



Updated outlook for the global airline industry

September 2011

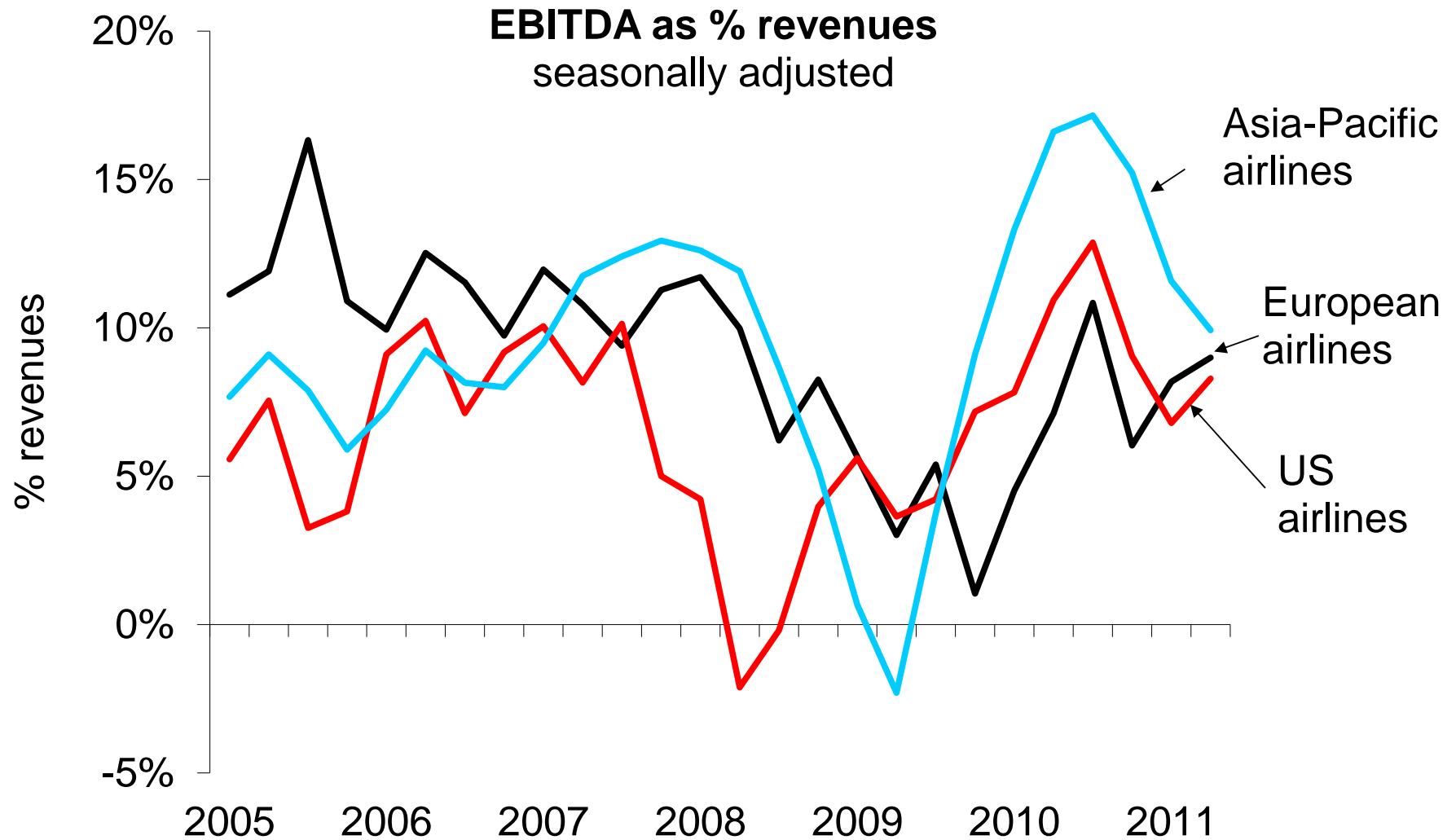
IATA Economics

www.iata.org/economics

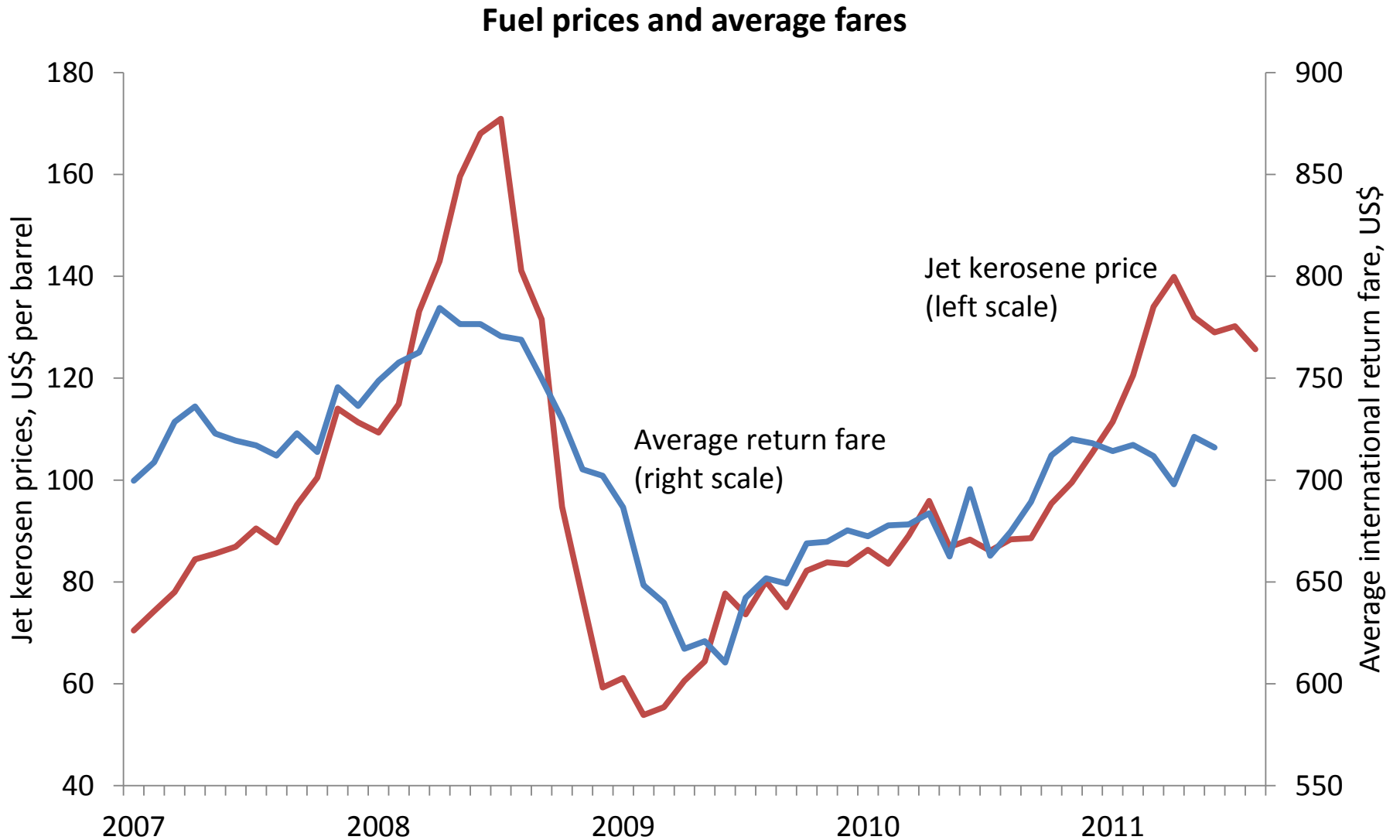
To represent, lead and serve the airline industry



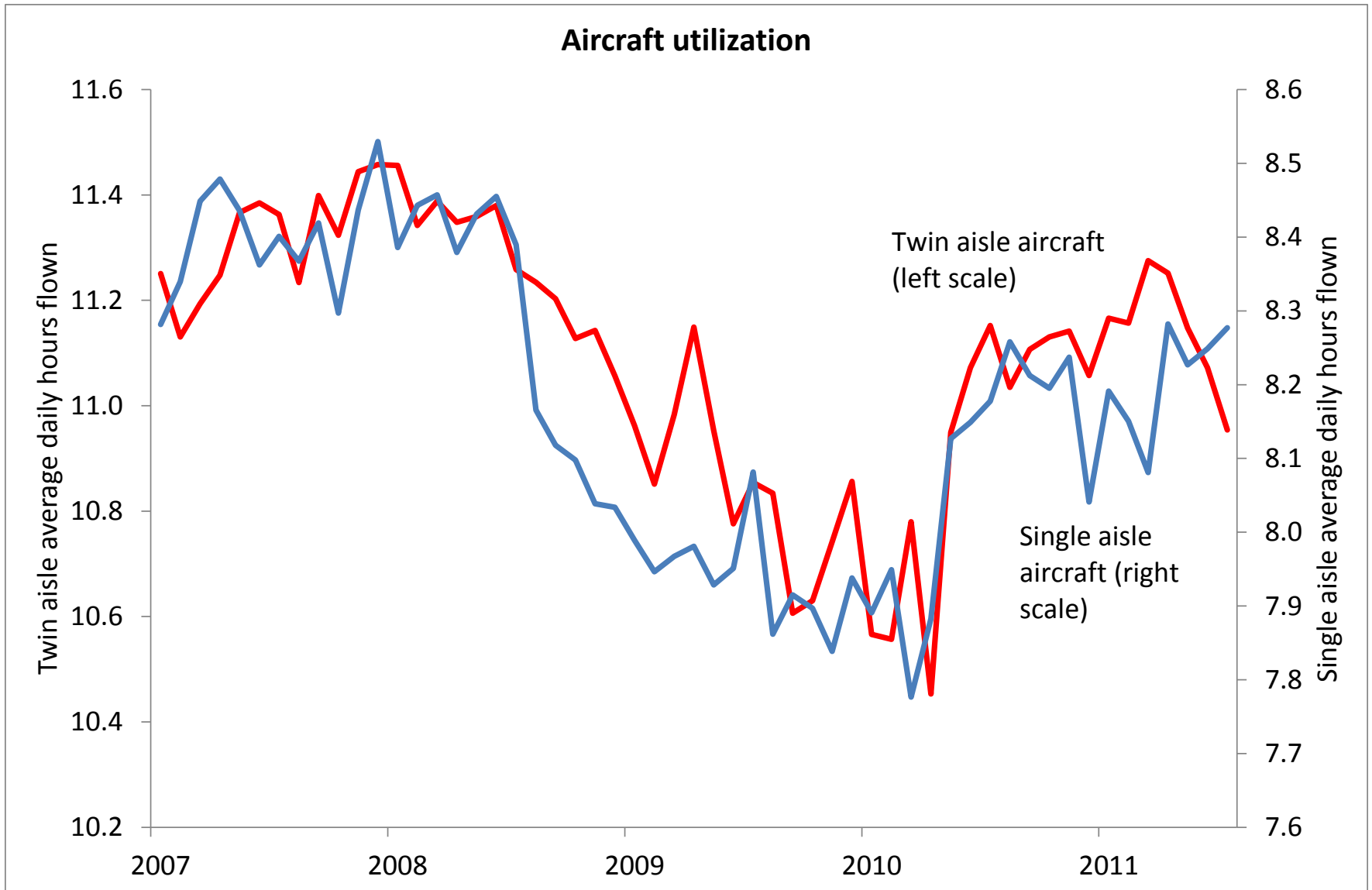
Cash flows are being squeezed



Mainly by the rise in fuel costs

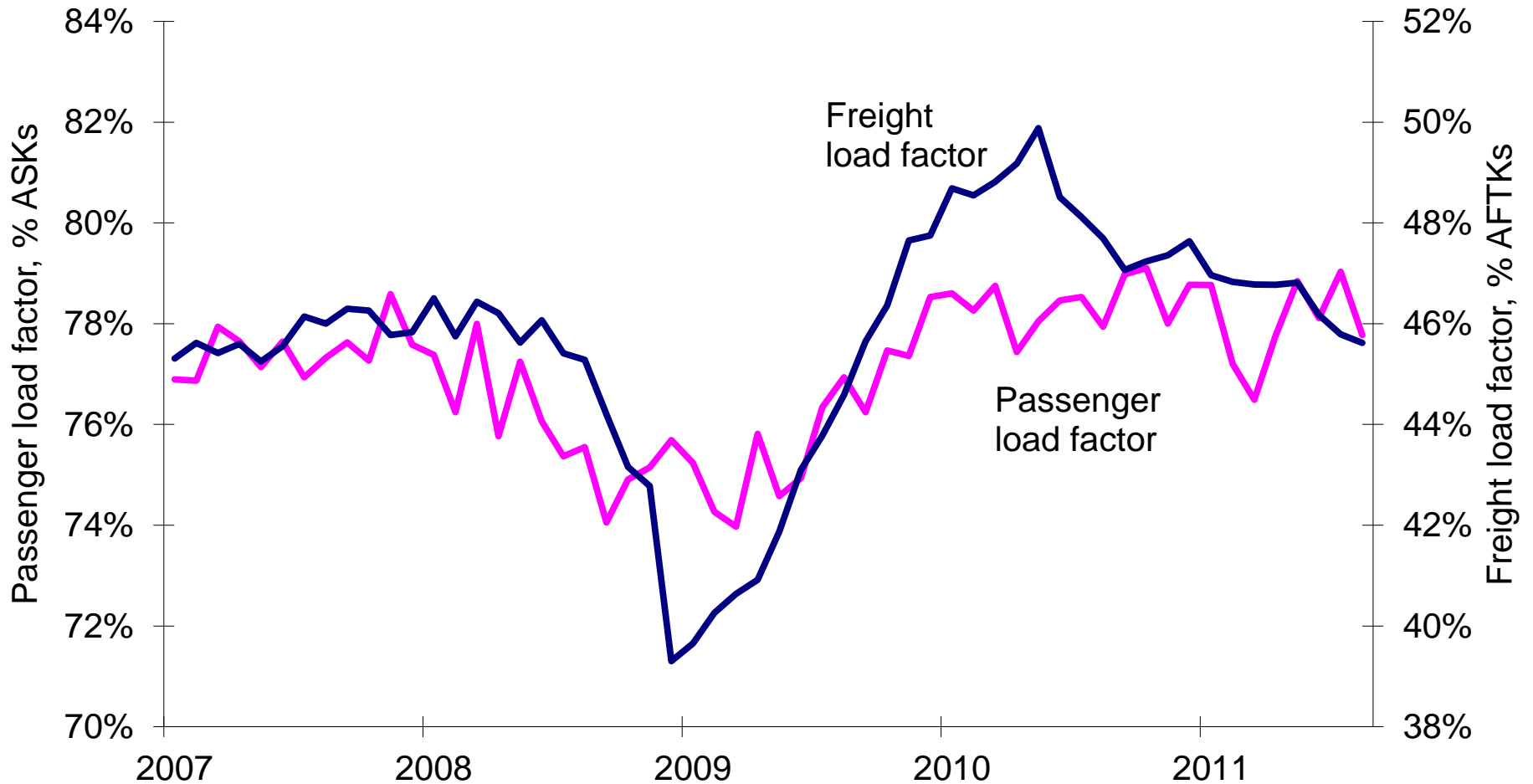


But also due to faltering asset utilization



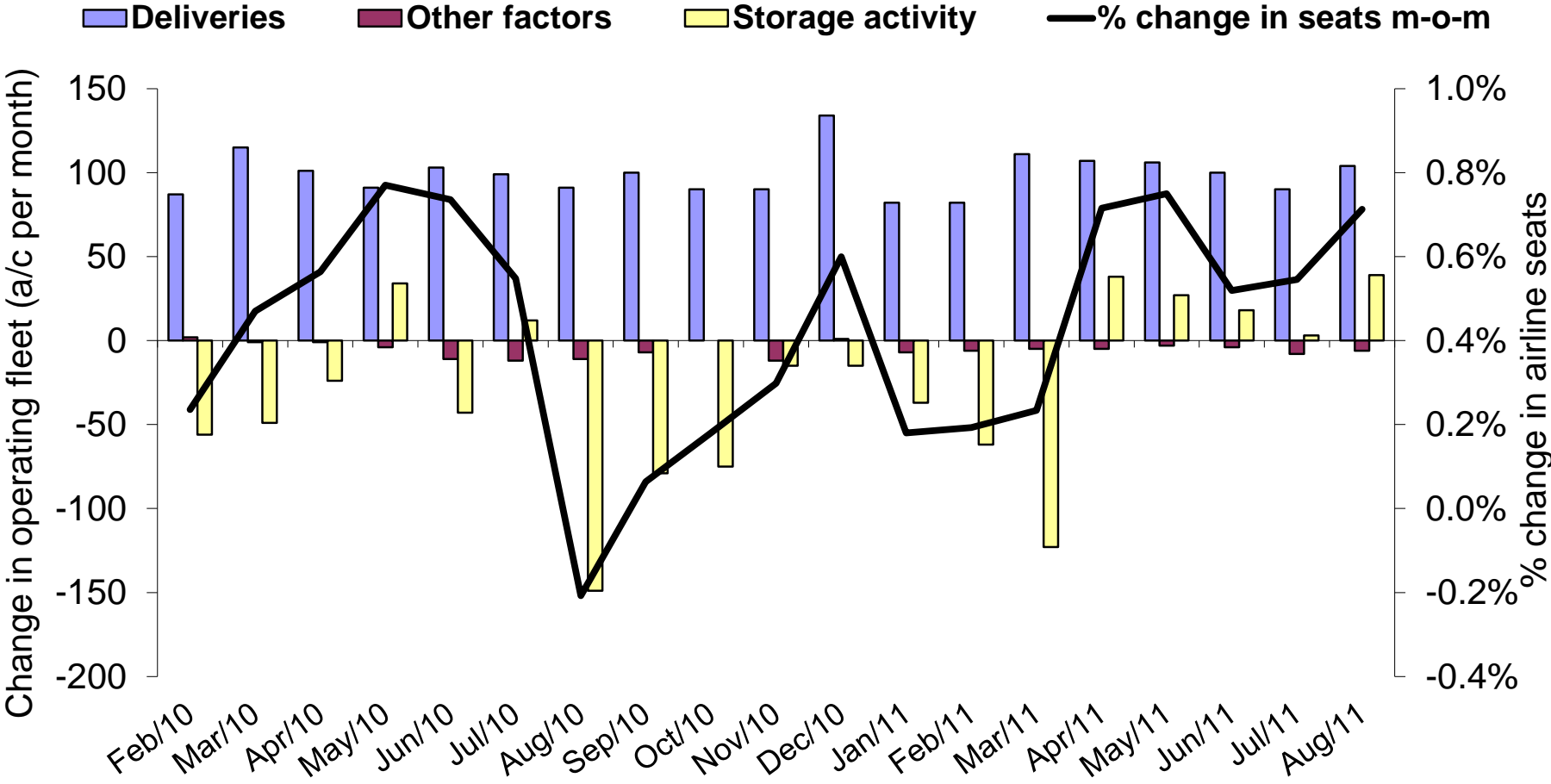
Particularly on freight markets

Total load factors on passenger and freight markets
Seasonally adjusted
Source: IATA



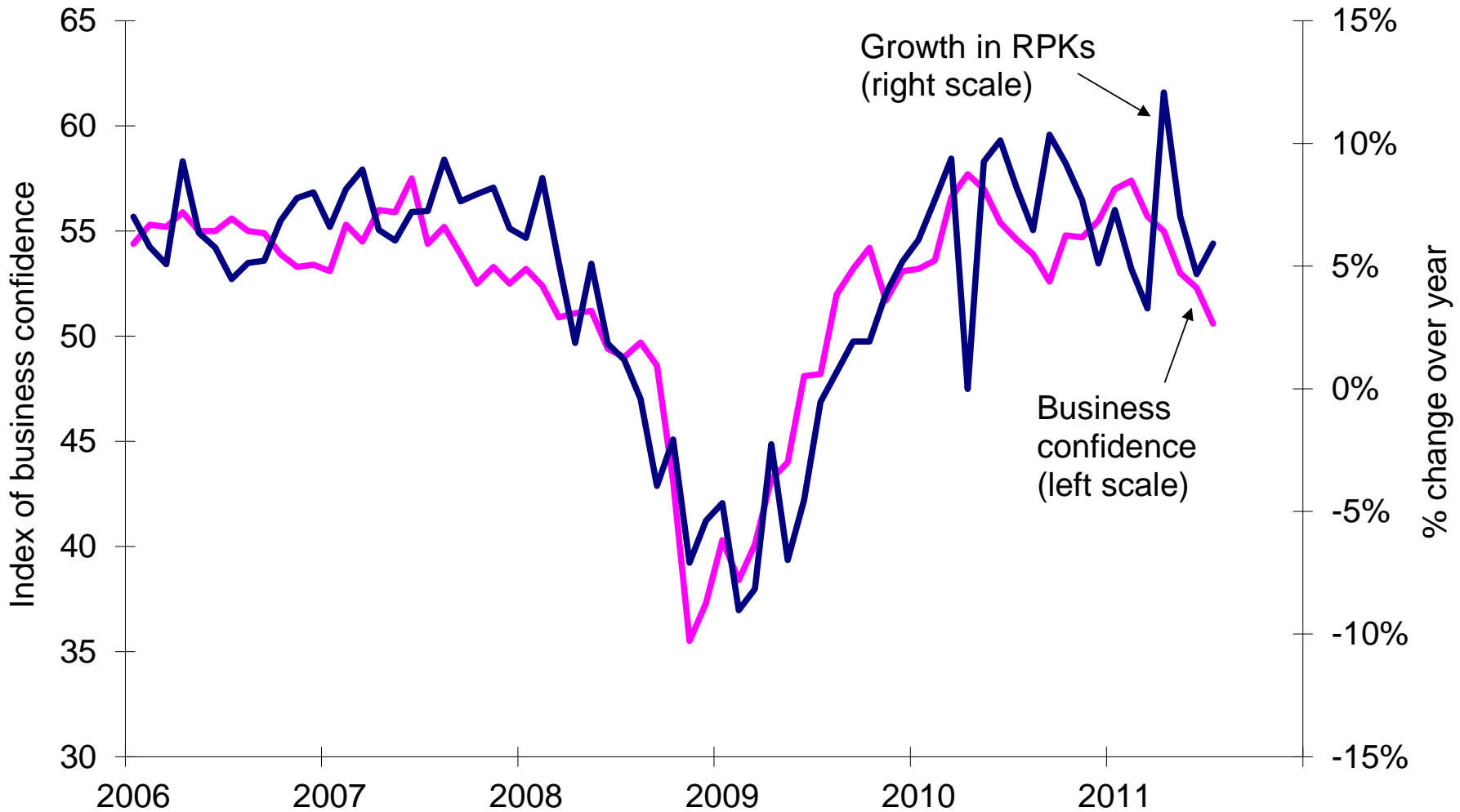
Fleet changes adding seats at 8% annualized rate

Airline fleet development
Source: Ascend

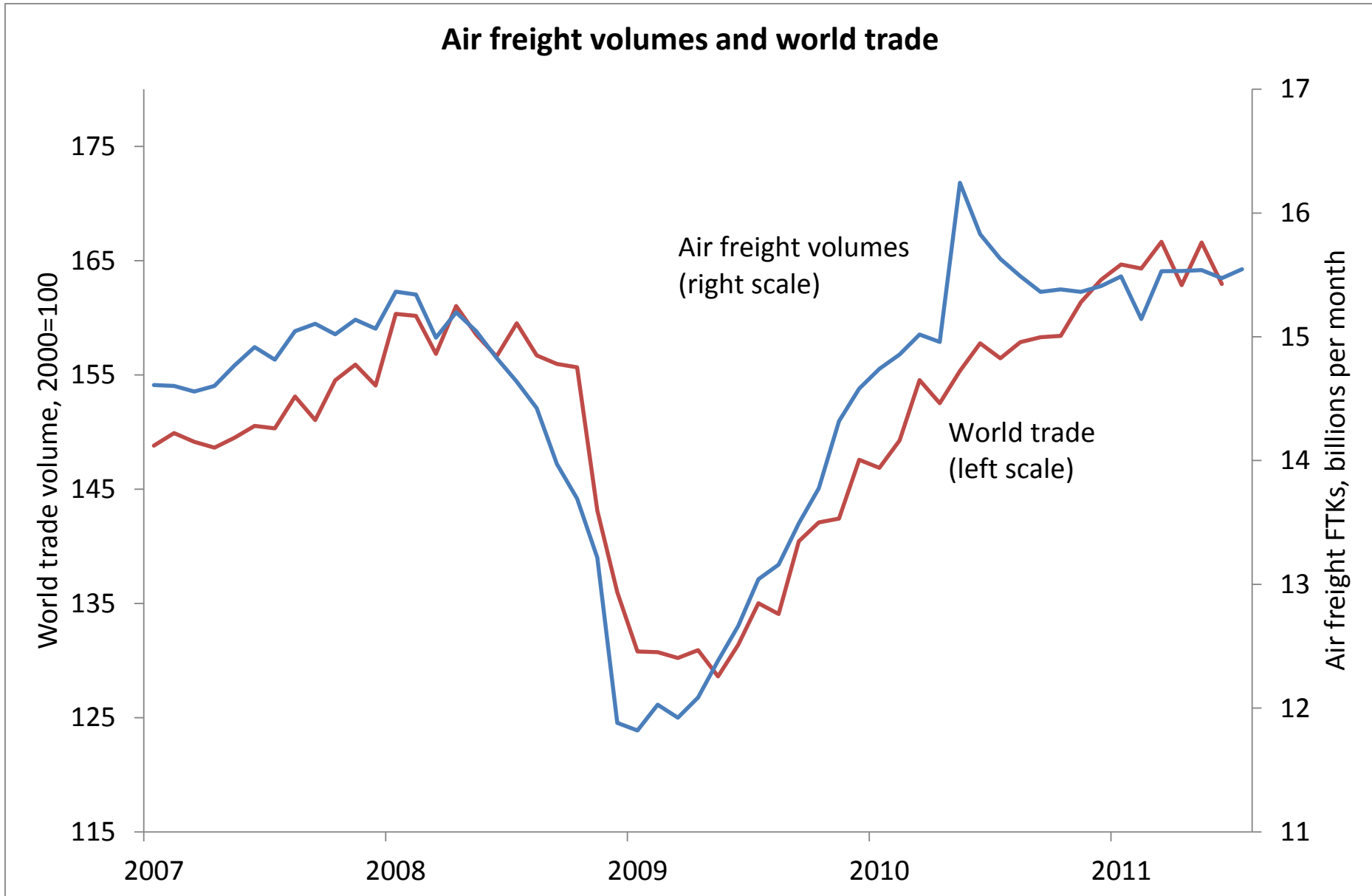


Travel has held up but outlook is weaker

Worldwide growth in air travel and business confidence

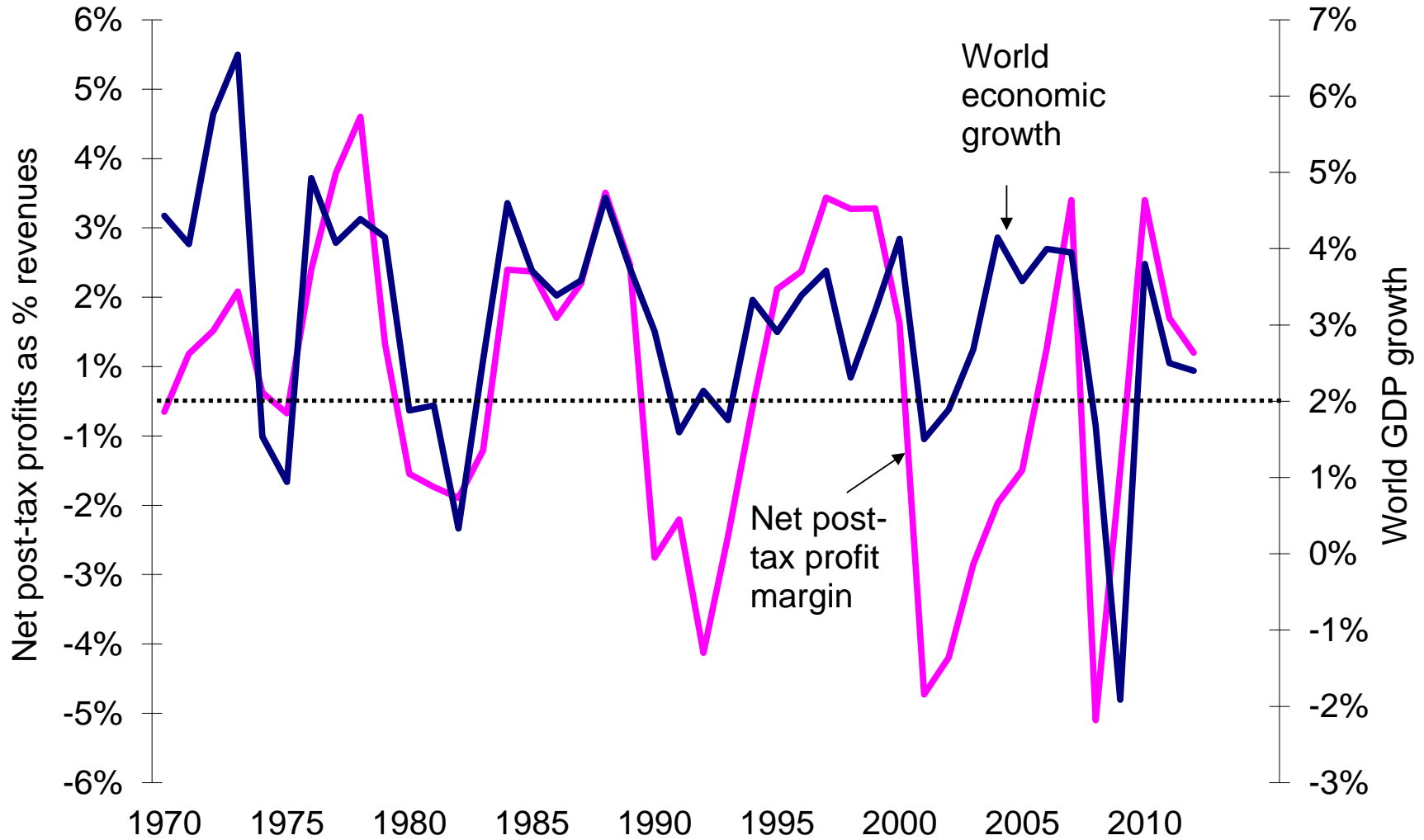


Freight markets have stopped growing



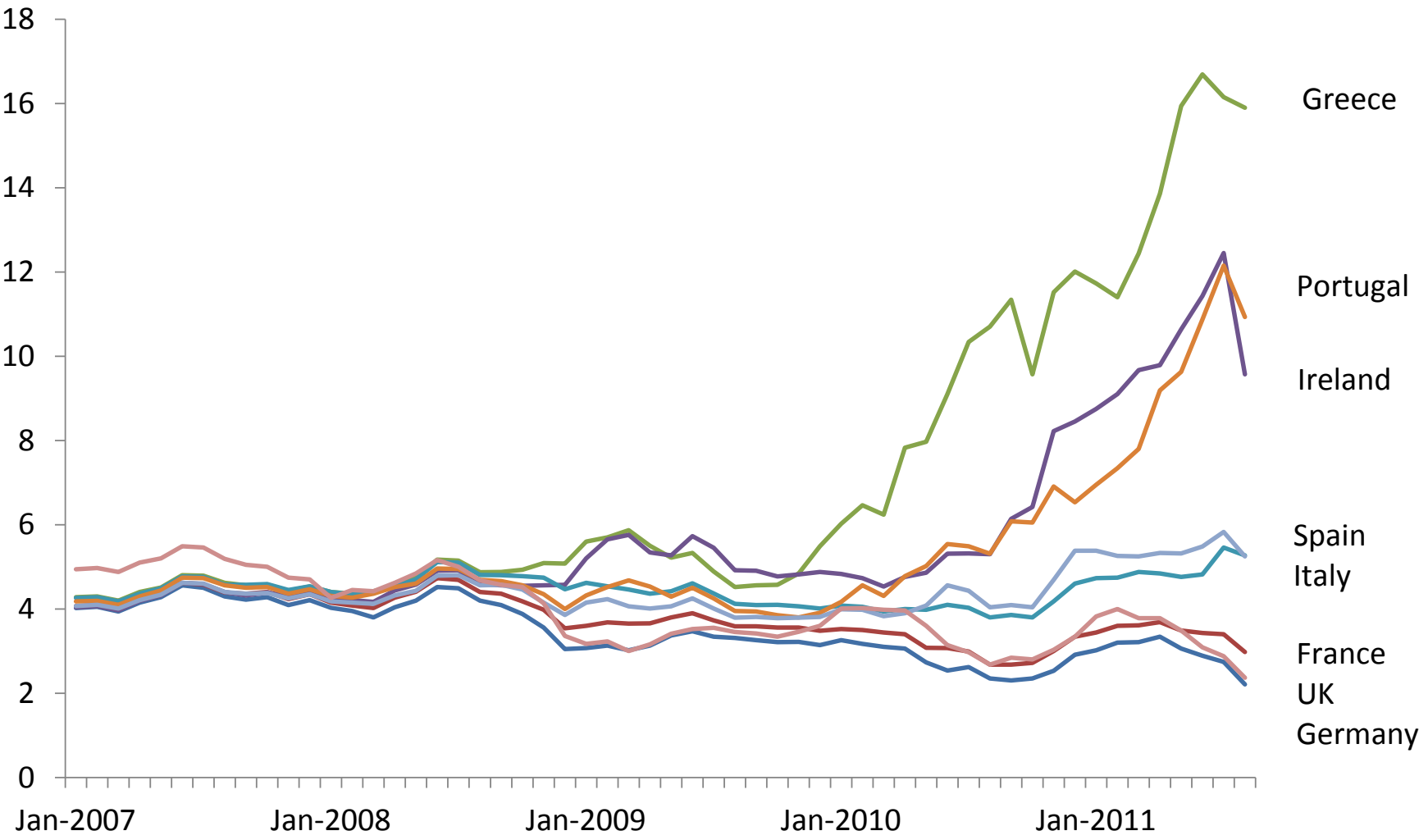
Global growth slowing towards critical level

World economic growth and airline profit margins



Financial markets expect defaults in Europe

Government bond yields in Europe



The euro zone crisis

➤ Continue to muddle through?

- Modest 'haircuts' for investors
- Agreement to meet FR/IR/PO borrowing needs
- If multi-year reforms/austerity implemented
- Insufficient to restore solvency
- Failed to stop contagion to Italy and Spain
- ECB intervening directly in bond markets
- Inflation risk or recession if intervention stopped

➤ An orderly debt default?

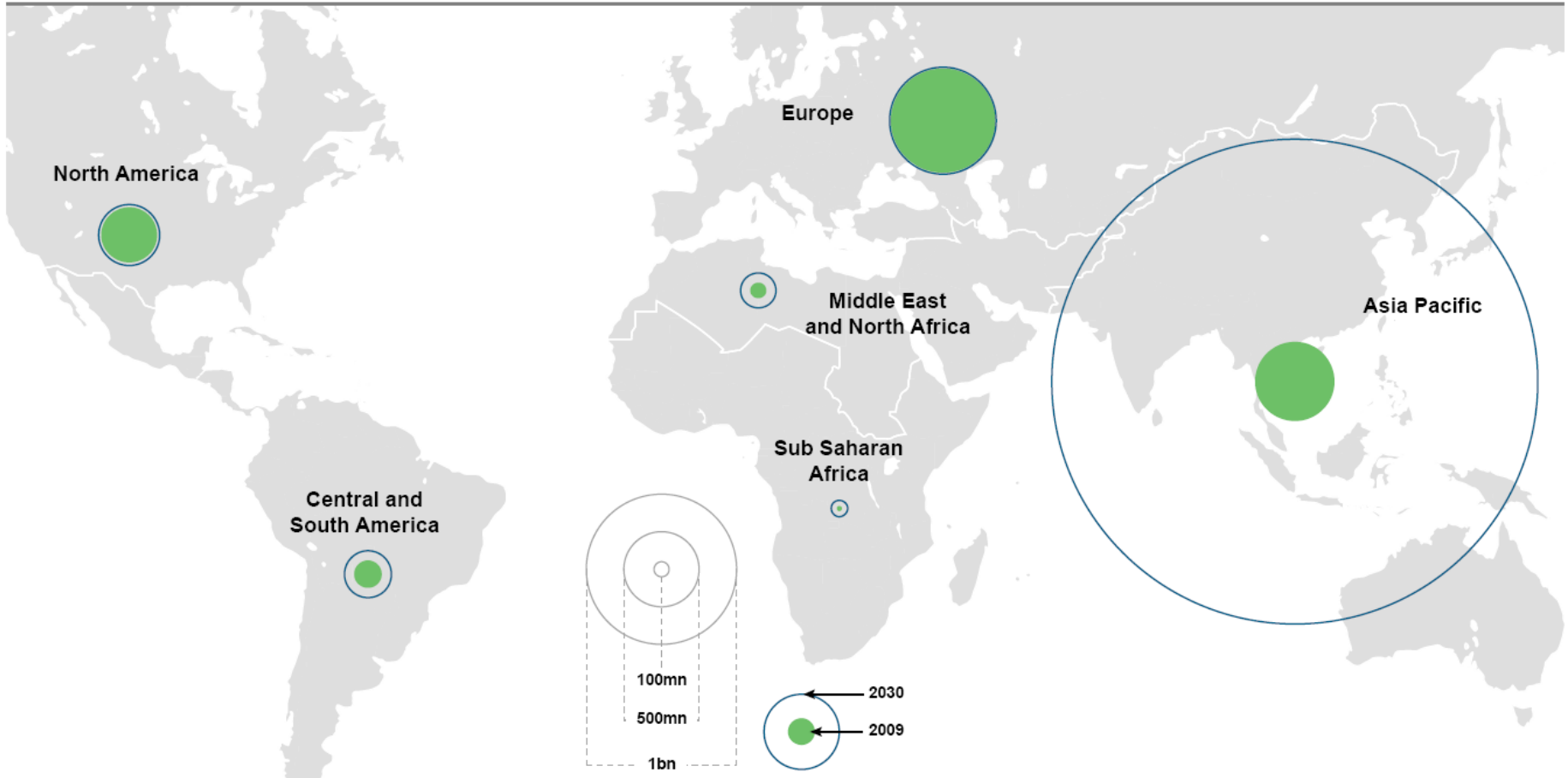
- Need to recapitalize banks in periphery and core
- EFSF designed for needs of small group

➤ A disorderly debt default?

- Contagion/banking crisis
- Unilateral action required trigger for Euro breakup?

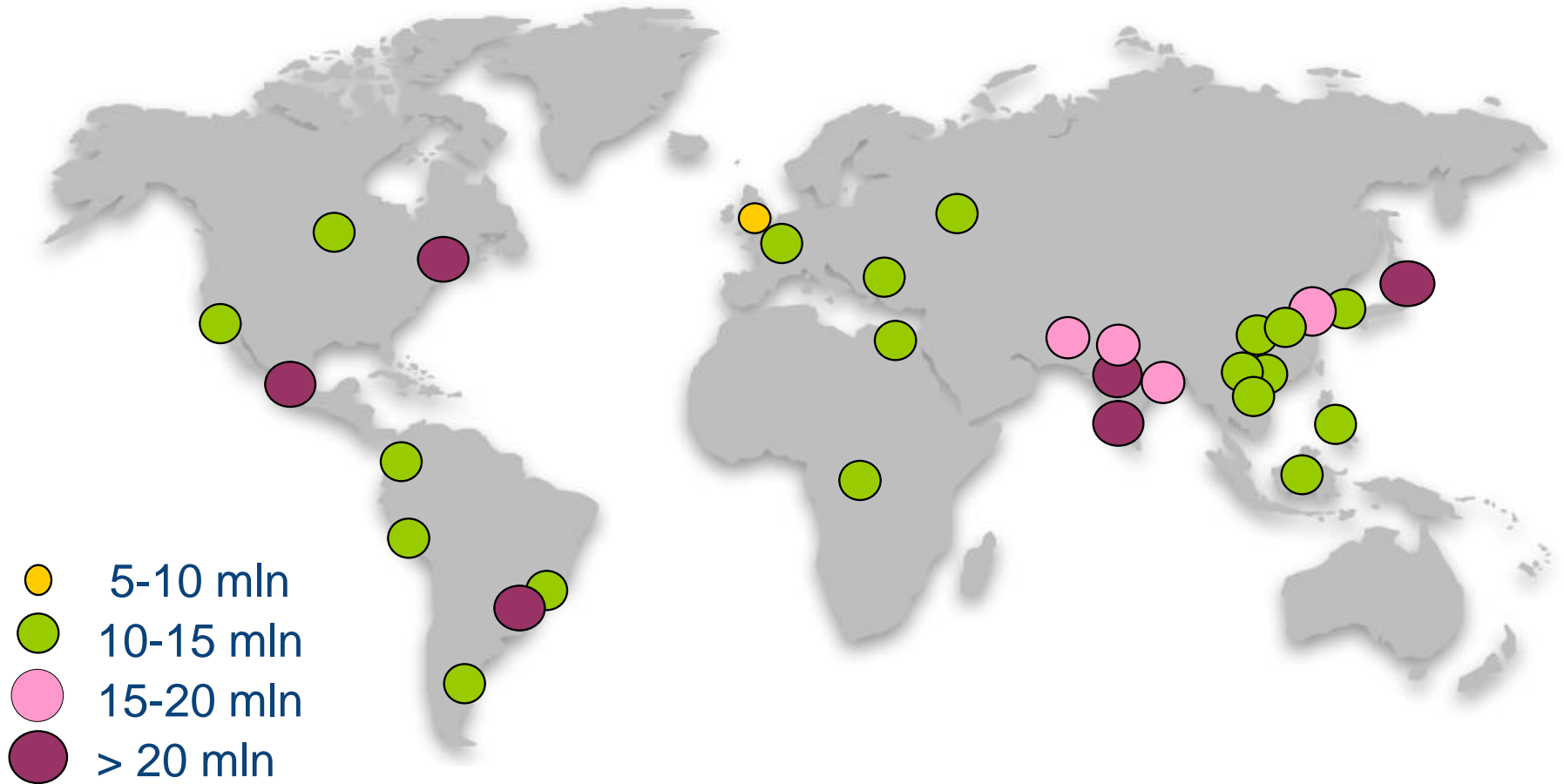
Will reinforce medium-term geographical shifts – driven by growth of middle incomes

Global middle class in 2009 and prediction for 2030



Sources: OECD, Standard Chartered Research

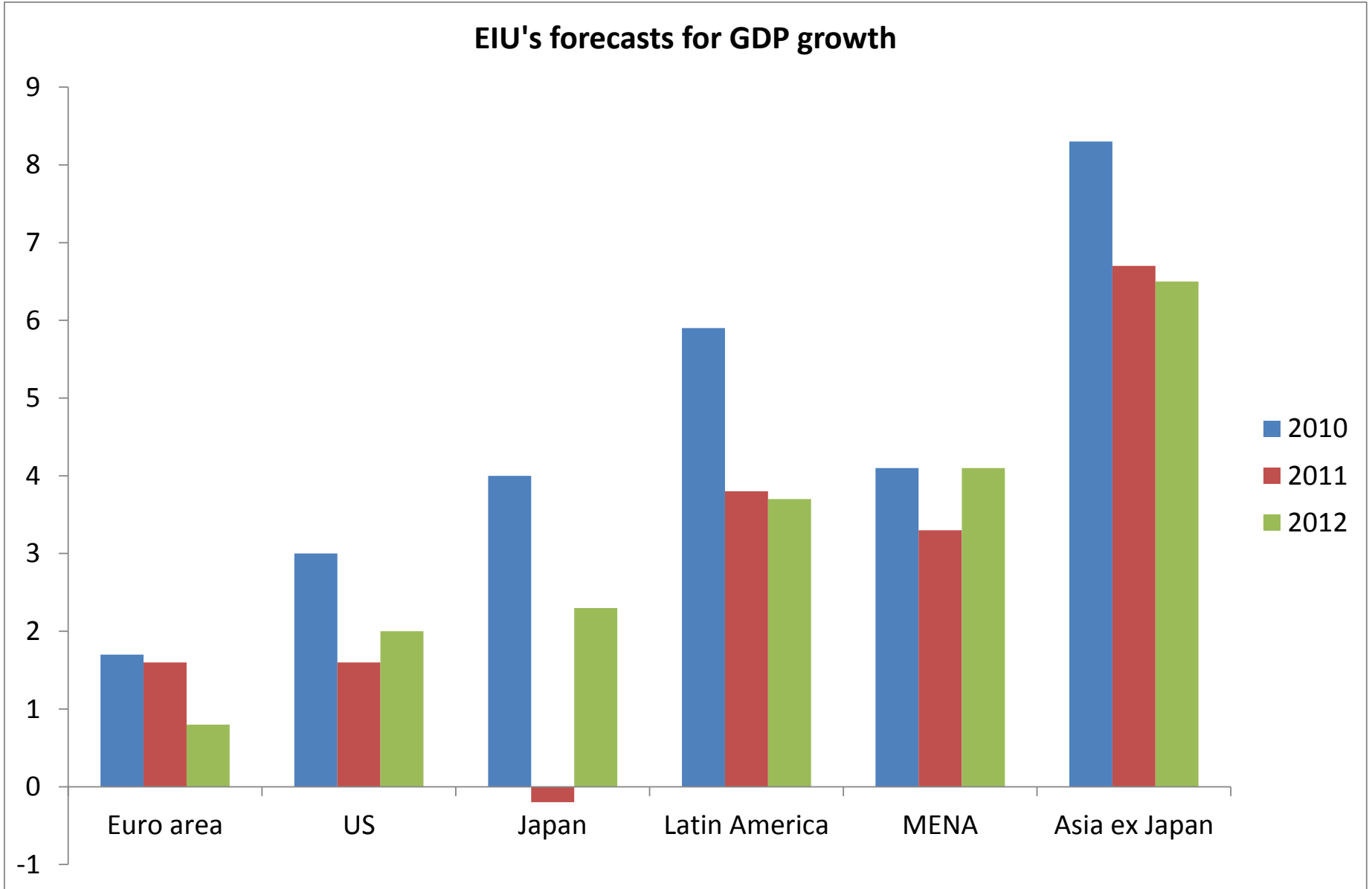
And the potential to better connect large cities, particularly in ASPAC and LATAM



Urban Popn. 2015

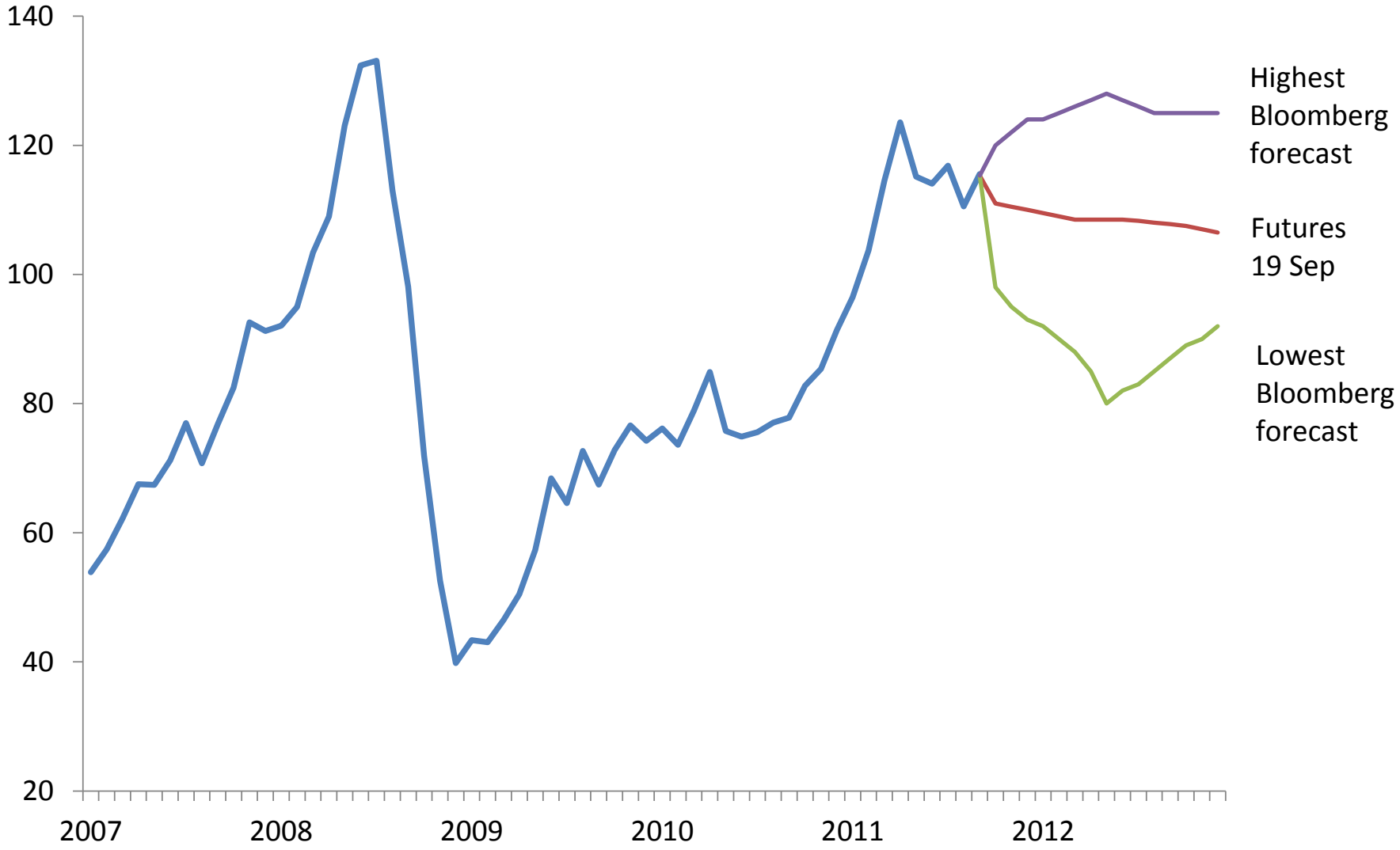
Source: UN, SRS Analyser

Short-term will add to growth disparities



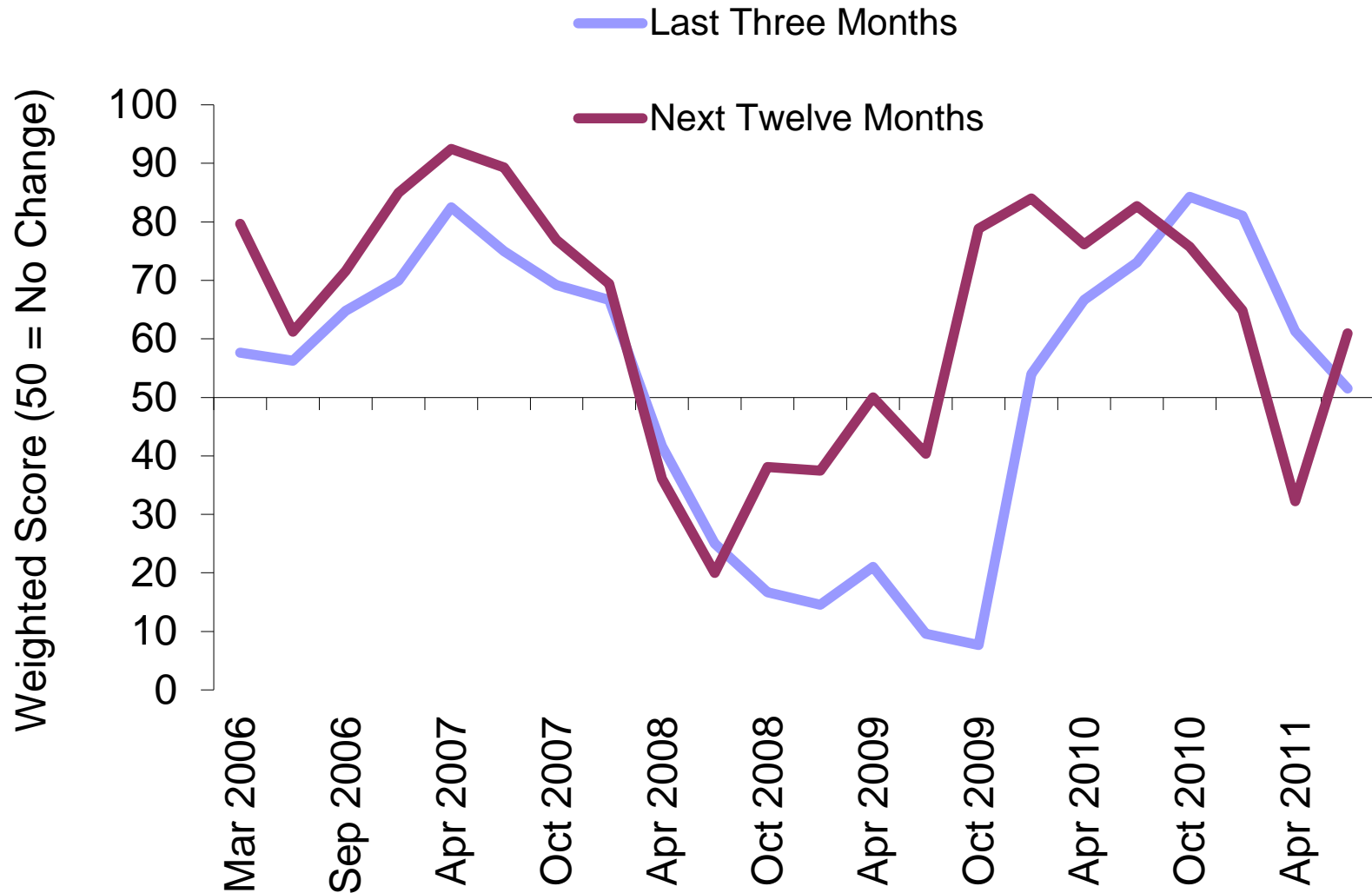
Fuel costs expected to stay relatively high

Brent crude oil price and forecasts, US\$/b

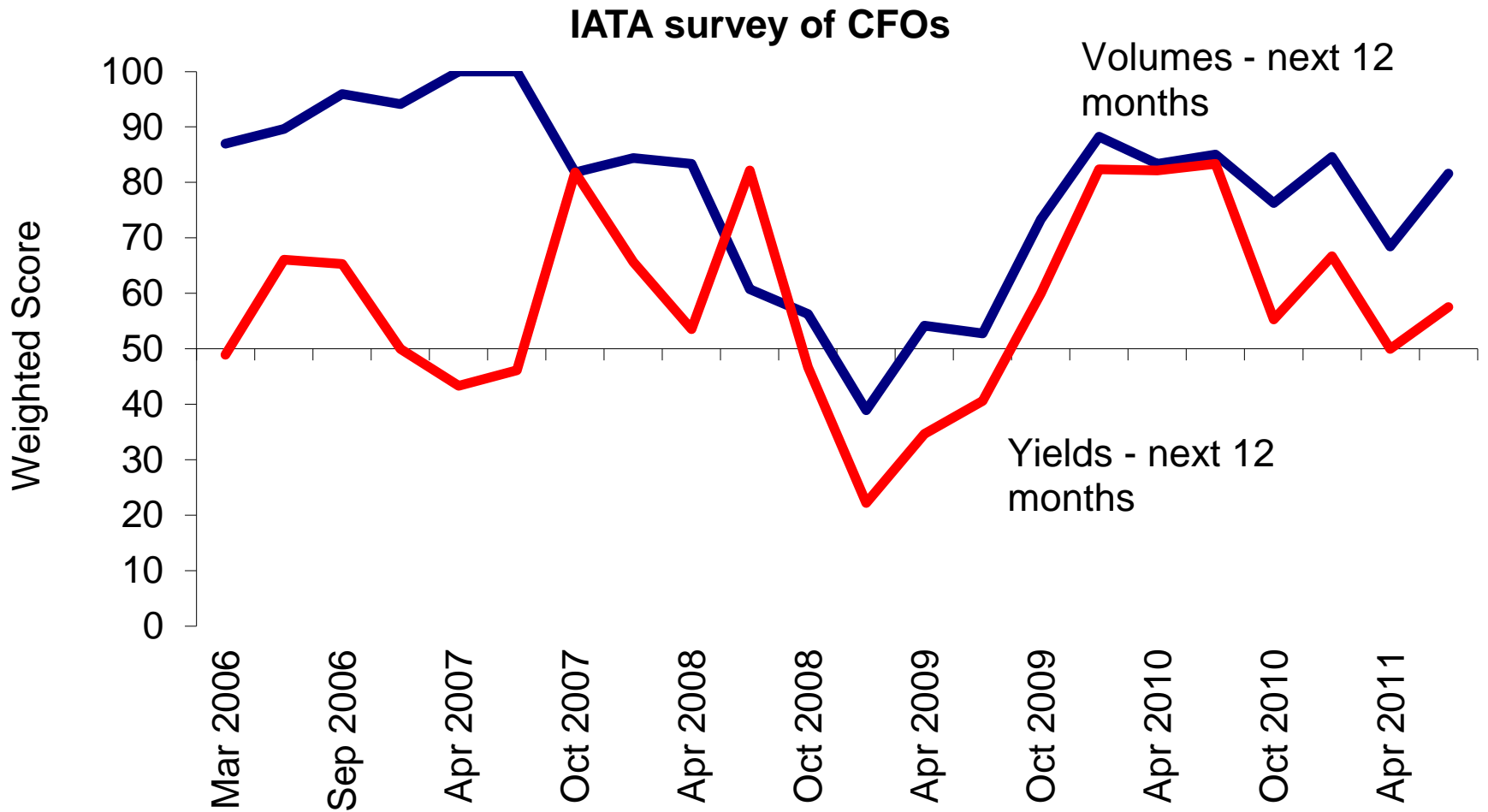


Airline profit expectations weak but positive

Do you expect profitability to improve, decline or not change?



Expectations for slower volumes, soft yields



In this environment we expect profits to be positive but not strong

Global commercial airline profitability

