CHINA AIR TRAVEL REPORT

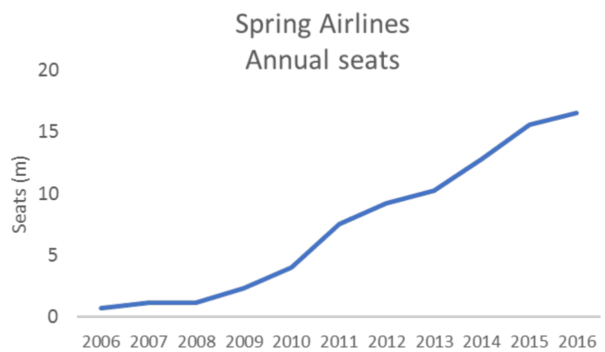
MAY 2017

Spring has arrived

China's rising star

This month we take a look at Spring Airlines, China's first low-cost carrier (LCC). Since its inception in 2005, Spring Airlines has been on an impressive trajectory, averaging growth of 37% each year since 2006. This is more than 3 times faster than the average annual growth rate of 11% for Chinese capacity over the same time period.

Today, Spring operates 2% of total Chinese capacity, which is 1.5 million seats in May 2017. Almost three quarters of its network operates domestically, and this is where growth is focused. Spring recorded growth of 13.8% in May 2017 v's last May, on a total of 181 routes, 46 more than in May 2016.



Source: OAG Schedules Analyser

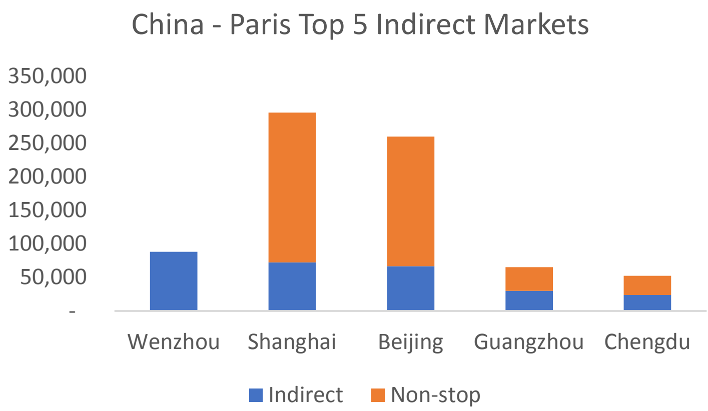
Nearly a third of Spring's capacity operates from Shanghai (PVG & SHA), and the airline provides 7% of the city's capacity. Spring has not yet entered the Beijing market, but has focused on growing the route network elsewhere. This May sees Spring Airlines operate 46 new routes to destinations across China. Prominent among the airports which Spring operates from are Harbin, which is now 6th largest and up from 14th in May 2016, Yangzhou, raked 7th (up from 20th) and Ningbo which is Spring Airlines 10th largest airport in may 2017, from 69th a year ago.

China - France

A new alliance?

Following the recent news that China and France have agreed a significant capacity increase to their bilateral air service agreement, which will allow Chinese carriers to increase from 50 flights per week up to 126, we investigate the size of the market, between these two countries and how it might grow. In the 12 months to February 2017, OAG's Traffic Analyser reports 1.2m bookings between the two countries.

More than half of these bookings are indirect, with only 46% of bookings routing directly between China and France. Chinese carriers carried just over half, with 53% of direct bookings.



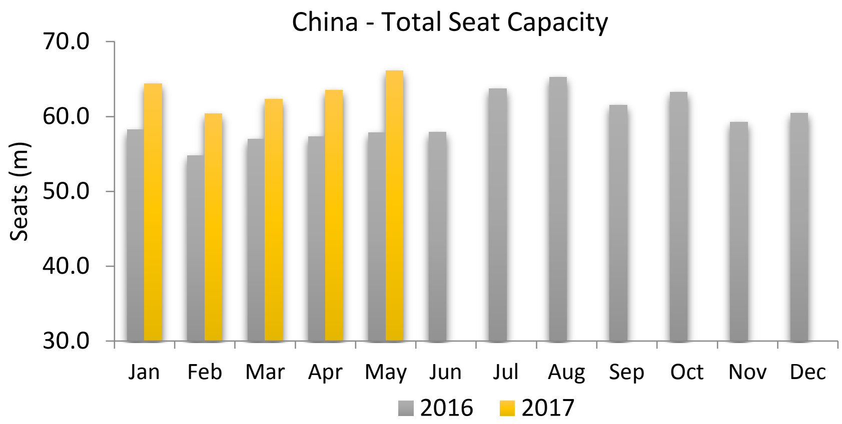
Source: OAG Traffic Analyser

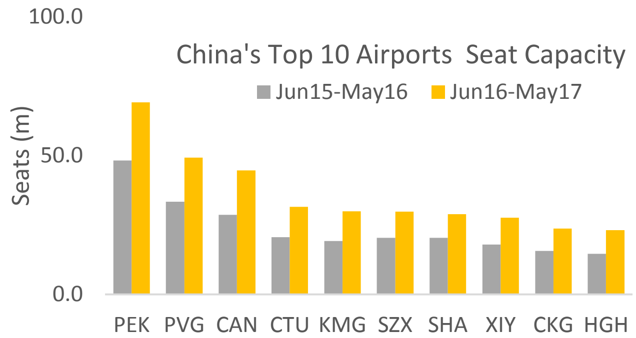
Given that the largest ethnic Chinese population in France is from the Wenzhou region, with links going back to the late nineteenth century, the largest unserved air transport market between France and China is to Wenzhou. There were just over 88,000 indirect bookings in the 12 months to February 2017, suggesting there is enough potential demand to sustain a direct service. Both Shanghai and Beijing also have demand beyond current capacity levels, with 72,000 and 67,000 indirect bookings for the same period.

Overall capacity

Capacity

Capacity in China looks to be stepping up with a significant increase on trend in May17, with growth of 14.2% compared to last May. Year-on-year growth has been trending at around 10%, so May represents an increase above that. Carriers have added 8.2m additional seats. Most of this additional capacity comes in China's booming domestic market which is growing at 18% this May versus last year. International growth is slower, at 2%.





China's Top 10 Airports have all grown consistently over the 12 months to May17 compared to the previous 12 months. These airports account for almost half of all of China's capacity and are growing collectively at 4.8%. PEK is growing fastest of the Top 10, with 9.9% more seats for the rolling 12 months. PVG and CAN are slightly behind, with annual growth of 6%. Beyond the Top 3 biggest, KMG, SZX and SHA are catching up with CTU, and all handle around 29m annual seats.

OTP

On-time performance

China's biggest airports continue to struggle with on-time performance. In April 16 only two of the Top 10 airports saw an improvement in OTP compared to the previous April; these were Guangzhou (CAN) and Shenzhen (SZX).

CAN improved OTP from 56.4% up to 64.9%, whilst also handling 6% more flights, whilst SZX saw flights grow by 8% and improved considerably from last April's low OTP of 47%, to 60% this April.

As in April last year, the airport in this group which achieved the highest OTP was Xi'an (XIY) which managed to have 76% of flights on time.