Core terminal retail sales at Kuala Lumpur International Airport (KLIA) – excluding the year-old KLIA2 low cost terminal - saw first quarter commercial sales revenue drop by -6% to MYR226.7m/$70.2m as high-spending China bound pax continued to be elusive.

Traffic at the hub for Malaysia Airlines (MAS) – which has been trying with little success to rebuild public confidence in the aftermath of the MH370 and MH17 tragedies – was down in the quarter by -2.9% to 12m passengers.

MAS was taken private at the end of 2014 by the government via the vehicle, Khazanah Nasional Berhad, after the airline incurred growing losses. Last week the government announced that Christoph Mueller, the former Aer Lingus CEO and turnaround specialist, would lead MAS’s restructuring and try to bring it back to profitable viability.

KLIA depends on MAS for much of its traffic but the hub’s operator, Malaysia Airports, made no mention of the carrier in its 2015 outlook when it announced its Q1 results. Instead the company pointed to “enhanced growth prospect due to Malaysia Year of Festivals and the return of British Airways and All Nippon Airways” as helping to strengthen the airport instead. BA returns this month after a 14-year hiatus.

**KLIA2 GROWS BUT NOT RELATIVE TO EXTRA SPACE**

Fancy stores at KLIA2 have driven up sales/head but not
Where retail has grown at KLIA is at the new KLIA2 low-cost terminal – relative to the old LCC Terminal – but not in proportion to the retail space available. KLIA2 is the world’s largest terminal dedicated to low cost carriers and is a hub for AirAsia.

The old LCC Terminal produced Q1 2014 sales revenue of RMB124.9m/$38.7m from just 4,774sq m of space whereas the new KLIA2 generated only RMB139.9m/$43.3m from three times as much space (15,607sq m). However sales/pax have been promising, rising by +6.5% in the period.

The gains at KLIA2 – which celebrated its first year of operations on 2 May – meant that KLIA overall had flat retail revenue in Q1 of RMB366.6m/$102.4m. Malaysia Airports is now also diversifying and looking to off-airport retail revenue. Its Mitsui Outlet Park will be opened to public on 30 May.