



# STATE OF THE REGION: ASIA-PACIFIC

AUGUST 2016

## Economy

### GDP growth, selected countries

%change on a yr ago	2015	2015Q4	2016Q1	2016Q2
India	7.2	7.2	7.9	--
Japan	0.6	0.8	0.1	0.6
Indonesia	4.8	5.0	4.9	5.2
Korea	2.6	3.1	2.8	3.1
Australia	2.5	2.9	3.1	--
Thailand	2.8	2.7	3.3	3.5
Malaysia	5.0	4.5	4.2	4.0
<b>World*</b>	<b>2.5</b>	<b>2.3</b>	<b>2.2</b>	<b>2.1</b>

\* Market exchange rate basis † Estimate Source: Datastream

### Exchange rates

end of period, # per US\$	2015	May-16	Jun-16	Jul-16
US\$ broad index	122.4	120.8	121.2	121.9
Japanese yen (JPY)	120.2	110.7	102.8	102.4
Australian dollar (AUD)	1.37	1.38	1.35	1.32
Sth Korean won (KRW)	1176	1190	1154	1114
Indian rupee (INR)	66.2	67.1	67.5	66.8
Indonesian rupiah (IDR)	13840	13646	13275	13041
Thai baht (THB)	36.0	35.7	35.2	34.8
Malaysian ringgit (MYR)	4.29	4.13	4.03	4.07

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel	2015	May-16	Jun-16	Jul-16
Crude oil (Brent)	52.4	46.7	48.3	45.0
Jet fuel	64.0	54.6	58.0	53.4

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Apr-16	May-16	Jun-16
<b>Region (registration basis)</b>				
Asia Pacific	8.7	8.0	6.8	9.0
World	6.5	4.8	4.8	5.2
<b>Routes (segment basis)</b>				
India domestic	19.8	21.4	21.0	23.3
Japan domestic	1.9	0.8	-4.2	0.9
Australia domestic	0.3	-0.1	2.2	2.8
Asia - Europe	4.0	1.0	-2.9	-0.9
Within Asia	7.5	5.0	2.8	8.1
Asia - Nth America	5.8	5.7	3.5	7.5
Asia - Middle East	6.9	6.5	5.9	0.7
S/w Pacific - N/S America	8.1	17.0	9.9	10.3
Asia - Africa	-1.2	7.8	5.5	5.7

Source: IATA Statistics

→ RPK growth for the Asia-Pac airlines stepped back up this month, rising to a hefty 9.0% rate – the strongest across the five IATA regions currently. Industry-wide RPK growth also lifted, but to a more subdued 5.2%.

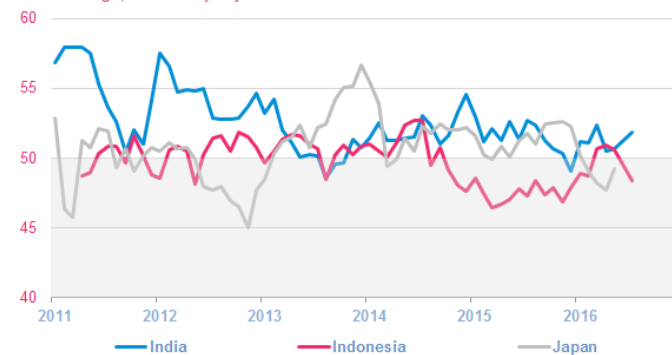
→ India domestic RPKs are up more than 23% on a year ago, reflecting a combination of robust consumer spending (given the favourable economic backdrop), &

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### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



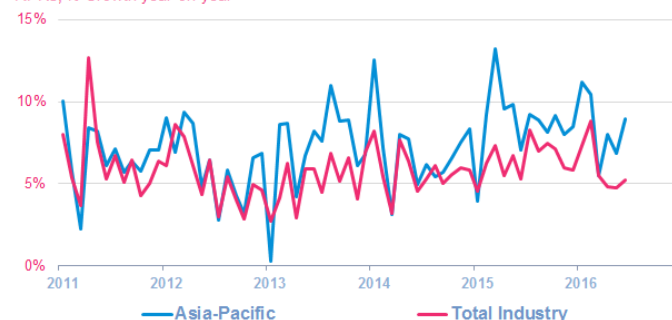
- GDP data across the region was broadly favourable for Q2, with all countries except Malaysia showing a modest acceleration in (yoy) growth. Indonesia has the highest Q2 rate, at 5.2%yoy & Malaysia, despite the moderation in recent quarters, is still growing at a solid 4%yoy.
- The (trade-weighted) US\$ ticked up a little again in Jul, gaining 0.6%. Apart from the MYR, the main regional bilateral rates moved higher vs the US\$ with the KRW up a notable 3.5%. The JPY is now up 15%ytd.
- The world price of oil & jet fuel fell in Jul – the first month since Jan when oil prices reached a 12-year low. Prices fell 7-8% in the month on the back of rising inventories, to US\$45 & US\$53 for oil & jet respectively.

solid gains in both the number of airport pairs (up ~7%) & the frequency of flights (up ~9%).

- Japan domestic RPKs recovered to a positive rate of growth in Jun, now up 0.9%yoy.
- Within Asia & Asia-Nth America are the strongest performing international markets, with RPK growth of 7.5-8%yoy. Asia-Europe is struggling, with indications that the string of terrorist attacks in Europe may be weighing upon demand for this market in particular.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



## Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Apr-16	May-16	Jun-16
<b>Region (registration basis)</b>				
Asia Pacific	2.3	0.2	-0.8	3.5
World	2.2	2.7	1.5	4.3
<b>Routes (segment basis)</b>				
Asia - Europe	-4.9	5.9	1.5	2.4
Asia - Nth America	5.1	-6.3	-2.7	2.5
Within Asia	-0.4	4.6	4.5	9.8
Asia - Middle East	9.8	7.8	3.3	3.8
S/w Pacific - N/S America	12.5	14.2	10.9	9.9
Asia - Africa	1.3	18.0	18.5	21.8

Source: IATA Statistics

- Industry-wide air freight growth accelerated in Jun to 4.3%yoy – its fastest pace in more than a year. Asia-Pac carriers saw a return to positive (yoy) FTK growth after a short-lived decline last month. Regional FTKs are now a modest 3.5% higher than their level of a year ago.
- Despite this pick-up in growth, the outlook for air freight continues to face the now familiar headwinds including

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2015	Apr-16	May-16	Jun-16
Passenger					
Asia Pacific	ASK	6.7	7.3	7.0	7.2
	PLF	78.6	78.6	76.9	79.1
World	ASK	5.6	5.1	5.6	5.6
	PLF	80.2	79.2	78.8	80.7
Freight					
Asia/Pacific	AFTK	5.7	3.0	2.7	3.6
	FLF	53.9	52.4	52.1	54.5
World	AFTK	6.3	5.7	4.5	4.9
	FLF	44.1	43.6	42.4	43.1

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

- Pax capacity growth by Asia-Pac airlines (currently 7.2%yoy) continues to outpace the overall industry rate (unchanged at 5.6%yoy). The pax load factor for the region's airlines moved higher in Jun, to 79.1%, but remains below the industry average of 80.7%.
- For freight, the Asia-Pac carriers have increased AFTKs by a moderate 3.6% over the past year, ~1½pp lower than the industry overall (4.9%yoy). Like their pax counterpart, the freight load factors also both improved in Jun, to 54.5% for the region's airlines & 43.1% for the industry. The Asia-Pac carrier FLF remains easily the highest amongst all IATA regions.

- The initial Q2 data show a solid EBIT margin of 5.3%

### Airline EBIT margins\*

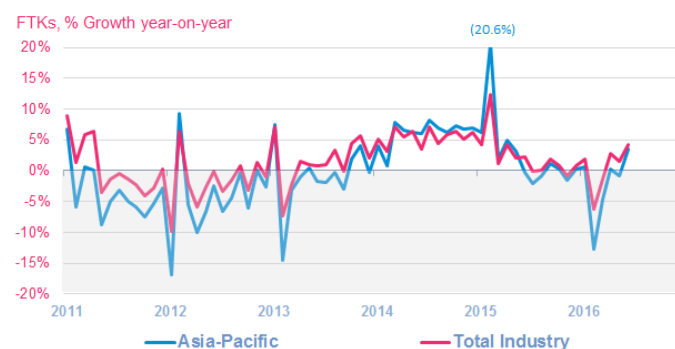
%revenues	2014	2015	2015Q2	2016Q2
Asia Pacific	2.5	7.7	3.0	5.3
Industry	4.7	8.3	13.0	13.6

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

ongoing sluggish & patchy global economic growth, as well as broader weakness in world trade.

- Of the largest air freight markets, Within Asia stepped up to almost 10%yoy growth & Asia-NthAm turned around its recent soft performance, registering positive growth (2.5%yoy) for the first time in almost a year.

### Growth in air freight volumes



Source: IATA Statistics

for the Asia-Pac airlines, up from 3.0% in the same period a year ago. At the industry level, the operating margin is currently 13.6%, dragged higher by the very strong performance of the Nth American carriers.

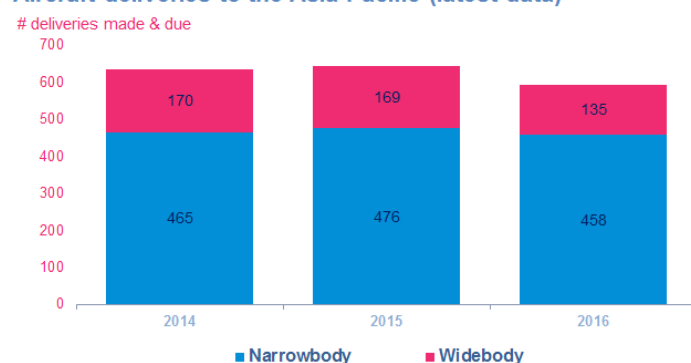
- Passenger yields in the main domestic & international markets are generally well down on a year ago, many in, or close to, double-digit decline. The exception is domestic Japan yields which are up 2.3%yoy. This exception is, in part, a result of the strong appreciation of the JPY over recent months.

### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Apr-16	May-16	Jun-16
India domestic	-14.5	-11.9	-16.0	-18.0
Japan domestic	-11.8	1.5	1.1	2.3
Australia domestic	-10.3	-10.1	-8.7	-8.2
Asia - Europe	-19.1	-8.0	-8.6	-8.9
Within Asia	-7.7	-11.6	-12.2	-11.2
Asia - Nth America	-15.1	-10.0	-9.4	-8.4
Asia - Middle East	-7.6	-11.6	-12.0	-12.6
Asia - Sth America	-18.0	-14.0	-13.4	-13.4
Asia - Africa	-17.8	-7.4	-8.6	-9.7

Source: IATA PaxIS

### Aircraft deliveries to the Asia Pacific (latest data)



Source: Ascend