

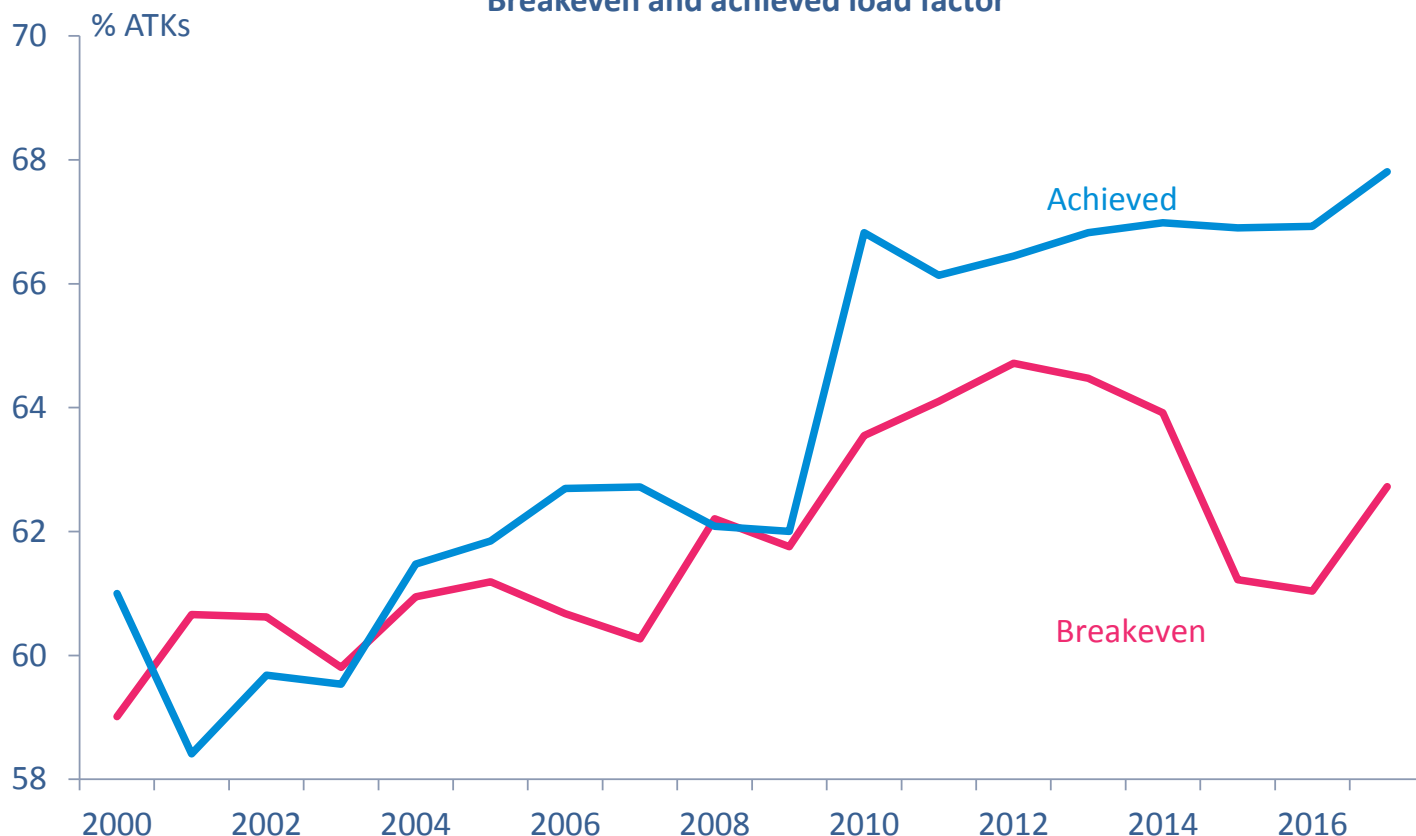


## IATA ECONOMICS' CHART OF THE WEEK

11 AUGUST 2017

### GOOD OUT OF THE BAD: THE GLOBAL FINANCIAL CRISIS 10 YEARS ON

Break-even and achieved load factor



Source: IATA

- This week marked the tenth anniversary of the start of the global financial crisis (GFC). While originating in the financial sector, the crisis resulted in significant and sustained disruption to all parts of the global economy, including air transport. Global air passenger volumes grew by just 2.4% in 2008 and fell by more than 1% in 2009, while freight volumes fell by more than 3% in 2008 and by a further 9% in 2009. Profits slumped as the industry accumulated a net loss of more than US\$26 billion in 2008 and around US\$5 billion in 2009.
- Airlines acted swiftly in response to this massive demand shock, substantially overhauling their operational and organizational structures and transforming their traditional way of doing business. The cumulative impact of the individual airline actions is evident in a number of industry-level metrics, incl. the load factor performance shown above.
- The chart compares the combined passenger and freight load factor achieved by airlines with that required for financial breakeven. The industry-wide change in business operations in the aftermath of the GFC had a significant impact on the achieved load factor which rose significantly, from 62% of ATKs in 2009 to 66.8% in 2010. What is particularly noteworthy is that airlines have been able to maintain the load factor at this new, higher level in the period since.
- The sustained improvement suggests that the underlying changes are more structural in nature, not simply a cyclical response to the GFC. The widening of the achieved vs breakeven load factor 'gap' has contributed to the improvement in the industry's return on capital and profit performance. In turn, the improved financial health bolsters the resilience of the industry and provides a more solid foundation for airlines to better manage the next unanticipated shock.

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