

State of the region: Asia Pacific

December 2019

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q1 2019	Q2 2019	Q3 2019
India	7.4	5.8	5.0	4.5
Japan	0.3	0.8	0.8	1.9
Indonesia	5.2	5.1	5.1	5.0
Korea	2.7	1.6	2.1	2.0
Australia	2.7	1.7	1.6	1.7
Thailand	4.1	2.8	2.3	2.4
Malaysia	4.7	4.5	4.9	4.4
World*	3.2	2.7	2.5	2.5

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2018	Sep-19	Oct-19	Nov-19
US\$ broad index	128.5	130.8	130.2	129.9
Japanese yen (JPY)	110.0	108.1	108.1	109.5
Australian dollar (AUD)	1.42	1.48	1.45	1.48
Sth Korean won (KRW)	1115	1199	1169	1181
Indian rupee (INR)	69.8	70.9	70.9	71.7
Indonesian rupiah (IDR)	14380	14195	14037	14105
Thai baht (THB)	32.6	30.6	30.2	30.2
Malaysian ringgit (MYR)	4.13	4.19	4.18	4.18

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Sep-19	Oct-19	Nov-19
Crude oil (Brent)	71.7	62.4	59.6	62.7
Jet fuel	86.4	79.8	78.7	78.2

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

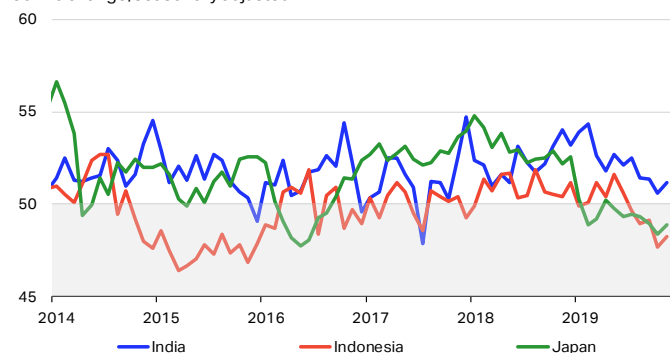
% change on a yr ago	2018	Aug-19	Sep-19	Oct-19
Region (registration basis)				
Asia Pacific	9.3	4.7	4.8	3.6
World	7.3	3.8	3.9	3.4
Routes (segment basis)				
India domestic	18.9	4.5	1.9	3.6
Japan domestic	1.6	1.9	9.6	1.5
Australia domestic	1.7	-0.3	0.9	1.8
Asia - Europe	7.1	6.0	5.2	6.6
Within Asia	10.5	7.1	8.1	6.6
Asia - Nth America	3.9	0.3	0.8	-0.1
Asia - Middle East	4.4	1.1	2.4	9.9
S/w Pacific - N/S America	6.9	4.9	3.6	-0.9
Asia - Africa	9.4	3.4	6.2	8.9

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

- Industry-wide revenue passenger kilometres (RPKs) grew by 3.4% year-on-year in October – down from 3.9% in September on a weaker performance from domestic markets.
- Asia Pacific carriers flew 3.6% more RPKs compared to the same period a year ago – a slowing from the ~5%yoy pace observed since May. The adverse impacts from the US-China trade war tensions,

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

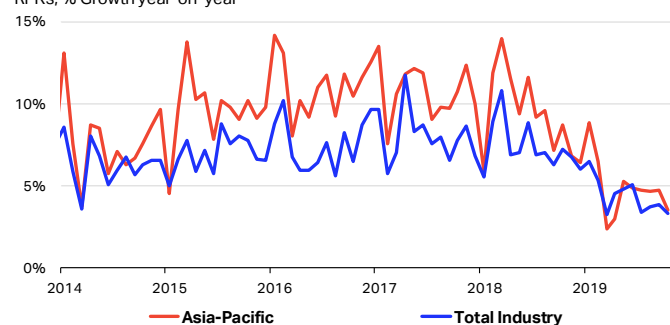
- India's business sentiment rebounded from its October drop but remained weaker than a year ago against a less supportive economic backdrop. Sentiment remained at low levels in both Japan and Indonesia, reflecting weaker exports and slower economic activity, respectively.
- The trade weighted US\$ index eased for the second consecutive month, down 0.2%. Amongst the main regional currencies, the AUD & JPY lost 1.8% and 1.3% against the US\$, respectively.
- While the average monthly jet fuel price stabilized in November, the crude oil price picked up a little, ahead of the recent OPEC meeting.

combined with weaker business confidence, have weighed upon air passenger growth in 2019.

- Despite a modest uptick to 3.6%, RPK growth in the India domestic market remained subdued, reflecting the country's economic slowdown. After last month's exceptional surge, RPK growth in domestic Japan eased to 1.5% – the weakest outcome for 2019.
- RPK growth converged to a solid 6.6%yoy in the larger Asia-Europe and Within Asia markets this month, although this represented a modest slowdown (1.5ppt) for the latter.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Aug-19	Sep-19	Oct-19
Region (registration basis)				
Asia Pacific	1.6	-5.5	-4.8	-5.3
World	3.7	-4.3	-4.4	-3.5
Routes (segment basis)				
Asia - Europe	1.1	-3.4	-0.8	-1.1
Asia - Nth America	3.7	-2.5	-4.0	-6.5
Within Asia	0.6	-7.5	-5.3	-7.3
Asia - Middle East	4.8	-5.2	-4.4	-3.1
S/w Pacific - N/S America	8.7	-13.3	-16.2	-15.4
Asia - Africa	-4.0	17.4	22.6	20.1

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

- Industry-wide freight tonne kilometres (FTKs) decreased by 3.5% in October 2019 compared to a year ago. This represents the 12th consecutive month of annual decline. That said, recent monthly outcomes show a stabilization in air freight volumes.
- The speed of annual FTK contraction increased modestly for Asia Pacific carriers compared to Sept (by 0.5ppt). That said, a brighter trade backdrop and robust economic growth in several key regional economies are positive developments looking forward.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2018	Aug-19	Sep-19	Oct-19
LF: % of ASK/AFTK					
Passenger					
Asia Pacific	ASK	8.7	5.1	5.6	2.9
	PLF	81.7	84.0	80.2	81.5
World	ASK	6.8	3.5	3.4	2.2
	PLF	82.0	85.6	81.9	82.0
Freight					
Asia/Pacific	AFTK	3.5	2.5	2.6	0.6
	FLF	56.0	51.3	54.1	53.9
World	AFTK	1.4	2.4	2.6	2.2
	FLF	49.3	44.2	46.3	47.7

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

- The industry-wide passenger load factor (PLF) reached a new all-time October high as RPKs continued to grow faster than capacity. On the freight side, the load factor (FLF) eased by 2.8ppt vs a year ago, to 47.7%.
- Since capacity growth slowed more than RPKs, the Asia Pacific PLF picked up vs a year ago and marked a new all-time Oct high. By contrast, the FLF recorded a new all-time low for the month.
- The latest Q3 2019 airline financial data point to a modest improvement in industry-wide financial performance on the back of better performance in North America. At the regional level, the EBIT margin

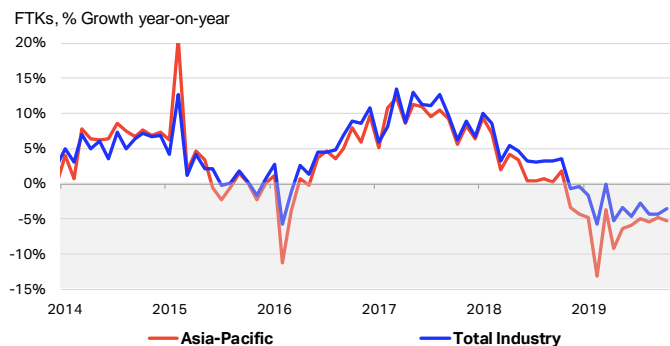
Airline operating (EBIT) margins*

% revenues	2017	2018	2018Q3	2019Q3
Asia Pacific	6.3	4.7	8.0	6.9
Industry	7.5	5.7	12.7	13.2

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

- Of the region's key international markets, FTKs contracted for another month by 1.1% in Asia-Europe market and declined further in the Asia-NthAm and Within Asia markets (down 6.5% & 7.3%, respectively).
- As was the case in the previous months, Asia-Africa continued to significantly outperform the other markets (RPKs up 20%yoy) on the back of large-scale foreign investment from Asia to Africa that represent new business and trade opportunities.

Growth in air freight volumes



Source: IATA Statistics

eased to below 7% as softer demand and intense competition in the market put pressure on yields.

- Indeed, passenger yields (in US\$, excluding surcharges and revenue from ancillaries) have been contracting in annual terms across most of the key international markets and some of the main domestic markets. India domestic continues to be one of the two main outliers, where yields have risen (by 9.3%) over the past year.

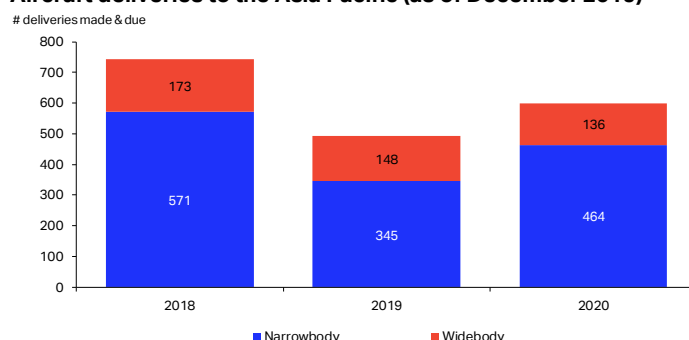
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Aug-19	Sep-19	Oct-19
India domestic	-4.0	6.7	12.3	9.3
Australia domestic	0.0	-7.8	-7.5	-4.8
Asia - Europe	-1.9	-8.1	-8.6	-7.8
Within Asia	-1.9	-3.6	-6.3	-3.2
Asia - Nth America	-2.7	-1.9	-5.6	-5.7
Asia - Middle East	-1.8	1.9	7.9	7.3
Asia - Sth America	0.7	-0.6	-5.6	-8.6
Asia - Africa	0.8	-4.1	-6.4	-7.2

Source: IATA Travel Intelligence Note: historical data may be subject to revision

- The latest data show increase in the number of jet aircraft deliveries (driven by narrowbodies) scheduled for Asia Pacific carriers in 2020 vs 2019.

Aircraft deliveries to the Asia Pacific (as of December 2019)



Source: Ascend