

Profitability forecast from IATA

GENEVA, SWITZERLAND: The world's airlines are set to post improving financial results this year, but there are potential storm clouds gathering as the Cyprus crisis raises the risk of new eurozone woes, industry group the International Air Transport Association (IATA) said on Wednesday (20 March).



"Industry profits are taking a small step in the right direction," said IATA chief Tony Tyler, forecasting a 1.6 increase in the sector's net profit to US\$10.6bn, up from an earlier 1.3% prediction.

"The signs of higher profits are encouraging but they must be kept in perspective. We are projecting that airlines will see turnover rise to US\$671bn," he said.

"By comparison last year Nestle, a single company, made over US\$11.5bn in profits on revenues of about US\$100bn. Chronic anaemic profitability is characteristic across most of the aviation value chain when compared with other sectors," he warned.

Considerable risks remain and could derail the airline industry's recovery, Tyler said, pointing to controversy over the draconian bailout plans for eurozone member Cyprus.

"European Central Bank commitments to the eurozone crisis and the slow economic recovery in the US should be pointing us towards a durable, if weak, upswing," he said.

"But we have had two false starts already. Improving conditions in early 2011 and 2012 disintegrated as the eurozone crisis intensified. And it could happen again. The impact of the unfolding situation in Cyprus is a risk factor that cannot be ignored," he warned.

Despite those fears, the projected airline industry revenues of \$671bn in 2013 marked an improvement of US\$12bn from IATA's last forecast, issued in December. Cargo demand is expected to grow by 2.7%, reversing the declining trend of the past two years, and cargo yields are expected to be flat, marking an improvement on the 1.5% decline previously projected, it said.

Passenger demand, meanwhile, is forecast to grow by 5.4%, - up from the 4.5% previously. However, fuel prices are expected to average US\$130 a barrel for the year, or US\$5.70 more than forecast in December, lifting the total fuel bill to US\$216bn.

Overall, fuel is expected to account for 33% of airline costs, unchanged from 2012, IATA said.

Source: *AFP* via I-Net Bridge