

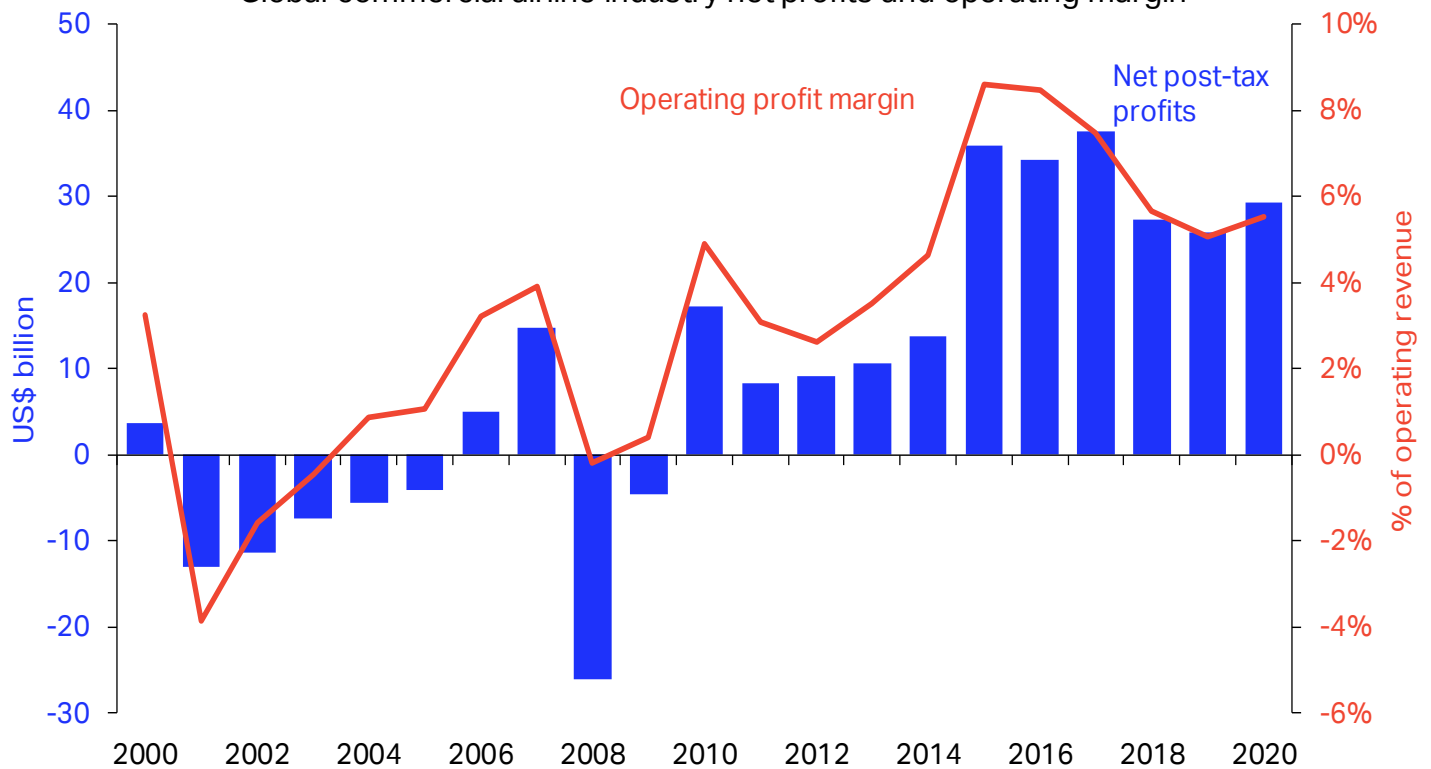


IATA Economics' Chart of the Week

13 December 2019

After a challenging year, industry profitability to stabilize in 2020

Global commercial airline industry net profits and operating margin



Source: IATA Economics

- This week we released our updated [Airline Industry Economic Performance](#) forecasts for 2020. The combination of a moderate pick up in global growth and world trade, a modest reduction in fuel costs, tempered by an expected increase in capacity growth, should help bring some stability to airlines' financial performance in 2020.
- Overall, we are forecasting a small rise in net post-tax profits to \$29.3 billion and an EBIT or operating margin of 5.5% next year. Both of these results are down on the peak years of 2015-2017, but, as today's chart makes clear, they remain a better performance than that of earlier decades. Financial sustainability however, remains narrowly based, concentrated in a relatively small number of airlines globally.
- The expected improvement in economic growth in 2020, together with broadly stable fuel prices is expected to keep air travel (RPK) growth on a par with that observed this year, at 4.1%. 2018 was the last of nine years of air travel growth at or above the 5.5% 20-year average pace and we've now entered a period of below trend growth for air travel. The same is true for air cargo, although the expected rebound in international trade – assuming the trade war truce holds – should produce a modest recovery, with FTK growth of 2.0% in 2020, compared to the estimated decline of 3.3% this year.
- As usual, there are various risks around the outlook for the year ahead. First and foremost amongst these is a deterioration in global trade, although developments overnight between the US and China are consistent with the assumptions underpinning our forecasts. As we have noted previously, the expected improvement in global economic activity remains fragile. Nonetheless, there is good reason to think that although 2020 will be another challenging year for the air transport industry, it should deliver a modest improvement on this year.

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