



STATE OF THE REGION: ASIA-PACIFIC

SEPTEMBER 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*	3.2	3.2	3.2	3.2

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2017	Jun-18	Jul-18	Aug-18
US\$ broad index	120.0	123.4	124.1	125.3
Japanese yen (JPY)	112.6	110.8	111.8	110.9
Australian dollar (AUD)	1.28	1.35	1.35	1.39
Sth Korean won (KRW)	1068	1113	1115	1117
Indian rupee (INR)	63.9	68.5	68.5	71.0
Indonesian rupiah (IDR)	13636	14313	14463	14669
Thai baht (THB)	32.6	33.1	33.2	32.8
Malaysian ringgit (MYR)	4.05	4.04	4.07	4.11

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Jun-18	Jul-18	Aug-18
Crude oil (Brent)	54.2	74.4	74.3	72.5
Jet fuel	65.6	87.8	88.1	89.0

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

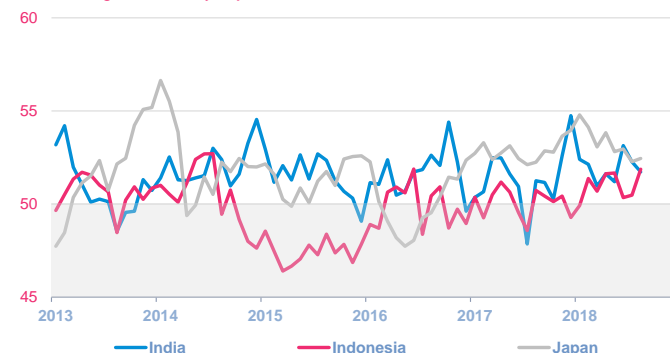
%change on a yr ago	2017	May-18	Jun-18	Jul-18
Region (registration basis)				
Asia Pacific	10.2	8.8	11.4	9.4
World	7.6	6.3	8.1	6.2
Routes (segment basis)				
India domestic	17.5	15.8	16.1	18.3
Japan domestic	5.8	1.7	3.7	1.0
Australia domestic	0.4	3.1	0.9	1.5
Asia - Europe	9.5	4.4	7.9	5.6
Within Asia	11.2	9.3	12.6	9.6
Asia - Nth America	4.9	4.2	4.0	3.3
Asia - Middle East	7.3	-0.8	8.2	4.7
S/w Pacific - N/S America	5.9	5.8	7.0	5.7
Asia - Africa	4.1	4.7	7.4	11.9

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

- ➔ Annual growth in industry-wide RPKs eased a little in July, to 6.2%yoy – down from 8.1% last month & returning to around the pace of growth in May. The July outcome marked a solid start to this year's peak passenger demand season.
- ➔ Pax volume growth for the AsiaPac carriers also eased this month, down 2pp to 9.4%yoy. Even so, AsiaPac

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



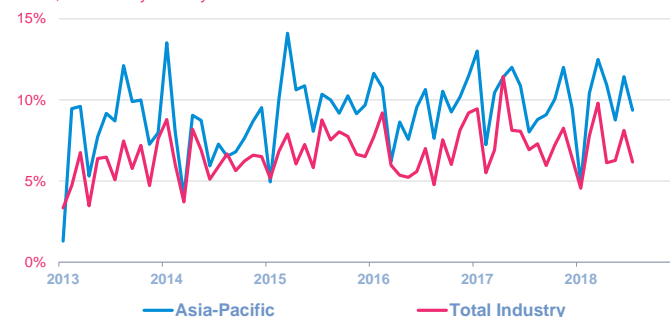
- ➔ Robust Q2 GDP growth outcomes, particularly for India & Indonesia, continue to broadly support regional business & consumer confidence. Global trade tensions remain a key risk for many countries in the region.
- ➔ On a trade-weighted basis, the US\$ rose by 1.0% in Aug to a level last seen in early 2017. Amongst the main regional currencies, movements were generally muted this month; the AUD & INR both fell by 3-3.5% vs the US\$ while the JPY & THB both gained 1-1.5%.
- ➔ Brent crude oil prices fell by 2.3% in Aug while the price of jet fuel increased by 1%, reflecting a widening in the crack spread. The crude oil price averaged US\$72.5/bbl for the month & the jet price averaged US\$89.

easily retained its position as the fastest growing region in terms of pax volumes this month.

- ➔ The domestic India market went against the broader aggregate trends, with RPK growth increasing in July, to 18.3%yoy.
- ➔ Amongst the region's main international markets, Within Asia continues to grow strongly, with pax volumes up a sizeable 9.6%yoy. FTKs for the European market are up a solid 5.6%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2017	May-18	Jun-18	Jul-18
Region (registration basis)				
Asia Pacific	7.7	4.0	1.4	0.9
World	9.1	3.8	2.5	2.1
Routes (segment basis)				
Asia - Europe	11.0	-0.8	-0.5	0.9
Asia - Nth America	8.7	4.7	1.5	0.1
Within Asia	13.0	6.1	0.4	0.4
Asia - Middle East	6.3	2.8	4.9	6.2
S/w Pacific - N/S America	28.4	8.3	-1.6	6.7
Asia - Africa	58.6	-0.7	-14.6	-9.1

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

- ➔ Annual growth in industry-wide FTKs eased to 2.1% in July, down from 2.5% in June, to its slowest pace since May 2016. In year-to-date terms, industry-wide FTKs have grown by a solid 4.3% in the first 7 months of the year vs the same period a year ago.
- ➔ At the regional level, FTK growth for the Asia-Pacific airlines also slowed again this month, to a modest 0.9%yoy, from 1.4%yoy in June.

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2017	May-18	Jun-18	Jul-18
Passenger					
Asia Pacific	ASK	8.4	8.7	9.9	7.9
	PLF	81.0	79.5	81.8	82.9
World	ASK	6.3	6.1	6.7	5.5
	PLF	81.5	80.0	82.9	85.2
Freight					
Asia/Pacific	AFTK	3.0	7.5	5.4	3.9
	FLF	55.2	54.8	54.3	53.4
World	AFTK	3.6	5.0	3.8	3.8
	FLF	45.2	44.9	44.3	42.7

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

- ➔ With annual growth in passenger demand outstripping capacity, the industry-wide PLF has increased by 0.6pp, to 85.2% currently. The converse holds for freight, with the FLF down 0.7pp over the past year, to 42.7%.
- ➔ For the region's airlines, a PLF of 82.9% currently – despite being a 1.1pp improvement on a year ago – remains below the industry-wide outcome. The region's FLF is 1.6pp lower than the same time a year ago, but continues to set the benchmark across regions.
- ➔ The latest data for Q2 confirm a decline in industry financial performance vs a year ago. The EBIT margin is currently 7.5% industry-wide (from 10.6% a year ago) &

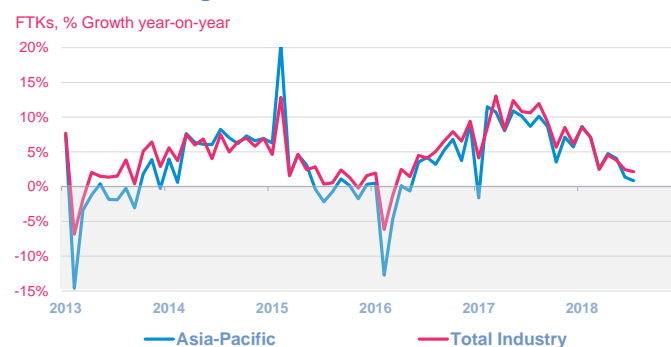
Airline operating (EBIT) margins*

%revenues	2016	2017	2017Q2	2018Q2
Asia Pacific	7.4	5.5	5.0	2.8
Industry	8.5	7.5	10.6	7.5

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

- ➔ The soft growth outcomes are widespread across the region's main markets; Europe, Nth America & Within Asia. And FTKs have fallen over the past year for the smaller Africa market, down a sizeable 9%yoy.
- ➔ Partly offsetting this weakness, growth in freight volumes remains healthy for the Middle East market & on routes between the Southwest Pacific & Nth/Sth America.

Growth in air freight volumes



Source: IATA Statistics

2.8% for the region's carriers (from 5.0% in 2Q17). Note that these data are not adjusted for seasonal influences.

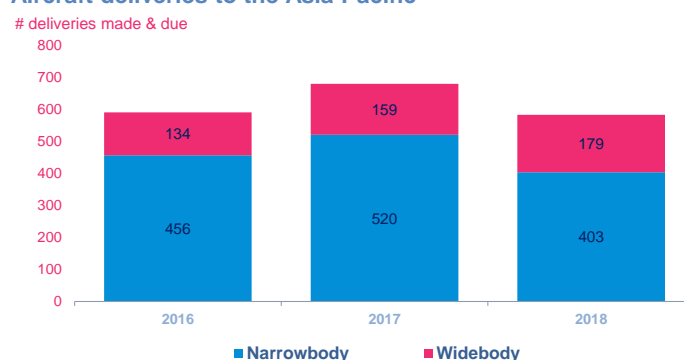
- ➔ Passenger yield developments across the region's key markets over the past year are mixed. Australia domestic yields are showing the strongest gain over the past year (up 5.8%), followed by Asia-Nth America (up 5.1%). However, yields are lower than their level of a year ago for a number of important markets, including India domestic & Within Asia.

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

%change on a yr ago	2017	May-18	Jun-18	Jul-18
India domestic	-2.3	4.5	3.8	-2.3
Australia domestic	5.5	7.4	6.2	5.8
Asia - Europe	1.9	2.5	1.9	0.9
Within Asia	-5.6	4.4	1.7	-1.0
Asia - Nth America	-3.2	2.8	4.3	5.1
Asia - Middle East	-3.5	-6.9	-4.0	-3.2
Asia - Sth America	-4.2	3.2	5.1	-2.8
Asia - Africa	-0.1	0.6	4.2	3.3

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

Aircraft deliveries to the Asia Pacific



Source: Ascend