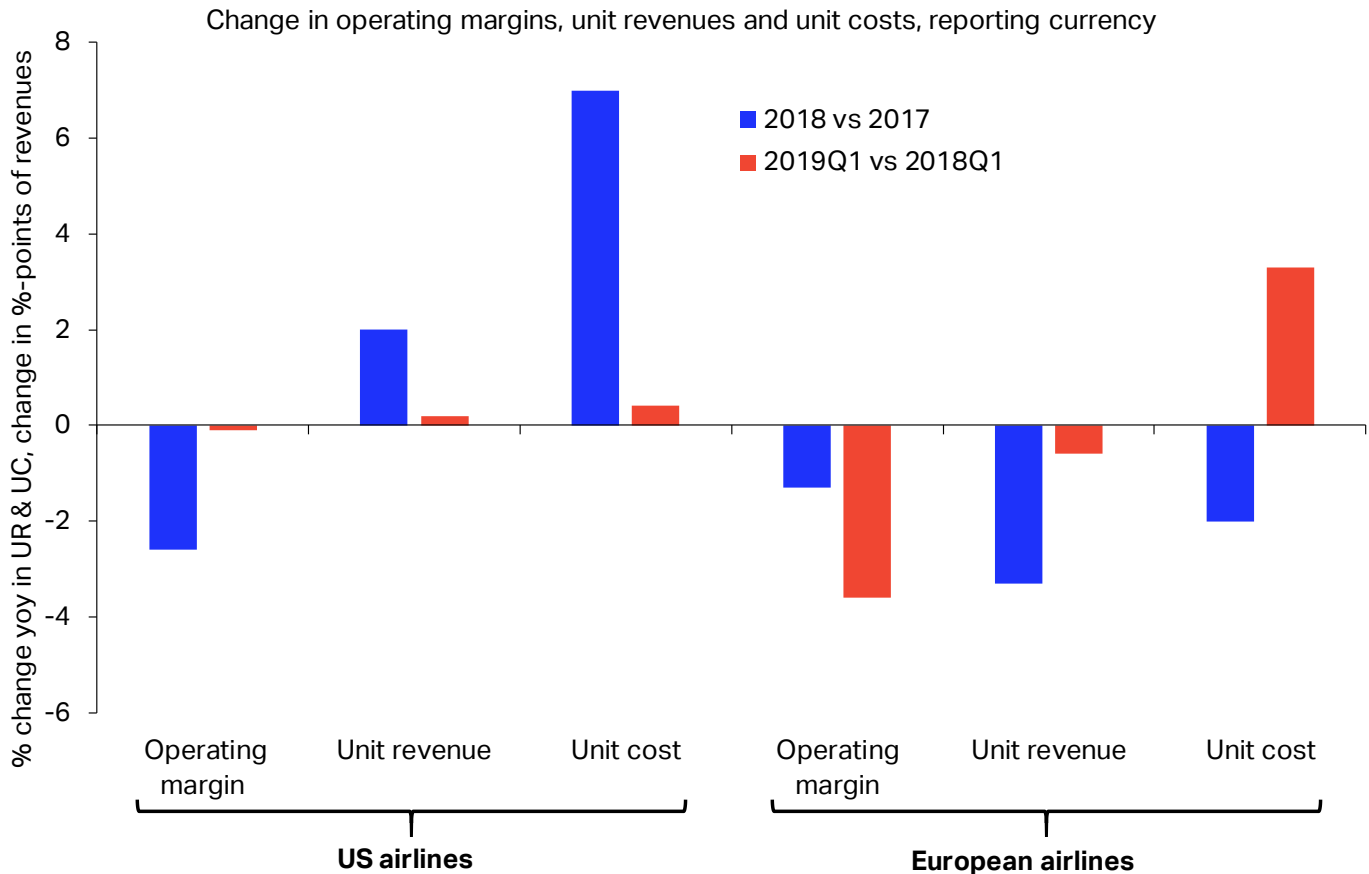




IATA Economics Chart of the Week

24 May 2019

Early 2019 direction for airline profitability dependent on regional conditions



Source: IATA Economics using data from the Airline Analyst

- In this week's [Airlines Financial Monitor](#) we reported on the first batch of 2019 first quarter financial results to be released. This batch is far from comprehensive, but it does give some guide to evolving business conditions and performance of airlines. The average performance of the 20 or so airlines that released results (major airlines from the US, Europe, Latin America and Asia) shows a 0.5%-point deterioration in operating margin from the first quarter last year. That's a slower pace of decline than in the middle of last year, but it still points to continuing downward pressure on airline profitability in the first part of this year.
- But conditions and performance continued to vary significantly between regions. The chart shows the experience of US and European airlines in the first quarter of this year, compared to average performance in 2018 – and the contrast is clear. US airlines are seeing a stabilization of performance as cost pressure ease, but in Europe airlines are facing significant cost increase and soft unit revenues – producing a near 4%-point fall in operating margins.
- There are some commonalities. All airlines are facing a rising cost environment, as the extended economic expansion causes shortages and increased supplier market power. Mitigating those rising costs has been an industry challenge for the past couple of years. A more recent challenge has been a diminished ability to recover those costs. Unit revenues remain weak, but there were some first signs of improvement in the first quarter.

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