

State of the region: Asia-Pacific

March 2019

Economy

GDP growth, selected countries

% change on a yr ago	2017	Q2 2018	Q3 2018	Q4 2018
India	6.6	8.0	7.0	6.6
Japan	1.9	1.4	0.2	0.3
Indonesia	5.1	5.3	5.2	5.2
Korea	3.1	2.8	2.0	3.2
Australia	2.4	3.1	2.7	2.3
Thailand	4.0	4.6	3.2	3.7
Malaysia	5.9	4.5	4.4	4.7
World*	3.1	3.2	2.9	2.7

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2018	Dec-18	Jan-19	Feb-19
US\$ broad index	128.5	128.5	126.7	126.8
Japanese yen (JPY)	110.0	110.0	108.8	111.3
Australian dollar (AUD)	1.42	1.42	1.37	1.41
Sth Korean won (KRW)	1115	1115	1112	1125
Indian rupee (INR)	69.8	69.8	71.1	71.1
Indonesian rupiah (IDR)	14380	14380	13973	14068
Thai baht (THB)	32.6	32.6	31.2	31.5
Malaysian ringgit (MYR)	4.13	4.13	4.10	4.07

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Dec-18	Jan-19	Feb-19
Crude oil (Brent)	71.1	57.4	59.4	64.0
Jet fuel	84.7	71.2	74.9	80.4

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

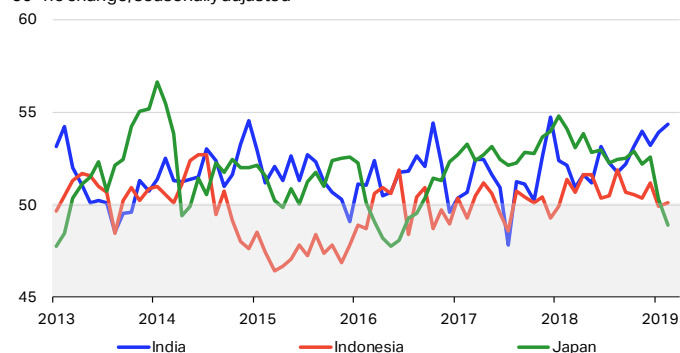
% change on a yr ago	2018	Nov-18	Dec-18	Jan-19
Region (registration basis)				
Asia Pacific	8.6	6.6	6.1	8.5
World	6.6	6.2	5.4	6.5
Routes (segment basis)				
India domestic	19.0	13.2	14.8	12.4
Japan domestic	2.0	2.7	4.7	3.0
Australia domestic	1.4	-0.7	-1.8	0.3
Asia - Europe	7.0	7.8	6.8	8.8
Within Asia	8.4	6.0	6.5	8.2
Asia - Nth America	3.9	3.4	1.4	6.3
Asia - Middle East	4.4	4.7	1.4	0.6
S/w Pacific - N/S America	6.9	8.4	9.1	8.6
Asia - Africa	9.4	10.0	9.7	11.6

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

- Industry-wide revenue passenger kilometers (RPKs) started the year on a positive note, increasing by 6.5% year-on-year, the fastest pace since mid-2018. That said, it is too soon to think that this month's pick-up represents a shift in the growth moderation seen over the second half of last year.
- Passenger volumes for the carriers based in Asia Pac increased by a solid 8.5% in Jan vs a year ago, the fastest pace since Aug 2018, despite concerns

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

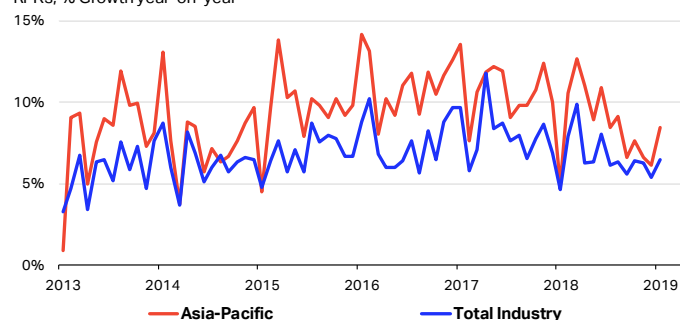
- Japan's business confidence dipped this month to levels last seen in mid-2016 amidst sharp falls in output production and new orders. By contrast, sentiment ticked up in India, underpinned by increase in sales, and remained generally unchanged in Indonesia.
- On a trade-weighted basis, the US\$ rose by 0.1% this month, following a sharp decline in Jan. Of the main regional currencies, the AUD & JPY ended the month down by 2.5% & 2.3%, respectively, followed by the KRW that lost 1.2% against the US\$.
- Brent crude and jet fuel prices trended upwards for a second consecutive month amidst OPEC's supply cuts and sanctions imposed on Iran and Venezuela.

about the impact of a growth moderation in China.

- India recorded another (53rd) month of double-digit increase in pax volumes in Jan, while demand growth eased somewhat in domestic Japan, to a moderate 3.0%yoy. Finally, Australia saw a modest improvement this month, with yoy growth returning to positive territory after two months of decline.
- Of the key international markets, the smaller Asia-Africa remains the key performer in the region, posting strong double-digit growth, at 11.6%yoy. Asia-Europe & S/wPac-N/SAm followed with 8.8% & 8.6%yoy growth, respectively.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

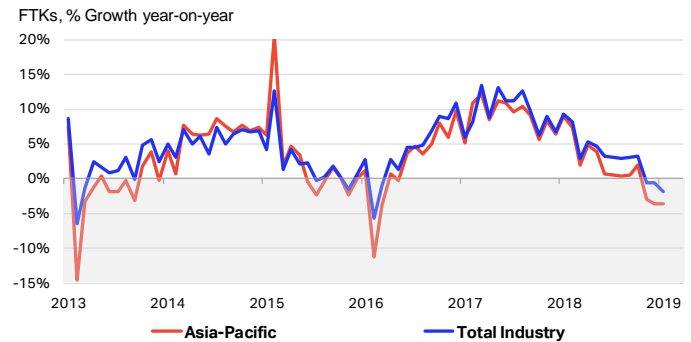
% change on a yr ago	2018	Nov-18	Dec-18	Jan-19
Region (registration basis)				
Asia Pacific	1.8	-3.0	-3.6	-3.6
World	3.5	-0.5	-0.5	-1.8
Routes (segment basis)				
Asia - Europe	1.1	-1.0	-1.4	-4.5
Asia - Nth America	3.7	-1.2	-1.1	-3.7
Within Asia	0.6	-6.1	-8.5	-5.8
Asia - Middle East	4.8	3.9	2.5	1.3
S/w Pacific - N/S America	8.7	18.6	4.7	-0.9
Asia - Africa	-4.0	-17.6	-4.2	-4.3

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

- Industry-wide FTK growth started 2019 where it ended last year, on a soft note. Air cargo volumes in January were 1.8% lower than their level of a year ago, posting the slowest pace in about three years.
- FTKs for airlines based in Asia Pacific, the market with the largest FTK share (35.5%), fell by 3.6% vs a year ago, the second-slowest rate amongst all regions. The recent developments reflect ongoing trade tensions and indications of a slowing Chinese economy.

- Freight demand growth remains negative also on the majority of the key international routes in the region. Both largest markets, Asia-Europe & Asia-NthAm, saw growth rates declining at a faster pace than in the previous month.
- The smaller Asia-Middle East was the only key market in the region that saw an increase in volumes vs a year ago, although only by a modest 1.3%yoy, the second slowest pace in the past 12 months.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2018	Nov-18	Dec-18	Jan-19
LF: % of ASK/AFTK					
Passenger					
Asia Pacific	ASK	7.9	7.6	6.8	7.5
	PLF	81.5	80.3	80.7	81.0
World	ASK	6.1	6.9	6.3	6.4
	PLF	81.9	80.0	80.3	79.6
Freight					
Asia/Pacific	AFTK	4.9	3.9	2.0	4.1
	FLF	55.5	56.4	54.8	50.1
World	AFTK	3.5	3.8	3.6	4.0
	FLF	49.1	51.5	48.9	45.1

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

- The industry-wide passenger load factor (PLF) eased slightly vs Dec, to 79.6%. For freight, the load factor (FLF) fell more sharply to 45.1%, from 48.9% in Dec.
- The PLF for the AsiaPac remained around 81% in Jan, outperforming the industry-wide outcome by a modest 1.4pp. The result was less solid on the freight side, with the FLF falling by ~5pp vs Dec 2018, to 50.1%. That said, the FLF remains well above the global average.
- The latest airline financial data from the final quarter of 2018 indicate that the intense downward pressure on industry-wide EBIT margin has moderated recently. However, the profit squeeze is broadly unchanged

Airline operating (EBIT) margins*

% revenues	2016	2017	2017Q4	2018Q4
Asia Pacific	7.4	5.5	10.2	6.0
Industry	8.5	7.5	8.4	6.0

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

from Q3 at the regional level, with profit margins about 4.2ppt lower compared to the same quarter a year ago.

- Developments in passenger yields over the year to Jan showed mixed results for the region's key markets. While yields performed strongly in Asia-NthAm, up 5.2%yoy, they remained lower in Asia-Europe & Within Asia, the region's two largest international markets.

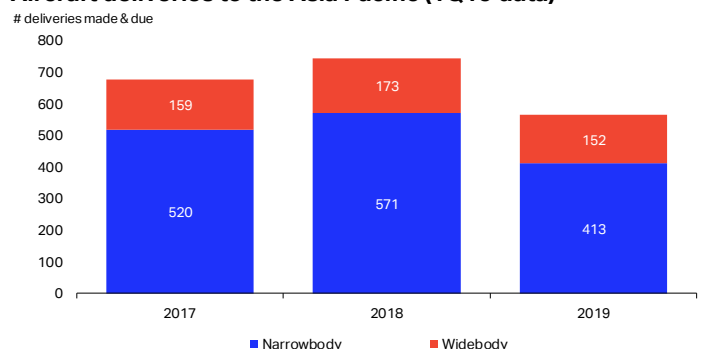
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Nov-18	Dec-18	Jan-19
India domestic	-2.5	3.6	3.5	1.6
Australia domestic	-0.7	-5.9	-8.4	-9.0
Asia - Europe	-1.9	-5.7	-4.1	-3.6
Within Asia	-1.7	-7.3	-6.9	-1.4
Asia - Nth America	-2.7	0.9	1.6	5.2
Asia - Middle East	-1.4	1.3	0.5	3.6
Asia - Sth America	0.7	-2.2	-6.7	-7.6
Asia - Africa	0.8	-2.5	0.1	-2.6

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

- The latest data show a moderate decline in the number of jet aircraft deliveries that are expected to be delivered to Asia Pac carriers in 2019 vs 2018.

Aircraft deliveries to the Asia Pacific (1Q19 data)



Source: Ascend