

# State of the region: Asia Pacific

February 2020

## Economy

### GDP growth, selected countries

% change on a yr ago	2018	Q2 2019	Q3 2019	Q4 2019
India	7.4	5.0	4.5	--
Japan	0.3	0.8	1.8	-0.4
Indonesia	5.2	5.1	5.0	5.0
Korea	2.7	2.1	2.0	2.2
Australia	2.7	1.6	1.7	--
Thailand	4.1	2.4	2.6	1.6
Malaysia	4.7	4.9	4.4	3.6
<b>World*</b>	<b>3.2</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>

\* Market exchange rate basis † Estimate Source: Datastream

### Exchange rates

end of period, # per US\$	2019	Nov-19	Dec-19	Jan-20
US\$ broad index	114.7	117.1	114.7	115.8
Japanese yen (JPY)	108.6	109.5	108.6	108.4
Australian dollar (AUD)	1.43	1.48	1.43	1.49
Sth Korean won (KRW)	1155	1181	1155	1198
Indian rupee (INR)	71.4	71.7	71.4	71.4
Indonesian rupiah (IDR)	13883	14105	13883	13655
Thai baht (THB)	30.0	30.2	30.0	31.2
Malaysian ringgit (MYR)	4.09	4.18	4.09	4.10

Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2019	Nov-19	Dec-19	Jan-20
Crude oil (Brent)	64.2	62.7	65.3	63.9
Jet fuel	79.6	78.2	80.1	76.2

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger kilometers (RPKs)

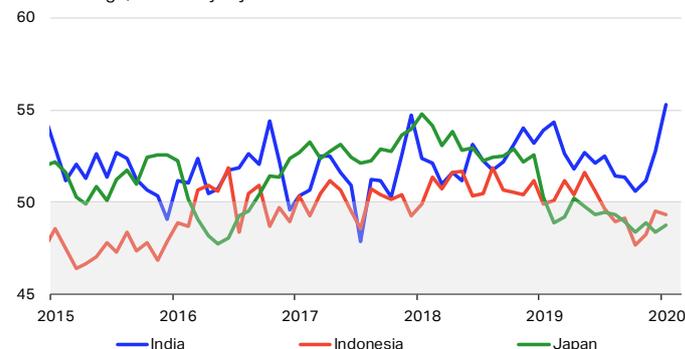
% change on a yr ago	2019	Oct-19	Nov-19	Dec-19
<b>Region (registration basis)</b>				
Asia Pacific	4.8	4.0	4.2	3.5
World	4.2	3.4	3.3	4.5
<b>Routes (segment basis)</b>				
India domestic	5.1	4.2	11.7	1.7
Japan domestic	3.9	1.8	3.3	1.8
Australia domestic	0.1	2.0	-0.1	0.8
Asia - Europe	6.6	6.3	6.2	5.1
Within Asia	6.4	5.6	6.7	5.4
Asia - Nth America	2.0	-0.1	0.9	6.0
Asia - Middle East	3.6	9.8	7.5	5.7
S/w Pacific - N/S America	4.8	-0.9	1.5	3.5
Asia - Africa	5.0	8.9	10.7	7.9

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

- Industry-wide revenue passenger kilometres (RPKs) expanded by 4.2% in 2019 as a whole, down from 7.3% in the previous year amidst slower economic growth and weaker international trade.
- Asia Pacific carriers saw RPKs up by 4.8% in 2019 – almost half the pace recorded in 2018 (9.3%). The sharp slowdown reflected the adverse impact of the US-China trade war on business confidence and economic activity in the region.

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



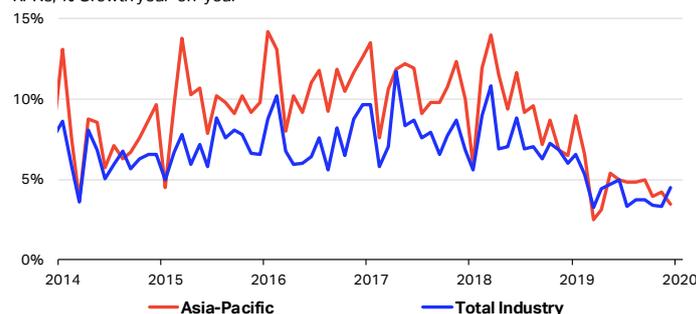
Source: Markit

- Business confidence soared in India on the back of robust demand. By contrast, business sentiment remained in low levels in Japan amidst softer economic activity, and also in Indonesia partly due to fall in sales.
- The US\$ broad index ended the month up ~1%. Of the key regional currencies, the AUD and the THB lost 4.8% & 4.1%, respectively against the US\$ over the fears of the coronavirus spread.
- Following the uptick in December, the jet fuel and crude oil price declined again last month due to the concerns about the impact of the coronavirus outbreak on global oil demand.

- After more than four years of brisk expansion, India domestic RPK growth slowed to 5% in 2019 amidst the Jet Airways demise and softer economic activity. Growth eased also in Australia (0.1%) but ticked up in Japan (3.9%) due to weaker 2018 outcomes.
- The performance was mixed across the other key regional markets. Both Asia-Europe and Within Asia markets expanded by ~6.5% in 2019. This represents a solid outcome for the former but more than 5ppt slowdown 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	2019	Oct-19	Nov-19	Dec-19
<b>Region (registration basis)</b>				
Asia Pacific	-5.7	-5.4	-2.9	-3.5
World	-3.3	-3.7	-1.1	-2.7
<b>Routes (segment basis)</b>				
Asia - Europe	-1.9	-1.1	1.9	-1.5
Asia - Nth America	-3.7	-2.6	-1.0	-2.3
Within Asia	-7.4	-7.3	-2.4	-0.2
Asia - Middle East	-2.6	-2.6	0.6	1.2
S/w Pacific - N/S America	-8.5	-15.4	-13.4	-5.6
Asia - Africa	12.4	20.1	38.9	17.0

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

- Industry-wide freight tonne kilometres (FTKs) contracted by 3.3% in 2019. This represents the worst performance since the Global Financial Crisis and could be largely attributed to global weakness in trade.
- As one of the world's main manufacturing and distribution hubs, Asia Pacific region was hit particularly hard by international trade tensions and global economic slowdown. This was reflected in sharp decline in the region's FTKs in 2019 (-5.7%).

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2019	Oct-19	Nov-19	Dec-19
LF: % of ASK/AFTK					
<b>Passenger</b>					
Asia Pacific	ASK	4.5	3.2	2.9	2.5
	PLF	81.9	81.5	81.4	81.6
World	ASK	3.4	2.2	1.8	2.1
	PLF	82.6	82.0	81.1	82.3
<b>Freight</b>					
Asia/Pacific	AFTK	1.1	1.2	1.8	2.8
	FLF	52.2	53.5	54.3	51.9
World	AFTK	2.1	2.4	2.6	2.8
	FLF	46.7	47.5	49.8	46.7

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

- Industry-wide seat capacity (ASKs) expanded by 3.4% in 2019 – about 1ppt slower pace than that of RPKs. As a result, the industry passenger load factor (PLF) reached a record-high 82.6% last year.
- For freight, capacity (AFTKs) rose by 2.1% against contracting demand. This has driven 2019 freight load factor down by 2.6ppt compared to the previous year.
- At the regional level, Asia Pacific carriers posted their highest annual PLF in the history of our time series (81.9%). However, they performed less strongly on the freight side with FLF down 3.8ppt vs 2018.
- The initial Q4 financial data indicate a higher industry-wide EBIT margin vs Q4 2018. At the regional level,

### Airline operating (EBIT) margins\*

% revenues	2018	2019E	2018Q4	2019Q4
Asia Pacific	4.7	3.5	10.0	8.8
Industry	5.7	5.1	8.3	9.0

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

- Of the key air freight markets for the region, only the smaller Asia-Africa expanded last year (up 12.5%), benefitting from investment flows from Asia to Africa.
- Of the other main markets, S/w Pacific – N/S America and Within Asia were the key underperformers with FTKs down 8.5% and 7.4%, respectively, while the larger Asia-Europe market contracted the least (-1.9%) and was showing signs of recovery in late-2019.

### Growth in air freight volumes



Source: IATA Statistics

margins fell on average, partly due to weaker passenger demand.

- Development in passenger yields (denominated in US\$) was mixed in 2019. Yields expanded in domestic India (up 3.5%) on the back of an increase in base revenues while they contracted in the larger Asia-Europe (-7.7%) and Within Asia (-4.5%) markets.

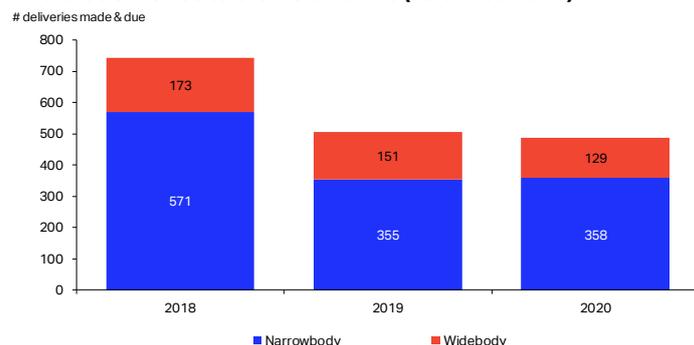
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Oct-19	Nov-19	Dec-19
India domestic	3.5	9.1	-4.6	-1.5
Australia domestic	-5.5	-5.2	-6.2	-0.5
Asia - Europe	-7.7	-7.6	-6.6	-6.6
Within Asia	-4.5	-2.9	-1.9	-2.7
Asia - Nth America	-2.6	-5.3	-1.2	-4.5
Asia - Middle East	7.7	6.8	5.7	5.3
Asia - Sth America	-7.8	-8.8	-6.8	-4.0
Asia - Africa	-5.8	-7.1	-5.1	-4.7

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

- The latest data show a modest fall in the number of jet aircraft deliveries scheduled for Asia Pacific carriers in 2020 vs 2019.

### Aircraft deliveries to the Asia Pacific (as of Feb 2020)



Source: Ascend