

## PRESS RELEASE

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2018 / Financial / Preliminary

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### **Asia Pacific Airline Profitability Fell in 2018**

*Rising costs dent earnings performance*

**Kuala Lumpur, Malaysia** – Preliminary financial performance figures released today by the Association of Asia Pacific Airlines (AAPA) revealed that the aggregated net earnings of Asia Pacific airlines halved in 2018 to a combined US\$4.7 billion, from the US\$9.6 billion recorded in the previous year. Continued expansion in the global economy underpinned further growth in air passenger and air cargo markets, but airlines faced an increasingly challenging operating environment marked by significantly higher jet fuel prices, adverse currency movements and rising pressures on non-fuel cost items.

Overall, international passenger traffic, in revenue passenger kilometer terms (RPK), grew by a robust 6.9% in 2018, stimulated by rising incomes, further expansion of airline networks and widespread availability of competitive airfares. International air cargo traffic as measured in freight tonne kilometres (FTK) slowed to a 2.2% increase for the year, as uncertainties stemming from unresolved international trade disputes adversely affected business confidence and levels of export activity.

Collectively, the region's carriers achieved operating revenues totaling US\$204.7 billion in 2018, a 10.4% increase compared to the US\$185.4 billion registered in the previous year. Passenger revenue rose by 10.4% to US\$159.0 billion, driven by the solid growth in passenger demand and slightly higher average air fares. Passenger yields recorded a 3.1% rise to 8.1 cents per RPK after several years of decline. Despite slower growth in air cargo demand, cargo revenue increased significantly, by 11.5% to US\$21.2 billion, with an 8.9% increase in cargo yields to 27.1 US cents per FTK.

Meanwhile, operating expenses grew by 12.5% to an aggregate total of US\$194.6 billion in 2018. This was driven by a significant 27.5% rise in fuel costs to US\$54.5 billion, in tandem with the 29.8% jump in global jet fuel prices to an average US\$85 per barrel. Consequently, the share of fuel expenditure as a percentage of total operating expenses

rose by 3.3 percentage points to 28.0%. Non-fuel expenditure increased by 7.6% to US\$140.1 billion, driven by higher staff costs as well as landing fees and en-route charges.

Commenting on the 2018 financial results, Mr. Andrew Herdman, AAPA Director General said, “Asian airlines are operating in highly competitive markets, and were not able to pass on the full cost impact of significantly higher fuel prices we saw in 2018. Consequently, overall operating margins narrowed to 4.9% for the year, from 6.7% in 2017. After extraordinary items, which included foreign exchange losses for a number of carriers, aggregate net earnings fell to US\$4.7 billion in 2018. As an indication of the highly competitive nature of the airline business, this represents an average profit level of just under US\$5 per passenger flown.”

Looking ahead, Mr. Herdman said, “Asia Pacific airlines continue to face significant headwinds in the form of persistent cost pressures, stiff competition as well as further volatility in oil and currency markets. Whilst air passenger markets remain relatively resilient, the weak sentiment surrounding air cargo markets is a warning signal that trade disputes are doing real damage to the economy and could further undermine global growth prospects going forward.”

“Undaunted, Asia Pacific carriers continue to evolve, adapting to a dynamic market place. Airlines are continuously reviewing their business plans, implementing measures to improve efficiency and carefully managing costs whilst seeking opportunities to maximise revenue. In addition, the region’s airlines remain at the forefront of industry developments, launching new services and investing continuously in new technologies with the aim of providing passengers with high levels of customer service and a seamless travel experience.”

#### **ASIA PACIFIC AIRLINES 2018 FINANCIAL PERFORMANCE – PRELIMINARY**

<b>US\$ billion</b>	<b>2018</b>	<b>2017</b>
Operating revenue	204.7	185.4
Net profit	4.7	9.6

- Aggregated financial data for 25 Asia Pacific based carriers
- Net profit figures include exceptional items
- Previous year data adjusted for comparison purposes
- All figures, including estimates for missing data, are provisional

**ENDS**

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**Association of Asia Pacific Airlines (AAPA)**

The AAPA is the trade association for scheduled international airlines based in the Asia-Pacific region. The AAPA permanent secretariat is headquartered in Kuala Lumpur, Malaysia with international representation in Brussels and Washington, D.C. Collectively, the region's airlines carry 1,486 million passengers and 22 million tonnes of cargo, representing over one-third of global passenger and air cargo traffic, and thus play a leading role in the ongoing development of global aviation.

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