

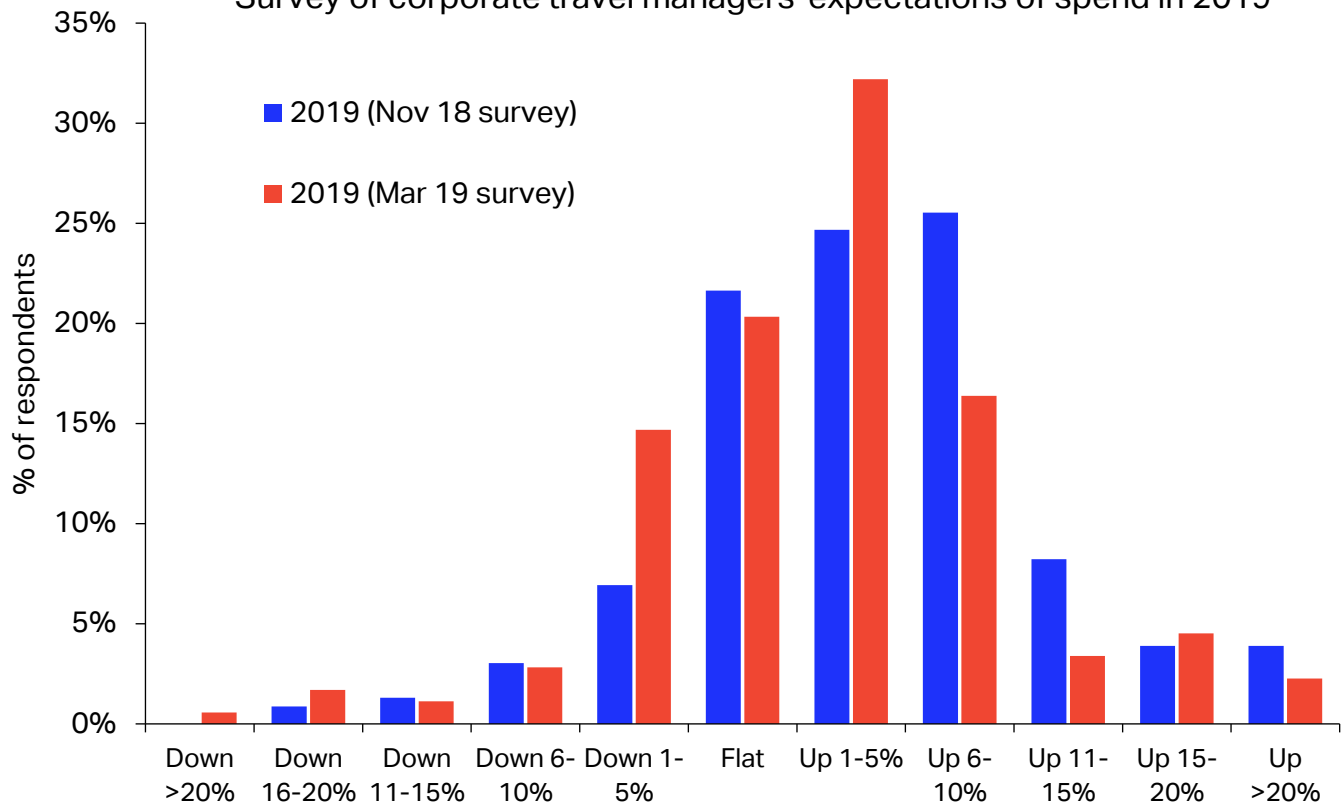


# IATA Economics Chart of the Week

5 April 2019

## Weakening corporate travel spend a risk to airline cost recovery

Survey of corporate travel managers' expectations of spend in 2019



Source: Alphawise Morgan Stanley Research

- This week we highlight a chart from the latest Alphawise Morgan Stanley survey of corporate travel managers, which shows a weakening of planned travel spending in 2019, compared to their previous survey. Back in November more than 50% of travel managers were expecting to increase spending by 1-10% in 2019. The mode of the distribution shifted left (weaker growth) in the March survey, with over 50% now expecting flat to 5% spending in 2019.
- This matters for yield, and the ability of airlines to recover costs. Our latest [Airlines Financial Monitor](#) showed how airlines have been recovering part of the rise in costs through higher fares in the front cabins, whereas economy fares continue to fall. Business travelers are not always travelling on premium seats, but this segment is the prime driver of premium revenues. Passengers buying premium tickets are only 5% of passenger count, but they represent 30% of ticket revenues on international markets – so they are a critical driver of passenger yield for airlines.
- The weakening of planned corporate travel in 2019, in a rising cost environment for airlines, is a concern. The detail of the Alphawise Morgan Stanley survey shows a downgrade in planned travel spend across most regions. But the outcome for yield and the ability of airlines to recover cost on a specific city-pair market depends on both supply and demand. Demand growth has slowed, but the scheduled supply of seats has also slowed sharply from late last year. Some airline guidance for investors points to firmer unit revenues on the North Atlantic market in Q2. However, that may not be the case in all markets. Weakening corporate travel demand is a downside risk to the outlook.

Terms and Conditions for the use of this IATA Economics Report and its contents can be found here: [www.iata.org/economics-terms](http://www.iata.org/economics-terms)  
By using this IATA Economics Report and its contents in any manner, you agree that the IATA Economics Report Terms and Conditions apply to you and agree to abide by them. If you do not accept these Terms and Conditions, do not use this report.

IATA Economics  
[economics@iata.org](mailto:economics@iata.org)