



# STATE OF THE REGION: ASIA-PACIFIC

JULY 2017

## Economy

### GDP growth, selected countries

%change on a yr ago	2016	2016Q3	2016Q4	2017Q1
India	7.9	7.5	7.0	6.1
Japan	1.0	1.0	1.6	1.3
Indonesia	5.0	5.0	4.9	5.0
Korea	2.8	2.6	2.4	3.0
Australia	2.5	1.8	2.4	1.7
Thailand	3.2	3.2	3.0	3.3
Malaysia	4.2	4.3	4.5	5.6
<b>World*</b>	<b>2.3</b>	<b>2.3</b>	<b>2.6</b>	<b>2.6</b>

\* Market exchange rate basis † Estimate Source: Datastream

### Exchange rates

end of period, # per US\$	2016	Apr-17	May-17	Jun-17
US\$ broad index	127.7	124.3	123.8	122.3
Japanese yen (JPY)	116.8	111.5	110.8	112.3
Australian dollar (AUD)	1.38	1.34	1.34	1.30
Sth Korean won (KRW)	1209	1140	1119	1144
Indian rupee (INR)	67.9	64.3	64.5	64.6
Indonesian rupiah (IDR)	13427	13267	13366	13378
Thai baht (THB)	35.9	34.6	34.0	33.9
Malaysian ringgit (MYR)	4.49	4.34	4.28	4.29

Source: Datastream, XE

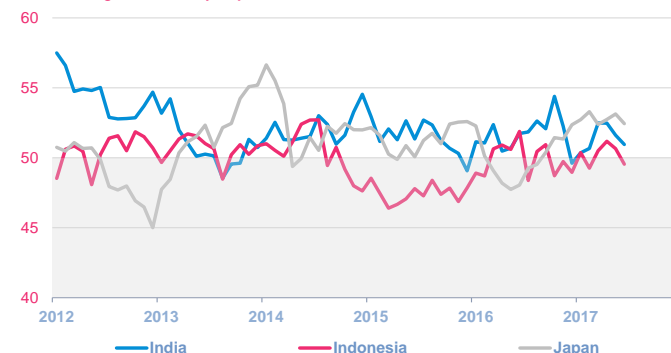
### World oil and jet fuel price

US\$/barrel	2016	Apr-17	May-17	Jun-17
Crude oil (Brent)	52.4	52.3	50.3	46.4
Jet fuel	64.0	63.4	59.3	54.4

Source: Platts, EIA Monthly average data

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



- Business confidence fell in each of the countries we monitor this month, on mixed economic data & developments. The Indonesian measure slipped below the key 50 index level, signaling a downturn in growth.
- On a trade-weighted basis, the US\$ slipped further in June, ending the month 1.3% lower. Of the main regional currencies, movements were generally muted; of note, the AUD gained a solid 3.2% against the US\$ & the KRW gave back last month's gains, down 2.2%.
- Brent crude oil & jet fuel prices fell by 4-5% in June, with the former returning to below US\$50/bbl. Once again this month, supply-side considerations were the primary price drivers.

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	Mar-17	Apr-17	May-17
<b>Region (registration basis)</b>				
Asia Pacific	9.0	10.4	11.0	11.8
World	6.4	6.7	10.9	7.7
<b>Routes (segment basis)</b>				
India domestic	23.3	14.9	15.3	17.7
Japan domestic	0.7	8.1	6.6	10.3
Australia domestic	1.6	-1.6	0.6	1.0
Asia - Europe	1.8	11.1	14.5	15.3
Within Asia	7.3	7.0	7.1	6.6
Asia - Nth America	6.4	5.3	8.6	5.8
Asia - Middle East	9.0	4.5	10.0	6.0
S/w Pacific - N/S America	15.5	14.2	12.3	9.5
Asia - Africa	6.8	3.5	4.7	8.1

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

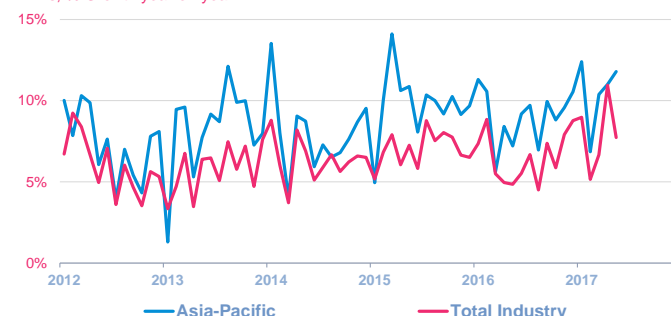
- After reaching a six-year high of 10.9% in April, growth in global RPKs slowed to (a still robust) 7.7%yoy pace in May. The Asia-Pac carriers went against the global trend, with growth in pax volumes increasing, albeit only slightly, to 11.8%yoy.
- Developments in the region's main domestic markets remains mixed, with double-digit growth in both India &

Japan (17.7% & 10.3%yoy respectively) contrasting sharply with Australia, where RPKs are just 1% higher than their level of a year ago.

- Of the larger international markets, Asia-Europe remains the strongest performer with RPK growth now running at 15.3%yoy. Growth amongst the other key markets generally eased a little in May, but with a still solid performance across the Within Asia (6.6%), Middle East (6.0%) & NthAm (5.8%) markets.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



## Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Mar-17	Apr-17	May-17
<b>Region (registration basis)</b>				
Asia Pacific	2.0	13.0	9.1	11.3
World	3.9	13.8	8.7	12.7
<b>Routes (segment basis)</b>				
Asia - Europe	3.9	20.0	11.9	13.4
Asia - Nth America	-1.2	12.9	9.3	13.1
Within Asia	7.0	15.9	14.0	13.6
Asia - Middle East	3.7	9.6	1.4	9.9
S/w Pacific - N/S America	18.6	56.6	29.7	34.3
Asia - Africa	30.1	74.4	66.5	73.5

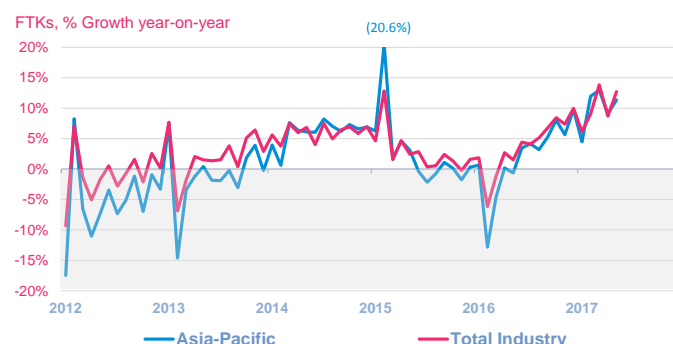
Source: IATA Statistics Note: historical data may be subject to revision

- Global FTKs bounced-back in May, returning to a brisk double-digit pace of growth, at 12.7%yoy; more than three times the 5-year average growth rate.
- As with their pax counterpart, regional FTK growth also stepped up this month, returning to a double-digit pace, at 11.3%yoy.
- The top 3 largest freight markets for the region are each

showing FTK growth above 13%yoy. Such outcomes are consistent with the strong export orders data of recent months, although we note that these data have started to become more mixed across countries in the region.

- The Asia-Africa market continues to show the strongest FTK growth, up a massive 73%yoy, albeit from a much smaller base level.

## Growth in air freight volumes



Source: IATA Statistics

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK	2016	Mar-17	Apr-17	May-17
<b>Passenger</b>				
Asia Pacific ASK	8.0	8.3	8.1	8.6
PLF	79.6	80.2	81.3	79.6
World ASK	6.4	6.3	7.2	6.1
PLF	80.5	80.2	82.1	80.1
<b>Freight</b>				
Asia/Pacific AFTK	3.5	4.3	4.2	6.2
FLF	52.8	56.9	54.7	54.7
World AFTK	5.4	3.9	4.0	5.2
FLF	43.0	47.4	45.1	45.2

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

- At the industry level, robust demand conditions combined with moderate capacity increases have resulted in a strong performance for both pax & freight load factors over the course of the year so far.
- The region's airlines have increased both pax & freight capacity by more than the industry-wide aggregate (by 2.5pp in the case of the former & 1pp for the later). The May load factor data shows the Asia-Pac carriers a little lower than the industry figure on the PLF (79.6% vs 80.1%) but well above for the FLF (54.7% vs 45.2%).
- Q1 financial data highlight the degree of margin squeeze in the industry; the EBIT margin having almost halved at both the industry level & for the Asia-Pac carriers

### Airline operating (EBIT) margins\*

%revenues	2015	2016	2016Q1	2017Q1
Asia Pacific	8.0	10.0	8.0	4.3
Industry	8.5	8.8	8.7	4.5

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

compared with Q1 2016. The current Asia-Pac margin of 4.3% (down from 8.0% in 2016Q1) is broadly consistent with the industry-wide 4.5% (down from 8.7%).

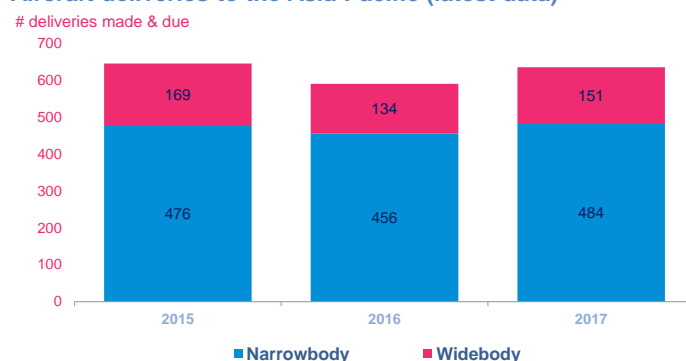
- Global pax yields are ~4.5% lower than a year ago, but are showing signs of having possibly bottomed. At the regional level, yoy yields have shown a general narrowing & have risen for each of the Australia domestic, Asia-Europe & Asia-Middle East markets.

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

%change on a yr ago	2016	Mar-17	Apr-17	May-17
India domestic	-15.3	-6.4	-5.8	-1.8
Japan domestic	5.4	-2.2	-2.1	-6.2
Australia domestic	-9.2	12.8	7.8	7.3
Asia - Europe	-10.3	1.1	-5.4	1.5
Within Asia	-10.0	-7.7	-7.8	-5.6
Asia - Nth America	-7.2	-0.6	-2.2	-2.7
Asia - Middle East	-10.5	-7.5	-4.3	0.8
Asia - Sth America	-9.1	-5.9	-1.8	-1.6
Asia - Africa	-8.8	-0.4	-2.7	-0.9

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

### Aircraft deliveries to the Asia Pacific (latest data)



Source: Ascend