



STATE OF THE REGION: ASIA-PACIFIC

OCTOBER 2017

Economy

GDP growth, selected countries

%change on a yr ago	2016	2016Q4	2017Q1	2017Q2
India	7.9	7.0	6.1	5.7
Japan	1.0	1.7	1.4	1.6
Indonesia	5.0	4.9	5.0	5.0
Korea	2.8	2.4	3.0	2.7
Australia	2.5	2.4	1.8	1.8
Thailand	3.2	3.0	3.3	3.5
Malaysia	4.2	4.5	5.6	5.8
World*	2.3	2.6	2.6	2.8

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2016	Jul-17	Aug-17	Sep-17
US\$ broad index	127.7	120.7	119.3	118.1
Japanese yen (JPY)	116.8	110.4	110.2	112.5
Australian dollar (AUD)	1.38	1.25	1.26	1.28
Sth Korean won (KRW)	1209	1122	1124	1145
Indian rupee (INR)	67.9	64.2	63.9	65.3
Indonesian rupiah (IDR)	13427	13282	13336	13419
Thai baht (THB)	35.9	33.3	33.2	33.3
Malaysian ringgit (MYR)	4.49	4.28	4.27	4.22

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel	2016	Jul-17	Aug-17	Sep-17
Crude oil (Brent)	52.4	48.5	51.7	56.2
Jet fuel	64.0	59.5	65.6	75.6

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

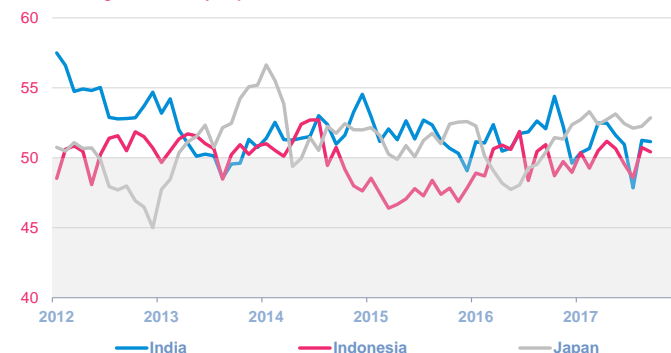
%change on a yr ago	2016	Jun-17	Jul-17	Aug-17
Region (registration basis)				
Asia Pacific	9.2	10.9	8.2	9.0
World	6.5	8.0	7.0	7.2
Routes (segment basis)				
India domestic	23.3	20.3	11.4	16.0
Japan domestic	0.7	7.9	6.5	9.0
Australia domestic	1.6	-0.8	1.5	-0.1
Asia - Europe	1.8	10.6	6.5	5.4
Within Asia	9.2	7.4	6.1	9.4
Asia - Nth America	9.6	5.3	3.8	4.6
Asia - Middle East	9.3	5.3	7.1	8.1
S/w Pacific - N/S America	15.5	7.0	-0.8	-0.1
Asia - Africa	6.8	4.8	5.1	2.4

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

- Industry-wide RPKs grew by a robust 7.2%yoy in Aug, up slightly from July, & completing a solid performance during the peak northern-hemisphere summer period.
- At the regional level, growth in pax volumes lifted to 9.0%yoy for the AsiaPac carriers, ensuring the region retained its position at the top of the growth charts.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted

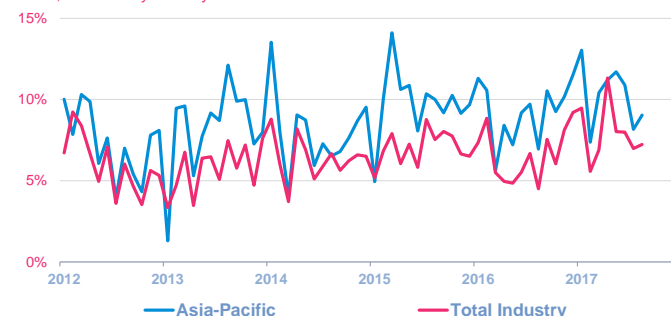


- Business confidence in both India & Indonesia ticked down a little this month, but retained levels associated with economic expansion. Confidence picked up in Japan, ahead of the election.
- On a trade-weighted basis, the US\$ eased by another 1% in Sep, continuing its recent downward trend. Of the region's main currencies, the JPY & INR both fell 2.2% & the KRW was down 1.8% vs the US\$ in the month. The MYR went against the trend, rising by 1.2%.
- Brent crude oil & jet fuel prices surged in Sep, the former up 9% (reaching a 26mth high in the process), the latter up 15% & leading to a sharp widening in the crack spread. Supply-side issues again drove the movements.

- The India domestic market recorded its 36th consecutive month of double digit RPK growth. With growth lifting to 16.0%yoy, India regained its position as the fastest growing of the key domestic markets we track.
- In contrast, Australia dom RPKs have fallen by 0.1%yoy, with (SA) volumes trending sideways for around a year.
- Of the larger international markets, Within Asia is showing strongest growth, up 9.4%yoy currently, followed by Asia-ME at 8.1%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Jun-17	Jul-17	Aug-17
Region (registration basis)				
Asia Pacific	2.0	10.9	10.2	11.3
World	3.8	10.8	10.9	12.1
Routes (segment basis)				
Asia - Europe	3.9	13.8	11.1	11.8
Asia - Nth America	0.2	10.2	10.1	10.6
Within Asia	6.6	10.9	15.3	15.2
Asia - Middle East	3.7	2.6	9.6	14.5
S/w Pacific - N/S America	18.6	41.8	18.5	22.6
Asia - Africa	30.1	79.7	82.4	66.0

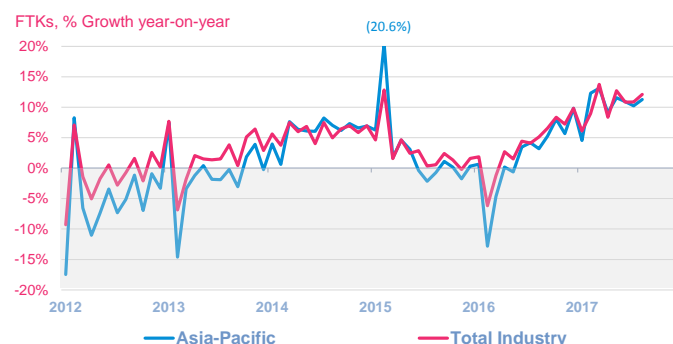
Source: IATA Statistics Note: historical data may be subject to revision

- Global FTK growth stepped up again in Aug, rising to 12.1%yoy, the 5th month of double-digit annual growth in the past 6 months. For the AsiaPac carriers, FTK growth also shifted higher by ~1pp, to 11.3%, & remaining a little below the overall industry performance.
- Demand growth has been strong on all the major routes to, from and within the region, supported by buoyant

export order books for the region's manufacturers.

- All of the region's key freight markets are currently showing double-digit increases in FTKs compared with their level of a year ago. Although the smallest of the key markets, the 66%yoy FTK growth rate for Asia-Africa cannot go unremarked.

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	Jun-17	Jul-17	Aug-17
Passenger				
Asia Pacific ASK	8.2	9.1	7.9	8.6
Asia Pacific PLF	79.6	80.6	81.8	82.6
World ASK	6.5	6.8	6.4	6.3
World PLF	80.5	81.8	84.6	84.5
Freight				
Asia/Pacific AFTK	3.5	6.9	5.6	5.7
Asia/Pacific FLF	52.8	56.4	55.0	54.2
World AFTK	5.4	4.9	3.5	4.7
World FLF	42.9	45.0	43.5	43.3

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

- The industry-wide load factors were relatively stable this month; the PLF held its ground at 84.5% & the FLF dipped only slightly, to 43.3%.
- Despite a moderate gain this month, the PLF performance for the AsiaPac airlines, at 82.6%, remains below the industry outcome. On the freight side, the region's carriers continue to set the pace, with a FLF of 54.2%, ~11pp above the industry average. The AsiaPac carriers have increased capacity – both ASKs & AFTKs – at a faster pace than the industry over the past year.
- The latest Q2 financial data show a modest decline in the EBIT margin for both AsiaPac carriers & the industry overall, vs a year ago. The decline is more pronounced

at the regional level, where the margin has slipped from 7.4% in 2Q16, to 4.6% currently. At the industry level, the margin is currently an even 9.0%, down from 9.8% a year ago.

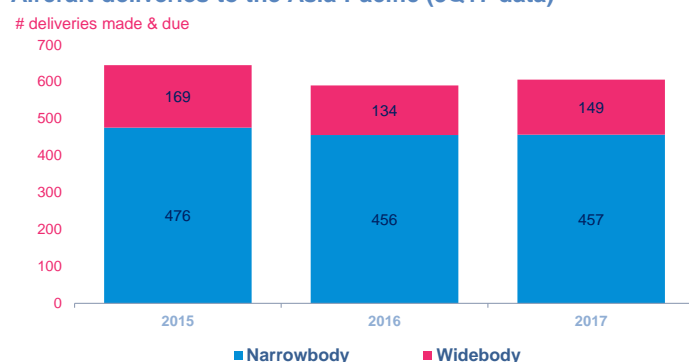
- Global pax yields (in US\$ terms) have continued to trend modestly upwards in recent months. However, compared with their levels of a year ago, yield developments at the regional level are showing more mixed outcomes.

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

%change on a yr ago	2016	Jun-17	Jul-17	Aug-17
India domestic	-15.3	0.9	1.0	6.0
Japan domestic	5.4	-4.0	-3.6	-5.9
Australia domestic	-9.2	5.8	7.3	6.6
Asia - Europe	-10.3	1.7	4.7	4.8
Within Asia	-10.0	-5.7	-4.4	-4.5
Asia - Nth America	-7.2	-1.8	-3.8	-4.3
Asia - Middle East	-10.5	1.4	2.5	0.8
Asia - Sth America	-9.1	-1.3	4.7	-15.4
Asia - Africa	-8.8	-0.7	1.1	-3.4

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

Aircraft deliveries to the Asia Pacific (3Q17 data)



Source: Ascend

Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q2	2017Q2
Asia Pacific	8.0	10.0	7.4	4.6
Industry	8.5	8.8	9.8	9.0

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