



# STATE OF THE REGION: ASIA-PACIFIC

JULY 2016

## Economy

### GDP growth, selected countries

%change on a yr ago	2015	2015Q3	2015Q4	2016Q1
India	7.2	7.6	7.2	7.9
Japan	0.6	1.8	0.8	0.0
Indonesia	4.8	4.7	5.0	4.9
Korea	2.6	2.8	3.1	2.8
Australia	2.5	2.7	2.9	3.1
Thailand	2.8	2.8	2.8	3.2
Malaysia	5.0	4.7	4.5	4.2
<b>World*</b>	<b>2.5</b>	<b>2.6</b>	<b>2.3</b>	<b>2.3</b>

\* Market exchange rate basis † Estimate Source: Datastream

### Exchange rates

end of period, # per US\$	2015	Apr-16	May-16	Jun-16
US\$ broad index	122.4	119.5	120.8	121.2
Japanese yen (JPY)	120.2	106.9	110.7	102.8
Australian dollar (AUD)	1.37	1.31	1.38	1.35
Sth Korean won (KRW)	1176	1145	1190	1154
Indian rupee (INR)	66.2	66.4	67.1	67.5
Indonesian rupiah (IDR)	13840	13209	13646	13275
Thai baht (THB)	36.0	34.9	35.7	35.2
Malaysian ringgit (MYR)	4.29	3.91	4.13	4.03

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel	2015	Apr-16	May-16	Jun-16
Crude oil (Brent)	52.4	41.6	46.7	48.3
Jet fuel	64.0	48.2	54.6	58.0

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	Mar-16	Apr-16	May-16
<b>Region (registration basis)</b>				
Asia Pacific	8.7	5.1	7.6	6.6
World	6.5	5.3	4.6	4.6
<b>Routes (segment basis)</b>				
India domestic	19.8	26.9	21.4	21.0
Japan domestic	1.9	-1.9	0.8	-4.2
Australia domestic	0.3	3.4	-0.5	0.4
Asia - Europe	4.0	0.1	1.0	-2.6
Within Asia	7.5	4.3	5.0	2.8
Asia - Nth America	5.8	1.5	5.7	3.5
Asia - Middle East	6.9	7.2	6.5	5.9
S/w Pacific - N/S America	8.1	9.7	17.0	9.9
Asia - Africa	-1.2	7.3	7.8	5.2

Source: IATA Statistics

→ RPK growth for the Asia-Pac airlines eased a little this month, but at a brisk 6.6% higher than the level of a year ago, the regional outcome is an even 2pp above the overall industry rate.

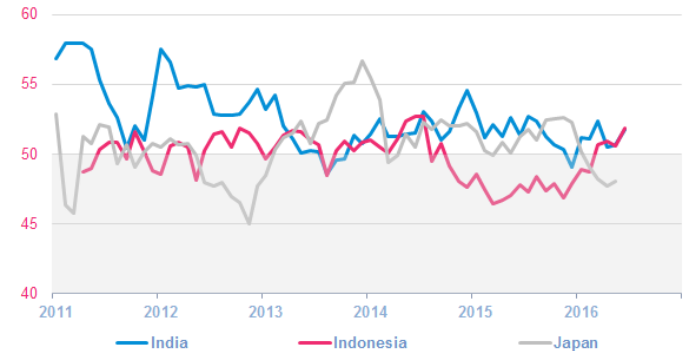
→ At the industry level, the current pace of growth is in line with the 10yr average rate, however, it is noteworthy that it is also the slowest pace since Jan 2015.

IATA Economics: [www.iata.org/economics](http://www.iata.org/economics)

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### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



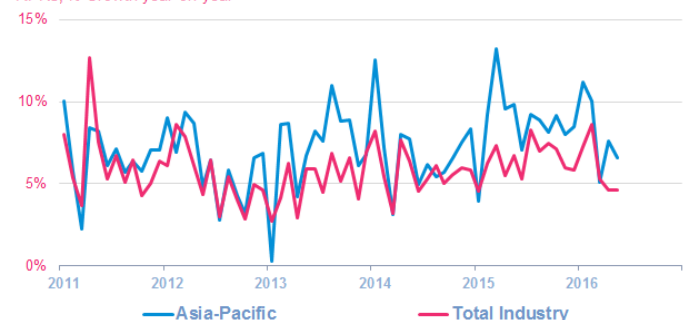
Source: Markit

- The strong up-trend in business confidence in Indonesia resumed this month, supported by lower interest rates, consumer spending & a lift in investment. Confidence amongst Japanese businesses stopped falling, but remains at low levels, impacted by the stronger yen.
- The (trade-weighted) US\$ edged higher in Jun, up 0.3%. Amongst amongst the key regional bilateral exchange rates; the JPY rose by an outsized 7%, with the AUD, KRW, IDR & MYR all up 2½-3% against the US\$.
- The world price of oil & jet fuel moved higher again in Jun, up 1.5% & 3.5%, respectively, to US\$48.30 & US\$58 on concerns of supply outages. Even so, daily oil prices ended the month slightly below their starting level.

- Passenger volumes in the India domestic market are 21% higher yoy – coincidentally this marks the 21<sup>st</sup> consecutive month of double-digit annual RPK growth!
- Japan dom. RPKs are down 4.2%yoy, reflecting a shift to smaller gauge aircraft, as well as a slowing in inbound tourism (in part, due to the rise of the currency).
- Amongst the larger inter-regional markets, the story is generally positive, with the exception of the significant Asia-Europe market where RPKs are down 2.6%yoy.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Mar-16	Apr-16	May-16
<b>Region (registration basis)</b>				
Asia Pacific	2.3	-4.7	0.2	-0.7
World	2.2	-1.5	2.6	0.9
<b>Routes (segment basis)</b>				
Asia - Europe	-4.9	-4.7	5.9	1.5
Asia - Nth America	5.1	-11.7	-4.7	-3.2
Within Asia	-0.4	5.1	4.6	4.1
Asia - Middle East	9.8	6.1	7.8	3.3
S/w Pacific - N/S America	12.5	-3.9	14.2	10.9
Asia - Africa	1.3	19.8	18.0	18.1

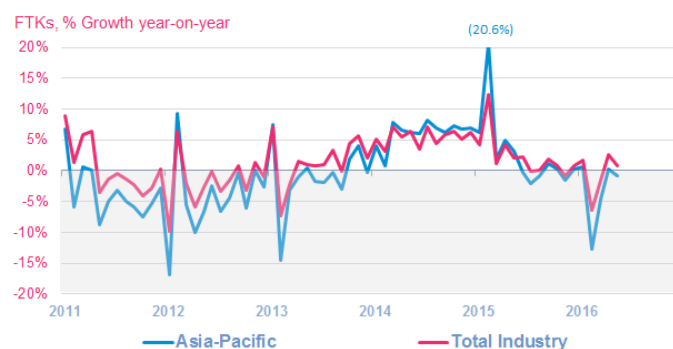
Source: IATA Statistics

- The return to positive growth in air freight volumes in Apr was short-lived for the region's airlines, with FTKs now 0.7% lower yoy. Industry-wide, FTK growth also slowed, but remained positive, up 0.9%yoy.
- As we have noted previously, the headwinds to the cargo performance include the broadly sideways trend in world trade growth & a very patchy global economic

performance. Business surveys continue to offer little encouragement of immediate turnaround.

- The weak performance on the main inter-regional freight routes (Asia-Europe is up just 1.5%yoy & Asia-NthAm is down 3.2%) is offsetting the strong, double-digit growth performance on some of the smaller markets.

## 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	2015	Mar-16	Apr-16	May-16
<b>Passenger</b>				
Asia Pacific	ASK 6.7	6.5	7.0	6.9
	PLF 78.6	78.5	78.6	76.9
World	ASK 5.6	5.7	4.9	5.5
	PLF 80.2	79.8	79.2	78.7
<b>Freight</b>				
Asia/Pacific	AFTK 5.7	4.4	3.0	3.7
	FLF 53.9	52.4	52.4	51.6
World	AFTK 6.3	6.9	6.1	4.9
	FLF 44.1	43.7	43.4	41.9

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

- A strong 6.9% increase in pax capacity by Asia-Pac airlines over the past year outstrips the industry-wide ASK growth rate of 5.5%yoy. The pax load factor for the region's airlines eased to ~77% in May, remaining below the industry average of 78.7%.
- For freight, however, the situation looks very different. A more moderate increase in freight capacity at the regional level over the past year (3.7%yoy vs 4.9%) contributes to a higher freight load factor (51.6% vs 41.9%). The Asia-Pac carrier FLF remains easily the highest amongst all IATA regions, notwithstanding the modest easing this month.

- The latest Q1 data show a robust EBIT margin of 7.4%

### Airline EBIT margins\*

%revenues	2014	2015	2015Q1	2016Q1
Asia Pacific	2.5	7.7	6.4	7.4
Industry	4.7	8.3	5.8	8.0

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

for the Asia-Pac airlines, 1pp higher than the same period a year ago. Even so, the regional outcome sits below the industry-wide 8.0% margin, which continues to be driven by the performance of Nth American carriers.

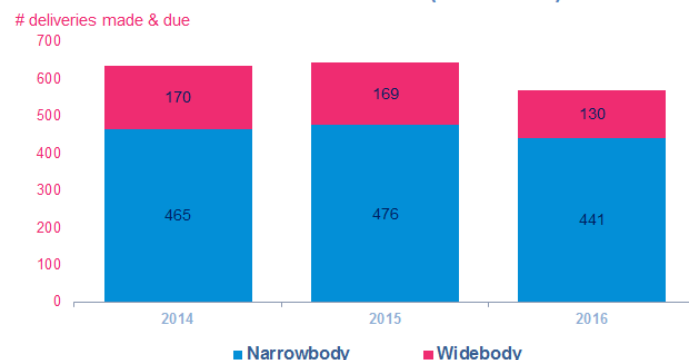
- Passenger yields in the main domestic markets – with the exception of Japan, where yields are up 1.1%yoy – & on the key regional routes continue to show widespread declines. This comes despite the recent reversal of trends in both oil/jet fuel prices & the US\$.

### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Mar-16	Apr-16	May-16
India domestic	-14.5	-15.7	-11.9	-16.0
Japan domestic	-11.8	0.2	1.5	1.1
Australia domestic	-10.3	-17.4	-10.1	-8.7
Asia - Europe	-19.1	-15.3	-8.0	-8.6
Within Asia	-7.7	-11.8	-11.6	-12.2
Asia - Nth America	-15.1	-9.7	-10.0	-9.4
Asia - Middle East	-7.6	-9.8	-11.6	-12.0
Asia - Sth America	-18.0	-10.9	-14.0	-13.4
Asia - Africa	-17.8	-10.3	-7.4	-8.6

Source: IATA PaxIS

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



Source: Ascend