

# State of the region: Asia Pacific

August 2020

## Economy

### GDP growth, selected countries

| % change on a yr ago | 2019       | Q4 2019    | Q1 2020     | Q2 2020     |
|----------------------|------------|------------|-------------|-------------|
| India                | 4.9        | 4.1        | 3.1         | --          |
| Japan                | 0.7        | -0.7       | -2.0        | -10.0       |
| Indonesia            | 5.0        | 5.0        | 3.0         | -5.3        |
| Korea                | 2.0        | 2.4        | 1.4         | -3.0        |
| Australia            | 1.8        | 2.2        | 1.4         | --          |
| Thailand             | 2.4        | 1.5        | -2.0        | -12.1       |
| Malaysia             | 4.3        | 3.6        | 0.7         | -17.1       |
| <b>World*</b>        | <b>2.5</b> | <b>2.4</b> | <b>-1.7</b> | <b>-9.2</b> |

\* Market exchange rate basis Source: Datastream

### Exchange rates

| end of period, # per US\$ | 2019  | May-20 | Jun-20 | Jul-20 |
|---------------------------|-------|--------|--------|--------|
| US\$ broad index          | 114.7 | 121.3  | 120.9  | 117.6  |
| Japanese yen (JPY)        | 108.6 | 107.7  | 107.9  | 105.7  |
| Australian dollar (AUD)   | 1.43  | 1.51   | 1.45   | 1.39   |
| Sth Korean won (KRW)      | 1155  | 1236   | 1199   | 1193   |
| Indian rupee (INR)        | 71.4  | 75.6   | 75.5   | 74.8   |
| Indonesian rupiah (IDR)   | 13883 | 14610  | 14285  | 14600  |
| Thai baht (THB)           | 30.0  | 31.8   | 30.9   | 31.2   |
| Malaysian ringgit (MYR)   | 4.09  | 4.35   | 4.29   | 4.24   |

Source: Datastream

### World oil and jet fuel price

| US\$/barrel (period ave.) | 2019 | May-20 | Jun-20 | Jul-20 |
|---------------------------|------|--------|--------|--------|
| Crude oil (Brent)         | 64.2 | 32.4   | 40.9   | 43.3   |
| Jet fuel                  | 79.6 | 29.6   | 41.8   | 45.5   |

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger kilometers (RPKs)

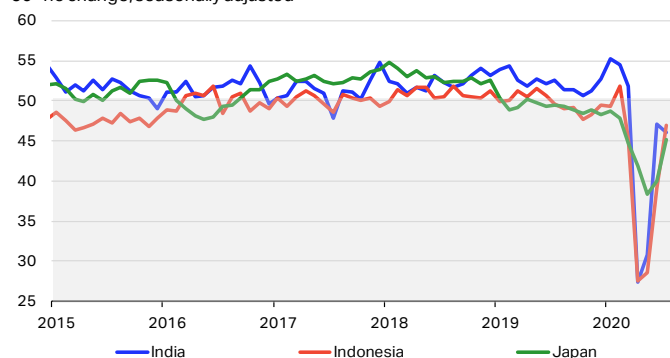
| % change on a yr ago               | 2019 | Apr-20 | May-20 | Jun-20 |
|------------------------------------|------|--------|--------|--------|
| <b>Region (registration basis)</b> |      |        |        |        |
| Asia Pacific                       | 4.6  | -87.9  | -81.7  | -76.4  |
| World                              | 4.1  | -94.1  | -91.0  | -86.5  |
| <b>Routes (segment basis)</b>      |      |        |        |        |
| Japan domestic                     | 3.7  | -87.0  | -90.7  | -74.9  |
| Australia domestic                 | 0.7  | -96.4  | -96.4  | -93.8  |
| Asia - Europe                      | 6.7  | -98.1  | -98.2  | -97.3  |
| Within Asia                        | 5.3  | -98.8  | -99.1  | -98.9  |
| Asia - Nth America                 | 2.4  | -96.9  | -97.1  | -95.8  |
| Asia - Middle East                 | 4.2  | -98.4  | -98.7  | -96.8  |
| S/w Pacific - N/S America          | 4.8  | -96.9  | -98.2  | -97.3  |
| Asia - Africa                      | 3.5  | -99.0  | -99.1  | -98.5  |

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

- Industry-wide revenue passenger-kilometres (RPKs) fell by 86.5% year-on-year in June, compared with a 91.0% contraction in May. The rebound continued to be dominated by rising demand in domestic markets.
- Asia Pacific airlines registered a 76.4% annual fall in passenger volumes – the most resilient outcome of all regions. As was the case at the industry level, the passenger demand improvement was driven by domestic travel since movements on international

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

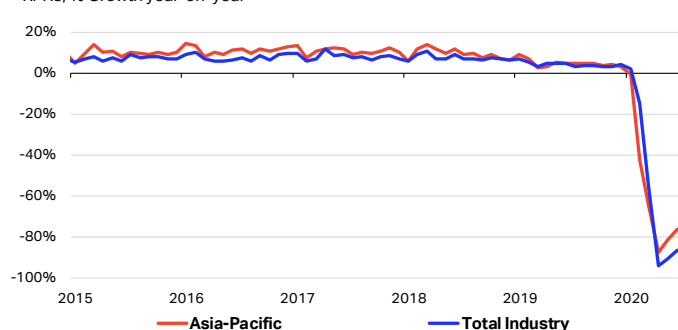
- Operating conditions remained challenging across all three economies that we track for the Asia Pacific region. That said, Japan and Indonesia posted some improvements from June due to further relaxation of restrictions linked to the virus. In contrast, sentiment eased in India amidst weak demand and output.
- Uncertainty around COVID-19 developments in the US pushed the trade-weighted US dollar index down for the fourth consecutive month (-2.7%). Of the key regional currencies, the AUD gained 4% against the USD, while the IDR lost 2.2%.
- Oil and jet fuel price continued to recover in June. However, oil demand outlook remains downbeat amidst uncertainty about when the pandemic subsides.

routes were still significantly restricted.

- In Japan, domestic RPKs fell by 74.9%yoy, compared to ~90%yoy declines seen in the previous two months. The improvement was supported by lifting of the COVID-19 emergency state in late-May.
- Australia posted the weakest performance of the key domestic markets due to its travel restrictions between states and territories. Country's domestic RPKs contracted by 93.8% year-on-year vs. 96.4% fall in the previous month.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Economics

## Cargo tonne kilometers (CTKs)

| % change on a yr ago               | 2019 | Apr-20 | May-20 | Jun-20 |
|------------------------------------|------|--------|--------|--------|
| <b>Region (registration basis)</b> |      |        |        |        |
| Asia Pacific                       | -5.6 | -28.3  | -22.0  | -21.6  |
| World                              | -3.2 | -26.1  | -20.1  | -17.6  |
| <b>Routes (segment basis)</b>      |      |        |        |        |
| Asia - Europe                      | -1.5 | -25.7  | -22.9  | -22.6  |
| Asia - Nth America                 | -3.7 | -4.8   | 0.8    | -0.7   |
| Within Asia                        | -7.7 | -38.2  | -38.3  | -31.6  |
| Asia - Middle East                 | -2.3 | -31.8  | -20.0  | -17.2  |
| S/w Pacific - N/S America          | -8.5 | -75.1  | -69.5  | -71.1  |
| Asia - Africa                      | 12.6 | 1.3    | 3.0    | 20.1   |

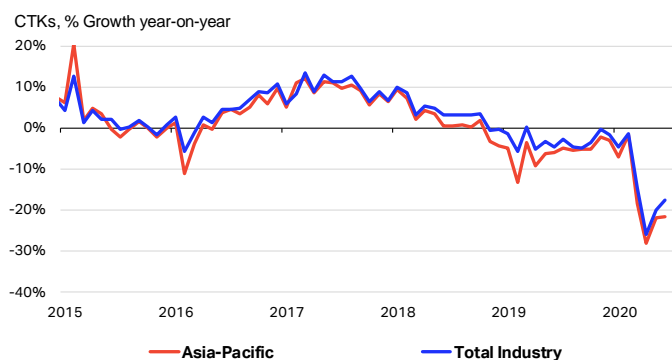
Source: IATA Economics. Note: historical data may be subject to revision

- Industry-wide cargo tonne-kilometres (CTKs) declined by 17.6%yoy in June, after falling 20.1% in May. Air cargo has been losing market share of total world trade in recent months, as buyers are turning to cheaper but slower means of transport.
- Asia Pacific airlines reported cargo volumes down by 21.6%yoy in June, pace broadly unchanged from May (-22%yoy). The slower improvement in demand can be

party attributed to a reduction in the PPE shipments that had been providing support in the previous months.

- Amongst the key regional markets, the smaller Asia-Africa routes posted the strongest performance in June, returning to double-digit expansion for the first time since December 2019. Asia-Nth.Am market also recorded a resilient outcome, with volumes close to last year's levels for another month.

### Growth in air cargo volumes



Source: IATA Economics

## Industry

### Capacity growth and load factors

| ASK/ACTK: %ch on a yr ago, |      | 2019 | Apr-20 | May-20 | Jun-20 |
|----------------------------|------|------|--------|--------|--------|
| LF: % of ASK/ACTK          |      |      |        |        |        |
| <b>Passenger</b>           |      |      |        |        |        |
| Asia Pacific               | ASK  | 4.3  | -81.5  | -76.6  | -69.6  |
|                            | PLF  | 81.9 | 53.8   | 62.6   | 63.8   |
| World                      | ASK  | 3.3  | -86.7  | -85.7  | -80.1  |
|                            | PLF  | 82.6 | 37.1   | 51.2   | 57.6   |
| <b>Cargo</b>               |      |      |        |        |        |
| Asia/Pacific               | ACTK | 0.9  | -46.2  | -35.7  | -36.1  |
|                            | CLF  | 52.3 | 69.1   | 64.4   | 64.5   |
| World                      | ACTK | 2.0  | -41.8  | -34.8  | -34.1  |
|                            | CLF  | 46.8 | 59.2   | 57.8   | 57.3   |

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

- RPKs continued to fall faster than the industry-wide capacity (ASKs). As a result, the global passenger load factor reached an all-time low for the month of June, at 57.6%. At the regional level, the PLF for Asia Pacific carriers fell by 18.5ppts vs. a year ago, to 63.8%.
- In contrast, industry-wide air cargo load factor remained close to the record high levels amidst ongoing capacity crunch resulting from the lack of belly capacity. Asia Pacific airlines registered the cargo load factor up 11.9ppts vs. a year ago.
- Q2 2020 financial results show the extension of the severe negative impact of the pandemic on airline financials for another quarter. Profitability deteriorated

### Airline operating (EBIT) margins\*

| % revenues   | 2018 | 2019 | 2019Q2 | 2020Q2 |
|--------------|------|------|--------|--------|
| Asia Pacific | 4.7  | 3.7  | 0.9    | -54    |
| Industry     | 5.7  | 5.2  | 9.2    | -130   |

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

sharply as all regions were affected by groundings and travel restrictions for the entire quarter.

- Note that the yield data during the lockdown period should be interpreted with caution due to the dramatic fall in tickets being sold.

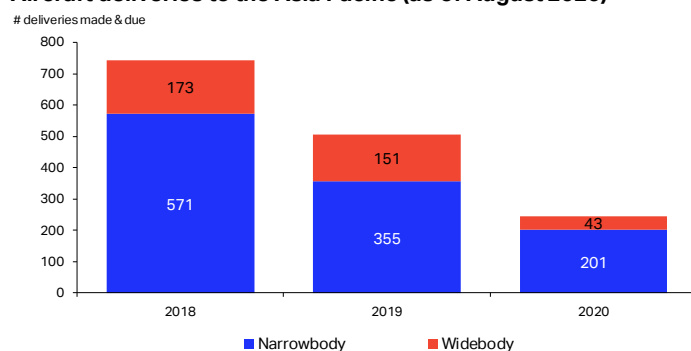
### Passenger yields (US\$, excl. surcharges & ancillaries)

| % change on a yr ago | 2019 | Apr-20 | May-20 | Jun-20 |
|----------------------|------|--------|--------|--------|
| India domestic       | 3.3  | -12.3  | -34.3  | -27.3  |
| Australia domestic   | -5.6 | -5.2   | -6.8   | 7.5    |
| Asia - Europe        | -7.7 | -17.4  | -8.5   | -7.9   |
| Within Asia          | -4.5 | -24.2  | -26.2  | -26.7  |
| Asia - Nth America   | -2.6 | -10.0  | 0.8    | 5.0    |
| Asia - Middle East   | 7.7  | -7.2   | -6.3   | 13.1   |
| Asia - Sth America   | -7.8 | 3.2    | 11.7   | 32.8   |
| Asia - Africa        | -5.8 | 45.0   | 40.4   | 63.0   |

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

- The latest data indicate a 52% fall in jet aircraft deliveries scheduled for Asia Pacific carriers in 2020 versus 2019. This fall is driven by the orders of both wide-body and narrow-body aircraft.

### Aircraft deliveries to the Asia Pacific (as of August 2020)



Source: Ascend