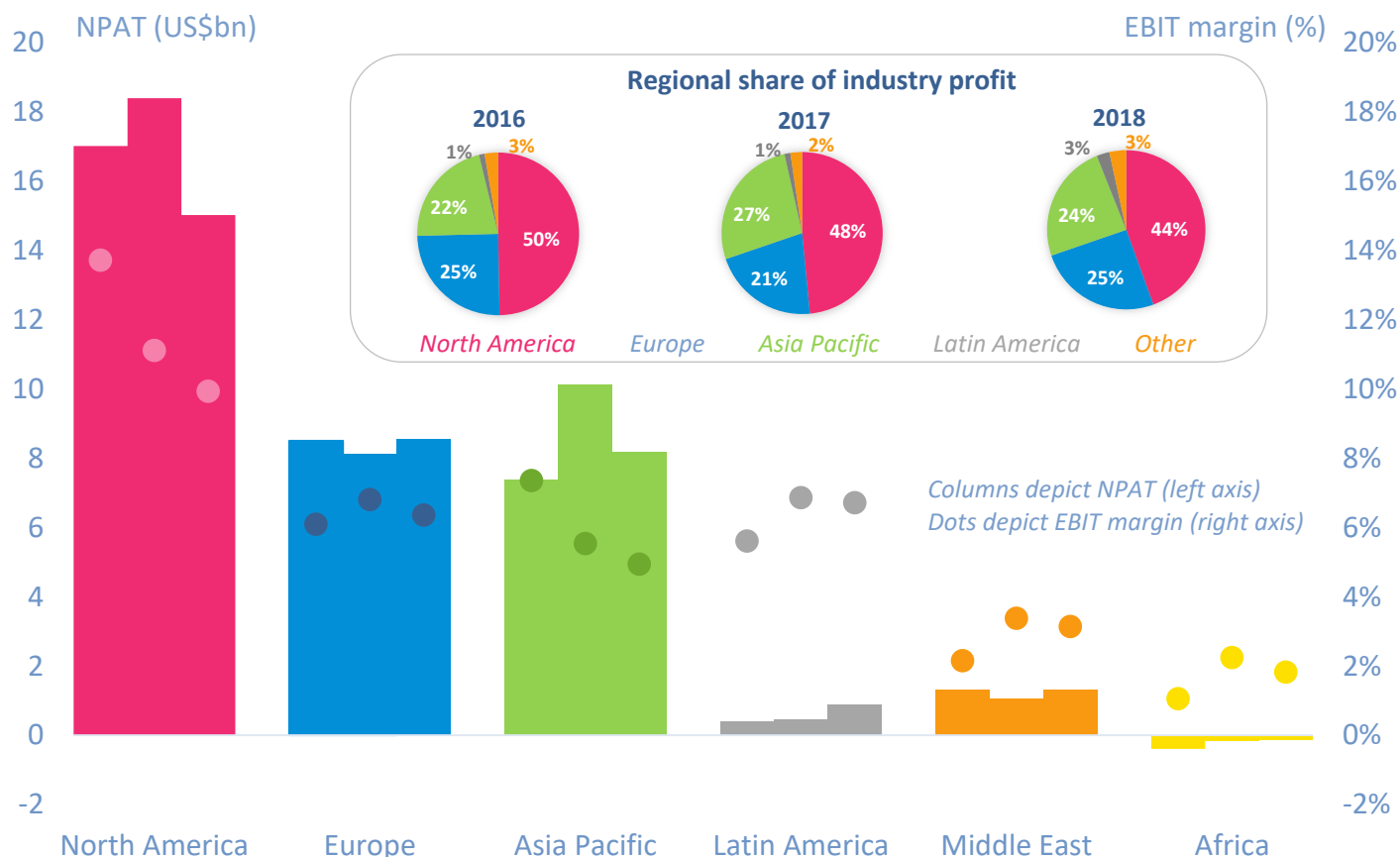




# IATA ECONOMICS' CHART OF THE WEEK

22 JUNE 2018

## FINANCIAL FORECAST UPDATE – REGIONAL DISPARITIES REMAIN



Source: IATA

- As we noted in a recent [Chart of the Week](#), our latest forecast points to the industry-wide financial performance remaining sound in 2018. Notwithstanding the main challenge of rising costs, the industry is expected to deliver a return on capital which exceeds the cost of that capital for the 4<sup>th</sup> consecutive year, underpinned by a net profit (NPAT) result of \$33.8bn and an EBIT margin of 6.8%. However, at the regional level, the outlook for industry finances is more mixed.
- North American airlines are expected to continue to outperform, although not to the same extent as in recent years. With a forecast NPAT of \$15bn in 2018, NthAm airlines account for 44% of total industry profit, down from 60% in 2015. Europe and Asia-Pacific are expected to both deliver robust profits of above \$8bn this year, each contributing ~25% of the industry total. Just as Asia Pacific benefitted disproportionately from the 2017 boost to air freight from the global inventory restocking cycle, as this effect wanes, profits for the region's carriers are also likely to ease a little in 2018 vs 2017.
- In Latin America, the recovery of the Brazilian economy after a significant and protracted recession has contributed to the region's improved performance, with an NPAT forecast of almost \$1bn in 2018; this would be the strongest result since 2010. Airlines in the Middle East are also expected to perform better in 2018, following the resolution of a number of one-off issues which affected the 2017 result, including the ban on portable electronic devices and travel restrictions. While clear geopolitical risks for the region remain, profits are expected to return to their 2016 levels, at above \$1bn. The operating environment remains very challenging in Africa as airlines struggle to consistently achieve adequate load factors. Another small loss is forecast for the region in 2018; performance is improving, but only slowly.

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