Outlook for the airline industry

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Still adding value for consumers and the economy

Unique city-pairs and real transport costs

Source: IATA Economics using data from SRS Analyzer, ICAO, IATA statistics, IATA Economics forecast
But profitability trending downwards

Source: IATA Economics using data from The Airline Analyst
Financial markets have lost confidence

Worldwide airlines and FTSE All World share price indices

Indexed to equal 1 in January 2016

FTSE All World share prices

Worldwide airlines share prices

Source: Thompson Reuters Datastream
Worried that this is just transitory

Airline industry operating profit margin and global GDP growth

Source: IATA Economics using data from ICAO. IATA and the IMF World Economic Outlook
Some regions yet to see any improvement

Net post-tax profit margins

% change year-on-year

N America
Europe
Asia Pacific
L America
Africa
Middle East

Source: IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019
Debt means vulnerability to shocks for some

Net debt as a ratio of EBITDA

- Middle East
- Asia Pacific
- Latin America
- N America
- Europe

Investment grade

Source: IATA Economics using data from The Airline Analyst
Trade war is one cash flow shock

Global GDP and world trade growth

- Start of US-China tariff increases
- World GDP growth
- World trade growth

Source: IATA Economics using data from Netherlands CPB and Oxford Economics
Cargo market shrinking

Global RPKs and FTKs, billions per month

Source: IATA Economics using data from IATA Statistics
Recession would be another shock

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
Risk is significant

Recessions in global RPKs, business confidence & the yield curve

- RPK recessions
- (10-2 year) US Treasury yield curve
- Business confidence (global PMI composite)

Source: IATA Economics using data from IATA Statistics, Markit and Thompson Reuters Datastream
Brexit no deal 50:50

UK GDP, £ trillion, constant prices

Source: IATA Economics using data from the National Institute for Economic and Social Research
Passenger business much stronger

Source: IATA Economics using data from IATA Statistics

Global passenger and cargo load factors

Passenger load factor

Cargo load factor

Source: IATA Economics using data from IATA Statistics
Quick to match supply to demand

Growth in global RPKs and ASKs

% change year-on-year

Source: IATA Economics using data from IATA Statistics
Cost recovery ability disappeared mid-2018

Unit cost and unit revenue growth

% change year-on-year

Unit cost growth

Unit revenue growth


Source: IATA Economics using data from The Airline Analyst
Ancillaries helping to recover costs

Airline revenue per passenger, US$

Source: IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019,
Some structural improvements to profitability

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
Profitability remains fragile

Worldwide airline net post-tax profit, US$ per departing passenger, 2019

- **Revenue**:
  - Fare: $188.98
  - Cargo: $182.86
  - Ancillaries + surcharge: $6.12

- **Cost**:
  - Fuel
  - Non-fuel operating costs

- **Net profit**: $6.12
Downward pressure on profits set to continue

Global commercial airline profitability

Net post-tax profit

EBIT margin

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