

# State of the region: Asia-Pacific

April 2019

## Economy

### GDP growth, selected countries

% change on a yr ago	2017	Q2 2018	Q3 2018	Q4 2018
India	6.9	8.0	7.0	6.6
Japan	1.9	1.4	0.2	0.3
Indonesia	5.1	5.3	5.2	5.2
Korea	3.1	2.8	2.0	3.2
Australia	2.4	3.1	2.7	2.3
Thailand	4.0	4.6	3.2	3.7
Malaysia	5.9	4.5	4.4	4.7
<b>World*</b>	<b>3.2</b>	<b>3.4</b>	<b>3.1</b>	<b>2.9</b>

\* Market exchange rate basis † Estimate Source: Datastream

### Exchange rates

end of period, # per US\$	2018	Jan-19	Feb-19	Mar-19
US\$ broad index	128.5	126.7	126.8	127.2
Japanese yen (JPY)	110.0	108.8	111.3	110.7
Australian dollar (AUD)	1.42	1.37	1.41	1.41
Sth Korean won (KRW)	1115	1112	1125	1137
Indian rupee (INR)	69.8	71.1	71.1	69.3
Indonesian rupiah (IDR)	14380	13973	14068	14240
Thai baht (THB)	32.6	31.2	31.5	31.7
Malaysian ringgit (MYR)	4.13	4.10	4.07	4.08

Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2018	Jan-19	Feb-19	Mar-19
Crude oil (Brent)	71.7	59.9	64.4	66.9
Jet fuel	86.4	75.7	80.1	81.1

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger kilometers (RPKs)

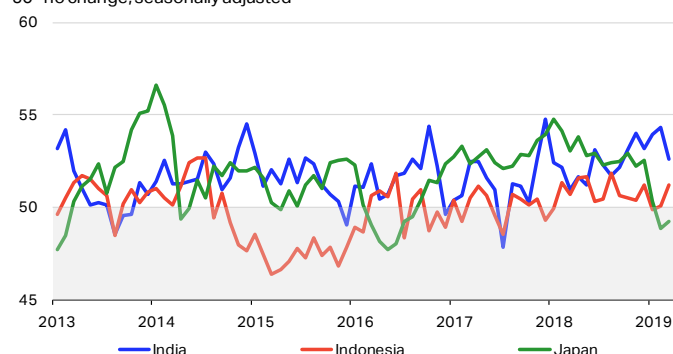
% change on a yr ago	2018	Dec-18	Jan-19	Feb-19
<b>Region (registration basis)</b>				
Asia Pacific	8.6	6.1	8.7	6.3
World	6.6	5.5	6.5	5.3
<b>Routes (segment basis)</b>				
India domestic	19.0	14.8	12.3	10.0
Japan domestic	2.0	4.7	3.3	2.5
Australia domestic	1.5	-1.4	-0.4	-1.7
Asia - Europe	7.0	6.8	8.8	5.5
Within Asia	8.4	6.5	8.2	4.1
Asia - Nth America	3.9	1.4	6.3	-0.5
Asia - Middle East	4.4	1.4	0.6	1.0
S/w Pacific - N/S America	6.9	9.1	8.6	8.7
Asia - Africa	9.4	9.7	11.6	-1.1

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

- Following a short-lived uptick to 6.5% last month, annual growth in industry-wide revenue passenger kilometres (RPKs) eased to 5.3% in February, marking the slowest year-on-year growth rate in passenger volumes in more than a year.
- The pace of growth for carriers based in Asia-Pacific, the market with the largest RPK share in the industry

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

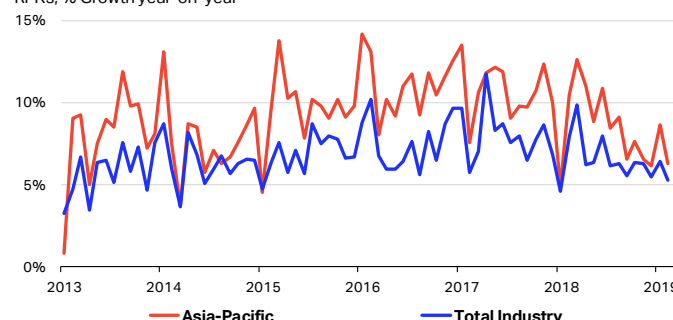
- Japan's business confidence remained in the region associated with slowdown amidst weak demand conditions. Sentiment improved in Indonesia, supported by growth in output and new orders, but fell in India, reflecting a slower pace of growth in production, employment & new orders.
- On a trade-weighted basis, the US\$ rose by 0.3% in March, marking a second consecutive month of modest growth. The INR & JPY gained against the US\$ 2.6% & 0.6%, respectively, while the other main regional currencies ended the month lower.
- OPEC supply cuts along with US sanctions imposed on Venezuela and Iran pushed oil and jet fuel prices higher for a third consecutive month.

(34.5% of the total), slowed to 6.3%. However, it remains well above the industry-wide average.

- India domestic growth has eased in recent months, but is still up a robust 10%yoy. For Japan, the pace of growth eased to 2.5%yoy but the modest upward trend remains in place. In Australia, growth remained negative for the fourth consecutive month.
- Of the key international markets, the larger Asia-Europe performed strongly in Feb, although the 5.5%yoy growth was the weakest in the past 9 months. The smaller S/w Pacific-N/S America was the key mover with RPKs up by 8.7% vs a year ago.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

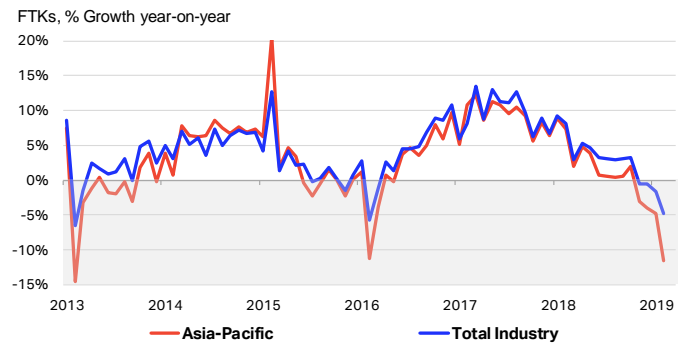
% change on a yr ago	2018	Dec-18	Jan-19	Feb-19
<b>Region (registration basis)</b>				
Asia Pacific	1.8	-4.0	-4.8	-11.6
World	3.5	-0.5	-1.6	-4.7
<b>Routes (segment basis)</b>				
Asia - Europe	1.1	-1.4	-4.5	-7.1
Asia - Nth America	3.7	-1.1	-3.7	-7.8
Within Asia	0.6	-8.5	-5.8	-15.5
Asia - Middle East	4.8	2.5	1.3	-3.8
S/w Pacific - N/S America	8.7	4.7	-0.9	-3.3
Asia - Africa	-4.0	-4.2	-4.3	-22.0

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

- Industry-wide freight tonne kilometres (FTKs) for February were 4.7% below their level of a year ago, reflecting the weakness observed in world trade, and an easing in some global economic indicators and key air freight demand drivers.
- FTKs flown by AsiaPac airlines fell by a very substantial 11.6%yoy over the past year with the ongoing trade tensions between China & the US that impact the regional performance. Annual FTK growth has now been negative for four consecutive months.

- The weak performance at the regional level translated into poor growth outcomes for the key markets this month. Indeed, yoy growth rates deteriorated compared to Jan across all main international routes.
- The larger Asia-Europe & Asia-NthAm markets saw volumes falling by 7.1% & 7.8% vs a year ago, respectively, while for Within Asia, FTKs were down 15.5% compared with Feb 2018, the worst outcome since early-2013.

### Growth in air freight volumes



Source: IATA Statistics

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago		2018	Dec-18	Jan-19	Feb-19
LF: % of ASK/AFTK					
<b>Passenger</b>					
Asia Pacific	ASK	7.9	6.8	7.6	5.8
	PLF	81.5	80.7	81.1	82.6
World	ASK	6.1	6.4	6.4	5.4
	PLF	81.9	80.3	79.6	80.6
<b>Freight</b>					
Asia Pacific	AFTK	4.3	0.8	2.9	-3.7
	FLF	55.8	55.3	50.0	47.3
World	AFTK	3.7	3.8	4.7	2.7
	FLF	49.1	48.8	44.9	44.7

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

- The industry-wide passenger load factor (PLF) ticked up to 80.6% in Feb, up from 79.6% in the previous month. In contrast, the freight load factor (FLF) eased to 44.7%, the lowest level in about 3.5 years.
- Both the PLF and FLF for airlines based in Asia Pacific continued to outperform the industry average in Feb, most notably on the freight side.
- The latest airline financial data from the final quarter of 2018 indicate a decline in industry & regional performance vs a year ago. The industry-wide EBIT margin slipped to 4.7% from 7.2% and the regional outcome moved broadly in line with the industry in Q4.

### Airline operating (EBIT) margins\*

% revenues	2016	2017	2017Q4	2018Q4
Asia Pacific	7.4	6.7	7.6	4.6
Industry	8.5	7.7	7.2	4.7

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

- Pax yield developments over the year to Feb generally deteriorated for the region's key markets, with seven out of the eight markets posting negative growth rates. Asia-Europe was the main underperformer this month with volumes down 9.7% vs a year ago, followed by Asia-SthAm (-9.5%) & Australia domestic (-9.3%).

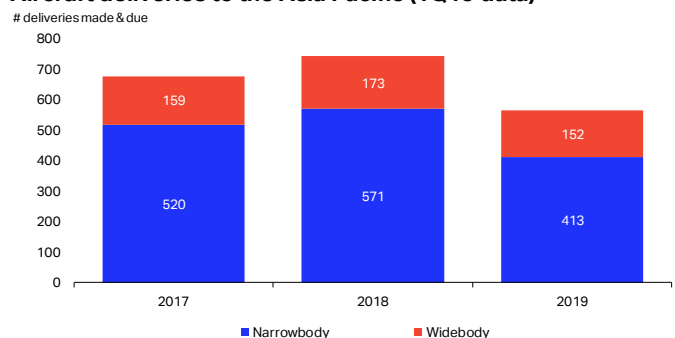
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Dec-18	Jan-19	Feb-19
India domestic	-2.8	-0.1	-2.8	-2.1
Australia domestic	-0.8	-8.6	-9.1	-9.3
Asia - Europe	-1.9	-4.1	-3.6	-9.7
Within Asia	-1.8	-7.7	-2.2	-9.0
Asia - Nth America	-2.7	1.8	5.2	-4.3
Asia - Middle East	-1.5	-0.6	3.1	2.8
Asia - Sth America	0.7	-6.7	-7.6	-9.5
Asia - Africa	0.8	0.3	-2.5	-6.3

Source: IATA Travel Intelligence Note: historical data may be subject to revision

- The latest data show a moderate decline in the number of jet aircraft deliveries that are scheduled for Asia Pac carriers in 2019 vs 2018.

### Aircraft deliveries to the Asia Pacific (1Q19 data)



Source: Ascend