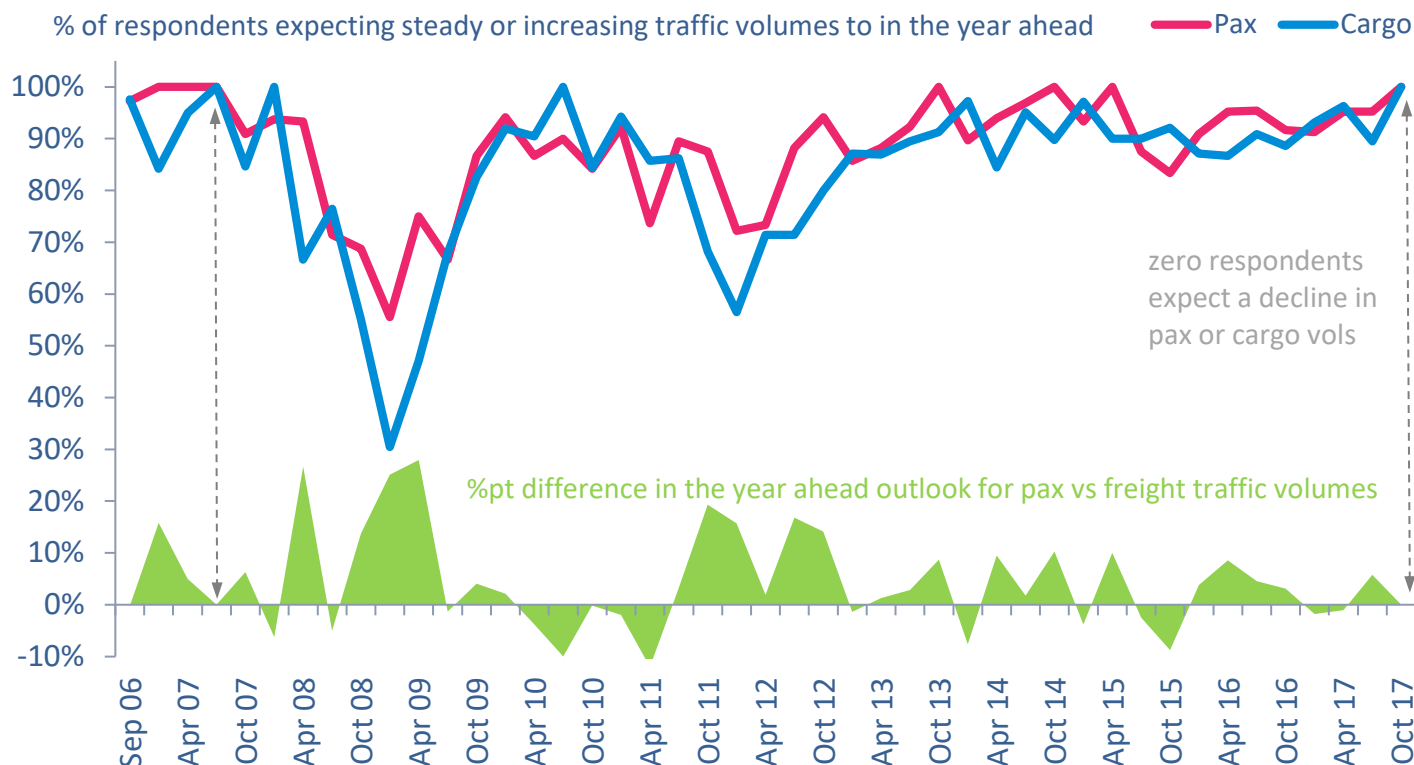




IATA ECONOMICS' CHART OF THE WEEK

27 OCTOBER 2017

WHAT ARE THE RISKS TO THE UPBEAT OUTLOOK FOR TRAFFIC VOLUMES?



Source: IATA Business Confidence Survey

- Amongst the detail of our Q3 [Business Confidence survey](#) results one interesting finding emerged: *none* of our survey respondents (airline CEOs and Heads of Cargo) expect their passenger or freight volumes to decline in the year ahead.
- While there have been previous occasions where one or the other segment has recorded such a 'zero' outcome, this is only the second time in the history of the survey (which dates back to September 2006) where this has occurred – the first being ten years ago, in the June survey of 2007.
- This industry confidence is consistent with the general degree of optimism about the breadth and depth of the current economic upturn. Broader measures of confidence amongst businesses and consumers are back to where they were in 2014 and are consistent with the global economy growing solidly. Interest rates and wage pressures generally remain subdued. And although fuel prices have risen, expectations are for only modest further gains. The strong, above-trend growth of both passenger and freight volumes so far this year reflects this relatively benign economic backdrop.
- However, there are risks to this outlook – not least of complacency. Central banks in advanced economies are starting to slowly raise interest rates and reverse the highly-supportive monetary policies of the past eight years. Valuations of many asset prices are currently relatively high and the level of both private and public indebtedness has risen considerably since the global financial crisis. The widespread rise of populist pressures on policy, including creeping soft protectionism, along with geopolitical tensions in various regions around the globe also represent a source of risk to the favorable outlook.
- Of course, these risks may not materialise and should not be overplayed. Nonetheless, now may be the time for airlines to take advantage of the current operating environment to further strengthen both business models and balance sheets to ensure that the industry is robust and resilient to a potentially less benign future scenario.

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