



Economic performance of the airline industry

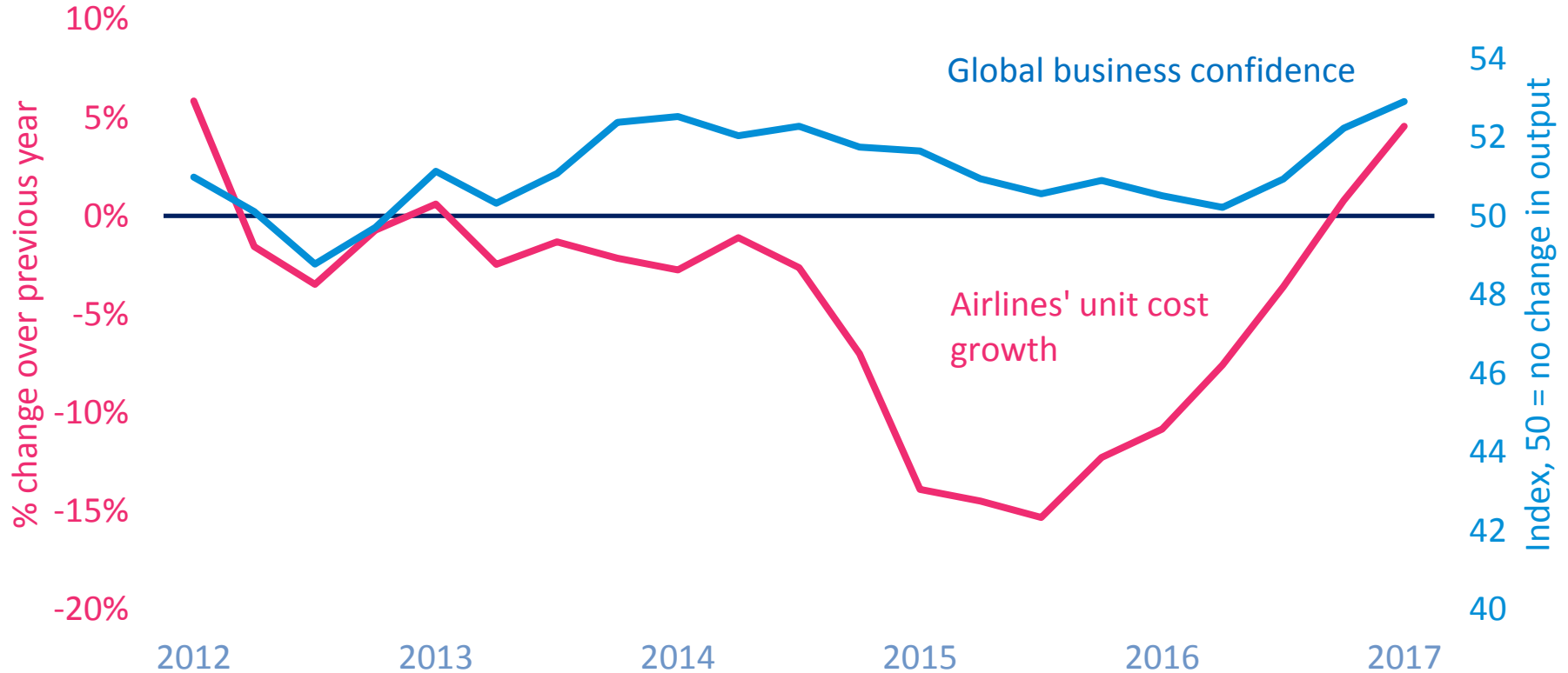
Mid-year 2017 update

Brian Pearce,
Chief Economist,
IATA

www.iata.org/economics

Performance drivers are now diverging

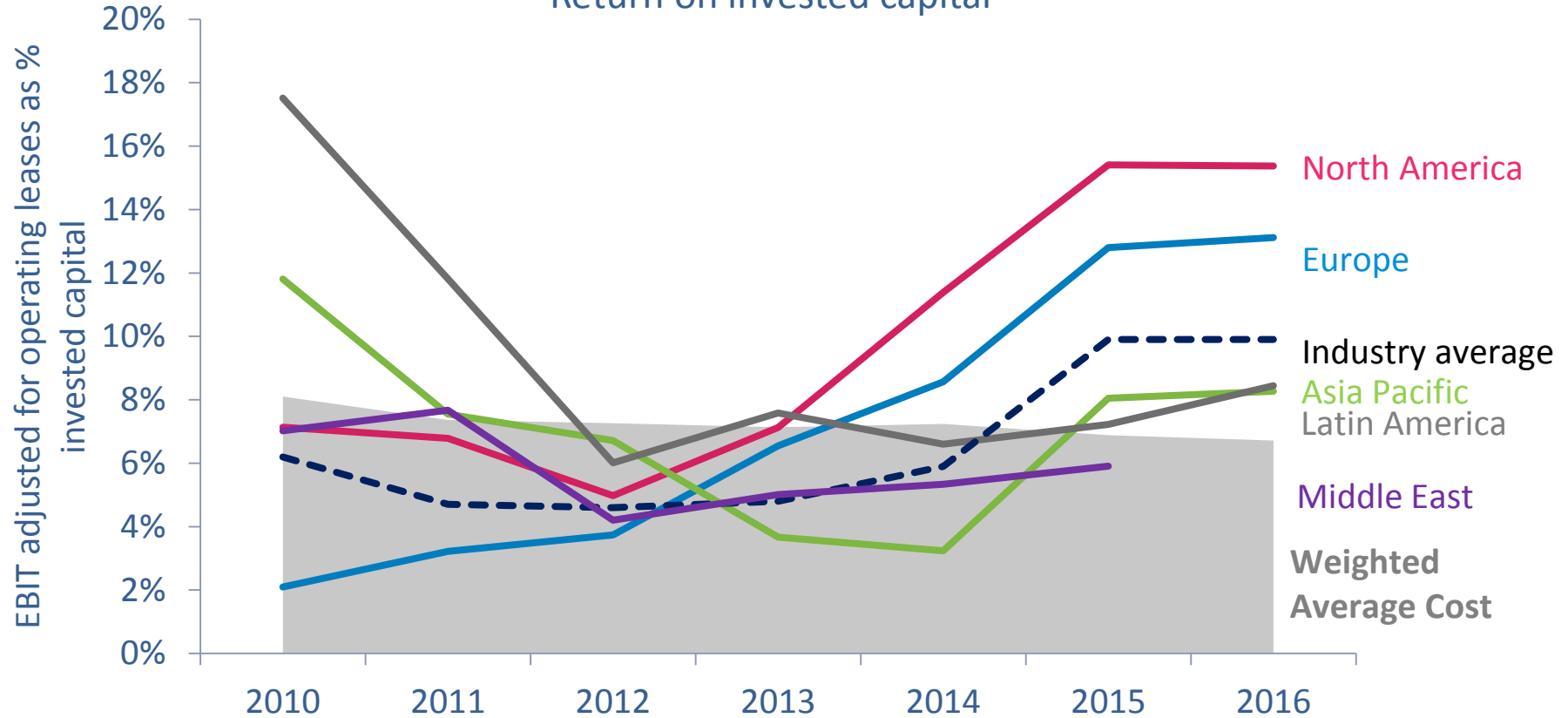
Airlines unit cost growth and global business confidence



Source: IATA Economics using data from The Airline Analyst and Markit

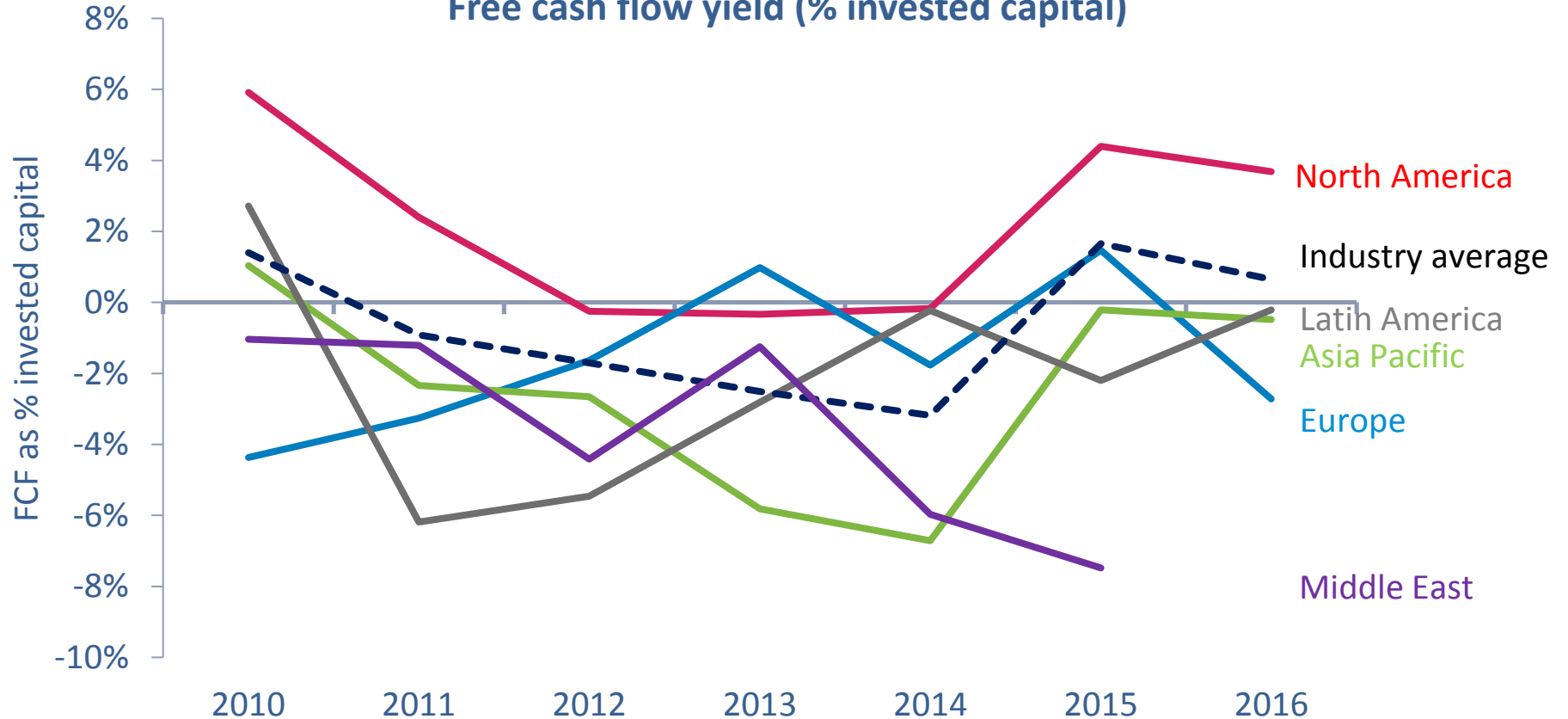
Return on capital performance good in 2016

Return on invested capital



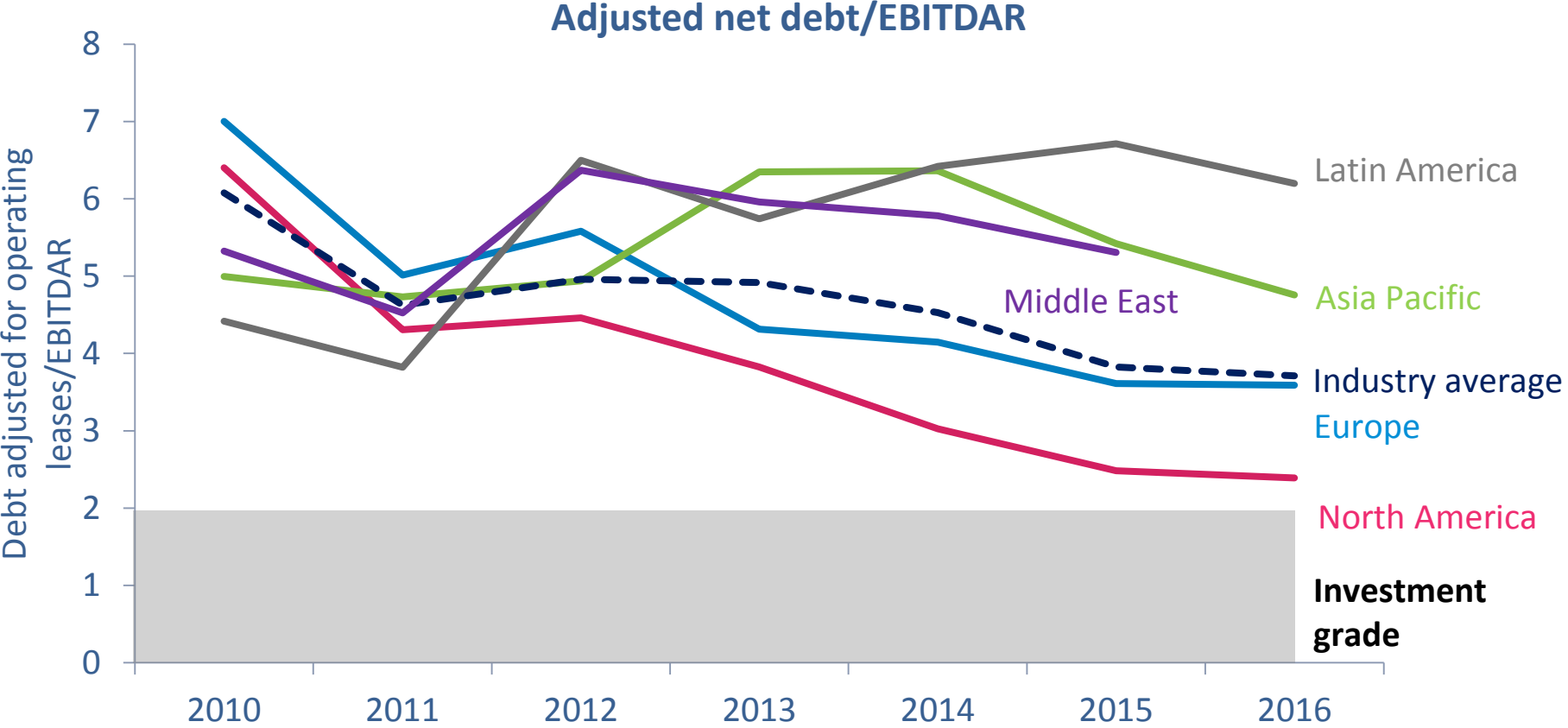
2016 free cash flow good but more divergent

Free cash flow yield (% invested capital)



Source: IATA Economics using data from The Airline Analyst

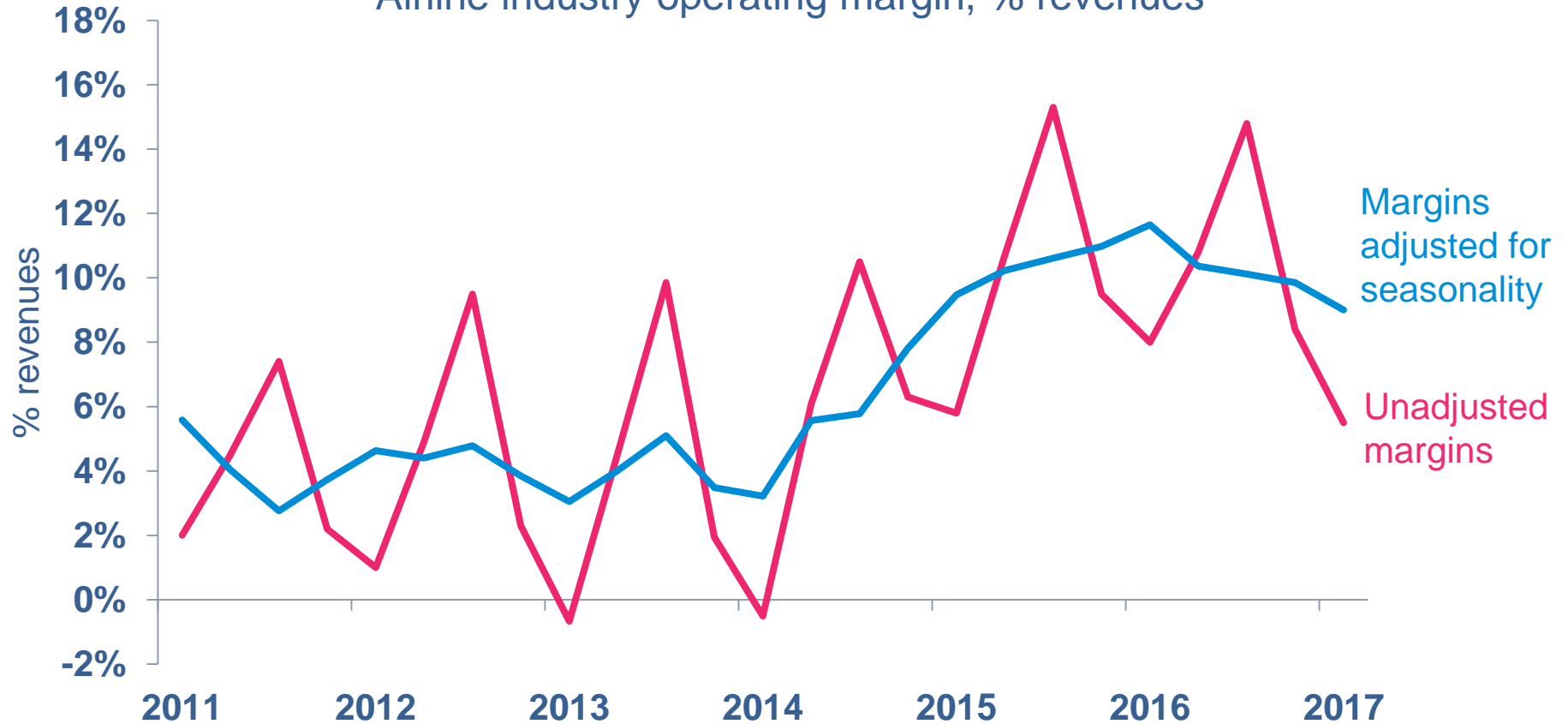
Debt still ranges from investment grade to weak



Source: IATA Economics using data from The Airline Analyst

Operating margins still high but declining

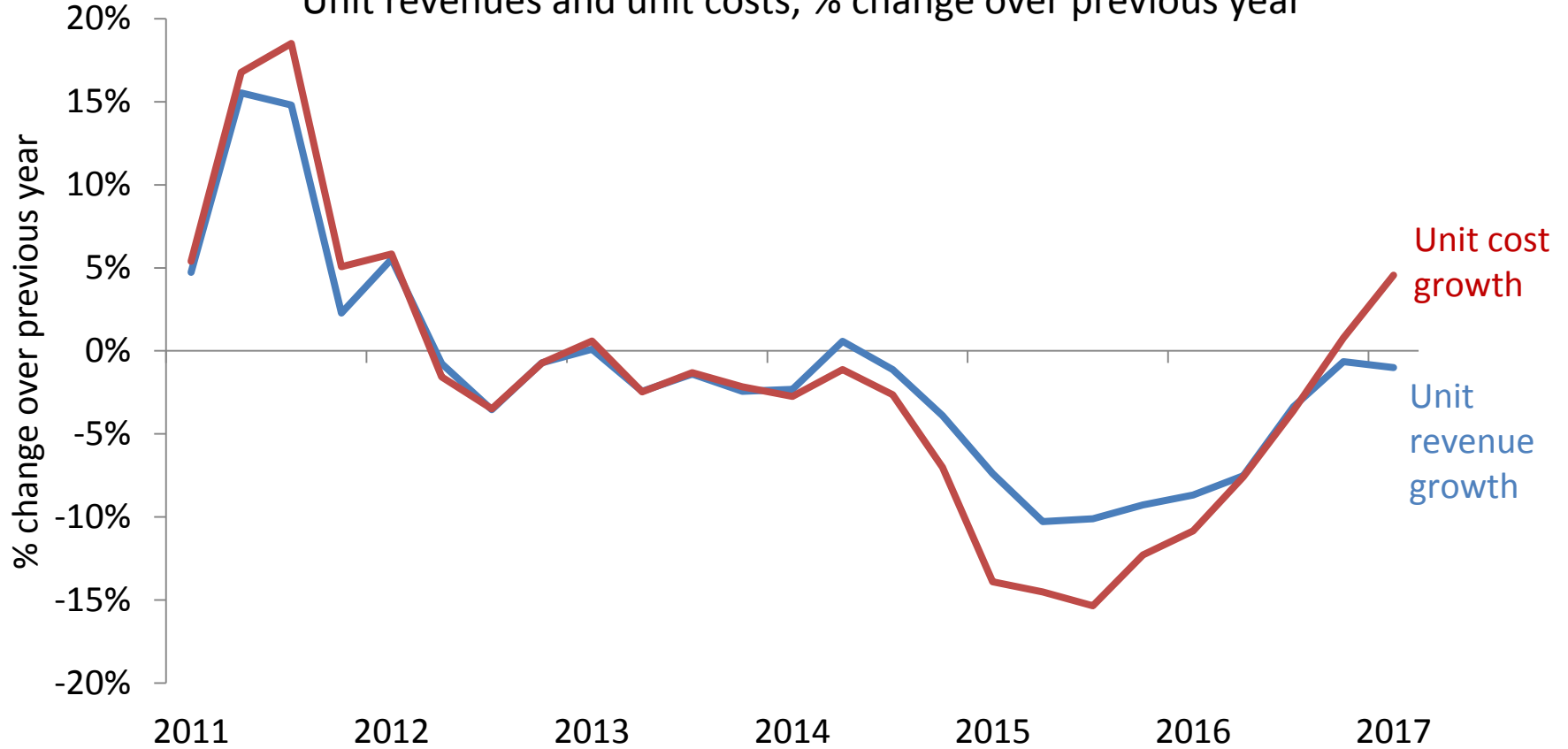
Airline industry operating margin, % revenues



Source: IATA Economics using data from The Airline Analyst and airline releases

As margins squeezed by accelerating costs

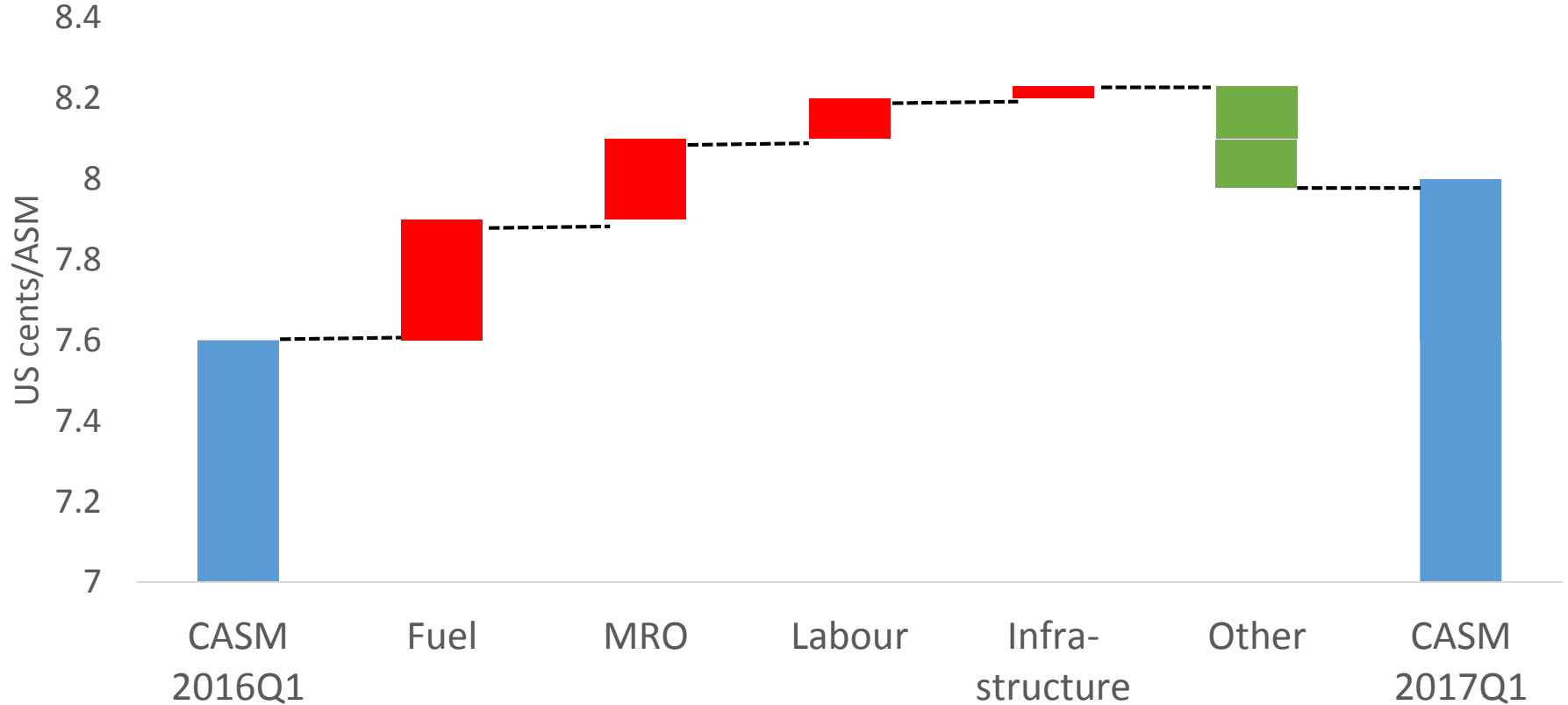
Unit revenues and unit costs, % change over previous year



Source: IATA Economics using data from The Airline Analyst

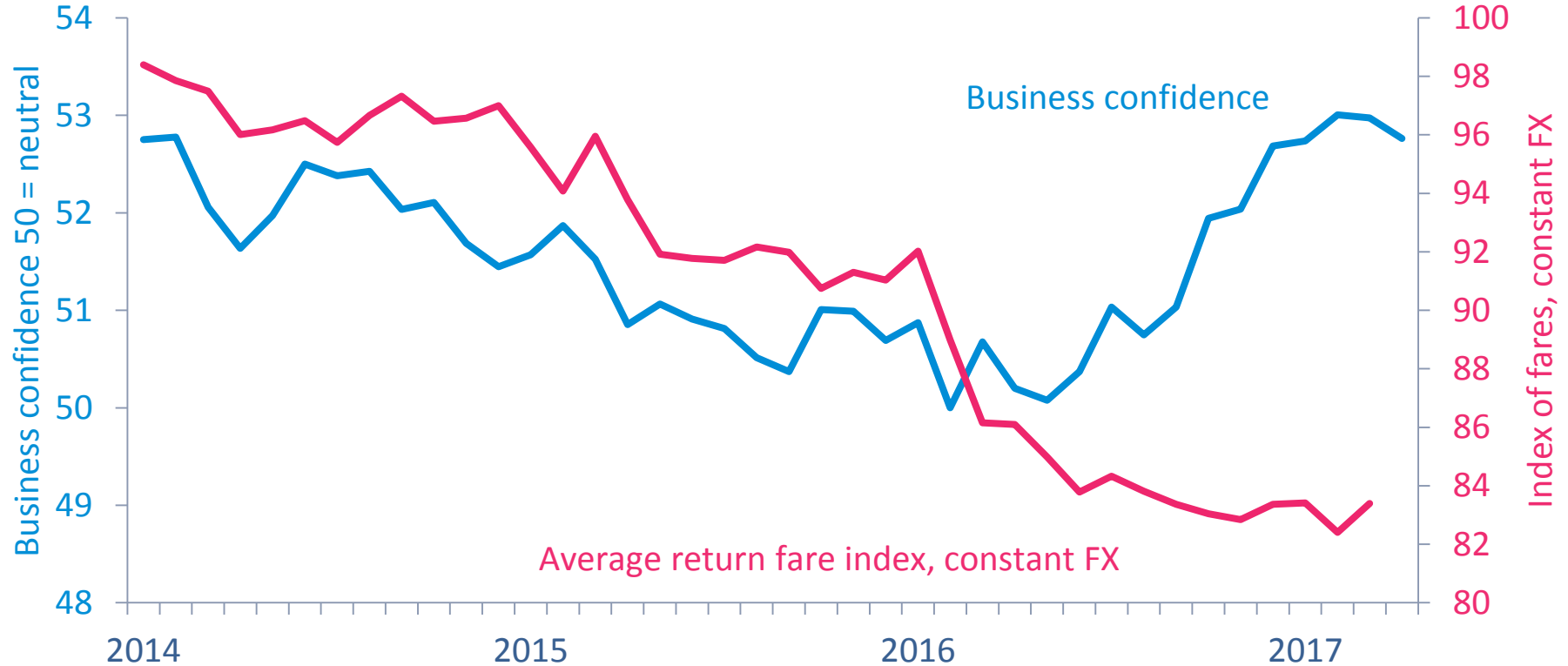
Cost acceleration driven by fuel, MRO, labour

CASM 2016Q1 to 2017Q1



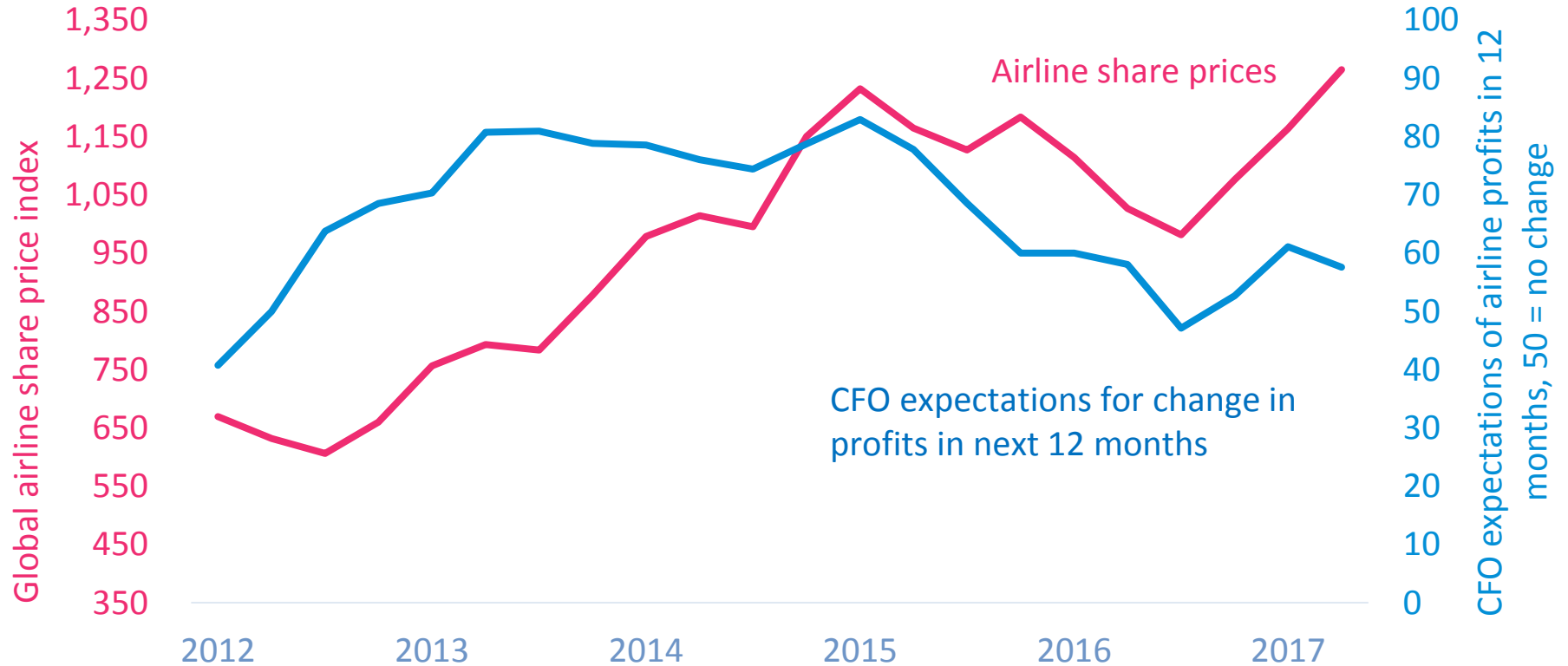
Signs of a stabilization of yields

Worldwide average fares (constant FX) and business confidence



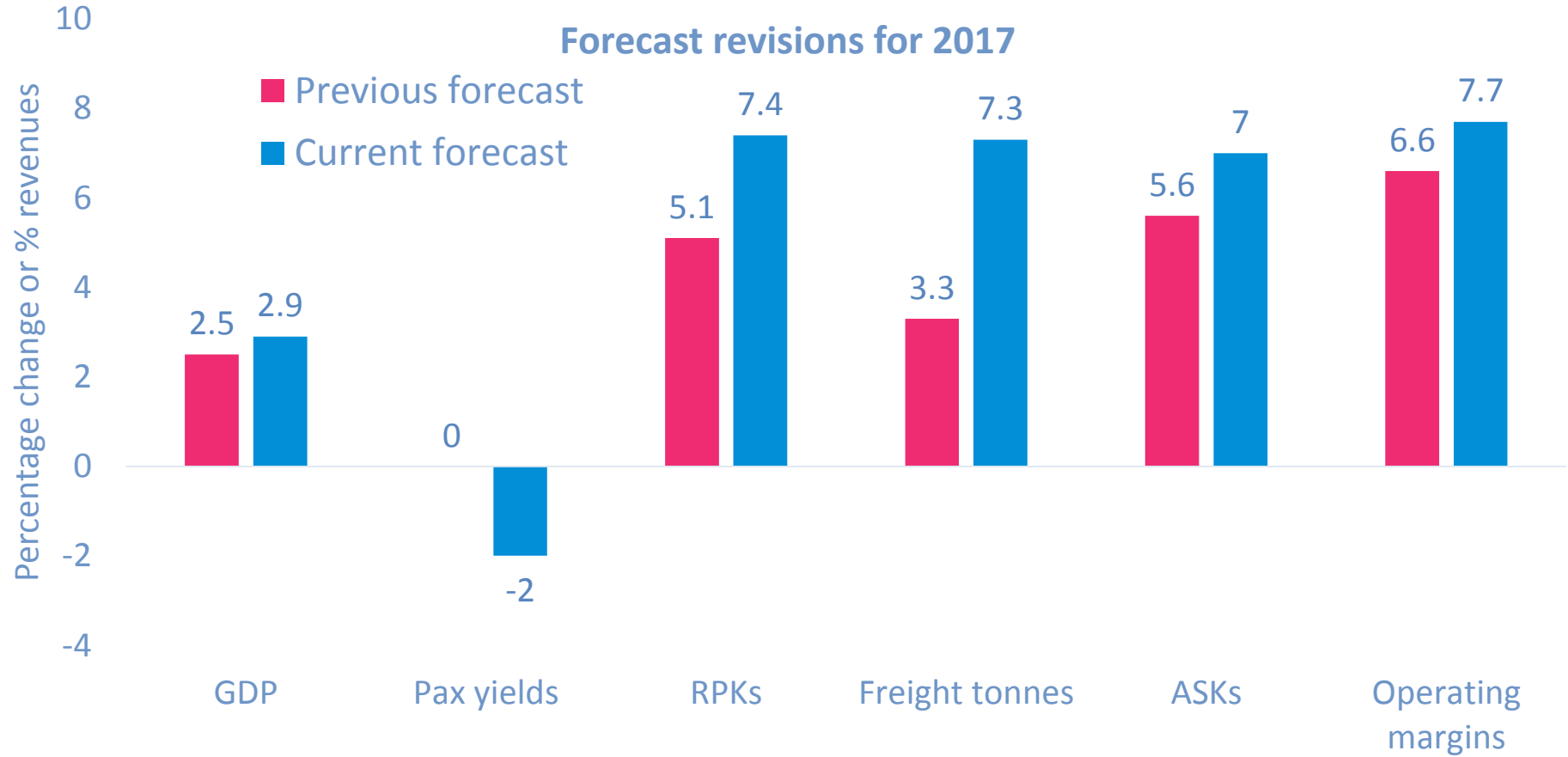
Financial markets and airline CFOs are confident

Airline share prices and CFO expectations of airline profitability



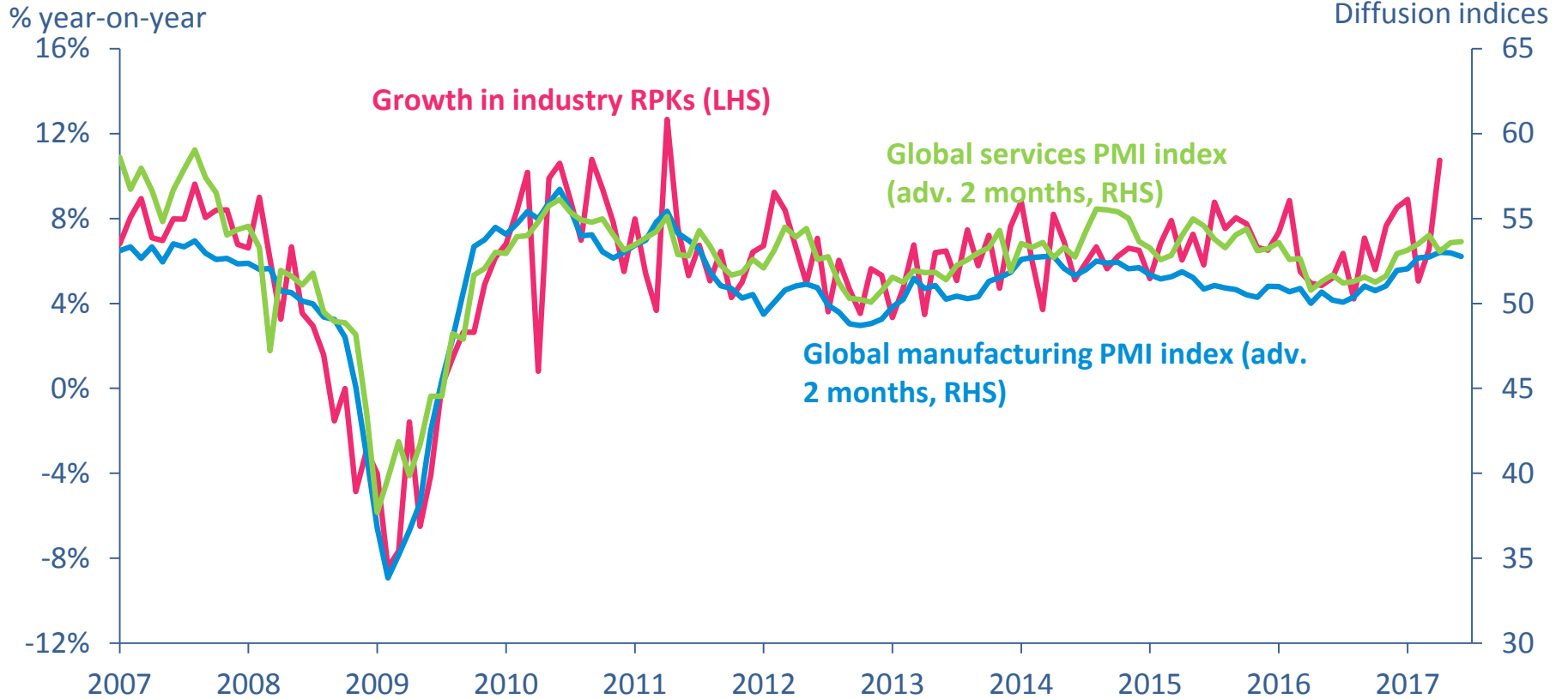
Source: IATA Economics using data from IATA Business Confidence survey and Thompson Reuters Datastream

We've upgraded our forecasts for 2017



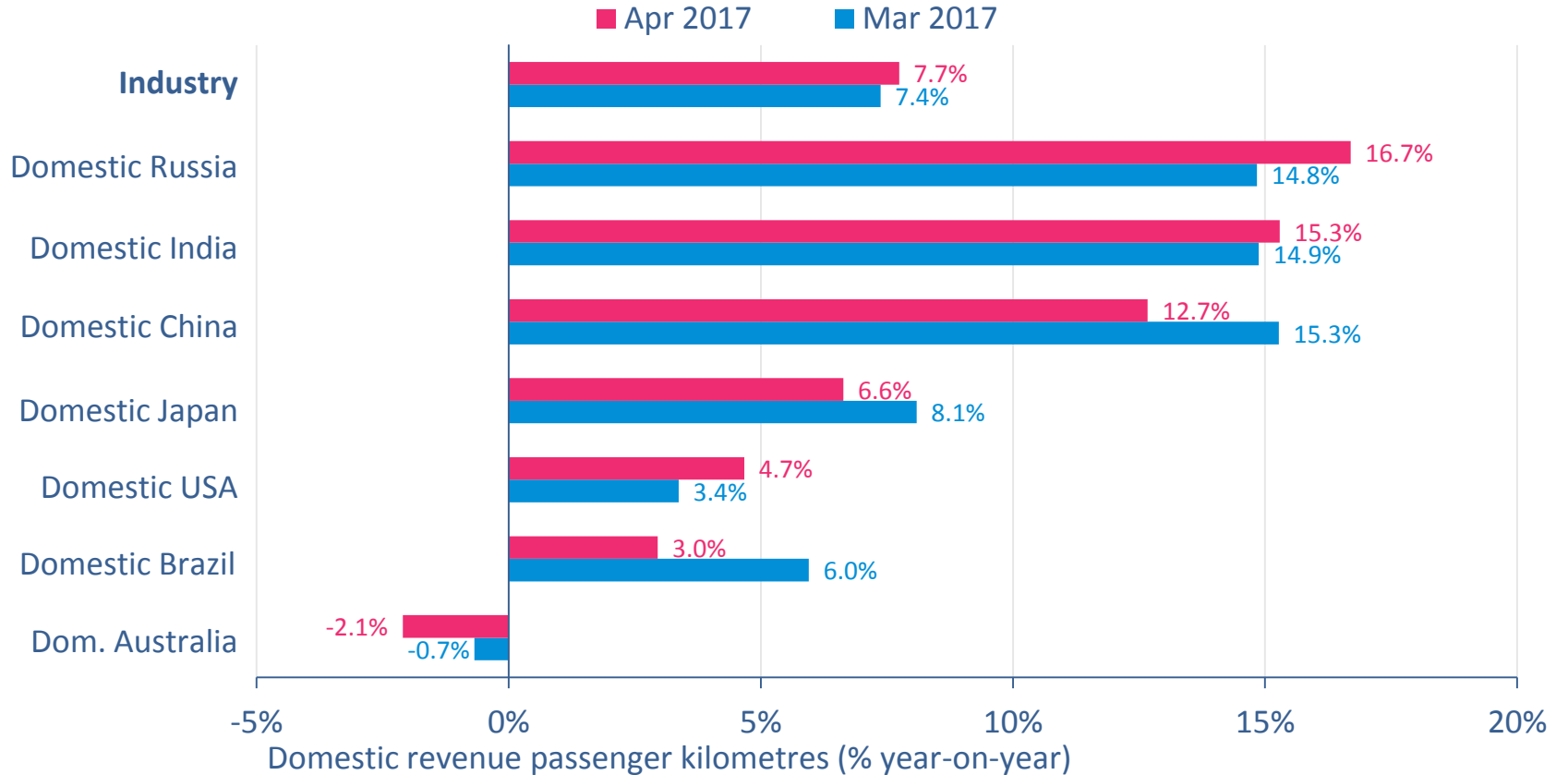
Source: IATA Economic Performance of the Airline Industry, Mid-year 2017 and End-year 2016 reports

Air travel has started the year strongly



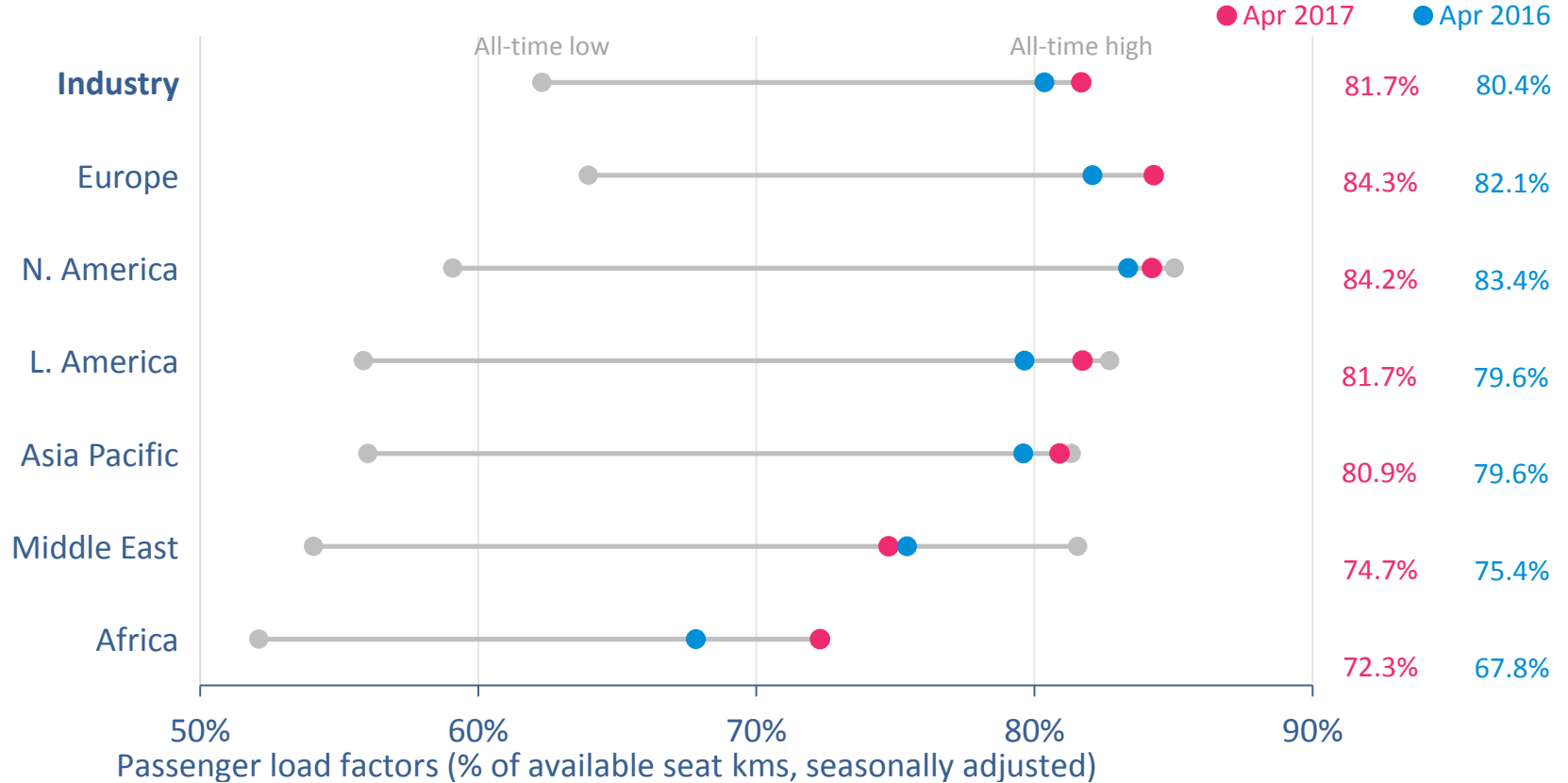
Source: IATA Economics using data from IATA Statistics and Markit

Strong growth in domestic markets

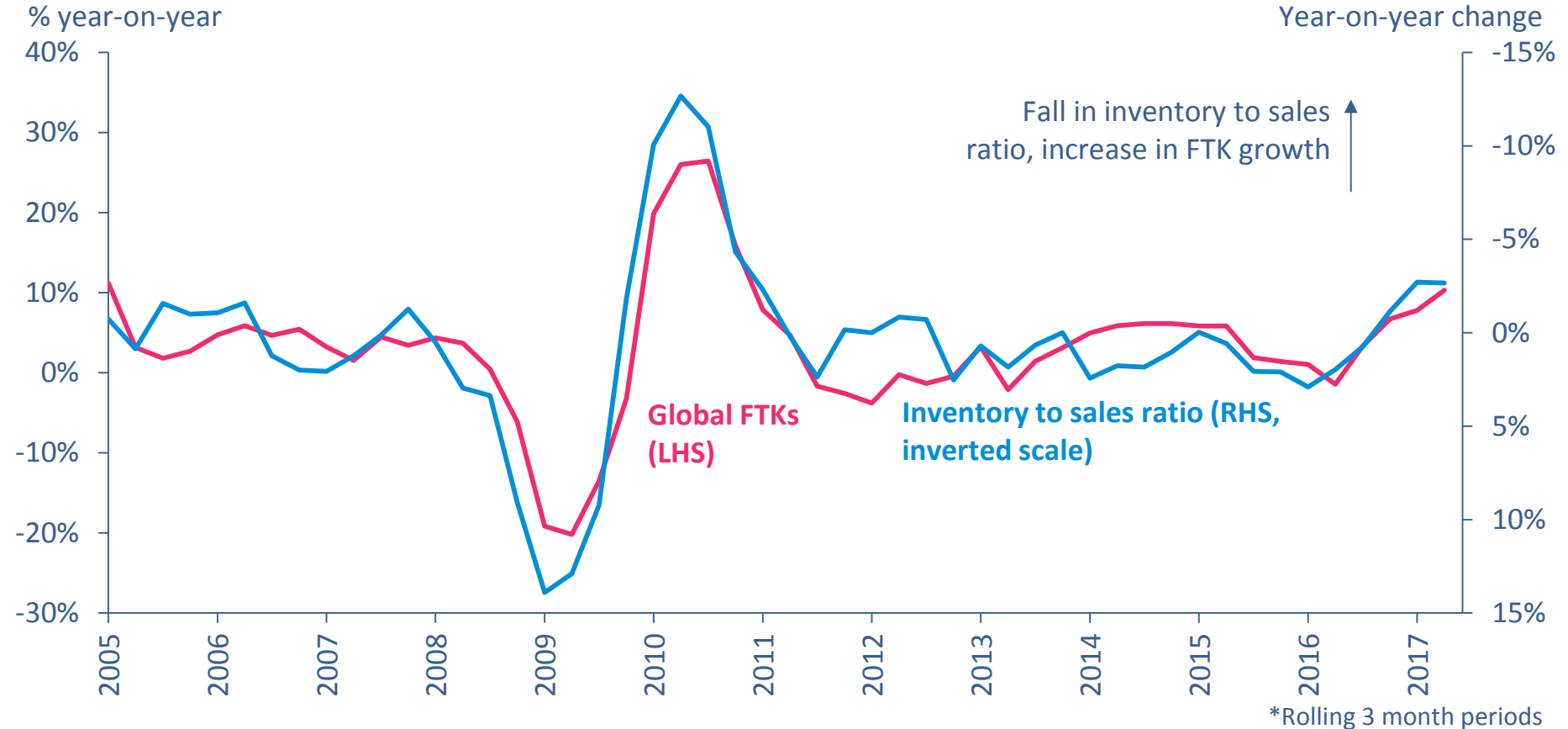


Source: IATA Economics using data from IATA Statistics

Load factors (mostly) at all-time highs

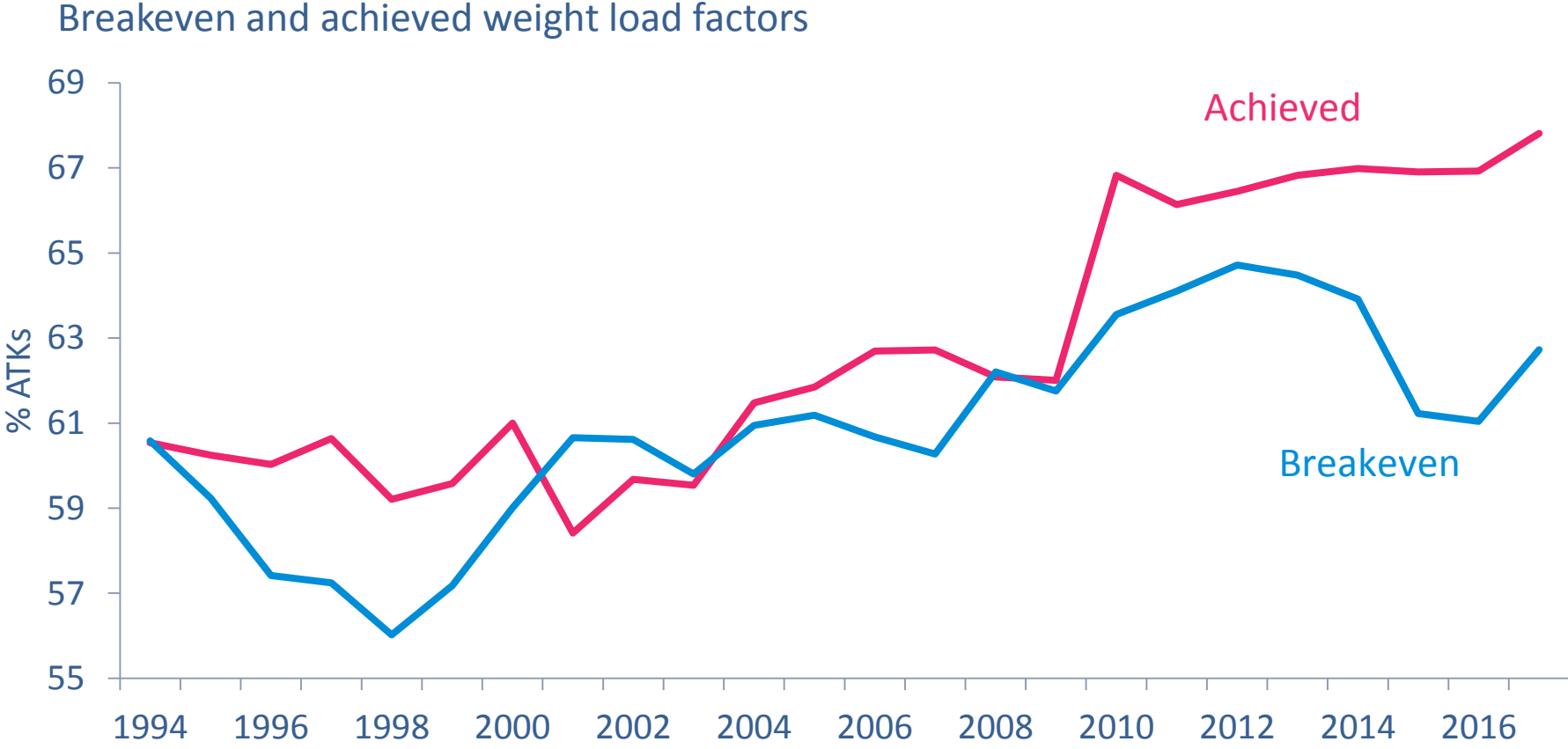


Air freight rebound driven by re-stocking



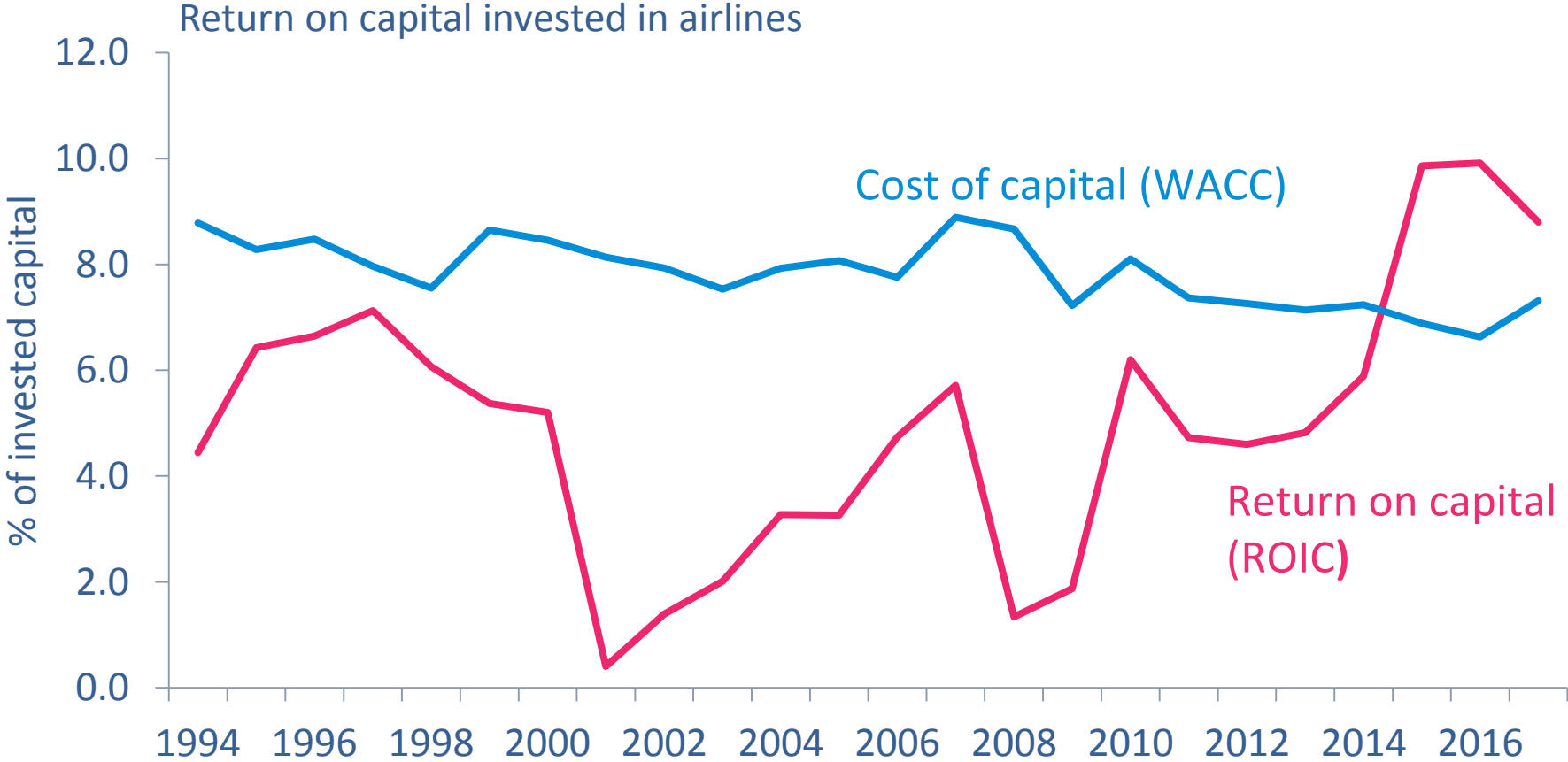
Source: IATA Economics using data from IATA Statistics and Thompson Reuters Datastream

Breakeven point rising but so are load factors



Source: IATA Economic Performance of the Airline Industry, Mid-year 2017 report

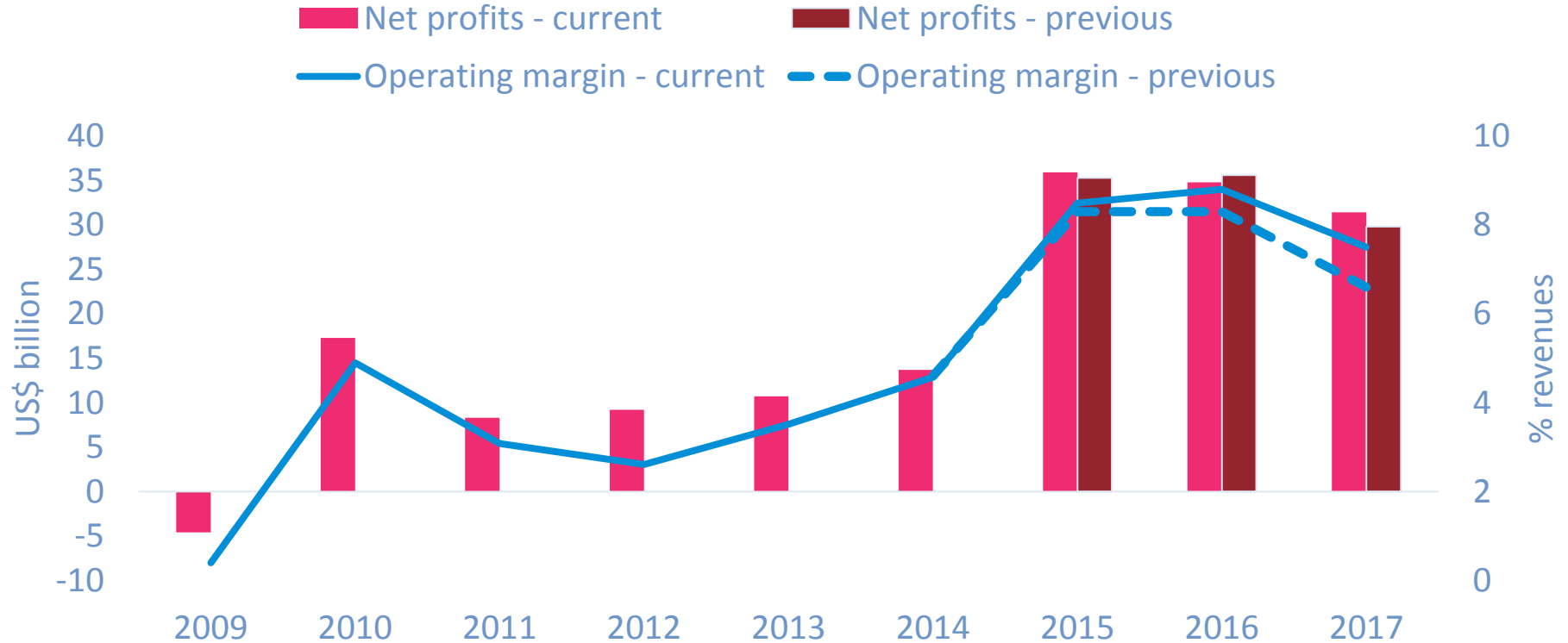
Return on capital lower but still good in 2017



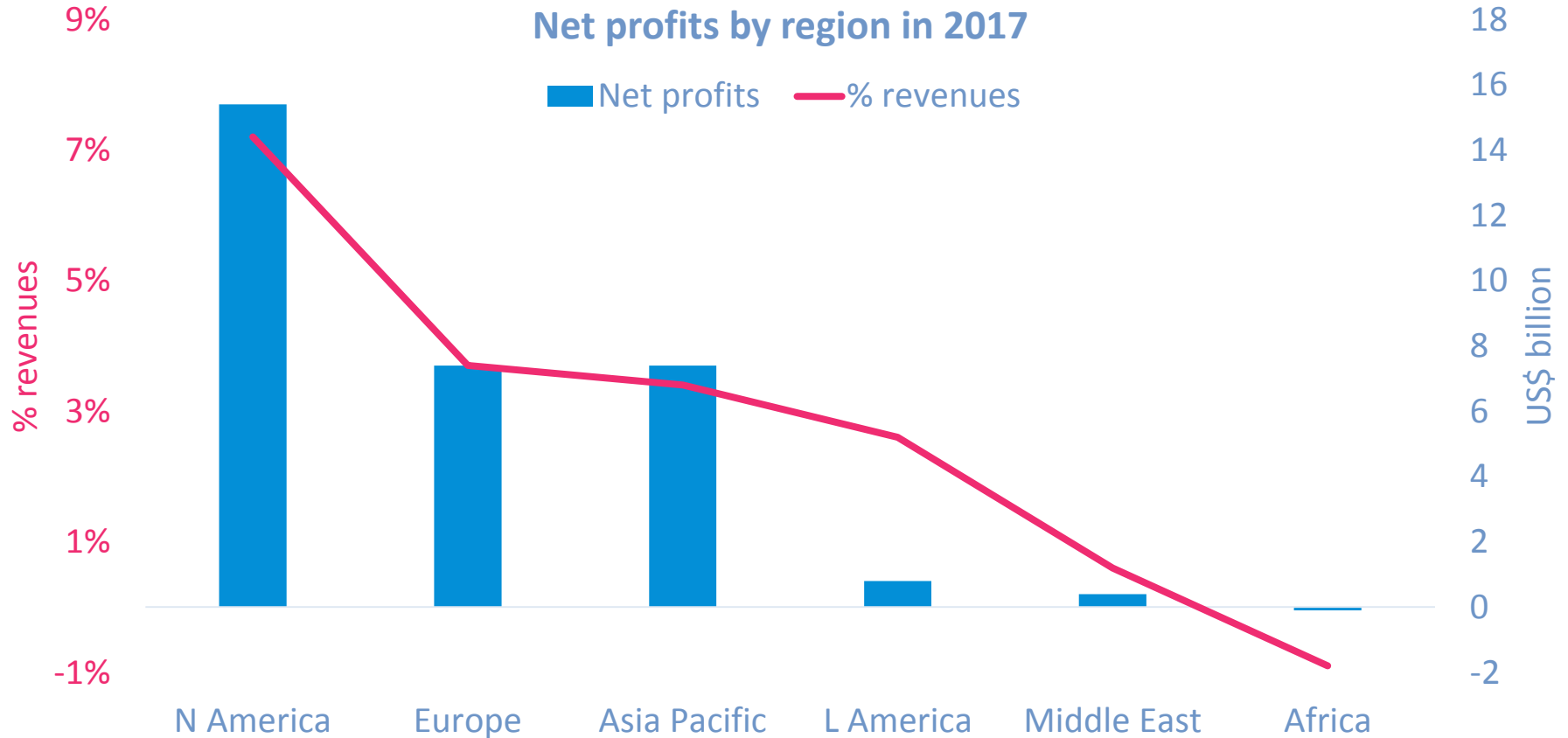
Source: IATA Economic Performance of the Airline Industry, Mid-year 2017 report

2017 profits down but upgraded

Net profits and operating margins



Regional divergence in profitability remains



Source: IATA Economic Performance of the Airline Industry, Mid-year 2017 report

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