

# Business travellers boost BA results

By Pilita Clark, Aerospace Correspondent

Published: October 29 2010 08:16 | Last updated: October 29 2010 08:16

[British Airways](#) has surged back into profit after two years of record losses in the latest sign of a marked recovery among the world's leading airlines.

BA beat analysts' forecasts as it posted a pre-tax profit of £158m for the six months to the end of September, [reversing a loss of £292m](#) during the same period a year ago when the industry was battling the downturn that followed the 2008 collapse of the Lehman Brothers investment bank.

## EDITOR'S CHOICE

[OFT to investigate 2006 Aer Lingus-Ryanair deal](#) - Oct-29

[Merger to spark BA executive pay rises](#) - Oct-27

[Broughton releases pent-up industry tension](#) - Oct-27

[BAA losses shrink as business travel picks up](#) - Oct-27

[Security checks fuel airport frustrations](#) - Oct-26

[BA attacks US airport security demands](#) - Oct-26

"To get the business back into profitability has been a very hard job and I think everyone in BA deserves credit," said Willie Walsh, chief executive, as he presented what is likely to be the airline's last set of standalone results ahead of its planned merger with [Iberia](#).

The Spanish flag carrier, which released its third-quarter results, said it too had swung back into profit after sharp losses a year ago.

International longhaul airlines such as these two were especially hard hit in the downturn, which emptied seats in the business and first class cabins that generate a large portion of their passenger revenues.

But the economic recovery has seen this so-called premium traffic return in droves. At the same time, airlines have cut back on capacity, so the added demand has pushed up yields, or average fares.

"There's not really any volume growth in terms of passenger numbers," said Deutsche Bank transport analyst, Geoff van Klaveren.

"It's all coming from higher pricing, which is basically driven by longhaul premium traffic. At the same time, industry capacity has been quite constrained and demand has come back, so that's resulted in a good improvement in prices."

BA said its yields had improved by 17 per cent for the half year, while total revenue was up 8.4 per cent.

Though some analysts had suggested BA might raise forecasts for its annual results, having predicted it would break-even at the pre-tax level earlier this year, its early statements simply described its trading outlook as “positive”, but warned of the impact of new air passenger duty increases coming into force this weekend.

“The economic environment continues to be subject to uncertainty, to which the increase in APD is unhelpful. We continue to focus on managing our costs,” the airline said.

The results cap a string of good news for BA and its combative chief executive, who has spent much of the last year in dispute with his cabin crew, the airline’s largest staff group.

The Unite union representing BA’s flight attendants has said it [plans to ballot](#) its members on BA’s latest offer to settle the row, leaving open the prospect of further strikes.

But an easing of the row has seen Mr Walsh focus more of his attention on BA’s planned merger with Iberia.

The merger, which is due to be voted on by shareholders in each airline at the end of November, should be completed by January.

The reversal in both airline’s fortunes is in line with results from carriers on both sides of the Atlantic this week.

Rebounding passenger traffic saw Europe’s two largest airlines, [Lufthansa](#) and the [Air France-KLM](#), raise their forecasts this week, while leading airlines in the US posted some of their best results in years.

United Airlines, [which has just completed a merger with Continental](#), produced a \$473m profit, its best third quarter results in more than 10 years.

The figures come after the International Air Transport Association sharply upgraded its forecast for global airline profits for 2010 to \$8.9bn, more than three times the \$2.5bn it predicted only in June