



STATE OF THE REGION: ASIA-PACIFIC

JUNE 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*	3.1	3.2	3.2	3.3

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2017	Mar-18	Apr-18	May-18
US\$ broad index	120.0	118.1	118.2	121.5
Japanese yen (JPY)	112.6	106.4	109.3	108.7
Australian dollar (AUD)	1.28	1.30	1.33	1.32
Sth Korean won (KRW)	1068	1063	1070	1080
Indian rupee (INR)	63.9	65.1	66.5	67.4
Indonesian rupiah (IDR)	13636	13717	13952	13923
Thai baht (THB)	32.6	31.2	31.6	32.1
Malaysian ringgit (MYR)	4.05	3.87	3.92	3.98

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Mar-18	Apr-18	May-18
Crude oil (Brent)	54.2	66.0	72.1	77.0
Jet fuel	65.6	78.0	84.6	90.5

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

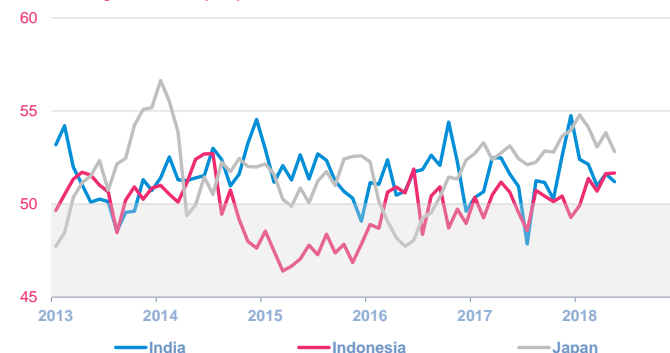
%change on a yr ago	2017	Feb-18	Mar-18	Apr-18
Region (registration basis)				
Asia Pacific	10.2	10.4	12.3	10.9
World	7.6	7.8	9.7	6.2
Routes (segment basis)				
India domestic	17.5	22.9	27.9	26.4
Japan domestic	5.8	5.6	0.9	5.3
Australia domestic	0.4	4.3	4.4	3.4
Asia - Europe	9.5	7.1	8.5	5.0
Within Asia	11.2	8.3	12.0	10.5
Asia - Nth America	4.9	7.8	10.5	5.3
Asia - Middle East	7.3	5.7	9.3	4.4
S/w Pacific - N/S America	5.9	12.0	11.8	5.4
Asia - Africa	4.1	13.3	12.7	12.6

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

- ➔ Annual growth in industry-wide RPKs slowed to 6.2% in April, from a 12-month high of 9.7% in Mar. The slowdown largely reflects developments a year ago – incl. the late timing of Easter in 2017. Even so, the rate of growth remains above its long-run average pace.
- ➔ Pax volume growth for the region's carriers also eased a little this month, to 10.9%yoy; AsiaPac remains the only

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



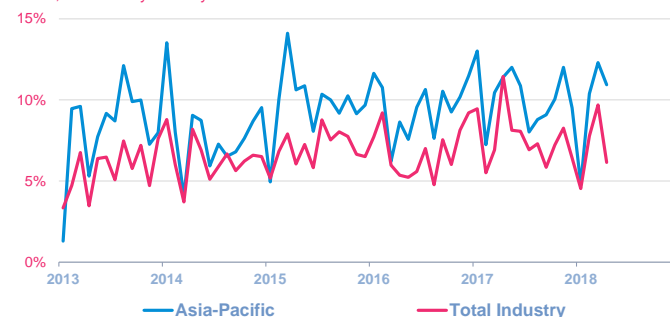
- ➔ Business confidence in Indonesia rose to its highest level in 23mths on the strongest rise in new orders since July 2014. Sentiment in both Japan & India dipped after a gain last month, but broadly remains in good shape.
- ➔ On a trade-weighted basis, the US\$ rose by ~3% in May, benefitting from safe-haven inflows. Movements in the main regional currencies were mixed, but muted in size. The JPY, AUD & INR unwound some of the Apr dip, the other currencies were down 1-1.5% vs the US\$.
- ➔ Brent crude oil & jet fuel prices both rose further in May, by US\$5-6/bbl. Geopolitical concerns & supply tightening were key factors again this month. Prices are now more than 50% higher compared with a year ago.

region to record a double-digit pace of growth currently.

- ➔ Domestic India RPKs also posted double-digit annual growth – for the 44th consecutive month in Apr. The domestic markets of Japan & Australia are growing at a relatively slower pace of 5.3% & 3.4%, respectively.
- ➔ Of the region's main international markets, Within Asia & Asia-Africa are the strongest performers currently, with passenger volumes for both continuing to grow at a double-digit yoy pace.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Feb-18	Mar-18	Apr-18
Region (registration basis)				
Asia Pacific	7.8	6.4	0.7	3.9
World	9.1	6.8	1.8	4.1
Routes (segment basis)				
Asia - Europe	11.0	8.7	-1.2	0.8
Asia - Nth America	8.7	7.3	1.8	5.6
Within Asia	13.0	4.6	2.7	3.0
Asia - Middle East	6.3	11.6	-0.6	6.0
S/w Pacific - N/S America	31.1	12.1	3.1	9.0
Asia - Africa	58.6	19.9	-4.9	4.1

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

- ➔ After falling to a 23-month low in Mar, annual growth in industry-wide FTKs recovered to a solid 4.1% in Apr. In seasonally-adjusted terms, FTK volumes have been trending broadly sideways since August last year.
- ➔ A similar pattern is evident this month at the regional level where FTK growth rebounded moderately, to a 3.9%yoy pace, in line with the industry aggregate.

Industry

Capacity growth and load factors

%change on a yr ago, LF: %of ASK/AFTK		2017	Feb-18	Mar-18	Apr-18
Passenger					
Asia Pacific	ASK	8.4	9.5	9.2	9.2
	PLF	81.0	82.2	82.4	82.8
World	ASK	6.3	6.4	6.5	5.9
	PLF	81.5	80.5	82.5	82.3
Freight					
Asia/Pacific	AFTK	1.4	7.4	5.5	6.7
	FLF	56.1	51.2	55.6	54.6
World	AFTK	3.0	6.7	4.8	5.1
	FLF	45.5	43.9	46.3	44.8

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

- ➔ Over the past year, the Asia Pacific carriers have increased pax capacity at a much faster pace than the industry overall (9.2%yoy vs 5.9%). Even so, the latest pax load factor data are broadly in line, both above 82%.
- ➔ On the freight side, the region's airlines have also grown AFTKs quicker than the industry overall (6.7% vs 5.1%yoy). The region's freight load factor sets the industry benchmark; at 54.6% in Apr, it is ~10pp above the industry-wide outcome.
- ➔ The latest financial data for Q1 show a 1pp improvement in the overall industry EBIT margin compared with a year ago, to 5.7% currently. The margin for the AsiaPac

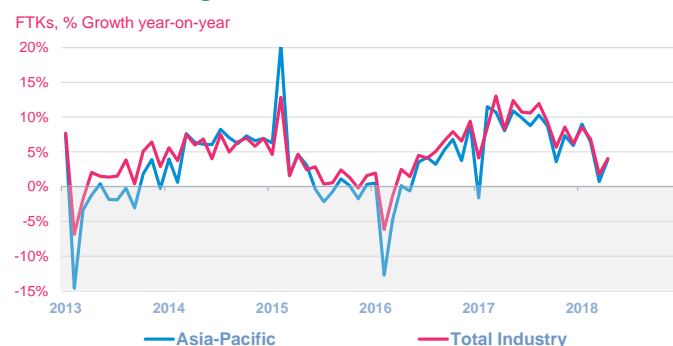
Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q1	2018Q1
Asia Pacific	7.4	5.5	6.4	6.3
Industry	8.5	7.5	4.7	5.7

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

- ➔ Across the region's main international markets, all recorded a positive yoy FTK growth rate in Apr (although only just in the case of Asia-Europe, at 0.8%), including those that briefly posted a yoy decline last month.
- ➔ Of the larger international freight markets, Nth America & the Middle East are currently the strongest performers, growing at a rate of 5.5-6.0%yoy.

Growth in air freight volumes



Source: IATA Statistics

carriers is broadly unchanged vs 1Q17 at 6.3%, remaining above the industry aggregate. Note that these data are not seasonally adjusted.

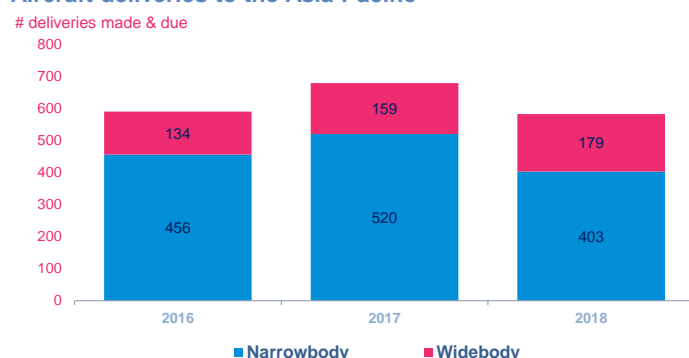
- ➔ Passenger yield developments across the region's key routes over the past year paint a generally positive picture. In particular, the two main domestic markets we follow in the region along with that of Europe & Within Asia. The main exception to the positive story is the Asia-Middle East market where yields are currently a sizeable 5% lower than their year-ago level.

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

%change on a yr ago	2017	Feb-18	Mar-18	Apr-18
India domestic	-2.3	3.1	5.5	6.6
Australia domestic	5.8	9.6	7.9	8.8
Asia - Europe	1.9	6.0	6.4	9.6
Within Asia	-5.6	2.7	8.5	6.9
Asia - Nth America	-3.2	-1.2	-0.3	1.8
Asia - Middle East	-3.5	-2.3	-3.6	-4.9
Asia - Sth America	-4.2	0.9	5.8	5.5
Asia - Africa	-0.1	2.6	0.5	2.9

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

Aircraft deliveries to the Asia Pacific



Source: Ascend