



Airline outlook dominated by recession impact



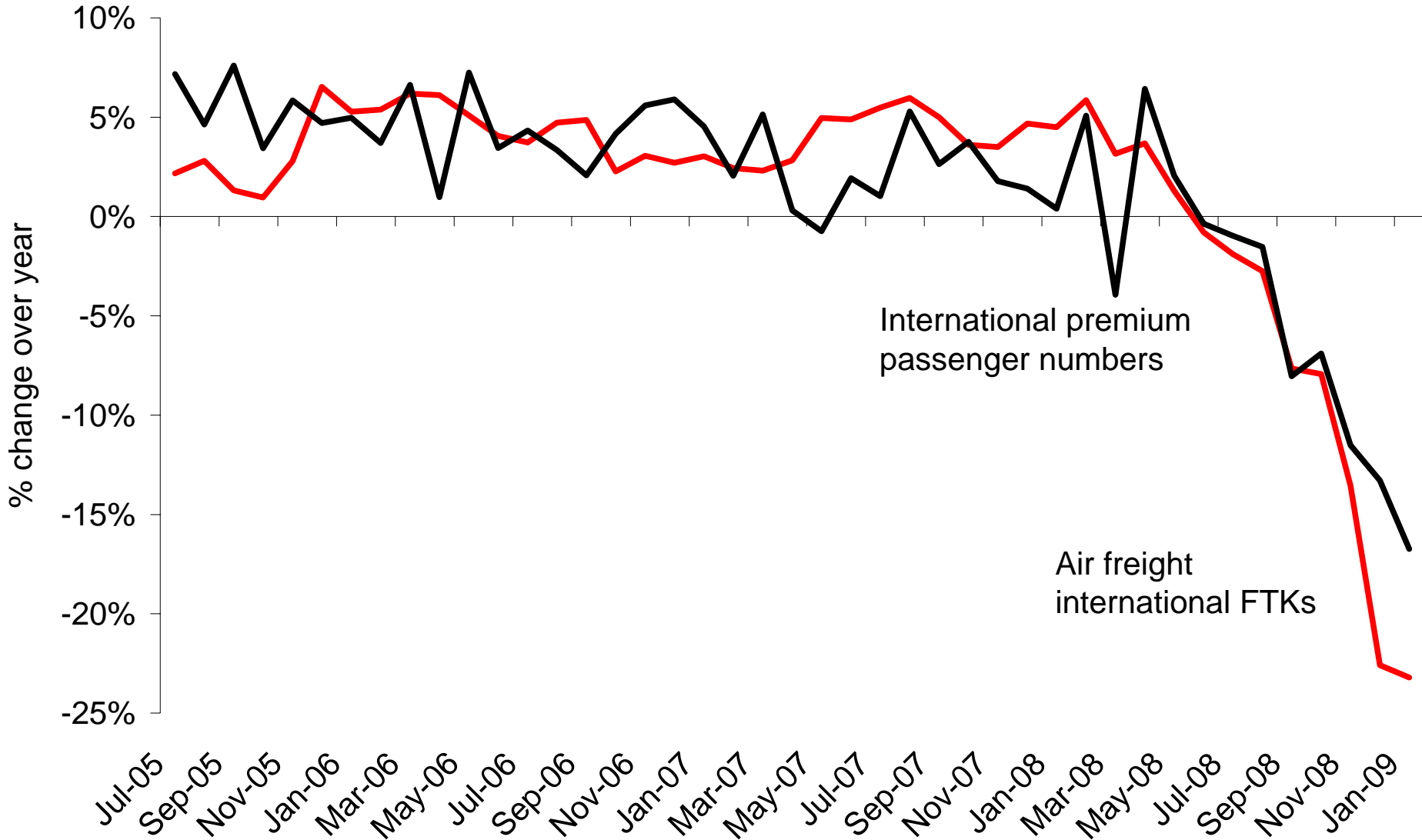
March 2009

www.iata.org/economics

To represent, lead and serve the airline industry



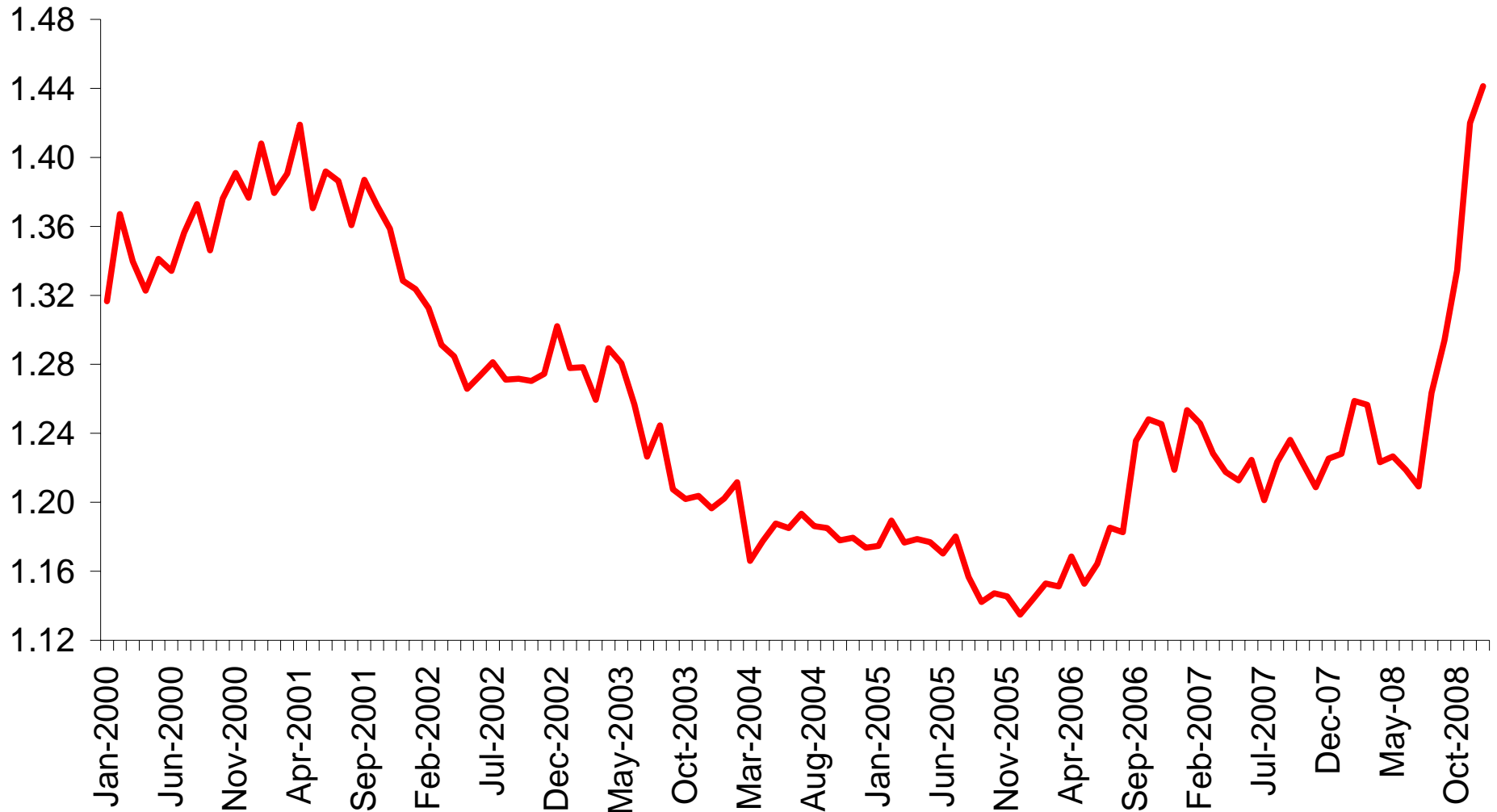
Precipitous slump in freight and travel



Source: IATA

Inventory overhang led to air freight fall

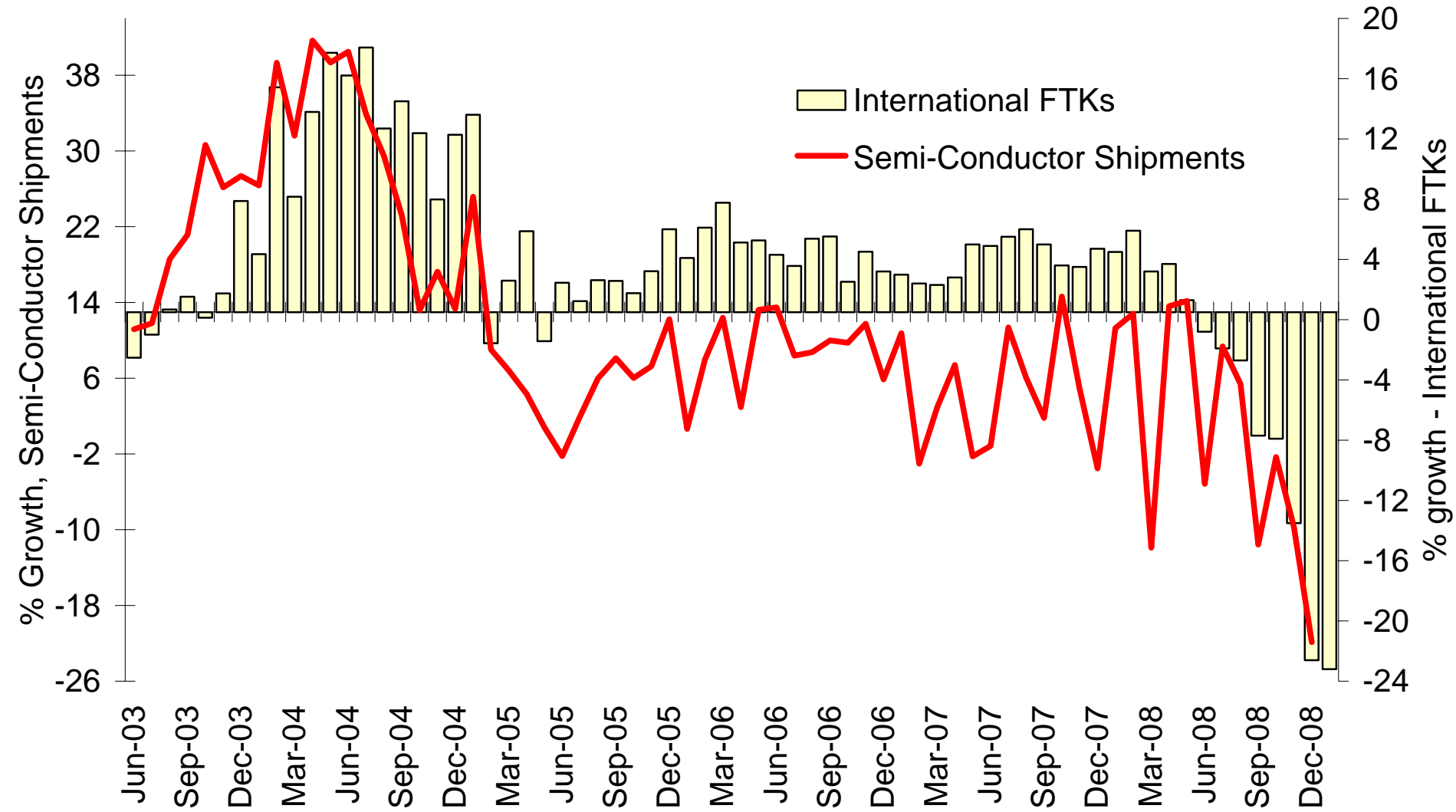
US Manufacturing Inventories to Sales Ratio



Source: Haver Analytics

Shippers abruptly stopped shipping

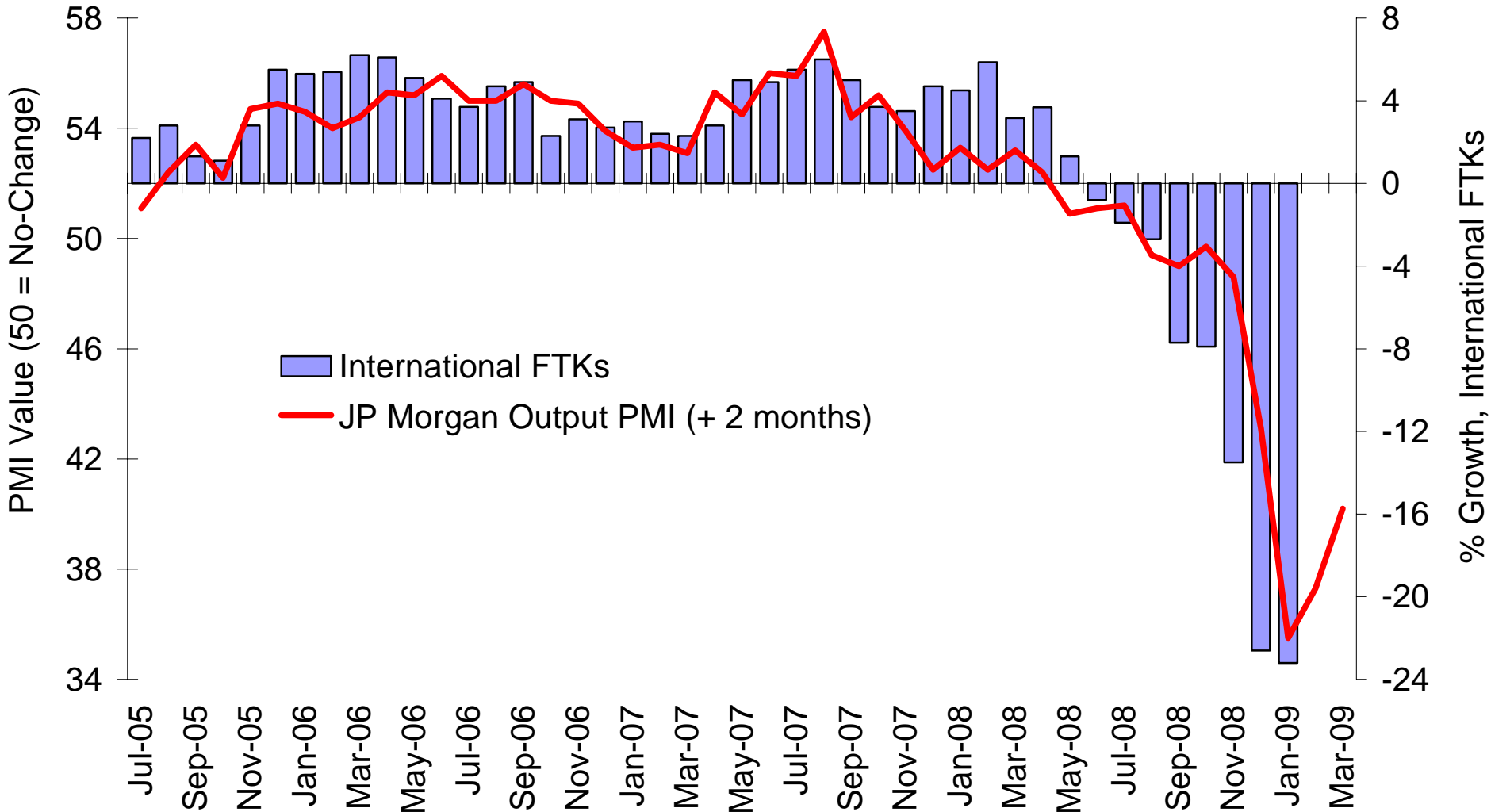
Semi-Conductor Shipments and Air Freight



Source: SIA, IATA

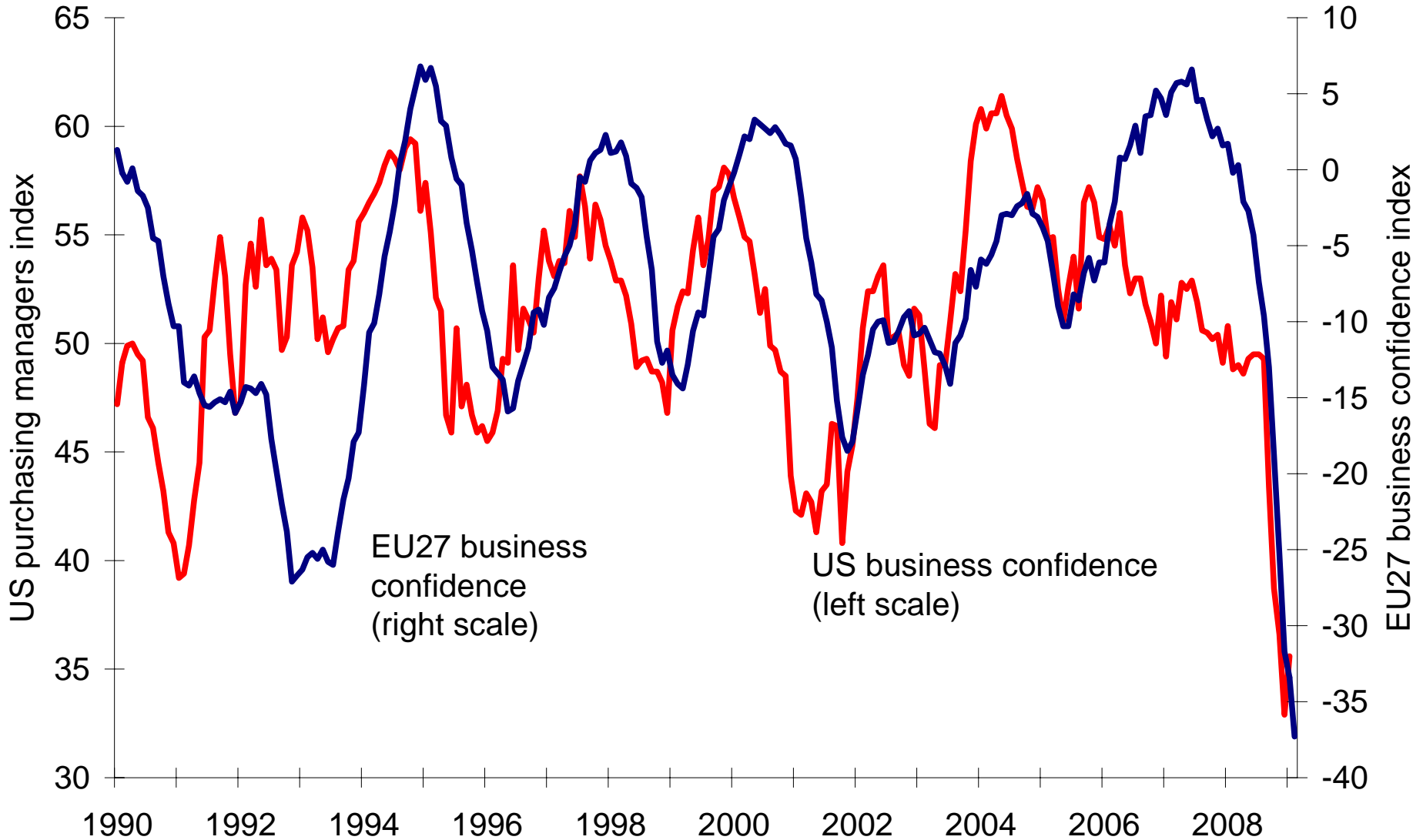
Light at the end of the tunnel?

JPMorgan Output PMI Index and Air Freight Demand



Source: Haver Analytics

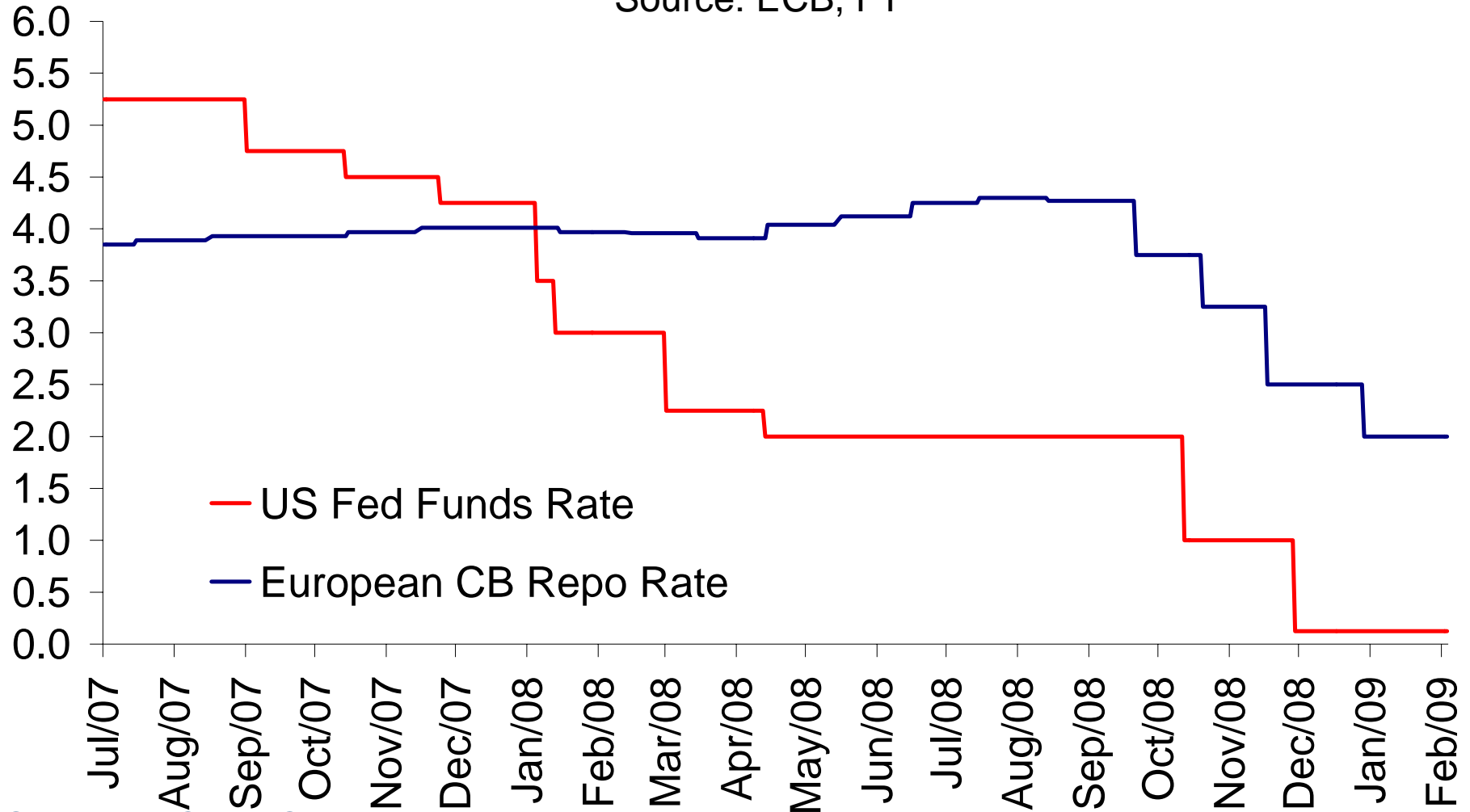
But business confidence at new lows



Source: Haver

Big cuts in Central Bank interest rates

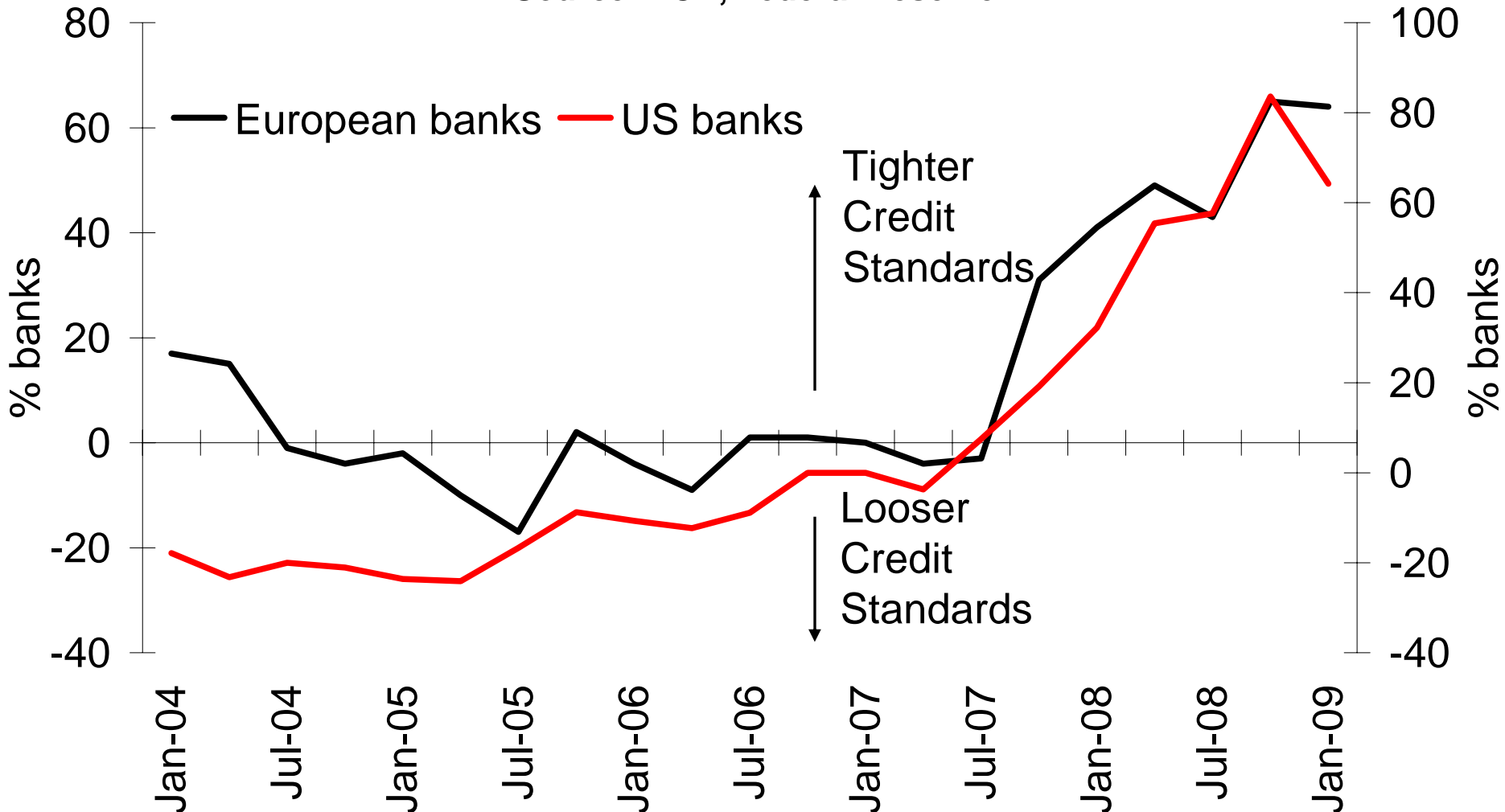
Central Bank Interest Rates
Source: ECB, FT



Source: ECB, US Fed

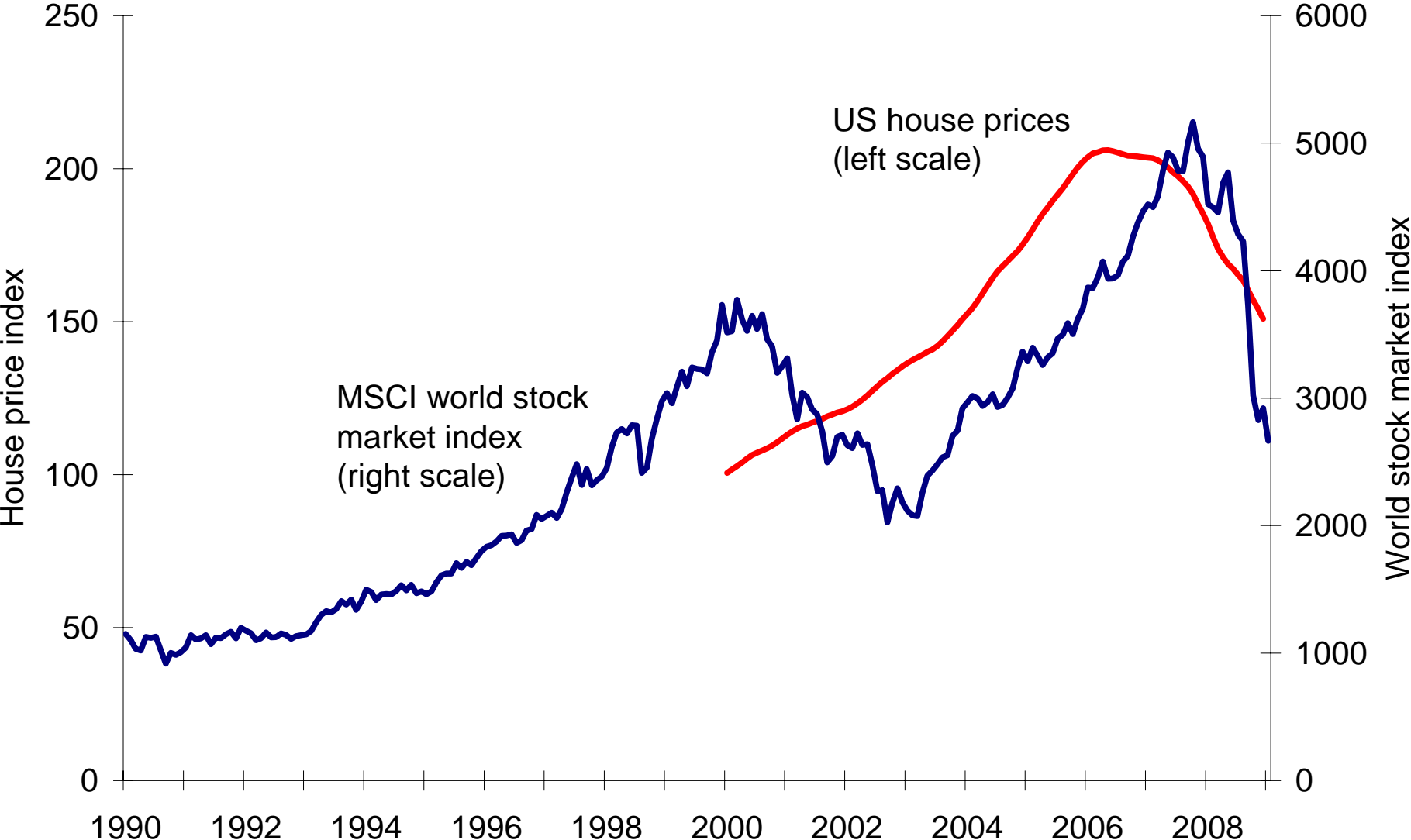
But banks are still unwilling to lend

Bank credit conditions
Source: ECB, Federal Reserve



Source: ECB, US Fed

Consumers unwilling to borrow or spend

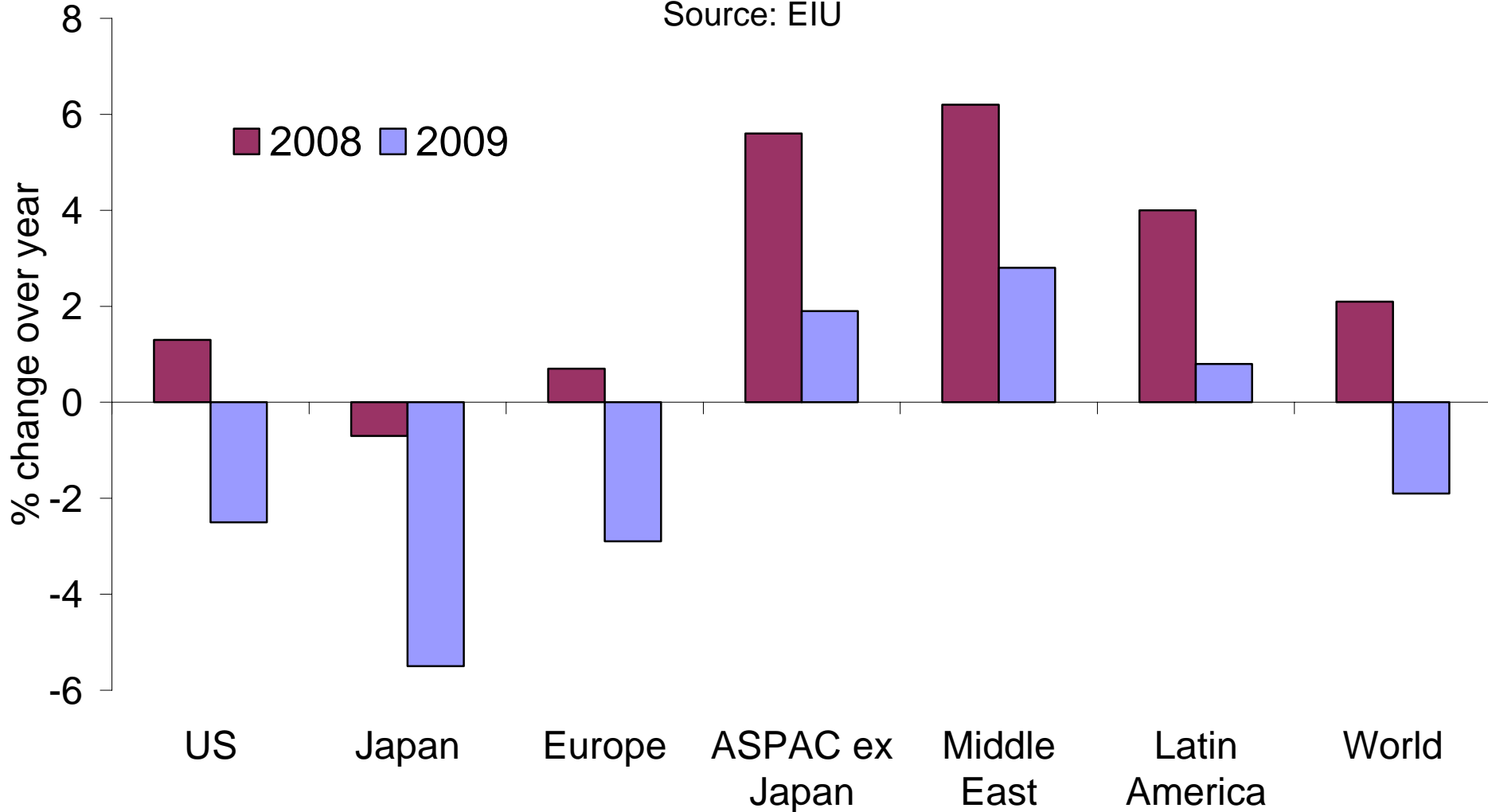


Source: Haver

Deepest recession since the 1930s

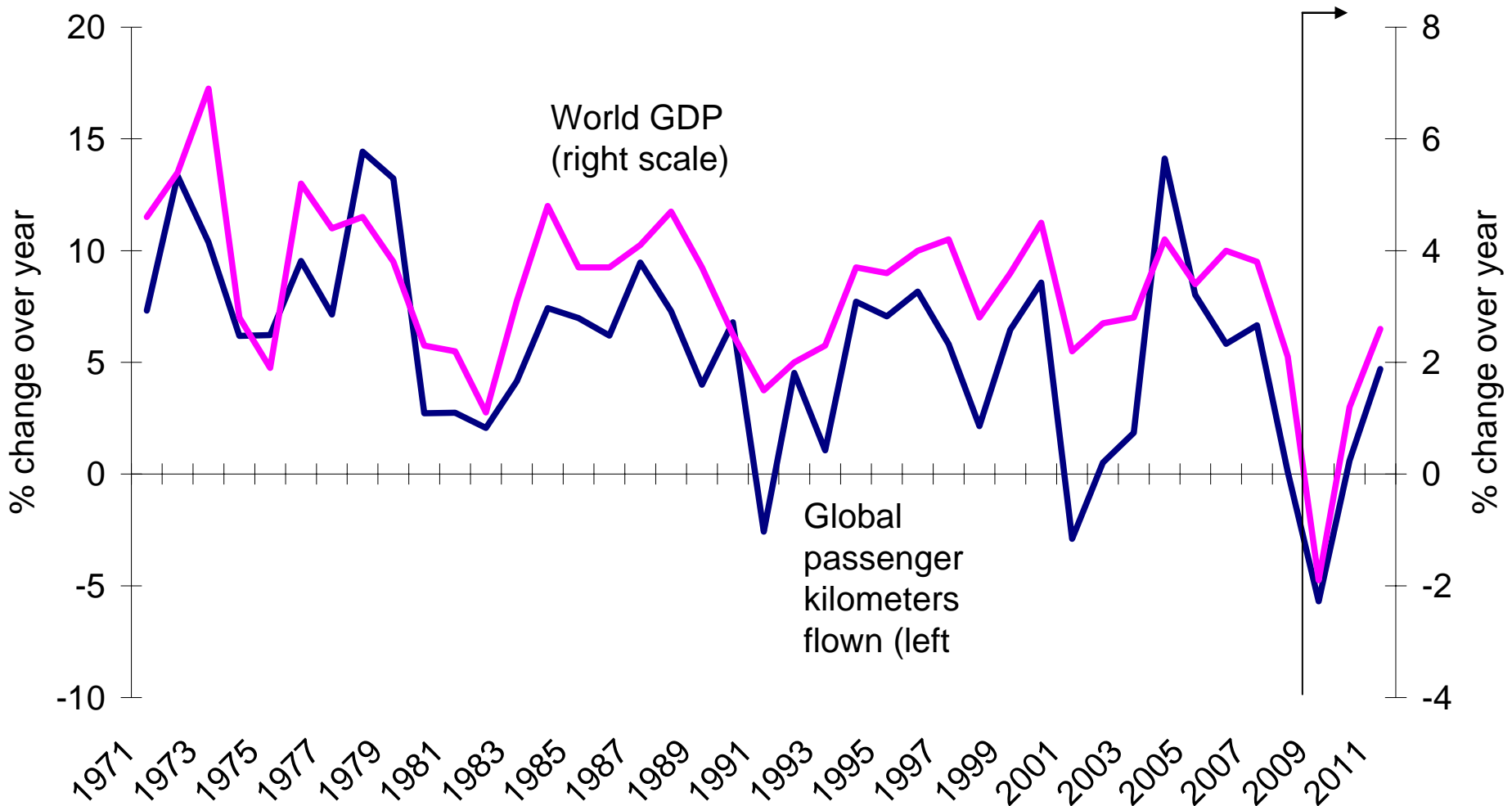
GDP growth forecasts

Source: EIU



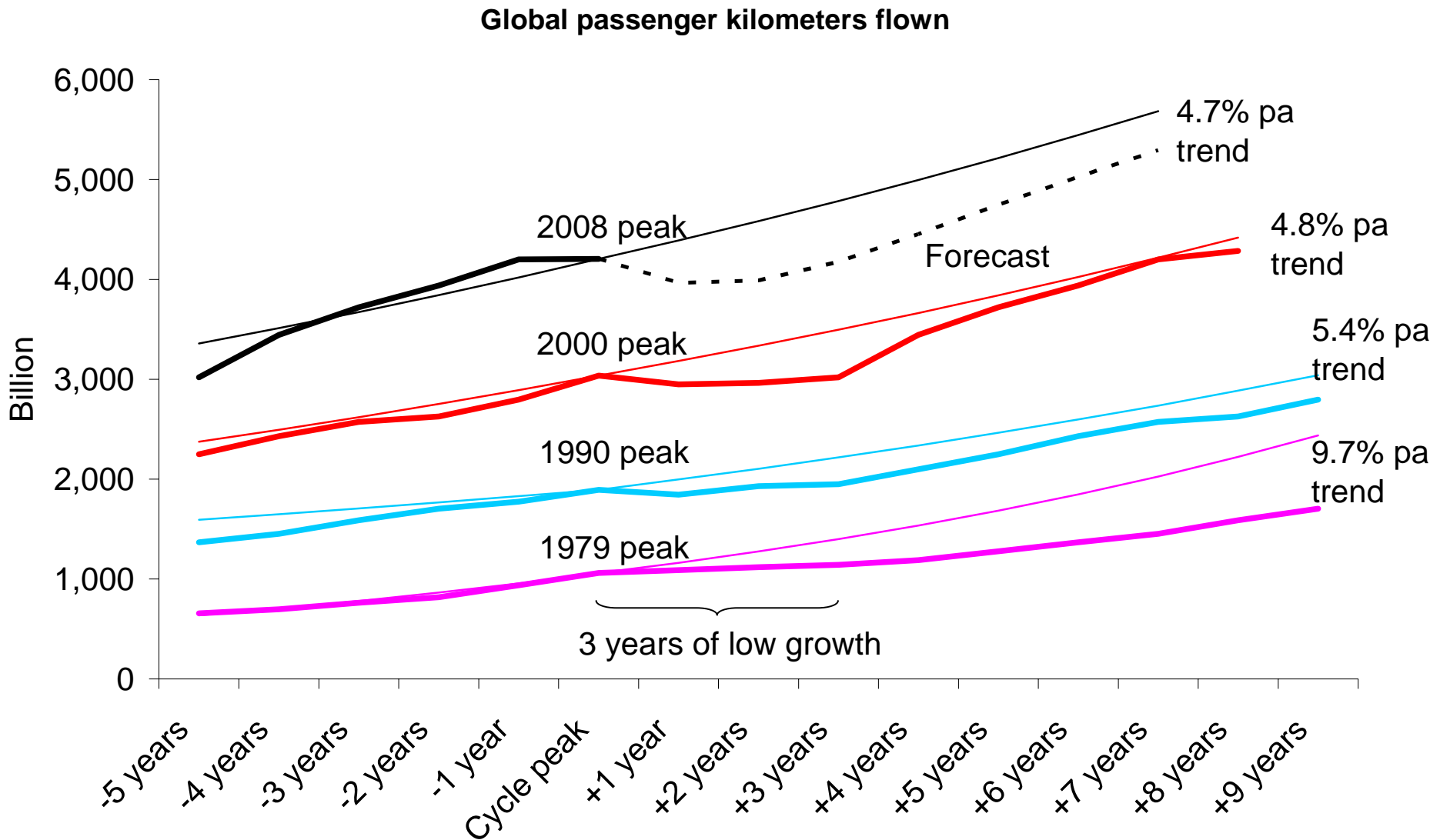
Resulting in a sharp fall in travel

Growth in global GDP and passenger kilometers flown



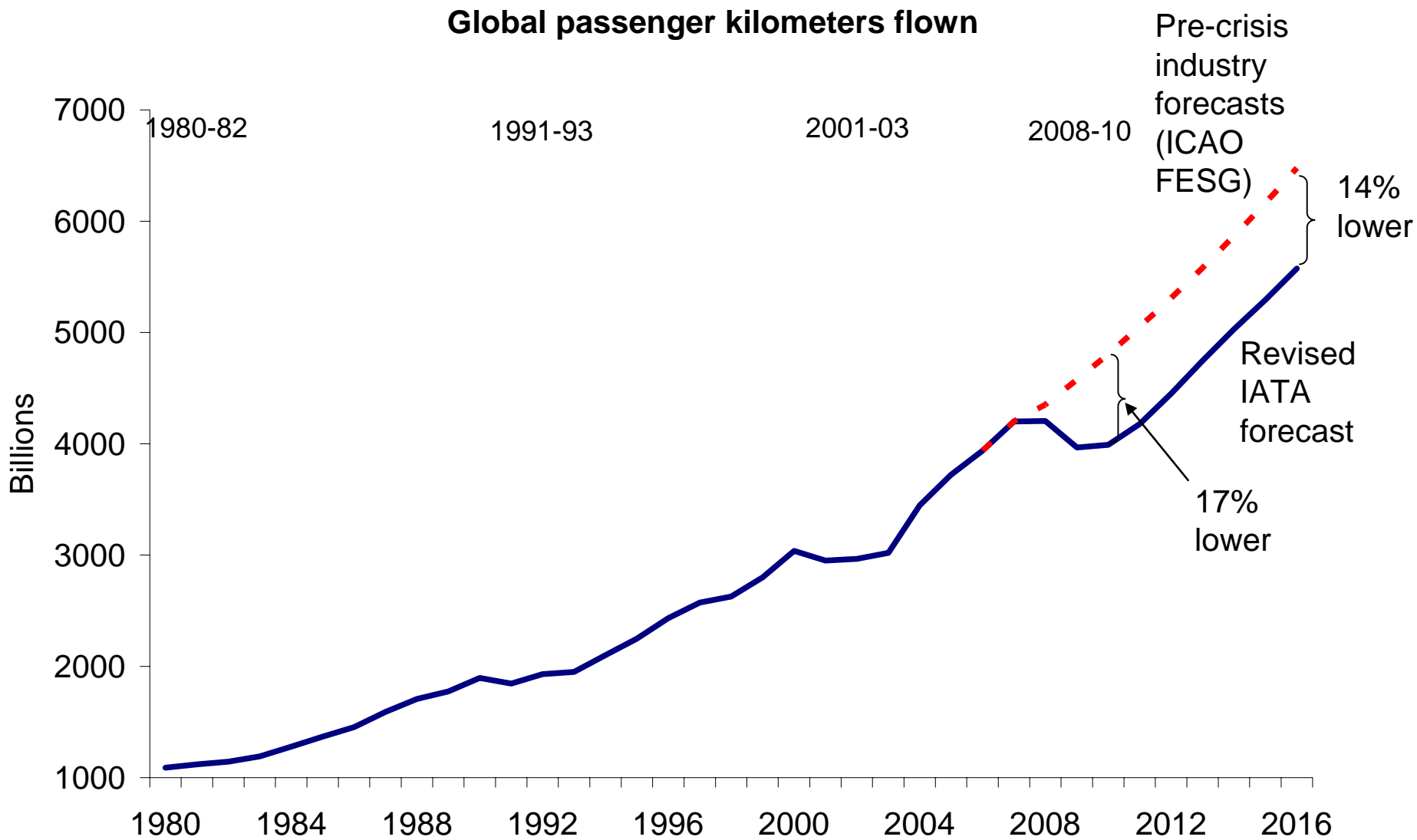
Source: IATA

The post-2001 recovery was unusual



Source: IATA

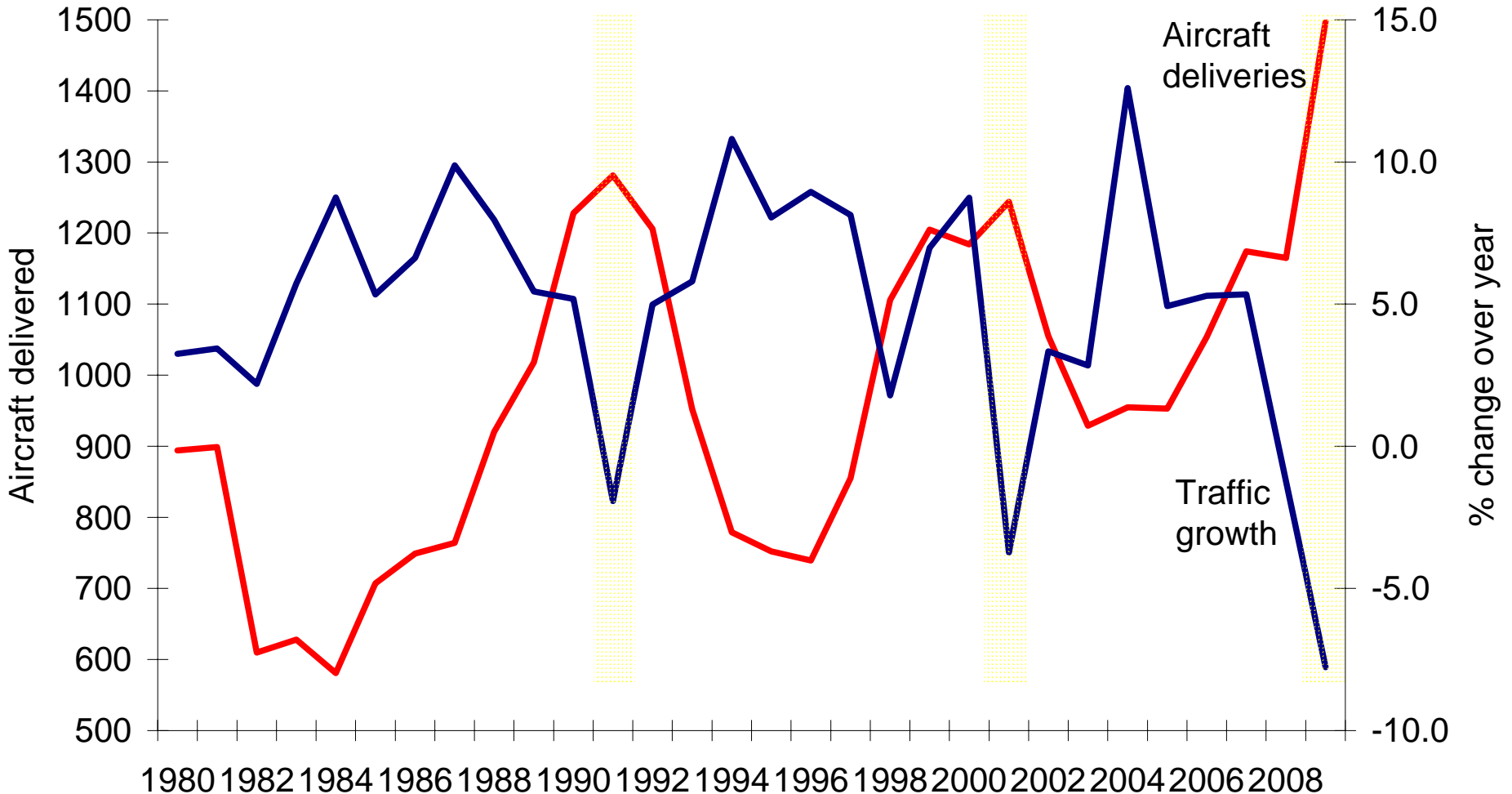
Traffic likely to stay low for longer



Source: EIU

History repeats itself yet again

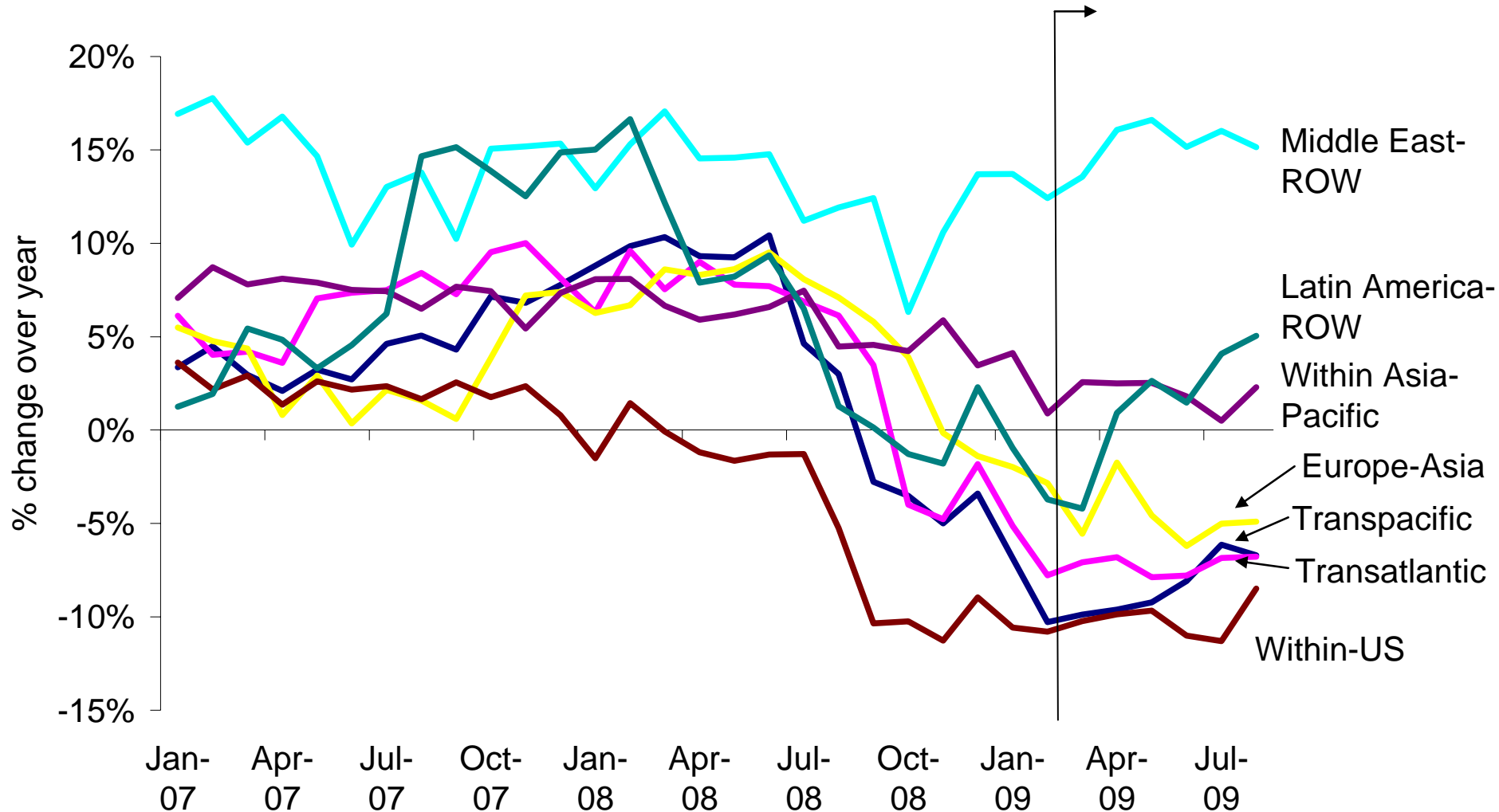
Aircraft deliveries and growth in TKPs



Source: Ascend, IATA

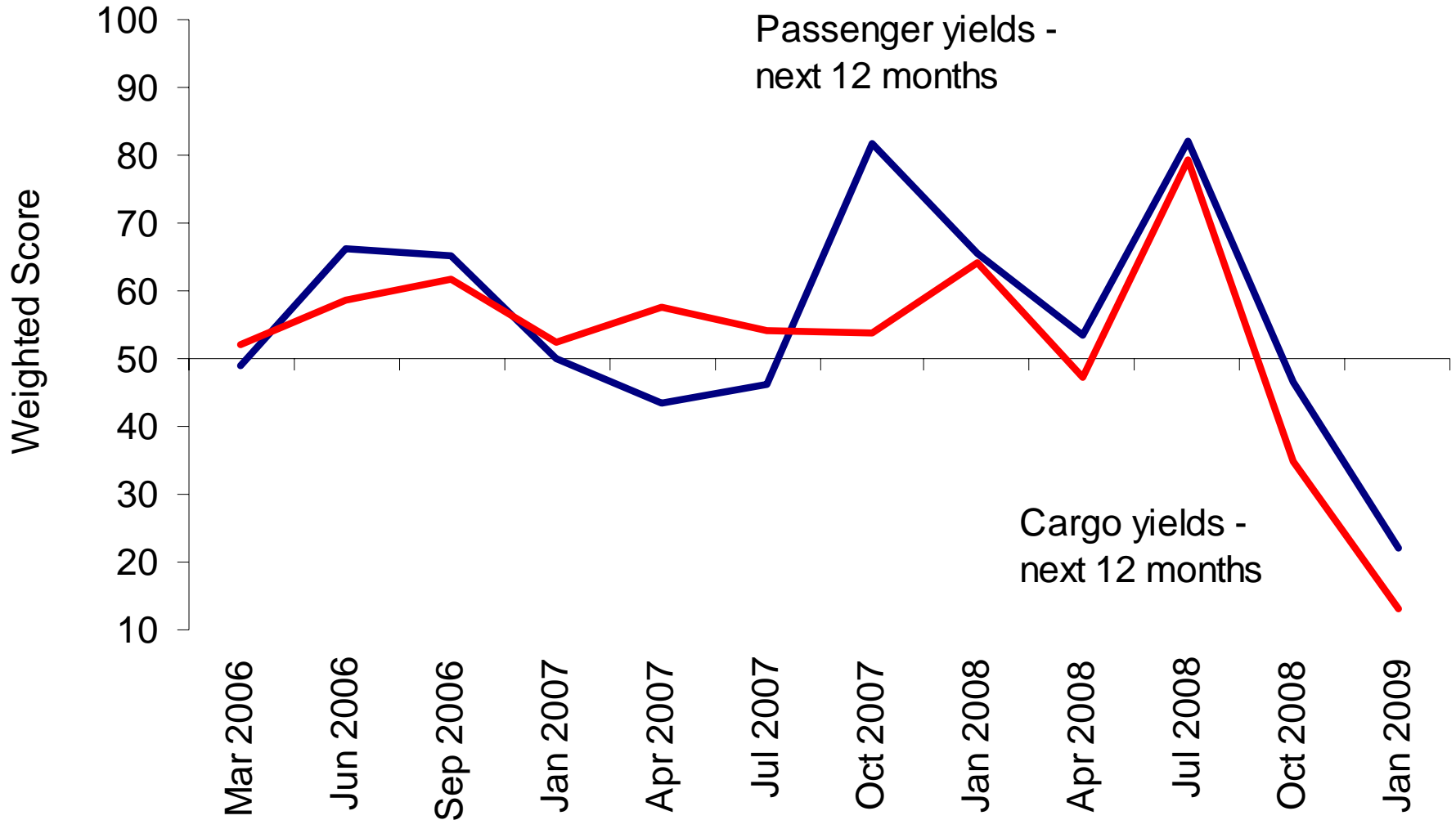
Mixed picture of airline capacity cuts

Published scheduled data for growth in ASKs by major route area



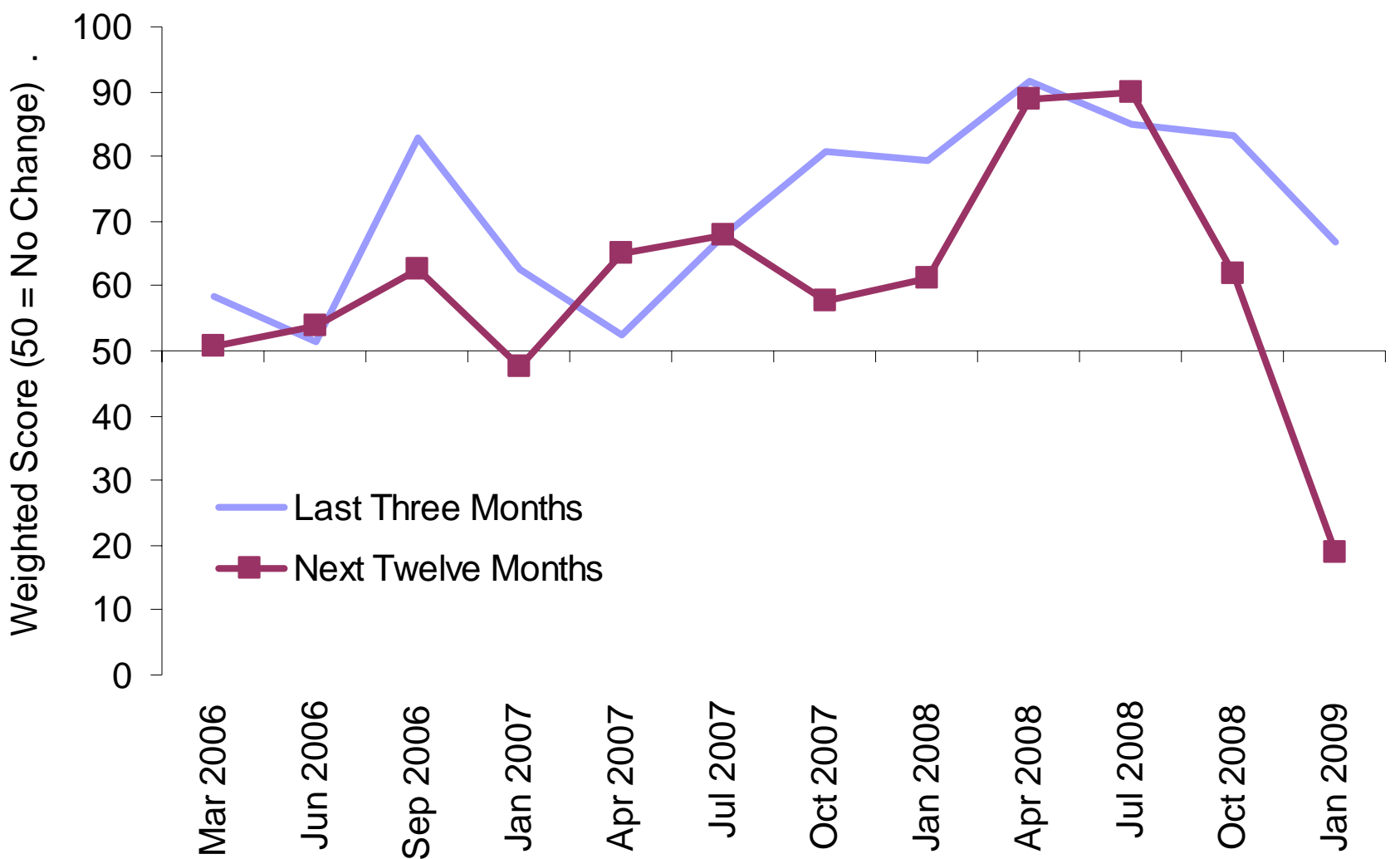
Source: SRS Analyser

Yields are expected to fall significantly



Source: IATA business confidence survey

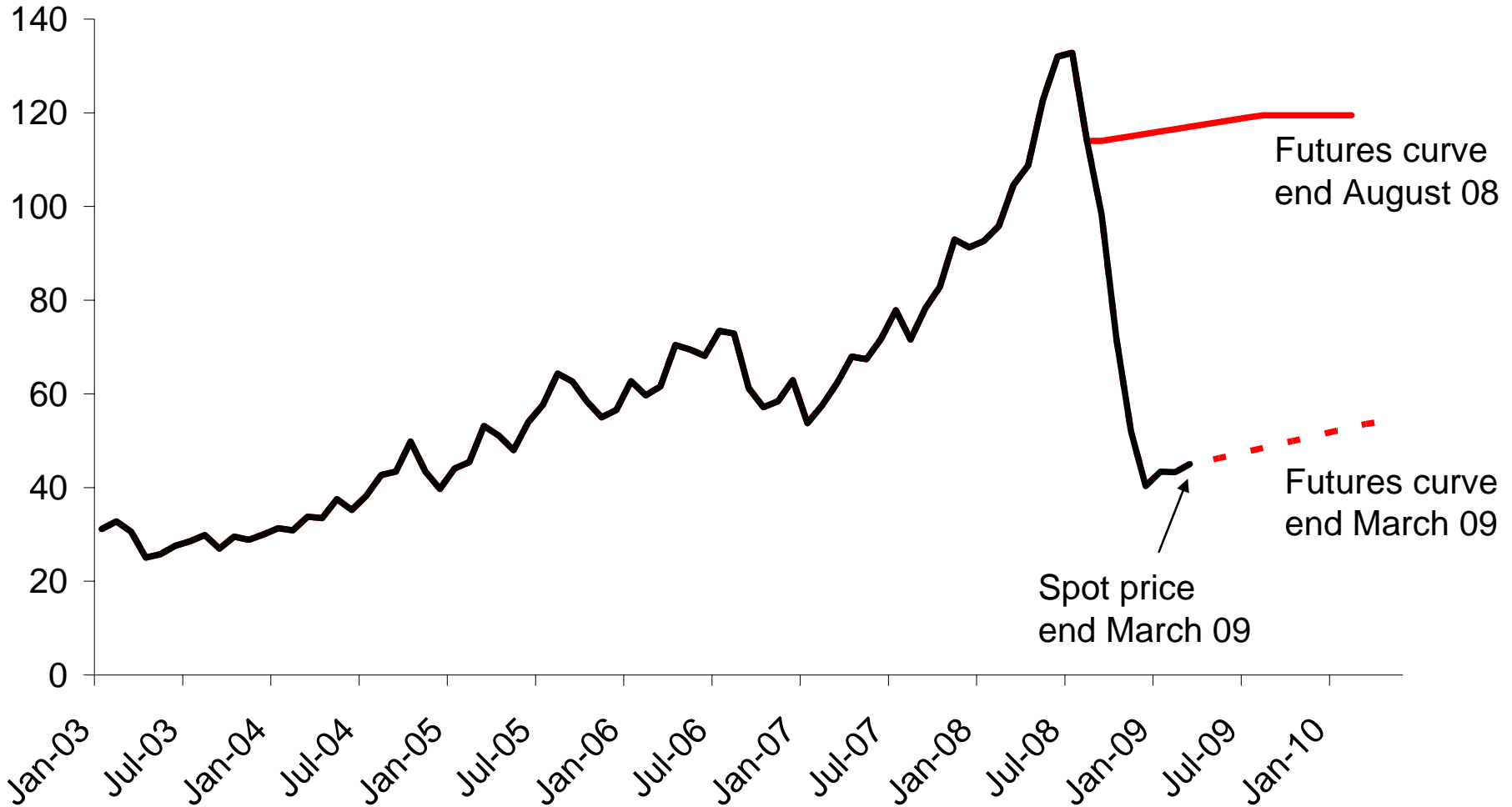
Costs should also fall, after some delay



Source: IATA business confidence survey

Looking ahead oil is much cheaper

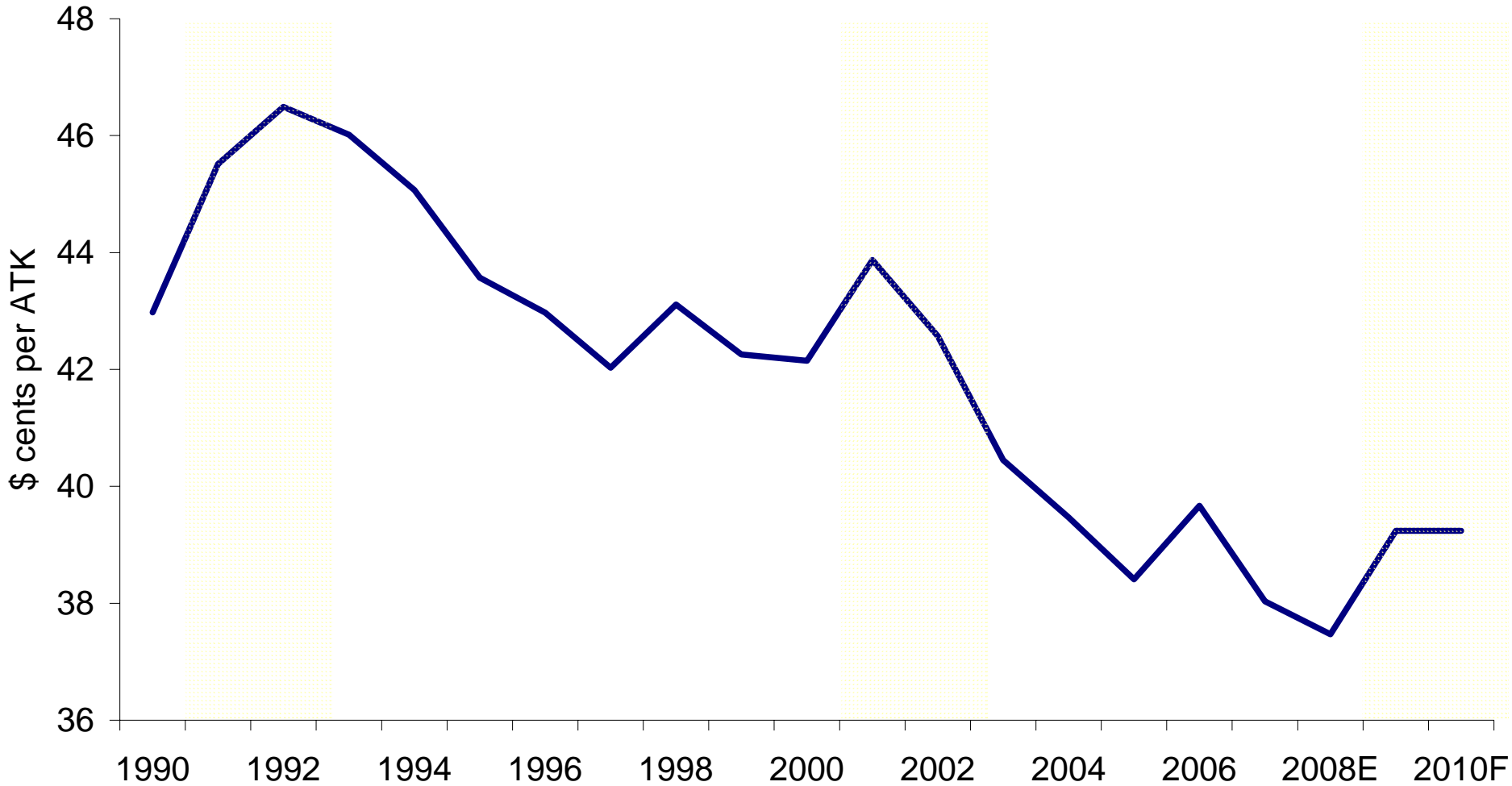
Brent oil price, \$ per barrel



Source: RBS

But non-fuel unit costs rise in downturns

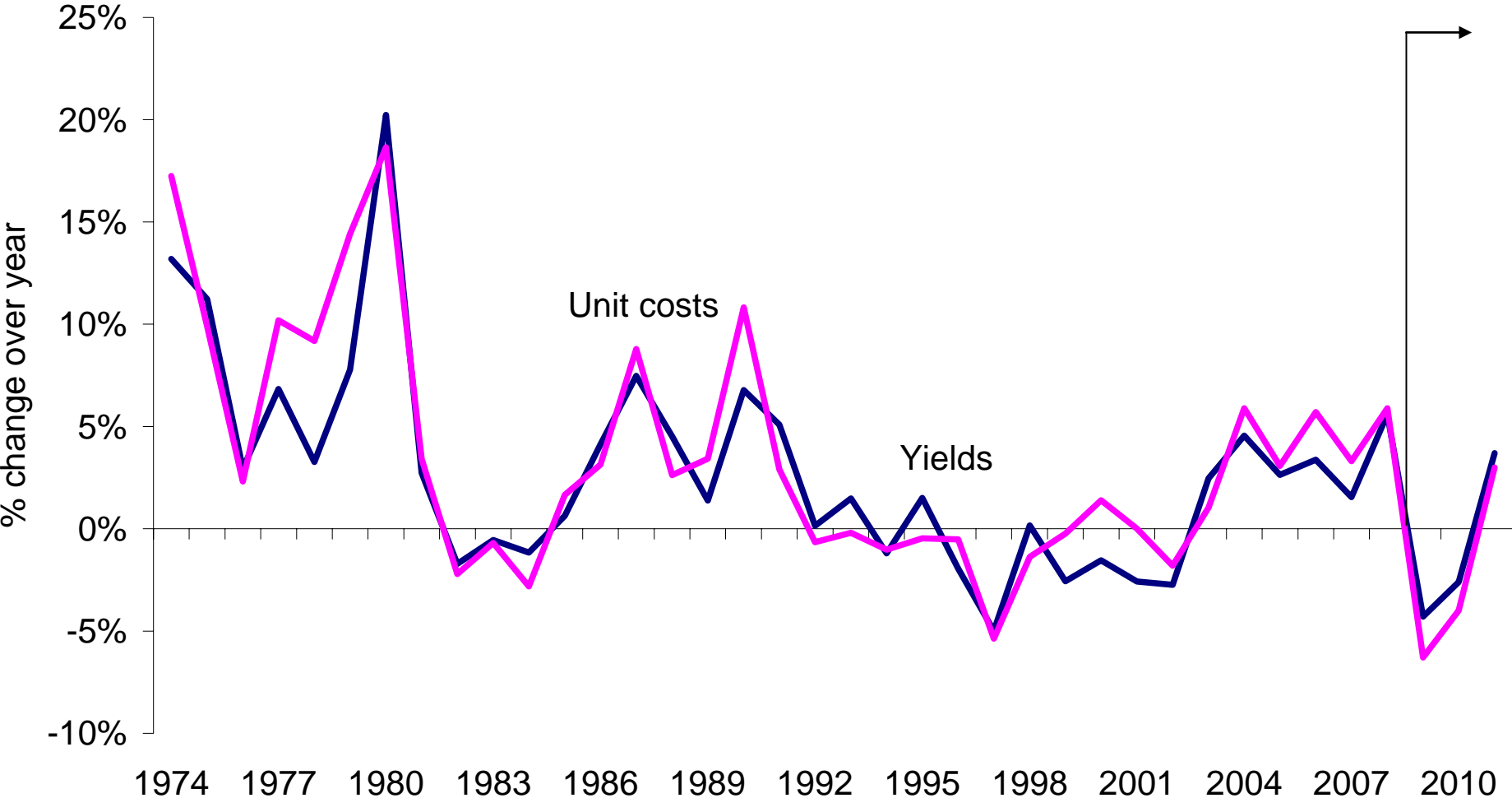
Non-fuel unit costs



Source: IATA

Overall both CASM and yields will fall

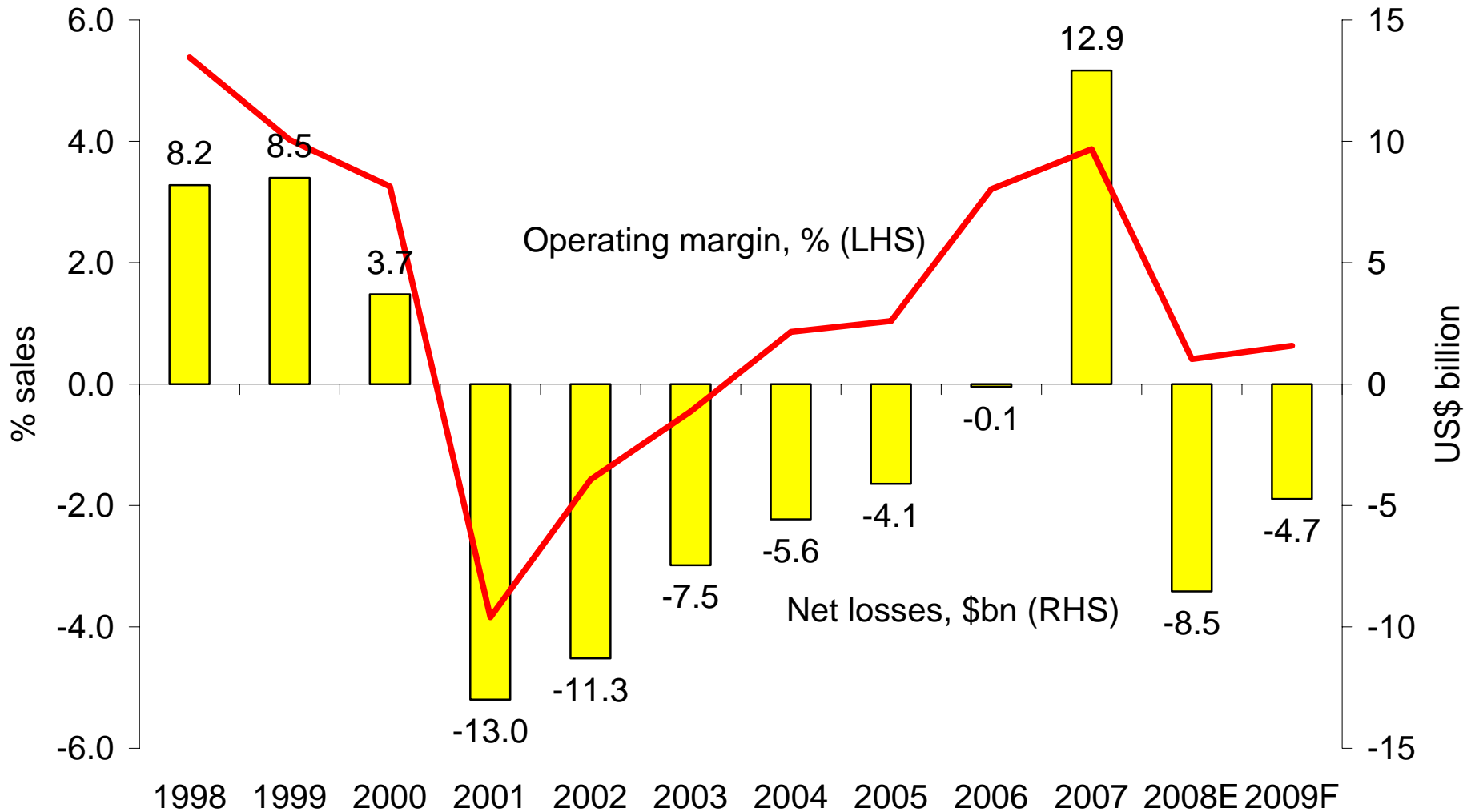
Global airlines unit costs and yields



Source: IATA

Net loss of \$4.7bn forecast for 2009

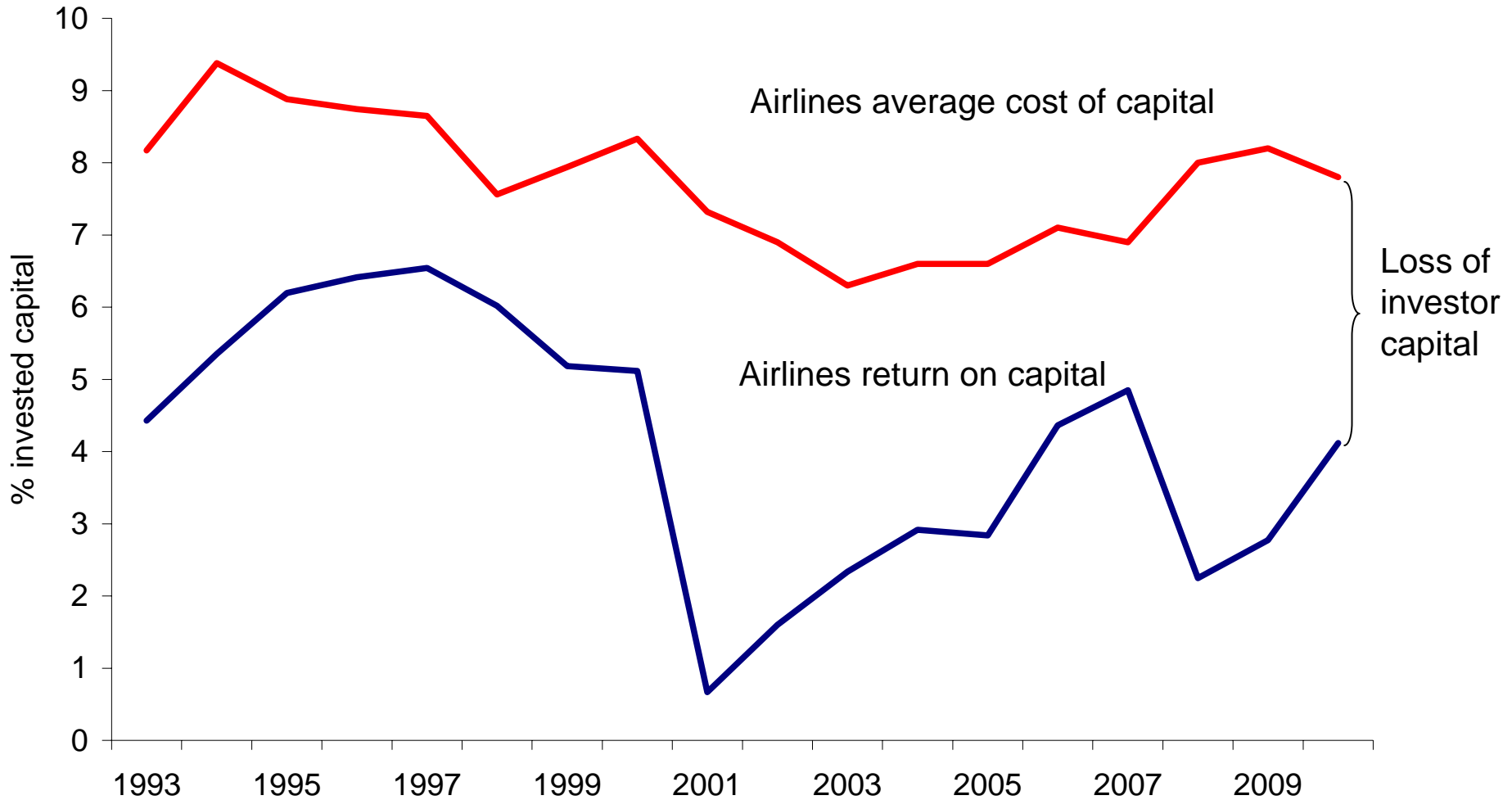
Global commercial airlines



Source: IATA

Airlines unable to return cost of capital

Return on invested capital and airlines WACC



Source: IATA