



STATE OF THE REGION: ASIA-PACIFIC

JULY 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2017Q3	2017Q4	2018Q1
India	6.2	6.3	7.0	7.7
Japan	1.7	2.0	2.0	1.1
Indonesia	5.1	5.1	5.2	5.1
Korea	3.1	3.8	2.8	2.8
Australia	2.2	2.8	2.4	3.1
Thailand	3.9	4.3	4.0	4.8
Malaysia	5.9	6.2	5.9	5.4
World*	3.2	3.2	3.3	3.2

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2017	Apr-18	May-18	Jun-18
US\$ broad index	120.0	118.2	121.5	123.4
Japanese yen (JPY)	112.6	109.3	108.7	110.8
Australian dollar (AUD)	1.28	1.33	1.32	1.35
Sth Korean won (KRW)	1068	1070	1080	1113
Indian rupee (INR)	63.9	66.5	67.4	68.5
Indonesian rupiah (IDR)	13636	13952	13923	14313
Thai baht (THB)	32.6	31.6	32.1	33.1
Malaysian ringgit (MYR)	4.05	3.92	3.98	4.04

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Apr-18	May-18	Jun-18
Crude oil (Brent)	54.2	72.1	77.0	74.4
Jet fuel	65.6	84.6	90.5	87.8

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

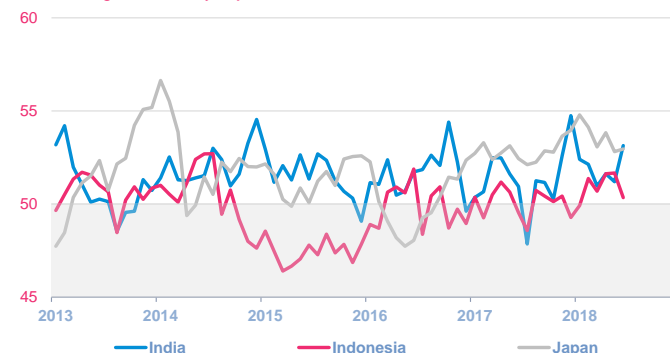
%change on a yr ago	2017	Mar-18	Apr-18	May-18
Region (registration basis)				
Asia Pacific	10.2	12.5	10.8	8.7
World	7.6	9.8	6.0	6.1
Routes (segment basis)				
India domestic	17.5	27.9	25.7	16.6
Japan domestic	5.8	0.9	5.2	1.8
Australia domestic	0.4	4.4	2.9	1.7
Asia - Europe	9.5	8.5	5.0	4.4
Within Asia	11.2	12.1	10.6	9.8
Asia - Nth America	4.9	10.5	5.3	4.2
Asia - Middle East	7.3	9.3	4.4	-0.8
S/w Pacific - N/S America	5.9	11.8	5.4	5.8
Asia - Africa	4.1	12.7	12.6	4.7

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

- ➔ Annual growth in industry-wide RPKs was broadly unchanged in May, at a solid 6.1%. While yoy growth remains above its long-run average rate, this year to date has seen a moderate slowing compared with the same period a year ago (6.3% vs 8.3% last year).
- ➔ Pax volume growth for the AsiaPac carriers eased again this month, to 8.7%yoy, from 10.8% in Apr. Nonetheless,

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



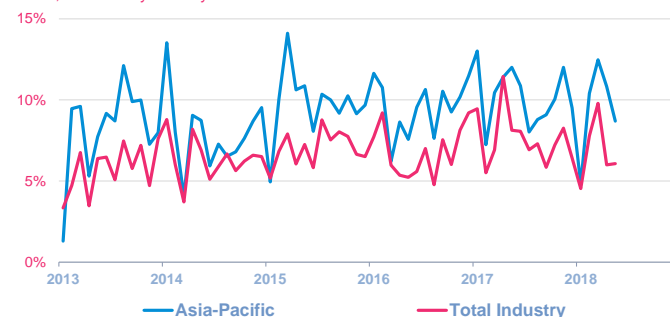
- ➔ Business confidence in India surged to its highest level this year, buoyed by robust demand. The dip in sentiment in Indonesia was partly attributed to the impact of recent interest rate hikes by the central bank.
- ➔ On a trade-weighted basis, the US\$ rose by 1.6% in June, a second consecutive solid monthly gain. All of the main regional currencies ended the month lower vs the US\$, with the THB & KRW both down 3.1% & the IDR down 2.8% being the largest movements.
- ➔ Brent crude oil & jet fuel prices both fell in June, by 3-3.5%, but only partly unwound the sizeable increase in May. Oil & jet fuel prices are still ~60% higher than their level of a year ago.

AsiaPac remained the fastest growing region in terms of passenger volumes on this occasion.

- ➔ Of the region's main domestic markets, India continues to post double digit yoy RPK growth (16.6% in May), while growth in both Japan & Australia is a more modest 1¼% yoy.
- ➔ Within Asia is still the standout of the region's main international markets, with pax volumes up a strong 9.8%yoy, despite a modest slowing in recent months.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Mar-18	Apr-18	May-18
Region (registration basis)				
Asia Pacific	7.7	2.6	5.6	4.9
World	9.1	2.5	5.2	4.2
Routes (segment basis)				
Asia - Europe	11.0	-1.2	0.8	1.0
Asia - Nth America	8.7	2.6	7.0	5.3
Within Asia	13.0	2.7	3.0	6.1
Asia - Middle East	6.3	-0.6	6.3	2.7
S/w Pacific - N/S America	31.1	3.1	9.0	5.1
Asia - Africa	58.6	-4.9	4.1	-0.7

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

→ Annual growth in industry-wide FTKs slowed to 4.2% in May, from 5.2% in Apr. Against a weaker world trade backdrop, demand momentum has also softened; FTKs have risen at an annualized pace of ~4% over the past 6mths or so, around ⅓ the pace of mid-2017.

→ At the regional level, FTK growth also eased moderately this month for the AsiaPac airlines, to a 4.9%yoy pace, retaining a margin above the industry outcome.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2017	Mar-18	Apr-18	May-18
Passenger					
Asia Pacific	ASK	8.4	9.4	9.4	8.6
	PLF	81.0	82.4	82.6	79.6
World	ASK	6.3	6.6	5.9	5.9
	PLF	81.5	82.5	82.2	80.1
Freight					
Asia/Pacific	AFTK	3.0	6.6	8.1	7.4
	FLF	55.2	56.0	54.8	55.3
World	AFTK	3.5	5.4	6.1	6.2
	FLF	45.2	46.3	44.9	44.6

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

→ The latest industry-wide PLF marked the first time on record that the 80% level was exceeded in a May month. The performance of the AsiaPac carriers wasn't far behind, at 79.6%, even with 2.7pp faster growth in passenger capacity over the past year.

→ On the freight side, the region's airlines have also grown AFTKs quicker than the industry overall (7.4% vs 6.2%yoy). The region's freight load factor continues to set the industry benchmark; at 55.3% this month, it is ~10pp above the industry-wide outcome of 44.6%.

→ The latest financial data for Q1 show the EBIT margin outcome for the AsiaPac carriers is moderately higher than that of the industry overall (6.2% vs 5.6%). This

Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q1	2018Q1
Asia Pacific	7.4	5.5	6.6	6.2
Industry	8.5	7.5	4.9	5.6

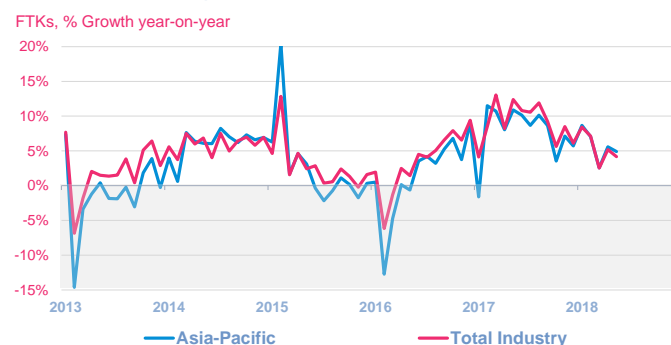
Source: Airline Analyst * constant sample basis, not seasonally adjusted

IATA Economics: www.iata.org/economics

→ Across the region's main international markets, Within Asia is also the strongest performer in terms of growth in freight (as well as pax) volumes this month, with FTKs up a robust 6.1%yoy, followed closely by Asia-Nth America at 5.3%yoy.

→ Only the smaller Africa market is showing a yoy decline in freight volumes, with FTKs down 0.7%.

Growth in air freight volumes



Source: IATA Statistics

comes despite a slightly softer performance compared with a year ago for the region's airlines (down from 6.6%) & an improvement over the same period for the industry as a whole (up from 5.6%).

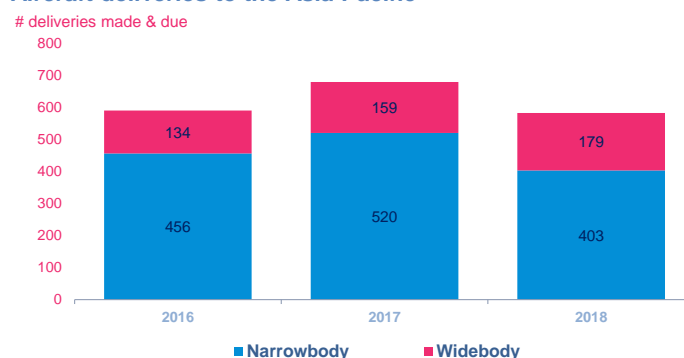
→ Passenger yield developments across the region's key markets over the past year are generally robust, with the exception of Asia-ME where yields are down ~7%. In contrast, Australia domestic yields have *increased* by a similar magnitude (7.4%) vs a year ago.

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

%change on a yr ago	2017	Mar-18	Apr-18	May-18
India domestic	-2.3	4.7	6.6	4.5
Australia domestic	5.5	7.9	8.8	7.4
Asia - Europe	1.9	6.3	9.5	2.5
Within Asia	-5.6	8.3	6.5	4.4
Asia - Nth America	-3.2	-0.5	2.4	2.8
Asia - Middle East	-3.5	-3.8	-5.0	-6.9
Asia - Sth America	-4.2	5.6	5.5	3.2
Asia - Africa	-0.1	0.5	2.9	0.6

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

Aircraft deliveries to the Asia Pacific



Source: Ascend

Contact: Andrew Matters – economics@iata.org