

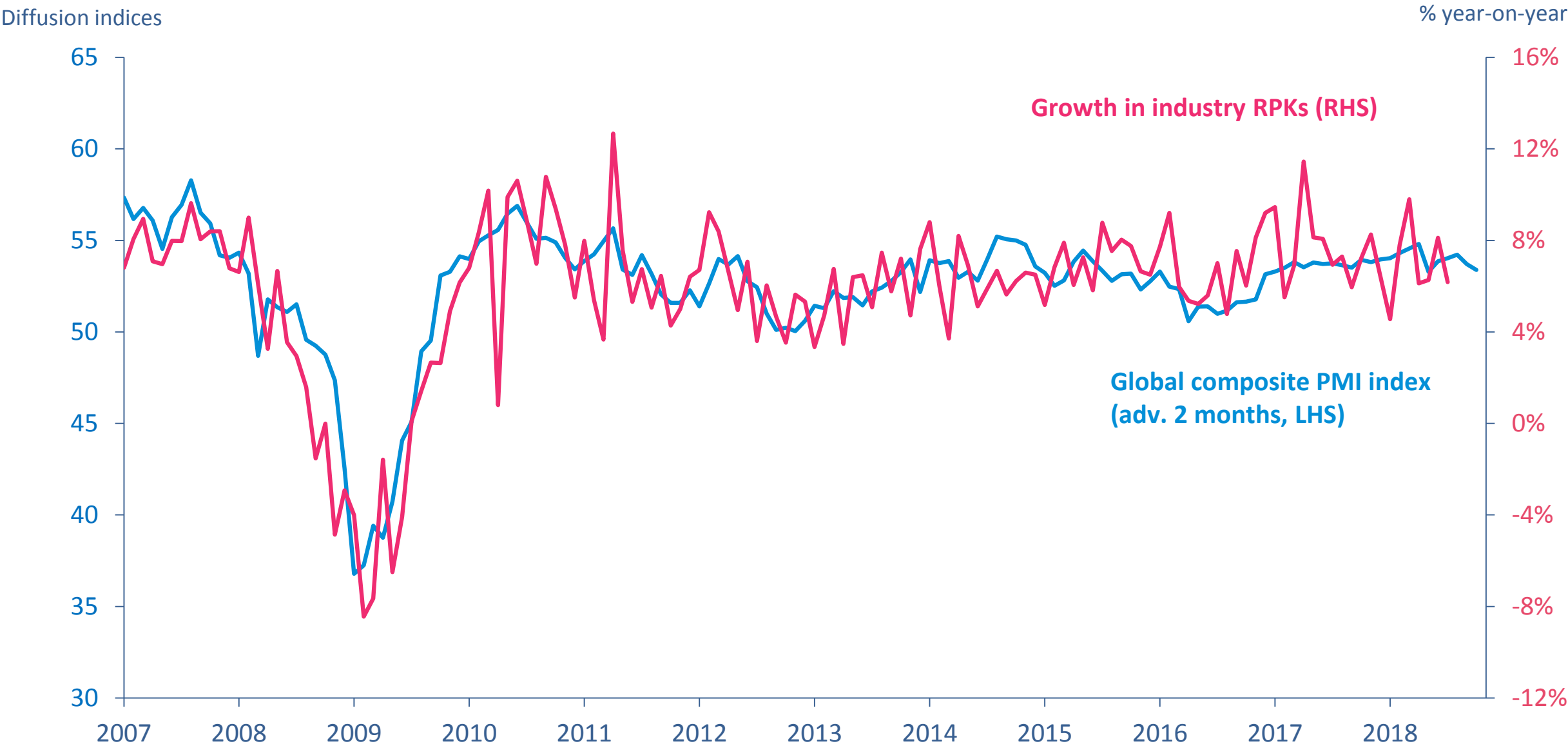


What does the future hold? The passenger outlook

Brian Pearce,
Chief Economist,
IATA

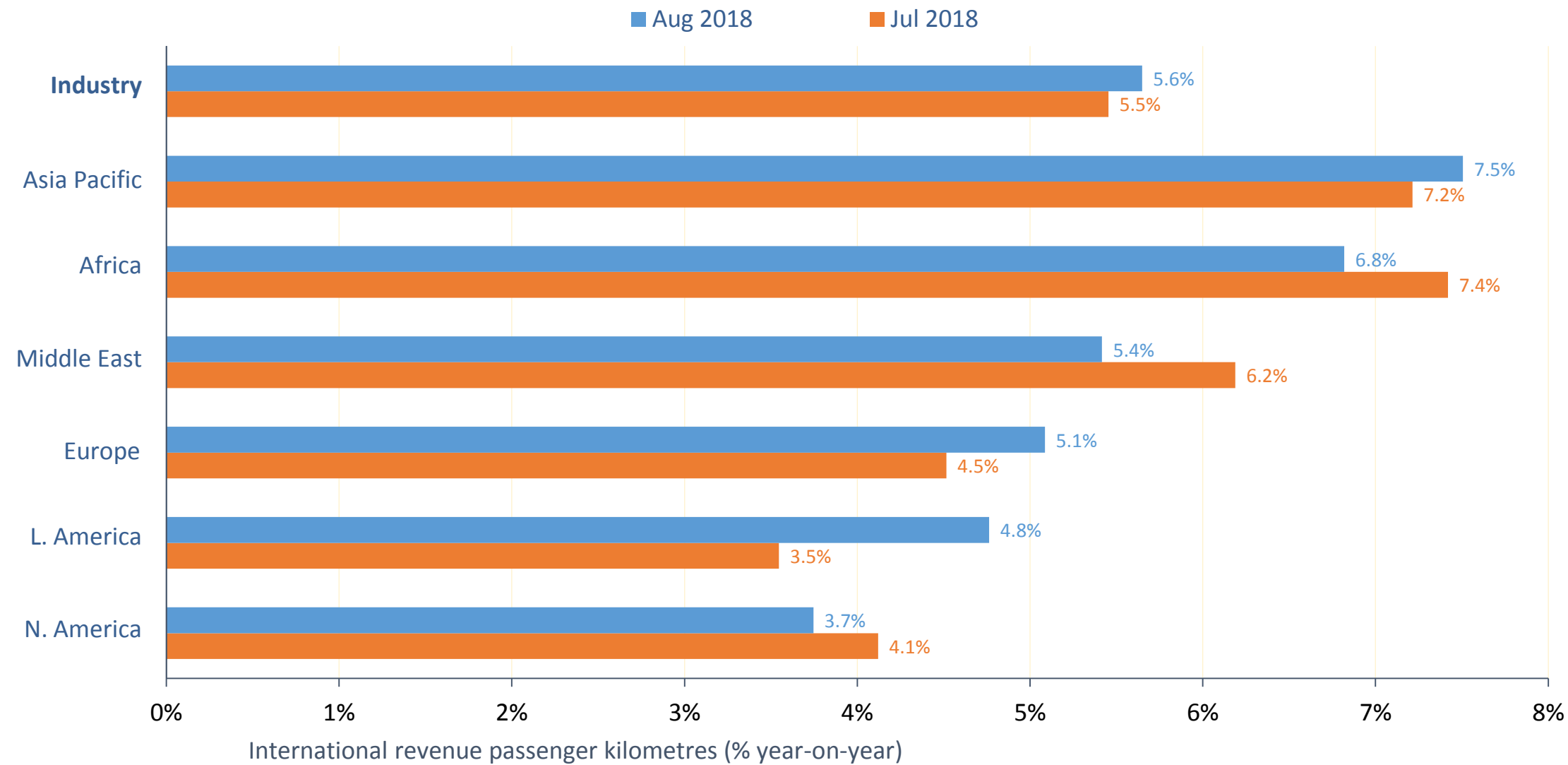
www.iata.org/economics

Air travel demand continues to expand above trend

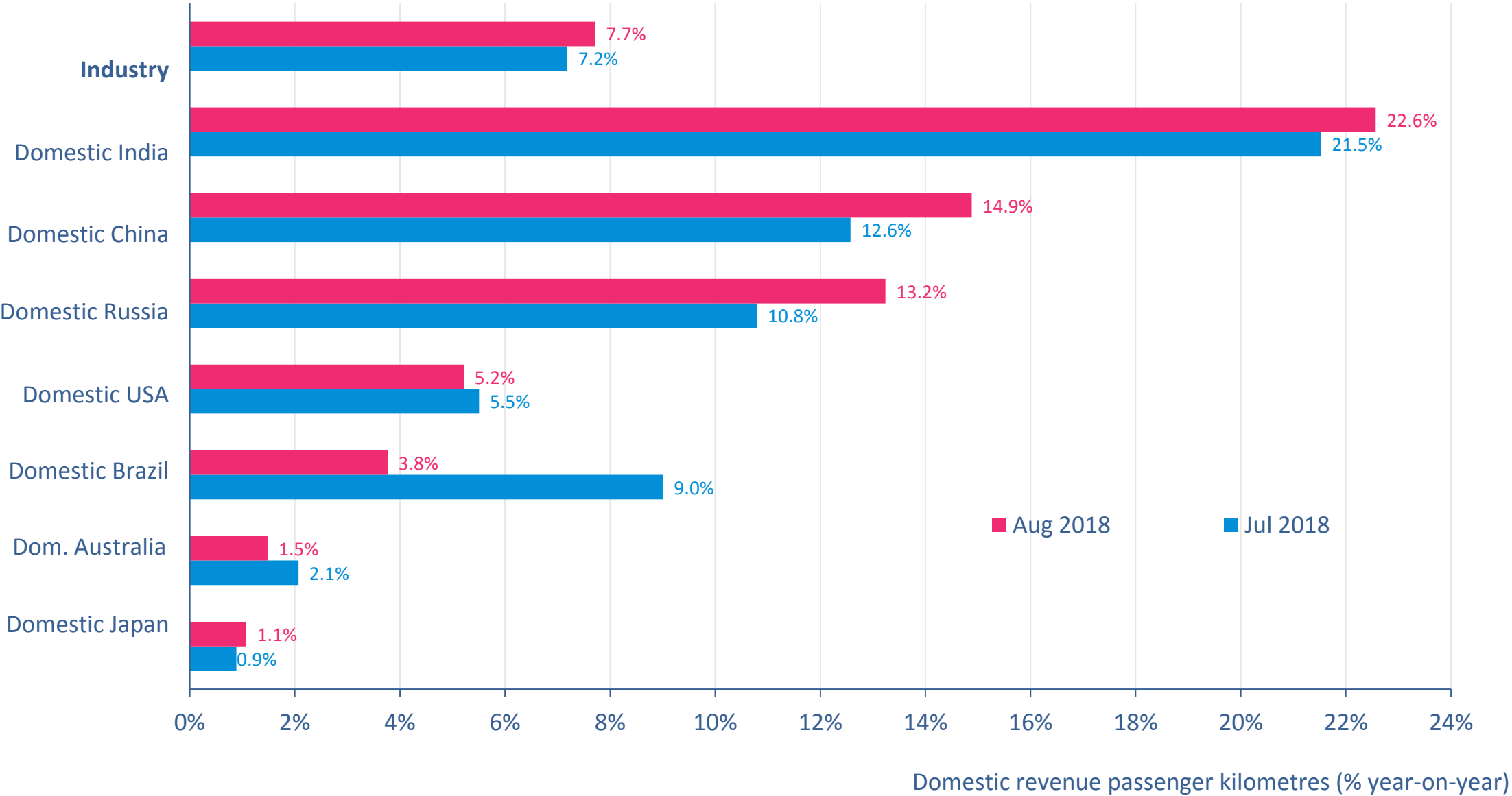


Source: IATA Economics using data from IATA Statistics, Markit

International markets are strong

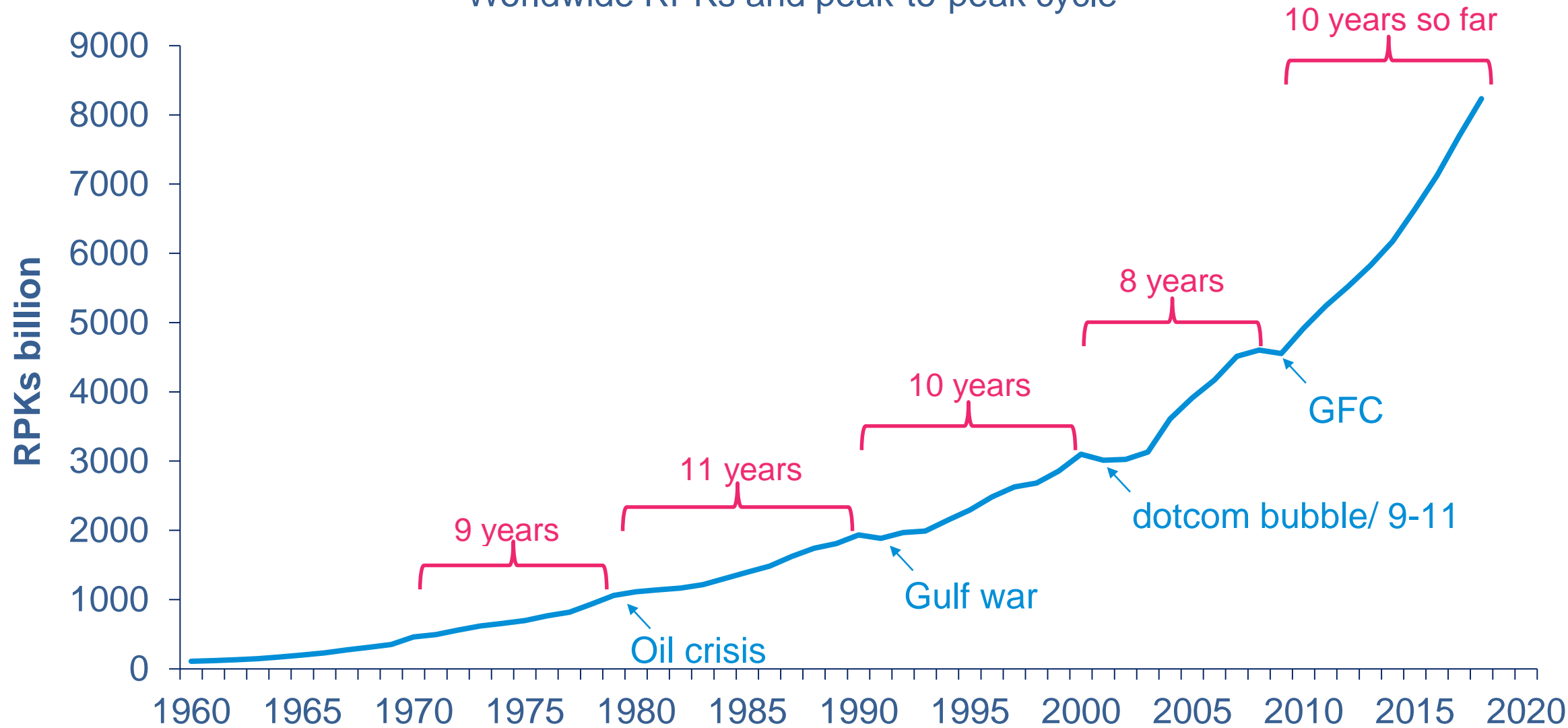


Domestic markets more varied



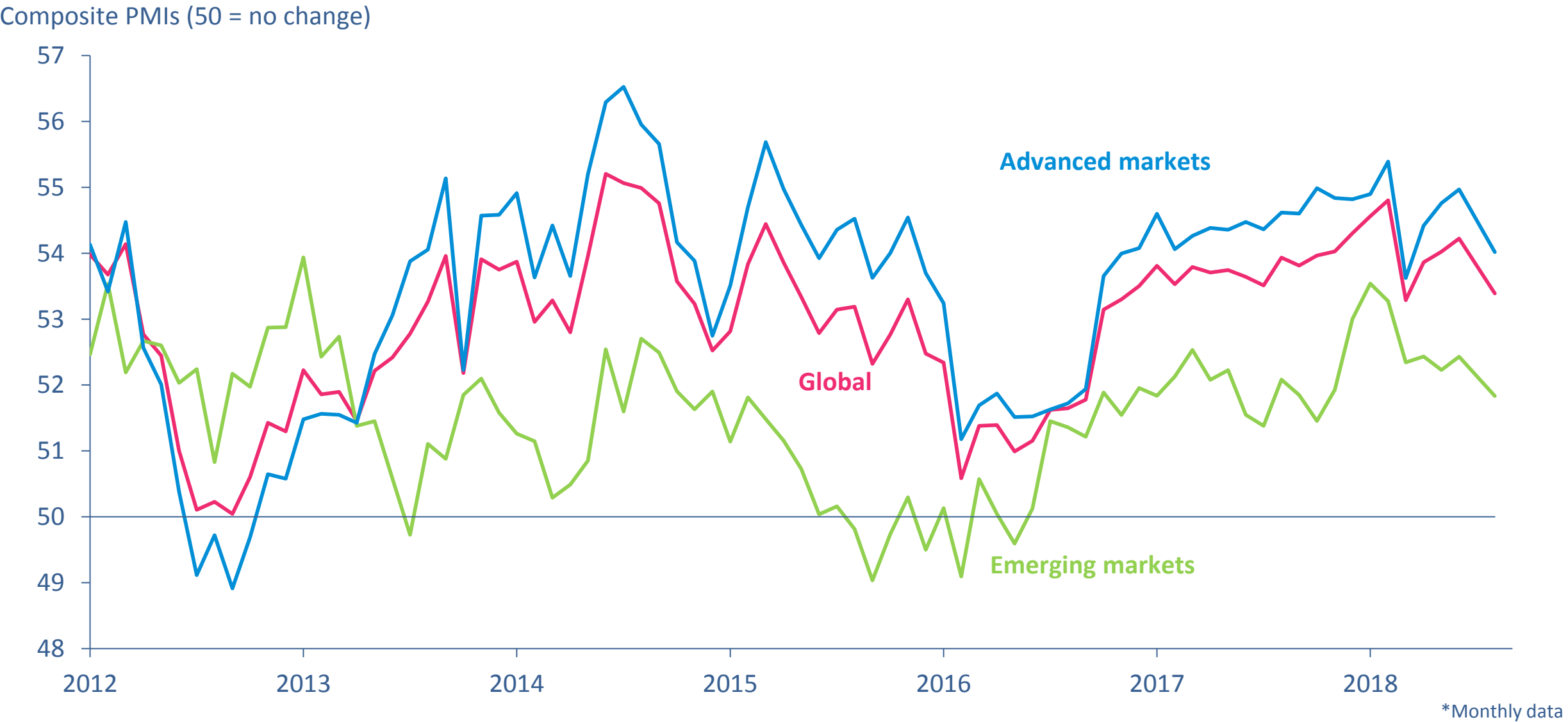
But expansion cycles don't last forever

Worldwide RPKs and peak-to-peak cycle



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

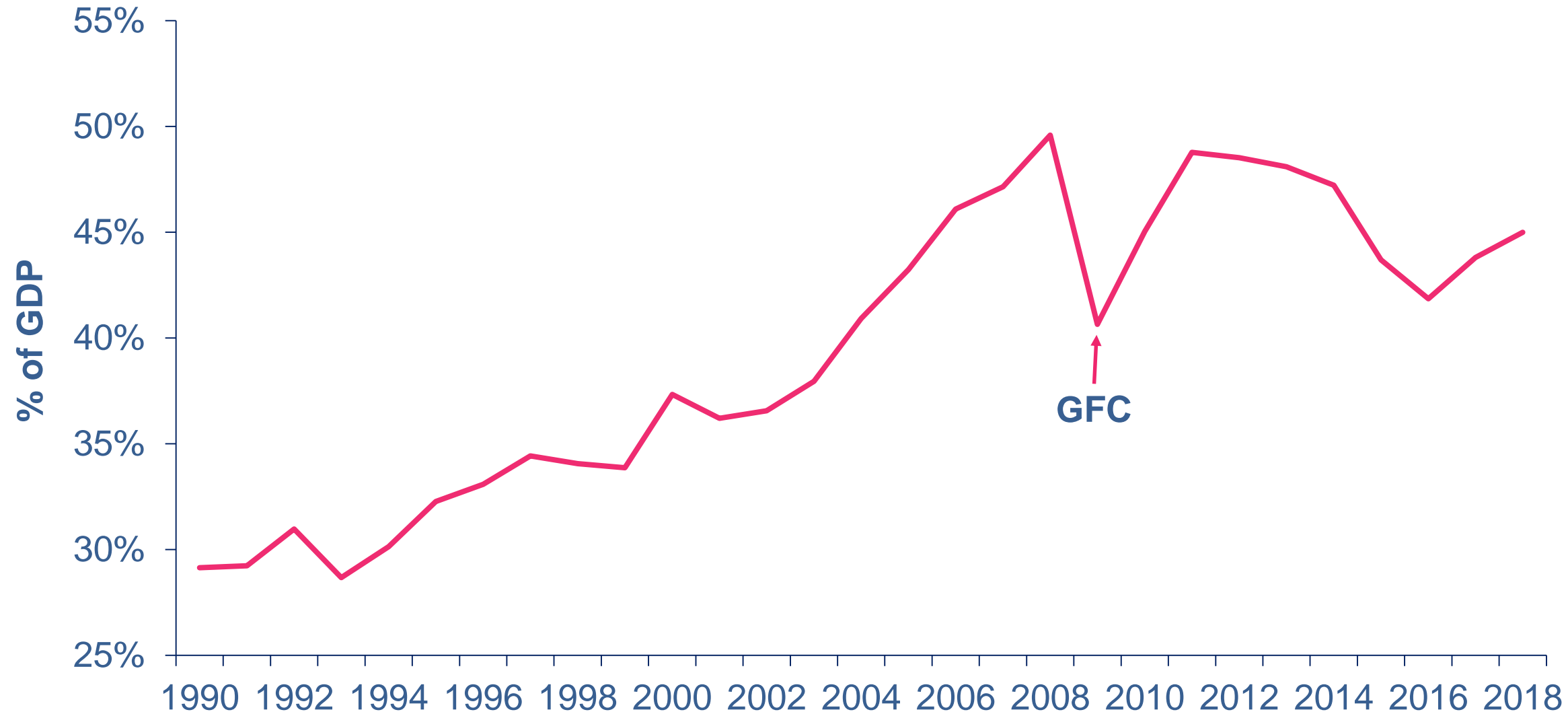
Business confidence has declined since peak in early 2018



Source: IATA Economics using data from IATA Statistics, Markit

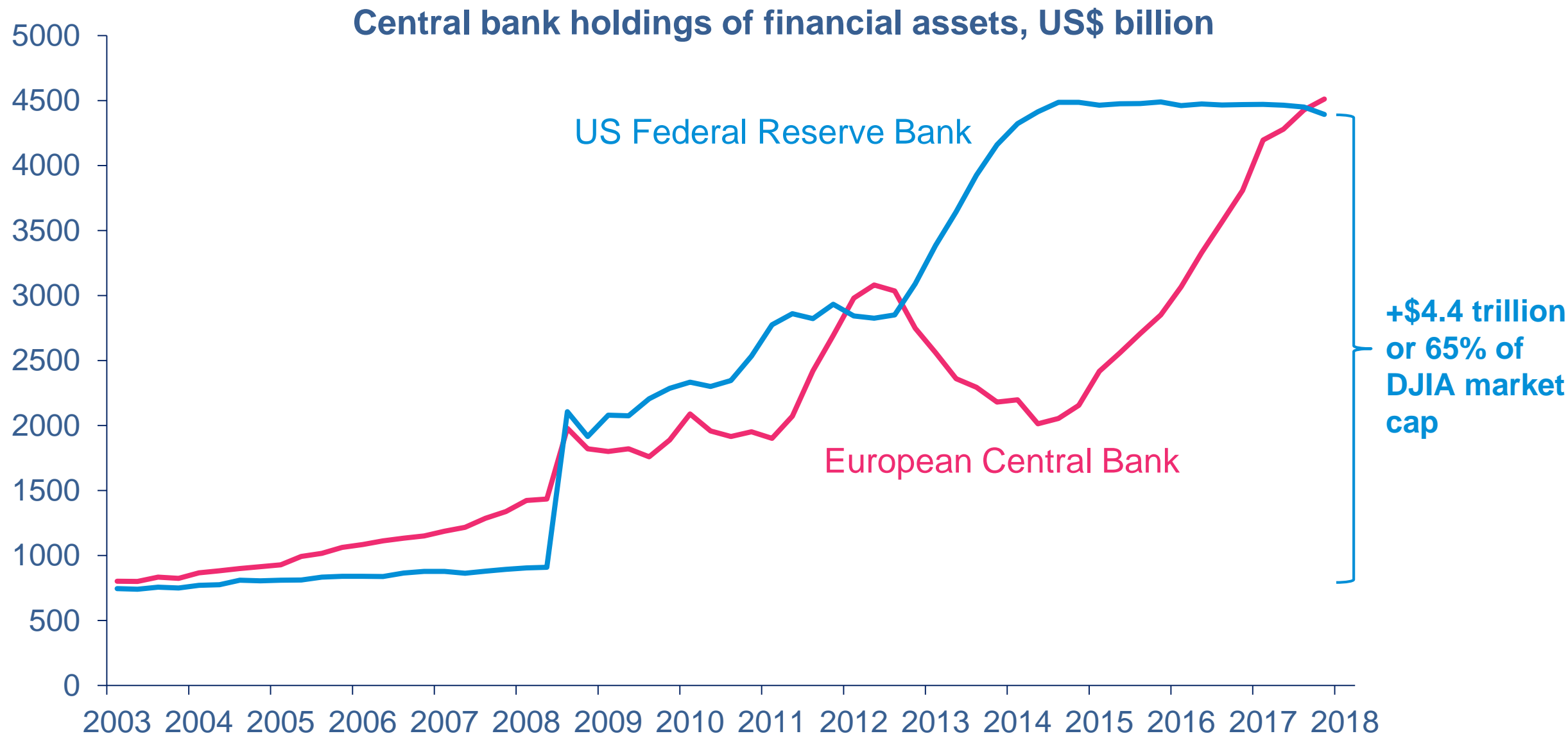
Tariff war latest in a decade of creeping protectionism

Share of exports + imports in global GDP



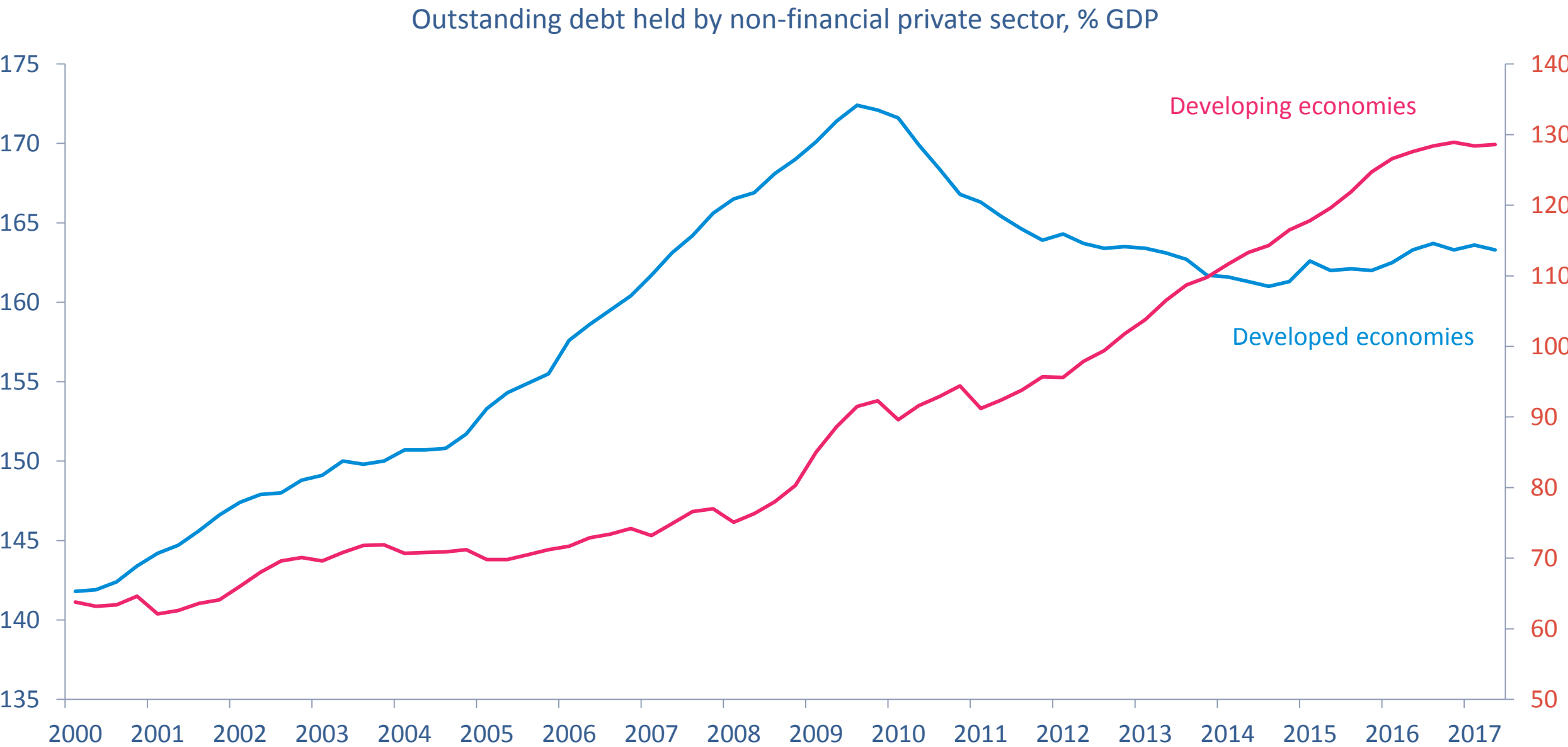
Source: IATA Economics using data from ICAO, IATA Statistics, SRS Analyzer and our own forecast

Central banks' shift to monetary tightening brings its own risks



Source: IATA Economics using data from Datastream

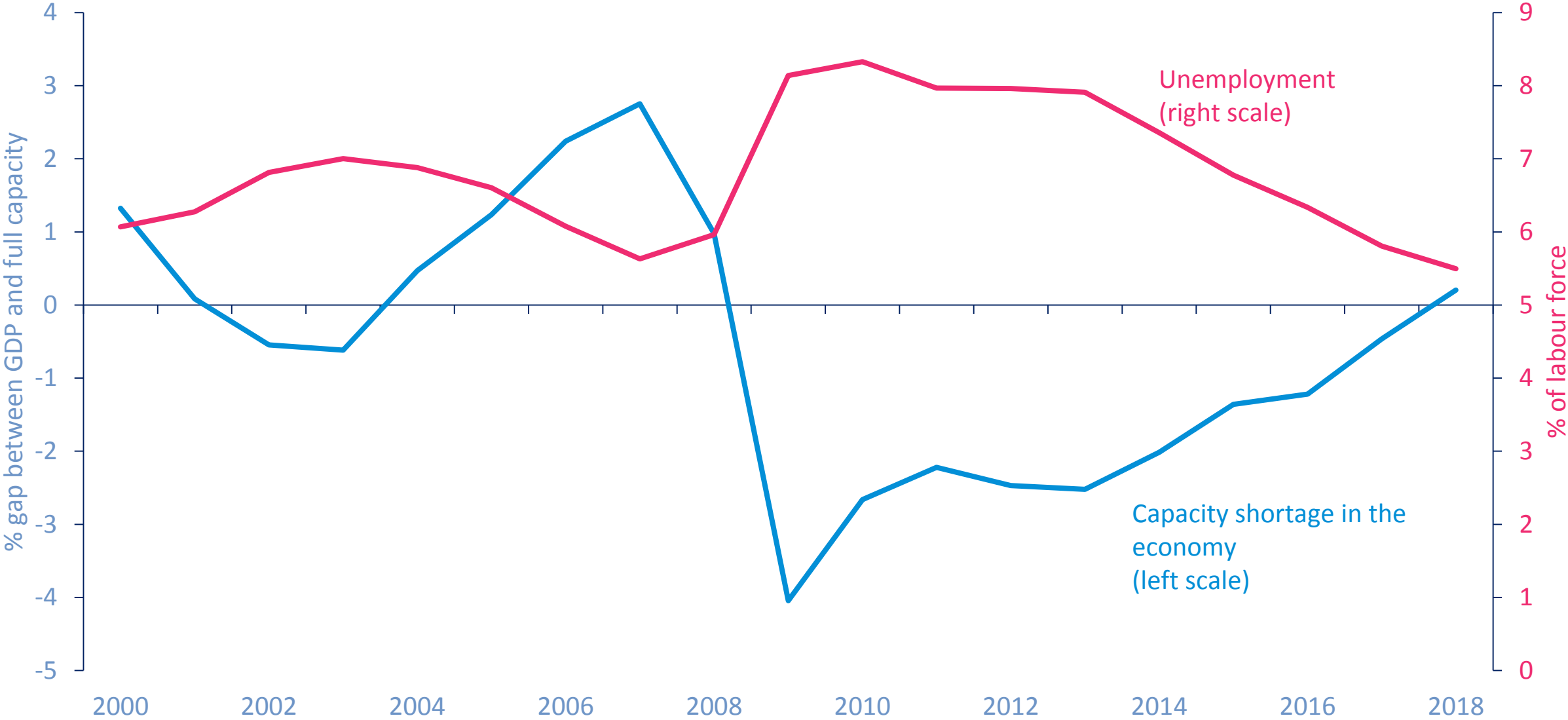
High levels of debt risk cuts in spending



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

And economic spare capacity disappears at the late stages of the cycle

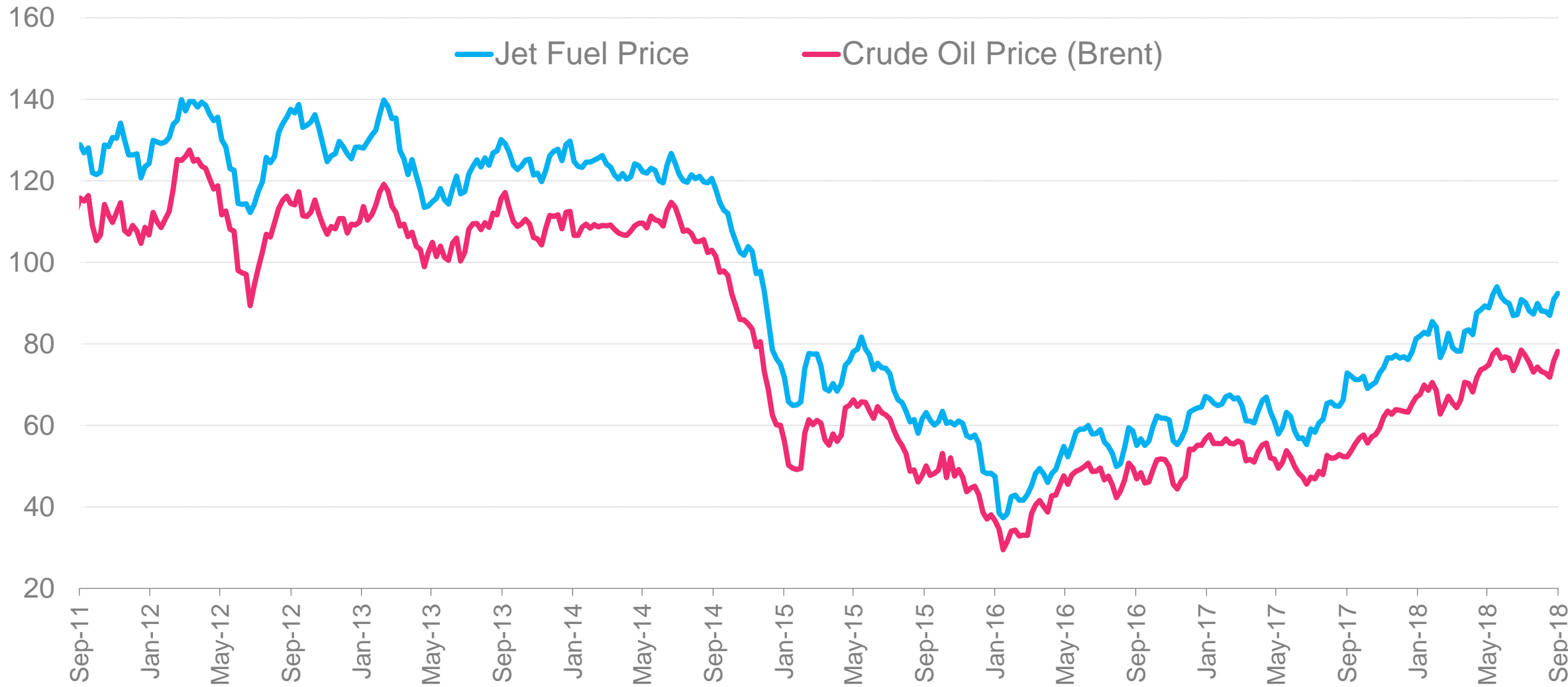
OECD unemployment and capacity shortage in the economy



Source: IATA Economics using data from Datastream

Fuel prices trending upwards

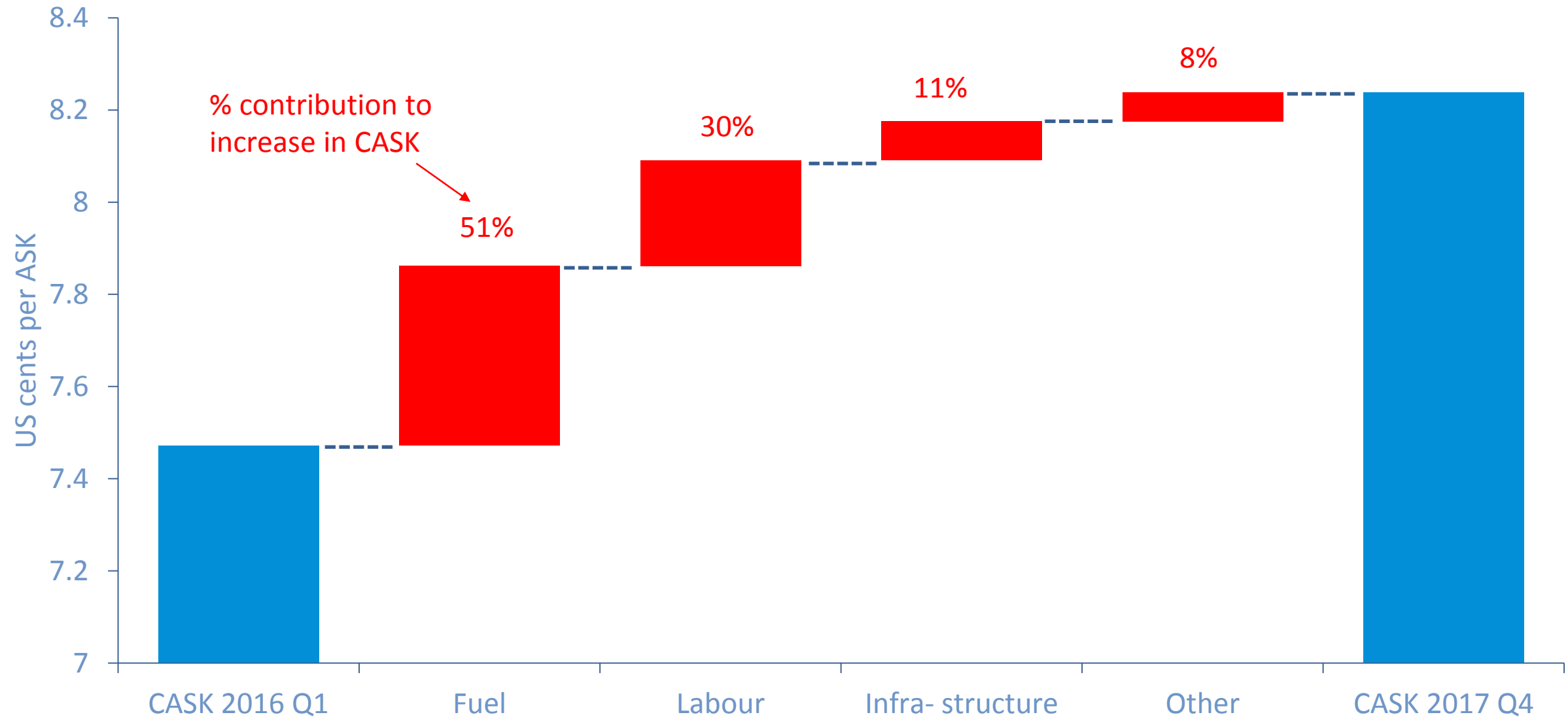
Jet Fuel and Crude Oil Price (\$/barrel)



Source: IATA Economics using data from Platts

Cost pressures have emerged across most inputs in the past 2 years

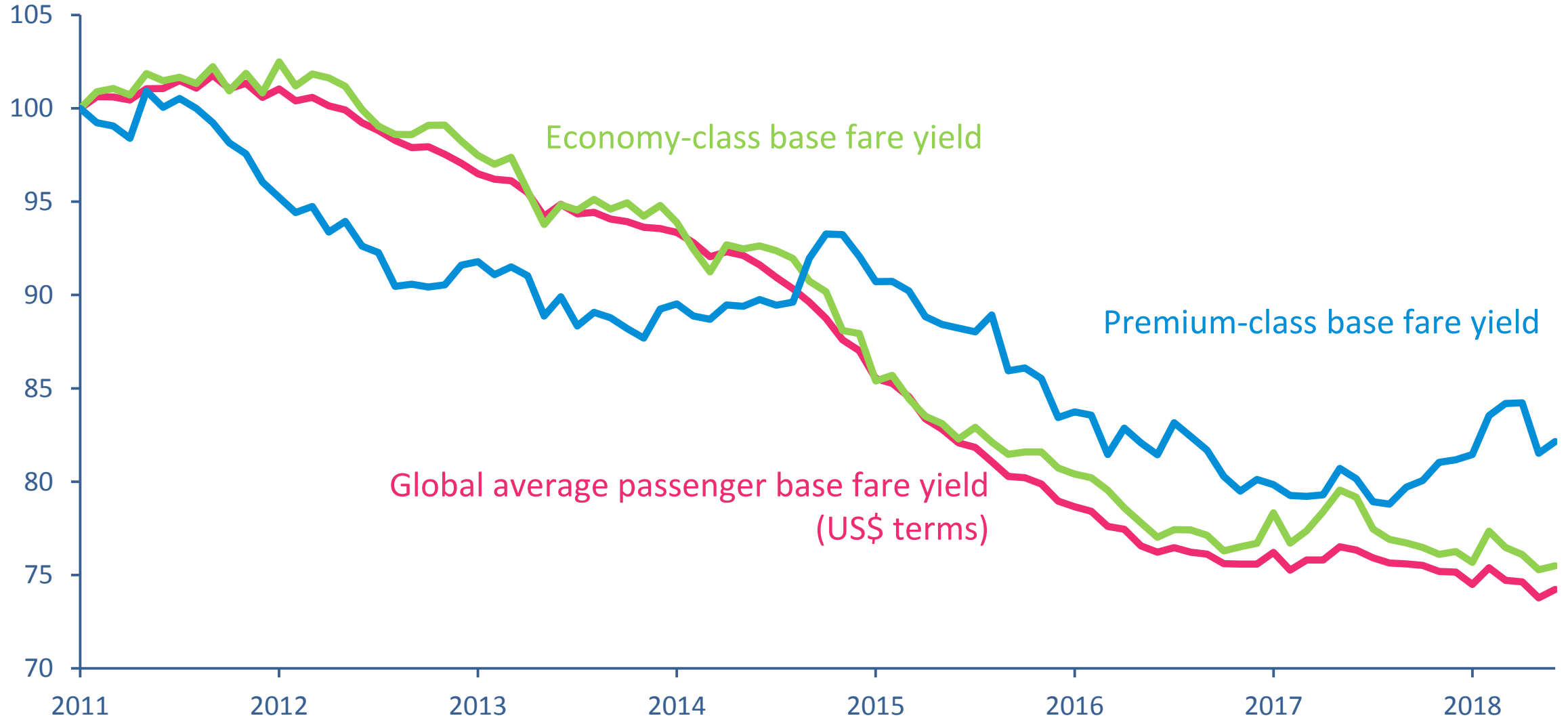
Unit cost changes between 2016 Q1 and 2017 Q4



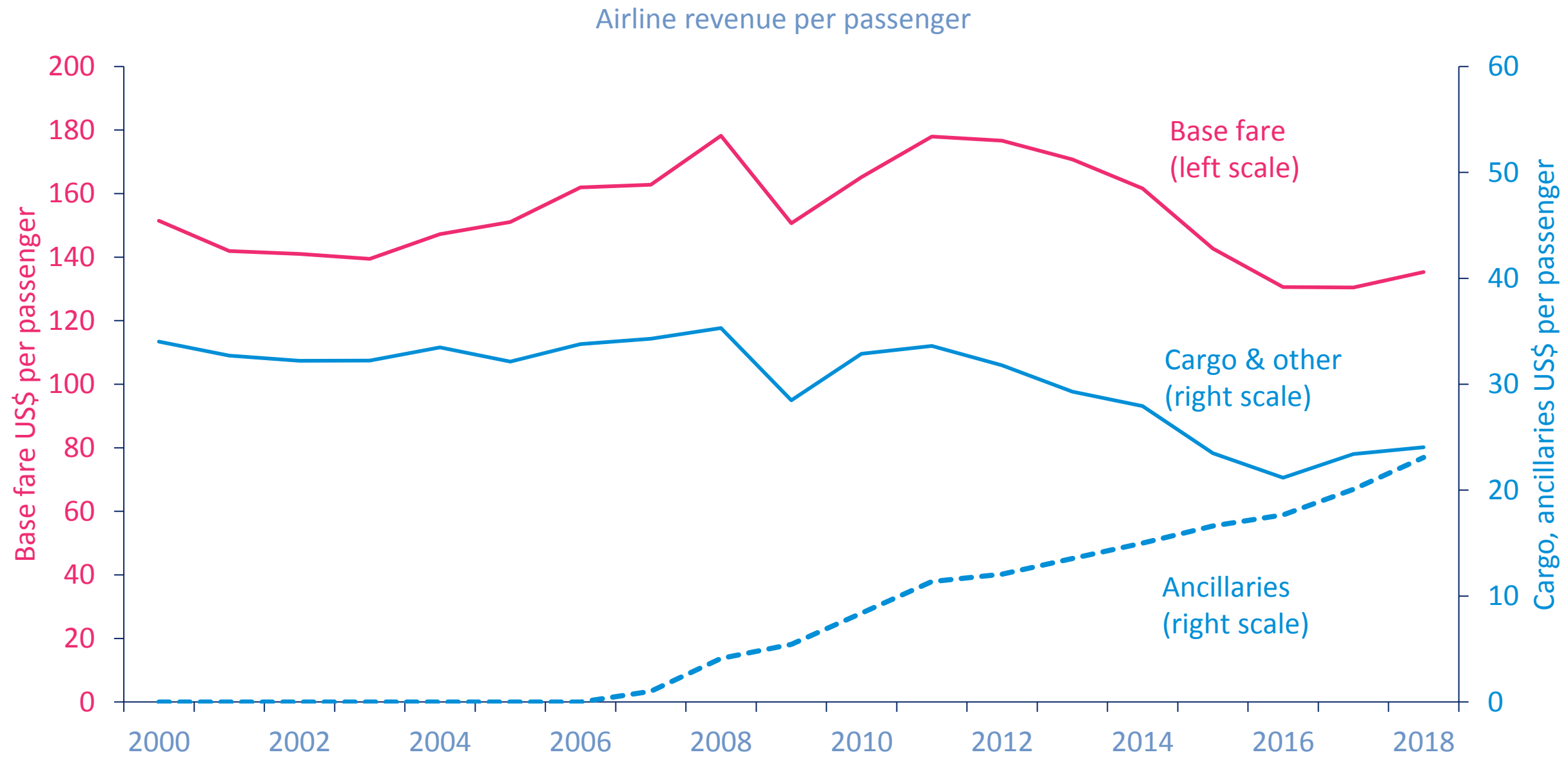
Source: IATA Economics using data from The Airline Analyst

Airlines will try to recover higher costs

Indices (Jan 2011=100), seasonally adjusted

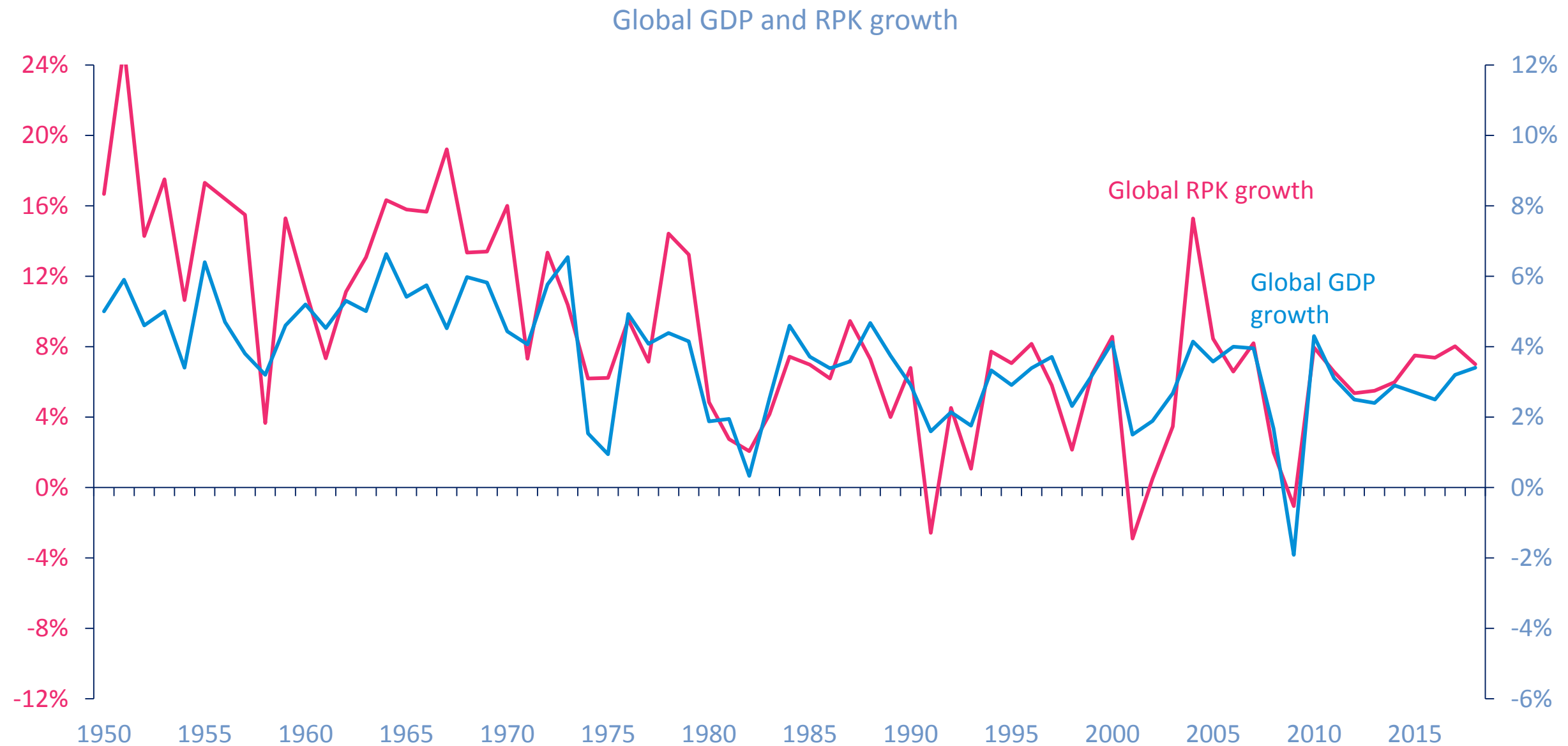


Ancillaries are playing an increasing role



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

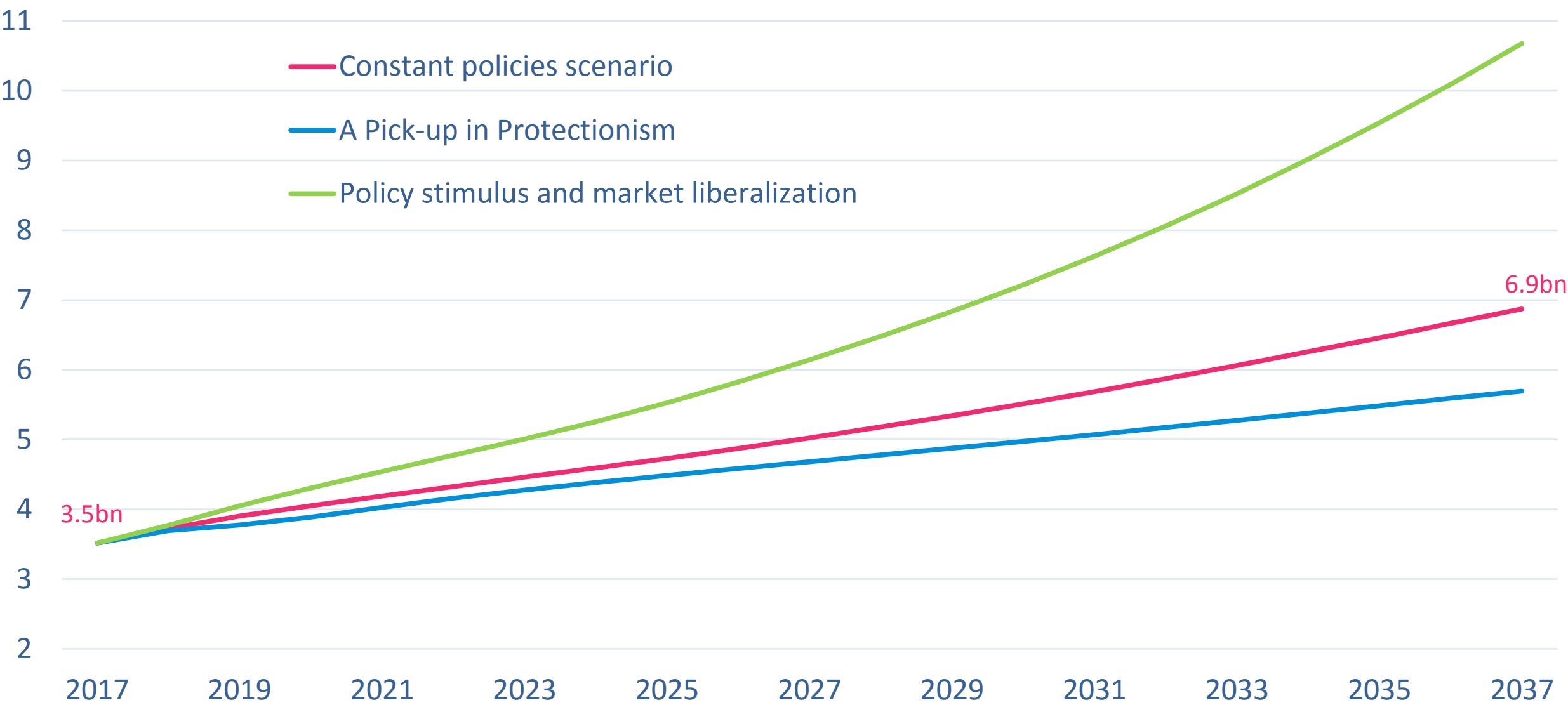
There will be a downturn in the next 2-3 years



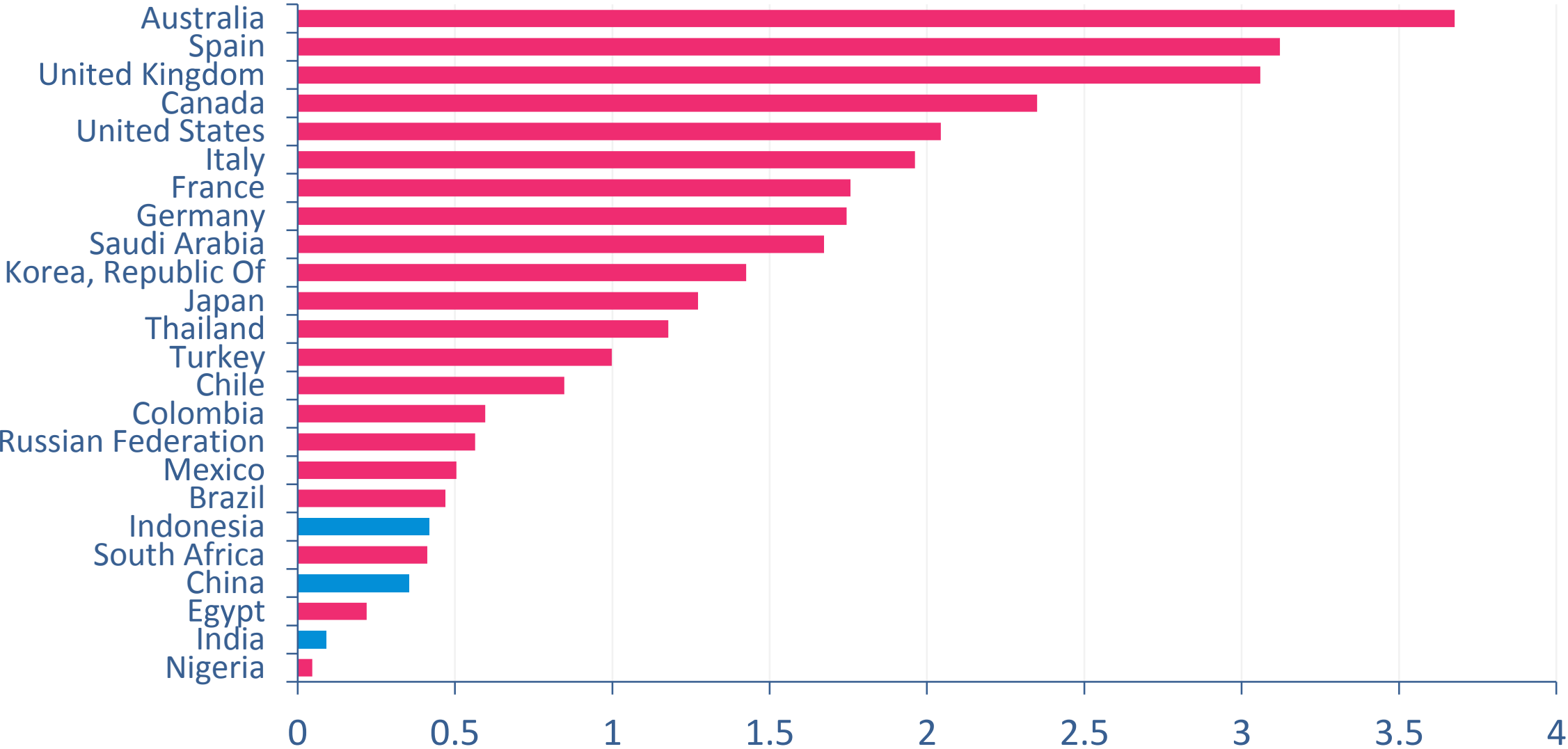
Source: IATA Economics using data from ICAO, IATA Statistics, IMF and our own forecasts

But looking through the next cycle there is still large expansion ahead

Global passengers (billion, O-D basis)

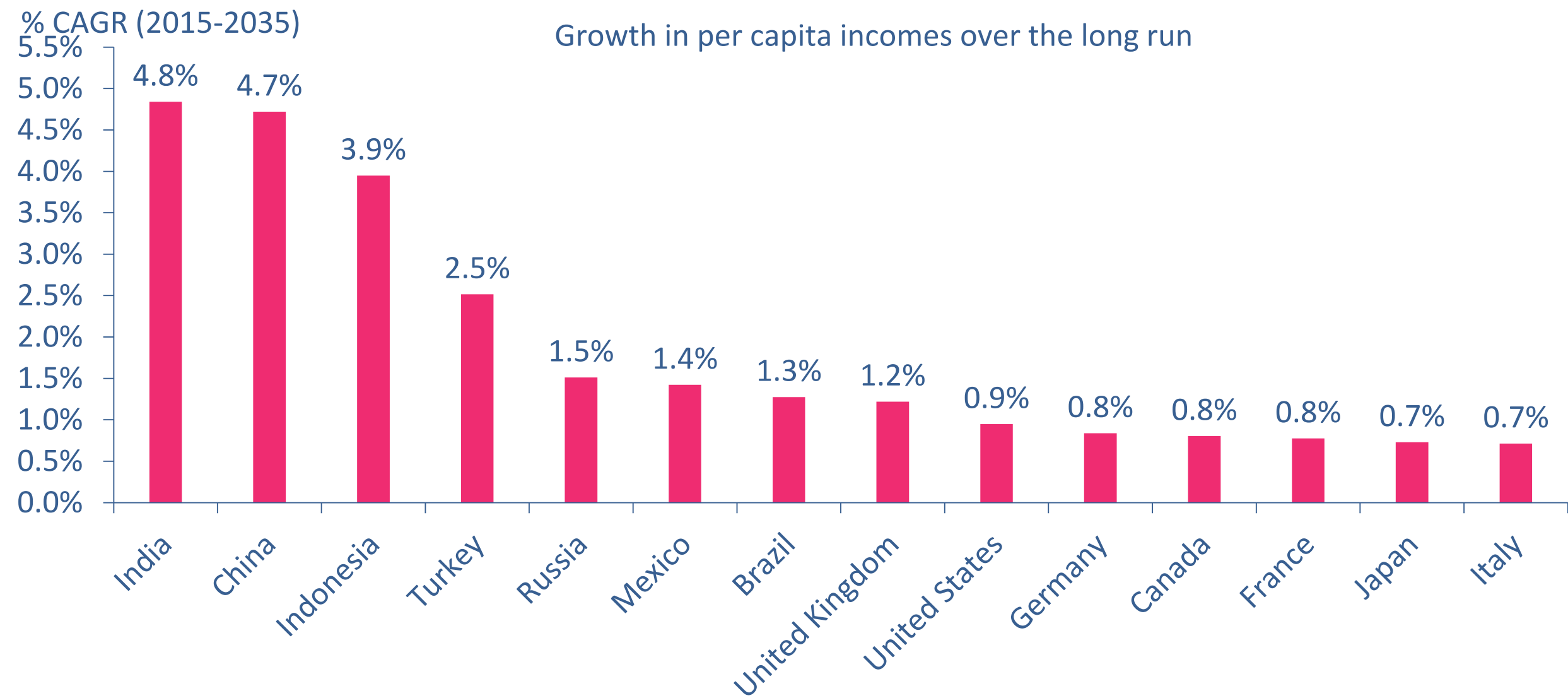


Trip frequency still low in many populous countries



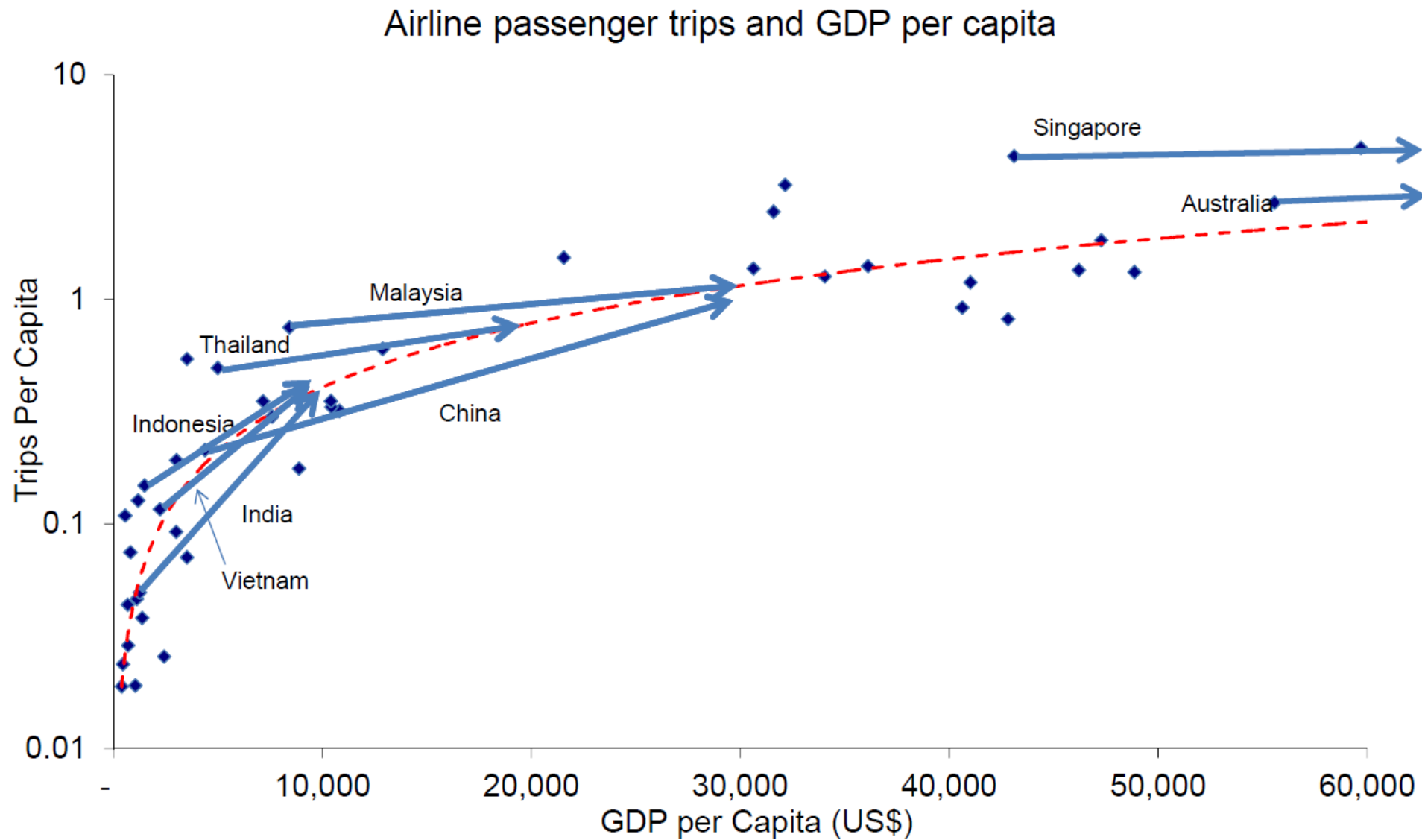
Source: IATA/Tourism Economics Air Passenger Forecasts, September 2016

Living standards still have much room for catch-up



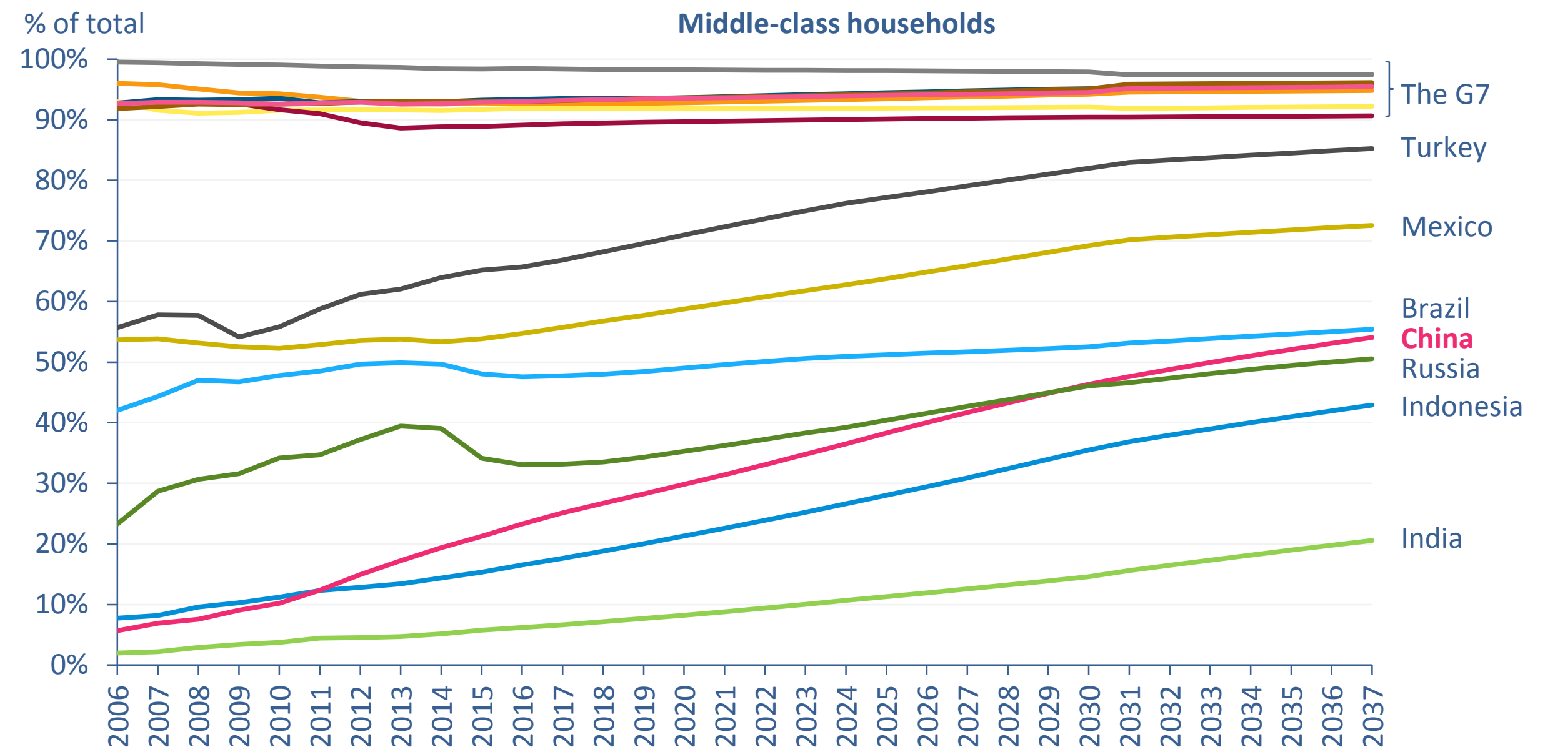
Source: IATA/Tourism Economics Air Passenger Forecasts, September 2016

Multiplier effect on trip frequency in many emerging markets

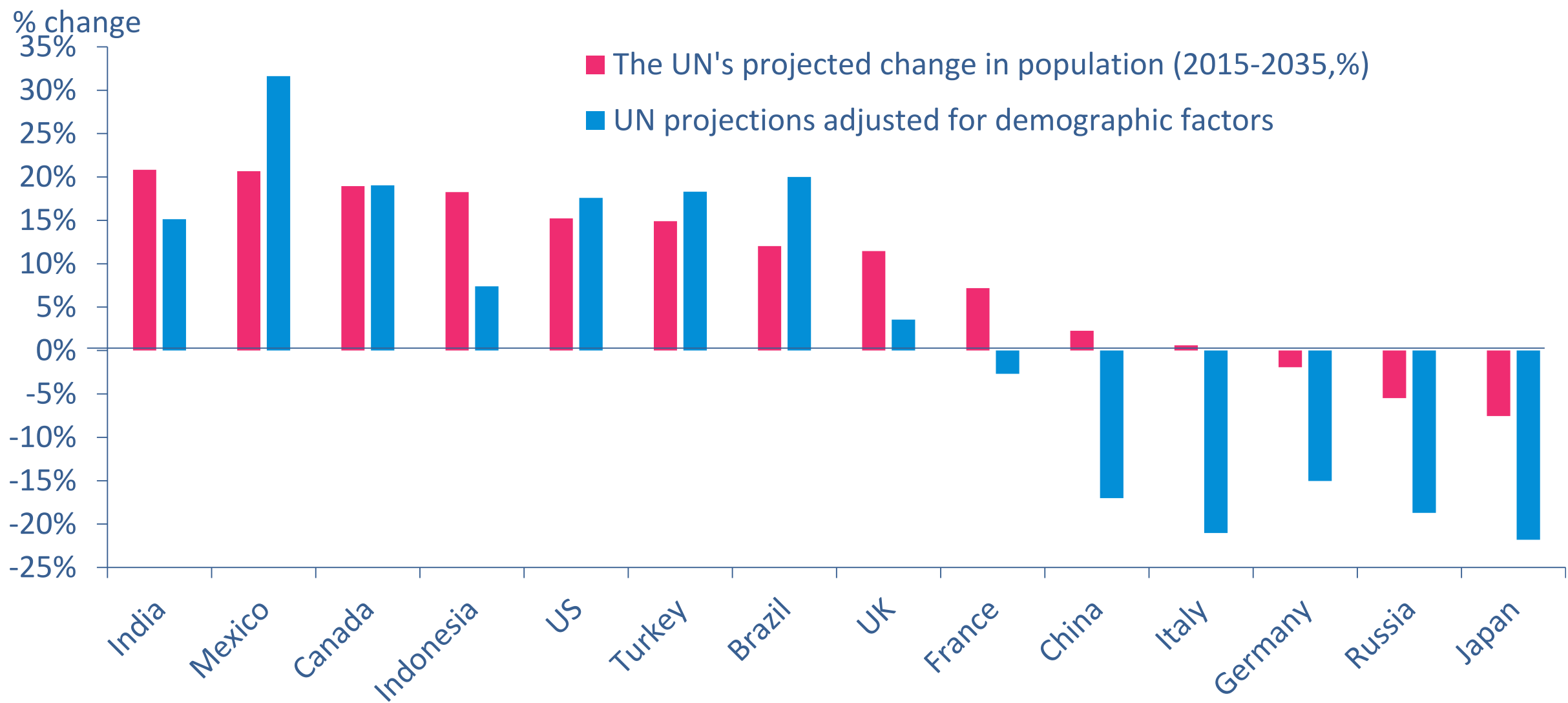


Source: IATA Economics using data from PaxIS+ and Oxford Economics

Rise in middle-class households shows a similar picture

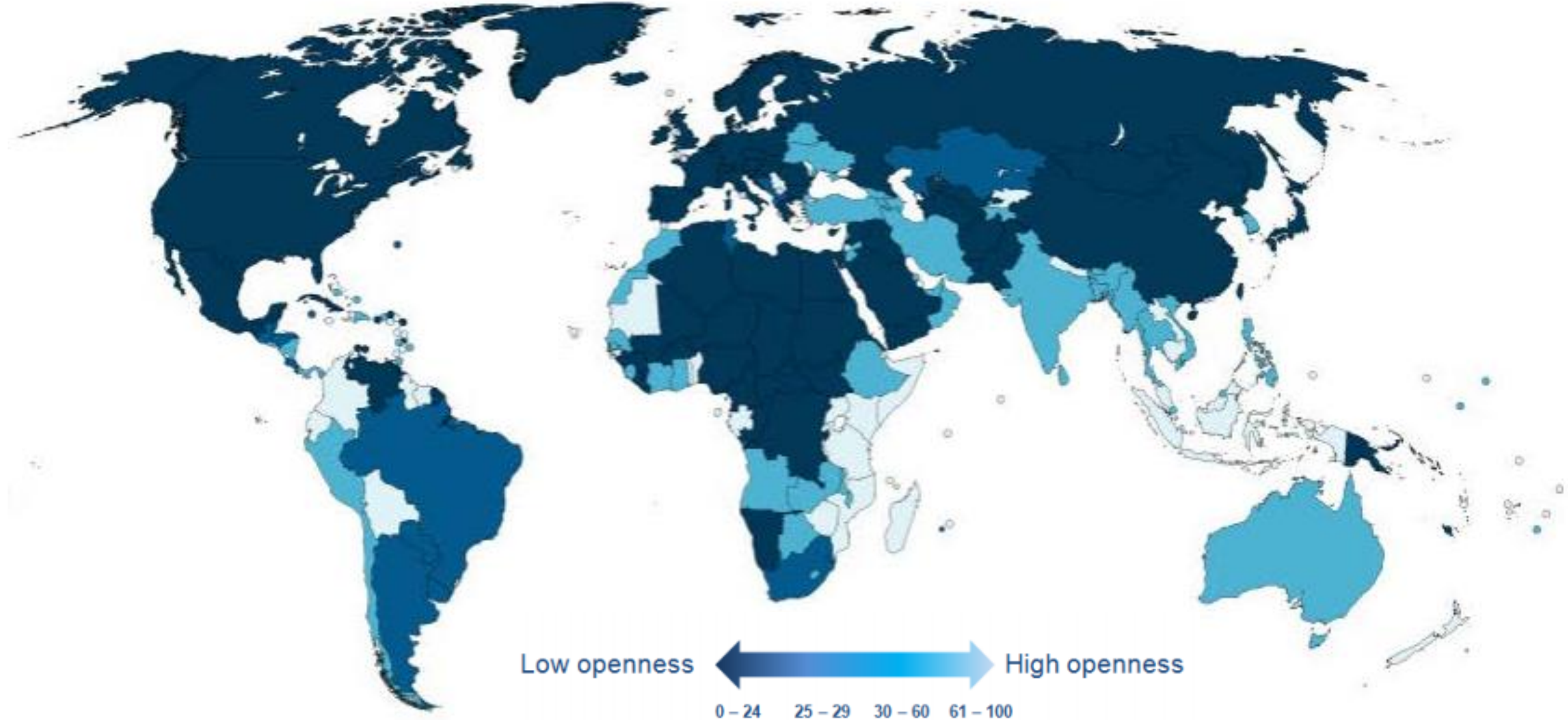


Population, adjusted for age structure, is the another key driver

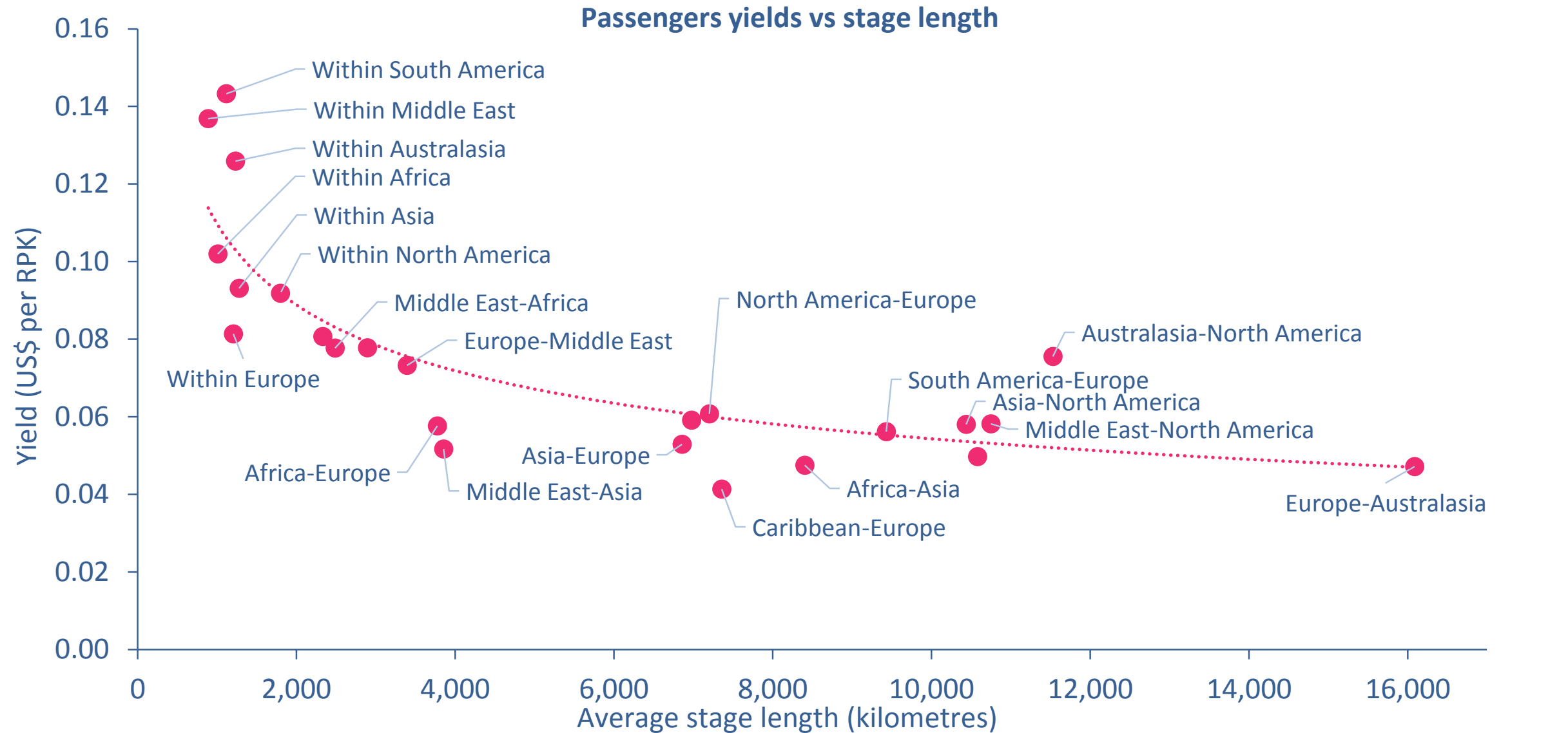


Scope for much further progress in travel facilitation

Tourism visa openness index 2018

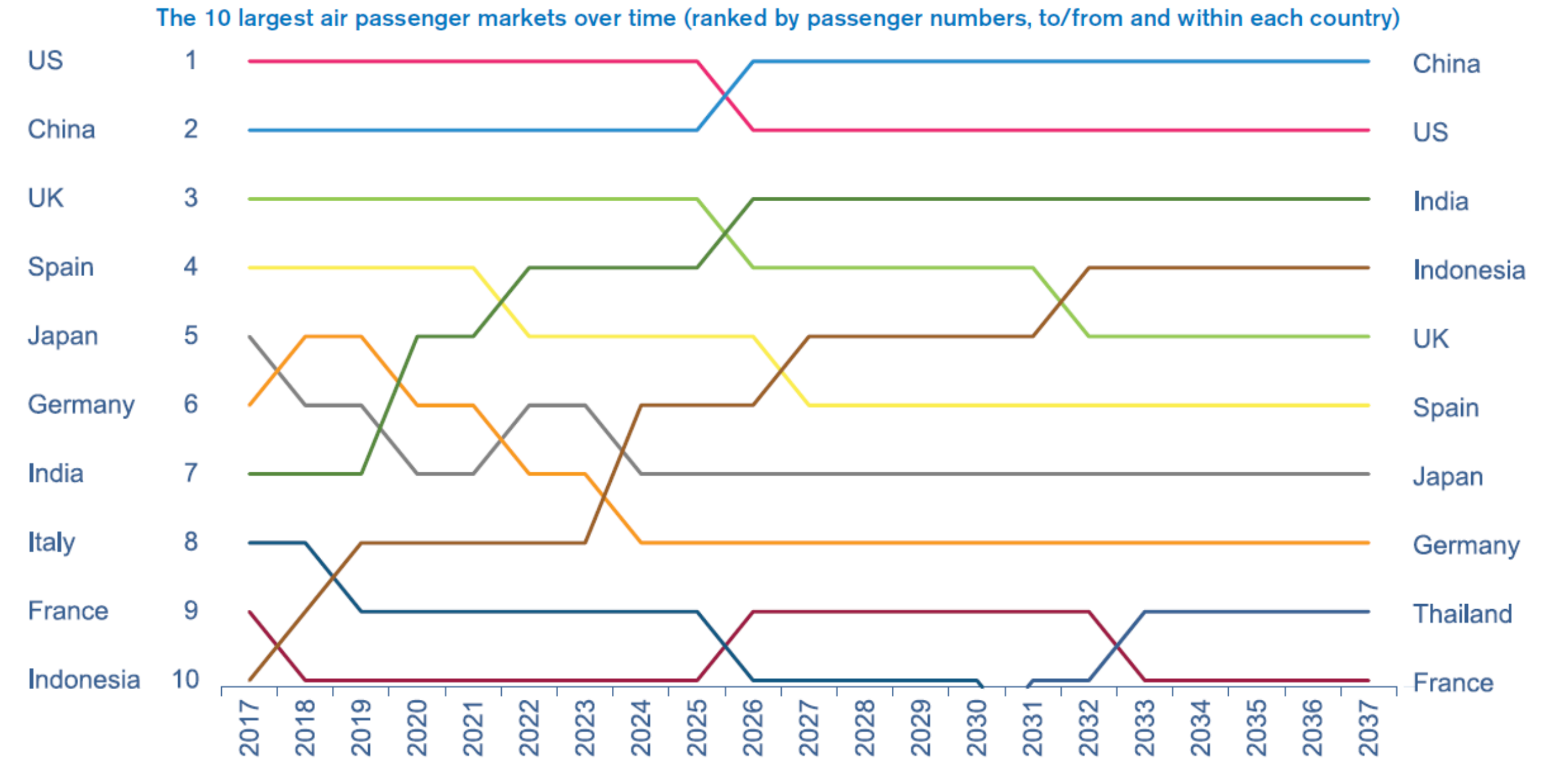


Scope for price stimulation of air travel in some short-haul markets

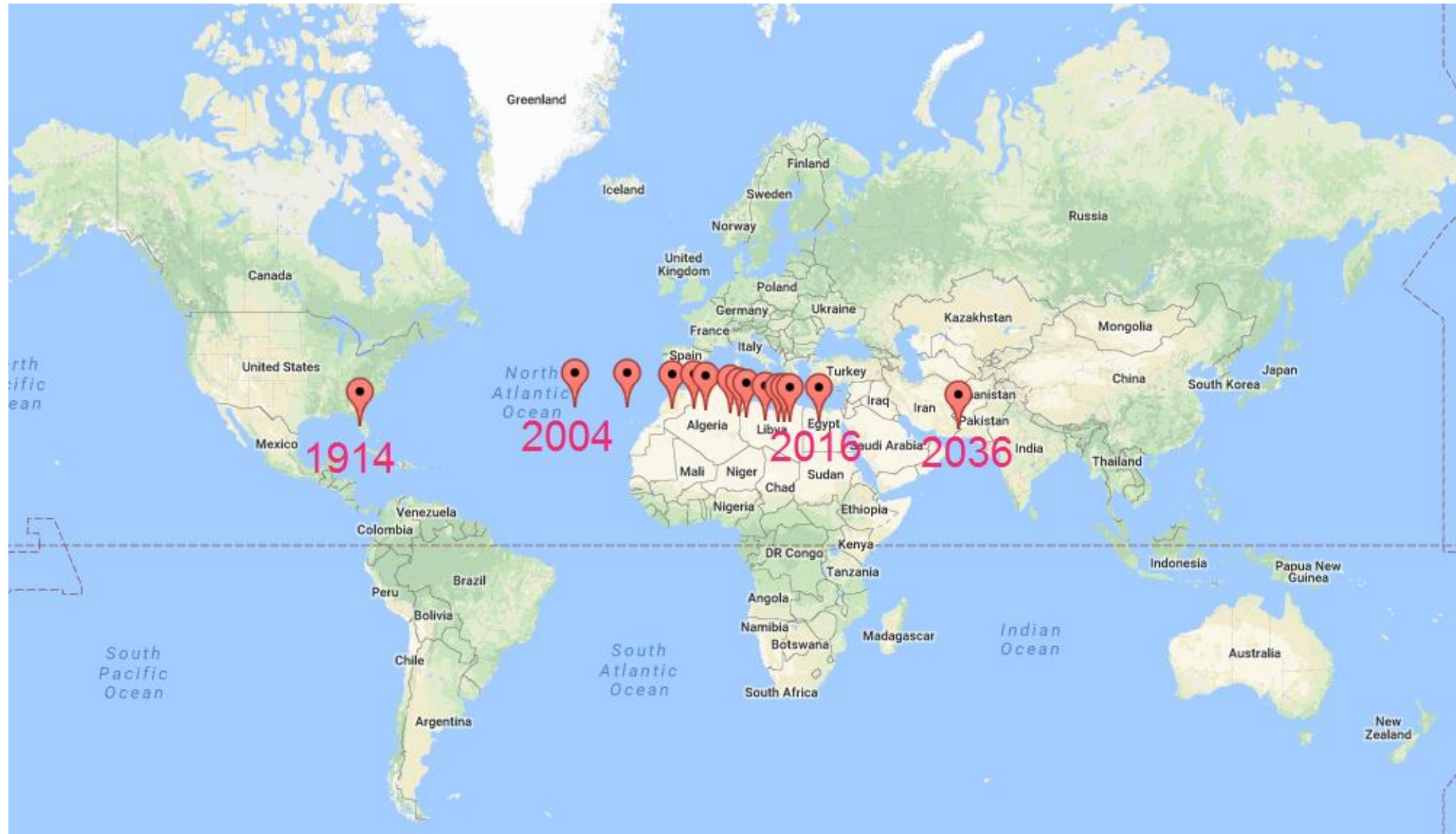


Source: IATA Economics using data from PaxIS+

Asian air travel markets will rise up the top-10 rankings



Aviation's centre of gravity shifts further eastwards



Even after recessions expect 2x rise in air travel during next 20 years

