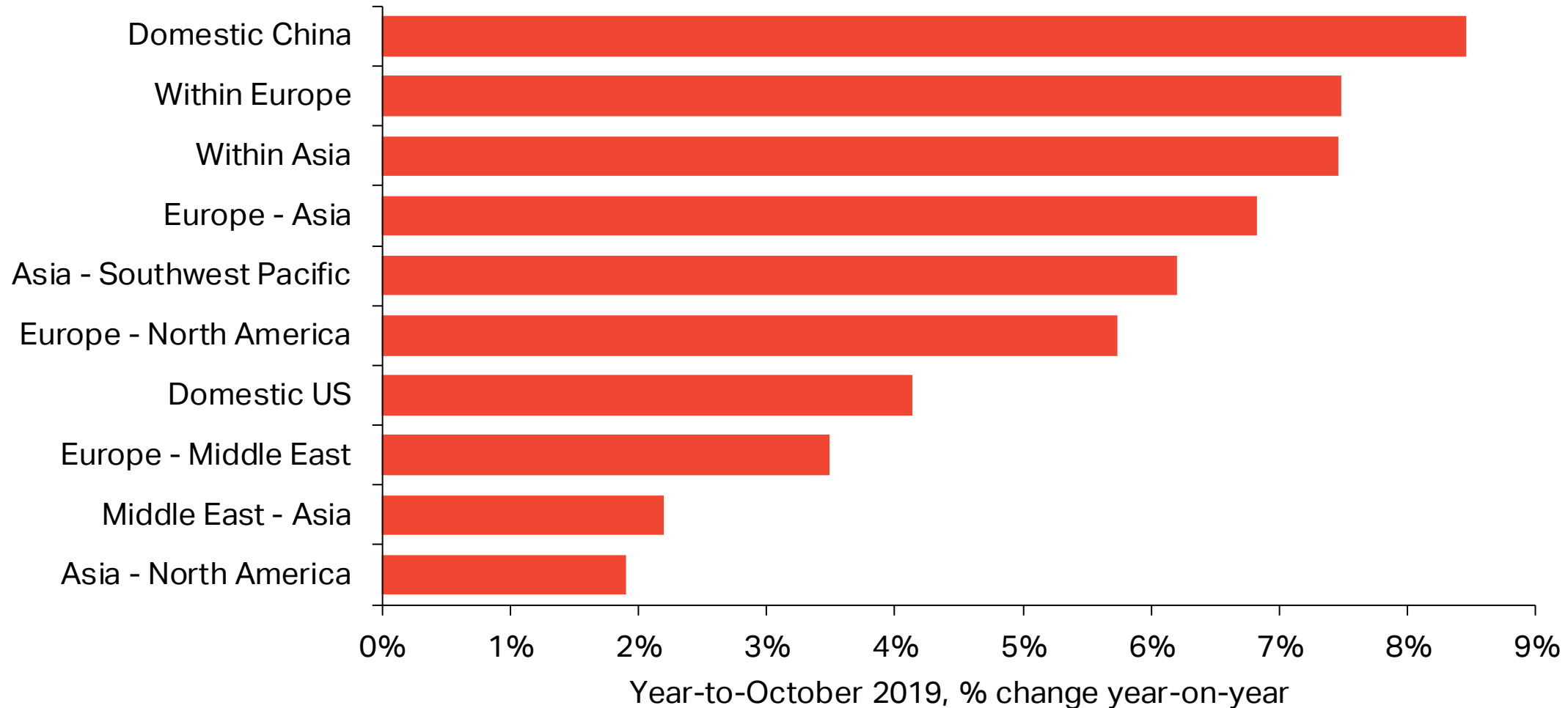


Industry outlook

Brian Pearce
Chief Economist

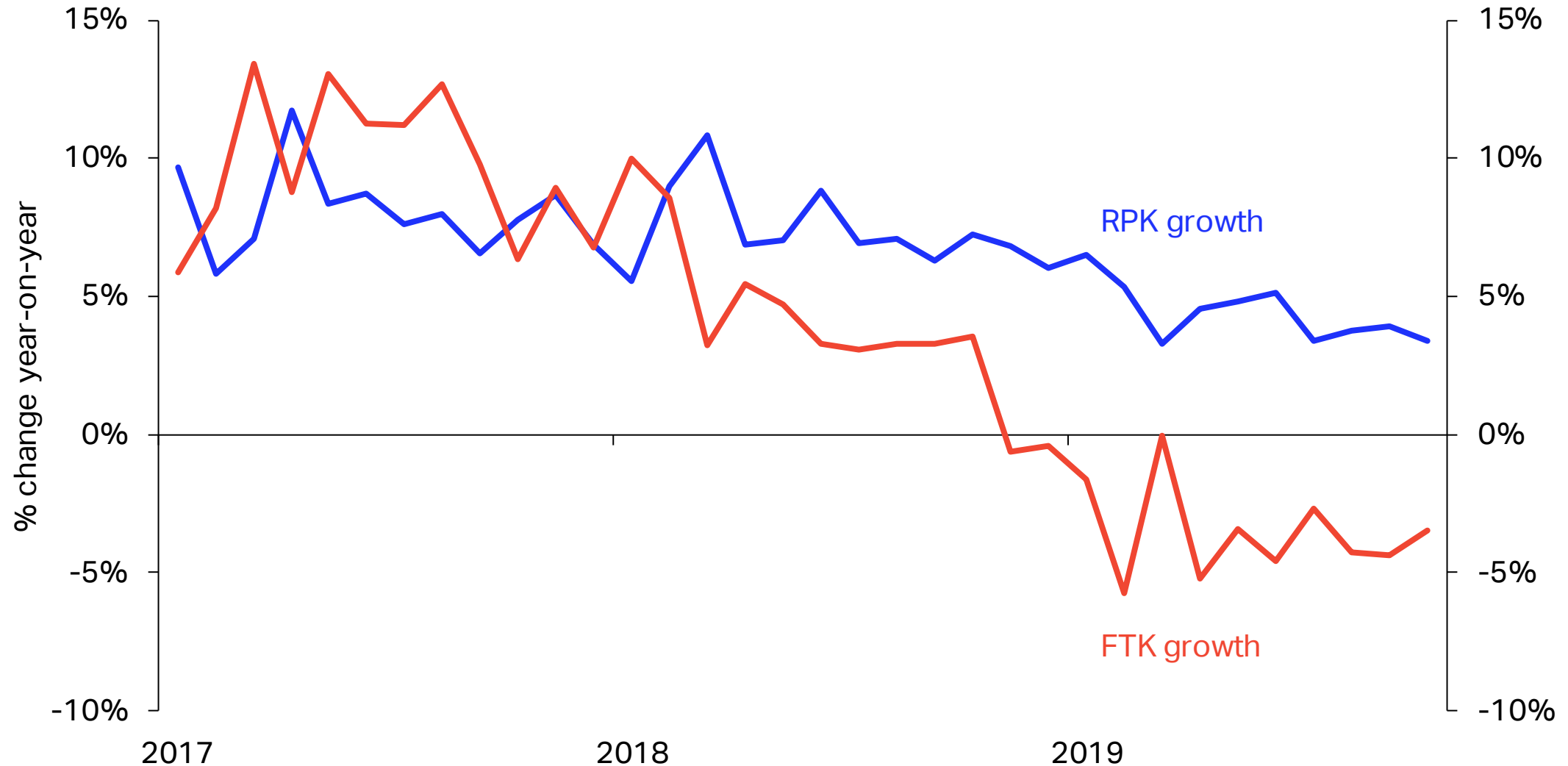
Strongest air travel growth in emerging markets

2019 growth in the top-10 markets (71% of total RPKs)



Overall global slowdown in air travel and cargo

Global air travel and air cargo volume growth

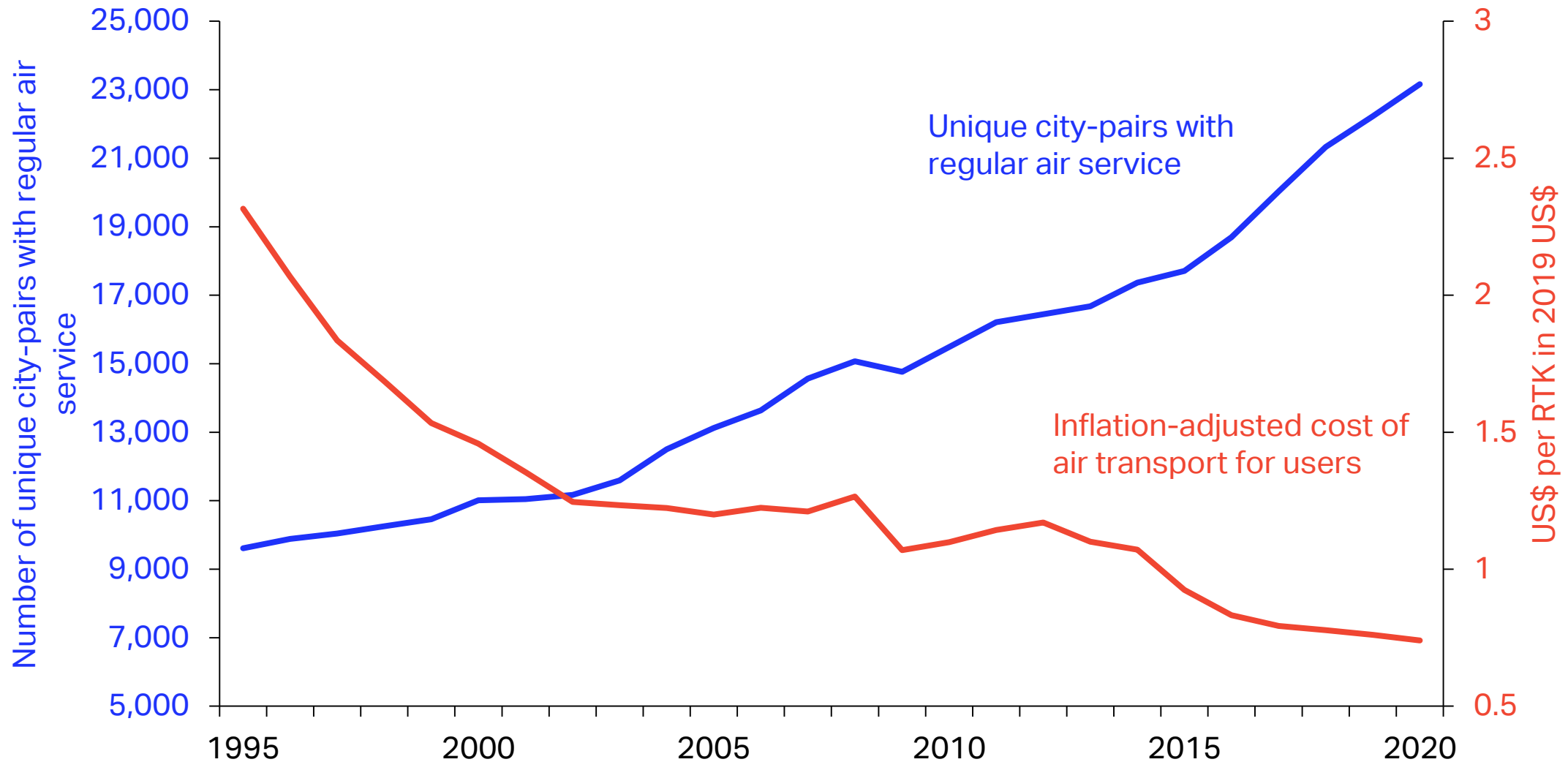


Source: IATA Economics using data from IATA Statistics



But airlines connecting more cities, at lower cost

City-pair connections and the real cost of air transport

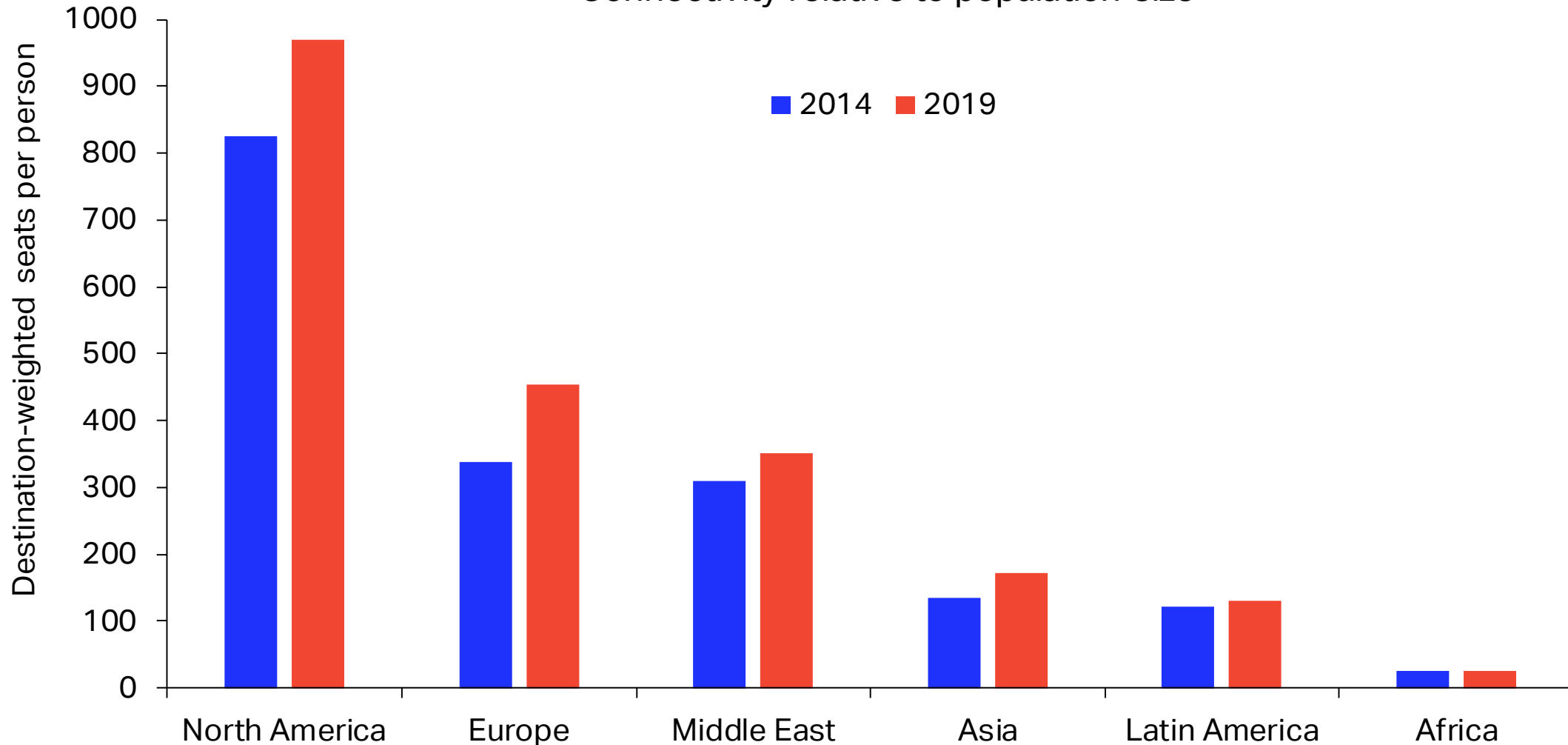


Source: IATA Economic Performance of the Airline Industry, End-Year 2019



Many regions still need better connections by air

Connectivity relative to population size

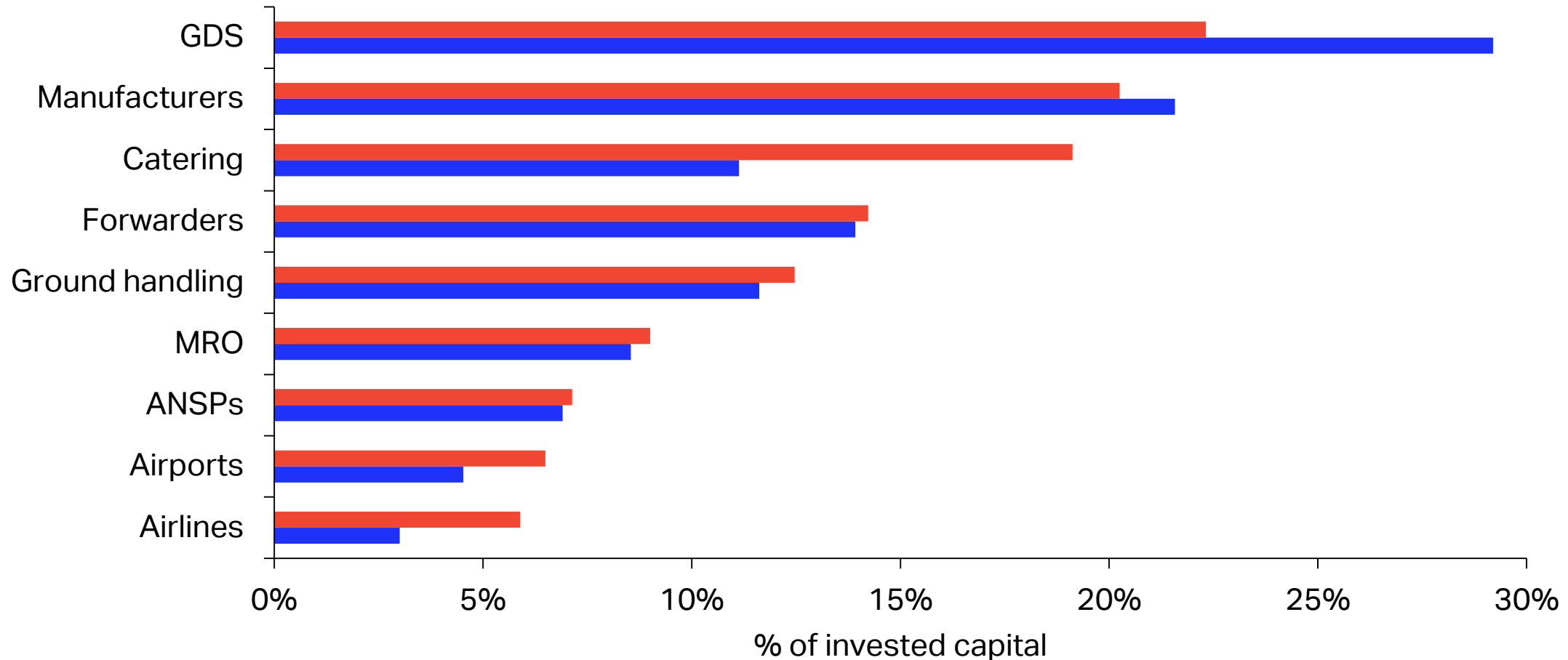


Source: IATA Economics for connectivity scores, IMF for population data

Airlines are generating value for the supply chain

Return on invested capital, %

■ 2010-2018 ■ 1999-2009

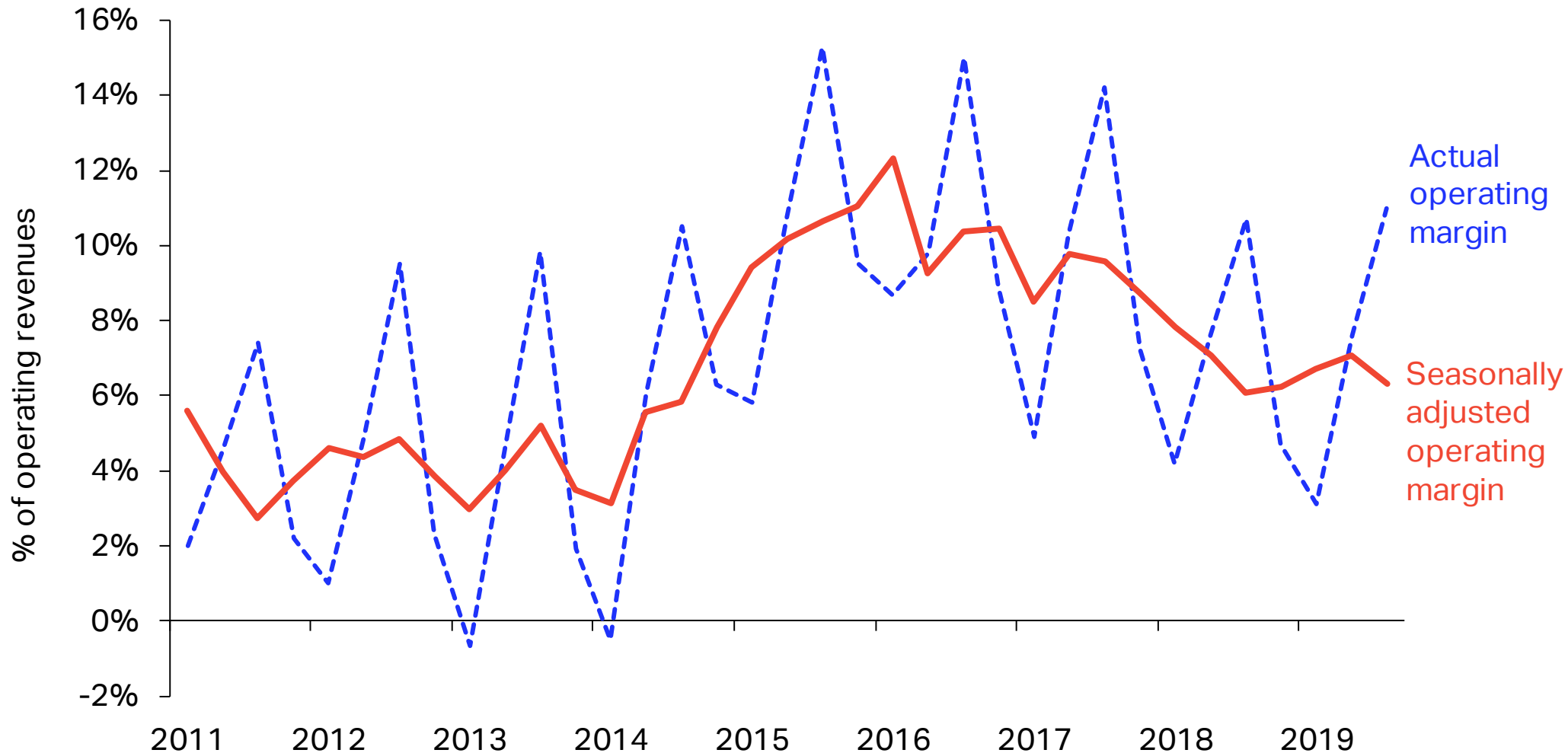


Source: IATA Economics using data from a McKinsey study for IATA, 2019



Airlines have seen profit margins narrow

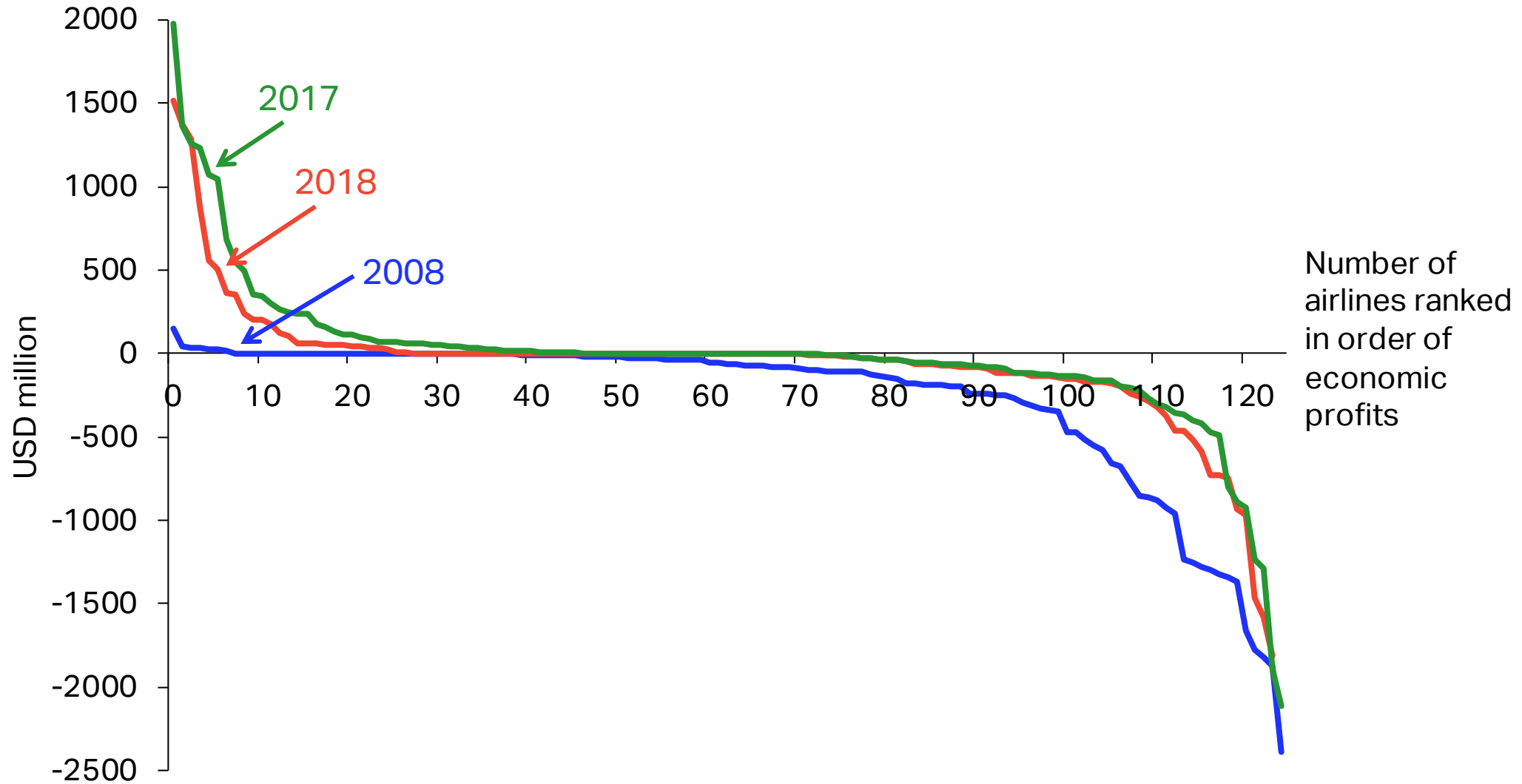
Airline industry operating margin, %



Source: IATA Economics using data from the Airline Analyst

Improvements concentrated in relatively few airlines

World's airlines ranked by economic profits

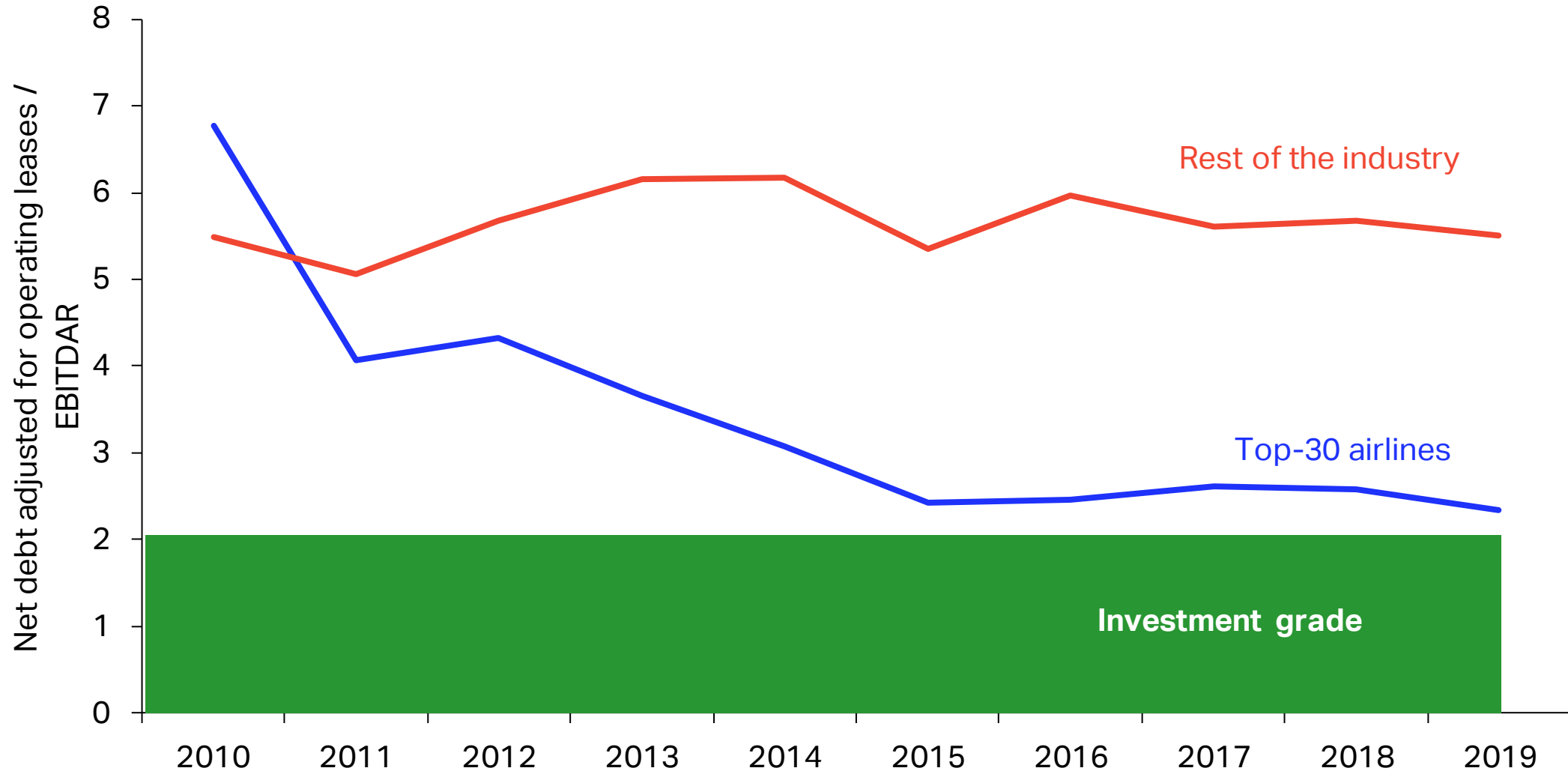


Source: IATA Economics using data from a McKinsey study for IATA



Balance sheet improvements also concentrated

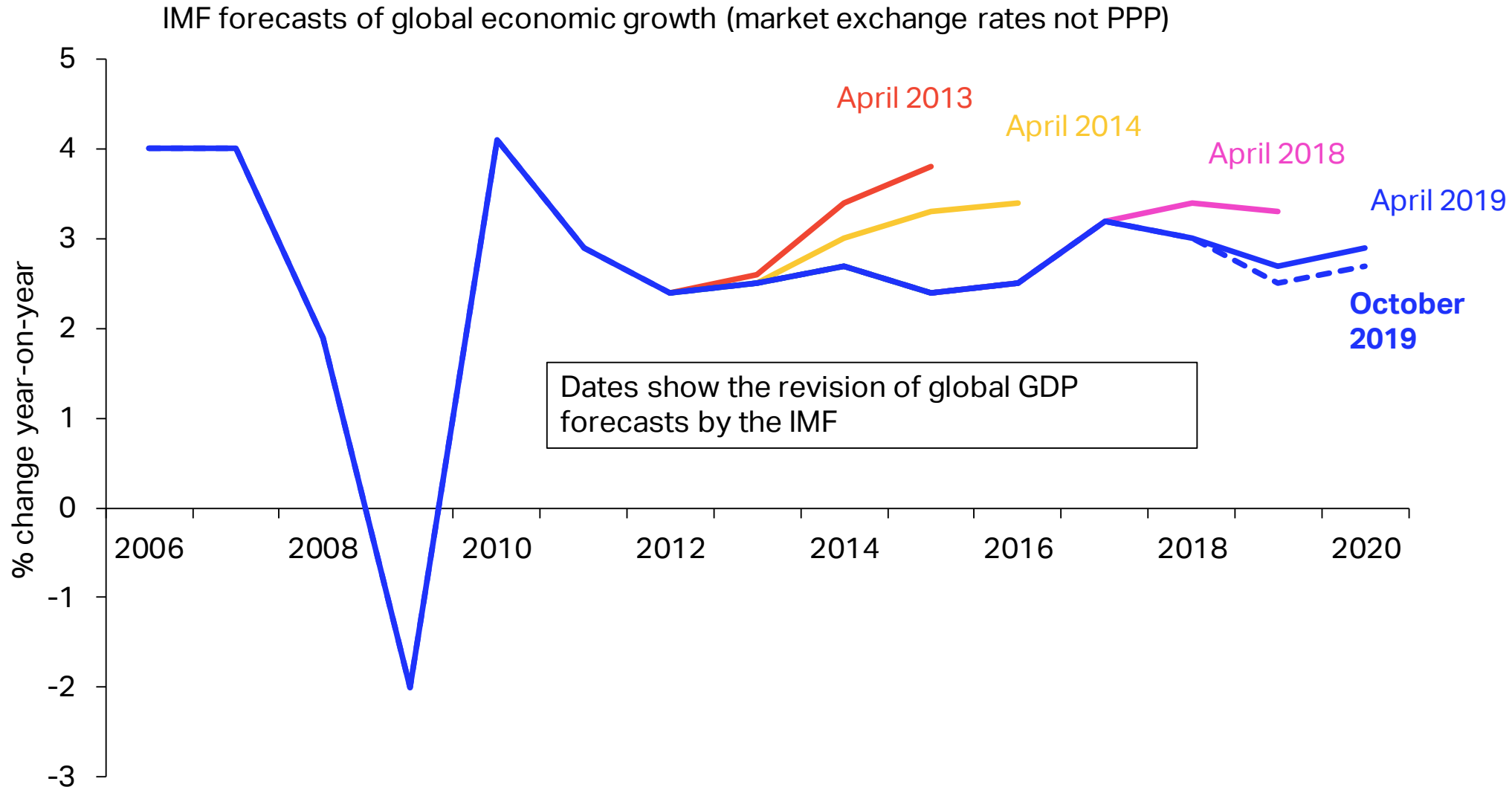
Net debt adjusted for operating leases / EBITDAR



Source: IATA Economics using data from the Airline Analyst, own estimates



It looks like we will avoid a recession in 2020



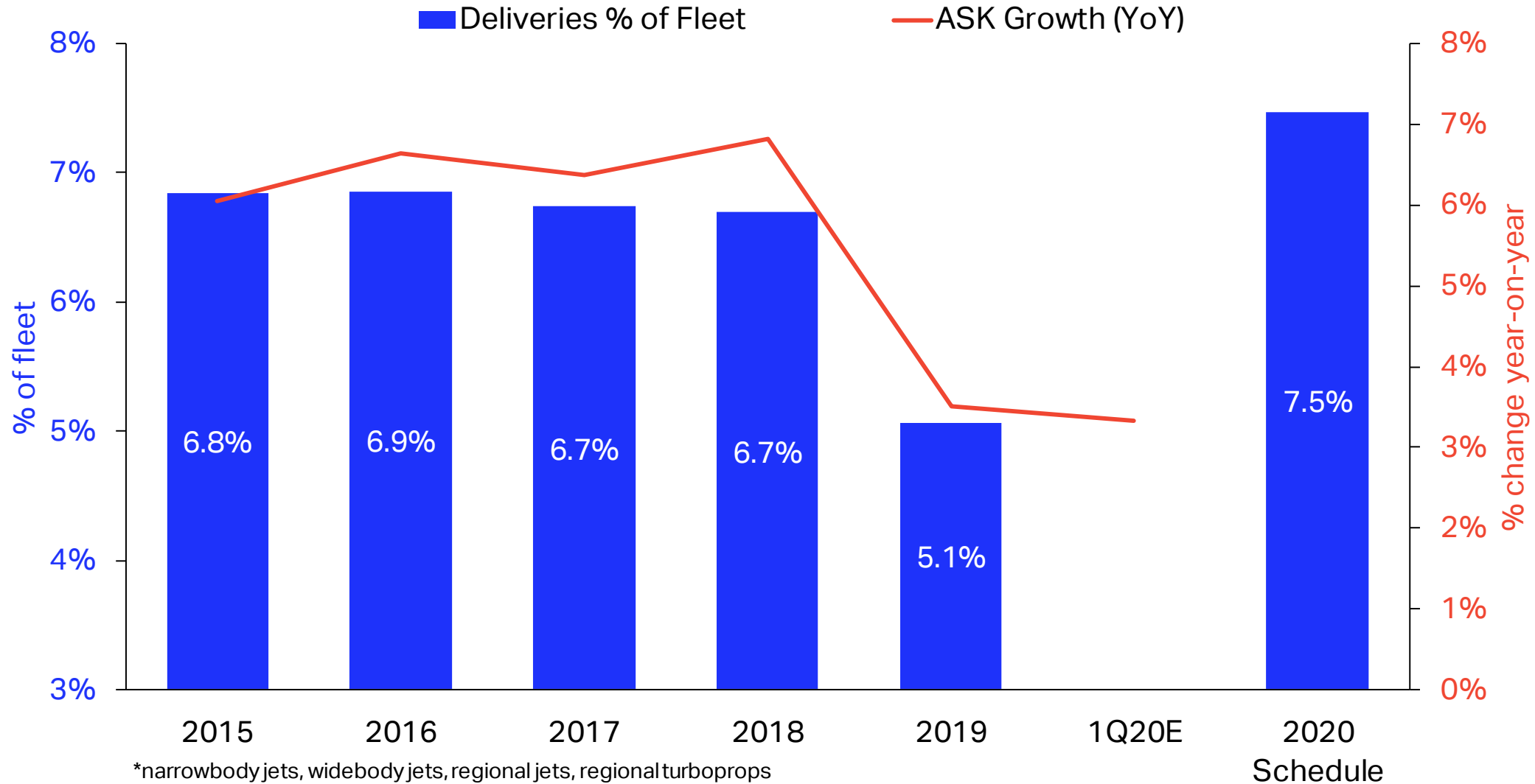
Our forecasts are based on a trade war 'truce'



Source: IATA Economics using data from the IMF's World Economic Outlook, October 2019



Surge in aircraft deliveries will challenge capacity

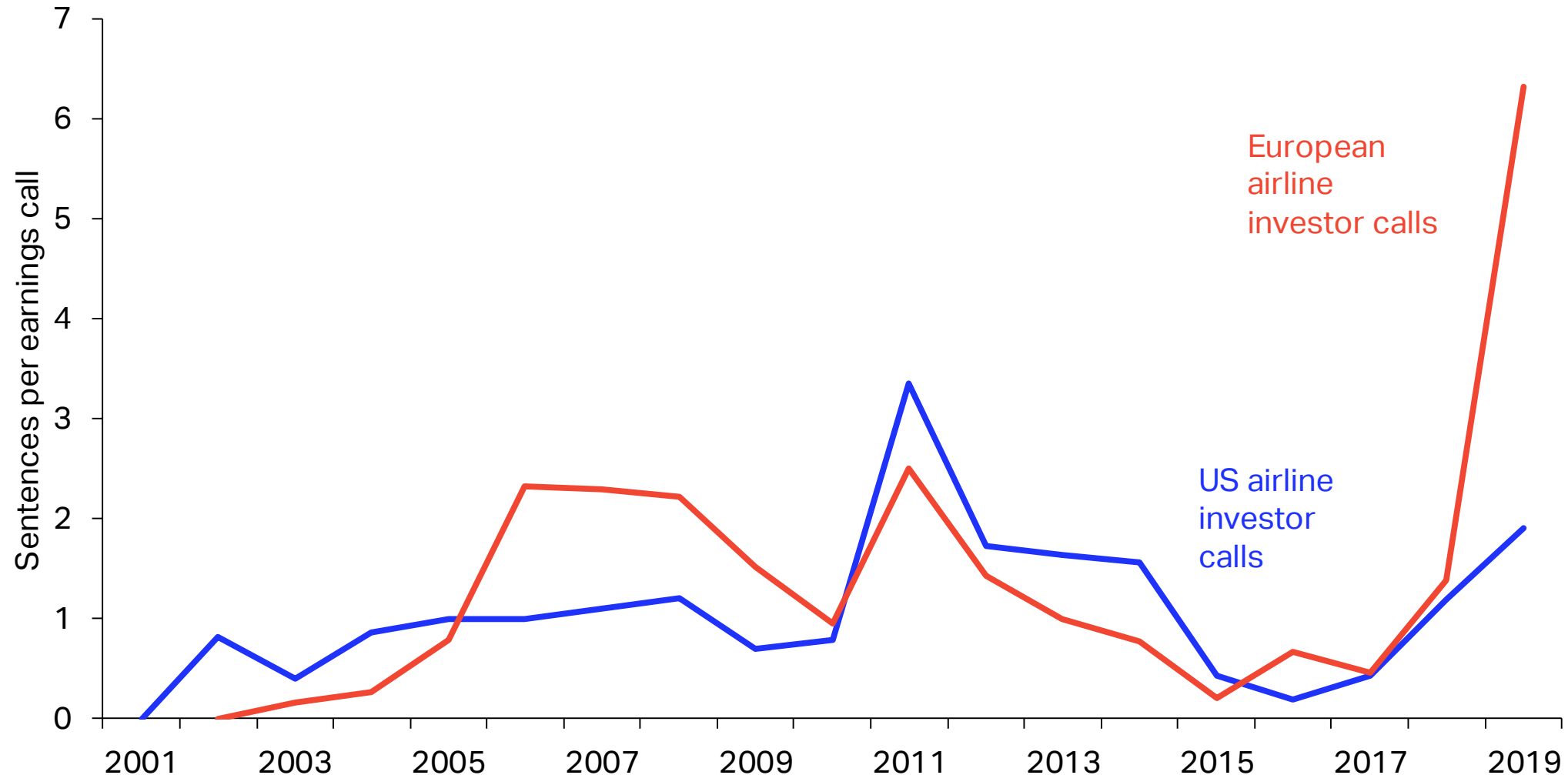


Source: IATA Economics using data from SRS Analyzer, Ascend



Climate concerns may accelerate retirements

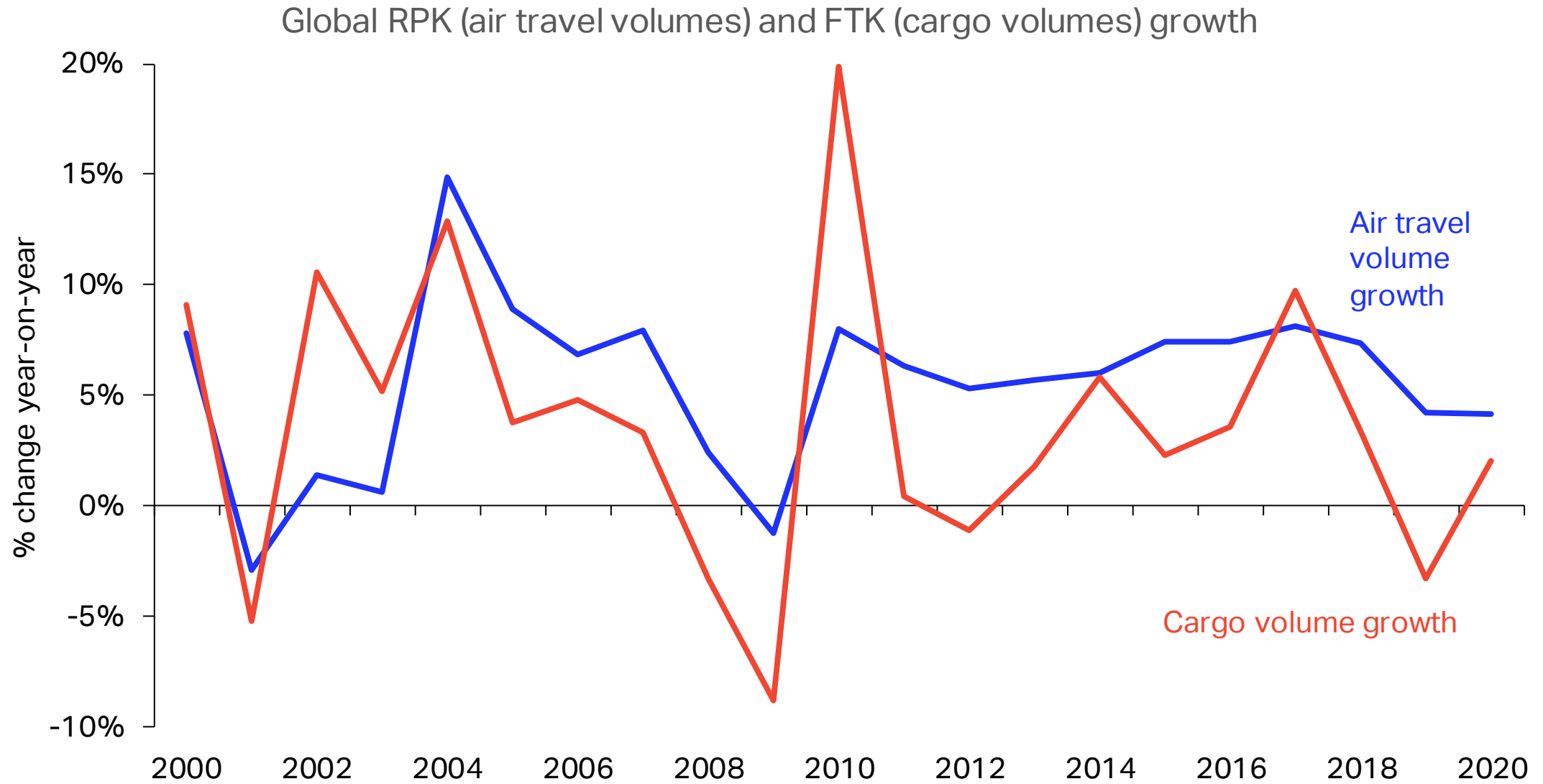
Frequency that climate issue is discussed at earnings calls with investors



Source: IATA Economics using data from HSBC 'The Second Frontier: Climate is changing for airlines', September 2019



Moderate air travel and cargo growth forecast

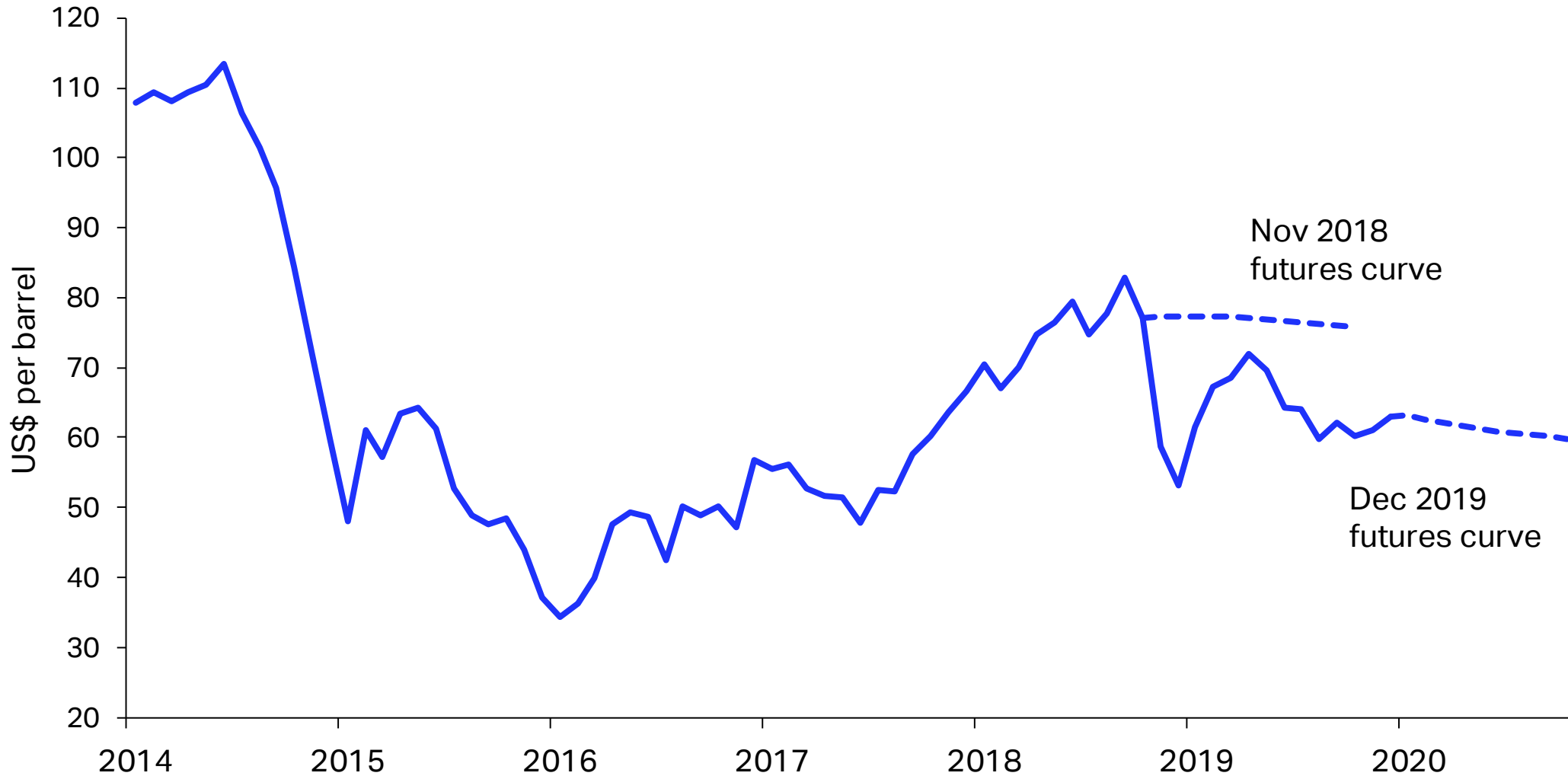


Source: IATA Economic Performance of the Airline Industry, End-Year 2019



Oil prices look set to stay relatively low

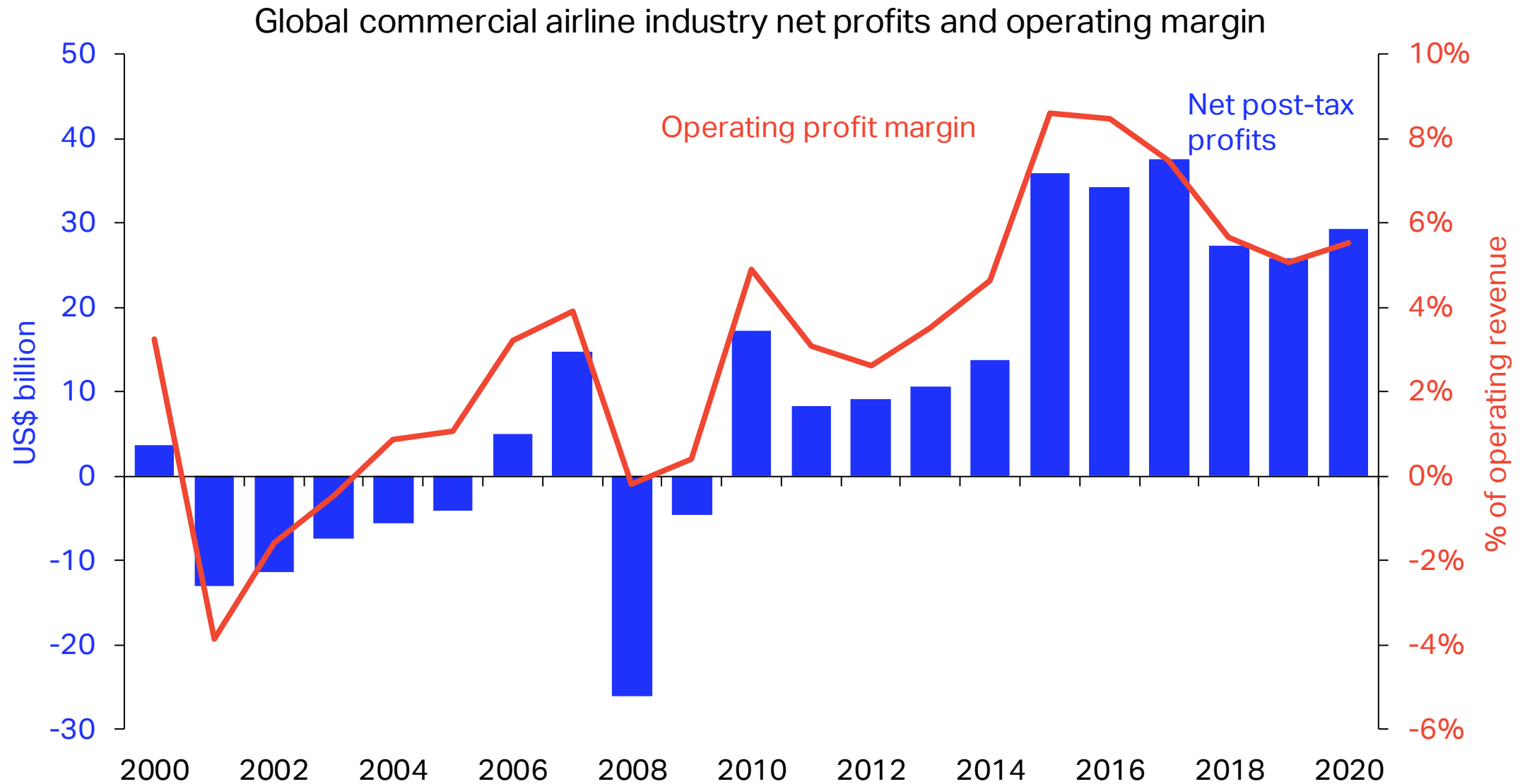
Brent crude oil price and oil future price curve



Source: IATA Economics using data from Platts, Refinitive Datastream



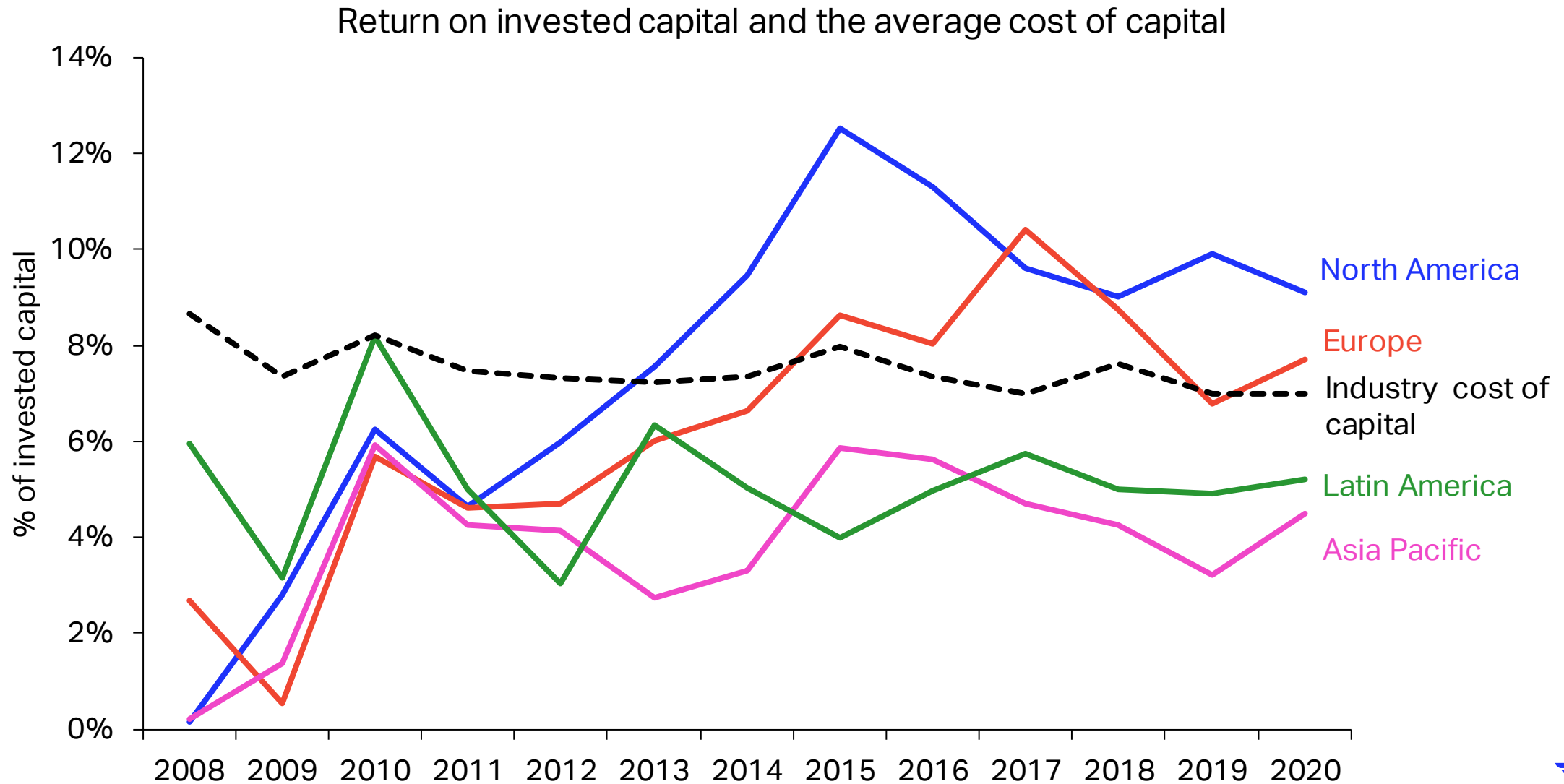
Industry profitability forecast to stabilize in 2020



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



Financial sustainability only in a couple of regions



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



Thank you

Brian Pearce

Chief Economist

