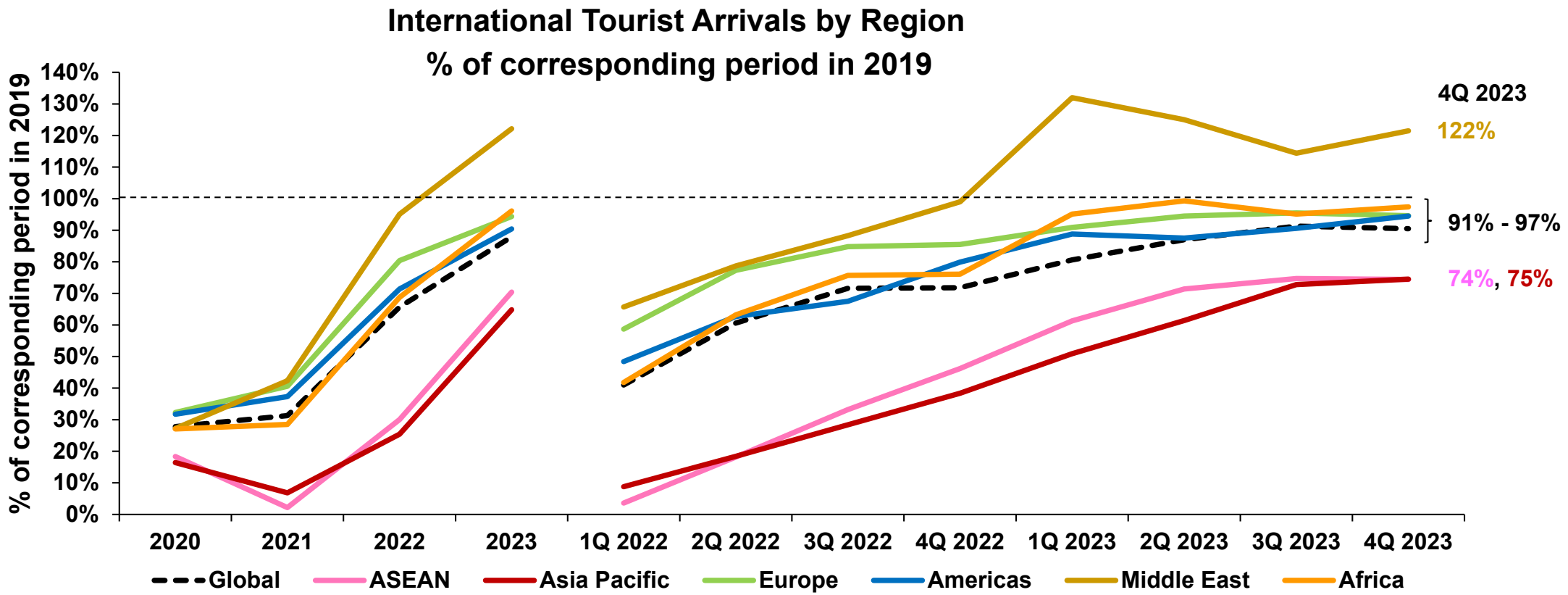
Global air passenger demand



- In 2023, domestic passenger demand increased by 30.4%, averaging 3.9% above 2019 levels
- International passenger markets recorded a 41.6% annual growth, bringing traffic to 88.6% of pre-pandemic levels

Source: © International Air Transport Association, 2019. All Rights Reserved.

Strong recovery in international tourist arrivals



Global international tourist arrivals increased by 33.9% in 2023 to 1286 million, averaging 88% of pre-pandemic levels

Asia Pacific catching up with the rest of the world

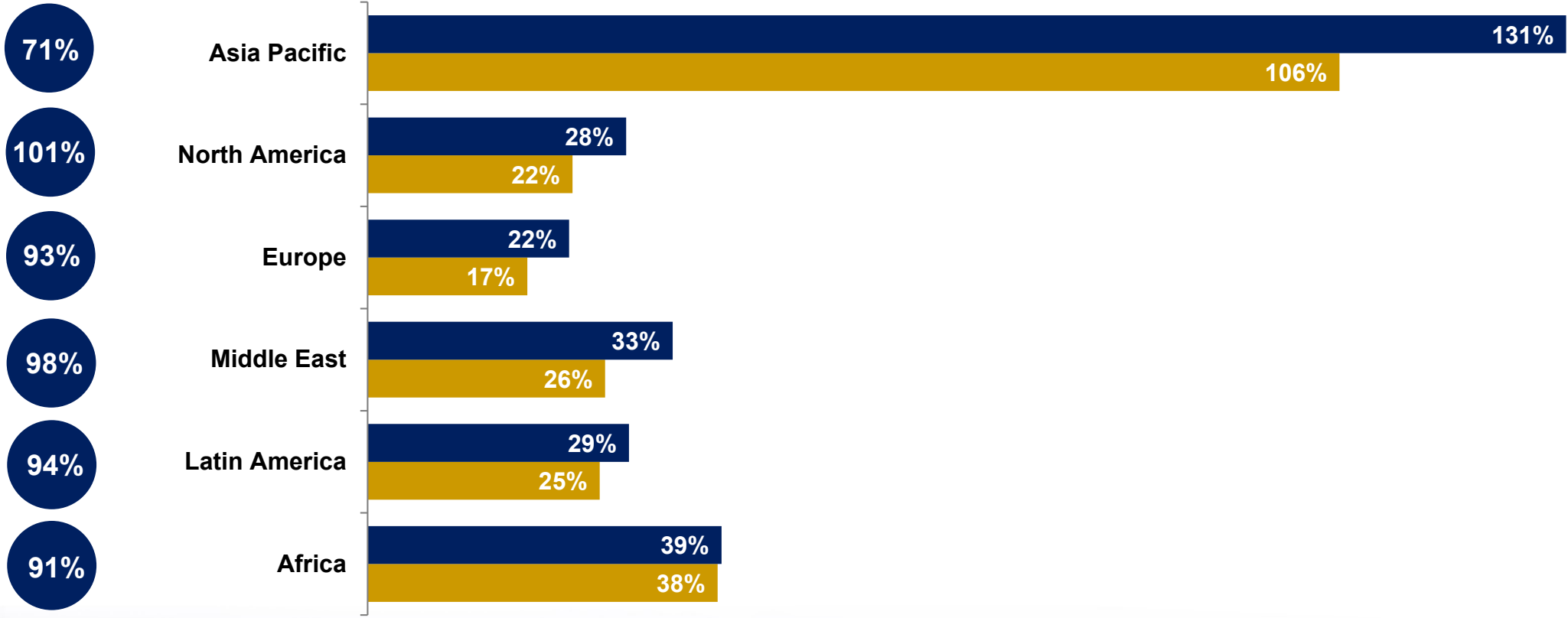


International Operations

% Recovery in Demand vs Pre-Pandemic levels

2023 Annual % Change

■ RPK ■ ASK



% Recovery in demand refers to 2023 vs 2019.

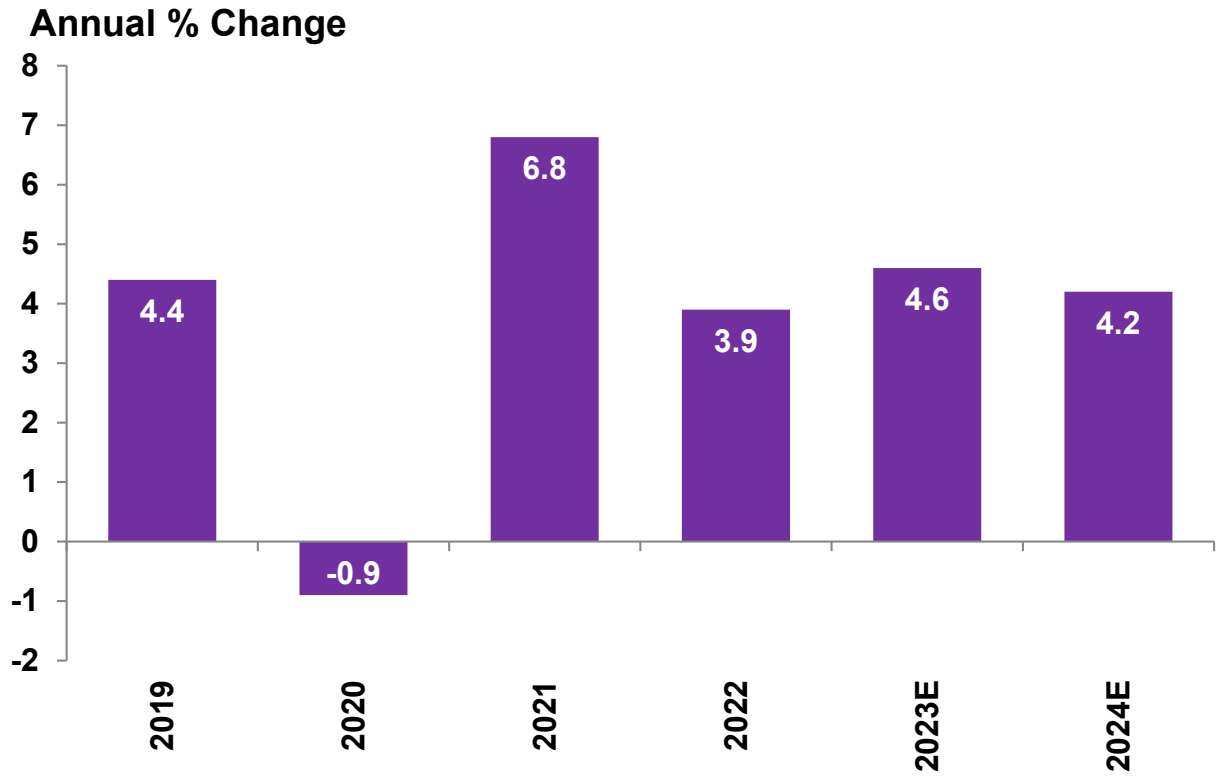
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Asia Pacific economies resilient despite global slowdown



Asia Pacific GDP Growth



- The post-pandemic shift in spending from goods to services, in particular travel & tourism, contributed to a stronger GDP growth of an estimated 4.6% in 2023
- Asia Pacific economies' GDP growth is expected to remain relatively resilient, at 4.2% this year
- By comparison, global economic growth is expected to be a softer 3.1% in 2024

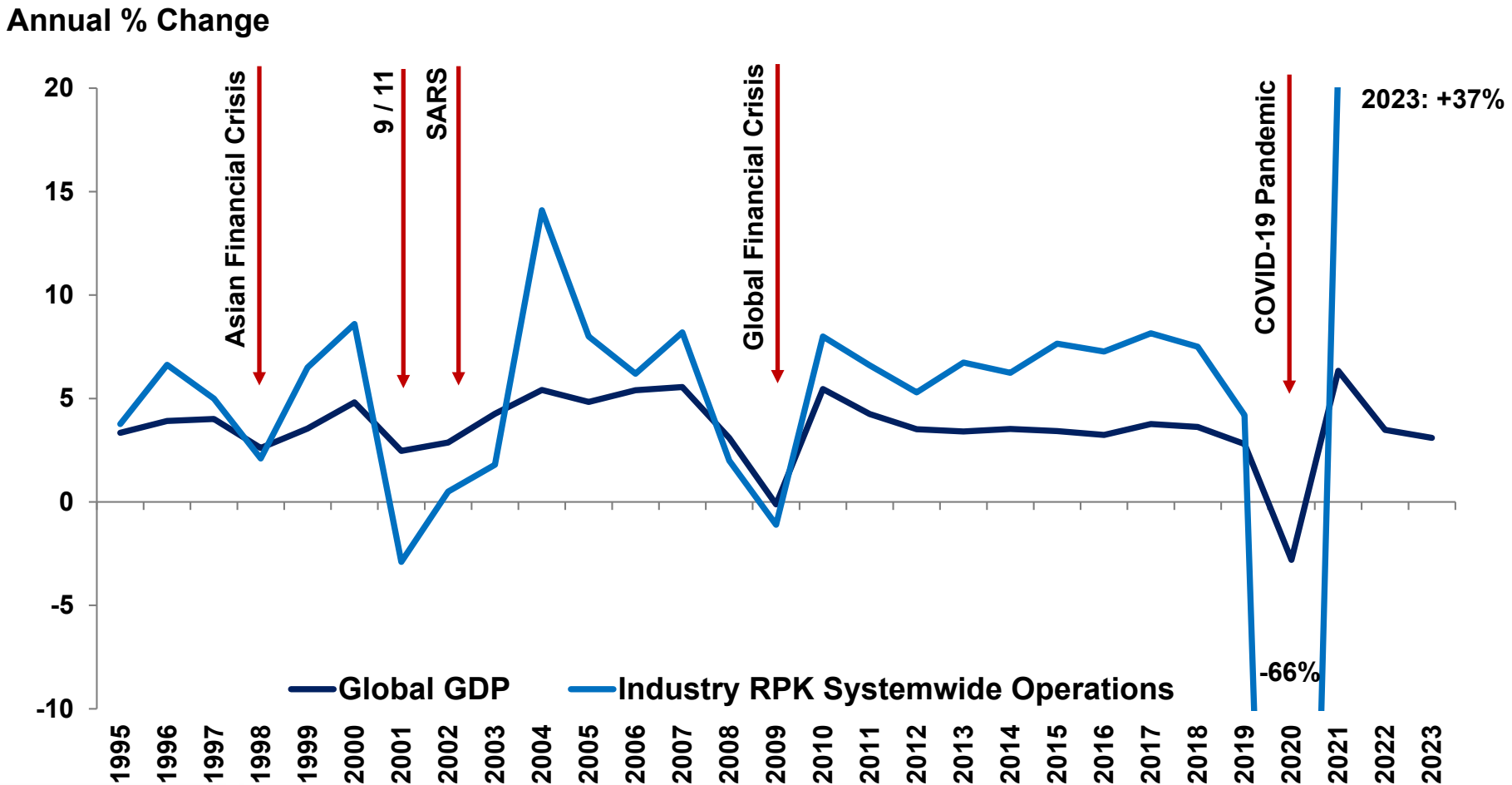


7 out of the top 10 busiest international routes are in the Asia Pacific

2023 Top 10 Busiest Global International Flight Routes

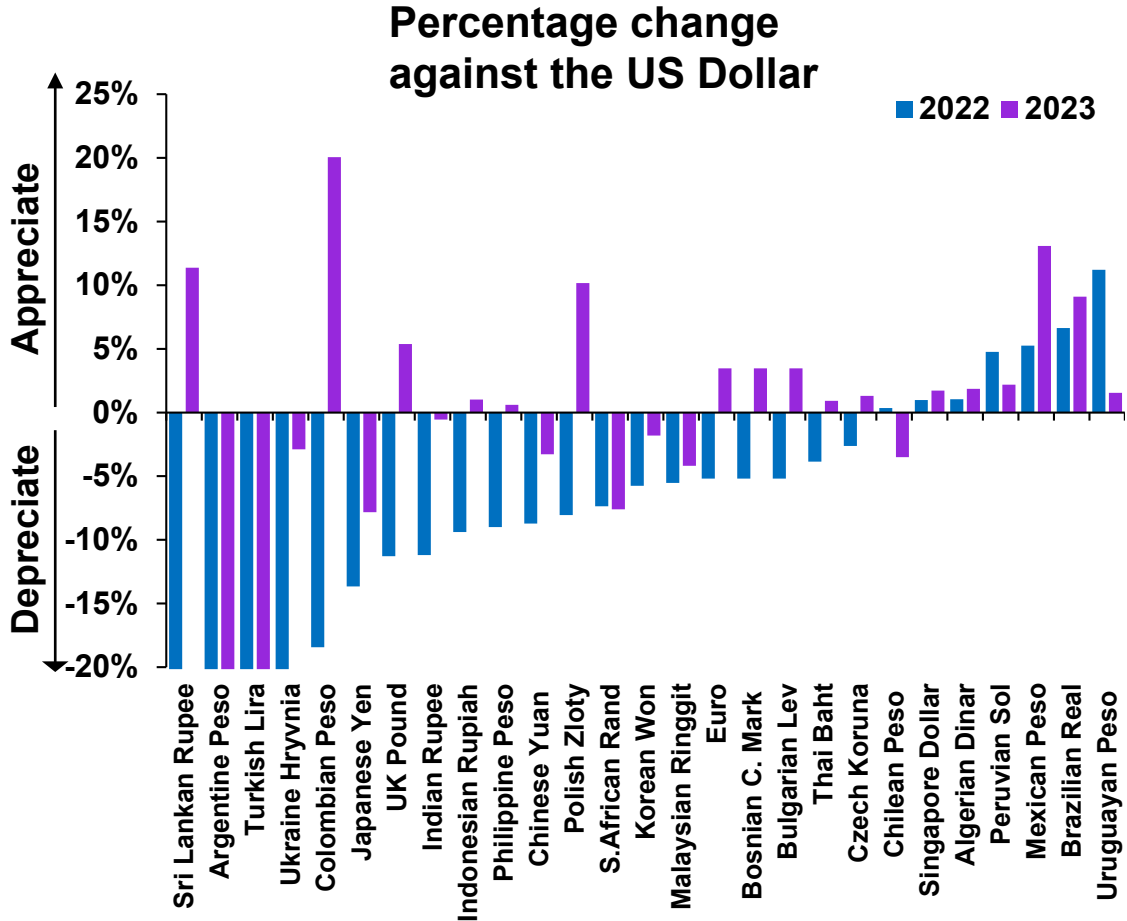
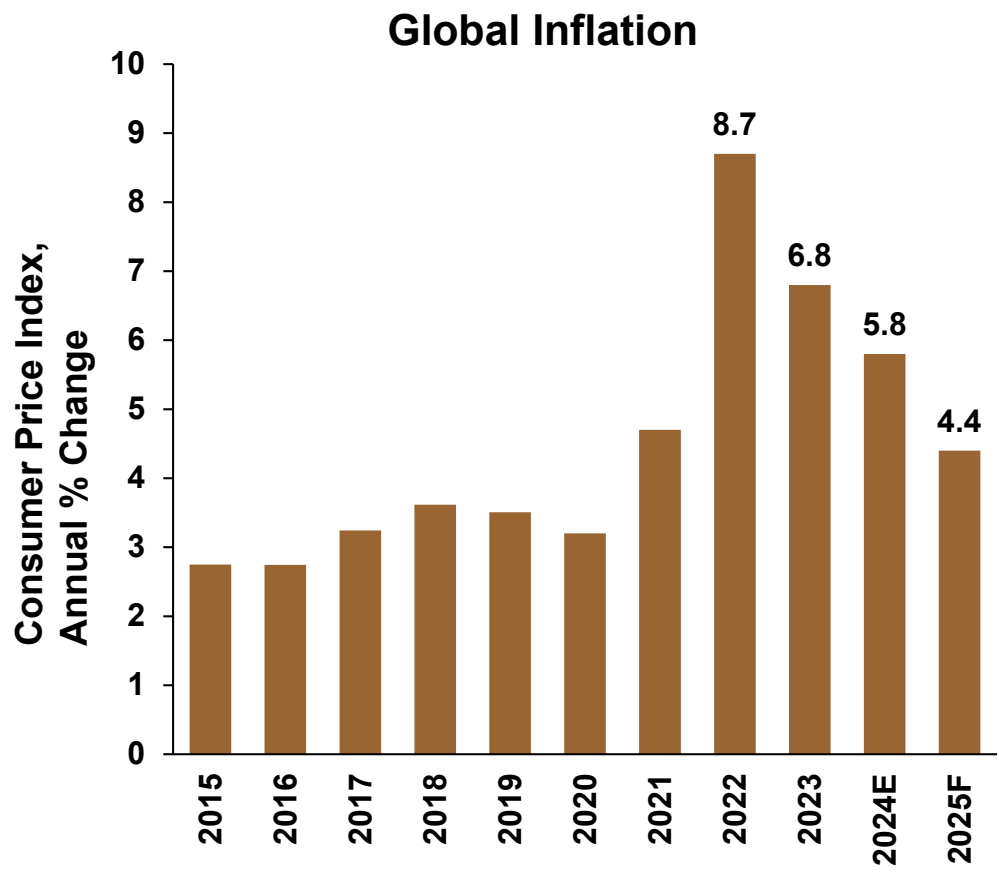
Ranking	Route	Seats
1	Kuala Lumpur – Singapore Changi	4,891,952
2	Cairo – Jeddah	4,795,712
3	Hong Kong – Taipei	4,568,820
4	Seoul Incheon – Osaka Kansai	4,218,484
5	Seoul Incheon – Tokyo Narita	4,155,418
6	Dubai – Riyadh	3,990,076
7	Jakarta – Singapore Changi	3,910,502
8	New York JFK – London Heathrow	3,878,590
9	Bangkok – Singapore Changi	3,478,474
10	Bangkok – Seoul Incheon	3,362,968

Post-crisis travel demand outperforms global economic growth



Source: ICAO, © International Air Transport Association, 2019. World Air Transport Statistics. All Rights Reserved.

Inflation & currency weakness encourage domestic spending



Note: While right hand chart vertical axis shows up to -20%, the depreciation rate of the Argentine Peso, Sri Lankan Rupee, Turkish Lira & Ukraine Hryvnia exceeds 20%.

Source: IMF, AAPA

Each of the top 10 busiest routes in the world are domestic routes

2023 Top 10 Busiest Global Flight Routes

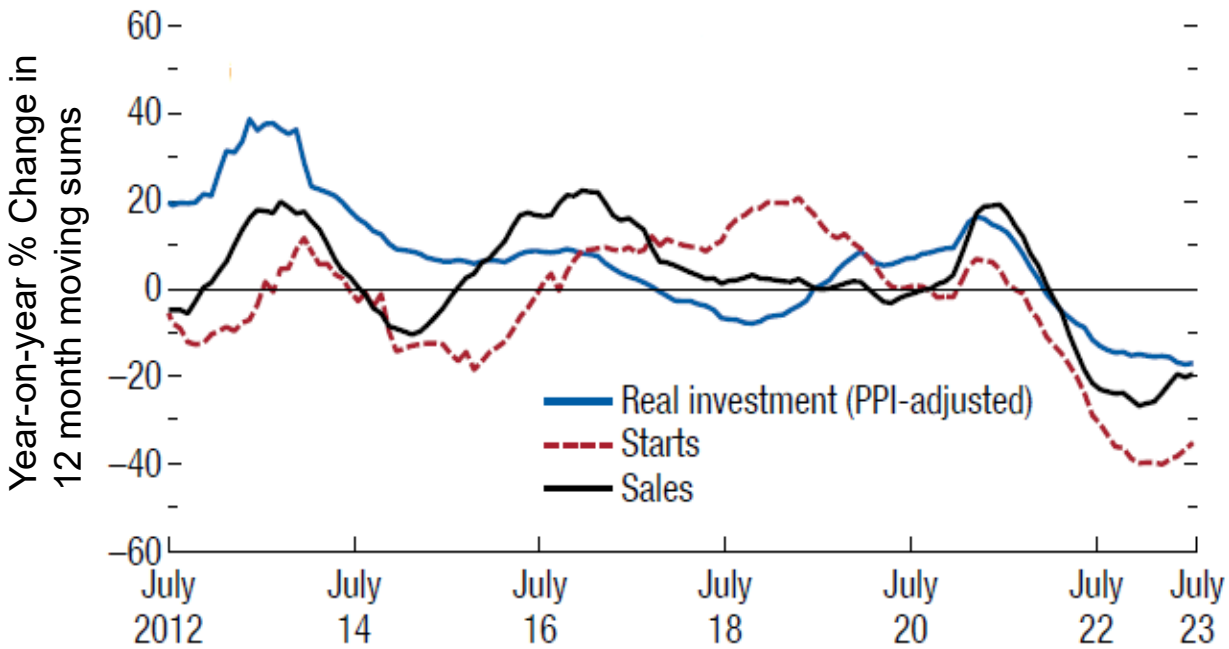
Ranking	Route	Seats
1	Jeju International – Seoul Gimpo	13,728,786
2	Sapporo New Chitose - Tokyo Haneda	11,936,302
3	Fukuoka - Tokyo Haneda	11,264,229
4	Hanoi - Ho Chi Minh City	10,883,555
5	Melbourne - Sydney	9,342,312
6	Beijing - Shanghai Hongqiao	8,355,225
7	Tokyo Haneda - Okinawa Naha	7,982,218
8	Jeddah - Riyadh	7,902,142
9	Mumbai - Delhi	7,276,430
10	Jakarta - Denpasar-Bali	7,190,9618

9 out of 10 of the world's busiest routes are in the Asia Pacific

China's economy losing momentum

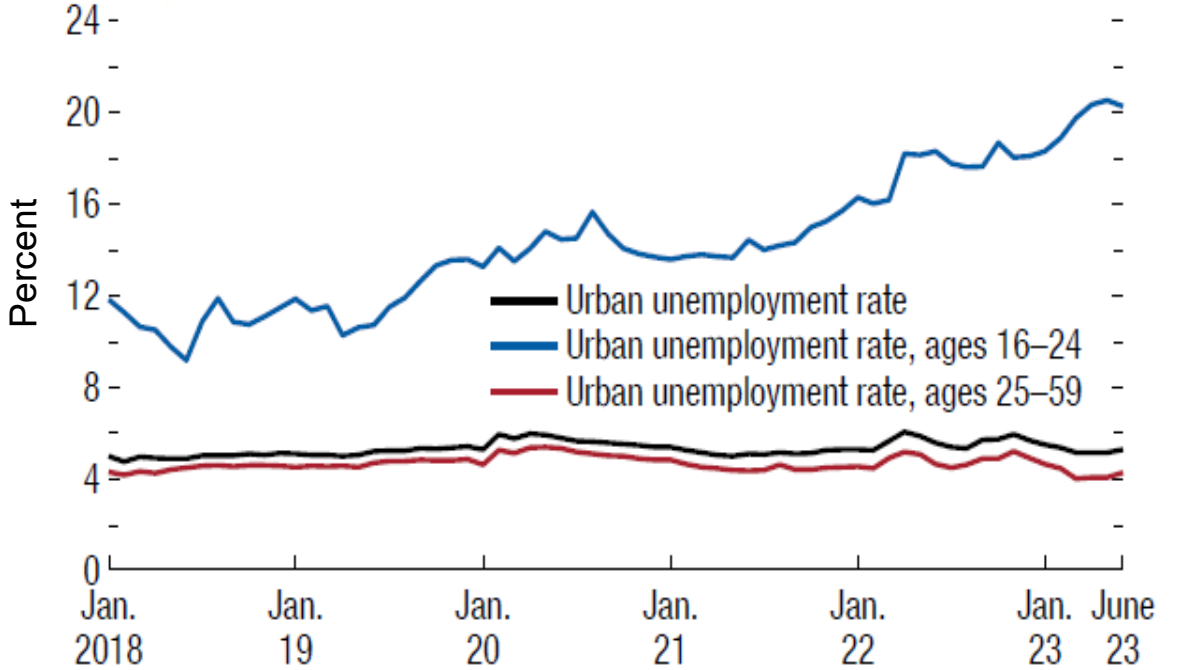


**Investment in Real Estate
Housing, Starts & Sales**



Deepening real estate downturn

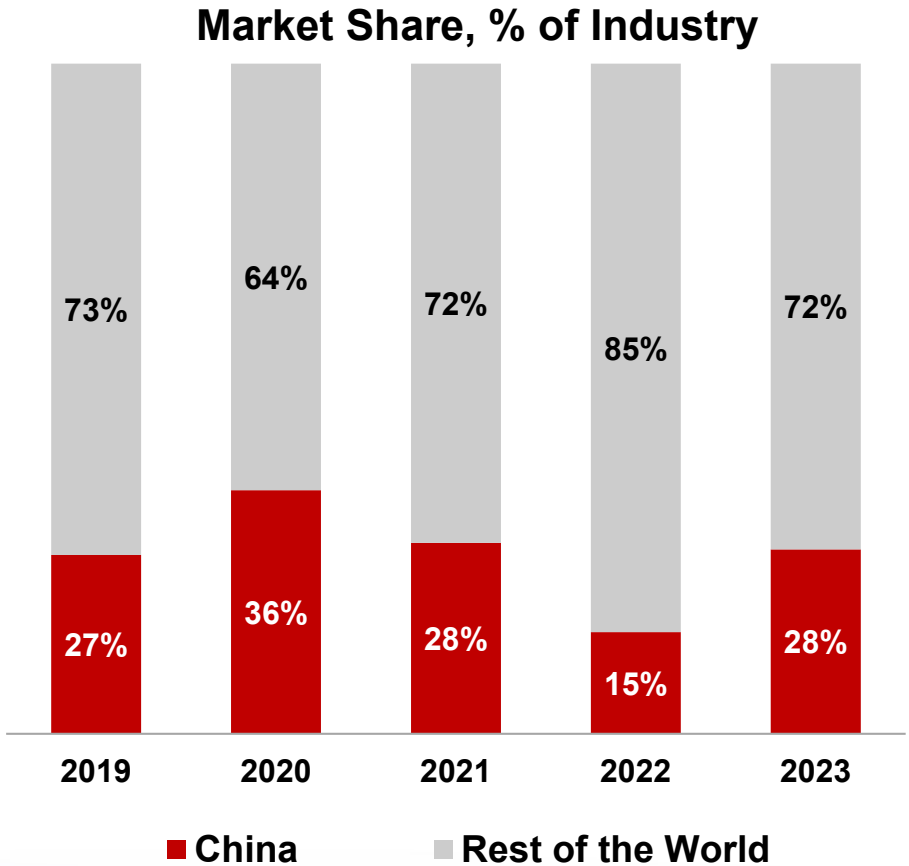
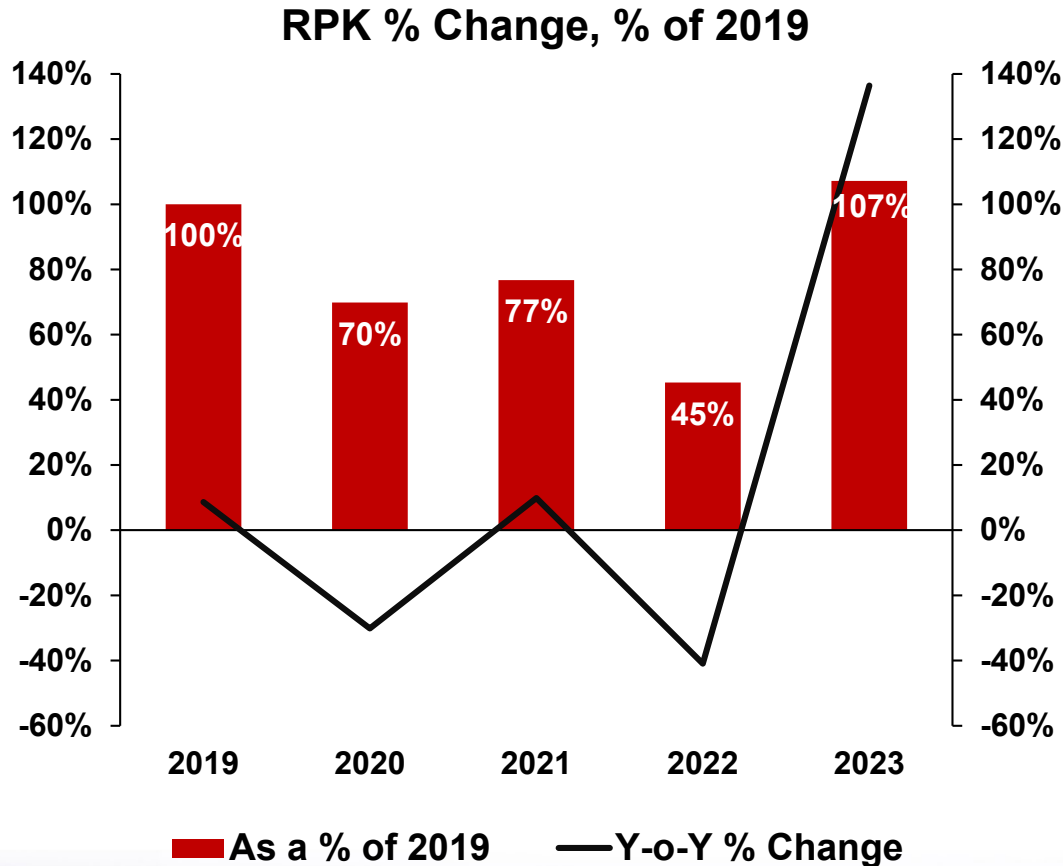
Unemployment Rate



Youth unemployment trending up

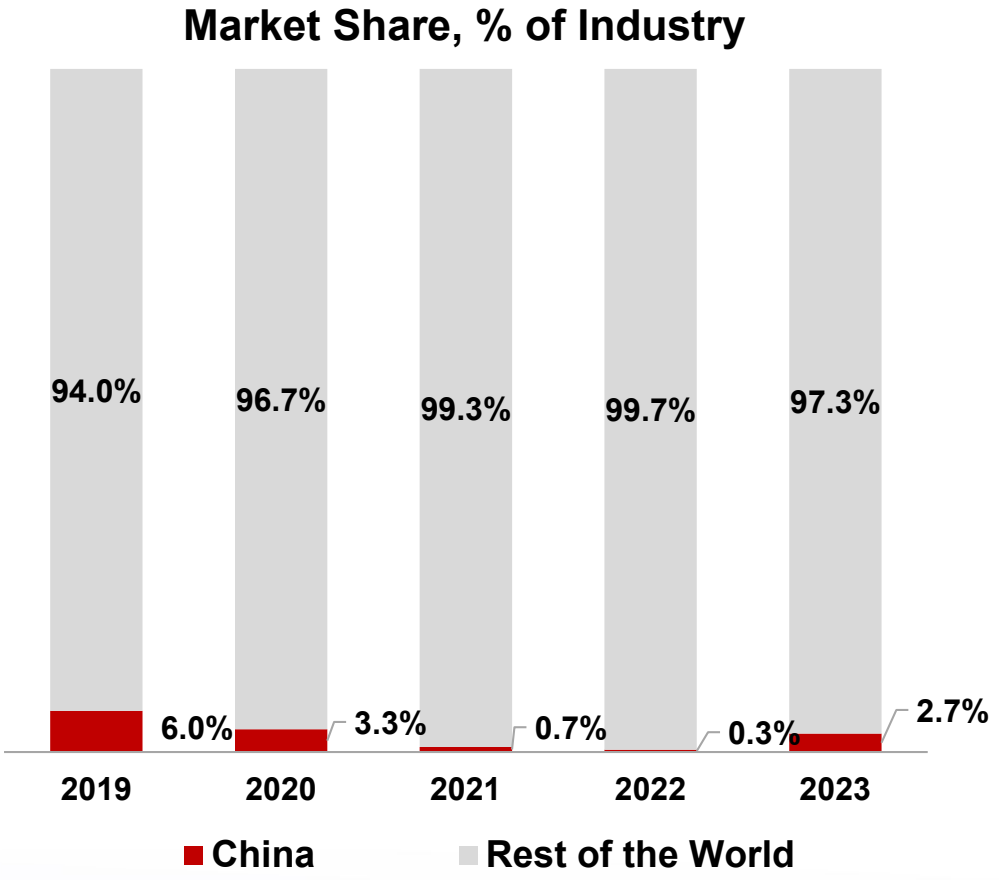
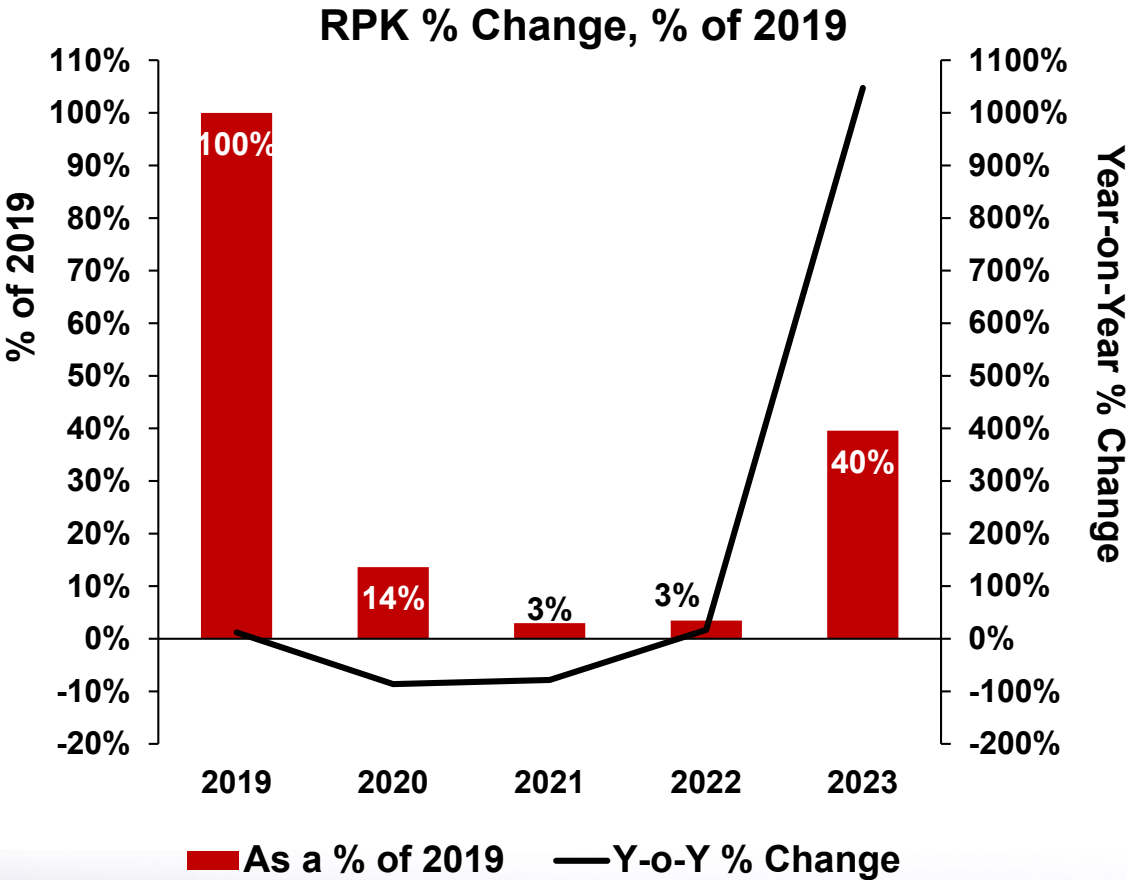
Strong recovery in China's domestic markets since reopening

China, Domestic Operations



By contrast, slow rebound in international travel demand

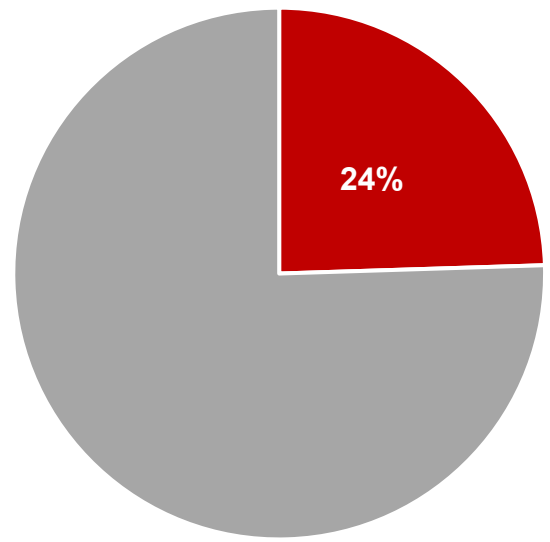
China, International Operations



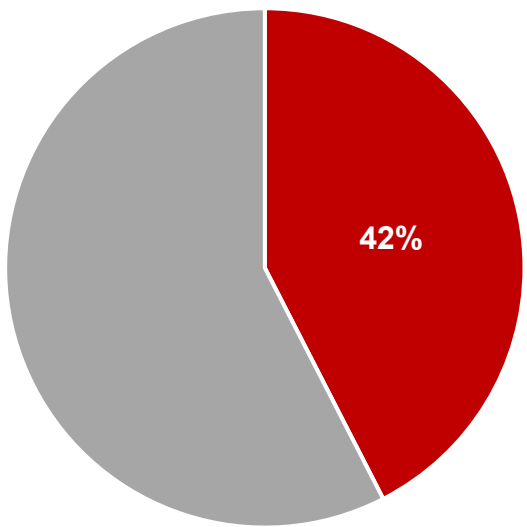
Asia Pacific Passenger Traffic Market Share: 2023

Passenger Demand, RPK

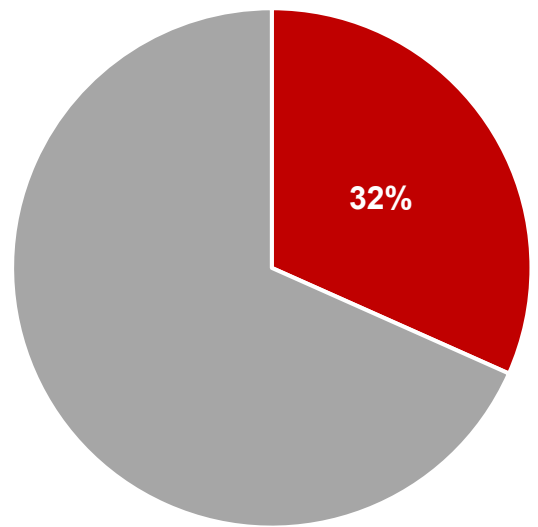
International



Domestic



Systemwide



2019 market share

30%

43%

35%

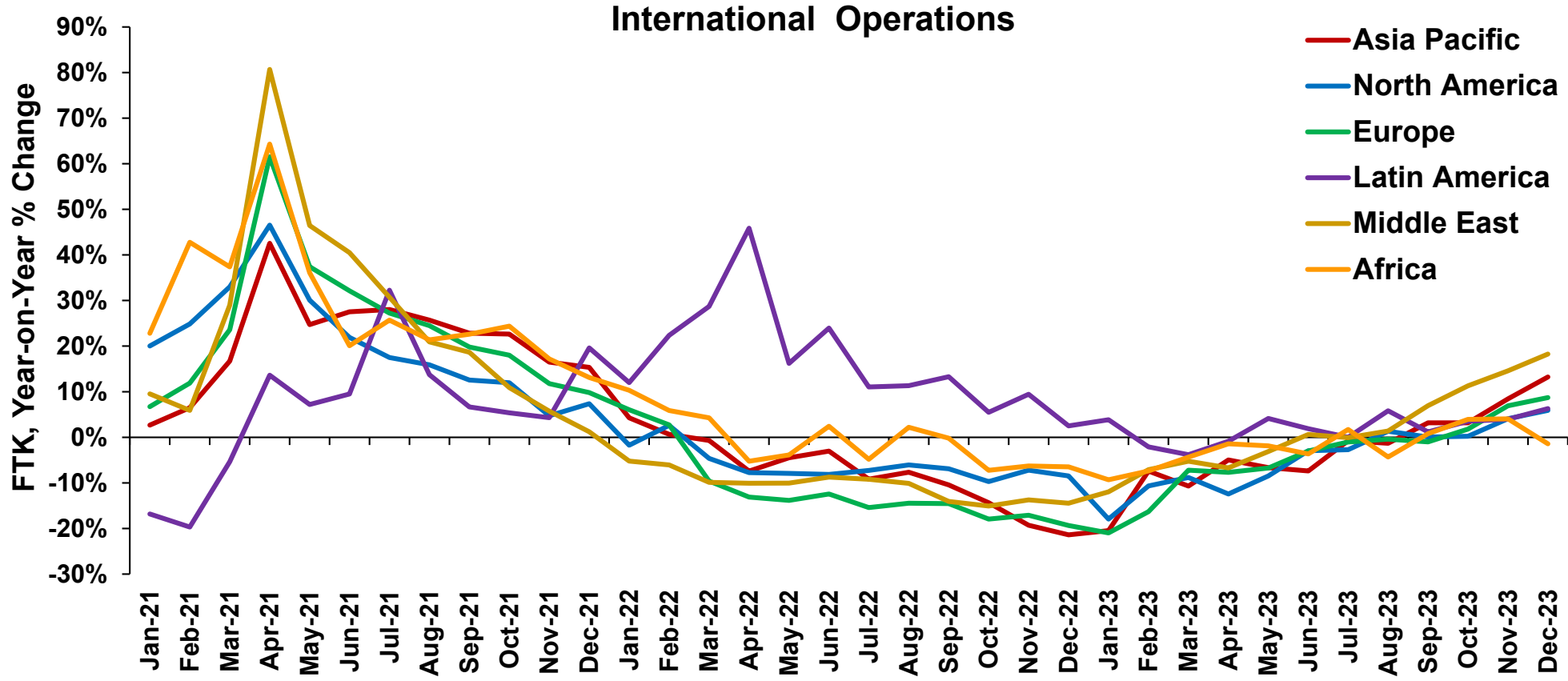
■ Asia Pacific

■ Rest-of-World

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Cargo traffic & profitability on the mend

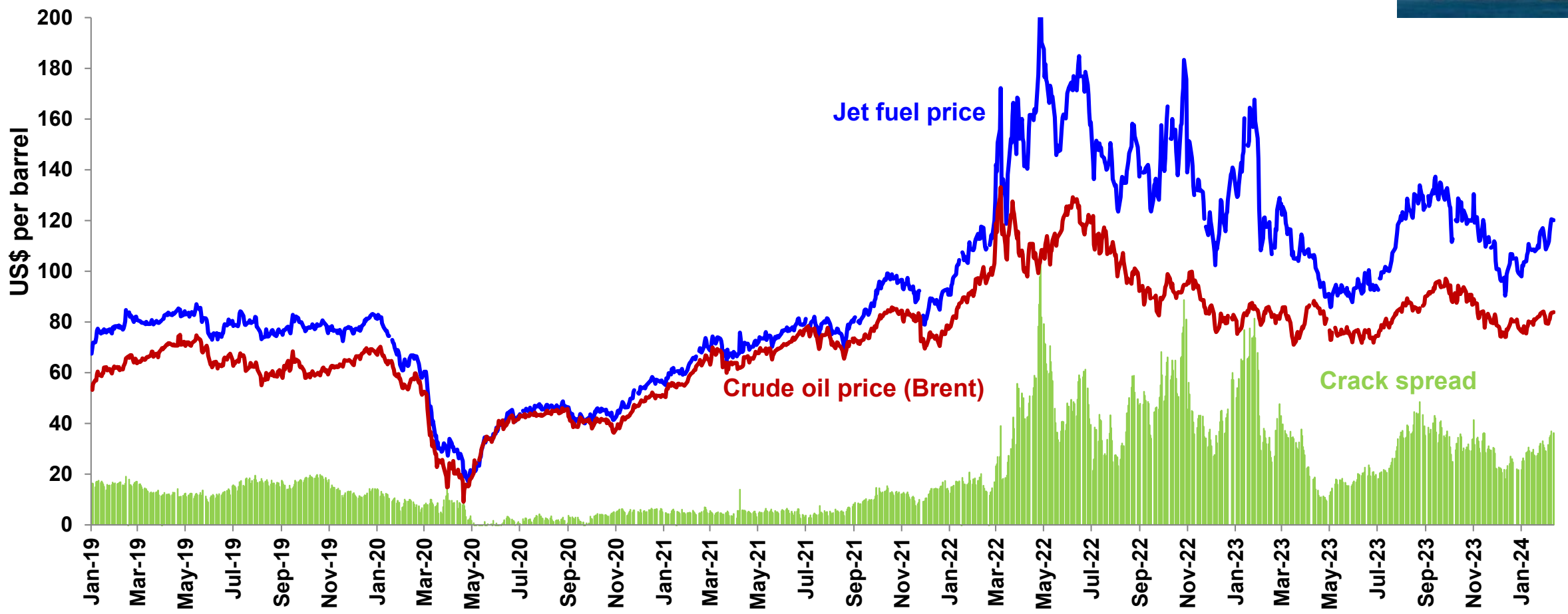


- *Global international air cargo demand increased by a strong 11.5% year-on-year in December*
- *For the full year 2023, demand declined by 2.2%*

Source: AAPA, © International Air Transport Association, 2019. All Rights Reserved.



Fuel prices & crack spread still high



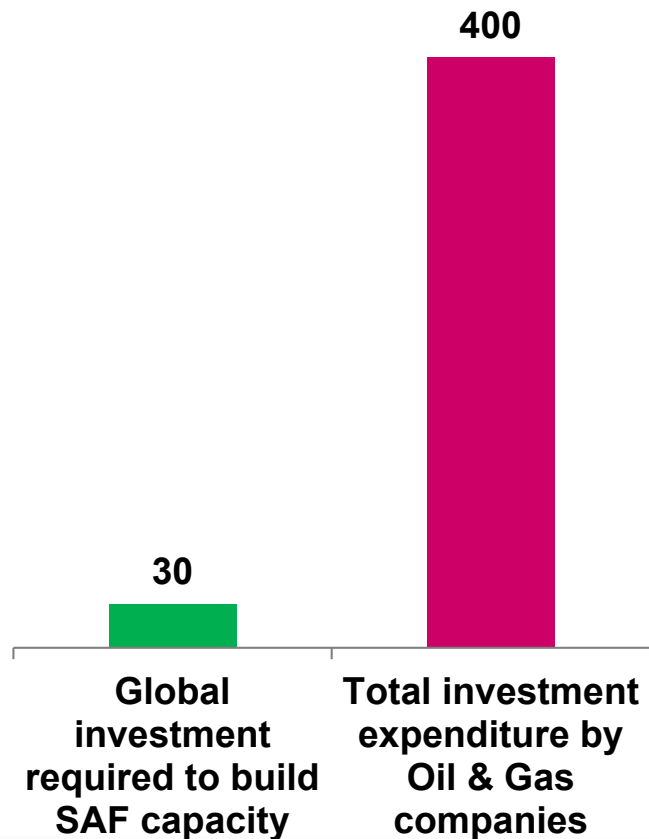
In 2023, jet fuel prices averaged US\$113 per barrel, compared to US\$79 per barrel in 2019

Source: AAPA, US Energy Information Administration (EIA)



The airline industry is committed to sustainability goals

Annual Investment, US\$ Billion



- In 2023, SAF volumes reached 600 million litres, just 0.2% of industry global jet fuel usage. Every drop of SAF produced is purchased by the airline industry
- Investments in SAF infrastructure is critical for future supply
- Global investment required to build sufficient SAF capacity represents just under 7.5% of annual investment expenditure of US\$400bn by the largest 100 oil & gas companies

Data based on aspirational & aggressive technology perspective of SAF deployment
Source: ATAG

Burning questions, key risks facing the air transport industry



Will the industry's SAF needs be met?



Will trade tensions heat up amid heightened geopolitical risks?

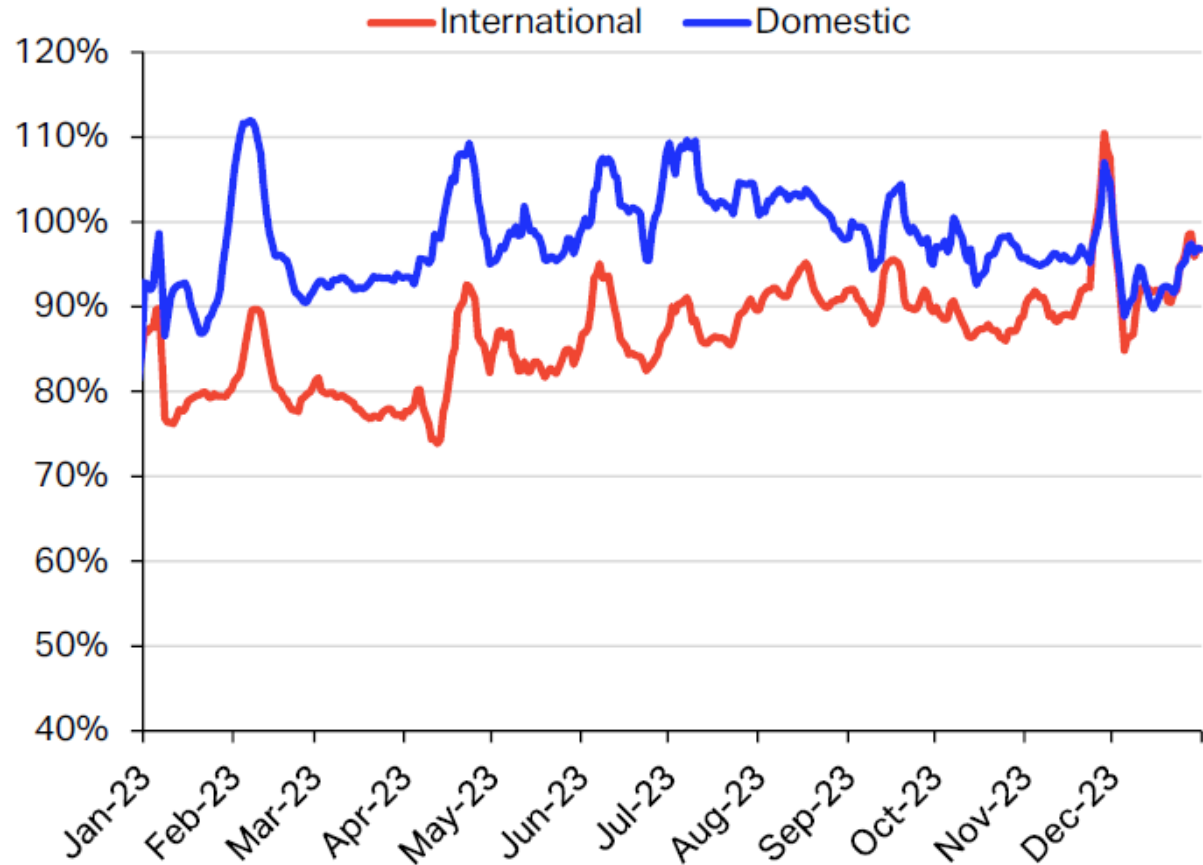


Can the world navigate policy uncertainties amid upcoming major elections?

Forward bookings indicate resilient demand



Ticket sales by purchase date, 7-day moving average, % share of same period in 2019



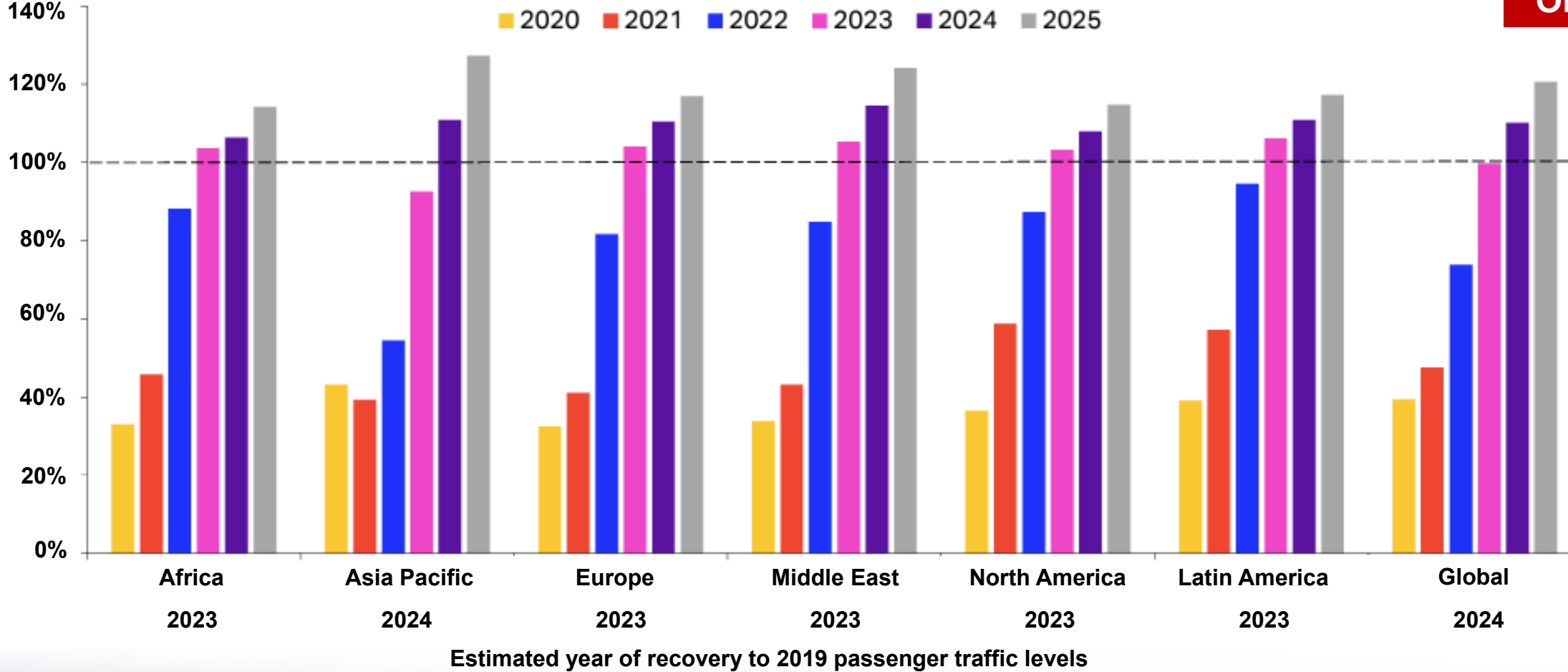
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Full industry recovery by 2024



OPTION 2

Passenger Traffic Recovery, Share of 2019 levels



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