Global economic cycle has slowed

Source: Markit, Netherlands CPB
But moderately better growth is expected

IMF forecasts for economic growth

Emerging economies

Developed economies

Forecast

Source: IMF World Economic Outlook
Oil prices now expected to be lower for longer

Source: Datastream
Net impact - air travel demand is strong

Source: IATA Monthly Statistics
Cargo is weak

Air cargo volumes (FTKs per month)

Source: IATA Monthly Statistics

Jan-Aug 15

FTKs billions per month

Middle East
2.3x

Africa
1.6x

L America
1x

Asia Pacific
1x

N America
0.9

Europe
1x

Jan 08-Aug 15

Source: IATA Monthly Statistics
New routes expanding faster than frequencies

Source: SRS Analyser, IATA Economics calculations
Airline capital is more productive and margins are higher

Source: IATA Economics
Profits boosted by wider gap above break-even load factors

Source: IATA Economics
Airlines paying investors a ‘normal’ return for 1st time

Source: McKinsey & Company, IATA Economics
But good performance is not widespread

ROIC as a % invested capital

2014 return on capital by region

Average cost of capital

Source: The Airlines Analyst, IATA Economics
Next 20 years Asia-Pacific is the leading growth region

Increase in annual passenger numbers by 2034, million

- Africa: 4.4% pa
- Middle East: 4.6% pa
- L America: 4% pa
- Europe: 2.4% pa
- N America: 3.2% pa
- Asia Pacific: 4.8% pa

Demographics shifts are a key driver

UN population growth forecasts

Adjusted for changes in age structure

Important thresholds reached for living standards

GDP per capita forecasts

United States

Eurozone

Brazil

China

Nigeria

Middle-higher income threshold

Multiplier boost to the propensity to fly

Large potential also from further market liberalization


Distribution of countries by level of air market liberalization

Median WALI scores
2005: 9.9
2011: 10.2

Weighted Air Liberalization Index (0 = completely regulated, 50 = completely liberalized)
Most obviously on short-haul markets

Demand for fuel will rise strongly under most scenarios

Commercial airline demand for fuel

- Markets opened, more globalization: +2.3x
- Current policies: +1.8x
- Closing borders, less globalization: +1.4x

There are some cost effective fuel saving measures:

- Use of ground power
- LTO Procedures
- Fuel Management
- No tankering
- Re-engining
- Reduced speed ops current fleet
- Engine retrofit/upgrades
- Early retirement
- Cabin weight reductions
- Wingtips
- Drag reduction
- Reduced speed ops current fleet

2030 CO₂ abatement cost curve global aviation:

- 2030 jet fuel price:
  - 120 $/barrel

Graph showing cost curves for various measures, including infrastructure measures, fuel management, and aviation redesigns.

Source: IATA Aviation Carbon model based on McKinsey study.
Strong rise in demand even after cost-effective measures

Commercial aviation fuel use, billion gallons

Fleet renewal + rise in load factors
Operational measures
Infrastructure and retrofit technology measures

'Current policies'

Source: IATA Aviation Carbon Model