

State of the region: Asia Pacific

January 2021

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q1 2020	Q2 2020	Q3 2020
India	4.9	3.1	-23.9	-7.5
Japan	0.3	-2.1	-10.3	-5.7
Indonesia	5.0	3.0	-5.3	-3.5
Korea	2.0	1.4	-2.8	-1.1
Australia	1.9	1.4	-6.4	-3.8
Thailand	2.6	-1.8	-12.5	-6.6
Malaysia	4.3	0.7	-17.1	-2.7
World*	2.5	-1.6	-9.0	-2.9

* Market exchange rate basis Source: Datastream

Exchange rates

end of period, # per US\$	2019	Oct-20	Nov-20	Dec-20
US\$ broad index	114.7	116.5	113.6	111.7
Japanese yen (JPY)	108.6	104.6	104.3	103.3
Australian dollar (AUD)	1.43	1.42	1.36	1.29
Sth Korean won (KRW)	1155	1136	1108	1087
Indian rupee (INR)	71.4	74.1	74.1	73.1
Indonesian rupiah (IDR)	13883	14625	14120	14050
Thai baht (THB)	30.0	31.2	30.3	30.0
Malaysian ringgit (MYR)	4.09	4.16	4.07	4.02

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Oct-20	Nov-20	Dec-20
Crude oil (Brent)	64.2	41.6	44.1	50.4
Jet fuel	79.6	43.5	47.7	55.4

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger-kilometers (RPKs)

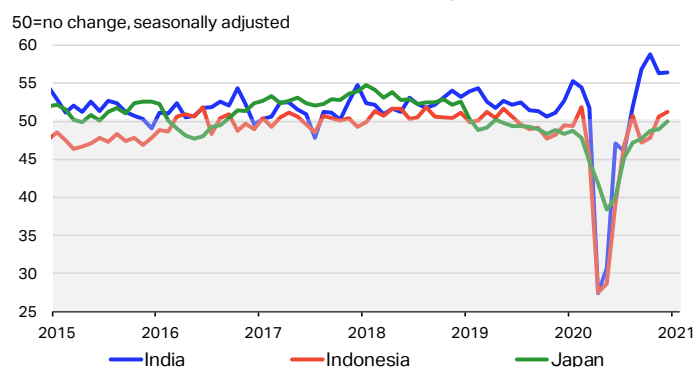
% change on a yr ago	2019	Sep-20	Oct-20	Nov-20
Region (registration basis)				
Asia Pacific	4.7	-63.1	-61.4	-61.6
World	4.1	-72.2	-70.6	-70.3
Routes (segment basis)				
India domestic	5.2	-63.6	-55.6	-49.6
Japan domestic	3.7	-58.7	-45.0	-39.5
Australia domestic	0.7	-88.1	-84.4	-79.8
Asia - Europe	6.7	-92.9	-92.9	-93.2
Within Asia	5.3	-98.2	-98.2	-97.7
Asia - Nth America	2.4	-93.7	-93.7	-92.5
Asia - Middle East	4.2	-88.8	-86.9	-86.2
S/w Pacific - N/S America	4.8	-97.2	-96.9	-96.9
Asia - Africa	3.5	-93.5	-93.1	-93.8

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

- The recovery in air travel has stalled amidst elevated COVID-19 cases and the re-introduction of travel restrictions in some regions. Industry wide-revenue passenger-kilometres fell by 70.3%yoy in November – a broadly unchanged decline from October.
- Asia Pacific airlines reported a broadly unchanged contraction from the previous month, with RPKs 61.6%

IATA Economics: www.iata.org/economics

Business confidence - manufacturing PMIs



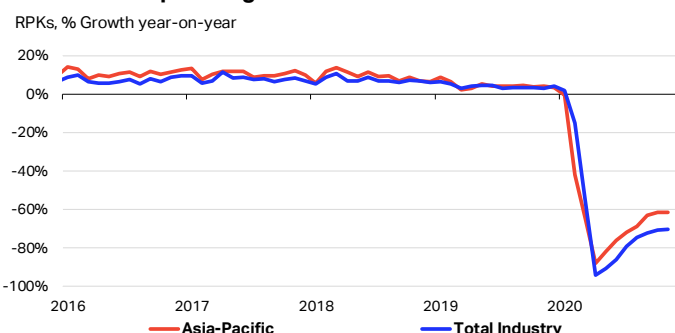
Source: Markit

- Operating conditions improved for the second consecutive month in Indonesia and remained robust in India amidst recovering economic activity in both countries. Japan also showed an improvement, with business conditions stabilizing for the first time since early-2019.
- The trade-weighted US dollar index eased further in December (down 1.7%) as the global economy continued to recover from the crisis. All key regional currencies appreciated vs. the US\$.
- Brent Crude oil and jet fuel price strengthened in December, reflecting positive news about vaccines, stronger oil demand from Asia, and looser restrictions in some European countries before the holiday season.

lower compared to the same period a year ago.

- Most of the key international markets continued to report sharp year-on-year RPK declines. Asia-Middle East routes had been the most resilient, although the 86.2% decline this month is still a very weak result.
- Domestic travel demand ticked up in Australia (-79.8% vs. -84.4%) as some state borders reopened in late-Nov and airlines briskly added back capacity. In India, domestic RPKs fell by 49.6% vs. 55.6% fall in October. A further improvement is expected in the near-term as more schools and businesses reopen.

Growth in air passenger volumes



Source: IATA Economics

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Cargo tonne-kilometers (CTKs)

% change on a yr ago	2019	Sep-20	Oct-20	Nov-20
Region (registration basis)				
Asia Pacific	-5.6	-16.0	-13.0	-10.6
World	-3.2	-7.6	-6.2	-6.6
Routes (segment basis)				
Asia - Europe	-1.5	-16.7	-14.5	-13.4
Asia - Nth America	-3.7	3.8	5.4	9.3
Within Asia	-7.7	-22.8	-21.3	-19.6
Asia - Middle East	-2.3	0.2	3.9	1.4
S/w Pacific - N/S America	-8.5	-43.3	-50.0	-56.5
Asia - Africa	12.6	23.6	4.2	-4.5

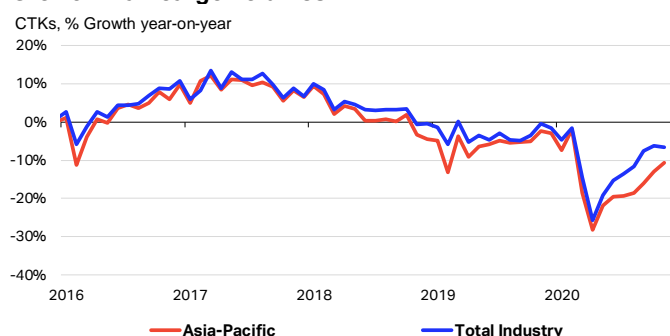
Source: IATA Economics. Note: historical data may be subject to revision

- Industry-wide cargo tonne-kilometres (CTKs) fell by 6.6% year-on-year in November vs. a 6.2% fall in October. The softer growth outcome this month can be, however, entirely attributed to a strong month of November 2019.
- Asia Pacific airlines registered the most significant

improvement of all the regions in November, with cargo volumes falling by 10.6%yoy, an improvement from 13.0% decline in October.

- While international traffic within the region remained weak (down 19.6%yoy in November), exports toward North America were buoyant, driven by e-commerce and PPE shipments (CTKs up 9.3%yoy).

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago,		2019	Sep-20	Oct-20	Nov-20
LF: % of ASK/ACTK					
Passenger					
Asia Pacific	ASK	4.4	-57.2	-54.4	-52.9
	PLF	81.9	69.3	69.0	66.4
World	ASK	3.4	-62.3	-59.8	-58.6
	PLF	82.6	60.4	60.1	58.0
Cargo					
Asia/Pacific	ACTK	0.9	-29.0	-24.3	-22.7
	CLF	52.3	63.7	61.9	63.1
World	ACTK	2.0	-25.3	-22.4	-20.0
	CLF	46.8	57.1	57.5	58.2

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

- The passenger load factor (PLF) remained at record lows across most regions and at the industry-wide level (58%) in November. Carriers from the Asia Pacific region reported the PLF down 15ppts compared with a year ago, at 66.4%.
- On the freight side, demand continued to outpace supply, which resulted in a new record-high industry-wide load factor (CLF) for any month of November in our series. Asia Pacific airlines posted the CLF up 8.5ppts vs. a year ago.
- Our final Q3 financial results indicate that airlines continued to suffer from low travel demand and burnt cash, albeit at a slower rate compared to Q2 with the help of cost-cutting measures and robust cargo

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q3	2020Q3
Asia Pacific	4.7	3.7	6.3	-41
Industry	5.7	5.2	12.1	-45

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

revenues. The Q4 will remain challenging for airline financials since the slow recovery in passenger demand observed during the northern-summer season stalled towards the end of the year.

- Note that the passenger yield data should be interpreted with caution due to the small number of tickets being sold amidst the pandemic crisis.

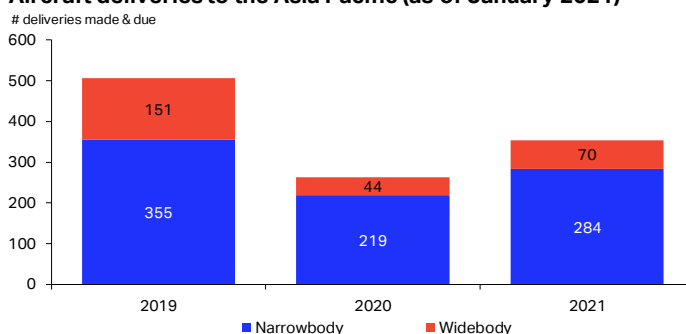
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Sep-20	Oct-20	Nov-20
India domestic	3.1	-10.4	-17.7	-16.8
Australia domestic	-5.5	11.0	10.1	17.2
Asia - Europe	-7.7	-3.2	6.1	-1.6
Within Asia	-4.5	-4.4	-6.4	-9.9
Asia - Nth America	-2.6	1.4	0.7	-6.7
Asia - Middle East	7.7	47.2	57.0	34.3
Asia - Sth America	-7.8	8.7	5.0	6.4
Asia - Africa	-5.8	83.9	104.9	74.7

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

- Asia Pacific carriers received 48% fewer aircraft deliveries in 2020 compared with 2019 – a result of airlines' efforts to reduce cash outflow during the crisis. In 2021, deliveries are expected to pick up modestly but will probably remain below 2019 levels.

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



Source: Ascend