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HOW IS AIR CAPACITY SHAPING UP WORLDWIDE THIS WINTER?

Wednesday 23rd October, 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

Eddy Pieniazek

Head of Analytics & Advisory, Ishka

Eddy has supported thousands of aircraft transactions during his 35 years' career, advising leaders of the world's top aviation finance, investment and leasing companies, airlines and manufacturers. A respected and valued influencer. Eddy was one of the original pioneers of today's aircraft valuation and appraisal industry.

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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Today's discussion

- In this webinar we're taking a look into how capacity is shaping up this winter

- Where are the biggest capacity and frequency changes this winter?
- The impact of fleet shortages on capacity
- The seasonal shifts in European capacity
- How the summer stacked up for on time performance

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

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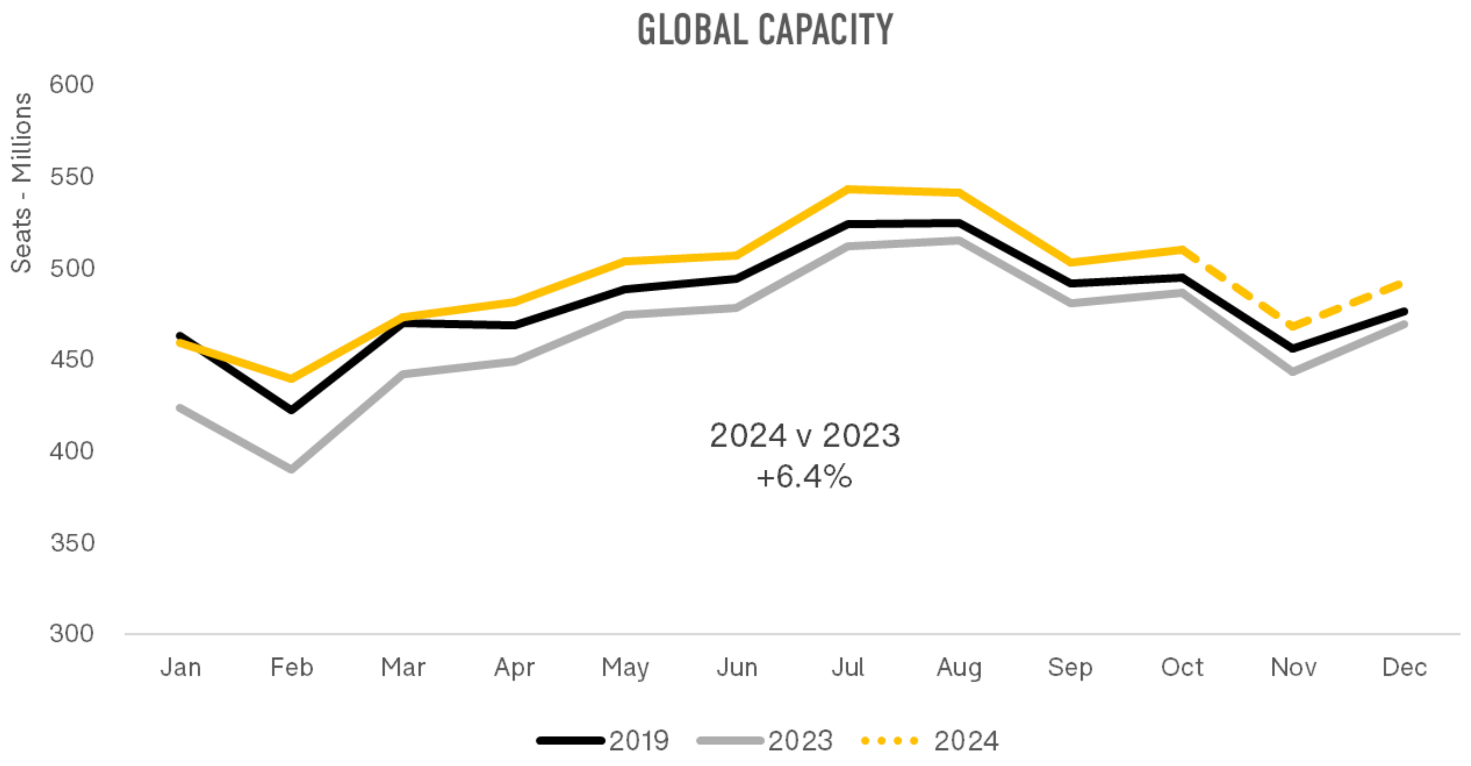
GLOBAL GROWTH TRENDS

- Capacity for the year to the end of the year is projected to be 6.4% ahead of 2023 and 3.1% ahead of 2019
- Compared to 2018 global capacity is 5.6% up……we've lost a lot of growth!



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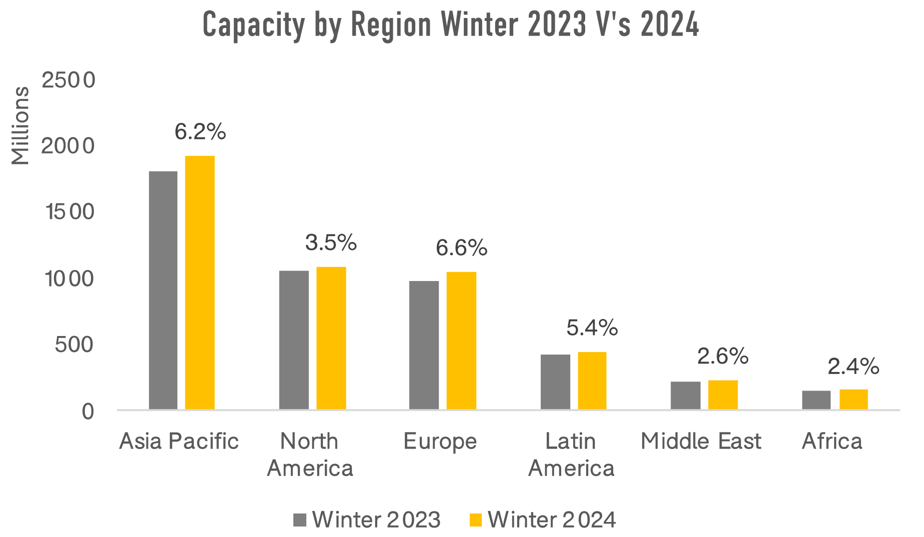
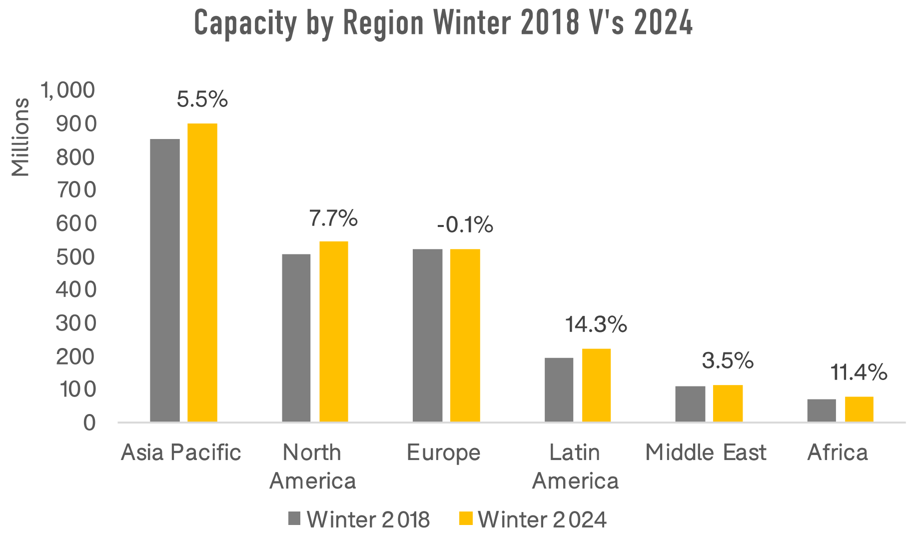
REGIONAL CHANGES….SOME MIXED INDICATORS

- Capacity continues to recover season on season with Asia Pacific and Europe both reporting above 6% capacity growth versus Winter 2023/24
- Comparison to Winter 2018/19 highlights how much "lost" growth markets have seen during the last 5 years, typically we should be seeing at least 12-15% growth in mature markets
- The signs of capacity discipline easing in the first half of the year are continuing into the last quarter despite some major operational challenges being faced by some carriers.





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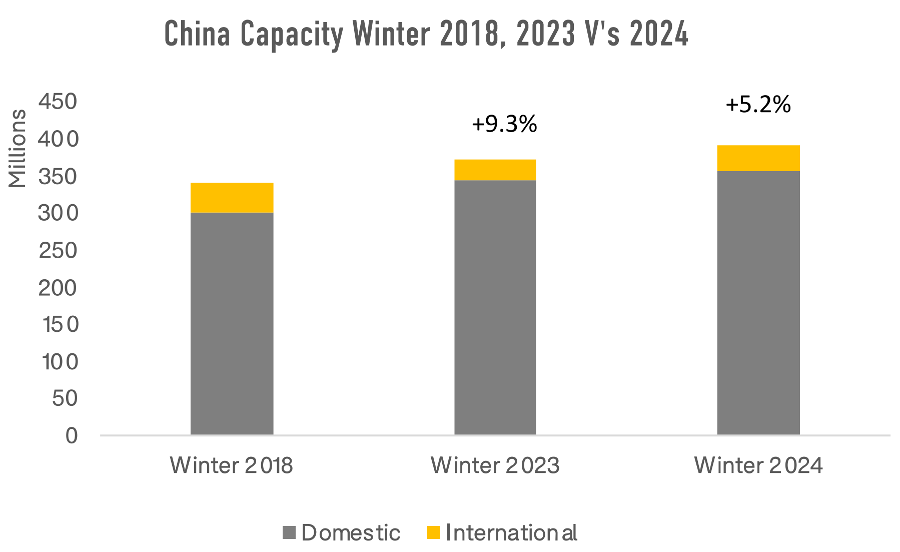
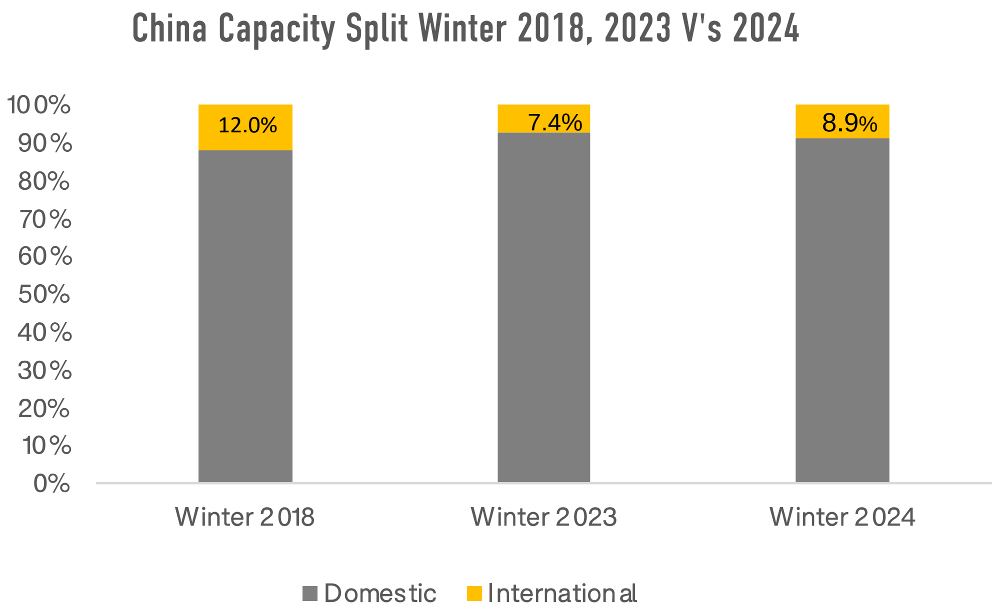
THE CHINA CONUNDRUM?

- It's hard to look at Winter 2024/25 without focusing on what is happening in China.
- Capacity has increased by 15% since Winter 2018 with a 5% increase for this winter.
- But international capacity has fallen compared to Winter 2018/19 when it was 12% and now stands at 8.9% which is a 27% increase on last winter's levels.





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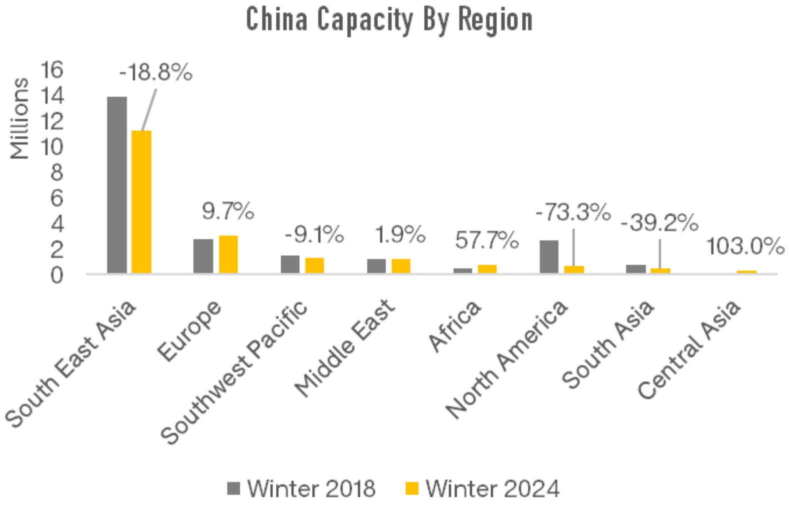
EXCESSIVE CAPACITY GROWTH TO CHASE EURO'S ?

- This winter season there will be some 10,000 scheduled flights from China to Western Europe which is a 15% increase year on year.

- Chinese airlines will operate over 82% of all scheduled flights between the two markets.
- This winter will see some 18 new routes opened by Chinese carriers to Europe while European airlines continue to drop destinations in China.



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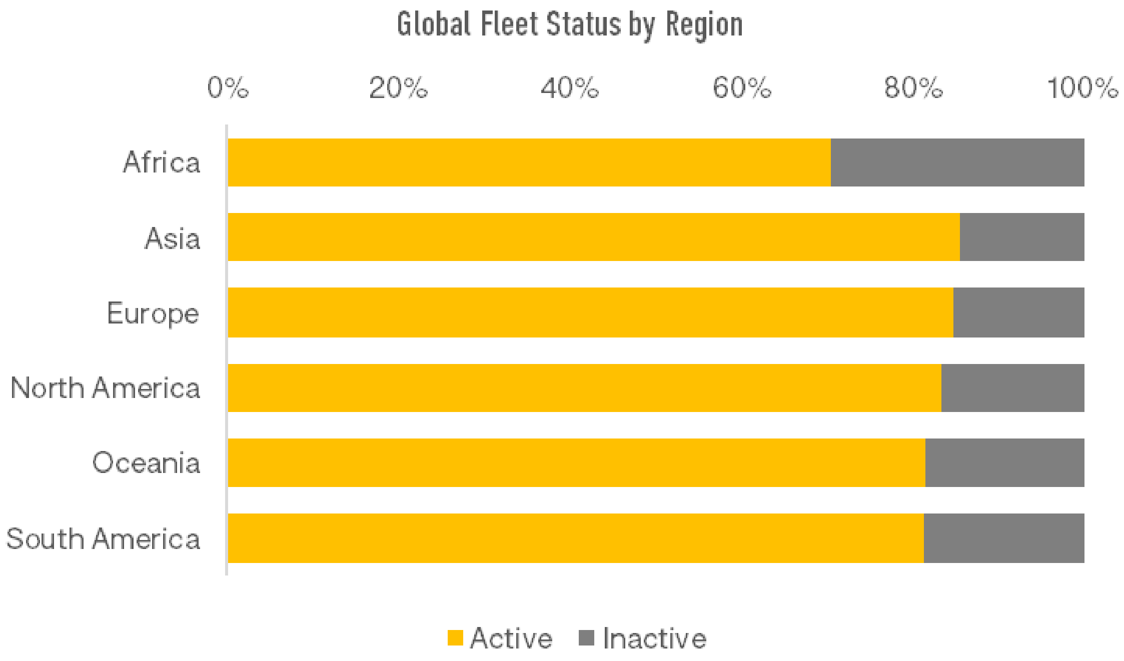
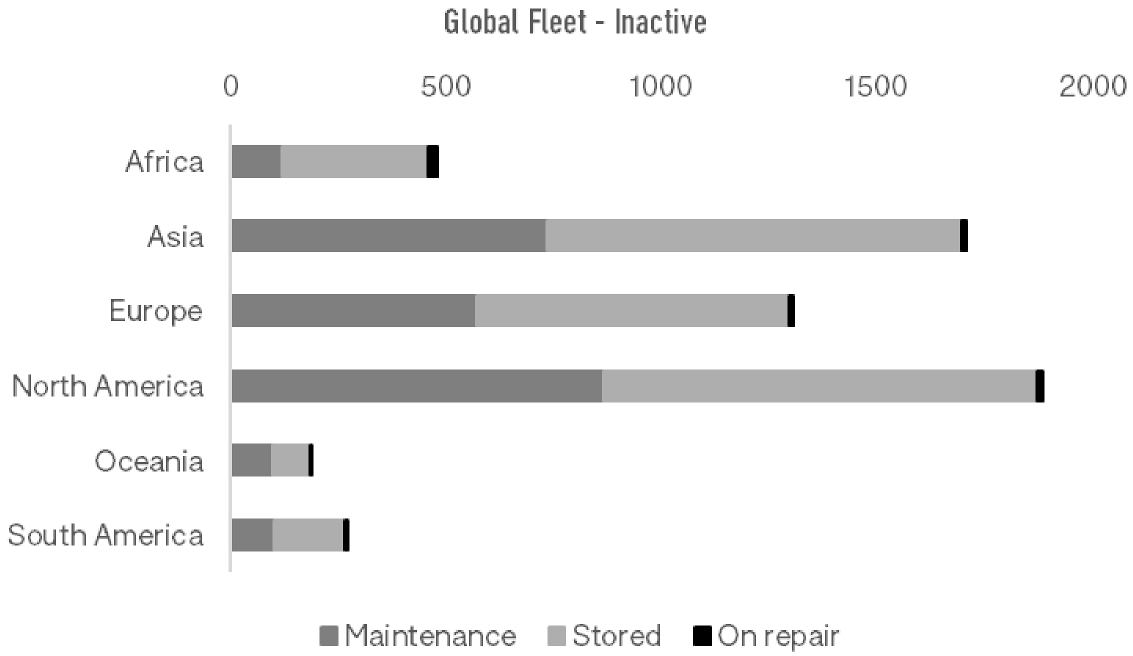
AIRCRAFT AVAILABILITY IS ALSO A CHALLENGE





16% of aircraft globally are inactive and 7% of the global fleet is out for maintenance

Source: CH Aviation

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HOW IS THE LANDSCAPE CHANGING FOR EUROPEAN CARRIERS?

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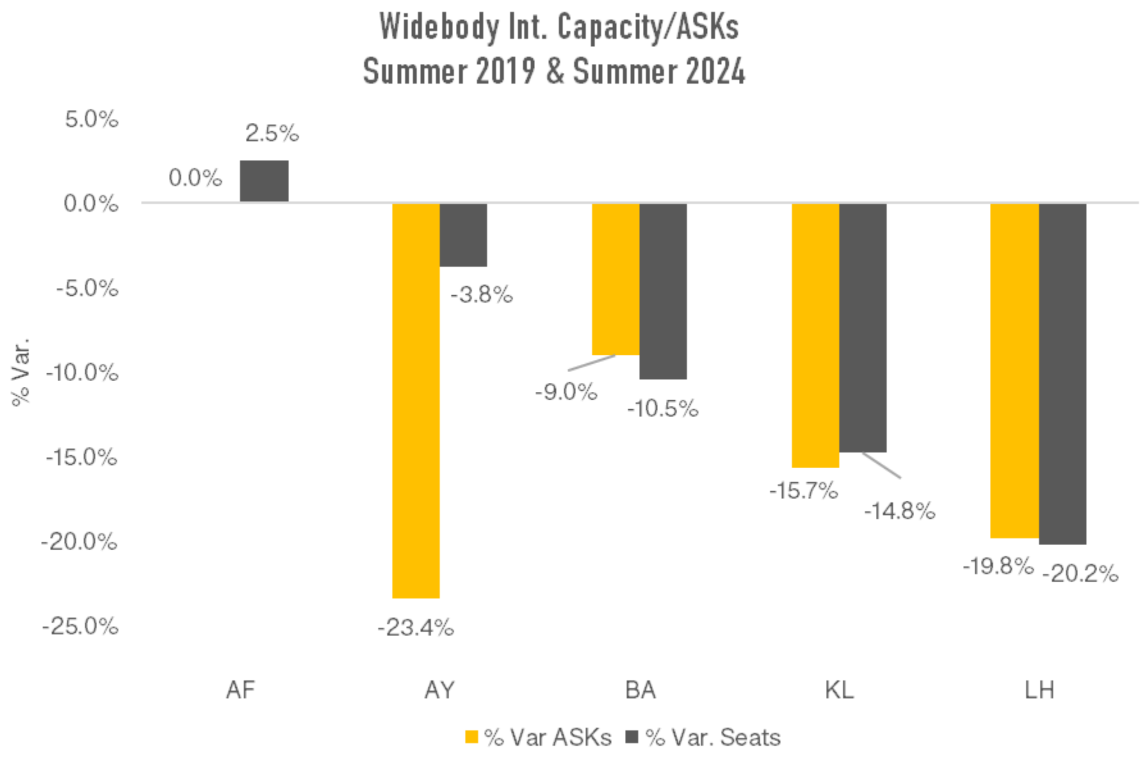
- Responding to the challenges of politics, market softness and increasing operating costs European carriers have been switching capacity around to meet demand.
- Finnair's ASK production has fallen by some 23% as sector length changes and a smaller fleet operation impact productivity
- Aircraft availability, additional maintenance requirements, shortages of spares and other resources are all impacting productivity as well.
- British Airways sudden network changes for the Winter are a response to their Summer challenges



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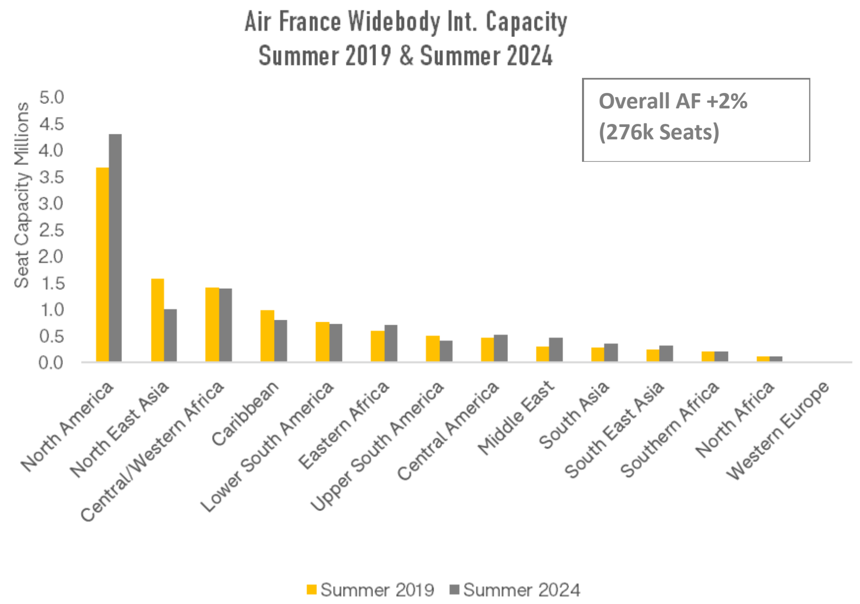
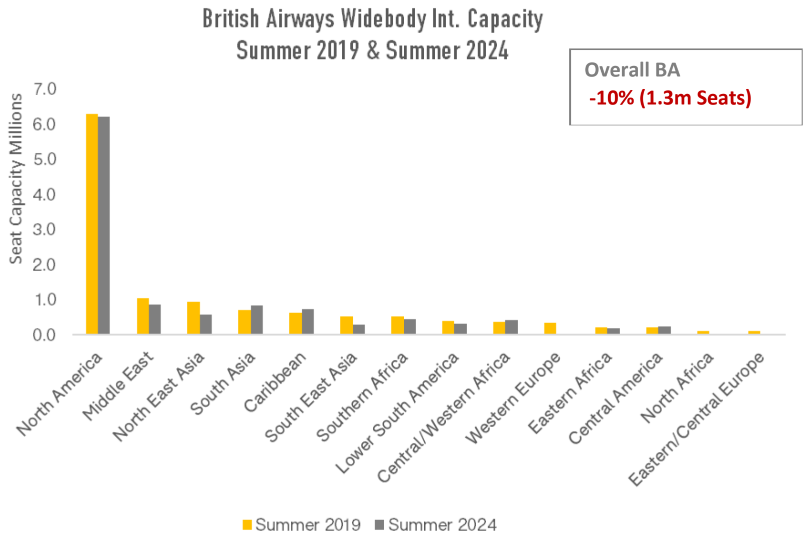
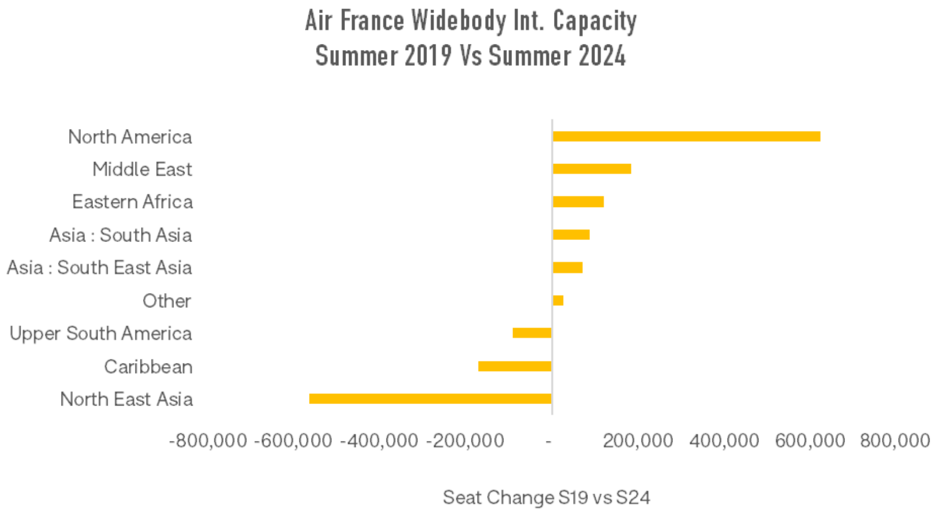
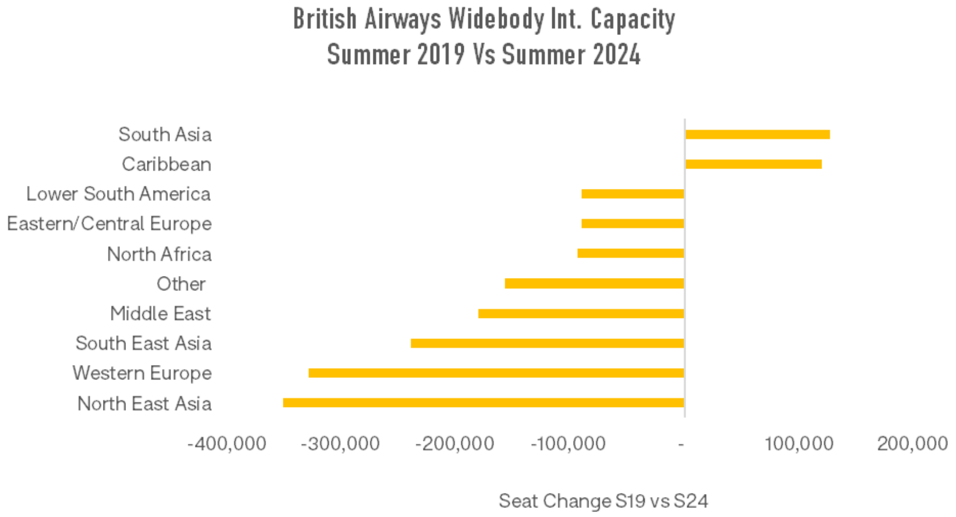
EUROPEAN CARRIERS NETWORK CHANGES SUMMER 2024









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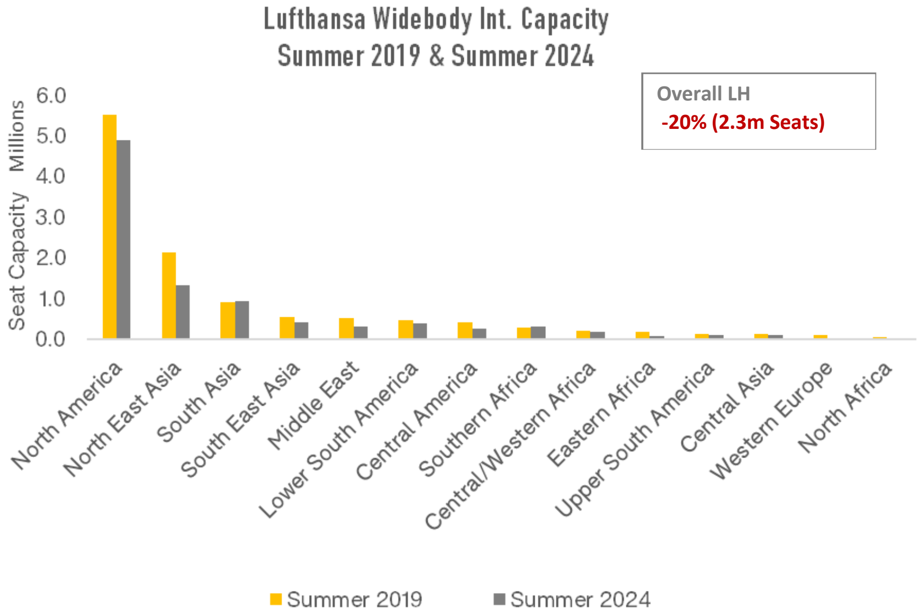

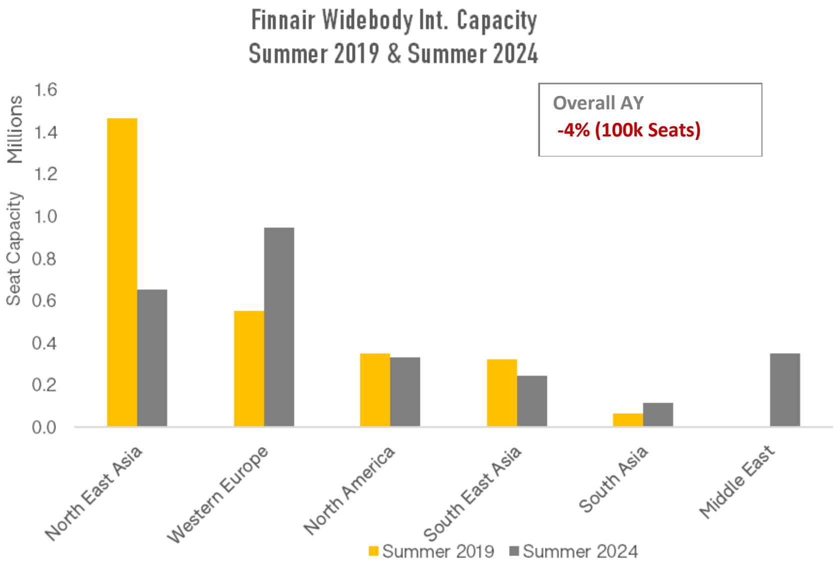

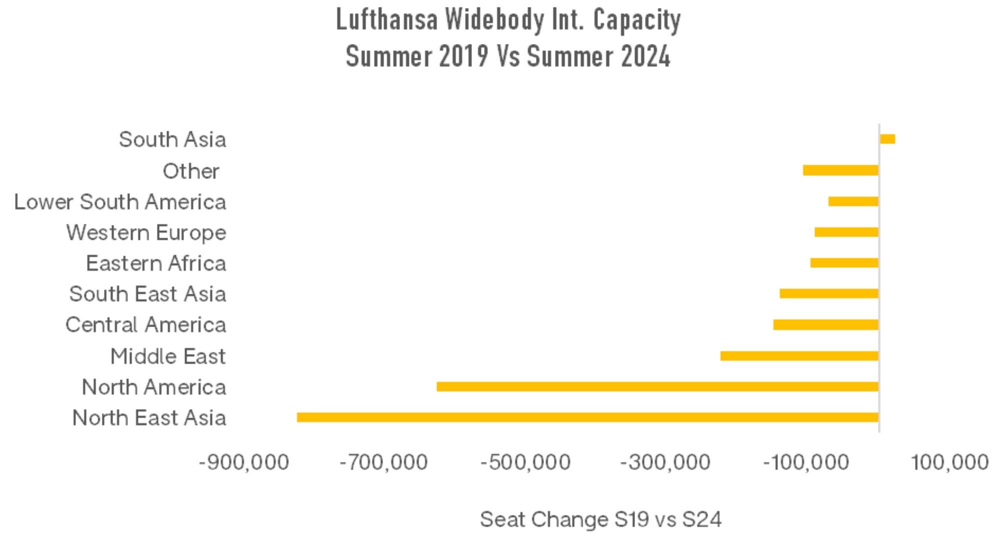

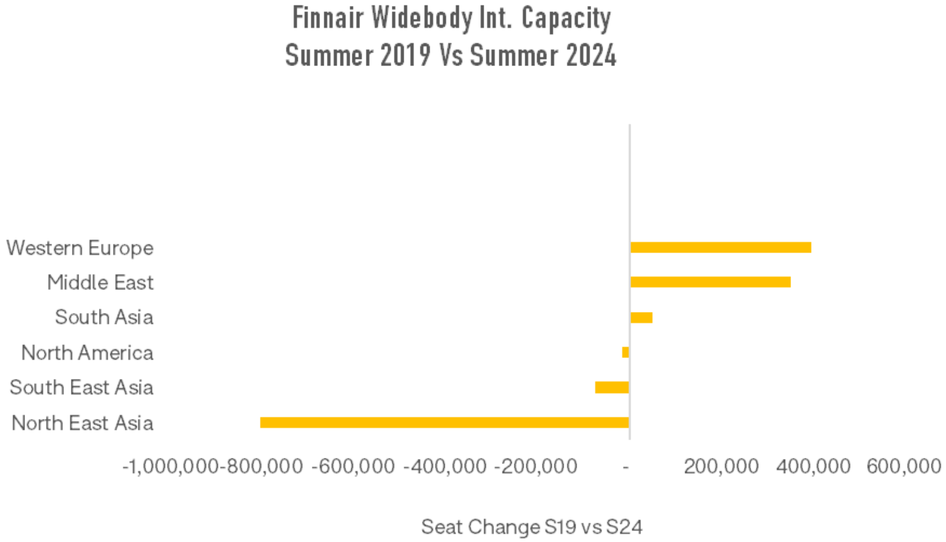

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2024: 400+ aircraft short of original targets

DELIVERIES	2018 Actual	2023 Actual	2024 original Prediction	2024 Revised Aug	2024 Revised Oct	Actual 2024 to end-Sept
Airbus						
A220	20	68	75	67	66	46
A320 family	626	571	647	609	557	390
A330	44	29	35	33	34	20
A350	93	64	70	57	52	35
A380	12	-	-	-	-	-
Total	**795**	**732**	**827**	**766**	**709**	**491**
Boeing						
737	562	387	532	342	295	224
747	6	1	-	-	-	-
767	17	18	19	12	11	8
777	48	26	28	19	19	11
787	145	73	105	57	52	37
Total	**778**	**505**	**684**	**430**	**377**	**280**
Embraer	90	60	68	58	51	33
ATR	76	35	48	38	34	24
Bombardier	35	-	-	-	-	
Overall Total	**1,774**	**1,332**	**1,627**	**1,292**	**1,171**	**828**

Aircraft Production Rates as at 1-Oct-2024

Aircraft Programme	Pre-pandemic rate/mo	Current Rate	Future Plans
A220	5	7	Monthly production rate of 14 was targeted by 2026. Engine and general supply chain issues might delay this target
A320	60-63	52	Gradually ramping-up through 2024. Working with supply chain to increase production to 75 aircraft per month by 2027
A330	3.5	3	Plans to reach a rate of 4 a month by the end of 2024.
A350	10	6	Targeting 10 A350s per month by 2026 and 12 by 2028.
737 MAX	42	~31*	FAA currently authorises rate of 38 jets/month. Planned to reach this rate by end of 2024. Aim is to increase rate to approx. 50 per month in the 2026 timeframe .
767	3	3*	Production slowed in 2024 to reduce travelled work and enable supply chain recovery. Production ends 2027
777/777X Combined	5	4*	Was close to 3/month. 777-9 is 1/month, with plans to raise this slowly. No announcement yet as to any ramp-up
787	14	5	Production rate reduced to four per month before returning to five by end of 2024. Target of 10 per month by 2025/26.
ATR	5.5	4	Set to return to five/mo in 2024. Ambition to ramp up production to 80 aircraft/year in second half of the decade (6.7/mo)
Embraer	7.5	6-7	May 2024 Embraer reaffirmed target of 72-80 commercial deliveries for 2024, but deliveries behind schedule

*Boeing work stoppage has temporarily halted production of 737 / 767 / 777

AIRCRAFT RELIABILITY CONTINUES TO FRUSTRATE AIRLINES

B787 Cancellation Rates 2024 Top 20 Airline Customers

Airline	2024-01	2024-02	2024-03	2024-04	2024-05	2024-06	2024-07	2024-08	2024-09	2024-10
AIR CANADA	2.32	1.88	1.13	2.37	1.97	3.55	1.77	2.16	1.47	1.85
AIR EUROPA	0.08	0.17	0.15	0.08	0.34	0.09	0.23	0	0.31	0.13
AIR INDIA	0.08	0.16	0.38	1.24	0.75	0.72	0.36	0.59	0.31	0
ALL NIPPON AIRWAYS	1.77	0.38	0.13	0.15	0.09	0.14	0.3	3.99	0.07	0.1
AMERICAN AIRLINES	0.53	0.36	0.25	0.66	0.74	1.53	1.22	3.22	0.67	0.45
BRITISH AIRWAYS	1.24	0.87	0.95	1.93	1.03	3.2	1.53	1.93	5.09	3.4
CHINA SOUTHERN AIRLINES	0	0.26	0	0.12	0	0.11	0.19	0.09	0.05	0
ETHIOPIAN AIRLINES	0	0	0	0.05	0	0.1	0	0.04	0	0.07
ETIHAD AIRWAYS	0	0	0.07	0	0.07	0.08	0.04	0	0	0.06
EVA AIRWAYS	0	0	0	0	0	0	1.47	0.16	0.08	0.81
HAINAN AIRLINES	0.46	0.64	0.8	1.7	2.85	1.77	0.46	0.3	1.03	0.36
JAPAN AIRLINES	2.38	0.4	0.4	0.23	0.22	0.1	0.41	2.49	0.29	0
KLM-ROYAL DUTCH AIRLINES	2.09	2.86	0.91	1.54	0.33	0.17	0.86	0	2.04	0.53
LATAM AIRLINES GROUP	0.95	0.13	0.06	0.44	0.37	0.75	0.65	1.31	1.6	0.65
QATAR AIRWAYS	0.13	0.2	0.11	0.59	0.15	0	0.05	0.12	0.21	0.49
SCOOT	0.12	0.19	0.25	0.18	0	0	0.48	0.17	0.37	0
SINGAPORE AIRLINES	0	0.07	0	0	0	0	0	0.54	0	0
TURKISH AIRLINES	0	0	0.36	0.25	0.08	0.08	0.44	0.23	0.76	0.55
UNITED AIRLINES	1.19	1.78	1.22	2.39	1.53	0.68	2.14	3.89	0.84	0.72
VIETNAM AIRLINES	0.07	0.07	0.15	0	0	0	0	0	0	0

Cancellation rates on the B787 fleets have been creeping up in the second half of the year damaging airline performance. Expectations are for this pattern to continue into the winter.

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