



# AIRLINE MARKET REVIEW

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2018

## TIMELINE OF 2018



### January

Niki Lauda-led consortium Laudamotion wins race for assets in Austrian carrier Niki, in which Ryanair later takes majority stake



### March

Qantas carries out first non-stop flight from Australia to the UK after launching 17h sector flight from Perth to London Heathrow

### May

Efforts to find an investor for Air India fail after privatisation process fails to draw any bids

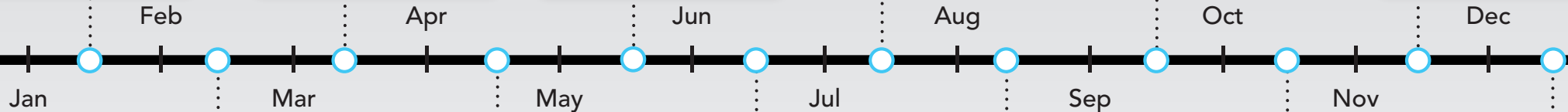


### September

Former Air Canada executive Ben Smith takes the helm at Air France-KLM boss aiming to settle the labour issues that prompted the departure of Jean-Marc Janaillac

### November

Icelandair drops planned merger with Wow Air, which in turns looks to Indigo Partners in its search for investment



### February

Qatar Airways takes delivery of first A350-1000

### April

IAG buys shares in Norwegian to support two bids for the low-cost operator, both of which are rejected

### August

Loss and restructuring measures revealed in Jet Airways delayed second quarter results show mounting challenges facing Indian carriers

### October

Delta Air Lines receives the first Airbus A220 bound for a North American carrier Lion Air 737 Max 8 (flight JT610) crashes, 189 dead

### December

Royal Air Maroc announced plans to become Oneworld's first new full alliance member for six years



### June

Issue of lack of diversity and female representation among senior airline management is underscored by ill-judged joke from Qatar Airways chief Akbar Al-Baker



## REVIEW OF 2018

While wider political tensions dominated much of the agenda and continue to cause potential headaches for airlines, it was the return of a familiar problem in the shape of rising fuel prices that did the most to knock airlines from their high-profit altitude during 2018.

Fears of a potential trade war have circled following the Trump administration's introduction of tariffs on certain products aimed at Europe, Canada and, most notably, China. This has kept a threat hanging over potential global economic development, joining other concerns such as the relentless uncertainty around Brexit in Europe and political shifts in several other countries. Ultimately, though, it is only the rapid development of the Iranian airline market has directly been kyboshed by Trump policy, halting hoped-for aircraft deliveries.

Higher fuel costs, however, were to prove all too real for airlines. The barrel price of crude oil climbed a third over the course of the year, reaching the mid-\$80s. While these more recently have dropped back sharply – moving below year-beginning levels by December – the higher oil price had already contributed to a string of profit warnings across the globe during the second half of the year as many carriers were

unable to pass these additional costs through higher fares.

"This year has been tougher than we thought it would be," says IATA chief economist Brian Pearce. "There was a quite a squeeze on airline margins in the second and third quarters because of the sharp rise in fuel costs."

But it still remains, relatively speaking, a profitable period for airlines. IATA expects industry profits to be only \$5 billion lower in 2018 than the \$37.7 billion the industry made in its record-breaking 2017.

Profits for the larger groups have proved particularly resilient. While there have, especially more recently, been airline failures, these have largely affected smaller operators on the fringes of the industry. Avianca Brazil, which filed for the equivalent of bankruptcy protection in December, is the largest operator to enter formal restructuring this year.

Airlines to cease operations this year included Primera, which was grounded before its attempts to tackle the emerging long-haul low-cost market on the Transatlantic had really begun.

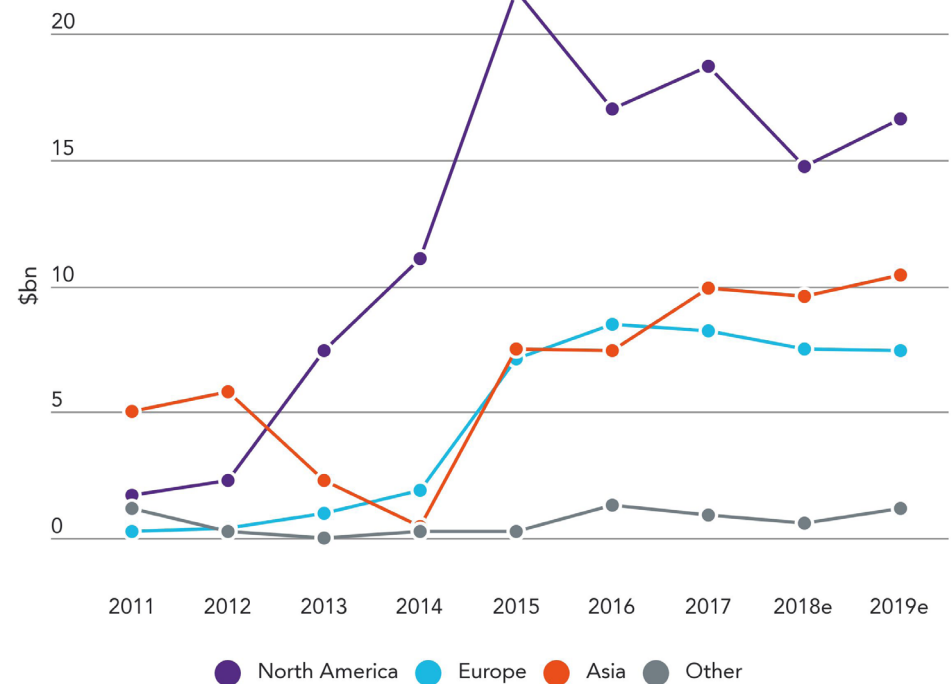
That sector remains an area of much development, though still only a small part of overall capacity. Questions have surrounded the most high-profile European carrier in the segment, Norwegian, throughout the year, after IAG bid for



Norwegian

Questions have surrounded the most high-profile European carrier in the segment, Norwegian, throughout the year, after IAG bid for the airline

### Industry net profits by region



Source: IATA outlooks; 2018 and 2019 is forecast, figures for 2017 are revised since June 18 IATA outlook. Other includes net total for Africa, Latin America, Middle East

the airline. Norwegian, which has long defied its sceptics, was emboldened by a stronger start to the year and resisted the bids. IAG remains a small shareholder, and potentially a buyer, with eyes continuing to watch developments over the winter.

And the year ended with attention surrounding the future of another player in that field, Icelandic operator Wow Air, after low-cost investment gurus Indigo Partners emerged as a potential white knight following the collapse of its proposed acquisition by Icelandair.

That was one of several rolling airline stories across the year. In Europe, Michael O'Leary's attempts to engage unions at Ryanair and overcome its operational issues continue to dominate headlines. The sprawling nature of its operations mean that despite getting several unions on board, there remains plenty of work to do. Unions too were a familiar problem for airline management at Air France-KLM – resulting in the early departure of group chief Jean-Marc Janaillac after a pay deal was voted down.

Meanwhile, more than a year after Etihad Airways Group pulled the plug on its investments in Air Berlin and Alitalia, those stories continue to play out. Jockeying for position in the battle for markets vacated by Air Berlin continues, notably at Berlin and Vienna, while the Italian carrier remains in restructuring with little clarity yet on its future.

New Etihad chief Tony Douglas spent most of the year focusing on the core airline's challenges – taking direct management of the carrier in a group restructure – and showing little of the global appetite that dominated the group he inherited. Fresh talk of a mega Gulf tie-up with Emirates resurfaced, but with little outward evidence so far that there is any more political will to make it happen.

The United Arab Emirates and Qatar also settled their dispute on open skies with the USA, with imprecise statements of

commitments regarding a lack of plans to add fifth-freedom flights. This, however, has done little to improve relations with their US counterparts. Indeed, Qatar Airways ended the year poised to act on its earlier threat to walk out of Oneworld, heaping much of the blame on its relations with American Airlines, whilst the US carriers have gone on the attack over Qatar's involvement with expanding Air Italy.

One airline that is definitely quitting a global alliance is SkyTeam carrier China Southern Airlines. The airline will not renew its membership of SkyTeam next year as it follows a strategy of pursuing partnerships with carriers around the global

Uncertainty surrounded China's HNA Group for much of the year. The group, which like Etihad had made a number international investment in aviation companies in recent years, sold several assets during the year, as part of efforts to overcome liquidity problems.

It was another tough year in the Indian airline market, where over-capacity and fierce competition compounded the rising cost and weak currency environment. The year began with the failure to secure any bidders for a stake in debt-laden state carrier Air India, and was followed later by key players Jet Airways, IndiGo and SpiceJet all swinging to losses in the normally profitable second quarter. The high-profile problems at Jet in particular dominated headlines, as it embarked on a major restructuring and sought to raise capital.

Weak currencies also impacted a number of countries, notably in key economies Latin America where it is impact travel demand in Brazil and Argentina as a result. Elsewhere in Latin America much of the narrative was set by fast-expanding low-cost operators in the region.

In North America, United Airlines' aggressive expansion policy began to pay off in what remains a profitable market for most carriers – if at slightly lower levels than recent highs. Indeed,

## NORTH AMERICA

**Net profit:** \$14.3bn

**Performance:** Continues to lead industry profitability and the late fall in oil prices during the year gave its relatively unhedged carriers a further boost  
**Key issue:** United Airlines' expansion strategy began to gain momentum, as it bid to regain market share. This helped the carrier increase revenues enough to help offset rising fuel costs

## ASIA-PACIFIC

**Net profit:** \$9.6bn

**Performance:** While some markets continued to enjoy strong financial fortunes, intense competition and devalued currencies against the US dollar contributed to severe challenges in others as fuel costs rose  
**Key issue:** Indian carriers struggled notably with challenges at Jet Airways and a failed attempt to privatise Air India, despite it being one of the fastest growing domestic air travel markets during the year

## EUROPE

**Net profit:** \$7.5bn

**Performance:** A string of carriers on the fringes fell foul of the more challenging conditions as the peak summer season ended, resulting in a series of airline failures  
**Key issue:** Concerns around Brexit continue to hang over Europe. British airlines or those with a strong UK presence undertook a string of measures, including adding new AOCs, to insulate themselves from the changing landscape

## MIDDLE EAST

**Net profit:** \$600m

**Performance:** Challenging conditions for all three Gulf majors, which for a variety of reasons, have found their respective financial performances suffering  
**Key issue:** Etihad Airways remains in introspective mood as new chief executive Tony Douglas attempted to steady the ship and focus on its core airline operations after recent years of acquisitions

## LATIN AMERICA

**Net profit:** \$400m

**Performance:** While the key Brazilian economy has improved countries in the region have faced increased challenges from the strong US dollar environment  
**Key issue:** Moves to abandon the one-third built Mexico City airport after a referendum organised by the incoming Mexican government, caused a blow to airline hopes of adding much-needed airport capacity in the city

## AFRICA

**Net loss:** -\$400m

**Performance:** Another challenging year for some of the region's biggest carriers, notably South African Airways, which continued to dominate headlines and required a fresh capital injection to stay afloat  
**Key issue:** Flag carriers came back into fashion in Africa with a string of projects aimed at launching or resurrecting national airlines, with mixed success so far

Source: Profit figures IATA forecast Dec 18

United became one of the first US carriers to recoup the rise in fuel costs this year, boasting profit growth in the third quarter even with the higher expenses.

The biggest stir in the US market came when JetBlue and Azul founder David Neeleman confirmed plans to launch a new US start-up - though not until 2021. That was sealed when Neeleman struck a deal for Airbus A220s at this summer's Farnborough air show.

Meanwhile, it was a year of mixed news for airlines in terms of airport developments. Whilst Turkey's new mega-hub at Istanbul opened – at least on a ceremonial basis at the end of October – worked stopped on the new Mexico City airport following a referendum launched by the country's incoming president. A third runway for London Heathrow meanwhile inched closer with the UK government finally formally endorsing the plan.

Notably, the issue of a lack of diversity – and female representation in particular – among senior airline management moved up the agenda. That – or at the very least awareness of the issue – was further fuelled by the fallout following Qatar Airways chief executive Akbar Al Baker's ill-judged joke during a press conference after the IATA AGM in Sydney. But Air France's appointment of Anne Rigail in December offered a hint change may be in the air.



Turkey's new mega-hub at Istanbul formally opened at the end of October, though the full transition from Ataturk airport was pushed into 2019

IGA

## AIRLINE BIRTHS, DEATHS AND MARRIAGES 2018

*A review of the progress of start-up carriers and airlines that have suspended, ceased operations or entered formal restructuring during 2018*

A string of start-up projects meant 2018 began with a number of new players optimistic of making their mark in the airline sector. But set against a backdrop of rising fuel costs, the second half of the year was to prove much more challenging. It meant that by the time oil prices eased back down, the damage for many was done and a number of carriers were forced to halt flights.

While there was no repeat of the big name casualties of 2017, and most of the failed operators were small or new players – including several that launched and collapsed or scaled back their scheduled ambitions within the year – there were still several high-profile groundings.

### EUROPE

Nowhere was this more evident than in Europe, where there were several insolvencies as higher fuel prices took a toll in the tougher winter months.

The year began with airlines jockeying for the space vacated by – and in some cases using the assets of – Air Berlin and its Austrian unit, Niki.

EasyJet launched Berlin Tegel operations at the start of the year, at which it was joined come the summer season by Laudamotion – established from the assets of Niki by the latter's founder, Niki Lauda. Ryanair later acquired a 75% stake in the unit

Despite boosting its presence in leisure markets from Austria and Germany, Laudamotion is expected to lose money this year and not reach breakeven until its third year of operations.

IAG, which had also been in the running to acquire Niki, in July

established a new Austrian-based low-cost carrier under its Level brand. IAG also moved Level into Paris Orly, taking over the air operator certificate (AOC) of its long-haul premium unit OpenSkies. The last flights under the latter brand took place in September.

While not a new name or carrier, Meridiana relaunched in February under the old Air Italy name. The revamp follows Qatar Airways' 49% investment in the airline.

Air Nostrum's owners outlined plans to create a new carrier in Ireland called Hibernian Airlines, which will specialise in

European wet-lease operations. The Spanish carrier, which in July announced a tie-up with CityJet, was aiming to have the new airline operating by year-end.

Ukrainian budget carrier SkyUp began operations in May with services to resorts in Egypt. Having launched with a pair of 737-800s, it has also reached a deal with Boeing to take up to 10 737 Max jets. Romanian operator Just Us Air added an A321 shortly after launching in April with an A319.

Air Albania's creation was cleared by the national competition authority at the end of September. The regulator was notified

### Snapshot: airline start-ups 2018 (selected)

Airline	Country	Type	Started
Aerobell Airlines	Costa Rica	Regional	24-Jul-18
Air Albania	Albania	Mainline	14-Sep-18
Air Belgium	Belgium	Airline ACMI	29-Mar-18
Air Philip	South Korea	Regional	30-Jun-18
Air Pohang	South Korea	Low-cost	07-Feb-18
Air Senegal	Senegal	Mainline	14-May-18
Cambodia Airways	Cambodia	Mainline	10-Jul-18
Dream Wind	Ukraine	Leisure	09-Sep-18
Flybondi	Argentina	Low-cost	26-Jan-18
FlyValan	Italy	Regional	23-Jan-18
Just Us Air	Romania	Airline ACMI	19-May-18
KC International Airlines	Cambodia	Mainline	01-Aug-18
LASA Lineas Aéreas	Argentina	Regional	30-Aug-18
Laudamotion	Austria	Low-cost	25-Mar-18
Level (Austria)	Austria	Low-cost	17-Jul-18

Airline	Country	Type	Started
Mandeeq Air	Somalia	Regional	04-May-18
Myway Airlines	Georgia	Leisure	31-Mar-18
Norwegian Air Argentina	Argentina	Low-cost	16-Oct-18
Paranair	Paraguay	Regional	15-Oct-18
PassionAir	Ghana	Regional	23-Aug-18
Sky High	Dominican Republic	Regional	13-Feb-18
SkyUp	Ukraine	Low-cost	21-May-18
Skyway Costa Rica	Costa Rica	Regional	03-Feb-18
Sveaflyg	Sweden	Regional	01-Apr-18
Swoop	Canada	Low-cost	20-Jun-18
Tayaran Jet	Bulgaria	Airline ACMI	07-Aug-18
Tchadia Airlines	Chad	Mainline	01-Oct-18
Tsaradia	Madagascar	Regional	02-Jul-18
Varesh Airlines	Iran	Regional	09-Oct-18
VLM Airlines	Belgium	Leisure	15-Feb-18

of plans for Air Albania by Albcontrol, a state company that manages national airspace and will own 10% of the carrier. Turkish Airlines is to hold 49% and MDN Investment 41%.

Georgian carrier Myway Airlines and Air Belgium each launched during 2018, though both were forced to scale back their operations over the winter. Myway suspended all but one of its scheduled services for this winter as the Georgian carrier dealt with a number of issues, including renewed tensions between Russia and Ukraine.

Air Belgium launched flights in June, initially operating Airbus A340 services from Brussels Charleroi to Hong Kong. It pulled this service at the end October, however, citing a contractual dispute with a commercial partner and is focusing for now on wet-lease services. It recently reportedly secured fresh financing from Belgium-based investment fund Sogepa.

Another Belgian operator, the relaunched VLM, was revived by SHS Aviation in 2017. But this proved short-lived as it was placed into liquidation in September.

Russian carrier Saratov Airlines was grounded at the end of May, just months before a newly developed airport for its home city was due to open. That came less than four months after a fatal accident involving one of its Antonov An-148s. One of its shareholders, Russian entrepreneur Arkady Evstafiev, began work on a successor carrier – although the project has yet to formally emerge.

Come the winter, Cobalt, Primera, PrivatAir and Small Planet Airlines were all among carriers forced to halt flights.

Lithuania's civil aviation authority suspended the operating licence of restructuring leisure carrier Small Planet Airlines in late November. The carrier had begun a formal restructuring, which it said had become necessary to protect it from the "negative impact" of the financial fallout from its Polish and German sister companies. Both of these units had earlier filed for restructuring.

Cypriot carrier Cobalt Air suspended operations in October, having emerged just two years ago as one of several start-ups in the wake of flag-carrier Cyprus Airways' collapse in 2015.

Swiss premium charter specialist PrivatAir filed for insolvency, along with its German subsidiary, in November. PrivatAir stated that a number of events had had a "significant impact" on the companies' future business forecast and viability.

PrivatAir, which was established more than 40 years ago, specialised in all-business transport using aircraft such as Boeing 737s and Airbus A319s configured with premium cabin layouts. It also operated long-haul types such as the Boeing 767 and was a customer for the 787.

The highest-profile of the European airline failures during 2018 was Primera. The leisure carrier had taken its first steps in the long-haul, low-cost segment – and had just rolled out ambitious plans to spread its presence to points across mainland Europe – when it was forced to halt flights after planned investment failed to materialise. That it should collapse a year to the day after Monarch Airlines merely underscored the challenges European winters can hold for struggling operators.

## NORTH AMERICA

JetBlue and Azul founder David Neeleman cemented his plans for a new US start-up by striking a tentative deal at July's Farnborough air show for 60 Airbus A220-300s.

With his launching of JetBlue in 2002, Neeleman was responsible for one of the last major new US entrants, and his plans for a new carrier dominated headlines when they first emerged in June.

While initial reports suggested that the airline would be called Moxy, Neeleman said this was just a working name. The carrier is aiming to launch in 2021.

Elsewhere in the USA, Great Lakes Airlines, a turboprop operator with a network that connected cities in the western USA, suspended all scheduled flights on 26 March. The company has

## Snapshot: airlines ceasing operations 2018 (selected)

Airline	Country	Type	Ceased
Afghan Jet International Airlines	Afghanistan	Regional	15-Jun-18
Aserca Airlines	Venezuela	Regional	22-May-18
Centurion Air Cargo	United States	Cargo	17-Aug-18
FlyViking	Norway	Regional	12-Jan-18
JetGo Australia	Australia	Regional	09-Jul-18
Latin American Wings	Chile	Regional	16-May-18
Orca Airways	Canada	Regional	30-Apr-18
Primera Air Nordic	Latvia	Leisure	02-Oct-18
Saratov Airlines	Russia	Mainline	31-May-18
SBA Airlines	Venezuela	Mainline	20-Jun-18
VLM Airlines	Belgium	Regional	02-Sep-18

## Snapshot: airlines suspending flights 2018 (selected)

Airline	Country	Type	Suspended
Air Mandalay	Myanmar	Regional	04-Sep-18
Air Pohang*	South Korea	Low-cost	01-Dec-18
Cobalt Air	Cyprus	Mainline	17-Oct-18
Great Lakes Airlines	United States	Regional	27-Mar-18
LASA Lineas Aéreas*	Argentina	Regional	29-Nov-18
PAWA Dominicana	Dominican Republic	Regional	26-Jan-18
PrivatAir	Germany	Airline ACMI	10-Oct-18
Shaheen Air International	Pakistan	Mainline	01-Oct-18
Small Planet Airlines	Poland	Leisure	09-Nov-18
Wataniya Airways	Kuwait	Mainline	01-Sep-18

Note: these airlines were suspended as of 3 January 2019, but some may subsequently resume services

\* suspended operations in December with plans to resume in 2019

long said a 2013 pilot hiring rule created a shortage of flightcrew that particularly impacted small regional airlines.

A new regional operator launched in November when California Pacific Airlines began services from the McClellan-Palomar airport near Carlsbad, California, operating to San Jose and Reno using a 50-seat Embraer ERJ-145.

Across the border in Canada, WestJet's ultra-discount unit Swoop began operations in June and quickly expanded into cross-border flights. Swoop added US flights in October and plans to start services to Mexico and the Caribbean in early 2019.

A number of new players have emerged in the Canadian low-cost market. Flair Airlines launched last summer, Jetlines is aiming to launch next year.

## ASIA-PACIFIC

High-profile Vietnam start-up carrier Bamboo Airways spent much of the year eyeing the launch of operations.

The carrier had initially planned to start services in October, before setting its sights on 29 December start amid delays securing the necessary licensing. But whilst in November securing approval for its air transport business licence, the airline has now pushed its launch into January.

Flight Fleets Analyzer shows Bamboo has leases in place for five A320 family jet and has said it aims to have a fleet of 20 in the first quarter of 2019. The ambitious start-up also signed letters of intent to take 20 787-9s and 24 A321neos.

Air Astana aims to launch its new low-cost unit FlyArystan in the first half of 2019, operating from multiple bases in Kazakhstan with a view to reaching a fleet of at least 15 aircraft by 2022.

Planned start-up Starlux Airlines in May received a permit from Taiwanese regulators for its establishment. It was aiming to complete the licensing work by the end of this year with a view to launching in early 2020. The airline is leasing 10 A321neos from the end of 2019. Starlux also committed to taking 17 Airbus A350s, including the -1000 variant, giving it a fleet of 27 aircraft in 2024.

Chinese start-up carrier Genghis Khan Airlines placed an order for 25 Comac ARJ21-700 aircraft in August. Genghis Khan was rebranded from Tianjiao Airlines, which was granted preliminary approval in February by the Civil Aviation Administration of China.

Cambodian start-up KC International Airlines received its first aircraft at the end of June, an Airbus A320. The carrier was established in Phnom Penh with \$100 million in launch capital as a joint venture between Cambodian and Chinese investors.

It secured its AOC in August.

Maldivian start-up Manta Air is taking a pair of new ATR 72-600s from European regional aircraft lessor Nordic Aviation Capital. Based at Velana International airport in Male, the aircraft will be used to serve Kudahuvadhoo, Dharavandhoo and Thimarafushi, respectively located in the Dhaalu, Baa and Thaa atolls. Another carrier in the region, Mega Maldives Airlines, suspended operations in summer 2017.

South Korean start-up Air Pohang began services on 7 February using two Bombardier CRJ200s, but it suspended operations at the start of December, with a view to restarting services in early 2019 with Airbus A319s.

Similarly, the resumption of services by Air Mandalay proved short lived. The airline resumed services early in 2018 after several months on the ground. But the operator was forced to suspend operations again in early September amid reports of a further restructuring.

Regional carrier JetGo Australia suspended its scheduled services after entering voluntary administration on 1 June.

Elsewhere, Indonesia AirAsia X will cease scheduled operations in January 2019 and operate as a non-scheduled commercial airline thereafter. The carrier's only scheduled operation – a seven times-weekly service between Denpasar and Tokyo Narita using an A330 – will be suspended in January.

## LATIN AMERICA

Avianca Brazil became the biggest carrier of the year to run into formal troubles, when it filed for the Brazilian equivalent of bankruptcy in December. The carrier, which is owned by Synergy Group but is a separate company in all but name from Colombia's Avianca, sought court protection following an unsuccessful effort to renegotiate aircraft leases with lessors.

Aircastle was among lessors that moved to repossess at least 13 aircraft on 10 December – representing around one-quarter of



FlightGlobal

European leisure carrier Primera Air ceased operations in October



its fleet. The carrier is continuing to operate flights.

Conditions have become more challenging in the region, notably amid weak local currencies against the strong US dollar.

Argentina, which has seen a string of start-ups of late amid the liberalisation of the country's aviation market, is another market that has been affected.

Regional airline LASA, which only began operations at the start of November, within a month "suspended temporarily" all flights as it tries to find investment. The Neuquen-based ERJ-145 operator cited currency issues, rising fuel costs, the recent abolition of the minimum air fares and low load factors for forcing the move.

Ironically, minimum air fares ruled were removed in part to help fuel low-fare travel in the country. The likes of Flybondi, which launched flights in January, Norwegian's new Argentinian unit that followed in October, had been pressing for the rule change.

Flybondi, which operates Boeing 737s out of Buenos Aires' new El Palomar low-cost airport, in December launched its first international services flying to Asuncion in Paraguay and Punta del Este in Uruguay.



LASA Lineas Aereas

Argentinean regional LASA Lineas Aereas in December suspended flights a month after its launch, but aims to resume services in 2019

Argentinian regional carrier Flyest also began scheduled flights in October, while Jetsmart is planning to start domestic Argentinian flights in 2019 after reportedly acquiring Cordoba-based start-up airline Alas del Sur Lineas Aereas during the summer.

Grounded Venezuelan carrier Aserca Airlines at the end of May acknowledged that it was unable to resume operations and requested that Venezuela's civil aviation authority INAC cancel its air operator's certificate. Aserca is the third and last of the airlines owned by Venezuelan businessman Simeon Garcia that have gone out of business in months. His Dominican Republic-based PAWA and Caracas-based Santa Barbara Airlines also went into liquidation earlier this year.

But another Venezuelan carrier Aeropostal resumed commercial flights with flights to Havana in August, after it was grounded for almost a year. Aeropostal resumed service with a single Boeing MD-82 from its fleet of eight, which were grounded as a result of the economic crisis in the country.

## AFRICA

Nigerian government efforts to establish a new flag-carrier for the African state airline foundered just weeks after a high-profile launch.

Transport minister Hadi Sirika had unveiled details of the airline, Nigeria Air, during an event at the Farnborough air show in July. But in September, Sirika disclosed, via his social media feed, that the Nigerian cabinet, the federal executive council, has "taken the tough decision to suspend the national carrier project".

But another Nigerian start-up burst onto the scene at the end of the year, when Green Africa struck a tentative deal for up to 100 Boeing 737 Max 8 jets. Based in Lagos, Green Africa recently received its air transport license and is in the process of obtaining an air operator's certificate. It plans to operate within Nigeria, and has intentions to build a pan-Africa network.

SA Express has slowly been resuming services since South African regulators in July reinstated its AOC. The carrier was

temporarily grounded in May when its operating licences and the certificates of airworthiness for nine of its 21 aircraft were suspended following a safety audit.

Air Senegal began its first flights in May, launching with a domestic service between Dakar and Ziguinchor. The carrier, which added international flights in October, operates ATR 72-600s and A319s, and has a pair of Airbus A330neos on order.

Chad's new Ethiopian Airlines-backed flag carrier began domestic operations in October. Ethiopian has a 49% stake in the joint venture, named Tchadia Airlines. The balance is held by Chad's government.

It is one of several joint-venture carriers in the region Ethiopian has invested in. Zambia Airways, in which Ethiopian holds a 45% share, is planning to begin flights early next year, while the carrier has sealed an agreement with the Ghanaian government to develop a new national carrier for the country.

## MIDDLE EAST

Royal Jordanian ended services of its charter operation Royal Wings at the end of November, citing losses incurred by the unit, although talks are being held with potential buyers of the airline.

Plans are under way for a new Aqaba-based airline to launch next spring, as part of continued efforts to develop tourism in the Jordanian city.

Kuwaiti carrier Wataniya Airways suspended operations in September, days after receiving a grounding threat from the country's regulator. The airline had been struggling to deal with cancellations and flight disruption.

Wataniya emerged with the same name, but a different operating model, to a predecessor airline which collapsed in 2011. The carrier had appeared to be embarking on a fleet-renewal programme, after Golden Falcon Aviation unveiled an agreement to take 25 Airbus A320neos for Wataniya during the Farnborough air show.

## WORLD AIRLINES

While 2018 brought its fair share of airline start-ups and collapses, the year ended with roughly the same number of commercial operators as which it ended 2017.

Figures from Flight Fleets Analyzer show there were 838 airline operators in December compared with the same month in 2017 – an increase of just two airlines.

A total of 430 carriers operate a fleet of more than 10 aircraft – that is 18 more than 12 months ago. Two more airlines entered the 100-plus fleet club during the last year, making 58 in total.

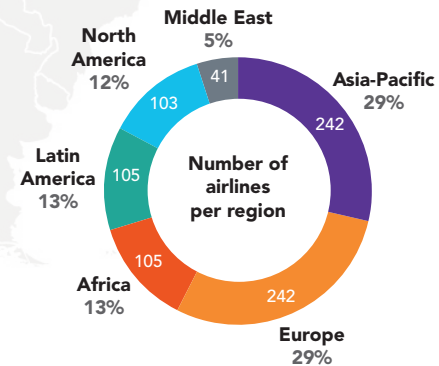
WORLD AIRLINES						
Airline type	Number of airlines		10 or more aircraft		100 or more aircraft	
	Dec 2018	Change v 2017	Dec 2018	Change v 2017	Dec 2018	Change v 2017
Regional	280	-4	124	+3	8	0
Mainline	222	+3	150	+3	36	+2
LCC	121	+3	87	+4	12	0
Cargo	109	+1	32	+1	2	0
Leisure	79	-2	32	+6		
ACMI	27	+1	5	+1		
<b>TOTAL</b>	<b>838</b>	<b>+2</b>	<b>430</b>	<b>+18</b>	<b>58</b>	<b>+2</b>

### TOP 10 AIRLINES BY IN-SERVICE FLEET SIZE

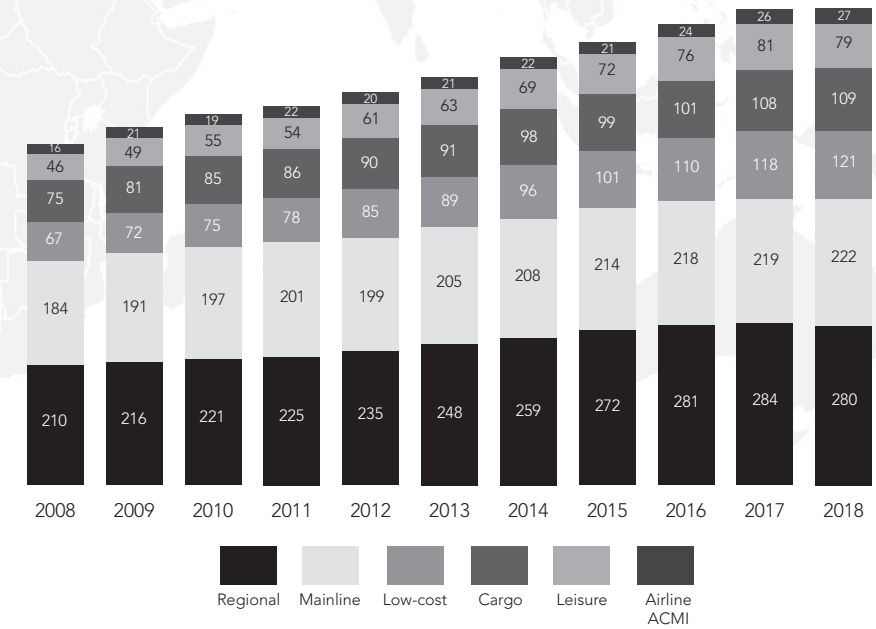
Airline	In-service fleet
American Airlines	951
DELTA	881
UNITED	763
Southwest	744
中国南方航空 CHINA SOUTHERN	590
SkyWest AIRLINES	469
RYANAIR	443
AIR CHINA 中国国際航空	405
中國東方航空 CHINA EASTERN	403
FedEx	377

Europe and Asia-Pacific account for the regions with the largest amount of operators – both having 242. North America has just over 100 airlines, reflecting the consolidated nature of the sector in the country. The Middle East has the fewest airlines flying, 41 in operation accounting for 5% of airlines globally.

Figures over the last decade show the extent to which the low-cost carrier sector has expanded. There are now 121 budget carriers flying. That is almost double the 67 that were operating in December 2008.



### Global airline development 2008-2018



Source: Flight Fleets Analyzer (Dec 2018)

Notes: These figures are based on airlines, rather than airline groups, which have an IATA code and at least one aircraft in active service

## CAPACITY SNAPSHOT: REGIONAL MARKETS

Asia-Pacific strengthened its position as the biggest aviation market in terms of ASK capacity in 2018 as FlightGlobal schedules data shows airlines lifted capacity on flights on services within Asia-Pacific by around 9%.

That outpaced the growth rate of other regions in 2018. Airlines increased capacity on European and Latin American at the next fastest rates at around 7%.

That growth rate was supported by strong growth in the Chinese and Indian domestic markets.

Airlines lifted capacity within India almost a fifth across 2018 compared with the previous year as growth continued almost unabated, even as the country's carriers stuttered as intensive competition meant fares failed to keep pace with rising costs. Notably India's largest carrier, IndiGo Airlines, lifted its domestic capacity more than a fifth during the year as its in-service fleet passed the 200 mark.

Other low-cost operators in the country like SpiceJet, GoAir, AirAsia India and Vistara also grew at double-digit rates in the domestic market, albeit from a smaller base. Network carriers Air India and Jet Airways grew at a slower rate – the latter increasing flight sectors meaning it increased domestic capacity in terms of ASKs by 8% while keeping its number of flights flat.

China remains the largest domestic market in the region and airlines lifts capacity on routes in the country by 11% in 2018. The country's biggest operator by domestic capacity, China Southern Airlines, increased its capacity 11% during the year. But almost all carriers in the country lifted capacity on domestic routes, many at double-digit rates.

### Intra-regional capacity

REGION	ASK 2018 (m)	ASK 2017 (m)	CHANGE
AFRICA	96,913	93,470	3.7%
ASIA-PACIFIC	2,585,330	2,370,299	9.1%
EUROPE	1,274,509	1,189,407	7.2%
LATIN AMERICA	284,366	266,036	6.9%
MIDDLE EAST	102,663	99,522	3.2%
NORTH AMERICA	1,686,372	1,597,824	5.5%

Source: FlightGlobal schedules data

## CAPACITY SNAPSHOT: INTERCONTINENTAL MARKETS

It was a strong year of growth in the biggest intercontinental market linking Europe and North America. FlightGlobal schedules data shows airlines lifted their ASK capacity in this market by almost 7%.

This was driven by both expanding network carriers and emerging low-cost operators. Virtually all the major network players on both sides of the Atlantic lifted capacity, opening a number of new routes. Likewise the emerging low-cost operators continued to expand during the year, though some of this growth was curtailed by the collapse of Primera and a network overhaul at Wow Air and Norwegian.

Airlines increased capacity at an even faster rate between Asia-Pacific and Europe. The roughly 10% increase was driven by network carriers. This was most evident among Asia-Pacific carriers and Chinese operators in particular. Airlines lifted ASK capacity between China and Europe more than 11%, the majority of which was added by Chinese operators.

By contrast capacity growth was relatively slow in the next two biggest markets by ASKs, those linking Asia-Pacific to North American and the Middle East. Airlines increased capacity in these two market by a little over 4% in 2018.

The fifth biggest intercontinental market by ASK capacity links Europe to the Middle East. Airlines continued to expand in this market, as capacity increased around 9%.

### Intercontinental capacity: largest markets

REGION PAIRING		ASK 2018 (m)	ASK 2017 (m)	CHANGE
NORTH AMERICA	EUROPE	765,629	717,781	6.7%
EUROPE	ASIA-PACIFIC	705,302	640,502	10.1%
NORTH AMERICA	ASIA-PACIFIC	583,409	556,967	4.7%
MIDDLE EAST	ASIA-PACIFIC	529,012	507,641	4.2%
EUROPE	MIDDLE EAST	371,604	340,620	9.1%

NOTE: figures cover combined capacity between both regions Source: FlightGlobal schedules data

## SHARE PRICE MOVEMENTS

Airline stocks were down during 2018, reflecting a tough year for equity markets, especially in the final quarter.

Leading global stock markets fell across the year, in Europe sliding from the second half, while key US markets saw gains wiped out over the last quarter. There was further sharp market volatility in the last days of the year.

Those same trends were reflected among airline stocks, which largely struggled after a bumper year in 2017. Share prices across a series of leading carriers tracked by FlightGlobal show all European carriers and all but one Asia-Pacific airline losing ground.

Within Europe, shares fell the most at network carrier groups Lufthansa and Air France-KLM, while they also fell across low-cost carrier trio EasyJet, Ryanair and Wizz Air.

The stock price of low-cost carrier Norwegian was given a shot in the arm in May after IAG acquired shares and launched bids for the carrier, which were rejected. But amid continued challenges, shares in Norwegian slid back and ended the year nearly 12% down.

Shares in Chinese carriers were hardest hit among Asian carriers in 2018, in particular suffering amid ongoing market jitters over a developing tariff war between the USA and China.

Qantas was the strongest performing – and the only carrier in positive territory – of the Asia-Pacific carriers tracked in 2018. Shares in Qantas climbed 16% across the year.

It was a mixed picture for three US majors. Shares in American Airlines lost ground from the highs of the start of the year, falling nearly 40% during 2018. Delta Air Lines ultimately ended the year around 11% down.

	Ticker		2018 high	2 Jan 2018 close	27 Dec 2018 close	Period change (%)	Period trend
EUROPE	SAS	SAS.ST SEK	22.90	22.06	20.38	▼ 7.6	
	IAG	IAG.L GBP	726.60	668.80	605.80	▼ 9.4	
	Norwegian	NAS.OL NOK	310.00	190.05	168.20	▼ 11.5	
	Wizz Air	WIZZ.L GBP	3797.00	3700.00	2722.00	▼ 26.4	
	EasyJet	EZJ.L GBP	1796.00	1501.00	1071.50	▼ 28.6	
	Ryanair	RYA.L EUR	16.82	15.00	10.23	▼ 31.8	
	Lufthansa Group	LHA.DE EUR	30.90	30.28	19.58	▼ 35.3	
	Air France-KLM Group	AFPA EUR	14.30	14.07	9.04	▼ 35.8	
AMERICAS	Gol	GOLL4.SA BRL	25.38	15.19	24.42	▲ 60.8	
	United Continental Holdings	UAL USD	96.70	68.94	83.04	▲ 20.5	
	Air Canada	AC.TO CAD	29.00	26.19	25.12	▼ 4.1	
	Delta Air Lines	DAL USD	60.71	56.74	50.50	▼ 11.0	
	JetBlue Airways	JBLU USD	22.93	22.38	15.99	▼ 28.6	
	Southwest Airlines	LUV USD	66.29	66.29	46.80	▼ 29.4	
	LATAM Airlines Group	LTM USD	17.19	14.43	9.97	▼ 30.9	
	American Airlines Group	AAL USD	58.47	52.99	32.04	▼ 39.5	
ASIA-PACIFIC	Qantas	QAN.AX AUD	6.83	5.00	5.82	▲ 16.4	
	IndiGo	INDIGO.NS INR	1503.35	1201.40	1163.80	▼ 3.1	
	Cathay Pacific Group	0293.HK HKD	14.68	12.22	10.98	▼ 10.1	
	Singapore Airlines	C6L.SI SGD	11.76	10.67	9.37	▼ 12.2	
	All Nippon Airways	9202.T JPY	4753.00	4706.00	3935.00	▼ 16.4	
	China Eastern Airlines	0670.HK HKD	7.14	5.64	4.30	▼ 23.8	
	Air China	0753.HK HKD	12.58	9.33	6.77	▼ 27.4	
	China Southern Airlines	1055.HK HKD	10.88	7.90	4.65	▼ 41.1	

SOURCE: Yahoo Finance

The big winner was United Airlines. Trading in the carrier, which was only US major stock to fall in 2017, enjoyed a bumper second half as the airline's efforts to win back market share began to pay dividends.

There were also differing fortunes in the share price of two big Latin American players. While shares jumped at Brazilian carrier Gol, they fell more than 30% at LATAM, another carrier with big operations in Brazil.

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