

IATA lifts airline profits forecast for 2012

Airline profits will be better than expected this year but the air transport sector is still on a "knife edge", the International Air Transport Association (IATA) said on Monday.



Airlines are expected to post \$4.1bn in profits for 2012.

This would be \$1.1bn more than the figure of \$3.0bn forecast in June, but less than half the \$8.4bn earned in 2011, IATA said.

"The industry has re-shaped itself to cope by investing in new fleets, adopting more efficient processes, carefully managing capacity and consolidating," said Tony Tyler, director general of IATA, which represents 240 airlines making up 84% of global air traffic.

"But despite these efforts," he said, "the industry's profitability still balances on a knife-edge, with profit margins that do not cover the cost of capital."

But the association said it expected global profits to surge next year to \$7.5bn, owing to slightly stronger economic growth.

Passenger numbers are set to rise by 4.5% and freight activity by 2.4% next year, IATA said.

The airline industry, with an annual fuel bill of \$208bn, should also be helped by a fall in oil prices, which are expected to remain steady next year, IATA said.

The net margin across the industry is expected to be 1.1%, up from 0.6% in 2012 but less than 1.4% in 2011, IATA said.

This return on capital was "far below other industries," the association said.

Tyler pointed to a series of global economic problems, which "continue to take their toll on business confidence."

"The European sovereign debt crisis lingers on," he said in the statement, adding: "China continues to moderate its growth and the impact of recent quantitative easing in Japan and the US will take time to yield growth."

European airlines are set to post the biggest loss of airlines in any region this year with a figure of \$1.2bn, which is \$100m worse than initially forecast, IATA said.

Asia-Pacific airlines are meanwhile on course for a \$2.3bn profit this year, \$300m better than previously forecast, the association said, pointing to "robust" passenger numbers in countries such as China, up 9.4% in the first eight months of the year.

With 40% of the global cargo market, however, the Asia's carriers are the most exposed to weak cargo demand.

North and Latin America are the only regions with an expected improvement in profitability over 2011, the organisation said, with North America set to post the largest rise with profits of \$1.9bn, up from the \$1.3bn made there in 2011.

African airlines were likely to break even by the end of the year, an improvement from the \$100m loss previously forecast, IATA said.

Source: *AFP* via I-Net Bridge

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