

# State of the region: Asia Pacific

November 2019

## Economy

### GDP growth, selected countries

% change on a yr ago	2018	Q1 2019	Q2 2019	Q3 2019
India	7.4	5.8	5.0	--
Japan	0.8	0.9	0.8	1.4
Indonesia	5.2	5.1	5.1	5.0
Korea	2.7	1.6	2.1	2.0
Australia	2.7	1.7	1.4	--
Thailand	4.1	2.8	2.3	2.4
Malaysia	4.7	4.5	4.9	4.4
<b>World*</b>	<b>3.2</b>	<b>2.8</b>	<b>2.6</b>	<b>2.5</b>

\* Market exchange rate basis † Estimate Source: Datastream

### Exchange rates

end of period, # per US\$	2018	Aug-19	Sep-19	Oct-19
US\$ broad index	128.5	130.4	130.8	130.2
Japanese yen (JPY)	110.0	106.1	108.1	108.1
Australian dollar (AUD)	1.42	1.48	1.48	1.45
Sth Korean won (KRW)	1115	1209	1199	1169
Indian rupee (INR)	69.8	71.4	70.9	70.9
Indonesian rupiah (IDR)	14380	14185	14195	14037
Thai baht (THB)	32.6	30.6	30.6	30.2
Malaysian ringgit (MYR)	4.13	4.21	4.19	4.18

Source: Datastream

### World oil and jet fuel price

US\$/barrel (period ave.)	2018	Aug-19	Sep-19	Oct-19
Crude oil (Brent)	71.7	59.6	62.4	59.6
Jet fuel	86.4	76.1	79.8	78.7

Source: Platts, Datastream (monthly average data)

## Market

### Revenue passenger kilometers (RPKs)

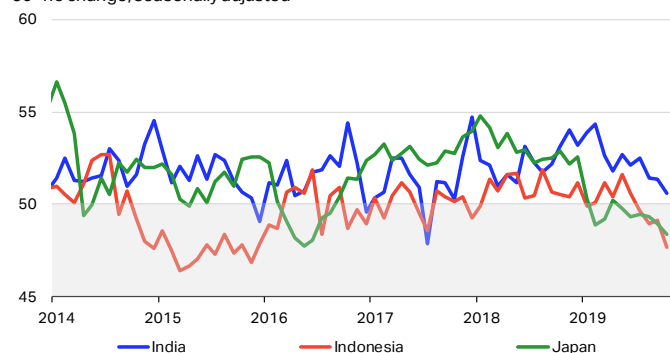
% change on a yr ago	2018	Jul-19	Aug-19	Sep-19
<b>Region (registration basis)</b>				
Asia Pacific	9.3	4.6	4.8	4.8
World	7.3	3.3	3.9	3.8
<b>Routes (segment basis)</b>				
India domestic	18.9	3.1	4.5	1.6
Japan domestic	1.6	5.1	2.0	10.1
Australia domestic	1.7	0.7	0.0	1.8
Asia - Europe	7.1	6.0	6.0	5.2
Within Asia	10.5	7.0	7.1	8.1
Asia - Nth America	3.9	0.4	0.3	0.8
Asia - Middle East	4.4	1.4	1.1	2.1
S/w Pacific - N/S America	6.9	3.1	4.9	3.6
Asia - Africa	9.4	1.4	3.4	6.2

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

- Industry-wide revenue passenger kilometres (RPKs) rose by 3.8% over the year to September, a broadly unchanged pace from August. The moderate upward trend in underlying demand remains firmly in place.
- RPK growth for Asia Pacific carriers was unchanged from the previous month at 4.8%yoy. The pace remained well below that of 2018 amidst a weaker economic backdrop in some of the region's key economies, combined with trade tensions between the

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

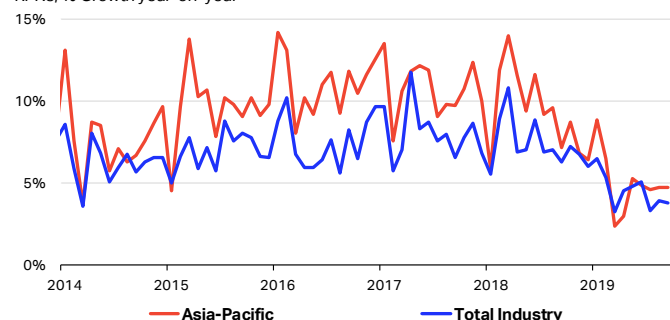
- Weakening demand contributed to this month's fall in business confidence in Indonesia and India. In Japan, operating conditions contracted further amidst disruptions caused by the Hagibis Typhoon.
- The trade weighted US\$ index eased modestly in October, down 0.5% vs the previous month. Amongst the main regional currencies, the KRW and AUD gained 2.5% & 2.1% against the US\$, respectively.
- The average monthly crude oil price fell by 4%, while jet fuel eased by a more modest 1% month-on-month in October on the back of robust global oil supply and softening demand.

US & China (and more recently also between Japan & South Korea).

- Domestic India RPK growth remained well below the double-digit expansion observed throughout 2015-2018 amidst weaker economic activity and subdued private consumption. A sharp surge in Japan domestic RPK growth (to 10%yoy) was caused by a weak outcome a year ago due to Typhoon Jebi disruptions.
- While RPK growth eased by 0.8ppt to 5.2%yoy on the larger Asia-Europe routes, it increased by a similar amount in the Within Asia market, to 8.1%yoy.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Jul-19	Aug-19	Sep-19
<b>Region (registration basis)</b>				
Asia Pacific	1.6	-4.9	-5.4	-4.9
World	3.7	-2.6	-4.2	-4.5
<b>Routes (segment basis)</b>				
Asia - Europe	1.1	-1.3	-3.4	-0.8
Asia - Nth America	3.7	-3.0	-2.5	-4.0
Within Asia	0.6	-6.7	-7.5	-5.3
Asia - Middle East	4.8	-3.6	-5.2	-4.6
S/w Pacific - N/S America	8.7	-11.9	-13.3	-16.2
Asia - Africa	-4.0	14.6	17.7	22.8

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

- Growth in industry-wide air freight tonne kilometres (FTKs) remained weak in September, declining by 4.5% in annual terms. The contraction was widespread, with annual FTKs falling in all regions except Africa.
- As a key global manufacturing and distribution hub, Asia Pacific has borne the brunt of the weakness in trade and air freight volumes over the past year. This month, the region's FTKs declined by ~5%yoy – the 2<sup>nd</sup> weakest outcome of all regions after the Middle East.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2018	Jul-19	Aug-19	Sep-19
LF: % of ASK/AFTK					
<b>Passenger</b>					
Asia Pacific	ASK	8.7	4.9	5.4	5.7
	PLF	81.7	82.8	83.9	80.1
World	ASK	6.8	3.1	3.6	3.3
	PLF	82.0	85.6	85.7	81.9
<b>Freight</b>					
Asia/Pacific	AFTK	3.5	2.5	2.5	2.7
	FLF	56.0	51.8	51.3	53.9
World	AFTK	1.4	3.3	2.2	2.1
	FLF	49.3	44.9	44.3	46.4

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

- The industry-wide passenger load factor (PLF) reached a new record high for the month of September as RPKs continued to grow faster than ASKs. The story was less positive on the freight side with the load factor (FLF) 3.2ppt below the level of a year ago.
- Asia Pacific carriers posted PLF at 80.1%, a robust outcome for the month of September albeit still 0.7ppt below that of a year ago. Although the FLF improved compared to August to 53.9%, it remained more than 4% lower than that in September last year.
- The initial Q3 2019 airline financial data indicate a slight improvement in industry-wide profitability compared to Q3 2018 (13.7% vs 13.1%). At the regional level,

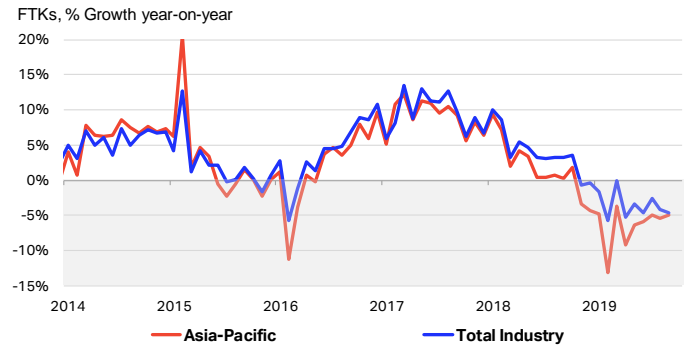
### Airline operating (EBIT) margins\*

% revenues	2017	2018	2018Q3	2019Q3
Asia Pacific	6.3	4.5	13.4	10.7
Industry	7.5	5.8	13.1	13.7

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

- Air freight volumes continued to shrink in annual terms on five of the six key international routes. That said, the speed of contraction eased in the largest Asia-Europe market from -3.4%yoy in August, to -0.8% in Sept.
- The smaller Asia-Africa market continues to significantly outperform the remaining key international trade lanes, posting almost 23% annual growth in September – the fastest pace since early-2018, underpinned by foreign investment flows.

### Growth in air freight volumes



Source: IATA Statistics

the EBIT margin eased to 10.7%, from 13.4% a year ago, as unit revenues declined faster than unit costs.

- Passenger yield developments were mixed across the region. At the domestic level, India recorded a 12.3% annual expansion in yields, supported by a robust load factor. By contrast yields continued to contract in domestic Australia (down 7.1%yoy). For international markets, yields remained under pressure in the larger Asia-Europe market, while they recovered in Asia-ME.

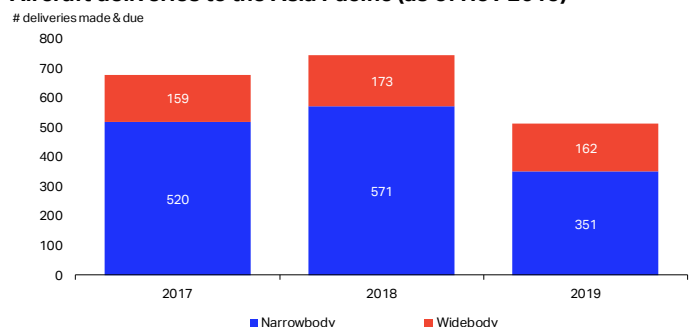
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Jul-19	Aug-19	Sep-19
India domestic	-4.0	10.4	6.7	12.3
Australia domestic	0.0	-5.1	-7.8	-7.1
Asia - Europe	-1.9	-9.5	-7.7	-8.2
Within Asia	-1.9	-4.0	-3.4	-6.1
Asia - Nth America	-2.7	-4.4	-1.4	-4.9
Asia - Middle East	-1.8	15.3	2.1	7.7
Asia - Sth America	0.7	-10.3	-0.7	-5.3
Asia - Africa	0.8	-9.6	-4.1	-6.4

Source: IATA Travel Intelligence Note: historical data may be subject to revision

- The latest data show a decline in the number of jet aircraft deliveries (mostly narrow body) that are scheduled for Asia Pacific carriers in 2019 vs 2018.

### Aircraft deliveries to the Asia Pacific (as of Nov 2019)



Source: Ascend