Business Air Travel Remains the Key Factor to the Year End

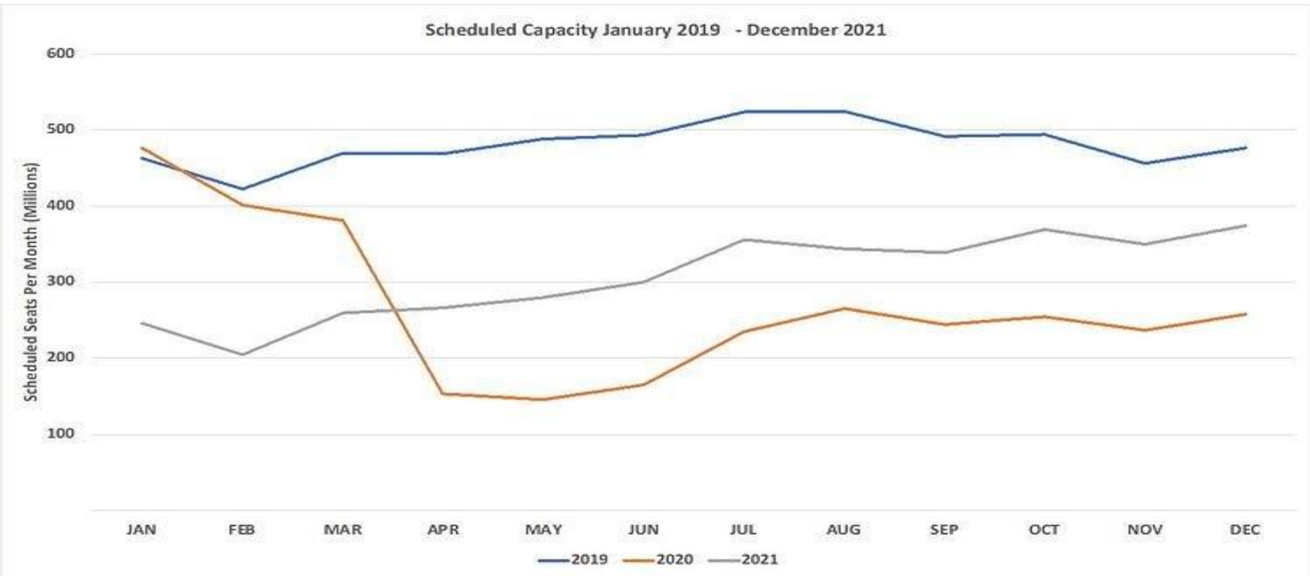
Airline Capacity Continues Towards a Soft Landing

Source: OAG

The slow, but now steady, reduction in capacity continued this week with just under a quarter of a million seats fewer planned for the next seven days, as we once again dip back to 78.8 million seats. Current capacity stands at around 70% of 2019 levels, but with almost all markets reporting load factors some 10% to 15% below normal levels, that would suggest demand is still perhaps 30% to 40% below normal levels. Worryingly, there have been few sightings of the lesser spotted business traveler as the autumn approaches, and for many airlines that is worrying; if they are not spotted soon, then February 2022 looks the most likely chance of any reappearance.

Current market sentiment may explain why a further 20.6 million seats were removed by airlines from their selling systems to the end of December; an additional 3 million over the previous week when just 17 million were removed. In the second week of December 2019, global capacity was some 6.5% below the week we are now in; a similar reduction would see capacity in mid-December this year at 73.6 million; that might be optimistic. After all, airlines currently have little need to add more capacity, load factors suggest there is enough capacity for everyone in most markets.

Chart 1 – Scheduled Airline Capacity by Month



Source: **OAG**

Looking on the bright side of life, there are some regional markets where capacity has increased quite strongly in the last week. South East Asia has nearly 200,000 additional seats added back and finally there is some domestic capacity being added in Malaysia, where Phuket has once again opened for tourism, we can only hope the trial is a success. Southern Africa reports a 5.5% increase, which amounts to some 21,000 more seats, although the total market remains at only half of the 2019 level. Similarly, Southwest Pacific saw 35,000 seats added back but remains, along with South East Asia, at less than 30% of the normal capacity levels; these two markets are so interconnected that until one moves both will remain in a similar position.

Unfortunately, those positive growth rates are drowned out by just a 2.5% reduction in capacity in North East Asia. This time last week the region had become very close to taking over as the largest regional market, but a drop of nearly half a million seats has set that ambition back by a few weeks. China of course holds the key, but with a reluctance to increase international capacity, the regional claim to fame may be lost for a while yet.

Table 1– Scheduled Airline Capacity by Region

Region	23-Sep-19	20-Jan-20	13-Sep-21	20-Sep-21	% Change Week on Week	% Change V's 20th Jan 2020	% Change V's W/C 23rd September 2019
North America	24,011,761	22,644,121	19,787,352	19,811,360	0.1%	-12.5%	-17.5%
Asia : North East Asia	24,675,023	25,178,594	19,443,798	18,961,759	-2.5%	-24.7%	-23.2%
Europe : Western Europe	26,023,020	18,606,424	16,815,963	16,746,144	-0.4%	-10.0%	-35.6%
Europe : Eastern/Central Europe	4,856,812	3,701,241	4,257,011	4,149,429	-2.5%	12.1%	-14.6%
Asia : South Asia	4,927,842	5,160,958	3,666,439	3,701,547	1.0%	-28.3%	-24.9%
Middle East	4,909,596	4,930,030	3,009,196	3,111,709	3.4%	-36.9%	-36.6%
Asia : South East Asia	9,829,402	10,866,623	2,551,859	2,747,594	7.7%	-74.7%	-72.0%
Latin America : Lower South America	3,671,660	4,033,676	2,467,497	2,473,159	0.2%	-38.7%	-32.6%
Latin America : Central America	2,183,710	2,444,383	1,889,749	1,915,356	1.4%	-21.6%	-12.3%
Latin America : Upper South America	1,740,127	1,737,713	1,250,566	1,256,372	0.5%	-27.7%	-27.8%
Southwest Pacific	2,922,230	2,835,574	797,081	832,376	4.4%	-70.6%	-71.5%
Africa : North Africa	1,090,033	1,055,486	791,498	767,363	-3.0%	-27.3%	-29.6%
Africa : Central/Western Africa	610,803	663,429	546,556	540,937	-1.0%	-18.5%	-11.4%
Latin America : Caribbean	729,182	987,106	516,723	524,693	1.5%	-46.8%	-28.0%
Africa : Eastern Africa	755,715	767,645	508,575	514,775	1.2%	-32.9%	-31.9%
Africa : Southern Africa	796,808	755,348	378,737	399,528	5.5%	-47.1%	-49.9%
Asia : Central Asia	392,980	344,740	354,660	355,279	0.2%	3.1%	-9.6%
Grand Total	**114,126,704**	**106,713,091**	**79,033,260**	**78,809,380**	**-0.3%**	**-26.1%**	**-30.9%**

Source: **OAG**

The United States continues to be the largest country market by some distance with a 3.6 million weekly seat gap to China, which reported a 4% drop in capacity this week. It is interesting to compare the number of international seats currently on offer from the world's two largest markets, the

United States has some 1.7 million seats on sale (2.8 million in 2019), primarily to the Caribbean and Latin America, whilst China has 128,000 compared to just over 2 million in 2019.

The resumption of diplomatic relations between Saudi Arabia and the UAE last week has resulted in both country markets seeing an increase in weekly capacity. Saudi Arabia has embarked on some massive infrastructure projects, many of which have support from the UAE, and the capacity is much needed. For the UAE, the continued lockdowns and travel restrictions to South East Asia remain a frustration in their capacity rebuild and explain why the market is still only at half of its normal capacity levels.

Finally, it may have gone unnoticed that the UK changed its travel requirements last week, too late for any airline to make capacity changes for this week's data. Our suspicion is that airlines will not be adding any significant amounts of new capacity, but instead hoping to fill a few more rows on existing services and even perhaps revenue managing a flight or two over the half-term holiday period.

Table 2- Scheduled Capacity, Top 20 Country Markets

Airline	23-Sep-19	20-Jan-20	13-Sep-21	20-Sep-21	% Change Week on Week	% Change V's 20th Jan 2020	% Change V's W/C 23rd September 2019
American Airlines	5,045,075	4,806,847	4,405,069	4,413,847	0.2%	-8.2%	-12.5%
Delta Air Lines	4,805,808	4,532,316	3,894,454	3,919,515	0.6%	-13.5%	-18.4%
Southwest Airlines	3,913,358	3,788,421	3,525,905	3,525,905	0.0%	-6.9%	-9.9%
United Airlines	3,844,132	3,537,983	3,176,133	3,165,341	-0.3%	-10.5%	-17.7%
Ryanair	3,134,754	2,439,612	3,034,809	3,041,469	0.2%	24.7%	-3.0%
China Southern Airlines	2,806,630	2,877,703	2,591,298	2,553,722	-1.5%	-11.3%	-9.0%
China Eastern Airlines	2,589,931	2,715,809	2,269,822	2,258,640	-0.5%	-16.8%	-12.8%
Air China	1,816,538	1,881,825	1,640,863	1,564,390	-4.7%	-16.9%	-13.9%
Turkish Airlines	1,894,131	1,666,085	1,576,689	1,554,958	-1.4%	-6.7%	-17.9%
IndiGo	1,746,570	1,813,944	1,475,408	1,485,624	0.7%	-18.1%	-14.9%
Easyjet	2,290,140	1,363,034	1,338,504	1,329,422	-0.7%	-2.5%	-42.0%
LATAM Airlines Group	1,714,362	1,870,132	1,174,152	1,176,624	0.2%	-37.1%	-31.4%
Deutsche Lufthansa AG	1,920,008	1,576,378	955,636	959,677	0.4%	-39.1%	-50.0%
Alaska Airlines	1,124,994	1,064,124	954,162	953,005	-0.1%	-10.4%	-15.3%
Aeroflot Russian Airlines	1,164,728	1,049,822	957,248	945,529	-1.2%	-9.9%	-18.8%
JetBlue Airways Corporation	969,264	942,410	847,168	839,582	-0.9%	-10.9%	-13.4%
Spirit Airlines	766,184	794,650	818,526	810,176	-1.0%	2.0%	5.7%
Wizz Air	842,952	696,706	808,562	804,304	-0.5%	15.4%	-4.6%
Shenzhen Airlines	835,588	856,720	849,328	784,719	-7.6%	-8.4%	-6.1%
Sichuan Airlines	787,602	812,568	796,116	764,967	-3.9%	-5.9%	-2.9%

Source: **OAG**

Aside from the major Chinese airlines all adjusting capacity down this week, there is little movement in the data to report, and perhaps the most telling story is for those airlines that remain stranded. Carriers such as Cathay Pacific, Singapore Airlines and Malaysia Airlines continue to operate with very low levels of weekly capacity, despite attempts to introduce travel corridors and vaccinated travel lanes. Looking forward for those airlines, the outlook remains gloomy.

Table 3- Top 20 Airlines Capacity

Airline	15-Sep-19	20-Jan-20	06-Sep-21	13-Sep-21	% Change Week on Week	% Change V's 20th Jan 2020	% Change V's W/C 16th September 2019
American Airlines	5,045,178	4,806,847	4,376,620	4,405,069	0.7%	-8.4%	-12.7%
Delta Air Lines	4,807,080	4,532,316	3,637,879	3,894,454	7.1%	-14.1%	-19.0%
Southwest Airlines	3,917,112	3,788,421	3,595,076	3,525,905	-1.9%	-6.9%	-10.0%
United Airlines	3,842,615	3,537,983	3,224,985	3,176,133	-1.5%	-10.2%	-17.3%
Ryanair	3,214,512	2,439,612	3,038,211	3,034,809	-0.1%	24.4%	-5.6%
China Southern Airlines	2,774,881	2,877,703	2,471,372	2,591,298	4.9%	-10.0%	-6.6%
China Eastern Airlines	2,605,848	2,715,809	2,128,360	2,269,822	6.6%	-16.4%	-12.9%
Air China	1,814,521	1,881,825	1,587,827	1,640,863	3.3%	-12.8%	-9.6%
Turkish Airlines	1,903,596	1,666,085	1,636,038	1,576,689	-3.6%	-5.4%	-17.2%
IndiGo	1,739,136	1,813,944	1,457,320	1,475,408	1.2%	-18.7%	-15.2%
Easyjet	2,290,608	1,363,034	1,366,654	1,338,504	-2.1%	-1.8%	-41.6%
LATAM Airlines Group	1,642,303	1,870,132	1,169,860	1,174,152	0.4%	-37.2%	-28.5%
Aeroflot Russian Airlines	1,171,160	1,049,822	970,734	957,248	-1.4%	-8.8%	-18.3%
Deutsche Lufthansa AG	1,917,504	1,576,378	928,593	955,636	2.9%	-39.4%	-50.2%
Alaska Airlines	1,117,214	1,064,124	965,466	954,162	-1.2%	-10.3%	-14.6%
Shenzhen Airlines	818,071	856,720	841,091	849,328	1.0%	-0.9%	3.8%
JetBlue Airways Corporation	970,918	942,410	876,711	847,168	-3.4%	-10.1%	-12.7%
Spirit Airlines	764,864	794,650	845,935	818,526	-3.2%	3.0%	7.0%
Wizz Air	842,850	696,706	839,062	808,562	-3.6%	16.1%	-4.1%
Sichuan Airlines	780,729	812,568	710,825	796,116	12.0%	-2.0%	2.0%

Source: OAG

Last Monday, the expected capacity for this week stood at 81.9 million. Seven days later and it had slipped back to 78.8 million: a fall of nearly 4% in the week before travel. Peeking into next week, current capacity stands at 81.2 million so a similar week-on-week drop will see capacity continue its steady decline as the last month of the summer season ends.