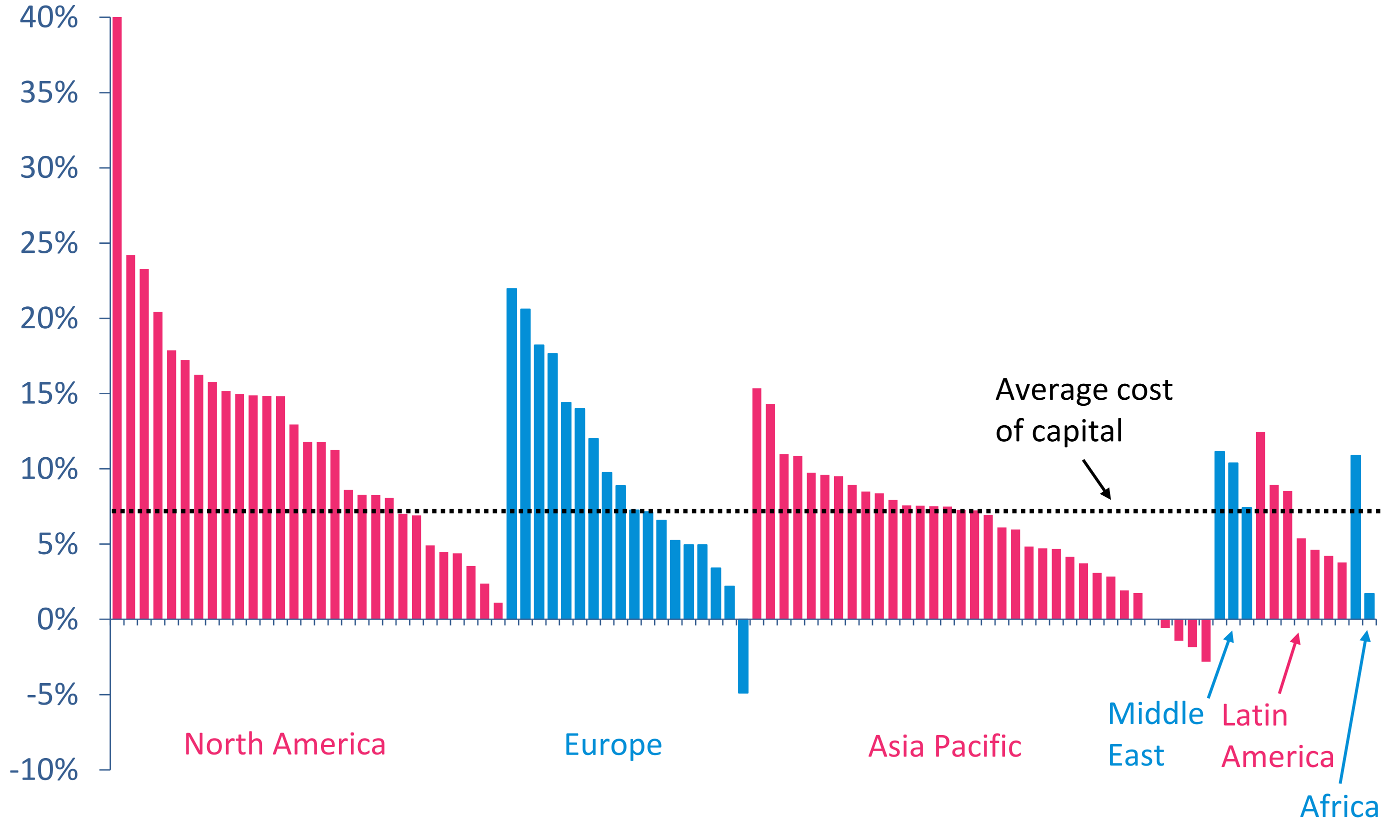
IATA ECONOMICS' CHART OF THE WEEK

3 JUNE 2016

MORE 'NORMAL' RETURNS, BUT WIDE SPREAD WITHIN AND BETWEEN REGIONS

Return on Invested Capital in 2015 by region and airline (% of invested capital)



Source: IATA calculations from The Airline Analyst

- The airline industry is expected to generate a return on invested capital of 9.8% this year, which, for only the second year on record, adequately rewards equity owners for risking their capital. As this week's chart shows, a significant number of airlines generated returns above the cost of capital last year (which was estimated to be 7.0%).
- Once again, US carriers drove industry financial performance, although globally there was a much wider spread of airlines generating good returns than was the case in 2014. In Europe, there was a more concentrated group of high performers, reflecting the main low-cost carriers in the region and network airlines exposed to strong demand conditions across the North Atlantic. That said, other airlines remain hampered by economic weakness in the east and south of the region.
- Asia Pacific airlines started to feel the benefit of lower oil prices last year, but in general, financial performance for the region's carriers was held back by their greater exposure to the weaker cargo side of the business.
- For further details about financial performance in the airline industry, be sure to check out our recently-updated bi-annual *Economic Performance of the Industry* report.

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