

# State of the region: Asia Pacific

July 2021

## Economy

### GDP growth, selected countries

% change on a yr ago	2020	Q3 2020	Q4 2020	Q1 2021
India	-7.0	-7.4	0.5	1.6
Japan	-4.7	-5.5	-1.0	-1.5
Indonesia	-2.1	-3.5	-2.2	-0.7
Korea	-0.9	-1.0	-1.1	1.9
Australia	-2.4	-3.7	-1.0	1.1
Thailand	-6.2	-6.4	-4.3	-2.6
Malaysia	-5.6	-2.7	-3.4	-0.5
Philippines	-9.4	-11.4	-8.6	-4.2
<b>World*</b>	<b>-3.6</b>	<b>-2.6</b>	<b>-1.3</b>	<b>2.6</b>

\* Market exchange rate basis Source: Eikon Datastream

### Exchange rates

end of period, # per US\$	2020	Apr-21	May-21	Jun-21
US\$ broad index	112.1	112.9	111.5	111.9
Japanese yen (JPY)	103.3	109.0	109.7	111.0
Australian dollar (AUD)	1.29	1.29	1.30	1.33
Sth Korean won (KRW)	1087	1109	1117	1130
Indian rupee (INR)	73.1	74.1	72.6	74.3
Indonesian rupiah (IDR)	14050	14445	14280	14500
Thai baht (THB)	30.0	31.1	31.2	32.1
Malaysian ringgit (MYR)	4.02	4.10	4.12	4.15
Philippine peso (PHP)	48.0	48.1	47.7	48.8

Source: Board of Governors of the Federal Reserve System (US), Eikon Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2020	Apr-21	May-21	Jun-21
Crude oil (Brent)	43.4	65.5	68.4	73.5
Jet fuel	46.3	69.1	73.4	77.6

Source: Platts, Eikon Datastream (monthly average data)

## Market

### Revenue passenger-kilometers (RPKs)

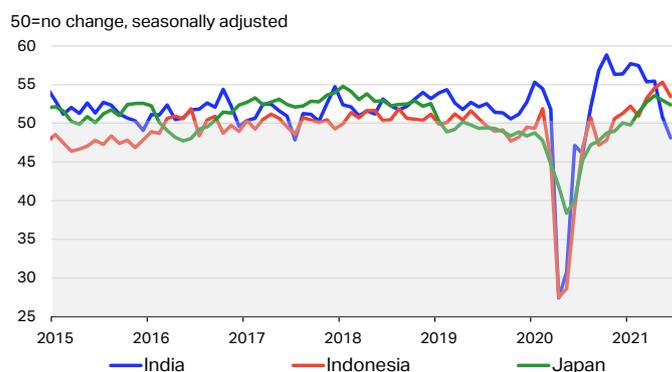
To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Mar-21	Apr-21	May-21
<b>Region (registration basis)</b>				
Asia Pacific	-62.0	-59.8	-57.2	-59.5
World	-65.9	-66.8	-65.2	-62.7
<b>Routes (segment basis)</b>				
India domestic	-55.7	-32.4	-42.0	-71.0
Japan domestic	-53.6	-58.5	-54.9	-68.5
Australia domestic	-69.3	-45.0	-34.4	-30.6
Asia - Europe	-79.0	-92.1	-92.3	-92.7
Within Asia	-84.1	-98.0	-97.4	-97.4
Asia - Nth America	-80.1	-93.3	-93.0	-92.9
Asia - Middle East	-73.6	-81.8	-83.3	-83.8
S/w Pacific - N/S America	-74.0	-98.3	-98.2	-97.1
Asia - Africa	-79.7	-91.0	-90.9	-91.2

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

- Air passenger demand continued to slowly recover in May. Industry-wide revenue passenger-kilometers (RPKs) fell by 62.7% compared with May 2019 – a modest improvement on the 65.2% contraction in the previous month.
- Contraction in Asia Pacific RPKs accelerated in May. Passenger volumes fell by 59.5% vs. the pre-crisis

### Business confidence - manufacturing PMIs



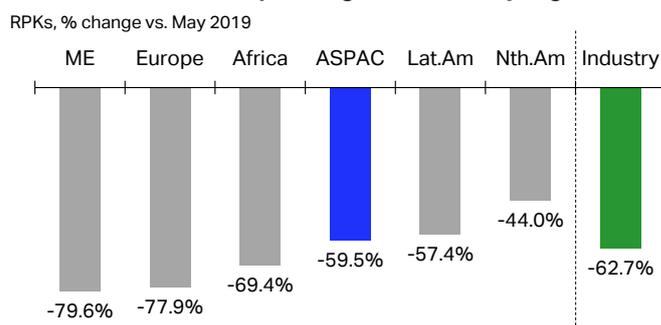
Source: Markit

- Growth in the manufacturing sector eased in Japan and Indonesia due to slower growth in demand. While in Japan, new virus cases fell from the peak in May, Indonesia is currently facing a new virus spike. COVID crisis has escalated also in India over the second quarter, which pushed the country's manufacturing sector back into contraction.
- The trade-weighted US dollar index rose by 0.3% in June. Of the key regional currencies, the AUD and THB were the main movers, losing 2.6% vs. the US\$.
- Oil and jet fuel prices trended upwards in June amidst improving economic fundamentals. Looking ahead, rising fuel bill might shadow airlines' recovery as air travel restarts.

levels compared with a 57.2% decline in the same metric in April. International traffic remained the weakest amongst regions due to high stringency in cross-border travel restrictions.

- Performance of domestic markets has been mixed. Air traffic significantly deteriorated in India and Japan due to virus outbreaks in both countries in May. In contrast, air travel picked up in Australia as the virus seemed to get under control. However, new lockdowns in late-June will likely reverse the recovery.

### Growth in passenger volumes, by region



Source: IATA Economics

## Cargo tonne-kilometers (CTKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Mar-21	Apr-21	May-21
<b>Region (registration basis)</b>				
Asia Pacific	-13.8	-4.6	2.5	2.7
World	-8.7	4.6	11.3	9.4
<b>Routes (segment basis)</b>				
Asia - Europe	-10.6	3.7	11.4	1.3
Asia - Nth America	7.6	25.4	28.2	26.5
Within Asia	-19.6	-5.1	-2.8	-8.3
Asia - Middle East	-7.0	16.9	20.5	15.7
S/w Pacific - N/S America	-28.8	-37.0	-72.2	-65.9
Asia - Africa	9.0	39.9	28.9	19.1

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

- Air cargo continued to perform well in May 2021, with industry-wide cargo tonne-kilometres (CTKs) rising by 9.4% compared to pre-crisis levels. Supply-chain conditions and economic activity remain supportive for air cargo developments.
- At the regional level, Asia Pacific CTKs rose 2.7% above the pre-crisis levels – a broadly unchanged outcome from the previous month.

## Industry

### Capacity growth and load factors

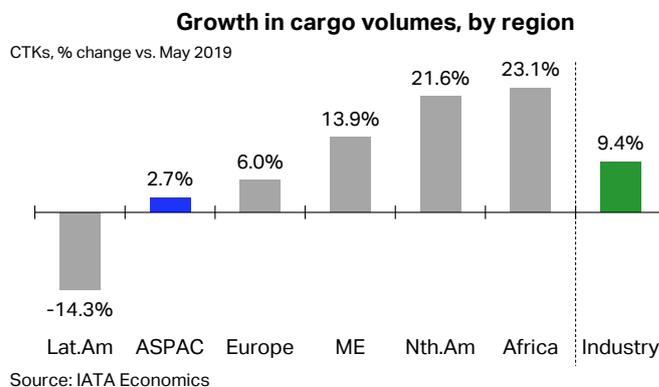
To aid understanding, we make % comparisons with pre-crisis 2019 period.

ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK		2020	Mar-21	Apr-21	May-21
<b>Passenger</b>					
Asia Pacific	ASK	-54.1	-50.7	-48.2	-52.0
	PLF	67.7	66.7	67.8	67.8
World	ASK	-56.7	-56.4	-54.6	-53.7
	PLF	65.1	62.3	63.7	65.8
<b>Cargo</b>					
Asia/Pacific	ACTK	-27.1	-19.2	-15.3	-15.7
	CLF	61.9	65.5	62.7	64.6
World	ACTK	-21.2	-11.5	-10.4	-9.7
	CLF	54.2	58.8	57.9	57.2

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

- Contraction in global seat capacity (ASKs) was broadly unchanged in May, at -53.7%. Passenger load factors (PLF) continued to improve with the strength in domestic demand. The industry-wide metric was at 65.8% in May. Asia Pacific airlines posted the PLF at 67.8% (12.6ppts below May 2019).
- Cargo load factors (CLF) remained well-above their pre-pandemic levels amidst ongoing shortage in cargo capacity. The industry-wide CLF was 10ppts above May 2019, at 57.2%. Asia Pacific airlines reported the CLF at 64.6% - the second highest after European carriers.
- In Q1 2021, the industry-wide operating EBIT margin was at -58% of revenues – a broadly unchanged outcome from Q4 2020 since passenger demand remained muted. In Asia Pacific, EBIT margins deteriorated vs.Q4 since some countries in the region faced new COVID-19 waves, which weighed on air travel recovery.

- CTK growth slowed across the key regional segment-based trade lanes. This is consistent with PMI's easing off somewhat in certain manufacturing intensive countries in Asia such as China and South Korea. The larger Asia-Europe market showed the most significant slowdown in CTK expansion in May vs. April (down ~10ppts at 1.3%).



### Airline operating (EBIT) margins\*

% revenues	2019	2020	2020Q1	2021Q1
Asia Pacific	4.7	-27.0	-18.9	-36
Industry	5.2	-28.0	-12.3	-58

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

- Airlines continued to burn cash in Q1 due to low air travel volumes but there was some variation. Some markets, such as the US, started to benefit from swift vaccine rollout followed by rising bookings. In Asia Pacific, airlines reported cash outflow broadly in line with the industry average.

### Airline cash flow\*

% revenues	Q1 2020		Q1 2021	
	Net cash flow <sup>1</sup>	Free cash flow	Net cash flow <sup>1</sup>	Free cash flow
	Asia Pacific	-22.2	-38.2	-9.2
Industry	-1.5	-17.3	-8.2	-22.1

<sup>1</sup>From operating activities

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

- As of July, aircraft deliveries scheduled by carriers based in the Asia Pacific region are expected to increase by 50% in 2021 compared with 2020 but will remain 21% below deliveries in 2019.

### Aircraft deliveries to the Asia Pacific (as of July 2021)

