

# The outlook for the global airline industry in 2008

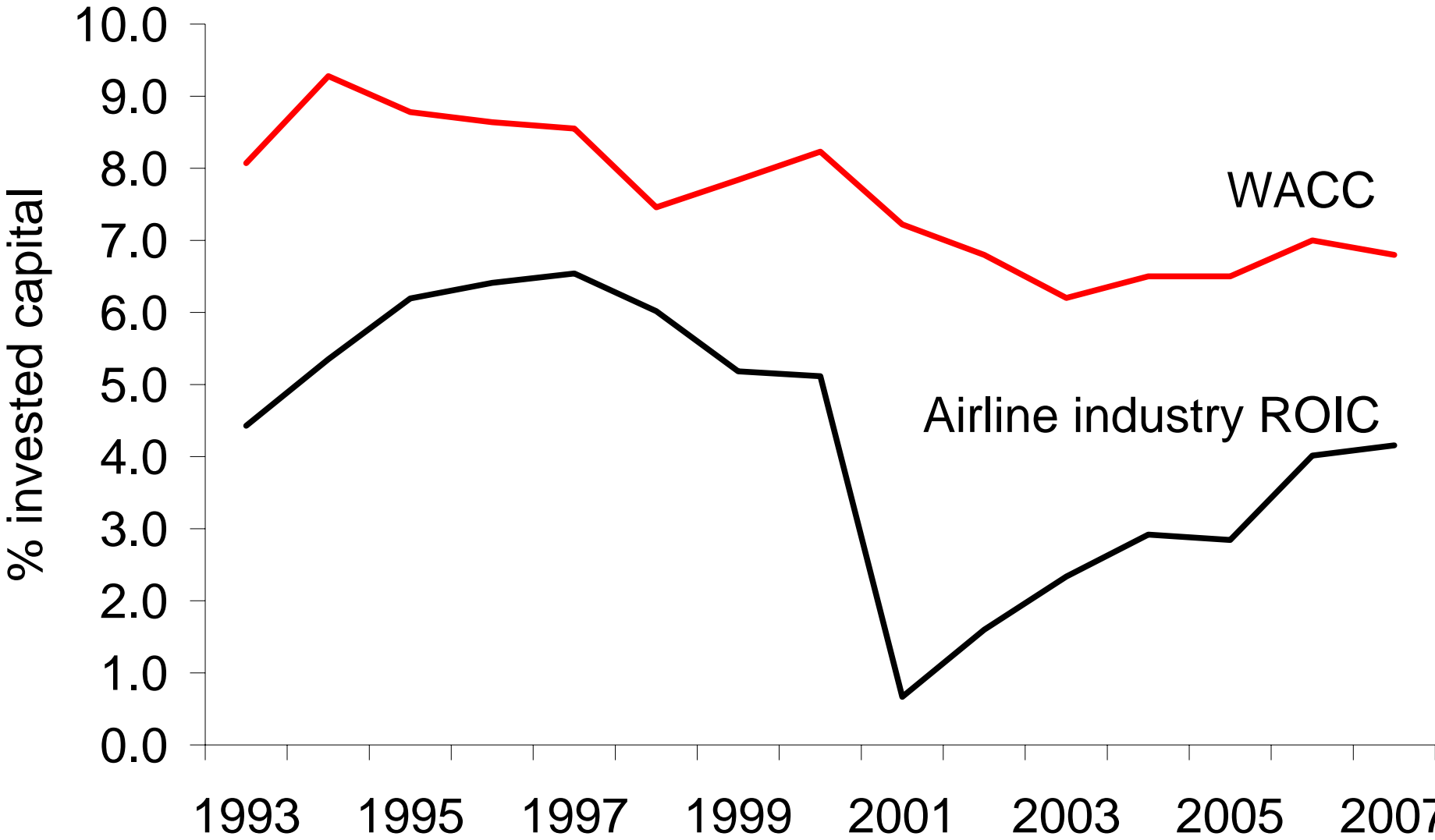
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Chief Economist

[www.iata.org/economics](http://www.iata.org/economics)

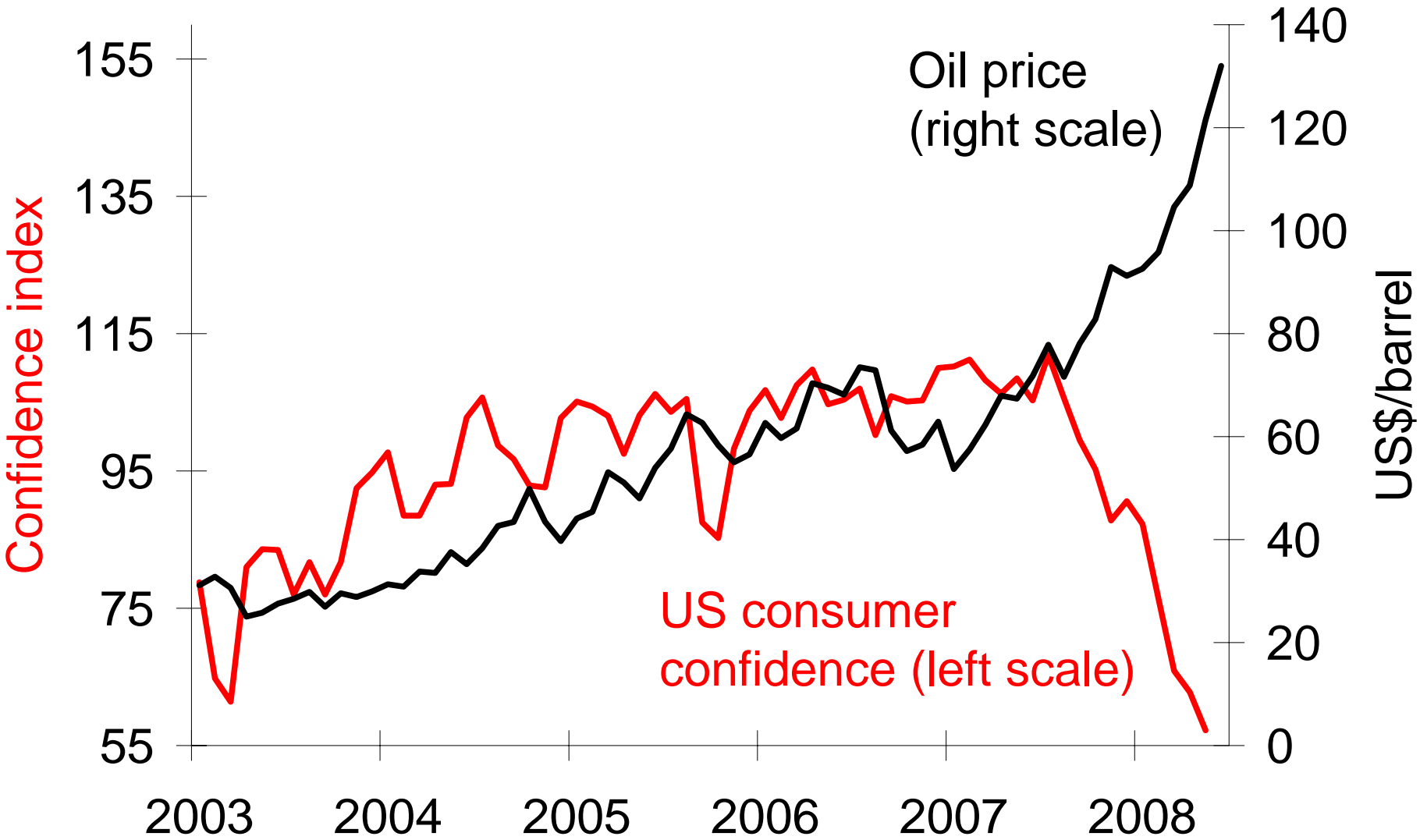
June 2008



# Returns peaked again below cost of capital

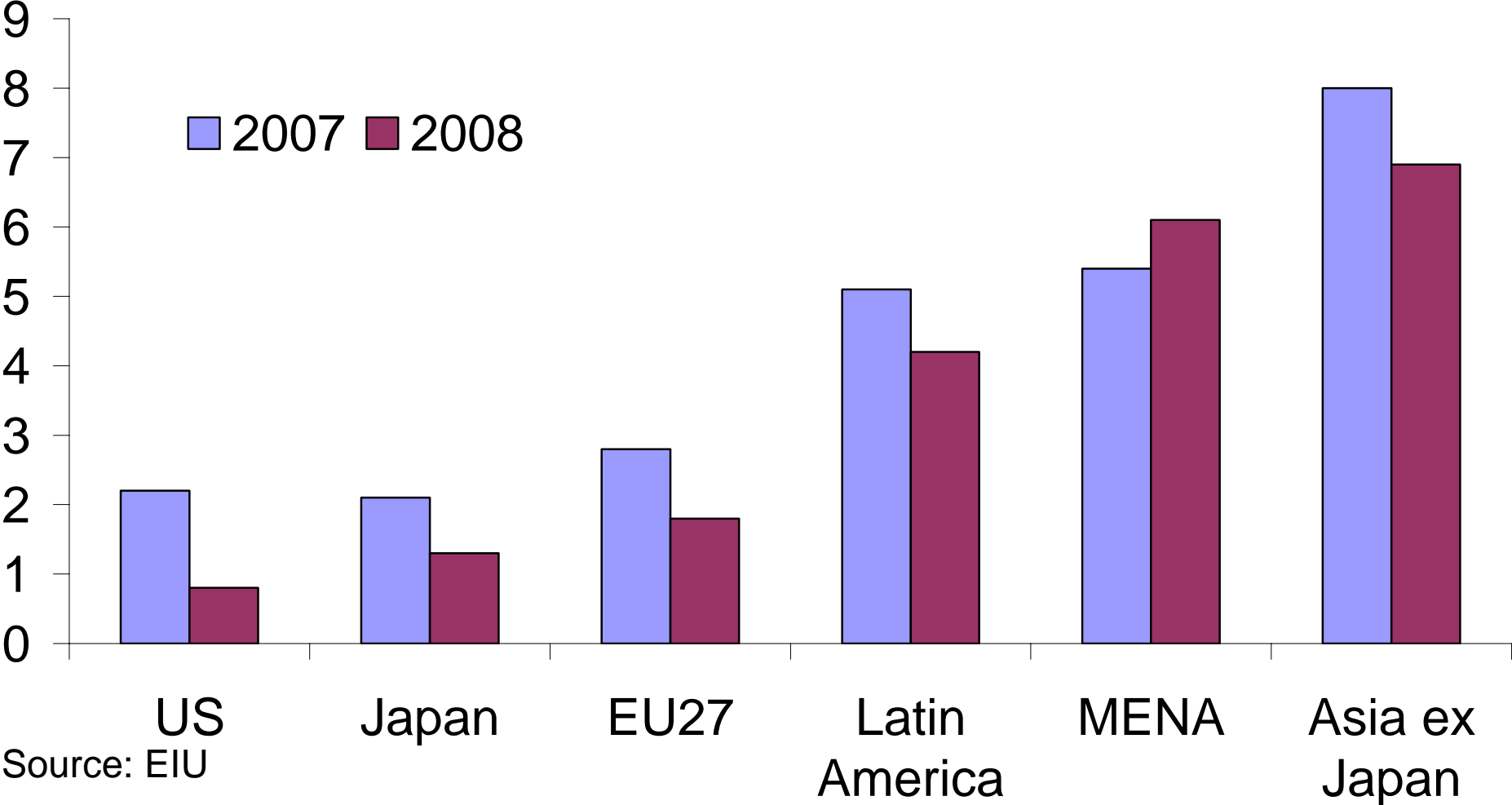


# Dramatic decline in US business conditions



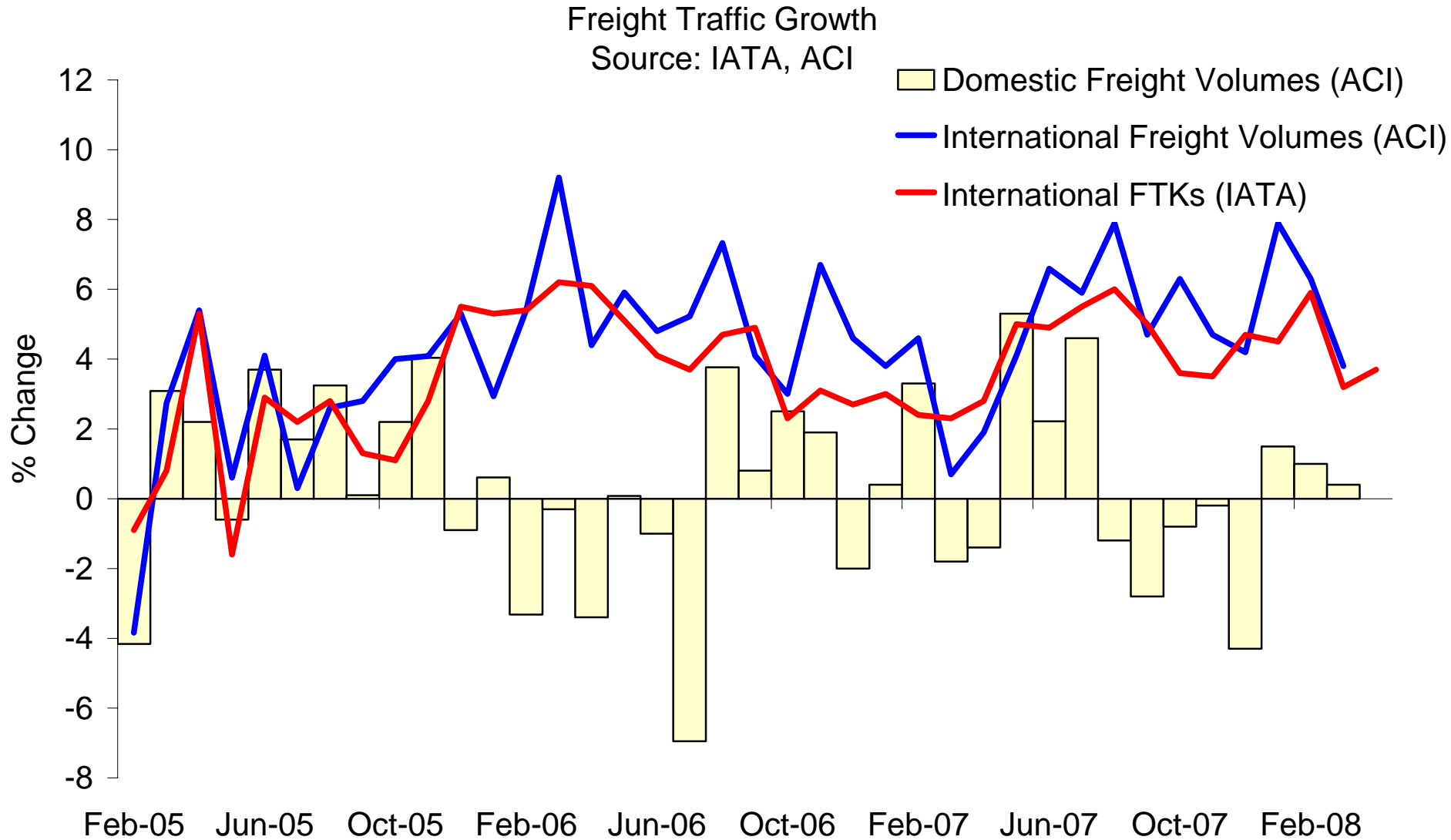
# Growth looks better in emerging markets

Economic growth, %



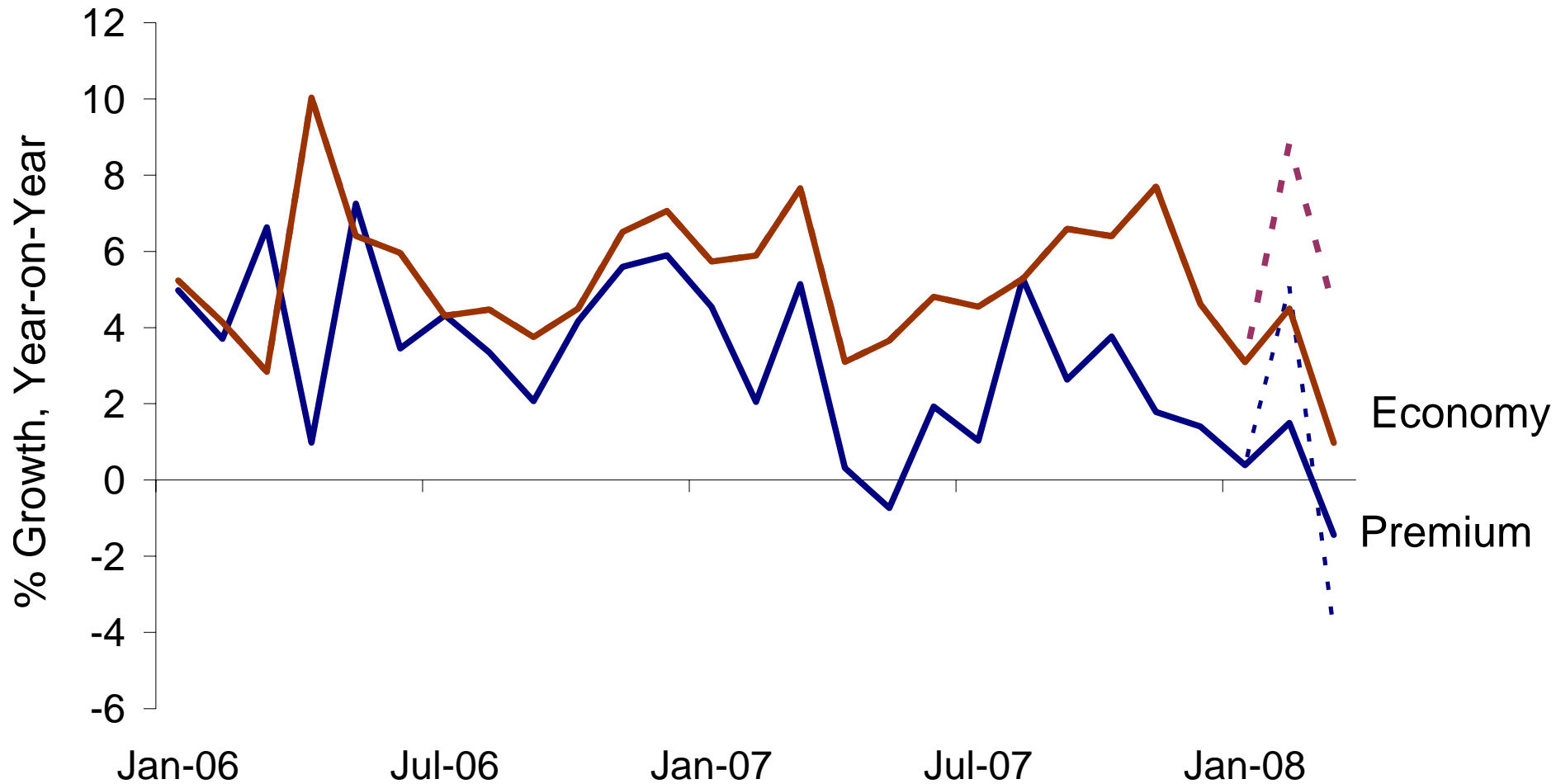
Source: EIU

# Air freight growth has held up so far



# But business travel is already in decline

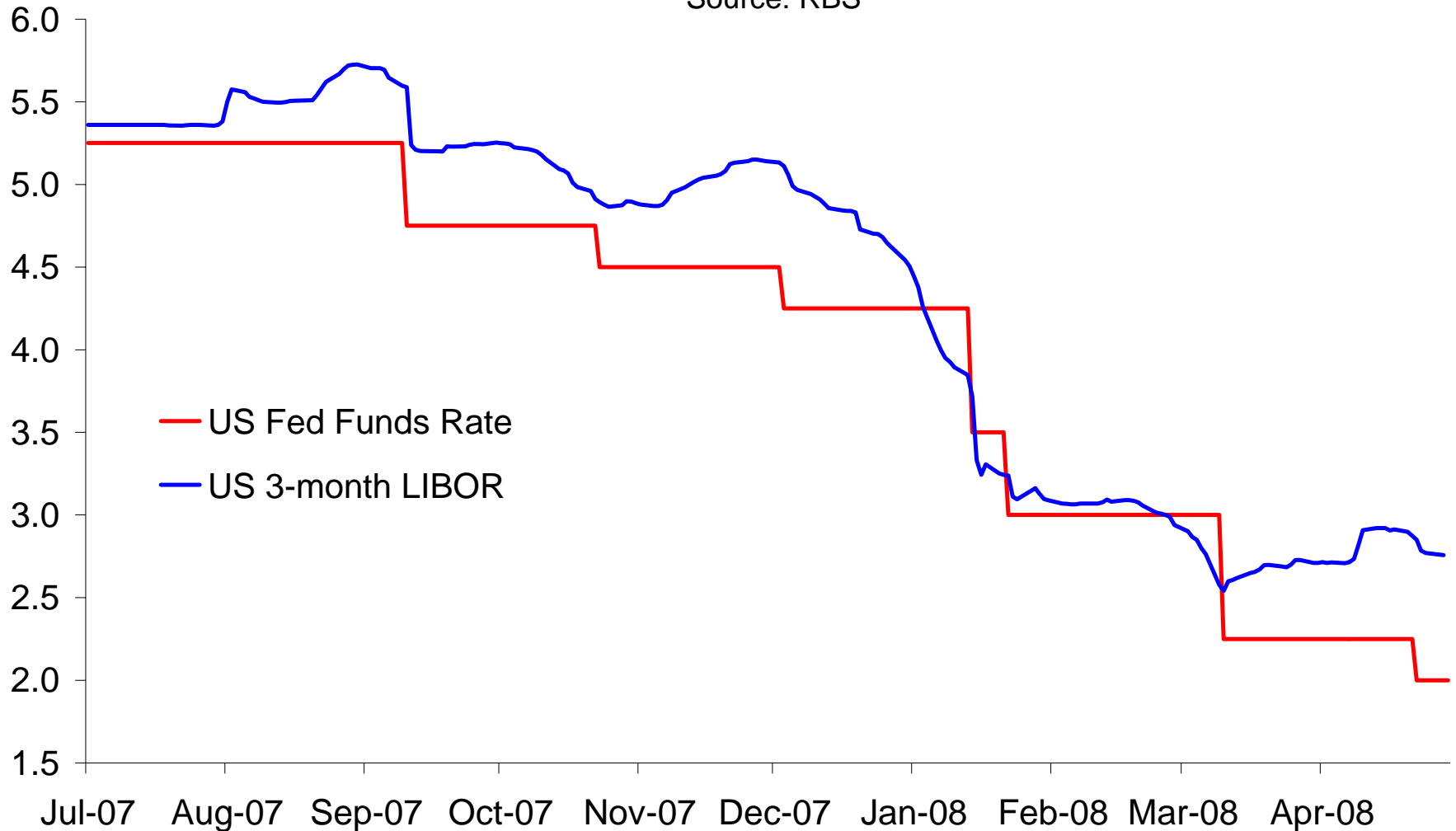
Passenger Traffic Growth by Ticket Type



# US rate cuts losing power to boost growth

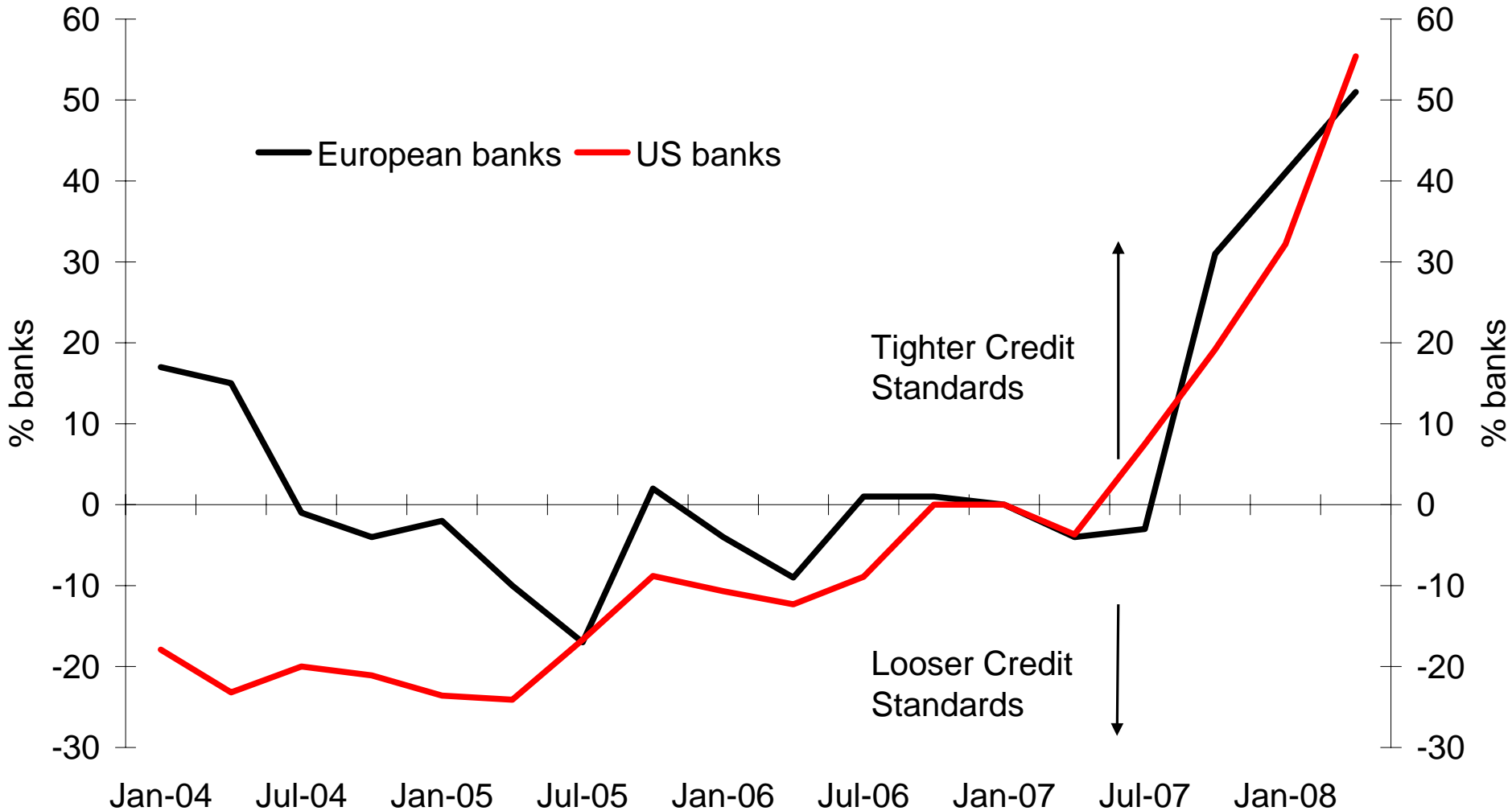
## US Interest Rates

Source: RBS



# Banks tightening credit in US and Europe

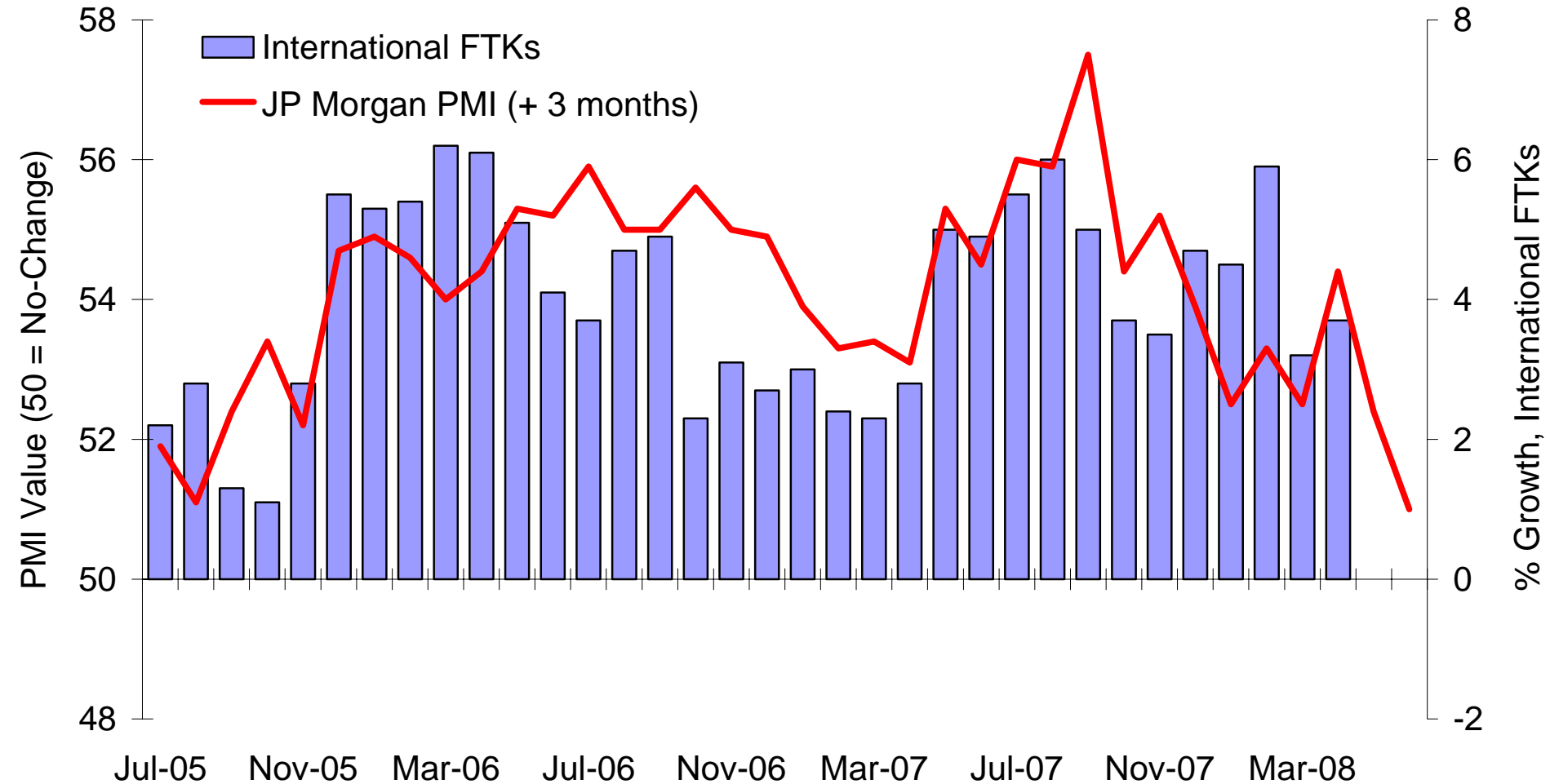
Bank credit conditions



# Forward indicators point to fall in demand

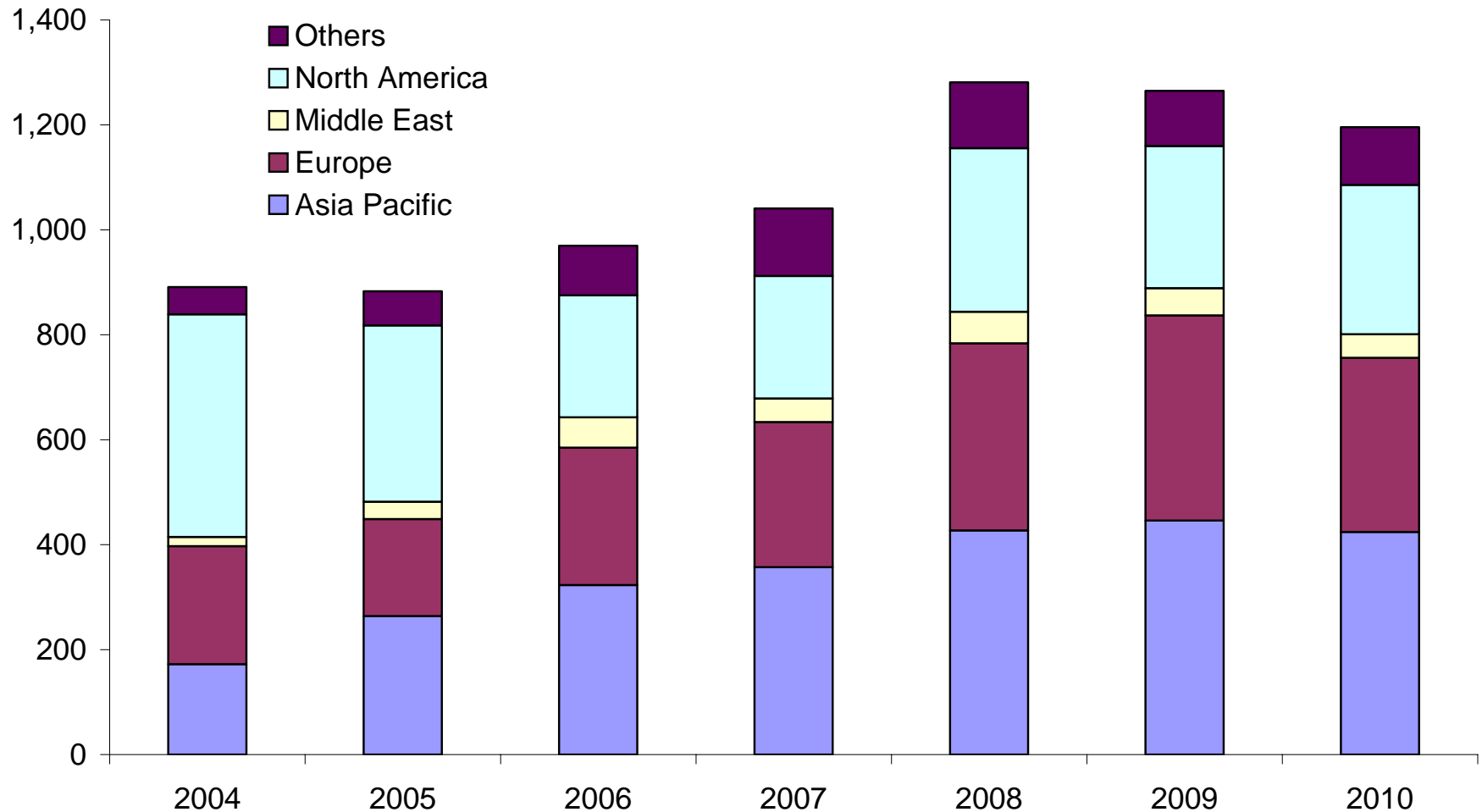
Global Manufacturing PMI and Air Freight Demand

Source: JP Morgan, IATA

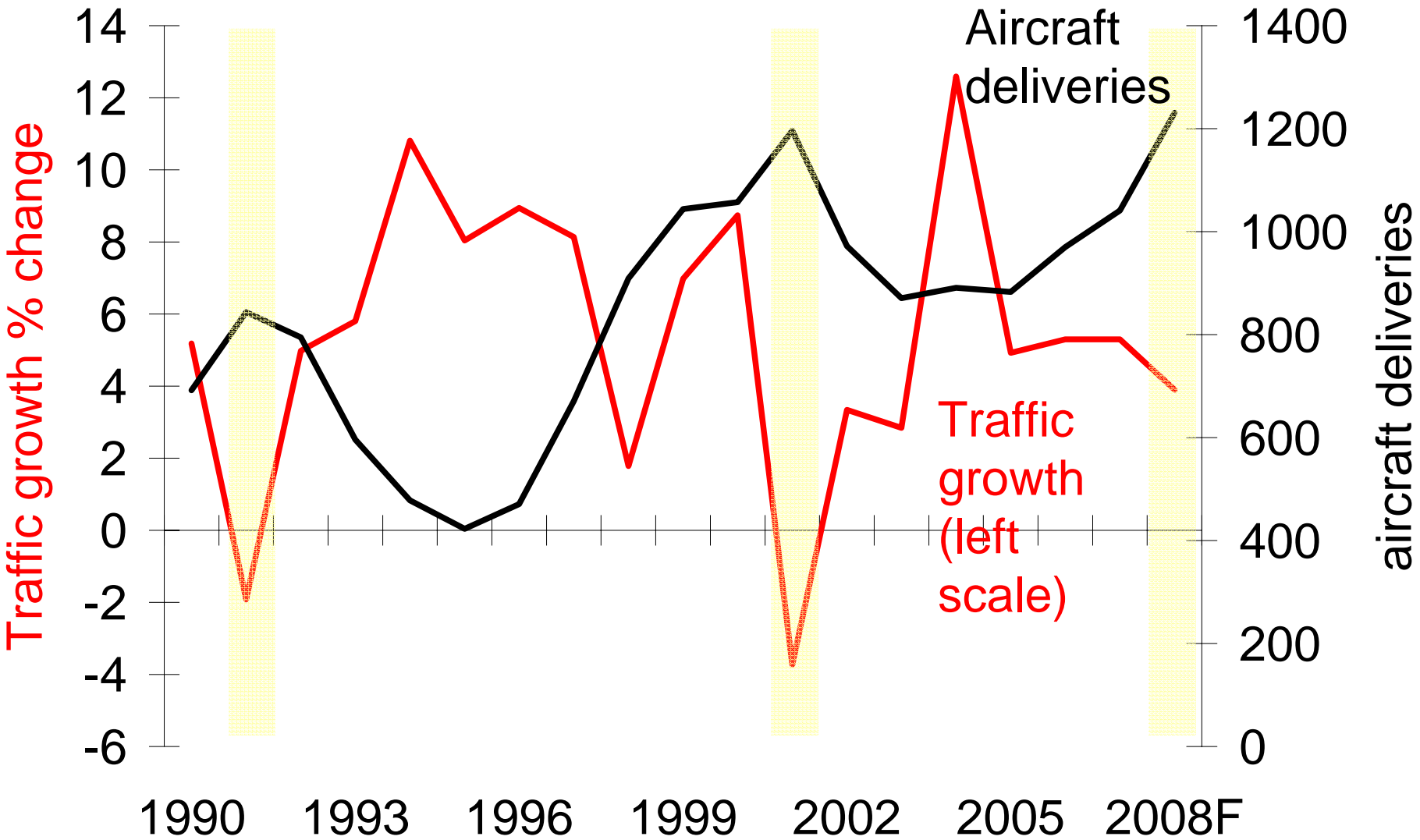


# The delivery cycle is accelerating

Aircraft deliveries

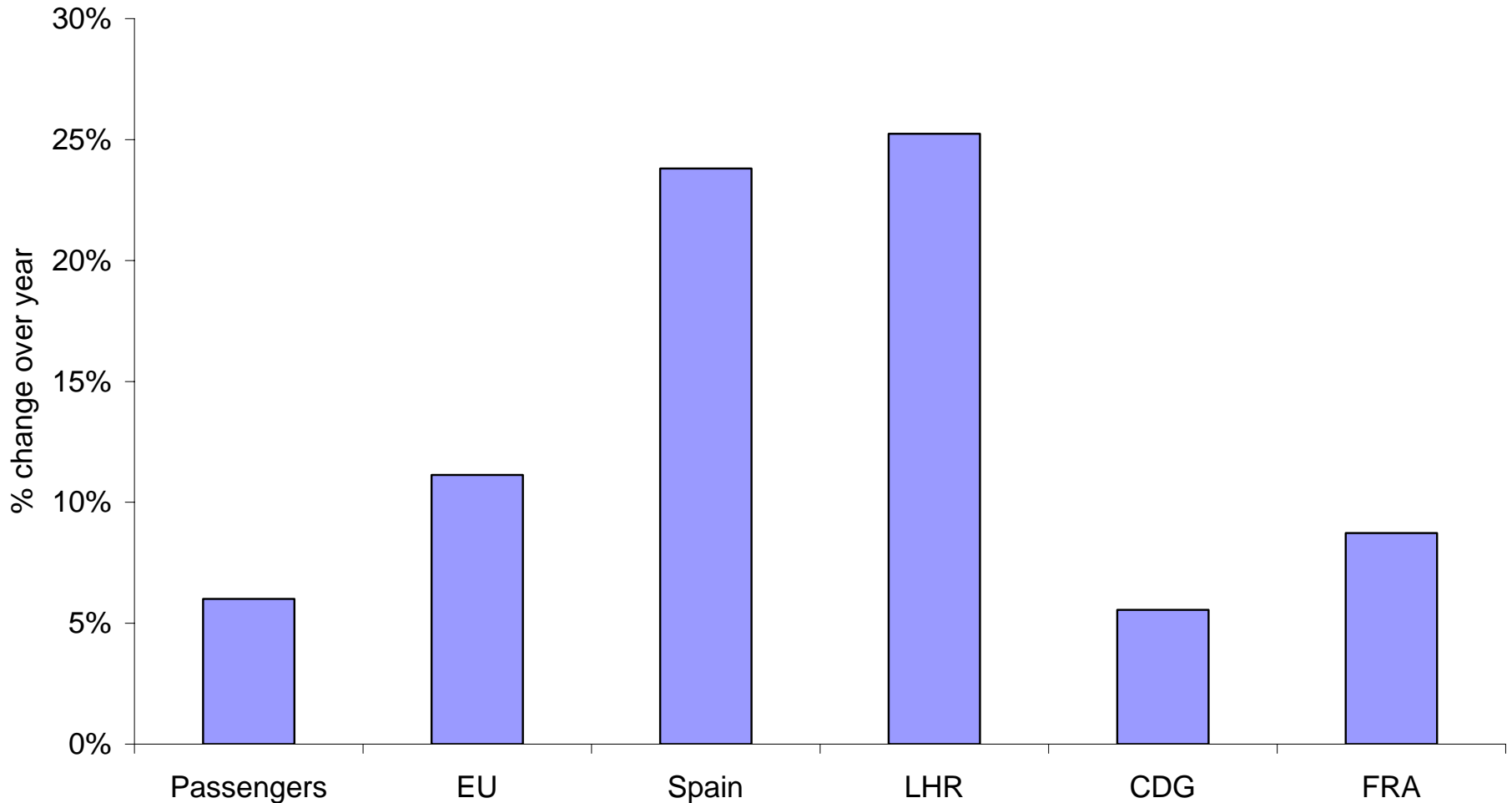


# Excess capacity becoming a problem again



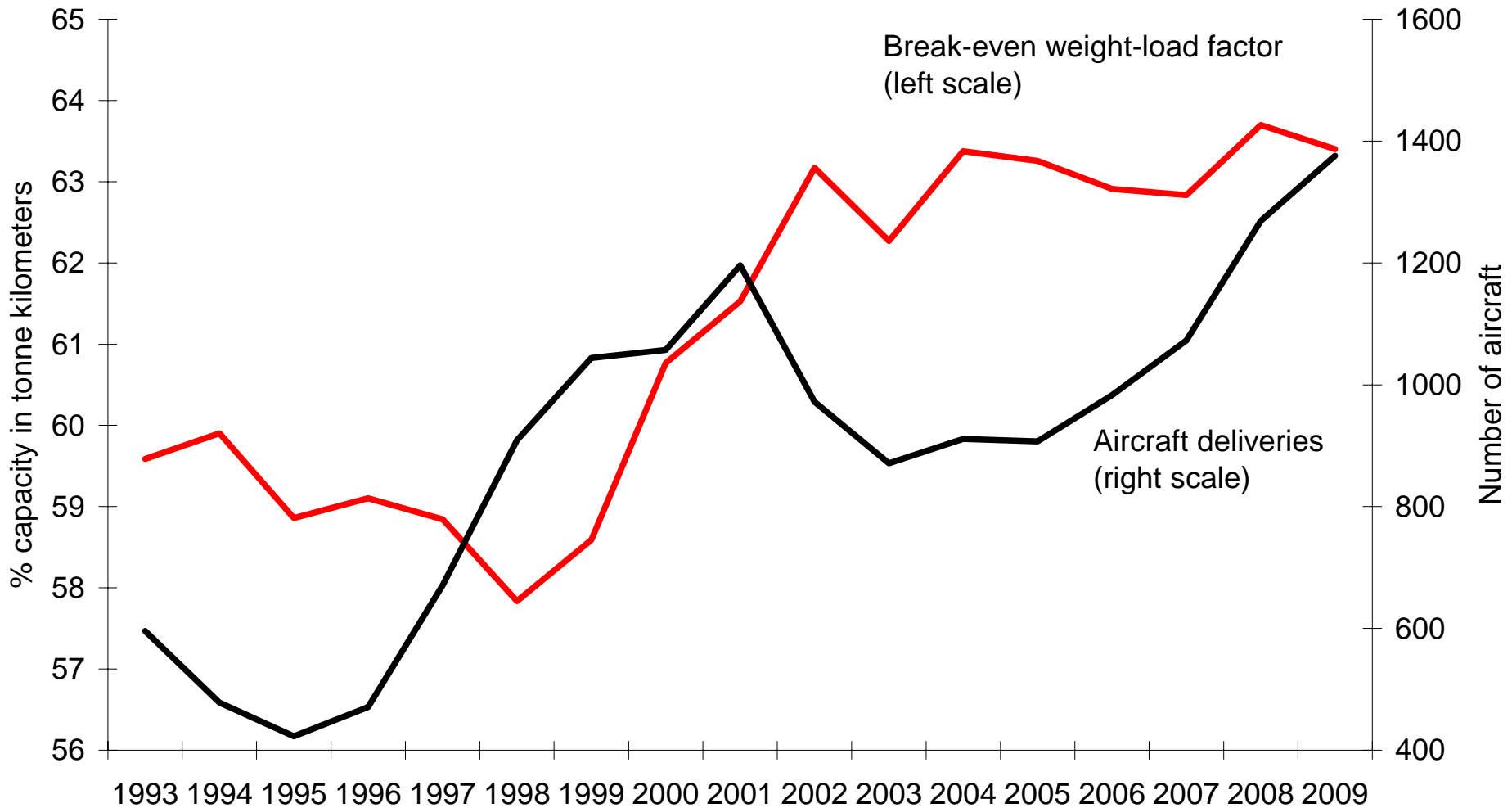
# Open Skies will also intensify competition

Growth in available seats in April 2008



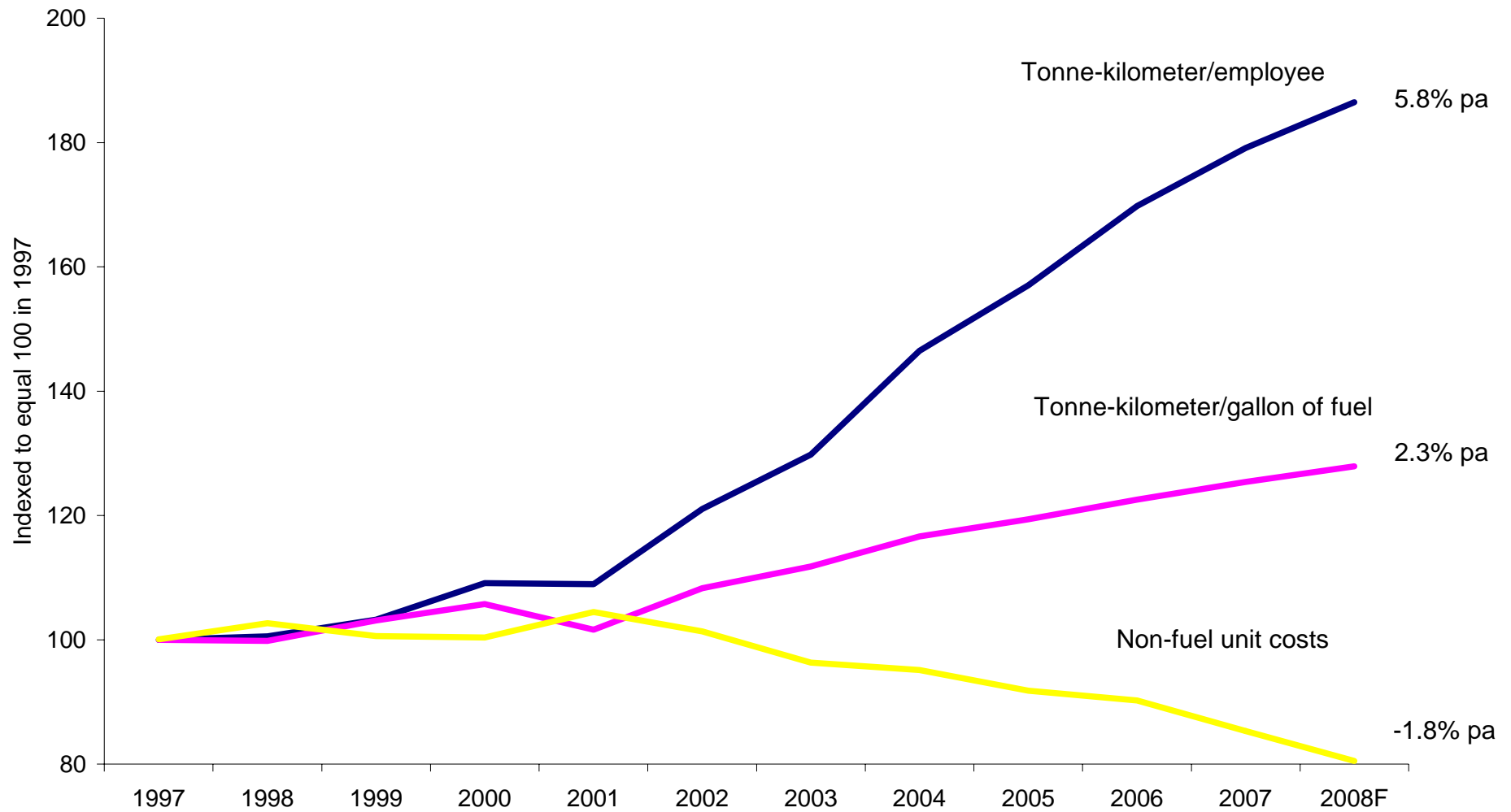
# Break-even load factor rises further

Break-even load factor and aircraft deliveries



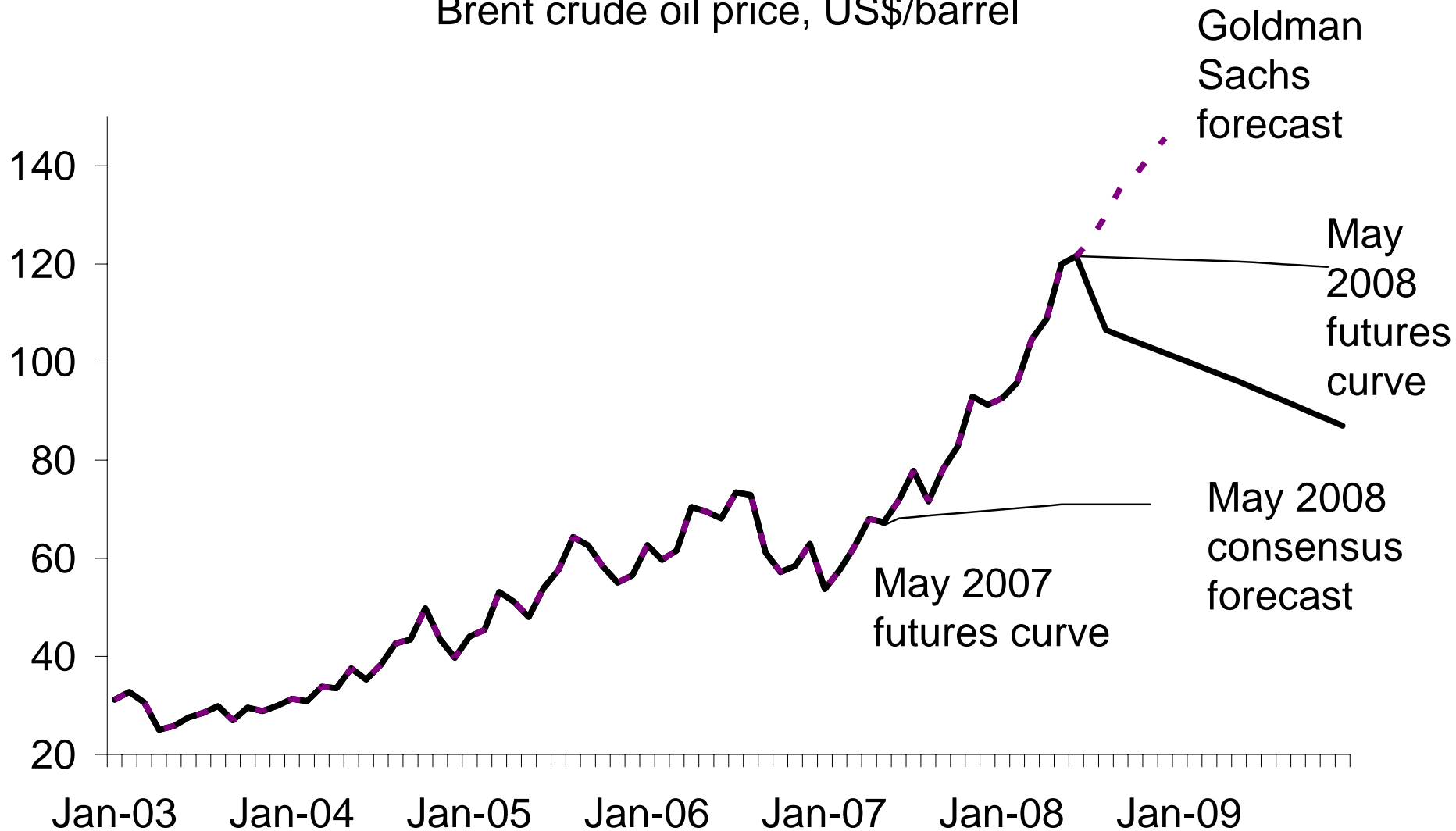
# Further efficiency gains critical

Non-fuel unit costs, labour and fuel productivity

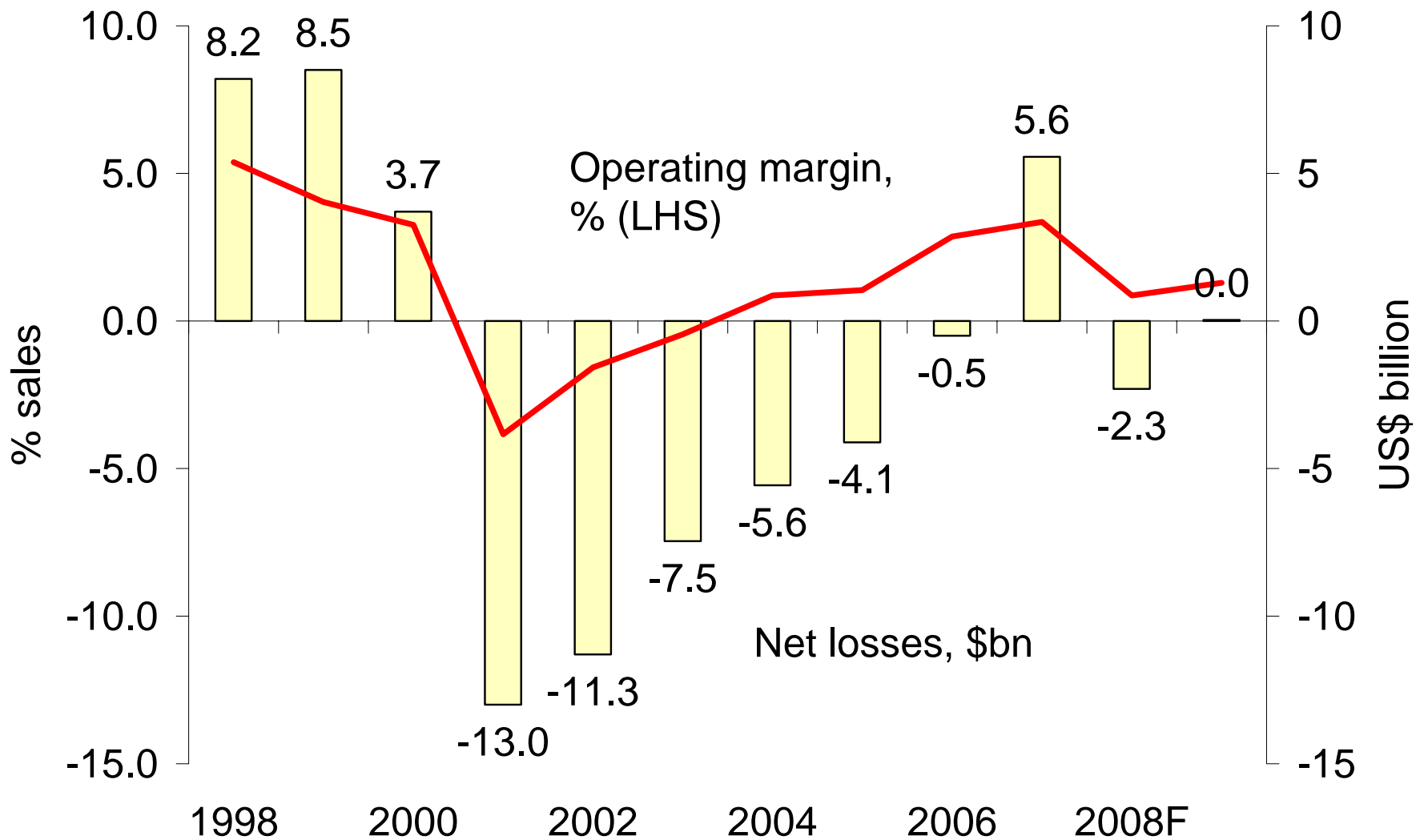


# Profits forecast based on \$107/b average oil price forecast from 60 experts

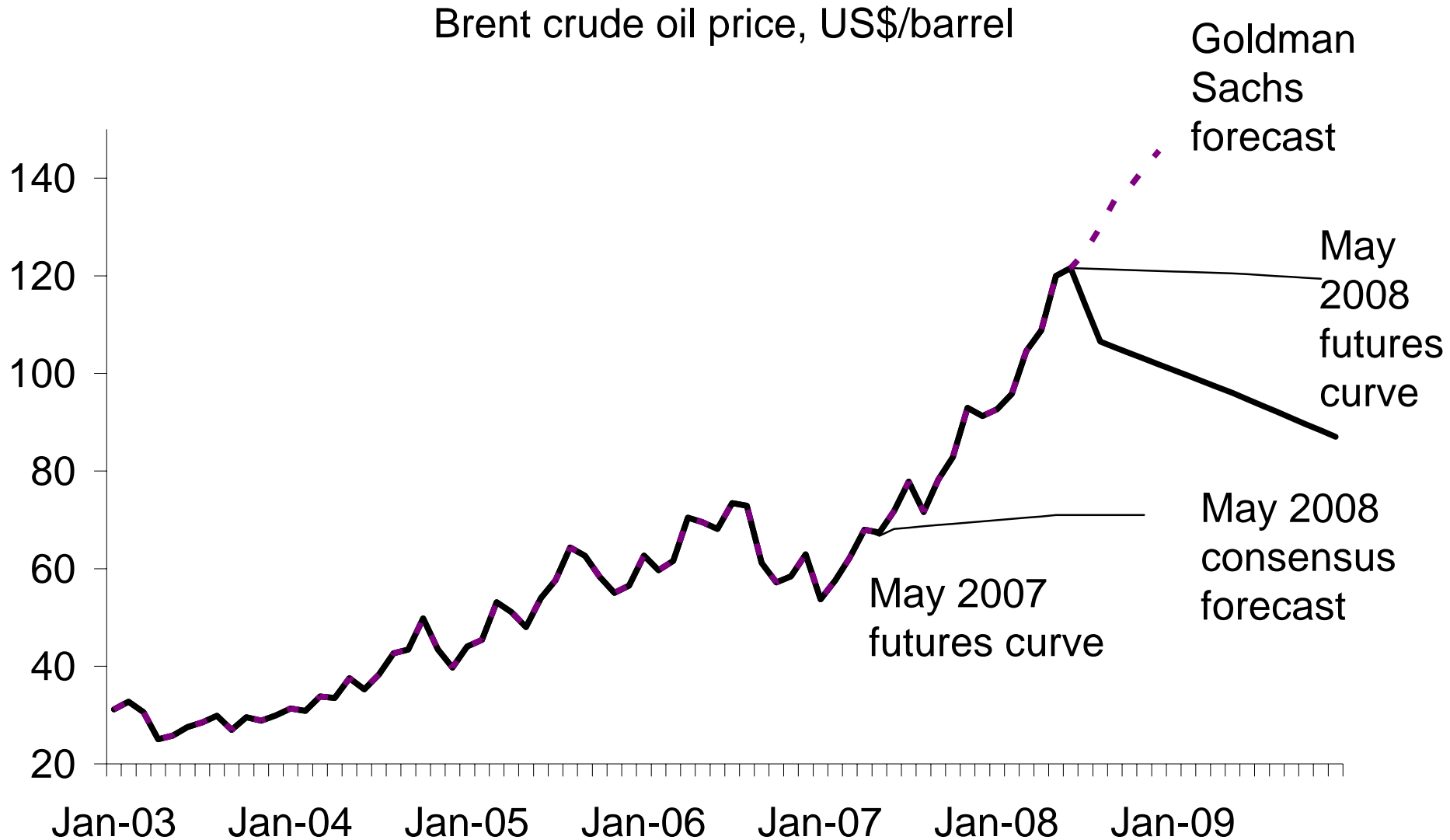
Brent crude oil price, US\$/barrel



# At 'consensus' \$107/b net losses in 2008 forecast to reach \$2.3bn

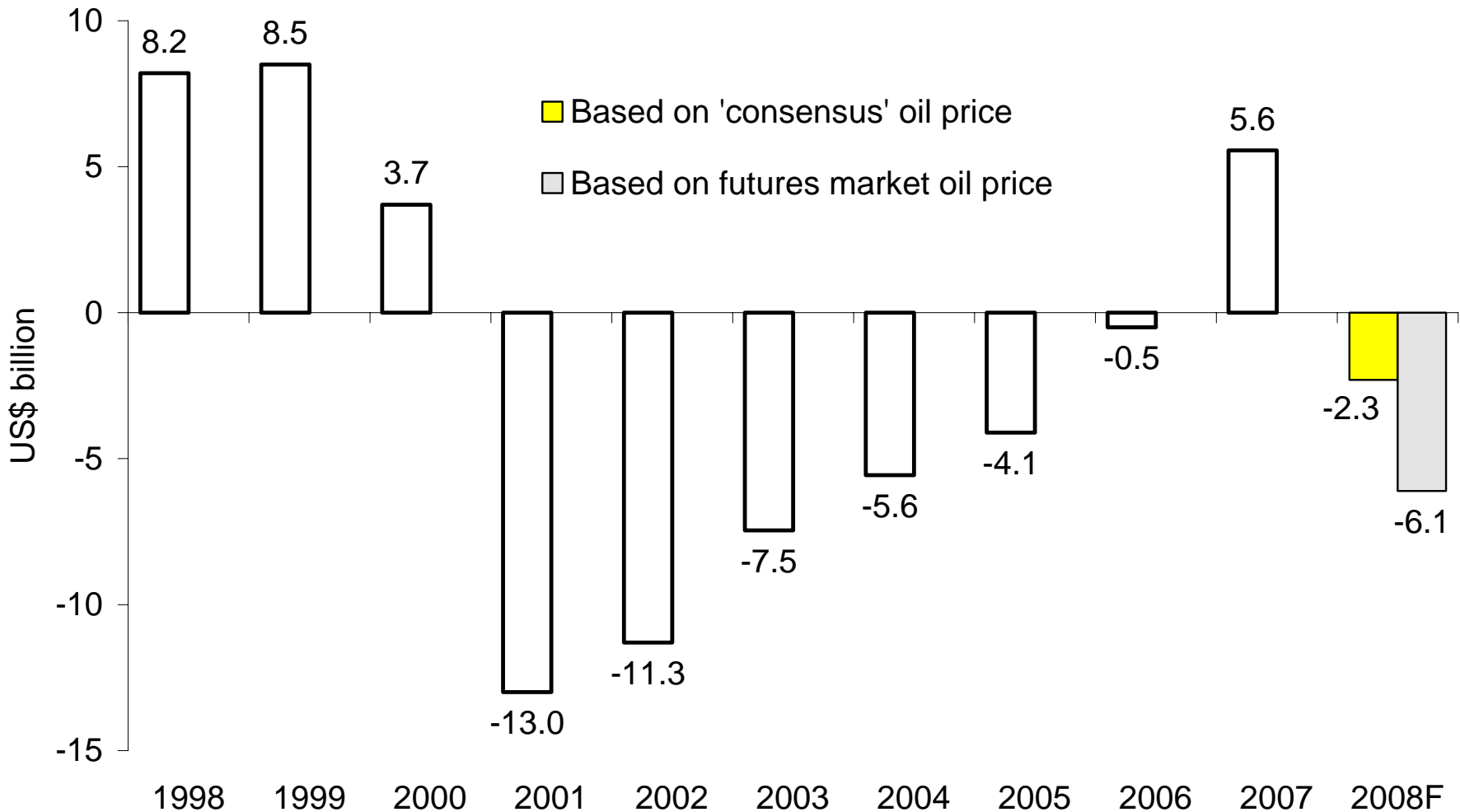


# What if oil futures markets are right?

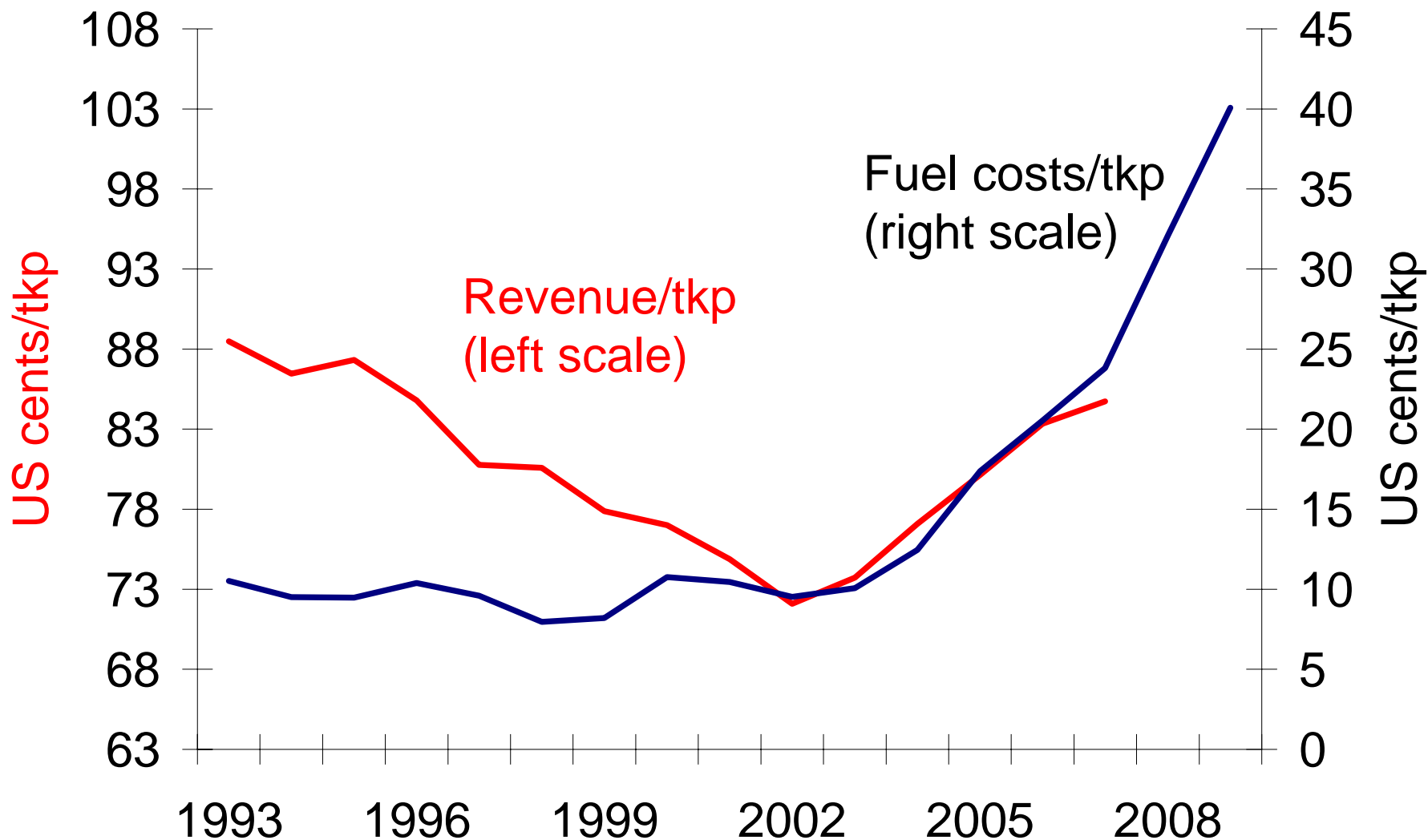


# Losses would rise over \$6bn in 2008 but the impact is muted by hedging

Global airline industry net profits



# Fuel bill would rise \$99bn, excluding hedging, adding 20% to costs in a full year



# If sustained \$135/b oil similar in margin impact to late-1970s oil shock

