



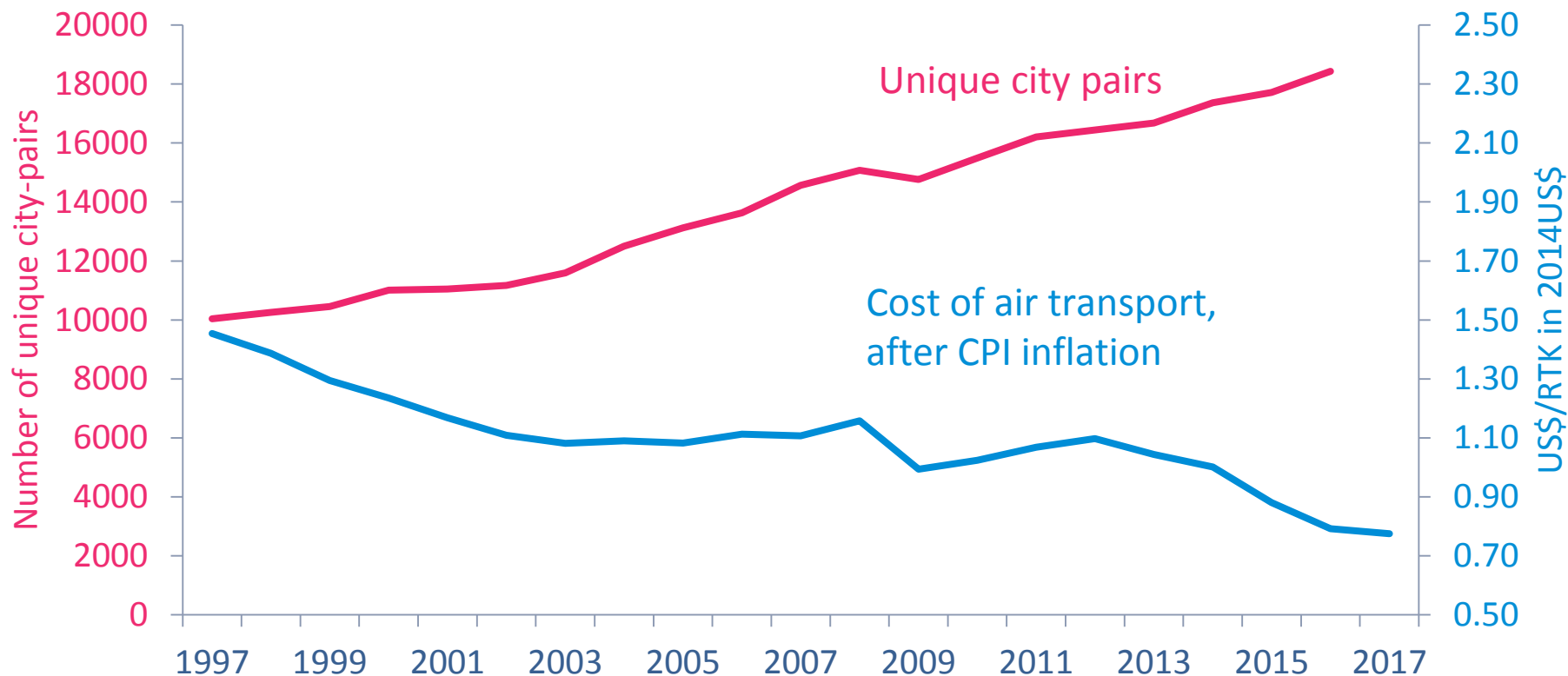
The outlook for the airline industry

December 2016

Brian Pearce
Chief Economist, IATA

Connecting more cities at lower prices

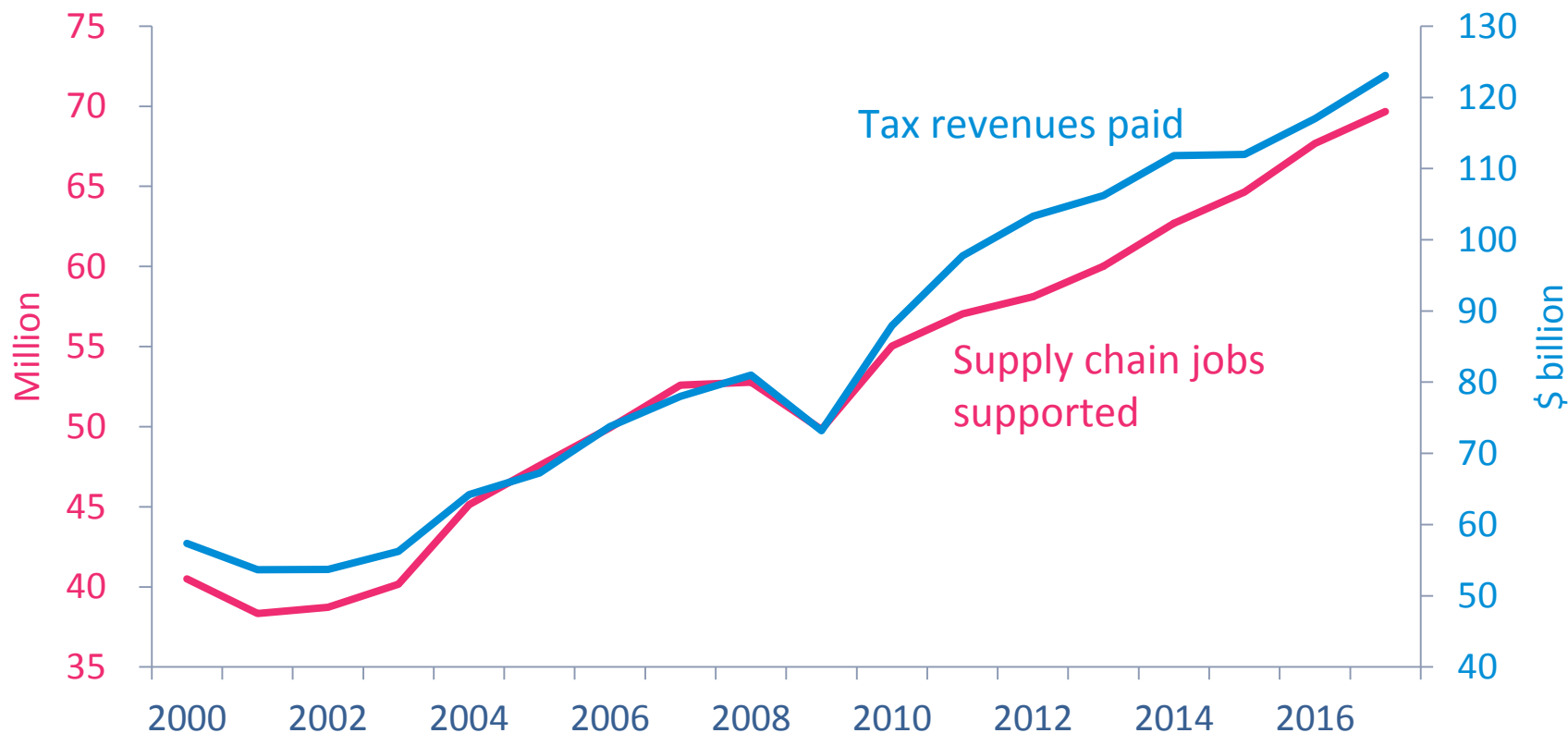
Unique city-pairs and real transport costs



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

Creating value for the wider economy

Tax revenues paid and global supply chain jobs supported



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

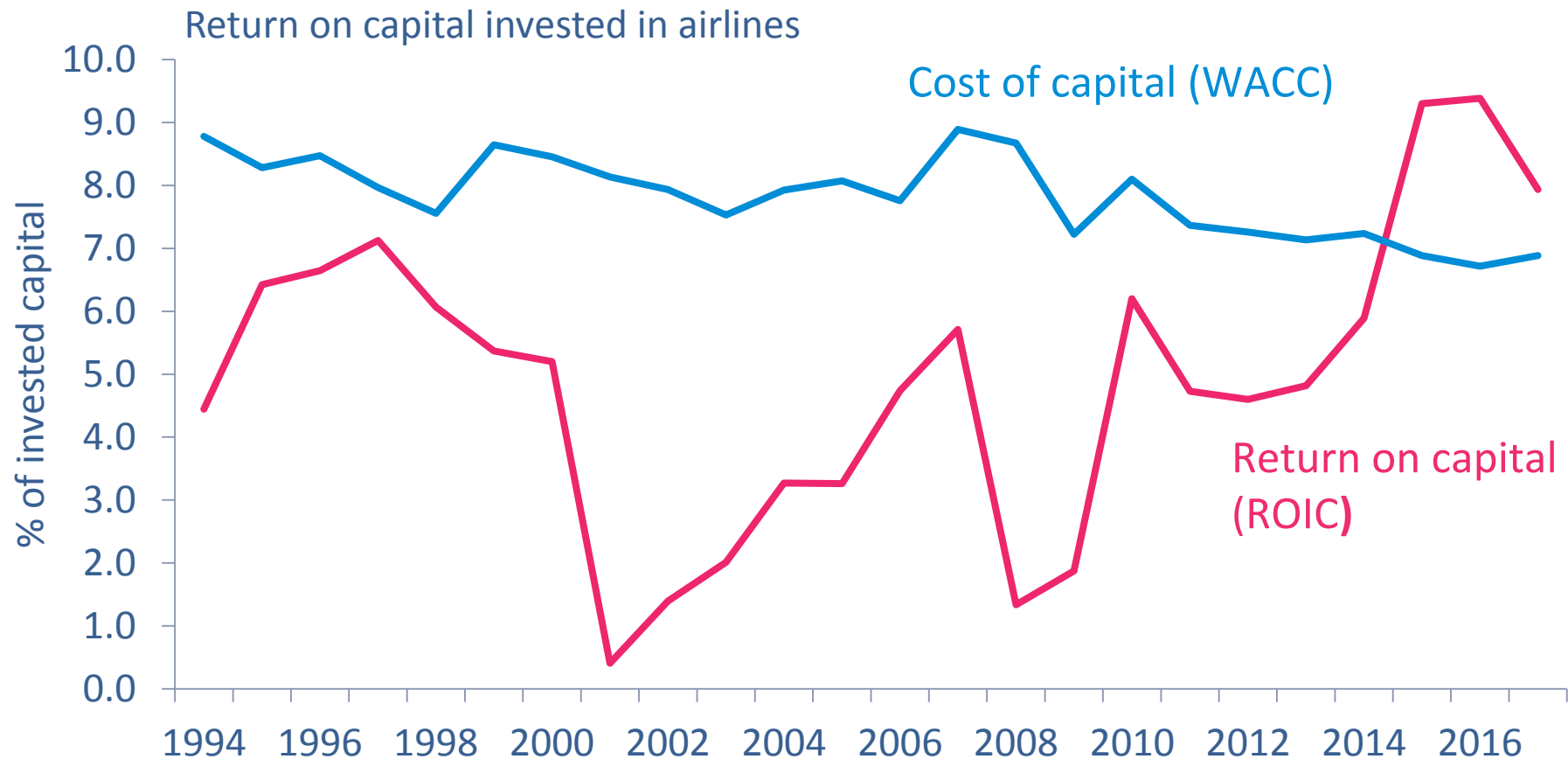
Boosting trade and tourism

Value of trade carried by air and the spending of tourists



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

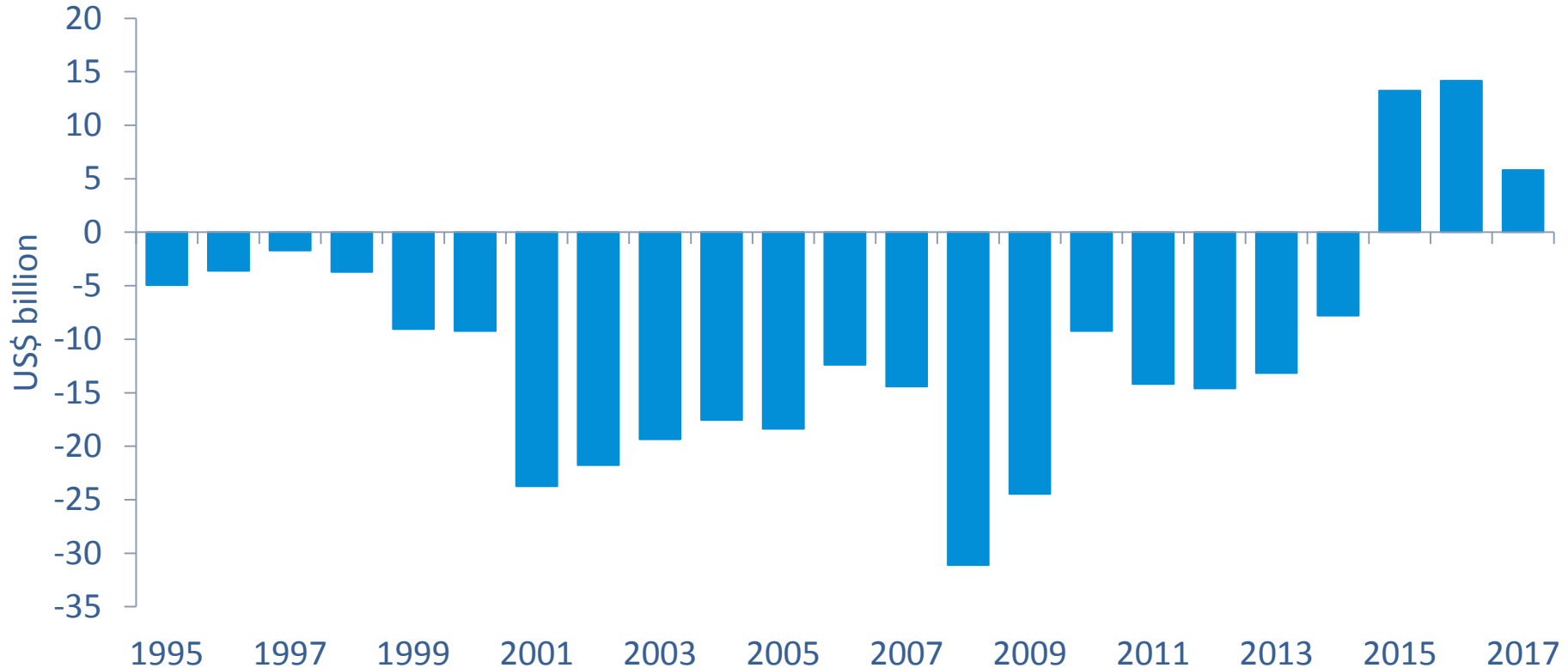
Now creating value for investors



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

2017 less profitable but still value creating

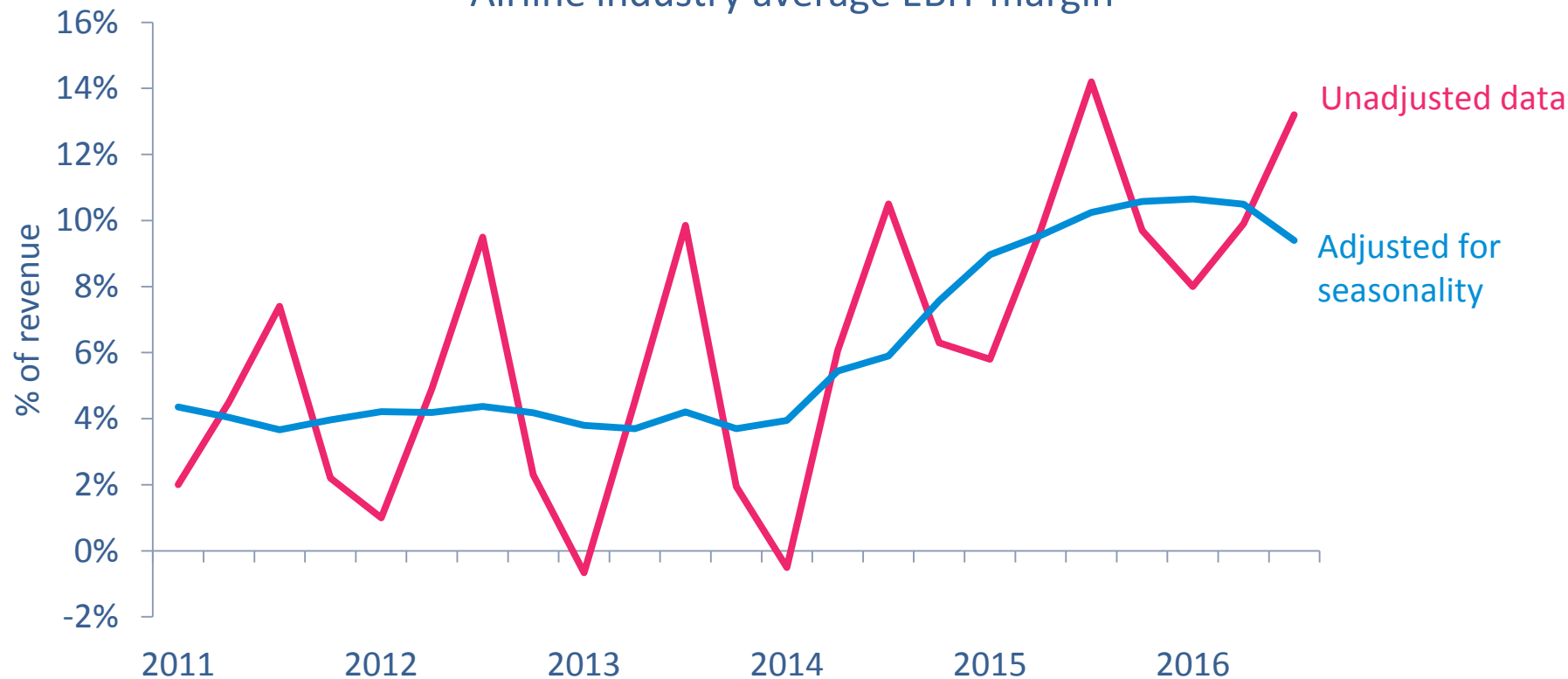
Difference between investing in airlines and investing in similar assets elsewhere



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

Industry level profits momentum has weakened

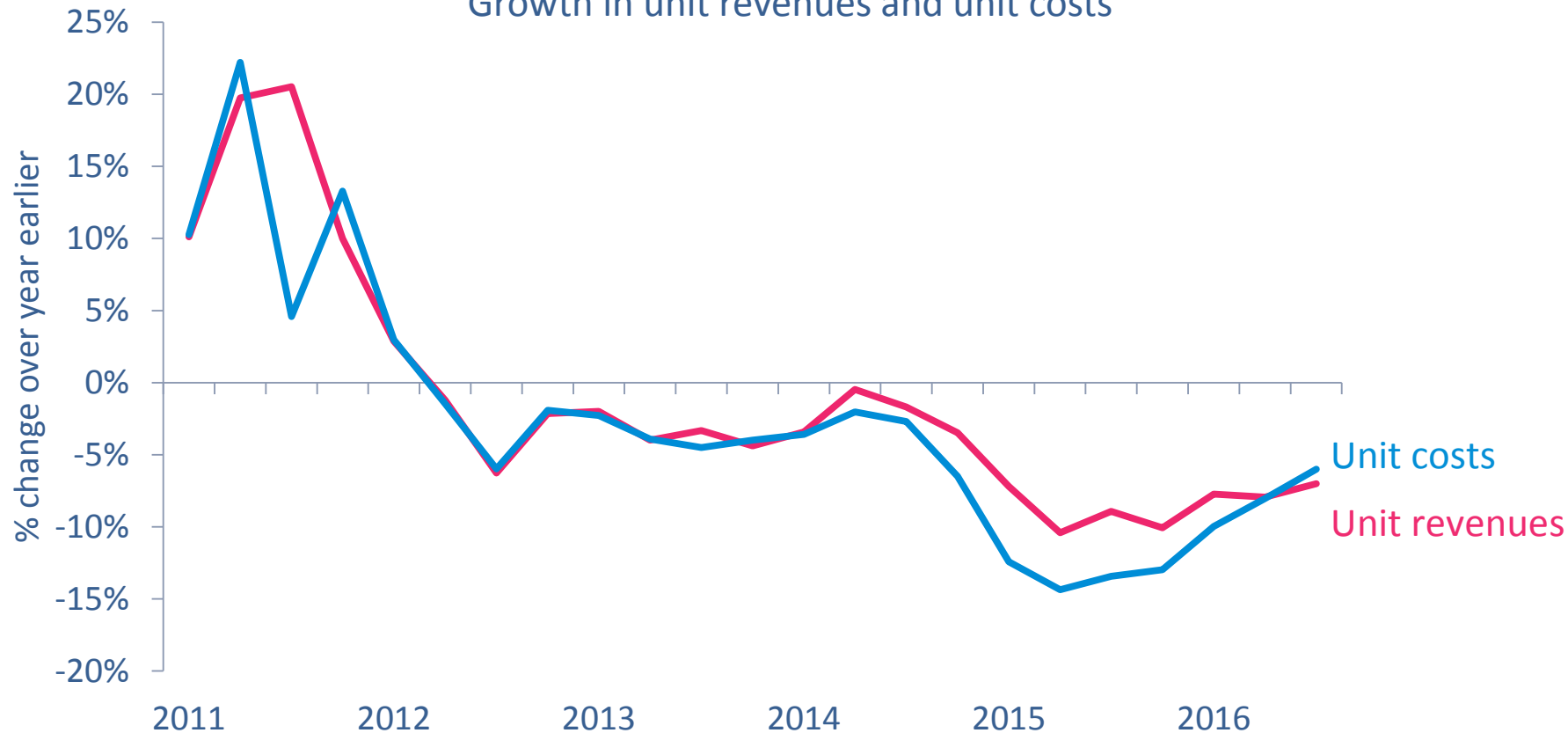
Airline industry average EBIT margin



Source: IATA seasonal adjustment of data from The Airline Analyst and airline public reports

As unit costs and unit revenues crossed over

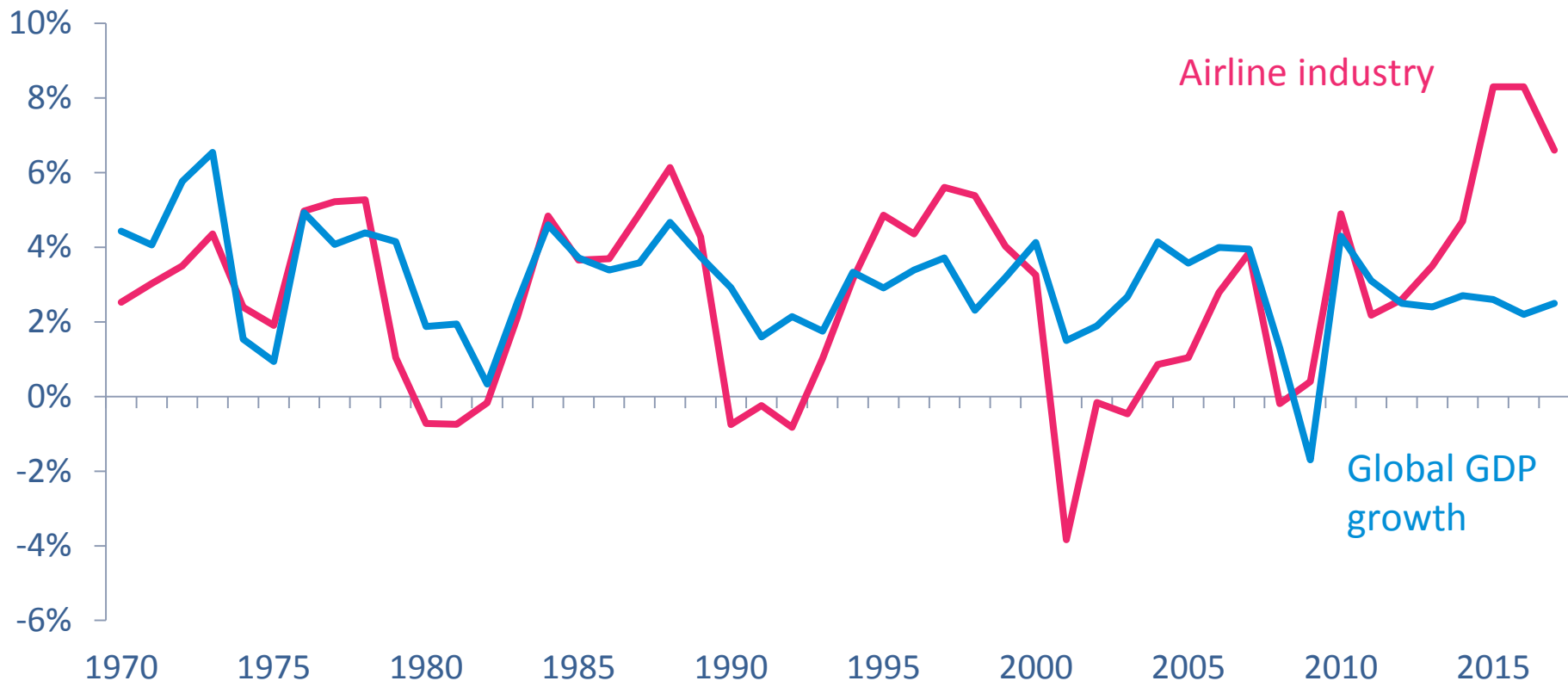
Growth in unit revenues and unit costs



Source: IATA using data from The Airline Analyst

Industry profitability is more resilient to the cycle

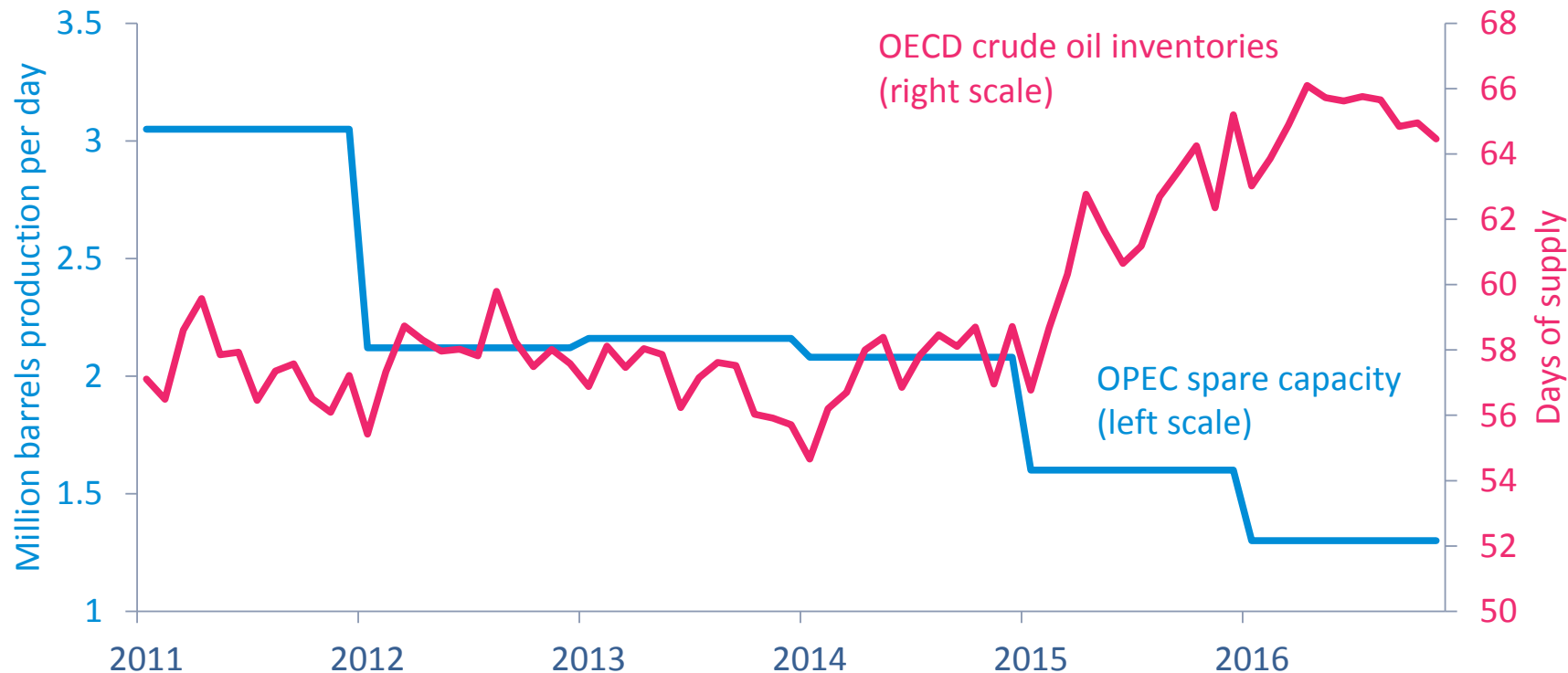
EBIT or operating margins and global GDP growth



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

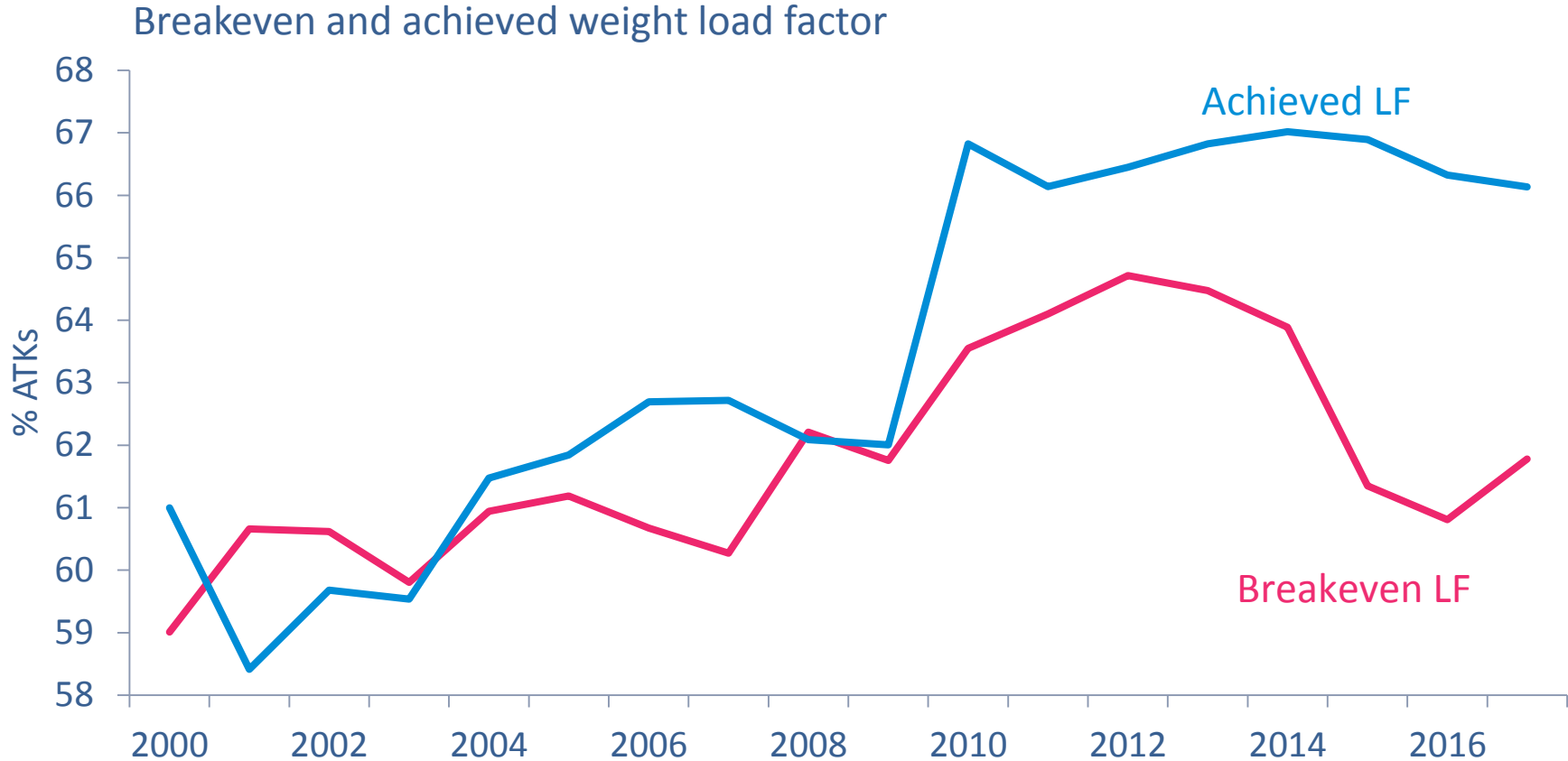
And it's not just about low fuel prices

OPEC spare capacity and OECD crude oil inventories



Source: IATA using data from Haver

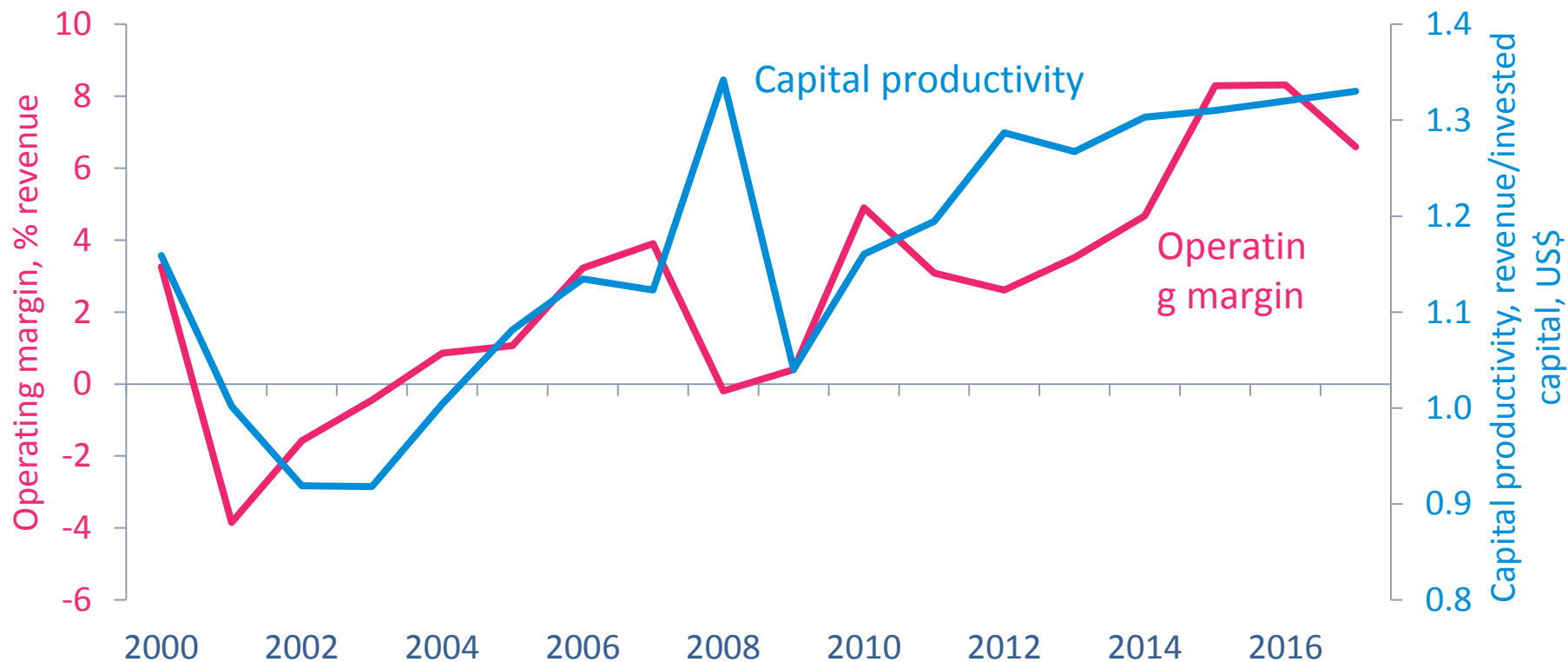
Structural changes in asset utilization



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

Structural changes in the product

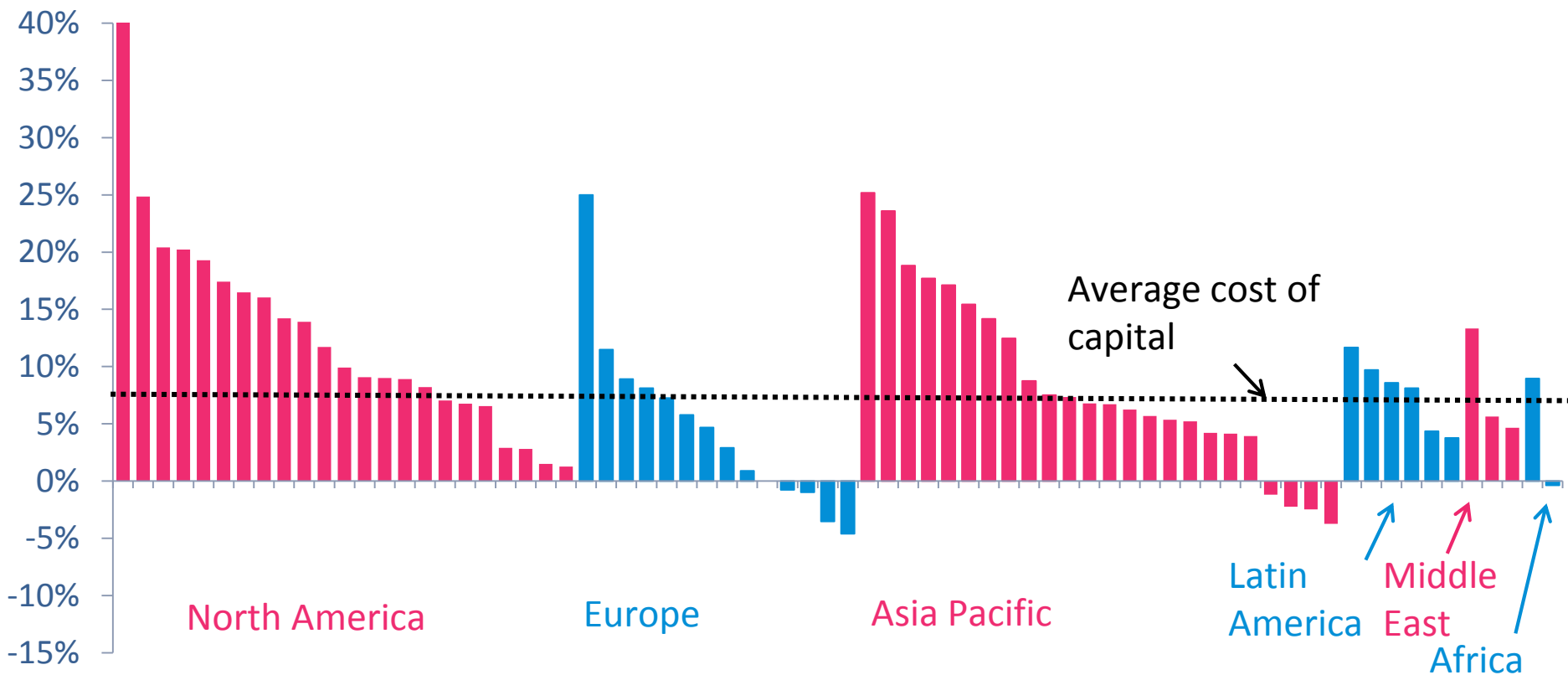
Airlines' operating or EBIT margin and capital productivity



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

Some regions doing much better than others

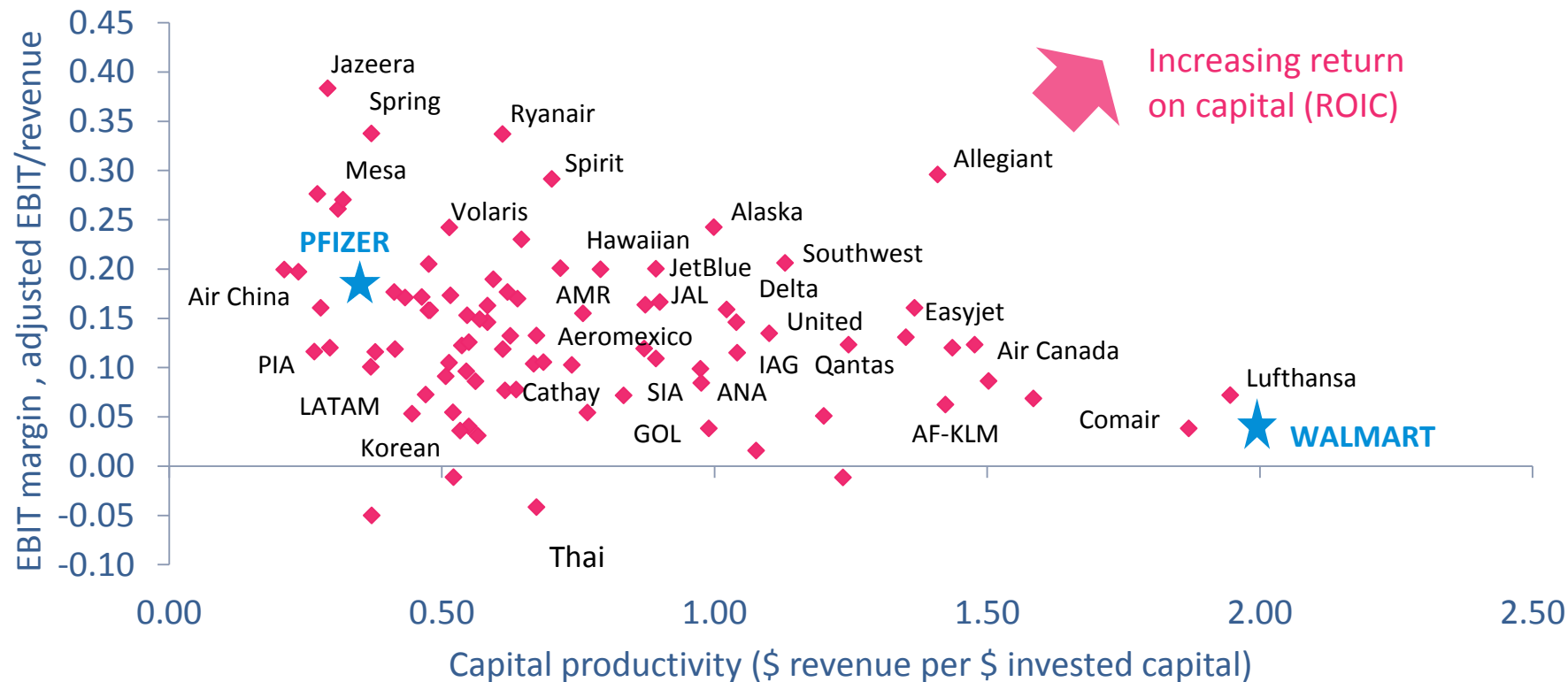
ROIC in 2016 (part year) by region and airline



Source: IATA using data from The Airline Analyst

There is a wide range of business models

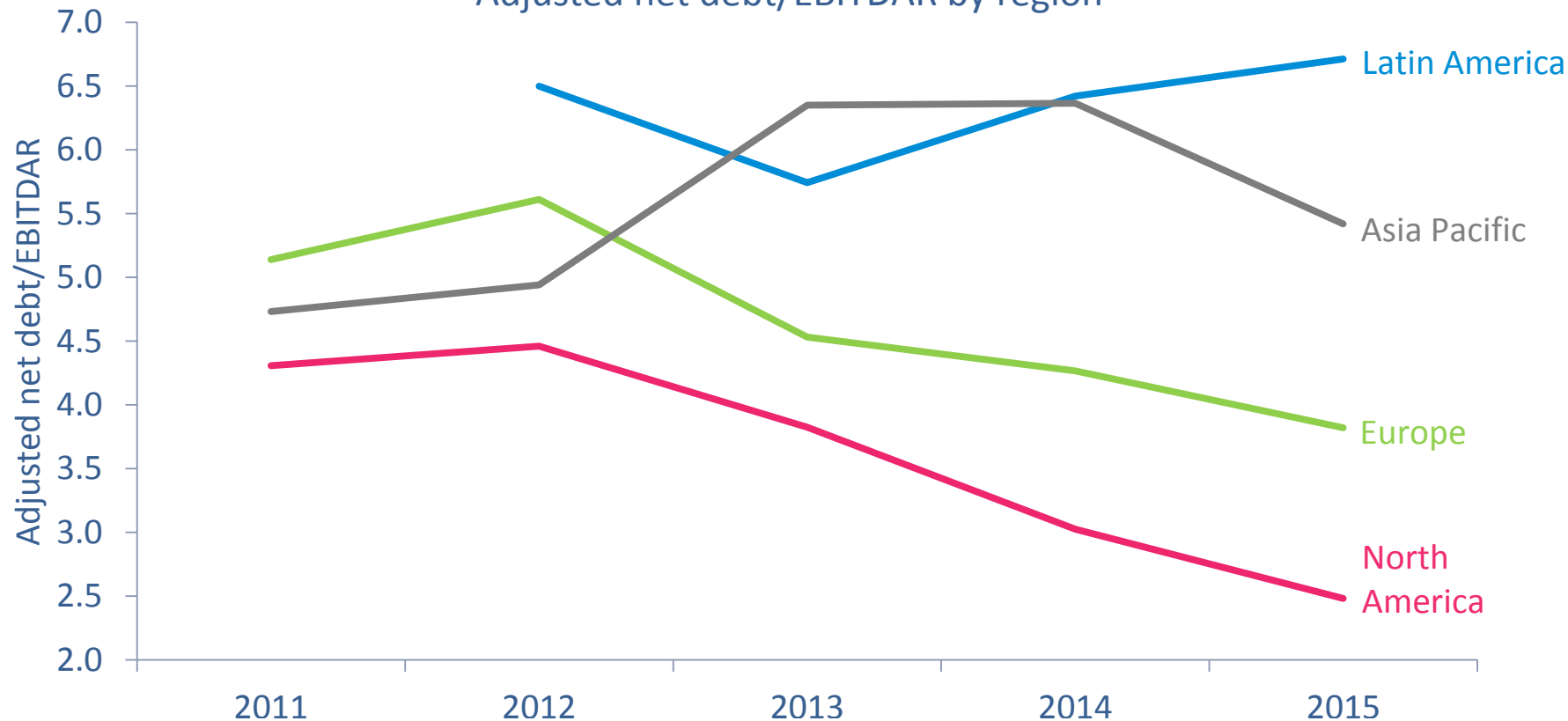
2015 ROIC = adjusted EBIT/revenue * revenue/invested capital



Source: IATA using data from The Airline Analyst

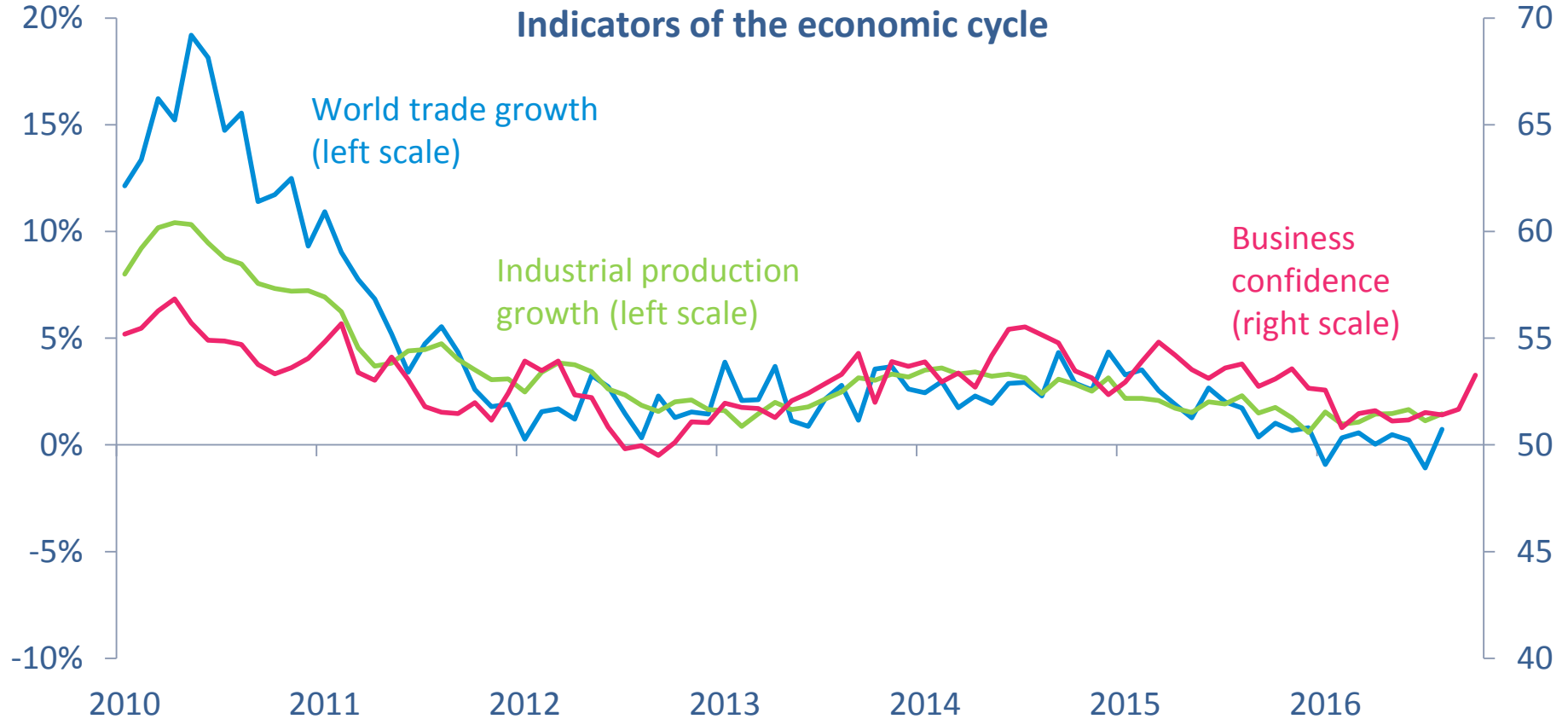
Balance sheet metrics remain divergent

Adjusted net debt/EBITDAR by region



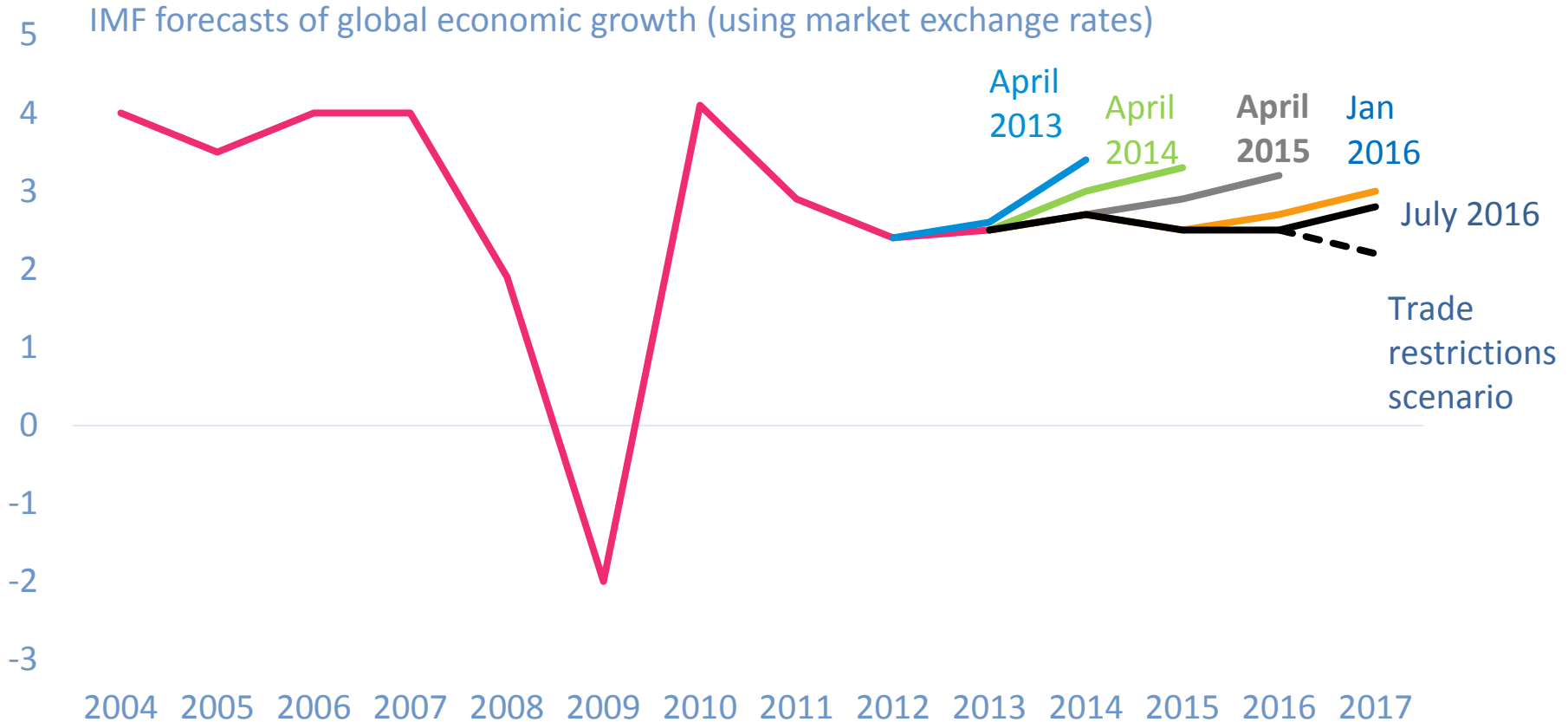
Source: IATA using data from The Airline Analyst

Where now for the fragile economic cycle?



Source: IATA using data from Markit, Haver, Netherlands CPB

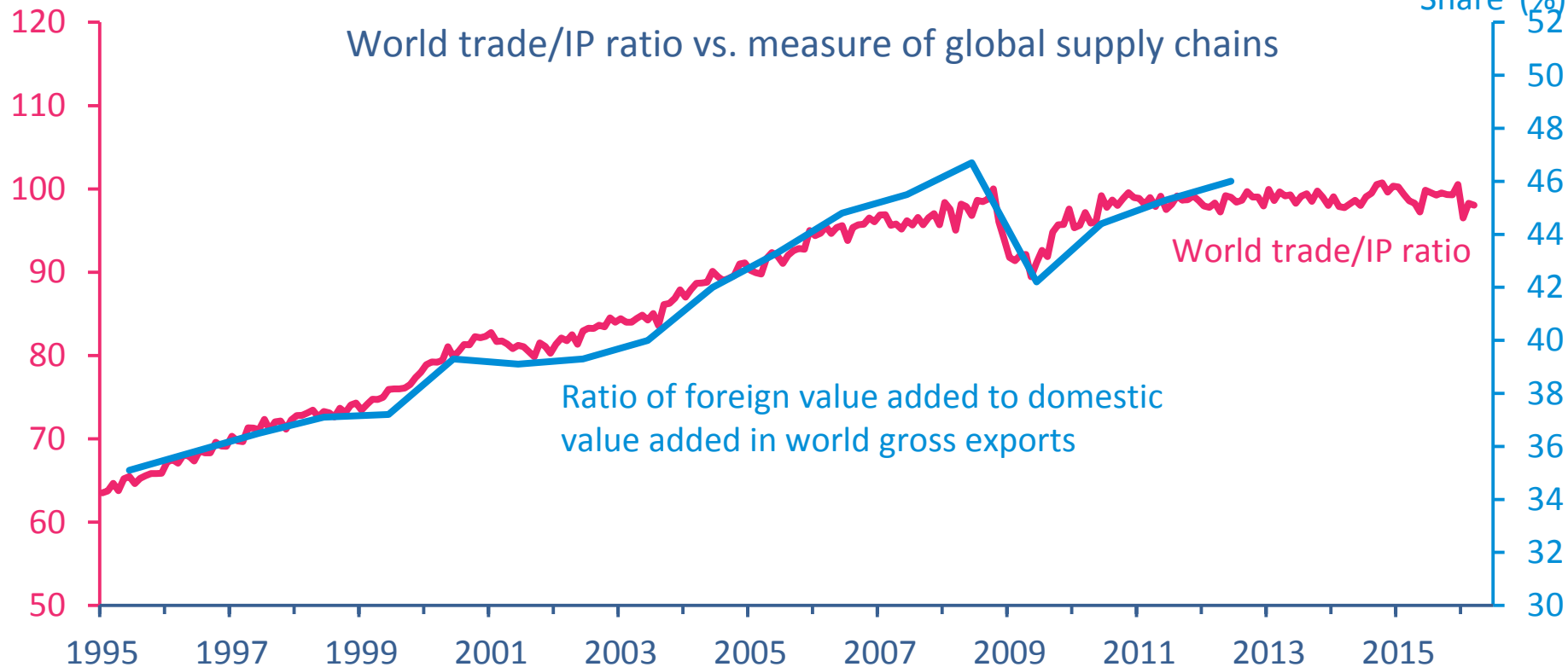
This time is different for global GDP growth?



Source: IATA using data from the IMF's World Economic Outlook

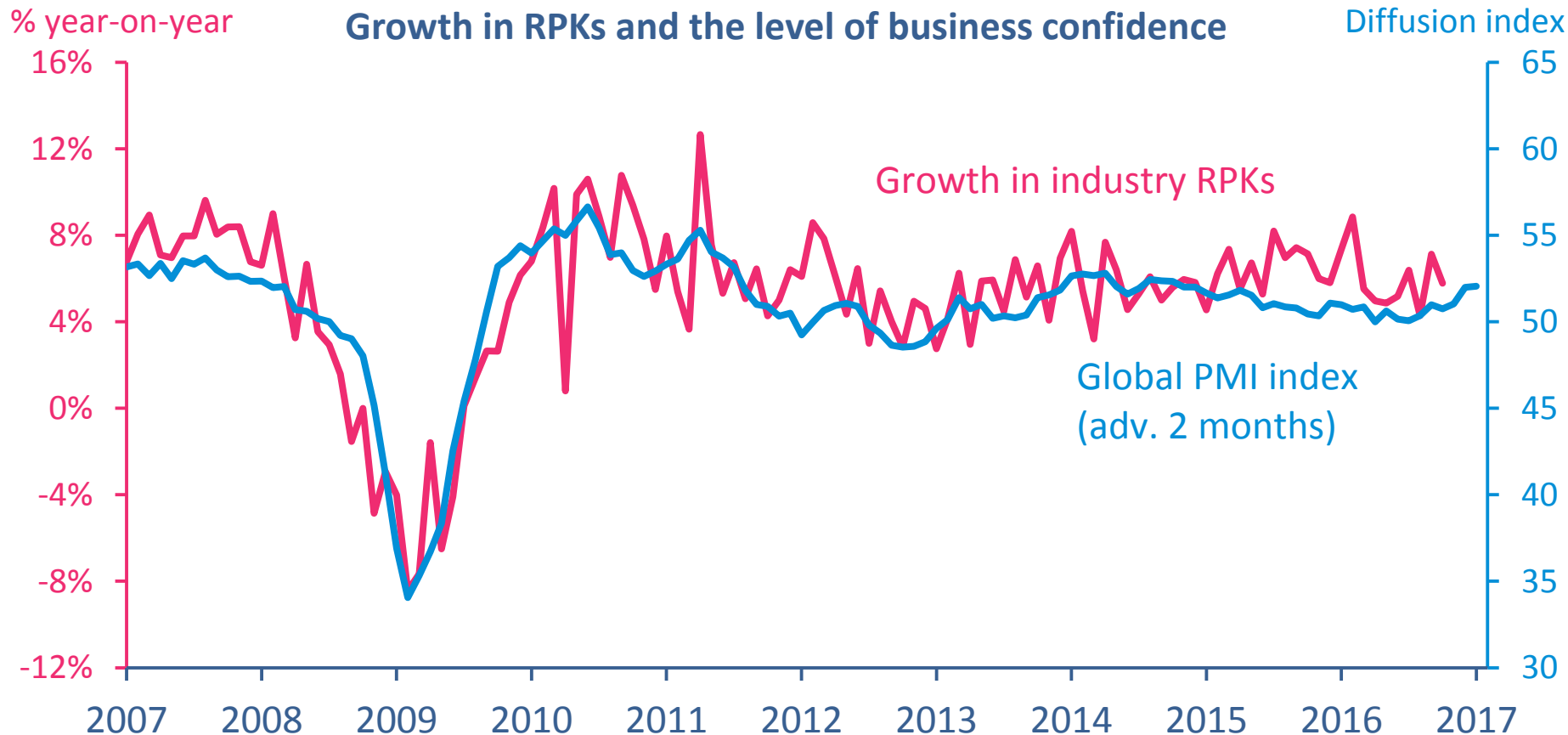
The problem with world trade remains

Index (Oct 2008=100)



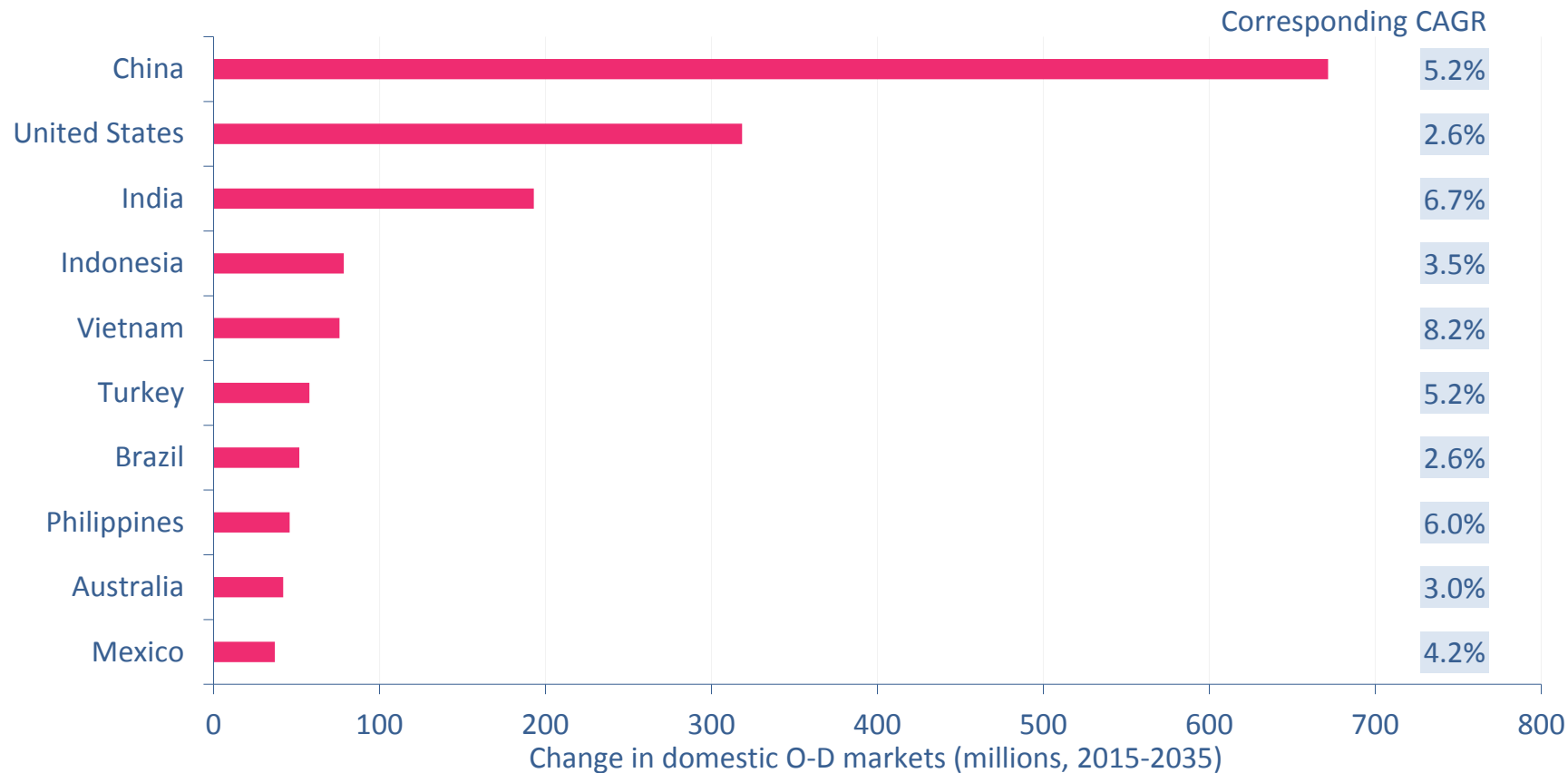
Source: IATA using data from the Netherlands CPB

Travel demand has been strong



Source: IATA using data from IATA statistics and Markit

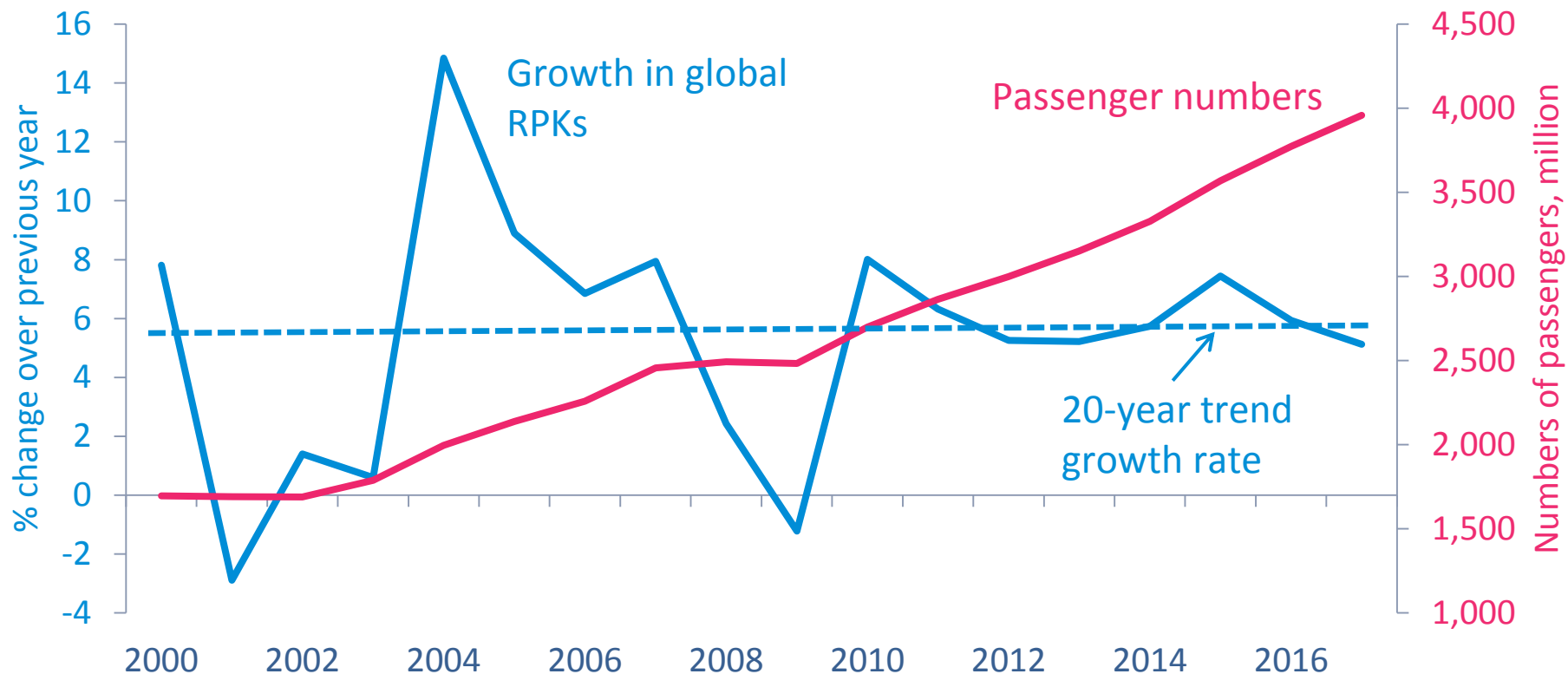
Over the next two decades considerable growth



Source: IATA using data from TE/IATA Air Passenger Forecasts, October 2016

Next year will be slower but still close to trend

Global RPK growth and passenger numbers



Source: IATA Economic Performance of the Airline Industry – end year 2016 report

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