



# STATE OF THE REGION: ASIA-PACIFIC

SEPTEMBER 2016

## Economy

### GDP growth, selected countries

%change on a yr ago	2015	2015Q4	2016Q1	2016Q2
India	7.2	7.2	7.9	--
Japan	0.6	0.8	0.1	0.6
Indonesia	4.8	5.0	4.9	5.2
Korea	2.6	3.1	2.8	3.1
Australia	2.5	2.9	3.1	3.3
Thailand	2.8	2.7	3.3	3.5
Malaysia	5.0	4.5	4.2	4.0
<b>World*</b>	<b>2.5</b>	<b>2.3</b>	<b>2.2</b>	<b>2.1</b>

\* Market exchange rate basis † Estimate Source: Datastream

### Exchange rates

end of period, # per US\$	2015	Jun-16	Jul-16	Aug-16
US\$ broad index	122.4	121.2	121.9	120.8
Japanese yen (JPY)	120.2	102.8	102.4	103.4
Australian dollar (AUD)	1.37	1.35	1.32	1.33
Sth Korean won (KRW)	1176	1154	1114	1117
Indian rupee (INR)	66.2	67.5	66.8	67.0
Indonesian rupiah (IDR)	13840	13275	13041	13257
Thai baht (THB)	36.0	35.2	34.8	34.6
Malaysian ringgit (MYR)	4.29	4.03	4.07	4.05

Source: Datastream, XE

### World oil and jet fuel price

US\$/barrel	2015	Jun-16	Jul-16	Aug-16
Crude oil (Brent)	52.4	48.3	45.0	45.8
Jet fuel	64.0	58.0	53.4	54.4

Source: Platts, EIA Monthly average data

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2015	May-16	Jun-16	Jul-16
<b>Region (registration basis)</b>				
Asia Pacific	8.7	7.0	9.1	9.6
World	6.5	4.8	5.2	5.9
<b>Routes (segment basis)</b>				
India domestic	19.8	21.0	20.0	26.2
Japan domestic	1.9	-4.2	1.0	0.9
Australia domestic	0.3	2.2	1.5	0.2
Asia - Europe	4.0	-2.9	-0.9	1.5
Within Asia	7.5	3.3	8.5	9.9
Asia - Nth America	5.8	3.5	7.5	7.4
Asia - Middle East	6.9	5.9	0.7	8.9
S/w Pacific - N/S America	8.1	9.9	10.3	17.4
Asia - Africa	-1.2	5.5	5.7	7.6

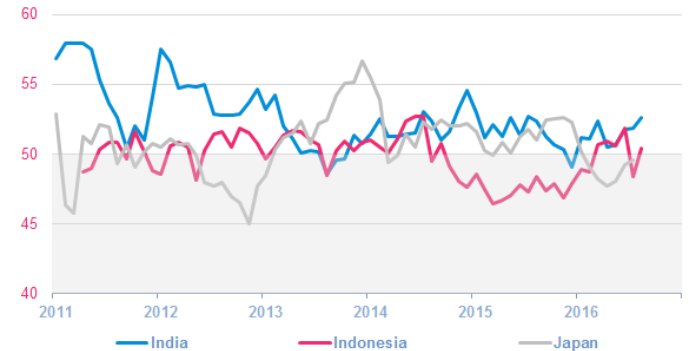
Source: IATA Statistics

→ RPKs for the Asia-Pac airlines continue to grow at a much faster rate than the industry overall; 9.6%yoy vs 5.9%yoy. The Asia-Pac region is second only to the Middle East in terms of current RPK growth.

→ India domestic RPKs pushed ahead again this month, now more than 26% higher than their level of a year

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



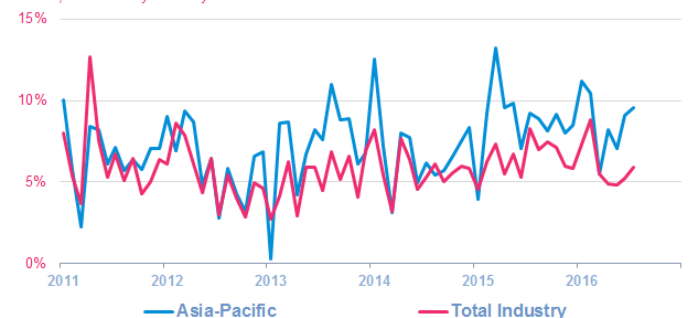
- Business confidence in India trended higher this month & rebounded in Indonesia, after positive economic news. However, confidence in Japan – in line with the broader business operating environment – remains lackluster.
- The US\$ continued its broadly sideways trend of 2016, easing 1% & giving back its July gain. The IDR moved most amongst regional currencies, down 1.7% vs the US\$ in the month. The JPY & AUD were both down 1%.
- The world price of oil & jet fuel ticked higher in Aug, both up ~2% in the month. In terms of key price drivers, the prospect of OPEC nations agreeing to production cuts was broadly offset by lingering concerns of oversupply & few signs of an improved demand outlook.

ago. This growth is supported by an increase in both frequencies & destinations, as well as ongoing favorable economic developments.

- For the region's other main domestic markets, Japan & Australia, RPKs have grown by < 1% over the past year.
- Within Asia, along with both Asia-NthAm & Asia-ME are the strongest performers amongst the largest international markets, with growth in all three having improved over recent months.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



## Freight tonne kilometers (FTKs)

%change on a yr ago	2015	May-16	Jun-16	Jul-16
<b>Region (registration basis)</b>				
Asia Pacific	2.3	-0.6	3.5	4.9
World	2.2	1.5	4.5	5.0
<b>Routes (segment basis)</b>				
Asia - Europe	-4.9	1.5	2.4	2.9
Asia - Nth America	5.1	-2.7	2.2	1.8
Within Asia	-0.4	4.5	9.8	6.5
Asia - Middle East	9.8	3.3	3.8	0.5
S/w Pacific - N/S America	12.5	10.9	9.9	27.8
Asia - Africa	1.3	18.5	21.8	20.7

Source: IATA Statistics

- Industry-wide air freight growth moved higher again in July, with RPKs now up a solid 5%yoy. Asia-Pac carriers also saw an improvement in freight volumes, with growth rising to be in line with the industry pace of the past year.
- At the segment level, performance was mixed this month. Amongst the main markets, FTKs for the largest Asia-Europe market lifted to almost 3%yoy but growth rates eased for each of Asia- NthAm, Within Asia &

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2015	May-16	Jun-16	Jul-16
<b>Passenger</b>					
Asia Pacific	ASK	6.7	7.2	7.3	8.2
	PLF	78.6	77.0	79.1	81.2
World	ASK	5.6	5.6	5.6	6.0
	PLF	80.2	78.8	80.7	83.7
<b>Freight</b>					
Asia/Pacific	AFTK	5.7	2.3	3.1	2.7
	FLF	53.9	52.4	54.7	53.1
World	AFTK	6.3	4.4	5.0	5.2
	FLF	44.1	42.4	43.2	41.3

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

- The region's carriers have increased pax capacity by more than 8% over the past year, more than 2pp faster than the industry overall.
- The converse situation holds for freight where the Asia-Pac growth in AFTKs has been subdued, at just 2.7%yoy, well down on the solid 5.2% industry rate.
- The load factor story is similarly mixed; despite recording an improved PLF, slightly above 81% in July, the Asia-Pac carriers are solidly below the industry-wide figure of 83.7%. But, for the FLF, at ~53% Asia-Pac easily outperforms the industry aggregate, by ~12pp currently.

- The latest Q2 financial data show an operating margin

### Airline EBIT margins\*

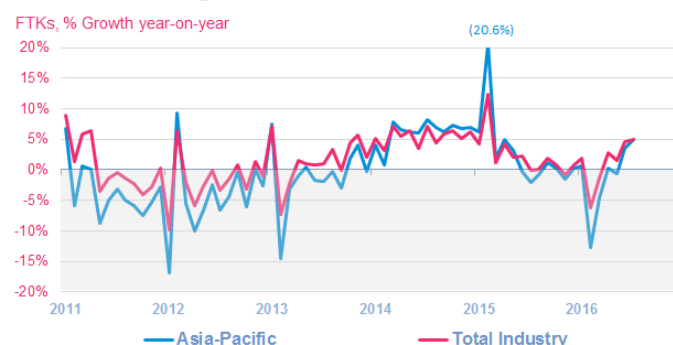
%revenues	2014	2015	2015Q2	2016Q2
Asia Pacific	2.5	7.7	4.4	4.4
Industry	4.7	8.3	9.7	9.9

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

Asia-ME markets. Looking through the volatility, however, the overall trend seems to broadly point to modest overall improvement in recent months.

- More easy to interpret is the strong performance in the two smaller markets of S/w Pac-Nth/SthAm & Asia-Africa where FTK growth has supported the overall regional outcome, despite their modest market size.

### Growth in air freight volumes



Source: IATA Statistics

for the region's airlines unchanged from a year ago, at a modest 4.4%. This figure is less than half the overall industry rate of almost 10%, bolstered by the ongoing strong financial performance of the NthAm carriers.

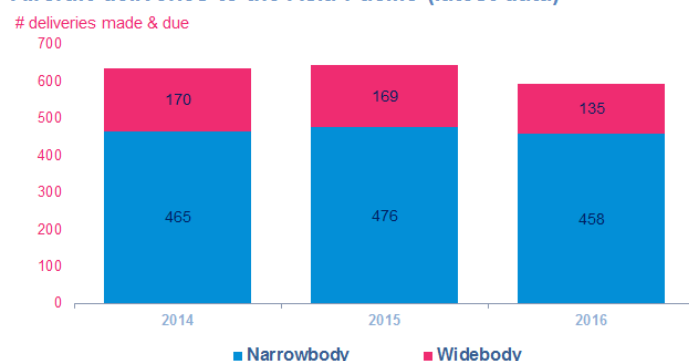
- With the exception of Japan domestic (up 2.2%), pax yields in the main domestic & international markets remain well down on a year ago. India domestic, Asia-Eur & Asia-SthAm are all in double-digit yield decline compared with levels of a year ago.

### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2015	May-16	Jun-16	Jul-16
India domestic	-14.5	-15.9	-17.9	-14.5
Japan domestic	-11.9	1.2	2.5	2.2
Australia domestic	-10.4	-8.7	-8.3	-7.5
Asia - Europe	-19.1	-8.5	-8.8	-10.0
Within Asia	-7.7	-12.2	-11.2	-9.6
Asia - Nth America	-15.1	-9.4	-8.4	-7.9
Asia - Middle East	-7.6	-11.9	-12.4	-8.8
Asia - Sth America	-18.0	-12.7	-13.4	-11.2
Asia - Africa	-17.8	-8.3	-9.2	-6.0

Source: IATA PaxIS

### Aircraft deliveries to the Asia Pacific (latest data)



Source: Ascend