AIRLINES ADDING CAPACITY AMID STRONG GROWTH IN PASSENGER DEMAND

News / Airlines

There are signs the surge in demand for air travel at the start of 2016 has prompted airlines to boost flights and add extra seats, new figures suggest.

The International Air Transport Association (IATA) says the airlines experienced a 8.6 per cent increase in demand, measured by revenue passenger kilometres (RPK), in February 2016, compared with the prior corresponding period, while capacity, or available seat kilometres (ASK), rose 9.6 per cent in the month.

As a result, load factors fell 0.7 percentage points to 77.8 per cent.

IATA chief executive Tony Tyler said passenger demand at the start of 2016 was the strongest in eight years. However, the capacity increase in February was worth monitoring in the period ahead.

“February was the first month since the middle of 2015 in which capacity growth exceeded demand, which caused the global load factor to decline,” Tyler said in a statement.

“It is unclear whether this signals the start of a generalized downward trend in load factor, but it bears watching.”

Among Asia Pacific carriers, international passenger traffic rose 11.2 per cent in February, compared with a 10.3 per cent lift in capacity. As a result load factors rose 0.7 percentage points

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to 78.3 per cent.

“Slower economic growth in many of the region’s economies has been at least partly offset by the 7.3 per cent increase in the number of direct airport connections within the region, which has helped to stimulate passenger demand,” IATA said of the Asia-Pacific region.

The largest growth in ASKs came in the Middle East, where international capacity rose 16.9 per cent. However, passenger demand grew only 11.3 per cent, resulting in a 3.7 percentage point decline in load factors to 73 per cent in February, continuing a recent trend.

“Annual traffic growth has now lagged behind capacity growth for six consecutive months, and load factors have trended downwards in seasonally-adjusted terms since mid-2014,” IATA said of the Middle East region.

Figures for the some of the larger domestic markets showed Australian carriers grew capacity 5.2 per cent in February, while demand measured by RPKs was up 4.6 per cent. Load factors eased 0.4 percentage points to 74.3 per cent.

Meanwhile, IATA said cargo volumes, measured by freight tonne kilometres, (FTK) grew 5.6 per cent in February.

However, it noted comparisons with the prior year were “heavily skewed” due factors such as the US port strike in early 2015 that temporarily caused a spike in air freight volumes, and the timing of the Lunar New Year, when most factories in Asia are closed, in February 2016.

When the two-month period over January and February was considered, FTKs were up 6.3 per cent compared with a year ago.

Tyler described the state of the freight market as a “difficult one”, with February containing the recent weak trend.

“There are few factors on the horizon that would see this change substantially. In the absence of an imminent resurgence of demand, the importance of improving the value proposition with modernized processes — the e-freight vision — remains a top priority,” Tyler said.

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