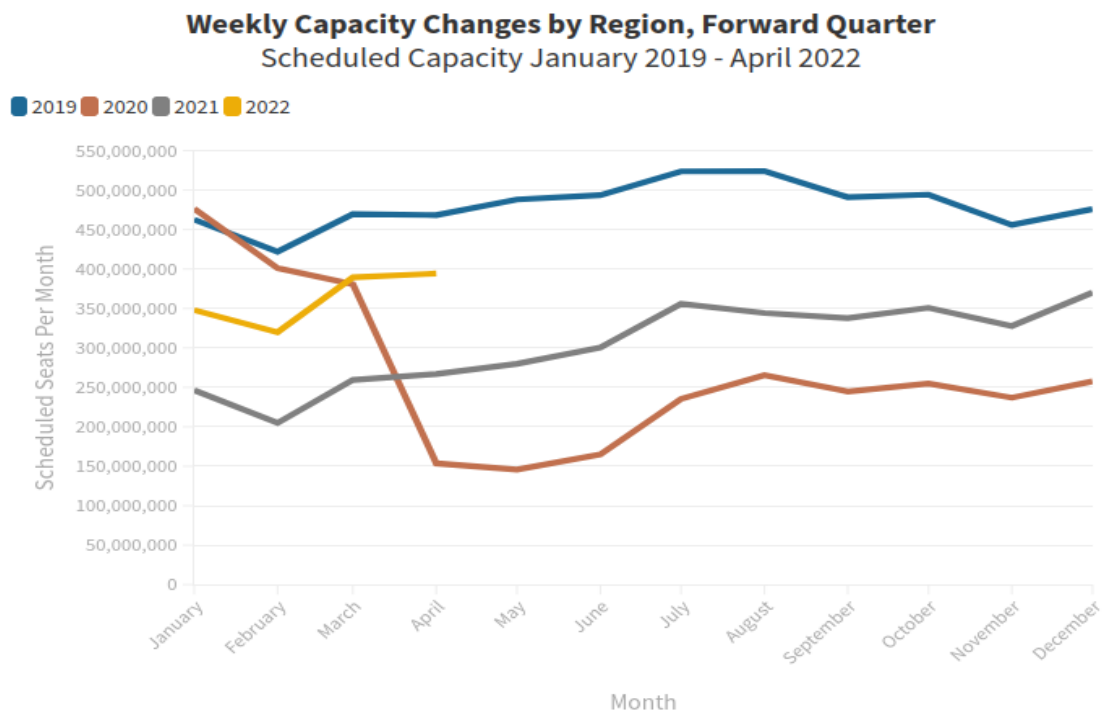


Olympian Capacity Recovery in China Takes Gold

Increasing Signs of Recovery in All Markets

Global airline capacity has bounced back this week quicker than an Olympic ski boarder, with airline capacity now at 78.9 million from the previous week's depressing 73.7 million. A 7% increase in capacity week-on-week built upon China going for gold with a staggering 33% increase in scheduled airline seats, but other countries have contributed as well and deserve their podium finishes.

Along with this week's capacity increases, there is also a return to more normal levels of capacity adjustment in the next three-month period. While some 5.8 million seats have been removed through to the end of April, that is 0.005% of total capacity suggesting increasing confidence in the market as we race through the shortest month of the year. In April 2020 global airline capacity slumped to 153.6 million and this year currently stands at 394.2 million, a comfortable doubling of capacity (+156%) which is a positive message although we are of course still looking at around a 16% shortfall against the April 2019 level.



Source: [OAG](#)

OAG

A new four million increase in weekly airline capacity across North East Asia (well China in truth) represents one of the largest and quickest market

recoveries that we have seen throughout the two years of the crisis. The 25% increase in seats places the region at the top of the global table with a 43,000 seat advantage over North America, although the region remains some 20% below its 2019 levels where capacity has returned to 13% below two years earlier.

In any other week, the additional 768,000 seats on offer in Western Europe (+6.4%) or indeed North Africa with a near 13% weekly increase would be claiming many of the headlines but this clearly isn't a "normal" week. Another positive piece of data this week is that only one of the seventeen geographic regions is reporting a decline in weekly capacity with Southwest Pacific dropping around 36,000 seats this week as various outbreaks and developments in the region have impacted supply. Still, New Zealand finally has a plan that will see full access to the rest of the world by October; so only another eight months waiting then; still at least they now have a plan!

Finally, another real positive development and one that could have gone unnoticed is that one region is now reporting more scheduled capacity than that on offer two years ago, Central/West Africa. The market has been active in recent months with a combination of new airlines and aircraft deliveries adding more and more capacity and although the market is one of the smaller geographic regions covered it does bode well for a wider African recovery in the next few months.

Scheduled Airline Capacity by Region

Region	11-Feb-19	10-Feb-20	31-Jan-22	07-Feb-22	% Change Week on Week	% Change Vs 10th Feb 2020	% Change Vs 11th Feb 2019
Asia : North East Asia	24,744,459	13,347,297	15,703,497	19,653,289	25.2%	47.2%	-20.6%
North America	22,486,195	22,847,776	19,492,032	19,610,602	0.6%	-14.2%	-12.8%
Europe : Western Europe	20,029,971	19,554,080	11,958,413	12,726,368	6.4%	-34.9%	-36.5%
Asia : South East Asia	10,070,219	10,126,775	5,231,939	5,323,970	1.8%	-47.4%	-47.1%
Asia : South Asia	4,942,108	5,195,682	3,606,845	3,699,377	2.6%	-28.8%	-25.1%
Middle East	4,885,387	4,835,891	3,602,939	3,601,553	0.0%	-25.5%	-26.3%
Latin America : Lower South America	3,899,258	3,907,506	2,854,453	2,871,296	0.6%	-26.5%	-26.4%
Europe : Eastern/Central Europe	3,603,287	3,707,085	2,723,617	2,749,612	1.0%	-25.8%	-23.7%
Latin America : Central America	2,274,059	2,428,594	2,231,565	2,217,455	-0.6%	-8.7%	-2.5%
Latin America : Upper South America	1,651,157	1,736,407	1,563,231	1,555,585	-0.5%	-10.4%	-5.8%
Southwest Pacific	2,839,797	2,744,475	1,457,493	1,421,466	-2.5%	-48.2%	-49.9%
Latin America : Caribbean	1,003,541	1,003,577	764,588	778,414	1.8%	-22.4%	-22.4%
Africa : North Africa	982,463	1,037,427	663,951	748,899	12.8%	-27.8%	-23.8%
Africa : Central/Western Africa	598,659	647,339	625,927	627,235	0.2%	-3.1%	4.8%
Africa : Eastern Africa	709,788	747,593	557,117	559,048	0.3%	-25.2%	-21.2%
Africa : Southern Africa	800,653	763,140	452,965	472,406	4.3%	-38.1%	-41.0%
Asia : Central Asia	353,041	341,442	277,724	292,348	5.3%	-14.4%	-17.2%
Grand Total	105,874,042	94,972,086	73,768,296	78,908,923	7.0%	-16.9%	-25.5%

Source: OAG

OAG

A one-third increase in capacity in any market week-on-week would be an exceptional recovery, when that happens in the second-largest country in the world then China's latest capacity numbers are exceptional; especially when most of that airline capacity is in the domestic market. What is very clear is that the additional capacity is not being used to fly in spectators to the various winter Olympic venues where load factors look lower than any airline will operate this week. Not surprisingly China is getting ever closer to its capacity "breakeven" point compared to two years ago; and let's not forget that the market has almost totally flipped to domestic capacity which stands at 15.7 million compared to 14.7 million. For the major Chinese airlines who once operated international networks of some scale and size the key question remains profitability and that will certainly not be in the same region as it used to be however creative the measurements.

The near 15% increase in UK capacity week-on-week is completely overshadowed by the changes in China but the addition of over a quarter million extra seats this week highlights just how quickly a capacity can be added back when virtually all travel restrictions are eased in a market with the 11th February seeing the last remaining testing requirements removed. It also means that there are probably hundreds of thousands of lateral flow testing kits in the UK about to be advertised on eBay! Another celebratory note from the UK market is that this week's capacity growth is both in percentage and absolute terms slightly ahead of France, something to celebrate perhaps with a glass of Champagne.

And finally, a huge shout out to Colombia where capacity is now a very impressive 17% above the 2019 level and slightly ahead of February 2020. A strong domestic market, increasing low-cost activity, limited travel restrictions and a buoyant economy are all factors; if that growth is sustainable over time is another question.

Scheduled Capacity, Top 20 Country Markets

Country	11-Feb-19	10-Feb-20	31-Jan-22	07-Feb-22	% Change Week on Week	% Change Vs 10th Feb 2020	% Change Vs 11th Feb 2019
USA	20,496,037	20,921,992	18,480,574	18,599,842	0.6%	-11.1%	-9.3%
China	16,734,852	6,129,727	11,878,073	15,883,159	33.7%	159.1%	-5.1%
India	4,074,218	4,318,267	2,886,813	2,978,340	3.2%	-31.0%	-26.9%
Japan	4,030,608	3,916,457	2,213,979	2,203,930	-0.5%	-43.7%	-45.3%
Indonesia	2,879,312	3,043,877	2,084,548	2,097,731	0.6%	-31.1%	-27.1%
Brazil	2,657,351	2,719,472	2,017,781	2,029,020	0.6%	-25.4%	-23.6%
Russian Federation	2,055,778	2,114,404	1,859,146	1,859,885	0.0%	-12.0%	-9.5%
Spain	2,450,887	2,387,145	1,735,940	1,854,947	6.9%	-22.3%	-24.3%
Mexico	1,774,389	1,908,358	1,804,395	1,788,433	-0.9%	-6.3%	0.8%
United Kingdom	3,052,714	2,956,369	1,544,306	1,773,989	14.9%	-40.0%	-41.9%
Turkey	1,951,134	1,872,026	1,545,117	1,464,654	-5.2%	-21.8%	-24.9%
France	1,934,675	1,972,594	1,208,397	1,383,368	14.5%	-29.9%	-28.5%
Italy	1,918,398	1,856,398	1,235,690	1,318,514	6.7%	-29.0%	-31.3%
Germany	2,805,564	2,605,152	1,207,697	1,249,350	3.4%	-52.0%	-55.5%
Viet Nam	1,320,794	1,504,234	1,101,829	1,164,331	5.7%	-22.6%	-11.8%
United Arab Emirates	1,476,263	1,431,192	1,055,981	1,062,100	0.6%	-25.8%	-28.1%
Australia	2,044,530	1,971,238	1,038,557	1,017,865	-2.0%	-48.4%	-50.2%
Saudi Arabia	1,267,221	1,324,190	1,013,237	1,010,493	-0.3%	-23.7%	-20.3%
Canada	1,980,498	1,915,550	1,000,603	999,927	-0.1%	-47.8%	-49.5%
Colombia	782,291	887,725	903,501	915,977	1.4%	3.2%	17.1%

Source: [OAG](#)

OAG

Although the top four airlines in the world remain unchanged week-on-week there is quite a bit of movement below as airlines in both China and Europe are adding more and more capacity back. China Southern have moved back into the top five with a 45% increase over last week taking the carrier slightly ahead of Ryanair who themselves have added another 7% more seats this week. Other notable capacity increases amongst the Chinese carriers includes Air China (+51%) and Xiamen Airlines (+46%) but even those levels of growth are “easily” beaten by one carrier this week.

EasyJet have this week added back nearly 420,000 seats, a 52% increase in capacity. Another 120,000 seats on sale in the United Kingdom, 79,000 in France and 42,000 in Italy represents a strong recovery message although of course not all of those seats will be filled this week; but more and more will be as the half-term holiday season picks up. Keeping such a capacity increase in perspective easyJet remain just half the size of Ryanair and as we know in the low-cost market network scale, critical mass and operating costs are the key factors in surviving.

Top 20 Scheduled Airlines

Airline	11-Feb-19	10-Feb-20	31-Jan-22	07-Feb-22	% Change Week on Week	% Change Vs 10th Feb 2020	% Change Vs 11th Feb 2019
American Airlines	4,919,465	4,900,731	4,560,773	4,669,094	2.4%	-4.7%	-5.1%
Delta Air Lines	4,135,955	4,353,085	3,838,226	3,707,193	-3.4%	-14.8%	-10.4%
Southwest Airlines	3,907,018	3,805,423	3,551,964	3,551,964	0.0%	-6.7%	-9.1%
United Airlines	3,527,224	3,582,403	3,007,679	3,103,735	3.2%	-13.4%	-12.0%
China Southern Airlines	2,832,077	799,979	1,793,064	2,590,348	44.5%	223.8%	-8.5%
Ryanair	2,445,849	2,511,054	2,350,071	2,506,581	6.7%	-0.2%	2.5%
China Eastern Airlines	2,671,293	560,028	1,956,226	2,388,178	22.1%	326.4%	-10.6%
Air China	1,847,927	651,054	1,058,576	1,603,729	51.5%	146.3%	-13.2%
LATAM Airlines Group	1,679,941	1,849,614	1,405,020	1,398,716	-0.4%	-24.4%	-16.7%
Turkish Airlines	1,690,352	1,613,661	1,400,466	1,360,275	-2.9%	-15.7%	-19.5%
IndiGo	1,593,152	1,864,536	1,232,924	1,240,674	0.6%	-33.5%	-22.1%
Easyjet	1,821,556	1,771,730	805,058	1,224,448	52.1%	-30.9%	-32.8%
Alaska Airlines	1,073,151	1,081,684	912,713	921,284	0.9%	-14.8%	-14.2%
Emirates	1,483,359	1,430,786	890,413	912,857	2.5%	-36.2%	-38.5%
JetBlue Airways Corporation	985,193	991,216	887,419	899,149	1.3%	-9.3%	-8.7%
Xiamen Airlines Company	840,534	428,076	603,152	880,640	46.0%	105.7%	4.8%
Spirit Airlines	704,665	818,007	829,150	847,418	2.2%	3.6%	20.3%
Sichuan Airlines	769,745	221,426	605,485	827,678	36.7%	273.8%	7.5%
Lion Air	766,519	886,775	808,846	818,786	1.2%	-7.7%	6.8%
Deutsche Lufthansa AG	1,678,617	1,605,257	783,106	795,314	1.6%	-50.5%	-52.6%

Source: [OAG](#)

OAG

In conclusion, this week looks positive, with plenty of airline capacity being added back taking us above the levels seen earlier this year and perhaps beginning to trend in the right direction. This week is also the week when most airlines can consign 2021 to history with year-end and 4th quarter results being published by many carriers; nothing can change history, but analysts will be looking at how airlines have managed the Omicron variant and most importantly forward booking numbers, especially in the front-end cabins.

Typically, disruptive but equally honest, Michael O'Leary at Ryanair has suggested that for many carriers' ultra-low fares will become a thing of the past and that escalating cost and limited fuel hedging may create some challenges although of course not for one particular airline! His assessment may be right, they normally are, but with so much capacity coming back and despite all the pent-up demand it is hard to believe that Wizzair, Air Asia, Southwest, GOL and others will not offer some incredible lead in fares and seek to build ancillary revenues further. Airlines are after all just digital retailers.

Next week's capacity stands at 81.7 million, if we can stay above 80 million then it's another positive point passed; are we through the worst of Covid-19... only time will tell!