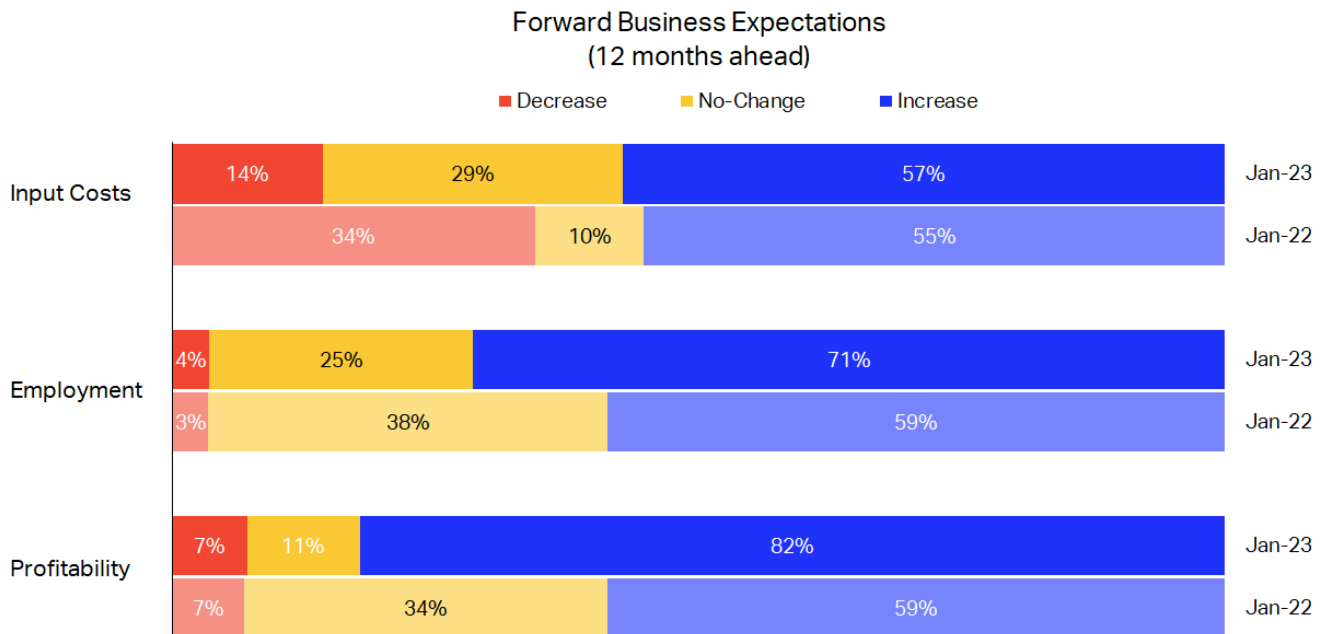




IATA Economics' Chart of the Week

24 February 2023

Industry confidence remains upbeat for the year ahead



Source: IATA Business Confidence Survey

- IATA's latest Business Confidence Survey shows a broadly positive outlook for the air transport industry in this post-COVID recovery period. The outlook is more favorable for the passenger than cargo segment, with passenger demand expected to continue to recover strongly over the year ahead. In contrast, the outlook for cargo volumes has softened over the past year, with a much more moderate expectation for growth over the next twelve months.
- Respondents attribute much of their optimism to the reopening of borders across the world, especially amongst the major economies in the Asia Pacific. China's reopening, in particular, is expected to boost both inbound and outbound travel for the world's second largest air transport market. At the same time, it allows for the re-establishment of domestic businesses and production as well as increasing the local demand for goods from China's trading partners.
- That said, the latest survey results make clear that the outlook for 2023 is not without its challenges. Macroeconomic headwinds – particularly inflation and fuel prices – remain key concerns for the industry. Compared with expectations from a year ago, only 14% of respondents expect input costs to moderate over the year ahead vs 34% in January 2022. Despite concerns regarding ongoing wage pressures in some markets, 71% of respondents expect to increase employment this year, up solidly from 59% a year ago.
- Turning to yields, the outlook has softened for the passenger segment, with almost 1/3 of respondents expecting yields to decline this year and a similar proportion expecting no change. There is a clear expectation that cargo yields are likely to decline over the course of the year.
- Despite the challenges, respondents are, overall, much more positive about their financial prospects than a year ago; 82% expect an improved profit performance over the next twelve months currently, compared with 59% at the same time last year. This is consistent with our latest financial forecast which anticipates that the industry will return to a modest net profit position in 2023.

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IATA Economics
economics@iata.org