

Continuing Professional Development Certificate

Is the financially healthy global airline industry just a temporary change?

Date: Thursday 19 October 2017

Time: 1.15pm - 2.00pm

Speaker:

Brian Pearce, Chief Economist, IATA

In this IIL lecture Brian Pearce talked about the dramatic improvement in airline industry profitability since 2015, following decades of shareholder value destruction, its breadth and durability, and what this could mean for London's insurance industry. He explained that until 2015 the global airline industry had never generated a return on invested capital that reached the industry's cost of capital; on average investors' capital was destroyed at a rate of \$20 billion a year. That all changed in 2015. Since then the industry has delivered above-cost-of-capital returns. There have been structural changes, particularly in the US, suggesting this transformation has some durability. One view is that the industry may not be as risky an investment as it was. But the US experience is not yet widespread, low fuel costs may be either transitory or a generator of excess capacity, and there were some major disruptors on the horizon.

By the end of this lecture, members would have gained an insight into:

- Why the airline industry has only recently generated 'normal' investment returns;
- How durable and widespread was the transformation;
- Why this mattered for the wider economy.



This lecture or podcast can be included as part of your CPD requirement should you consider it relevant to your professional development needs. It is recommended that you keep any evidence of the CPD activity you have completed and upload copies to the recording tool as the CII may ask to see this if your record is selected for review.