

IATA's 2024 outlook: rising profits, thin margins for airlines

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Dhaka: The aviation industry is expected to leave the Covid-19 aftermath behind and strengthen its profitability in 2024 with a projection to register a net profit of USD 25.7 billion as more normal growth is expected in both passenger and cargo segments. However, net profit margins will remain thin at 2.7 per cent and will barely increase from the 2.6 per cent expected in 2023, said International Air Transport Association in its outlook for 2024.

Meaning, airlines will make USD 5.45 of profit on average for every passenger they fly, an amount that Willie Walsh, Director General of IATA said is “just enough to get you a latte at Starbucks”, during his address at IATA’s Global Media Day held in Geneva on December 6.

He also highlighted that net profit margins are below the cost of capital.

Financial recovery in the industry is driven mostly by revenues rising faster than expenses (+7.6pc vs +6.9pc). The airline industry is expected to register its highest ever combined revenue, reaching USD 964 billion, USD 717 billion of which will come from passenger revenue.

Airlines are also expected to carry a record 4.7 billion passengers in 2024, up from the 4.5 billion registered in 2019 pre-pandemic.

Operational profits are expected to rise by a solid 21.1 per cent, but the bottom-line results will be weighed down by increased financial costs due to hiking interest rates, bringing the overall net profit increase down to 10 per cent.

Walsh commented on other current matters affecting the airline industry. He lashed out at service providers such as air traffic control organisations and airports, singling out the United Kingdom's NATS in particular and complained that airlines were often made to pay for the mismanagement of others.

He said better regulatory mechanisms were needed to prevent costs arising from these mistakes being passed onto airlines and passengers.

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