



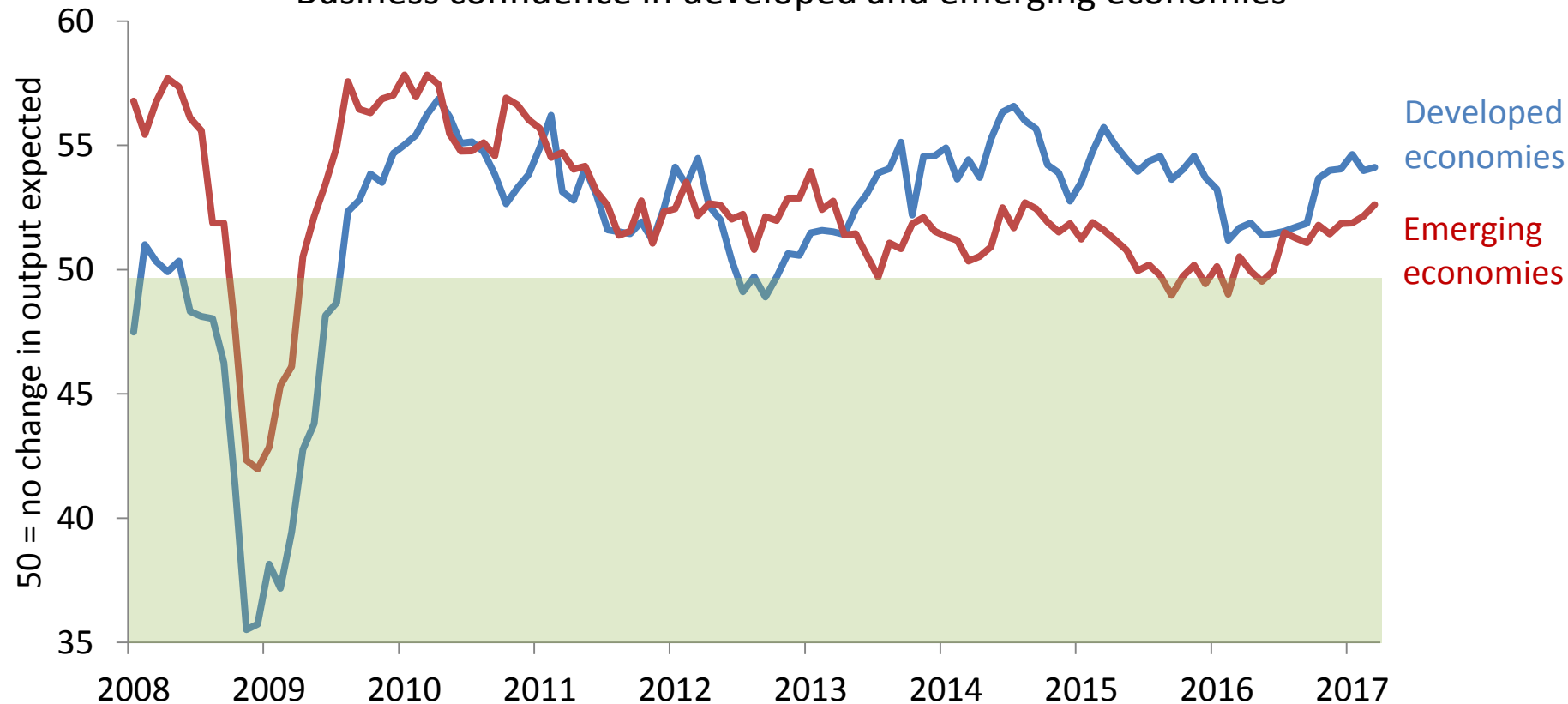
# Outlook for growth, traffic and airline profits

Brian Pearce,  
Chief Economist,  
IATA

[www.iata.org/economics](http://www.iata.org/economics)

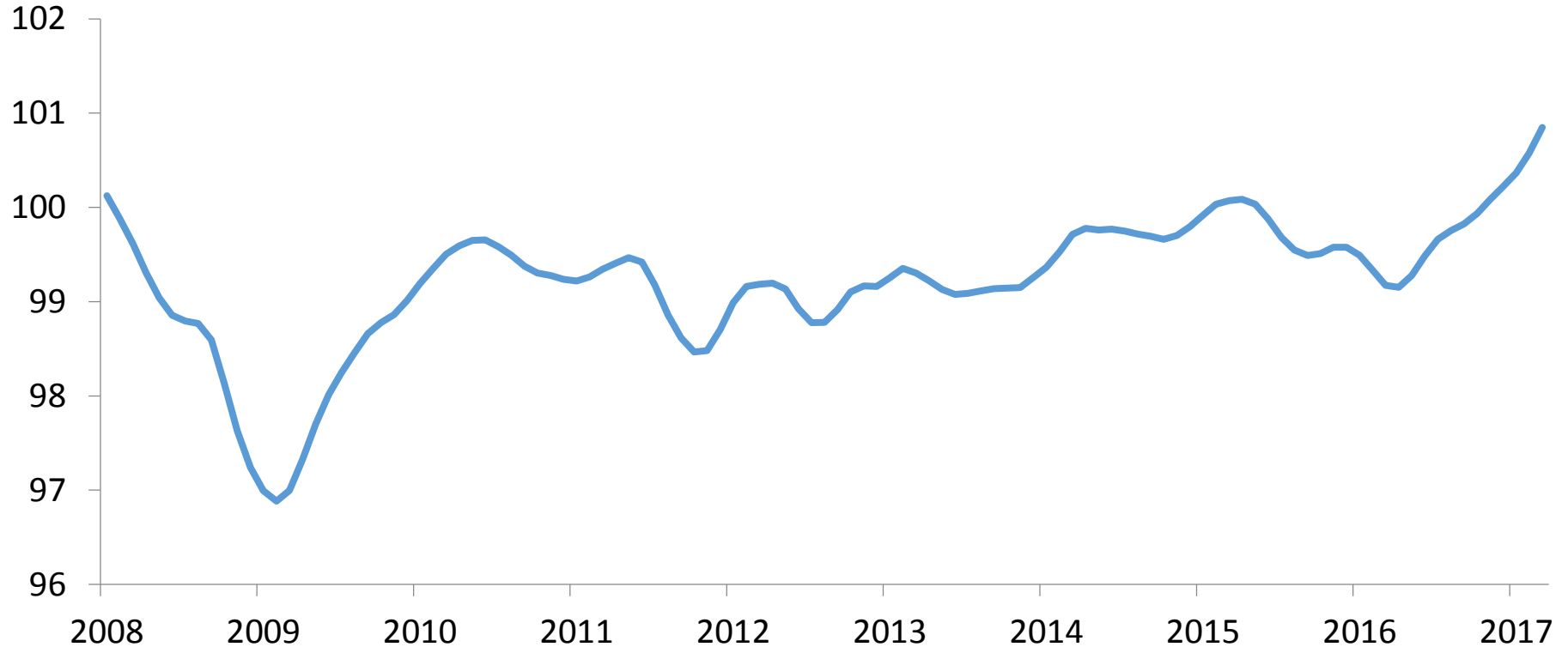
# Widespread revival of business confidence

Business confidence in developed and emerging economies



# Consumers have become more confident too

Worldwide average consumer confidence



Perhaps surprisingly given political shocks



## ***Donald Trump Vows to Rip Up Trade Deals and Confront China***

The New York Times  
28 June 2016

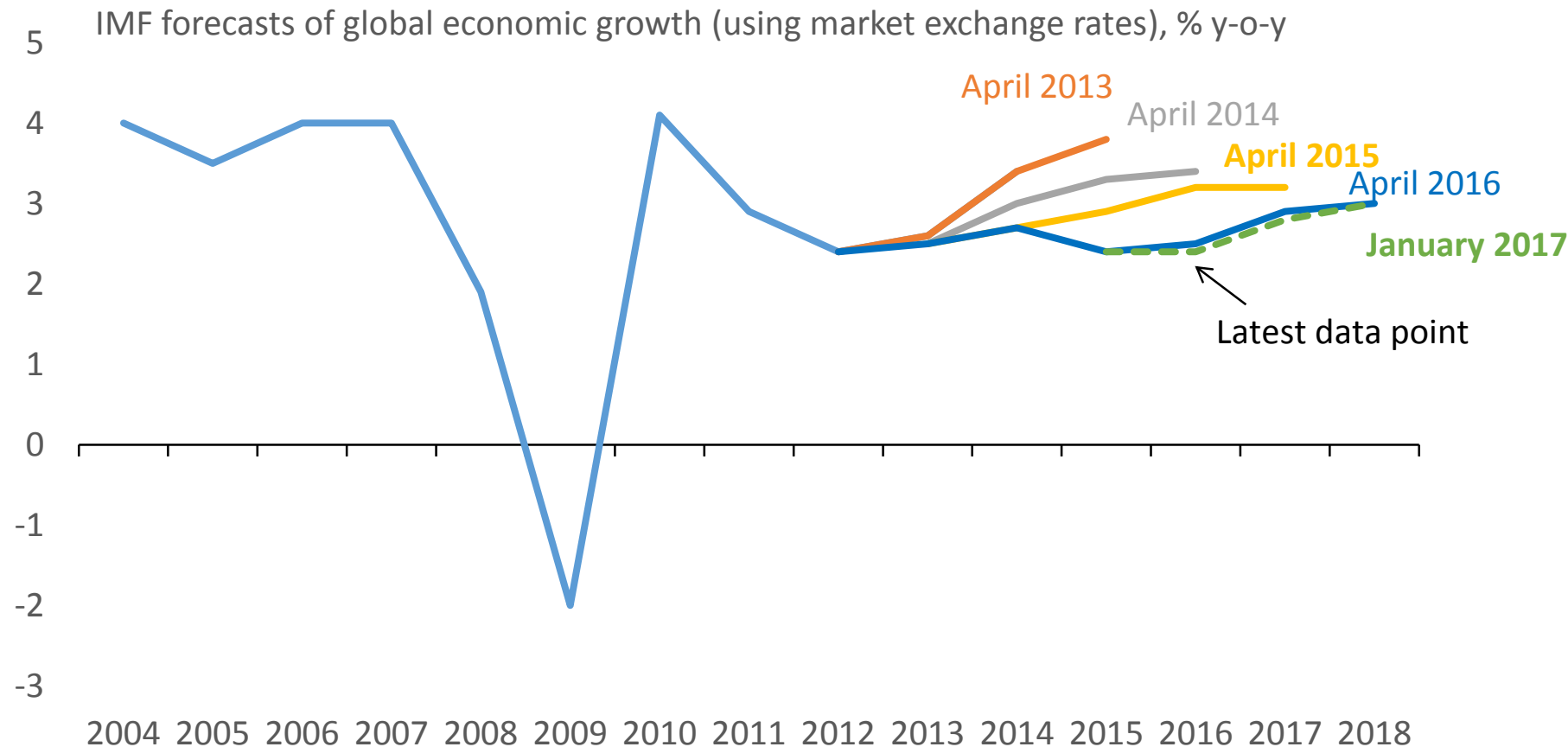
**Across Europe, distrust of mainstream political parties is on the rise**

Guardian  
25 May 2016

**Clamour for trade protectionism on rise:  
Arun Jaitley**

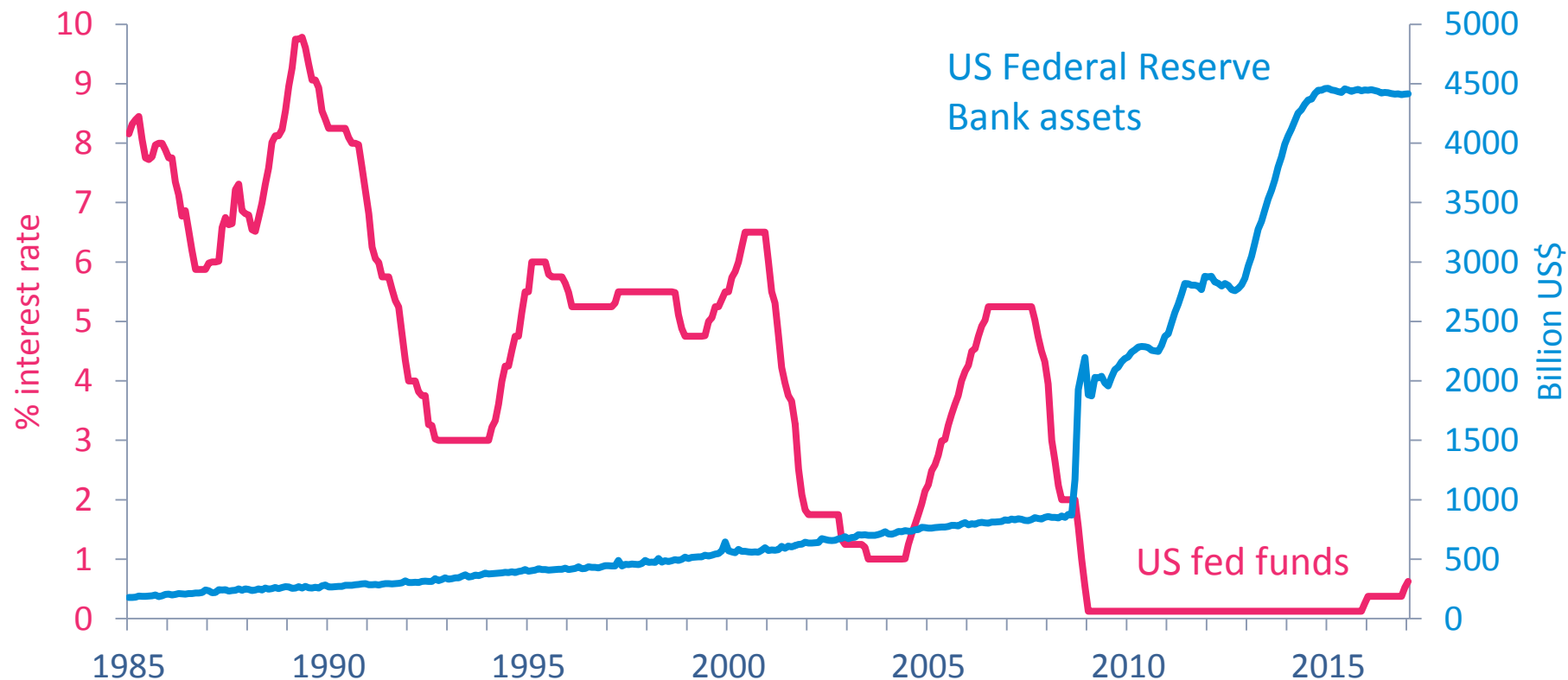
CNBC  
13 October 2016

# Will the IMF economic growth forecast be right at last?



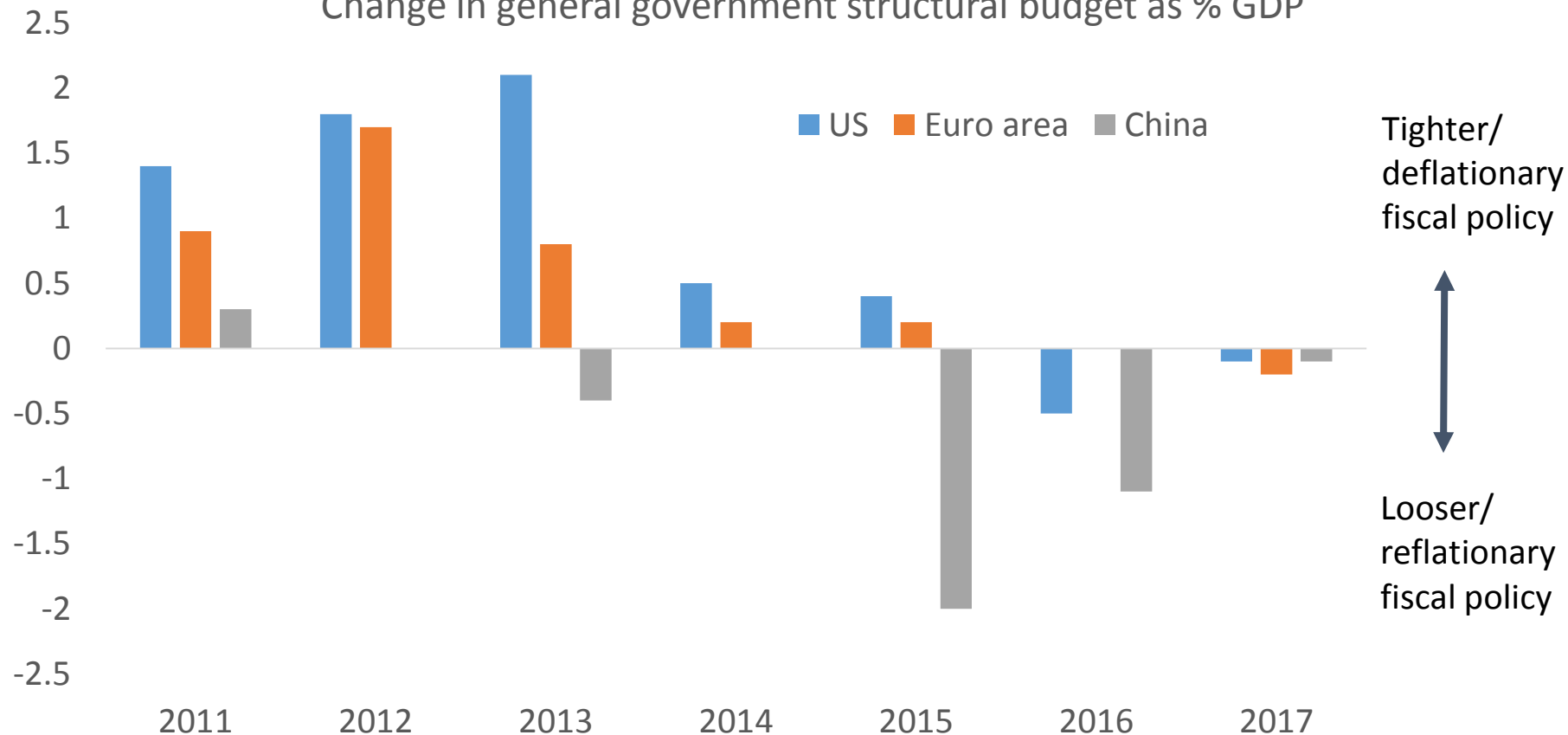
# Monetary policy effectiveness is exhausted

US federal funds target rate and balance sheet assets

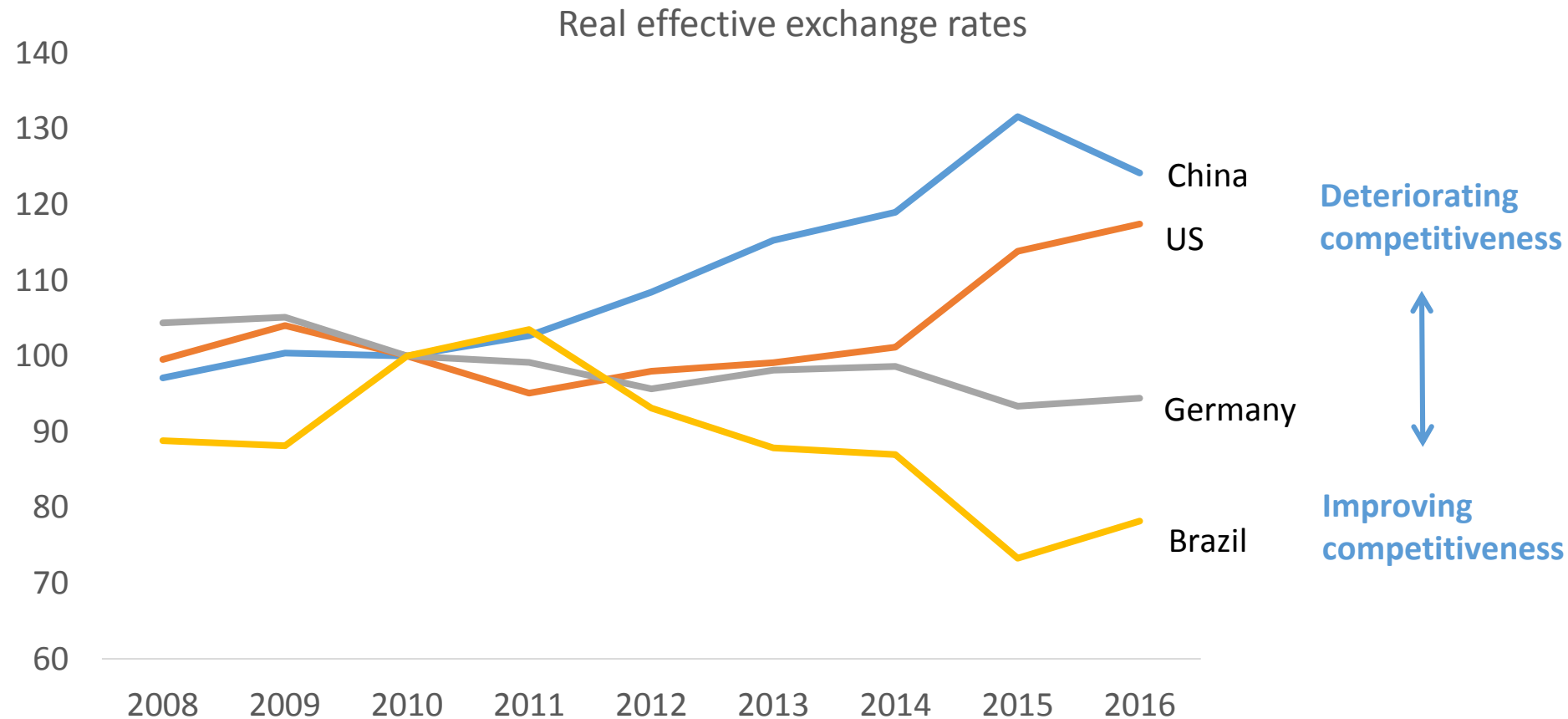


# But fiscal policies recently became a stimulus to growth

Change in general government structural budget as % GDP



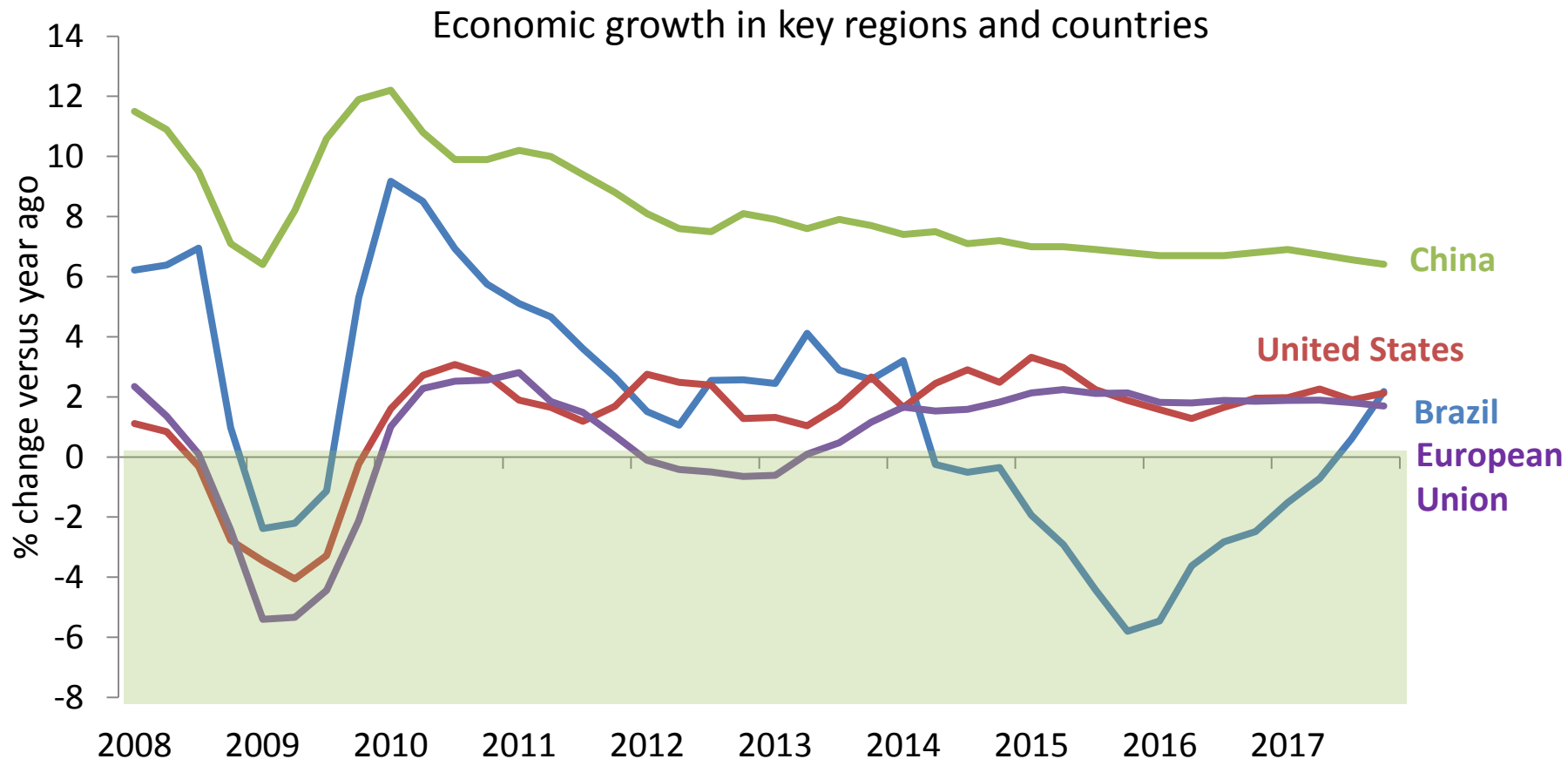
# Changes in trade competitiveness spread the recovery



Source: IATA Economics using data from the World Bank

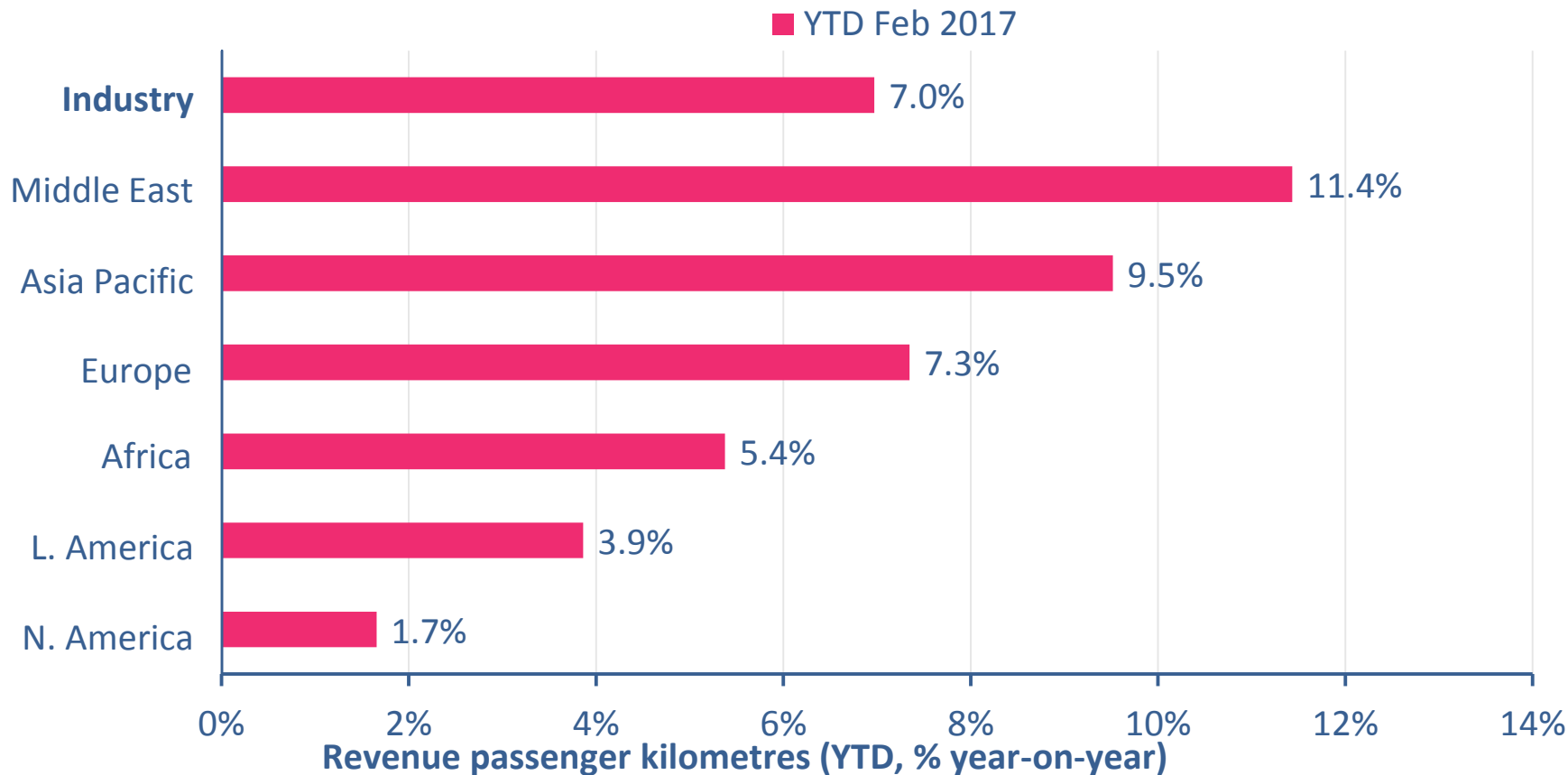


# Economic growth converging in key regions



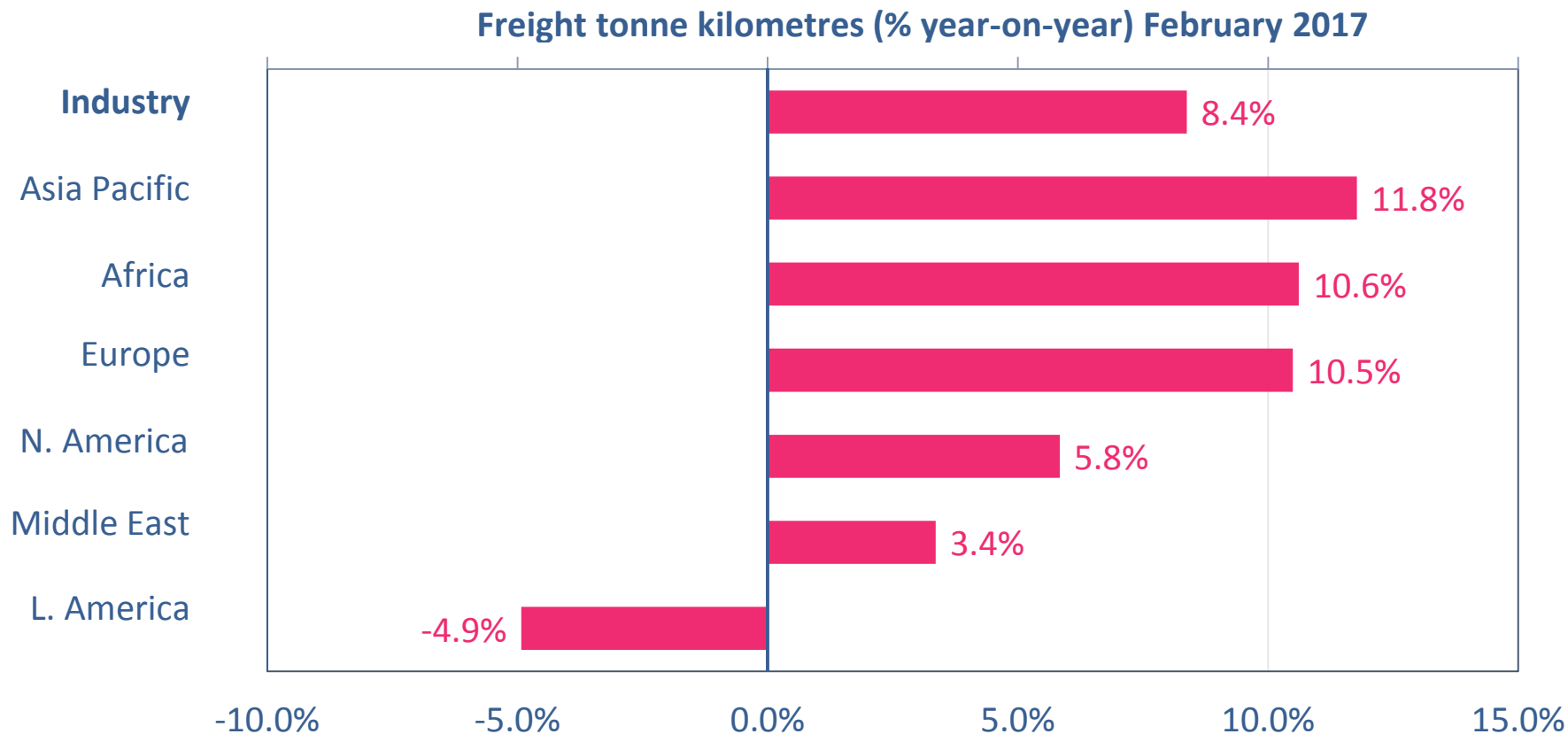
Source: IATA Economics using data from Oxford Economics

# Strong start to the year, though Americas travel lagging

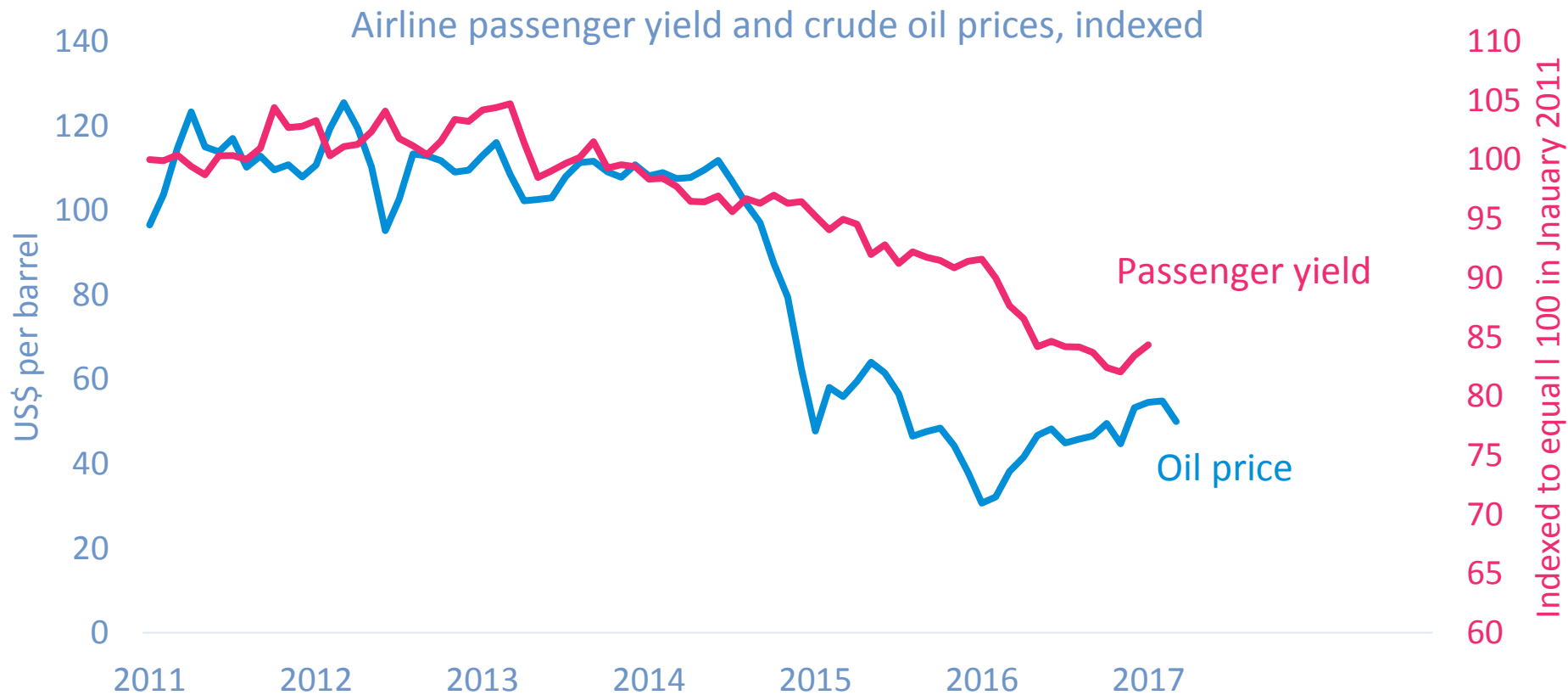


Source: IATA Economics using data from IATA Statistics

# Cargo also strong, but again Americas lagging



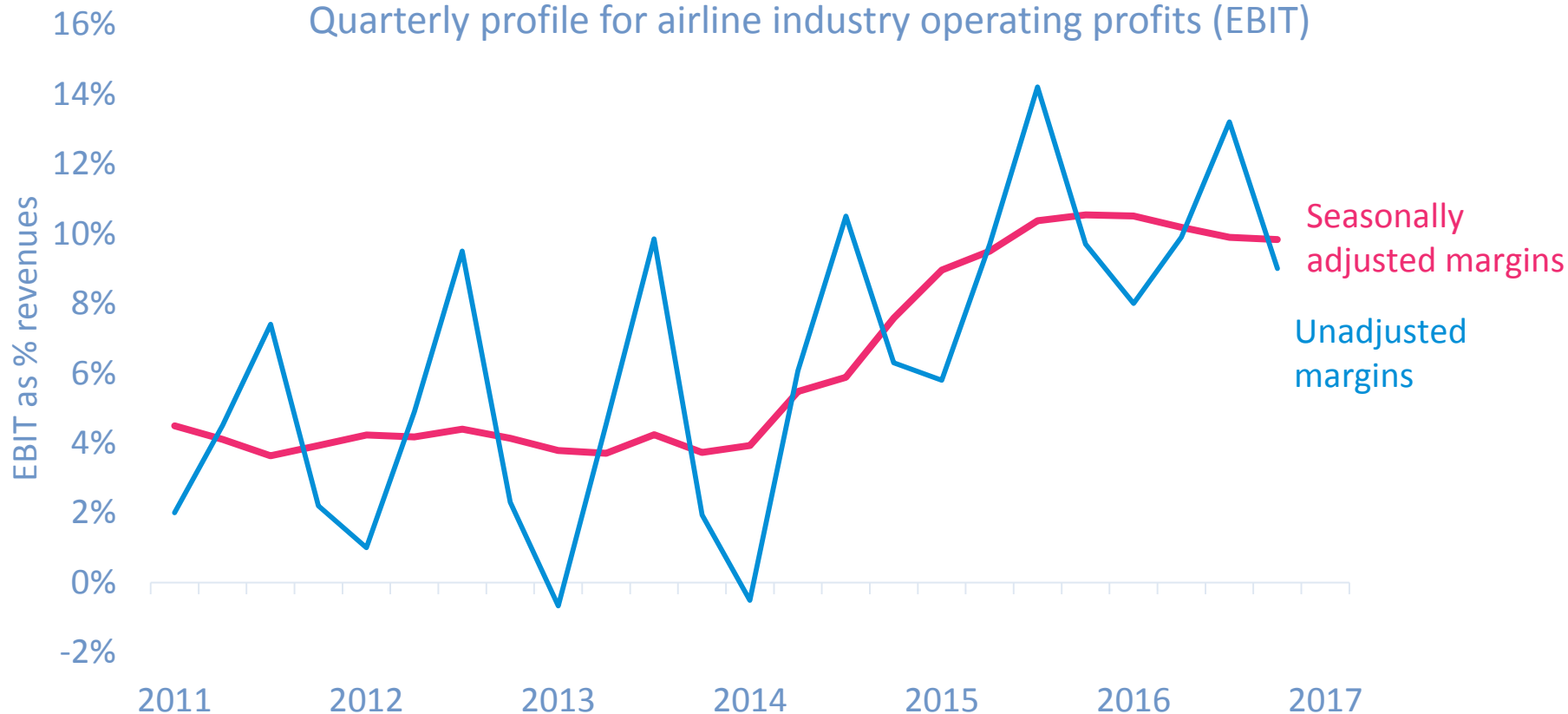
# But profit margins are now being squeezed



Source: IATA using data from PaxIS+ and Haver

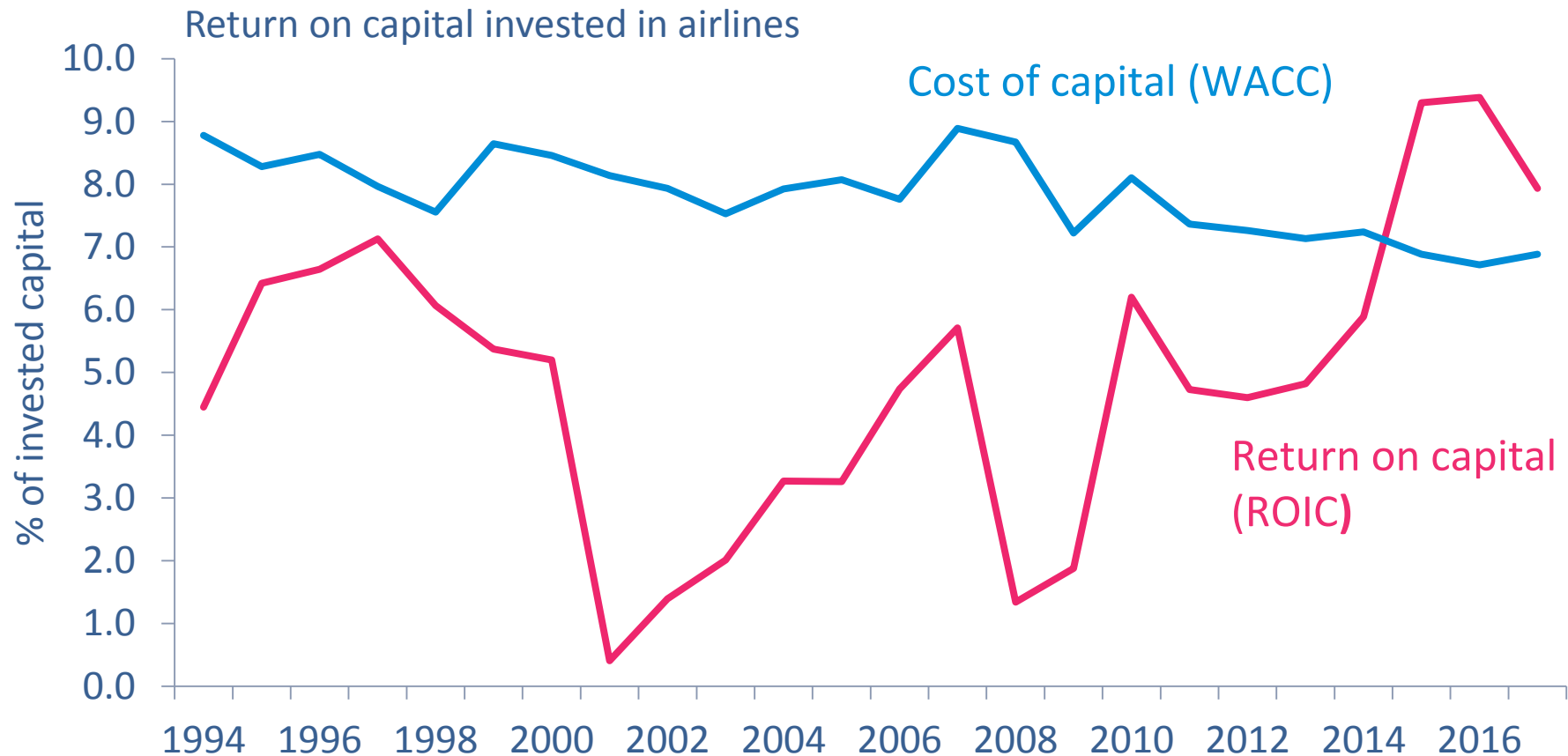
# Industry profitability peaked a year ago

Quarterly profile for airline industry operating profits (EBIT)



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

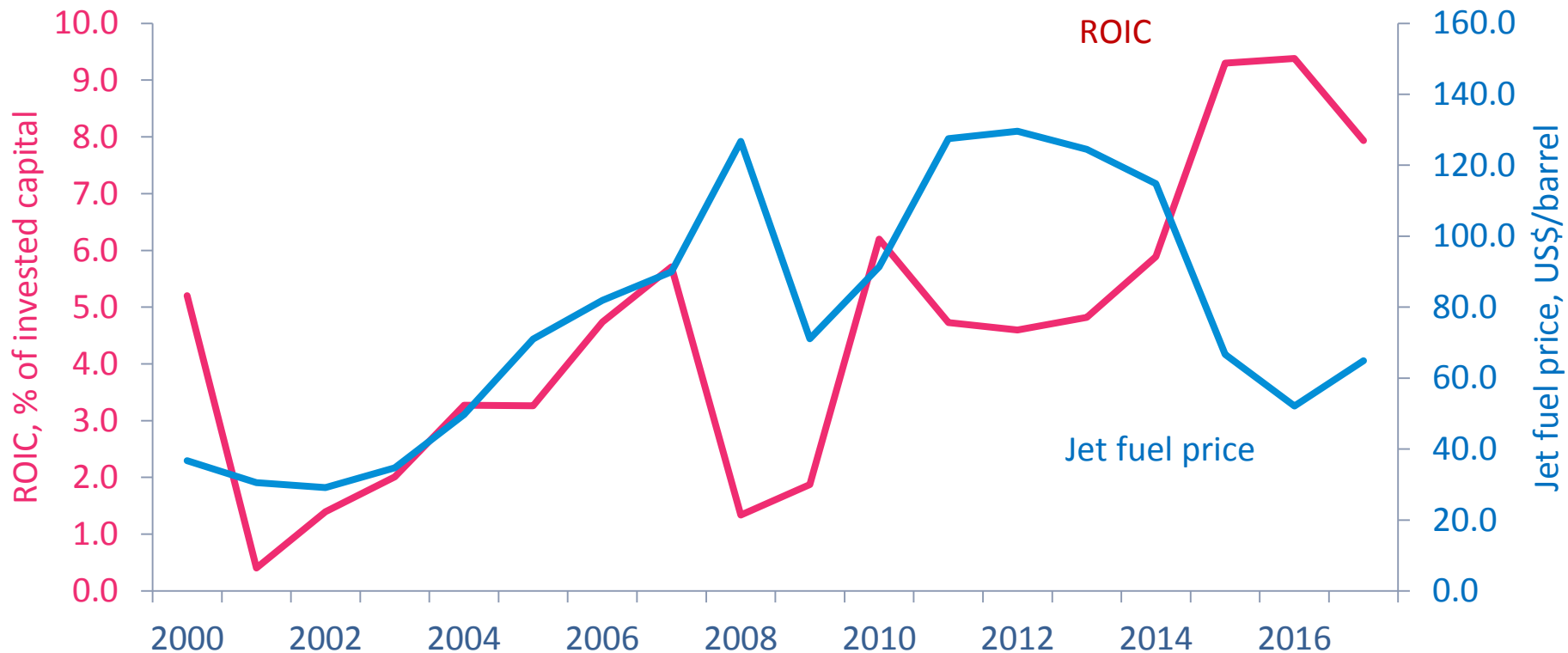
# Return on capital lower this year but still good



Source: IATA Economic Performance of the Airline Industry, End-Year 2016 report

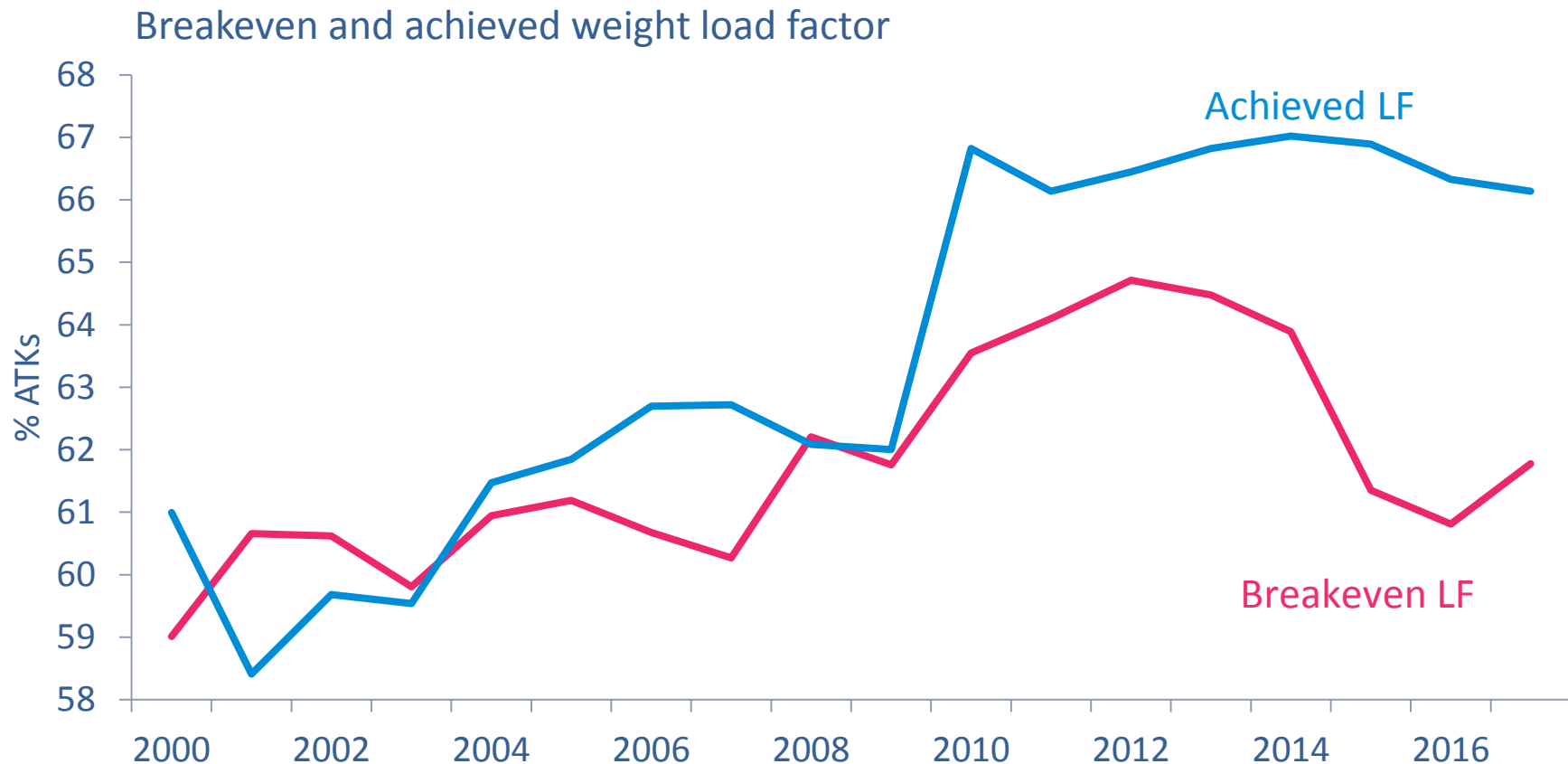
# It's partly fuel prices

Airline industry ROIC and jet fuel prices



Source: IATA Economics using data from Platts and IATA

# But also much better asset utilization

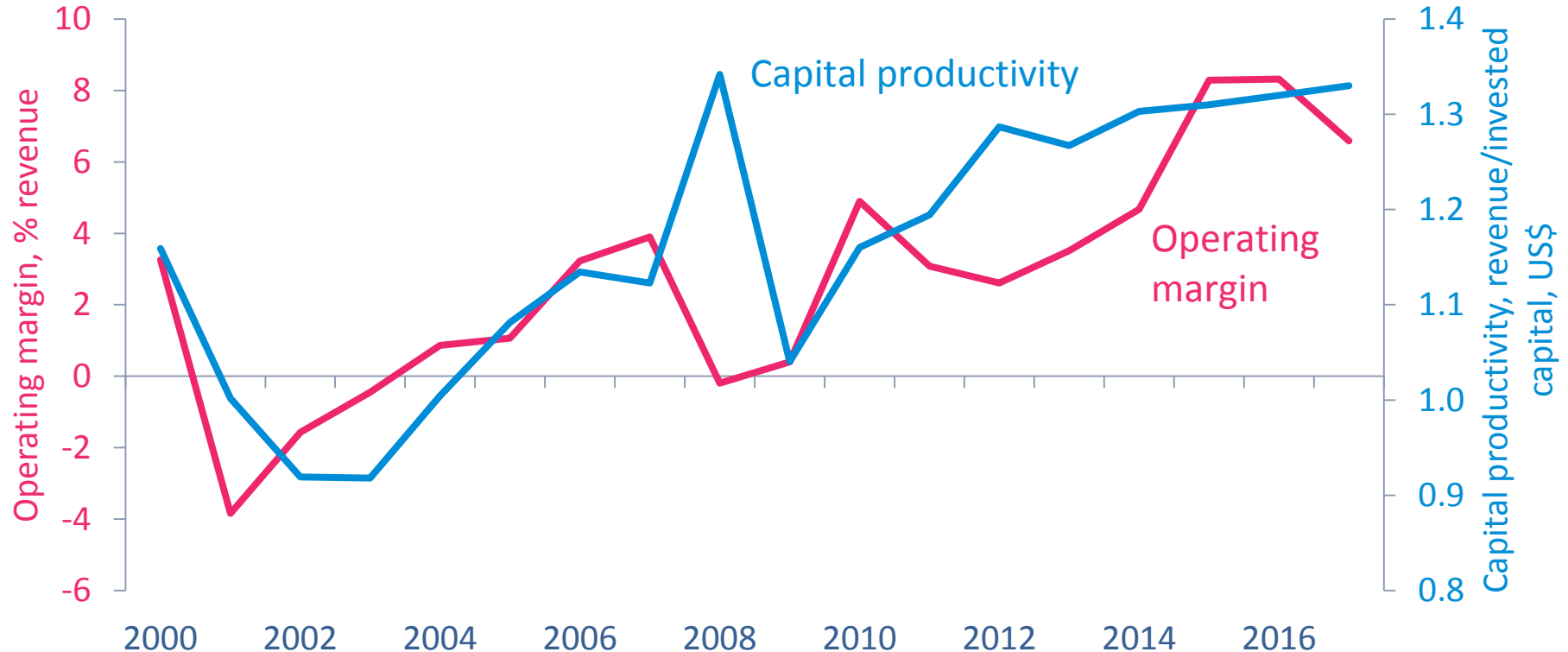


Source: IATA Economic Performance of the Airline Industry – end year 2016 report



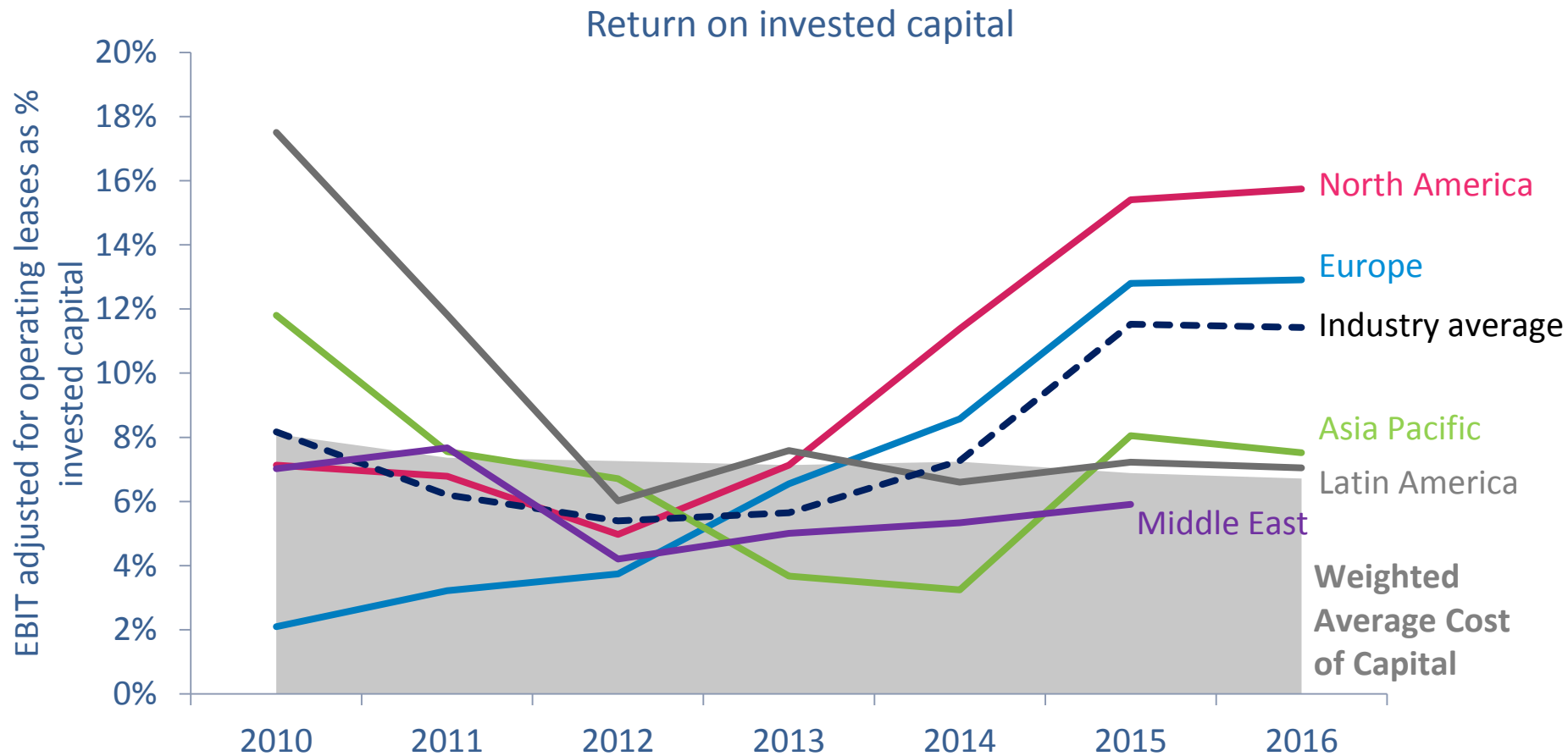
# And capital has become much more productive

Airlines' operating or EBIT margin and capital productivity



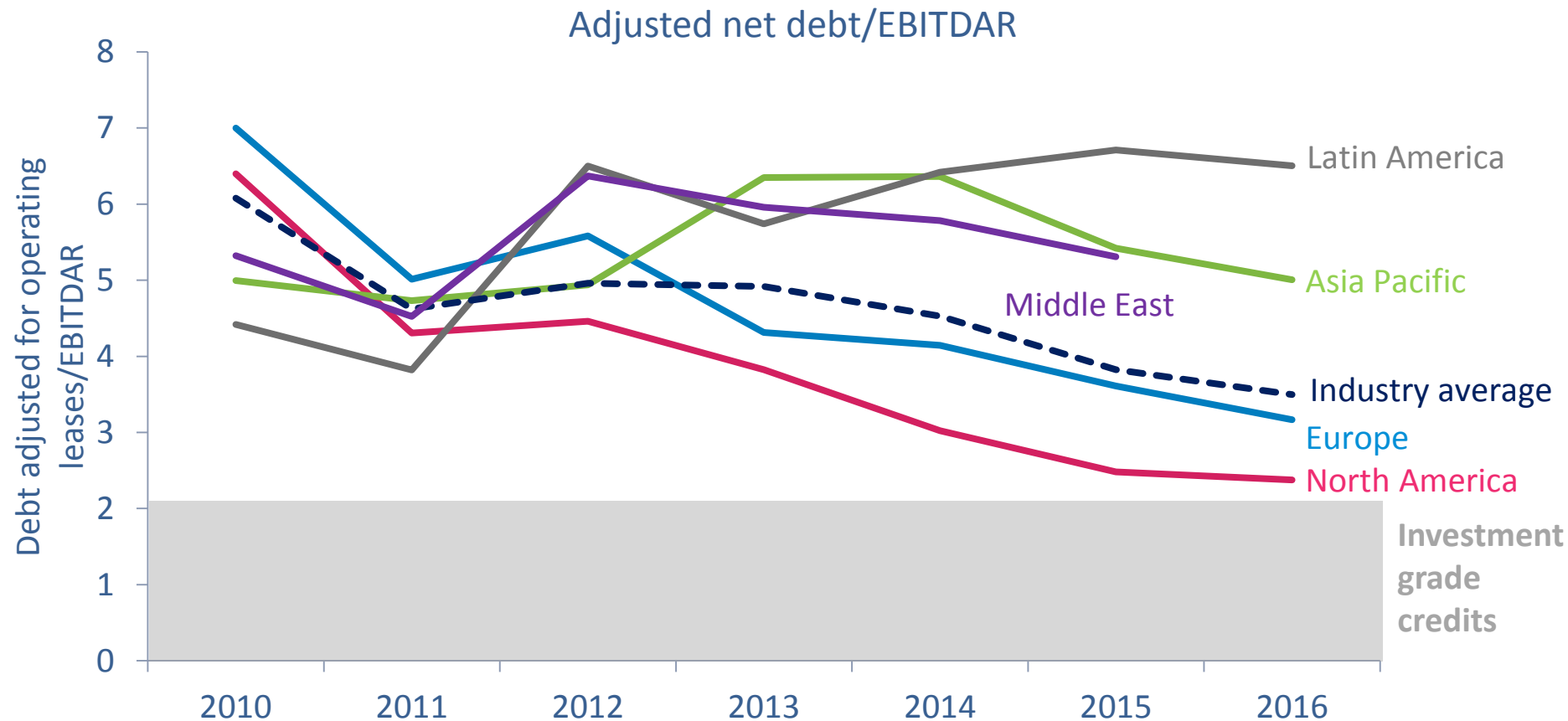
Source: IATA Economic Performance of the Airline Industry – end year 2016 report

# But performance is very different between regions



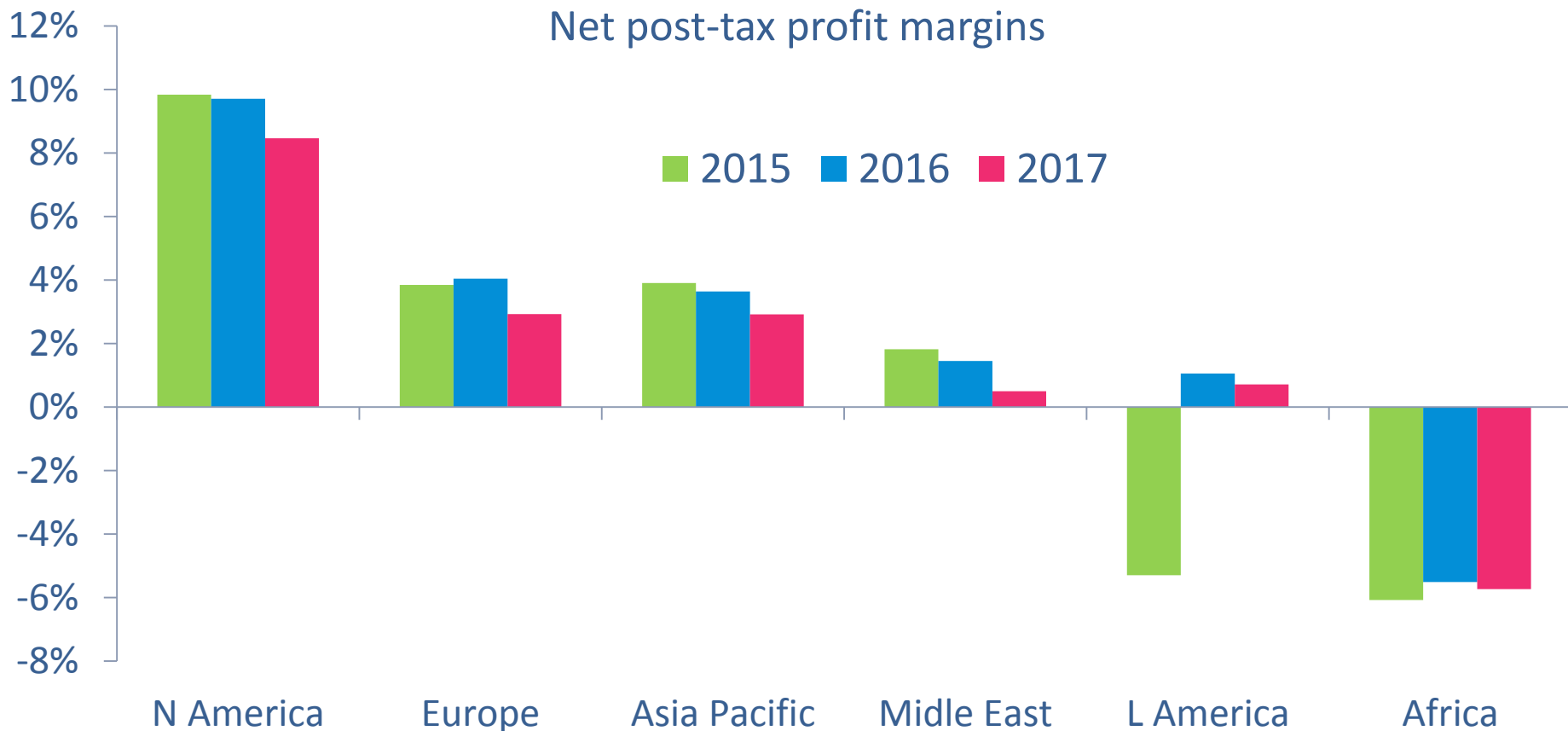
Source: IATA Economics using data from The Airline Analyst

# Balance sheets show divergent degrees of resilience



Source: IATA Economics using data from The Airline Analyst

# This year divergence narrows, but not by much



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

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