



STATE OF THE REGION: ASIA-PACIFIC

JANUARY 2016

Economy

GDP growth, selected countries

%change on a yr ago	2014	2015Q1	2015Q2	2015Q3
India	7.2	7.5	7.0	7.4
Japan	-0.1	-1.0	0.7	1.7
Indonesia	5.0	4.7	4.7	4.7
Korea	3.3	2.4	2.2	2.7
Australia	2.7	2.1	1.9	2.5
Thailand	0.7	3.1	2.8	2.9
Malaysia	6.0	5.6	4.9	4.7
World*	2.7	2.6	2.7	2.5

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2014	Oct-15	Nov-15	Dec-15
US\$ broad index	111.3	119.3	121.1	122.4
Japanese yen (JPY)	119.9	120.7	123.2	120.2
Australian dollar (AUD)	1.22	1.40	1.38	1.37
Sth Korean won (KRW)	1092	1141	1157	1176
Indian rupee (INR)	63.0	65.4	66.4	66.2
Indonesian rupiah (IDR)	12341	13628	13889	13840
Thai baht (THB)	32.9	35.6	35.8	36.0
Malaysian ringgit (MYR)	3.50	4.30	4.26	4.29

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2014	Oct-15	Nov-15	Dec-15
Crude oil (Brent)	99.0	48.4	44.3	38.0
Jet fuel	113.3	58.4	55.7	45.4

Source: Platts, EIA

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2014	Sep-15	Oct-15	Nov-15
Region (registration basis)				
Asia Pacific	6.9	8.0	9.0	7.7
World	5.7	7.4	7.1	5.9
Routes (segment basis)				
India domestic	8.0	13.2	17.9	25.1
Japan domestic	3.6	3.5	3.5	-1.2
Australia domestic	2.9	0.9	-1.2	1.9
Asia - Europe	2.6	5.6	6.9	1.8
Within Asia	5.1	6.2	4.7	3.7
Asia - Nth America	4.9	5.4	8.2	8.3
Asia - Middle East	9.1	8.1	7.8	7.9
S/w Pacific - N/S America	0.2	9.8	7.7	2.8
Asia - Africa	1.2	1.9	4.8	14.4

Source: IATA Statistics

→ The RPKs of Asia-Pac airlines eased back somewhat in Nov, to (a still robust) 7.7%yoy. Even so, the region retains its growth gap above the global industry average, which also moderated in Nov, to 5.9%yoy.

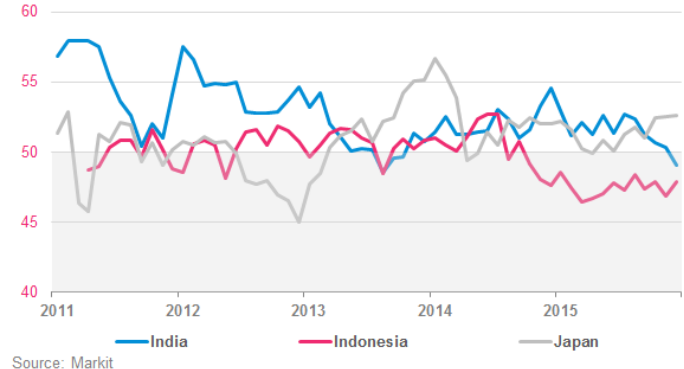
→ Temporary disruptions to traffic (both pax & freight) in Europe – incl. the Lufthansa strike – is partly responsible for the easing in the aggregate growth rates this month –

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Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



→ Recent trends in business confidence were broadly maintained in Dec. The latest decline in the index for India points to rising concerns for the outlook in that country, despite broadly positive economic data.

→ The US\$ rose 1.1% in Dec, finishing the year up an even 10%yoy. Regionally, the JPY rose 2.4% & the MYR fell 1.6% vs the USD in the month. The AUD & IDR ended the year 12% lower, & the MYR was down more than 20%, against the USD.

→ World oil & jet fuel prices fell sharply in Dec, down 16-18%mom & ~40%yoy. Concerns of oversupply & softer demand both contributed to the mom decline which left crude & jet fuel prices < the 2008/09 crisis-related lows.

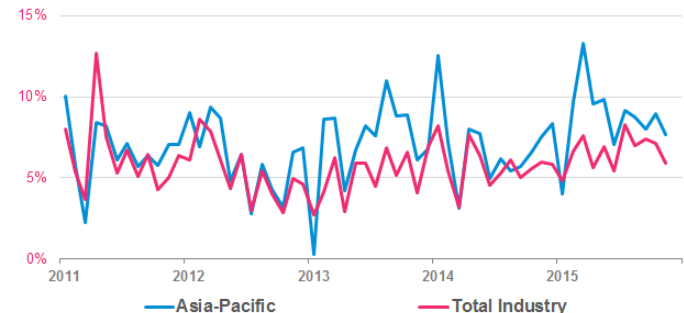
notably for traffic on routes between Asia & Europe where growth dipped from 7% to ~2%yoy.

→ Pax traffic between Asia & both NthAm & the Middle East held up, at ~8%yoy. Within Asia traffic eased a little, to just under 4%yoy, continuing the trend of recent months & reflecting, in part, developments in China.

→ Amongst key regional domestic markets, India remains the standout performer, with RPK growth accelerating to an impressive 25%yoy in Nov.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2014	Sep-15	Oct-15	Nov-15
Region (registration basis)				
Asia Pacific	6.3	1.2	0.2	-1.5
World	5.5	1.9	0.4	-1.2
Routes (segment basis)				
Japan domestic	4.7	6.9	1.7	0.6
Asia - Europe	-0.6	-3.0	-3.5	-5.5
Asia - Nth America	9.9	-0.2	-1.8	-3.6
Within Asia	4.5	1.7	1.4	-4.3
Asia - Middle East	10.2	3.0	5.9	0.8
S/w Pacific - N/S America	13.4	20.2	3.4	16.1
Asia - Africa	8.8	-9.3	-5.5	-4.6

Source: IATA Statistics

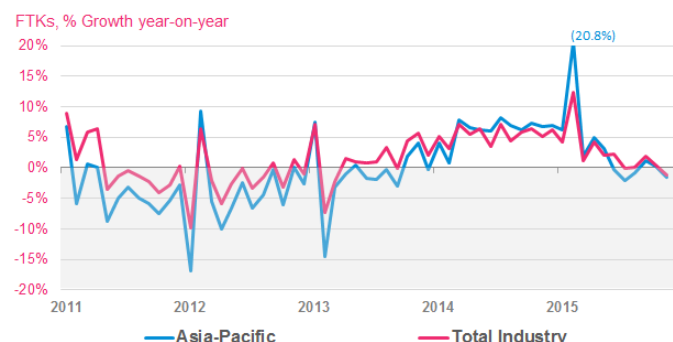
- FTKs for the Asia-Pac carriers are now 1.5% lower than at the same time a year ago. This decline broadly matches the challenges of the overall industry where FTKs are down 1.2%yoy.
- At the segment level, yoy growth rates generally eased further in the month. While the disruptions in Europe contributed to further moderation in freight volumes for

Asia-Europe (now down 5.5%yoy), the broader malaise for the cargo segment remains in play.

- FTKs for Asia-NthAm are now down 3.6%yoy and Within Asia is down 4.3%. Asia-Middle East slowed sharply in Nov, to just 0.8%yoy & developments in this market will bear watching in coming months.

- Japan domestic FTKs are up just 0.6%in yoy terms.

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		2014	Sep-15	Oct-15	Nov-15
Passenger					
Asia Pacific	ASK	7.4	6.4	6.5	5.9
	PLF	77.2	78.2	78.6	77.7
World	ASK	5.5	6.5	5.4	4.2
	PLF	79.6	80.9	80.4	78.0
Freight					
Asia/Pacific	AFTK	5.9	4.6	5.2	3.2
	FLF	55.6	53.6	54.1	56.4
World	AFTK	4.4	7.0	6.3	4.5
	FLF	45.8	43.2	44.5	46.8

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

- Asia-Pac airlines increased pax capacity by 5.9%yoy to Nov, solidly above the industry rate of 4.2%. The pax load factors are broadly similar at 77.7% & 78% in Nov.
- Regional freight capacity is a moderate 3.2% up on last year, but < the industry rate of 4.5%. However, the Asia-Pac FLF remains ~10pp above the industry average.
- The latest Q3 EBIT margin for Asia-Pac carriers is solid, at 6.0%, but this is lower than both the level of a year ago (6.5%) & the overall industry outcome of 14.2%.

Airline EBIT margins*

%revenues	2013	2014	2014Q3	2015Q3
Asia Pacific	2.3	2.8	6.5	6.0
Industry	4.1	5.2	10.5	14.2

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

- Passenger yields in the main domestic markets and on key regional routes continue to show widespread yoy declines, typically in the order of 10-15%.

- Despite tentative signs of improvement over the past couple of months, the yield declines remain significantly affected by the translation effect associated with the US\$ appreciation over the past year.

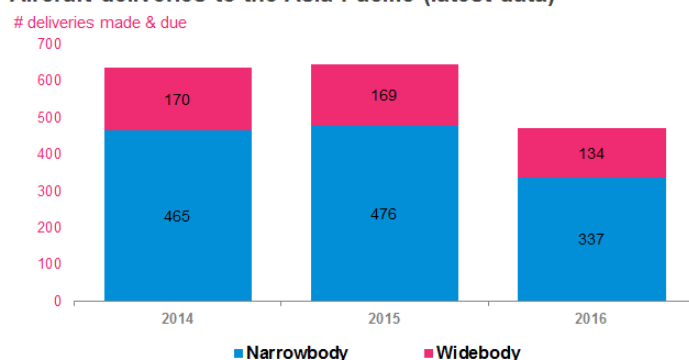
Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2014	Sep-15	Oct-15	Nov-15
India domestic	23.9	-28.2	-16.0	-16.4
Japan domestic	-11.7	-8.5	-4.7	-5.2
Australia domestic	-11.1	-14.5	-13.7	-1.0
Asia - Europe	-8.3	-19.6	-16.9	-16.0
Within Asia	-5.9	-9.9	-8.4	-8.7
Asia - Nth America	-10.0	-17.8	-15.7	-13.0
Asia - Middle East	-4.8	-7.8	-9.2	-7.1
Asia - Sth America	-7.2	-15.6	-15.6	-14.5
Asia - Africa	-8.7	-15.2	-15.7	-14.5

Source: IATA PaxIS

- The latest data point to a moderation in the number of aircraft deliveries to the Asia-Pac region in 2016. The decline is driven by a reduction in the expected number of both wide & narrowbody deliveries.

Aircraft deliveries to the Asia Pacific (latest data)



Source: Ascend