



Airlines for America[®]

We Connect the World

The State of U.S. Commercial Aviation

Updated January 24, 2023

“To suggest that the airlines should have better prepared for this environment seems akin to suggesting Pompeii should have invested more heavily in firefighting technology.” (JPMorgan, Mar. 22, 2020)

<https://www.airlines.org/dataset/state-of-us-aviation/>

Key Points

- » Ticket sales are strong but demand for corporate and long-haul international air travel continues to trail pre-pandemic levels.
- » Air cargo demand reached an all-time high in 2021 but subsided in 2022.
- » As with numerous other industries, U.S. airlines have faced inflationary pressures across several cost categories (e.g., labor, fuel, maintenance, rents, landing fees).
- » U.S. passenger airlines have the largest workforce in 20 years.
- » In large part, airlines are using cash flow from operations to retire the massive debt accumulated in 2020 and 2021 to weather the pandemic.
- » Debt—and interest expense—will remain elevated through at least 2024.

A Multiyear, Multistage Recovery Is Underway

**Contain
the Virus**



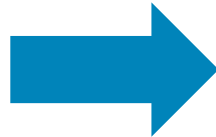
**Stabilize the
Economy**



**Increase
Efficiency**

Aviation-Government Collaboration on Health/Facilitation/Safety/Technology

**Traffic
Recovery**



**Revenue
Recovery**



**Financial
Recovery**

Cost-Reduction Initiatives + Business Model Adaptation + Debt Reduction

**Reduce
Cash Burn**



**Restore Profitability
& Rebuild Margins**



**Repair Balance
Sheets**

U.S. Passenger Airlines Recorded ~\$303 Million in Pre-Tax Losses in YTD 3Q 2022

Operating Revenues Rose 5% From YTD 3Q 2019, But Operating Expenses Rose 15%

Financial Results: Jan-Sep 2022	\$ Billions	\$ vs. 2019	% vs. 2019	% of Category
Passenger (RPMs down 15%, yield up 17%)	128.6	—	—	87.6
Cargo	3.8	1.4	60	2.6
Other ¹	14.4	5.4	60	9.8
Total operating revenues	146.7	6.8	5	100.0
Salaries, wages and benefits	40.7	1.2	3	28.5
Aircraft fuel and taxes (consumption down 14%, price up 68%)	41.0	12.7	45	28.7
Maintenance materials and repairs	6.9	0.4	6	4.9
Landing fees and airport rentals	8.5	1.3	17	5.9
Depreciation and amortization ²	5.9	(1.3)	(18)	4.1
Other ³	39.8	4.5	13	27.8
Total operating expenses	142.8	18.7	15	100.0
Interest and other non-op expenses, net	4.2	2.6	163	n/a
Pre-tax income/(loss)	(0.3)	(14.5)	n/a	n/a

1. Sale of frequent flyer award miles to airline business partners, transportation of pets, in-sourced aircraft and engine repair, flight simulator rentals, inflight sales, etc.

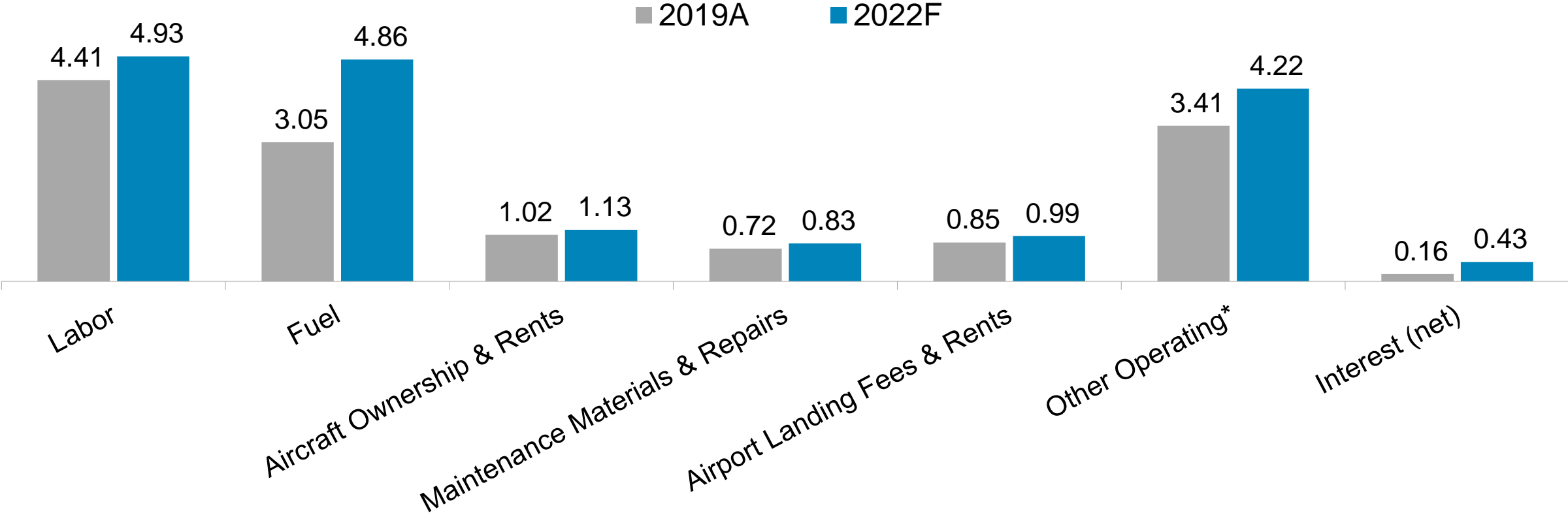
2. Related primarily to ownership of aircraft, ground support equipment, information technology, etc.

3. Aircraft rents, professional fees, food/beverage, insurance, commissions, GDS fees, communications, advertising, utilities, office supplies, crew hotels, payments to regionals, etc.

Source: Alaska, Allegiant, American, Delta, Frontier, Hawaiian, JetBlue, Southwest, Spirit and United

In 2022, Airlines' Unit Costs Are Estimated to Have Averaged 28% More Than in 2019
Net Interest Expense per Seat-Mile Rose an Estimated 170%

U.S. Passenger Airlines: Cost (in Cents) per Available Seat Mile



Source: A4A

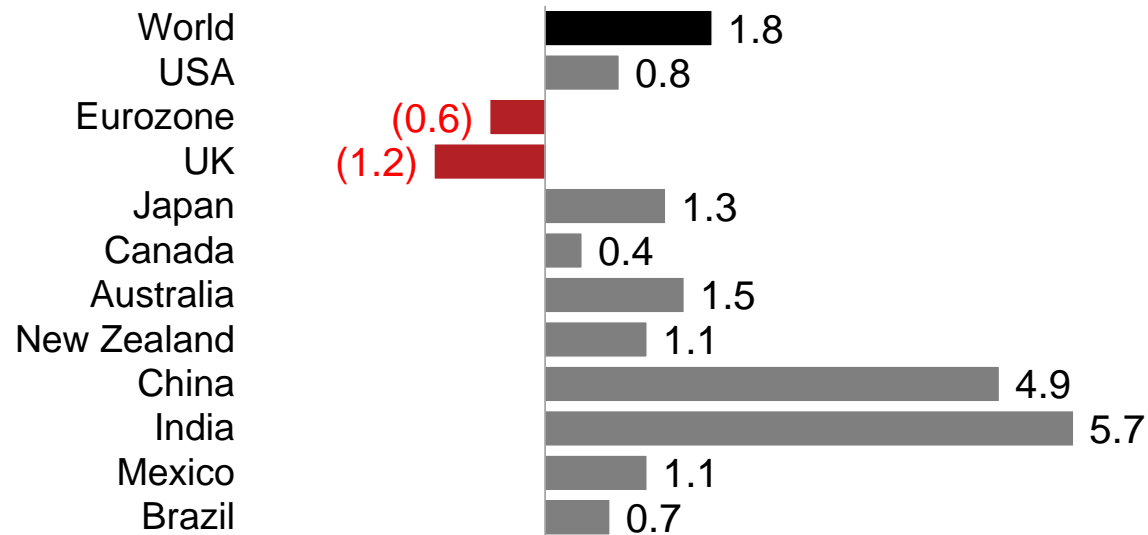
* Professional fees, food/beverage, insurance, commissions, GDS booking fees, communications, advertising, utilities, office supplies, crew hotels, payments to regional carriers, etc.

Per Wells Fargo, the *Global* Economy Will Grow Just 1.7% in 2023

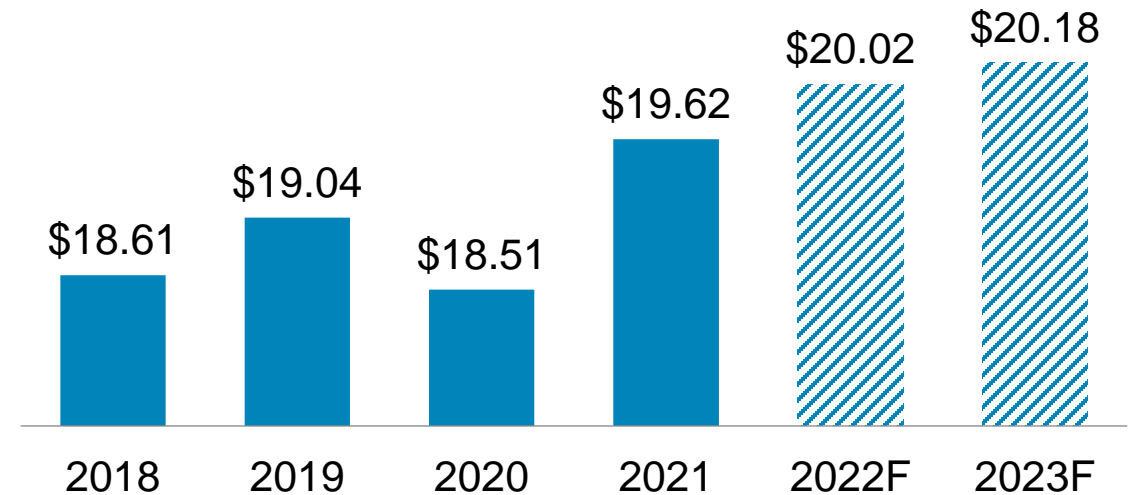
U.S./Canada/Mexico/Brazil Projected to Grow Less Than 1%; Europe and the UK Expected to Contract

“The U.S. economy has **continued to expand at a solid pace**... That said, not all of the economic data have been so rosy... We also still expect a **recession** to begin in the United States in the **second half of this year**, albeit a slightly **more mild** one than in our previous forecast.” (Wells Fargo, Jan. 13, 2023)

Projected 2023 Real GDP Growth (%)



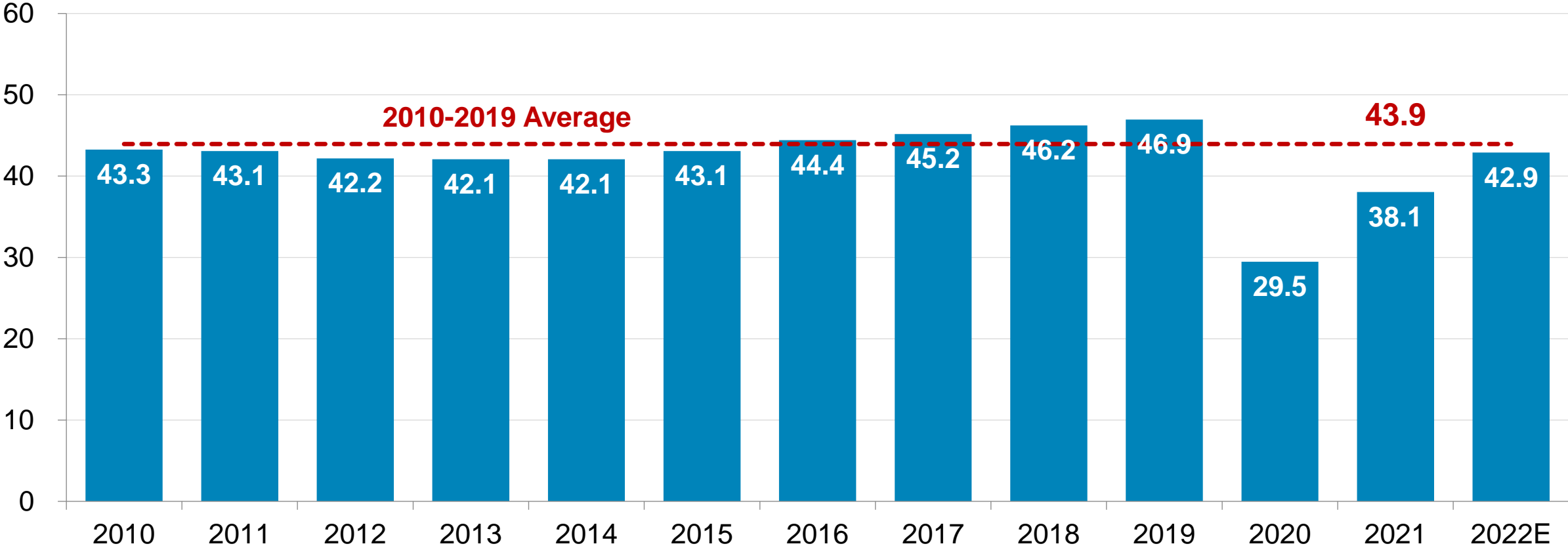
U.S. Real GDP (Trillions, \$2012)



Source: Wells Fargo (Jan. 13, 2023) and U.S. Bureau of Economic Analysis

Relative to the Size of the U.S. Economy, Domestic Airline Capacity Remains Below Pre-Pandemic Levels Due Largely to a Combination of Resource Constraints and High Input Costs

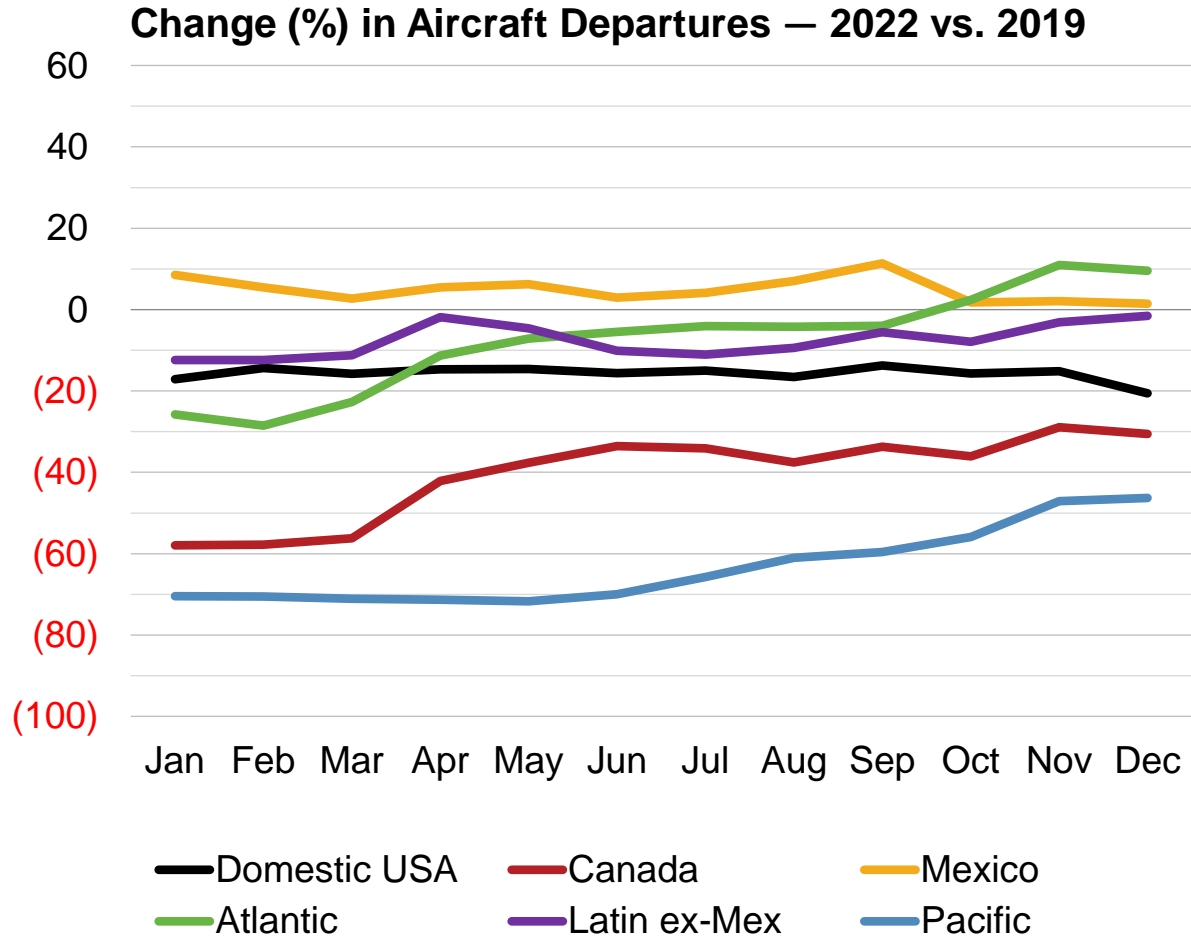
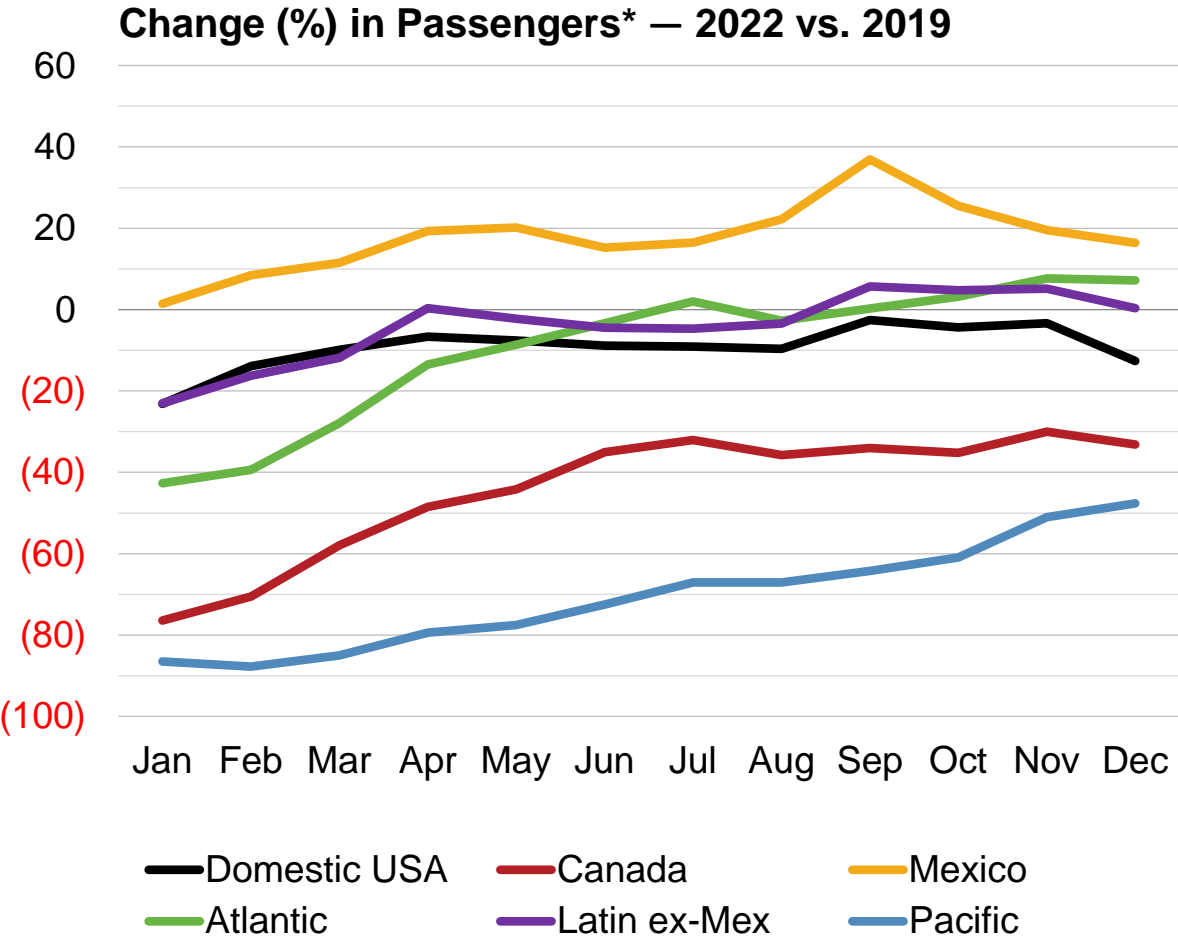
Scheduled Domestic U.S. Available Seat Miles per \$1,000 of Real* U.S. Gross Domestic Product



Sources: Bureau of Economic Analysis, S&P Global (Jan. 5, 2023) and Diio by Cirium (Jan. 6, 2023)

* Chained 2012 dollars

Dec. 2022: A4A Airline Passenger Volumes 12% Below 2019, Departures 19% Lower

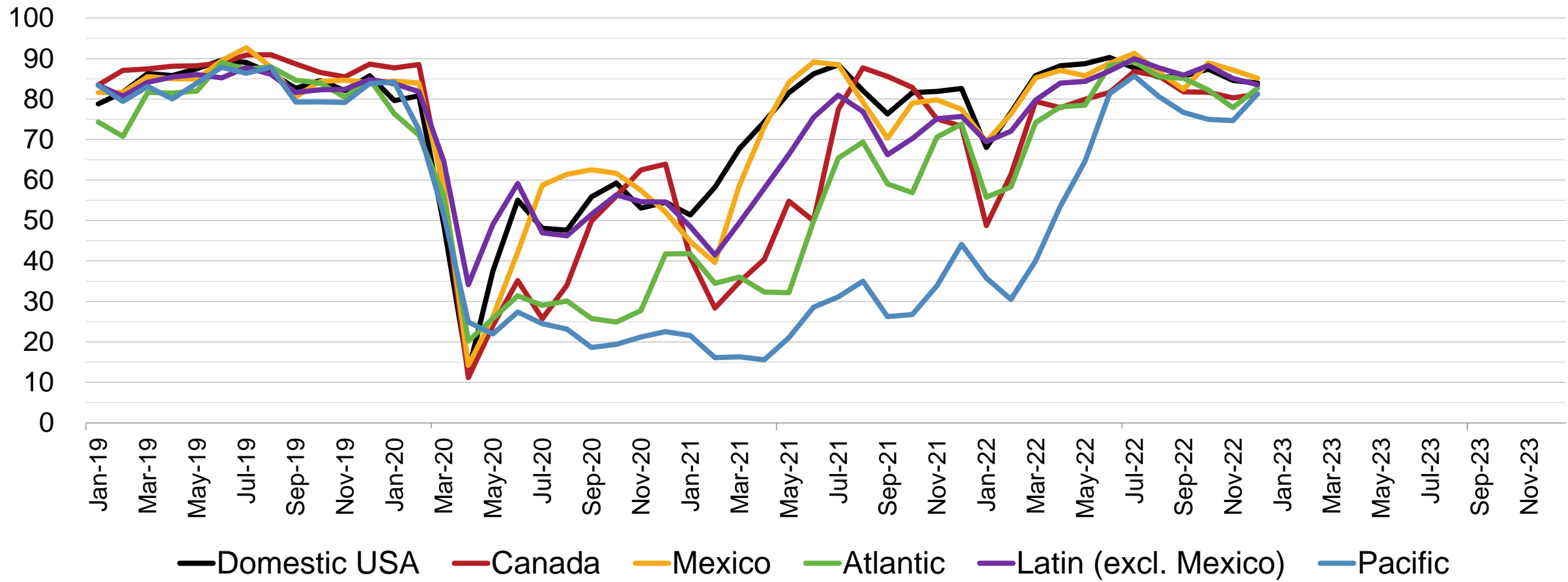


Source: A4A member passenger airlines (Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United) and branded code share partners

* Onboard ("segment") passengers

A4A Member Load Factors Have Stabilized, With a Systemwide Average of 83.6% in December

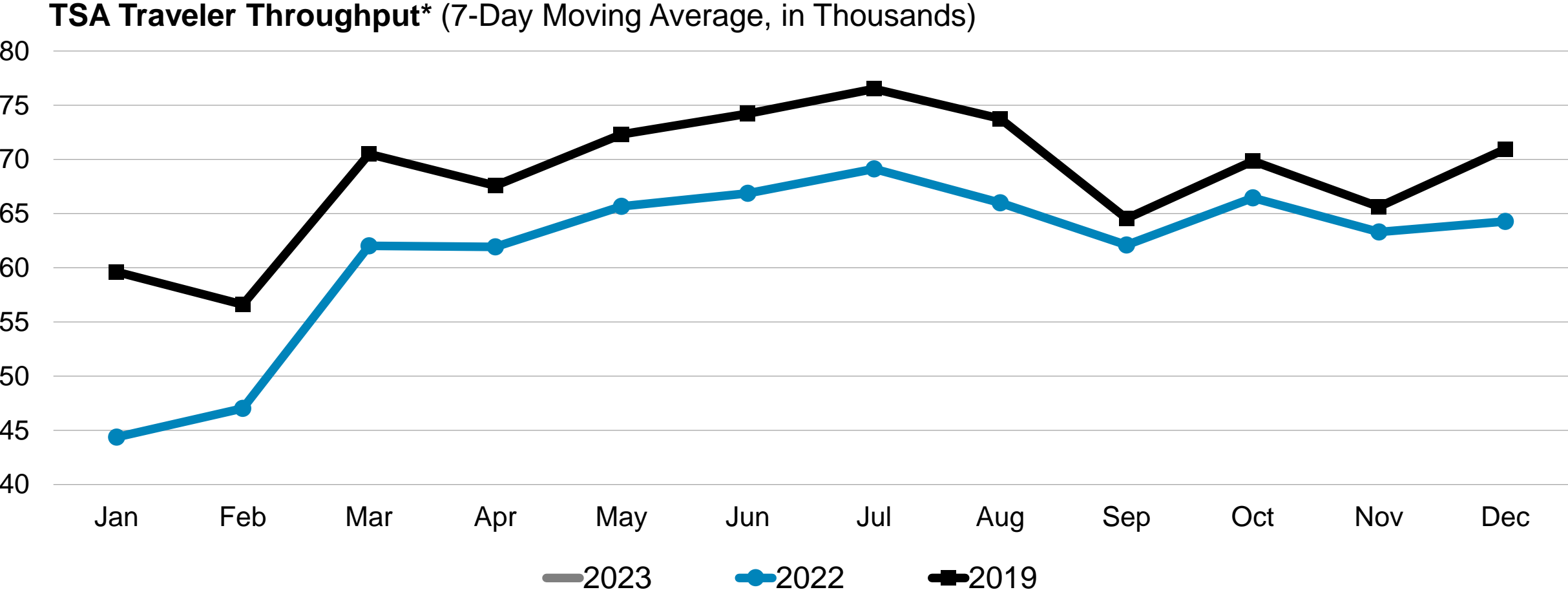
A4A Airlines: Average Load Factor*



Source: A4A member passenger airlines (Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United) and branded code share partners

* Traffic (RPMs) divided by capacity (ASMs)

In 2022, TSA Checkpoint Volumes Fell 10% Below 2019 Levels



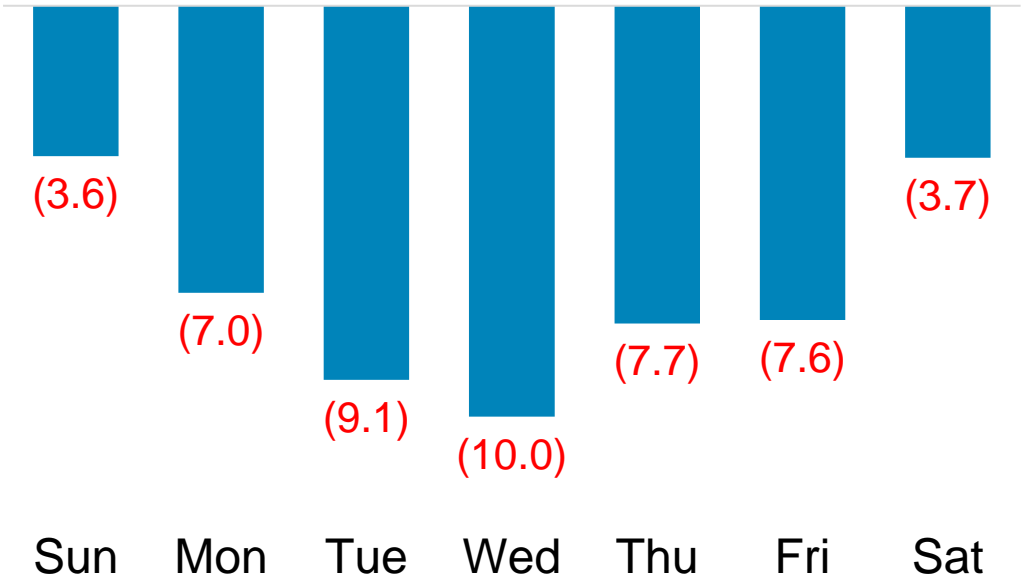
Source: Transportation Security Administration

* U.S. and foreign carrier customers (excluding Known Crewmember® personnel) traversing TSA checkpoints

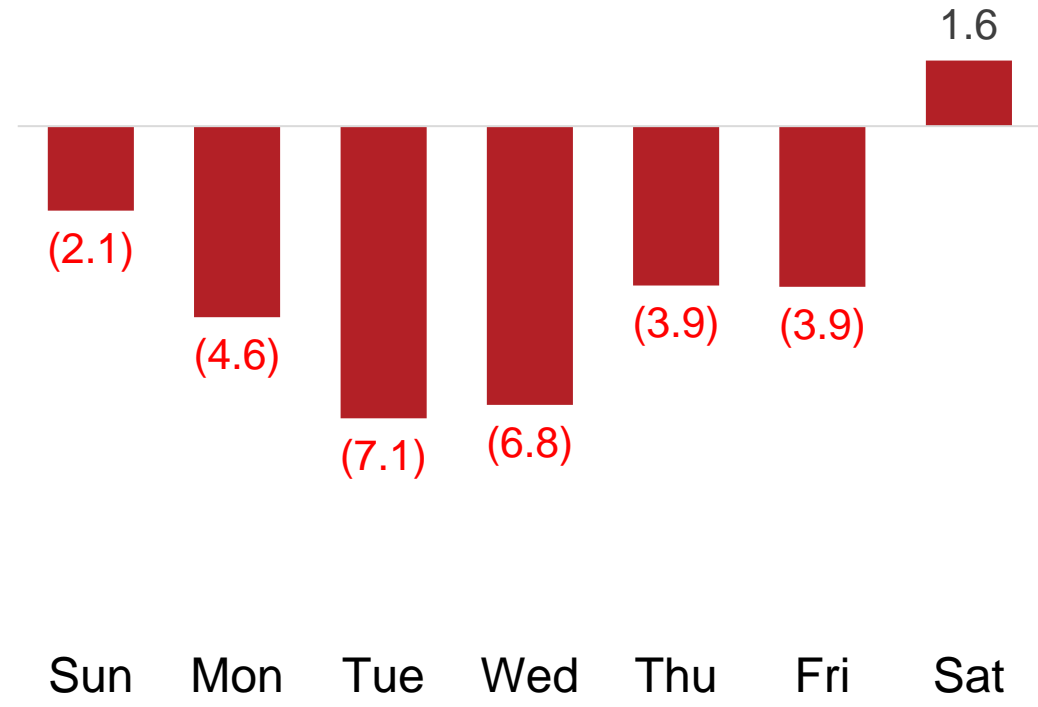
Change in Day-of-Week Travel Patterns Provides Evidence of Increased Leisure Mix for Air

Airlines Have Adapted Their Schedules to Reflect the Changing Mix of Travelers

Change (%) in TSA Checkpoint Passenger Volume: 2022 vs. 2017-2019



Change (%) in Scheduled Seats Departing U.S. Airports: 2022 vs. 2017-2019

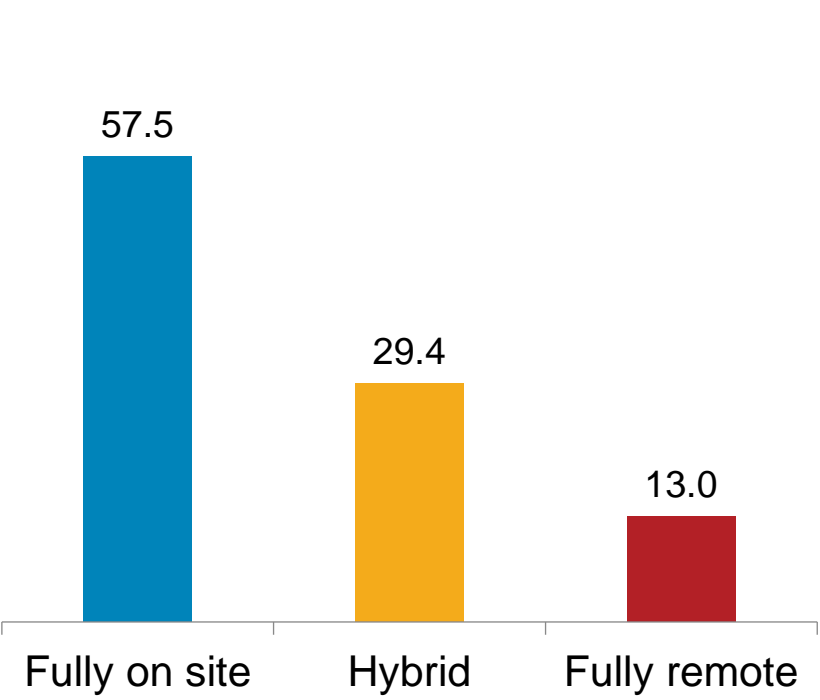


Source: Transportation Security Administration and Cirium published schedules for all U.S. and non-U.S. airlines as of Jan. 6, 2023

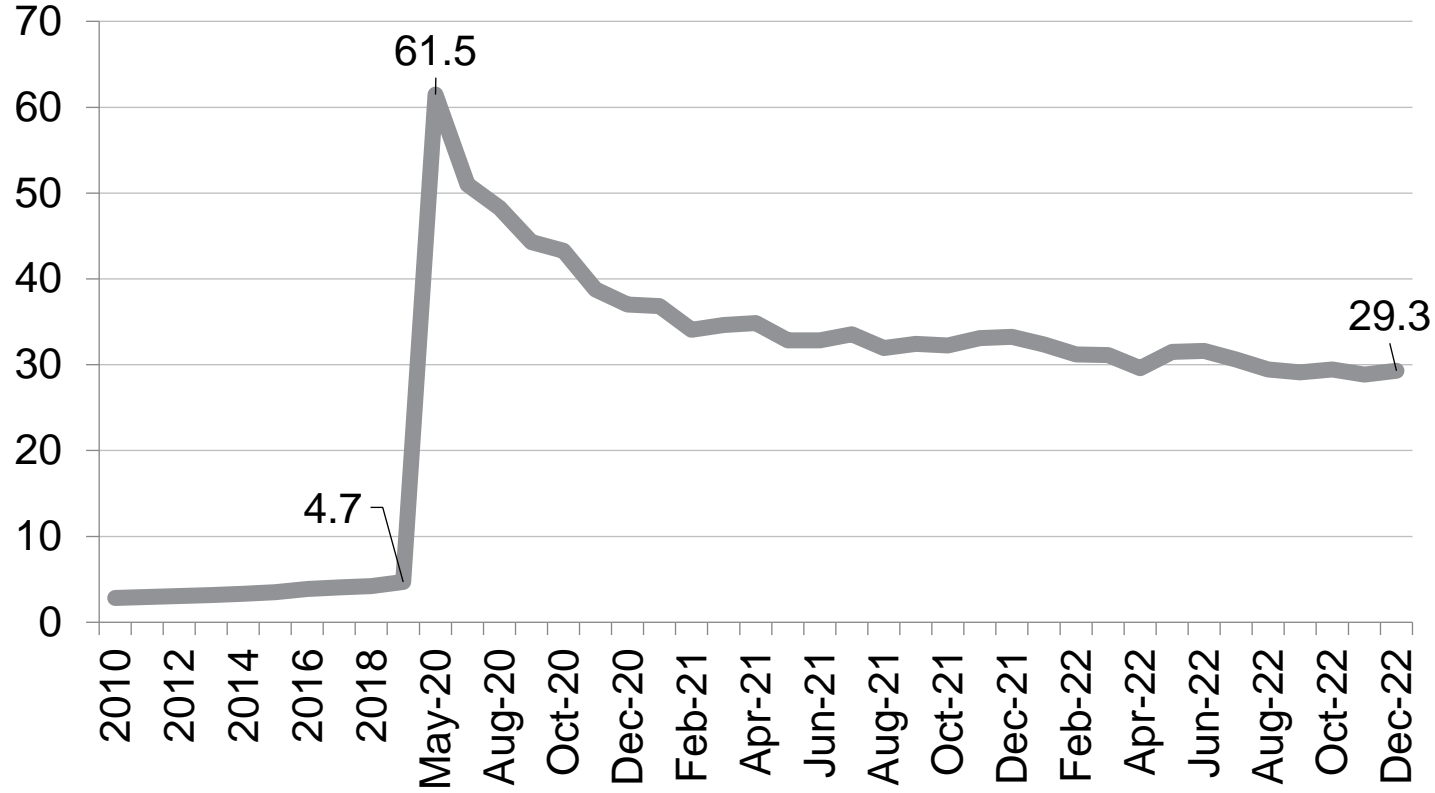
More Than 40% of U.S. Full-Time Employees Work Remotely at Least One Day per Week

Share of Remote Work Has Stabilized at ~25 Points Above Pre-Pandemic Level

% of U.S. Resident F-T Employees by Working Arrangement, Dec-2022

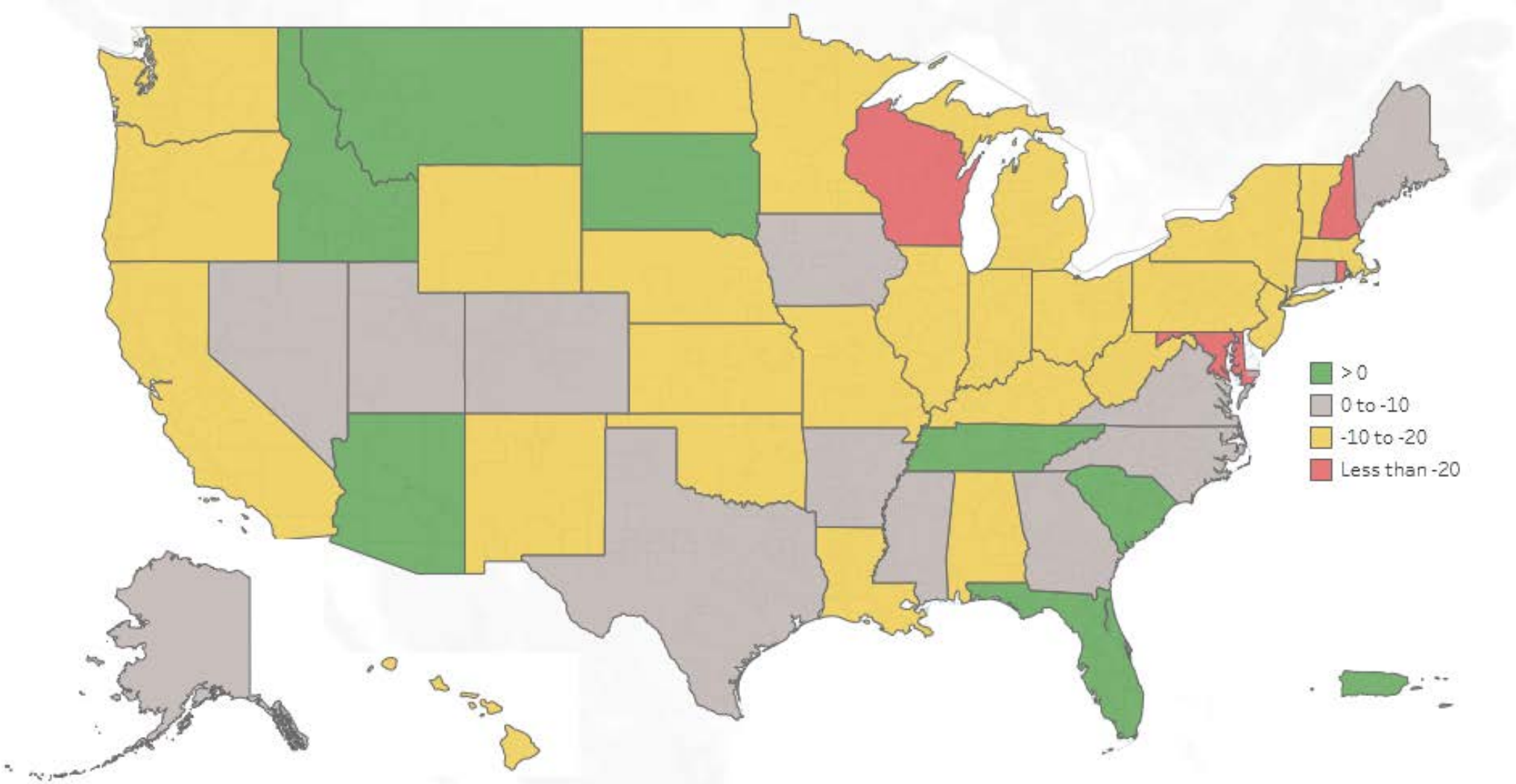


% of Days Worked Remotely



Source: Survey of Working Arrangements and Attitudes (SWAA), Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick," National Bureau of Economic Research Working Paper 28731.

TSA Traveler Throughput Fell 10% From 2019 to 2022

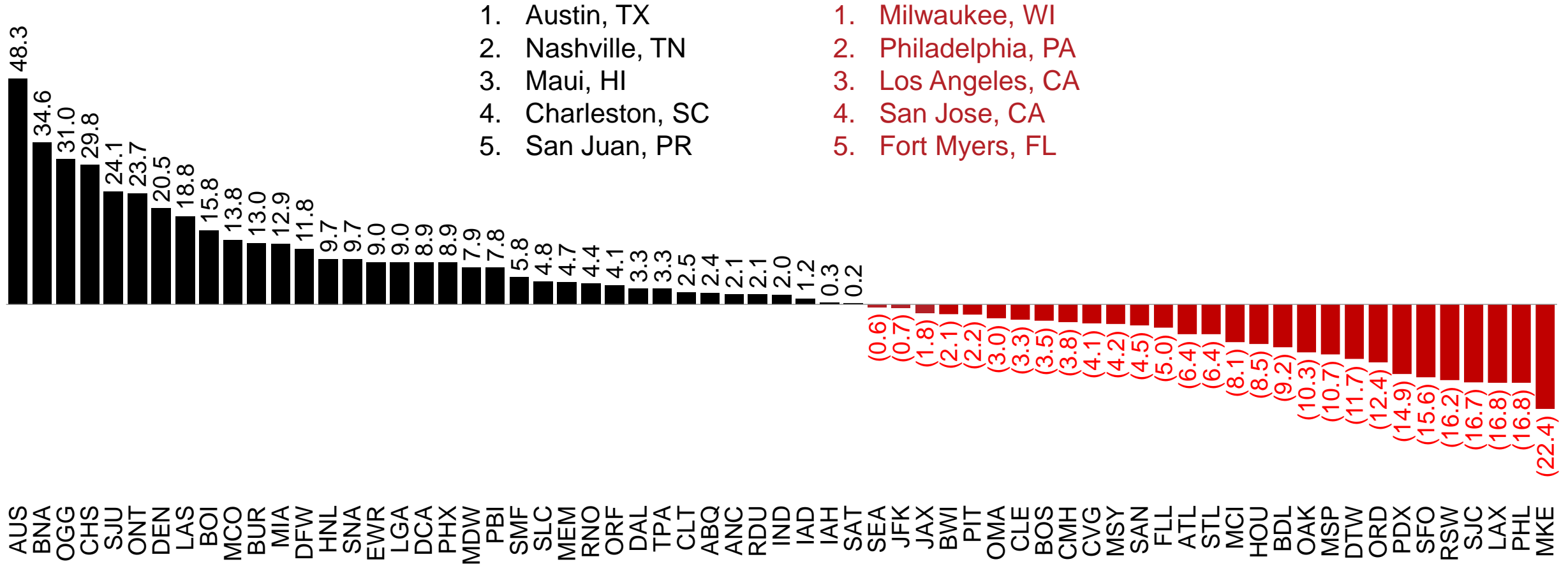


Source: Transportation Security Administration

In 1Q 2023, 13 Large/Medium U.S. Airports Are Seeing *Double-Digit* Seat Growth vs. 1Q 2019

Of the 65 Locations, 36 Are Showing Growth, While 11 Are Showing Double-Digit Reductions

Change (%) in Systemwide Scheduled Seats: 1Q23 vs. 1Q19

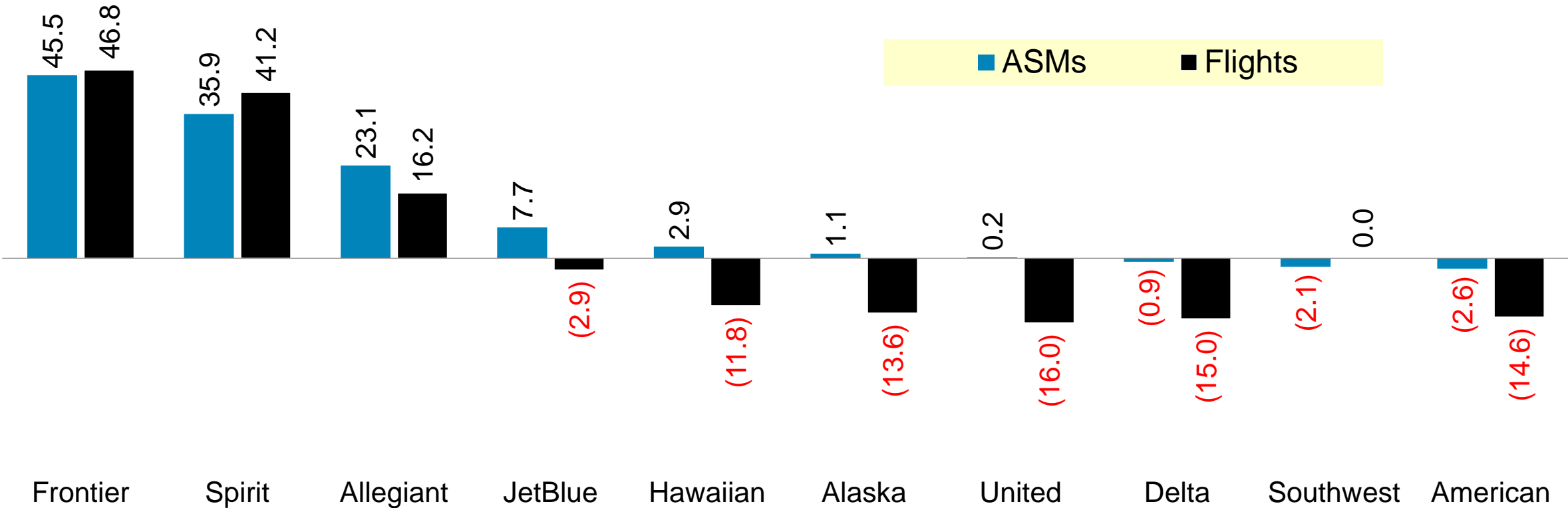


- | | |
|-------------------|---------------------|
| 1. Austin, TX | 1. Milwaukee, WI |
| 2. Nashville, TN | 2. Philadelphia, PA |
| 3. Maui, HI | 3. Los Angeles, CA |
| 4. Charleston, SC | 4. San Jose, CA |
| 5. San Juan, PR | 5. Fort Myers, FL |

Source: Diio by Cirium published schedules (Jan. 22, 2023) for all U.S. and non-U.S. airlines providing scheduled service to all U.S. and non-U.S. destinations

Schedules for 1Q 2023 Show That Frontier/Spirit/Allegiant Continue to Lead Capacity Growth But Many Carriers, Led by United, Are Seeing Double-Digit % Growth in ASMs per Departure

Change (%) in Systemwide Scheduled Capacity (ASMs) and Flights: 1Q23 vs. 1Q19

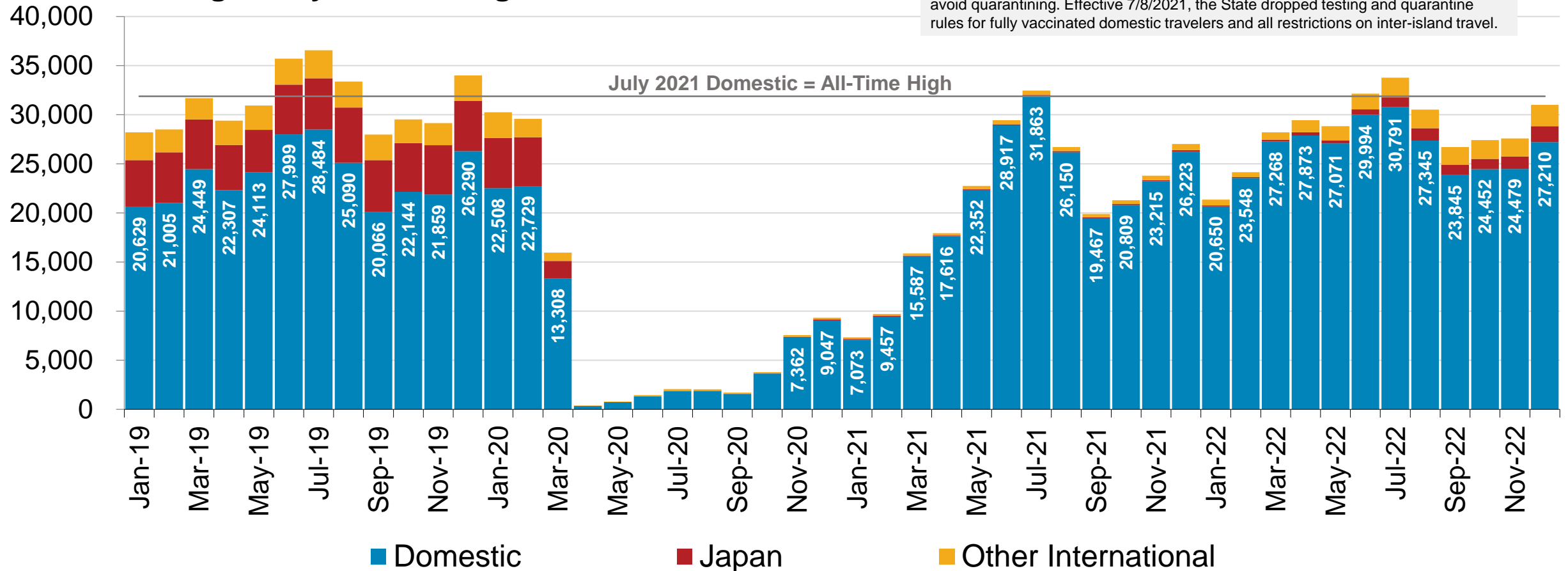


Source: Diio by Cirium published schedules (Jan. 22, 2023) for selected marketing airlines on a systemwide, consolidated basis

International Air Arrivals (Especially From Japan) to Hawaii Remain Depressed But Domestic Air Arrivals Were Up Throughout 2022

Average Daily Air Passenger Arrivals to Hawaii*

On 3/26/2020, Hawai'i mandated a 14-day self-quarantine for out-of-state arrivals. Beginning 10/15/2020, passengers with negative test results for COVID-19 could avoid quarantining. Effective 7/8/2021, the State dropped testing and quarantine rules for fully vaccinated domestic travelers and all restrictions on inter-island travel.



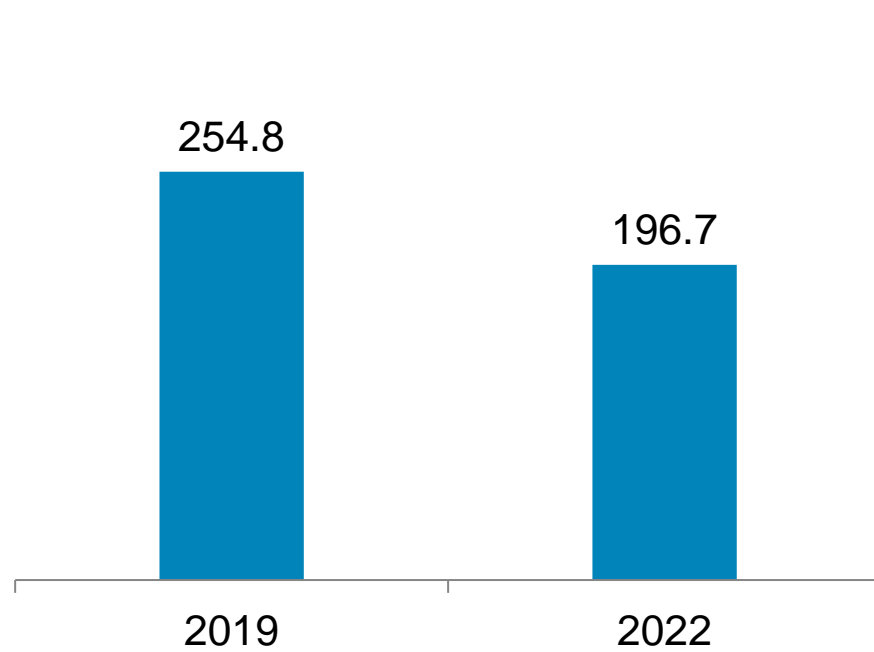
Source: Hawaii Department of Business, Economic Development & Tourism

* Daily passenger counts include returning residents, intended residents and visitors but exclude interisland and Canada passengers

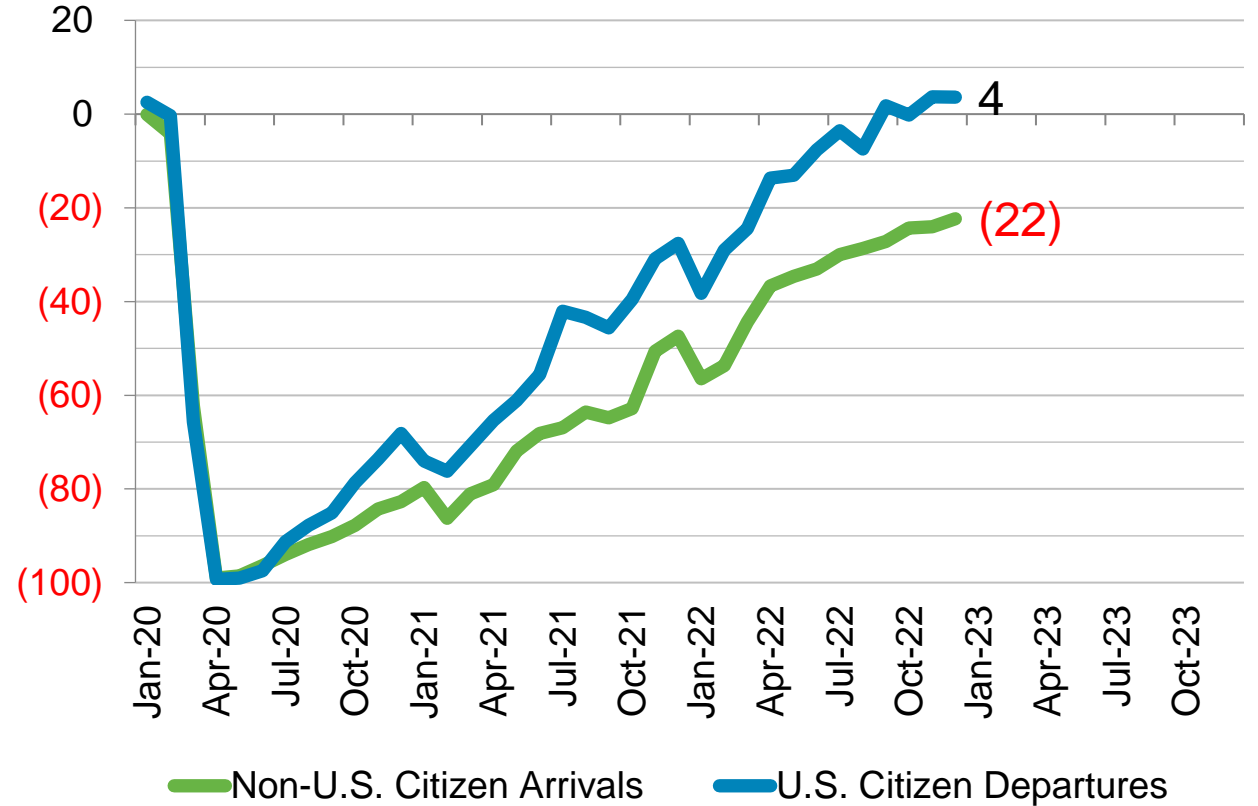
In 2022, U.S.-International Air Passengers Fell 23% Below 2019 Levels

U.S. Citizen Departures Continue to Outperform Foreign Arrivals by a Large Margin

U.S.-International Air Pax (Millions)



Change (%) vs. 2019 in U.S.-International Air Pax



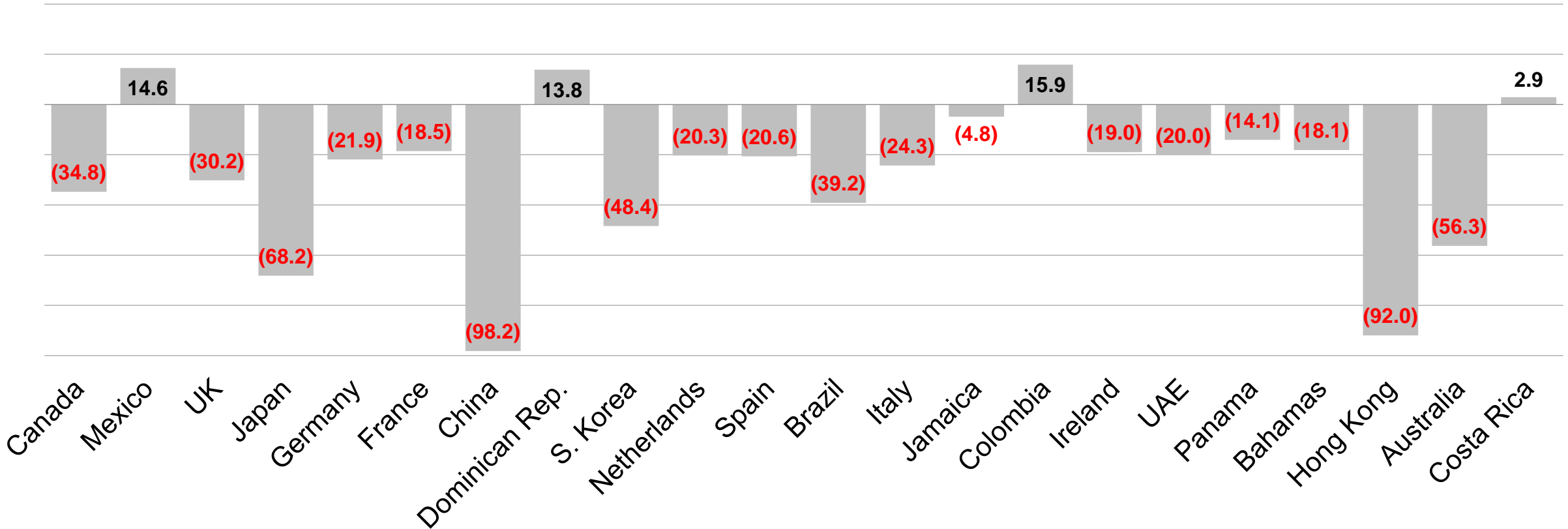
Source: U.S. Department of Commerce National Travel and Tourism Office using DHS I-92 / APIS data

* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines and general aviation

U.S.-Colombia/Mexico/D.R./Costa Rica Led the U.S.-International Air-Travel Recovery in 2022

Top U.S. Country Pairs: Change (%) in Passengers* — 2022 vs. 2019

Sorted left to right by highest volume in 2019



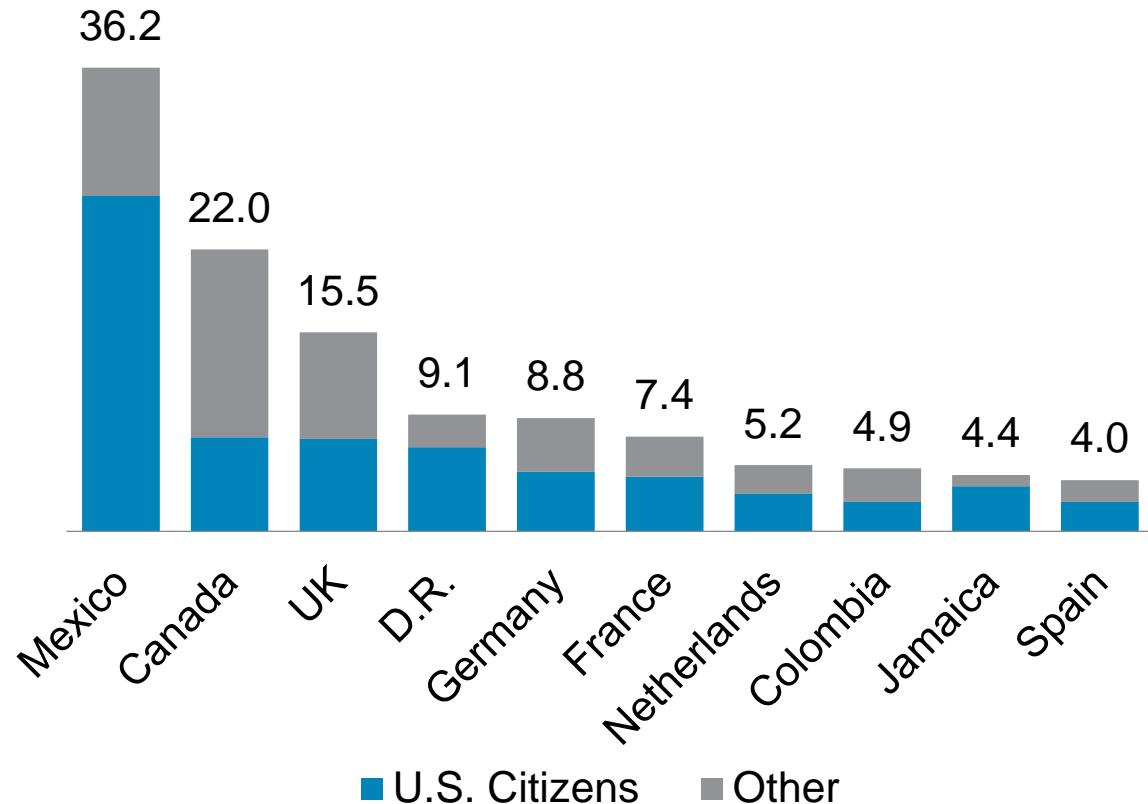
Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines and general aviation

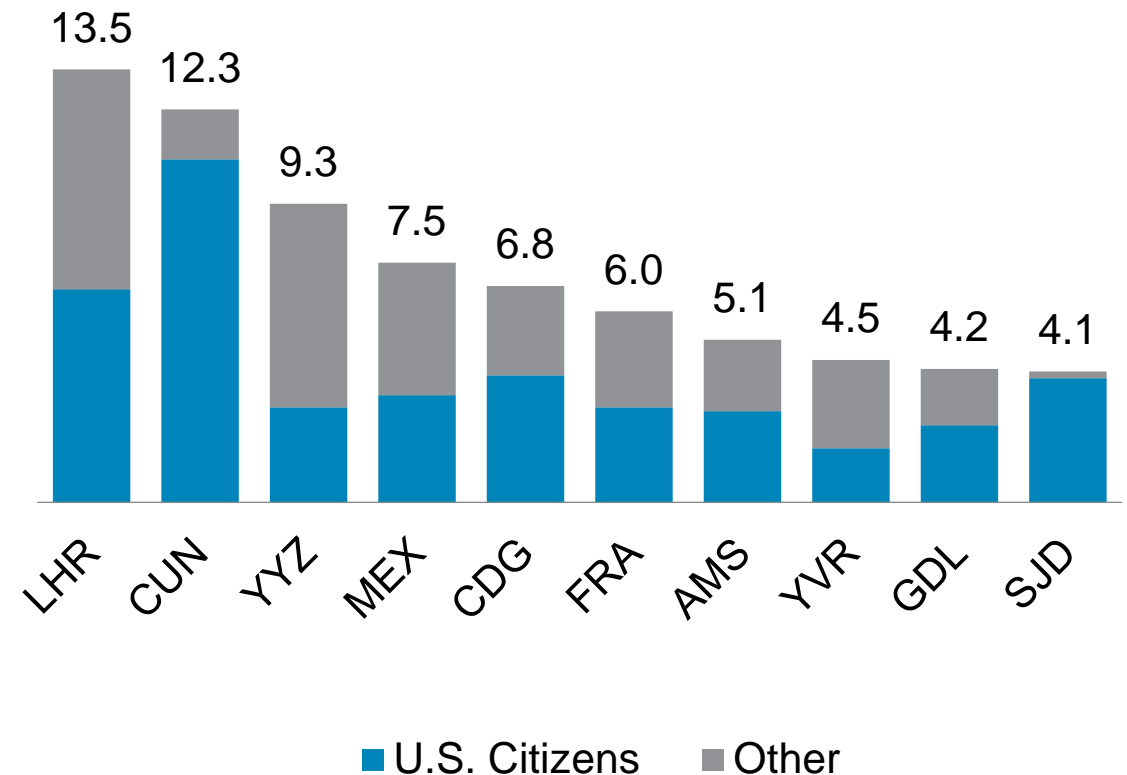
U.S.-Mexico Led in Gateway-to-Gateway U.S.-International Air Passenger Volume in 2022

London Heathrow (LHR) Led All Foreign Airport Gateways to/from the United States

**Top U.S. Country Pairs, 2022
Passengers* (Mils)**



**Top Foreign Gateways, 2022
Passengers* (Mils)**

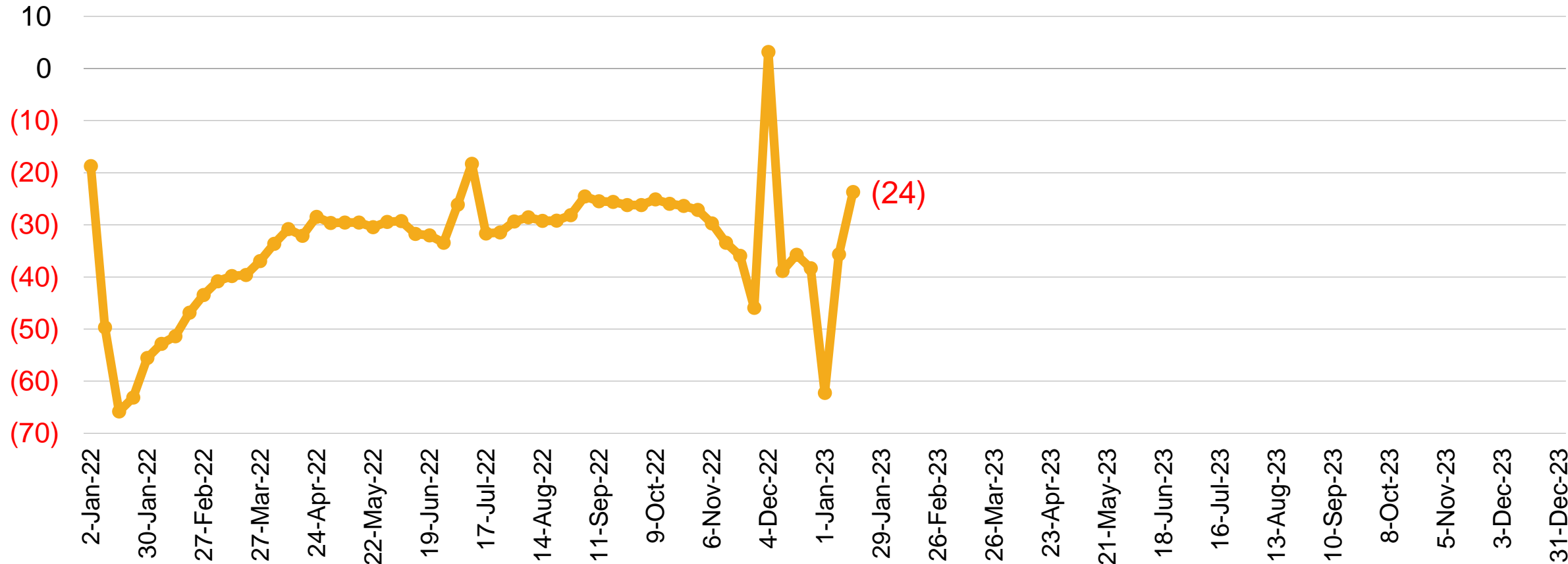


Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines and general aviation

Volume of Corporate Ticket Sales Remains Well Below 2019 Levels

Change (%) vs. 2019 in Corporate-Segment Weekly Tickets Sold* by U.S. Travel Agencies

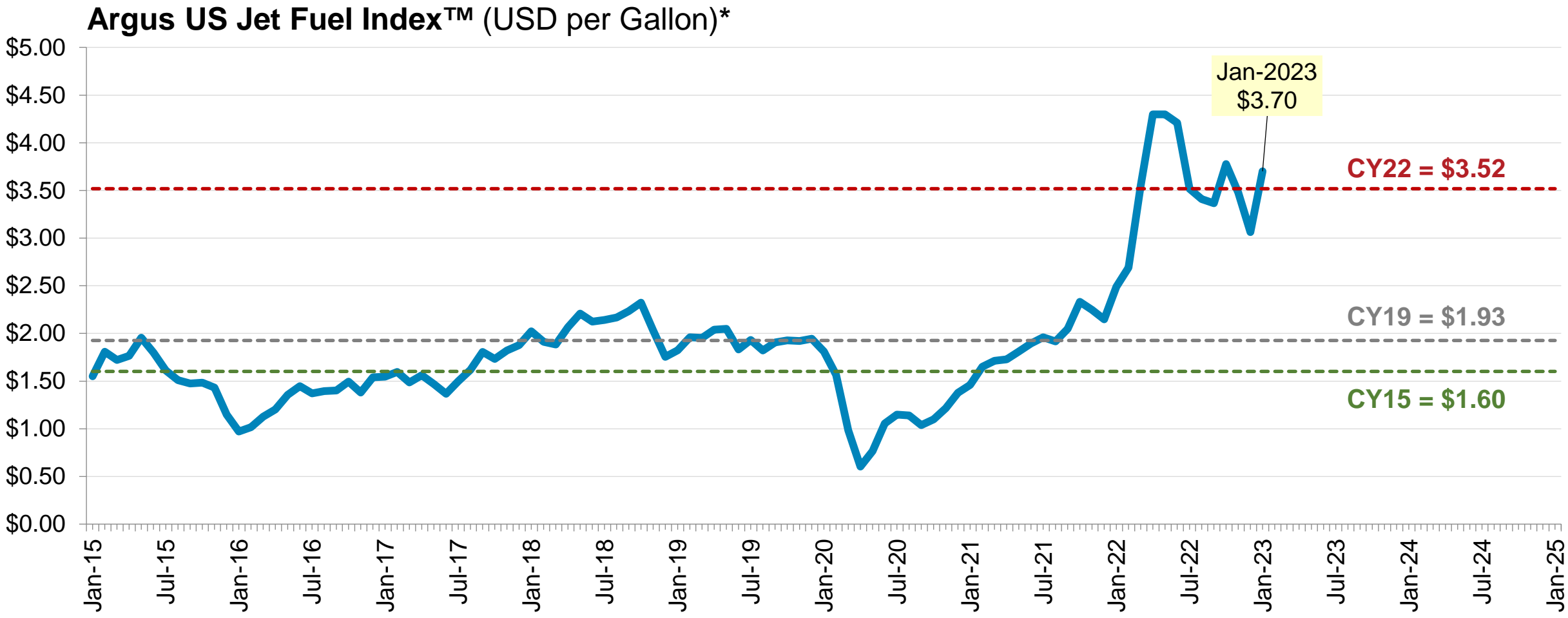


Source: Airlines Reporting Corporation (ARC)

* Results are not net of refunds or exchanges; "corporate" = agencies that primarily help companies organize travel arrangements for their employees.

Jet Fuel Proved a Fierce Cost Headwind in 2022 and Is Running Higher in Jan. 2023

Nationwide Spot Price Averaged \$3.52 — Up 83% From 2019 and 120% From 2015



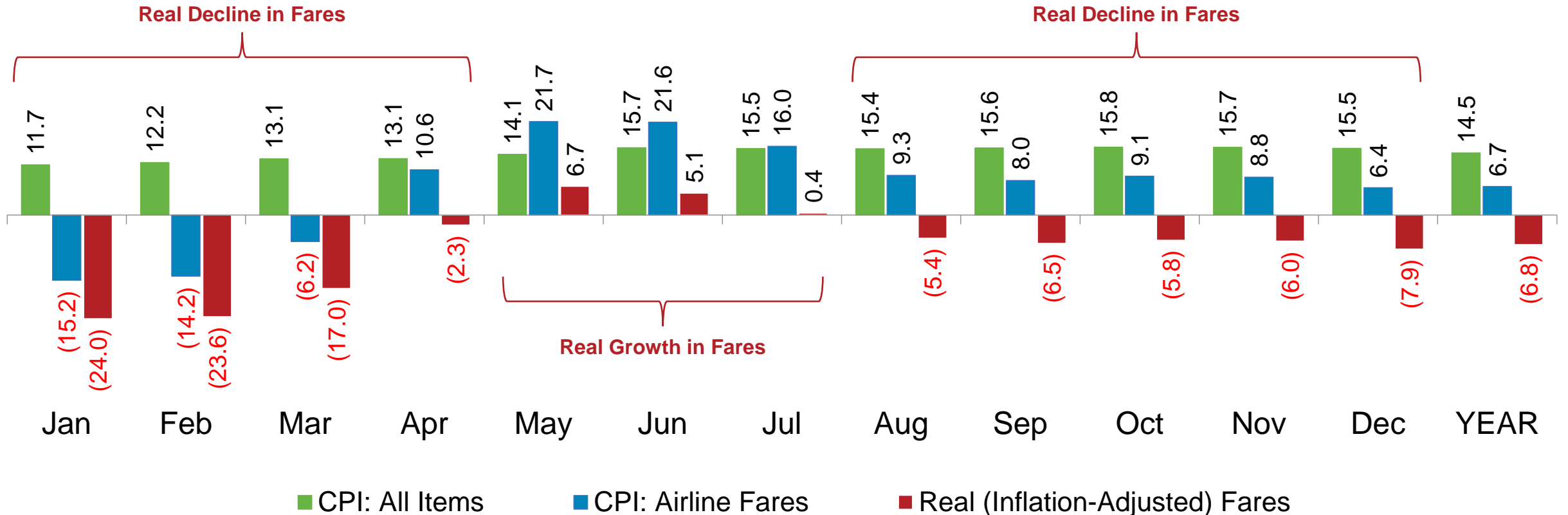
Sources: Argus Media as noted at <https://www.airlines.org/dataset/argus-us-jet-fuel-index/>

* Argus daily simple-average jet-fuel price for Chicago, Houston, Los Angeles and New York

In 2022, Adjusted for Inflation, Airline Fares *Fell* 6.8% From 2019

Overall U.S. Inflation of 14.5% From 2019 *Outpaced* the 6.7% Nominal Uptick in Airline Fares

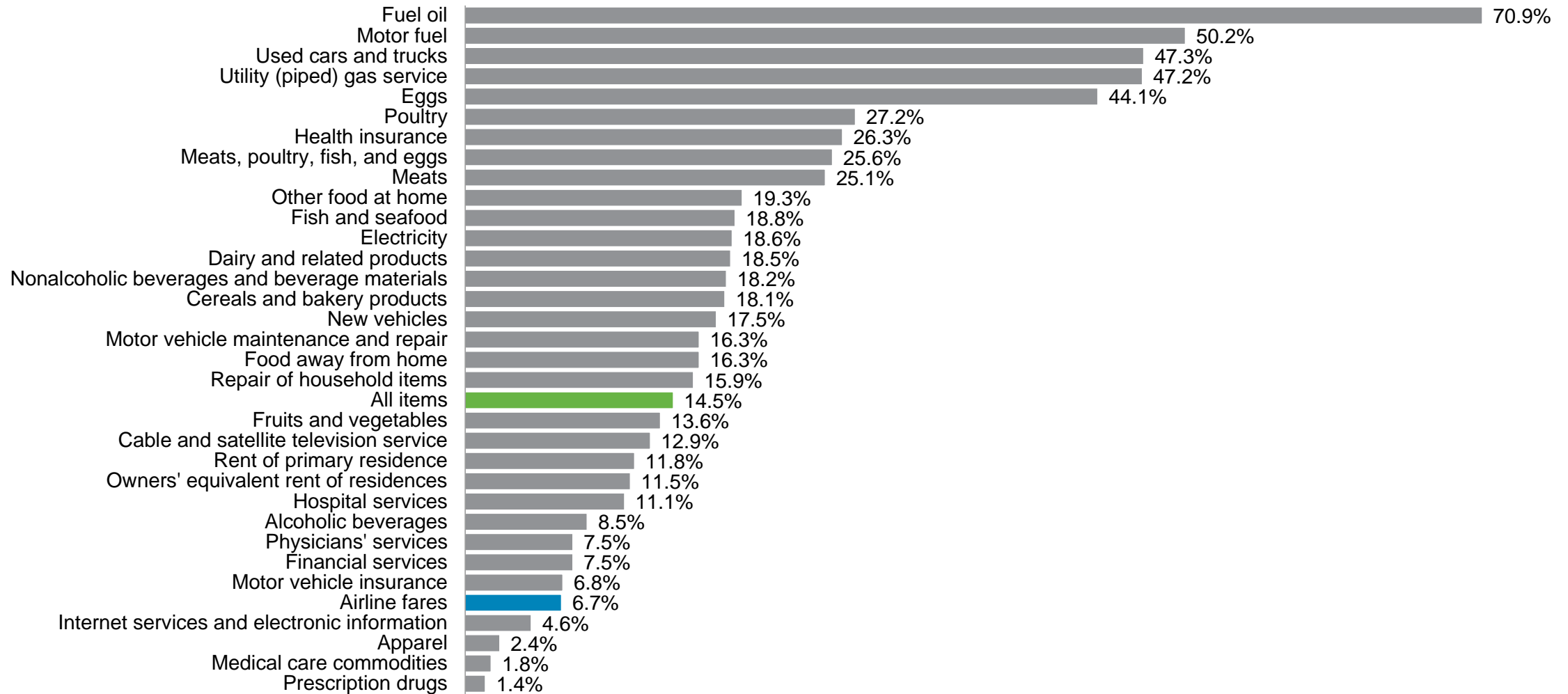
Change (%) in U.S. Consumer Price Index (CPI) — 2022 vs. 2019



Source: Bureau of Labor Statistics (CPI series CUSR0000SETG01 and CUUR0000SA0); for information on the BLS methodology for "airline fares," see <https://www.bls.gov/cpi/factsheets/airline-fares.htm>

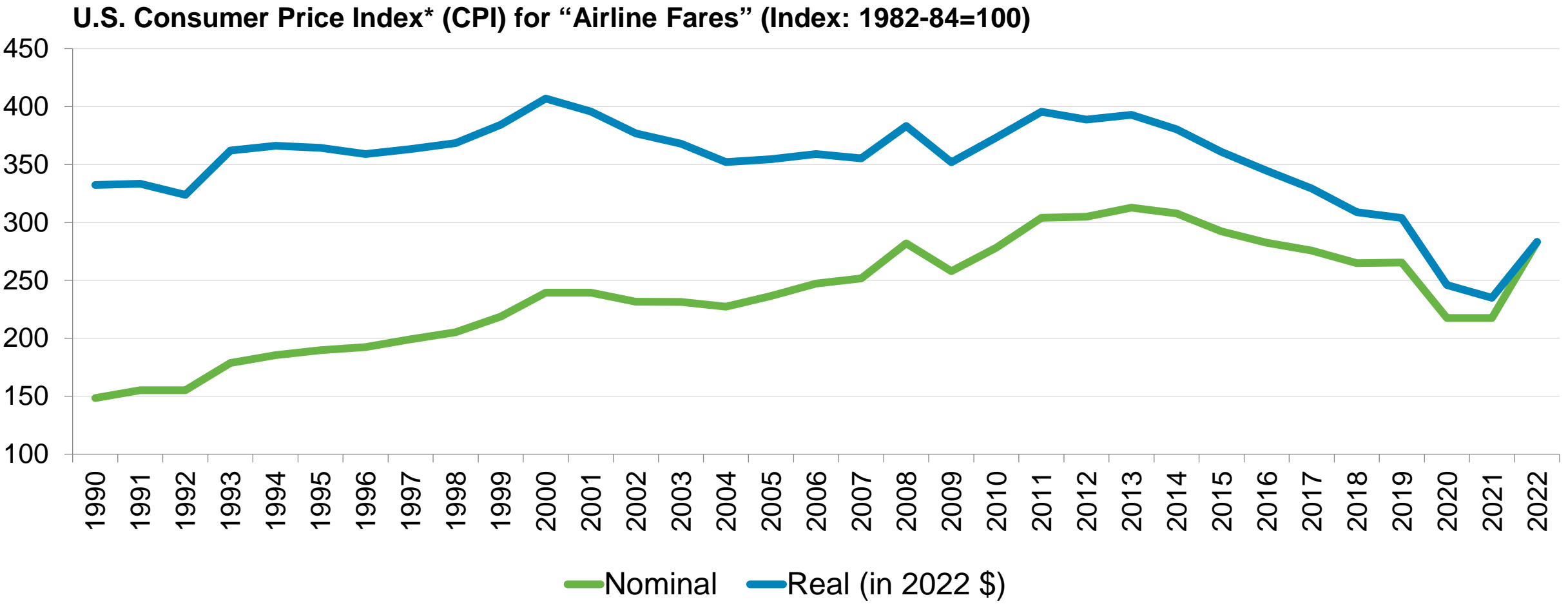
From 2019 to 2022, the Overall Consumer Prices Rose 2.2x Faster Than Airline Fares

Change in U.S. Consumer Price Index (CPI) — 2022 vs. 2019



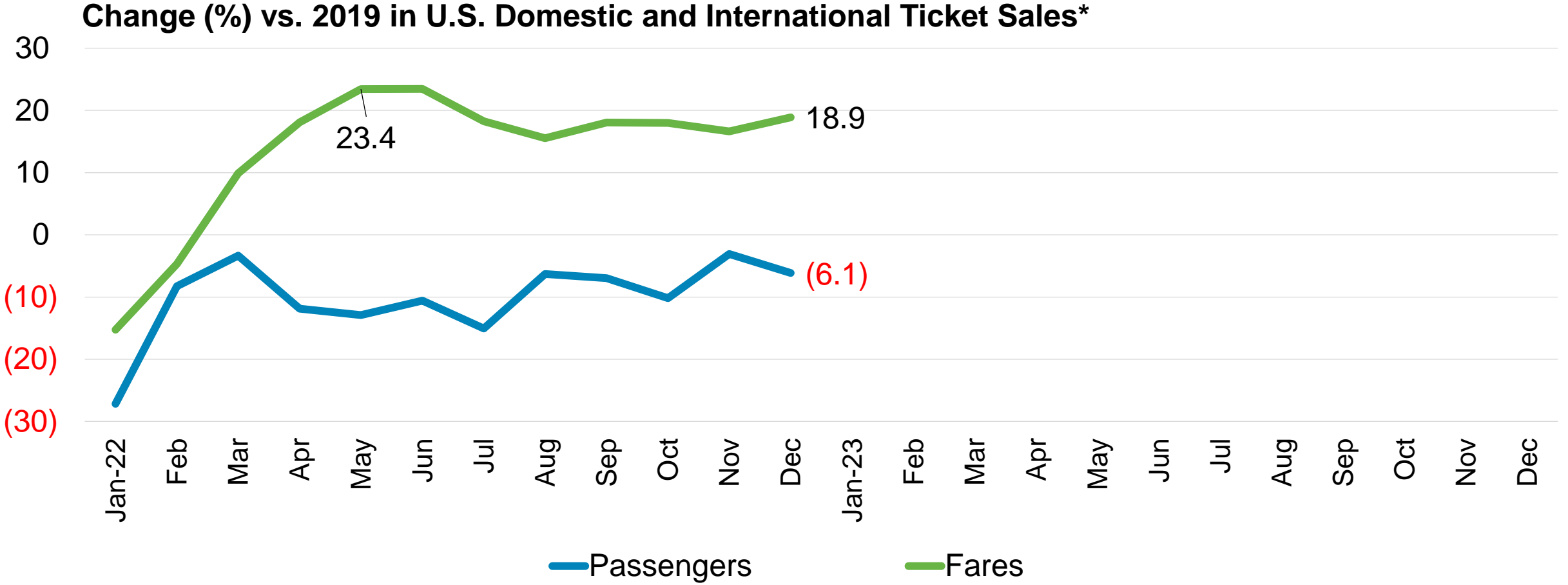
Source: Bureau of Labor Statistics

Excluding 2020-2021, the 2022 Inflation-Adjusted “Airline Fares” CPI Was an All-Time Low
In 2022, Adjusted for Inflation, Airline Fares Fell 6.8% From 2019



Source: Bureau of Labor Statistics (CPI series CUSR0000SETG01 and CUUR0000SA0); for information on the BLS methodology, see <https://www.bls.gov/cpi/factsheets/airline-fares.htm>

Fare Growth Has Subsided Materially From the May 2022 Peak



Source: A4A analysis of data from Airlines Reporting Corporation (ARC)

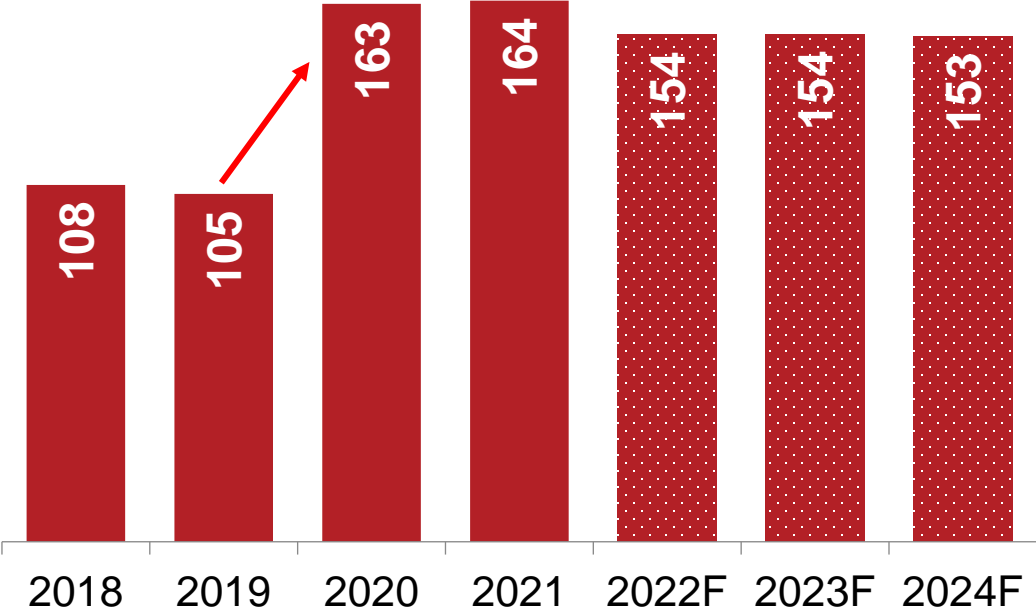
* Net tickets (gross sales minus refunds) for travel to/from U.S. airports

Airlines Have Coped in Part by Taking on Enormous Debt, With Heavy Cash Outlays for Interest

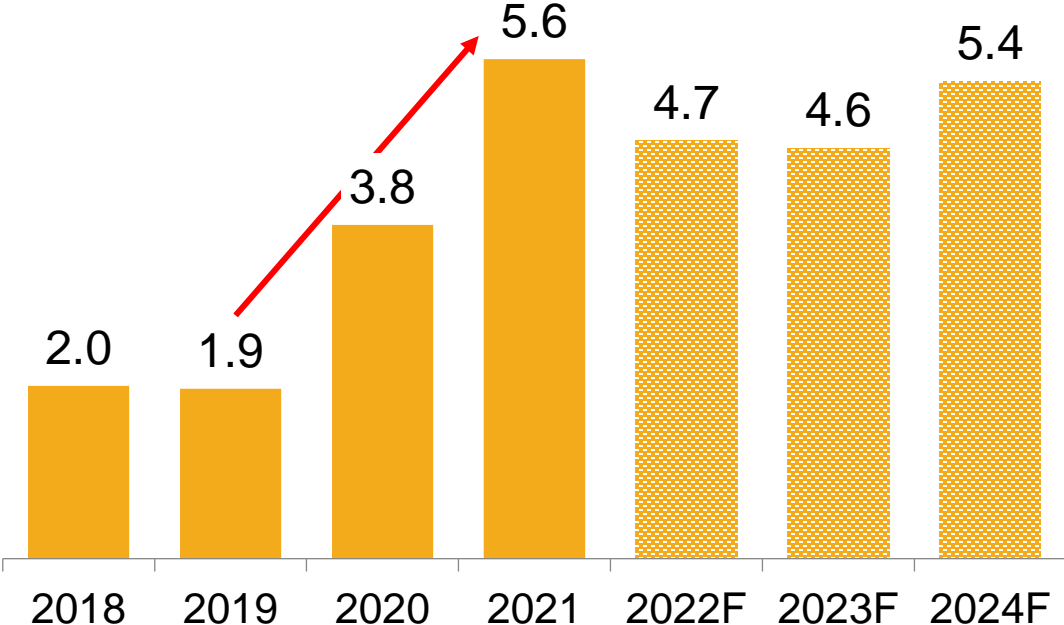
Net Interest Expense Tripled From 2019 to 2021 and Is Expected to Approach \$15B in 2022-2024

“For 2021 and beyond, we anticipate a major deleveraging cycle as **the industry will have no choice but to address its significant debt load.**” (Deutsche Bank, “Airline Industry Update,” July 1, 2020)

Year-End Total Debt (\$ Billions)



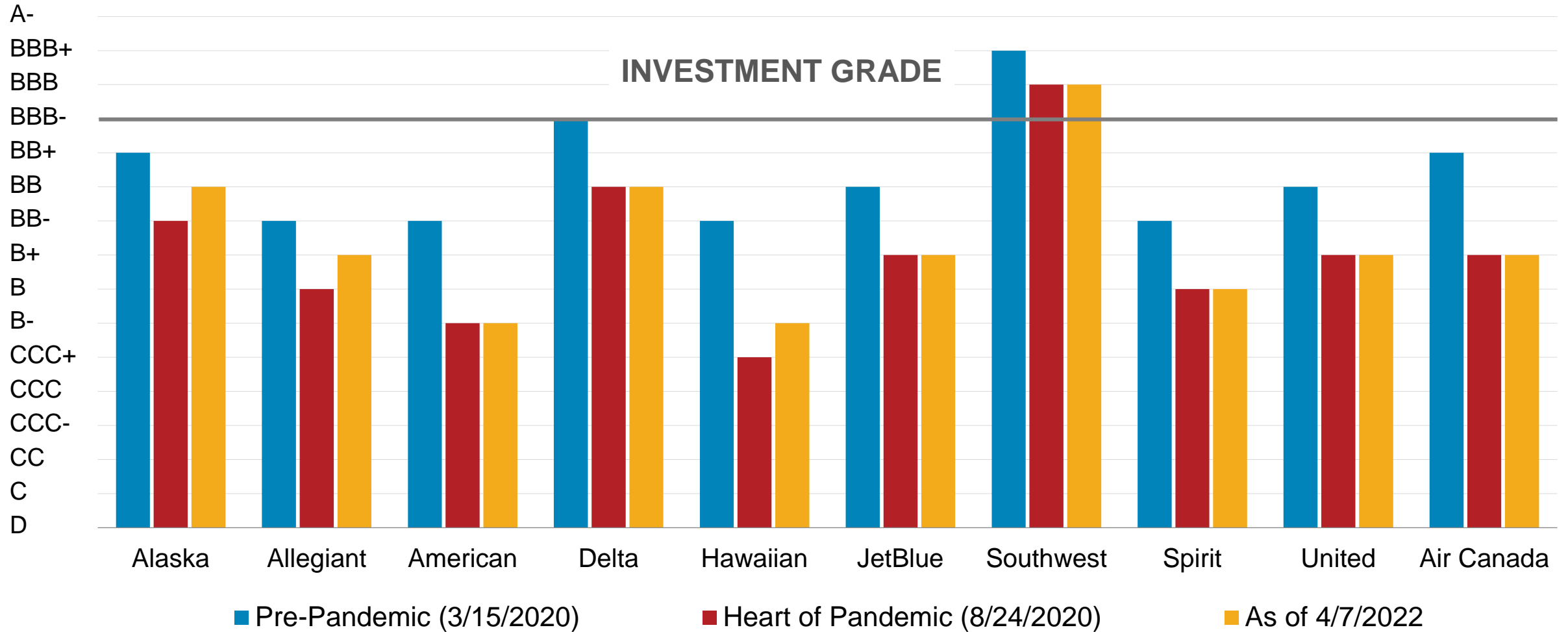
Interest Expense, Net (\$ Billions)



Source: A4A, equity analysts and filings of Alaska, Allegiant, American, Delta, Hawaiian, JetBlue, Southwest, Spirit and United

Since the Recovery Began, S&P Has Raised Its Ratings on Alaska/Allegiant/Hawaiian

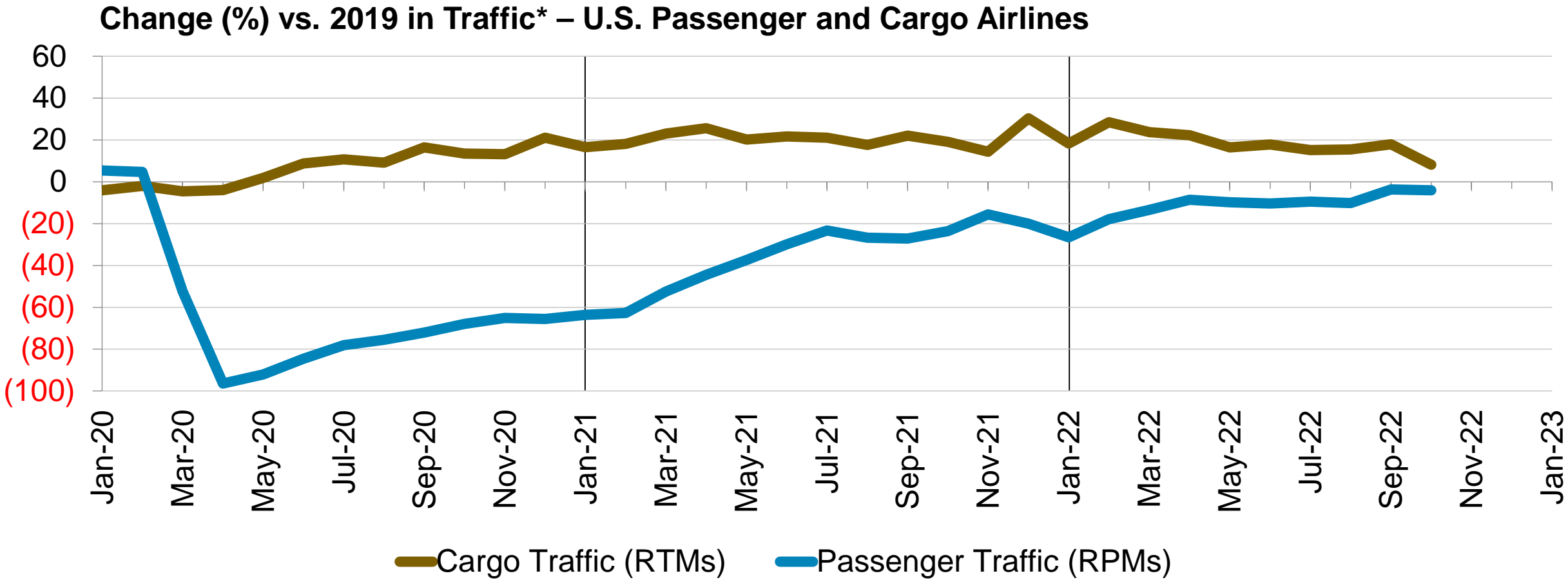
Ratings Actions Reflect Assessment of Financial Condition and Risk



Source: Standard & Poor's issuer ratings for publicly traded U.S. and Canadian carriers in its coverage universe

For U.S. Airlines, Growth in Air Cargo Continues to Outpace Air Travel by a Large Margin

Jan-Oct 2022 vs. Jan-Oct 2019: Cargo Traffic Rose 18%, Passenger Traffic Down 11%



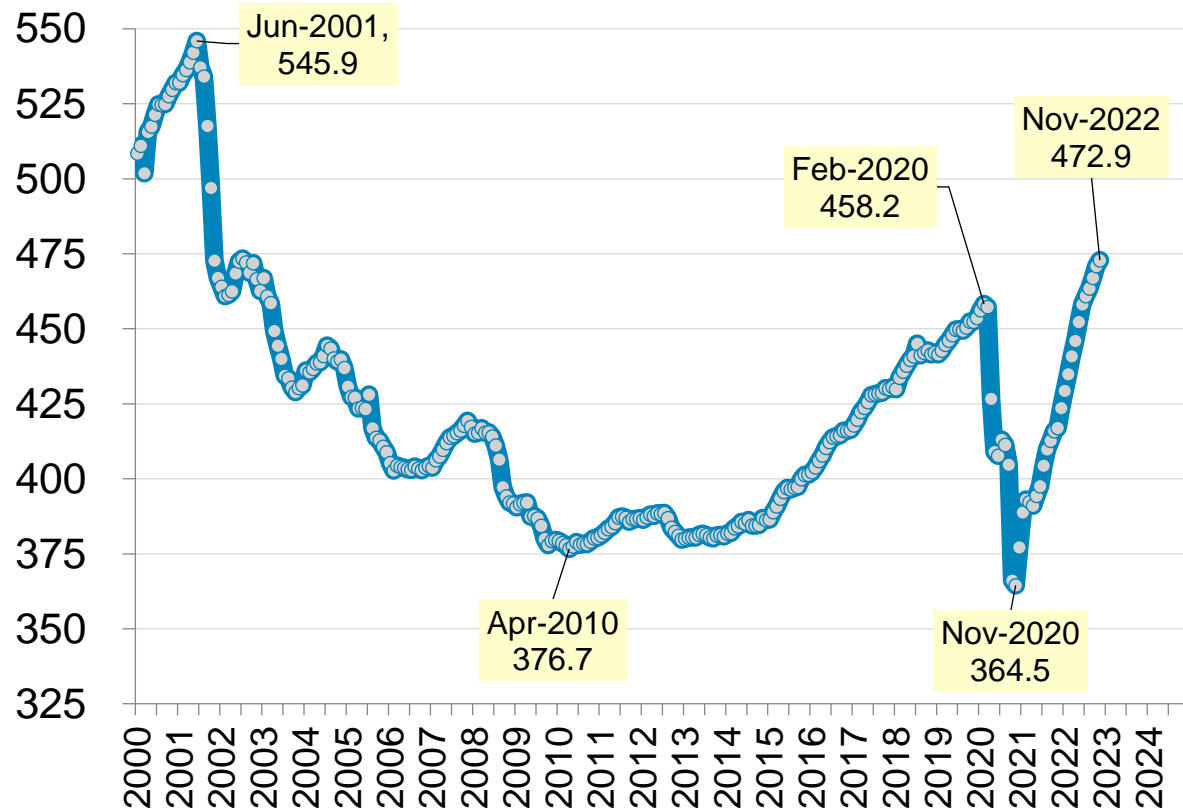
Sources: Bureau of Transportation Statistics T1 for all U.S. airlines providing scheduled and nonscheduled services

* RTMs = freight, mail and express revenue ton miles; RPMs = revenue passenger miles

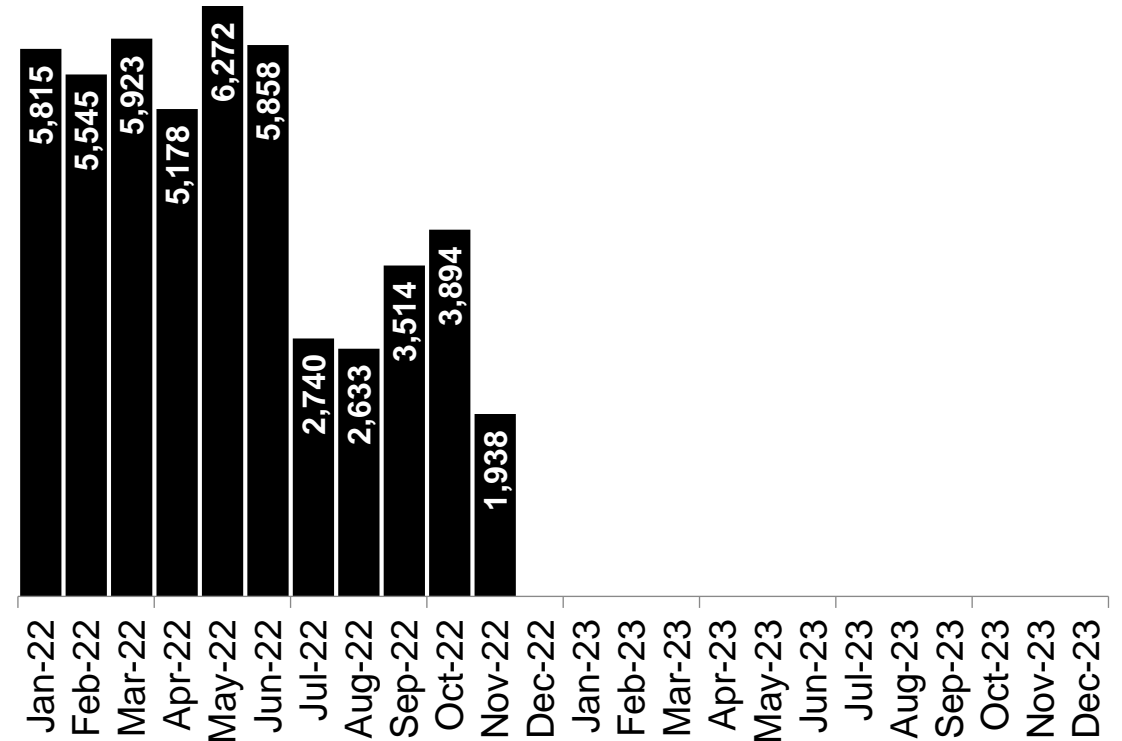
In November, U.S. Passenger Airlines Employed the Most FTEs in 20 Years

In 2022, the Industry's Workforce Grew by ~4,500 FTEs per Month (~5,800 in 1H, ~2,900 in 2H)

U.S. Passenger Airline Full-Time Equivalent* Employees (000s)



Month-Over-Month Net Growth in FTEs



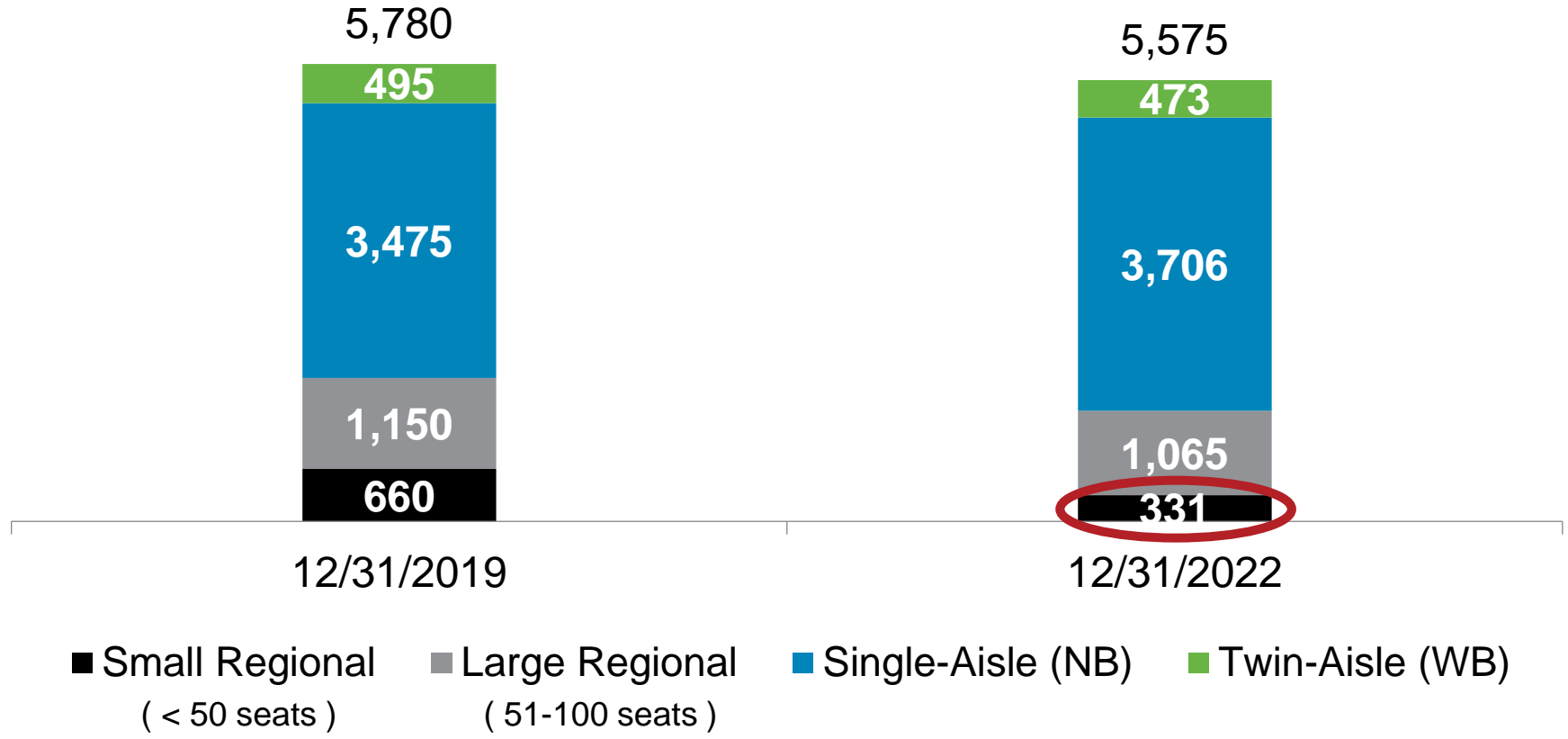
Source: Bureau of Transportation Statistics for scheduled U.S. passenger airlines (i.e., all that report scheduled passenger revenue)

* Full-time equivalents (FTE) = full-time workers plus 0.5 * part-time workers

U.S. Passenger Airlines' Active Fleet Is Just 4% Smaller Than at End of 2019

But They Are Operating Only Half as Many Small Regional Aircraft

Number of Active Aircraft*



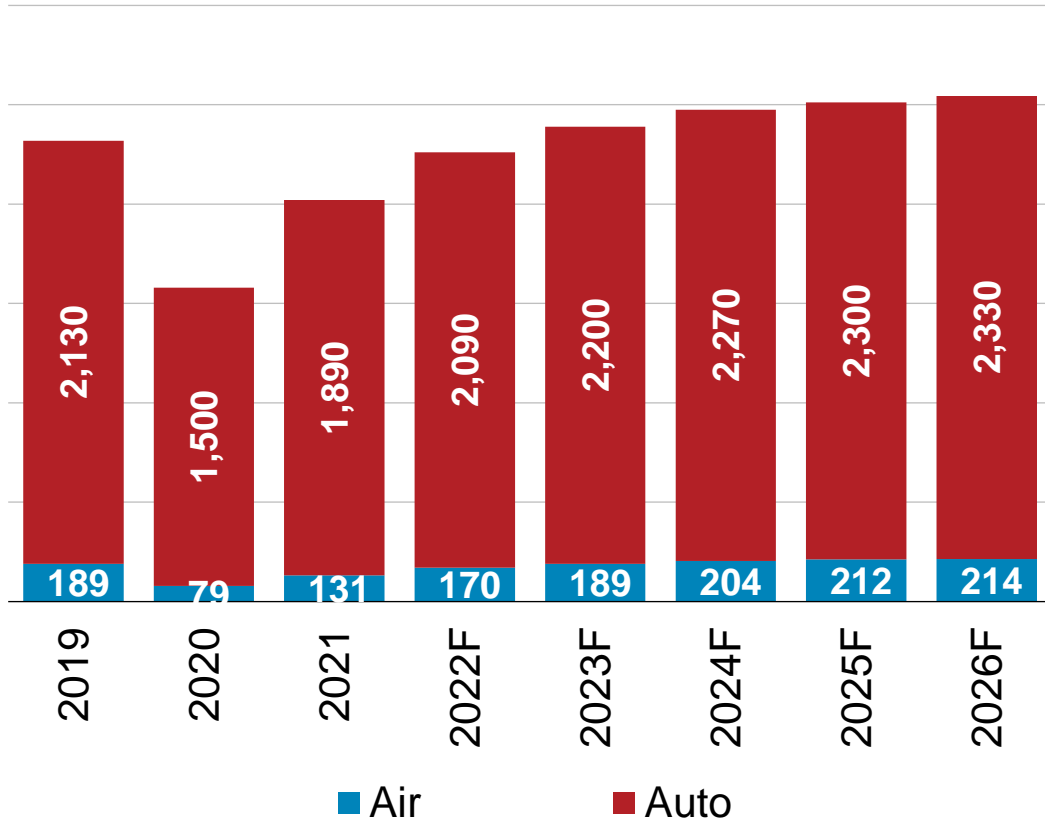
Source: Anuvu (formerly Global Eagle masFlight)

* Operated by or on behalf of Alaska/Allegiant/American/Delta/Frontier/Hawaiian/JetBlue/Southwest/Spirit/Sun Country/United in any of the previous seven days

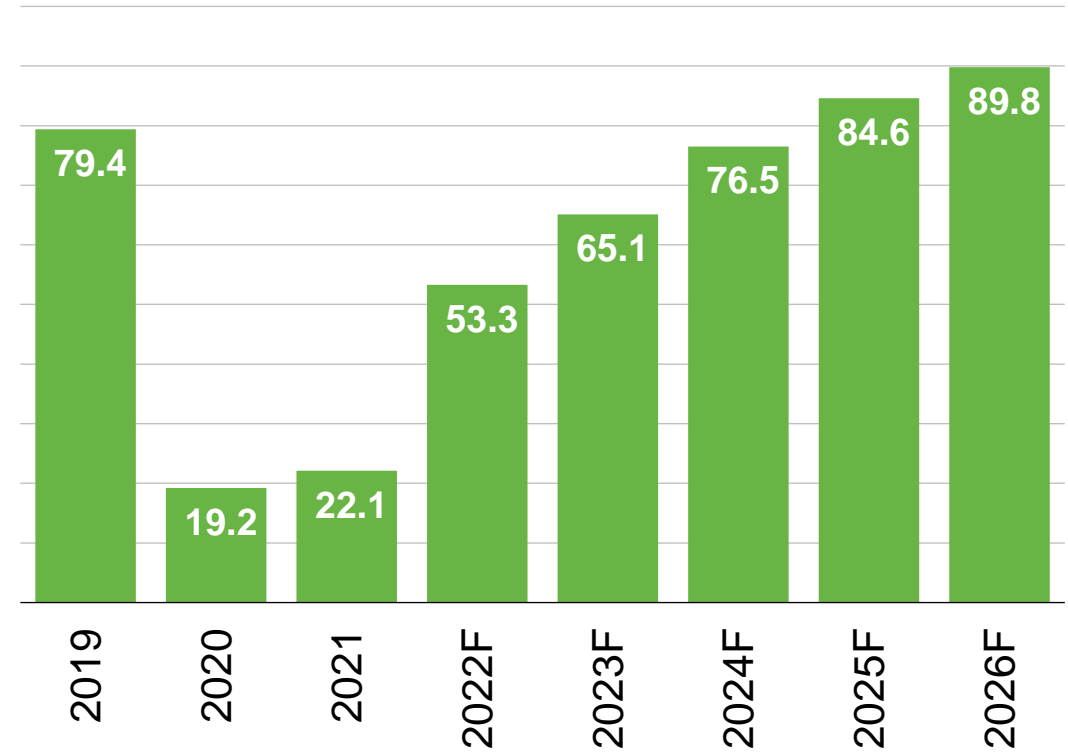
The U.S. Travel Association Projects Domestic Air Trips to Recover by 2023

Recovery of International Arrivals Delayed Until 2025

U.S. Domestic Person-Trips* (Millions)



International Arrivals* (Millions)

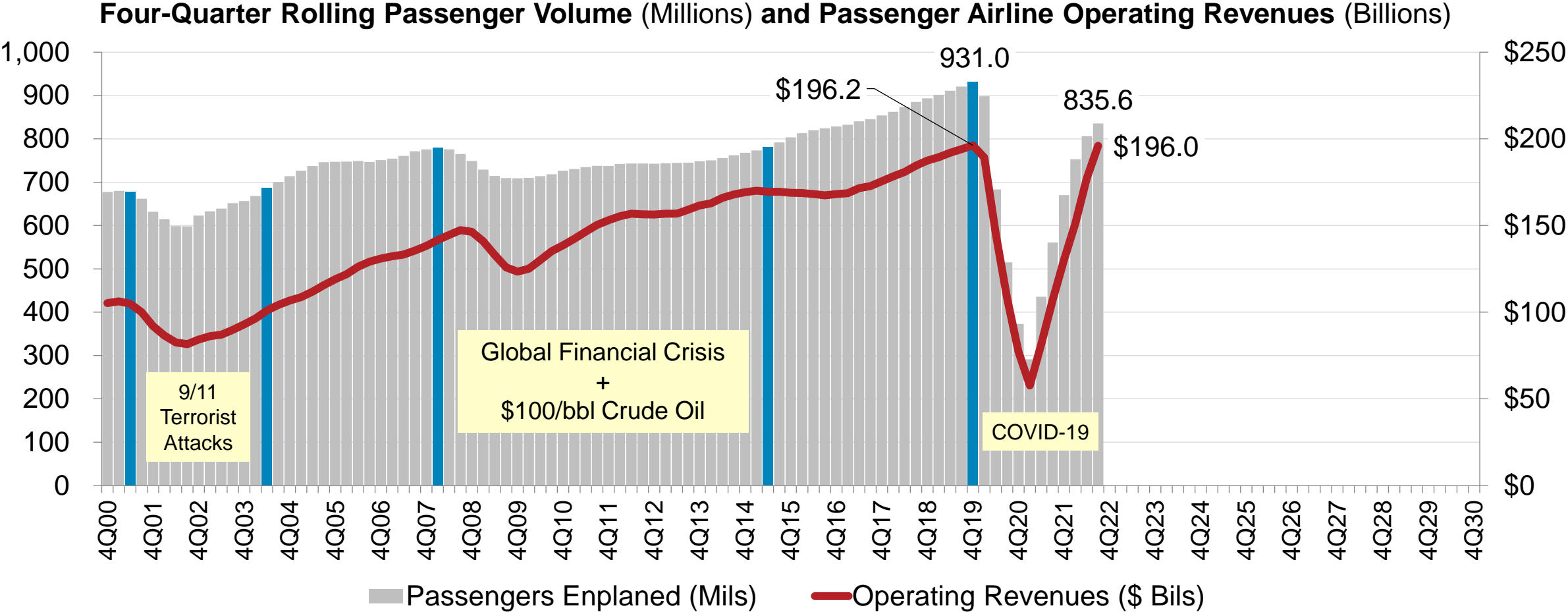


Sources: Tourism Economics and U.S. Travel Association (June 16, 2022)

* Includes air and non-air travel

After 9/11 and the Global Financial Crisis, It Took Years for Air-Travel Demand to Recover

Passenger Volumes Took More Than Seven Years to Recover From the Financial Crisis/Oil Spike



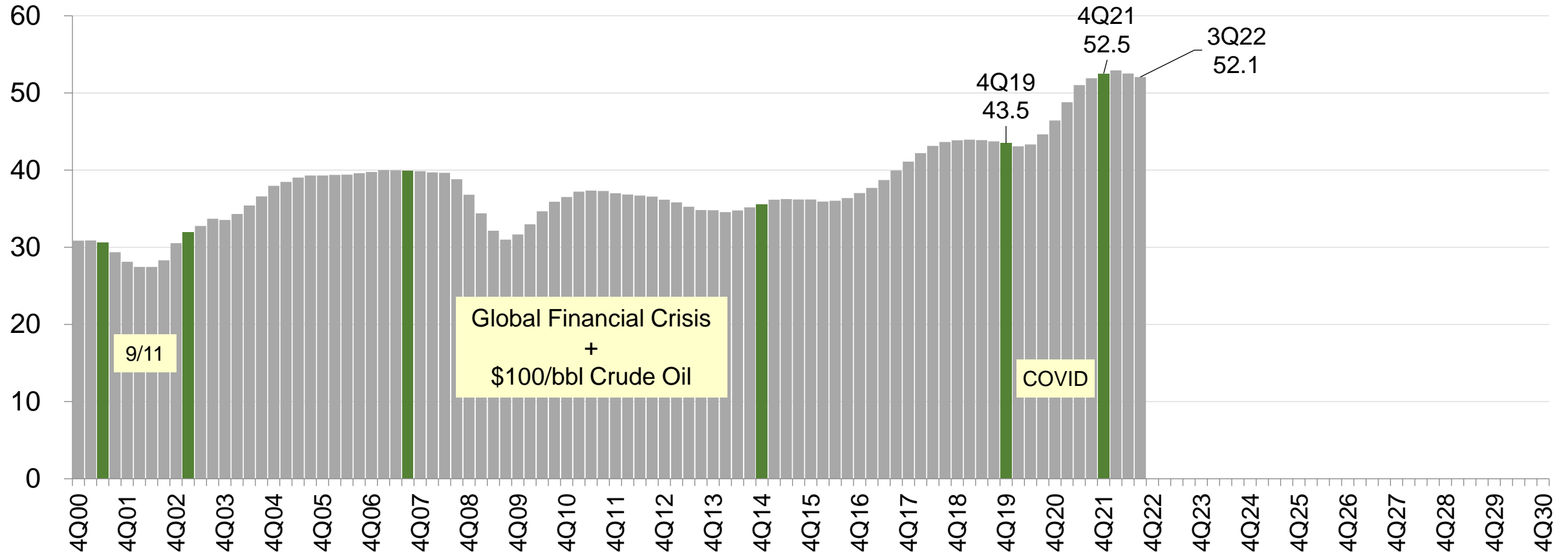
Source: A4A Passenger Airline Cost Index, BTS (Form 41 Schedule T1)

* Passengers enplaned systemwide on U.S. airlines in scheduled and nonscheduled services

Air-Cargo Demand Reached an All-Time High in 2021 But Subsided in 2022

Air Cargo Had Taken 10 Years to Recover From the Global Financial Crisis and Subsequent Oil Spike

Four-Quarter Rolling Air Cargo Revenue Ton Miles* (Billions)



Source: Bureau of Transportation Statistics (Form 41 Schedule T1)

* Cargo revenue ton miles (RTMs) flown on U.S. passenger and cargo-only airlines in scheduled and nonscheduled services



Airlines for America[®]

We Connect the World