

State of the region: Asia Pacific

January 2020

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q1 2019	Q2 2019	Q3 2019
India	7.4	5.8	5.0	4.5
Japan	0.3	0.8	0.8	1.9
Indonesia	5.2	5.1	5.1	5.0
Korea	2.7	1.6	2.1	2.0
Australia	2.7	1.7	1.6	1.7
Thailand	4.1	2.8	2.3	2.4
Malaysia	4.7	4.5	4.9	4.4
World*	3.2	2.7	2.5	2.5

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2018	Oct-19	Nov-19	Dec-19
US\$ broad index	128.5	130.2	129.9	129.4
Japanese yen (JPY)	110.0	108.1	109.5	108.6
Australian dollar (AUD)	1.42	1.45	1.48	1.43
Sth Korean won (KRW)	1115	1169	1181	1155
Indian rupee (INR)	69.8	70.9	71.7	71.4
Indonesian rupiah (IDR)	14380	14037	14105	13883
Thai baht (THB)	32.6	30.2	30.2	30.0
Malaysian ringgit (MYR)	4.13	4.18	4.18	4.09

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Oct-19	Nov-19	Dec-19
Crude oil (Brent)	71.7	59.6	62.7	65.3
Jet fuel	86.4	78.7	78.2	80.1

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

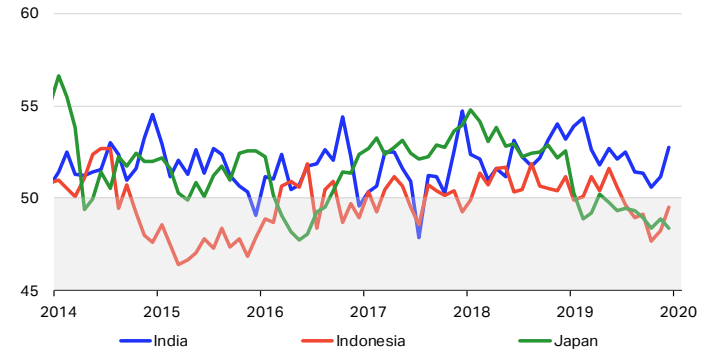
% change on a yr ago	2018	Sep-19	Oct-19	Nov-19
Region (registration basis)				
Asia Pacific	9.3	5.0	4.0	4.4
World	7.3	3.6	3.3	3.3
Routes (segment basis)				
India domestic	18.9	1.9	4.2	11.3
Japan domestic	1.6	9.6	1.8	3.7
Australia domestic	1.7	0.9	2.0	1.1
Asia - Europe	7.2	5.1	6.3	6.2
Within Asia	11.3	7.9	6.8	8.4
Asia - Nth America	3.9	0.8	-0.1	0.9
Asia - Middle East	4.4	2.4	9.8	7.2
S/w Pacific - N/S America	6.9	3.6	-0.9	1.5
Asia - Africa	9.4	6.2	8.9	10.7

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

- Industry-wide RPKs increased by 3.3% year-on-year in November. This latest outcome signals another month of only moderate performance for passenger demand.
- Asia Pacific carriers recorded a modestly faster year-on-year expansion in RPKs in November compared with October (4.4% vs 4.0%) on the back of an improved performance in some of the region's important domestic markets.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



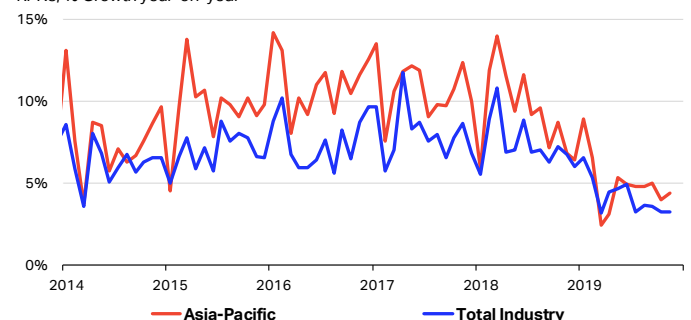
Source: Markit

- Business confidence in both Japan and Indonesia ended the year at levels which indicate a slowdown in activity in coming months. In contrast, sentiment in India lifted again on this occasion, supported by signs of an increase in demand.
- Although the trade weighted US\$ index eased for the third consecutive month in Dec, it was still 0.7% higher vs a year ago. Amongst the key regional currencies, the THB was the main mover this year, gaining 8% against the US\$.
- Average oil and jet fuel prices ticked higher in December amidst OPEC production cuts and optimism around US-China trade deal progress.

- RPKs picked up sharply in India domestic, posting double-digit growth for the first time since Jan 2019. Growth in the Japan domestic air passenger market also lifted this month, to 3.3%.
- Of the key international markets, demand growth stabilized at 6.2%yoy in the larger Asia-Eur market and picked up modestly on Within Asia routes (8.4%yoy). The smaller Asia-Africa market continued to expand at a brisk pace, with RPKs underpinned by strong business connections between the two regions.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Sep-19	Oct-19	Nov-19
Region (registration basis)				
Asia Pacific	1.6	-5.2	-5.4	-3.7
World	3.7	-4.8	-3.8	-1.1
Routes (segment basis)				
Asia - Europe	1.1	-0.8	-1.1	1.9
Asia - Nth America	3.7	-4.0	-6.5	-1.0
Within Asia	0.6	-5.3	-7.3	-2.3
Asia - Middle East	4.1	-6.9	-2.8	-0.5
S/w Pacific - N/S America	8.7	-16.2	-15.4	-13.4
Asia - Africa	-4.0	22.6	20.1	38.9

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

- Industry-wide freight tonne kilometres (FTKs) were 1.1% lower in November compared with their level of a year ago. The monthly data are, however, showing some modest improvement in freight volumes.
- Asia Pacific airlines recorded another month of annual contraction in the air cargo business (-3.7%), however, it was still one of the better results in 2019. Moreover, the recent thawing of tensions in the US-China trade negotiations is a positive development for cargo volumes in the period ahead.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2018	Sep-19	Oct-19	Nov-19
LF: % of ASK/AFTK					
Passenger					
Asia Pacific	ASK	8.7	5.8	3.2	3.2
	PLF	81.7	80.2	81.5	81.3
World	ASK	6.8	3.2	2.1	1.8
	PLF	82.0	81.9	82.1	81.1
Freight					
Asia/Pacific	AFTK	3.5	2.8	1.2	1.8
	FLF	56.0	53.7	53.5	53.8
World	AFTK	1.4	2.4	2.2	2.9
	FLF	49.3	46.1	47.5	49.6

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

- As was the case in October, the industry-wide passenger load factor reached a monthly record high in November, at 81.1%. By contrast, the industry freight LF fell by a sizeable 2ppts vs a year ago as capacity continued to grow (2.9%yoy) against contracting FTKs.
- Asia Pacific airlines also achieved a record high PLF for the month. By contrast, the FLF was 3.1ppts lower vs a year ago as carriers were unable to adjust their capacity at the same rate as the slowing in demand.
- The final airline financial data for Q3 confirmed that industry-wide operating profitability improved modestly. However, margins weakened for Asia Pacific,

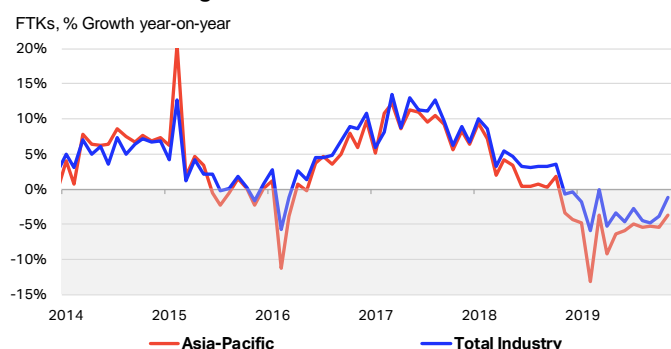
Airline operating (EBIT) margins*

% revenues	2017	2018	2018Q3	2019Q3
Asia Pacific	6.3	4.5	8.0	6.2
Industry	7.5	5.7	11.7	11.9

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

- Amongst the region's key international markets, the larger Asia-Europe market reported positive year-on-year growth in FTKs for the first time in six months (1.9%yoy). Performance remained subdued across most of the other markets this month.
- As on the passenger side, the smaller Asia-Africa market continues to be the strongest performer this month, with FTKs supported by investment flows from Asia to Africa.

Growth in air freight volumes



Source: IATA Statistics

amid by intense competition and various disruptions.

- Passenger yields contracted in annual terms on the majority of the key international and all domestic routes that we regularly track for the region. The Europe and Sth America markets are showing yields down more than 6.5%yoy, while yields are up ~6% for the ME.

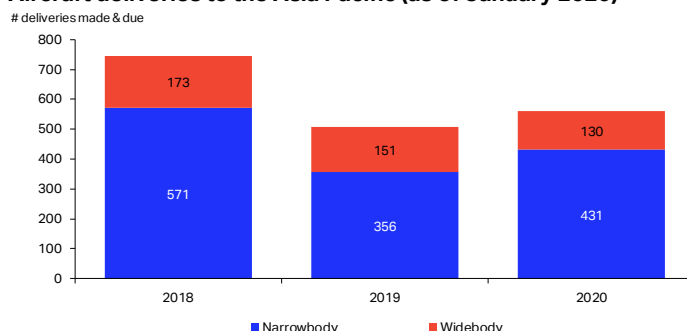
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Sep-19	Oct-19	Nov-19
India domestic	-4.0	12.3	9.1	-4.6
Australia domestic	0.0	-7.5	-5.2	-5.8
Asia - Europe	-1.9	-8.4	-7.4	-6.6
Within Asia	-1.9	-5.7	-2.8	-1.8
Asia - Nth America	-2.7	-4.9	-5.2	-1.2
Asia - Middle East	-1.8	7.7	7.0	5.8
Asia - Sth America	0.7	-5.7	-8.7	-6.8
Asia - Africa	0.8	-6.3	-7.1	-5.1

Source: IATA Travel Intelligence Note: historical data may be subject to revision

- The latest data show an increase in the number of jet aircraft deliveries (driven by narrow bodies) scheduled for Asia Pacific carriers in 2020 vs 2019.

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



Source: Ascend