

# Surging oil prices to hurt airlines' profits: IATA

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IATA is set to release a lower profit forecast for the global airline industry, with rising fuel costs a key factor

Surging oil prices are forecast to dent airlines' profits and could significantly hurt their bottom lines next year, the boss of airline industry

group IATA warned Thursday.

Oil has been trading at 3.5-year highs recently amid concerns about supply disruptions caused by the United States' decision to quit the Iran nuclear deal and unrest in Venezuela.

The International Air Transport Association (IATA) is set to release a lower [profit](#) forecast for the global [airline industry](#) at its annual meeting in Sydney next week, with rising fuel costs a key factor.

"Significantly, probably next year," the group's chief executive Alexandre de Juniac told reporters in Sydney of the scale of the impact on carriers' profits.

IATA in December tipped record industry profits of more than US\$38 billion for this year when the price of a barrel of crude was at US\$60.

Since then, the price has steadily risen towards US\$80, prompting the revised outlook, although profits were "still positive" despite the pressure on earnings, de Juniac said.

"If it continues above US\$80, then it will bite hard... on the results of the airlines," he added.

"We see more forces pushing [prices](#) up than down."

Higher [oil prices](#) could see airlines pass the buck to passengers through increased fares, but de Juniac said that had yet to occur in a highly competitive market.

He also cautioned that the aviation sector was likely to be at the peak of its profitability cycle after nine years of gains, with infrastructure and labour costs as well as higher taxes also weighing.

Despite the concerns, the IATA chief said a possible fall in profits could be less steep than in previous boom-bust cycles as carriers had "significantly improved" their resilience in recent years.

"The airlines have been restructured and re-engineered properly to have stronger (profit and loss) and stronger balance sheets," he said.

IATA represents 280 airlines that make up 83 percent of global air traffic.

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