Where are we in the cycle – and what scenarios face us for the future?

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Extended delivery cycle reflecting airline performance

Aircraft deliveries compared to airline industry EBIT margin

Source: IATA using data from Ascend, ICAO and IATA Statistics plus own forecasts
Also extended cycle in global air travel growth

Growth in worldwide RPKs

Source: IATA using data from IATA Statistics
But a very mixed picture across travel markets today

Source: IATA using data from IATA Statistics
Biggest growth in Asian markets but also Europe

Source: IATA using data from IATA Statistics
Air travel growth has surprised on the upside

IATA forecasts of global RPK growth

% change over previous year

Source: IATA Economic Performance of the Airline Industry issues from 2012-2015
Despite world stuck in a low economic growth path

IMF forecasts of global economic growth (using market exchange rates)

Source: IATA using forecasts from IMF World Economic Outlook issues 2013-2016
Price stimulation from LCC entry in significant markets

LCC share of seats flown (% of total)

Sources: IATA using SRS Analyser data
Significant price stimulation from fuel cost pass-through

Average return fare and Brent crude oil prices

Source: IATA using PaxIS+ and Haver data
Demand also stimulated by more direct connections

Unique city-pairs and real transport costs

Source: IATA using data from SRS Analyser, ICAO and Haver
But lackluster economic cycle now seems to be slowing

Global economic cycle indicators

- International trade growth
- Industrial production growth
- Business confidence

% change over previous year

Source: IATA using Netherlands CPB and Markit data
Both developed and emerging economies now weaker

Business confidence

PMI, 50 = no change

Developed economies
Emerging economies

Source: IATA Economics using Markit data
World awash with savings and short of investment

US 10 year Treasury yield and 10 year TIPS real yield

Source: IATA using data from Haver
Central banks continue to print money

Central bank assets

Source: IATA using data from Haver
Asset price valuations back to pre-GFC levels or more

US Treasury yields, house prices and equity values

US house prices
Cyclically-adjusted equity PE ratio
US 10-year Treasury yield

Source: IATA using data from Haver
Debt continues to grow, despite Global Financial Crisis

Outstanding debt of non-financial sector, % of GDP

Developed economies

Developing economies

Source: IATA using data from BIS
Only the consumer is keeping US GDP growth positive

US consumer spending and non-consumption GDP growth

Source: IATA using data from Haver
Can payrolls keep growing while corporate profits shrink?

US fixed investment growth and change in non-farm payrolls

% change over previous year

Average monthly change, 000s

Source: IATA using data from Haver
World economy (and aviation markets) at a cross-roads

- Central banks creating asset bubbles not economic growth
- Dangerous levels of indebtedness
- Brexit, support for populism, symptoms of rising inequality
- Two main scenarios:
  - Pessimistic: renewed debt deflation + protectionism; supply-side damage
  - Optimistic: incumbent governments respond to threats from populism and embrace reflationary policies
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