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S&P U.S. Transportation Infrastructure Airport Update: Air Travel Rides The Jetstream, For Now

Key Takeaways

- Our sector view for airports remains stable.
- Revenue growth remains balanced against increased operations and maintenance expenses, particularly labor and materials costs, as well as renewed capital spending for expanding capacity or modernizing facilities against a backdrop of higher financing costs.
- Our economic outlook projects a transition to slower growth in 2025 and beyond, which could translate into softening airline travel for business and leisure passengers but we expect would have a benign impact on airport credit.

Most U.S. Airports' Credit Quality Comparable With Or Better Than Pre-Pandemic Level

Following a very turbulent period in aviation history during 2020-2021, U.S. air travel demand has fully recovered for most airport operators–and performance has even exceeded pre-pandemic levels for some–allowing management to return its focus to the future. This recovery and other factors have contributed to issuer upgrades for approximately 27% of S&P Global Ratings' airport ratings. For 2024, inflation-related expense growth, a ramp-up in annual capital improvement spending, or weaker-than-forecast U.S. economic growth could lead to weaker financial results–including debt service coverage (DSC)–but likely not enough to affect airport credit quality. Any potential drag on air travel demand caused by inflation and economic weakness will be relatively benign and short-lived, in our view, as remaining federal operating assistance is exhausted and management teams navigate through any slowing demand with improved balance sheets, cost recovery arrangements, and activity-based revenue performance. Median DSC in 2023 and 2024 could dip below the 1.5x that we observed in 2022, with rising annual debt service.

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