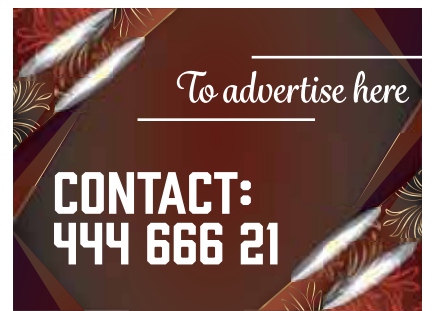




Higher jet fuel costs still pose challenge for airlines despite recent decline



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GULF TIMES BUSINESS



LIKELY TURNAROUND: Page 2

Saudi Arabia nears end of economic slump lasting four quarters

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QCB's sustainability strategy to develop ESG sukuk and bonds, says Fitch

By Santhosh V Perumal
Business Reporter

The Qatar Central Bank (QCB)'s sustainability strategy for the financial sector could develop ESG (environment, social and governance) sukuk and bond, as the medium-term growth potential for ESG debt issuance in the Gulf region remains promising according to Fitch, a global credit rating agency.

"This (the QCB's announced ESG and sustainability strategy) could facilitate the country's ongoing efforts in sustainable finance and could support the development of ESG sukuk and bonds," Fitch said in a report.

Earlier, Saudi Arabia, Malaysia, the UAE, and Oman had also launched ESG frameworks and initiatives.

The QCB strategy, which is in line with the Third Financial Sector Strategic Plan and as part of the Qatar National Vision 2030, suggests creating incentives for

financial institutions and capital market participants to issue sustainable products and promoting fintechs with positive environmental or social impact.

It is broadly based on three main pillars with the first pillar focusing on managing climate and ESG risks in the financial sector; the second encouraging capital investments in sustainable finance and the third aiming at incorporating ESG and sustainability practices into the QCB's internal operations.

In the Islamic finance core markets (GCC countries, Malaysia, Indonesia, Turkiye and Pakistan), ESG sukuk issuance rose 13% year-on-year to \$6.3bn at the end of first half (H1) of 2024.

However, in the same markets ESG bonds issuance declined by 34% on an annualised basis to \$7.8bn at end of H1-2024, the report said.

Sukuk accounted for about 45% of the total ESG debt mix in the same group of countries (across all currencies) in the review period, it

said, adding sukuk had a sizeable share of the hard-currency ESG debt mix in Indonesia (second quarter of 2024: 59%), Malaysia (52%) and Saudi Arabia (48%), with the rest in bonds.

About 69% (\$29.7bn) of all outstanding ESG sukuk was in hard currency – mostly US dollars – representing a sizeable share (12.9%) of global outstanding sukuk in H1-2024. The ESG sukuk in the GCC reached \$18.5bn outstanding, or 43% of global ESG sukuk.

Fitch said the medium-term growth potential for ESG debt issuance remains promising, fuelled by governments' increasing commitment to sustainability and issuers' aims to meet ESG mandates and funding diversification plans.

However, the ESG debt segment is at a much earlier stage of adoption than in developed markets. "We forecast both lower oil prices and interest rates cuts in the third quarter of 2024, which may contribute to a rise in debt, including ESG sukuk, over Q4-2024-Q1-2025," Fitch said.

The QCB strategy, which is in line with the Third Financial Sector Strategic Plan and as part of the Qatar National Vision 2030, suggests creating incentives for financial institutions and capital market participants to issue sustainable products and promoting fintechs with positive environmental or social impact



QNB holds workshop with Snapchat to enhance digital engagement strategies



QNB has hosted a workshop for its staff members in collaboration with Snapchat, one of the leading social media platforms, aiming to enhance its digital engagement strategies.

The workshop came as a part of the bank's efforts to develop its marketing strategy and communication plans. It included demonstrating key features, demographic and usage facts, content ideas and strategies, enhancing content and events through lenses and filters, snap ads, how banks can leverage Snapchat to connect with customers, interactive exercises and brainstorm ideas for the banks, snap solutions, organic presence on the platform, banking case studies, and a Q&A session.

Commenting on the workshop, Heba Ali al-Tamimi, senior executive vice-president, QNB Group Communications, said: "Empowering our team with cutting-edge insights, this workshop with Snapchat is a pivotal step in driving innovation and enhancing our digital engagement strategies. We are paving the way for a future of boundless creativity and success."



Ahead of Fed meet, QSE edges up but M-cap declines marginally

By Santhosh V Perumal
Business Reporter

Ahead of the US Federal Reserve meeting, the Qatar Stock Exchange (QSE) yesterday closed marginally higher on buying interests, especially in the banks and industrials counters.

The foreign funds were seen increasingly net buyers as the 20-stock Qatar Index was up 0.04% to 10,154.05 points, recovering from an intraday low of 10,127 points.

The domestic institutions' weakened net selling had its influence on the main market, whose year-to-date losses stood at 6.25%.

The foreign individuals' lower net profit booking also had its say on the main bourse, whose capitalisation was down QR0.05bn or 0.01% to QR586.98bn on the back of microcap segments.

The local retail investors were increasingly bearish in the main market, which saw no trading of exchange traded

funds (sponsored by Masraf Al Rayan and Doha Bank).

The Gulf institutions were also increasingly net sellers in the main bourse, which saw no trading of treasury bills.

The Gulf retail investors turned net profit takers in the main market, which saw no trading of sovereign bonds.

The Islamic index was seen gaining faster than the main barometer in the main bourse, whose trade turnover and volumes were on the increase.

The Total Return Index rose 0.15% and the All Islamic Index by 0.1% and the All Share Index by 0.09% in the main market.

The banks and financial services sector index shed 0.27%, industrials (0.17%), insurance (0.14%) and telecom (0.08%); while transport gained 0.59%, consumer goods and services (0.53%) and real estate (0.13%).

Major gainers in the main market included QLM, Qatar Islamic Bank, Djala, Qatar Islamic Insurance and Salam International Investment,

Ezdan Holding earns Q2 net profit of QR176.5mn

Ezdan Holding Group has earned a net profit of QR176.5mn during the second quarter of 2024 compared to QR161.3mn in Q1-2024. Earnings per share reached QR0.007 in Q2-2024 compared to QR0.006 in Q2-2023.

Nevertheless, more than 54% of the traded constituents were in the red with major losers being Nakilat, Al Meera, United Development Company, QIIB and Gulf Warehousing. In the venture market, both Al Mahhar Holding and Techno Q saw their shares depreciate in value.

The foreign institutions' net buying increased substantially to QR35.47mn compared to QR1.36mn on July 30. The domestic institutions' net selling weakened noticeably to QR0.45mn against QR8.89mn the previous day.

The foreign individual investors' net profit booking shrank markedly to QR0.56mn compared to QR1.36mn on Tuesday.

However, the Qatari individuals' net selling strengthened significantly to QR277mn against QR2.39mn on July 30.

The Gulf institutions' net profit booking expanded noticeably to QR5.36mn compared to QR0.95mn the previous day.

The Gulf individual investors turned net sellers to the tune of QR1.04mn against net buyers of QR0.51mn on Tuesday.

The Arab retail investors were net profit takers to the extent of QR0.36mn compared with net buyers of QR6.58mn on July 30.

The Arab funds had no major net exposure for the second straight session.

Trade volumes in the main market rose 8% to 114.66mn shares, value by 43% to QR403.3mn and transactions by 10% to 13,063. The venture market saw a 62% contraction in trade volumes to 0.69mn equities, 62% in value to QR1.42mn and 46% in deals to 82. Page 2



The foreign funds were seen increasingly net buyers as the 20-stock Qatar Index was up 0.04% to 10,154.05 points, recovering from an intraday low of 10,127 points



Fed holds rates steady, nods to possible September cut

■ Policy rate held steady in 5.25%-5.50% range
■ September rate cut in the cards
■ Fed describes inflation as 'somewhat' elevated

Reuters
Washington

The Federal Reserve held interest rates steady on Wednesday but opened the door to reducing borrowing costs as soon as its next meeting in September as inflation continues coming into line with the US central bank's 2% target. "There has been some further progress towards the Committee's 2% objective," the central bank's Federal Open Market Committee said in a statement at the end of a two-day policy meeting in which it kept its

benchmark overnight interest rate in the 5.25%-5.50% range, but also set the stage for a rate cut at its Sept. 17-18 meeting, just seven weeks shy of the Nov. 5 US elections. While Fed officials are wary of any actions that could mar their data-not-politics approach to setting monetary policy, the steady drop in inflation in recent months prompted a broad consensus that the inflation battle was near its end. Inflation, the Fed said, was now just "somewhat elevated," a key downgrade from the assessment that it has used throughout much of its battle against rising prices that inflation was "elevated." The central bank uses the personal consumption expenditures price index for its 2% annual inflation target. The PCE price index rose 2.5% in June after

exceeding 7% in 2022. In addition, the Fed removed standing language that it was "highly attentive to inflation risks," and replaced it with an acknowledgment that policymakers were now "attentive to the risks to both sides of its dual mandate," which includes a charge from Congress to maintain maximum employment consistent with stable prices. US central bankers have said it would be appropriate to reduce borrowing costs before inflation actually returns to their target to account for the time it takes monetary policy to affect the economy. So far the economy "has continued to expand at a solid pace," the Fed said in its latest policy statement, and while "job gains have moderated," the unemployment rate "remains low." But the jobless rate has been rising,

and policymakers have put more focus of late on avoiding the sort of sharp rise in unemployment often associated with high interest rates and slowing inflation. The Fed did not commit in its statement to a rate cut in September, and repeated that policymakers still need "greater confidence that inflation is moving sustainably towards 2%" before lowering borrowing costs. But the changes to the statement seem consistent with that confidence being reached by September, something investors have been expecting. The Fed raised rates aggressively from March 2022 to July 2023, hiking the benchmark rate by 5.25 percentage points to combat the worst outbreak of inflation in 40 years. The new policy statement was approved unanimously.

Turkiye keen to complete trade talks with GCC by end-2024, says ministry

Reuters
Ankara

Turkiye wants to complete negotiations for a free trade agreement with the Gulf Co-operation Council (GCC) by the end of the year, the Turkish trade ministry said on Wednesday, after Ankara hosted the first round of talks this week.

Ankara and the GCC agreed in March to hold the talks as Turkiye bids to broaden economic ties with the region. The ministry said the parties discussed goods trade, rules of origin, contracting, tourism and health, and that service trade and steps to facilitate investments were also evaluated.

"The sides have agreed to continue the talks through online meetings and to meet in Riyadh in the second half of the year for a second round of negotiations. The negotiations are aimed to be completed by the end of the year," it said in a statement.

Ankara already has a trade pact - a comprehensive economic partnership agreement - with the UAE. Turkiye's trade volume with the Gulf grouping stood at \$31.5bn in 2023, the ministry said, and the trade pact would help increase mutual investment and co-operation in various areas.

The GCC includes Saudi Arabia, the UAE, Qatar, Kuwait, Oman, and Bahrain.

Separately, the British Embassy in Ankara said on Tuesday that Britain wanted to resume trade talks with Turkiye from later this year after negotiations were stalled due to the UK general election early in July.

Saudi nears end of economic slump lasting four quarters

Bloomberg
Riyadh

Saudi Arabia's economy contracted at a slower pace before a likely turnaround starting this quarter ends a stretch of declines that began a year ago, as the effect of Opec+ oil production cuts begins to wane.

Gross domestic product shrank an annual 0.4% in the April-June period, according to preliminary data published by the General Authority for Statistics on Wednesday. That's an improvement from a drop of 1.7% in the previous three months.

Forecasts compiled by Bloomberg show the \$1.1tn economy is set to return to growth in the third quarter with a gain of almost 4%, in what would be the biggest acceleration since the end of 2022.

"We expect this to be the last quarter of deeply negative hydrocarbon sector growth," said Carla Slim, an economist with Standard Chartered Plc.

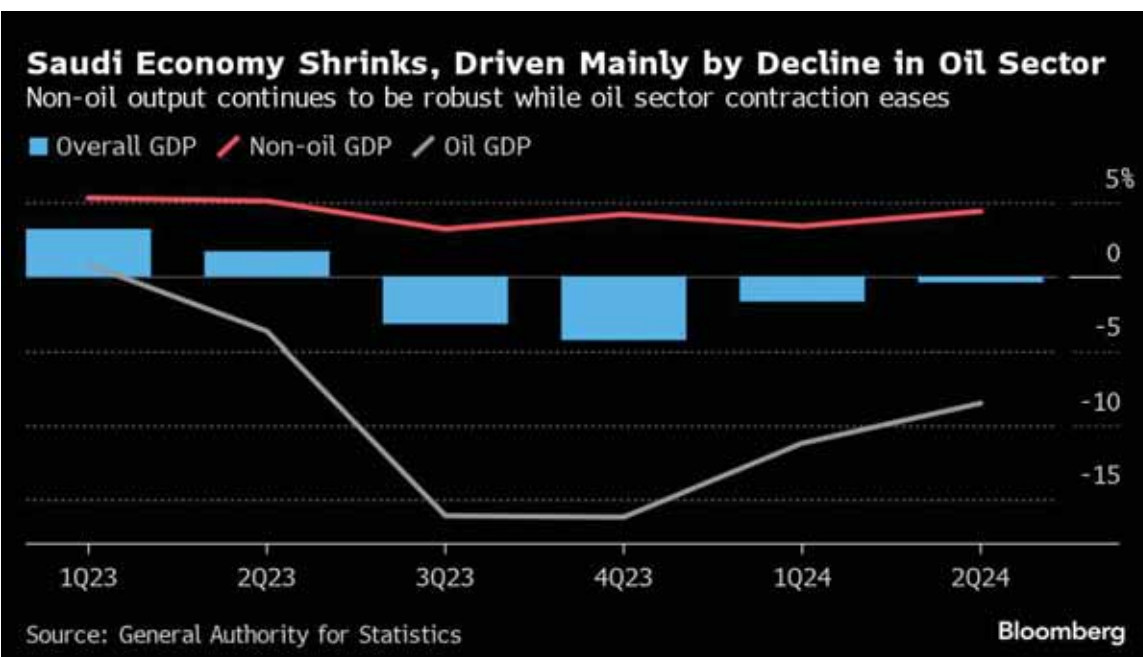
Officials have long focused on the health of Saudi Arabia's non-oil economy, which generates jobs for the bulk of the population but remains highly sensitive to the flow of petrodollars into government coffers.

The kingdom's second-quarter budget deficit came in at 15.3bn riyals (\$4.1bn), according to data by the Ministry of Finance on Wednesday, also showing just how reliant the government still is on hydrocarbon revenue. Authorities expect the budget will be in the red for at least several years.

Still, reversing a broader downturn has taken on more urgency for Crown Prince Mohamed bin Salman's Vision 2030 plan that will require hundreds of billions of dollars in new investments. The International Monetary Fund cut its estimate for Saudi GDP growth this year to 1.7% from 2.6% in April.

The overall decline last quarter was primarily driven by an 8.5% contraction in the oil sector. Activity in the non-oil economy grew by an annual 4.4%, up from 3.4% in the prior three months.

On a quarterly basis, economic growth was unchanged at 1.4% during the April-June period.



The logo of Saudi Aramco is seen at its headquarters in Dhahran. Saudi Arabia's economy contracted at a slower pace before a likely turnaround starting this quarter ends a stretch of declines that began a year ago, as the effect of Opec+ oil production cuts begins to wane.

"Despite their label, Saudi non-oil sectors depend on oil prices. Their growth rate tends to rise in tandem with the price of crude. Vision 2030 - which aims at diversifying the economy - hasn't changed that," according to Ziad Daoud, chief emerging-markets economist, Bloomberg Economics.

The Organisation of Petroleum Exporting Countries and its allies have been withholding supplies for almost

two years in a bid to prop up prices. Yet Brent crude is averaging around \$83.5 a barrel so far this year - lower than the price Saudi Arabia needs to balance its budget, which the IMF estimates at \$96.

Bloomberg Economics puts the break-even price at \$109, once domestic spending by the kingdom's sovereign wealth fund is taken into account.

Oil prices jumped on Wednesday

after Israel's attack on a senior Hezbollah commander in the Lebanese capital Beirut and the assassination of Hamas's political leader Ismail Haniyeh in Tehran. Brent crude rose to around \$80 after tumbling by 4.5% over the previous three sessions.

Geopolitics has long been a key concern for top Saudi officials like Finance Minister Mohamed al-Jadaan, who's called it the No 1 risk facing the global economy.

Subdued demand seen to keep oil prices steady despite geopolitical risks

Reuters
London

Analysts are holding their oil price forecasts largely steady for the second half of 2024, as geopolitical risks offset muted demand from major consumers like China, a Reuters poll indicated on Wednesday.

A poll of 36 analysts and economists surveyed by Reuters in the last two weeks forecast that Brent crude would average \$83.66 per barrel in 2024, and that US crude would hover at \$79.22, largely in line with last month's estimates of \$83.93 and \$79.72.

"Prices are expected to remain in the \$80-85 per bbl range supported by stable demand-supply dynamics," said analysts with CRISIL Market Intelligence and Analytics, adding that slower demand in Europe, coupled with improvement in Opec+ supply, will keep prices stable.

Brent crude was up 4.6% so far for the year, while US West Texas Intermediate crude rose 7.1% for the year. China's total fuel oil imports dropped by 11% in the first half of the year, data from earlier this month indicated. "China's oil demand is constrained by the prevailing economic challenges and the swift transition to electric mobility," while demand in the Western world is stagnating, said Julius Baer analyst Norbert Rucker. Analysts largely anticipate global oil demand growing by between 1mn and 1.5mn barrels per day in 2024, compared to the International Energy Agency's forecast of just under 1mn. While some analysts say geopolitical risks have waned in recent months, others say elevated geopolitical risk premiums are here to stay.

"The main geopolitical risks still stem from the war in Gaza, whether it be escalation of the conflict into a regional war or the threat to shipping posed by Houthi strikes in the Red Sea," said Matthew Sherwood, lead commodities analyst at EIU, said.

Participants in the poll also expect Opec+ to continue adhering to its plan to extend production cuts of 3.66mn bpd until the end of 2025, while phasing out additional cuts of 2.2mn bpd from October 2024.

Bloomberg QuickTake Q&A

What's a carry trade, and when is it not a moneymaker?

By Natasha Doff, Marton Eder and Anchalee Worrachate

Here's what sounds like a surefire way to improve an asset's returns: Use cheaper money to buy it. That's the core of what's known as a foreign-currency carry trade. Investors take advantage of a difference in interest rates between two countries to borrow where the rate is low and invest where it's high. Carry trades are especially popular when central banks in different parts of the world pursue diverging monetary policies, as one country might fight inflation while another seeks to boost growth. But be warned. The trades can also be a good way to lose large sums, given that exchange rates are prone to unpredictable corrections.

1. Why is it called a carry trade?

In finance speak, the "carry" of an asset is the return obtained from

holding it. So a carry trade involves buying a currency and "carrying" it until you make a profit.

2. How does it work?

According to economic theory, the strategy shouldn't work at all. High interest rates should imply that a country has poor economic fundamentals or faster inflation, and therefore its currency should depreciate. So the difference in interest rates between two countries should reflect the rate at which investors expect the high-interest-rate currency to depreciate against the low-interest-rate currency.

3. So why does it work?

In practice, yield-hungry investors are usually prepared to overlook poor fundamentals if the reward is high enough. The carry traders themselves then help to strengthen the high-interest-rate currency by investing in it. When that starts to happen, more investors want to get involved in the trade, helping

the currency advance even more. The theory doesn't always match reality. Sometimes, high interest rates come at a turning point when policymakers start to fix their economy, prompting appreciation in the country's assets.

4. What are some examples?

Investors have employed the trade for decades to make money betting on currencies including the South African rand, Hungarian forint and the Mexican peso. In 2018, Turkiye and Argentina emerged as carry trade venues because of their central banks' responses to their localised economic troubles. In 2022, traders saw an opportunity when a number of central banks in Latin America raised interest rates sharply in response to the inflation that followed the economic rebound from pandemic shutdowns, even as the US Federal Reserve and the European Central Bank left rates extremely low. And in 2024, thwarted expectations for

aggressive rate cuts by the Fed reignited bets on the dollar, using the beleaguered yen as a funding currency.

5. Who makes these trades?

Until the 1990s, the strategy was the realm of hedge-fund managers betting on obscure emerging-market currencies, and the term was little known in mainstream finance. Then the Bank of Japan cut its interest rates close to zero and traders across the world realised they could make a profit borrowing in yen to buy dollar-based assets. These days the strategy is the territory of investors in bonds and other fixed-income assets and trades are typically short-term, according to the Bank for International Settlements.

6. How do they do it?

The most common way to implement a carry trade is to borrow money in Country A, where interest rates are low, exchange it for the currency of Country B,

where rates are high, and invest in bonds in Country B. Investors who don't want or aren't able to invest in local-currency bonds can access carry returns through currency swaps and futures contracts, instruments that give payouts based on exchange-rate moves over time.

7. What are the returns like?

After adjusting for risk, some research suggests that the carry trade typically outperforms stocks. The Bloomberg Cumulative FX Carry Trade Index, which tracks the performance of eight emerging-market currencies versus the dollar, has had positive returns in 11 of the past 20 years - so gains by that measure are slightly more likely than a coin-flip.

8. What can go wrong?

Economists have likened the carry trade to picking up pennies in front of a steam roller - the money's there for the taking, so long as you don't dally and get crushed. Just

ask US hedge fund FX Concepts, which went bust in 2013 when it reacted slowly to decisions by central banks across the world to cut interest rates to virtually zero. Another good example is the yen-dollar carry trade of the late-1990s. In just one week in 1998, the yen rose 16% versus the dollar, reversing years of profitability for carry-trade investors who had borrowed in yen to invest elsewhere. The yen's sharp gain in July 2024 sparked a broad-based liquidation of global carry trades, hurting some emerging-market currencies that had benefited from the wager.

9. Why can trouble emerge so suddenly?

Reversals of fortune in carry trades can be triggered by a tightening of monetary policy in the low-interest-rate currency, an unforeseen event that reduces the attractiveness of the target currency or simply a realisation in the market that the target currency has become detached from economic fundamentals.

Airline's dumped climate goal opens door for industry to follow

Bloomberg
Wellington

Air New Zealand Ltd's decision to ditch its 2030 emissions target suggests more airlines will also have to confront a harsh reality: There's simply not enough sustainable fuel or new, more-efficient aircraft.

This double-whammy has left the world's commercial carriers, among the planet's biggest polluters, without their two best decarbonisation weapons. Global supply of sustainable aviation fuel will be just 0.5% of total fuel requirements this year, according to the International Air Transport Association (IATA).

At the same time, Boeing Co and Airbus SE can't make jets fast enough. Boeing, under pressure from regulators, has slowed output to improve quality. Airbus is so stretched it's even turning down orders. So while next-generation jets can consume 15-20% less fuel, wait times to get them delivered are years long.

It all means airlines like Air New Zealand have to fly older and dirtier planes for longer, while finding it almost impossible to fill them up with clean-burning fuel. The fact that SAF can be several times more expensive than conventional jet fuel doesn't make it any easier for carriers to hit near-term carbon targets.

Other airlines struggling to buy enough sustainable fuel may have to follow



An Air New Zealand aircraft flies over Auckland Airport. Air New Zealand's decision to ditch its 2030 emissions target suggests more airlines will also have to confront a harsh reality: There's simply not enough sustainable fuel or new, more-efficient aircraft.

Air New Zealand's example, said Jack Shepherd, Sydney-based sustainable fuels manager at Blunomy, an energy-transition consulting company. The fallout from such decisions would extend far beyond the next decade. If more airlines scrap interim emissions goals, fuel suppliers will be even less likely to invest in SAF production, said

Shepherd. At worst, aviation's mid-century goal of carbon neutrality also disappears from reach, he said. "If we're not on track in 2030, then the 2050 goal is going to be hard to achieve," he said. "When the general public is calling for a decarbonized world, it puts pressure on these airlines and their social license to operate."

The widespread production of SAF has been slowed by high costs, limited feedstock and patchy policy support. Much of the small volumes available are being produced in the US and Europe. Air New Zealand had wanted to cut carbon intensity by 28.9% by 2030 from a 2019 baseline, and has now begun work on a new near-term target. It still aims to hit net zero by mid-century.

The Auckland-based company may be one of the first airlines to publicly abandon an interim climate goal, but rumblings about whether aviation's targets can be hit have been getting louder.

Cathay Pacific Airways Ltd said this month that the enormity of the task had become clear, following talks with about 50 potential suppliers. "We have really witnessed how difficult it is for the SAF industry to take off," Grace Cheung, Cathay's general manager of sustainability, said in an interview.

Last year, Akbar al-Baker, then-chief executive officer of Qatar Airways, said even the industry's 2050 net-zero targets were unattainable.

SAF, made from waste fats or agricultural feedstock, could cut emissions by almost 80% if it fully replaces jet kerosene, according to airlines. They're betting their sustainable future on SAF because other fuel sources such as hydrogen or electric batteries remain far from commercialisation.

But even with aviation's commitment to

SAF, IATA in June cut its estimates for total SAF production in 2030 after finding that many projects were behind schedule.

IATA, which represent more than 300 airlines worldwide, said output had to increase by a factor of 1,000 by 2050. Yet IATA said such a rate of increase sounded almost implausible.

The Science Based Targets initiative, the world's top arbiter of corporate climate goals, does not include many of the biggest airlines on its list of companies with verified net-zero targets. Airlines including Iberia, Japan Airlines and British Airways-owner IAG SA no longer make the cut.

Meanwhile, decarbonising air travel is becoming an even larger job. Emissions from aviation are forecast to rise 82% by 2050 under BloombergNEF's base case Economic Transition Scenario, which assumes nations and companies rely on technologies that are currently economic. That would see the industry's share of global carbon dioxide pollution jump to about 6.7% from around 2.7% today.

When it comes to cutting emissions, it's time for airlines to acknowledge the limits of what's possible, according to Emirates President Tim Clark.

"We've got to have a grown-up conversation about what is achievable," Clark said in an interview at the Farnborough Air Show this month. "We shouldn't give up on it. We should just inject a sanity check."

Higher jet fuel costs still pose challenge for airlines despite recent decline

By Pratap John

The global average jet fuel price fell to \$98.68/barrel as of July 26, down 2.1% compared to the week before.

Jet fuel price, industry analysts say marked a significant 40% plus decrease from their peak in 2022.

This reduction is generally seen as a welcome shift for the aviation industry, which faced severe financial strains due to soaring fuel costs in the wake of the Covid-19 pandemic.

According to Statista, the current price of \$2.39 per gallon represents a substantial decrease from the 2022 highs, reflecting a more stable period for fuel costs.

However, the US Energy Information Administration (EIA) notes that current prices remain elevated compared to pre-pandemic levels, where prices were consistently between \$1.80 and \$1.90 per gallon in 2019.

Despite the recent decline, high fuel costs continue to pose a challenge for airlines, impacting their operational expenses and profitability, financial analyst Noris Soto wrote in Invezz, which is an online investor platform.

The recent drop in jet fuel prices provides some financial relief, but airlines are still grappling with the long-term impact of fuel costs.

"The complex interplay between fuel prices, consumer demand, and industry regulations influences airline ticket prices," Soto noted.

Elevated fuel costs, combined with significant taxes and airport fees, often get passed on to consumers, affecting ticket affordability.



An employee attaches a refuelling hose to an EasyJet passenger aircraft at London Southend Airport. The recent drop in jet fuel prices provides some financial relief, but airlines are still grappling with the long-term impact of fuel costs.

Beyond the Tarmac

Projections suggest that while jet fuel prices may remain stable, they will continue to impact the cost structure of airlines.

This ongoing economic uncertainty requires the industry to navigate challenges with resilience and adaptability.

According to Soto, airlines employ various strategies to manage the financial impact of fluctuating fuel prices. Fuel hedging is a key tactic, allowing airlines to

lock in fuel prices at favourable rates and shield themselves from sudden price spikes.

Additionally, airlines focus on operational efficiency improvements and fleet modernisation to reduce fuel consumption and lower costs.

Other strategies include adjusting ticket prices, flexible scheduling, and capacity management.

By implementing these meas-

ures, airlines aim to maintain operational stability and financial health despite volatile fuel markets.

Global body of airlines - IATA forecasts that the average cost of jet fuel in 2024 will be roughly \$2.7095/gallon, up from the \$2.6643/gallon average forecasted for 2023.

The jet fuel price is expected to average \$113.8/barrel in 2024, translating into a total fuel bill of \$281bn, accounting for 31% of all operating costs, IATA noted recently.

Fuel is a major cost component of operating an airline, often accounting for 20-30% of

operating costs, according to OAG, a UK-based global travel data provider.

Fuel is such a large cost for airlines that it is the focus of intense efforts across the industry to find efficiency improvements.

Such gains can take a variety of forms including replacing fleet with new aircraft, more efficient operations and efforts to persuade governments to remove the airspace and airport inefficiencies that waste around 5% of fuel burned each year.

Industry experts say fuel costs constitute roughly one-third of an airline's operating costs. Hence, a marginal change in crude oil prices can significantly impact its profitability.

Jet fuel prices have long driven airline profitability and the aviation industry as a whole, representing between 14% and as much as 31% of airline operating costs in the past decade, an estimate shows.

Consequently, airlines hedge a large portion of their annual fuel consumption at lower oil prices in order to protect themselves from the volatility in oil prices.

Many experts have called for increased use of sustainable aviation fuel (SAF) to tide over the crisis.

But according to IATA, the global production of sustainable aviation fuel (SAF) is only about 100mn litres a year, or 0.1% of all aviation fuel used.

Various airlines have, however, committed to bringing this figure to 10% by 2030, a truly ambitious goal.

■ Pratap John is Business Editor at Gulf Times. Twitter handle: @PratapJohn

Middle Eastern airlines see 9.6% y-o-y increase in June passenger demand: IATA

By Pratap John

Middle Eastern airlines saw a 9.6% year-on-year increase in passenger demand, data for June released by International Air Transport Association (IATA) has shown.

Capacity increased 9.4% year-on-year and the load factor was 79.7% (+0.1ppt compared to June 2023). Total (global) demand, measured in revenue passenger kilometres (RPK), was up 9.1% compared to June 2023. Total capacity, measured in available seat kilometres (ASK), was up 8.5% year-on-year. The June load factor was 85.0% (+0.5 percentage points (ppt) compared to June 2023). International demand rose 12.3% compared to June 2023. Capacity was up 12.7% year-on-year and the load factor improved to 85.0% (-0.3ppt on June 2023).

Domestic demand rose 4.3% compared to June 2023; capacity was up 2.1% year-on-year and the load factor was 85.0% (+1.7ppt compared to June 2023).

Domestic markets: Domestic demand increased in June, with solid growth in most key markets, bar Japan and Australia. Brazil posted the largest gain with 7.6% year-on-year growth.

Year-on-year June domestic ticket sales for July and August travel dipped -0.9%, pointing to a gradual moderation in demand back to pre-pandemic growth rates.

IATA's Director General Willie Walsh said: "Demand grew across all regions as the peak Northern summer travel season began in June. And with overall capacity growth lagging demand we saw a very strong average load factor of 85% achieved in both domestic and international operations. Operating with such high load factors is both good and challenging.

It makes it even more important for all the stakeholders to operate with equal levels of efficiency to minimise delays and get travellers to their destinations on schedule.

"As the Olympic Games unfold in Paris there is pride across the aviation industry for its continuing role in supporting the Olympic story by bringing many of the athletes, fans, and officials together.

It is a great reminder of how aviation transforms our very big world into a global community. We wish France every success as the host of the games and cheer all the athletes who will demonstrate the best of human endeavour over the next weeks."

Boeing names new CEO as it reports hefty loss

AFP
New York

Boeing named former Rockwell Collins chief Robert "Kelly" Ortberg (pictured) its next CEO yesterday, as the aviation giant reported a hefty loss on continued operational problems. Ortberg, 64, helped lead Rockwell Collins and integrate it into United Technology prior to his retirement from RTX in 2021.

His appointment, which will take effect August 8, comes as Boeing attempts to rebound from a series of safety and quality control problems that have sharpened scrutiny on the company.

Those difficulties were immediately visible in Boeing's second-quarter results released yesterday, a loss of \$1.4bn, compared with a loss of \$149mn in the year-ago period. Revenues fell 14.6% to \$16.9bn.

The quarterly results reflected a continued drag from Boeing's commercial division, where it has lowered production while upgrading safety and quality control practices under the close watch of regulators.

The latest results also showed significant weakness in its defence business due to a number of fixed price contracts where it



has experienced deep losses due to supply chain problems, as well as higher engineering costs and technical issues.

Boeing's press release listed four defence contracts behind an operating loss of \$913mn in the quarter.

Boeing has been in the hot seat since a January incident in which a 737 MAX operated by Alaska Airlines made an emergency landing after a fuselage panel blew out mid-flight.

Current leader Dave Calhoun ascended to CEO in January 2020 unexpectedly

following the ouster of predecessor Dennis Muilenburg amid fallout from the MAX crashes.

Calhoun appeared poised to stay CEO to 2028 until the January 2024 Alaska Airlines incident sparked outrage on Capitol Hill and concern among Boeing's airline customers, whose reported efforts to engage the board preceded Calhoun's announcement on March 25 that he would step down by the end of 2024.

Some names mentioned as CEO candidates such as GE Aerospace CEO Larry Culp and Spirit AeroSystems CEO Patrick Shanahan took themselves out of consideration.

At Boeing's annual meeting in May, Chairman Steve Mollenkopf vowed to find the "right" person to "regain the trust lost in recent times to get back on track." Aviation experts have said the next Boeing CEO should ideally have an aerospace background, experience managing big manufacturing projects, strategic smarts and a hands-on approach to safety.

Some have emphasised the need for an engineering background. Communications skills are also critical, in part to be able to navigate congressional hearings and other politically-oriented venues.

JetBlue deepens cost cuts in new CEO's turnaround plan

Bloomberg
New York

JetBlue Airways Corp will defer \$3bn in spending on new aircraft through 2029 in a sweeping plan by its new chief executive officer to restructure operations and return the beleaguered carrier to profitability.

The airline increased to 15 the number of cities where it's ending service, and has cut more than 50 routes to trim unprofitable flying from its network, it said as it reported second-quarter earnings on Tuesday.

JetBlue said it renegotiated its delivery schedule with Airbus SE in order to defer 44 A321neo aircraft originally scheduled for delivery from 2025 through 2029, expanding an earlier plan to push out spending on new planes. Those jets now won't arrive until 2030 and beyond.

The carrier's shares jumped as much as 10% in New York trading, their biggest intraday gain since February 13.

The moves are the latest by Chief Executive Officer Joanna Geraghty in a push to boost

pretax income by as much as \$900mn in the face of persistently high costs and diminished growth prospects following the breakup of multiple partnerships.

Geraghty took over from Robin Hayes early this year. She is working under scrutiny from activist investor Carl Icahn, who in February revealed a roughly 10% stake and began pushing to boost shareholder value. The company has since given his investment firm two board seats.

Geraghty has said her top priority is returning to consistent profits, which the carrier hadn't seen since 2019.

The company on Tuesday reported adjusted earnings of 8 cents a share for the second quarter, topping Wall Street expectations for a loss.

At the same time, the carrier said it expects lower revenue and higher non-fuel unit costs than analysts were expecting this quarter and for the full year.

The airline is now re-focusing its network on leisure customers in New York, New England, Florida and Puerto Rico, areas where it historically has had strong operations.