

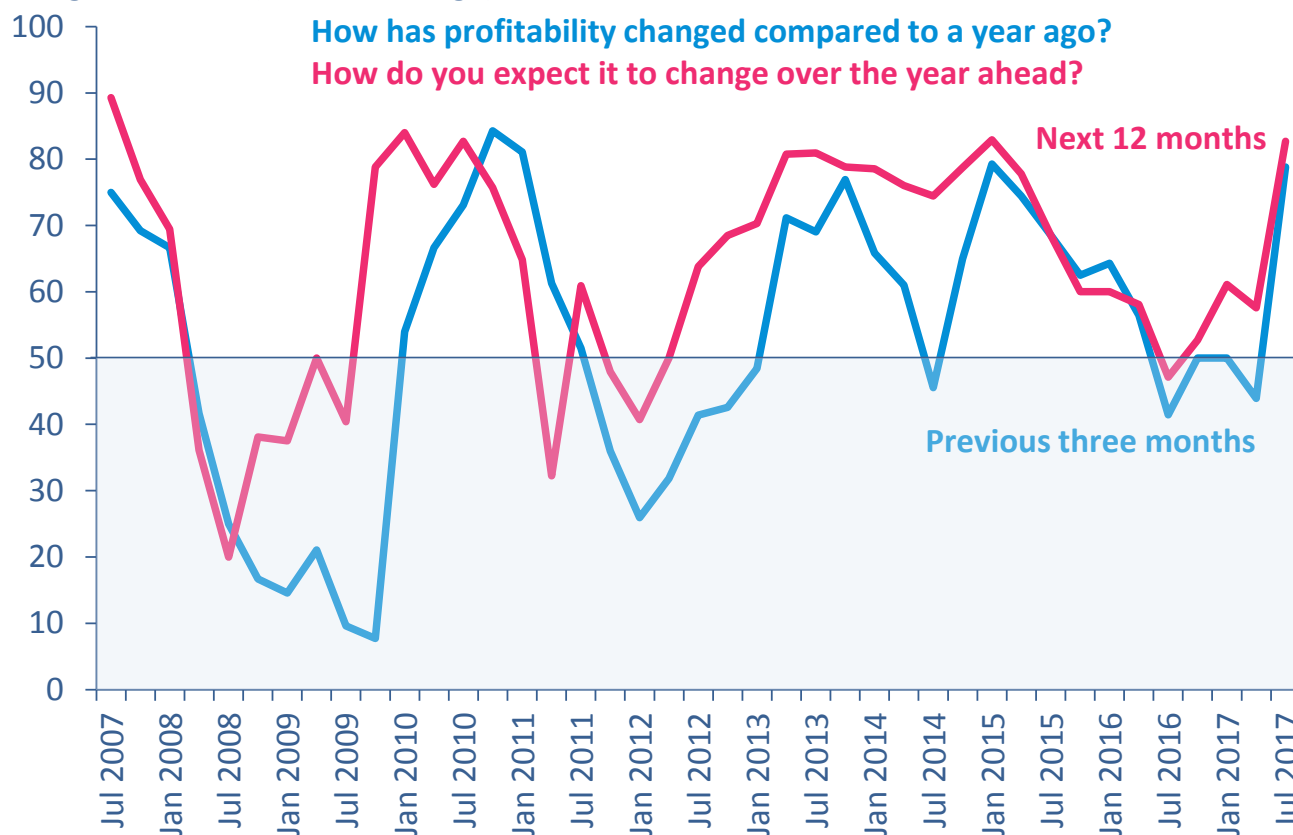


## IATA ECONOMICS' CHART OF THE WEEK

28 JULY 2017

### AIRLINES ARE INCREASINGLY UPBEAT ABOUT THE PROFITABILITY OUTLOOK

Weighted Score (50 = No Change)



Source: IATA Airline Business Confidence survey

- The results of IATA's latest quarterly survey of airline CFOs and Heads of cargo were much brighter for industry profitability than they have been in recent surveys. Indeed, when surveyed in early-July, more than three-quarters of respondents reported an increase in profitability in Q2 2017 compared to the same period a year ago – more than double the proportion who did so in the previous survey. This resulted in the biggest quarterly increase in the backward-looking weighted-average score in more than seven years (the blue line on this week's chart).
- With oil prices currently around the same level as they were a year ago, and the downward trends in both passenger and freight yields looking to have bottomed out, the reported pick-up in profitability appears to reflect an easing in the squeeze on profit margins. (Incidentally, this is consistent with what respondents indicated last time - [link](#).) All told, and ahead of the release of detailed Q2 financial data from airlines, our survey results suggest that Q1 2017 may have marked the bottom of the industry profitability cycle.
- Importantly, industry heads were also markedly more confident about the outlook for profitability over the next 12 months (the pink line on the chart) than they have been in recent surveys. Responses suggest that this reflects expectations that the demand backdrop will remain robust, and margins will remain robust. Given that global airline share prices have outperformed global equities over the past three months or so, this outlook appears to be one shared by airline investors. Read the full results from our July 2017 quarterly *Airline Business Confidence Index* [here](#).

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