

# Key issues facing the industry outlook

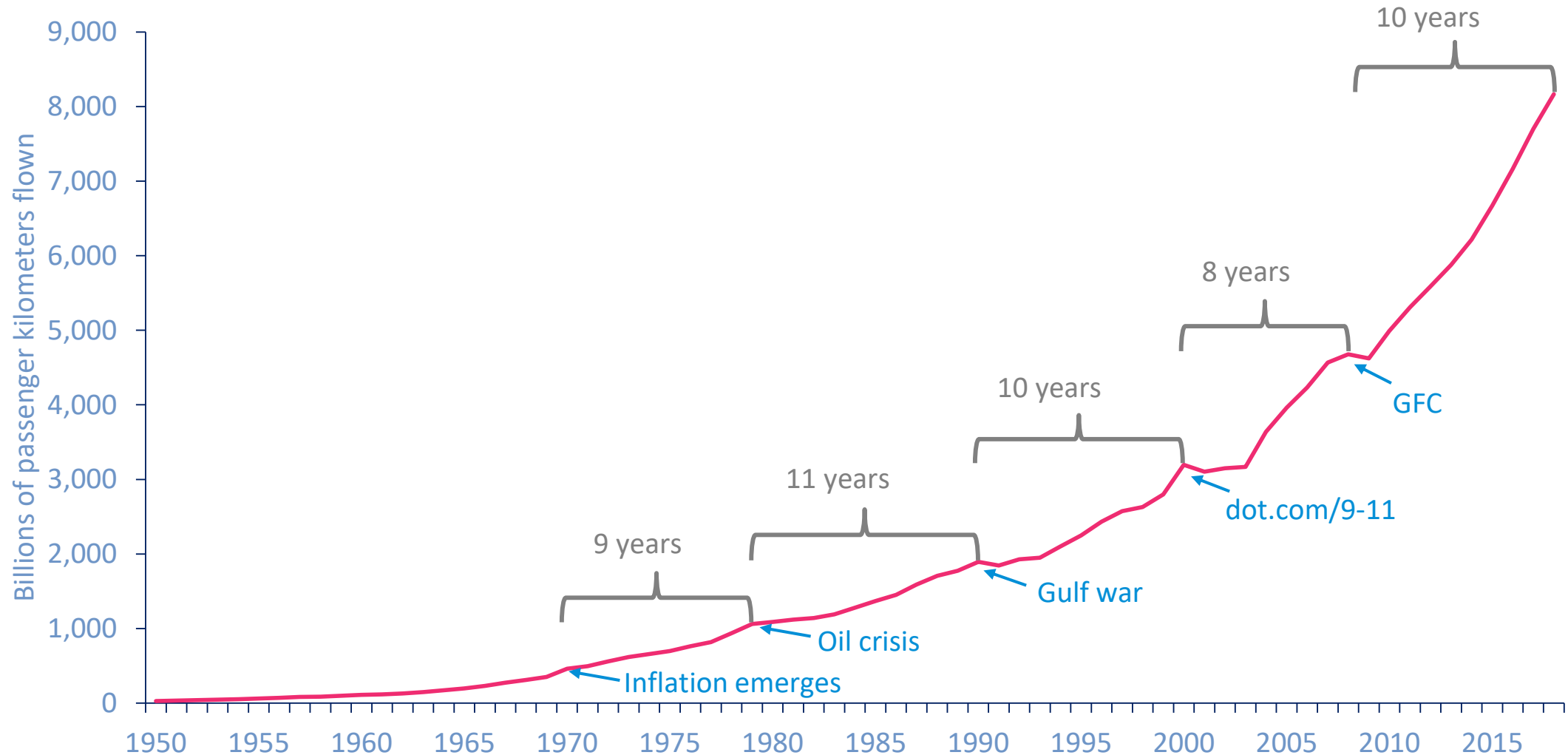
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8 February 2019



# The next aviation recession is overdue, or is it?

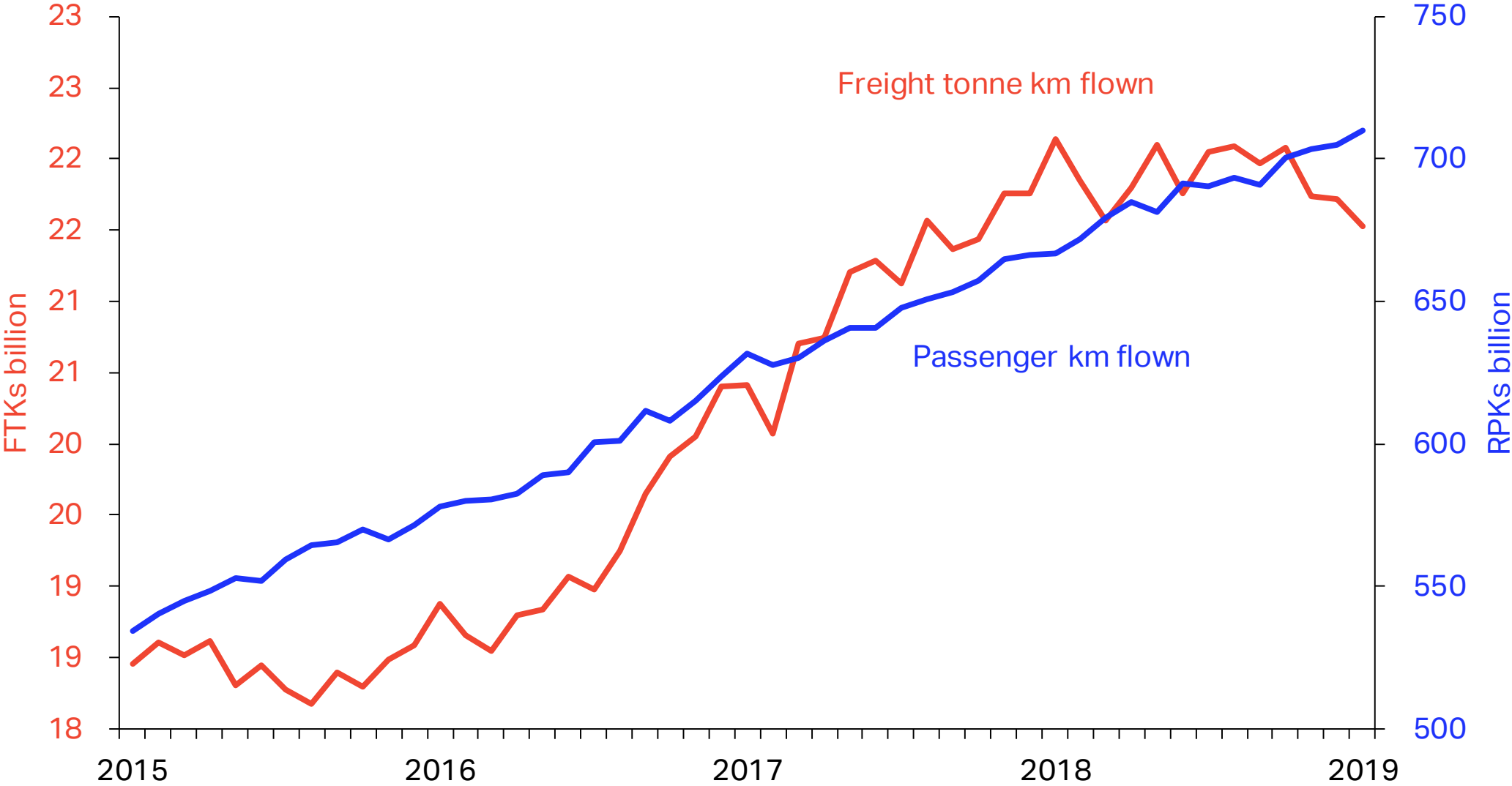
Global passenger kilometers flown (RPKs)



Source: IATA Economics using data from ICAO, IATA Statistics and our own forecast

# Cargo is shrinking, but travel has strong momentum

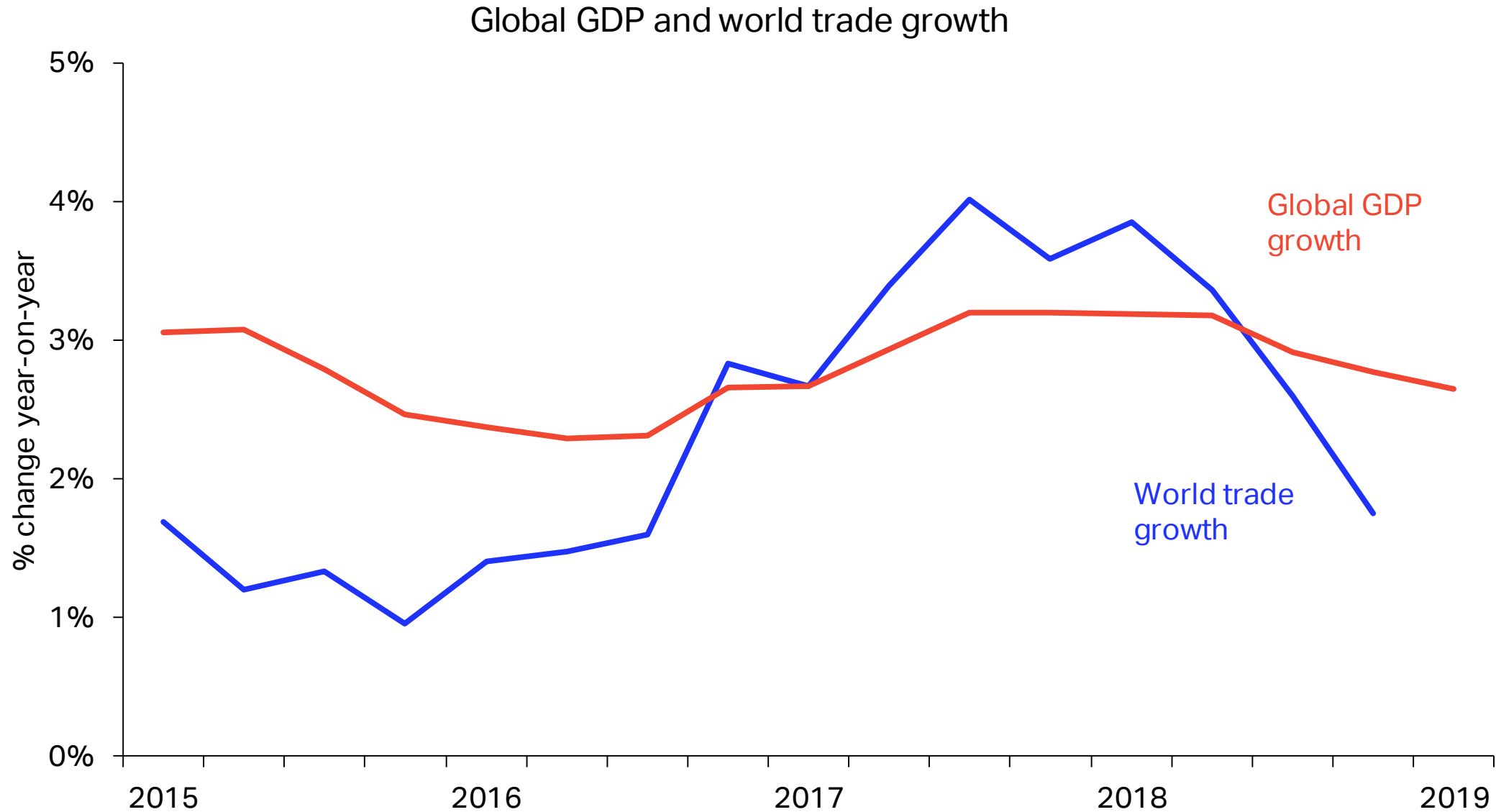
Worldwide RPKs and FTKs, seasonally adjusted



Source: IATA Economics using data from IATA Statistics



# Cross-border trade weak, but GDP growth looks OK



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

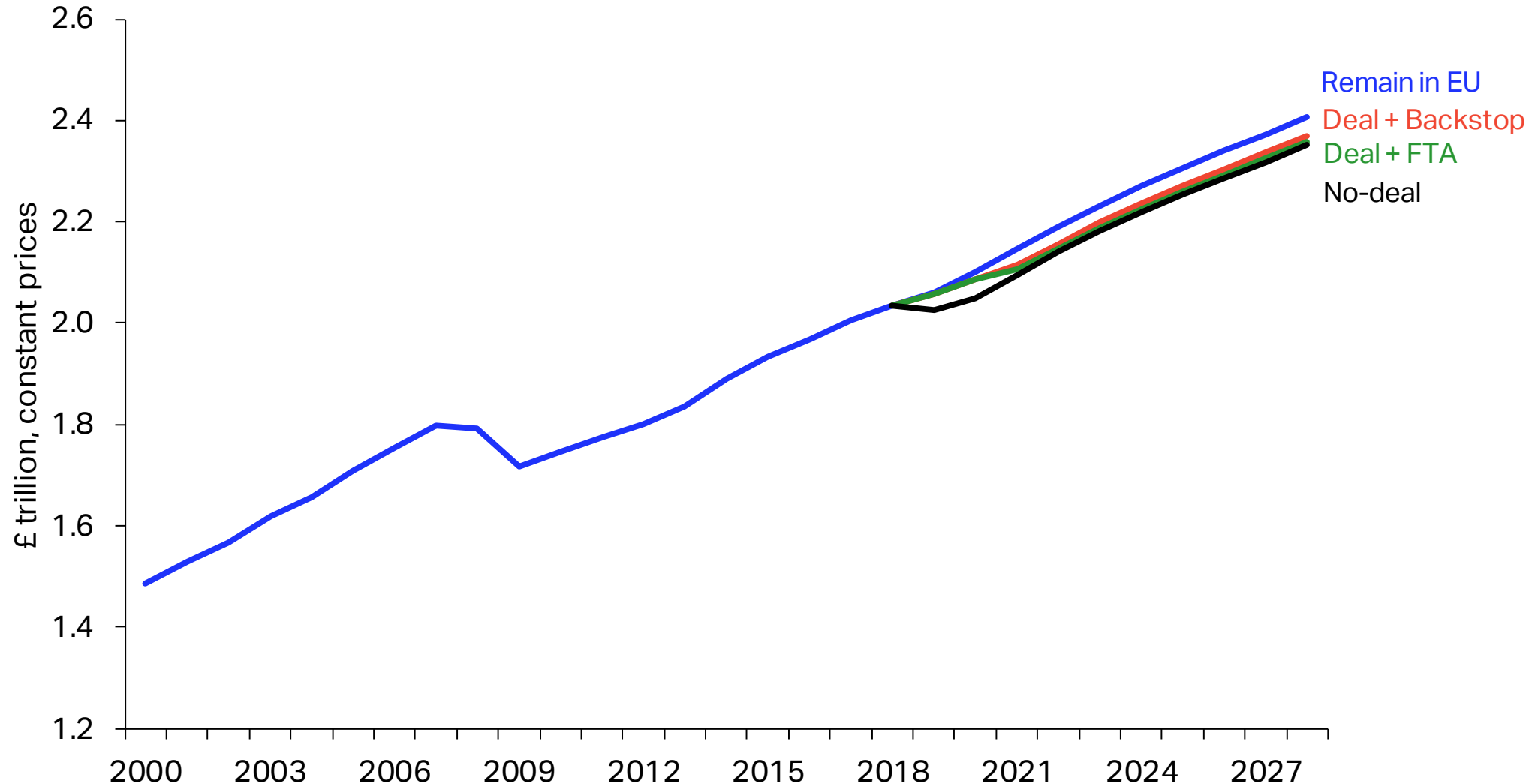


# Trade wars damaging but not expansion stoppers



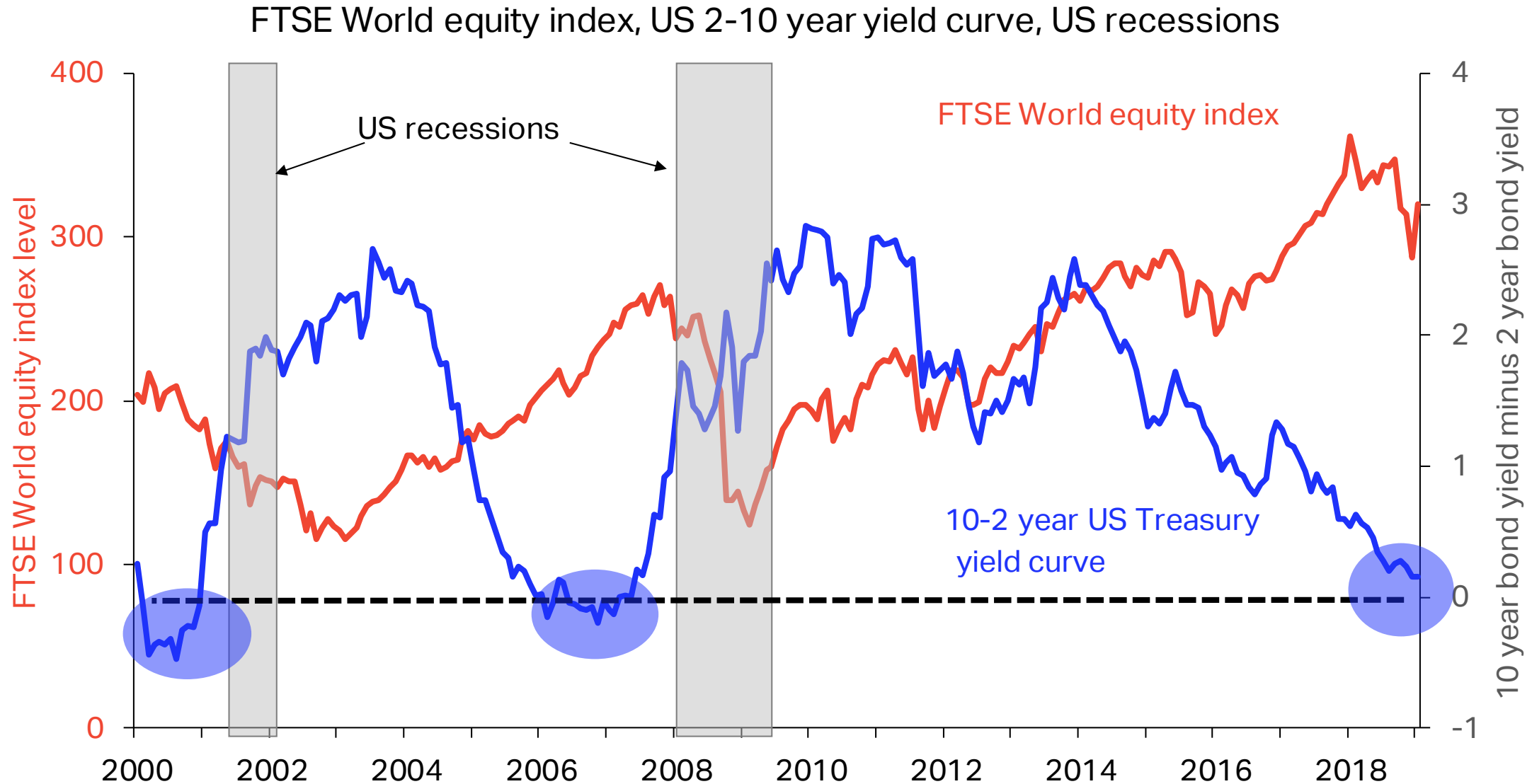
# Brexit damaging but would slow not stop the UK

UK GDP, £ trillion, constant prices



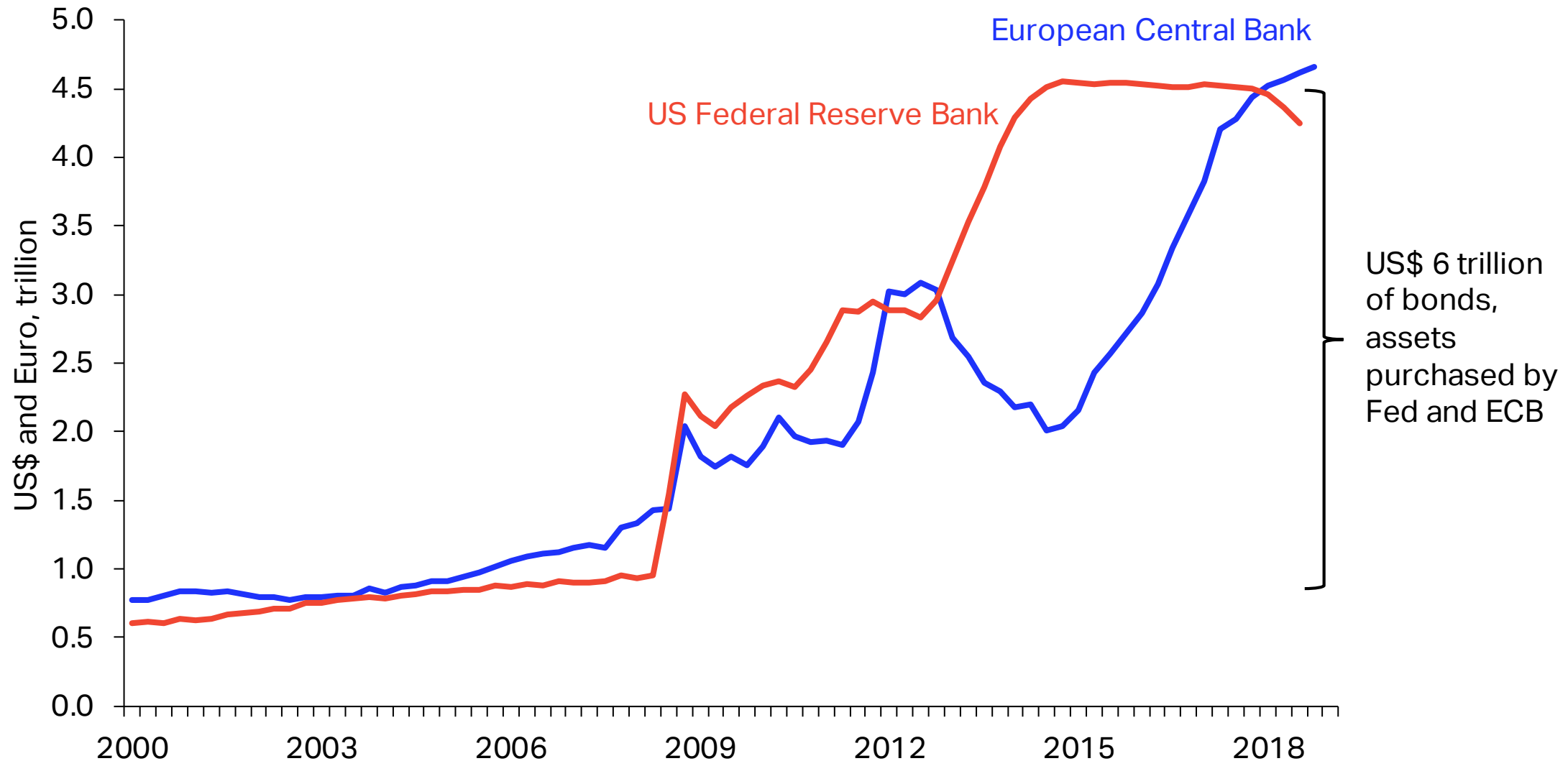
Source: IATA Economics using data from Oxford Economics, NIESR Brexit Impacts Report 26<sup>th</sup> November 2018

# Financial markets appear to be signalling recession



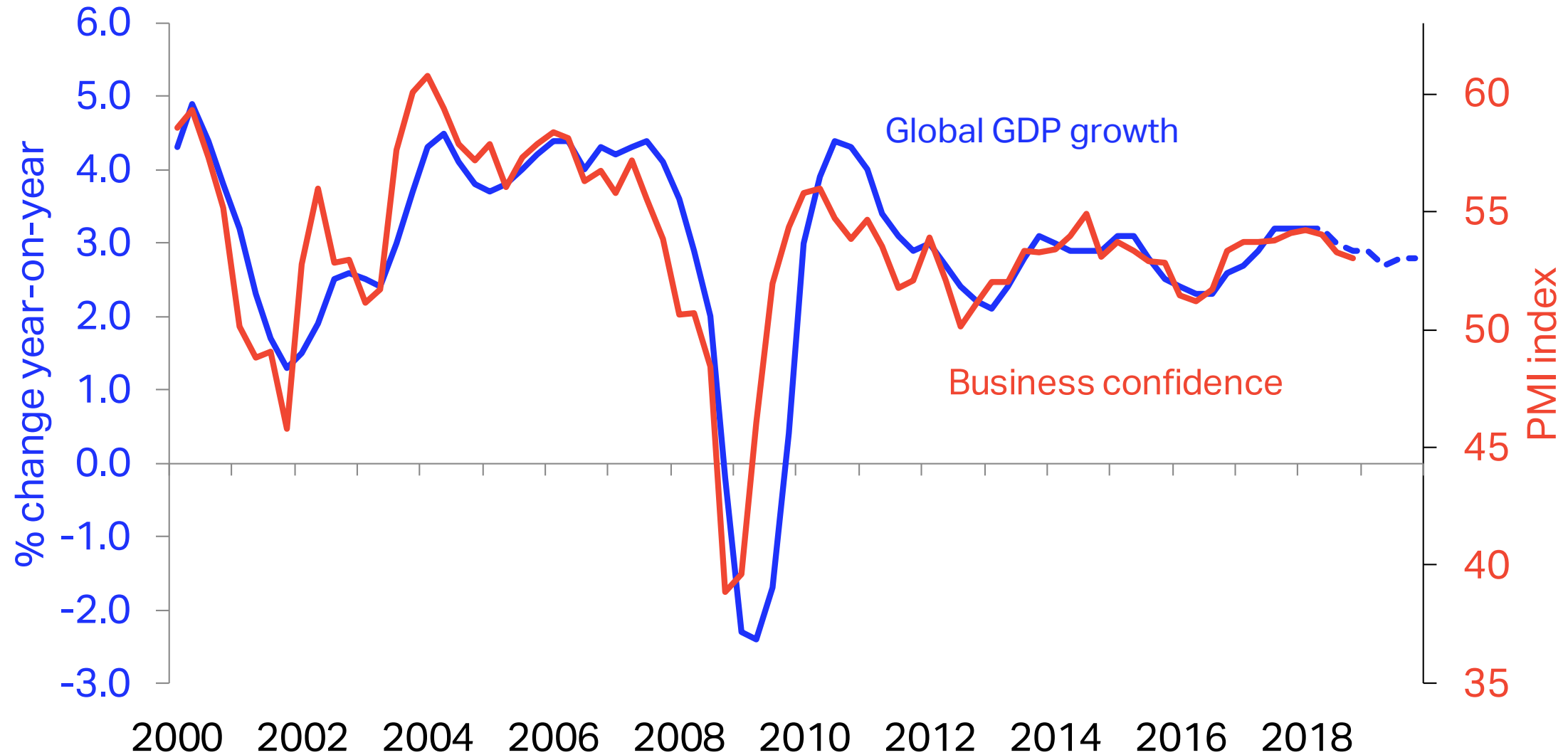
# But these are extraordinary times

## Central bank assets





# Most expect growth to continue in 2019

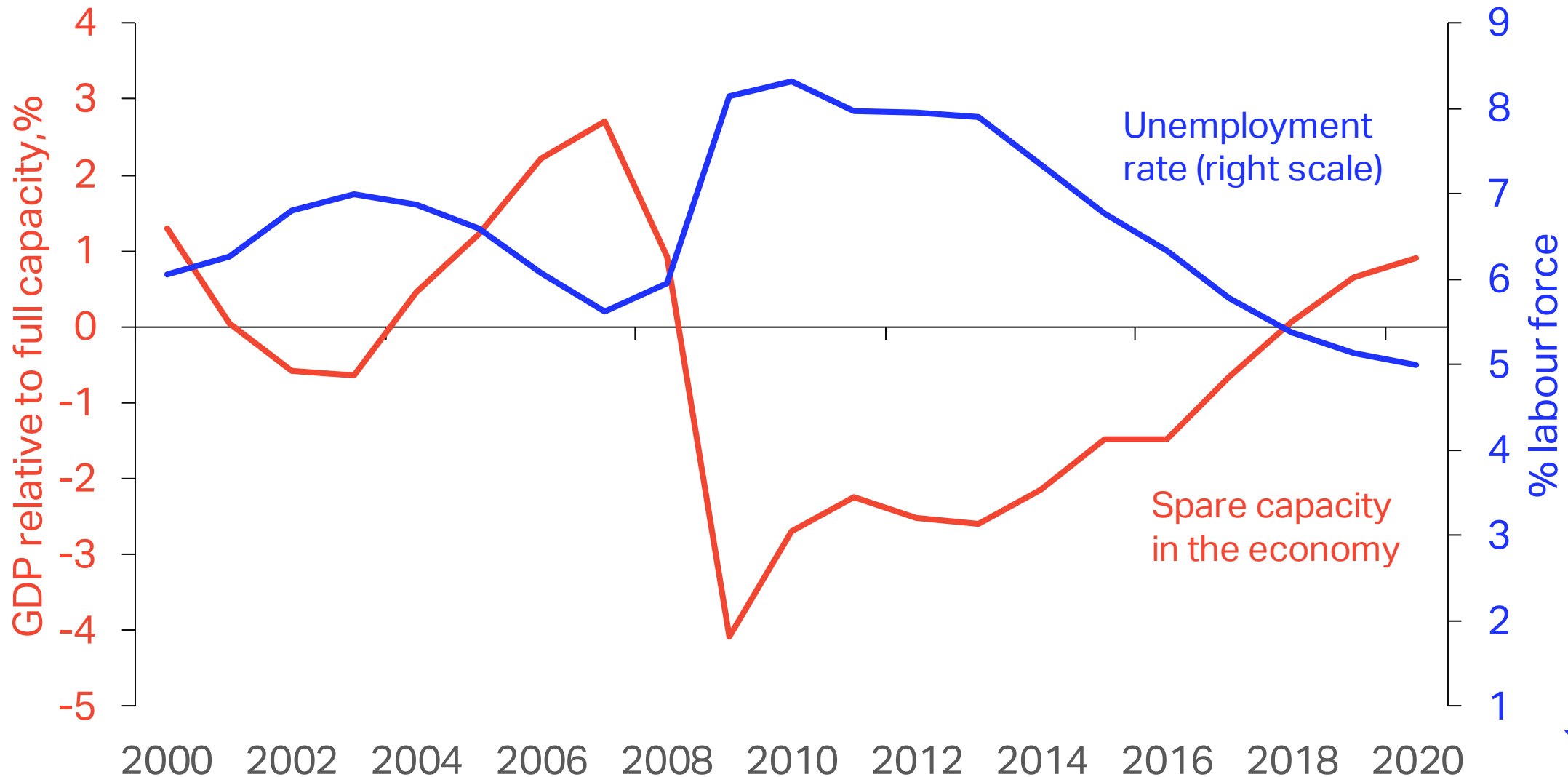


Source: IATA Economics using data from Markit, IMF World Economic Outlook January 2019



# However, that means we face rising costs

Spare capacity in the OECD economies and labour markets

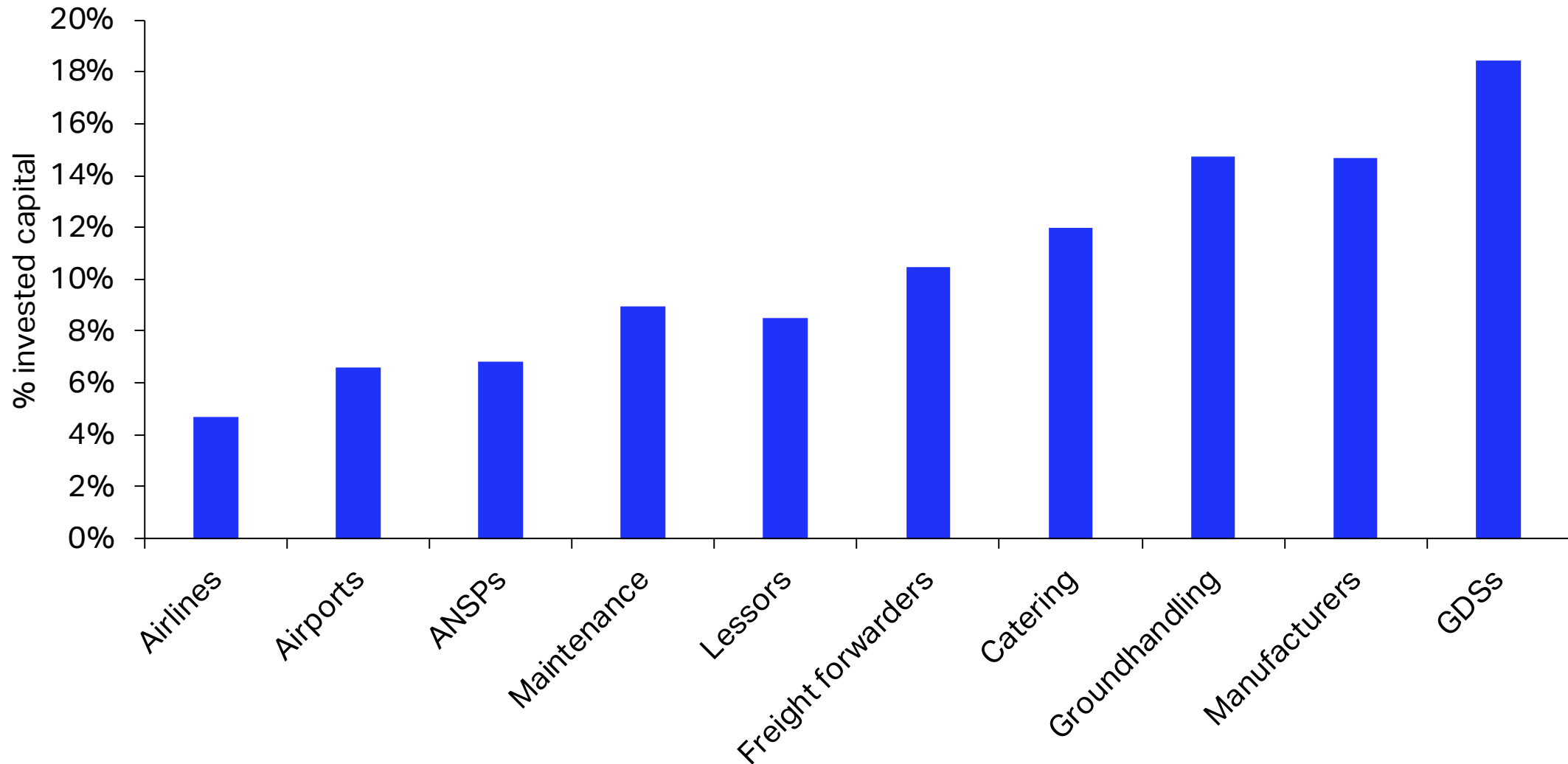


Source: OECD Economic Outlook October 2018



# Shortages and increasing supplier market power

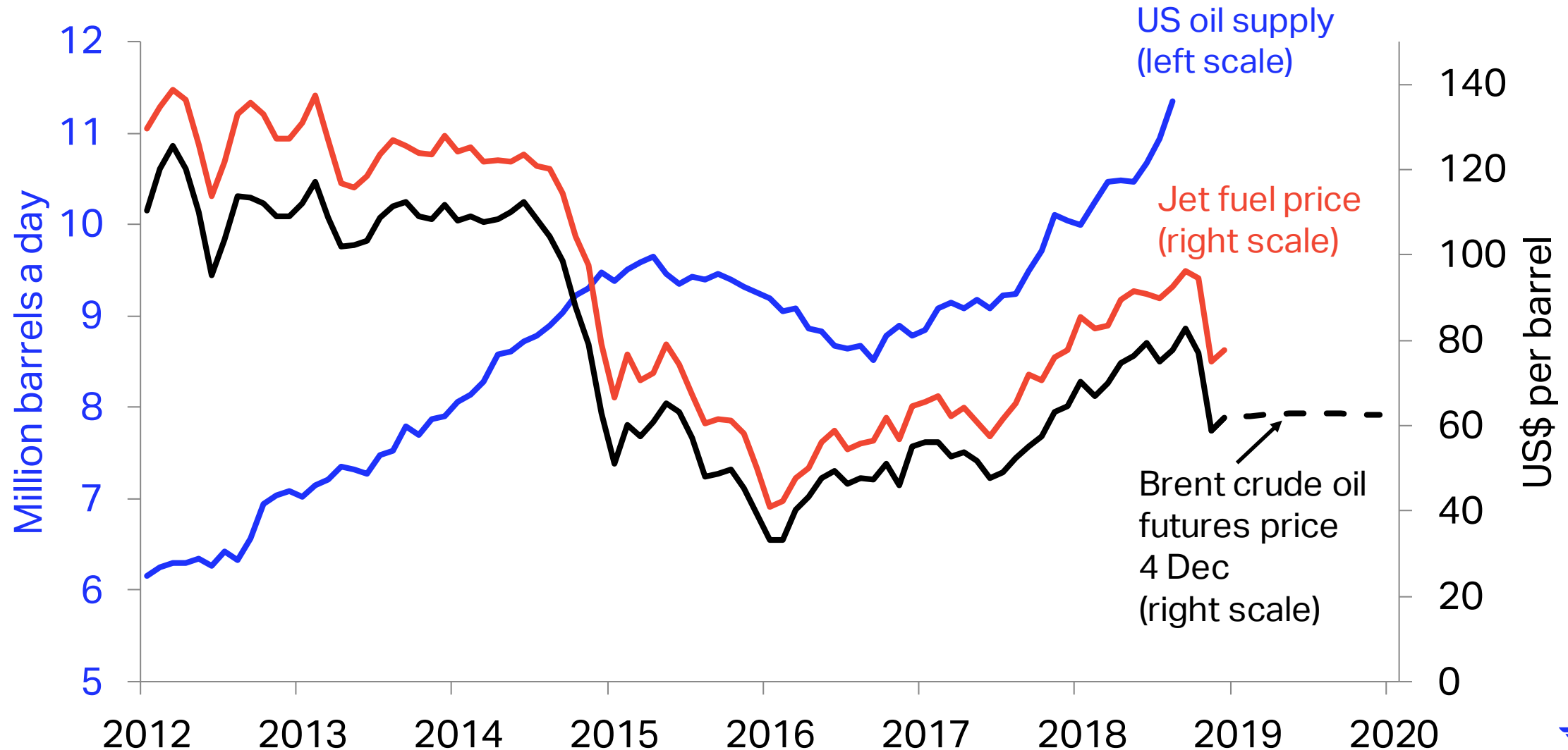
Return on invested capital, 2007-2014 average, %



Source: IATA Economics using data provided by McKinsey

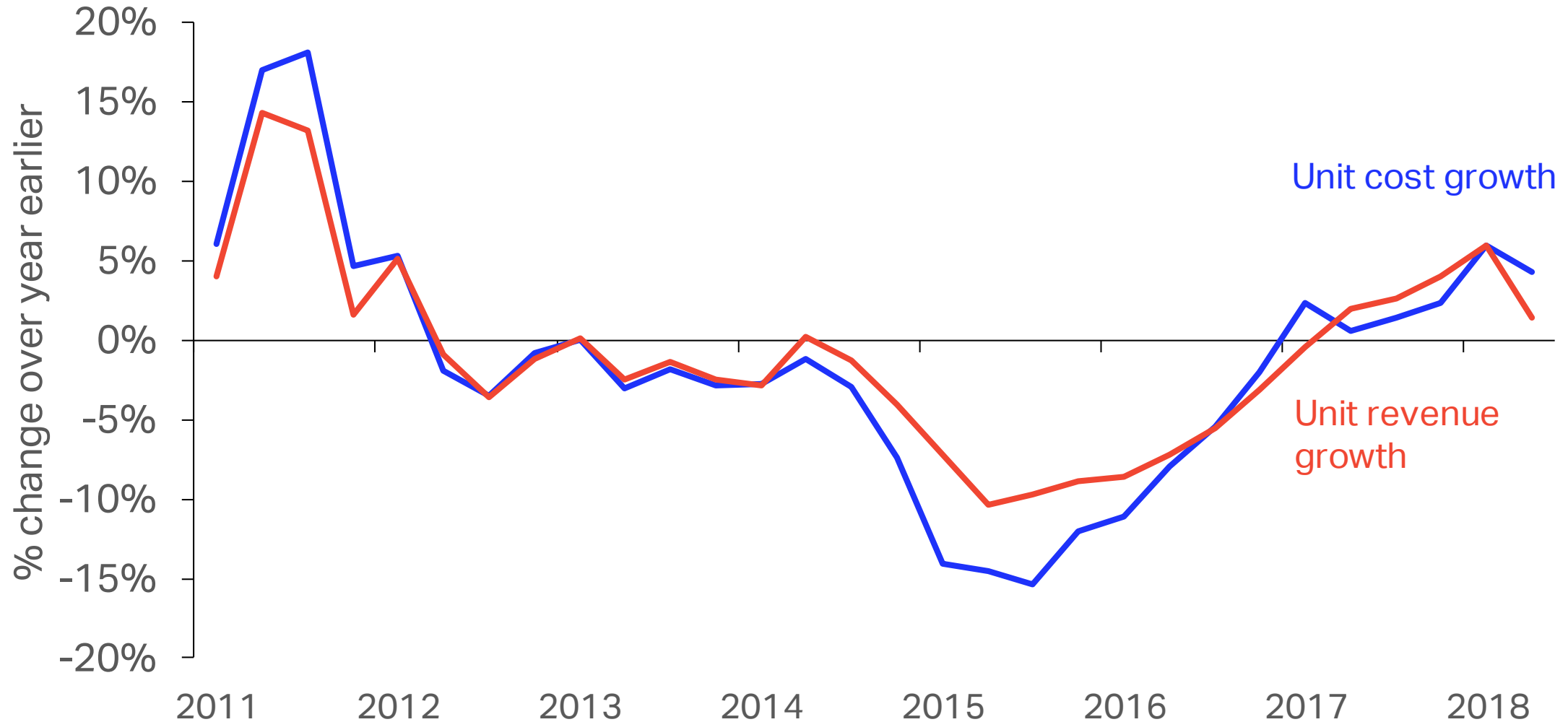


# Lower jet fuel costs will help



# Mid-2018 recovering those costs became harder

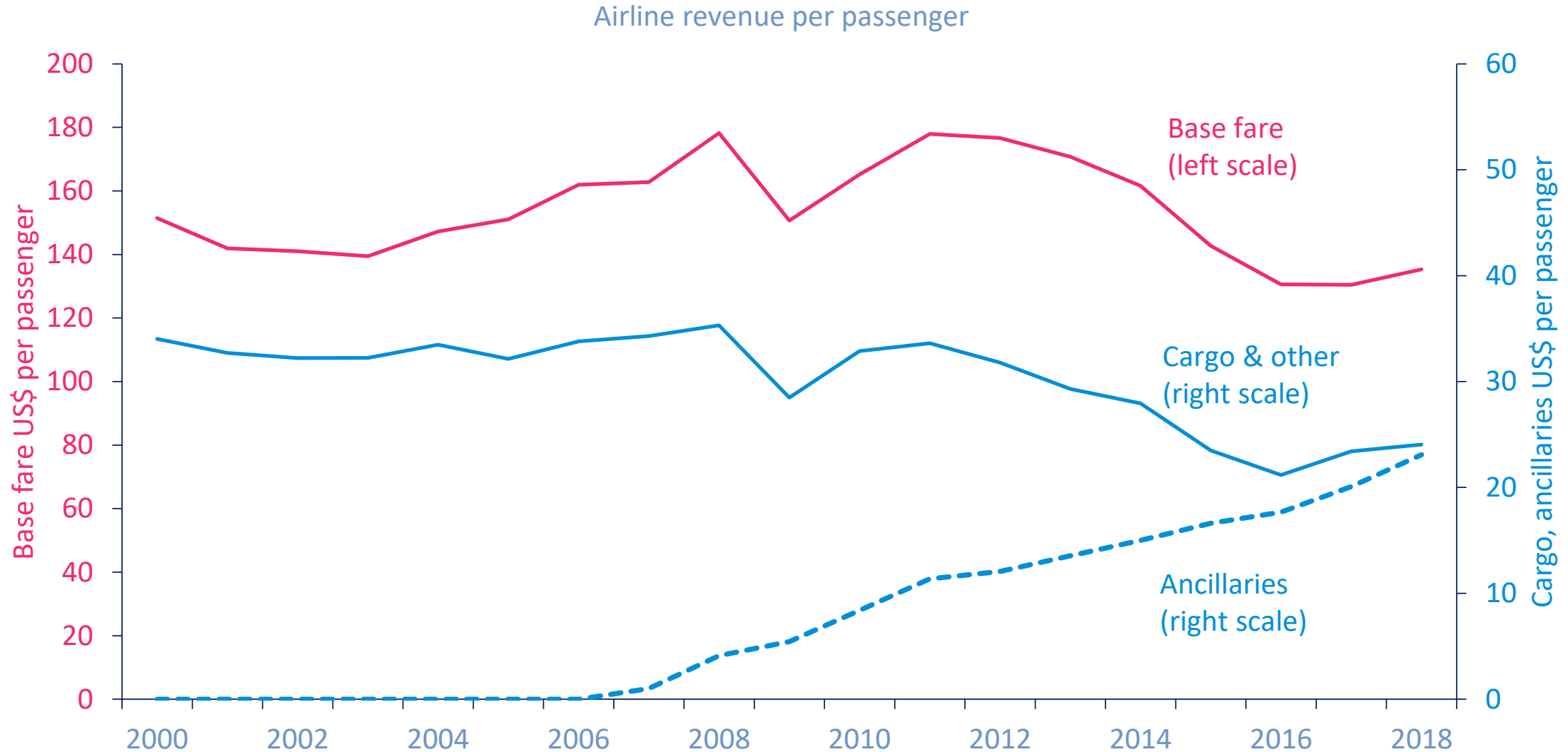
Airline industry growth in unit costs and unit revenues



Source: IATA Economics using data from The Airline Analyst



# Unbundling has been central to improvement

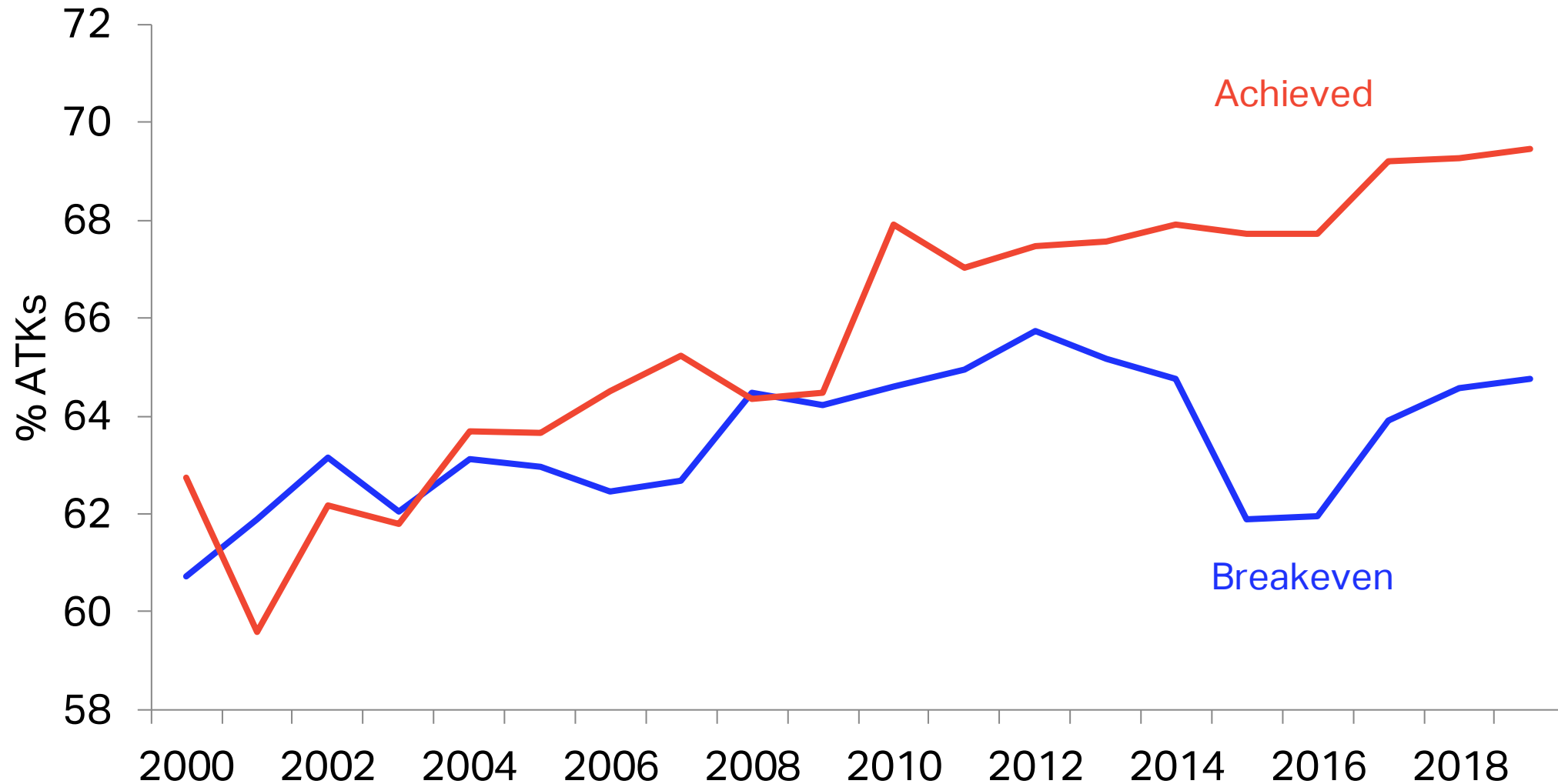


Source: IATA Economics using data from ICAO, IATA Statistics, IATA forecasts



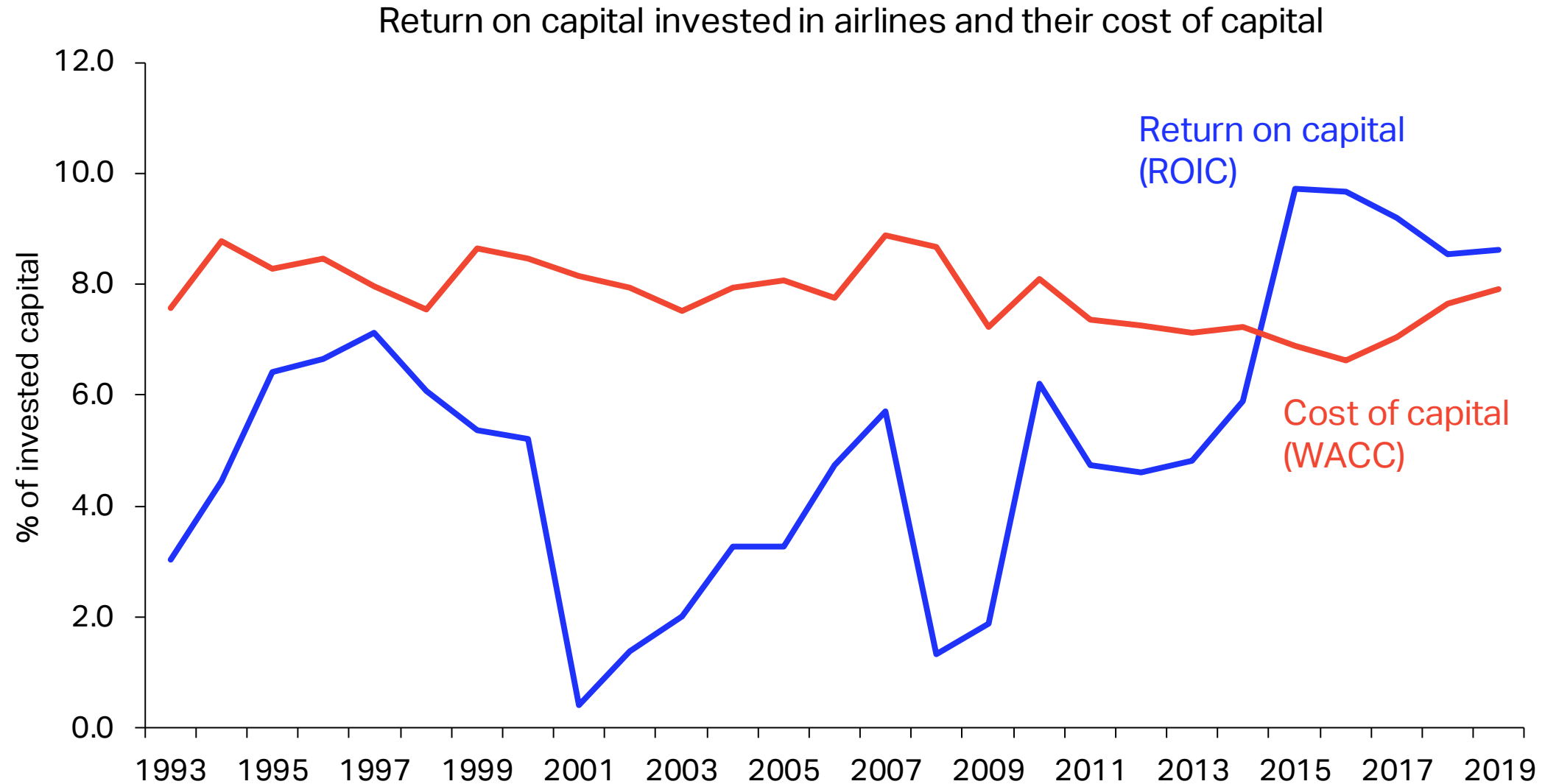
# A more rational industry structure has also helped

Breakeven and achieved load factor



Source: IATA Economics using data from ICAO, IATA Statistics, IATA forecasts

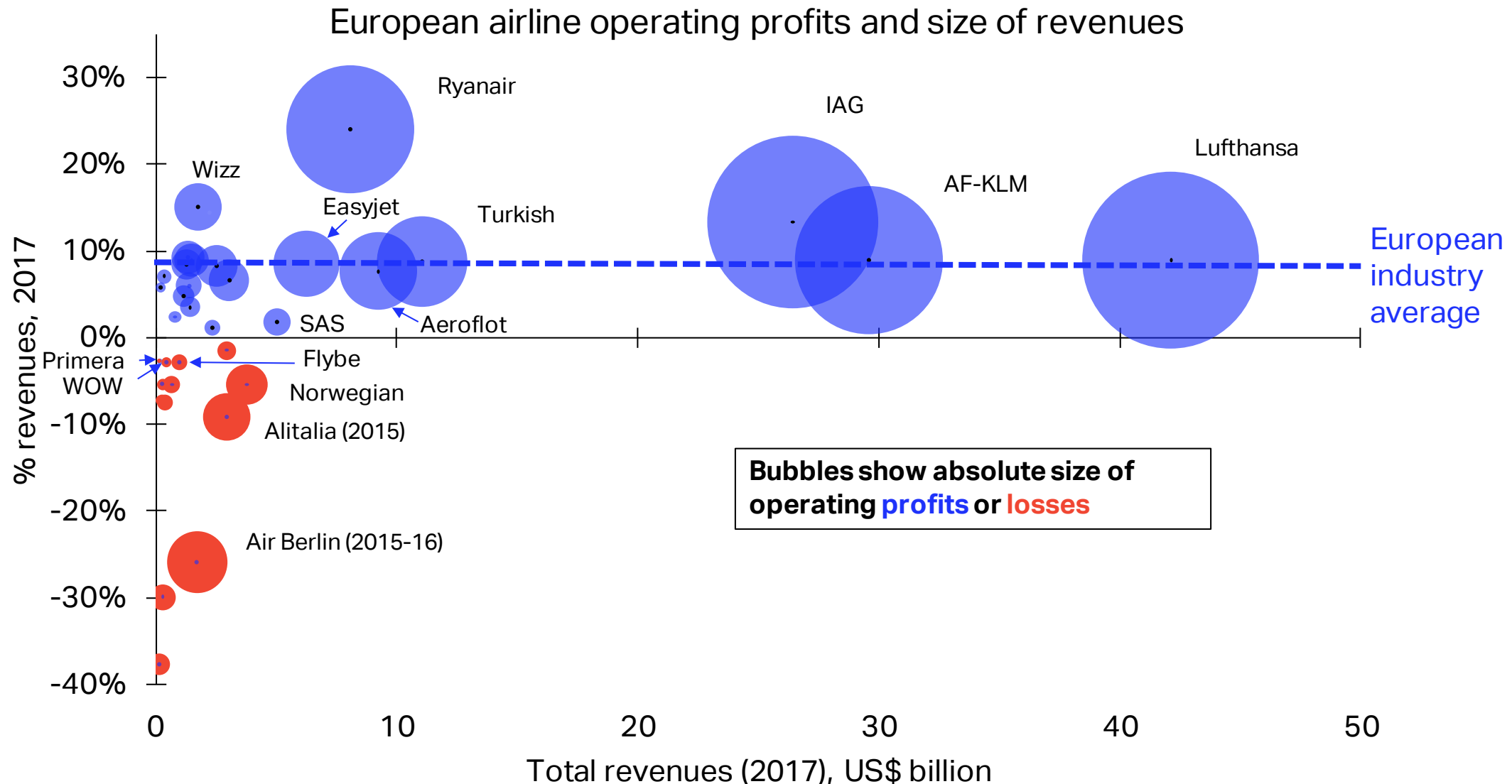
# Value creation for investors continues, just



Source: IATA Economics using data from ICAO, IATA Statistics, IATA forecasts



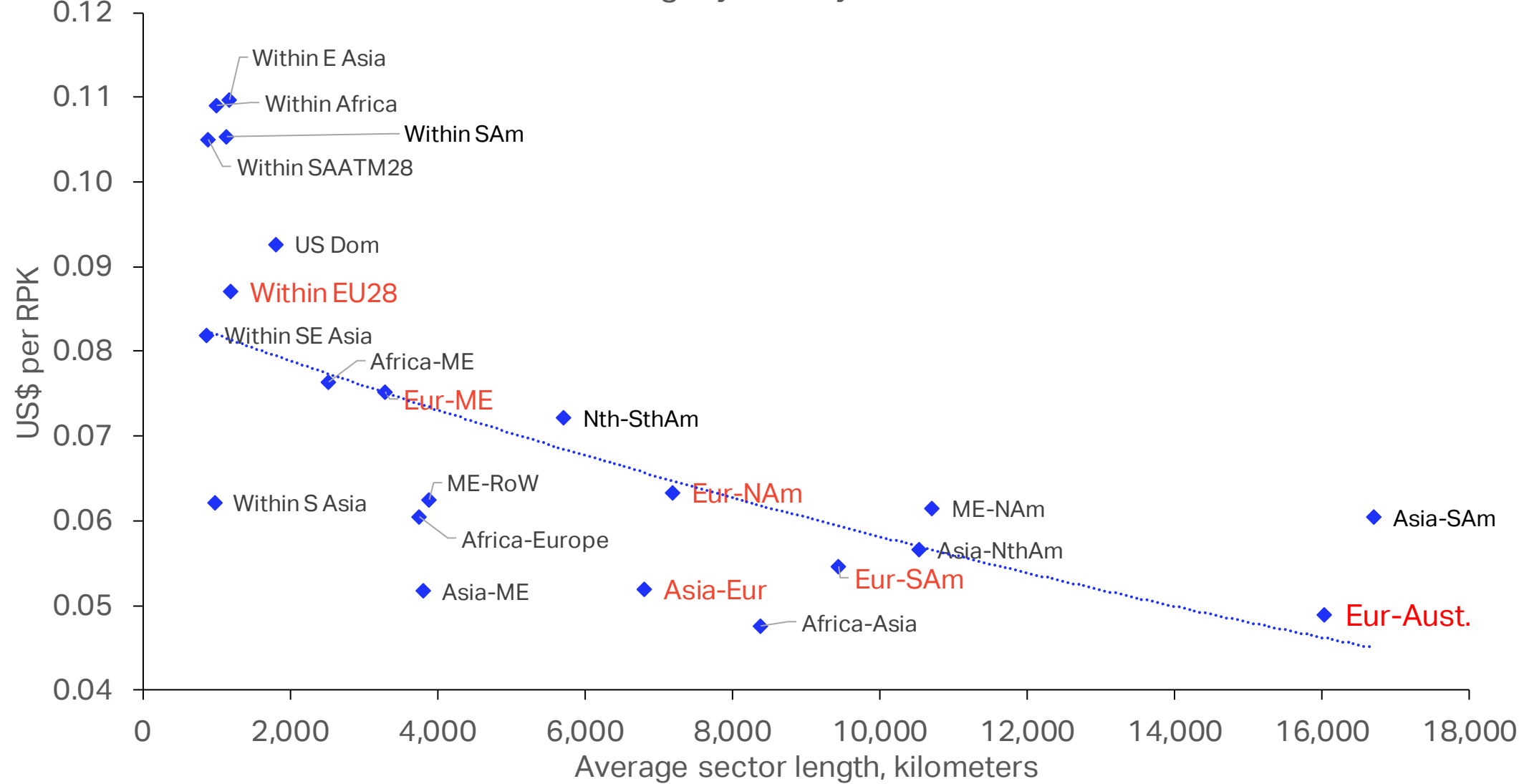
# But there are problems even in successful regions



Source: The Airline Analyst, CAPA

# Consumers benefit from liberal EU markets

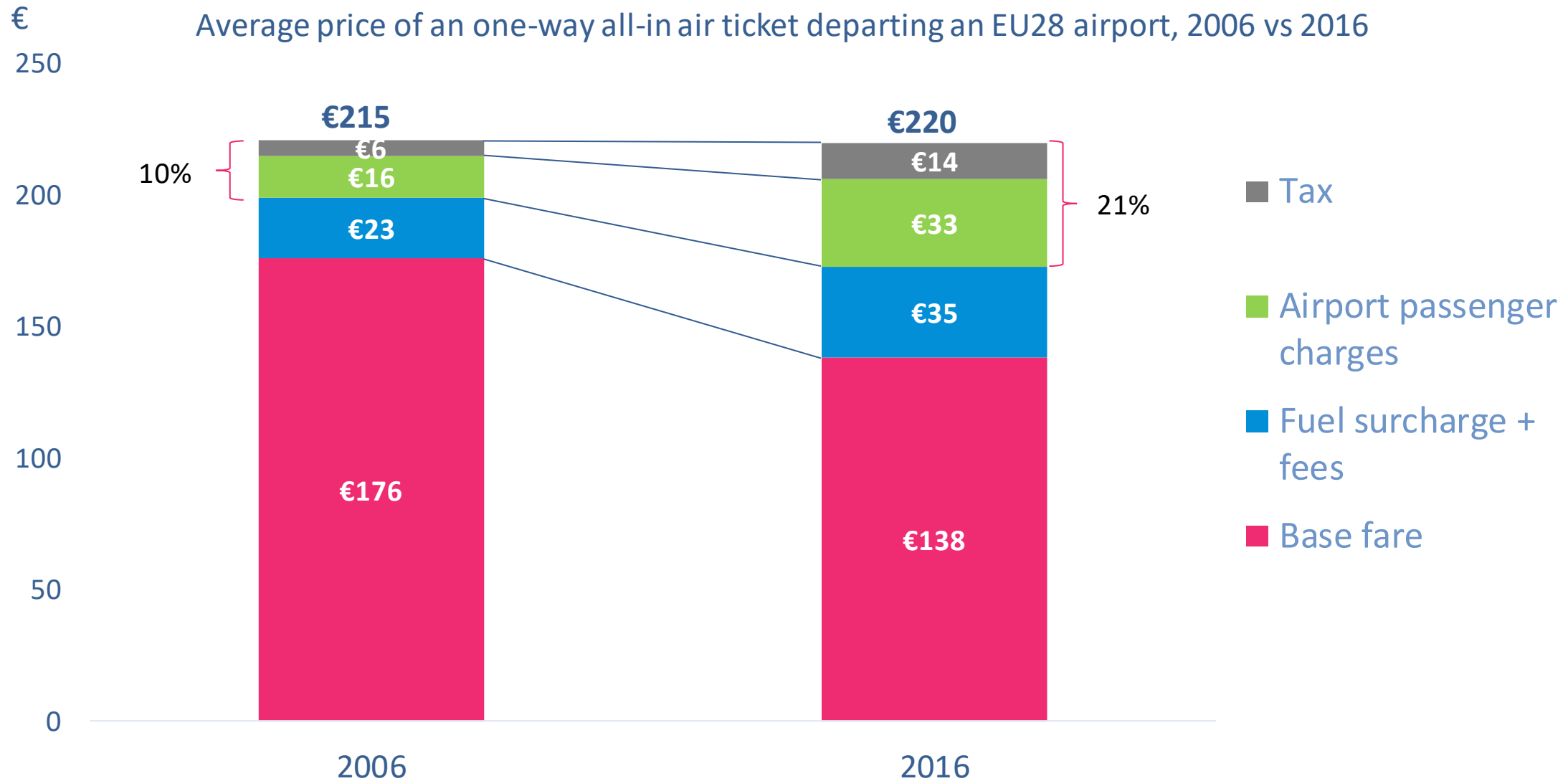
Passenger yields by market



Source: IATA Economics using data from DDS

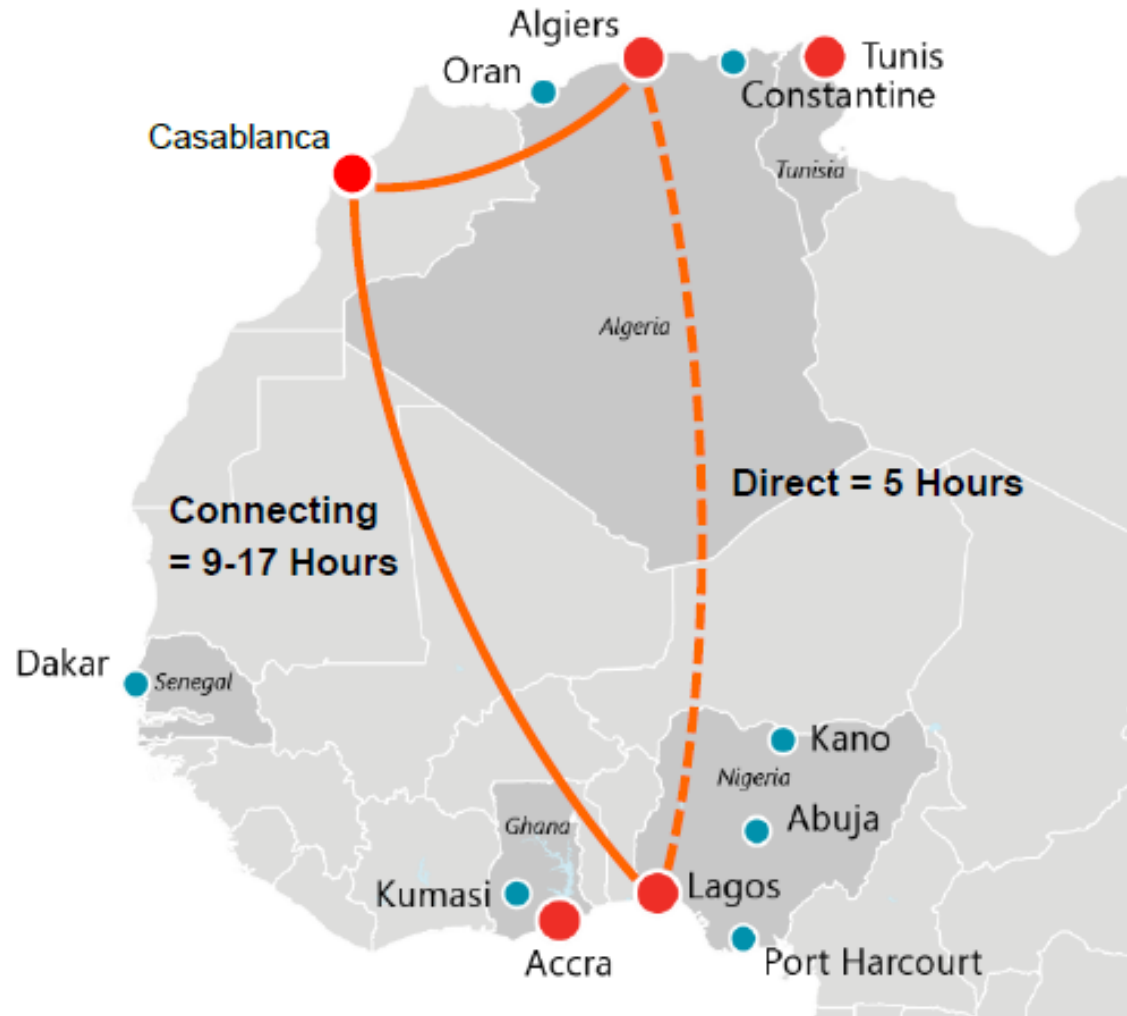


# But there is an increasing tax & charges 'wedge'



Source: IATA Economics using data from DDS, the Airline Analyst, ACI and IATA's TTBS database

# Connectivity big prize from an African single market



# Thank you

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[www.iata.org/economics](http://www.iata.org/economics)

