Industry Economic Performance Update

SIS General Meeting

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IATA Economics

Passenger demand improves, freight volumes decline

Source: IATA Monthly Statistics

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Airlines are quick to match supply to demand

Source: IATA Economics using data from IATA Statistics

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But the cargo business remains under pressure

Source: IATA Monthly Statistics

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World trade is part of the problem

Source: IATA Economics using data from Netherlands CPB and Oxford Economics

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Airline industry profit margins under pressure

Source: The Airline Analyst, IATA Economics

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Cost recovery disappeared mid-2018

Source: IATA Economics using data from The Airline Analyst

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Fuel costs trending down, but so are fares

Source: IATA Economics using data from IATA DDS and Platts

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Ancillaries partially helping to recover costs

Source: IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019

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Net profits to fall to $28 billion, but still better than pre-2015

Source: IATA Economics, Economic Performance of the Airline Industry, Mid-Year 2019

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Per passenger (net) profit shows wide regional variation

Source: IATA Economics

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Key risks over the next two years?

Percentage of respondents citing as top risk

Source: Oxford Economics

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Key Points

- Diverging market performance:
  - Passenger up, cargo down
- Capacity adjusting with demand
- Profits under pressure:
  - Rising cost, declining revenues
- Ancillaries gaining importance:
- Downside risks dominate:
  - Trade war, recession, oil shock, geopolitics….

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