

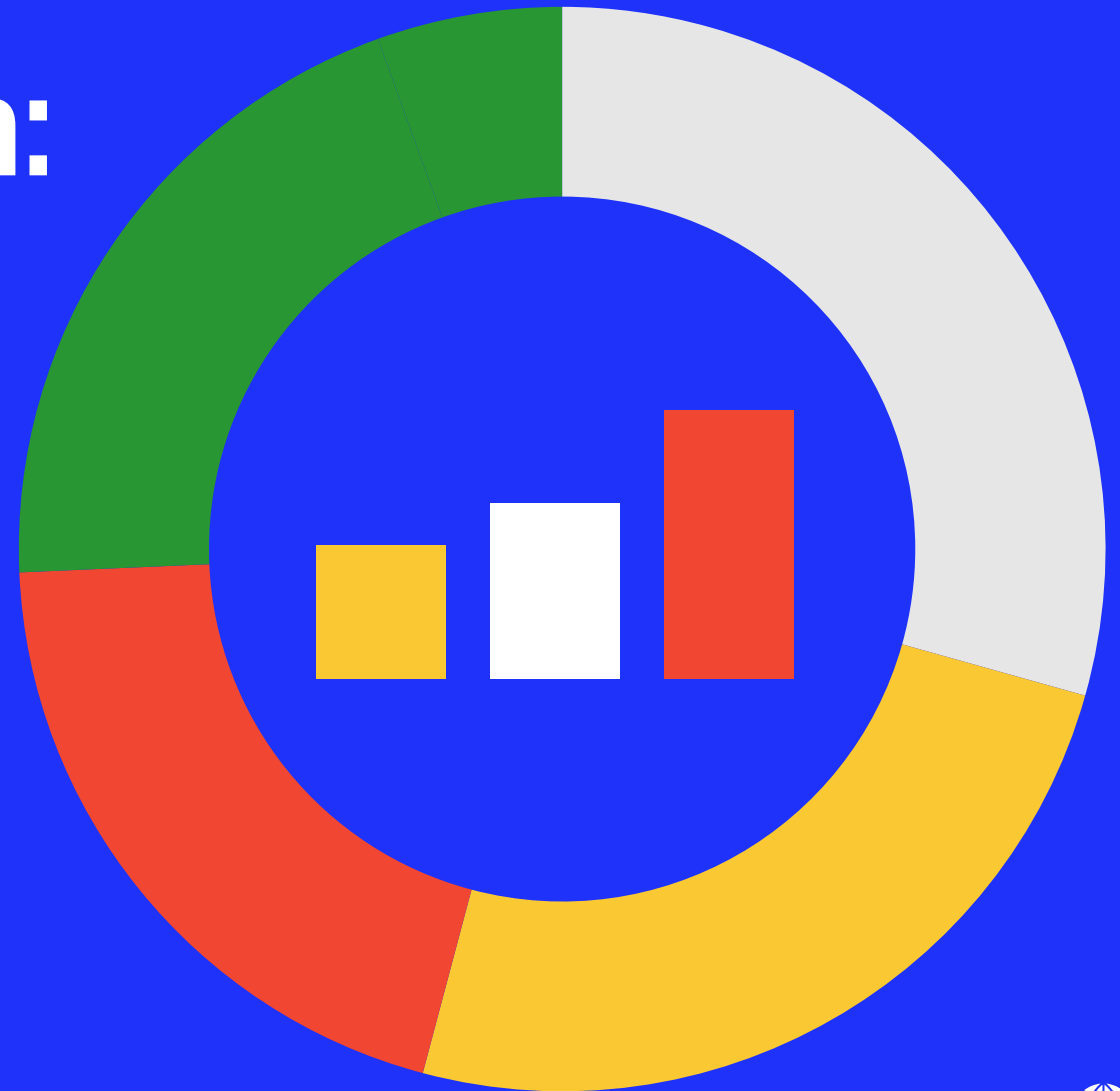
State of the Region:

Asia Pacific

IATA Economics

November 2021

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GDP growth, exchange rates, oil & jet fuel price

- Recovery in economic activity stalled in many key Asia Pacific countries in Q3 due to the negative impact of COVID restrictions and supply chain congestions.
- The trade-weighted US dollar index rose by 0.6% in October vs. September. Amongst the key regional currencies, the AUD ended the month up nearly 4% against the US\$, while the JPY lost 2.2%.
- Jet fuel and Brent Crude oil prices continued to rise in October as economic activity restarts around the world and supply remains tight. As of late-October, jet fuel price was 69% higher vs. the start of the year.

GDP growth

<i>% change on a yr ago</i>	2020	Q1 2021	Q2 2021	Q3 2021
India	-7.0	1.6	20.1	--
Japan	-4.7	-1.3	7.7	1.3
Indonesia	-2.1	-0.7	7.1	3.5
Korea	-0.9	1.9	6.0	4.0
Australia	-2.4	1.3	9.6	--
Thailand	-6.2	-2.6	7.6	-0.2
Malaysia	-5.6	-0.5	16.1	-4.5
Philippines	-9.3	-4.0	12.1	7.1
Vietnam	2.6	3.7	4.7	-6.2
Singapore	-5.4	1.5	14.6	--
World*	-3.5	2.8	11.6	4.6

Exchange rates

<i>end of period, # per US\$</i>	% YTD 2021	Aug-21	Sep-21	Oct-21
US\$ broad index	2%	113.7	113.8	114.4
Japanese yen (JPY)	-10.5%	109.9	111.6	114.0
Australian dollar (AUD)	-3%	1.37	1.38	1.33
Sth Korean won (KRW)	-8%	1158	1184	1174
Indian rupee (INR)	-2.5%	73.0	74.2	74.9
Indonesian rupiah (IDR)	-0.8%	14263	14313	14168
Thai baht (THB)	-10.8%	32.2	33.8	33.2
Malaysian ringgit (MYR)	-2.9%	4.16	4.19	4.14
Philippine peso (PHP)	-5%	49.8	51.0	50.4
Vietnamese dong (VND)	1.4%	22783	22760	22752
Singapore dollar (SGD)	-5%	1.35	1.36	1.35

Oil and fuel price

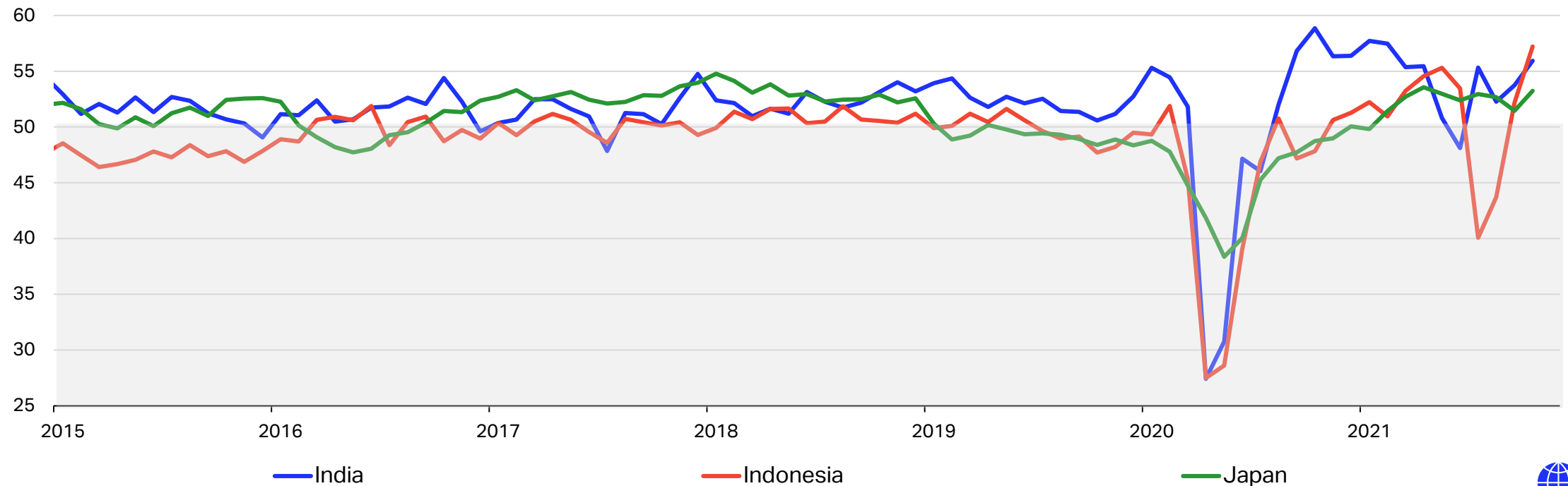
<i>US\$/barrel (period ave.)</i>	2020	Aug-21	Sep-21	Oct-21
Crude oil (Brent)	43.4	70.6	74.7	83.9
Jet fuel	46.3	76.9	82.9	95.6

Business confidence

- The manufacturing PMIs increased across the three key economies that we regularly track for the Asia Pacific region. In Indonesia, the manufacturing sector expanded at the fastest rate in the history of the country's time-series (since 2011), reflecting a positive impact of easing COVID restrictions. The PMI improvement in both Japan and India was largely driven by recovering production and demand.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Passenger market

- Air travel picked up in September, after a slight deterioration in the previous month but remained well below pre-crisis levels. Industry-wide revenue passenger-kilometres (RPKs) fell by 53.4% compared with September 2019, vs. a 56.1% contraction in August.
- Asia Pacific RPKs fell by 69% in September, a robust improvement on August (-78.3%) when passenger traffic was adversely impacted by COVID outbreaks in many key domestic markets. Asia Pacific airlines' international RPKs remained very weak at 6.8% of pre-pandemic levels due to strict travel restrictions in the region. On a more positive note, some countries, such as India, Australia or Singapore, started to ease some of their cross-border travel regulations, which should support international volumes in the future.

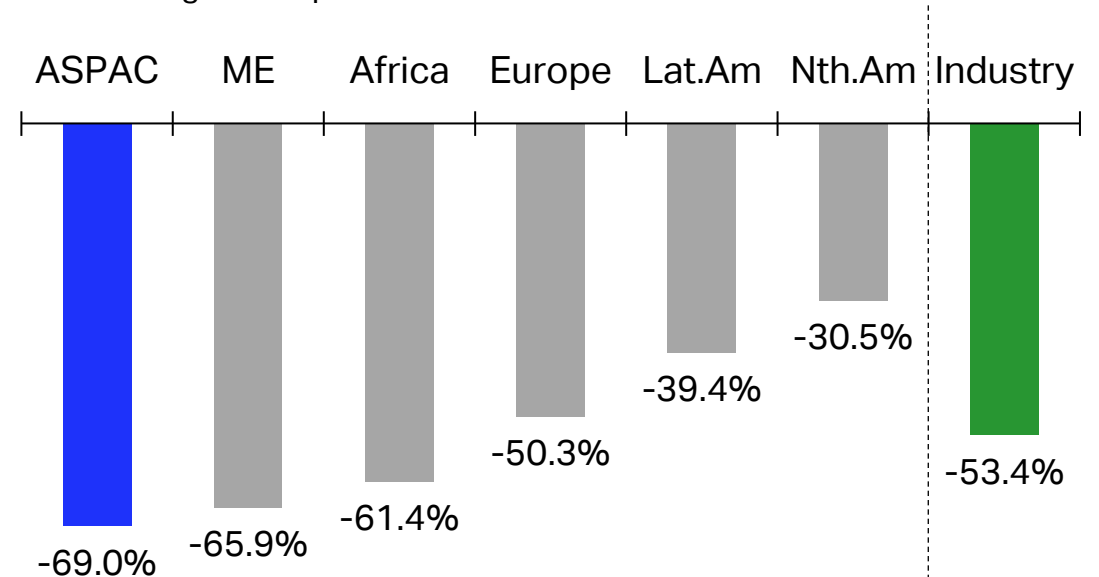
Revenue passenger kilometers (RPKs)

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

% ch vs. the same period in 2019	2020	Jul-21	Aug-21	Sep-21
Region (registration basis)				
Asia Pacific	-62.0	-63.5	-78.3	-69.0
World	-65.9	-53.1	-56.1	-53.4
Routes (segment basis)				
India domestic	-55.7	-58.9	-44.8	-41.3
Japan domestic	-53.6	-55.2	-59.2	-65.5
Australia domestic	-69.3	-74.8	-84.8	-80.3
Asia - Europe	-79.0	-89.4	-88.4	-86.8
Within Asia	-84.1	-97.7	-97.4	-97.2
Asia - Nth America	-80.1	-89.5	-86.2	-88.4
Asia - Middle East	-73.4	-82.9	-78.6	-74.2
S/w Pacific - N/S America	-74.0	-95.7	-96.0	-97.5
Asia - Africa	-79.7	-92.7	-91.7	-91.8

Growth in passenger volumes, by region

RPKs, % change vs. Sep 2019



Air cargo market

- The period of stability at elevated air cargo volumes continued in September, with industry-wide cargo tonne-kilometres (CTKs) growing by 9.1% compared to September 2019.
- Asia Pacific airlines reported a broadly unchanged CTK contraction from August, at -0.2%. The region faced a mixed bag of supply chain disruptions, slowing manufacturing activity in China, but improving cargo capacity in September.

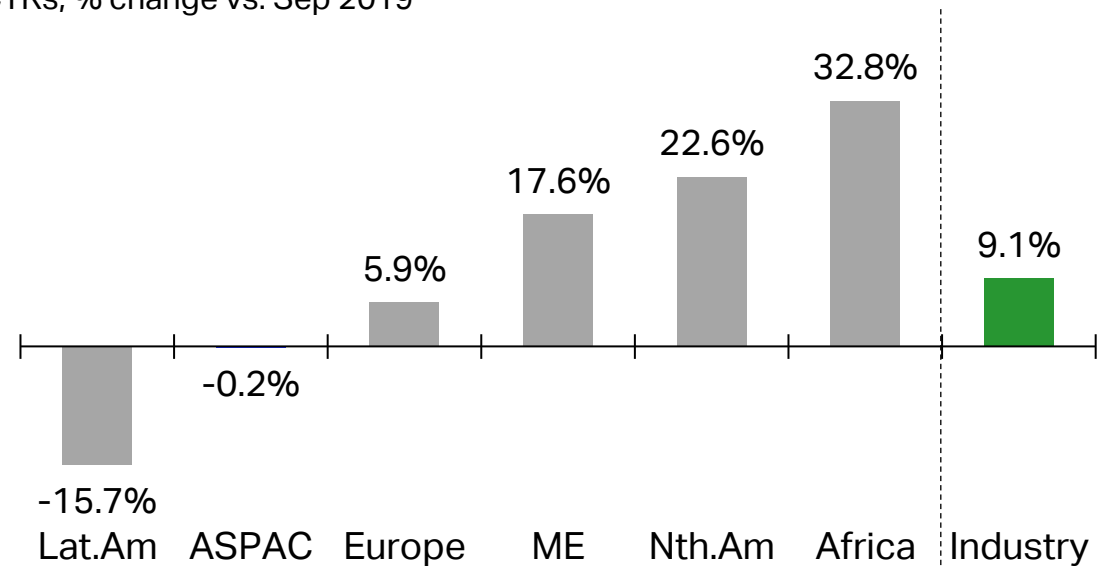
Cargo tonne kilometers (CTKs)

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

% ch vs. the same period in 2019	2020	Jul-21	Aug-21	Sep-21
Region (registration basis)				
Asia Pacific	-13.8	2.7	-0.4	-0.2
World	-8.7	9.0	7.5	9.1
Routes (segment basis)				
Asia - Europe	-10.5	3.4	2.2	-1.1
Asia - Nth America	7.5	28.8	26.8	26.6
Within Asia	-19.6	-4.7	-5.2	-3.9
Asia - Middle East	-6.3	16.5	17.6	19.2
S/w Pacific - N/S America	-29.6	-24.6	-28.8	-35.3
Asia - Africa	9.0	35.1	26.9	36.5

Growth in cargo volumes, by region

CTKs, % change vs. Sep 2019



Capacity growth & load factors

- Same as for RPKs, global seat capacity recovered from the temporary weakness in August. Industry-wide seat-kilometres (ASKs) fell by 43.6% in September. Asia Pacific airlines reported ASKs down 58.9% and their passenger load factor (PLF) was at 60.5% – nearly 20ppts below the pre-crisis period.
- Cargo capacity also improved – industry-wide ACTKs fell by 8.9% in September vs. a 12.7% contraction in August (both compared with 2019). Asia Pacific airlines underperformed the industry average this month, posting a 21% ACTK decline. That said, the decision of some countries in the region to gradually remove travel restrictions should provide a tailwind for capacity in the coming months.

Capacity growth and load factors

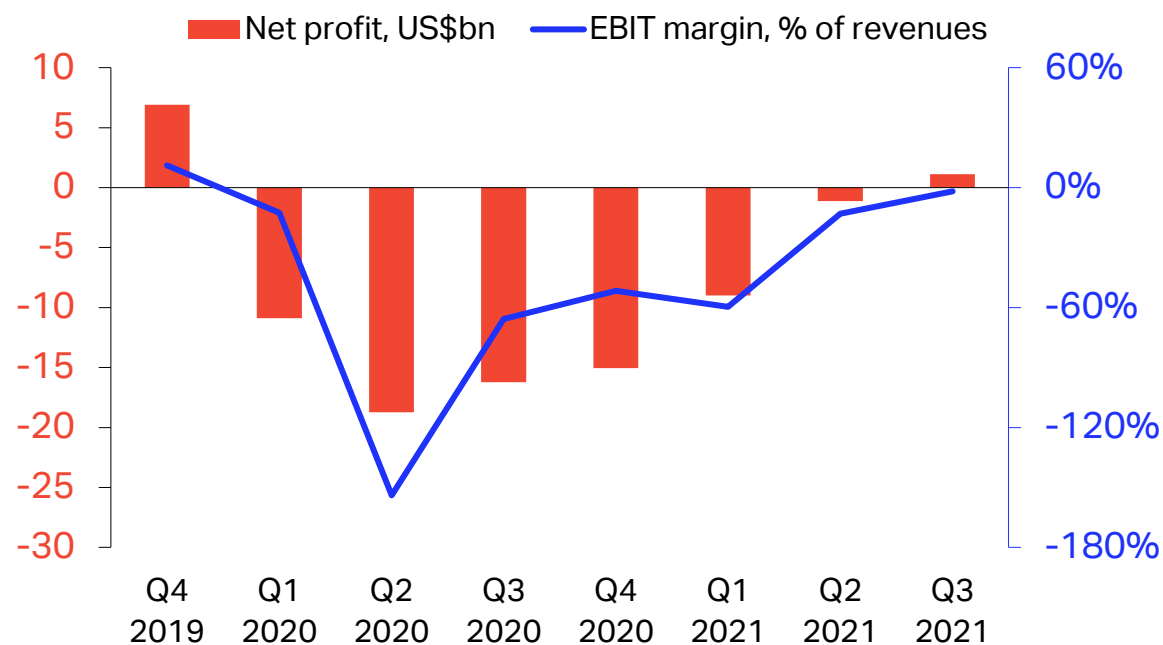
To aid understanding, we make % comparisons with pre-crisis 2019 period.

<i>ASK/ACTK: %ch vs. the same</i>		2020	Jul-21	Aug-21	Sep-21
<i>period in 2019, LF: % of ASK/ACTK</i>					
Passenger					
Asia Pacific	ASK	-54.1	-54.9	-66.7	-58.9
	PLF	67.7	67.1	54.7	60.5
World	ASK	-56.7	-44.9	-46.5	-43.6
	PLF	65.1	72.8	70.3	67.6
Cargo					
Asia/Pacific	ACTK	-27.1	-19.3	-27.2	-21.0
	CLF	61.9	65.9	70.2	68.0
World	ACTK	-21.2	-10.7	-12.7	-8.9
	CLF	54.2	54.8	54.4	55.3

Airline EBIT margins & cash flow

- Initial Q3 financial results indicate that pressure on airlines' profitability eased further compared with Q2 across all regions. That said, the financial recovery of Asia Pacific airlines remains slow as the region struggles to contain the pandemic and faces continuous travel restrictions.
- In our initial small sample of airlines financials, industry-wide cash flow generation improved in Q3 2021 vs. Q3 2020 due to reopening of some short-haul international markets, increase of domestic traffic and positive contribution of cargo revenues.

Sample Historical Profitability – global level



Airline operating (EBIT) margins*

<i>% revenues</i>	2019	2020	2020Q3	2021Q3
Asia Pacific	3.7	-28	-31	-23
Industry	5.2	-30	-68	-2

* constant sample basis, not seasonally adjusted

Airline cash flow*

<i>% revenues</i>	2020Q3		2021Q3	
	Net cash flow ¹	Free cash flow	Net cash flow ¹	Free cash flow
Asia Pacific	-	-	-	-
Industry	-68	-84	-4	-11

¹ from operating activities, * constant sample basis, not seasonally adjusted

Jet aircraft deliveries made & scheduled

- As of November 2021, Asia Pacific airlines are scheduled to receive 67% more aircraft deliveries in 2022 compared with 2021. Most of these deliveries will be a narrow-body Max 737 (36%) and A321 (19%).

Aircraft deliveries to the Asia Pacific (as of November 2021)

deliveries made & due

