



STATE OF THE REGION: ASIA-PACIFIC

FEBRUARY 2018

Economy

GDP growth, selected countries

%change on a yr ago	2016	2017Q2	2017Q3	2017Q4
India	7.9	5.7	6.3	--
Japan	0.9	1.6	1.9	1.6
Indonesia	5.0	5.0	5.1	5.2
Korea	2.8	2.7	3.8	3.0
Australia	2.6	1.9	2.8	--
Thailand	3.3	3.9	4.3	4.0
Malaysia	4.2	5.8	6.2	5.9
World*	2.4	2.9	3.2	3.2

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2017	Nov-17	Dec-17	Jan-18
US\$ broad index	120.0	120.3	120.0	117.2
Japanese yen (JPY)	112.6	112.4	112.6	109.2
Australian dollar (AUD)	1.28	1.32	1.28	1.24
Sth Korean won (KRW)	1068	1087	1068	1068
Indian rupee (INR)	63.9	64.5	63.9	63.6
Indonesian rupiah (IDR)	13636	13566	13636	13362
Thai baht (THB)	32.6	32.6	32.6	31.3
Malaysian ringgit (MYR)	4.05	4.09	4.05	3.90

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Nov-17	Dec-17	Jan-18
Crude oil (Brent)	54.2	62.7	64.4	69.1
Jet fuel	65.6	73.9	76.3	82.0

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

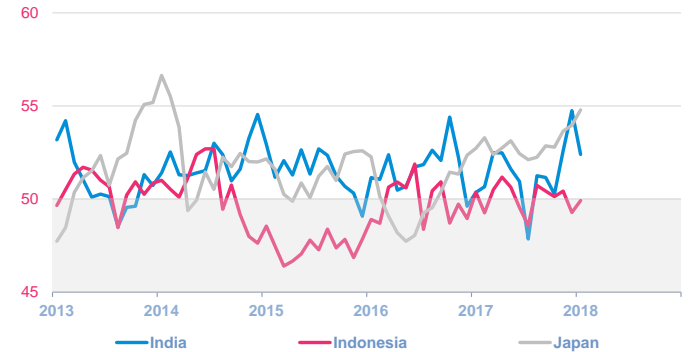
%change on a yr ago	2017	Oct-17	Nov-17	Dec-17
Region (registration basis)				
Asia Pacific	10.1	9.9	11.7	9.1
World	7.6	7.2	8.2	6.2
Routes (segment basis)				
India domestic	17.5	20.4	16.4	17.4
Japan domestic	5.8	2.3	6.9	2.1
Australia domestic	0.5	3.1	3.3	2.8
Asia - Europe	9.5	6.1	9.8	7.1
Within Asia	9.2	11.3	12.9	8.6
Asia - Nth America	4.9	4.2	5.4	3.3
Asia - Middle East	7.4	9.2	9.3	4.0
S/w Pacific - N/S America	6.0	0.4	3.7	8.2
Asia - Africa	4.1	4.7	2.0	7.3

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

- Industry-wide RPKs grew by 7.6% in 2017; another year of above-trend passenger growth, well ahead of the 10yr average pace of 5.5%. Growth was supported by a broad-based lift in global economic conditions as well as stimulus from lower airfares (mainly earlier in the year).
- Pax volumes for the AsiaPac carriers increased by a strong 10.1% in 2017, the fastest pace amongst all of

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

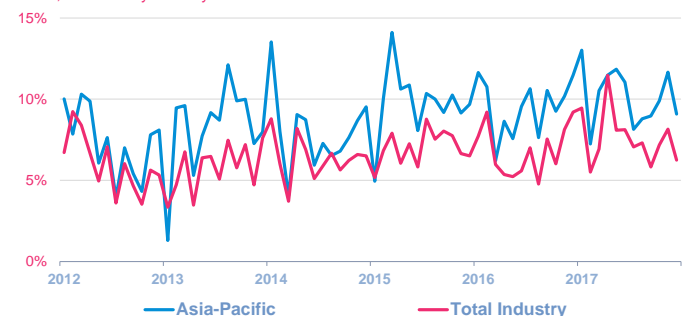
- Business confidence pushed higher in Japan this month as the country recorded its longest consecutive run of economic growth since 1989. In India, the index pared some of last month's strong gain, as output & new orders both eased somewhat.
- On a trade-weighted basis, the US\$ eased again in Jan, down 2.3% in the month. Key regional currencies were generally higher vs the US\$ in the month; the THB was up 4% & the JPY, AUD & MYR all gained a solid 3-3.5%.
- Brent crude oil prices reached a 3yr high in Jan, supported by OPEC-led production cuts and a weaker US dollar. Oil & jet fuel prices both rose by ~7.5% in the month, to around US\$70 & US\$80 respectively.

the IATA regions, by a clear margin.

- India posted the fastest domestic RPK growth (at 17.5%) for the 3rd year in a row, driven by both economic & network expansion. The Japan domestic market grew by a more modest, but still healthy, 5.8% in 2017; its fastest year of growth since 2013.
- Of the larger international markets for Asia, Europe posted the strongest growth (9.5%) in 2017, closely followed by Within Asia at 9.2%.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2017	Oct-17	Nov-17	Dec-17
Region (registration basis)				
Asia Pacific	7.8	3.6	6.9	5.6
World	9.0	5.4	8.2	5.7
Routes (segment basis)				
Asia - Europe	11.0	2.3	8.2	6.4
Asia - Nth America	8.7	3.5	8.0	6.0
Within Asia	12.2	4.8	11.0	8.3
Asia - Middle East	6.3	3.1	6.9	12.9
S/w Pacific - N/S America	31.2	22.3	25.7	32.0
Asia - Africa	58.6	63.3	45.8	22.5

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

- Industry-wide FTKs grew by 9.0% in 2017, up from 3.6% in 2016 & the strongest annual result since 2010. Air freight outperformed global goods trade by the widest margin since 2010, driven by the inventory restocking cycle & buoyant demand for manufactured exports.
- AsiaPac carriers increased FTKs by 7.8% last year, somewhat below the industry-wide pace. The region still accounts for the largest share of internat. FTKs, at 37%.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK	2017	Oct-17	Nov-17	Dec-17	
Passenger					
Asia Pacific	ASK	8.4	8.6	8.8	8.3
	PLF	81.0	80.3	81.0	81.1
World	ASK	6.3	6.0	6.3	5.8
	PLF	81.4	80.9	80.3	80.7
Freight					
Asia/Pacific	AFTK	1.3	1.2	2.2	2.2
	FLF	56.1	57.1	58.9	57.1
World	AFTK	3.0	2.7	4.2	3.3
	FLF	45.5	47.1	48.7	46.8

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

- The industry-wide pax load factor increased by 0.9pp in 2017, taking it to a record calendar-year high of 81.4%. The PLF for AsiaPac carriers was broadly in-line with the industry outcome, at 81.0% for the year.
- With air freight demand growing 3x faster than capacity in 2017, the freight load factor for the industry increased by a sizeable 2.5pp in 2017. However, the FLF performance of the region's carriers easily outperformed the industry, by more than 10pp. At 56.1%, the AsiaPac FLF remains the benchmark for the other regions.
- The initial financial data for Q4 show a modest improvement in the region's financial performance vs the

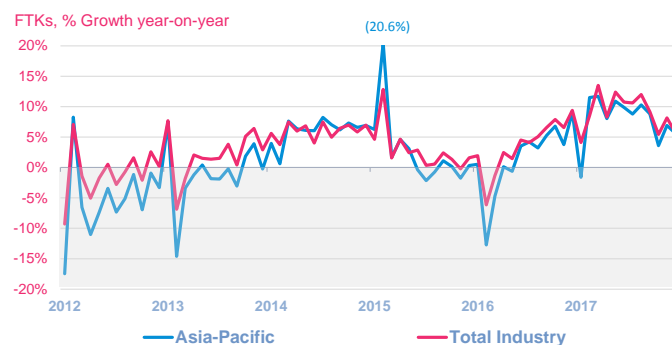
Airline operating (EBIT) margins*

% revenues	2015	2016	2016Q4	2017Q4
Asia Pacific	8.0	10.0	10.6	11.6
Industry	8.5	8.8	10.9	10.7

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

- Of the key markets, Within Asia & Asia-Europe both showed strong, double-digit FTK growth (of 12.2% & 11.0%, respectively) in 2017.
- However, the strongest growth in freight volumes overall came from the two smaller markets of Asia-Africa (underpinned by foreign investment flows into Africa) & S/west Pacific-Nth/Sth America with FTK growth of around 60% & 30%, respectively.

Growth in air freight volumes



Source: IATA Statistics

same period last year. The EBIT margin for the AsiaPac carriers is up 1.0pp to 11.6% currently, outperforming the overall industry figure by a similar margin.

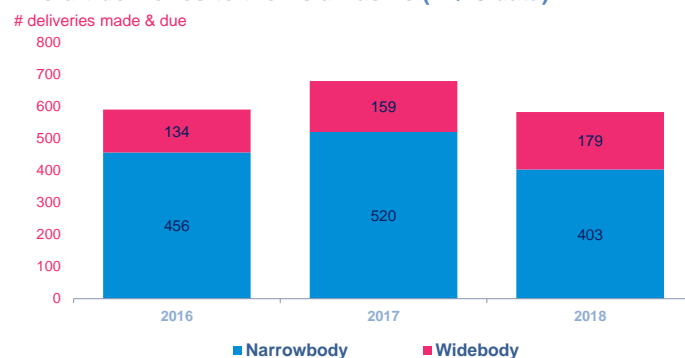
- Industry-wide passenger yields remain broadly unchanged compared with a year ago. Across the region's key markets, yields are generally higher in yoy terms. Nth America is the key exception with yields still down 3.6%yoy.

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

% change on a yr ago	2016	Oct-17	Nov-17	Dec-17
India domestic	-15.3	1.8	5.1	3.0
Australia domestic	-9.2	5.0	7.0	6.9
Asia - Europe	-10.8	3.2	6.6	7.0
Within Asia	-10.3	-5.2	-2.3	0.2
Asia - Nth America	-7.3	-3.4	-2.9	-3.6
Asia - Middle East	-10.7	-2.1	-1.8	0.5
Asia - Sth America	-9.2	-0.3	-4.0	3.7
Asia - Africa	-8.9	3.7	2.3	7.4

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

Aircraft deliveries to the Asia Pacific (1Q18 data)



Source: Ascend