AVIATION SPECIAL | Page 4

Multiple headwinds soften global air cargo demand

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GULF TIMES
BUSINESS

PSA DATA : Page 2

Strong annual growth in building permits issued in October

S&P upgrades Commercial Bank rating to 'A-'; outlook is stable

S&P Global Ratings has raised its long-term issuer credit rating on the Commercial Bank to 'A-' from 'BBB+' and affirmed the 'A-2' short-term rating. The outlook is stable.

According to S&P, "We believe that Commercial Bank's stand-alone credit worthiness has strengthened, given improved asset quality and lower exposure to high-risk sectors and geographies."

The ratings agency also highlighted the key role of the Qatari authorities in providing support to the bank, as stated in the report: "The government's plan to reduce its debt ratios implies lower lending opportunities for the banking system. At the same time, we believe that system-wide asset-quality indicators will remain stable at contained levels over 2023."

Commercial Bank Group Chief Executive Officer Joseph Abraham said, "This upgrade in Commercial Bank's rating by S&P reflects the bank's strategy in continuing to reduce risks on its balance sheet while maintaining strong capitalisation. For Commercial Bank, S&P's stable outlook reflects the bank's improved quality of earnings generation, strong capital and liquidity and the focused execution of our five-year strategic plan."

Commercial Bank is also rated by Moody's at 'A2/P-1' and Fitch at 'A-/F2', both with stable outlook.

Commercial Bank Group headquarters at West Bay.

Sheikh Faisal bin Thani al-Thani, Lesha Bank chairman, and Abdulrahman Totonji, Lesha Bank CEO.

Lesha Bank announces acquisition of Phase 2 of a company HQ in Ohio

Lesha Bank has announced the acquisition of Phase 2 of a company headquarters (the campus) in Columbus Ohio in the US.

This follows the successful acquisition of Phase 1 of the campus in May 2021, as part of the bank's strategic focus on expanding in the US real estate market.

The campus is the second phase of the two-building property completed in October 2022. The smart designed building is a fully built-to-suit 200,000sq-ft trophy office with striking architecture.

It aims to be one of a handful of buildings in the US to achieve both LEED and WELL platinum certifications. The building is 100% leased on a long-term basis. The tenant is an American company operating in the health information technology sector, the parent company of which is a Fortune 100 company.

This deal marks the bank's 12th Shariah-compliant real estate acquisition in the US since its first purchase of a multi-family residential building in 2017. The acquisition of this campus reaffirms the bank's ambition to invest in the US. Going forward, Lesha Bank intends to leverage its position for further growth and penetration in this sector.

Sheikh Faisal bin Thani al-Thani, Lesha Bank chairman, said, "We take pride in the acquisition of this trophy asset, another significant milestone in Lesha Bank's continuous efforts to build on its Shariah-compliant real estate investment portfolio. The acquisition is a solid validation of our strategy in acquiring high-quality assets aligning with Lesha Bank's aim to invest in premium, income-producing assets in the US market."

Abdulrahman Totonji, Lesha Bank CEO, added: "We are very happy with the acquisition of this landmark deal, which is an architectural landmark for the city of Columbus, Ohio. At Lesha Bank, we are committed to diligently sourcing investment opportunities in the US and beyond with the aim to support the needs of our investors".

Lesha Bank, formerly known as Qatar First Bank, is the first independent Shariah-compliant bank authorised by the QFC Regulatory Authority and a listed entity on the Qatar Stock Exchange.

Qatar Chamber chairman calls for bolstering Arab economic integration

Qatar Chamber chairman Sheikh Khalifa bin Jassim al-Thani led the chamber's delegation, which participated in the 59th meeting of the Federation of Gulf Co-operation Council Chambers (FGCCC) and in the 133rd board of directors meeting of the Union of Arab Chambers (UAC), which concluded yesterday in Kuwait.

The delegation included board members Mohamed bin Mahdi al-Ahbabi and Mohamed bin Ahmed al-Obaidly, as well as Saleh bin Hamad al-Sharqi, general manager; Alsayed Rajab, the chairman's adviser; Dr Mohamed Ibrahim, economic adviser; and Mohamed al-Mohannadi, the director of the General Manager's Office.

The FGCCC meeting discussed many topics in connection with enhancing economic and trading links between GCC states, in addition to revitalising the role of the private sector in the Gulf economy to help maximise intra-Gulf trade.

It reviewed the final financial accounts and a comparative report between the revenues and expenses of the Federation's general secretariat for 2021 and updates on the construction of the new headquarters, as well as a draft work programme and the draft estimated budget of the general secretariat for 2023.

On the other hand, the UAC meeting discussed the enhancement of mutual investments between Arab countries, the most prominent obstacles facing the intra-Arab trade in light of digital transformation, the requirements of sustainable development, and global challenges, as well as emerging challenges in global trade and opportunities available for the Arab economy.

On the sidelines of the meetings, the Crown Prince of Kuwait Sheikh Mishaal al-Ahmad al-Jaber al-Sabah met with the heads of the participating delegations, including Sheikh Khalifa.

In press statements, Sheikh Khalifa stressed the importance of achieving economic integration between GCC states and enhancing the role of the Gulf private sector in economic activity, as well as underpinning the mutual investments between member states.

Sheikh Khalifa stressed the FGCCC's role in addressing all issues related to strengthening co-operation between the Gulf chambers for the benefit of the Gulf economy.

He also underscored the importance of facilitating intra-Arab trade by combating obstacles that might hinder its development, pointing to the great potential of Arab countries in achieving Arab economic integration.

Qatar Chamber chairman Sheikh Khalifa bin Jassim al-Thani with the chamber's delegation during the 59th FGCCC meeting and in the 133rd board meeting of the UAC, which concluded yesterday in Kuwait.

BUSINESS

Carbon footprint reduction in LNG production, supply facilities: Advantage Qatar

By Dr Tristan Clube

It is now widely acknowledged that Qatar will be one of the key beneficiaries of the agreements signed at COP26. LNG is clearly now well placed as a key transitional energy source with a healthy demand profile that now extends multiple decades rather than being viewed as a short term fix that can easily be eliminated by the growth in renewables capacity.

This future demand profile can be further buttressed by demonstrating that the whole supply chain can minimise emissions and at the same time work towards a carbon neutral profile. Qatar should have the capital and ambition to achieve such a goal.

One of the outcomes of the sad events in Ukraine is that we can now be more confident that Qatar will now become a major exporter of LNG into Europe and strategically will become the global supplier of choice. It also now seems assured that substantial volumes will be transacted on long term contracts with higher 'slope' prices.

Qatar is in the enviable position of being the major supplier with large volumes open to longer term contracts over the next five years. This includes the Qatar-owned Golden Pass export facility in the US, which will offer significant LNG volumes from 2024.

Exactly where contract pricing will ultimately be set is still uncertain but it is now clear that the 10-15 year contracts signed by Chinese buyers at the end of last year could well have set a precedent in terms of duration. European consumers are still influenced by the more recent history of the spot market and the potential of regulating their own domestic prices through price caps.

Time favours Qatar as Russia cuts supply volumes and a gap of potentially over 100mt annual demand will need to be filled across Europe.

Qatar-related exports linked to new capacities can satisfy two thirds of this supply shortfall. One of the most critical features underpinning shorter term demand will be the need to displace the renewed requirement for coal fired power generation, which contravenes all environmental norms of recent times.

The pricing of long term LNG contracts will remain a complex area but one could extrapolate that prices could diverge based on carbon intensity and emission profiles. This should benefit Qatar, which is actively reducing its carbon footprint throughout the LNG production and supply train.

The baseline at the outset for Qatar is favourable to say, shale based-gas, and given technological developments in plugging carbon emissions, the scope for premium pricing remains a realistic objective. As the long term contract market matures, the return on investment in terms of reducing emissions and carbon capture could be considerable. One outcome of the increasing confidence in signing longer term contracts related to the North Field Expansion is that the revenue flow that will accrue to Qatar Inc will become clearer and enable longer term planning and investment.

Qatar will continue to move in diametrically the opposite direction to many economies, which are burdened by higher debt, higher taxes and structural inflation.

Qatar will present a stable economic platform characterised by declining debt, substantial reserves, a sound currency and an ability to regulate key input prices. Investment trends will be dictated by government policy and a likely transformation towards a knowledge and serviced-based economy seems assured.

It would seem logical to emphasise the development of technologies related to carbon capture and emission reduction, which in turn will enable the mutually beneficial efforts to secure the primary market at favourable and potentially premium prices.

Qatar is already making waves in alternative energy sources and will inevitably become a leader in conjunction with its energy partners in certain renewables and achieving net-zero carbon targets.

The ambitious domestic programme for solar, significantly displacing domestic conventional energy sources thereby reducing carbon intensity at a time of accelerating LNG production is a good example. This in turn can enable green hydrogen to join blue hydrogen as a principal export and local energy/feedstock source.

Capital market development should be at the centre of this strategy.

Through the development of an ecosystem of private and university sector collaboration, Qatar has the potential to scale technologies and introduce targeted venture capital.

Eventually new external development and listed capital can be attracted into this ecosystem. Qatar can leverage its capital surpluses towards enhancing this ecosystem through consolidation, M&A and encouraging entrepreneurship. This process could be enhanced if domestic institutional capital evolves towards stable, longer term investment involving fundamental research strategies more akin to the Singapore or the US endowment model. Currently, local institutional capital tends to have more short term trading characteristics.

Qatar has the prospect of differentiating itself from neighbouring GCC markets by concentrating on LNG as a principal underpinning to the economy and thereby somewhat disassociating itself from the vagaries of spot oil and more volatile budgetary positions.

In summary, developments over recent months have further strengthened the case for enhancing the long term revenue flow into Qatar. Given all the infrastructure investments to date prior to the World Cup, the realignment of investment domestically should be towards 'soft' infrastructure including technological and human capital development.

Through targeting carbon reduction in the LNG supply chain and downstream sectors, Qatar can extend the life and economic benefits of the principal export, which in turn will create asset wealth for future generations.

■ *Dr Tristan Clube is the managing director of UK-based Tethys Advisors Ltd.*

Strong annual growth in building permits issued in October: PSA

By Santhosh V Perumal
Business Reporter

Qatar's construction sector presented a rosy picture in October, explained by a robust double-digit year-on-year rise in building permits issued, according to PSA data.

Qatar's construction sector presented a rosy picture this October, explained by a robust double-digit year-on-year rise in the building permits issued, according to the official data.

The total building permits issued saw a 41.9% growth on an annualised basis with those issued in Doha having more than doubled in the review period, said the Planning and Statistics Authority (PSA).

A total of 972 building permits were issued in October this year with Al Rayyan, Doha and Al Wakra constituting more than 70% of the total.

Total building permits issued in Doha saw a huge 125.2% surge on a yearly basis, followed by Al Rayyan (56.2%), Al Daayen (36.6%), Al Wakra (14.9%), Al Shamal (12.5%) and Umm Slal (5%); even as Al Khor reported 12.5% decline and Al Shahaniya (8.3%).

The building permits data is of particular importance as it is considered an indicator for the performance of the construction sector which in turn occupies a significant position in the national economy.

Of the total number of new building permits issued, Al Rayyan constituted 264 permits or 27% of the total, Doha 232 (24%), Al Wakra 185 (19%), Al Daayen 153 (16%), Umm Slal 63 (6%), Al Khor 35 (4%), Al Shahaniya 22 (2%) and Al Shamal 18 (2%).

On a monthly basis, the total building permits in the country issued saw a 10% increase with Al Daayen witnessing 32% jump, Umm Slal (24%), Al Wakra and Al Shamal (13% each), Al Shahaniya (10%), Al Rayyan (6%) and Doha (2%); whereas Al Khor registered a 13% contraction.

The new building permits (residential and non-residential) constituted 37% (355 permits) of the total issued in October 2022, additions 61% (595 permits) and fencing 2% (22 permits).

Of the new residential buildings permits, villas topped the list, accounting for 91% (252 permits) of the total, dwellings of housing loans 4% (11) and apartments 4% (10).

Among the non-residential sector, commercial structures accounted for 58% or 45 permits, the industrial buildings as workshops and factories 23% (18 permits) and governmental buildings 8% (six permits).

Qatar saw a strong 50.1% year-on-year expansion in the total building completion certificates issued in October 2022 with Al Shahaniya witnessing 127.3%, Umm Slal (105.6%), Al Wakra (74.6%), Al Daayen (71.4%), Al Khor (55.6%), Al Shamal (50%), Al Rayyan (26.7%) and Doha (13%).

The country saw a total of 515 building completion certificates issued in October 2022, of which 421 or 82% was for the new buildings (residential and non-residential) and 94 or 18% for additions.

Of the total number of new building completion certificates issued in the review period, Al Wakra constituted 24% or 124 certificates, Al Rayyan 22% or 114, Al Daayen 21% or 108, Doha 17% or 87, Umm Slal 7% or 37, Al Shahaniya 5% or 25, Al Khor 3% or 14 and Al Shamal 2% or six certificates.

Of the 314 residential buildings completion certificates issued, as many as 250 or 83% were for villas and 39 or 12% for apartments.

Of the 250 villas completion certificates issued this October, as many as 72 were in Al Rayyan, 56 in Al Daayen, 53 in Al Wakra, 27 in Umm Slal, 21 in Doha, eight each in Al Khor and Shahaniya and five in Al Shamal.

In the case of 39 apartments, Doha issued 21 certificates, Al Rayyan 12, Al Daayen five and Al Khor one.

55% year-on-year rise in Qatar's hydrocarbon revenue estimated in 2022, says S&P

By Pratap John
Business Editor

S&P estimates a 55% year-on-year rise in Qatar's hydrocarbon revenue in 2022, with non-hydrocarbon revenue also buoyed by the additional economic activity associated with the World Cup and recovery after the Covid-19 pandemic.

High oil prices should result in strong government surpluses in 2022-2023, at about 13% of GDP in 2022 and 6% in 2023.

The general government balance includes the central government's budgetary position, and small deficits of about 0.2% of GDP at the social security system level.

In the first six months of 2022, the fiscal surplus was recorded at QR47bn, compared with a budgeted deficit of QR8.3bn for the year, S&P said in its ratings upgrade report.

According to S&P the government intends to reduce its overall debt-to-GDP ratio and to rebalance the share of foreign currency debt in the total, aiming for 50%, down from 58% in 2021

On November 4, S&P Global Ratings raised its long-term foreign and local currency sovereign credit ratings on Qatar to 'AA' from 'AA-' and affirmed its short-term foreign and local currency sovereign credit ratings at 'A-1+'. The outlook is stable.

As S&P oil price estimates fall to $55/b, it expects a deficit of about 4% of GDP on average in 2024-2025.

"We expect government revenue to continue to be largely driven by gas production and oil prices. We also expect government expenditure to remain broadly flat, at about 30% of GDP over 2022-2025.

During the four years to 2019, expenditure averaged about 35% of GDP.

"Our expectation of additional expenditure restraint over the forecast period through 2025 largely relates to our assumption that government spending on capital projects of about 10% of GDP in 2022 will decline to about 7% of GDP by 2025, given that many large infrastructure projects will have been completed, such as Doha's new metro and tram system."

According to S&P the government intends to reduce its overall debt-to-GDP ratio and to rebalance the share of foreign currency debt in the total, aiming for 50%, down from 58% in 2021.

"We expect the government's debt-repayment strategy to reduce total general government debt to 27% of GDP by 2025, from 49% in 2022.

"The government will repay the debt from cash surpluses partly accumulated from past Eurobond issuance. The government's net asset position will remain a rating strength, averaging 110% of GDP over 2022-2025."

QSE extends gains to inch near 12,700 levels; M-cap adds QR1.98bn

By Santhosh V Perumal
Business Reporter

The Qatar Stock Exchange yesterday gained another 30 points and its key index inched near 12,700 levels, mainly on the back of buying interests in the telecom and insurance sectors.

The local retail investors were seen net buyers as the 20-stock Qatar Index rose 0.24% to 12,663.89 points, recovering from an intraday low of 12,586 points.

The Arab individuals were increasingly net buyers in the market, whose year-to-date gains improved further to 8.93%.

The Gulf retail investors turned bullish in the main bourse, whose capitalisation saw QR1.98bn or 0.28% increase to QR706.6bn, mainly on the back of small and midcap segments.

The Islamic index was seen gaining faster than the other indices in the market, which saw a total of 0.15mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.49mn changed hands across 10 deals.

Trade turnover volumes were seen declining in the main market, while the junior bourse saw increased trade turnover and volumes.

The foreign funds continued to be net buyers but with lesser intensity in the bourse, which saw no trading of sovereign bonds.

The foreign individuals turned net profit takers in the main market, which saw no trading of treasury bills.

The Total Return Index grew 0.24% to 25,939.75 points, the All Share Index by 0.26% to 4,035.34 points and the Al Rayan Islamic Index (Price) by 0.29% to 2,793.48 points.

The telecom sector index shot up 1.04%, insurance (0.75%), consumer goods and services (0.58%), transport (0.39%) and banks and financial services (0.36%); while real estate declined 0.76% and industrials (0.19%).

Major gainers in the main market included QLM, Qatar Oman Investment, QIIB, Al Khaleej Takaful, Inma Holding, Woqod, Qatari Investors Group, Mesaieed Petrochemical Holding, Mazaya Qatar, Ooredoo, Gulf Warehousing and Milaha.

In the venture market, Mekdam Holding saw its shares appreciate in value.

Nevertheless, Qatar Industrial Manufacturing, Baladna, Qatari German Medical Devices, United Development Company and Commercial Bank were among the losers in the main market.

The local retail investors turned net buyers to the tune of QR6.13mn compared with net sellers of QR3.59mn on November 8.

The Arab retail investors' net buying increased perceptibly to QR2.15mn against QR0.69mn the previous day.

The Gulf individuals were net buyers to the extent of QR1.31mn compared with net sellers of QR1.87mn on Tuesday.

The domestic institutions' net profit booking weakened markedly to QR43.16mn against QR52.55mn on November 8.

The Gulf institutions' net selling decreased perceptibly to QR18.52mn compared to QR21.06mn the previous day.

However, the foreign individuals turned net profit takers to the extent of QR1.91mn against net buyers of QR1.11mn on Tuesday.

The foreign institutions' net buying decreased substantially to QR54mn compared to QR77.27mn on November 8.

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

Total trade volume in the main market declined 32% to 105.03mn shares, value by 24% to QR426.92mn and deals by 19% to 15,743.

The venture market saw trade volumes more than double to 0.09mn equities and value double to QR0.68mn on 38% jump in transactions to 40.

The local retail investors were seen net buyers as the 20-stock Qatar Index rose 0.24% to 12,663.89 points yesterday, recovering from an intraday low of 12,586 points.

Turkish Airlines plans to spin off low cost AnadoluJet operation

Bloomberg
Istanbul

Turkish Airlines plans to carve out short-haul brand AnadoluJet into a standalone company as demand rebounds from the coronavirus crisis. The unit is currently flying with occupancy levels approaching 90%, compared with around 80% for the group as a whole, making it ripe for expansion, Turkish Airlines chairman Ahmet Bolat said in an interview.

"Under current market-demand dynamics it is much easier to spin off AnadoluJet as a separate unit to boost its growth," Bolat said in Istanbul at an International Air Transport Association conference.

The new company would initially be 100% owned by shareholders of Turkish Airlines, in which the state has a 49% holding, though the spinoff would make a future stake sale, listing or other fund-raising move faster and easier. Shares of Turkish Airlines rose as much as 7.7% and were trading 5.8% higher in Istanbul. The stock's value has increased more than fivefold this year.

AnadoluJet was founded in 2008 and operates a fleet of 63 narrow-body planes, more than 50 of them Boeing Co 737-800s, supplemented by more modern 737 Max jets originally destined for Russia's S7 before it was sanctioned after the invasion of Ukraine. It also has a handful of Airbus SE A320neos.

Turkish Airlines plans to carve out short-haul brand AnadoluJet into a standalone company as demand rebounds from the coronavirus crisis

AnadoluJet, which has operated somewhere between a discount carrier and a regional airline, has its main base at Sabiha Gökçen airport on the Asian side of Istanbul and serves mainly domestic destinations, though Bolat said it will add more routes to European cities following the spinoff.

Plans for a similar separation of the Turkish Airlines cargo operation have been slowed, however, the executive said, reflecting waning investor interest in the sector, so that a spinoff would deliver only "marginal contribution."

The business ranked fourth in the world among freight operations at passenger airlines in 2021, according to IATA. Turkish Airlines, or Turk Hava Yollari AO, will increase frequencies to North America, the fastest growing part of the overall business, according to Bolat, who spoke at IATA's Wings of Change Europe event. The market contributed 22% of revenue in the third quarter, up from 15% pre-pandemic.

Asia traffic, which the company links with the rest of the world via an Istanbul hub offering more destinations than any other airport, is yet to pick up, though there are signs of recovery, especially in China and Japan, Bolat said.

"We have been diverting our business to other areas as Asia still lags far behind the global recovery," he said.

Cathay Pacific appoints Ronald Lam as its new CEO to lead revival

Bloomberg
Hong Kong

Cathay Pacific Airways named customer chief Ronald Lam as its new chief executive officer to replace Augustus Tang.

Lam, 50, will take over on January 1, Cathay said in a statement Wednesday. He faces the challenge of leading the 76-year-old carrier out of the mire caused by Covid travel restrictions, which plunged it into crisis and sparked a HK$39bn ($5bn) recapitalisation backed by the Hong Kong government.

Cathay's announcement confirmed an earlier Bloomberg News report on Lam's appointment as CEO.

"I have been impressed by his long-term vision for the company, his intellect, and his determination to see the group succeed. He is without doubt ready to lead our organisation," Cathay Pacific Chairman Patrick Healy said in a statement.

The airline said Lam will lead the airline through its post-Covid recovery and into a new phase of expansion with the addition of a third runway at Hong Kong International Airport.

Lam joined Cathay as a trainee in 1996 and rose up the ranks to become joint-second-in-command, serving as chief customer and commercial officer, overseeing the bulk of the airline's commercial and revenue-generating activities. He is also chairman of Cathay's budget carrier HK Express.

"Lam is the obvious choice given his experience and what will be required to successfully navigate Cathay Pacific in the post-pandemic era and improve the group's long-term position," Singapore-based aviation consultant Brendan Sobie said.

In the depths of the pandemic, Cathay was only operating at about 2% of its usual passenger capacity due to Hong Kong's strict curbs on travel, including mandatory hotel quarantine of as long as 21 days. The government has recently eased those rules, leading to a jump in air travel, though Cathay is still operating at about only 16% of pre-Covid levels, compared with 73% for regional rival Singapore Airlines Ltd. Cathay has lost more than HK$33bn since early 2020.

"This will not be an easy job for Lam by any imagination," Sobie said. "But Cathay Pacific has a very strong brand and very strong shareholders so it will eventually emerge from the challenges of the last few years."

Tang took over from Rupert Hogg as CEO in 2019, facing the fallout of anti-government protests in Hong Kong that ensnared the airline and led to a drop in travel to the city. Only a few months later, Covid came.

While Tang ends a 40-year career at Cathay, which the airline described as a retirement, he will join main shareholder John Swire & Sons in Hong Kong in a new role on the same day as Lam starts as CEO next year.

In 2019, Lam led the takeover and integration of HK Express and he now oversees the airline's Covid recovery taskforce. He also devised an e-commerce pivot to promote non-airline activities under a single Cathay brand.

The appointment of Lam as CEO is likely to maintain Cathay's focus on customer experience as it increases capacity into 2023, Bloomberg Intelligence analyst Eric Zhu said.

In other changes to senior management, chief operations and service delivery officer Greg Hughes, 61, will also retire and be succeeded by 50-year-old Alex McGowan from April 1, 2023. McGowan is currently the airline's director of service delivery - which oversees functions such as cabin crew. Lavinia Lau, 52, succeeds Lam as chief customer and commercial officer.


The national airline reopened its 'Premium Lounge' doors for Qatar Airways and oneworld passengers travelling in first and business class departing from Suvarnabhumi Airport in Bangkok

Qatar Airways reopens 'Premium Lounge' doors in Bangkok for QR, oneworld passengers

The national airline reopened its 'Premium Lounge' doors for Qatar Airways and oneworld passengers travelling in first and business class departing from Suvarnabhumi Airport in Bangkok.

The lounge overlooks the airports' extensive manicured gardens and views of the terminal's remarkable external architecture. Dedicated facilities allow passengers to revitalise before starting their travels; spacious showers are available for rejuvenation with exclusive amenities crafted by the renowned French perfumier, Diptyque.

Inaugurated in February 2018, Qatar Airways Premium Lounge in Bangkok takes inspiration from modern Arabian design and Thai hospitality, where passengers are welcomed into an oasis of tranquillity.

The Premium Lounge features two expansive dining areas – 'The Brasserie' for a formal dining experience offering a range of international cuisines from an à la carte menu and 'The Global Deli' for a more relaxed buffet style dining. The buffet features a selection of hot and cold dishes and an appealing appetiser selection of some of the renowned Arabic classics including tabbouleh, hummus and muhamara.

Qatar Airways Premium Lounge in Bangkok is a "haven" for passengers departing from Bangkok; it complements the award-winning services the airline offers on its first and business class cabins. Currently, the airline operates some 21 weekly flights to Bangkok using Airbus A380 and Boeing B777 aircraft, in addition to its 10 weekly flights to Phuket.

In April, Qatar Airways extended its collaboration with Thai celebrity chef, Ian Kittichai, to launch a refreshed menu of Thai signature dishes for passengers departing from Bangkok and Phuket. Continuing the partnership established in 2019, the new and refreshed menu features entrees, main courses and desserts, available to first and business class passengers onboard Qatar Airways flights.

Multiple headwinds soften global air cargo demand

By Pratap John

Air cargo demand has softened and declined in the recent months due to multiple headwinds around the world. High inflation levels and the increasing fear of an economic recession have had a negative impact on the global flows of goods and services.

In addition, the ongoing war in Ukraine still affects cargo capacity, with a number of important air cargo carriers directly impacted.

As most of the world's regions recover from the pandemic, post-pandemic consumer spending habits are likely to lean towards vacation travel more than home shopping via e-commerce, International Air Transport Association (IATA) said in a recent report.

The most recent data on global goods trade show that trade maintained a similar year-on-year (y-o-y) growth rate at 5.2% in September.

This stable trade performance is a positive signal to the world economy. Any easing of Covid-19 restrictions in China including factory reopening will support the global trade recovery.

However, most of the uptake in trade since this year has benefited maritime, which has been growing in line with the global trade. Air cargo growth slightly narrowed the gap, with a one percentage point increase in its relative performance compared with the previous month. The Purchasing Managers' Index (PMI) of new export orders – historically a leading indicator for air cargo shipments – remained below the critical 50 line, suggesting continued contractions across the board. The shrinking in international export demand extended into September for US, Japan and South Korea, IATA noted.

Meanwhile, China contracted for a third month in a row, signalling the impact of the country's Covid-related restrictions on air cargo activities.

Regarding Germany, the PMI decreased for the 7th consecutive month since March, marking the largest contraction since mid-2020.

The global PMI contracted for a third month in a row to its lowest level in two years, weighing upon outlook for air cargo demand in the near future.


Cargo is unloaded from a Korean Air Lines Co freight plane arriving from China at the company's cargo terminal at Incheon International Airport in South Korea. Air cargo demand has softened and declined in the recent months due to multiple headwinds around the world. High inflation levels and the increasing fear of an economic recession have had a negative impact on the global flows of goods and services.

Beyond the Tarmac

Global demand, measured in cargo tonne-kilometres (CTKs), fell 10.6% compared to September 2021 (-10.6% also for international operations), but continued to track at near pre-pandemic levels (-3.6%).

Capacity was 2.4% above September 2021 (+5.0% for international operations) but still 7.4% below September 2019 levels (-8.1% for international operations.

Year-on-year inflation, as measured by the Consumer Price Index (CPI) for the G7 countries was 7.7% in September, a 0.2 percentage point (ppt) increase from the August level, remaining at a decade high level.

Inflation in producer (input) prices, however, continued to slow down for a second month, to 13.7% in August.

Oil is an important contributor to producer prices, and a major cost to airlines directly. The Brent crude oil price decreased further in September and continues to stabilise at a level of around $88.2 per barrel. The jet crack spread remains unusually wide at around $42 per barrel, though it has come off its high of $64 per barrel set in June.

Middle Eastern carriers experienced a 15.8% year-on-year decrease in cargo volumes in September 2022. This was the worst performance of all regions and a significant decline compared to the previous month (-11.3%).

Stagnant cargo volumes to/from Europe impacted the region's performance. Capacity was down 2.8% compared to September 2021.

And Asia-Pacific airlines saw their air cargo volumes decrease by 10.7% in September 2022 compared to the same month in 2021. This was a decline in performance compared to August (-8.3%).

Airlines in the region continue to be impacted by the conflict in Ukraine, labour shortages, and lower levels of trade and manufacturing activity due to Omicron-related restrictions in China. Available capacity in the region increased by 2.8% compared to 2021.

"While air cargo's activity continues to track near to 2019 levels, volumes remain below 2021's exceptional performance as the industry faces some headwinds," points out Willie Walsh, IATA's Director General.

At the consumer level, he noted that with travel restrictions lifting post-pandemic, people are likely to spend more on vacation travel and less on e-commerce.

And at the macro-level, increasing recession warnings are likely to have a negative impact on the global flows of goods and services, balanced slightly by a stabilisation of oil prices.

"Against this backdrop, air cargo is bearing up well. And a strategic slow-down in capacity growth from 6.3% in August to 2.4% in September demonstrates the flexibility the industry has in adjusting to economic developments," Walsh said.

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

Latam CEO focuses on airline's role in society after bankruptcy

A Latam Airlines aircraft on the tarmac of Arturo Merino Benitez International Airport in Santiago, Chile. The chief executive officer of Latin America's largest airline wants the carrier to take on a more socially conscious role after the Covid-19 pandemic forced it into bankruptcy and posed "existential questions" about its future.

Bloomberg
Santiago

The chief executive officer of Latin America's largest airline wants the carrier to take on a more socially conscious role after the Covid-19 pandemic forced it into bankruptcy and posed "existential questions" about its future.

Roberto Alvo, who was named CEO of Latam Airlines Group just as the global pandemic began to unfold in early 2020, said the company has to focus on customer service, the environment and equality after it emerged last week from a Chapter 11 process that stretched for nearly two and a half years.

"We were faced with an existential threat we didn't know if we were going to survive," Alvo said in an interview.

"We have to think about what we need to do for the better of society."

Alvo pointed to the Santiago, Chile-based carrier's decision to fly millions of Covid-19 vaccines during the pandemic for free as an example of the role it can play. It has also announced programs to help offset carbon emissions and reduce waste in coming years.

Latam used the Chapter 11 process to slash $3.6bn of debt. It has exited with $2.2bn of liquidity at its disposal - in the form of cash and credit lines - as it eyes adding dozens of new routes as demand begins to rebound to levels seen before the pandemic.

Alvo said Latam is well positioned to grow in the region after Covid-19 upended the travel sector, forcing several carriers to file for bankruptcy and leading to consolidation in the industry.

The company's shares remain listed in Santiago and Alvo foresees it eventually returning to the New York Stock Exchange, from which it delisted during the process.

Some of its largest creditors - Sixth Street, Strategic Value Partners, and Sculptor Capital Management - have become shareholders along with existing stake holders Delta Air Lines, Qatar Airways and the Cueto family.

"We did a good job of using the restructuring and crisis to make Latam stronger, much leaner, " he said.

"By mid-2023 we should be the same size we were pre-pandemic."

Air travel in the region returned to pre-pandemic levels for the first time in September, according to the Latin America and Caribbean Air Transport Association, though international trips to several markets remained well below 2019 levels.

Airlines have focused largely on competing on price as demand has rebounded with low-cost carriers growing rapidly. Two of Latam's biggest competitors, Colombia's Avianca Group and Brazil's Gol Linhas Aereas Inteligentes, joined forces under a common ownership structure after Avianca emerged from its own Chapter 11 restructuring.

Latam, which is the largest carrier in the region, plans to continue to offer a range of options to travellers, Alvo said. By 2029, the company will acquire 87 more fuel efficient A320neo aircraft from Airbus. It has implemented a joint venture Delta that Alvo said will give customers access to more destinations and cheaper fares.

"There is room for Latam to cater to a much broader spectrum of customers whether we provide a premium product for business travellers or lean tickets with very few perks," he said. "We provide choice."