

PRESS RELEASE

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Asia Pacific Airline Profitability Declined in 2019

Earnings performance affected by intense competition and global trade tensions

Kuala Lumpur, Malaysia – Preliminary financial performance figures released today by the Association of Asia Pacific Airlines (AAPA) showed that Asia Pacific airlines recorded US\$3.8 billion in combined net earnings in 2019, a 25% decline compared to the US\$5.1 billion reported in 2018. Profitability was impacted by intense competition adding downward pressure on yields, whilst air cargo demand was significantly affected by the escalation of trade disputes, including tit-for-tat trade tariffs between the US and China.

Overall, against the backdrop of a slowing global economy, Asia Pacific airlines saw international passenger traffic as measured in revenue passenger kilometres (RPK) moderate to a 4.2% increase in 2019, following a strong 7.2% growth in 2018. Meanwhile, international air cargo traffic as measured in freight tonne kilometres (FTK) declined by 5% for the year, marking the steepest fall since the global financial crisis.

Collectively, the region's carriers achieved aggregated operating revenues of US\$210.5 billion for the calendar year, almost matching the US\$211.2 billion recorded in 2018. Passenger revenue increased by 1.5% to US\$167.1 billion, as regional economic expansion supported growth in both leisure and business travel markets, helping to offset the fall in passenger yields caused by persistently stiff market competition.

Air cargo markets were adversely affected by a combination of lower demand and corresponding downward pressure on freight rates. As a result, cargo revenue fell significantly, by 14.5% to a combined total of US\$18.4 billion in 2019, reversing the double-digit gains achieved in the preceding year. Asian airlines bore the brunt of the escalation in trade tensions, as they collectively account for over one-third of global air cargo traffic.

Combined operating expenses totaled US\$200.4 billion, unchanged from 2018. With global jet fuel prices down by 7.2% to an average of US\$78.9 per barrel, fuel expenditure fell by 4.5% to US\$52.8 billion. The share of fuel expenditure as a percentage of total operating costs declined by 1.3 percentage points to 26.4%. In contrast, non-fuel expenditure rose by 1.8% to US\$147.6 billion, on the back of higher depreciation costs as well as landing fees and en-route charges.

The decline in average fuel prices provided some relief to operating expenditure, but this was offset by higher non-fuel expenses. Consequently, overall operating profit declined by 7.4% to US\$10.1 billion, whilst operating margin edged 0.4 percentage points lower to 4.8% for the year.

Commenting on the 2019 financial results, Mr. Subhas Menon, AAPA Director General said, "International passenger traffic on Asia Pacific airlines set new records in 2019, but the operating environment became increasingly challenging. The average profit was just US\$4 per passenger flown, slimming net margin to a meagre 2%."

Mr. Menon reflected, "Given the current crisis, it is sobering to look back on a time when we all took safe and affordable air travel for granted, and Asian airlines were carrying over four million passengers a day. Since the end of January 2020, that number has plunged dramatically as almost all countries introduced lockdowns and severe restrictions on international travel. Airlines have been forced to ground thousands of aircraft and are currently operating only skeletal networks to meet demand for repatriation flights as well as for shipments of medical supplies and essential goods."

Mr. Menon concluded, "Airlines worldwide are fighting for their very survival, given the collapse of demand. Hopes of a V-shaped recovery have waned. It may take years for the industry to recover to pre-COVID levels. Nevertheless, the early restart of aviation will spur global recovery from the current crisis. To this end, the Asia Pacific aviation community is committed to working closely with governments, public health authorities, and other international bodies in charting a course for a timely and measured restoration of air services."

ASIA PACIFIC AIRLINES 2019 FINANCIAL PERFORMANCE – PRELIMINARY

US\$ billion	2019	2018
Operating revenue	210.5	211.2
Net profit	3.8	5.1

- Aggregated financial data for 28 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

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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 1,623 million passengers and 23 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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