

# State of the region: Asia-Pacific

January 2019

## Economy

### GDP growth, selected countries

\* Market exchange rate basis † Estimate Source: Datastream

% change on a yr ago	2017	Q1 2018	Q2 2018	Q3 2018
India	6.2	7.7	8.2	7.1
Japan	1.9	1.3	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	3.2
Malaysia	5.9	5.4	4.5	4.4
<b>World*</b>	<b>3.1</b>	<b>3.2</b>	<b>3.2</b>	<b>2.9</b>

### Exchange rates

end of period, # per US\$	2017	Oct-18	Nov-18	Dec-18
US\$ broad index	120.0	126.9	128.3	128.5
Japanese yen (JPY)	112.5	112.9	113.5	110.0
Australian dollar (AUD)	1.28	1.41	1.37	1.42
Sth Korean won (KRW)	1066	1141	1121	1115
Indian rupee (INR)	63.8	73.9	69.7	69.8
Indonesian rupiah (IDR)	13568	15203	14303	14380
Thai baht (THB)	32.6	33.2	32.9	32.6
Malaysian ringgit (MYR)	4.0	4.18	4.18	4.13

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel (period ave.)	2017	Oct-18	Nov-18	Dec-18
Crude oil (Brent)	54.2	81.0	64.8	57.4
Jet fuel	65.6	94.4	81.7	71.2

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

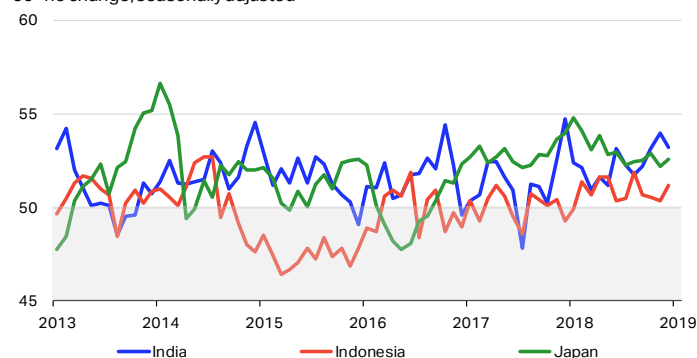
% change on a yr ago	2017	Sep-18	Oct-18	Nov-18
<b>Region (registration basis)</b>				
Asia Pacific	10.8	6.5	7.6	6.3
World	8.0	5.5	6.3	6.2
<b>Routes (segment basis)</b>				
India domestic	17.5	19.6	15.0	13.3
Japan domestic	5.8	-5.0	1.7	1.5
Australia domestic	0.4	0.7	1.3	-0.7
Asia - Europe	10.5	7.1	7.5	7.6
Within Asia	11.4	6.0	6.1	5.9
Asia - Nth America	7.2	2.0	1.7	3.4
Asia - Middle East	7.0	3.5	5.9	4.7
S/w Pacific - N/S America	6.5	5.0	7.1	8.4
Asia - Africa	3.7	9.7	5.8	9.9

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

- Industry-wide revenue passenger kilometers (RPK) grew by 6.2% year-on-year in Nov, a slight deceleration from 6.3% in the previous month. While the result remains above the 10-year average RPK growth rate (6.0%), some slowing is evident in recent months.
- Annual RPK growth for the AsiaPac carriers broadly converged to the industry-wide outcome, with

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

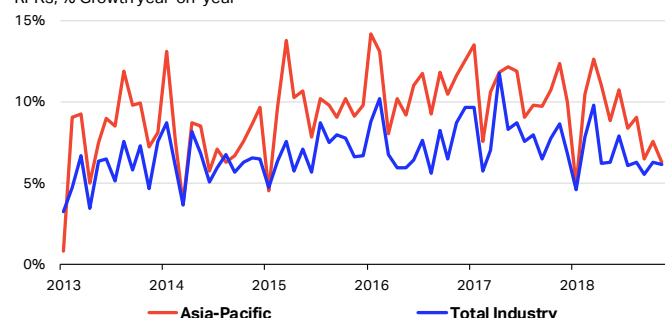
- Although India's business confidence ticked down a little this month, it remains at levels consistent with growth in employment and production. Sentiment lifted both in Indonesia and Japan, in the former case being driven by a pick-up in domestic demand.
- The US\$ rose by 0.2% in Dec, up ~7% over the course of the year. Amongst the main regional currencies, the JPY lifted by 3.2% against the \$US while the AUD fell by 3.5% this month. The rest of FX movements were relatively muted.
- Brent crude oil & jet fuel prices plunged in Q4 as market concerns moved to oversupply, but have recovered partially since then amid signs of new supply cuts.

passenger demand 6.3% higher vs a year ago.

- The India domestic market sustained a solid double-digit growth rate of 13.3% vs a year ago, although this was a slight slowdown from 15.0%yoy in Oct. For Australia domestic, RPK growth fell into negative territory, to -0.7%yoy.
- Amongst the region's larger international markets, Asia-Europe & Within Asia both continued to grow strongly with RPKs up ~6-7.5% in annual terms.
- Passenger demand in the smaller Asia-Africa recovered to a robust 10%yoy in November.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

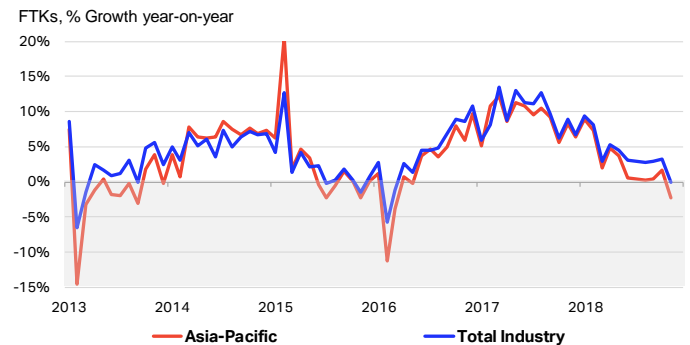
% change on a yr ago	2017	Sep-18	Oct-18	Nov-18
<b>Region (registration basis)</b>				
Asia Pacific	9.0	0.4	1.7	-2.3
World	9.7	3.0	3.2	0.0
<b>Routes (segment basis)</b>				
Asia - Europe	12.2	0.2	2.0	-1.0
Asia - Nth America	10.1	3.2	4.8	-1.2
Within Asia	8.6	-5.1	1.7	-6.0
Asia - Middle East	8.1	5.7	7.1	3.7
S/w Pacific - N/S America	24.6	16.0	12.0	18.6
Asia - Africa	57.8	-11.8	-3.6	-15.9

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

- Industry-wide FTKs were unchanged in annual terms in Nov, marking the slowest growth rate since early 2016. All told, freight volumes rose by 3.9% year-on-year between Jan and Nov, compared to 10% over the same period a year ago.
- At the regional level, FTKs for the Asia-Pacific were *lower* vs a year ago for the first time in ~18mths, underperforming the industry-wide average by 2.3pp.

- FTK growth fell into negative territory this month across most of the region's larger international markets, with Asia-Europe & NthAm volumes down by ~1% vs a year ago and Within-Asia FTKs 6% below levels seen in November 2017.
- Of the smaller markets, Asia-Africa FTKs declined by ~16%, making it the key underperformer in the region in Nov. In contrast, S/w Pacific – N/S America sustained a strong double-digit growth (18.6%).

### Growth in air freight volumes



Source: IATA Statistics

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2017	Sep-18	Oct-18	Nov-18
<b>Passenger</b>					
Asia Pacific	ASK	9.0	6.1	7.1	7.4
	PLF	81.0	80.7	80.7	80.2
World	ASK	6.6	5.9	6.3	6.8
	PLF	81.5	81.4	81.0	80.0
<b>Freight</b>					
Asia/Pacific	AFTK	5.6	1.3	4.3	3.1
	FLF	57.2	57.6	56.7	57.2
World	AFTK	5.9	4.6	5.5	4.3
	FLF	49.9	49.5	50.4	51.5

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

- The industry-wide passenger load factor eased to 80% in Nov as capacity continues to trend upwards at a faster pace than demand. In contrast, the freight load factor lifted by 1pp to 51.5% this month.
- The PLF for the AsiaPac airlines softened to 80.2% in Nov and stays broadly in line with the industry wide average. The region's FLF lifted modestly to 57.2%.
- The final Q3 financial data confirm the squeeze on industry financial performance, with an EBIT margin of 10.7% vs 14.2% a year ago. For AsiaPac carriers, the Q3 margin almost halved to 6.4% vs Q3 2017.

### Airline operating (EBIT) margins\*

% revenues	2016	2017	2017Q3	2018Q3
Asia Pacific	7.4	5.5	11.4	6.4
Industry	8.5	7.5	14.2	10.7

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

- Many of the region's key markets experienced a year-on-year decline in passenger yields, with Within Asia & Asia-Europe being the key underperformers (-6.2% & -3.4%, respectively).
- Yields showed the strongest gain in Asia-NthAm vs last year (3.9%), followed by Australia domestic (1.5%yoy).

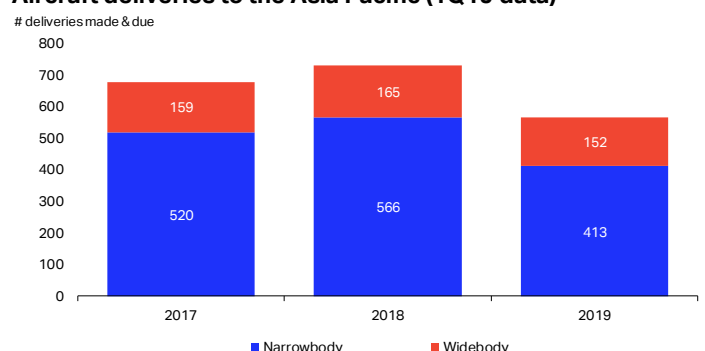
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2017	Sep-18	Oct-18	Nov-18
India domestic	-2.3	-11.0	-8.8	-1.0
Australia domestic	5.5	4.6	4.0	2.0
Asia - Europe	1.9	-2.7	-1.0	-3.4
Within Asia	-5.6	-3.3	-4.5	-6.2
Asia - Nth America	-3.2	4.1	4.4	3.9
Asia - Middle East	-3.5	-4.9	-1.9	1.5
Asia - Sth America	-4.2	-3.0	-3.0	-2.1
Asia - Africa	-0.1	1.7	0.8	-1.8

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

- The latest data show a decline in the number of jet aircraft that are expected to be delivered to Asia Pac carriers in 2019 vs 2018.

### Aircraft deliveries to the Asia Pacific (1Q19 data)



Source: Ascend