

# State of the airline industry

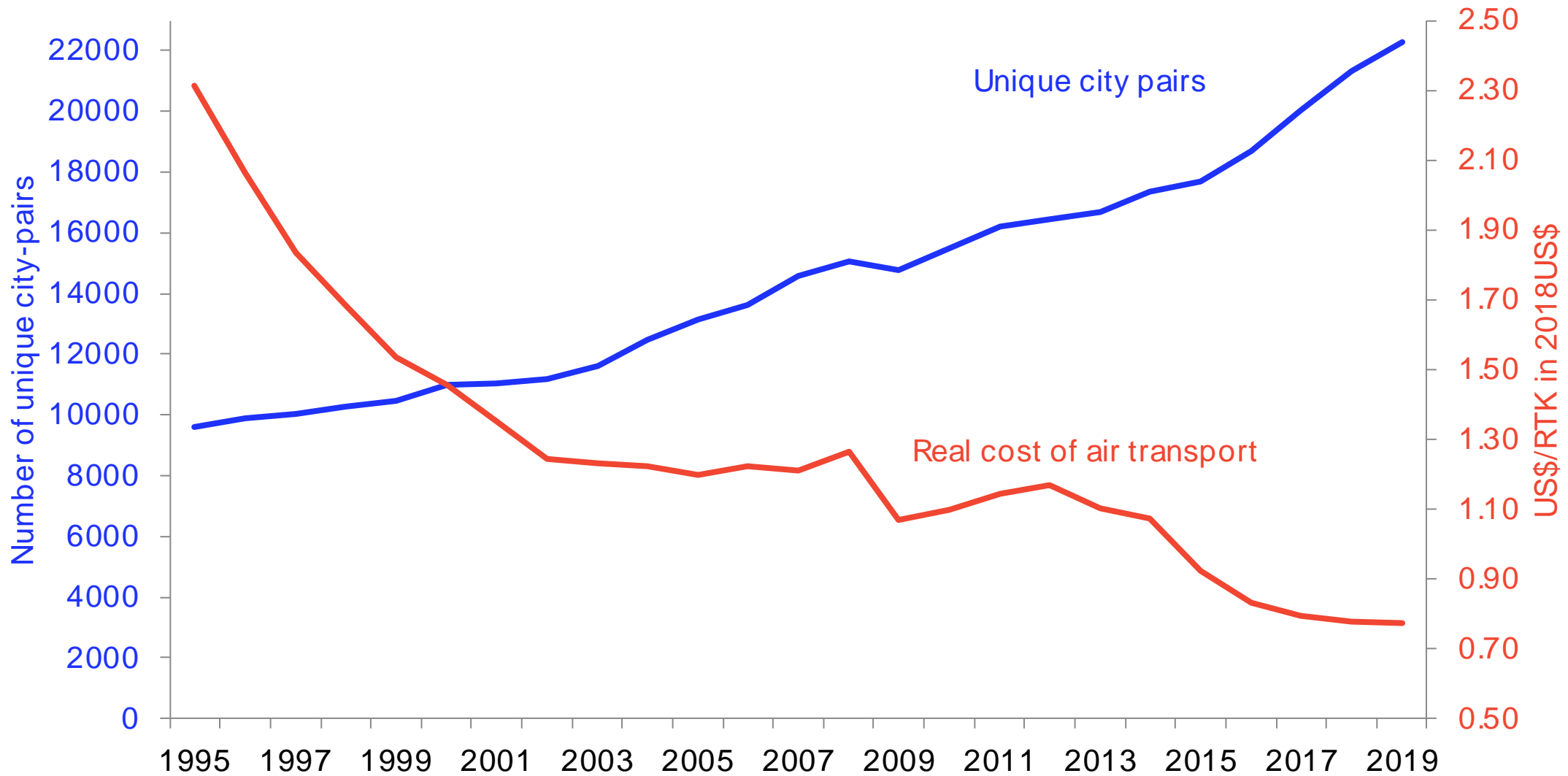
Jesper Venema  
Senior Statistician

15<sup>th</sup> September 2019



# Connecting more cities at lower cost

Unique city-pairs and real transport costs

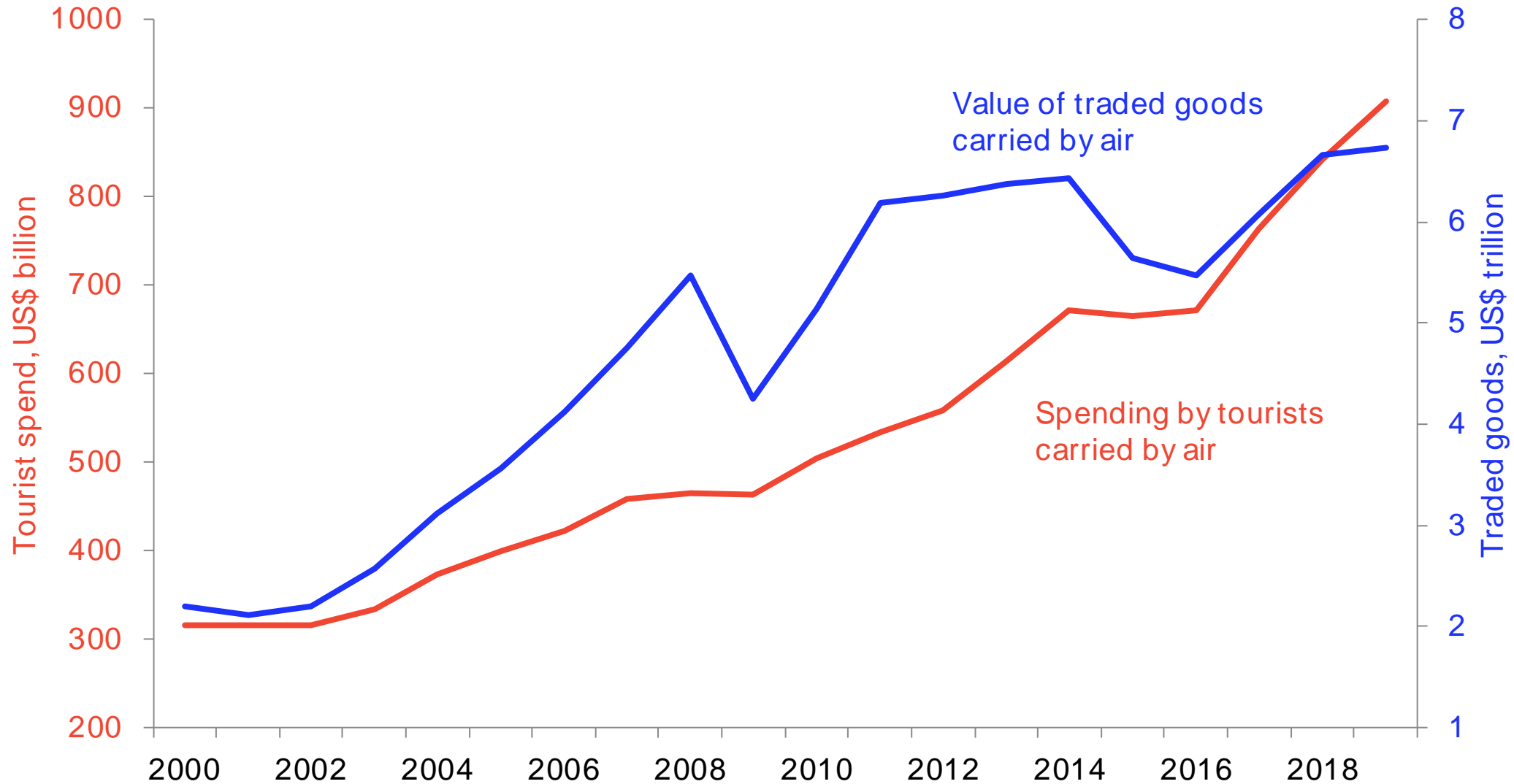


Source: IATA Economics using data from SRS Analyzer, ICAO, IATA statistics, IATA Economics forecast



# Facilitating critical economic flows

Value of trade carried by air and the spending of tourists

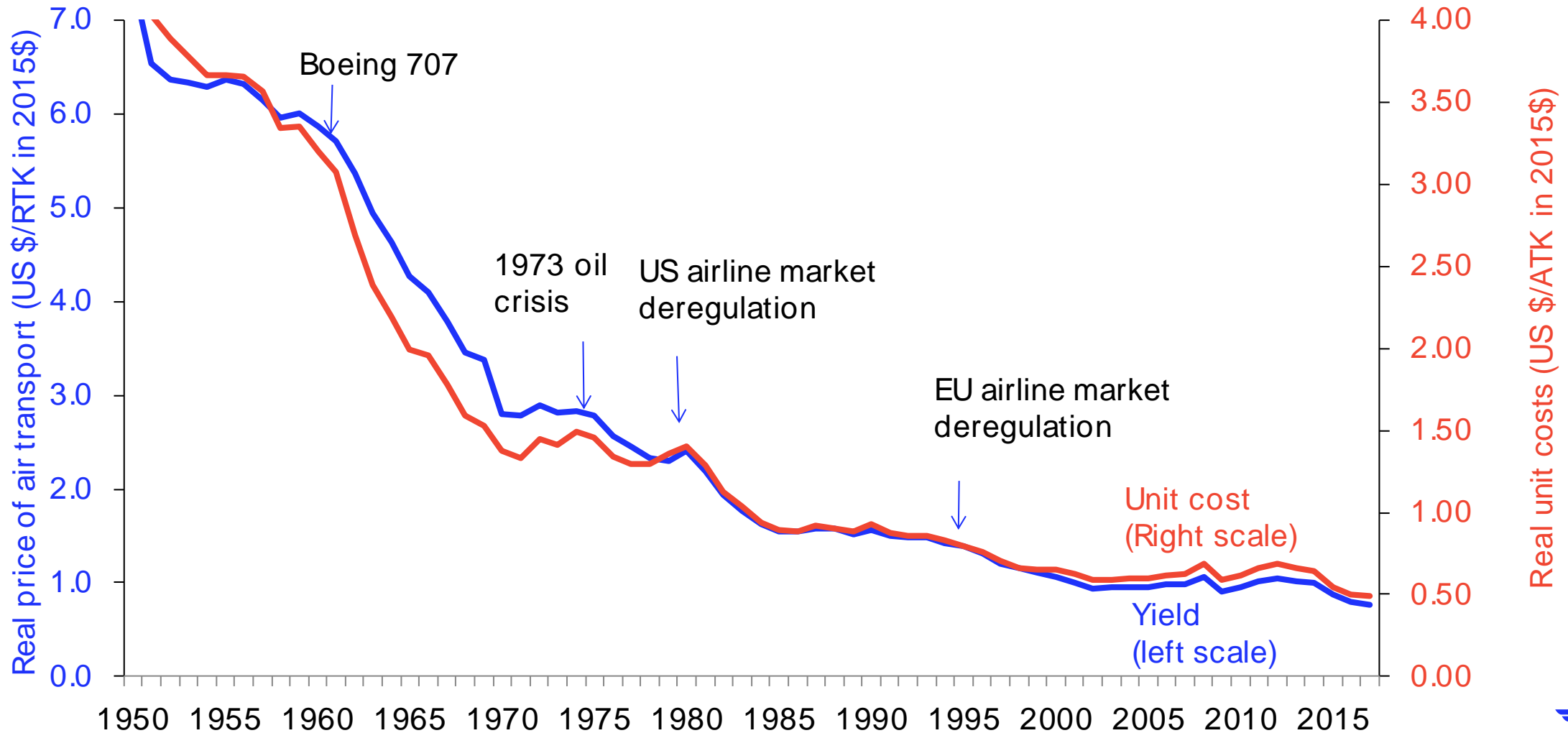


Source: IATA Economics using data from UNWTO, Oxford Economics, IATA Economics forecast



# Falling air transport costs is long established trend

Real price of air transport and real unit costs

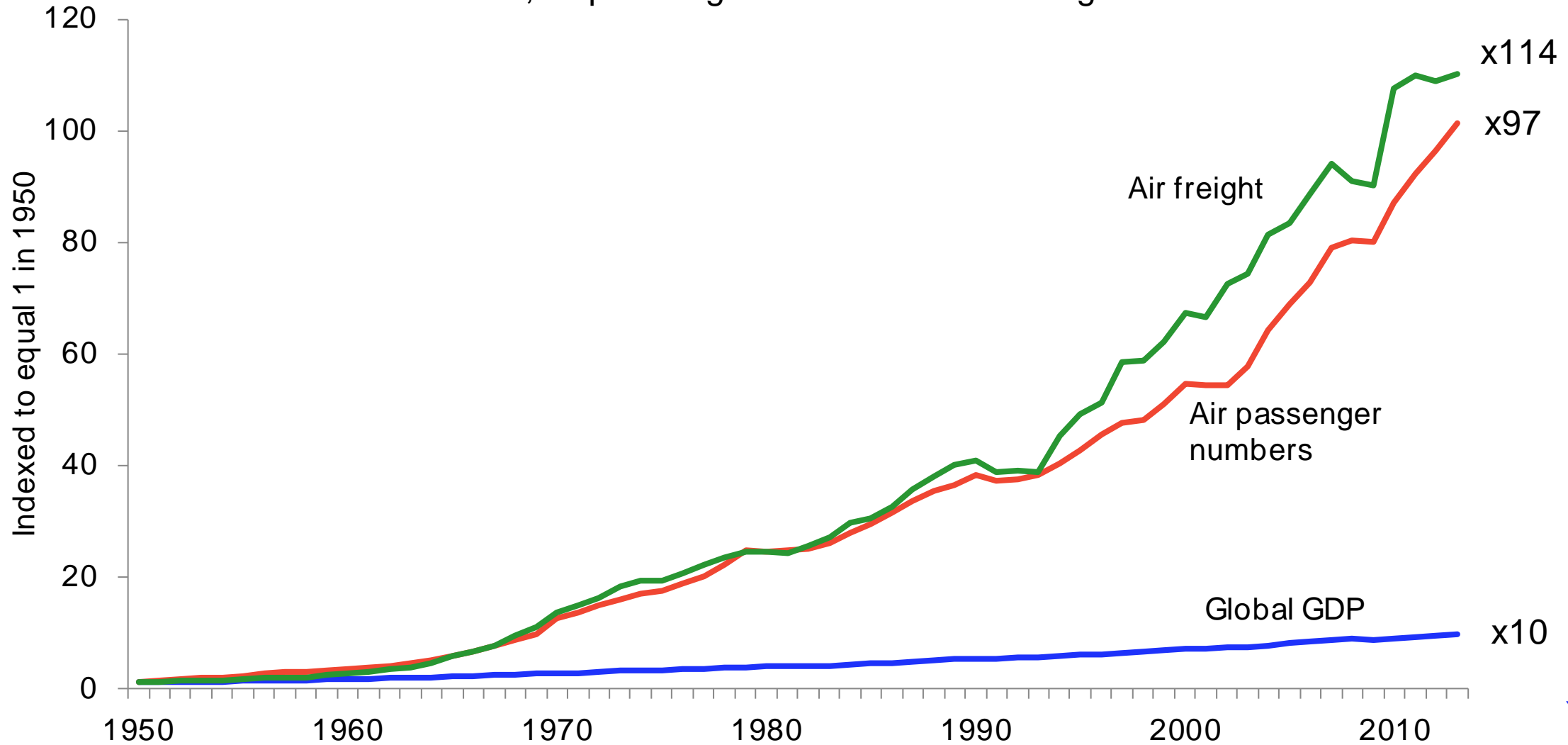


Source: IATA Economics using data from ICAO and IATA Statistics



# Growth of traffic is a measure of value to consumers

Global GDP, air passenger numbers and air freight tonnes

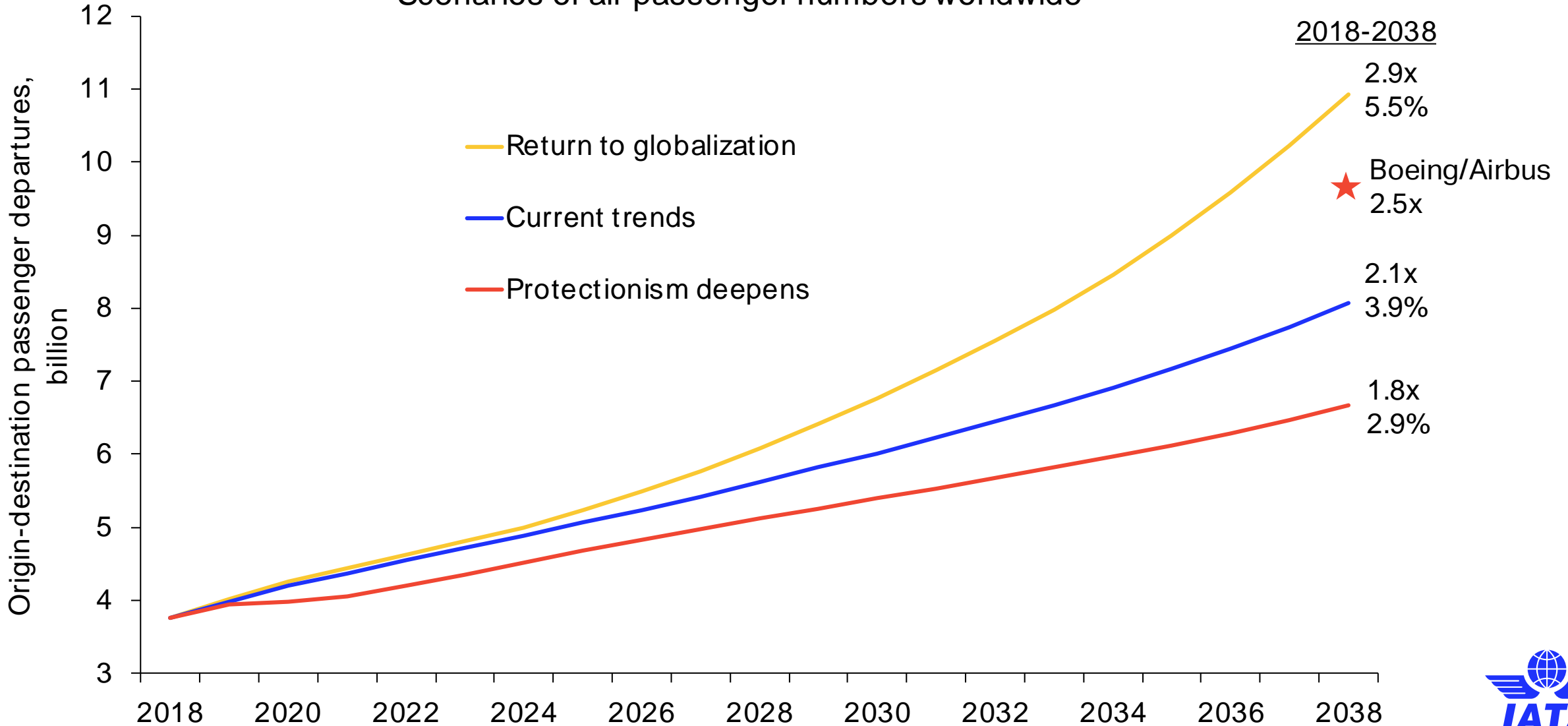


Source: IATA Economics using data from ICAO and IATA Statistics



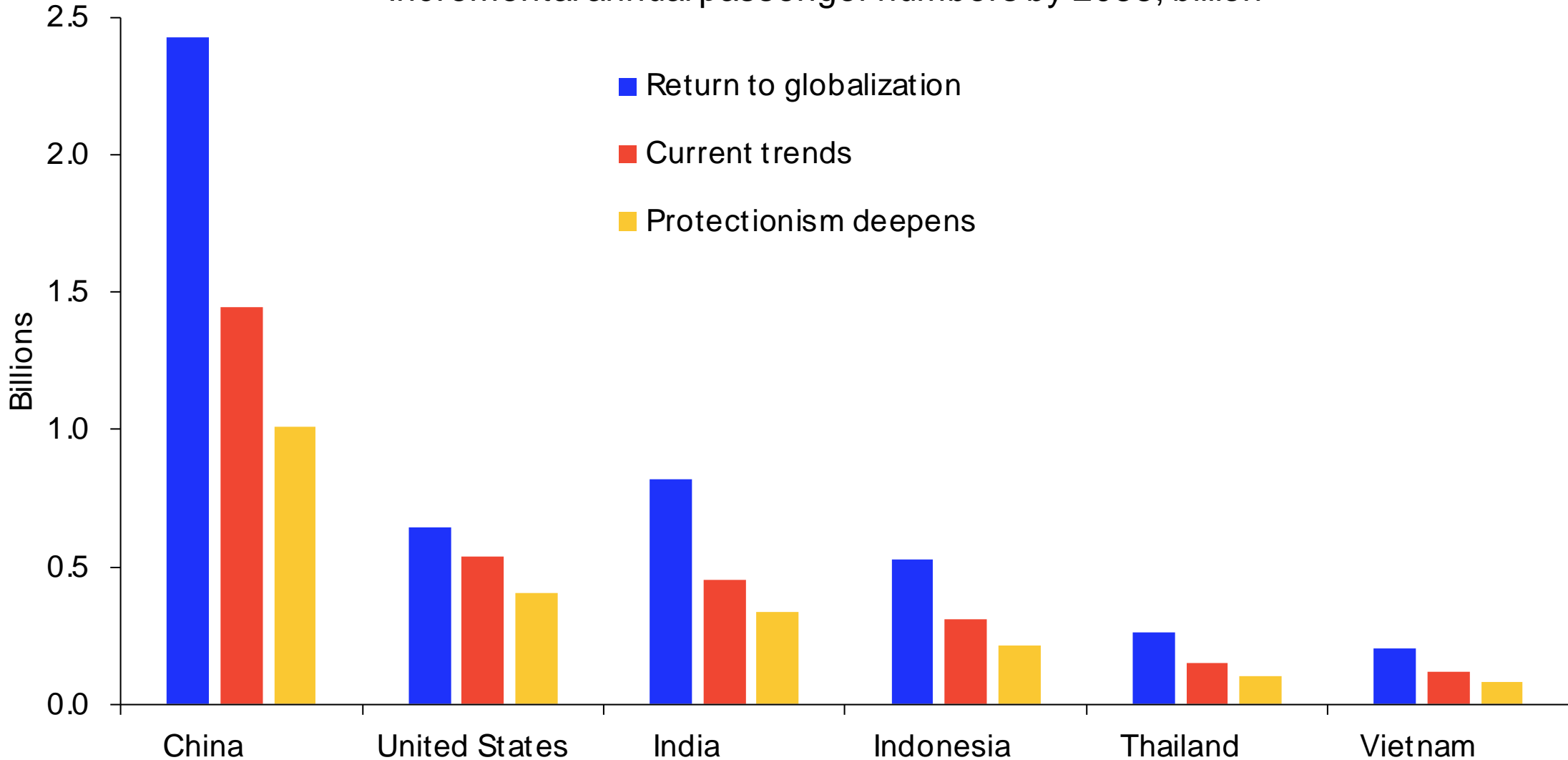
# A doubling of demand in next 20 years is likely

Scenarios of air passenger numbers worldwide



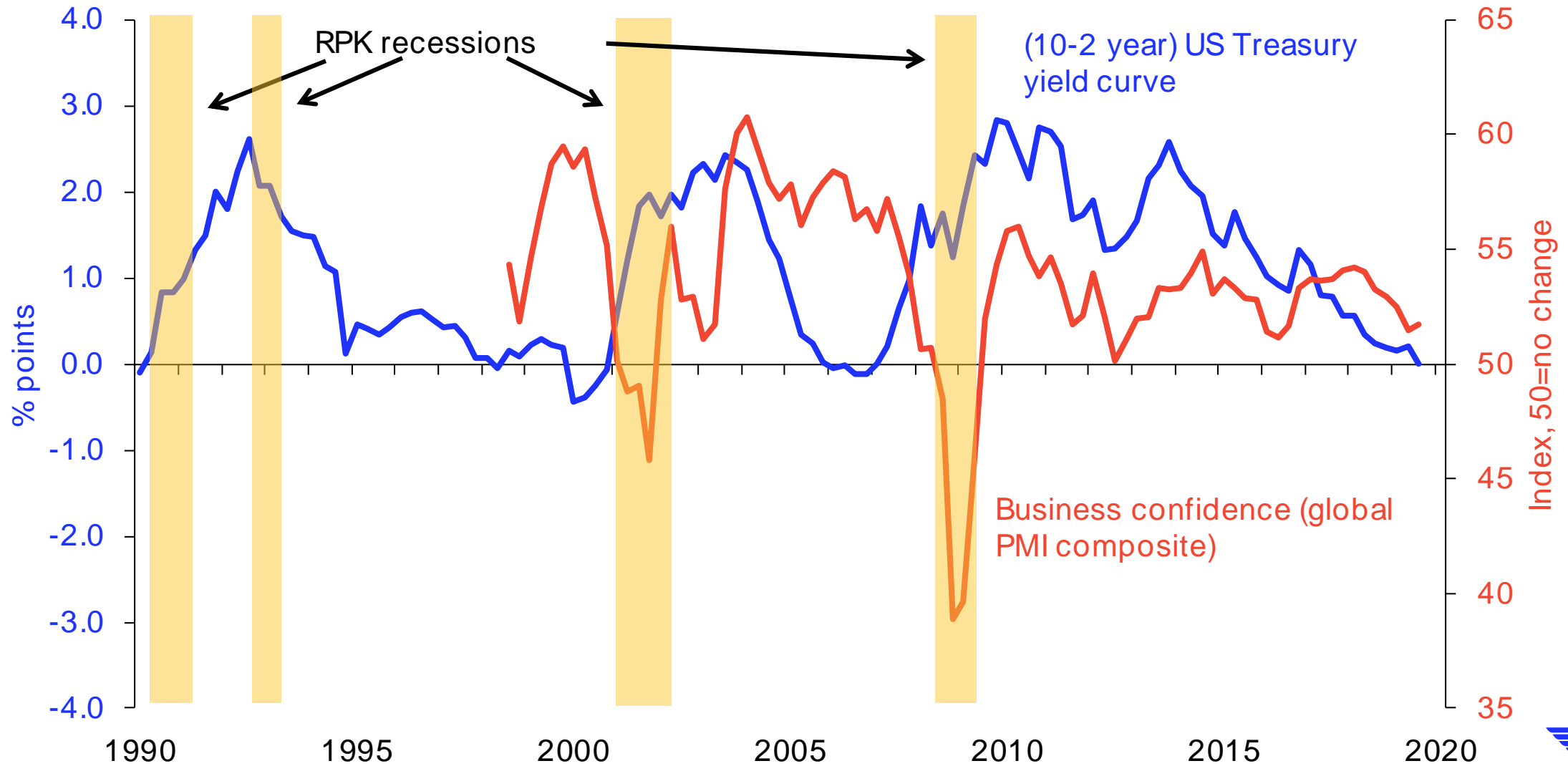
# Mostly in Asia, but large increase forecast for US

Incremental annual passenger numbers by 2038, billion



# But today the worry is about recession

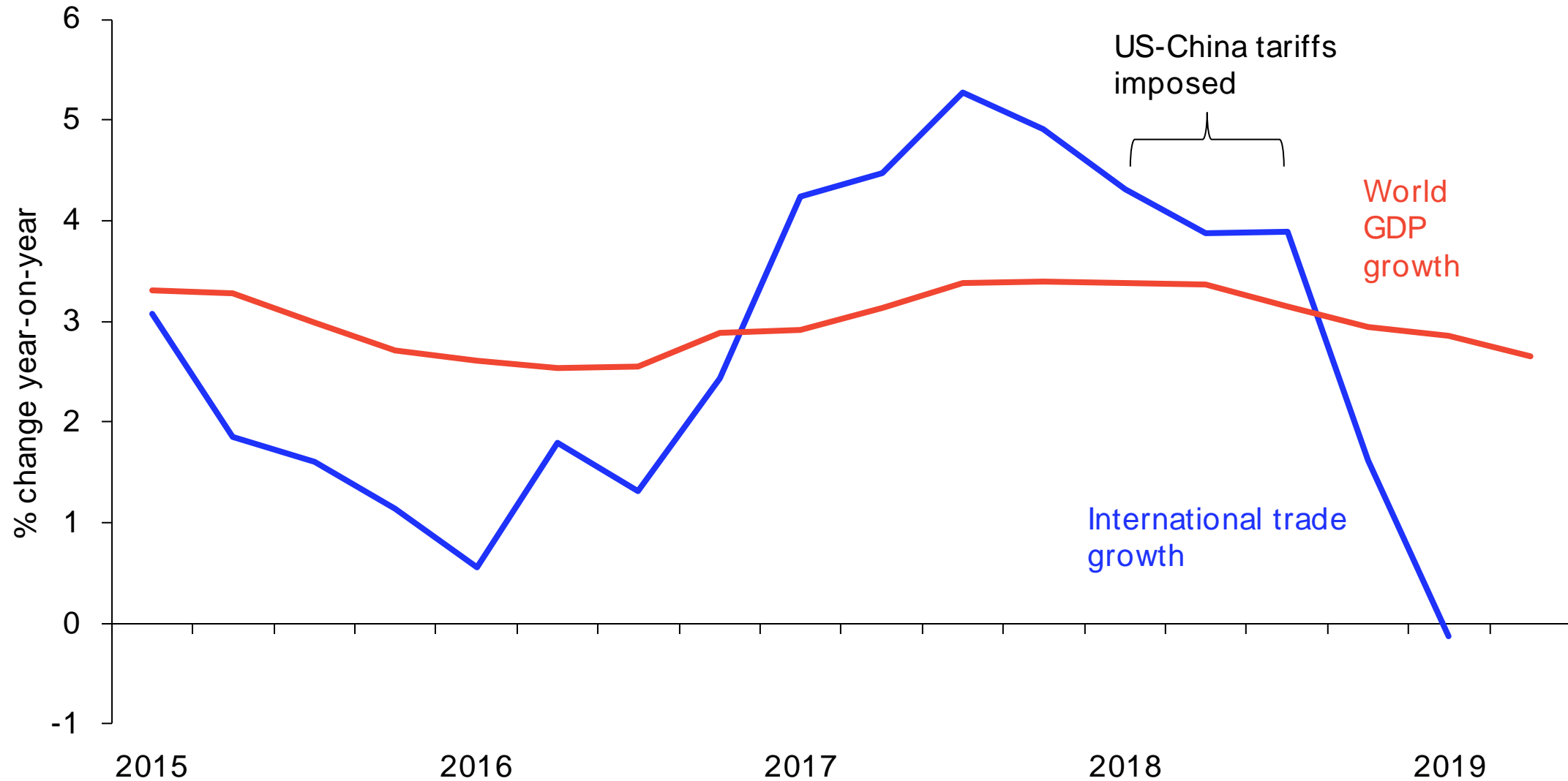
Recessions in global RPKs, business confidence & the yield curve





# In particular the collapse of international trade

World GDP and international trade growth

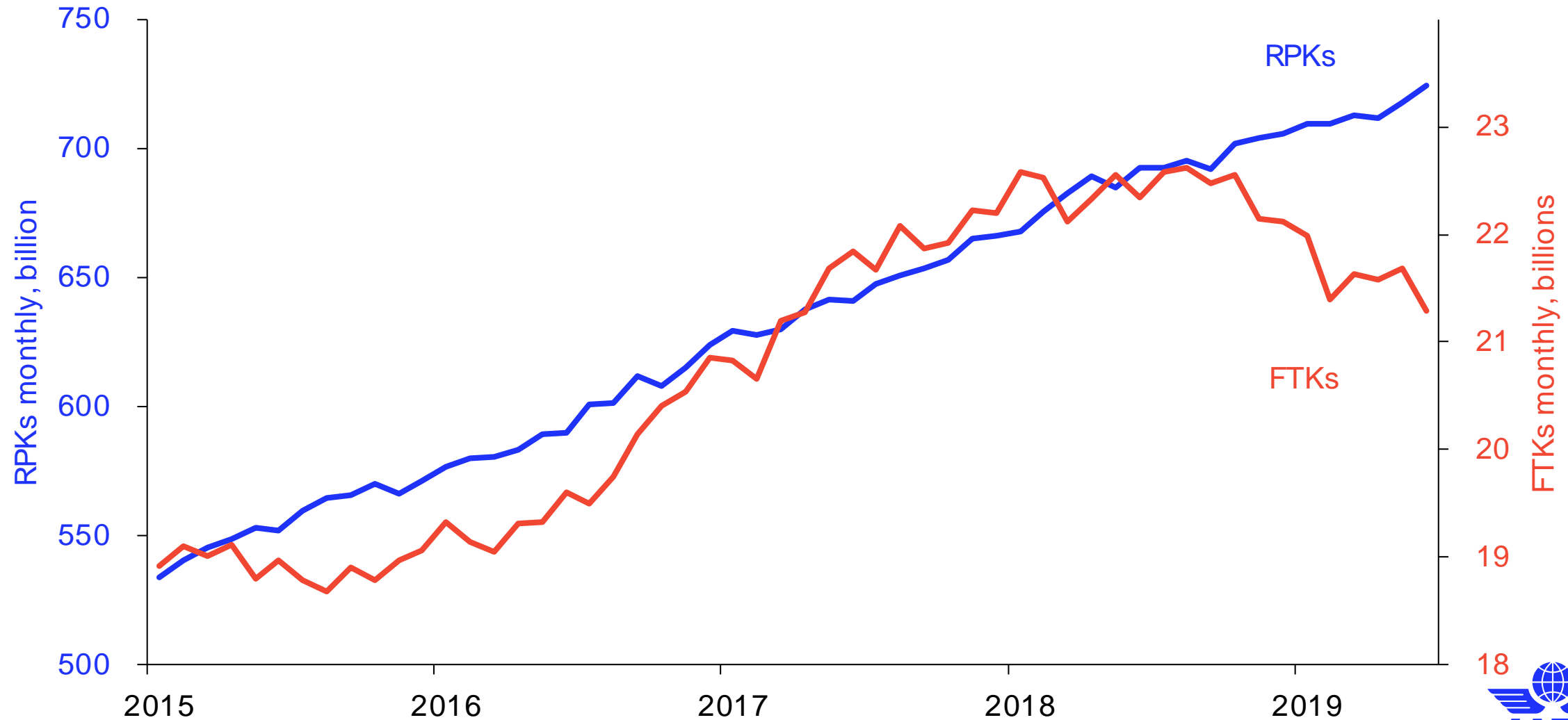


Source: IATA Economics using data from Netherlands CPB and Oxford Economics



# Air cargo volumes have shrunk, though travel is up

Global RPKs and FTKs, billions per month

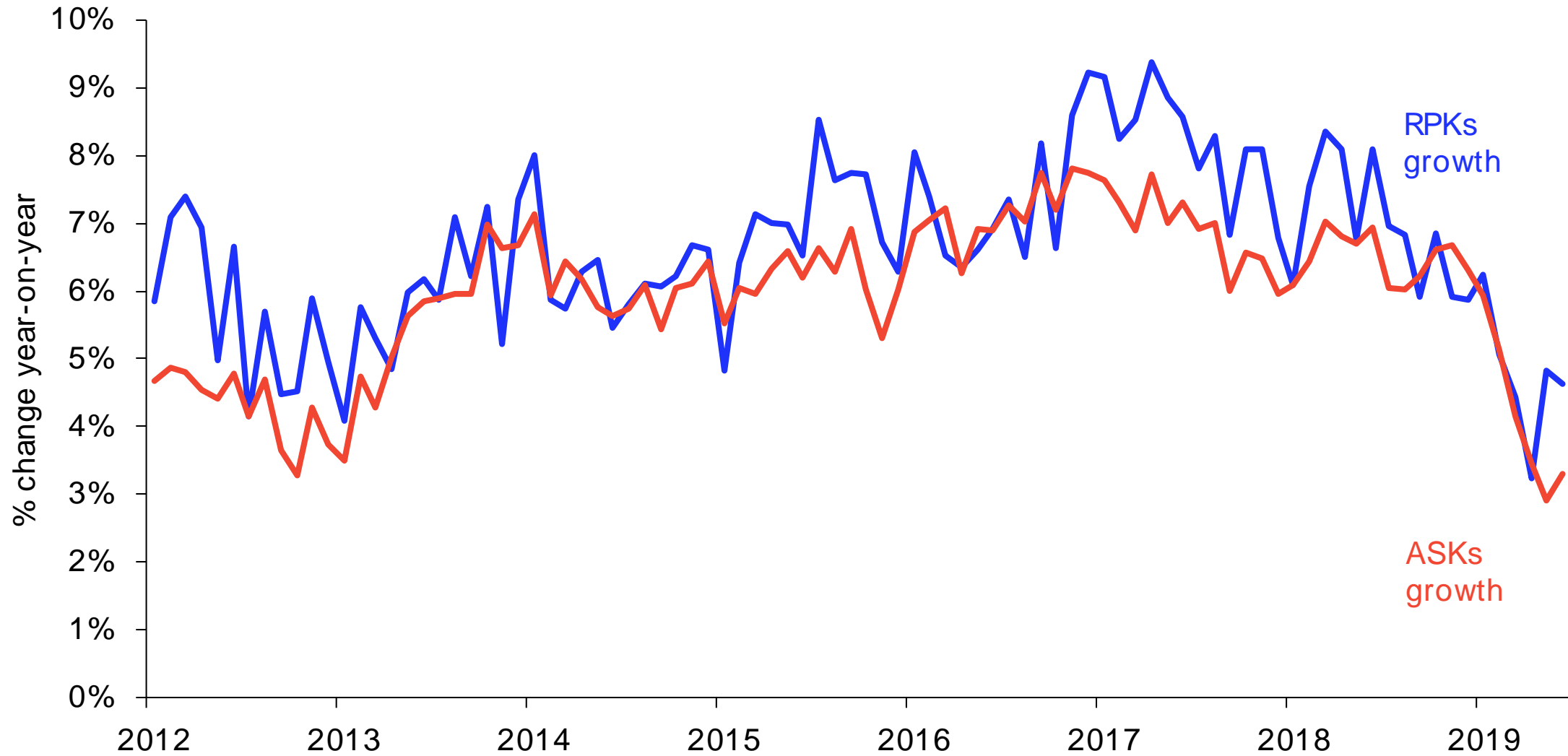


Source: IATA Economics using data from IATA Statistics



# Airlines are responding to weaker demand

Growth in global RPKs and ASKs

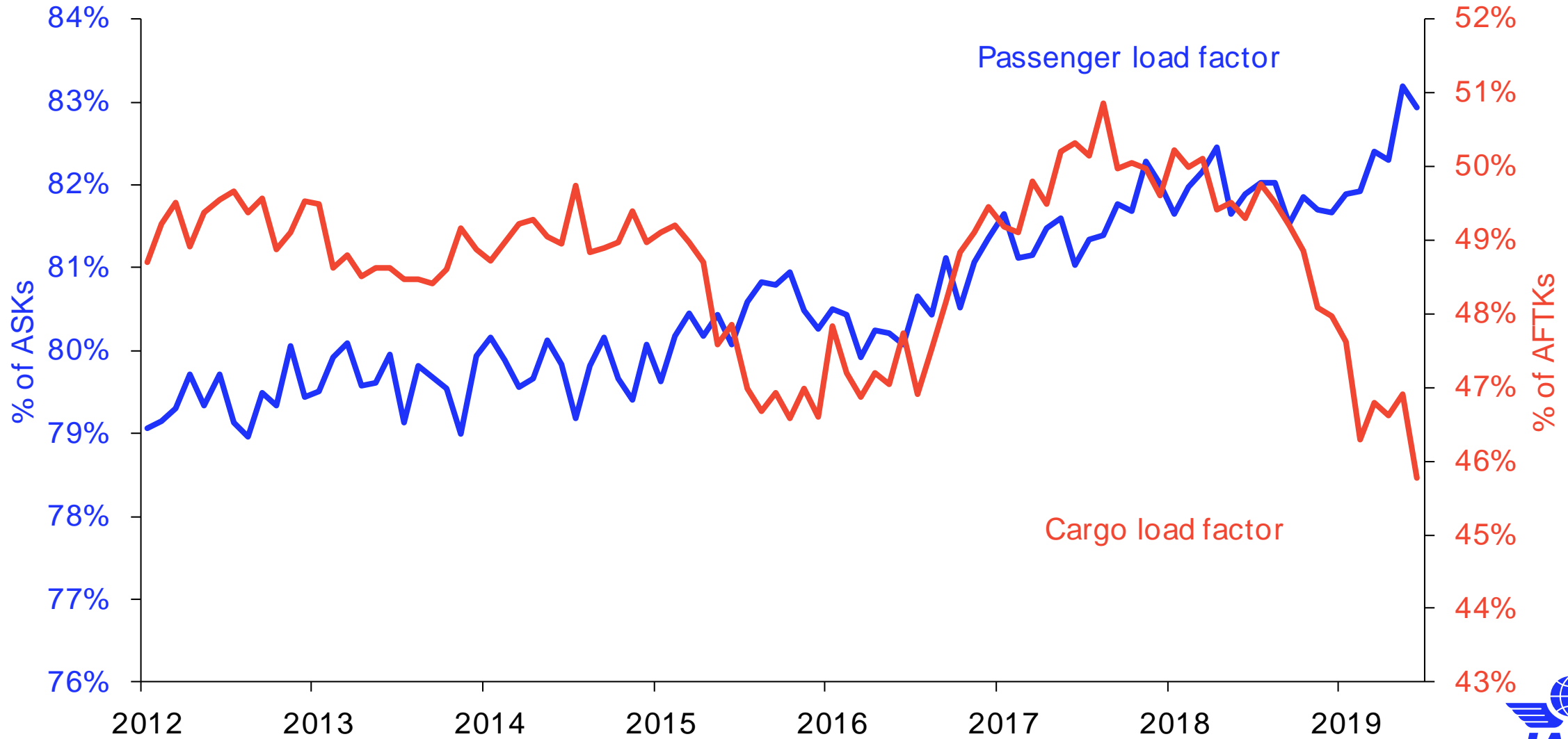


Source: IATA Economics using data from IATA Statistics



# But the cargo business remains under pressure

Global passenger and cargo load factors

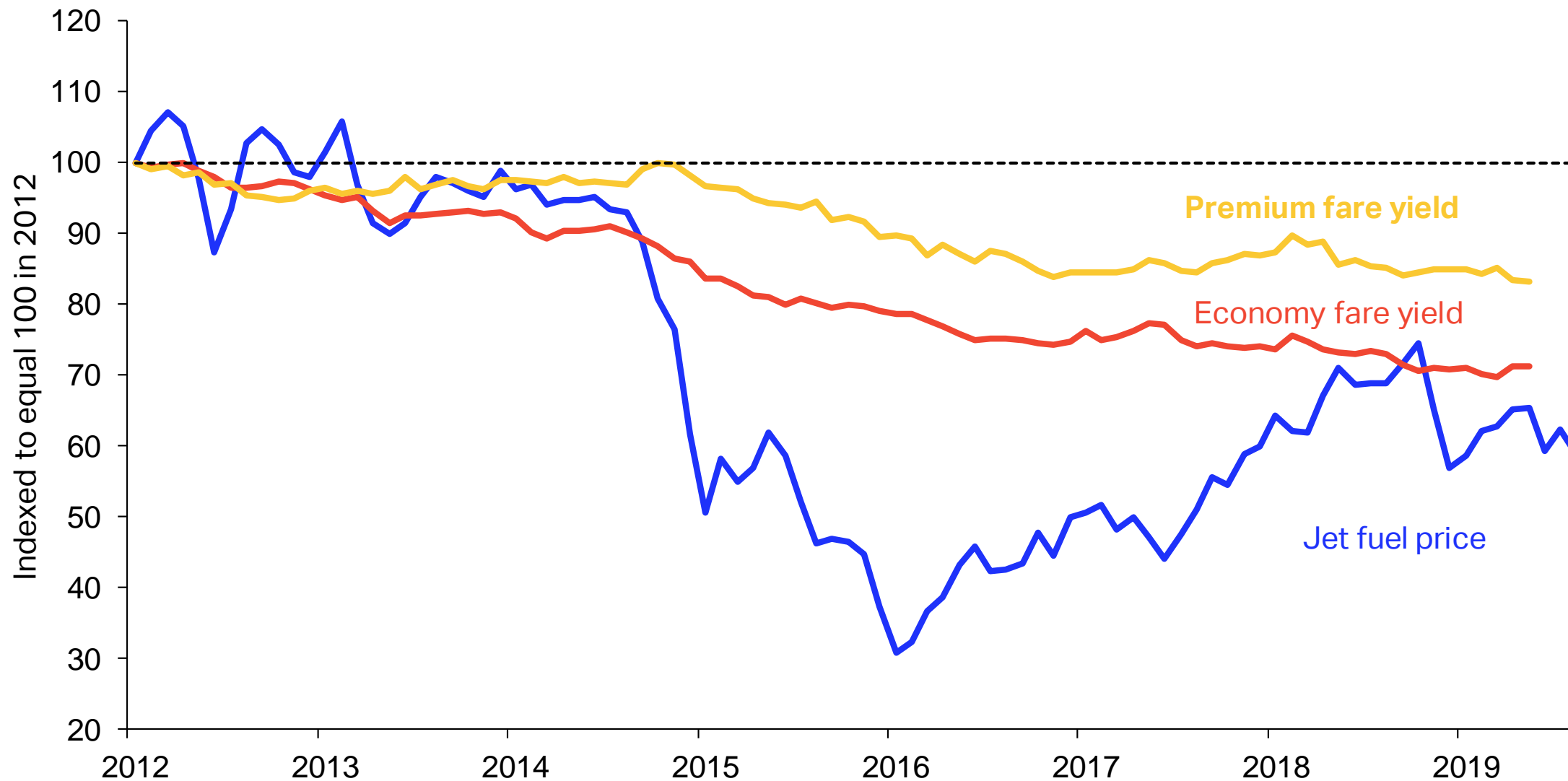


Source: IATA Economics using data from IATA Statistics



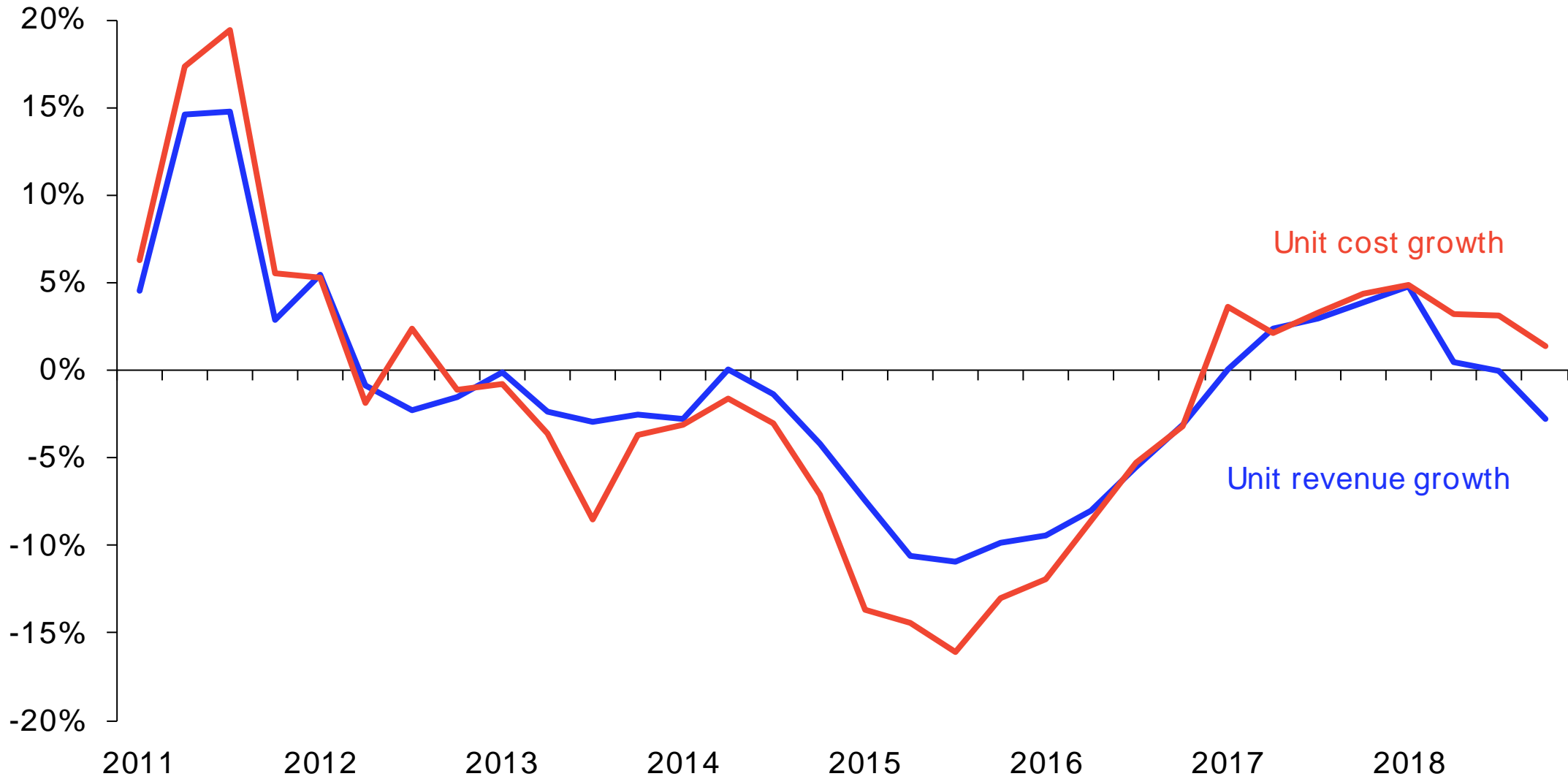
# Fuel costs now falling but so are fares

Jet fuel price and base fare yields for economy and premium seats



# Costs and cost recovery are key challenges today

Unit cost and unit revenue growth

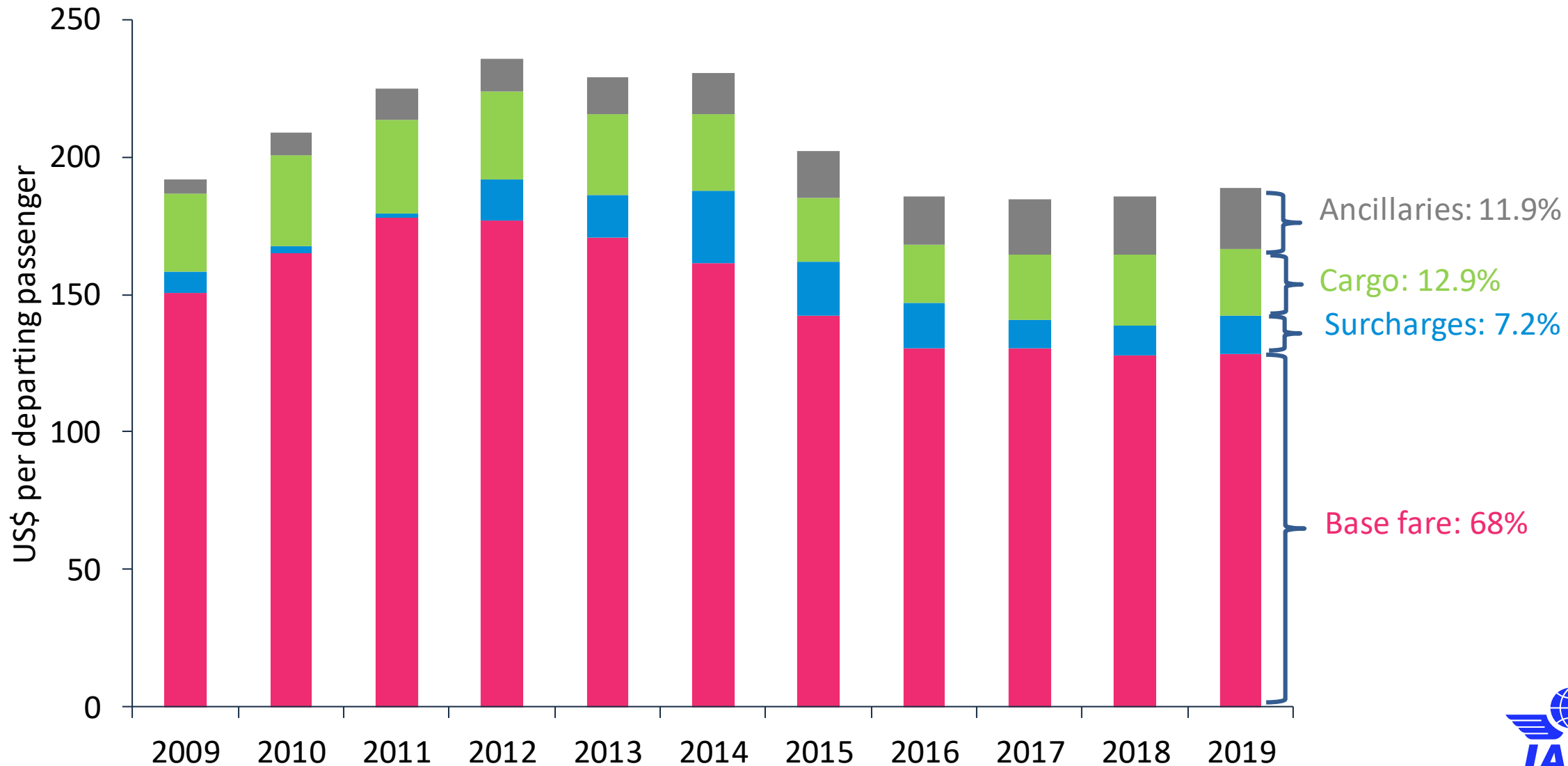


Source: IATA Economics using data from The Airline Analyst

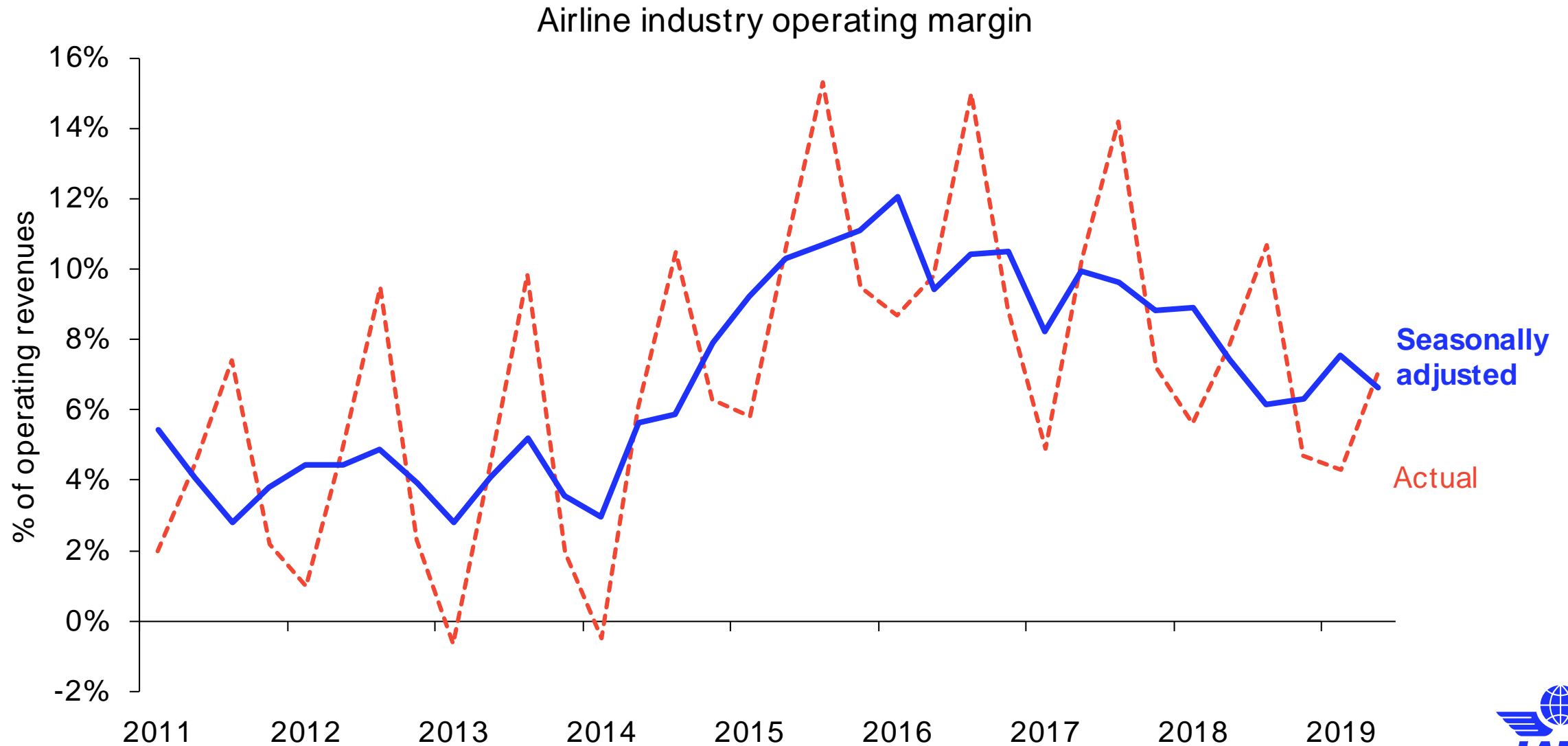


# Ancillaries starting to help recover costs

Airline revenue per passenger, US\$



# But airline industry profit margins trending down



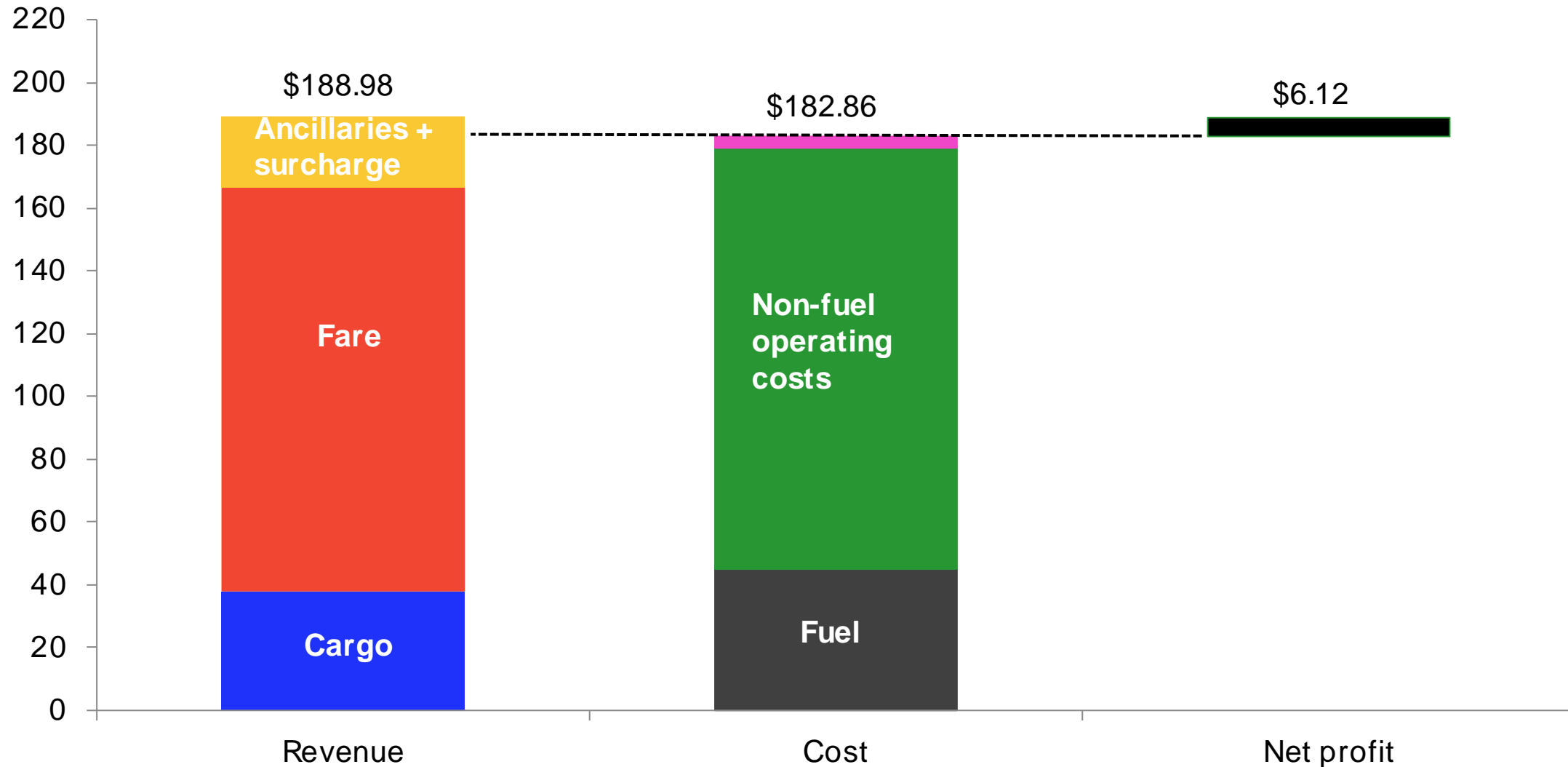
Source: IATA Economics using data from The Airline Analyst





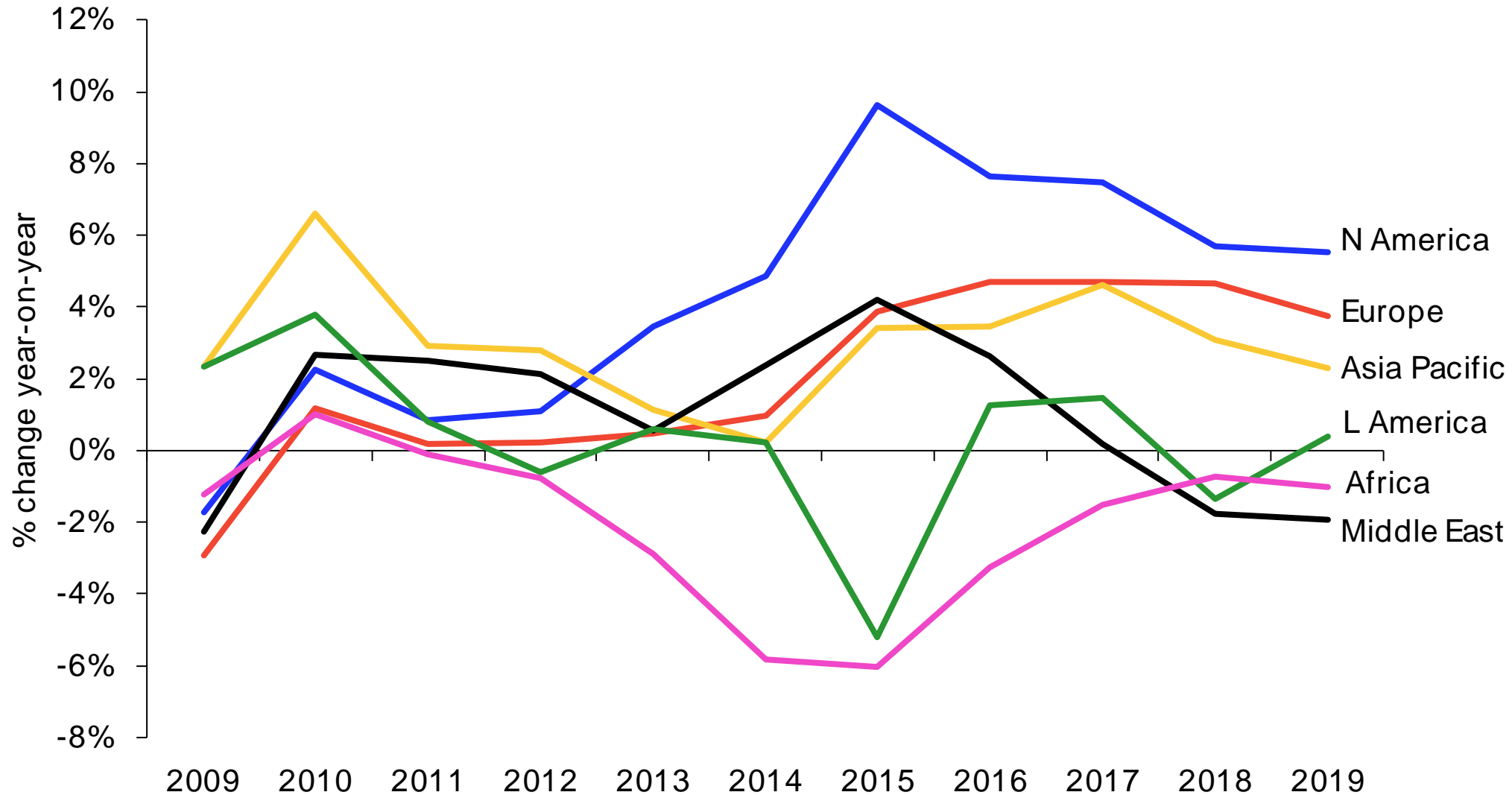
# Airline industry profit margins remain thin

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



# Profitability varies widely across regions

Net post-tax profit margins

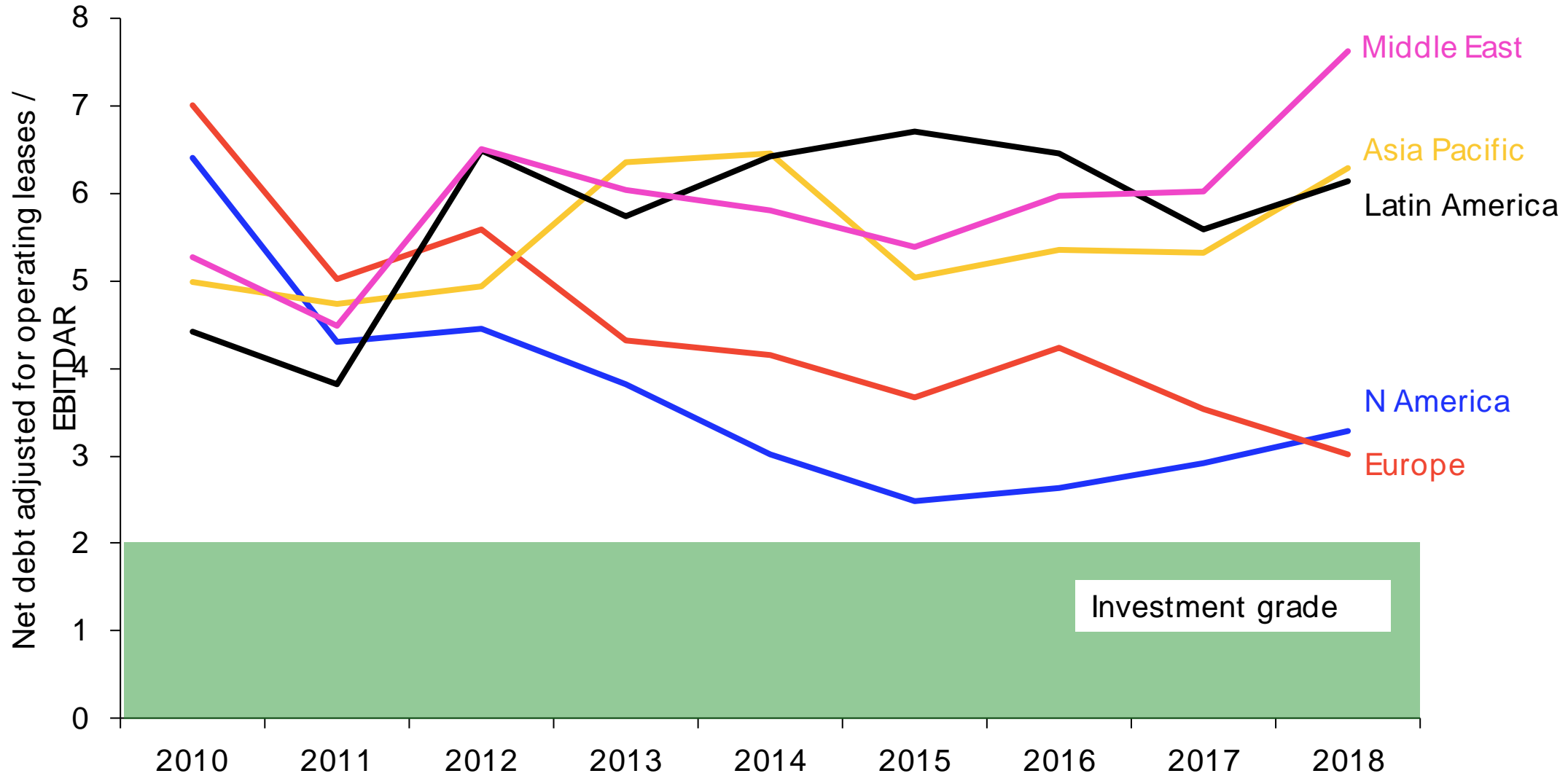


Source: IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019



# Excessive debt remains a concern in some regions

Net debt as a ratio of EBITDA



Source: IATA Economics using data from The Airline Analyst



# Thank you

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