

# State of the region: Asia Pacific

July 2019

## Economy

### GDP growth, selected countries

% change on a yr ago	2018	Q3 2018	Q4 2018	Q1 2019
India	7.4	7.0	6.6	5.8
Japan	0.8	0.1	0.3	0.9
Indonesia	5.2	5.2	5.2	5.1
Korea	2.7	1.9	3.0	1.6
Australia	2.8	2.8	2.4	1.8
Thailand	4.1	3.2	3.7	2.8
Malaysia	4.7	4.4	4.7	4.5
<b>World*</b>	<b>3.2</b>	<b>3.1</b>	<b>2.9</b>	<b>2.9</b>

\* Market exchange rate basis † Estimate Source: Datastream

### Exchange rates

end of period, # per US\$	2018	Apr-19	May-19	Jun-19
US\$ broad index	128.5	127.4	128.7	128.3
Japanese yen (JPY)	110.0	111.4	108.6	107.8
Australian dollar (AUD)	1.42	1.42	1.44	1.43
Sth Korean won (KRW)	1115	1166	1190	1157
Indian rupee (INR)	69.8	69.6	69.7	69.0
Indonesian rupiah (IDR)	14380	14250	14273	14128
Thai baht (THB)	32.6	31.9	31.6	30.7
Malaysian ringgit (MYR)	4.13	4.13	4.19	4.13

Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2018	Apr-19	May-19	Jun-19
Crude oil (Brent)	71.7	71.5	70.4	63.2
Jet fuel	86.4	84.2	84.4	76.5

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger kilometers (RPKs)

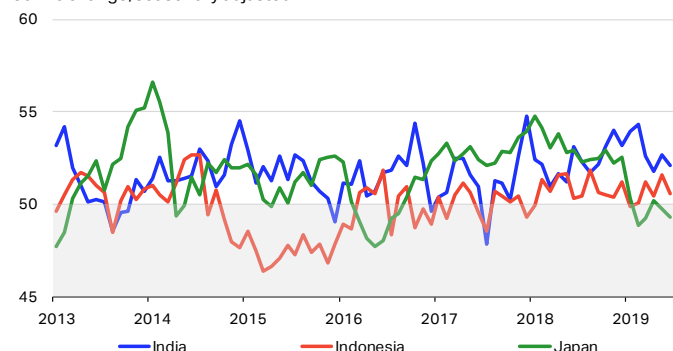
% change on a yr ago	2018	Mar-19	Apr-19	May-19
<b>Region (registration basis)</b>				
Asia Pacific	8.4	2.1	2.4	4.5
World	6.5	3.1	4.4	4.5
<b>Routes (segment basis)</b>				
India domestic	19.0	3.1	-2.0	6.0
Japan domestic	2.0	3.1	4.1	6.6
Australia domestic	1.5	-2.3	0.9	1.1
Asia - Europe	7.1	4.4	8.5	10.4
Within Asia	8.2	3.9	5.1	4.9
Asia - Nth America	3.9	-0.4	3.2	5.2
Asia - Middle East	4.4	0.5	3.6	1.5
S/w Pacific - N/S America	6.9	7.6	5.2	8.9
Asia - Africa	9.4	0.1	-0.5	2.5

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

- Industry-wide revenue passenger kilometres (RPKs) ticked marginally higher in May, up 4.5% in year-on-year terms. Although this represents a solid outcome – following a short-lived dip in activity in March – RPK growth remained below the long-term average (5.5%).
- Although the Asia Pacific pace of RPK growth almost doubled compared to April – supported by improved performance in some of its domestic markets – the rate remained well below that seen earlier in the year.

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



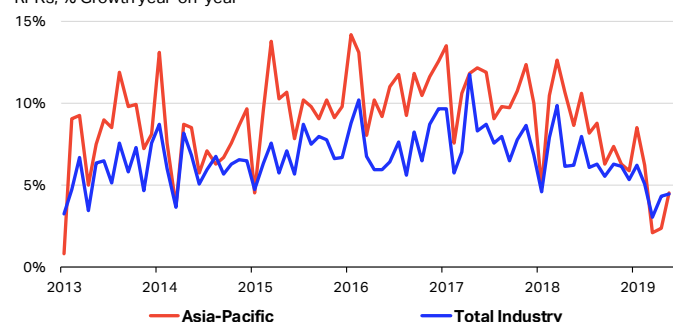
Source: Markit

- US-China trade tensions continued to weigh upon business environment in Japan in June, mostly through country's weaker exports. In India and Indonesia, business sentiment eased amidst weaker growth in new businesses and output.
- On a trade-weighted basis, the US\$ fell by a modest 0.4% in June, after 4 consecutive monthly increases. All of the main regional currencies gained against the US\$, most notably the THB (3.1%) and KRW (2.8%).
- The average crude oil and jet fuel price for June hides high data volatility; while prices eased early in the month on economic growth uncertainty, they recovered later amid concerns about tighter oil supply.

- Growth in RPKs recovered sharply in India to 6% y-o-y. Although it might take longer for the market to adjust to the recent Jet Airways demise, the long-term outlook remains optimistic as we recently [observed](#).
- RPKs were almost 7% higher vs a year ago in Japan, an outcome that reaffirms a recently observed strong upward trend in demand. Despite a modest uptick in May, growth continues to trend sideways in Australia.
- Across the key international markets in the region, RPK growth was generally solid; the largest Asia-Europe remained the best performer this month with volumes up by more than 10%.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Mar-19	Apr-19	May-19
<b>Region (registration basis)</b>				
Asia Pacific	1.5	-5.5	-10.0	-6.4
World	3.5	-0.6	-5.6	-3.4
<b>Routes (segment basis)</b>				
Asia - Europe	1.1	1.4	-6.0	1.9
Asia - Nth America	3.7	-0.8	-7.8	-5.2
Within Asia	0.6	-8.8	-11.1	-10.7
Asia - Middle East	4.8	5.2	-4.0	-6.5
S/w Pacific - N/S America	8.7	0.7	-2.4	-9.1
Asia - Africa	-4.0	5.7	10.9	12.0

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

- Global trade tensions continued to weigh on air freight demand in May; annual growth in industry-wide FTKs remained in negative territory with Asia Pacific and the Middle East being the main contributors to the decline.
- For Asia Pacific carriers, FTKs fell by more than 6% vs the same period a year ago, partly reflecting the impact of tariffs and trade restrictions in the US-China trade war. That said, seasonally adjusted volumes have been rising modestly since February.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2018	Mar-19	Apr-19	May-19
LF: % of ASK/AFTK					
<b>Passenger</b>					
Asia Pacific	ASK	7.7	3.6	3.4	3.5
	PLF	81.5	81.3	81.8	80.2
World	ASK	6.1	4.0	3.6	2.7
	PLF	81.9	81.9	82.9	81.5
<b>Freight</b>					
Asia/Pacific	AFTK	4.5	-1.8	-1.2	0.3
	FLF	55.6	54.8	50.9	52.0
World	AFTK	3.2	2.5	2.0	1.3
	FLF	49.1	49.5	46.1	46.8

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

- The industry-wide passenger load factor (PLF) remained robust at 81.5% in May. The story was less positive for freight; despite the modest uptick this month, the LF has maintained its downward trend.
- Although the Asia Pacific PLF eased compared to the previous month, 80.2% was a still record-high outcome for the month of May. By contrast, the FLF remained subdued, almost 4ppt lower vs a year ago.
- Our final data for Q1 2019 (based on sample of 81 airlines) confirm the industry-wide decline in profitability vs a year ago. Asia Pacific carriers however saw the most significant improvement in the EBIT

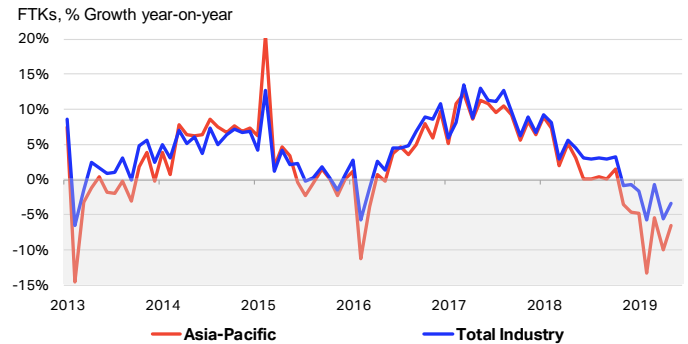
### Airline operating (EBIT) margins\*

% revenues	2017	2018	2018Q1	2019Q1
Asia Pacific	6.3	4.5	3.9	5.1
Industry	7.5	5.8	4.6	2.9

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

- The regional aggregate hides differences in performance at the international market level. Although volumes continued to decline in annual terms on Asia-NthAm and Within Asia routes, growth recovered sharply in the largest Asia-Europe market to ~2% y-o-y.
- The smallest Africa-Asia remained the fastest growing market, posting a brisk double-digit growth pace for the second consecutive month.

### Growth in air freight volumes



Source: IATA Statistics

margin of all regions for the first quarter; up 1.2ppt compared to Q1 2018.

- Passenger yields showed mixed results across the region's key markets. While India continued to post positive growth, Australia showed the opposite, with yields falling again by 4% annually. Growth remained negative in most of the international markets with the ongoing exception of Asia-Middle East (15% y-o-y).

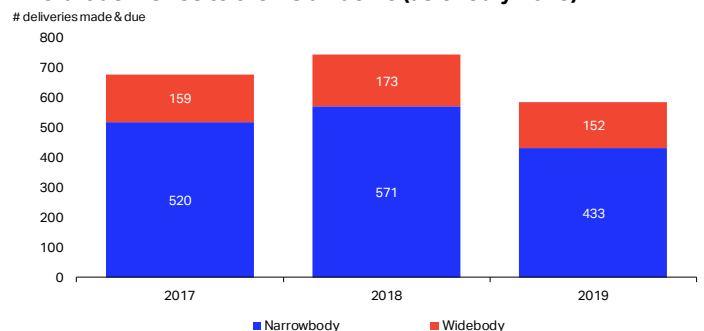
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Mar-19	Apr-19	May-19
India domestic	-4.1	0.9	3.3	1.6
Australia domestic	0.0	-9.1	-4.1	-4.0
Asia - Europe	-1.9	-10.2	-6.8	-2.7
Within Asia	-1.9	-8.5	-4.8	-3.6
Asia - Nth America	-2.7	-2.6	-1.4	-1.1
Asia - Middle East	-1.7	8.3	14.3	14.9
Asia - Sth America	0.7	-9.8	-7.7	-11.1
Asia - Africa	0.8	-7.3	-3.7	-5.5

Source: IATA Travel Intelligence Note: historical data may be subject to revision

- The latest data show a decline in the number of jet aircraft deliveries (mostly narrow body) that are scheduled for Asia Pacific carriers in 2019 vs 2018.

### Aircraft deliveries to the Asia Pacific (as of July 2019)



Source: Ascend