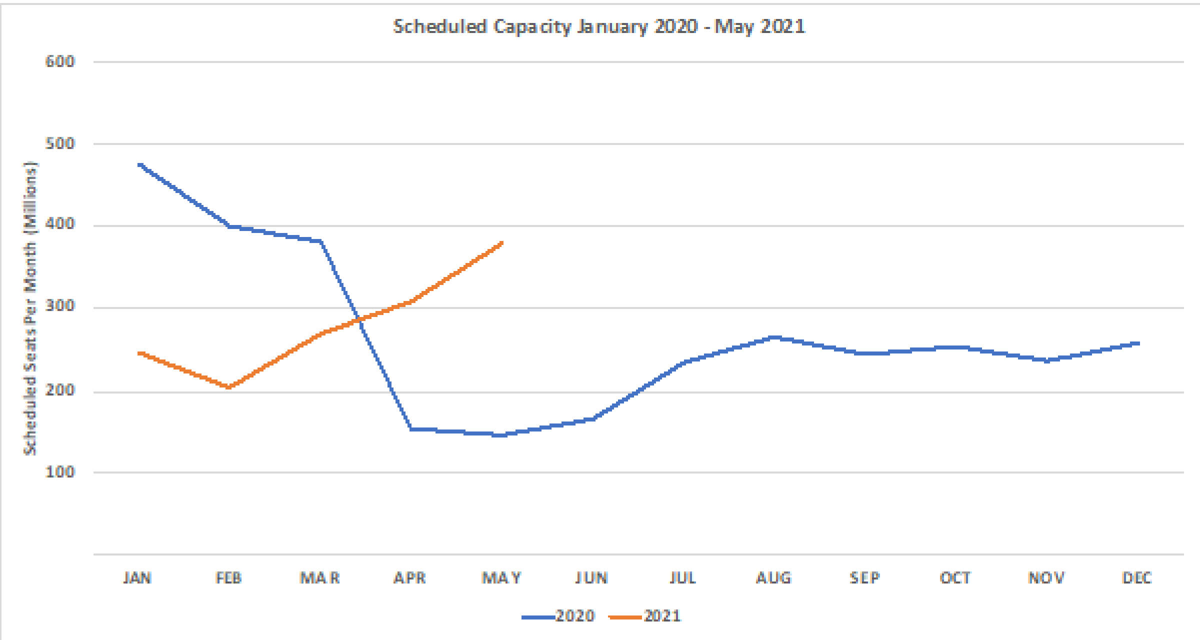
Optimism Breaks Out Around the World, Very Large Airline Capacity Increase shaping Up from May

Source: OAG

Optimism breaks out around the world as the capacity recovery is underway! Four million additional seats week on week may not seem that significant when in normal times global capacity was around the 106 million mark, but after four weeks of moving backwards a 7% week on week increase sounds like a really positive step. And it is, but airlines generally remain cautious about the coming months with a further 39 million seats removed by airlines through to the end of May; it may be the beginning of the meteorological spring, but we still have a long way to go in the recovery.

At the moment April holds has some 309 million seats on sale and May 380 million; looking at previous patterns of capacity cuts then April could end up at around 284 million seats which would be over 131 million more than last April; fingers crossed that the confidence we are currently seeing is not crushed in the next few weeks.

.Chart 1 – Scheduled Airline Capacity by Month



Source: ***OAG***

Before we get to April and May, we still need to work our way through March and the challenges of the recent week but even here there is some signs of a **recovery**. It's a rare week when we can report that nearly every geographic region shows week on week capacity growth; only West and North Africa reporting slight declines prevents a full house of positivity.

Nevertheless, major regional markets such as North & South East Asia both report week on week growth of over 10% and North America continues its recent pattern of growth, even Western Europe has managed a sneaky 4% growth week on week.

Table 1– Scheduled Airline Capacity by Region

Region	20-Jan	15-Feb	22-Feb	01-Mar	% Change Week on Week	% Change V's 20th Jan 2020
Asia : North East Asia	25,178,594	16,296,608	16,945,598	18,779,429	10.8%	-25.4%
North America	22,644,121	12,739,917	12,646,280	13,454,730	6.4%	-40.3%
Asia : South East Asia	10,866,623	4,153,161	4,199,812	4,958,518	18.1%	-54.6%
Europe : Western Europe	18,606,424	4,141,967	4,093,179	4,270,670	4.3%	-77.3%
Asia : South Asia	5,160,958	3,645,728	3,635,055	3,680,240	1.2%	-29.3%
Middle East	4,930,030	2,216,638	2,178,425	2,222,393	2.0%	-55.0%
Latin America : Lower South America	4,033,676	1,836,076	1,943,948	1,969,148	1.3%	-51.1%
Europe : Eastern/Central Europe	3,701,241	1,546,552	1,583,145	1,677,368	6.0%	-54.6%
Latin America : Central America	2,444,383	1,611,430	1,554,474	1,621,040	4.3%	-33.4%
Southwest Pacific	2,835,574	1,349,154	1,286,123	1,404,349	9.2%	-50.0%
Latin America : Upper South America	1,737,713	871,593	809,598	867,377	7.1%	-49.9%
Latin America : Caribbean	987,106	525,048	507,961	525,235	3.4%	-46.4%
Africa : Eastern Africa	767,645	440,598	445,227	449,285	0.9%	-39.9%
Africa : North Africa	1,055,486	433,727	411,306	407,971	-0.8%	-61.4%
Africa : Central/Western Africa	663,429	382,721	379,811	373,984	-1.5%	-43.3%
Africa : Southern Africa	755,348	305,887	298,792	319,878	7.1%	-58.3%
Asia : Central Asia	344,740	176,523	181,397	185,552	2.3%	-45.6%
Grand Total	**106,713,091**	**52,673,328**	**53,100,131**	**57,167,167**	**7.7%**	**-46.5%**

Source: OAG

The increases in capacity in China continue after the sudden and dramatic cuts that were implemented over the **Chinese New Year period** with an additional 2.2 million seats added back with the majority of those for **domestic services**. However, the fastest growing country markets, at least in percentage terms this week are Indonesia and Thailand with growth of around 40% in each market. In contrast to those markets, two of the more stable markets throughout the pandemic in Japan and Vietnam are reporting weekly capacity cuts of 25% and 20% respectively as carriers continue to adjust capacity in line with latest infection rates.

Bizarrely, the United Kingdom, despite the latest threats of two weeks in a Premier Inn for travellers returning from “red list” countries, has crept back into the top twenty global markets with a week on week 6% capacity increase; much of which has come from easyJet adding back 8,000 seats and some more capacity from Tui.

Australia is also a market in recovery, at least from a capacity perspective; it seems that a fares war has broken out in the market coinciding with a week on week increase in capacity of 15% and some 125,000 additional seats. Qantas have added some 78,000 seats and Virgin Australia 45,000 and whilst it’s good to see such capacity growth, at least one of those two airlines are not really in a position for a fares war given what has happened in the last year but sometimes airlines revenue management is not always that rational.

Table 2- Scheduled Capacity, Top 20 Country Markets

Country	20-Jan	15-Feb	22-Feb	01-Mar	% Change Week on Week	% Change V's 20th Jan 2020
China	16,882,726	12,947,935	13,553,929	15,765,161	16.3%	-6.6%
USA	20,749,829	12,364,456	12,287,146	13,102,366	6.6%	-36.5%
India	4,255,510	3,073,433	3,064,327	3,096,037	1.0%	-28.2%
Indonesia	3,144,407	1,883,137	1,904,665	2,635,718	38.4%	-15.7%
Japan	4,121,355	1,836,424	1,890,888	1,412,469	-25.3%	-65.7%
Brazil	2,842,645	1,383,998	1,508,013	1,527,500	1.3%	-45.9%
Russian Federation	2,158,058	1,419,173	1,468,231	1,528,165	4.1%	-28.6%
Mexico	1,920,941	1,369,290	1,311,213	1,374,806	4.8%	-28.3%
Turkey	1,924,284	945,089	947,073	1,029,006	8.7%	-46.6%
Australia	2,058,708	921,959	860,629	985,491	14.5%	-51.4%
Korea Republic of	1,823,750	899,111	913,938	935,296	2.3%	-48.1%
Viet Nam	1,564,476	1,204,332	1,237,842	990,573	-20.0%	-39.5%
Thailand	2,097,513	483,328	497,259	699,305	40.6%	-66.7%
Saudi Arabia	1,344,926	712,565	662,139	667,985	0.9%	-50.8%
United Arab Emirates	1,476,244	582,057	587,885	605,612	3.0%	-58.9%
France	1,842,023	564,401	549,259	515,702	-6.1%	-72.4%
Spain	2,226,308	518,229	514,404	529,244	2.9%	-76.4%
Colombia	895,513	527,156	484,748	517,481	6.8%	-41.7%
Germany	2,519,489	351,528	351,308	386,326	10.0%	-84.9%
United Kingdom	2,712,915	319,369	310,535	330,003	6.3%	-88.0%

Source: OAG

When the second largest airline in the world adds some 9.5% capacity week on week they could in normal circumstances expect to reclaim the number one position; not this week! **American Airlines** added 10% more capacity and now have a "lead' of some 16,000 on Delta Air Lines. The two carriers are however now a long way ahead of their nearest competitor Southwest Airlines with nearly one million seats less a week. I guess the key question of profitability remains one that doesn't get asked by many people at the moment and with Delta apparently recalling pilots from furlough last week there must be plans for significant capacity growth in the coming months.

In China the staggering growth of China Express Airlines is built around the operation of regional services to secondary cities in China, frequently supported by regional government funding. The airline is the fastest growing airline over the last twelve months and has spectacularly bucked all trends and patterns; they are the true Covid-19 immune carrier! Equally immune are China Southern (+30%) and China Eastern (+19%) who this week both report capacity increases week and week although of course with very much changed network structures compared to last year.

Table 3- Scheduled Capacity Top 20 Major Country Markets Capacity Declines

Airline	20-Jan	15-Feb	22-Feb	01-Mar	% Change Week on Week	% Change V's 20th Jan 2020
American Airlines	4,806,847	2,911,069	2,905,991	3,195,715	10.0%	-33.5%
Delta Air Lines	4,532,316	2,903,831	2,904,206	3,179,966	9.5%	-27.9%
Southwest Airlines	3,788,421	2,105,320	2,093,880	2,178,908	4.1%	-42.4%
China Southern Airlines	2,877,703	1,892,091	1,944,843	2,522,335	29.7%	-10.7%
China Eastern Airlines	2,715,809	1,794,091	1,926,106	2,285,786	18.7%	-17.3%
United Airlines	3,537,983	1,959,707	1,940,306	2,048,216	5.6%	-42.2%
Air China	1,881,825	1,055,843	1,234,742	1,501,729	21.6%	-19.3%
IndiGo	1,813,944	1,538,070	1,528,434	1,547,820	1.3%	-17.0%
Lion Air	868,048	581,902	579,432	1,198,013	106.8%	35.7%
China Express Airlines	246,931	646,838	647,907	862,453	33.1%	247.6%

Source: OAG

Every week that passes brings us one week closer to the second quarter of the year and we are now only four weeks away from the start of the IATA Summer Season; the time of year when airlines traditionally make their profits. News of a possible date for unhindered international travel from the UK last Monday resulted in record levels of booking activity throughout the week, and hoteliers throughout Europe smiled at the thought of tourists returning with stored up cash to spend. We are still some ten weeks away from that freedom but the change in mindset is amazing, it's incredible what hope can do for people and the airline industry!

Stay safe everyone.