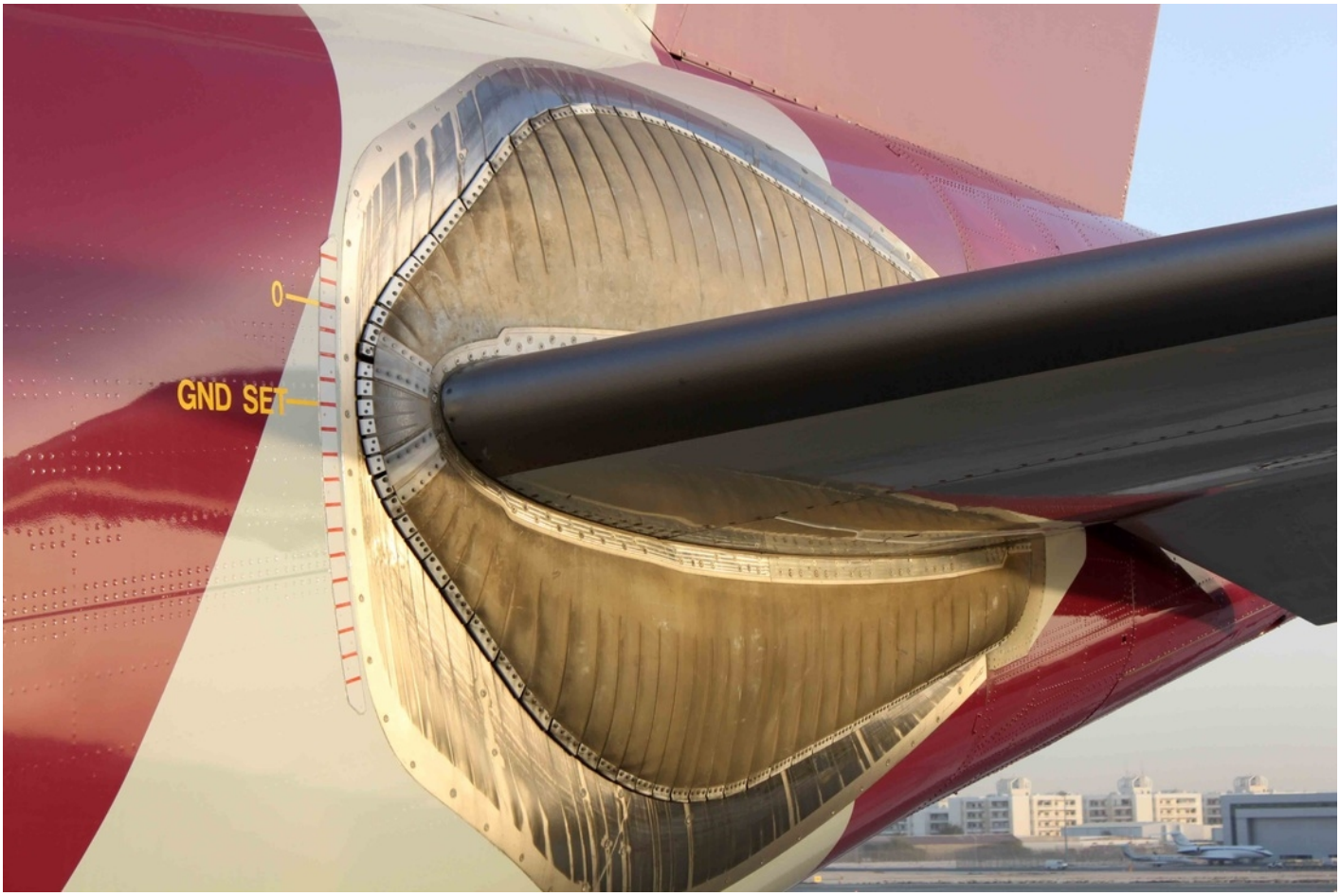
CHALLENGES REMAIN FOR AIRLINE INDUSTRY DESPITE BRIGHT OUTLOOK

News / Airlines



The airline industry looks forward to improved performance in 2016 on the back of a projected higher global GDP growth and lower oil prices, although some markets may slow down because of huge depreciation of their currencies against the rising dollar.

Recently, the International Air Transport Association, the global body of some 250 major airlines, announced its airline industry outlook for 2016, which sees an average net profit margin of 5.1% being generated with total net profits of US$36.3 billion.

IATA also revised its airline industry outlook for 2015 upwards to a net profit of US$33 billion (4.6% net profit margin) from US$29.3 billion forecast in June.

In 2016, total passenger numbers are expected to rise to 3.8 billion travelling over some 54,000 routes worldwide.

The three major GCC carriers, including Qatar Airways, are expected to continue providing a major thrust to the Middle East region's 12.5% growth forecast for next year in terms of passenger

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traffic based on revenue passenger kilometres (RPKs) and 12.2% growth in passenger capacity on available seat kilometres (ASKs).

Another major growth zone is India, which is leading the Asia-Pacific region's expected passenger capacity growth of 8.4% in 2016, IATA figures show.

"This is a good news story," said IATA's director general and CEO Tony Tyler at a global media event in Geneva.

"The airline industry is delivering solid financial and operational performance. Passengers are benefiting from greater value than ever with competitive airfares and product investments. Environmental performance is improving. More people and businesses are being connected to more places than ever. Employment levels are rising. And finally our shareholders are beginning to enjoy normal returns on their investments," Tyler said.

Also, the world's airlines are poised to end 2015 with "record" profits, figures show. The Geneva-based IATA estimates that the total fuel bill for airlines will fall more than US$88 billion this year from 2014. Jet fuel accounts for about 30% of airline costs.

IATA, however, acknowledges the issue of security, integral part of safety, and said, "the threat of terrorism is present and active and the sad reality is that the air transport industry -- despite being an instrument of peace -- continues to be a target".

Perhaps, no other region feels the effects of terrorism more acutely than the Middle East, where "regionally focused airlines are suffering from the impact of lower oil revenues and political conflict".

Alongside terrorism, another issue of great significance for the aviation industry seems to be the global effort to reach an agreement on climate change, at COP21 in Paris.

Currently, aviation contributes around 2% of all human carbon dioxide emissions, around 700mn tonnes last year.

In this context, it is heartening to note that the IATA-led industry has been pushing for a mandatory global carbon offset scheme as a key tool in achieving its carbon-neutral growth commitment from 2020.

Some results are already seen in terms of fuel efficiency, but certainly more needs to be done by the industry, if it is achieved its immediate goal of improving the fuel efficiency across the fleet by an average of 1.5% a year until 2020.

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