

Outlook for the airline industry

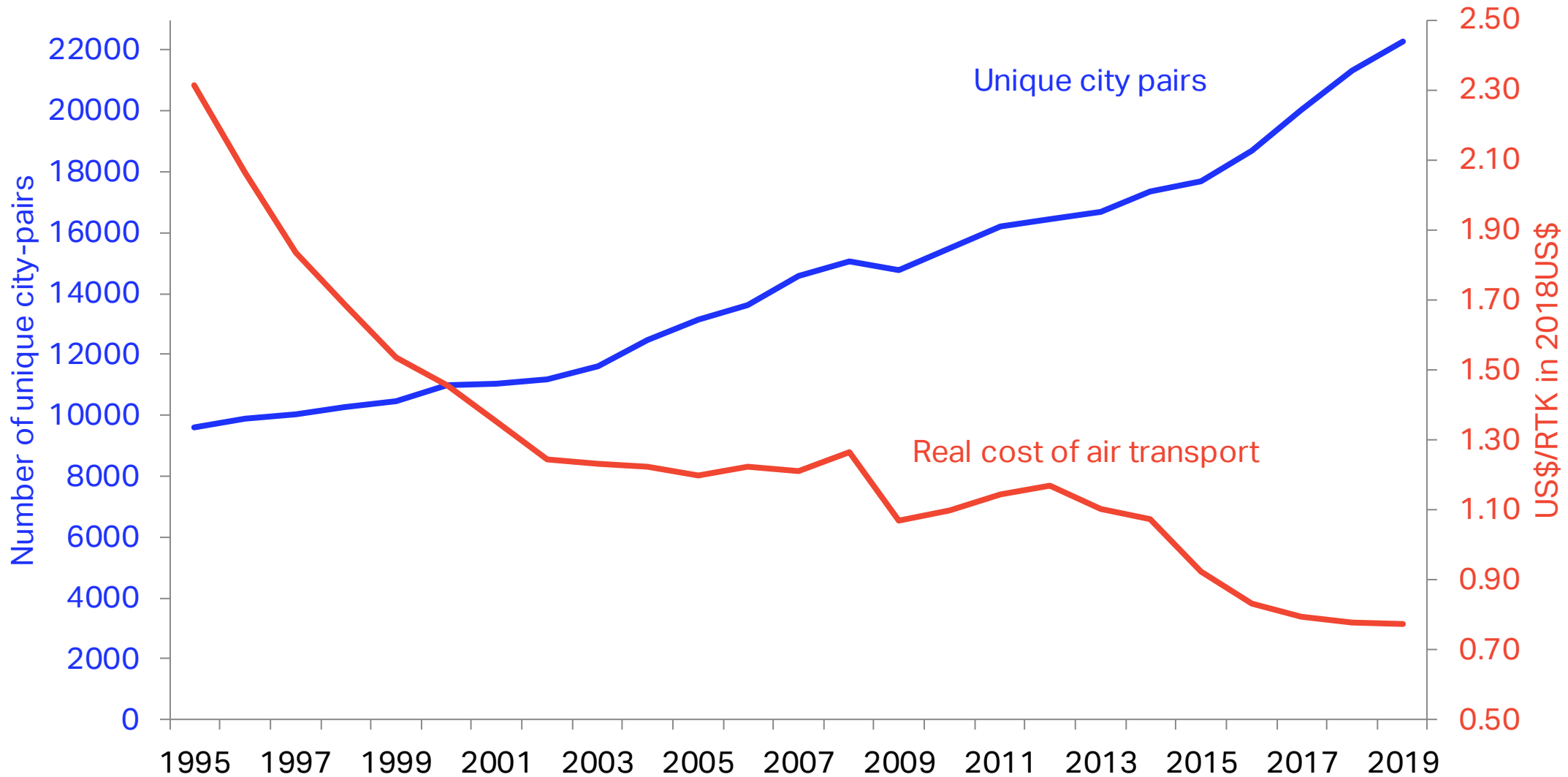
Brian Pearce
Chief Economist

25th September 2019



Still adding value for consumers and the economy

Unique city-pairs and real transport costs

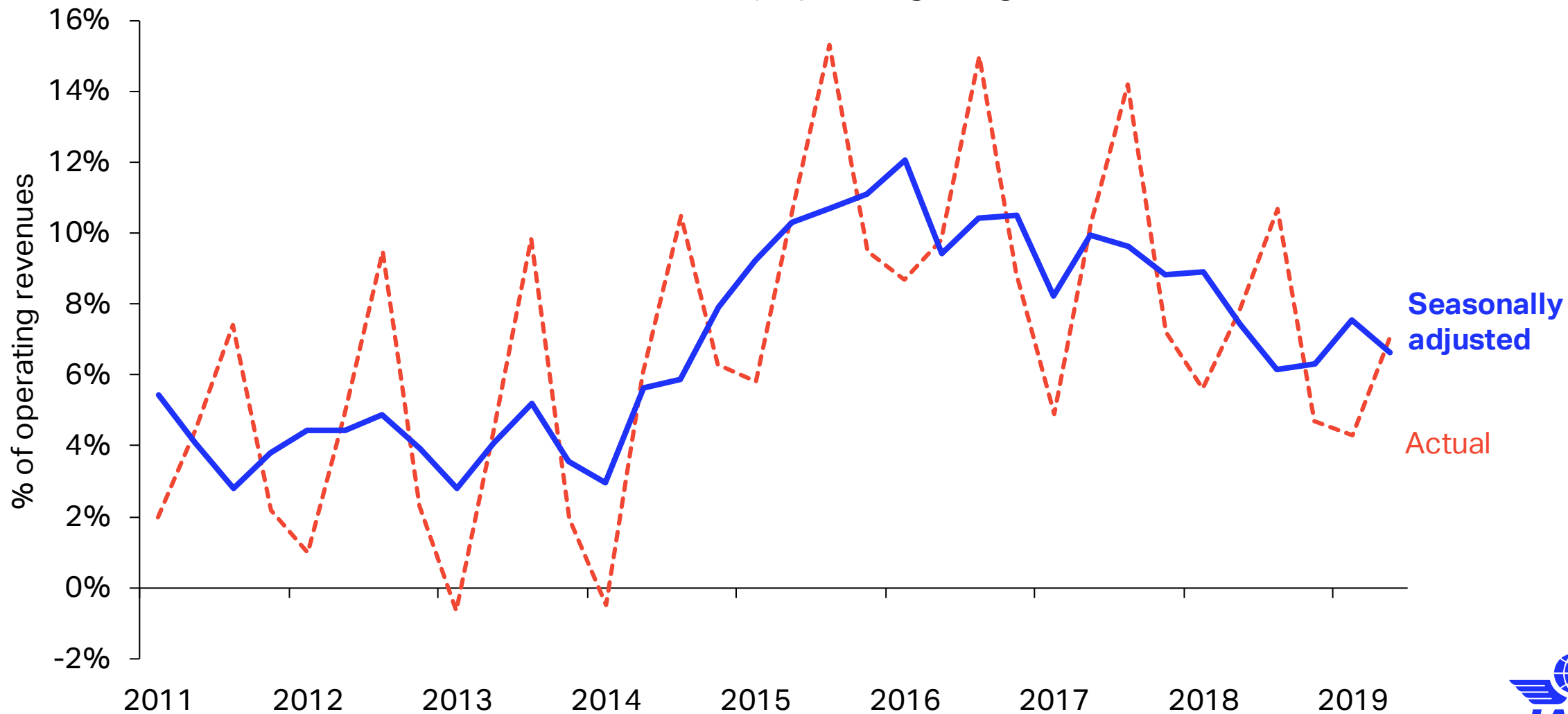


Source: IATA Economics using data from SRS Analyzer, ICAO, IATA statistics, IATA Economics forecast



But profitability trending downwards

Airline industry operating margin

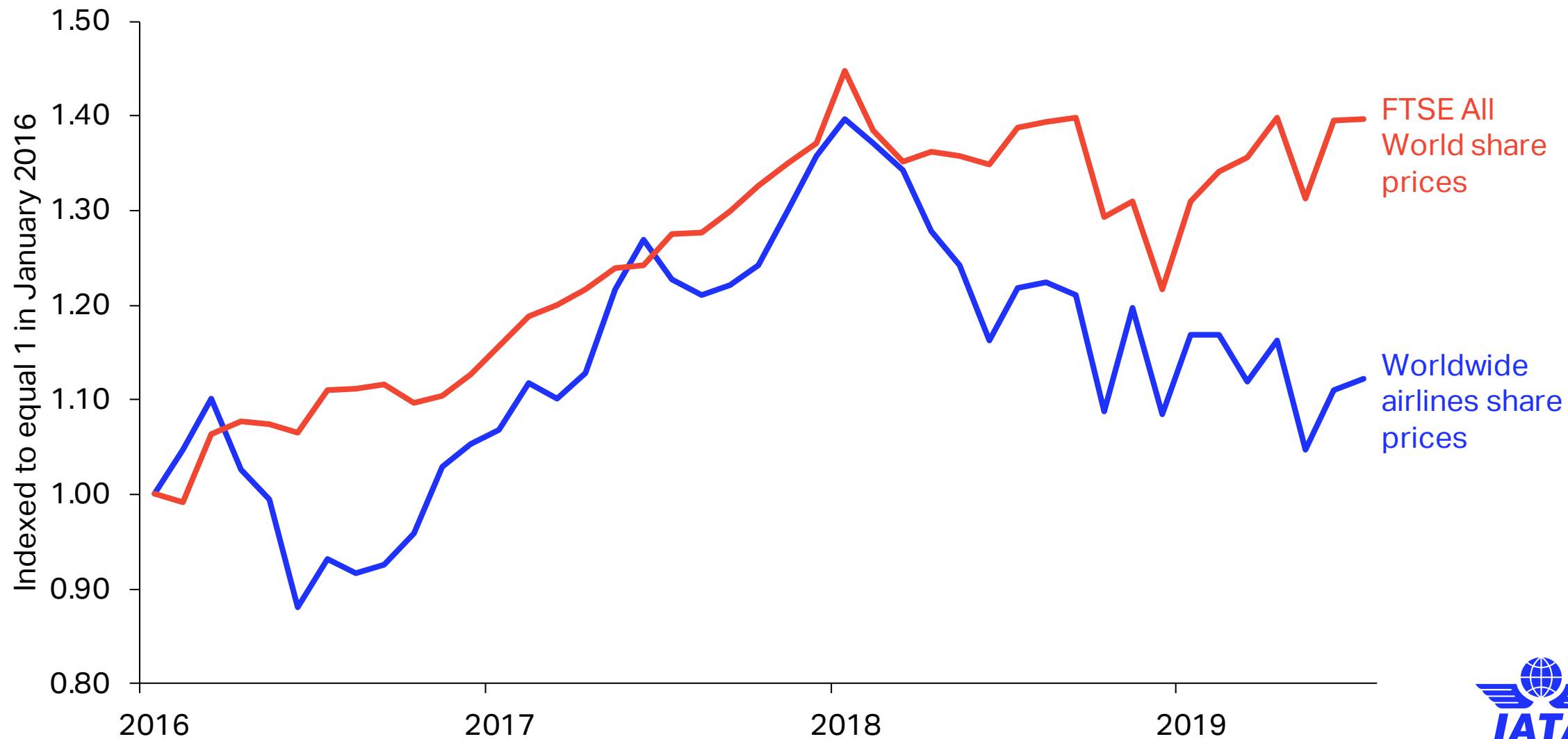


Source: IATA Economics using data from The Airline Analyst



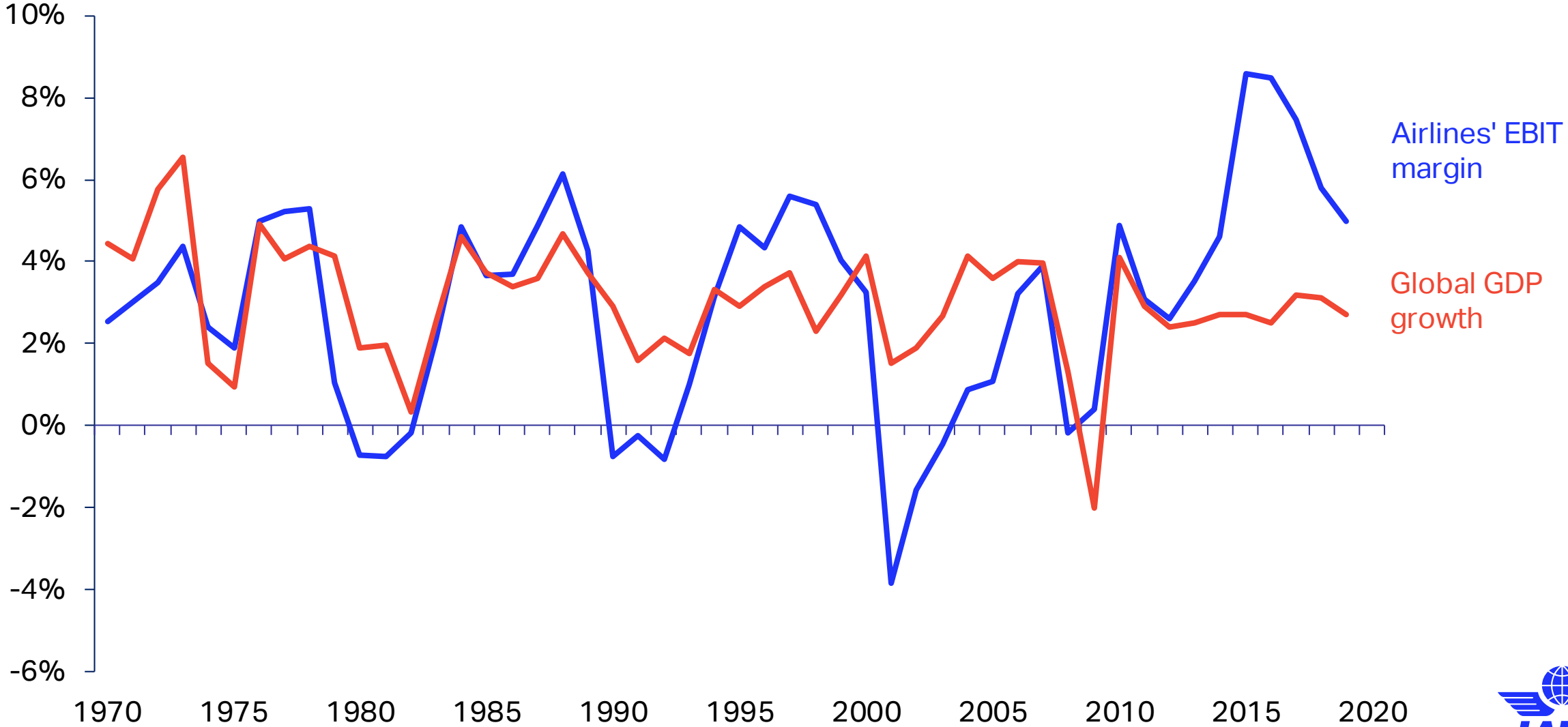
Financial markets have lost confidence

Worldwide airlines and FTSE All World share price indices



Worried that this is just transitory

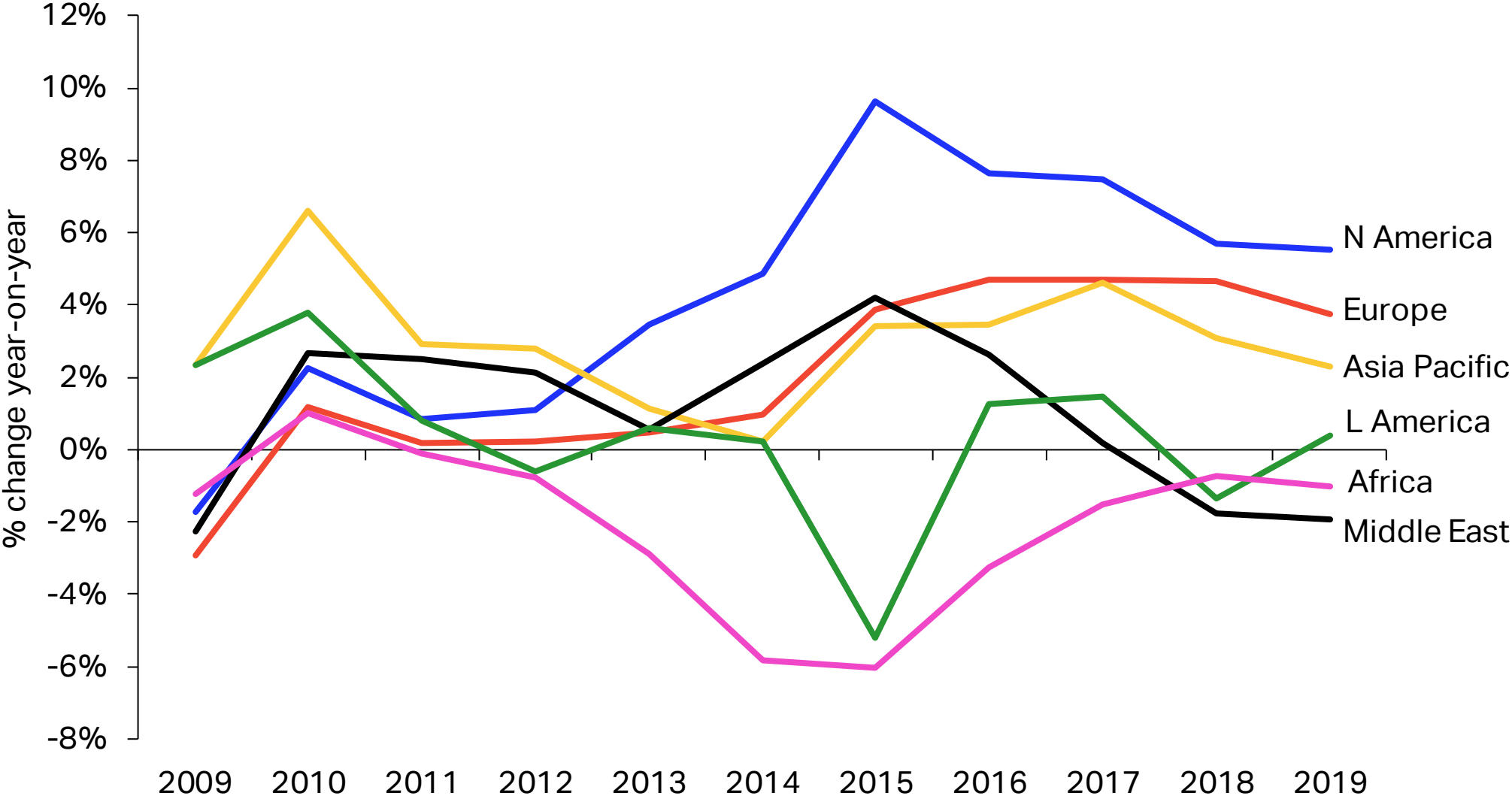
Airline industry operating profit margin and global GDP growth



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

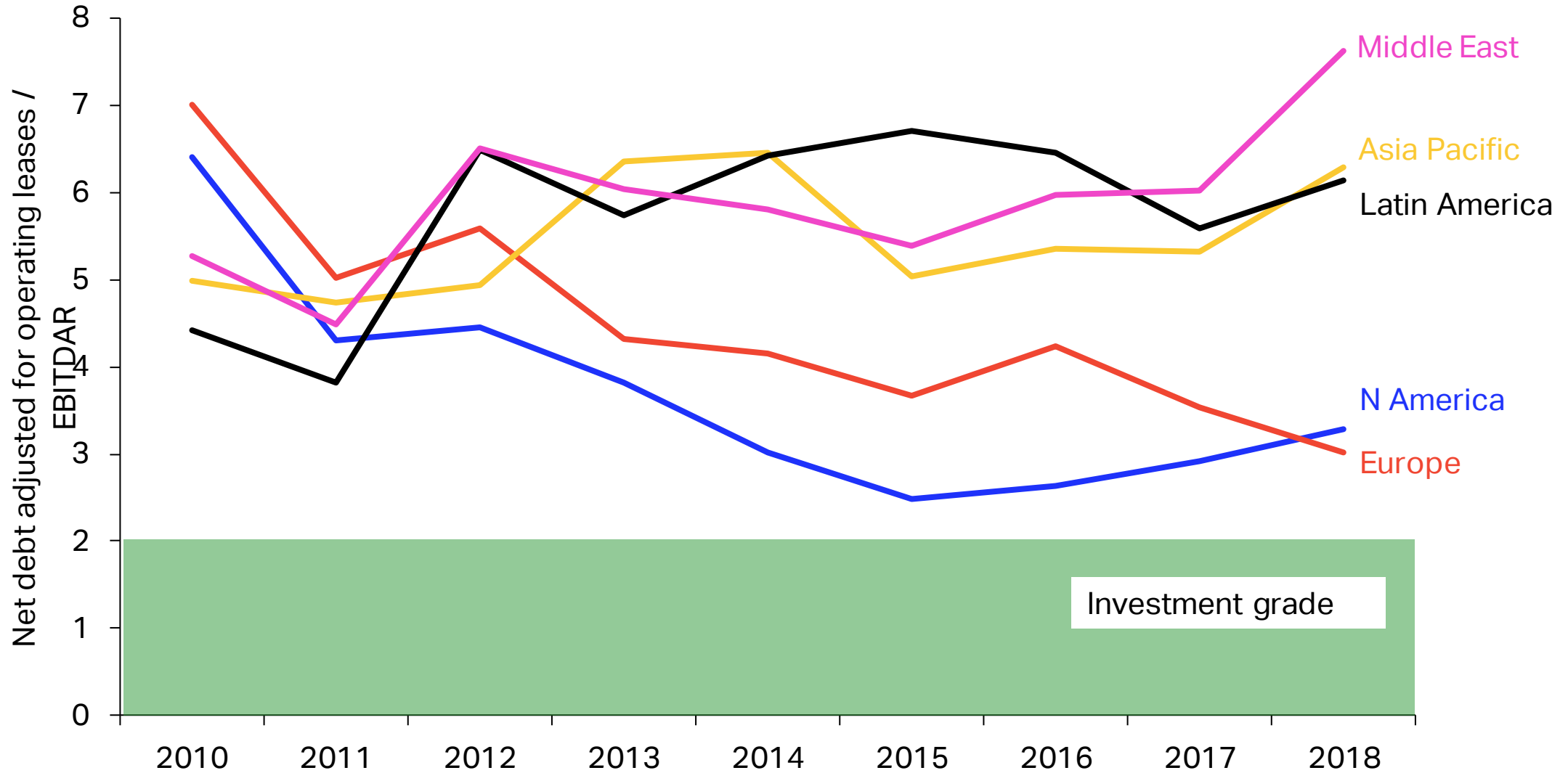


Source: IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019



Debt means vulnerability to shocks for some

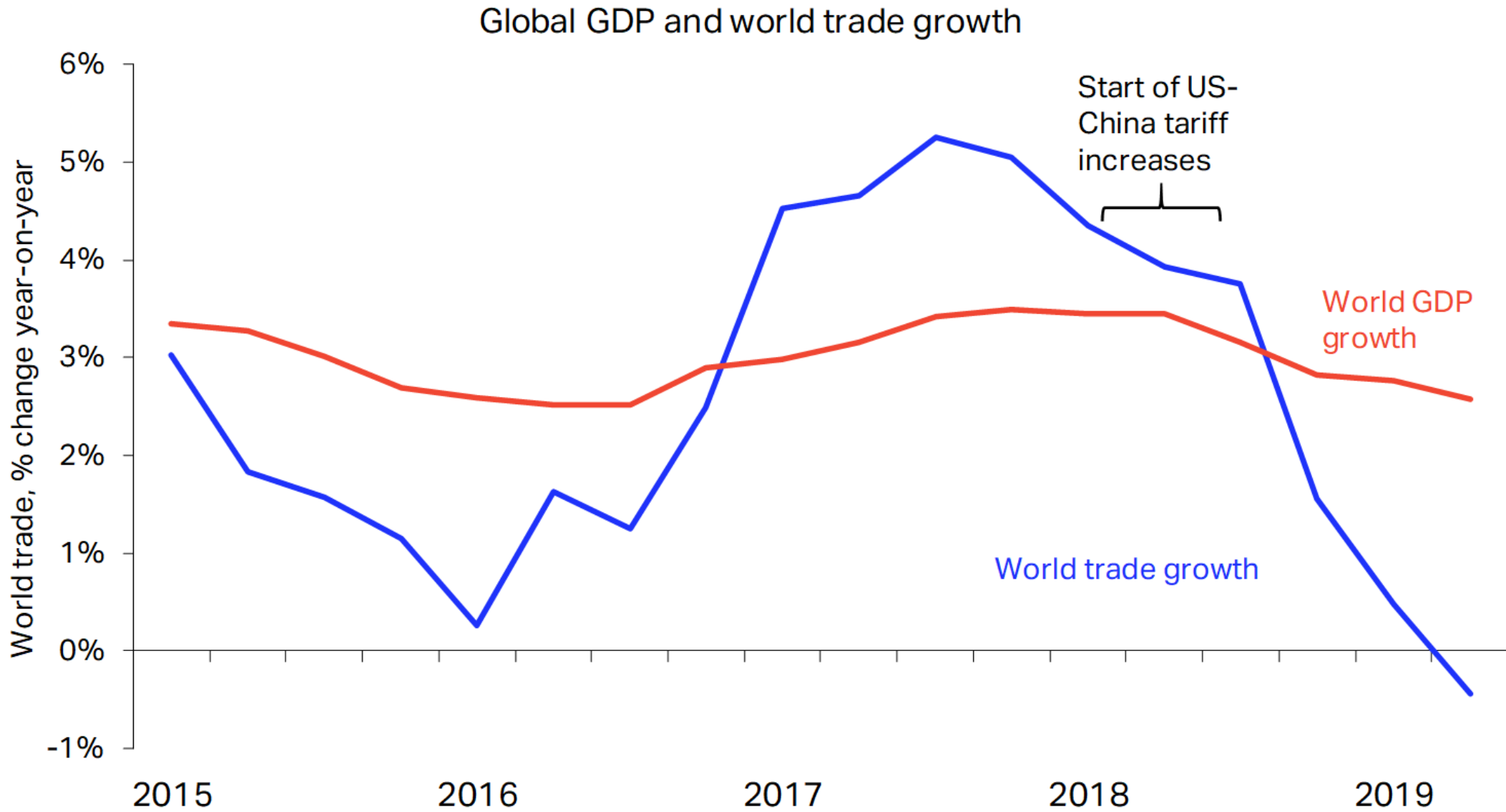
Net debt as a ratio of EBITDA



Source: IATA Economics using data from The Airline Analyst



Trade war is one cash flow shock

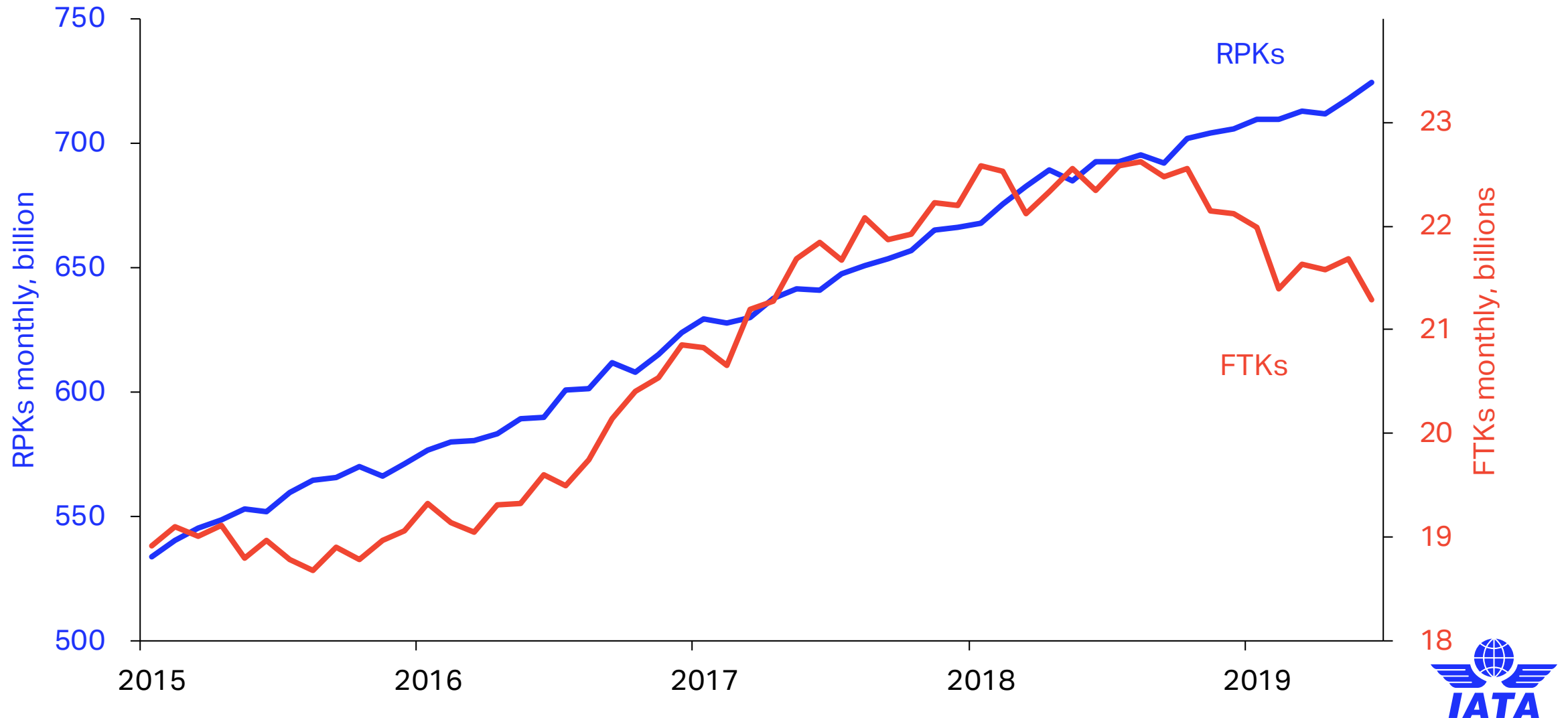


Source: IATA Economics using data from Netherlands CPB and Oxford Economics



Cargo market shrinking

Global RPKs and FTKs, billions per month

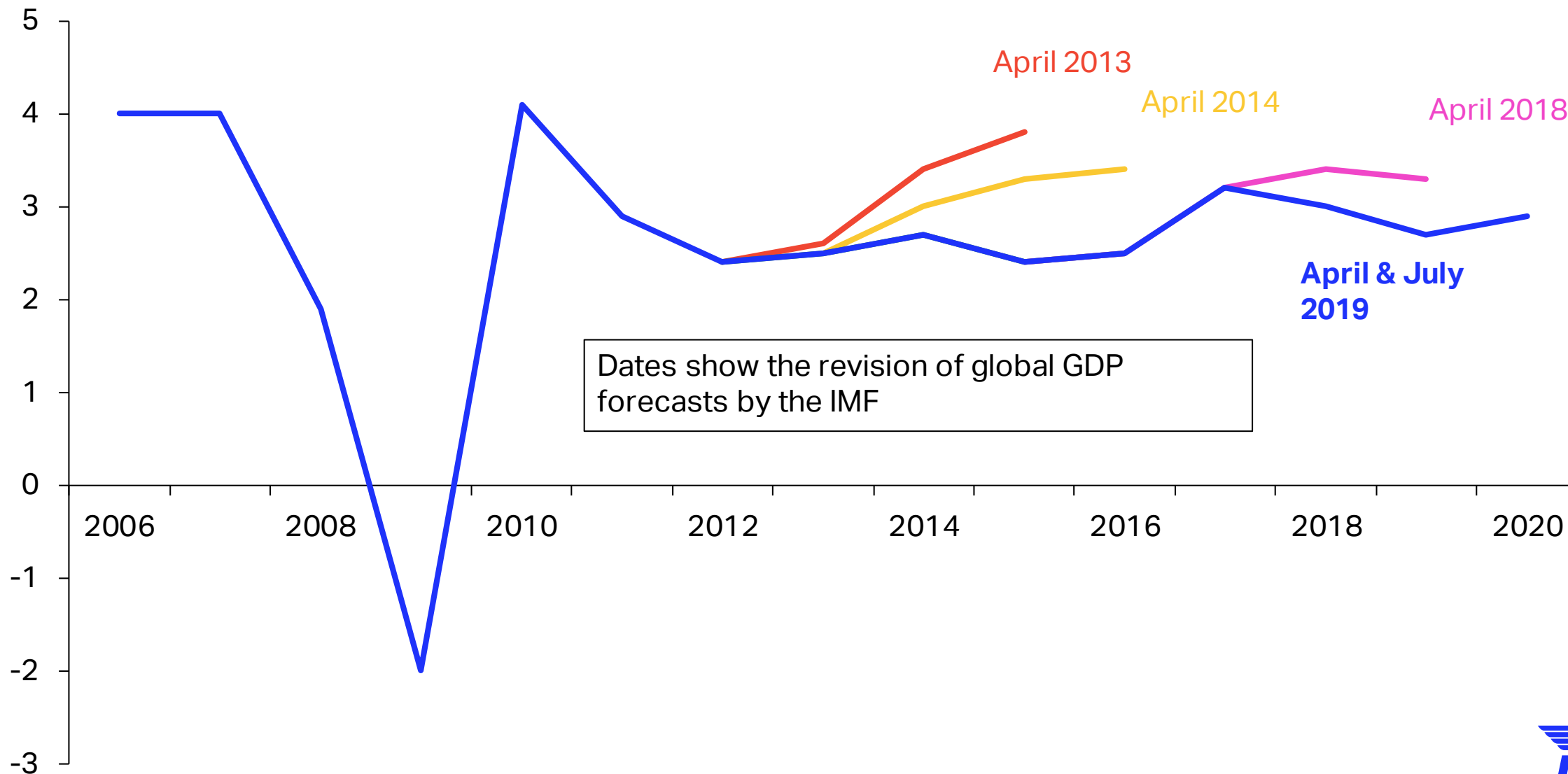


Source: IATA Economics using data from IATA Statistics



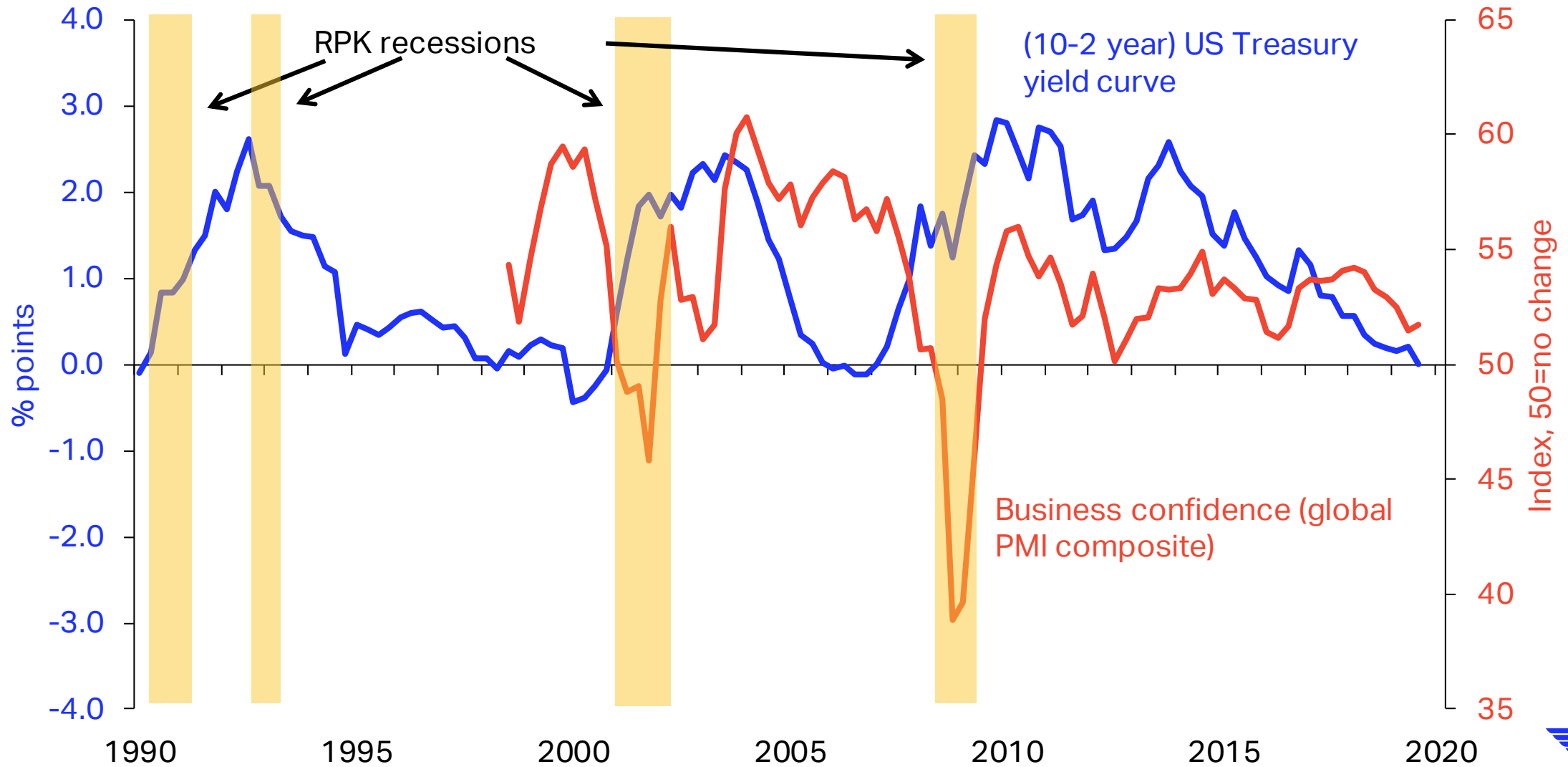
Recession would be another shock

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



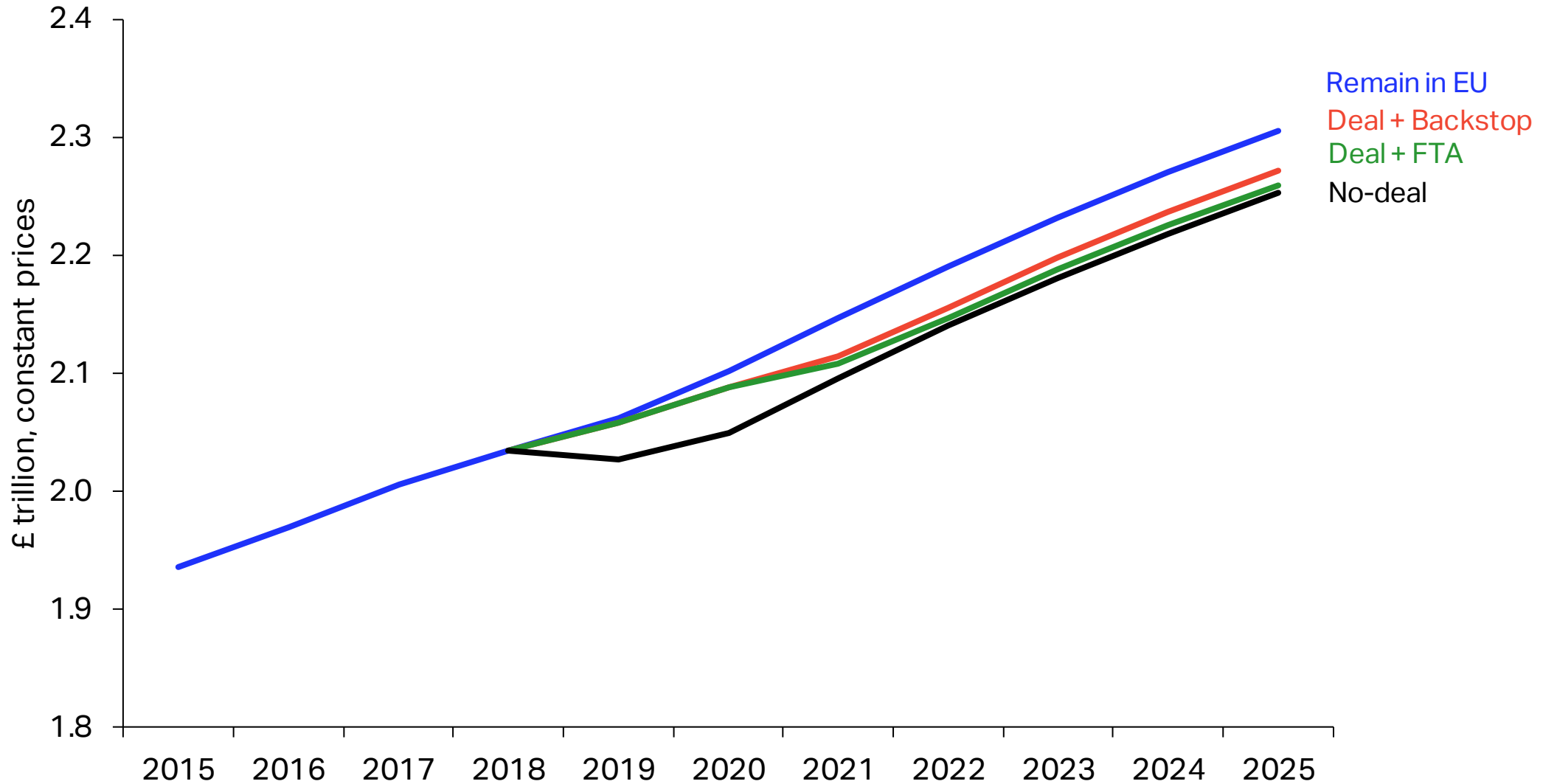
Risk is significant

Recessions in global RPKs, business confidence & the yield curve



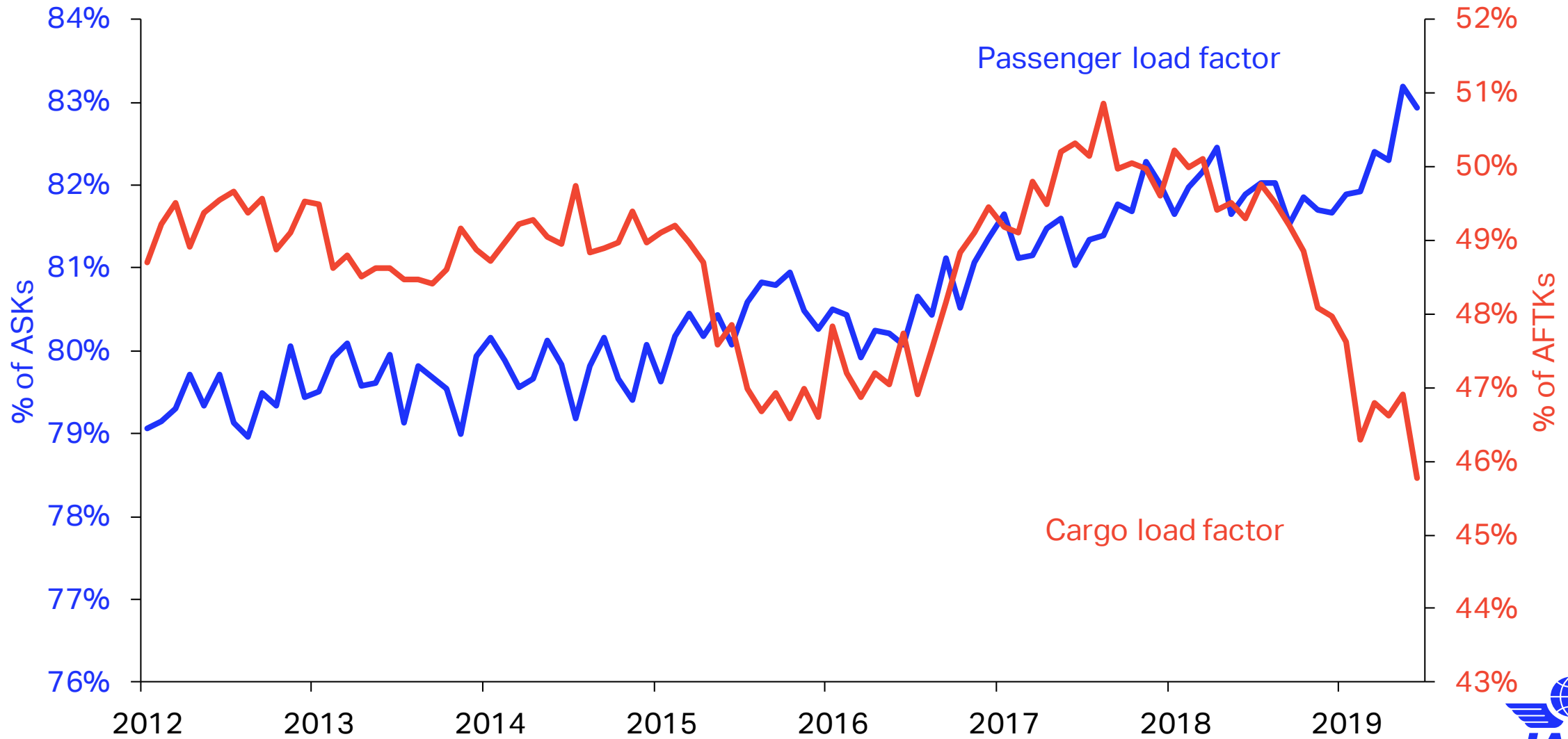
Brexit no deal 50:50

UK GDP, £ trillion, constant prices



Passenger business much stronger

Global passenger and cargo load factors

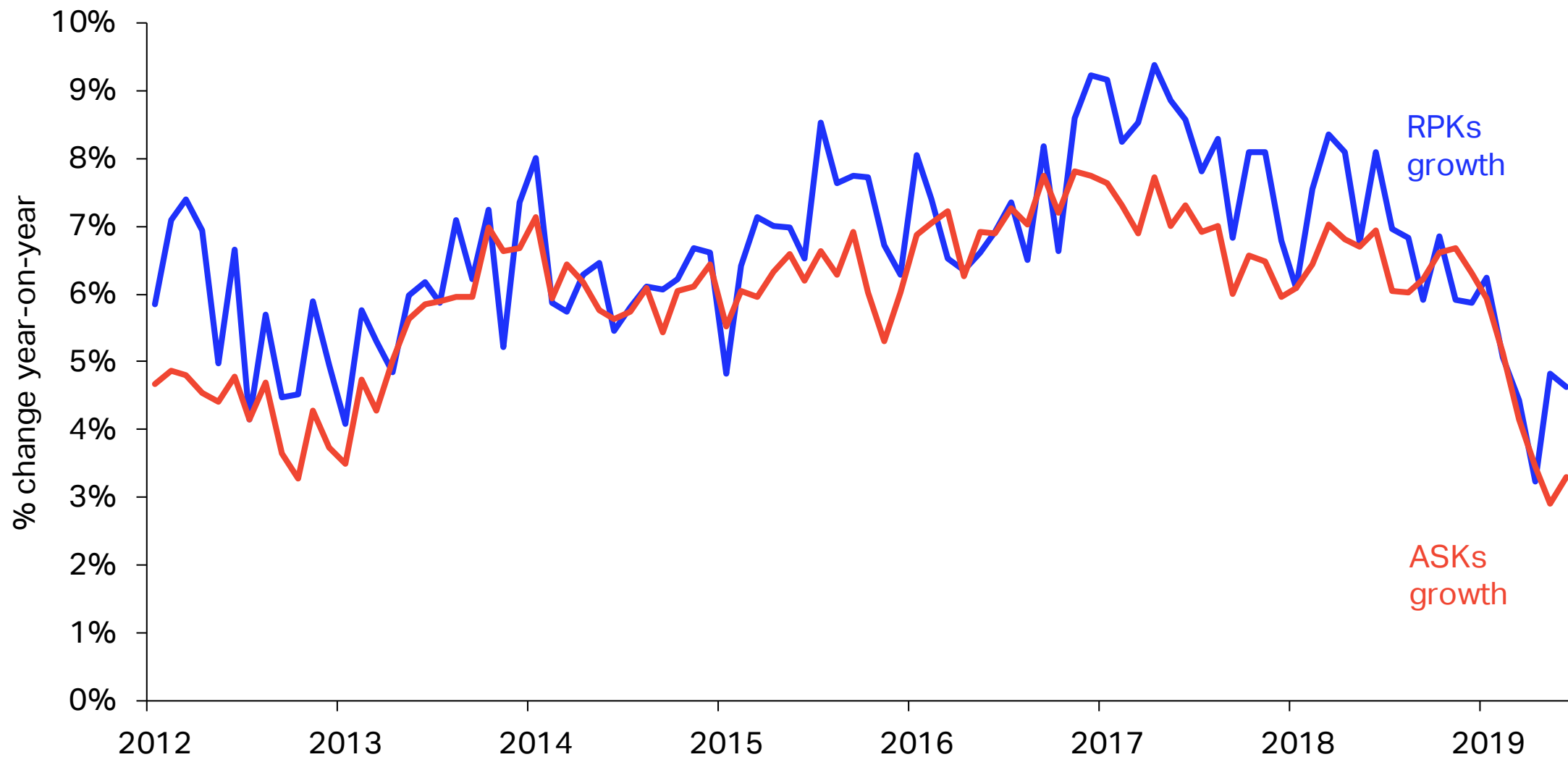


Source: IATA Economics using data from IATA Statistics



Quick to match supply to demand

Growth in global RPKs and ASKs

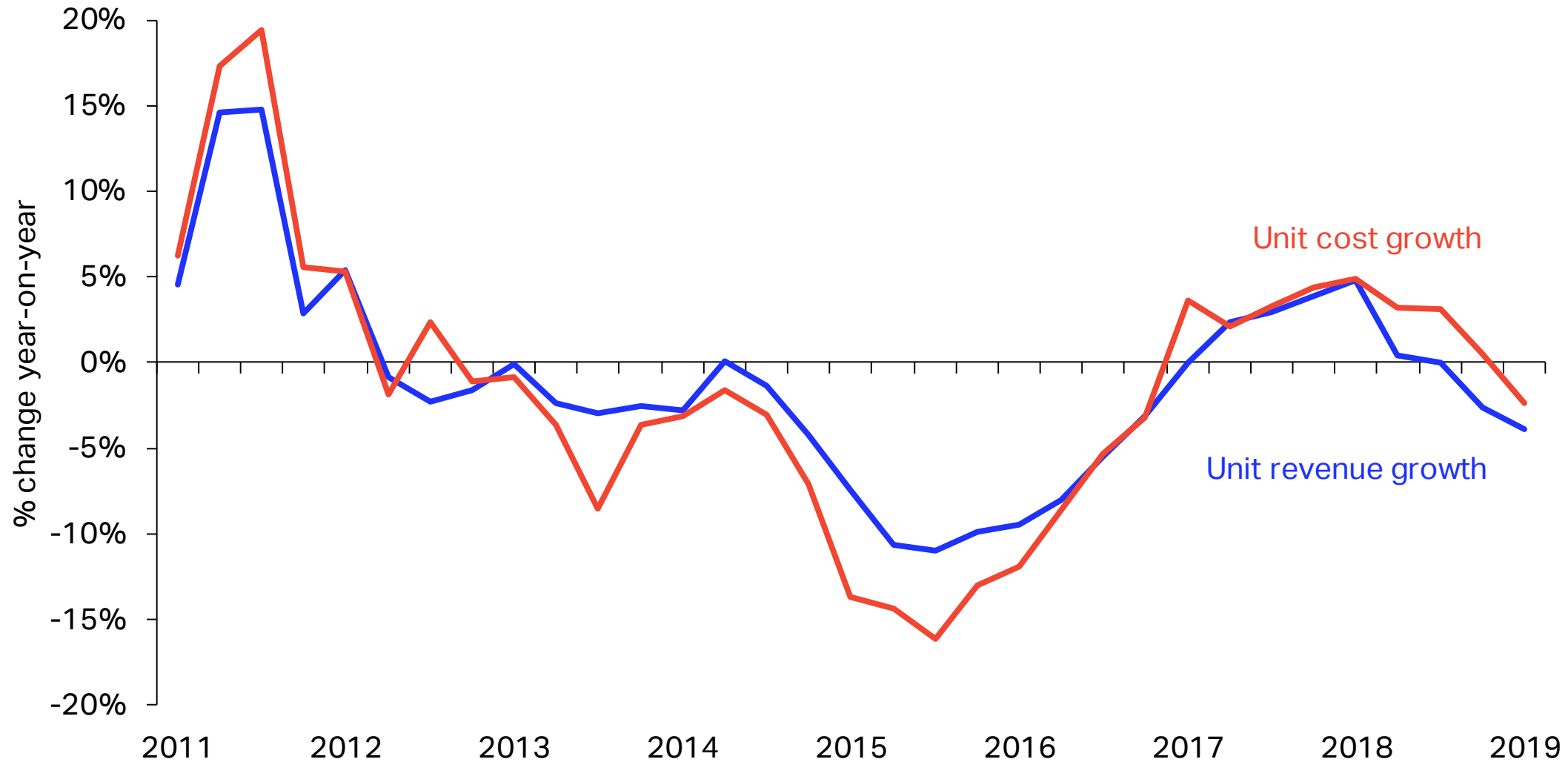


Source: IATA Economics using data from IATA Statistics



Cost recovery ability disappeared mid-2018

Unit cost and unit revenue growth

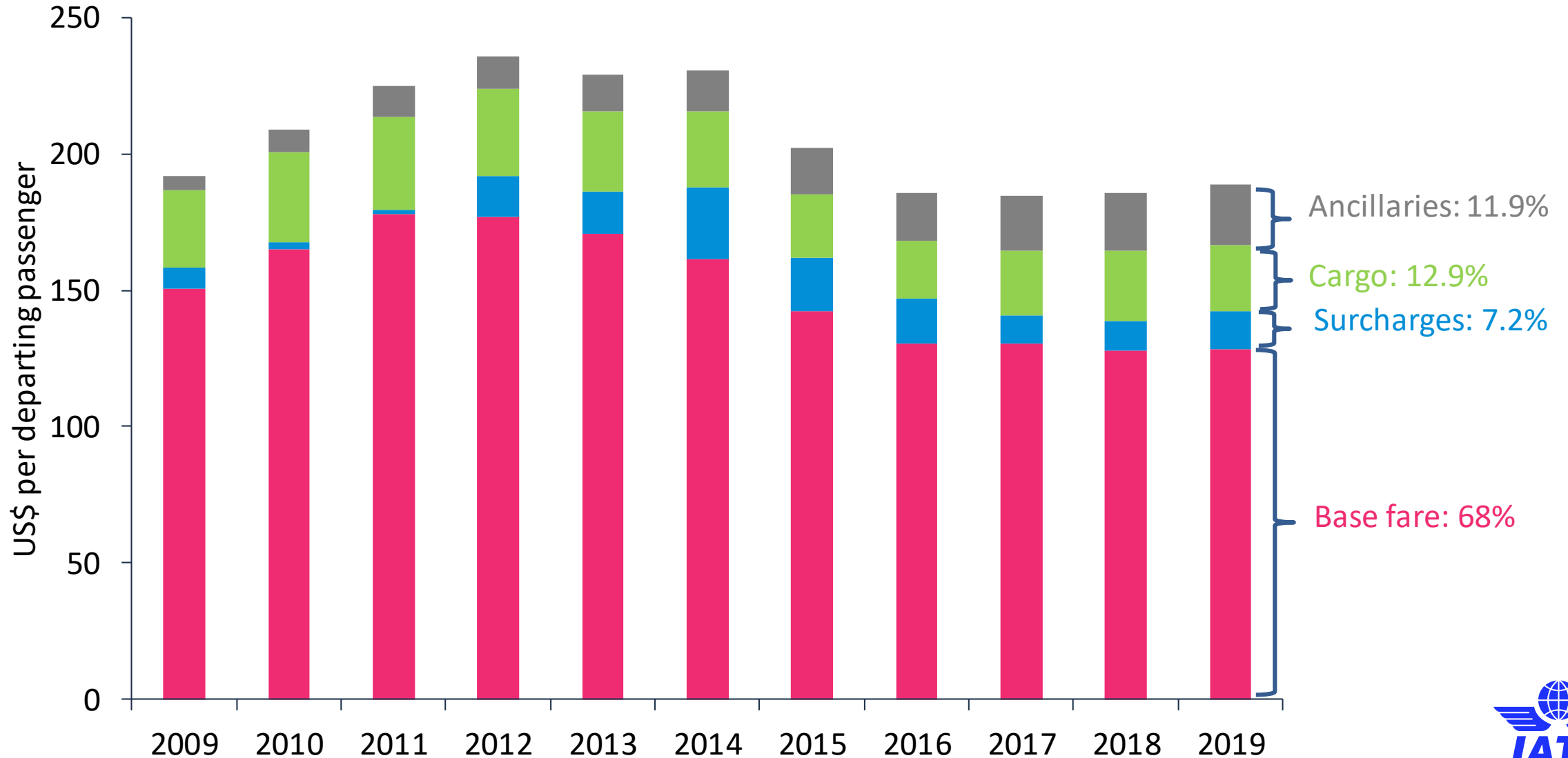


Source: IATA Economics using data from The Airline Analyst



Ancillaries helping to recover costs

Airline revenue per passenger, US\$

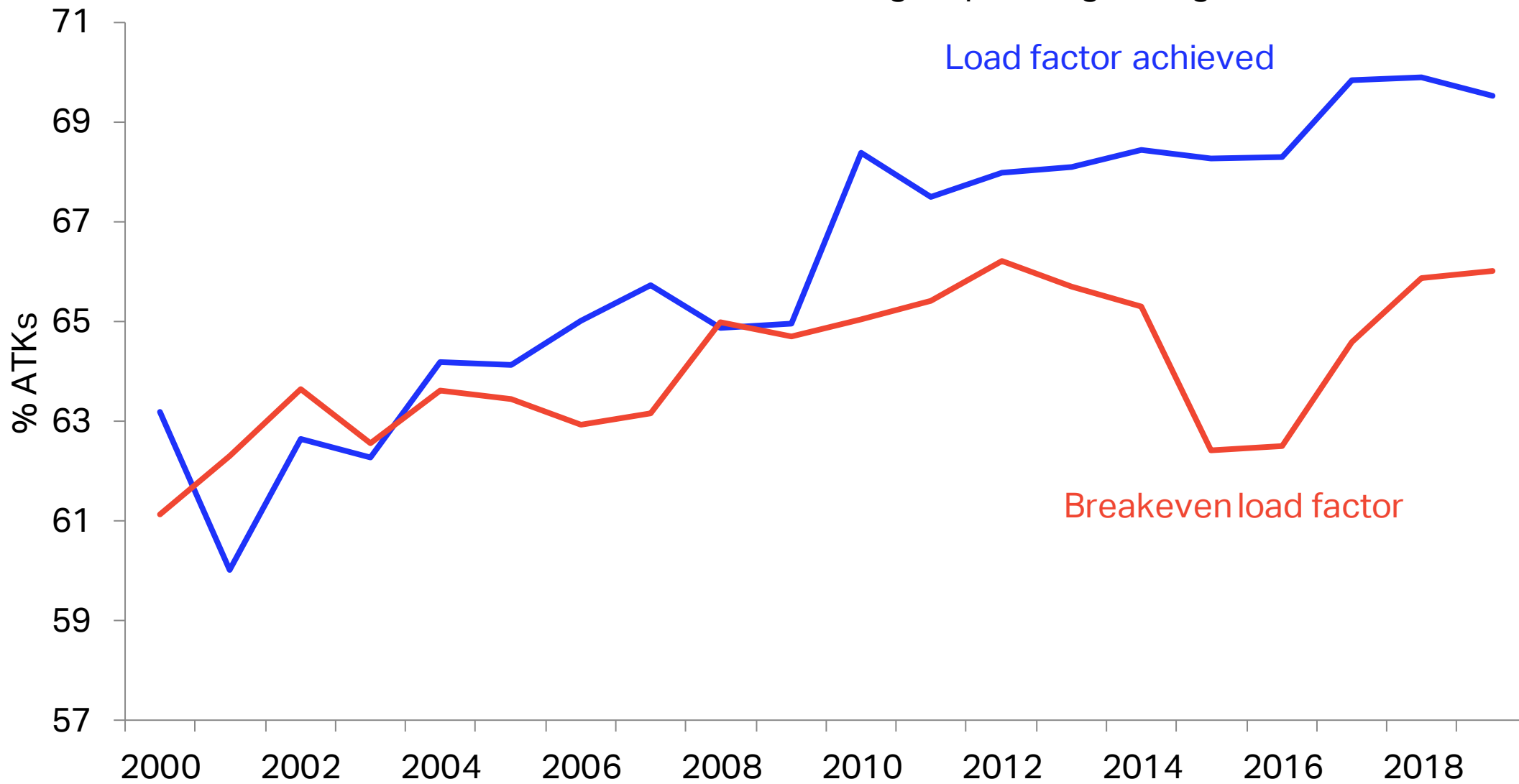


Source: IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019,



Some structural improvements to profitability

Breakeven and achieved cargo + passenger weight load factors

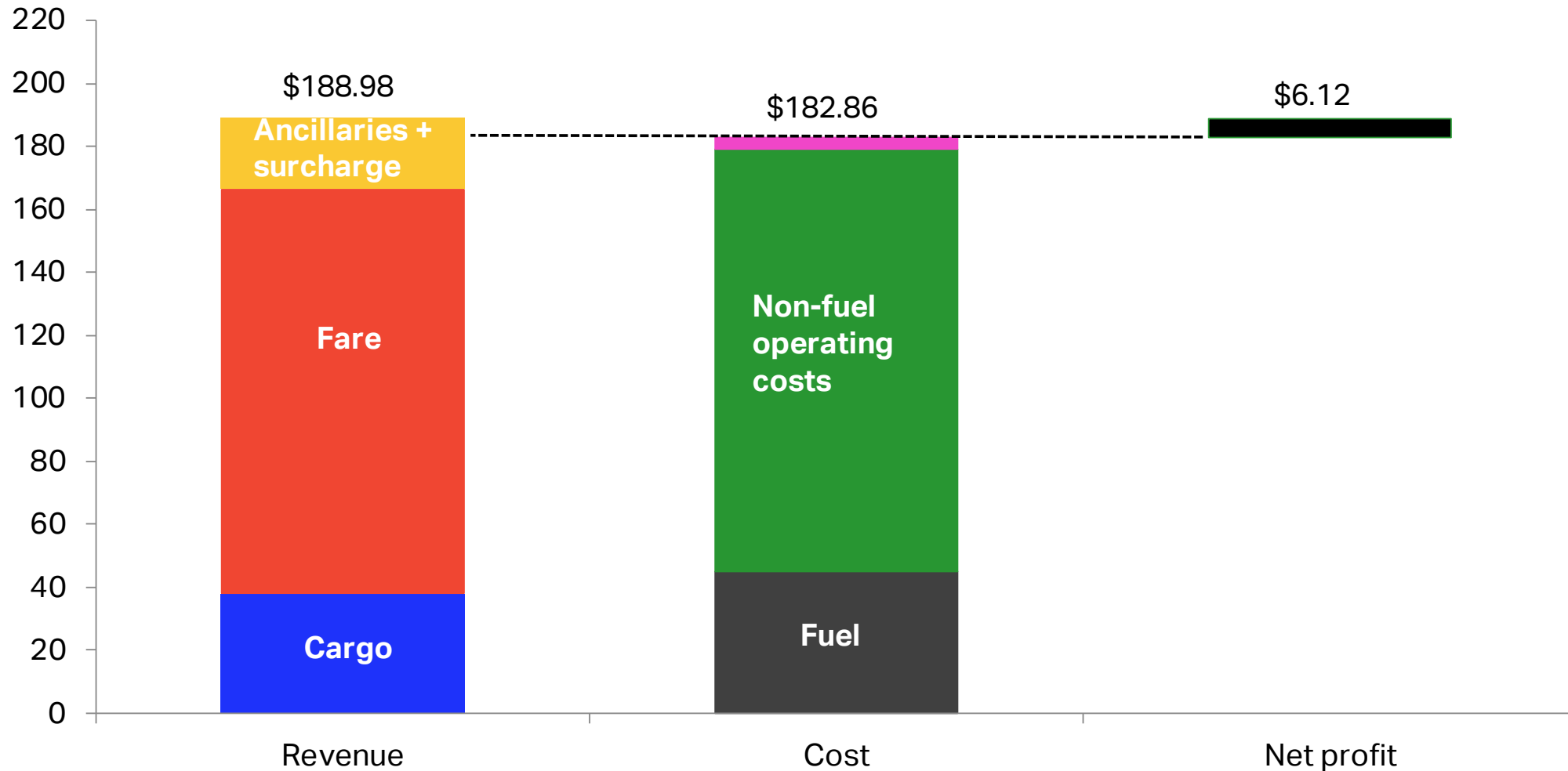


Source: IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019

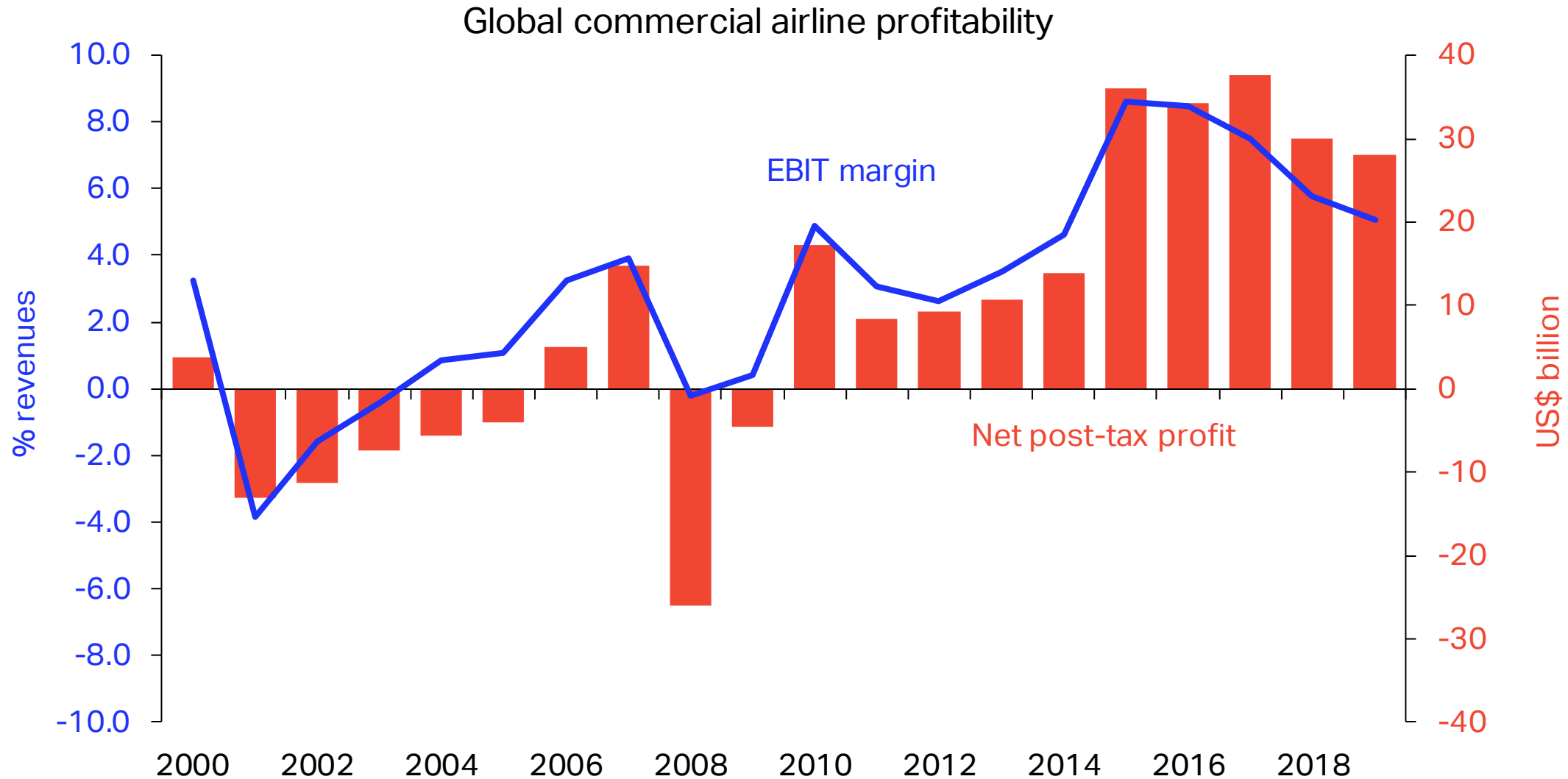


Profitability remains fragile

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



Downward pressure on profits set to continue



Thank you

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