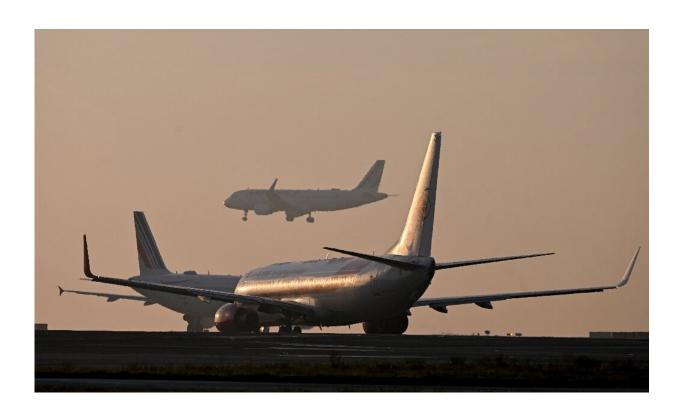


## Air travel to soar near record in 2023: industry group

June 5 2023, by Tangi QUEMENER



Airlines are expected to be back in the green this year, with net profits totalling \$9.8 billion.

Airlines will return to profit and fly a near-record 4.35 billion passengers this year, but the sector's post-pandemic recovery remains fragile, an industry group said on Monday.



The industry is forecast to post <u>net profits</u> totally \$9.8 billion in 2023, or double previous estimates, boosted by the end of China's COVID restrictions, according to the International Air Transport Association (IATA).

The association added that its 2022 losses were half as bad as previously estimated at \$3.6 billion.

"Airline <u>financial performance</u> in 2023 is beating expectations," IATA director general Willie Walsh said in a statement during the association's annual general meeting in Istanbul.

"Stronger profitability is supported by several positive developments. China lifted COVID-19 restrictions earlier in the year than anticipated," Walsh said.

While jet fuel prices remain high, they have moderated over the first half of the year, he added.

Inflation surged worldwide as Russia's invasion of Ukraine in February 2022 sent <u>energy costs</u> soaring, but oil and natural gas prices have fallen since then.

"On the cost side, there is some relief," Walsh said.

"Economic uncertainties have not dampened the desire to travel, even as ticket prices absorbed elevated <u>fuel costs</u>," he added.

## Profits equal to \$2.25 per passenger

Airlines transported a record 4.54 billion people in 2019 before COVID brough travel to a standstill.



The industry lost \$137 billion when countries imposed lockdowns and closed borders in 2020.

The sector lost another \$42 billion in 2021 and was still in the red last year as China, a major market, continued to enforce COVID restrictions that were finally lifted in December.

The IATA said total revenues are expected to grow to \$803 billion this year, up almost 10 percent from 2022.

While the industry as a whole will turn a profit, Walsh noted that it would amount to just \$2.25 per passenger—a net-profit margin of 1.2 percent.

The IATA, which represents around 300 <u>airlines</u> accounting for 83 percent of global air passenger traffic, said net profit will rise to \$11.5 billion for North American air carriers, \$5.1 billion for Europeans and \$2 billion for those from the Middle East.

But Asian, Latin American and African airlines will remain in the red.

Airlines will face a total fuel bill of \$215 billion this year, or \$98.5 per barrel, according to the IATA. This is down from the average cost of \$135.6 in 2022.

Fuel will account for 28 percent of the costs that airlines face this year, compared to 24 percent in 2019.

"After deep COVID-19 losses, even a net profit margin of 1.2 percent is something to celebrate," Walsh said.

"But with airlines just making \$2.25 per passenger on average, repairing damaged <u>balance sheets</u> and providing investors with sustainable returns



on their capital will continue to be a challenge for many airlines," he added.

## War risks

The IATA said industry profitability is "fragile" and could be affected by several factors, including interest rate hike by <u>central bank</u> fighting inflation.

"The risk of recession remains. Should recession lead to job losses, the industry's outlook could shift negatively," it said.

While the war in Ukraine is not having a "major impact" on profitability of most airlines, an escalation would likely hurt global aviation, it said.

"Already broader geopolitical tensions are weighing upon <u>international</u> <u>trade</u> and any escalation of such tensions represents a downside risk to the industry outlook," the IATA said.

Supply chain issues, which have plagued global trade since the pandemic, are still being felt.

"Airlines have been directly impacted by aircraft parts supply chain ruptures which aircraft and engine manufacturers have failed to sort out," the IATA said.

"This is negatively impacting the delivery of new aircraft and the ability of airlines to maintain and deploy existing fleets."

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