

Delta results show strong demand but also cost pressures

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Shares of Delta Air Lines fell as it reported lower-than-expected earnings due to increased labor and fuel costs.

Shares of Delta Air Lines tumbled Wednesday as swelling costs pressured quarterly earnings, despite persistently robust demand that so

far appears resilient amid inflation.

The big US carrier reported solid second-quarter operating earnings and said it is on track for "meaningful full year profitability," a markedly better outlook after the bruising pandemic downturn.

But the results missed [analyst expectations](#), prompting analyst questions about when Delta expects to get costs under control and stabilize operations.

Besides a 41 percent jump in [fuel costs](#) compared with the 2019 period, the airline saw increases in labor [costs](#), in part because of elevated overtime pay as it contends with an industry-wide labor crunch that will take time to address.

"The issues we're facing are temporary," said Chief Executive Ed Bastian, alluding to a six-week stretch in the just-finished quarter plagued by flight cancellations and delays.

Bastian said operational performance had improved in July after the carrier built in more buffer time for crews between flights

Delta has also trimmed its plans for near-term growth. It projects third-quarter capacity will be down 15 to 17 percent compared with the 2019 level.

Executives said cost pressures should ease in the second half of the year as Delta puts off growth plans and focuses on improving operations.

Part of the issue is the onboarding of some 18,000 new staff members since the pandemic.

Bastian said the carrier had done a good job of hiring people, but that

there is a learning curve with new employees that should abate as staff gets experience.

Profits for the quarter were \$735 million on \$13.8 billion in revenues. That translated into \$1.44 per share, below the \$1.64 expected by analysts.

Delta's earnings were released shortly before the June US consumer price index report, which showed a 9.1 percent jump over the last 12 years. Inflation will pinch household [disposable income](#), especially for the less wealthy.

Delta executives insisted they were seeing no erosion in ticket purchases, citing "pent-up demand" after the pandemic.

"We're not seeing it," Delta President Glen Hauenstein said of a potential decline. "As of now, we're enjoying very robust spend."

Shares fell 6.6 percent to \$29.02 in late-morning trading.

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