WEBINAR

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SUMMER INCOMING:

IS THE AVIATION INDUSTRY READY?

Wednesday March 13th, 2024

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SPEAKERS

CHIEF ANALYST

John Grant

Chief Analyst, OAG

With a wealth of experience across the global aviation industry, John provides expert commentary on market developments for OAG, making connections between what the data is telling us and the trends and events occurring in the sector.

GUEST SPEAKER

Mikko Turtiainen

Sales, Strategy & Growth, Condor

Mikko leads on sales, strategy and growth for Condor in North America. With 20+ years of experience at Finnair previously, he brings expertise and experience from various aspects of aviation to the panel.

MODERATOR

Deirdre Fulton

Partner, MIDAS Aviation

Deirdre is a partner in an aviation consultancy providing meaningful insight and analysis to clients around the world. She works closely with OAG on their data analysis and publications.

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SUMMER INCOMING: IS THE INDUSTRY READY?

- In this webinar we’ll be looking at:

- How is summer capacity shaping up for 2024?
- Will Summer 2024 see continuing growth in demand?
- What will be the impact of ongoing resource constraints?
- Are there tough times ahead for US ultra LCCs?

We’ll take Questions and Answers through the webinar

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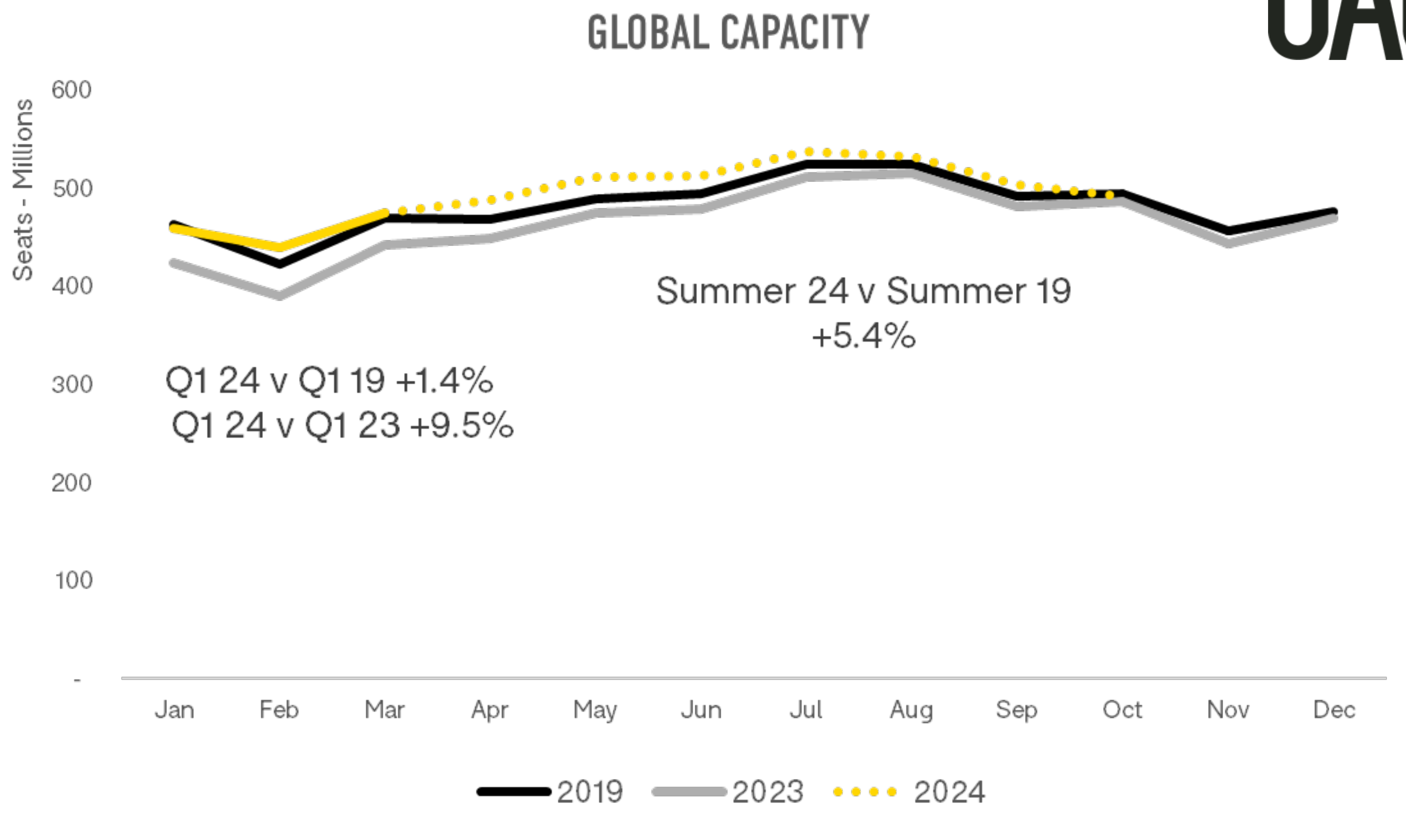
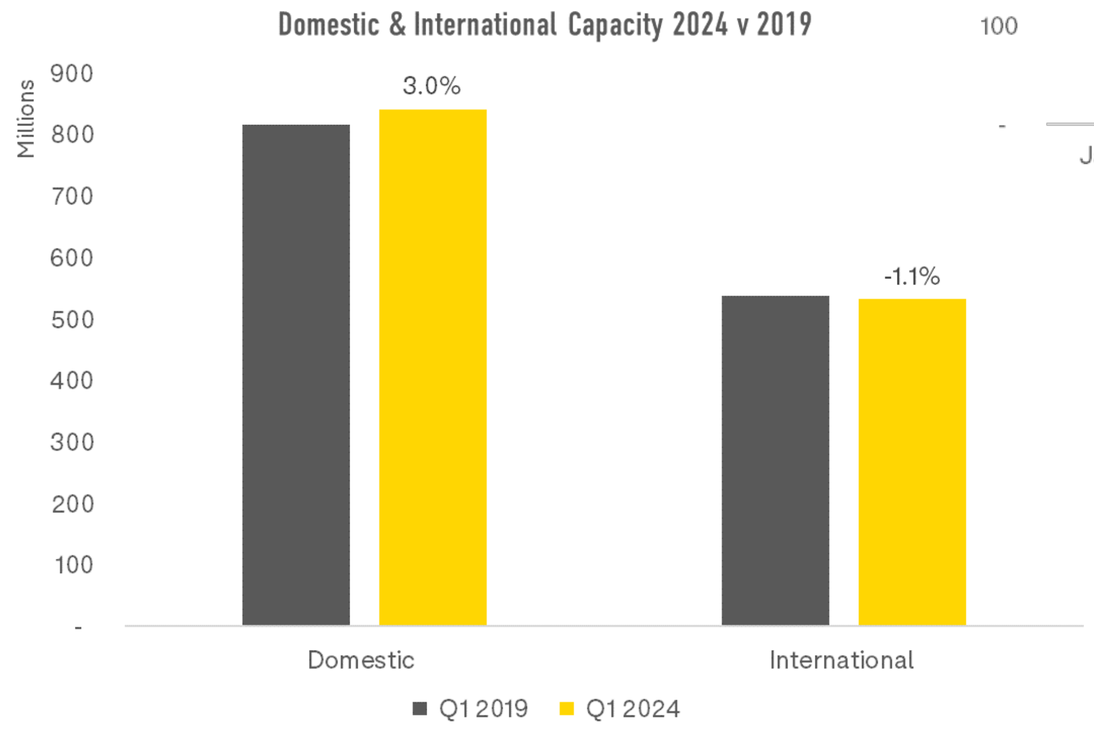
Global Capacity Trends

- Globally this quarter (Jan-Mar), capacity is currently up 9.5% on last year, and 1.4% ahead of the same quarter in 2019
- For the summer season, capacity is expected to be 5.4% ahead of Summer 2019

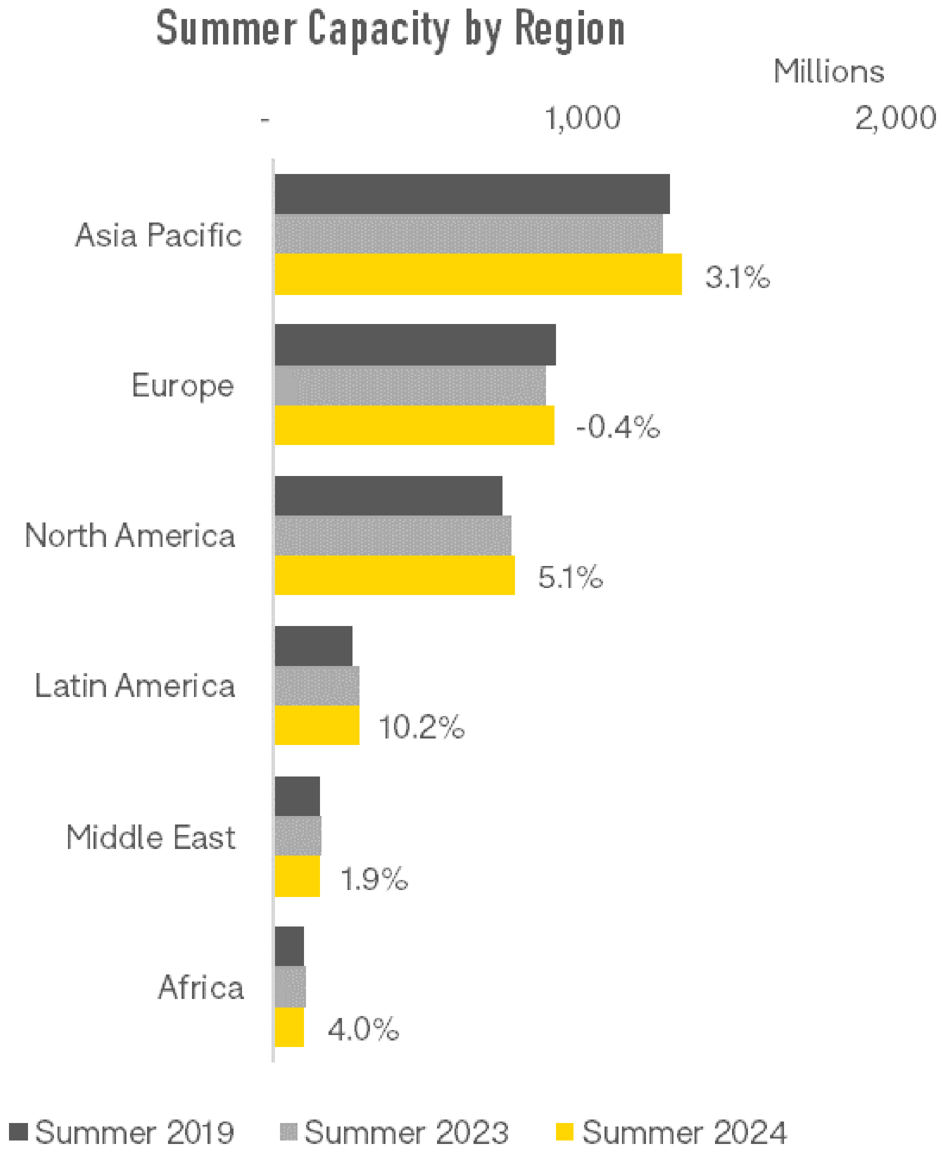




- Looking at domestic and international capacity shows a slight lag. Domestic capacity this quarter is driving overall growth, at 3% ahead of Quarter 1 2019.
- International capacity remains behind with capacity still 1.1% below Quarter 1 2019.

Regional Picture

- A look ahead to this summer season shows that that Latin America is the region expecting to see most capacity growth this summer when compared to Summer 2019. Seats will increase by 10.2%.
- North America continues to record strong growth too, with seat capacity projected to increase by 5.1% compared to Summer 2019.
- Africa is next highest with growth of 4% expected across the continent this summer
- Asia Pacific is more steady as the region finally looks to have put the pandemic behind it, with overall capacity up 3.1% on Summer 2019.
- Capacity in Europe remains flat, largely because of the ongoing Ukraine/Russia war and reductions in some key domestic markets including Germany and France
- The Middle East will see the smallest increase, just 1.9% on Summer 2019.



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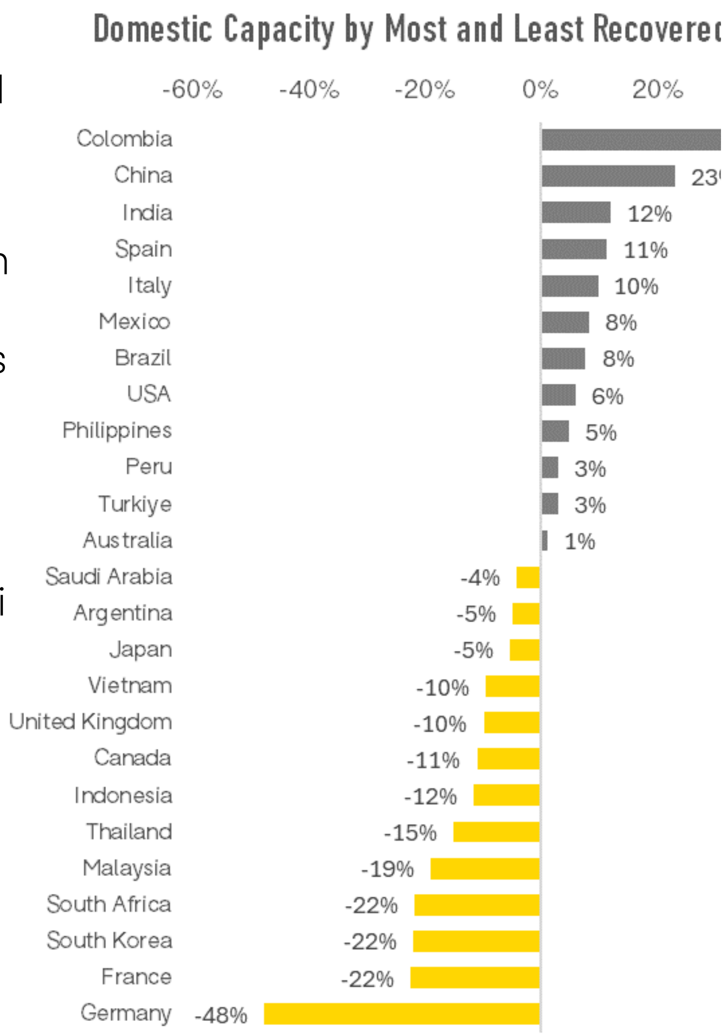
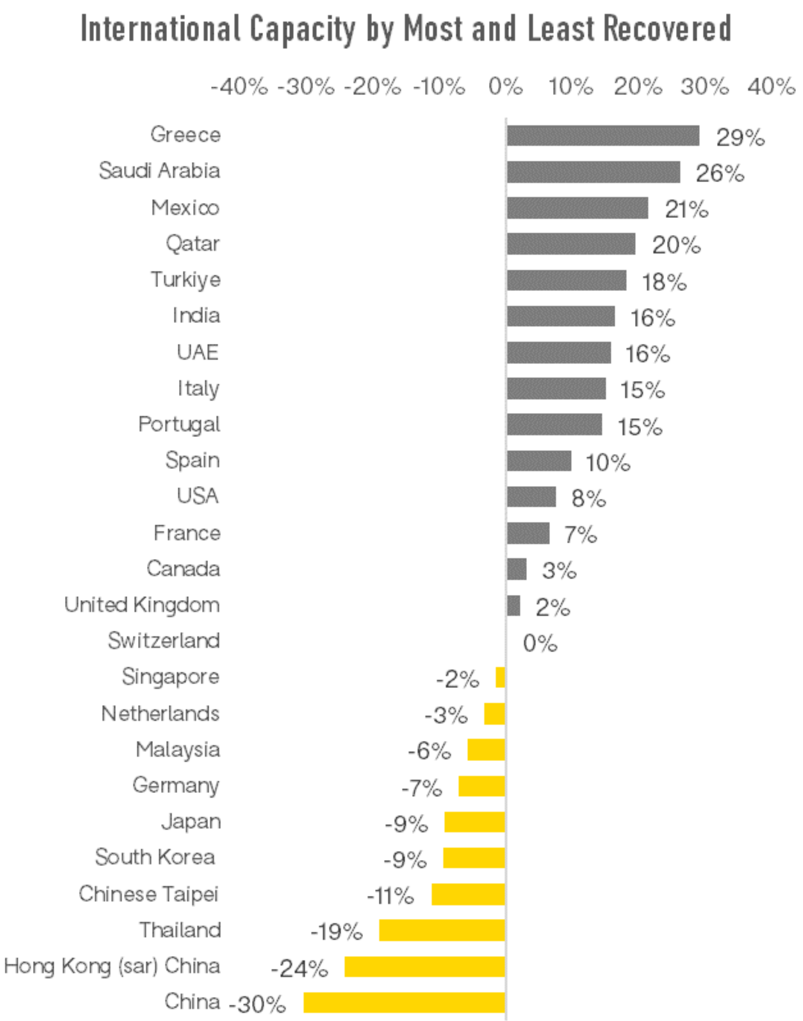
Most and Least Recovered Markets

- Looking at domestic and international capacity for some of the largest country markets for this summer season compared to summer 2019 illustrates the differences that are emerging.
- In domestic markets, the very largest – the USA, China, Brazil, India, strong growth over 2019 is taking place.
- For some however, domestic growth has not returned – notably a number of South East Asian countries – and three key European markets – the UK, France and Germany.
- On International capacity, we're now seeing strong growth this summer in Saudi Arabia, and a number of key European markets as they gear up for their busiest season.
- International capacity from India is also seeing strong growth – up 16% on 2019 as is US international capacity.





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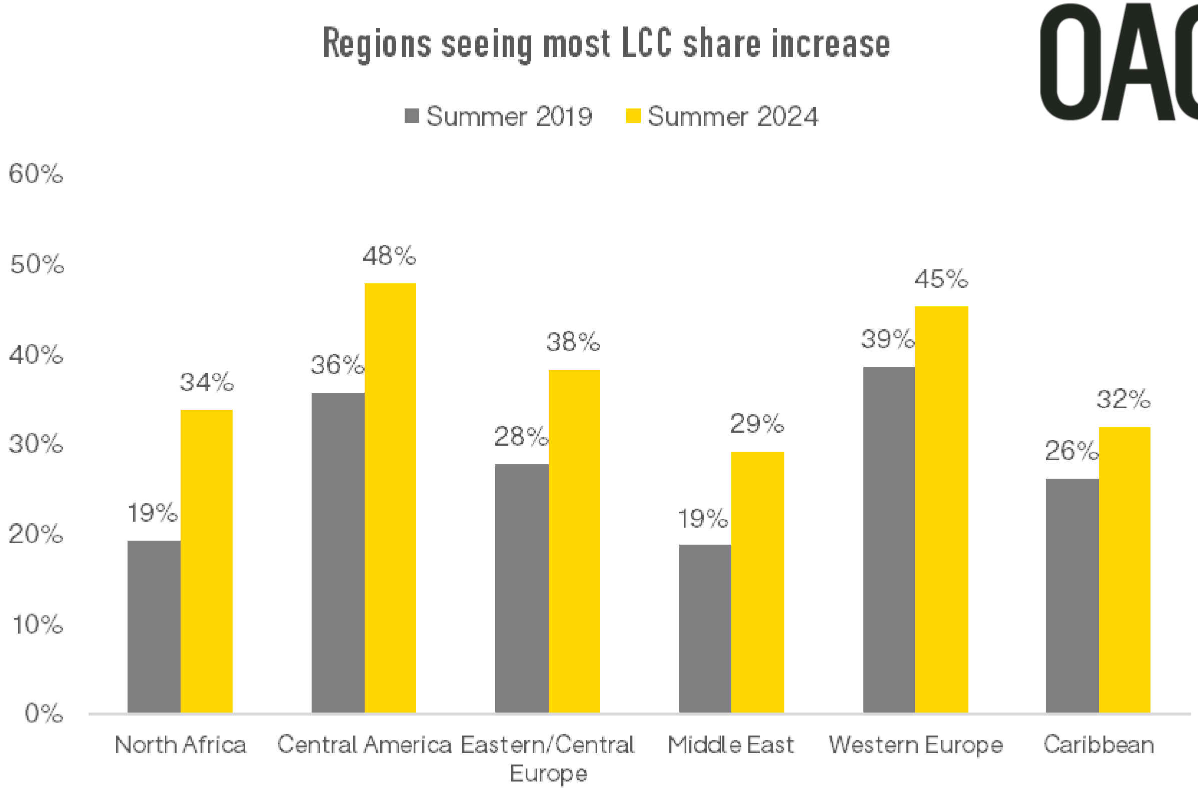
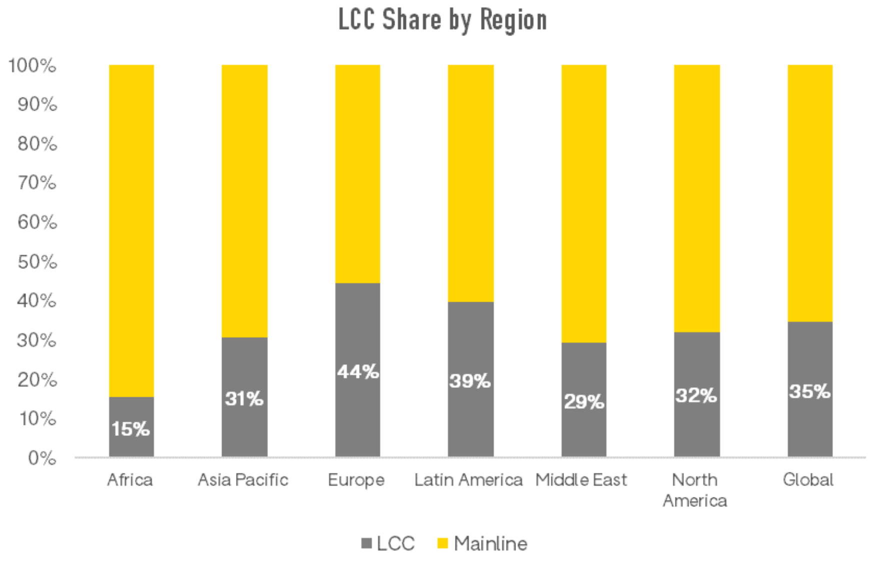
LCCs continue to take market share

- This summer will see a shift in the share that LCCs operate of global capacity, from 31% to 35%.
- Europe has the highest share of LCC traffic, with 44% of flights across the region operating on LCCs
- Latin America is next closest with 39% of flights on LCCs
- There are 4 sub regions seeing an increase of over 10 percentage points in LCC market share
- North Africa has the largest LCC share increase of 15 percentage points from 19% to 34%.
- Central America is next largest with an increase in LCC share from 36% to 51%
- Eastern Europe has seen an increase of 11 percentage points to 38% of capacity now operating on LCCs whilst the Middle East has also seen strong growth, with 29% of flights now operating on LCCs





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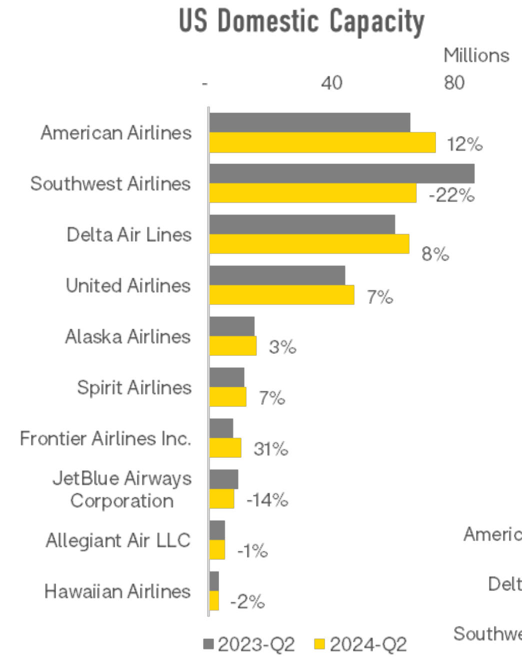
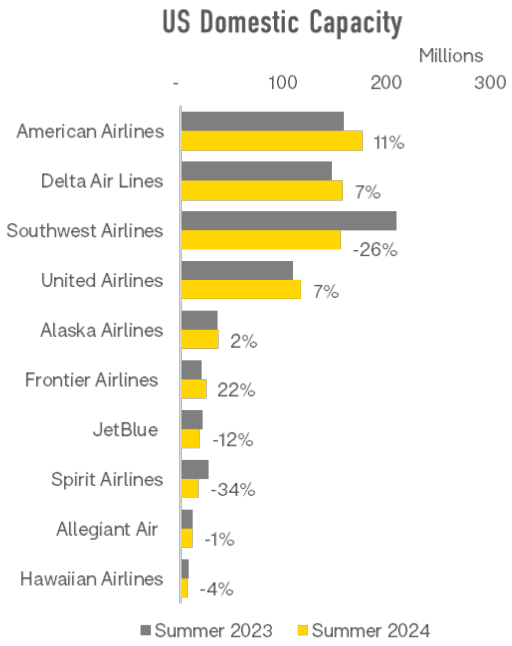
US LCCs lagging this summer at home

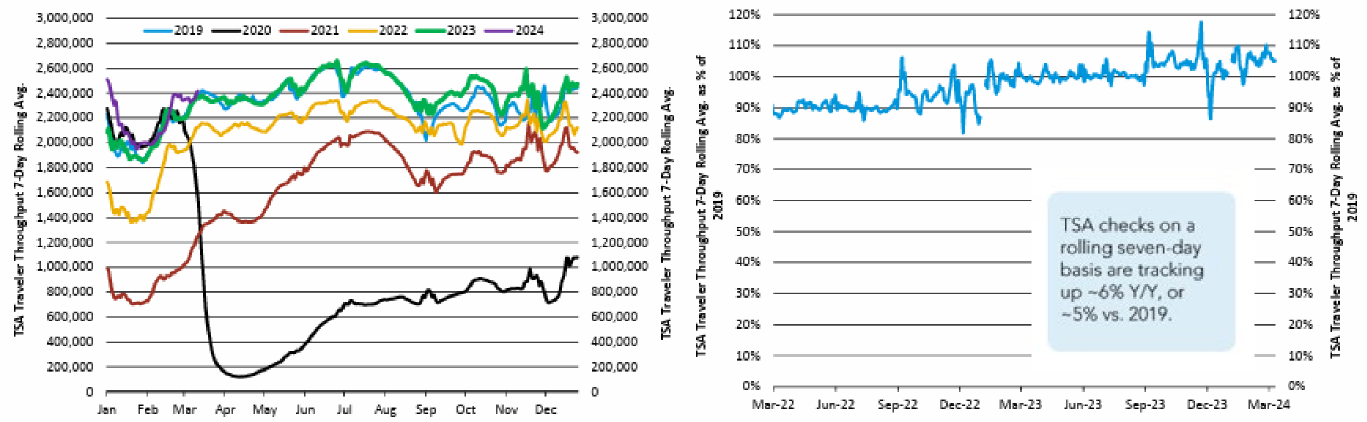




- TSA trends show upbeat throughput compared to 2019 levels for the first part of 2024
- Capacity for the Summer Season is mixed – the US majors (mainline) are up by 7-11% on Summer 2023, however Southwest are lagging, down by just over a quarter on last summer.
- Other US LCCs are also behind on Summer 2023 – Jetblue by 12%, and Spirit by 34%. For Q2 Spirit is up by 7% so this may be late filing

Trends in TSA Checkpoint Traveler Throughput and Airline Ticket Transactions

TSA CHECKPOINT TRAVELER THROUGHPUT – SEVEN-DAY ROLLING AVERAGE VOLUME (LEFT); AS PERCENTAGE OF 2019 (RIGHT)



Notes: Data represents the daily measure of passengers and crew screened through TSA checkpoints in the U.S. Data is through 3/10/24.

Sources: TSA.gov, SFG Research

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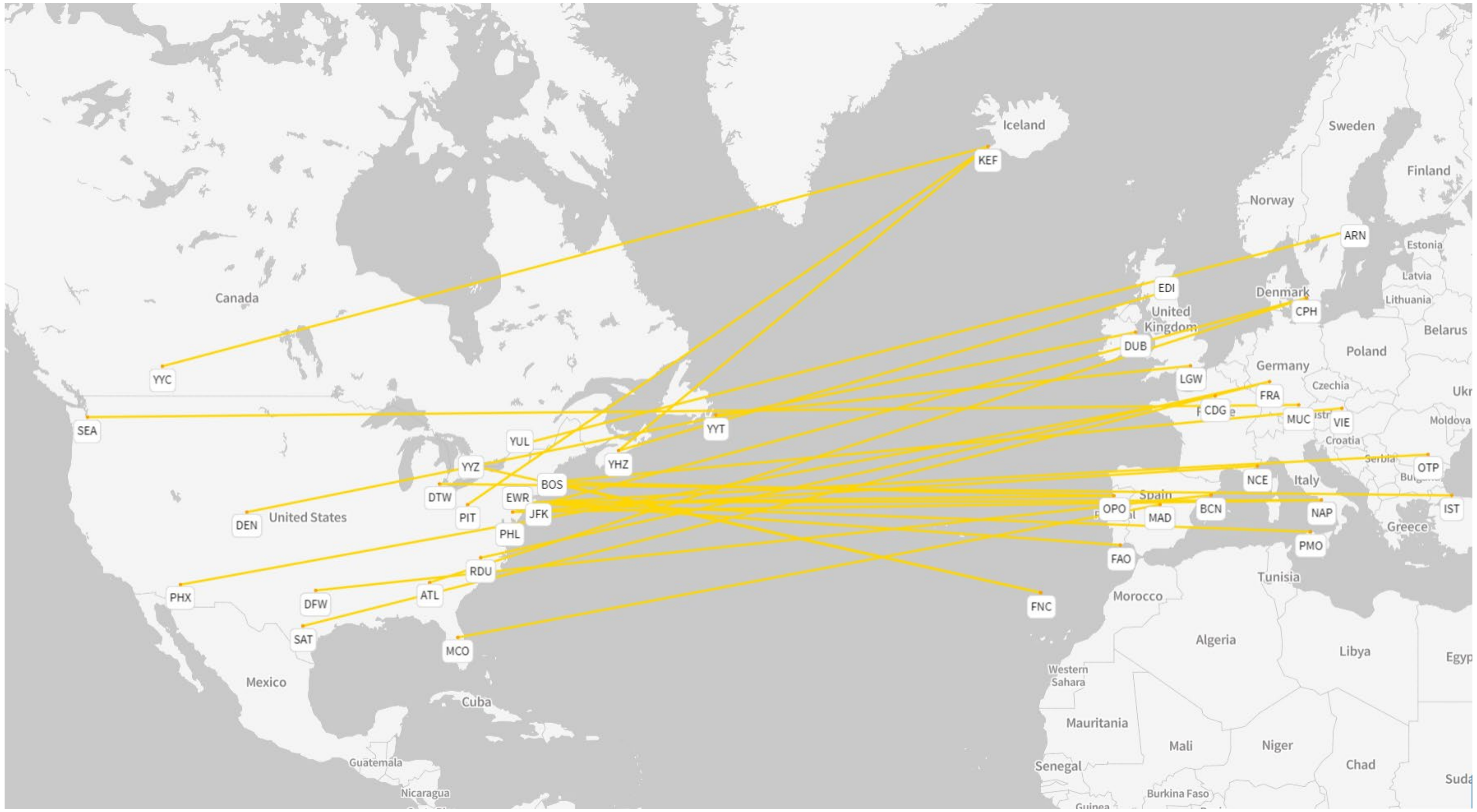
Challenging times ahead for US ultra LCCs?

Meanwhile, America’s love affair with Europe continues

- This summer sees the launch of 27 new transatlantic routes, including Philadelphia – Naples, San Antonio – Frankfurt, Boston to Porto and Dallas to Barcelona.
- There will be 432 transatlantic routes between North America and Europe this summer, still slightly below the 463 operated in Summer 2019 but ahead of the 415 last summer.



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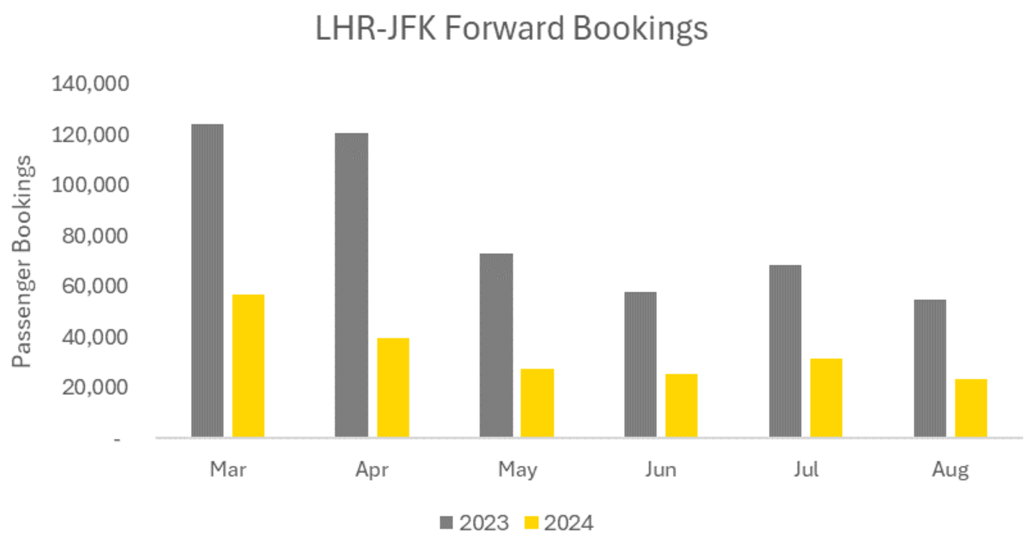
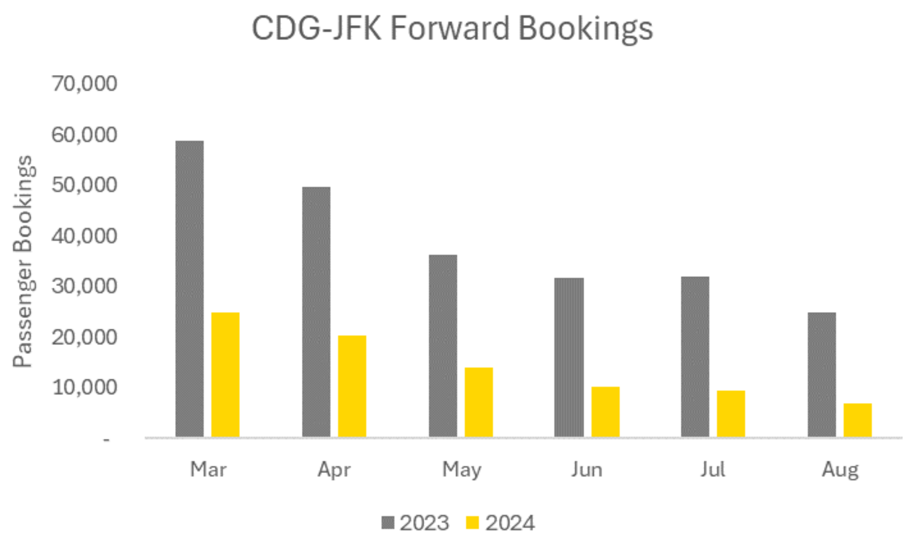
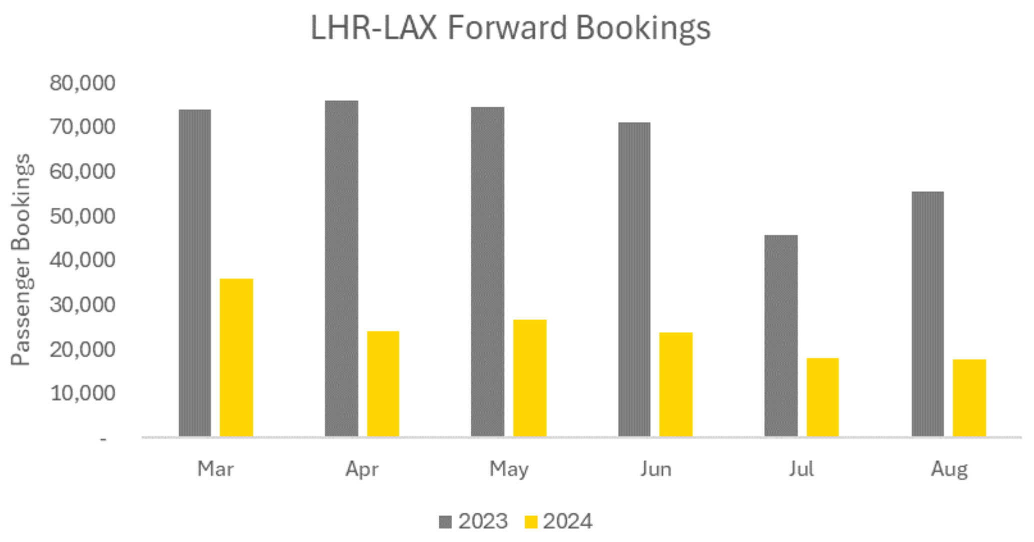
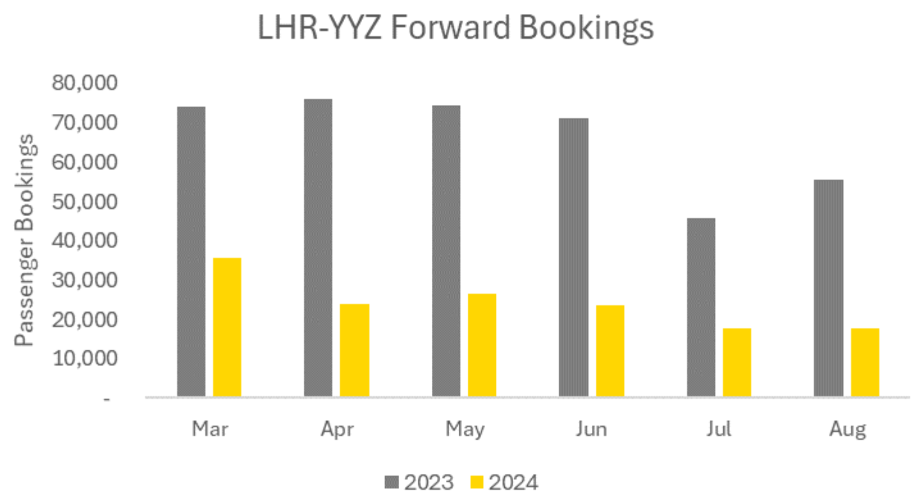
Forward bookings on key transatlantic routes still lagging Summer 2023









Aircraft delivery delays look set to cause turbulence this year

- Southwest re-evaluates Full year financial guidance following confirmation that they should expect 46 737MAX deliveries this year instead of the previously planned 79
- United noted last week hiring pilots, flight attendants and other staff was on hold because of late aircraft arrivals
- Delta reported last week that it expected deliveries of the 737 MAX 10 to be delayed to 2027, out from late 2025
- American Airlines placed their largest aircraft order since 2011 last week, totalling 260 new aircraft. They remain confident about their options despite reported delivery delays
- Alaska Airlines reported a $150m hit to profit from the MAX9 issue earlier this year

Meanwhile in Europe

- IAG reported profits doubled in Q4 and exceeded pre-pandemic earnings this year – leading to confidence about demand heading into the summer season
- Air France/KLM group reported strong results in 2023 Full Year however Q4 2023 was lossmaking, due to geopolitical tensions and supply chain constraints
- Lufthansa reported 2023 performance in line with expectations but warned of losses in Q1 2024 due to ongoing labour disputes

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