

# State of the region: Asia Pacific

July 2020

## Economy

### GDP growth, selected countries

% change on a yr ago	2019	Q3 2019	Q4 2019	Q1 2020
India	4.9	4.4	4.1	3.1
Japan	0.7	1.8	-0.7	-1.9
Indonesia	5.0	5.0	5.0	3.0
Korea	2.0	1.9	2.4	1.4
Australia	1.8	1.8	2.2	1.4
Thailand	2.4	2.7	1.5	-1.8
Malaysia	4.3	4.4	3.6	0.7
<b>World*</b>	<b>2.5</b>	<b>2.5</b>	<b>2.4</b>	<b>-1.7</b>

\* Market exchange rate basis Source: Datastream

### Exchange rates

end of period, # per US\$	2019	Apr-20	May-20	Jun-20
US\$ broad index	114.7	122.7	121.3	120.9
Japanese yen (JPY)	108.6	106.6	107.7	107.9
Australian dollar (AUD)	1.43	1.53	1.51	1.45
Sth Korean won (KRW)	1155	1214	1236	1199
Indian rupee (INR)	71.4	75.1	75.6	75.5
Indonesian rupiah (IDR)	13883	14875	14610	14285
Thai baht (THB)	30.0	32.4	31.8	30.9
Malaysian ringgit (MYR)	4.09	4.30	4.35	4.29

Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2019	Apr-20	May-20	Jun-20
Crude oil (Brent)	64.2	26.8	32.4	40.9
Jet fuel	79.6	23.1	29.6	41.8

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger kilometers (RPKs)

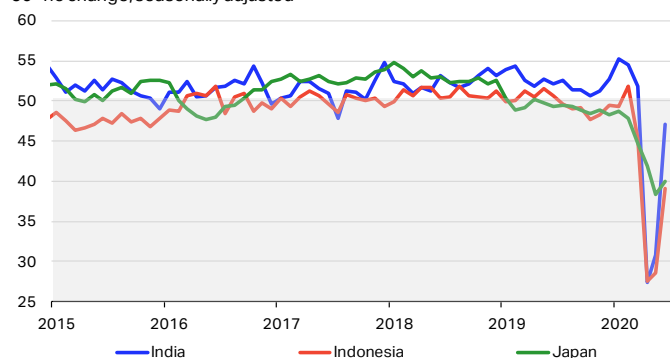
% change on a yr ago	2019	Mar-20	Apr-20	May-20
<b>Region (registration basis)</b>				
Asia Pacific	4.6	-64.4	-87.9	-82.7
World	4.1	-55.5	-94.0	-91.3
<b>Routes (segment basis)</b>				
India domestic	5.2	-32.5	-99.8	-97.4
Japan domestic	3.7	-54.1	-87.0	-90.7
Australia domestic	0.7	-38.7	-96.4	-96.6
Asia - Europe	6.6	-63.6	-98.2	-98.1
Within Asia	5.3	-82.6	-98.8	-98.9
Asia - Nth America	2.0	-72.8	-96.9	-97.0
Asia - Middle East	3.5	-55.3	-98.6	-98.7
S/w Pacific - N/S America	4.8	-27.6	-96.9	-98.2
Asia - Africa	5.0	-64.7	-99.0	-99.2

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

- Industry-wide revenue passenger-kilometres (RPKs) contracted by 91% year-on-year in May, compared to the 94% annual decline observed in April. The modest improvement this month was driven by developments in domestic markets.
- Airlines based in Asia Pacific registered an 83% year-on-year annual RPK contraction in May. This represents the most resilient outcome amongst all

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

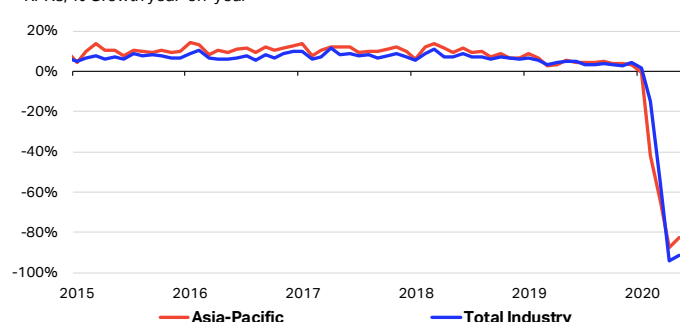
- Business sentiment rose sharply in Indonesia and India while it picked up modestly in Japan as countries started to lift COVID-19 related restrictions. Despite the improvement, operating conditions in the region remain weaker compared to the pre-crisis period.
- The trade-weighted US dollar index eased modestly in June, down 0.3%. Majority of the key regional currencies gained value against the US\$. The AUD was the main mover, ending the month up 3.6%, followed by the KRW (+3.0%) and the THB (+2.8%).
- Oil and jet fuel prices rose further amidst expectations about demand recovery with the reopening of markets. Sharp production cuts from OPEC and Russia also provided support to the price increase.

regions and can be attributed to tentative signs of recovery in some of the domestic markets.

- The majority of the region's key international and domestic routes remained closed amidst strict travel restrictions around the world.
- Looking forward, some improvement in demand is expected since countries started to loosen their lockdowns and airlines have been restoring some of their seat capacity.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Economics

## Cargo tonne kilometers (CTKs)

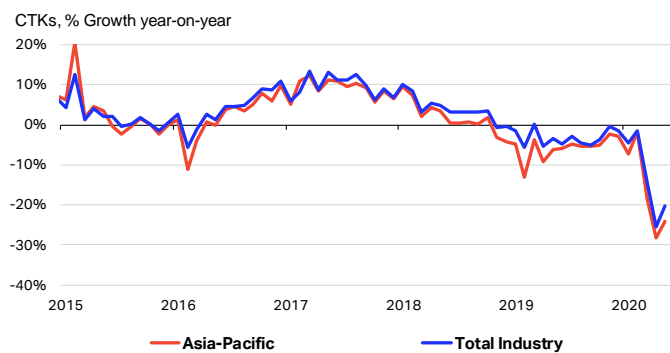
% change on a yr ago	2019	Mar-20	Apr-20	May-20
<b>Region (registration basis)</b>				
Asia Pacific	-5.6	-18.6	-28.1	-24.2
World	-3.2	-14.6	-25.6	-20.3
<b>Routes (segment basis)</b>				
Asia - Europe	-1.6	-16.5	-27.5	-23.9
Asia - Nth America	-3.7	-5.7	-5.7	-0.4
Within Asia	-7.4	-16.7	-36.1	-35.4
Asia - Middle East	-2.7	-18.8	-42.4	-37.0
S/w Pacific - N/S America	-8.5	-16.1	-75.1	-69.8
Asia - Africa	12.0	8.6	-1.0	-0.4

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

- Industry-wide cargo tonne-kilometres (CTKs) fell by 20.3% year-on-year in May, a slight improvement from the 25.6% decline seen in April. This initial recovery partly comes on the back of stabilizing manufacturing output and new export orders.
- Airlines based in the Asia Pacific region recorded a 24.2% year-on-year CTK decline in May, compared with the 28.1% annual contraction in April.

- Shipments of personal protective equipment (PPE) continue to bring support to airlines in the region. Moreover, some economies have been able to restart their business activity to some extent.
- Of the region's key international routes, Asia-Nth.Am and Asia-Africa posted the most resilient outcomes, with cargo volumes down 0.4% year-on-year.

### Growth in air cargo volumes



## Industry

### Capacity growth and load factors

ASK/ACTK: % ch on a yr ago,		2019	Mar-20	Apr-20	May-20
LF: % of ASK/ACTK					
<b>Passenger</b>					
Asia Pacific	ASK	4.3	-49.1	-81.5	-77.6
	PLF	81.9	57.2	53.7	62.0
World	ASK	3.3	-38.6	-86.6	-86.0
	PLF	82.6	59.4	37.2	50.7
<b>Cargo</b>					
Asia/Pacific	ACTK	1.0	-31.0	-46.1	-37.4
	CLF	52.3	65.4	69.1	64.3
World	ACTK	2.2	-20.8	-41.6	-34.7
	CLF	46.7	53.6	59.4	57.6

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

- Despite widespread aircraft grounding and flight cancellations, passenger demand fell faster than capacity. As a result, the industry-wide passenger load factor dropped by 31 ppts year-on-year to 50.7%. The PLF for APAC carriers fell by 18.4ppts vs a year ago.
- Cargo belly capacity increased in May, hinting that the capacity crunch observed since March might start to unwind soon. The industry-wide cargo load factor was 10.4ppts higher vs a year ago, while APAC carriers recorded the CLF up 11ppts.
- Q1 2020 financial results show the start of severe negative impact of the pandemic on airline profitability. The industry-wide EBIT margin was -10.8% of revenues, down from 4.6% in Q1 2019.

### Airline operating (EBIT) margins\*

% revenues	2018	2019	2019Q1	2020Q1
Asia Pacific	4.7	3.7	7.7	-18.8
Industry	5.7	5.2	4.6	-10.8

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

Airlines based in the Asia Pacific region posted an EBIT margin of -18.8%, compared to 7.7% in the same period last year.

- Note that the yield data should be interpreted with caution during the lockdown period as the number of tickets being sold declined dramatically and part of the sales were arising from repatriation flights.

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

% change on a yr ago	2019	Mar-20	Apr-20	May-20
India domestic	3.3	-12.2	-11.6	-33.2
Australia domestic	-5.6	-10.7	-5.0	-9.0
Asia - Europe	-7.7	-18.3	-13.2	-8.3
Within Asia	-4.5	-22.2	-23.8	-26.1
Asia - Nth America	-2.6	-11.4	1.4	20.4
Asia - Middle East	7.7	-10.4	-3.0	0.7
Asia - Sth America	-7.8	-13.0	-0.7	13.4
Asia - Africa	-5.8	-0.3	57.4	36.3

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

- The latest data indicate a 41% fall in jet aircraft deliveries scheduled for Asia Pacific carriers in 2020 versus 2019.

### Aircraft deliveries to the Asia Pacific (as of July 2020)

