

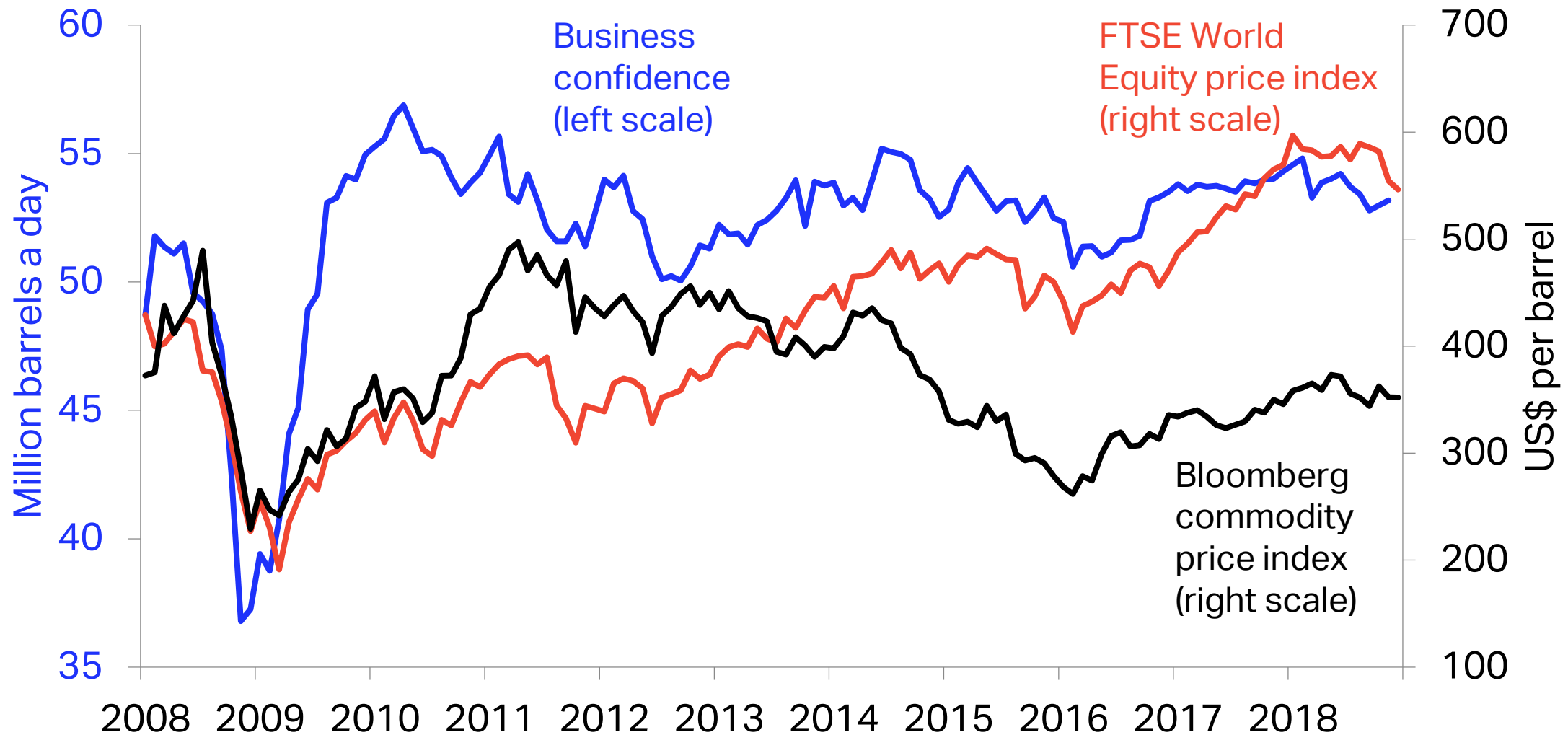
# Airline industry outlook 2019

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12 December 2018



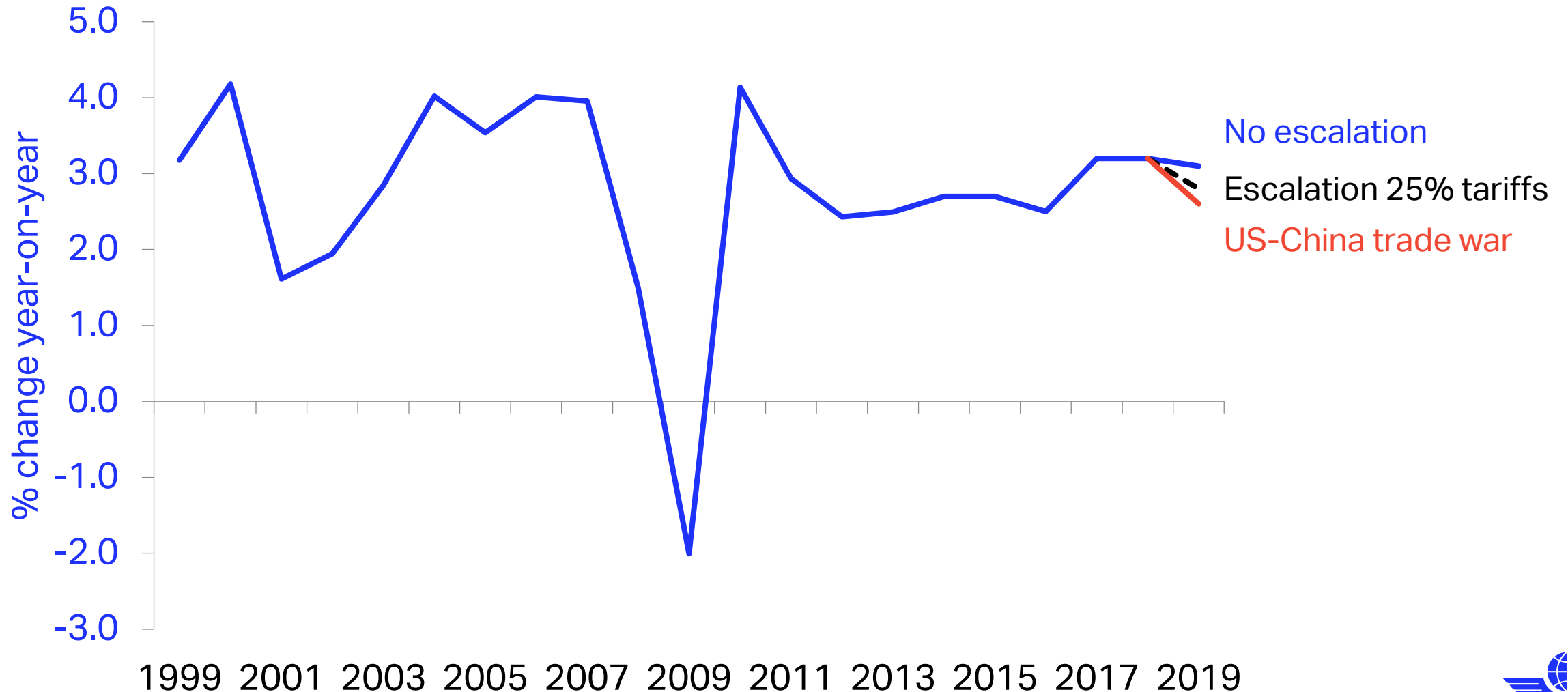
# Are the markets signalling recession ahead?



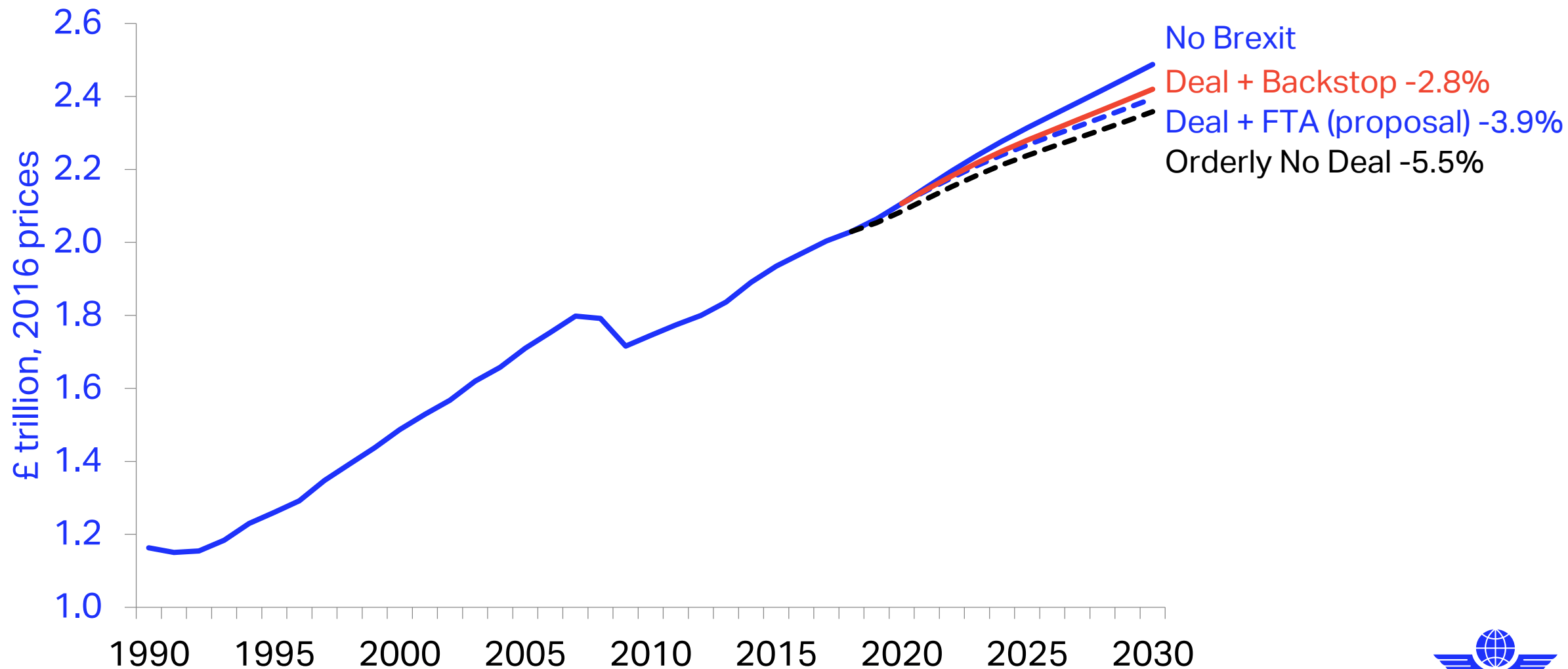
Source: Datastream, Markit



# Trade wars damaging but not expansion stoppers



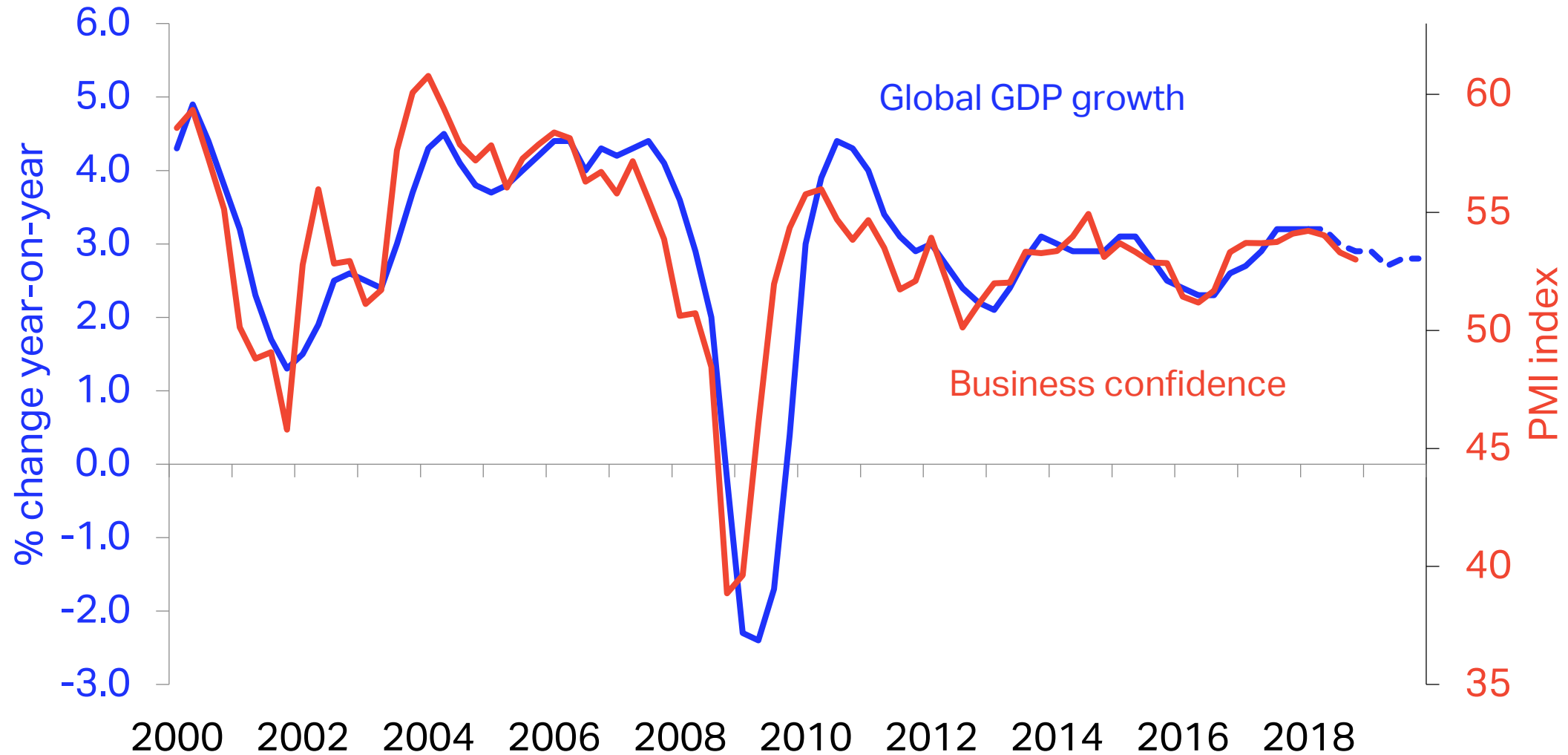
# Brexit chaotic but slows rather than stops long-term



Source: Oxford Economics, NIESR Brexit Impacts Report 26<sup>th</sup> November 2018



# Forecasters still expect economic growth in 2019



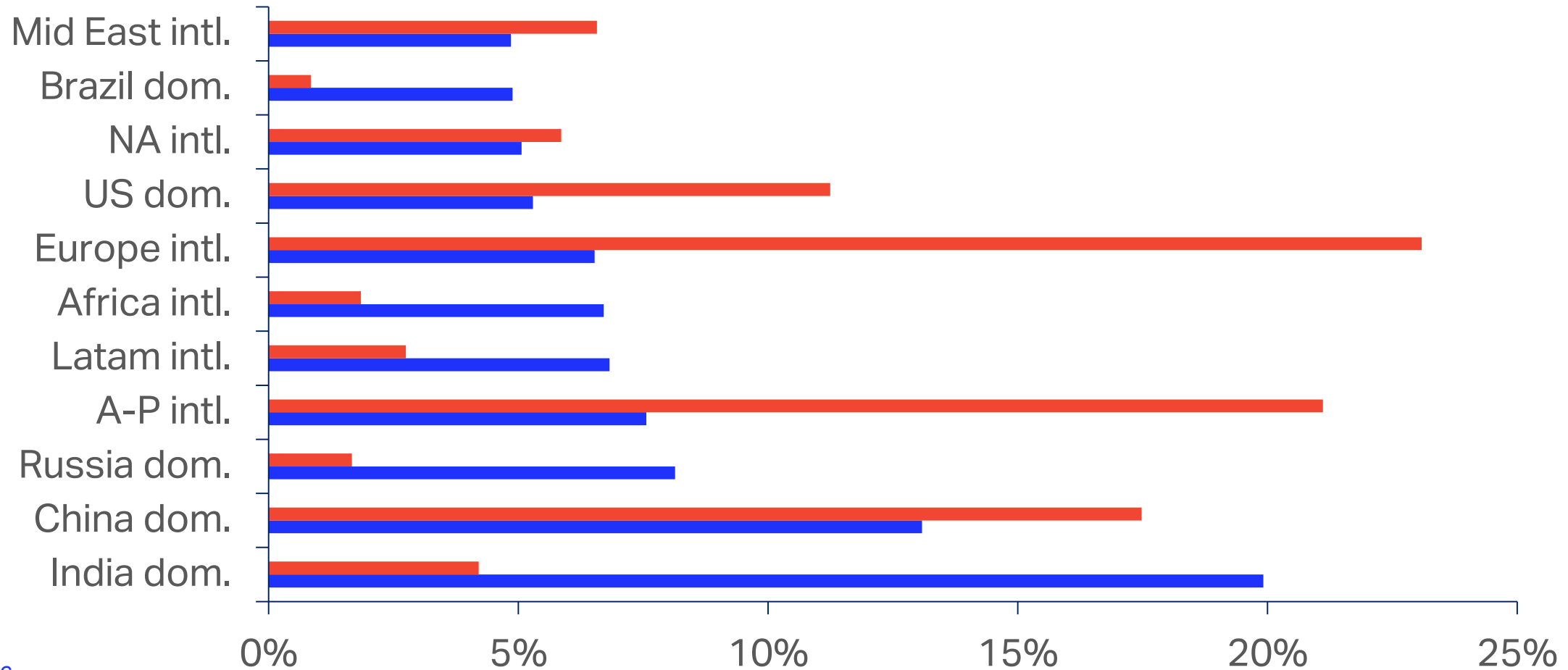
Source: Markit, IMF World Economic Outlook October 2018



# Air travel has certainly got a lot of momentum

RPK growth, Jan-Oct 2018

■ % contribution to global growth    ■ % change year-on-year



# Expect slower travel growth, but still above trend

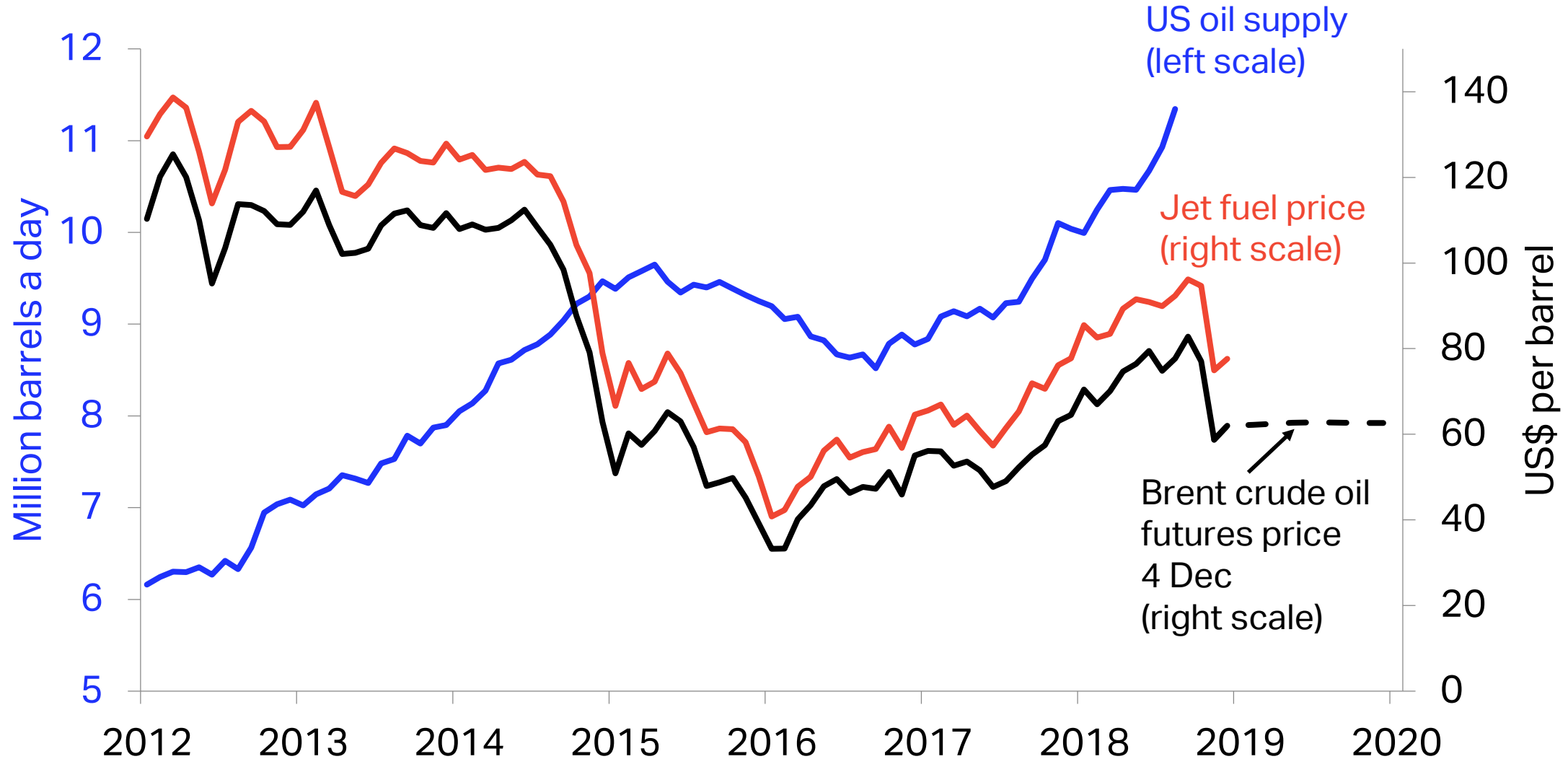
RPK and FTK growth versus trend



Source: IATA Statistics, IATAs own forecasts



# Jet fuel price lower as market over-supplied



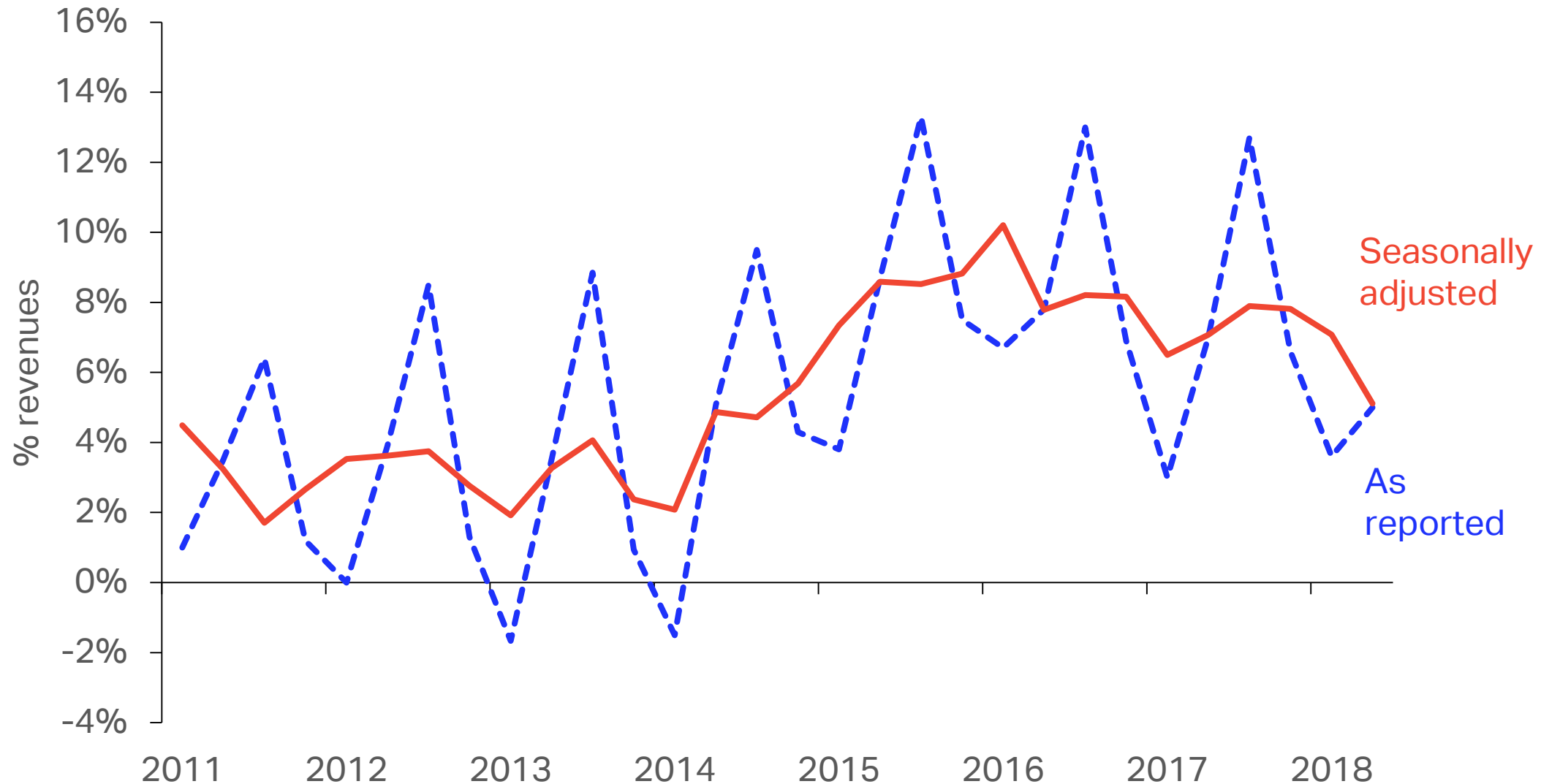
Source: Datastream, Platts





# Relieving the downward pressure on margins

Airline industry operating margin

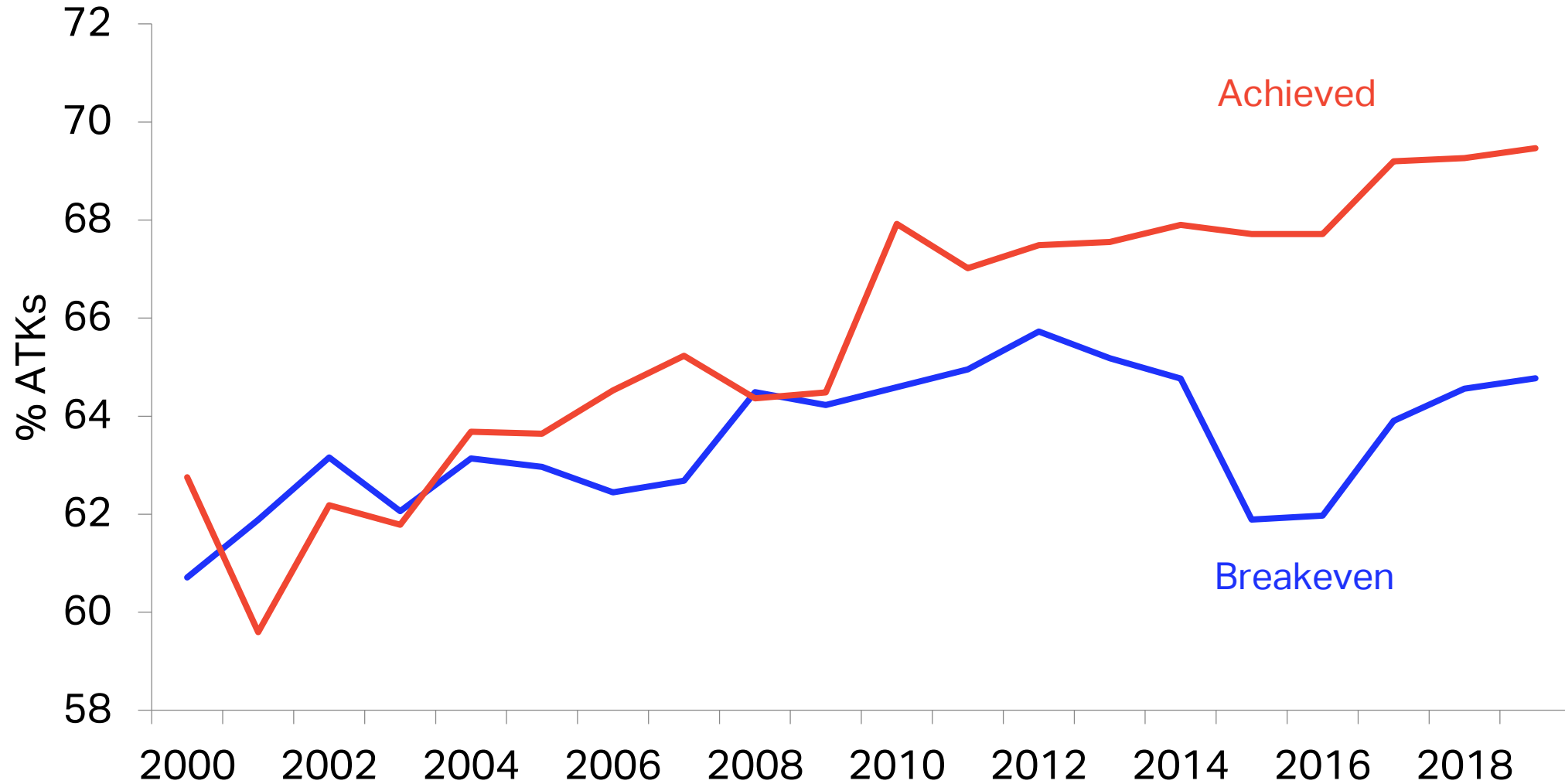


Source: IATA Economics using data from The Airline Analyst



# Breakeven stabilizing and asset utilization rising

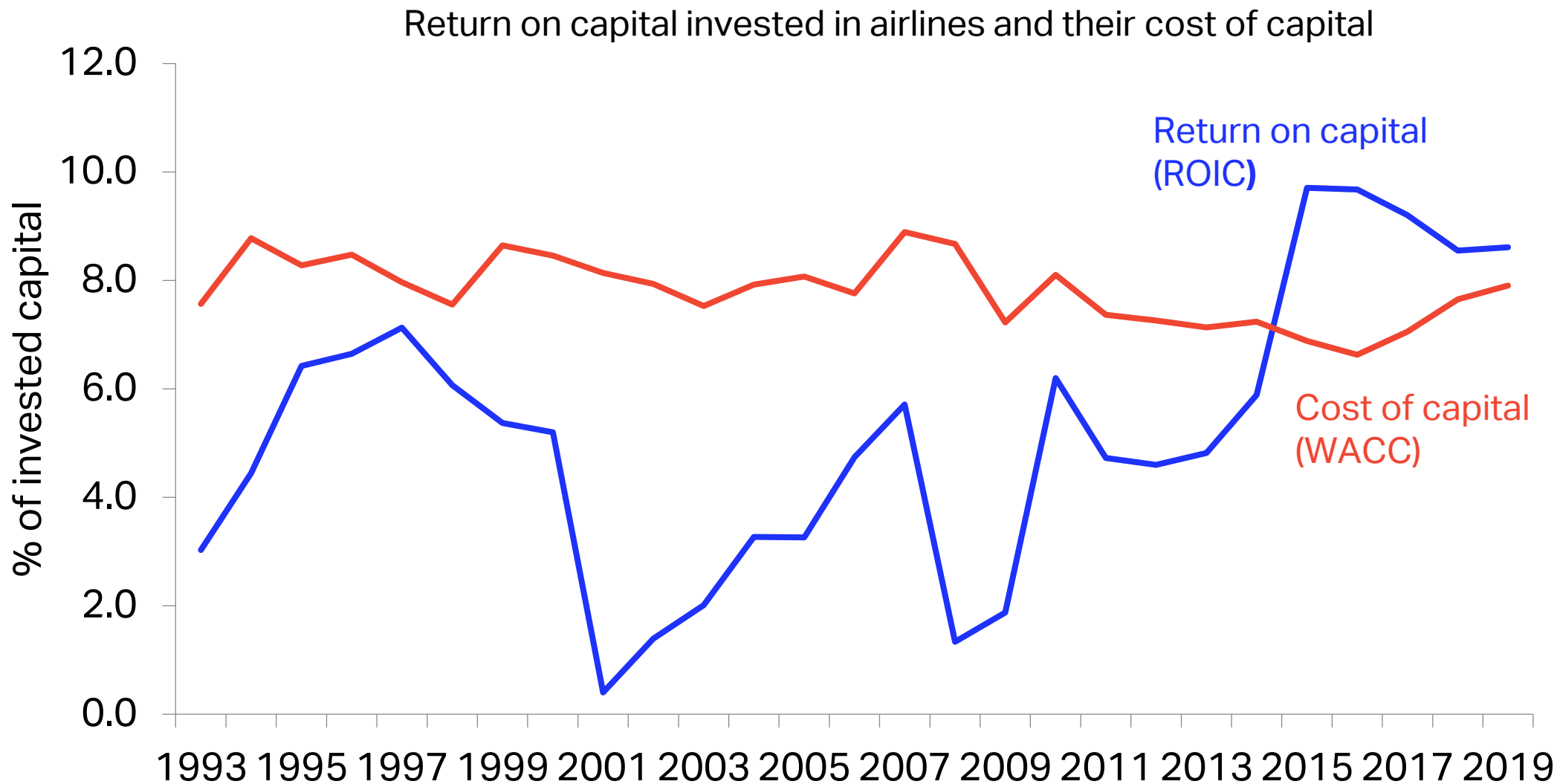
Breakeven and achieved load factor



Source: ICAO, IATA Statistics, IATA forecasts



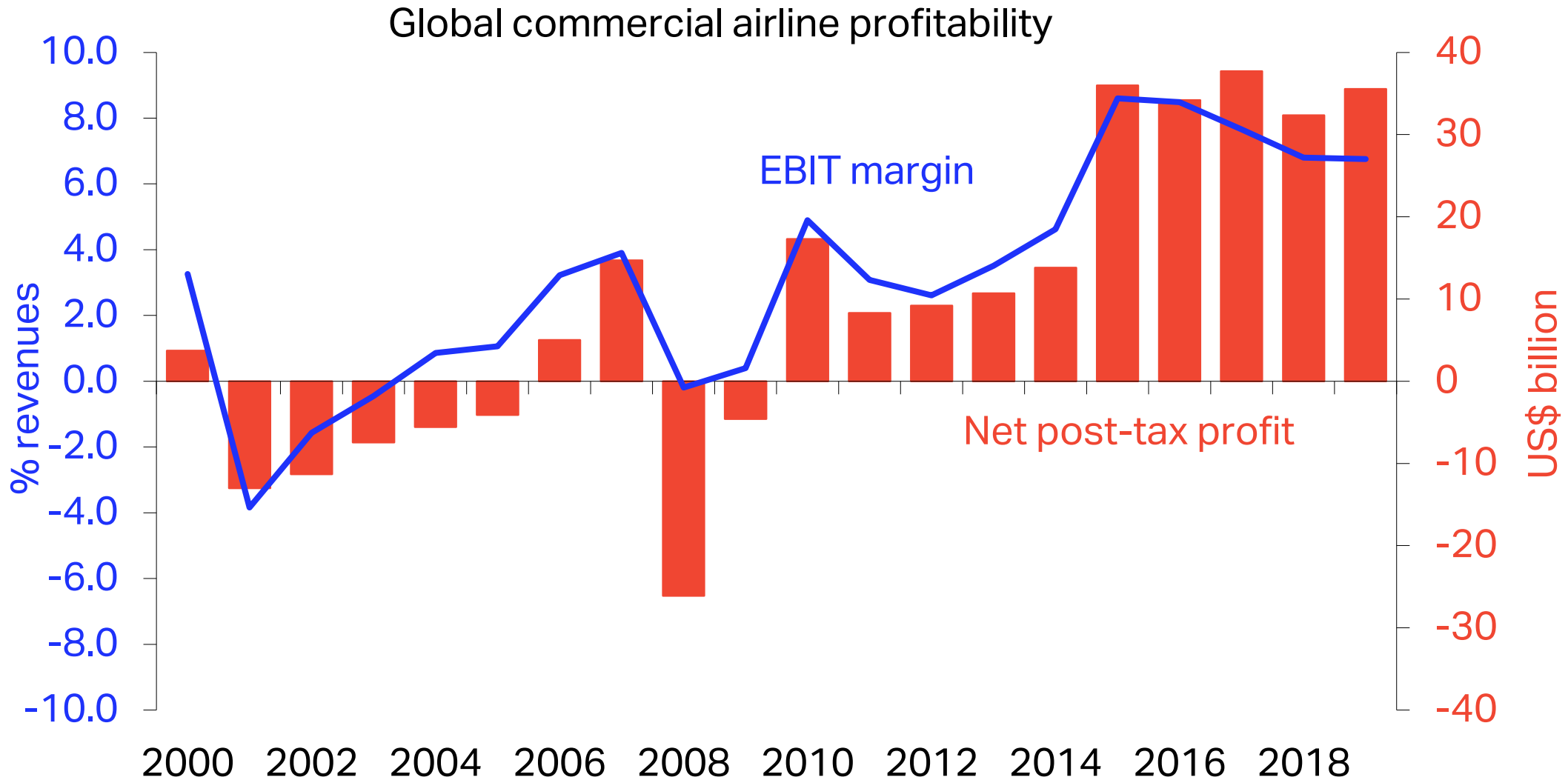
# Airlines' return on capital should stabilize in 2019



Source: McKinsey, The Airline Analyst, IATA forecasts

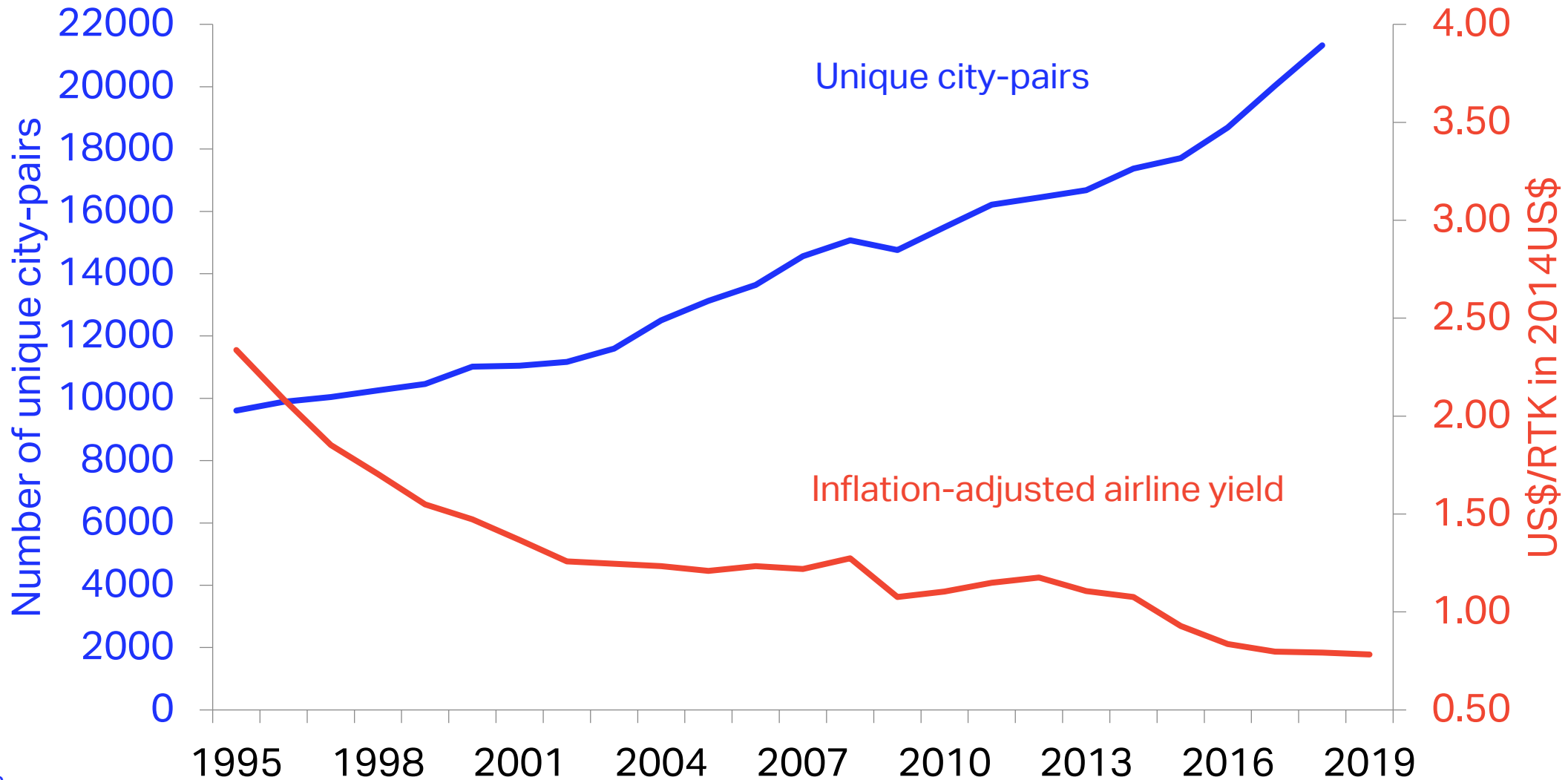


# Stable margins and 10<sup>th</sup> consecutive year of profit



# Increasing value for consumers and businesses

Unique city-pairs and real transport costs



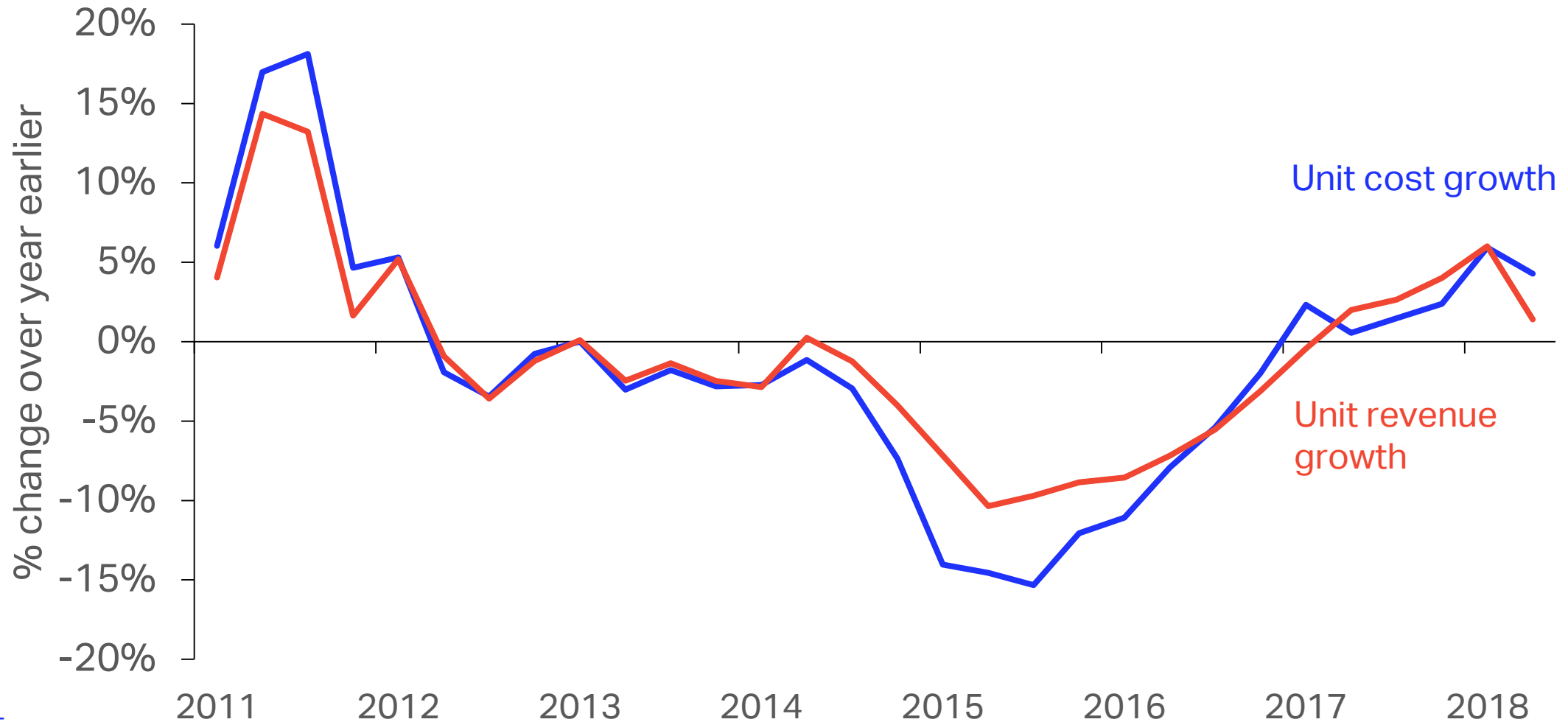
# More revenues for governments and more jobs

Tax revenues and global supply chain jobs supported



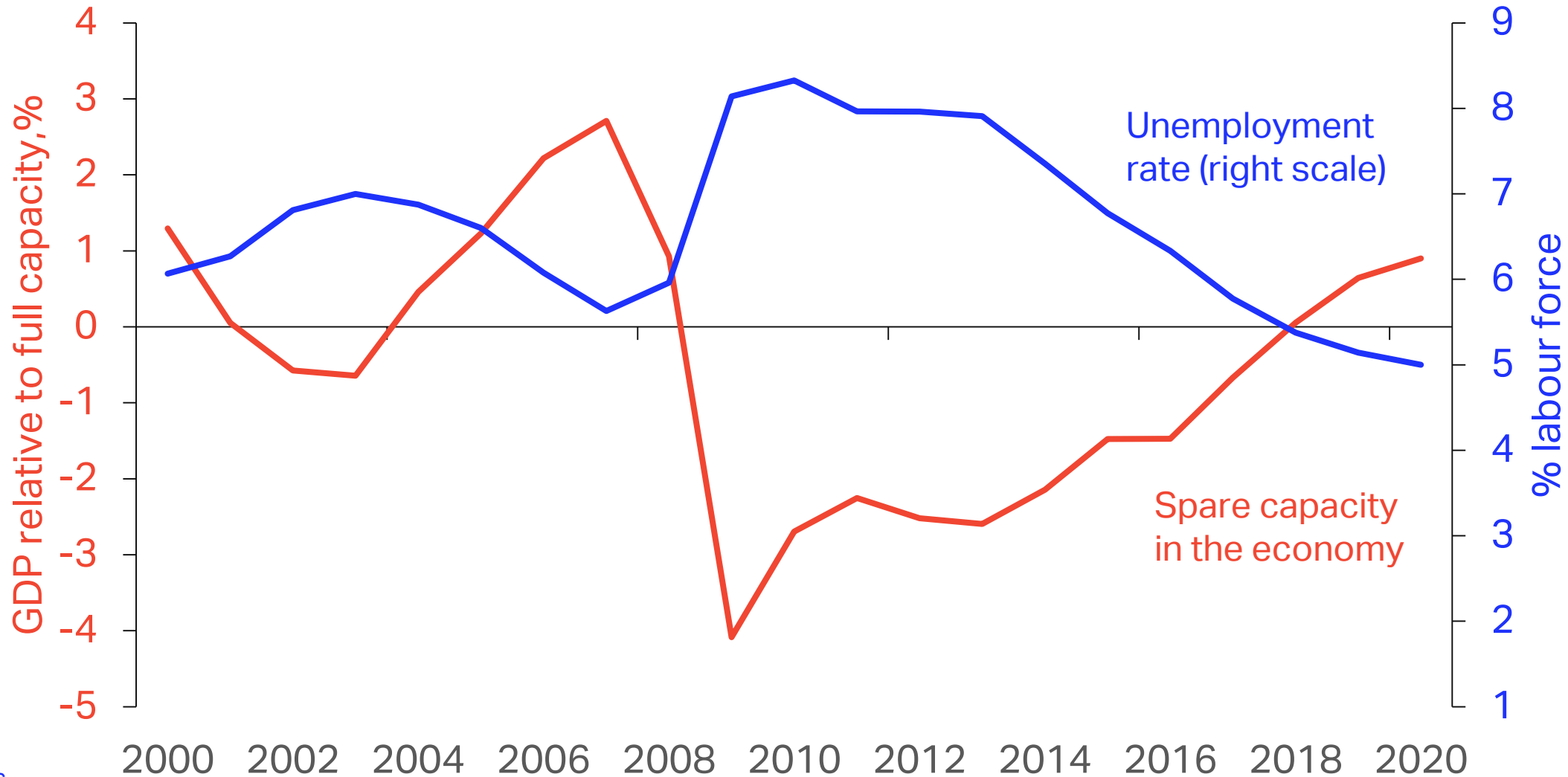
# However, rising non-fuel costs are a challenge

Airline industry growth in unit costs and unit revenues



# It will take a recession to stop cost pressures rising

Spare capacity in the OECD economies and labour markets

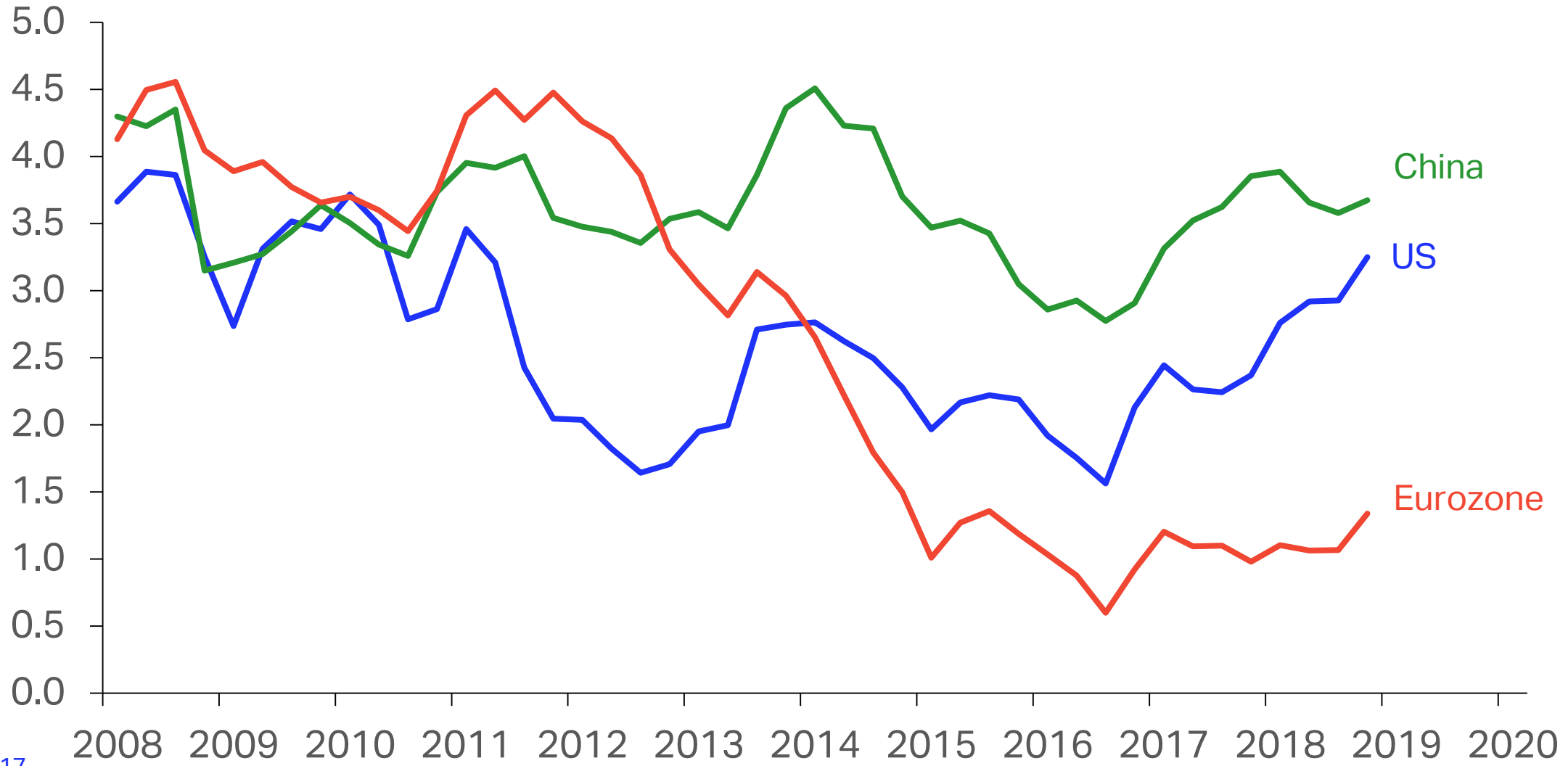


Source: OECD Economic Outlook October 2018



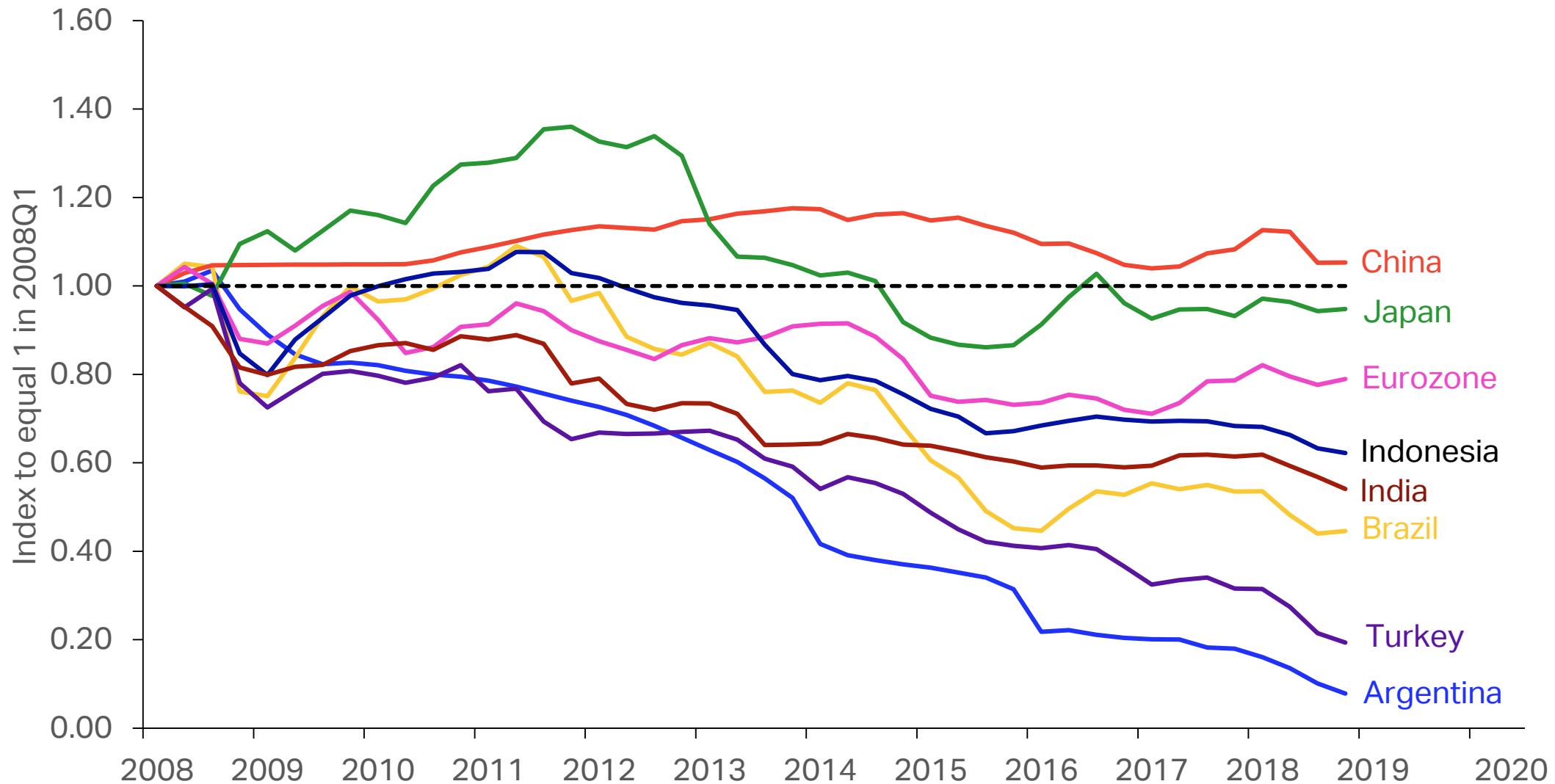
# Interest rates will be pushed higher

10 year government bond yields, %



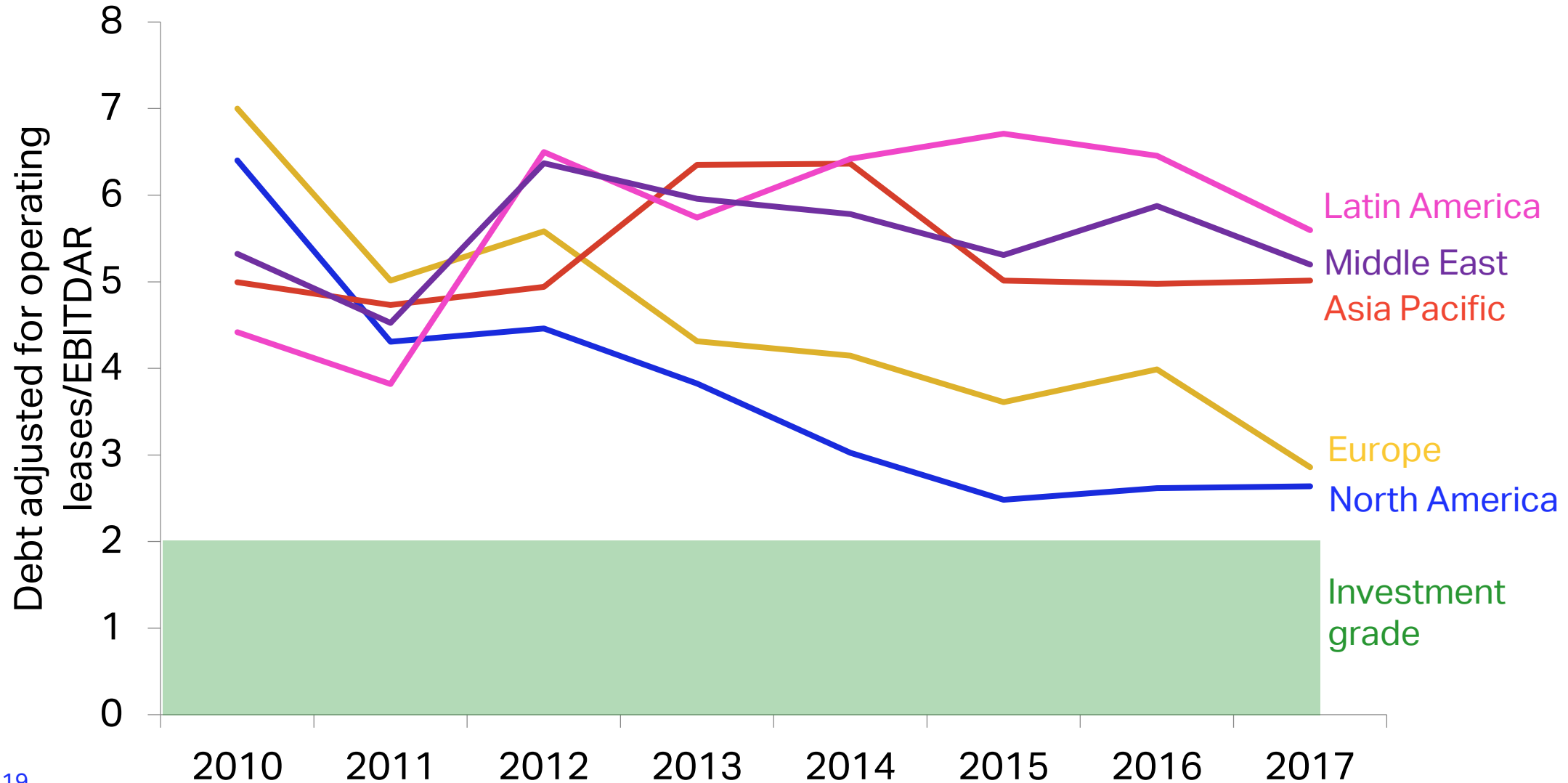
# Problems from a strong US\$ likely to continue

Exchange rates, US\$ per unit of local currency



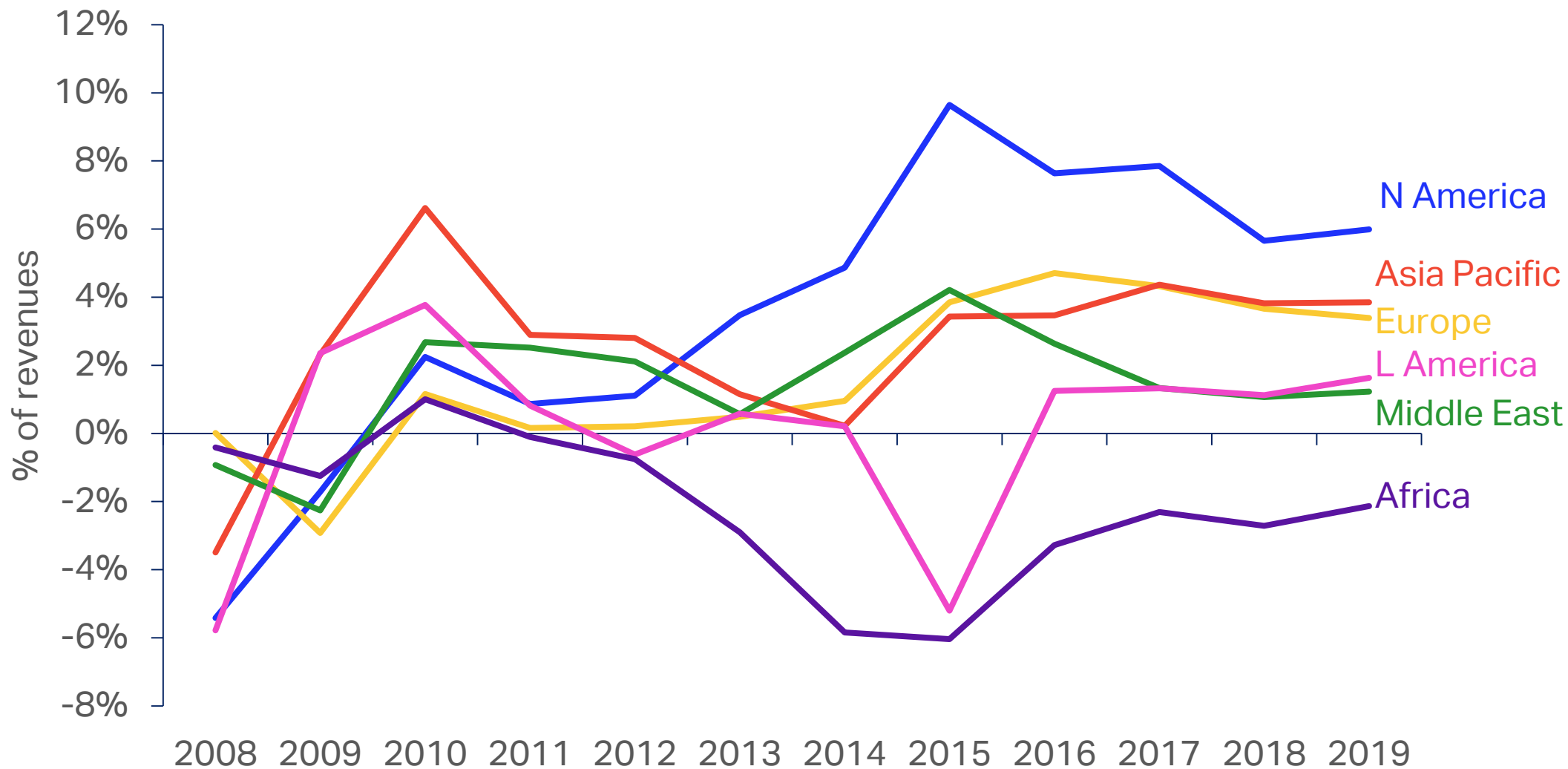
# Debt remains an issue for airlines in some regions

Adjusted net debt/EBITDAR



# Performance will continue to diverge by region

Net profit margin by region



# Thank you

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