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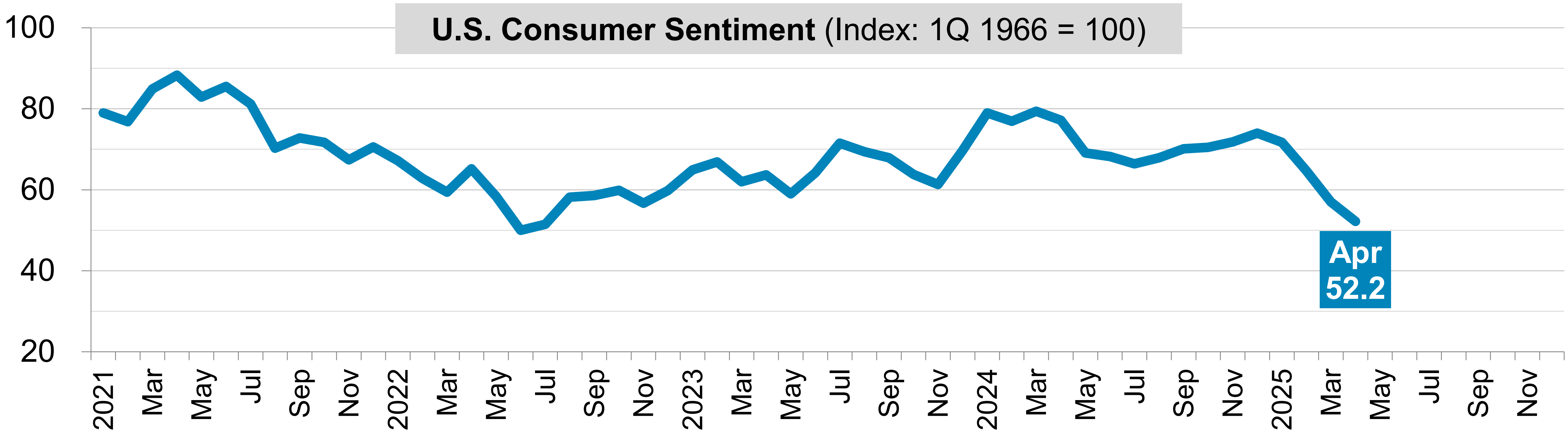
What the Forecast???

John Heimlich, VP & Chief Economist
Presentation to ACH Revenue Accounting Committee
May 14, 2025

In April, U.S. Consumer Sentiment Fell to Lowest Level Since July 2022

Next Reading: May 16

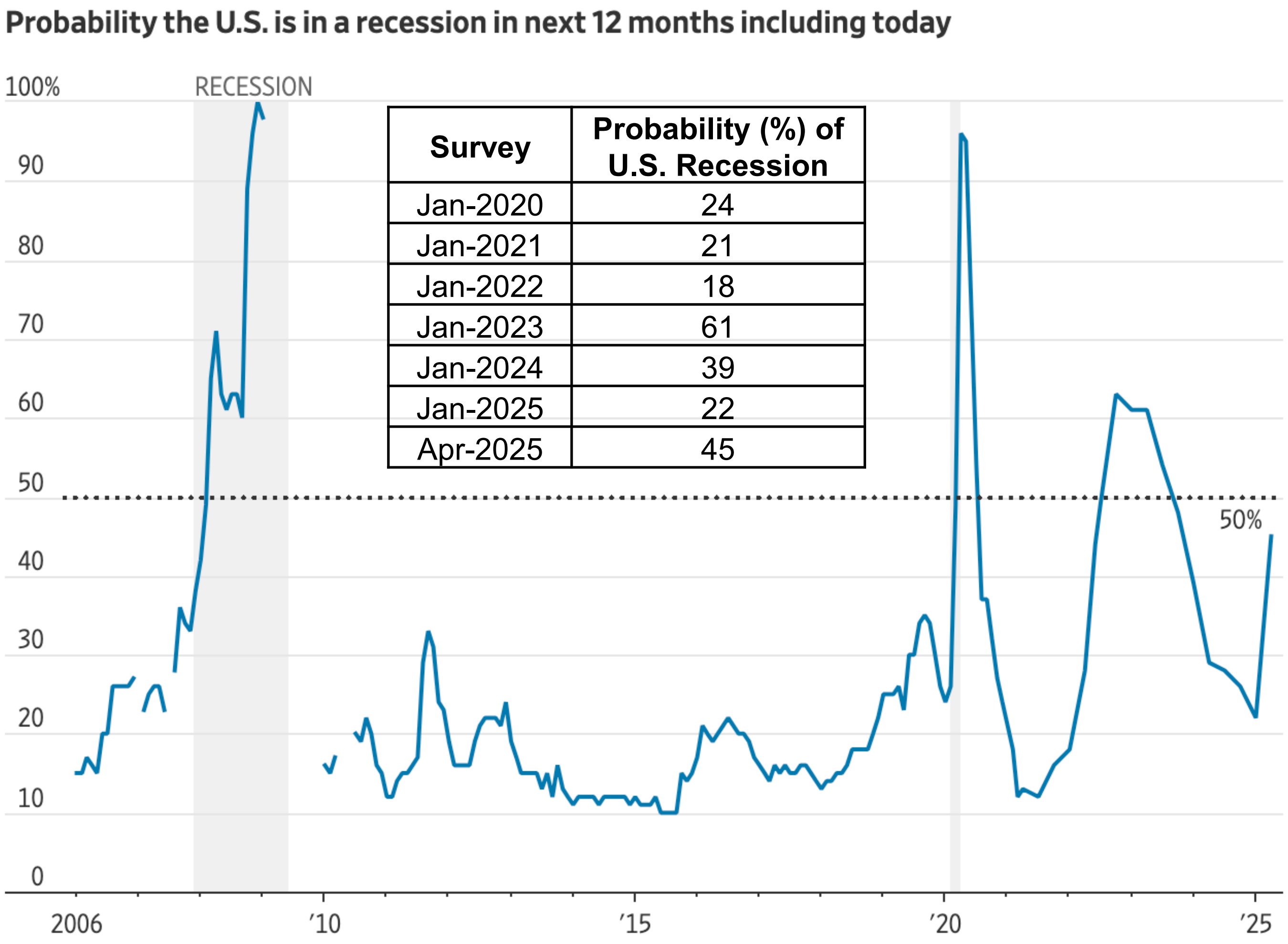
"Consumer sentiment fell for the fourth straight month... Expectations have fallen a precipitous 32% since January, **the steepest three-month percentage decline seen since the 1990 recession**… **Consumers perceived risks to multiple aspects of the economy**, in large part due to ongoing uncertainty around trade policy and the potential for a resurgence of inflation looming ahead." (Director Joanne Hsu, April 25, 2025)



Sources: University of Michigan

Versus January, Economists Now Deem U.S. Recession Within Next 12 Months Twice as Likely

Probability Doubled From 22% to 45%



Survey	Probability (%) of U.S. Recession
Jan-2020	24
Jan-2021	21
Jan-2022	18
Jan-2023	61
Jan-2024	39
Jan-2025	22
Apr-2025	45

Jan-2023 — *Economists…Still See Recession This Year Despite Easing Inflation*

Jan-2024 — *It Won't Be a Recession—It Will Just Feel Like One*

Jan-2025 — *Trump's Return Nudges Economists' Inflation Outlook Higher*

Apr-2025 — *Economic Outlook Dives Just Three Months Into Trump's Term*

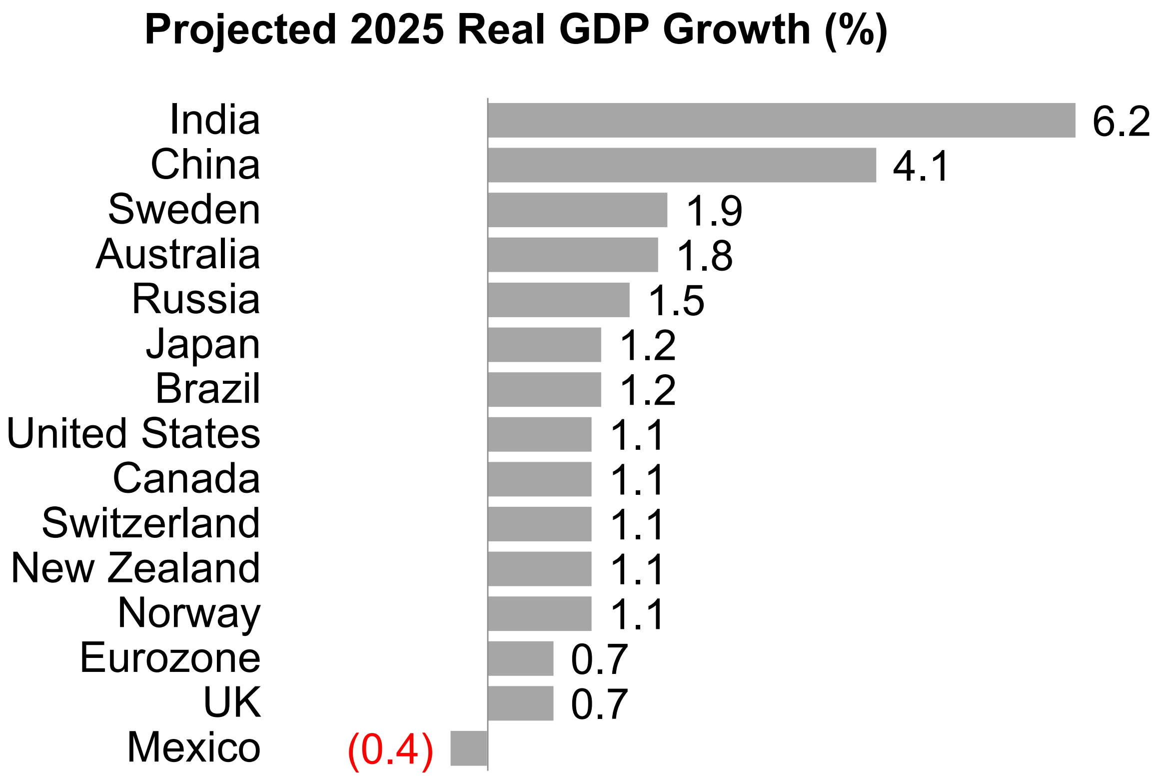
"**Economists expect U.S. gross domestic product after inflation to expand just 0.8% in the fourth quarter from a year earlier**, according to the survey's average estimate. **That is down from a forecast of 2% GDP growth in January**. If accurate, it would make this year the economy's worst since 2020..."

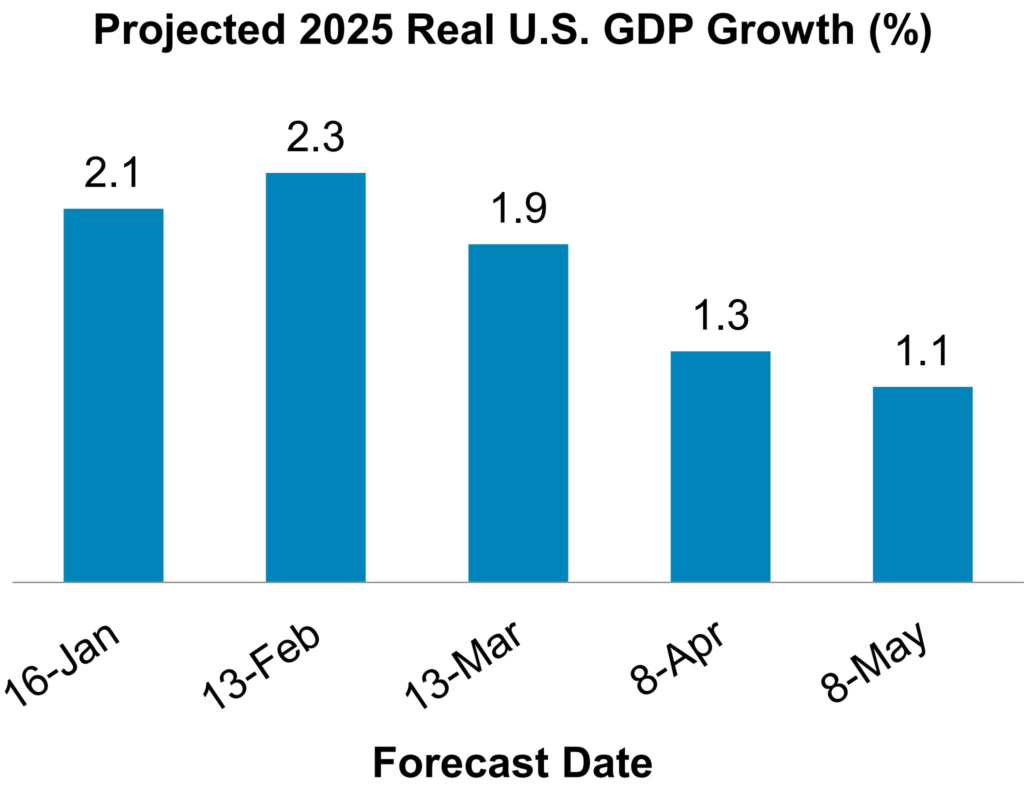
Source: The Wall Street Journal Economic Forecasting Survey and "Economic Outlook Dives Just Three Months Into Trump's Term," *The Wall Street Journal* (April 12, 2025)

Most 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**."

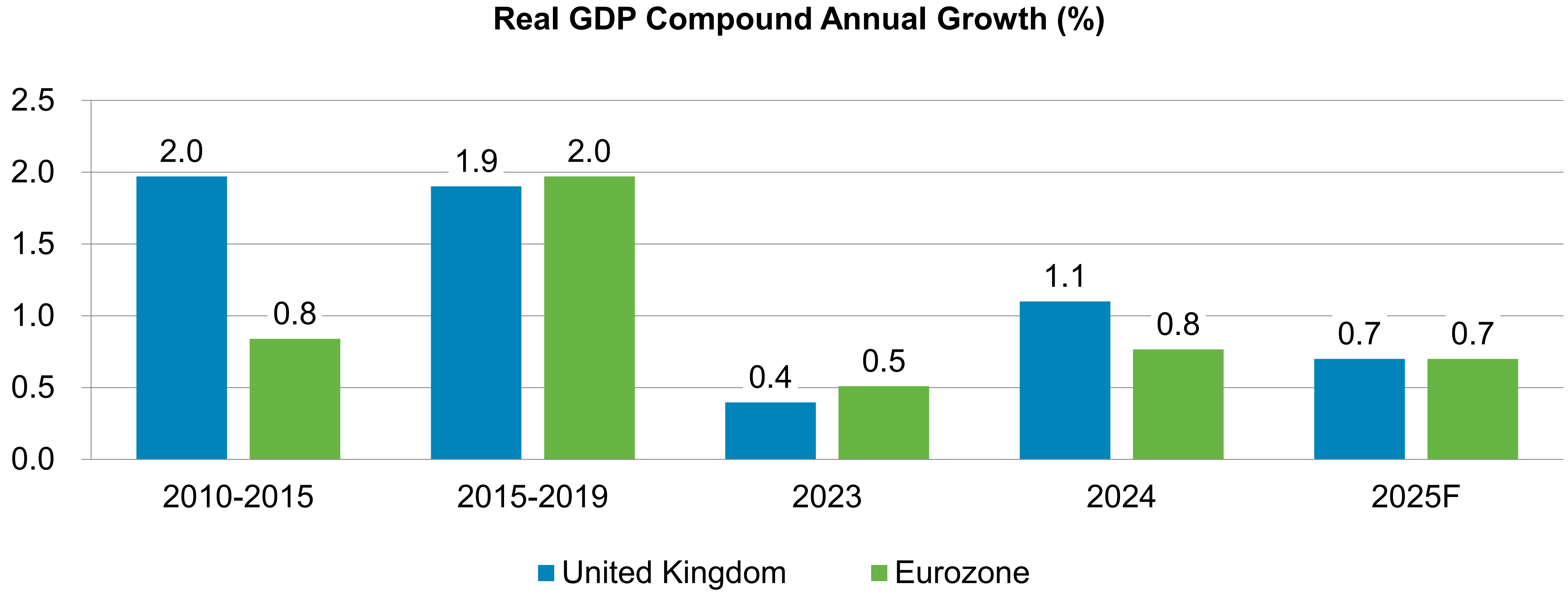




Source: Wells Fargo 2025 International Economic Outlook (May 8, 2025)

In 2025, Europe's Economy Is Expected to Grow Less Than 1%

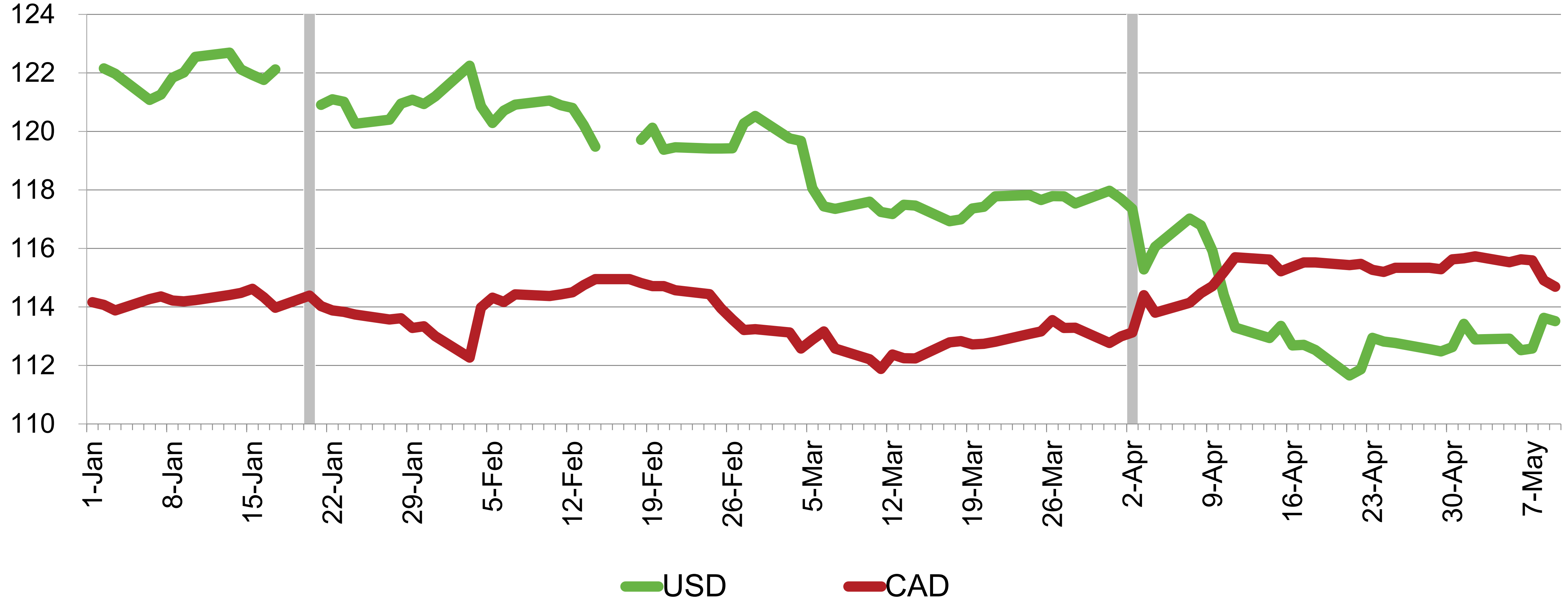
Substantially Below Annual Growth Rates Experienced in 2015-2019



Source: Historical rates from UK Office of National Statistics and Eurostat (via Federal Reserve Bank of St. Louis); forecast from Wells Fargo 2025 International Economic Outlook (May 8, 2025)

The U.S. Dollar's Decline Has Accelerated While the Canadian Dollar Has Strengthened

Implications for Relative Cost of Imports/Exports and Confidence in the U.S. and Canadian Economies

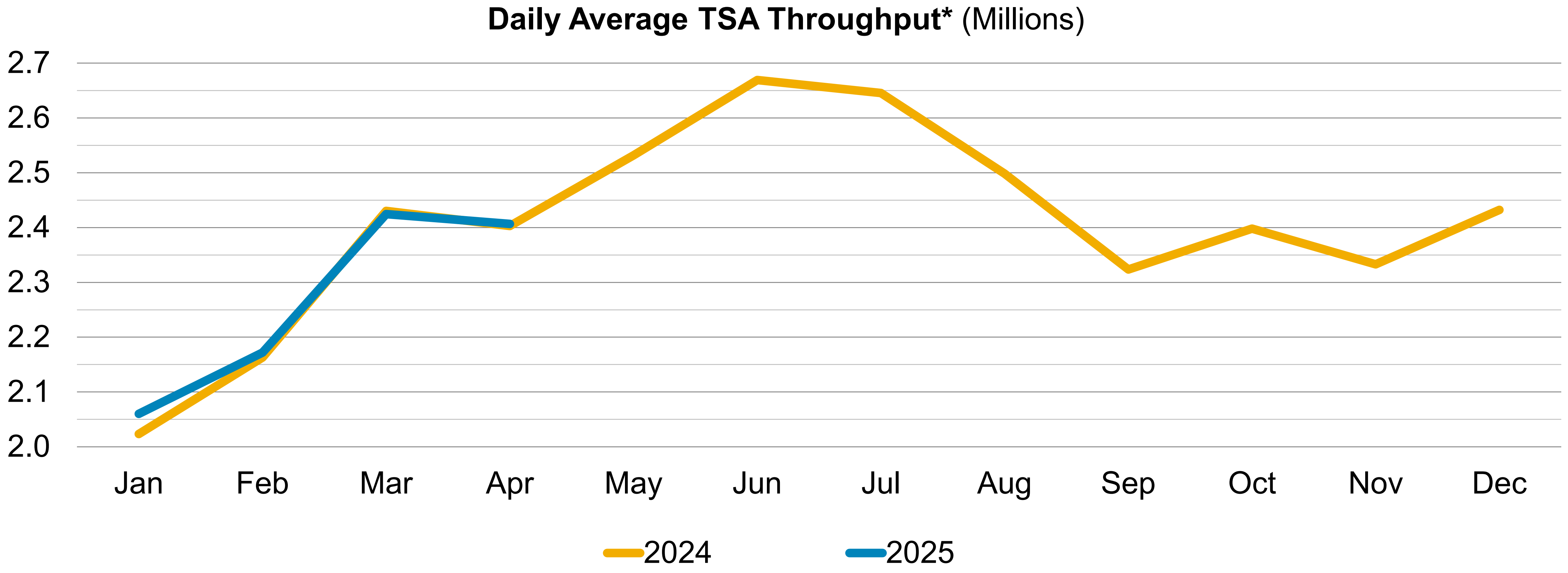


Source: Federal Reserve Bank of St. Louis and Bank of Canada

Note: USD = Nominal Advanced Foreign Economies U.S. Dollar Index (Jan 2006=100, NSA); CAD = Nominal Canadian Effective Exchange Rate (1999=100)

In First Four Months of 2025, TSA's Daily Average Checkpoint Throughput Rose 0.5% YOY

Total Volume (Not Adjusted for Leap Year) Down 0.3%



Source: A4A analysis of data from the Transportation Security Administration

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

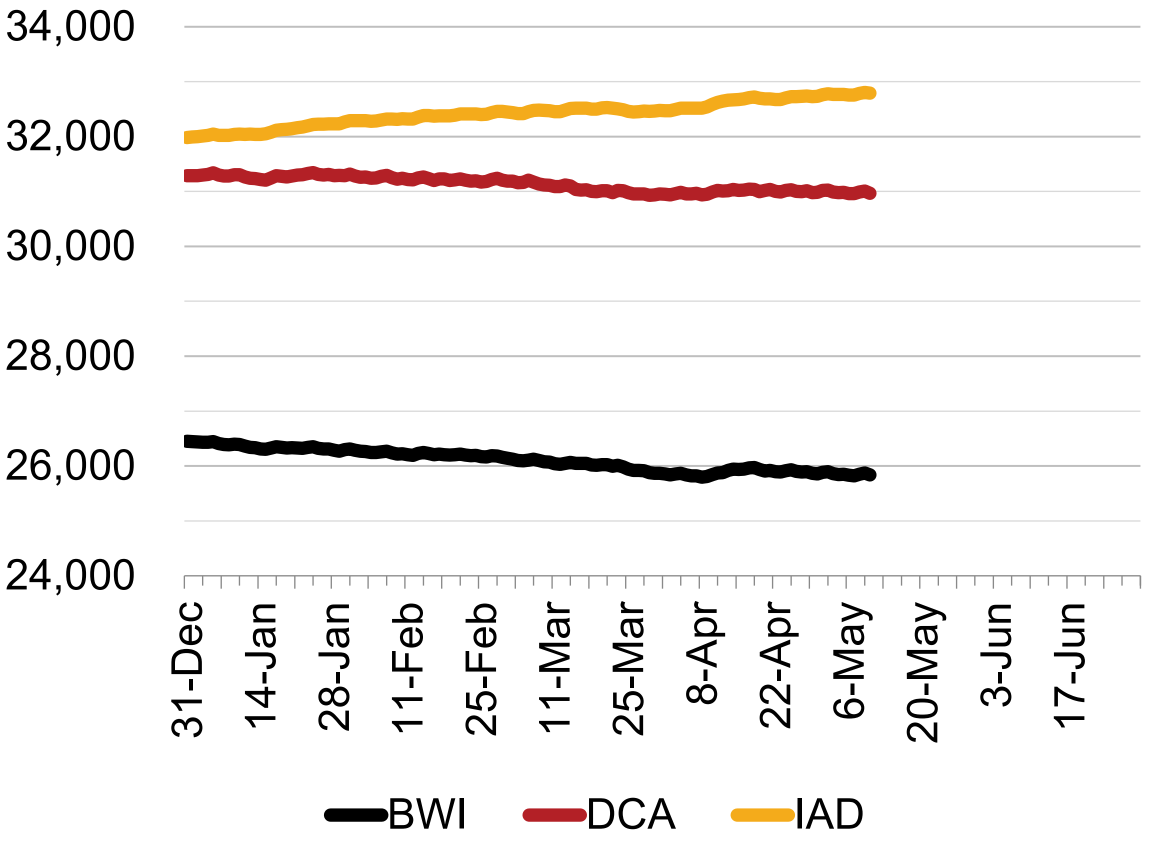
Airlines Are Closely Monitoring Traffic Levels at Washington-Area Airports

Screened Passenger Volumes Have Risen at Dulles (IAD) But Fallen at BWI and DCA

"Economists believe government layoffs and looming budget cuts will push the Washington, D.C., metro area into a recession, challenging its reputation for economic resilience... The federal government employs around 17% of full-time workers in the Washington metro area, or around 400,000 people. An additional 500,000 or so are employed in 'professional, scientific and technical services,' a category that includes government contractors and consultants at firms such as Booz Allen Hamilton, Deloitte and Ernst & Young. …Enrico Moretti, an economist at the University of California, Berkeley, said **each federal job in the capital region likely creates 1.6 additional jobs in the local economy over a decade, an effect that would be reversed in the event of job cuts**."

Paul Kiernan and Rachel Louise Ensign, "Government Jobs Insulated DC From Economic Volatility. Not Any More." *The Wall Street Journal* (April 19, 2025)

365-Day Moving-Average Daily Screened Passengers*

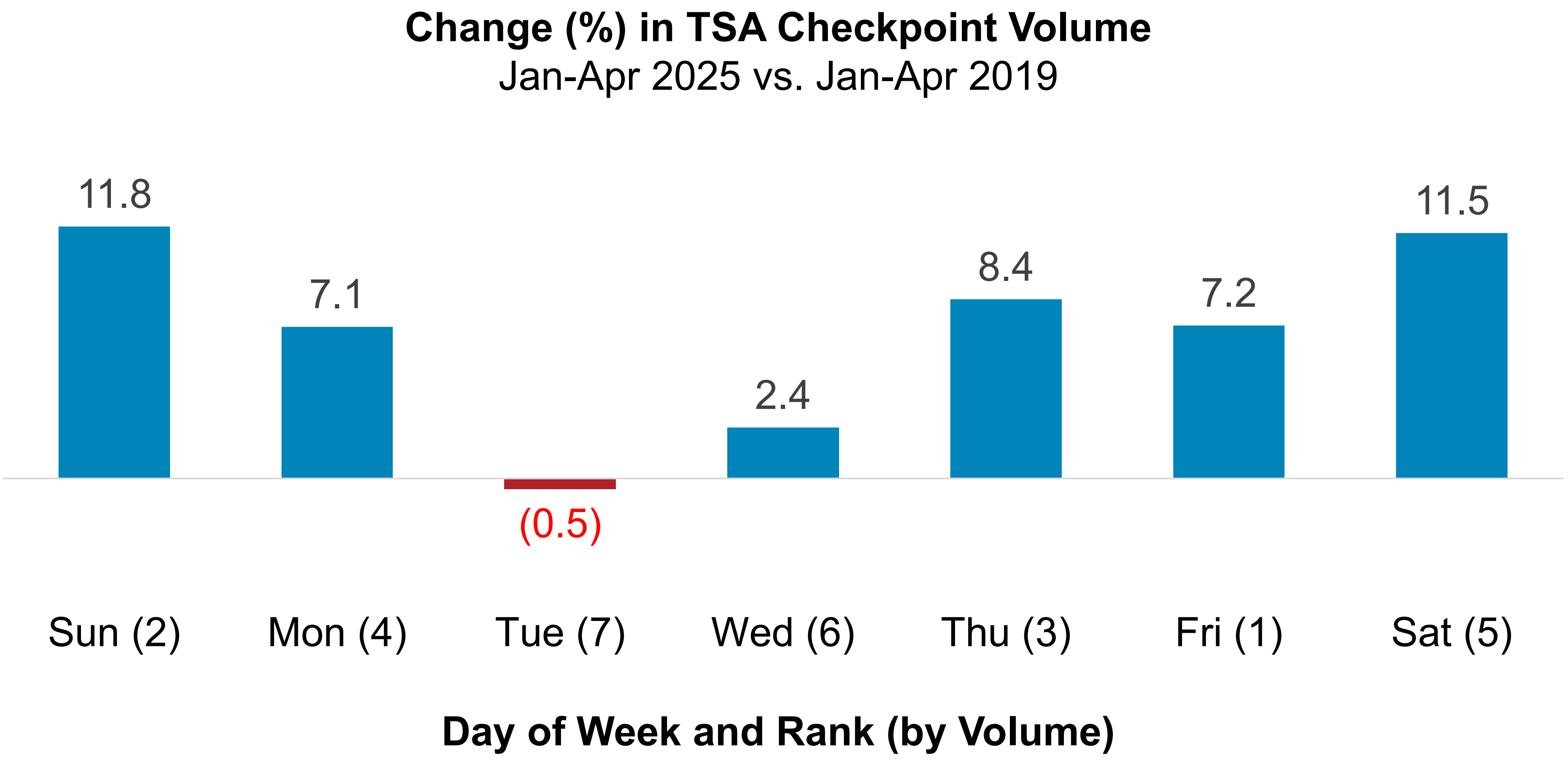


Source: Transportation Security Administration and *The Wall Street Journal* (April 19, 2025)

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

Change in Day-of-Week Air-Travel Patterns Provides Evidence of Increased Leisure Mix

Saturday/Sunday Have Soared While Tuesday/Wednesday Have Lagged Materially



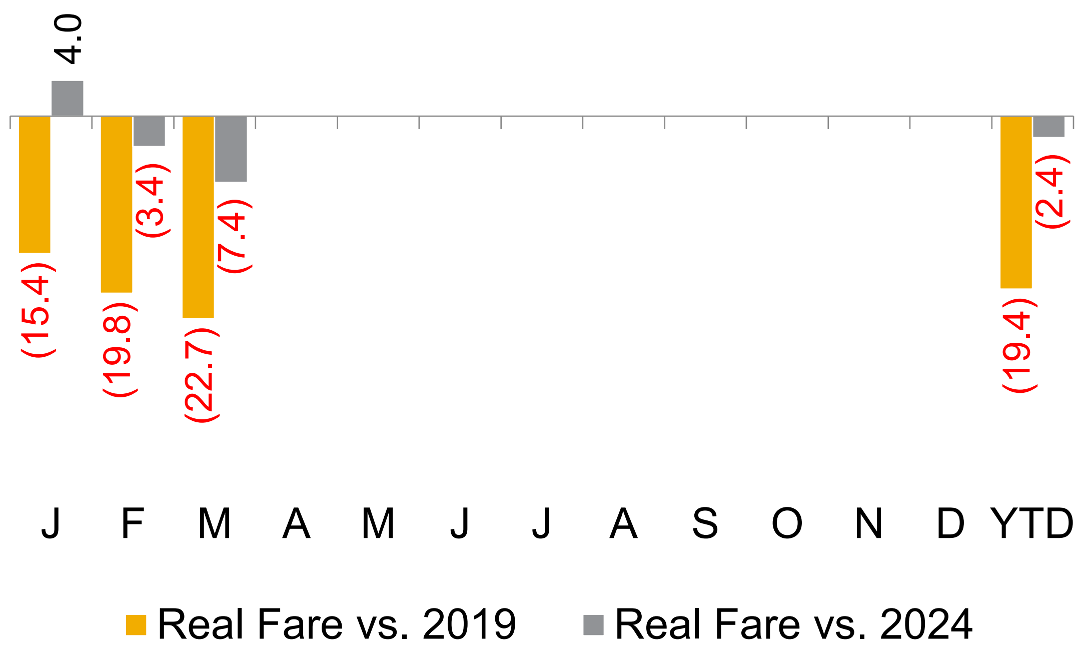
Source: A4A analysis of data from the Transportation Security Administration

Note: Volume reflects travelers only, not Known Crewmember® personnel

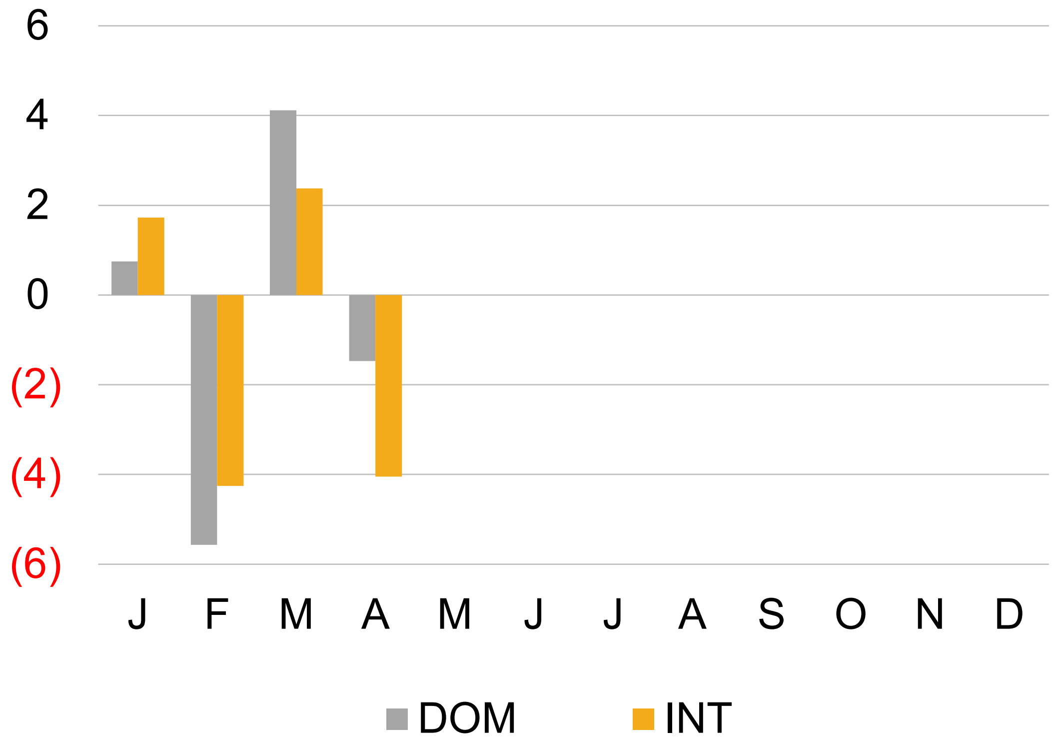
Collectively, Airlines Are Confronting Real Declines in Fares and Ticket Sales

Adjusted for Inflation, March Airfare CPI Fell ~7% Year Over Year; Int'l Sales Continue to Outperform

Change (%) in Inflation-Adjusted Airfare
2025 vs. 2019/2024



Change (%) in U.S. Ticket Sales* — 2025 vs. 2024

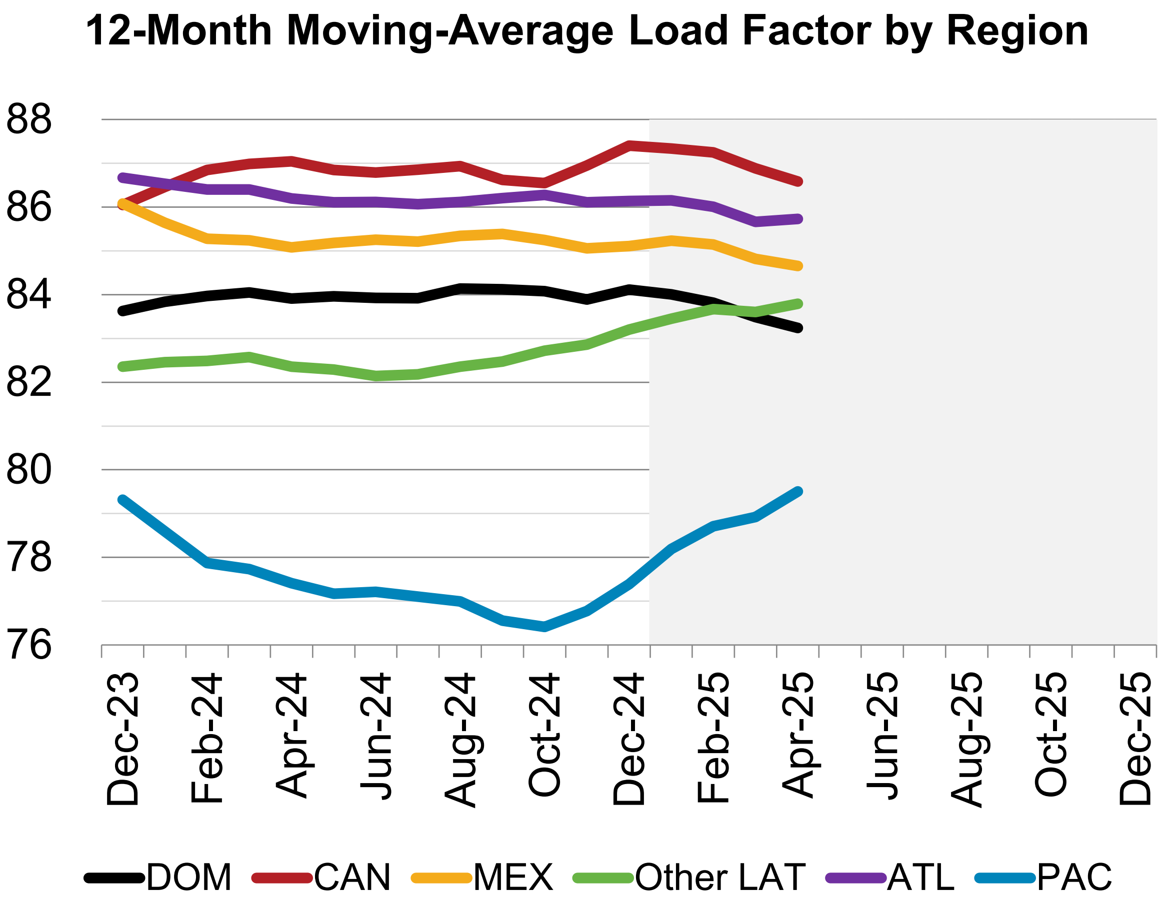


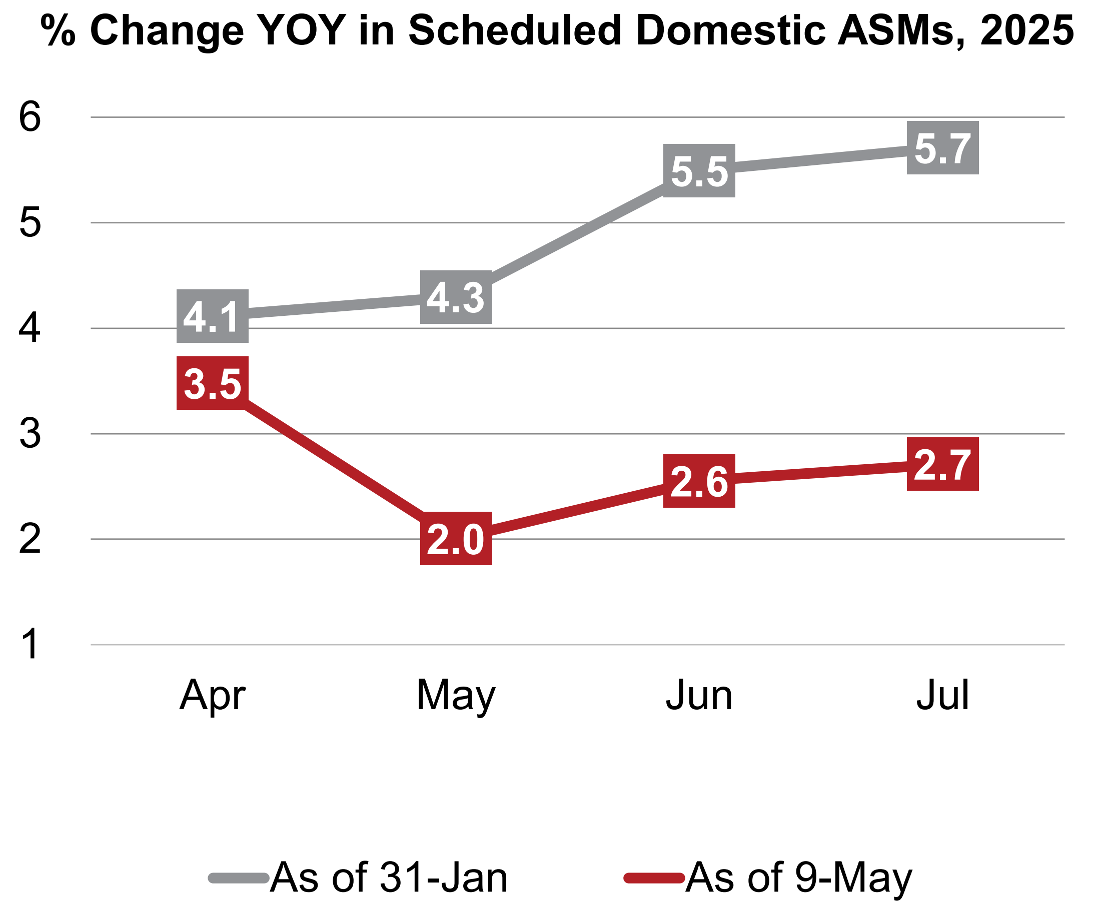
Source: Bureau of Labor Statistics (CPI Series CUUR0000SETG01, not seasonally adjusted) and A4A analysis of data from Airlines Reporting Corporation (ARC)

* Fees for reservation changes and transport of bags

In Addition to Falling Fares and Slowing Sales, Load Factors in Key Regions Have Subsided

Accordingly, Published Schedules Show Domestic Capacity Growth Retrenching



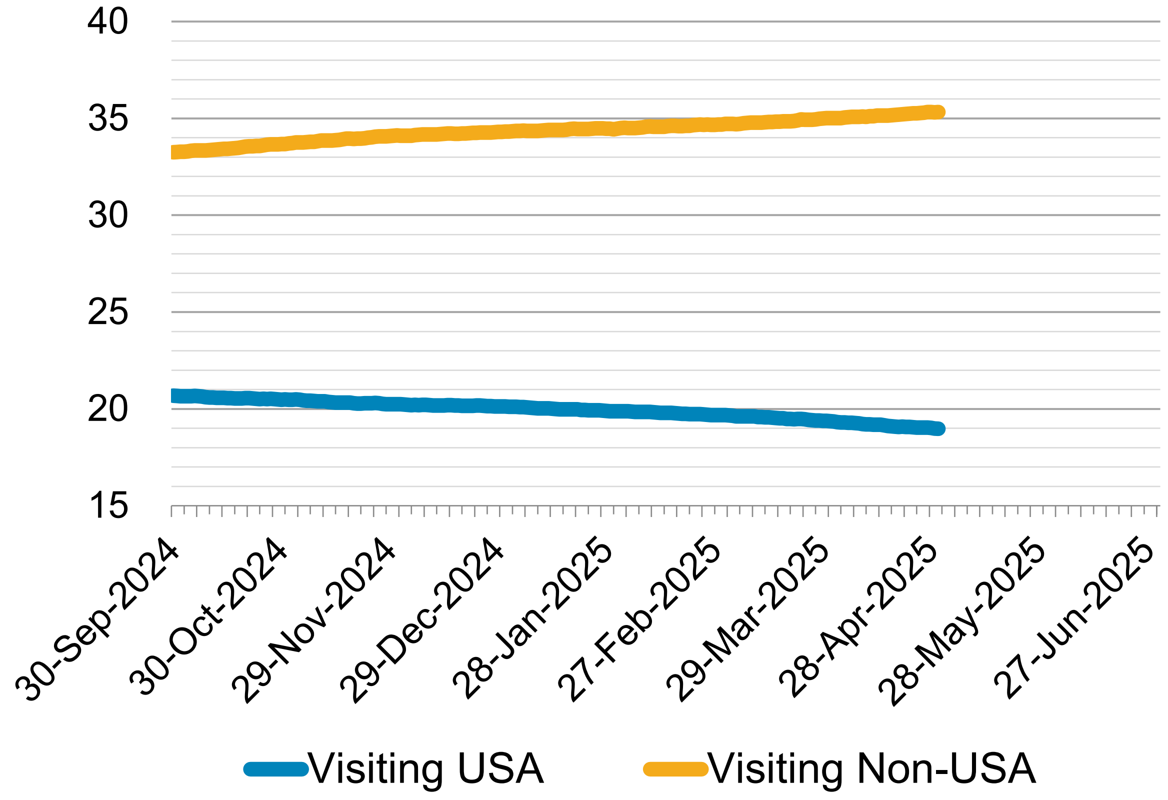


Sources: A4A member passenger airlines (Alaska/Hawaiian, American, Delta, JetBlue, Southwest, United) and branded code share partners Cirium published schedules

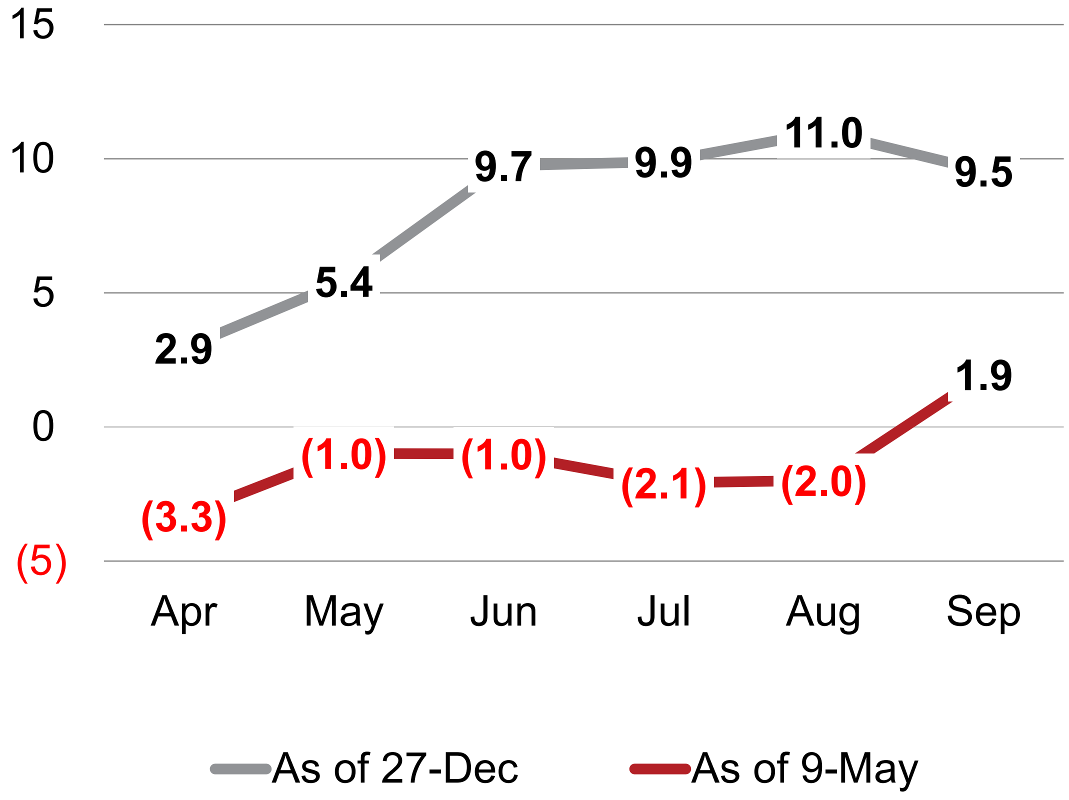
In Response to Falling Demand, Airlines Have Significantly Pared U.S.-Canada Air Service

Supply of Scheduled Seats Now Showing YOY *Declines* in April-August

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



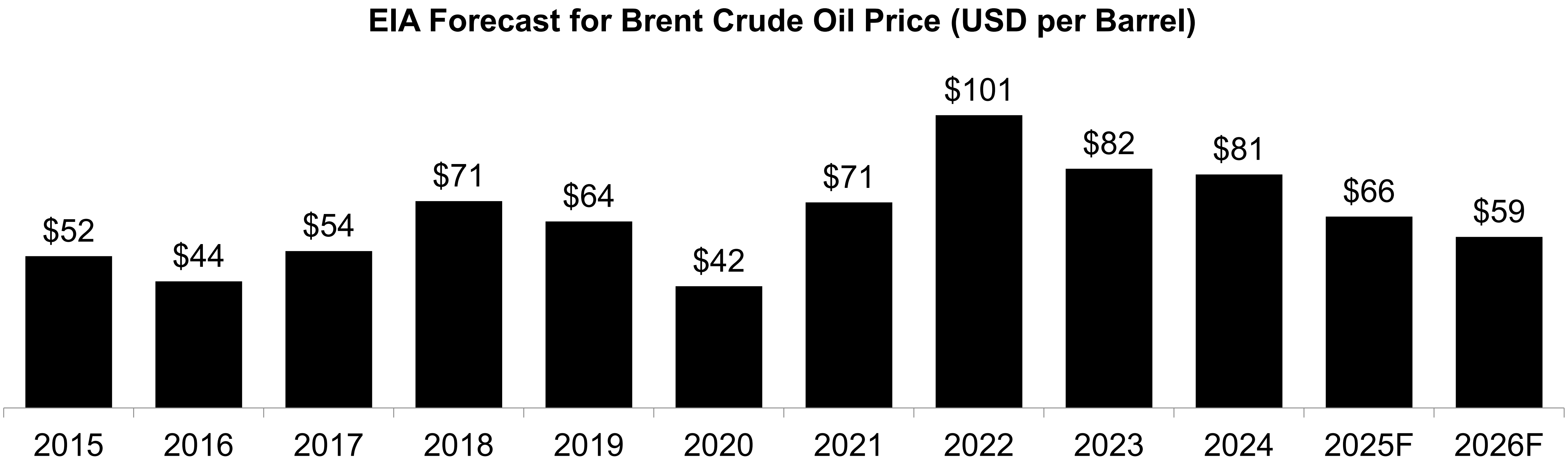
% Change YOY in Scheduled U.S.-Canada Seats, 2025



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

EIA Projects the Average Price of Brent Crude to Fall Materially in 2025-2026

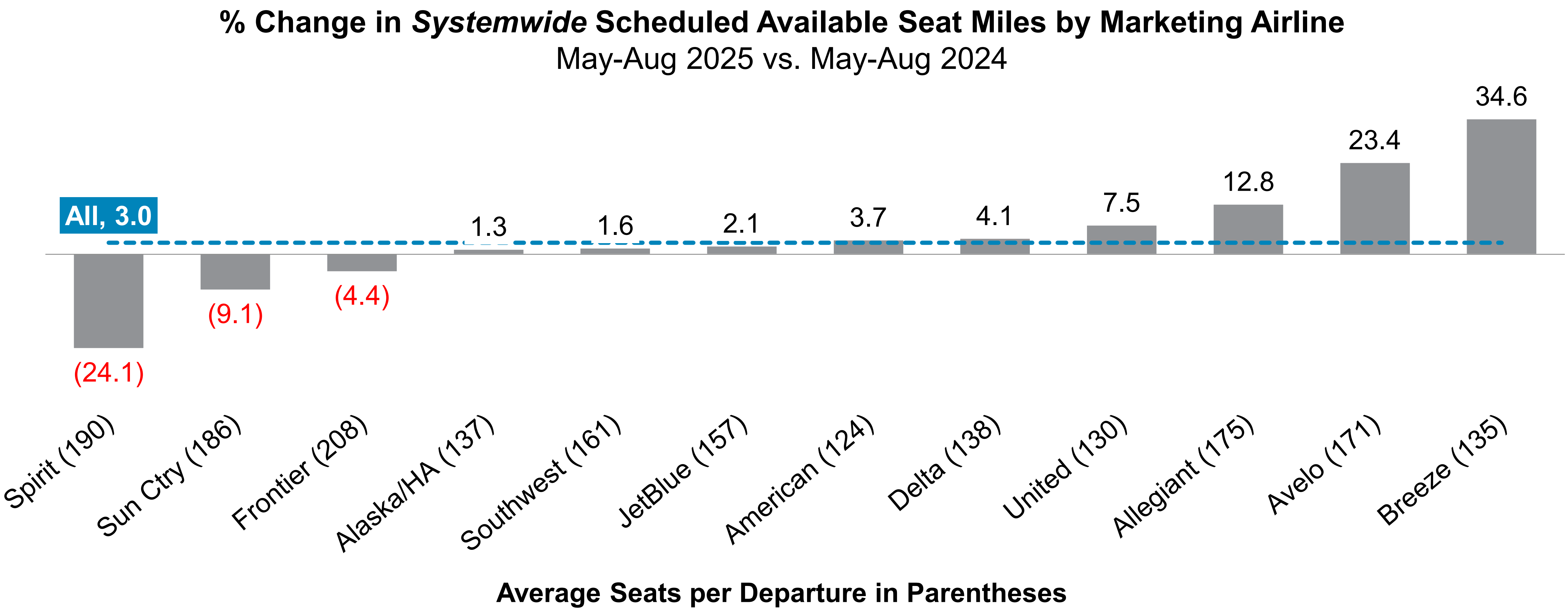
"EIA expects **lower demand for petroleum products**—such as gasoline, diesel, and jet fuel—along with increased oil production will lead to a **generally oversupplied oil market**, pushing oil prices down; **EIA's May forecast for 2026 oil prices is $8 per barrel lower than its January forecast**… Notably, EIA concluded this forecast on May 1, which was before the latest OPEC+ meeting, on May 3." (EIA STEO, May 6, 2025)



Source: U.S. Energy Information Administration Short-Term Energy Outlook (May 2025)

Collectively, U.S. Airlines Showing 3% Systemwide Capacity Growth in May-August 2025

Growth Rates Differ Dramatically by Company



Source: Cirium published schedules (May 9, 2025) for selected marketing airlines (including regional affiliates)

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