Are the markets signalling recession ahead?

Source: Datastream, Markit
Trade wars damaging but not expansion stoppers

Source: IMF, Citi ‘US-China Tariffs-Limbo on the Verge of Trade Wars’ 3 December 2018
Brexit chaotic but slows rather than stops long-term

Source: Oxford Economics, NIESR Brexit Impacts Report 26th November 2018
Forecasters still expect economic growth in 2019

Source: Markit, IMF World Economic Outlook October 2018
Air travel has certainly got a lot of momentum

RPK growth, Jan-Oct 2018

- % contribution to global growth
- % change year-on-year

Mid East int'l.
Brazil dom.
NA int'l.
US dom.
Europe int'l.
Africa int'l.
Latam int'l.
A-P int'l.
Russia dom.
China dom.
India dom.

Source: IATA Statistics
Expect slower travel growth, but still above trend

Source: IATA Statistics, IATAs own forecasts
Jet fuel price lower as market over-supplied

Source: Datastream, Platts
Relieving the downward pressure on margins

Airline industry operating margin

Source: IATA Economics using data from The Airline Analyst
Breakeven stabilizing and asset utilization rising

Breakeven and achieved load factor

Source: ICAO, IATA Statistics, IATA forecasts
Airlines’ return on capital should stabilize in 2019

Return on capital invested in airlines and their cost of capital

Stable margins and 10\textsuperscript{th} consecutive year of profit

Global commercial airline profitability

Source: ICAO, IATA Statistics, IATA forecasts
Increasing value for consumers and businesses

Unique city-pairs and real transport costs

- Unique city-pairs
- Inflation-adjusted airline yield

Source: SRS Analyser, ICAO, IATA Statistics, IATA forecasts
More revenues for governments and more jobs

Tax revenues and global supply chain jobs supported

Source: ATAG Benefits Beyond Borders 2018, Oxford Economics, IATA forecasts
However, rising non-fuel costs are a challenge.
It will take a recession to stop cost pressures rising

Spare capacity in the OECD economies and labour markets

Source: OECD Economic Outlook October 2018
Interest rates will be pushed higher

10 year government bond yields, %

Source: Datastream
Problems from a strong US$ likely to continue

Source: Datastream
Debt remains an issue for airlines in some regions

Source: The Airline Analyst
Performance will continue to diverge by region

Net profit margin by region

% of revenues


Source: ICAO, IATA Statistics, The Airline Analyst, IATA forecasts
Thank you

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