

European airlines, facing jet delivery delays, see profits soar

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The aviation sector is now flying at cruising altitude on pent-up demand after emerging from the dark days of Covid, which sparked lockdowns and grounded airlines.

Europe's aviation industry is extending its bounceback from the COVID pandemic, as British Airways owner IAG and Franco-Dutch rival Air

France-KLM posted bumper 2023 profits Thursday.

The sector is flying at cruising altitude on pent-up demand after emerging from the dark days of COVID, which grounded planes and triggered thousands of job cuts.

Offsetting a sector takeoff, however, is persistently-high inflation pushing up fuel and staff costs—as well as delays in deliveries of commercial jets produced by US giant Boeing and European rival Airbus.

IAG, which owns also Spanish carriers Iberia and Vueling among others, said its [net profit](#) surged six-fold last year, boosted by "strong" demand particularly from leisure travelers, while it also hired 13,000 new staff.

Profit after tax jumped to 2.7 billion euros (\$2.9 billion) in 2023, IAG said in a results statement, adding that revenues leapt by almost a third to 29.5 billion euros.

IAG noted that "strong growth" was "underpinned by robust and sustainable demand".

Air France-KLM announced that net annual profit soared almost a third to a record 934 million euros, while revenues jumped 14 percent to an all-time peak of 30 billion euros.

The carrier was lifted also by "sustained demand" in a "strong" performance, despite operational difficulties and fallout from the Israel-Hamas conflict, it pointed out.

However, its [share price](#) slumped more than six percent in Paris afternoon deals as annual profit fell short of expectations after it logged a fourth-quarter loss. IAG shares slid 1.5 percent ahead of the London

finish.

'Blue skies'

"People always want to travel and COVID curbs only served to create greater demand—in spite of cost pressures which have taken a toll on consumer budgets," said Danni Hewson, head of financial analysis at stockbroker AJ Bell.

"Europe's aviation sector is enjoying blue skies and at the moment the outlook for 2024 appears relatively cloud free," she told AFP.

IAG chief executive Luis Gallego on Thursday said the group last year recovered "capacity to close to pre-COVID levels in most of its core markets".

The group said it was 62-percent booked for the first half of 2024, ahead of last year's performance.

Air France-KLM said its booking rates for the six months to June 30 were similar to those at the same time last year.

IAG also unveiled a management reshuffle Thursday, including the appointment of Vueling chief executive Marco Sansavini as head of Iberia.

'Limited capacity'

"Air France-KLM and IAG provide encouragement for those hoping for a resurgence for the beleaguered aviation industry," said Scope Markets analyst Joshua Mahony, while cautioning over inflation.

He added that some carriers would struggle to meet booming demand with limited capacity.

"Unfortunately, many airlines will likely struggle to fully address the demand evident within the industry, with both Boeing and Airbus struggling to keep up with order backlogs that continue to grow," Mahony said.

Ryanair chief executive Michael O'Leary last week blasted a "debacle" at Boeing, adding that the no-frills Irish carrier would seek compensation for flight cancellations caused by quality issues and production delays.

Speaking Thursday, he reiterated his frustration at the US planemaker while hitting out also against Airbus.

"We had hoped to get 57 (new Boeing) aircraft this summer, it now looks like that number may fall to 50, 45, maybe 40," O'Leary told AFP following a Dublin press conference on sector issues.

"Nevertheless at least we have another 40 aircraft, whereas most Airbus customers will have to ground aircraft this summer and that will constrain their growth."

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