



China Monthly Market Digest

OCTOBER 2016

Latest developments

- Seat capacity reaches 700m for 12 months to September as airlines add 70m seats over a year
- 15.8% more seats in September 2016 vs September 2015
- Beijing Airport added 424,000 seats compared to September last year
- Xi'an Airport achieving consistently strong OTP – over 70% for 13 consecutive months
- Daily flight pattern at Xi'an shows traffic predominantly local – not a connecting point
- Loong Air adds more routes to its network than any other airline



Capacity

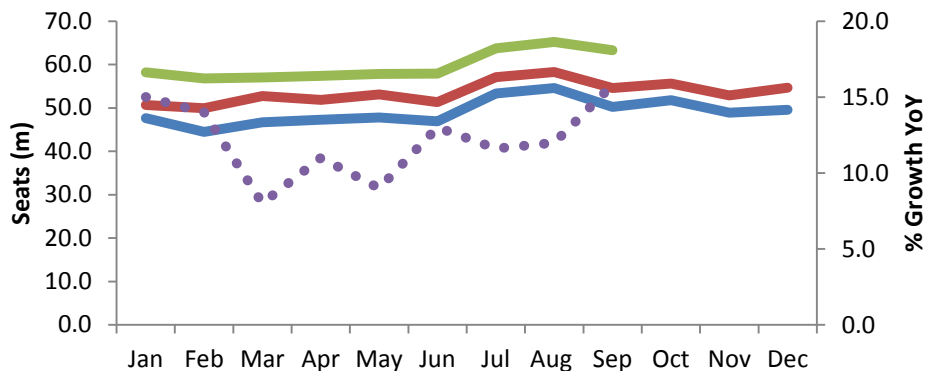
A record 12 months as seats exceed 700m

September saw the highest growth in scheduled airline seats in China this year with 15.8% more seats compared to September 2015. While growth appeared to be moderating earlier in the year, the current trend seems to be one of even higher growth month by month.

For the first time, capacity for the last 12 months has exceeded 700m seats; China is effectively adding 70m seats per annum.

There were 8.6m more airline seats operated in September than a year earlier, and 2.7m of these additional seats were at the Top 10 airports in China. Beijing (PEK) added the most with an additional 424,000 seats, equivalent to 9% growth., followed by Shanghai (PVG) with 415,000 seats, or 15% growth. Although more modest in terms of seats, among the Top 10 airports growth was highest at Hangzhou (HGH) and Kunming (KMG) at 22% at each airport.

2014 2015 2016 YoY



On-time performance

Xi'an OTP over 70% for 13 consecutive months

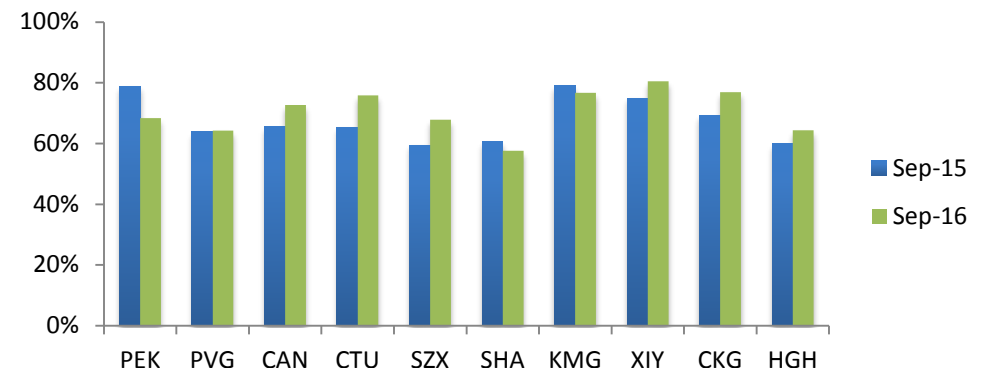
While the overall trend in on-time performance is positive, there is no doubt that it is harder to keep flights on time during the summer peak. All but one of the Top 10 Chinese airports saw OTP improve between August and September 2016. Among the Top 20 airports the average OTP was 72% compared to 67% the previous month.

Looking at the longer term trend, average OTP for this same group of airports was 68% in September 2015 and 56% in September 2014.

The star performer this month was Xi'an (XIY) which achieved an OTP for 80%. It is the only airport among this group to have achieved OTP of over 70% every month for over a year.

OTP of Top 10 Airports

(Seat capacity)



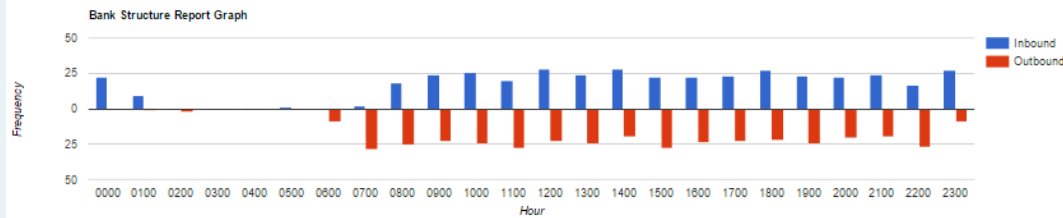


Xi'an Xianyang Airport (XIY)

8th largest airport but not a hub

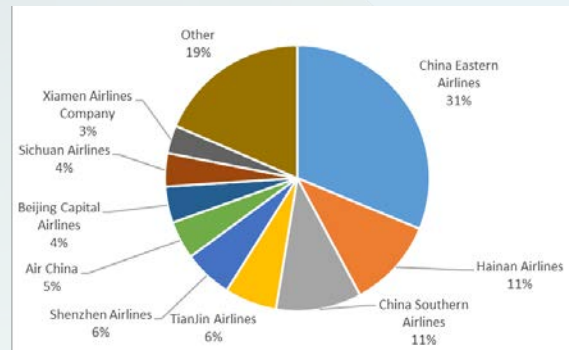
With 2m departing seats this month, Xi'an Xianyang Airport is China's eighth largest airport. The majority of passengers are travelling to or from Xi'an itself, as only 4% of traffic is hub traffic.

The airport bank structure for a typical day this month shows flights arriving and departing throughout the day; there are no strong inbound waves of flights meeting waves of outbound flights. The lack of peaks and troughs in movements may be one of the reasons why XIY is able to maintain good levels of on-time performance.



No single airline dominates at XIY and all the major Chinese carriers have a presence.

China Eastern Airlines operates the largest share of capacity with 31% of seats, followed by Hainan Airlines (11%) and China Southern Airlines (11%).



Network Growth

Loong Air adds most new routes - 56 in October

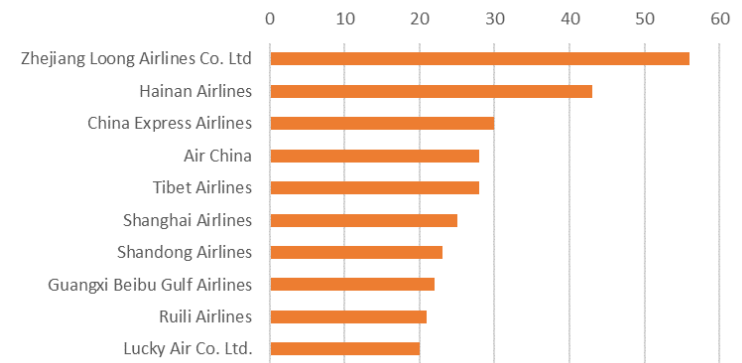
Compared to October 2015, individual airlines are operating a total of 460 new routes in their Chinese networks this month as they grow their networks and tweak them to better meet demand.

Zhejiang Loong Air added the largest net number of routes of any airline with 56 new routes, bringing the total number of routes they operate in China to 62 from just 6 a year ago.

Hainan Airlines was the next most active airline in terms of the number of routes added to its network, followed by China Express Airlines, Air China and Tibet Airlines.

China Eastern, one of the largest Chinese carriers, operated just 8 more routes than in October the previous year, while China Southern reduced the size of its network, operating 20 fewer routes in total than a year earlier.

Additional routes October 2016 vs October 2015



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Did you know?

There are now 35 routes operated between China and the US, 6 more than a year ago, and capacity is up by 20%. The new routes are: CSX-LAX (Hainan), HGH-SFO (United), PVG-SJC (Air China), SEA-SZX (Xiamen Airlines), SFO-TAO (China Eastern) and SFO-XIY (United).