

ICAO: Robust Traffic Growth Expected Until 2014

Source: ICAO

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ICAO expects global air traffic, expressed in passenger-kilometres performed (PKPs), to grow by 5.4 per cent during 2012, representing a slight slowdown from 2011.

The lower-than-projected air transport numbers are due primarily to continuing high oil prices and reflect a similar impact on global Gross Domestic Product (GDP) during the same period. According to IHS/Global Insight, a major economic forecasting organization, world GDP at Purchasing Power Parity (PPP)* in real terms will grow by just 3.4 per cent during 2012, down from 3.7 per cent in 2011.

In terms of regional impacts, the European Union (EU) is expected to be hardest hit during 2012 as it continues to deal with sovereign debt and austerity burdens. The Asia/Pacific, meanwhile, is expected to perform strongly in 2012 with regional GDP at PPP growing over 5.8 per cent and air traffic growth climbing by 8 per cent.

Looking further forward, current expectations see a 4.3 per cent annual GDP at PPP growth rate for the world economy over 2013-2014, with world air traffic growth projected to expand by 6.0 and 6.4 per cent, respectively.

2011 revisited

World total scheduled passenger traffic expressed in terms of passenger-kilometres performed (PKPs) on total scheduled services (i.e. international and domestic services combined) increased by 6.5 per cent in 2011 compared to 2010. These figures are based on annual reporting data from its 191 Member States, supported by ICAO estimates.

The 6.5 per cent achievement represents the second consecutive period of growth for the air transport industry since 2009, corresponding to an increase of 5.6 per cent over 2010 in the number of passengers carried. World international and domestic commercial operators carried 2.7 billion passengers in 2011, while the number of aircraft departures reached the never-before-seen 30 million mark-representing a 3.6 per cent increase year-on-year. World airlines generated an estimated combined operating profit of \$14.1 billion in 2011, representing only 2.2 per cent of operating revenues. This performance, however, marked a significant decrease from the record US \$28.9 billion operating profit generated by the airline industry the previous year, which corresponded to 5.0 per cent of its 2010 operating revenues.

Varying regional economic conditions and high jet fuel price volatility were the primary factors in the 2010-2011 global performance discrepancies. From a more regional standpoint, Asia/Pacific airlines posted the strongest financial performance during 2011, with net profits of \$10.8 billion.

European airlines posted less than \$1 billion in net profit in 2011, while African operators registered a net loss of about \$100 million. Based on continuing lower traffic growth forecasts and reduced economic growth, especially linked to the risk of a deepening European recession, the airline industry globally is expected to face a challenging profitability environment in the near-term.

*Purchasing Power Parity (PPP) is an economic theory linking currency exchange rates to prices paid for goods and services in any two countries.