

State of the region: Asia Pacific

April 2020

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q2 2019	Q3 2019	Q4 2019
India	5.3	5.6	5.1	4.7
Japan	0.7	0.9	1.7	-0.7
Indonesia	5.0	5.1	5.0	5.0
Korea	2.0	2.1	2.0	2.3
Australia	1.8	1.6	1.8	2.2
Thailand	2.4	2.4	2.6	1.6
Malaysia	4.3	4.9	4.4	3.6
World*	2.6	2.6	2.5	2.5

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2019	Jan-20	Feb-20	Mar-20
US\$ broad index	114.7	115.8	117.8	122.8
Japanese yen (JPY)	108.6	108.4	108.0	107.9
Australian dollar (AUD)	1.43	1.49	1.55	1.63
Sth Korean won (KRW)	1155	1198	1209	1219
Indian rupee (INR)	71.4	71.4	72.2	75.7
Indonesian rupiah (IDR)	13883	13655	14348	16310
Thai baht (THB)	30.0	31.2	31.6	32.8
Malaysian ringgit (MYR)	4.09	4.10	4.22	4.32

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Jan-20	Feb-20	Mar-20
Crude oil (Brent)	64.2	63.9	55.7	33.9
Jet fuel	79.6	76.2	65.1	40.1

Source: Platts, Datastream (monthly average data)

Market

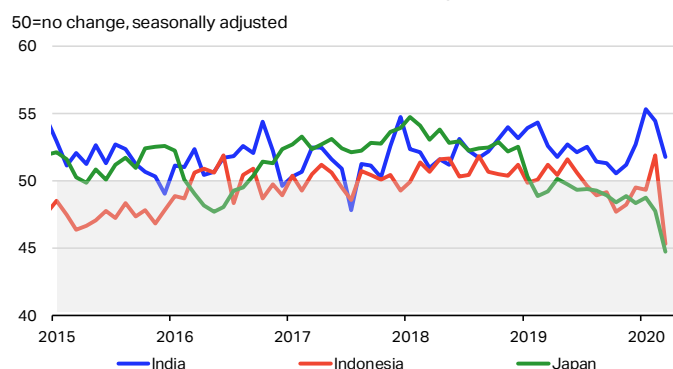
Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Dec-19	Jan-20	Feb-20
Region (registration basis)				
Asia Pacific	4.8	3.8	0.5	-41.3
World	4.2	4.5	2.5	-14.1
Routes (segment basis)				
India domestic	5.2	2.8	2.7	8.4
Japan domestic	3.9	2.1	3.9	-2.8
Australia domestic	0.7	2.4	0.5	-4.0
Asia - Europe	6.6	5.1	4.1	-20.4
Within Asia	6.4	5.2	4.7	-40.7
Asia - Nth America	2.0	6.0	3.0	-30.4
Asia - Middle East	3.5	5.2	5.2	-6.1
S/w Pacific - N/S America	4.8	3.5	3.5	2.1
Asia - Africa	5.0	7.9	4.3	-34.2

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

- Industry-wide revenue passenger kilometres (RPKs) contracted by 14.1%yoy in February as the COVID-19 outbreak weighed significantly on the China domestic and broader Asia-Pacific markets.
- Asia-Pacific RPKs declined by 41%yoy in February. The region's carriers bore the brunt of the decline as flights

Business confidence - manufacturing PMIs

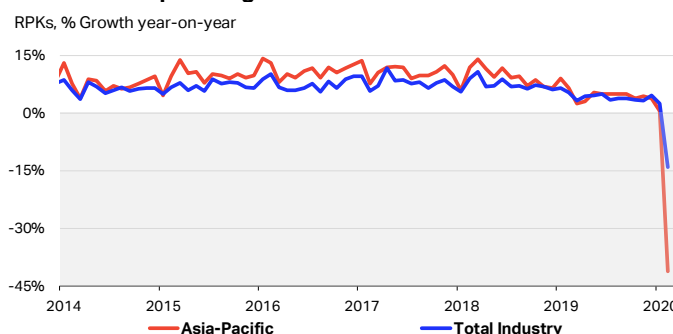


- Business sentiment in Indonesia and Japan plunged in March as manufacturers struggled with restrictive measures amidst the COVID-19 crisis. Business confidence also fell in India as weaker global demand weighed on the country's exports.
- The virus also impacted March's FX movements. The US\$ strengthened by a significant 4.3%, reflecting high demand for dollar liquidity. All of the key regional currencies fell against the US\$, most notably the IDR (down ~14%).
- The monthly average jet fuel and crude oil price plunged by ~40% in March amidst the negative impact of COVID-19 on global fuel demand along with the oil price war between Saudi Arabia and Russia.

to/from China were cancelled and demand for travel to/from and within the region plummeted.

- Domestic RPKs picked up to 8.4%yoy in India as local carriers boosted air travel demand by lowering airfares in the typically weak travel season. By contrast air travel demand deteriorated in domestic Australia and Japan – markets popular amongst Chinese tourists.
- Four of the region's six key remaining markets contracted by more than 20%yoy in February reflecting the severe impact of the virus on air travel demand.

Growth in air passenger volumes



Cargo tonne kilometers (CTKs)

<i>% change on a yr ago</i>	2019	Dec-19	Jan-20	Feb-20
Region (registration basis)				
Asia Pacific	-5.6	-2.8	-6.4	-2.2
World	-3.2	-1.6	-3.9	-1.4
Routes (segment basis)				
Asia - Europe	-1.6	0.6	-2.7	-6.4
Asia - Nth America	-3.7	-2.3	-3.0	-2.4
Within Asia	-7.4	-0.2	-9.4	9.8
Asia - Middle East	-2.7	1.0	-1.7	2.7
S/w Pacific - N/S America	-8.5	-5.6	4.7	-5.4
Asia - Africa	12.4	17.0	2.3	8.8

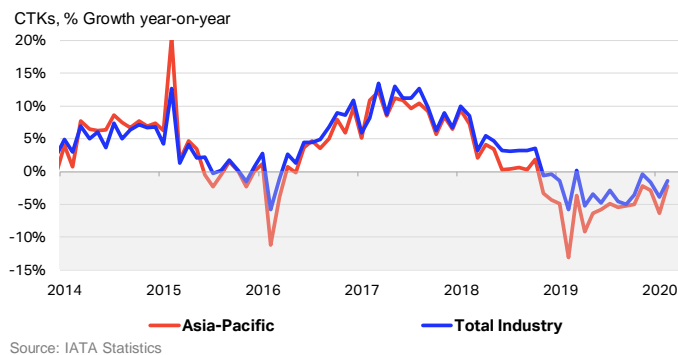
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide cargo tonne kilometres were 1.4% lower than their level of February 2019. However, the relatively moderate decline largely reflects the weak outcome a year ago. Indeed, in month-on-month terms, CTKs fell by 9.1% amid the virus crisis.
- COVID-19 weighed significantly on CTKs in the Asia Pacific region – the world's primary manufacturing and distribution hub. Indeed, in month-on-month terms, air

cargo volumes declined by a sizeable 15% - the largest fall in the history of this time series (since 1990). As was the case at the industry level, the region's modest yoy CTK decline reflects a weak outcome for February 2019 – the height of the China-US trade war.

- Of the region's key markets, Asia-Europe contracted by 6.4%yoy – more than twice the pace of the decline seen in January. The Within Asia market saw cargo volumes up by ~10%yoy, which, again, is largely a reflection of the weak Feb 2019 outcome (-15.5%yoy).

Growth in air cargo volumes



Industry

Capacity growth and load factors

<i>ASK/ACTK: %ch on a yr ago,</i>		2019	Dec-19	Jan-20	Feb-20
LF: % of ASK/ACTK					
Passenger					
Asia Pacific	ASK	4.6	2.7	2.3	-28.2
	PLF	81.9	81.7	80.0	67.8
World	ASK	3.4	2.2	1.7	-8.7
	PLF	82.6	82.2	80.4	75.9
Cargo					
Asia/Pacific	ACTK	1.1	2.7	-1.1	-17.7
	CLF	52.3	52.3	47.7	54.3
World	ACTK	2.3	4.2	0.8	-4.4
	CLF	46.7	46.6	44.7	46.4

Source: IATA Statistics. Note: LF=load factor. ASK=available seat kilometers. ACTK=available cargo tonne kilometers

- With RPKs falling at almost twice the rate of capacity, the industry-wide passenger load factor (PLF) dropped by a significant 4.8ppts vs a year ago. The Asia Pacific PLF eased even more sharply, down 15.1ppts yoy.
- The cancellation of passenger flights due to COVID-19 removed considerable bellyhold capacity from the cargo market. With ACTKs falling faster than CTKs, the CLF picked up by 1.5ppts vs a year ago. At the regional level, Asia Pacific airlines recorded a CLF 8.6ppts higher compared with a year ago.
- The Q4 2019 airline financial data show a slightly higher industry-wide profit result ahead of the COVID-19

Airline operating (EBIT) margins*

<i>% revenues</i>	2018	2019E	2018Q4	2019Q4
Asia Pacific	4.7	3.5	4.7	5.6
Industry	5.7	5.1	5.9	7.0

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

crisis. At the regional level, the EBIT margin rose by around 1ppt to 5.6% of revenues.

- Developments in passenger yields (denominated in US\$) deteriorated across the key markets for the region. Yield growth returned to negative territory for both India and Australia domestic routes. Yields also declined sharply for the Within Asia market (-17.2%) and to a lesser extent on Asia-Europe routes (-5.7%).

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

<i>% change on a yr ago</i>	2019	Dec-19	Jan-20	Feb-20
India domestic	3.3	-1.5	1.3	-3.3
Australia domestic	-5.6	-1.2	1.0	-4.8
Asia - Europe	-7.7	-6.6	-2.2	-5.7
Within Asia	-4.5	-2.5	3.7	-17.2
Asia - Nth America	-2.6	-4.5	4.2	4.0
Asia - Middle East	7.7	5.6	6.0	0.5
Asia - Sth America	-7.8	-4.0	-1.8	-4.8
Asia - Africa	-5.8	-4.4	3.1	-2.1

Source: DDS Note: historical data may be subject to revision

- The latest data show a slight fall in jet aircraft deliveries scheduled for Asia Pacific carriers in 2020 vs 2019.

Aircraft deliveries to the Asia Pacific (as of Apr 2020)

