



STATE OF THE REGION: ASIA-PACIFIC

MAY 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2017Q3	2017Q4	2018Q1
India	6.4	6.5	7.2	--
Japan	1.7	1.9	1.8	1.0
Indonesia	5.1	5.1	5.2	5.1
Korea	3.1	3.8	2.8	2.9
Australia	2.3	2.9	2.4	--
Thailand	3.9	4.3	4.0	--
Malaysia	5.9	6.2	5.9	5.4
World*	3.1	3.2	3.2	3.3

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2017	Feb-18	Mar-18	Apr-18
US\$ broad index	120.0	117.6	118.1	118.2
Japanese yen (JPY)	112.6	106.8	106.4	109.3
Australian dollar (AUD)	1.28	1.28	1.30	1.33
Sth Korean won (KRW)	1068	1083	1063	1070
Indian rupee (INR)	63.9	65.2	65.1	66.5
Indonesian rupiah (IDR)	13636	13773	13717	13952
Thai baht (THB)	32.6	31.5	31.2	31.6
Malaysian ringgit (MYR)	4.05	3.92	3.87	3.92

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Feb-18	Mar-18	Apr-18
Crude oil (Brent)	54.2	65.3	66.0	72.1
Jet fuel	65.6	77.7	78.0	84.6

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

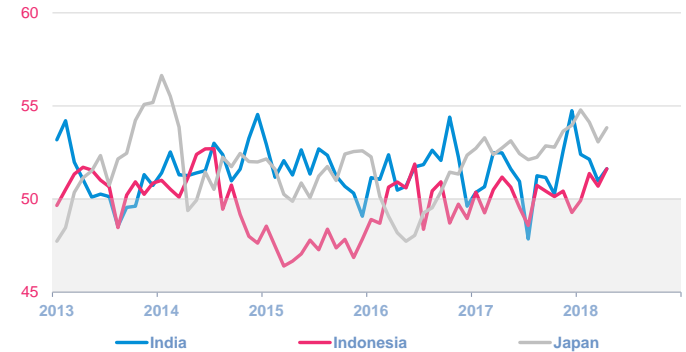
%change on a yr ago	2017	Jan-18	Feb-18	Mar-18
Region (registration basis)				
Asia Pacific	10.2	4.9	10.2	12.0
World	7.6	4.5	7.7	9.5
Routes (segment basis)				
India domestic	17.5	17.9	22.9	27.9
Japan domestic	5.8	2.6	5.6	0.9
Australia domestic	0.4	1.9	4.1	3.6
Asia - Europe	9.5	4.8	7.1	8.8
Within Asia	11.2	4.4	8.5	12.2
Asia - Nth America	4.9	0.8	7.8	10.5
Asia - Middle East	7.3	3.4	5.7	9.3
S/w Pacific - N/S America	5.9	5.9	12.0	11.8
Asia - Africa	4.1	4.2	13.3	12.7

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

- Industry-wide RPK growth lifted again this month, building on last month's healthy rebound. Passenger volumes are 9.5% higher in March compared with their level of a year ago – the fastest rate of growth in a year & well above the 5-year average pace.
- Pax volumes for the AsiaPac carriers also lifted this month, to an even 12.0%yoy pace, maintaining the gap

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

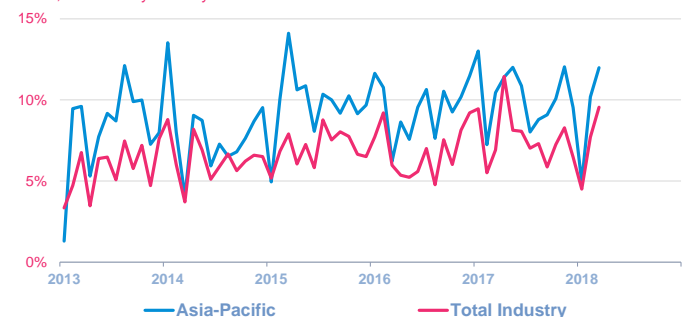
- Business confidence lifted this month, across the three indices we follow in the region, supported by a generally robust demand backdrop, solid economic data & recent signs of some moderation in inflationary pressures.
- On a trade-weighted basis, the US\$ was essentially unchanged in April. Most of the main regional currencies softened against the US\$ this month. Of note, the JPY fell 2.8% & the AUD & INR were both down ~2%.
- Brent crude oil & jet fuel prices surged this month, gaining more than US\$6/bbl & moving to their highest levels since 2014. Heightened geopolitical risks, along with an ongoing tightening of supply were the key price drivers in April.

above the industry-wide rate of growth.

- The pace of growth accelerated again in the India domestic market, where RPKs are now 28% higher than a year ago. However, growth slowed in the domestic markets of both Australia & Japan.
- With the exception of a modest easing for Asia-Africa, RPK growth rates lifted across each of the region's larger international markets this month, with a number now recording a double-digit pace.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Jan-18	Feb-18	Mar-18
Region (registration basis)				
Asia Pacific	7.8	9.0	5.8	0.7
World	9.1	8.5	6.7	1.7
Routes (segment basis)				
Asia - Europe	11.0	11.0	8.7	-1.0
Asia - Nth America	8.7	7.7	7.5	2.5
Within Asia	13.0	11.9	4.6	2.7
Asia - Middle East	6.3	5.9	11.6	-0.6
S/w Pacific - N/S America	31.1	5.7	12.1	3.1
Asia - Africa	58.6	24.3	19.9	-4.9

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

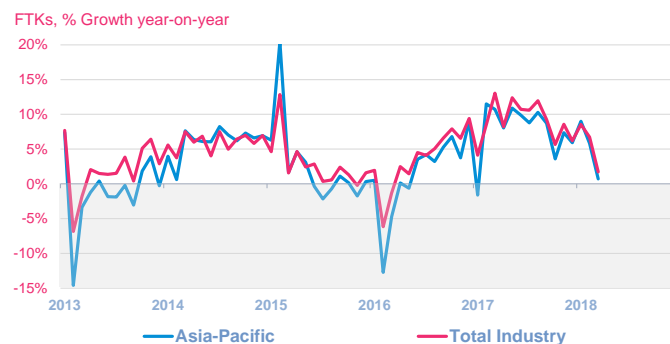
→ After a robust start to the year, the industry-wide FTK growth rate slowed to just 1.7%yoy in March. For Q1 overall, freight volumes are up 5.4%yoy, but a softening in the seasonally adjusted trend has become more apparent in recent months.

→ A similar pattern is evident this month at the regional level where FTK growth eased sharply, to a modest 0.7%yoy. Given that Asia Pacific is the largest region for

air freight (accounting for ~37% of total global FTKs) the impact on the global aggregate outcome is considerable.

→ The annual rate of growth slowed across all of the region's main international markets this month. Perhaps most notable is the largest Asia-Europe market where freight volumes are currently 1.0% lower than their level of a year ago. Volumes have also fallen for the (smaller) Africa & Middle East markets.

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		2017	Jan-18	Feb-18	Mar-18
Passenger					
Asia Pacific	ASK	8.4	6.3	9.1	9.1
	PLF	81.0	80.5	82.3	82.3
World	ASK	6.3	5.2	6.3	6.4
	PLF	81.5	79.6	80.6	82.4
Freight					
Asia/Pacific	AFTK	1.4	2.2	6.9	4.6
	FLF	56.1	53.0	51.1	56.1
World	AFTK	3.0	5.4	6.3	4.4
	FLF	45.5	43.0	44.0	46.4

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

→ Over the past year, the Asia Pacific carriers have increased pax capacity at a much faster pace than the industry overall (9.1%yoy vs 6.4%). Even so, the latest pax load factor data are broadly in line, above 82%.

→ On the freight side, the region's airlines have grown AFTKs only slightly quicker than the industry overall (4.6% vs 4.4%yoy). The region's freight load factor outcomes set the industry benchmark, increasing by 5pp from last month to 56%, ~10pp above the industry figure.

→ The initial data for Q1 point to a modest improvement in the EBIT margin, at both the regional and industry level compared with a year ago. The margin for the AsiaPac

Airline operating (EBIT) margins*

%revenues	2015	2016	2017Q1	2018Q1
Asia Pacific	8.0	10.0	9.4	9.9
Industry	8.5	8.8	6.5	6.8

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

carriers lifted to 9.9% in Q1 2018, around 3pp above the industry aggregate figure of 6.8%. Note that these data are not seasonally adjusted.

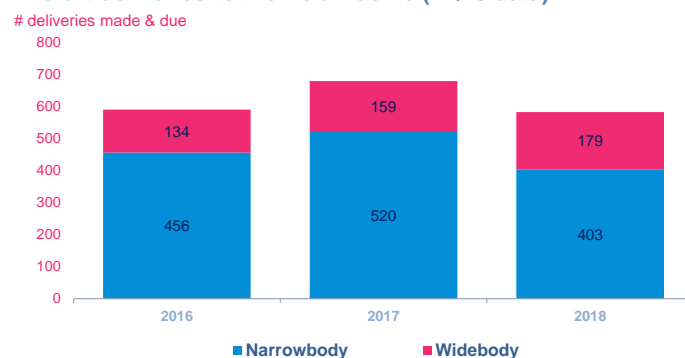
→ Broadly speaking, the passenger yields (US\$ terms) amongst the region's key markets continue to show signs of further gradual improvement. Within Asia yields are up 8.5%yoy to be the strongest performer this month. Yields are still lower compared with a year ago for the Asia-NthAm & Asia-Middle East markets.

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

%change on a yr ago	2016	Jan-18	Feb-18	Mar-18
India domestic	-15.3	8.0	3.1	5.5
Australia domestic	-9.2	11.4	9.6	7.9
Asia - Europe	-10.8	9.5	6.0	6.4
Within Asia	-10.3	1.6	2.7	8.5
Asia - Nth America	-7.3	0.7	-1.2	-0.3
Asia - Middle East	-10.7	1.3	-2.3	-3.6
Asia - Sth America	-9.2	2.8	0.9	5.8
Asia - Africa	-8.9	2.8	2.6	0.5

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

Aircraft deliveries to the Asia Pacific (1Q18 data)



Source: Ascend