

Challenges for European air transport

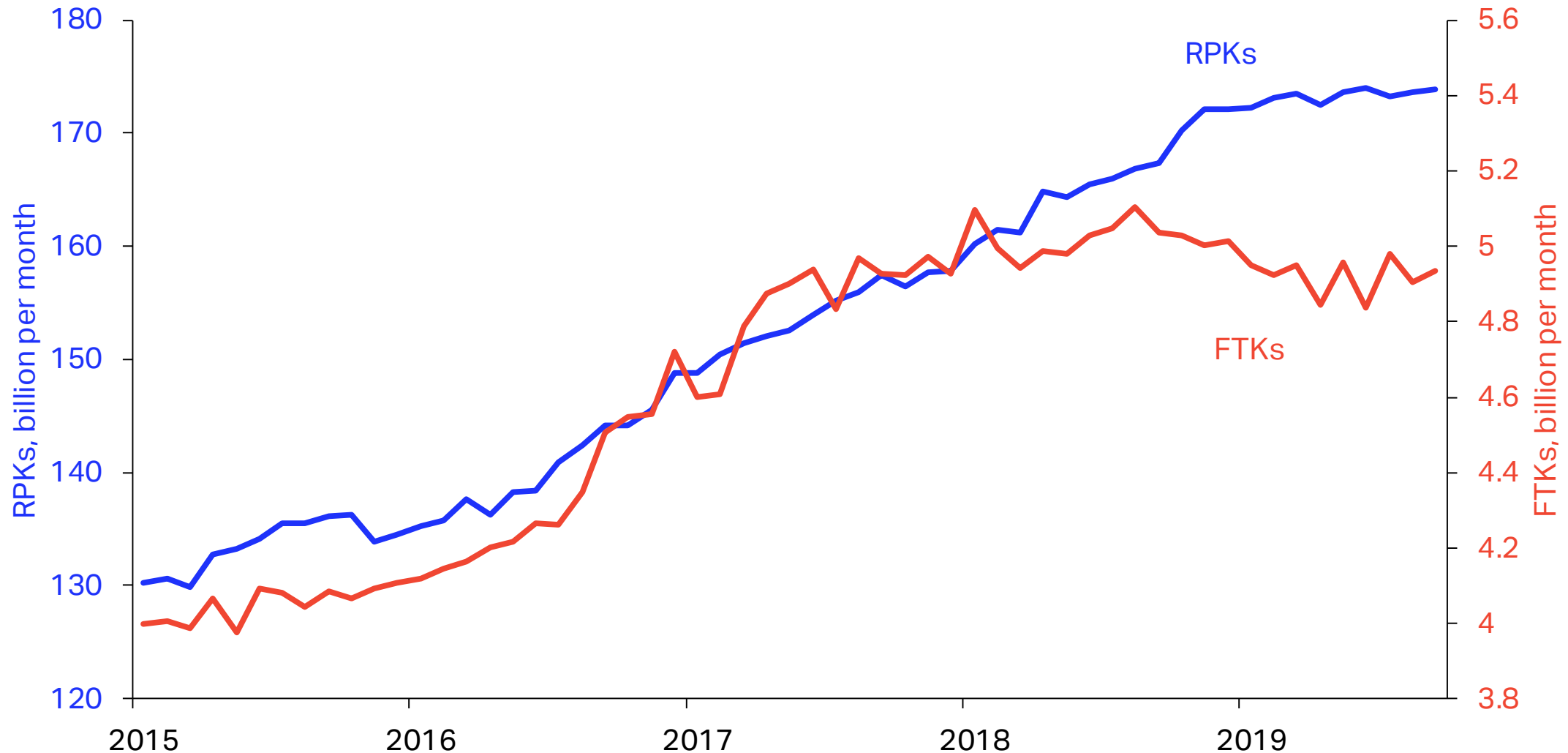
Brian Pearce
Chief Economist

19th November 2019



Europe's air cargo is shrinking and travel is stalling

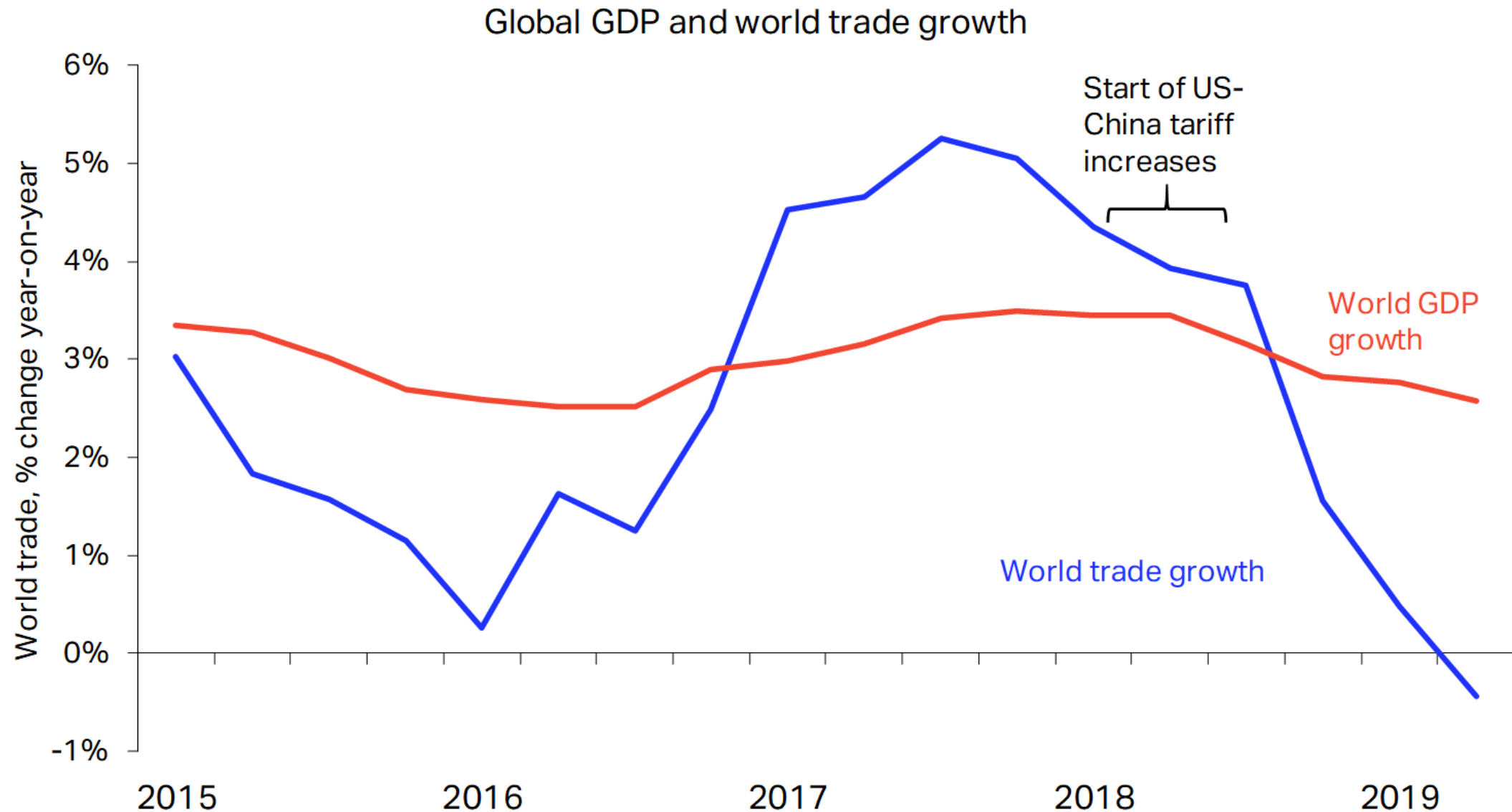
RPKs and FTKs carried by European airlines, billion per month, seasonally adjusted



Source: IATA Economics using data from IATA Statistics



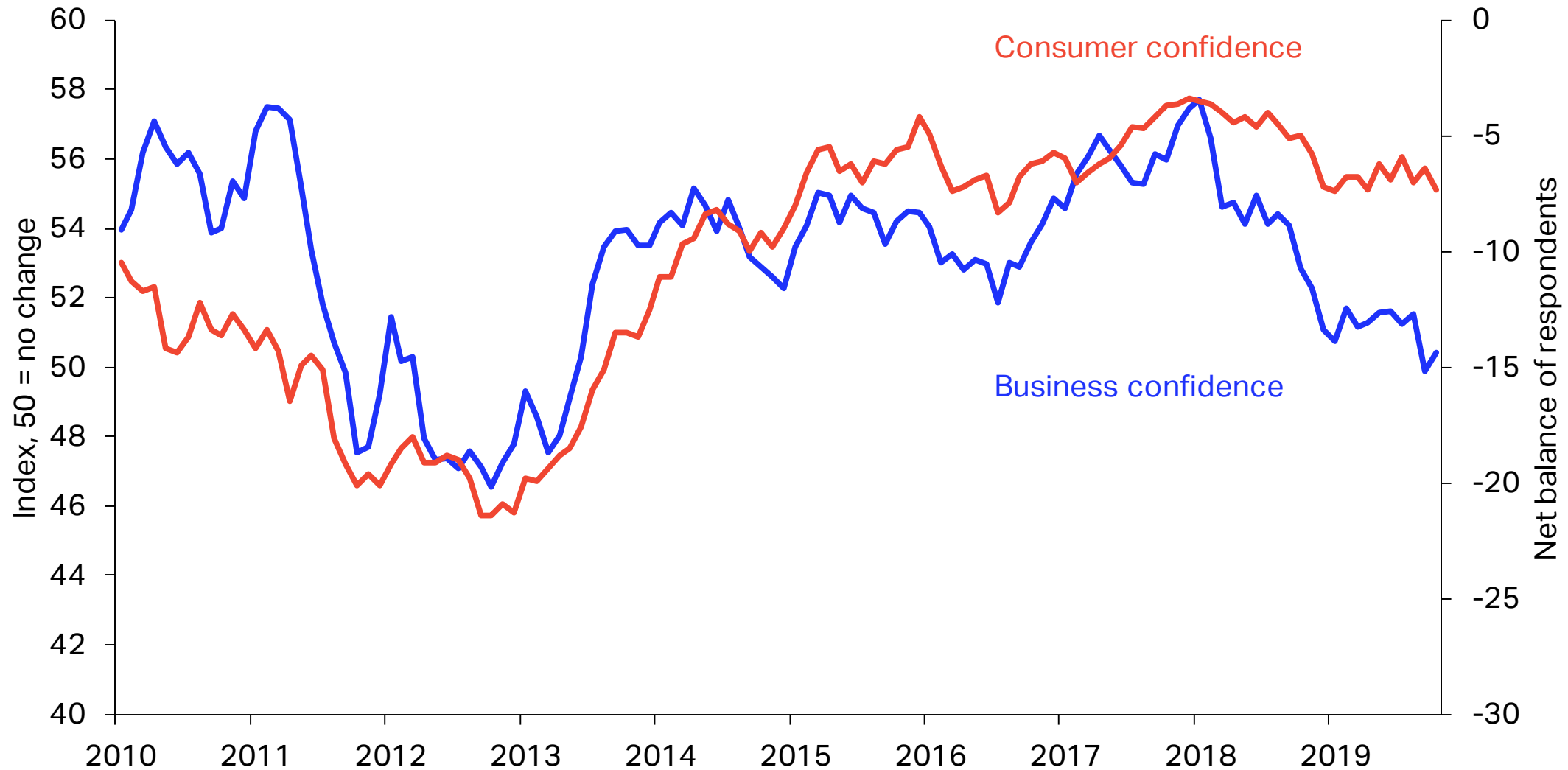
The trade war is causing serious damage



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

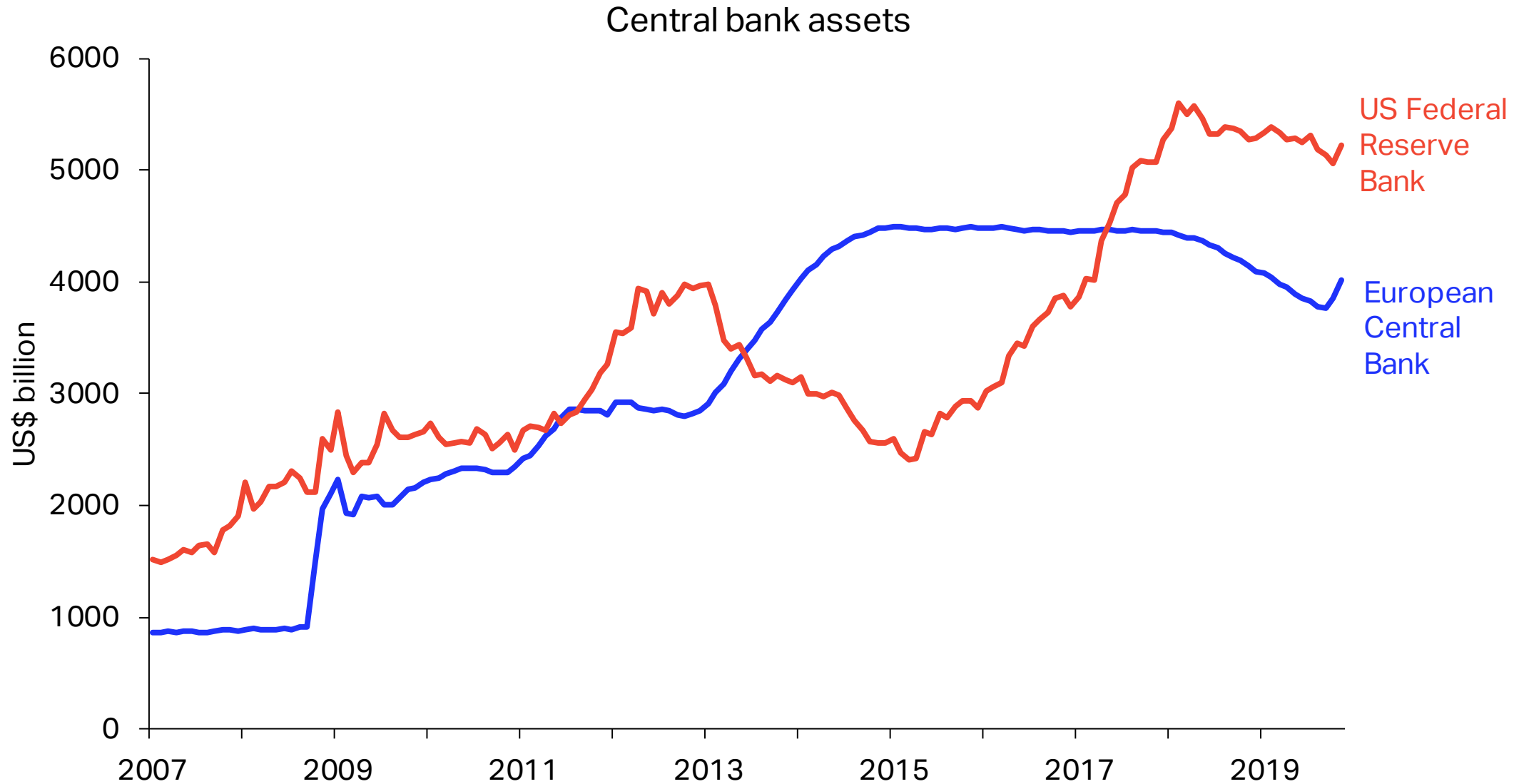
European business and consumers less confident

EU28 business and consumer confidence

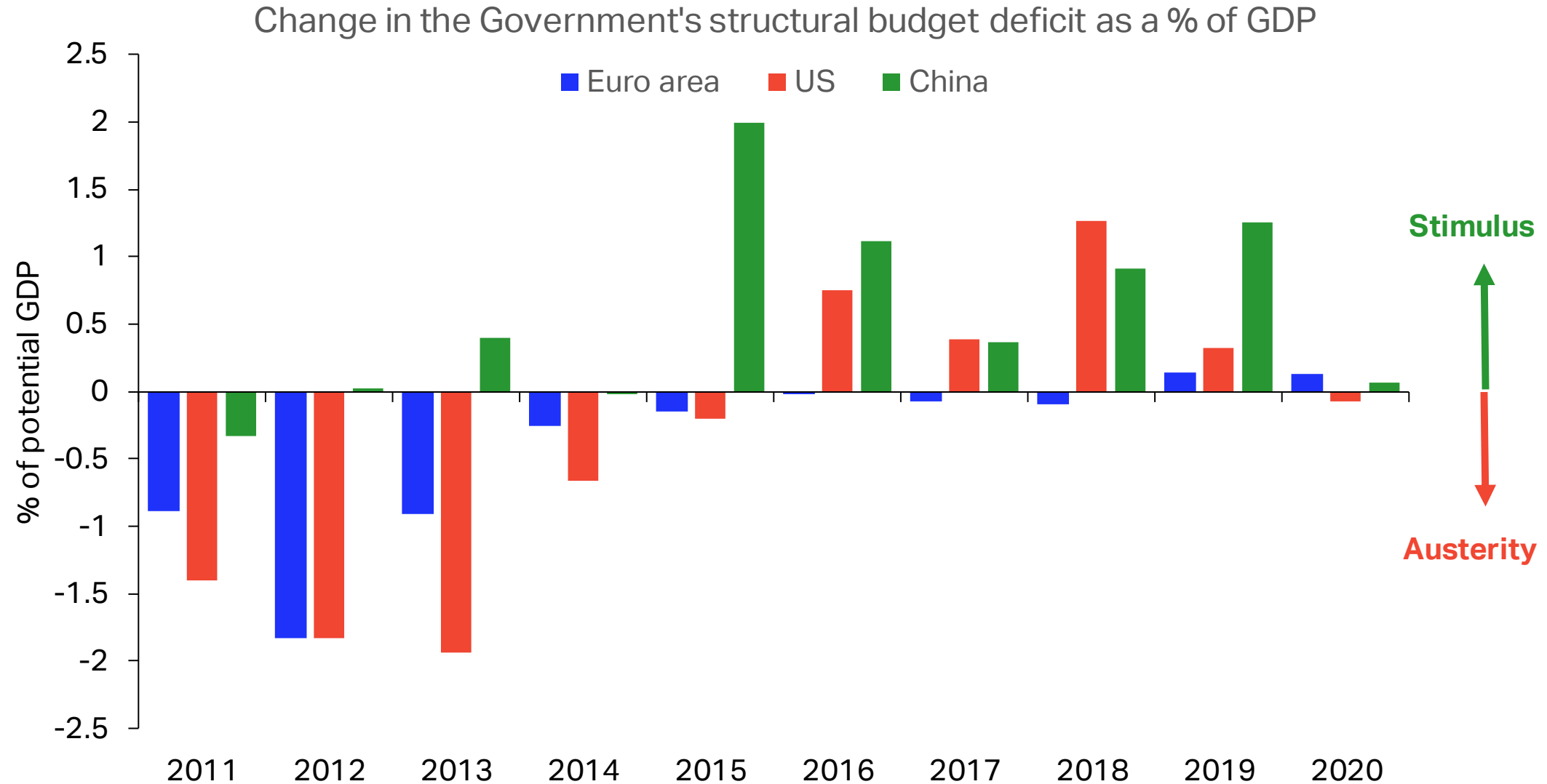


Source: Markit PMI composite, EU DG ECFIN consumer survey

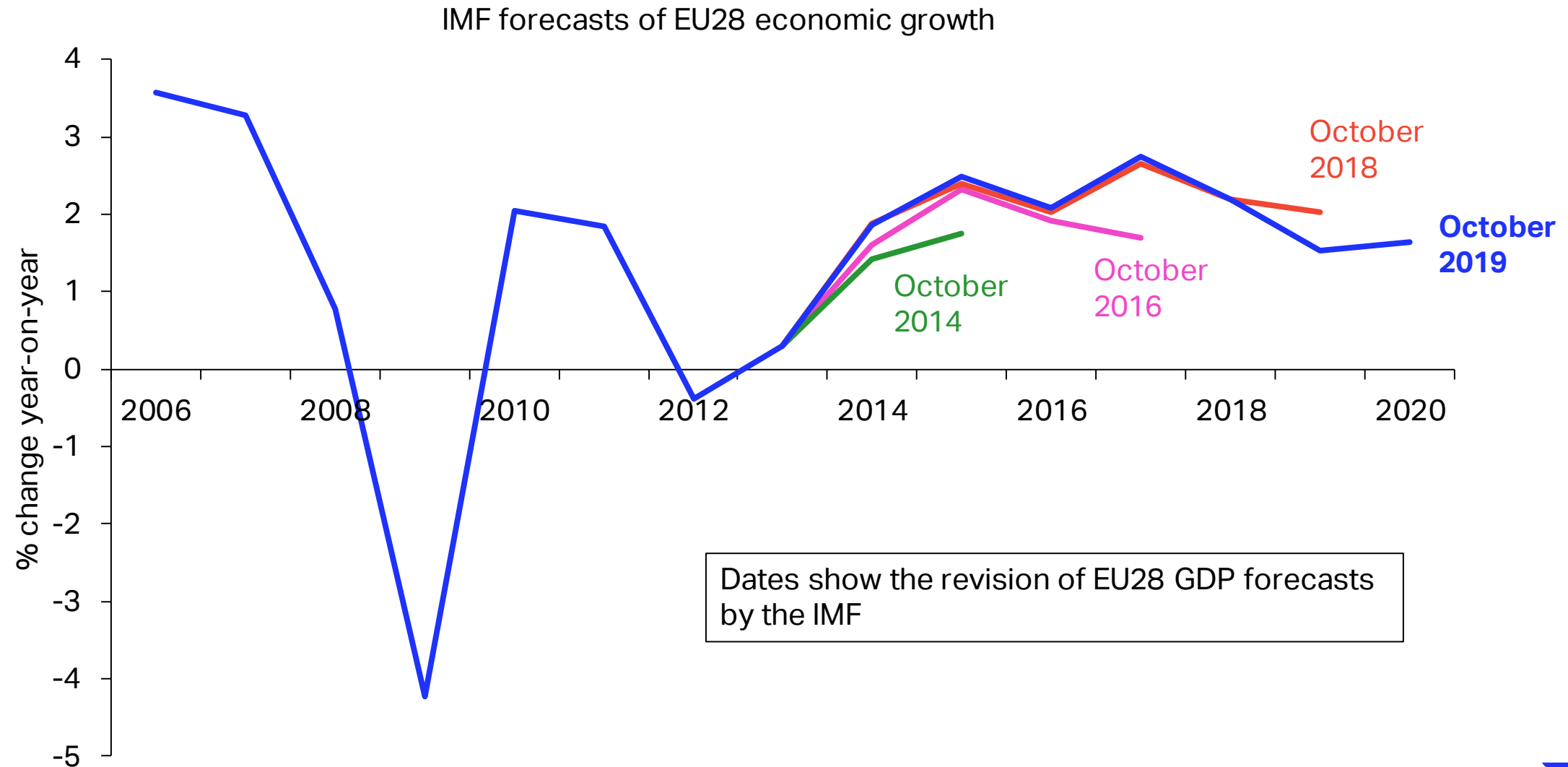
Central bank extraordinary support resumes



But no support from fiscal policy

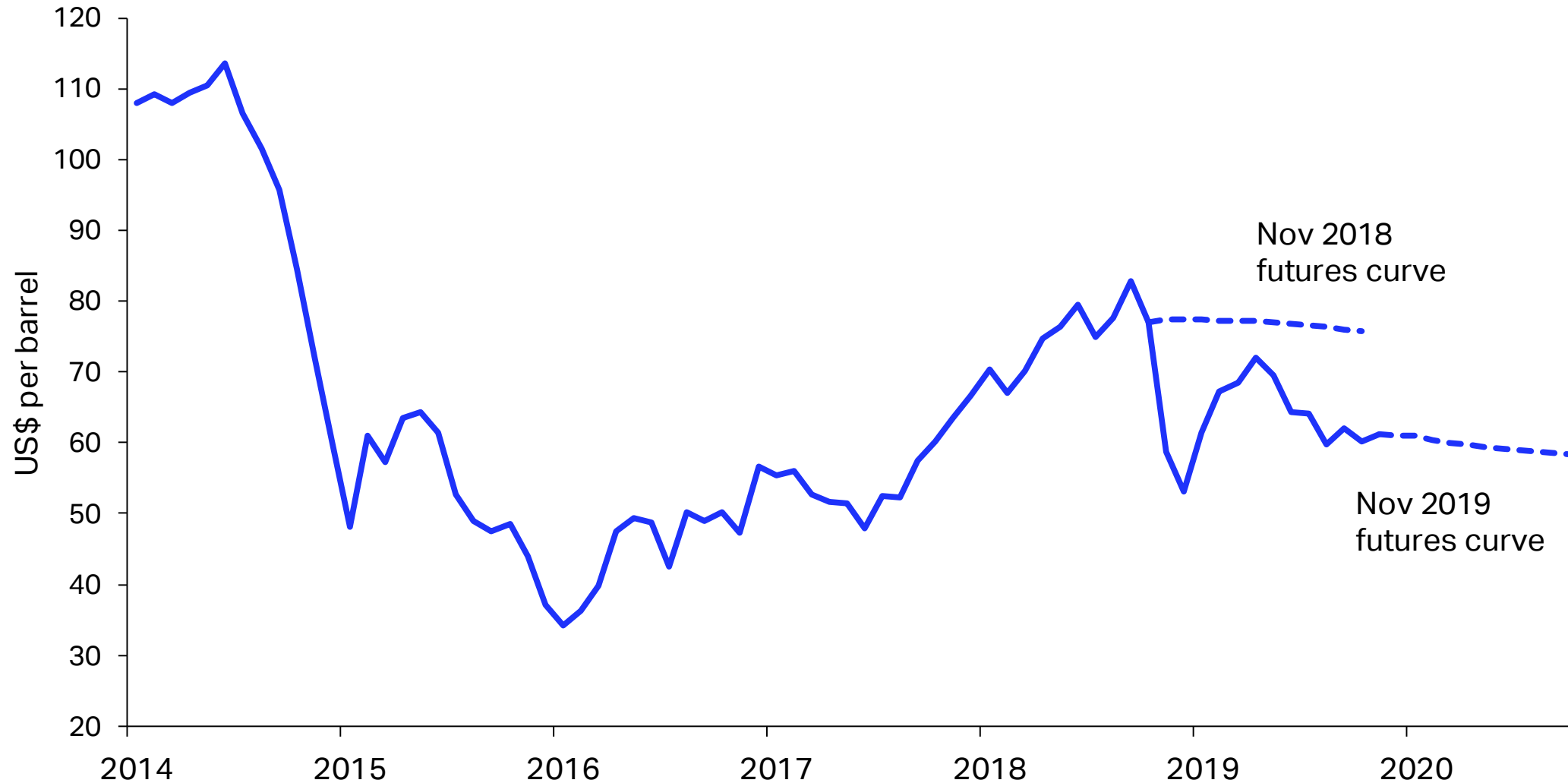


Economic growth forecasts could well be cut



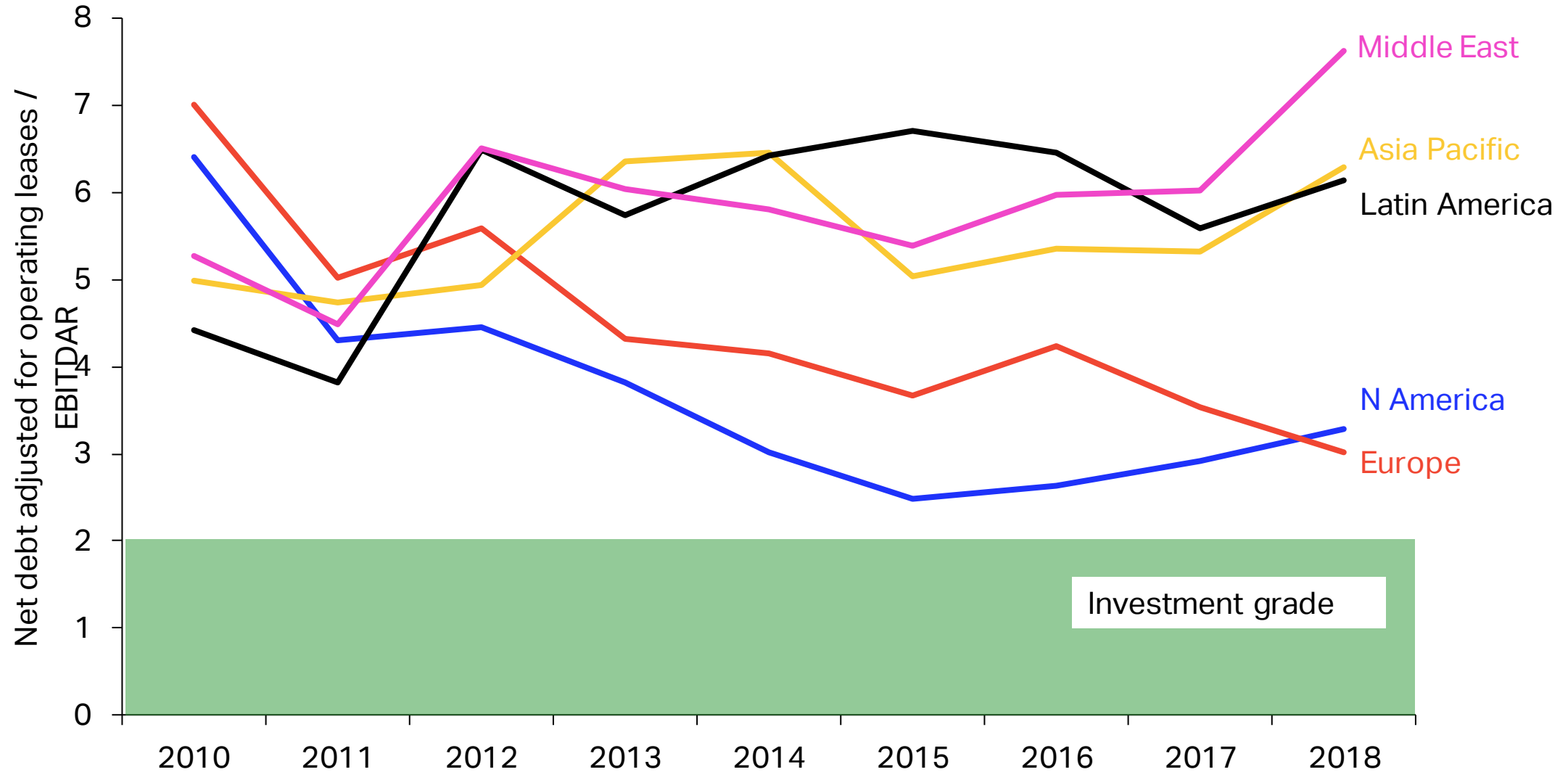
The weak economy should keep oil prices low

Brent crude oil price and oil future curve



Airlines will need strong balance sheets

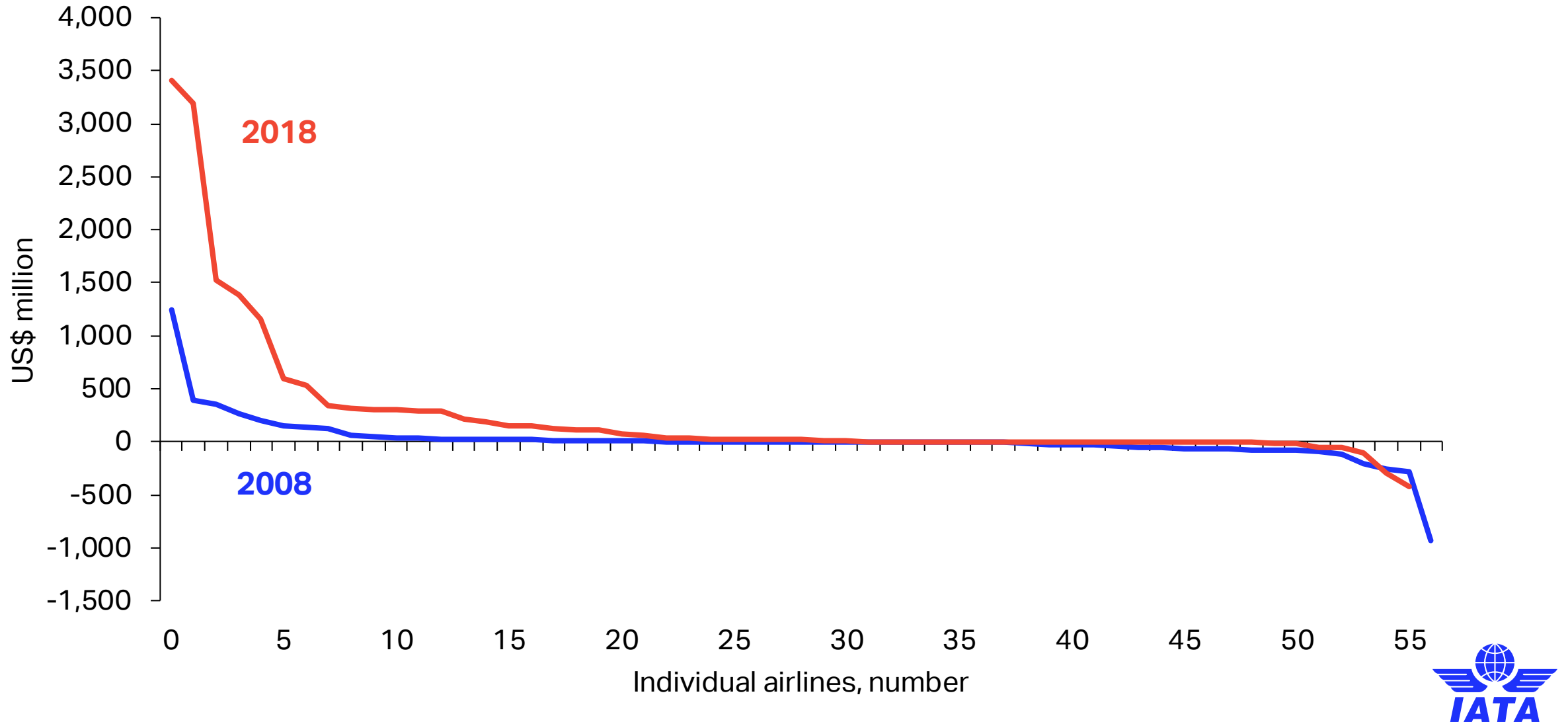
Net debt as a ratio of EBITDA



Source: IATA Economics using data from The Airline Analyst

Long tail of weaker airlines in Europe

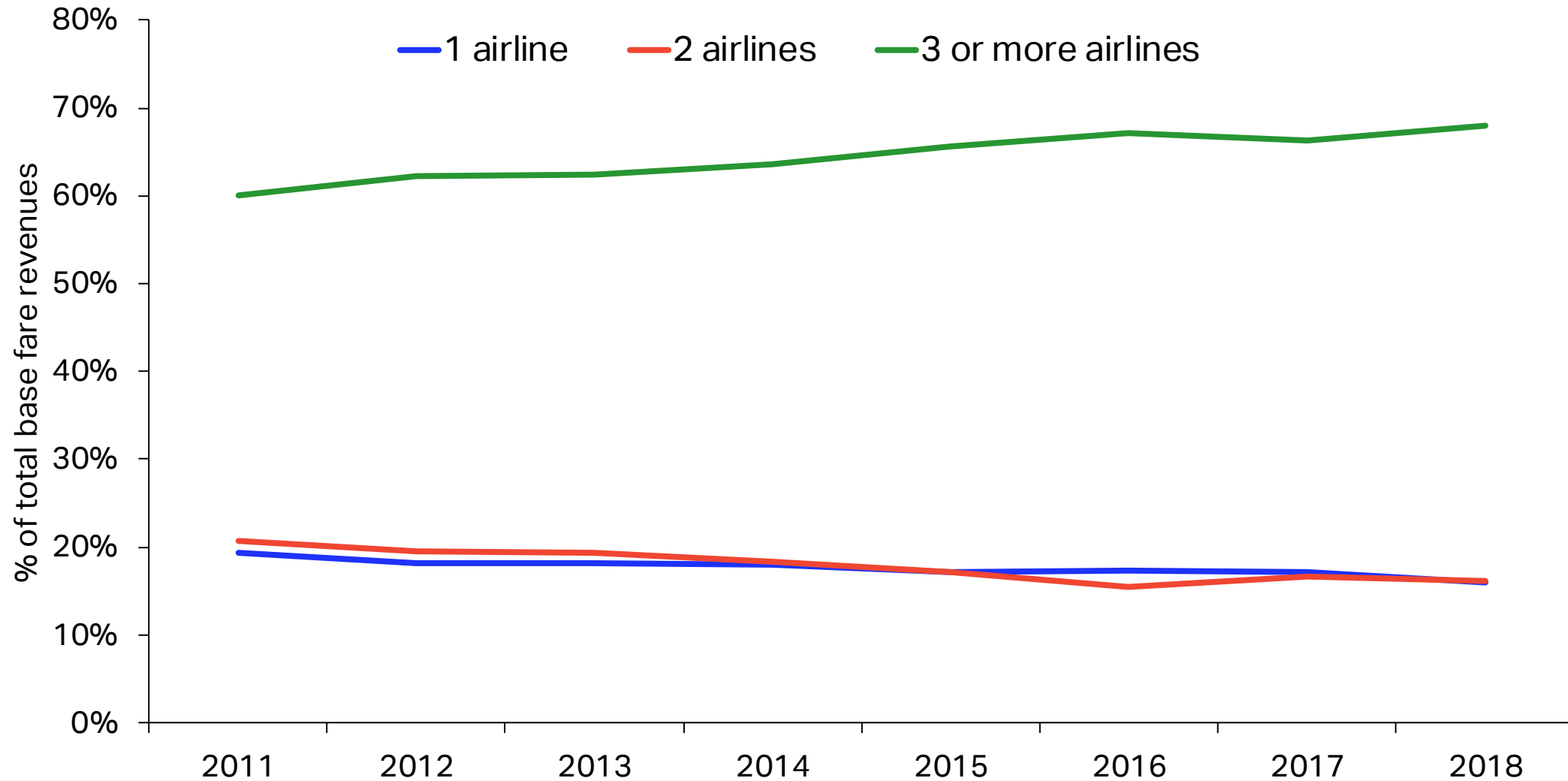
EBIT for individual European airlines, \$ million, 2008 versus 2018



Source: IATA Economics using data from The Airline Analyst

Competition remains strong

Revenue share of intra-EU routes served by 1, 2, 3 or more airlines

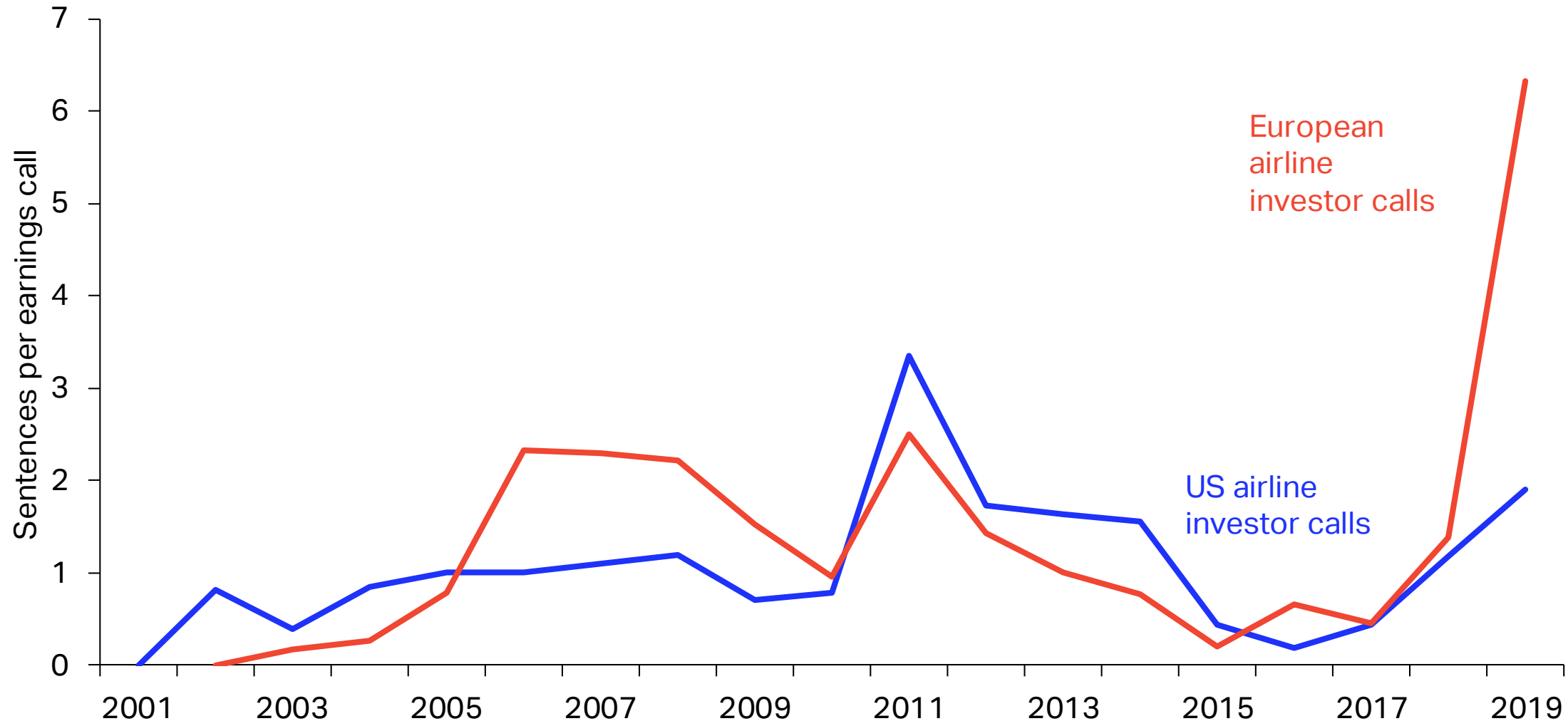


Source: IATA Economics using data from DDS



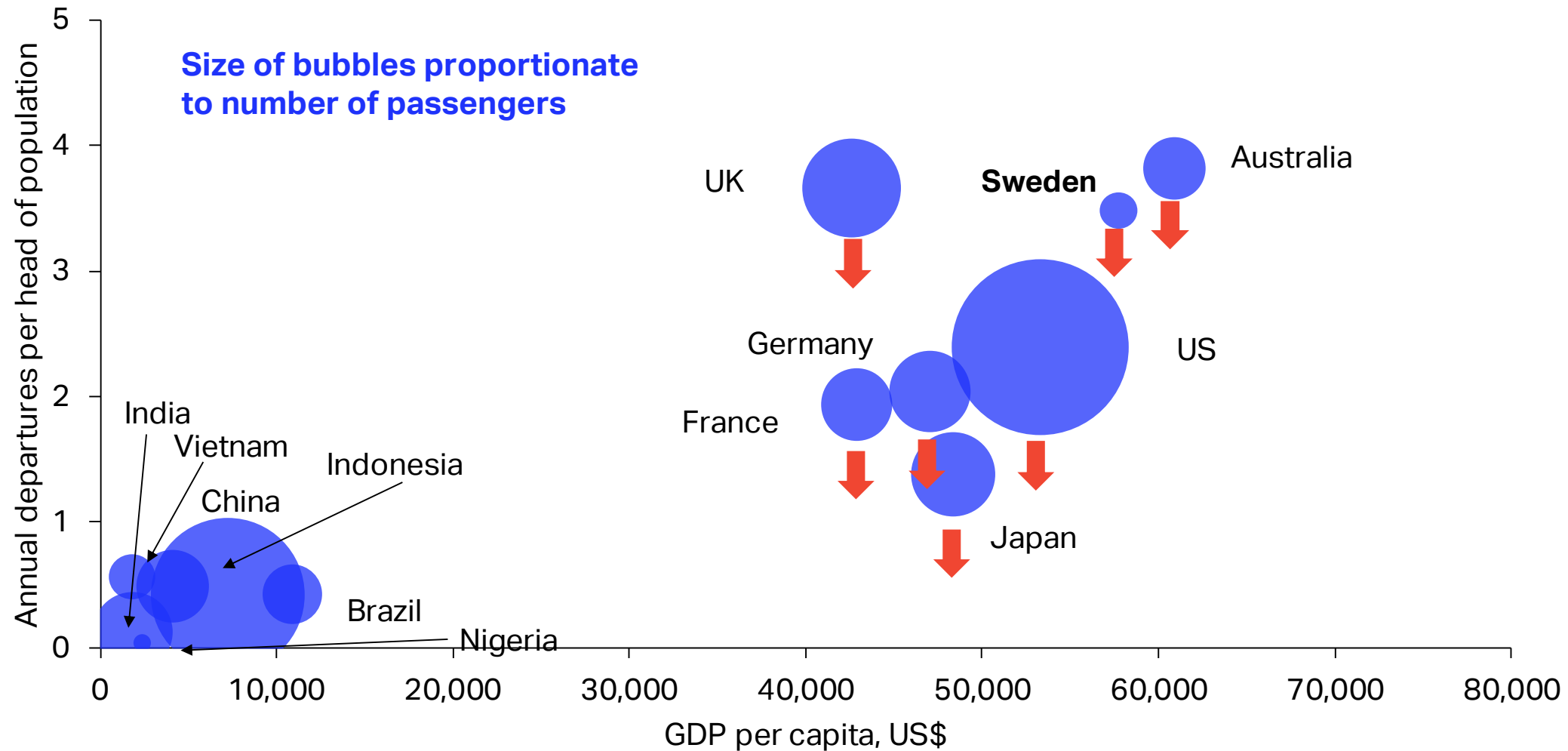
Climate change one of the key structural challenges

Frequency climate issue discussed at earnings calls with investors



Will 'Flygskam' change Business as Usual?

Passenger departures per head of population vs living standards

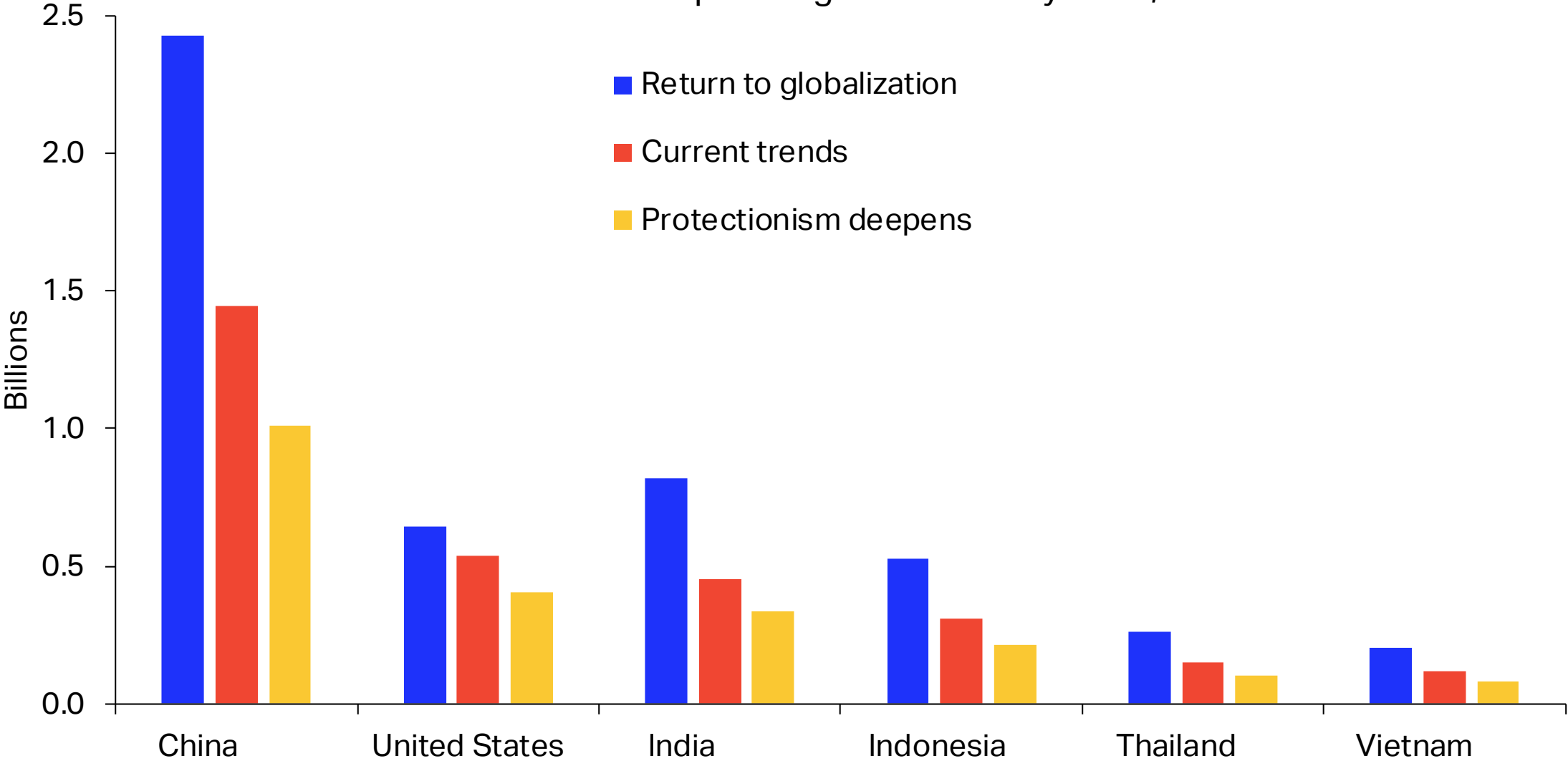


Aviation centre of gravity shifting away from Europe



Emerging market passenger flows grow rapidly

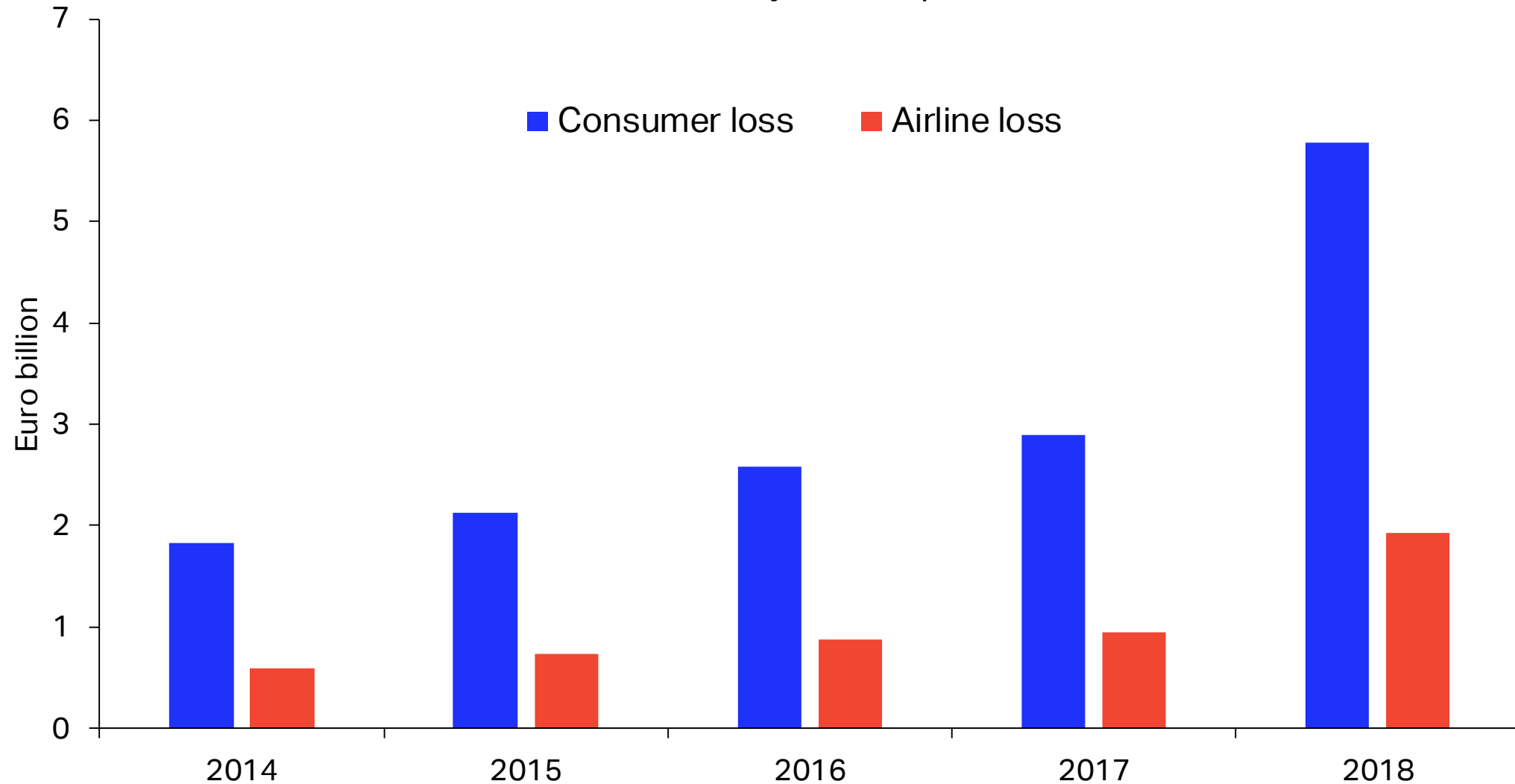
Incremental annual passenger numbers by 2038, billion



Source: IATA/Tourism Economics Air Passenger Forecasts, April 2019

Need to eliminate costly and wasteful congestion

Cost of en-route ATFM delays in Europe, Euro billions

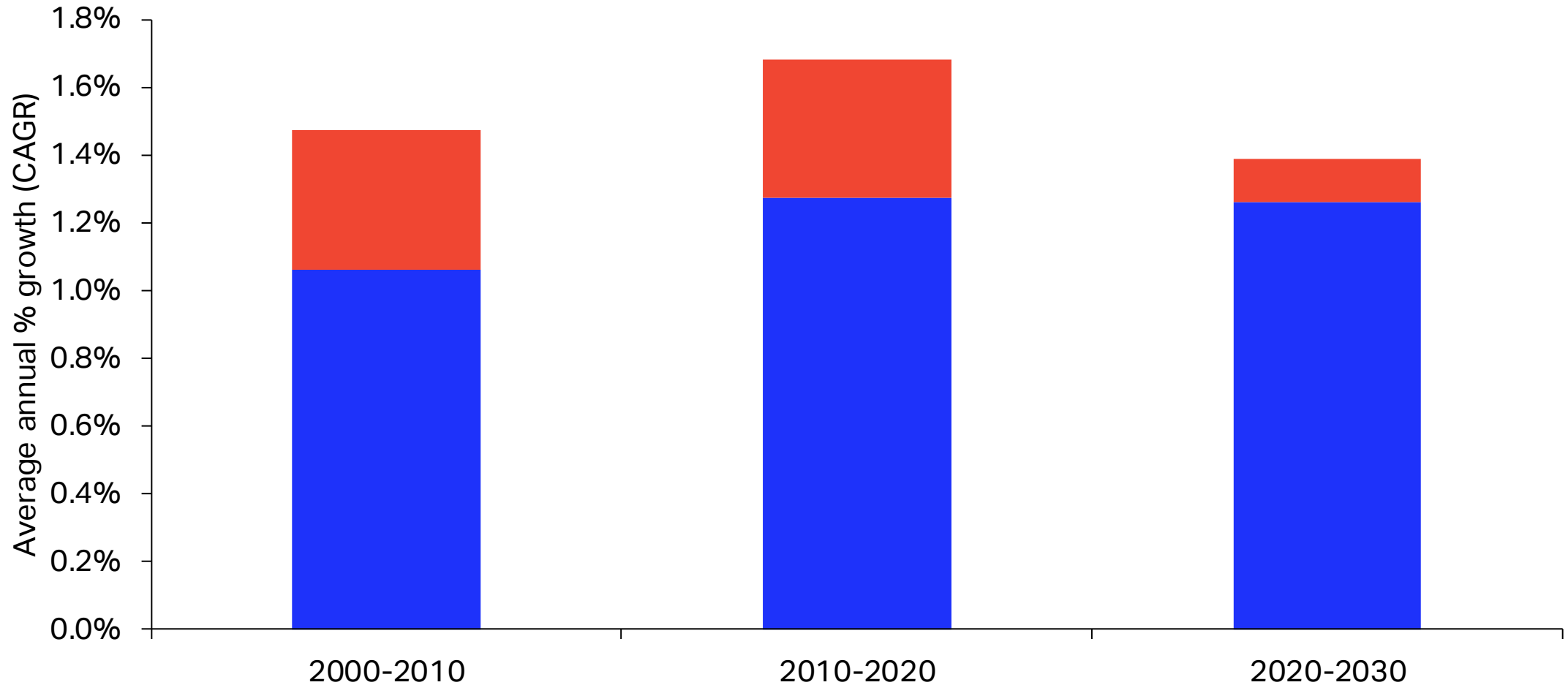


Source: IATA Economics using airline losses estimated by PRC and average value for Eurocontrol value of time for passengers

Productivity vital given Europe's poor demographics

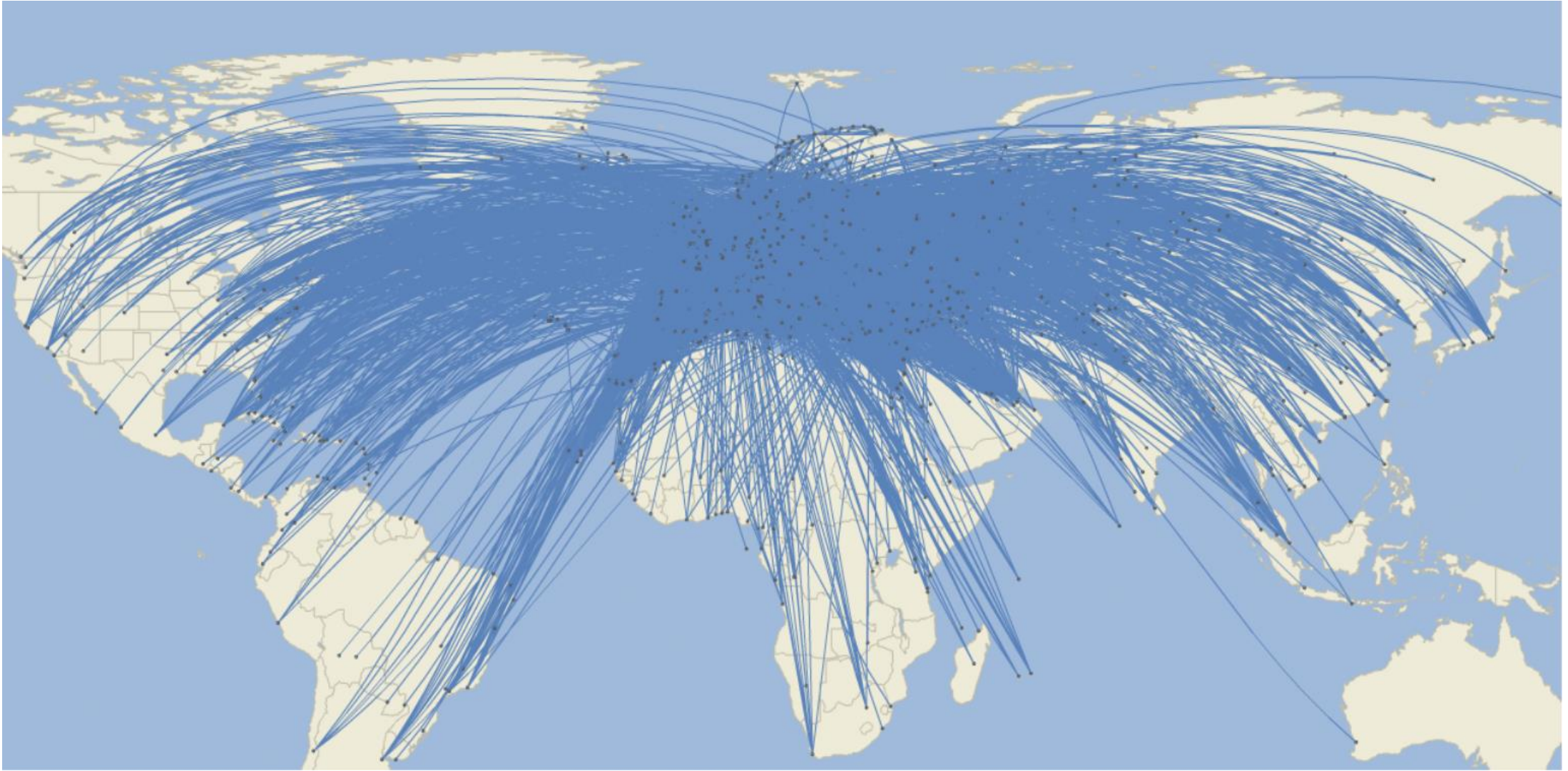
Average GDP growth in Europe and its components

■ GDP/capita growth ■ Population growth



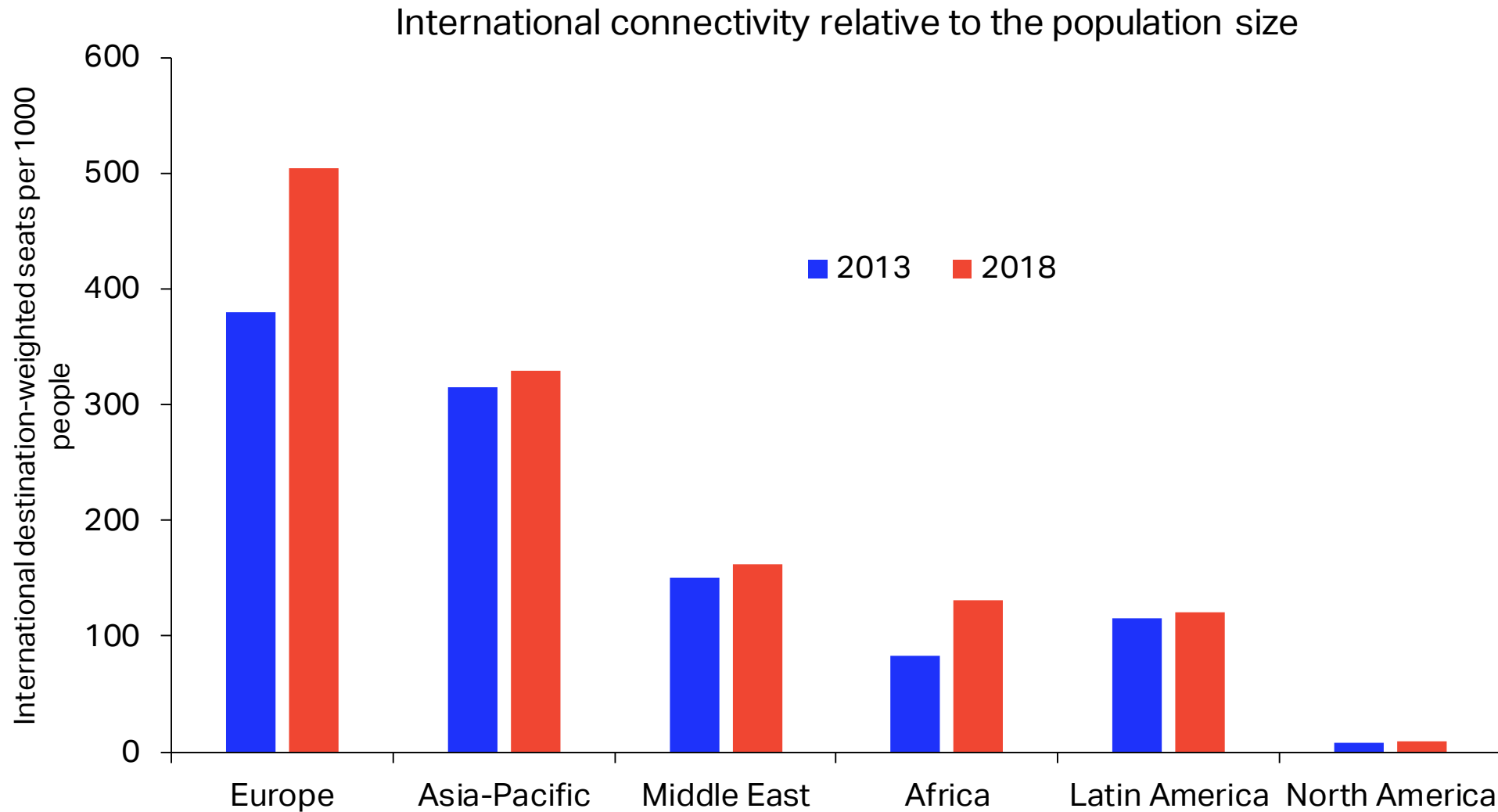
Source: IATA Economics using data from Oxford Economics, November 2019 forecast

This is aviation's critical role for Europe



Source: SRS Analyser, November 2019, Europe to all airports, scheduled flights

Airlines connect Europe better than other regions



Generating key ingredients for economic success

Facilitating flows of:

- Investment
- Trade
- Skilled labour
- Competition
- Innovation
- Tourism

Boosting European productivity

(i.e. doing more with less)

Thank you

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