

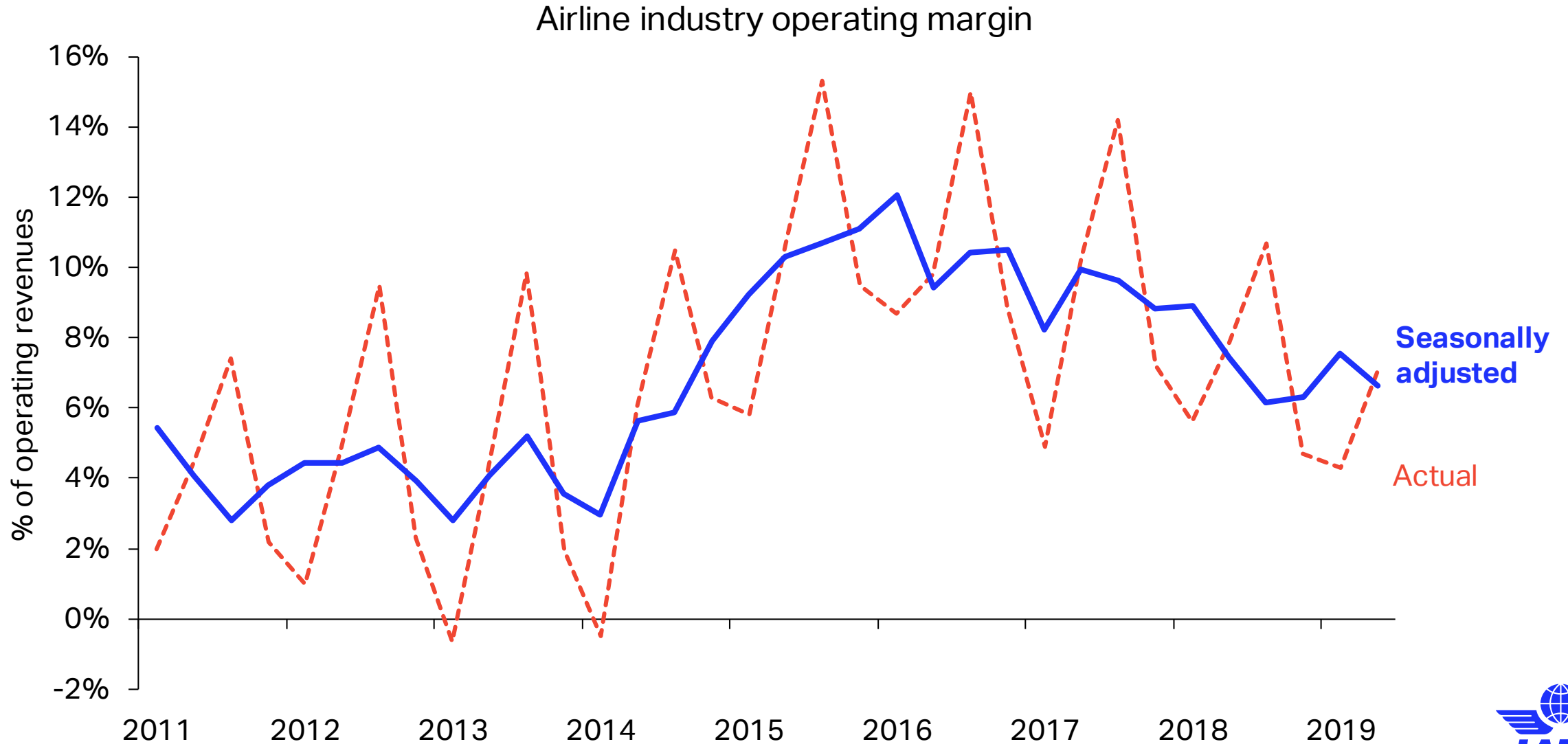
# Global airline industry performance and outlook

Brian Pearce  
Chief Economist

4<sup>th</sup> September 2019



# Despite challenges are industry margins stabilizing?



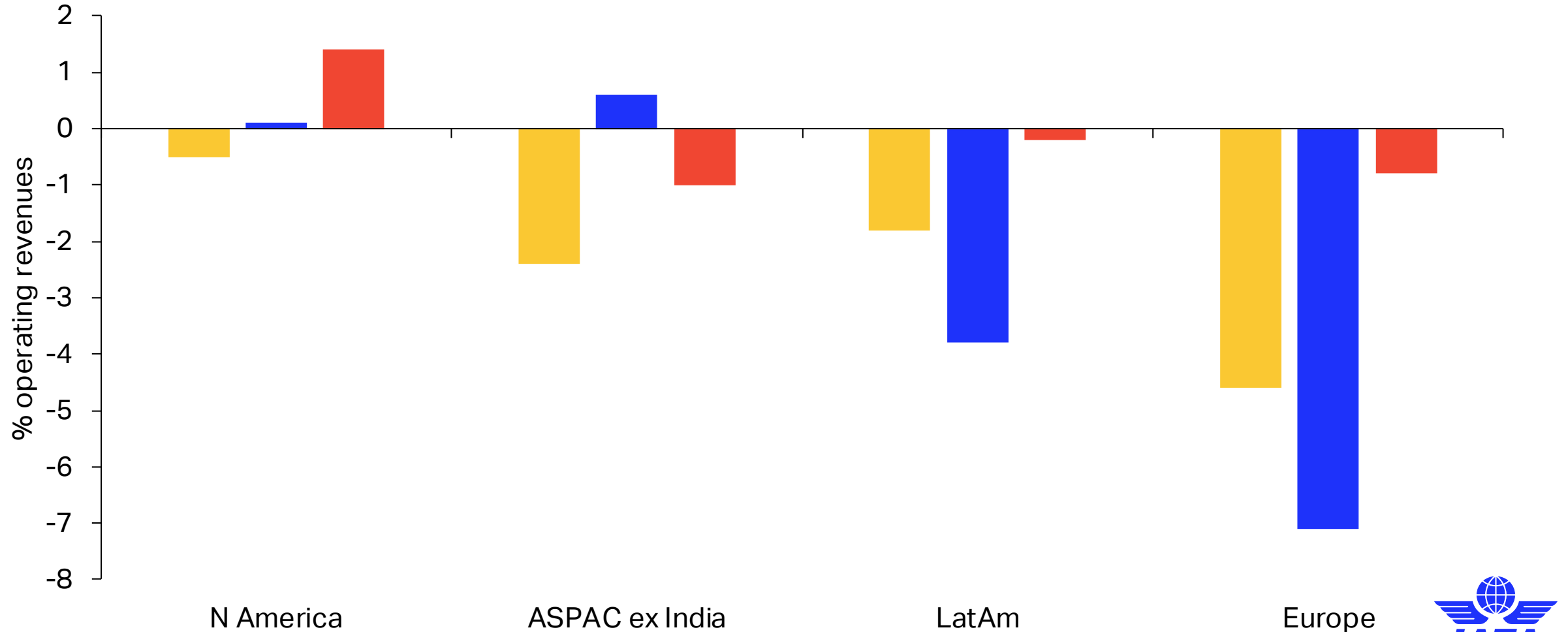
Source: IATA Economics using data from The Airline Analyst



# They are in North America, less so elsewhere

Operating margins, year-on-year change, % points

2008Q4 2019Q1 2019Q2

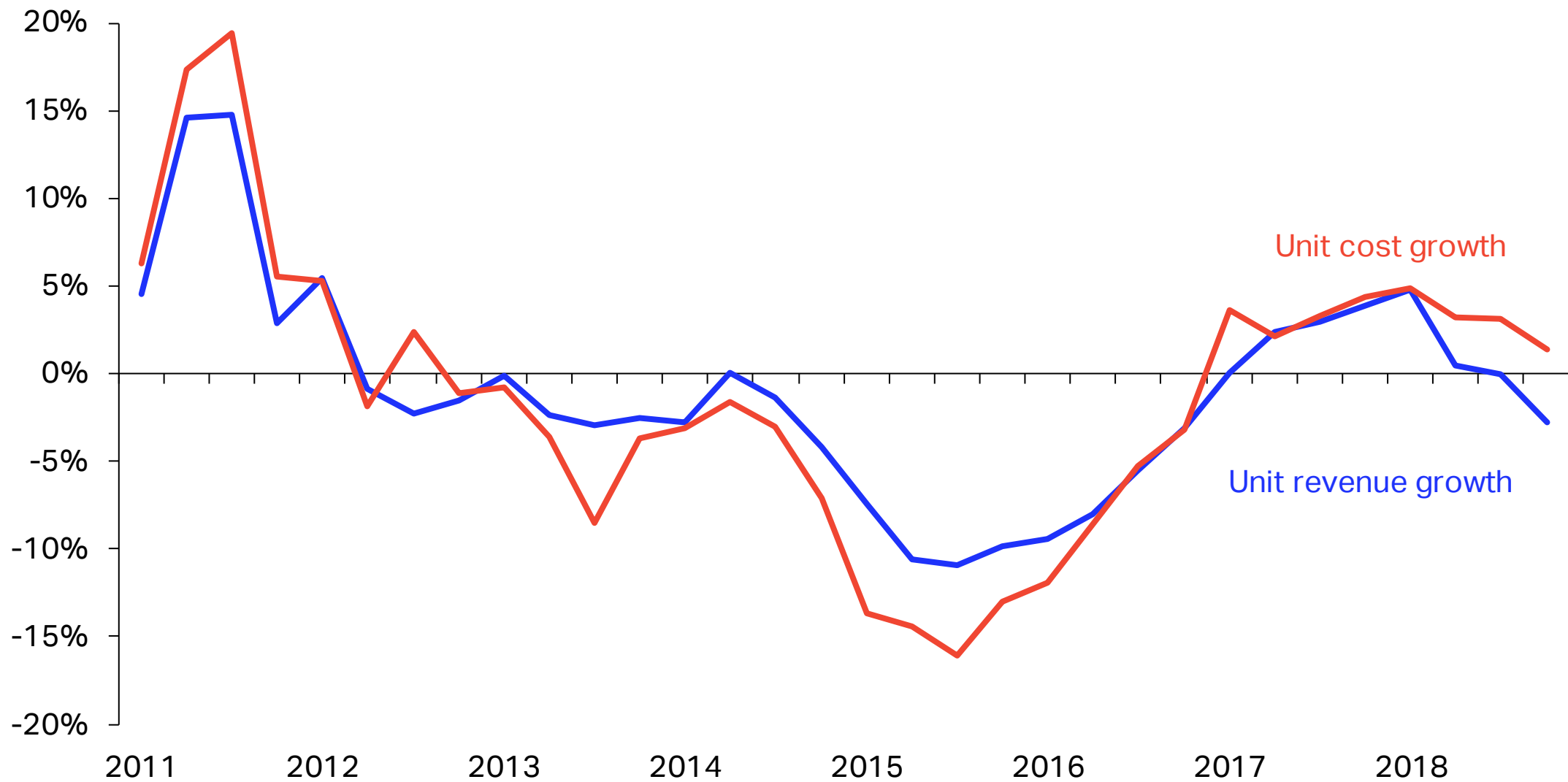


Source: IATA Economics using data from The Airline Analyst



# 2018 problem had been with costs and their recovery

Unit cost and unit revenue growth

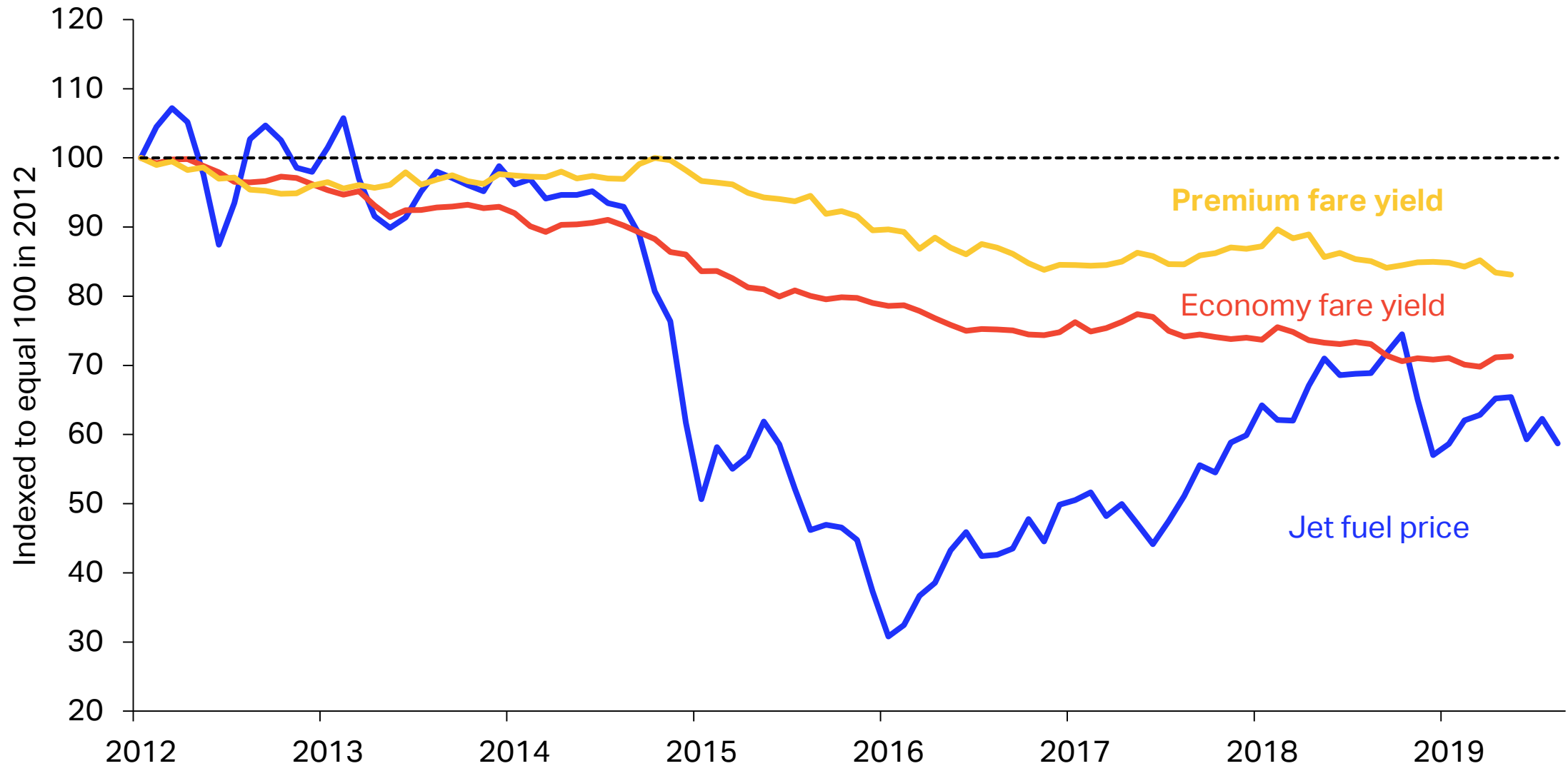


Source: IATA Economics using data from The Airline Analyst



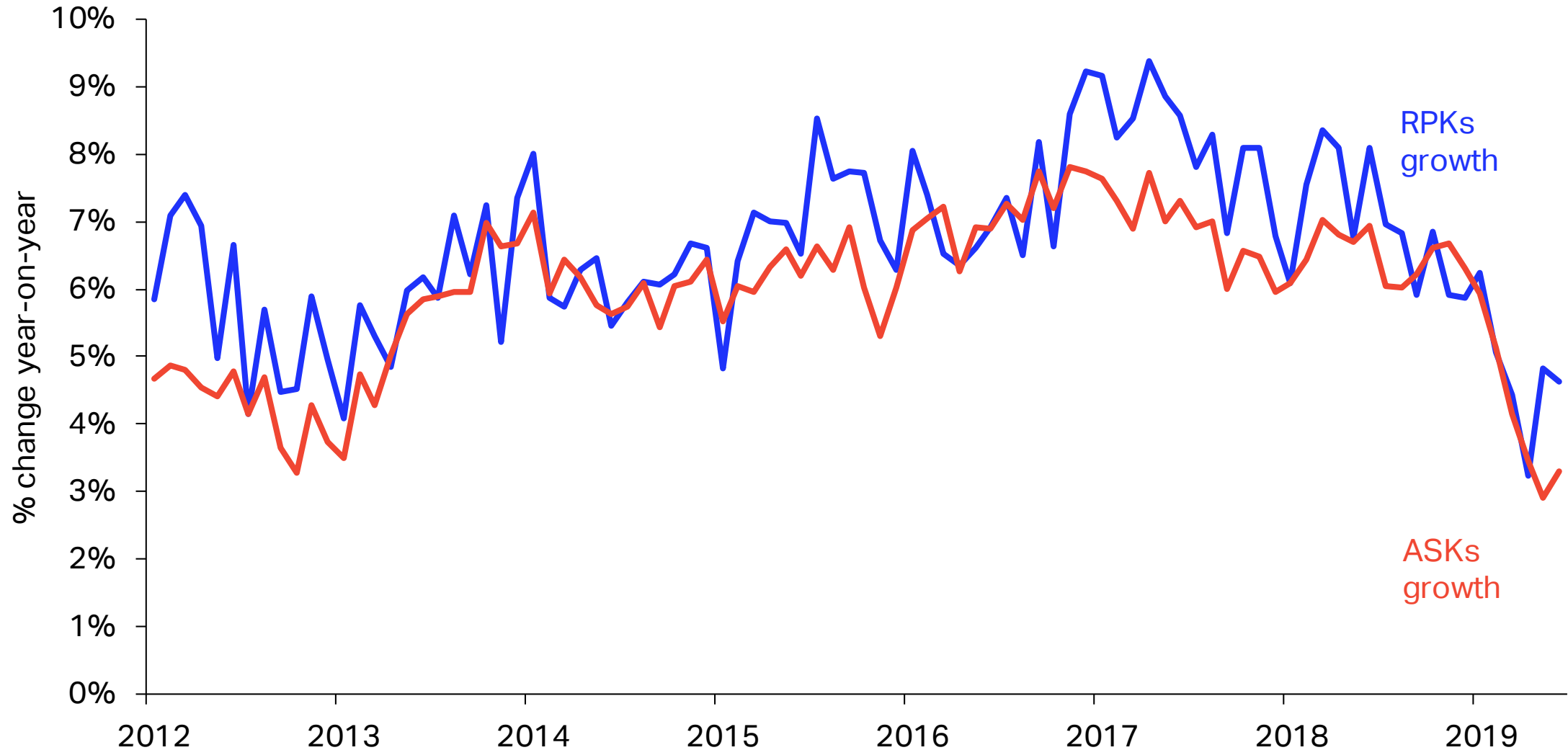
# Fuel costs now falling but is that good or bad?

Jet fuel price and base fare yields for economy and premium seats



# Airlines appear to be matching supply to demand

Growth in global RPKs and ASKs

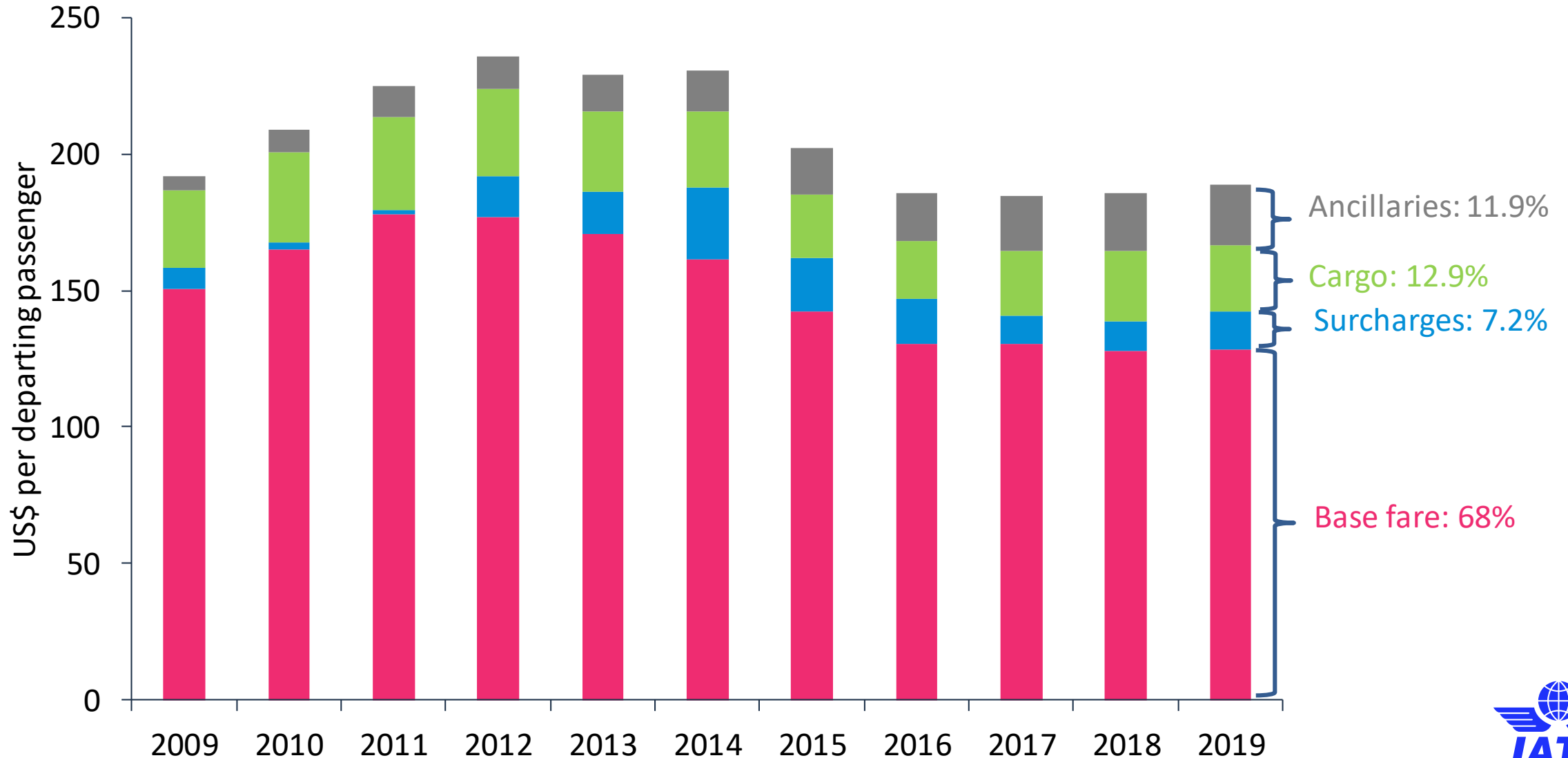


Source: IATA Economics using data from IATA Statistics



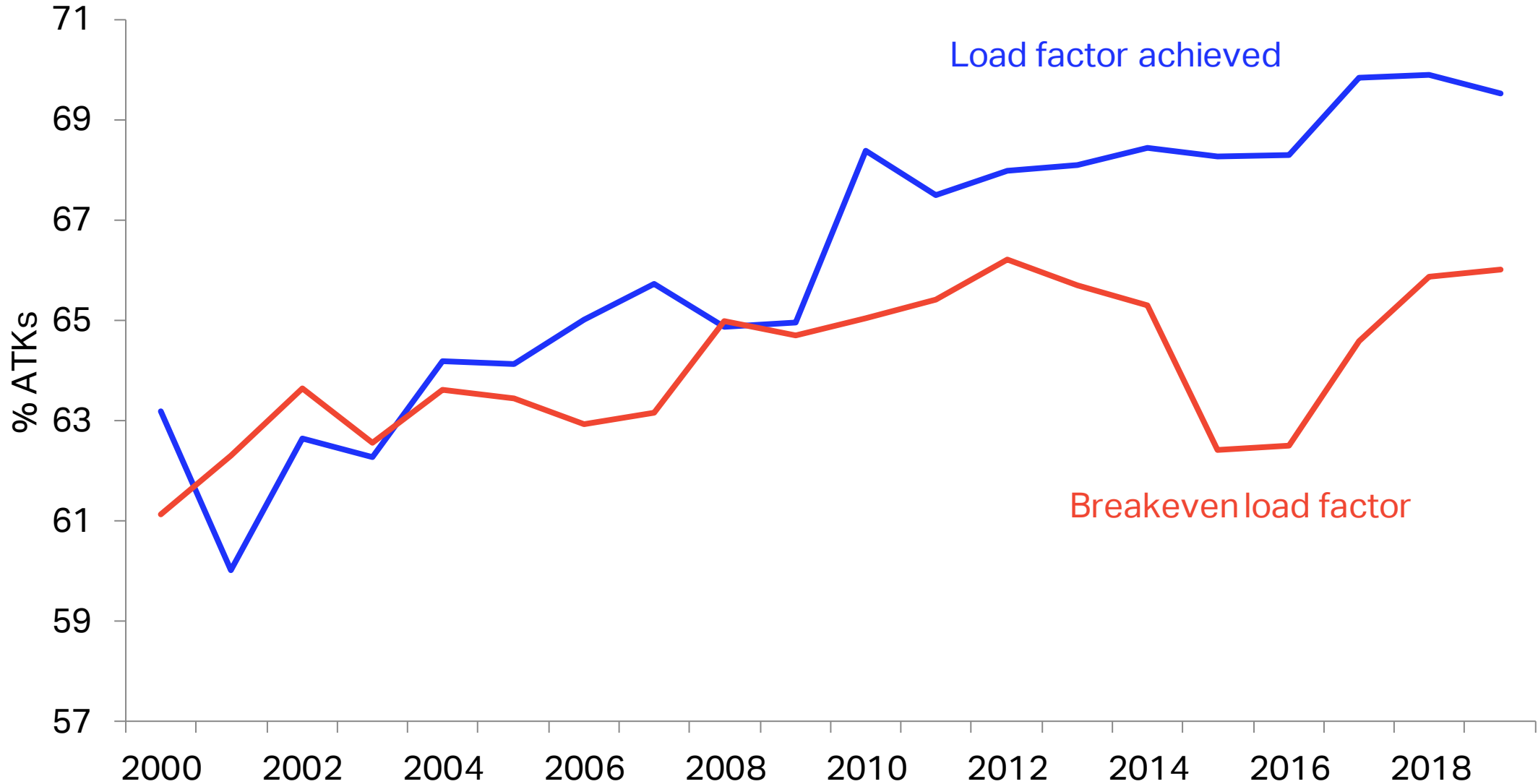
# Ancillaries increasingly helping to recover costs

Airline revenue per passenger, US\$



# Limiting narrowing of the gap above breakeven

Breakeven and achieved cargo + passenger weight load factors



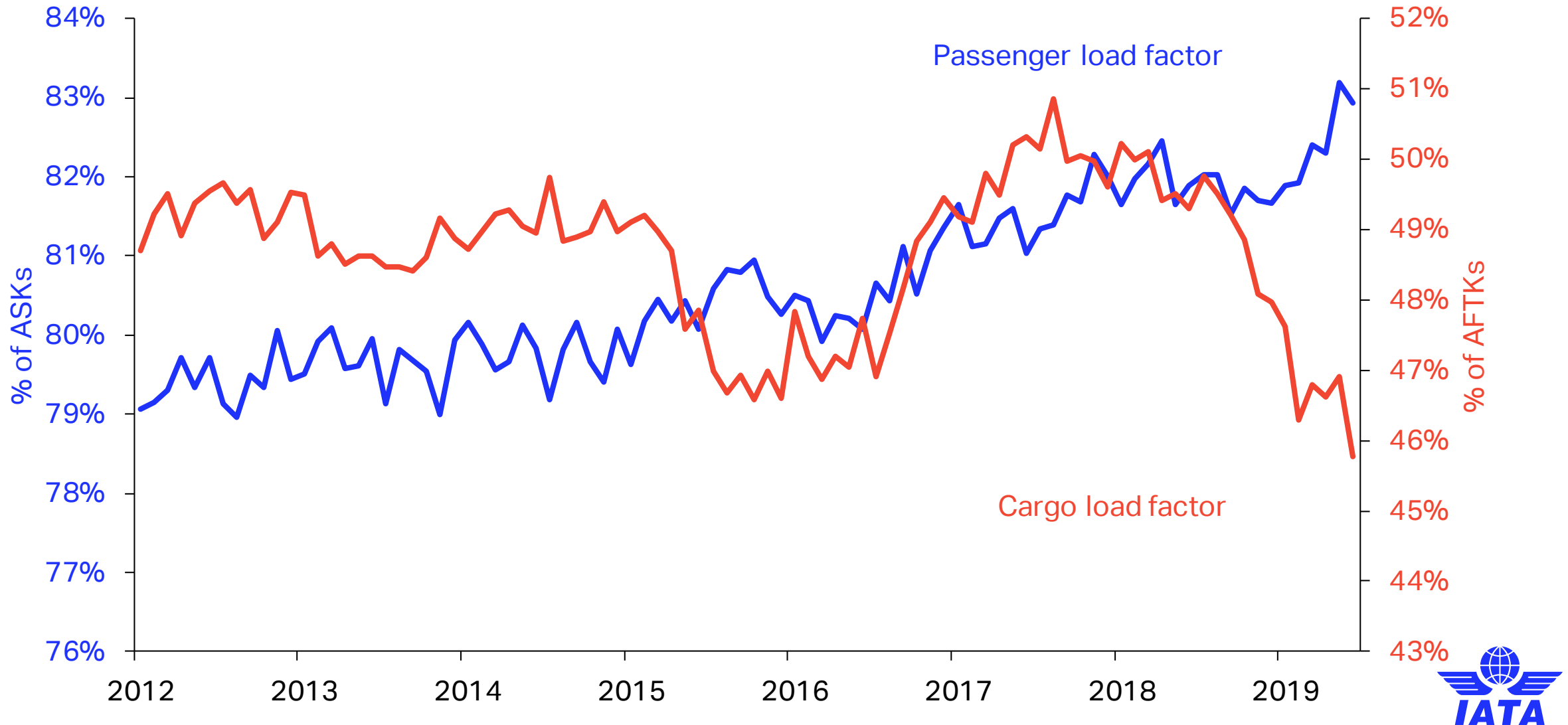
Source: IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019





# But much less success in the cargo business

Global passenger and cargo load factors

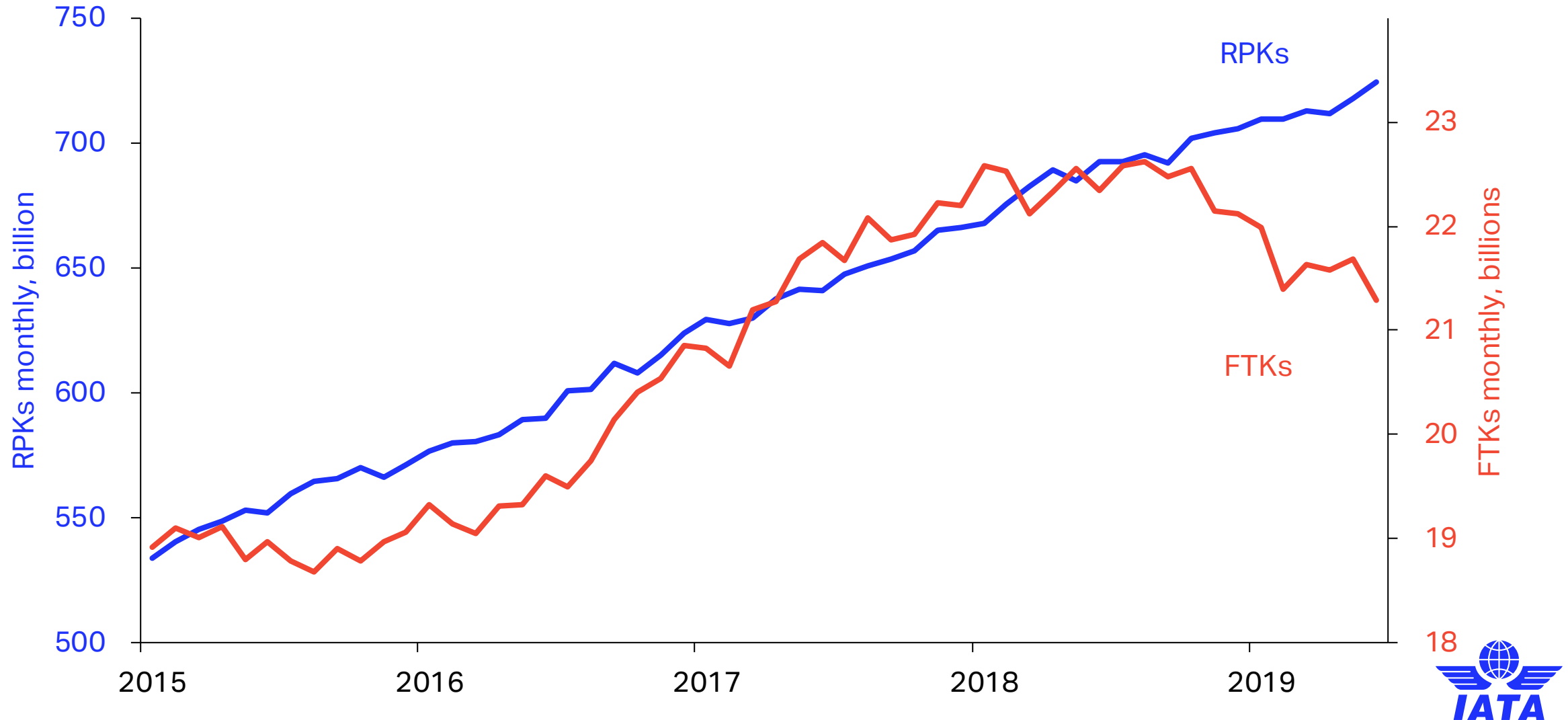


Source: IATA Economics using data from IATA Statistics



# Cargo under much greater pressure than travel

Global RPKs and FTKs, billions per month

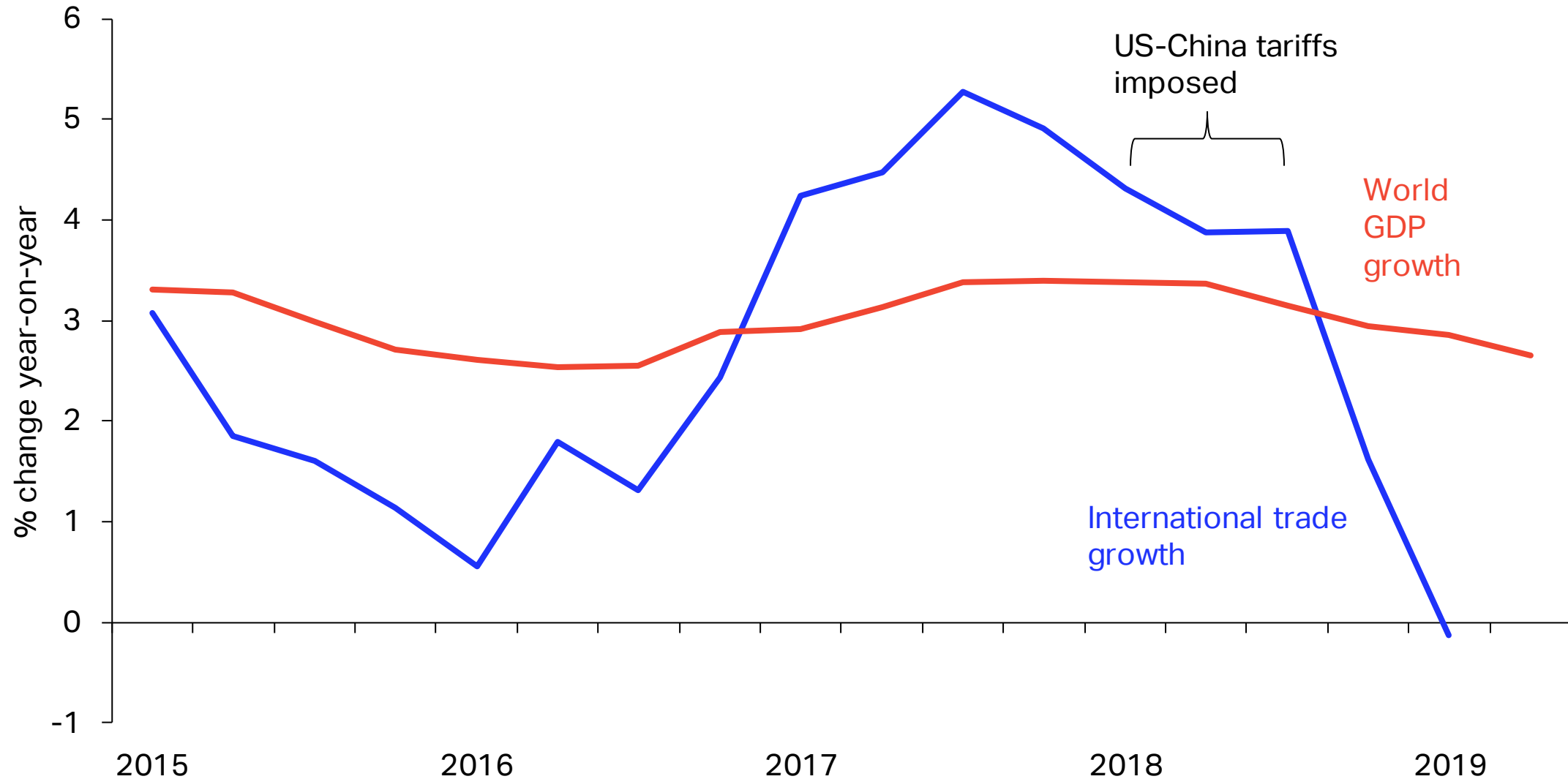


Source: IATA Economics using data from IATA Statistics



# Trade war damage

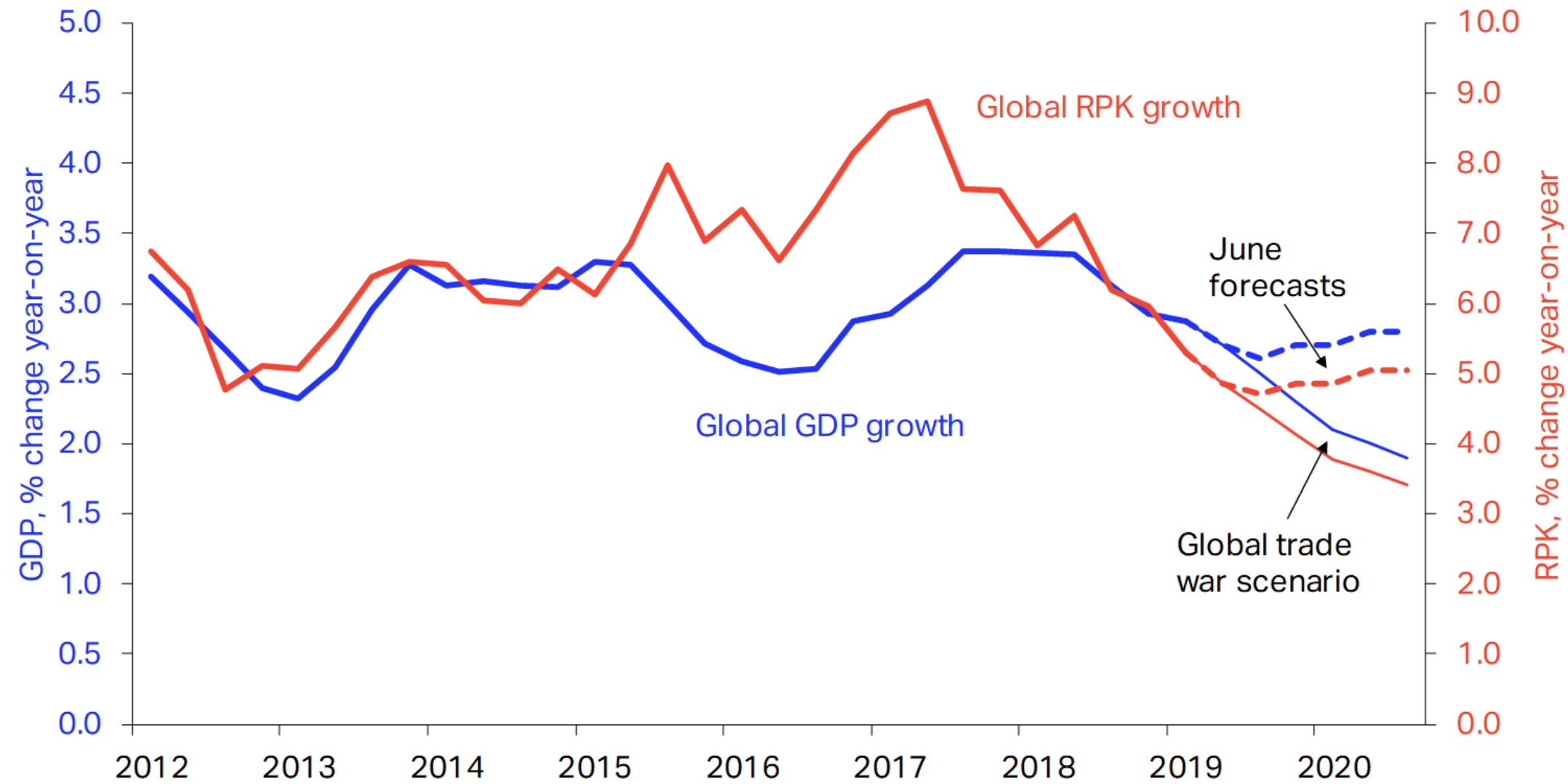
World GDP and international trade growth



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

# Downside risk

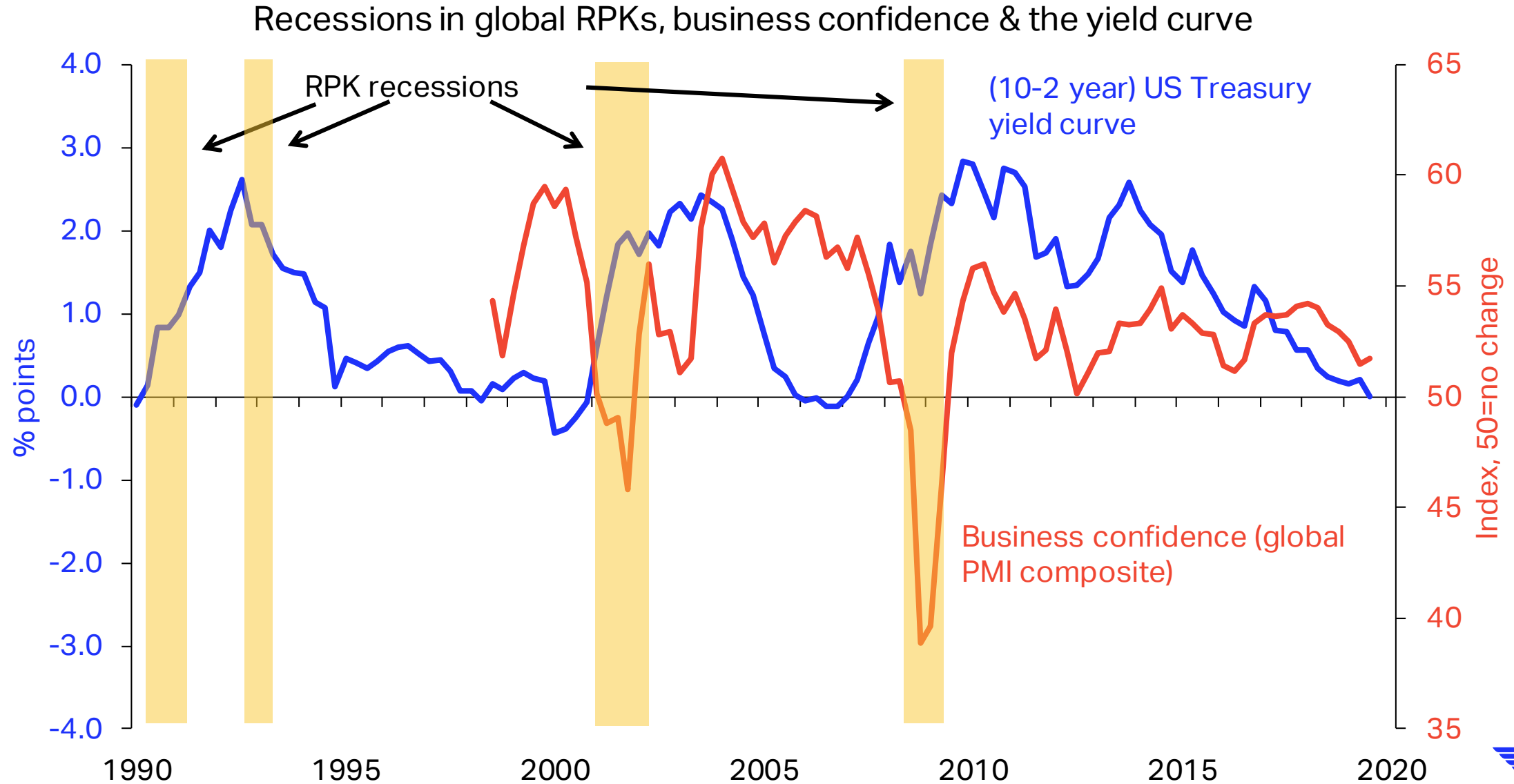
Global GDP growth and RPK growth



Source: IATA Economics using June forecast and global trade war scenario from Citi and Oxford Economics

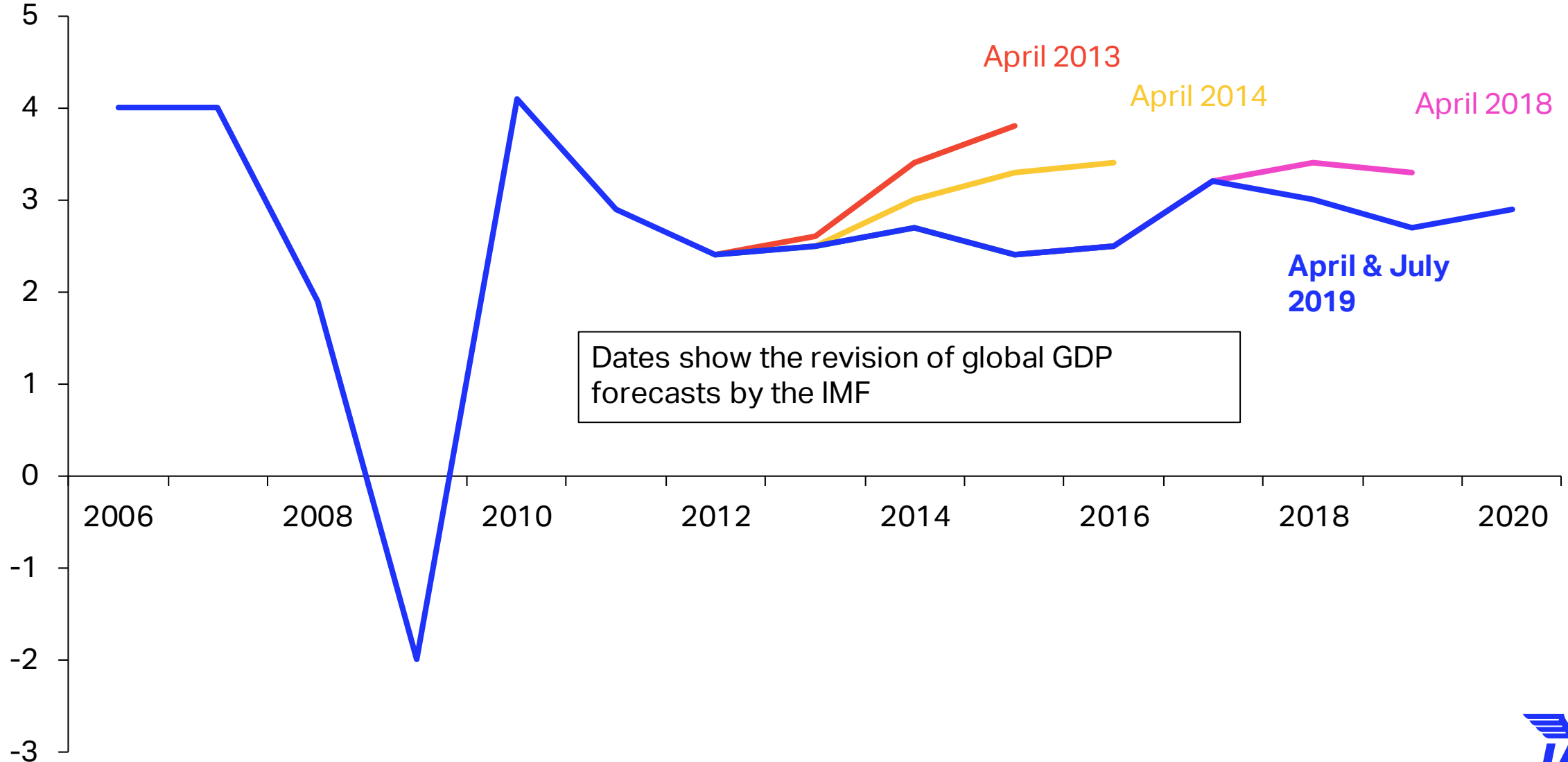


# There clearly is a serious risk of recession



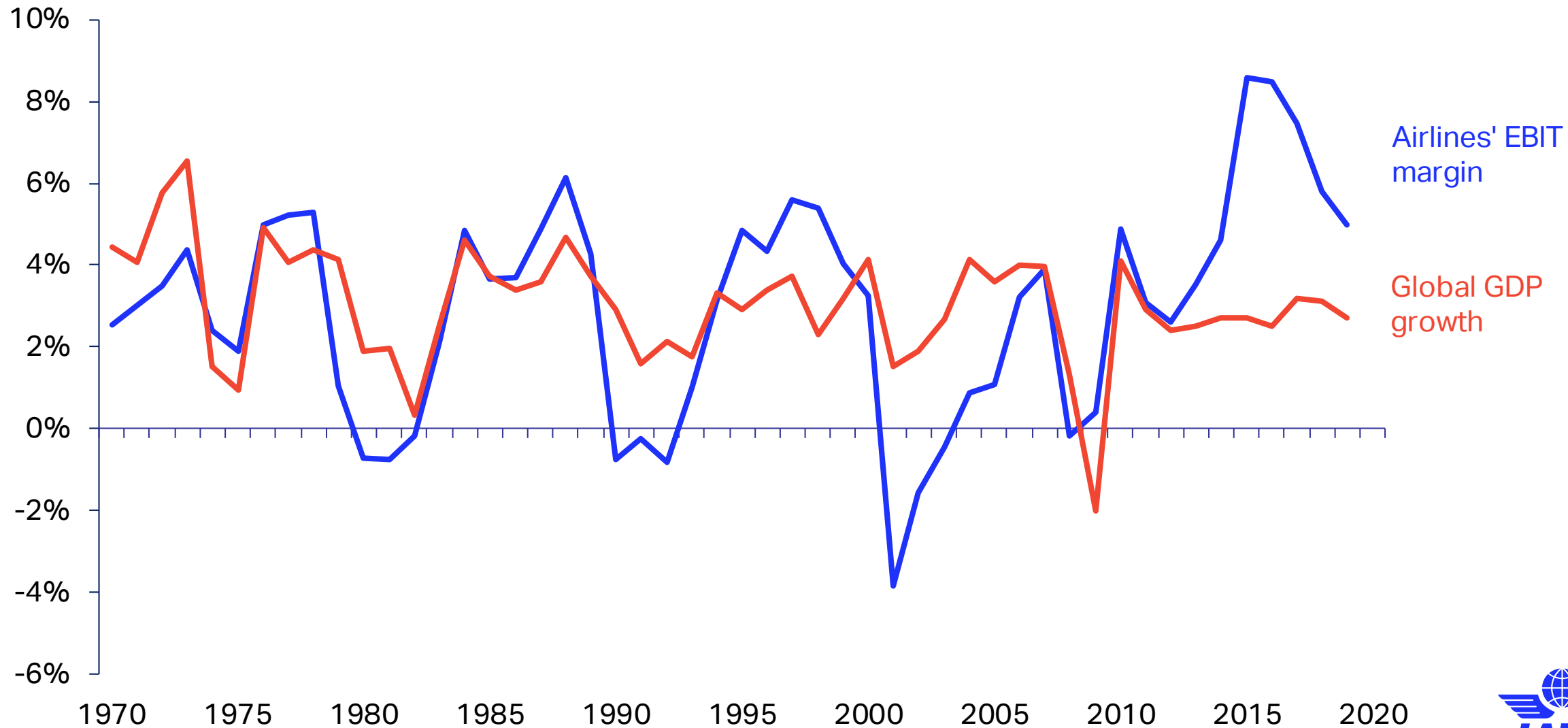
# Recession would be a shock to the consensus

IMF forecasts of global economic growth (market exchange rates not PPP)



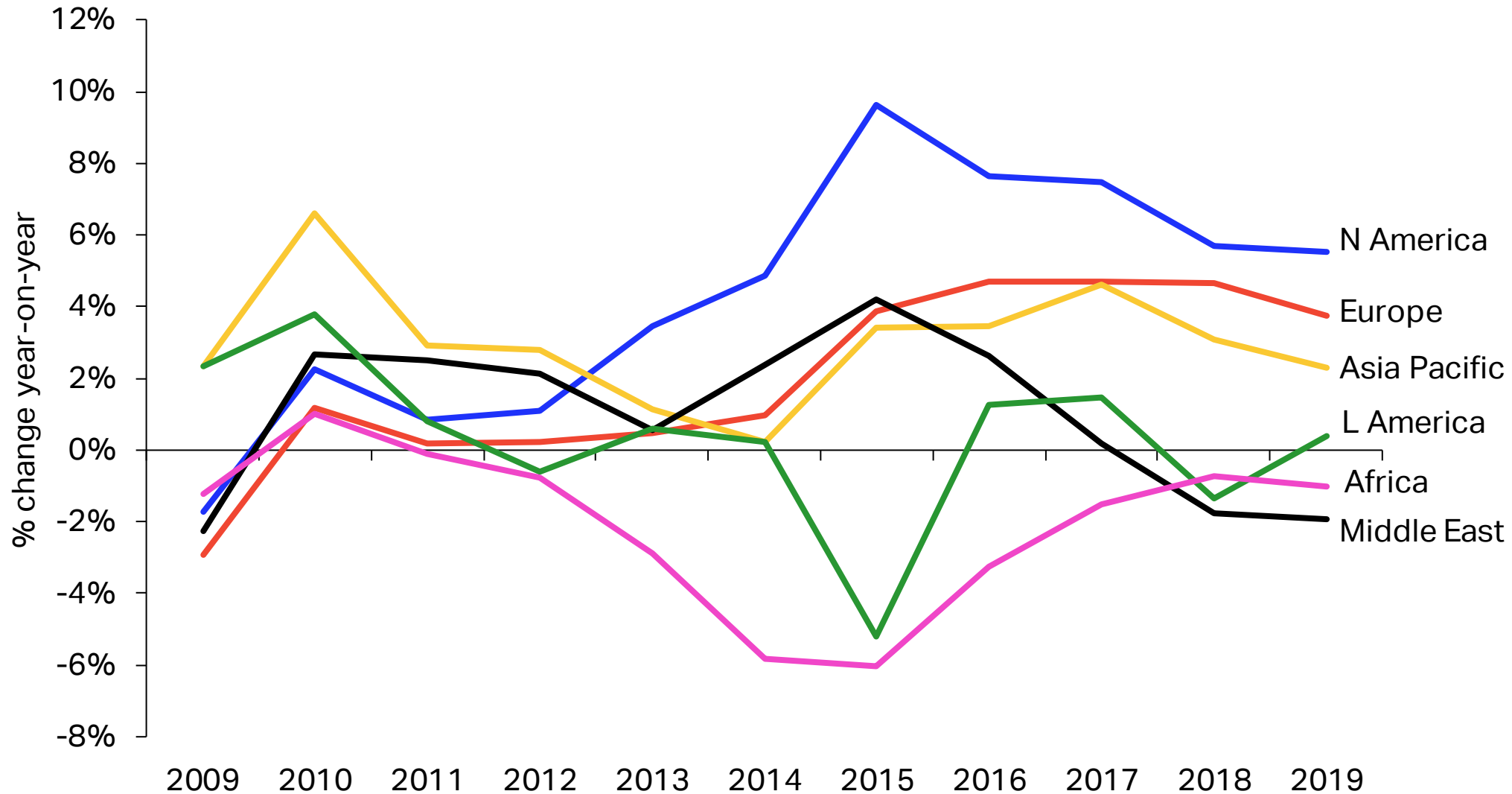
# Has the link between profits & the cycle been broken?

Airline industry operating profit margin and global GDP growth



# Can other regions replicate N American success?

Net post-tax profit margins



Source: IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019





# Thank you

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