

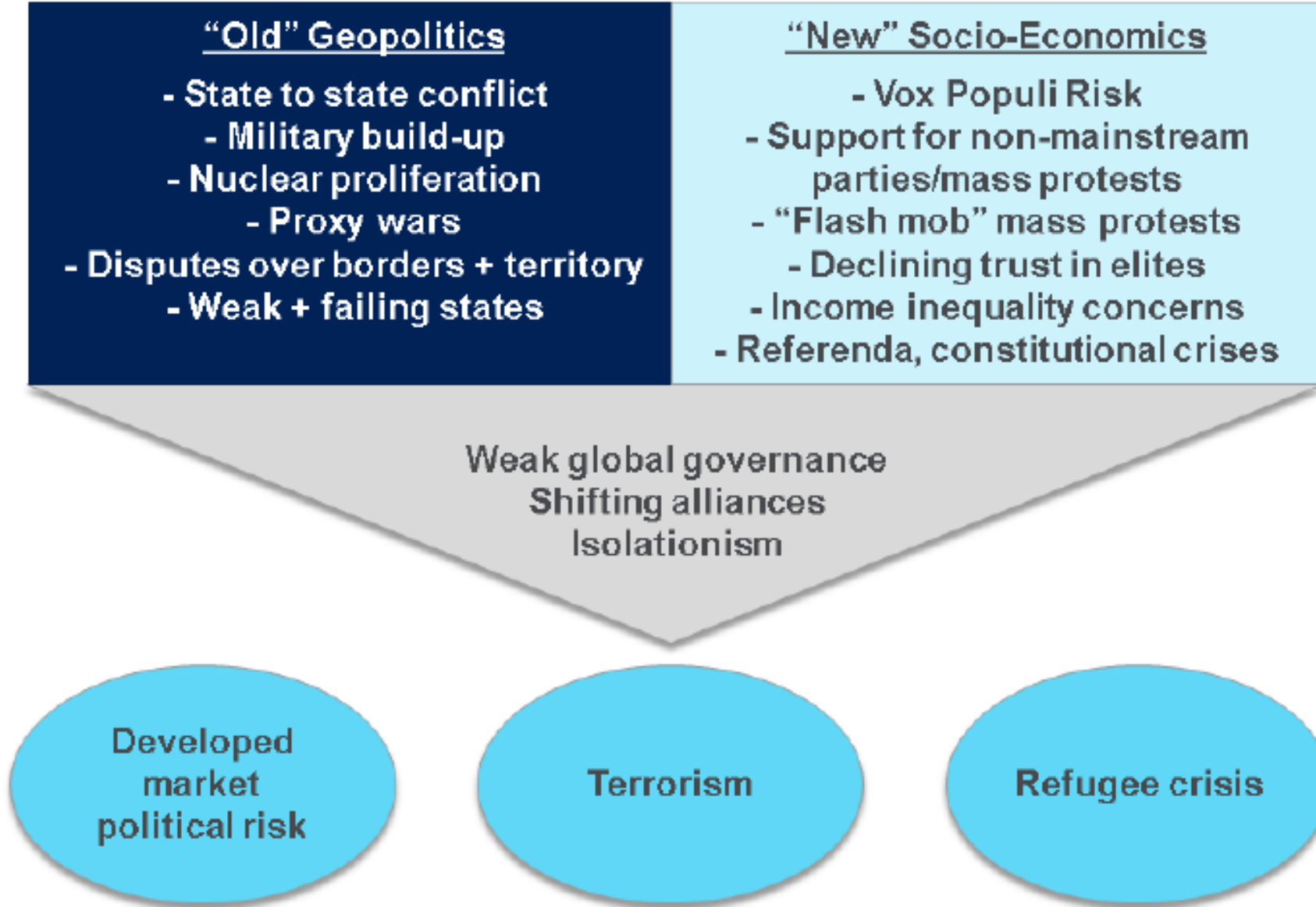


Despite ongoing risks airline industry seeing strong growth and profits

Brian Pearce,
Chief Economist,
IATA

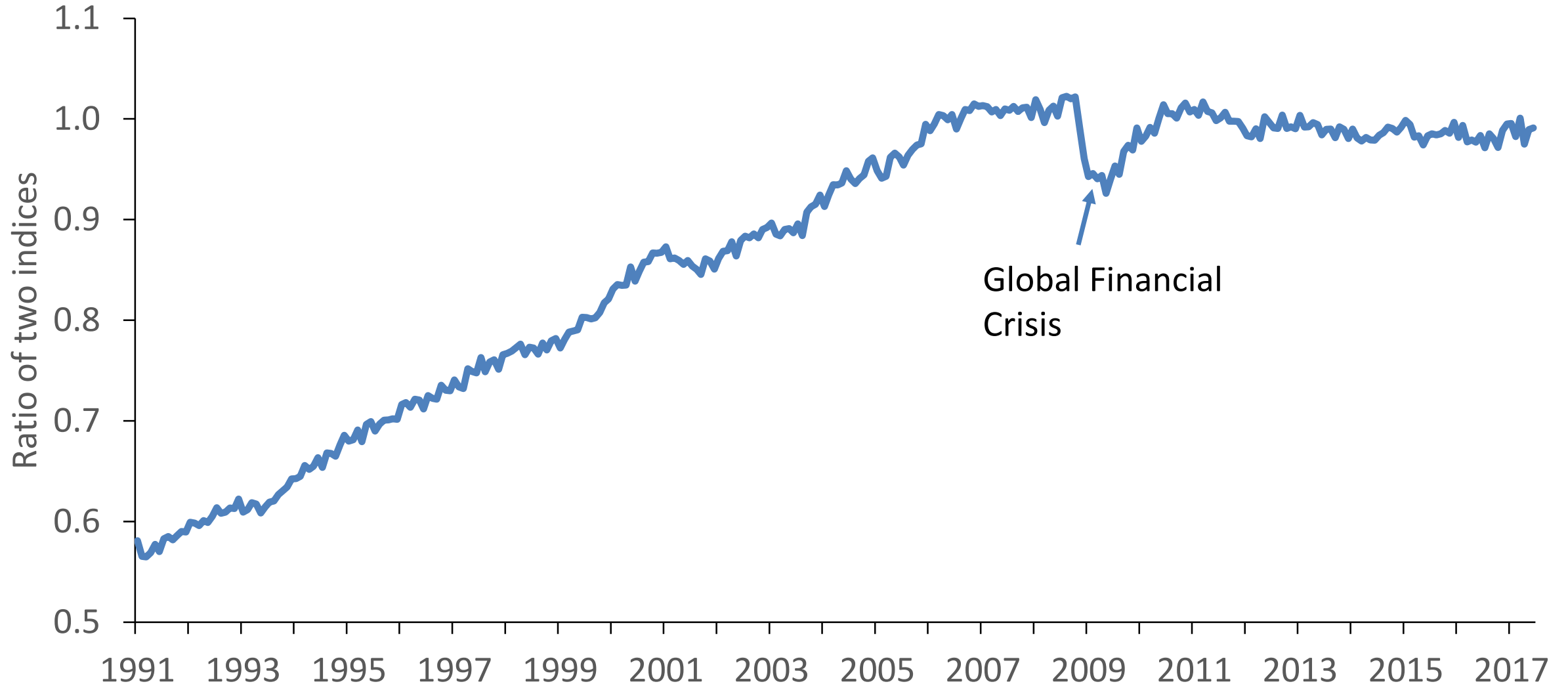
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Worrying legacies of the GFC: Unstable politics



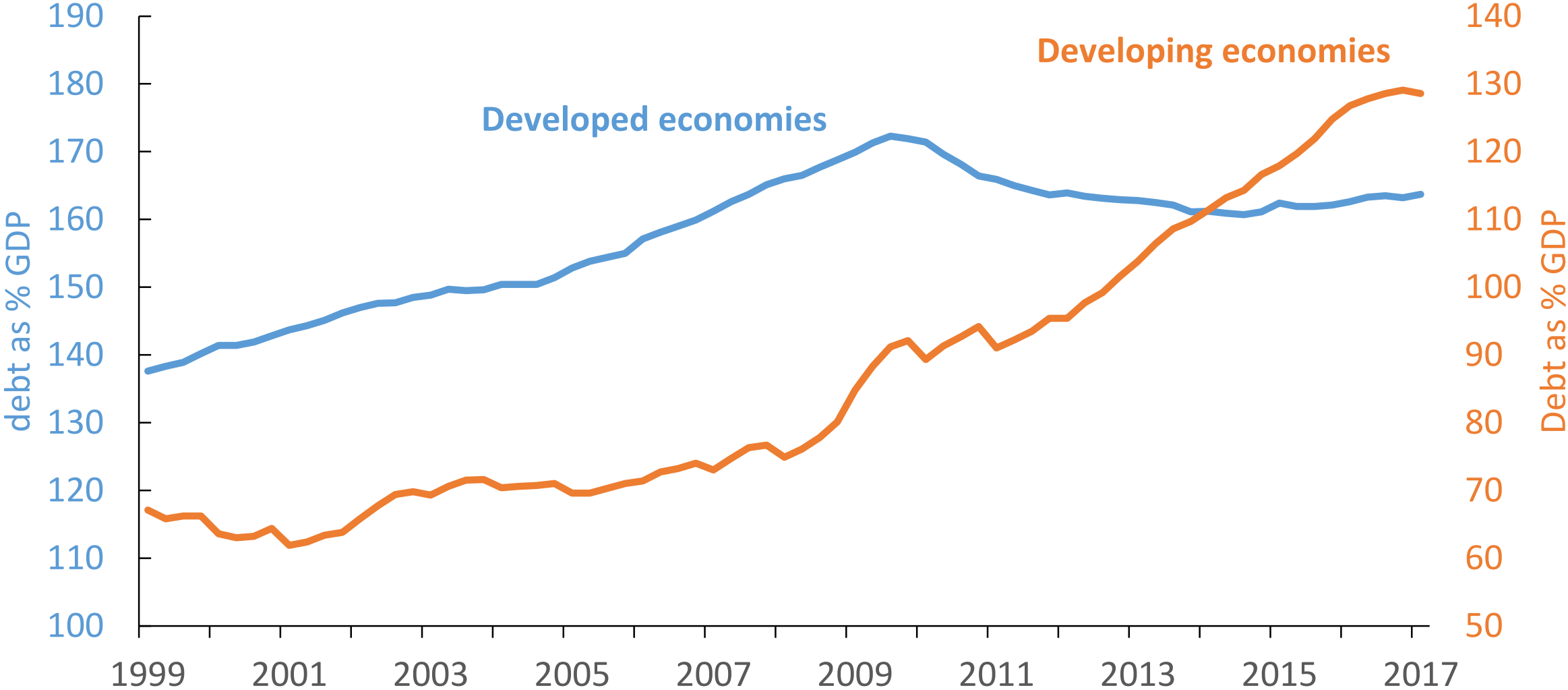
Worrying legacies of the GFC: 'soft' protectionism

World trade as a ratio of world industrial production

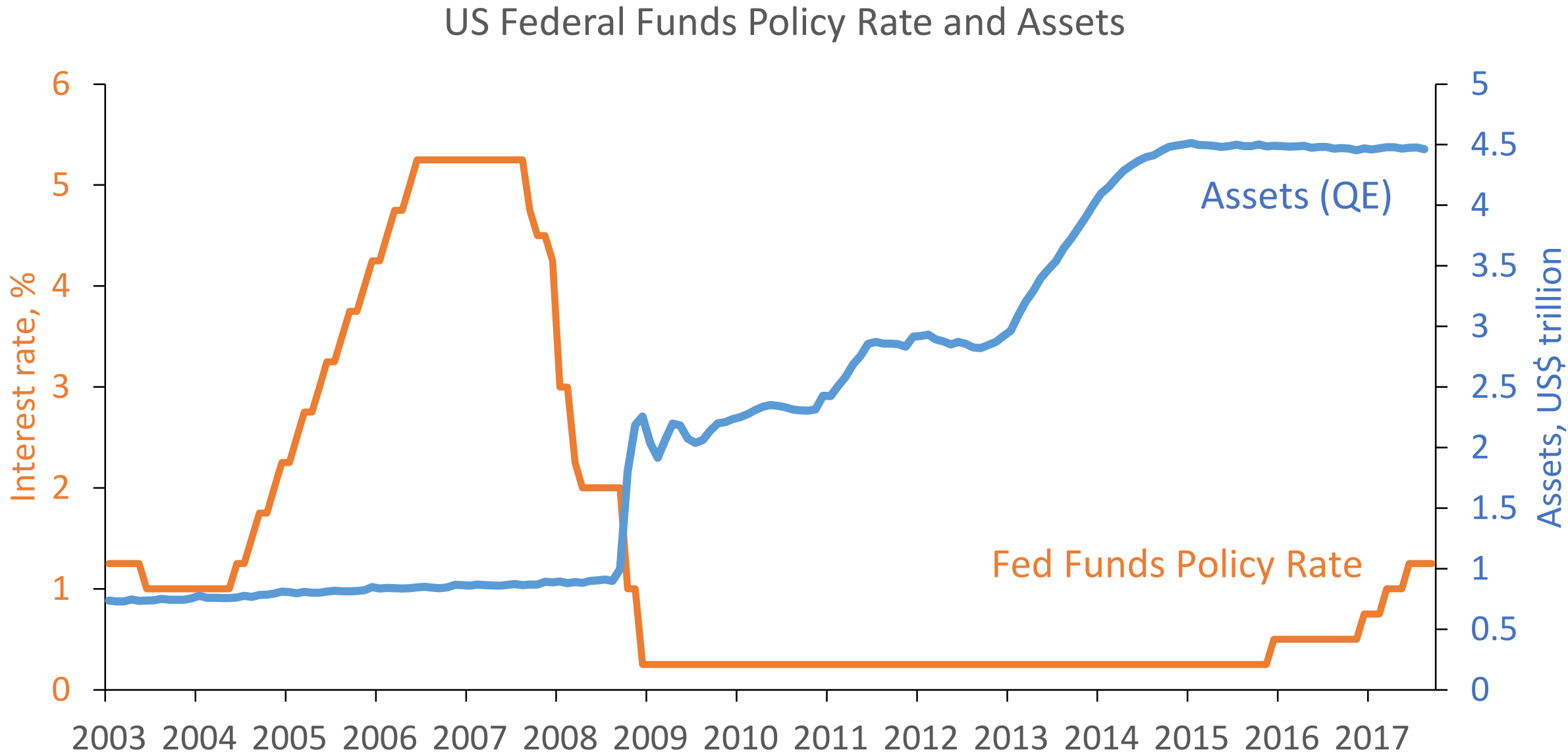


Worrying legacies of the GFC: private debt overhang

Outstanding debt in the private non-financial sector



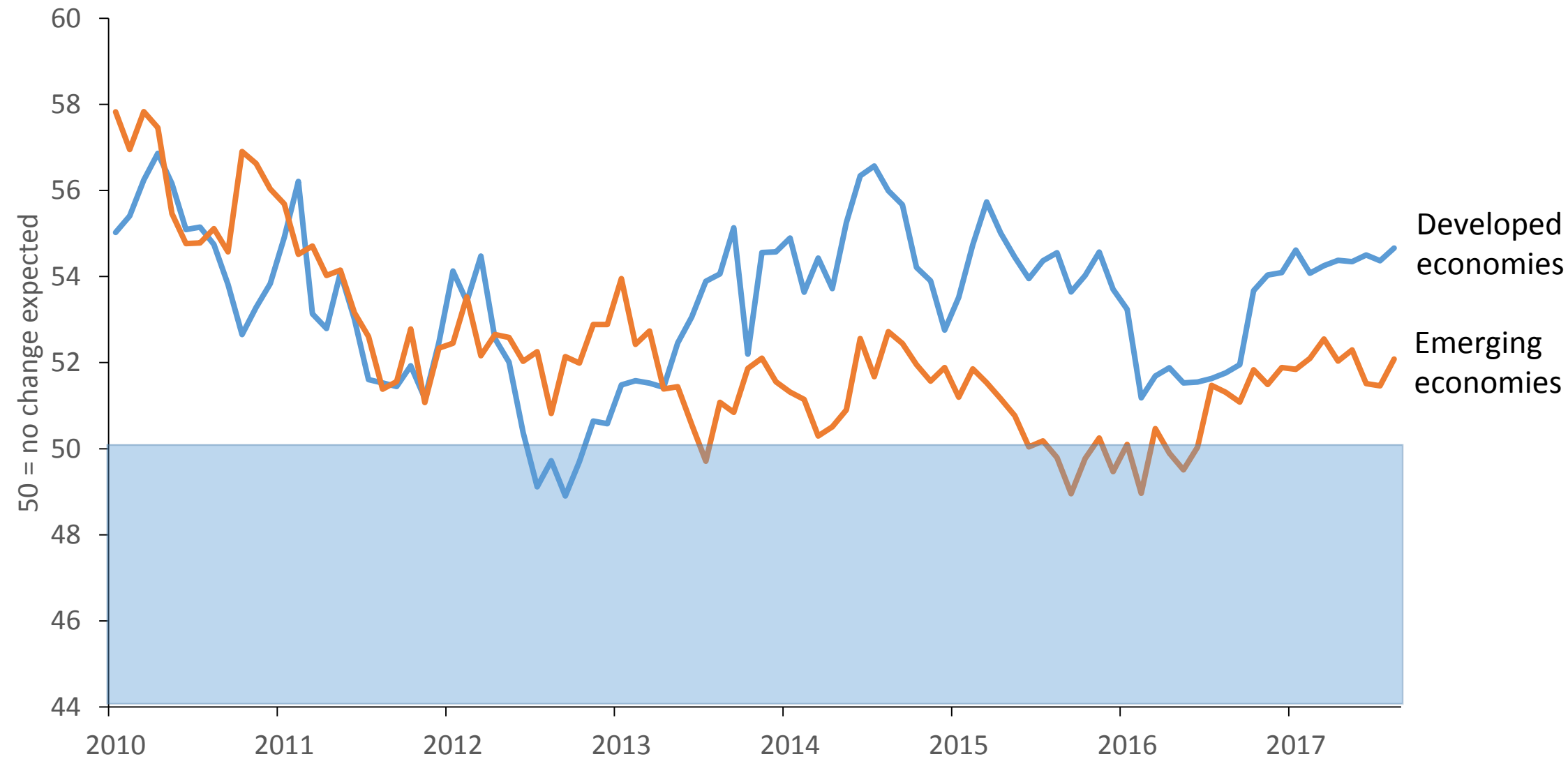
Worrying legacies of the GFC: Central bank assets / QE



Source: Thompson Reuters Datastream

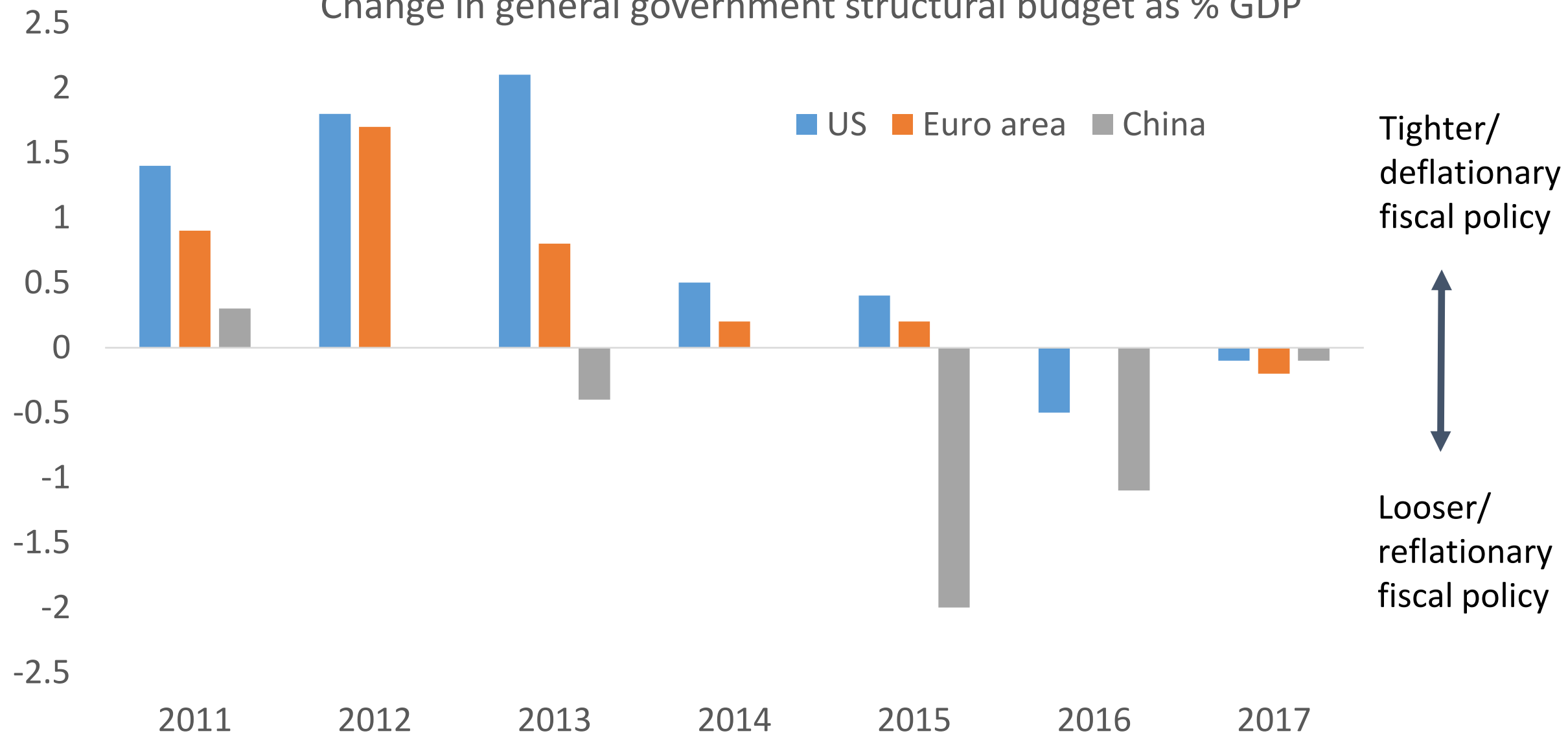
Despite this we have a strong cyclical economic upturn

Business confidence as measured by the purchasing managers indices (PMIs)



Driven partly by fiscal policies switching from austerity to stimulus

Change in general government structural budget as % GDP



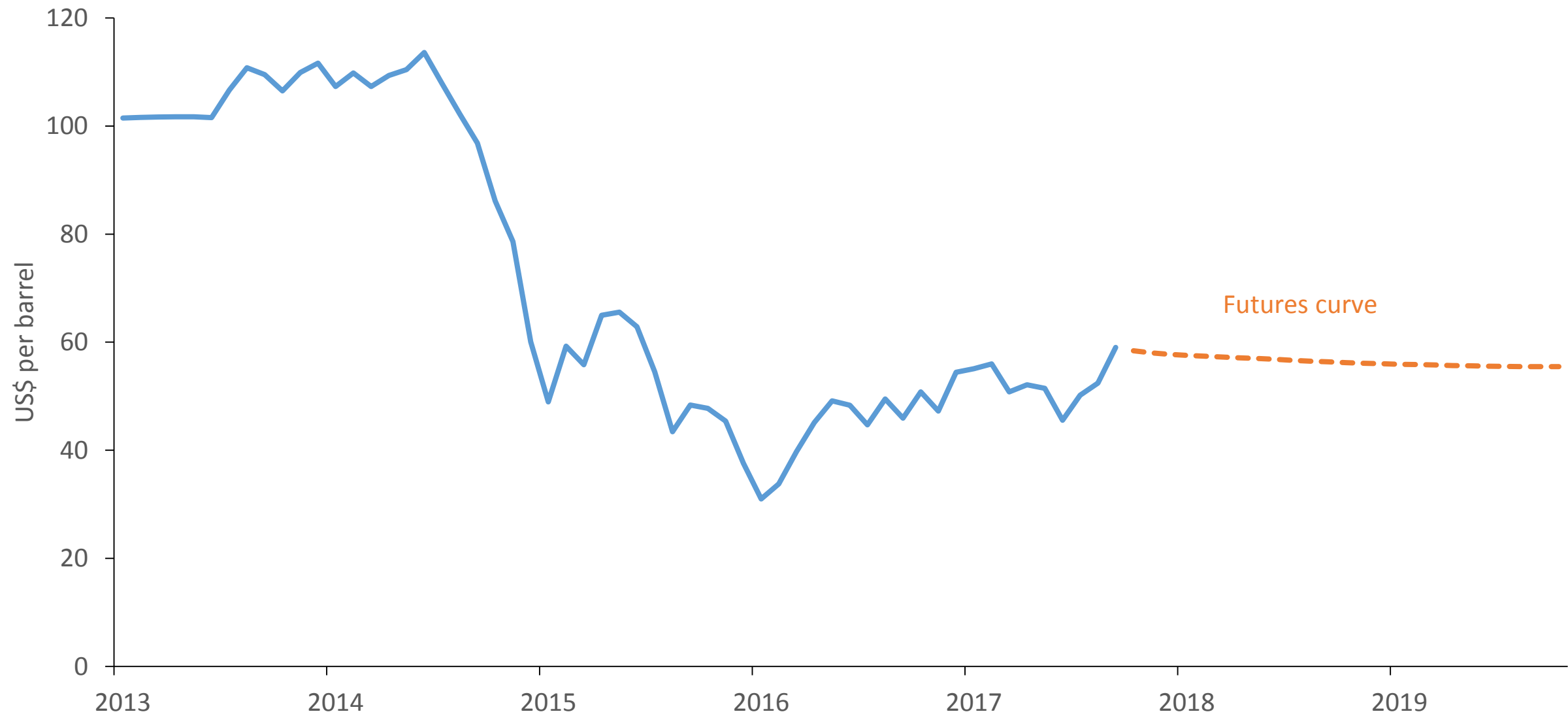
Tighter/
deflationary
fiscal policy

Looser/
reflationary
fiscal policy

Source: IATA Economics using data from the IMF World Economic Outlook

Oil prices now expected to trend sideways

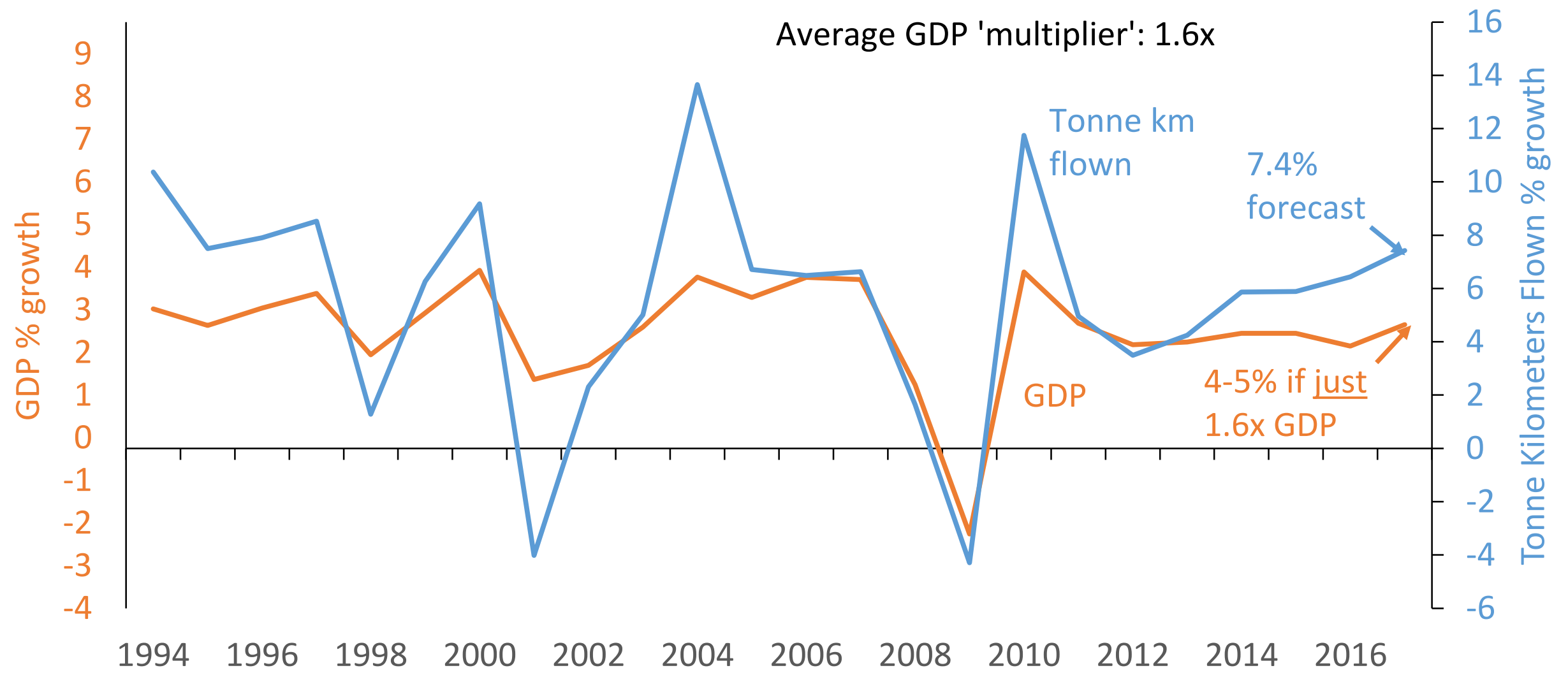
Brent crude oil spot price and futures curve (as at 26/09/2017)



Source: Thompson Reuters Datastream

All together generating very strong traffic growth

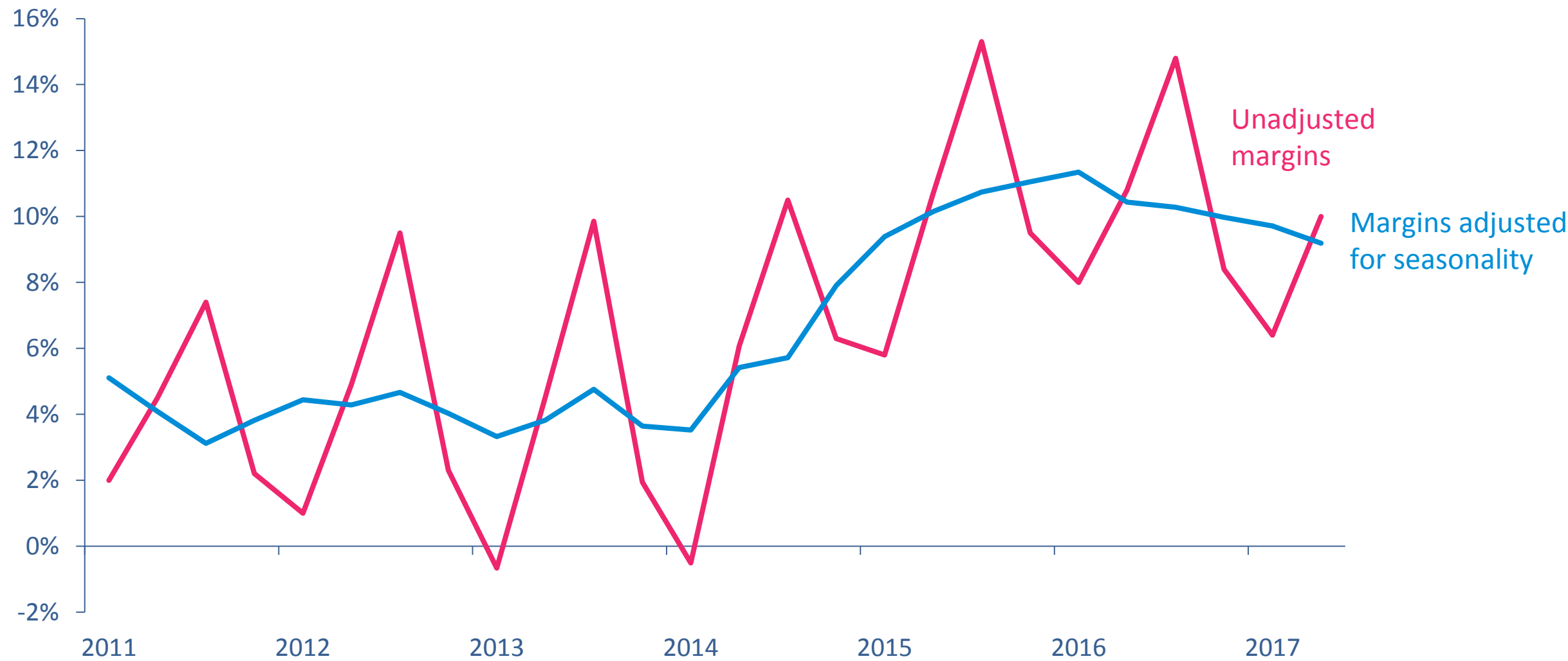
Growth in Tonne Kilometers Flown worldwide and GDP



Source: IATA Economic Performance of the Airline Industry, Mid-Year 2017

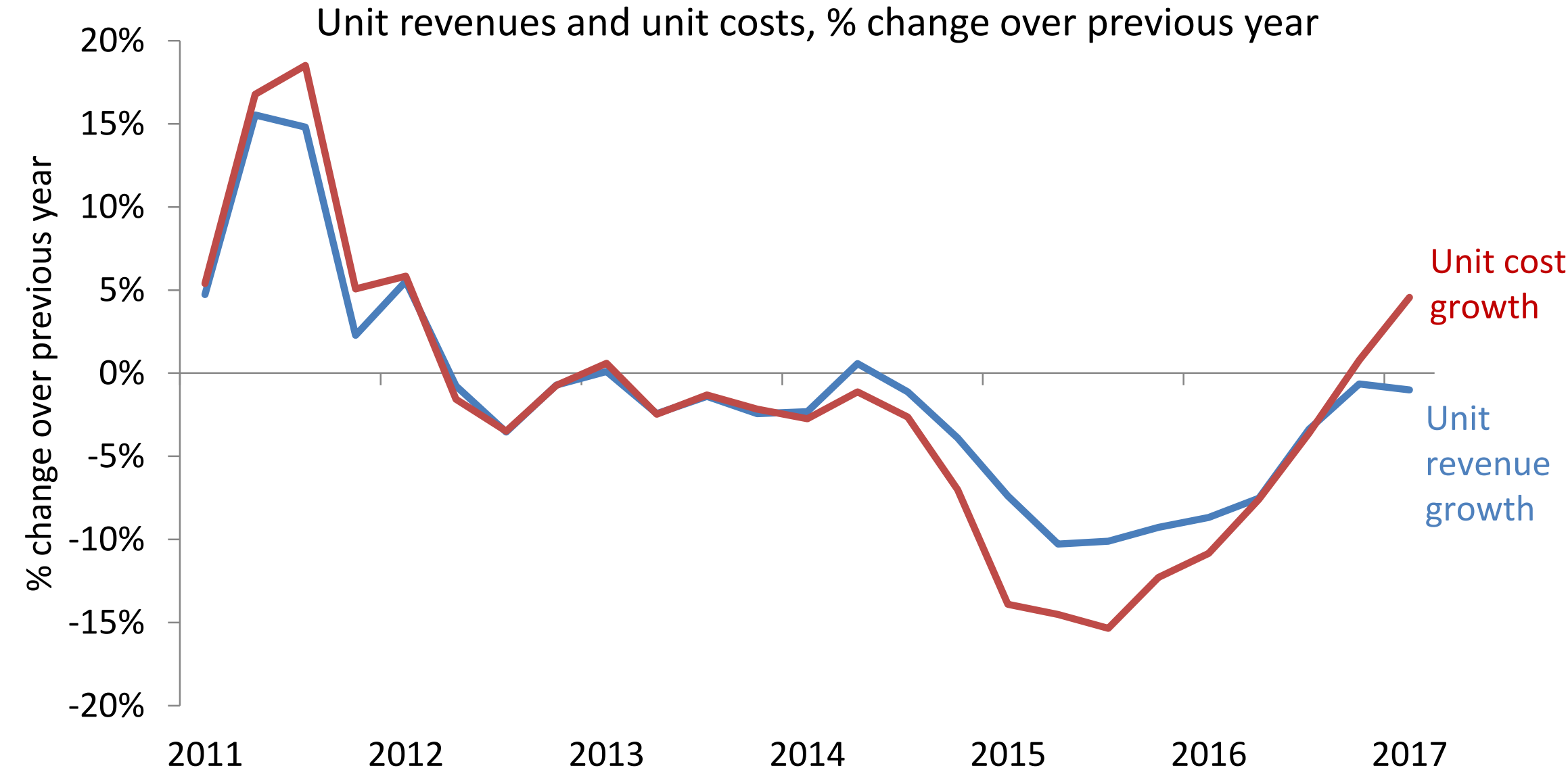
But industry profitability is down from its peak

Airline industry operating margin, % revenues



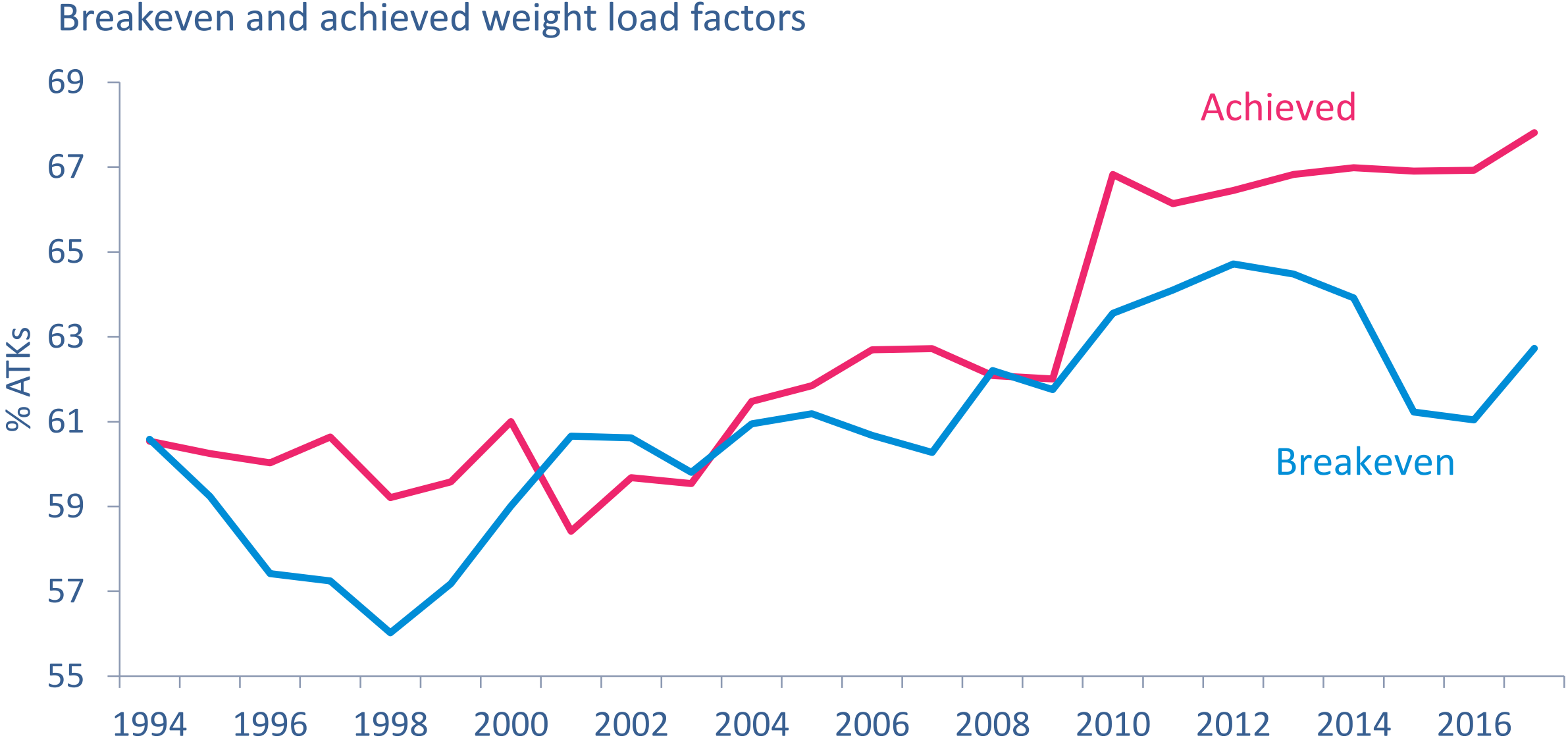
Source: IATA Economics using data from The Airline Analyst and airline releases

Unit costs have accelerated



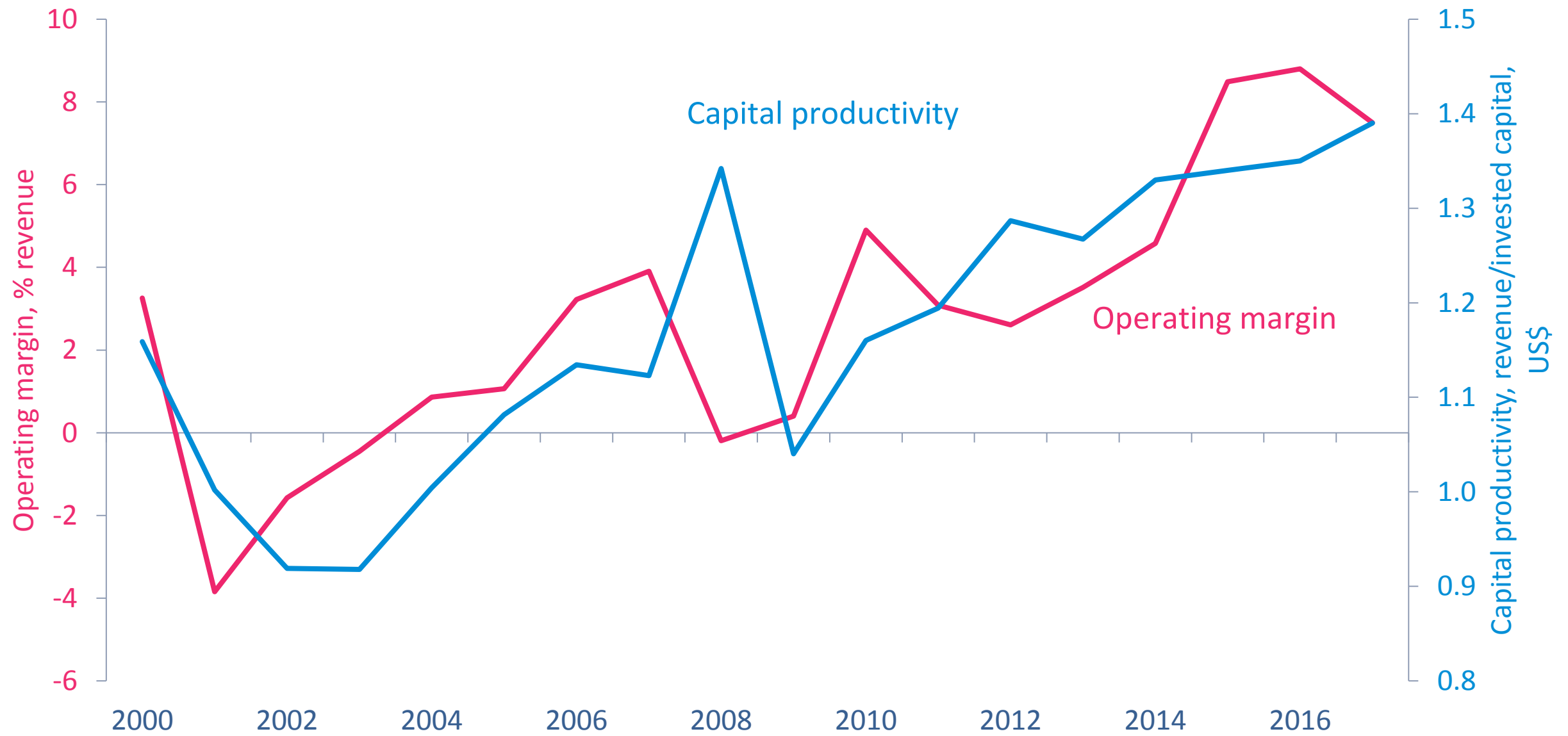
Source: IATA Economics using data from The Airline Analyst

Breakeven rising but it's the gap that drives profitability



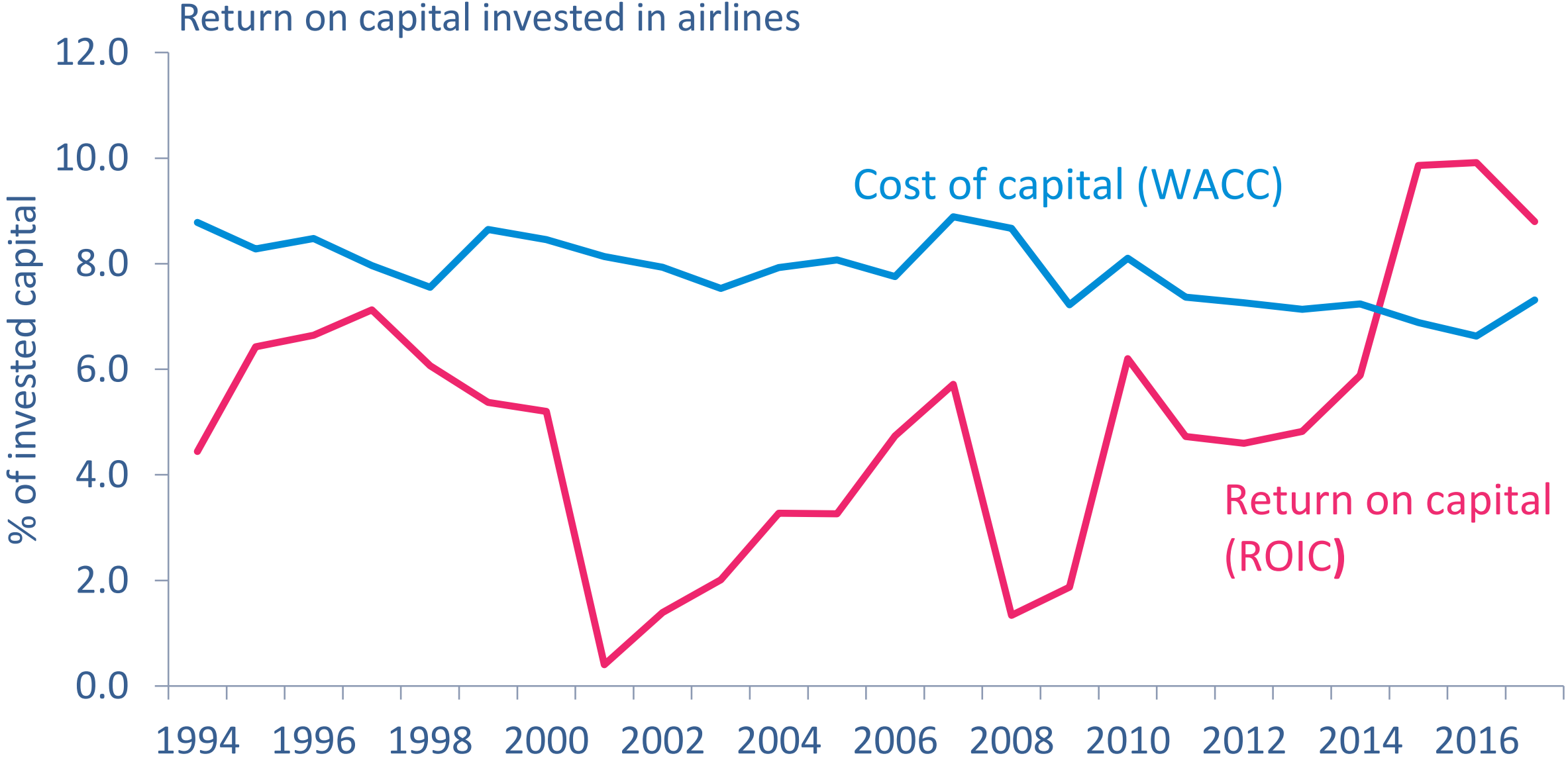
Source: IATA Economic Performance of the Airline Industry, Mid-year 2017 report

Sweating assets matters for ROIC as well as margins



Source: IATA Economic Performance of the Airline Industry, Mid-year 2017 report

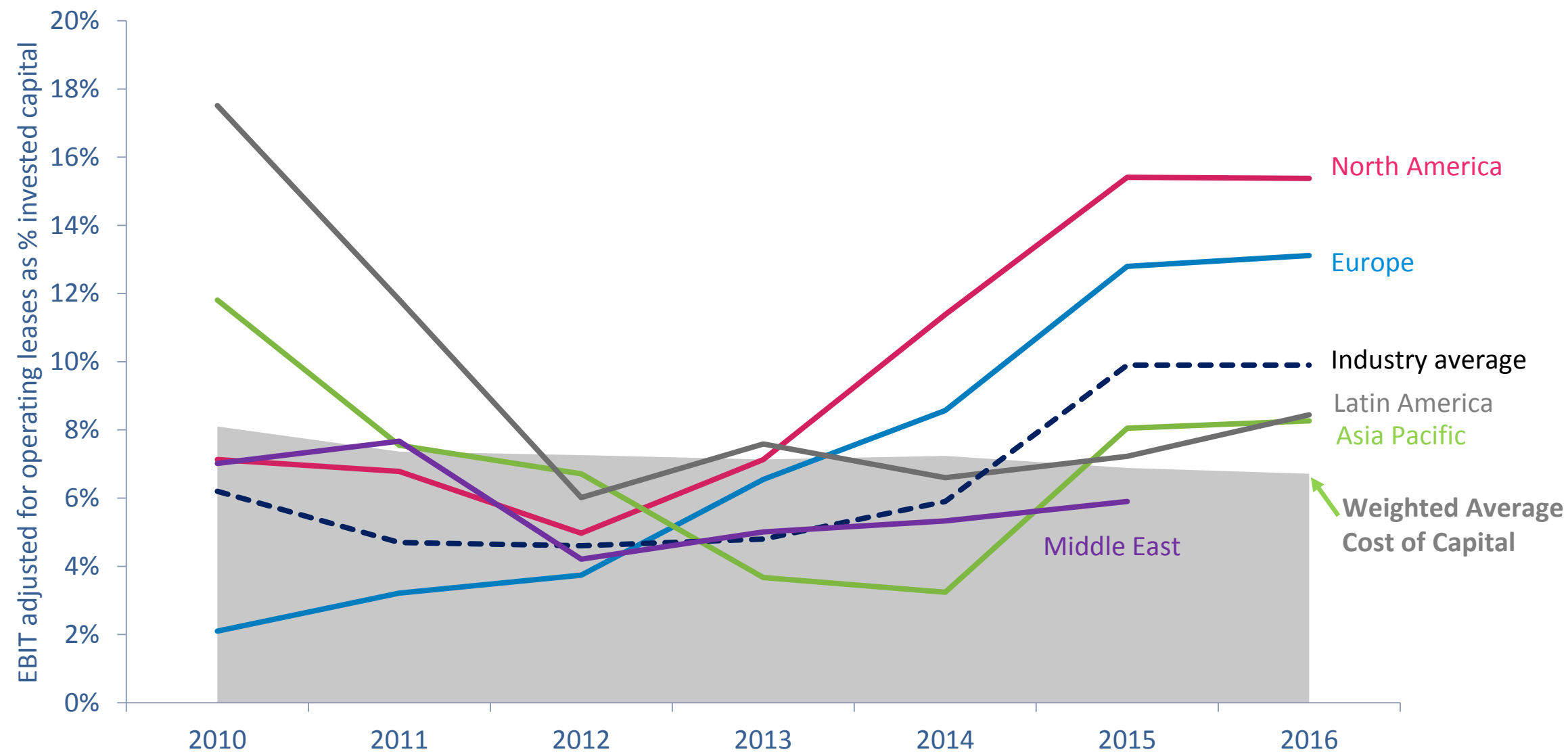
Another year of creating value for investors



Source: IATA Economic Performance of the Airline Industry, Mid-year 2017 report

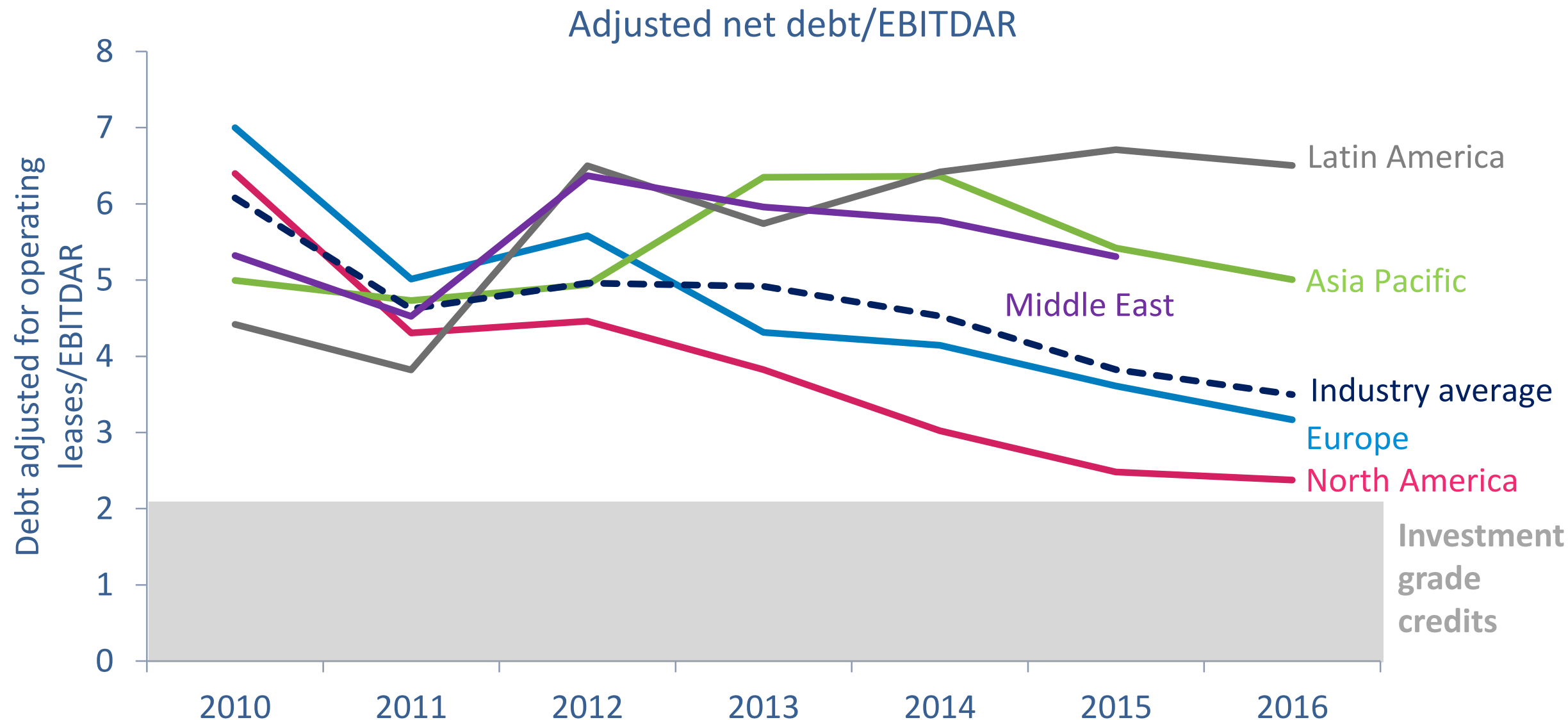
Good performance on ROIC is widespread

Return on invested capital



Source: IATA Economics using data from IATA and The Airline Analyst

But there is still a balance sheet challenge in some regions



Source: IATA Economics using data from IATA and The Airline Analyst

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