

# SUPPLY CHAIN SNAPSHOT #12

2 February 2023

## Challenges & Developments

Chinese carriers Air China, China Southern, and China Eastern are boosting flights to Australia over the coming months, with even more additional services scheduled for the northern summer.

- Air China resuming 3 flights p/w from Beijing to SYD and MEL starting 1 February and daily from 26 March.
- China Southern increasing flights from SYD and MEL to Guangzhou to 10 p/w from 26 March.
- China Eastern increasing flights from SYD to Shanghai to daily and 4 flights p/w from MEL beginning 2 February.

Xiamen Airlines, Sichuan Airlines, and Beijing Capital Airlines have also all announced plans to either increase current services or return to Australian ports over Q1 2023.

While the return of all airlines is welcomed, airports with staffing shortages are likely to be further strained by the increased flights. Melbourne Airport alone requires 2,000 additional staff to handle the forecasted flight increases in 2023. Staff shortages may negatively impact travellers and cargo shipments.

China's aviation regulator forecasts 80% of pre-COVID international flights from China by the end of 2023. According to *BofA Global Research*, flights from China to Asia Pacific only accounted for 10% of pre-COVID levels in Q4 2022.

The Export Supply Chain Service (**ESCS**) is an Australian Trade and Investment Commission (Austrade) initiative to **coordinate supply chain insights** while connectivity to international markets remains volatile, capacity diminished and rates expensive.

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## AIR PICTURE

Latest Flight Numbers  
from Australia (week ending 29/01)



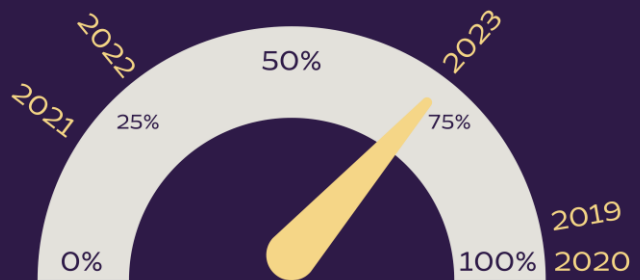
Outbound flights ex. Australia rose **2.5%** vs. our previous report w/e 11 DEC, 2022 (**1541** to **1581**).

Since 6 NOV, 2022, 121 more wide-body flights are now operating into Australia.

However, the ratio vs narrow-bodies has decreased from 67% pre-COVID (JAN 2019) to 60% in 2023.

- Airlines are increasingly adjusting aircraft size to align with market conditions. More efficient narrow-body aircraft with longer ranges are now flying routes once only served by wide-bodies.

Outbound flights ex-Australia:  
**Year on Year** (Fourth week of January)



The **1581 outbound flights** ex-AU reported in the fourth week of January, represent:

- **Nearly 3.5x** the number of flights for the same period in 2020 (**465 flights**).
- **~72%** of flights from the same period in pre-covid 2020 (**2207 flights**).

Source: Flight numbers courtesy of Airservices Australia

### Airfreight Pricing

Whilst freight rates remain high compared to pre-COVID, *World ACD* reports global airfreight pricing declined 1% in the first two weeks of JAN 2023. The global average rates of USD\$3.06/kg is 6% lower in JAN 2023 versus the DEC 2022 report.

Elevated rates are likely to persist in the near-term due to high passenger traffic and fuel costs. On 20 JAN, 2023 Oceania jet fuel prices were \$122/barrel, 18% higher than DEC 2022 and 33.6% higher than the same period in 2022.



Australian Government

Australian Trade and Investment Commission

The content of this Snapshot is sourced from a variety of inputs, including industry and government stakeholders. For further information on the Export Supply Chain Service team, please visit the Austrade website. Austrade has verified this information but provides no warranty as to the accuracy of the information provided – you should exercise your own discretion in how you use it.

# New Flights

## Vietjet (VJ)

Announced three flights p/w from MEL to SGN from 31 MAR with an A330 wide-body aircraft.

## Emirates (EK)

Increasing SYD (1 MAY) and MEL (26 MAR) from two to three flights daily. Flights from BNE will go from daily to twice daily 1 JUN.



## Cebu Pacific (CEB)

Recommencing three flights p/w from MEL to MNL from 26 MAR.

## Qantas (QF)

Resuming flights to HKG (from SYD 30 JAN 3 p/w and MEL 26 MAR daily) and SFO flights three times p/w from 22 MAY.

## Nippon Airways (ANA)

Increasing SYD flights from daily to 10 services p/w from 26 MAR and returning flights from PER end of OCT 2023.

## Freight Demand & Capacity

According to *IATA and Seabury*, Global air freight demand in Q4 2022 fell well short of 2021 volumes despite a 1% rise in global air capacity. Asia Pacific is driving 90% of declining airfreight demand, with early January cargo tonnages down 17% from the previous two weeks and 27% compared to the same period in 2022.

Despite global air capacity being 3% below pre-COVID levels, Australia lags at 75%. Reasons include:

- High fuel rates increasing costs for servicing the region.
- Carriers from Gulf States (Emirates, Etihad) have been relatively slow restoring capacity.
- Qantas international recovery is more cautious than other major airlines (65% vs. pre-COVID)
- Virgin Australia is still behind on resumption of their international schedules compared to pre-COVID.
- According to *BofA Global Research*, Australian air capacity is expected to grow 5-10% per quarter, with a return to capacity "normalcy" at least 12 months away.

# Outlook

## Easing Conditions

*IATA* is predicting a gradual reduction in freight pricing, of up to 22%, over the course of 2023. In the same period, cargo demand is forecasted to reduce by 4.3%. Despite the forecasted decline of demand, capacity is set to grow with new and converted freighters due to roll off assembly lines in 2023 and the increased usage of wide body aircraft as passenger numbers grow.

## E-Commerce Injection

According to *Cirium*, the forecast is for 2.3% increase in freighter fleets per year over the next 20 years. It is predicted 3560 freighter aircraft will be delivered over this period with 1060 new aircraft and 2480 conversions from passenger aircraft. The freighter increases are driven by e-commerce growth.

## Chinese Students Return

Following China's announcement last week that it would not recognise online degrees from foreign universities, over 40,000 Chinese students studying online in China at Australian institutions are looking to return to Australia over the coming weeks, potentially placing enormous pressure on flights.



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