

Indian Aviation in 2017-18



Surging traffic – but constraints to be critical

This report from CAPA reviews India's status as the fastest growing aviation market in the world which creates tremendous opportunities, but risks are also heightened as the inadequacy of India's infrastructure planning, a fast emerging shortage of skills, flawed policy initiatives, and weak regulatory oversight threaten to become major stumbling blocks. The potential is enormous, but unless the government takes suitable measures, this will be seriously constrained.

The year 2016 represented a turnaround in the fortunes of India's aviation industry after several difficult years. Lower fuel prices combined with modest capacity growth and strengthening of economic fundamentals were largely responsible for surging traffic and an improvement in airline financials during FY2016. Domestic traffic was up 21.2% while international traffic grew by a more modest 7.7%.

India's airlines reported a combined profit of \$122 million in FY2016, returning to profitability for the first time in a decade. This included record profits at IndiGo, Jet Airways, SpiceJet, GoAir and Air India Express.

However, AirAsia India and Vistara, still in their initial years of operations, were loss making, as did the national carrier, Air India, although the latter reported its first (modest) operating profit in a decade.

Domestic market on track to cross 100 million passengers

After a strong FY2016, traffic growth has accelerated further in FY2017, with India likely to overtake Japan to become the world's third largest domestic market after the USA and China. In reaching this milestone, India will have achieved



IndiGo could control over half of the domestic market in the next two years (photo: Angad Singh)