

Avolon estimates global traffic will reach pre-pandemic levels by June of this year



Avolon, an international aircraft leasing company, published a paper today that estimates global traffic will reach pre-pandemic levels by June of this year.

After a 70 percent recovery in passenger traffic last year led by recovery in Europe and North America, the January 16 release said, Asia will drive growth in 2023, helped by the recent reopening of air travel in China. “For every two seats of airline capacity added in the world today one is in Asia.”

The traffic recovery brought the industry back to the brink of profitability in 2022, after combined sector losses of \$180 billion in 2020 and 2021. A profit of C \$4.7 billion is forecast for 2023 as recovery continues.

“Aviation has demonstrated its resilience and is ready to thrive having come through a pandemic-driven two-thirds drop in traffic,” Andy Cronin, CEO of Avolon said in the release. “Airlines, manufacturers, and lessors share an ecosystem that creates opportunities for all but requires collaboration to overcome key challenges including a higher interest rate environment, limited aircraft availability and the need to make further progress on decarbonization goals.”

Avolon’s 2023 Outlook: Climb to Cruise paper, available [here](#), reviews trends in the sector for airlines, manufacturers, and lessors. Key findings include:

- Airlines’ financial recovery is ahead of capacity recovery: while air traffic is still 25 percent

below 2019 levels, revenues are just 13 percent lower as airlines flex their pricing power and raise fares. Demand for travel is no longer the constraint to recovery, but airlines' capacity to put planes in the air.

- Delivery delays have become endemic and an aircraft shortage is emerging given the lost production of 2,400 planes that had been planned but were not built due to the pandemic. As traffic flows rebound, the absence of new aircraft is increasing supply tension, supporting long-term residual values.
- Airlines have shrunk their owned fleets by 3 percent since 2019, whereas lessors have grown theirs by 17 percent and now manage 53 percent of the global passenger fleet by value.
- Aviation needs to make greater progress in addressing concerns about its long-term environmental impact. Sustainable Aviation Fuel (SAF) production tripled in 2022 but still represents only 1 percent of the amount hoped to be produced in 2030. Lifting SAF production to 10 percent of jet fuels will require \$250 billion in investment and collaboration between all industry stakeholders.

The paper was co-authored by Avolon's Chief Risk Officer, Jim Morrison, and Head of Counterparty Risk & Sustainability, Rosemarie O'Leary.