

Airline Industry - The Encircling Gloom - Single Point Growth In The Fourth Quarter

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Latest Passenger Forecasts - August 2008

It is quite apparent that the air travel business now faces a period of unprecedented difficulties. The latest forecasts, which are based on partial June data, are indicating:

no more than a single point growth in the last Quarter of this year

the possibility of a 1.5% rise next month

somewhat better prospects for internationals within the total mix.

Total Passenger Growth Quarter 4	
% change on last year	Quarter 4
Africa	6.5
Asia/Pacific	2.2
Europe	0.6
Middle East	9.6
Latin America	5.4
North America	(1.3)
Total Passengers	1.0

THE 2009 FORECAST

The 2009 forecast presently stands at 2.8% for total passengers and at 3.5% for internationals. Necessarily there will be regional variations: both Asia/Pacific and Europe are, at least for the moment, projected to grow by around three percentage points, North America by just over the one per cent mark.

The 2008 and 2009 forecasts, however, are bound to be subject to further downward revisions, the first of which will be when the probably miserable July actuals are incorporated into the forecasting model. The second will reflect the new airline schedules for the Autumn which set out some swingeing cutbacks. Right now there is no kindly light perceptible amid the encircling gloom.

AIR PASSENGER NUMBERS IN JUNE

June actuals are publicly available from 425 airports and they show a year on year increase of no more than 0.8%. Two points are important: firstly, these airports represent 71% of total world traffic for the month and secondly, their throughputs are substantially below even the most recent expectations of 2.8%. It is this shortfall which has pushed the forecast trend into a downward step function. There are still areas of strength which it may be prudent to regard as residual. Airline executives are warning of dire times and while some of what they say is primarily directed at their trade unions, they do have sight of forward bookings and these are telling them to cut capacity sharply.

The May data gave hope that the seasonal summer peak, while not entirely unaffected by external factors, would offer some revenue comfort. June has shown those hopes to be optimistic and the earliest data for July is not especially encouraging.

AIRLINE DATA IN JULY, THE USA

US airlines have never been profitable and their commercial judgment day has been postponed by cheap oil and government hand outs. Whatever the November presidential outcome it is unlikely that the Washington faucet will be immediately stopped and more moderate oil prices will offer limited comfort when demand is weak. Those declaring for July, and they account for 47% of the US total, show passenger numbers down by 1.4% against an expectation for the month of exactly that. That long haul demand is supporting revenue streams is one conventional wisdom because a long haul seat is a more considered purchase and seems less vulnerable to economic well-being uncertainties. But for these airlines revenue passenger miles are down by half a percentage point. From the leading companies:

Delta Airlines, USA

Latest report shows passengers down by -2.6%

Southwest Airlines, USA

Just reported: passenger numbers drop by -3.1%

American Airlines, USA

Latest report shows passengers down by -3.6%

Continental Airlines, USA

Passenger flows rise by 0.4%

Northwest Airlines, USA

Total passengers for the month are up by 2.8%

United Airlines, USA

Passenger numbers for the month are down by -4.8%

US Airways, USA

Latest report shows passengers down by -4.7%

AIRLINE DATA IN JULY, OTHERS

Ryanair contrasts most sharply with British Airways: one down 3% the other up 19%. But Ryanair too will react with larger than normal capacity cuts in the Autumn. Easyjet have announced a similar policy. In Japan the central bank talks of the edge of recession:

Air France/KLM, France

Latest report shows passengers down by -0.3%

Ryanair, Ireland

Passengers up an exceptional 18.9%

easyjet, UK

Exceptional passenger growth reported of 20%

SAS Group, Sweden

Just reported: passenger numbers drop by -0.3%

British Airways, UK

Passenger numbers for the month are down by -3%

Air Berlin, Germany

Passenger numbers for the month leap by 25.6%

SAS, Sweden

Passenger numbers for the month are down by -1.5%

Spanair, Spain

Just reported: passenger numbers drop by -5.1%

AIRPORT DATA IN JULY

The evidence is slight but clear. 60 airports have published their numbers. They represent an unrepresentative 6% of world traffic for the month and they are up by 2.1%. Focusing on the 60: the rate of increase in June was 5.2% and the expectation for July had been 5.3%. It is that three percentage point expectation to actual shortfall which will drive the next downward revision.

Munich, MUC Germany

Just reported: passenger numbers drop by -0.1%

Moscow Domodedovo, DME Russia

Reports a passenger increase of 8.9%

Manchester, MAN UK

Latest report shows passengers down by -5.7%

Arlanda, ARN Sweden

Just released: a passenger increase of 2.6%

Cancun, CUN Mexico

Passengers up by 6.4%

Seoul, Gimpo, GMP South Korea

Total passengers rise by 4.2%

Birmingham UK, BHX UK

Airport reports a passenger increase of 7.5%

Geneva, GVA Switzerland

Announces a passenger increase of 3.1%

Cheju, CJU South Korea

Just reported: passenger numbers drop by -0.9%

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