STATE OF THE REGION: ASIA-PACIFIC

JUNE 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
World*	**2.3**	**2.3**	**2.6**	**2.6**

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US$	2016	Mar-17	Apr-17	May-17
US$ broad index	127.7	125.3	124.3	123.8
Japanese yen (JPY)	116.8	111.4	111.5	110.8
Australian dollar (AUD)	1.38	1.31	1.34	1.35
Sth Korean won (KRW)	1209	1119	1140	1119
Indian rupee (INR)	67.9	64.9	64.3	64.5
Indonesian rupiah (IDR)	13427	13322	13267	13366
Thai baht (THB)	35.9	34.3	34.6	34.0
Malaysian ringgit (MYR)	4.49	4.43	4.34	4.28

Source: Datastream, XE

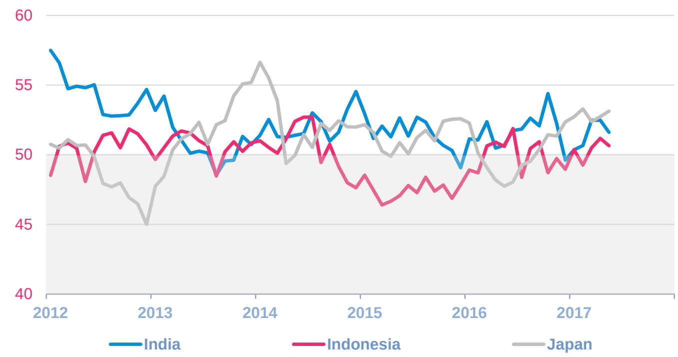
World oil and jet fuel price

US$/barrel	2016	Mar-17	Apr-17	May-17
Crude oil (Brent)	52.4	51.6	52.3	50.3
Jet fuel	64.0	60.7	63.4	59.3

Source: Platts, EIA Monthly average data

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence ticked higher again in Japan this month, but dipped modestly in both Indonesia & India, with softer economic data weighing upon the latter.
- On a trade-weighted basis, the US$ eased a little in May, down 0.4%. Of the main regional currencies, the KRW & THB both gained ~1.7% vs the US$, the former unwinding April's decline. The AUD fell again this month, joined by the INR & IDR; all were down 0.4-0.7%.
- Brent crude oil & jet fuel prices fell by US$2 & US$4/bbl in May, reaching their lowest level in ~5mths & both more than unwinding the April gain. The moves were mainly driven by strong supply & inventories data.

Market

Revenue passenger kilometers (RPKs)

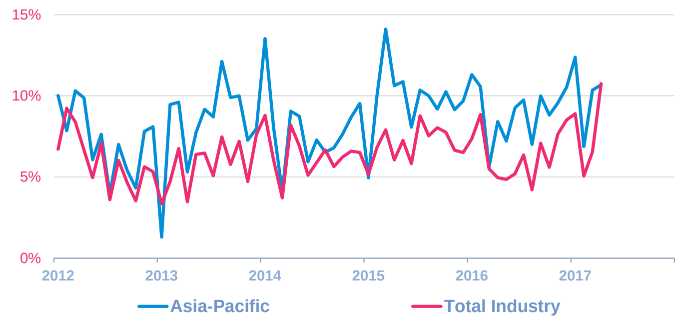
%change on a yr ago	2016	Feb-17	Mar-17	Apr-17
Region (registration basis)				
Asia Pacific	9.0	6.9	10.3	10.7
World	6.3	5.1	6.5	10.7
Routes (segment basis)				
India domestic	23.3	17.0	14.9	15.3
Japan domestic	0.7	1.9	8.1	6.6
Australia domestic	1.6	-2.9	-0.7	-2.1
Asia - Europe	1.8	9.5	11.2	14.5
Within Asia	7.3	4.1	7.0	7.1
Asia - Nth America	6.4	3.1	6.4	8.6
Asia - Middle East	9.0	5.7	4.5	10.0
S/w Pacific - N/S America	15.5	10.4	14.2	12.3
Asia - Africa	6.8	1.3	3.5	4.7

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

- Global RPKs stepped up in Apr, growing by a brisk 10.7%yoy – the fastest rate in six years. The pace of growth also shifted higher, albeit only modestly, at the regional level, to match the global pace. Putting this into context, the long-run average growth rate is around 5.5%yoy.
- Developments in the main domestic markets remains mixed. India continues to grow strongly, with RPKs up 15%yoy – the 32nd consecutive month of double-digit growth. Although the pace of growth in Japan domestic eased to 6.6%yoy in Apr, the seasonally adjusted trend has clearly increased over the past year. In Australia, however, pax volumes are now down 2% on a year ago.
- Of the larger international markets, Asia-Europe is the strongest performer with RPK growth of 14.5%. Asia-Middle East & S/west Pacific-N/S America are also growing at a double-digit rate.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

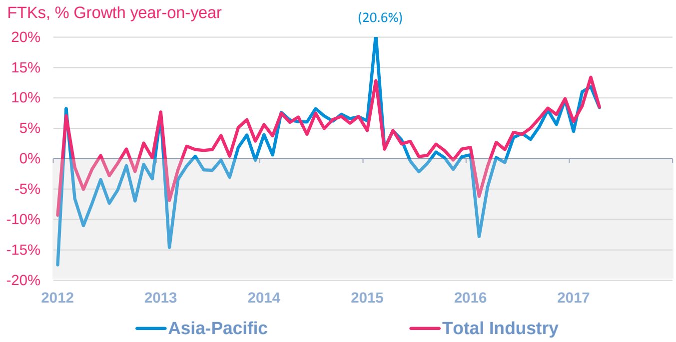
Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Feb-17	Mar-17	Apr-17
Region (registration basis)				
Asia Pacific	2.0	11.0	11.8	8.4
World	3.8	8.7	13.4	8.5
Routes (segment basis)				
Asia - Europe	3.9	10.9	20.0	11.9
Asia - Nth America	-1.2	11.8	13.0	10.2
Within Asia	7.0	20.6	15.8	14.0
Asia - Middle East	3.7	-6.2	9.4	1.4
S/w Pacific - N/S America	18.6	25.6	51.0	29.7
Asia - Africa	30.1	34.9	74.4	66.5

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

- Global FTKs grew by 8.5%yoy in Apr, dipping from the very strong 13.4% pace of last month. Despite the robust start to 2017, the upward trend in the seasonally adjusted data has slowed to a more modest 4% annualized pace since the end of last year.
- At the regional level, FTK growth also eased, again moving into line with the industry rate, at 8.4%yoy.
- The three largest markets all continue to show double digit growth in freight volumes compared with a year ago. Business confidence surveys across much of the region continue to indicate strong export order books which should, in turn, help to support freight volumes.
- The smaller Asia-Africa market continues to show the strongest FTK growth, up a massive 67%yoy.

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	Feb-17	Mar-17	Apr-17
Passenger					
Asia Pacific	ASK	8.0	3.8	8.4	8.1
	PLF	*79.6*	*81.6*	*80.2*	*81.1*
World	ASK	6.2	2.8	6.2	7.1
	PLF	*80.5*	*79.6*	*80.1*	*82.0*
Freight					
Asia/Pacific	AFTK	3.5	1.2	4.0	3.7
	FLF	*52.8*	*49.3*	*56.5*	*54.7*
World	AFTK	5.3	0.2	4.1	3.9
	FLF	*43.0*	*43.4*	*47.2*	*45.0*

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

- Asia-Pac carriers have increased pax capacity at a faster pace than the industry overall in the past year; ASKs are up 8.1% vs the industry-wide 7.1%. Freight capacity growth is, however, similar, with AFTKs up 3.7% & 3.9%, respectively.
- The load factor performance this month is mixed. The Asia-Pac outperformance on freight continues, with the FLF ~10pp above the industry figure, but the PLF has fallen below the global outcome, at 81% vs 82%.
- Q1 financial data highlight the degree of margin squeeze in the industry; the EBIT margin having halved at both the industry level & for the Asia-Pac carriers compared with Q1 2016. The current Asia-Pac margin of 3.5% is broadly in line with the industry-wide 4.0%.
- Global pax yields are still down 3-5%yoy, but continue to show signs of having possibly bottomed. At the regional level, yoy yield performance remains mixed, but most are showing a similar trend to the global outcomes. Notably, yields have *risen* in the domestic markets of both Australia & Japan over the past year.

Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q1	2017Q1
Asia Pacific	8.0	10.0	7.0	3.5
Industry	8.5	8.8	8.3	4.0

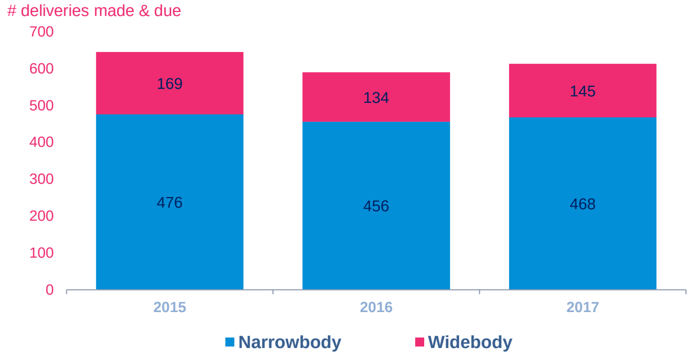
Source: Airline Analyst * constant sample basis, not seasonally adjusted

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2016	Feb-17	Mar-17	Apr-17
India domestic	-14.9	-11.3	-6.4	-6.0
Japan domestic	2.3	2.4	1.4	1.7
Australia domestic	-9.0	7.2	12.8	7.7
Asia - Europe	-10.3	-3.7	0.6	-6.3
Within Asia	-10.0	-7.8	-7.7	-7.9
Asia - Nth America	-7.2	-2.3	-0.7	-2.4
Asia - Middle East	-10.5	-11.6	-7.6	-4.1
Asia - Sth America	-9.1	-8.8	-6.4	-2.1
Asia - Africa	-8.8	-3.0	-0.5	-3.2

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

Aircraft deliveries to the Asia Pacific (latest data)



Source: Ascend

IATA Economics: www.iata.org/economics

Contact: Andrew Matters – economics@iata.org