



STATE OF THE REGION: ASIA-PACIFIC

OCTOBER 2018

Economy

GDP growth, selected countries

%change on a yr ago	2017	2017Q4	2018Q1	2018Q2
India	6.2	7.0	7.7	8.2
Japan	1.7	2.0	1.1	1.3
Indonesia	5.1	5.2	5.1	5.3
Korea	3.1	2.8	2.8	2.8
Australia	2.2	2.4	3.2	3.4
Thailand	3.9	4.0	4.9	4.6
Malaysia	5.9	5.9	5.4	4.5
World*	3.1	3.2	3.2	3.2

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2017	Jul-18	Aug-18	Sep-18
US\$ broad index	120.0	124.1	125.3	126.0
Japanese yen (JPY)	112.6	111.8	110.9	113.6
Australian dollar (AUD)	1.28	1.35	1.39	1.38
Sth Korean won (KRW)	1068	1115	1117	1110
Indian rupee (INR)	63.9	68.5	71.0	72.5
Indonesian rupiah (IDR)	13636	14463	14669	14879
Thai baht (THB)	32.6	33.2	32.8	32.3
Malaysian ringgit (MYR)	4.05	4.07	4.11	4.14

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Jul-18	Aug-18	Sep-18
Crude oil (Brent)	54.2	74.3	72.5	78.9
Jet fuel	65.6	88.1	89.0	91.9

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

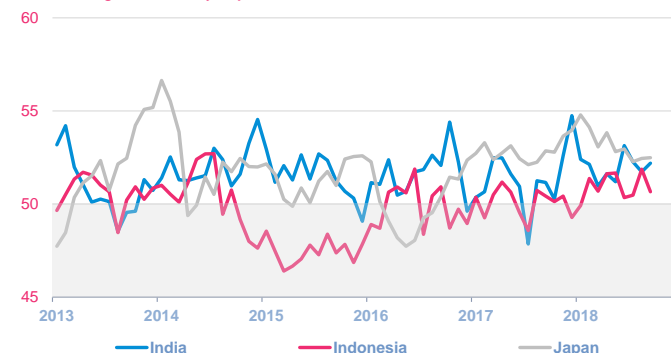
%change on a yr ago	2017	Jun-18	Jul-18	Aug-18
Region (registration basis)				
Asia Pacific	10.2	10.8	8.5	9.5
World	7.6	7.9	6.1	6.4
Routes (segment basis)				
India domestic	17.5	16.1	21.5	22.6
Japan domestic	5.8	3.7	0.9	1.1
Australia domestic	0.4	-0.2	2.1	1.5
Asia - Europe	9.5	8.2	5.8	9.2
Within Asia	11.2	13.2	9.4	8.2
Asia - Nth America	4.9	4.2	3.1	2.5
Asia - Middle East	7.3	8.1	4.7	3.6
S/w Pacific - N/S America	5.9	7.0	5.7	3.8
Asia - Africa	4.1	7.4	11.9	10.6

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

- ➔ Annual growth in industry-wide RPKs increased to 6.4%yoy in Aug, up from 6.1% in Jul. The latest data provide further evidence of solid RPK growth in the peak period of passenger demand, over the northern hemisphere summer.
- ➔ Pax volume growth for the AsiaPac carriers increased solidly this month, up 1pp, to a brisk 9.5%yoy &

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



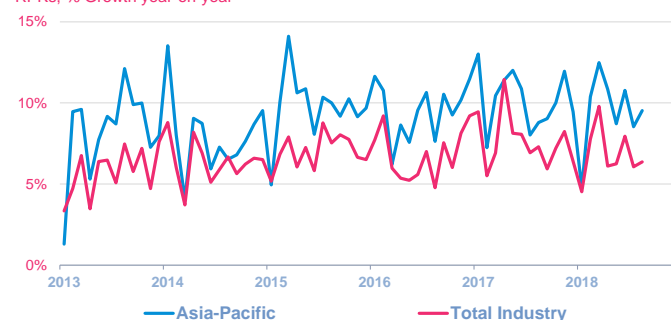
- ➔ Business sentiment in Indonesia dipped this month on slower increases in output & new orders & higher input price pressures. Sentiment improved in India on signs of stronger demand & was unchanged in Japan this month.
- ➔ On a trade-weighted basis, the US\$ rose by 0.6% in Sep, up 5% since the start of the year. Amongst the main regional currencies, the JPY & INR fell by more than 2% vs the US\$ this month, while the IDR was down 1.4%. The THB gained a similar amount (1.3%).
- ➔ The Brent crude oil price surged in Sep, up ~9% to its highest level since 2014 on OPEC comments that it will not increase supply. The jet fuel price moved through the US\$90/bbl level to average US\$92 for the month.

remaining well above the industry average pace.

- ➔ The domestic India market continued its strong run of outperformance, with pax volumes up 22.6%yoy in Aug & contrasting sharply with the growth outcomes of the domestic markets of Japan & Australia (1-1.5%yoy).
- ➔ Of the region's largest international markets, Within Asia & Europe both continue to grow strongly, with RPKs up 8-9%yoy. The smaller Africa market sustained its double-digit growth rate in Aug, at 10.6%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Jun-18	Jul-18	Aug-18
Region (registration basis)				
Asia Pacific	7.7	1.2	1.1	1.6
World	9.1	2.4	2.3	2.3
Routes (segment basis)				
Asia - Europe	11.0	0.3	1.8	1.8
Asia - Nth America	8.7	1.4	0.2	1.1
Within Asia	13.0	0.5	0.6	-0.3
Asia - Middle East	6.3	4.9	6.2	3.2
S/w Pacific - N/S America	28.4	-1.6	6.7	12.6
Asia - Africa	58.6	-14.6	-9.1	-9.4

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

- Annual growth in industry-wide FTKs grew by 2.3%yoy in Aug, unchanged from the rate in July & less than half the 5yr average pace. Cargo volumes continue to trend modestly upward, despite mixed drivers.
- At the regional level, FTK growth for the Asia-Pacific airlines also improved this month, lifting to a modest 1.6%yoy pace but remaining below the growth rate of the industry overall.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK	2017	Jun-18	Jul-18	Aug-18
Passenger				
Asia Pacific ASK	8.4	9.3	7.2	7.3
Asia Pacific PLF	81.0	81.8	82.8	84.3
World ASK	6.3	6.5	5.3	5.5
World PLF	81.5	82.9	85.2	85.3
Freight				
Asia/Pacific AFTK	3.0	5.2	3.6	3.4
Asia/Pacific FLF	55.2	54.3	53.7	53.4
World AFTK	3.6	3.8	3.9	4.5
World FLF	45.2	44.3	42.8	42.2

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

- The industry-wide PLF reached a record high in Aug, at 85.3%, up 0.7pp on a year ago. In contrast, the FLF has fallen by 0.9pp, to 42.2% currently.
- AsiaPac airlines recorded a PLF of 84.3% overall in Aug, an improvement of 1.7pp compared with a year ago, but 1pp below the industry average. The region's FLF is 0.9pp lower than the same time a year ago, but is still the industry benchmark, at 53.4%.
- The final Q2 financial data confirm a decline in industry & regional performance vs a year ago. The industry-wide EBIT margin has slipped to 7.8% from 10.3%, & the regional outcome is currently 2.8%, down from 5.0%.

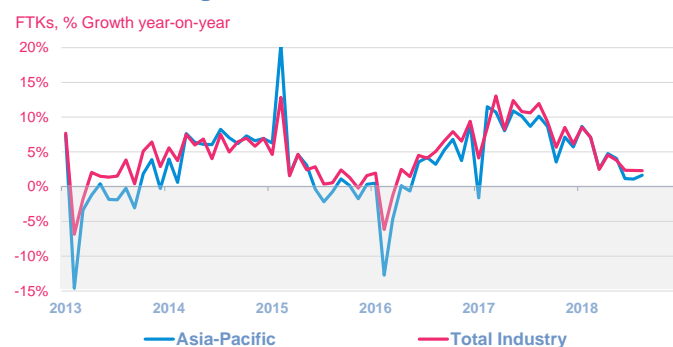
Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q2	2018Q2
Asia Pacific	7.4	5.5	5.0	2.8
Industry	8.5	7.5	10.3	7.8

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

- FTK growth remains weak across the three largest markets for the region. Growth is 1.8%yoy for Europe & 1.1% for Nth America & freight volumes have fallen by 0.3%yoy for the Within Asia market vs a year ago.
- Following very strong growth in 2017, the smaller Africa market has retraced some of those gains, with FTKs currently 9.4% lower than a year ago.

Growth in air freight volumes



Source: IATA Statistics

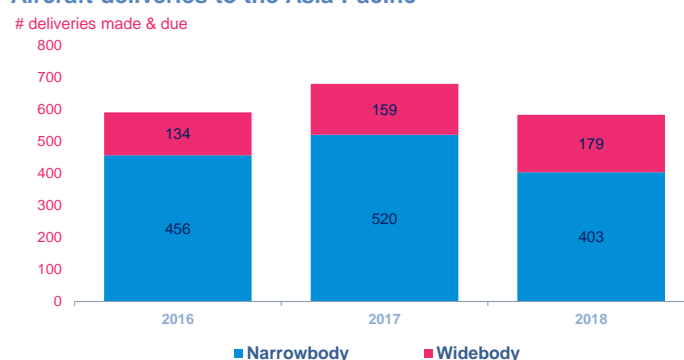
- Passenger yield developments across the region's key markets over the past year are mixed. Australia domestic & Asia-Africa yields are showing the strongest gain, up 5.1% & 6.9%, respectively.
- However, yields are lower than their level of a year ago for a number of important markets, including India domestic (down a sizeable 10.5%) & Within Asia (down 2.1%). (Recall that these yields are in US\$ terms & large currency swings can impact outcomes.)

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

%change on a yr ago	2017	Jun-18	Jul-18	Aug-18
India domestic	-2.3	3.8	-2.3	-10.5
Australia domestic	5.5	6.2	5.8	5.1
Asia - Europe	1.9	1.9	0.9	0.1
Within Asia	-5.6	1.7	-1.0	-2.1
Asia - Nth America	-3.2	4.3	5.1	3.9
Asia - Middle East	-3.5	-4.0	-3.2	-0.1
Asia - Sth America	-4.2	5.1	-2.8	-0.6
Asia - Africa	-0.1	4.2	3.3	6.9

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

Aircraft deliveries to the Asia Pacific



Source: Ascend