Global Aviation Stuck in Suspended Animation

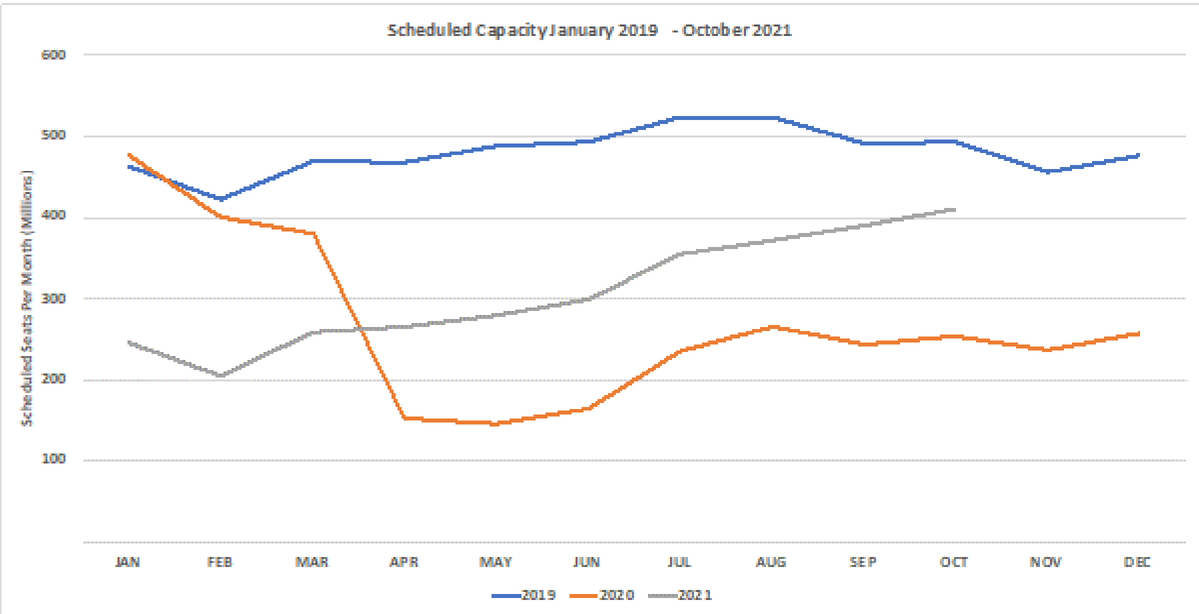
Will Hero Joe Come to the Rescue?

*Source: **OAG***

Marginal reductions in global capacity this week as always hide several regional adjustments in capacity as the seasonal holidays in some countries finish and authorities in some countries impose or threaten another series of restrictions. The inconsistencies in various travel restrictions imposed around the world continue to make no sense and confirm that geography was not a subject covered in the school of politics; apparently Reunion is a reason to keep France on the UK's banned list. Meanwhile the Delta variant rampages through the United States where access for UK & European passport holders remains impossible unless you travel via Latin America or the Caribbean first. It's a mad world!

With some 81.2 million seats this week we are half of one percent down on **last week** or 391,000 fewer seats, as we have said before, until some major international markets re-open then this is as good as it gets. The airlines frustrations are reflected by a further 24 million seats being removed for sale to the end of October and there remains many flights for sale that are very unlikely to operate soon. Many airlines and airports are now expecting 2021 numbers to be lower than 2020, a scenario that most people would have dismissed as impossible at the beginning of the year; well, the impossible can happen.

Chart 1 – Scheduled Airline Capacity by Month



Source: **OAG**

With many of the major data points unchanged week on week we've flipped this week's data to show some other points and highlight some of the challenges that get lost in the bigger pieces of data. Starting at the regional level we have identified those regions with the largest capacity reductions compared to the same week in August 2019 and three markets remain at less than 50% of their pre-covid levels. Southeast Asia has throughout the pandemic struggled to recover and large markets such as Indonesia, Singapore, Malaysia and the Philippines remain in near lockdowns although Singapore is once again attempting to slowly restart services but with its near neighbours seeing high infection rates those bubbles may well burst again.

The Southwest Pacific is essentially Australia and the announcement of no real change in lockdowns and international access before 70% of the population have been vaccinated suggest that it will be the second quarter of 2022 before any substantive changes happen. By then Australia will have been in two years of lockdown, for many trapped that may feel like a prison sentence for the English cricket team it may just be the excuse they've been looking for not to contest the Ashes this winter.

The closest regional market to a full recovery may surprise many, Central America is only 12% below the August 2019 levels with Central/Western Africa at 14% below the same point last year. Many countries in the region continue to allow relatively free movement across international borders and the growth in "vaccine travel" to the United States has certainly maintained levels of capacity.

Table 1– Scheduled Airline Capacity by Region

Region	05-Aug-19	20-Jan-20	26-Jul-21	02-Aug-21	% Change Week on Week	% Change V's 20th Jan 2020	% Change V's W/C 22nd Jul' 2019
Asia : South East Asia	10,078,993	10,866,623	2,248,304	2,373,032	5.5%	-78.2%	-76.5%
Southwest Pacific	2,804,635	2,835,574	1,102,958	1,051,144	-4.7%	-62.9%	-62.5%
Africa : Southern Africa	781,411	755,348	261,849	321,657	22.8%	-57.4%	-58.8%
Middle East	5,233,645	4,930,030	2,941,116	2,970,104	1.0%	-39.8%	-43.2%
Latin America : Lower South America	3,540,365	4,033,676	2,228,409	2,197,196	-1.4%	-45.5%	-37.9%
Africa : Eastern Africa	782,109	767,645	493,282	500,844	1.5%	-34.8%	-36.0%
Africa : North Africa	1,264,747	1,055,486	810,892	814,261	0.4%	-22.9%	-35.6%
Europe : Western Europe	26,506,940	18,606,424	16,572,660	17,138,026	3.4%	-7.9%	-35.3%
Latin America : Upper South America	1,785,456	1,737,713	1,236,177	1,246,037	0.8%	-28.3%	-30.2%
Asia : South Asia	4,832,433	5,160,958	3,229,840	3,399,441	5.3%	-34.1%	-29.7%
Latin America : Caribbean	963,760	987,106	690,424	688,311	-0.3%	-30.3%	-28.6%
Asia : North East Asia	25,911,691	25,178,594	22,040,031	20,469,277	-7.1%	-18.7%	-21.0%
North America	25,753,927	22,644,121	20,490,868	20,690,246	1.0%	-8.6%	-19.7%
Asia : Central Asia	406,131	344,740	332,368	329,672	-0.8%	-4.4%	-18.8%
Europe : Eastern/Central Europe	5,295,739	3,701,241	4,337,899	4,415,789	1.8%	19.3%	-16.6%
Africa : Central/Western Africa	610,320	663,429	521,980	526,804	0.9%	-20.6%	-13.7%
Latin America : Central America	2,445,798	2,444,383	2,127,308	2,143,476	0.8%	-12.3%	-12.4%
Grand Total	**118,998,100**	**106,713,091**	**81,666,365**	**81,275,317**	**-0.5%**	**-23.8%**	**-31.7%**

Source: **OAG**

Yes, the United States is the largest market in the world but with no change week on week, Chinese capacity is down by 10% week on week as the seasonal holidays begin to wind down and Canada is bouncing back with 19% week on week growth. But the top twenty country markets are broadly unchanged with just a bit of jostling at the back; rather like in an 800 metre men's final.

So, rather like a journalist looking for the sensational angle rather than the real story we've had a look at those country markets where capacity has all but disappeared. Applying a minimum criterion of at least 250,000 seats a week in August 2019 we have listed below the worst performing recoveries; this is not a table anyone should want to be in! Sadly, Malaysia continues to run with less than 10% of normal capacity and for a country split in two by a massive stretch of water that is a problem and for the two local airlines a continued cause for concern. Indeed, Tony Fernandes former investment in QPR now looks better than the situation facing Air Asia Malaysia.

Chinese Taipei is in only a slightly better situation in Malaysia and with its major markets of Hong Kong and China firmly locked with the keys thrown away a recovery looks a long way from picking up anytime soon. Nine country markets remain at less than 30% of their normal capacity levels with the wide geographic spread highlighting the global challenges yet to be faced.

Table 2- Scheduled Capacity, Top 20 Country Markets

Country	05-Aug-19	20-Jan-20	26-Jul-21	02-Aug-21	% Change Week on Week	% Change V's 20th Jan 2020	% Change V's W/C 22nd Jul' 2019
Malaysia	1,387,435	1,483,107	140,264	106,942	-23.8%	-92.8%	-92.3%
Chinese Taipei	901,343	919,617	92,770	104,772	12.9%	-88.6%	-88.4%
Hong Kong (sar) China	917,785	844,156	115,636	117,153	1.3%	-86.1%	-87.2%
Thailand	1,968,115	2,097,513	190,257	318,389	67.3%	-84.8%	-83.8%
Singapore	817,171	869,362	147,279	148,644	0.9%	-82.9%	-81.8%
Philippines	1,102,810	1,226,348	294,823	303,475	2.9%	-75.3%	-72.5%
Viet Nam	1,398,511	1,564,476	336,954	395,838	17.5%	-74.7%	-71.7%
Oman	250,308	223,012	69,798	73,108	4.7%	-67.2%	-70.8%
Australia	2,039,819	2,058,708	623,697	601,249	-3.6%	-70.8%	-70.5%
Finland	307,626	325,390	84,528	97,336	15.2%	-70.1%	-68.4%
Argentina	539,165	547,468	163,770	170,653	4.2%	-68.8%	-68.3%
Indonesia	3,009,631	3,144,407	1,105,614	1,063,832	-3.8%	-66.2%	-64.7%
South Africa	586,205	581,315	184,971	238,104	28.7%	-59.0%	-59.4%
Canada	2,282,512	1,884,093	858,050	1,023,277	19.3%	-45.7%	-55.2%
United Arab Emirates	1,507,827	1,476,244	680,789	682,533	0.3%	-53.8%	-54.7%
Sweden	535,599	525,292	258,571	268,671	3.9%	-48.9%	-49.8%
Japan	4,331,771	4,121,355	1,990,964	2,222,901	11.6%	-46.1%	-48.7%
Peru	517,204	467,673	268,269	270,286	0.8%	-42.2%	-47.7%
Korea Republic of	1,856,605	1,823,750	1,020,924	989,656	-3.1%	-45.7%	-46.7%
Chile	459,482	592,908	307,474	291,835	-5.1%	-50.8%	-36.5%

Source: **OAG**

Given the table above it would be no surprise that airlines such as Cathay Pacific, Singapore Airlines and Air Canada are all struggling to operate anything near their full schedule although in the last week things are beginning to improve for Air Canada. Therefore, in the table below we have highlighted those airlines that have added the most capacity since the first week of April when the IATA Summer Season started.

Proving both the resilience and the remarkable flexibility of airlines there are some standout carriers that have rebuilt their networks in the last few months. Not surprisingly Ryanair lead the way with some 2.5 million seats placed back in the market; twice as many as their closest rival in the table American Airlines who are benefitting from the strength of the US domestic market.

Perhaps slightly surprisingly Lufthansa rank fifth in this table, a legacy carrier with a heavy reliance on connecting traffic over half a million seats have been added back. It will be interesting to see what their latest quarterly results will look like, similarly for the Air France/KLM group with some 700,000 seats added. All three carriers may be enjoying the benefit of Europe opening ahead of the United Kingdom since British Airways have just managed to put an additional 206,000 seats a week back into the skies.

Table 3 - Top 20 Airlines Capacity Growth Since 29th March 2021

Airline Name	05-Aug-19	20-Jan-20	29-Mar-21	26-Jul-21	02-Aug-21	Change 2nd August V's 29th March
Ryanair	3,258,738	2,439,612	392,805	2,856,735	2,898,009	2,505,204
American Airlines	5,430,879	4,806,847	3,637,850	4,852,154	4,854,197	1,216,347
Easyjet	2,317,836	1,363,034	253,409	1,361,822	1,441,250	1,187,841
United Airlines	4,095,681	3,537,983	2,198,084	3,171,054	3,233,373	1,035,289
Deutsche Lufthansa AG	1,796,675	1,576,378	410,588	899,656	939,200	528,612
Wizz Air	872,208	696,706	238,529	867,609	902,900	664,371
Turkish Airlines	2,000,406	1,666,085	1,038,021	1,673,994	1,699,019	660,998
Delta Air Lines	5,221,873	4,532,316	3,268,514	3,940,573	3,897,904	629,390
Vueling Airlines	957,534	511,500	170,592	703,062	765,640	595,048
Southwest Airlines	4,042,336	3,788,421	3,176,741	3,746,816	3,746,893	570,152
LATAM Airlines Group	1,690,995	1,870,132	620,487	1,056,277	1,049,544	429,057
Air Canada	1,399,038	1,171,019	166,217	458,598	592,844	426,627
Air France	1,149,327	1,163,127	444,678	853,755	862,158	417,480
Spring Airlines	520,560	559,800	222,120	637,200	616,080	393,960
Aeroflot Russian Airlines	1,209,605	1,049,822	600,191	989,798	992,847	392,656
Volotea	255,782	52,452	5,472	305,436	352,218	346,746
Pegasus Airlines	708,450	638,357	390,425	702,204	692,461	302,036
KLM-Royal Dutch Airlines	846,777	750,808	335,685	619,027	621,692	286,007
Eurowings	788,150	488,885	89,824	337,884	365,784	275,960
GOL Linhas Aereas S.A.	873,546	1,009,662	216,324	525,192	484,998	268,674

Source: **OAG**

Finally, in this week's data we have looked at the immediate impact of the UK Governments relaxation of entry requirements announced last Wednesday for visitors from the European Union (except France) and the United States. The table below shows the capacity on offer for the last week of August compared to the capacity that they had on offer in last week's schedules filing. Across the largest twenty carriers there are mixed messages, Ryanair have added an extra 10,000 seats whilst British Airways who are committed to "growing cautiously" have shrunk capacity by some 4% and Virgin Atlantic continue to cut capacity, this week by 18% as the US remains out of bounds.

Table 4 - Week on Week Capacity Changes ex the UK, 26th July V's 2nd August 2021

Airline	26th July 2021	2nd August 2021	% Change
Ryanair	389,772	399,411	2.5%
Easyjet	389,692	389,692	0.0%
British Airways	294,792	281,694	-4.4%
Jet2.com	190,846	187,255	-1.9%
TUI Airways	146,046	109,029	-25.3%
Wizz Air	43,956	43,862	-0.2%
Loganair	42,208	41,085	-2.7%
Wizz Air UK	37,991	37,433	-1.5%
Virgin Atlantic Airways	39,304	32,062	-18.4%
Aer Lingus	31,716	31,004	-2.2%
KLM-Royal Dutch Airlines	27,006	23,568	-12.7%
American Airlines	20,062	20,062	0.0%
Turkish Airlines	30,515	18,822	-38.3%
Deutsche Lufthansa AG	13,856	14,204	2.5%
Emirates	15,815	13,627	-13.8%
Vueling Airlines	13,024	13,024	0.0%
Aurigny Air Services	11,198	12,206	9.0%
Pegasus Airlines	10,587	10,587	0.0%
United Airlines	9,856	9,856	0.0%
Qatar Airways	9,686	9,686	0.0%

In truth this week's data is pretty similar to last weeks and it's very likely that next week's data will be similar, the market is no longer becalmed but in suspended animation waiting for a breakthrough moment. Forecasting where that breakthrough will come from is not too difficult, it certainly won't be China, the UK tried and failed so that probably leaves the United States, so Joe, if you are reading this week's blog, it's all down to you now!