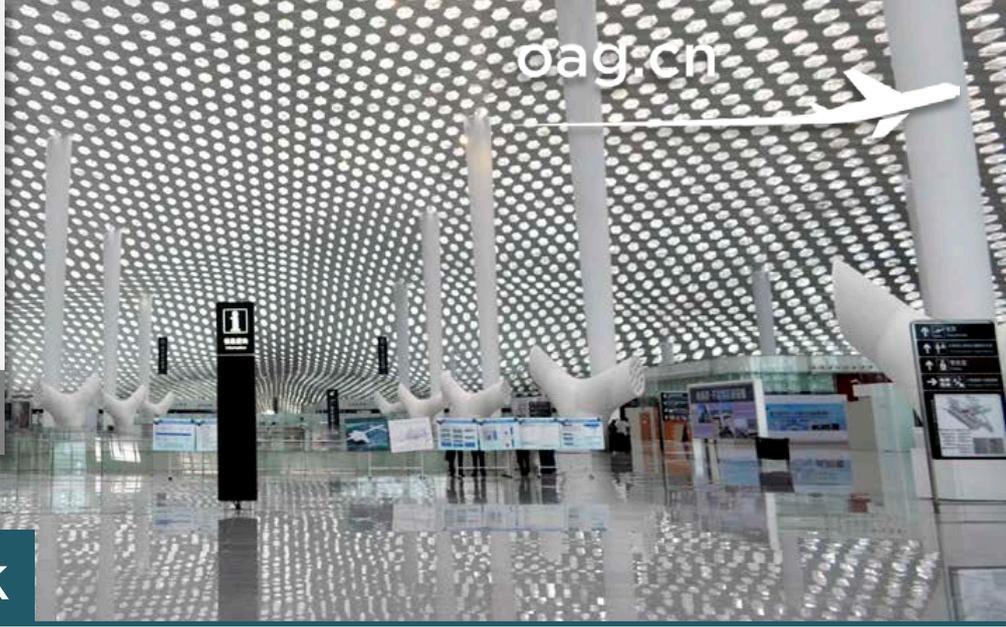


# CHINA AIR TRAVEL REPORT

January 2018



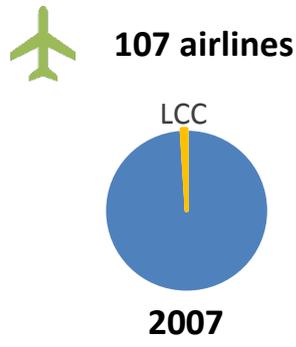
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## 2017 - Looking back

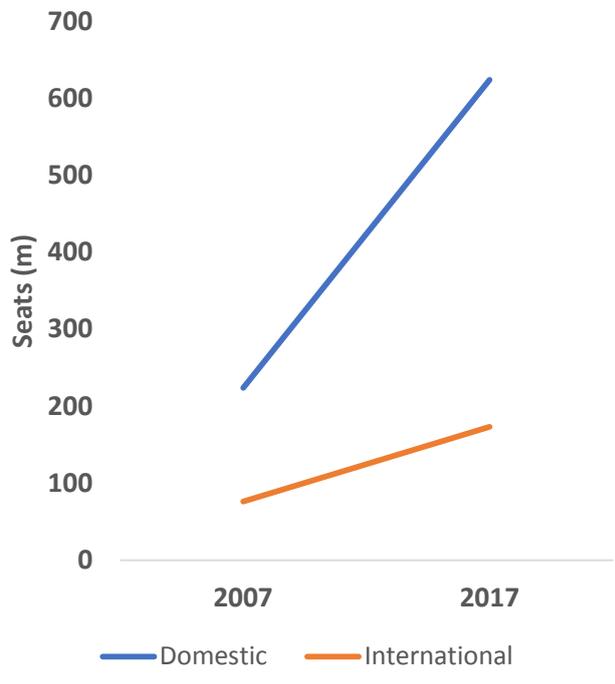
### Capacity

In the last 10 years, capacity to, from and within China has increased dramatically. From a total market size of 300m seats, capacity has grown more than 2.5 times bigger to reach 797m seats in 2017, making China the second largest country market after the United States. Domestic capacity continues to grow fastest with an average annual growth rate (AAGR) of 9.9% each year since 2007, although international capacity is not far behind with an AAGR of 8.3%.

Overall the number of carriers in the market has grown significantly too, with 177 airlines operating in China in 2017. 41 of these are Chinese domiciled carriers. LCCs are also making good headway in China, with LCC capacity up to 10% of all seats in 2017, from just 1% in 2007. AAGR for LCCs is considerable, averaging 45% each year for the last 10 years.

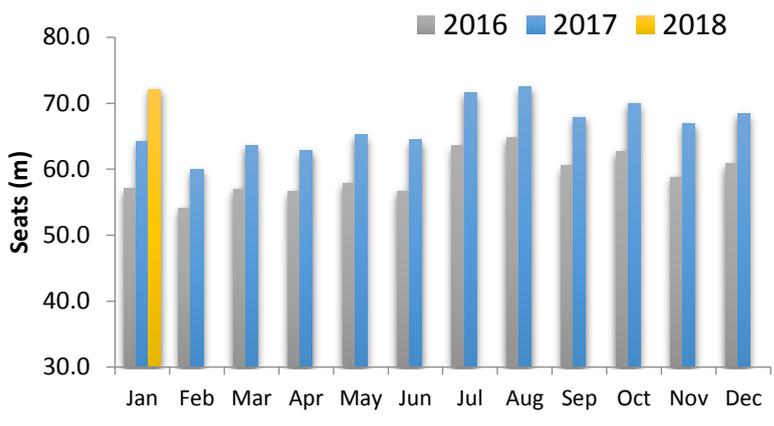


### China – Annual scheduled capacity



## Looking forward into 2018

### China – Scheduled airline capacity



### Strong growth continues

Capacity growth in China shows little sign of slowing down, with carriers adding 7.9m seats this January compared to last year. Capacity in January 2018 will grow by 12% to reach 72.1m.

China's Top 10 biggest airports record strong growth too, with Shenzhen (SZX), Chongqing (CKG) and Hangzhou (HGH) all experiencing double digit growth in January. China's Top 10 airports will all handle 20m or more departing seats in 2018. Across these airports, carriers will add 1.8m seats this January.

As we saw in 2017, China's smaller airports are growing fastest still, with carriers outside the Top 20 growing by 17.5% this January compared to last January. Of China's secondary airports, special note goes to Nanchang (KHN) in China's Jiangxi province which is experiencing significant growth – 58% more seats this January, moving the airport from 35<sup>th</sup> biggest to 28<sup>th</sup>, making it one of the fastest growing airports in the country.

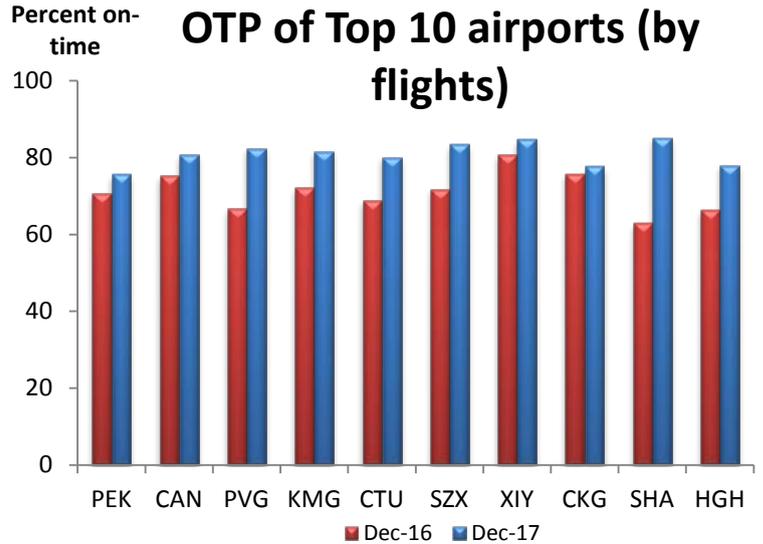
## On-time performance

December 2017 was a good month in terms of OTP for China's Top 10 biggest airports. All 10 airports saw improvements in OTP, with the most significant improvements at Shanghai (PVG), Shanghai Hongqiao (SHA), Shenzhen (SZX) and Hangzhou (HGH). Shanghai Pudong saw a 15% point improvement in December versus last year, with OTP reaching 82.4%.

Shanghai Hongqiao recorded the highest OTP of the Top 10 with 85% of flights arriving on time, a considerable improvement on last December when just 63% of flights were on time.

Hangzhou, Shenzhen and Chengdu all improved OTP by 11%.

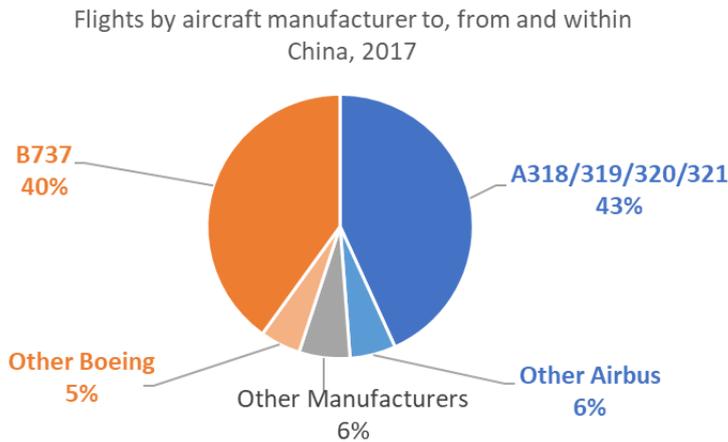
Overall, the Top 10 Airports recorded average OTP of 80.9% in December 2017, the highest December point for some years, and the highest monthly performance of any month for the last 3 years.



OTP performance does tend to be very seasonal in China, with a dip in performance in the summer months as we saw in the last Air Transport Report where we looked at the annual trends over the last few years.

## Aircraft penetration in China

### Airbus v Boeing?



Source: OAG Schedules Analyser

Boeing and Airbus exercise a near duopoly in scheduled aviation in China. 94% of all flights operated to, from or within China were on aircraft manufactured by one of the two companies.

Airbus has the slightly stronger position with 49% of flights on Airbus equipment, and this is up from 41% at the turn of the decade.

Boeing aircraft make up 45% of all scheduled flights, but the Boeing share of the market has been declining, having been 52% in 2010.

While other manufacturers account for the remaining 6% of flights, over 60% of these flights use Embraer aircraft.

The vast majority of flights to, from and within China use either 737s or aircraft in the A318, A319, A320 or A321 family of aircraft.

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