

# Airline industry performance issues

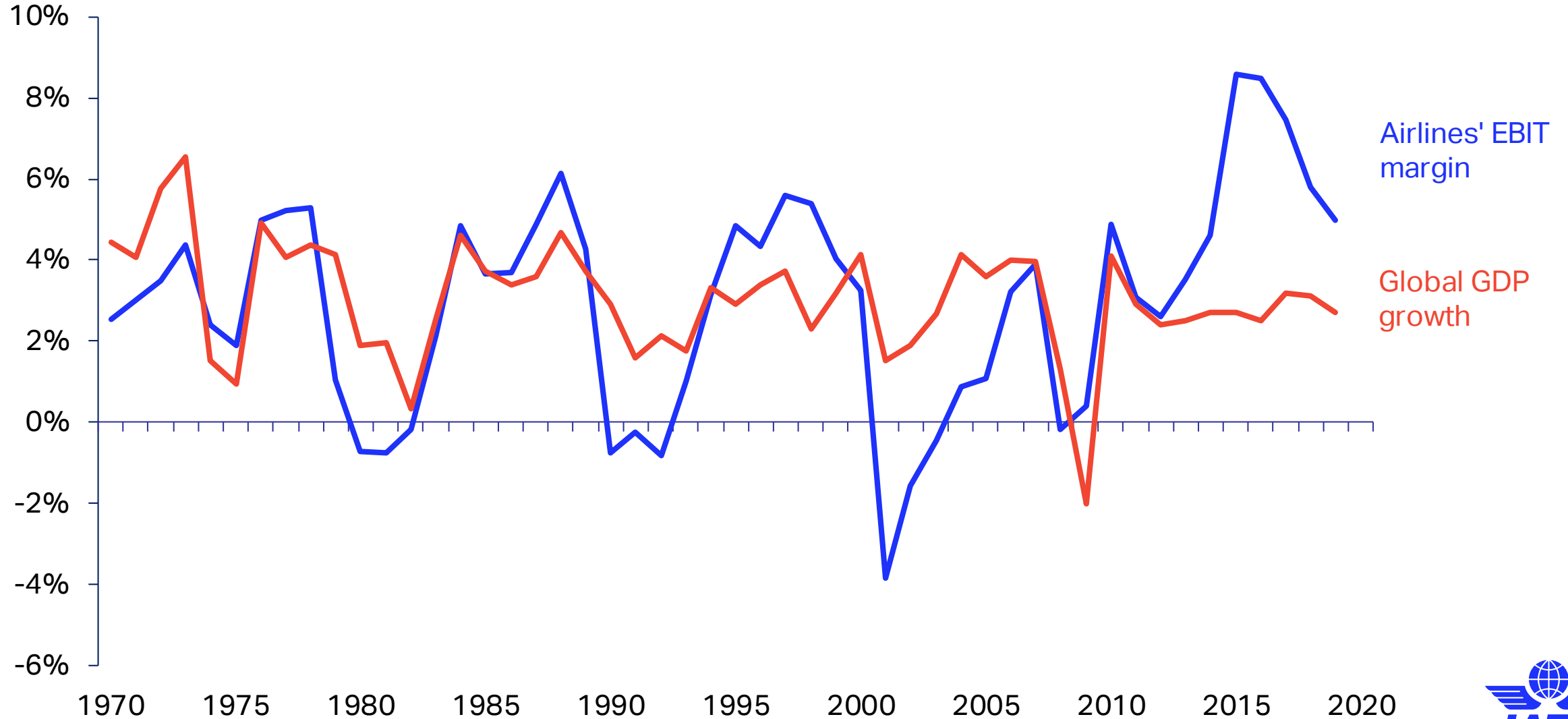
Brian Pearce  
Chief Economist

18<sup>th</sup> September 2019



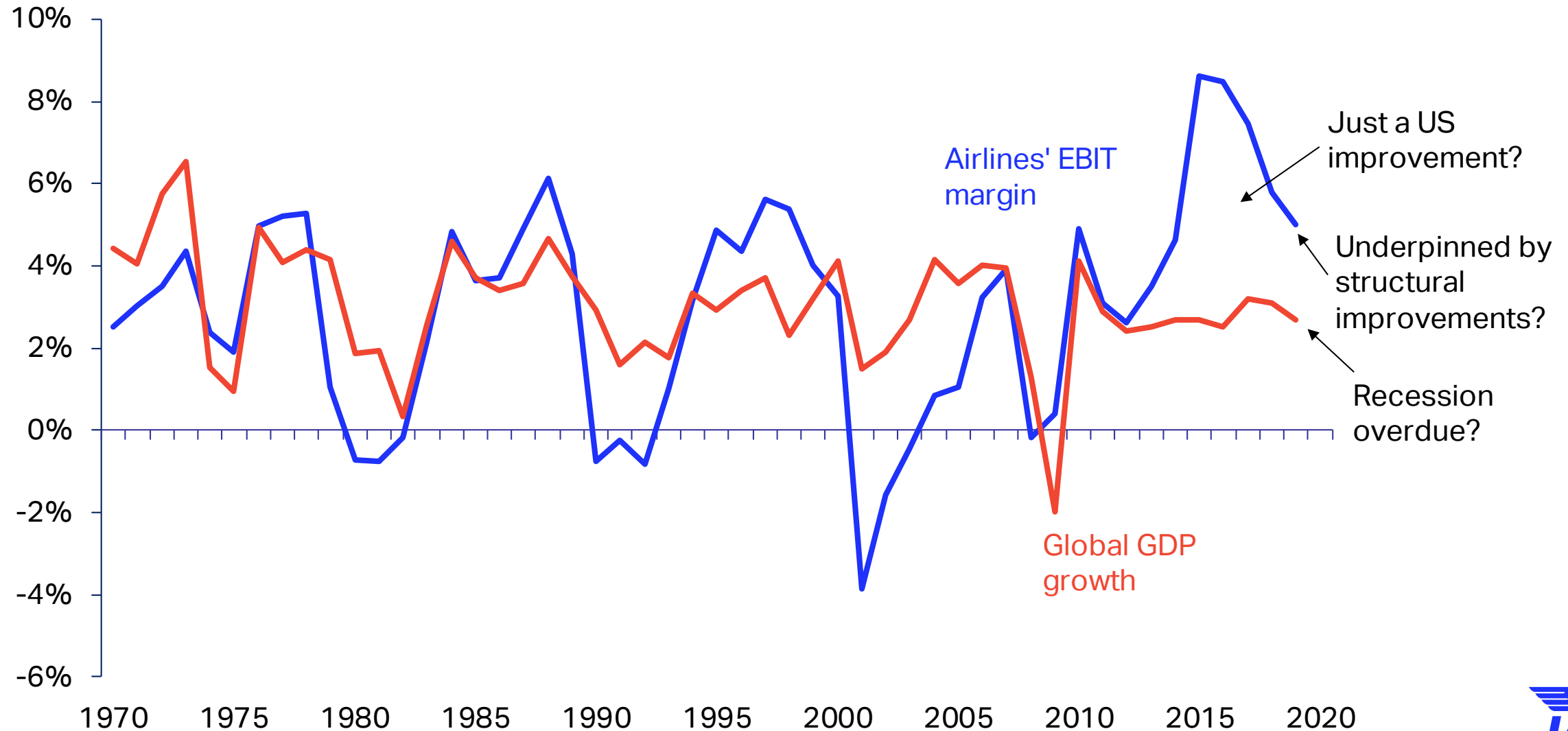
# De-coupled from the cycle, or not?

Airline industry operating profit margin and global GDP growth

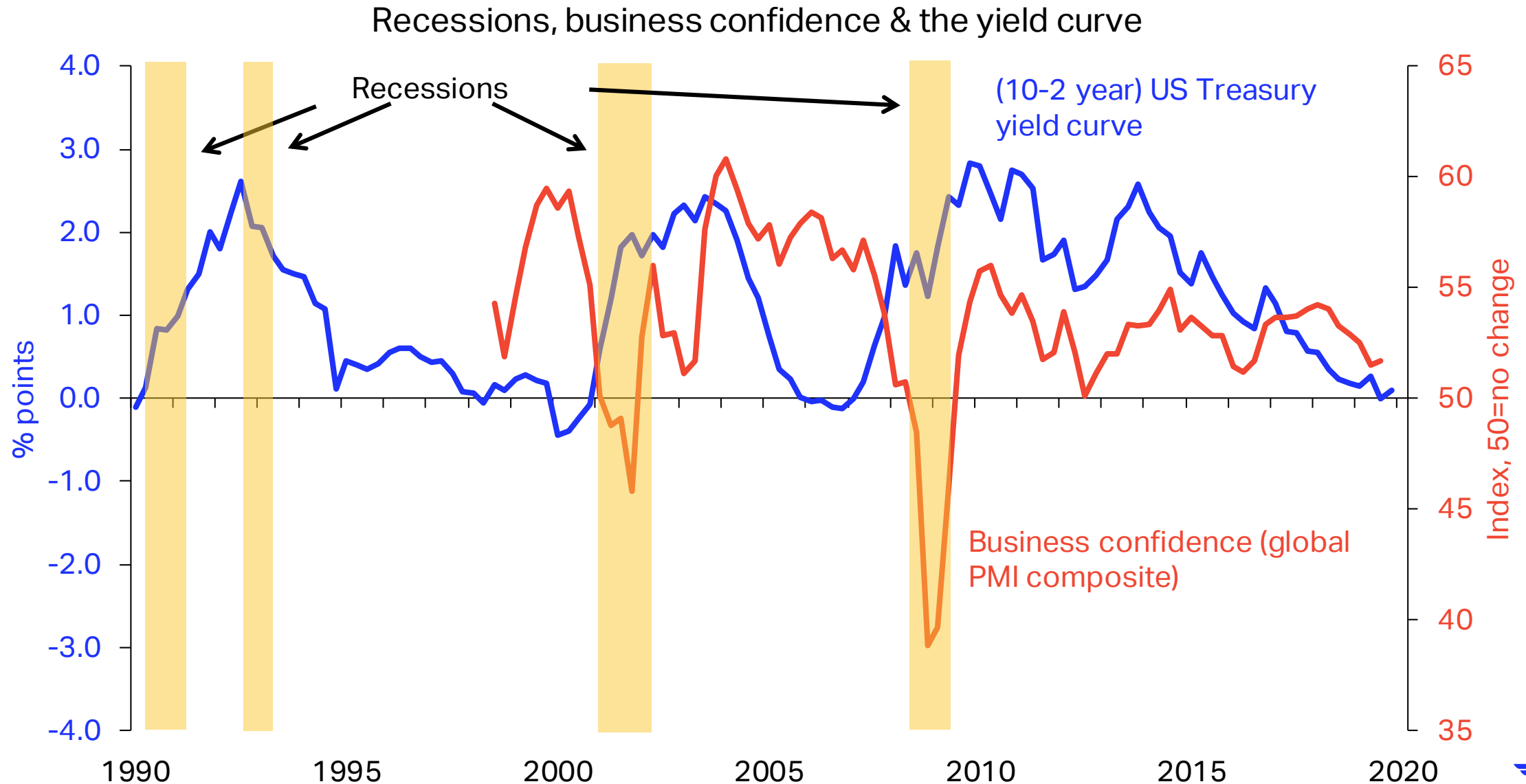


# This raises several questions

Airline industry operating profit margin and global GDP growth

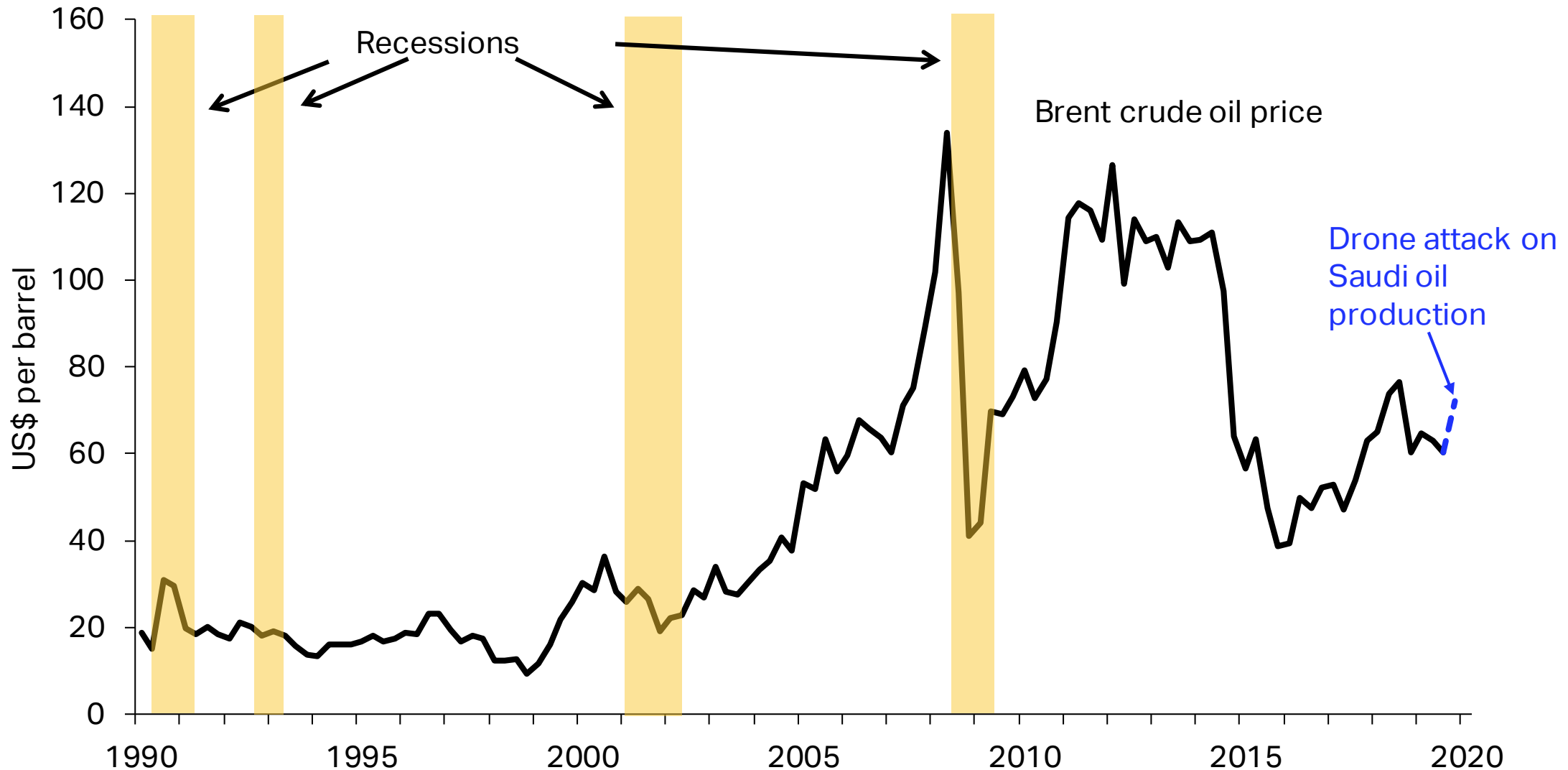


# First – the risk of recession



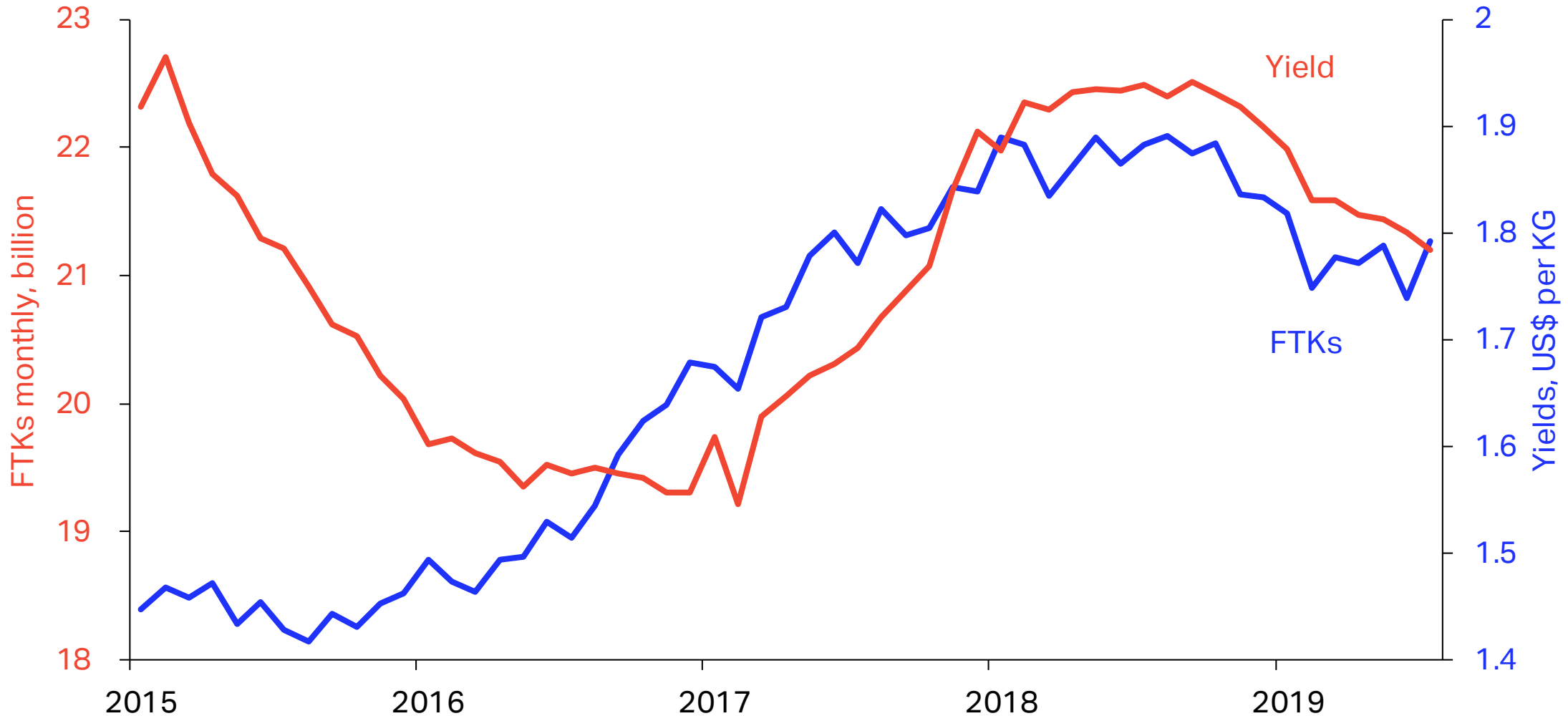
# Oil prices can be a trigger

Recessions and the price of oil



# Cargo volumes and yields down substantially

Cargo tonne kilometers flown and yields per kilo

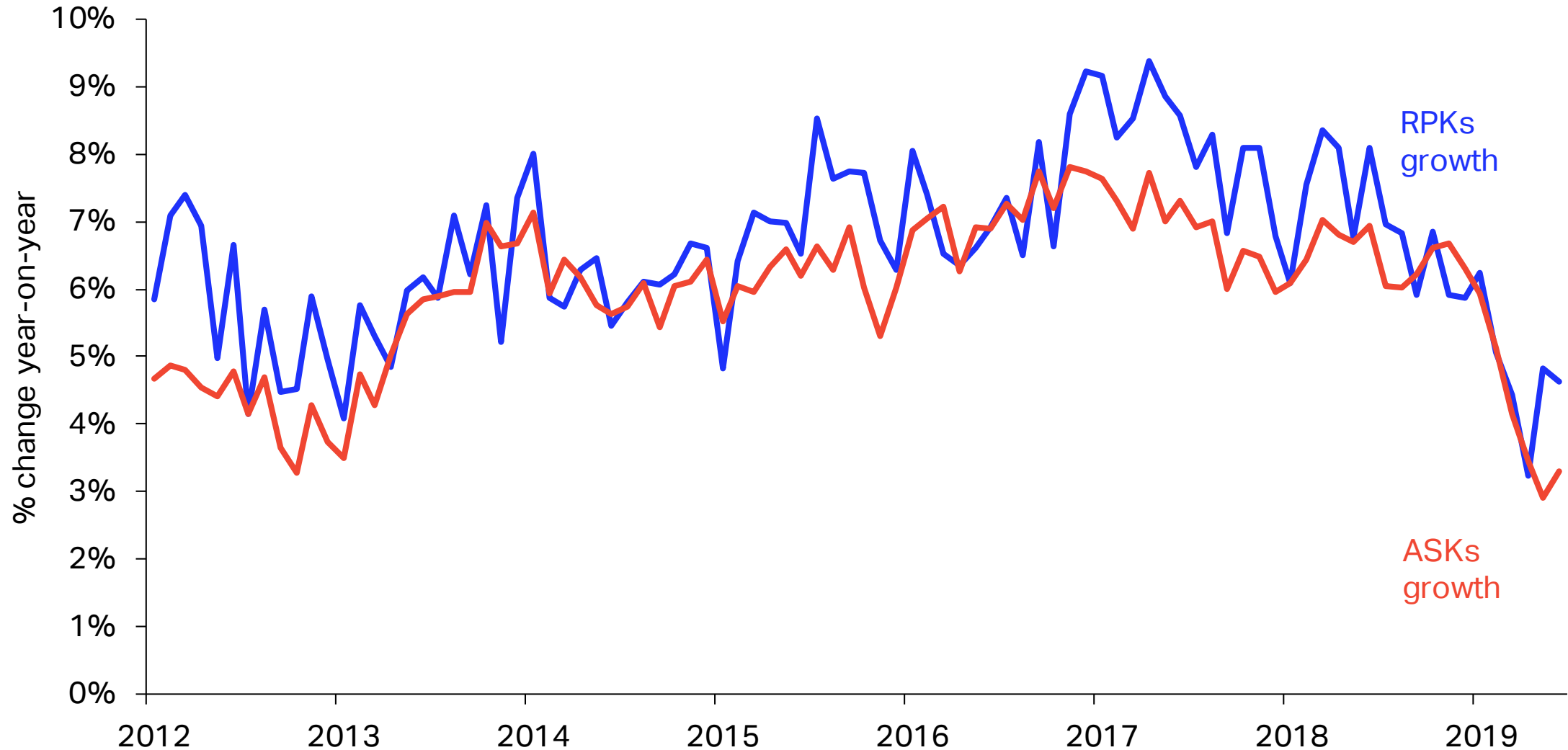


Source: IATA Economics using data from IATA Statistics, CargoIS



# Air travel volumes have slowed not shrunk

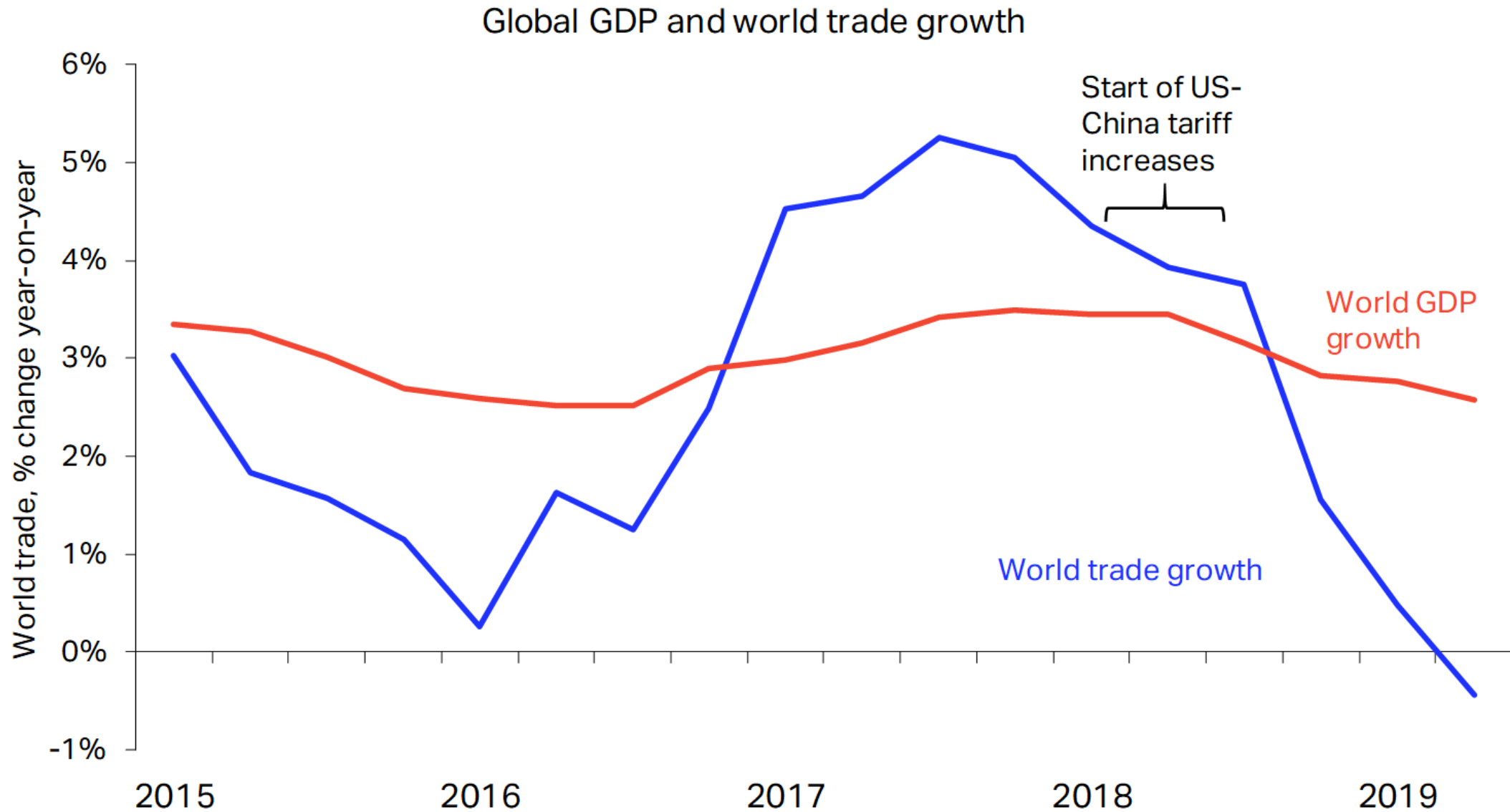
Growth in global RPKs and ASKs



Source: IATA Economics using data from IATA Statistics



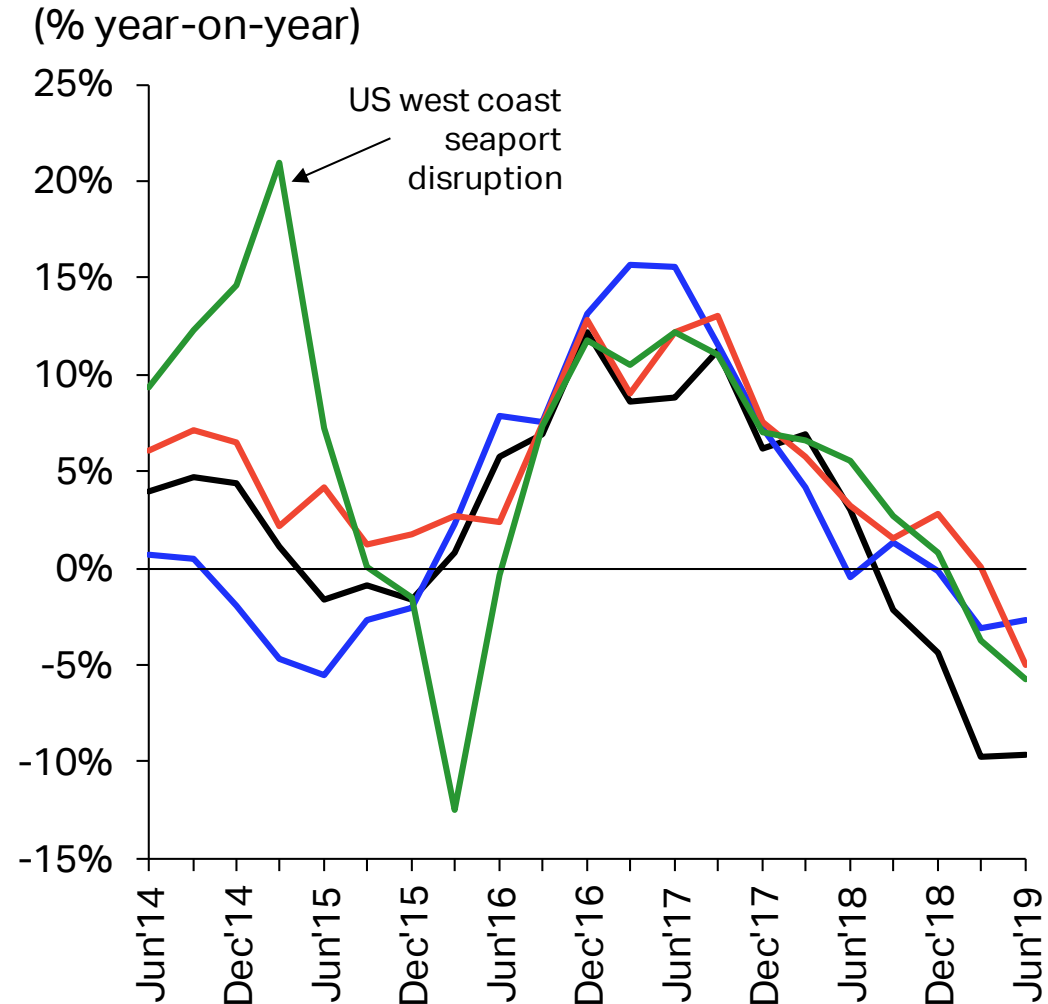
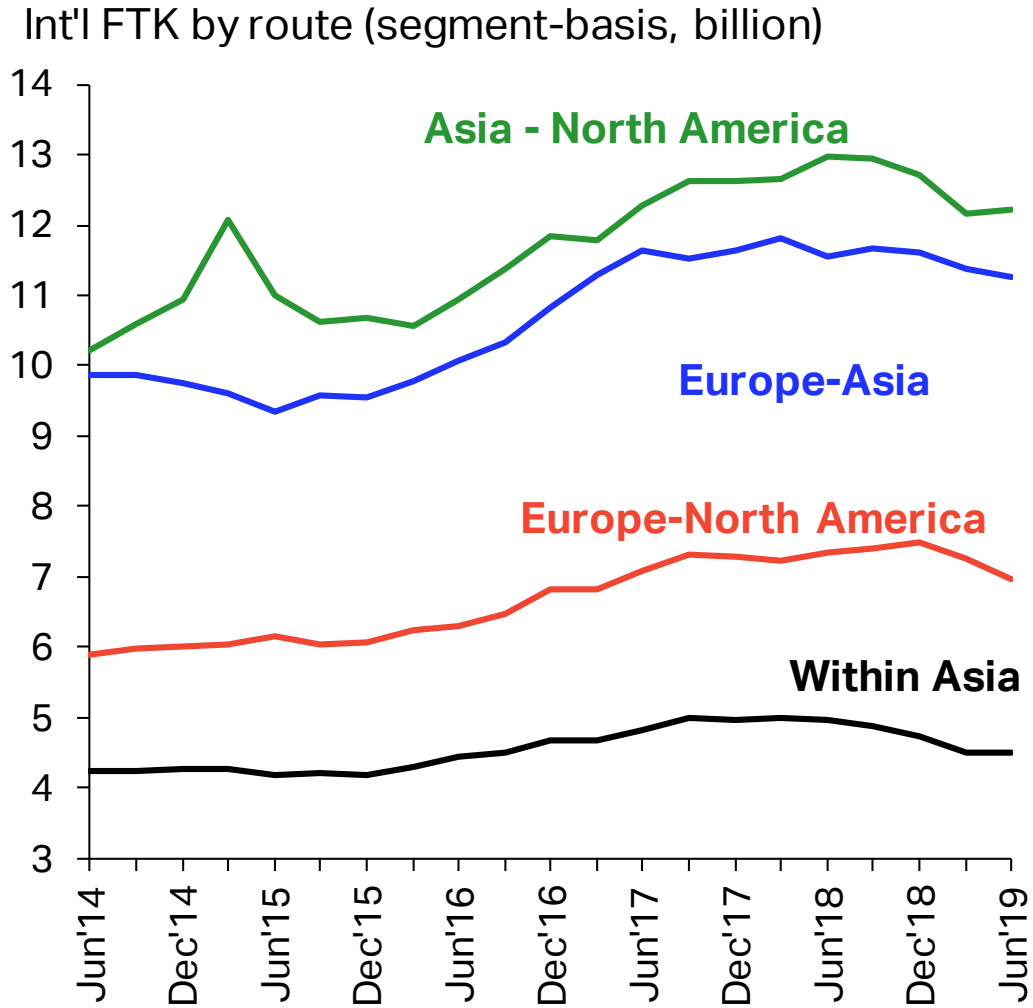
# Reflecting the macro situation



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

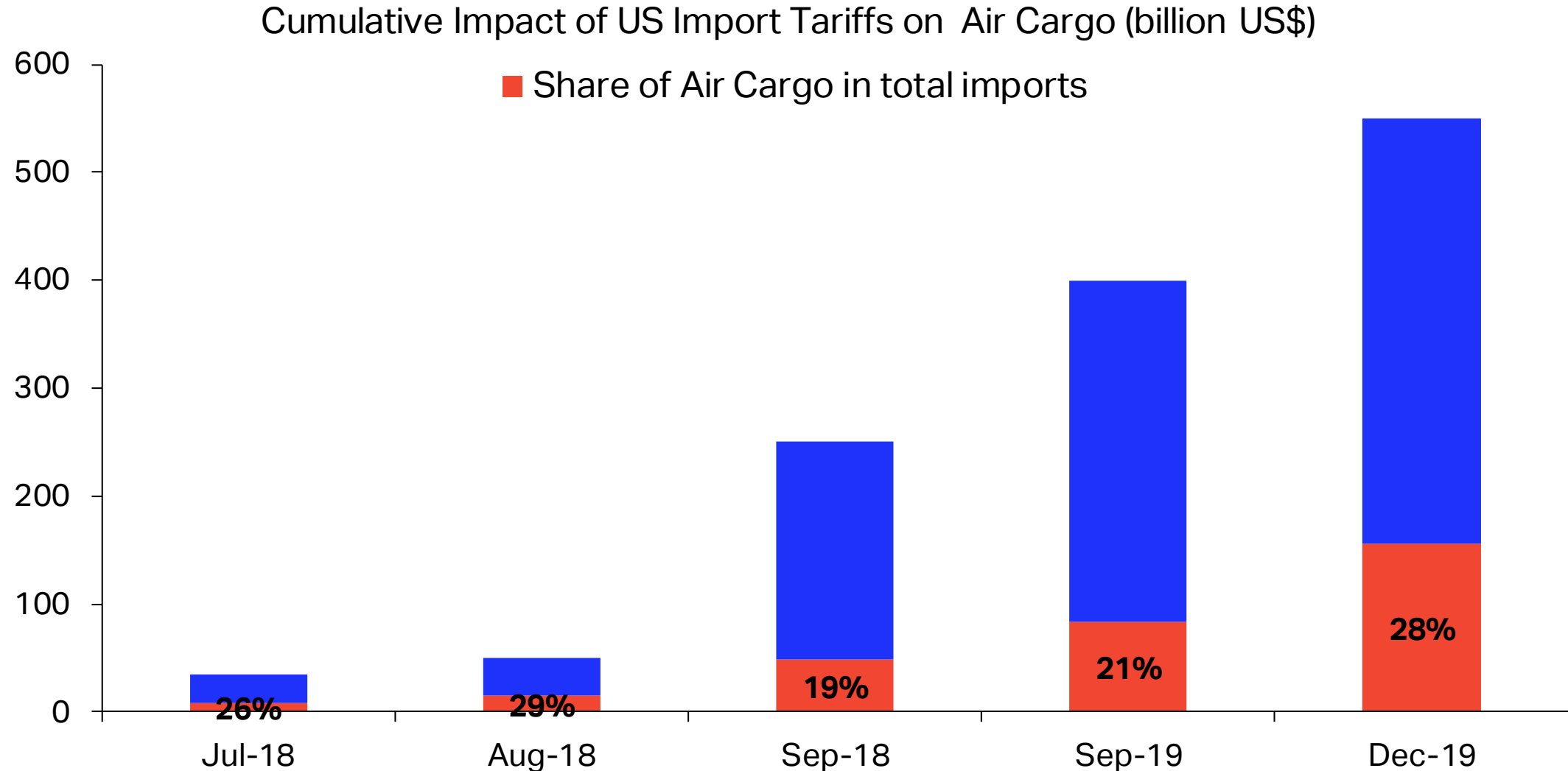


# Within Asian trade lanes hit most severely



\*Rolling 3 month periods

# Further damage to air cargo expected

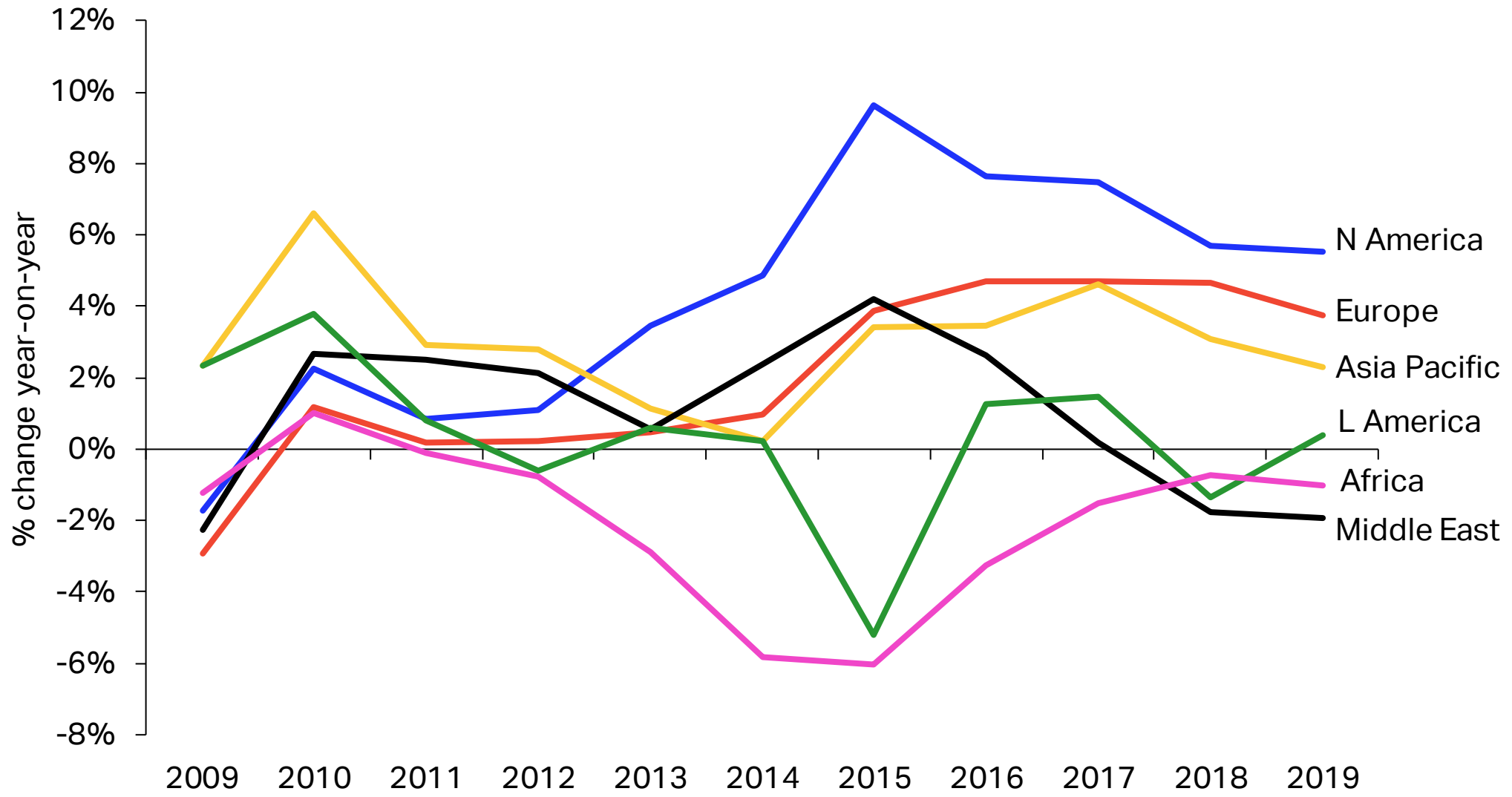


Source: IATA Economics using data from public sources



# Second – have we seen a US-only improvement?

Net post-tax profit margins

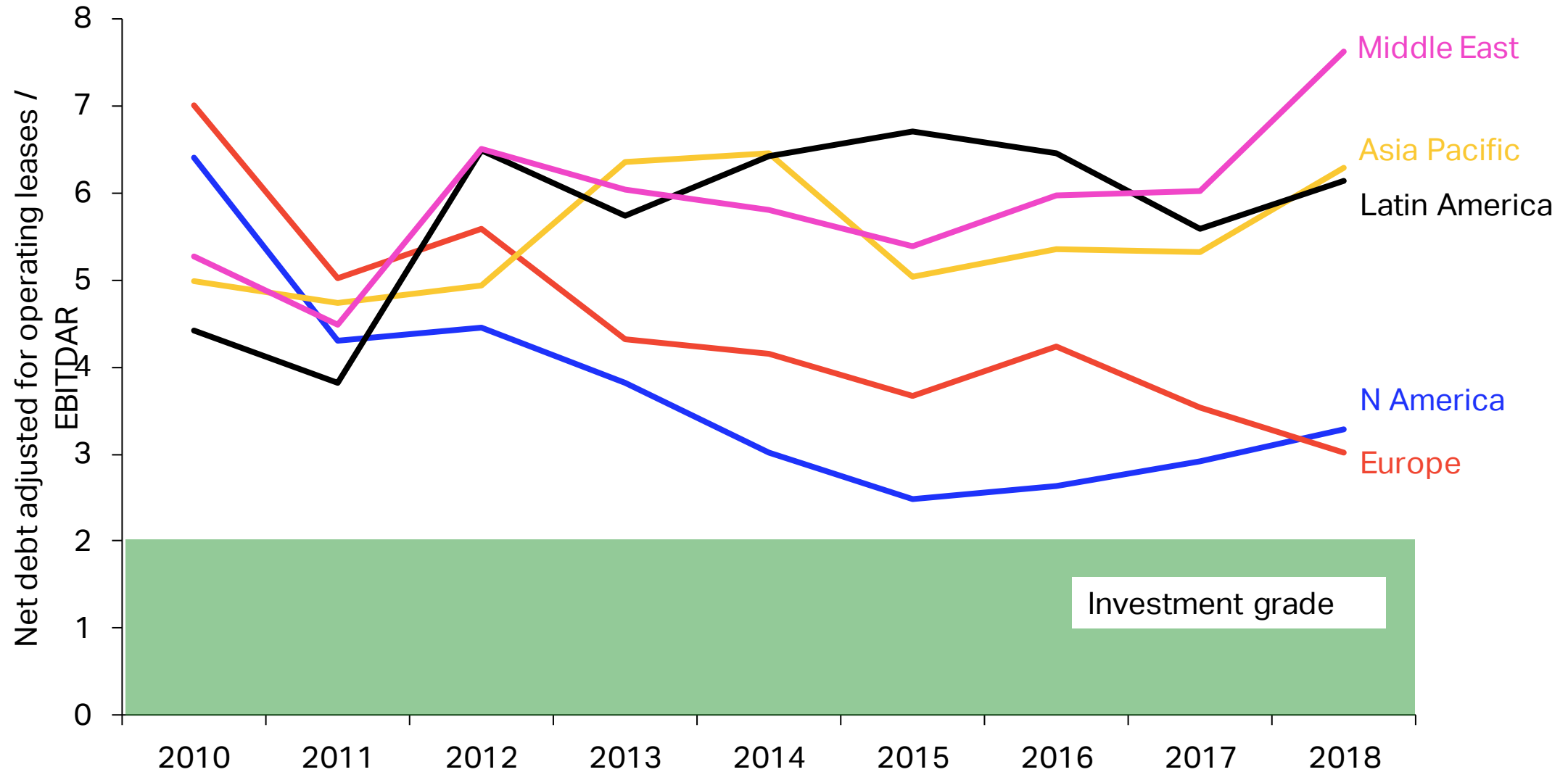


Source: IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019



# Balance sheets are a key differentiator

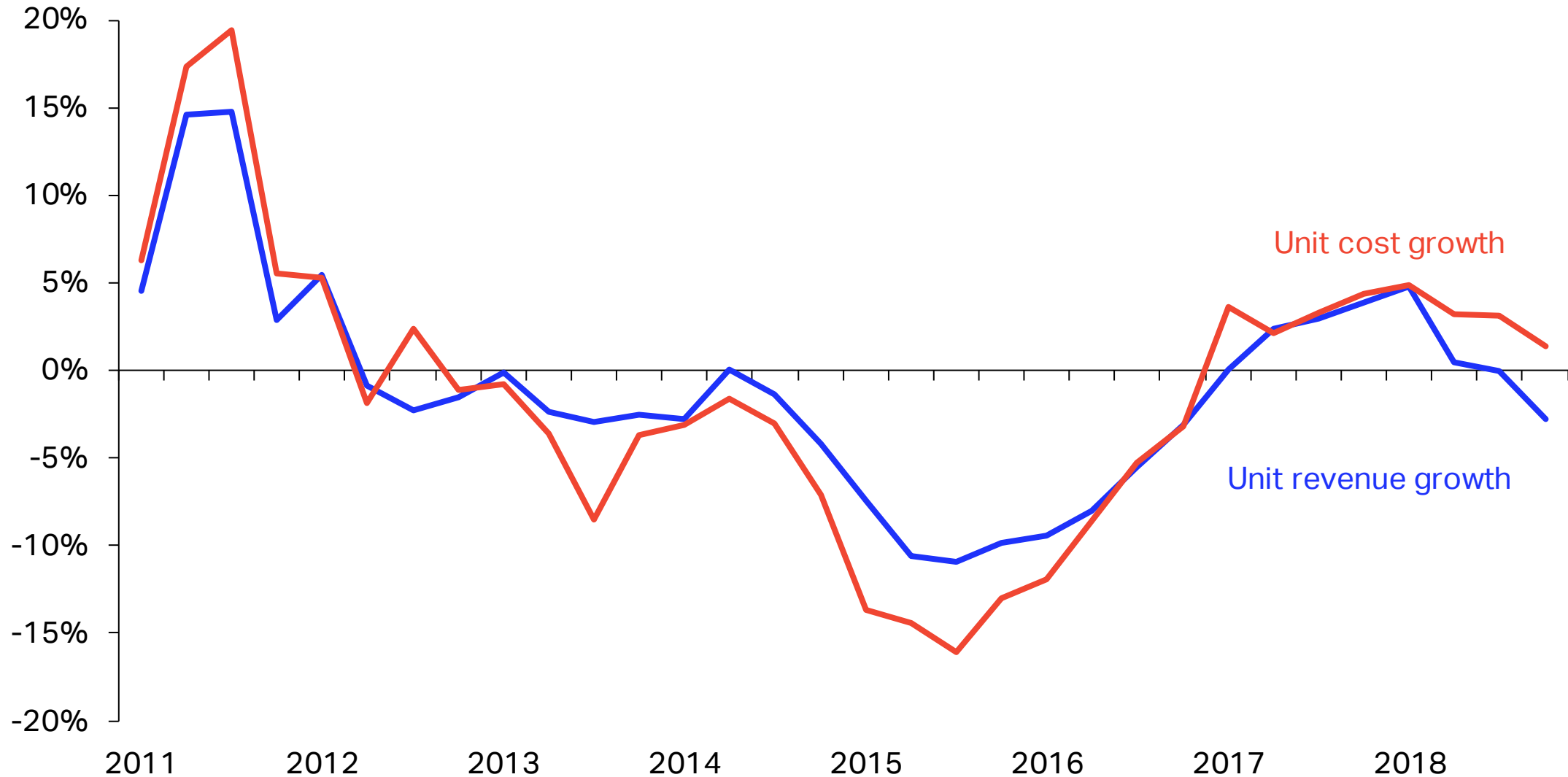
Net debt as a ratio of EBITDA



Source: IATA Economics using data from The Airline Analyst

# Third – are earnings underpinned in a downturn?

Unit cost and unit revenue growth

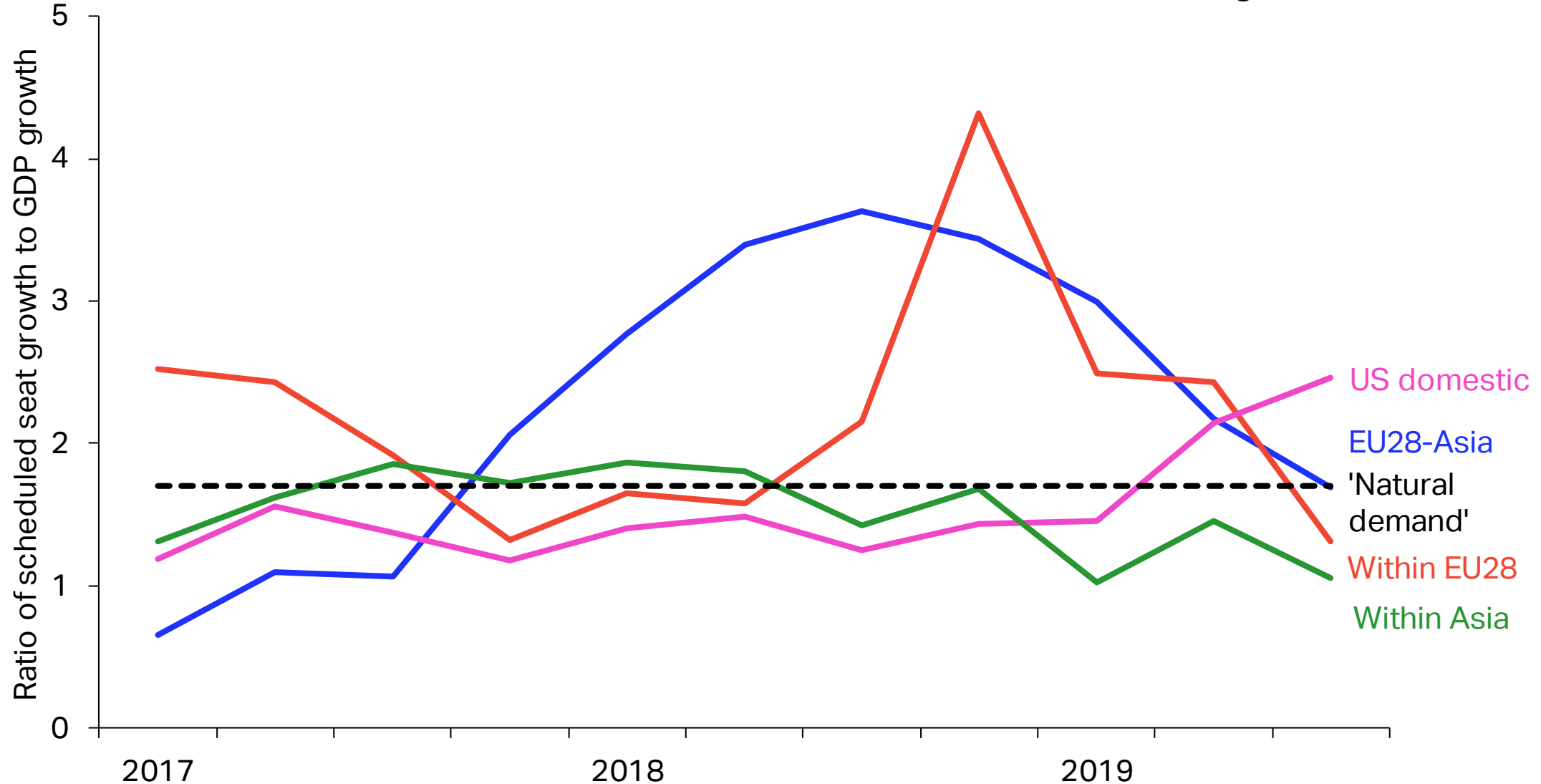


Source: IATA Economics using data from The Airline Analyst



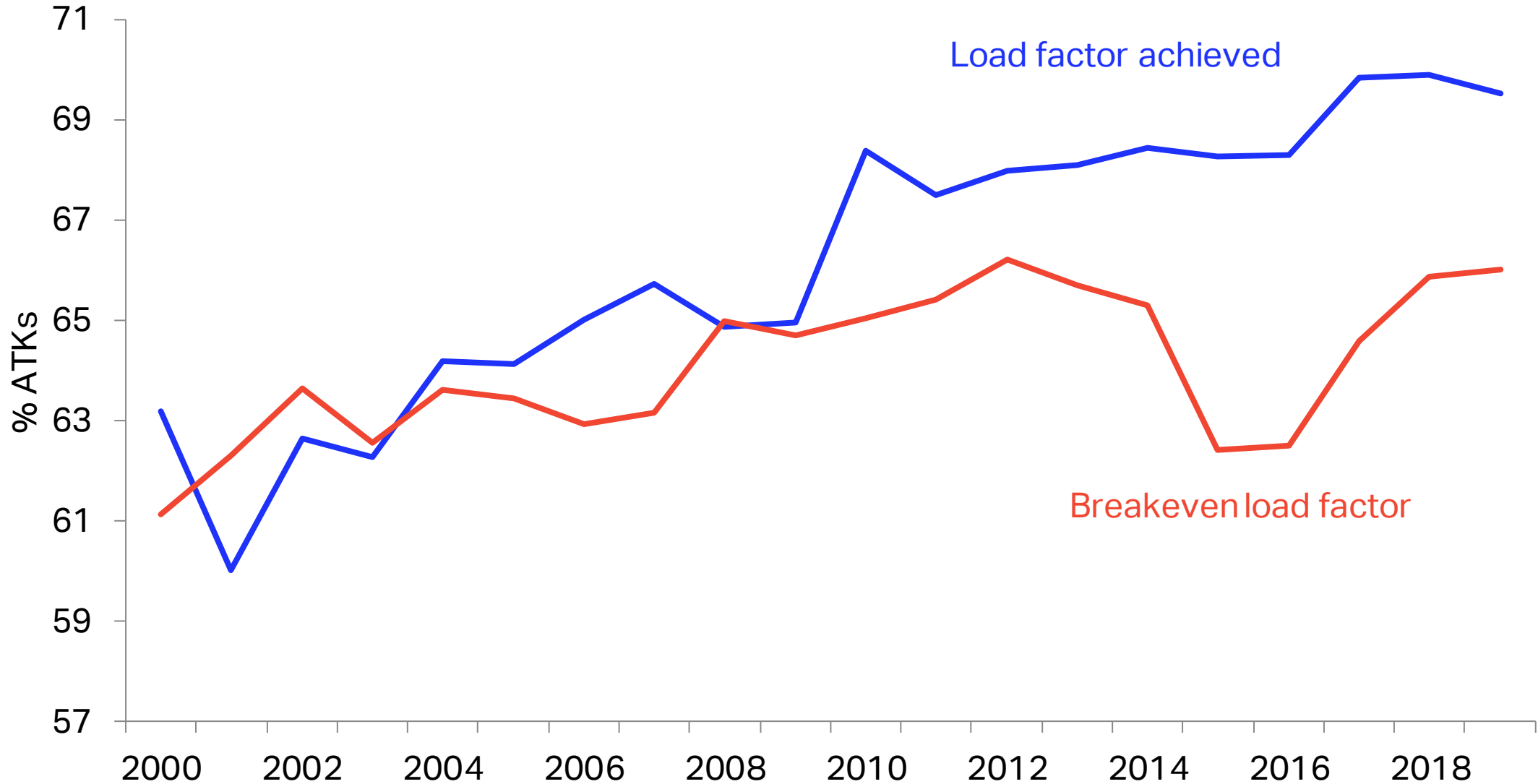
# Temporary problem?

Growth in announced scheduled seats as a ratio of market GDP growth



# Consolidation playing a role

Breakeven and achieved cargo + passenger weight load factors

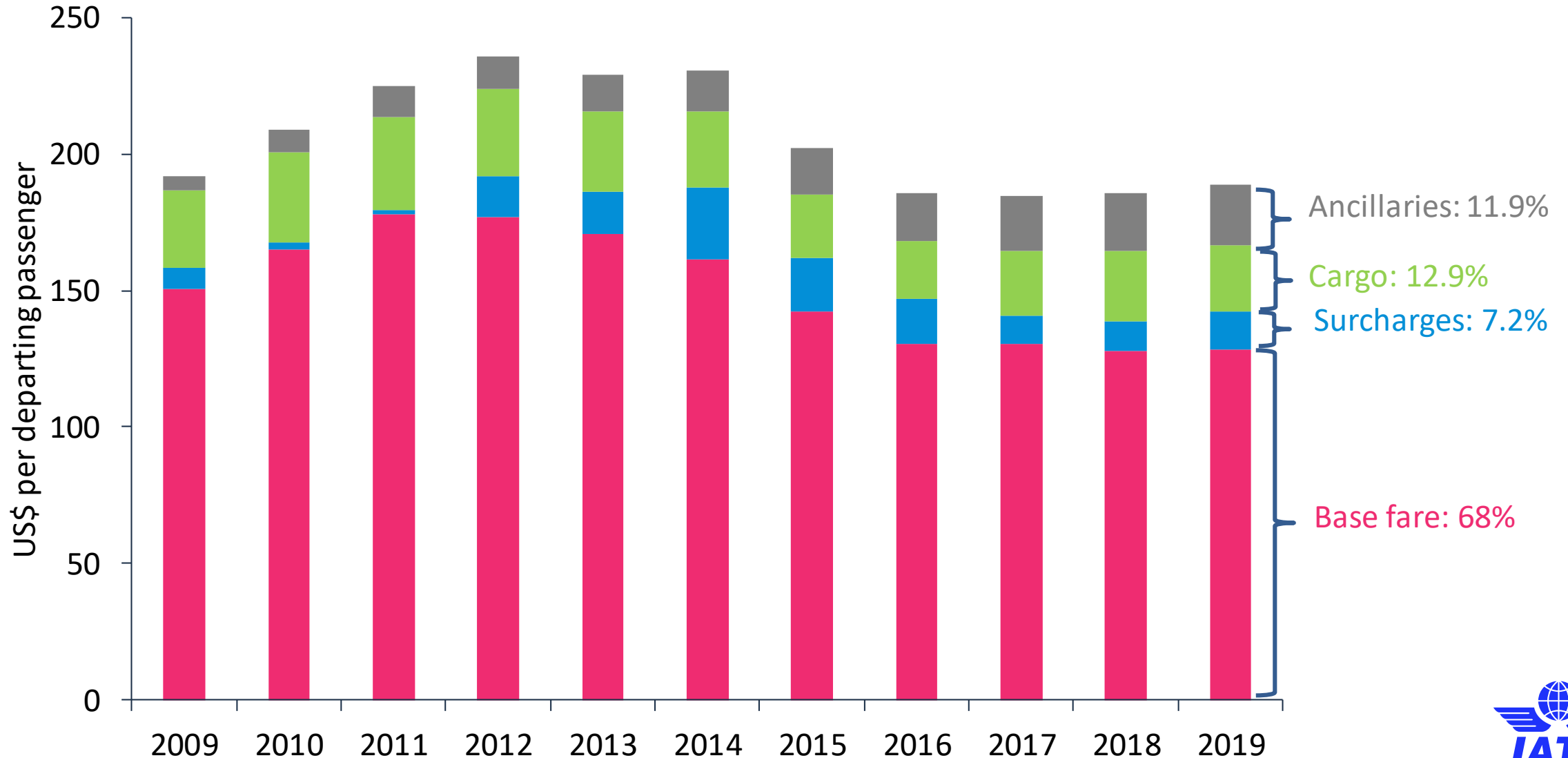


Source: IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019



# Ancillaries changing nature of airline product

Airline revenue per passenger, US\$





# Thank you

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