The already weak economic cycle is slowing

Global economic cycle indicators

Source: Netherlands CPB, Markit
Now both developed and emerging economies weaker

Source: IATA Economics using Markit data
Globalization is still paused

World trade/IP ratio vs. measure of global supply chains

Index (Oct 2008=100)

Sources: IATA, Netherlands CPB, OECD-WTO TiVA database
International trade growth has slowed to a stop

Contributions to growth in international trade volumes

Emerging economies contribution
Advanced economies contribution

Source: IATA using Netherlands CPB data
So cargo is weak…but air travel is still booming

Air travel and cargo volumes

Source: ICAO, IATA
World is stuck in a low economic growth path

IMF forecasts of global economic growth

Source: IMF World Economic Outlook
Yet air travel growth has remained strong

Source: IATA Economic Performance of the Airline Industry

www.iata.org/economics
Cargo revenues significantly lag passenger business

Revenues from passengers and cargo

Source: ICAO, IATA
Cash flows rising despite falling RASK

Worldwide average air fare and oil prices

Source: IATA, PaxIS+, Haver
Widening asset utilization gap driving returns

Breakeven and achieved weight load factor

% ATKS

Achieved LF

Breakeven LF

Source: ICAO, IATA

www.iata.org/economics
More productive assets as well as margin gains

Capital productivity and operating margins

Source: McKinsey, ICAO, IATA
Return on airline capital now rising in most regions

Source: IATA calculations from The Airline Analyst
Better performance is spread more widely now

ROIC in 2015 by region and airline

Source: IATA calculations from The Airline Analyst
Balance sheets improved except in L America

Adjusted net debt/EBITDAR by region

Source: IATA calculations from The Airline Analyst
We forecast a 2nd year of above WACC returns.
Just two years of adding value for investors so far

Difference between investing in airlines and investing in similar assets elsewhere

Source: McKinsey, IATA
Net post-tax profits of $39.4 billion forecast this year
Driven largely by N America, but also Europe & Asia

Net post-tax profit by region

Source: ICAO, IATA
Per passenger profit shows wide regional variation

Net post-tax profit per departing passenger

2015  2016

US$ per passenger

N America  Middle East  Europe  Asia Pacific  L America  Africa
Net profit margins show a rather narrower variation

Net post-tax profit margins

N America  Europe  Asia Pacific  Midle East  L America  Africa

2015 2016