

Airlines to return to profit in 2023: IATA

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North American airlines are leading the return to the industry's profitability.

Airlines are expected to return to profit next year for the first time since 2019 despite slowing global growth as they recover from a COVID-induced crisis, an industry group said Tuesday.

After cutting losses this year, airlines are forecast to make \$4.7 billion in

[net profits](#) in 2023, according to the International Air Transport Association (IATA).

This is still far off the \$26.4 billion profit the industry reported in 2019, before COVID prompted countries to enact [travel restrictions](#) that have since been eased in most nations.

"Resilience has been the hallmark for airlines in the COVID-19 crisis," IATA director general Willie Walsh said in a statement.

"As we look to 2023, the financial recovery will take shape with a first industry profit since 2019. That is a great achievement considering the scale of the financial and [economic damage](#) caused by government imposed pandemic restrictions," he said.

Governments in numerous countries had to bail out airlines as [travel](#) was brought to a halt to slow the spread of the virus, and the industry suffered \$137.7 billion in losses in 2020 at the height of the restrictions.

Airlines are expected to post \$779 billion in revenues in 2023, meaning the \$4.7 billion profit constitutes a razor-thin net profit margin of just 0.6 percent.

Walsh said many airlines are "sufficiently profitable" to attract capital as the industry seeks to decarbonise its operations.

But many others are struggling due to "onerous regulation, [high costs](#), inconsistent government policies, inefficient infrastructure and a [value chain](#) where the rewards of connecting the world are not equitably distributed," he said.

Passenger traffic was slightly lower than forecast in 2022 due to slowing economies and China's zero-COVID restrictions.

'Optimistic about 2023'

But the IATA expects [passenger traffic](#) to return to 85.5 percent of its pre-crisis level in 2023.

And that expected improvement comes as global GDP growth slows, according to IATA's forecast, to 1.3 percent from 2.9 percent in 2022.

"Despite the economic uncertainties, there are plenty of reasons to be optimistic about 2023," said Walsh.

Airlines should not be as affected by rising jet fuel prices as they were in 2022, while continuing to benefit from pent-up travel demand.

A recent IATA poll found that more than two-thirds of travellers surveyed in 11 global markets are travelling as much or more than before the pandemic.

And while 85 percent said they are concerned about the [economic situation](#), 57 percent said have no intention to curb their travel habits.

But Walsh also warned that with such thin margins, "even an insignificant shift in any one of these variables has the potential to shift the balance into negative territory."

IATA sees airlines squeaking out a profit thanks to revenues growing faster than costs next year.

While rising interest rates may crimp demand for travel, IATA sees that as likely leading to lower oil prices, thus reducing costs for airlines.

Help for green transition

On a regional level, airlines in North America are expected to post \$9.9 billion in profits this year, thanks to carriers benefitting from fewer and shorter-lasting travel restrictions in the region. For 2023, profits are seen as climbing to \$11.4 billion.

European carriers are forecast to post \$3.1 billion in losses as some airlines had to curtail operations due to Russia's war in Ukraine while others faced limitations imposed by airports. IATA sees European airlines posting \$621 million in profit in 2023.

Asia-Pacific [airlines](#) are expected to suffer \$10 billion in losses this year, primarily due to China's zero COVID policy. In 2023, they are expected to narrow that to \$6.6 billion.

But IATA noted it expects "strong pent-up demand to fuel a quick rebound in the wake of any" relaxation in COVID travel restrictions by China.

Walsh said that the airline industry remains committed to reaching net zero carbon emissions by 2050, but given its thin [profit](#) margins, pleaded for government help.

"We'll need all the resources we can muster, including government incentives, to finance this enormous energy transition," said Walsh.

"More taxes and higher charges would be counter-productive," he added.

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