

# AIRLINES FINANCIAL MONITOR

## KEY POINTS

April - May 2014

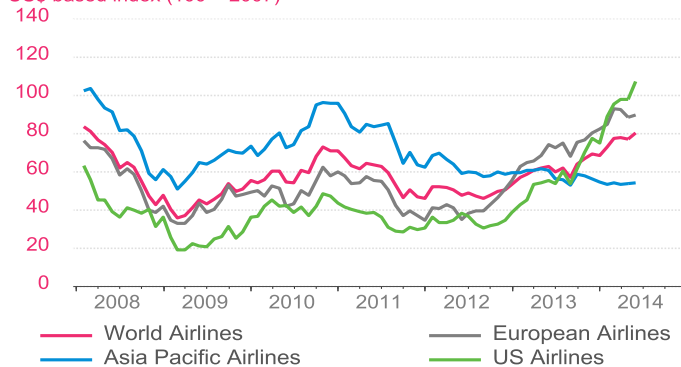
- Worldwide airline share prices rose 5% in May compared to April, attributable mostly to US airlines performance;
- Q1 financial results show strong gains in US airlines' performance, but weakness in Asia Pacific, partly linked to Chinese carriers and the depreciating Yuan;
- Jet fuel prices are trending sideways and remain high at around \$120/bbl, supported by expectations of disruptions to crude oil supplies;
- US passenger yields declined in Q1, likely hampered by temporary weather-related slowdown, and weakness continues in other regions;
- Growth in air travel picked up in April, but air freight demand continues to moderate, in line with weakening world trade growth so far this year;
- Expansion in available seats picked up in April with new deliveries as well as aircraft coming out of storage;
- Growth in seats remains strong, but the pick-up in passenger demand in April should help restrict any downward pressure on aircraft utilization rates;
- Passenger loads improved slightly on the back of rising demand, but air freight load factors have made little progress in 2014 overall.

## Financial indicators

### Global airline shares prices rose in May, now up 17% so far this year

#### Airline Share Prices

US\$ based index (100 = 2007)



- Worldwide airline shares picked up in May, rising 5% compared to April. This performance is also stronger than the broader market, which gained about 2% in May compared to April. The rise in global airlines shares was mostly driven by increases in share prices of US airlines, which increased 10% in May compared to April. Airlines in this region continue to post significant profitability improvements. Share prices of airlines in Europe and Asia Pacific remained broadly stable, rising only slightly over the month.

### Initial Q1 financial results positive for US carriers but weak in Asia Pacific

In US \$ Million

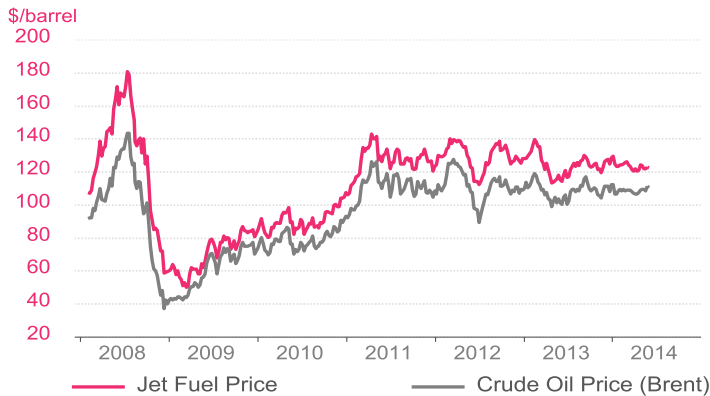
# Airlines	Regions	Q1 2013		Q1 2014	
		Operating profit	Net post-tax	Operating profit	Net post-tax
13	North America	418	-715	1497	91
17	Asia-Pacific	498	416	-557	-276
13	Europe	-1768	-2679	-1732	-2100
5	Latin America	316	104	353	31
4	Others	507	395	890	830
<b>52</b>	<b>Sample total</b>	<b>-29</b>	<b>-2479</b>	<b>451</b>	<b>-1424</b>

- First quarter financial results indicate that airlines are continuing to improve financial performance, particularly at the operating level. The sample of 52 airlines shows a significant increase in operating profits, driven by the performance of North American airlines. By contrast airlines in Asia Pacific continue to show weakness. The financial performance of Chinese airlines is being negatively affected by weakness in the local currency.

## Fuel costs

**Jet fuel prices continue to trend sideways, remaining high at around \$120/bbl**

### Jet Fuel and Crude Oil Price

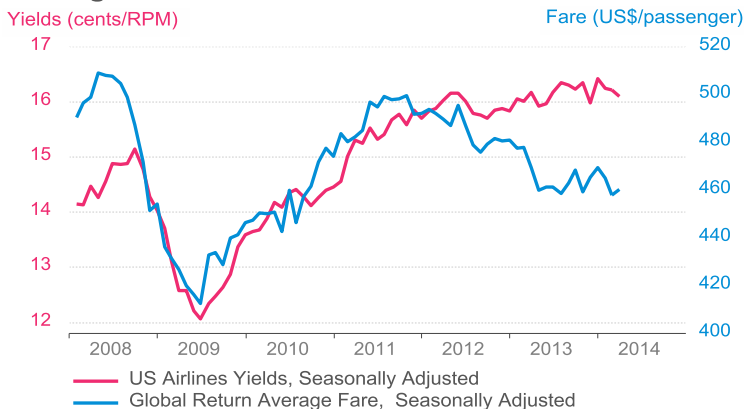


➔ Jet fuel prices have been moving sideways for the past several months, with little sign of any significant easing from the high levels of around \$120/bbl. This is due to a variety of opposing factors keeping crude oil prices within a tight band during the same period. Although China, the world's largest consumer of energy has been experiencing slower growth, rising tensions in Ukraine and the potential for crude oil supply disruptions in Russia have kept prices from easing.

## Yields

**Passenger yields decline in Q1 in the US, and remain weak in other regions**

### Average Return Fare Worldwide & US Airlines Yields



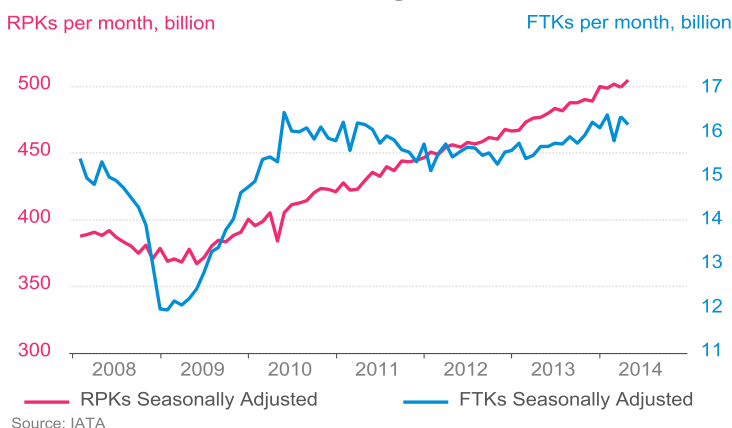
➔ The trend in US passenger yields has weakened over recent months. The recent weakness in yields, however, is likely caused by the weather-related slowdown throughout Q1. Underlying demand drivers remain positive.

➔ By contrast, the weak trend in global fares in US\$ appears to be continuing. The trend in global fares reflects weakness in Asia as well exchange rate distortions. The fare data excludes fuel surcharges and ancillary revenues, which provide some offset to the decline in core fare yields.

## Demand

**Air freight growth continues to moderate while air travel hints toward a pick-up in April**

### Total Air Travel and Air Freight Volumes

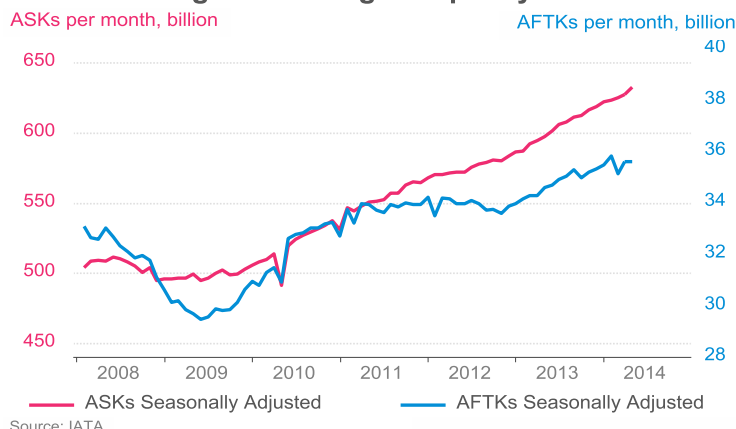


➔ Air freight markets moderated in April, with growth slowing both compared to a year ago and relative to the previous month. There has been no increase in levels in 2014. The slowdown in the growth trend reflects recent developments in trade, with volumes contracting over recent months. Growth in air travel picked up slightly in April, but with flattening business confidence and world trade it is uncertain if this further acceleration in growth could be sustained.

## Capacity

### AFTKs moderate along with demand as passenger capacity growth accelerates

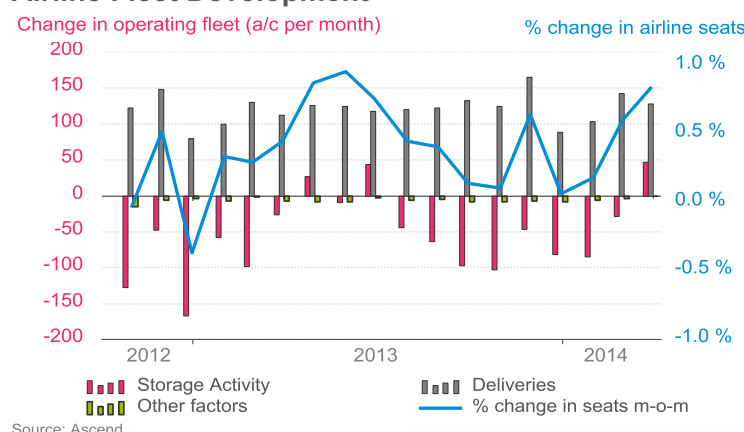
#### Total Passenger and Freight Capacity



✈ The rise in passenger capacity came largely through international markets in April compared to March. The acceleration in demand, however, was still slightly stronger and supported a small increase in load factors over the month. Air freight capacity, by contrast, has been trending sideways throughout 2014. This is consistent with the moderation in demand growth seen over recent months compared to late-2013. As a result, load factors have been following a similar little level change in April compared to the start of 2013.

### Growth in seats accelerated further in April with net 47 aircraft coming out of storage

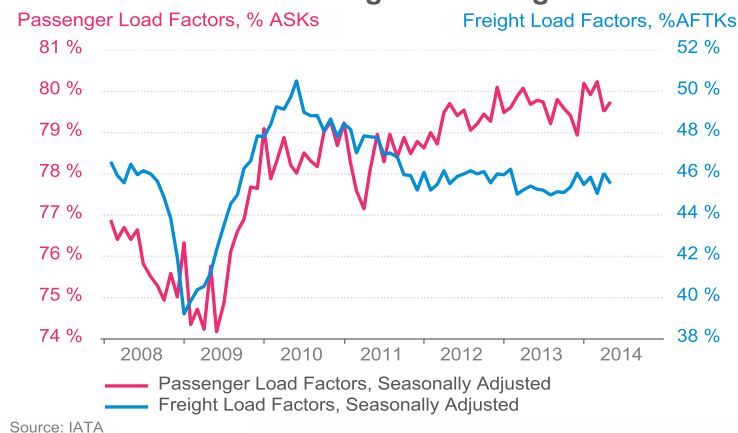
#### Airline Fleet Development



✈ Growth in available seats picked-up further in April compared to March. The acceleration over the month came from a significant increase in aircraft coming out of storage, combined with new aircraft deliveries. In April, there were 128 new aircraft delivered and a net 47 aircraft coming out of storage (compared to 29 aircraft returning to storage in March). Growth in seats in March rose to an annualized rate of about 10%. The pick-up in passenger demand in April now more closely matched the strong growth in seats, which should help ease any downward pressure on aircraft utilization rates.

### Passenger loads pick-up on demand rise, but freight loads continue to trend sideways

#### Load Factors and Passenger and Freight Markets



✈ Passenger load factors increased slightly in April compared to March, reflecting the rise in demand over the month. Despite some weakness in prior months, passenger load factors remained at high levels, close to 80% on a seasonally adjusted basis.

✈ Recent improvements in air freight load factors have moderated slightly, but levels are still above the low period seen during mid-2013. There was a decline in load factors in April compared to March, but seasonally adjusted levels are within the improved range, which is nonetheless low at just above 45%.

## Data tables

Year on Year Comparison	Apr 2014 vs. Apr 2013						YTD 2014 vs. YTD 2013					
	RPK	ASK	PLF	FTK	AFTK	FLF	RPK	ASK	PLF	FTK	AFTK	FLF
Africa	2.2%	6.4%	67.2%	2.9%	1.1%	30.1%	0.0%	4.2%	67.0%	1.3%	2.5%	29.5%
Asia/Pacific	7.0%	7.6%	75.9%	5.2%	7.8%	54.2%	6.9%	7.9%	77.0%	4.2%	7.3%	53.7%
Europe	7.9%	5.2%	80.7%	-0.7%	0.2%	47.5%	6.0%	5.8%	78.0%	3.9%	1.8%	48.7%
Latin America	9.9%	4.8%	78.7%	-6.5%	-0.5%	42.5%	7.7%	3.8%	79.4%	1.3%	0.7%	40.9%
Middle East	17.9%	12.6%	80.9%	8.7%	8.1%	44.4%	14.2%	12.3%	80.2%	10.9%	8.8%	45.3%
North America	4.2%	2.0%	83.7%	2.6%	-0.8%	35.2%	2.4%	1.6%	82.1%	1.4%	-0.6%	35.3%
<b>Total Market</b>	<b>7.5%</b>	<b>5.8%</b>	<b>79.4%</b>	<b>3.2%</b>	<b>3.3%</b>	<b>45.4%</b>	<b>6.0%</b>	<b>5.8%</b>	<b>78.7%</b>	<b>4.2%</b>	<b>3.7%</b>	<b>45.5%</b>

RPK: Revenue-Passenger-Kilometers; ASK: Available-Seat-Kilometers; PLF: Passenger-Load-Factor; FTK: Freight-Tonne-Kilometers; AFTK: Available Freight Tonne Kilometers; FLF: Freight Load Factor;

All Figures are expressed in % change Year on Year except PLF and FLF which are the load factors for the specific month.

**AIRLINE INDUSTRY FORECAST 2013 - 2017**  
Predict demand patterns & minimize investment risk

[www.iata.org/forecast](http://www.iata.org/forecast)



**IATA Economics**  
6<sup>th</sup> June 2014