

# A Return to Profitability



# We have good news for the aviation industry.

After three years of contraction and decreased growth because of the COVID-19 pandemic, experts are predicting that the market will return to profitability and continue to grow in 2023.

In this report, we look at an overview of the current market for airlines, the trends behind the return to profitability, and a couple of the ways that airlines can drive cost savings while meeting constantly-changing customer expectations.



## 2023 Aviation Market Overview

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Members of the aviation industry started to report a more optimistic outlook in 2022. The industry experienced losses of \$42 billion in 2021 and \$137.7 billion in 2020, followed by a [lower projected loss](#) of \$6.9 billion in 2022. In July 2022, [the International Air Transport Association \(IATA\) forecast](#) a net profit of \$4.7 billion for 2023, meaning that this year could mark the global airline industry's first profitable year since 2019.

What's fueling the growth?

In part, travelers are returning to the skies. Passenger demand is expected to reach 85.5% of 2019 levels over 2023, [according to a report](#) released by IATA, with North America posting the greatest profit. The United States and Europe benefited from accelerated reopenings and loosened pandemic-related restrictions in 2021 and 2022, according to [Avolon's 2023 Airline Outlook](#). In 2023, though, the report predicted that economies in Asia Pacific looked the strongest, with Asia taking the growth lead in speed of recovery over North America and Europe.

**85.5%**

of 2019 demand  
expected in 2023

**\$4.7b**

expected net  
profit in 2023

**12.3%**

YOY expected  
market growth

## Positive Short- and Long-Term Growth Rates

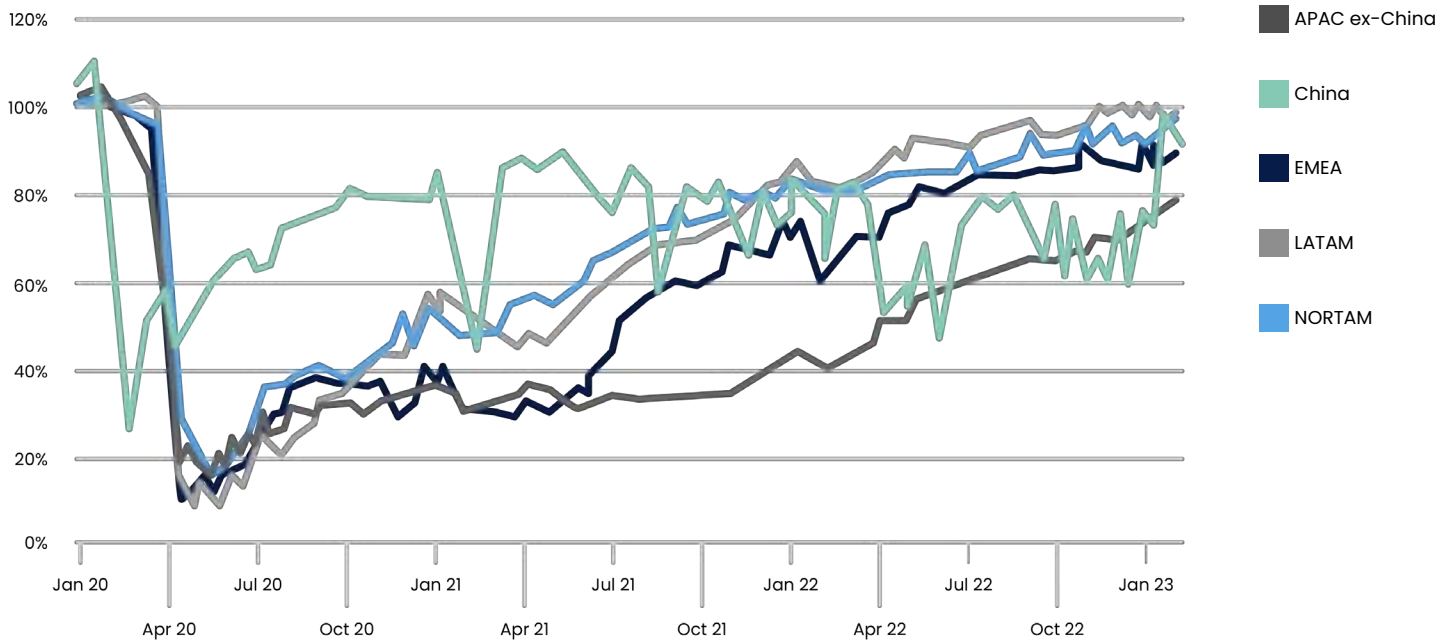
The airline industry's recovery and growth look promising beyond 2023. The global aviation analytics market was valued at \$2.5 billion in 2021, according to market research released by Polaris, and is expected to grow at a compound annual growth rate (CAGR) of 12.3% during the forecast period of 2018-2030. The demand for aviation analytics, which can automate airline processes, reduce costs, and

improve passenger and crew experience, are expected to drive market growth.

In addition to a higher growth rate of passenger demand, Asia Pacific is also expected to see faster growth because of better operational and cost-effectiveness, and better consumer experience.

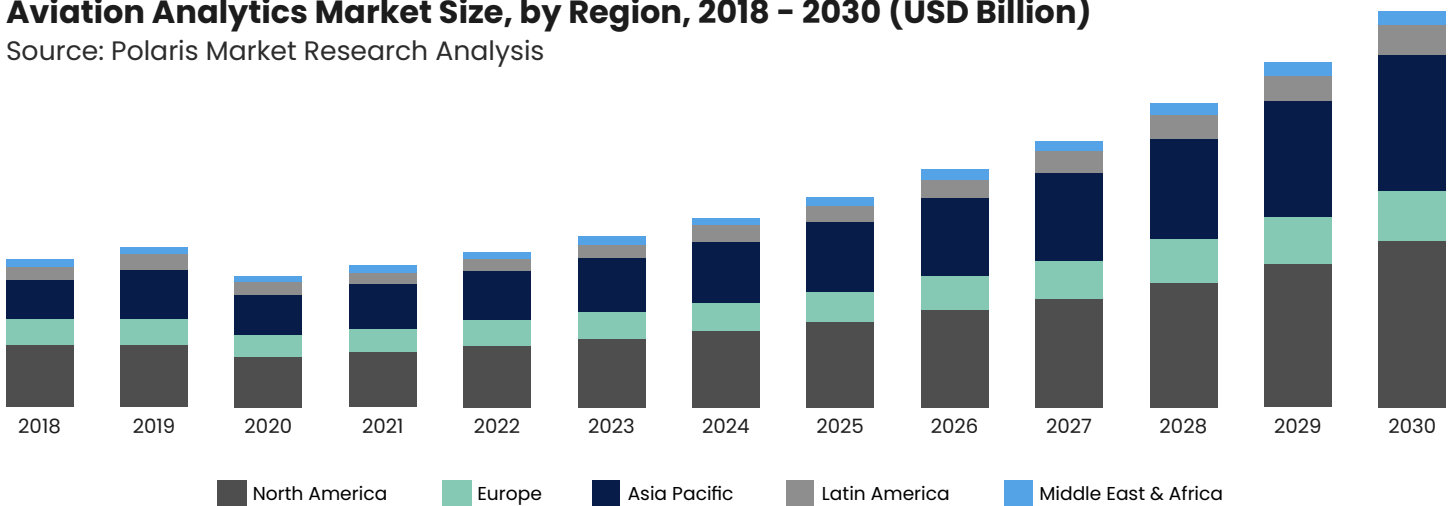
## Regional Airline Capacity Recovery Trends

Source: Avalon



## Aviation Analytics Market Size, by Region, 2018 - 2030 (USD Billion)

Source: Polaris Market Research Analysis



## Trends Backing the Return to Profitability

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As they continue to recover from the impact of the COVID-19 pandemic, airports can accelerate recovery by adjusting business models and embracing digitalization, according to a [report by global intralogistics company](#) BEUMER Group. The report found that global domestic passenger traffic will return to 2019 levels by late 2023, but global international passenger traffic may take an additional year to recover, returning to 2019 levels by the second half of 2024.

### Digitalization

By gathering real-time data and using analytical tools, airlines and airports can gain insights that support decision making across organizational units and optimize capacity, according to the BEUMER Group report. Airlines are investing more in IT solutions, with IT spend reaching 4.73% of airline revenue in 2022 compared to 4.66% in 2021, [SITA's 2022 Air Transport IT Insights report](#) found. The same report from SITA noted that 93% of airports expect overall IT expenditures to grow, with these solutions enhancing services even in the face of staffing shortages, increased passenger traffic, and economic and environmental influences.

These actual and projected increases in IT and digital investment demonstrate that members of the aviation industry recognize that to give customers a better — more streamlined, predictable, and mobile — experience, it's necessary to [invest in new technology](#).

"Imagine losing 90% of your passengers and once they start to come back, you have lost at least 30% of your staff," said Per Engelbrechtsen, business development director at BEUMER Group. "That is the essence of the summer of 2022."

As airports and airlines recover, it's crucial for both to recognize the industry's — and passengers'—changing needs and expectations.

### Business and "Bleisure" Travel

In addition to expecting more digital and mobile tools, [aviation industry commentators](#) are also finding that "bleisure" travel, or the combination of business and leisure travel, may remain popular in 2023. When the pandemic halted in-person meetings and business trips, many employees shifted to working from home. As restrictions loosen and business travel returns, though, these same employees are extending their work trips, combining them with a couple of extra days to sightsee and enjoy time away from home.

Airlines and airports may also need to consider how to meet the needs of the returning numbers of business travelers. Some airlines are getting rid of their first-class cabins on international long-haul flights to add more business-class seats, and data shows that vacation routes, like Atlanta to Orlando, have more seats now than business routes, such as New York to Los Angeles.

## Controlling Costs as Profits Return

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TA Connections, the airline industry's leading source for end-to-end operational management, understands that it's difficult to meet passenger demand and expectations as the industry returns to profitability. We provide cost-saving hotel and transport bookings for crews, a proactive disruption system for passengers, and mobile solutions that empower crews and improve airport processes. Transform your operations and reduce costs with our [Intelligent Applications suite](#).