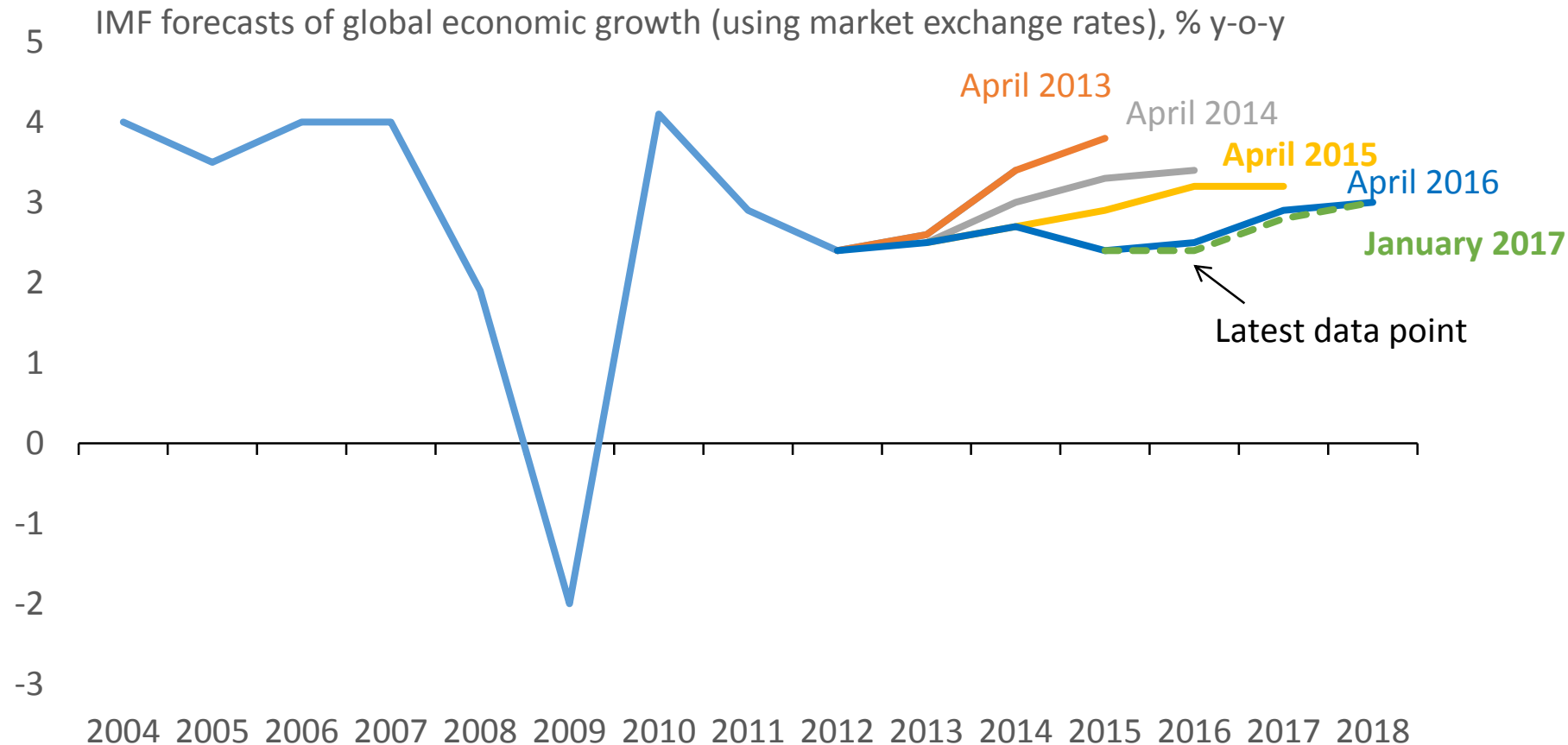


The outlook: what we know, the known unknowns and the unknown unknowns

7 March 2017
CANSO, Madrid

Brian Pearce, Chief Economist, IATA
www.iata.org/economics

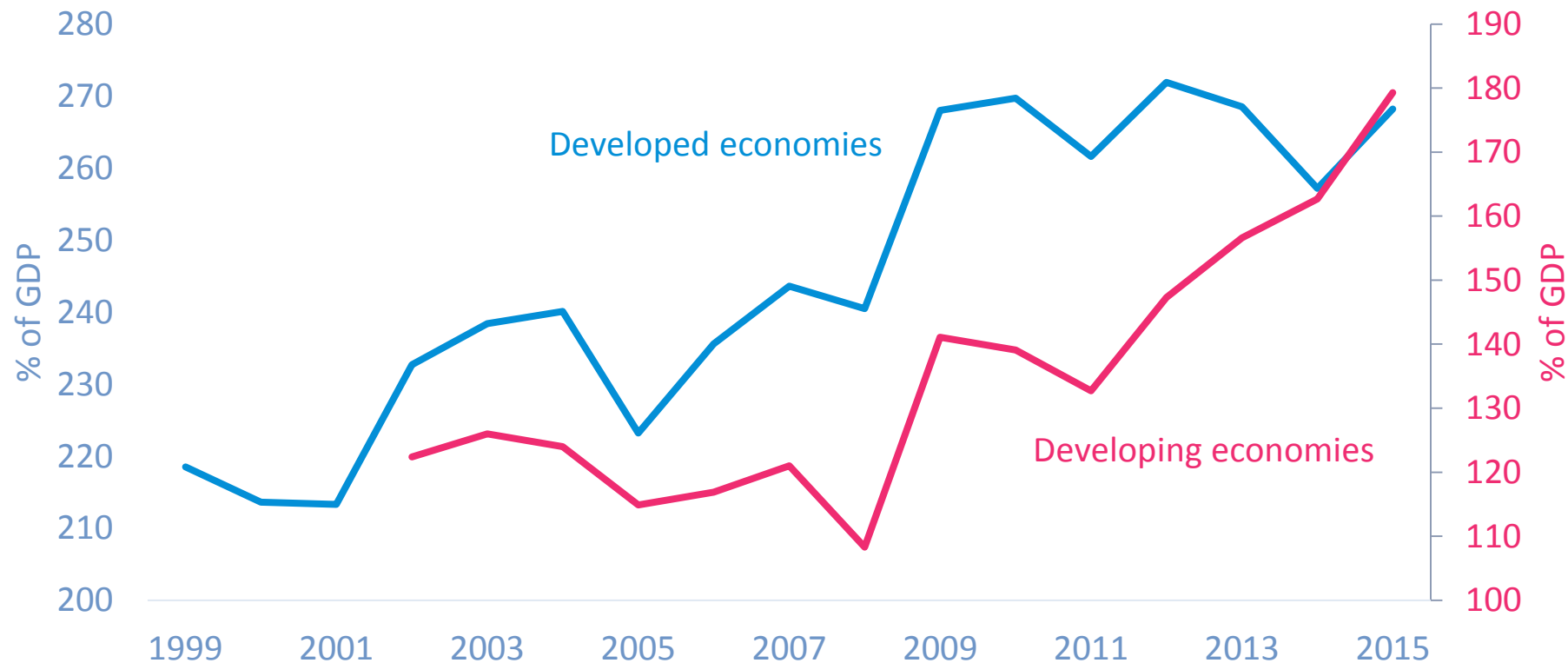
World stuck on low-growth path (IMF consistently wrong)



Source: IMF World Economic Outlook databases

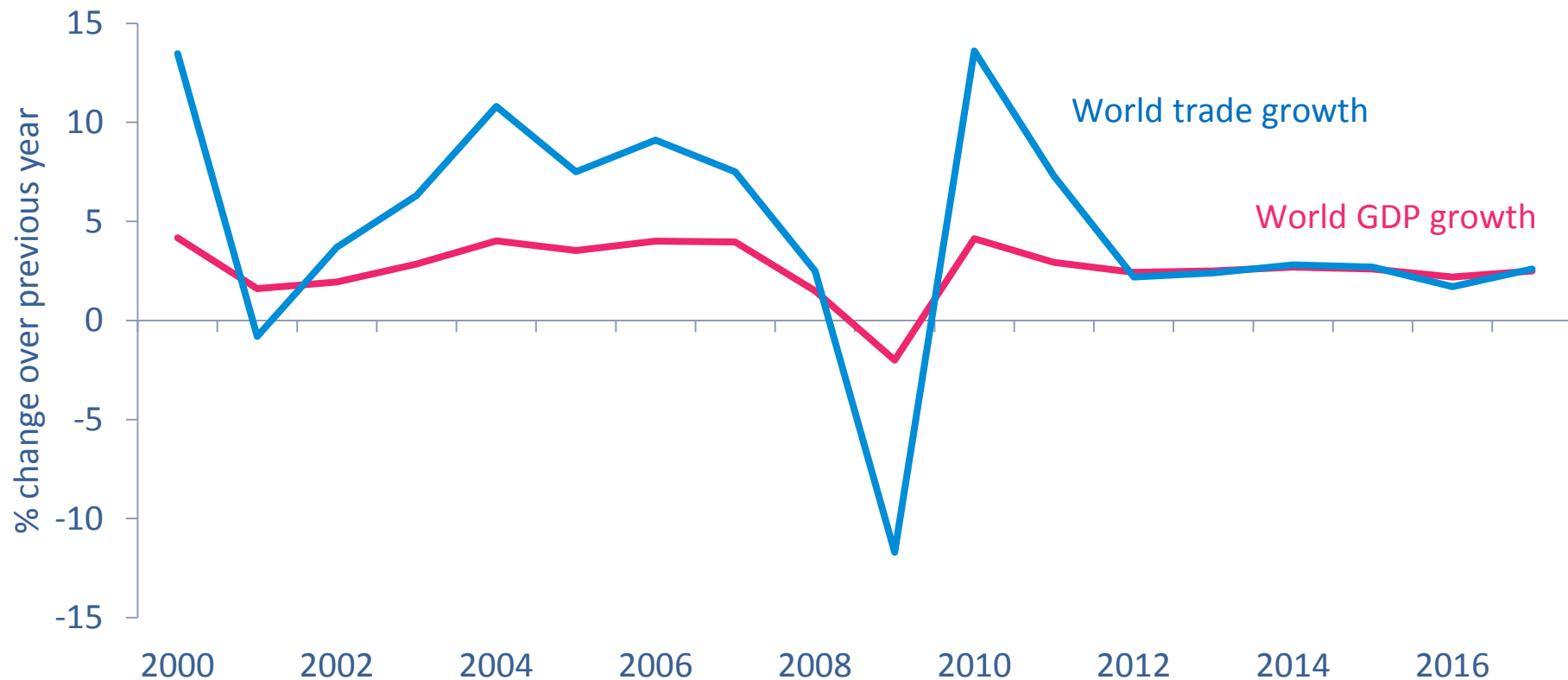
Partly because of the debt overhang

Outstanding debt of non-financial sector, % of GDP



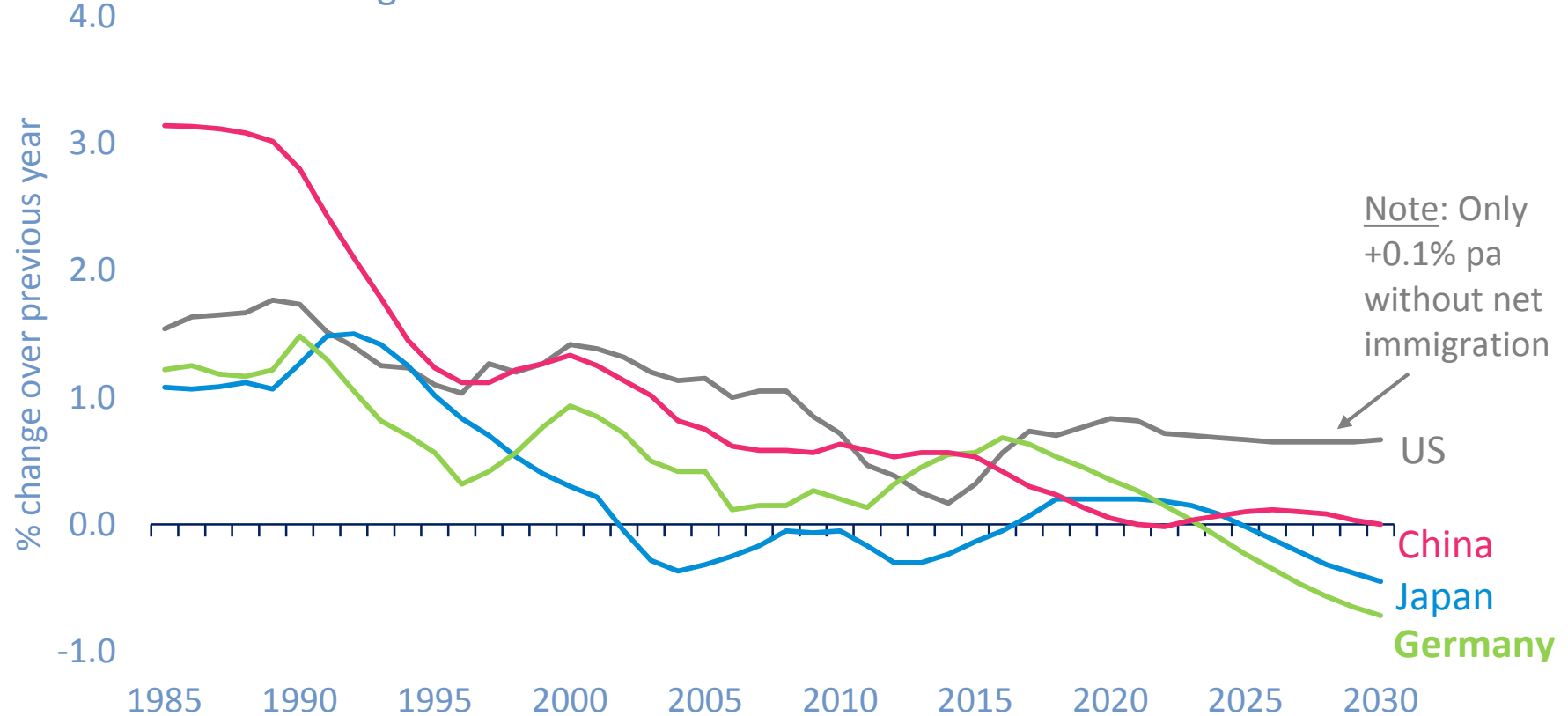
But also the retreat from globalization

World GDP and cross-border trade growth



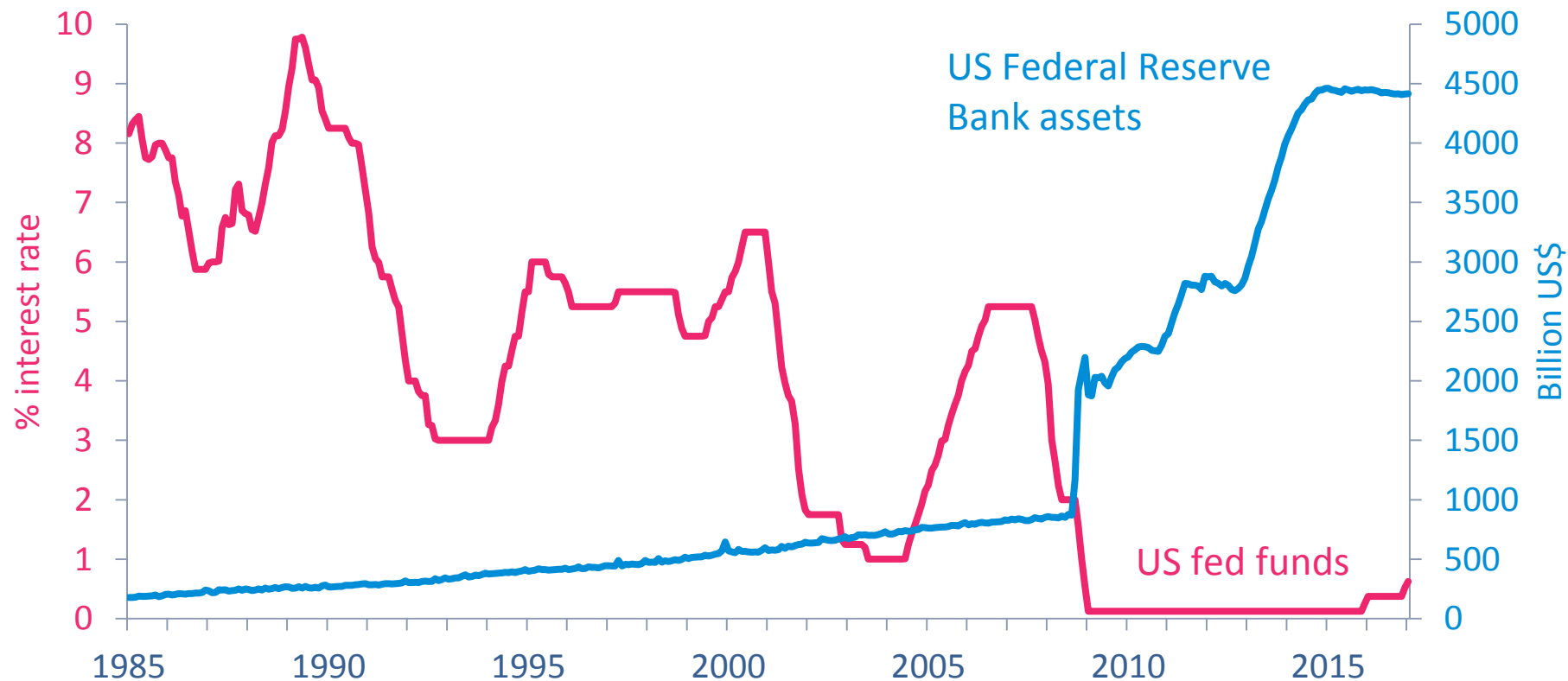
Poor demographics in some major economies

Labour force growth

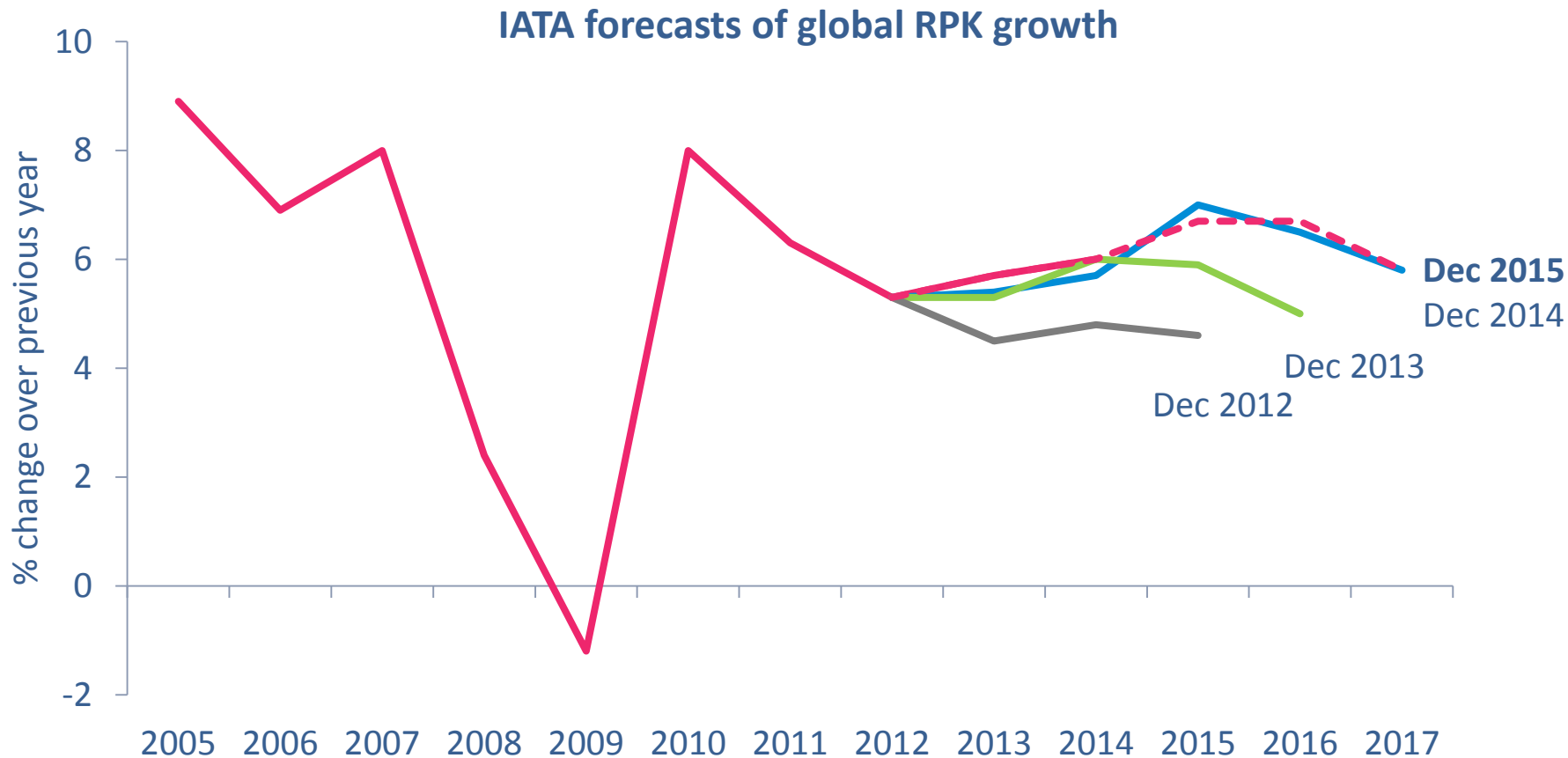


The exhaustion of monetary policies

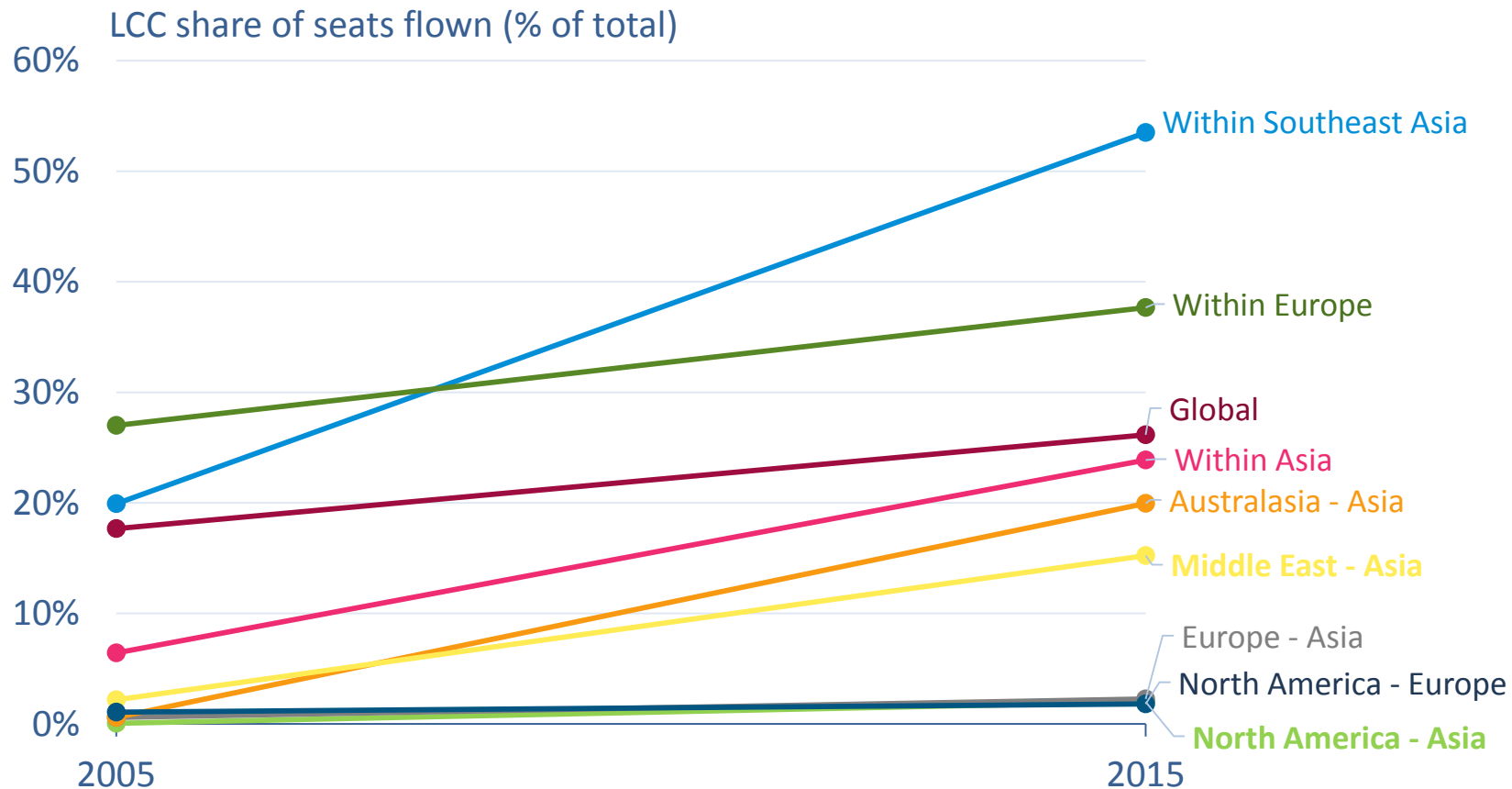
US federal funds target rate and balance sheet assets



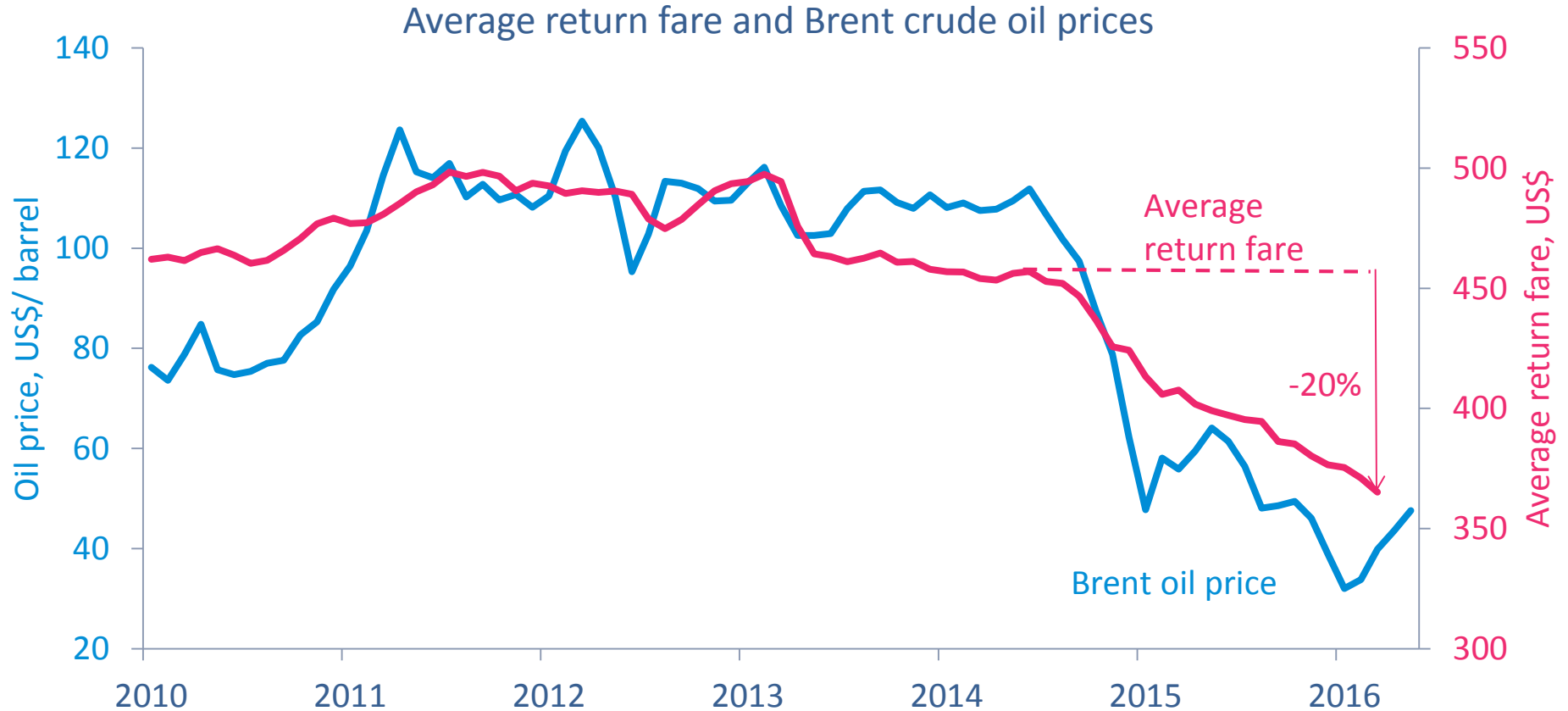
We got air travel wrong – but under not over-estimated



Partly because of price-stimulation from LCC entry

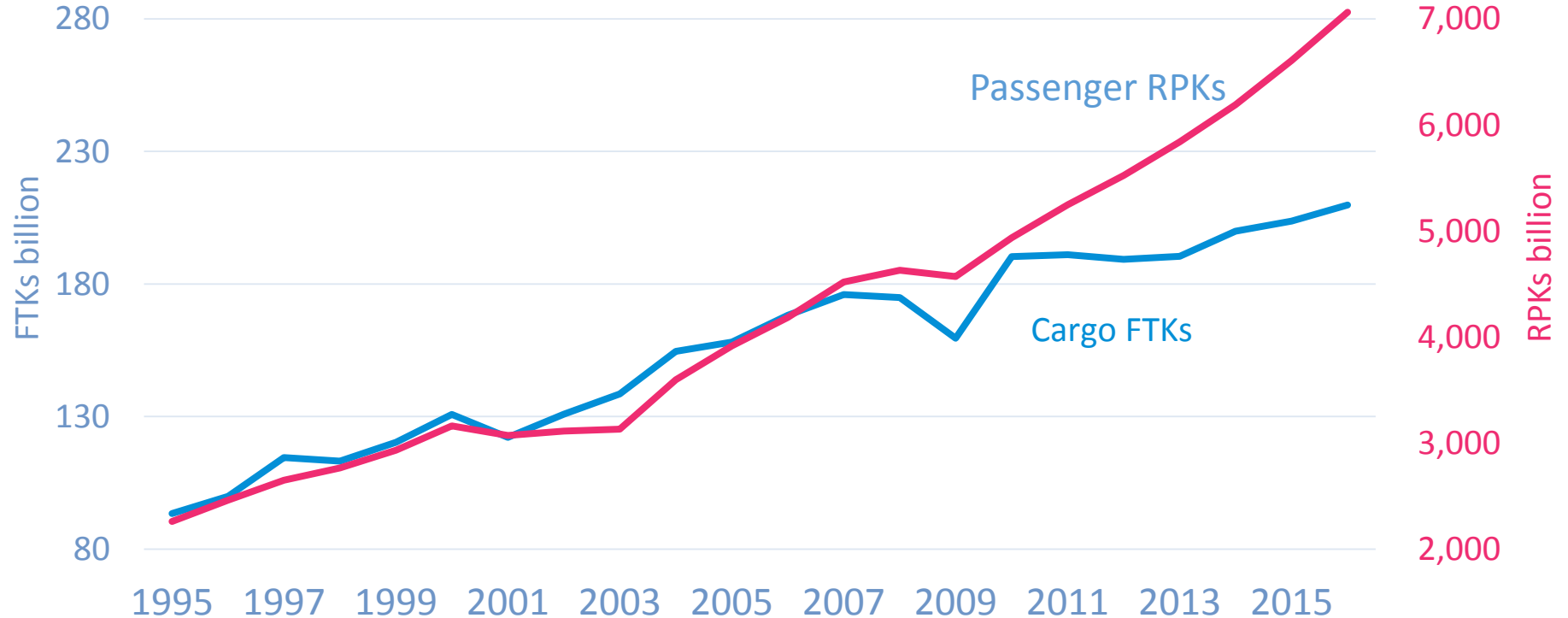


And then because oil prices collapsed

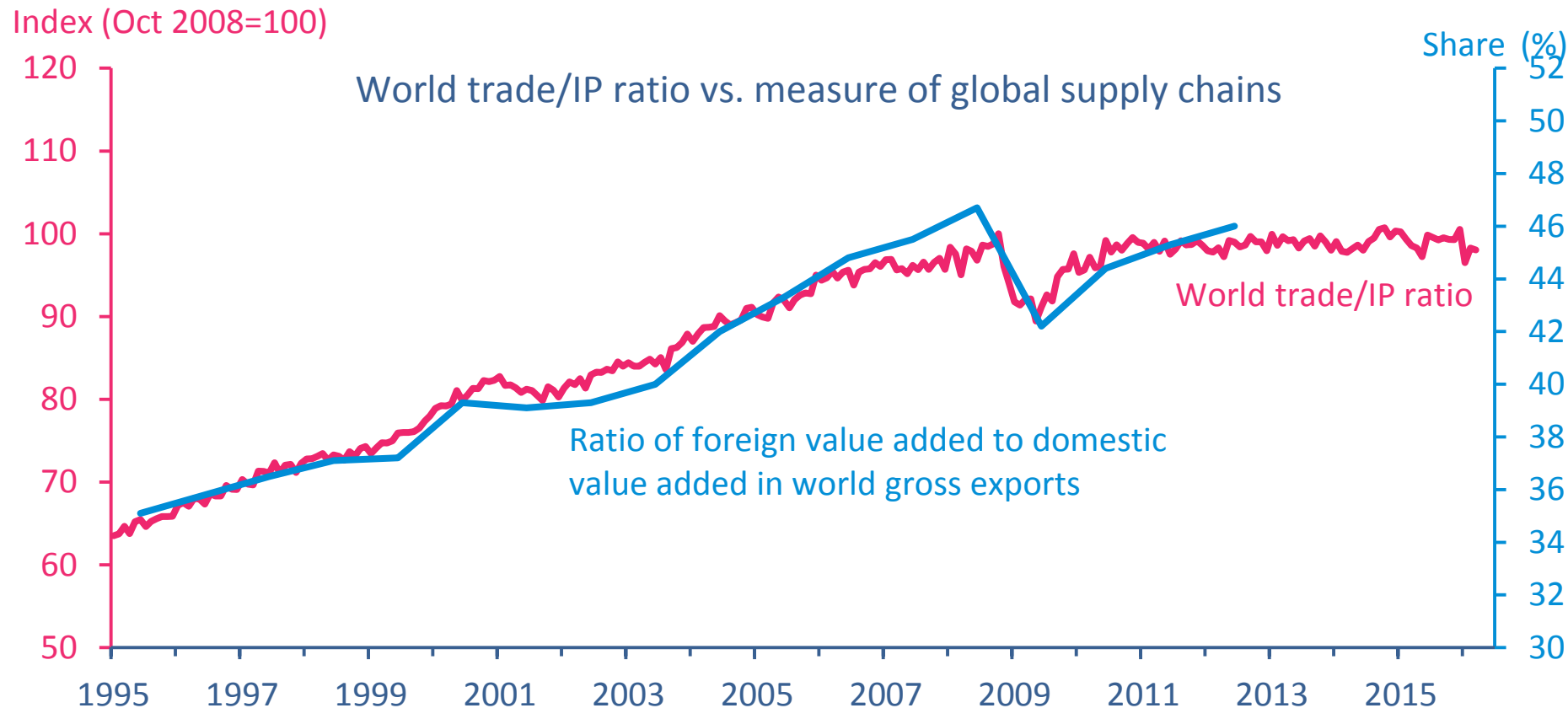


Cargo was a very different story

Air travel and cargo volumes



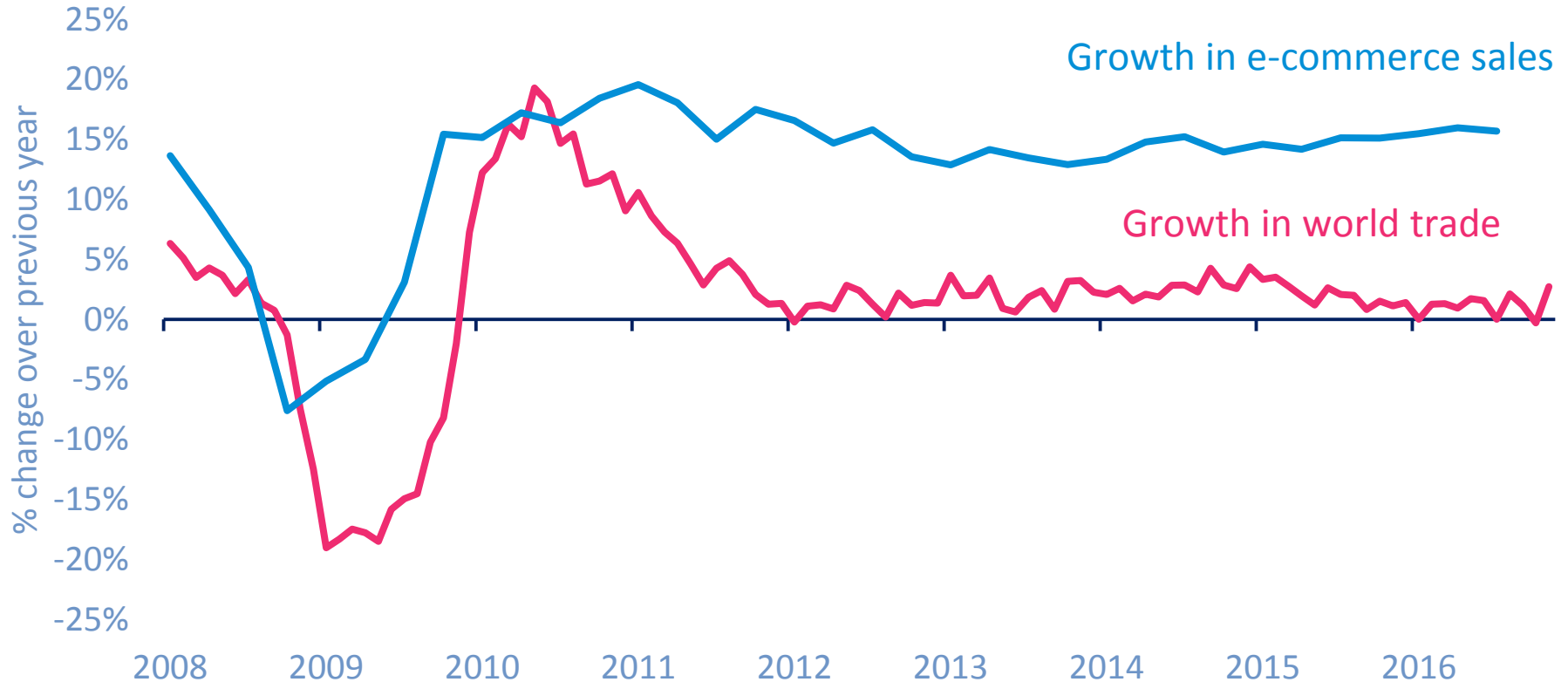
The retreat from globalization was one cause



Source: IATA Economics using data from Netherlands CPB and UNCTAD

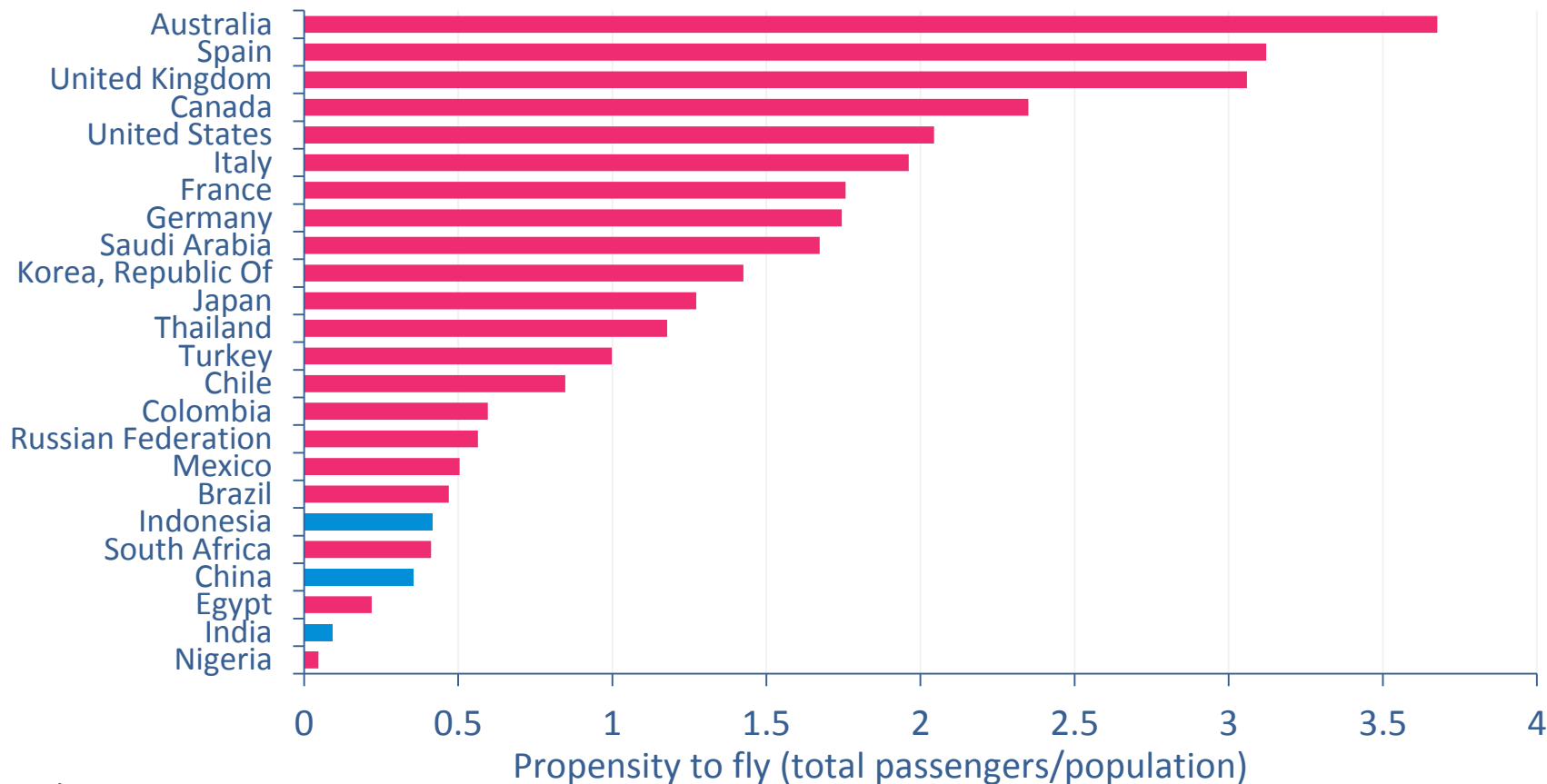
So air cargo is seeking new customer segments

Growth in world trade and (US) e-commerce sales



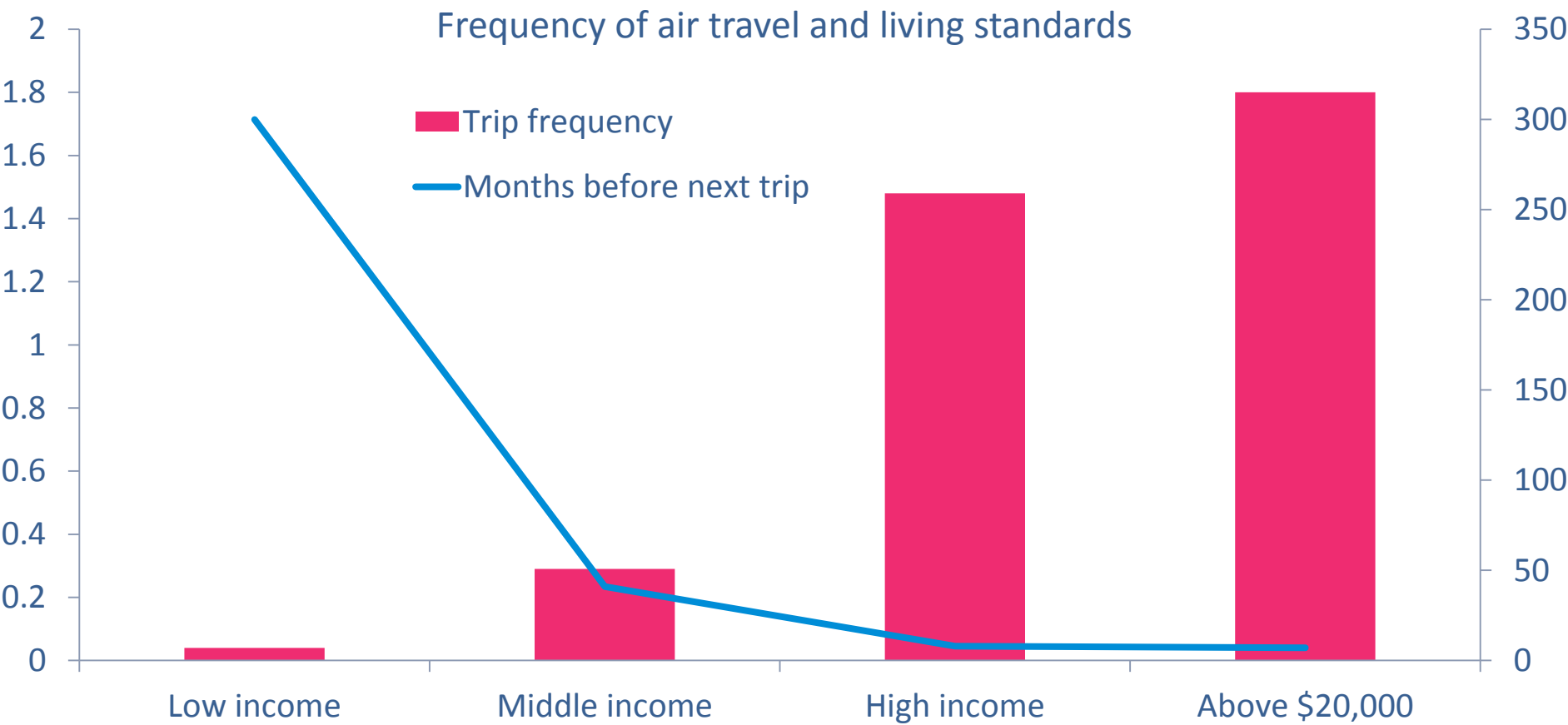
Source: IATA Economics using data from Netherlands CPB and Haver

Still plenty of potential for growth in air travel

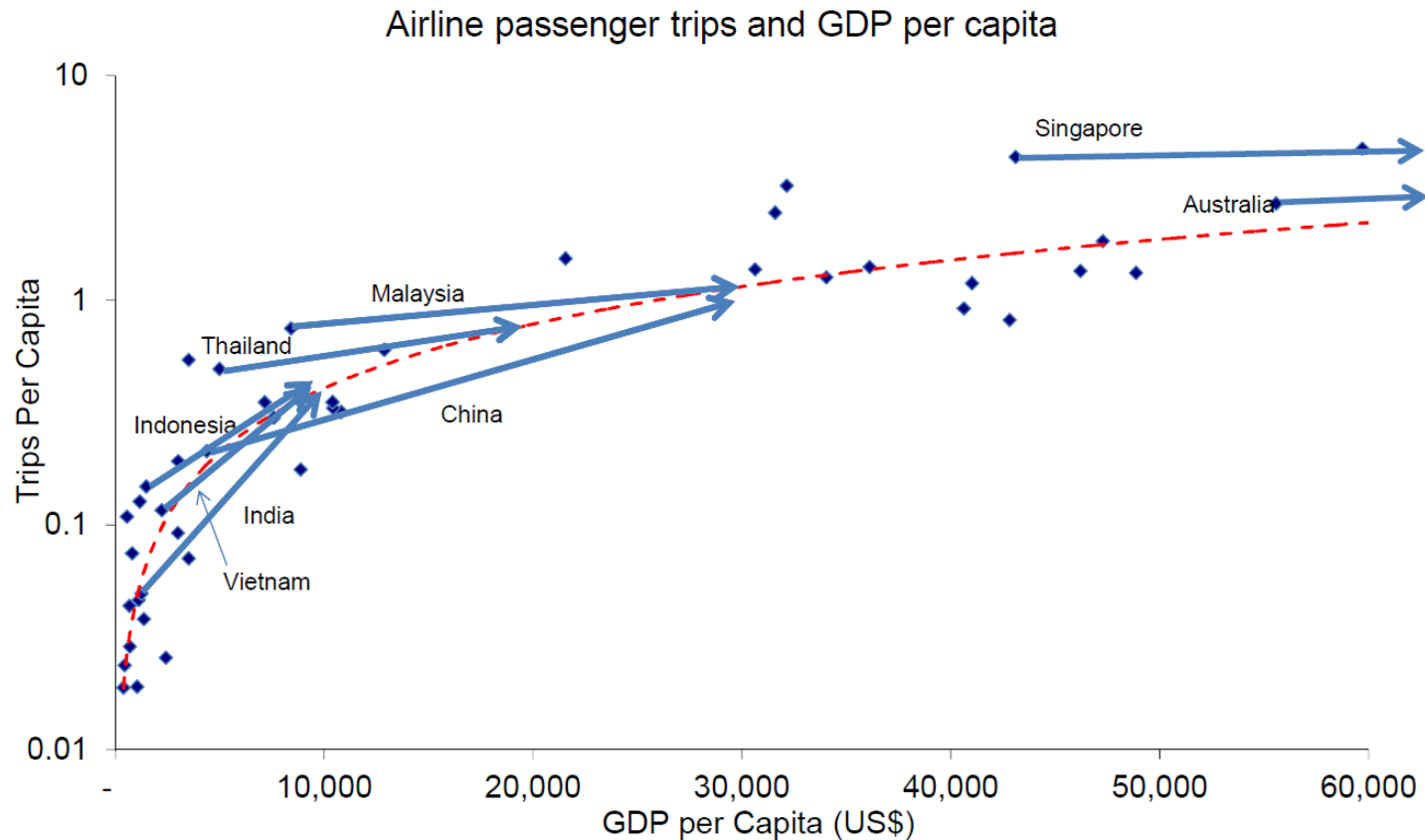


Source: IATA/Tourism Economics Air Passenger Forecasts, September 2016

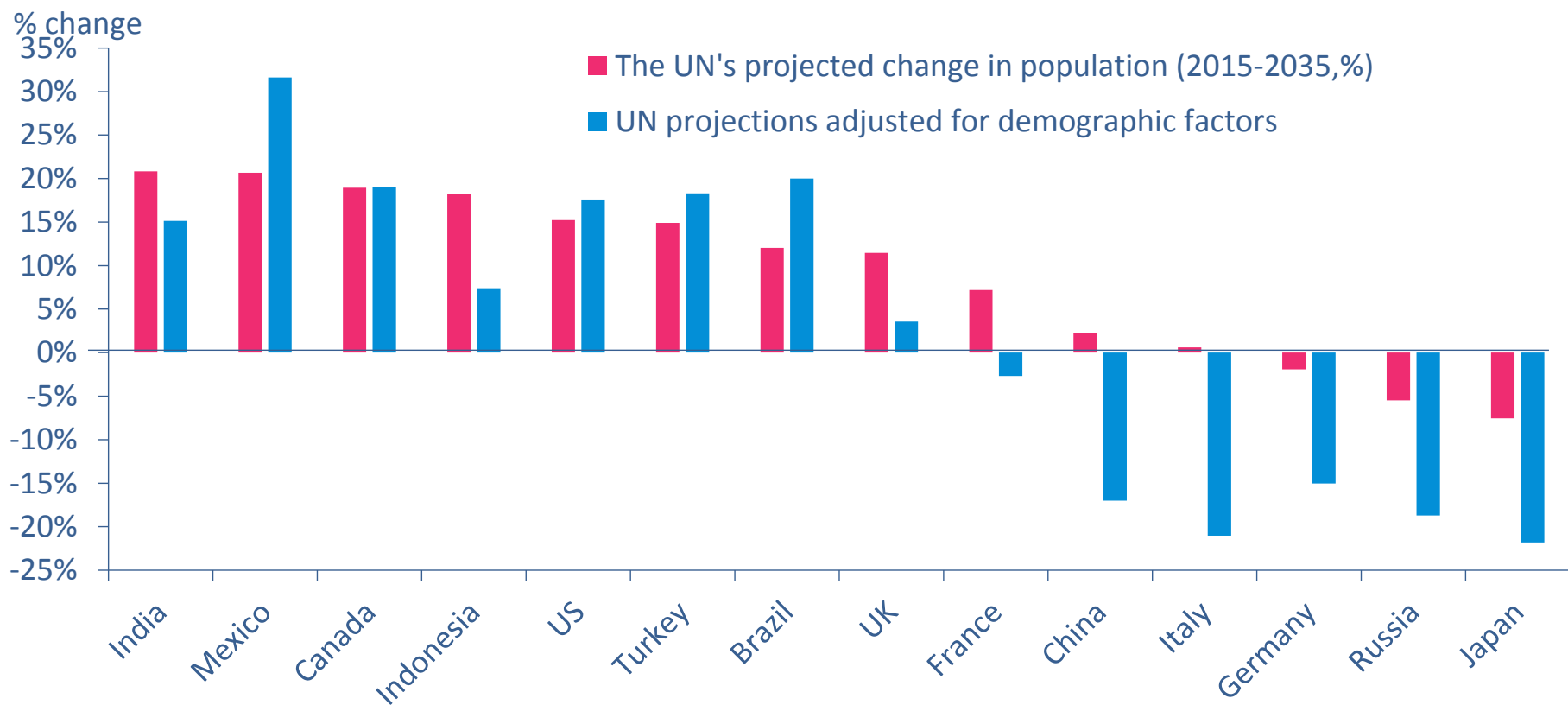
As living standards rise trip frequency multiplies



Expect large rises in trip frequency in some key markets

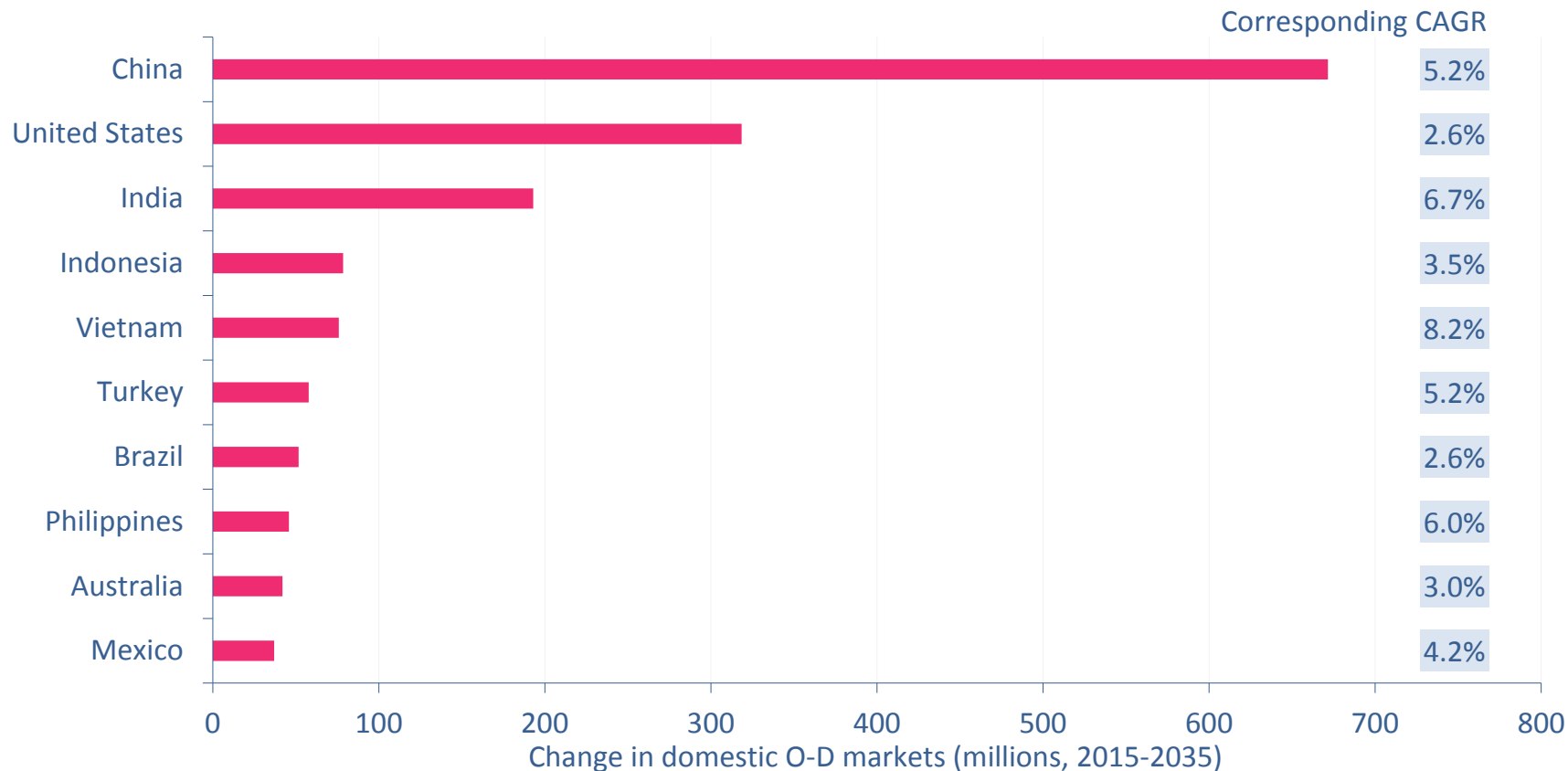


Of course demographics will also make a big difference



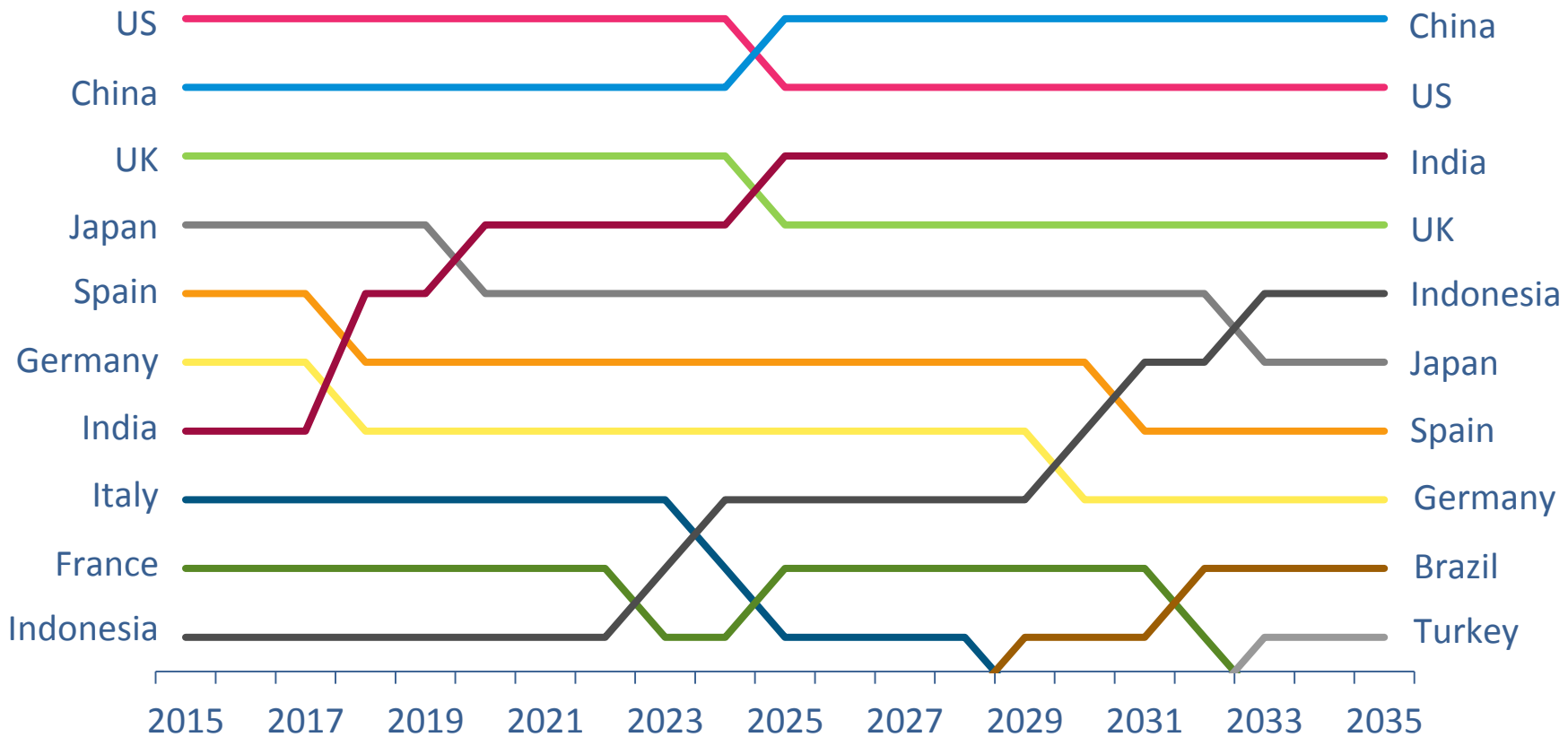
Source: IATA/Tourism Economics Air Passenger Forecasts, September 2016

Biggest incremental growth on domestic markets



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

Significant change in top-10 in air travel in next 20 years



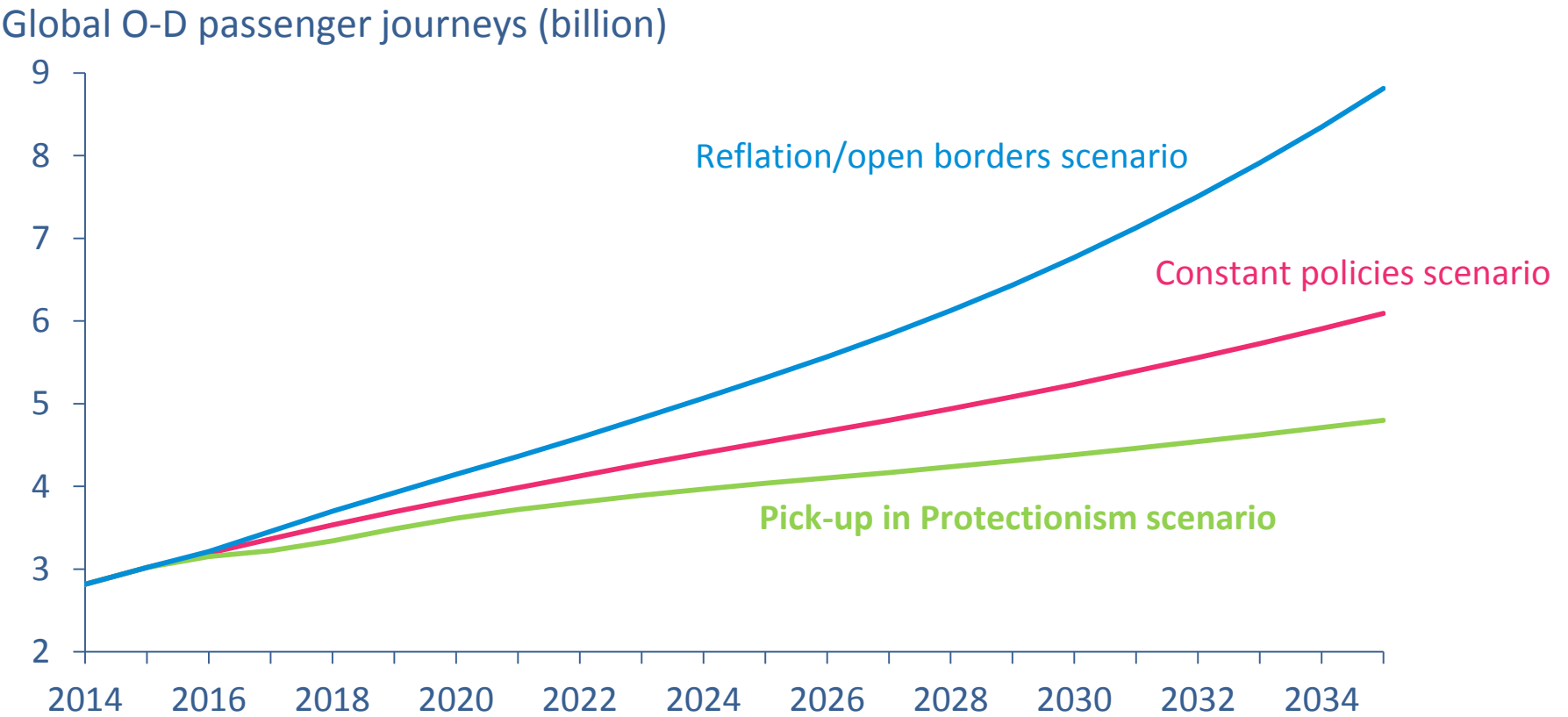
Source: IATA/Tourism Economics Air Passenger Forecasts, September 2016

Centre of gravity of air travel shifting fast towards China



Source: IATA Economics using data from PaxIS+

But world could follow quite different paths



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

What could go wrong – protectionism?



Donald Trump Vows to Rip Up Trade Deals and Confront China

The New York Times
28 June 2016

Across Europe, distrust of mainstream political parties is on the rise

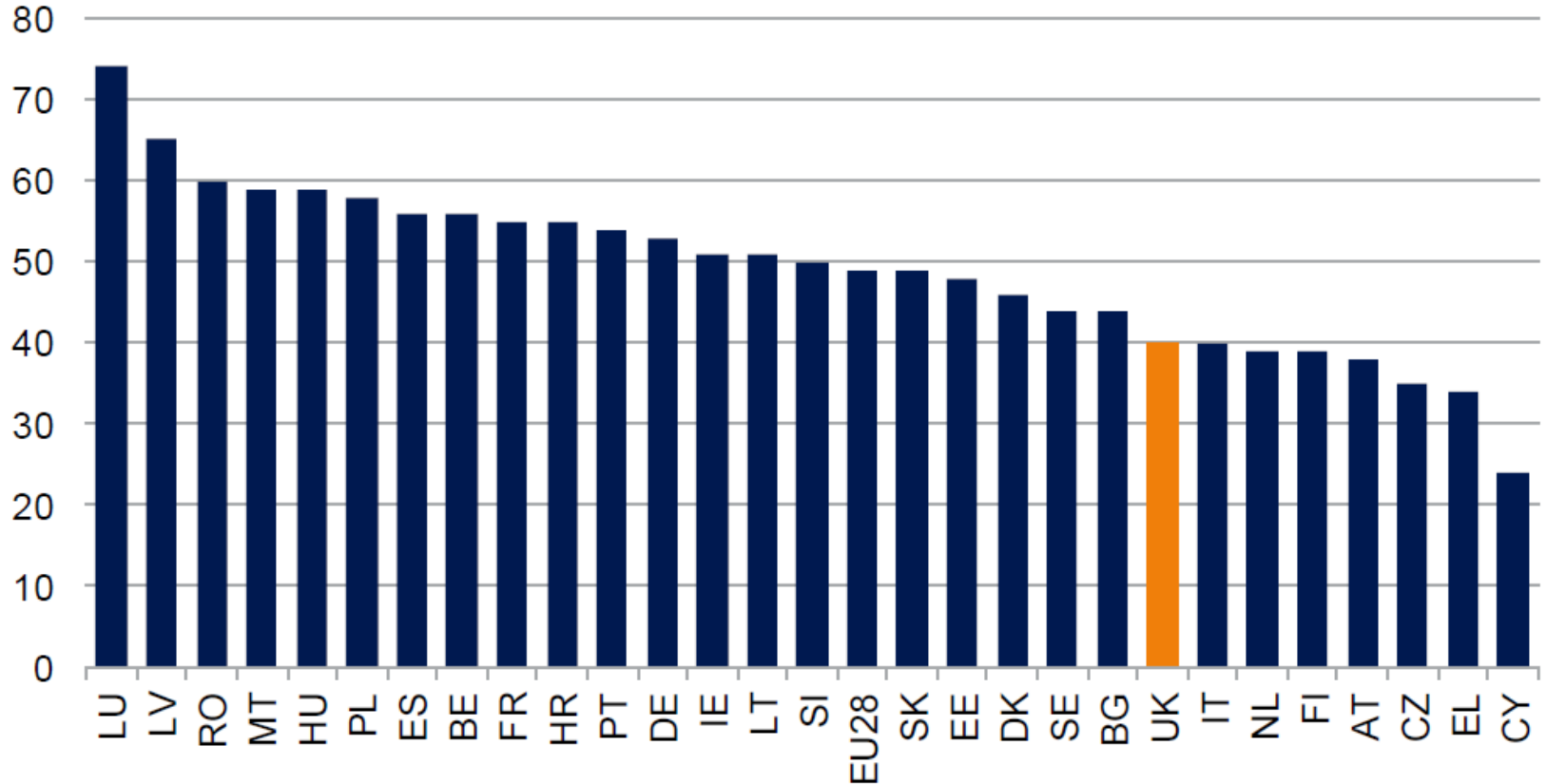
Guardian
25 May 2016

**Clamour for trade protectionism on rise:
Arun Jaitley**

CNBC
13 October 2016

What could go wrong – Brexit and EU instability?

How attached do you feel towards the European Union?



What could go wrong – US economic policies?

Negatives

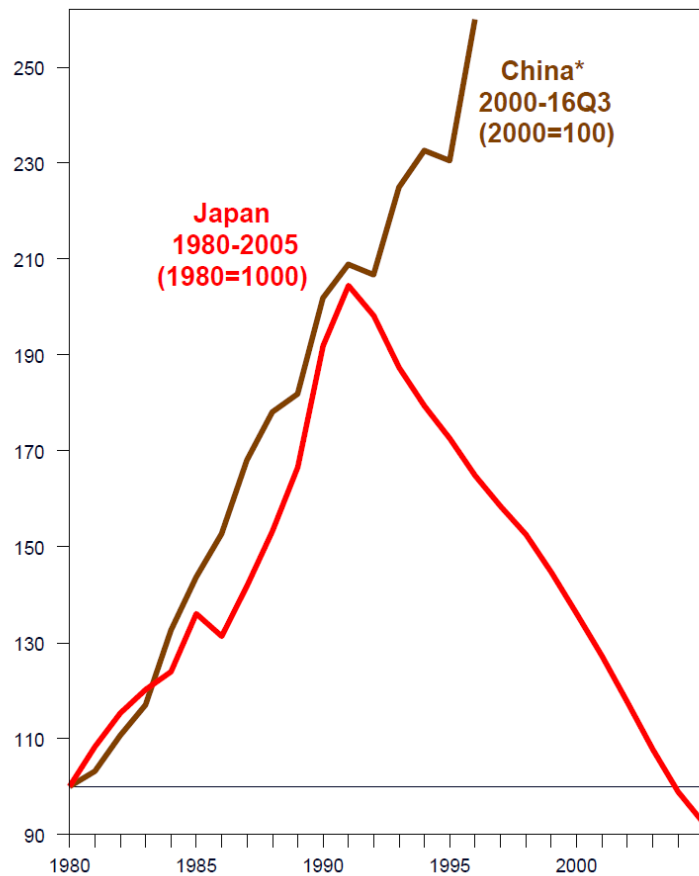
- Policy uncertainty
- Trade protectionism – possibly trade wars
- Fiscal orthodoxy on behalf of Congress

Positives

- Tax cuts
- Increased spending on infrastructure & defense
- Less regulation



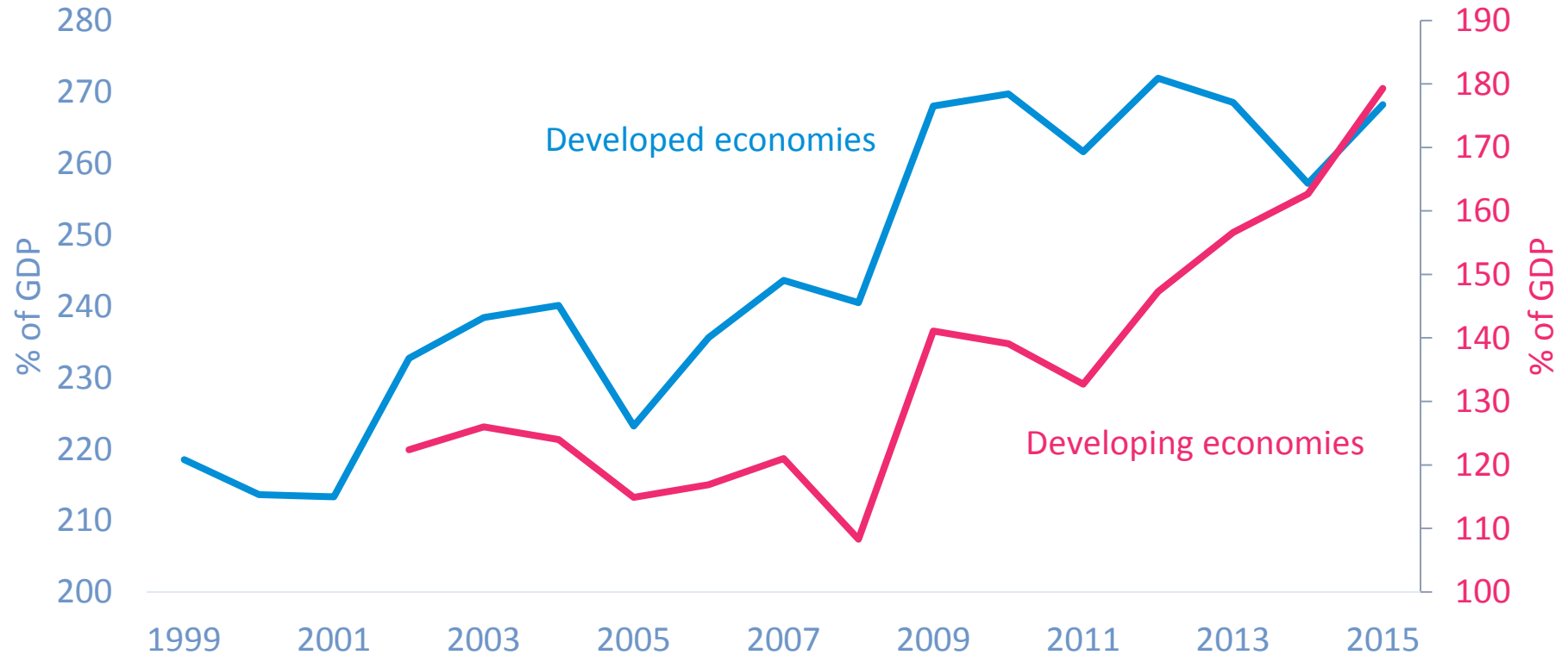
What could go wrong – Chinese property prices



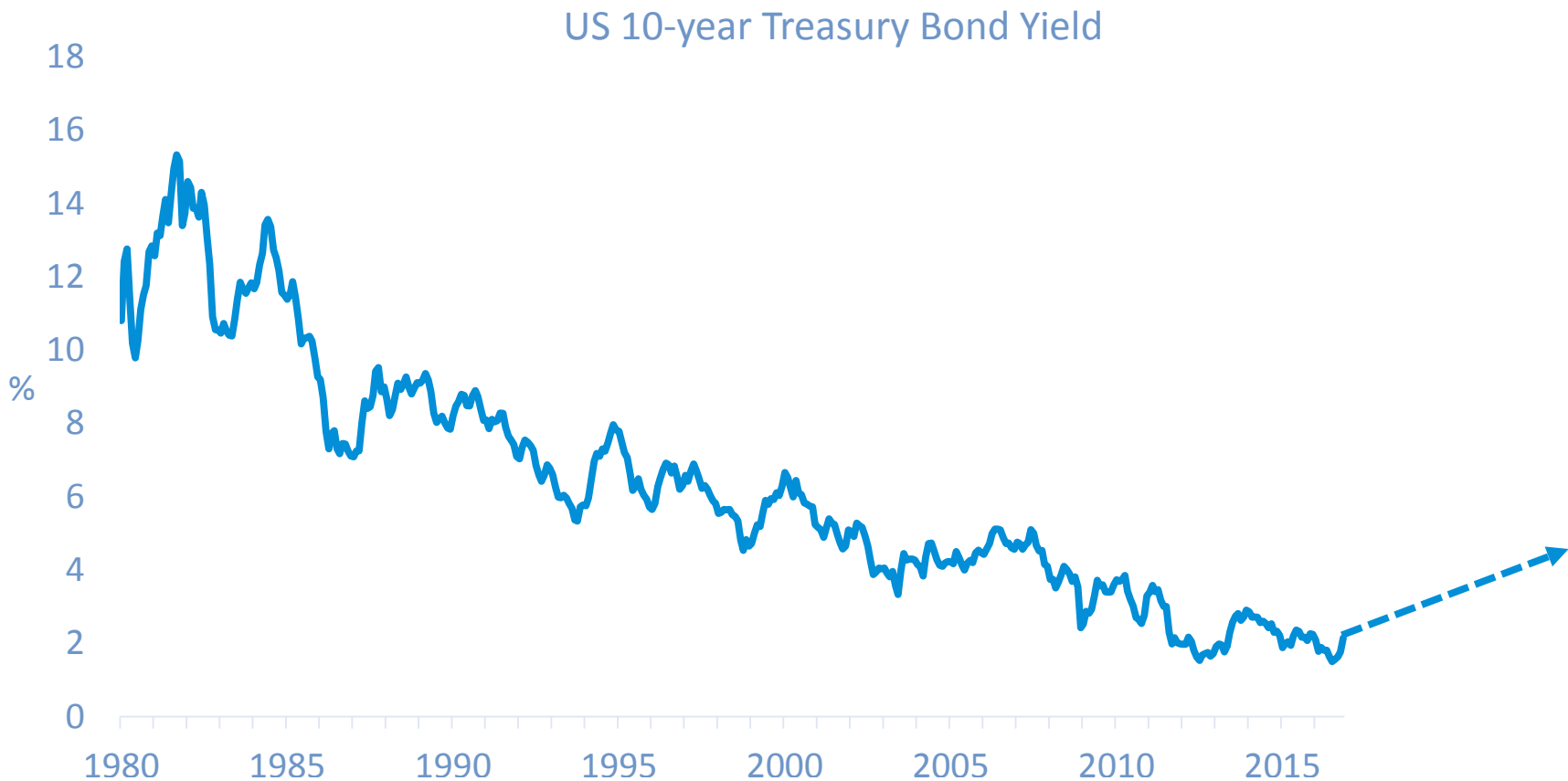
* Large cities. Note: The 2000-05 data for China are VERY tentative.

What could go wrong – debt crisis?

Outstanding debt of non-financial sector, % of GDP



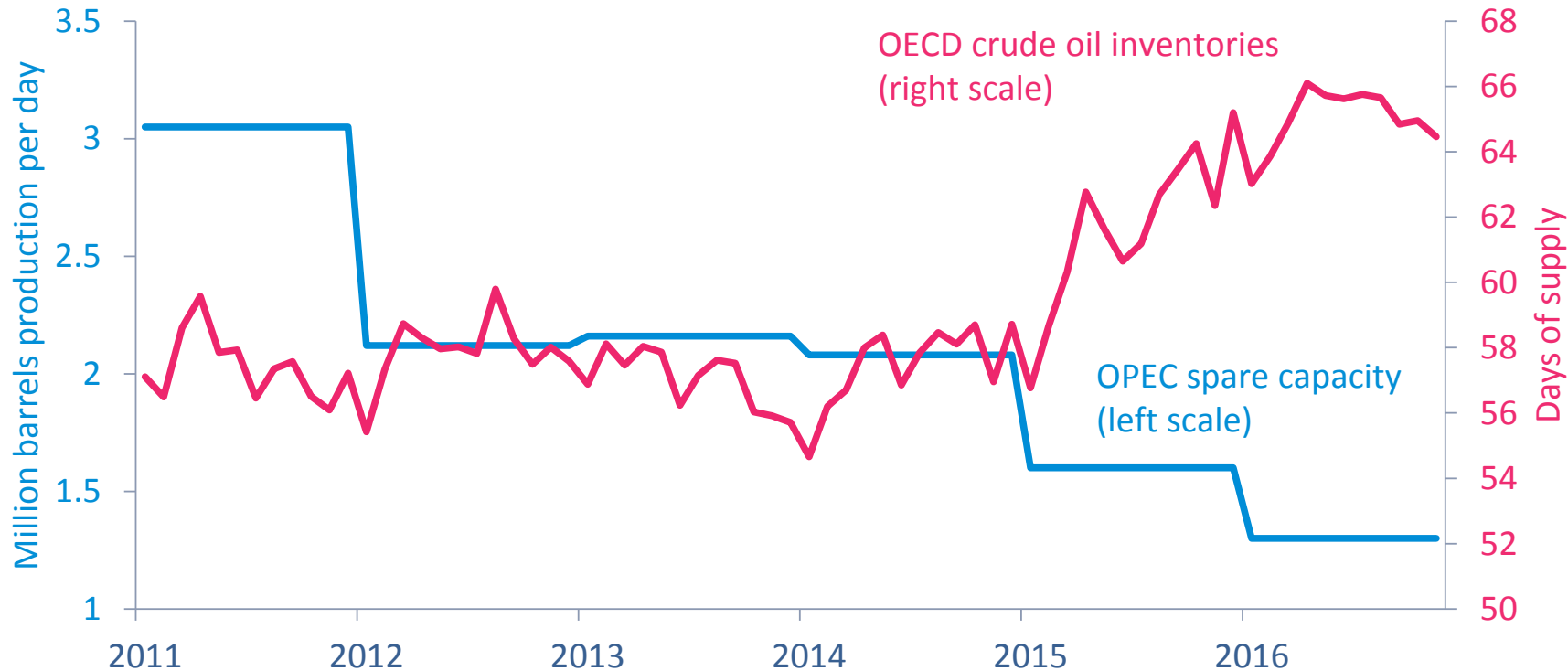
What could go wrong – rising interest rates?



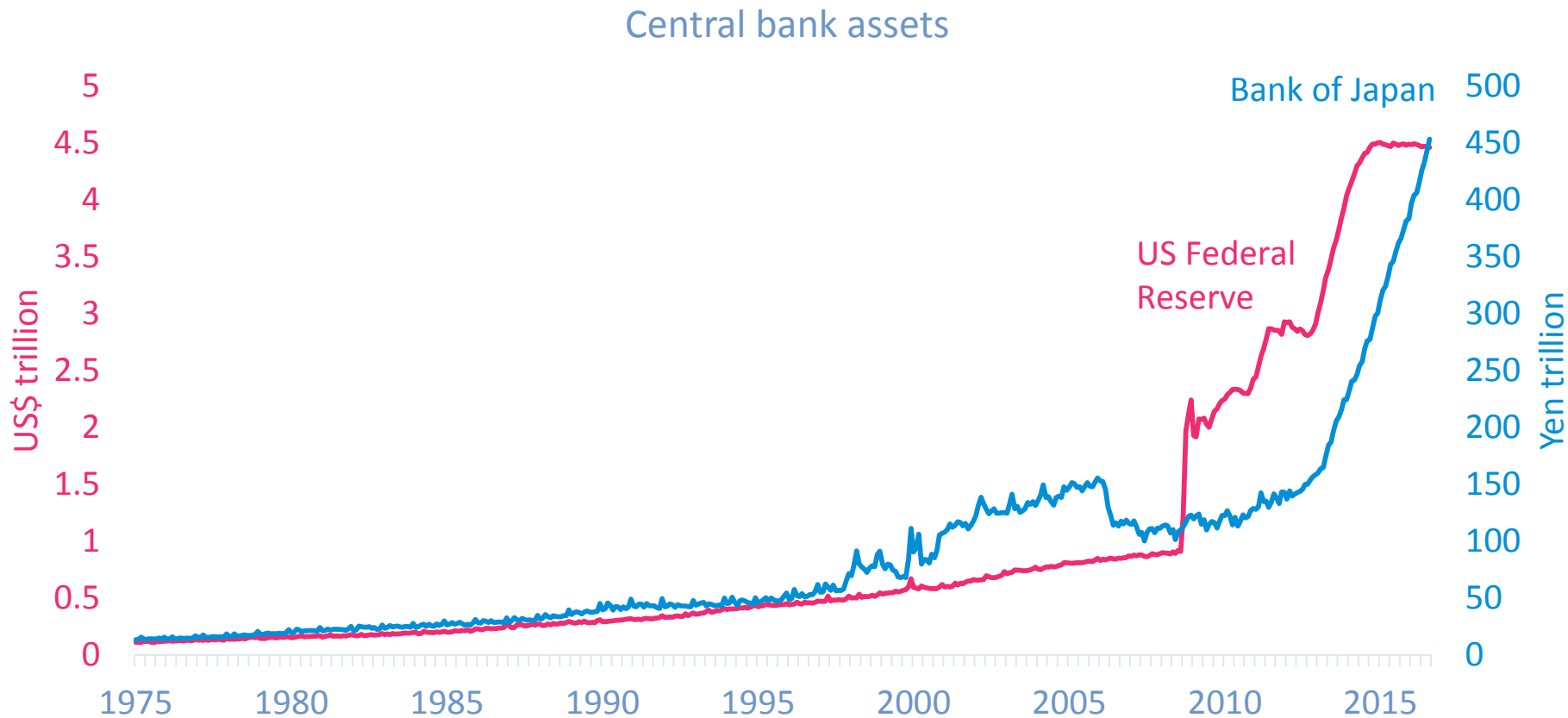
Source: IATA using data from Haver

What could go wrong – oil prices?

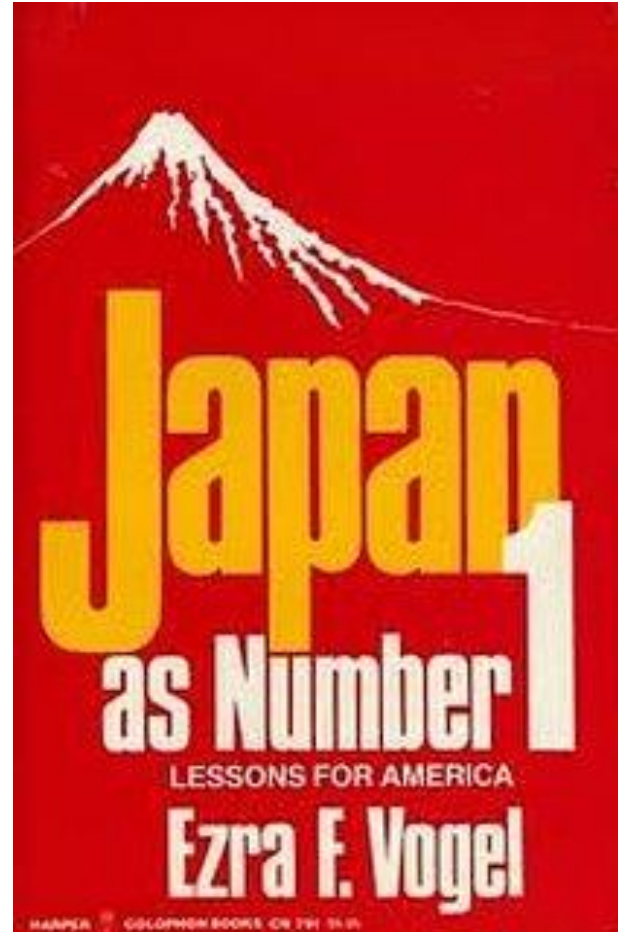
OPEC spare capacity and OECD crude oil inventories



What could go wrong – inflation?



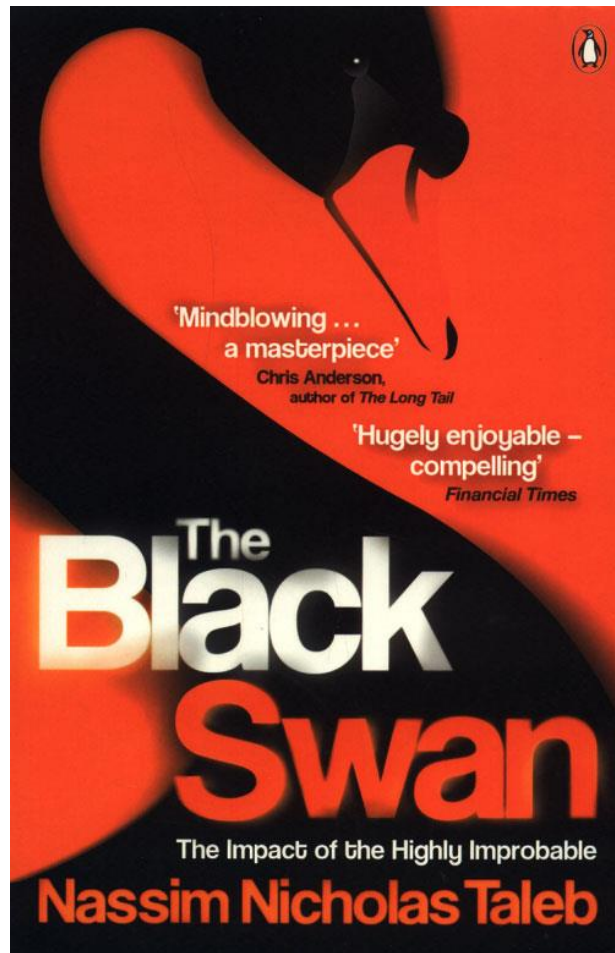
What we were
forecasting 20-30
years ago!



Radical uncertainty

The importance of things we do not know we do not know

- LCCs in Europe 20 years ago?
 - 9/11 15 years ago?
- Dubai No 1 10 years ago?
 - Brexit 5 years ago?
- Commercial drones?
 - Virtual reality?
- Data aggregators?



What to do in the face of radical uncertainty?

- Create options
- Create flexibility

LOOKING FOR INSIGHTS INTO AIR TRANSPORT MARKETS AND ISSUES?

Download the new
IATA Economics Research App

 Available for  iOS and  Android

NEW IATA ECONOMICS RESEARCH APP

Keep up to date with IATA Economics' latest analysis on key aviation issues and market trends.

Receive personalised notifications when new research is available, share content through social media and email, and read your favourite content off-line, perfect for people on the go!



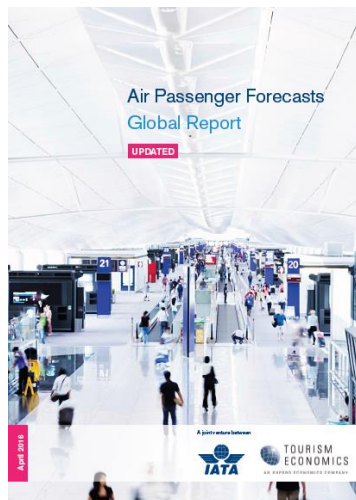
Access industry-leading economic analysis on key aviation issues and market trends through:

- ✈ Reports
- ✈ Charts
- ✈ Presentations
- ✈ Videos and more.

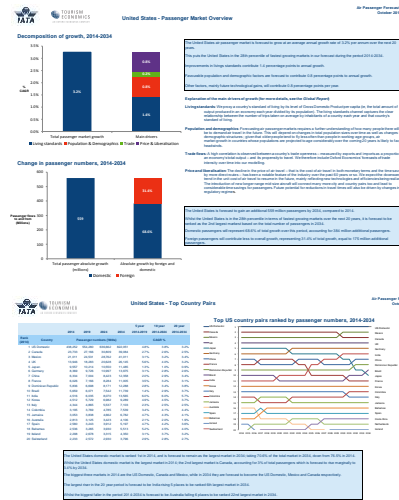
To find out more visit:
www.iata.org/econapp



Global Report



Country Reports



Online database/webtool

