

CHINA

AIR TRAVEL

REPORT

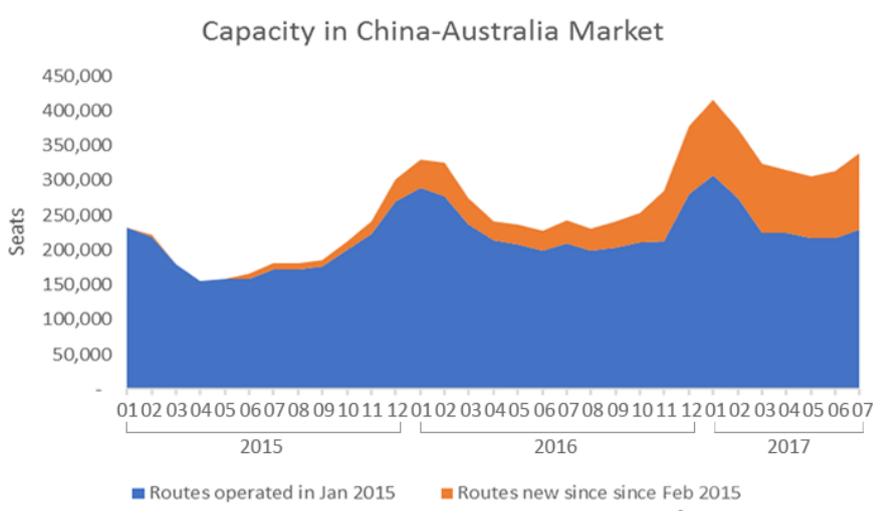


July 2017

Impact of open skies to Australia

Which came first – capacity growth or open skies?

The fact that capacity in the China-Australia market is so cyclical makes it hard to assess the impact of the open skies agreement in December 2016. Much of the surge on capacity through November, December and January would have been planned well before the agreement. Certainly over the past few years, much of the growth has come from new routes. The routes operated in January 2015 accounted for 88% of capacity in January 2016, 74% of seats in January 2017 and 67% of seats today. The number of routes operated between China and Australia now stands at 29, but this is only one more than in January, but 11 more than a year ago.

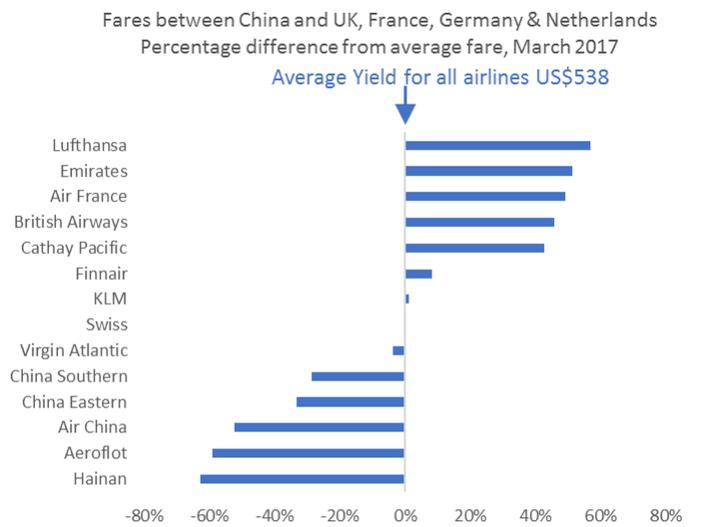


The routes which have had the most capacity additions in July 2017 compared to July 2016 are PEK-SYD, with 16,820 more seats, and MEL-SZX, with 12,216 more seats. A further seven routes (CTU-SYD, BNE-PVG, HGH-SYD, MEL-TAO, KMG-SYD, ADL-CAN and SYD-WUH) each operate with 5,000 more seats than a year ago. Chinese airlines currently operate 90% of capacity between China and Australia, a figure that is lower than the peak of 95% in January 2016, and closer to the long term trend.

Fares between China and Western Europe

Chinese airlines more competitive

The average yield for flights between China and four of the largest Western European markets, France, Germany, the Netherlands and the UK, was US\$538 in March 2017, although there was wide variation between airlines. In general, the European carriers charged more while the Chinese airlines charged less, with Hainan appearing to be one of the most competitive. While Aeroflot, which can connect traffic over its Russian hubs also has low average fares, Emirates, which does the same over its Dubai hub, succeeds in achieving one of the highest yields in the market with average fares on Emirates around 50% more than the average fare in the market as a whole.

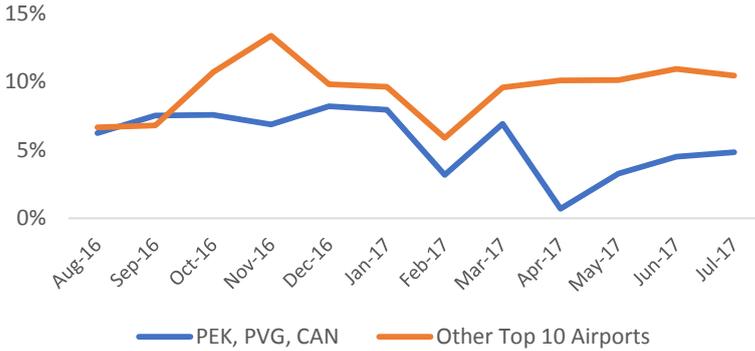


Two-speed capacity growth

Capacity

The past 12 months have seen scheduled capacity grow by 11.4%, very similar to the annual growth of 11.6% which occurred over the 12 months prior to July 2016. In July 2017, typically the month with the second highest level of capacity operated, seats grew by 12.8% to almost 72 million.

Growth rates of China's Top 10 Airports



Growth in capacity at China's Top 10 airports may be diverging between the Top 3 airports and those ranked 4th to 10th. In July, the Top 3 airports grew at 5% whereas the other Top 10 airports grew at twice that rate, at 10%. This follows a pattern that has occurred through much of the last 12 months. While capacity growth has been slower at Beijing (PEK) and Shanghai (PVG) for some time, 2017 has seen growth slow at Guangzhou, which had double-digit growth until January 2017. Joining Chengdu and Chongqing as the fastest growth large airports is Hangzhou which has now added 12% seats in the past 12 months compared to the previous year.

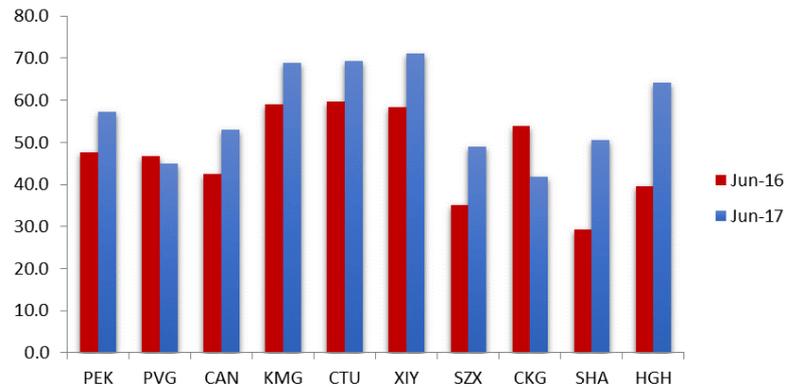
OTP

On-time performance

Achieving consistently good on-time performance continues to be a struggle for China's largest airports with OTP going up and down month-by-month. In contrast to our last report, in June, the Top 10 airports showed a marked improvement compared to June last year. Three airports are above or close to OTP of 70% - Kunming (KMG), Chengdu (CTU) and Xiamen (XIY). Only Shanghai (PVG) and Chongqing (CKG) failed to improve OTP year-over-year.

Overall, more than half of flights to and from the Top 10 airports arrived or departed on time in June 2017, with average OTP for this group of 55.9%. This compares favourably with average OTP of 46.3% for the same month last year.

OTP of Top 10 airports (by flights)



Contact us — for more information please visit www.oag.cn or email us at contactus@oag.com

China: +86 10 5095 5960

Asia: T: +65 6395 5888

