Morning Wrap

Today's Newsflow

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Economic view New UK PM, new energy, same issues

Equity Research 20 Jul 2026

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Upcoming Events

Company Events

21-Jul	Compass Group; Q326 Trading Update
22-Jul	Greencore; Q326 Trading Update
	J D Wetherspoon; FY26 Trading Update
23-Jul	easyJet; Q326 Results
	Howden Joinery; Q226 Trading Update
27-Jul	Cranswick; Q127 Trading Update

Economic Events

Ireland

22-Jul	PPI
	Wholesale Price Index

United Kingdom

21-Jul	ILO Unemployment Rate
22-Jul	CPI
	PPI
	Retail Price Index
	ONS House Price
24-Jul	GfK Consumer Confidence
	Retail Sales

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Ryanair Near-term fare pressure, long-term thesis unchanged

Recommendation: Buy
Closing Price:€25.96

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Ryanair's Q1 net income of €538m (-34% yoy) missed our €595m forecast and consensus at €579m primarily due to fares declining -6.5% yoy versus our forecast at -4.7% yoy. The key focus today will be the comment that Q2 fares are trending "modestly down" yoy despite stronger volumes and less price stimulation. We were at -0.5% yoy for Q2 fares and we believe that the buyside expectations were higher yoy. Positively, while unit costs rose by +5.1% yoy, the ex-fuel unit cost was only +1.7% higher yoy. This was better than expected and likely further widened Ryanair's cost advantage. Net cash at €2.65bn was c.€270m higher than anticipated and Ryanair is now 15% hedged for FY28's at c.$85 per barrel.

We now expect FY27 fares to decline by -1.8% yoy (was -1.3% yoy) with Q2 fares -2.0% yoy (was -0.5% yoy). We expect modest H2 fare growth as higher fuel prices push competitor pricing higher. Ryanair remains 80% hedged to March 2027 at c.$67 per barrel. Reflecting recent higher fuel prices we anticipate Ryanair's unit costs will rise by +2.6% yoy in FY27 (was +1.7% yoy). However, after a strong Q1 we now expect FY27 ex-fuel unit costs to rise by +2.3% yoy (was +3.6% yoy). As a result, we now forecast FY27 net income of €1.84bn, -7.6% below our previous estimate with FY28 and FY29 forecasts reduced by -8.0% and -6.1% to €1.84bn and €2.25bn respectively.

After updating forecasts and leaving our valuation multiple unchanged our new PT is €30.35 (was €31.00). We reiterate our BUY recommendation.

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Economic view New UK PM, new energy, same issues

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After all the political shenanigans over recent months, Andy Burnham will finally be appointed as UK Prime Minister today and quickly appoint his cabinet and lay out some of his key ambitions for the opening period of his reign. From a market perspective, the greatest amount of attention has been on who will become Chancellor. In line with indications last week, that role is likely to go to Shabana Mahmood. However, there are reports that Burnham intends to strengthen the role of Number 10 itself, creating a more powerful centre of government with greater oversight of spending decisions and closer control over the machinery of the state. Comparisons have already been drawn with the US Office of Management and Budget, suggesting an administration that wants economic strategy, fiscal policy and delivery coordinated directly from the Prime Minister's office rather than leaving the Treasury to operate with its traditional degree of independence.

Burnham enters office with a series of potentially expensive political commitments already under discussion, including measures to ease cost-of-living pressures, lower energy bills, restore bus fare caps, accelerate social housing delivery and address long-standing concerns about social care. At the same time, he has highlighted the political sensitivity of frozen income tax thresholds and will face pressure from different wings of the Labour Party to deliver visible change quickly. Against a backdrop of modest economic growth and continuing pressure on public finances, investors will want reassurance that policy ambition remains anchored by fiscal discipline. Several policy areas are due to be outlined in Burnham’s first speech as PM this afternoon. These include the potential of the nationalisation of Thames Water, announcements on energy, public housing, AI and of course the role of Number 10 North and its role in the devolution of powers to the cities. Taken together, the direction of travel points towards a government seeking a more active role in shaping economic outcomes.

The honeymoon period will undoubtedly provide Burnham with political capital, but markets will quickly move beyond the optimism of a new PM to whether the strategy can deliver stronger growth without undermining confidence in the UK's fiscal framework.

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