Hong Kong's Cathay Pacific posts first operating profit since 2019

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Cathay Pacific has lagged regional rivals in recovering from the pandemic as Hong Kong kept strict Covid containment rules in place.

Hong Kong carrier Cathay Pacific on Wednesday reported its first annual operating profit since 2019 as it fights to return to pre-pandemic flight capacity.

The airline has struggled to catch up with regional rivals such as Singapore Airlines as the city's government only began axing harsh pandemic curbs—including mandatory hotel quarantine and strict testing requirements—in the second half of last year.

"Cathay Pacific has experienced three challenging years due to the COVID-19 pandemic, with 2022 very much being a year of two halves," chairman Patrick Healy said in a statement announcing the results, referring to a "marked improvement" in performance later in the year.

The company said in its earnings statement Wednesday that it operated at one-third of pre-pandemic passenger flight capacity in December but expects to reach 70 percent by the end of 2023.

It reported an operating profit of HK$3.55 billion ($452 million) last year, but suffered a loss attributable to shareholders of HK$6.5 billion, weighed down by losses incurred by its associate companies.

Cathay faced record losses in 2020 as the pandemic hit, and was dealt a further blow last year when Hong Kong tightened travel restrictions amid its worst-ever coronavirus outbreak.

It carried 2.8 million passengers last year—nearly four times that of 2021—which brought in $1.7 billion in revenue.

Ronald Lam, who took over as CEO at the start of 2023, said Cathay will seek to lead the market for the "Greater Bay Area", Beijing's regional development blueprint for Hong Kong and surrounding southern Chinese cities.

Last year, the company was buoyed by strong cargo operations, which raked in $3.4 billion, operating at two-thirds of pre-pandemic capacity by the end of the year.

Capacity challenges

Herman Tse, valuations manager at Ascend by Cirium consultancy, said Cathay's "major challenge in the near future" is coming up with sufficient capacity to operate flights.

But Tse said the issue will ease as hiring speeds rise, adding that Cathay benefits from international demand for connectivity to China.

And Singapore-based independent aviation analyst Brendan Sobie told AFP: "Cathay's group seat capacity will be above 50 percent (pre-pandemic levels) in April and will exceed 60 percent by September.

"In the current high-fare environment this should be enough capacity to return to profitability."

Last week, the airline gave away more than 50,000 flights to Hong Kong from Singapore, Thailand and the Philippines as part of the government's "Hello Hong Kong" promotion campaign for tourists.

The company earlier said it was "very encouraged by the enthusiastic response" to that promotion, with the event drawing long online queues and tickets being snapped up within hours.

The city's airport in January saw 2.1 million visitors—a major uptick compared with preceding months, but still only one-third of 2019 levels.

Cathay's flight attendants union in January began a work-to-rule labour action after accusing the airline of putting a low priority on "providing reliable and practicable working conditions" and competitive pay.

The company said at the time that most of the roster issues had been resolved and that flight services would continue as scheduled.

Hong Kong continues to face major hurdles to retaking its place as a regional transport hub, however.

In January, around 20 regional Asian airlines said they were unable to restart services in the city because of shortages of ground handling staff.

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