

# Aviation Forecast, a view on 2023 & beyond

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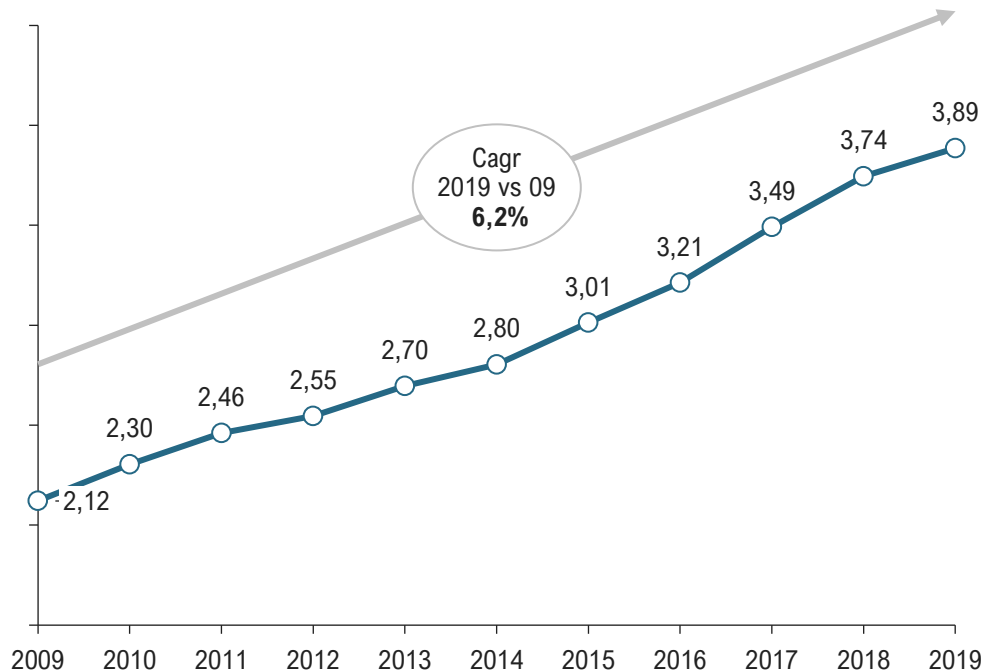
May 8, 2023



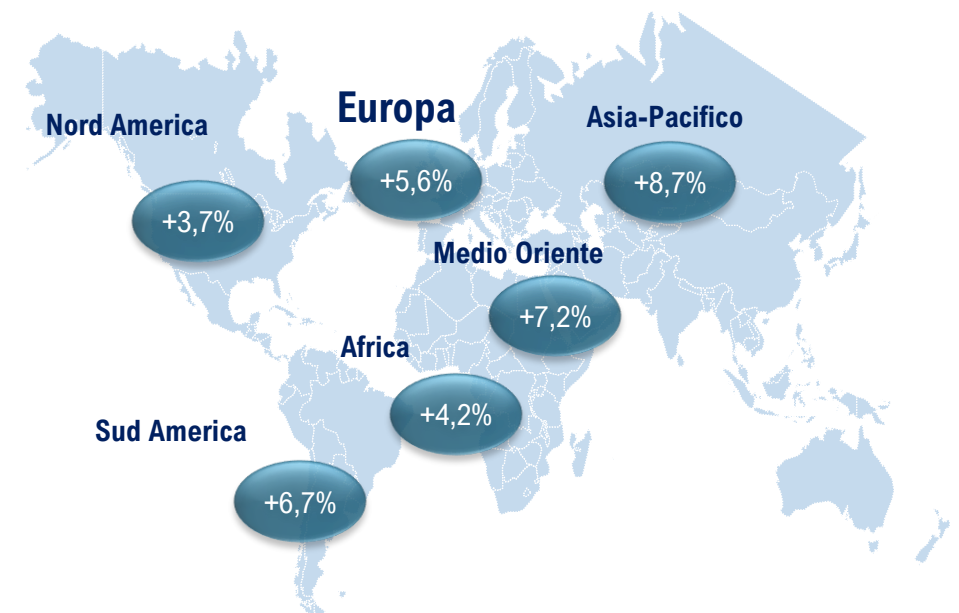
# World: Air Traffic Situation in 2019

- Until the year 2019, in spite of negative developments in the economic cycle and policy of protectionism, Air transport achieved continuous development of the traffic (Cagr 2009-2019 World +6,2%).
- **Asia** resulted to be the first passenger market (Cagr +8,7%), followed by North America and Europe.
- In **Europe**, the continuous growth of the market (CAGR +3,1% in 10 year) was mainly feed by the increase of the load capacity of the **Low Cost vectors** (76% increase of load capacity in UE market).

**Global Traffic** (Pax in Bln - 2009-2019)



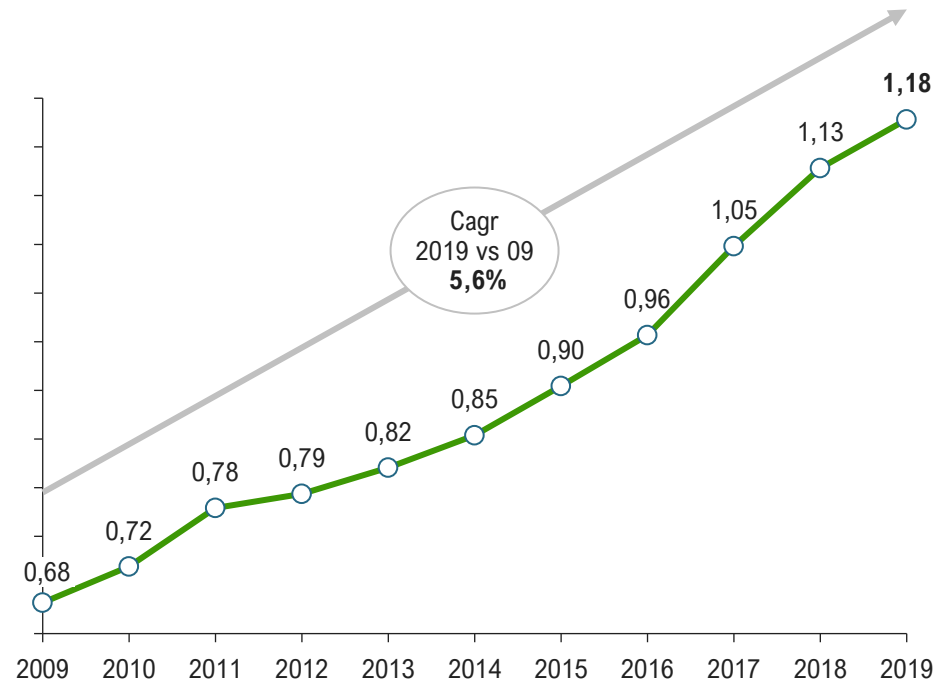
**Growth Rate by Geographical Area** (Cagr 2009-19)



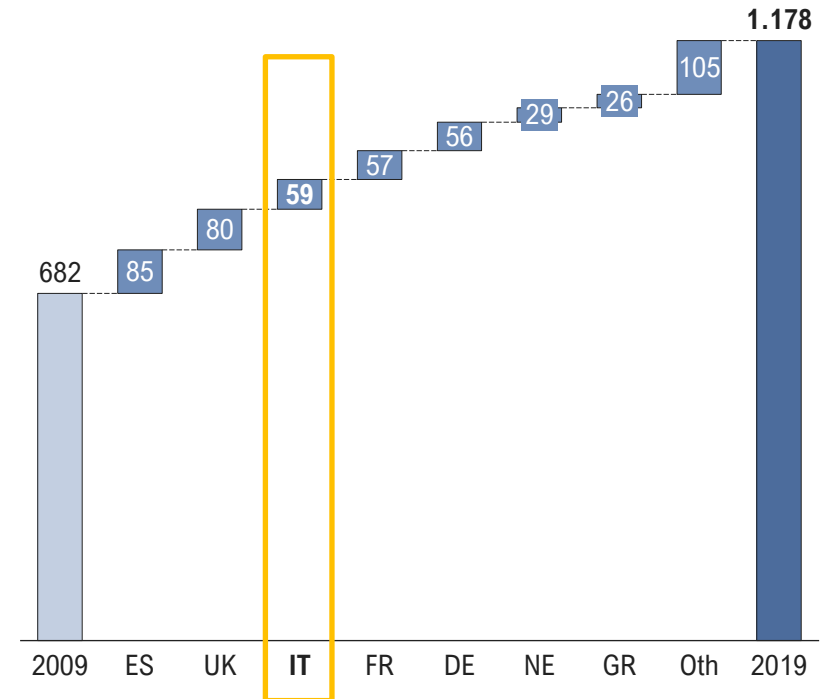
# Europe: Air Traffic Situation at 2019

- Europe market, after a moderate growth due to the economic recession in 2011 and 2013, was characterised by a strong increase in traffic in 2014.
- In 2019, Italy was the 4° market after UK, Spain and Germany, while the maximum growth rate (Cagr +8%) was reached by Greece and the Netherlands.

Europe traffic (Pax in Bln - 2009-2019)

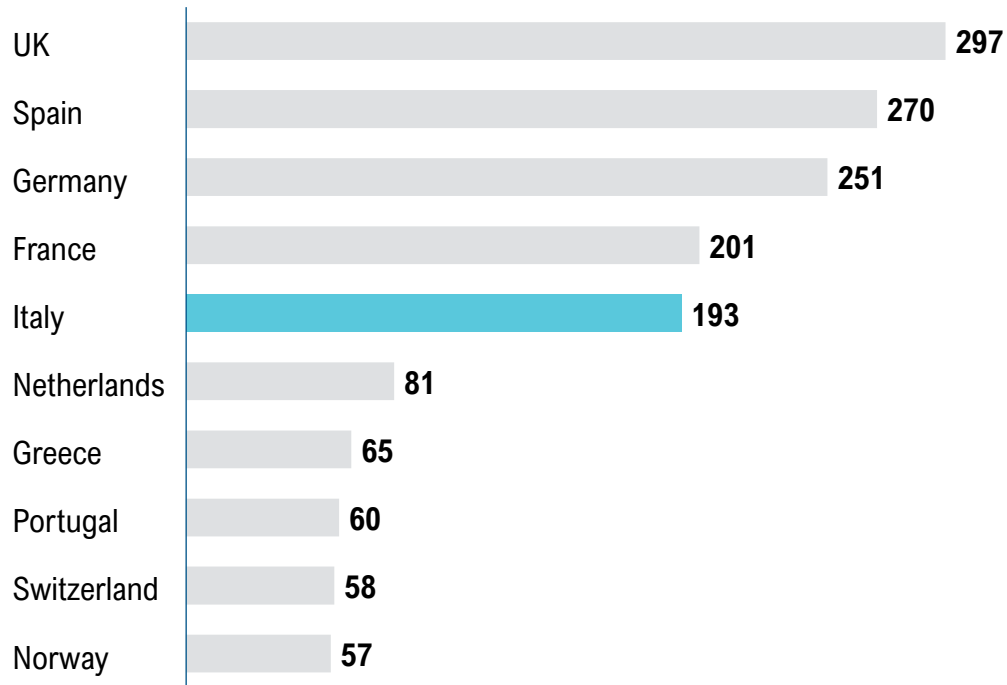


Growth contribution (Pax in Mln - 2009-19)



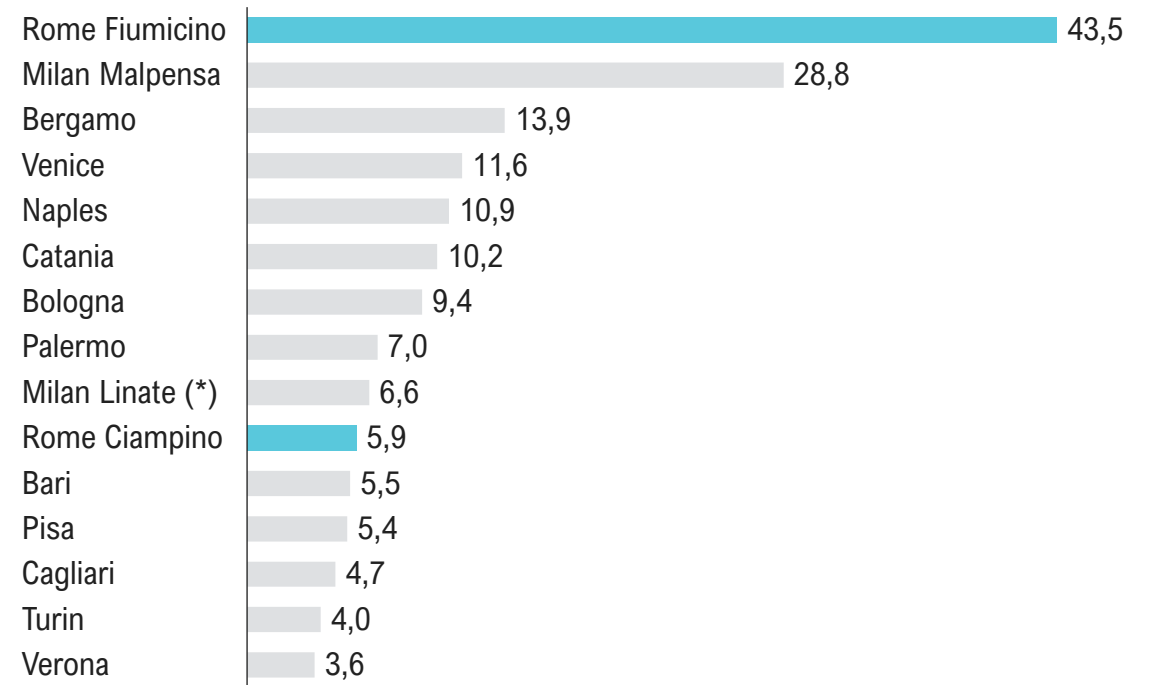
# Italy is the 5<sup>th</sup> largest market in Europe and Rome FCO is the largest Italian airport

## Passenger traffic (Mpax 2019; airport statistics)



ADR operates in one of the leading European markets for traffic volumes being the 5th European Airport system

## Italian traffic volume (Mpax 2019)



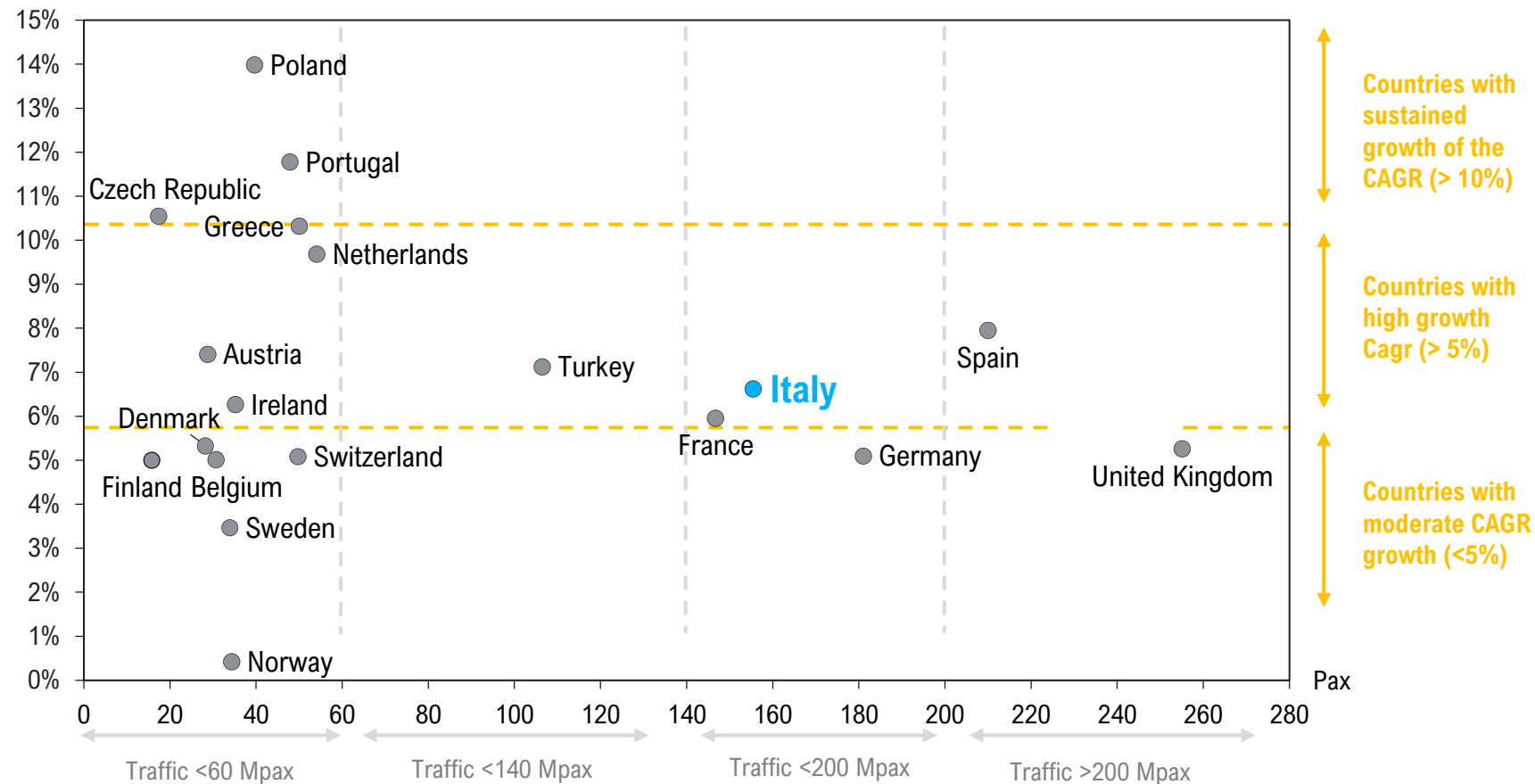
Fiumicino is the biggest Italian Airport (pax share ≈ 25%) and represents the main gateway for the international flows

\*(\*) Milan Linate airport has suspended its operations between 27 July and 25 October owing to the runway reconstruction. Milano Linate operations have been moved to Milan Malpensa airport.  
Source: Airport statistic andATA

# The largest countries in Europe have grown at lower pace

Growth rate and volumes of top European countries (Mpax 2014-2019; airlines data)

CAGR 14-19



- Italy belongs to the group of markets with a traffic volume above 140 Mpax, recording an high level of growth
- Markets with a traffic volume <60 Mpax overperformers; Italy represents the 4th European market

# Airlines business models in Europe are constantly evolving

Consolidation ←

→ Stand Alone



- "Business Unit" development overseeing reference geographical areas (North America, South America, Asia and Europe)

- Multi-hub management and increased connectivity even with "Secondary Brand" carriers

- Growth concentrated in markets with strong point-to-point demand and where there is a competitive advantage (Helsinki - Japan; Lisbon - Brazil)

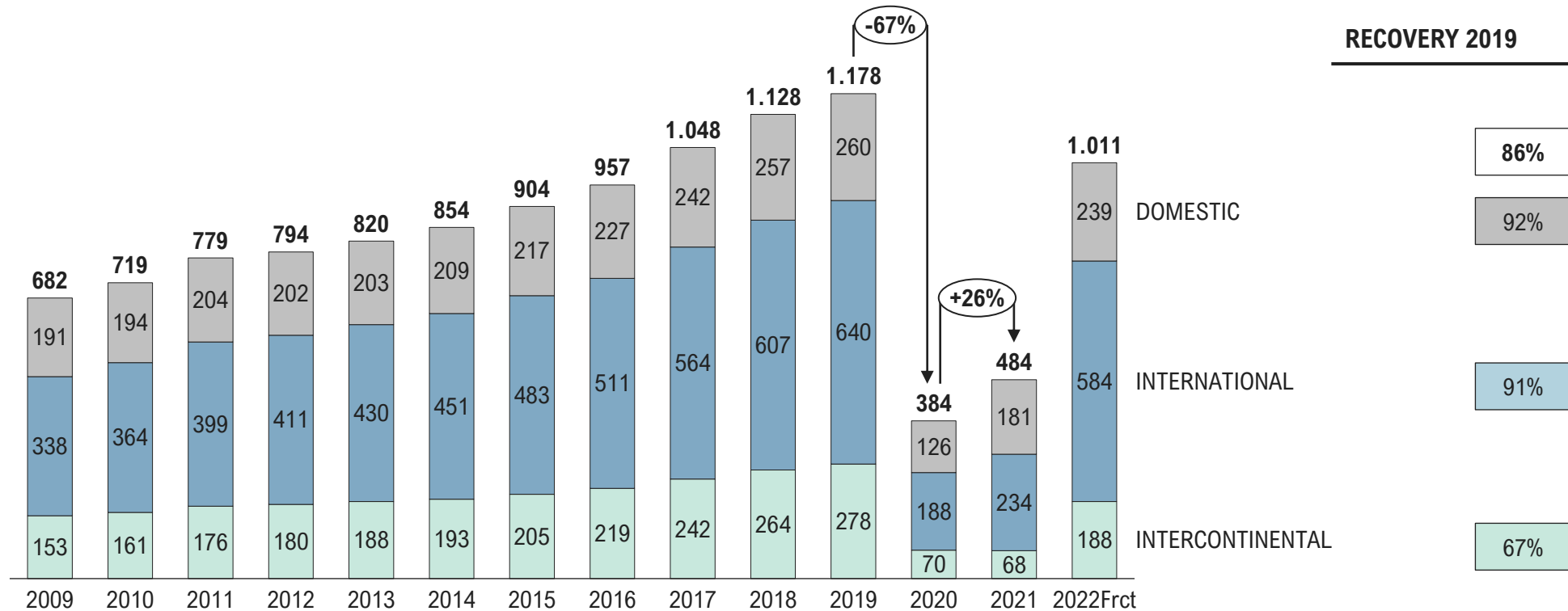
- Growth also extended to the business segment and revision of the original "LCC Hard" model

- Full Service Carriers maintained their presence on S/M Haul, through the consolidation of partnerships and the development of secondary brand carriers (Eurowings, Transavia, Iberia Express)
- Norwegian after an aggressive growth (2013-2018) is in the process of reducing routes with low revenue
- Wizz is developing new bases, currently and is the only Ryanair follower
- The evolution of the ITA Airways case will influence the development of FCO: Delta + Air France / KLM vs Lufthansa Group

# Europe 2020-2021: Covid-19 cause a dramatic fall in demand

- In March 2020, due to the introduction of local lockdown and quarantine measures, traffic had a sudden fall in the demand.
- In 2021 and 2022 Domestic and International connections led the recovery of the traffic, while Long Haul connections resulted to be limited, mostly due to the absence of routes to the Far East.

**Pax Evolution by Market |** (Pax in Mln - 2009-2022)



# Europe 2022 Benchmark traffic performance

Apt	Pax 2022 (mln)	Recovery 2022 vs 2019	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
London LHR	61,6	76%	44%	52%	64%	75%	79%	83%	81%	79%	85%	84%	89%	89%
Paris CDG	57,5	75%	51%	58%	65%	71%	81%	79%	81%	81%	79%	81%	84%	88%
Amsterdam	52,5	73%	50%	55%	66%	73%	81%	80%	77%	78%	80%	76%	75%	76%
Madrid	50,6	82%	61%	69%	73%	80%	83%	81%	85%	86%	86%	88%	93%	93%
Frankfurt	48,9	69%	48%	47%	53%	66%	74%	76%	73%	75%	73%	77%	81%	82%
Barcelona	41,6	79%	52%	61%	68%	78%	82%	80%	83%	83%	82%	90%	88%	90%
London LGW	32,8	71%	27%	41%	48%	72%	74%	77%	81%	83%	83%	85%	74%	77%
Palma de M.	28,6	96%	67%	80%	84%	97%	98%	96%	98%	97%	97%	105%	97%	98%
Munich	31,6	66%	37%	38%	46%	64%	70%	74%	70%	76%	75%	76%	75%	73%
Rome FCO	29,4	67%	34%	41%	49%	63%	69%	72%	73%	74%	79%	80%	77%	81%
Paris ORY	29,2	92%	56%	73%	77%	79%	93%	90%	99%	107%	105%	107%	101%	108%
Dublin	28,1	85%	48%	66%	76%	85%	87%	88%	89%	90%	92%	94%	98%	96%
Lisbon	28,3	91%	61%	75%	79%	88%	92%	93%	95%	94%	96%	99%	103%	100%
Manchester	23,4	80%	42%	63%	71%	79%	82%	82%	82%	82%	86%	93%	89%	88%
Wien	na	na	45%	47%	52%	65%	73%	80%	88%	88%	89%	86%	79%	na
Zurich	22,5	72%	42%	48%	54%	67%	71%	75%	80%	79%	80%	84%	81%	82%
Milan MXP	21,3	74%	47%	56%	66%	78%	86%	86%	82%	71%	72%	73%	80%	81%
Brussels	18,9	72%	48%	50%	56%	69%	74%	72%	81%	81%	80%	81%	74%	77%

## HIGHLIGHTS

- Rome FCO (together with Dublin) records the fourth best performance in terms of traffic recovery increase between October and January 2022 (from 34% to 80%: +46 p.p.)
- In October, Rome FCO shows a recovery equivalent to Paris CDG and Brussels; higher (80%) than Munich, Frankfurt, Amsterdam and Milan MXP.



# Outlook 2023



Traffic Evolution: from March 2022, the traffic recovery had a big step forward. **For the Summer 2023 a full recovery for the North America flows has been forecasted.** No major traffic impact from the actual situation in Ukraine.



Economic Growth: GDP growth for both EU and Euro zone has been estimated around 2,3 % for the 2023, in reduction comparing to 2,8 %.

Uncertain situation from the **next economic Russian state due the EU sanctions.**



Long Haul Traffic Recovery: **recovery rate for C/S America and Far East traffic needs more time owing to a weak demand.**

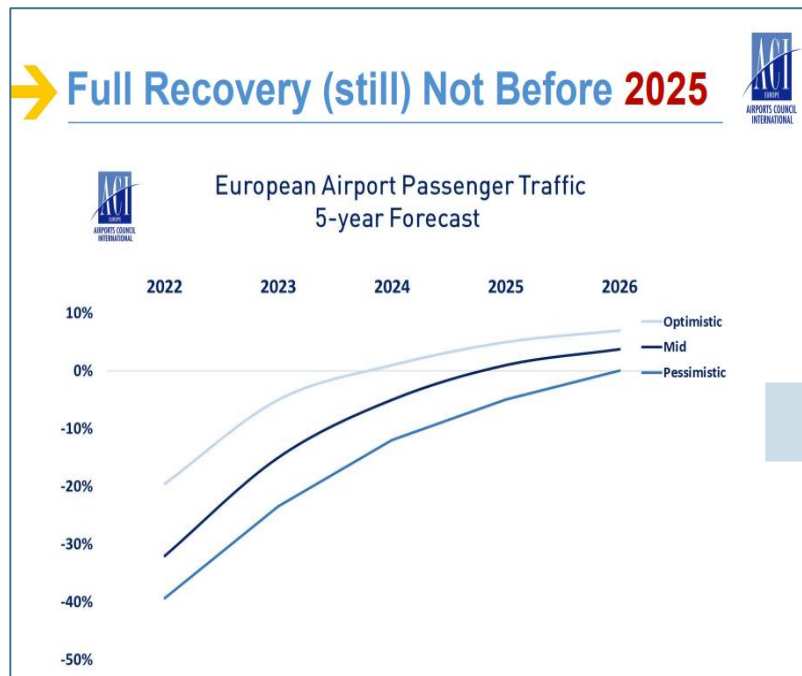


Routes: **Flights to Far East has been re-routed** via different path owing to the Russian Airspace closure

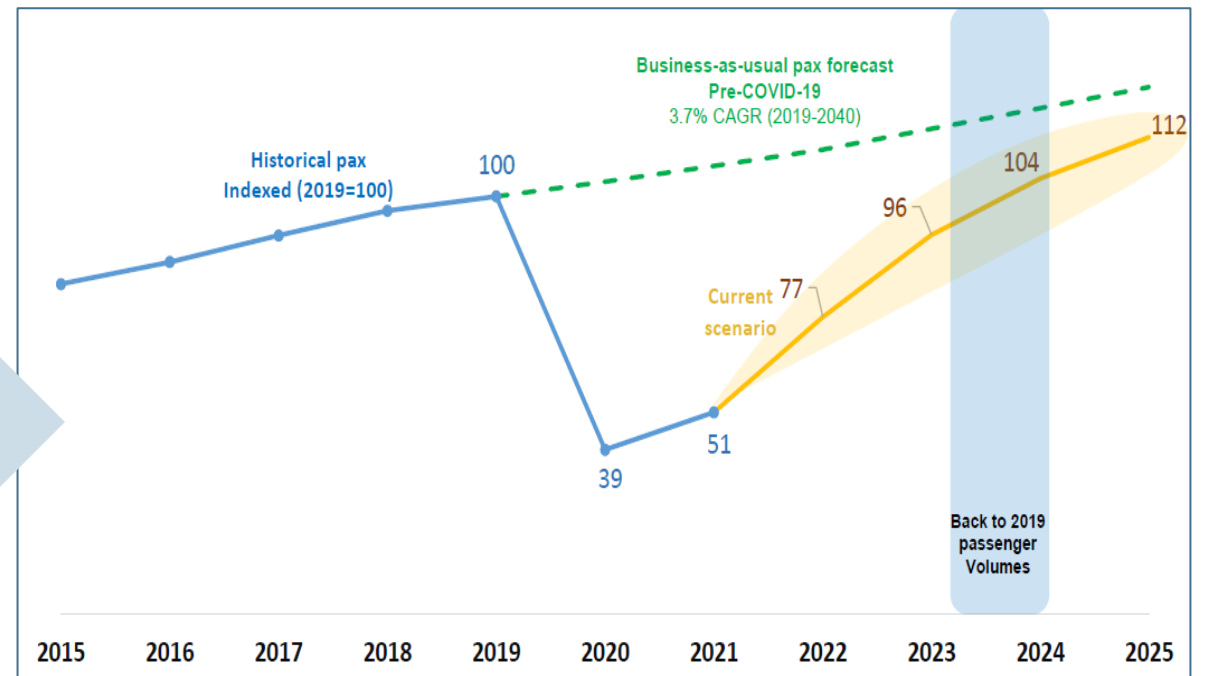
# Europe - Traffic Forecast: Industry Recovery Prevision

- In **2021**, Industry released **the first traffic recovery forecasts**.
- Although the first versions predicted to reach 2019 traffic level in 2025, since the traffic had an increase beyond expectations during the summer, in **2022 ACI released a new version** of the forecast, stating that traffic is currently on the Optimistic «High-Case».
- The new version of the prediction **anticipates the full recovery** between 2023 and 2024.

2021 October version






2022 May version



# Europe - Release June 22 Traffic Forecast: Industry Recovery Prevision

- Global domestic passenger traffic is still expected to reach its 2019 level in late 2023 with full-year 2023 traffic on par with the 2019 level. However, global international passenger traffic will require almost one more year to recover and will reach its 2019 high only in the second half of 2024.
- Full-year recovery to 2019 levels will only happen in 2025 for international passenger traffic.

## Market outlook for Europe (year of 2019 recovery)

		Low	Medium	Best
May22		>2027	2024	2023
Jun22		>2027	2025	2023
Oct22		>2027	2025	2023

## Airport Forecasting for 2023 (release June 2022)

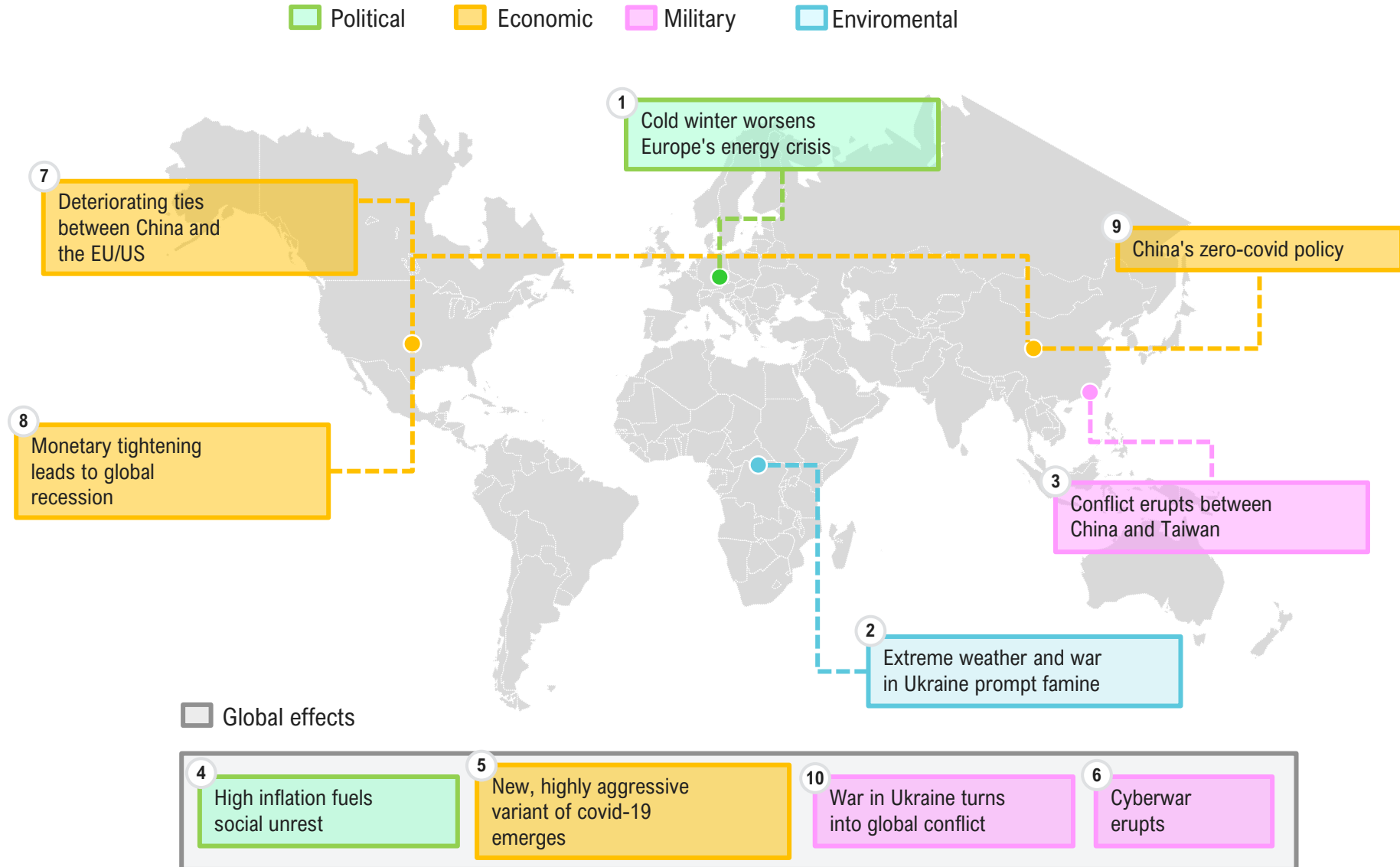


90%

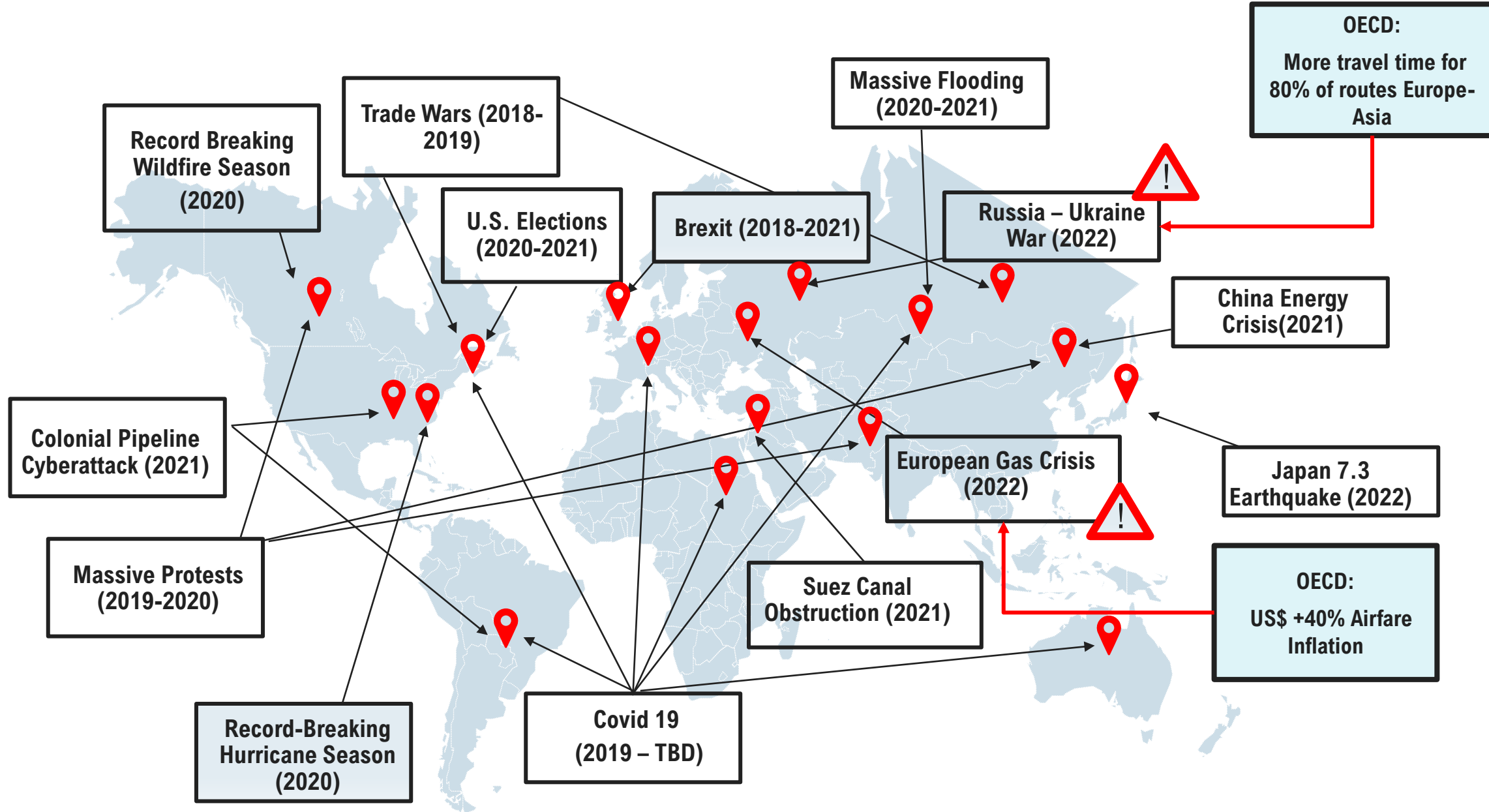
# Ten risk scenarios that could reshape the traffic forecast

Main risks that could lead to even slower growth, or even, trigger a global recession:

	Probability	Impact
1) Cold winter exacerbates Europe's energy crisis	●	●
2) Extreme weather adds to commodity price spikes, fueling global food insecurity	◐	●
3) Direct conflict erupts between China and Taiwan, forcing US to intervene	◐	●
4) High global inflation fuels social unrest	◐	◐
5) New variant of coronavirus, or another infectious disease, sends global economy back into recession	◐	◐
6) Inter-state cyberwar cripples state infrastructure in major Economies	◐	◐
7) Further deterioration in West-China ties forces full decoupling of global economy	◐	◐
8) Aggressive monetary tightening leads to global recession	◐	◐
9) China's zero-covid policy leads to severe recession	◐	◐
10) Russia-Ukraine conflict turns into global war	◐	●



# The Frequency & Magnitude of Disruption in Increasing



## Europe: Avg Fare comparison 2022 vs 2019

- Air ticket prices started to increase since May 2022 (compared to May 2019). July 2022 recorded a 15% increase, above inflation, on July 2019. Since the beginning of the year: ticket prices increased by 5% on average, above inflation (vs same period in 2019).

