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ICAO NEWS RELEASE

FOR IMMEDIATE RELEASE

PIO 08/09

MARGINAL TRAFFIC GROWTH AND FUEL HEDGING LOSSES TAKE TOLL ON AIRLINE INDUSTRY IN 2008

MONTREAL, 5 June 2009 — Passenger traffic expressed in terms of passenger kilometres performed (PKP) increased marginally by 1.3% in 2008 compared to 2007, according to preliminary data provided to the International Civil Aviation Organization (ICAO) by its Member States.

This represents the slowest rate of growth for the air transport industry since 2002. Cargo traffic expressed in terms of freight tonne kilometres performed decreased by 1.2% from 2007, also the slowest rate of growth since 2002.

International passenger traffic in terms of revenue passenger kilometres grew by 3.4%, as a result of strong growth rates for air carriers of Latin America and the Caribbean (10.3%), the Middle East (7.5%), Europe (4.1%) and North America (3.8%). These regions account for nearly 70% of global international traffic. No growth was recorded for Asia/Pacific carriers, which collectively account for nearly 27% of international traffic.

Domestic traffic adversely affected overall traffic growth as most regions experienced negative results. North American carriers, who account for nearly 57% of global domestic traffic, saw their traffic decline last year by an astounding 5.1% over 2007. Asia/Pacific carriers, at nearly 28% of global domestic traffic, grew by only 3.7%, achieved mainly due to a 6% growth by air carriers of China. Most emerging economies showed a negative growth in traffic compared to 2007.

Growth was shared unequally between member carriers of the International Air Transport Association (IATA) and other categories, notably low cost carriers. In 2008, several European low cost carriers experienced double-digit growth rates compared to the 3.3% growth rate in total PKPs for Europe.

Airline Finances

The scheduled air carriers of the world are estimated to have incurred an estimated operating loss of approximately US\$ 9.8 billion in 2008 compared to a record US\$ 19.7 billion operating profit in 2007. The significant decline in profitability was due to a slowdown in traffic growth on account of a weak global economy and fuel hedging losses for some of the major world air carriers. Oil prices were volatile and prices ranged from a high of approximately U.S. \$147/barrel in July 2008 to a low of approximately U.S. \$34/barrel in December 2008. Consequently, air carriers who had hedged anticipating higher fuel prices had to record significant losses in the last quarter of 2008.

Defining the precise level of losses airlines will incur in 2008 is difficult at this stage mainly because the final accounting figures are not yet in for carriers having a fiscal year ending other than calendar year 2008 and also due to the variances in accounting of fuel hedging losses practiced by different air carriers. Some air carriers who have hedged their fuel prices two to three years in the future, account for the losses actually incurred for the year 2008 and the probable losses of the future years in their income statement. Other carriers, however, follow the practice of accounting future hedging losses in their balance sheets

and not in their income statement. If fuel hedging losses are excluded, the industry is expected to have ended the financial year 2008 with an estimated provisional operating loss of U.S. \$3.8 billion.

Short-term forecast

Global air traffic, expressed in terms of passenger-kilometres performed, is now projected by ICAO to decline by approximately 4% in 2009. This bleak forecast reflects the worsening of economic prospects as the world GDP is now projected to shrink by about 1.7%, according to Global Insight, a major economic forecasting organization. After steep declines in traffic in the first months of the year, signs of stabilization have emerged and further improvements in traffic results are expected for the remaining months of the year. The markets of North America and Asia/Pacific will be the most adversely affected as the recession in the United States and Japan and the downturn in China take their toll. European airlines are also expected to suffer limited traffic declines due to the relatively good performance of low cost carriers. While traffic of African airlines is also projected to decline, the Middle Eastern and Latin American markets will register a positive growth, due to aggressive airlines and airports strategies and strong domestic demand.

As the economy improves, a moderate recovery is forecast for the year 2010 with a positive growth rate of about 3.3% and the momentum to continue in 2011 with a growth of 5.5%. The regional breakdown of these forecasts is provided in the table below:

Regional Growth in Passenger Kilometres Performed (PKPs) percentage (%) change over previous year

Region	2009 Preliminary	2010 Forecast	2011 Forecast
Africa	-4.2	6.5	7
Asia/Pacific	-4.5	3.6	6.5
Europe	-3	2.9	5.5
Middle East	8	9.5	12
North America	-7.2	1.3	2.6
Latin America/Caribbean	5.3	7.5	8
World	-3.8	3.3	5.5

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A specialized agency of the United Nations, ICAO was created in 1944 to promote the safe and orderly development of international civil aviation throughout the world. It sets standards and regulations necessary for aviation safety, security, efficiency and regularity, as well as for aviation environmental protection. The Organization serves as the forum for cooperation in all fields of civil aviation among its 190 Contracting States.