



STATE OF THE REGION: ASIA-PACIFIC

DECEMBER 2017

Economy

GDP growth, selected countries

%change on a yr ago	2016	2017Q1	2017Q2	2017Q3
India	7.9	6.1	5.7	6.3
Japan	0.9	1.3	1.7	2.1
Indonesia	5.0	5.0	5.0	5.1
Korea	2.8	3.0	2.7	3.8
Australia	2.6	1.8	1.9	2.8
Thailand	3.2	3.3	3.8	4.3
Malaysia	4.2	5.6	5.8	6.2
World*	2.3	2.6	2.8	2.8

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2016	Sep-17	Oct-17	Nov-17
US\$ broad index	127.7	117.9	120.0	120.3
Japanese yen (JPY)	116.8	112.5	113.6	112.4
Australian dollar (AUD)	1.38	1.28	1.31	1.32
Sth Korean won (KRW)	1209	1145	1117	1087
Indian rupee (INR)	67.9	65.3	64.8	64.5
Indonesian rupiah (IDR)	13427	13419	13572	13566
Thai baht (THB)	35.9	33.3	33.2	32.6
Malaysian ringgit (MYR)	4.49	4.22	4.23	4.09

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Sep-17	Oct-17	Nov-17
Crude oil (Brent)	52.4	56.2	57.5	62.7
Jet fuel	64.0	75.6	69.7	73.9

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

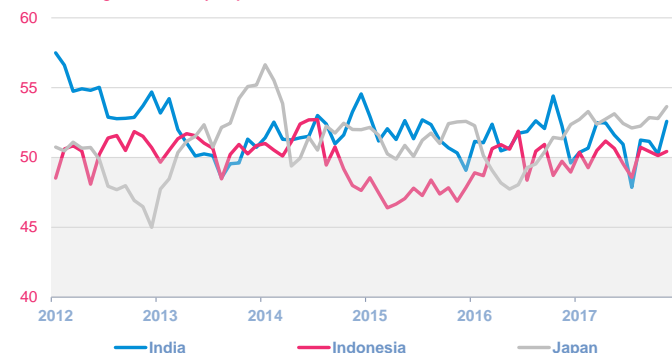
%change on a yr ago	2016	Aug-17	Sep-17	Oct-17
Region (registration basis)				
Asia Pacific	9.5	8.9	9.1	10.1
World	6.7	7.3	6.0	7.2
Routes (segment basis)				
India domestic	23.3	16.0	17.3	20.4
Japan domestic	0.7	8.8	3.8	2.3
Australia domestic	1.6	0.9	-1.2	2.8
Asia - Europe	1.8	5.8	7.5	6.3
Within Asia	9.2	9.6	9.2	11.2
Asia - Nth America	9.6	4.6	1.5	4.2
Asia - Middle East	9.3	8.3	4.9	9.2
S/w Pacific - N/S America	15.5	-0.1	-0.2	3.4
Asia - Africa	6.8	2.4	3.2	4.7

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

- Industry-wide RPKs grew by a robust 7.2%yoy in Oct, rebounding, as expected, from the hurricane-disrupted outcome in Sep. Overall, 2017 remains on track to be another year of above-trend passenger growth.
- Growth in pax volumes for the AsiaPac carriers also moved higher this month, returning to a double-digit pace, at 10.1%yoy. AsiaPac remained the fastest

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

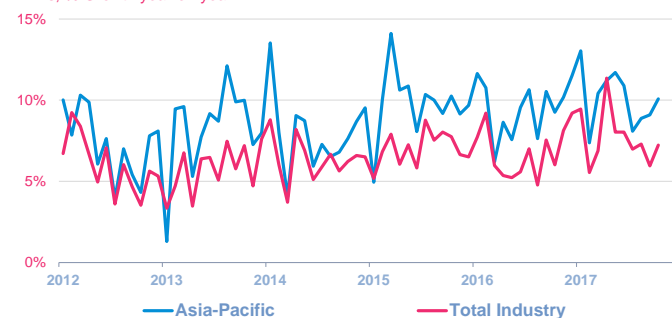
- Business confidence bounced back sharply in India this month, bolstered by signs of stronger economic activity. In Japan, this month's improvement in sentiment took the index to its highest level since early-2014.
- On a trade-weighted basis, the US\$ gained a modest 0.2% in Nov. Even so, most of the region's key currencies rose against the US\$ this month, with the MYR (up 3.4%) & KRW (up 2.7%) the standouts.
- Brent crude oil prices averaged \$62.70/bbl in Nov, up 5% for the month & reaching a 17-month high along the way. Jet fuel prices rose by around 4%, to \$74. The agreement between OPEC members & Russia to extend production cuts supported prices this month.

growing region for yoy pax volumes in Oct.

- India domestic RPK growth lifted to 20.4%yoy this month, but the anticipated rebound in Japan domestic growth following the disruption of Typhoon Talim was stalled by the impact of Typhoon Lan. Australia domestic RPKs recovered to be ~3% higher than a year ago.
- Of the larger international markets, Within Asia is the standout, followed by Asia-ME, with growth in pax volumes of 11.2% & 9.2%yoy, respectively.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Aug-17	Sep-17	Oct-17
Region (registration basis)				
Asia Pacific	1.6	10.4	9.0	4.4
World	3.6	11.8	9.2	5.9
Routes (segment basis)				
Asia - Europe	3.9	11.8	8.7	2.4
Asia - Nth America	0.2	10.2	8.5	4.2
Within Asia	6.6	15.2	14.7	4.8
Asia - Middle East	3.7	14.3	10.7	3.0
S/w Pacific - N/S America	18.6	22.9	17.9	24.0
Asia - Africa	30.1	66.0	63.8	63.3

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

→ Global FTK growth eased further in Oct, to 5.9%yoy, but even so it remains well above both its five & ten year average rates of growth. Indeed, freight volumes look set to record their strongest year of growth since the post-GFC rebound in 2010.

→ For the AsiaPac carriers, the pace of FTK growth halved in Oct, dropping to a 4.4%yoy pace & remaining below the overall industry-wide performance.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2016	Aug-17	Sep-17	Oct-17
Passenger					
Asia Pacific	ASK	8.4	8.4	8.3	8.9
	PLF	79.7	82.6	80.2	80.2
World	ASK	6.7	6.4	5.4	6.2
	PLF	80.5	84.6	81.7	80.8
Freight					
Asia/Pacific	AFTK	3.2	4.8	5.9	3.9
	FLF	52.8	54.3	55.8	56.0
World	AFTK	5.4	4.4	4.3	3.7
	FLF	42.9	43.2	45.4	46.9

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

→ The AsiaPac carriers have increased both pax & freight capacity by more than the industry-wide rate over the past year; ASKs are up a strong 8.9%yoy (vs 6.2%) & AFTKs are up 3.9%yoy (vs 3.7%).

→ For the Oct load factors, it is a mixed performance from the region's airlines. On the passenger side, despite the gap narrowing in recent months, the PLF for the AsiaPac carriers continues to lag the industry average, at 80.2% vs 80.8%. For freight, the region remains easily the strongest performer, with a FLF of 56%, currently around 9pp above the industry aggregate of 47%.

→ The latest Q3 data show a modest improvement in the region's financial performance compared with the same

Airline operating (EBIT) margins*

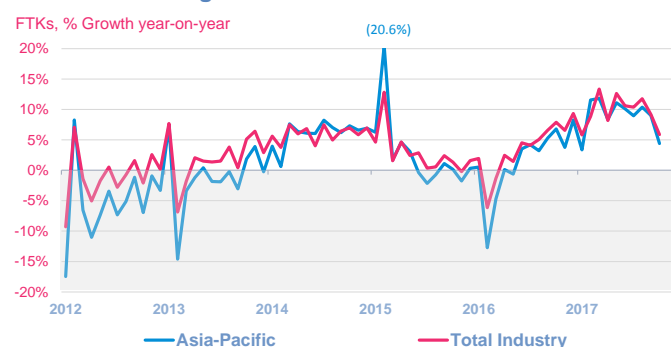
%revenues	2015	2016	2016Q3	2017Q3
Asia Pacific	8.0	10.0	10.8	11.3
Industry	8.5	8.8	15.9	15.7

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

→ The moderation in yoy growth in freight volumes this month was evident across all of the key markets for the region's carriers. Within Asia remains the pick of the larger markets, despite growth easing to 4.8%yoy in Oct.

→ In contrast, the smaller markets of Asia-Africa & S/west Pacific-Nth/Sth America continue to perform very strongly, with growth of 63% & 24%yoy respectively.

Growth in air freight volumes



Source: IATA Statistics

period last year. The EBIT margin for the AsiaPac carriers is up 0.5pp to 11.3% currently. Even so, it remains below the industry-wide outcome of 15.7%.

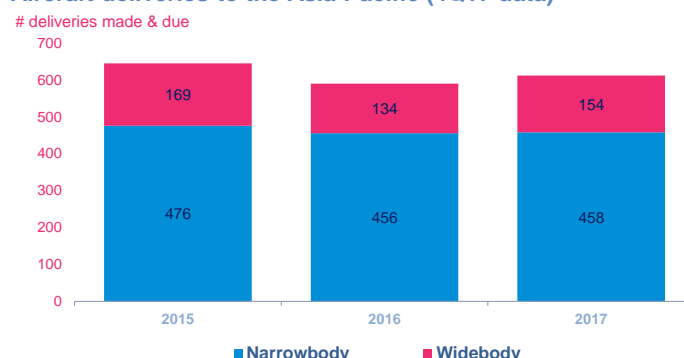
→ The upward trend in global pax yields (in US\$ terms) has paused in the past few months, with a stronger US\$ & weather-related disruption impacting recent outcomes. For key regional markets, the yield performance over the past year is mixed; the Australia domestic market has the largest yield increase vs a year ago, up an even 5%.

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

%change on a yr ago	2016	Aug-17	Sep-17	Oct-17
India domestic	-15.3	5.0	3.9	1.8
Australia domestic	-9.2	4.6	4.5	5.0
Asia - Europe	-10.3	11.3	5.7	3.2
Within Asia	-10.0	-5.5	-5.1	-5.2
Asia - Nth America	-7.2	-0.7	-5.7	-3.4
Asia - Middle East	-10.5	6.4	-2.3	-2.1
Asia - Sth America	-9.1	-8.7	-2.0	-0.3
Asia - Africa	-8.8	8.2	0.6	3.7

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

Aircraft deliveries to the Asia Pacific (4Q17 data)



Source: Ascend