



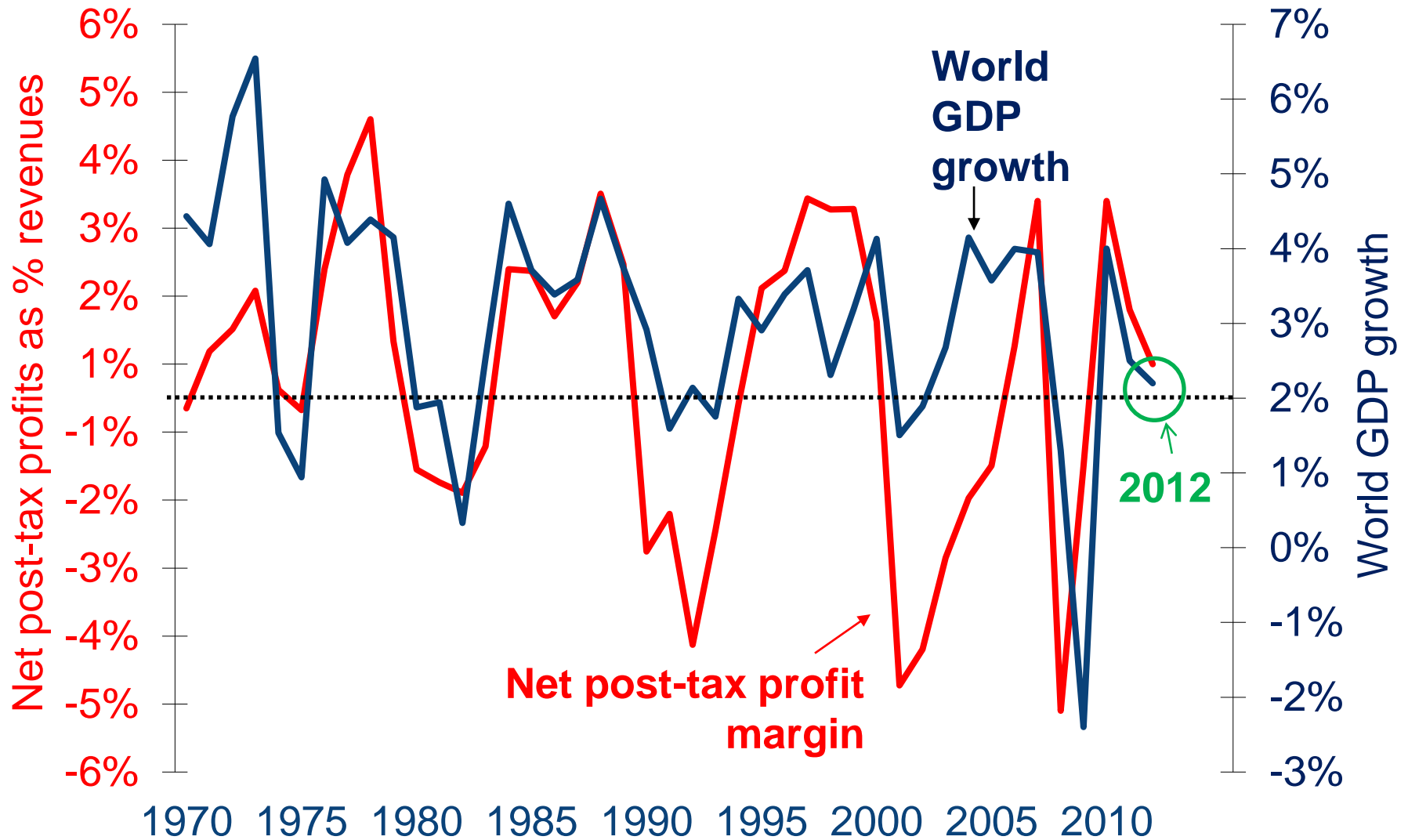
Industry Outlook – June 2012

Brian Pearce
Chief Economist
www.iata.org/economics

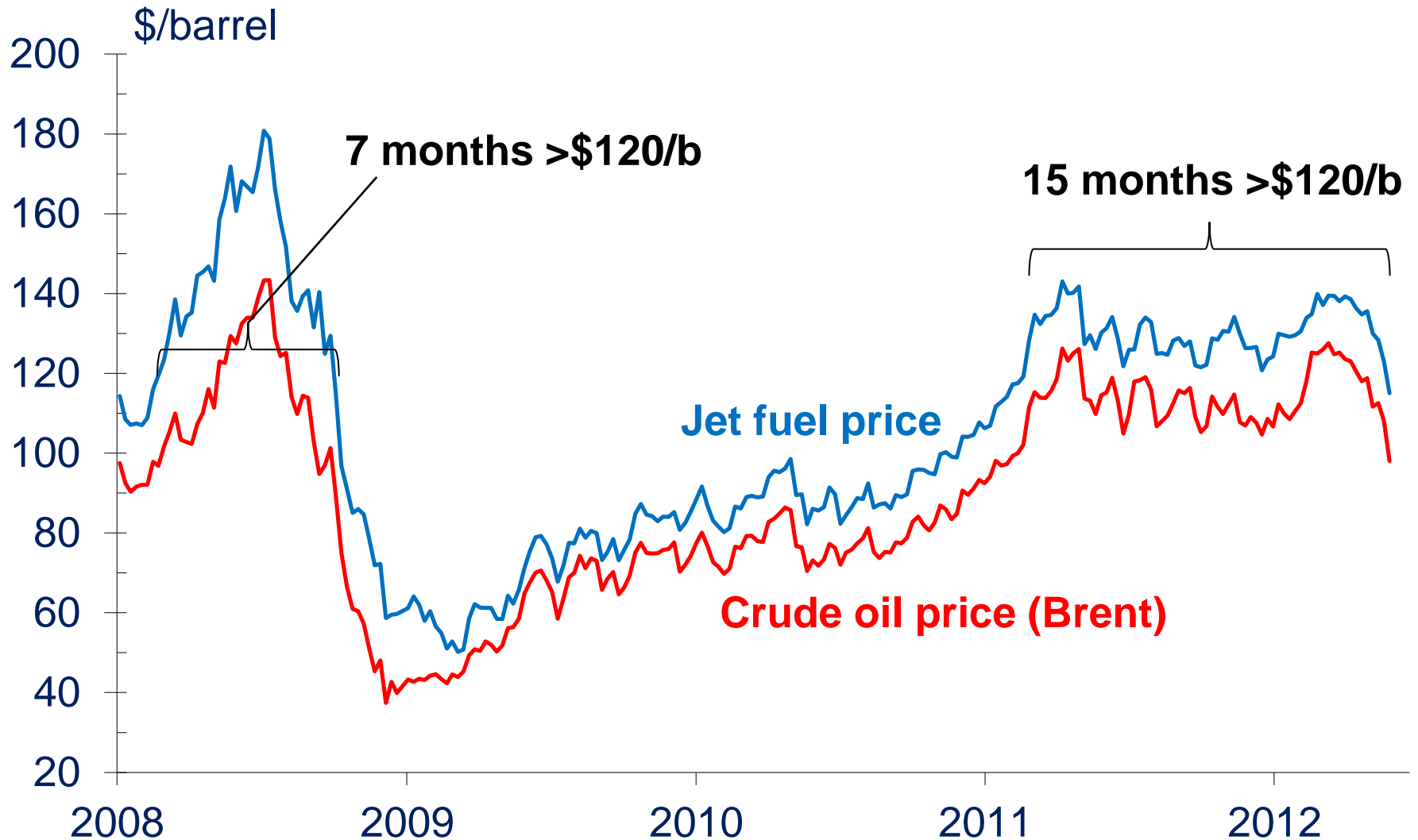
To represent, lead and serve the airline industry



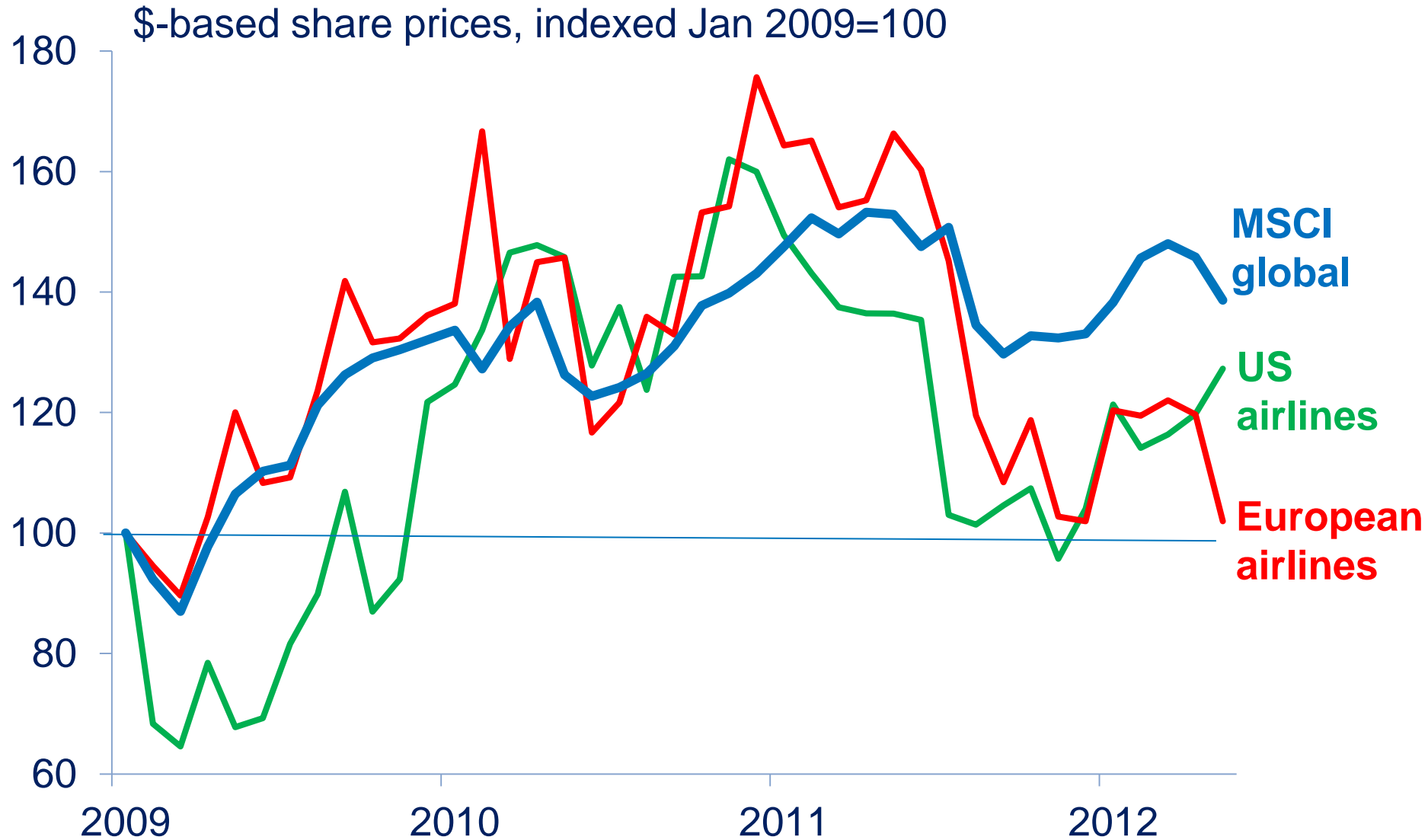
Close to GDP growth where airline profits (historically) turned to loss



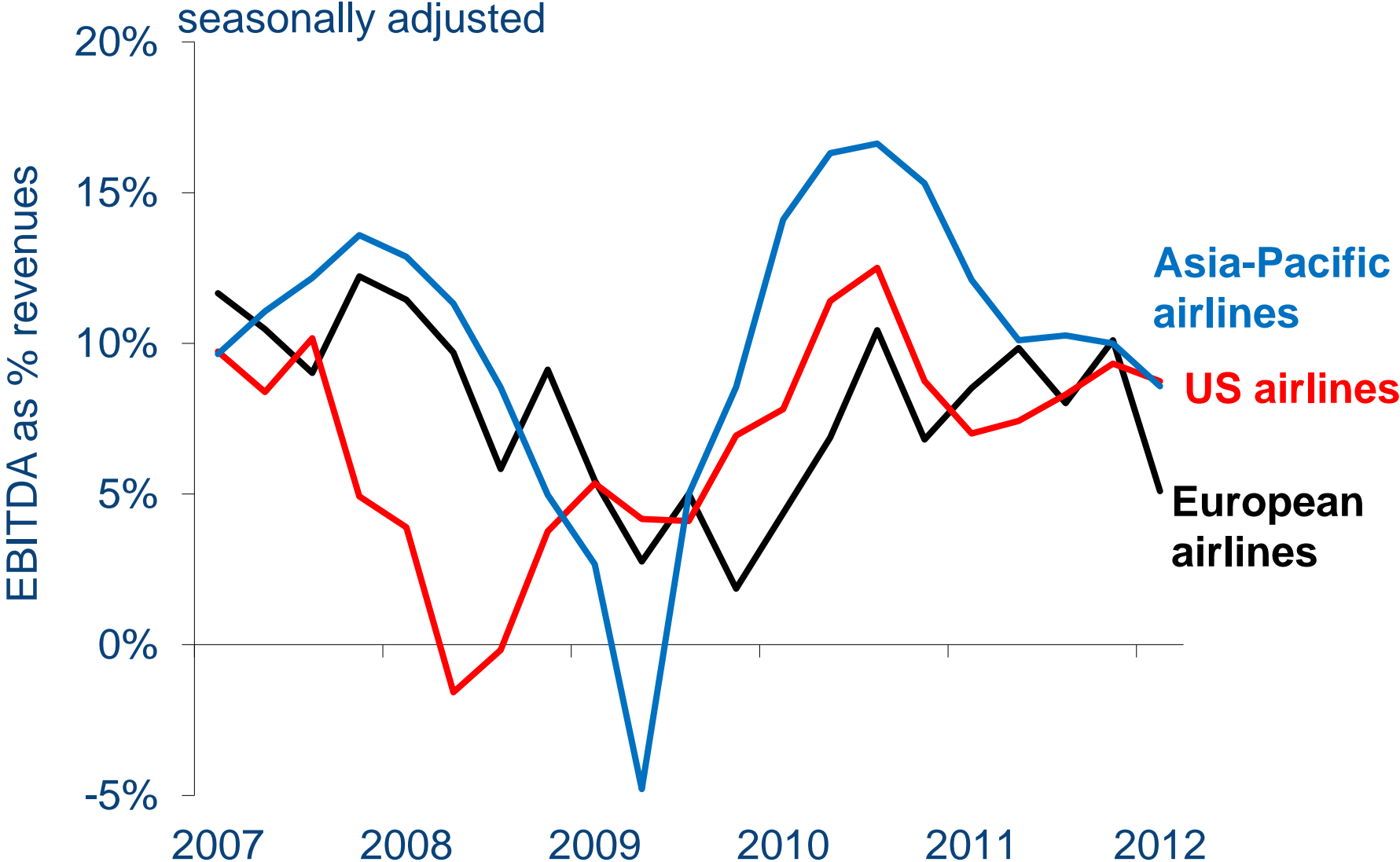
Fuel prices persistently high



Financial markets pessimistic about Europe

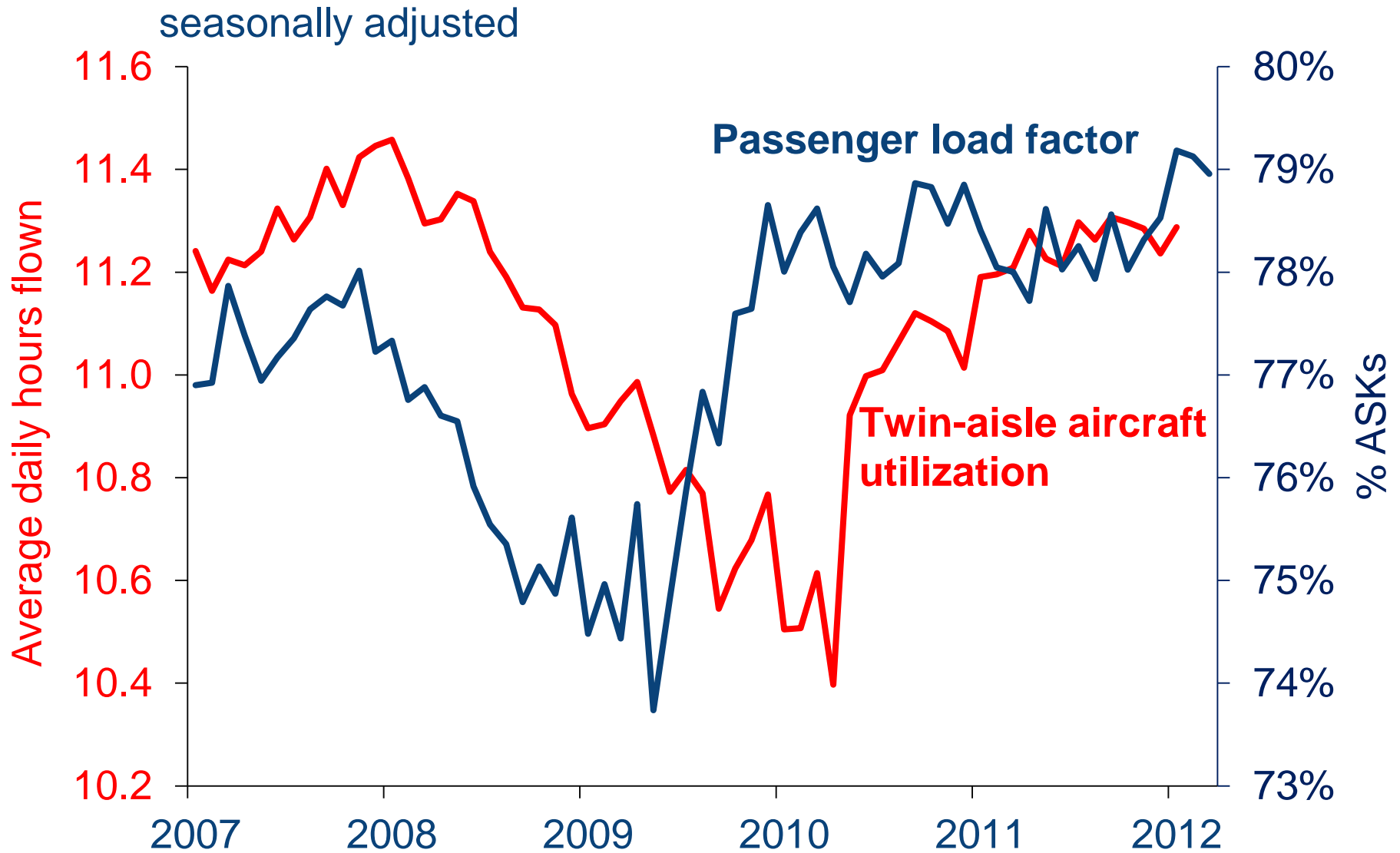


But cash flows robust so far, except in Europe



Source: Bloomberg

Asset utilization strong in passenger business



Sources: IATA, Boeing

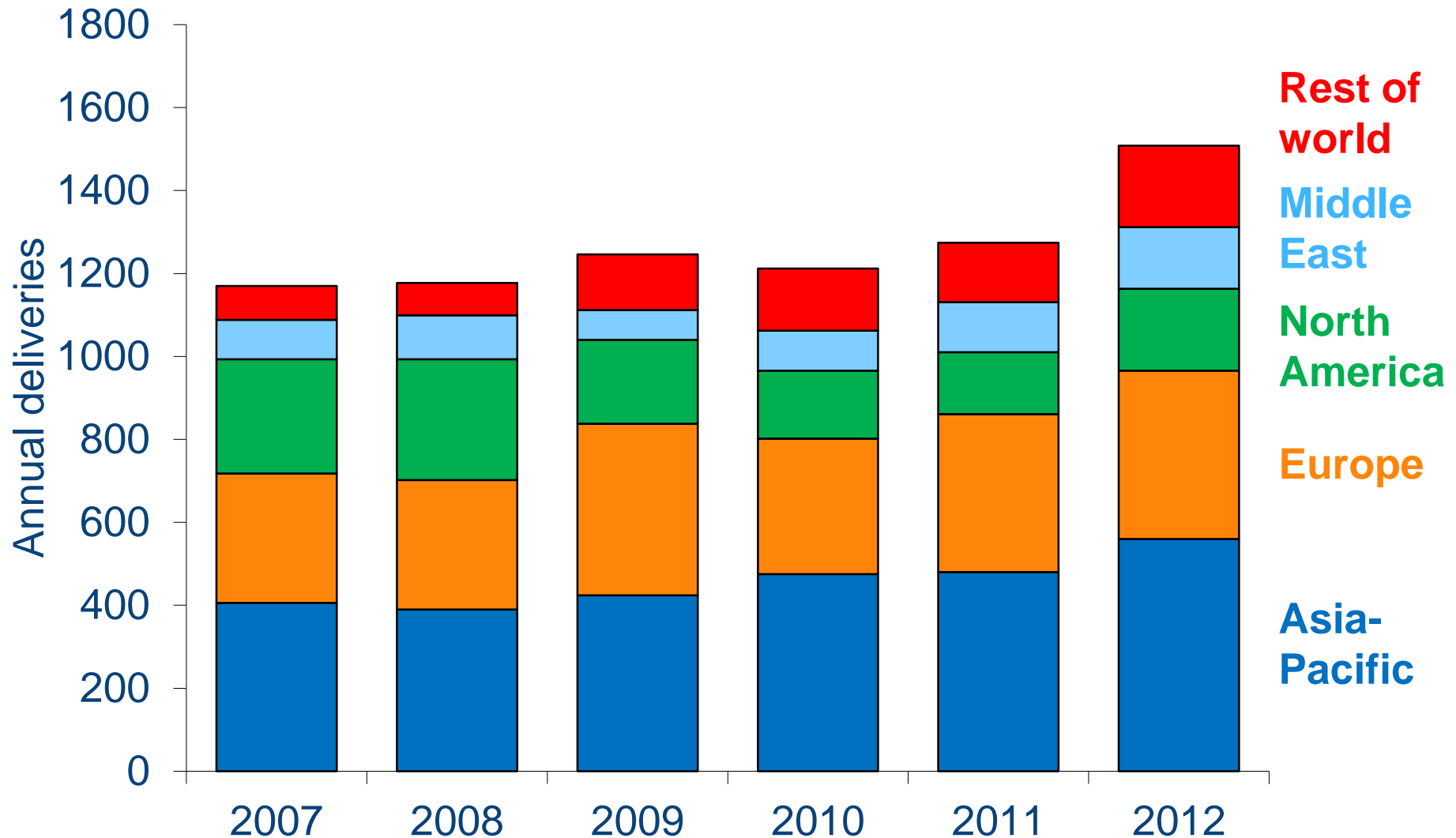
Capacity filled without yield erosion in the US

seasonally adjusted



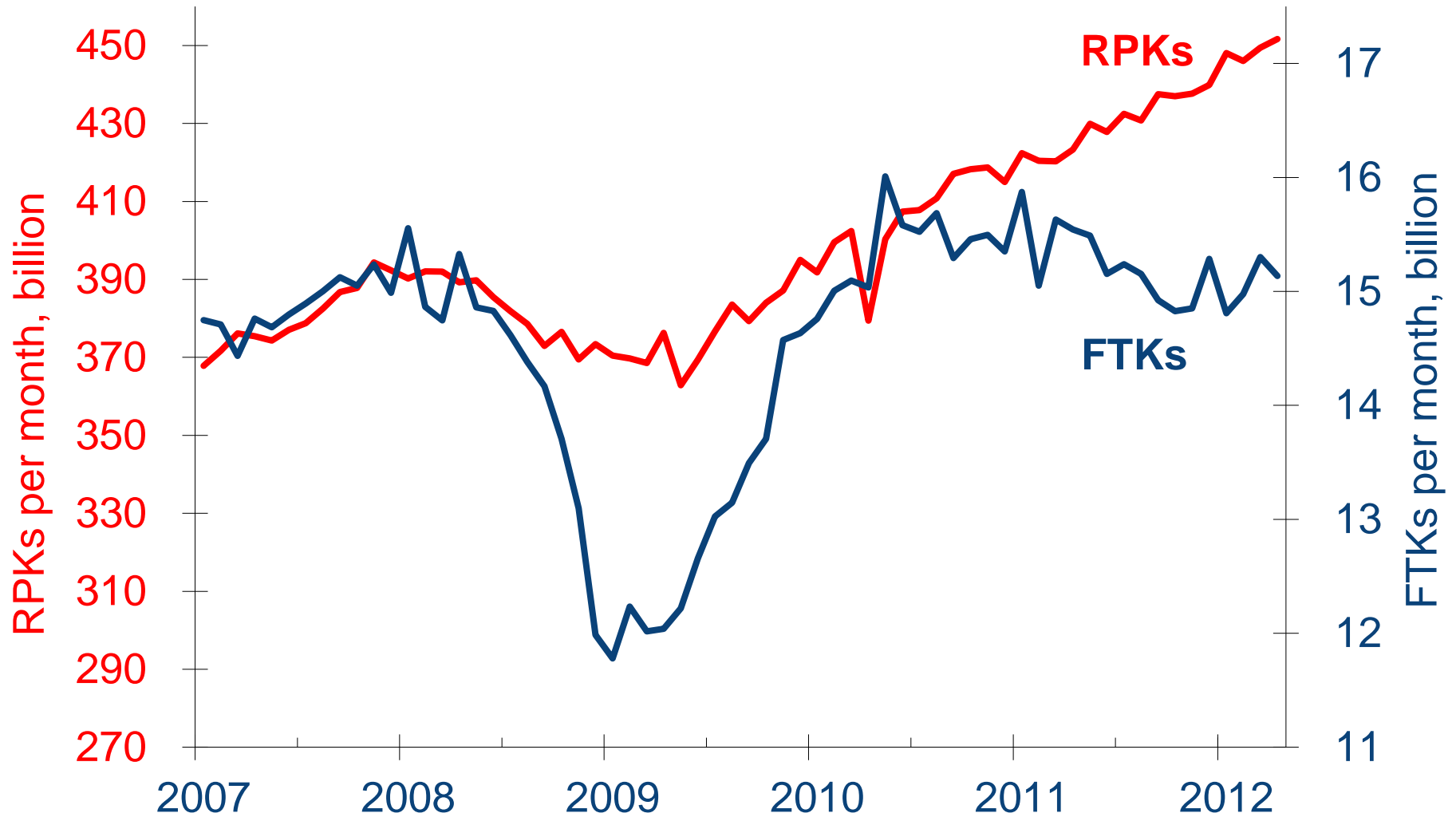
Sources: PaxIS, A4A

New aircraft deliveries now accelerating



But demand is rising for travel and cargo

seasonally adjusted



World trade continues to expand

seasonally adjusted

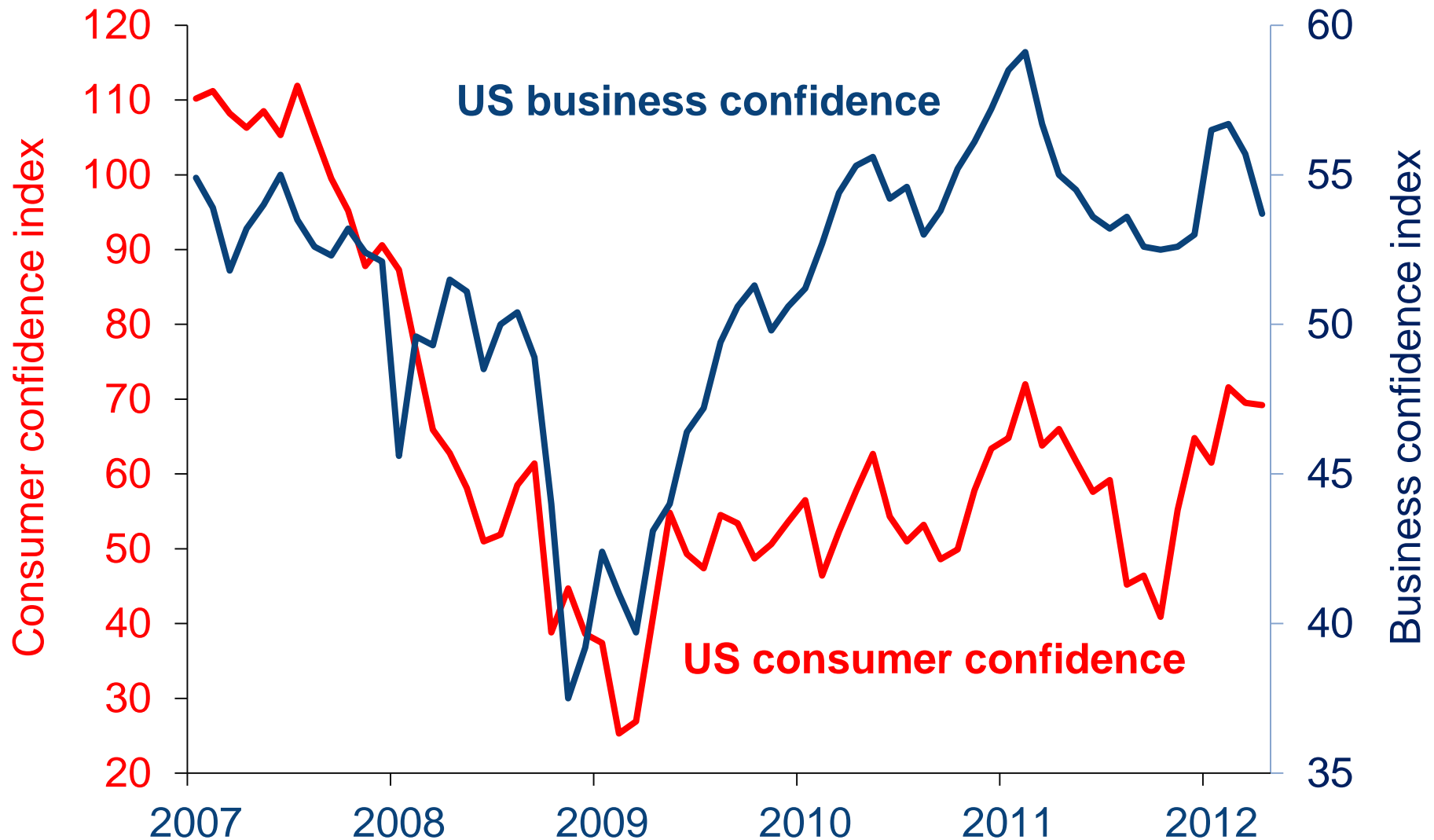


Business confidence supporting premium travel

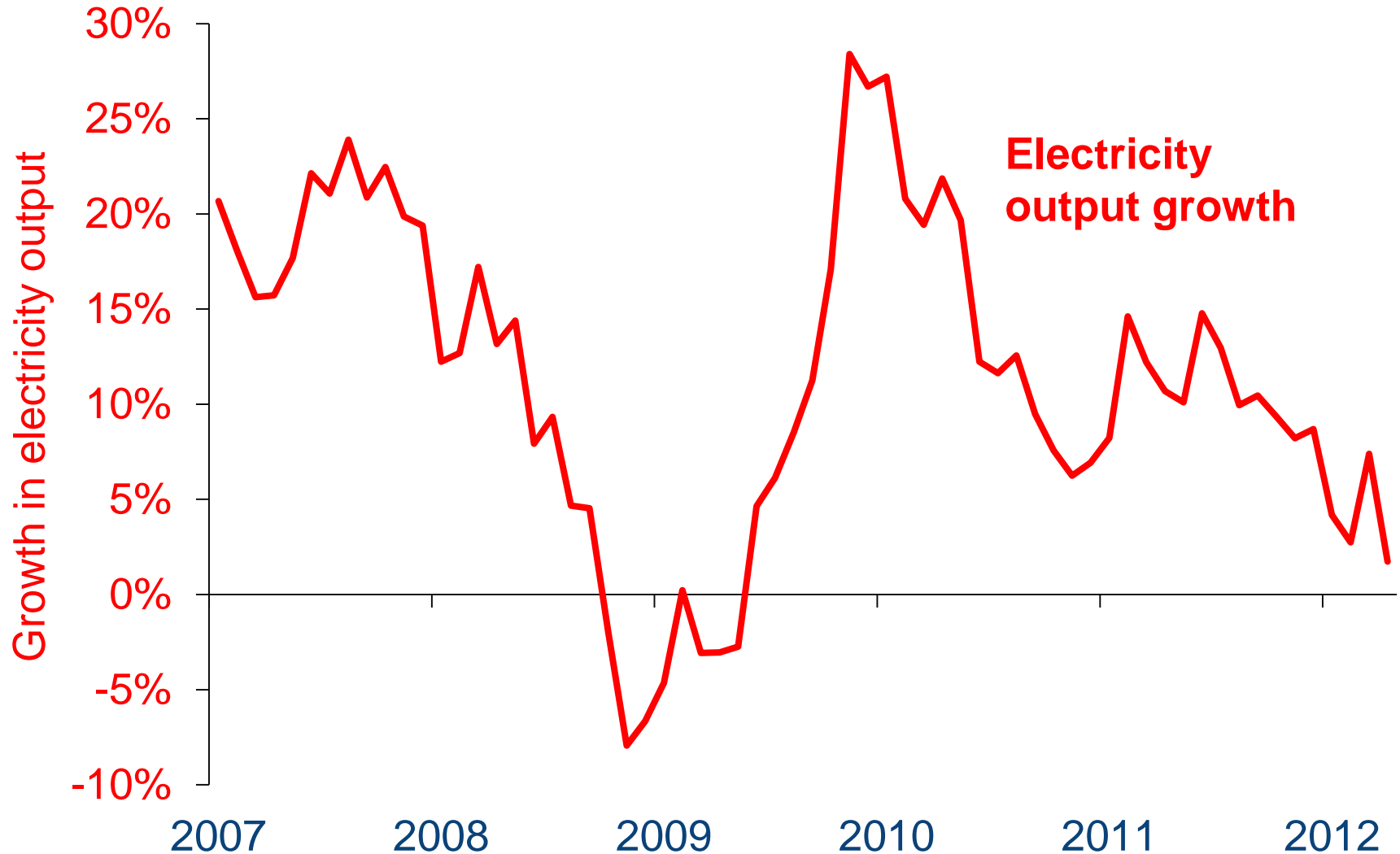


Sources: IATA, JP Morgan/Markit

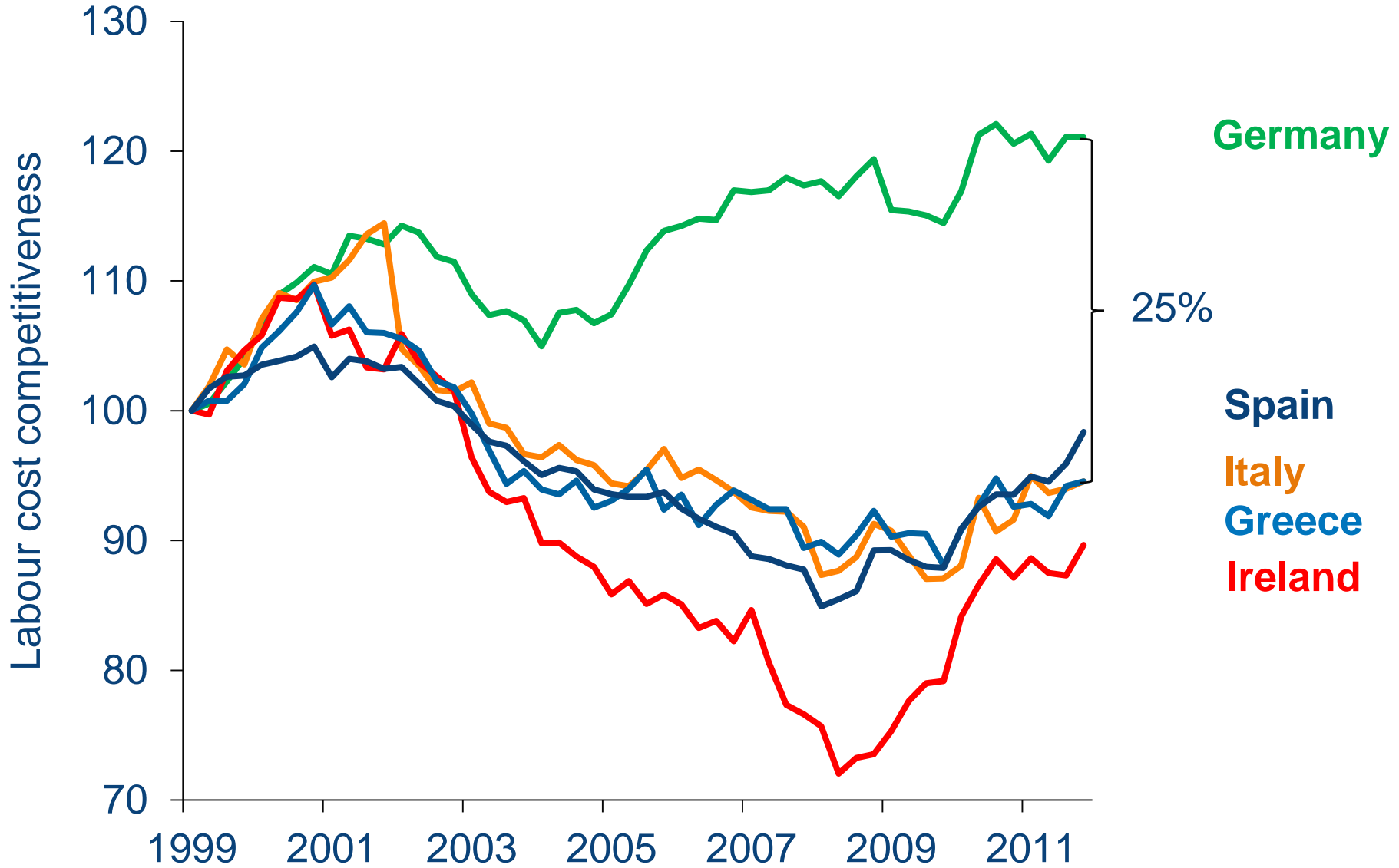
But US economic recovery remains fragile



Extent of Chinese economic slowdown uncertain



Major competitiveness problem within euro-zone



Central forecast – key assumptions

- Euro-zone crisis limited to a possible Greek exit
- US recovery weak
- China avoids hard landing
- No Iran conflict
- EU ETS and tax costs unchanged

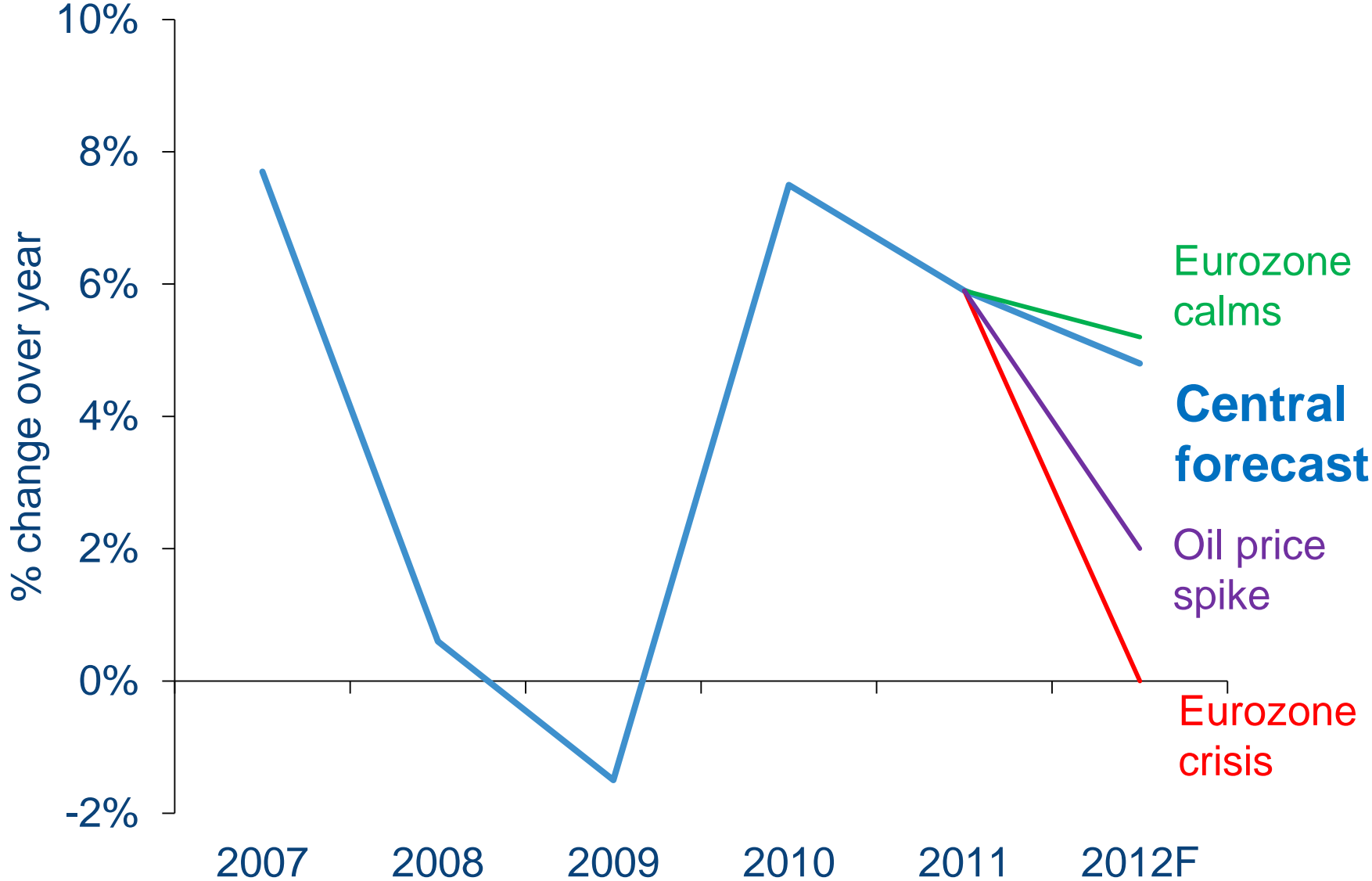


Outlook

- **Central forecast (50%)**
- **Eurozone crisis (35%)**
- **Oil price spike (10%)**
- **Eurozone calms (5%)**



Downside risk for 2012 air travel volumes



Source: IATA

Downside risk for 2012 operating margins



Europe under most pressure in all scenarios

