

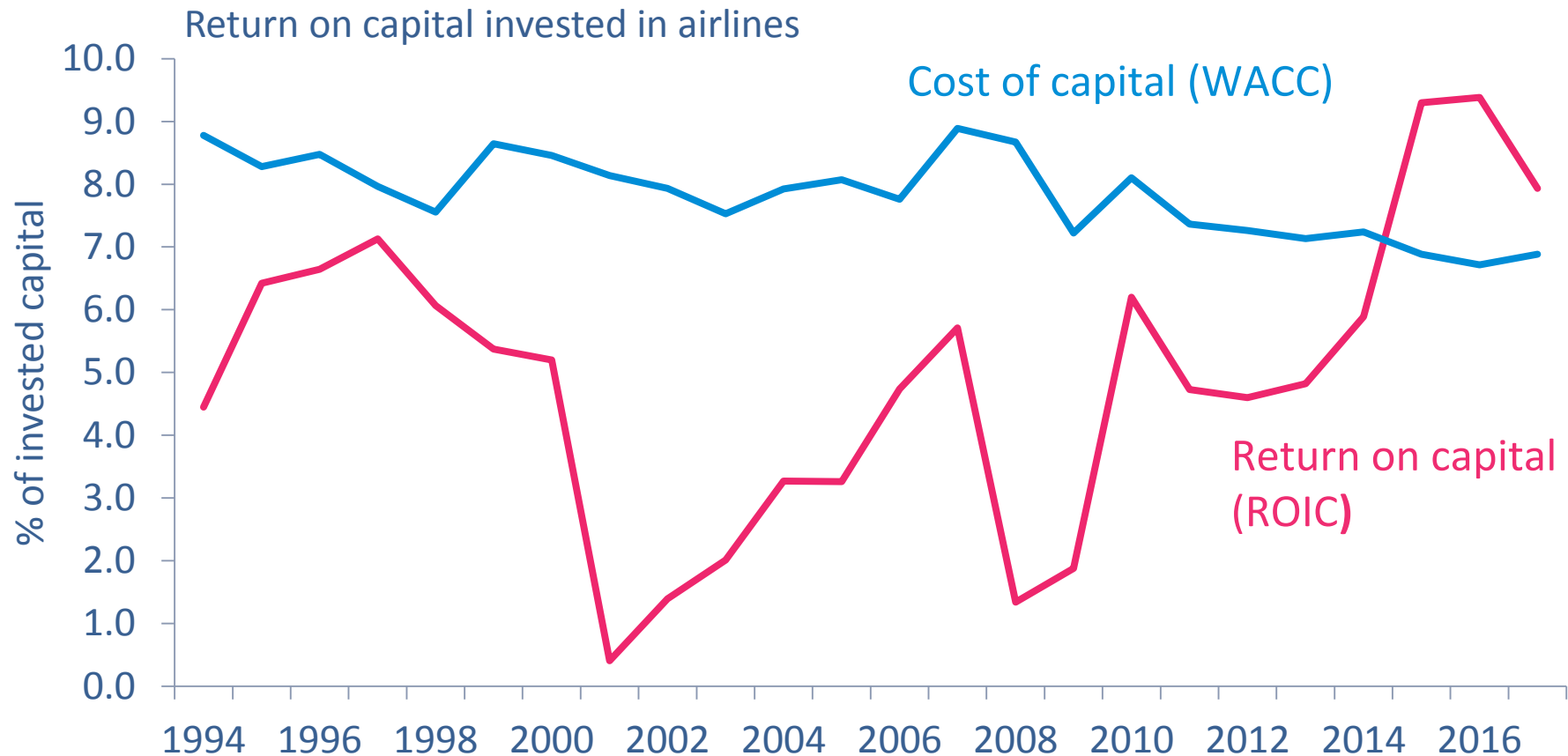


Airlines, the economy and air transport demand

Brian Pearce,
Chief Economist,
IATA

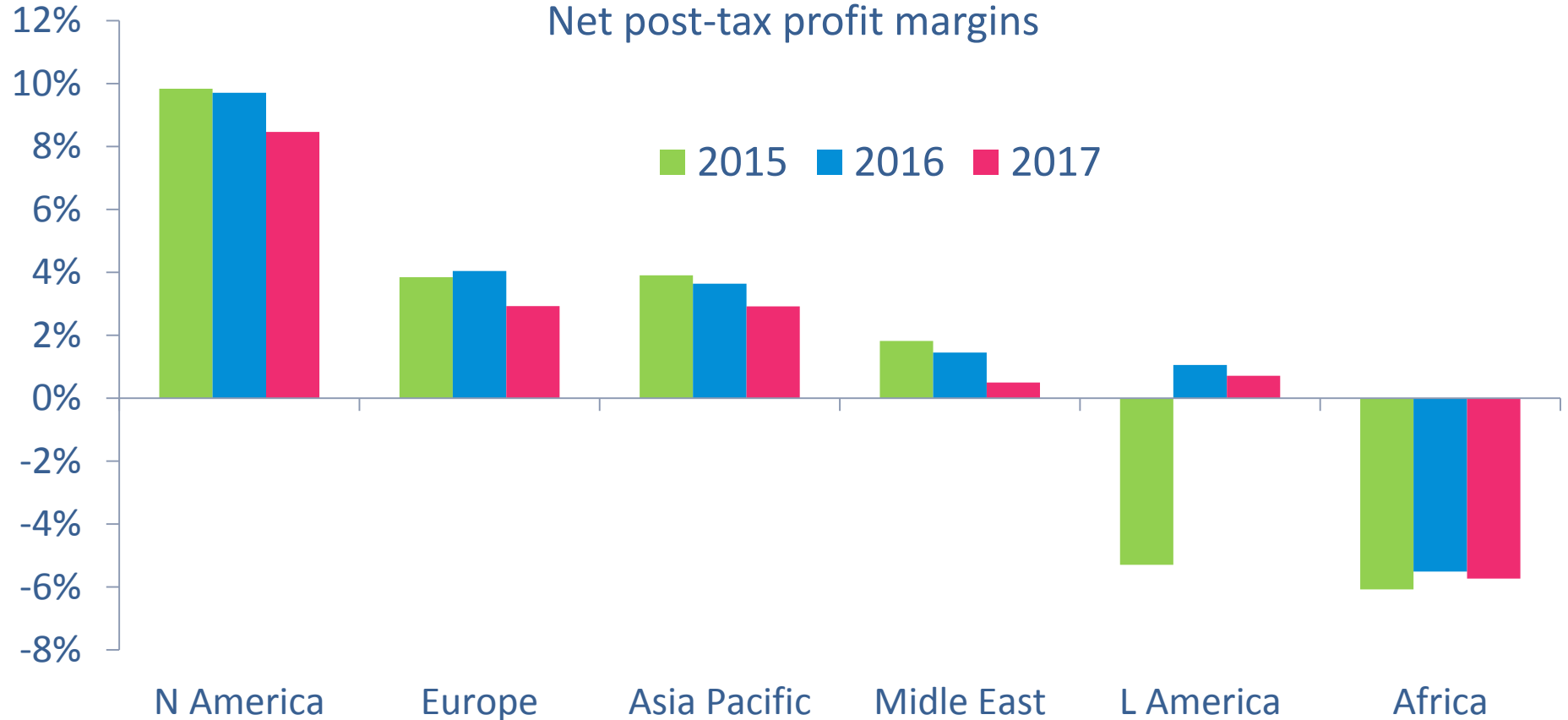
www.iata.org/economics

Returns for airlines investors lower this year; still good



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

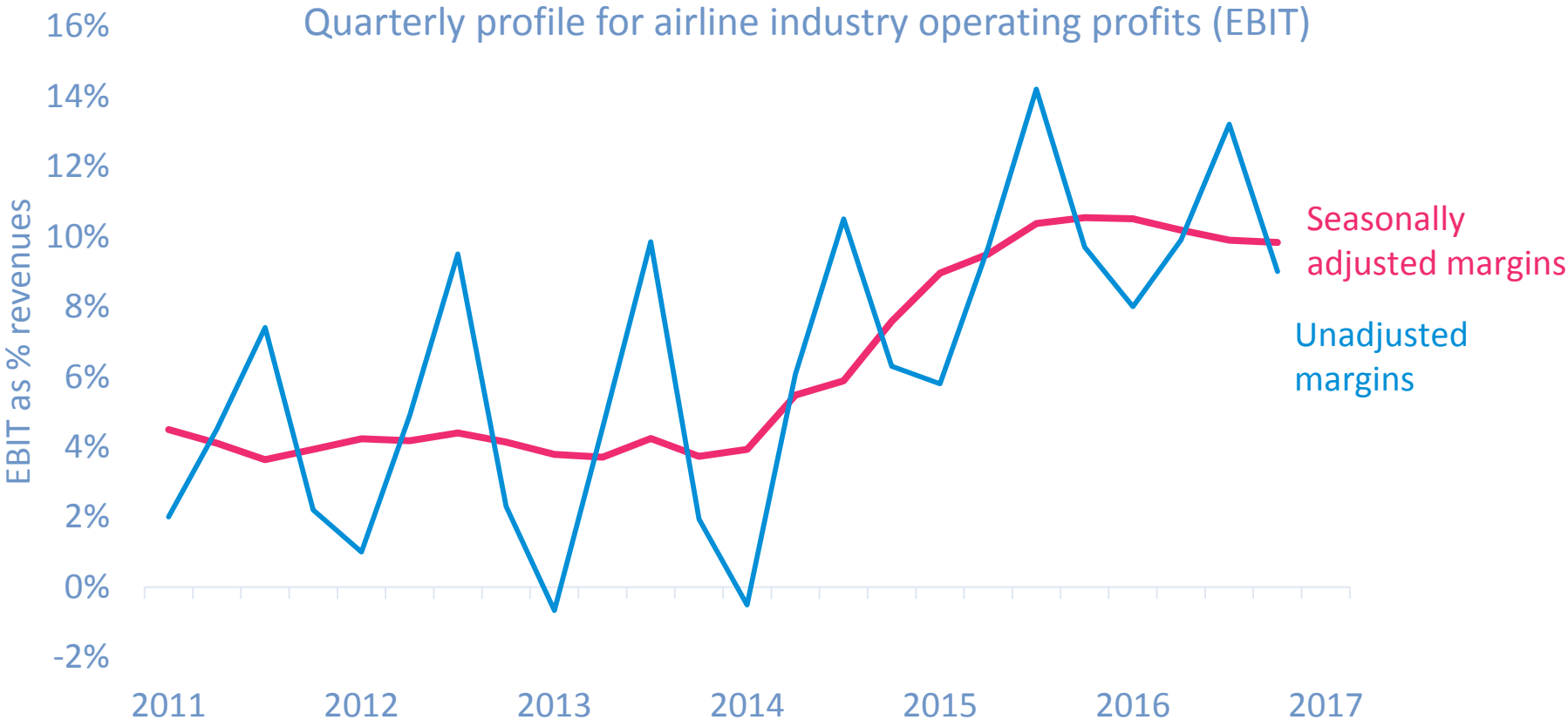
But performance is very different between the regions



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

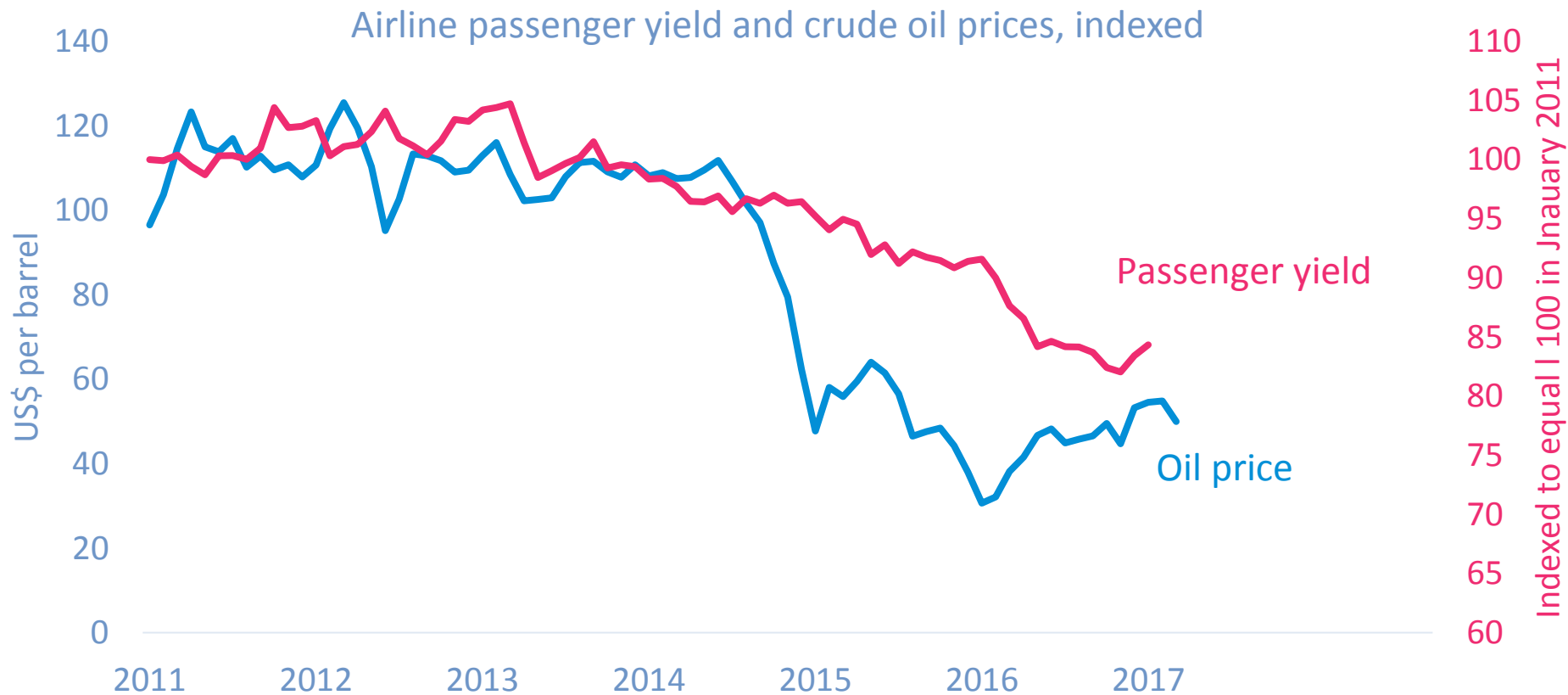
Industry profitability peaked a year ago

Quarterly profile for airline industry operating profits (EBIT)



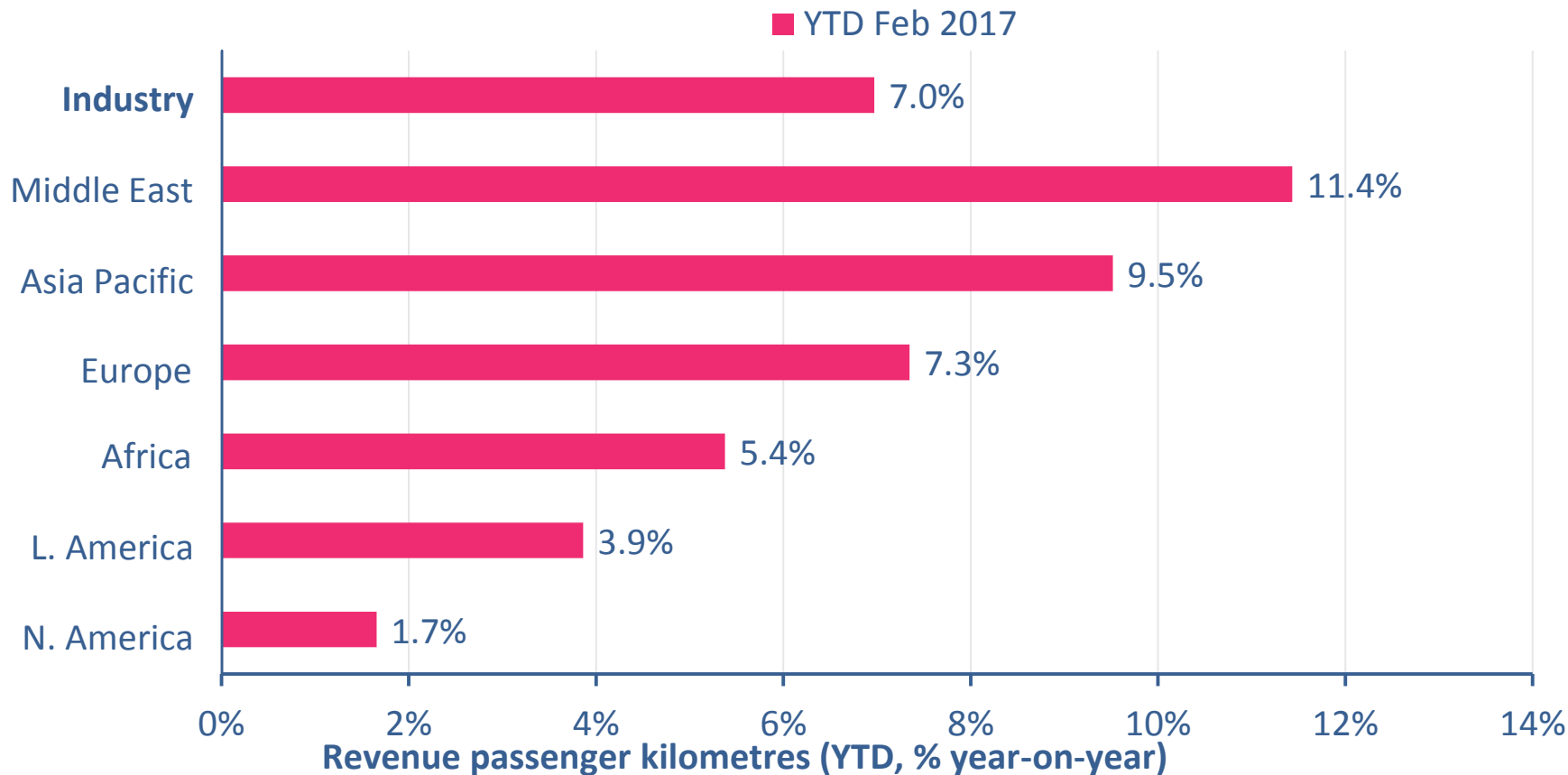
Source: IATA Economic Performance of the Airline Industry – end year 2016 report

Profit margins are being squeezed



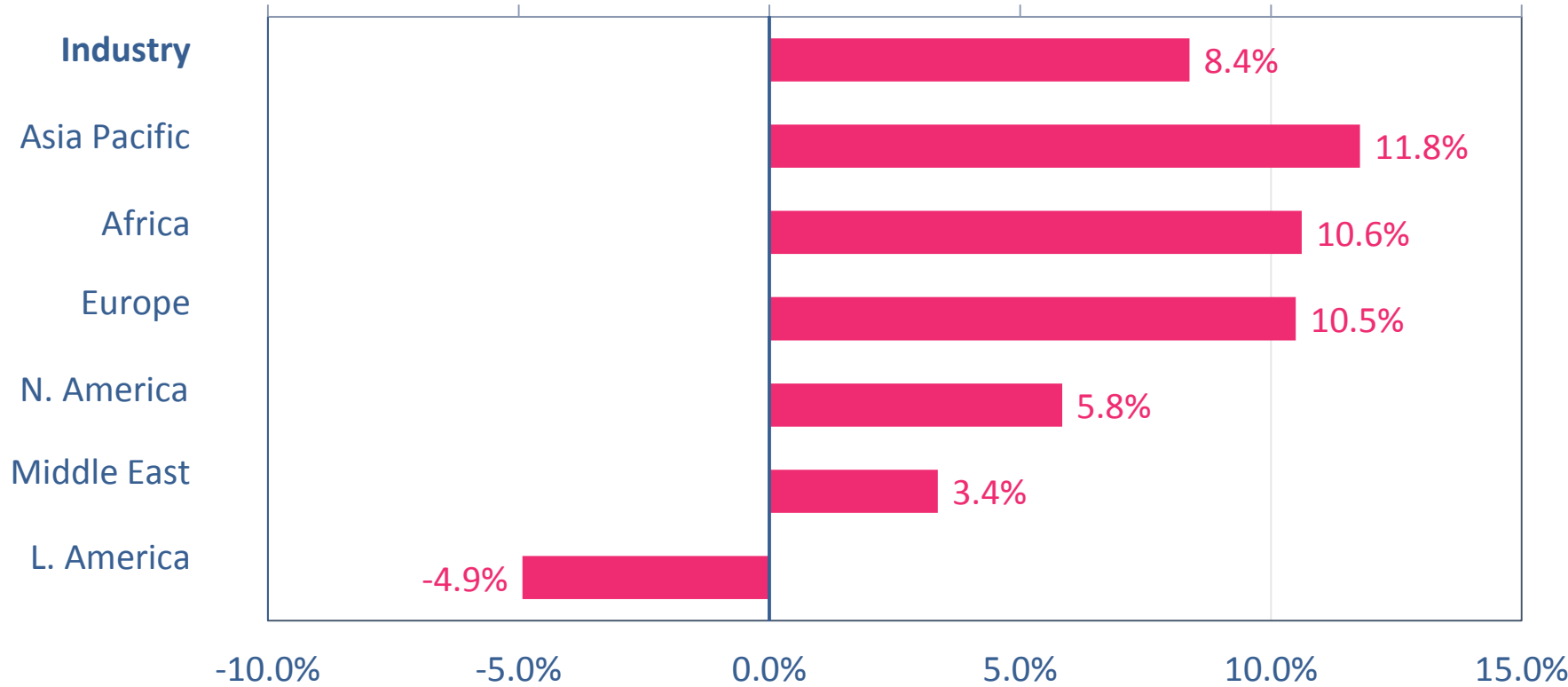
Source: IATA using data from PaxIS+ and Haver

But volumes are up with a revival in air travel



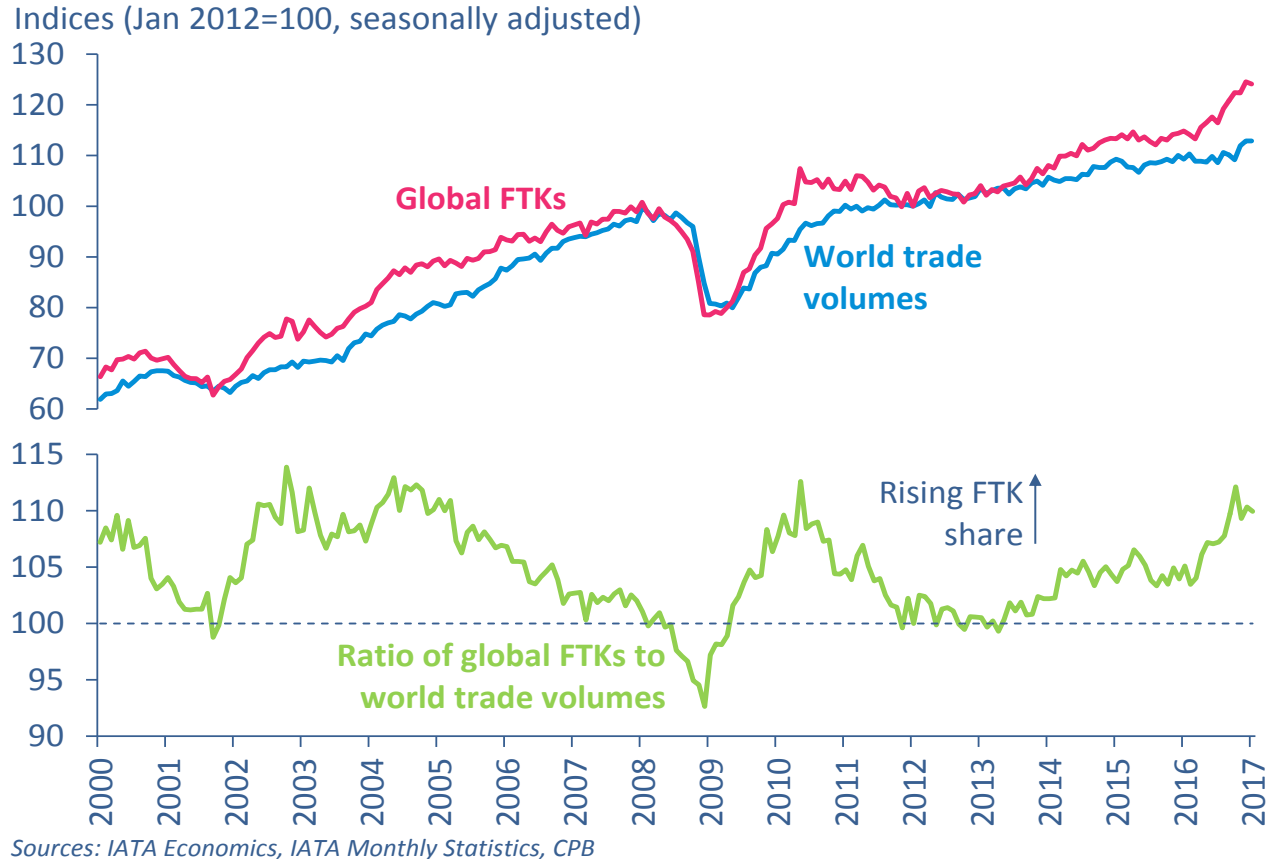
And a strong performance from air cargo

Freight tonne kilometres (% year-on-year) February 2017



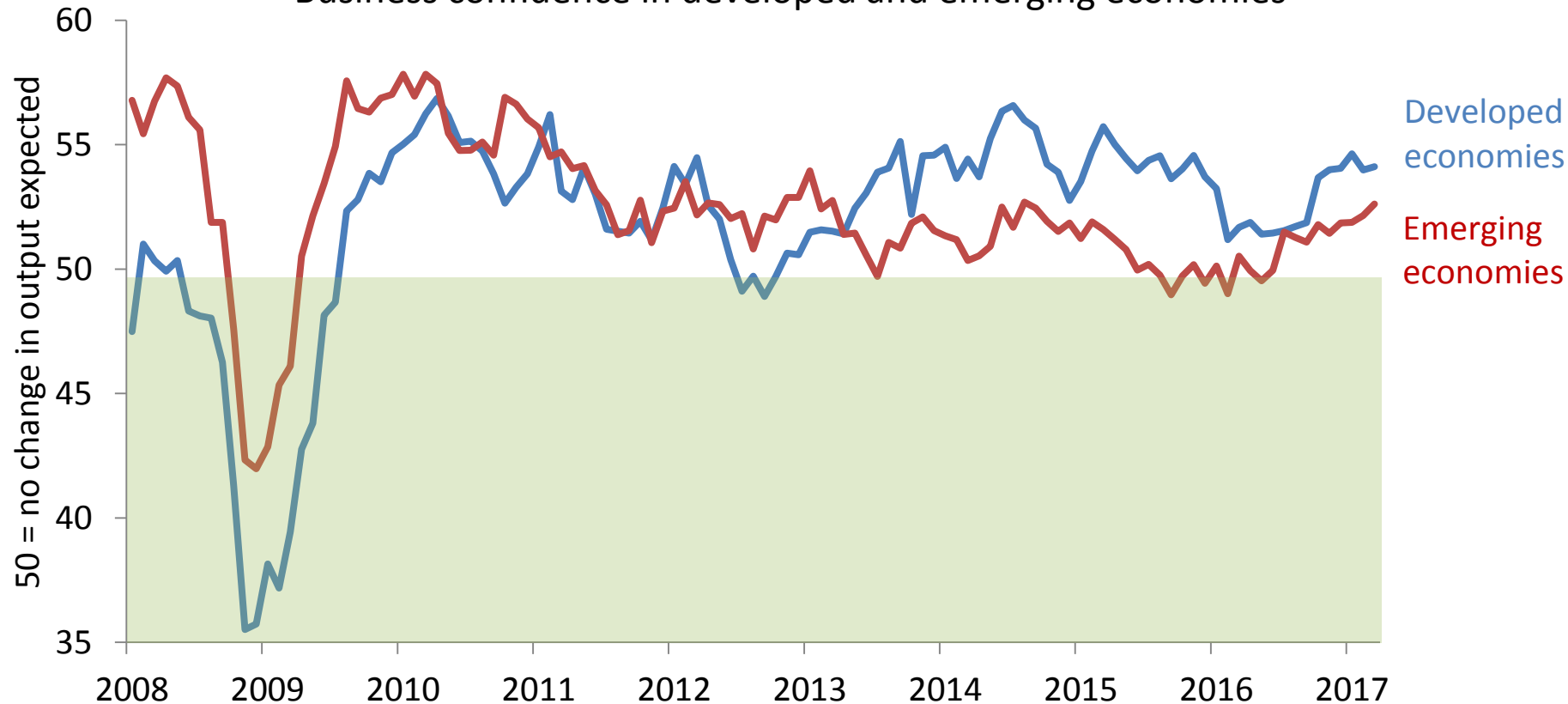
Source: IATA Economics using data from IATA Statistics

Part of cargo revival is improved share of world trade



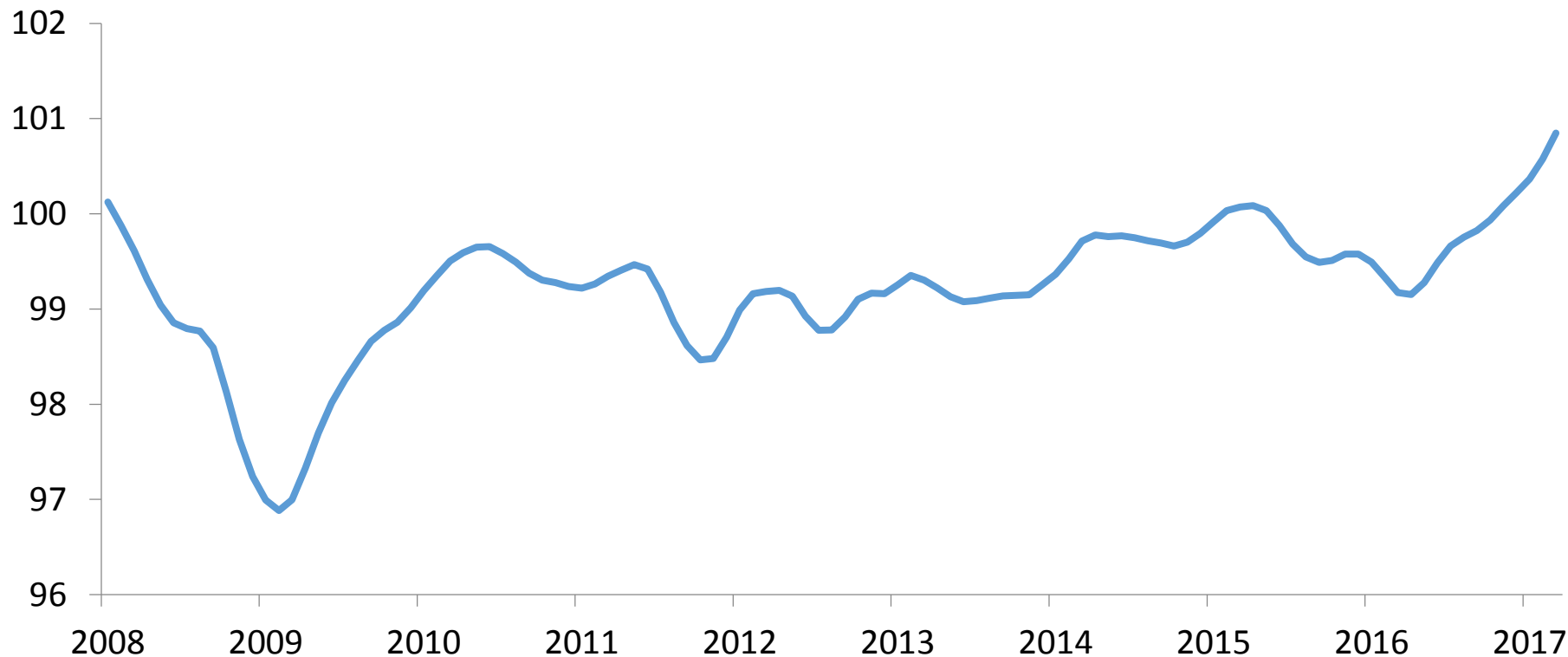
But there is also a broad revival of business confidence

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

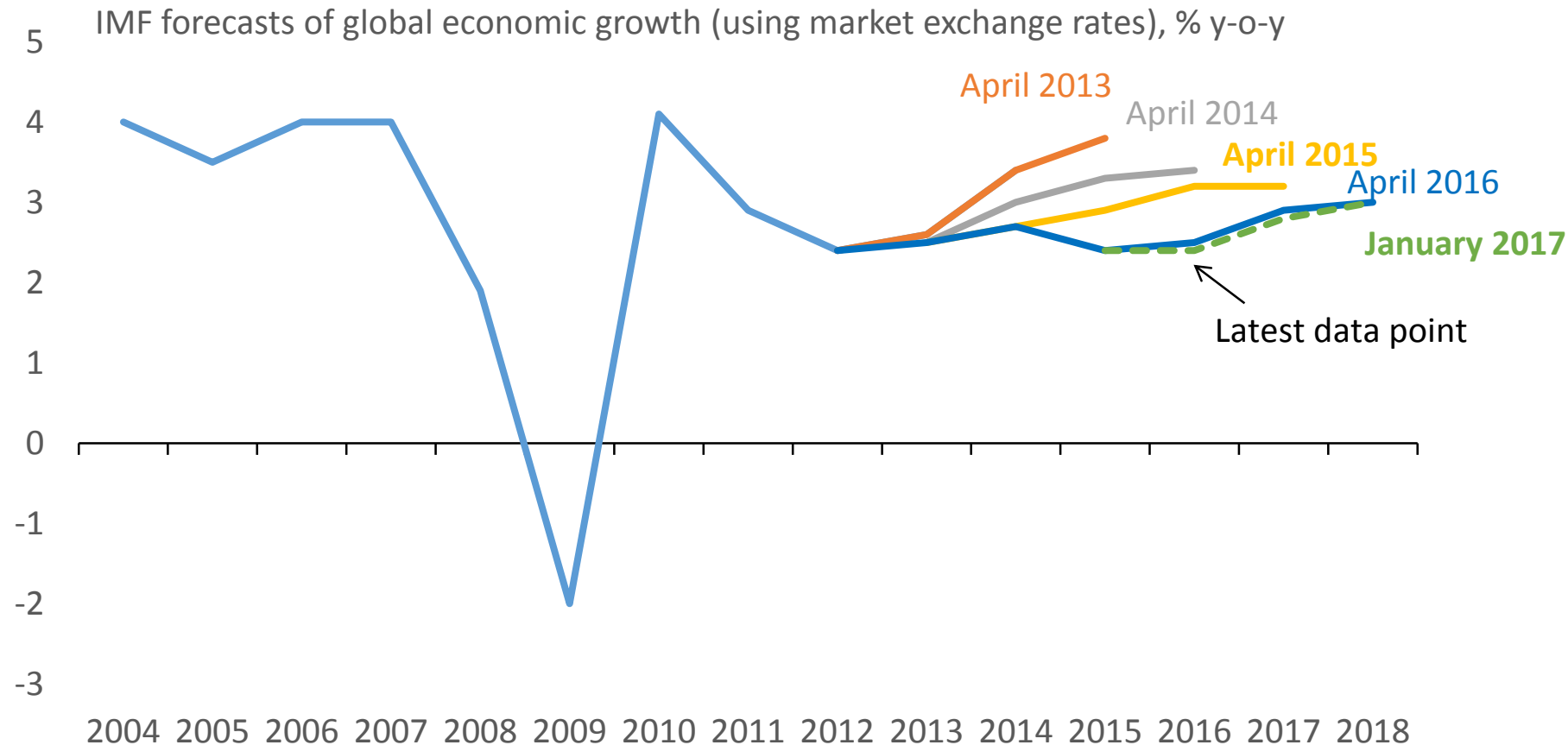
Across Europe, distrust of mainstream political parties is on the rise

Guardian
25 May 2016

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

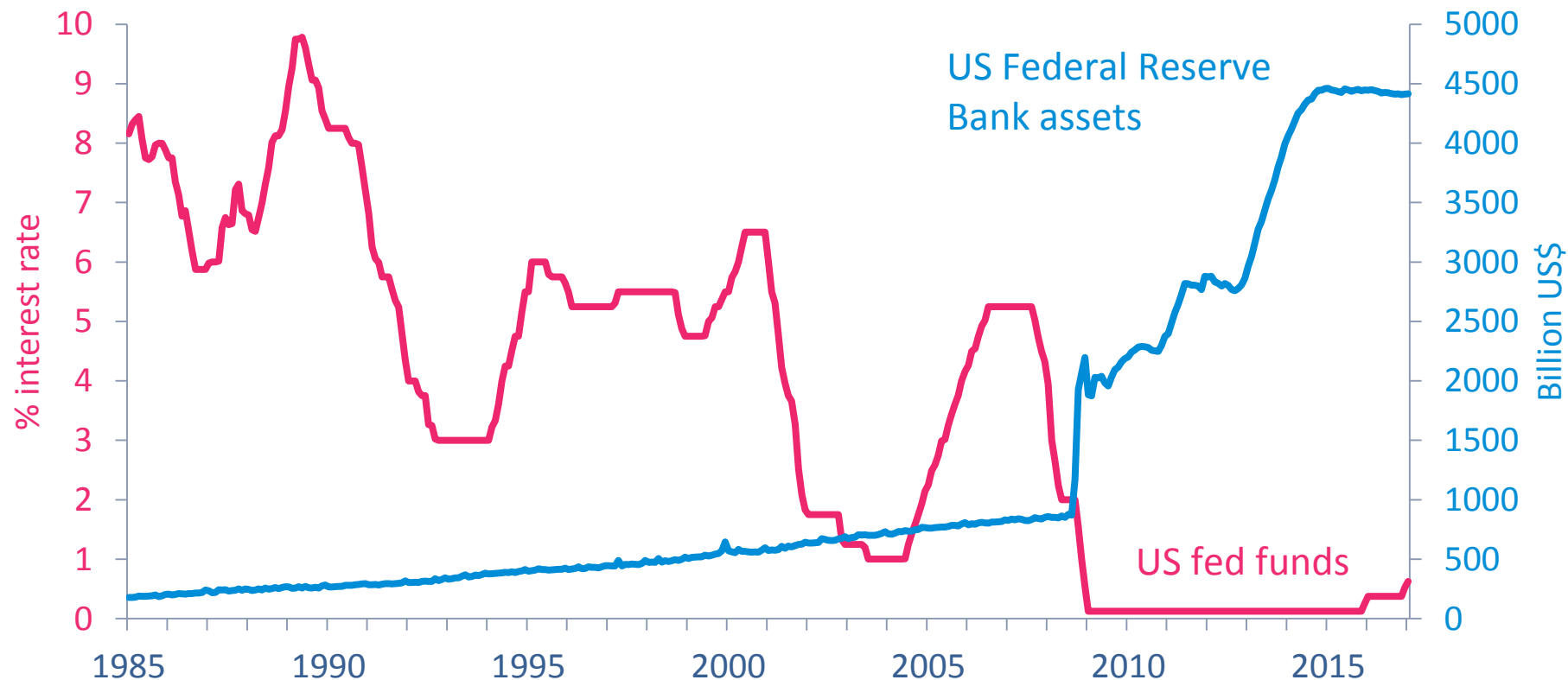
CNBC
13 October 2016

Will the IMF economic growth forecast be right at last?



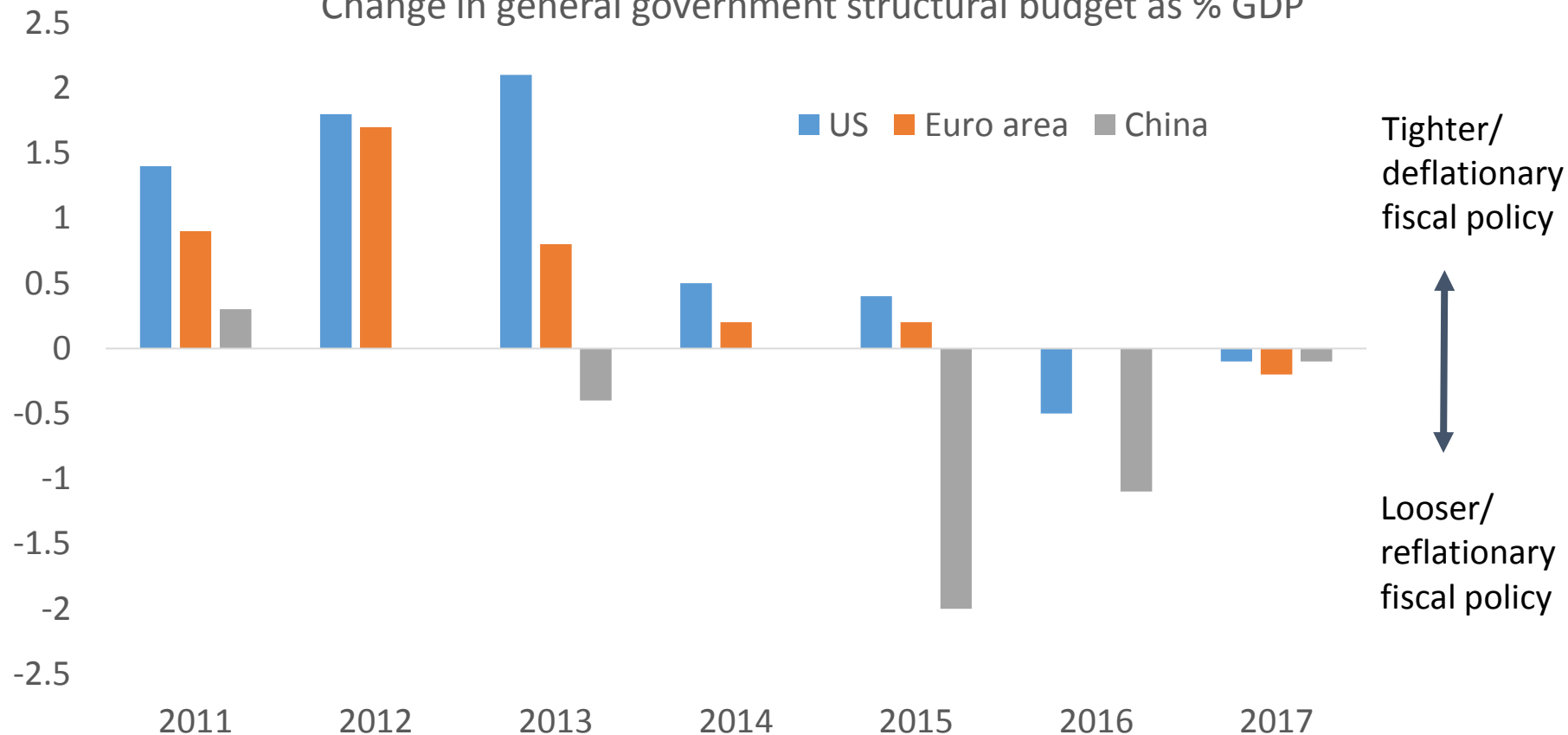
Monetary policy effectiveness is exhausted

US federal funds target rate and balance sheet assets



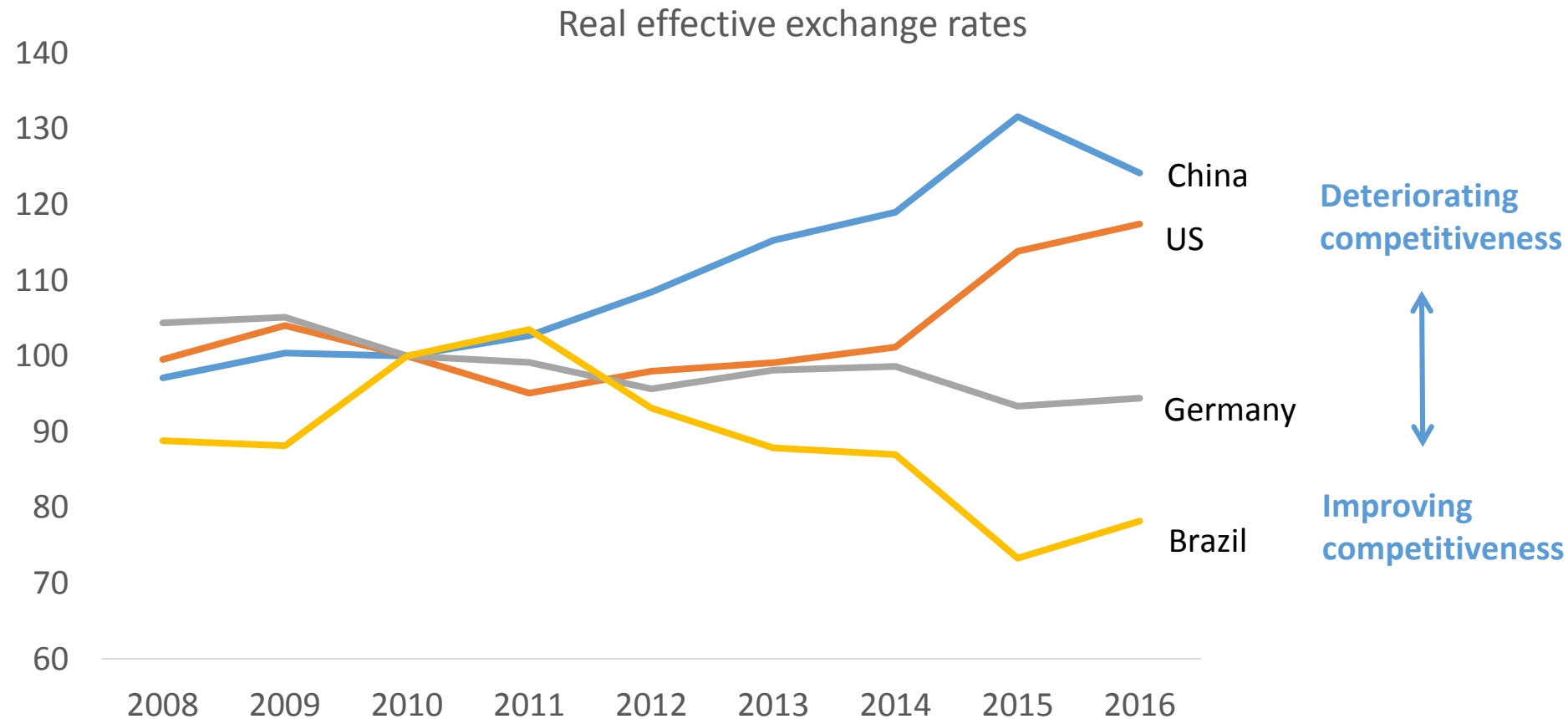
But fiscal policies recently became a stimulus to growth

Change in general government structural budget as % GDP



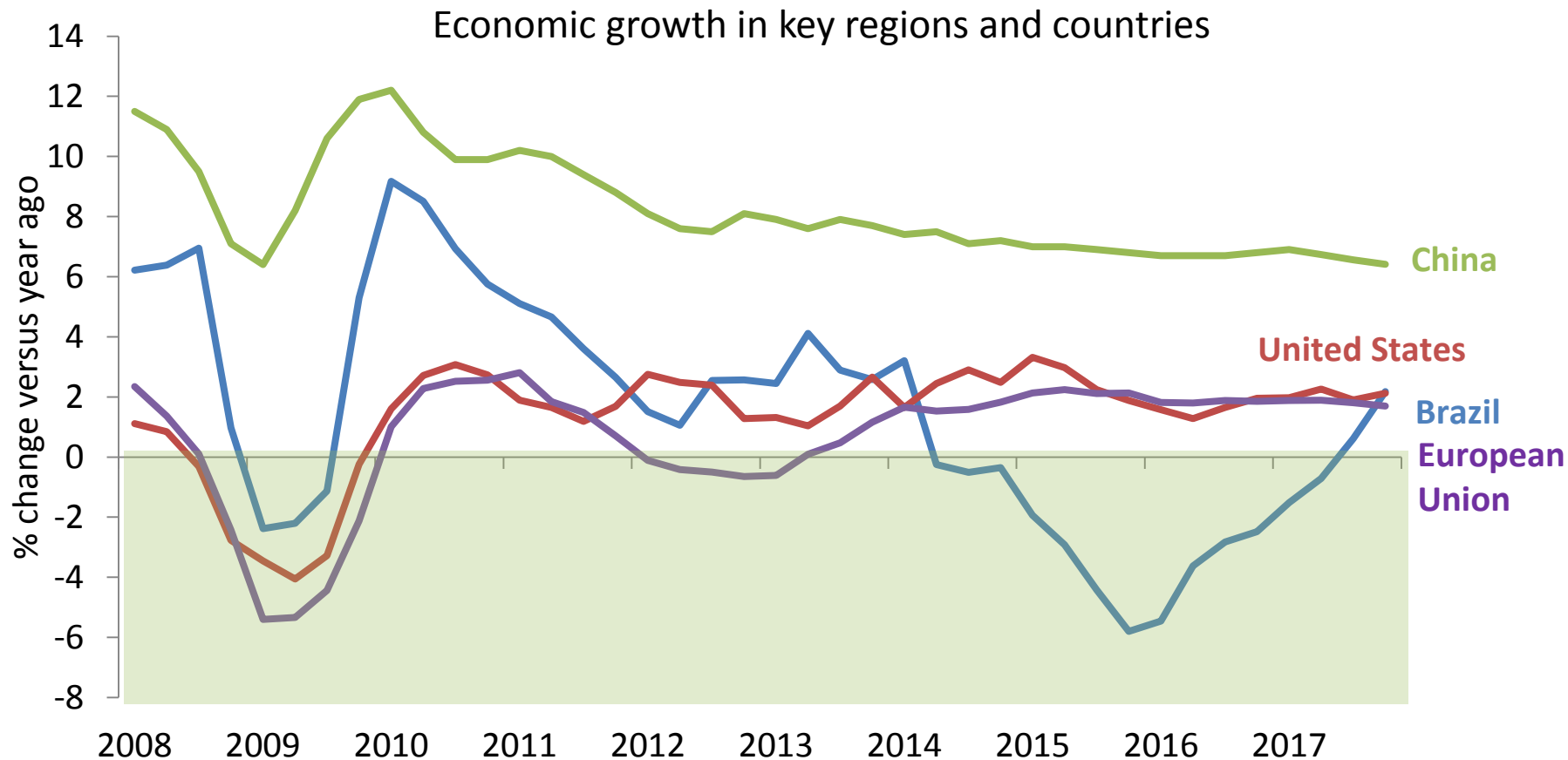
Source: IATA Economics using data from the IMF World Economic Outlook

Changes in trade competitiveness spread the recovery



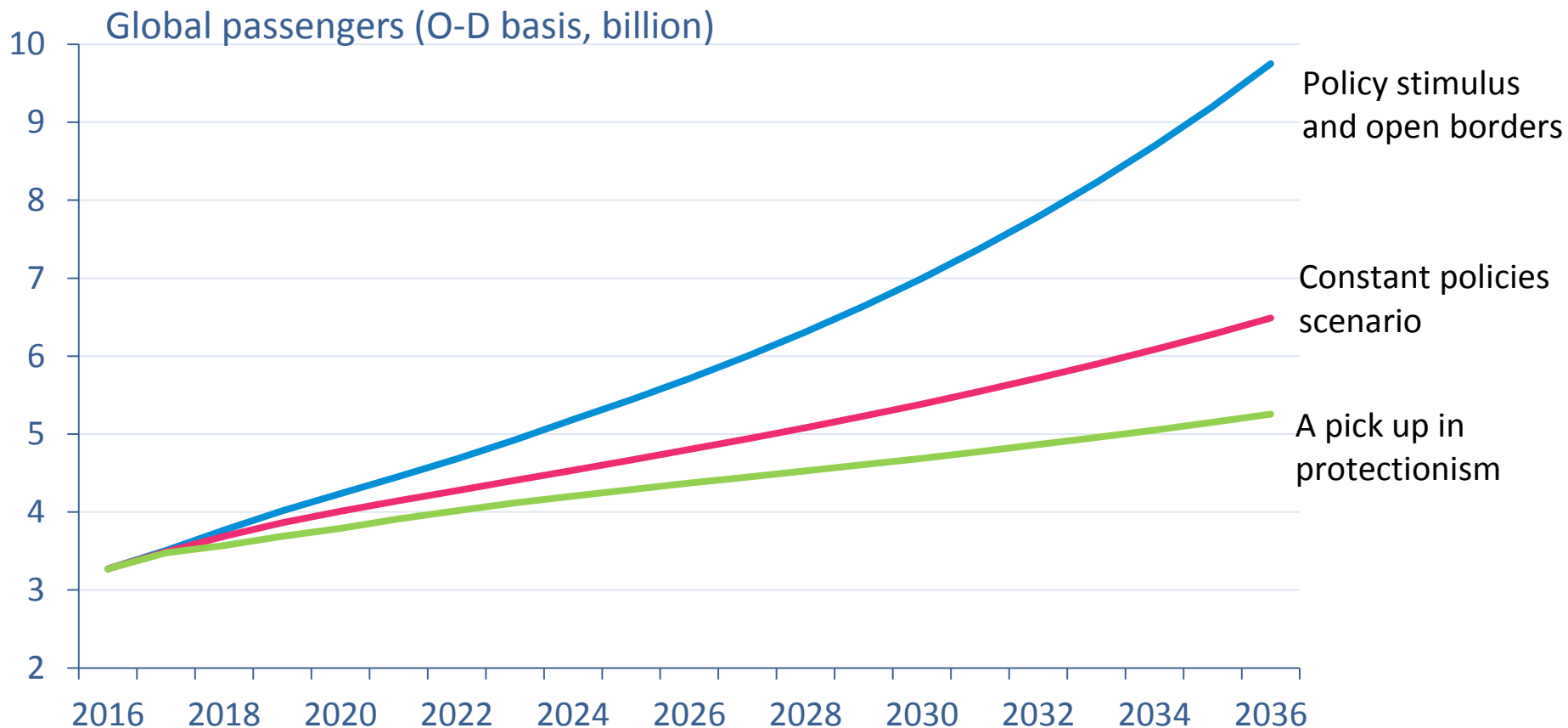
Source: IATA Economics using data from the World Bank

Economic growth converging in key regions



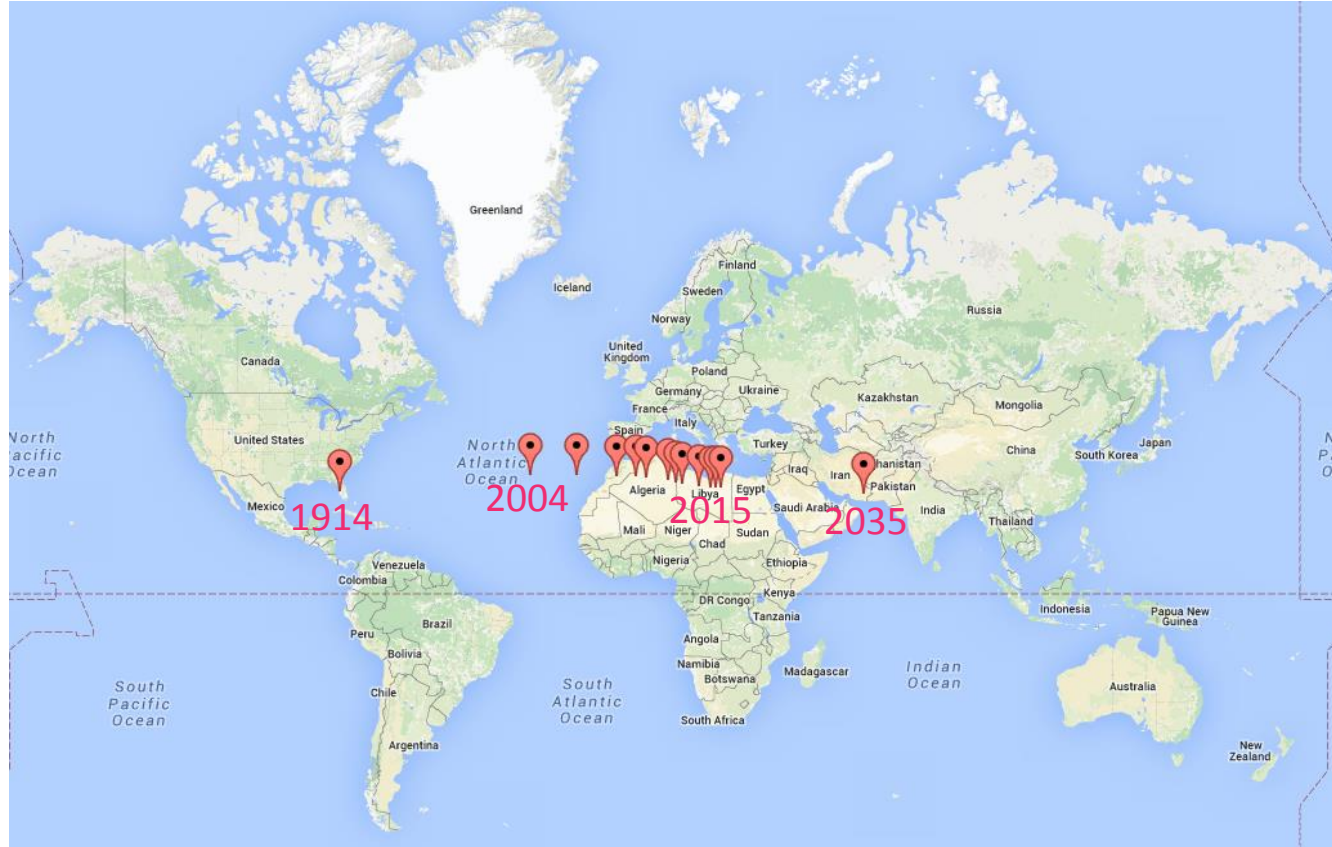
Source: IATA Economics using data from Oxford Economics

Rising demand to travel even under gloomy scenarios



Source: IATA/Tourism Economics Air Passenger Forecasts, September 2016

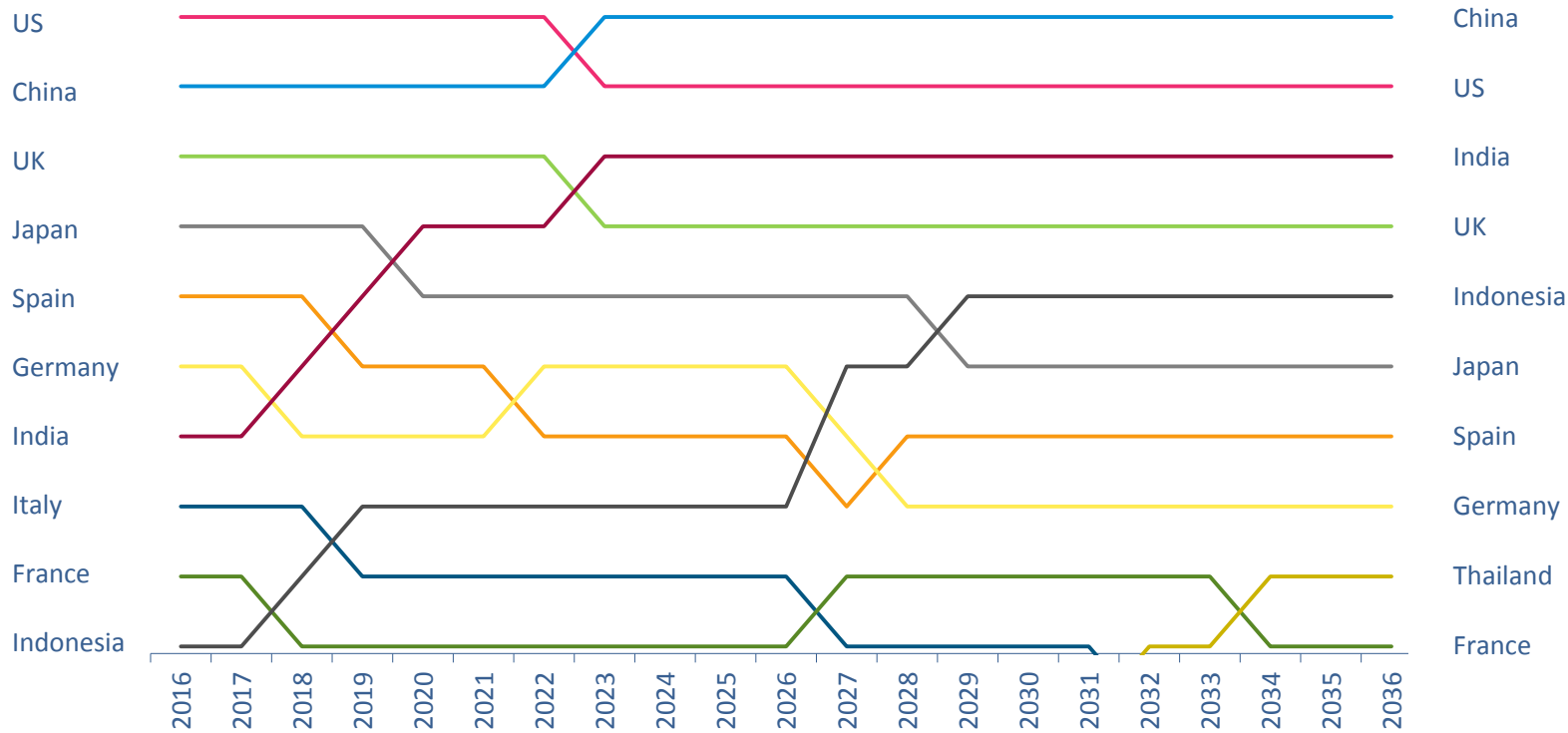
Centre of gravity of air travel shifting fast towards China



Source: IATA Economics using data from PaxIS+

Change in top-10 air travel markets over next 20 years

The 10 largest air passenger markets over time
(ranked by passenger numbers, to, from and within each country)



Source: IATA/TE Passenger Forecast service

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