

mint primer

Decoding India's soaring demand for air travel

BY ANU SHARMA

On 21 April, 470,751 passengers flew, setting a record for Indian air traffic by beating the previous record registered a year ago. Record demand this summer has implications for both aviation companies and passengers. *Mint* sets out the scenario:



1

What exactly is driving the demand?

India is currently the third largest aviation market in the world, after the US and China. It is also the fastest growing air travel market in the world. The domestic air traffic has grown over 147% in the past 10 years to reach 152 million passengers in 2023. Industry experts attribute the growth in air travel demand to rising income levels, unrealized potential of first-time flyers (currently, the penetration in domestic air travel is just 10%), a competitive environment in air fares, and a multifold increase in the number of operational airports to over 140 as compared to around 70 nearly a decade ago.

2

Has supply kept up with the demand?

The supply in terms of capacity deployed has increased on-year, albeit at a slow pace due to a shortage of new and old aircraft as well as engines. Latest data from the Airports Authority of India shows that while the number of flights increased by 2.7% on-year in the domestic segment and 11.6% on-year for the international segment in March, the corresponding growth in passenger traffic has been higher. The international passenger traffic at Indian airports for March grew 15% on-year to 6.1 million passengers and by 4.7% on-year to 26.9 million passengers in the domestic category.

3

What is the implication for air fares?

Air fares are impacted by the price of aviation turbine fuel and market forces of supply and demand. The April-June quarter is typically the strongest in a year and as the supply chain issues persist, air fares in the peak travel season have risen 25% on several routes. Jet fuel prices are at ₹1,00,893.63 per kl in Delhi, 3% higher on-year and 54% higher than in FY20.

4

What is the impact on aviation companies?

A strong and sustained demand is expected to result in tailwinds for Indian airlines. As per ratings agency Icra, the pace of recovery is likely to be gradual due to the high fixed-costs. The industry reported a net loss of ₹17,000-17,500 crore in FY2023 but this is expected to narrow to ₹3,000-4,000 crore in FY24 and FY25, as airlines continue to witness healthy passenger traffic growth and maintain price discipline, Icra said. However, airlines' ability to raise profit margins proportionate to their input costs will be crucial.

5

What can impact the demand?

A shortage of capacity, resulting in higher air fares, can hurt demand. However, airlines are resorting to inducting aircraft on lease in order to prevent this situation. For example, IndiGo, India's largest airline with over 60% market share, has more than 70 of its fleet of 360 aircraft grounded. It is expected to induct nearly 20 aircraft on lease from April to make up for this shortage in capacity. Similarly, Tata Group-backed Air India will also induct 20 leased Airbus A320neo aircraft by August of this year.

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QUICK EDIT

Best foot forward

As India strives for more locally made stuff, here's one more thing that could join the list: a shoe size system. Christened Bha, it has been developed by researchers at the Council of Scientific and Industrial Research–Central Leather Research Institute (CSIR–CLRI), which works under the ministry of commerce, after a pan-India survey of 101,880 individuals that involved taking 3D scans of their feet to study how Indian feet are typically shaped. They were found to be wider than Western ones. To replace a size system we inherited from the British Raj, Bha proposes eight footwear sizes, covering infants to adults. The British system has 10 sizes, but is wasn't made with the rest of the world's feet in mind. Footwear designed for Indians based on Bha can be expected to offer greater comfort. This is part of the pitch for a switchover by India's footwear industry. CSIR-CLRI has submitted its recommendations to the Department of Promotion of Industry and Internal Trade, also under the ministry of commerce, which has reportedly forwarded them to the Bureau of Indian Standards for approval. Shoppers, of course, would be curious to see what difference it makes.

MINT METRIC

by Bibek Debroy

Dhani Ram Mittal finally died,
His exploits all logic defied.
Fake station master, genuine car thief,
Fake judge granting criminals relief.
His own case he managed to decide.

QUOTE OF THE DAY

Rather than tapering off, the global EV revolution appears to be gearing up for a new phase of growth... The wave of investment in battery manufacturing suggests the EV supply chain is advancing to meet automakers' ambitious plans for expansion...

FATIH BIROL

IEA DIRECTOR



mint Election Bites

PARTIES WITH THE HIGHEST STRIKE RATE IN 2019 LOK SABHA POLLS

Party name (seats contested)	Seats won per 100 seats contested
 Dravida Munnetra Kazhagam (24)	100.0
 YSR Congress Party (25)	88.0
 Bharatiya Janata Party (436)	69.5
 Janata Dal (United) (25)	64.0
 Biju Janata Dal (21)	57.1
 All India Trinamool Congress (62)	35.5
 Shiv Sena (98)	18.4
 Indian National Congress (421)	12.4



Excludes parties that won fewer than 10 seats
Data: Shuja Asrar, Design: Sarvesh Kumar Sharma

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Source: Election Commission of India, Mint calculations