



STATE OF THE REGION: ASIA-PACIFIC

AUGUST 2017

Economy

GDP growth, selected countries

%change on a yr ago	2016	2016Q4	2017Q1	2017Q2
India	7.9	7.0	6.1	--
Japan	1.0	1.7	1.4	2.1
Indonesia	5.0	4.9	5.0	5.0
Korea	2.8	2.4	3.0	2.7
Australia	2.5	2.4	1.7	--
Thailand	3.2	3.0	3.3	--
Malaysia	4.2	4.5	5.6	5.8
World*	2.3	2.6	2.6	2.8

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2016	May-17	Jun-17	Jul-17
US\$ broad index	127.7	123.8	122.3	120.7
Japanese yen (JPY)	116.8	110.8	112.3	110.4
Australian dollar (AUD)	1.38	1.34	1.30	1.25
Sth Korean won (KRW)	1209	1119	1144	1122
Indian rupee (INR)	67.9	64.5	64.6	64.2
Indonesian rupiah (IDR)	13427	13366	13378	13282
Thai baht (THB)	35.9	34.0	33.9	33.3
Malaysian ringgit (MYR)	4.49	4.28	4.29	4.28

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	May-17	Jun-17	Jul-17
Crude oil (Brent)	52.4	50.3	46.4	48.5
Jet fuel	64.0	59.3	54.4	59.5

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

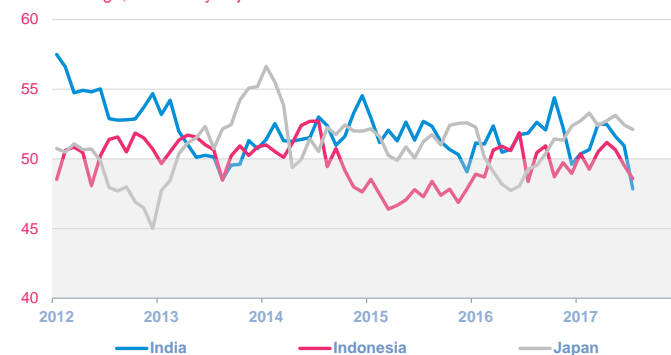
%change on a yr ago	2016	Apr-17	May-17	Jun-17
Region (registration basis)				
Asia Pacific	9.0	11.0	11.8	11.6
World	6.4	11.0	7.7	7.8
Routes (segment basis)				
India domestic	23.3	15.3	17.7	20.3
Japan domestic	0.7	6.6	10.6	7.9
Australia domestic	1.6	1.7	1.1	2.2
Asia - Europe	1.8	14.5	15.3	10.6
Within Asia	7.3	7.1	6.5	6.5
Asia - Nth America	6.4	8.6	5.8	5.3
Asia - Middle East	9.0	10.0	6.0	4.6
S/w Pacific - N/S America	15.5	11.2	9.0	7.0
Asia - Africa	6.8	4.7	8.1	4.8

Source: IATA Statistics Note: historical data may be subject to revision

- At the industry-wide level, RPKs grew by a brisk 7.8%yoy in June & by a similar rate (7.9%) in 1H17 as a whole – the fastest first half in 12 years (since 2005).
- Yoy growth in passenger volumes for the region's carriers was also largely unchanged in June, at a very strong 11.6% & retaining the 4pp margin above the industry-wide pace.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted

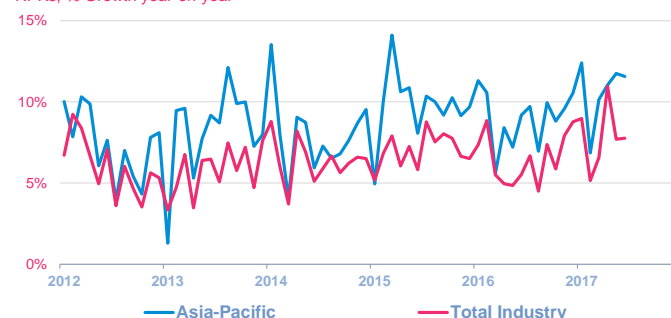


- Business confidence in India fell sharply this month – partly on changes to the taxation system – joining Indonesia (which also slipped further) in the zone typically signaling a downturn in economic activity.
- The US\$ repeated last month's performance, ending July 1.3% lower on a trade-weighted basis. All of the main regional currencies appreciated against the US\$ this month. Of note, the AUD made another strong gain, up 3.8% vs the US\$, while the KRW & THB rose ~2%.
- Brent crude oil & jet fuel prices both rose in July, the former up 4.5% to US\$48.50/bbl, & the latter up a hefty 9.4%, back to almost US\$60/bbl. The market continues to be strongly influenced by supply-side considerations.

- Growth in the India domestic market picked up pace in June, moving back above 20%yoy. Japan domestic is growing in line with the industry-wide rate at 7.9%, well ahead of Australia domestic at just 2.2%yoy.
- Of the larger international markets, Asia-Europe remains the strongest performer with double-digit RPK growth of 10.6%, followed by Within Asia at 6.5%. The smaller S/w Pacific-The Americas market is also growing at a robust pace, currently up an even 7.0%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Apr-17	May-17	Jun-17
Region (registration basis)				
Asia Pacific	2.0	9.1	11.6	10.1
World	3.9	8.6	12.7	11.0
Routes (segment basis)				
Asia - Europe	3.9	13.9	15.1	13.8
Asia - Nth America	-1.2	8.0	11.1	10.6
Within Asia	7.0	14.0	13.7	11.4
Asia - Middle East	3.7	1.4	10.1	2.3
S/w Pacific - N/S America	18.6	29.7	34.3	41.8
Asia - Africa	30.1	66.5	72.9	79.7

Source: IATA Statistics Note: historical data may be subject to revision

- Global FTK growth slowed a little in June, but maintained its double-digit pace, up 11.0%yoy. For 1H17 overall, FTKs grew by 10.4%yoy – the strongest 1st half-year since the rebound from the financial crisis in 2010.
- For the AsiaPac carriers, FTK growth also eased a little this month, to 10.1%yoy. While exporters in the region are reporting more mixed conditions for their order

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2016	Apr-17	May-17	Jun-17
Passenger					
Asia Pacific	ASK	8.0	8.2	8.6	9.4
	PLF	79.6	81.3	79.7	80.9
World	ASK	6.4	7.2	6.2	6.5
	PLF	80.5	82.1	80.0	81.9
Freight					
Asia/Pacific	AFTK	3.5	4.3	5.7	7.8
	FLF	52.8	54.7	55.0	55.5
World	AFTK	5.4	3.7	4.8	5.2
	FLF	43.0	45.1	45.3	45.0

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

- Even with solid capacity growth, the industry-wide load factor outcomes remain robust, indeed the PLF posted an all-time high for the first half of a year (at 80.7%).
- AsiaPac airlines have increased both pax & freight capacity substantially over the past year, with growth in both segments around 3pp higher than the overall industry rate. The AsiaPac PLF for June was 80.9%, down 1pp on the industry result, but at 55.5%, the FLF was up more than 10pp on the global outcome
- The initial Q2 financial data show an improved performance following the margin squeeze evident in Q1. At 4.6%, the EBIT margin for AsiaPac carriers is up modestly on the outcome from a year ago (3.9%) but

Airline operating (EBIT) margins*

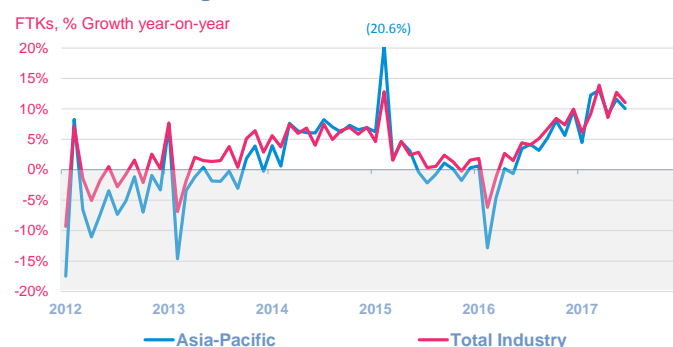
%revenues	2015	2016	2016Q2	2017Q2
Asia Pacific	8.0	10.0	3.9	4.6
Industry	8.5	8.8	12.7	13.2

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

books, there is no indication so far that the (seas-adj) trend in international freight volumes has slowed.

- Each of the three largest international markets are currently showing double-digit FTK growth, with Asia-Europe the standout, at 13.8%yoy. Although much smaller, the Asia-Africa market is up a massive 80%yoy.

Growth in air freight volumes



Source: IATA Statistics

remains well below the current industry figure of 13.2% (which is also a slight improvement on 2Q16 (12.7%)).

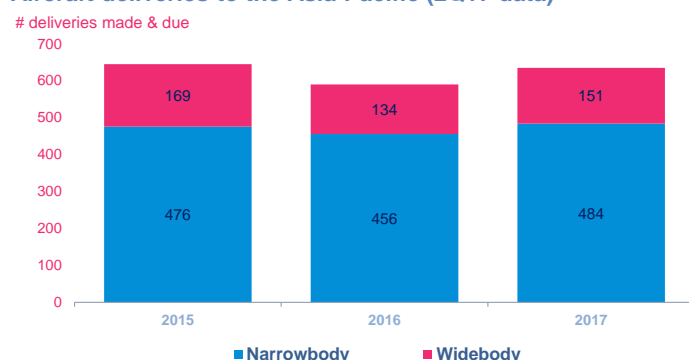
- Global passenger yields are currently around the same level as a year ago. At the regional level, the data are generally consistent with indications that yields may be bottoming. Indeed, in some markets, they have already turned positive in yoy terms, with Australia domestic the standout in this regard, where yields are up almost 6% compared with a year ago.

Passenger yields (US\$, excl. surcharges & ancillaries)

%change on a yr ago	2016	Apr-17	May-17	Jun-17
India domestic	-15.3	-5.8	-1.8	0.9
Japan domestic	5.4	-2.1	-6.2	-4.0
Australia domestic	-9.2	7.8	7.3	5.8
Asia - Europe	-10.3	-5.4	1.5	1.7
Within Asia	-10.0	-7.8	-5.6	-5.7
Asia - Nth America	-7.2	-2.2	-2.7	-1.8
Asia - Middle East	-10.5	-4.3	0.8	1.4
Asia - Sth America	-9.1	-1.8	-1.6	-1.3
Asia - Africa	-8.8	-2.7	-0.9	-0.7

Source: IATA PaxIS Note: historical data may be subject to revision

Aircraft deliveries to the Asia Pacific (2Q17 data)



Source: Ascend