

# State of the region: Asia-Pacific

June 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	Mar-19	Apr-19	May-19
US\$ broad index	128.5	127.2	127.4	128.7
Japanese yen (JPY)	110.0	110.7	111.4	108.6
Australian dollar (AUD)	1.42	1.41	1.42	1.44
Sth Korean won (KRW)	1115	1137	1166	1190
Indian rupee (INR)	69.8	69.3	69.6	69.7
Indonesian rupiah (IDR)	14380	14240	14250	14273
Thai baht (THB)	32.6	31.7	31.9	31.6
Malaysian ringgit (MYR)	4.13	4.08	4.13	4.19

Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2018	Mar-19	Apr-19	May-19
Crude oil (Brent)	71.7	66.9	71.5	70.4
Jet fuel	86.4	81.1	84.2	84.4

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger kilometers (RPKs)

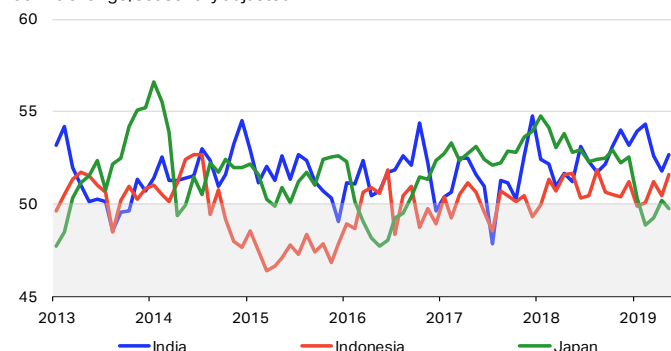
% change on a yr ago	2018	Feb-19	Mar-19	Apr-19
<b>Region (registration basis)</b>				
Asia Pacific	8.4	6.0	1.9	2.1
World	6.5	5.1	3.1	4.3
<b>Routes (segment basis)</b>				
India domestic	19.0	8.3	3.1	-0.5
Japan domestic	2.0	2.6	3.1	3.4
Australia domestic	1.5	-1.2	-2.3	-0.7
Asia - Europe	7.1	5.7	4.5	8.1
Within Asia	8.2	4.1	3.7	5.2
Asia - Nth America	3.9	-0.5	-0.6	3.1
Asia - Middle East	4.4	1.3	0.5	3.6
S/w Pacific - N/S America	6.9	8.3	7.6	5.2
Asia - Africa	9.4	-1.1	-0.1	-0.8

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

- Annual growth in industry-wide revenue passenger kilometres (RPKs) recovered to 4.3% in April, up from 3.1% in the previous month. The pace of demand remains steady but is well below the long-run average of around 5%.
- The RPK growth rate in Asia Pacific picked up slightly to 2.1% year-on-year. That said, it remains well below the long-term average as escalating US-China trade

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



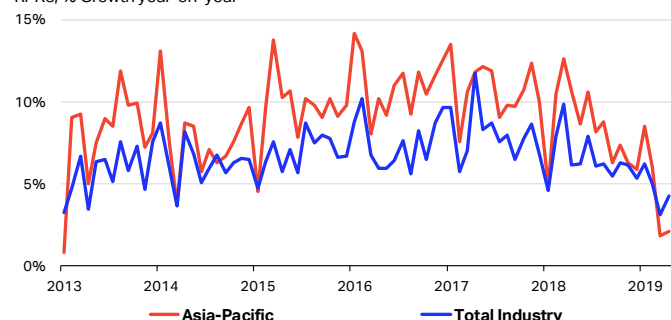
- Japan's business confidence fell below the 50-mark into contraction territory amidst softer demand from China, the country's key business partner. By contrast, sentiment ticked up in both Indonesia and India, following solid growth in new businesses and output.
- On a trade-weighted basis, the US\$ rose by 1.1%, in May, its 4<sup>th</sup> consecutive monthly increase. The JPY and THB gained 2.5% and 0.9% against the US\$, respectively in May, while the remaining key regional currencies ended the month lower.
- Brent crude oil and jet fuel prices lost their strong upward momentum at the end of May as escalating US-China trade tensions reinforced concerns over a slowdown in global oil demand.

tensions weigh upon the business environment in the region.

- India domestic RPKs fell into negative territory for the first time since early-2014, following the exit of Jet Airways from the market and rising airfares. RPK growth remained generally unchanged from the previous month in Japan (3.4%y-o-y) and picked up modestly in Australia to still negative -0.7%y-o-y.
- Of the key international markets, the largest Asia-Europe was the strongest performer with volumes up by more than 8%, followed by Within Asia and S/w Pacific - N/S America markets (5.2%y-o-y).

### Growth in air passenger volumes

RPKs, % Growth year-on-year



## Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Feb-19	Mar-19	Apr-19
<b>Region (registration basis)</b>				
Asia Pacific	1.5	-12.0	-4.7	-7.4
World	3.5	-5.1	-0.5	-4.7
<b>Routes (segment basis)</b>				
Asia - Europe	1.1	-6.5	1.6	-6.0
Asia - Nth America	3.7	-7.5	-1.1	-7.9
Within Asia	0.6	-15.5	-10.9	-12.1
Asia - Middle East	4.8	-4.0	4.8	-4.3
S/w Pacific - N/S America	8.7	-3.3	0.7	-2.4
Asia - Africa	-4.0	-22.0	4.9	10.2

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

- Industry-wide FTK growth declined again in April, remaining in negative territory for the sixth consecutive month. Air freight volumes are currently 4.7% lower than their year-ago level.
- Following a short-lived improvement in March, annual FTK growth fell further into negative territory in April for carriers based in Asia Pacific. Similarly as on the passenger side, the recent slowdown in part reflects the impact of trade tensions on business activity and sentiment in the region.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago		2018	Feb-19	Mar-19	Apr-19
LF: % of ASK/AFTK					
<b>Passenger</b>					
Asia Pacific	ASK	7.7	5.5	3.3	3.2
	PLF	81.5	82.6	81.3	81.7
World	ASK	6.1	5.2	4.2	3.6
	PLF	81.9	80.6	81.8	82.8
<b>Freight</b>					
Asia/Pacific	AFTK	4.5	1.8	-1.3	-0.1
	FLF	55.6	44.6	55.0	51.8
World	AFTK	3.2	2.7	2.9	2.6
	FLF	49.1	44.5	49.4	46.3

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

- Industry-wide passenger load factor (PLF) picked up to 82.8%, a record high outcome for the month of April. By contrast, the freight load factor (FLF) eased to 46.3%, following a strong performance in March (49.4%).
- The PLF rose slightly in Asia Pacific but remained more than 1ppt below the industry-wide outcome, at 81.7%. For freight, the LF eased by a sizeable 3pp this month, but remains well above the industry average.
- The latest financial data for Q1 2019 confirm a decline in industry profitability vs the same period a year ago; the EBIT margin fell to 2.3%, from 4.2% in Q1 2018. The story is more upbeat at the regional level where the

### Airline operating (EBIT) margins\*

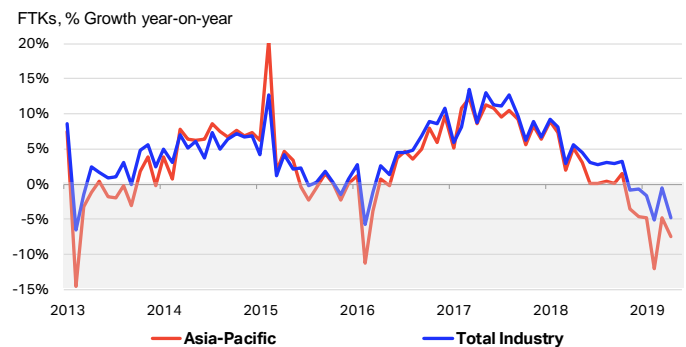
% revenues	2016	2017	2018Q1	2019Q1
Asia Pacific	7.4	6.7	3.4	5.7
Industry	8.5	7.5	4.2	2.3

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

IATA Economics: [www.iata.org/economics](http://www.iata.org/economics)

- FTK growth performance was under pressure on the majority of the region's key international routes in April. Asia-Europe & Asia-NthAm, the two largest markets for Asia Pacific, saw volumes down 6% and 8%, respectively. Within Asia remained the key underperformer with FTKs ~12% lower vs last year.
- This month's best performer, Africa-Asia, has shown high volatility over the recent months, not a surprising outcome given its relatively small market size.

### Growth in air freight volumes



Source: IATA Statistics

margin picked up by more than 2ppt vs a year ago.

- Growth in pax yields remained negative on the majority of the key domestic and international routes in April. That said, the downward pressure has been less intense vs the previous months, which is consistent with our latest data on airline profitability. Asia-Middle East remains the best performer, with yields up 14%.

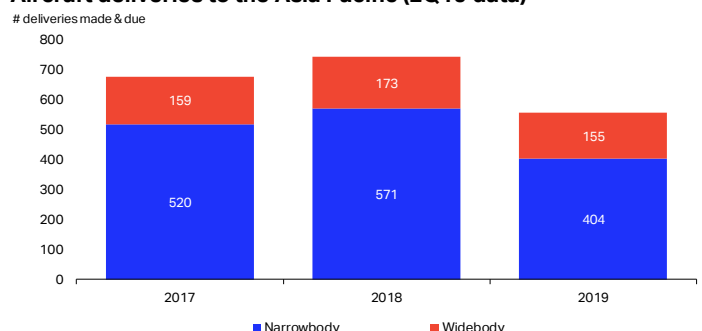
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Feb-19	Mar-19	Apr-19
India domestic	-4.1	0.2	0.9	3.3
Australia domestic	0.0	-5.8	-9.0	-4.1
Asia - Europe	-1.9	-9.8	-10.2	-6.8
Within Asia	-1.8	-8.6	-8.5	-4.8
Asia - Nth America	-2.7	-4.3	-2.6	-1.4
Asia - Middle East	-1.5	4.5	8.1	14.1
Asia - Sth America	0.7	-9.5	-9.8	-7.7
Asia - Africa	0.8	-6.2	-7.3	-3.7

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 that are scheduled for Asia Pacific carriers in 2019 vs 2018.

### Aircraft deliveries to the Asia Pacific (2Q19 data)



Source: Ascend

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