

U.S. AIRFARES DIVERGE IN DOMESTIC AND INTERNATIONAL FLIGHTS



Domestic flights in the United States are expected to be more expensive in the year's first half. In contrast, according to estimates from the consulting firm Hopper, international flights are predicted to perform better.

In December, the average increase in fares rose by 7.9% compared to the last year, as reported by the US Consumer Price Index. **For fares sold through travel agency channels, the average price for a domestic round-trip ticket reached \$561, a 4% increase compared to December 2023.**

The situation isn't improving for last-minute fares either. In January, these fares increased by an average of 12% compared to a year earlier, and Hopper forecasts that they could rise by up to 19% for travel in May and June. This price surge, mainly for domestic flights, is attributed to ongoing consumer demand and a slowdown in capacity growth among US airlines, including cuts in the low-cost sector.

Domestic air travel capacity in the US increased by only 0.7% compared to January 2024. According to Deutsche Bank, there was a 4.7% reduction in capacity in early January among low-cost airlines. This was primarily due to cuts announced and implemented by Southwest, Spirit, and JetBlue, which have significantly limited the growth of low-cost air traffic for the peak season, with expectations that it will not exceed 1%. This is relatively low compared to the performance of this sector in previous years.

Additionally, the growth of the low-cost sector is further hampered by significant delays in aircraft deliveries from Boeing and ongoing inspections of Pratt & Whitney engines, which have also affected Airbus aircraft. These issues are compromising the already modest growth in capacity and air supply. Analysts in the air transport industry have repeatedly noted that even the cheapest airfares tend to rise significantly when low-cost carriers eliminate routes. Conversely, when these airlines introduce new routes, fares can drop by as much as 20% in the first year before increasing again during the summer.

Overall, most airlines operate with smaller fleets, which reduces the number of available seats and leads to higher fares on existing routes. In contrast, fares for international flights are expected to decrease due to increasing competition among airlines on major international routes with high traffic.

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