

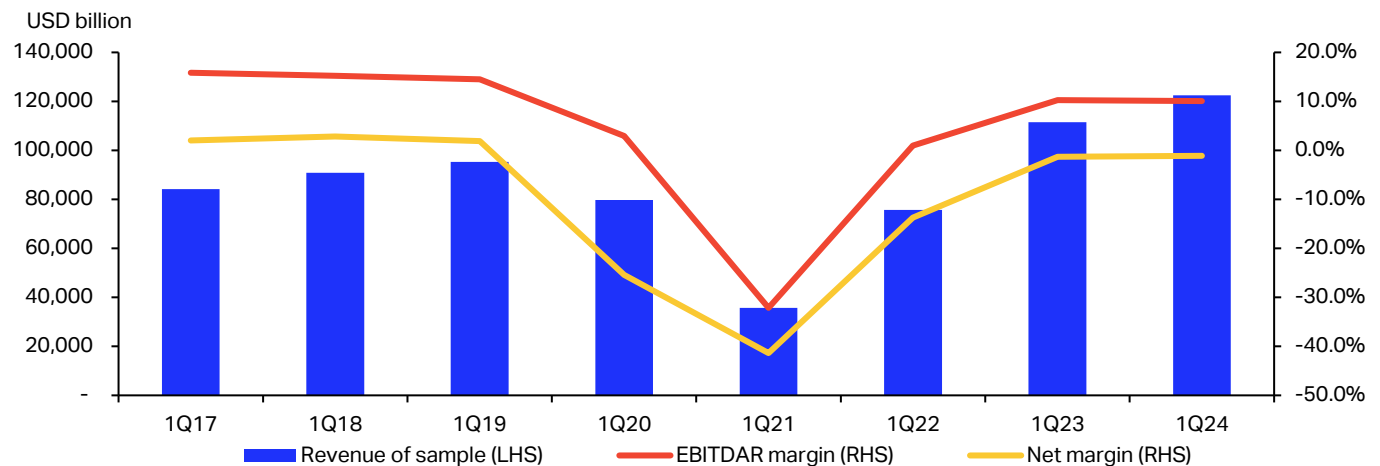


Chart of the Week

21 June 2024

A good start to airlines' profits in 2024

Profitability of the global aviation sector*



Source: IATA Sustainability and Economics, Airline Analyst

Note *: representative sample of 60 airlines that reported results for the first quarter of 2024; results are disclosed on an as-reported basis, before excluding any one-offs.

- Airlines' profitability stabilized in the first quarter (Q1) of 2024, compared to 2023. Despite the persistent challenges of inflation, operational constraints such as employee strikes, aircraft delivery delays, and the grounding of certain aircraft types, airlines reported a stable net profit margin in Q1 at -1.1 % versus -1.3% in Q1 2023.
- We analyzed a sample of 60 airlines, representing around 70% of global revenues. The sample's revenue shows an increase of 9.8% year-on-year (YoY) in Q1 2024, a sharp deceleration from the 47% growth observed in Q1 2023. Revenue yields have declined slightly YoY, but mostly due to the very high base in Q1 2023 and a decline in unit fuel cost. The yield excluding fuel cost actually increased somewhat YoY.
- EBITDAR of the airline sample increased by 8% YoY in Q1 2024. This implies a margin of 10.1% versus 10.3% in Q1 2023. However, excluding major negative one-offs, profitability is still on an upward trend. Compared with pre-Covid levels when the EBITDAR was 14-16%, margins remain under pressure.
- Net income profitability was impacted by growing aircraft ownership costs, on the back of higher interest rates and elevated demand for used aircraft amid delays in new deliveries. The higher aircraft ownership costs reduced the net margin by 0.4 percentage point. The net margin adjusted for the higher ownership costs and major one-offs would have reached approximately -0.1% (+1.2 ppt YoY).
- Historically, first quarter annual sales have amounted to around 20% of annual sales and have had a rather neutral impact on annual profitability. Operating margins have usually been close to zero and net profit frequently in the red. The relatively strong performance in Q1 2024 clearly departs from that trend. It remains to be seen if this time it will also be a good indicator for the rest of the year.

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