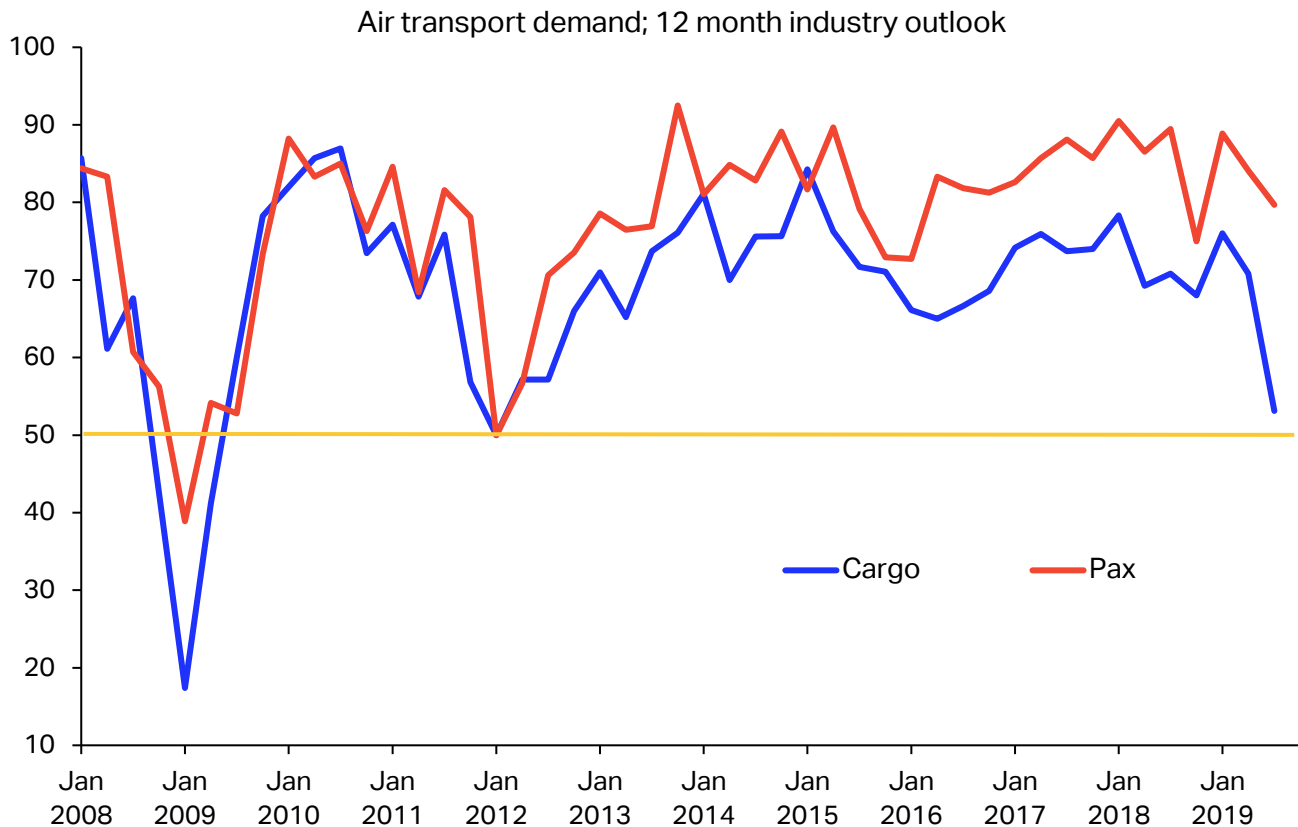




# IATA Economics' Chart of the Week

2 August 2019

## Diverging Expectations for Cargo and Passenger Businesses



Source: IATA Economics

- The latest [results](#) of our quarterly Business Confidence Index, which surveys airline CFOs and Heads of cargo point to a clear divergence in the likely fortunes for the air passenger and air cargo markets. The current gap between the respective segment outlooks is the largest ever seen in our survey.
- The mixed fortunes are broadly consistent with the IMF's recent global economic assessment, noted last week. In line with IMF's gloomy forecasts for world trade growth (revised down from 3.5% to 2.5%), this quarter's survey indicates a sharp deterioration in expectations for cargo demand over the next 12 months, with respondents pointing to ongoing trade tensions as a key driver. In contrast, growth in passenger demand is expected to remain relatively robust, with 2% of respondents expecting further gains over the coming year and just 6% expecting demand conditions to deteriorate. Although the overall passenger demand outlook eased a little from last quarter, it remains at an elevated level.
- A similar diverging pattern is evident for the year-ahead expectation for passenger and cargo yields. In line with the solid demand forecast, passenger yields are expected to increase over the coming 12 months. However cargo yields are forecast to fall over the same period, as the weighted forward-looking score moved below the 50-level for the first time since the October 2017 survey.
- As a result of the softness on the cargo side, together with rising input costs, industry-wide profitability remains under pressure. Almost one third of respondents expect profits to be lower in the year ahead. Overall, the expected improvement in passenger demand and yields is not proving to be sufficient to raise expectations for the profit outlook.

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