

The outlook for the global airline industry in 2008

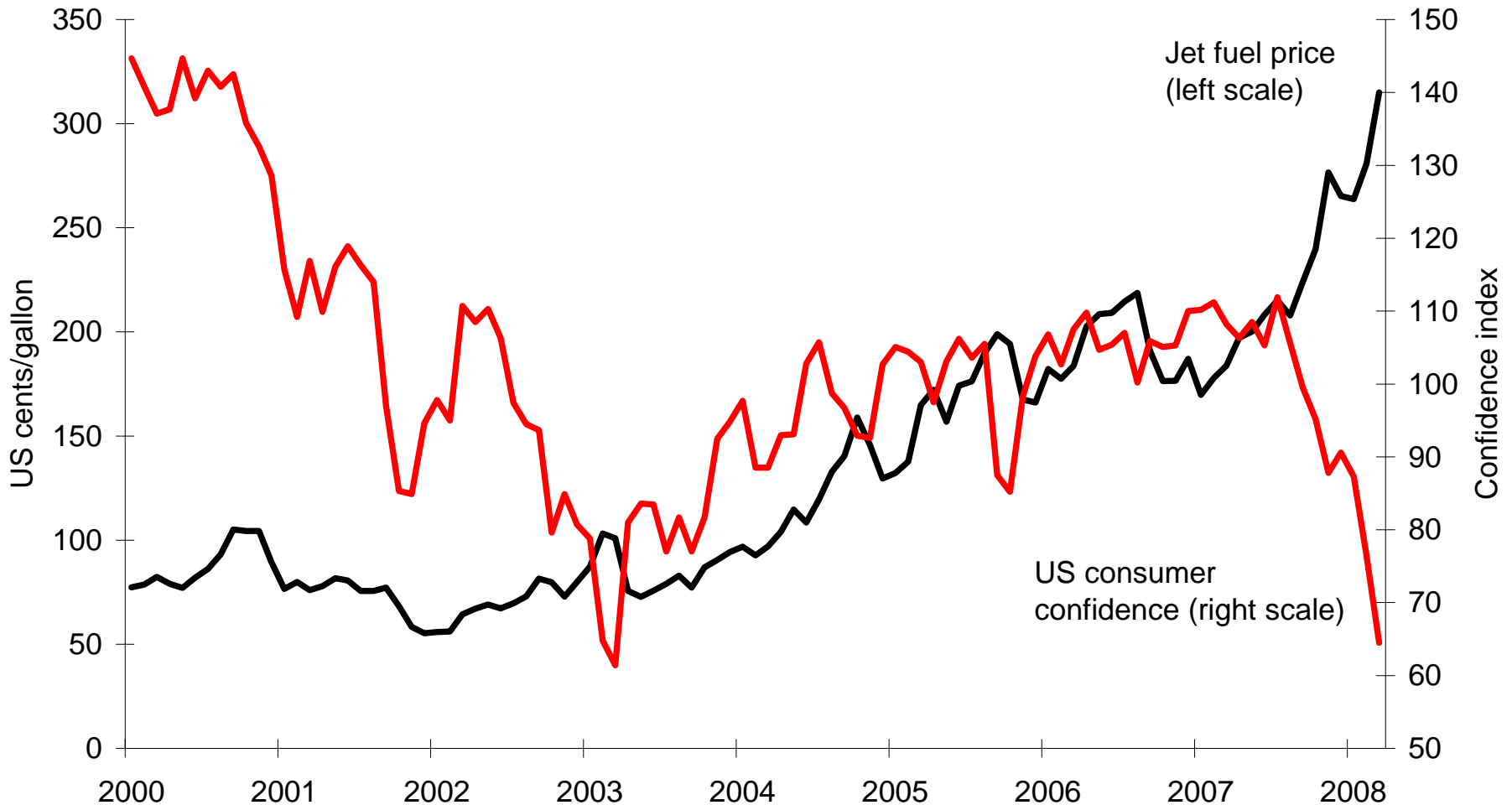
Brian Pearce
Chief Economist

www.iata.org/economics



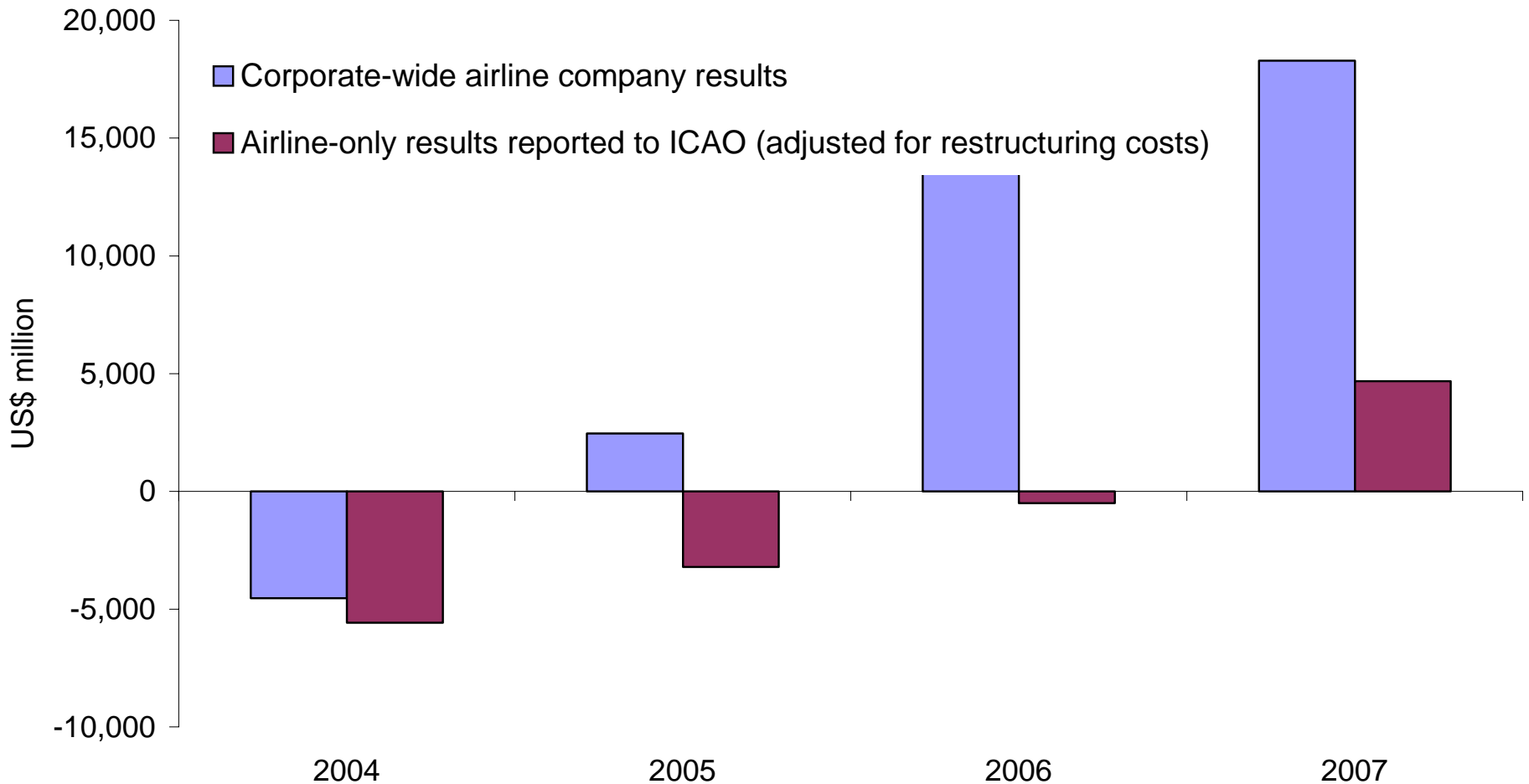
Stagflation now threatens the outlook

Consumer demand and fuel costs diverge abruptly breaking 5-year trend



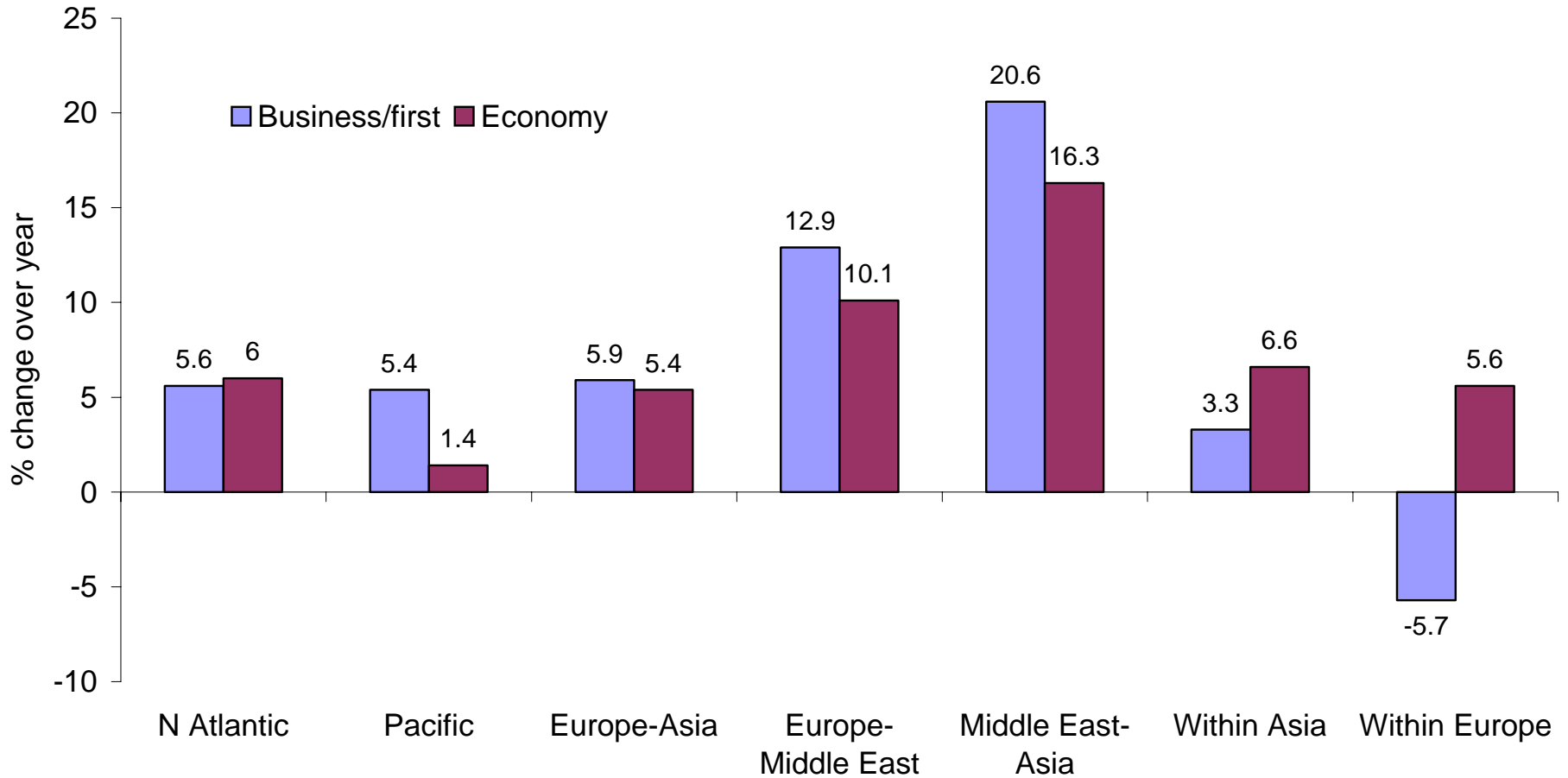
Cash flow improved significantly up to 2007

Global airline net profits - corporate wide vs airline business only

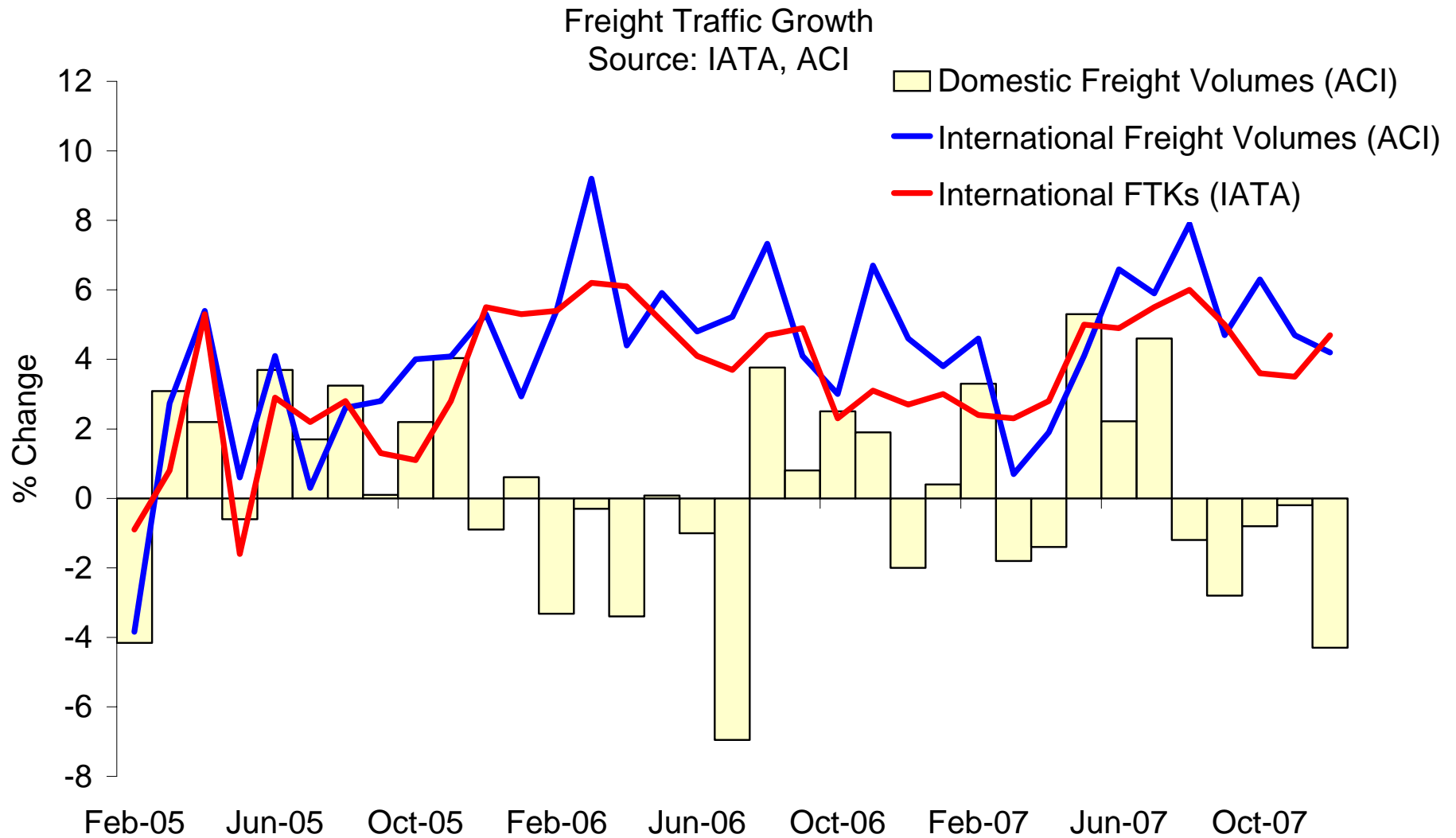


While long-haul business travel expanded

Travel growth by seat class, 2007

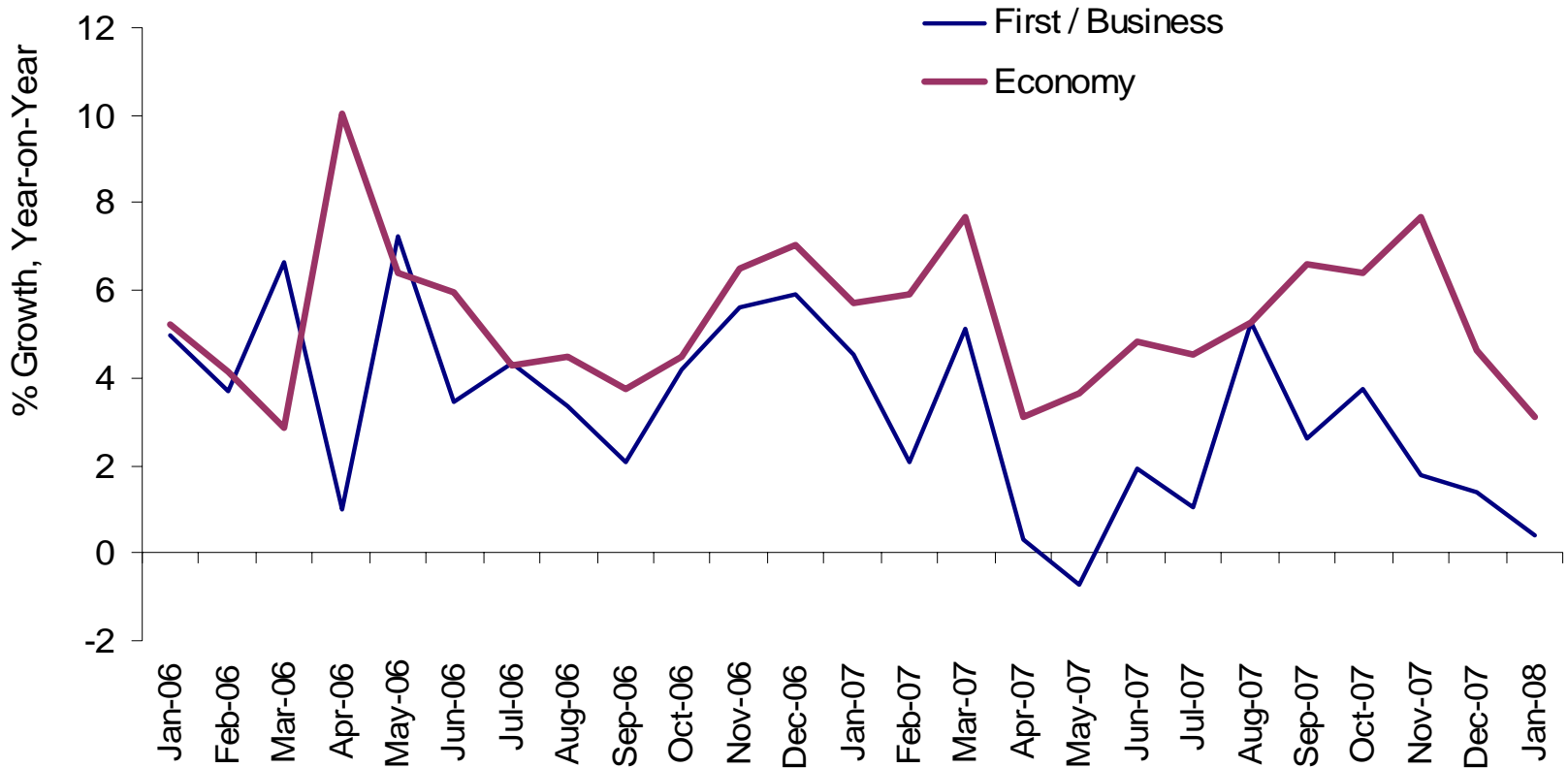


Freight was also strong though slowing



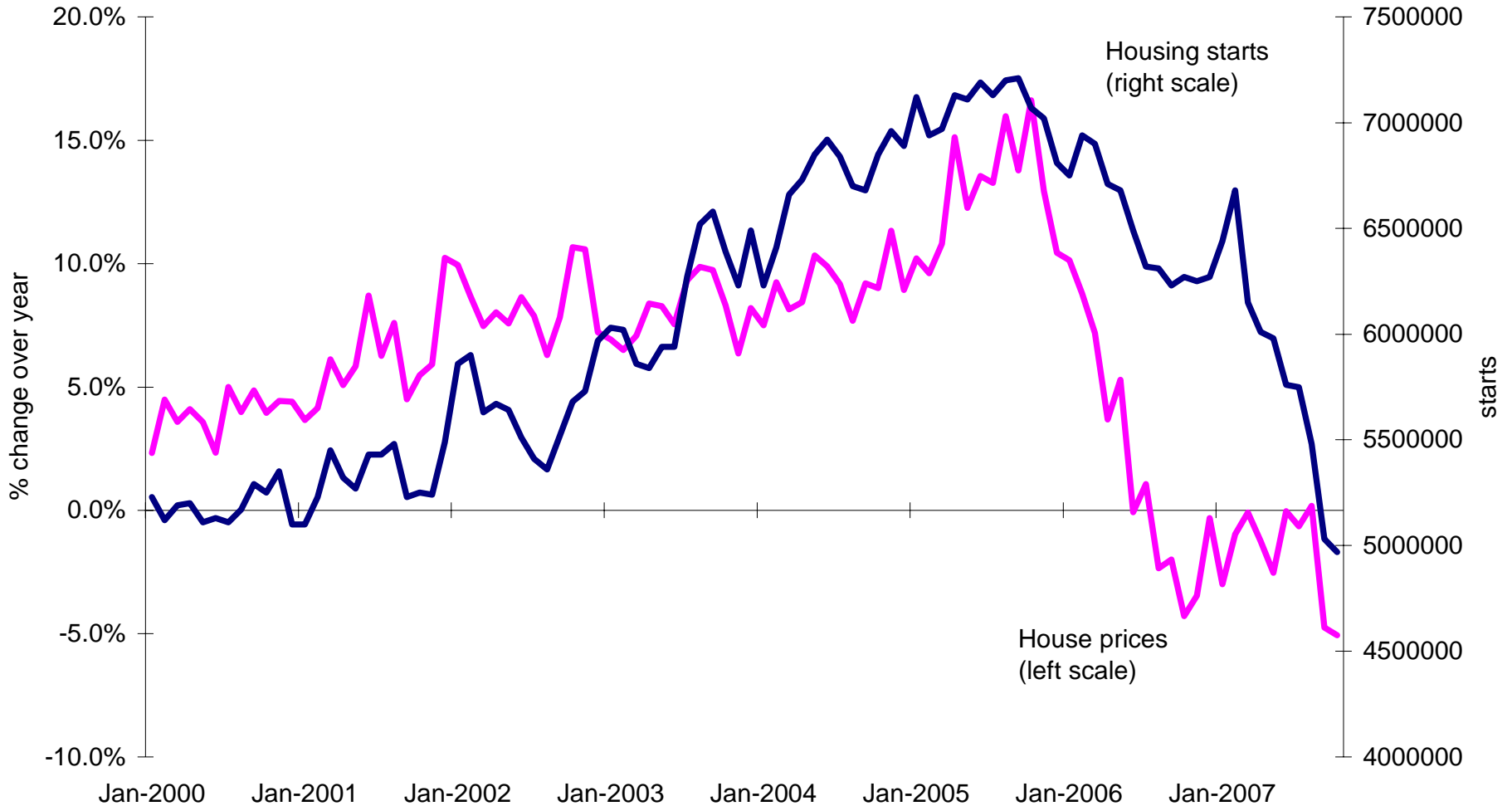
Passenger growth is now slowing sharply

Passenger Traffic Growth by Ticket Type



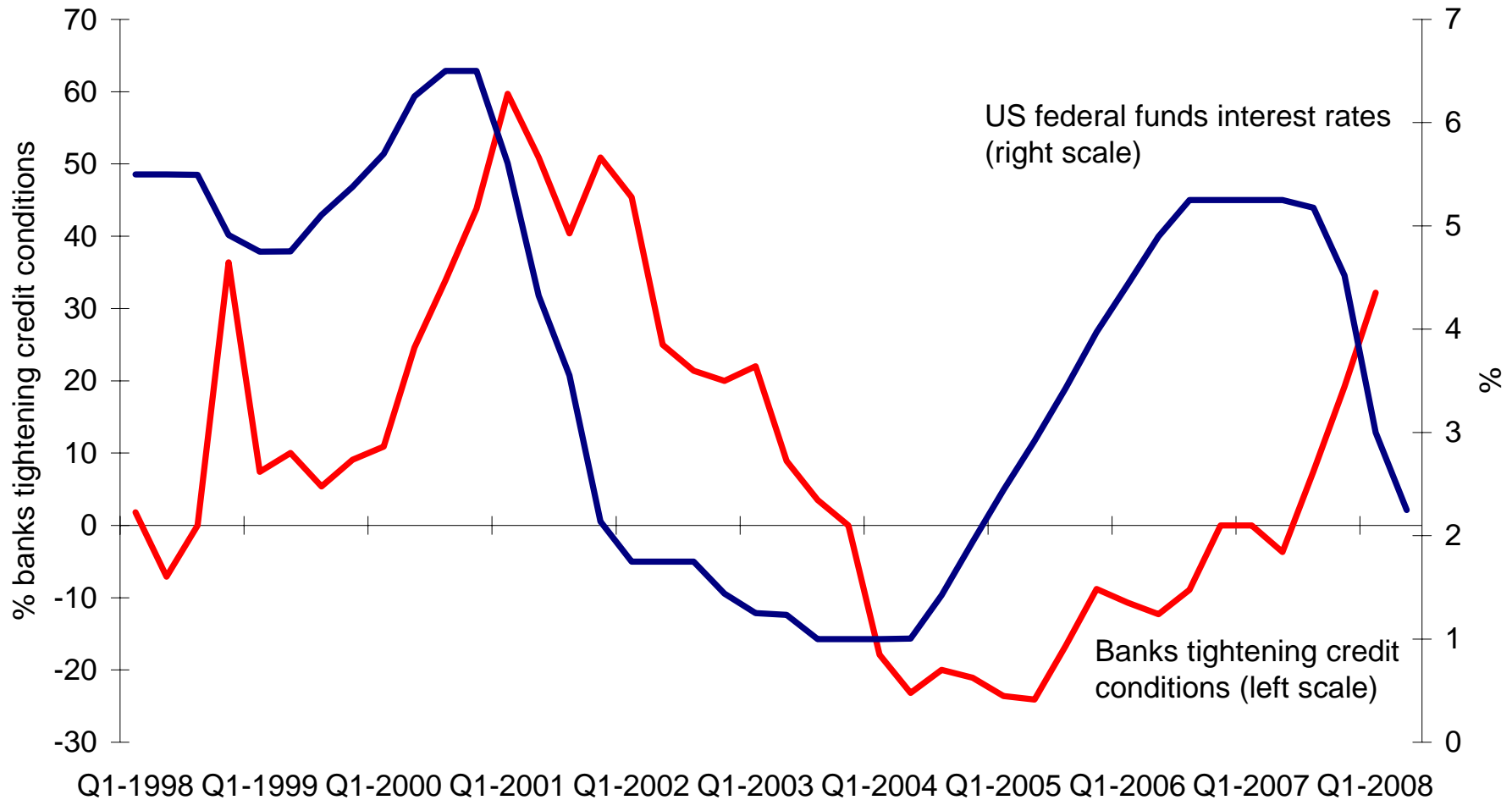
Wider impacts of deflated housing bubble

US housing starts and existing house price inflation



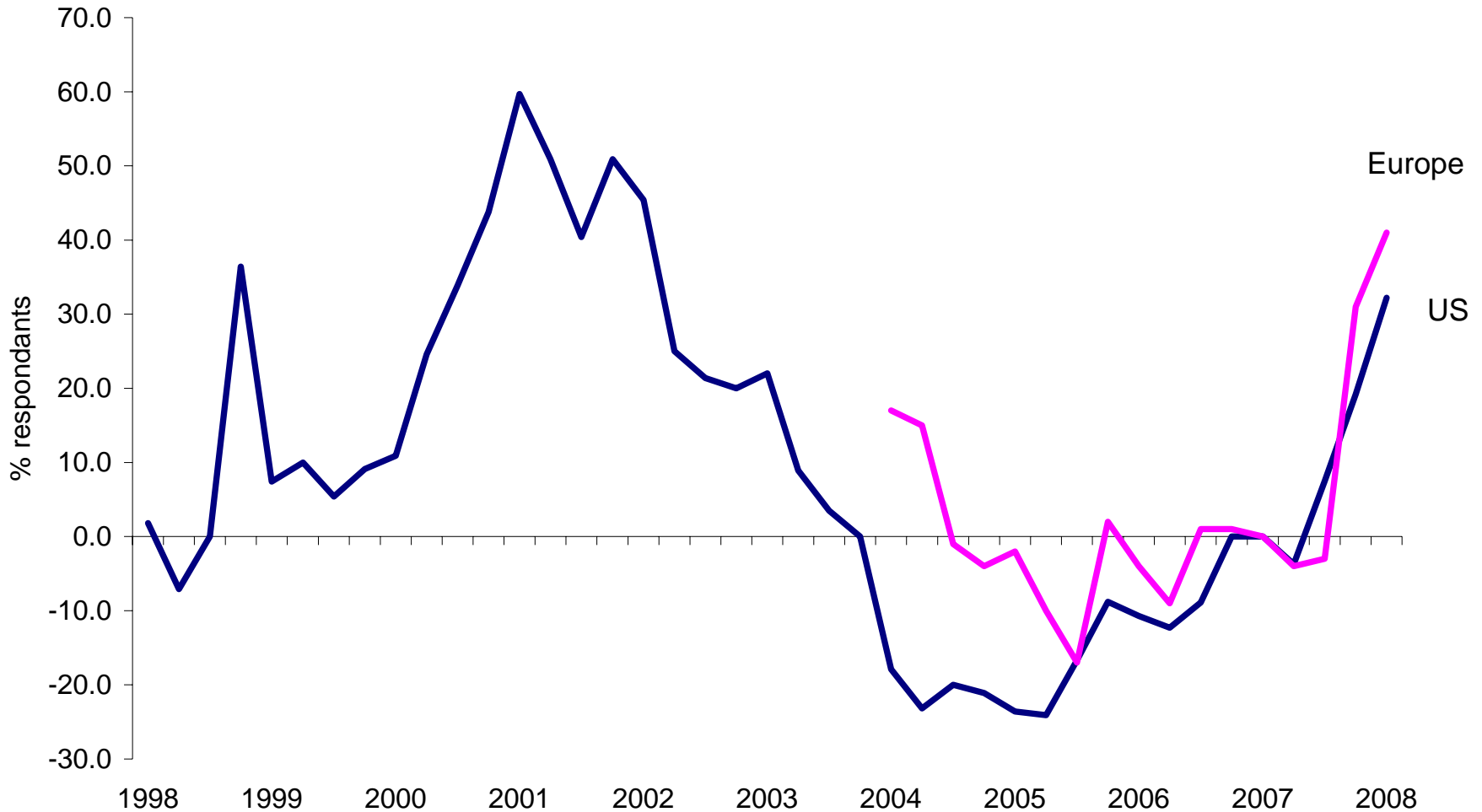
Can the Fed revive the US economy?

US interest rates versus banks credit conditions



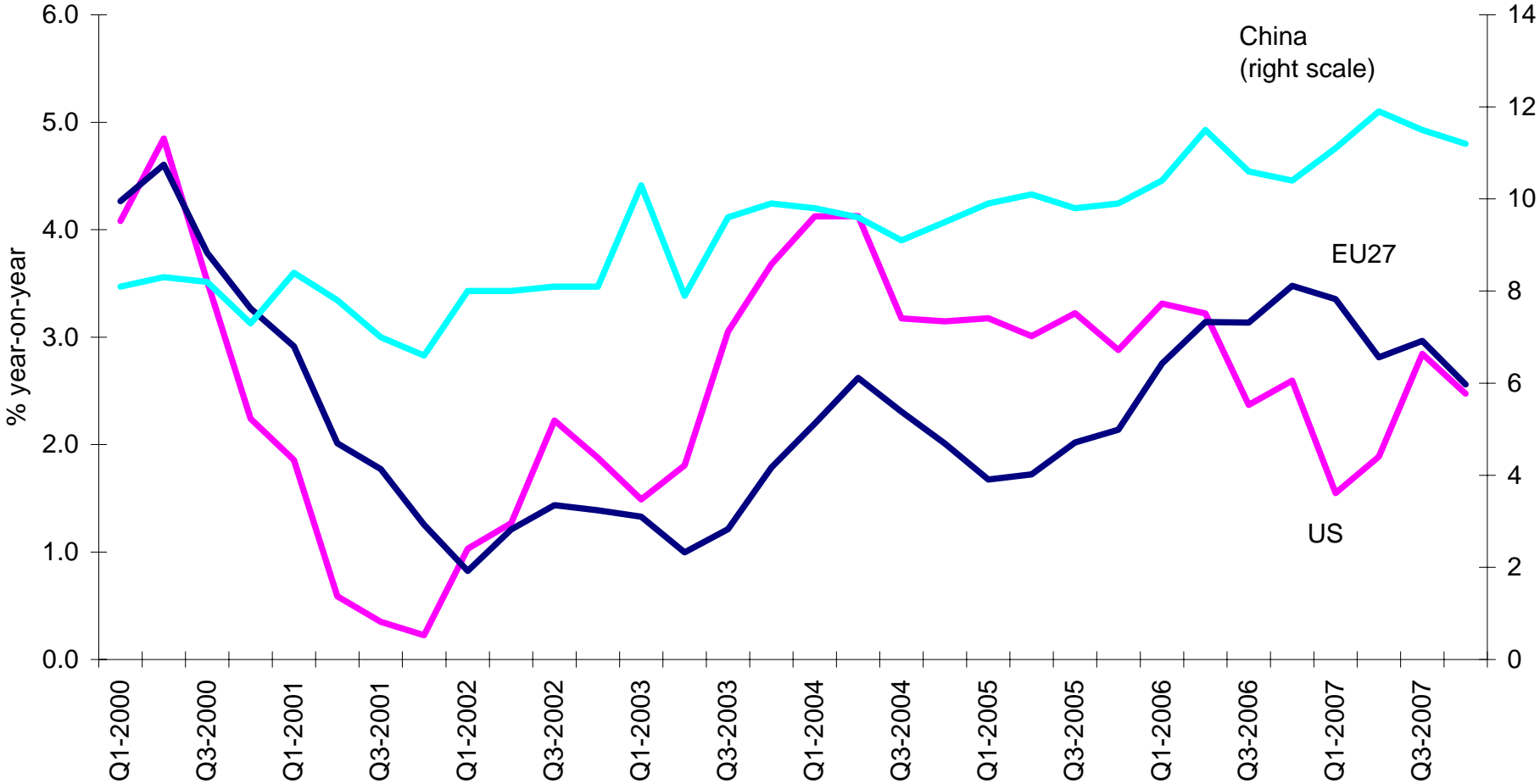
Credit conditions are tighter in Europe too

Banks reporting tighter credit conditions in the US and Europe



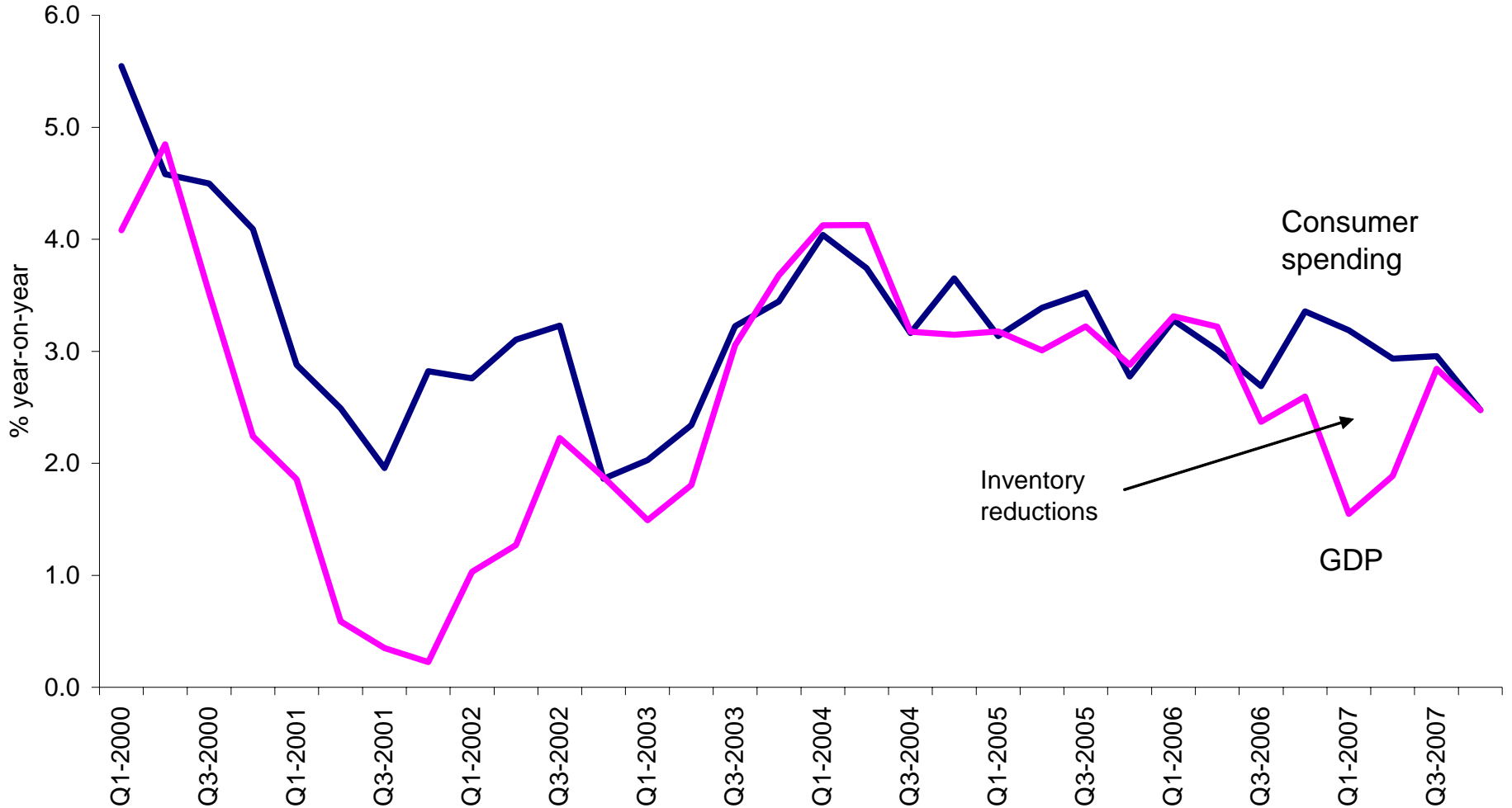
Can Europe decouple from US recession?

GDP growth



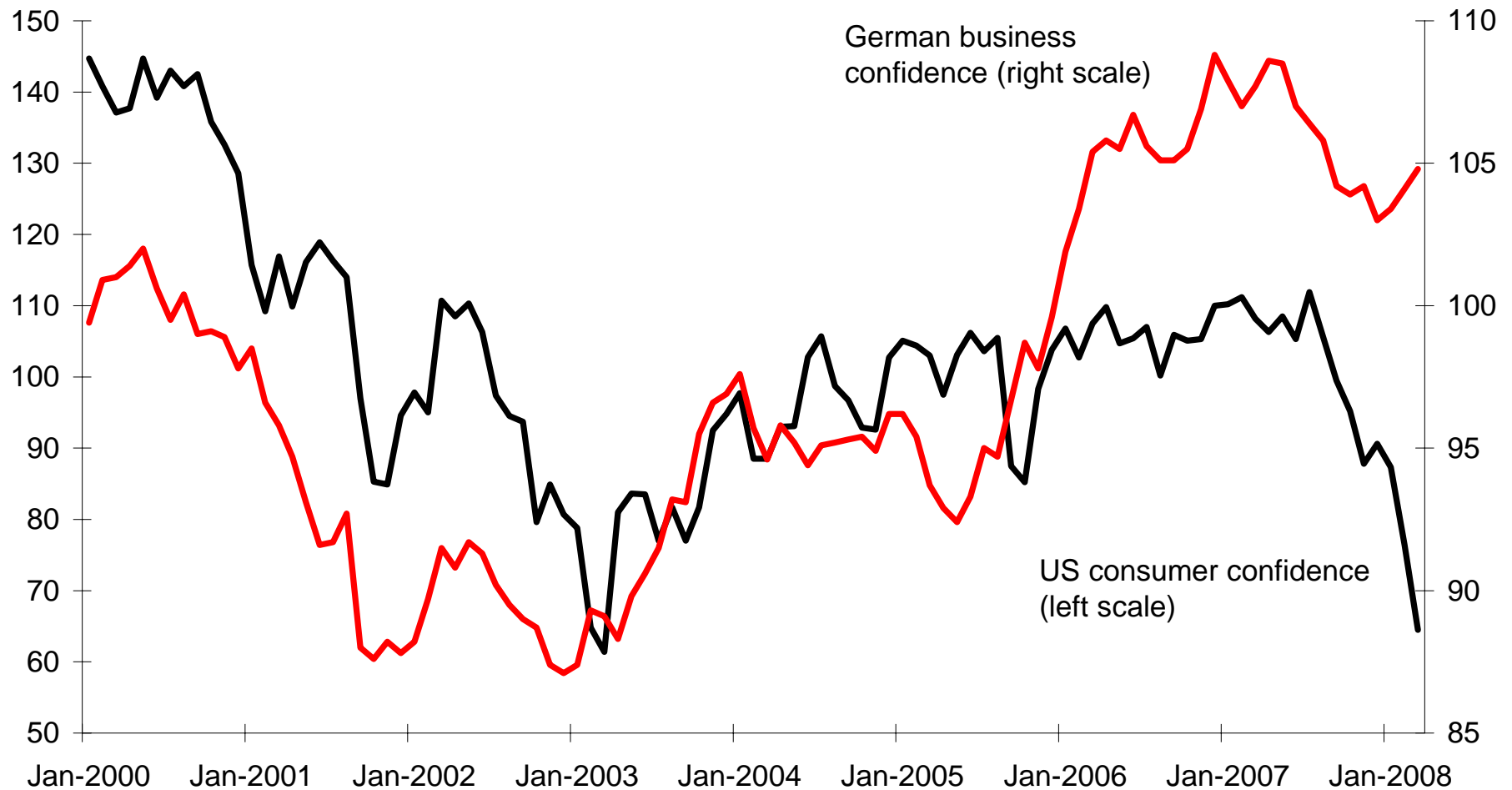
Europe decoupled when US consumer was still confident

US GDP and consumer spending



Europe now defying gravity?

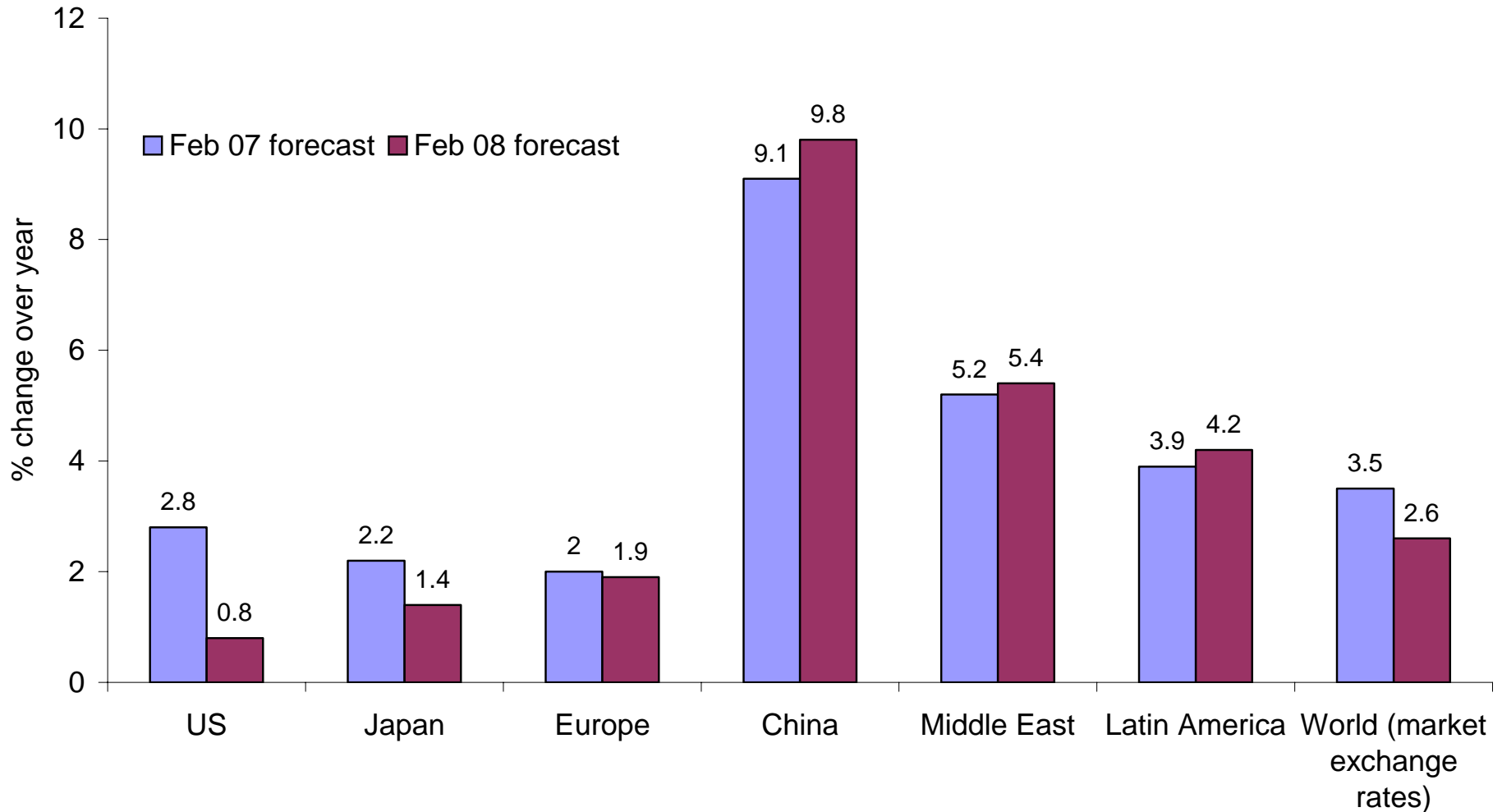
Consumer and business confidence in the US and Germany



US recession but areas of growth remain

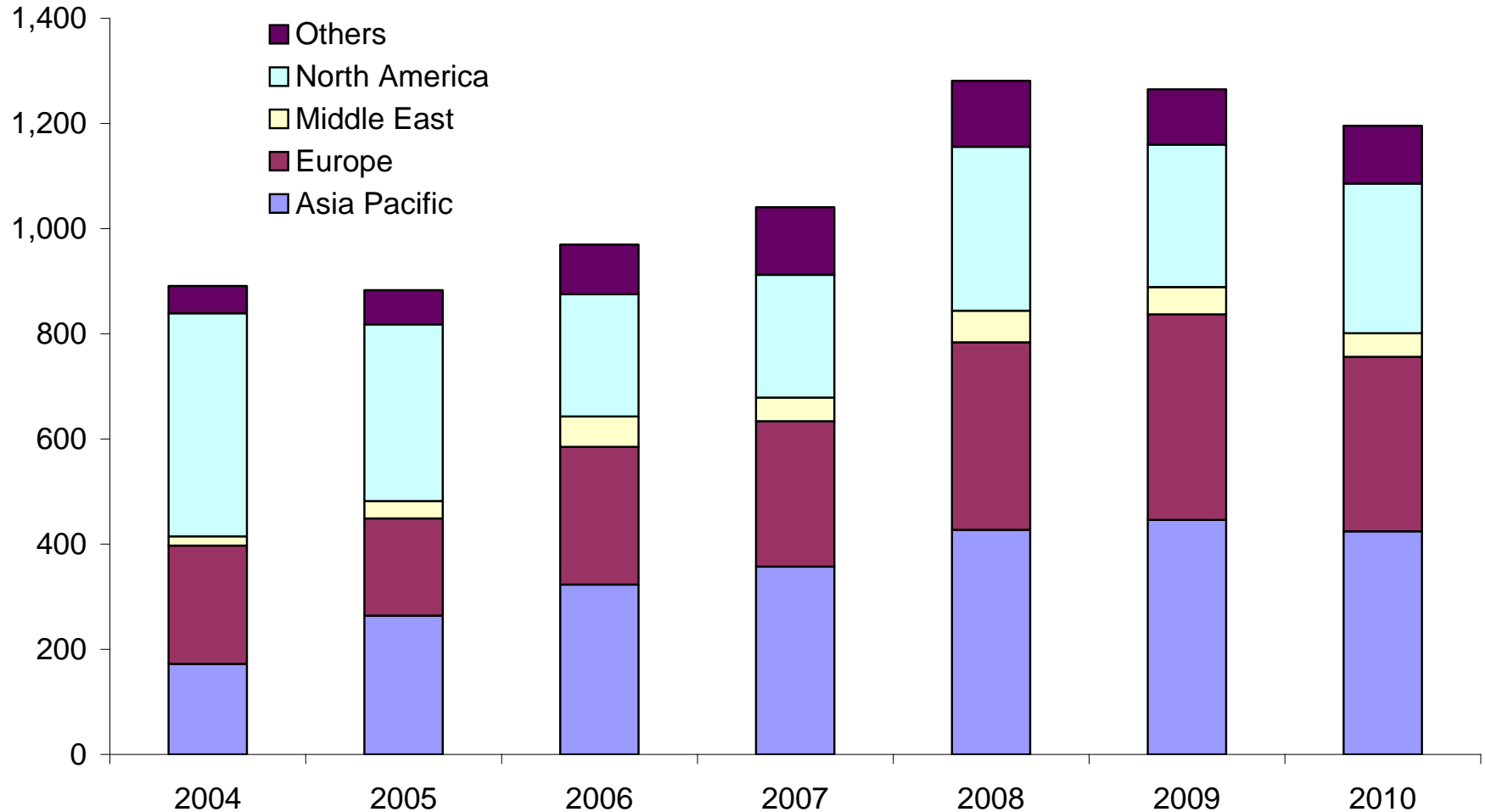
GDP growth forecasts for 2008

Source: EIU



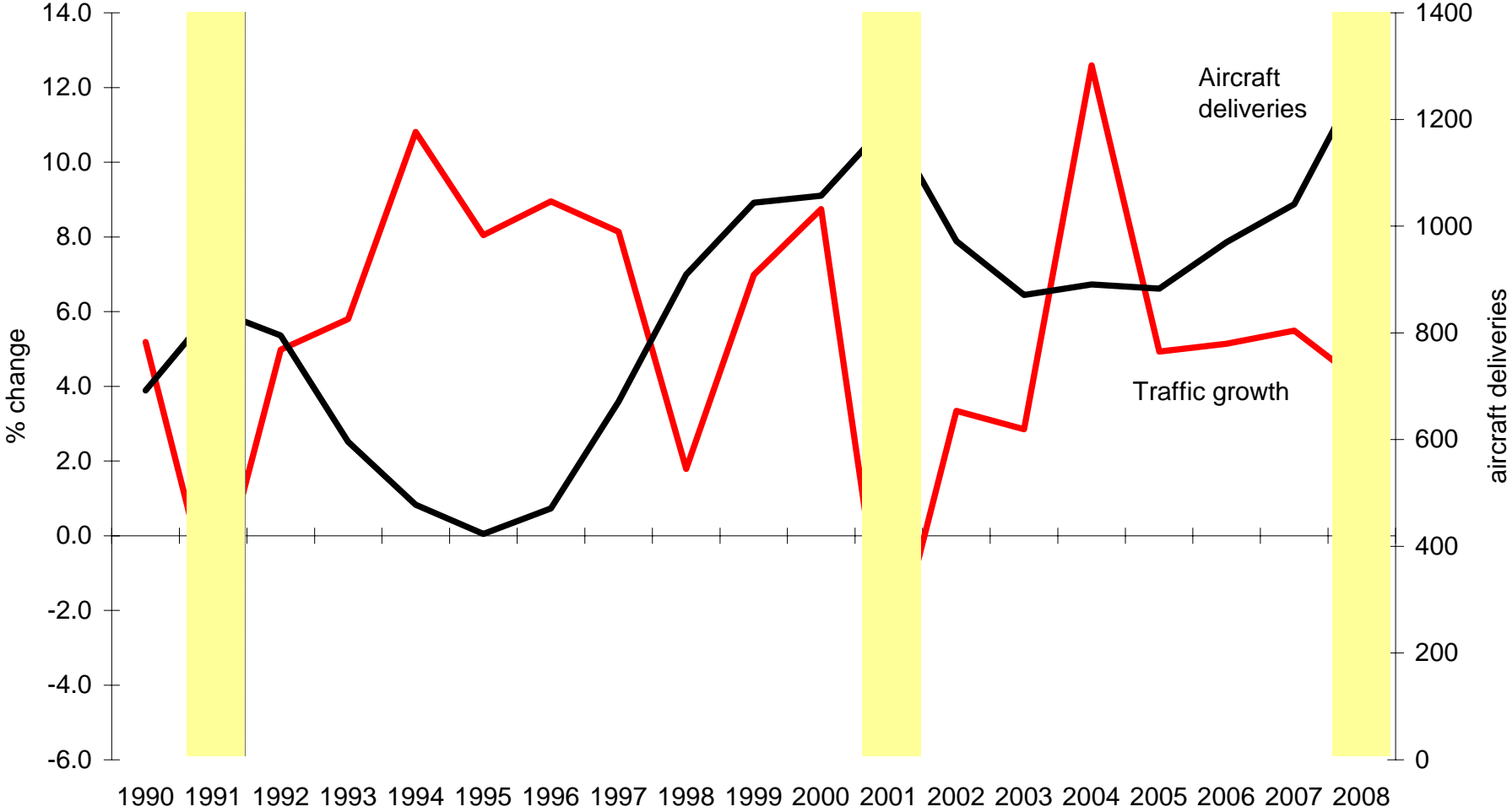
The delivery cycle is accelerating

Aircraft deliveries



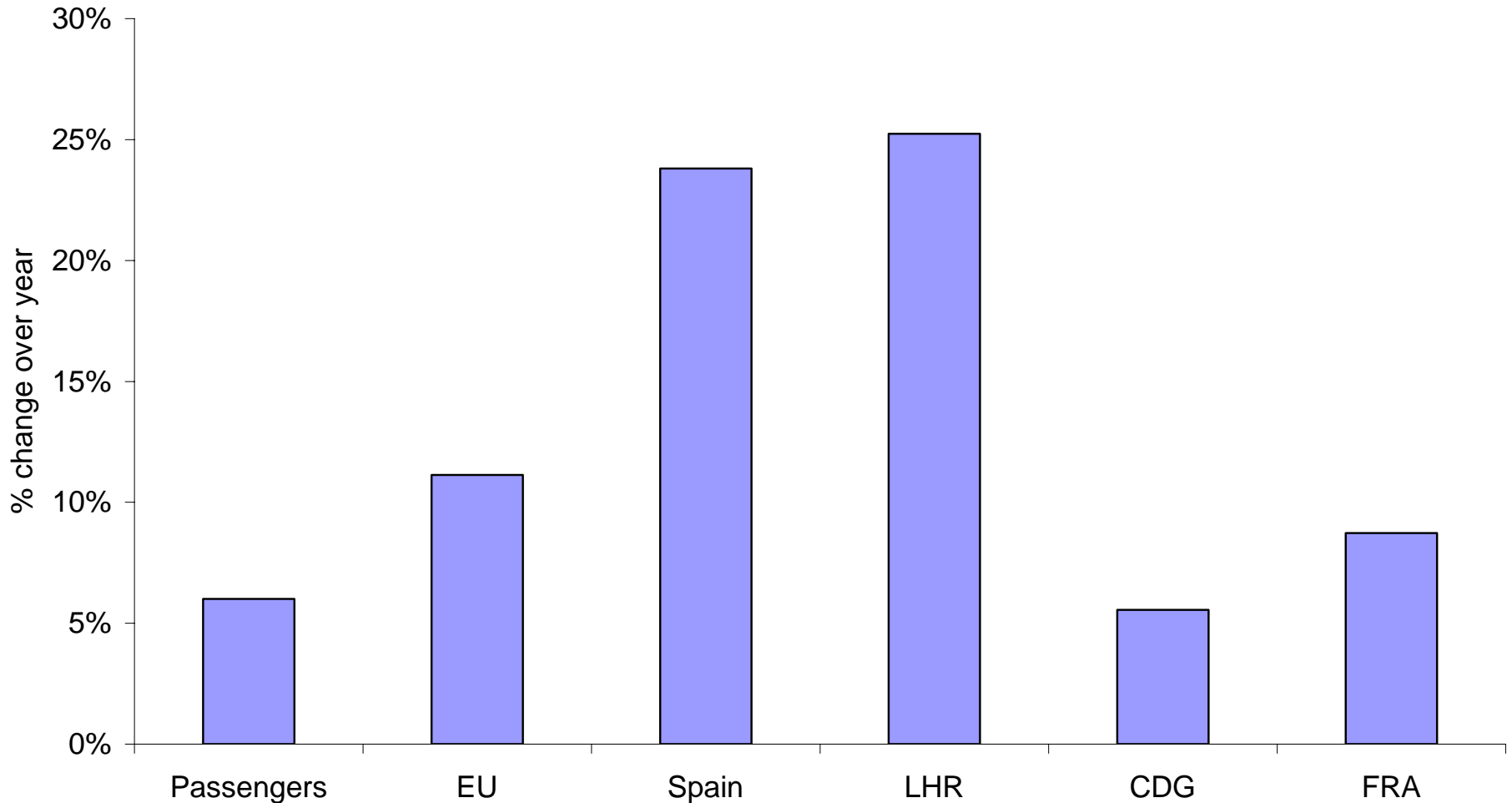
Increasing competitive pressures

Aircraft deliveries and traffic growth



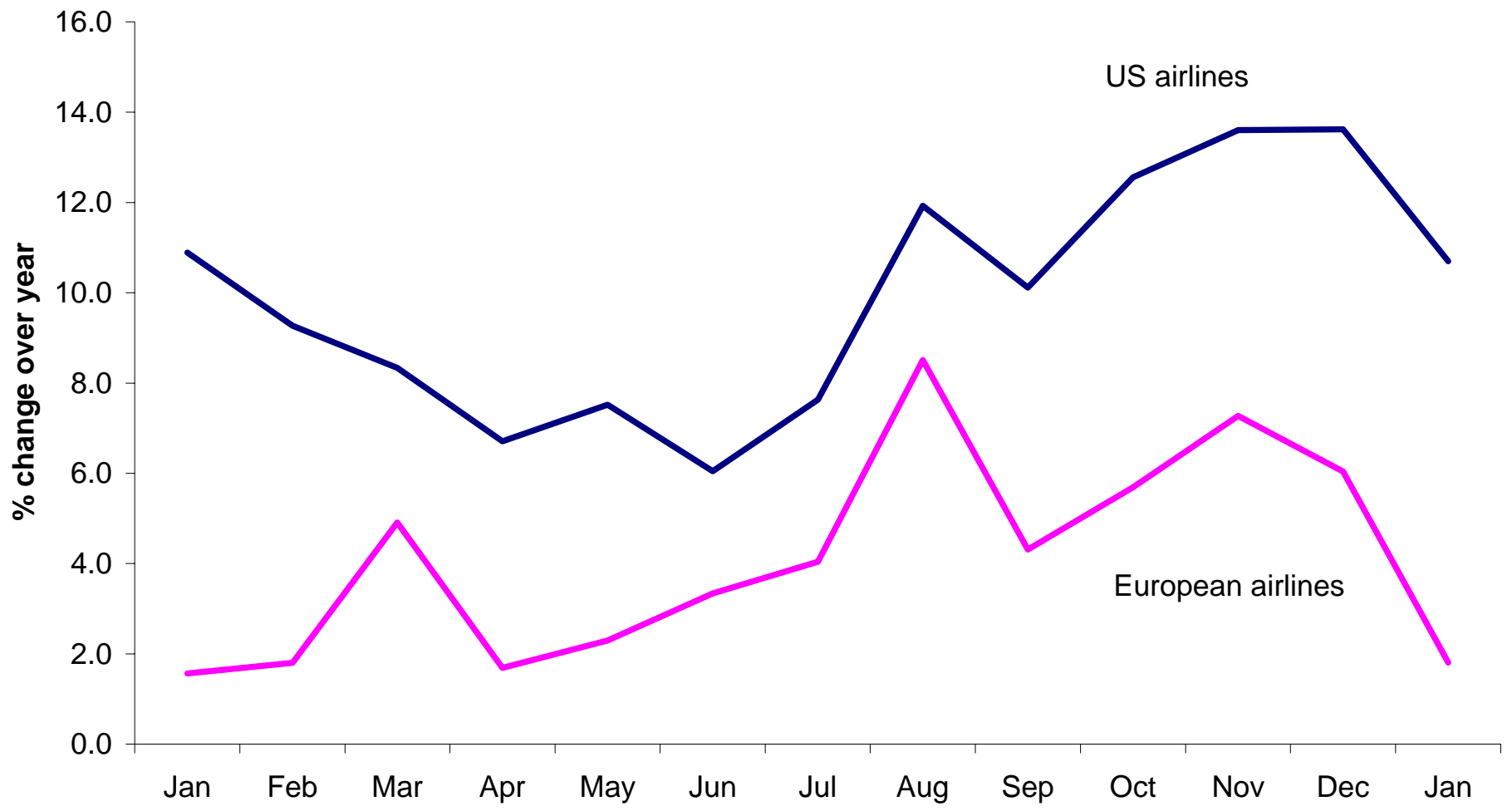
Open Skies will also intensify competition

Growth in available seats in April 2008



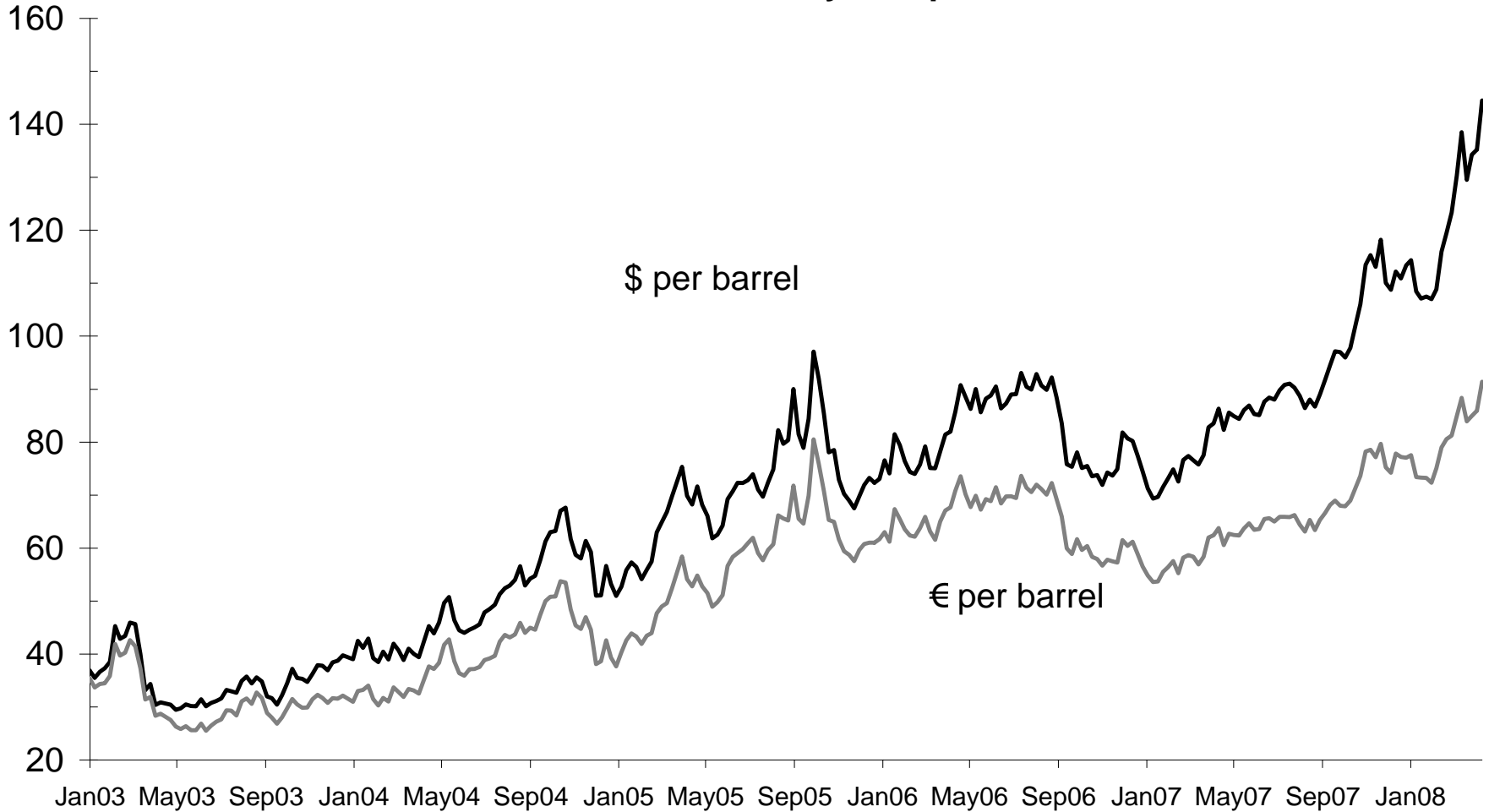
US share of N.Atl. RPKs helped by weak \$

RPK growth on the North Atlantic 2007-2008



Rising US\$ fuel prices muted by €

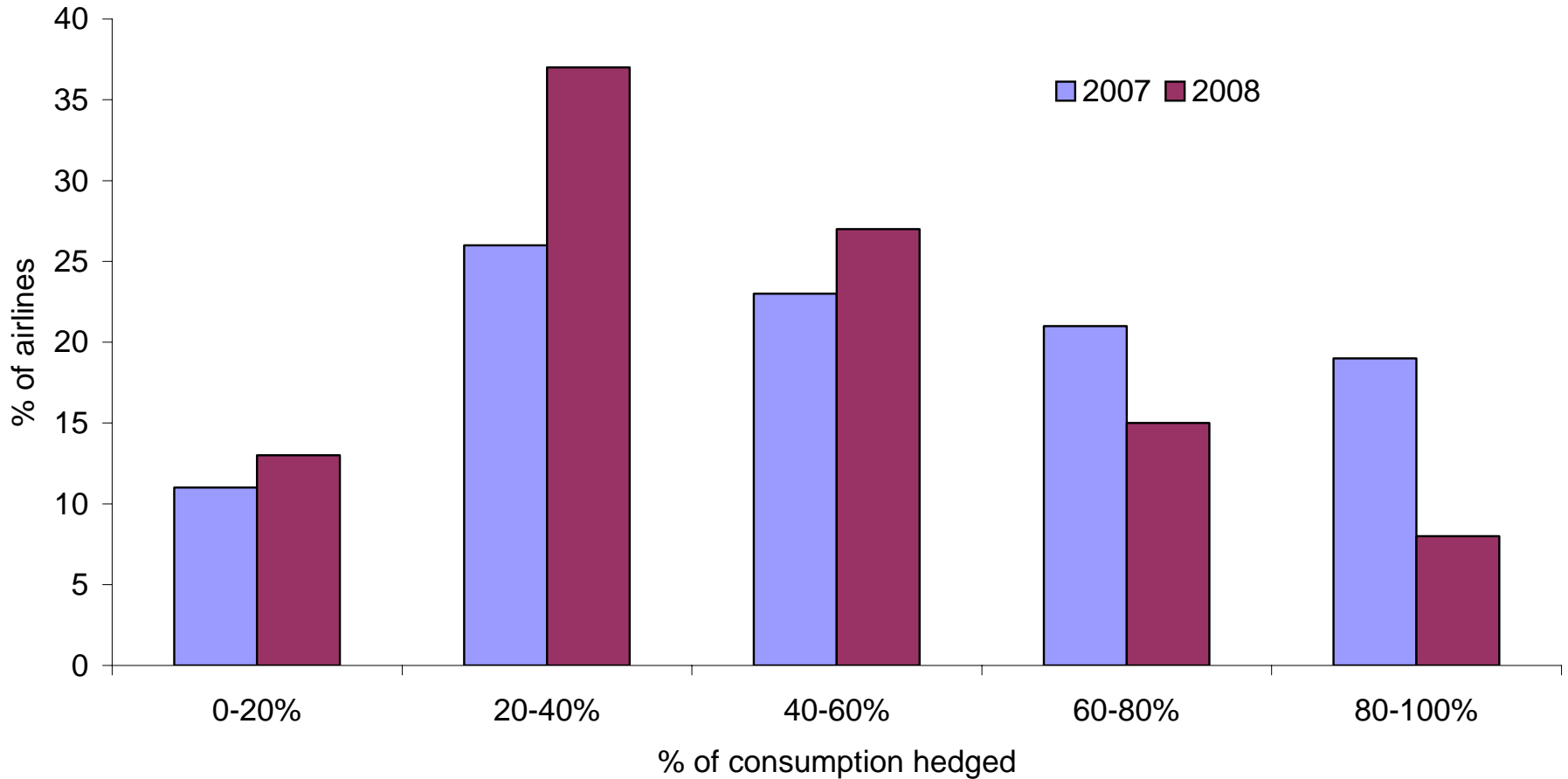
Jet Fuel Price Currency Comparison



Source: Platts, RBS

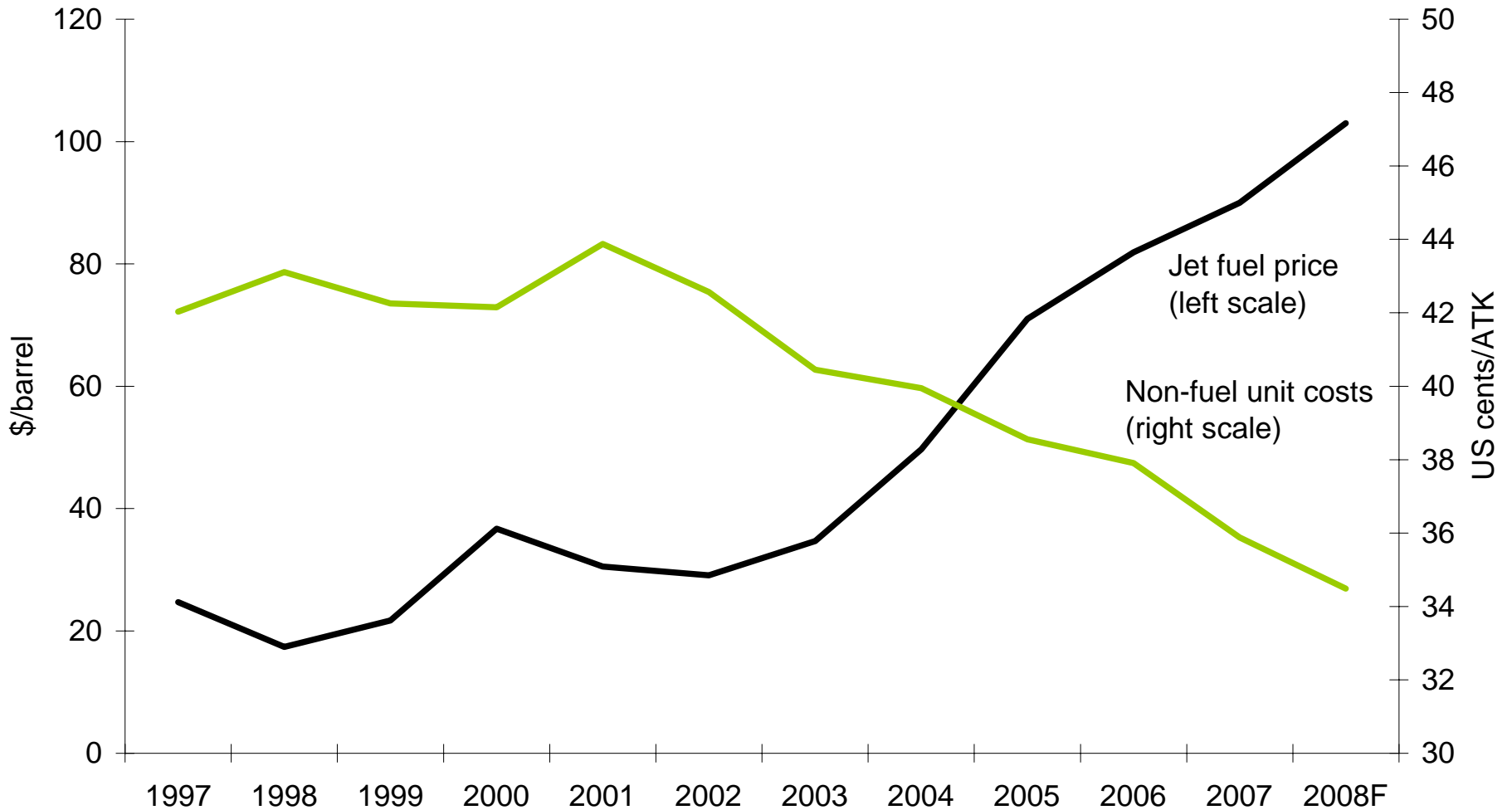
Hedging levels are lower this year

Morgan Stanley survey of airline jet fuel hedging



Further efficiency gains critical

Jet fuel price and non-fuel unit costs



The downside to our 2008 forecast is large

