



# STATE OF THE REGION: ASIA-PACIFIC

MARCH 2017

## Economy

### GDP growth, selected countries

%change on a yr ago	2015	2016Q2	2016Q3	2016Q4
India	7.5	7.2	7.4	7.0
Japan	1.2	0.9	1.1	1.6
Indonesia	4.9	5.2	5.0	4.9
Korea	2.6	3.2	2.6	2.3
Australia	2.4	3.1	1.9	2.4
Thailand	2.8	3.5	3.2	2.7
Malaysia	5.0	4.0	4.3	4.5
<b>World*</b>	<b>2.3</b>	<b>2.1</b>	<b>2.2</b>	<b>2.4</b>

\* Market exchange rate basis † Estimate Source: Datastream

### Exchange rates

end of period, # per US\$	2016	Dec-16	Jan-17	Feb-17
US\$ broad index	127.7	127.7	127.6	125.8
Japanese yen (JPY)	116.8	116.8	112.7	112.1
Australian dollar (AUD)	1.38	1.38	1.32	1.30
Sth Korean won (KRW)	1209	1209	1152	1129
Indian rupee (INR)	67.9	67.9	67.5	66.7
Indonesian rupiah (IDR)	13427	13427	13296	13382
Thai baht (THB)	35.9	35.9	35.1	34.9
Malaysian ringgit (MYR)	4.49	4.49	4.43	4.44

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel	2016	Dec-16	Jan-17	Feb-17
Crude oil (Brent)	52.4	53.3	54.6	54.9
Jet fuel	64.0	62.6	63.6	65.0

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	Nov-16	Dec-16	Jan-17
<b>Region (registration basis)</b>				
Asia Pacific	9.1	9.7	11.0	14.3
World	6.3	7.7	8.7	9.6
<b>Routes (segment basis)</b>				
India domestic	23.3	22.1	23.7	26.6
Japan domestic	0.7	-0.5	4.7	3.5
Australia domestic	1.6	1.8	1.4	1.1
Asia - Europe	1.8	4.5	9.3	6.4
Within Asia	7.3	4.4	7.4	8.8
Asia - Nth America	6.4	7.0	8.2	7.2
Asia - Middle East	9.0	12.0	11.9	9.8
S/w Pacific - N/S America	15.5	25.2	13.5	11.4
Asia - Africa	6.8	4.0	0.9	2.1

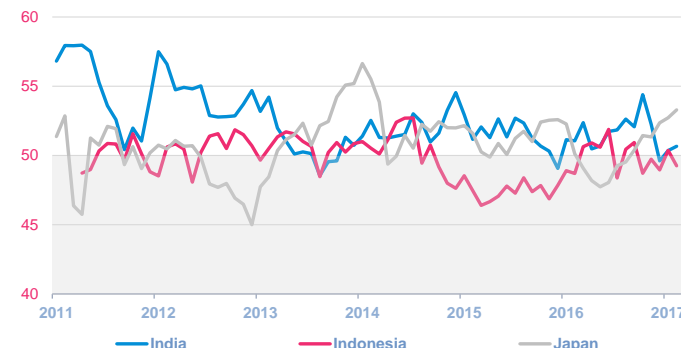
Source: IATA Statistics

→ Industry-wide traffic volumes began the year strongly, with RPK growth lifting to 9.6%yoy in Jan, the strongest start to a year since 2005. As usual at this time, we note that Chinese New Year can impact the data; potentially adding ½pp to annual growth on this occasion.

→ Any such holiday impact is likely to be most obviously felt in the Asia-Pac region, where the annual rate of

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

→ Business confidence in Japan continued its healthy trend improvement this month, & is in contrast with the relatively soft outcomes observed for both India & Indonesia in recent months.

→ The US\$ eased a little in Feb, down ~1.5% on a trade-weighted basis. Amongst the main regional currencies, movements were subdued this month, the largest being a 2% rise in the KRW vs the US\$. The IDR went against the trend, falling 0.6% in the month.

→ Until recently, Brent crude oil prices have been relatively stable in the months following their Dec surge, rising just 0.5% in Feb to US\$55/bbl. Jet fuel prices increased by 2.2% in the month, to US\$65/bbl.

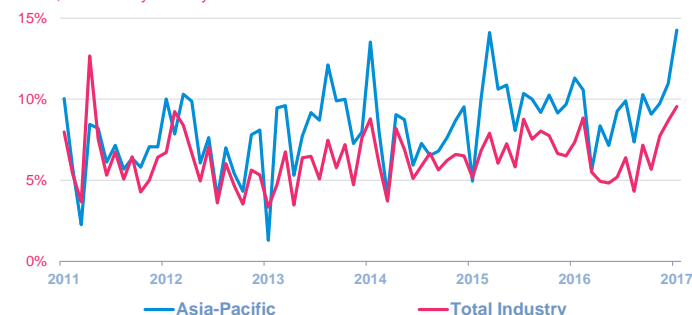
RPK growth accelerated to 14.3%yoy in Jan – the fastest pace of all the regions.

→ Pax volumes in the India domestic market are up 26.6%yoy in Jan, topping the list of key domestic market pax growth for the 22<sup>nd</sup> consecutive month.

→ Within Asia growth also lifted this month, to almost 9%yoy. These increases helped to offset small moderations in the growth rates for the two other primary markets of Asia-Europe & Asia-Nth America.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Nov-16	Dec-16	Jan-17
<b>Region (registration basis)</b>				
Asia Pacific	2.1	5.8	10.0	6.0
World	3.8	7.3	10.0	6.9
<b>Routes (segment basis)</b>				
Asia - Europe	3.9	6.2	15.4	8.8
Asia - Nth America	-1.2	6.7	8.6	5.7
Within Asia	7.0	12.6	17.5	9.1
Asia - Middle East	3.7	4.7	4.1	-0.8
S/w Pacific - N/S America	18.6	23.9	30.2	31.6
Asia - Africa	30.1	57.7	57.2	48.4

Source: IATA Statistics

- The 6.9% annual increase in global FTKs in Jan marked an easing from the double-digit pace of Dec, but was still well ahead of the 5yr average rate (3.0%). The impact of Chinese New Year is again a relevant consideration in Jan & Feb data.
- FTK growth also eased for the Asia-Pac carriers this month, & ended almost 1pp below the industry figure, at 6.0%yoy.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2016	Nov-16	Dec-16	Jan-17
<b>Passenger</b>					
Asia Pacific	ASK	8.1	8.6	8.1	11.1
	PLF	79.6	79.0	80.5	81.5
World	ASK	6.3	6.5	6.7	8.0
	PLF	80.5	79.0	80.5	80.2
<b>Freight</b>					
Asia/Pacific	AFTK	3.6	4.0	5.4	6.6
	FLF	52.8	56.8	55.3	49.4
World	AFTK	5.3	4.8	3.3	3.5
	FLF	43.0	47.3	46.2	42.1

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

- Capacity growth by the Asia-Pac carriers has easily outpaced the industry-wide outcomes over the past year – by ~3pp for both pax & freight. The region's airlines have registered a very strong 11% growth in ASKs & 6.6% growth in AFTKs over this period.
- At the same time, the Asia-Pac carriers have generated pax & freight load factors which exceed the industry average; a PLF of 81.5% in Jan vs 80.2% for the industry & a FLF of 49.4% vs 42.1%.
- The latest Q4 financials show a modest easing in the EBIT margin for the Asia-Pac carriers compared with the same period last year; 12.3% in 2016Q4, down from 13.2%. Even so, this is the strongest EBIT margin

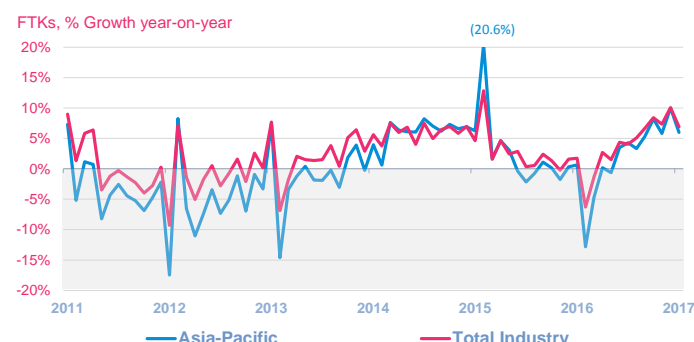
### Airline operating (EBIT) margins\*

%revenues	2014	2015	2015Q4	2016Q4
Asia Pacific	2.5	7.7	13.2	12.3
Industry	4.7	8.3	12.3	10.2

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

- Growth rates for all of the larger markets moderated in Jan, with cargo volumes on routes between Asia-Middle East slipping into negative territory. FTKs for that market are currently 0.8% lower over the past year.
- Despite a sizeable easing in growth this month, Within Asia remains the fastest growing large market with FTKs up 9.1%yoy, closely followed by Asia-Europe at 8.8%.

### Growth in air freight volumes



Source: IATA Statistics

performance of all the regions. At the industry-level the EBIT margin is currently 10.2%, down modestly from 12.3% in 2015Q4.

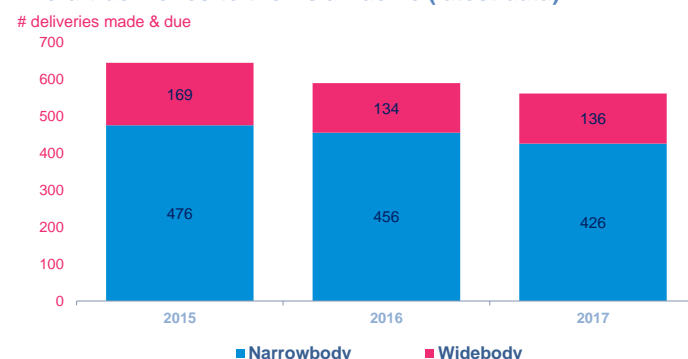
- With the exception of Japan & Australia domestic routes, passenger yields on key markets for the region are all still lower than their level of a year ago. However, in constant exchange rate terms, there are emerging signs that industry-wide yields may have bottomed.

### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2016	Nov-16	Dec-16	Jan-17
India domestic	-14.9	-16.8	-18.0	-15.4
Japan domestic	2.3	5.2	5.4	5.0
Australia domestic	-9.0	-12.8	-3.9	1.3
Asia - Europe	-10.3	-10.0	-8.1	-8.5
Within Asia	-10.0	-11.4	-11.1	-9.2
Asia - Nth America	-7.2	-4.4	-4.3	-5.3
Asia - Middle East	-10.5	-12.0	-13.9	-15.5
Asia - Sth America	-9.1	-5.9	-10.3	-10.7
Asia - Africa	-8.8	-5.4	-10.5	-7.3

Source: IATA PaxIS

### Aircraft deliveries to the Asia Pacific (latest data)



Source: Ascend