

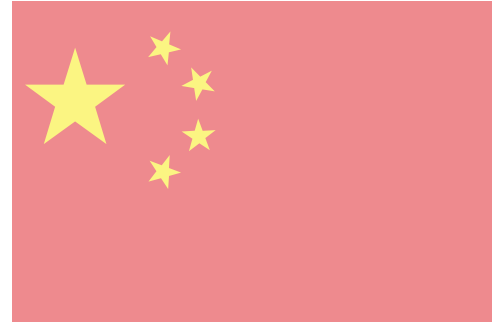
# Year End Review:

## A Record Year in 2023

## What's Next in 2024

### China's Domestic and International Travel Recovery in Two Extremes

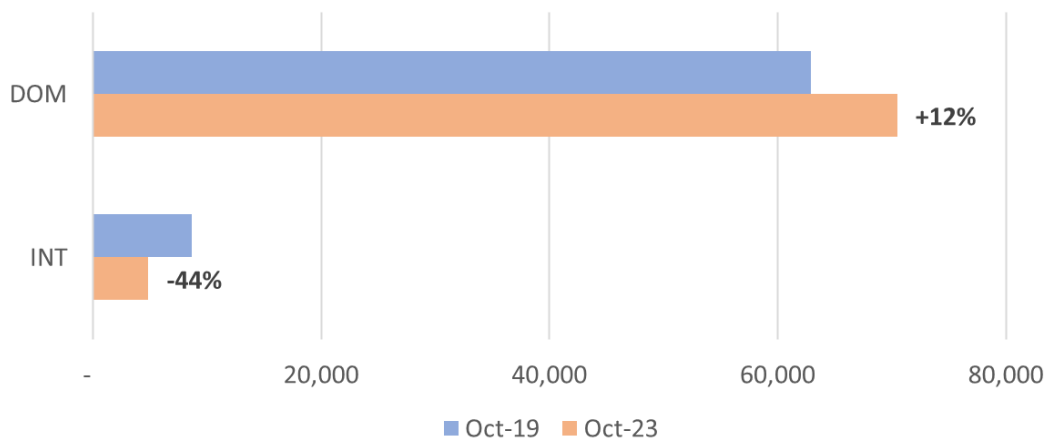
China's international travel recovery continues to be slow and steady following the country's removal of travel restrictions and reopening of borders earlier this year. International airline capacity by seats – as of October 2023 – is still 44% below the 2019 level. In contrast, domestic recovery continues to be strong. According to China's aviation regulator, CAAC (Civil Aviation Administration of China), its recent press release for the 2023 Northern Winter scheduling season suggests the number of domestic flights will be 34% above the corresponding period in 2019/2020. The increase in domestic flights can be attributed to a couple factors, including:



- The slower recovery of the international sector, leading to excess airline fleet and airport handling capacities.
- The introduction of additional airport infrastructure, specifically designed and constructed to accommodate the anticipated growth in traffic before the COVID-19 pandemic.

For example, Hangzhou Airport, ranking as the country's 10th busiest airport, inaugurated a new Terminal 4 with a handling capacity of 50 million annual passengers (50 MAP) in September 2022. This expansion coincided with the city's hosting of the 19th Asian Games. The increased capacity enables the airport to elevate its weekly passenger aircraft movements by 16.8% year-on-year to 6,305 flights in the current scheduling season, nearly three times China's national average of 5.2%.

China Seat Capacity Year-on-Year Recovery ('000)

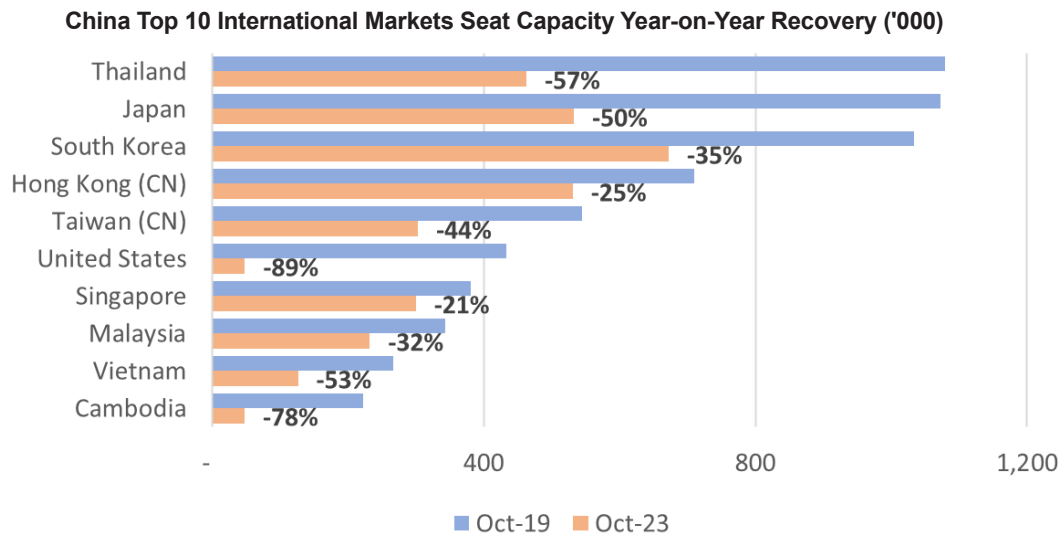


Source: L&B analysis

Against this backdrop, Chinese airlines and airports have been actively collaborating to ensure the realization of the 2023 Northern Winter flight plan outlined by the CAAC. While China's international travel demand has seen notable improvement since earlier this year, various factors continue to impede the enthusiasm of local Chinese travellers venturing abroad and deter foreigners from visiting China. Some of these challenges include:

- The general public's perception and actual ease of obtaining/renewing passports and visas. Hence, visa-free Thailand is one of the leading destinations for capacity recovery.
- The Chinese Government's ongoing restrictions on which countries companies offering tour packages tour can offer travel to (138 countries and regions in total after the third round of resumptons announced in August 2023).
- Limits on services with certain countries imposed during COVID. For example, flights between the U.S. and China have recently increased to 70 a week.

These challenges—have and will continue—to contribute to an uneven capacity restoration for various international destinations into 2024.



Source: L&B analysis