

## The International Market

The industry made further progress in 2012 from a model based on "national flag carriers" towards construction of a global air transport system. Aeroflot Group followed a similar development vector, from national carrier towards status as one of the key players on the international market. The strategic objectives of the airline (building a global route network, realizing the potential of Sheremetyevo as a principle hub airport and expanding cooperation with its partners in the SkyTeam Alliance) reflected main tendencies throughout the airline market last year.

The global industry had a difficult year in 2012, but problems did not attain crisis proportions. According to data published by IATA in March 2013, airline industry turnover in 2012 was USD 638 billion. Growth of 6.8% compared with 2011 was much lower than the year-on-year progress in 2011 compared with 2010. Growth in 2012 was driven mainly by passenger carrying, which accounted for 79.8% of total revenues. Cargo business, which gave 10.3% of global airline revenues, showed a revenue decline in absolute terms last year, losing 4.3% to stand at USD 66 billion.

### INDUSTRY REVENUE FROM PASSENGER TRANSPORT GREW BY

# 8.5 %

IN 2012, WHICH IS MUCH LOWER THAN THE AVERAGE FIGURE IN THE LAST DECADE.

Cost levels of airlines rose by 7.4% in the accounting year to a level of USD 623 billion. Fuel was the largest cost item: its share of total costs in 2012 matched the 2008 record level of 33%, reflecting high oil prices (the average price per barrel of Brent crude oil in 2012 was USD 111.8). Other costs rose by only 2.7%, reflecting strenuous efforts by airlines to streamline their business. Average load factor reached a record level of 79.1%.

IATA data published in March 2013 show total net income for the global airline industry at a level of USD 7.6 billion in 2012. The bulk of profits (USD 6.2 billion or 82% of the total) were generated by carriers based in North America and the Asia-Pacific region. The fast-growing Middle Eastern and Latin American markets generated net income of USD 0.9 and USD 0.3 billion, respectively, while Europe showed a figure of USD 0.3 billion. Average net margin in the industry was at a modest level of 1.2%.

IATA forecasts in March 2013 predicted growth of net income by 39.5% in 2013 to USD 10.6 billion. The optimism is associated with steady demand for passenger transport and new growth of cargo business.

### A TOTAL OF

# 2.97

BILLION PASSENGERS WERE CARRIED ON REGULAR ROUTES IN 2012, WHICH IS 5% MORE THAN IN 2011. IATA PREDICTS GROWTH OF GLOBAL AIR PASSENGER NUMBERS BY 5.2% IN 2013 AND EXPECTS A LEVEL OF 3.6 BILLION PASSENGERS TO BE ACHIEVED IN 2016, EXCEEDING THE LEVEL IN 2012 BY 21%.

More airlines went out of business in 2012 than ever before. The list included the national carriers in Hungary and Uruguay — Malev and Pluna — as well as Kingfisher Airlines (India), Spanair (Spain), Wind Jet (Italy) and a number of regional companies in Scandinavia and Germany: City Aviation, OLT Express, Cirrus Airlines, Climber Sterling and Skyways. Regional air transport also experienced some turbulence in 2012 as a result of business optimization by main players on the American market.

This declining trend in airline numbers was countered by the creation of new joint-venture airlines to operate on specific routes. Emirates and Qantas launched a joint project in 2012 to provide a service between Dubai and Australia, and the Qantas subsidiary, JetStar, teamed with the Chinese operator, China Eastern, to set up the Hong Kong low-cost carrier, JetStar Hong Kong. There were also new joint projects between JAL and British Airways, and between Singapore Airlines and SAS.

Some airlines attempted to win market share by the deployment of several brands. SIA Group (Singapore) launched the low-cost, long-haul carrier, Scoot, and Thai Airways adopted multi-branding as its core strategy. The biggest European players also strengthened their positions on short-haul, non-transit routes by means of low-cost subsidiaries. Lufthansa did more business through Germanwings and IAG made use of Iberia

Express. Air France-KLM followed suit, announcing the creation of a low-cost subsidiary, HOP, at the start of 2013. Aeroflot Group has plans to set up a low-cost carrier and a separate tour airline as part of its multibrand strategy.