

Profits: World Airlines to Expect a Successful Year

A new report published by International Air Transport Association (IATA) showed that airlines are expected to register their third best year of profit generation since 2001. However, airlines are only expected to earn just \$4 per passenger on average.



IATA revised its profit expectation for passenger carriers in the world in 2013 upwards to \$12.7 billion from its prediction of \$10.6 billion in March. The revised profit prediction is higher by about 19.8 percent. If the forecasted profit is achieved, the earnings of the airlines will be 67.1 percent higher than \$7.6 billion earned last year.

However, the profit earned per passenger is expected to be only as much as the price of a deluxe coffee due to thin margins. Phil Le Beau of CNBC reported that airlines and investors could benefit from fewer as well as fuller flights. Bob McAdoo, Imperial Capital, told investors as to how they could incorporate the positive development into their portfolios.



Following the release of the revised earnings expectation, Tony Tyler, director general and CEO of IATA, said that the air industry is a tough business. He added that it is a monumental task to keep the daily revenues higher than the costs. According to him, the average earnings of \$4 per passenger transported was less than the price of a sandwich in many places.

However, the anticipated average earning per passenger in 2013 is better compared to that recorded in 2011 when the earning was \$3.14 per passenger carried (a total of \$8.8 billion for 2.8 billion passengers).



The increase in profit expectation for 2013 can be attributed to the rise in the number of air travelers. It is anticipated that the passenger numbers will exceed the 3 billion mark for the first time this year. In 2013, the projected number of air travelers is 3.13 billion compared to 2.9 billion in the previous year. With packed airplanes, the percentage of occupied seats or industry load factor is likely to be 80.3 percent on average. This will be another record.

Date: 2013-08-26

Article link:

<http://www.tourism-review.com/travel-tourism-magazine-iata-profits-of-airlines-to-increase-article218>

6