IATA Economics’ Chart of the Week

Airlines are optimistic about the year ahead, but challenges remain

This week’s chart is based on the Business Confidence Survey for January 2022. It summarizes what airlines’ CFOs and Heads of Cargo think about future developments in some of the key financial and operational metrics. Their expectations are expressed by a forward-looking weighted score ranging from 0 to 100, where 50 means no change from current levels, >50 refers to aggregate improvement/increase and <50 means overall deterioration/decrease.

The good news is that survey participants are optimistic about most of the metrics. However, there are some nuances. The forward-looking score increased compared with the October survey edition regarding passenger demand and employment, indicating growing optimism. More airlines expect that the lifting of travel restrictions will boost passenger demand, and thus anticipate hiring more staff. On the other hand, the scores ticked down for profitability and cargo demand – although they remain firmly in positive territory. The more cautious view on profitability is driven by concerns about the impact of the Omicron variant on airline operations, and by soaring jet fuel prices. For cargo traffic, airlines mentioned that the strong growth observed in 2021 might be hard to sustain.

Airlines’ expectations about yields weakened, which also helps to explain why the share of respondents expecting improving bottom lines decreased. The forward-looking score for passenger yields fell to 52, suggesting no significant improvement this year – largely due to rising market competition. For cargo, the score of 44 indicates that yields might start to come down from elevated levels as more belly capacity becomes available in the market.

To summarize, airlines are optimistic that the state of the industry will continue to improve over the coming 12 months, notably regarding passenger demand, while the outlook on yields appears somewhat more challenging.