



IATA ECONOMIC BRIEFING

JUNE 2007

WORLD AIR TRANSPORT STATISTICS 51ST EDITION

KEY POINTS

- The 51st edition of WATS provides comprehensive information on the global airline industry at an aggregate, route specific and individual airline level. It provides invaluable information on traffic levels and rankings, plus detailed commentary on fuel use, cost efficiencies and financial performance.
- Key highlights from WATS include:
 - **Strong, but slower, traffic growth in 2006.** Total passengers carried increased by 4.1% in 2006 to reach 2.1 billion. Growth has passed the peak of the cycle seen in 2004 and 2005, but continues to provide a strong boost to airline revenues. International air travel, in line with increased globalisation, represents the fastest growing segment, rising by 6.7% in 2006. Total freight tonnes carried increased by 3.3%, slightly higher than the 2.7% growth in 2005, but still relatively low due to strong competition from other modes.
 - **Improved financial performance.** Despite a \$21 billion dollar rise in fuel costs in 2006, higher revenues, improved efficiency and careful capacity management saw operating profitability increase from \$4.3 billion in 2005 to an estimated \$13.0 billion in 2006. However, ongoing restructuring costs in the US and large interest payments meant that the industry incurred an estimated net loss of \$0.5 billion, down from a net loss of \$4.1 billion in 2005. Improved profitability is reflected in higher investor confidence and interest in the airline industry, with airline share prices rising and several mergers or acquisitions proposed.
 - **Further productivity and efficiency improvements.** Airlines have responded to financial pressures over the last five years by achieving substantial productivity gains in their use of labour, fuel and aircraft and significant reductions in their non-fuel unit costs, especially on the distribution side. With demand growth passed its peak, further supply-side improvements remain essential but will be increasingly harder to achieve. In particular, global labour markets remain tight, requiring airlines to enhance their training and recruitment procedures or face the risk in some regions of future labour skills shortages and higher costs.
 - **Significant fuel efficiency improvements.** Between 1997 and 2006, fuel efficiency has improved by 20.2%, thereby lowering the level of CO₂ emissions for each tonne kilometre by a similar amount. A large proportion of new aircraft deliveries are replacing older less fuel-efficient planes, with further step-change improvements soon to be available from the introduction of the B787 and A380. Based on current trends, fuel efficiency could improve by a further 25% between 2005 and 2020.
 - **Strong competition but room for several different business models.** The global airline industry continues to see significant new entry, with 984 airlines operating commercial passenger or freight services using jet aircraft. Nevertheless, while there is a degree of commoditisation, especially where competition from no-frills operators is high, customers also welcome a degree of differentiation based on service quality. For example, premium traffic demand grew by over 10% on some major long-haul routes in 2006.
 - **A positive outlook, but with several risks.** Financial performance has improved but the airline industry remains vulnerable to further shocks, while average returns on capital are still well below levels expected by investors. There remains a need for airlines and their industry partners to take inefficient costs out of their businesses. Further progress towards full liberalisation, of both operations and ownership, is also required to allow airlines to operate with the commercial freedom expected in other globalised industries.
- IATA members accounted for 96% of international scheduled RPKs and around 95% of all global FTKs. IATA members account for 40 of the top 50 global airlines by total scheduled passengers carried and 44 of the top 50 global airlines by total scheduled passenger kilometres flown.

KEY TRAFFIC STATISTICS FROM WATS 2007

Table 1: World Airline Traffic Levels, 2006

	All ICAO Airlines*		IATA Members	
	Total	% Growth	Total	% Growth
Domestic				
Scheduled Passengers (m)	1,353	+ 2.7%	923	+ 0.9%
Scheduled Passenger Kms (bn)	1,579	+ 3.7%	1,122	+ 1.4%
Scheduled Freight Tonne Kms (bn)	25.4	+ 5.4%	23.4	+ 2.3%
Total Tonne Kms Performed (bn)	168.6	+ 3.8%	125.3	+ 1.3%
International				
Scheduled Passengers (m)	752	+ 6.7%	655	+ 6.2%
Scheduled Passenger Kms (bn)	2,335	+ 6.2%	2,230	+ 6.1%
Scheduled Freight Tonne Kms (bn)	122.1	+ 3.0%	137.4	+ 4.6%
Total Tonne Kms Performed (bn)	341.9	+ 5.1%	349.3	+ 5.6%
Total				
Scheduled Passengers (m)	2,105	+ 4.1%	1,577	+ 3.0%
Scheduled Passenger Kms (bn)	3,914	+ 5.2%	3,352	+ 4.4%
Scheduled Freight Tonne Kms (bn)	147.5	+ 3.4%	160.8	+ 4.3%
Total Tonne Kms Performed (bn)	510.5	+4.7%	474.6	+ 4.5%

* ICAO figures are taken from preliminary estimates in their press notice of 21 December 2006. The ICAO totals exclude airlines from Chinese Taipei. These airlines are IATA members and are included in the IATA total.

Table 2: Top Ten Airlines by Traffic, 2006

By Scheduled Passengers Carried		By Scheduled Passenger Kms		By Scheduled Freight Tonne Kms	
Airline	Thousands	Airline	Millions	Airline	Millions
American Airlines	99,835	American Airlines	224,330	Federal Express	15,145
Southwest Airlines*	96,277	United Airlines	188,684	United Parcel Service	9,341
Delta Airlines	73,584	Delta Airlines	158,952	Korean Airlines	8,764
United Airlines	69,265	Air France (excl. KLM)	123,458	Lufthansa	8,091
Northwest Airlines	55,925	Continental Airlines	122,712	Singapore Airlines	7,991
Lufthansa	51,213	Northwest Airlines	116,845	Cathay Pacific	6,914
Air France (excl. KLM)	49,411	British Airways	114,896	China Airlines	6,099
All Nippon	49,226	Lufthansa	114,672	Air France (excl. KLM)	5,868
Japan Airlines Intl	48,911	Southwest Airlines*	108,935	Cargolux	5,237
China Southern	48,512	Japan Airlines Intl	89,314	EVA Air	5,160

* Non IATA members

IATA Economics
1st June 2007

E-Mail: economics@iata.org