

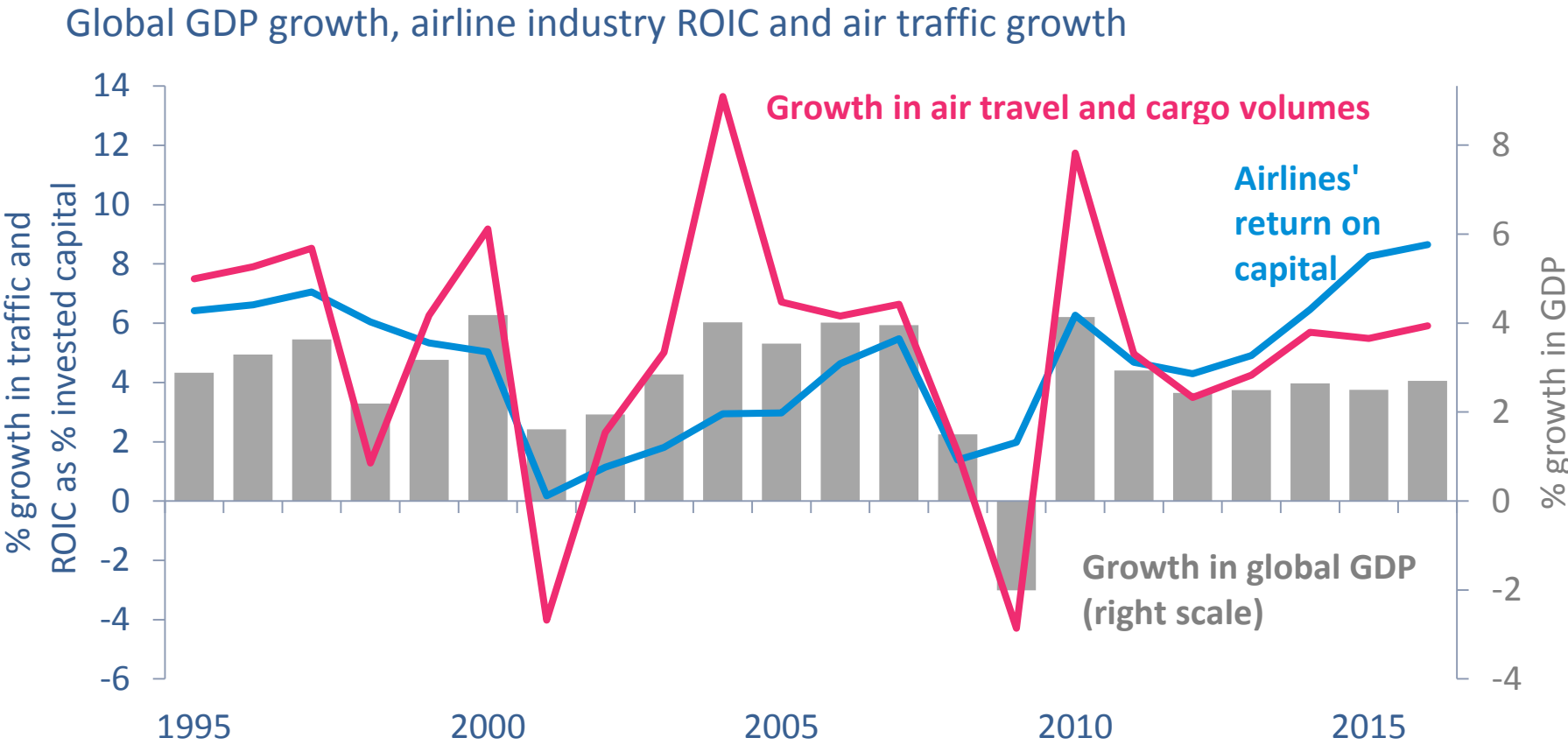


Economic Performance of the Airline Industry

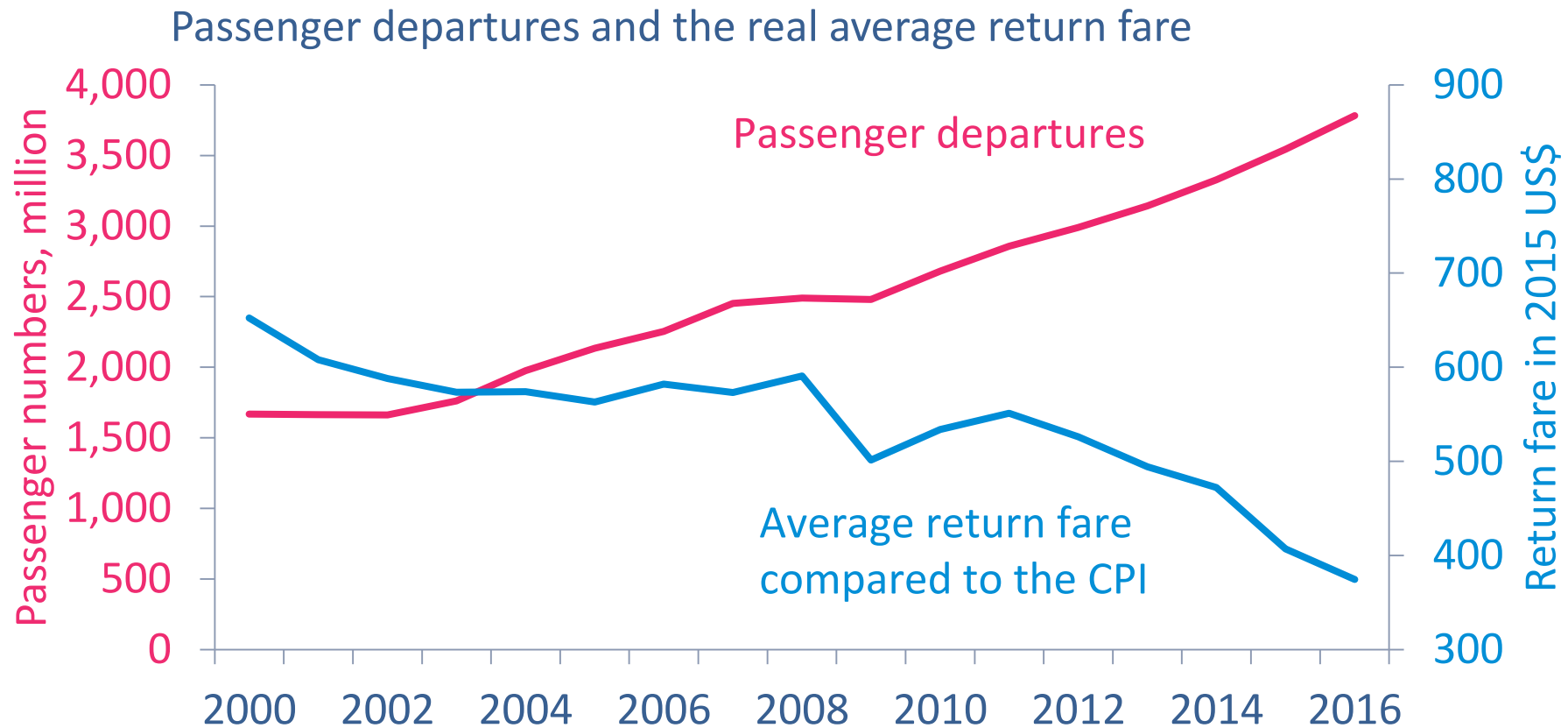
January 2016

Brian Pearce
Chief Economist
International Air Transport Association

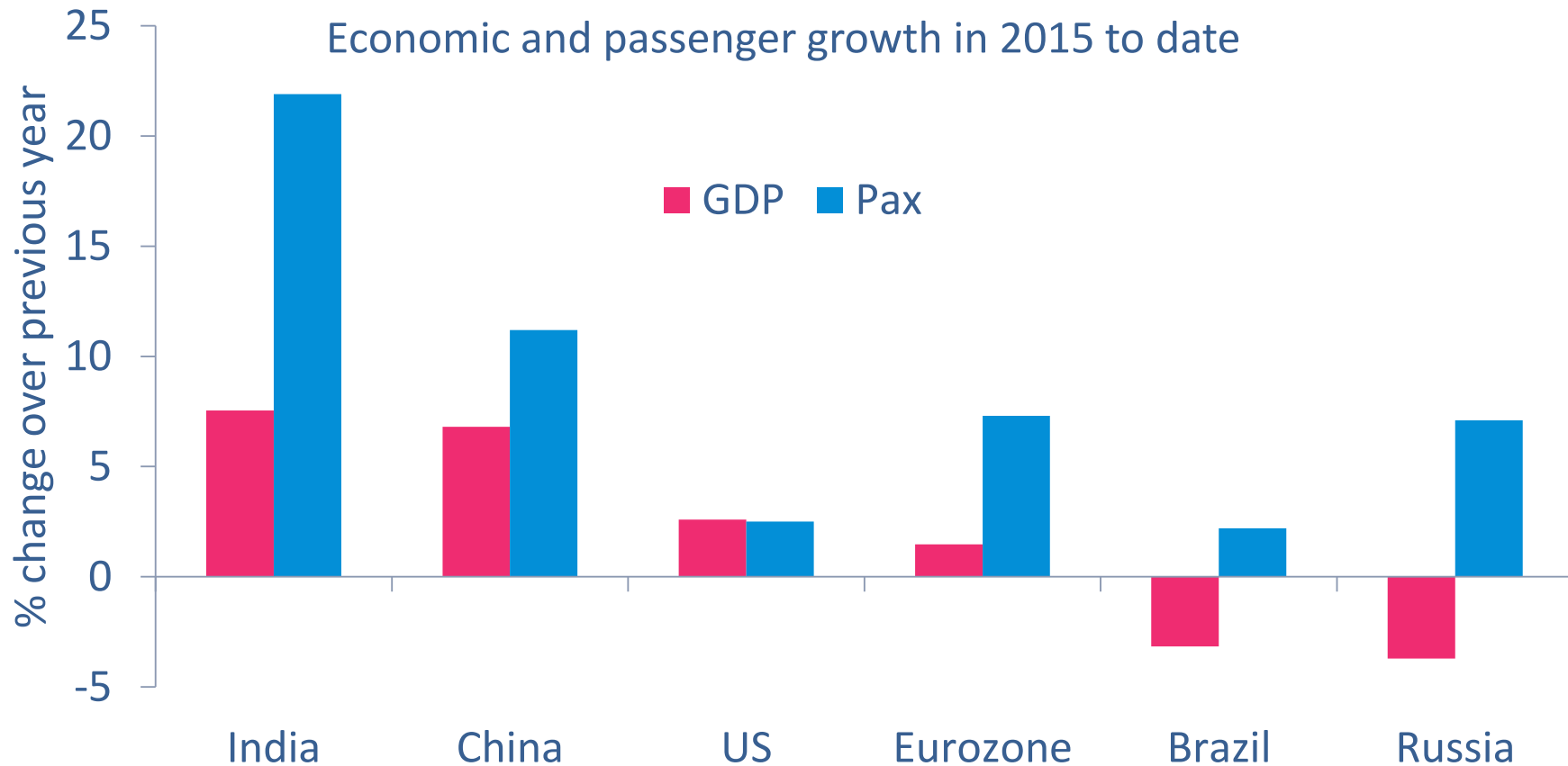
Air transport gains despite sluggish economies



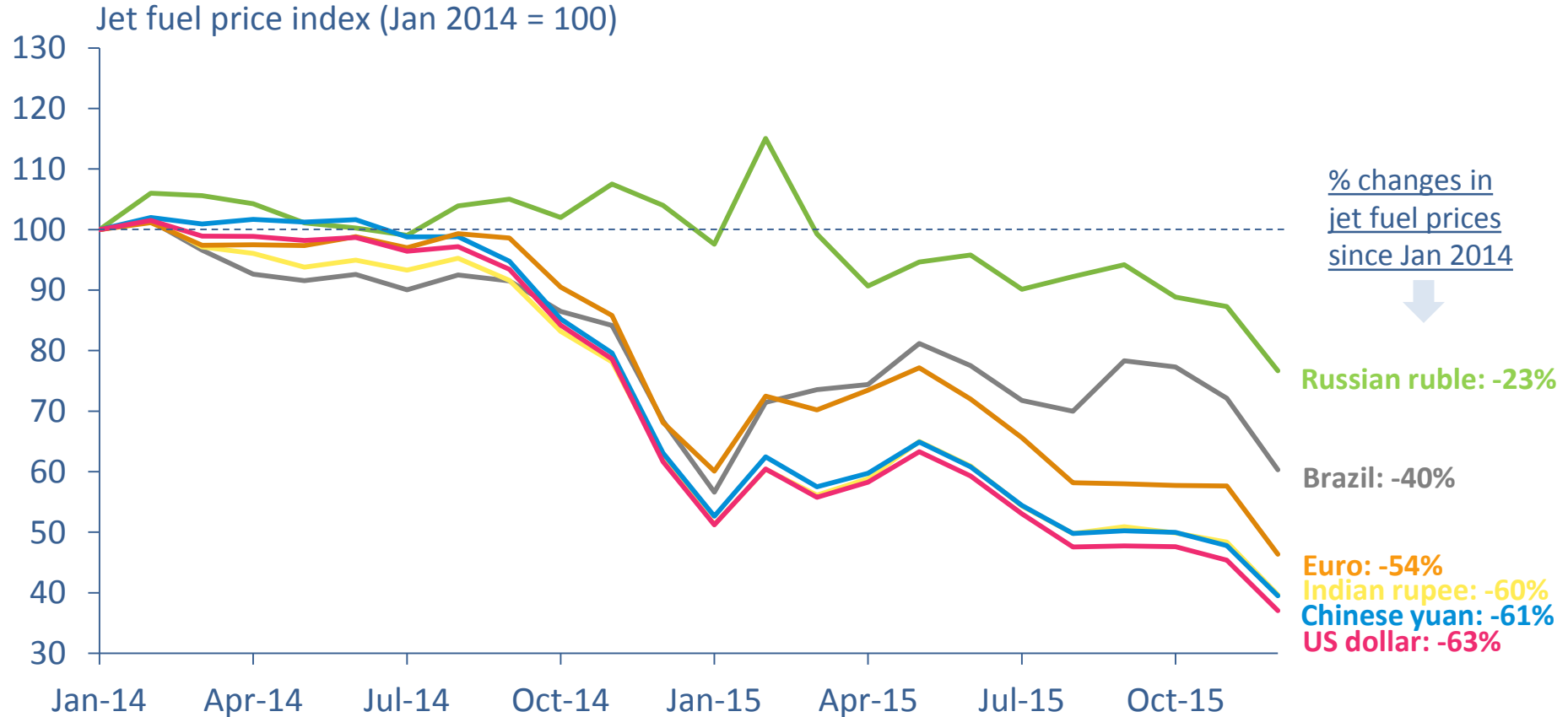
Strong demand to travel boosted by falling prices



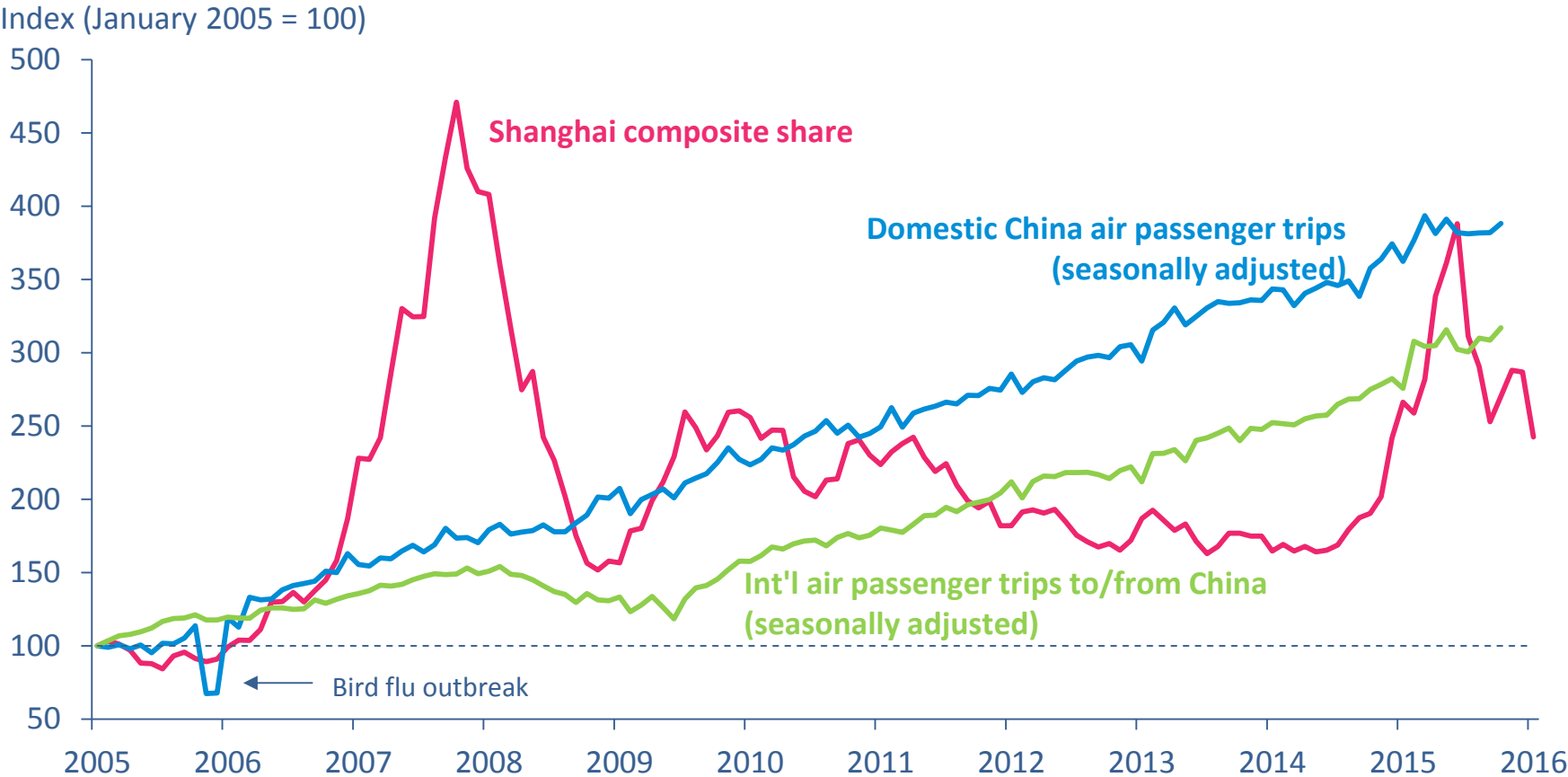
Wide variation driven mostly by economic variance



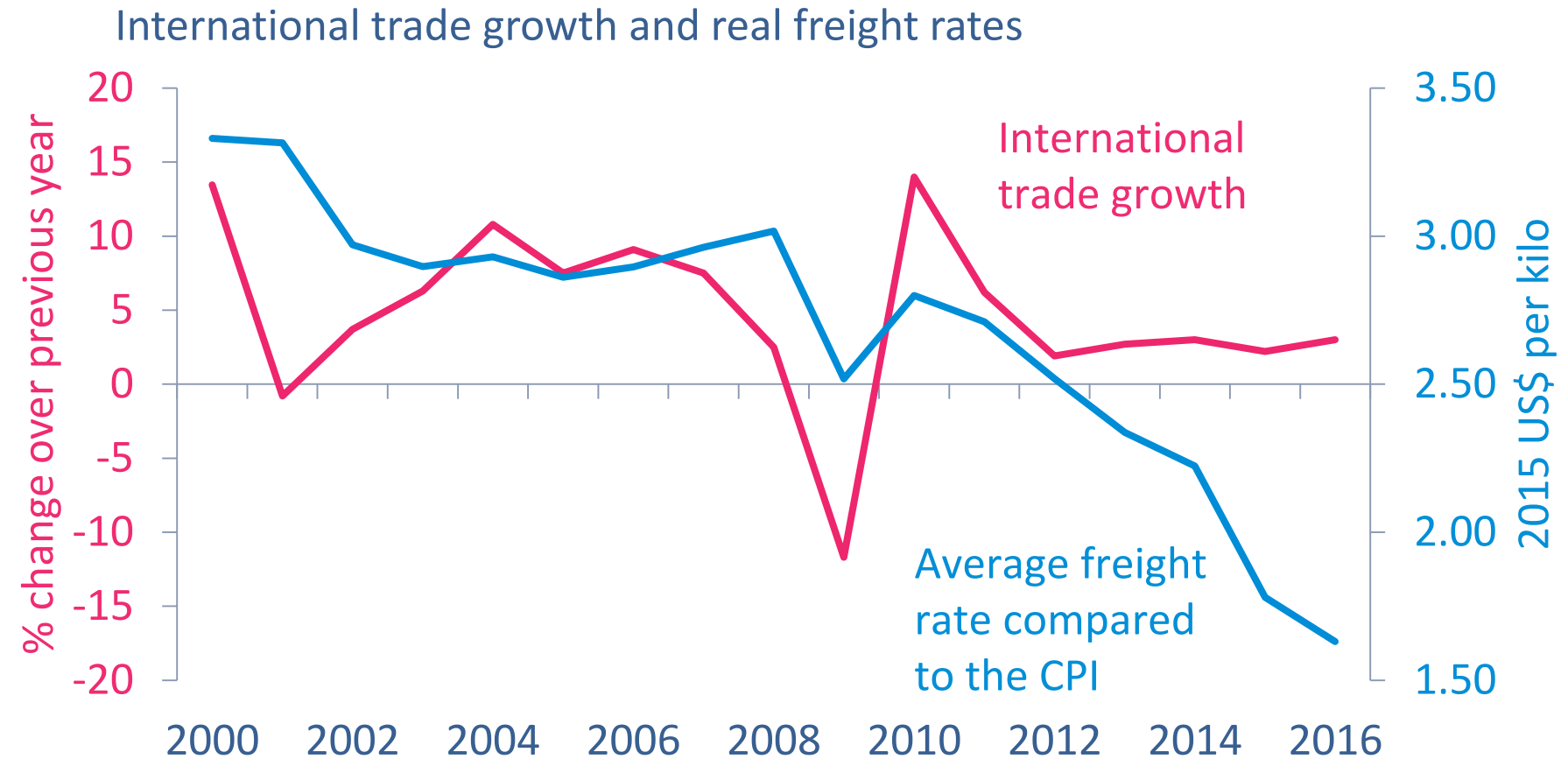
But also because of major exchange rate shifts



Stock markets not a good guide to air travel



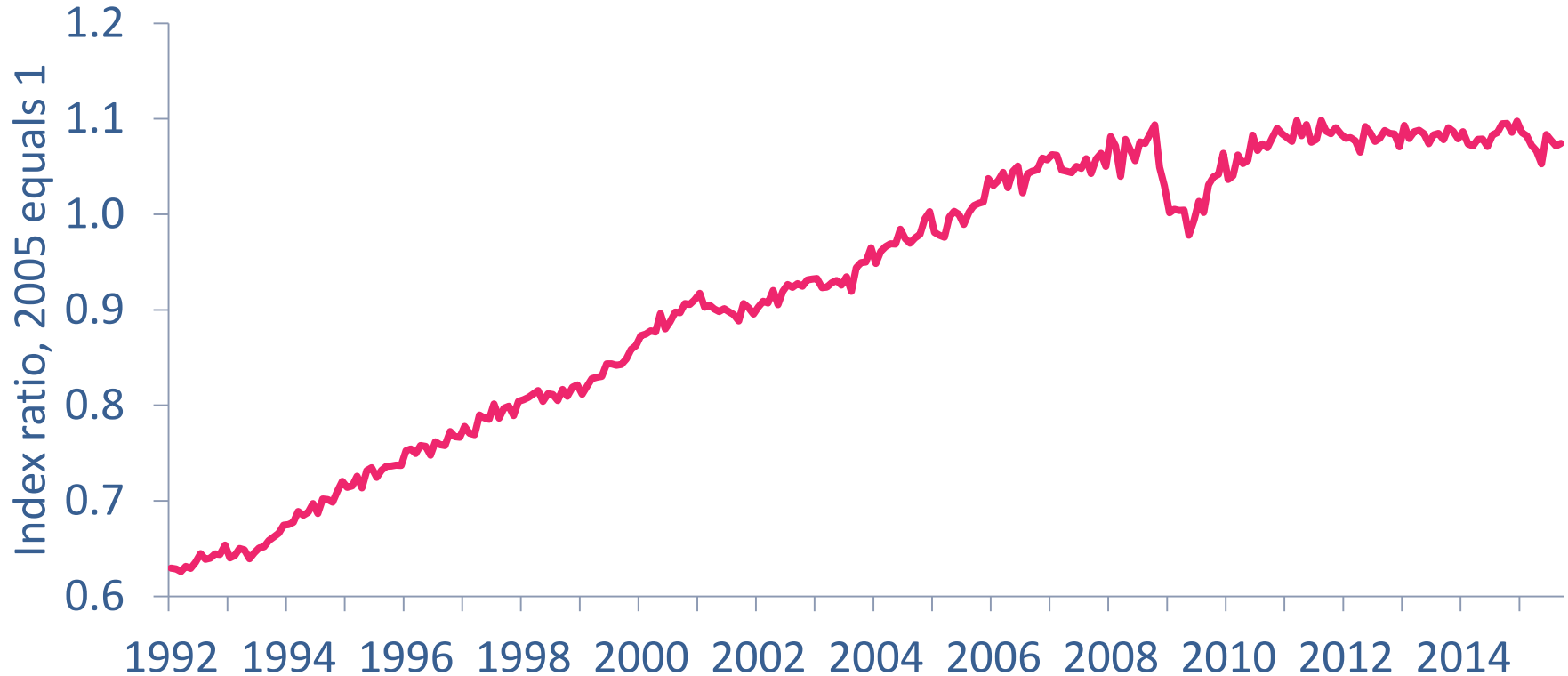
Cargo hit by weak trade growth and weak yields



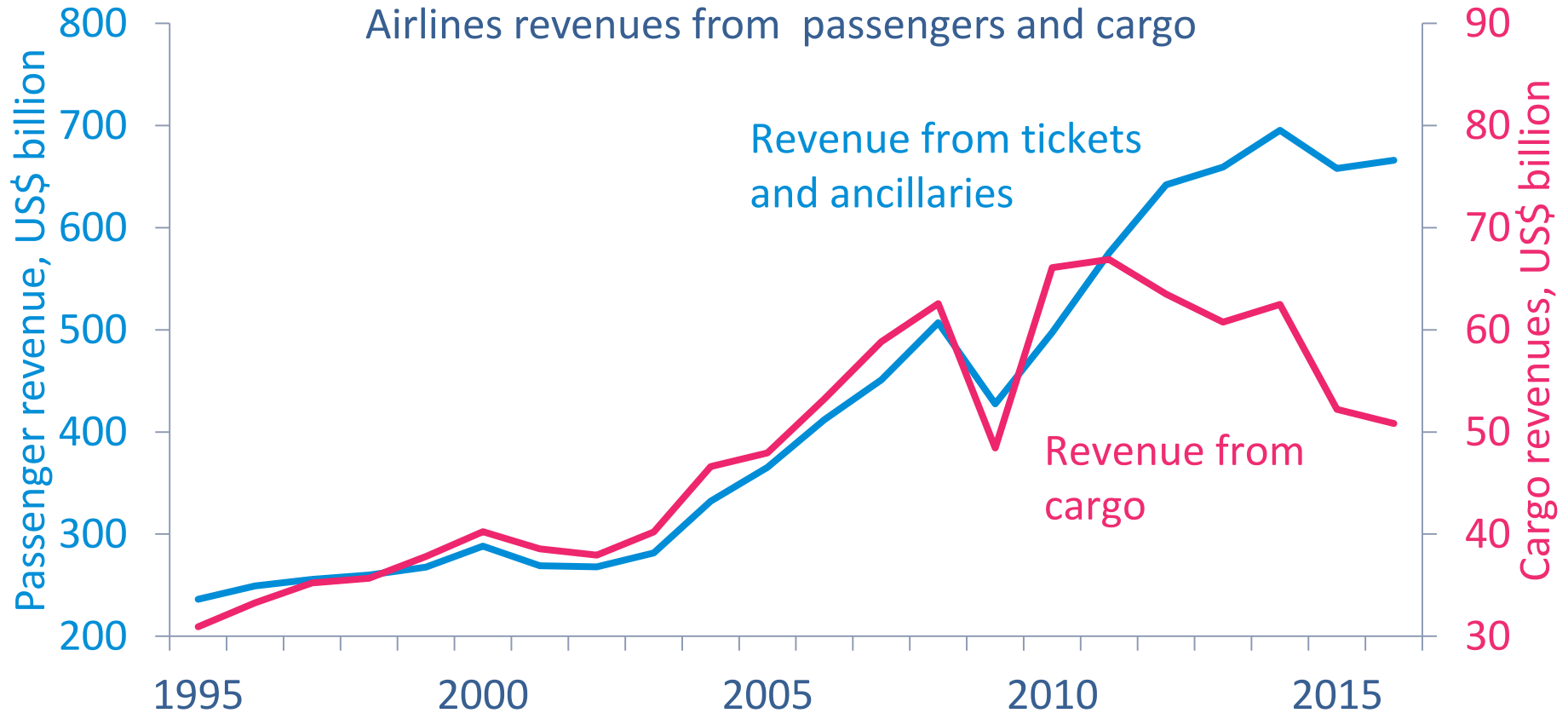
Source: Netherlands CPB, EIU, CargoIS

Globalization has paused

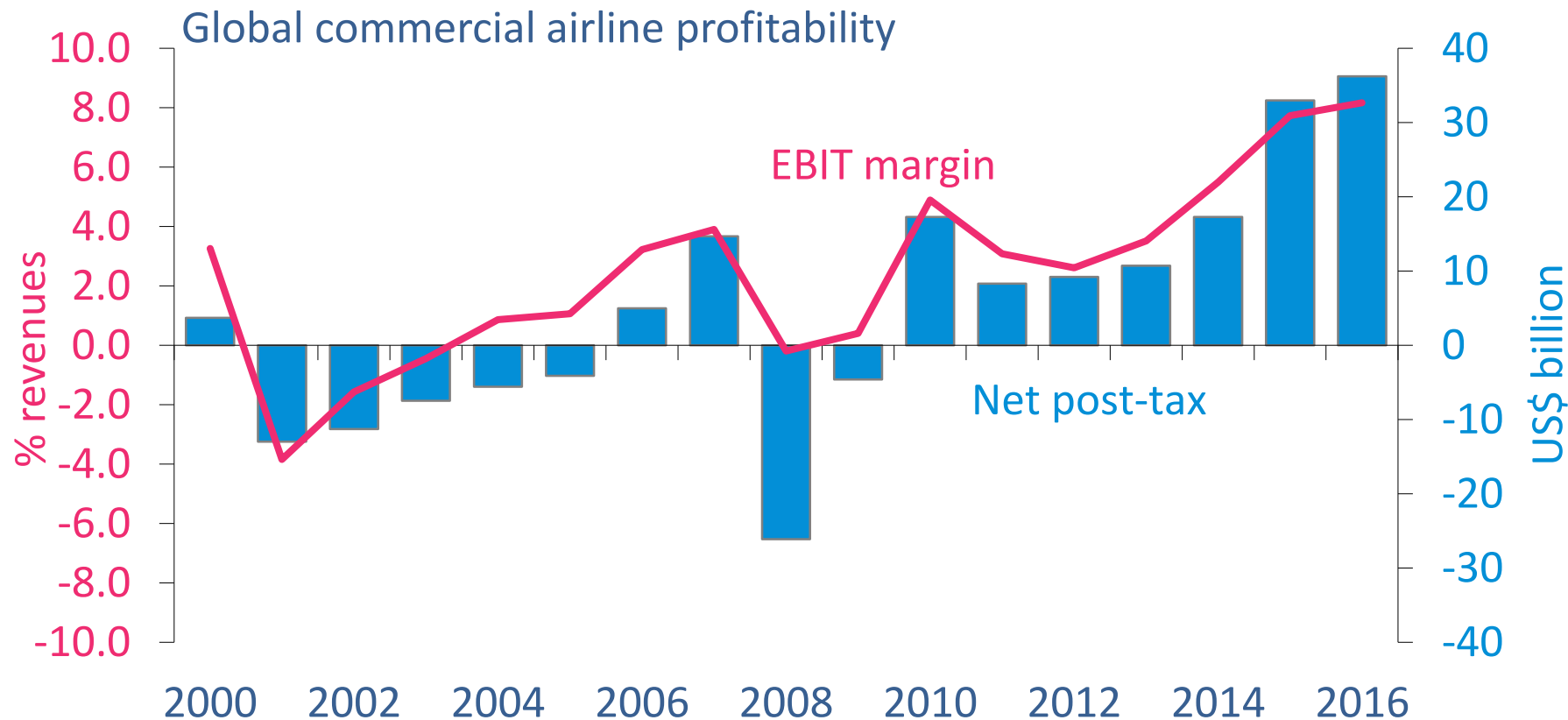
International trade compared to global industrial production



Producing very different business outcomes

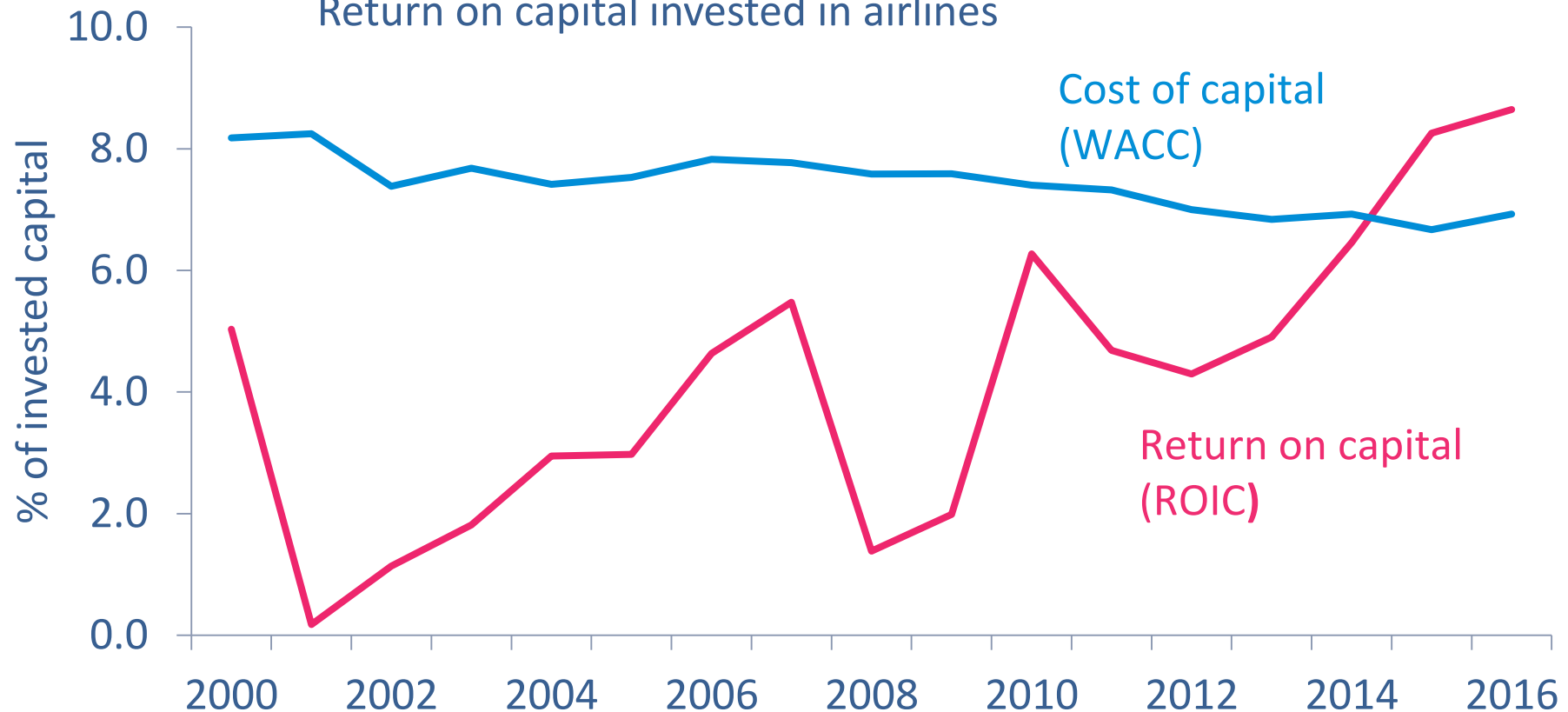


Record profits for the airline industry



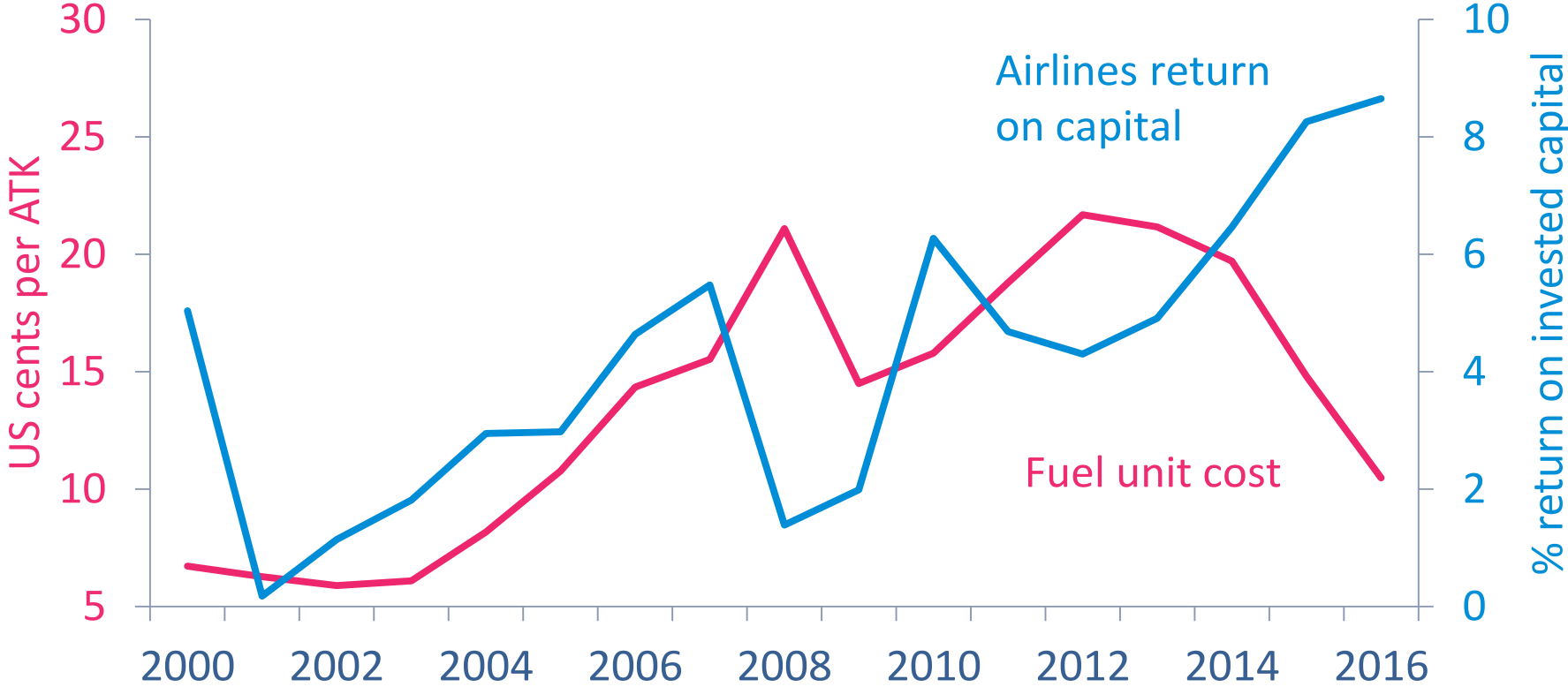
Paying investors a 'normal' return for 1st time

Return on capital invested in airlines



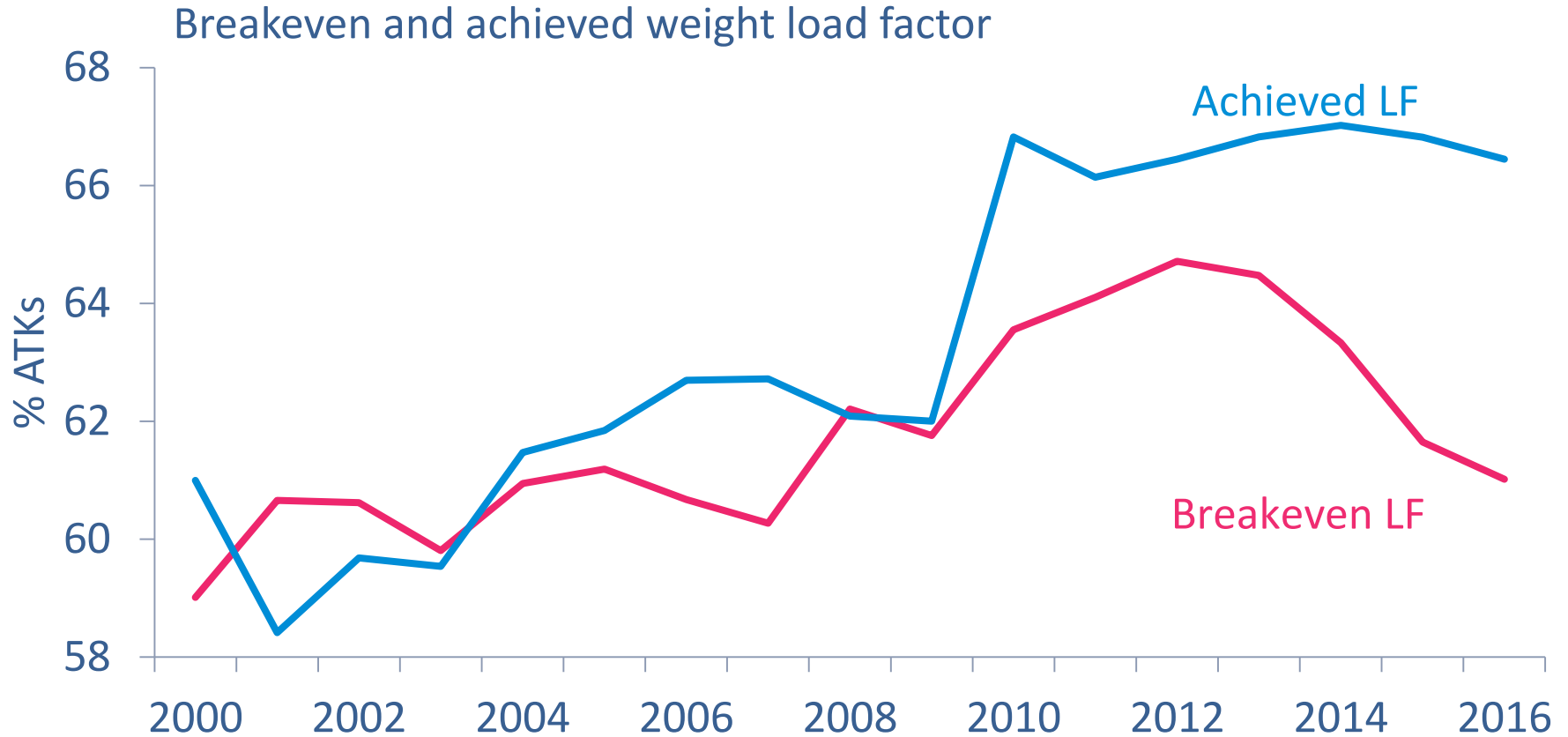
Not simply due to low oil prices

Fuel unit costs and airline return on capital

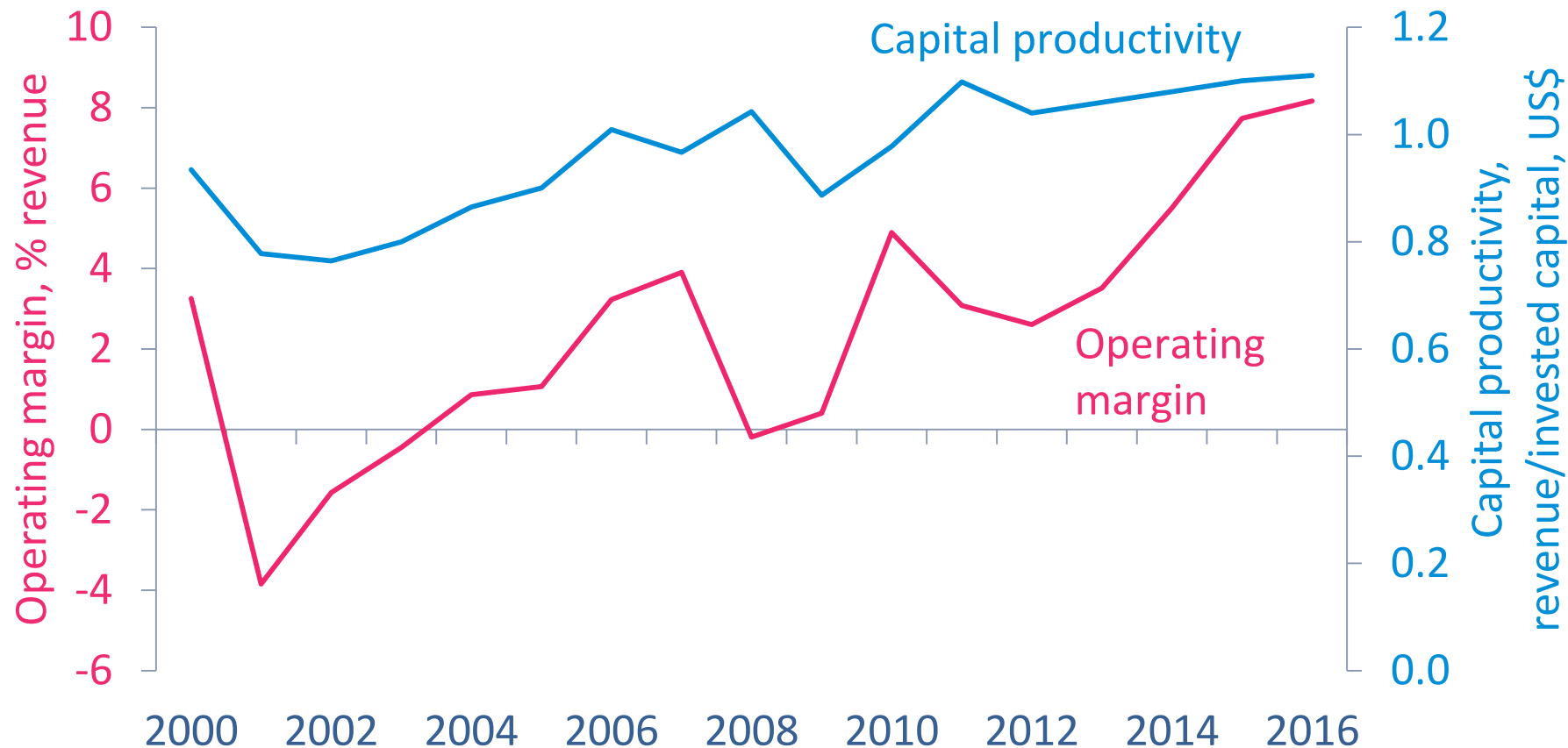


Source: ICAO, McKinsey, IATA Economics

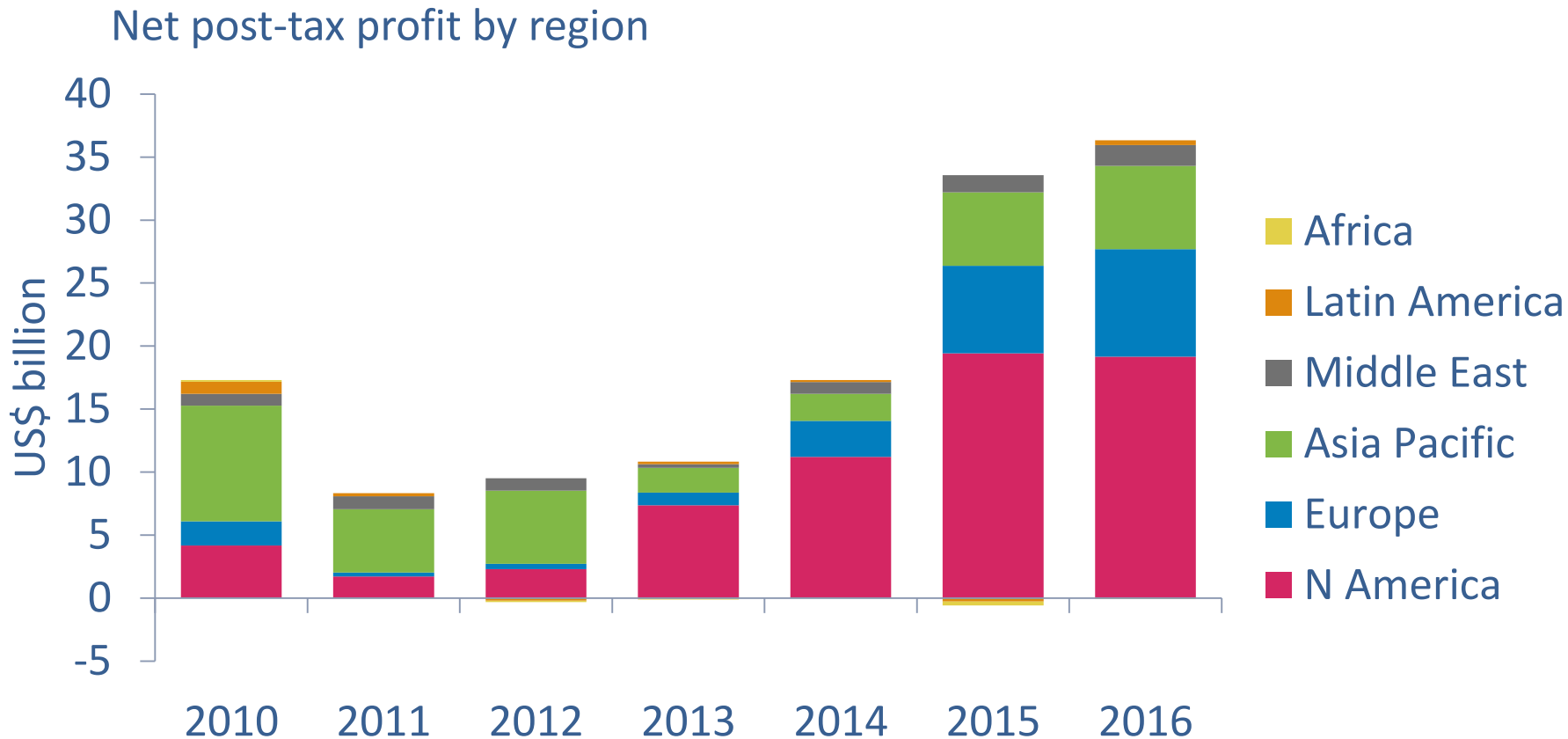
Asset utilization raised and sustained



Capital has also become more productive



But improvement is still not widespread



Only two regions have seen significant gains

