Economic Performance of the Airline Industry

January 2016

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Air transport gains despite sluggish economies

Global GDP growth, airline industry ROIC and air traffic growth

Source: ICAO, McKinsey, EIU, IATA
Strong demand to travel boosted by falling prices

Passenger departures and the real average return fare

Passenger departures

Average return fare compared to the CPI

Source: ICAO, PaxIS, IATA Statistics and Economics

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Wide variation driven mostly by economic variance

Economic and passenger growth in 2015 to date

% change over previous year

GDP  Pax

India  China  US  Eurozone  Brazil  Russia

Source: Datastream, IATA Statistics

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But also because of major exchange rate shifts

Jet fuel price index (Jan 2014 = 100)

US dollar: -63%
Indian rupee: -60%
Chinese yuan: -61%
Euro: -54%
Brazil: -40%
Russian ruble: -23%

% changes in jet fuel prices since Jan 2014

Source: Datastream
Stock markets not a good guide to air travel

Index (January 2005 = 100)

Shanghai composite share

Domestic China air passenger trips (seasonally adjusted)

Int’l air passenger trips to/from China (seasonally adjusted)

Bird flu outbreak

Source: Datastream, PaxIS Plus
Cargo hit by weak trade growth and weak yields

International trade growth and real freight rates

% change over previous year


International trade growth
Average freight rate compared to the CPI

Source: Netherlands CPB, EIU, CargoIS

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Globalization has paused

International trade compared to global industrial production

Index ratio, 2005 equals 1

Source: Netherlands CPB

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Producing very different business outcomes

Airlines revenues from passengers and cargo

Revenue from tickets and ancillaries

Revenue from cargo

Source: ICAO, IATA Economics

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Record profits for the airline industry

Global commercial airline profitability

Net post-tax EBIT margin

% revenues

US$ billion

Source: ICAO, IATA Economics

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Paying investors a ‘normal’ return for 1st time

Return on capital invested in airlines

Cost of capital (WACC)

Return on capital (ROIC)

Source: ICAO, IATA Economics
Not simply due to low oil prices

Fuel unit costs and airline return on capital

Source: ICAO, McKinsey, IATA Economics

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Asset utilization raised and sustained

Breakeven and achieved weight load factor

% ATKs

Breakeven LF

Achieved LF

Source: ICAO, IATA Economics

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Capital has also become more productive

Source: ICAO, IATA Economics
But improvement is still not widespread

Net post-tax profit by region

Source: ICAO, The Airline Analyst, IATA Economics

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Only two regions have seen significant gains

Operating profit margins by region, 2016 vs 2010

% revenues

N America  | Europe    | Asia Pacific | Middle East | Latin America | Africa

Source: ICAO, The Airline Analyst, IATA Economics

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