

UN confirms accelerated ageing of world population



I Letter from François Robardet

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(Raison d'être of the Air France-KLM group)

for employees and former employees

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N°977, August 12, 2024

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Monday's Press Review

starting with a Bonus article

> UN revises demographic peak downwards and confirms accelerated ageing of the world's population

(source Huffingtonpost) July 12, 2024 - DEMOGRAPHY - The little beast goes down, down...

The great turnaround in world demographics continues to take shape. **In its 2024 World Population Report, published on Thursday July 11, the United Nations** provides an updated illustration. Around 2080, world population growth will have ceased, but at a lower level than previously estimated, at 10.3 billion, before slowly declining.

This new forecast is lower than the 10.4 billion people predicted by the United Nations in its 2023 version. **A logical adjustment, given the collapse of the birth rate in various parts of the globe, starting with the rich countries.** So much so that the organization has a specific term for these nations. **"Almost one-fifth of the world's countries, including China, Italy, South Korea and Spain, now have 'ultra-low fertility', with fewer than 1.4 children per woman in their lifetime,"** the

report details. This trend, a source of immense challenges at national level, naturally has a downward impact on forecasts.

More old people than infants

The main driving force behind this decline is none other than the colossus of China. With its 1.4 billion inhabitants, it plays a decisive role in global demographic statistics, and its situation is not rosy. Despite the country's emergence from the one-child policy, the average number of children per woman is 1.16, well below the 2.1 needed to renew one generation to the next.

Of course, certain "demographic locomotives" will continue on their present course, some of them well into the 21st century, according to the United Nations. Angola, the Central African Republic, Niger and Somalia will all see their populations double by 2054. For others, such as the United States and India, slow but steady growth is still the order of the day.

Nevertheless, the population growth trend is at half-mast, if not at a standstill. According to the UN, Brazil, Iran, Vietnam and Turkey are among the next nations whose population will stabilize by mid-century.

All these forecasts, in line with previous analyses, paint a picture that contrasts sharply with what was imagined just a decade ago. **But in addition to the local issue of population loss, the question of global ageing is now looming large on the horizon. By mid-2030, the report states, the number of people over 80 will have surpassed the number of infants under one year of age around the globe.**

My comment: *The main figures from the UN's 2024 report are available in French on [the INED website](#).*

Three pieces of information in particular caught my attention.

Concerning population by continent, the UN forecasts that by 2100 :

- a 20% population decline in Europe (-150 million inhabitants),*
- a doubling of the population of Africa (+2.2 billion inhabitants)*

Projections par continent

Projections de population (en millions) par continent de 2025 à 2100. Scénario central

	2025	2050	2075	2100
Europe	744	703	637	592
Europe de l'Est	284	256	222	200
Europe de l'Ouest	200	196	188	185
Europe du Sud	151	135	111	96
Europe du Nord	110	116	114	110
Amériques	1 055	1 157	1 151	1 088
Amérique du Sud	438	469	439	379
Amérique du Nord	388	427	453	475
Amérique Centrale	185	215	217	197
Caraïbes	45	46	43	37
Asie	4 835	5 280	5 105	4 613
Asie du Sud	2 085	2 506	2 627	2 489
Asie de l'Est	1 652	1 467	1 100	770
Asie du Sud-Est	700	775	751	679
Asie de l'Ouest	314	419	491	525
Asie Centrale	84	114	136	150
Afrique	1 550	2 467	3 291	3 814
Afrique de l'Est	513	855	1 172	1 383
Afrique de l'Ouest	467	735	956	1 070
Afrique du Nord	276	373	437	462
Afrique Centrale	220	412	624	790
Afrique Australe	74	92	102	109
Océanie	47	58	66	73
MONDE	8 232	9 664	10 250	10 180

World Population Prospects, Révision 2024

La publication World Population Prospects fournit les estimations de population des Nations unies pour tous les pays du monde pour chaque année entre 1950 et 2024 et les projections selon différents scénarios (bas, moyen et haut) pour chaque année entre 2024 et 2100. Les chiffres présentés ici correspondent aux projections pour l'année

In terms of population by country, China's population could fall by 50% by 2100, with a loss of 800 million inhabitants.

If this forecast comes true, China will find itself in the same situation as European countries, with an aging population.

This aging would force China to mobilize substantial resources to finance its pensions.

To achieve this, the country could seek to strengthen its position in high value-added sectors, notably in the aeronautics industry, where the manufacture and maintenance of engines and the sale of aircraft could be particularly concerned.

Nota bene: this commentary is freely inspired by the France Inter eco editorial of July

Projections par pays

Population totale (en millions) des 50 pays les plus peuplés en 2025. Scénario central

Rang en 2025	Pays	2025	2050	2075	2100	Rang en 2100
1	Inde	1 464	1 680	1 671	1 505	1
2	Chine	1 416	1 260	934	633	2
3	Etats-Unis	347	381	403	421	6
4	Indonésie	286	321	318	296	8
5	Pakistan	255	372	467	511	3
6	Nigeria	238	359	447	477	4
7	Bresil	213	217	195	163	12
8	Bangladesh	176	215	226	209	10
9	Russie	144	136	129	126	17
10	Ethiopie	135	225	309	367	7
11	Mexique	132	149	146	130	15
12	Japon	123	105	87	77	32
13	Egypte	118	162	191	202	11
14	Philippines	117	134	131	114	19
15	Congo (Rép. dém. du)	113	218	337	431	5
16	Viet Nam	102	110	103	92	26
17	Iran	92	102	94	80	30
18	Turquie	88	91	82	65	41
19	Allemagne	84	78	73	71	36
20	Thaïlande	72	66	55	46	50
21	Tanzanie	71	130	199	263	9
22	Royaume Uni	70	76	76	74	34
23	France (métropolitaine)	67	68	68	68	38
24	Afrique du Sud	65	79	88	94	25

> How do airlines set ticket prices?

(source Capital) August 7, 2024 - 170 million French people flew in 2023, according to the Fédération Nationale de l'Aviation et de ses Métiers (FNAM). That's 100 million more travelers than in 2021, during the Covid crisis. Inevitably, the **explosion in demand has been felt in ticket prices**. "Rising costs combined with strong demand have resulted in higher ticket prices. On average, **airfares departing from France have thus risen by around 30% compared with 2017**", FNAM details in its 2023-2024 activity report. Prices can also vary according to periods of high demand (vacations, holidays, special events) and off-peak periods. However, **increased demand does not always translate into higher prices**.

The example of Ryanair is a perfect illustration: last year, the airline announced the arrival of 11 new aircraft and plans to receive around 50 by the end of April 2024 to satisfy growing passenger demand. However, it recently reduced ticket prices by 15% to better fill its aircraft. The cost of tickets actually varies according to many factors, including the options chosen by the traveler. In particular, the choice of service class (economy, business, first class) or category (business, leisure and

group) at the time of booking can increase the price.

(...)

Each ticket includes a base fare, which covers the expenses of the airline carrying the passengers. This includes the cost of purchasing and maintaining the aircraft, the wages of staff such as flight attendants and pilots, and fuel. "

When you buy a plane ticket, **kerosene represents between 25% and 45% of the price**, depending on the type of flight", explains Arnaud Aymé, transport expert at SIA Partners. (

...)

A very important part of the cost of the ticket varies greatly according to the price of raw materials, which is likely to rise in the next few years. "In the medium term, the incorporation of sustainable aviation fuels will considerably increase this cost item, since the price per tonne is currently 4 to 8 times higher than that of kerosene", explains Air France-KLM. The Green Deal Fit for 55 study, published in March 2022, forecasts an increase of 80 euros per passenger for a round-trip medium-haul flight, a journey of around 3,000 km.

These costs, collected by airlines for **redistribution to third parties**, include airport charges and taxes or surcharges imposed by various states. According to Arnaud Aymé, the two main taxes are the "solidarity tax", which finances the international humanitarian organization Unitaid, and "airport taxes", both included in ticket prices. In 2024, the "solidarity tax", introduced by Jacques Chirac 20 years ago, will vary between 1 and 40 euros per passenger per flight, "depending on the distance and destination", explains the transport expert.

(...)

Airport taxes, for their part, are set by ministerial decree by the Ministers for the Budget and Civil Aviation. They are used to finance the maintenance, repair and modernization of airport infrastructures, such as control towers, runways and terminals.

(...)

The specialist also notes that **these fees and taxes are generally "on the rise in Europe", to encourage decarbonization and more responsible modes of transport, such as rail.**

My comment: Air fares can also vary according to:

- the degree of competition on a route

- the aggressiveness of major airlines in attracting passengers to their hubs. Another key factor is the development of ancillary services offered to passengers, such as upgrades, lounge access, baggage allowances, seat selection and many others.

The proportion between the basic fare and ancillary services varies from airline to airline. In future, it could become commonplace to see base fares close to zero euros, allowing passengers to personalize their journey by choosing from a variety of paid options.

For the record, some airlines are already offering (short-haul) negative pre-tax fares (see [my letter n°807](#)).

The article once again highlights an important fact: fuel costs account for around a third of airline expenses. The mandatory integration of Sustainable Aviation Fuels (SAF) in Europe will pose a significant challenge to the financial equilibrium of European airlines.

It is essential to put in place European policies to facilitate the development of SAF sectors, with a fair sharing of added value between all stakeholders.

> Chinese airlines expand while foreign competitors reduce flights to China

(source Investing) August 9, 2024 - In the aviation sector, Chinese airlines are expanding their international presence while their foreign competitors, including Western carriers such as British Airways and Australia's Qantas Airways, are reducing their services to China. This change is taking place **against a backdrop of low demand for travel to China, rising costs and longer flight times due to the avoidance of Russian airspace**

(...)

Chinese carriers have been able to maintain shorter routes to Europe and North America by flying over Russia, **giving them a cost advantage** and enabling them to capture a larger share of the international market. This development comes at a time when competition on domestic routes in China has put pressure on ticket prices and profitability.

A senior analyst from travel data company OAG pointed out that **Chinese carriers can have costs up to 30% lower than their international counterparts**, boosting their expansion efforts. For example, British Airways' Beijing-London flight today takes around 2.5 hours longer than a daily flight launched last year by China Southern on the same route.

British Airways will continue its daily flights to Shanghai and relaunched a codeshare with China Southern in May. Virgin Atlantic, meanwhile, has decided to suspend its London-Shanghai service indefinitely from the end of October due to longer flight times. British Airways and Virgin Atlantic are expected to reallocate their valuable London Heathrow slots to potentially more profitable routes.

(...)

According to Cirium's schedule

data, Chinese airlines, including China Southern, China Eastern and OTC:AIRY, operated 90% of their international flights in July compared to July 2019, while foreign carriers were only at 60% of their pre-pandemic levels, indicating a decline.

(...)

Despite the decline of some foreign airlines, **Middle Eastern carriers have strengthened their commitment to China**. Emirates has fully restored its capacity, Kuwait Airways has increased its frequencies and Bahrain's Gulf Air began serving two Chinese cities in May.

China's international traffic has been on the rise since the lifting of pandemic-related restrictions in early 2023, but the recovery has been slower than in other countries due to economic difficulties and a shift towards domestic travel. In July, there were 23% fewer flights from China than in the same month of 2019.

Political issues also affected air travel, with passenger flights between India and China remaining suspended due to a border dispute. In addition, flights between China and the USA represent around a fifth of 2019 levels following the suspension of a bilateral air services agreement in 2020. Although mutual flight clearances have increased, US airlines operate only 35 round-trip flights a week out of the 50 allowed, while Chinese carriers have increased to 49 a week.

Last month, United Airlines reallocated capacity to other parts of the Asia-Pacific region, citing a significant drop in demand for travel to China. Major U.S. airlines and aviation unions have urged the U.S. government not to approve increased flights by Chinese airlines, arguing that Beijing's policies and the disadvantage of not using Russian airspace are anti-competitive. They warn that **the uncontrolled growth of the Chinese aviation market could lead to more flights being abandoned in favor of Chinese carriers**.

***My comment:** Although air transport has been largely privatized in recent years, it remains influenced by political decisions.*

Bilateral agreements, cross-border tensions and overflight bans can affect airline profitability.

A less visible factor is the amount of overflight taxes imposed by different countries, particularly on routes linking Europe to Asia.

Chinese airlines enjoy a definite competitive advantage as long as access to Russian airspace remains restricted. It will be interesting to follow the results of the strategy of Middle Eastern carriers who have chosen to strengthen their links with China.

European airlines, whose networks are oriented towards Asia, continue to be penalized by these restrictions.

> **Ethiopia signs agreement to design Africa's largest airport**

(source Reuters) August 9, 2024 - **Ethiopia has signed an agreement to design a new four-runway airport that will be the largest in Africa** when construction is

completed in 2029, the head of state-owned Ethiopian Airlines said on Friday. Located near the town of Bishoftu, some 45 km from the capital Addis Ababa, the airport will have a capacity of 100 million passengers a year and offer parking for 270 aircraft, Ethiopian Airlines CEO Mesfin Tasew told a press conference.

Dubai-based engineering and consulting firm Sidara will be responsible for the airport's design, said the company's operations director, Tariq Al Qanni.

Construction plans for the airport were first announced in 2018. Mesfin said Bole Addis Ababa International Airport, currently the main hub for Africa's largest airline, will soon reach its capacity of 25 million passengers a year.

"This is a five-year project (which) will be completed in 2029. It will be the biggest in Africa," said Mesfin.

"The first phase alone will cost at least \$6 billion.... The money will come from loans, and companies have already expressed interest."

Ethiopian Airlines carried 17 million passengers in fiscal 2023/2024 and expects to carry 20 million in the fiscal year that began in July.

My comment: *At present, two airlines dominate the African market: Kenya Airways and Ethiopian Airlines.*

With this new project, Ethiopia continues to develop its civil aviation. Ethiopian Airlines already benefits from the support of China, which took part in the construction and inauguration, last March, of a new cargo hub at Bole international airport in Addis Ababa.

The choice of a Dubai-based consulting and engineering firm suggests possible cooperation with the United Arab Emirates.

For the moment, the names of the lenders and companies that will finance this airport have not been disclosed, but the nationalities of the parties involved will be revealing.

These cooperations are strategic for the development of Africa's largest airport and one of the continent's two leading airlines.

Indeed, Africa offers air traffic growth prospects far superior to those of Europe and the United States.

Its population is set to rise sharply over the next few decades (see the first article in this newsletter, "UN revises demographic peak downwards and confirms accelerated ageing of the world's population").

> Sustainable aviation fuels in turbulent times

(source L'Opinion) August 6, 2024 - The facts - Within weeks of each other, **BP and Shell suspended construction of their biofuel production plants in Europe and the United States.**

(...)

So decided, back in 2017, by the 193 member states of the International Civil Aviation Organization (ICAO), a UN agency. A target that the European regulation, Refuel EU, has "notched up" over time: the aviation sector will have to incorporate 6% sustainable kerosene by 2030, then 20% in 2035, 42% in 2045 and up to 70% in 2050.

Easier said than done. **By 2021, all the oil companies and refiners had joined the race for biofuels for aviation, a market that was set to grow dramatically over the decade.** One year later, total production of biomass-derived kerosene, i.e. produced from renewable resources (vegetable oils, glucose-rich agricultural resources, animal fats, etc.) amounted to just 250,000 tonnes worldwide, less than 0.1% of the more than 300 million tonnes of kerosene used by aviation. And today, biofuels are going through a turbulent period.

In early July, **Shell announced that it was halting construction of a giant production plant** in the Netherlands, one of the world's largest (...)

The reason given by the energy company was the site's lack of competitiveness at a time when demand was not taking off as much as expected. A few days earlier, BP had also suspended two new biofuel production projects in Germany and the United States.

In addition to slower-than-expected demand, **European groups feel they have fallen victim to Chinese dumping.** Last October, the European Biodiesel Board (EBB) called on the European Commission to launch an investigation into unfair Chinese practices. According to the EBB, the **country exported 90% of its total production to Europe that year, i.e. 1.8 million tonnes, at knock-down prices,** thereby undermining the profitability of oil companies' investments on the Old Continent.

On July 19, **the union succeeded in obtaining provisional anti-dumping duties,** within four weeks, on the biodiesels that oil companies also use to make biofuels. These could range from 12.8% to 36.4%. **This should relieve some of the pressure on European producers.** On July 24, Finnish oil refiner and biofuel manufacturer Neste, the world leader in this sector, reduced its sales margin target for green fuels for the second time this year, against a backdrop of weak demand.

Despite these difficulties, TotalEnergies remains very committed and is multiplying its investments.

(...)

By 2028, TotalEnergies aims to produce half a million tonnes of sustainable fuels in France. In China, it has just signed an agreement with the giant Sinopec to produce 230,000 tonnes a year. Elsewhere in the world, Patrick Pouyanné's group has an ambitious target: 1.5 million tonnes by 2030, with SAF production units in Europe, the

United States, Japan and South Korea.

The government is also supporting initiatives in this field. Just over a year ago, the Head of State announced the release of an additional 200 million euros (over the period 2024-2030) to develop SAF production. These funds are to be used to set up the BioTJET project in the Lacq area (Pyrénées-Atlantiques), which aims to build and operate France's first commercial unit.

Let's hope hopes are not dashed. Biofuels, green hydrogen, electric cars: each time, Europe goes for broke, forgetting that producing green is expensive at home, and much less so in China.

***My comment:** Some major oil companies refuse to invest in risky or low-return projects. Airlines, for their part, cannot afford the additional costs of sustainable aviation fuels on their own.*

As a result, they are turning their attention to the public authorities, particularly in view of the Chinese and American production sectors. However, a clear European strategy is slow to emerge.

Although French initiatives such as the BioTJET project are commendable, they will not produce sufficient volumes to meet demand. It is therefore necessary to work on a European scale.

The European elections have just taken place and the formation of committees, notably the Transport Committee (TRAN), is underway. The next Transport Commissioner is due to be appointed at the end of the year.

It will then be crucial for employee and employer representatives to convince him or her of the need for the European Commission to develop a genuine strategy for the sustainable aviation fuels market in Europe.

End of press review

> Air France-KLM share price trend

Air France-KLM shares closed at **7.944 euros** on Friday August 10. It is **down sharply this week (-4.66%)**.

It was 12.53 euros on January 2, 2023, and 17.77 euros on June 19, 2023.

The analysts' 12-month average (consensus) for AF-KLM shares is 11.11 euros (it was 15.0 euros at the beginning of January 2023). The highest price target is

19.60 euros, the lowest 8 euros.

I only take into account analysts' opinions after July 1, 2023.

You can find [details of the analyst consensus](#) on my blog.

My comment: *The Air France-KLM share price is once again flirting with its all-time low.*

The airlines' mixed half-year results have led to a fall in their share prices. The announcement of Air France-KLM's half-year results, which were also mixed, paradoxically boosted the share price.

The average (consensus) 12-month analyst price for Air France-KLM shares is 11.11 euros, down nearly 3 euros in two months.

It's impossible to compare companies on the basis of their share price. Capitalization (the total value of outstanding shares) is a more relevant indicator.

Here are the capitalizations (as of July 29) of a few airlines:

- Air France-KLM: 2.2 billion euros
- easyJet: 4.2 billion euros
- Lufthansa: 7.1 billion euros
- IAG: 9.8 billion euros
- Ryanair: 16.7 billion euros
- Delta Air Lines: 26.3 billion euros

A few benchmarks:

- when Delta Air Lines and China Eastern acquired a stake in Air France-KLM in 2018, the group's capitalization was 3.75 billion euros. -
- when CMA CGM took a 9% stake in 2022 (for an investment of around 400 million euros), the group's capitalization was 4.4 billion euros.

> Fuel price trends this week

The price of a barrel of Jet Fuel in Europe is stable at \$97. It was \$94 at the end of June 2023, and \$79 before the outbreak of war in Ukraine.

**Brent (North Sea)
oil is up \$1 a
barrel to \$79.**

From mid-February 2022 to the end of July 2022, it was yo-yoing between \$100 and \$120. Since then, it has oscillated between \$75 and \$99.

My new comment: *Since the beginning of the year, the price of a barrel of oil has been relatively stable. It fluctuates between \$80 and \$90.*

The price of a barrel of Jet Fuel in Europe is falling steadily, from \$120 to \$100.

The spread between Jet Fuel in Europe and Brent crude oil has followed the same trajectory as Jet Fuel, approaching its pre-Ukraine level.

> **FCPE management**

When you invest in one of Air France's FCPE funds, you obtain shares in these funds. You do not hold shares directly.

It's the supervisory boards, which you elected in July 2021 for a five-year term, that manage the funds and make the decisions.

The Partners for the Future, Aeroactions, Majoractions and Concorde funds only hold Air France shares.

The Horizon Épargne Actions (HEA), Horizon Épargne Mixte (HEM) and Horizon Épargne Taux (HET) funds manage portfolios of various equities.

My comment: *If you'd like to find out more about how the various Air France FCPEs are managed, please [visit the Air France-KLM Employee Share Ownership section of my website](#).*

Details

This information does not constitute a solicitation to buy or sell Air France-KLM shares.

You can react to this press review or send me any information or thoughts that will help me to keep you better informed.

By return, you can ask me any questions you may have about the Air France-KLM group or employee share ownership...

See you soon.

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| François Robardet

Represented Air France-KLM's employee and former employee PS and PNC shareholders.

You can find me on my twitter account @FrRobardet

When I was elected, I received the support of the CFDT and the UNPNC

. This press review deals with subjects linked to Air France-KLM shareholding.

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