

Wednesday, February 04, 2009

Iata: airlines financial health monitor

ACCORDING to Iata's airlines financial health monitor data for December 2008 – January 2009, airlines are now worth only half what they were at the same time last year.

"Airline stock prices fell further in January after a minor bounce at the end of 2008," the statement read. "The bottom line is that financial markets are not sure whether the bottom is yet in sight."

Iata said the fourth quarter was usually a relatively weak period for revenues, with 80% of profits made during the second and third quarters. But this year losses have totalled US\$0,8bn for those airlines that have so far announced results.

"With around US\$4bn lost by the industry in the first three quarters, Iata's forecast for 2008 net losses of US\$5bn is still in the right ballpark."

The data further showed that even though spot fuel prices steadied around US\$60 per barrel, given the continuing economic deterioration it is no guarantee that prices will not fall further.

"The crack spread has widened to 40-50% from the normal 25%; if crude prices do rise then the upside for jet fuel prices may not be so high."

Iata also said airlines were reacting to the slump in demand and revenues by trying to shrink their costs, through capacity cuts. It continued to say that further cuts were planned and visible from published schedules, but so far this was lagging the slump in demand.

Also, as a result, load factors are falling sharply, as demand falls faster than airlines are cutting frequencies and destinations.

Iata concluded by saying that the surge of activity to park older aircraft came to a halt at the end of the year,

"It seems that these aircraft have been priced back into the market by the fall of fuel prices, though filling them with passengers may be a challenge."

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KQ issues profit warning

KENYA Airways has announced an expected a 25% drop in profit for the year ending March 31.

In a statement released by the airline, it said this was a result of the current global economic crisis, fuel costs and the post-election violence in the beginning of 2008.

“Despite the recent downward trend in jet fuel prices, Kenya Airways has hedged a part of our fuel prices higher than the market. Hence, the benefits that accrue from the decline in jet fuel prices are being offset by the hedge costs thereby impacting the airline’s profitability. The weakening of the Kenya shilling has also increased the fuel costs which are US dollar denominated. Further, the aviation industry continues to experience a decline in passenger numbers,” the statement read.

The directors of the carrier, however, said that at this time they felt the airline would remain profitable, although at a lower level compared with the previous year.

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EY taking SA to Thailand

ETIHAD Airways, through its recently extended codeshare agreement with Bangkok Airways, will provide travellers in South Africa with convenient access to the Thai beach resorts of Koh Samui and Phuket.

The new codeshare services operate from Abu Dhabi to Bangkok with Etihad Airways, connecting with Bangkok Airways’ double-daily flights to Koh Samui and daily flight to Phuket.

Air travellers from Johannesburg are offered the convenience of both daylight and overnight services to Thailand, connecting through Etihad’s Abu Dhabi hub.

The airline says, by purchasing the entire itinerary on a single ticket, passengers will benefit from seamless connectivity and competitive pricing.

“Koh Samui and Phuket remain among the top 10 most popular beach destinations for South Africans, due in large part to the rand retaining good buying power in Thailand and the country’s visa-free status. We are pleased to offer our customers a more convenient option to reach their holiday destinations, travelling with the peace of mind provided by holding an Etihad ticket,” said Craig Thomas, manager South Africa for Etihad Airways.

Fares to Koh Samui and Phuket are available from R6 050, excluding airport taxes, fuel surcharges and government levies.

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EK London special

EMIRATES is offering a London special, valid for booking until February 20. Fares to London Gatwick are available from R4 579 and to London Heathrow from R4 707, including taxes.

