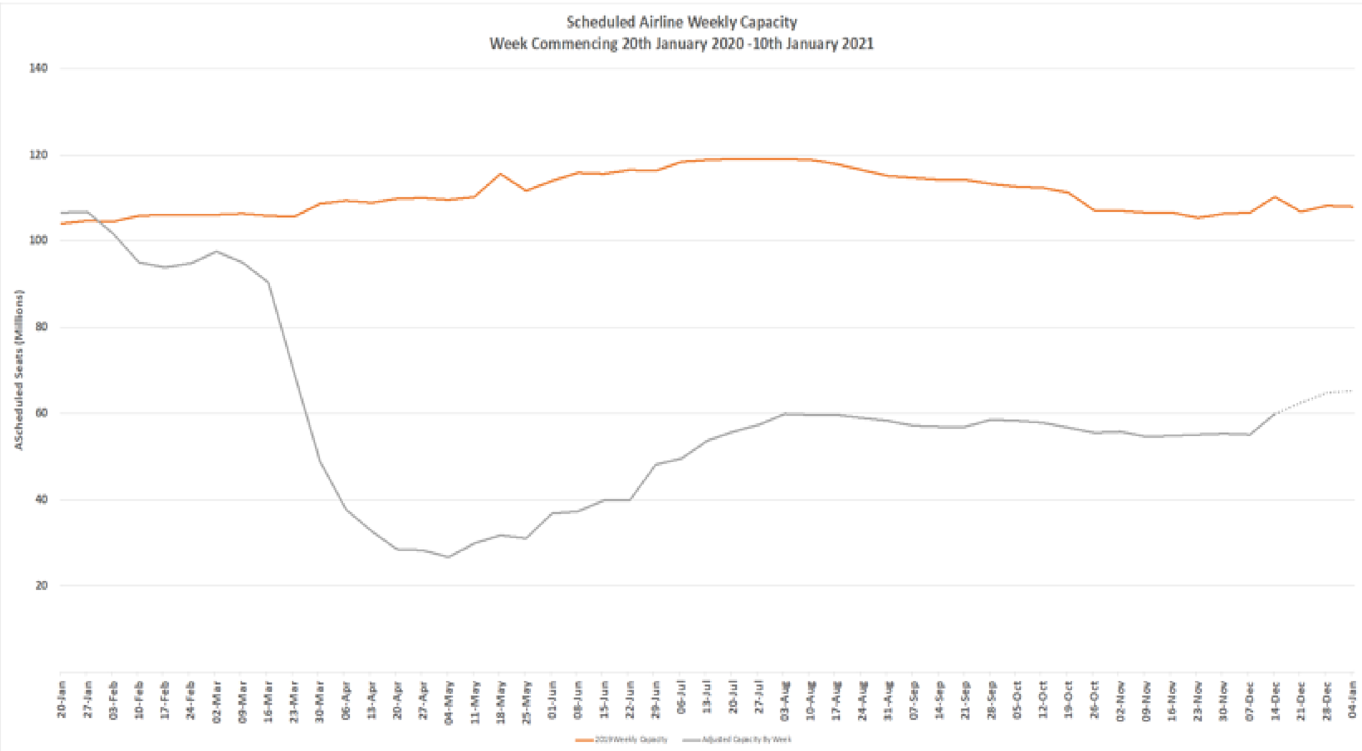
Wher Did That Come From ? Early Seasonal Capacity Gifts Around The World

Source: OAG

Coronavirus Capacity Update Week Forty-Eight: Second guessing global capacity has been difficult this year and the last few weeks have seen us settled at around 55 million seats a week although with numerous fluctuations in regional markets. So quite how in the last full week before the year-end holidays we have a near 9% increase in capacity and some 4.8 million seats week on week; maybe there is a Father Christmas after all!

This week's capacity levels are the highest since the week of the 3rd August when the sun shone, airlines were adding capacity back at a rapid rate and much of the globe seemed to have worked its way through the first wave of the pandemic. Quite what we can make of the increased capacity we can see this week and much more importantly the anticipated demand is anyone's guess. Current capacity filed for next week suggests a week of over 62.5 million; could we really hit such giddy heights?

Chart 1 – Scheduled Airline Capacity by Week Compared to Schedules Filed on 20th January 2020 & Previous Year



Source: OAG

There has been quite a bit of positive news across the aviation sector in the last seven days. More countries have approved and started immunisation programmes, lockdowns have been at least in the short-term eased and Singapore is once again attempting a travel corridor; this time with Taiwan. Increasing confidence of a recovery in the second half of 2021 is being discussed in many circles although the first quarter of 2021 has the potential to be tougher than my steak this weekend!

Western Europe provides a perfect example of the challenge's airlines have had and will continue to face in the next three months. Capacity this week is nearly 1.8 million up on last week (+39%) as a result of travel restrictions being eased and yet on Thursday the Canary Islands were again added to the UK travel list just as their peak season was about to start.

The most positive fact is that nine of the top ten global markets are reporting week on week growth and over half of those markets are at double digit levels. Aside from Western Europe, North America and Eastern Europe are reporting strong growth; in North America 1.5 million seats being added highlight show rapidly capacity is being adjusted to meet expected market demand.

Table 1– Scheduled Airline Capacity by Region

Region	20-Jan	30-Nov	07-Dec	14-Dec	% Change Week on Week	% Change V's 20th Jan
Asia : North East Asia	25,178,594	19,127,481	18,914,831	18,751,483	-0.9%	-25.5%
North America	22,644,121	12,469,019	11,740,939	13,304,328	13.3%	-41.2%
Europe : Western Europe	18,606,424	4,634,532	4,829,780	6,689,285	38.5%	-64.0%
Asia : South East Asia	10,866,623	4,857,489	4,907,083	5,254,011	7.1%	-51.7%
Asia : South Asia	5,160,958	3,048,789	3,089,412	3,220,084	4.2%	-37.6%
Latin America : Lower South America	4,033,676	1,922,615	1,960,198	2,120,456	8.2%	-47.4%
Middle East	4,930,030	2,062,414	2,083,003	2,103,569	1.0%	-57.3%
Europe : Eastern/Central Europe	3,701,241	1,504,171	1,558,096	1,834,109	17.7%	-50.4%
Latin America : Central America	2,444,383	1,504,158	1,535,032	1,725,212	12.4%	-29.4%
Southwest Pacific	2,835,574	1,142,847	1,313,975	1,465,700	11.5%	-48.3%

Source: OAG

Despite an incredible near 90% increase in capacity week on week in France, the country remains outside the top ten holding 16th position with markets such as Spain and the United Kingdom leading the European capacity recovery from a volume perspective.

Australia creeps into the top ten ranking in 9th position as a result of the additional 140,000 seats added back with the currently fully reopened for services. Australia's elevation into the top ten is at the expense of Thailand where capacity has remained static for the last few weeks; if ever a country needed international capacity it would be Thailand with its huge reliance on international tourism; hopefully that will return early in the new year.

Table 2- Scheduled Capacity, Top 20 Countries Markets

Country	20-Jan	30-Nov	07-Dec	14-Dec	% Change Week on Week	% Change V's 20th Jan
China	16,882,726	15,249,981	15,193,718	15,061,588	-0.9%	-10.8%
USA	20,749,829	11,965,041	11,217,783	12,684,805	13.1%	-38.9%
India	4,255,510	2,603,972	2,636,105	2,755,228	4.5%	-35.3%
Indonesia	3,144,407	2,222,253	2,203,999	2,333,251	5.9%	-25.8%
Japan	4,121,355	2,345,053	2,258,741	2,241,104	-0.8%	-45.6%
Brazil	2,842,645	1,561,755	1,616,798	1,758,003	8.7%	-38.2%
Mexico	1,920,941	1,299,868	1,316,825	1,472,261	11.8%	-23.4%
Russian Federation	2,158,058	1,354,516	1,354,894	1,385,866	2.3%	-35.8%
Australia	2,058,708	745,852	901,922	1,042,589	15.6%	-49.4%
Viet Nam	1,564,476	1,041,252	1,020,888	995,939	-2.4%	-36.3%
Thailand	2,097,513	942,472	941,743	945,921	0.4%	-54.9%
Spain	2,226,308	680,958	699,752	934,064	33.5%	-58.0%
United Kingdom	2,712,915	462,741	603,448	881,365	46.1%	-67.5%
Turkey	1,924,284	985,182	862,968	852,106	-1.3%	-55.7%
Korea Republic of	1,823,750	905,001	835,206	810,174	-3.0%	-55.6%
France	1,842,023	393,501	417,690	793,094	89.9%	-56.9%
Saudi Arabia	1,344,926	587,857	594,566	612,189	3.0%	-54.5%
Italy	1,775,401	314,538	343,006	608,335	77.4%	-65.7%
Canada	1,884,093	496,299	514,550	608,318	18.2%	-67.7%
Germany	2,519,489	440,688	457,938	605,105	32.1%	-76.0%

Source: OAG

Delta Air Lines must have been aware of American Airlines adding back some 240,000 scheduled seats this week since they also added some 170,000 seats to ensure they maintain the world's largest scheduled airline. Southwest Airlines have in the past few months adjusted capacity on a week-by-week basis responding to seasonal holidays and subsequent changes in expected demand; a capacity increase of 23% this week just highlights that flexibility.

The top seven placed airlines are either based in China or the United States, something that has not changed throughout the pandemic. The return of Indigo in recent weeks reflects the ongoing recovery in the Indian market and the carrier is now operating around 75% of its January capacity levels making it one of the better placed carriers in the global recovery.

Table 3- Scheduled Capacity Top 10 Airlines

Airline	20-Jan	30-Nov	07-Dec	14-Dec	% Change Week on Week	% Change V's 20th Jan
Delta Air Lines	4,532,316	3,011,511	2,863,319	3,034,199	6.0%	-33.1%
American Airlines	4,806,847	2,722,244	2,632,079	2,872,472	9.1%	-40.2%
China Southern Airlines	2,877,703	2,577,956	2,579,549	2,489,375	-3.5%	-13.5%
Southwest Airlines	3,788,421	2,212,755	1,936,938	2,388,980	23.3%	-36.9%
China Eastern Airlines	2,715,809	2,152,285	2,103,344	2,094,833	-0.4%	-22.9%
United Airlines	3,537,983	1,834,858	1,792,416	2,017,054	12.5%	-43.0%
Air China	1,881,825	1,611,613	1,597,663	1,576,659	-1.3%	-16.2%
IndiGo	1,813,944	1,254,408	1,277,616	1,351,680	5.8%	-25.5%
All Nippon Airways	1,374,456	957,234	950,098	951,319	0.1%	-30.8%
LATAM Airlines Group	1,870,132	836,896	846,502	851,133	0.5%	-54.5%

Source: OAG

Last week when capacity had settled around 55 million it felt that there was little scope for growth before the year end, how wrong we were! Demand remains the great unknown for many and the danger remains capacity building too quickly in the hope of demand following. With average fares appearing to be falling as carriers seek to stimulate demand the tightrope of revenue management will be crucial for many; let’s hope those airlines have enough of a safety net in the coming weeks.