MIDDLE EAST SKIES: A NEW ERA OF COMPETITION, CAPACITY AND GROWTH

Exploring Key Trends and Strategies in The Middle East

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Middle East Skies: A New Era of Competition, Capacity and Growth

This white paper examines the rapidly expanding aviation market in the Middle East, highlighting the significant investments underway in airport infrastructure. Exploring how carrier strategy has evolved, we review the latest positions for the region's major airlines, their network structures, and their performance.

Today's Middle East Aviation Landscape – Setting the Scene

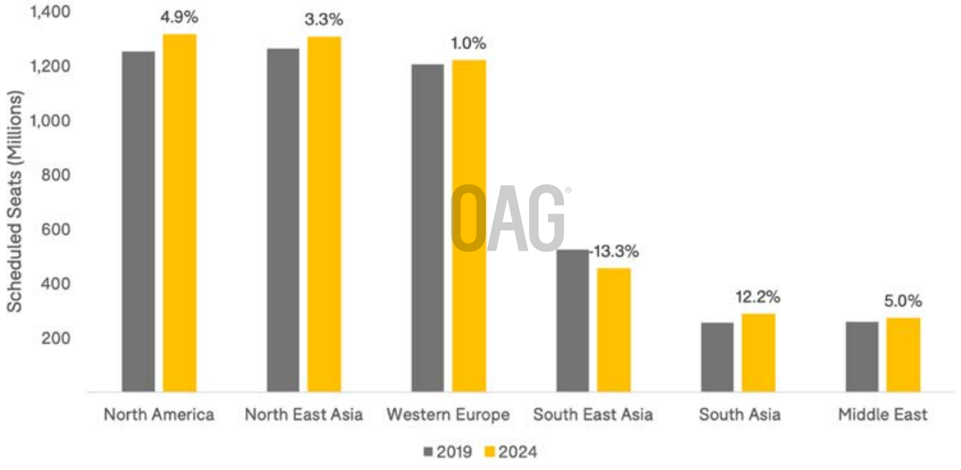
The Middle East has experienced an unparalleled era of growth, with airlines and airports consistently introducing innovative products and services to cater to the demands of a swiftly expanding market.

In recent years, the Middle East has established a leading position in developing new markets and connecting the region to the rest of the world with non-stop services to all continents and key cities. The region has a highly competitive environment with best-in-class airlines operating in all segments, alongside ambitious plans for new aircraft and routes. This makes the Middle East a real hot-spot in the aviation industry.

The Middle East is the sixth largest region in the world based on available capacity, with 270 million one-way seats in 2024 placing the region ahead of Eastern Europe and behind South Asia.

- The sixth-place position may appear lower than the wider public perception, but two important factors need to be remembered when discussing the Middle East:
  - There are very few domestic markets within the region, and whilst they are crucial for connectivity in some of the larger Middle East markets they account for just 20% of all capacity
    - The major domestic markets are in Saudi Arabia and Iran which account for 94% of all domestic seats - the Saudi Arabian domestic market is three times larger than Iran's domestic market, despite the larger population in Iran
  - Despite the broader market maturity, there are still some countries where market growth has been modest in recent years such as Bahrain, Kuwait and Jordan – these countries have not seen the levels of growth associated with some of the larger, high-profile markets in the region
- Compared to its five larger peers, the Middle East has experienced the second strongest recovery in global airline capacity (domestic and international) since 2019, with only South Asia (and essentially India) recording higher growth
- Each region in the world has been following its own recovery trajectory post-pandemic - in 2024, South-East Asia was still in recovery and while 13.3% below 2019 levels it is now in a stronger phase of growth - which is important given the region's connectivity and demand to and from the Middle East

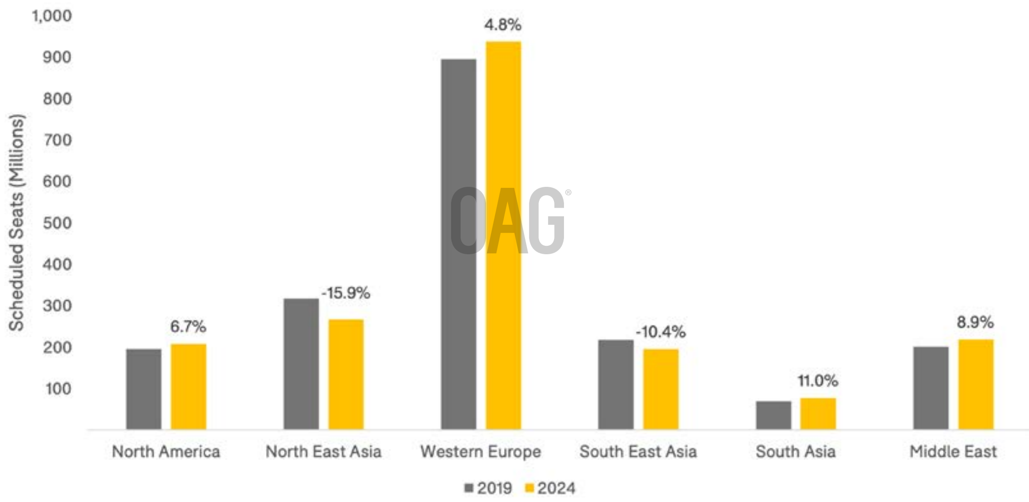
Scheduled Airline Capacity Growth Key Regional Markets



A more in-depth analysis of the pandemic travel recovery focusing solely on international capacity reveals an even more optimistic outlook for the Middle East market, with a near 9% rate of growth representing 218 million seats.

In comparison to the five larger regional markets, on international capacity the Middle East has reported the second strongest recovery with two regional markets, North-East and South-East Asia still below pre-pandemic levels at the end of 2024.

Scheduled Airline International Capacity Growth Key Regional Markets



Middle East Airlines: Big Ambitions, Fierce Competition

As of 2024, two Middle Eastern carriers have gained prominence worldwide; Emirates and Qatar Airways are the only two Middle Eastern airlines to feature in 2024's Top 20 Global Airlines for Capacity and the Top 10 Global Airlines by ASKs.

Global Ranking

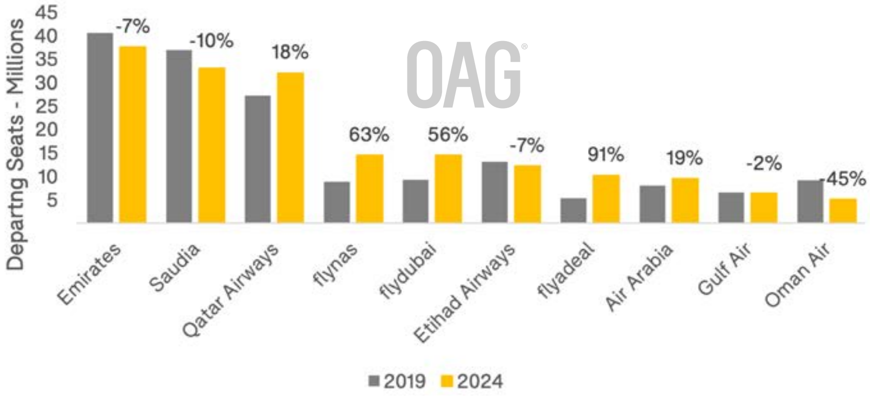
	Capacity		ASKs	
Carrier	2014	2024	2014	2024
Emirates	15	14	3	4
Qatar Airways	36	19	17	6

Emirates is now the 14th largest carrier globally by seat capacity and ranks 4th in terms of available seat kilometers (ASKs). In ASK terms, it trails only the three major US mainline airlines.

Qatar Airways has experienced dramatic growth in the last decade, as it developed Doha as a global connecting point and moved from 36th largest airline globally 10 years ago to 19th in 2024. In terms of ASKs, Qatar Airways has advanced from 17th to 6th largest globally in 2024.

The airline's growth strategy is evident when looking at the Top 10 carriers in the region. In 2024, Qatar Airways' capacity increased by 18% compared to 2019, while both Emirates and Saudia remained behind 2019 levels by 7% and 10%, respectively.

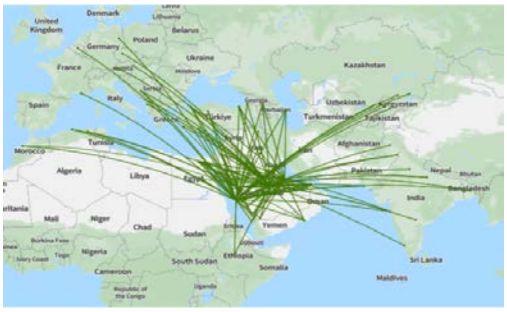
Top 10 Middle East Carriers



Amongst the 10 largest carriers in the region, flynas - the Saudi based, privately owned carrier - is the fastest growing, increasing capacity by 63% in 2024 (compared to 2019 levels). This growth rate exceeded flydubai who also recorded strong growth of 56% in 2024. Both flynas and flydubai operated similar volumes of capacity in 2024, at around 14.4m departing seats – although flynas is just ahead by 25,000 seats.

flydubai and flynas' networks are similar, however flynas benefits from a large domestic market within Saudi Arabia, allowing them to operate a more diverse route network.

flynas 2024 Network



flydubai 2024 network

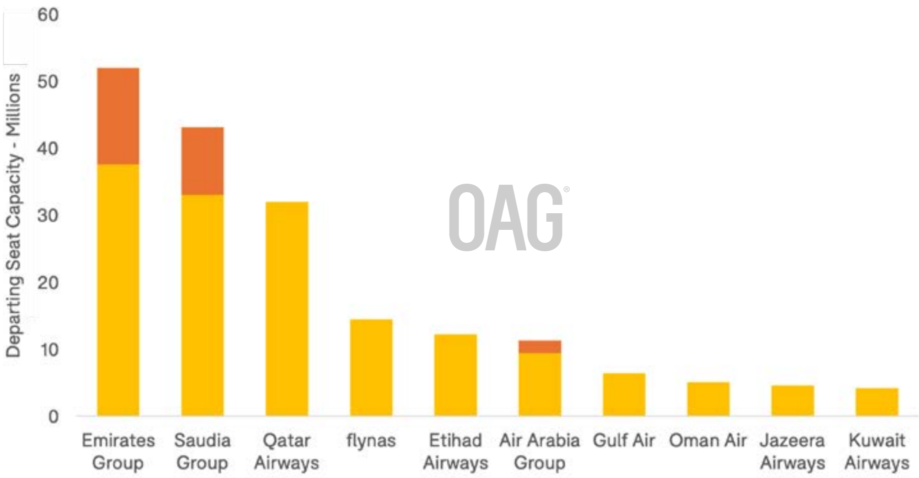
Looking to the legacy carriers, it's clear that both Emirates and Qatar Airways are playing in similar spaces with very similar route networks.

Emirates Network - 2024

Qatar Airways Network - 2024

It's clear from looking at Emirates and flydubai that there are clear synergies between their short-haul and long-haul networks and this is only likely to continue as competition rises in the region. The combined position in capacity terms of both Emirates and flydubai cements the Emirates Group as the largest, with over 50 million departing seats in 2024, and 23% of the market for Middle East domiciled carriers.

Top 10 Carriers by Group Position in 2024



Connecting Global Markets: The Strategic Role of Middle East Aviation Hubs

Alongside the ever-growing local market demand, the key feature of the Middle East and particularly the bigger markets of the UAE, Qatar, and Saudi Arabia, is the depth of network that they offer to travelers.

Non-stop flights from the region's major hub airports reach every continent, with only a handful of international markets remaining unserved directly.

Doha to Auckland is currently the longest non-stop route operated from the Middle East by Qatar Airways, which at 7,843 Nautical Miles is slightly longer than Emirates' Dubai to Auckland route at 7,664 Nautical Miles.

Currently, key South American markets such as Lima and Santiago fall just outside the operational reach from the Middle East. In time, with ever increasing aircraft ranges, it is likely these destinations will provide new markets for the network carriers to increase their revenues further.

For many airlines around the world, connecting traffic has been the cornerstone of network growth, using 6th freedom traffic flows to support local demand and allow the introduction of new routes. The proposition being that as economic activity develops, populations grow, and trade advances, the local proportions of traffic will increase, potentially reducing reliance on the lower yielding transfer traffic that supported the route's launch in the first place.

The analysis below shows the percentage of connecting traffic carried by the region's major airlines at key intervals since 2015 and highlights each carrier's dependency on connecting passengers.

Share of Traffic that is Connecting

Carrier	2015	2019	2024
Emirates	70%	68%	66%
Flydubai	31%	29%	41%
Qatar Airways	81%	83%	84%
Etihad Airways	80%	78%	77%
Saudia All Connections	24%	26%	26%
Saudia International To International Connections	40%	44%	43%
Turkish Airlines All Connections	65%	65%	68%
Turkish Airlines International To International Connections	72%	73%	75%

The inclusion of flydubai alongside Emirates reflects the degree to which the two airlines are increasingly coordinating schedules, transfer traffic and operational facilities to cross feed revenue within the broader Emirates Group, despite their differences in operating models.

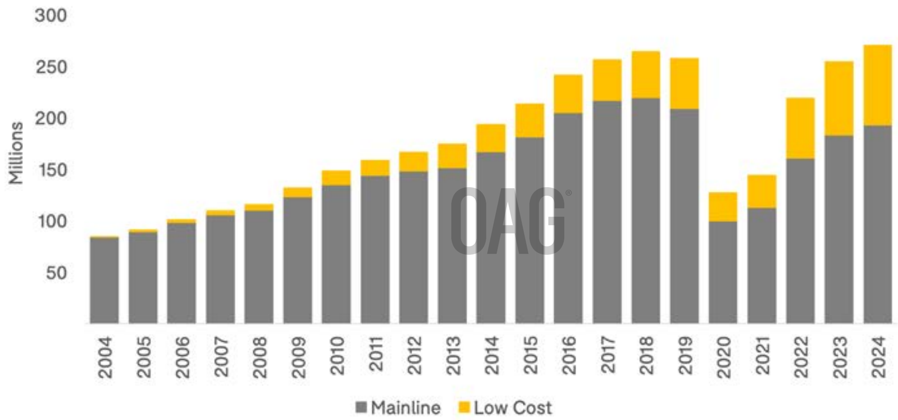
For what has traditionally been regarded as the “Big Three” - Emirates, Qatar Airways and Etihad – most of their passengers are connecting through their respective hub facilities with a range of between 84% for Qatar Airways to 66% for Emirates. While slight adjustments in their proportional connecting shares have occurred over the years, the ongoing network growth and increased connectivity almost inevitably leads to continued high connecting shares. Interestingly, the hybrid model of flydubai does show their increasing proportion of connecting traffic from 2015 to 2024 as the airline has in recent years been taking greater steps to align its network to that of Emirates.

Looking ahead and recognizing the ongoing developments in Saudi Arabia, Saudia - the current national airline and base carrier - has less than half of its traffic connecting through the Riyadh hub on international-to-international routings. Historic connectivity numbers at Riyadh reflect previous visa requirements which have been eased in recent years. However, reaching the levels of connecting traffic seen at other major Middle Eastern hubs will be a significant challenge in the years ahead.

Charting Growth: Middle East LCCs (Low-Cost Carrier) Double Market Share in a Decade

In 2024, LCCs accounted for 29% of capacity in the Middle East, having more than doubled in the last decade from just 13% of capacity in 2014. By comparison, globally, LCCs operated 34% of capacity in 2024.

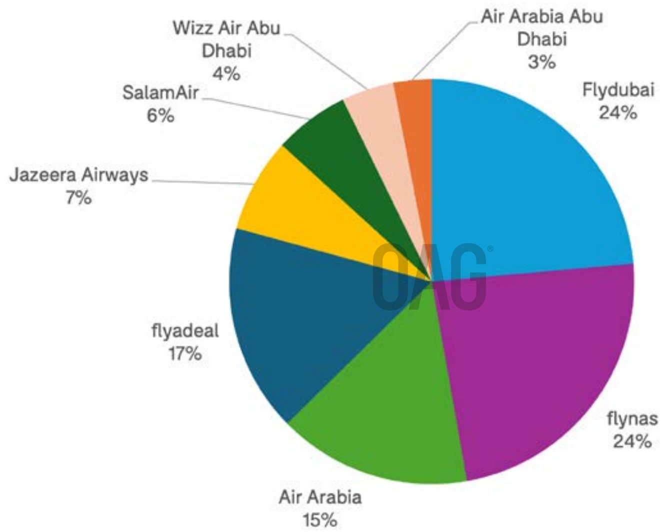
Middle East Capacity 2004-2024



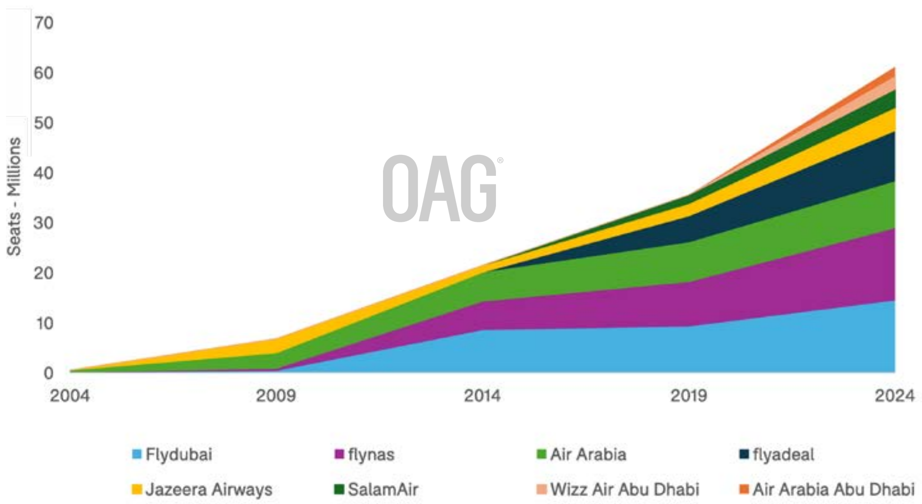
Tapping into a growing desire to fly within the region, LCC capacity has grown at a much faster rate than mainline capacity, increasing by an average of 11.5% year on year in the last decade, compared to a mainline growth rate of just 1.4% each year over the same time period.

The Middle East LCC market in 2024 has eight main players set out in the chart below. flydubai and flynas are largest, both with almost a quarter of LCC capacity each in the region.

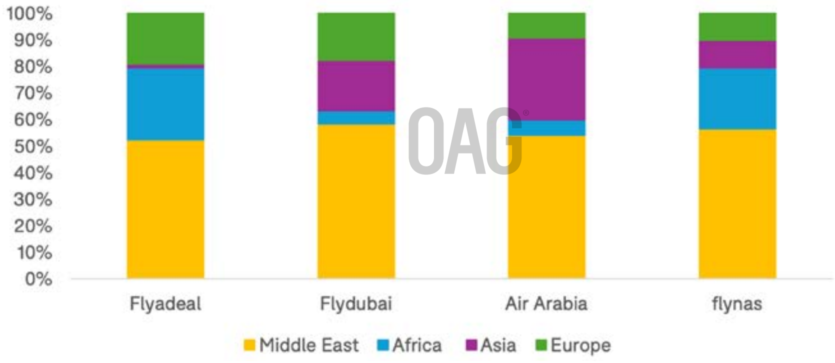
LCC Capacity for Middle East Domiciled Carriers 2024



LCC Capacity for Middle East Domiciled Carriers 2004-2024



Main LCCs 2024 Capacity Share by Region



As expected, the majority of each of the main LCC's capacity is focused on operating within the Middle East region, but as each carrier has evolved, so too have their networks and Africa represents an important market:

- This is driven, to some extent, by the Saudi Arabia – Egypt market which accounts for a significant share – for Flyadeal, 96% of their African capacity operates to Egypt, and for flynas, 81%
- This is an important market for Air Arabia too, with 73% of their Middle East – Africa capacity operating into Egypt

Both flydubai and Air Arabia have a larger share of capacity operating into Asia, predominantly operating to the Indian subcontinent which serves the sizeable blue collar worker market that exists between the Indian subcontinent and the Middle East. Their respective shares of their total Asia capacity into Southern Asia are:

- flydubai – 70%
- Air Arabia – 81%

Geography also plays a part here, with LCCs preferring to maximize aircraft utilization each day, meaning short sectors of up to 4 hours are optimum in terms of network scheduling. The proximity of India, North Africa, and Central Asia to the Middle East means there are many destinations within these countries and neighboring regions that fit this criteria.

Winners, Losers, and the Cost of Competition in Middle East Aviation

Competition across the region's leading airlines is increasing, with as much investment in product as network expansion. Aviation has always been a capital-intensive industry; the cost of new aircraft run into hundreds of millions of dollars and the operating costs can be equally eye watering for both long- and short-haul sectors, especially if the wrong aircraft are assigned to a particular route.

The challenges and scale of investment needed to achieve the required levels of critical network mass are daunting for many private sector investors and for many airlines state support and investment is crucial. This reality is perhaps more clearly acknowledged in the Middle East than elsewhere, though it naturally results in varying levels of competitiveness between countries with differing financial resources.

- Emirates and flydubai are part of the Emirates Group which in turn is owned by the Investment Corporation of Dubai
- Qatar Airways are wholly owned by the Qatari Government
- Etihad are 100% owned by the Abu Dhabi Government through their ADQ sovereign wealth fund
- In Saudi Arabia, both Saudia and the (yet to operate) Riyadh Air are owned by Government agencies, in the case of Riyadh Air through the Public Investment Fund

These ownership structures position these airlines with their countries' global ambitions, serving not only to promote trade and industry and generate economic wealth but also to achieve profitability. However, given their size, some of these airlines are almost inevitably profitable.

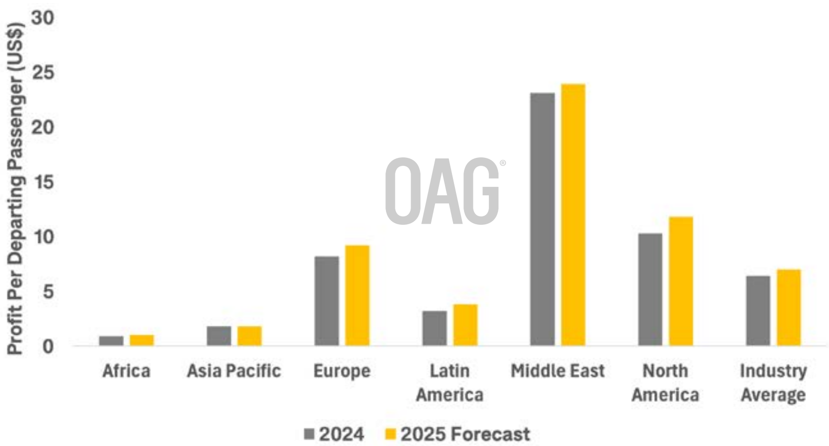
At the same time, mid-market airlines in the region that remain state owned and serve both local and some specific diaspora flows are inevitably going to be increasingly marginalized. This will, in turn, place increasing pressure on their performance. Since some of these carriers have no (or a very limited) domestic market, the reality is that without either consolidation or deep strategic alliances, their international networks will be under constant risk.

IATA's recent report on airline profitability highlights the current strength of the airline sector in the Middle East, projecting a profit of nearly US$25 per departing passenger. This figure is double the anticipated profit levels in North American and some three times higher than the expected industry averages for 2025. However, these averages disguise the extremes of performance at either end of the spectrum:

- In 2023, Emirates carried approx. 26 million departing passengers, delivering a profit of over US$104[1] per passenger
- In contrast, Oman Air made a loss of US$ 83 per departing passenger during the same time period

Despite Oman Air being currently in the middle of a major transformation project, the stark contrast between the two airlines highlights how challenging it is to survive for the smaller and mid-tier regional airlines of the Middle East.

Airline Profitability Per Departing Passenger (US$)



[1] CH Aviation Financial Database

Assessing Competitive Intensity: The Good and the Challenging

Leveraging OAG's global aviation data, we conducted an in-depth analysis to evaluate competition levels in the Middle East market. By applying a structured set of criteria, the assessment goes beyond simply measuring how competitive the market is — it also evaluates whether current levels of competition are delivering positive outcomes for both consumers and airline operators.

Comparison of the world's 50 largest international markets provides a high level view of where the most consumer choice exists. The table below highlights (for all major regions) key metrics for the largest 50 international services operated in 2024 and reveals how competitive the Middle East is when compared to other markets.

On all three variables the Middle East performs well, although not quite as strongly as the ASPAC region which leads on all three. However, in 2024 with an average capacity of 232 seats per flight and typically 19 flights daily on routes served by at least five airlines, the market appears at a macro level to be as competitive as any other major region globally.

	ASPAC	Europe	Latin America	Middle East	North America
Ave daily frequency	32	24	14	19	15
Ave no of carriers per route	9.6	3.9	5.6	5.5	6
Ave seats per flight	239	190	195	232	201

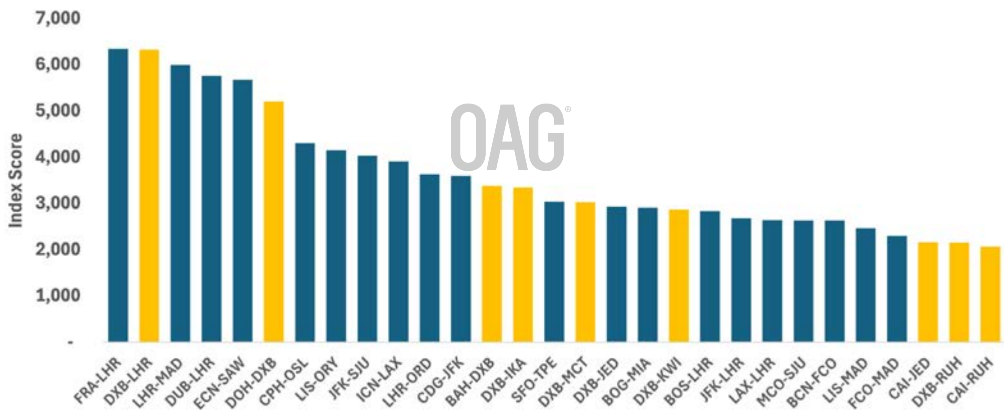
The Herfindahl-Hirschman Index (HHI) is a widely used metric across industries to assess market concentration and competitiveness. In aviation, regulatory authorities often rely on HHI to evaluate how proposed mergers or joint ventures may affect consumer choice and market dynamics. Using production as the key criteria, the index calculates a score ranging from 10,000, where a market is extremely concentrated, through to 100, reflecting a highly competitive industry. Since the aviation sector is very capital intensive scores below 1,000 are rare. However, when applied across various routes and airlines, the HHI provides a more authoritative assessment of market structure and offers valuable insights into the potential effect of any changes in the competitive landscape.

The table below covers the ten largest routes in the Middle East and reflects their HHI score for the April 2024 – March 2025 period. The scale of competition across these routes ranges from the 2,065 score on Cairo to Riyadh (CAI – RUH), a route operated by eight airlines across both the legacy and low-cost segment where competitiveness is very high, to the 6,327 on Dubai to Heathrow (DXB – LHR) where four airlines compete in a more concentrated market.

Route	Total Seats	HHI Score
DXB-RUH	4,396,540	2,155
DXB-JED	2,939,045	2,929
CAI-JED	2,733,385	2,157
DXB-KWI	2,629,740	2,868
BAH-DXB	2,042,914	3,381
DOH-DXB	1,893,888	5,206
DXB-IKA	1,684,215	3,351
CAI-RUH	1,564,218	2,065
DXB-LHR	1,553,216	6,327
DXB-MCT	1,547,124	3,030

In comparison to a range of major markets in Europe and the Americas, the largest Middle East markets are broadly more competitive than those seen elsewhere with only DXB – LHR and DXB – DOH at the more concentrated end of the analysis.

Herfindahl - Hirschman Index (HHI)
Selected International Markets April 2024 - March 2025



Lower Score = More Competition

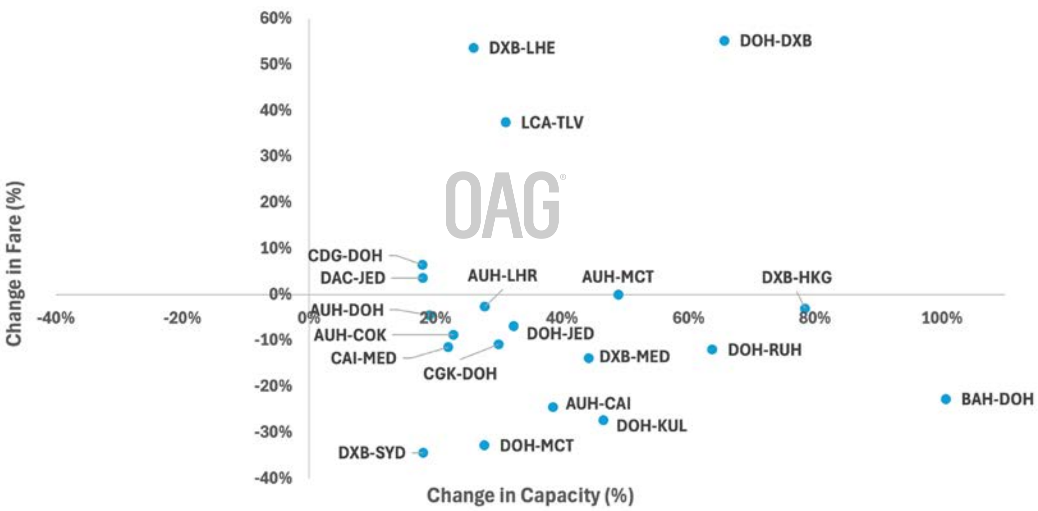
Supply and Demand: How Competitive Intensity and Capacity Impact Airfares in the Middle East

In markets with a high degree of concentration, fluctuations in average airfares can be limited, whereas more competitive markets experience greater variability in fares, driven by airlines actively competing for market share.

Beyond competition, changes in capacity - whether increases or reductions - also play a critical role in shaping average fares. By leveraging OAG's airfare data we analysed the impact on those fares across 20 of the Middle East's largest routes (the results are plotted below). Capacity increases across all the routes, with Bahrain to Doha (BAH – DOH) reporting a doubling of capacity, while many of the markets featured were seeing capacity growth of between 25 to 50%. The findings highlight how capacity shifts—such as the notable increase on the Bahrain to Doha (BAH–DOH) route—are influencing pricing dynamics.

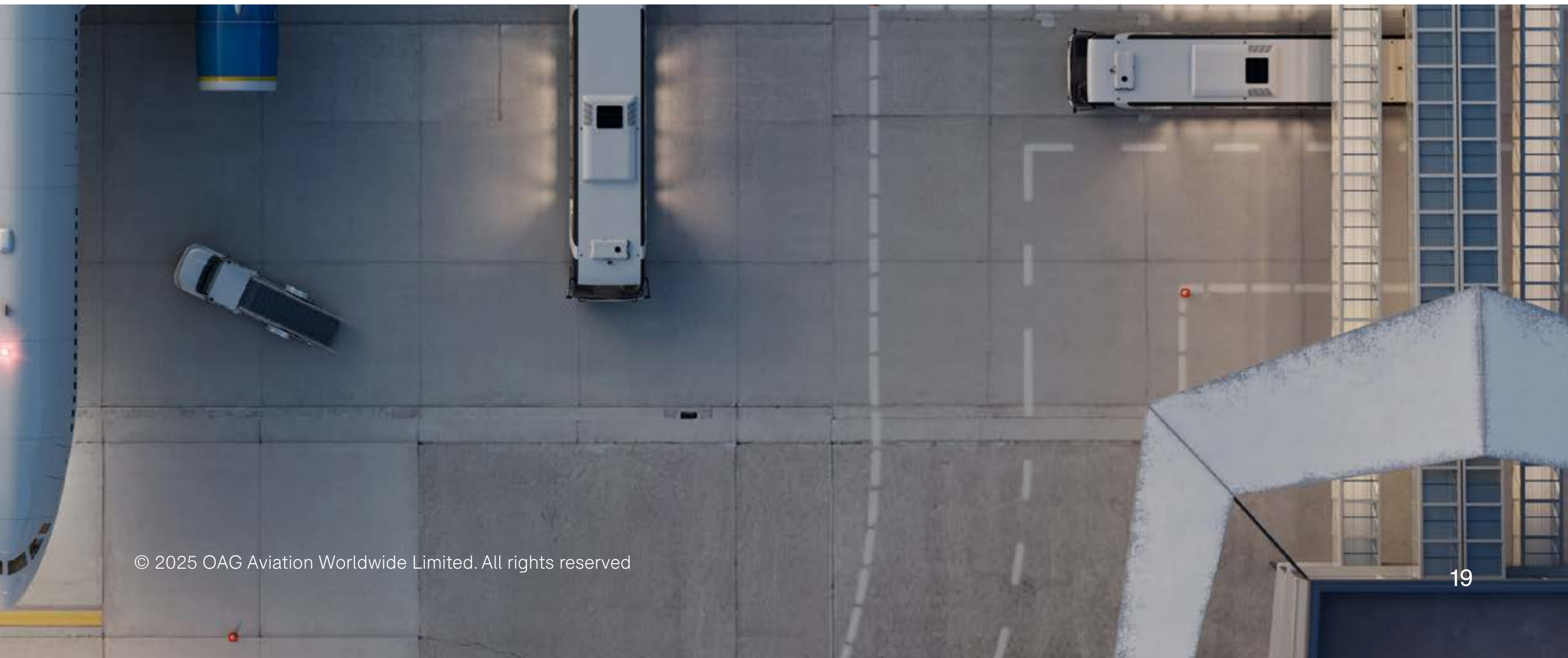
In most cases, average airfares fell as airlines sought to stimulate new demand in support of that capacity growth; the most notable example being on the Bahrain to Doha (BAH – DOH) sector where capacity doubled resulting in a 23% reduction in the average selling fare during 2024 compared to the previous year. At the other extreme, a 66% increase in capacity on the Doha to Dubai (DOH – DXB) sector resulted in average selling fares increasing by 55% in a market which is amongst the most concentrated in the Middle East when measured on the HHI index. Highlighting how route closures can influence other markets, capacity between Larnaca and Tel Aviv increased by 31% but with other routes seeing capacity drop average selling fares increased by some 38%.

Capacity Growth and Average Airfares on the 20 Largest International Routes in the Middle East market (2024 v 2023)

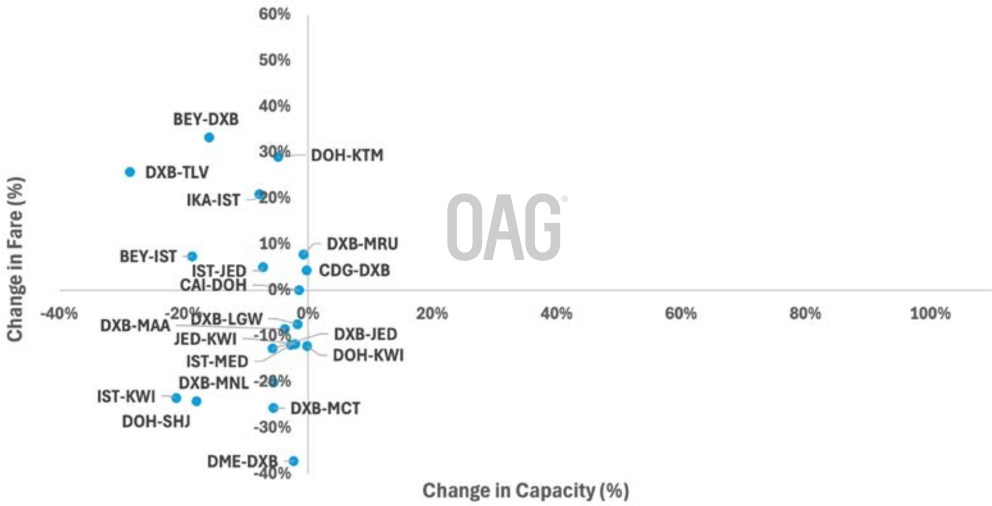


For comparative purposes we also reviewed those routes in the region where capacity fell during 2024, and where due to reductions in capacity it would be reasonable to assume that some increase in average airfares would occur. Across the 20 markets analysed just over half saw average airfares also fall:

- The most impacted market was Moscow to Dubai (DME – DXB): a 2% reduction in capacity resulted in a 37% decline in airfares
- More logically Beirut to Dubai (BEY – DXB): a 16% reduction in capacity resulted in a 33% increase in airfares



Top 20 International Middle East Routes by Capacity Decline 2024 vs. 2023



Conclusion: The Growth Challenge

The Middle East market is likely to experience significant disruption as additional airline capacity is added through various airline business models and the creation of new airlines in the region. Their subsequent network aspirations, and desire to compete on the world stage as part of flagship sovereign projects, will see a sharp increase in competition in the region. Although there is a very clear growth in demand from emergent communities, growing disposable incomes, wider credit card usage, and the creation of an online travel ecosystem of agents and retail sites, the big question is: can the market grow as fast as capacity?

Given the current global economic climate, potential slowdown of development, and the relative low price of oil - which underpins many investments in the region – it is likely that there will be excess air capacity in the next few years. Align these factors with the high proportion of connecting passengers travelling through the region who typically prioritize price over brand loyalty, the larger airlines will need to compete on product and service differentiation to secure their share of the market.

The launch of Riyadh Air is likely to be one of the most interesting disruptions in the Middle East market in the coming years, alongside the planned growth of rival Saudi airline Saudia and their move to a new base at Jeddah. Although neither of these airlines is likely to challenge Emirates' traffic in the short term, they will create a new competitive landscape as Saudi carriers vie for both transfer traffic and inbound tourism. With Emirates and flydubai increasingly working together and the impending move to Dubai World Central airport, which will ultimately be able to handle 260 million passengers annually, competition is only going to get hotter in an already hot market.

Smaller regional state-owned carriers may claim niche markets, but unless these niches are clearly defined and supported by an adequately sized network, competing with larger carriers will become increasingly challenging. In the low-cost sector, smaller legacy carriers are undoubtedly targets for competition and with lower cost base and a product more aligned to emergent markets, their long-term survival may be severely tested towards the end of the decade.

For the traveler, a seemingly ever-expanding choice of destinations to reach along with increased competition is likely to result in airfares remaining competitive throughout the region. If increased competition leads to lower fares, and with operating costs unlikely to fall, airline profitability will be tested – and those airlines with the largest network mass and lowest operating costs per ASK will thrive, which points to the richer airlines getting richer and the poorer airlines remaining poor!

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We empower the global travel industry with high-quality, relevant datasets covering the whole journey from planning to customer experience.

Headquartered in the UK, with operations in the USA, Denmark, France, Germany, Singapore, Japan, China, and Lithuania.

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