



STATE OF THE REGION: ASIA-PACIFIC

SEPTEMBER 2017

Economy

GDP growth, selected countries

%change on a yr ago	2016	2016Q4	2017Q1	2017Q2
India	7.9	7.0	6.1	5.7
Japan	1.0	1.7	1.4	1.6
Indonesia	5.0	4.9	5.0	5.0
Korea	2.8	2.4	3.0	2.7
Australia	2.5	2.4	1.8	1.8
Thailand	3.2	3.0	3.3	3.5
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	Jun-17	Jul-17	Aug-17
US\$ broad index	127.7	122.3	120.7	119.3
Japanese yen (JPY)	116.8	112.3	110.4	110.2
Australian dollar (AUD)	1.38	1.30	1.25	1.26
Sth Korean won (KRW)	1209	1144	1122	1124
Indian rupee (INR)	67.9	64.6	64.2	63.9
Indonesian rupiah (IDR)	13427	13378	13282	13336
Thai baht (THB)	35.9	33.9	33.3	33.2
Malaysian ringgit (MYR)	4.49	4.29	4.28	4.27

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Jun-17	Jul-17	Aug-17
Crude oil (Brent)	52.4	46.4	48.5	51.7
Jet fuel	64.0	54.4	59.5	65.6

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	May-17	Jun-17	Jul-17
Region (registration basis)				
Asia Pacific	9.0	11.6	11.1	8.4
World	6.4	7.6	7.7	6.8
Routes (segment basis)				
India domestic	23.3	17.7	20.3	12.5
Japan domestic	0.7	10.6	7.9	6.6
Australia domestic	1.6	0.0	-0.4	-0.8
Asia - Europe	1.8	15.4	10.6	6.4
Within Asia	7.3	5.7	5.2	4.0
Asia - Nth America	6.4	5.8	5.3	3.8
Asia - Middle East	9.0	6.7	5.0	6.6
S/w Pacific - N/S America	15.5	9.0	7.0	-0.8
Asia - Africa	6.8	8.1	4.8	5.1

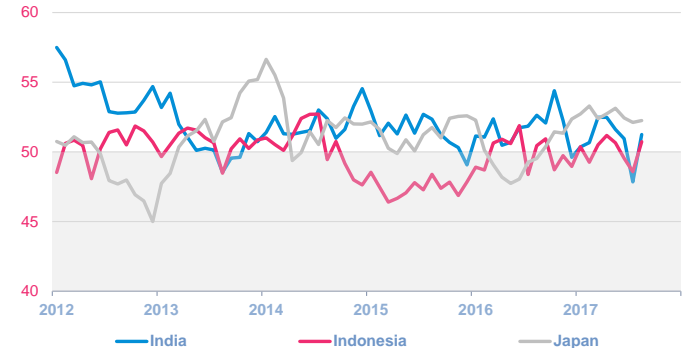
Source: IATA Statistics Note: historical data may be subject to revision

→ Global RPKs grew by a robust 6.8%yoy in Jul, easing from 7.7% in Jun. For the AsiaPac carriers, pax volume growth also eased this month but, at 8.4%yoy, the region still tops the growth charts.

→ Amongst the main domestic markets, RPK growth in India slowed to 12.5% in July – its slowest pace since November 2014. That said, following a slowdown in the

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



→ Business confidence in both India & Indonesia rebounded, returning to levels associated with economic expansion this month. In Japan, the sideways trend of business sentiment in recent months was maintained.

→ On a trade-weighted basis, the US\$ eased further in Aug, down 1.1% in the month & continuing its recent downtrend. Movements in the region's main currencies were subdued this month; the largest change was a 0.7% fall in the value of the AUD vs the US\$.

→ Brent crude oil & jet fuel prices rose again in Aug, stepping up by 7-10%; the former moving back above US\$50/bbl & the latter above US\$65/bbl. The crack spread also widened further this month.

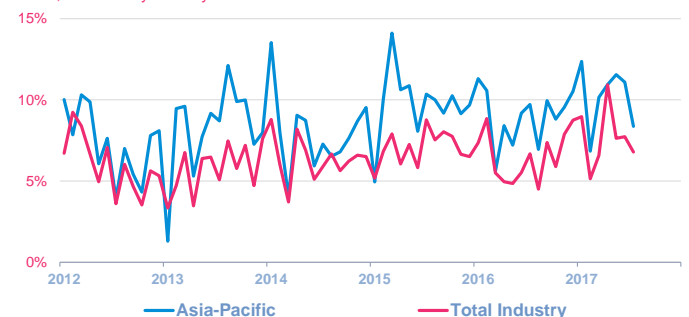
early part of the year, the strong upwards trend in seasonally-adjusted traffic volumes appears to have reasserted itself.

→ Despite easing in recent months, domestic Japan RPKs grew by 6.6%yoy, well above the 5yr average pace & supported by an improvement in economic conditions.

→ Of the larger international markets, Asia-ME is the strongest performer, also growing at a 6.6%yoy pace, with the Asia-Europe market not far behind at 6.4%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2016	May-17	Jun-17	Jul-17
Region (registration basis)				
Asia Pacific	2.0	11.5	10.9	11.0
World	3.9	12.9	11.2	11.4
Routes (segment basis)				
Asia - Europe	3.9	15.1	13.8	11.1
Asia - Nth America	-0.6	12.4	11.0	10.8
Within Asia	7.0	13.7	11.4	16.0
Asia - Middle East	3.7	10.4	2.6	9.3
S/w Pacific - N/S America	18.6	34.3	41.8	18.5
Asia - Africa	30.1	72.9	79.7	82.4

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

- Global FTK growth ticked up slightly in Jul, to 11.4%yoy – recording a double-digit annual growth rate for the 4th time in 5 months.
- For the AsiaPac carriers, FTK growth was essentially unchanged this month, up 11%yoy & broadly aligned with the overall industry performance. Despite recent mixed outcomes, the latest data showed improving

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2016	May-17	Jun-17	Jul-17
Passenger					
Asia Pacific	ASK	8.0	8.4	9.1	7.9
	PLF	79.6	79.6	80.8	82.0
World	ASK	6.4	6.2	6.4	6.1
	PLF	80.5	80.0	81.9	84.7
Freight					
Asia/Pacific	AFTK	3.5	5.7	7.4	6.3
	FLF	52.8	55.0	56.1	55.0
World	AFTK	5.4	4.9	4.8	3.7
	FLF	43.0	45.4	45.2	43.7

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

- The industry-wide pax load factor increased to a strong 84.7% in Jul, with ASKs up 6.1%. For the AsiaPac carriers, pax capacity is up ~8%yoy &, despite a moderate gain this month, the PLF sits below the industry figure, at an even 82%.
- AsiaPac airlines have also increased freight capacity by more than the industry, at 6.3% vs a more modest 3.7%, over the past year. But the AsiaPac FLF continues to set the standard, at 55.0% vs the industry-wide 43.7%.
- The latest Q2 financial data further suggest that the squeeze on industry margins has eased somewhat from Q1. At the industry level, the EBIT margin is currently 9.5%, down from 10.2% in 2Q16. The story is less

Airline operating (EBIT) margins*

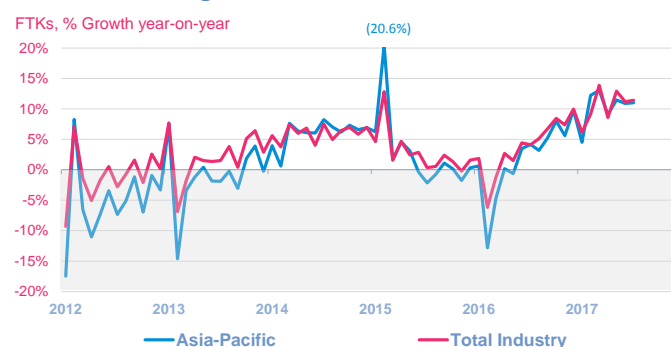
%revenues	2015	2016	2016Q2	2017Q2
Asia Pacific	8.0	10.0	7.3	4.3
Industry	8.5	8.8	10.2	9.5

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

conditions in the major exporters of China and Japan, which will help to support freight volumes going forward.

- The three largest international markets are currently all showing double-digit FTK growth; Within Asia is the standout, at 16.0%yoy. While much smaller, freight vols for the Asia-Africa market are up a massive 80%yoy.

Growth in air freight volumes



Source: IATA Statistics

upbeat for the AsiaPac carriers where the EBIT margin is 3pp lower than a year ago (4.3% vs 7.3% a 2Q16) & remains well below the industry-wide performance.

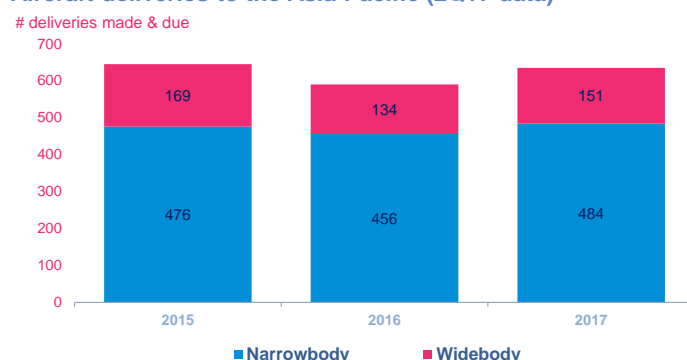
- Global pax yields (in US\$ terms) have continued to trend modestly upwards in recent months. This trend is broadly reflected at the regional level, with most markets now reporting higher yields compared with a year ago; Within Asia, Asia-Nth America & domestic Japan being the exceptions.

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

%change on a yr ago	2016	May-17	Jun-17	Jul-17
India domestic	-15.3	-1.8	0.9	1.0
Japan domestic	5.4	-6.2	-4.0	-3.6
Australia domestic	-9.2	7.3	5.8	7.3
Asia - Europe	-10.3	1.5	1.7	4.7
Within Asia	-10.0	-5.6	-5.7	-4.4
Asia - Nth America	-7.2	-2.7	-1.8	-3.8
Asia - Middle East	-10.5	0.8	1.4	2.5
Asia - Sth America	-9.1	-1.6	-1.3	4.7
Asia - Africa	-8.8	-0.9	-0.7	1.1

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

Aircraft deliveries to the Asia Pacific (2Q17 data)



Source: Ascend