Airline industry outlook 2020

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Strongest air travel growth in emerging markets

2019 growth in the top-10 markets (71% of total RPKs)

- Domestic China
- Within Europe
- Within Asia
- Europe - Asia
- Asia - Southwest Pacific
- Europe - North America
- Domestic US
- Europe - Middle East
- Middle East - Asia
- Asia - North America

Year-to-October 2019, % change year-on-year

Source: IATA Economics using data from IATA Statistics
Overall global slowdown in air travel and cargo markets

Source: IATA Economics using data from IATA Statistics

Global air travel and air cargo volume growth

% change year-on-year

-10%  -5%  0%  5%  10%  15%
2017  2018  2019

RPK growth

FTK growth

Source: IATA Economics using data from IATA Statistics
But airlines connecting more cities, at lower cost

City-pair connections and the real cost of air transport

Source: IATA Economic Performance of the Airline Industry, End-Year 2019
Many regions still need better connections by air

Source: IATA Economics for connectivity scores, IMF for population data
Airlines are generating value for the supply chain

Return on invested capital, %

- GDS
- Manufacturers
- Catering
- Forwarders
- Ground handling
- MRO
- ANSPs
- Airlines
- Airports

% of invested capital

Source: IATA Economics using data from a McKinsey study for IATA, 2019
Airlines have seen profit margins narrow

Source: IATA Economics using data from the Airline Analyst
Improvements concentrated in relatively few airlines

Source: IATA Economics using data from a McKinsey study for IATA
Balance sheet improvements also concentrated

Net debt adjusted for operating leases / EBITDAR

Rest of the industry

Top-30 airlines

Investment grade

Source: IATA Economics using data from the Airline Analyst, own estimates
It looks like we will avoid a recession in 2020

Source: IATA Economics using data from the IMF’s World Economic Outlook, various
Our forecasts are based on a trade war ‘truce’

International trade and global GDP growth

International trade in goods growth

Global GDP growth

Source: IATA Economics using data from the IMF’s World Economic Outlook, October 2019
Surge in aircraft deliveries will challenge capacity

Source: IATA Economics using data from SRS Analyzer, Ascend
Climate concerns may accelerate retirements

Frequency that climate issue is discussed at earnings calls with investors

European airline investor calls

US airline investor calls

Source: IATA Economics using data from HSBC 'The Second Frontier: Climate is changing for airlines', September 2019
Moderate air travel and cargo growth forecast

Global RPK (air travel volumes) and FTK (cargo volumes) growth

Source: IATA Economic Performance of the Airline Industry, End-Year 2019
Oil prices look set to stay relatively low

Source: IATA Economics using data from Platts, Refinitive Datastream
Industry profitability forecast to stabilize in 2020

Global commercial airline industry net profits and operating margin

Source: IATA Economic Performance of the Airline Industry, End-Year 2019
Financial sustainability only in a couple of regions

Return on invested capital and the average cost of capital

Source: IATA Economic Performance of the Airline Industry, End-Year 2019
Thank you

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