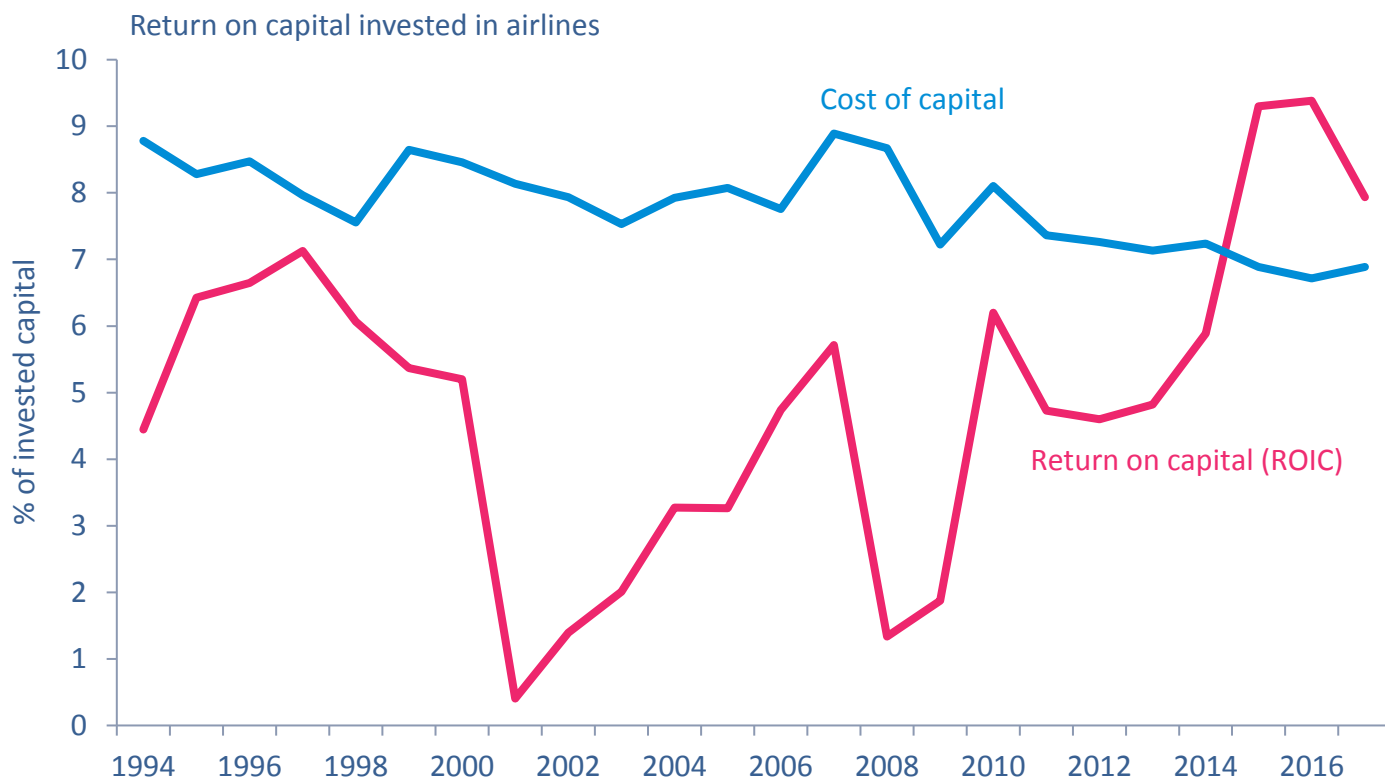




IATA ECONOMICS' CHART OF THE WEEK

9 DECEMBER 2016

CREATING VALUE FOR INVESTORS – THE 2017 INDUSTRY OUTLOOK



- The global airline industry is forecast to generate a solid 7.9% return on invested capital in 2017, delivering a third successive year – and only the third year in total – where the return on invested capital (ROIC) exceeds the cost of that capital (ie. the return that investors would expect to receive from investing in alternative assets of comparable risk). In other words, the air transport industry is expected to again create value for investors in 2017.
- Operating conditions for airlines are expected to be more difficult next year, with higher fuel costs and a still relatively weak global economic backdrop. Such factors contribute to a modest decline in the expected ROIC from an estimated 9.4% this year – a record high for the industry.
- But as we have noted previously, the stronger ROIC performance in recent years has not just been due to lower fuel costs. Airlines have also made important changes to keep load factors above break-even rates, and have improved capital productivity significantly. This investment in restructuring and re-engineering the business has ensured that the industry is also more resilient and gives support to the notion that the recent financial performance can be sustained even as oil prices rise.
- All told, as an industry, being able to generate the level of returns that investors expect on a much more consistent basis will be important in attracting the estimated \$5-6 trillion of new capital required over the next 20 years to fund fleet renewal and replacement. The full *Airline Industry Economic Performance* report can be found [here](#).

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