

# IATA projects industry net profits of US\$25 billion in 2024



IATA results indicate a 2.7 percent Net Profit Margin on record revenues in 2024

The [International Air Transport Association](#) (IATA) announced stronger profitability projections for airlines in 2023, expected to stabilize in 2024. However, net profitability at the global level is expected to be well below the cost of capital in both years, with significant regional variations in financial performance.

Airline industry net profits are expected to reach US\$25.7 billion in 2024 (2.7 percent net profit margin). That will be a slight improvement from 2023 which is expected to show a US\$23.3 billion net profit (2.6 percent net profit margin).

In both 2023 and 2024, return on invested capital will lag the cost of capital by 4p.p., as interest rates around the world have risen in response to the sharp inflationary impulse, IATA said in its press release.

Airline industry operating profits are expected to reach US\$49.3 billion in 2024, up from US\$40.7 billion in 2023. The Total revenues in 2024 are expected to grow 7.6 percent year over year to a record US\$964 billion. Meanwhile, expense growth is expected to be slightly lower at 6.9 percent for a total of US\$914 billion.

## Passenger travel expected to increase

Approximately 4.7 billion people are expected to travel in 2024, compared to the 4.5 billion recorded

in 2019, exceeding pre-pandemic levels.

“Considering the major losses of recent years, the US\$25.7 billion net profit expected in 2024 is a tribute to aviation’s resilience. People love to travel and that has helped airlines to come roaring back to pre-pandemic levels of connectivity. The speed of the recovery has been extraordinary, yet it also appears that the pandemic has cost aviation about four years of growth. From 2024 the outlook indicates that we can expect more normal growth patterns for both passenger and cargo,” said Willie Walsh, IATA’s Director General.

“Industry profits must be put into proper perspective. While the recovery is impressive, a net profit margin of 2.7 percent is far below what investors in almost any other industry would accept. Of course, many airlines are doing better than that average, and many are struggling. But there is something to be learned from the fact that, on average airlines will retain US\$5.45 for every passenger carried.

“That’s about enough to buy a basic ‘grande latte’ at a London Starbucks. But it is far too little to build a future that is resilient to shocks for a critical global industry on which 3.5 percent of GDP depends and from which 3.05 million people directly earn their livelihoods. Airlines will always compete ferociously for their customers, but they remain far too burdened by onerous regulation, fragmentation, high infrastructure costs and a supply chain populated with oligopolies,” said Walsh.

#### **Outlook drivers for 2024**

Overall revenues in 2024 are expected to rise faster than expenses (7.6 percent vs. 6.9 percent), boosting profitability. While operating profits are expected to increase by 21.1 percent (US\$40.7 billion in 2023 to US\$49.3 billion in 2024), net profit margins increased at less than half the pace (10 percent) largely due to increased interest rates expected in 2024.

Meanwhile, industry revenues are expected to reach a historic high of US\$964 billion in 2024. An inventory of 40.1 million flights is expected to be available in 2024, exceeding the 2019 level of 38.9 million and up from the 36.8 million flights expected in 2023.

Similarly, passenger revenues are expected to reach US\$717 billion in 2024, up 12 percent from US\$642 billion in 2023. Revenue passenger kilometers (RPKs) growth is expected to be 9.8 percent, year on year. This is double the pre-pandemic growth trend, but 2024 is expected to mark the end of the dramatic year-on-year increases that have been present in the recovery period from 2021 to 2023.

Demand for air travel and the limited capacity due to supply chain issues continue to create supply and demand conditions that support growth. Passenger yields in 2024 are expected to improve by 1.8 percent from 2023. Efficiency levels are high with the load factor expected to be 82.6 percent in 2024, slightly better than in 2023 (82 percent) and the same as in 2019.

IATA said that its November 2023 passenger polling data supports the optimistic outlook. A third of travellers polled say they travel more than they did pre-pandemic. Some 49 percent indicate that their travel habits are now similar to pre-pandemic. Only 18 percent said that they were travelling less.

Meanwhile, 44 percent say that they will travel more in the next 12 months than in the previous 12 months. Only 7 percent say they will travel less and 48 percent expect to maintain similar levels of travel in the coming 12 months as in the previous 12 months.

Expenses are expected to grow to US\$914 billion in 2024 (+6.9 percent in 2023 and +15.1 percent in 2019). Fuel prices are expected to average US\$113.8/barrel (jet) in 2024 translating into a total fuel 2

bill of US\$281 billion, accounting for 31 percent of all operating costs. Airlines are expected to consume 99 billion gallons of fuel in 2024.

High crude oil prices are expected to continue to be further exaggerated for airlines as the crack spread (premium paid to refine crude oil into jet fuel) is expected to average 30 percent in 2024.

Industry CO2 emissions in 2024 are expected to be 939 million tonnes from the consumption of 99 billion gallons of fuel.

IATA said that the aviation industry will increase its use of Sustainable Aviation Fuels (SAF) and carbon credits to reduce its carbon footprint. We estimate that SAF production could rise to 0.53 percent of airlines' total fuel consumption in 2024, adding USD 2.4 billion to next year's fuel bill. In addition, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) is a global market-based carbon offsetting mechanism designed to stabilize international aviation emissions. The CORSA-related costs are estimated at US\$1 billion in 2024.

Non-fuel expenses have been controlled relatively well by airlines despite inflationary pressures. With fixed costs being distributed over a larger scale of activity as the industry recovered from the pandemic, non-fuel unit costs are falling in line with the pre-pandemic level. In 2024 we expect non-fuel unit costs of 39.2 cents per available tonne kilometer (ATK) in 2024 which is 1.6 percent above 2023 levels, matching 2019 levels. Total non-fuel costs are expected to reach US\$633 billion in 2024.

### **Potential risks heading in 2024**

IATA acknowledged that Industry profitability is fragile and could be affected (positively or negatively) by many factors.

One such factor is Global Economic Development. Easing inflation, low unemployment rates, and strong travel demand are all positive developments. However, economic strains could arise.

War is also cited as a risk to net margins in 2024. The operational impacts of various global conflicts have been largely limited to re-routings due to airspace closures. On the cost side, the conflicts have pushed up oil prices which is impacting airlines globally. Any further escalation could produce a radically different global economic scenario that would also impact the aviation industry.

Supply chain issues continue to impact global trade and business post-pandemic. Airlines have been directly impacted by unforeseen maintenance issues on some aircraft and engine types as well as delays in the delivery of aircraft parts and of aircraft, limiting capacity expansion and fleet renewal.

In terms of regulatory risk, airlines could face rising costs of compliance, and additional costs pertaining to passenger rights regimes, regional environment initiatives and accessibility requirements.

### **Regional recovery and outlook**

Various regions across the globe have recovered from the pandemic at different speeds. At the regional level, North America, Europe and the Middle East are expected to post net profits in 2023. Asia Pacific will join the group in 2024, while Latin America and Africa are expected to be in the red in 2024.