

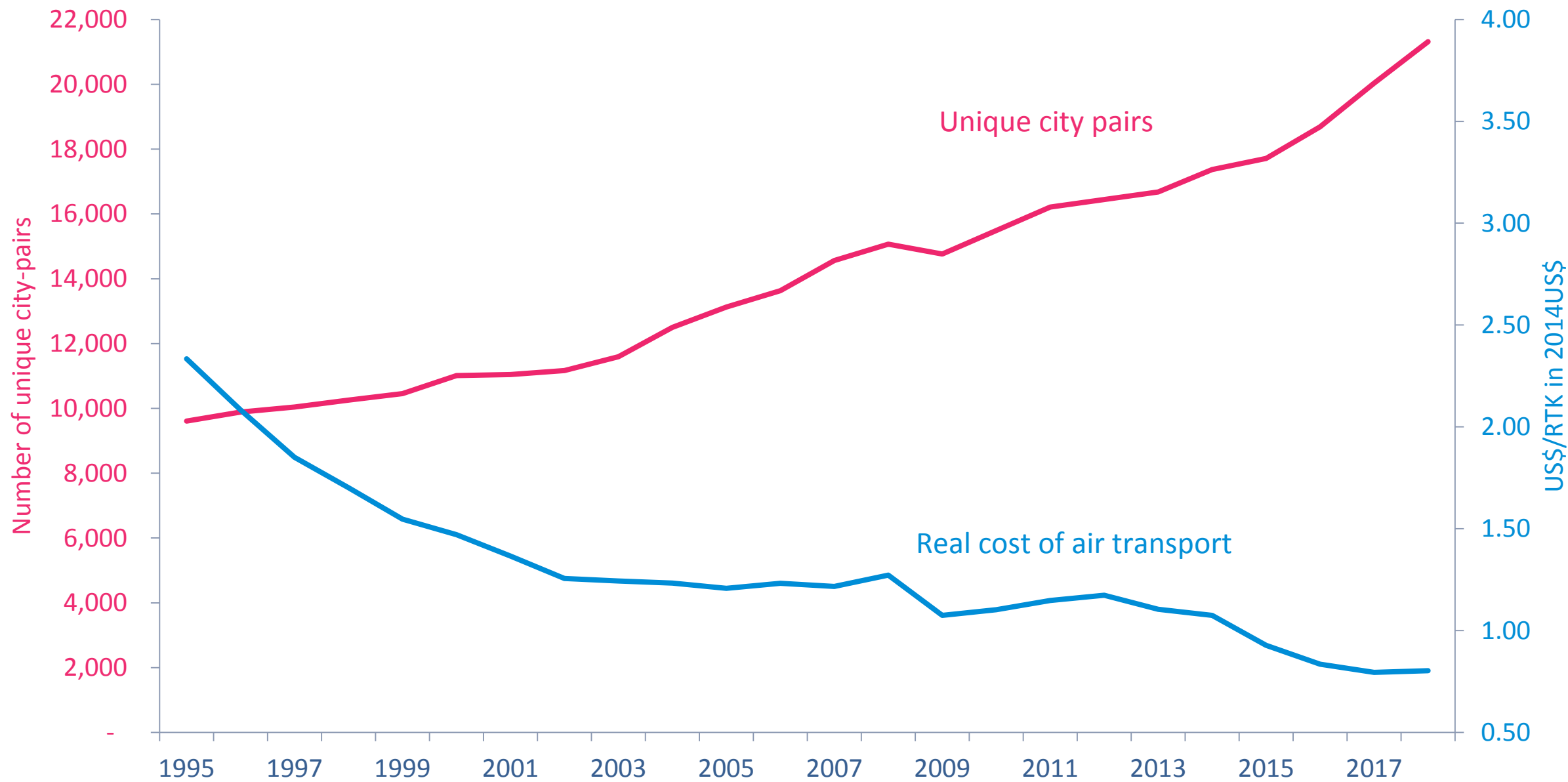


Economic performance of the airline industry: mid-2018 update

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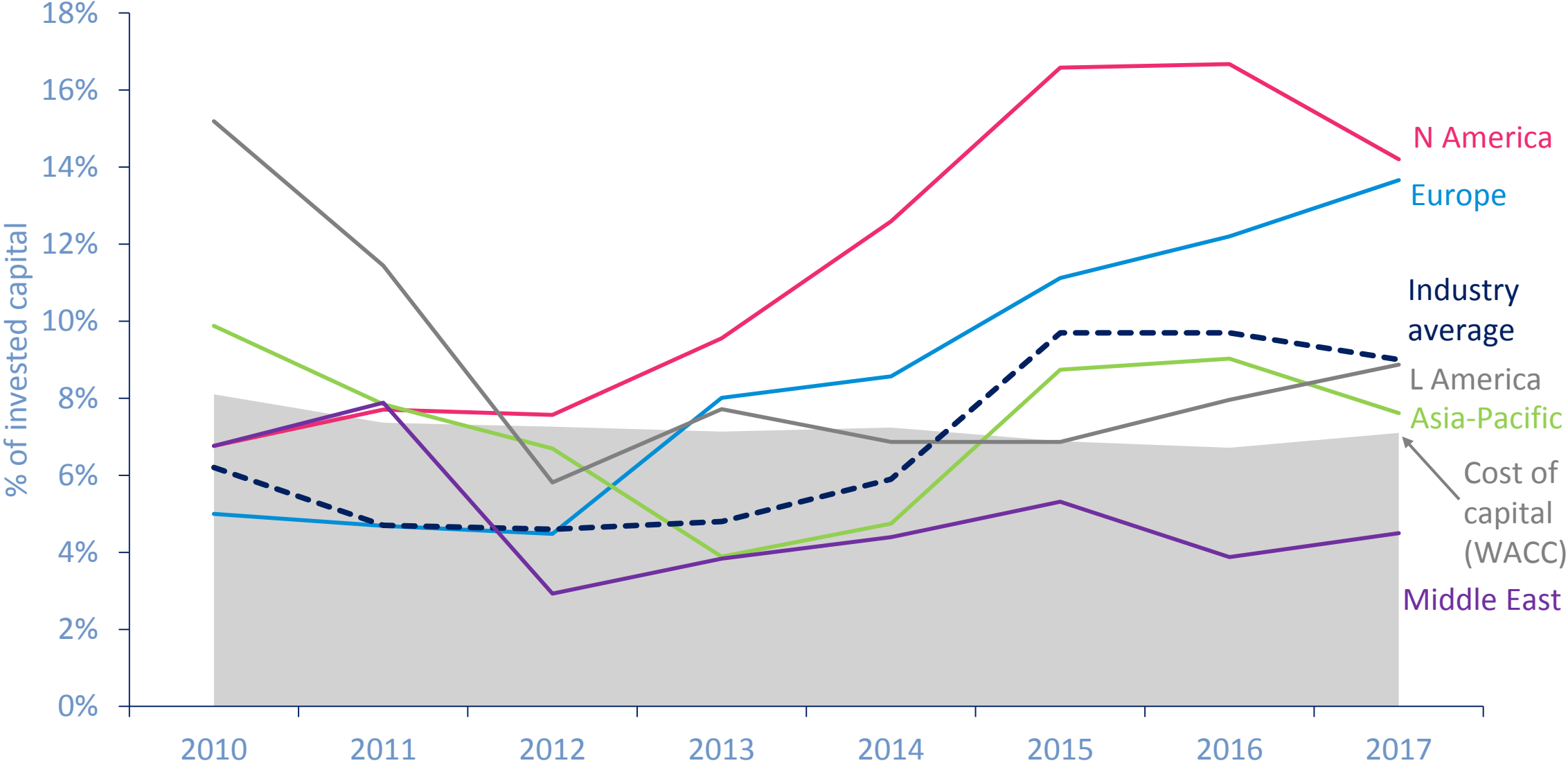
Record city-pair connections bring choice and economic benefits



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

Airlines are also creating value for investors

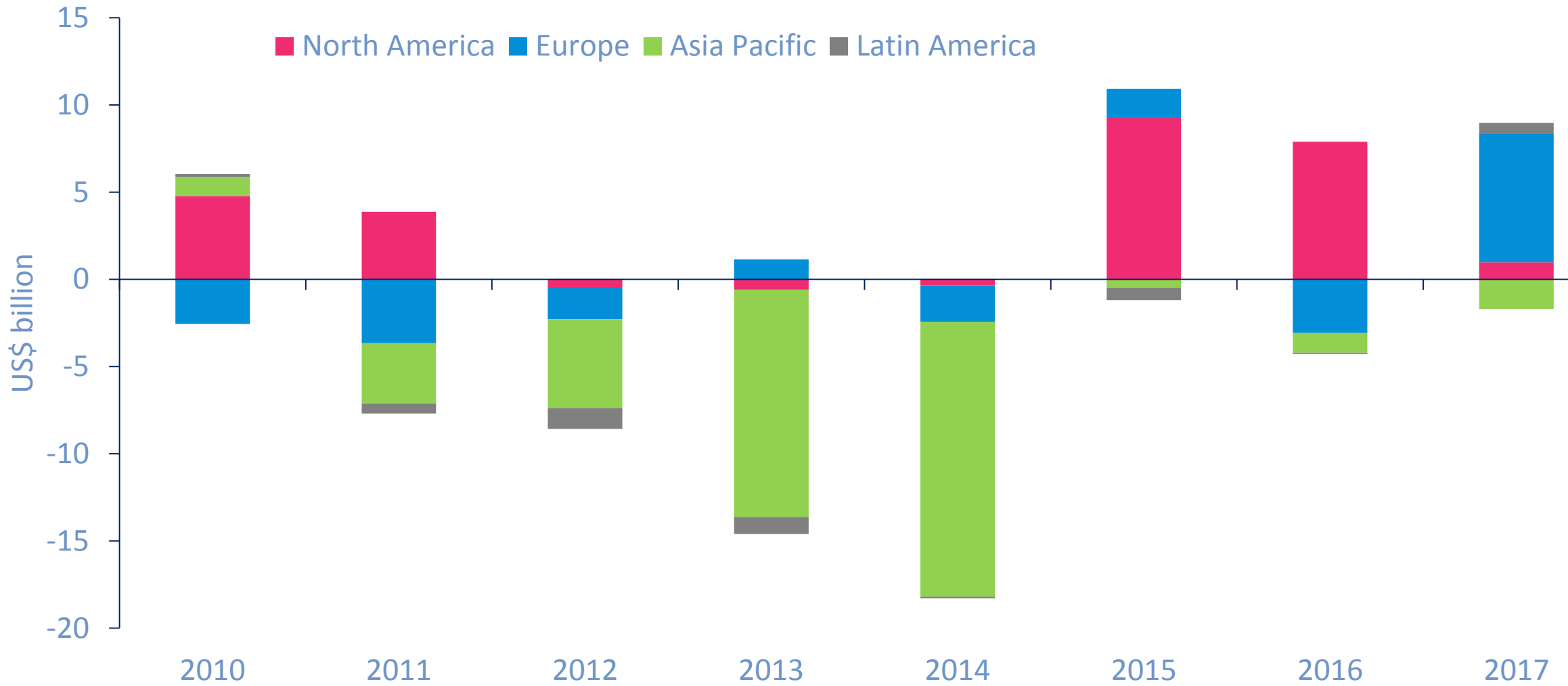
Return on invested capital



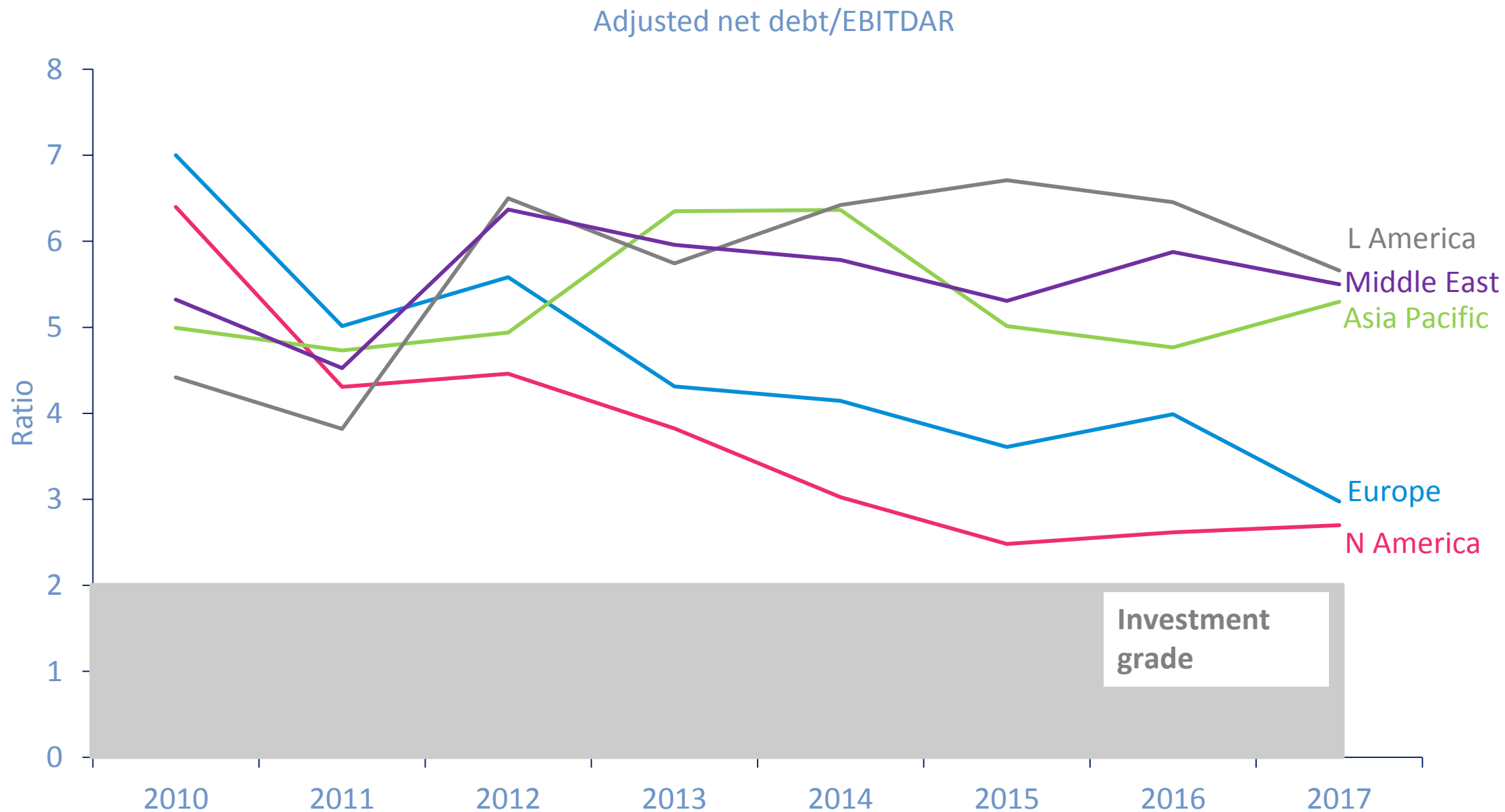
Source: IATA Economics using data from The Airline Analyst

Strong free cash flows allow debt to be repaid

Free cash flow

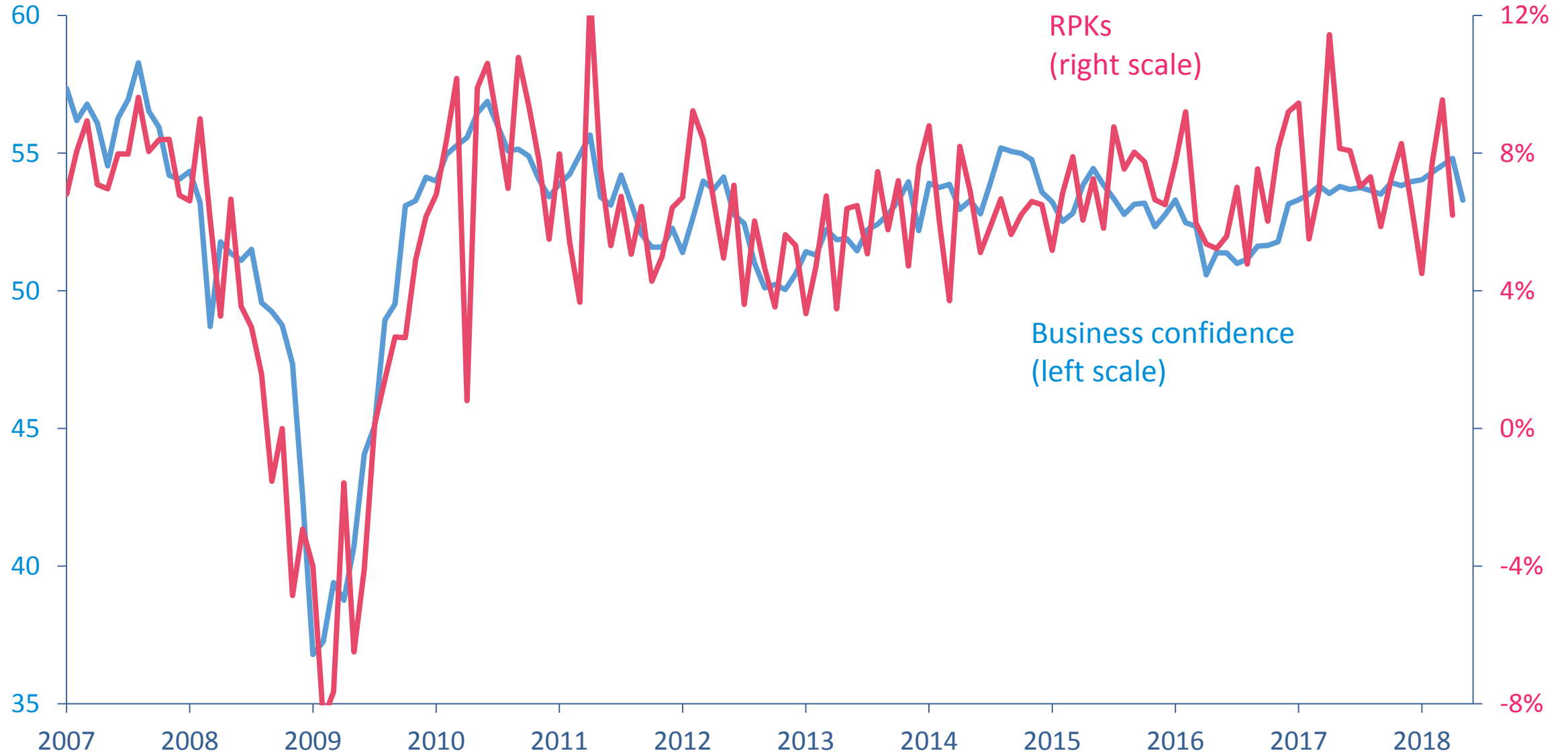


Though airline balance sheets have not yet improved in all regions



Air travel continues to grow above-trend in early 2018

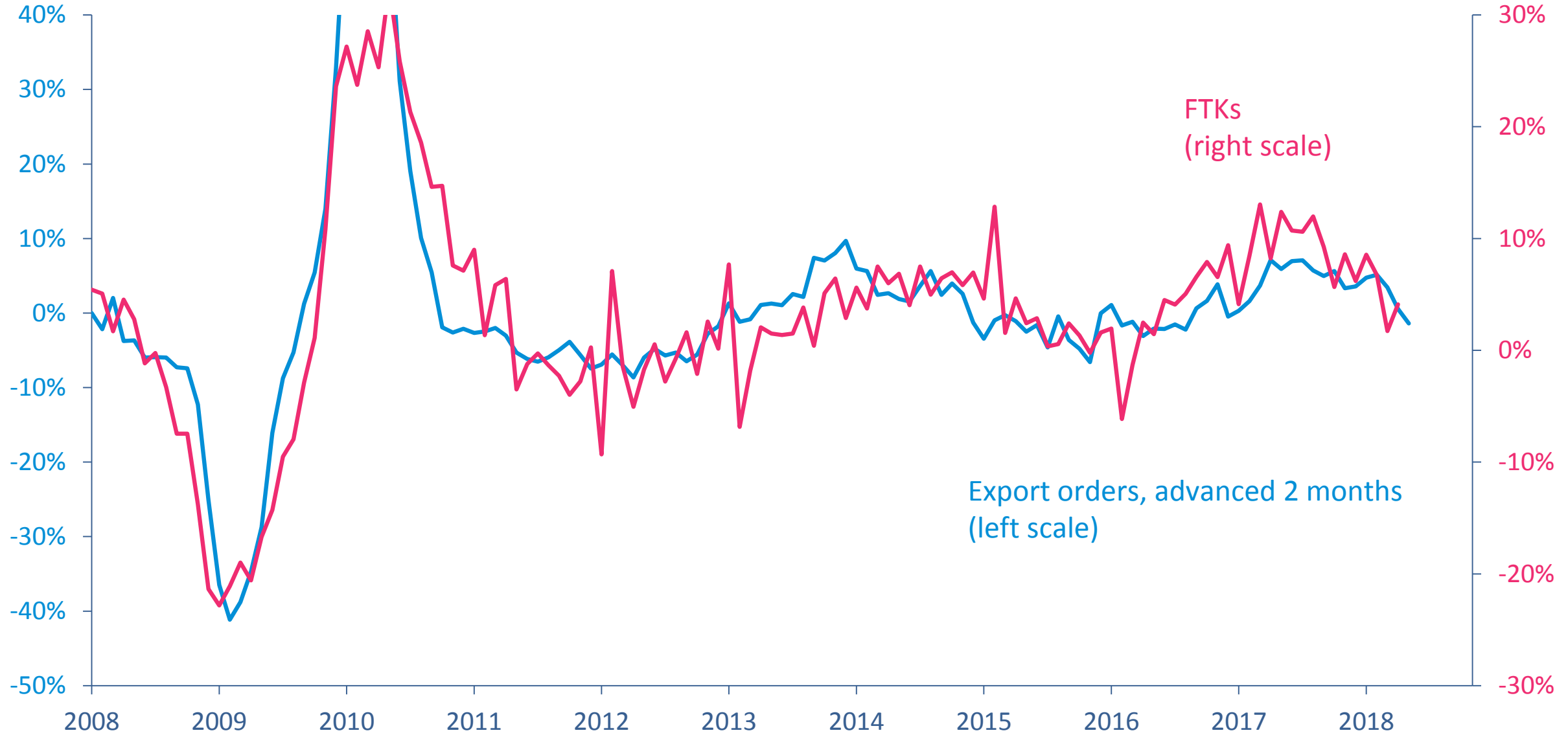
Diffusion indices



Cargo slowing as inventory re-stocking cycle ends

% year-on-year

% year-on-year

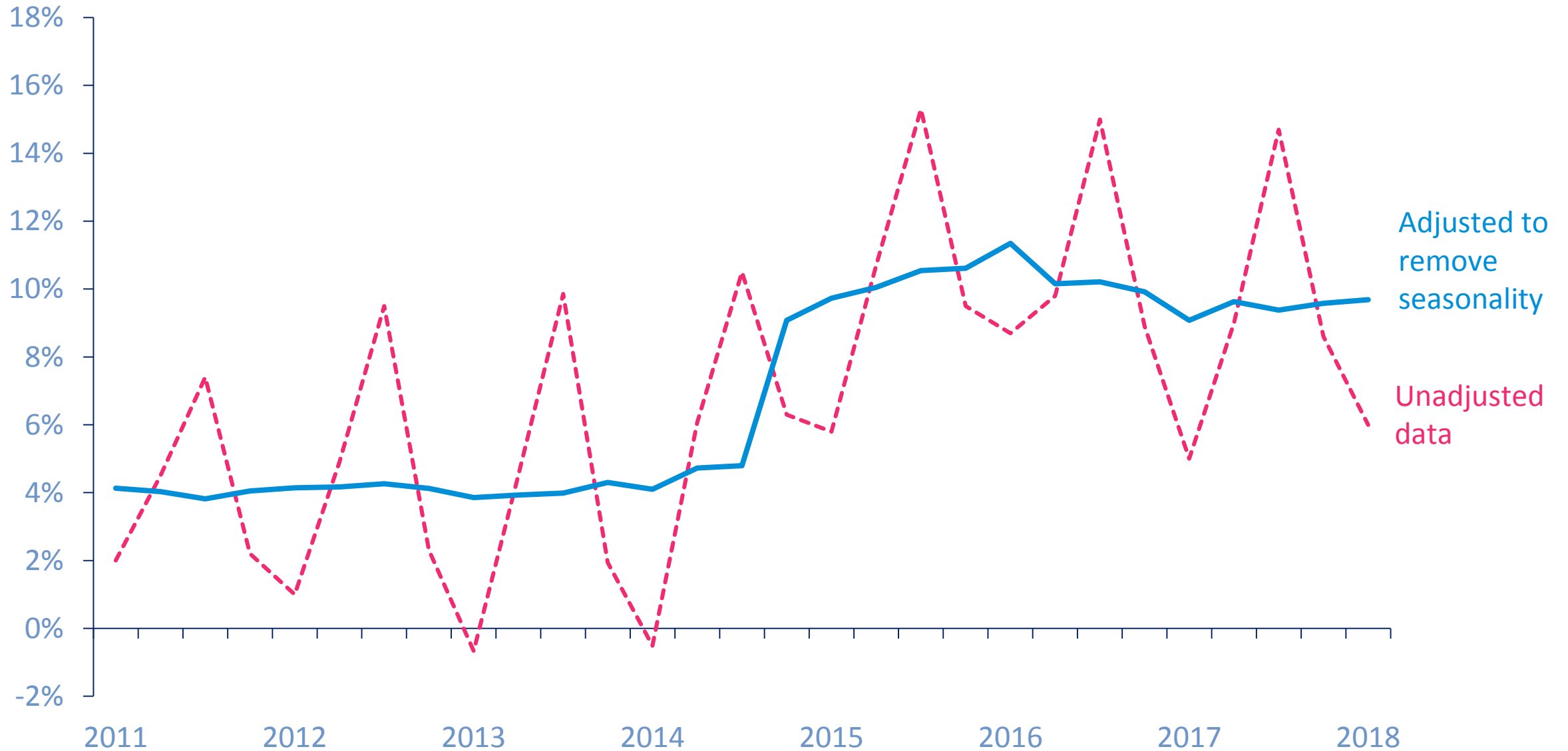


Export orders, advanced 2 months
(left scale)

FTKs
(right scale)

Airlines' operating margin was stable in the first quarter of 2018

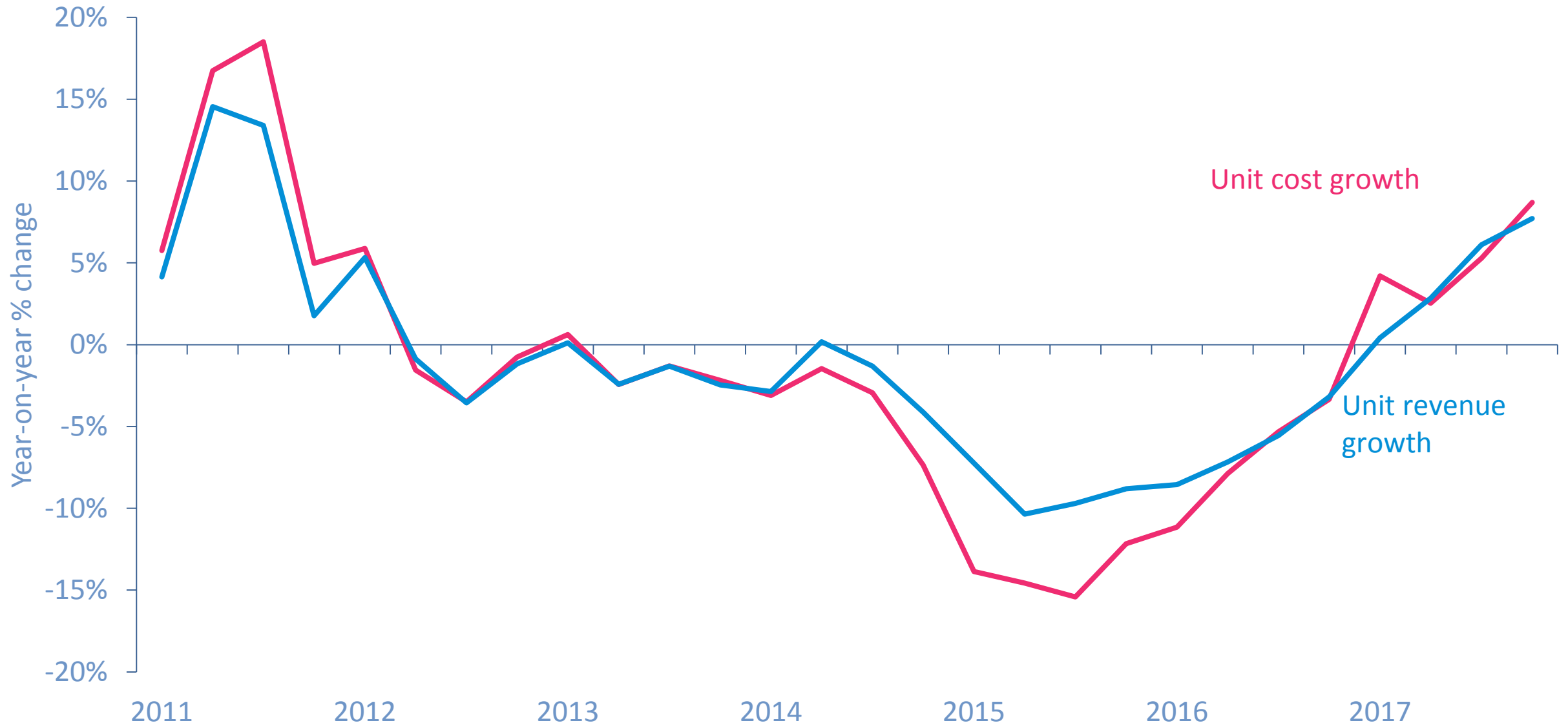
Worldwide average airline operating margin



Source: IATA Economics using data from The Airline Analyst, airline releases. Note: This data is from airlines report quarterly only

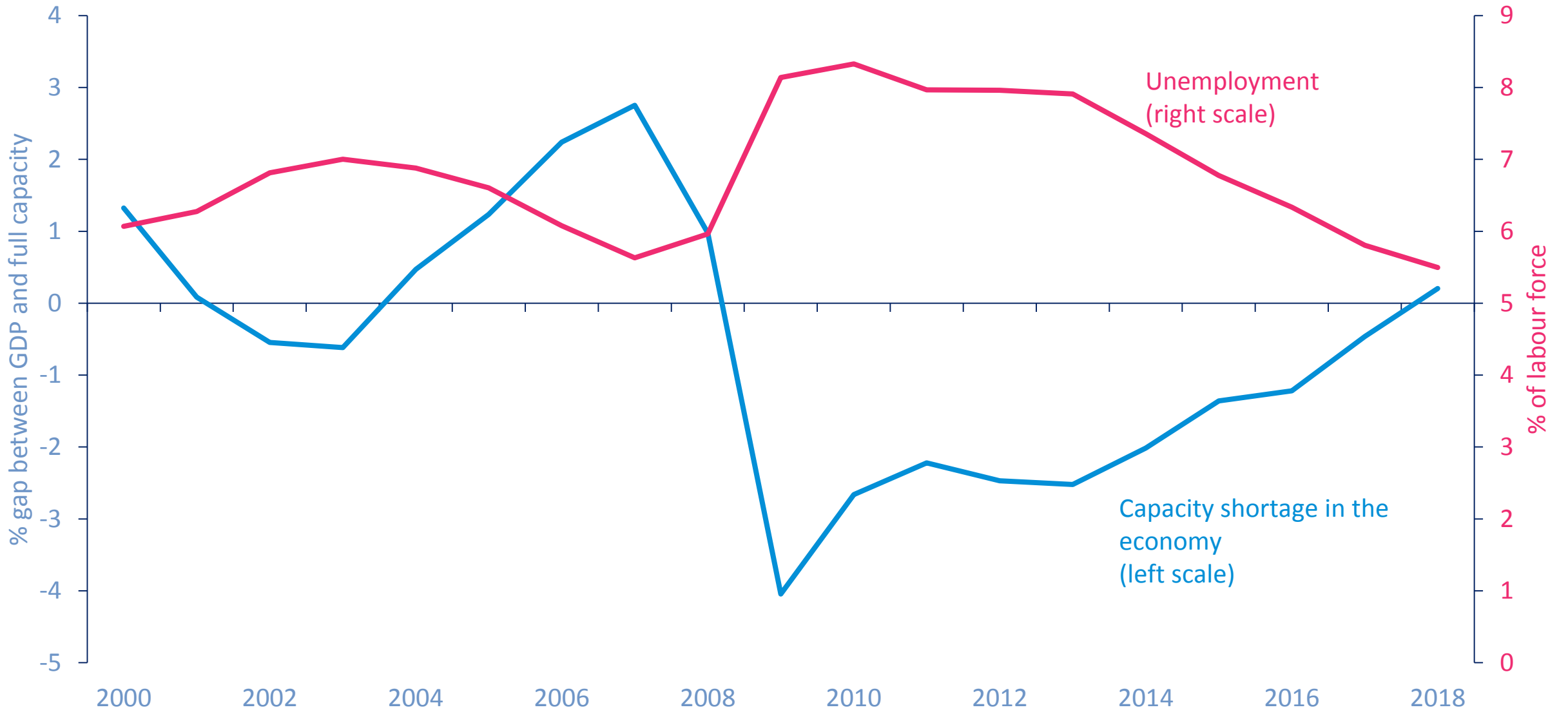
But the industry now faces severe late-cycle cost pressures

Industry wide growth in unit revenues and unit costs



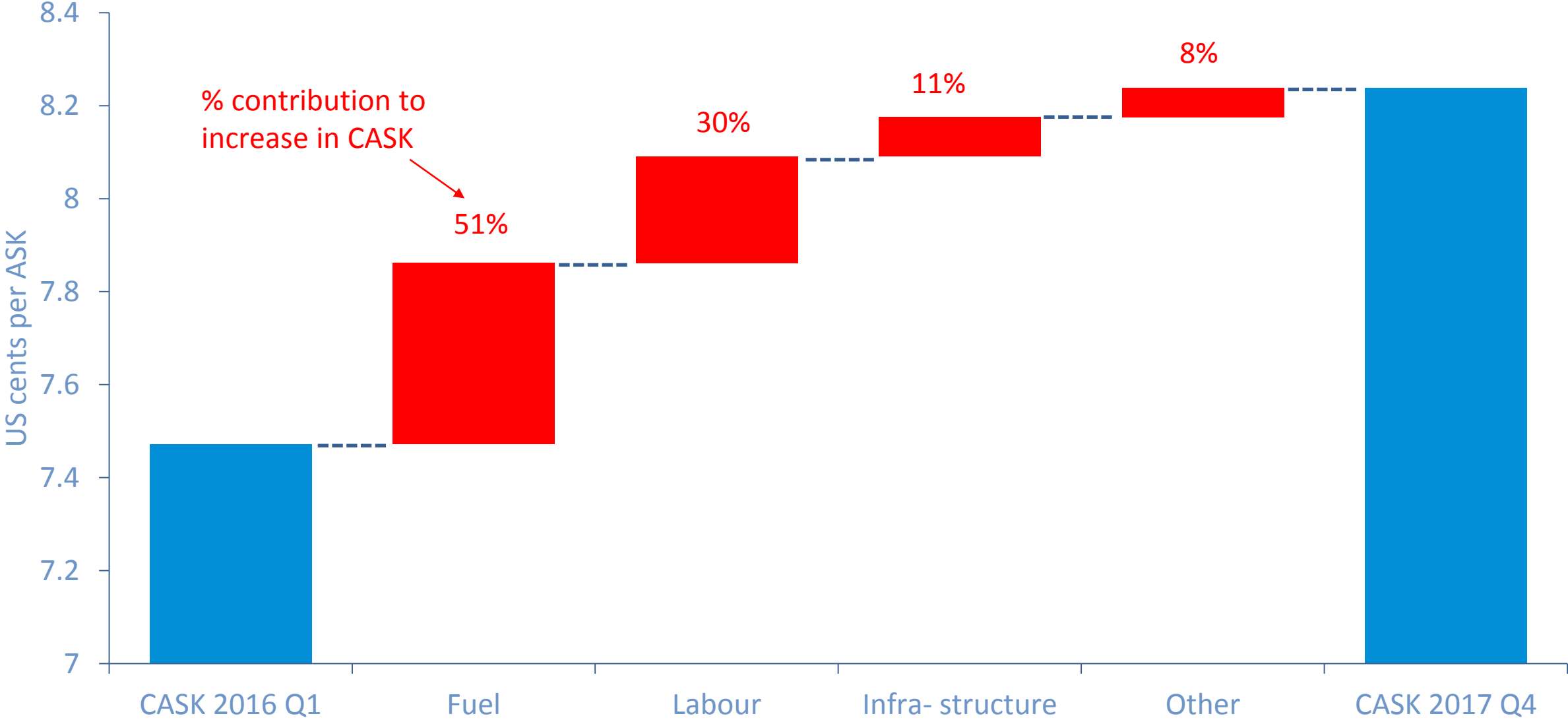
As spare capacity disappears

OECD unemployment and capacity shortage in the economy



Fuel, labour and infrastructure are the main source of cost pressure

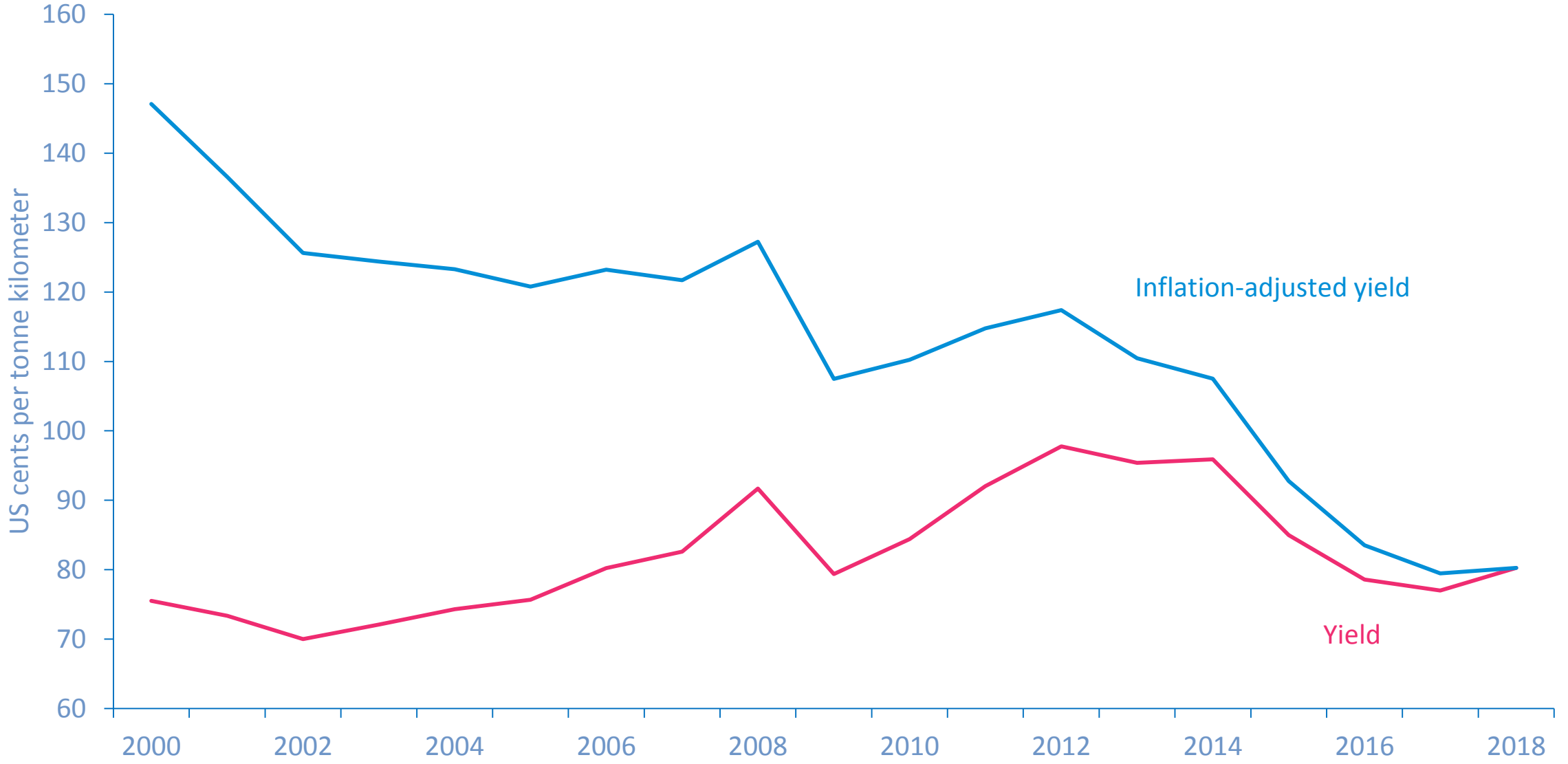
Unit cost changes between 2016 Q1 and 2017 Q4



Source: IATA Economics using data from The Airline Analyst

But cost of air transport expected to stabilize in inflation-adjusted terms

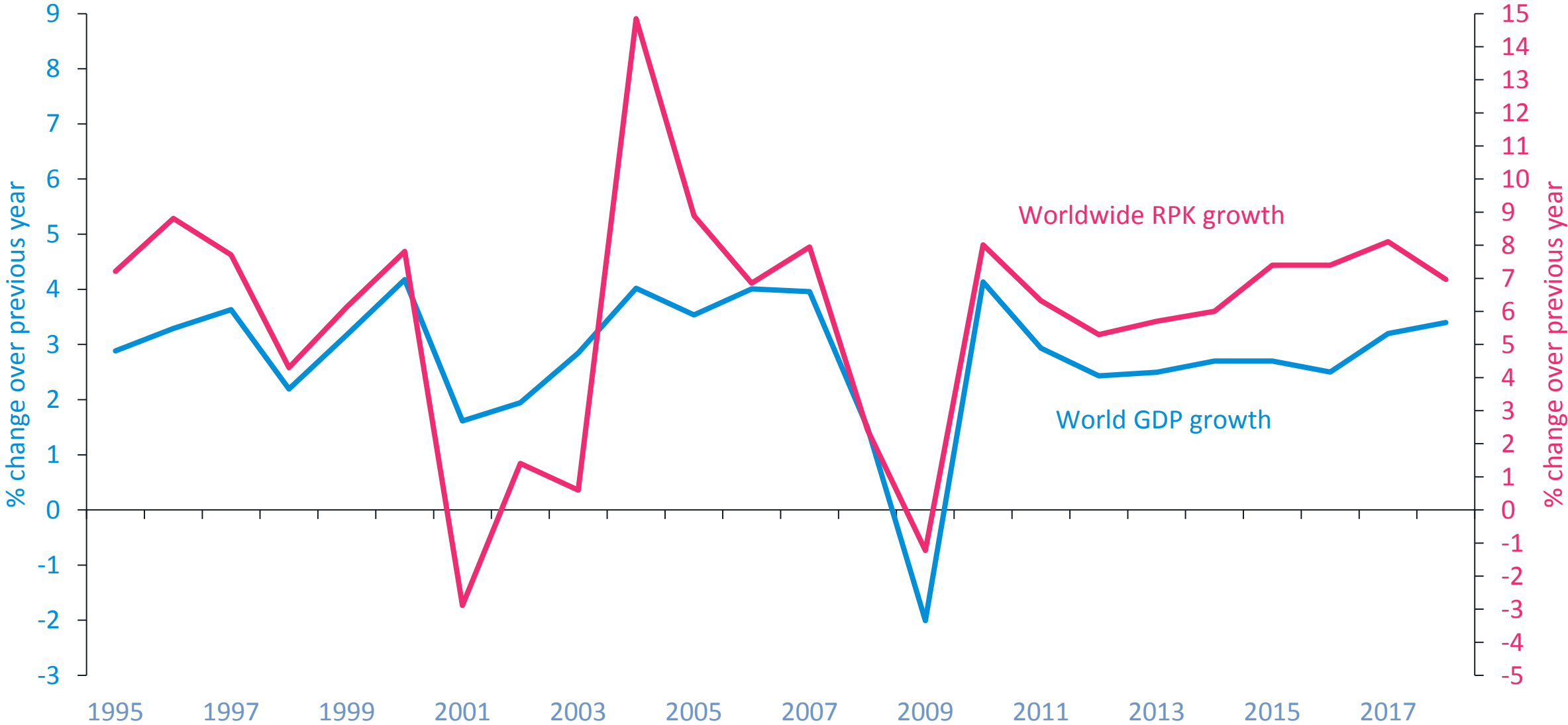
Yields including ancillaries and cargo revenues, nominal and inflation-adjusted



Source: IATA Economics using data from ICAO, PaxIS, CargoIS and our own forecasts

Strong economic growth supports strong travel growth in 2018

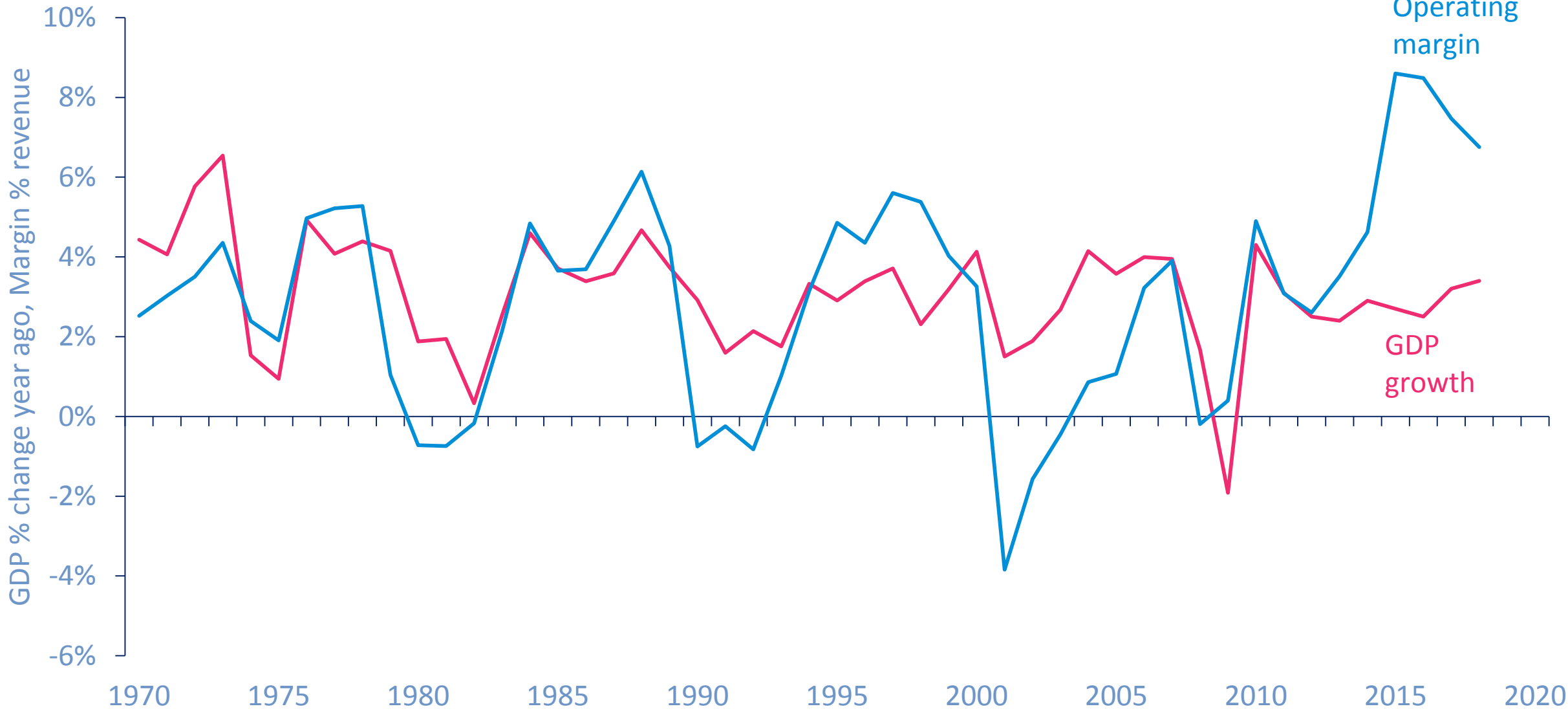
Worldwide RPK growth and GDP growth



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

Airlines financial performance due to more than cycle

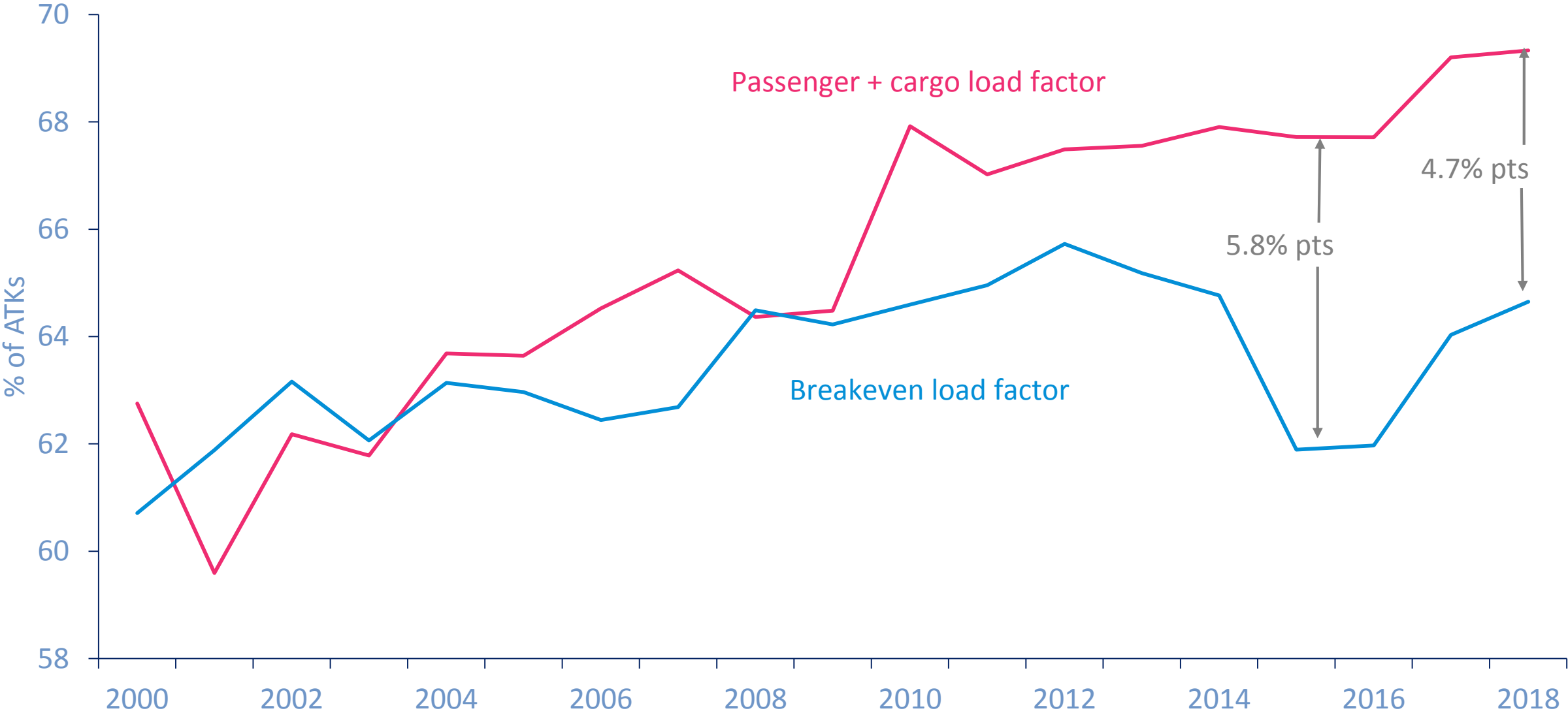
Global GDP growth and average airline operating margin



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

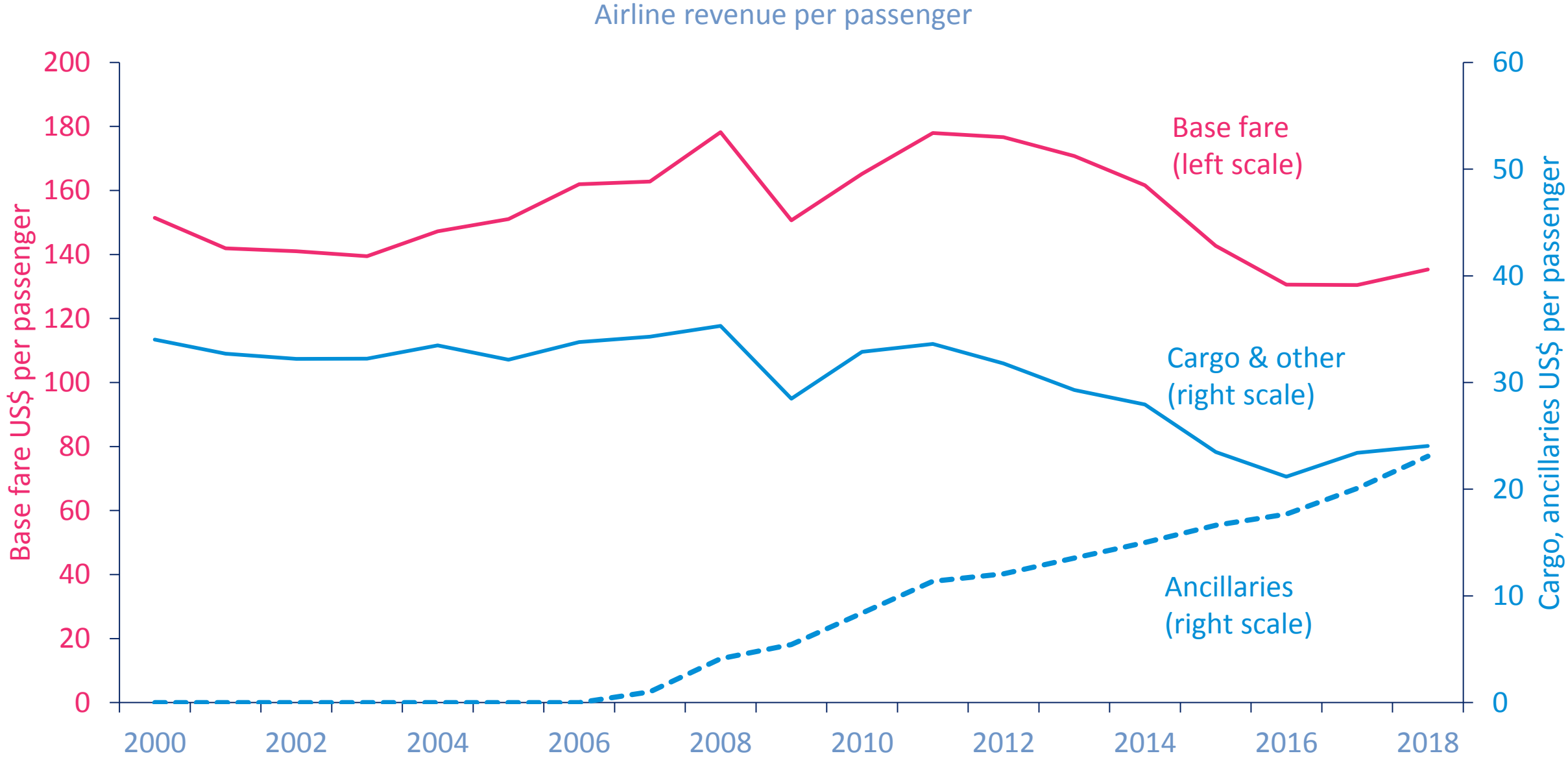
Asset utilization has improved

Load factor (passenger + cargo) versus breakeven



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

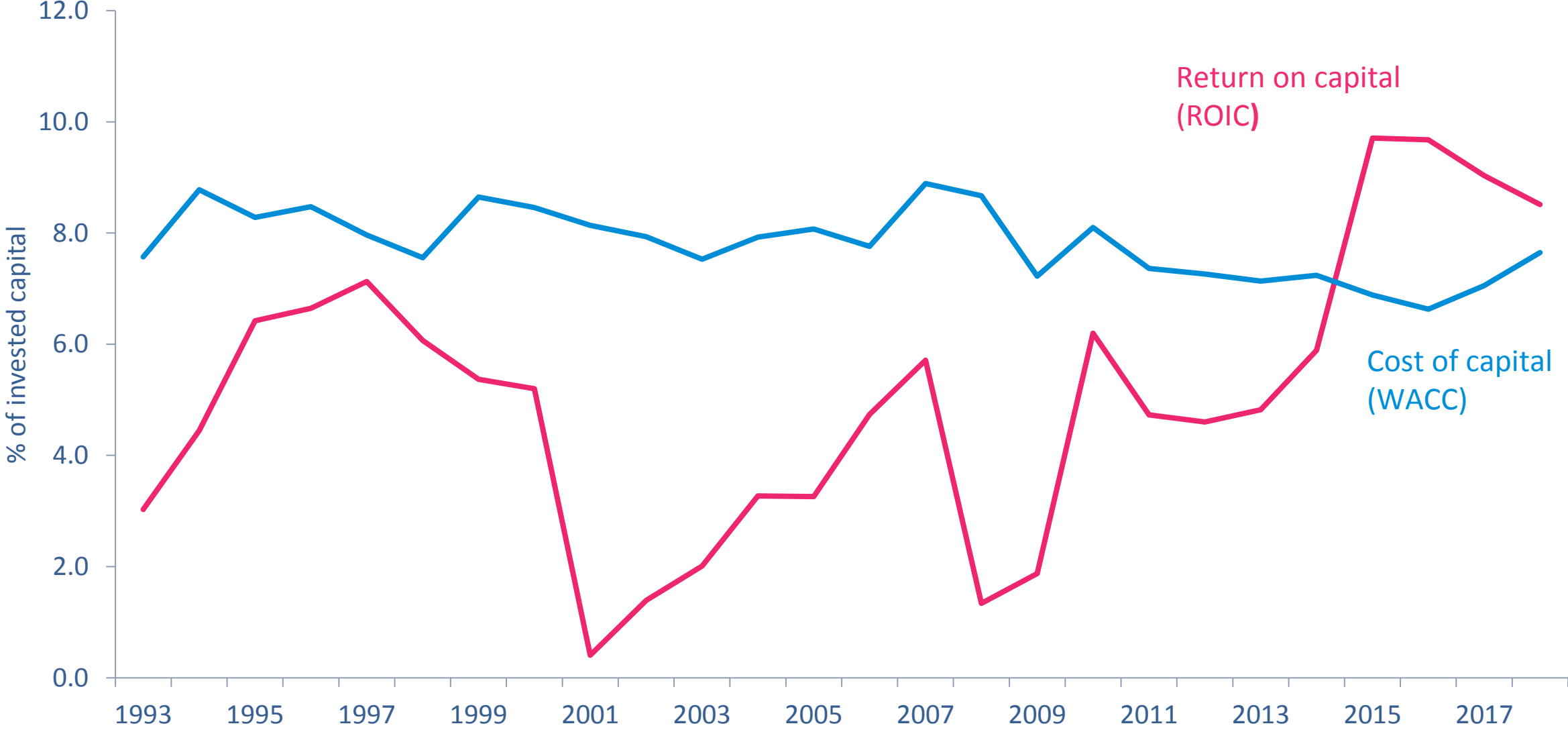
Ancillaries are partly offsetting commoditized base fares



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

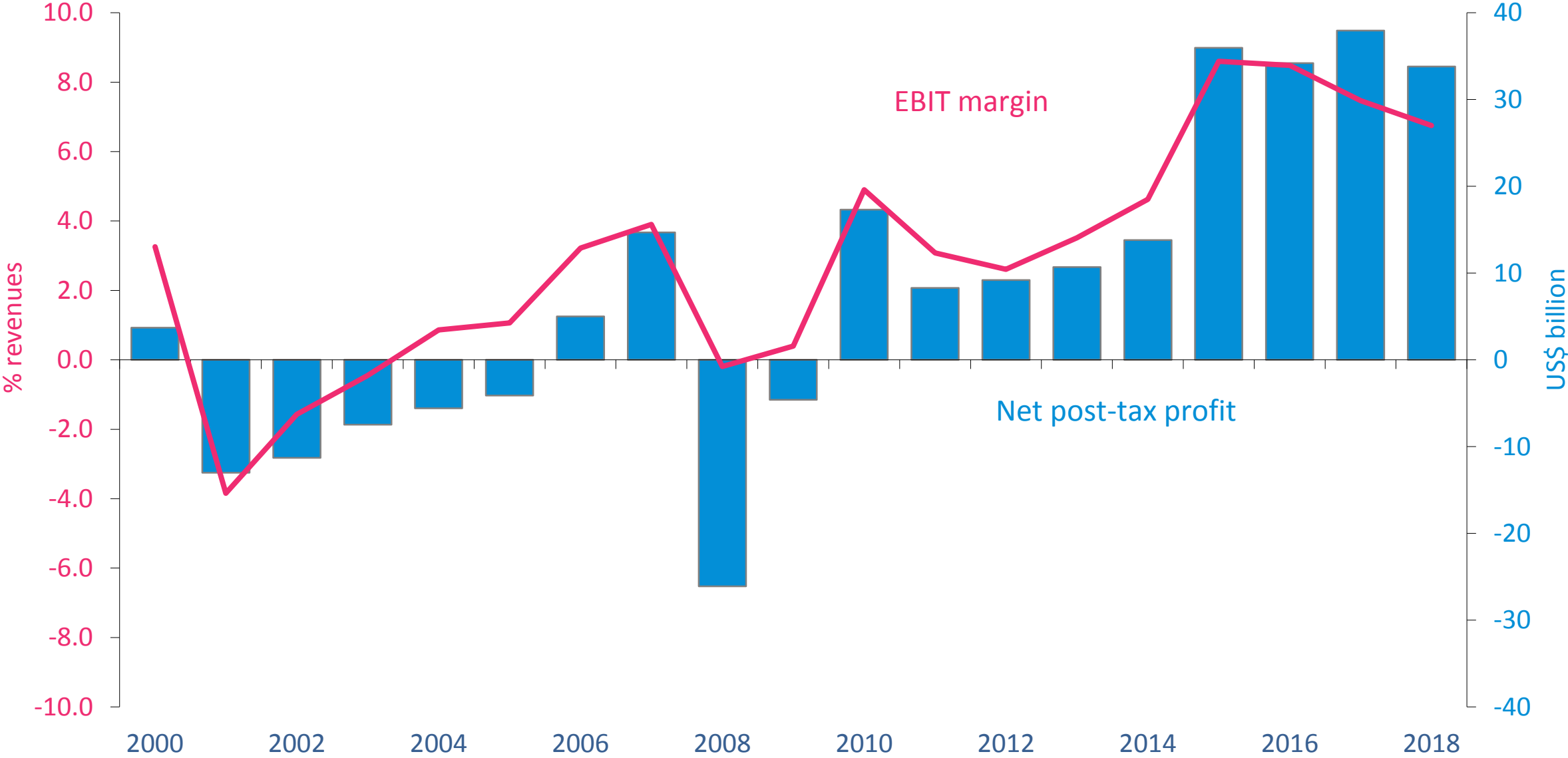
Airlines' return on capital still creating value for 4th successive year

Return on capital invested in airlines and their cost of capital



Source: IATA Economics using data from McKinsey, The Airline Analyst and our own forecasts

Airline profitability under pressure in 2018 but still high



Source: IATA Economics using data from ICAO, IATA Statistics, The Airline Analyst and our own forecasts

But profitability remains very uneven across regions

Operating margin by airline region of registration

