



STATE OF THE REGION: ASIA-PACIFIC

APRIL 2018

Economy

GDP growth, selected countries

%change on a yr ago	2016	2017Q2	2017Q3	2017Q4
India	7.9	5.7	6.5	7.2
Japan	0.9	1.6	1.9	2.1
Indonesia	5.0	5.0	5.1	5.2
Korea	2.9	2.7	3.8	2.8
Australia	2.6	2.0	2.9	2.4
Thailand	3.3	3.9	4.3	4.0
Malaysia	4.2	5.8	6.2	5.9
World*	2.5	2.9	3.2	3.2

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2017	Jan-18	Feb-18	Mar-18
US\$ broad index	120.0	117.2	117.6	118.1
Japanese yen (JPY)	112.6	109.2	106.8	106.4
Australian dollar (AUD)	1.28	1.24	1.28	1.30
Sth Korean won (KRW)	1068	1068	1083	1063
Indian rupee (INR)	63.9	63.6	65.2	65.1
Indonesian rupiah (IDR)	13636	13362	13773	13717
Thai baht (THB)	32.6	31.3	31.5	31.2
Malaysian ringgit (MYR)	4.05	3.90	3.92	3.87

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Jan-18	Feb-18	Mar-18
Crude oil (Brent)	54.2	69.1	65.3	66.0
Jet fuel	65.6	82.0	77.7	78.0

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

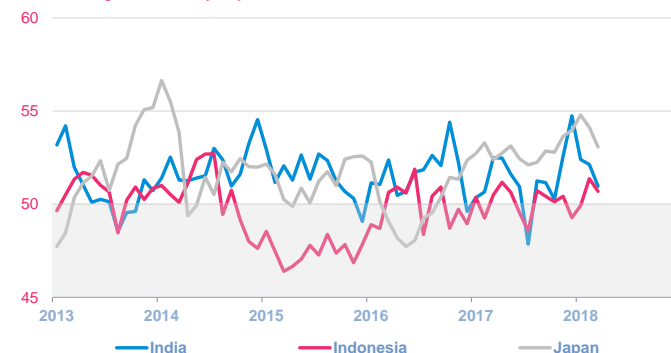
%change on a yr ago	2017	Dec-17	Jan-18	Feb-18
Region (registration basis)				
Asia Pacific	10.2	9.5	5.0	10.1
World	7.6	6.5	4.5	7.6
Routes (segment basis)				
India domestic	17.5	17.4	17.9	22.9
Japan domestic	5.8	2.1	2.6	5.8
Australia domestic	0.5	2.1	3.3	3.9
Asia - Europe	9.5	7.0	4.8	7.1
Within Asia	11.2	11.5	5.1	9.4
Asia - Nth America	4.9	3.3	0.3	7.9
Asia - Middle East	7.3	3.5	3.5	5.8
S/w Pacific - N/S America	5.9	8.2	5.9	12.0
Asia - Africa	4.1	7.3	4.5	13.5

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

- As expected, industry-wide RPKs rebounded strongly this month, following the Lunar New Year (LNY) disruption last month. Global RPKs are up 7.6%yoy in Feb, a full 3pp higher than the Jan outcome.
- Pax volumes for the AsiaPac carriers – the region most affected by the timing of LNY – similarly recovered strongly, with yoy RPK growth doubling to 10.1% in Feb.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted

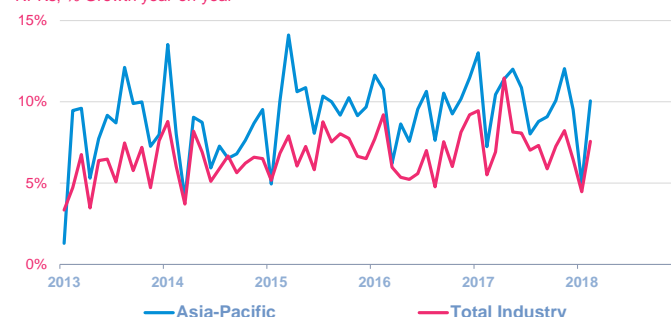


- In Indonesia, business confidence dipped on softer export sales while for Japan, key markets incl. Europe, & China continue to be sources of robust export demand & confidence remains elevated. In India, weaker orders led to the 1st decline in payroll employment in 8 months.
- On a trade-weighted basis, the US\$ rose again in Mar, up 0.4%. With the exception of the AUD (down 1.5%), the main regional currencies moved higher against the US\$; of note, the KRW rose 1.8% & the MYR 1.3%mom.
- Brent crude oil & jet fuel prices moved modestly higher in Mar, up around 1% & 0.5%mom, respectively. Prices stepped up in the latter part of the month & into April on OPEC production cuts & renewed geopolitical concerns.

- The pace of growth also picked up in each of the three domestic markets that we regularly track in the region. India continues to be the fastest growing domestic pax market, with RPKs up 22.9%yoy. Despite a much more modest pace (3.9%yoy), the Australia domestic market recorded its strongest growth in ~18mths in Feb.
- Within Asia is the best performer of the region's larger international markets (9.4%), while the smaller markets of Asia-Africa & S/west Pacific-Nth/Sth America are both showing RPK growth at a double-digit pace.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Dec-17	Jan-18	Feb-18
Region (registration basis)				
Asia Pacific	7.8	5.9	9.0	6.5
World	9.0	6.2	8.5	6.8
Routes (segment basis)				
Asia - Europe	11.0	6.3	11.4	8.5
Asia - Nth America	8.7	6.2	7.8	7.8
Within Asia	13.0	9.5	12.5	4.7
Asia - Middle East	6.3	12.8	5.8	11.3
S/w Pacific - N/S America	31.1	30.5	5.7	12.1
Asia - Africa	58.6	22.5	23.9	19.5

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

- Following a bring-forward in activity in Jan ahead of LNY, industry-wide FTK growth eased somewhat, to 6.8%yoy in Feb, from 8.5%. Taking Jan & Feb together, freight volumes are up 7.7%yoy, the fastest start to a year since 2015.
- AsiaPac carriers also saw FTK growth unwind in Feb, to 6.5%yoy, from an even 9.0% in Jan, slipping back to slightly below the industry-wide outcome.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK	2017	Dec-17	Jan-18	Feb-18
Passenger				
Asia Pacific ASK	8.4	8.6	6.3	9.3
World ASK	6.3	5.8	5.2	6.3
Asia Pacific PLF	81.0	81.2	80.5	82.1
World PLF	81.5	80.9	79.6	80.4
Freight				
Asia/Pacific AFTK	1.4	3.4	2.2	7.2
World AFTK	3.0	4.1	4.4	5.6
Asia/Pacific FLF	56.1	56.6	53.0	51.3
World FLF	45.4	46.6	43.4	44.4

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

- Over the past year, growth in industry-wide pax & freight capacity has lagged that of demand, with ASKs up 6.3% & AFTKs up 5.6%. The industry PLF moved back above 80% in Feb to 80.4% while the FLF also lifted, to 44.4%.
- AsiaPac airlines have grown capacity at a faster pace than the industry overall but, even so, the load factors for the region's carriers continue to outperform; in fact, the AsiaPac region has the highest PLF & FLF this month.
- The final data for Q4 point to an industry-wide financial performance that is broadly on par with that of a year ago, with an EBIT margin of 8.6% currently. The performance of the region's carriers exceeds that of the

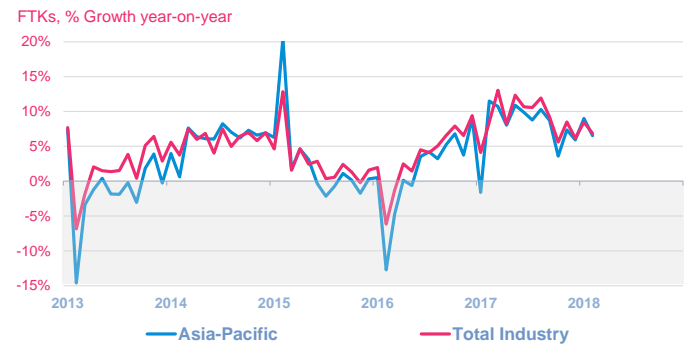
Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q4	2017Q4
Asia Pacific	8.0	10.0	12.9	10.6
Industry	8.5	8.8	8.8	8.7

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

- While the two largest air freight markets for the region (Europe & NthAm) continue to record robust growth in the order of 8-8.5%yoy, the Within Asia market (ranked #3) has slowed in recent months.
- The smaller markets of the Middle East, Africa & routes between S/west Pacific-Nth/Sth America are currently growing the strongest, all at a double-digit yoy pace.

Growth in air freight volumes



Source: IATA Statistics

industry overall, despite being a little softer vs a year ago, (at 10.6% vs 12.9% in Q4 2016). Recall that these data are not adjusted for seasonal variations.

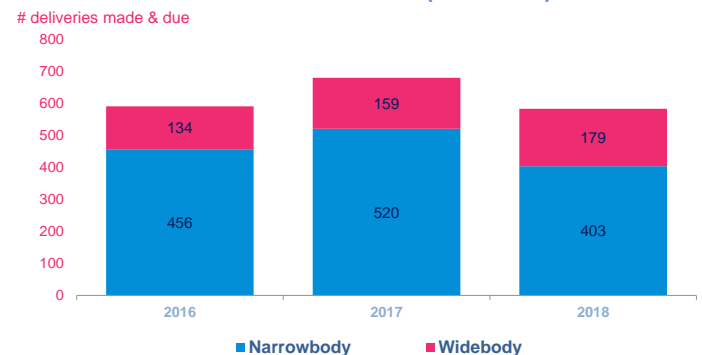
- Passenger yields amongst the region's key markets are mostly a little higher than their level of a year ago, although not convincingly so. Australia domestic is the strongest performing market, with yields up 9.6%yoy. Yields remain lower in yoy terms for the markets between Asia and both Nth America & the Middle East.

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

%change on a yr ago	2016	Dec-17	Jan-18	Feb-18
India domestic	-15.3	3.0	8.0	3.1
Australia domestic	-9.2	6.9	11.4	9.6
Asia - Europe	-10.8	7.0	9.5	6.0
Within Asia	-10.3	0.2	1.6	2.7
Asia - Nth America	-7.3	-3.6	0.7	-1.2
Asia - Middle East	-10.7	0.5	1.3	-2.3
Asia - Sth America	-9.2	3.7	2.8	0.9
Asia - Africa	-8.9	7.4	2.8	2.6

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

Aircraft deliveries to the Asia Pacific (1Q18 data)



Source: Ascend