

# AIRLINES INDUSTRY OUTLOOK

## FOR 2016

Industry outlook for 2016 which sees an average net profit margin of 5.1% being generated with total net profits of \$36.3 billion.

**2016**

**\$36.3 billion**

**5.1%**

IATA also announced a revision to its airline industry outlook for 2015 upwards to a net profit of \$33 billion (4.6% net profit margin) from \$29.3 billion forecast in June.

**2015**

**\$33 billion**

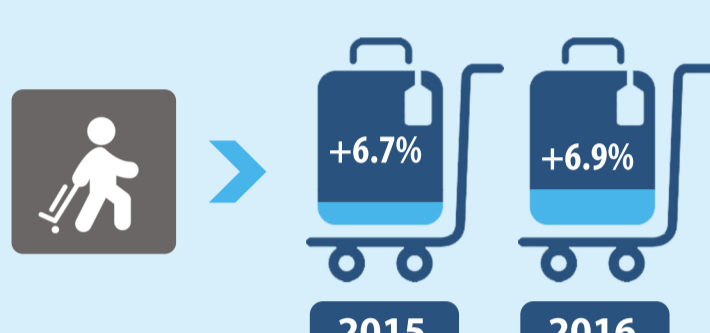
**4.6%**

## What factors are strengthening the industry performance

Oil prices (forecast to be \$55/barrel Brent in 2015 and averaging a lower \$51/barrel in 2016)



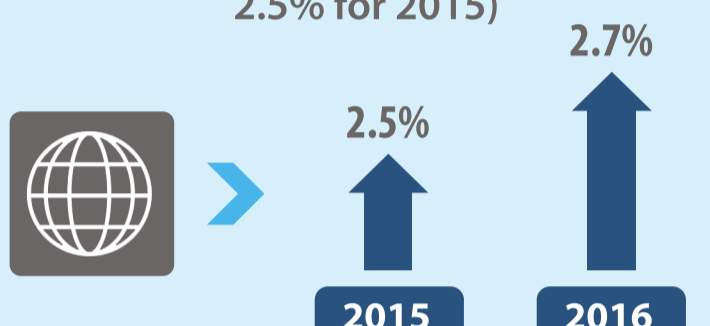
Passenger travel (+6.7% growth in 2015 and +6.9% in 2016)



Cargo demand growth (+1.9% in 2015; strengthening to 3.0% in 2016)



Global GDP growth is expected to improve to 2.7% in 2016 (up from 2.5% for 2015)

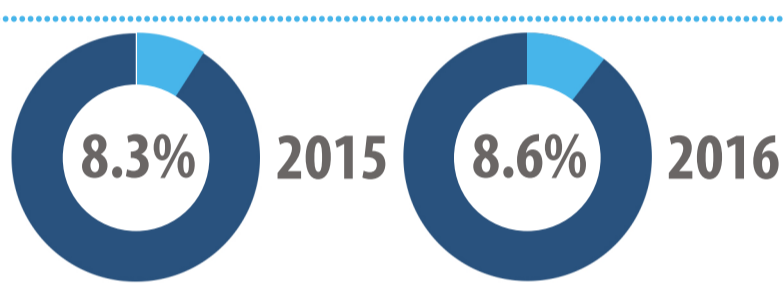


In 2016 total passenger numbers are expected to rise to 3.8 billion traveling over some 54,000 routes

**2016** > **3.8 billion** > **54,000 routes**

## Profitability

In both 2015 and 2016 the industry's return on capital (8.3% and 8.6% respectively) is expected to exceed the industry's cost of capital (estimated to be just under 7.0% in 2015 and 2016 because of low bond yields).



On average airlines will still make less than \$10 per passenger carried.

## 2016 Trends

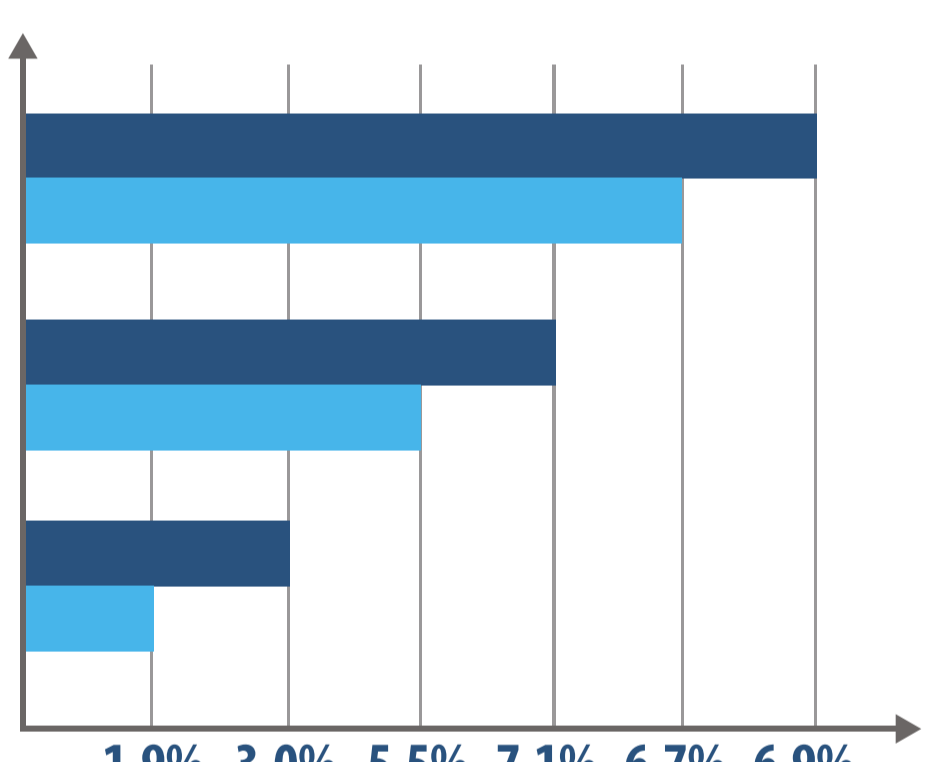
Revenues are expected to rise by 0.9% to \$717 billion in 2016. Industry revenues peaked in 2014 at \$758 billion, then declined to \$710 billion in 2015

The demand for passenger travel is expected to grow by 6.9% (similar to the 6.7% growth expected in 2015) with 3.8 billion passengers expected to travel in 2016

Passenger capacity is expected to grow slightly ahead of demand at 7.1% which is an acceleration from the 5.5% capacity expansion in 2015

Demand for air cargo is expected to accelerate in 2016 to 3.0%, ahead of the 1.9% growth in 2015.

■ 2015 ■ 2016



The air cargo industry is expected to uplift 52.7 million tonnes of cargo in 2016.

The cost of travel and shipping is expected to continue to decline with average yields for passengers falling 5% and cargo falling by 5.5% in 2016.

## Regional Differences

2015	Net Profit	Net Margin	Profit per Passenger
<b>Global</b>	\$33.0b	4.6%	\$9.31
<b>North America</b>	\$19.4b	9.5%	\$22.48
<b>Europe</b>	\$6.9b	3.5%	\$7.55
<b>Asia Pacific</b>	\$5.8b	2.9%	\$4.89
<b>Middle East</b>	\$1.4b	2.3%	\$7.19
<b>Latin America</b>	-\$0.3b	-0.9%	-\$1.05
<b>Africa</b>	-\$0.3b	-2.1%	-\$3.84

2016	Net Profit	Net Margin	Profit per Passenger
<b>Global</b>	\$36.3b	5.1%	\$9.59
<b>North America</b>	\$19.2b	9.5%	\$21.44
<b>Europe</b>	\$8.5b	4.3%	\$8.80
<b>Asia Pacific</b>	\$6.6b	3.2%	\$5.13
<b>Middle East</b>	\$1.7b	2.6%	\$7.97
<b>Latin America</b>	\$0.4b	1.1%	\$1.26
<b>Africa</b>	-\$0.1b	-0.5%	-\$0.93

Source: IATA Economic Performance of the Airline Industry