

State of the region: Asia Pacific

August 2021

Economy

GDP growth, selected countries

% change on a yr ago	2020	Q4 2020	Q1 2021	Q2 2021
India	-7.0	0.5	1.6	--
Japan	-4.7	-0.9	-1.3	7.6
Indonesia	-2.1	-2.2	-0.7	7.1
Korea	-0.9	-1.1	1.9	5.9
Australia	-2.4	-1.0	1.1	--
Thailand	-6.2	-4.3	-2.6	7.6
Malaysia	-5.6	-3.4	-0.5	16.1
Philippines	-9.5	-9.1	-3.9	11.8
World*	-3.5	-1.2	2.6	11.4

* Market exchange rate basis Source: Eikon Datastream

Exchange rates

end of period, # per US\$	2020	May-21	Jun-21	Jul-21
US\$ broad index	112.1	111.5	111.9	113.3
Japanese yen (JPY)	103.3	109.7	111.0	109.8
Australian dollar (AUD)	1.29	1.30	1.33	1.36
Sth Korean won (KRW)	1087	1117	1130	1151
Indian rupee (INR)	73.1	72.6	74.3	74.4
Indonesian rupiah (IDR)	14050	14280	14500	14463
Thai baht (THB)	30.0	31.2	32.1	32.9
Malaysian ringgit (MYR)	4.02	4.12	4.15	4.22
Philippine peso (PHP)	48.0	47.7	48.8	50.0

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

World oil and jet fuel price

US\$/barrel (period ave.)	2020	May-21	Jun-21	Jul-21
Crude oil (Brent)	43.4	68.4	73.5	74.4
Jet fuel	46.3	73.4	77.6	79.5

Source: Platts, Eikon Datastream (monthly average data)

Market

Revenue passenger-kilometers (RPKs)

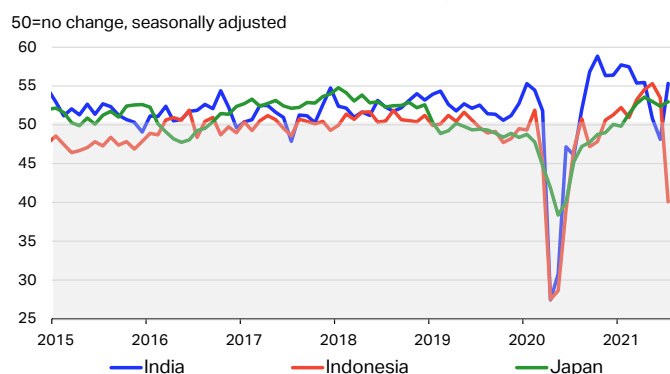
To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Apr-21	May-21	Jun-21
Region (registration basis)				
Asia Pacific	-62.0	-57.5	-59.8	-65.6
World	-65.9	-65.2	-62.9	-60.1
Routes (segment basis)				
India domestic	-55.7	-46.7	-73.8	-70.8
Japan domestic	-53.6	-54.9	-68.0	-67.6
Australia domestic	-69.3	-34.4	-34.7	-40.7
Asia - Europe	-79.0	-92.3	-92.7	-91.0
Within Asia	-84.1	-97.4	-97.5	-97.4
Asia - Nth America	-80.1	-93.0	-93.0	-91.5
Asia - Middle East	-73.6	-83.3	-83.8	-84.5
S/w Pacific - N/S America	-74.0	-98.2	-97.1	-96.1
Asia - Africa	-79.7	-90.5	-91.1	-92.8

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

- Slow air travel recovery continued for another month amidst modest improvements in both domestic and international travel. Industry-wide revenue passenger-kilometres (RPKs) fell by 60.1% (vs. June 2019) compared with a 62.9% decline in the previous month.
- Contraction in Asia Pacific RPKs accelerated for the second consecutive month. Passenger volumes fell by

Business confidence - manufacturing PMIs

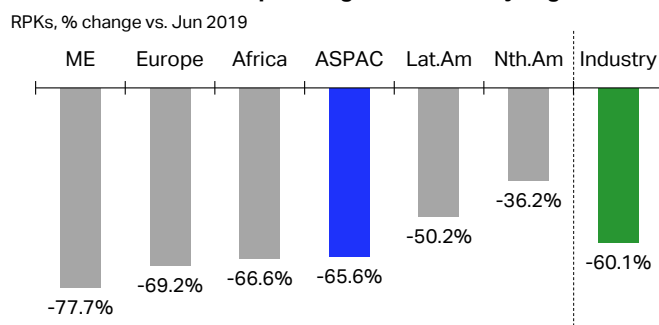


- Following the weakness in June, the manufacturing sector in India expanded robustly in July amidst relaxation of COVID restrictions and rising demand. In contrast, operating conditions deteriorated sharply in Indonesia due to significant disruptions arising from a new COVID-19 spike.
- The trade-weighted US dollar index picked up by 1.3% in July. Of the key regional currencies, the THB ended the month down 2.6% against the US\$.
- Oil and jet fuel prices continued to trend upwards in July, putting extra pressure on airlines' financials. The increase was driven by recovering global economic activity and uncertainty about Opec+ production deal.

65.6% vs. the pre-crisis levels compared with a 59.8% fall in May. The weakness was largely driven by deterioration in some of the key domestic markets that experienced new virus outbreaks and travel restrictions in June.

- International travel of Asia Pacific airlines remains subdued due to elevated travel restrictions that are the strictest amongst all regions. Aggregated international RPKs fell by 94.6% in June vs June 2019 – a broadly unchanged contraction from May.

Growth in passenger volumes, by region



Cargo tonne-kilometers (CTKs)

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

% ch vs. the same period in 2019	2020	Apr-21	May-21	Jun-21
Region (registration basis)				
Asia Pacific	-13.8	2.7	0.0	0.9
World	-8.7	11.5	8.5	9.9
Routes (segment basis)				
Asia - Europe	-10.6	12.5	2.5	5.8
Asia - Nth America	7.6	32.1	31.6	30.3
Within Asia	-19.6	-2.8	-8.1	-3.2
Asia - Middle East	-7.0	20.5	16.3	16.9
S/w Pacific - N/S America	-28.8	-51.6	-42.9	-44.8
Asia - Africa	9.0	42.2	34.6	44.1

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

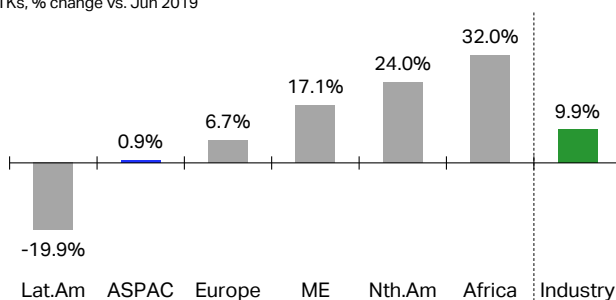
- June 2021 was another month of strong air cargo performance. Industry-wide cargo tonne-kilometres (CTKs) grew 9.9% compared to June 2019, and air cargo drivers point to further growth ahead.
- Carriers based in Asia Pacific recorded an 0.9% increase in cargo volumes in June 2021 vs. the same month in 2019. Even though the demand for goods is

still high, the region faces moderate headwinds from the lack of capacity and manufacturing PMIs that are not as strong as in Europe and North America.

- Amongst the region's key segment based international markets, the smaller Africa-Asia had been the strongest performer, reporting a 44.1% CTK expansion in June compared with the pre-crisis levels. Asia-Nth.Am routes followed with cargo volumes up 30.3% vs. June 2019.

Growth in cargo volumes, by region

CTKs, % change vs. Jun 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	Apr-21	May-21	Jun-21
Passenger					
Asia Pacific	ASK	-54.1	-48.5	-52.4	-56.9
	PLF	67.7	67.7	67.8	65.7
World	ASK	-56.7	-54.7	-54.1	-51.6
	PLF	65.1	63.9	66.1	69.6
Cargo					
Asia/Pacific	ACTK	-27.1	-15.1	-17.8	-21.6
	CLF	61.9	62.7	64.6	67.6
World	ACTK	-21.1	-10.6	-11.2	-10.8
	CLF	54.2	58.1	57.7	56.5

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

- Although passenger load factors (PLF) recovered from the last year's record lows, they remained well below the pre-crisis levels in most regions. The industry-wide metric was at 69.6% – ~15ppts lower vs June 2019. At the regional level, the average PLF of Asia Pacific carriers was at 65.7%.
- Cargo load factors (CLF) remained exceptionally high in June. The industry-wide metric was at 56.5%, 10.7 ppts above June 2019 levels. Asia Pacific airlines reported the CLF at 67.6% - their maximum for any month of June in the history of our time series (since 1990) and the highest outcome amongst regions.
- Q1 2021 financial results confirmed that the start of the year was weaker than originally expected as new virus spikes paused or reversed air travel recovery in many important markets in Asia Pacific. However, the initial Q2 results indicate that pressure on profitability eased slightly in the region as some domestic markets started to reopen.

Airline operating (EBIT) margins*

% revenues	2019	2020	2020Q4	2021Q1
Asia Pacific	4.7	-27	-30	-31
Industry	5.2	-28	-35	-41

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

- Despite stalling passenger demand and rising fuel prices, the global rate of cash burn slowed in Q1 2021 vs. Q4 2020 amidst rising bookings for future travel in some key domestic markets. That said, Asia Pacific airlines did not show a significant improvement in cash flow generation vs. Q4 2020.

Airline cash flow*

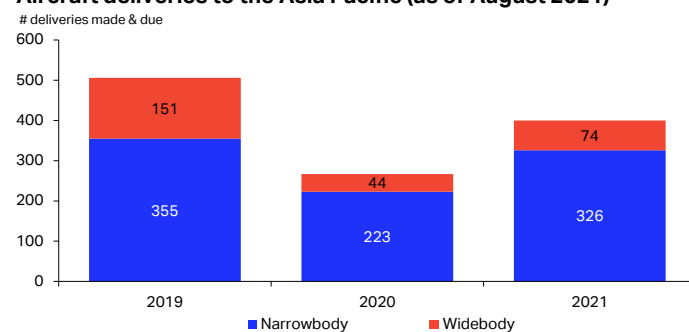
% revenues	Q4 2020		Q1 2021	
	Net cash flow ¹	Free cash flow	Net cash flow ¹	Free cash flow
Asia Pacific	-8	-27	-7	-25
Industry	-43	-56	-10	-26

¹From operating activities

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

- As of August, aircraft deliveries scheduled by carriers based in the Asia Pacific region are expected to increase by 50% in 2021 compared with 2020 but will remain 21% below deliveries in 2019.

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



Source: Cirium Fleet Analyzer