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The “U” Word: Uncertain or Unfazed?

John Heimlich, VP & Chief Economist

Presentation to JumpStart[®] Air Service Development Conference

June 9, 2025

U.S. Outlook: Unsure

Mark Zandi, Moody's Analytics

“In my 35 years as a professional economist, I have rarely been as unsure about the economic outlook as I am now. There was the chaos of the Global Financial Crisis, which required a government bailout to avert the collapse of the financial system and economy. There was also the COVID-19 pandemic, when the economy shut down as the world came to grips with the virus. It is hard to fathom how devastating a hit the economy would have taken without the massive support from the Federal Reserve and lawmakers.

This time, it is extraordinarily tough to gauge the economic outlook because of **the unprecedented uncertainty created by the global trade war and economic policy more broadly.** But while there are many scenarios on how policy will play out, **under almost all scenarios, the economy will be diminished, suffering higher inflation and weaker growth.** The economy may yet avoid a recession, but it is prudent to be prepared that it won't.”

Mark Zandi, Chief Economist at Moody's Analytics (June 6, 2025)

Source: <https://www.linkedin.com/pulse/us-outlook-unsure-mark-zandi-vjlae/>

GUIDANCE WITHDRAWN

Uncertainty Rules the Day

“Southwest Airlines, Steve Madden, Cummins, and other corporate giants say they can’t give investors profit forecasts during the trade war... **Uncertainty** over tariffs, supply chain instability, and other broader macroeconomic headwinds are pushing a growing number of major companies to pull their 2025 earnings guidance. **From automakers to airlines and consumer giants**, firms are increasingly opting to sit out of the forecasting game, **citing economic uncertainty that, for some, is getting too thick to navigate.**”

Kevin Williams and Shannon Carroll, “Ford, Mattel, UPS, and more companies pulling their earnings guidance because of tariff uncertainty,” Quartz (May 7, 2025)

Source: Kevin Williams and Shannon Carroll, Quartz (May 17, 2025)

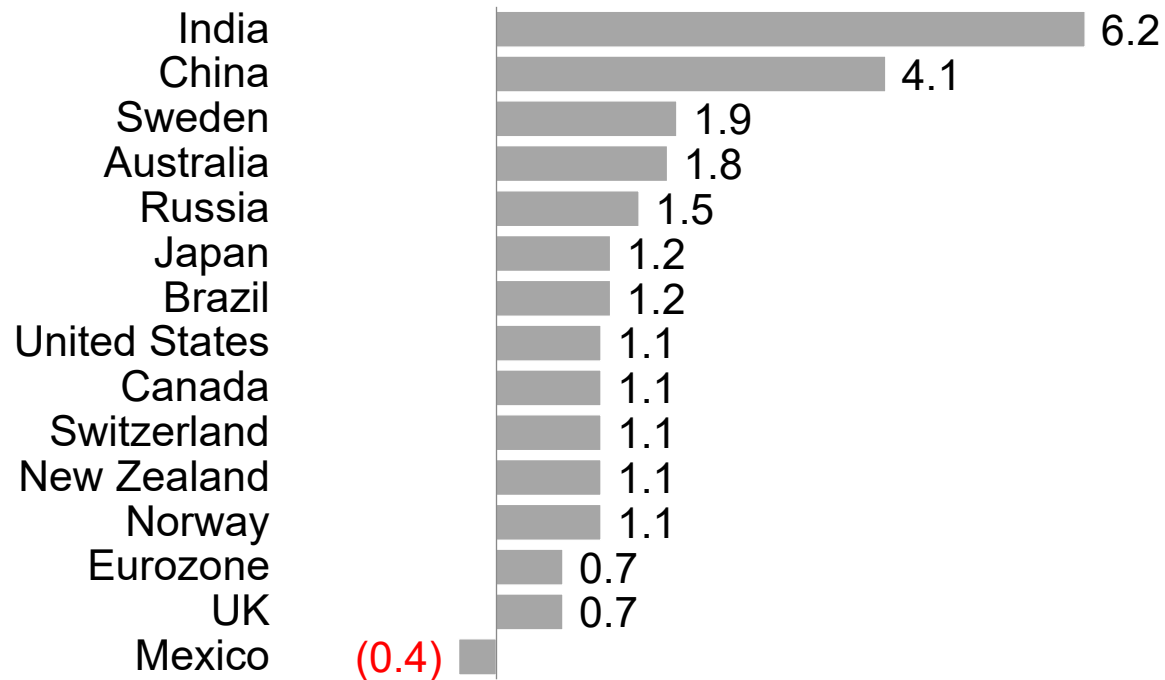
The Economy

Advanced Economies Are Expected to Grow Less Than 2% in 2025

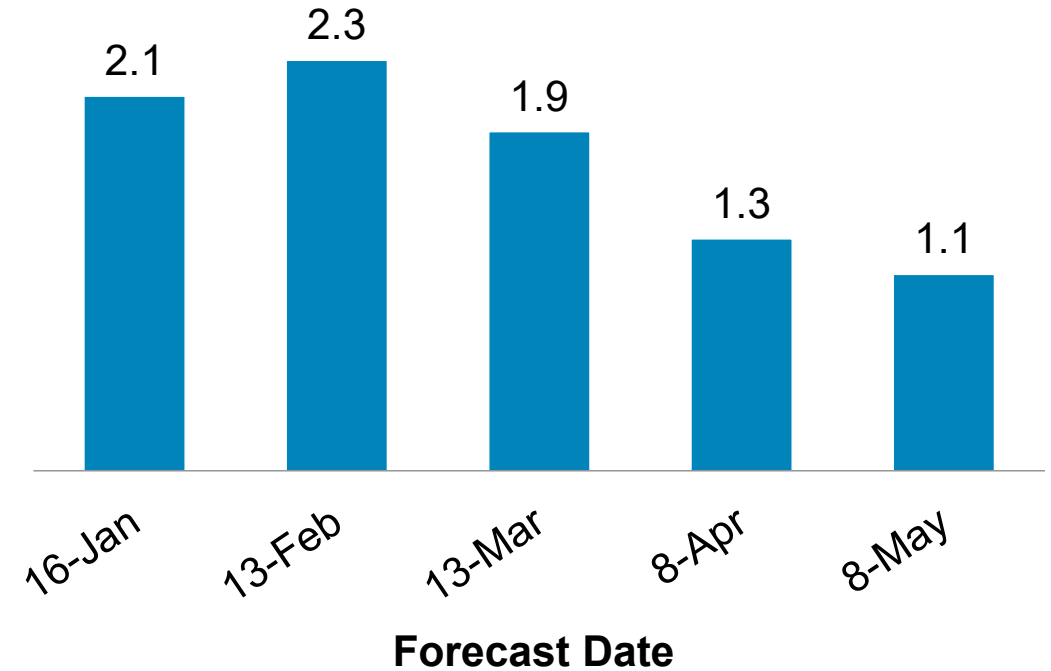
U.S. and Canada Expected to Grow Just 1.1%; Eurozone and UK to Grow Sub 1%; Mexico to Contract

“Our forecast looks for the big drag from trade that swamped robust domestic demand in Q1 to reverse in the remaining quarters of the year, with **domestic demand coming down** and net exports providing a modest, but fading, lift through year-end. **The upshot is a bumpy ride for GDP growth.**”

Projected 2025 Real GDP Growth (%)



Projected 2025 Real U.S. GDP Growth (%)

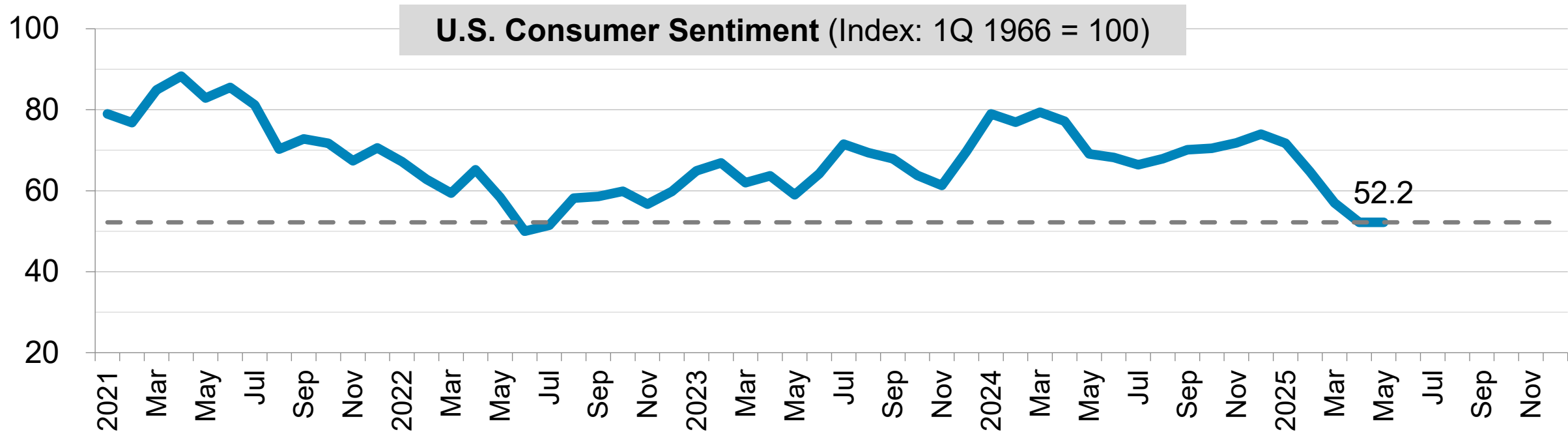


Source: Wells Fargo 2025 International Economic Outlook (May 8, 2025)

In May, U.S. Consumer Sentiment Was Unchanged From April

Next Reading: June 13

“Overall, **consumers** see the outlook for the economy as no worse than last month, but they **remained quite worried about the future**. Year-ahead inflation expectations were little changed at 6.6%, inching up from 6.5% last month... Given that consumers generally expect tariffs to pass through to consumer prices, it is no surprise that **trade policy has influenced consumers’ views of the economy**.” (Director Joanne Hsu, May 30, 2025)

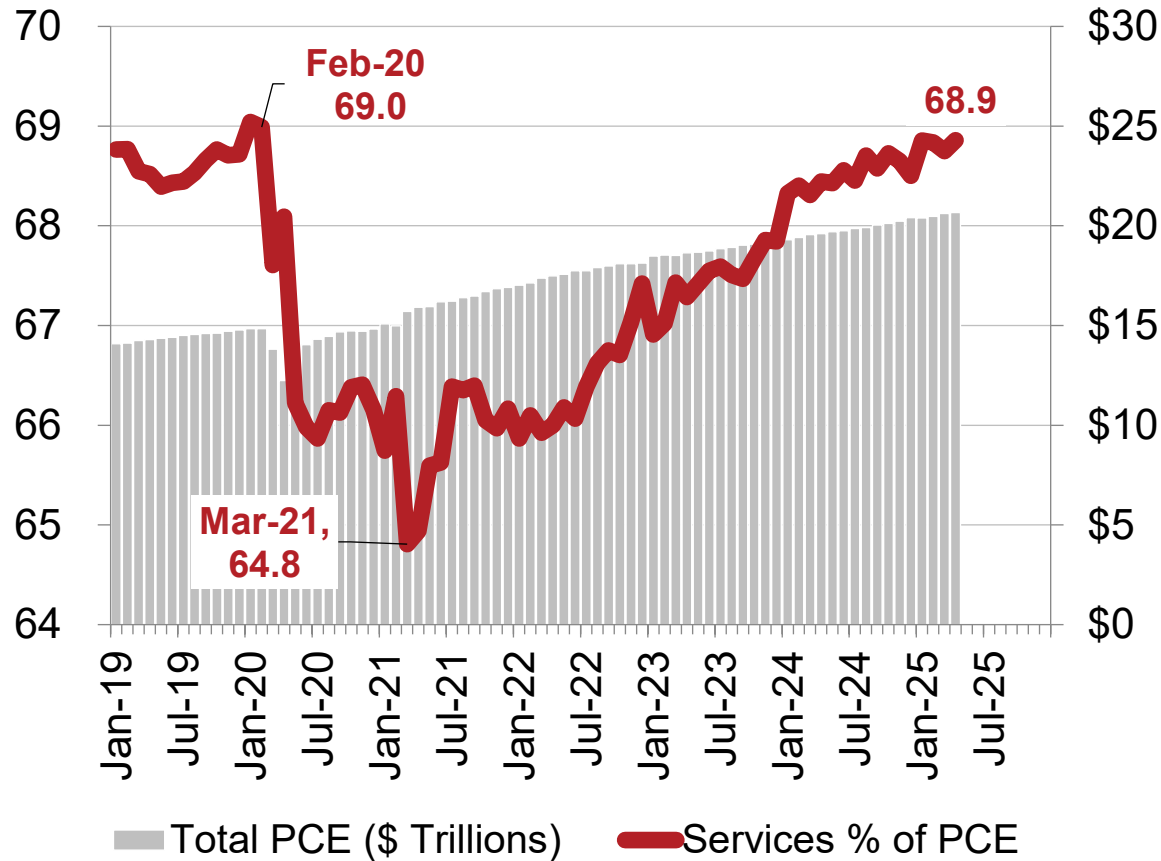


Sources: University of Michigan

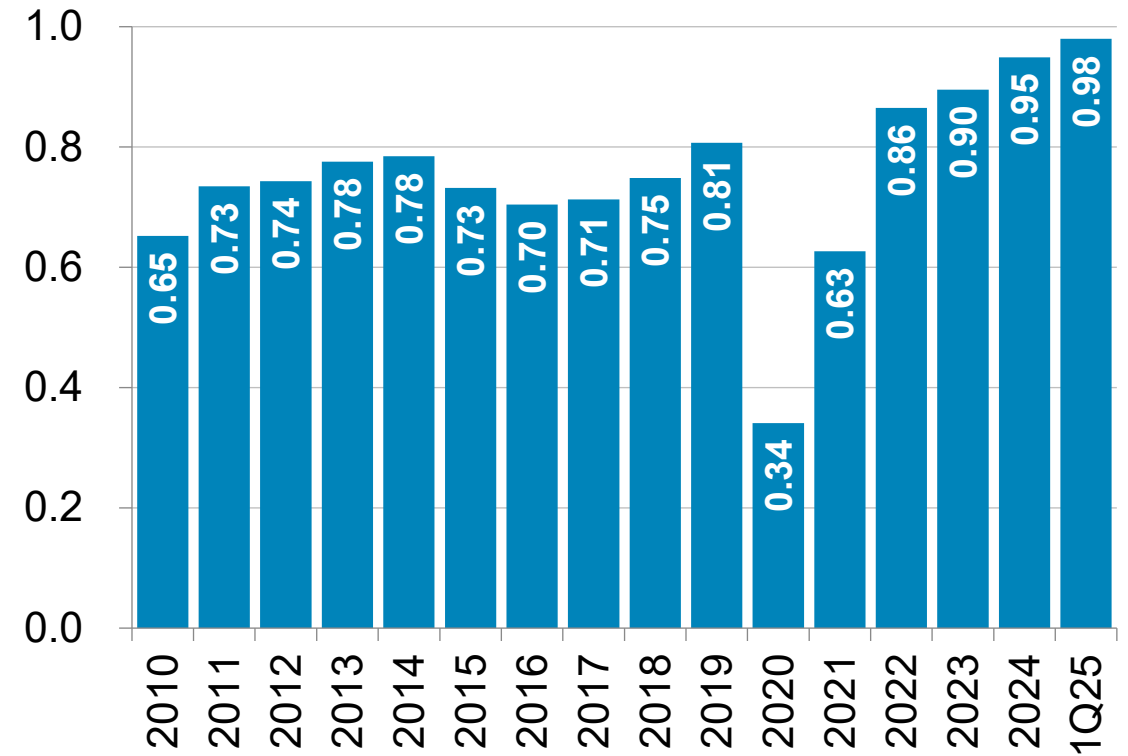
Once Again, U.S. Consumers Are Allocating ~69% of Spending to Services

And They Have Increasingly Prioritizing Air Travel, Approaching 1% of All Spending

Services Share (%) of Personal Consumption



Air Travel Share (%) of Personal Consumption



Source: Bureau of Economic Analysis

Note: PCE = personal consumption expenditures

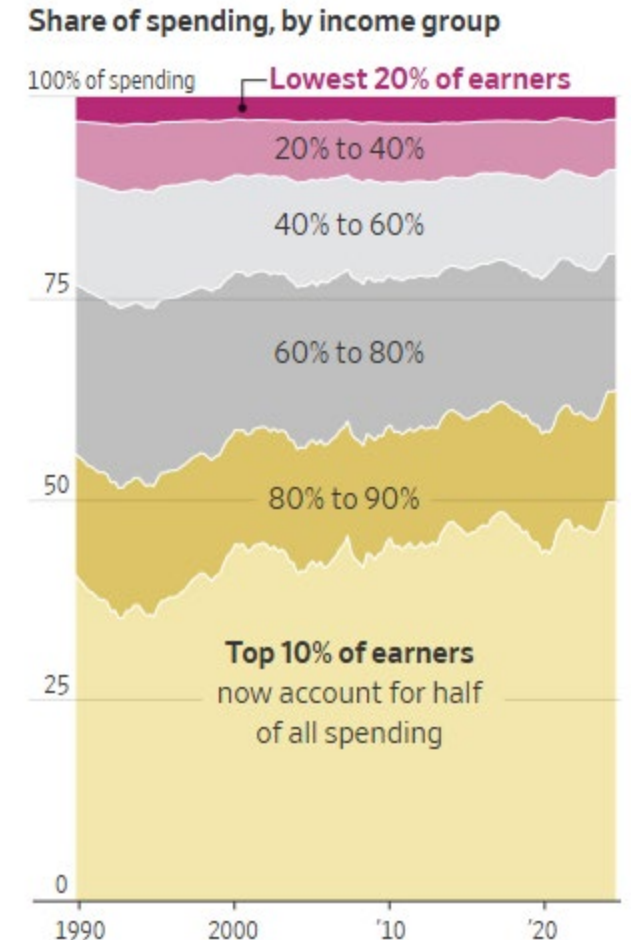
WSJ: “The U.S. Economy Depends More Than Ever on Rich People”

That Subset of the Population Has Time and Money to Spend on Air Travel

“Many Americans are pinching pennies, exhausted by high prices and stubborn inflation. **The well-off are spending with abandon. The top 10% of earners...are splurging on everything** from vacations to designer handbags, buoyed by big gains in stocks, real estate and other assets. **Those consumers now account for 49.7% of all spending, a record in data going back to 1989, according to an analysis by Moody’s Analytics. Three decades ago, they accounted for about 36%.** All this means that economic growth is unusually reliant on rich Americans continuing to shell out. Mark Zandi, chief economist at Moody’s Analytics, estimated that **spending by the top 10% alone accounted for almost one-third of gross domestic product.**”

“**Taken together, well-off people have increased their spending far beyond inflation, while everyone else hasn’t.** The bottom 80% of earners spent 25% more than they did four years earlier, barely outpacing price increases of 21% over that period. The top 10% spent 58% more.”

The Wall Street Journal (Feb. 23, 2025)

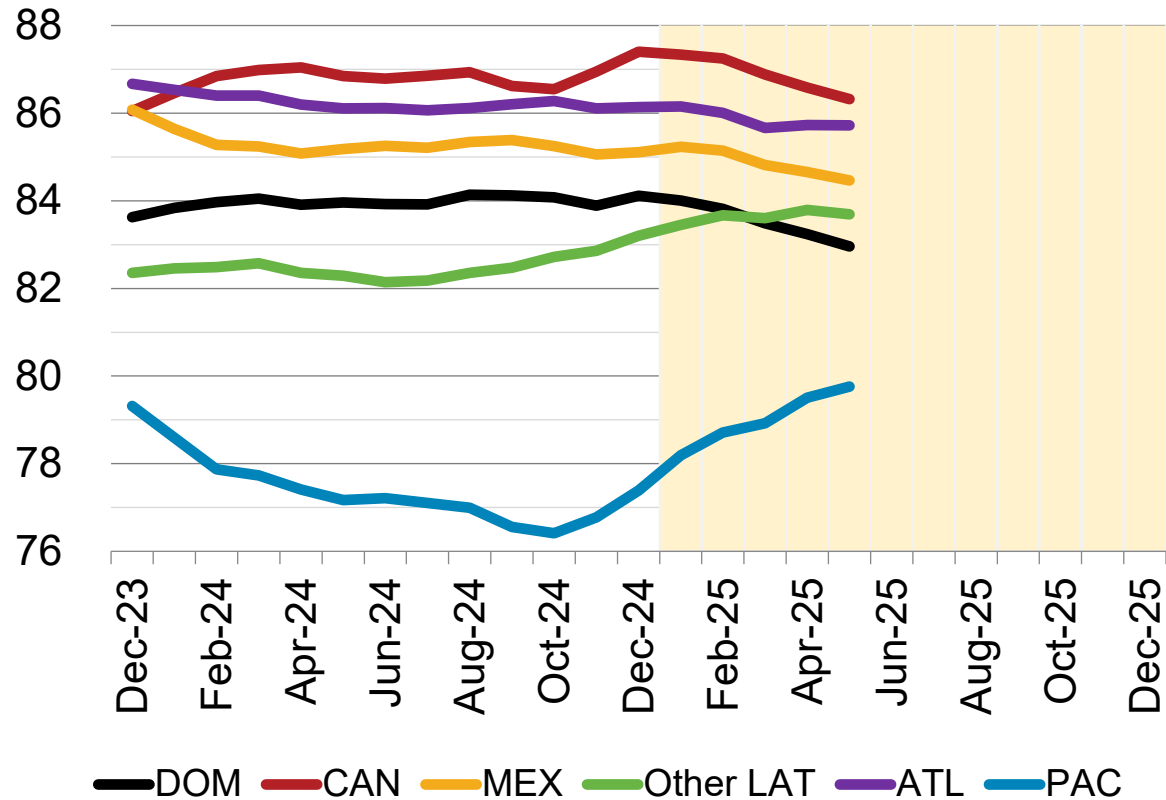


Source: Moody’s Analytics and Rachel Louise Ensign, “The U.S. Economy Depends More Than Ever on Rich People,” *The Wall Street Journal* (Feb. 23, 2025)

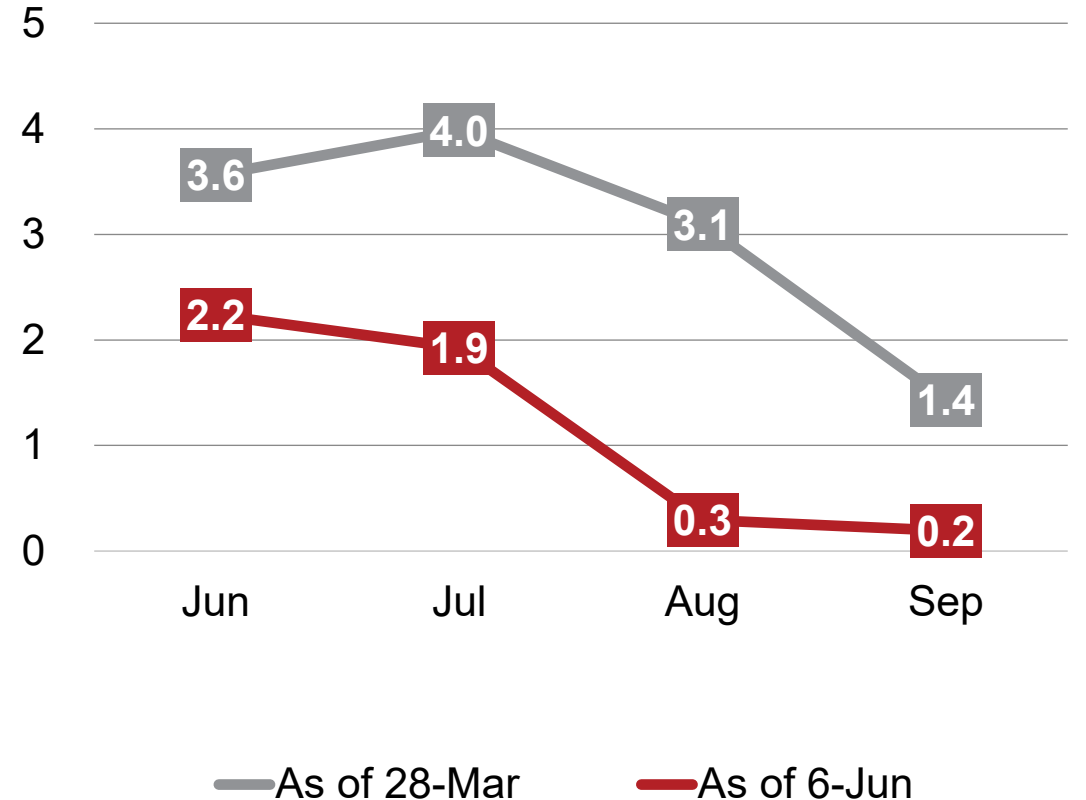
Recent Travel and Capacity Developments

In Addition to Falling Fares and Slowing Sales, Load Factors in Key Regions Have Subsided Accordingly, Published Schedules Show Domestic Capacity Growth Retrenching

12-Month Moving-Average Load Factor by Region



% Change YOY in Scheduled Domestic ASMs, 2025

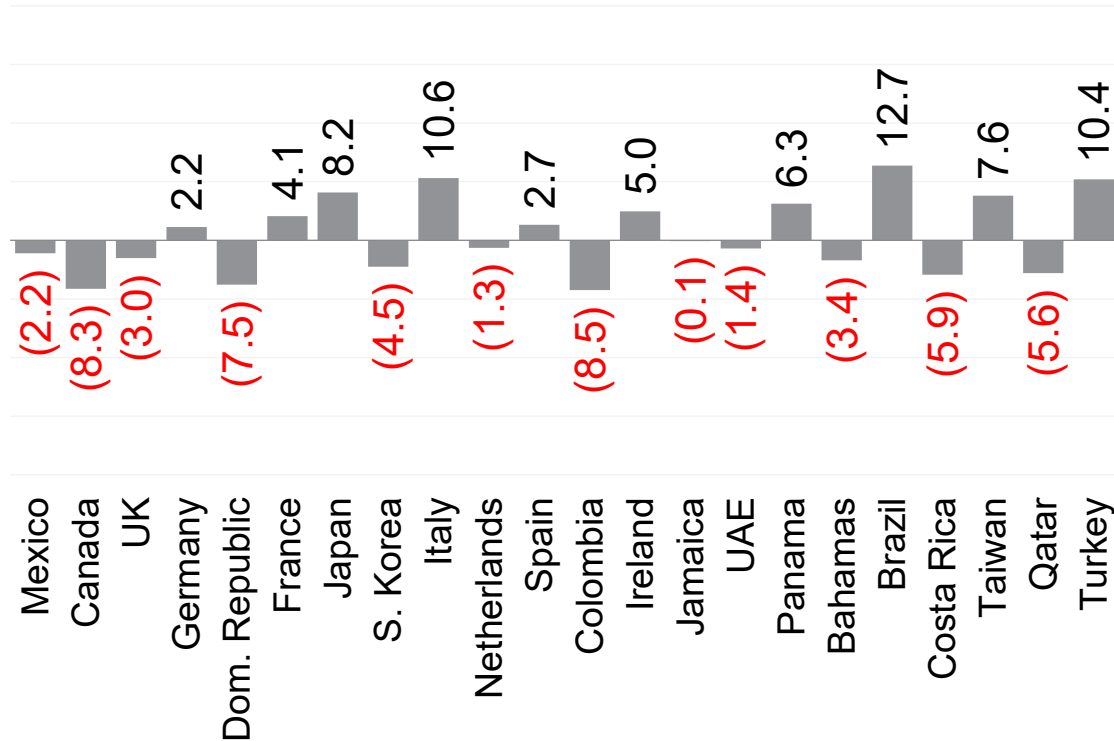


Sources: A4A member passenger airlines (Alaska/Hawaiian, American, Delta, JetBlue, Southwest, United) and branded code share partners Cirium published schedules

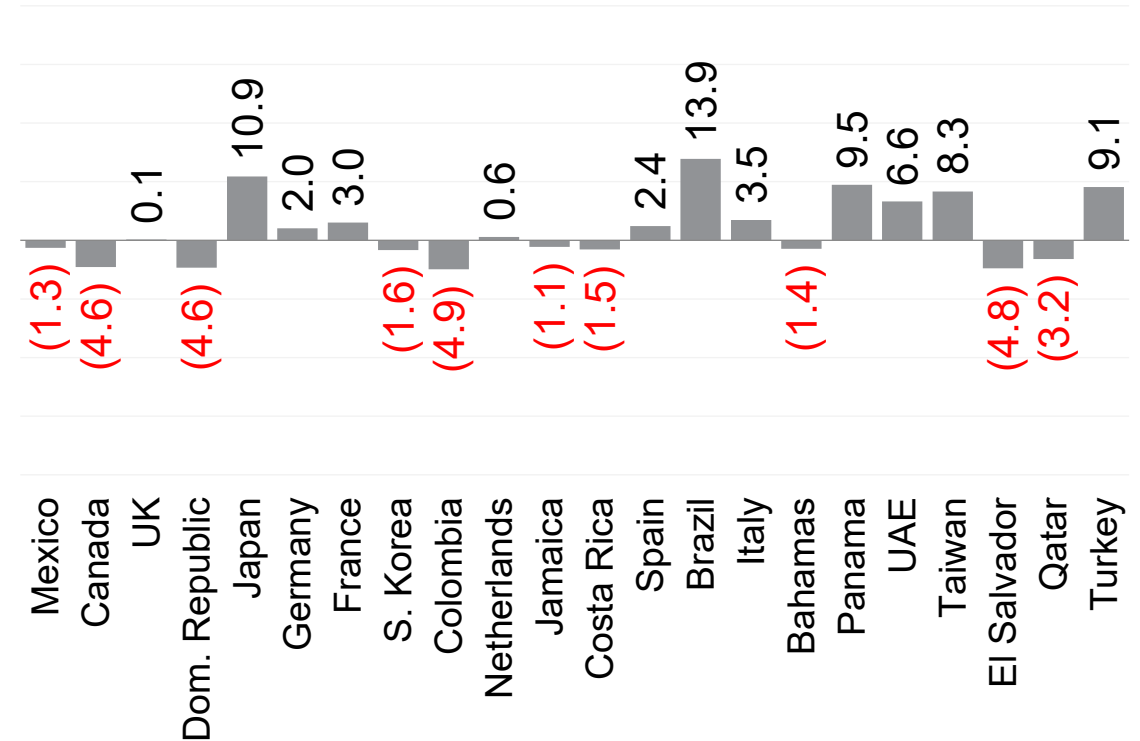
U.S.-Canada Air Passengers Fell ~8% in May, While U.S.-Japan Volumes Rose ~8%

For Jan-May, Three of the Four Largest Markets Saw YOY Declines, With U.S.-UK Up Just 0.1%

May 2025: Change (%) YOY in Passengers*
Sorted by May 2024 Market Size



YTD May 2025: Change (%) YOY in Passengers*
Sorted by YTD 2024 Market Size



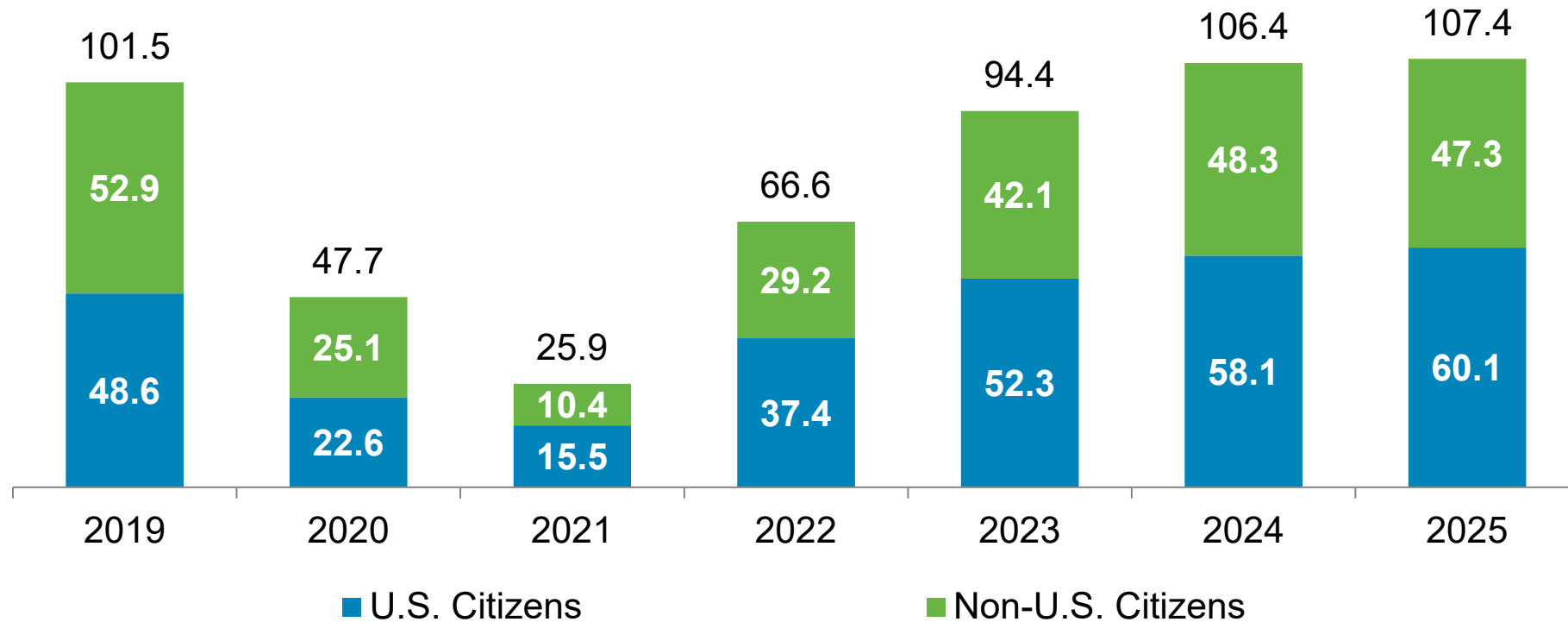
Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines

U.S.-International Air Passengers Up 0.9% YOY in First Five Months of 2025

3.5% Increase in U.S. Citizen Passengers Overcame 2.1% Decrease in Non-U.S. Citizen Passengers

U.S.-International Airline Passengers* (Millions)
January through May



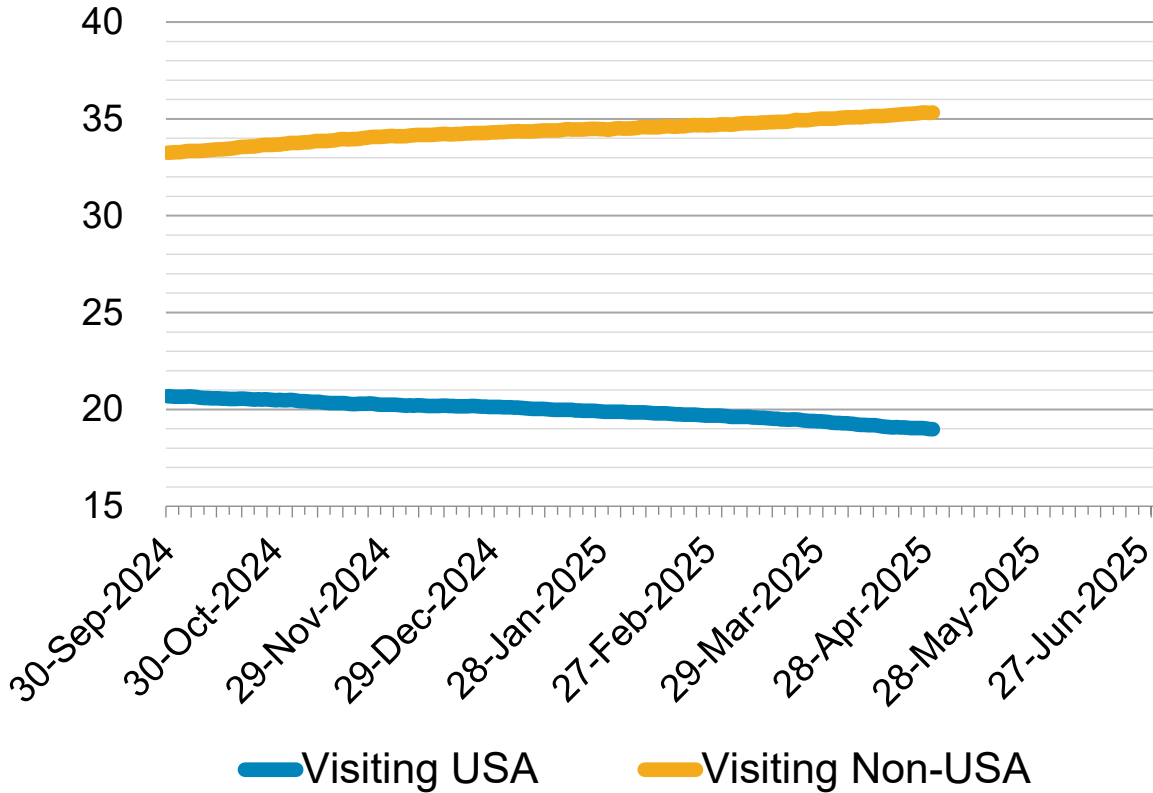
Source: DHS I-92 / APIS data compiled by U.S. Department of Commerce National Travel and Tourism Office

* Gateway-to-gateway passengers on U.S. and foreign scheduled and charter airlines

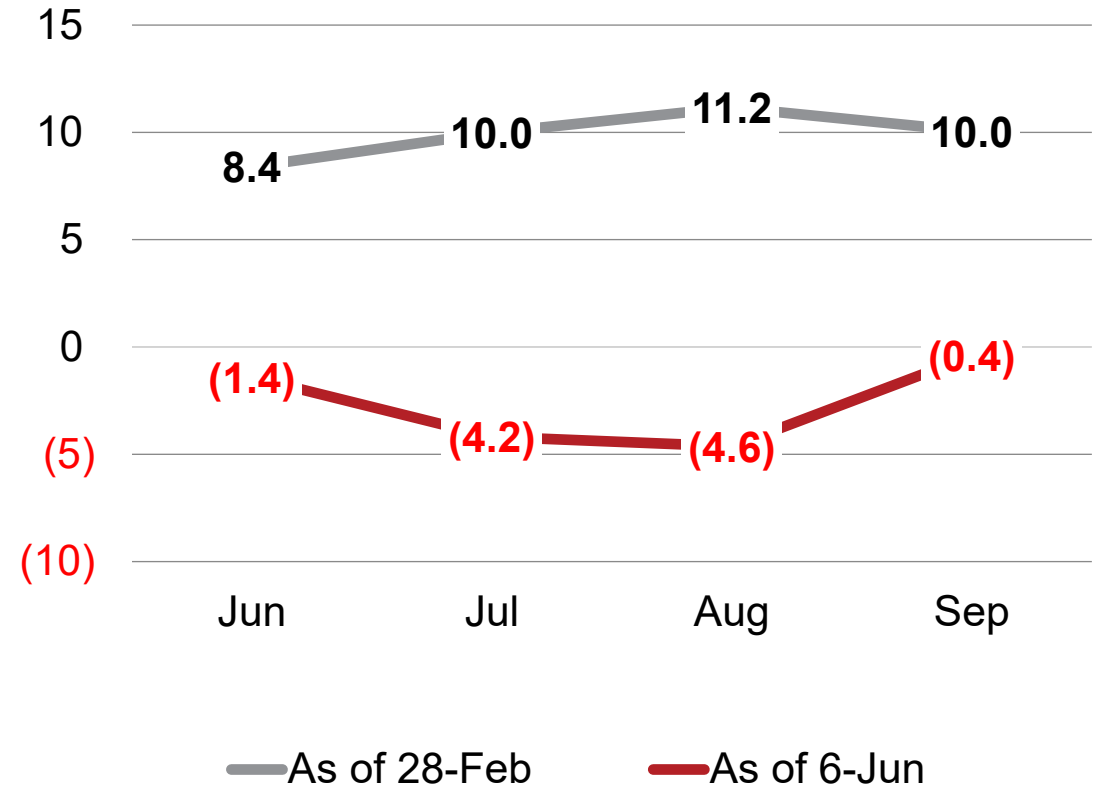
In Response to Falling Demand, Airlines Have Significantly Pared U.S.-Canada Air Service

Supply of Scheduled Seats Now Showing YOY Declines in June-September

Canadian Residents Returning by Air
365-Day Rolling Daily Average (000)



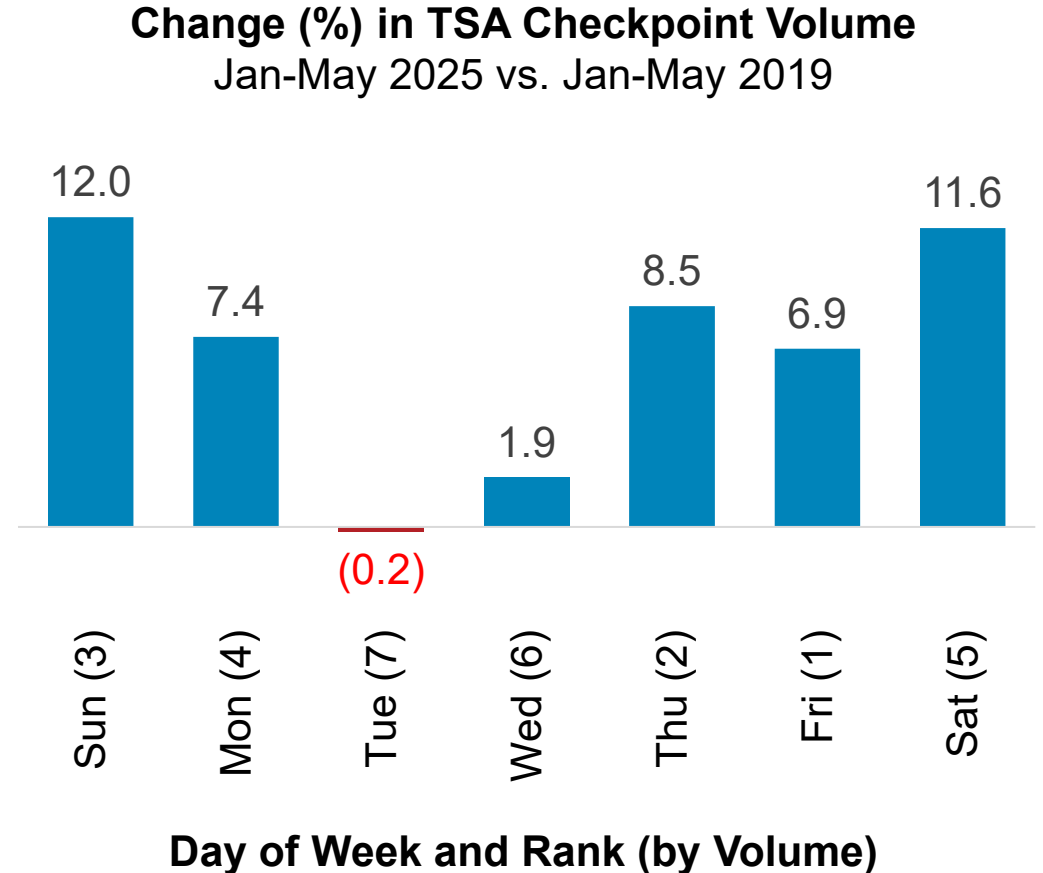
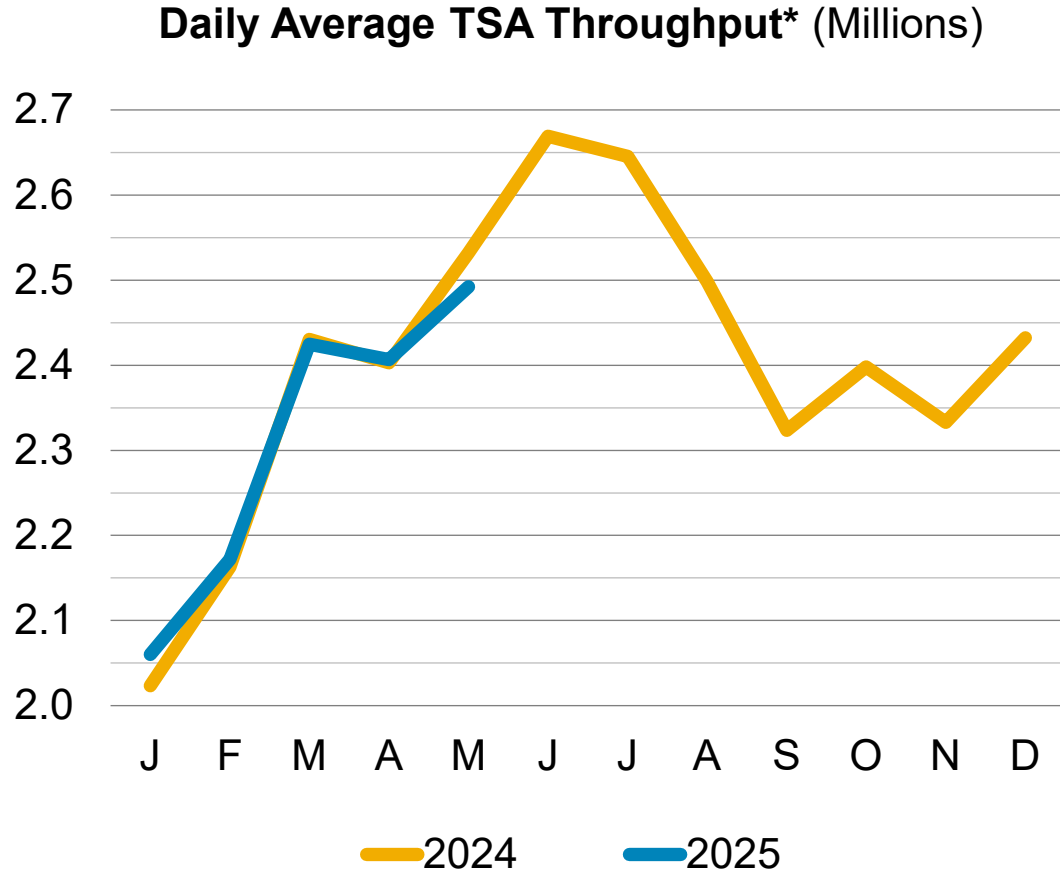
% Change YOY in Scheduled U.S.-Canada Seats, 2025



Sources: Statistics Canada (<https://www.statcan.gc.ca/en/start>) and Cirium published schedules for all airlines offering scheduled service from the United States to Canada

TSA Passenger Screenings Fell 1.6% YOY in May

In Stark Contrast to Tuesdays and Wednesdays, Saturdays and Sundays Have Soared



Source: A4A analysis of data from the Transportation Security Administration

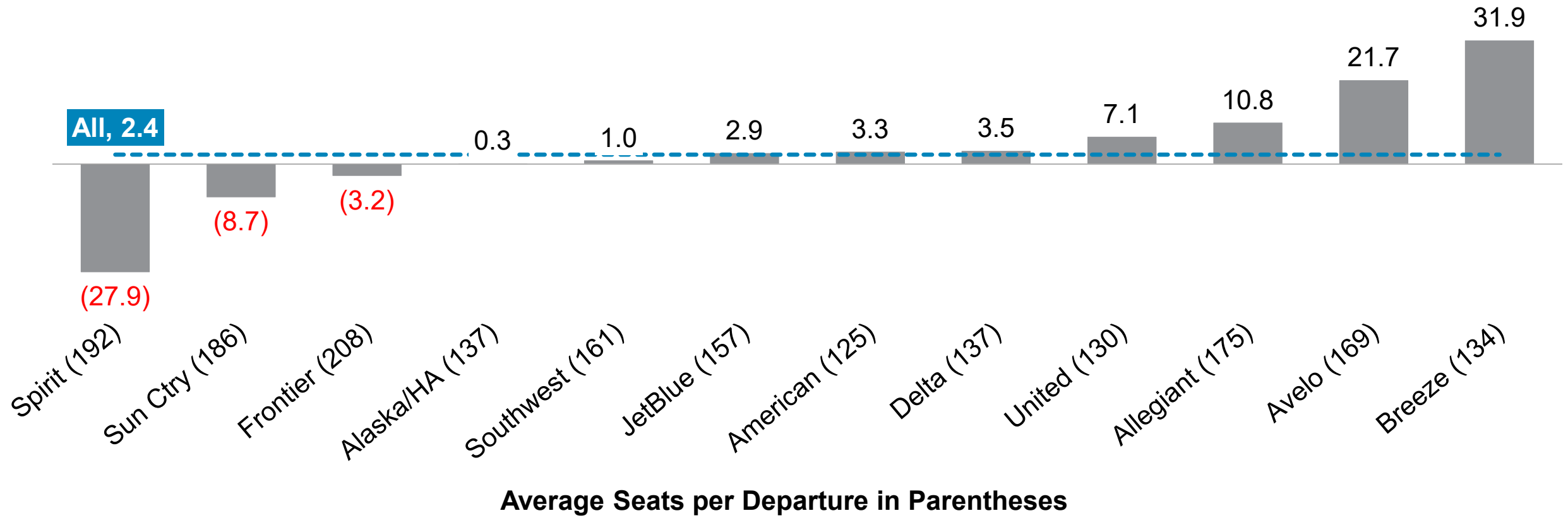
* U.S. and foreign-carrier customers (excludes Known Crewmember® personnel) traversing TSA checkpoints

Near-Term Schedule Outlook

Collectively, U.S. Airlines Showing 2.4% Systemwide Capacity Growth in Summer 2025

Growth Rates Differ Dramatically by Company

% Change in Systemwide Scheduled Available Seat Miles by Marketing Airline
 Jun-Aug 2025 vs. Jun-Aug 2024

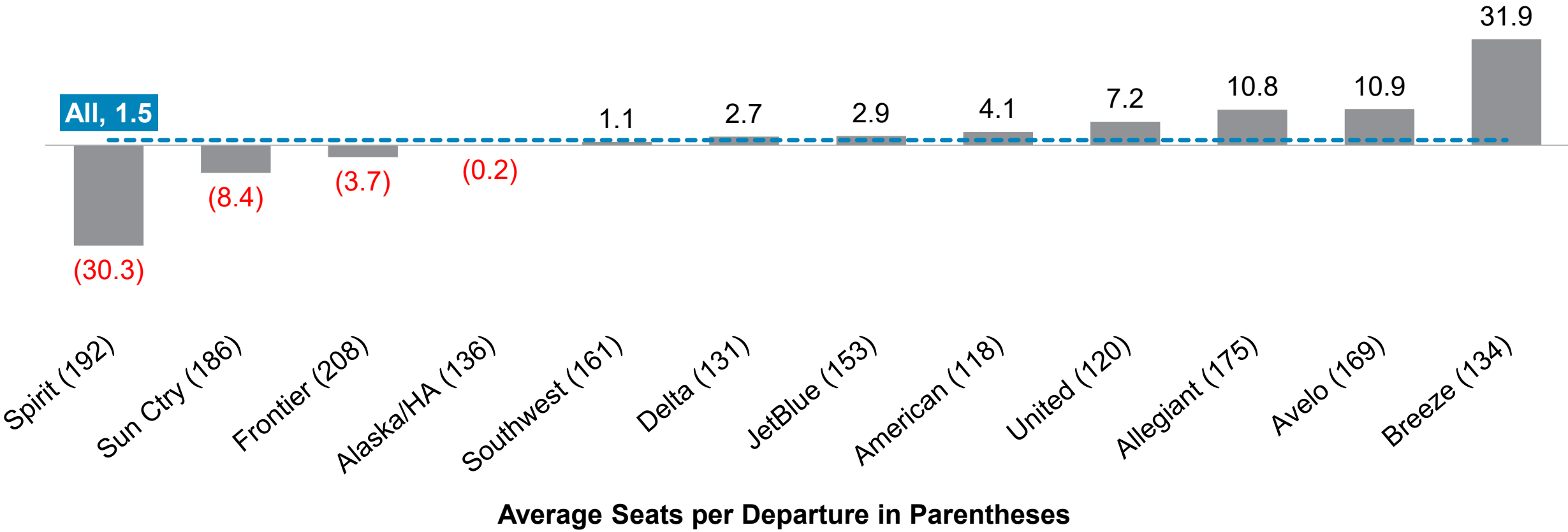


Source: Cirium published schedules (June 6, 2025) for selected marketing airlines (including regional affiliates)

Collectively, U.S. Airlines Showing 1.5% Domestic Capacity Growth in Summer 2025

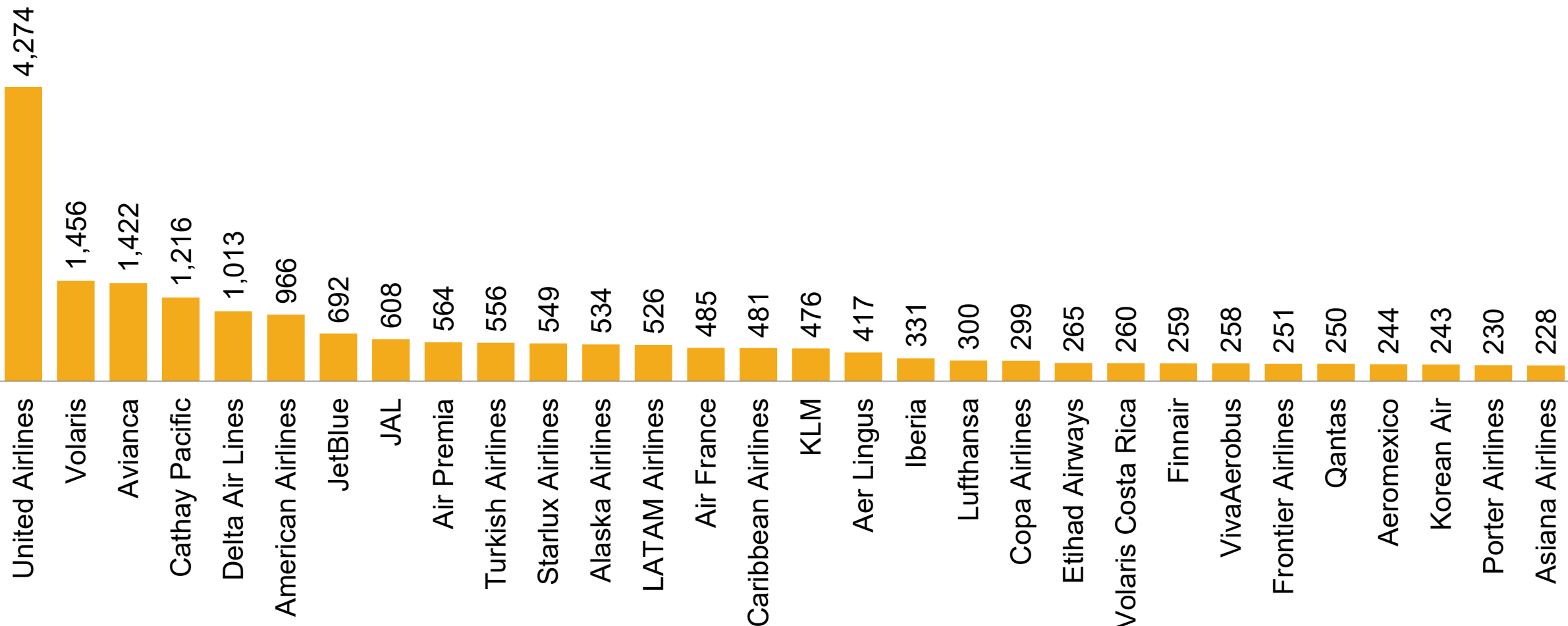
Growth Rates Differ Dramatically by Company

% Change in Domestic Scheduled Available Seat Miles by Marketing Airline
 Jun-Aug 2025 vs. Jun-Aug 2024



Source: Cirium published schedules (June 6, 2025) for selected marketing airlines (including regional affiliates)

Top 30 Airlines by YOY Increase in Daily Average Scheduled Seats From Abroad to the USA July-September 2025 Versus July-September 2024

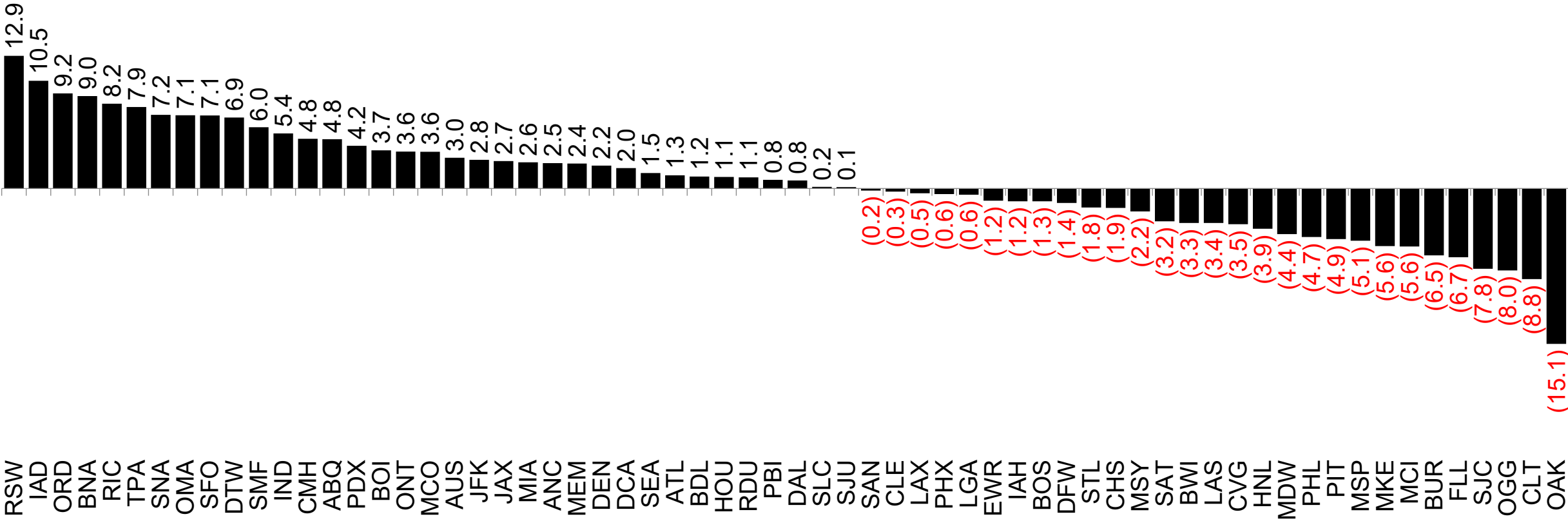


Source: Cirium published schedules (June 6, 2025) for all U.S. and non-U.S. airlines providing scheduled service

Schedules Show Fort Myers and Washington Dulles Leading U.S. Airports' Growth in Seats

Oakland Seeing the Deepest Year-Over-Year Cuts

% Change in Systemwide Scheduled Seats
Jun-Aug 2025 vs. Jun-Aug 2024



Source: Cirium published schedules (June 6, 2025) for all U.S. and non-U.S. airlines providing scheduled service to all U.S. and non-U.S. destinations

Constraints to Growth

Airlines and Their Customers Are Confronting Significant Infrastructure Constraints

ATC Staffing and Technology Issues Have Especially Beset New York and Newark Airspace

“Bottlenecks throughout the aviation infrastructure have been major gating factors on capacity growth and daily aircraft utilization in the post-pandemic era. Their collective impact tends to be most acute during the peak summer season when flight volumes are highest and inclement weather is a frequent occurrence. **Staffing shortages and technology outages have caused significant impediments at Newark with other markets experiencing similar, albeit smaller, issues.** Newark’s issues are amplified by runway construction which is slated to end in mid-June.”

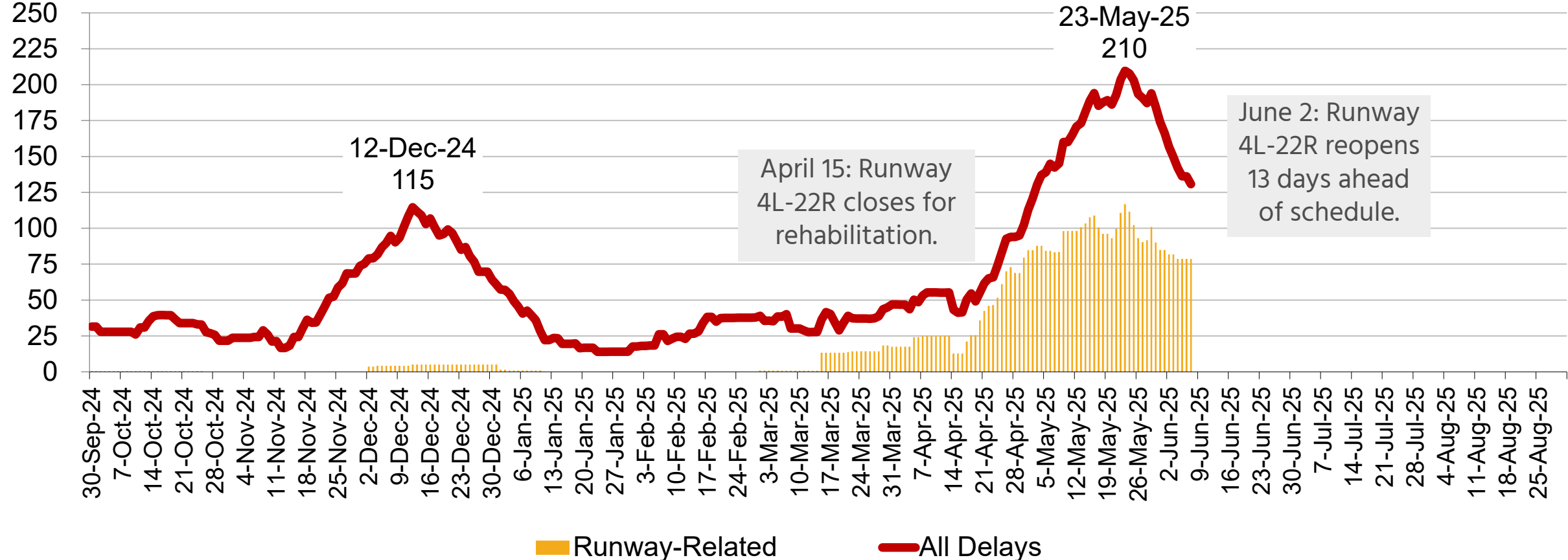
Tom Fitzgerald, TD Cowen Weekly Airline Shuttle (May 17, 2025)

Source: TD Cowen Weekly Airline Shuttle (May 17, 2025)

Runway Construction Commenced at EWR in April 2025, Causing Delays to Surge

Runway-Related Delays Exceeded 70% of NAS Delays at EWR From April 22-May 2

Daily NAS Delay Events at EWR (30-Day Moving Average)



Source: FAA OPSNET

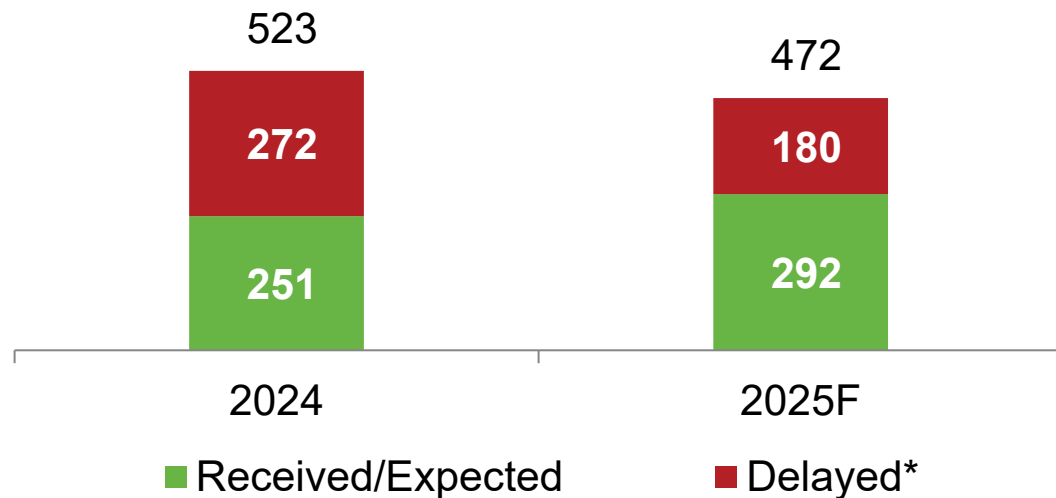
Aircraft Deliveries in 2024 and 2025 Reduced Materially by Production/Certification Delays

U.S. Passenger Airlines Received Just Half of Their Contractually Stipulated Aircraft Deliveries

“**A weakened supply chain**...is one of the main culprits. [T]he **dearth of airplanes** has left many carriers unable to respond fully to resurgent demand for air travel, growing competition and pressure to fly cleaner fleets.”

Bloomberg Government, “A Lost Decade of Planemaking Costs Airlines Thousands of Jets” (Oct. 29, 2024)

New-Aircraft Deliveries for 11 U.S. Passenger Airlines



Example: United Airlines Deliveries in 2025

(As of Dec. 31, 2024, per UAL 10-K)

| Aircraft Type | Contractual | Expected | Diff |
|---------------|-------------|-----------|-------------|
| B787 | 28 | 9 | (19) |
| B737 MAX 8 | 16 | 16 | — |
| B737 MAX 9 | 68 | 28 | (40) |
| A321 neo | 23 | 20 | (3) |
| Total | 135 | 73 | (62) |

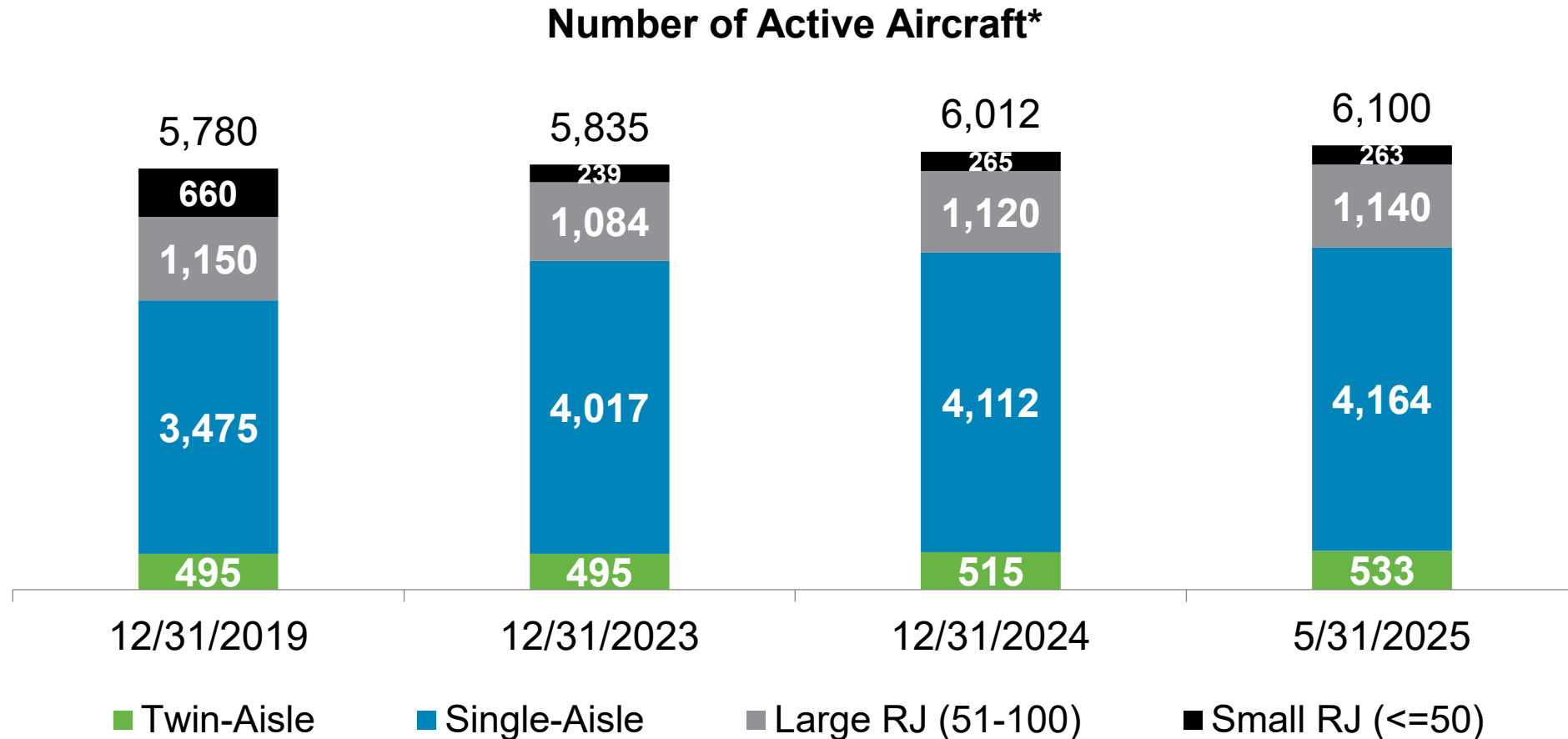
“Airbus is warning airlines that **delays in deliveries will persist for another three years** as it works through a backlog of supply-chain problems, industry sources said.” (Tim Hepher, Reuters, May 28, 2025)

Source: Alaska/Hawaiian, Allegiant, American, Breeze, Delta, Frontier, JetBlue, Southwest, Spirit and United as of March 3, 2025

* 2024 based on contractual fleet plans as of 10/31/2023

U.S. Passenger Airlines Are Operating 6,100 Aircraft — Up 320 From the End of 2019

The Fleet of *Small Regional Aircraft* Is About 400 Units (~60%) Smaller



Source: Anuvu

* Operated by or on behalf of Alaska/Allegiant/American/Avelo/Breeze/Delta/Frontier/Hawaiian/JetBlue/Southwest/Spirit/Sun Country/United in any of the previous seven days



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