



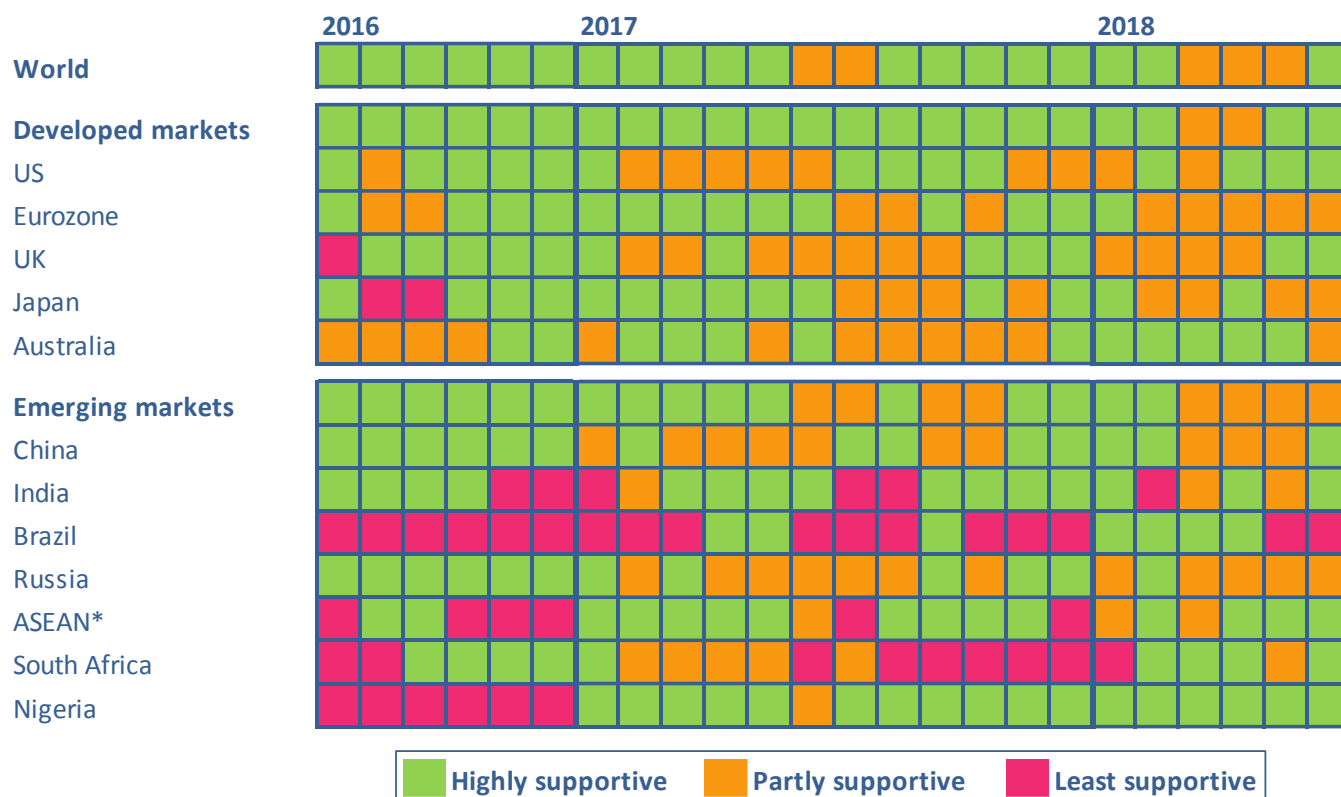
# IATA ECONOMICS' CHART OF THE WEEK

6 JULY 2018

## ECONOMIC CONDITIONS PICKING UP AHEAD OF THE KEY SUMMER SEASON

### Business confidence

Legend: >50 and rising = green; >50 but stable or falling = orange; <50 = pink



Sources: IATA, Markit, Thomson Reuters Datastream

\* Manufacturing PMI (all others are composite)

- Last week's [note](#) used a heatmap to illustrate the latest developments in the key drivers of air freight demand. Following yesterday's release of global composite Purchasing Managers' Index (PMI) data from June, this week's chart uses a similar approach to show the latest country-level and regional trends in business confidence – an indicator that has proven to be closely related to air passenger demand growth in the past.
- The latest signs are largely encouraging, with the global composite PMI series continuing to recover from the sharp fall seen in March. There are still pockets of softness, particularly in the Eurozone where trade worries mean that confidence remains well below the multi-year high reached at the start of the year. However, there were welcome signs of improvement in China and India after a few mixed months. All told, the global PMI is now back at a level consistent with annual growth in industry-wide revenue passenger kilometres (RPKs) in the region of 7-8% over the coming months.
- We estimate that around 75-80% of tickets are bought in the two months prior to the month of travel, so it is particularly encouraging to see signs of a pick-up in economic conditions arriving just in time for the peak period of demand during the northern-hemisphere summer. As a result, despite ongoing headwinds from higher fuel prices, we continue to expect industry-wide RPKs to post another year of above-trend growth in 2018 as a whole.
- One exception worthy of note is Brazil, where recent strikes have taken a toll on business confidence. As we mentioned in our latest passenger analysis [note](#), the impact of the strike is visible in the domestic Brazil passenger load factor in May, which fell in annual terms for the first time in 10 months. While domestic RPKs are continuing to trend upwards modestly in seasonally adjusted terms, we will continue to monitor passenger developments closely in the coming months.

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