

Airline Industry - Zero Traffic Growth In August

2008-09-17

Latest Passenger Forecasts - Fourth Quarter 2008

Is The Rate Of Decline Slowing?

The question about the timing of a possible demand upturn is very premature, though it is far from an uncommon one especially from the travel retail community. A question with equal difficulty factor is when the downward slope in demand will start to level off. The latest data gives no help whatever in this latter regard.

A key indicator each month is the comparison of the actuals for that month with the most recent forecast. Actual data for the month of August is slowly massing. Just 212 airports have so far declared. They are predominantly European and account for almost a third of the expected traffic. They reveal a zero percentage pax increase on last year. The comparison indicator is a latest August forecast of 2.4% for those specific airports. Neither is there comfort to be found in the fact that the zero % recorded for August was down on the 0.3% for July, especially when it is recalled that generally the better performing airports declare earliest in the month and as the week count rises, the numbers fade.

The Fourth Quarter Forecast

The latest forecast for the fourth quarter of 2008 makes for unhappy reading. The expectation had been for a total traffic increase of no more than 0.7% but with a slightly better outlook for internationals which might have risen by some 2.8%. The 2009 outlook, and that is before the latest August data is factored in, envisages an international traffic increase of 3.5% in Europe but 1.5% in Asia/Pacific and 2.4% in the USA. The reality is that demand is still weakening as economies around the world stumble. While there is no practical and predictive relationship between quarterly changes in GDP and air passenger numbers, [this note shows why](#), it is true that the continued expectation of economic well-being is an essential pre-requisite for discretionary consumer spending which is what air travel is.

The economic environment continues to worsen. In the USA industrial production in August showed the largest fall in seven years. Unemployment has broken through the 6% mark and consumers' expenditure in the third quarter is likely to fall for the first time in almost two decades. China has cut interest rates indicating that the hyper growth years may be ending. The UK is on the point of slipping into technical recession and the Eurozone will follow. In Japan inflation is over 2% and the economy grew by only half a per cent in the second quarter. Tax cuts are scheduled before the end of the year.

The 2009 Latest Forecast

In the airline sector parallel policies of price cutting and capacity reduction may be helped, at least temporarily, by an easing in oil prices. But none of that stops the bankruptcy speculation and is giving rise to a whole new form of travel insurance: book your \$500 flight on United and bet \$20 at 25 to 1 that the airline will fold. The Fall will see further sharp reductions in traveller numbers and those will serve to drive down the 2009 forecast even further. The July based projections envisage a 2% growth in total passengers for the year as a whole and 3.2% for international travellers. Forecast to forecast the total line has slipped by almost a full percentage point but on the international line the slippage is only a third of a point. A three percentage point growth rate is uncomfortable for dependent sectors like travel retail but it is not catastrophic. Further reductions in international demand are now certain with the lowest band for 2009 coming in at zero growth for the year. At that level overhead recovery is under serious strain.

The 2009 Air Traffic Forecast; September			
% change	International	Domestic	Total
Africa	4.8	5.0	5.0
Asia/Pacific	1.5	0.0	0.6
Europe	3.5	2.3	3.2
Middle East	8.2	9.6	8.4
Latin America	2.6	4.7	3.9
North America	2.4	0.4	0.7
Total	3.2	1.0	2.0

ASIA/PACIFIC AIRPORTS IN AUGUST

There are now very clear signs that the tide has turned

Hong Kong, HKG China

Latest report shows passengers down by -5.3%

Seoul Incheon, ICN South Korea

Passenger numbers for the month are down by -7.5%

Taipei, TPE Taiwan

Passenger numbers for the month are down by -10.7%

Brisbane, BNE Australia

Total passengers rise by 0.6%

Seoul, Gimpo, GMP South Korea

Passenger traffic up by 3.3%

Cheju, CJU South Korea

Just reported: passenger numbers drop by -0.2%

EUROPEAN AIRPORTS REVEAL A MIXED PATTERN

A Gatwick sale at something over \$3 billion is now certain

London Heathrow, LHR UK

Just reported: passenger numbers drop by -0.5%

Paris Roissy, CDG France

Total passengers for the month are up by 1.9%

Frankfurt, FRA Germany

Just reported: passenger numbers drop by -3.9%

Madrid Barajas, MAD Spain

Passenger numbers for the month are down by -2.8%

London Gatwick, LGW UK

Passenger numbers for the month are down by -1.3%

Rome Fiumicino, FCO Italy

Growth in passenger numbers drives up to 12.8%

Palma, PMI Spain

Passenger flows rise by 1.6%

Munich, MUC Germany

Just reported: passenger numbers drop by -1.3%

Barcelona, BCN Spain

Passenger numbers for the month are down by -8.3%

Paris Orly, ORY France

Declares passenger numbers up by 1%

Moscow Domodedovo, DME Russia

Declares passenger numbers up by 9%

London Stansted, STN UK

Latest report shows passengers down by -4.7%

Manchester, MAN UK

Latest report shows passengers down by -4.8%

Zurich, ZRH Switzerland

Most recent for the month: throughput rises by 7.7%

RESULTS FROM OTHER REGIONS

North American airports are always slower to report:

Minneapolis, MSP USA

Latest report shows passengers down by -3.8%

Cairo, CAI Egypt

Total passengers for the month are up by 3.1%

Cincinnati, CVG USA

Passenger numbers for the month are down by -13.9%

Cancun, CUN Mexico

Growth in passenger numbers drives up to 19.7%

Bahrain, BAH Bahrain

Considerable passenger growth announced for the month: 17.6%

John Wayne, SNA USA

Just reported: passenger numbers drop by -11.9%

Lima, LIM Peru

Total passengers for the month are up by 6.8%

Kuwait, KWI Kuwait

Has just posted a passenger increase of 1.9%

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