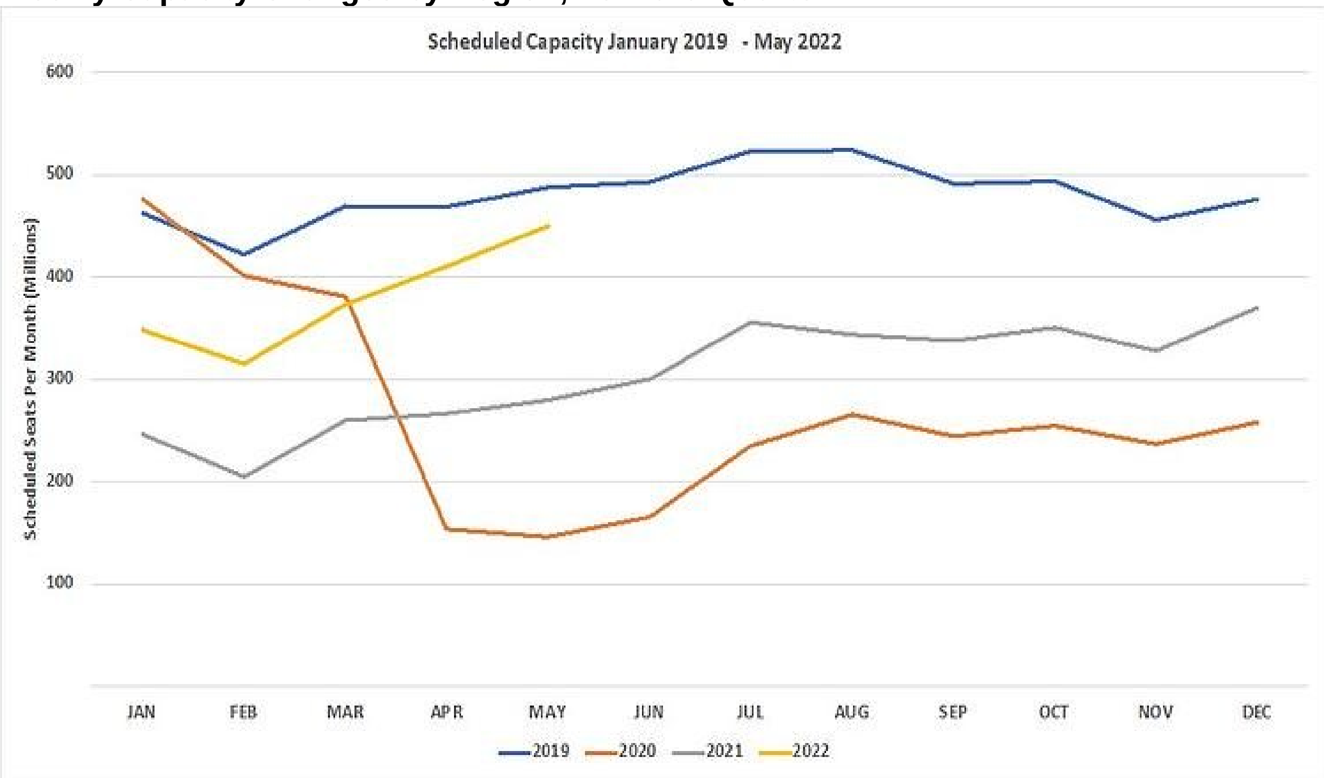
Global Airline Capacity Continues Its Recovery

OAG, 15 March 2022

Two years ago, global airline capacity fell off a cliff; 21 million seats were cut in the space of seven days representing a 24% reduction, the Covid-19 pandemic was gathering pace and markets around the world were closing rapidly. Today, global capacity has settled at 82 million seats a week, an aviation recovery of sorts but still 22% below the same week in 2020 - although for the optimistic amongst you that is a 39% increase on this time last year. It seems that things are heading in the right direction, but as we expected the **journey to recovery** will not be without some bumps along the way and perhaps from events that we had not anticipated.

Last week we reported that forward-looking airline capacity was growing strongly for the next three months. However, this week's data suggests that airlines are adjusting capacity down around the world to reflect the impact of sanctions; nearly 16 million seats have been removed through to the end of May, a 1% drop.

Weekly Capacity Changes by Region, Forward Quarter



Source: [OAG]

Movement has taken place, most notably in Central / Eastern Europe where airline capacity has fallen by 9%. North America remains the single largest region with an extra 350,000 seats this week and with North East Asia slipping back by some 550,000 the gap between the two regions has grown to 4.2 million seats and is now at one of its widest points since the Covid-19 pandemic began.

Compared to 2021 some markets have significant recovery statistics; Western Europe for example is +254% on the same week last year now at 14.9 million compared to just 4.1 million twelve months ago, although to keep that in context the region still remains at -28% on the same week in 2019.

Scheduled Airline Capacity by Region

Region	11-Mar-19	15-Mar-21	07-Mar-22	14-Mar-22	% Change Week on Week	% Change V's 15th March 2021	% Change V's W/C 11th March 2019
North America	24,298,827	15,381,730	20,811,429	21,167,517	1.7%	37.6%	-12.9%
Asia: North East Asia	23,203,670	19,735,100	17,483,163	16,933,003	-3.1%	-14.2%	-27.0%
Europe: Western Europe	20,598,422	4,198,615	14,709,183	14,886,804	1.2%	254.6%	-27.7%
Asia: South East Asia	9,885,182	4,381,339	5,269,840	5,356,409	1.6%	22.3%	-45.8%
Asia: South Asia	4,806,178	3,668,630	4,652,501	4,712,489	1.3%	28.5%	-1.9%
Middle East	4,906,630	2,196,818	3,756,145	3,832,296	2.0%	74.4%	-21.9%
Latin America : Lower South America	3,741,042	1,605,607	2,961,484	2,982,671	0.7%	85.8%	-20.3%
Europe: Eastern/Central Europe	3,701,053	1,701,312	2,830,180	2,573,457	-9.1%	51.3%	-30.5%
Latin America : Central America	2,340,438	1,537,978	2,344,846	2,359,054	0.6%	53.4%	0.8%
Latin America : Upper South America	1,657,663	823,071	1,784,578	1,794,795	0.6%	118.1%	8.3%
Southwest Pacific	2,800,062	1,480,130	1,644,151	1,708,859	3.9%	15.5%	-39.0%
Africa : North Africa	1,014,749	392,618	875,210	882,254	0.8%	124.7%	-13.1%
Latin America : Caribbean	1,034,453	532,119	838,020	832,560	-0.7%	56.5%	-19.5%
Africa : Central/Western Africa	592,204	375,711	650,044	647,256	-0.4%	72.3%	9.3%
Africa : Eastern Africa	715,629	439,978	585,085	579,117	-1.0%	31.6%	-19.1%
Africa : Southern Africa	815,495	322,709	512,752	529,956	3.4%	64.2%	-35.0%
Asia: Central Asia	358,815	197,283	302,363	308,748	2.1%	56.5%	-14.0%
Grand Total	106,470,512	58,970,748	82,010,974	82,087,245	0.1%	39.2%	-22.9%

Source: OAG

Beyond the regional summary we have reviewed those country and airline markets that are still struggling to recover, comparison to what was a "normal" week in 2019 makes for some interesting insights about how far some places still have to travel on the recovery.

Throughout the pandemic, Hong Kong has been one of the most impacted aviation markets and continues to have around just 12% of its "normal" levels of airline capacity.

The impact on local airlines has been devastating and therefore it is not surprising that Chinese Taipei is second on the table given that its two largest markets, China and Hong Kong, remain effectively closed. Eight countries are still at less than half of their 2019 capacity and six of the "Top Ten" are in the Asia/Pacific region which has been the slowest region for recovery in the last few months. Some of those Asian markets may see a noticeable improvement in their capacity position in the coming weeks, Malaysia will reopen from the 1st April and the national airline is already planning double daily services to London Heathrow - if there will be enough demand is of course another thing!

Six countries in Europe are in the list of twenty as well with Sweden the most impacted at just half of the 2019 capacity levels and Finland similarly at -46% with recent events impacting some of their potential traffic and routings to Asia. Finnair are still scheduling flights to Seoul Incheon and Tokyo Narita this week but with longer journey times and routings than normal; AY73 a regular scheduled service had a journey time of some 12:50 last week compared to a more normal 8:30 a few weeks back.

At the beginning of the pandemic, some country markets transitioned the balance of their capacity with an increasing emphasis on domestic airline capacity. A great example is China, where domestic airline capacity was 20% higher at one point in March 2021 than in March 2019. However, for some countries the loss of international capacity has not been replaced by increased domestic capacity. Japan is a case in point where 86% of international capacity has yet to return, and with the country continuing to have limited resources for testing a re-opening of the market remains some way off. China does however remain the most “closed” international market with just 7% of its normal capacity operating this week.

Scheduled Capacity, Top 20 Country Market Capacity Declines W/C 14th Mar'22 V's 11th Mar'19

Country	11-Mar-19	16-Mar-20	15-Mar-21	07-Mar-22	14-Mar-22	% Change 14th Mar'22 V's 11th Mar'19
Hong Kong (sar) China	872,917	165,589	99,469	104,127	105,979	-87.9%
Chinese Taipei	819,268	376,646	235,828	221,667	225,666	-72.5%
Singapore	820,969	521,573	118,971	260,804	268,476	-67.3%
Thailand	2,078,122	1,402,191	661,171	777,117	742,913	-64.3%
New Zealand	528,314	478,594	286,907	249,562	243,788	-53.9%
Malaysia	1,365,324	1,052,873	212,721	629,809	635,755	-53.4%
Oman	227,801	203,280	67,887	83,842	108,486	-52.4%
Sweden	620,971	520,358	87,152	300,886	302,636	-51.3%
Philippines	1,083,343	1,084,086	239,475	553,645	572,779	-47.1%
Finland	341,597	311,605	43,808	181,967	182,902	-46.5%
Germany	2,861,610	1,984,441	403,363	1,522,091	1,545,204	-46.0%
Canada	2,035,433	1,967,490	333,482	1,201,402	1,211,734	-40.5%
Japan	4,035,612	3,203,019	1,812,177	2,252,250	2,449,252	-39.3%
Argentina	580,306	523,329	167,005	351,038	353,939	-39.0%
Austria	428,225	357,580	47,258	251,181	263,504	-38.5%
Denmark	434,361	367,376	50,511	268,165	270,368	-37.8%
Australia	2,025,700	1,936,373	1,073,722	1,267,920	1,337,737	-34.0%
South Africa	626,187	576,931	266,620	405,823	422,806	-32.5%
Indonesia	2,778,423	3,177,770	2,000,910	1,941,984	2,000,511	-28.0%
Poland	450,200	448,577	62,175	332,331	341,667	-24.1%

Source: OAG

As we analyse the ongoing impact to airlines, we have placed a minimum operating criteria of 300,000 seats in the week of the 11th March 2019 on the data, to ensure that we avoided some of the very small carriers with even larger capacity reductions than reported below. Those carriers may not be in the list but we haven't forgotten about them either! Not surprisingly Thai International are the airline with the largest capacity shortfall against their 2019 levels as the country struggles to recover capacity and major source markets such as China and Hong Kong are effectively closed.

Two very large Asian carriers, Garuda and Cathay Pacific have very similar levels of capacity reduction and indeed in terms of absolute seats now on sale are at similar levels; for both airlines, the recovery remains uncertain.

Through the pandemic many airlines reshaped their networks and adjusted their strategies, partly driven by the immediate impact on their business but in some cases as a rason to accelerate a change in strategy that was already underway.

One such case is in the United Arab Emirates where Etihad were already adjusting their operation; capacity for the carrier remains at just half of 2019 levels whilst Emirates who perhaps also have less fleet flexibility than Etihad are at 65% of 2019 levels.

Another example of airlines in the same market with different rates of recovery is in the UK where Jet2 are actually 16% up on their 2019 capacity whilst Ryanair are at 90%, Virgin Atlantic at 78%, easyJet at 77% and British Airways at 67%. Of course, filling all of those seats is more important than just the capacity number but those numbers highlight just how quickly the LCC’s have built back compared to legacy carriers.

Top 20 Capacity Declines W/C 14th Mar’22 V’s 11th Mar’19

Airline	11-Mar-19	16-Mar-20	15-Mar-21	07-Mar-22	14-Mar-22	% Change 14th Mar'22 V's 11th Mar'19
Thai Airways International	478,465	276,341	33,002	78,405	78,289	-83.6%
Norwegian	335,886	211,526		73,098	74,958	-77.7%
Garuda Indonesia	500,063	442,267	207,555	104,012	117,944	-76.4%
Cathay Pacific Airways	568,831	142,615	109,539	128,846	134,442	-76.4%
Thai AirAsia	508,320	383,820	177,120	141,840	141,480	-72.2%
Korean Air	645,313	119,738	154,856	187,614	198,316	-69.3%
Asiana Airlines	431,822	131,242	143,509	146,522	153,650	-64.4%
AirAsia	781,560	591,840	54,720	323,880	320,640	-59.0%
China Airlines	339,147	159,173	158,213	143,332	144,539	-57.4%
Philippine Airlines	415,749	361,361	96,389	183,485	195,301	-53.0%
Etihad Airways	419,365	373,326	161,010	209,632	208,327	-50.3%
Air New Zealand	429,272	394,448	249,445	224,583	218,441	-49.1%
Hainan Airlines	995,663	367,754	806,748	605,470	515,893	-48.2%
Lufthansa German Airlines	1,727,884	911,859	291,367	877,123	902,601	-47.8%
Malaysia Airlines	404,450	319,312	90,788	203,132	211,324	-47.8%
SAS Scandinavian Airlines	889,574	771,502	175,881	460,878	472,272	-46.9%
Eurowings	647,886	419,030	51,272	338,112	349,188	-46.1%
Westjet	588,096	555,985	60,638	310,670	318,706	-45.8%
Norwegian Air Shuttle	464,465	409,088	43,524	252,216	252,216	-45.7%
SWISS	447,793	252,126	45,649	248,490	250,215	-44.1%

Source: **OAG**

So, this week's data once again shows a slight positive improvement in numbers, and whilst we have focussed on those markets still yet to see any significant recovery things are turning around in many of those countries. Capacity will always change from week to week and airlines will always adjust their operation based on demand but as we head for the second quarter of the year it looks like many markets are in recovery.