



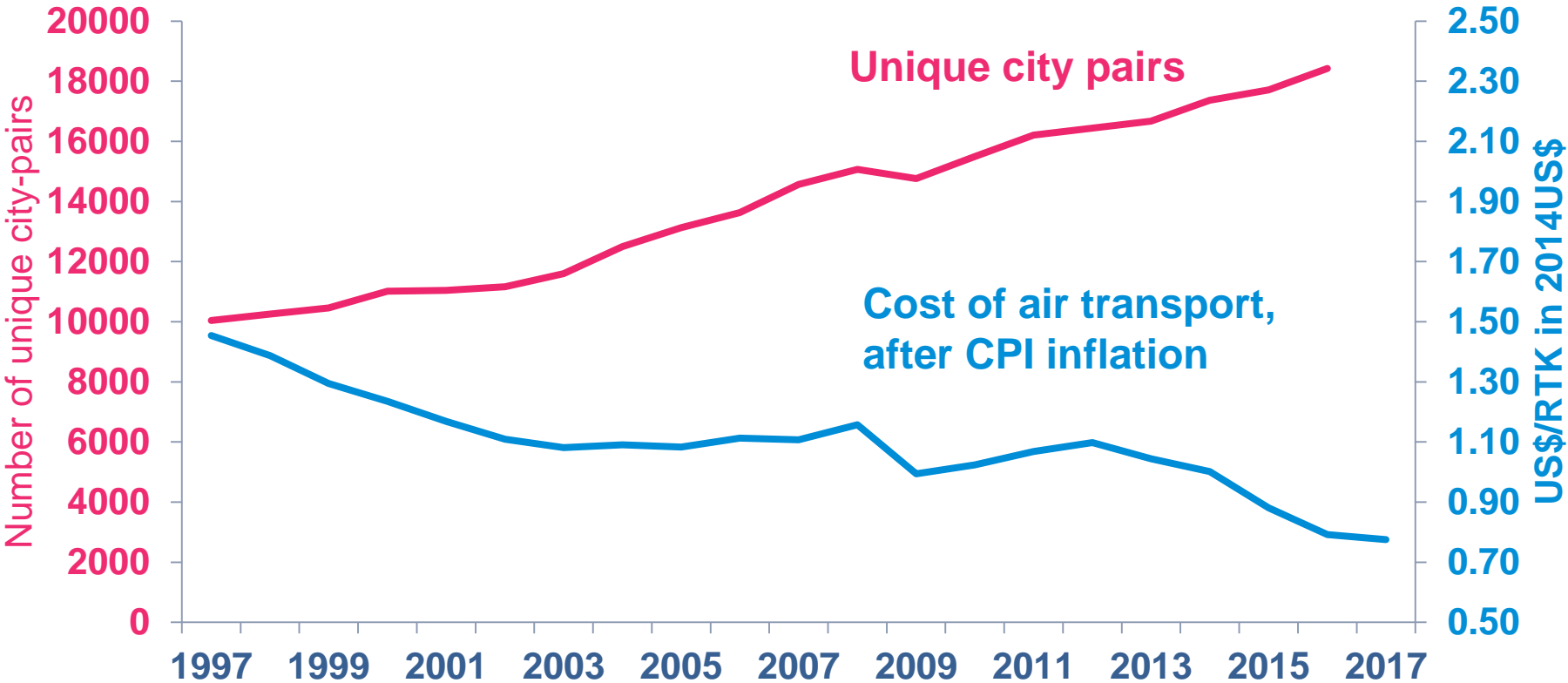
State of the Industry and Economic Outlook

Brian Pearce Chief Economist

Global Media Day
Geneva, 8th December 2016

Connecting more cities at lower prices

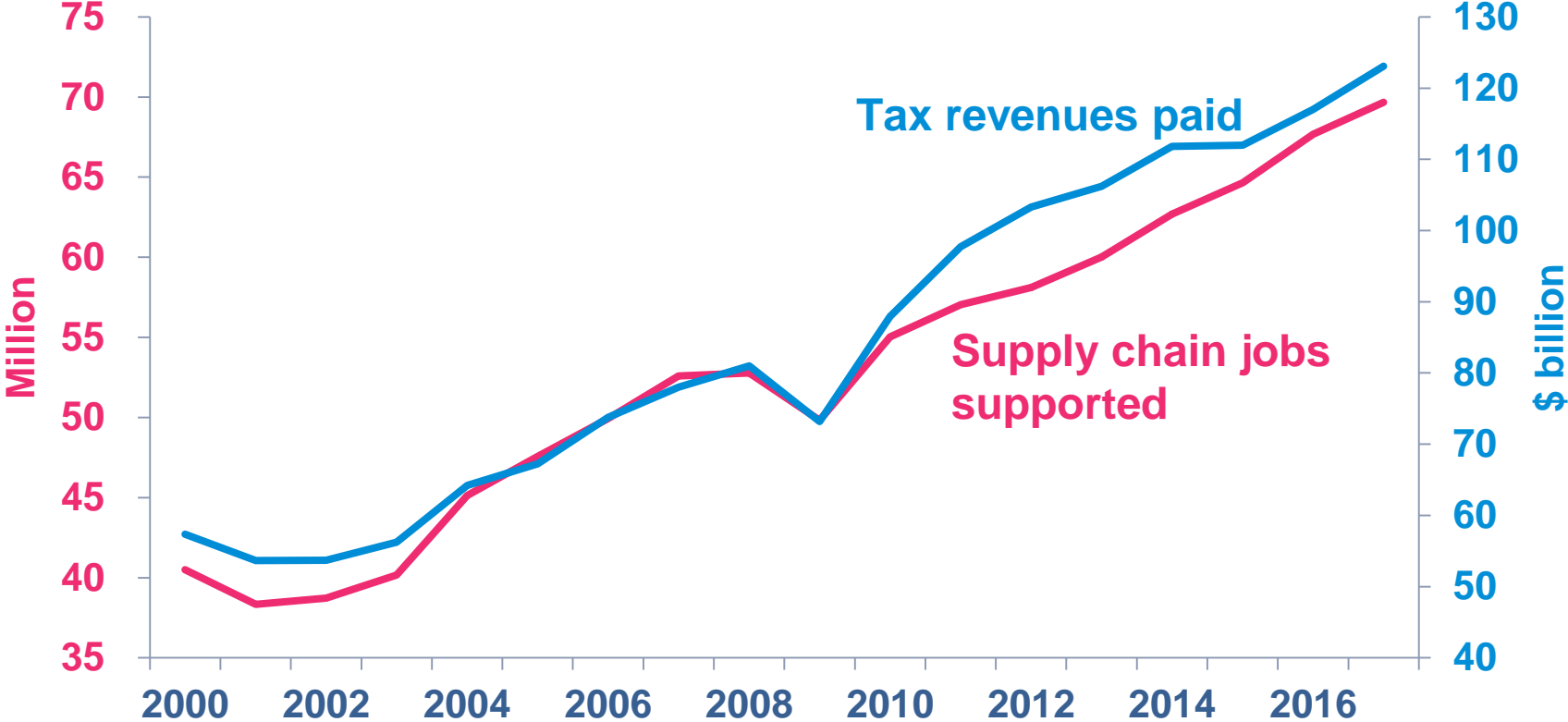
Unique city-pairs and real transport costs



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

Creating value for the wider economy

Tax revenues paid and global supply chain jobs supported



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

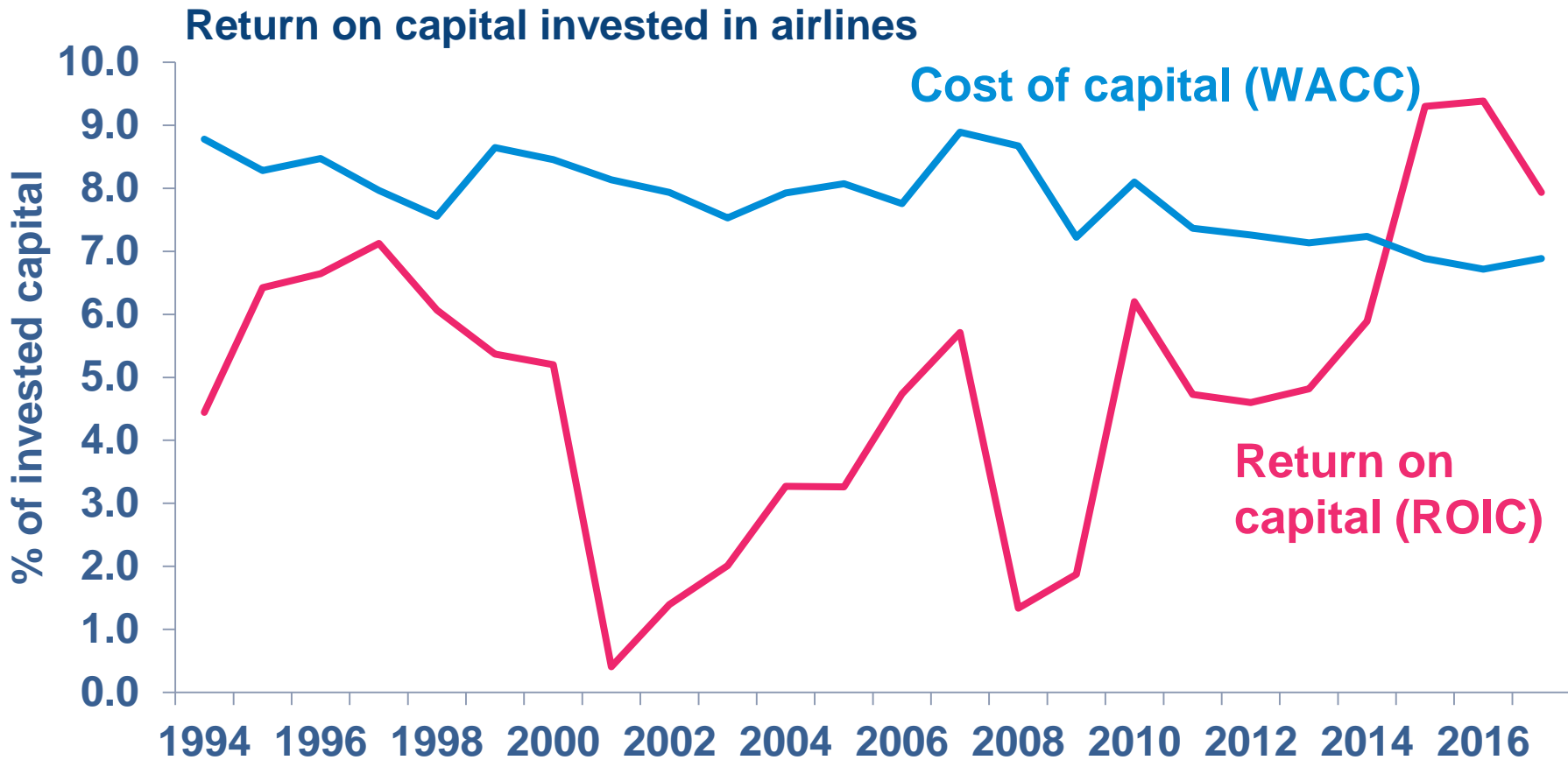
Boosting trade and tourism

Value of trade carried by air and the spending of tourists



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

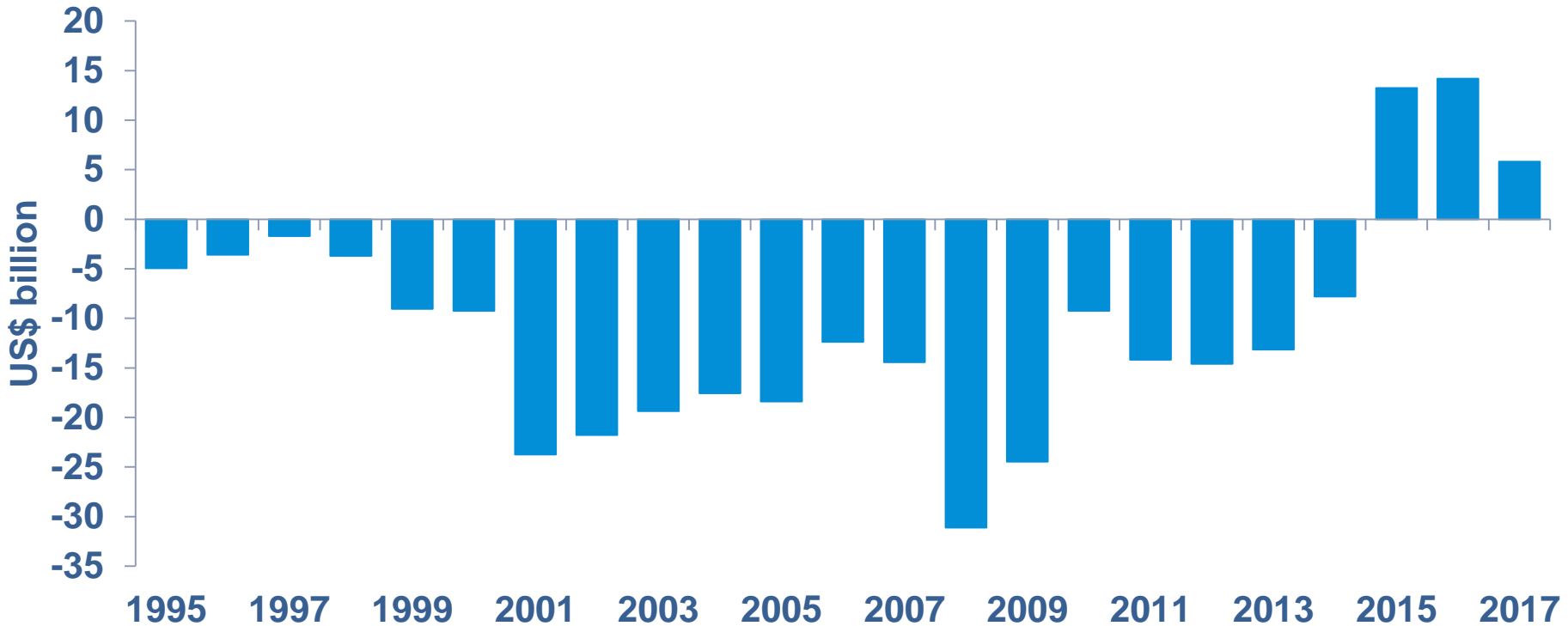
Now creating value for investors



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

2017 less profitable but still value creating

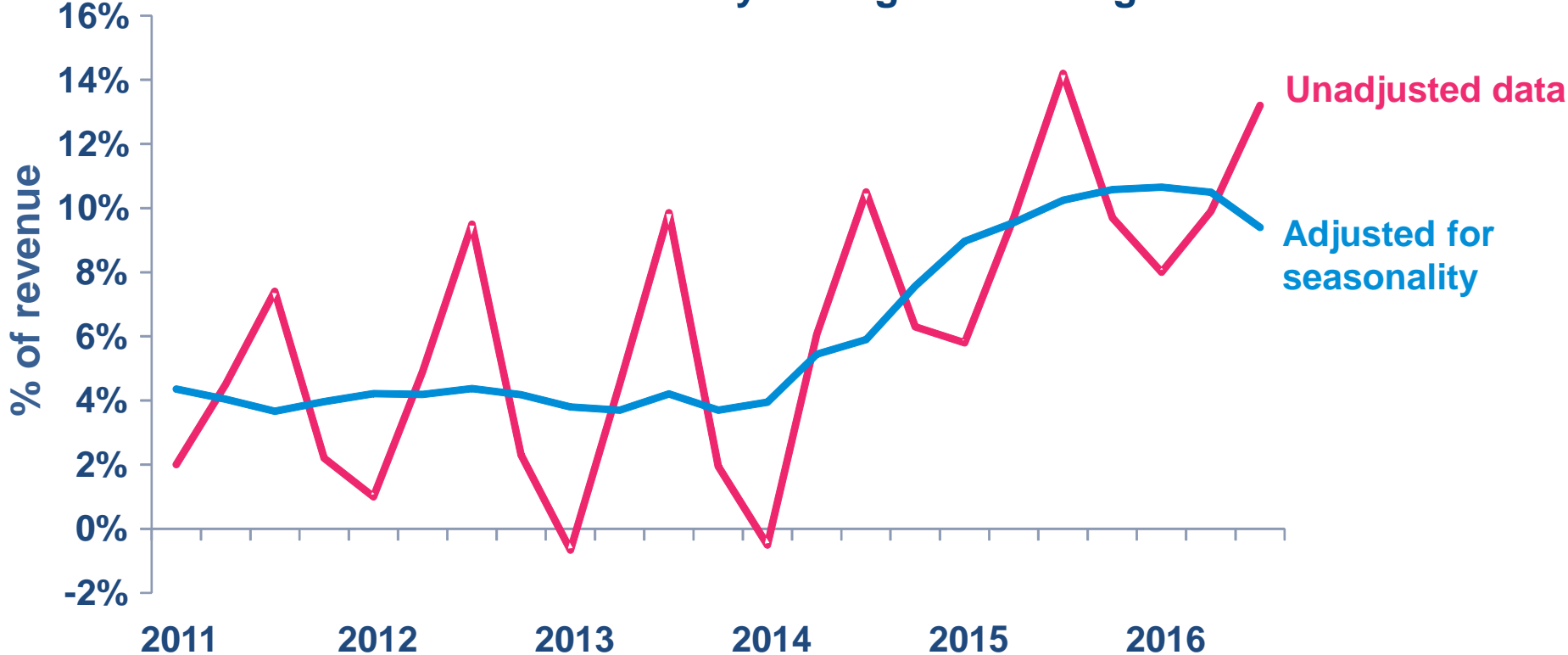
Difference between investing in airlines and investing in similar assets elsewhere



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

Industry level profits momentum has weakened

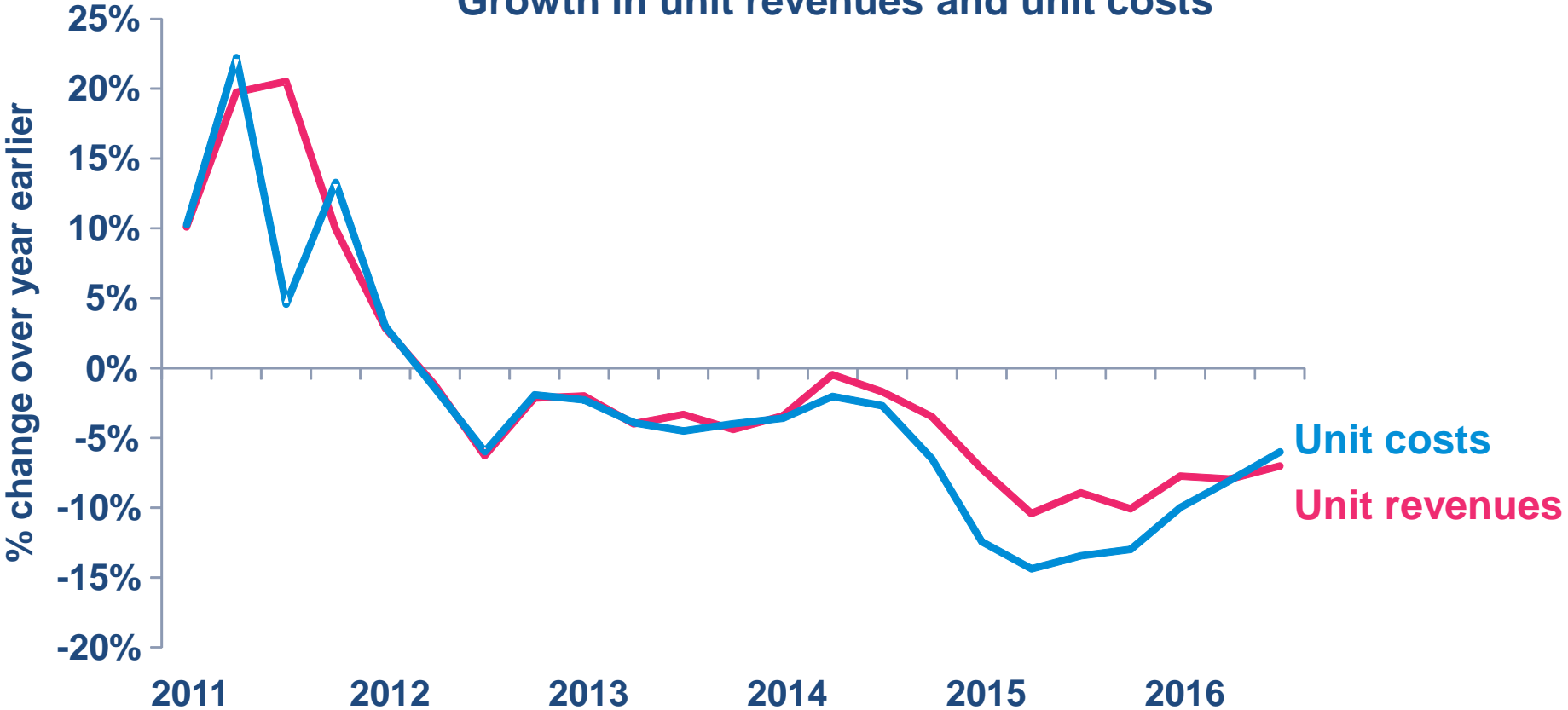
Airline industry average EBIT margin



Source: IATA seasonal adjustment of data from The Airline Analyst and airline public reports

As unit costs and unit revenues crossed over

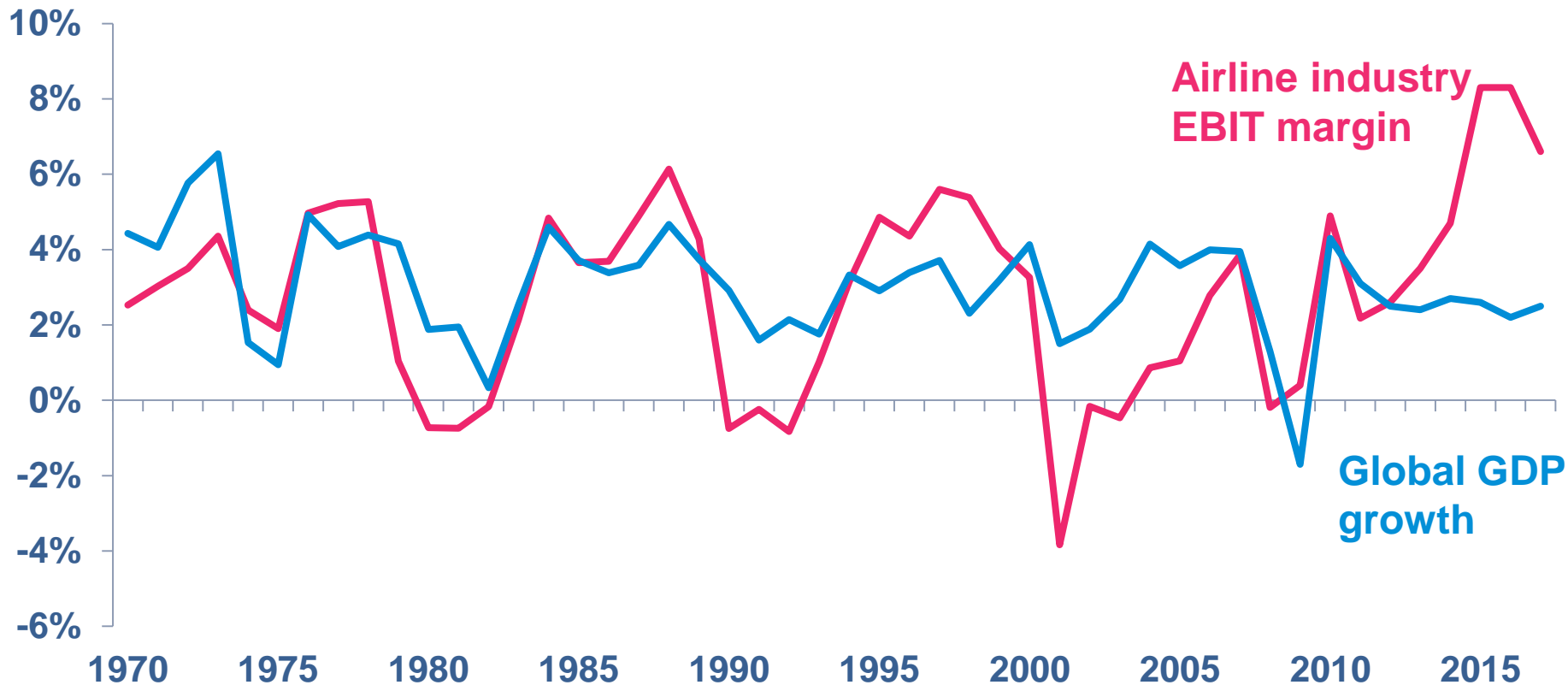
Growth in unit revenues and unit costs



Source: IATA using data from The Airline Analyst

Industry profitability is more resilient to the cycle

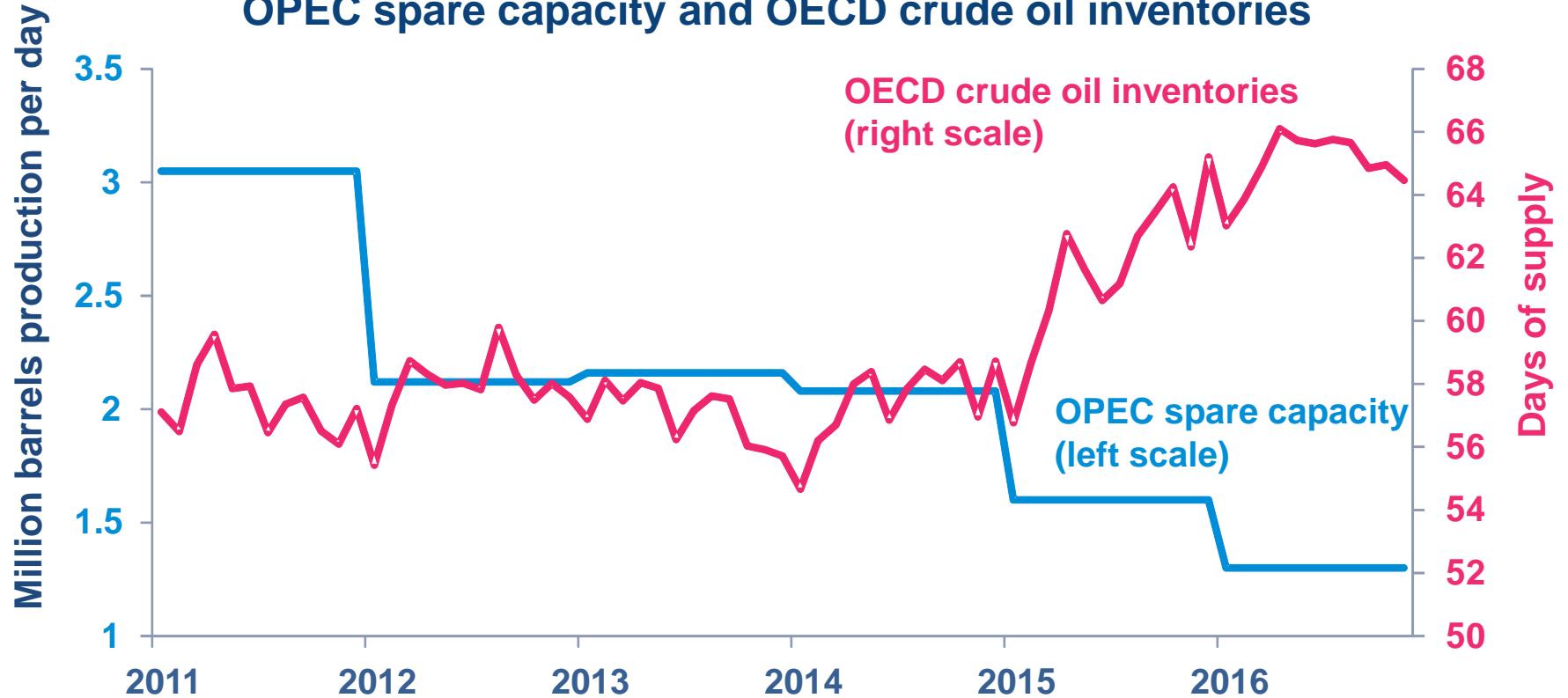
EBIT or operating margins and global GDP growth



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

And it's not just about low fuel prices

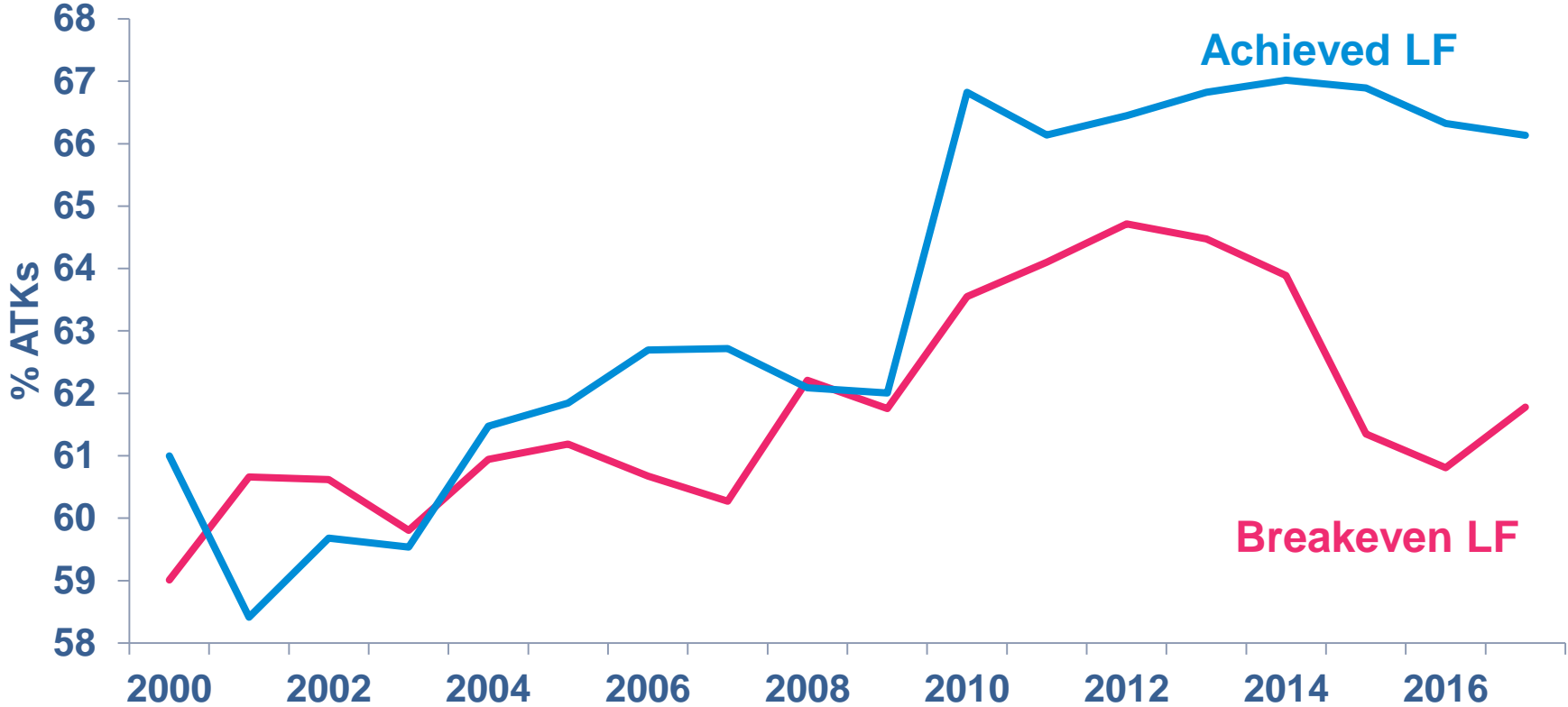
OPEC spare capacity and OECD crude oil inventories



Source: IATA using data from Haver

Structural changes in asset utilization

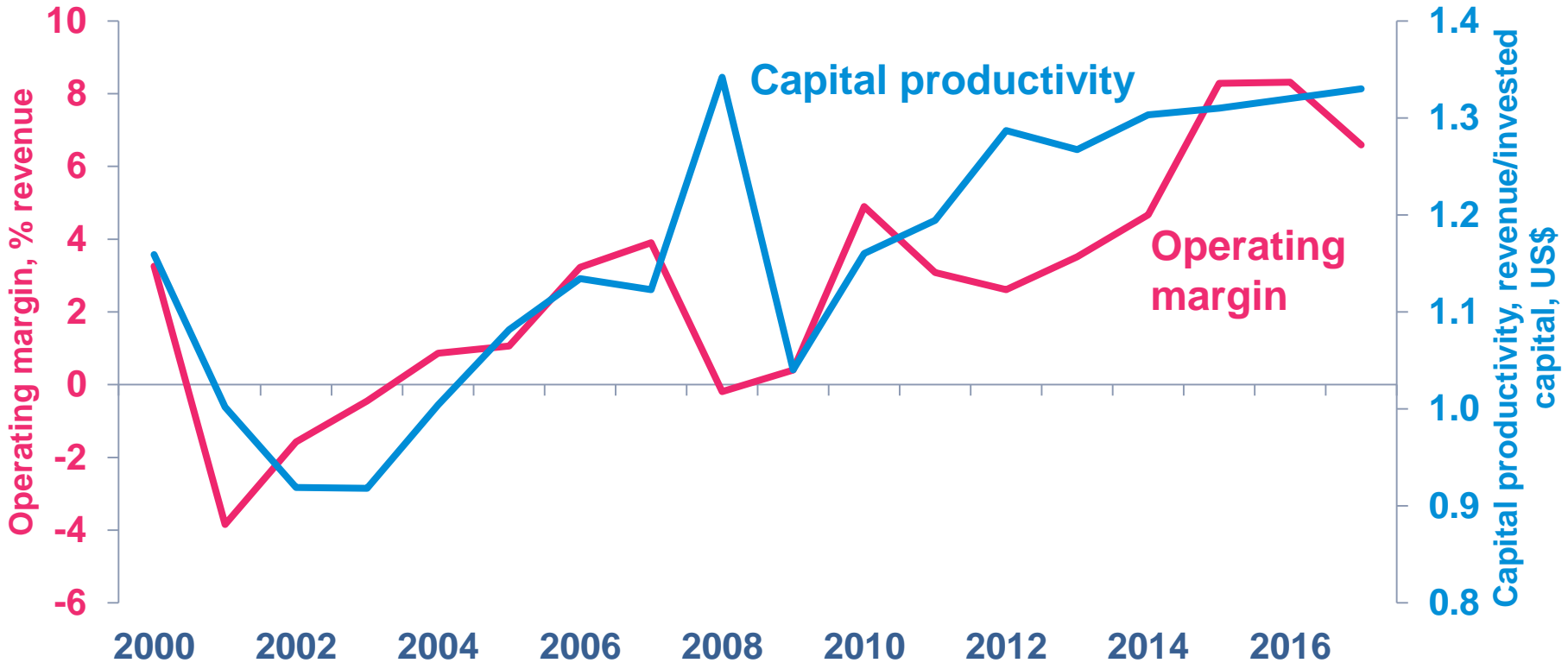
Breakeven and achieved weight load factor



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

Structural changes in the product

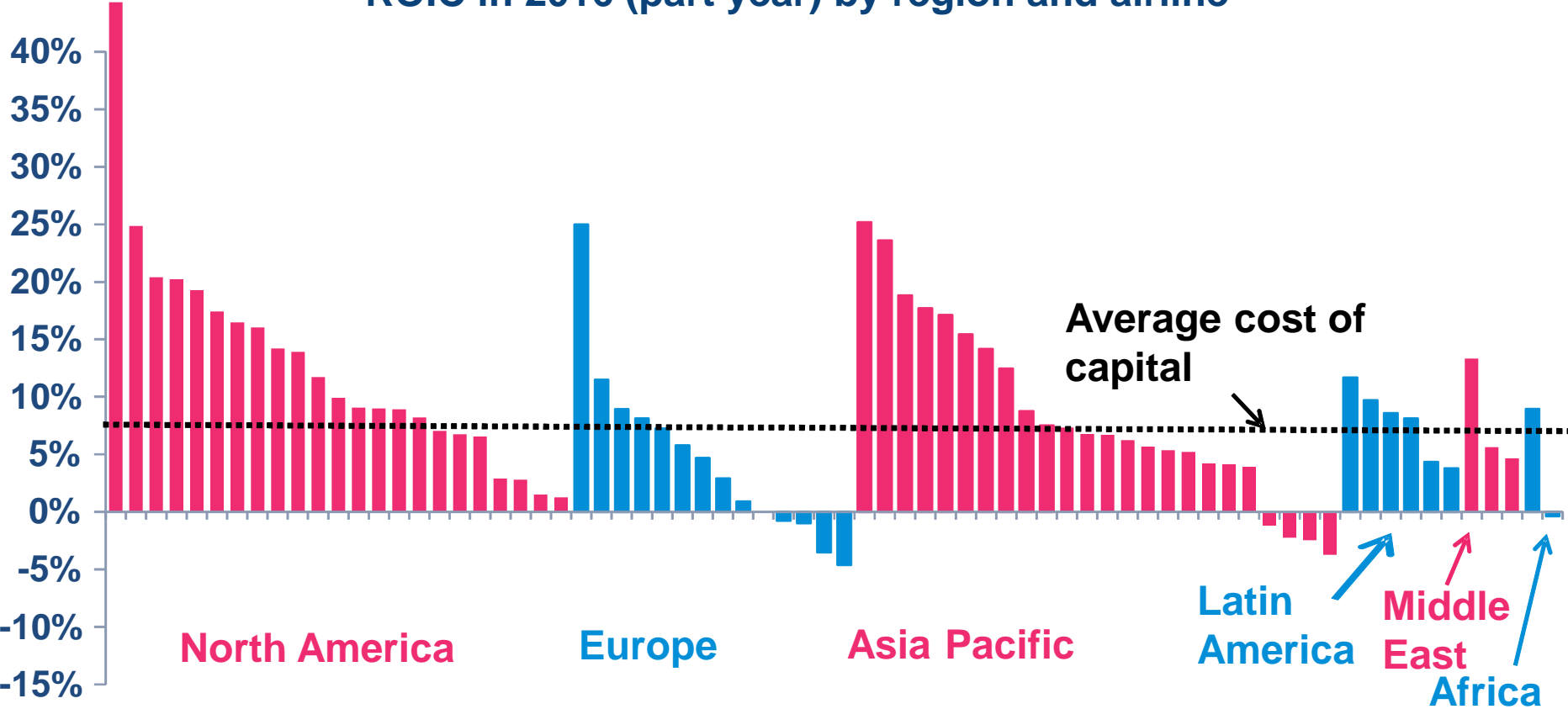
Airlines' operating or EBIT margin and capital productivity



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

Some regions doing much better than others

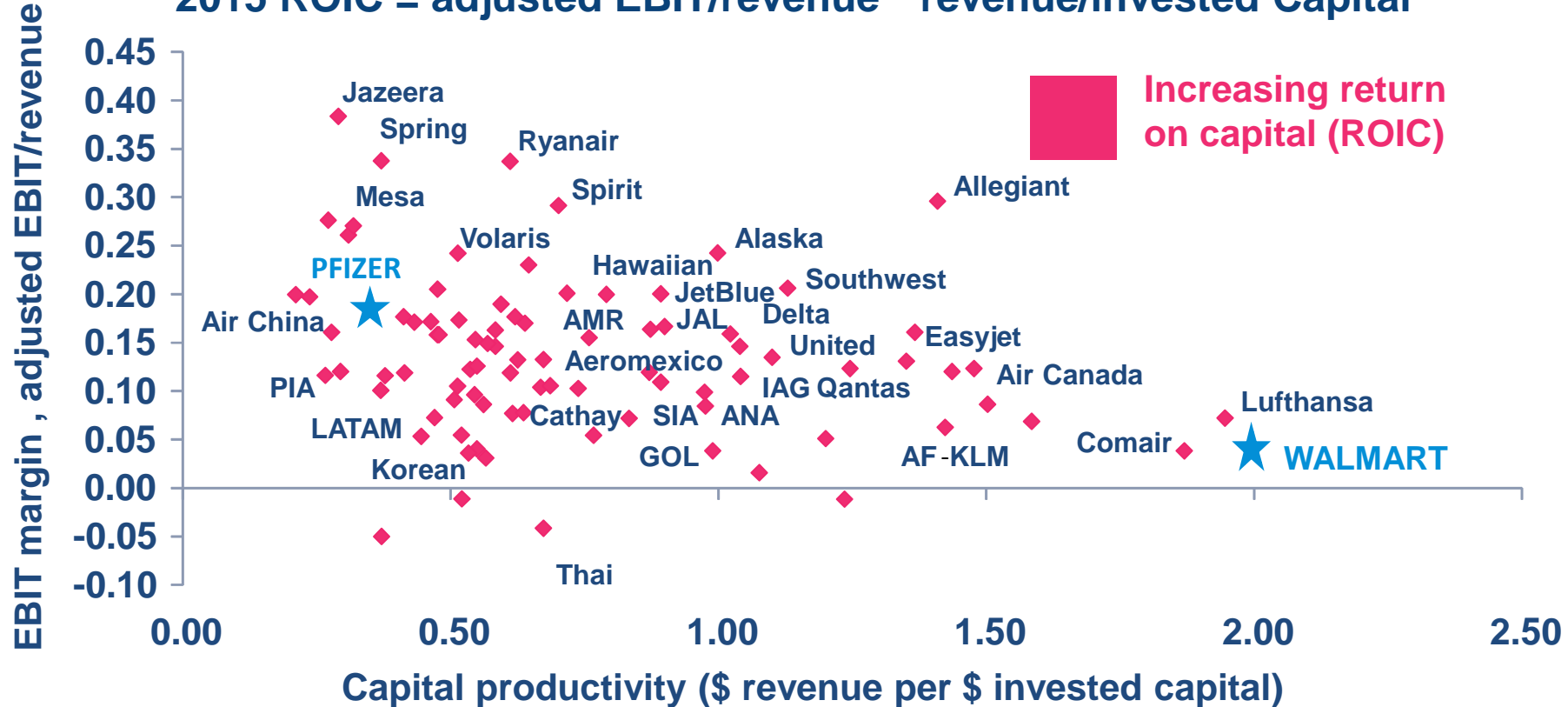
ROIC in 2016 (part year) by region and airline



Source: IATA using data from The Airline Analyst

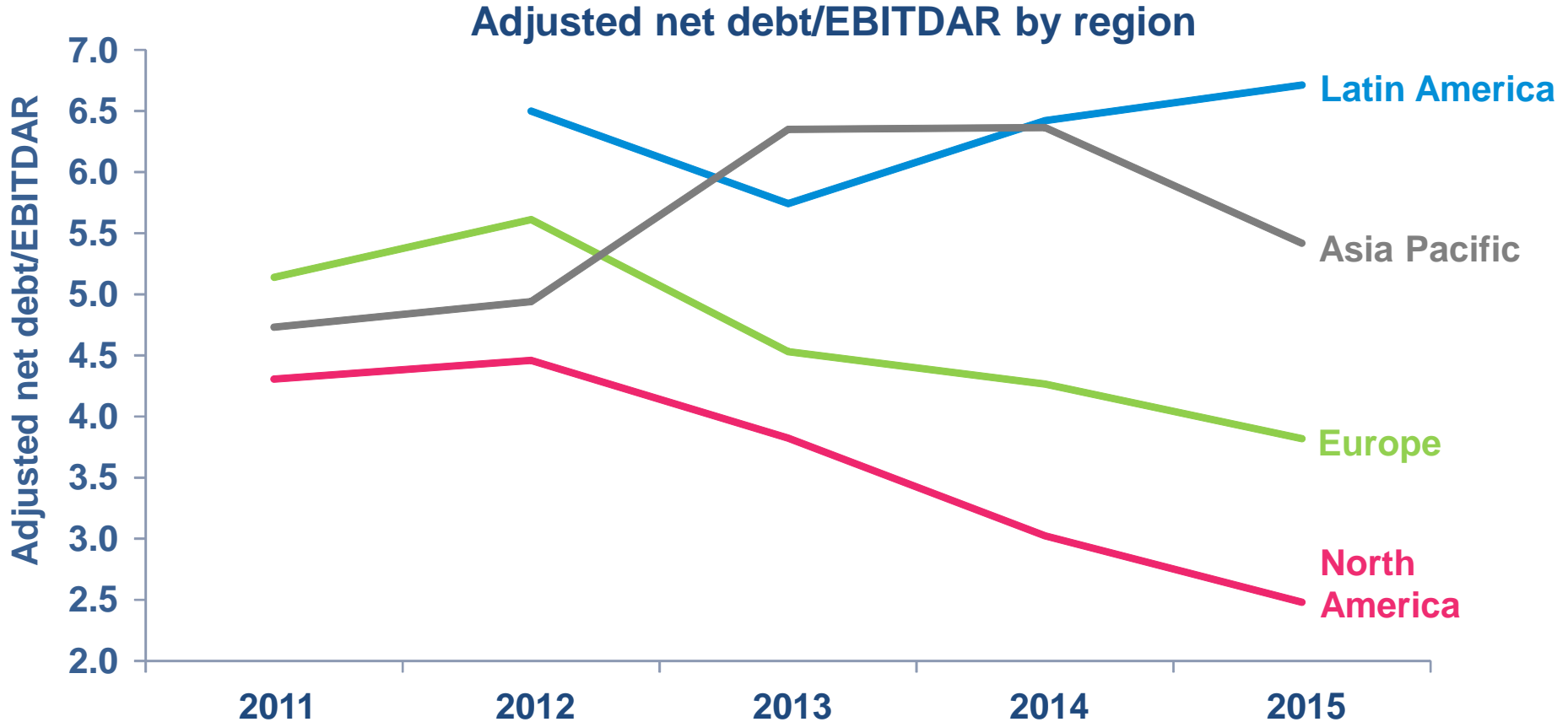
There is a wide range of business models

2015 ROIC = adjusted EBIT/revenue * revenue/invested Capital



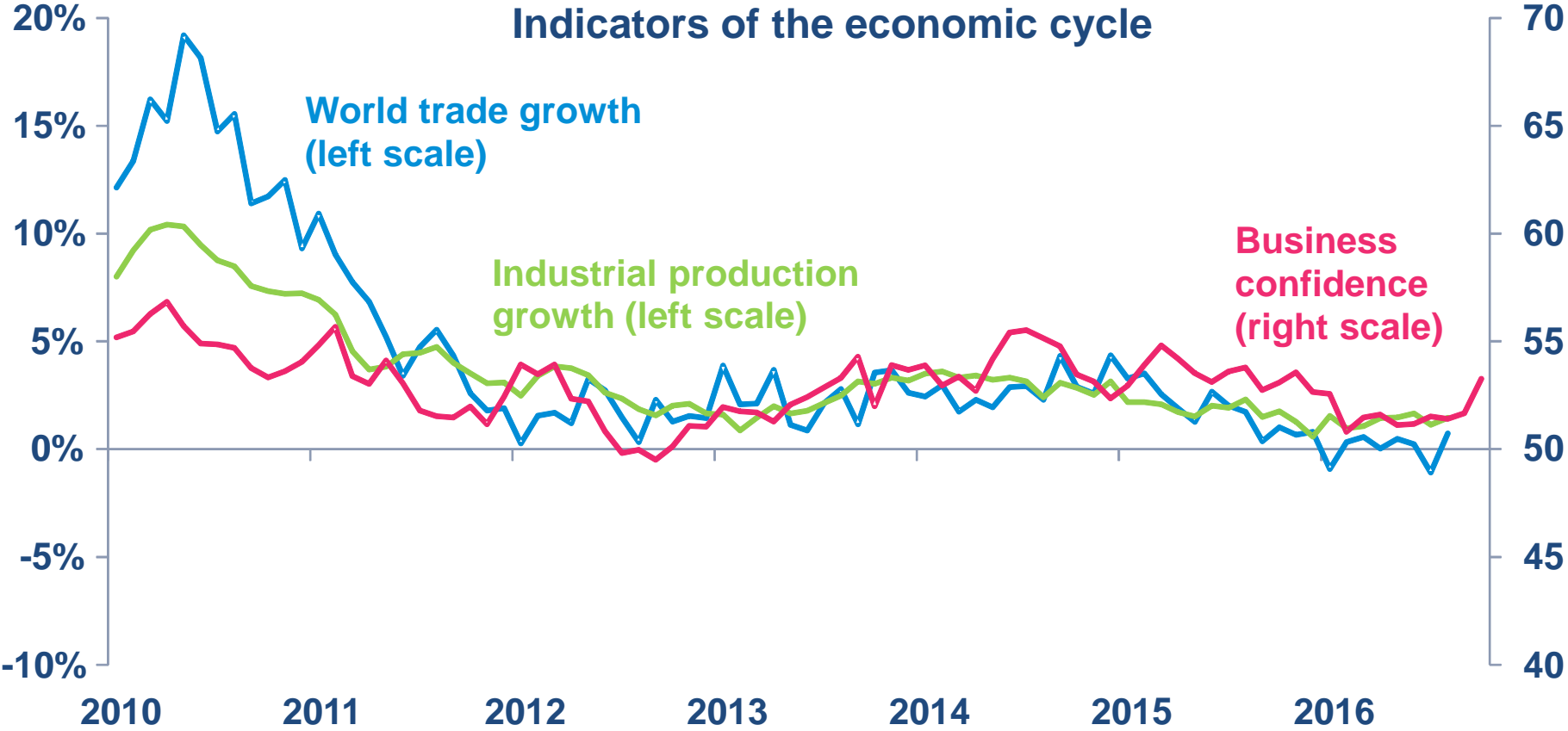
Source: IATA using data from The Airline Analyst

Balance sheet metrics remain divergent



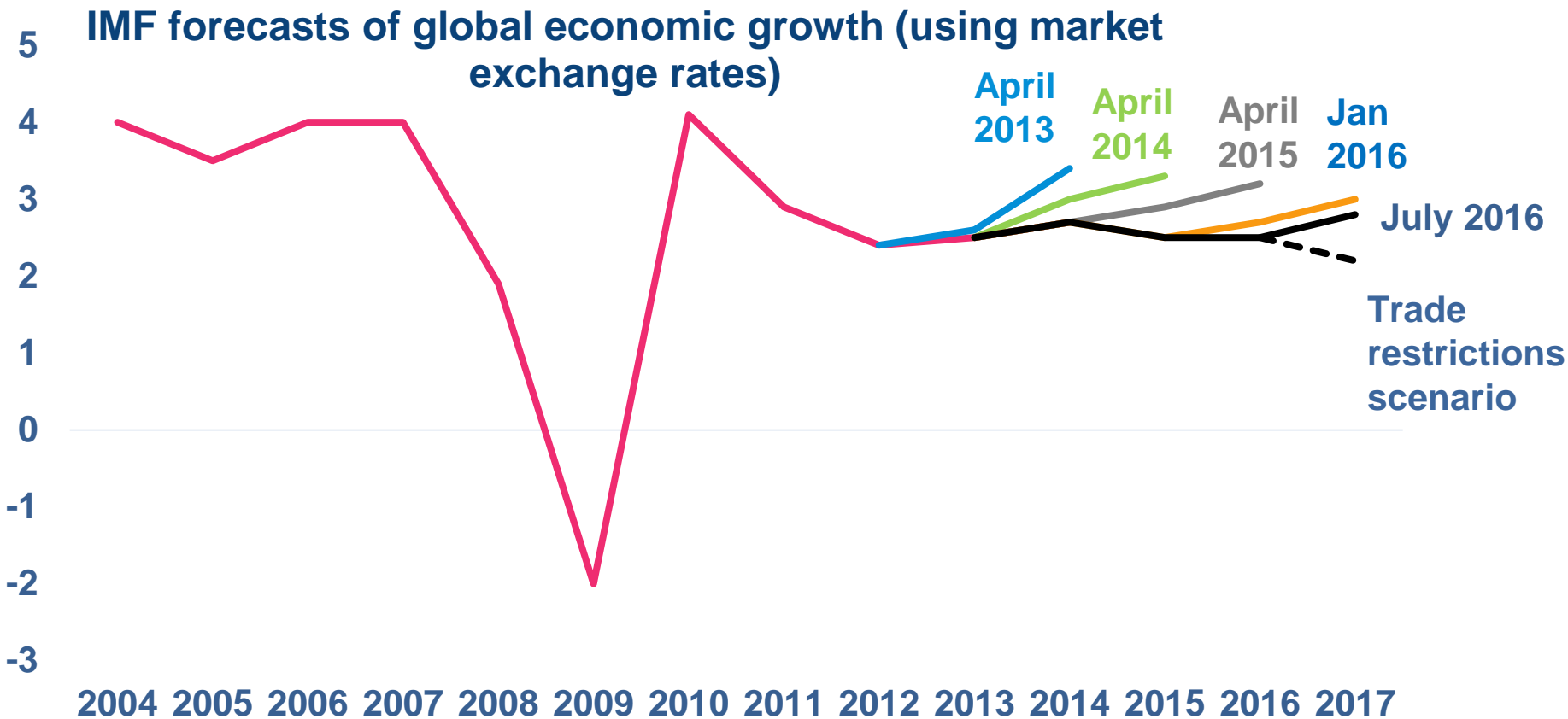
Source: IATA using data from The Airline Analyst

Where now for the fragile economic cycle?



Source: IATA using data from Markit, Haver, Netherlands CPB

This time is different for global GDP growth?



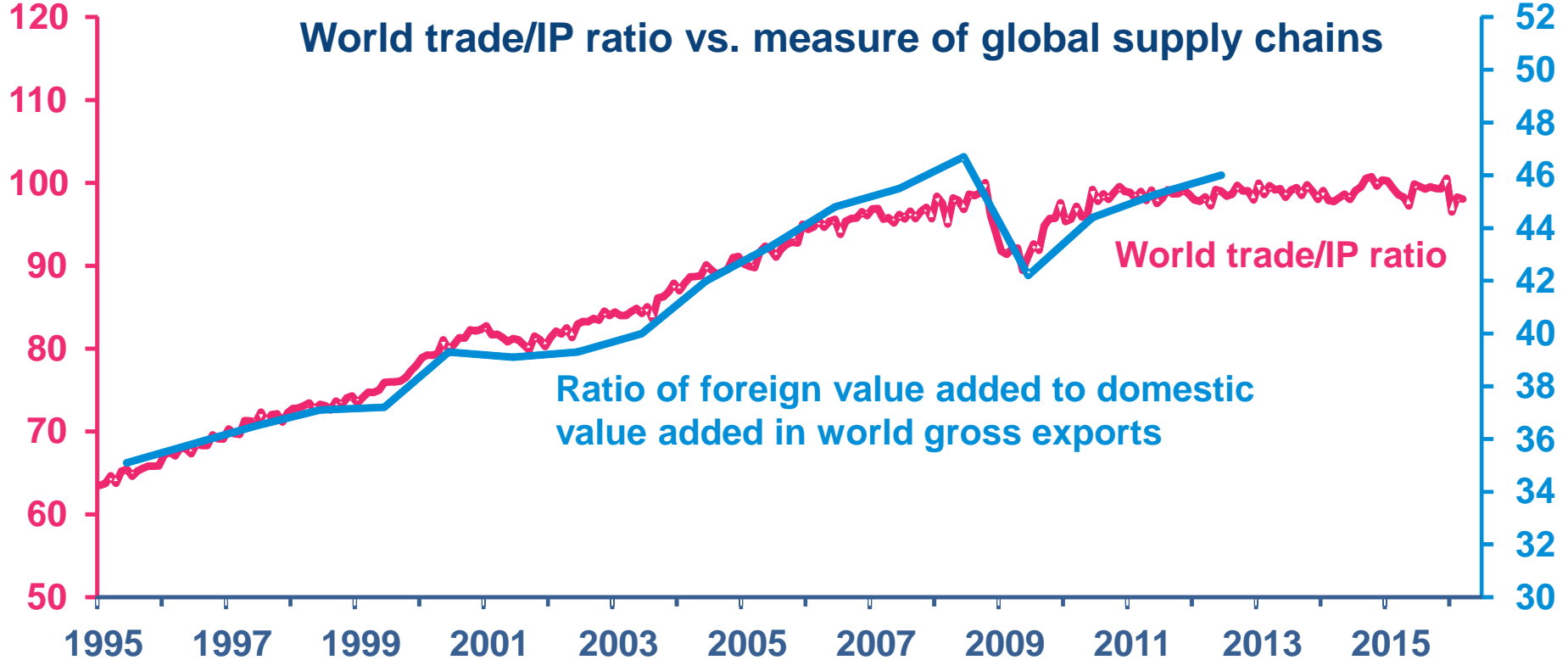
Source: IATA using data from the IMF's World Economic Outlook

The problem with world trade remains

Index (Oct 2008=100)

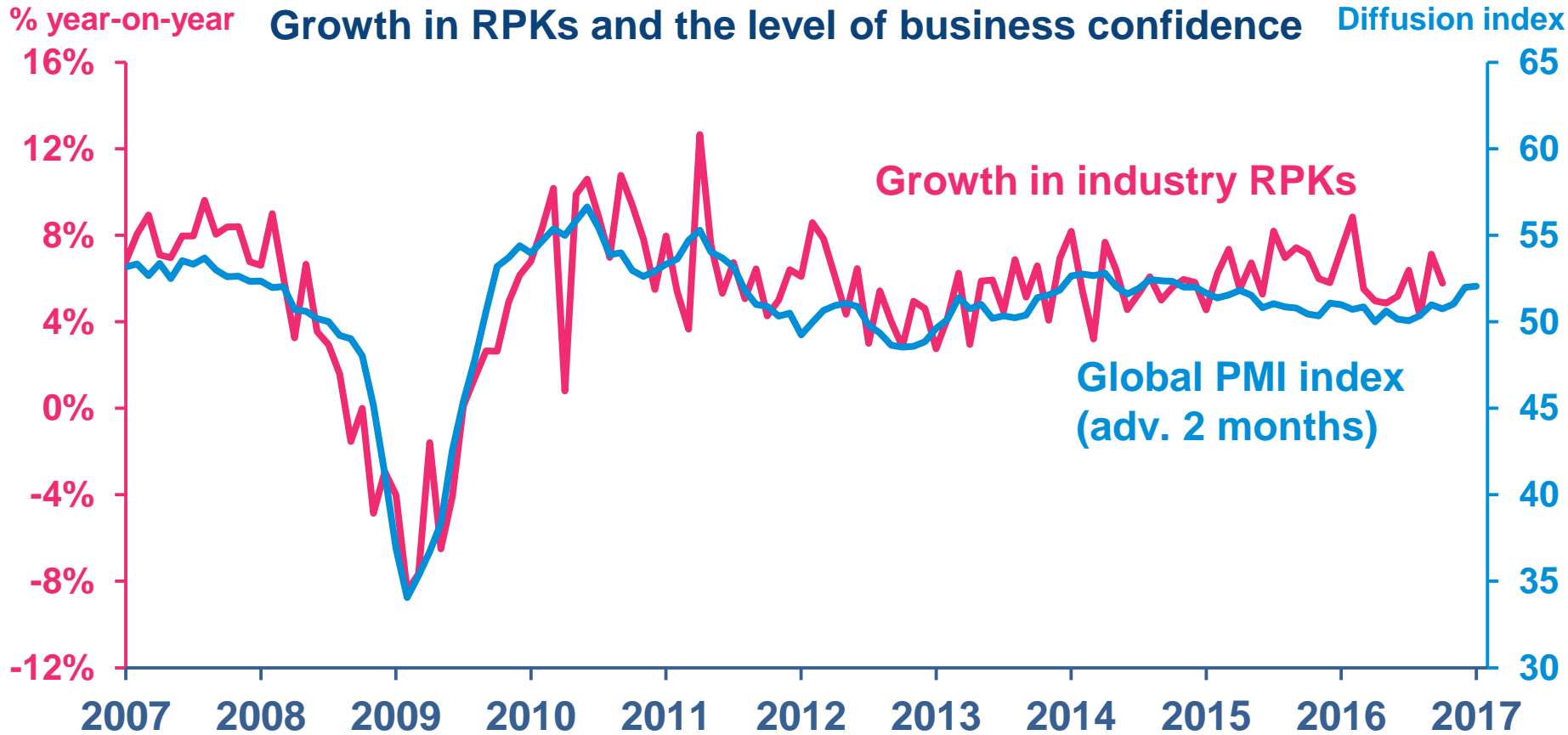
Share (%)

World trade/IP ratio vs. measure of global supply chains



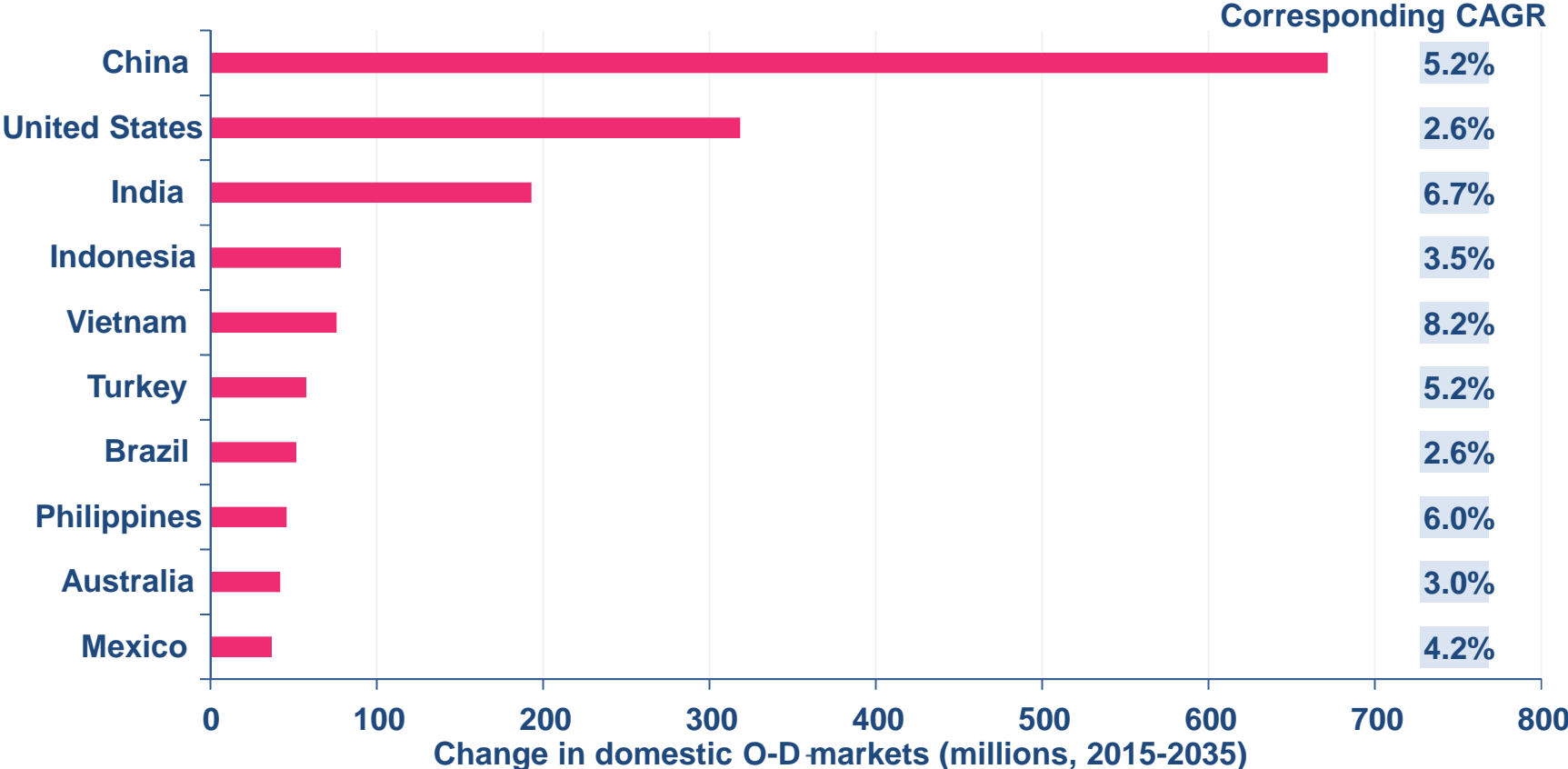
Source: IATA using data from the Netherlands CPB

Travel demand has been strong



Source: IATA using data from IATA statistics and Markit

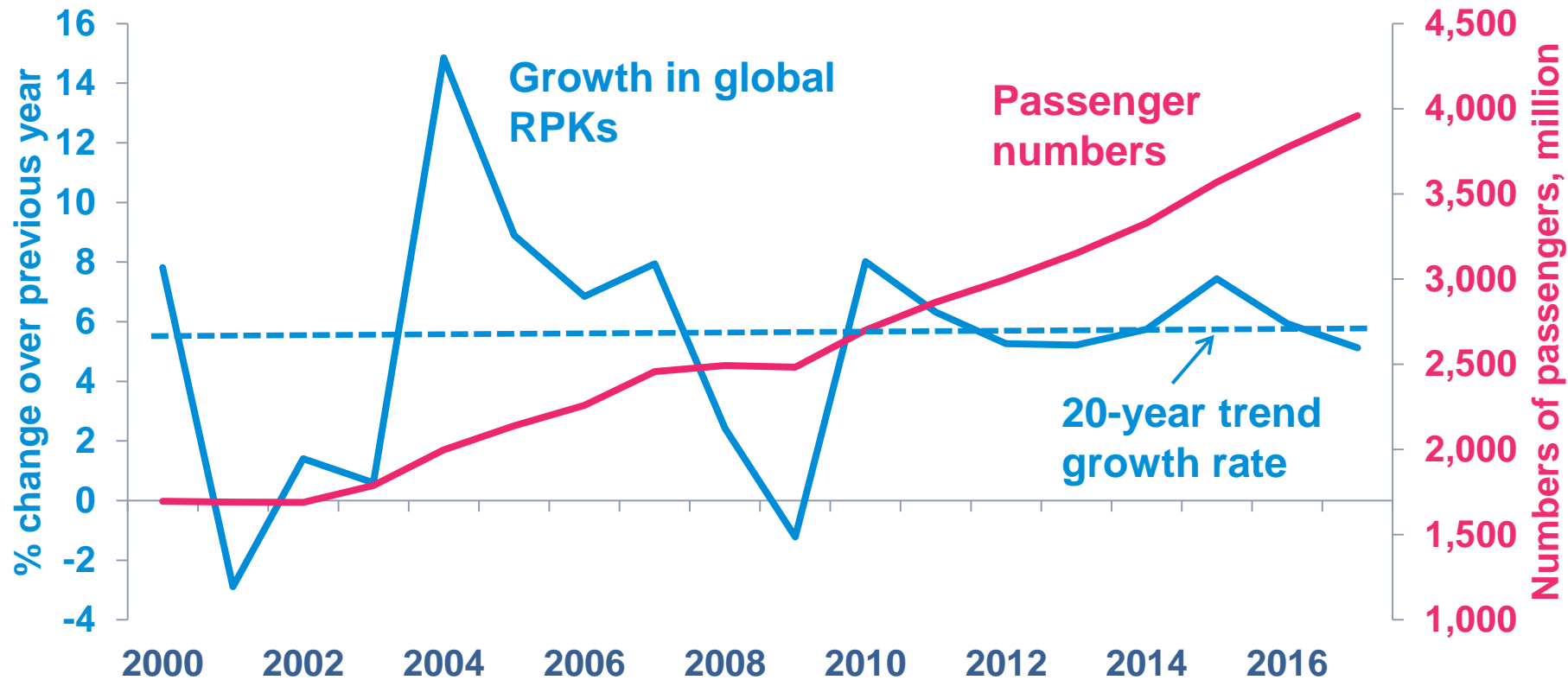
Over the next two decades considerable growth



Source: IATA using data from TE/IATA Air Passenger Forecasts, October 2016

Next year will be slower but still close to trend

Global RPK growth and passenger numbers



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

LOOKING FOR INSIGHTS INTO AIR TRANSPORT MARKETS AND ISSUES?

Download the new
IATA Economics Research App

Available for  iOS and  Android

NEW IATA ECONOMICS RESEARCH APP

Keep up to date with IATA Economics' latest analysis on key aviation issues and market trends.

Receive personalised notifications when new research is available, share content through social media and email, and read your favourite content off-line, perfect for people on the go!



Access industry-leading economic analysis on key aviation issues and market trends through:

- ✈ Reports
- ✈ Charts
- ✈ Presentations
- ✈ Videos and more.

To find out more visit:
www.iata.org/econapp

