



# STATE OF THE REGION: ASIA-PACIFIC

NOVEMBER 2017

## Economy

### GDP growth, selected countries

%change on a yr ago	2016	2017Q1	2017Q2	2017Q3
India	7.9	6.1	5.7	--
Japan	1.0	1.4	1.5	1.6
Indonesia	5.0	5.0	5.0	5.1
Korea	2.8	3.0	2.7	3.6
Australia	2.5	1.8	1.8	--
Thailand	3.2	3.3	3.8	4.3
Malaysia	4.2	5.6	5.8	6.2
<b>World*</b>	<b>2.3</b>	<b>2.6</b>	<b>2.8</b>	<b>2.8</b>

\* Market exchange rate basis † Estimate Source: Datastream

### Exchange rates

end of period, # per US\$	2016	Aug-17	Sep-17	Oct-17
US\$ broad index	127.7	119.3	118.1	120.2
Japanese yen (JPY)	116.8	110.2	112.5	113.6
Australian dollar (AUD)	1.38	1.26	1.28	1.31
Sth Korean won (KRW)	1209	1124	1145	1117
Indian rupee (INR)	67.9	63.9	65.3	64.8
Indonesian rupiah (IDR)	13427	13336	13419	13572
Thai baht (THB)	35.9	33.2	33.3	33.2
Malaysian ringgit (MYR)	4.49	4.27	4.22	4.23

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel	2016	Aug-17	Sep-17	Oct-17
Crude oil (Brent)	52.4	51.7	56.2	57.3
Jet fuel	64.0	65.6	75.6	69.6

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

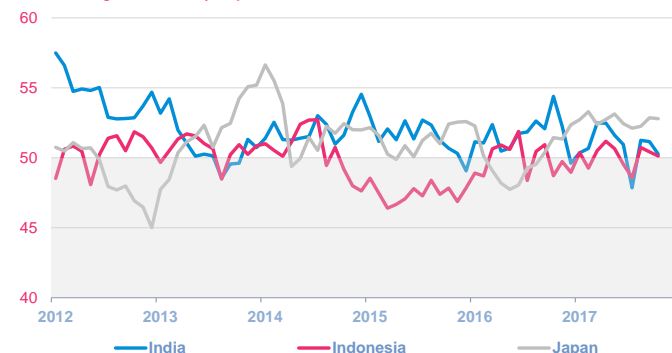
%change on a yr ago	2016	Jul-17	Aug-17	Sep-17
<b>Region (registration basis)</b>				
Asia Pacific	9.5	8.1	8.9	8.7
World	6.7	7.0	7.3	5.7
<b>Routes (segment basis)</b>				
India domestic	23.3	11.4	16.0	15.5
Japan domestic	0.7	6.5	8.8	3.6
Australia domestic	1.6	1.5	1.0	-1.6
Asia - Europe	1.8	6.5	5.4	7.1
Within Asia	9.2	6.0	9.4	9.1
Asia - Nth America	9.6	3.8	4.6	1.5
Asia - Middle East	9.3	7.1	8.3	4.9
S/w Pacific - N/S America	15.5	-0.8	-0.1	-0.2
Asia - Africa	6.8	5.1	2.4	3.2

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

- Industry-wide RPKs grew by a solid 5.7%yoy in Sep, easing somewhat from the pace of recent months but adversely impacted by hurricane-related disruption in a number of markets, notably the US. We would expect this impact to be temporary & unwound next month.
- Growth in pax volumes for the AsiaPac carriers was broadly unchanged this month, at a robust 8.7%yoy.

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



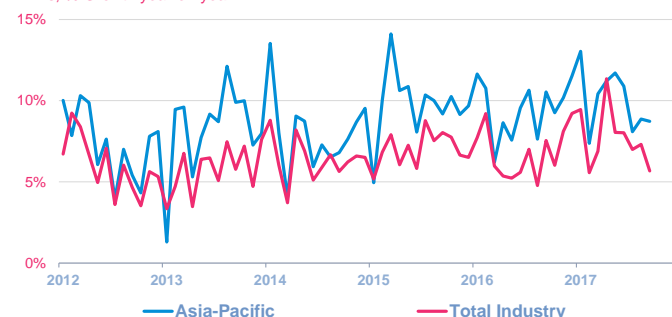
- Business confidence dipped again in both Indonesia & India this month, on slower growth in new orders and a stabilization of output. Sentiment was broadly unchanged in Japan, at an elevated level.
- On a trade-weighted basis, the US\$ reversed some of its recent decline in Oct, rising by 1.8%. Performance was mixed for the region's main currencies vs the US\$; of note, the AUD fell 2.5%, the KRW rose a similar amount.
- Brent crude oil prices moved above US\$60/bbl in Oct to average \$57.30 for the month. Jet fuel retraced some of its Sep surge, falling \$6 to average \$69.60 & narrowing the crack spread substantially. Tensions between Saudi Arabia & Iran continue to weigh on the market.

AsiaPac remains the fastest growing region.

- India domestic RPKs are up 15.5%yoy, with signs that the upward trend has strengthened in recent months. Pax volume growth in the Japan domestic market fell to 3.6%yoy in Sep, with Typhoon Talim causing disruption to airline operations this month. Australia domestic RPKs are now 1.6% lower than their level of a year ago.
- Of the larger international markets, Within Asia & Asia-Europe have the strongest growth, at 9.1% & 7.1%yoy.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



## Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Jul-17	Aug-17	Sep-17
<b>Region (registration basis)</b>				
Asia Pacific	1.7	9.0	10.4	9.3
World	3.7	10.3	11.6	9.2
<b>Routes (segment basis)</b>				
Asia - Europe	3.9	11.1	11.8	8.6
Asia - Nth America	0.2	9.7	10.4	8.6
Within Asia	6.6	15.3	15.2	14.7
Asia - Middle East	3.7	9.6	14.3	10.6
S/w Pacific - N/S America	18.6	18.5	22.6	17.6
Asia - Africa	30.1	82.4	66.0	63.8

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

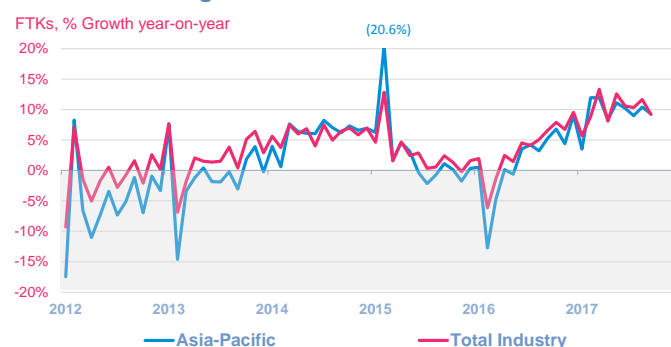
→ Global FTK growth slowed to a 5-month low of 9.2%yoy in Sep, but remains well above its 5 & 10-year average rates of growth. While weather may have also impacted freight outcomes, this comes amidst broader & ongoing signs that FTKs have passed the cyclical growth peak.

→ For the AsiaPac carriers, FTK growth also eased moderately this month, to 9.3%yoy, in line with the overall industry performance.

→ The strong aggregate outcome is broad-based across all of the key international routes; the two largest markets (Europe & Nth America) are growing at 8.6%yoy, the remainder are in double-digits again this month.

→ The strong uptrend in FTKs for the AsiaPac airlines is set against a volatile but generally robust backdrop of buoyant export orders for the region's manufacturers.

### 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	2016	Jul-17	Aug-17	Sep-17
<b>Passenger</b>				
Asia Pacific ASK	8.4	7.9	8.3	8.1
Asia Pacific PLF	79.7	81.9	82.7	80.1
World ASK	6.7	6.4	6.4	5.3
World PLF	80.5	84.7	84.6	81.6
<b>Freight</b>				
Asia/Pacific AFTK	3.2	5.1	4.8	5.3
Asia/Pacific FLF	52.8	54.6	54.3	56.2
World AFTK	5.4	3.1	4.2	3.9
World FLF	42.9	43.4	43.2	45.5

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

→ A mixed performance in load factors this month, with the PLF falling by 2-2.5pp but a gain of similar magnitude for the FLF at both the industry-wide level and for the AsiaPac carriers.

→ The industry-wide PLF was 81.6%, maintaining its gap above the AsiaPac PLF at 80.1%. The situation is reversed for freight, with the region's FLF (56.2%) more than 10pp above the industry figure. For both pax & freight, the AsiaPac airlines have increased capacity at a faster rate than the industry overall.

→ The initial Q3 financial data point to an improved EBIT margin performance for the AsiaPac carriers vs a year

### Airline operating (EBIT) margins\*

%revenues	2015	2016	2016Q3	2017Q3
Asia Pacific	8.0	10.0	11.9	14.7
Industry	8.5	8.8	18.2	16.3

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

ago, up almost 3pp to 14.7%. Although the industry-wide performance is down 2pp on last year, it remains higher than the regional outcome, at 16.3%.

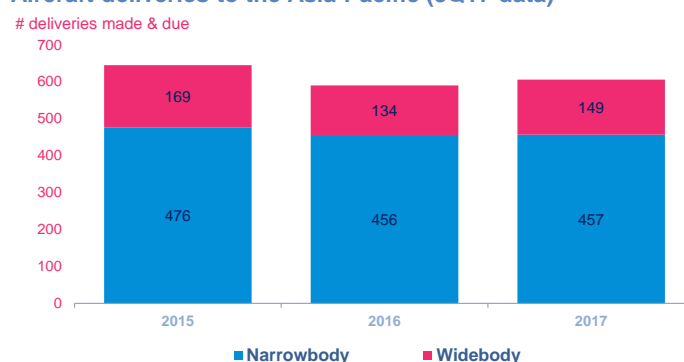
→ The upward trend in global pax yields (in US\$ terms) paused in Sep, with mixed results evident across key regional markets. Asia-Europe & domestic Australia are the strongest performers over the past year, with yields up a solid 5.7% & 4.5%, respectively.

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

%change on a yr ago	2016	Jul-17	Aug-17	Sep-17
India domestic	-15.3	1.0	6.0	3.9
Japan domestic	5.4	-3.6	-5.9	-8.9
Australia domestic	-9.2	7.3	6.6	4.5
Asia - Europe	-10.3	4.7	4.8	5.7
Within Asia	-10.0	-4.4	-4.5	-5.1
Asia - Nth America	-7.2	-3.8	-4.3	-5.7
Asia - Middle East	-10.5	2.5	0.8	-2.3
Asia - Sth America	-9.1	4.7	-15.4	-2.0
Asia - Africa	-8.8	1.1	-3.4	0.6

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

### Aircraft deliveries to the Asia Pacific (3Q17 data)



Source: Ascend