

Lufthansa stem losses with transatlantic demand, cargo

A Monitor Report

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Berlin : Lufthansa group's airlines continued to burn cash during the second quarter of the year, yet they believe a recovery, fueled first by transatlantic demand, is growing and will be solidly underway by the end of 2021.

The group's network carriers, which in addition to Lufthansa include Swiss, Austrian, and Brussels Airlines, report the transatlantic market has once again become Lufthansa's most profitable market. Despite the fact, traffic almost completely originates in the US.

The Biden administration is expected to lift the restrictions on European citizens entering the US, which Lufthansa Group CEO Carsten Spohr said would boost strong demand for travel.

Business travel, which now is a small fraction of 2019 levels, is showing some signs of strength.

However, business travel is expected to return more slowly in Europe than in the US, where carriers are forecasting that business travel could be 60 per cent of 2019 levels in the next quarter, Spohr admitted on the company's second-quarter earnings call on August 5. He pointed to intra-European travel restrictions for the disparity.

Nevertheless, the group's real area of strength was short-haul European traffic,

particularly to leisure destinations. Spohr said the carrier will continue to allocate capacity to leisure destinations, both short-haul and long-haul, through this year.

Visiting friends and relatives traffic also is picking up, particularly to Africa and South and Central America.

Asia-Pacific traffic remains depressed, although Spohr believes it will start to recover by the end of the year as vaccination rates in several Asian countries ramp up and travel restrictions begin to fall.

Capacity gradually is coming back online. In its network airlines group, Lufthansa's capacity at the beginning of the quarter was 25 per cent of the same period on 2019, but had risen to 40 per cent by the end of the quarter.

However, the real star was Lufthansa Cargo. The unit delivered record profits in the quarter, EUR 326 million (USD 386 million), up from EUR 299 million in 2020.

Spohr attributed the growth to ever-increasing demand for e-commerce shipments, especially in Europe. Lufthansa Cargo reported EUR 640 million in profits in the first half and is on track to report EUR 1 billion in profits by yearend, "higher than ever before in the history of Lufthansa Cargo," Spohr said.

Lufthansa reported a second-quarter loss of EUR 952 million, which is a 43 per cent improvement over last year.