



Airline financial performance and long-term developments in air travel markets

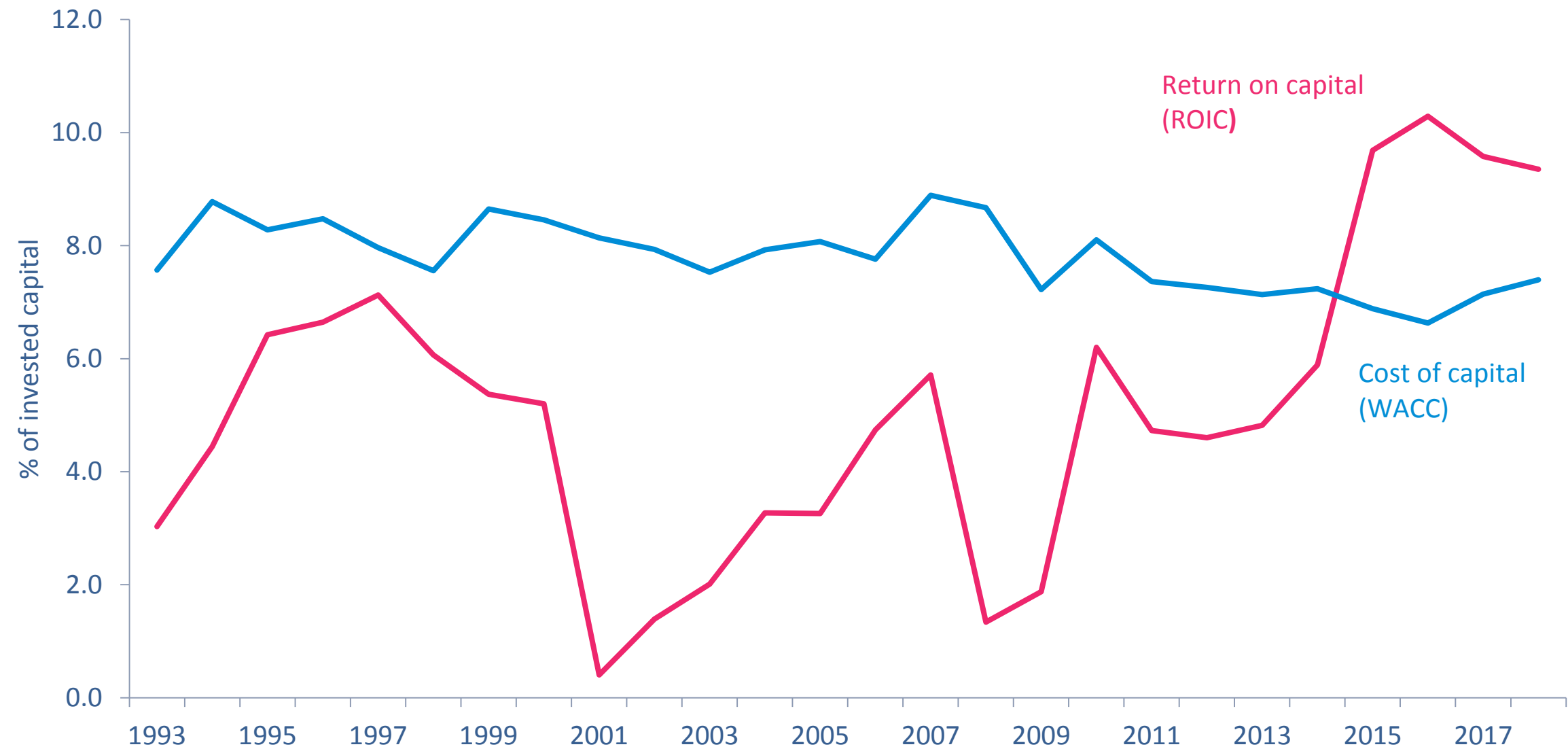
March 2018

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Chief Economist,
IATA

www.iata.org/economics

Investor returns falling but above cost of capital for a 4th year

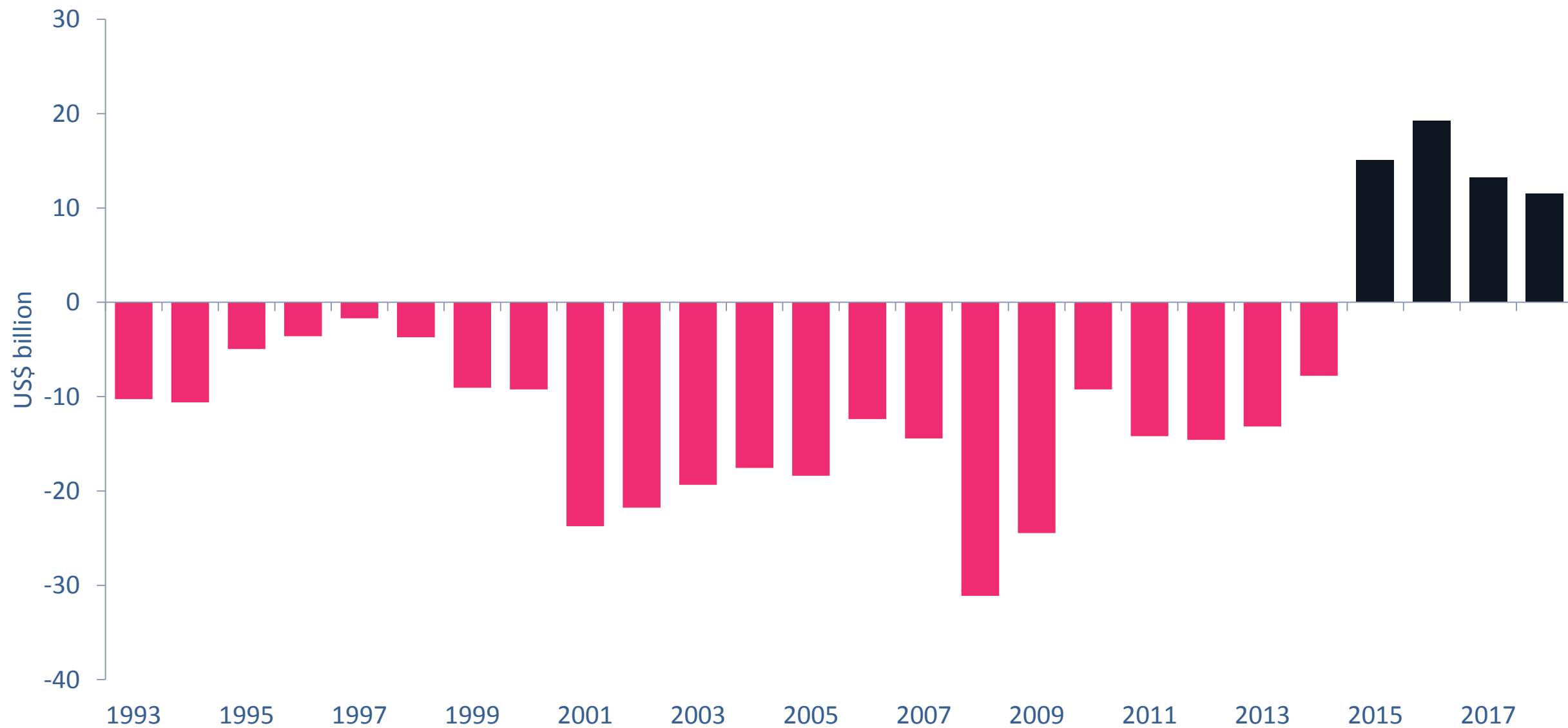
Return on capital invested in airlines and their cost of capital



Source: IATA Economics using data from McKinsey, The Airlines Analyst, IATA forecasts

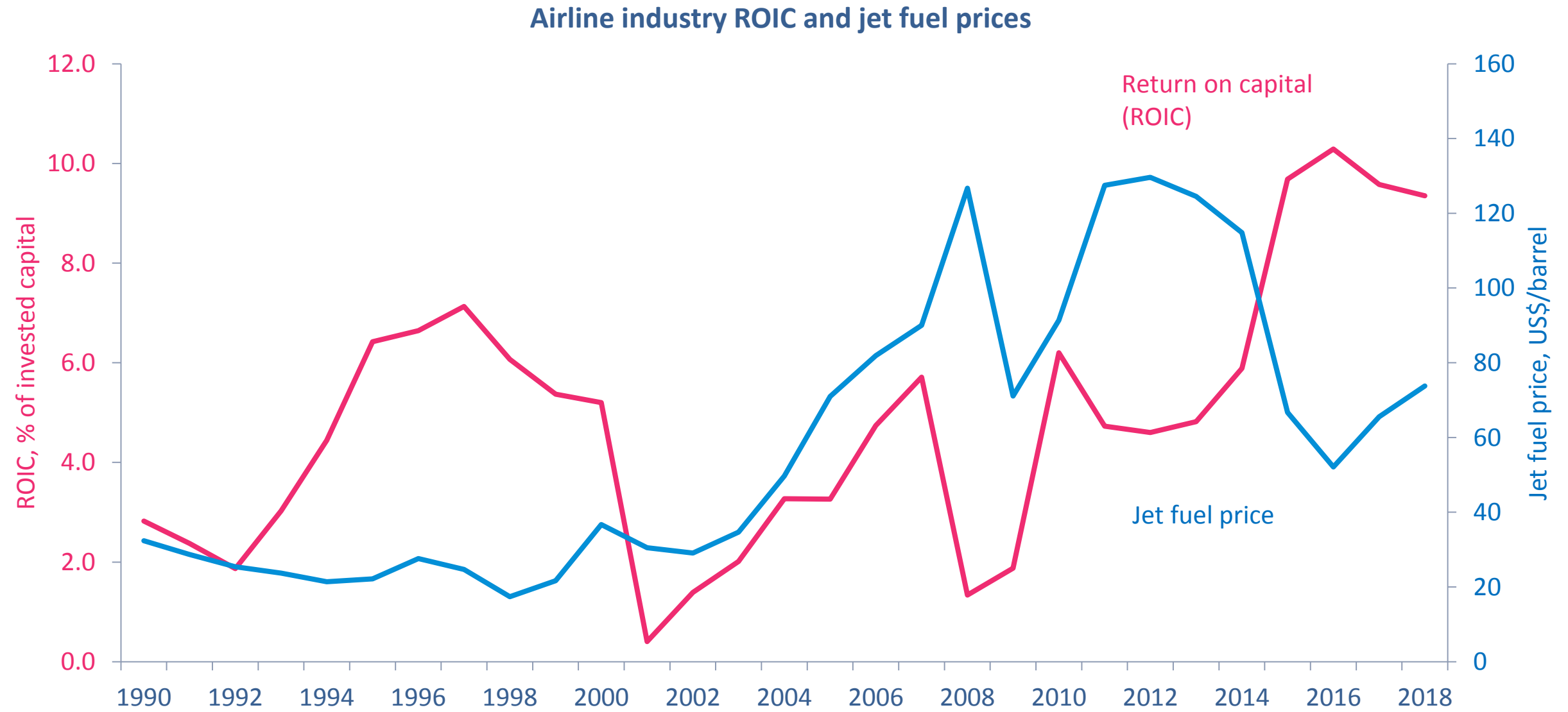
From value destruction to value creation...to a 'normal' industry

Difference between investing in airlines and investing in similar assets elsewhere



Source: IATA Economics using data from McKinsey, The Airlines Analyst, IATA forecasts

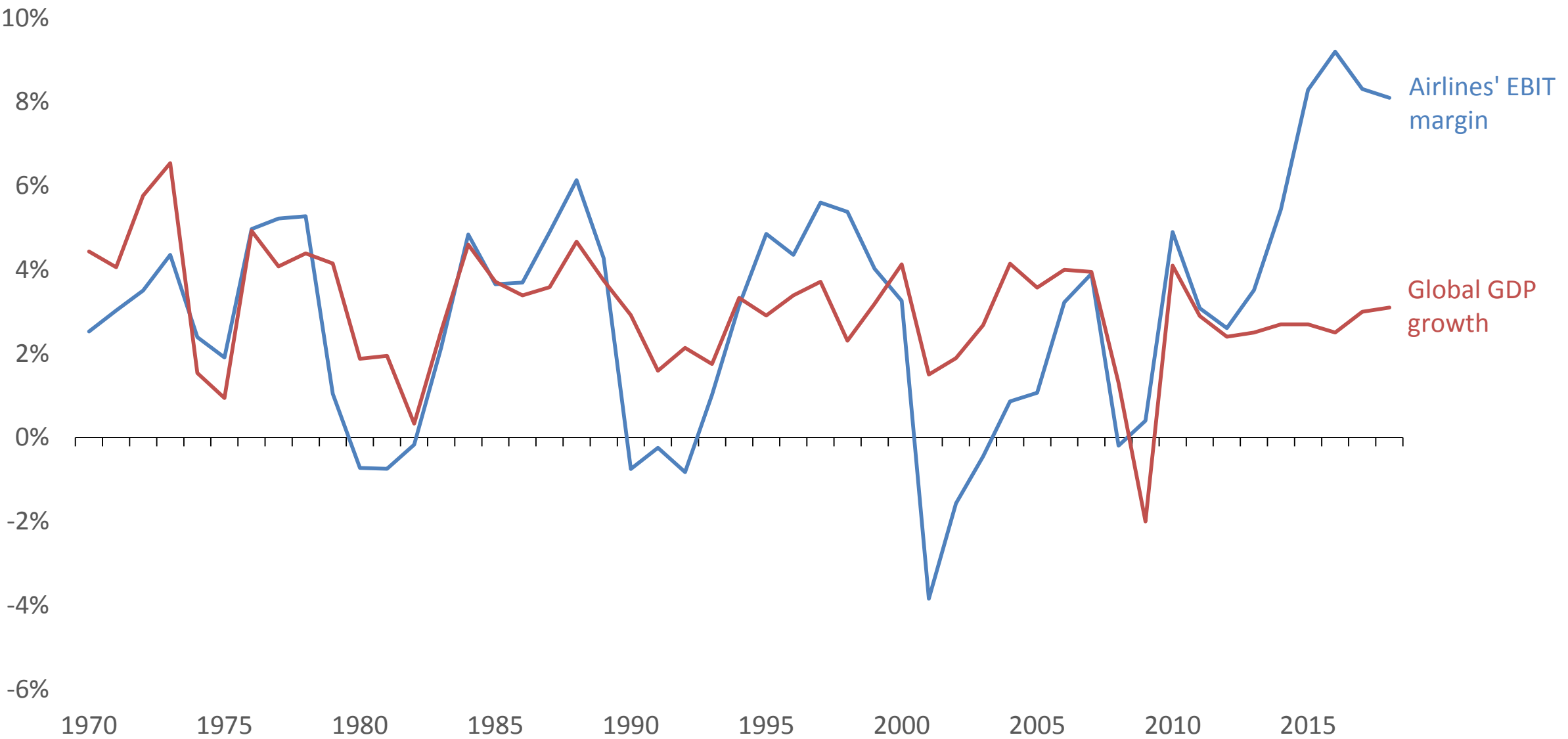
Fuel costs are down but it's not a simple link with profitability



Source: IATA Economics using data from McKinsey, Platts and own forecasts

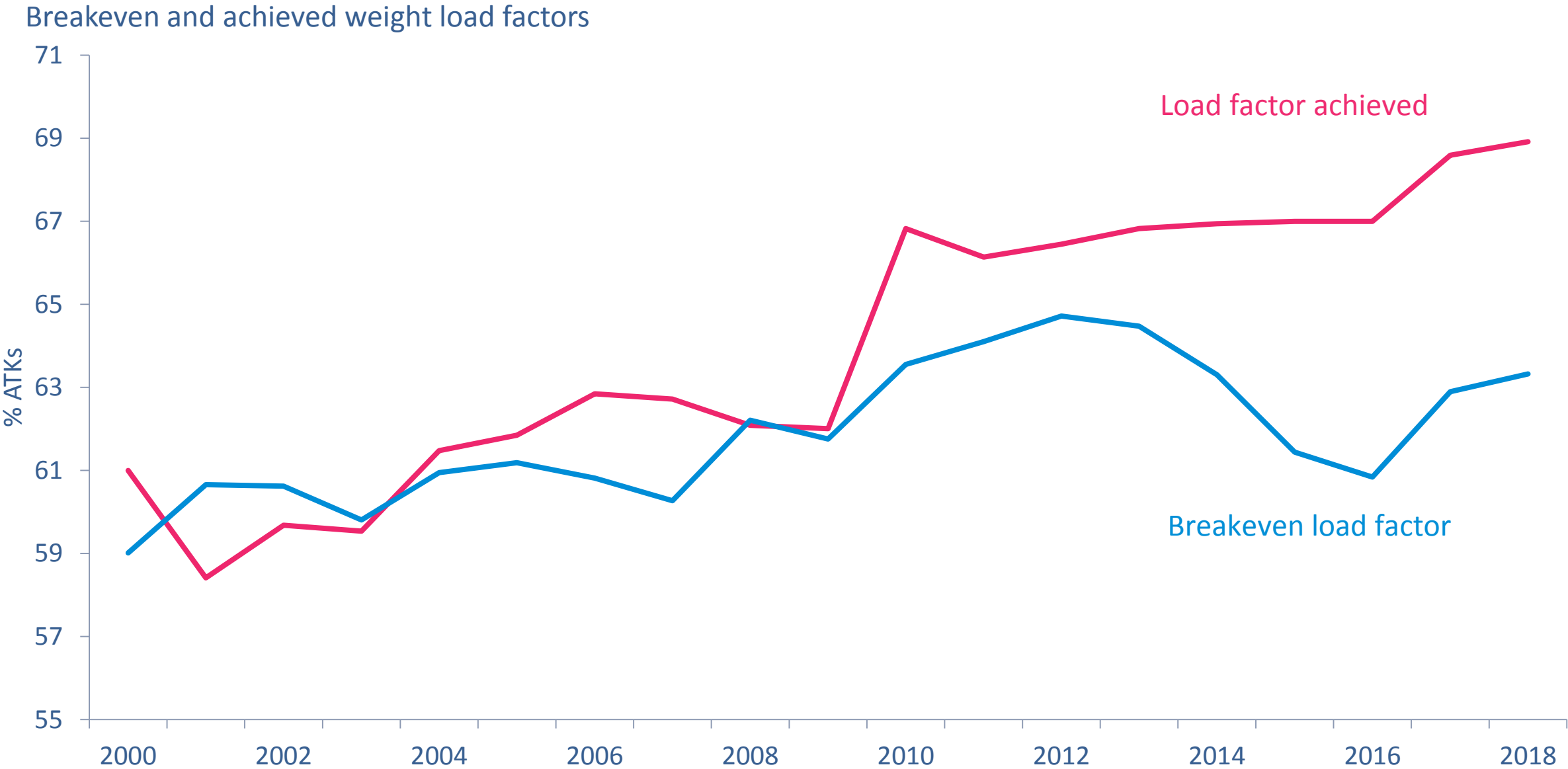
And the correlation with the economic cycle has broken down

Airline industry EBIT margin and global GDP growth



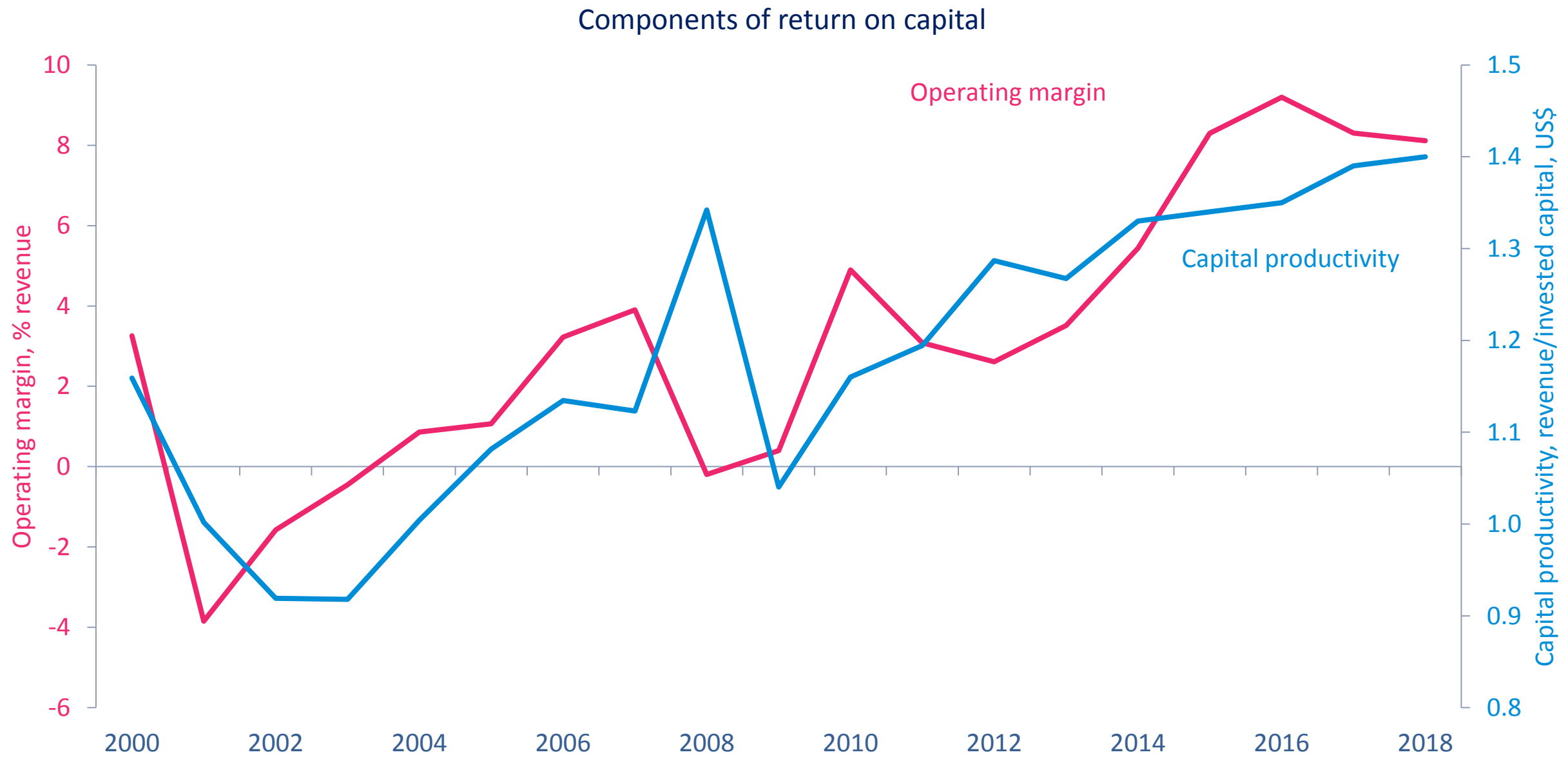
Source: IATA Economics using data from ICAO, IATA Statistics, IMF and our own forecasts

Signs of improvement being structural rather than transitory



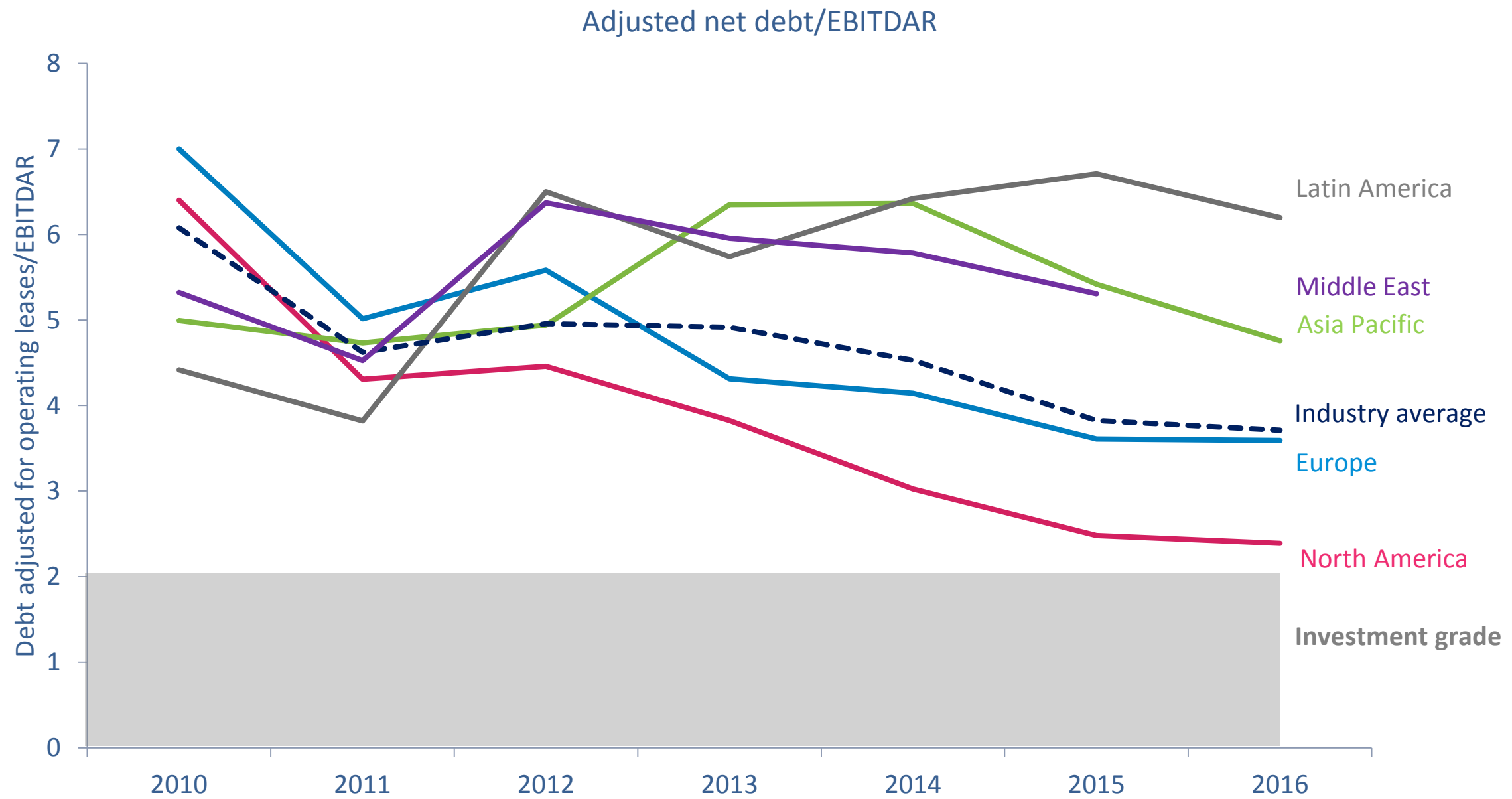
Source: IATA Economics using data from ICAO, IATA Statistics, IATA forecasts

Airlines are sweating assets as well as improving margins



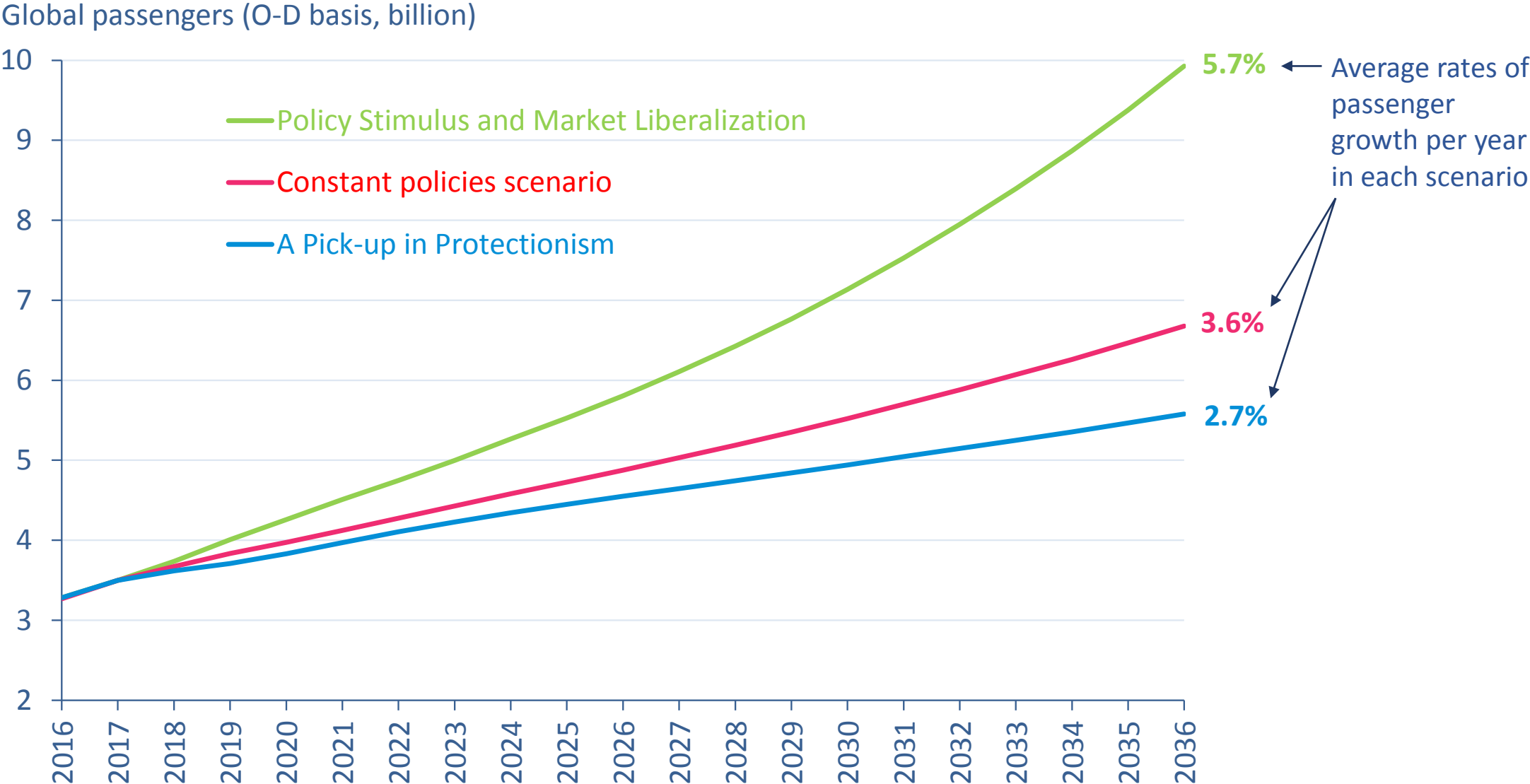
Source: IATA Economics using data from ICAO, McKinsey, The Airline Analyst, IATA forecasts

But within the industry totals there is still much variation



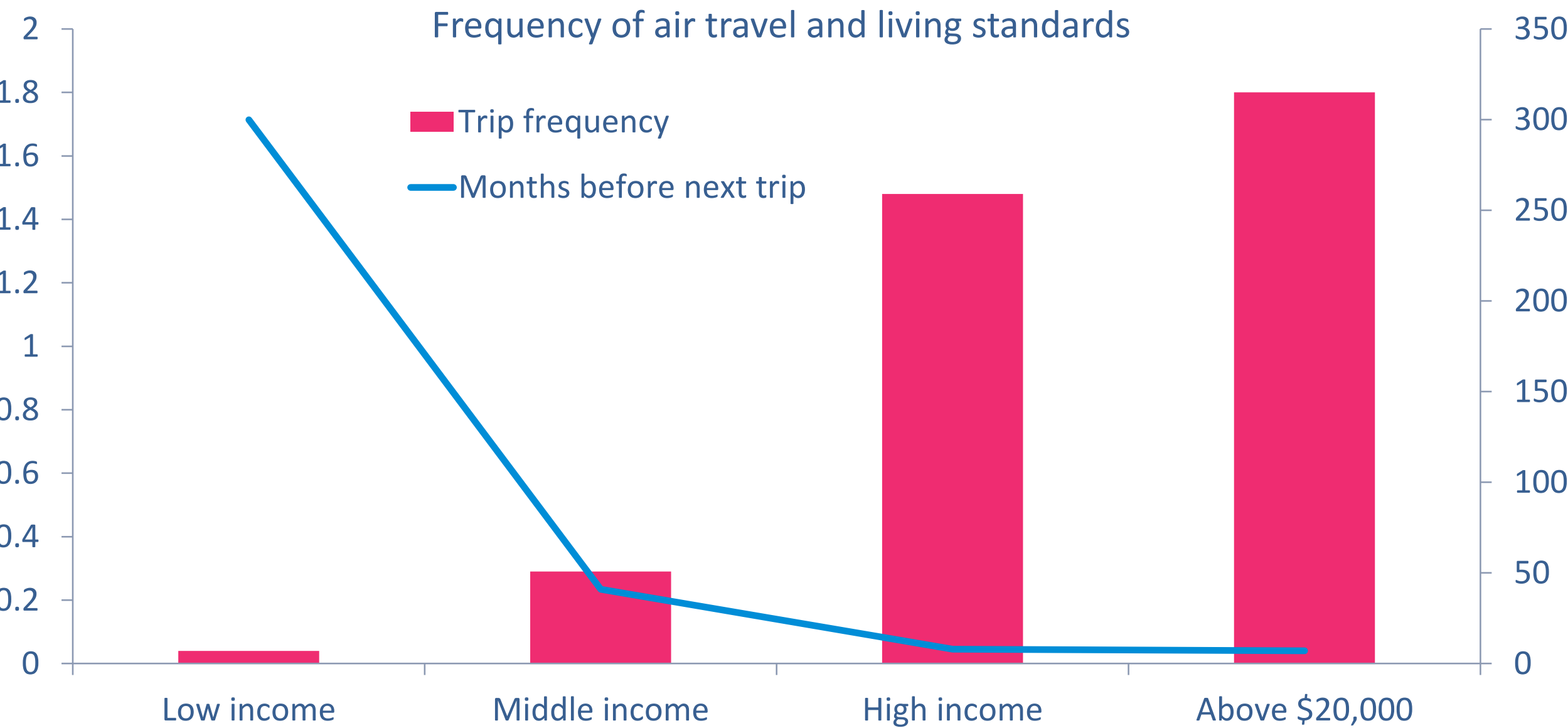
Source: IATA Economics using data from The Airline Analyst

Air travel outlook will depend on economics and geopolitics

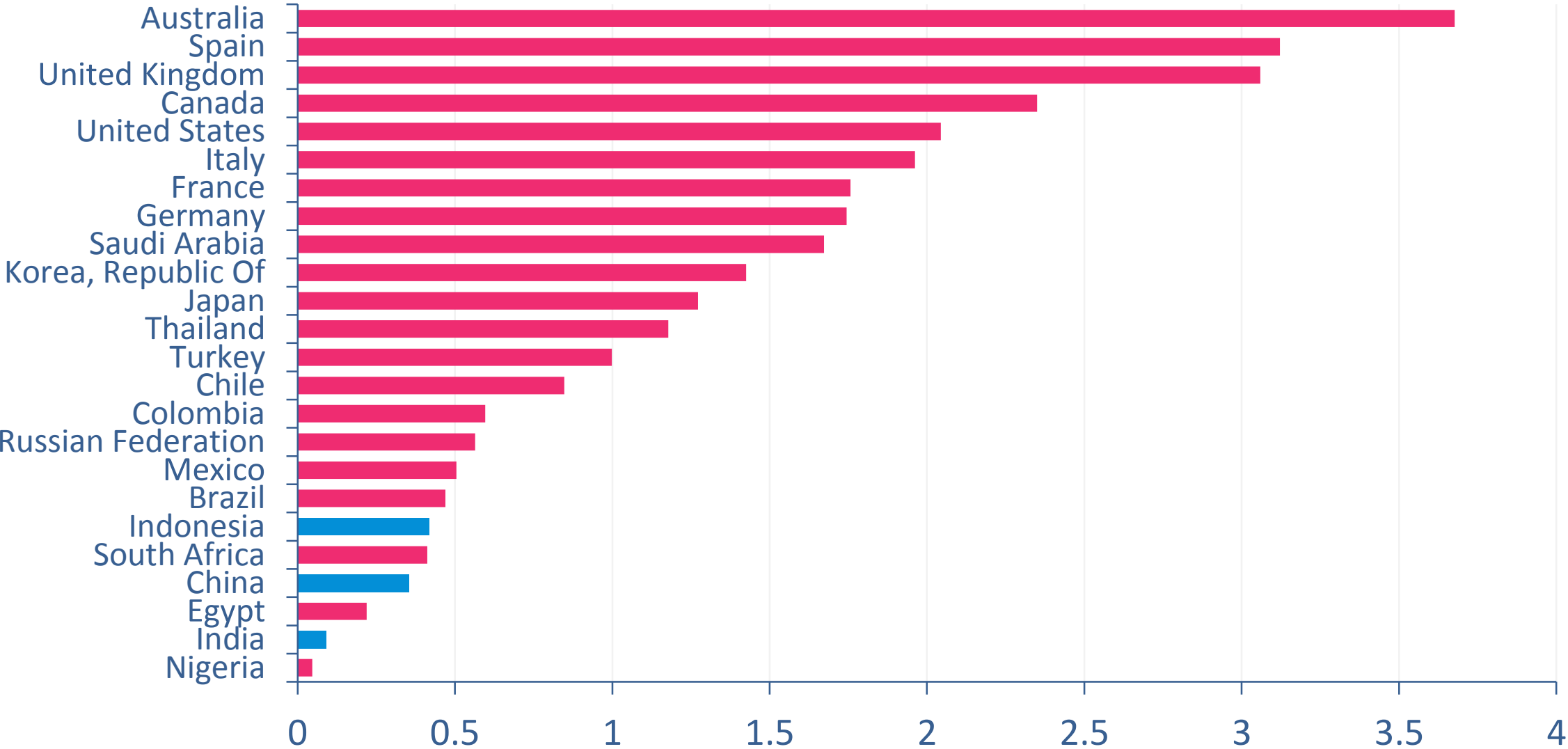


Source: IATA/TE Passenger Forecasts

Trip frequency and living standards is a key driver in our model

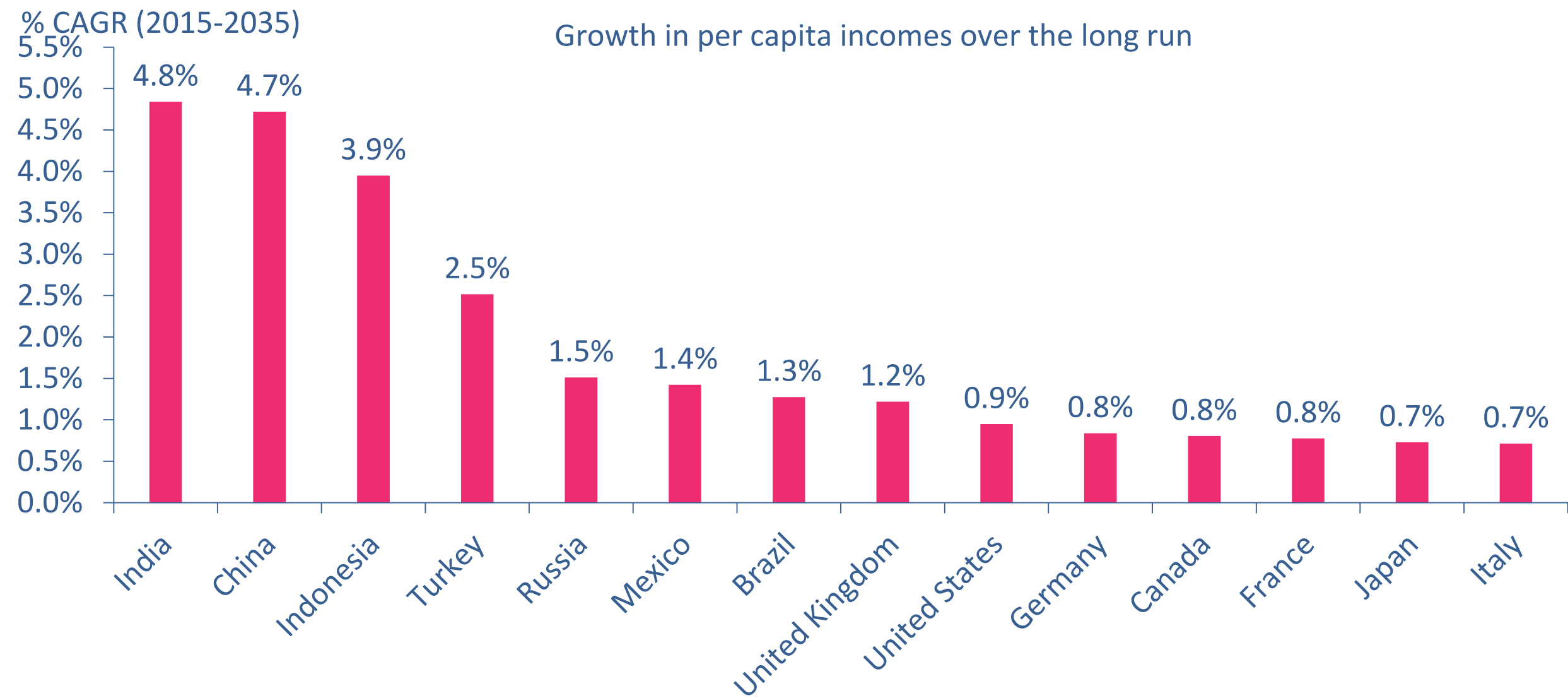


Trip frequency still low in many populous countries



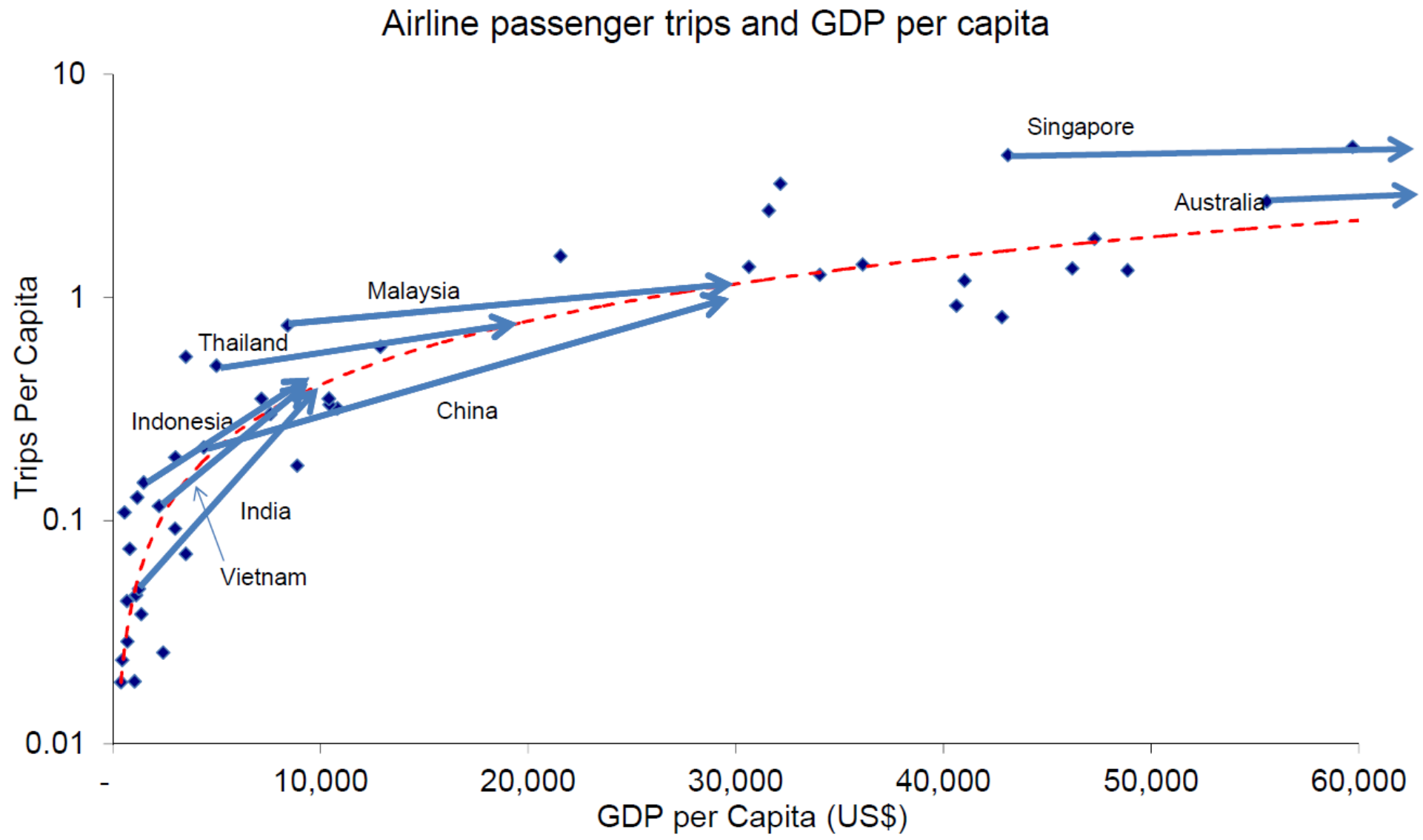
Source: IATA/Tourism Economics Air Passenger Forecasts, September 2016

Living standards still have much room for catch-up



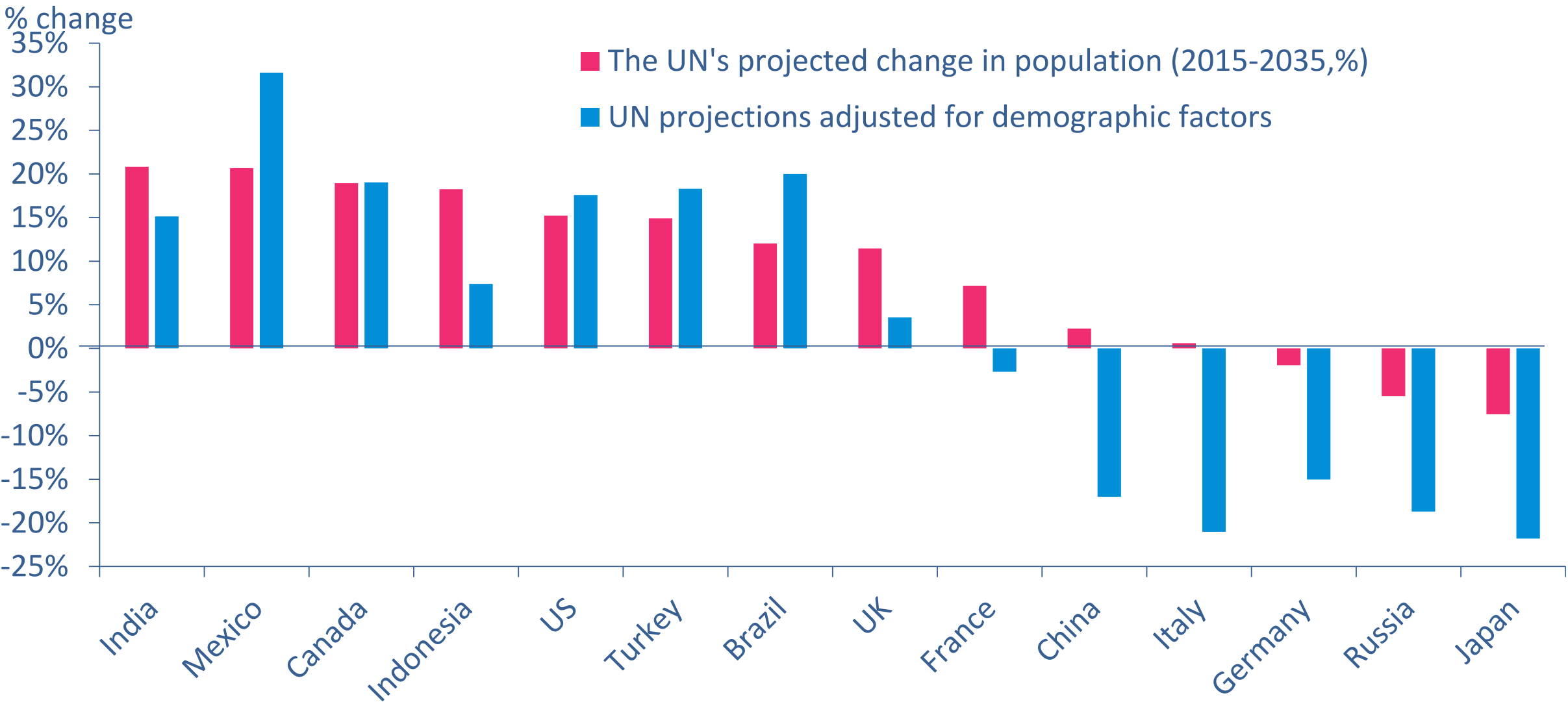
Source: IATA/Tourism Economics Air Passenger Forecasts, September 2016

This is one of the key relationships driving our air travel forecasts



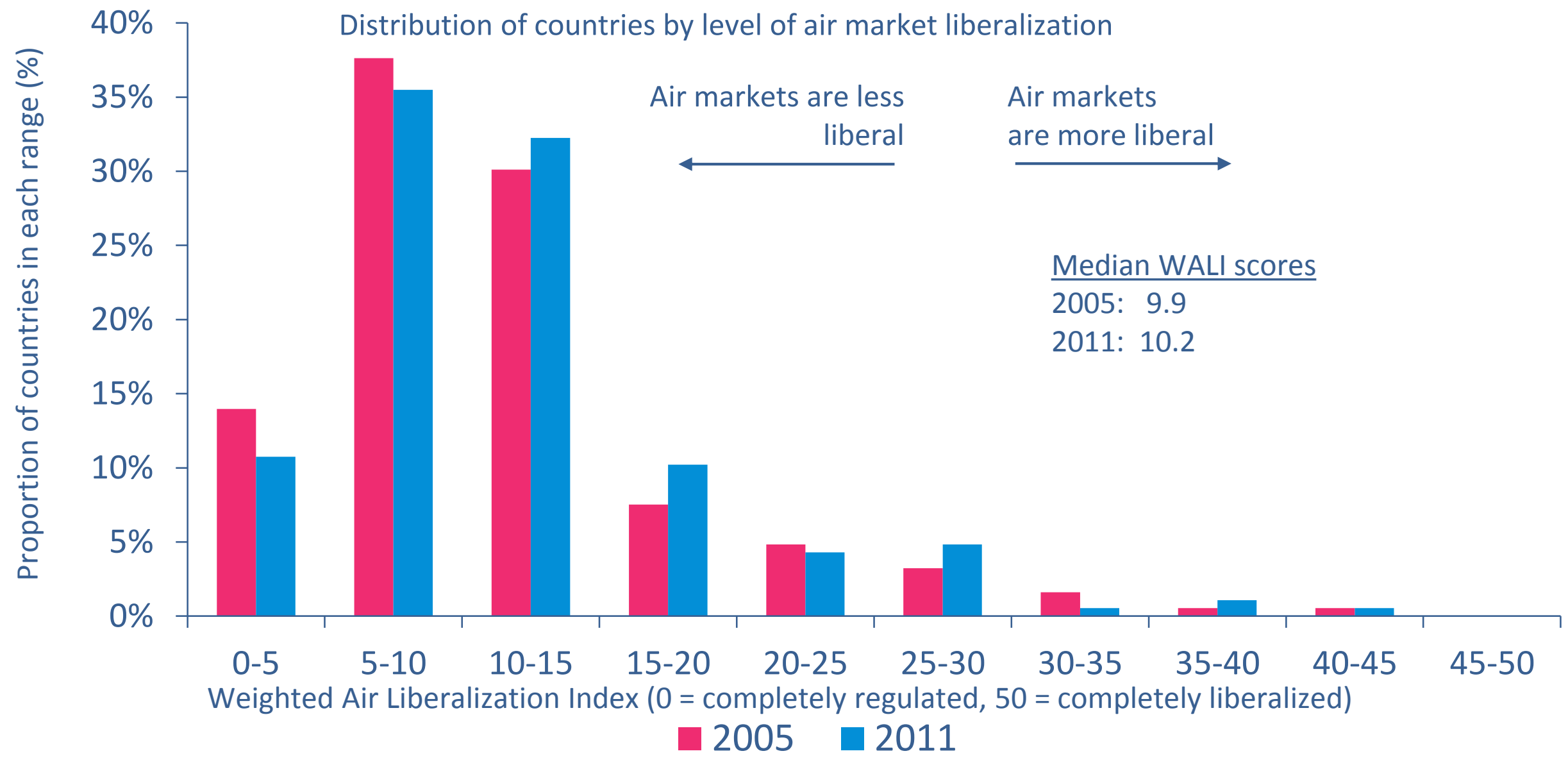
Source: IATA Economics using data from PaxIS+ and Oxford Economics

Population, adjusted for age structure, is another key driver

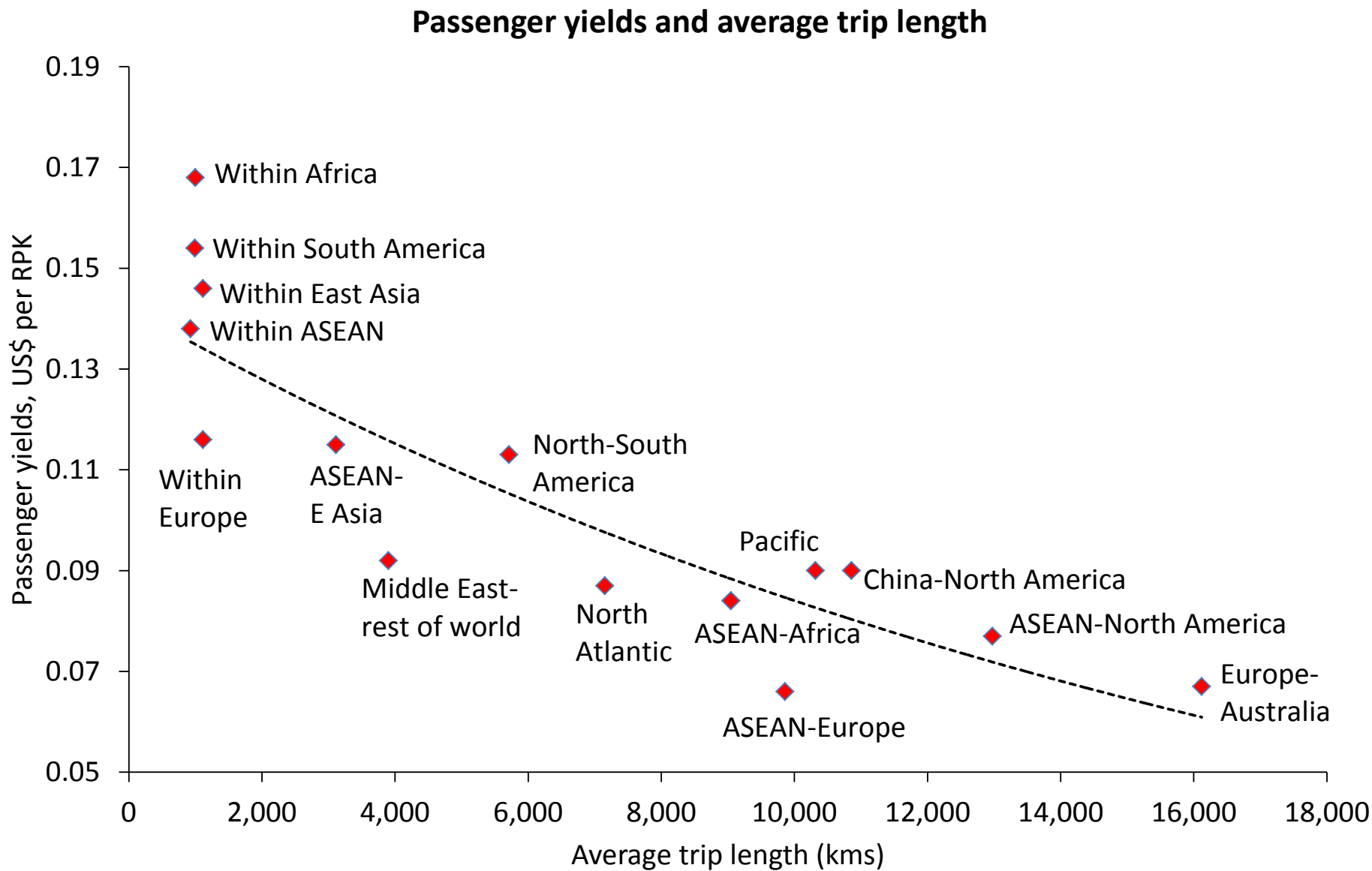


Source: IATA/Tourism Economics Air Passenger Forecasts, September 2016

And price is driven by efficiency gains and liberalization trends

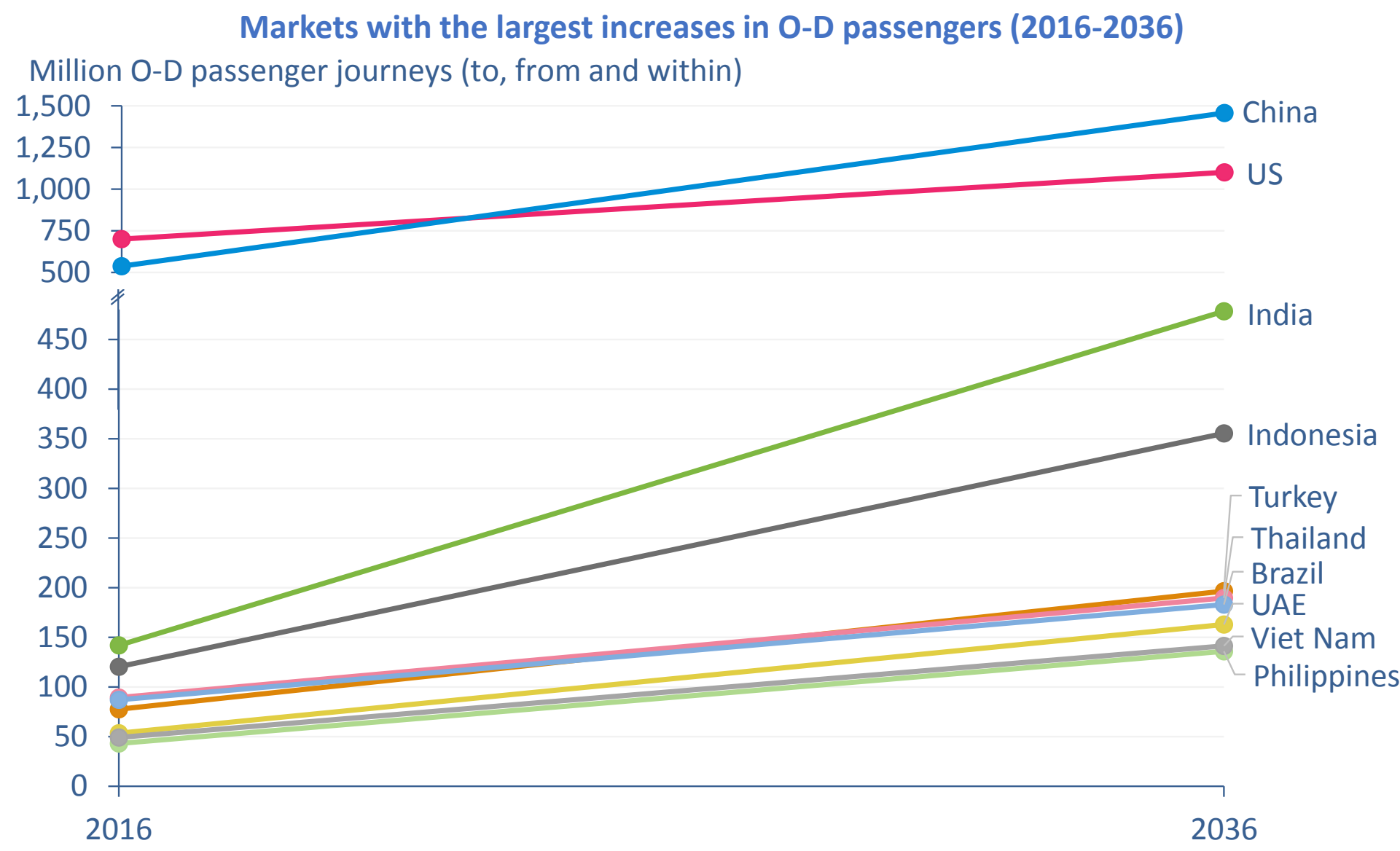


Scope for large price change in short-haul markets



Source: IATA Economics using data from PaxIS+

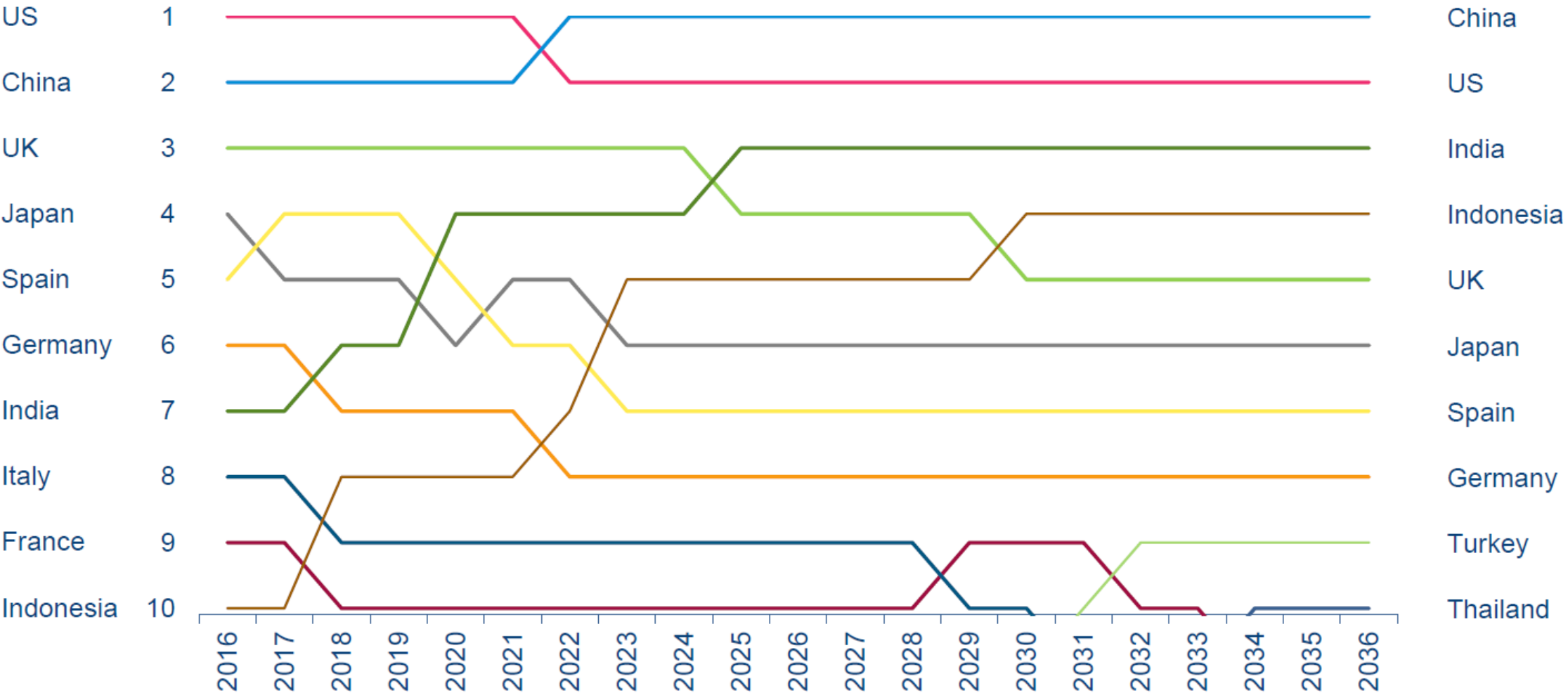
Emerging countries dominate the fastest growing passenger markets...



Source: IATA/TE Passenger Forecasts

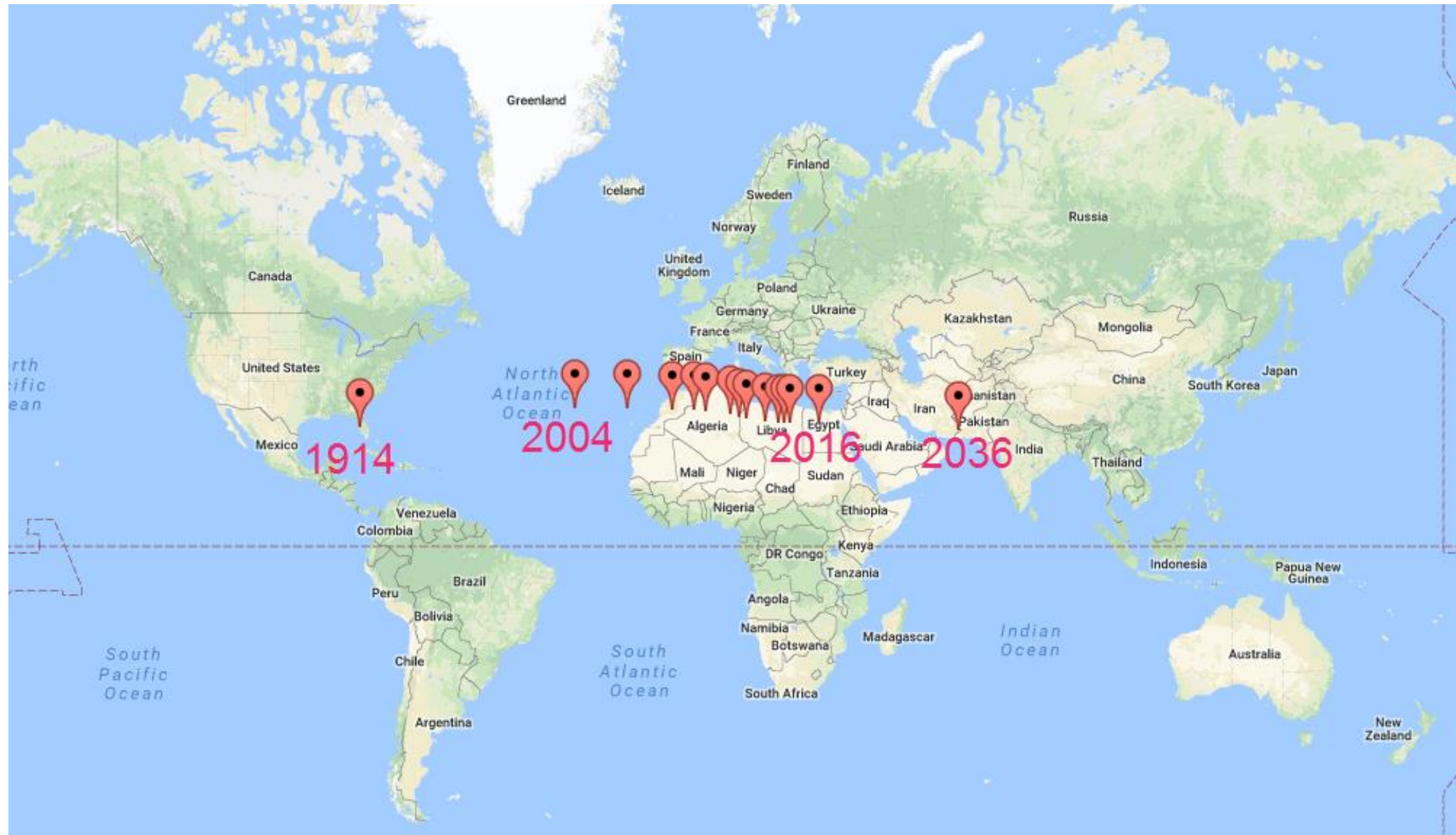
Leading to a re-ranking of the top-10 air travel markets

The 10 largest air passenger markets over time (ranked by passenger numbers, to/from and within each country)



Source: IATA/TE Passenger Forecasts

Aviation's centre of gravity shifts further eastwards



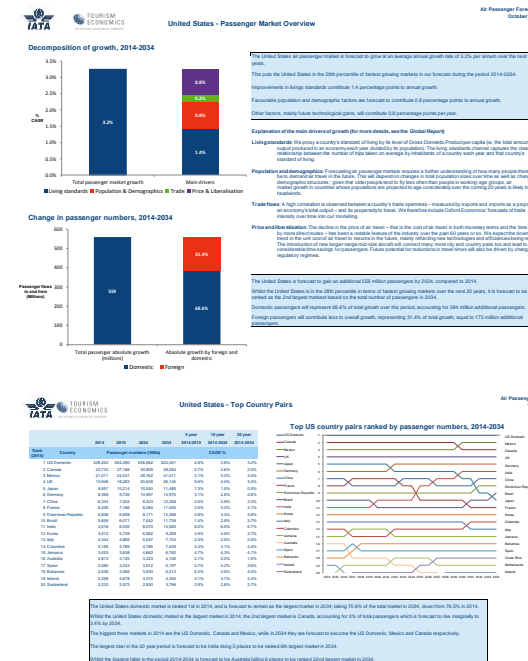
Source: IATA/TE Passenger Forecasts



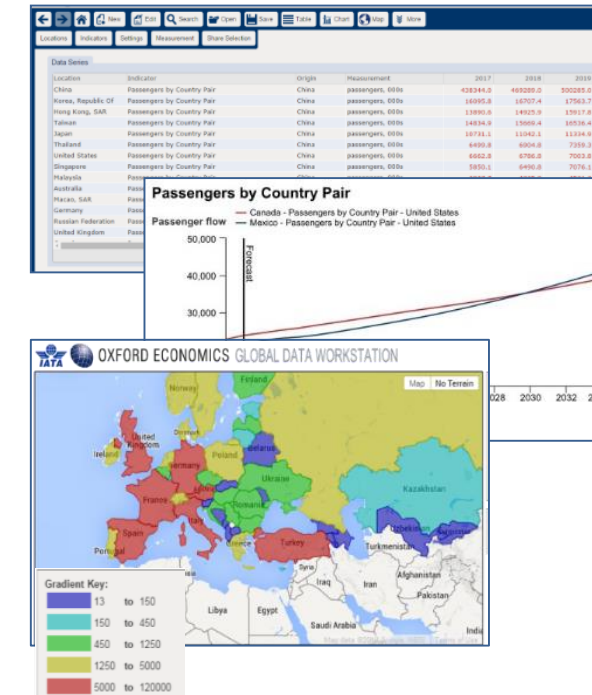
Global Report



Country Reports



Online database/webtool



www.iata.org/pax-forecast

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