

Global airlines set to reach record revenue in 2023

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Geneva : Global airlines are poised to generate record revenue this year and will extend the gains in 2024 as the industry decisively shakes off the the COVID-19 pandemic, even as higher interest rates hold back profit growth.

Industry profit is forecast to reach \$23.3 billion this year, the International Air Transport Association said Wednesday (Dec 6), more than double what the trade body expected in June and a near quintupling of its outlook at the start of the year. The better-than-expected performance was partly down to China's reopening, said IATA's director of policy and economics, Andrew Matters, at an event in Geneva.

"China was a big part of that," he said. "Things came out better than we anticipated in terms of the strength of demand, and the downside risks we'd anticipated just didn't materialize."

From here, the bounceback from the pandemic is expected to moderate, IATA said. Revenue is seen advancing 7.6% to \$964 billion in 2024 from this year's record \$896 billion, while profit will edge up to \$25.7 billion. The group said higher interest rates

are driving up the cost of capital and hurting profit margins.

The recovery will not be the same across the globe. Airlines in Europe, North America and the Middle East all set to post profit margins of 3.5 per cent or greater next year, while margins in Asia-Pacific turn slightly positive. Latin America and Africa are expected to remain in the red. Asia-Pacific is the only region where both demand and capacity are seen remaining below pre-pandemic levels.

Gone too are the windfall gains from higher air-cargo rates. Cargo revenue is expected to fall to \$111 billion in 2024, down sharply from the peak of \$210 billion in 2021, but still above 2019's level of \$101 billion.

"We remain cautiously optimistic about 2024," Willie Walsh, IATA's director general, said in an interview. "The recovery we've seen in 2023 has been very encouraging and should give the industry reason for optimism next year."

Elusive Profits

Passenger numbers are seen at 99 per cent of pre-Covid levels this year, IATA said. The trade body predicts some 4.7 billion people will travel in 2024, a historic high that exceeds the 4.5 billion recorded in 2019.

While airlines are finally recovering from the pandemic's blow to business, the virus and associated travel closures have cost the industry four years of growth, Walsh said.

Profits also remain elusive, with airlines set to earn just a 2.7 per cent profit margin next year. Margins are "wafer thin" and fares will have to go up with the industry's costly transition to net-zero carbon emissions, Walsh told media.

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