5th World Financial Symposium
17 – 20 September 2018
Madrid Marriott Auditorium Hotel & Conference Center
7th SIS General Meeting

18th September 2018
Madrid Marriott Auditorium Hotel & Conference Center
AVIATION IS AN ECONOMIC ENABLER

**Employment**
- **Aviation direct**: 9.9 million
- **Indirect**: 11.2 million
- **Induced**: 5.2 million
- **Total**: 36.3 million

**Economic Benefit (GDP)**
- **Tourism catalytic**: $892.4 billion
- **Aviation direct**: $664.5 billion
- **Indirect**: $761.4 billion
- **Induced**: $355 billion
- **Total**: $2.7 trillion

Source: ATAG
Robust pax volumes growth but some easing for freight

Source: IATA
...and load factor trends have begun to diverge.

Passenger load factor, seasonally adjusted:
- 2012: 77%
- 2013: 80%
- 2014: 79%
- 2015: 78%
- 2016: 81%
- 2017: 82%
- 2018: 83%

Freight load factor, seasonally adjusted:
- 2012: 41%
- 2013: 42%
- 2014: 43%
- 2015: 44%
- 2016: 45%
- 2017: 46%
- 2018: 47%

Source: IATA
Industry profitability still high and now stabilizing

Worldwide average airline operating margin

Data adjusted to remove seasonal influences

Unadjusted data

Source: The Airline Analyst, IATA
Rising costs are a key challenge

Industry wide growth in unit revenues and unit costs

Source: IATA Economics using data from Platts, ICE
...and it's not only due to oil prices

Unit cost changes between 2016 Q1 and 2017 Q4

Source: IATA Economics using data from Datastream, Markit, Oxford Economics

www.iata.org/economics
Divergent trends in premium & economy pax yields (base fare)

Indices (Jan 2011=100), seasonally adjusted, $US terms
Producing good returns for investors for a 4th year

Return on capital invested in airlines and their cost of capital

Cost of capital (WACC) vs. Return on capital (ROIC)

% of invested capital

Source: IATA
Industry profits under pressure in 2018, but still high

Source: ICAO, IATA
Driven largely by N.America (again) plus Europe & Asia

Source: ICAO, IATA
Per passenger (net) profit shows wide regional variation

Source: IATA
Key downside global risks?

- Brexit-related uncertainty weighs heavily on Europe
- Rise of populism in the EU (e.g., Italian populist coalition)
- Oil and commodity price rally accelerates
- Heightened foreign policy uncertainty triggers synchronised slowdown
- Tighter policies in China
- Market turmoil (e.g., amid G7 policy tightening, corporate sector distress)
- Geopolitical tensions (e.g., relating to Korea, Russia, Syria)
- Synchronised global growth falters in wake of US rate rises and tapering of QE in Eurozone
- Trade war hits global growth

Source: Oxford Economics

www.iata.org/economics
LOOKING FOR INSIGHTS INTO AIR TRANSPORT MARKETS AND ISSUES?

Download the new IATA Economics Research App

NEW IATA ECONOMICS RESEARCH APP

Keep up to date with IATA Economics' latest analysis on key aviation issues and market trends.

Receive personalised notifications when new research is available, share content through social media and email, and read your favourite content off-line, perfect for people on the go!

Access industry-leading economic analysis on key aviation issues and market trends through:

✈️ Reports
✈️ Charts
✈️ Presentations
✈️ Videos and more.

To find out more visit: www.iata.org/econapp