

State of the region: Asia Pacific

December 2020

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q1 2020	Q2 2020	Q3 2020
India	4.9	3.1	-23.9	-7.5
Japan	0.3	-2.1	-10.3	-5.7
Indonesia	5.0	3.0	-5.3	-3.5
Korea	2.0	1.4	-2.8	-1.1
Australia	1.9	1.4	-6.4	-3.8
Thailand	2.6	-1.8	-12.5	-6.6
Malaysia	4.3	0.7	-17.1	-2.7
World*	2.5	-1.6	-9.0	-2.9

* Market exchange rate basis Source: Datastream

Exchange rates

end of period, # per US\$	2019	Sep-20	Oct-20	Nov-20
US\$ broad index	114.7	117.3	116.5	113.6
Japanese yen (JPY)	108.6	105.5	104.6	104.3
Australian dollar (AUD)	1.43	1.40	1.42	1.36
Sth Korean won (KRW)	1155	1165	1136	1108
Indian rupee (INR)	71.4	73.8	74.1	74.1
Indonesian rupiah (IDR)	13883	14880	14625	14120
Thai baht (THB)	30.0	31.7	31.2	30.3
Malaysian ringgit (MYR)	4.09	4.16	4.16	4.07

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Sep-20	Oct-20	Nov-20
Crude oil (Brent)	64.2	41.9	41.6	44.1
Jet fuel	79.6	41.1	43.5	47.7

Source: Platts, Datastream (monthly average data)

Market

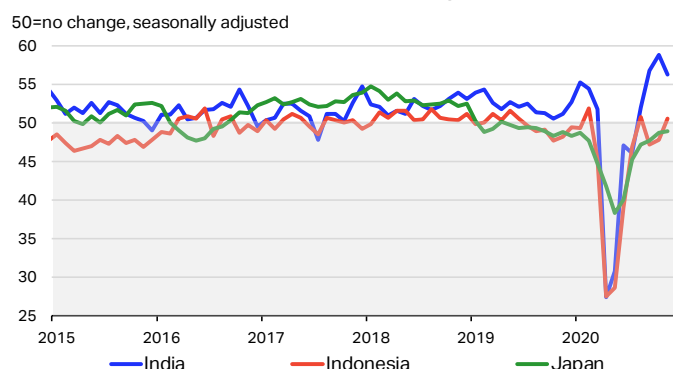
Revenue passenger-kilometers (RPKs)

% change on a yr ago	2019	Aug-20	Sep-20	Oct-20
Region (registration basis)				
Asia Pacific	4.7	-69.1	-63.2	-61.6
World	4.1	-74.8	-72.2	-70.6
Routes (segment basis)				
Japan domestic	3.7	-68.8	-58.7	-45.3
Australia domestic	0.7	-90.1	-88.1	-86.3
Asia - Europe	6.7	-94.5	-92.9	-92.8
Within Asia	5.3	-98.4	-98.2	-98.2
Asia - Nth America	2.4	-93.5	-93.7	-93.7
Asia - Middle East	4.2	-91.4	-88.9	-86.6
S/w Pacific - N/S America	4.8	-97.2	-97.2	-96.9
Asia - Africa	3.5	-94.7	-93.5	-93.1

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

- Industry-wide revenue passenger-kilometres (RPKs) fell by 70.6% year-on-year in October, a modest improvement from the 72.2% decline in September. As in the previous months, the gain has been driven by domestic markets.
- Asia Pacific airlines registered little improvement in passenger traffic vs. the previous month, reporting

Business confidence - manufacturing PMIs

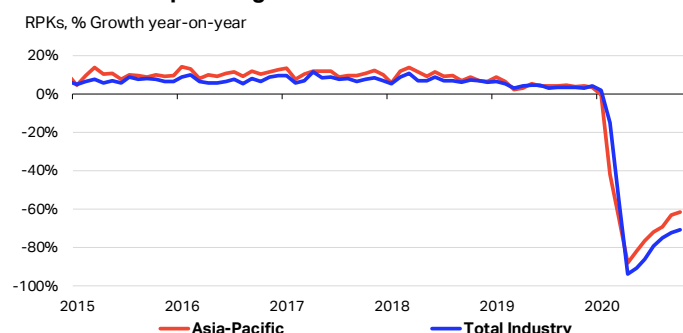


- Business sentiment in India eased slightly from the peak in October amidst uncertainty linked to COVID-19. Business confidence picked up in Indonesia following the relaxation of social restrictions in Jakarta and also improved slightly in Japan due to slower falls in production and new orders.
- The trade weighted US dollar index fell by 2.5% in November amidst investors' hopes that vaccines will accelerate the global economic recovery. Of the key regional currencies, the AUD was the main mover, ending the month up ~5% against the US\$.
- Brent Crude oil and jet fuel price also reflected positive news flow about the virus vaccine, rising by 2% and 4%, respectively versus October.

RPKs down almost 62%yoy (-63%yoy in Sept).

- There was almost no uptick in international RPKs since travel restrictions remained in place. All cross-border routes contracted by around 90%yoy.
- Some of the domestic markets fared slightly better, including Japan where the contraction in RPKs significantly eased to -45%yoy in October. In Australia, domestic RPKs were still down 86%yoy even though some domestic travel restrictions were recently lifted.

Growth in air passenger volumes



Cargo tonne-kilometers (CTKs)

% change on a y ago	2019	Aug-20	Sep-20	Oct-20
Region (registration basis)				
Asia Pacific	-5.6	-18.4	-15.9	-12.8
World	-3.2	-12.0	-7.8	-6.2
Routes (segment basis)				
Asia - Europe	-1.5	-18.5	-17.3	-15.2
Asia - Nth America	-3.7	3.3	3.8	5.5
Within Asia	-7.7	-26.8	-22.8	-21.6
Asia - Middle East	-2.3	-5.7	0.2	3.4
S/w Pacific - N/S America	-8.5	-43.2	-43.3	-50.0
Asia - Africa	12.6	18.2	23.6	4.2

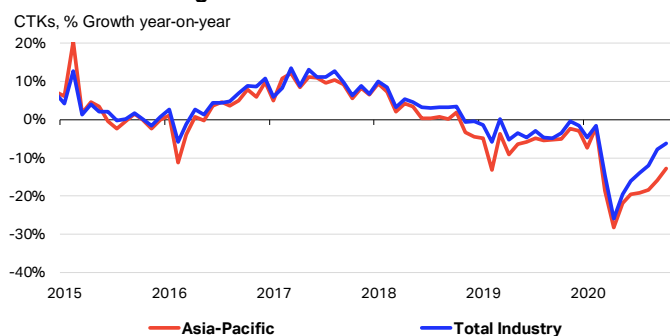
Source: IATA Economics. Note: historical data may be subject to revision

- Industry-wide cargo tonne-kilometres (CTKs) fell by 6.2% year-on-year versus a 7.8% fall in the previous month. The pace of improvement softened modestly compared with September.
- Asia Pacific's air cargo volumes picked up despite Golden Week holidays (a typically weak period for air cargo business). The recovery in volumes observed

over the past two months has been positively impacted by rising available capacity in the market.

- Of the region's key markets, Asia-Nth.Am routes continued to drive the recovery in the region's int'l CTKs (up 5.5%yoy in Oct). Growth slowed sharply on Asia-Africa routes although for now it's too early to determine whether it is a new trend or just outsized volatility typical for this small market.

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago,		2019	Aug-20	Sep-20	Oct-20
LF: % of ASK/ACTK					
Passenger					
Asia Pacific	ASK	4.4	-60.2	-57.2	-54.5
	PLF	81.9	65.2	69.1	68.7
World	ASK	3.4	-63.4	-62.3	-59.9
	PLF	82.6	59.0	60.5	60.2
Cargo					
Asia/Pacific	ACTK	0.9	-31.9	-29.2	-23.9
	CLF	52.3	61.4	63.9	61.7
World	ACTK	2.1	-29.0	-25.5	-22.6
	CLF	46.8	54.8	57.2	57.6

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

- Seat capacity continued to recover faster than RPKs. As a result, the industry-wide passenger load factor reached a new record-low for October (60%). The PLF of Asia Pacific carriers was at 69% in total - the highest outcome of all regions.
- For freight, load factors remained at elevated levels amidst the ongoing capacity shortage that resulted from grounding of passenger aircraft. Asia Pacific airlines reported the CLF was up 8ppts vs. year ago.
- Our latest sample of Q3 2020 results confirms that negative impact of the pandemic on airline financials persists. Airlines in all regions reported another quarter of sharp losses since the recovery in air travel demand

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q3	2020Q3
Asia Pacific	4.7	3.7	6.3	-41
Industry	5.7	5.2	12.7	-61

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

was limited. Looking ahead, air travel demand and revenues will likely pick up once the vaccines become widely available. Until then however, airlines will continue to lose money unless testing replaces quarantine requirements.

- Note that the passenger yield data should be interpreted with caution due to the small number of tickets being sold amidst the pandemic crisis.

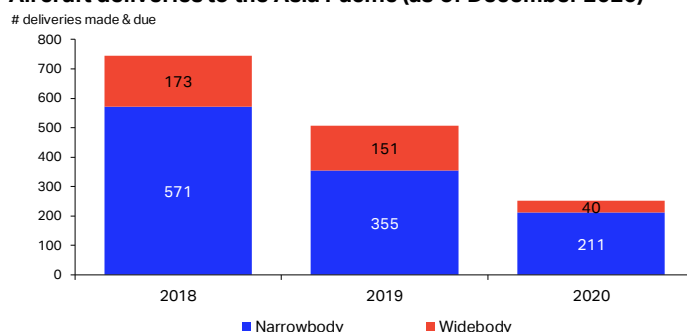
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Aug-20	Sep-20	Oct-20
India domestic	3.3	-8.8	-11.1	-18.3
Australia domestic	-5.6	6.6	9.6	10.4
Asia - Europe	-7.7	-7.3	-3.8	5.6
Within Asia	-4.5	-21.1	-4.8	-6.3
Asia - Nth America	-2.6	-5.0	1.2	0.5
Asia - Middle East	7.7	28.4	47.1	57.1
Asia - Sth America	-7.8	11.6	8.8	5.1
Asia - Africa	-5.8	61.9	83.8	104.7

Source: DDS Note: historical data may be subject to revision

- The data for December indicate a 50% fall in jet aircraft deliveries scheduled for Asia Pacific airlines in 2020 versus 2019.

Aircraft deliveries to the Asia Pacific (as of December 2020)



Source: Ascend