

State of the region: Asia Pacific

September 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	Jun-19	Jul-19	Aug-19
US\$ broad index	128.5	128.3	127.8	130.4
Japanese yen (JPY)	110.0	107.8	108.6	106.1
Australian dollar (AUD)	1.42	1.43	1.45	1.48
Sth Korean won (KRW)	1115	1157	1182	1209
Indian rupee (INR)	69.8	69.0	68.8	71.4
Indonesian rupiah (IDR)	14380	14128	14017	14185
Thai baht (THB)	32.6	30.7	30.8	30.6
Malaysian ringgit (MYR)	4.13	4.13	4.13	4.21

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Jun-19	Jul-19	Aug-19
Crude oil (Brent)	71.7	63.2	64.3	59.6
Jet fuel	86.4	76.5	80.4	76.1

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

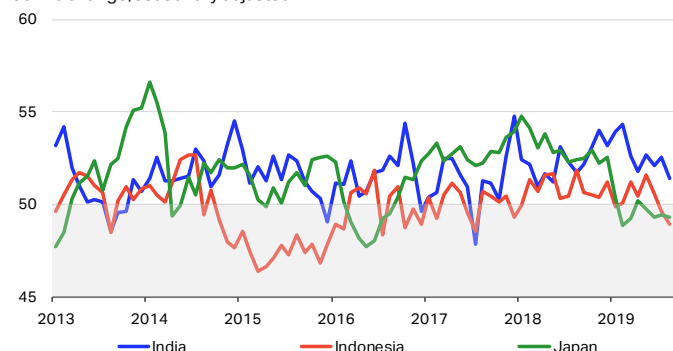
% change on a yr ago	2018	May-19	Jun-19	Jul-19
Region (registration basis)				
Asia Pacific	9.3	5.3	4.9	5.2
World	7.3	4.8	5.1	3.6
Routes (segment basis)				
India domestic	18.9	5.1	8.2	8.9
Japan domestic	1.6	7.8	2.6	4.7
Australia domestic	1.7	-0.1	-0.8	-0.9
Asia - Europe	7.1	10.4	6.8	6.0
Within Asia	10.5	6.8	7.4	6.6
Asia - Nth America	3.9	5.2	2.1	0.4
Asia - Middle East	4.4	1.6	8.2	1.7
S/w Pacific - N/S America	6.9	8.9	3.3	3.1
Asia - Africa	9.4	2.5	9.8	1.4

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

- Year-on-year growth in industry-wide revenue passenger kilometres (RPKs) slowed to 3.6% in July, down from the 5.1% growth observed in June. The outcome marks a continuation of the weaker growth trend observed in recent months.
- Asia Pacific airlines topped July's regional RPK growth chart with passenger volumes up by ~5% vs a year ago.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

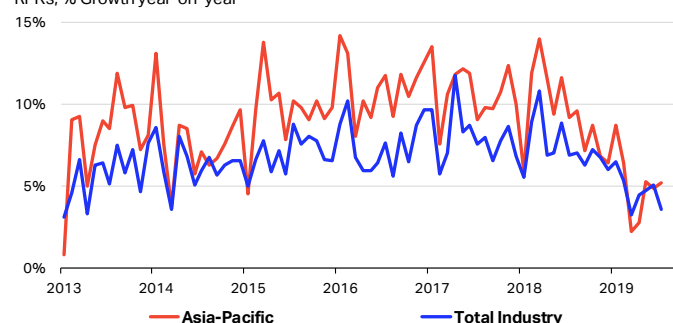
- Trade tensions between Japan and South Korea contributed to the further fall in Japan's business confidence this month. Business sentiment also eased in Indonesia and India, partly driven by lower economic growth in Q2, particularly in the case of the latter.
- The trade weighted US\$ index rose by 2% in August, marking the fastest month-on-month growth this year. A majority of the key regional currencies eased against the US\$, with the exception of the JPY and THB which gained 2.3% and 0.6%, respectively.
- Average monthly jet and crude oil prices fell sharply in August due to the US-China trade war escalation and the resulting concerns about oil demand and the broader economic outlook.

This month's uptick was driven by solid growth outcomes in a number of the region's key domestic markets.

- RPK growth slowed on all of Asia Pacific's main international routes in July. The key underperformer this month was the Asia-NthAm market where growth slowed to just 0.4% year-on-year. In contrast, the Asia-Europe and Within Asia markets continue to show robust growth despite a modest slowing.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

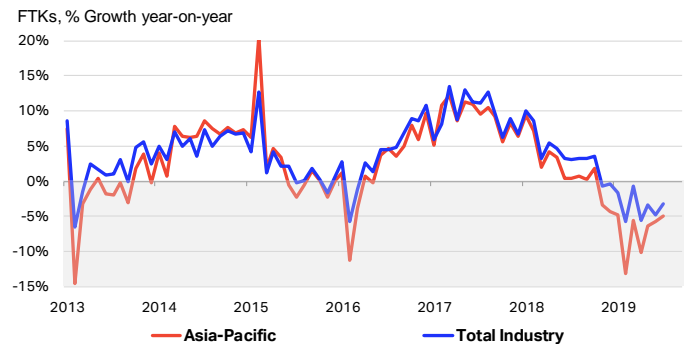
% change on a yr ago	2018	May-19	Jun-19	Jul-19
Region (registration basis)				
Asia Pacific	1.6	-6.3	-5.8	-4.9
World	3.7	-3.4	-4.8	-3.2
Routes (segment basis)				
Asia - Europe	1.1	1.9	-4.0	-1.3
Asia - Nth America	3.7	-5.2	-4.3	-3.0
Within Asia	0.6	-10.7	-7.0	-6.7
Asia - Middle East	4.8	-6.7	-4.7	-3.9
S/w Pacific - N/S America	8.7	-9.1	-8.6	-11.9
Asia - Africa	-4.0	12.0	7.3	14.6

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

- Industry-wide freight tonne kilometres (FTKs) declined by 3.2% year-on-year in July, reflecting the widespread softness in world trade and a number of global economic indicators.
- Asia Pacific FTK volumes were 5% lower compared to a year ago in July, marking a 9th consecutive month of negative year-on-year growth. The trade disputes between the US and China continue to weigh on outcomes for the region.

- Cargo volumes remained under pressure on most of the key international trade lanes. Having said that, the rate of decline eased across the larger markets, most notably for Asia-Europe (a 1.3% decline in July compared with -4.0% in June).
- The smallest Asia-Africa continues to outperform the other international markets, posting almost 15% year-on-year growth this month.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2018	May-19	Jun-19	Jul-19
LF: % of ASK/AFTK					
Passenger					
Asia Pacific	ASK	8.7	4.2	4.3	5.1
	PLF	81.7	80.4	82.3	83.1
World	ASK	6.8	2.7	3.4	3.2
	PLF	82.0	81.8	84.4	85.7
Freight					
Asia/Pacific	AFTK	3.5	-1.1	1.0	2.5
	FLF	56.0	53.2	52.6	51.9
World	AFTK	1.4	1.0	1.8	2.6
	FLF	49.3	47.1	45.8	45.0

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

- The industry-wide passenger load factor reached a new all-time high of 85.7% in July. The story was less positive on the freight side with load factor almost 3ppt below the level seen in July 2018.
- Asia Pacific carriers posted robust PLF for this month at 83.1%. However, the 51.9 % freight load factor represented the lowest outcome for any month of July in the history of our time series.
- The latest Q2 financial results point to a modest improvement (0.3ppt) in industry-wide profitability compared to Q2 2018. In Asia Pacific, the overall

EBIT margin eased modestly vs a year ago, slipping to 3.3%, from 3.6%.

- In line with the softer profit results, passenger yields declined in annual terms on the majority of the key international routes. Performance varied across the domestic markets with yields sharply up in India domestic (11.2% y-o-y) but down for Australia (-4.4%).

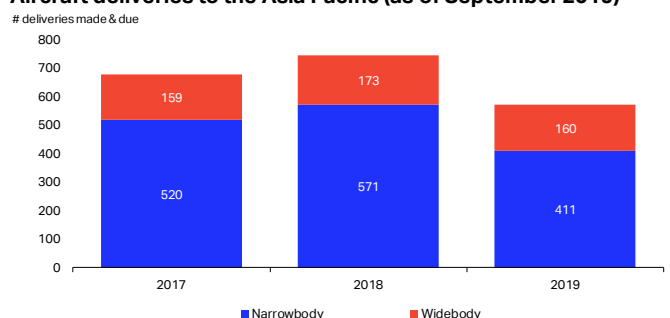
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	May-19	Jun-19	Jul-19
India domestic	-4.1	1.6	5.5	11.2
Australia domestic	0.0	-4.1	-4.8	-4.4
Asia - Europe	-1.9	-3.1	-10.2	-9.8
Within Asia	-1.9	-3.9	-6.2	-4.2
Asia - Nth America	-2.7	-1.3	-3.9	-4.7
Asia - Middle East	-1.7	14.8	10.0	15.1
Asia - Sth America	0.7	-11.3	-11.8	-10.1
Asia - Africa	0.8	-5.4	-7.1	-9.6

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 September 2019)



Source: Ascend

Airline operating (EBIT) margins*

% revenues	2017	2018	2018Q2	2019Q2
Asia Pacific	6.3	4.5	3.6	3.3
Industry	7.5	5.8	8.0	8.3

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