STATE OF THE REGION: ASIA-PACIFIC

MARCH 2016

Economy

GDP growth, selected countries

%change on a yr ago	2014	2015Q2	2015Q3	2015Q4
India	7.2	7.6	7.7	7.3
Japan	-0.1	0.7	1.7	0.8
Indonesia	5.0	4.7	4.7	5.0
Korea	3.3	2.2	2.7	3.0
Australia	2.7	2.0	2.7	3.0
Thailand	0.7	2.7	2.8	2.7
Malaysia	6.0	4.9	4.7	4.5
World*	**2.7**	**2.6**	**2.5**	**2.3**

* Market exchange rate basis [†] Estimate Source: Datastream

Exchange rates

end of period, # per US$	2014	Dec-15	Jan-16	Feb-16
US$ broad index	111.3	122.4	125.2	124.0
Japanese yen (JPY)	119.9	120.2	121.1	112.9
Australian dollar (AUD)	1.22	1.37	1.41	1.40
Sth Korean won (KRW)	1092	1176	1211	1240
Indian rupee (INR)	63.0	66.2	67.9	68.2
Indonesian rupiah (IDR)	12341	13840	13804	13389
Thai baht (THB)	32.9	36.0	35.7	35.6
Malaysian ringgit (MYR)	3.50	4.29	4.15	4.20

Source: Datastream, XE

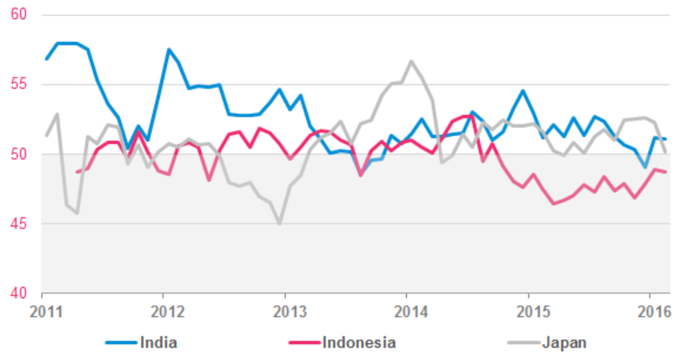
World oil and jet fuel price

US$/barrel	2014	Dec-15	Jan-16	Feb-16
Crude oil (Brent)	99.0	44.3	38.0	30.7
Jet fuel	113.3	55.7	45.4	39.1

Source: Platts, EIA

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence fell again in Japan this month, casting further uncertainty over the 2016 economic outlook in that country. Sentiment was broadly unchanged in both India & Indonesia.
- The US$ eased a little in Feb, down ~1% overall. Regionally, the JPY rose almost 7% & the IDR 3% against the USD in the month. Going against the trend, the KRW eased 2.4% & the MYR was down 1.2%.
- World oil & jet fuel prices ended Feb down 6-7%, having dipped below the US$30 & US$40 benchmarks respectively. Prices have rebounded somewhat over recent weeks on expectations of tighter supply, but it remains to be seen whether the gains can be sustained

Market

Revenue passenger kilometers (RPKs)

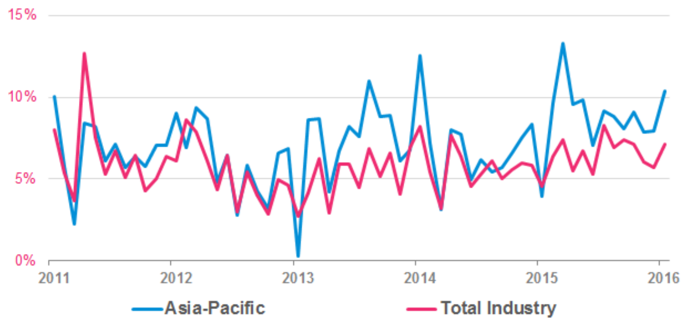
%change on a yr ago	2014	Nov-15	Dec-15	Jan-16
Region (registration basis)				
Asia Pacific	6.9	7.9	7.9	10.4
World	5.7	6.0	5.7	7.1
Routes (segment basis)				
India domestic	8.0	25.1	20.4	22.9
Japan domestic	3.6	-1.3	1.2	1.2
Australia domestic	2.9	2.1	3.2	3.8
Asia - Europe	2.6	1.8	0.6	3.1
Within Asia	5.1	6.2	5.6	10.0
Asia - Nth America	4.9	8.3	5.6	9.1
Asia - Middle East	9.1	7.9	10.5	7.5
S/w Pacific - N/S America	0.2	2.8	13.7	16.1
Asia - Africa	1.2	14.4	6.9	11.3

Source: IATA Statistics

- RPK growth for the Asia-Pac airlines accelerated in Jan, rising to a strong 10.4%yoy & widening the gap above the overall industry growth rate of (a still robust) 7.1%yoy.
- India domestic growth continues to barrel along at a very strong 23%yoy, in stark contrast with both the Japan & Australia domestic markets where RPKs are up a moderate 1.2% & 4.8%, respectively.
- Of the larger markets, Within Asia is the standout, with traffic growth lifting to a double-digit yoy pace in Jan. Not far behind & also experiencing a lift this month is Asia-NthAmerica, with growth of 9.1%yoy.
- Asia-Middle East RPKs eased back a little to 7.5%yoy while tentative signs of life emerged in Asia-Europe (3.1%yoy).

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

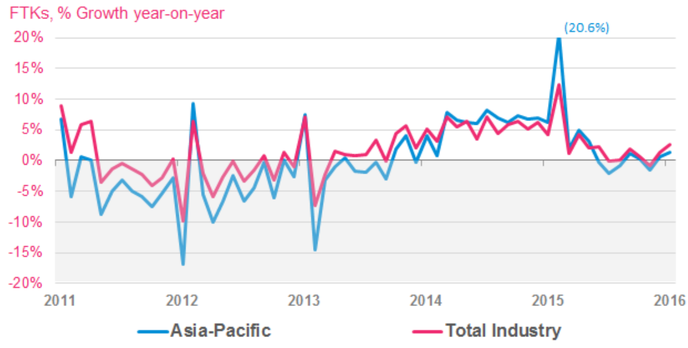
Freight tonne kilometers (FTKs)

%change on a yr ago	2014	Nov-15	Dec-15	Jan-16
Region (registration basis)				
Asia Pacific	6.3	-1.6	0.7	1.3
World	5.5	-0.9	1.4	2.7
Routes (segment basis)				
Japan domestic	4.7	-2.2	-2.3	-2.3
Asia - Europe	-0.6	-5.5	-1.7	1.6
Asia - Nth America	9.9	-4.1	-4.4	-6.4
Within Asia	4.5	-4.6	-0.4	1.6
Asia - Middle East	10.2	0.8	1.4	6.4
S/w Pacific - N/S America	13.4	16.1	17.9	19.0
Asia - Africa	8.8	-4.6	-1.3	16.6

Source: IATA Statistics

- At odds with developments in the passenger market, growth in freight volumes remain much more subdued at both the industry (2.7%yoy) & regional (1.3% for Asia-Pac airlines) level.
- While the air freight market remains challenging, industry volumes improved over the second half of 2015 & into the start of 2016.
- At the segment level, outcomes remain patchy, with no clear broad-based improvement evident to date.
- Japan domestic FTKs remain soft, 2.3% lower than their level of a year ago & consistent with concerns regarding the economic environment & outlook.
- Amongst key inter-regional markets, Asia-Europe & Within Asia both returned to positive yoy growth this month, with FTKs for both up a modest 1.6%yoy.
- Asia-Middle East freight volumes have also recovered & are now up 6.4% on a year ago. However, volumes for Asia-NthAmerica are down by the same magnitude.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2014	Nov-15	Dec-15	Jan-16
Passenger					
Asia Pacific	ASK	7.4	5.9	6.9	7.9
	PLF	*77.2*	*77.8*	*78.0*	*78.5*
World	ASK	5.5	4.3	5.4	5.6
	PLF	*79.6*	*78.0*	*78.9*	*78.8*
Freight					
Asia/Pacific	AFTK	5.9	3.2	4.6	5.9
	FLF	*55.6*	*56.3*	*54.1*	*49.8*
World	AFTK	4.4	4.5	6.9	7.0
	FLF	*45.8*	*47.0*	*44.0*	*41.3*

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

- Asia-Pac airlines have increased pax capacity by a brisk 7.9%yoy, well above the 5.6% industry rate. The pax load factors are broadly similar at 78.5% & 78.8%.
- Regional AFTKs are up 5.9%yoy, below the industry growth rate of 7.0%. The Asia-Pac FLF slipped below 50% in Jan, but nonetheless continues to easily outperform the industry average of 41.3%.
- The latest Q4 EBIT margin for Asia-Pac carriers is solid at 8.4%; above the level of a year ago, but below the overall industry outcome of 10.9%.

Airline EBIT margins*

%revenues	2013	2014	2014Q4	2015Q4
Asia Pacific	2.3	2.8	6.0	8.4
Industry	4.1	5.2	7.1	10.9

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

- Passenger yields in the main domestic markets & on key regional routes continue to show widespread declines, influenced by developments in fuel prices & the US$.

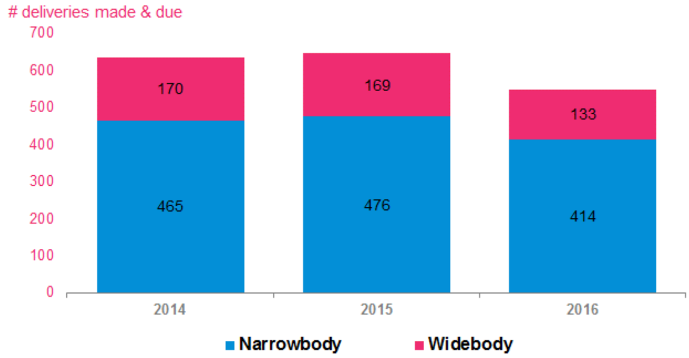
Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2014	Nov-15	Dec-15	Jan-16
India domestic	23.9	-16.5	-16.2	-20.0
Japan domestic	-11.7	-5.1	-4.9	-6.4
Australia domestic	-11.1	-0.9	-15.7	-18.7
Asia - Europe	-8.6	-16.3	-15.0	-15.9
Within Asia	-6.1	-8.5	-9.6	-9.4
Asia - Nth America	-10.4	-13.0	-11.0	-11.0
Asia - Middle East	-4.9	-7.3	-6.7	-8.3
Asia - Sth America	-7.5	-15.4	-13.5	-12.8
Asia - Africa	-8.9	-14.4	-13.5	-11.9

Source: IATA PaxIS

- The latest data continue to point to a moderation in the number of wide & narrowbody aircraft deliveries to the Asia-Pac region in 2016.

Aircraft deliveries to the Asia Pacific (latest data)



Source: Ascend

IATA Economics: www.iata.org/economics

Contact: Andrew Matters – mattersa@iata.org