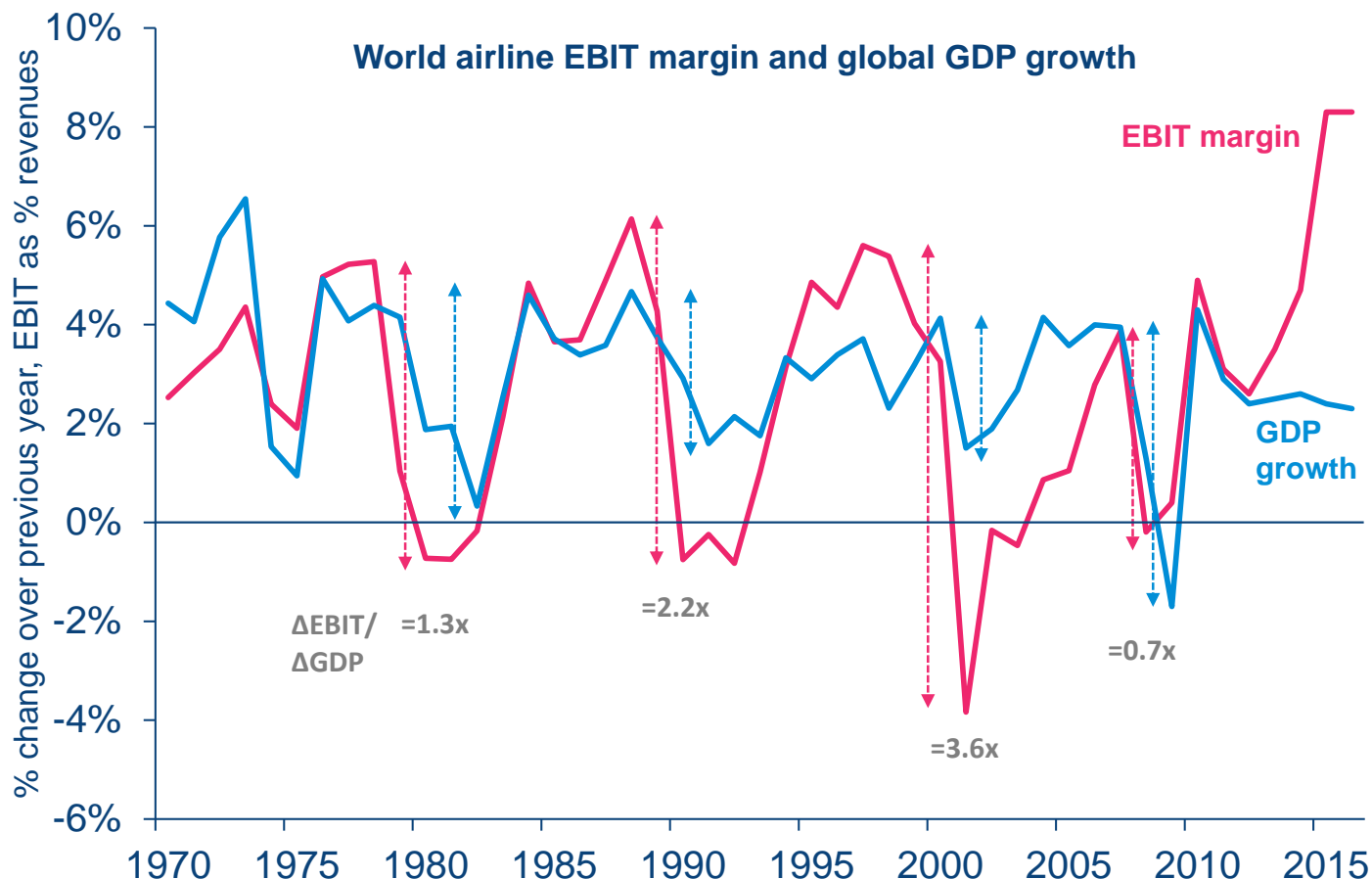




IATA ECONOMICS' CHART OF THE WEEK

10 JUNE 2016

AIRLINE MARGINS LESS LEVERAGED TO THE ECONOMIC CYCLE TODAY



Sources: ICAO, IATA, IMF World Economic Outlook

- Since the start of airline deregulation in the late-1970s financial markets have treated investments in airlines as one of the riskiest sectors, in large part because in the three big recessions before the Global Financial Crisis (GFC) peak-to-trough airline profits fell disproportionately. The airline industry is still seen as highly leveraged to the economic cycle.
- But a look at this chart shows that since the GFC there has been a significant change in the link between the economic cycle and airline industry profits. During the GFC airline profits did not fall as far as in previous cycles, despite the extreme depth of the recession. From 2013 the industry started improving its profitability, despite a world economy stuck in a 'new normal' low growth path.
- Low fuel costs certainly helped 2015 airline profits, but the improvement clearly started a number of years earlier. That doesn't mean that a healthy world economy is not important to the financial health of the airlines. It is. But the change apparent since the GFC suggests financial markets may need to revisit their views on airline industry risk.
- For further details about financial performance in the airline industry, be sure to check out our recently-updated bi-annual [Economic Performance of the Industry](#) report.

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