

State of the region: Asia Pacific

May 2020

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q3 2019	Q4 2019	Q1 2020
India	4.9	4.4	4.1	3.1
Japan	0.7	1.8	-0.7	-2.2
Indonesia	5.0	5.0	5.0	3.0
Korea	2.0	1.9	2.4	1.4
Australia	1.8	1.8	2.2	1.4
Thailand	2.4	2.7	1.5	-1.8
Malaysia	4.3	4.4	3.6	0.7
World*	2.6	2.6	2.5	-1.7

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2019	Feb-20	Mar-20	Apr-20
US\$ broad index	114.7	117.8	122.8	122.7
Japanese yen (JPY)	108.6	108.0	107.9	106.6
Australian dollar (AUD)	1.43	1.55	1.63	1.53
Sth Korean won (KRW)	1155	1209	1219	1214
Indian rupee (INR)	71.4	72.2	75.7	75.1
Indonesian rupiah (IDR)	13883	14348	16310	14875
Thai baht (THB)	30.0	31.6	32.8	32.4
Malaysian ringgit (MYR)	4.09	4.22	4.32	4.30

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Feb-20	Mar-20	Apr-20
Crude oil (Brent)	64.2	55.7	33.9	26.8
Jet fuel	79.6	65.1	40.1	23.1

Source: Platts, Datastream (monthly average data)

Market

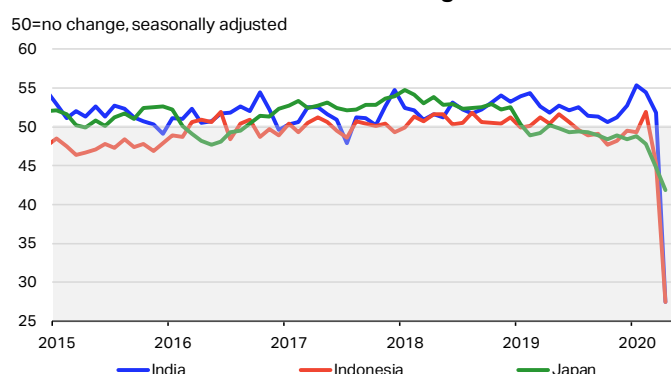
Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Jan-20	Feb-20	Mar-20
Region (registration basis)				
Asia Pacific	4.8	0.5	-41.7	-59.9
World	4.2	2.2	-14.4	-52.9
Routes (segment basis)				
India domestic	5.2	2.7	8.4	-11.8
Japan domestic	3.9	4.0	-2.5	-55.8
Australia domestic	0.7	0.5	-3.3	-40.2
Asia - Europe	6.6	4.5	-20.4	-64.0
Within Asia	6.4	4.6	-41.2	-77.8
Asia - Nth America	2.0	2.9	-31.4	-71.5
Asia - Middle East	3.5	5.2	-6.0	-51.9
S/w Pacific - N/S America	4.8	3.5	2.1	-28.9
Asia - Africa	5.0	4.3	-34.2	-64.7

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

- Industry-wide revenue passenger kilometres (RPKs) fell by an unprecedented 52.9% year-on-year in March, as the spread of the virus and related containment measures accelerated in most parts of the world.
- Asia Pacific remained the most impacted region in March, with a 60% annual drop in passenger volumes –

Business confidence - manufacturing PMIs

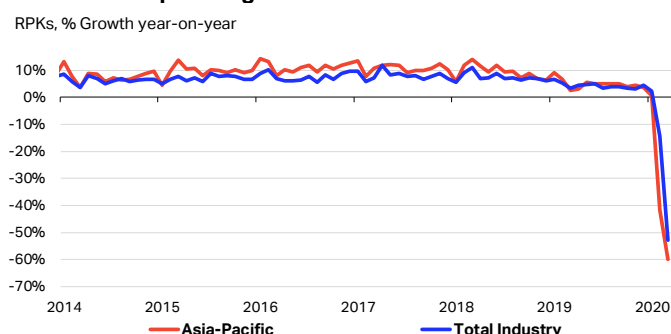


- Operating conditions in the Asia Pacific region significantly deteriorated in April amidst widespread restrictions and lockdowns that were introduced to limit the spread of the virus. Economic activity either slowed or contracted across the key markets in Q1.
- Trade weighted US\$ index moved sideways in April, after a 4.3% gain in the previous month. Even though all key regional currencies gained against the US\$ this month, most of them remain significantly weaker in year-to-date terms, notably the THB (down 8%).
- Jet and crude oil price continued to fall sharply in April amidst a decline in global fuel consumption and concerns about the global economic outlook.

almost 20ppts faster rate of decline than in February.

- Domestic RPKs flown by Indian carriers were more resilient compared with the other markets in the region (down -11.8%yoy) since the country was affected by the outbreak and lockdown measures at a relatively later stage.
- All other routes were heavily impacted. The pace of decline was particularly harsh for the major Within Asia market (8.2% of total global RPKs) where passenger volumes fell by almost 80%yoy.

Growth in air passenger volumes



Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Jan-20	Feb-20	Mar-20
Region (registration basis)				
Asia Pacific	-5.6	-7.4	-1.8	-18.3
World	-3.2	-4.5	-1.7	-15.2
Routes (segment basis)				
Asia - Europe	-1.6	-2.9	-6.3	-16.2
Asia - Nth America	-3.7	-2.8	-1.6	-6.8
Within Asia	-7.4	-9.1	11.0	-17.6
Asia - Middle East	-2.7	-1.7	2.6	-16.9
S/w Pacific - N/S America	-8.5	4.7	-5.4	-12.8
Asia - Africa	12.0	2.2	7.6	8.6

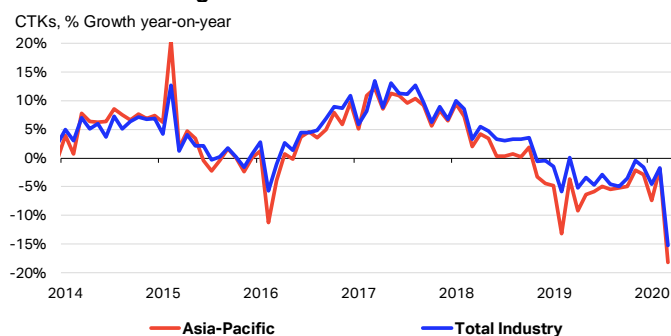
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide cargo tonne kilometres (CTKs) contracted by 15.2%yoy in March – the worst outcome since 2009. However, air cargo business was impacted to a lesser extent than the passenger side due to its crucial role in keeping global supply chains functioning.
- CTKs flown by Asia Pacific carriers fell by 18.3% year-on-year in March, which represents a significant

deterioration from -1.8% outcome observed in February. The performance reflects falling global demand and challenging operating conditions that adversely impacted trade flows in the region.

- Most of the Asia Pacific's key markets posted a double-digit contraction in air cargo volumes. As was the case for RPKs, the main mover this month was the larger Within Asia market with CTKs down by 17.6%yoy.

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago,		2019	Jan-20	Feb-20	Mar-20
LF: % of ASK/ACTK					
Passenger					
Asia Pacific	ASK	4.5	2.3	-28.9	-44.4
	PLF	81.9	79.9	67.9	58.9
World	ASK	3.4	1.7	-9.0	-36.2
	PLF	82.6	80.1	75.9	60.6
Cargo					
Asia/Pacific	ACTK	1.0	-1.2	-17.8	-30.9
	CLF	52.3	47.2	54.6	65.6
World	ACTK	2.2	0.5	-5.1	-22.7
	CLF	46.7	44.6	46.5	54.5

Source: IATA Statistics. Note: LF=load factor. ASK=available seat kilometers. ACTK=available cargo tonne kilometers

- Despite large-scale flight cancellations and aircraft groundings, RPKs continued to decline faster than ASKs. As a result, the industry-wide passenger load factor fell by 21.4ppts yoy. Asia Pacific carriers saw PLF down almost 23ppts – the largest fall amongst all regions.
- By contrast, air cargo load factor picked up both at the industry (+4.8ppts) and at the regional level (+10ppts) as capacity fell faster than demand due to significant reductions in bellyhold capacity.
- Despite strict mitigation measures and cost reductions to limit the impact of COVID-19, the industry-wide EBIT margin turned negative at -10.5% of revenues in Q1 2020. As the first region to be affected by the virus,

Airline operating (EBIT) margins*

% revenues	2018	2019E	2019Q1	2020Q1
Asia Pacific	4.7	3.5	8.2	-21.5
Industry	5.7	5.1	5.9	-10.5

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

Asia Pacific airlines recorded the largest decline in Q1 profitability with a margin of -21.5%.

- Passenger yields denominated in US\$ declined across all key regional markets amidst collapsing air travel demand and falling load factors. Yields contracted most significantly on Within Asia and Asia-Europe routes, down 22.4% and 18.6%yoy, respectively. Domestic India and Australia registered 10-12%yoy decline in yields.

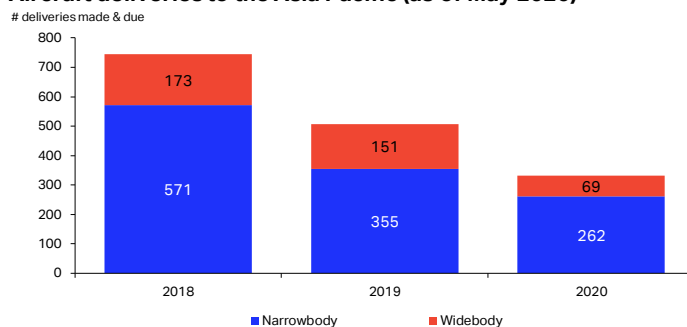
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Jan-20	Feb-20	Mar-20
India domestic	3.3	1.2	-3.3	-12.3
Australia domestic	-5.6	1.1	-4.4	-10.6
Asia - Europe	-7.7	-2.1	-5.7	-18.6
Within Asia	-4.5	3.7	-17.2	-22.4
Asia - Nth America	-2.6	3.9	3.9	-11.2
Asia - Middle East	7.7	6.0	-0.2	-9.6
Asia - Sth America	-7.8	-2.0	-4.9	-13.5
Asia - Africa	-5.8	3.1	-1.7	-1.0

Source: DDS Note: historical data may be subject to revision

- The latest data show a sharp fall in jet aircraft deliveries scheduled for Asia Pacific carriers in 2020 vs 2019.

Aircraft deliveries to the Asia Pacific (as of May 2020)



Source: Cirium