

# State of the region: Asia Pacific

May 2021

## Economy

### GDP growth, selected countries

% change on a y ago	2020	Q3 2020	Q4 2020	Q1 2021
India	-7.0	-7.4	0.5	1.6
Japan	-4.7	-5.5	-1.0	-1.8
Indonesia	-2.1	-3.5	-2.2	-0.7
Korea	-0.9	-1.1	-1.2	1.7
Australia	-2.4	-3.7	-1.1	--
Thailand	-6.2	-6.4	-4.3	-2.6
Malaysia	-5.6	-2.7	-3.4	-0.5
Philippines	-9.4	-11.4	-8.6	-4.2
<b>World*</b>	<b>-3.6</b>	<b>-2.6</b>	<b>-1.3</b>	<b>2.4</b>

\* Market exchange rate basis Source: Eikon Datastream

### Exchange rates

end of period, # per US\$	2020	Mar-21	Apr-21	May-21
US\$ broad index	112.1	113.6	112.9	--
Japanese yen (JPY)	103.3	110.5	109.0	109.7
Australian dollar (AUD)	1.29	1.31	1.29	1.30
Sth Korean won (KRW)	1087	1128	1109	1117
Indian rupee (INR)	73.1	73.1	74.1	72.6
Indonesian rupiah (IDR)	14050	14525	14445	14280
Thai baht (THB)	30.0	31.3	31.1	31.2
Malaysian ringgit (MYR)	4.02	4.15	4.10	4.12
Philippine peso (PHP)	48.0	48.5	48.1	47.7

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

### World oil and jet fuel price

US\$/barrel (period ave.)	2020	Mar-21	Apr-21	May-21
Crude oil (Brent)	43.4	65.8	65.5	68.4
Jet fuel	46.3	69.0	69.1	73.4

Source: Platts, Eikon Datastream (monthly average data)

## Market

### Revenue passenger-kilometers (RPKs)

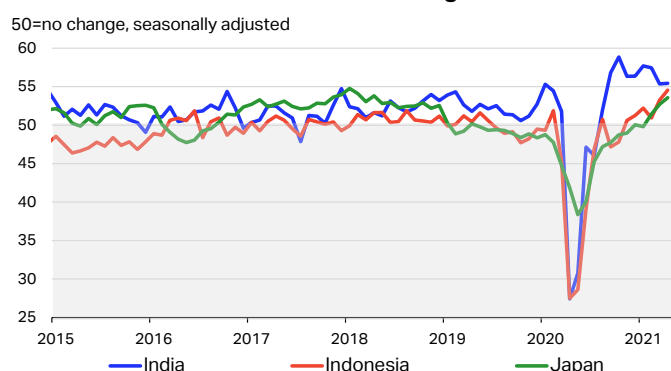
To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Jan-21	Feb-21	Mar-21
<b>Region (registration basis)</b>				
Asia Pacific	-62.0	-72.4	-75.0	-60.4
World	-65.9	-72.2	-74.9	-67.2
<b>Routes (segment basis)</b>				
India domestic	-55.7	-37.8	-30.9	-32.4
Japan domestic	-53.6	-72.3	-73.2	-58.3
Australia domestic	-69.3	-65.9	-64.0	-45.8
Asia - Europe	-79.0	-92.9	-93.0	-92.1
Within Asia	-84.1	-97.8	-98.3	-97.8
Asia - Nth America	-80.1	-92.3	-93.4	-93.3
Asia - Middle East	-73.6	-81.8	-82.0	-81.8
S/w Pacific - N/S America	-74.0	-97.9	-98.3	-98.3
Asia - Africa	-79.7	-92.3	-91.7	-91.0

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

- Passenger traffic slightly improved in March amidst recovering domestic demand. Industry-wide revenue passenger-kilometers (RPKs) were 67.2% lower compared to the pre-crisis level (March 2019).
- Asia Pacific airlines flew 60.4% less RPKs compared with March 2019. This represents the second-best performance amongst regions and can be

### Business confidence - manufacturing PMIs

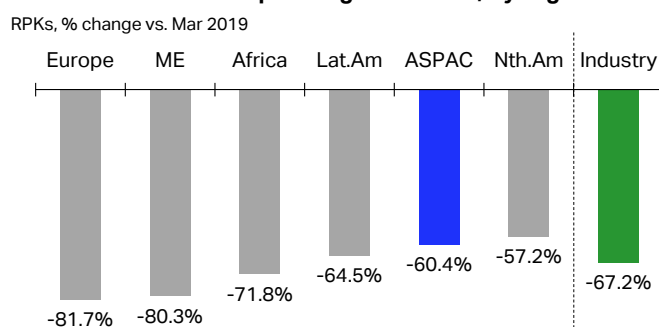


- Latest GDP growth data show mixed results in the Asia Pacific region. South Korea reported robust improvement amidst rising exports, while economic activity deteriorated in Japan due to new COVID restrictions. In India, GDP gained momentum ahead of sharp virus spike in April.
- Amongst the key regional currencies, the INR was the main mover in May, gaining 2.0% against the US\$. The JPY has been the weakest currency in 2021, depreciation by 6.3% since the start of the year.
- Oil and jet fuel prices rebounded in May boosted by the global economic recovery and supply-side concerns despite surging COVID-19 cases in some regions.

attributed to demand recovery in some of the key domestic markets. Asia Pacific international traffic remained muted amidst ongoing travel restrictions. Indeed, RPKs on most of the region's key int'l travel segments were down more than 90% in March compared with the pre-pandemic period.

- Air travel recovery in domestic India market had been stalling. On the other hand, domestic Japan and Australia air passenger traffic showed steep rebound this March.

### 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	Jan-21	Feb-21	Mar-21
<b>Region (registration basis)</b>				
Asia Pacific	-14.8	-3.9	8.3	-2.9
World	-9.1	3.8	9.2	4.4
<b>Routes (segment basis)</b>				
Asia - Europe	-10.6	6.9	15.2	3.7
Asia - Nth America	7.6	26.6	38.5	25.4
Within Asia	-19.6	-5.8	8.5	-5.3
Asia - Middle East	-7.0	16.9	26.9	16.9
S/w Pacific - N/S America	-28.8	-24.5	-30.3	-37.0
Asia - Africa	9.0	38.2	111.2	38.7

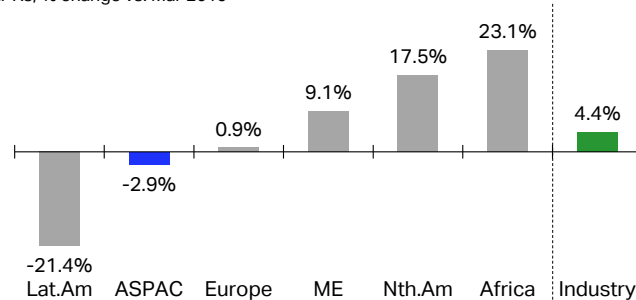
Source: IATA Economics. Note: historical data may be subject to revision

- Global cargo volumes reached the highest level in the history of our time series in March although their growth softened modestly compared with February. Industry-wide cargo tonne-kilometres (CTKs) rose by 4.4% vs. the pre-crisis levels and by 0.4% m-o-m.
- At the regional level, airlines based in Asia Pacific were amongst the weakest performers this month, posting a 2.9% CTK contraction after an 8.3% growth in Feb.

- The weakness was observed on the majority of the key trade-lanes connected with Asia. For now, it's unclear what caused the setback since we did not observe any significant deterioration in cargo capacity nor spike in cargo rates compared with February.
- Despite the softer outcome this month, cargo traffic on most of the key international trade-lanes remained well above the pre-crisis levels.

### Growth in cargo volumes, by region

RPKs, % change vs. Mar 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	Jan-21	Feb-21	Mar-21
<b>Passenger</b>					
Asia Pacific	ASK	-54.1	-60.3	-64.8	-51.6
	PLF	67.8	56.5	58.7	66.9
World	ASK	-56.8	-59.4	-63.3	-56.8
	PLF	65.2	54.5	55.2	62.3
<b>Cargo</b>					
Asia/Pacific	ACTK	-27.2	-28.5	-28.8	-18.6
	CLF	61.3	67.7	69.6	66.1
World	ACTK	-21.2	-17.1	-15.3	-11.7
	CLF	54.0	58.7	57.9	58.8

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

- Global seat capacity continued to recover in March. Industry-wide available seat-kilometres (ASKs) fell by 56.8% vs. March 2019 – an improvement on a 63.3% decline in Feb. At the regional level, Asia Pacific airlines posted a 51.6% ASK contraction over the same period.
- Industry-wide passenger load factor (PLF) was at 62.3% in March, 19.7 ppts lower compared with March 2019. Asia Pacific carriers reported the PLF at 66.9% – the second highest after Latin America.
- Global cargo capacity has been recovering from the temporary fall in early-2021 when some airlines grounded pax aircraft amidst new virus spikes. Industry-wide available cargo tonne-kilometres (ACTKs) rose by 5.6% m-o-m in March and were ~12% below the pre-crisis levels. ACTKs of Asia Pacific carriers were down 18.6%.
- Cargo load factors were elevated across all regions since cargo capacity was lagging the recovery in CTKs.

Asia Pacific CLF was at 66.1%, up 10.7ppts vs. March two years ago.

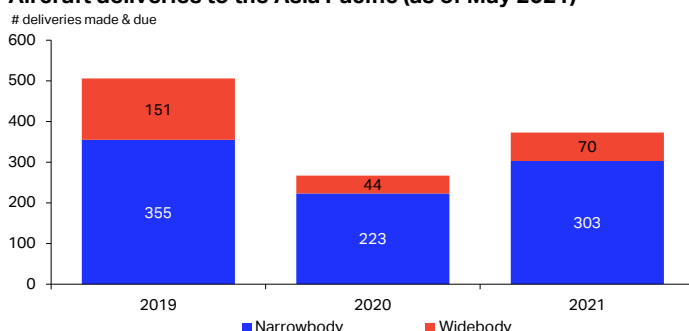
### Airline operating (EBIT) margins\*

% revenues	2019	2020	2020Q1	2021Q1
Asia Pacific	4.7	-27.0	-22.2	-45
Industry	5.2	-28.0	-11.8	-60

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

- Initial Q1 2021 results indicate that at the global level the airline industry continued to post net losses similar to those in Q4. In Asia Pacific, losses increased since new COVID-19 waves inverted recovery in some domestic markets in early-2021.
- Looking ahead, airline financial performance will vary by region depending on the size of domestic markets and the pace of vaccine rollout. Higher fuel prices will be a challenge to a return to profitability for airlines when the traffic rebounds.
- As of May, aircraft deliveries scheduled by carriers based in the Asia Pacific region are expected to increase by 40% in 2021 compared with 2020 but will remain 26% below deliveries in 2019.

### Aircraft deliveries to the Asia Pacific (as of May 2021)



Source: Ascend