Despite challenges are industry margins stabilizing?

Airline industry operating margin

Seasonally adjusted

Actual

% of operating revenues

% of operating revenues

Source: IATA Economics using data from The Airline Analyst
They are in North America, less so elsewhere

Source: IATA Economics using data from The Airline Analyst
2018 problem had been with costs and their recovery.

Source: IATA Economics using data from The Airline Analyst.
Fuel costs now falling but is that good or bad?

Jet fuel price and base fare yields for economy and premium seats

Indexed to equal 100 in 2012

Source: IATA Economics using data from IATA DDS and Platts
Airlines appear to be matching supply to demand

Growth in global RPKs and ASKs

Source: IATA Economics using data from IATA Statistics
Ancillaries increasingly helping to recover costs

Airline revenue per passenger, US$

Source: IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019,
Limiting narrowing of the gap above breakeven

Breakeven and achieved cargo + passenger weight load factors

Load factor achieved

Breakeven load factor

Source: IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019
But much less success in the cargo business

Global passenger and cargo load factors

Source: IATA Economics using data from IATA Statistics
Cargo under much greater pressure than travel

Global RPKs and FTKs, billions per month

Source: IATA Economics using data from IATA Statistics
Trade war damage

World GDP and international trade growth

World GDP growth
International trade growth
US-China tariffs imposed

Source: IATA Economics using data from Netherlands CPB and Oxford Economics
Downside risk

Global GDP growth and RPK growth

Source: IATA Economics using June forecast and global trade war scenario from Citi and Oxford Economics
There clearly is a serious risk of recession.

Source: IATA Economics using data from IATA Statistics, Markit and Thompson Reuters Datastream.
Recession would be a shock to the consensus

IMF forecasts of global economic growth (market exchange rates not PPP)

Dates show the revision of global GDP forecasts by the IMF

Source: IATA Economics using data from the IMF World Economic Outlook
Has the link between profits & the cycle been broken?

Airline industry operating profit margin and global GDP growth

Source: IATA Economics using data from ICAO, IATA and the IMF World Economic Outlook
Can other regions replicate N American success?

Net post-tax profit margins

% change year-on-year


Source: IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019
Thank you
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