

State of the region: Asia Pacific

March 2021

Economy

GDP growth, selected countries

% change on a yr ago	2020	Q2 2020	Q3 2020	Q4 2020
India	-7.0	-24.4	-7.3	0.4
Japan	-4.9	-10.3	-5.8	-1.3
Indonesia	-2.1	-5.3	-3.5	-2.2
Korea	-0.9	-2.8	-1.1	-1.2
Australia	-2.4	-6.3	-3.7	-1.1
Thailand	-6.2	-12.0	-6.4	-4.2
Malaysia	-5.6	-17.1	-2.6	-3.4
World*	-3.7	-8.9	-2.7	-1.5

* Market exchange rate basis Source: Eikon Datastream

Exchange rates

end of period, # per US\$	2020	Dec-20	Jan-21	Feb-21
US\$ broad index	112.1	112.1	111.8	112.3
Japanese yen (JPY)	103.3	103.3	104.7	106.5
Australian dollar (AUD)	1.29	1.29	1.30	1.29
Sth Korean won (KRW)	1087	1087	1114	1128
Indian rupee (INR)	73.1	73.1	73.0	73.5
Indonesian rupiah (IDR)	14050	14050	14030	14240
Thai baht (THB)	30.0	30.0	29.9	30.1
Malaysian ringgit (MYR)	4.02	4.02	4.04	4.05

Source: Board of Governors of the Federal Reserve System (US), Eikon Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2020	Dec-20	Jan-21	Feb-21
Crude oil (Brent)	43.4	50.4	55.2	62.4
Jet fuel	46.3	55.4	59.6	66.9

Source: Platts, Eikon Datastream (monthly average data)

Market

Revenue passenger-kilometers (RPKs)

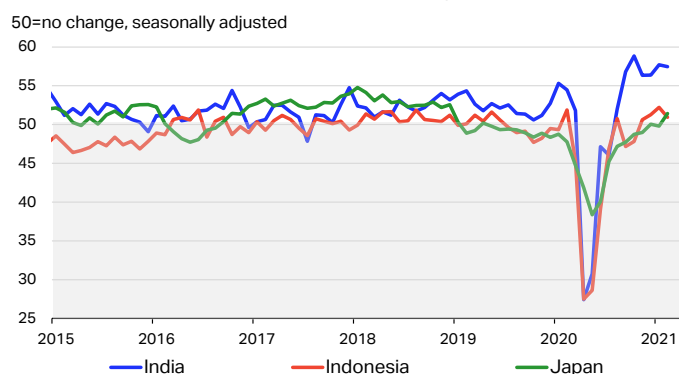
To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Nov-20	Dec-20	Jan-21
Region (registration basis)				
Asia Pacific	-62.0	-61.8	-63.7	-71.5
World	-65.9	-70.4	-69.7	-72.0
Routes (segment basis)				
India domestic	-55.7	-49.6	-42.8	-37.6
Japan domestic	-53.6	-39.1	-50.6	-71.3
Australia domestic	-69.2	-80.0	-60.8	-81.6
Asia - Europe	-79.0	-93.2	-91.9	-92.9
Within Asia	-84.0	-97.6	-96.7	-97.1
Asia - Nth America	-80.1	-92.5	-92.2	-92.3
Asia - Middle East	-73.6	-85.9	-83.7	-81.7
S/w Pacific - N/S America	-74.0	-96.9	-97.4	-97.9
Asia - Africa	-80.1	-93.9	-92.5	-93.2

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

- After several months without any clear improvement, industry-wide revenue passenger-kilometres (RPKs) deteriorated in Jan 2021. They were 72% lower vs. Jan 2019, which represents a more accurate comparison due to the large moves in traffic in early-2020.
- Airlines based in Asia Pacific flew 71.5% fewer RPKs in January compared to two years ago. Asia Pacific international travel remained the weakest amongst

Business confidence - manufacturing PMIs

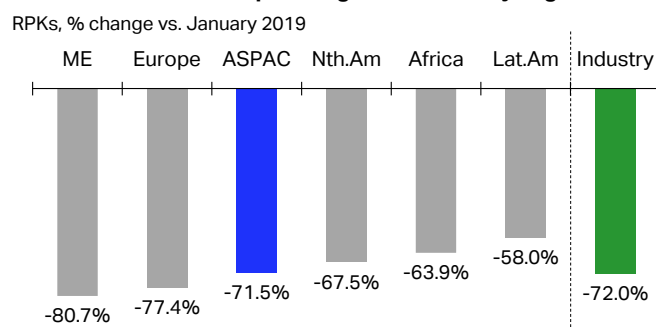


- Economic conditions have been improving in Asia Pacific. Q4 GDP declines eased across most of the countries in the region. Moreover, as of February the manufacturing PMI was back or above pre-crisis levels across the three key markets that we regularly track.
- The trade-weighted US dollar index rose by 0.5%, partly reflecting optimism about the US economic recovery. Of the key currencies, the JPY was the main mover, ending the month down 1.8% against the US\$.
- Brent Crude oil and jet fuel price picked up for another month due to improving global economic outlook and OPEC+ supply cuts.

regions (-94.6% vs. Jan 2019) since many countries keep strict travel restrictions despite relatively controlled COVID-19 outbreaks. With slow vaccination plans, any improvement in int'l traffic is unlikely in the near-term.

- Domestic RPKs weakened in Japan and Australia (down by 71.3% and 81.6%, respectively vs. Jan 2019) due to renewed travel restrictions to prevent COVID outbreaks. In contrast, RPKs were more stable in India (-37.6% vs. Jan 2019), since the number of new virus cases had been falling since September.

Growth in passenger volumes, by region



Cargo tonne-kilometers (CTKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Nov-20	Dec-20	Jan-21
Region (registration basis)				
Asia Pacific	-15.2	-9.9	-5.9	-6.8
World	-10.6	-6.1	-0.8	1.1
Routes (segment basis)				
Asia - Europe	-15.0	-13.1	-4.7	0.2
Asia - Nth America	2.1	7.8	12.5	20.2
Within Asia	-21.1	-18.9	-10.8	-8.8
Asia - Middle East	-7.5	2.5	5.7	15.1
S/w Pacific - N/S America	-45.6	-56.5	-56.5	-54.6
Asia - Africa	8.6	-4.4	4.0	38.5

Source: IATA Economics. Note: historical data may be subject to revision

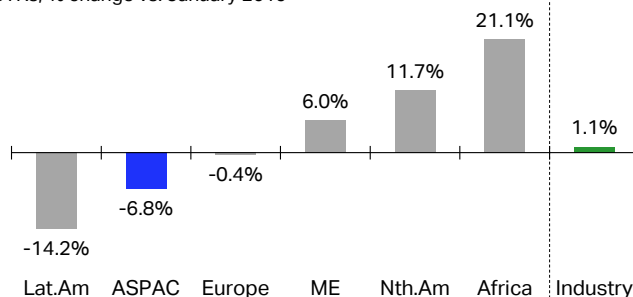
- Air cargo volumes rose sharply for another month and reached levels last seen before the pandemic started. Industry-wide cargo tonne-kilometres (CTKs) were higher by 1.1% vs. the pre-crisis levels (Jan 2019).
- Asia Pacific carriers reported 6.8% fewer CTKs in January compared with two years ago – the second weakest outcome after Latin America. The region has

reported a relatively slow recovery in capacity, which has likely contributed to the delayed CTK rebound compared to the other regions.

- Of the region's key international routes, the larger Asia-Nth.Am remained the strongest performer in January (CTKs up more than 20% vs. the pre-crisis levels), benefitting from booming US e-commerce demand for goods made in Asia.

Growth in cargo volumes, by region

CTKs, % change vs. January 2019



Source: IATA Economics

Industry

Capacity growth and load factors

To aid understanding, we make % comparisons with pre-crisis 2019 period.

ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK		2020	Nov-20	Dec-20	Jan-21
Passenger					
Asia Pacific	ASK	-54.0	-53.3	-52.6	-59.0
	PLF	67.7	66.6	62.5	56.6
World	ASK	-56.7	-58.8	-57.1	-58.7
	PLF	65.0	58.1	58.0	54.1
Cargo					
Asia/Pacific	ACTK	-27.5	-21.9	-22.9	-29.4
	CLF	61.2	62.9	64.5	66.5
World	ACTK	-23.2	-19.1	-17.8	-19.5
	CLF	54.4	57.8	57.2	58.9

Source: IATA Economics. Note: LF=load factor. ASK=available seat kilometres. ACTK=available cargo tonne kilometres

- New lockdowns stopped the recovery in seat capacity over the past two months. Industry-wide available seat-kilometres (ASKs) fell by 4.6%mom and were 58.7% lower vs. the pre-crisis period (Jan 2019). Asia Pacific airlines saw the ASKs down 56.6%% vs. Jan 2019.
- Despite the capacity cuts, demand continued to fall faster than supply, and therefore the global passenger load factor (PLF) deteriorated for another month. It fell by 25.7 ppts vs. January 2019 to 54.1%, a new all-time low for any month of January in our time series. Carriers based in Asia Pacific posted the PLF at 56.6%.
- The fall in passenger capacity resulted in renewed pressure on belly cargo capacity. The industry-wide available cargo tonne-kilometres (ACTKs) fell by 5%mom this January and were 19.5% lower vs. two years ago. Asia Pacific airlines flew 29.4% fewer ACTKs compared with the pre-crisis period.

- The global CLF reached 58.9%, a record high outcome for any month of January in our time series. Asia Pacific carriers reported the highest CLF amongst regions, at 66.5%.

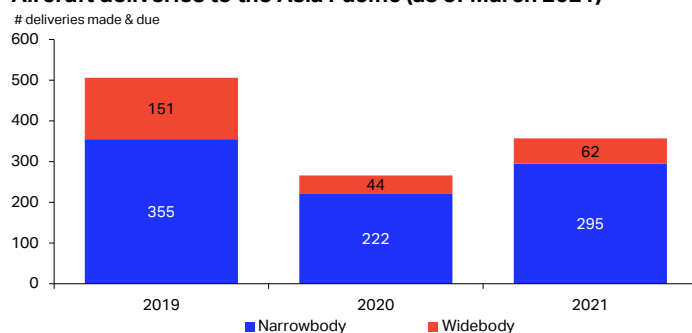
Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q4	2020Q4
Asia Pacific	4.7	3.7	7.3	-36
Industry	5.7	5.2	7.6	-50

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

- The latest financial results confirm that airlines continued to experience deep losses in Q4 due to stalling passenger recovery. Asia Pacific carriers reported relatively smaller net losses compared to the rest of the industry due to improving passenger demand in some of the key domestic markets in Q4.
- As of March 2021, aircraft deliveries scheduled by airlines based in the Asia Pacific region are expected to increase by 34% compared with 2020 levels as the pandemic gets under better control in some countries. However, they will most likely not reach 2019 levels when the number of deliveries was adversely impacted by groundings of Max 737.

Aircraft deliveries to the Asia Pacific (as of March 2021)



Source: Ascend