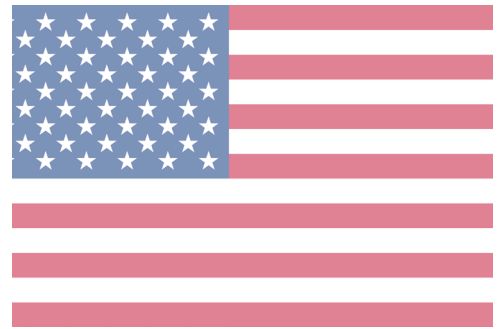


Year End Review: A Record Year in 2023 What's Next in 2024

U.S. to Set Travel Records in 2023 and Have Slower Growth in 2024

U.S. domestic air travel volumes are on track to set a record in 2023 due to strong fourth quarter performance. September and October travel volumes are 5% higher than 2019 and airlines report record setting bookings for the winter holidays; some airlines are allocating additional wide-body aircraft to domestic routes. Demographic shifts which emerged prior to the pandemic have continued to accelerate. The pandemic proved that a remote work model works for many industries. Many remote employees have responded by moving to places with a lower cost of living or with warmer climates. As a result, air travel demand remains static or depressed in northeastern and midwestern states while southern states continue to show strong air travel demand. A shortage of pilots has also shaped airline networks. Airlines have decreased service to small cities by reducing the number of destinations served and by lowering frequencies for their remaining destinations.



The largest metropolitan areas have stronger originating passenger demand than the regions they are in. New York/ New Jersey, Chicago, and Philadelphia have nearly returned to 2019 levels while demand from Washington, DC, is up 5%. Most southern cities show double digit growth in demand from 2019 and 2023. Travel from the Los Angeles metropolitan area still has not recovered fully due to the slow return of trans-Pacific travel after the pandemic.

Total TSA Checkpoint Throughputs at Commercial Airports of Top Ten Metropolitan Areas (September 2019 Compared to September 2023)

Rank	Metro Area	Population	Commercial Airports	September Checkpoint Throughputs		% Change
				2019	2023	
1	New York/New Jersey	19,261,570	3	5,809,499	5,569,815	-4
2	Los Angeles	13,211,027	5	4,380,550	4,184,601	-4
3	Chicago	9,478,801	2	3,091,178	3,035,594	-2
4	Dallas/Ft. Worth	7,451,858	2	2,170,091	2,430,381	+12
5	Houston	6,979,613	2	1,578,815	1,856,735	+18
6	Washington D.C.	6,250,309	3	2,518,427	2,633,248	+5
7	Miami/Ft. Lauderdale	6,129,858	2	2,564,352	2,998,388	+17
8	Philadelphia	6,092,403	1	1,047,215	1,045,222	+0
9	Atlanta	5,947,008	1	2,065,559	2,283,161	+11
10	Phoenix	4,860,338	1	1,300,759	1,537,329	+18

Note: Checkpoint Throughput is being used as a proxy for originating passengers. We acknowledge that it includes some employees and international arriving passengers connecting to domestic flights
Source: <https://www.tsa.gov/foia/readingroom> and L&B analysis

Changes to aircraft operations volumes at the airports that serve these top ten metropolitan areas do not correlate with changes in originating passenger demand. This is especially true in metropolitan areas that also have airports with large airline connection hubs (Chicago, Dallas/Ft. Worth, Houston, Washington, DC, Philadelphia, Atlanta, and Phoenix). Airlines have increased the number of passengers per plane they operate to/from these hubs. In many cases they have increased the number of passengers carried while operating fewer flights

Total Aircraft Operations at Commercial Airports of Top Ten Metropolitan Areas (September 2019 Compared to September 2023)

Rank	Metro Area	Population	Commercial Airports	September Aircraft Operations		% Change
				2019	2023	
1	New York/New Jersey	19,261,570	3	107,217	103,821	-3
2	Los Angeles	13,211,027	5	128,883	132,394	+3
3	Chicago	9,478,801	2	98,524	82,476	-16
4	Dallas/Ft. Worth	7,451,858	2	80,658	79,258	-2
5	Houston	6,979,613	2	53,315	50,768	-5
6	Washington D.C.	6,250,309	3	72,803	69,174	-5
7	Miami/Ft. Lauderdale	6,129,858	2	51,781	55,008	+6
8	Philadelphia	6,092,403	1	32,523	25,658	-21
9	Atlanta	5,947,008	1	72,503	65,268	-10
10	Phoenix	4,860,338	1	33,997	35,954	+6

Source: FAA OPSNET Database <https://aspm.faa.gov/opsnet/sys/main.asp> and L&B analysis

Several U.S. economic growth forecasts indicate that the following factors will shape the economy for the remainder of 2023 and into 2024:

Inflation rates will gradually fall but will remain above the Federal Reserve Bank’s (FED) 2% target rate. However, the FED will be reluctant to raise their discount rates to fight inflation more aggressively because these rate increases put financial pressure on banks that have large bond holdings at low interest rates.

- While initial reports showing third quarter 2023 economic growth was better than expected, economic growth is forecasted to decline through the first half of 2024. Most outlooks show a U.S. domestic gross domestic product (GDP) annual growth rate of 1.4% to 1.7% through the end of 2024.
- U.S. personal savings continued to decline in 2023, leaving less on hand for discretionary spending. The savings built up during the pandemic could be entirely spent by the end of 2024. As a result, consumer spending will decline from the relatively high levels experienced in 2023.
- Domestic air fares are down about 15% from their 2022 summer highs, reflecting slowing demand growth for travel and a greater supply of airlines seats. Fares are still above pre pandemic levels, while international fares are 11% higher than last year.

Growth in air travel is often a direct result of GDP growth or per capita personal income. Analysis from the U.S. Department of Commerce Bureau of Economic Analysis (BEA) shows uneven growth rates by U.S. state. GDP growth is highest in the northern Great Plains and the northern mountains west and lowest in the northeast. Conversely, personal income grew the most in the northeast and lowest in the northern Great Plains and parts of the south.