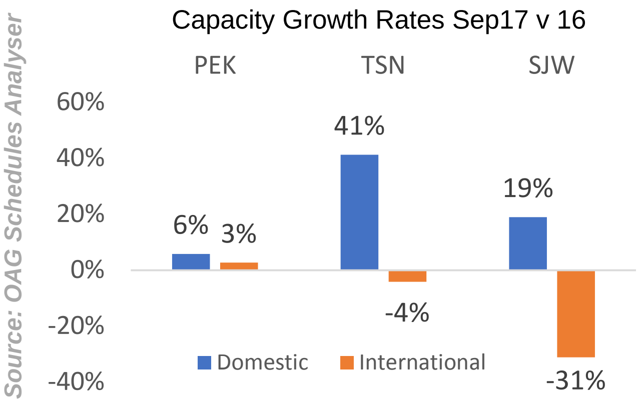
CHINA AIR TRAVEL REPORT

September 2017

China's first airport cluster

Looking forward

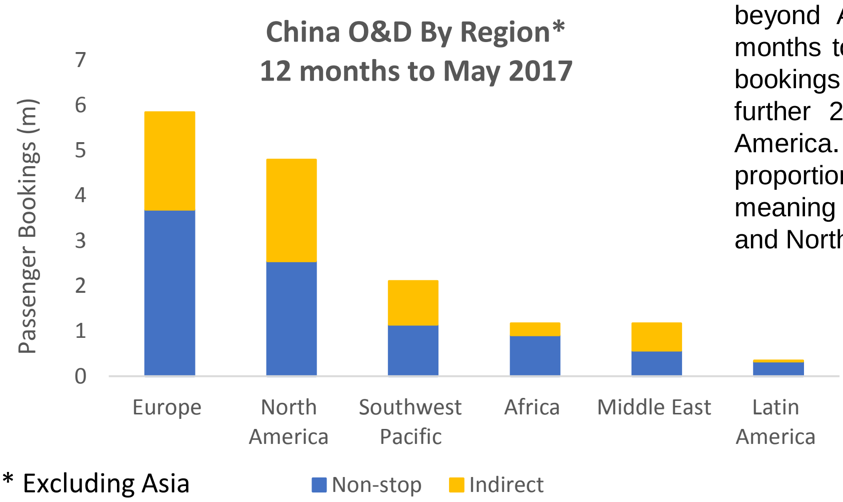
Two airports in neighbouring Hebei and Tianjin provinces look set to join Beijing Capital International in a world class airport cluster according to China's CAAC. Both airports are considerably smaller than Beijing (PEK) currently, with monthly seat capacity of 1.1m and 0.5m respectively (PEK has 5.2m in September 2017), but are growing fast with Tianjin (TSN) seeing growth of 41% in domestic capacity and Shijiazhuang (SJW) growing at 19%. China believes these airport clusters will better serve the clusters of megacities that are predicted to develop between now and 2025.



The Beijing-Tianjin-Hebei cluster, also known as Jing-Jin-Ji – is home to a population of around 130 million people, accounts for 10% of China's GDP and is the biggest urbanised region in Northern China. High speed rail will be instrumental in linking these three cities and this will facilitate easier air connections for residents from the wider Jing-Jin-Ji area. It is expected that PEK will focus on international destinations, with domestic flights being transferred to the two other airports.

China's biggest indirect markets

Passenger bookings



Source: OAG Traffic Analyser

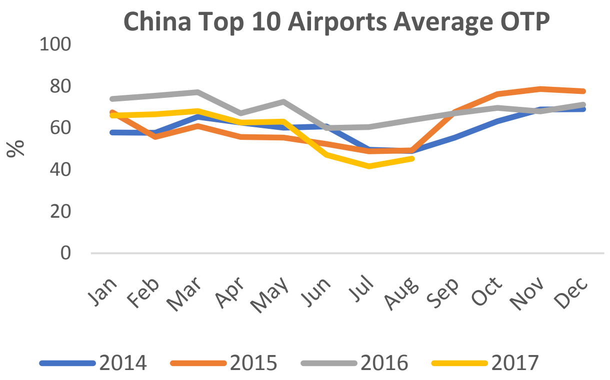
Despite capacity growth going from strength to strength, there are still some significant indirect markets from China to markets beyond Asia. Data from OAG's Traffic Analyser for the 12 months to May 2017 highlights that there are 2.2m passenger bookings travelling indirectly between China and Europe and a further 2.2m travelling indirectly between China and North America. For both these markets this represents a significant proportion of the overall market – 37% and 47% respectively, meaning nearly half of all passenger bookings between China and North America have to take an indirect routing.

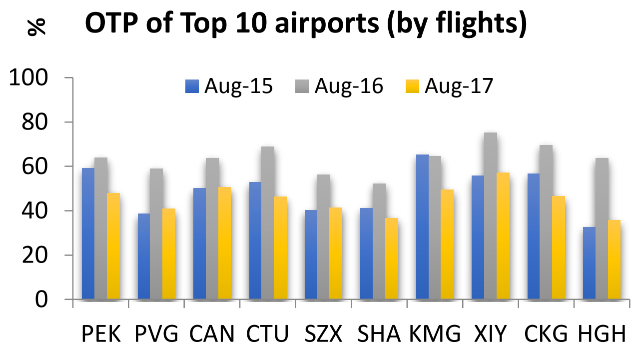
There are other markets too with similar potential. Despite the China-Australia market being one of the fastest growing, there are still 1m passengers travelling indirectly, and similarly the Middle East is another region where over half of the market is travelling indirectly.

OTP

On-time performance

A quick glance at the on-time performance in August at China's top 10 airports paints a gloomy picture, especially when compared to last August. OTP at each of the Top 10 has fallen, in some cases by a considerable amount. Adding the OTP for August 2015, shows that last August seems to (on the whole) be the exception. In January 2017 the CAAC reported an improved overall OTP across China's airports, and the chart above illustrates this – even for just the Top 10 largest.





Average OTP in 2016 across this group was 68%, up from 62% in 2015. The average for this group for 2017 to date is just 58%. With OTP linked to permission for airports to grow - CAAC regulations stipulate an airport must achieve over 75% OTP for departures before it can apply to add flights, or launch new services – 2017 looks set to be a challenging year. With capacity growing at 26% year on year for the 12 months to September for these airports accommodating this pace of growth whilst maintaining high OTP is challenging.

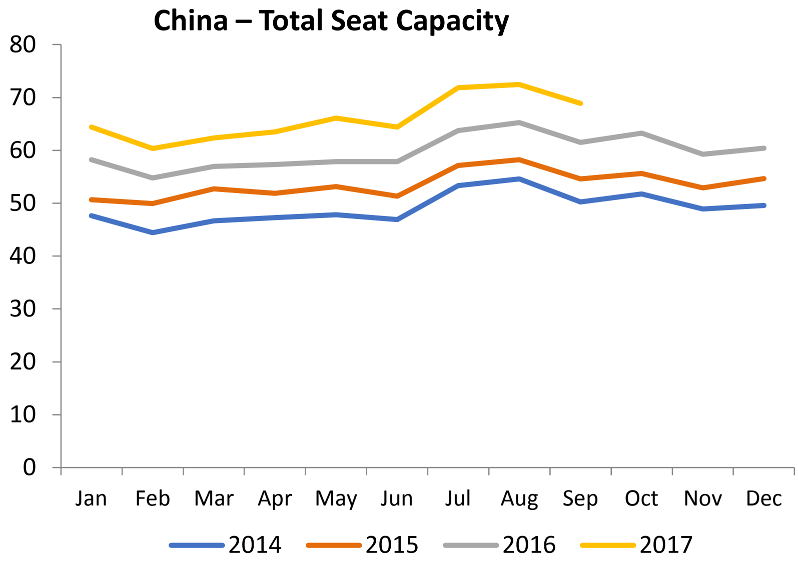
Two speed growth continues

Capacity

Capacity growth this September has reached 12%, with carriers adding 7.4m seats compared to last September, in line with the trend of recent months.

As reported in the July Air travel report, growth is taking place at different paces across China's airports. Amongst the Top 50 airports (which account for 80% of China's capacity), some of the airports ranking between 40-50th in terms of size are growing fastest.

One airport, Yichang Sanxia (YIH) in the Hubei Province, has seen capacity almost double since last September, with 85% more seats this year. This growth is being driven largely by some of China's second tier carriers – Fuzhou Airlines, Changan Airlines and Juneyao Airlines, and the airport has 6 new routes this year, with new direct services to Zhuhai and Shanghai amongst others.



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

OAG
connecting the world of travel