

State of the region: Asia Pacific

October 2019

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q4 2018	Q1 2019	Q2 2019
India	7.4	6.6	5.8	5.0
Japan	0.8	0.3	1.0	0.8
Indonesia	5.2	5.2	5.1	5.0
Korea	2.7	3.0	1.6	2.1
Australia	2.7	2.2	1.7	1.4
Thailand	4.1	3.7	2.8	2.3
Malaysia	4.7	4.7	4.5	4.9
World*	3.2	2.8	2.8	2.6

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2018	Jul-19	Aug-19	Sep-19
US\$ broad index	128.5	127.8	130.4	130.8
Japanese yen (JPY)	110.0	108.6	106.1	108.1
Australian dollar (AUD)	1.42	1.45	1.48	1.48
Sth Korean won (KRW)	1115	1182	1209	1199
Indian rupee (INR)	69.8	68.8	71.4	70.9
Indonesian rupiah (IDR)	14380	14017	14185	14195
Thai baht (THB)	32.6	30.8	30.6	30.6
Malaysian ringgit (MYR)	4.13	4.13	4.21	4.19

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Jul-19	Aug-19	Sep-19
Crude oil (Brent)	71.7	64.3	59.6	62.4
Jet fuel	86.4	80.4	76.1	79.8

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

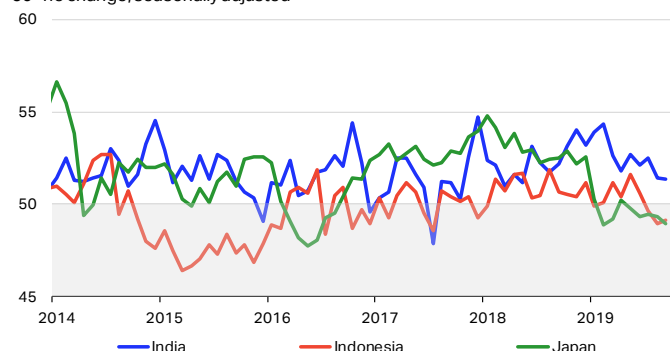
% change on a yr ago	2018	Jun-19	Jul-19	Aug-19
Region (registration basis)				
Asia Pacific	9.3	4.9	4.7	4.9
World	7.3	5.1	3.5	3.8
Routes (segment basis)				
India domestic	18.9	8.0	3.1	3.7
Japan domestic	1.6	2.6	5.1	2.1
Australia domestic	1.7	-0.3	0.7	-0.4
Asia - Europe	7.1	6.8	6.0	6.0
Within Asia	10.5	7.4	6.6	6.8
Asia - Nth America	3.9	2.1	0.4	0.3
Asia - Middle East	4.4	8.2	1.4	1.4
S/w Pacific - N/S America	6.9	3.3	3.1	4.9
Asia - Africa	9.4	9.8	1.4	3.4

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

- Year-on-year growth in industry-wide revenue passenger kilometres (RPKs) edged up to 3.8% in August. Despite difficult economic conditions in several key markets, the moderate upward trend in passenger traffic remains in place.
- As was the case last month, Asia Pacific airlines topped August's regional RPK growth rankings with passenger volumes up by ~5% vs a year ago.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

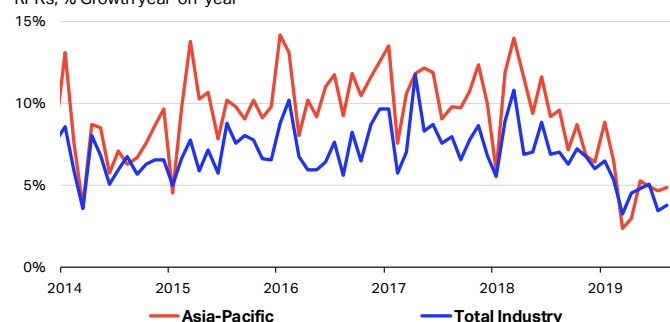
- Japan's manufacturing sector remained in the territory associated with contraction in September, reflecting the negative impact of the global economic slowdown and concerns about the higher consumption tax (effective since Oct 1st). Business sentiment also remained subdued in Indonesia and eased further in India to the lowest level since June 2018.
- The trade weighted US\$ index rose slightly in September, up 0.3%. Of the key regional currencies, the JPY ended the month down ~2% against the US\$ while both the KRW and INR gained almost 1%.
- The average monthly jet and crude oil price ticked up in September as attacks on oil fields in Saudi Arabia temporarily halted about 5% of global oil supply.

That said, the overall growth for the region was well below the average rate observed between 2015 and 2018 (~10% year-on-year).

- Despite the modest uptick this month, domestic India RPK growth remained modest amidst the slowest GDP growth in years (5% in Q2 2019). RPK growth more than halved this month to 2%yoy for domestic Japan.
- RPK growth stabilized on the largest Asia-Europe and Within Asia routes at 6% and 6.8%yoy, respectively.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Jun-19	Jul-19	Aug-19
Region (registration basis)				
Asia Pacific	1.6	-5.8	-4.7	-5.0
World	3.7	-4.6	-2.4	-3.9
Routes (segment basis)				
Asia - Europe	1.1	-4.0	-1.3	-3.4
Asia - Nth America	3.7	-4.3	-3.0	-2.5
Within Asia	0.6	-7.0	-6.7	-7.5
Asia - Middle East	4.8	-4.7	-3.6	-4.9
S/w Pacific - N/S America	8.7	-8.6	-11.9	-13.3
Asia - Africa	-4.0	7.3	14.6	17.7

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

- The industry-wide air freight tonne kilometres (FTKs) declined further in August (-3.9%yoy), facing headwinds from weakening global trade and softness in a number of key economic indicators.
- Asia Pacific FTK volumes contracted for the tenth consecutive month amidst mounting trade tensions in the region and slowdown in the Chinese economy. Additional impact came from the temporary shutdown of Hong Kong International Airport.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2018	Jun-19	Jul-19	Aug-19
LF: % of ASK/AFTK					
Passenger					
Asia Pacific	ASK	8.7	4.3	5.0	5.4
	PLF	81.7	82.3	82.9	83.9
World	ASK	6.8	3.4	3.2	3.5
	PLF	82.0	84.4	85.6	85.7
Freight					
Asia/Pacific	AFTK	3.5	0.9	2.6	2.3
	FLF	56.0	52.7	51.9	51.6
World	AFTK	1.4	2.0	3.2	2.0
	FLF	49.3	45.8	45.1	44.6

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 all-time high for the month of August as passenger demand continues to grow faster than capacity. On the freight side, the load factor (FLF) eased by 2.7ppt vs a year ago to 44.6%.
- Asia Pacific carriers posted a robust PLF for August at 83.9%. However, the 51.6 % freight load factor represented the lowest outcome for any month of August in the history of the time series for the region as airlines' freight capacity continues to grow (2.3%yoy) against contracting demand.
- The final Q2 2019 airline financial data showed that industry-wide profitability was steady compared to the

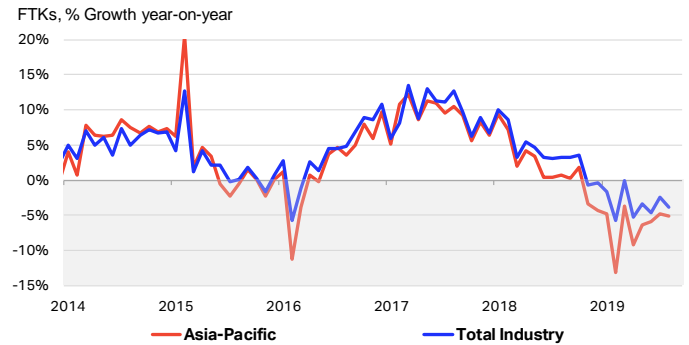
Airline operating (EBIT) margins*

% revenues	2017	2018	2018Q2	2019Q2
Asia Pacific	6.3	4.5	3.3	2.8
Industry	7.5	5.8	7.6	7.6

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

- FTK volumes continue to shrink in annual terms on five of the six key international routes. The speed of decline increased in the largest Asia-Europe market from -1.3%yoy in July, to -3.4% in August. By contrast, the pressure eased slightly on Asia-NthAm routes (albeit by only 0.5ppt).
- The smaller Asia-Africa market posted another month of solid double-digit FTK growth (18%yoy), supported by robust investment flows from Asia Pacific to Africa.

Growth in air freight volumes



Source: IATA Statistics

same quarter a year ago. In Asia Pacific, the EBIT margin eased by 0.5ppt vs a year ago, to 2.8% of revenues.

- Passenger yields declined in annual terms across the key international routes. Asia-Middle East was the only exception although its yield growth also softened this month to 2%yoy vs 15% in July. Amongst the key domestic markets, growth in yields eased to 6.8%yoy for India and fell further for Australia domestic (-7.2%yoy).

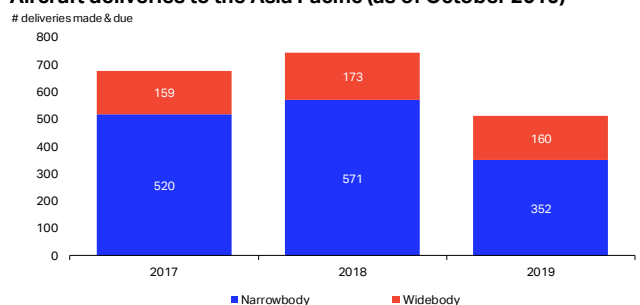
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Jun-19	Jul-19	Aug-19
India domestic	-4.0	5.2	10.4	6.8
Australia domestic	0.0	-5.8	-5.1	-7.2
Asia - Europe	-1.9	-10.2	-9.6	-7.8
Within Asia	-1.9	-6.3	-4.2	-3.4
Asia - Nth America	-2.7	-4.0	-4.8	-1.6
Asia - Middle East	-1.8	10.2	15.1	1.9
Asia - Sth America	0.7	-11.8	-10.1	-0.7
Asia - Africa	0.8	-7.1	-9.6	-4.1

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 October 2019)



Source: Ascend