



STATE OF THE REGION: ASIA-PACIFIC

DECEMBER 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2018Q1	2018Q2	2018Q3
India	6.2	7.7	8.2	7.1
Japan	1.9	1.2	1.4	0.1
Indonesia	5.1	5.1	5.3	5.2
Korea	3.1	2.8	2.8	2.0
Australia	2.4	3.0	3.1	2.8
Thailand	3.9	4.9	4.6	3.4
Malaysia	5.9	5.4	4.5	4.4
World*	3.1	3.2	3.2	3.0

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2017	Sep-18	Oct-18	Nov-18
US\$ broad index	120.0	126.0	126.9	128.3
Japanese yen (JPY)	112.6	113.6	113.1	113.6
Australian dollar (AUD)	1.28	1.38	1.41	1.37
Sth Korean won (KRW)	1068	1110	1141	1121
Indian rupee (INR)	63.9	72.5	74.0	69.6
Indonesian rupiah (IDR)	13636	14879	15281	14302
Thai baht (THB)	32.6	32.3	33.1	32.9
Malaysian ringgit (MYR)	4.05	4.14	4.18	4.18

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Sep-18	Oct-18	Nov-18
Crude oil (Brent)	54.2	78.9	81.0	64.8
Jet fuel	65.6	91.9	94.4	81.7

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2017	Aug-18	Sep-18	Oct-18
Region (registration basis)				
Asia Pacific	10.8	9.1	6.5	7.6
World	8.0	6.3	5.5	6.3
Routes (segment basis)				
India domestic	17.5	18.3	19.6	15.0
Japan domestic	5.8	1.3	-4.7	1.7
Australia domestic	0.4	1.7	0.6	1.0
Asia - Europe	10.5	9.2	7.1	7.5
Within Asia	11.4	7.6	6.0	6.1
Asia - Nth America	7.2	2.5	2.0	1.7
Asia - Middle East	7.0	3.6	3.5	5.9
S/w Pacific - N/S America	6.5	3.5	5.0	7.1
Asia - Africa	3.7	10.6	9.7	5.8

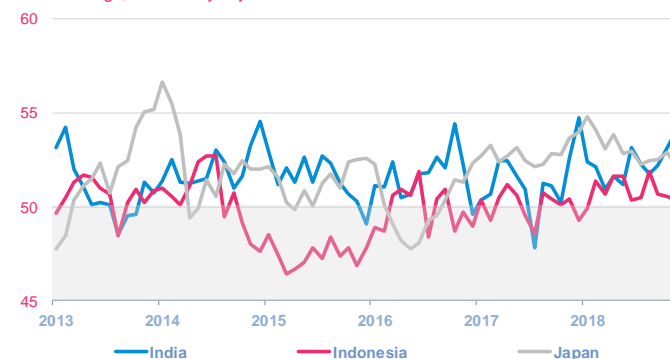
Source: IATA Statistics Note: historical data may be subject to revision

- ➔ Annual growth in industry-wide RPKs recovered to 6.3% in Oct, up from an eight-month low of 5.5% in Sep. That said, the upward passenger demand trend has softened a little over the past six months.
- ➔ RPK growth for the AsiaPac carriers recovered in Oct to 7.6%yoy, with the region becoming the fastest growing in terms of passenger volumes this month.

IATA Economics: www.iata.org/economics

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted

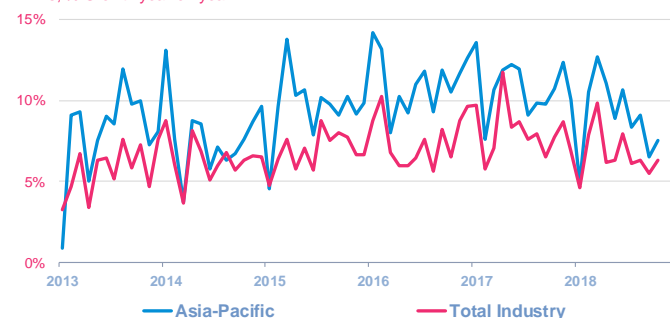


- ➔ India's business confidence surged to its highest level this year, underpinned by stronger demand and production. In contrast, sentiment ticked down in Japan and softened further in Indonesia, in the latter case partly due to weaker growth momentum in the manufacturing sector.
- ➔ On a trade-weighted basis, the US\$ rose by 1.1% in Nov, up 9% since Jan. Across the main regional currencies, movements were generally stronger this month; the IDR & INR both gained ~6% vs the US\$ followed by the AUD and KRW which rose 3.0% & 1.7%, respectively.
- ➔ Brent crude oil & jet fuel prices both fell sharply in November, by ~ 20% and 13.5%, respectively, following increased concerns of oversupply.

- ➔ India continues to grow at a brisk double-digit rate of 15%yoy. Although this was a slowdown from 19.6% in Sep, the upward RPK trend remains solid. In Japan, growth returned to positive territory (1.7%yoy), following the disruption caused by Typhoon Jebi in Sep.
- ➔ Of the region's main international markets, Asia-Europe and Within Asia both continue to grow strongly, with respective growth of 7.5% and 6.1%yoy. In smaller Asia-Africa, growth softened further this month to 5.8%yoy, indicating that the recent period of double-digit growth might have come to an end.

Growth in air passenger volumes

RPKs, % Growth year-on-year



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Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Aug-18	Sep-18	Oct-18
Region (registration basis)				
Asia Pacific	9.0	0.2	0.4	1.9
World	9.7	2.8	2.5	3.1
Routes (segment basis)				
Asia - Europe	12.2	1.9	0.2	2.0
Asia - Nth America	10.1	3.2	3.2	4.8
Within Asia	8.6	-1.0	-5.1	1.7
Asia - Middle East	8.1	3.3	5.7	7.1
S/w Pacific - N/S America	24.6	9.9	16.0	12.0
Asia - Africa	57.8	-9.4	-11.8	-3.6

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

- ➔ Annual industry-wide growth in FTKs recovered to 3.1% in Oct, reflecting traditionally stronger demand for air freight in Q4. That said, the growth rate remains markedly slower vs last year, which is consistent with the typical pattern seen after inventory restocking cycles.
- ➔ At the regional level, year-on-year FTKs flown by AsiaPac carriers ticked up to 1.9%, up from 0.4% in the previous month. That said, the region's FTKs are still ~1pp below the industry-wide average growth rate.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2017	Aug-18	Sep-18	Oct-18
Passenger					
Asia Pacific	ASK	9.0	7.1	6.1	7.0
	PLF	81.0	84.2	80.7	80.8
World	ASK	6.6	5.4	5.9	6.3
	PLF	81.5	85.3	81.4	81.1
Freight					
Asia/Pacific	AFTK	5.6	3.5	1.2	4.2
	FLF	57.2	54.9	57.7	56.9
World	AFTK	5.0	5.4	4.1	5.4
	FLF	49.9	46.9	49.5	50.4

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

- ➔ The industry-wide PLF eased to 81.1% in Oct, the lowest level since May. In contrast, the FLF rose for the second month in a row to 50.4%, up from 49.5% in Sep.
- ➔ The PLF for the AsiaPac airlines remains largely unchanged from Sep at 80.8%. On the freight side, the FLF ticked down a little this month, to 56.9% but continues to set the industry benchmark.
- ➔ The latest Q3 financial data confirm a decline in both industry & regional performance vs a year ago. The industry-wide EBIT margin dropped to 11.5% in Q3 from 15.1% last year. As for AsiaPac airlines, the Q3 margin

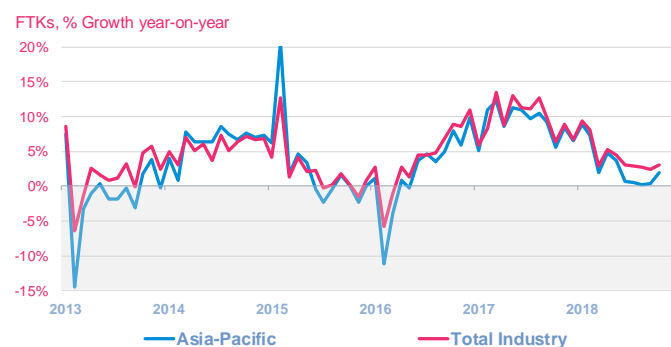
Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q3	2018Q3
Asia Pacific	7.4	5.5	11.3	6.3
Industry	8.5	7.5	15.1	11.5

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

- ➔ Of the region's main international markets, Asia-Middle East remains the strongest performer in Oct, with FTKs up a robust 7.1% vs last year. FTK growth on the Asia-NthAm market also ticked up this month to 4.8%yoy.
- ➔ An ongoing slowdown in annual FTK growth is currently evident for the smaller Asia-Africa market which registered another decline in volumes (-3.6%) vs its level of a year ago.

Growth in air freight volumes



Source: IATA Statistics

showed a moderation to 6.3% vs 11.3% in Q3 2017.

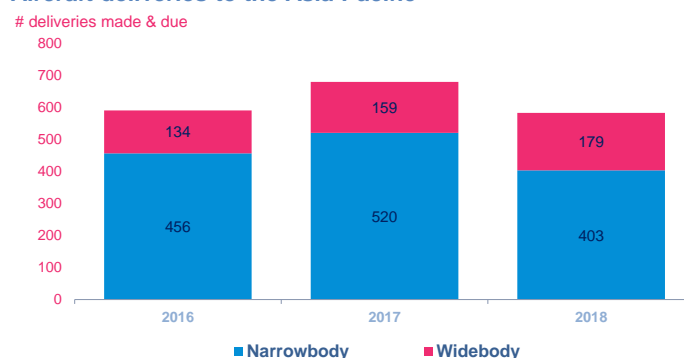
- ➔ Passenger yield developments across region's key markets over the past year remain mixed. Asia-NthAm was the strongest performer in Oct, up 4.4%yoy, followed by Australia domestic with 4.0%yoy growth.
- ➔ By contrast, yields are lower vs a year ago for number of larger markets including India domestic (-8.8%), Asia-Europe (-1.0%) and Within Asia (-4.5%).

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

%change on a yr ago	2017	Aug-18	Sep-18	Oct-18
India domestic	-2.3	-10.5	-11.0	-8.8
Australia domestic	5.5	5.1	4.6	4.0
Asia - Europe	1.9	0.1	-2.7	-1.0
Within Asia	-5.6	-2.1	-3.3	-4.5
Asia - Nth America	-3.2	3.9	4.1	4.4
Asia - Middle East	-3.5	-0.1	-4.9	-1.9
Asia - Sth America	-4.2	-0.6	-3.0	-3.0
Asia - Africa	-0.1	6.9	1.7	0.8

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

Aircraft deliveries to the Asia Pacific



Source: Ascend