WEBINAR

NORTH-EAST ASIA:
GROWTH AND RECOVERY

Friday May 24th, 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

Prof Dr. Wolfgang Georg Arlt

CEO Cotri and CEO Meaningful Tourism Center

Prof. Dr. Wolfgang Georg Arlt FRGS FRAS has more than four decades of experience in China and in tourism, including aviation. In 2004 he started the COTRI China Outbound Tourism Research Institute and has been working as a consulting, trainer and organiser of conferences on all continents. After 150 entries since 1978, he finally crossed the border into China for the first time without a visa in May 2024.

GUEST SPEAKER

Gary Bowerman

Director, Check-in Asia

Gary is Director of Check-in Asia, a travel intelligence and strategic marketing firm with bases in Hong Kong, Shanghai and Kuala Lumpur. He is an Asia travel analyst for Phocuswright and an Asia consumer trends analyst for Mintel. Gary co-hosts the South East Asia Travel Show podcast, and publishes a twice-monthly newsletter called Asia Travel Re:Set.

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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NORTH EAST ASIA: GROWTH AND RECOVERY

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- In this webinar we'll be looking at:

- As peak season approaches, how are some of the busiest aviation markets in the world performing?
- We take a detailed look at capacity and frequency for China, Japan, South Korea and others
- Has this region fully recovered from the pandemic yet and moved into growth mode?
- What will the rest of the year hold for China's outbound market?

We'll be taking questions as we go. Please use the chat function to ask your questions.

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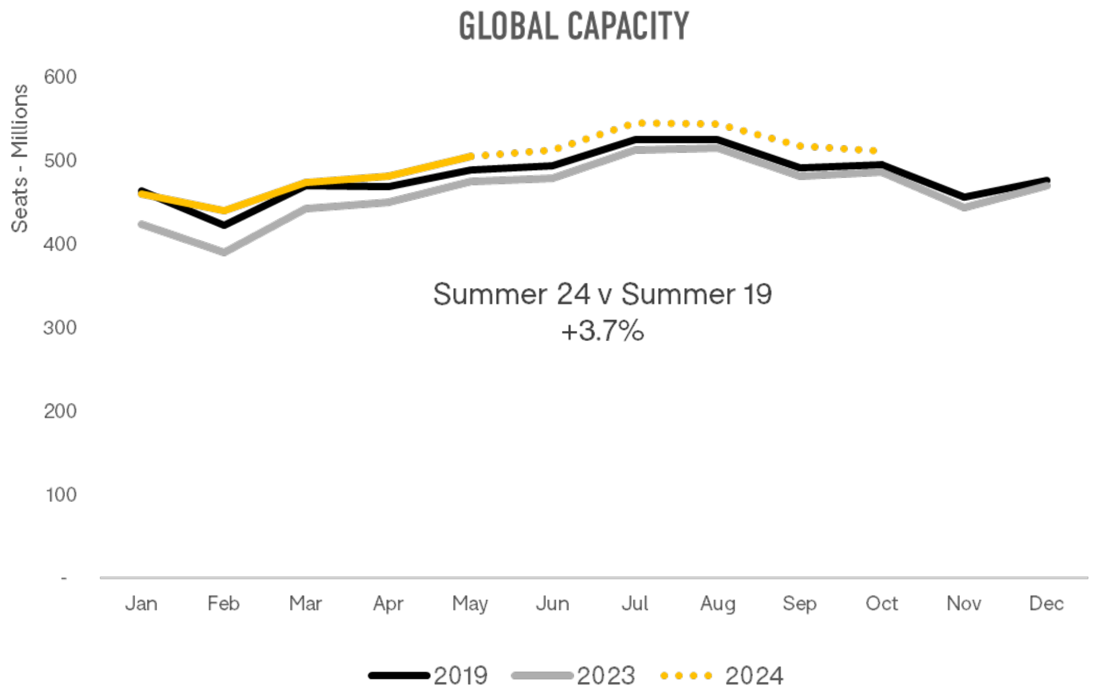
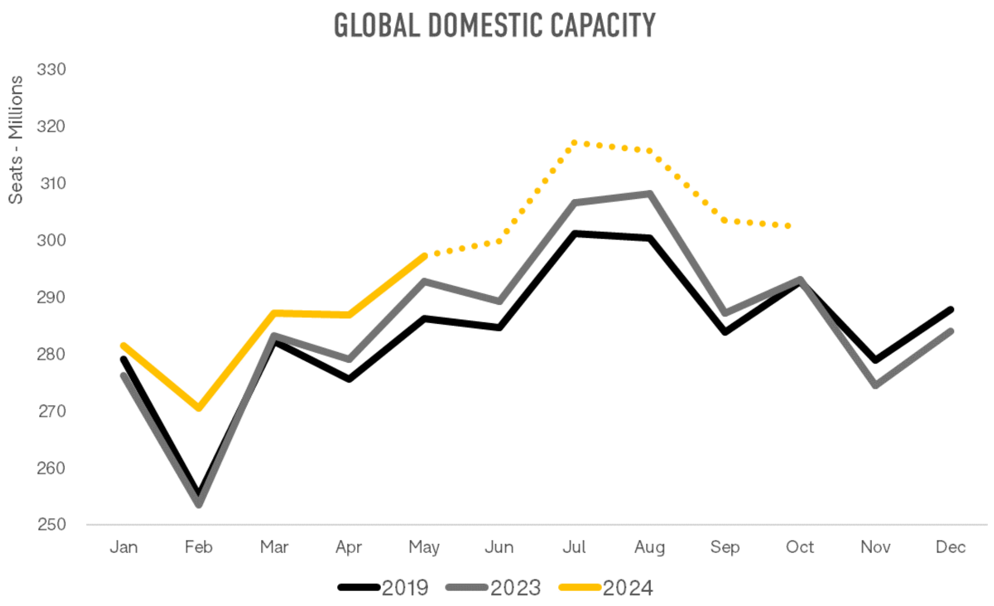
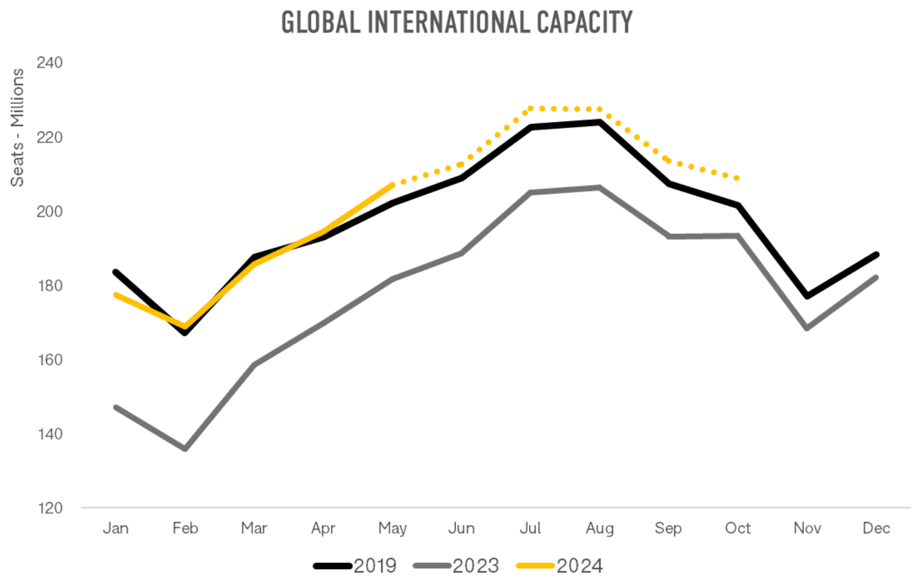
GLOBAL CAPACITY CLIMBING SLOWLY BUT STEADILY

- Positive signs of growth this summer with global capacity now higher than it's ever been
- Domestic capacity leading the way, with steady growth expected through the summer season







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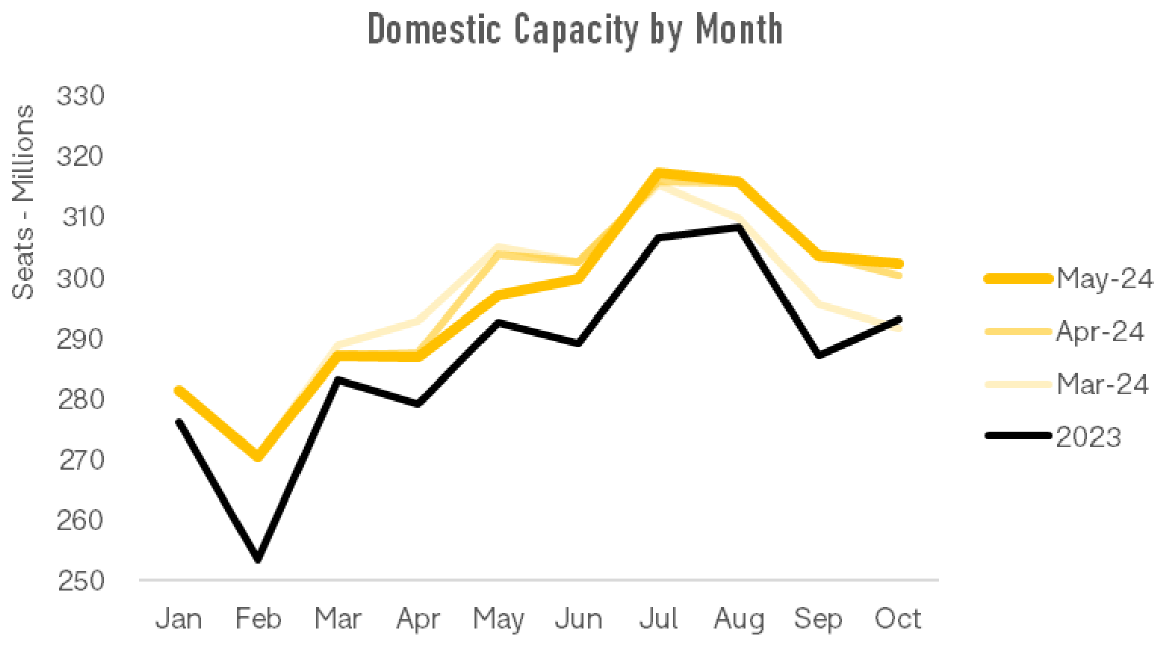
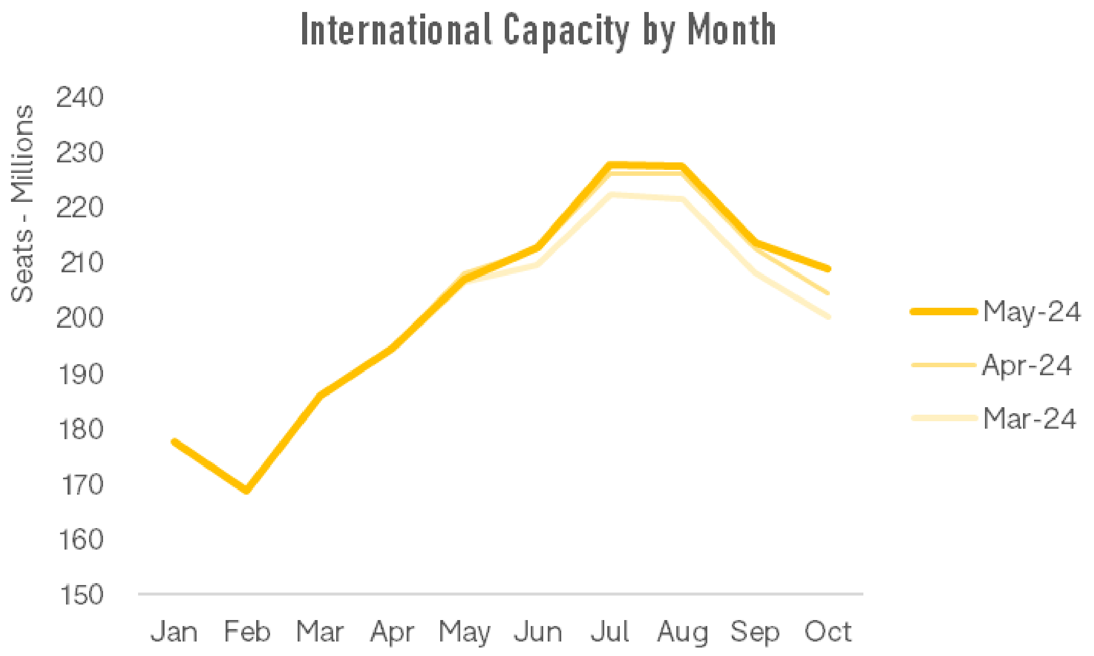
SCHEDULES STILL SUBJECT TO FLUCTUATION

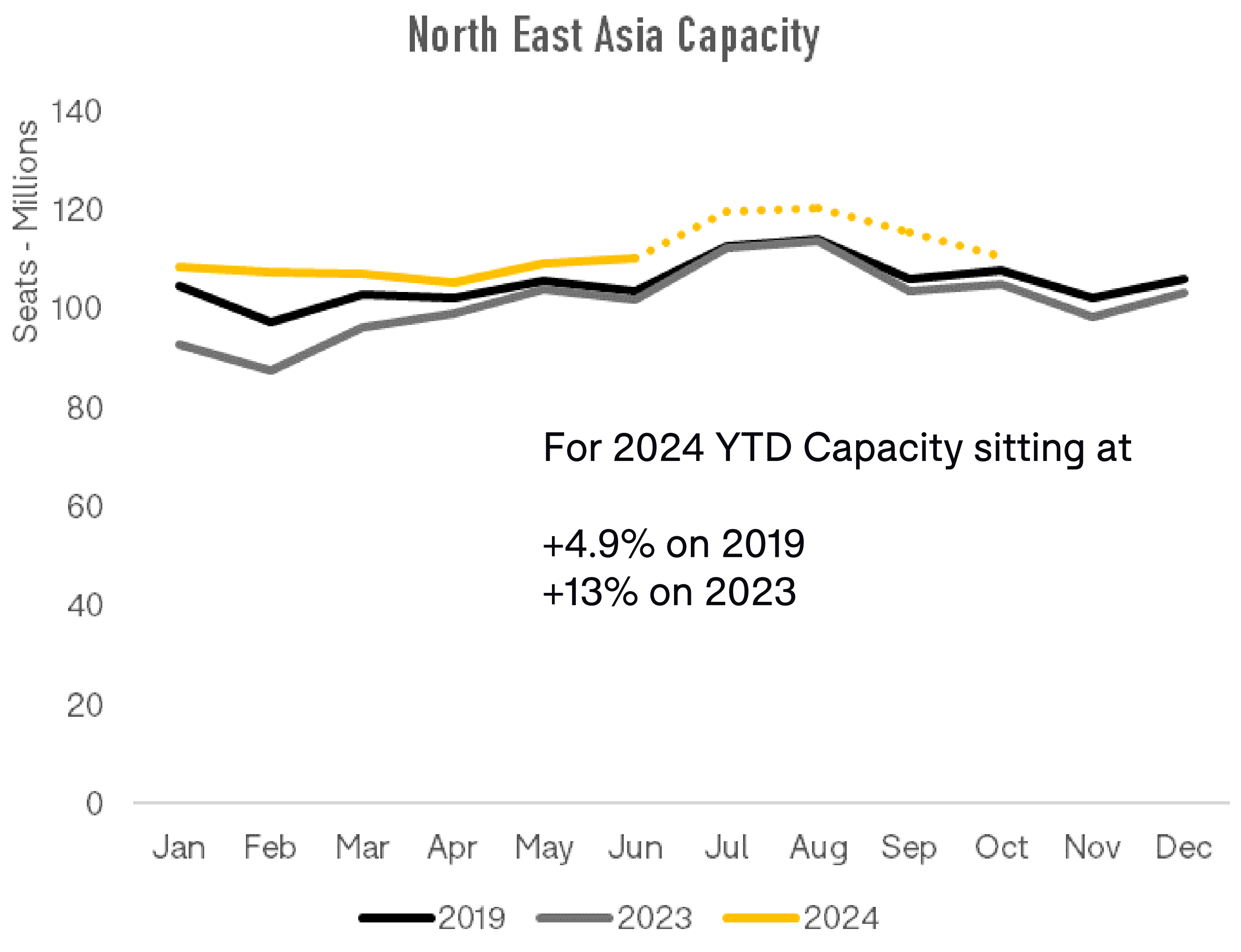
- There are still seasonal fluctuations on a month by month basis.
- In March, just before the start of the summer season, the domestic capacity position was more optimistic than it was the following month, and now. Carriers took capacity out of the shoulder season between March and April and again between April and May.
- It's likely that we will see a similar pattern emerge through the second half of the summer season.





NORTH EAST ASIA – REGIONAL TRENDS

- Capacity in North East Asia is now above 2019 levels
- For Jan- May so far, total capacity is up by 4.9% on the same period in 2019, and +13% on the same period in 2023
- Capacity is expected to continue in line with this trend for the rest of the summer



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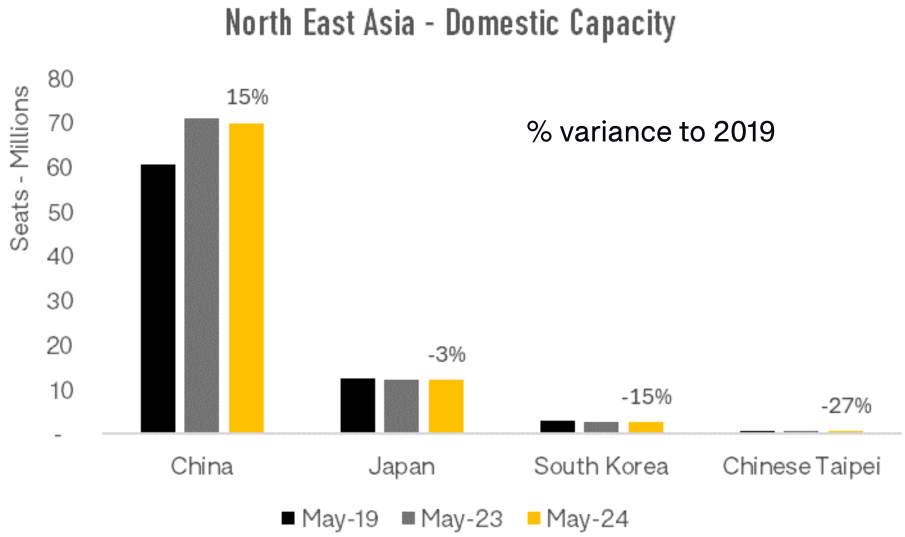
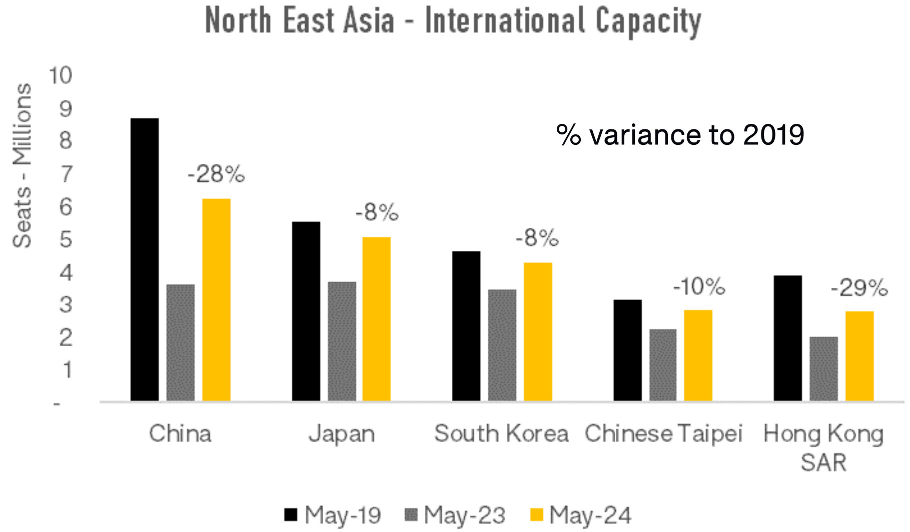
NORTH EAST ASIA – REGIONAL TRENDS

- Of the major country markets in North East Asia, only China has made a full recovery and moved into growth v's the 2019 period, with capacity now 15% higher than it was in May 2019
- Japan's domestic capacity is lingering just below 2019 levels, down by 3%
- South Korea remains further behind with domestic capacity 15% behind the pre pandemic period and Chinese Taipei is still considerably lower at -27% this month compared to May 2019



- Across North East Asian countries, international capacity has still to reach above 2019 levels in any of the main markets. China and Hong Kong SAR remain furthest behind, down by 28-29%, whilst Japan and South Korea are just 8% below.
- Chinese Taipei's international capacity is more recovered than domestic, with seats just 10% behind May 2019.



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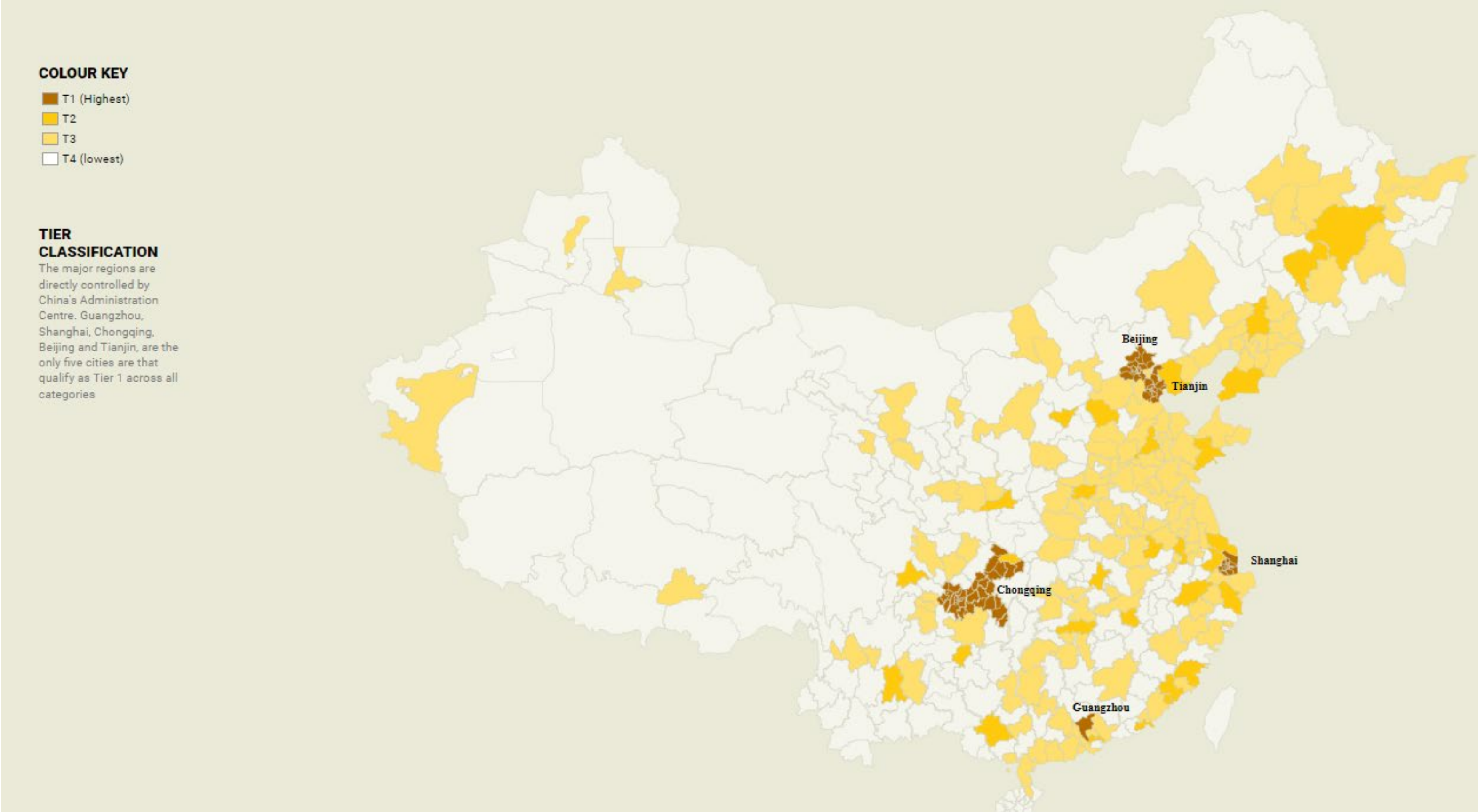
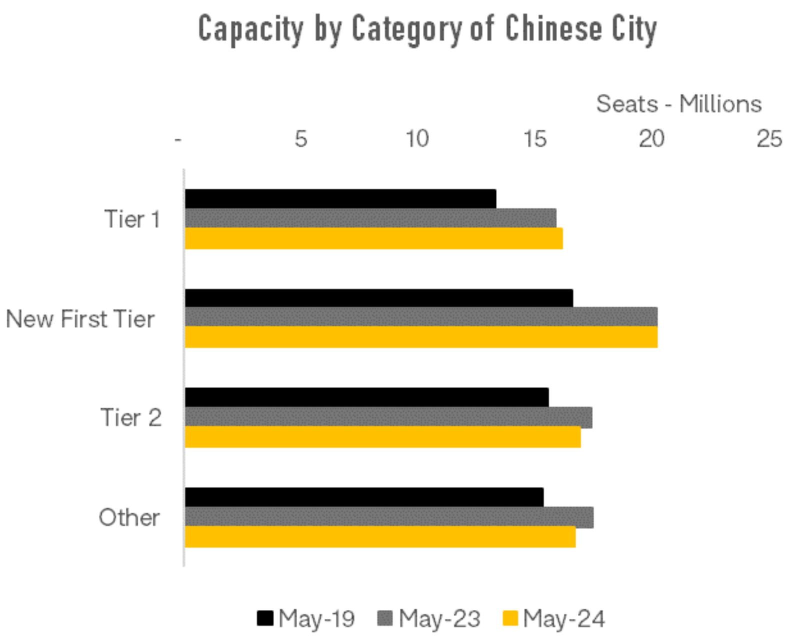
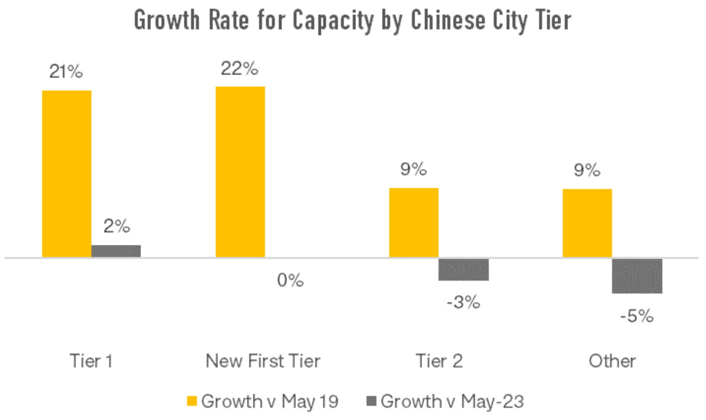
CHINA DOMESTIC MARKET STILL GROWING FAST

- Growth appears to be concentrated in the biggest cities – against 2019 all cities are seeing strong growth, but the Tier 1/New Tier 1 cities are growing at more than double the rate of the smaller cities
- Against last year, smaller cities are seeing capacity contract

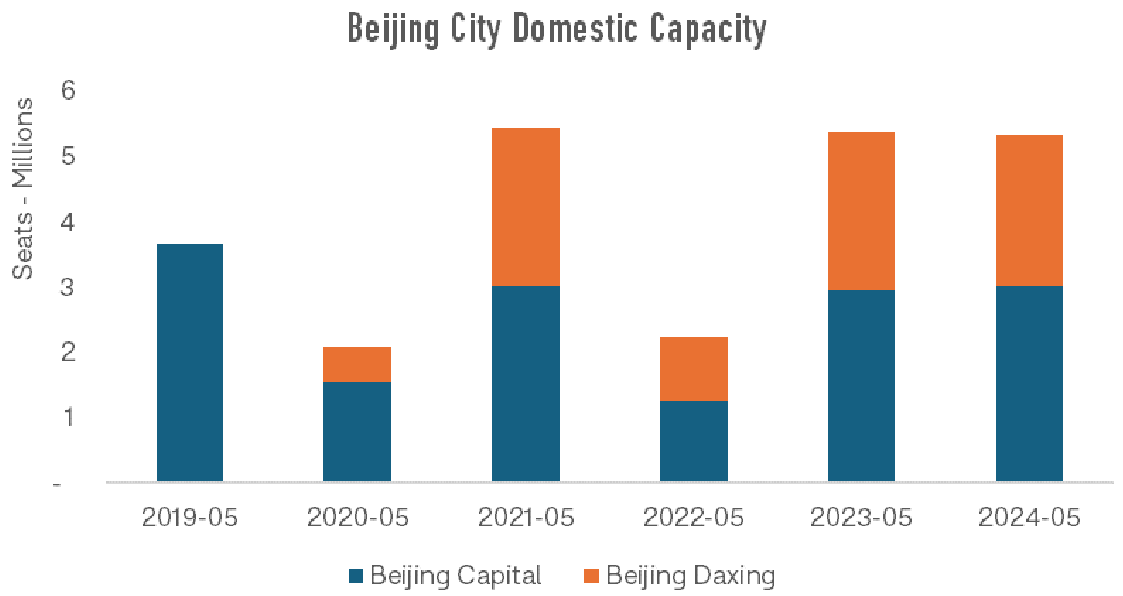


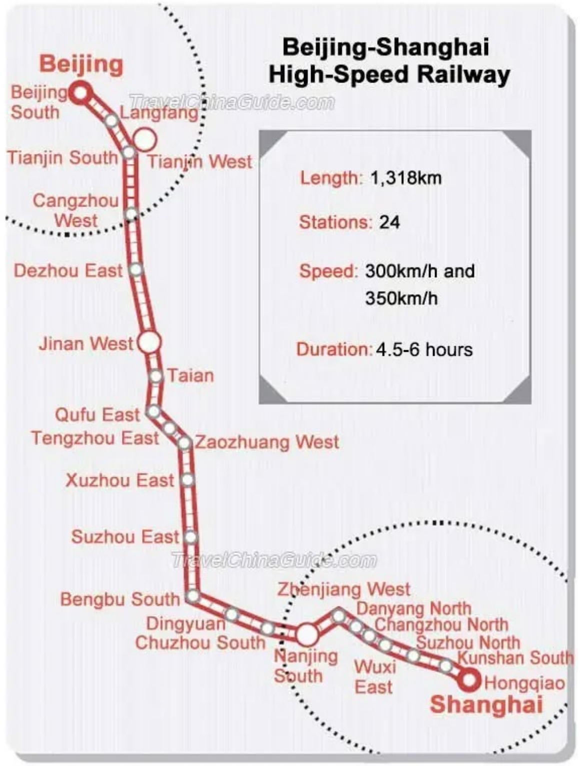




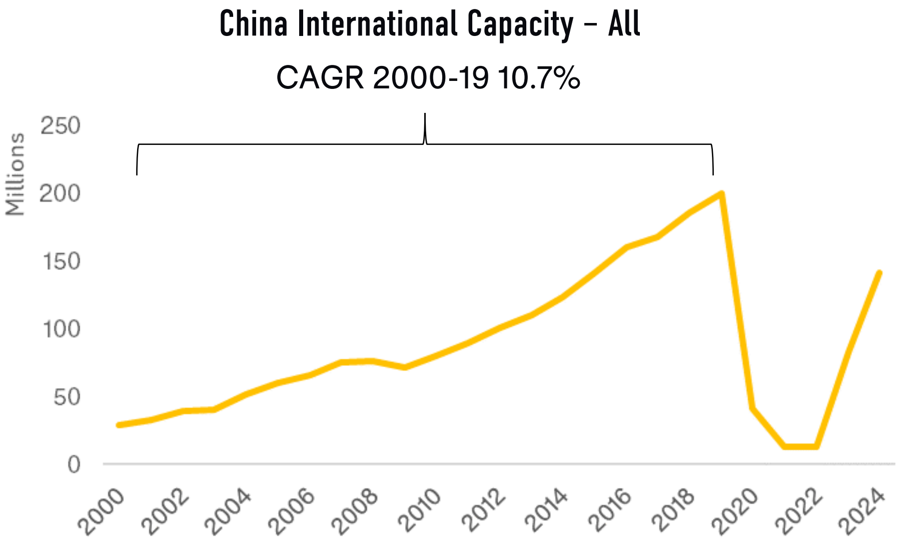
IMPACT OF NEW AIRPORTS & COMPETITION FROM OTHER MODES

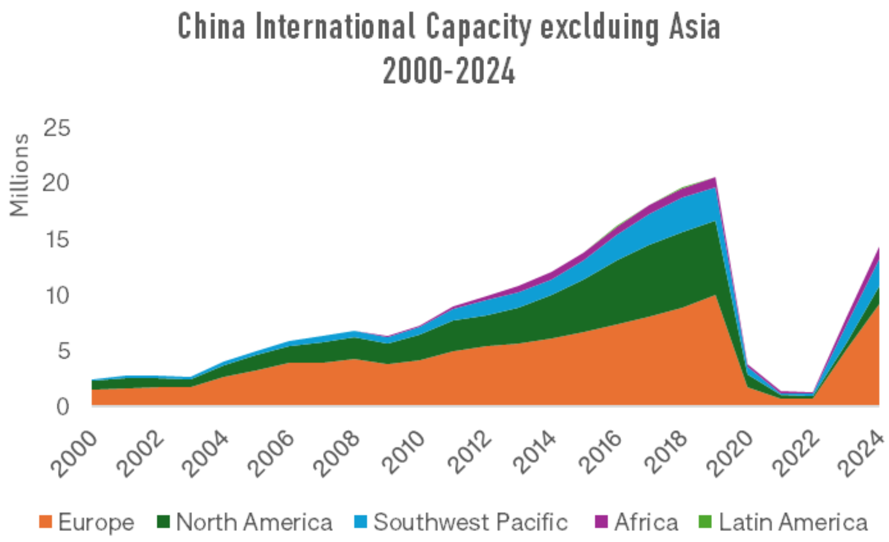
- China's biggest cities are characterised by very high frequency of services – the biggest domestic route operates between Beijing and Shanghai and from Beijing Capital (PEK) alone, there are 41 flights departing from Beijing to Shanghai, equivalent to 2 flights every hour of the day. From Bejing Daxing (PKX) there are 10 flights in a day to Shanghai.
- This is a market where there is an alternative – the high speed train takes around 5 hours so this may over time eat into the air market as we have seen elsewhere, particularly if air fares continue to rise. In 2023, the high speed train between Beijing and Shanghai carried 53m passengers. The air passenger market is approximately 8m.
- Beijing's Daxing Airport (PKX) opened in late 2019 and since then, despite the impact of the pandemic has grown the size of the overall market, and now handles 44% of Beijing's domestic capacity with no observable reduction yet from other modes such as high speed rail.

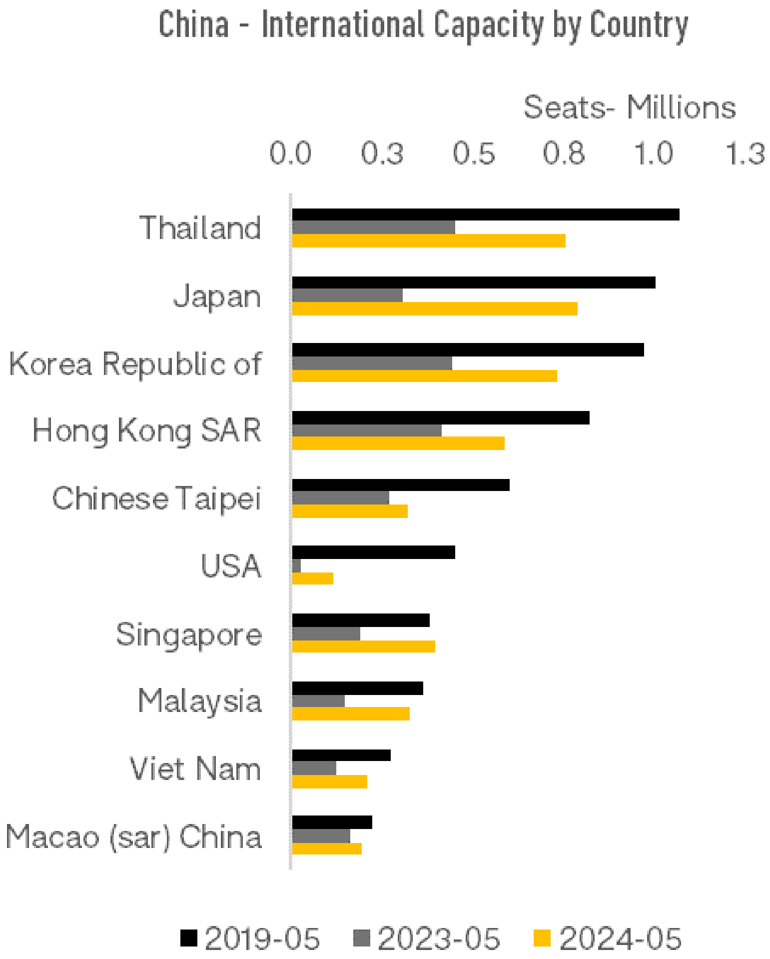




CHINA INTERNATIONAL PICTURE







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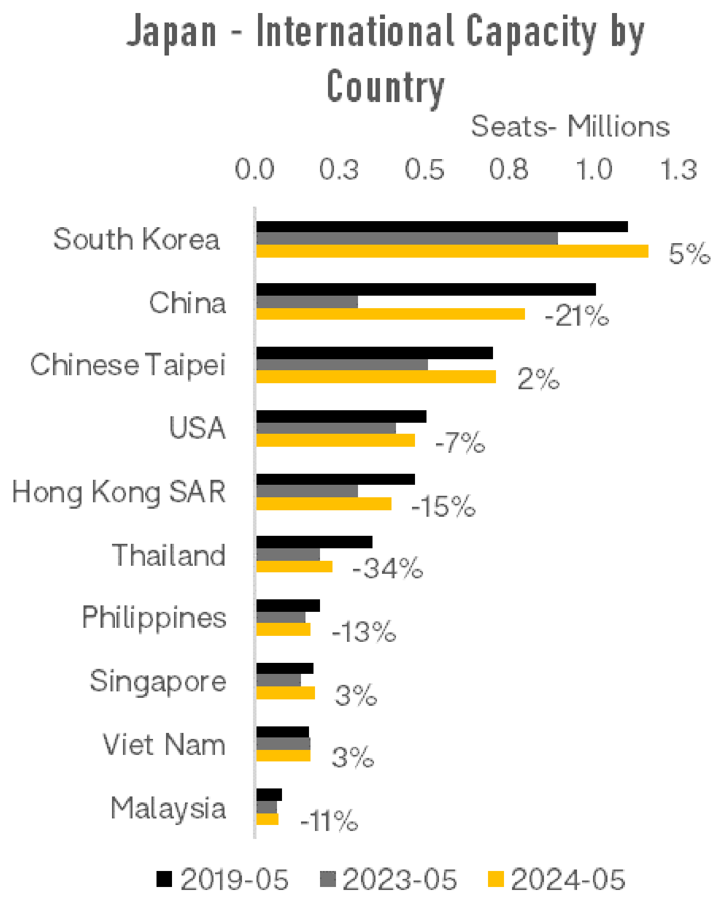
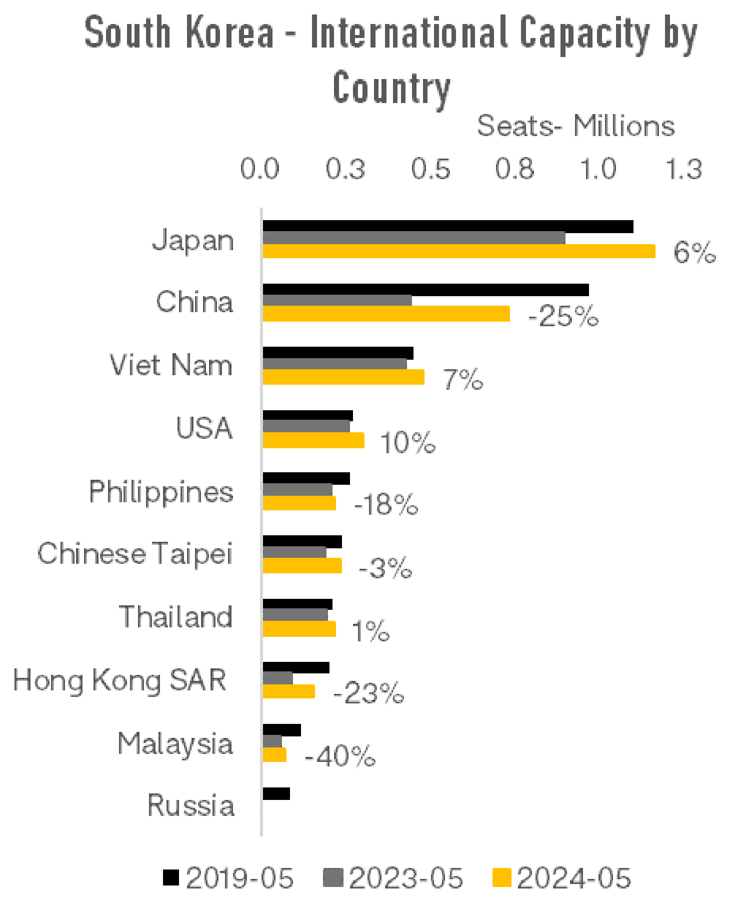
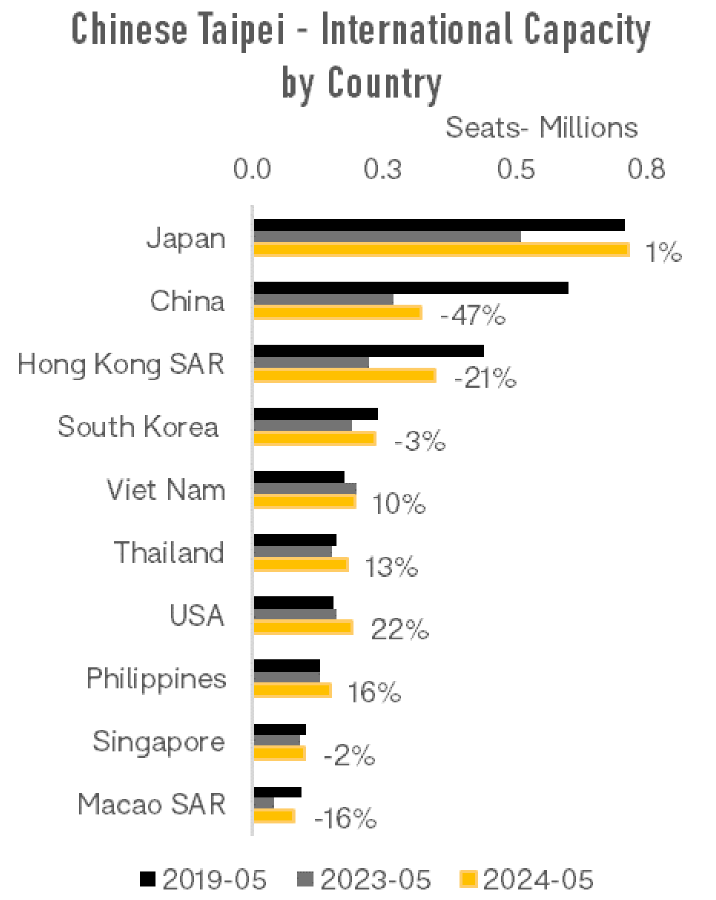
CHINA IMPORTANT SOURCE MARKET FOR NEIGHBOURING COUNTRIES







% for each country and its top 10 international markets is capacity in May 2024 v 5 years earlier

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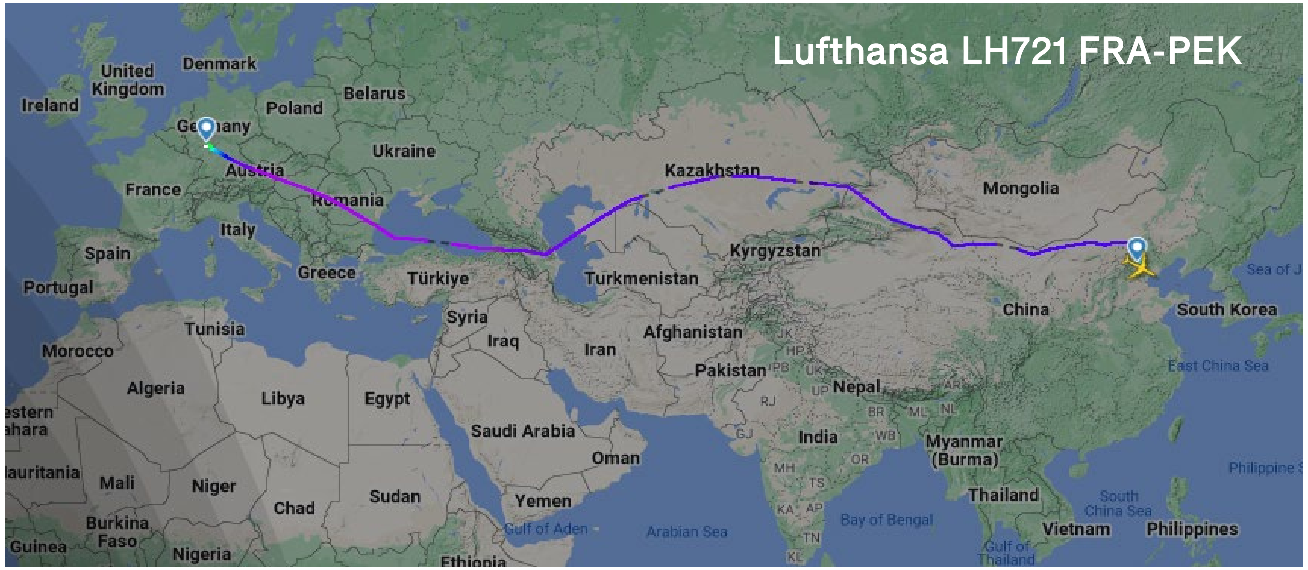
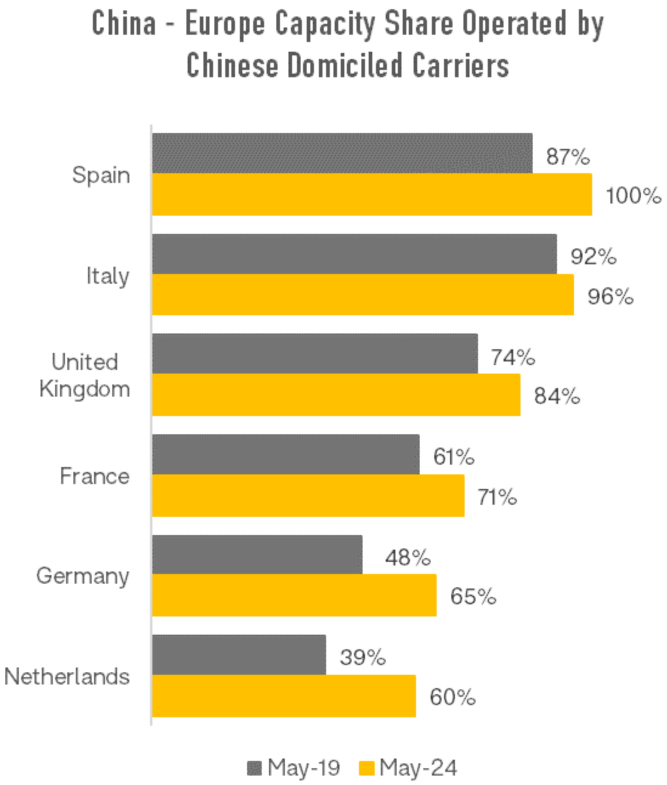
DIFFERENT APPROACHES STILL COSTING EU CARRIERS



- Beijing – Frankfurt has a great circle distance of 7,809km
- This week, Air China operated flight CA957 which operated on the GCD routing taking 09:41 hours to operate between FRA-PEK
- Lufthansa's routing avoiding Russian overflying meant the flying time on their LH721 flight was 12:11 hours.
- The additional cost for European carriers of having to fly 2:30 hours longer on the same routing continues to put them at a considerable cost disadvantage



- This disparity means it is is not surprising that Chinese carriers share of the China-Europe market has increased from 54% in May 2019 to 74% this May

FROM CLOSED DOORS TO OPEN BORDERS

- In January we reported that a number of countries across South East Asia had agreed visa free policies with China, in an attempt to stimulate market recovery.
- Latest news reports from China are that there have been agreements made to simplify visa procedures with over 40 countries and there are now mutual visa exemptions with more than 20 countries including Thailand, Singapore, the Maldives and the UAE. There are also over 60 countries and regions which offer visa free or visa on arrival policies to Chinese citizens.

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