

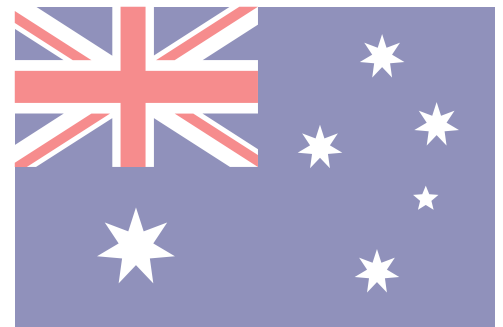
Year End Review:

A Record Year in 2023

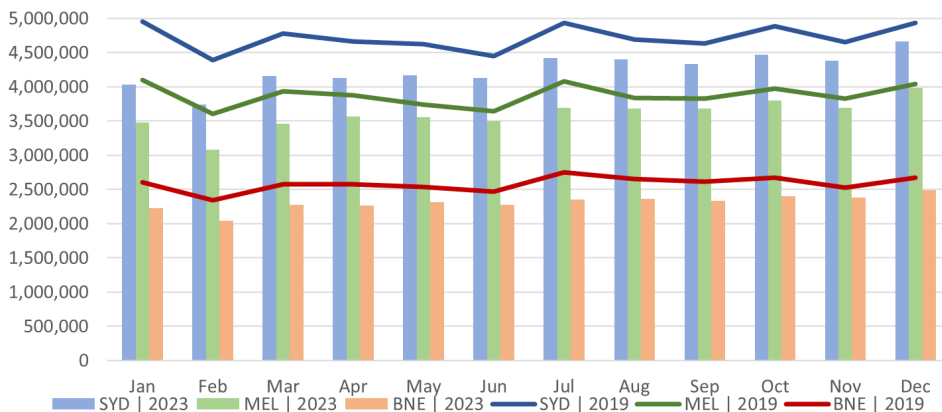
What's Next in 2024

Australia Rides the Head Wave of International Demand Recovery

Major airports in Australia continue to see passenger traffic being restored throughout 2023, with most reporting positive signs of international capacity edging closer to pre-pandemic levels. This is either through airlines restarting previously suspended services or the introduction of new entrants and/or routes. The latter has been a particularly notable trend in the post-pandemic era, with the Australian market playing a key part in the international recovery strategies of many overseas airlines. This primarily stems from the heightened demand in the Australian outbound sector post-COVID lockdowns, coupled with a gradual recovery in major aviation markets like China, India, and Japan leading to surplus airline fleet capacity that can be redirected elsewhere.



Australian Top 3 Airports Seat Capacity Recovery



Source: L&B analysis

To illustrate, taking Brisbane Airport as a case study, the commencement of the 2023 Northern Winter scheduling season will witness heightened air service, marked by increased flight frequencies and the deployment of larger aircraft on existing routes. Other noteworthy instances include Qantas expanding routes to New Zealand and the Pacific, the resumption of China Eastern and China Southern services from Shanghai and Guangzhou,

and United augmenting its San Francisco service daily, while introducing a new route to Los Angeles. Brisbane Airport anticipates international recovery to reach 90% of pre-COVID levels by this month (December 2023). Another illustrative case is the Sydney to Seoul Incheon route, where five carriers currently operate 27 weekly roundtrips, in contrast to the 14 weekly roundtrip services offered by two carriers in 2019.

The increase in overall capacity should continue to put downward pressure on airfares into 2024. Some of the new air service will likely prove to be unsustainable as some new air service has already been cancelled in 2023. Vietnamese LCC Bamboo Airways recently announced its total departure from Australia (Melbourne and Sydney). As other Asian international markets regain their pre-pandemic volumes, some airlines will likely reallocate selected sections of their current Australian capacity to their more traditional/profitable routes. Also, Australian airports, such as Avalon, have yet to regain any of their pre-COVID international traffic. Finally, portions of current air service capacity in larger Australian markets is expected to be redistributed to smaller markets.