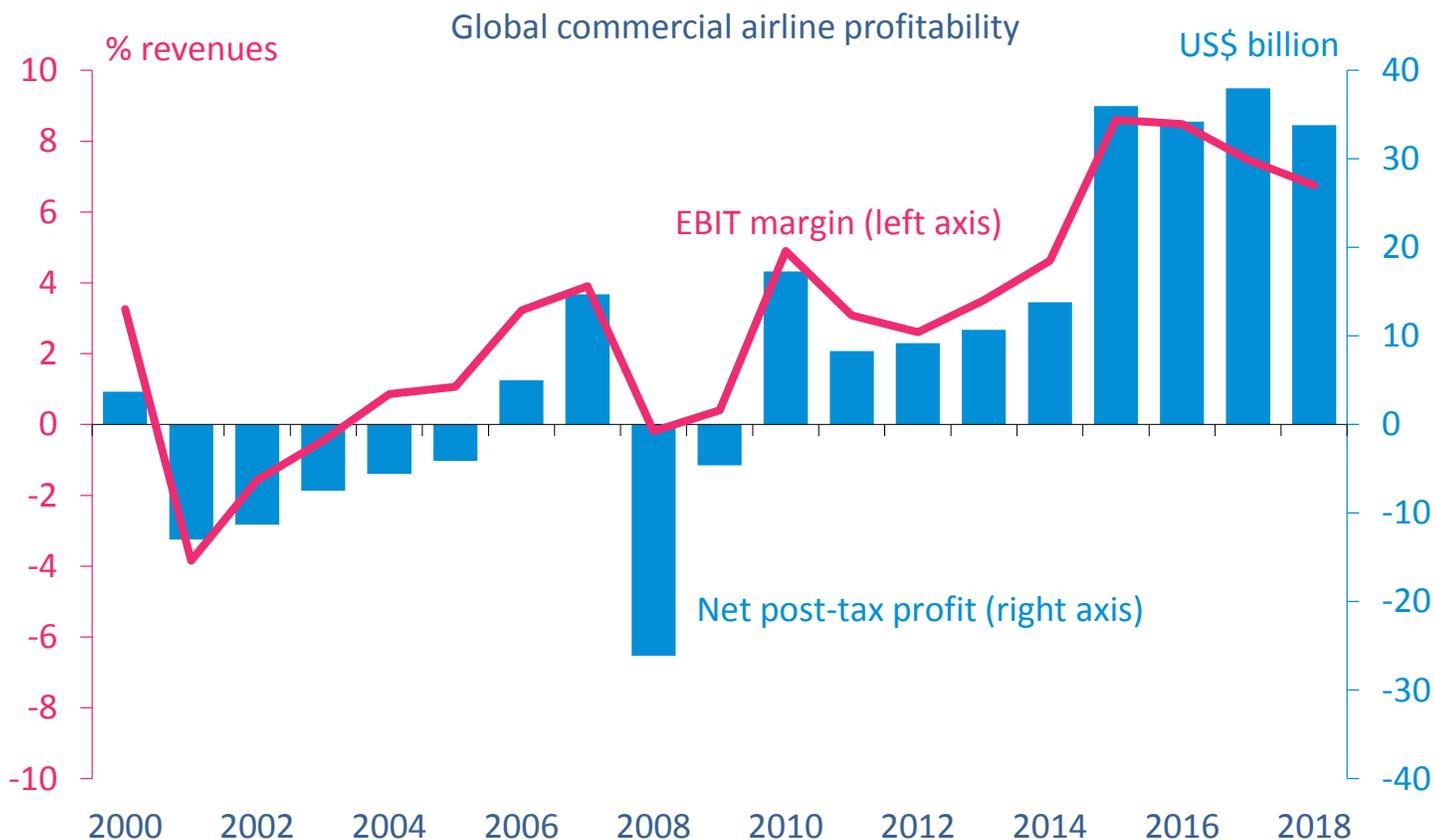




## IATA ECONOMICS' CHART OF THE WEEK

8 JUNE 2018

### INDUSTRY FINANCIAL FORECAST – ANOTHER HEALTHY YEAR IN PROSPECT



Source: IATA *Economic Performance of the Airline Industry*, June 2018

- At this week's IATA AGM in Sydney, Australia we released our latest industry financial estimates, incorporating the final outcome for 2017 and revised forecasts for 2018. The full report and supporting information can be found [here](#).
- Industry-wide net profit after tax in 2017 was a little stronger than we anticipated in our December 2017 forecast review, at US\$38.0 billion, up from US\$34.2bn in 2016. However, this outcome in part owed to some tax credit and other one-off financial adjustments, even as trading conditions became more challenging for airlines. Indeed, the level of operating profit and the operating margin both eased in 2017 vs 2016 as the growth in unit costs outpaced that of unit revenues. Unsurprisingly given its share of airline operating costs, the rise in global oil prices was a key – but, importantly, not the only – contributor to the increase in unit costs. The EBIT margin in 2017 was 7.5% in 2017, down from 8.5% in 2016.
- Looking to 2018, rising costs are expected to again be a challenge for airlines. Industry-wide net post-tax profit is expected to ease moderately this year, moving in line with developments in operating profit and the operating margin. Net profit for 2018 is forecast to be US\$33.8bn and the EBIT margin 6.8%. Although the latest forecasts represent a downward revision since the December update, it is clear from today's chart that the industry's financial position is likely to remain robust for a 4<sup>th</sup> consecutive year.
- One of the interesting stories from the detail of our latest forecasts relates to the outlook for the industry's financial performance at a regional level and this is a theme we will develop further next week.

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