

6 BILLION REVENUE PASSENGERS BOARDED BY 2023

First View: Rapid analysis of breaking news, providing perspective

THE FACTS

T2RL has just released its projections for the passenger air transport market out to 2029. They show growth from 2018's 4.47 Billion passengers boarded to 6.06 Billion in 2023 and almost 9 Billion in ten years' time.

THE ANALYSIS

Since its foundation in 2005 Travel Technology Research (T2RL) has operated on the understanding that the market for supply of technology services to the airline industry is fundamentally dependent on the size and growth of that industry. For that reason we determined very early that it was vital to have a solid understanding of the trends in that market. The most economically significant technology services are commercial systems which are priced on a per passenger basis so it is on this metric that we have concentrated.

Collecting these data is a non-trivial task. In some markets such as the USA there are statutory reporting requirements that make it quite easy to get to current numbers. In other parts of the world it is far less straightforward and T2RL analysts comb through multiple sources to create a bottom-up picture of the global industry. For 2018 they included over 900 airlines in the analysis as well as unpicking sometimes complex chains of code share, wet lease and franchise operations to ensure that each passenger boarding was counted once and once only. Once the current numbers are available T2RL applies a growth model to each airline with continuing operations. For 2019 and beyond this was a total of 855 separate carriers. This is essential as market conditions vary greatly according to geographical location, business model and individual airline strategies. The results are then aggregated to give our published projections.



| Year | 2019 Projection (Passengers Billions) | Y-o-Y % growth |
|------|---------------------------------------|----------------|
| 2018 | 4.47 (Reported) | |
| 2019 | 4.74 | 6.11% |
| 2020 | 5.05 | 6.56% |
| 2021 | 5.38 | 6.38% |
| 2022 | 5.71 | 6.18% |
| 2023 | 6.06 | 6.25% |
| 2024 | 6.45 | 6.32% |
| 2025 | 6.86 | 6.45% |
| 2026 | 7.31 | 6.51% |
| 2027 | 7.80 | 6.67% |
| 2028 | 8.33 | 6.84% |
| 2029 | 8.91 | 7.01% |

Figure 1: T2RL Projections for World Airline Passengers 2018-2029

Within the global picture the analysis is also done on a regional, country, alliance and business model level. Some of the most significant projections for the coming decade are:

- World passenger numbers will exceed 6 Billion in the next five years
- China will displace USA as the world’s largest national market between 2024 and 2025
- Passenger growth in India will slow to 4% per annum in the short term mainly due to the travails of Jet Airways. Nevertheless India is still expected to become the third largest national market between 2020 and 2021
- In the same period both Russia and Indonesia will pass Japan in market size
- Ireland remains the fifth largest national market almost entirely because of Ryanair – most of whose flights do not operate into or out of its home country.
- Indian hybrid carrier Indigo will move from outside the top 10 to become the world’s 8th largest airline by passenger numbers over the next three years.

These projections allow analysts to forecast performance of companies providing technology services. Although airlines do sometimes change suppliers the overall evolution of the market is a more significant variable in determining future revenues for

the established suppliers. To put it plainly, established players like Amadeus, Sabre and Travelsky will continue to grow strongly even before they win any new customers.

Full information at an individual airline level, by country and by region is available to subscribers in the T2RL database at www.t2rl.net.

THE SPECULATION

The other organisation that regularly reports on the size and growth of the market is IATA, the airlines' trade association. Historically IATA has reported substantially lower figures than T2RL but in recent years its numbers have come more into line with T2RL's and its number for 2018 is now within 1%. We do not have visibility of IATA's methods but we speculate that in the past it only considered its members, which are certainly the world's biggest airlines, but more recently it has extended its data gathering to a wider range of carriers including non-members like Ryanair. Whether it gives providers and investors insight into the full global addressable market of 855 airlines is another matter.

When we consider future projections it is clear that IATA's are more conservative than ours. In a press release dated 24 October 2018 the trade body forecast that the world's airlines would carry 8.2 Billion passengers in 2037 whereas our projections show that level being reached in 2028. In all honesty any projection more than about five years out is subject to a high degree of uncertainty and IATA does model some alternate scenarios that show higher growth.

Nevertheless it is clear that companies whose business is supplying services to the global airline industry should be planning for a significantly growing market over the coming decade. The combination of organic passenger growth with the inflation protection in many contracts for technology supply and the increasing scope of IT services mean that providers like Amadeus, Sabre and Travelsky will see annual revenue growth of 8% or more.



T2RL is an independent research and consulting company that specialises in the market place for airline IT systems. Based on data gathered and analysed since the year 2000 it has defined and tracked classifications of airlines and their IT providers. Its research is used by airlines to enable them to make informed choices of systems and vendors and by the vendors to help them develop products that best meet the current and future needs of the airline industry. For further information, visit our website at www.t2rl.com.

