Review of 2023

Three years after the start of the COVID-19 pandemic, its repercussions continued to be felt across the industry in 2023. Consumer spending continued to rebalance out of goods and into services, supporting demand for travel. Geographically, however, the reopening of countries across the Atlantic meant that demand surged there instead of in domestic markets as had happened the previous year. Although the Pacific region did not experience the same surge, it did see gradually increasing traffic. Another post-pandemic shift that continued was greater consumer preference for seats towards the front of the aircraft. Customers displayed a willingness to pay higher fares for these premium seats, whether preferred seating, premium economy, business or first class. On the capacity supply side, supply chain disruptions had still not dissipated, restraining the manufacture and delivery of new aircraft. In addition, some new headwinds emerged such as manufacturing missteps that impeded deliveries and operations. Nevertheless, carriers added capacity aggressively and by the end of the year, in many cases, found that excess capacity was suppressing yields and the ranks of new employees were depressing productivity. Demand for air travel was sufficiently strong, however, to boost industry profitability and that of individual carriers that could satisfy the evolving customer preferences.

Air cargo activity pulled back from the boost it received during the pandemic, consistent with the normalization of consumer spending from goods back into services. The general aviation segment saw growth in aircraft deliveries, although total flight hours were little changed from the year before. UAS activity grew solidly, and commercial space launches surged in 2023, both of which had expanded in 2022.

U.S. commercial passenger activity started the year within 5 percent of 2019 levels and by spring had achieved parity with 2019 levels. TSA checkpoint throughput increased from about 5 percent below 2019's level to about 3 percent above by the end of the year. The main source of strength throughout the year was from leisure travelers, with a surge in the summer driven by a pick-up in the Atlantic region, adding it to the domestic and Latin destinations that by the end of the year, exceeded 2019 levels. In the business segment, activity increased as many employees began to return to the office on a more regular basis and in-person meetings, conferences and trainings resumed.

After strong employment gains in 2022 that averaged nearly 5,000 per month as airlines rushed to accommodate the surge in demand that year, 2023 saw more muted growth in air travel and with it, slower employment gains. According to the Bureau of Transportation Statistics (BTS), airline employment rose during the year with average increase of about 1,000 jobs per month. At year end, employment was 47,000 higher than in December 2019 and most mainline carriers were adequately staffed. While regional carriers continued to have difficulty retaining and hiring pilots, both attrition and availability improved towards the end of the year. Across the industry, productivity continued to be hampered by onboarding and training requirements of the large number of new employees brought on in the past three years. While the FAA met its hiring goal of 1,500 air traffic controllers in FY2023, shortages at some facilities remained and contributed to some operational restrictions.

In FY2023, system traffic as measured by revenue passenger miles (RPMs) grew 15.8 percent from the previous year while system enplanements rose 11.1 percent. Domestic RPMs were 9.6 percent higher while enplanements were up 9.7 percent. International RPMs increased by 36.3 percent after more than doubling in 2022, while enplanements rose by 22.6 percent – the relative difference due to the pickup in long-haul Atlantic markets. Despite being hampered by constraints, system ASM expanded by 12.9 percent with domestic ASM growing 8.8 percent and international up 25.3 percent. The disparate growth rates pushed the system-wide load factor up 2.1 percentage points to 83.7 percent.

System nominal yields continued to rise in 2023, up 8.0 percent after jumping up 31.0 percent in 2022. Several factors contributed, including on the supply side, a spike in labor costs and continued high oil prices, as well as constrained production. On the demand side, consumers were eager to travel and, in aggregate, tolerated the fare increases.

With the surge in activity during the year, financial results improved as well. Data for FY2023 shows that the reporting passenger carriers had a combined operating profit of $14.7 billion – a number approaching the average profit over the five years ending in FY2019 of $22.1 billion, but not beginning to recover the $58 billion in combined losses in 2020 and 2021. As with operations, profitability was uneven throughout the year as combined profits were just $26 million during the March quarter. On the other hand, strong activity during the June quarter generated profits of $7.7 billion that rivalled pre-pandemic highs.

The general aviation industry continued its growth in 2023 with an increase of 7.7 percent in deliveries of U.S. manufactured aircraft between 2022 and 2023 (18.8 above 2019 levels), with pistons up by 10.7 percent and turbines up by 4.3 percent. Global billings increased by 2.2 percent to $23.4 billion (0.6 percent below 2019 levels – statistics for U.S. billings were not available as of the publication date of this report).

Total operations in 2023 at FAA and contract towers increased by 3.7 percent compared to 2022 and exceed pre-COVID (2019) levels by 2.3 percent. Air carrier activity increased by 6.7 percent, while air taxi operations fell 1.0 percent. General aviation activity increased by 4.1 percent (the only segment with activity levels higher than 2019) and military activity was down by 8.6 percent. Activity at large and medium hubs rose by 3.9 percent and 0.7 percent, respectively, while small and non-hub airport activity rose by 4.0 percent in 2023 compared to the prior year.