An Economist's View of the Global Aviation Industry

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Boeing 100 years ago
Boeing today

Our market is global

source: Flight tracker
Global air transport industry with a good year 2016
... despite challenging economic environment

2.3% 6.3% 3.8% $36B
GDP growth Passenger traffic Cargo traffic Airline profits

Source: IHS Markit Economics, IATA, BCA analysis

Global growth modest and uneven across regions

Real GDP growth

Fastest growing markets in Asia
US & EU slow but steady

Commodity exporting countries underperforming
(Mid East, CIS, Latin Am.)

Source: IHS Markit Economics

Below trend growth, but acceleration forecast for 2017+
Oil prices are rising again … but remain relatively low

- Airline profitability, growth opportunities
- Less urgent replacement demand
- Volatility: Efficient airplanes as operating hedge

Baseline: $73/bbl in 2020

Source: PIRA

Strong consumer economy is driving growth … helping travel demand

- Consumer remains strong
- IP weakness pulled down GDP growth since 2014, 2017 looking better

Source: IHS Markit Economics
Air passenger traffic is resilient

Source: IATA, BCA calculations

Air passenger traffic outperformed air cargo
Weak global trade weighing on air cargo since 2008, but recent recovery

Source: IATA, CPB Netherlands, BCA calculations
Air cargo volumes recovered from cyclical low
Closely linked to industrial production, world trade

Global trade recovery lifting air cargo growth

Air cargo traffic recovery in 2016 expected to continue
Uncertainties remain elevated
... impacting individual customers

Global air transport market expectations for 2017
Slight moderation but at high level

5.5% - 6%
Passenger traffic growth

3.5% - 4%
Cargo traffic growth

$29B
Airline profits
Aviation is a truly global and interconnected industry
Strong, growing demand despite challenging economic environment
Robust long-term growth prospects in a diverse and dynamic market