



# STATE OF THE REGION: ASIA-PACIFIC

AUGUST 2018

## Economy

### GDP growth, selected countries

%change on a yr ago	2017	2017Q4	2018Q1	2018Q2
India	6.2	7.0	7.7	--
Japan	1.7	2.0	1.1	1.0
Indonesia	5.1	5.2	5.1	5.3
Korea	3.1	2.8	2.8	2.9
Australia	2.2	2.4	3.1	--
Thailand	3.9	4.0	4.9	4.6
Malaysia	5.9	5.9	5.4	4.5
<b>World*</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>	<b>3.1</b>

\* Market exchange rate basis † Estimate Source: Datastream

### Exchange rates

end of period, # per US\$	2017	May-18	Jun-18	Jul-18
US\$ broad index	120.0	121.5	123.4	124.1
Japanese yen (JPY)	112.6	108.7	110.8	111.8
Australian dollar (AUD)	1.28	1.32	1.35	1.35
Sth Korean won (KRW)	1068	1080	1113	1115
Indian rupee (INR)	63.9	67.4	68.5	68.5
Indonesian rupiah (IDR)	13636	13923	14313	14463
Thai baht (THB)	32.6	32.1	33.1	33.2
Malaysian ringgit (MYR)	4.05	3.98	4.04	4.07

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel (period ave.)	2017	May-18	Jun-18	Jul-18
Crude oil (Brent)	54.2	77.0	74.4	74.3
Jet fuel	65.6	90.5	87.8	88.1

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

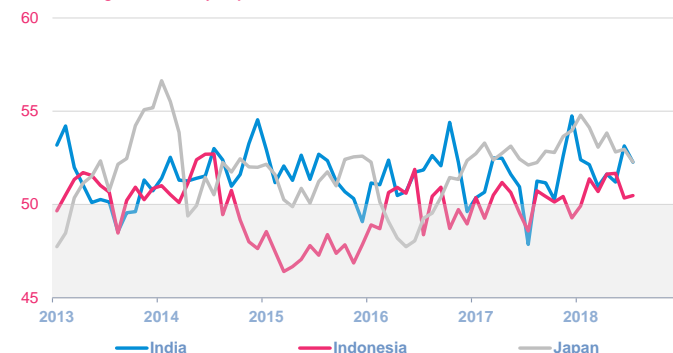
%change on a yr ago	2017	Apr-18	May-18	Jun-18
<b>Region (registration basis)</b>				
Asia Pacific	10.2	10.9	8.6	11.2
World	7.6	6.0	6.0	7.8
<b>Routes (segment basis)</b>				
India domestic	17.5	25.7	15.8	17.6
Japan domestic	5.8	5.2	1.7	3.7
Australia domestic	0.4	2.9	3.1	1.8
Asia - Europe	9.5	5.0	4.4	7.9
Within Asia	11.2	10.5	9.7	14.3
Asia - Nth America	4.9	5.3	4.2	4.0
Asia - Middle East	7.3	4.4	-0.8	8.1
S/w Pacific - N/S America	5.9	5.4	5.8	7.0
Asia - Africa	4.1	12.6	4.7	7.4

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

- Industry-wide RPKs stepped up to a brisk 7.8% year-on-year pace in June, from an even 6.0% in both April and May. The first 6mths of the year produced RPK growth of 7.0% – a robust, above-trend performance, but down somewhat on the 8.3% pace of the same period in 2017.
- Pax volume growth for the AsiaPac carriers recovered, to a double-digit 11.2% year-on-year pace this month,

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



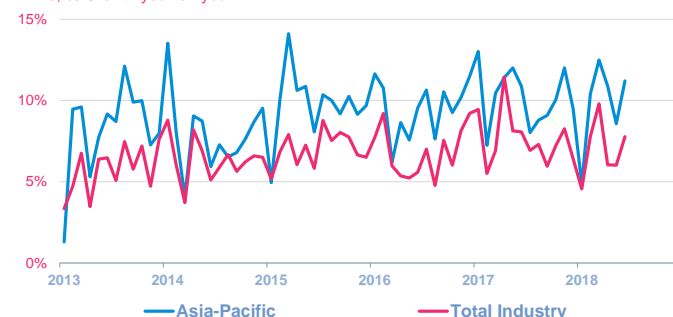
- Business confidence in both India and Japan eased a little this month. A stronger Q2 GDP outturn for Indonesia helped offset the impact of recent interest rate rises, delivering an uptick in sentiment on this occasion.
- On a trade-weighted basis, the US\$ rose by a modest 0.5% in June, its 6th consecutive monthly increase. Most of the main regional currencies ended the month slightly lower against the US\$, with the JPY & IDR both down ~1%. The exception was the AUD with a slight gain, marginally offsetting its June fall.
- Brent crude oil & jet fuel prices were largely unchanged across July, consolidating their moderate June decline. Oil & jet fuel prices are ~50% higher than a year ago.

with the region retaining its position as the fastest growing in terms of pax volumes.

- Equally, India remains the fastest growing of all the domestic markets we regularly track, with RPK growth of 17.6%yoy; the 46<sup>th</sup> consecutive month of double-digit growth.
- Amongst the region's main international markets, Within Asia is still the standout, with pax volumes up 14.3%yoy. Asia-Middle East follows, having rebounded to 8.1%yoy.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



## Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Apr-18	May-18	Jun-18
<b>Region (registration basis)</b>				
Asia Pacific	7.7	4.8	4.0	1.5
World	9.1	4.5	3.8	2.7
<b>Routes (segment basis)</b>				
Asia - Europe	11.0	-1.1	-0.8	-0.5
Asia - Nth America	8.7	6.1	4.8	2.0
Within Asia	13.0	3.0	6.1	0.4
Asia - Middle East	6.3	6.3	2.8	4.8
S/w Pacific - N/S America	31.1	9.0	5.1	-1.3
Asia - Africa	58.6	4.1	-0.7	-14.6

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

- ➔ Annual growth in industry-wide FTKs slowed further in June, to 2.7% from 3.8% in May, and are only around half the 5yr-year average rate. The loss of momentum in air freight demand is consistent with the broad moderation in export orders since the start of the year.
- ➔ At the regional level, FTK growth slowed considerably, to a modest 1.5%yoy, partly reflecting the impact of the grounding of the Nippon Cargo fleet in the month.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2017	Apr-18	May-18	Jun-18
<b>Passenger</b>					
Asia Pacific	ASK	8.4	9.4	8.6	9.8
	PLF	81.0	82.6	79.5	81.7
World	ASK	6.3	6.0	5.9	6.5
	PLF	81.5	82.2	80.0	82.8
<b>Freight</b>					
Asia/Pacific	AFTK	3.0	8.1	7.5	5.2
	FLF	55.2	54.3	54.8	54.5
World	AFTK	3.6	4.7	5.0	4.1
	FLF	45.2	45.2	44.9	44.3

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) is 1pp higher than its year ago level, at 82.8%. However, the freight load factor (FLF) has eased moderately, down 0.6pp vs a year ago to 44.3% currently.
- ➔ For the region's airlines, faster ASK growth over the past year has contributed to the PLF being slightly below the industry figure this month, at 81.7%. On the freight side, the AsiaPac FLF has been above 54% for the past 4mths, setting the benchmark for the other regions.
- ➔ The latest financial data for Q2 show a modest easing in the industry EBIT margin outcome compared with that of a year ago; 9.2% currently vs 11.6% in 2Q17. For the

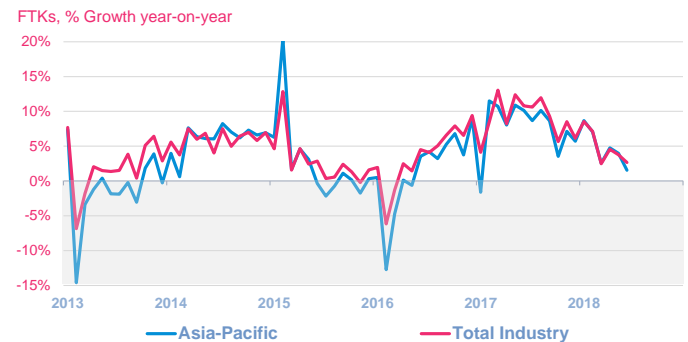
### Airline operating (EBIT) margins\*

%revenues	2016	2017	2017Q2	2018Q2
Asia Pacific	7.4	5.5	2.5	2.5
Industry	8.5	7.5	11.6	9.2

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

- ➔ Across the region's main international markets, Asia-Middle East is growing at a robust 4.8%yoy. FTK growth on the Asia-Nth America market slowed again this month, to 2.0%.
- ➔ Annual declines in freight volumes are currently evident for the Africa & Europe markets & on routes between the Southwest Pacific & Nth/Sth America.

### Growth in air freight volumes



Source: IATA Statistics

AsiaPac airlines, the outcome is unchanged vs a year ago, at 2.5%. Recall that these data are not adjusted for seasonal influences.

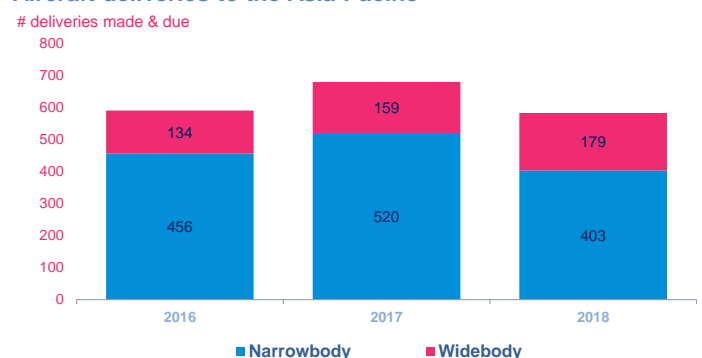
- ➔ Passenger yield developments across the region's key markets over the past year are generally robust, with the exception of Asia-ME where yields are down ~4%. Australia domestic yields are showing the strongest gain over the past year (up 6.2%), followed by Asia-Sth America (up 5.1%).

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

%change on a yr ago	2017	Apr-18	May-18	Jun-18
India domestic	-2.3	6.6	4.5	3.8
Australia domestic	5.5	8.8	7.4	6.2
Asia - Europe	1.9	9.5	2.5	1.9
Within Asia	-5.6	6.5	4.4	1.7
Asia - Nth America	-3.2	2.4	2.8	4.3
Asia - Middle East	-3.5	-5.0	-6.9	-4.0
Asia - Sth America	-4.2	5.5	3.2	5.1
Asia - Africa	-0.1	2.9	0.6	4.2

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

### Aircraft deliveries to the Asia Pacific



Source: Ascend