

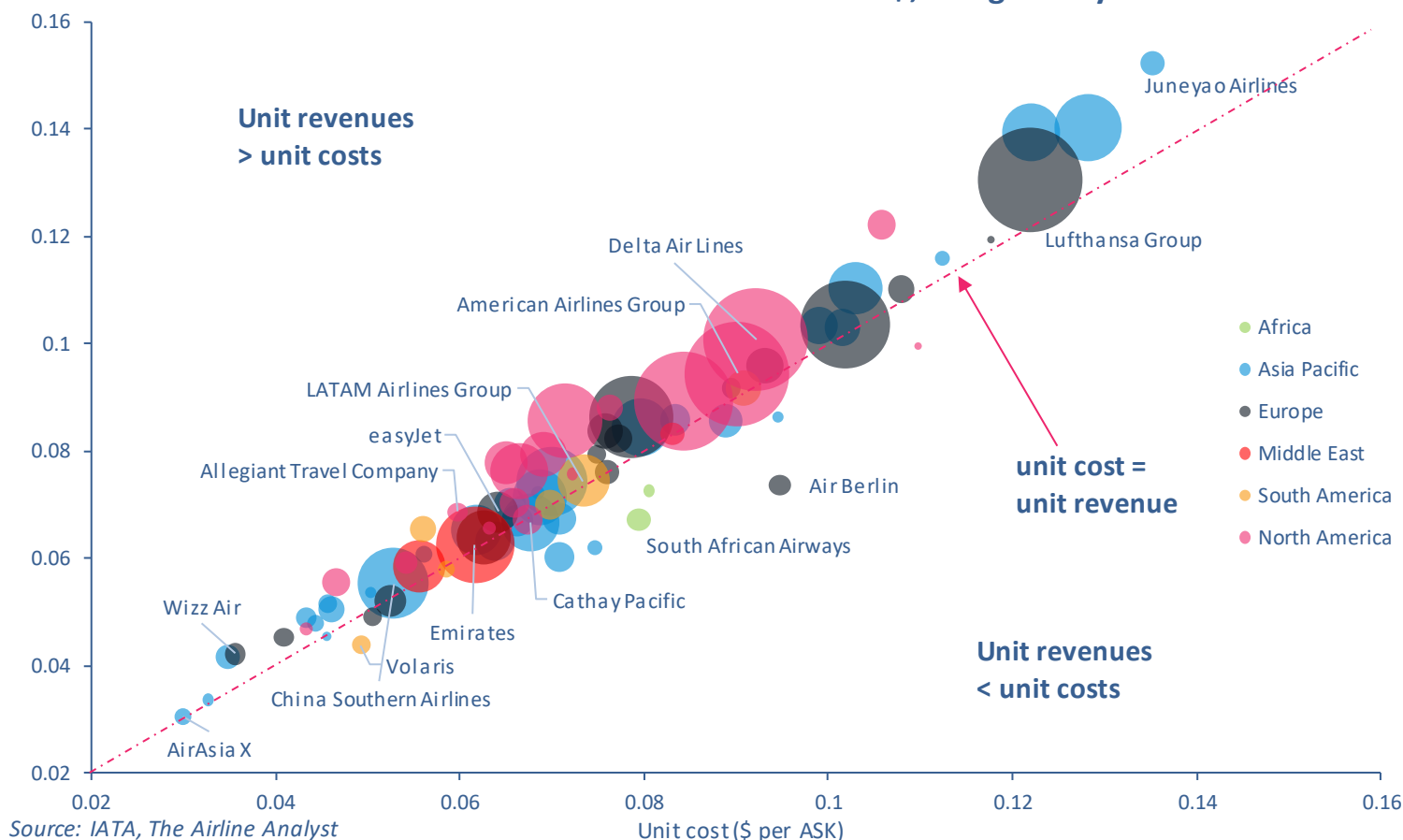


IATA ECONOMICS' CHART OF THE WEEK

23 NOVEMBER 2018

ONE SIZE DOES NOT FIT ALL WHEN IT COMES TO AIRLINE PROFITABILITY

Unit revenue (\$ per ASK) Unit costs and unit revenues in 2017 in US\$, size given by total revenues



Source: IATA, *The Airline Analyst*

- Following IATA's annual Airline Cost Conference this week in Madrid, today's chart compares unit costs and unit revenues for a wide sample of airlines in 2017. (Note that the former includes debt, depreciation & other non-operating costs while the latter corresponds to total revenues) The good news is that last year, most airlines found themselves sitting above the 45-degree dashed line, indicating that they were able to keep unit revenues – here measured per ASK – above unit costs.
- This is consistent with the healthy industry-wide profitability performance observed in the year. That said, it is clear that not all airlines managed to be on the right side of the 45-degree line; for various reasons, a number of airlines found themselves below the line in 2017 and some are no longer operating, at least not in their previous guise.
- Nonetheless, the key point is that all types and sizes of airlines can be successful; neither size nor choice of business model guarantees success in the air transport industry. It is possible for relatively high cost airlines (e.g. the Lufthansa group on the chart) to be profitable, provided they are able to generate matching higher revenues. It is worth noting that airlines are able to generate similar unit revenues through various means, including different combinations of yields, load factors and ancillaries, for example.
- More generally, keeping unit revenues above unit costs is not the only channel through which airlines can create value for investors. Indeed, the return that airlines generate for investors is a function of both the profit margin and how much revenue an airline "sweats" from its assets. Indeed, as we already described in a previous [Chart of the week](#) an airline's choice of business model is not a guarantee of success.

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