

State of the region: Asia Pacific

April 2021

Economy

GDP growth, selected countries

% change on a yr ago	2020	Q2 2020	Q3 2020	Q4 2020
India	-6.9	-24.4	-7.3	0.4
Japan	-4.9	-10.3	-5.8	-1.3
Indonesia	-2.1	-5.3	-3.5	-2.2
Korea	-0.9	-2.8	-1.1	-1.2
Australia	-2.4	-6.3	-3.7	-1.1
Thailand	-6.2	-12.0	-6.4	-4.2
Malaysia	-5.6	-17.1	-2.6	-3.4
Philippines	-9.3	-16.7	-11.5	-8.4
World*	-3.6	-8.9	-2.7	-1.4

* Market exchange rate basis Source: Eikon Datastream

Exchange rates

end of period, # per US\$	2020	Jan-21	Feb-21	Mar-21
US\$ broad index	112.1	111.8	112.3	113.6
Japanese yen (JPY)	103.3	104.7	106.5	110.5
Australian dollar (AUD)	1.29	1.30	1.29	1.31
Sth Korean won (KRW)	1087	1114	1128	1128
Indian rupee (INR)	73.1	73.0	73.5	73.1
Indonesian rupiah (IDR)	14050	14030	14240	14525
Thai baht (THB)	30.0	29.9	30.1	31.3
Malaysian ringgit (MYR)	4.02	4.04	4.05	4.15
Philippine peso (PHP)	48.0	48.1	48.5	48.5

Source: Board of Governors of the Federal Reserve System (US), Eikon Datastream

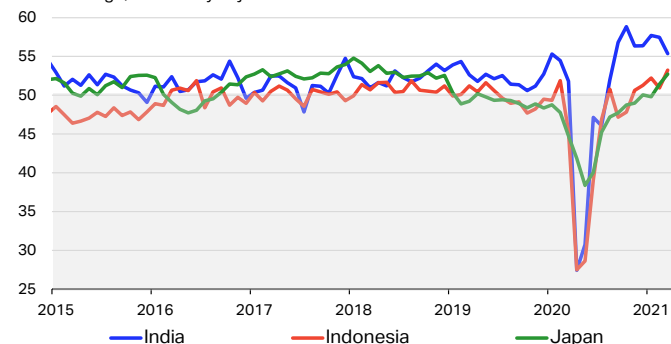
World oil and jet fuel price

US\$/barrel (period ave.)	2020	Jan-21	Feb-21	Mar-21
Crude oil (Brent)	43.4	55.2	62.4	65.8
Jet fuel	46.3	59.6	66.9	69.0

Source: Platts, Eikon Datastream (monthly average data)

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



- The latest PMI surveys indicate that the economic activity continues to recover from the crisis in the Asia Pacific region despite the resurgence of the virus in some of the key markets (e.g. India). The economic improvement remains driven by the manufacturing sector, which has been less impacted by the pandemic effects than the service sector.
- The trade-weighted US dollar index rose for the second consecutive month, up 1.2% in March. The THB was the main mover amongst the key regional currencies, ending the month down 3.7%.
- Despite some volatility caused by European lockdowns and inflation concerns, average jet fuel and Brent crude oil price picked in March, reflecting widespread optimism about the global economic recovery.

Market

Revenue passenger-kilometers (RPKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Dec-20	Jan-21	Feb-21
Region (registration basis)				
Asia Pacific	-62.0	-63.9	-72.6	-74.9
World	-65.9	-69.5	-72.2	-74.7
Routes (segment basis)				
India domestic	-55.7	-42.8	-37.6	-30.8
Japan domestic	-53.6	-50.6	-72.3	-72.8
Australia domestic	-69.3	-59.8	-77.3	-60.5
Asia - Europe	-79.0	-91.9	-92.9	-93.0
Within Asia	-84.1	-97.6	-97.8	-98.4
Asia - Nth America	-80.1	-92.2	-92.3	-93.4
Asia - Middle East	-73.6	-83.7	-81.7	-81.9
S/w Pacific - N/S America	-74.0	-97.4	-97.9	-98.3
Asia - Africa	-80.1	-92.5	-93.2	-92.8

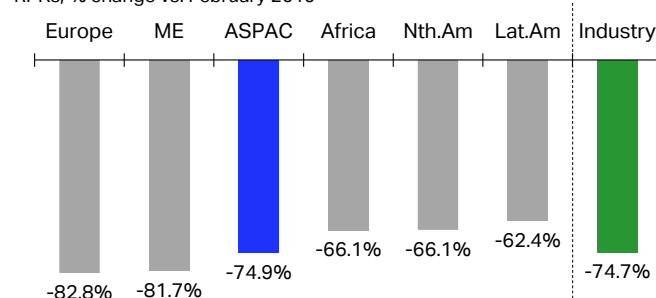
Source: IATA Economics Note: historical data may be subject to revision

- Passenger traffic remained weak in February since new COVID-19 cases were elevated globally and governments maintained travel restrictions. Industry-wide revenue passenger-kilometres (RPKs) were 74.7% below pre-crisis levels in February 2019, compared to January's level which was 72.2% down.

- Airlines registered in the Asia Pacific region reported a 74.9% RPK decline in February compared with two years ago – performance broadly in line with the industry average.
- Domestic India and Australia registered improvements in passenger traffic, with falls of respectively 30.8% and 60.5% compared to the pre-crisis month of February 2019. In contrast, RPK contraction in domestic Japan was largely unchanged from the previous month, at -72.8%.

Growth in passenger volumes, by region

RPKs, % change vs. February 2019



Cargo tonne-kilometers (CTKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Dec-20	Jan-21	Feb-21
Region (registration basis)				
Asia Pacific	-14.8	-5.3	-3.9	7.1
World	-9.1	1.2	4.1	9.0
Routes (segment basis)				
Asia - Europe	-10.6	2.6	6.9	13.1
Asia - Nth America	7.6	19.4	26.6	38.6
Within Asia	-19.6	-9.1	-5.8	7.4
Asia - Middle East	-7.0	6.9	16.9	26.7
S/w Pacific - N/S America	-28.8	-30.5	-24.5	-30.9
Asia - Africa	8.6	4.0	38.5	107.2

Source: IATA Economics. Note: historical data may be subject to revision

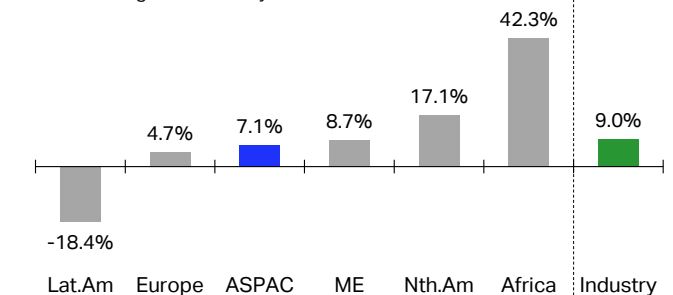
- Strong air cargo growth continued in February, supported by the wider economic recovery. Industry-wide cargo tonne-kilometres expanded by 9.0% compared with February 2019 – a robust improvement on a 4.1% growth in the previous month.
- CTKs of Asia Pacific carriers were up 7.1% in February vs. the same month in 2019. As the main global

manufacturing hub, the region has been benefitting from the swift recovery of the global manufacturing sector and the economic activity in general.

- Indeed, all but one of the region's key int'l trade lanes are fully recovered with CTKs well above the pre-crisis levels. The larger Asia-Nth.America market was, in particular, strong (CTKs up 38.6%), benefitting from the robust US demand for goods manufactured in China.

Growth in cargo volumes, by region

CTKs, % change vs. February 2019



Source: IATA Economics

Industry

Capacity growth and load factors

To aid understanding, we make % comparisons with pre-crisis 2019 period.

ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK		2020	Dec-20	Jan-21	Feb-21
Passenger					
Asia Pacific	ASK	-54.0	-52.9	-60.3	-64.8
	PLF	67.7	62.6	56.2	59.1
World	ASK	-56.7	-57.2	-59.2	-63.1
	PLF	65.1	58.5	54.3	55.4
Cargo					
Asia/Pacific	ACTK	-27.2	-22.5	-28.4	-29.2
	CLF	61.3	64.6	67.7	69.2
World	ACTK	-21.2	-14.6	-16.6	-14.9
	CLF	53.9	56.2	58.5	57.5

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

- Industry-wide available seat-kilometres (ASKs) were 63.1% lower than pre-crisis outcomes in February 2019, after a 59.2% fall in January. Seat capacity of Asia Pacific airlines contracted by ~65%.
- February was another month of record-low passenger load factors (PLF), with the industry-wide metric down 25.3 percentage points compared with February 2019, at 55.4%. The average PLF of Asia Pacific carriers was at 59.1%.
- The recovery in global cargo capacity remained adversely impacted by the groundings of passenger aircraft in some regions. Industry-wide available seat-kilometres (ACTKs) fell by ~15% compared with two years ago. At the regional level, cargo capacity fell by ~29% over the same period.
- The global CLF reached 57.5%, a record high outcome for any month of February in our time series. Asia

Pacific carriers reported the CLF at 69.2% – the highest load factor amongst regions.

Airline operating (EBIT) margins*

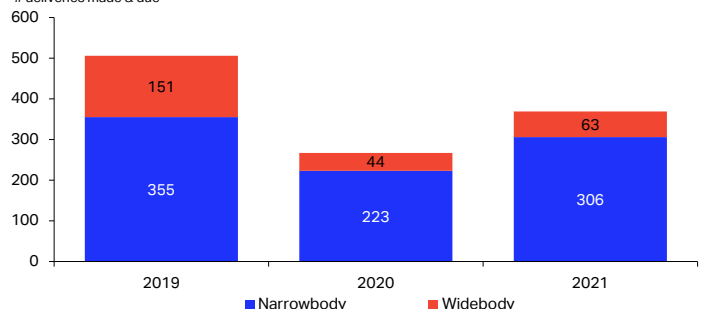
% revenues	2019	2020	2019Q4	2020Q4
Asia Pacific	3.7	-27	11.0	-33
Industry	5.2	-28	8.2	-45

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

- Our latest sample of airline financial results shows further substantial losses in Q4 2020. The resurgence of virus cases and the renewed restrictive measures weighed on travel demand during the quarter. Looking ahead, financial performance will vary across regions but those with large domestic markets and rapid vaccine rollout should perform better in 2021.
- As of April 2021, aircraft deliveries scheduled by airlines based in the Asia Pacific region are expected to increase by 38% compared with 2020 levels as the pandemic gets under better control in some countries. However, they will most likely not reach 2019 levels when the number of deliveries was adversely impacted by the groundings of Max 737.

Aircraft deliveries to the Asia Pacific (as of April 2021)

deliveries made & due



Source: Ascend