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India and the Global Aviation Outlook.

10 March 2022

TURNING TRAVEL UPSIDE DOWN IN SIX WEEKS

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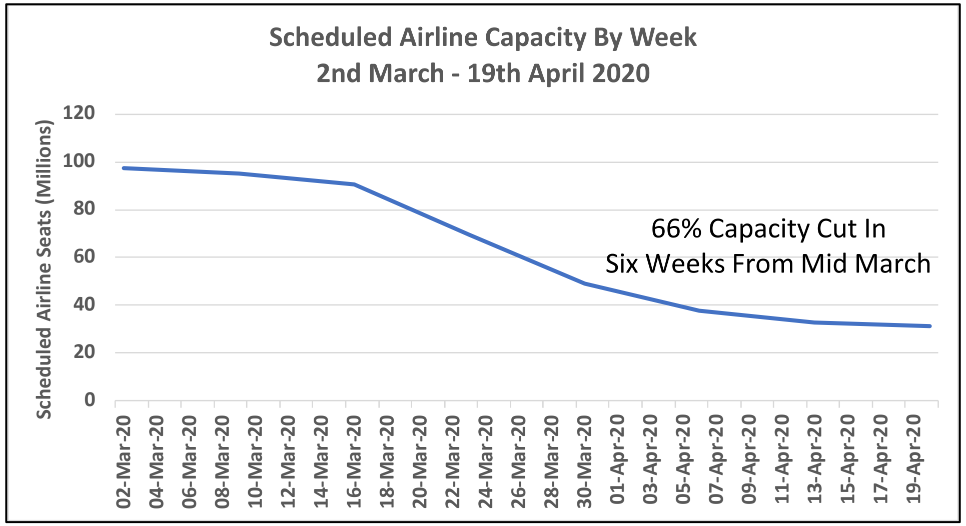
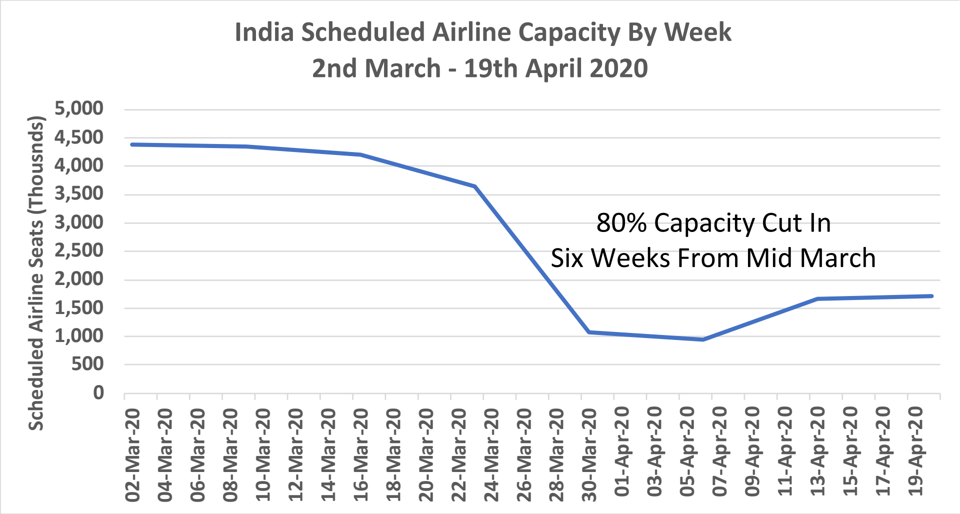
- In February 2020 the world of aviation, travel and tourism was turned upside down in six weeks.
- For the first time in history, every market in the world saw immediate and dramatic cuts in capacity with demand dropping faster than pure capacity.
- India saw some of the most dramatic and immediate capacity cuts with nearly 80% of seats dropped in less than six weeks.





RAPID STRUCTURAL CHANGES OCCURRED

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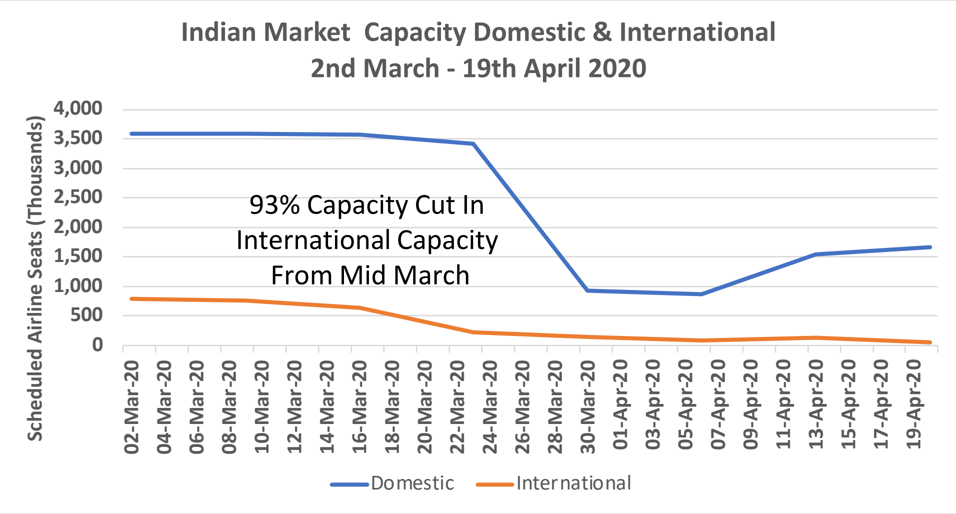
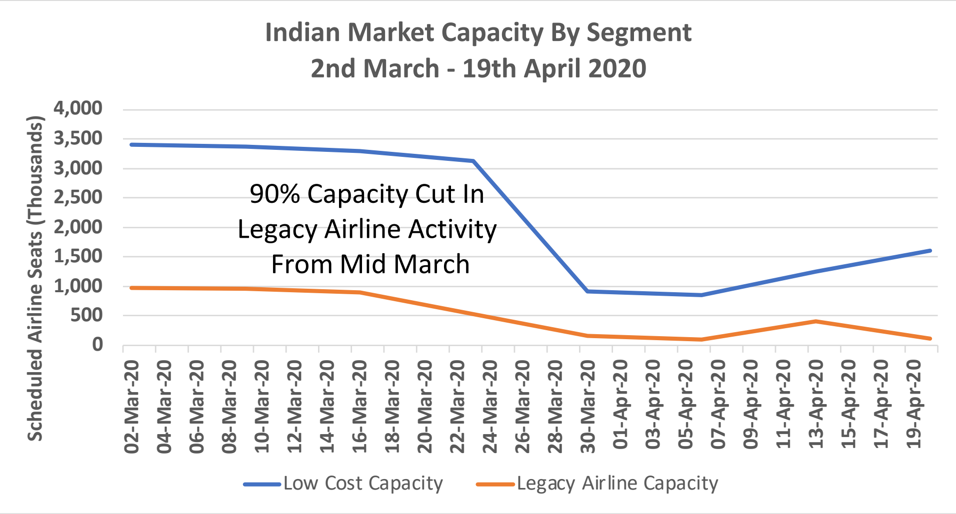
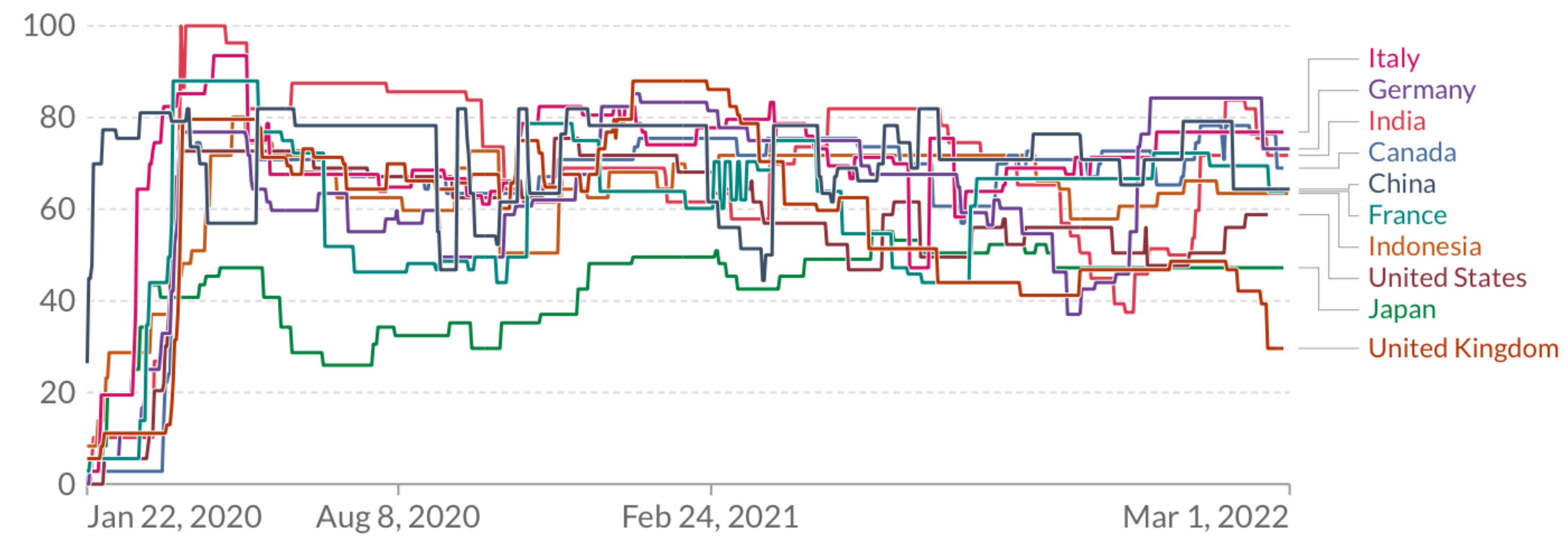
- International capacity fell by some 93% in the space of six weeks as a combination of local and overseas travel restrictions were applied.
- With one of the largest domestic markets in the world India ”only” saw a 54% cut in domestic seats – one of the better global performers.
- Legacy airlines suffered very badly with 90% of capacity cut.
  - 19 airlines operated international services at the beginning of March only 7 by the middle of April.
- Low cost carrier share went from 78% to a staggering 93% by the middle of April.





CONTINUAL CHANGES TO TRAVEL RULES HAVE FRUSTRATED RECOVERIES

The “Stringency Index” below shows how various governments have open and closed for travel in the last two years and the subsequent difficulty for airlines to recover and travellers to book with confidence.



Source: Oxford COVID-19 Government Response Tracker, Blavatnik School of Government, University of Oxford – Last updated 3 March 2022, 06:50 (London time)
OurWorldInData.org/coronavirus • CC BY

WITH INDIA BEING IMPACTED MORE THAN MOST MARKETS

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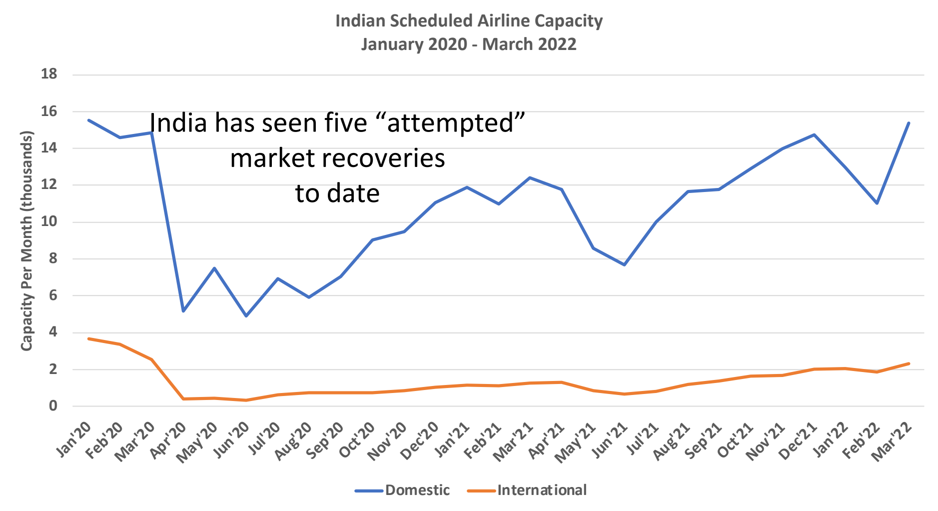
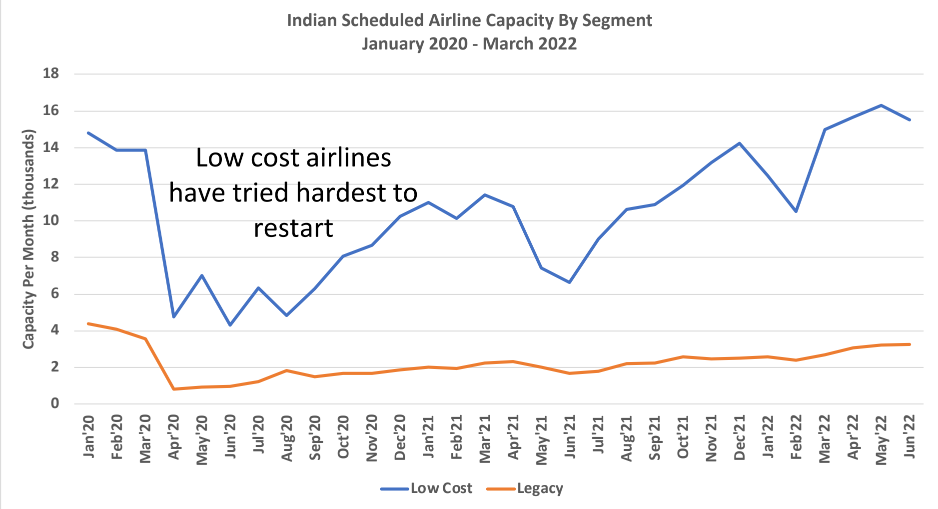
- India has seen multiple attempts to rebuild capacity with subsequent travel restrictions imposed.

- The LCC sector has been particular quick and nimble at restarting services as soon as possible and will by June 2022 have a 83% share of the total market compared to a 77% share in January 2022.

- Legacy carriers in India have been increasingly marginalised to a point where for locally based carriers survival will be challenging

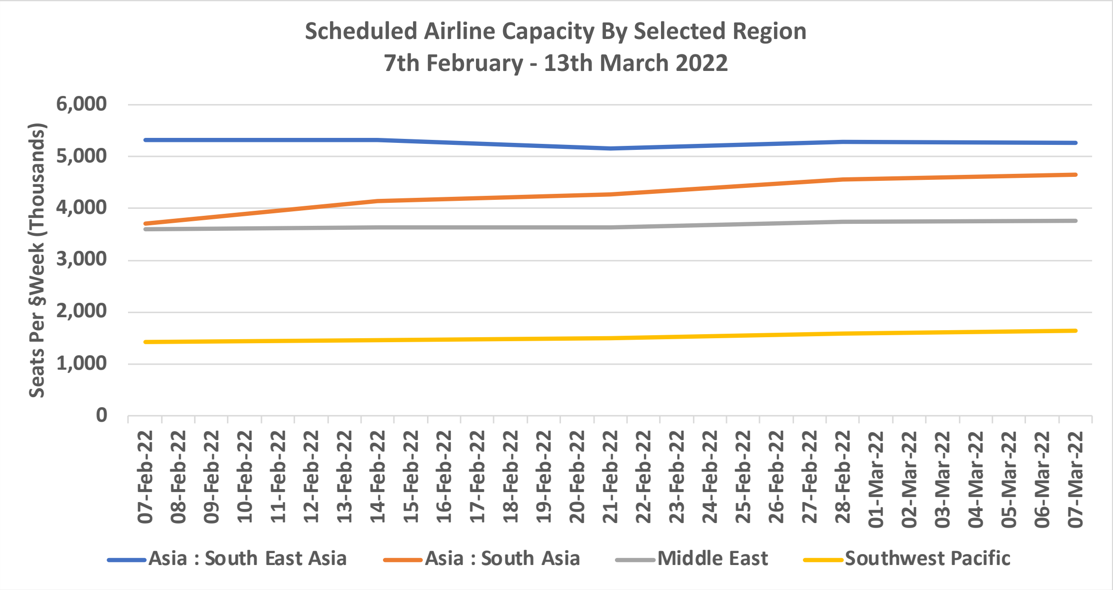
  - Air India now have an 8% capacity share of the domestic market.
  - And 12% capacity share of the international market.





FORTUNATELY A RECOVERY IS UNDERWAY

- South Asia has been one of the fastest growing global regions over the last month.
- Global capacity has increased by 4%.
- South Asian capacity has increased by 25% in the same period.
- India has seen a 31% recovery in capacity and this will increase further with international borders opening on 27 March 2022
- Things look even better going forward



AND DEMAND WILL BE STRONG, AT LEAST INITIALLY

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- Once a market re-opens then there is a sudden and dramatic surge of booking activity.
- Airlines are typically not adding back capacity to specific markets when they re-open but enjoying a rare moment of yield maximisation.
- Surges in booking activity typically last between 6-8 weeks and then normalise to traditional demand profiles.
- Consumer continue to book late for their holidays as confidence has yet to fully return to the market
- Summer 2022 could be extremely strong but expensive.

BUT THE COST OF FUEL WILL BE AN ISSUE

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- The reopening of global markets, increased demand and geopolitical issues have resulted in fuel prices increasing by nearly 60% in twelve months.
- Airlines cannot absorb these increases despite some being well hedged over the coming months.
- Air fares will rise, Michael O'Leary at Ryanair has already indicated that they will increase and they are normally the cheapest airline!
- Demand is traditionally fairly elastic but increases will impact some discretionary bookings
- So if you can, book now for the Summer

25 February 2022	Share in World Index	cts/gal	$/bbl	$/mt	Index Value 2000 = 100	vs. 1 week ago	vs. 1 month ago	vs.1 yr ago
Jet Fuel Price	100%	264.59	111.13	877.57	303.78	3.8%	5.1%	58.8%
Asia & Oceania	22%	263.07	110.49	872.87	315.70	6.7%	8.2%	59.5%
Europe & CIS	28%	264.09	110.92	875.13	298.85	3.1%	3.9%	60.5%
Middle East & Africa	7%	259.80	109.11	861.56	325.85	5.2%	6.1%	60.6%
North America	39%	265.74	111.61	881.71	296.72	2.6%	4.1%	56.6%
Latin & Central America	4%	273.73	114.97	908.25	318.48	2.2%	6.7%	61.2%

Source – IATA

OPTIMISTIC, CAUTIOUSLY OPTIMISTIC, CONCERNED OR WHAT?

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- Probably somewhere between cautiously optimistic and optimistic BUT every part of the world remains different:

  - South Asia and India will be a **strong performer**
  - Europe and North America **optimistic**
  - Middle East **optimistic**
  - South East Asia and Southwest Pacific cautiously **optimistic**
  - North East Asia still **concerned** as major market remain heavily restricted.

- So overall, **cautiously optimistic**.

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