ERA Monthly Market Analysis

May 2018

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Introduction

For the production of these statistics in the following report, ERA has teamed up with partners Seabury Consulting and Innovata to provide a comprehensive analysis of ERA's members' performance.

The analysis performed by Seabury Consulting, is based on schedule data that has been provided by Innovata and gives a comprehensive overview of the sector.

This report examines the performance of ERA members carriers (and in some cases the wider European regional airline network) who report schedule data to Innovata as well as market dynamics and outlook for the current and next IATA scheduling season.

Seabury Consulting is a leading global advisory and professional services firm, which provides information covering the aviation and air cargo industry with a depth of analytics to support rapid decision making.
Web: http://www.accenture.com/seaburyconsulting
Contact: https://www.accenture.com/us-en/contact-us

Innovata specialises in travel content management and distribution solutions. The firm maintains and markets an industry standard flight schedules database with over 800 participating airlines.

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Summary

- ERA members continue to grow their networks by opening new routes. Compared to May 2017, unique routes operated by ERA members increased 20% to 1,284 routes

- ERA members reduced capacity slightly in May 2018 to 7.5M seats, a 1% decrease compared to last year

- As the peak summer season approaches, ERA members are starting to fly slightly longer sectors which is reflected in a 2% increase in sector length and average flight duration

- *The list of ERA members has been updated, the data might therefore differ from earlier publications of the monthly market analysis*

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Part 1: ERA Performance

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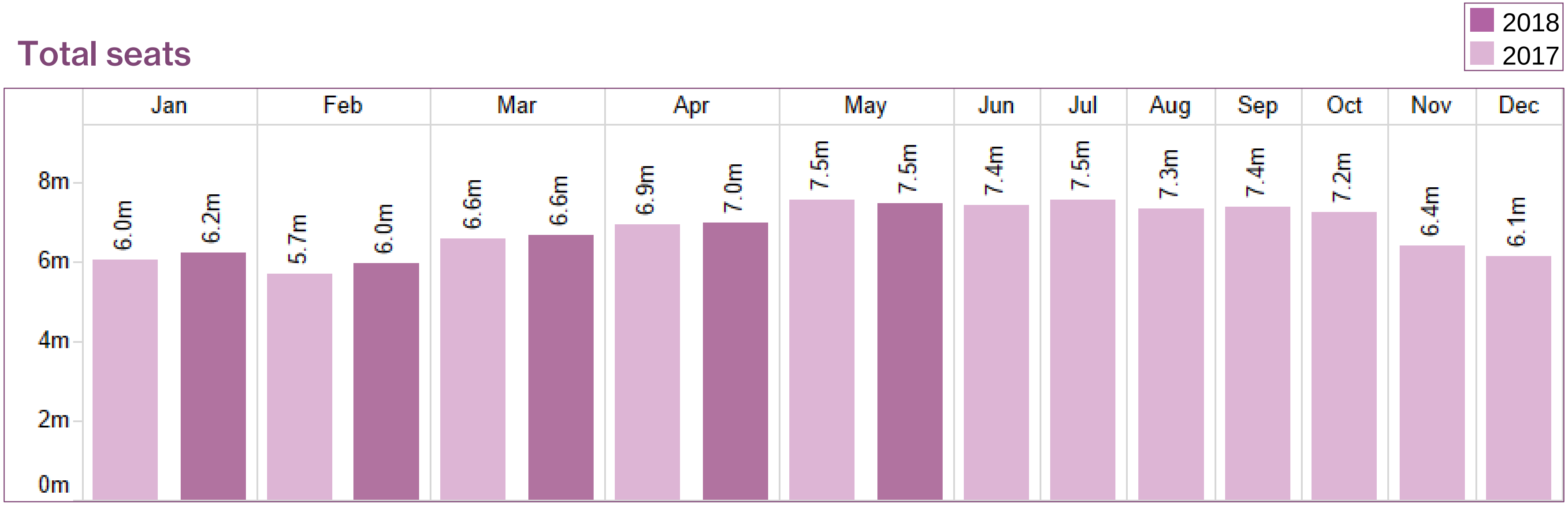
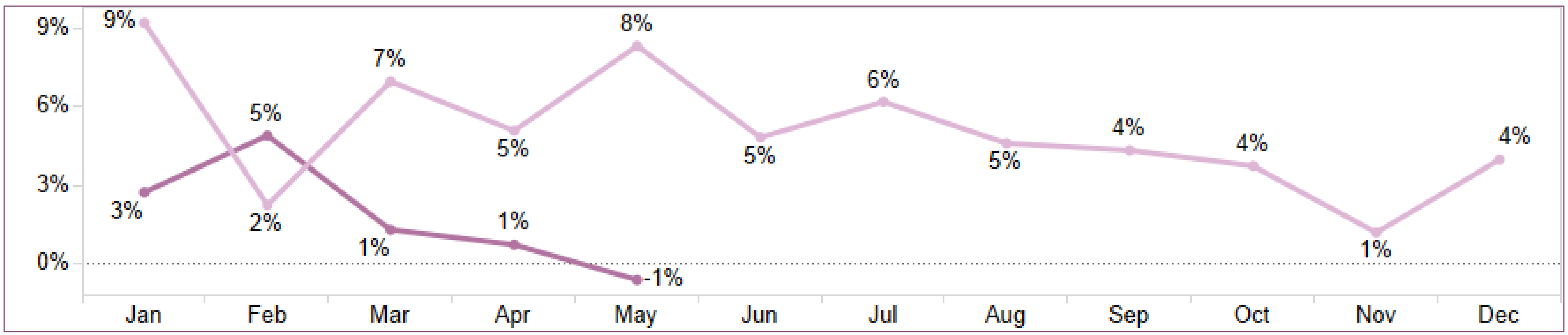
Deployed capacity

ERA carriers reduced total seat capacity by 1% in May 2018 versus May 2017

Total seats



Year-on-Year %

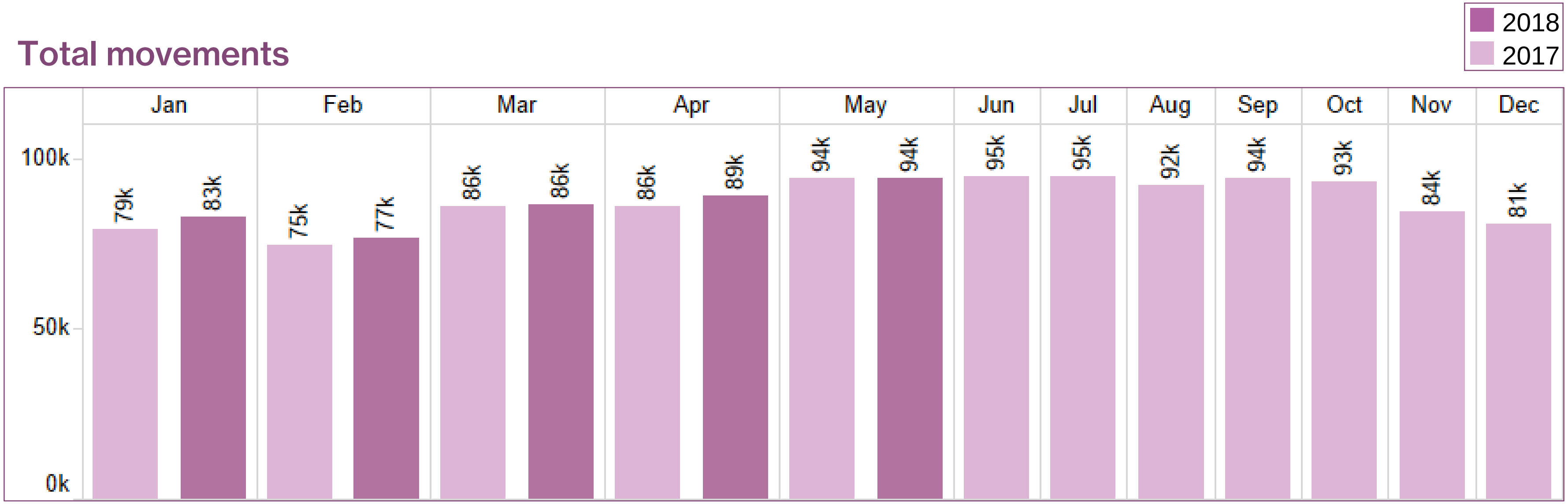


Note: Intra-European market operated by ERA members only.
Source: Innovata, May 2018 load, surface transportation excluded.

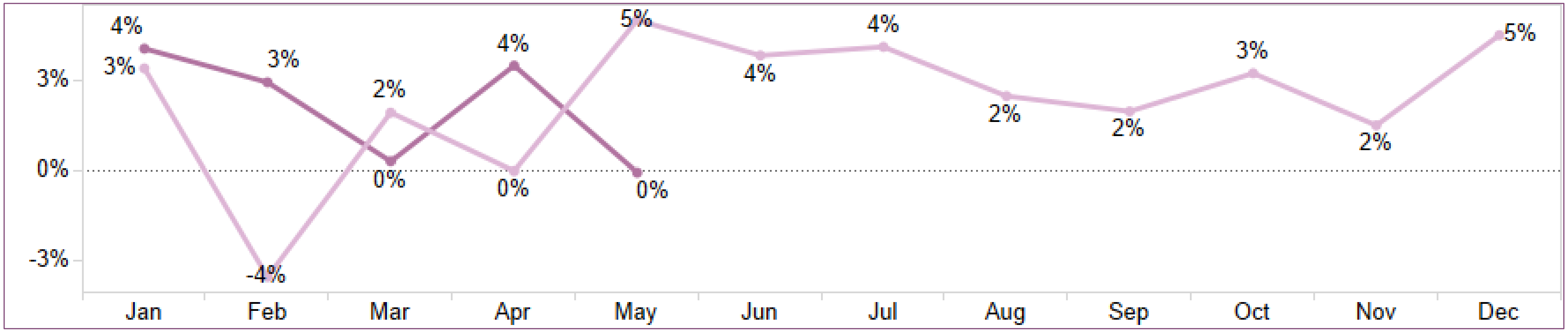
Total movements

Total movements of ERA members remained stable in May 2018 vs. the same month last year

Total movements



Year-on-Year %

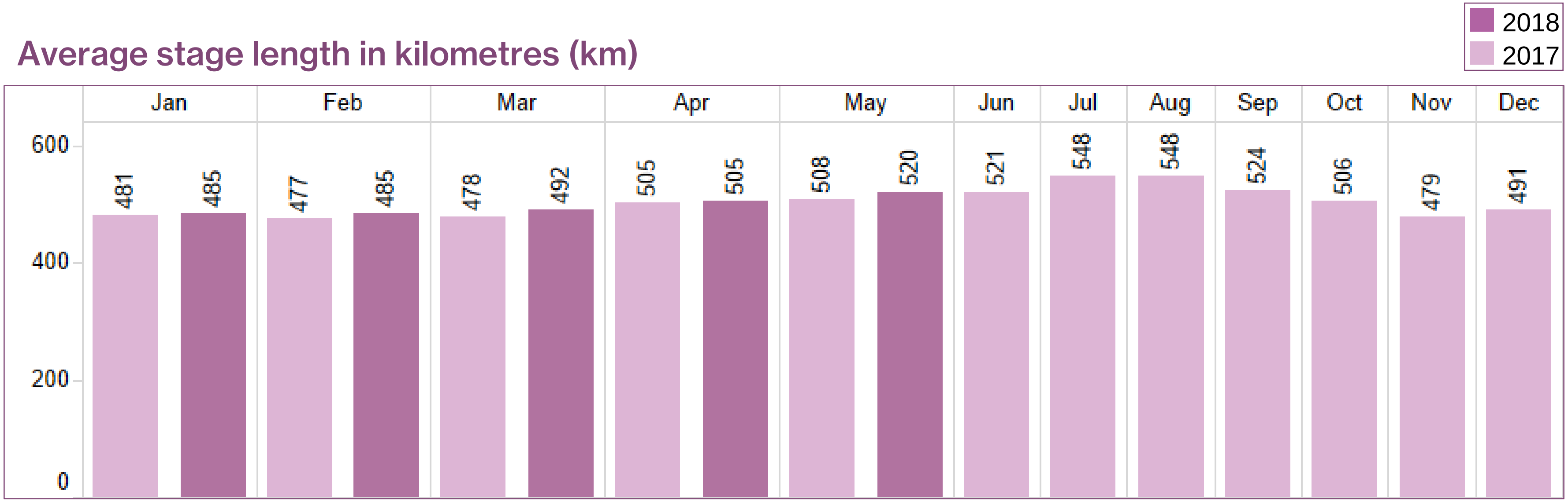


Note: Intra-European market operated by ERA members only.
Source: Innovata, May 2018 load, surface transportation excluded.

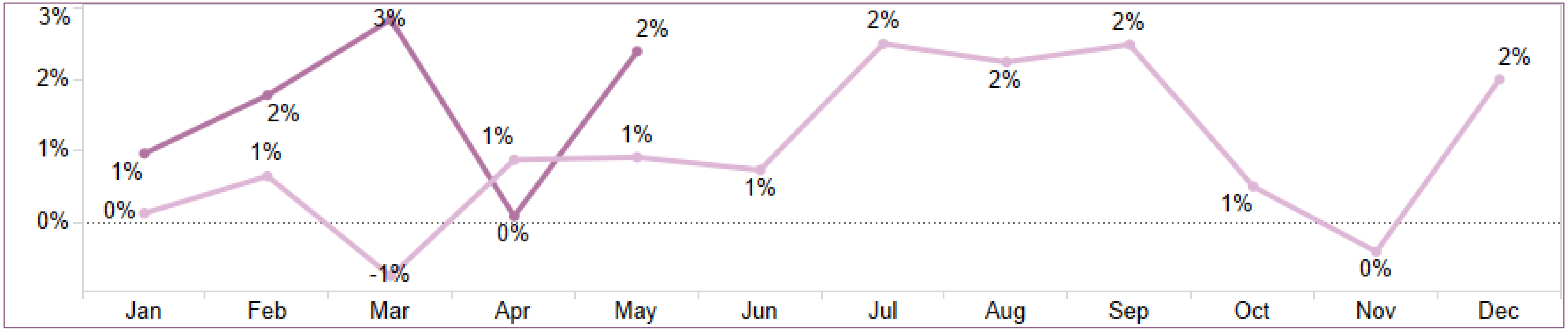
Stage length

Average stage length stands at 520 km; slightly higher than last year and increasing towards the peak summer period

Average stage length in kilometres (km)



Year-on-Year %

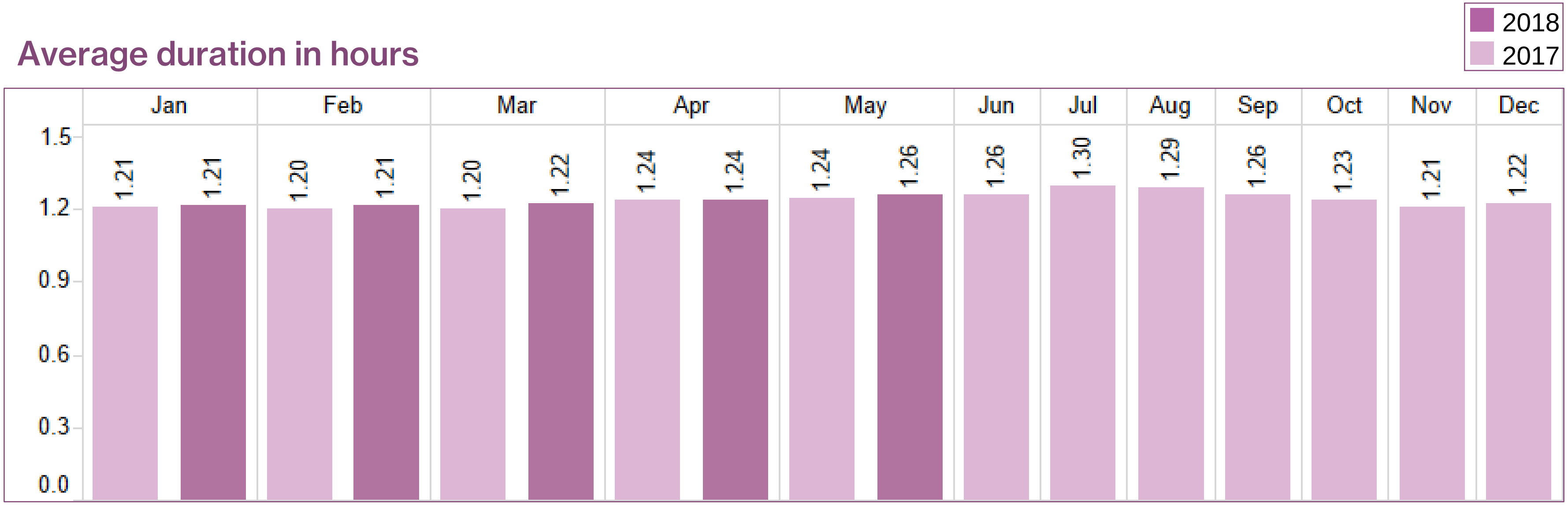


Note: Intra-European market operated by ERA members only.
Source: Innovata, May 2018 load, surface transportation excluded.

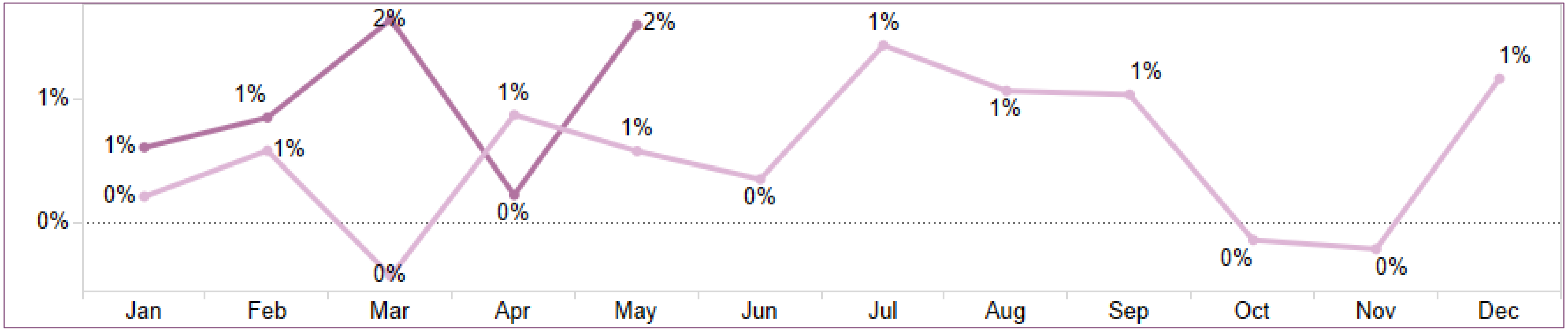
Sector duration

Average sector duration increased by 2% year-on-year to 1 hour and 16 minutes

Average duration in hours



Year-on-Year %

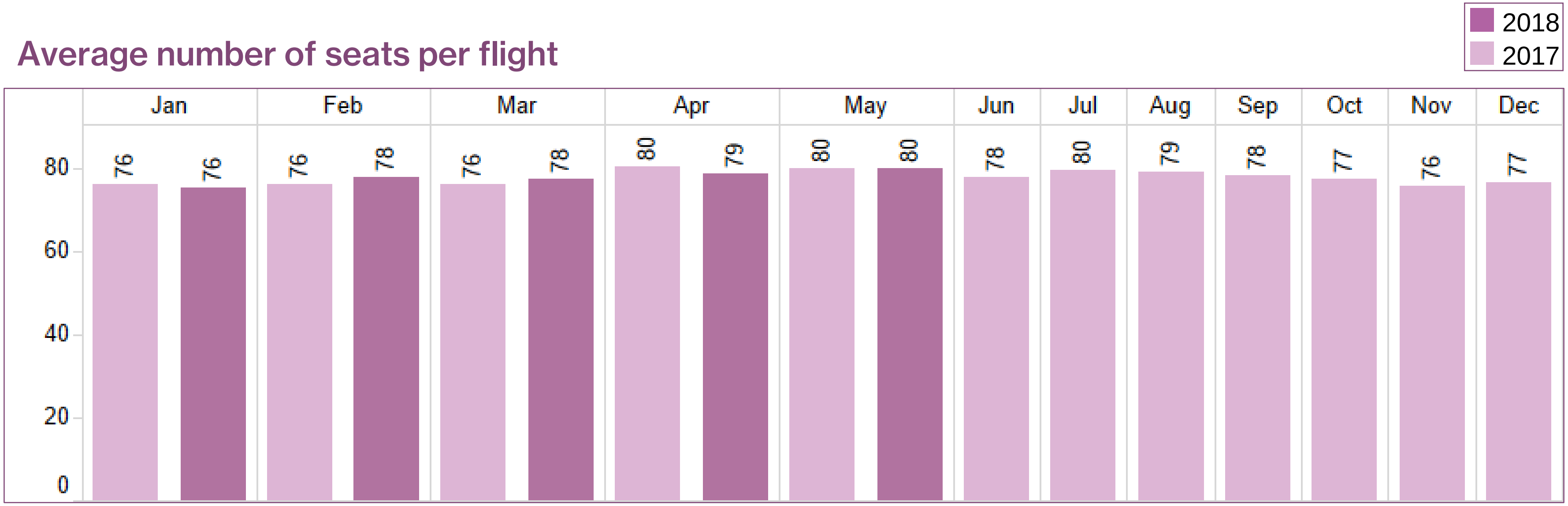


Note: Intra-European market operated by ERA members only.
Source: Innovata, May 2018 load, surface transportation excluded.

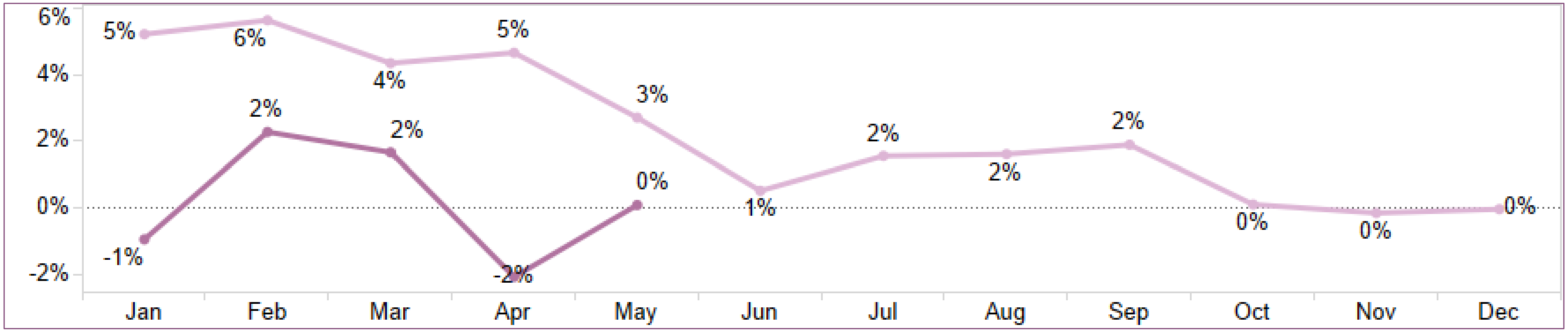
Aircraft seating capacity

Average seats per departure remain steady at 80 seats

Average number of seats per flight



Year-on-Year %

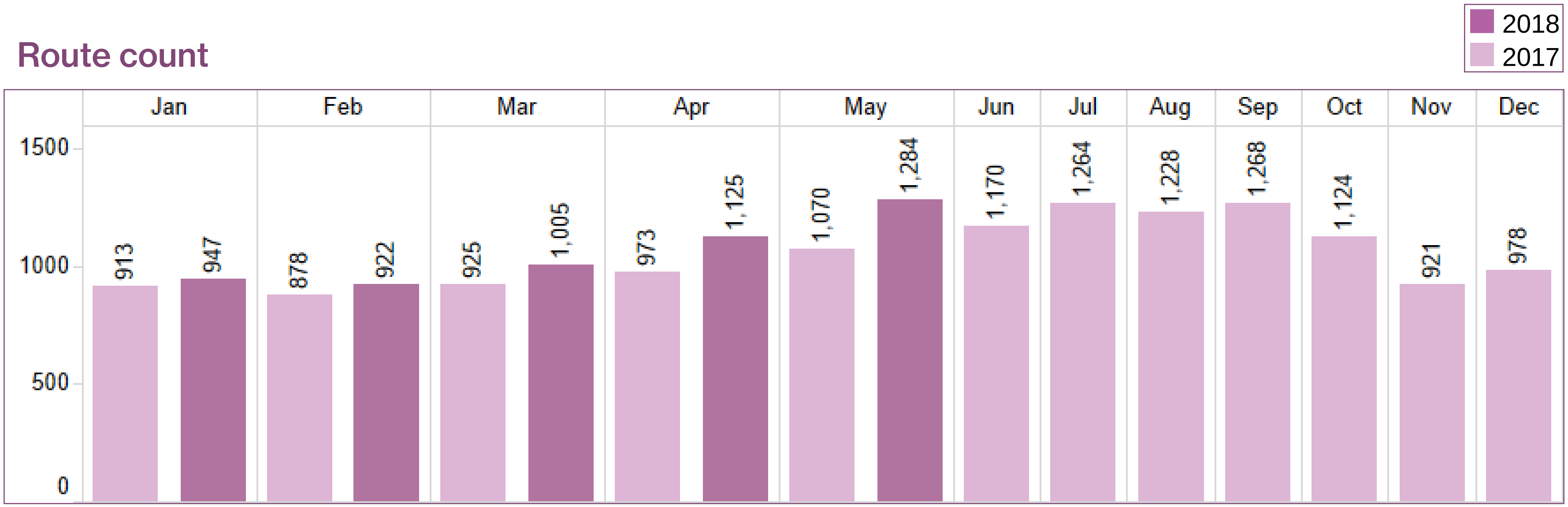


Note: Intra-European market operated by ERA members only; cargo flights excluded.
Source: Innovata, May 2018 load, surface transportation excluded.

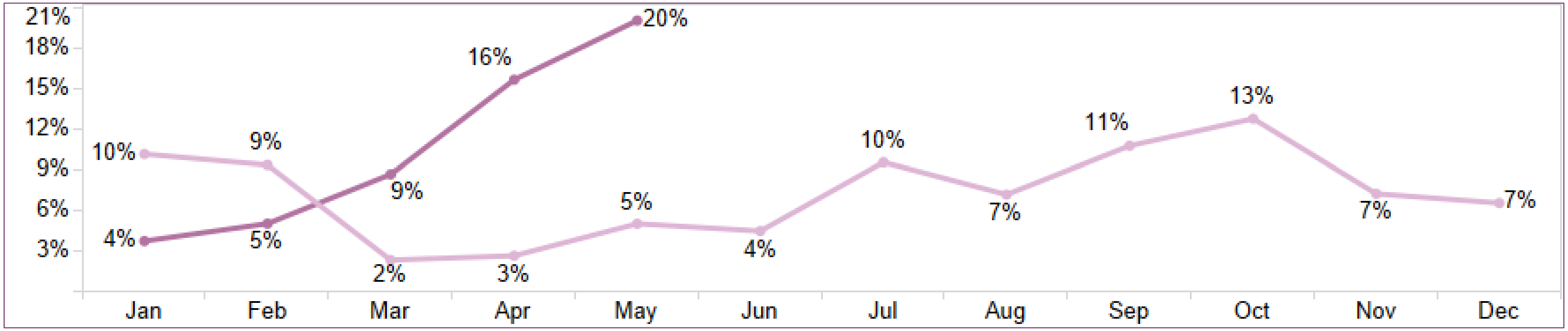
Route count

ERA carriers operated 1,284 unique routes in May 2018, this month's increase of 20% year-on-year continues a trend of rapid growth

Route count



Year-on-Year %



Note: Intra-European market operated by ERA members only; routes counted bi-directionally.
Source: Innovata, May 2018 load, surface transportation excluded.

Part 2: Market Dynamics

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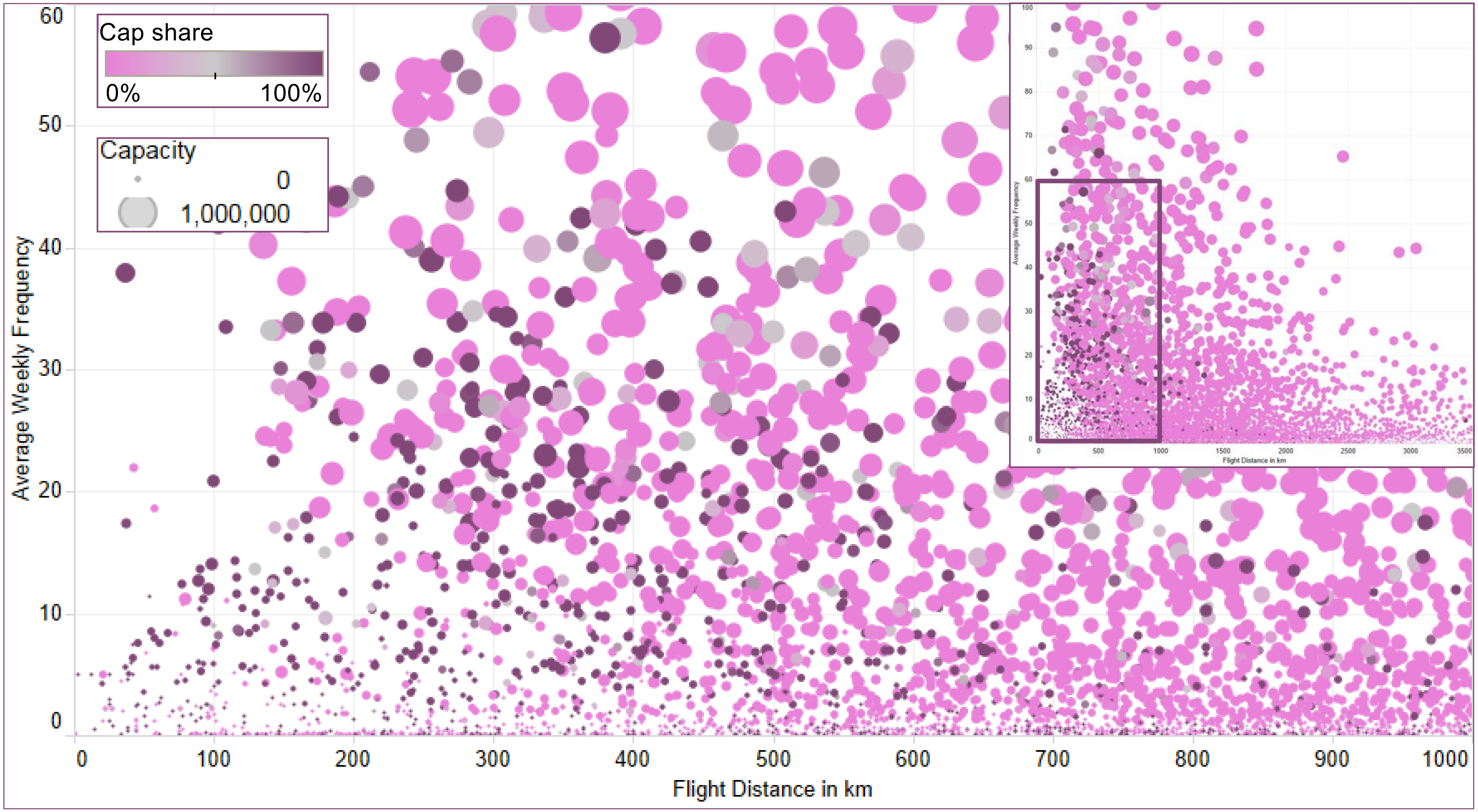
Regional carrier focus continues to be on shorter, thinner routes

Regional carriers' higher frequency profile differentiates them from competitor models

Regionals capacity share in 2018

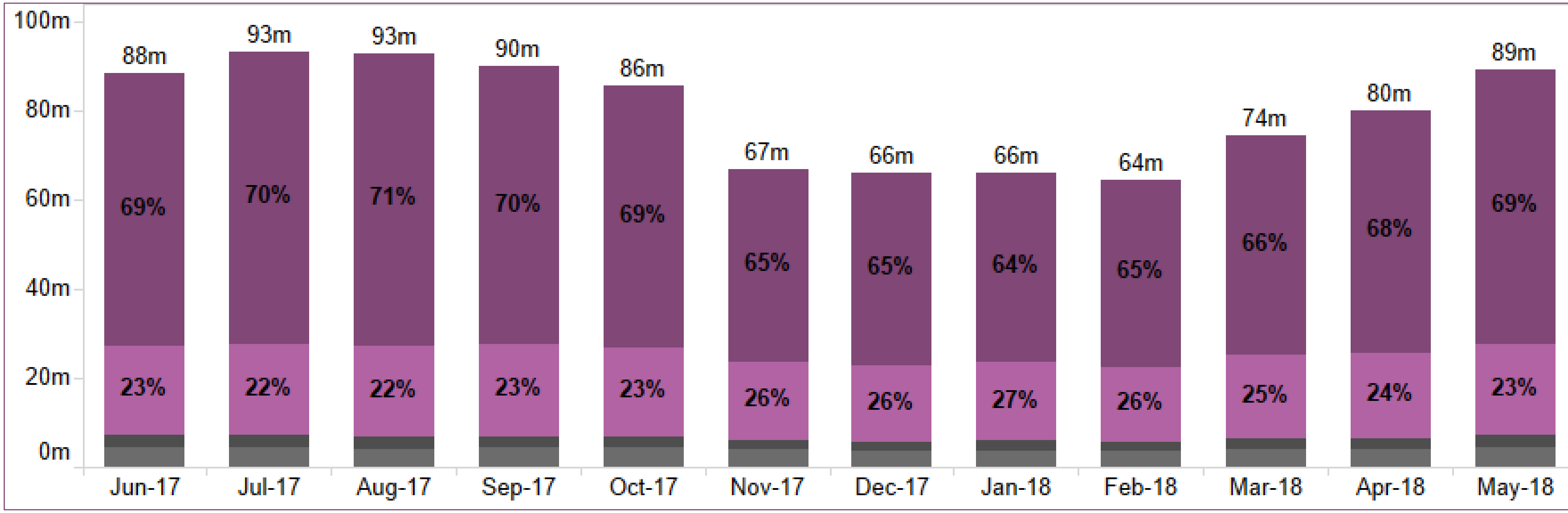


Note: Intra-European market operated by European airlines only.
Source: Innovata, May 2018 load, surface transportation excluded.

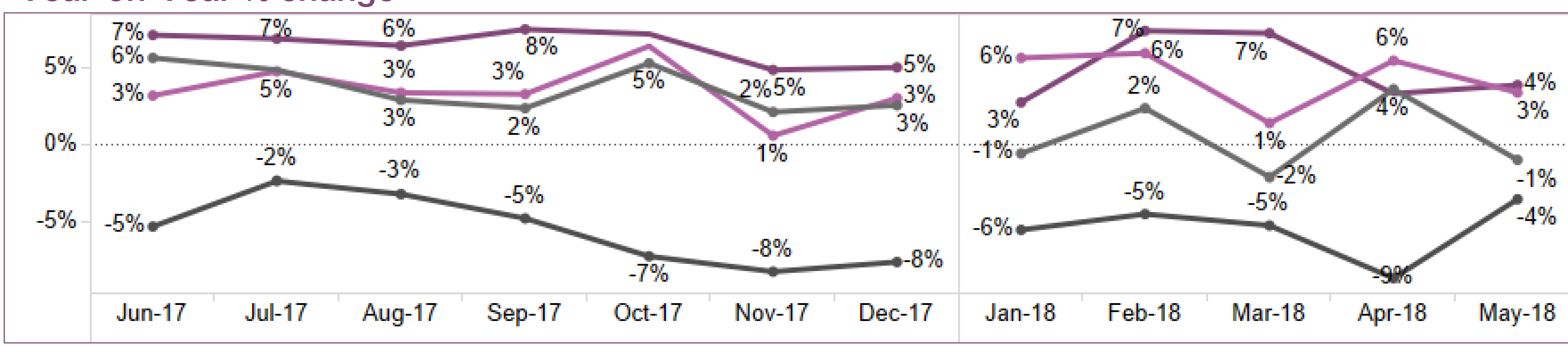
Seasonality profile shows dip in regional's international capacity

Regional carriers' international capacity continues its downward trend of the past months

Total seats



Year-on-Year % change

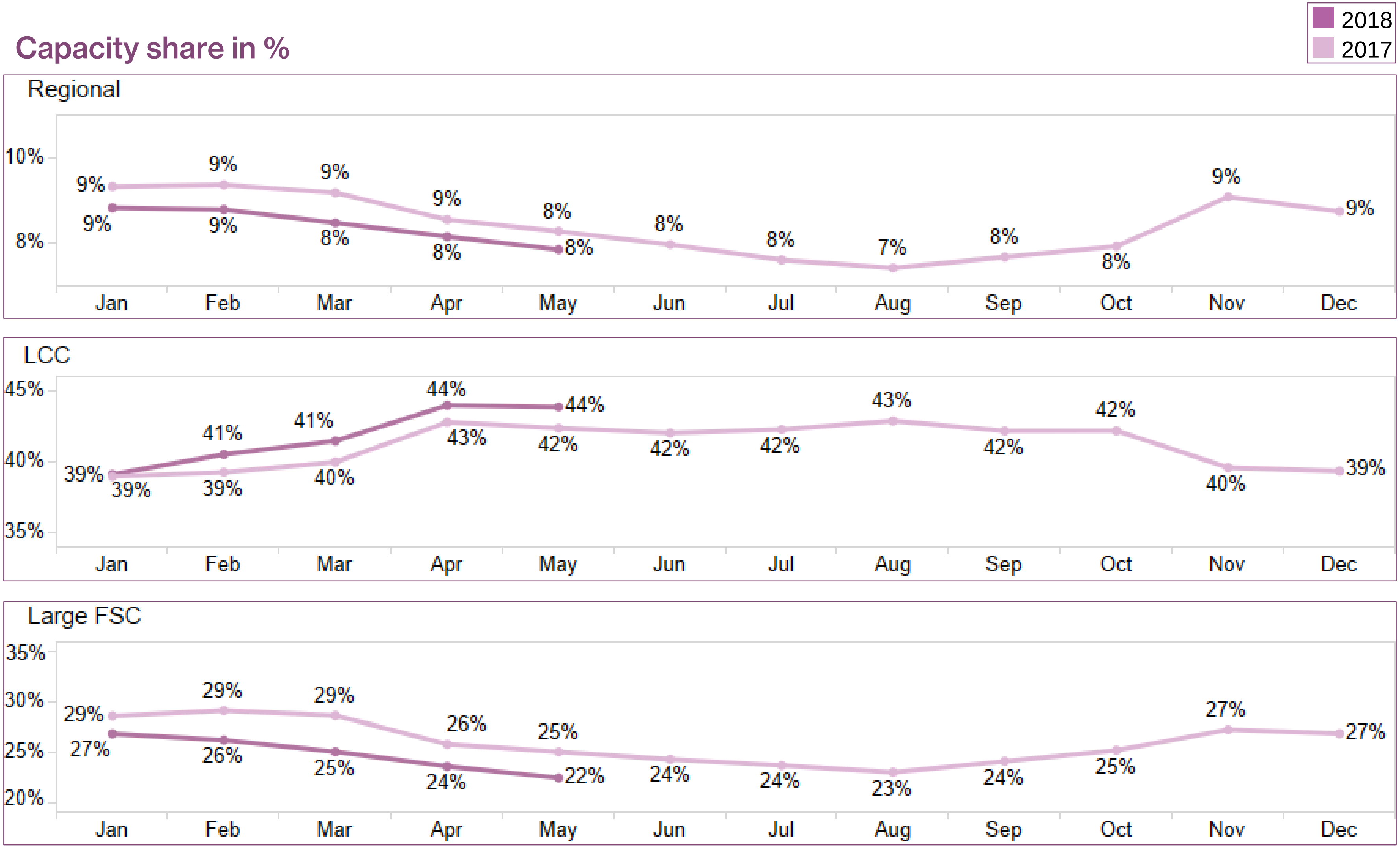


Note: Intra-European market operated by European airlines only.
Source: Innovata, May 2018 load, surface transportation excluded.

Regionals relative share of seats remains stable

Regional carriers' share of total seat capacity remains around 8% in May; FSCs experienced a slight decrease compared to last year while LCC's continue to increase their share

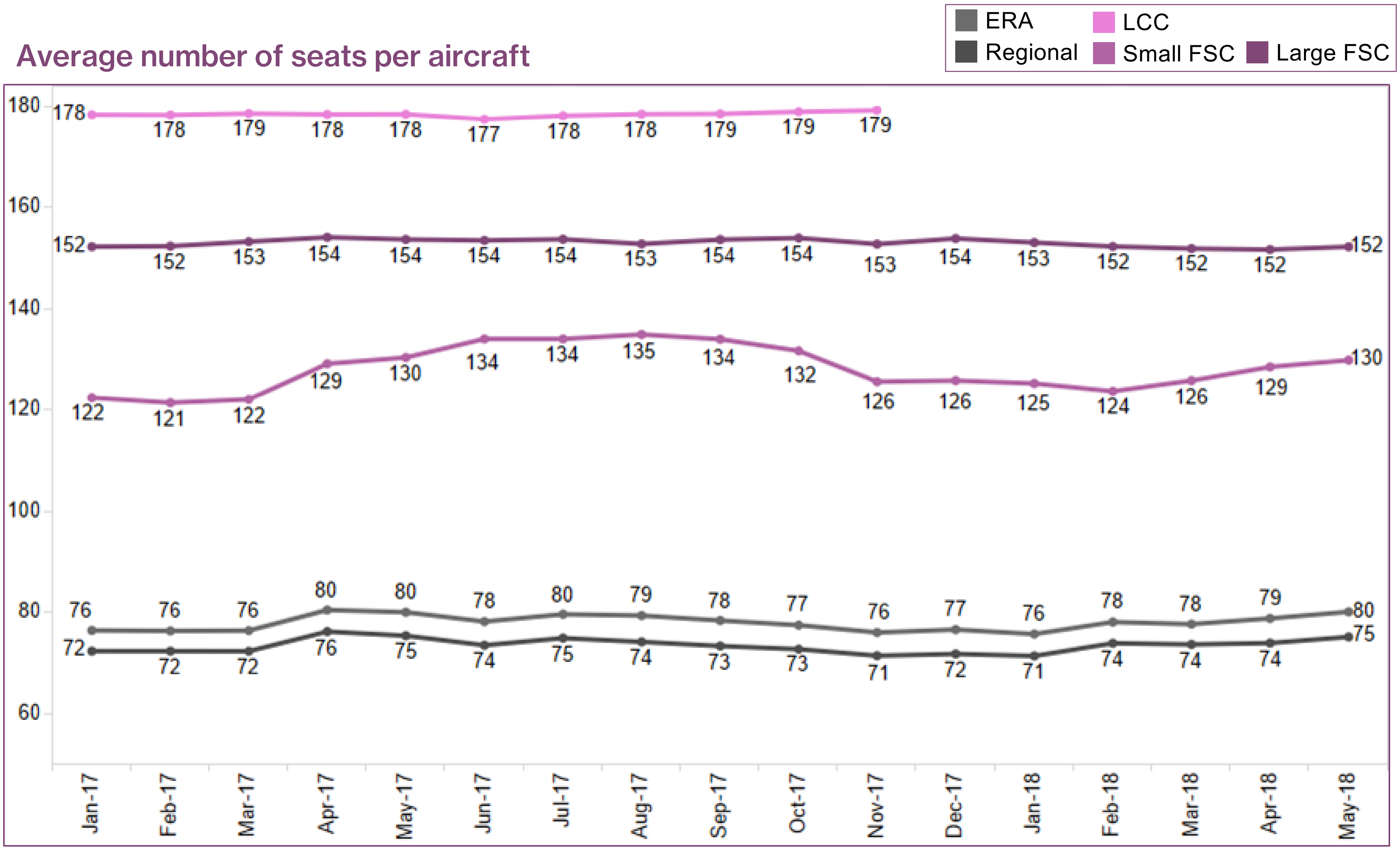
Capacity share in %



Note: Intra-European market operated by European airlines only.
Source: Innovata, May 2018 load, surface transportation excluded.

Smaller aircraft gauge deployed by regionals and ERA carriers

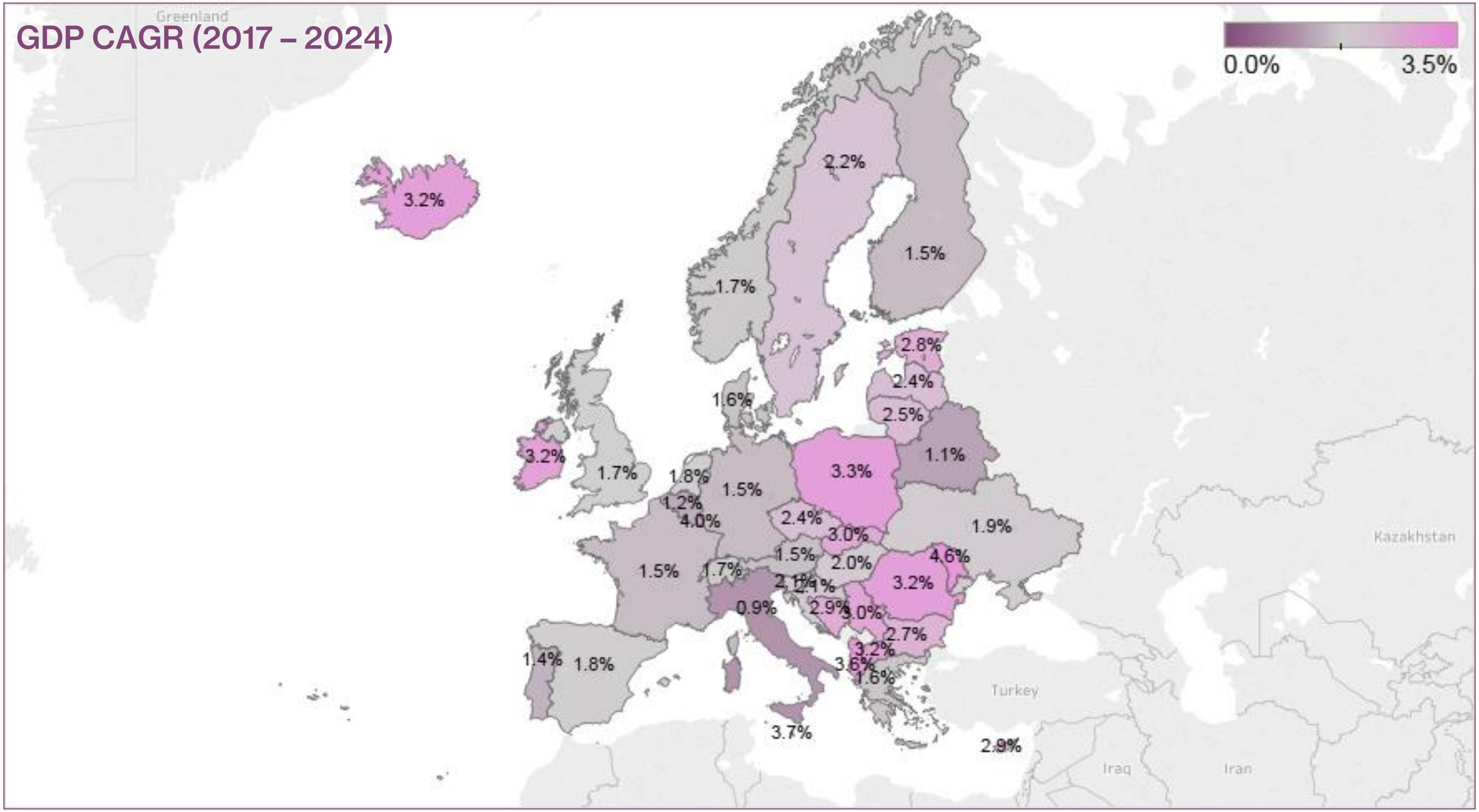
Average gauge for ERA carriers remains above other regionals' average gauge



Note: Intra-European market operated by European airlines only; cargo flights excluded.
Source: Innovata, May 2018 load, surface transportation excluded.

Growth outlook in ERA's member countries

Forecasts of real GDP growth continue to predict strongest growth in Eastern Europe, Ireland and Iceland in the period 2017-2024



Note: CAGR based on 2017-24 period except Malta (2017-18); Belarus (2017-19); Macedonia, Moldova, Luxembourg, Albania, Bosnia and Hercegovina (2017-21); Iceland (2017-22)
Source: EIU GDP forecast of 2017 - 2024

Part 3: Winter 2016

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Note

Winter 2016 schedules (November 2017 to April 2018) have been loaded and include the majority of the season’s schedule

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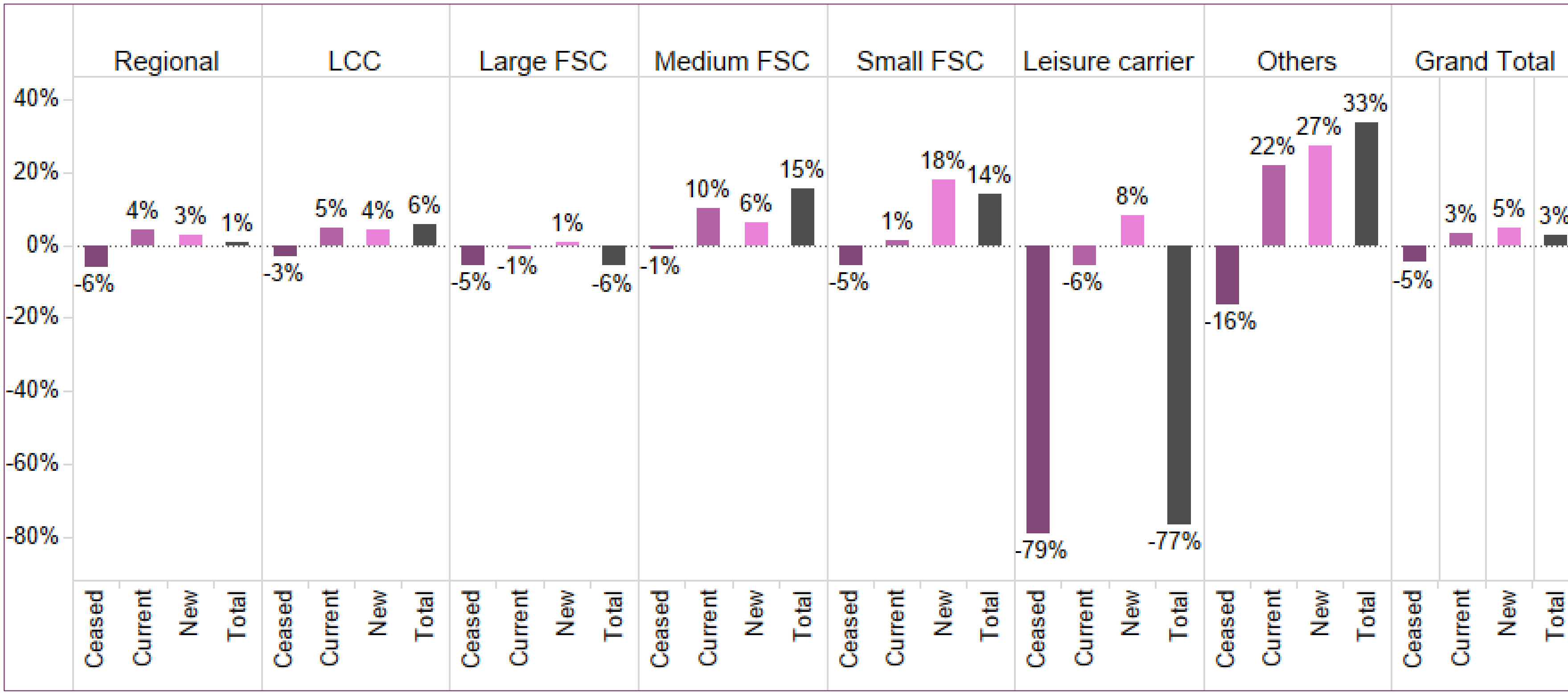
Intra-European domestic market

While regional carriers are ceasing routes equal to 6% of their capacity, they are growing new routes and existing routes, resulting in a 1% capacity increase compared to Winter 2016

Domestic capacity % changes (Winter 2017 versus Winter 2016)



Seats Winter 2017

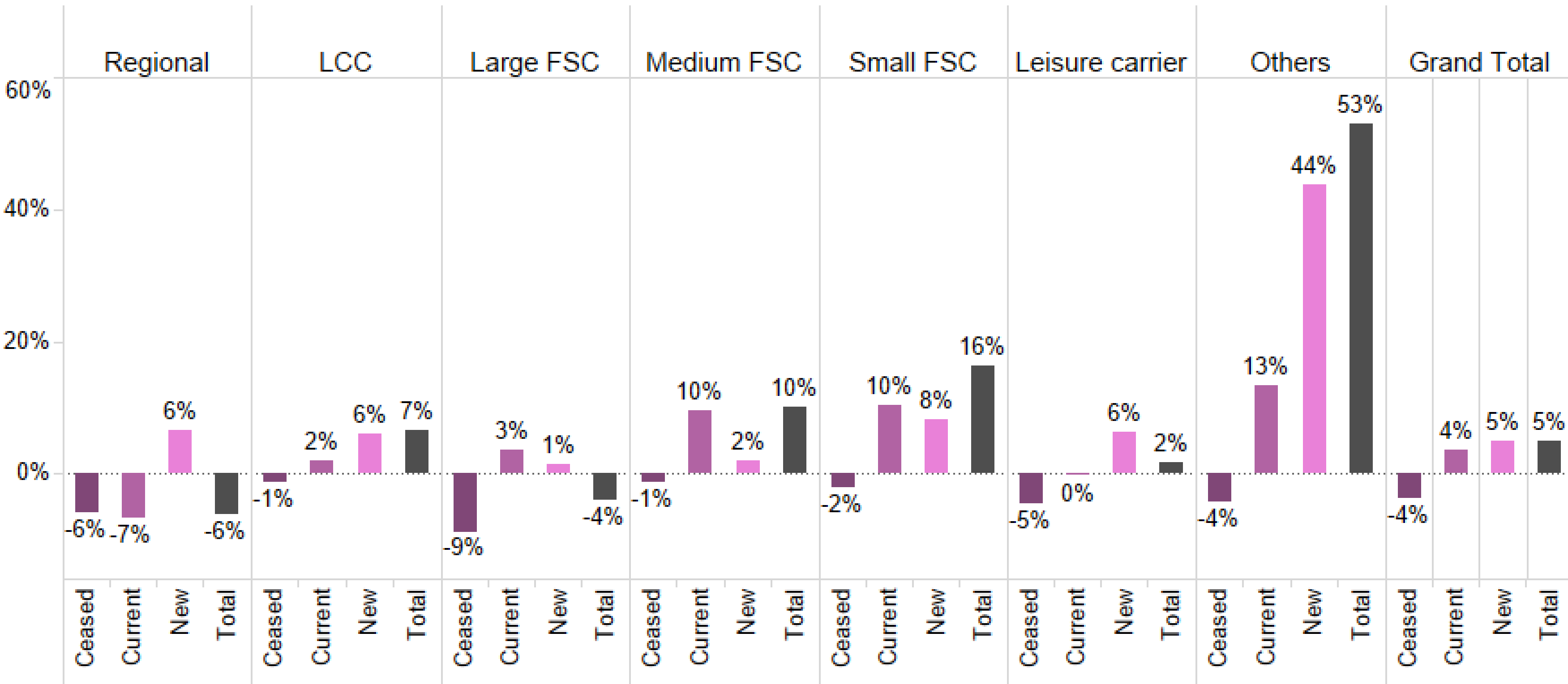
Regional	LCC	Large FSC	Medium FSC	Small FSC	Leisure carrier	Others	Grand Total
19m	32m	34m	10m	9m	0m	3m	107m

Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, May 2018 load, surface transportation excluded.

Intra-European international market

While intra-European international traffic grew overall, regional carriers' capacity has decreased 6% vs. Winter 2016; route cessations and cuts on existing markets exceeded expansion on new routes

International capacity % changes (Winter 2017 versus Winter 2016)



Seats Winter 2017

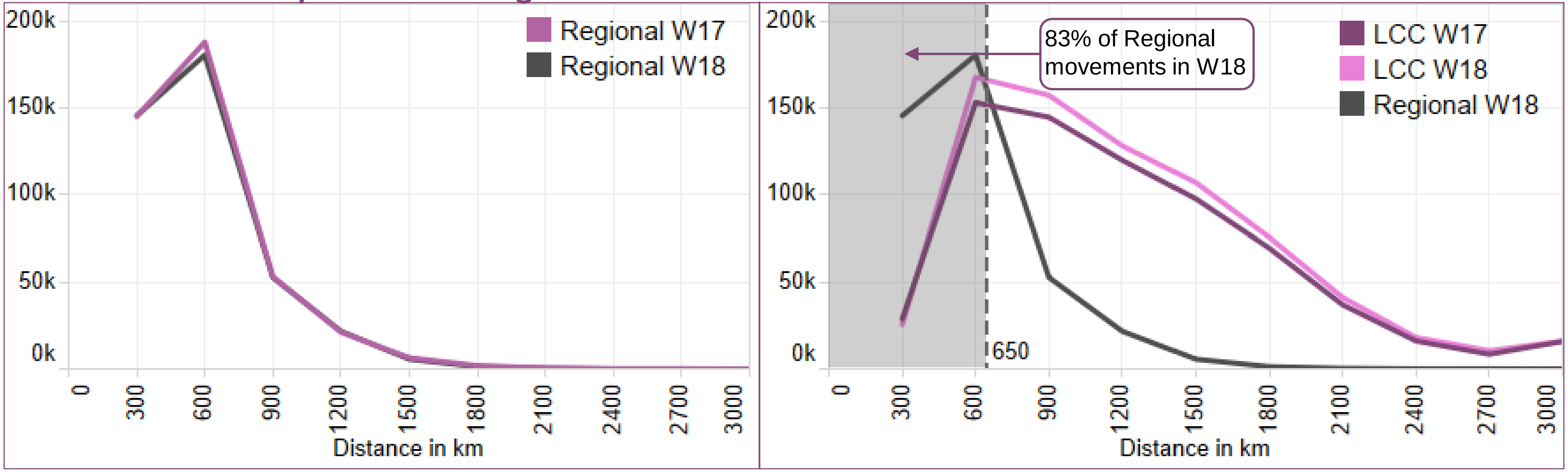
Regional	LCC	Large FSC	Medium FSC	Small FSC	Leisure carrier	Others	Grand Total
11m	103m	56m	31m	21m	5m	4m	230m

Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, May 2018 load, surface transportation excluded.

LCCs are strengthening operations

The vast majority of regional carriers' routes are shorter than 650km; regional and LCCs are largely maintaining flights at current distances

Total movements per sector length



		% share (flights)				% growth (flights)	
		Regionals W17	LCC W17	Regionals W18	LCC W18	Reg'ls W17 - W18	LCC W17 - W18
<= 650 km	0 - 300 km	35%	4%	36%	3%	0%	-11%
	300 - 650 km	48%	24%	47%	24%	-3%	10%
	Total	82%	28%	83%	28%	-1%	7%
Above 650 km	650 - 900 km	10%	18%	10%	18%	-7%	8%
	900 - 1200 km	5%	17%	5%	17%	2%	7%
	1200 - 1500 km	2%	14%	1%	14%	-13%	10%
	> 1500 km	1%	24%	1%	24%	-21%	10%
	Total	18%	72%	17%	72%	-5%	9%

Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, May 2018 load, surface transportation excluded.

Competitive overview

ERA carriers have increased capacity by operating more new routes in Winter 2017 versus Winter 2016

% changes (Winter 2017 vs. Winter 2016)

	Regional	ERA	LCC	Large FSC
Routes	2%	14%	14%	-11%
Seats	-2%	3%	6%	-4%
Flights	-2%	3%	8%	-5%
Avg. Route Capacity	-3%	-10%	-7%	7%
Avg. Route Frequency	-3%	-10%	-5%	6%
Gauge	0%	0%	-2%	1%

Routes with capacity share ≥ 75%

	Regional	ERA	LCC	Large FSC
W16	73%	72%	70%	45%
W17	70%	68%	72%	47%

Seats with capacity share ≥ 75%

	Regional	ERA	LCC	Large FSC
W16	65%	64%	48%	44%
W17	62%	63%	51%	50%

Regional / ERA members

- Unlike their other regional counterparts ERA members have increased capacity by launching more new routes
- The majority of routes and seats of ERA members and regional airlines are in markets where they have ≥75% capacity share

LCC

- LCCs have the highest increase in the number of flights, routes, and seats vs W16
- Share of monopolistic routes and seats decreased compared to last winter

Large FSC

- Large FSCs decreased their total number of routes but increased frequencies and capacity on existing routes compared to W16
- The proportion of routes and seats in monopoly markets increased slightly vs. last winter but remain below both regional carriers and LCCs

Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, May 2018 load, surface transportation excluded.

Country-to-country seat capacity forecast

Top 15 country-to-country flows based on total seat capacity in Winter 2017

Cap Growth
-30% 30%

Capacity growth (Winter 2017 versus Winter 2016)

	United Kingdom	Spain	Germany	Italy	France	Russia - European	Netherlands	Switzerland	Portugal	Norway	Poland	Sweden	Greece	Ireland	Austria	Other
United Kingdom	-4%	-6%	2%	1%	-4%	3%	0%	3%	-4%	5%	0%	3%	7%	0%	15%	4%
Spain	-6%	14%	6%	12%	11%	11%	10%	3%	19%	9%	39%	13%	25%	1%	-9%	11%
Germany	2%	6%	-6%	-4%	1%	9%	5%	-6%	26%	13%	8%	-25%	21%	31%	-4%	-1%
Italy	1%	12%	-5%	4%	3%	31%	4%	5%	27%	18%	20%	40%	65%	4%	-13%	8%
France	-4%	11%	1%	3%	1%	6%	2%	0%	17%	18%	5%	0%	5%	2%	-4%	8%
Russia - European	3%	10%	8%	31%	6%	6%	1%	3%	229%	-5%	31%	6%	43%		36%	5%
Netherlands	0%	10%	5%	4%	2%	1%		7%	18%	-2%	24%	8%	42%	12%	-1%	12%
Switzerland	3%	3%	-6%	5%	0%	3%	7%	-5%	9%	-8%	12%	8%	7%	9%	1%	5%
Portugal	-4%	19%	27%	27%	17%	229%	18%	9%	6%	51%	116%	108%	67%	-2%	53%	32%
Norway	5%	9%	13%	17%	18%	-6%	-3%	-8%	50%	5%	22%	3%	1100%	17%	5%	8%
Poland	0%	39%	8%	20%	6%	31%	24%	12%	116%	22%	-15%	23%	58%	-14%	16%	39%
Sweden	3%	13%	-25%	40%	0%	5%	8%	8%	109%	3%	23%	4%	189%		-11%	12%
Greece	7%	26%	20%	65%	5%	44%	42%	6%	67%	1100%	58%	186%	-3%	-37%	2%	8%
Irish Republic	0%	1%	31%	4%	2%		12%	9%	-2%	17%	-14%		-37%	2%	5%	1%
Austria	15%	-9%	-4%	-13%	-4%	36%	-1%	1%	53%	5%	16%	-12%	2%	5%	-3%	-4%
Other	4%	11%	-1%	8%	8%	5%	12%	5%	31%	8%	39%	13%	8%	1%	-4%	10%

Note: Intra-European market operated by European airlines only; countries are ordered as per total capacity in W16. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, May 2018 load, surface transportation excluded.

Part 4: Summer 2018 Outlook

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Note

Summer 2018 schedules have only been partially loaded by most airlines. The following slides should therefore be considered with caution due to the preliminary nature of the data on which they are based.

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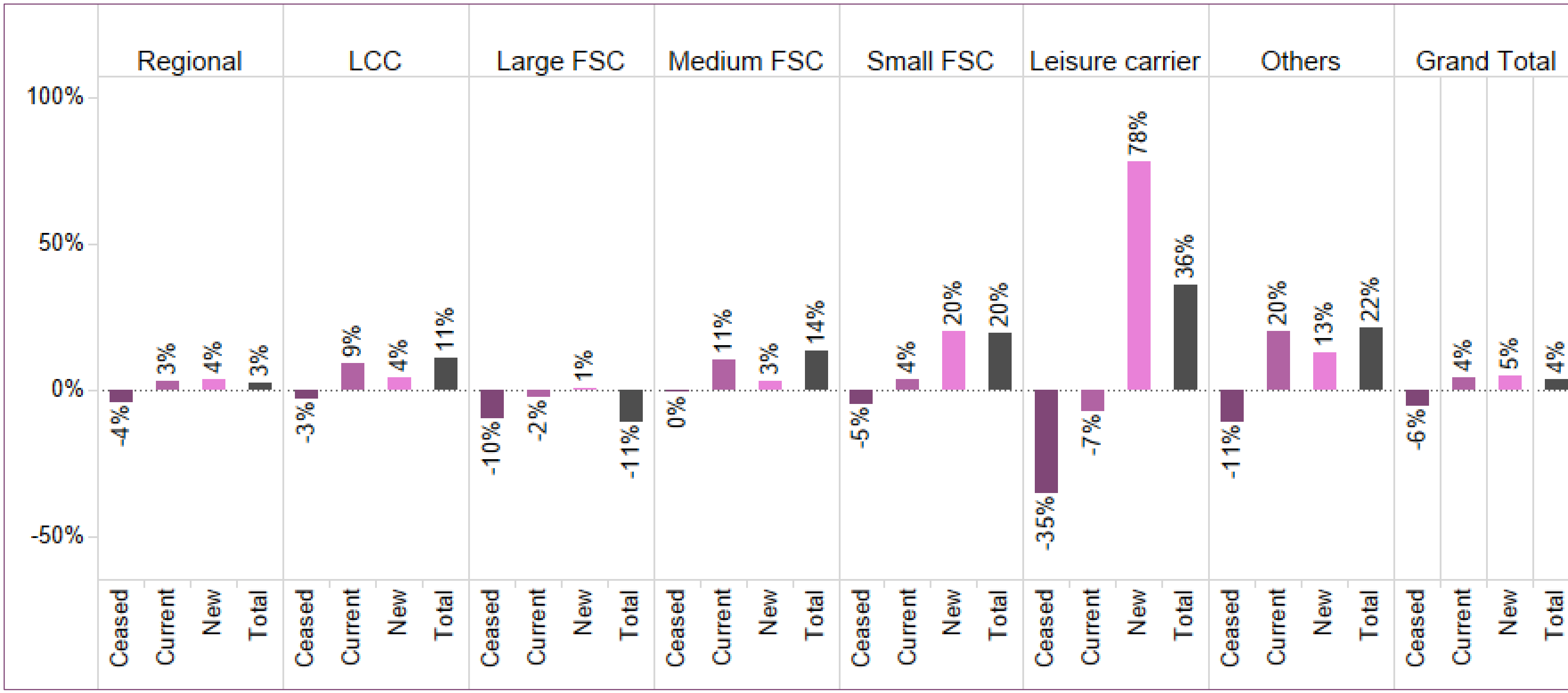
Intra-European domestic market

Regional carriers show a 3% increase in capacity on domestic markets compared to Summer 2017 by opening new routes and adding capacity on existing markets

Domestic capacity % changes (Summer 2018 vs. Summer 2017)



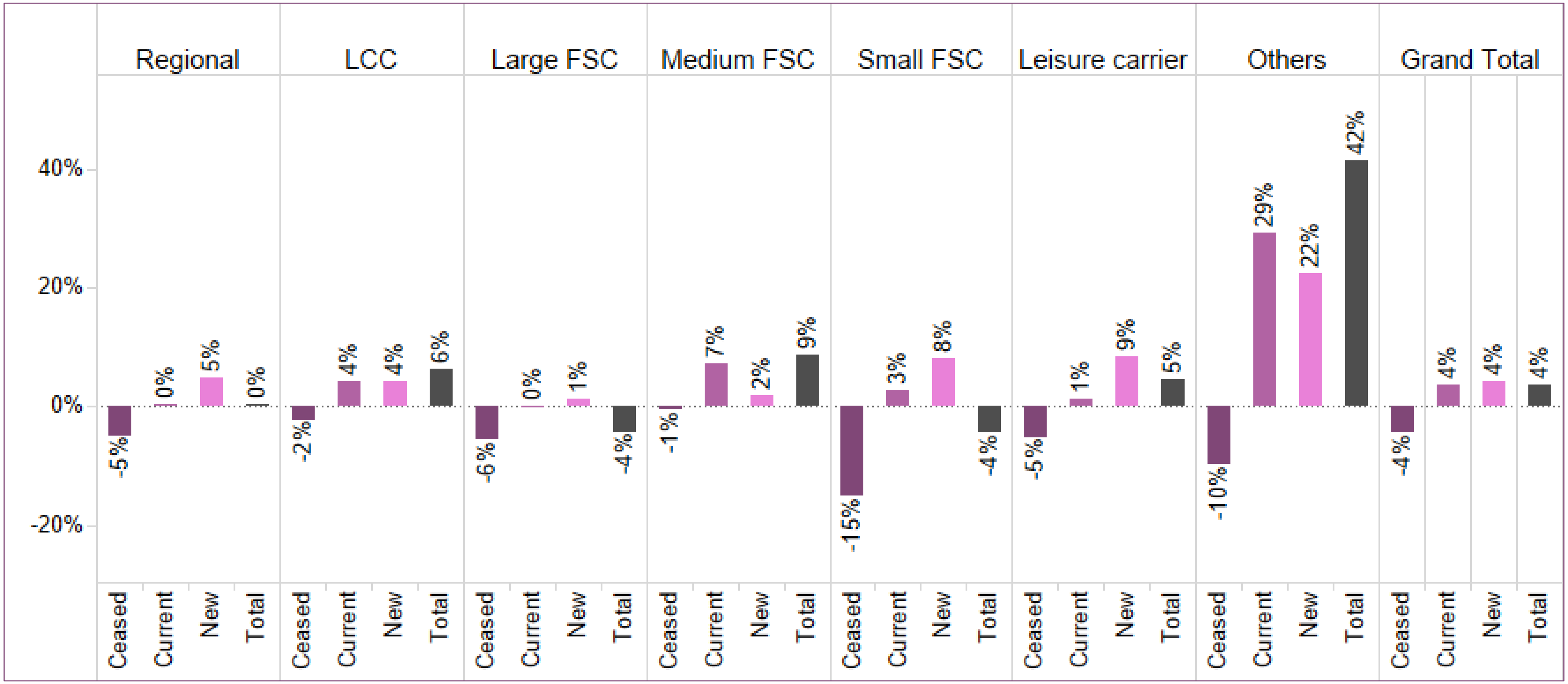
Seats Summer 2018	Regional	LCC	Large FSC	Medium FSC	Small FSC	Leisure carrier	Others	Grand Total
	30m	57m	48m	14m	19m	0m	6m	174m

Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, May 2018 load, surface transportation excluded.

Intra-European international market

Regional carriers' capacity on international routes remains flat year-on-year while total market growth is driven by LCC's 6% increase in capacity

International capacity % changes (Summer 2018 vs. Summer 2017)



Seats Summer 2018

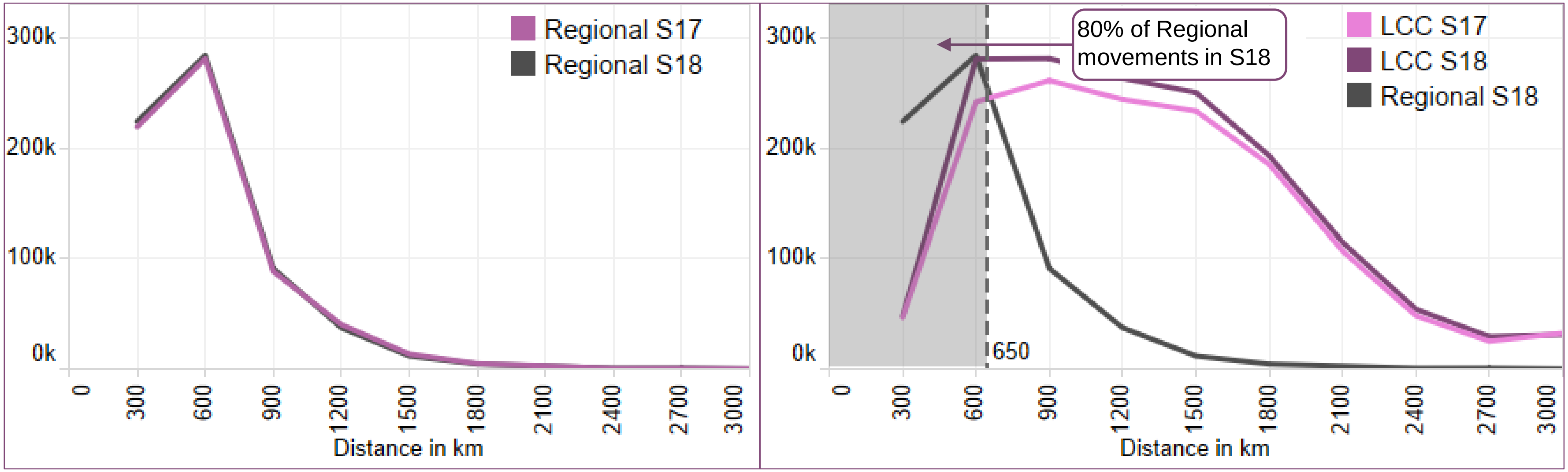
Regional	LCC	Large FSC	Medium FSC	Small FSC	Leisure carrier	Others	Grand Total
19m	222m	91m	55m	42m	21m	12m	461m

Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, May 2018 load, surface transportation excluded.

LCCs are strengthening operations

The vast majority of regional carriers' routes are shorter than 650km; regional and LCCs are largely maintaining flights at current distances

Total movements per sector length



		% share (flights)				% growth (flights)	
		Regionals S17	LCC S17	Regionals S18	LCC S18	Reg'ls S17 - S18	LCC S17 - S18
<= 650 km	0 - 300 km	34%	3%	34%	3%	2%	3%
	300 - 650 km	46%	19%	46%	20%	2%	16%
	Total	79%	22%	80%	23%	2%	14%
Above 650 km	650 - 900 km	11%	16%	11%	15%	-1%	7%
	900 - 1200 km	6%	17%	6%	17%	-7%	8%
	1200 - 1500 km	2%	16%	2%	16%	-13%	7%
	> 1500 km	1%	30%	1%	29%	0%	6%
	Total	21%	78%	20%	77%	-4%	7%

Competitive overview

Currently loaded summer schedules shows ERA carriers increasing the number of routes operated by 11% year-on-year; LCCs grow seats while large FSCs reduce capacity

% changes (Summer 2018 vs. Summer 2017)

	Regional	ERA	LCC	Large FSC
Routes	-5%	11%	4%	-6%
Seats	2%	3%	7%	-5%
Flights	1%	3%	8%	-5%
Avg. Route Capacity	7%	-7%	3%	1%
Avg. Route Frequency	6%	-8%	4%	2%
Gauge	1%	1%	-1%	-1%

Routes with capacity share ≥ 75%

	Regional	ERA	LCC	Large FSC
S17	68%	68%	65%	43%
S18	69%	64%	67%	46%

Seats with capacity share ≥ 75%

	Regional	ERA	LCC	Large FSC
S17	62%	64%	46%	44%
S18	61%	61%	48%	48%

Regional / ERA members

- Currently loaded summer schedules show ERA members increasing the number of routes served while other regional carriers consolidate capacity on existing routes

LCC

- LCCs are increasing capacity by adding flights on current routes

Large FSC

- FSCs are reducing capacity and consolidating on existing routes. However, as schedule is not fully loaded these figures may change
- The proportion of routes and seats in monopoly markets increased slightly vs. last summer but remain below both, regional carriers and LCCs

Note: Intra-European market operated by European airlines only. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, May 2018 load, surface transportation excluded.

INDICATIVE

Country-to-country seat capacity forecast

Top 15 country-to-country flows based on total seat capacity in Summer 2018

Cap Growth
-30% 30%

Capacity growth (Summer 2018 vs. Summer 2017)

	Spain	United Kingdom	Germany	Italy	France	Russia - European	Greece	Netherlands	Portugal	Switzerland	Norway	Poland	Ireland	Sweden	Austria	Other
Spain	9%	-7%	-2%	13%	11%	13%	27%	3%	15%	-4%	-1%	11%	2%	-1%	-12%	9%
United Kingdom	-7%	-2%	0%	3%	-5%	9%	9%	-4%	-8%	-1%	-6%	2%	2%	-5%	6%	3%
Germany	-2%	0%	0%	-2%	-1%	9%	18%	-5%	3%	1%	12%	12%	20%	-17%	1%	5%
Italy	12%	3%	-2%	2%	2%	39%	26%	-3%	16%	4%	2%	15%	12%	3%	22%	9%
France	10%	-5%	-1%	2%	2%	6%	26%	-6%	6%	-1%	31%	1%	5%	-4%	-6%	6%
Russia - European	13%	9%	9%	39%	6%	9%	26%	5%	45%	3%	-4%	35%	19%	-2%	-7%	-2%
Greece	27%	9%	19%	26%	26%	24%	9%	38%	70%	2%	7%	21%	4%	3%	-4%	20%
Netherlands	3%	-4%	-5%	-3%	-6%	5%	38%		13%	-5%	-3%	10%	5%	-4%	-1%	-1%
Portugal	15%	-8%	3%	16%	6%	44%	69%	13%	-1%	1%	12%	36%	2%	36%	-3%	16%
Switzerland	-4%	-1%	1%	4%	-1%	3%	2%	-5%	1%	-12%	0%	20%	14%	7%	7%	12%
Norway	-1%	-6%	12%	2%	31%	-5%	6%	-3%	13%	-1%	3%	21%	3%	-1%	8%	8%
Poland	11%	2%	12%	15%	1%	35%	23%	10%	35%	20%	21%	-17%	-6%	19%	25%	37%
Irish Republic	2%	2%	20%	12%	5%	19%	4%	5%	2%	14%	3%	-6%	23%	45%	27%	10%
Sweden	-1%	-5%	-17%	2%	-4%	-2%	3%	-4%	36%	7%	-1%	19%	45%	0%	5%	6%
Austria	-12%	5%	1%	22%	-6%	-7%	-4%	-1%	-3%	7%	8%	25%	27%	6%	3%	1%
Other	9%	3%	5%	8%	6%	-2%	19%	-1%	17%	12%	8%	39%	10%	6%	1%	10%

Note: Intra-European market operated by European airlines only; countries are ordered as per total capacity in S16. Further publication of operations is anticipated so these figures are subject to change.
Source: Innovata, May 2018 load, surface transportation excluded.

Glossary

Regional carrier	Carrier with an average stage length less than 500 km or fleet without narrow-body and wide-body aircraft (turboprops and / or regional jets only)
Large full service carrier (Large FSC)	Carrier whose fleet has more than 50 wide-body aircraft or more than 100 aircraft, including at least one wide-body
Small full service carrier (Small FSC)	Carrier whose fleet contains at least one wide-body aircraft but less than 100 total aircraft
Low cost carrier (LCC)	Any other carrier operating scheduled services with low-emphasis on its product
Domestic market	Origin and destination are located inside the same country
International market	Origin and destination are situated in different countries
CAGR	Compounded Annual Growth Rate
ERA member	All current ERA members who report data to Innovata (full list available on request)

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