

State of the region: Asia Pacific

November 2020

Economy

GDP growth, selected countries

| % change on a yr ago | 2019 | Q1 2020 | Q2 2020 | Q3 2020 |
|----------------------|------------|-------------|-------------|-------------|
| India | 4.9 | 3.1 | -23.9 | -- |
| Japan | 0.7 | -1.9 | -10.3 | -5.9 |
| Indonesia | 5.0 | 3.0 | -5.3 | -3.5 |
| Korea | 2.0 | 1.4 | -2.8 | -1.3 |
| Australia | 1.8 | 1.6 | -6.3 | -- |
| Thailand | 2.6 | -1.8 | -12.5 | -6.6 |
| Malaysia | 4.3 | 0.7 | -17.1 | -2.7 |
| World* | 2.5 | -1.7 | -9.1 | -3.2 |

* Market exchange rate basis Source: Datastream

Exchange rates

| end of period, # per US\$ | 2019 | Aug-20 | Sep-20 | Oct-20 |
|---------------------------|-------|--------|--------|--------|
| US\$ broad index | 114.7 | 116.1 | 117.3 | 116.5 |
| Japanese yen (JPY) | 108.6 | 106.5 | 105.5 | 104.6 |
| Australian dollar (AUD) | 1.43 | 1.36 | 1.40 | 1.42 |
| Sth Korean won (KRW) | 1155 | 1187 | 1165 | 1136 |
| Indian rupee (INR) | 71.4 | 73.6 | 73.8 | 74.1 |
| Indonesian rupiah (IDR) | 13883 | 14563 | 14880 | 14625 |
| Thai baht (THB) | 30.0 | 31.1 | 31.7 | 31.2 |
| Malaysian ringgit (MYR) | 4.09 | 4.17 | 4.16 | 4.16 |

Source: Datastream

World oil and jet fuel price

| US\$/barrel (period ave.) | 2019 | Aug-20 | Sep-20 | Oct-20 |
|---------------------------|------|--------|--------|--------|
| Crude oil (Brent) | 64.2 | 45.1 | 41.9 | 41.6 |
| Jet fuel | 79.6 | 45.4 | 41.1 | 43.5 |

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

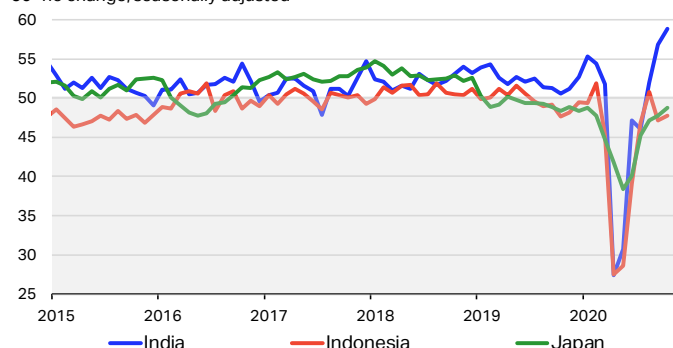
| % change on a yr ago | 2019 | Jul-20 | Aug-20 | Sep-20 |
|------------------------------------|------|--------|--------|--------|
| Region (registration basis) | | | | |
| Asia Pacific | 4.7 | -71.9 | -69.2 | -63.5 |
| World | 4.1 | -79.5 | -75.3 | -72.8 |
| Routes (segment basis) | | | | |
| Japan domestic | 3.7 | -64.4 | -68.8 | -59.3 |
| Australia domestic | 0.7 | -88.8 | -88.8 | -88.7 |
| Asia - Europe | 6.7 | -95.7 | -94.5 | -93.0 |
| Within Asia | 5.3 | -98.5 | -98.4 | -98.3 |
| Asia - Nth America | 2.4 | -94.4 | -93.5 | -93.7 |
| Asia - Middle East | 4.2 | -93.3 | -92.3 | -90.0 |
| S/w Pacific - N/S America | 4.8 | -97.7 | -97.2 | -97.2 |
| Asia - Africa | 3.5 | -97.6 | -94.7 | -93.6 |

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

- Industry-wide revenue passenger-kilometres (RPKs) declined by 72.8% year-on-year in September, a small improvement from the 75.3% fall in August. The recovery remained mostly driven by domestic markets.
- Carriers registered in the Asia Pacific region faced a 63.5%yoy fall in their passenger volumes in September, compared with 69.2% fall in August.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted

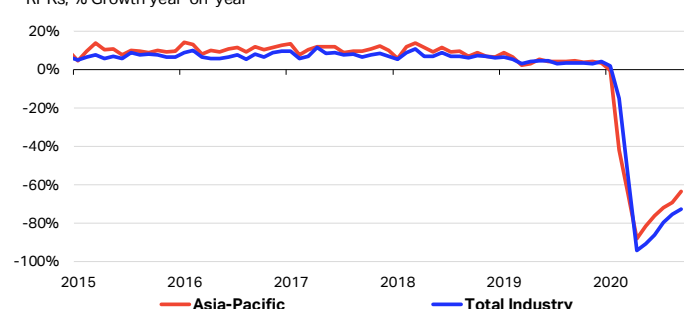


- In India, operating environment improved at the fastest pace since 2010 on the back of economic recovery from the COVID-19 crisis. However, the positive developments were not widespread across the region - business conditions deteriorated for another month in Japan and Indonesia.
- The trade-weighted US dollar index ended the month down 0.7%, partly offsetting the modest gain from September. Amongst the key regional currencies, the KRW ended the month up 2.5% against the US\$.
- The Brent crude oil price fell further in October as renewed lockdowns weighed on global demand. The jet fuel price gained modestly compared with September but remained 45% lower compared with a year ago.

- Improvements in the region's international travel since the start of the crisis have been restrained amidst stringent flight restrictions.
- Of the region's key domestic markers, Japan posted a ~10ppts smaller decline vs. August, at -59.3%yoy. Nevertheless, market's recovery has been adversely impacted by the resurgence of the virus in autumn.
- Domestic RPKs of Australian airlines remained soft (down -88.7%yoy) amidst strict containment measures including travel restrictions among states.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Cargo tonne kilometers (CTKs)

| % change on a yr ago | 2019 | Jul-20 | Aug-20 | Sep-20 |
|------------------------------------|------|--------|--------|--------|
| Region (registration basis) | | | | |
| Asia Pacific | -5.6 | -19.5 | -18.8 | -15.9 |
| World | -3.2 | -14.1 | -12.1 | -8.0 |
| Routes (segment basis) | | | | |
| Asia - Europe | -1.5 | -19.7 | -17.8 | -17.8 |
| Asia - Nth America | -3.7 | 3.2 | 3.3 | 3.4 |
| Within Asia | -7.7 | -27.4 | -26.9 | -23.3 |
| Asia - Middle East | -2.3 | -14.3 | -3.1 | 1.8 |
| S/w Pacific - N/S America | -8.5 | -61.5 | -43.2 | -43.3 |
| Asia - Africa | 12.6 | 5.4 | 16.1 | 21.6 |

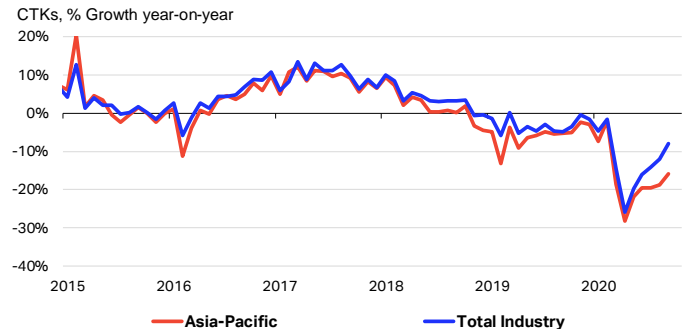
Source: IATA Economics. Note: historical data may be subject to revision

- Recovery in air cargo accelerated in September. Industry-wide cargo tonne-kilometres (CTKs) fell by 8.0% year-on-year compared with 12.1% decline in August. Month-on-month, CTKs showed the fastest growth since May, at 3.7%.
- Airlines based in the Asia Pacific region recorded a 15.9%yoy fall in CTKs in September. Following the

stagnation in the previous two months, the recovery in volumes modestly picked up as airlines added more capacity on the routes.

- Of the region's key international markets, Asia-North America and Asia-Africa were amongst the best performing on this occasion (up 3.4% and 21.6%yoy, respectively).

Growth in air cargo volumes



Industry

Capacity growth and load factors

| ASK/ACTK: %ch on a yr ago, | | 2019 | Jul-20 | Aug-20 | Sep-20 |
|----------------------------|------|------|--------|--------|--------|
| LF: % of ASK/ACTK | | | | | |
| Passenger | | | | | |
| Asia Pacific | ASK | 4.4 | -64.6 | -60.3 | -57.7 |
| | PLF | 81.9 | 65.8 | 65.2 | 69.2 |
| World | ASK | 3.4 | -69.8 | -63.9 | -63.0 |
| | PLF | 82.6 | 58.2 | 58.6 | 60.1 |
| Cargo | | | | | |
| Asia/Pacific | ACTK | 0.9 | -33.7 | -32.2 | -29.5 |
| | CLF | 52.3 | 63.0 | 61.5 | 64.2 |
| World | ACTK | 2.1 | -30.8 | -28.7 | -25.2 |
| | CLF | 46.8 | 55.8 | 54.5 | 56.9 |

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

- Airlines slowed the return of capacity in Sept amidst rising COVID-19 cases. As a result, global passenger load factor improved slightly, reaching the highest level since Feb (but down 21.8ppts yoy). Asia Pacific airlines reported PLF at 69.2%.
- The industry-wide cargo load factor reached a new all-time high for September at 56.9% amidst continuous capacity crunch. Asia Pacific carriers posted the CLF up 10.4 ppts, at 64.2%.
- The initial sample of Q3 2020 financial results showed that airlines in all regions posted another quarter of negative EBIT margin due to the modest travel demand recovery in the summer quarter, which is seasonally

the strongest period in normal times. In 2020 as a whole, Asia Pacific airlines are expected to post combined losses of US\$31.7bn.

- Note that the passenger yield data should be interpreted with caution due to the small number of tickets being sold amidst the pandemic crisis.

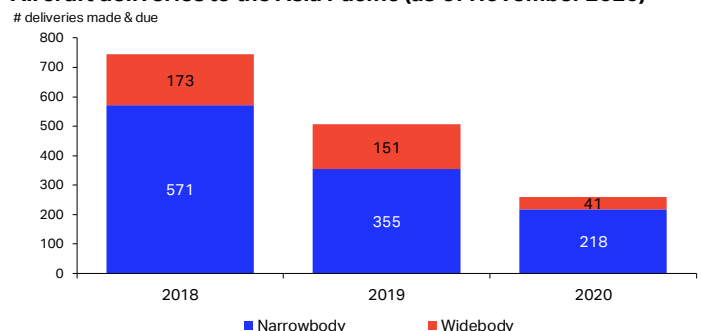
Passenger yields (US\$, excl. surcharges & ancillaries)

| % change on a yr ago | 2019 | Jul-20 | Aug-20 | Sep-20 |
|----------------------|------|--------|--------|--------|
| India domestic | 3.3 | -11.9 | -8.8 | -11.1 |
| Australia domestic | -5.6 | 12.0 | 6.5 | 9.0 |
| Asia - Europe | -7.7 | -11.8 | -7.2 | -3.9 |
| Within Asia | -4.5 | -25.6 | -21.1 | -4.8 |
| Asia - Nth America | -2.6 | 3.7 | -5.0 | 1.3 |
| Asia - Middle East | 7.7 | 19.8 | 28.3 | 47.2 |
| Asia - Sth America | -7.8 | 20.4 | 11.6 | 8.8 |
| Asia - Africa | -5.8 | 63.6 | 61.8 | 83.7 |

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

- The data from November indicate a 49% fall in jet aircraft deliveries scheduled for Asia Pacific airlines in 2020 versus 2019. Throughout the year, carriers have been negotiating with manufacturers deferrals of deliveries to reduce their cash outflow.

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



Airline operating (EBIT) margins*

| % revenues | 2018 | 2019 | 2019Q3 | 2020Q3 |
|--------------|------|------|--------|--------|
| Asia Pacific | 4.7 | 3.7 | 7.0 | -39 |
| Industry | 5.7 | 5.2 | 13.3 | -63 |

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