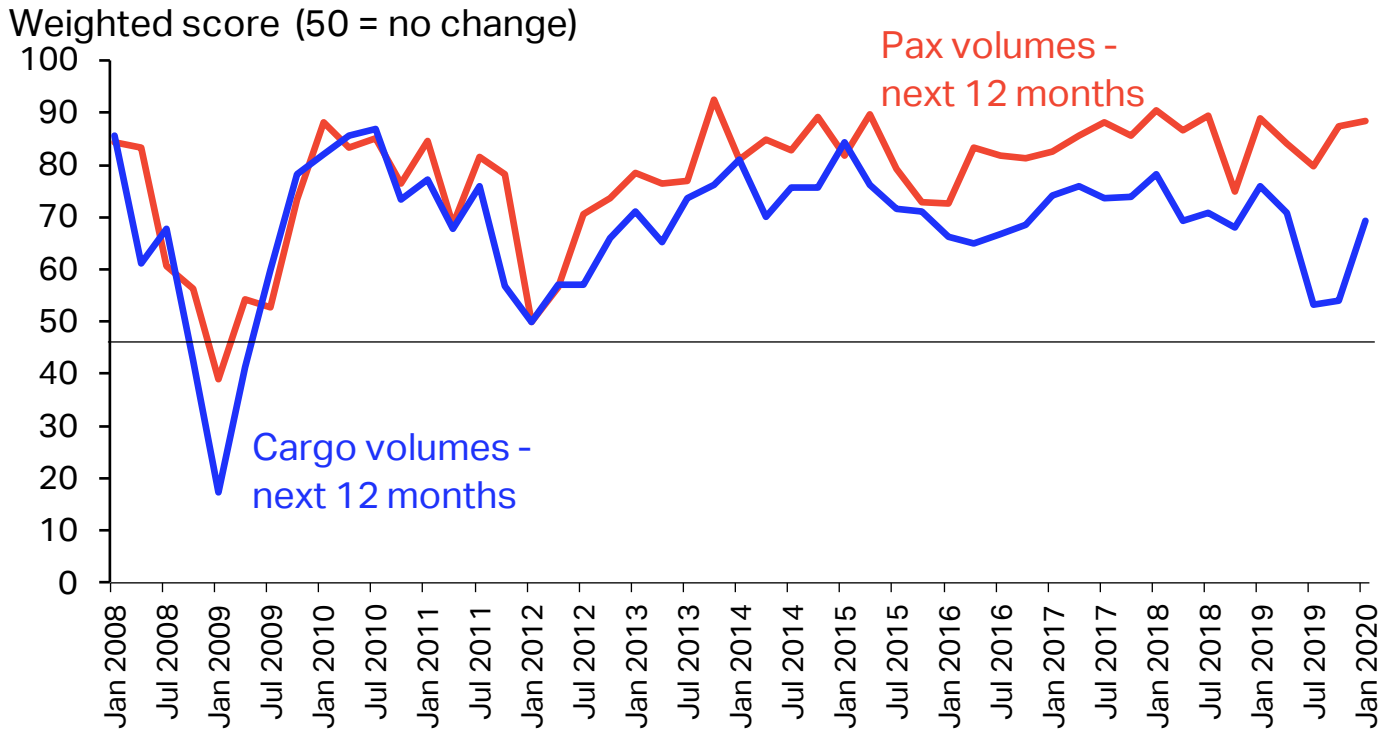




IATA Economics' Chart of the Week

31 January 2020

Airline expectations for 2020 improve ahead of virus outbreak



Source: IATA Economics

*Quarterly data

- Each quarter we survey airline CFOs and Heads of Cargo for their views around the industry outlook. The results are presented in our [Business Confidence](#) update. On this occasion, the results show a clear improvement in expectations for the year ahead, across a range of variables including both demand and profitability.
- Of particular note this quarter is the sharp improvement in industry expectations for the performance of the air cargo market over the next 12 months, depicted on today's chart. In mid-2019, the weakness in world trade, combined with growing trade tensions led to a sharp decline in expectations for the year-ahead outlook for the cargo market. Indeed, the spread between the outlook for passenger and cargo demand widened to historically high levels (27pts in Q2 and 36pts in Q3). A significant part of that gap was unwound this quarter, thanks to the surge in the freight outlook. This improvement is supported by the recent thawing in trade tensions between the US and China, including the signing of the so-called Phase 1 agreement. As a result of the expected improvement in demand and yields, respondents also anticipate that industry profitability will improve in 2020.
- These latest industry expectations data are consistent with the views from [our most recent forecasts](#) which point to a stabilization in air passenger demand in 2020 (with RPKs increasing by 4.1%, in line with the 2019 performance) and a modest recovery in air freight volumes (with FTKs expected to increase by 2.0% in 2020 after a 3.3% decline in 2019).
- Of course, the outlook remains uncertain, and it is important to note that the January survey was conducted prior to the Coronavirus outbreak in China. The virus will impact air passenger and freight volumes – indeed, it already is – although it remains unclear exactly how significant this impact will be. Nonetheless, the latest survey outcomes, particularly the sizeable improvement in the outlook for the freight segment, represents an optimistic start to the year, ahead of the unforeseeable health event.

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