

Trade turbulence pushes airline profits lower

11 December 2019



A number of airlines went bankrupt in 2019, including Iceland's WOW, as carriers came under greater pressure

Global trade tensions have sent airline profits into a descent, the industry's trade association said Wednesday, and while profitability is expected to rebound next year it will unlikely match the level hit in 2018.

The global airline industry is expected to earn \$25.9 billion (23.4 billion euros) in 2019, down 14 percent from the \$30 billion in net profits it recorded last year.

The figure is also considerably lower than the \$28 billion in net profits that IATA forecast for the industry in June, and more than a quarter less than its original 2019 forecast last December.

"Slowing [economic growth](#), trade wars, geopolitical tensions and social unrest, plus continuing uncertainty over Brexit all came together to create a tougher than anticipated business environment for airlines," said IATA chief Alexandre de Juniac.

Restructuring and cost-cutting nevertheless helped

the [airline industry](#) extend its streak of profitability to 10 years, and 2019 should prove to be the bottom of the economic cycle, he added.

IATA expects airlines' [net profits](#) to rise to \$29.3 billion in 2020, helped by an expected rebound in global trade growth and dip in [fuel prices](#).

Demand for air travel is also expected to grow by 4.1 percent, down marginally from 2019, and below historical trends.

Meanwhile airline capacity is forecast to accelerate to 4.7 percent, up from 3.5 percent this year.

"The big question for 2020 is how capacity will develop, particularly when, as expected, the grounded 737 MAX aircraft return to service and delayed deliveries arrive," de Juniac noted.

Airlines have ordered massive numbers of new, more fuel-efficient aircraft in recent years, but the competitive pressures have remained high and a number of operators have gone bust this year.

The disruption caused by the grounding of Boeing's 737 MAX over a technical problem has added financial pressure on some airlines, and many more face [higher costs](#) as Airbus and Boeing step up delivery of new aircraft.

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