



# STATE OF THE REGION: ASIA-PACIFIC

JANUARY 2017

## Economy

### GDP growth, selected countries

%change on a yr ago	2015	2016Q1	2016Q2	2016Q3
India	7.2	7.9	7.1	7.3
Japan	1.2	0.3	0.9	1.0
Indonesia	4.8	4.9	5.2	5.0
Korea	2.6	2.8	3.2	2.6
Australia	2.4	2.5	3.1	1.8
Thailand	2.8	3.3	3.5	3.2
Malaysia	5.0	4.2	4.0	4.3
<b>World*</b>	<b>2.3</b>	<b>2.2</b>	<b>2.1</b>	<b>2.2</b>

\* Market exchange rate basis † Estimate Source: Datastream

### Exchange rates

end of period, # per US\$	2015	Oct-16	Nov-16	Dec-16
US\$ broad index	122.4	122.9	125.8	127.7
Japanese yen (JPY)	120.2	105.0	114.4	116.8
Australian dollar (AUD)	1.37	1.31	1.35	1.38
Sth Korean won (KRW)	1176	1147	1178	1209
Indian rupee (INR)	66.2	66.7	68.6	67.9
Indonesian rupiah (IDR)	13840	13013	13562	13427
Thai baht (THB)	36.0	35.0	35.7	35.9
Malaysian ringgit (MYR)	4.29	4.20	4.47	4.49

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel	2015	Oct-16	Nov-16	Dec-16
Crude oil (Brent)	52.4	49.5	44.7	53.3
Jet fuel	64.0	61.2	57.0	62.6

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Sep-16	Oct-16	Nov-16
<b>Region (registration basis)</b>				
Asia Pacific	9.8	10.3	9.3	9.9
World	7.1	7.2	5.8	7.6
<b>Routes (segment basis)</b>				
India domestic	19.8	23.8	22.7	22.3
Japan domestic	1.9	-0.7	1.0	-0.5
Australia domestic	0.3	2.5	1.2	1.8
Asia - Europe	4.0	3.3	1.5	4.5
Within Asia	10.2	8.5	6.0	4.3
Asia - Nth America	5.8	7.6	6.0	7.0
Asia - Middle East	6.9	6.6	0.2	9.5
S/w Pacific - N/S America	8.1	17.2	19.5	25.2
Asia - Africa	-1.2	6.9	9.3	4.0

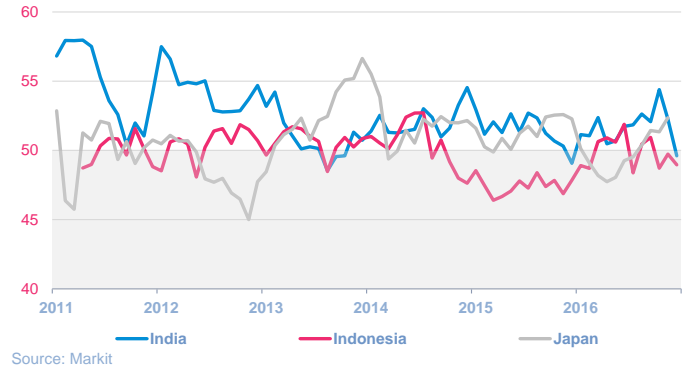
Source: IATA Statistics

→ Following a modest easing in yoy growth in Oct, RPKs rebounded in Nov, with the global measure reaching a 9mth-high of 7.6%yoy. Gains, albeit more subdued, were also observed at the regional level, with growth amongst Asia-Pac carriers lifting to 9.9%yoy.

→ RPK growth for the India domestic market shows few

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



→ Business confidence fell in India again this month, likely due in part to the dislocation of the currency swap. Business confidence in Indonesia remains soft despite robust economic activity & gains in consumer sentiment.

→ The US\$ gained a further 1.5% in Dec, to end the year up 4.5% on a trade-weighted basis. Of the main regional currencies, the JPY, KRW & AUD fell by 2-2½% vs the USD in Dec. Over the year, the largest move was a 4.5%fall in the value of the MYR.

→ Oil & jet fuel prices surged in Dec, on the back of the commitment by the major oil producers to limit production. Despite the strong monthly gain, prices ended year broadly similar to their levels of a year ago.

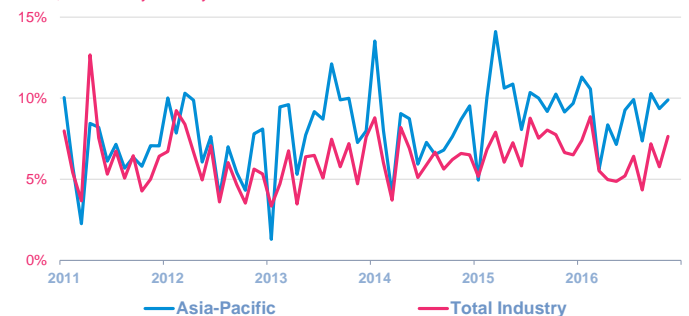
signs of moderation, with growth up a little over 22% over the past year, bolstered by an increase in both the number of airport pairs & average flight frequencies.

→ In contrast, Japan domestic RPKs have fallen by 0.5%yoy & growth in the Australia domestic market is little better, up only a modest 1.8%yoy.

→ Across the main markets, Asia-NthAm & Asia-Middle East are the notable performers currently, with RPK growth of 7.0%yoy & 9.5%, respectively.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



## Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Sep-16	Oct-16	Nov-16
<b>Region (registration basis)</b>				
Asia Pacific	2.3	5.4	8.2	6.1
World	2.7	6.7	8.4	6.8
<b>Routes (segment basis)</b>				
Asia - Europe	-4.9	7.6	10.8	6.2
Asia - Nth America	5.1	5.0	6.9	6.2
Within Asia	-0.4	8.4	12.6	12.6
Asia - Middle East	9.8	2.2	9.6	5.2
S/w Pacific - N/S America	12.5	28.4	34.0	23.9
Asia - Africa	1.3	40.9	40.3	59.3

Source: IATA Statistics

- Global FTKs grew by a robust 6.8%yoy in Nov, easing from 8.4% in Oct. but still well above the average pace over the past decade. Similarly, growth in freight volumes eased for the Asia-Pac carriers, dipping from 8.2%yoy last month to 6.1%.
- That said, in seasonally-adj terms, Asia-Pac carrier volumes have risen strongly over the past 6mths, returning to the levels reached in the aftermath of the global crisis in 2010.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2015	Sep-16	Oct-16	Nov-16
<b>Passenger</b>					
Asia Pacific	ASK	7.7	8.6	8.4	8.6
	PLF	78.9	79.7	79.6	79.1
World	ASK	6.2	6.7	6.2	6.5
	PLF	80.3	81.3	80.1	78.9
<b>Freight</b>					
Asia/Pacific	AFTK	5.9	3.6	3.8	4.0
	FLF	53.6	54.1	55.9	56.9
World	AFTK	7.7	4.6	3.7	4.4
	FLF	43.7	43.6	46.2	47.2

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

- Over the past year, Asia-Pac carriers have increased pax capacity by a hefty 8.6%, a full 2pp faster than the overall industry average. For freight, the growth rates are broadly similar, with AFTKs up 4.0%yoy for the region's carriers, slightly below the industry pace of 4.4%.
- The Nov pax load outcomes are also quite similar, with 79.1% for the region's carriers just exceeding the 78.9% industry average. The Asia-Pac airlines are the clear benchmark for freight loads; the FLF of 56.9% in Nov, is almost 10pp above the industry average.
- The latest Q3 financials show a solid improvement in operating (EBIT) margin for the Asia-Pac carriers, up

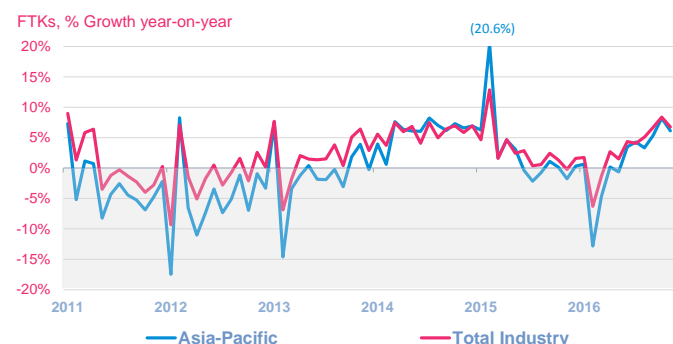
### Airline operating (EBIT) margins\*

%revenues	2014	2015	2015Q3	2016Q3
Asia Pacific	2.5	7.7	8.1	10.7
Industry	4.7	8.3	15.3	14.8

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

- This development is consistent with robust business survey outcomes observed in a number of countries, incl. Taiwan, Korea & Vietnam, in recent months.
- Amongst key routes, the main freight lanes to/from Asia (Europe, Nth America, Middle East) are all performing solidly, with FTK growth of 5-6% over the past year. Within Asia traffic remains the standout amongst the large markets, with volumes up a strong 12.6%yoy.

### Growth in air freight volumes



Source: IATA Statistics

2½pp on the level of a year ago, to 10.7% currently. The industry-wide margin has slipped a little over the past year, currently 14.8%, down from 15.3%.

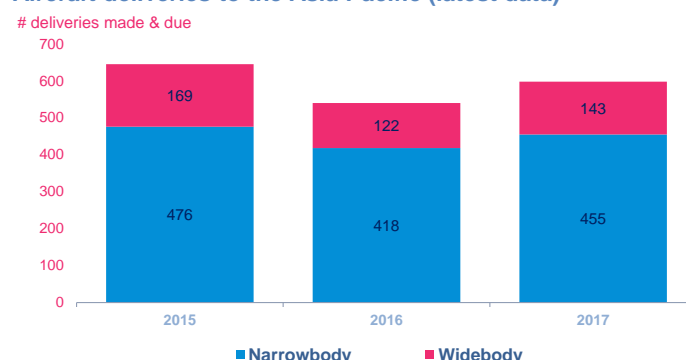
- Despite the upward trend observed in oil and fuel prices over 2016, pax yields remain under pressure. Only Japan domestic yields are above their level of a year ago (up 5.2%). In many markets, yields are still showing double-digit decline compared with a year ago.

### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Sep-16	Oct-16	Nov-16
India domestic	-14.5	-9.7	-13.3	-16.8
Japan domestic	-11.9	6.6	3.8	5.2
Australia domestic	-10.4	-1.3	-0.3	-12.8
Asia - Europe	-19.1	-8.4	-9.4	-10.0
Within Asia	-7.7	-8.1	-8.9	-11.4
Asia - Nth America	-15.1	-1.8	-4.7	-4.4
Asia - Middle East	-7.6	-8.5	-11.7	-12.0
Asia - Sth America	-18.0	-4.9	-11.6	-5.9
Asia - Africa	-17.8	-8.8	-9.2	-5.4

Source: IATA PaxIS

### Aircraft deliveries to the Asia Pacific (latest data)



Source: Ascend