

Outlook for the airline industry

2008Q3 update

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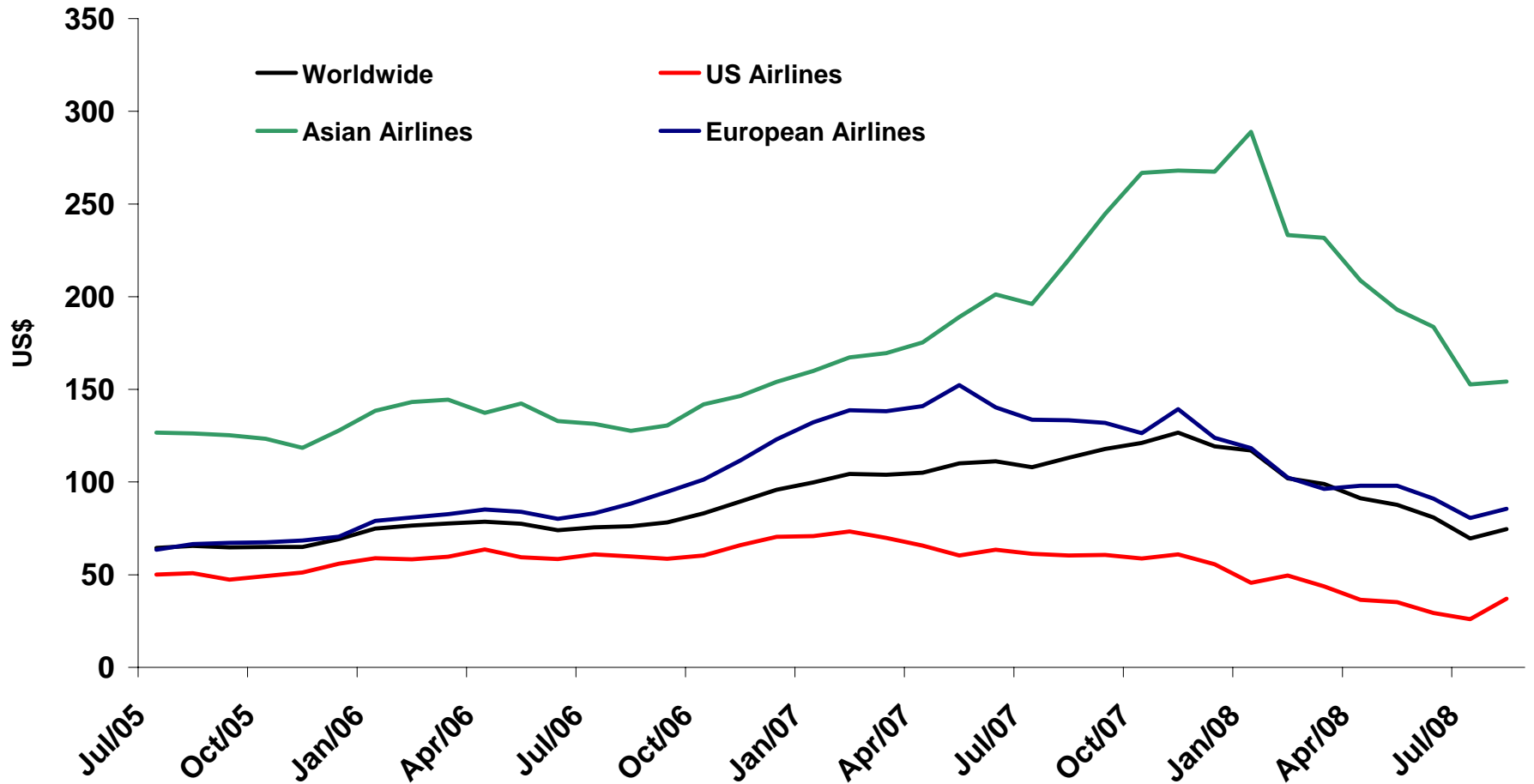
www.iata.org/economics



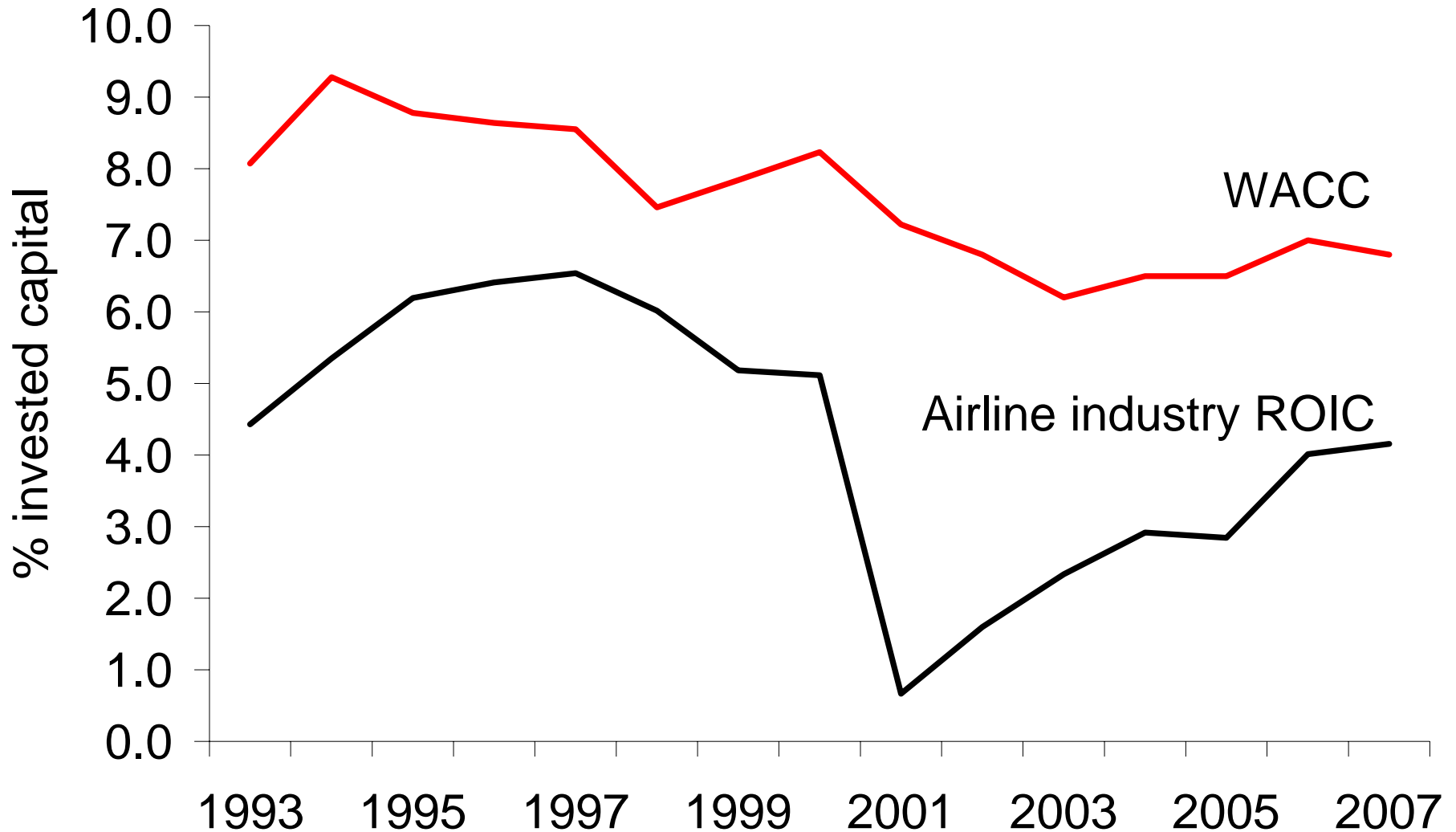
Airline share prices down sharply

Airlines Shareprices Indices

Source: Bloomberg



Returns last year peaked again below cost of capital...fundamental change needed



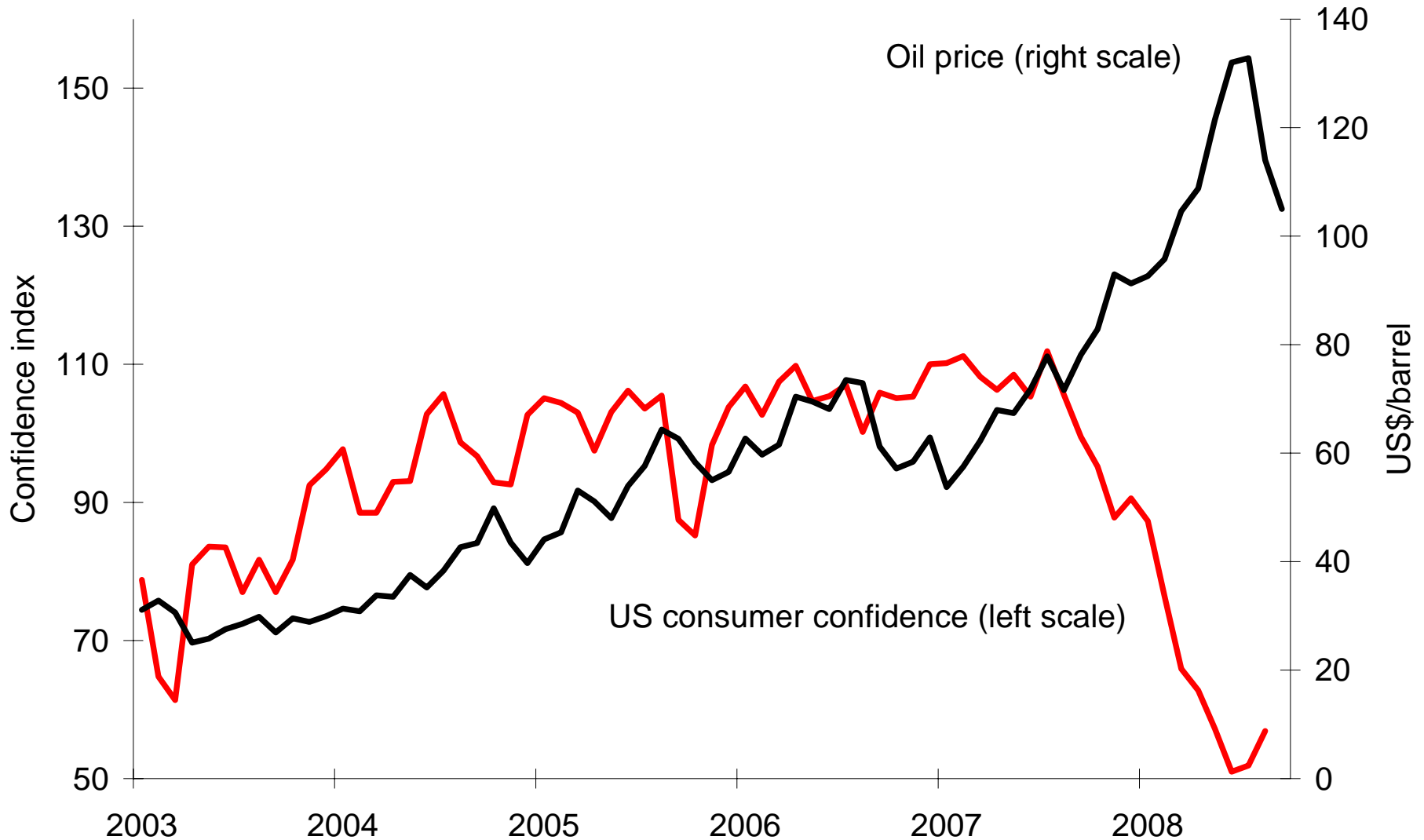
Large drop in profitability in the first half of this year

Second quarter results		2007 Q2		2008 Q2	
		US \$ million			
Region	Nb Airlines	Op. profits	Net profits	Op. profits	Net profits
US*	10	3071	5142	223	-784
Europe	10	2137	2119	1398	722
Asia - Pacific**	6	876	1098	776	300
Other	2	154	55	100	-1
TOTAL	28	6,238	8,414	2,497	236

* Excluding reorganisation costs

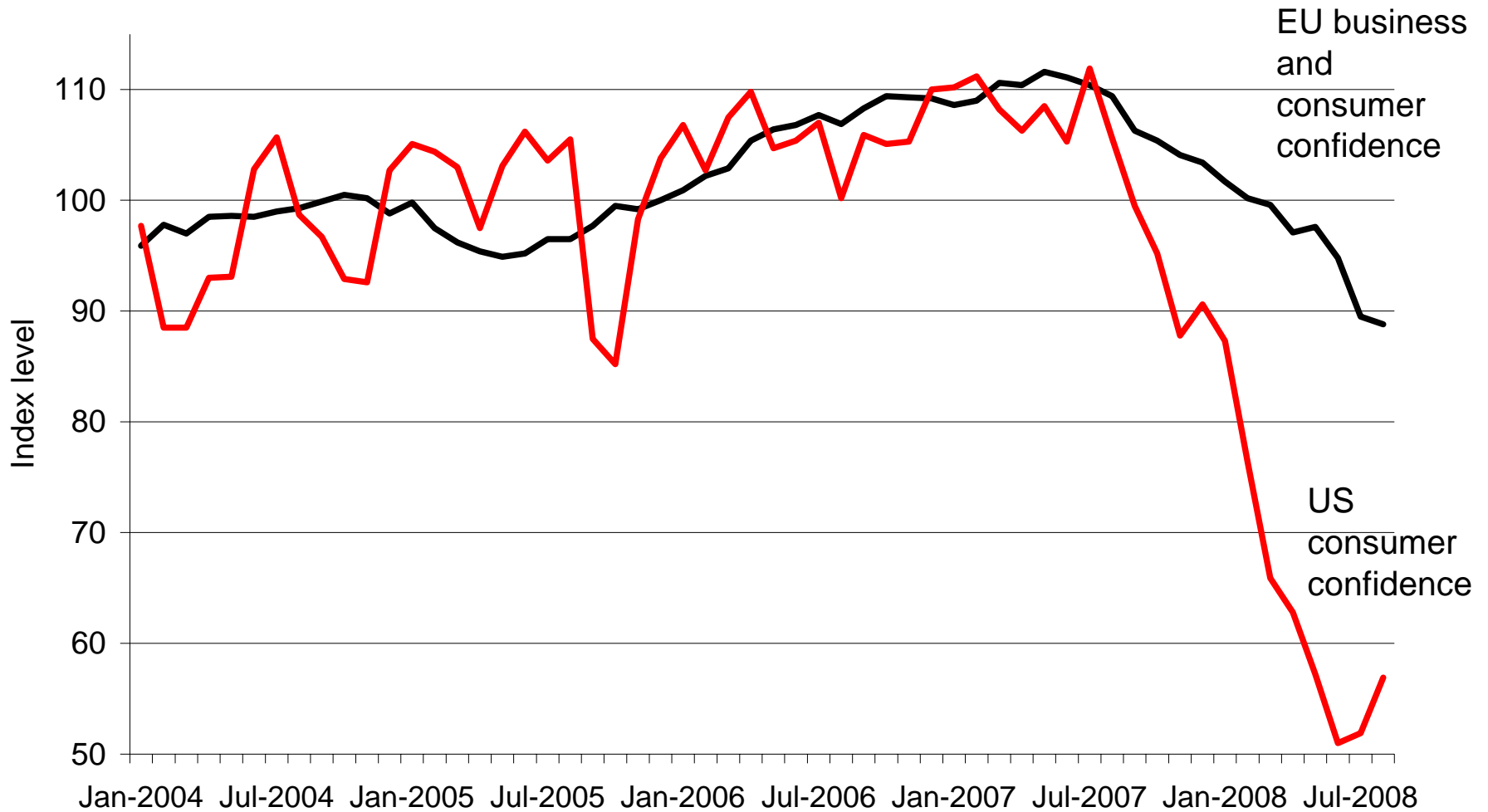
** Including half year results for Qantas

US business environment stabilising but remains extremely tough



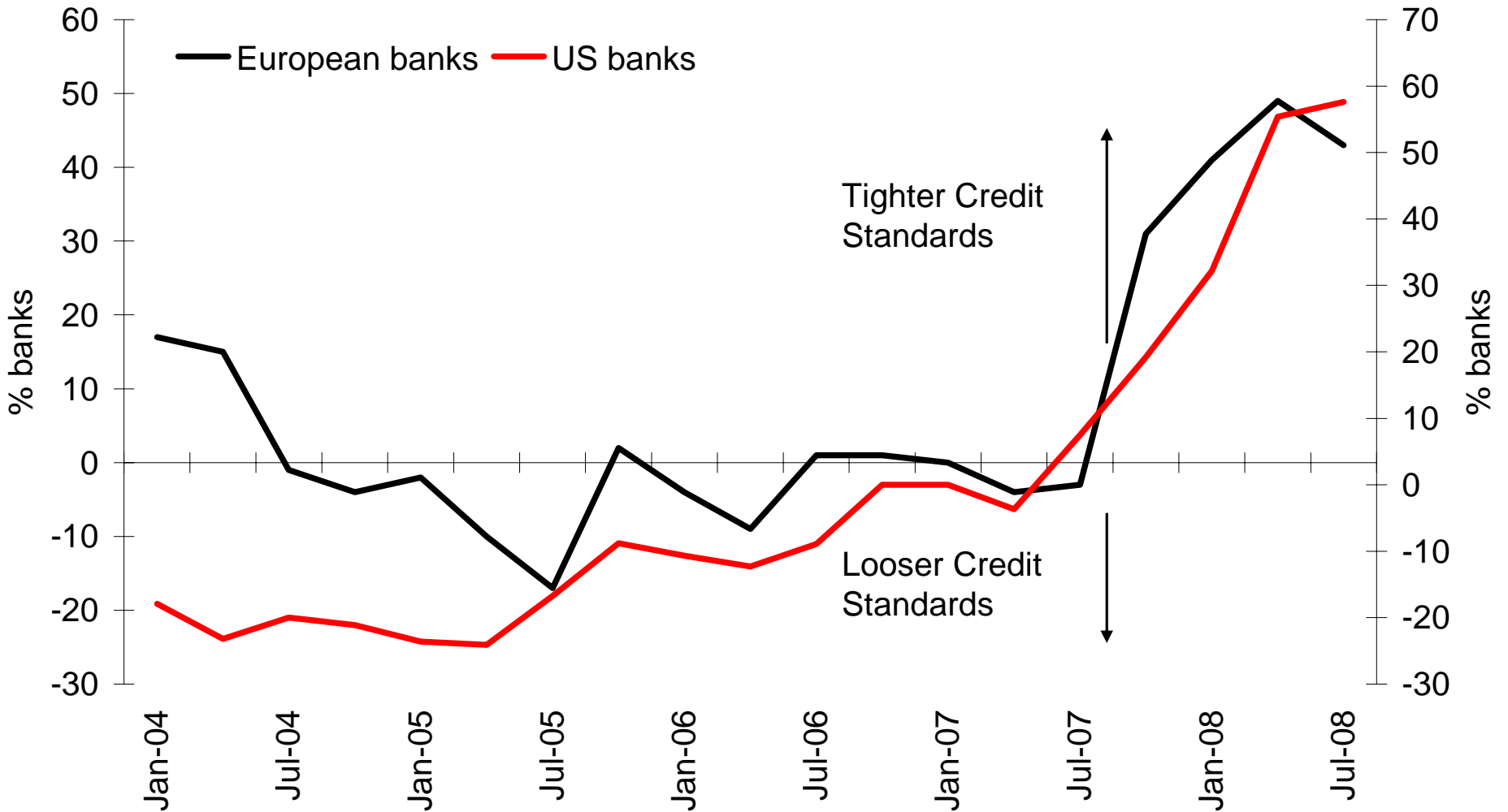
Economic weakness now spreading

Confidence in Europe and the US



The credit crunch continues not just in US

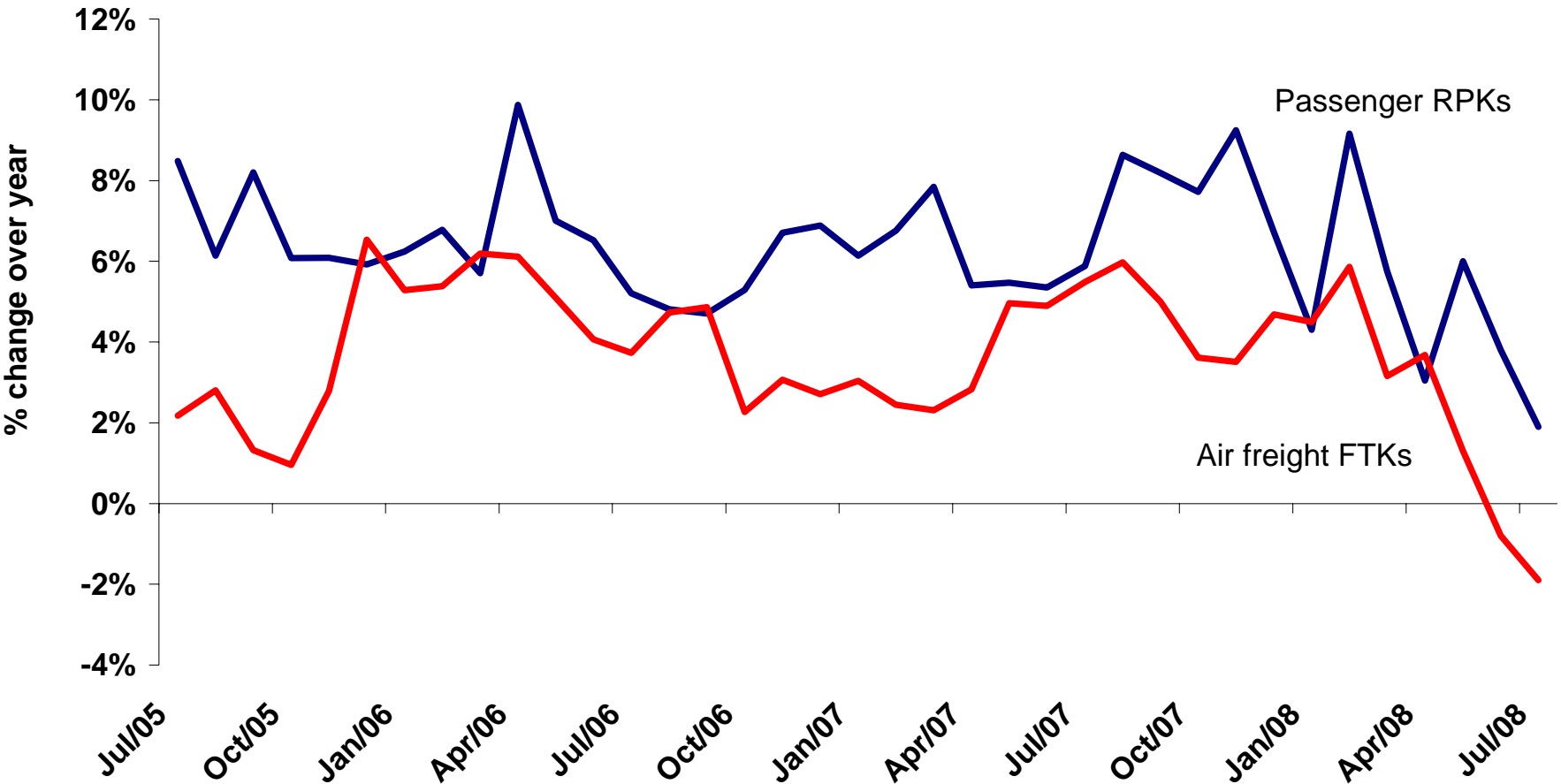
Bank credit conditions



Traffic volumes going into decline

International passenger and freight tonne-kilometers

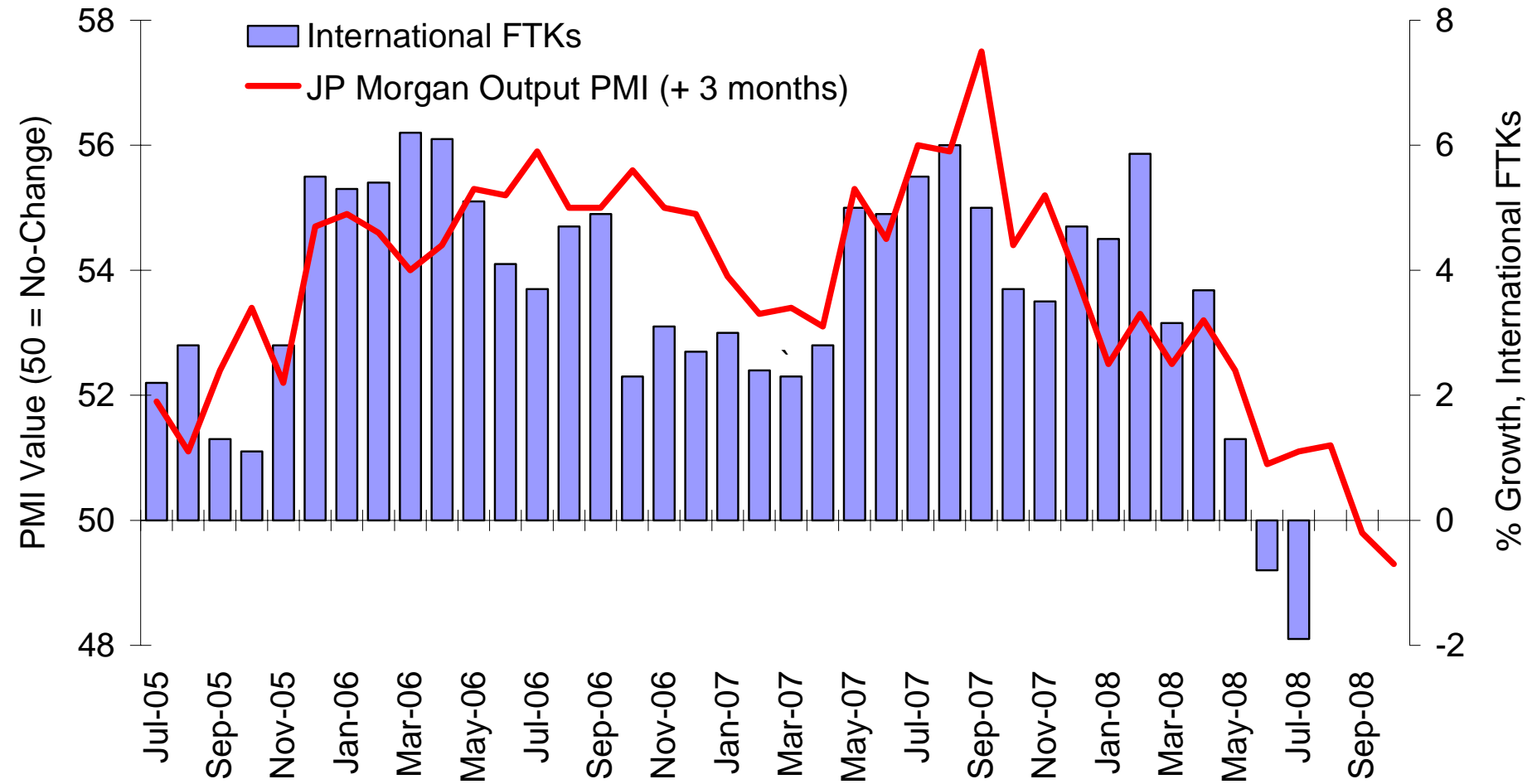
Source: IATA



Leading indicators worsening

JPMorgan Output PMI Index and Air Freight Demand

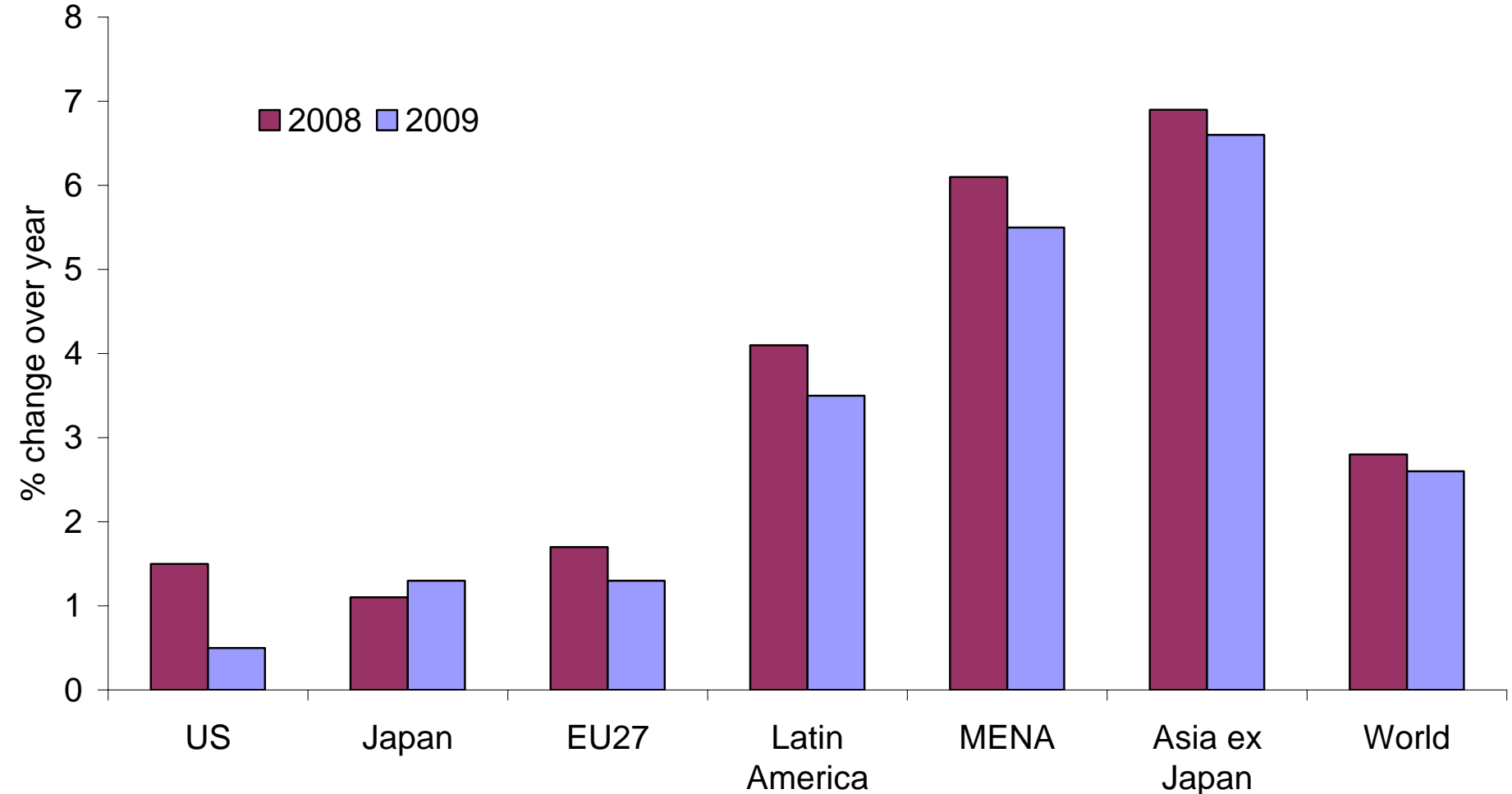
Source: Bloomberg, IATA



Forecasters now expect 2009 to be worse

GDP growth forecasts

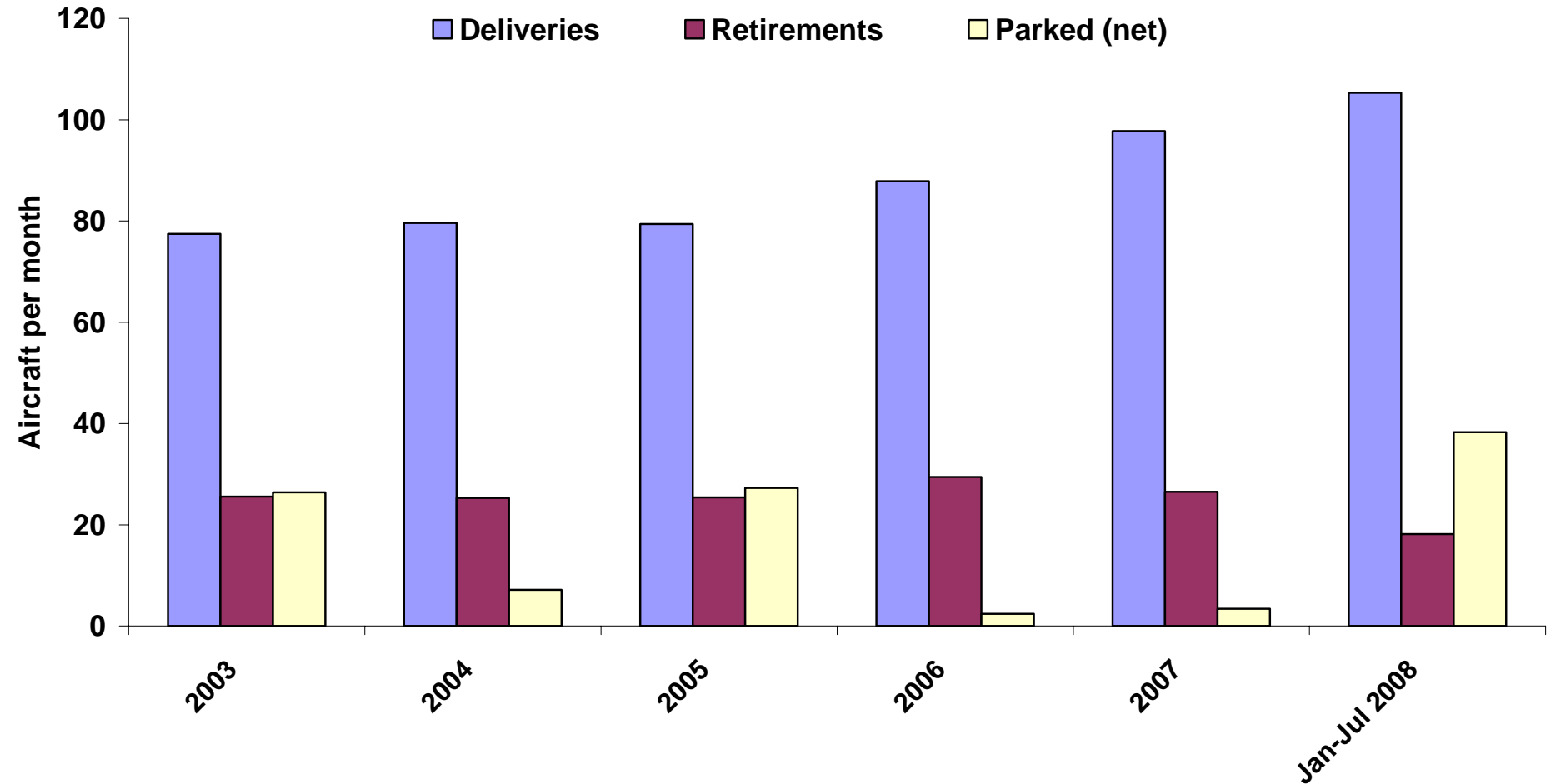
Source: EIU



Excess capacity being limited by increasing number of aircraft parked

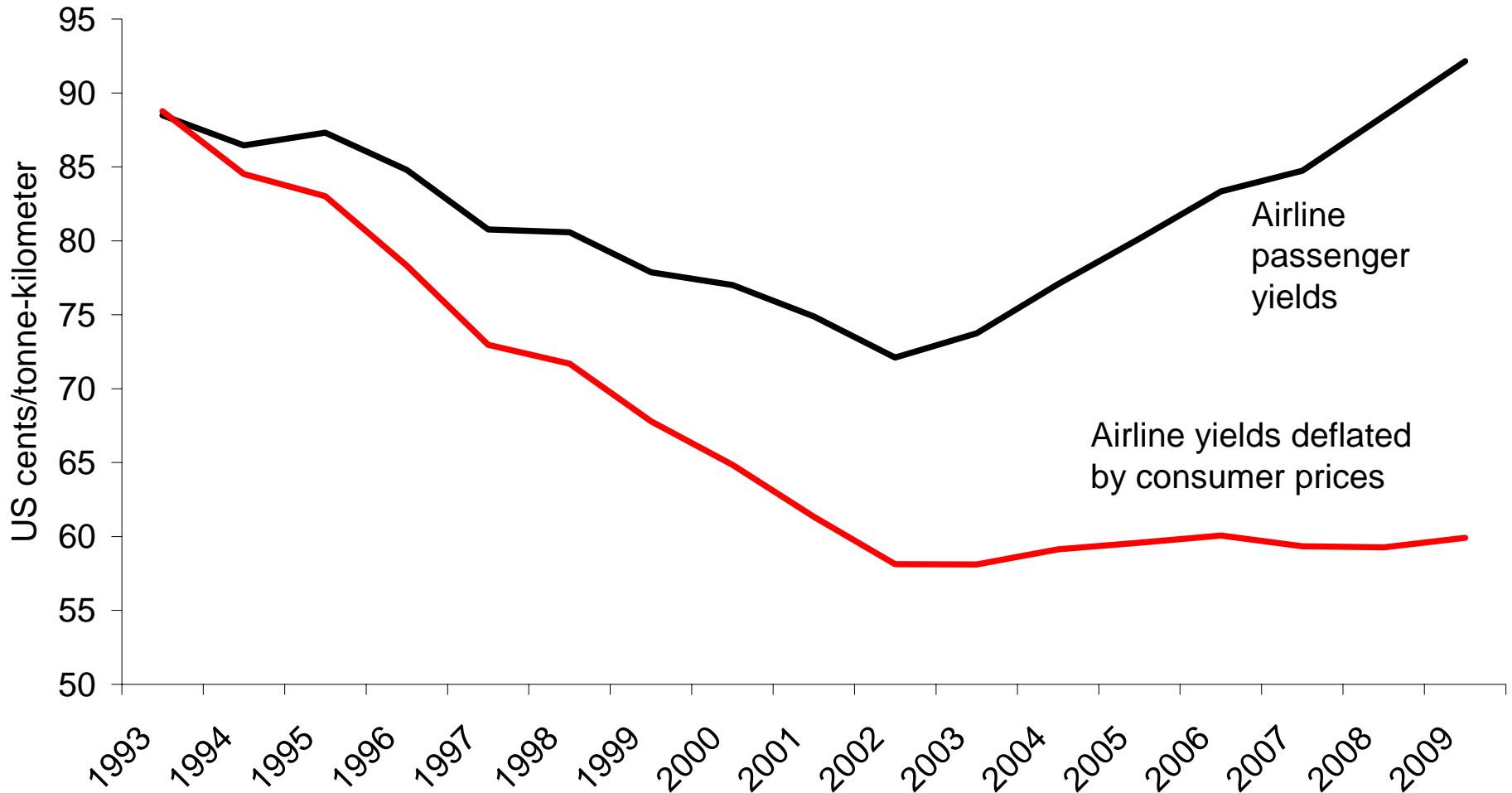
Aircraft Retirements and Deliveries

Source: Ascend

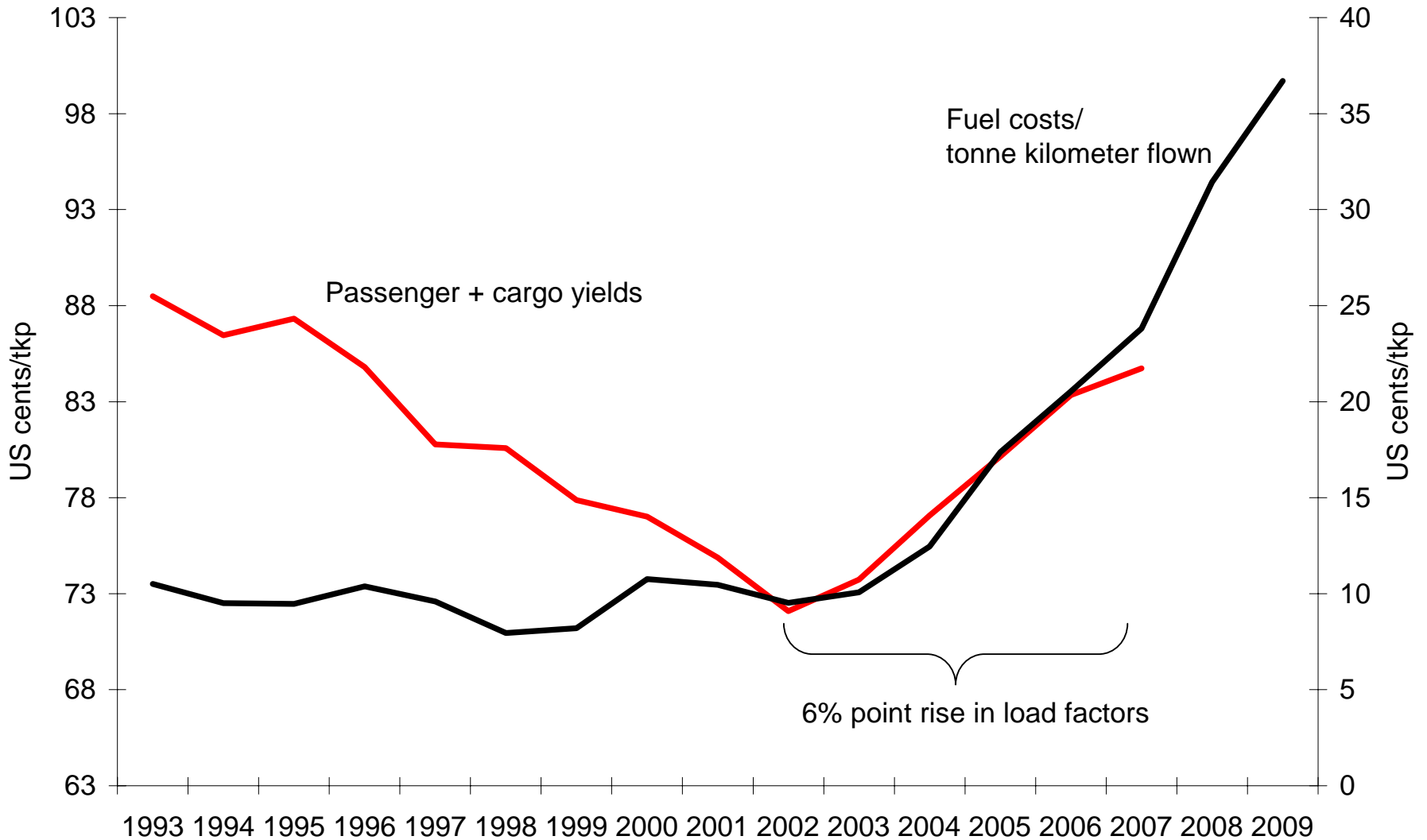


Fall in travel mostly due to economy - cost of travel little changed in 2008\$

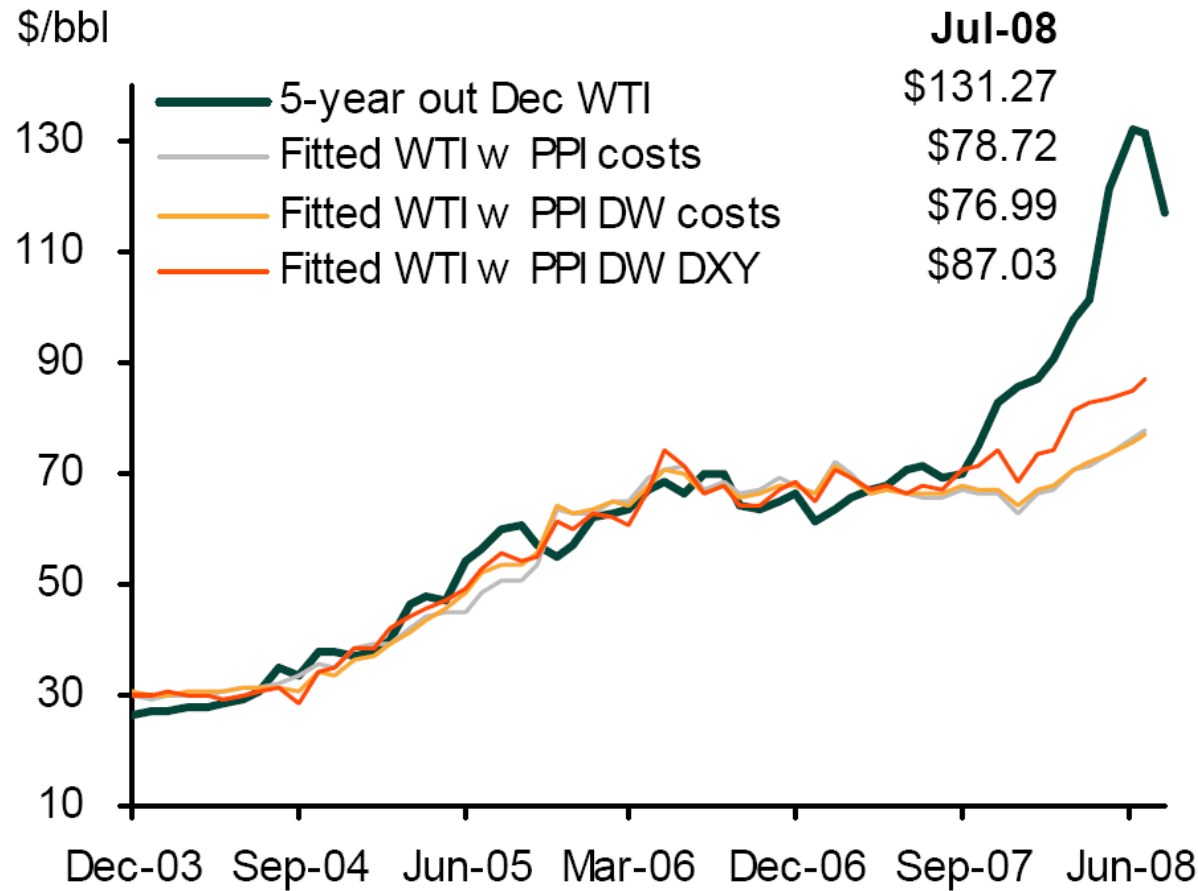
Global airline industry yield



Yields have little chance of 15% rise now necessary to recover fuel costs

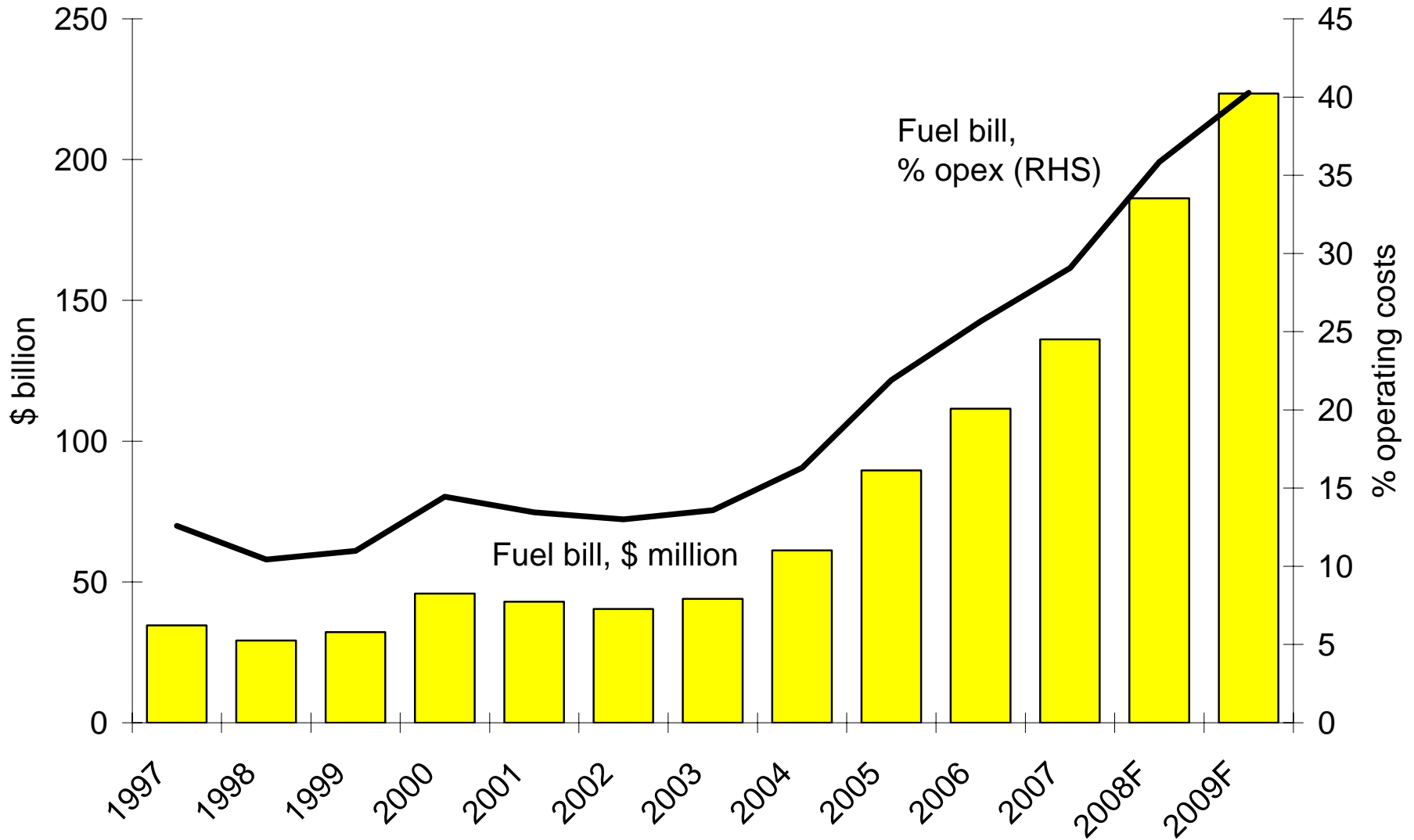


Oil prices have fallen but higher production costs will put a floor around \$90-100 a barrel



Source: U.S. Bureau of Labor Statistics, Lehman Brothers estimates.

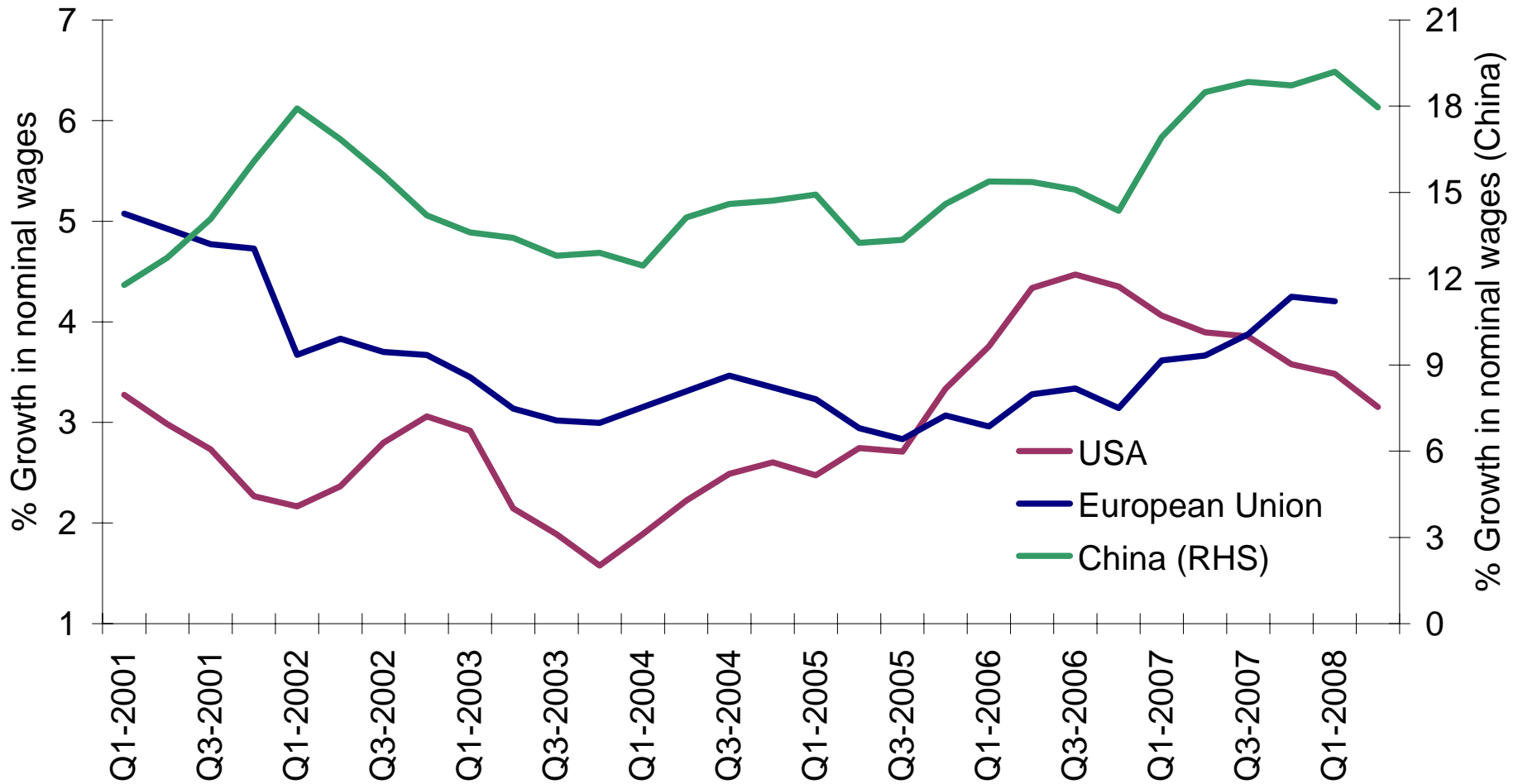
Fuel costs forecast to reach 40% of operating costs in 2009



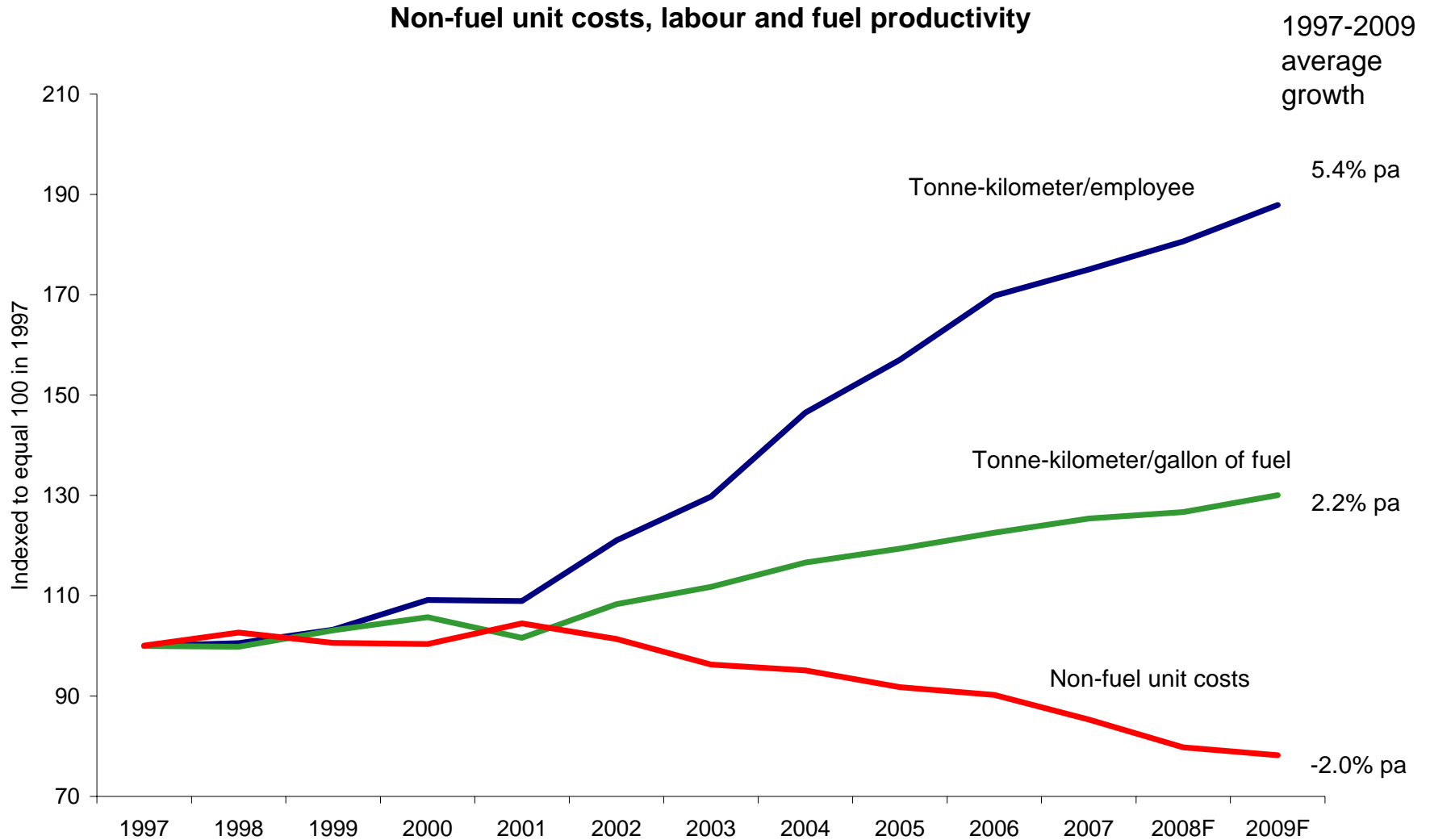
Economics weakness is now easing wage pressures

Nominal Weekly Wage Growth

Source: Haver Analytics

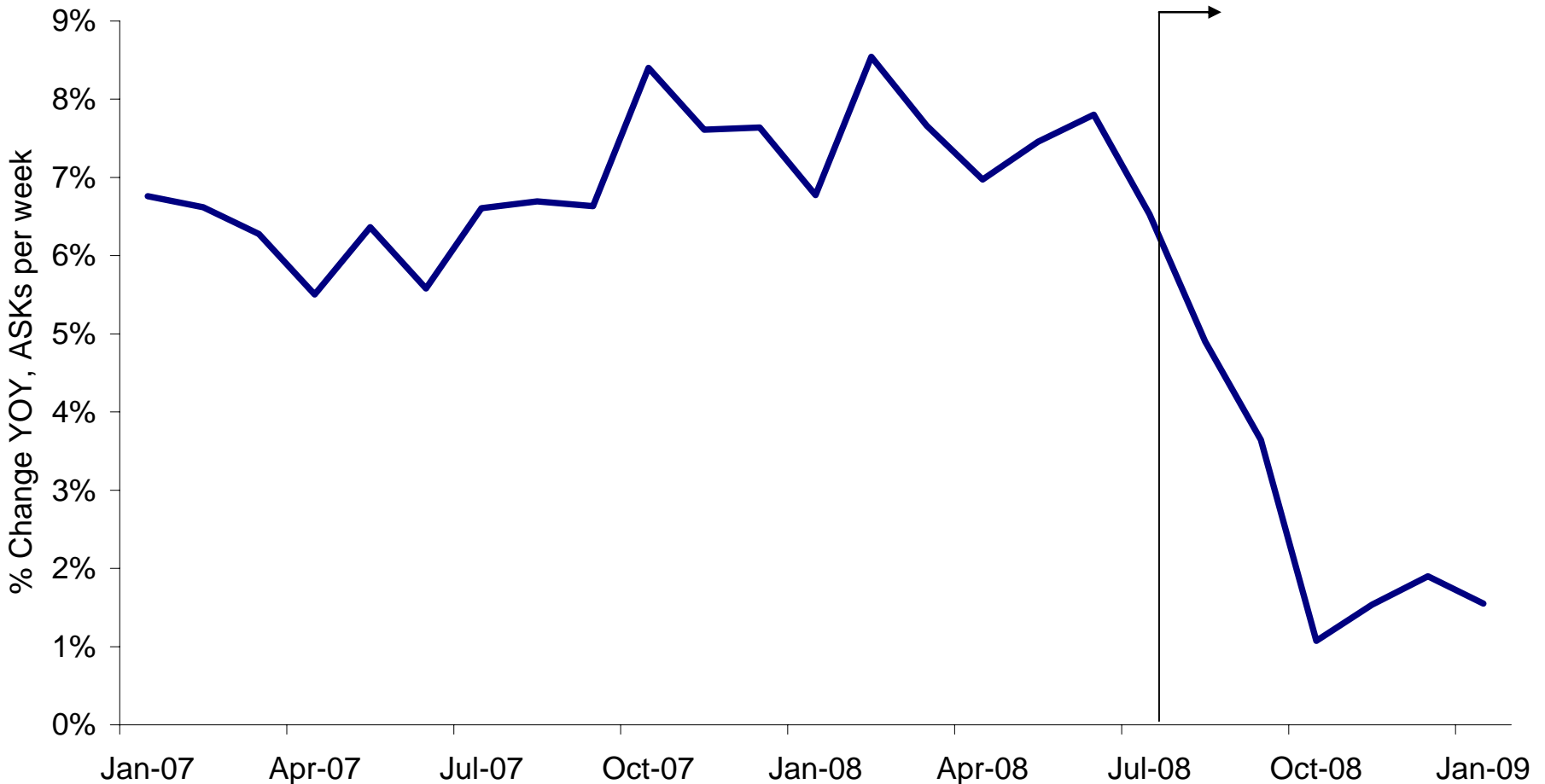


But further efficiency improvements offer the main scope for cost cuts



Along with substantial cuts in growth of capacity

ASKs Growth - All Regions
Source: IATA, SRS Analyser as of 11 August 2008



Losses expected to continue into 2009

