

State of the region: Asia Pacific

February 2021

Economy

GDP growth, selected countries

% change on a yr ago	2020	Q2 2020	Q3 2020	Q4 2020
India	--	-23.9	-7.5	--
Japan	-4.9	-10.3	-5.8	-1.1
Indonesia	-2.1	-5.3	-3.5	-2.2
Korea	-0.9	-2.8	-1.1	-1.3
Australia	--	-6.4	-3.8	--
Thailand	-6.2	-12.0	-6.4	-4.2
Malaysia	-5.6	-17.1	-2.6	-3.4
World*	-3.7	-8.9	-2.7	-1.8

* Market exchange rate basis Source: Datastream

Exchange rates

end of period, # per US\$	2020	Nov-20	Dec-20	Jan-21
US\$ broad index	111.7	113.6	111.7	112.2
Japanese yen (JPY)	103.3	104.3	103.3	104.7
Australian dollar (AUD)	1.29	1.36	1.29	1.30
Sth Korean won (KRW)	1087	1108	1087	1114
Indian rupee (INR)	73.1	74.1	73.1	73.0
Indonesian rupiah (IDR)	14050	14120	14050	14030
Thai baht (THB)	30.0	30.3	30.0	29.9
Malaysian ringgit (MYR)	4.02	4.07	4.02	4.04

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2020	Nov-20	Dec-20	Jan-21
Crude oil (Brent)	43.4	44.1	50.4	55.2
Jet fuel	46.3	47.7	55.4	59.6

Source: Platts, Datastream (monthly average data)

Market

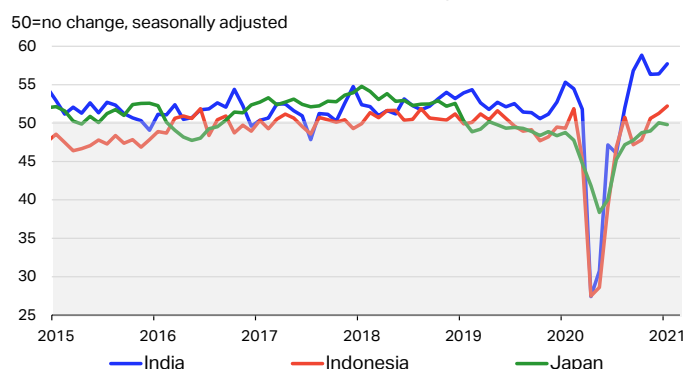
Revenue passenger-kilometers (RPKs)

% change on a yr ago	2020	Oct-20	Nov-20	Dec-20
Region (registration basis)				
Asia Pacific	-61.9	-61.4	-61.8	-63.8
World	-65.9	-70.6	-70.4	-69.7
Routes (segment basis)				
India domestic	-55.6	-55.6	-49.5	-42.7
Japan domestic	-53.6	-45.0	-39.1	-50.4
Australia domestic	-69.5	-84.3	-80.0	-64.1
Asia - Europe	-79.0	-92.9	-93.2	-91.9
Within Asia	-84.0	-98.2	-97.6	-96.5
Asia - Nth America	-80.1	-93.7	-92.5	-92.2
Asia - Middle East	-73.7	-86.6	-85.9	-84.3
S/w Pacific - N/S America	-74.0	-96.9	-96.9	-97.4
Asia - Africa	-80.1	-93.1	-93.9	-92.5

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

- Industry-wide revenue passenger-kilometres (RPKs) fell by 69.7% year-on-year in Dec – confirming that the recovery in air travel had been stalling in Q4. In 2020 as a whole, passenger traffic plunged by 66%, which was by far the sharpest decline in aviation history.
- Contraction in RPKs flown by Asia Pacific airlines accelerated to 63.8%yoy in December, from

Business confidence - manufacturing PMIs

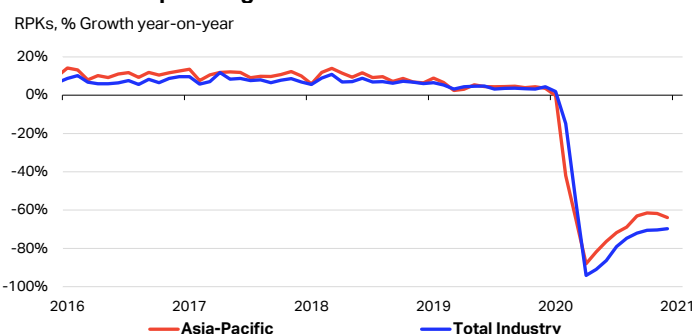


- Q4 GDP contraction in Japan and Indonesia eased to -1.1% and -2.2% year-on-year, respectively as the operating backdrop continued to recover from the through of the crisis. The GDP figure is not yet available for India but elevated business sentiment points to improving economic conditions.
- The trade-weighted US dollar index ticked up by 0.5% in January, following three consecutive monthly falls. The KRW was the main mover amongst the key regional currencies, losing 2.5% against the US\$.
- Brent Crude oil and jet fuel prices increased in January, reflecting Saudi Arabia's supply cuts and hopes that the new US stimulus package will boost oil demand.

-61.8%yoy in the previous month. Strict travel restrictions continue to weigh on the recovery in the Asia Pacific international market, which was the worst-performing amongst all regions (ASPAC int'l RPKs down ~95%yoy in Dec).

- Asia Pacific airlines' full-year traffic plunged by 61.9% compared to 2019. All of the regions' key international routes were severely impacted by the pandemic with annual declines ranging from 73%-84%yoy.
- Domestic markets in Asia Pacific performed slightly better than int'l routes in 2020 due to less stringent restrictions (down on average ~39% vs. 2019).

Growth in air passenger volumes



Cargo tonne-kilometers (CTKs)

<i>% change on a yr ago</i>	2020	Oct-20	Nov-20	Dec-20
Region (registration basis)				
Asia Pacific	-15.2	-13.7	-9.7	-5.6
World	-10.6	-6.1	-6.2	-0.5
Routes (segment basis)				
Asia - Europe	-15.0	-14.1	-13.1	-4.7
Asia - Nth America	2.1	5.4	7.8	12.6
Within Asia	-21.1	-20.4	-18.9	-10.8
Asia - Middle East	-7.5	5.1	2.5	5.0
S/w Pacific - N/S America	-45.7	-50.0	-56.5	-57.2
Asia - Africa	8.6	4.3	-4.4	4.0

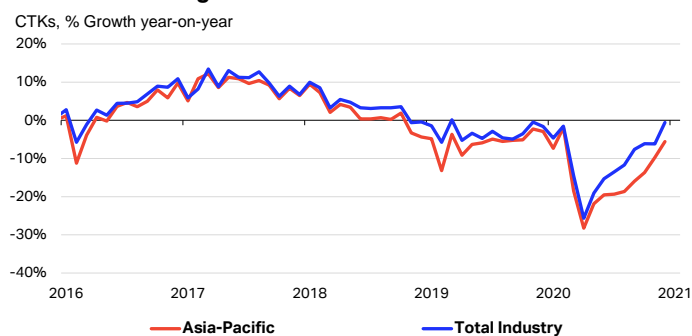
Source: IATA Economics. Note: historical data may be subject to revision

- Air cargo experienced a robust year-end, with industry-wide cargo tonne-kilometres (CTKs) down by only 0.5% in December compared with December 2019. In 2020 as a whole, CTKs fell by 10.6%.
- Asia Pacific airlines registered a 15.2%yoy fall in cargo volumes in 2020 and a 5.6%yoy fall in December. After

a pause in the recovery in Q3, CTKs accelerated in recent months, driven by the rebound in manufacturing activity and export orders, notably from China and South Korea.

- Asia-North America was the region's best performing international market in 2020 (+2.1%yoy in 2020, +12.6%yoy in Dec) benefitting from strong demand from Nth.Am consumers for goods made in Asia.

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

<i>ASK/ACTK: %ch on a yr ago,</i>		2020	Oct-20	Nov-20	Dec-20
<i>LF: % of ASK/ACTK</i>					
Passenger					
Asia Pacific	ASK	-53.9	-54.4	-53.1	-52.1
	PLF	67.5	68.9	66.4	61.6
World	ASK	-56.5	-59.7	-58.6	-56.7
	PLF	64.8	60.0	57.9	57.5
Cargo					
Asia/Pacific	ACTK	-27.4	-24.7	-22.2	-21.9
	CLF	61.2	61.8	63.3	63.9
World	ACTK	-23.3	-22.2	-19.3	-17.7
	CLF	54.5	57.4	57.9	57.3

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

- Overall, 2020 was a weak year for passenger load factors since many carriers struggled to adjust their capacity fast enough to rapidly changing regulations and virus outbreaks. On average, the global PLF was 17.8ppts lower vs. 2019, at 64.8%. At the regional level, the PLF fell by 14.3ppts, to 67.5%.
- In contrast, air cargo load factors were elevated last year due to the lack of belly cargo capacity. The industry-wide cargo load factor picked up by 7.7ppts to 54.5%. Airlines in Asia Pacific posted the CLF at 61.2%.
- The initial sample of 4Q20 financial results showed that airlines' EBIT margins remained in contractionary territory. That said, the sample also indicated that the incurred losses were smaller than in Q3 due to

Airline operating (EBIT) margins*

<i>% revenues</i>	2018	2019	2019Q4	2020Q4
Asia Pacific	4.7	3.7	9.0	-33
Industry	5.7	5.2	8.7	-51

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

cost-cutting measures and robust cargo revenues.

- Looking forward, we expect air travel demand to gradually revive in H22021 following a weak first half of the year. Hence, airlines will continue to focus on limiting losses by implementing cost cutting measures and preserving cash balances.
- Note that the passenger yield data should be interpreted with caution due to the small number of tickets being sold amidst the pandemic crisis.

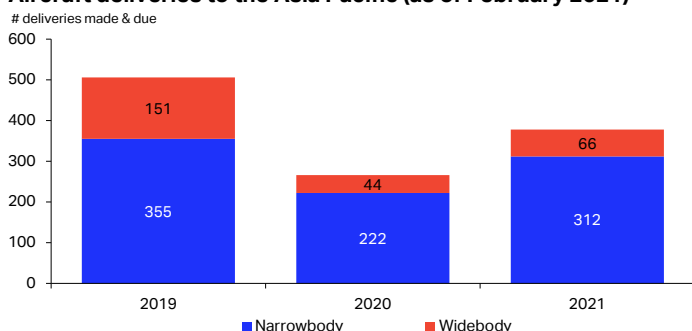
Passenger yields (US\$, excl. surcharges & ancillaries)

<i>% change on a yr ago</i>	2020	Oct-20	Nov-20	Dec-20
India domestic	-11.4	-17.7	-16.6	-18.2
Australia domestic	1.6	10.1	15.2	15.6
Asia - Europe	-8.1	6.1	-1.2	11.3
Within Asia	-12.2	-6.4	-9.9	-9.3
Asia - Nth America	0.8	0.7	-6.6	-2.5
Asia - Middle East	2.4	57.0	34.3	33.7
Asia - Sth America	-2.1	4.9	6.4	8.3
Asia - Africa	17.0	104.9	74.8	80.7

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

- In 2021, Asia Pacific airlines are expected to receive 42% more deliveries compared with 2020. However, this figure will most likely change depending on the speed of air travel recovery.

Aircraft deliveries to the Asia Pacific (as of February 2021)



Source: Ascend