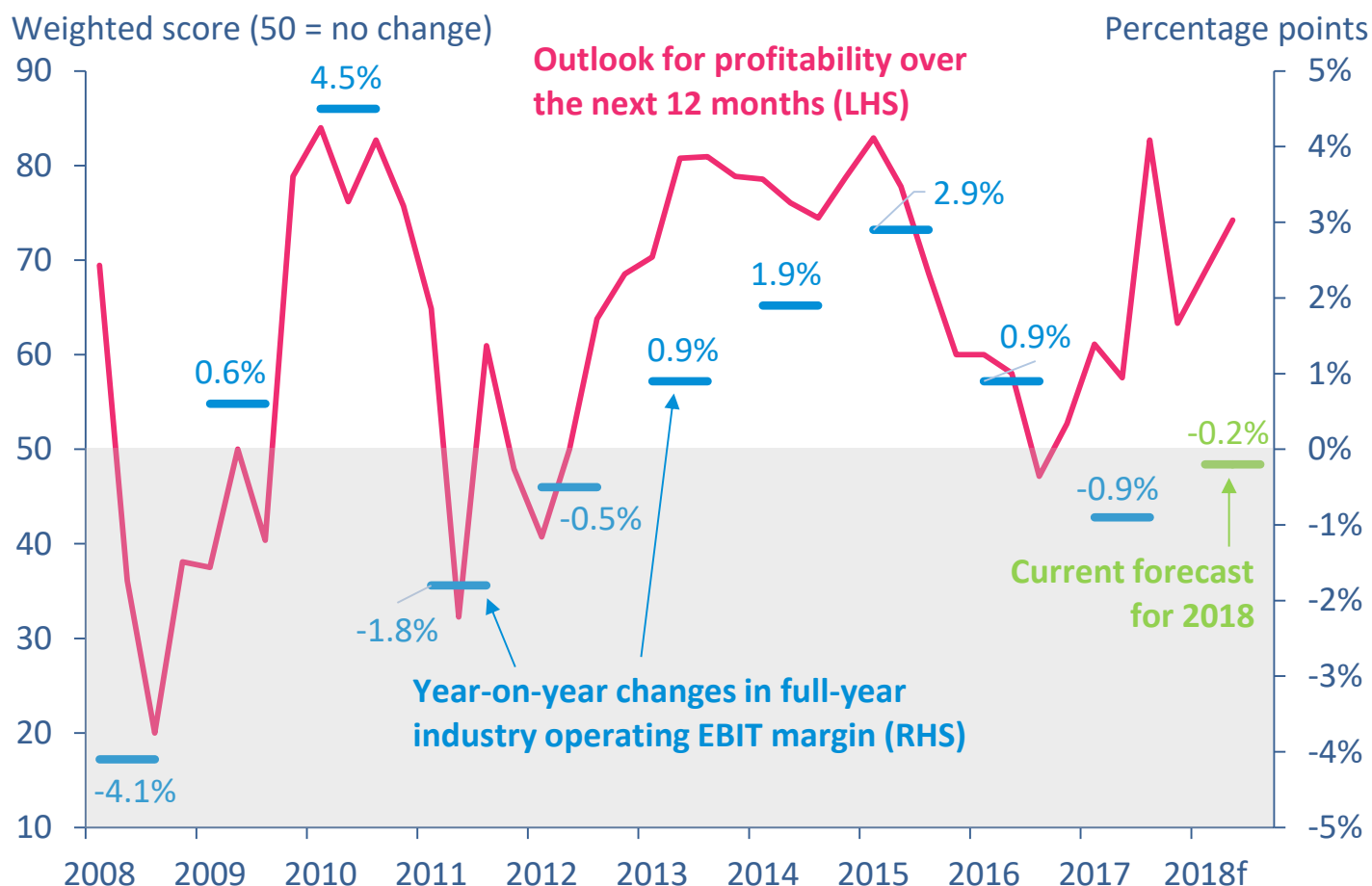




## IATA ECONOMICS' CHART OF THE WEEK

11 MAY 2018

### AIRLINES ARE FEELING CONFIDENT ABOUT INDUSTRY PROFITABILITY



Sources: IATA, ICAO

- We recently released the latest [edition](#) of our quarterly *Airline Business Confidence Survey* of airline CFOs and Heads of Cargo. One of the key survey components that we keep a close eye on each quarter is the question that asks our respondents how they expect their airline's profitability to change over the year ahead. The responses to this question have proven to provide a leading indicator of turning points in industry profitability in the past; the forward-looking weighted score has been closely related with year-on-year changes in the industry EBIT margin over time.
- The forward-looking weighted score for profitability in our survey fell below the 50-mark in mid-2016, but has trended up strongly over the past 18 months or so. This reflects confidence on the part of our respondents that the current robust economic backdrop will continue to allow airlines to offset the impact of rising input costs through higher yields and/or load factors. All told, at current levels, the responses to our survey are consistent with an improvement in the full-year industry EBIT margin in 2018 from last year.
- It is worth noting that this relatively upbeat picture contrasts with the recent declines in airline share prices, which have seen the sector underperform the wider equity market by around 6% since the start of the year.

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