



STATE OF THE REGION: ASIA-PACIFIC

APRIL 2017

Economy

GDP growth, selected countries

%change on a yr ago	2015	2016Q2	2016Q3	2016Q4
India	7.5	7.2	7.4	7.0
Japan	1.2	0.9	1.1	1.6
Indonesia	4.9	5.2	5.0	4.9
Korea	2.8	3.4	2.6	2.4
Australia	2.4	3.1	1.9	2.4
Thailand	2.8	3.5	3.2	2.7
Malaysia	5.0	4.0	4.3	4.5
World*	2.3	2.1	2.2	2.4

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2016	Jan-17	Feb-17	Mar-17
US\$ broad index	127.7	127.6	125.8	125.3
Japanese yen (JPY)	116.8	112.7	112.1	111.4
Australian dollar (AUD)	1.38	1.32	1.30	1.31
Sth Korean won (KRW)	1209	1152	1129	1119
Indian rupee (INR)	67.9	67.5	66.7	64.9
Indonesian rupiah (IDR)	13427	13296	13382	13322
Thai baht (THB)	35.9	35.1	34.9	34.3
Malaysian ringgit (MYR)	4.49	4.43	4.44	4.43

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Jan-17	Feb-17	Mar-17
Crude oil (Brent)	52.4	54.6	54.9	51.6
Jet fuel	64.0	63.6	65.0	60.7

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	Dec-16	Jan-17	Feb-17
Region (registration basis)				
Asia Pacific	9.1	10.6	12.6	6.3
World	6.3	8.6	8.9	4.8
Routes (segment basis)				
India domestic	23.3	23.7	26.6	17.0
Japan domestic	0.7	4.7	3.5	1.7
Australia domestic	1.6	1.8	1.3	-3.3
Asia - Europe	1.8	9.3	6.9	7.8
Within Asia	7.3	7.4	8.2	3.1
Asia - Nth America	6.4	8.2	7.5	2.2
Asia - Middle East	9.0	11.9	9.8	5.4
S/w Pacific - N/S America	15.5	13.5	11.4	8.6
Asia - Africa	6.8	0.9	2.1	1.3

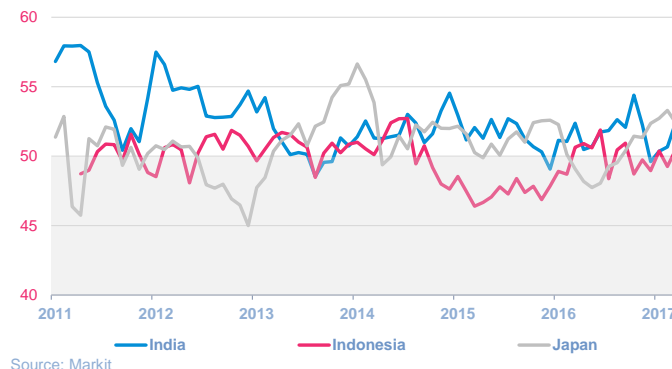
Source: IATA Statistics

→ Growth in global RPKs fell sharply in Feb, to 4.8%yoy, from last month's 5yr high of 8.9%. Recall that at this time of year the data are more volatile than usual due to the impact of Chinese New Year &, on this occasion, the 2016 leap year.

→ A similar, albeit larger, step-down in growth is evident at the regional level. RPK growth for Asia Pacific halved

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



→ Business confidence surged in India this month, returning to a robust level, alongside the measure for Japan. Indonesian businesses, however, remain unconvinced about the outlook, despite generally sound economic indicators.

→ The US\$ eased slightly again in Mar, down 0.4% on a trade-weighted basis. Amongst the main regional currencies, the INR & THB were the key movers, up 2.7% & 1.6% against the US\$. The AUD went against the trend, falling 0.6% in the month.

→ Both Brent crude oil & jet fuel prices corrected sharply downwards in Mar, falling 6-6.5%, to US\$51.60/bbl & US\$60.70/bbl, respectively.

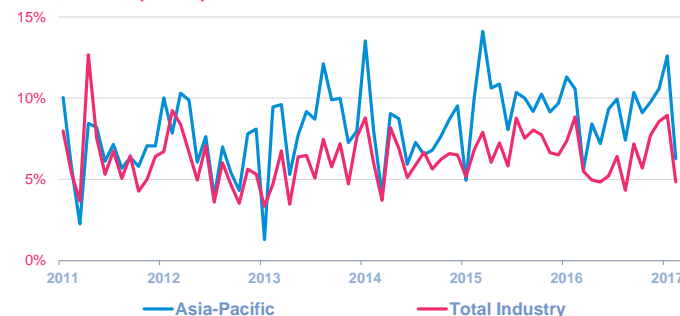
this month, falling to a (still healthy) 6.3%yoy pace.

→ Although pax volumes in the Japan domestic market are up just 1.7%yoy currently, recent seasonally adjusted data are showing a trend improvement, supported by improved consumer spending & a higher number of domestic routes offered (albeit at lower frequency).

→ The Asia-Europe market is the strongest performer amongst the large international markets, with RPK growth of almost 8% over the past year.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Dec-16	Jan-17	Feb-17
Region (registration basis)				
Asia Pacific	2.1	10.0	4.6	11.8
World	3.8	10.0	6.1	8.4
Routes (segment basis)				
Asia - Europe	3.9	15.4	9.2	10.6
Asia - Nth America	-1.2	8.5	5.6	7.7
Within Asia	7.0	17.5	8.7	20.5
Asia - Middle East	3.7	4.1	-0.8	-6.5
S/w Pacific - N/S America	18.6	30.2	31.6	19.8
Asia - Africa	30.1	57.2	48.4	31.8

Source: IATA Statistics

- Global FTKs grew by a brisk 8.4%yoy in Feb, up from 6% last month & well above the 5yr average pace of ~3%, even without adjusting for the leap year or Chinese New Year impacts.
- At the regional level, FTK growth also increased for the Asia-Pac carriers this month, rebounding strongly, back to a double-digit pace of 11.8%, easily outpacing the overall industry figure.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2016	Dec-16	Jan-17	Feb-17
Passenger					
Asia Pacific	ASK	8.1	7.7	9.5	3.4
	PLF	79.6	80.5	81.5	81.4
World	ASK	6.3	6.6	7.4	2.7
	PLF	80.5	80.6	80.2	79.5
Freight					
Asia/Pacific	AFTK	3.6	5.4	5.2	2.0
	FLF	52.8	55.3	49.4	49.3
World	AFTK	5.3	3.5	2.9	-0.4
	FLF	43.0	46.1	42.0	43.5

Source: IATA Statistics. Note: LF=seasonally adjusted load factor. ASK=available seat kilometers. AFTK=available freight tonne kilometers

- Capacity growth by the Asia-Pac carriers continues to outpace that of the overall industry. Asia-Pac ASKs are up 3.4% & AFTKs are up 2.0% on their year-ago levels, compared with 2.7% & a fall of 0.4%, respectively, for the industry.
- The Asia-Pac carriers are also outperforming the overall industry on both passenger & freight load factors, with 81.4% (vs 79.5% industry-wide) for the PLF & 49.3% (vs 43.5%) for the FLF.
- The latest Q4 financials show a modest improvement in the EBIT margin for the Asia-Pac carriers compared with the same period a year previous; an even 10% in 2016Q4, up from 8.5%. The corresponding industry-wide

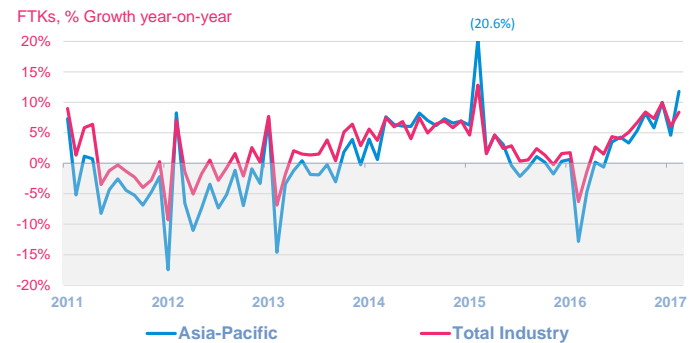
Airline operating (EBIT) margins*

%revenues	2014	2015	2015Q4	2016Q4
Asia Pacific	2.5	7.7	8.5	10.0
Industry	4.7	8.3	9.3	8.3

Source: Airline Analyst * constant sample basis, not seasonally adjusted

- Generally speaking, growth rates across the main Asia markets recovered this month. The notable exception was Asia-Middle East, where volumes slipped further, & are now a hefty 6.5% below their level of a year ago.
- Within Asia is the fastest growing amongst the largest markets, with FTKs up 20%yoy. Asia-Europe is also in double-digit growth at 10.6%.

Growth in air freight volumes



Source: IATA Statistics

margin has eased a little, down 1pp to 8.3% currently.

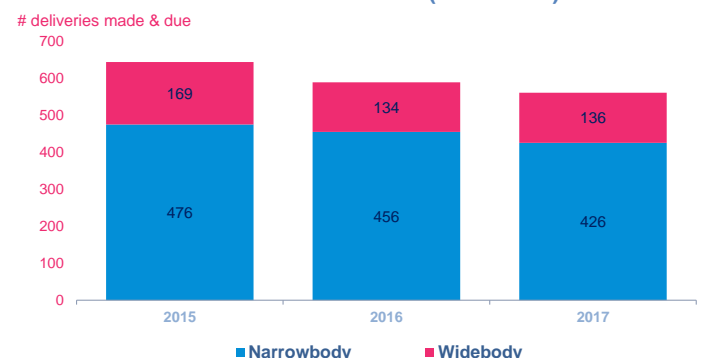
- Despite being 8-9%yoy lower, global average pax yields continue to show tentative indications of having possibly bottomed. At the regional level, most yoy yields are lower but with considerable variation across markets.
- Within the region, the exceptions are the Japan & Australia domestic markets where yields are 2.4% & 7.2%yoy higher respectively.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2016	Dec-16	Jan-17	Feb-17
India domestic	-14.9	-18.0	-15.4	-11.3
Japan domestic	2.3	5.4	5.0	2.4
Australia domestic	-9.0	-3.9	1.3	7.2
Asia - Europe	-10.3	-8.1	-8.5	-3.7
Within Asia	-10.0	-11.1	-9.2	-7.8
Asia - Nth America	-7.2	-4.3	-5.3	-2.3
Asia - Middle East	-10.5	-13.9	-15.5	-11.6
Asia - Sth America	-9.1	-10.3	-10.7	-8.8
Asia - Africa	-8.8	-10.5	-7.3	-3.0

Source: IATA PaxIS

Aircraft deliveries to the Asia Pacific (latest data)



Source: Ascend