

Cathay Pacific 2019 profits plunge, predicts virus losses

March 11 2020, by Jerome Taylor



Many of Cathay's planes have been parked up in Hong Kong because of the virus

Cathay Pacific on Wednesday said profits plunged in 2019 as it reeled from political unrest in Hong Kong, while it warned financial losses lay ahead owing to the spread of the new coronavirus.

The flagship carrier was battered throughout the second half of last year as violent pro-democracy protests raged for months in Hong Kong, sparked by widespread public anger at Beijing's rule.

The demonstrations, which saw battles between police and protesters rage for seven straight months, hammered tourist arrivals into the city, traditionally one of the world's busiest transport hubs.

On Wednesday the flagship carrier reported an attributable profit of HK\$1.7 billion (US\$220 million) for 2019, a significant drop from the HK\$2.3 billion it made in 2018.

And it warned of slipping into the red as airlines around the world suffer the huge travel disruptions caused by the rapid global spread of the deadly coronavirus.

"We expect to incur a substantial loss for the first half of 2020," chairman Patrick Healy said. "We expect our passenger business to be under severe pressure this year and that our cargo business will continue to face headwinds," he added.

The last time the airline made a loss was in the first half of 2018.

It then embarked on a major overhaul that brought the carrier back into the black but Cathay has found itself hammered by events beyond its control.

Turbulent year

Hong Kong's political unrest put Cathay squarely in the crosshairs of Beijing last summer after some of its 27,000 employees in the city expressed sympathy for the pro-democracy movement.

Nationalists on the mainland agitated for a boycott while Chinese aviation authorities placed a host of onerous extra checks on the airline.

Cathay responded with the departure of its CEO and chairman as well as measures to punish staff that joined or voiced support for the protests, leading to an easing of regulations on the mainland.

Protests began winding down in December and January but before Cathay could recover, the deadly coronavirus emerged in the Chinese city of Wuhan and has since spread around the world.

International flight routes have been hammered with Cathay especially vulnerable because so much of its business relies on the Chinese mainland and connecting Asia to the rest of the world.

It has since slashed its capacity to mainland China by 90 percent and is flying 40 percent fewer routes globally.

Last month the airline announced it was asking all its 34,000 staff worldwide to take up to three weeks of unpaid leave in a bid to alleviate a major cash shortage.

Dozens of passenger jets are now parked on the tarmac at Hong Kong's airport, Cathay's transportation headquarters.

The profit results came as the airline separately confirmed a crew member had tested preliminary positive for the new coronavirus. The employee had last flown on a flight from Madrid to Hong Kong on March 7.

The plane has since been deep cleaned and fellow crew members are quarantining at home, Cathay said.

Hong Kong's economy is currently in recession, battered by the China-US trade war, the protests and now the coronavirus.

The city has 120 confirmed cases of the COVID-19 disease with three deaths.

Shares in the firm ended up more than three percent.

Despite the profits fall and liquidity squeeze, Cathay said it still planned to take delivery of 70 new and more fuel-efficient aircraft by 2024.

The International Air Transport Association has estimated that the coronavirus outbreak will cost the airline industry between \$63 billion to \$113 billion in lost revenue from passengers this year.

© 2020 AFP

Citation: Cathay Pacific 2019 profits plunge, predicts virus losses (2020, March 11) retrieved 6 May 2024 from <https://techxplore.com/news/2020-03-cathay-pacific-profits-plunge-virus.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.