



# Industry Update

**Deannath Kulatunge**

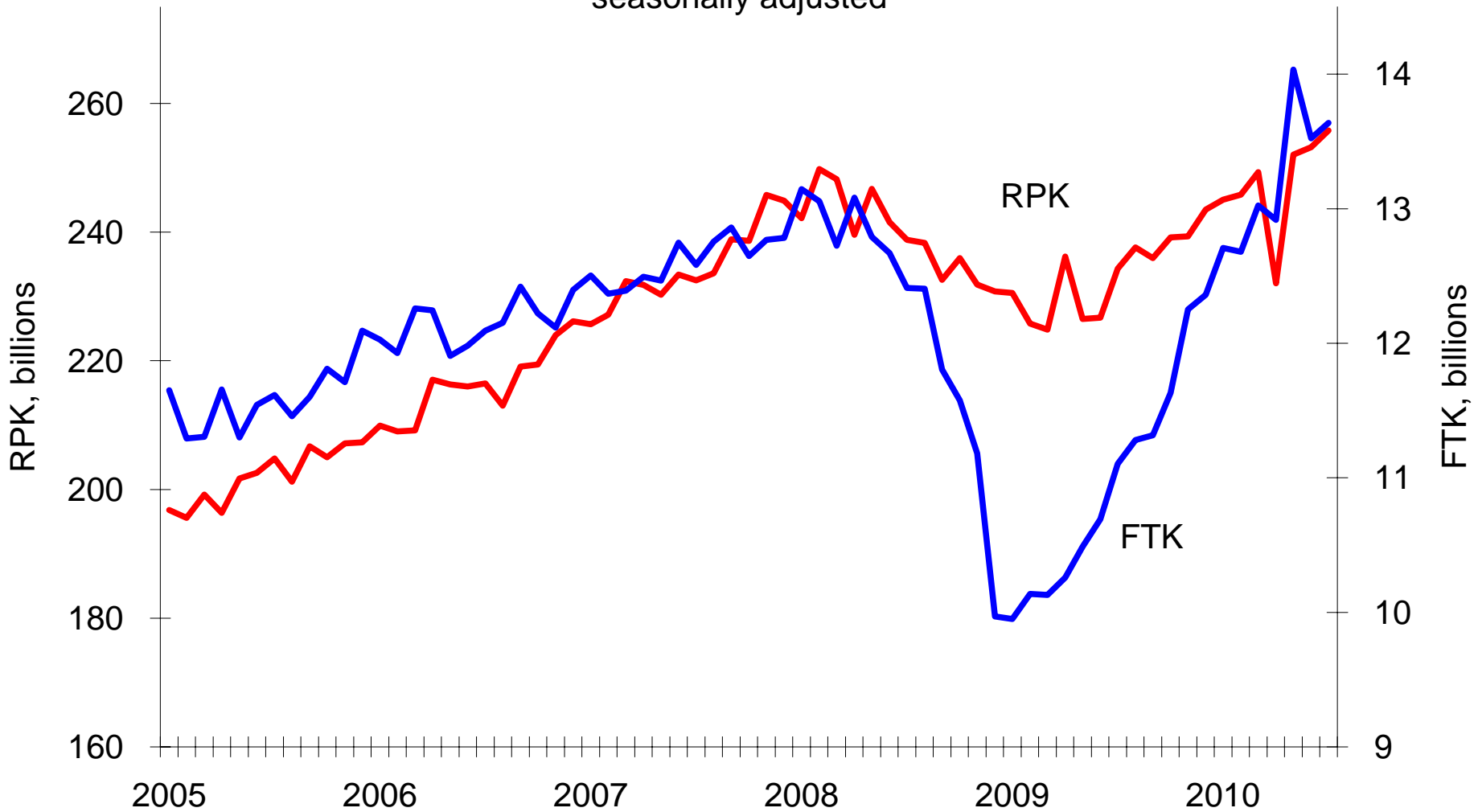
**02 December 2010**

To represent, lead and serve the airline industry



# Demand for air transport is very robust

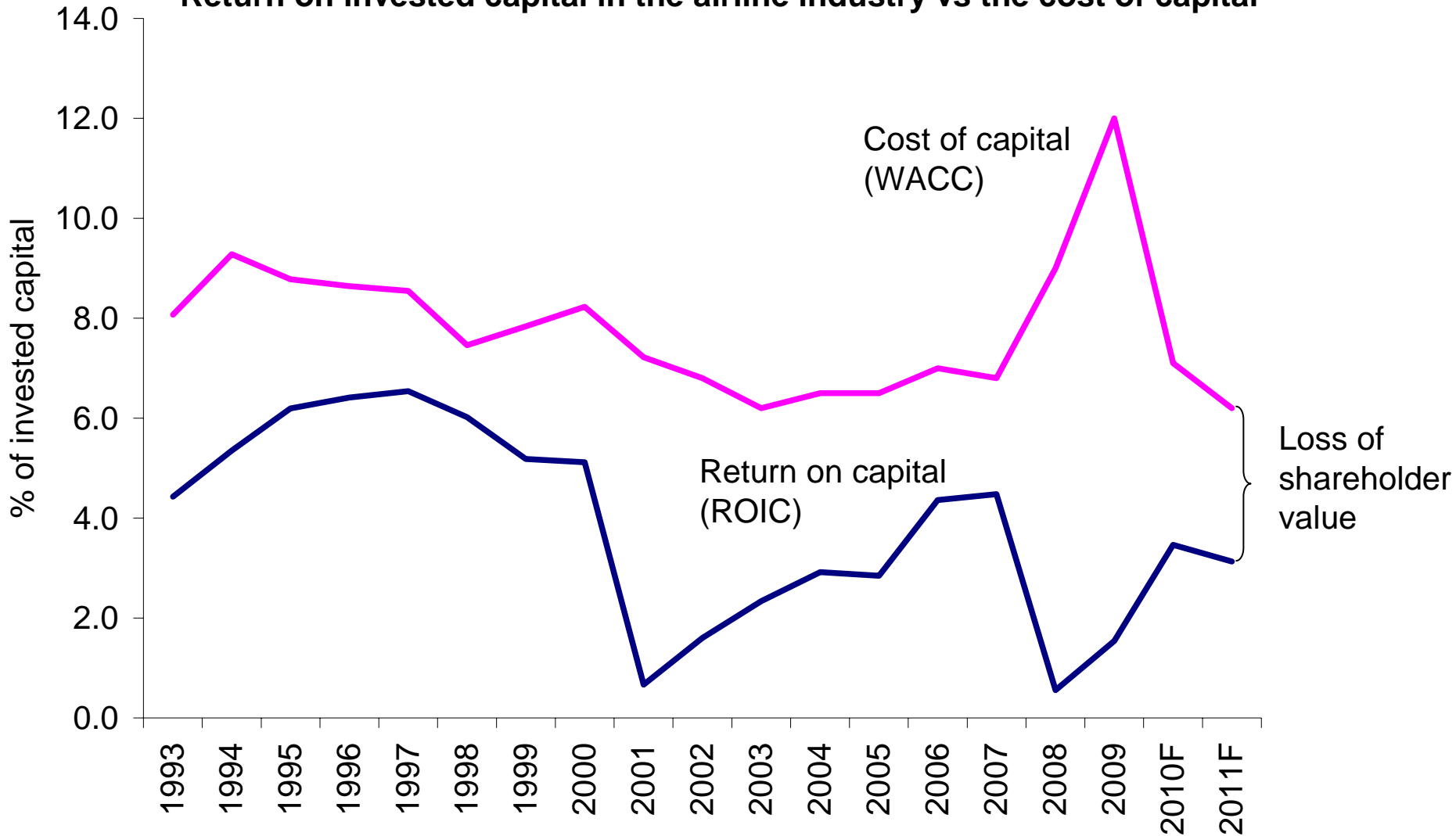
International air freight and passenger volumes  
seasonally adjusted



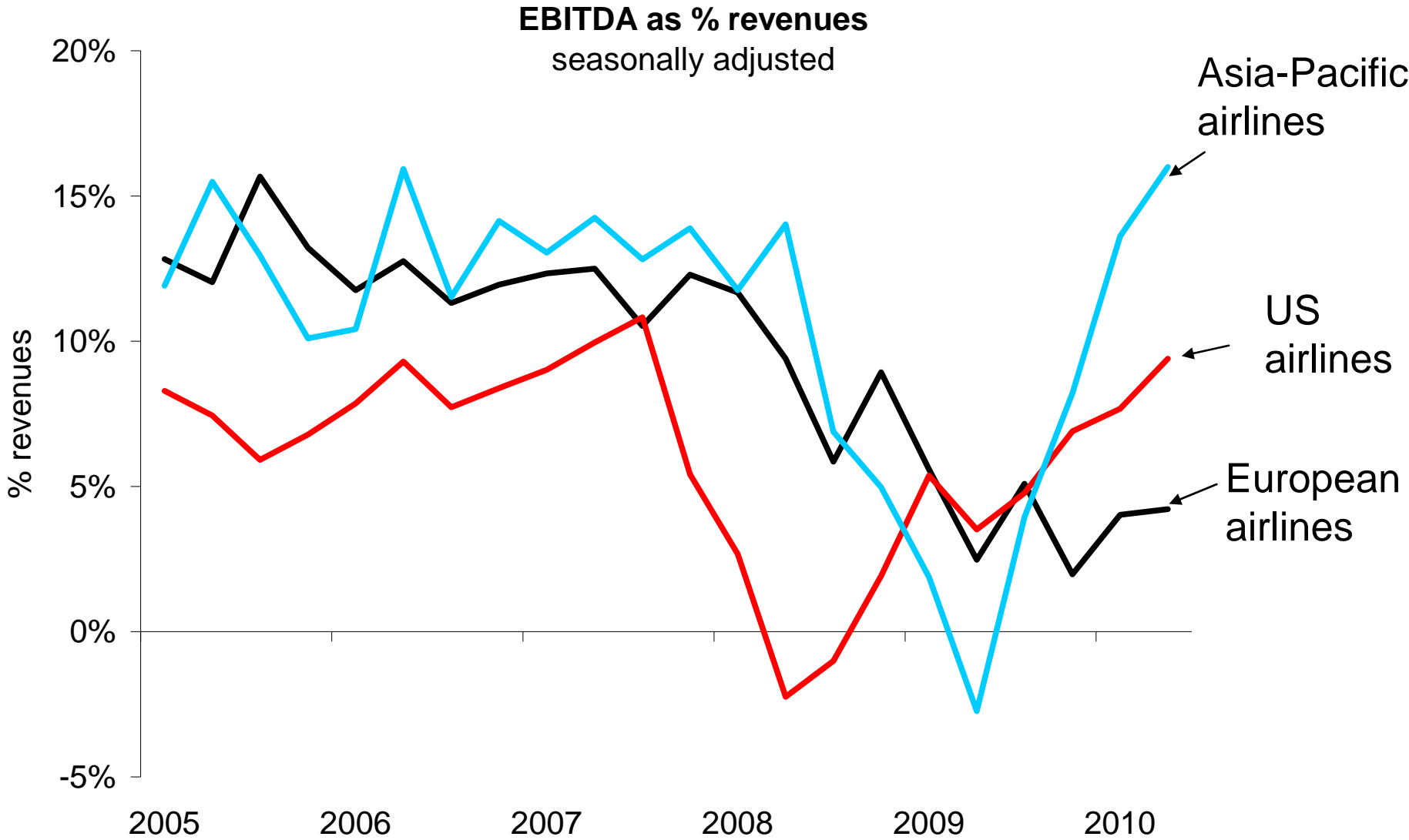
Source: IATA

# But the airline industry remains fragile

Return on invested capital in the airline industry vs the cost of capital

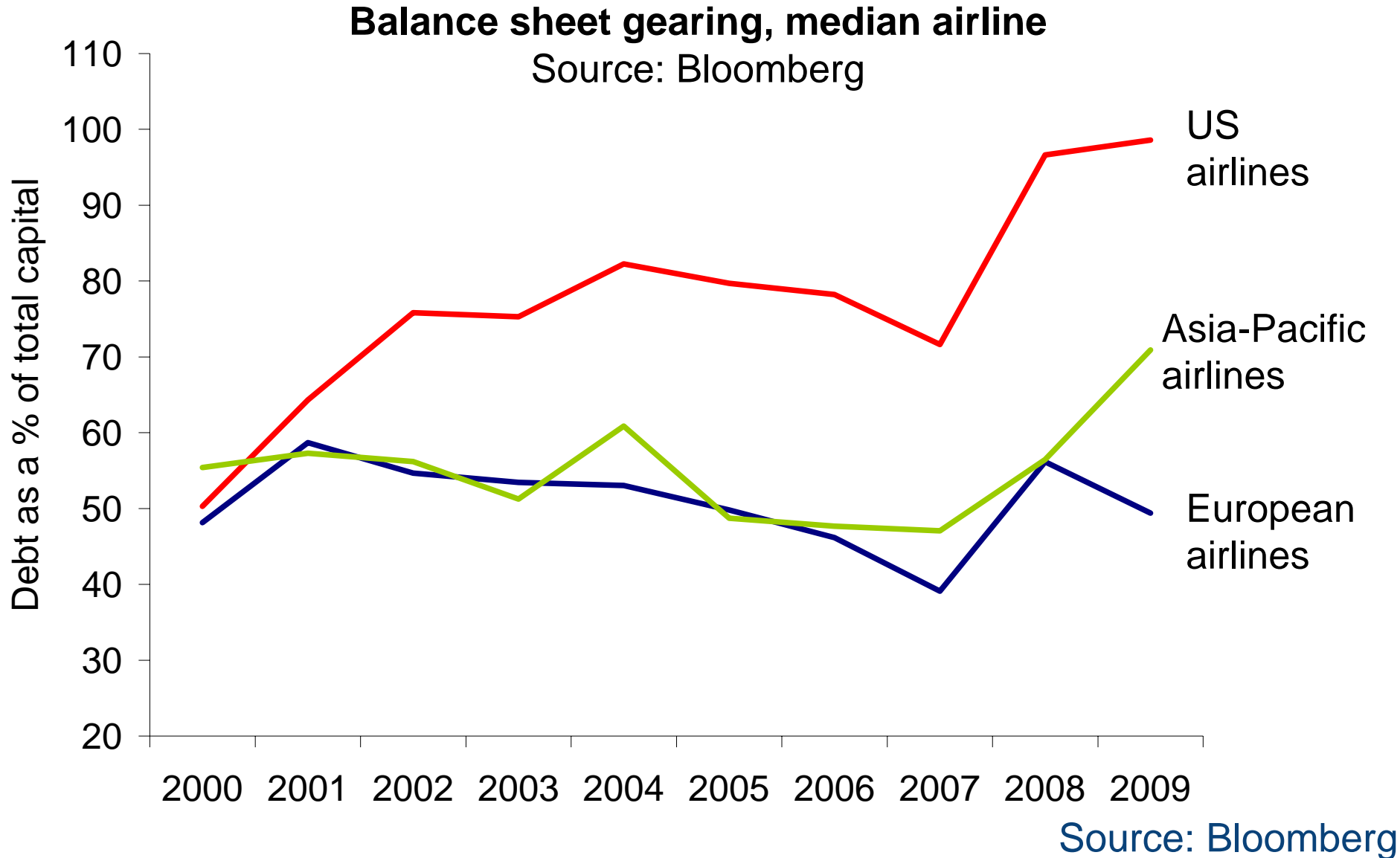


# Cash flows have revived - in some regions

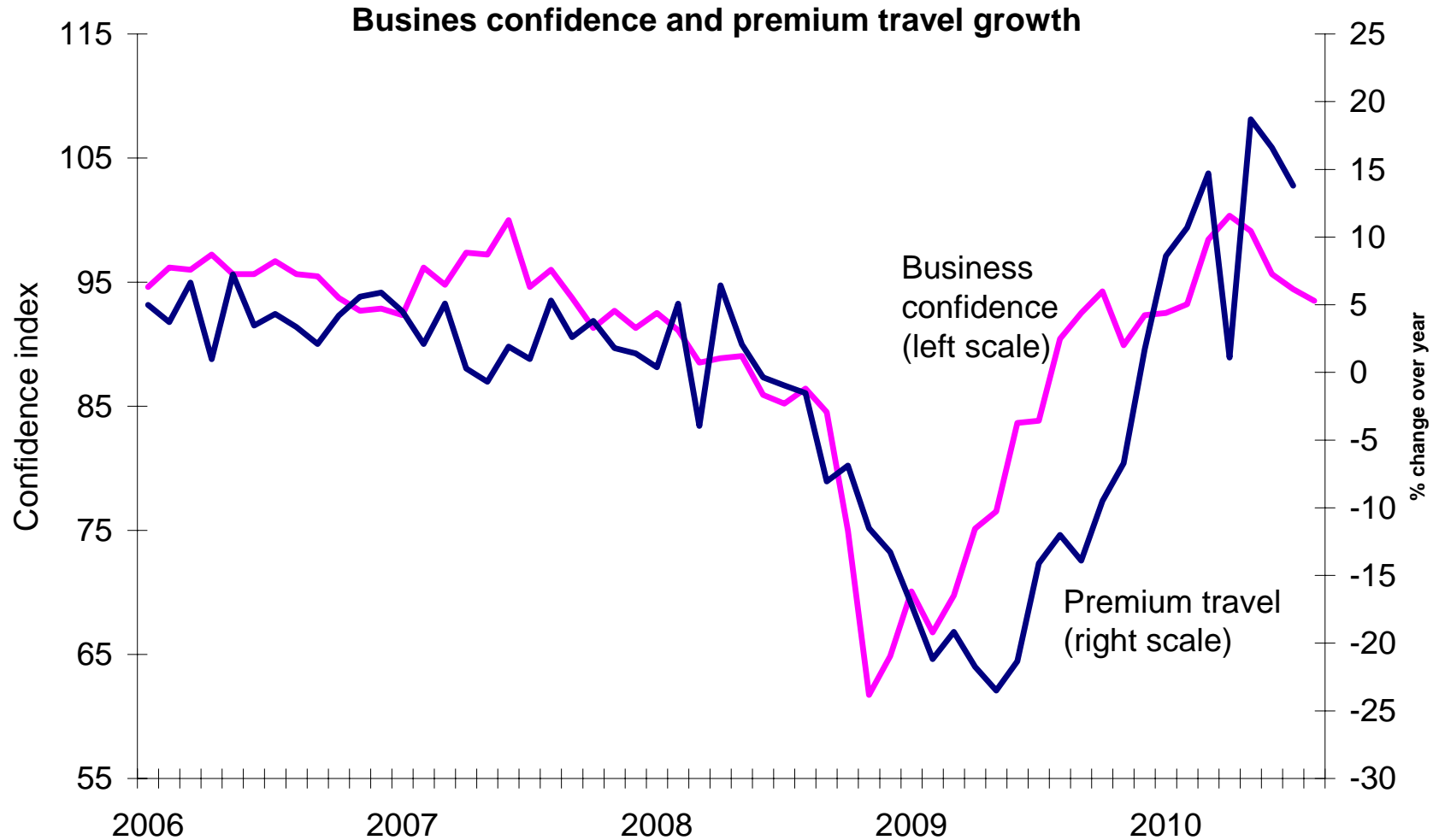


Source: Bloomberg

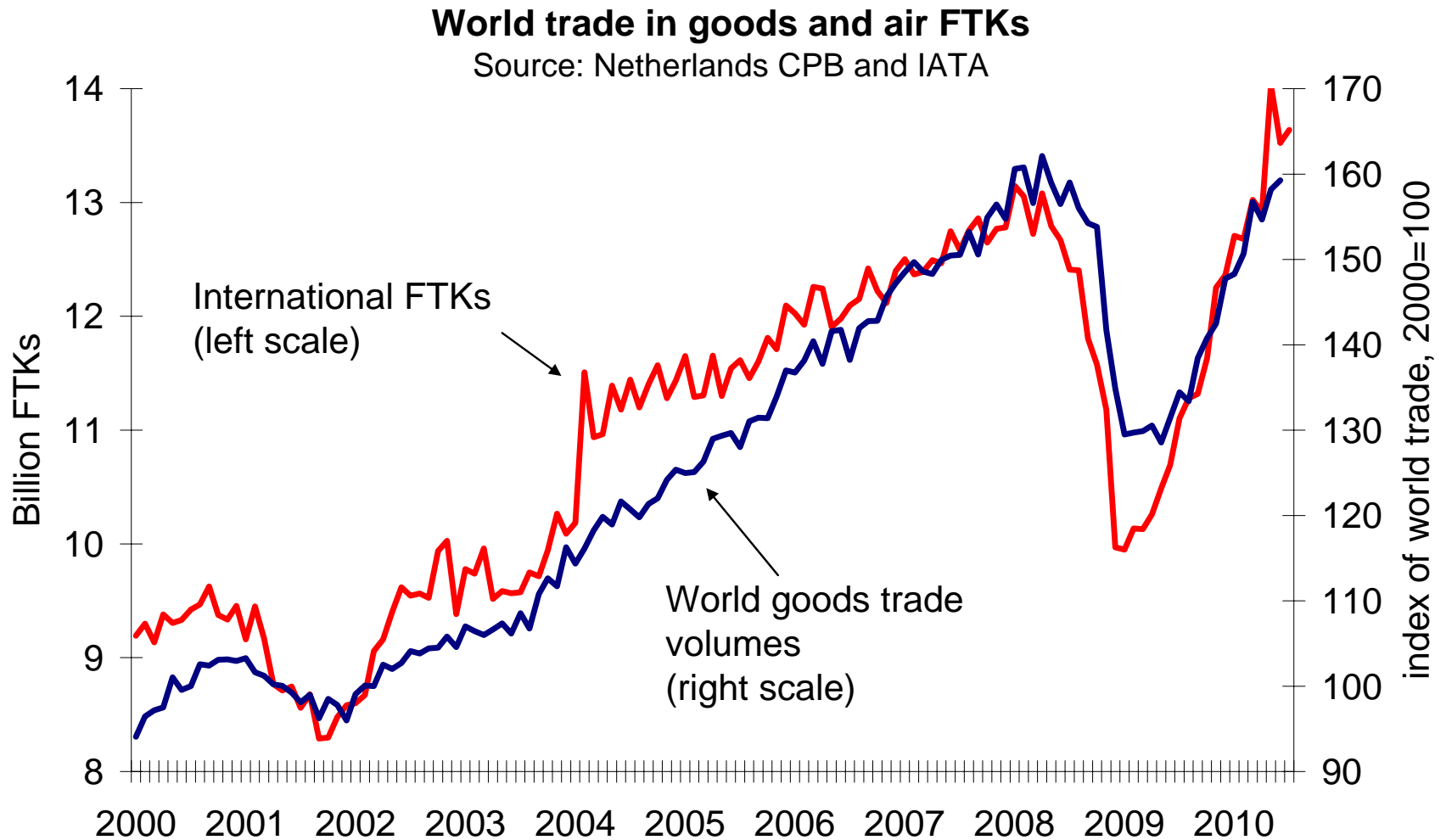
# But balance sheets are highly leveraged



# Revival of business travel supported



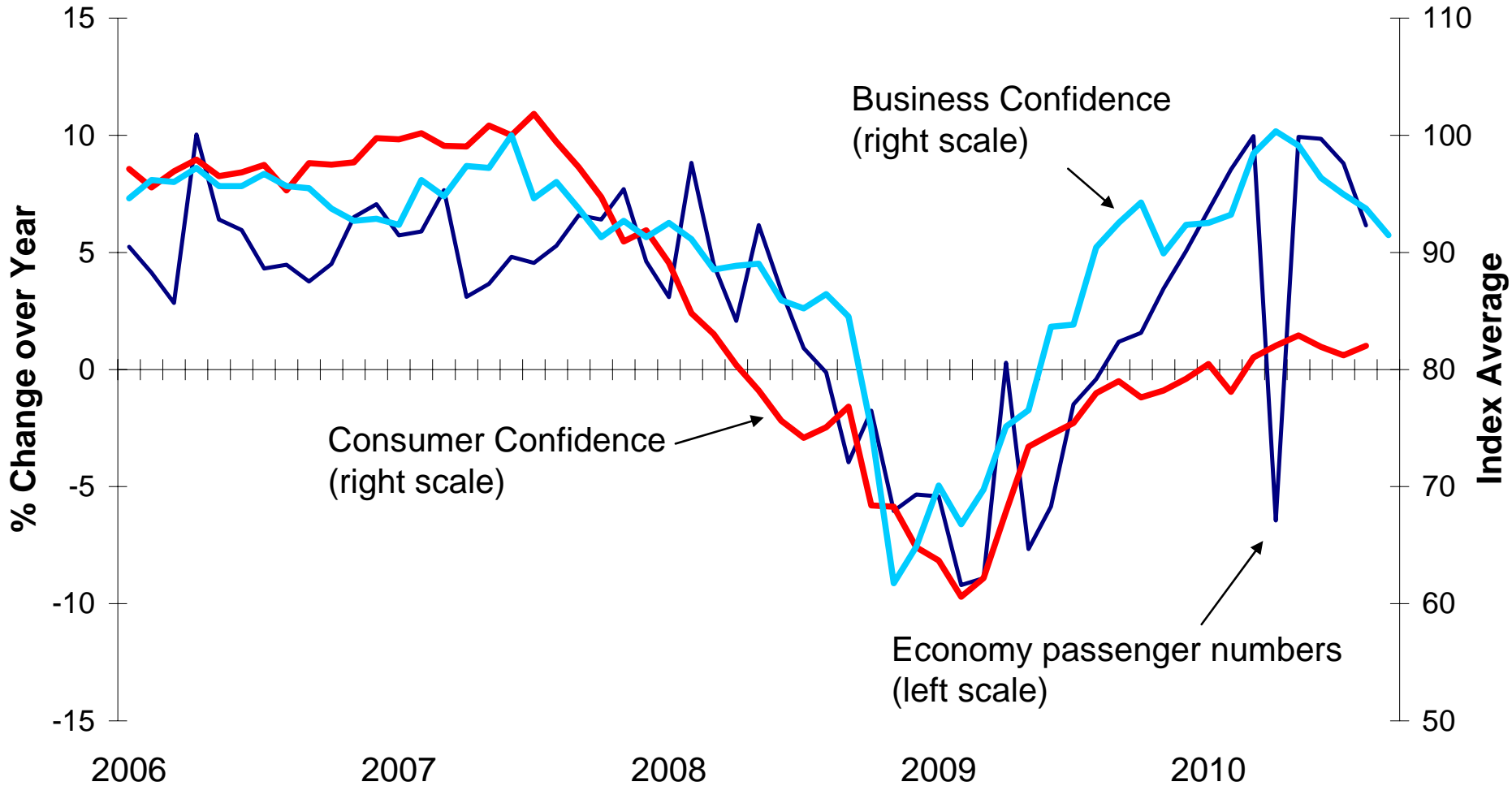
# Rebound in world trade enabled



Source: IATA, Netherlands CPB

# But leisure travel weak in major markets

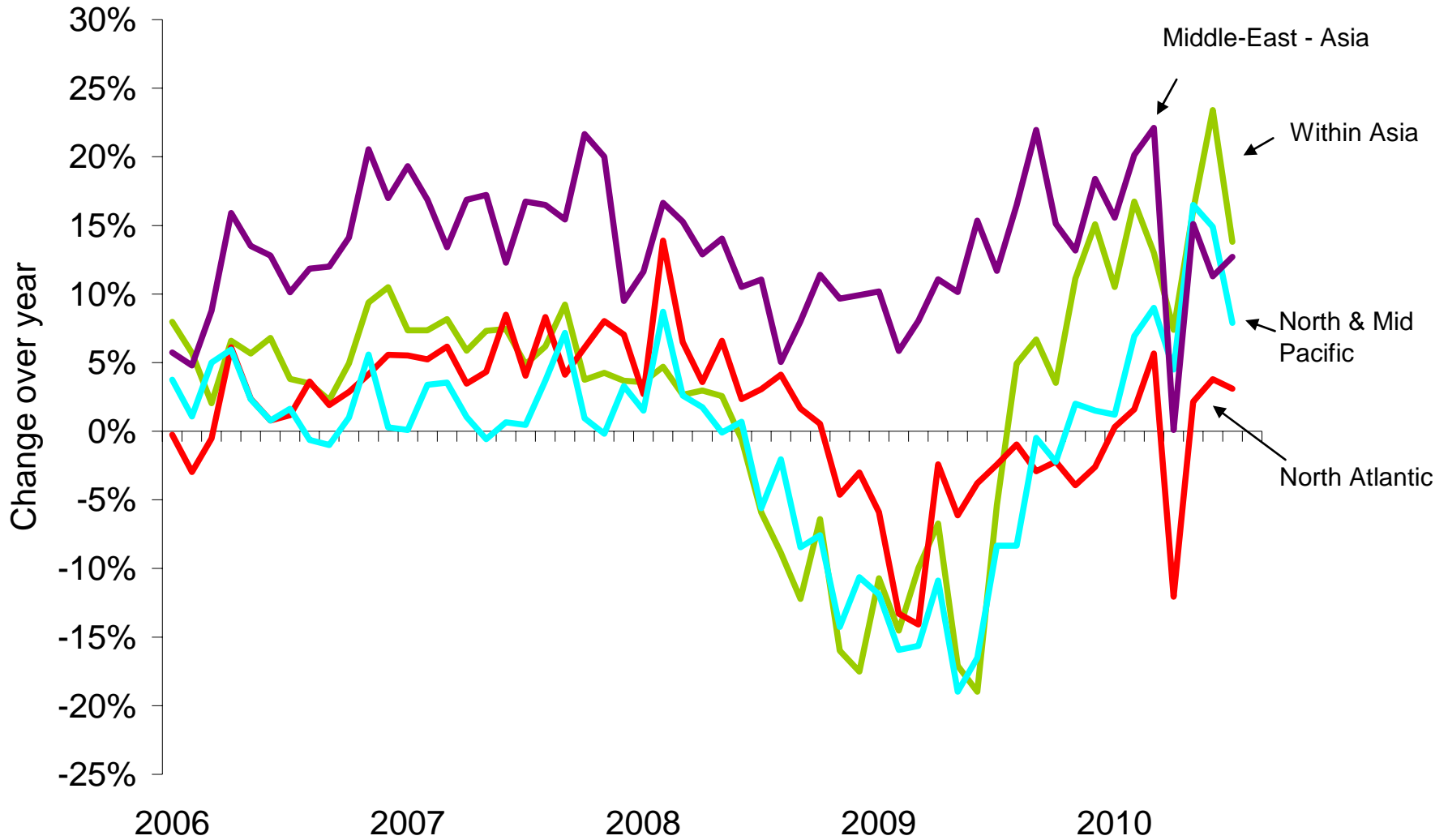
**Economy Passengers, Business and Consumer Confidence**  
Source: IATA, Haver



Source: IATA, Netherlands CPB

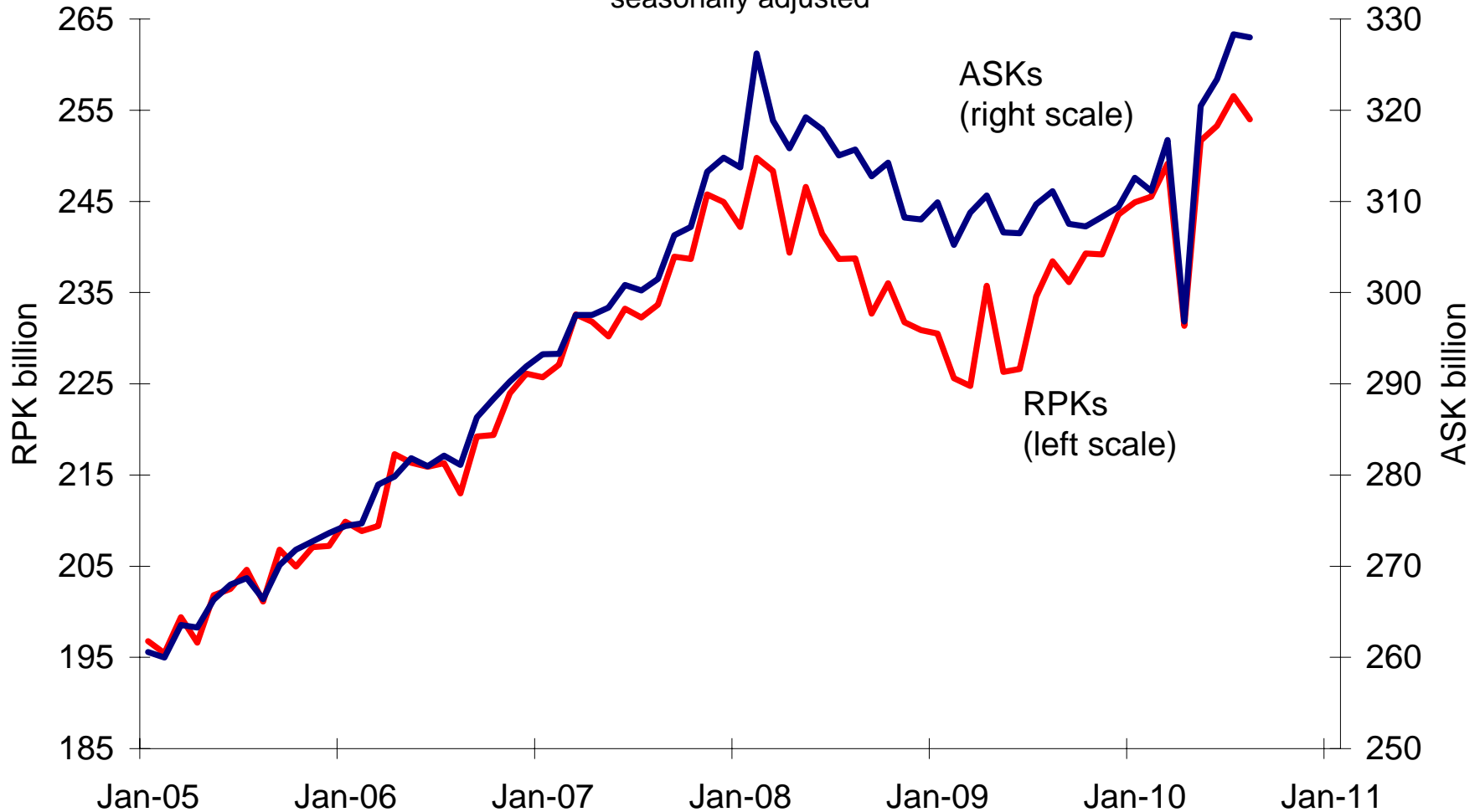
# Geography matters

Growth in passenger numbers by market



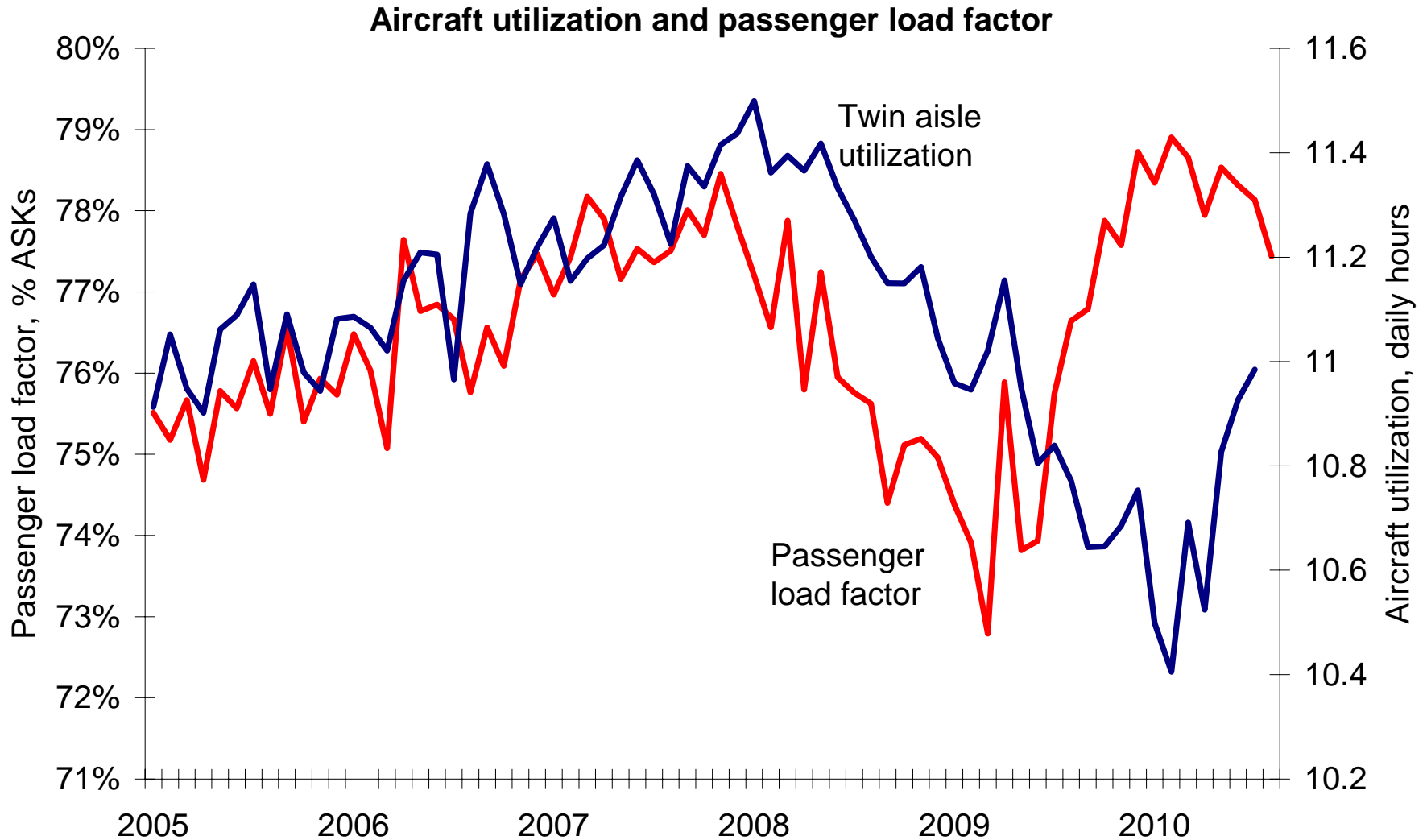
# Capacity had been cut to an unusual extent

**International air travel and capacity**  
seasonally adjusted

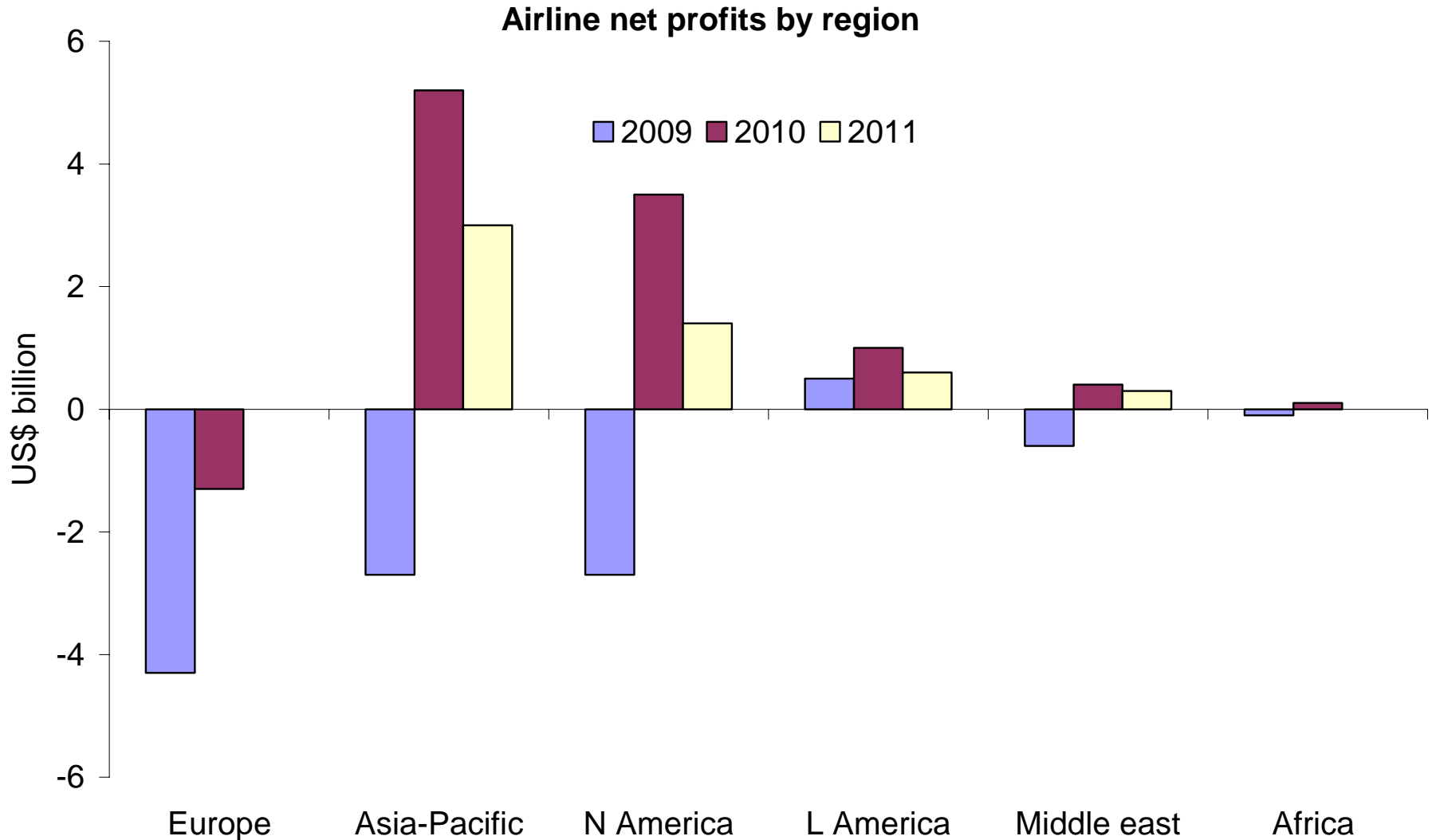


Source: IATA

# High load factors disguised low utilization



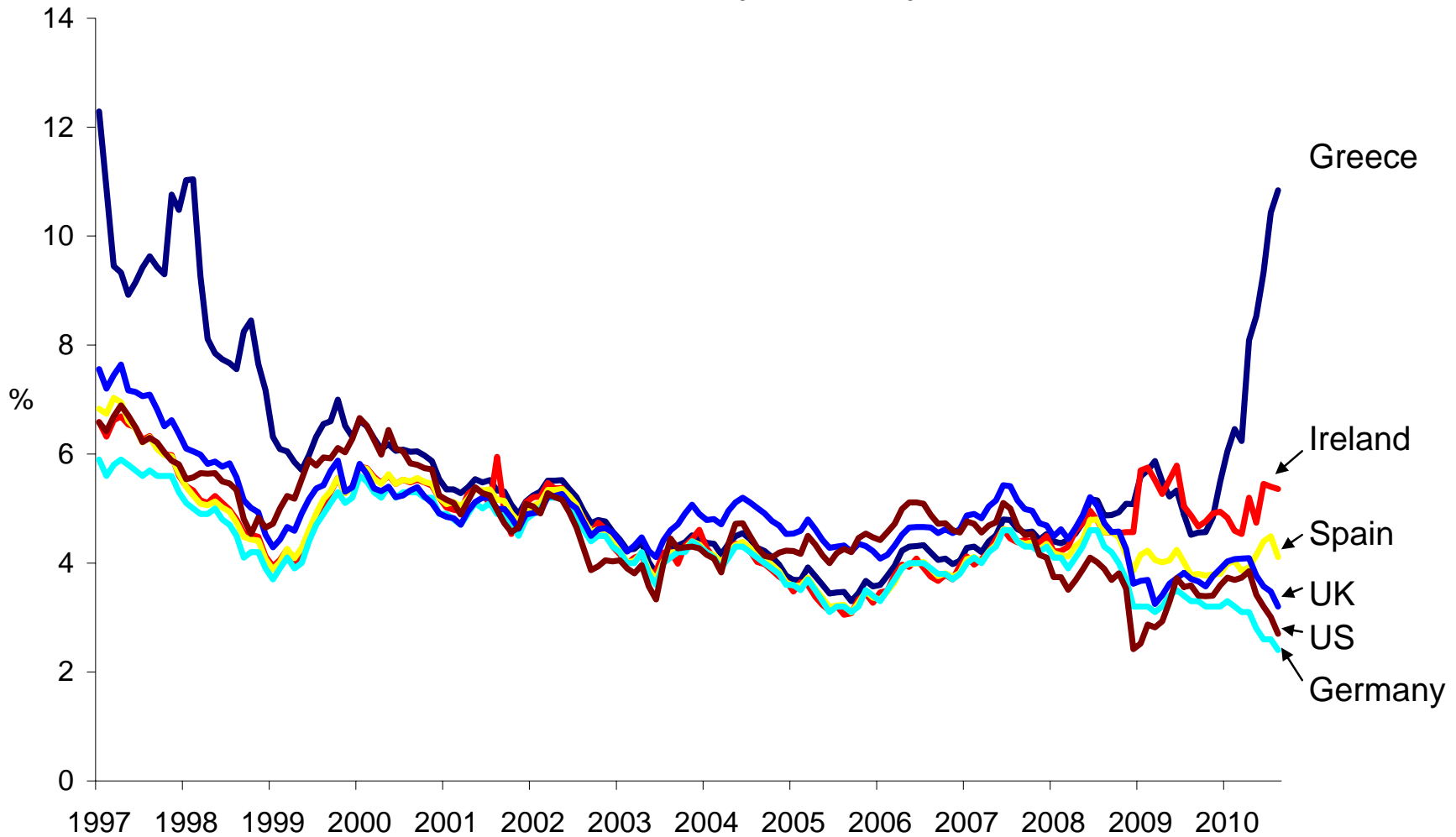
# Some regions back in profit, some not



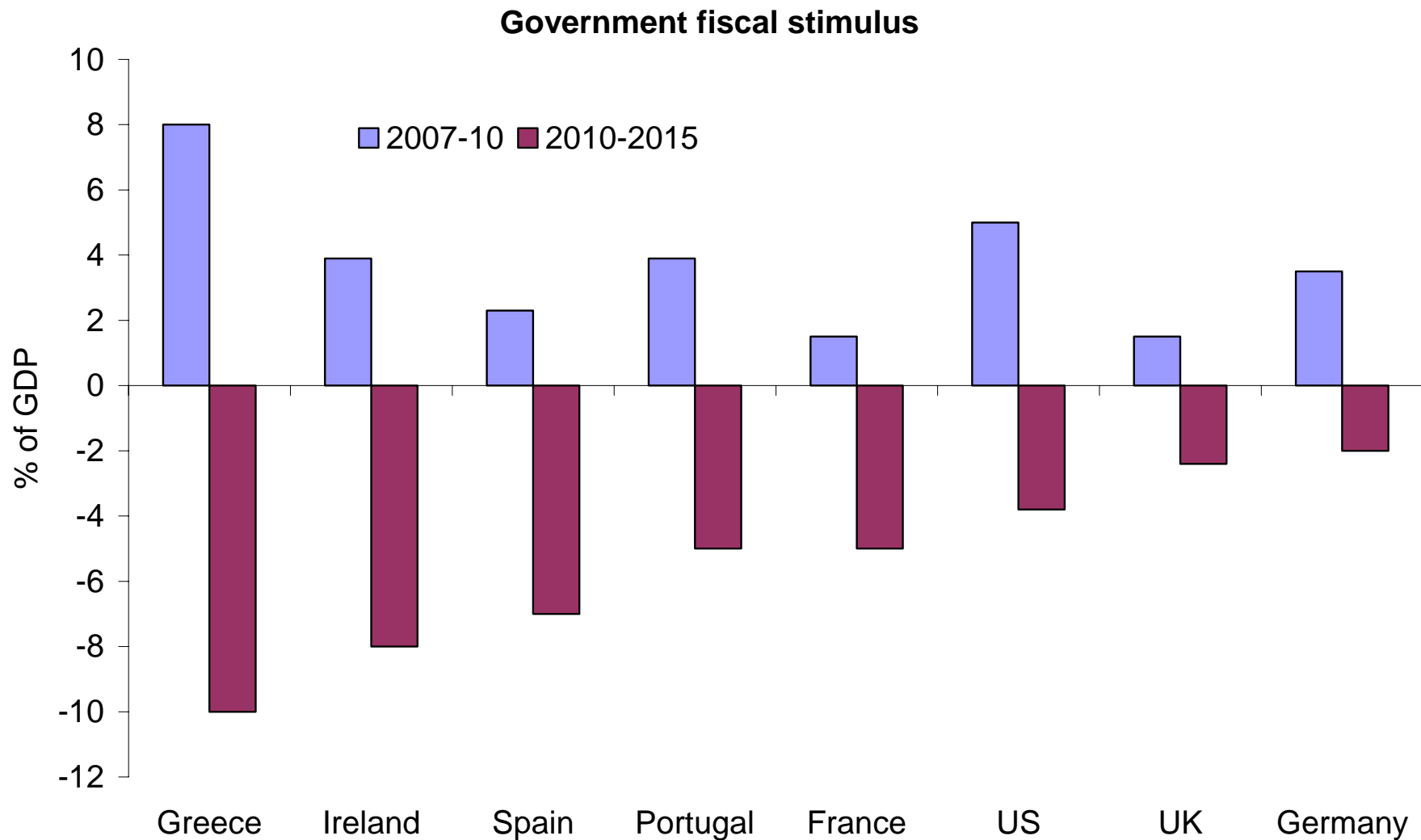
Source: ICAO, IATA

# Economic instability remains likely

Government 10-year bond yields



# Massive reversal of fiscal stimulus ahead



Source: IMF, EC