

Review of 2022

Following two difficult years of coping with COVID-19 and its impacts, 2022 brought significant improvement and the beginning of the shift from a pandemic to an endemic phase. The pandemic's consequences persisted, however, as the demand imbalances and supply chain disruptions continued to boost inflation. Russia's invasion of Ukraine added to the pressure with higher oil and other commodity prices while depressing consumer confidence. As central banks raised interest rates to combat inflation, and fiscal support from the pandemic years waned, economic activity slowed. However, consumers also began normalizing spending with a shift out of goods and into services, including air transport. Although air cargo flattened out, passenger air travel surged, and operations rose for both the air carrier and general aviation segments. UAS activity grew solidly and commercial space launches surged in 2022, both of which had expanded in 2021.

U.S. commercial passenger activity started the year well above the level in 2021 and generally saw upward progress throughout the year. TSA checkpoint throughput increased from about 15 percent below 2019's level to about 5 percent below by the end of the year. The main source of strength throughout the year was from leisure travelers, with a surge in the summer that included a pick-up in the Atlantic region, adding it to the domestic and Latin destinations that were closing in on 2019 levels. In the business segment, activity grew somewhat although not to the same extent as in the leisure segment as many employees remained on work-from-home status and meetings, conferences and trainings were either conducted

virtually or forgone.

Airlines sought to respond to the sudden increase in demand and worked to match capacity with changes in timing, markets and segments. According to the Bureau of Transportation Statistics (BTS), airline employment rose throughout the year with average increase of nearly 5,000 jobs per month. At year end, employment was 35,000 higher than in 2019. However, new hires needed time to ramp up and many carriers were restrained by training bottlenecks as well as productivity reductions due to the large number of junior staff. Further constraining their ability to boost capacity were aircraft delivery delays, as well as staffing shortages at airports and some ATC locations.

In FY2022, system traffic as measured by revenue passenger miles (RPMs) grew 60.1 percent from the previous year while system enplanements rose 48.9 percent. Domestic RPMs were 46.2 percent higher while enplanements were up 45.5 percent. After falling for two consecutive years, international RPMs more than doubled, surging by 132.3 percent while enplanements rose by 84.0 percent – the relative difference due to the pickup in long-haul Atlantic markets. Hampered by constraints, system ASM expanded by 34.0 percent with domestic ASM growing 26.7 percent and international up 62.2 percent. The disparate growth rates pushed the system-wide load factor up 13.3 percentage points to 81.8 percent.

System nominal yields rose sharply in 2022, up 30.8 percent after falling during each of the previous two years. Several factors contributed, including on the supply side, a spike

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in fuel and labor costs, 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 FY2022 shows that the reporting passenger carriers had a combined operating profit of \$3.4 billion compared to an average profit over the five years ending in FY2019 of \$22.1 billion. As with operations, profitability improved markedly during the second half of the year that saw two consecutive quarterly profits, the first profits since the outbreak of the pandemic. Those two quarters, \$4.7 billion each, brought the year into the black.

The general aviation industry almost completely recovered from its decline in 2020 with an increase of 17.0 percent in deliveries of U.S. manufactured aircraft between 2021

and 2022 (10.3 above 2019 levels), with pistons up by 15.4 percent and turbines up by 18.8 percent. Global billings increased by 5.9 percent to \$22.9 billion (still down by 2.8 percent from 2019 levels – statistics for U.S. billings were not available as of the publication date of this report).

Total operations in 2022 and FAA and contract towers increased by 10.2 percent compared to 2021 (down by 1.3 percent from 2019). Air carrier activity increased by 24.0 percent, while air taxi operations were up 10.8 percent. General aviation activity increased by 5.2 percent (the only segment with activity levels higher than 2019) and military activity was down by 4.7 percent. Activity at large and medium hubs rose by 24.2 percent and 14.9 percent, respectively, while small and non-hub airport activity rose by 5.6 percent in 2022 compared to the prior year.