



STATE OF THE REGION: ASIA-PACIFIC

OCTOBER 2016

Economy

GDP growth, selected countries

%change on a yr ago	2015	2015Q4	2016Q1	2016Q2
India	7.6	7.2	7.9	7.1
Japan	0.9	0.8	0.1	0.8
Indonesia	4.8	5.0	4.9	5.2
Korea	2.7	3.1	2.8	3.2
Australia	2.6	2.8	3.0	3.3
Thailand	2.9	2.7	3.3	3.5
Malaysia	4.6	4.5	4.2	4.0
World*	2.3	2.4	2.2	2.2

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2015	Jul-16	Aug-16	Sep-16
US\$ broad index	122.4	122.0	120.8	121.8
Japanese yen (JPY)	120.2	102.4	103.4	101.2
Australian dollar (AUD)	1.37	1.32	1.33	1.30
Sth Korean won (KRW)	1176	1114	1117	1099
Indian rupee (INR)	66.2	66.8	67.0	66.7
Indonesian rupiah (IDR)	13840	13041	13257	12987
Thai baht (THB)	36.0	34.8	34.6	34.6
Malaysian ringgit (MYR)	4.29	4.07	4.05	4.14

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2015	Jul-16	Aug-16	Sep-16
Crude oil (Brent)	52.4	45.0	45.8	46.6
Jet fuel	64.0	53.4	54.4	55.4

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

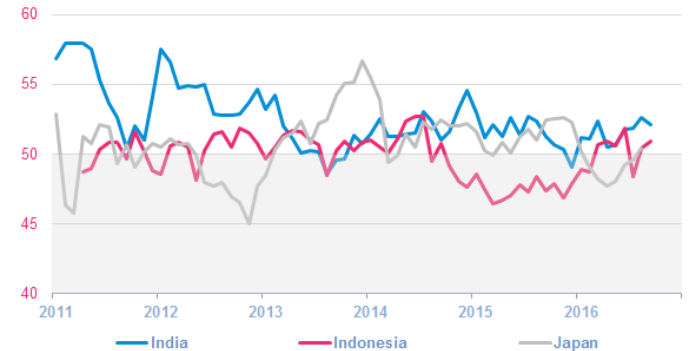
%change on a yr ago	2015	Jun-16	Jul-16	Aug-16
Region (registration basis)				
Asia Pacific	8.7	9.2	10.1	7.8
World	6.5	5.2	6.4	4.6
Routes (segment basis)				
India domestic	19.8	20.0	26.2	23.2
Japan domestic	1.9	1.0	1.1	1.9
Australia domestic	0.3	1.5	0.2	1.2
Asia - Europe	4.0	-0.9	1.5	-1.5
Within Asia	7.5	8.5	9.9	2.6
Asia - Nth America	5.8	7.5	7.4	4.3
Asia - Middle East	6.9	0.7	8.9	3.8
S/w Pacific - N/S America	8.1	10.3	17.4	17.3
Asia - Africa	-1.2	5.7	7.6	4.5

Source: IATA Statistics

- ➔ Annual growth in pax volumes eased in Aug, at both the regional & industry-wide level. Even so, at a strong 7.8%yoy, RPKs for the Asia-Pac airlines continue to easily outpace the overall industry rate of 4.6%.
- ➔ Of the main domestic markets, India volumes have maintained their 20+%yoy rate while the more mature

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



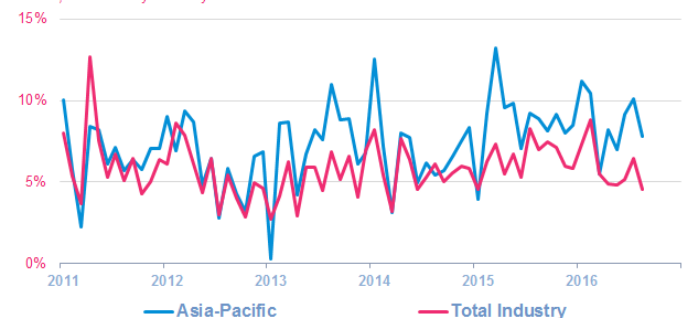
- ➔ ASEAN economic sentiment rose further in Q3, to its highest level in 2yrs. The Bank of Japan acted to help counter deflation pressures with new measures, while in India, a cut in official interest rates was well received, despite confidence easing slightly after recent gains.
- ➔ The US\$ drifted slightly higher in Sep, rising 0.8% on a trade-weighted basis. Amongst the key regional currencies, the JPY, AUD & IDR all rose ~2% vs the US\$ this month, while the MYR fell by a similar amount.
- ➔ The world price of oil & jet fuel both rose by another 1½-2% in Sep. Markets remain cautious, sensitive to issues of global oversupply as well as discussions taking place within OPEC & elsewhere to limit production.

markets of Japan & Australia are expanding at a much more sedate pace of 1.9% & 1.2%yoy, respectively.

- ➔ Amongst the largest international markets, Asia-Europe RPKs have contracted over the past year, down 1.5%, & are yet to fully recover from the terrorism-related concerns that emerged in the early part of 2016.
- ➔ Within Asia, Asia-NthAm & Asia-ME are showing solid, if unspectacular, growth & may be benefitting from the switch in passenger preference away from Europe.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2015	Jun-16	Jul-16	Aug-16
Region (registration basis)				
Asia Pacific	2.3	3.5	4.3	2.8
World	2.2	4.4	4.0	3.9
Routes (segment basis)				
Asia - Europe	-4.9	2.4	3.0	2.3
Asia - Nth America	5.1	1.8	2.4	4.7
Within Asia	-0.4	9.8	6.5	7.2
Asia - Middle East	9.8	3.8	0.5	-3.6
S/w Pacific - N/S America	12.5	9.9	27.8	25.6
Asia - Africa	1.3	21.8	20.7	31.8

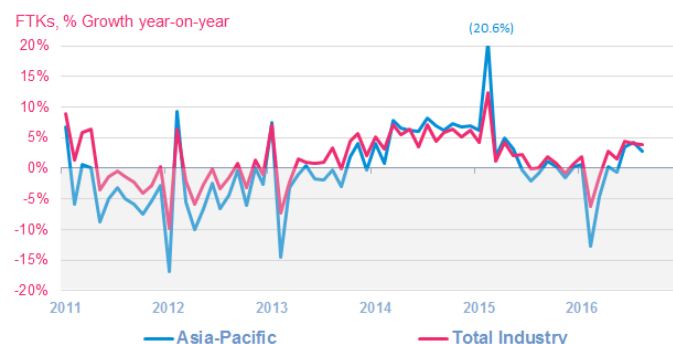
Source: IATA Statistics

- Industry-wide air freight growth was steady in Aug, with RPKs up a solid 3.9%yoy. The pace of growth for Asia-Pac carriers eased, dipping back below the industry figure, to 2.8%yoy.
- At the segment level, Aug saw a moderation in growth for the key Asia-Europe market (to 2.3%yoy) & a fall (down 3.6%yoy) on routes between Asia & the Middle East. The former moderation in growth partially unwinds

recent pick-up in freight volumes in this market.

- These developments were partly offset by stronger RPK growth on the trans-Pacific routes between Asia & Nth America (4.7%yoy) & Within Asia (a robust 7.2%yoy).
- The two smaller markets of S/w Pacific-N/S America & Asia-Africa are showing the strongest growth at present, with RPKs for both currently up 25-30%yoy.

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	2015	Jun-16	Jul-16	Aug-16
Passenger				
Asia Pacific ASK	6.7	7.3	8.3	7.3
Asia Pacific PLF	78.6	79.2	81.5	82.4
World ASK	5.6	5.5	6.0	5.8
World PLF	80.2	80.8	84.1	83.8
Freight				
Asia/Pacific AFTK	5.7	3.1	2.6	1.2
Asia/Pacific FLF	53.9	54.7	52.8	51.8
World AFTK	6.3	5.0	4.4	4.1
World FLF	44.1	43.1	41.3	40.8

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

- Asia-Pac carriers have increased pax capacity by a brisk 7.3% over the past year, with a load factor of 82.4% in Aug. At the industry level, capacity growth is more restrained, but still robust, at 5.8%yoy, with an overall PLF of 83.8% in Aug.
- For freight, the region's carriers have barely increased capacity over the past year, with AFTKs up just 1.2% vs an industry rate of 4.1%. Asia-Pac carriers remain the market leaders when it comes to freight loads, at 51.8% in Aug vs the industry average 40.8%.
- The latest Q2 operating margin data are largely unchanged on a year ago, at both the regional & industry

level. Asia-Pac carriers generated a margin of 9.3% in Q2 2016, 1.5pp below the industry rate of 10.8%. The latter continues to be bolstered by the strong financial performance of the Nth American carriers.

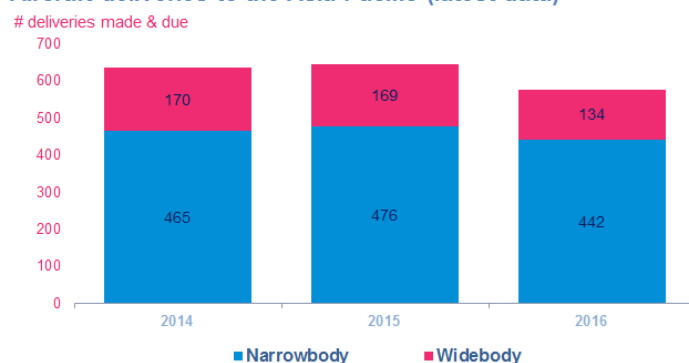
- Pax yields remain under pressure, the regional exception being Japan domestic routes where yields are up 5.4%yoy. Elsewhere in the region, yields are showing signs of improvement, but are all still lower than their level of a year ago.

Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	Jun-16	Jul-16	Aug-16
India domestic	-14.5	-17.9	-14.5	-13.1
Japan domestic	-11.9	2.5	2.2	5.4
Australia domestic	-10.4	-8.3	-7.5	-5.6
Asia - Europe	-19.1	-8.8	-10.0	-10.2
Within Asia	-7.7	-11.2	-9.6	-9.3
Asia - Nth America	-15.1	-8.4	-7.9	-4.7
Asia - Middle East	-7.6	-12.4	-8.8	-10.5
Asia - Sth America	-18.0	-13.4	-11.2	5.1
Asia - Africa	-17.8	-9.2	-6.0	-5.6

Source: IATA PaxIS

Aircraft deliveries to the Asia Pacific (latest data)



Source: Ascend

Airline EBIT margins*

%revenues	2014	2015	2015Q2	2016Q2
Asia Pacific	2.5	7.7	9.3	9.3
Industry	4.7	8.3	10.7	10.8

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