



STATE OF THE REGION: ASIA-PACIFIC

MAY 2017

Economy

GDP growth, selected countries

%change on a yr ago	2015	2016Q3	2016Q4	2017Q1
India	7.5	7.4	7.0	--
Japan	1.1	1.1	1.7	1.6
Indonesia	4.9	5.0	4.9	5.0
Korea	2.8	2.6	2.4	2.8
Australia	2.4	1.9	2.4	--
Thailand	3.0	3.2	3.0	3.3
Malaysia	5.0	4.3	4.5	5.6
World*	2.4	2.2	2.5	2.6

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2016	Feb-17	Mar-17	Apr-17
US\$ broad index	127.7	125.8	125.3	124.3
Japanese yen (JPY)	116.8	112.1	111.4	111.5
Australian dollar (AUD)	1.38	1.30	1.31	1.34
Sth Korean won (KRW)	1209	1129	1119	1140
Indian rupee (INR)	67.9	66.7	64.9	64.3
Indonesian rupiah (IDR)	13427	13382	13322	13267
Thai baht (THB)	35.9	34.9	34.3	34.6
Malaysian ringgit (MYR)	4.49	4.44	4.43	4.34

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Feb-17	Mar-17	Apr-17
Crude oil (Brent)	52.4	54.9	51.6	52.3
Jet fuel	64.0	65.0	60.7	63.4

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	Jan-17	Feb-17	Mar-17
Region (registration basis)				
Asia Pacific	9.1	12.7	6.6	10.7
World	6.3	9.0	4.9	6.8
Routes (segment basis)				
India domestic	23.3	26.6	17.0	14.6
Japan domestic	0.7	3.5	1.9	7.8
Australia domestic	1.6	2.9	-2.5	0.9
Asia - Europe	1.8	6.9	7.8	9.5
Within Asia	7.3	8.4	3.5	6.5
Asia - Nth America	6.4	7.5	2.2	5.7
Asia - Middle East	9.0	9.8	5.4	4.2
S/w Pacific - N/S America	15.5	12.9	10.4	14.2
Asia - Africa	6.8	2.1	1.3	3.5

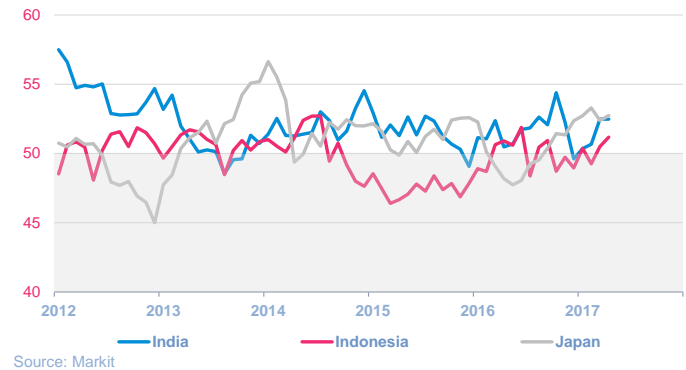
Source: IATA Statistics Note: historical data may be subject to revision

→ Growth in global RPKs retraced some of last month's fall, recovering to be 6.8% higher yoy in Mar. This completes a robust first quarter – industry-wide RPKs were 7.0% higher than in the same period a year ago, well ahead of the long-run average rate of ~5.5%.

→ At the regional level, RPK growth for the Asia-Pac carriers also bounced back in Mar, returning to a strong,

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



→ Business confidence ticked higher again in Indonesia this month, but shifted sideways for both Japan & India, with the latter consolidating the strong gain observed in the data last month.

→ The US\$ eased further on a trade-weighted basis in April, down 0.7%. Amongst the main regional currencies, performance was mixed this month; most notable, the MYR gained 2% vs the US\$ but the KRW & AUD both eased by a similar amount.

→ Brent crude oil & jet fuel prices ended the month higher (the latter up a sizeable 4.5%), buoyed by statements of support from Russia & Saudi Arabia to extend the production cuts.

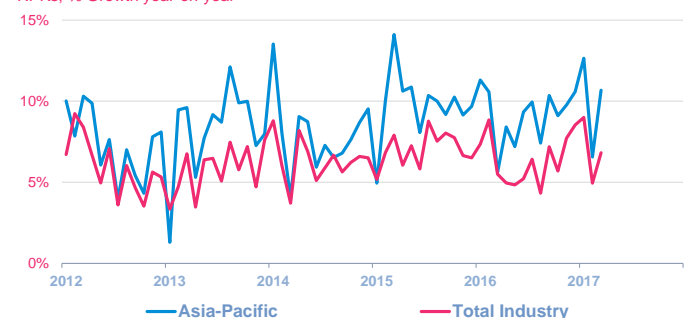
double-digit pace of 10.7%yoy.

→ The seasonally adjusted trend in Japan domestic RPKs has picked up since May last year, with yoy growth rising to a 3yr high of 7.8% this month. The sizeable 14.6%yoy growth rate in the India domestic market was, nonetheless, its slowest pace since Sept15.

→ Amongst the large international markets, Asia-Europe remains the strongest performer, with RPK growth of 9.5%yoy, followed by Within Asia at 6.5%.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Jan-17	Feb-17	Mar-17
Region (registration basis)				
Asia Pacific	2.1	4.6	11.7	13.6
World	3.8	6.2	8.4	14.0
Routes (segment basis)				
Asia - Europe	3.9	9.2	10.6	19.5
Asia - Nth America	-1.2	6.3	8.4	12.3
Within Asia	7.0	8.7	20.5	15.8
Asia - Middle East	3.7	-0.8	-6.5	9.2
S/w Pacific - N/S America	18.6	38.8	25.6	51.0
Asia - Africa	30.1	48.4	34.9	74.4

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

- Global FTKs grew by 14.0%yoy in Mar – the fastest pace since Oct 2010. For Q1 overall, freight volumes rose almost 10% on the same period last year.
- At the regional level, FTK growth also accelerated, albeit more modestly than the industry rate, rising to 13.6%yoy. The healthy recent performance in air freight markets is clearly evident in the Asia-Pac figures – the largest region in terms of international FTKs flown.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2016	Jan-17	Feb-17	Mar-17
Passenger					
Asia Pacific	ASK	8.1	9.5	3.6	8.0
	PLF	79.6	81.5	81.5	80.7
World	ASK	6.3	7.3	2.8	6.1
	PLF	80.5	80.3	79.5	80.4
Freight					
Asia/Pacific	AFTK	3.6	5.1	1.5	4.8
	FLF	52.8	49.5	49.5	57.0
World	AFTK	5.3	3.3	0.1	4.2
	FLF	43.0	41.9	43.4	47.4

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

- Both pax & freight capacity growth by the Asia-Pac carriers continues to exceed that of the overall industry. Asia-Pac carrier ASKs are up 8.0% & AFTKs are up 4.8% on their year-ago levels, compared with 6.1% & 4.2%, respectively, for the industry.
- The outperformance of the Asia-Pac carrier load factors over the industry-wide outcomes has also been maintained this month. A PLF of 80.7% for the region's carriers (vs the 80.4% industry figure) & a FLF of 57.0% (vs 47.4% industry-wide).
- The initial Q1 data show softer EBIT margin outcomes at both the region & industry level. For the Asia-Pac

Airline operating (EBIT) margins*

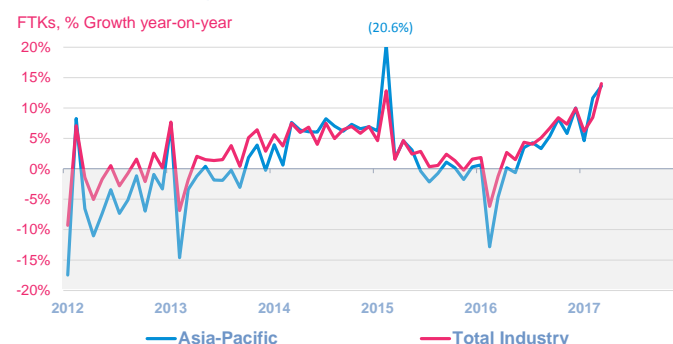
%revenues	2015	2016	2016Q1	2017Q1
Asia Pacific	8.0	10.0	5.7	2.1
Industry	8.5	8.8	9.6	4.8

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

- Exporters across much of the region continue to report healthy order books & double-digit freight volume growth is evident on most key markets.

- Of the largest markets, Asia-Europe FTKs are up ~20%yoy, followed by Within Asia (15.8%). Also notable this month was the return to positive yoy growth for the Asia-Middle East market, now up a robust 9.2%.

Growth in air freight volumes



Source: IATA Statistics

carriers the 2.1% margin is down from 5.7% a year ago & is below that of the industry which has, in turn, halved from 9.6% to 4.8% currently.

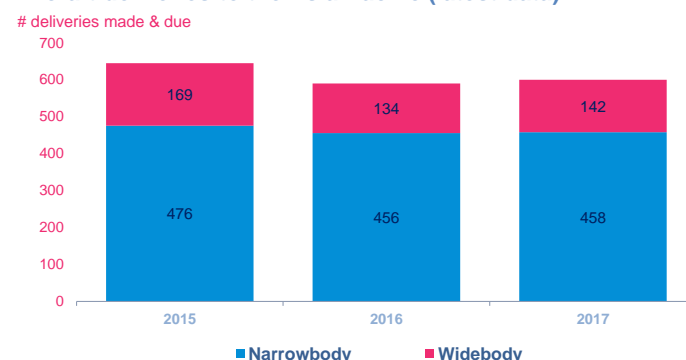
- Despite being 8-9%yoy lower, global average pax yields continue to show tentative indications of having possibly bottomed. At the regional level, yoy yields have clearly narrowed & have now *risen* in some markets – Australia domestic the standout with yields up 12.8%yoy currently.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2016	Jan-17	Feb-17	Mar-17
India domestic	-14.9	-15.4	-11.3	-6.4
Japan domestic	2.3	5.0	2.4	1.4
Australia domestic	-9.0	1.3	7.2	12.8
Asia - Europe	-10.3	-8.5	-3.7	0.6
Within Asia	-10.0	-9.2	-7.8	-7.7
Asia - Nth America	-7.2	-5.3	-2.3	-0.7
Asia - Middle East	-10.5	-15.5	-11.6	-7.6
Asia - Sth America	-9.1	-10.7	-8.8	-6.4
Asia - Africa	-8.8	-7.3	-3.0	-0.5

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

Aircraft deliveries to the Asia Pacific (latest data)



Source: Ascend