



STATE OF THE REGION: ASIA-PACIFIC

DECEMBER 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2016Q1	2016Q2	2016Q3
India	7.2	7.9	7.1	7.3
Japan	0.6	0.2	0.7	0.8
Indonesia	4.8	4.9	5.2	5.0
Korea	2.6	2.8	3.2	2.6
Australia	2.4	2.5	3.1	1.8
Thailand	2.8	3.3	3.5	3.2
Malaysia	5.0	4.2	4.0	4.3
World*	2.3	2.2	2.1	2.2

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2015	Sep-16	Oct-16	Nov-16
US\$ broad index	122.4	121.8	122.9	125.8
Japanese yen (JPY)	120.2	101.2	105.0	114.4
Australian dollar (AUD)	1.37	1.30	1.31	1.35
Sth Korean won (KRW)	1176	1099	1147	1178
Indian rupee (INR)	66.2	66.7	66.7	68.6
Indonesian rupiah (IDR)	13840	12987	13013	13562
Thai baht (THB)	36.0	34.6	35.0	35.7
Malaysian ringgit (MYR)	4.29	4.14	4.20	4.47

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2015	Sep-16	Oct-16	Nov-16
Crude oil (Brent)	52.4	46.6	49.5	44.7
Jet fuel	64.0	55.4	61.2	57.0

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Aug-16	Sep-16	Oct-16
Region (registration basis)				
Asia Pacific	8.7	7.4	10.3	9.2
World	6.5	4.3	7.1	5.8
Routes (segment basis)				
India domestic	19.8	24.2	23.8	22.7
Japan domestic	1.9	2.2	-1.0	0.8
Australia domestic	0.3	0.4	2.5	2.2
Asia - Europe	4.0	-1.5	3.2	1.4
Within Asia	7.5	3.4	7.1	4.5
Asia - Nth America	5.8	4.3	7.6	5.9
Asia - Middle East	6.9	3.8	5.8	-0.8
S/w Pacific - N/S America	8.1	17.3	17.2	19.5
Asia - Africa	-1.2	4.5	6.9	9.3

Source: IATA Statistics

→ Annual growth in industry-wide RPKs eased back to 5.8%yoy in Oct, from above 7% in Sep. For Asia-Pac airlines, RPK growth also eased a little, returning to a single digit rate. However, at 9.2%yoy it remains well above the global average rate & is the fastest growing IATA region at present.

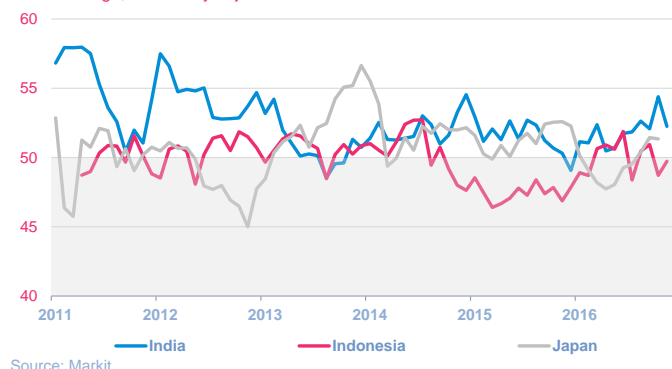
→ India domestic RPK growth remains in a league of its

IATA Economics: www.iata.org/economics

All use of this report is subject to the Terms & Conditions of Use available [here](#)

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



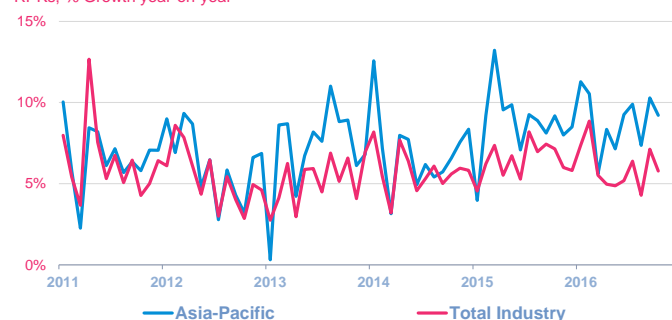
- Q3 GDP data for India showed a sustained strong pace of economic growth, currently 7.3%yoy. Business confidence in India remains elevated, despite retracing last month's sharp gain. In contrast, confidence recovered a little in Indonesia, but remains subdued.
- The US\$ surged in Nov, rising a sizeable 2.4% on a trade-weighted basis. Amongst the main regional currencies, the JPY fell an outsized 9% vs the US\$ in the month, with the MYR also down a hefty 6.5%.
- Oil prices were unsettled in Nov ahead of the OPEC meeting, ending the mth down ~US\$5/bbl. The fall was short-lived, however; prices swiftly moved back above US\$50 following the OPEC agreement on production.

own, having increased by ~23% over the past year. RPKs in the more developed domestic markets of Japan & Australia have grown much more modestly, at 0.8%yoy & 2.2%yoy respectively.

- Growth across each of the larger markets moderated in Oct, with Asia-Middle East slipping into negative territory. In contrast, the two smaller markets of Asia-Africa & S/w Pacific-Nth/Sth America saw a modest acceleration in growth, to 9.3% & 19.5%yoy respectively.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Aug-16	Sep-16	Oct-16
Region (registration basis)				
Asia Pacific	2.3	3.3	5.4	7.8
World	2.2	4.7	6.6	8.2
Routes (segment basis)				
Asia - Europe	-4.9	2.3	7.4	10.7
Asia - Nth America	5.1	5.6	4.9	6.8
Within Asia	-0.4	7.2	8.3	12.5
Asia - Middle East	9.8	-3.6	2.1	9.5
S/w Pacific - N/S America	12.5	25.6	28.4	34.0
Asia - Africa	1.3	34.1	40.9	39.9

Source: IATA Statistics

- ➔ At odds with passenger volumes, growth in industry-wide freight volumes moved higher in Oct, building on last month's gain. Global FTKs are now a hefty 8.2% higher than a year ago; the strongest rate in more than 18mths.
- ➔ FTK growth for the Asia-Pac carriers also rose in Oct, to 7.8%yoy, further closing the gap to the industry-wide rate. A number of airports incl. Hong Kong & Shanghai reported strong gains in cargo tonnage for the yr to Oct.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2015	Aug-16	Sep-16	Oct-16
Passenger					
Asia Pacific	ASK	6.7	7.4	8.6	8.5
	PLF	78.6	82.0	79.5	79.3
World	ASK	5.6	5.6	6.6	6.3
	PLF	80.2	83.7	81.2	80.1
Freight					
Asia/Pacific	AFTK	5.7	1.7	3.7	3.9
	FLF	53.9	51.9	54.5	56.1
World	AFTK	7.0	4.6	4.4	3.6
	FLF	43.8	40.6	43.7	46.2

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

- ➔ Asia-Pac carriers have increased both pax & freight capacity at a faster pace than the industry average over the past year. ASKs are up 8.5%yoy for the region's airlines vs 6.3% for the industry. For AFTKs, the equivalent rates are 3.9% & 3.6%, respectively.
- ➔ The Asia-Pac airlines continue to set the benchmark for freight loads, at 56.1% in Oct, 10pp above the industry average. The PLF, however, sits a little lower than the average, at 79.3% vs the industry 80.1%.
- ➔ The latest Q3 financials show a solid improvement in operating margin for the Asia-Pac carriers, up 2pp on the level of a year ago, to 10.6% currently. The industry-

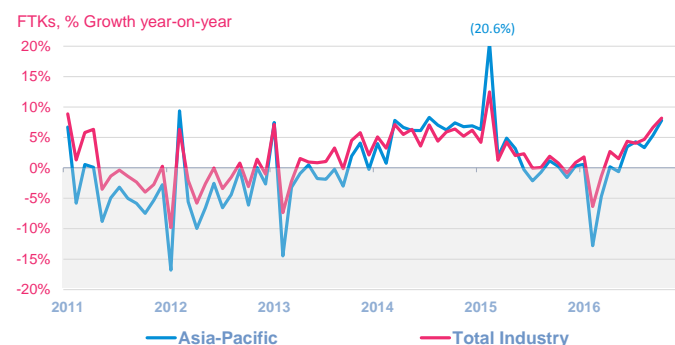
Airline operating (EBIT) margins*

%revenues	2014	2015	2015Q3	2016Q3
Asia Pacific	2.5	7.7	8.4	10.6
Industry	4.7	8.3	16.1	15.9

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

- ➔ At the segment level, FTK growth rates lifted across all of the key markets, with both Asia-Europe & Within Asia rates moving into double-digit territory, at 10.7% & 12.5% respectively.
- ➔ The resurgence in freight volume growth continued on routes between Asia & the Middle East, rising to 9.5%yoy in Oct, having contracted in yoy terms only two months ago.

Growth in air freight volumes



Source: IATA Statistics

wide margin is broadly unchanged over the year, ticking down slightly, to 15.9%.

- ➔ Only Japan domestic pax yields are higher than their level of a year ago (up 3.8%), notwithstanding the trend rise in world oil prices over the course of 2016.

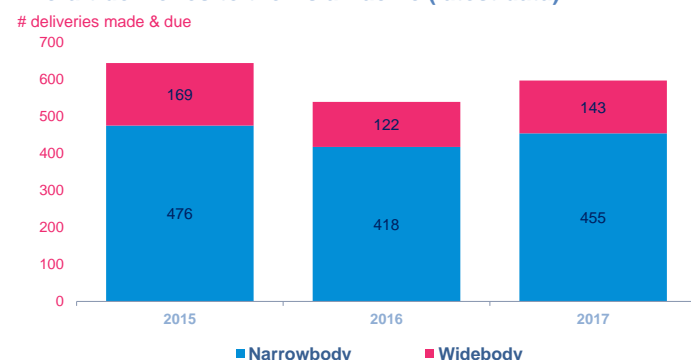
Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Aug-16	Sep-16	Oct-16
India domestic	-14.5	-13.1	-9.7	-13.3
Japan domestic	-11.9	5.4	6.6	3.8
Australia domestic	-10.4	-5.6	-1.3	-0.3
Asia - Europe	-19.1	-10.2	-8.4	-9.4
Within Asia	-7.7	-9.3	-8.1	-8.9
Asia - Nth America	-15.1	-4.7	-1.8	-4.7
Asia - Middle East	-7.6	-10.5	-8.5	-11.7
Asia - Sth America	-18.0	5.1	-4.9	-11.6
Asia - Africa	-17.8	-5.6	-8.8	-9.2

Source: IATA PaxIS

- ➔ Aircraft deliveries to the region are currently expected to be a little higher in 2017 than in 2016, indicating a modest degree of optimism for the industry outlook.

Aircraft deliveries to the Asia Pacific (latest data)



Source: Ascend