Getting in shape for more difficult conditions

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www.iata.org/economics
Current air traffic cycle is in its 10th year

Worldwide RPKs and peak-to-peak cycle

- 10 years so far
- 8 years
- 10 years
- 9-11 years
- 11 years
- 9 years
- Oil crisis
- Gulf war
- dotcom bubble/ 9-11
- GFC

Source: IATA Economics using data from ICAO, IATA Statistics and our own forecast
Extended by more synchronized global economic growth: 2016

Positive annual GDP growth

Negative annual GDP growth

Source: IATA Economics using data from Oxford Economics
Extended by more synchronized global economic growth: 2017

Source: IATA Economics using data from Oxford Economics

Positive annual GDP growth

Negative annual GDP growth
Extended by more synchronized global economic growth: 2018

Positive annual GDP growth

Negative annual GDP growth

Source: IATA Economics using data from Oxford Economics
Plus new routes and lower real fares stimulating travel and trade

Source: IATA Economics using data from ICAO, IATA Statistics, SRS Analyzer and our own forecast

Number of unique city-pairs

Cost of air transport, adjusted for CPI inflation

US$/RTK in 2014US$

Unique city pairs

(left scale)

(right scale)

Source: IATA Economics using data from ICAO, IATA Statistics, SRS Analyzer and our own forecast
Tariff war latest in a decade of creeping protectionism

Share of exports + imports in global GDP

Source: IATA Economics using data from ICAO, IATA Statistics, SRS Analyzer and our own forecast
But we are now facing severe late-cycle cost pressures.

Industry wide growth in unit revenues and unit costs

Year-on-year % change

Source: IATA Economics using data from The Airline Analyst
As spare capacity disappears

OECD unemployment and capacity shortage in the economy

Source: IATA Economics using data from Datastream
Central banks’ shift to monetary tightening brings its own risks

Central bank holdings of financial assets, US$ billion

- US Federal Reserve Bank
- European Central Bank

+$4.4 trillion or 65% of DJIA market cap

Source: IATA Economics using data from Datastream
Airline balance sheets have not yet improved in all regions.

[Graph showing Adjusted net debt/EBITDAR for different regions from 2010 to 2017.]
And profitability remains uneven across regions

Operating margin by airline region of registration

Source: IATA Economics using data from ICAO, The Airline Analyst, IATA forecasts
But at the industry level there are signs of structural improvement

Global GDP growth and average airline operating margin

Source: IATA Economics using data from ICAO, IATA Statistics, IMF and our own forecasts
Load factor (passenger + cargo) versus breakeven

Passenger + cargo load factor

Breakeven load factor

Source: IATA Economics using data from ICAO, IATA Statistics and our own forecasts
Further strong growth in travel, airline margins squeezed but still high

Global RPK growth and airlines' operating margin

% change over previous year, % revenues

Source: IATA Economics using data from ICAO, IATA Statistics and our own forecasts