

IATA says worldwide share prices fell in June because of fuel prices

By **Wendy Morley** on July, 15 2014 | International News



Jet fuel prices rose 4% in June because of concerns about the conflict in Iraq, and this caused a worldwide 2% drop in airline shares though the FTSE Global All Cap saw an increase of 3% in the same time period. European airlines also saw weakness in their quarterly financial results, and therefore witnessed a share drop of almost 9% in June compared to May, though US and Asia-Pacific remained stable.

Despite this, airlines are showing an improvement in financial performance, especially at the operating level. North American airlines in particular show strong performance, contrasting with Asian airlines, which have seen a decrease in cargo revenues and depreciating local currency.

The US economy, recovering both in general and from a weather-related downturn this winter, is trending up. Passenger yields have improved in the second quarter of 2014. The IATA expects this trend to continue.

That positive direction is not the case in other regions. Decreasing trends in global fares do not show signs of abatement, reflecting both weaknesses in Asia and exchange rate distortions.

Freight markets have aided the airlines' revenue stream, increasing slightly in May over April. This is consistent with an increase in world trade volumes and in the business confidence index. The industry

has also seen an increase in demand, with air travel volumes up 6% year-on-year April to May.

Passenger load factors increased in May over April, remaining at close to 80%, though air freight load factors decreased slightly in the same time. This decrease was, however, caused by an increase in capacity, not by lack of demand.