

State of the region: Asia Pacific

September 2020

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q4 2019	Q1 2020	Q2 2020
India	4.9	4.1	3.1	-23.9
Japan	0.7	-0.7	-1.9	-10.1
Indonesia	5.0	5.0	3.0	-5.3
Korea	2.0	2.4	1.4	-2.8
Australia	1.8	2.3	1.6	-6.3
Thailand	2.4	1.5	-2.0	-12.1
Malaysia	4.3	3.6	0.7	-17.1
World*	2.5	2.4	-1.7	-9.3

* Market exchange rate basis Source: Datastream

Exchange rates

end of period, # per US\$	2019	Jun-20	Jul-20	Aug-20
US\$ broad index	114.7	120.9	117.6	116.1
Japanese yen (JPY)	108.6	107.9	105.7	106.5
Australian dollar (AUD)	1.43	1.45	1.39	1.36
Sth Korean won (KRW)	1155	1199	1193	1187
Indian rupee (INR)	71.4	75.5	74.8	73.6
Indonesian rupiah (IDR)	13883	14285	14600	14563
Thai baht (THB)	30.0	30.9	31.2	31.1
Malaysian ringgit (MYR)	4.09	4.29	4.24	4.17

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Jun-20	Jul-20	Aug-20
Crude oil (Brent)	64.2	40.9	43.3	45.1
Jet fuel	79.6	41.8	45.5	45.4

Source: Platts, Datastream (monthly average data)

Market

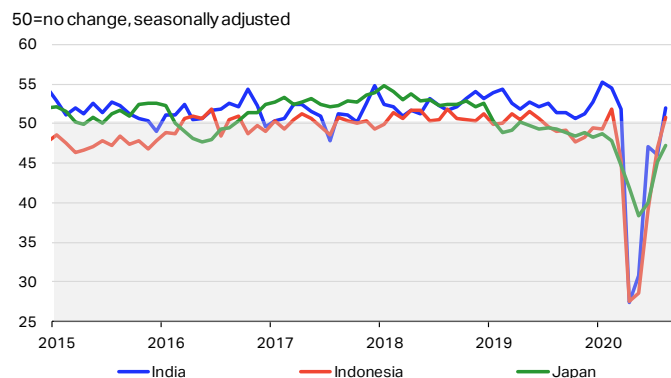
Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	May-20	Jun-20	Jul-20
Region (registration basis)				
Asia Pacific	4.6	-81.9	-76.7	-72.2
World	4.1	-91.0	-86.6	-79.8
Routes (segment basis)				
Japan domestic	3.7	-90.7	-74.9	-65.2
Australia domestic	0.7	-96.4	-93.2	-90.0
Asia - Europe	6.7	-98.2	-97.2	-95.8
Within Asia	5.3	-99.1	-98.9	-98.4
Asia - Nth America	2.4	-97.1	-95.7	-94.4
Asia - Middle East	4.2	-98.7	-96.8	-93.3
S/w Pacific - N/S America	4.8	-98.2	-97.3	-97.6
Asia - Africa	3.5	-99.1	-98.5	-97.6

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

- Industry-wide revenue passenger-kilometres (RPKs) contracted by 79.8% year-on-year in July vs. an 86.6% fall in June. The gradual rise in demand continued to be largely driven by domestic markets.
- Asia Pacific airlines recorded the slowest rate of annual RPK contraction of all regions in July, down 72.2%yoy. As was the case at the industry level, its recovery was dominated by improving demand on some of the key domestic markets.

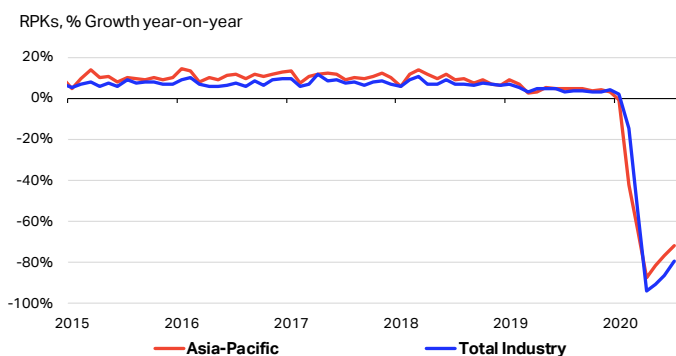
Business confidence - manufacturing PMIs



- Business sentiment in Indonesia and India returned to the territory associated with expansion in August as COVID-19 restrictions were lifted and business operations resumed. In Japan, operating conditions remained subdued. However, improvement is expected in the period ahead as the global economy recovers.
- The trade-weighted US dollar depreciated further in August, down 1.2%. All key regional currencies except for the JPY ended the month higher against the US\$.
- Oil and jet fuel prices were stable in August, averaging ~45US\$/bbl. The average jet fuel crack spread narrowed as the second wave of COVID-19 in several regions raised concerns about the air travel outlook.

- In Japan, domestic RPKs fell by 65.2% year-on-year, a modest improvement on the 74.9% annual fall in June. Faster recovery of the market was hindered by a new spike in COVID-19 cases.
- Australia remained the main underperformer amongst the key domestic markets for the fourth consecutive month (RPKs down 90%yoy) due to travel restrictions between states and territories.
- Key international routes did not show any significant uptick from June, contracting by more than 90%yoy.

Growth in air passenger volumes



Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	May-20	Jun-20	Jul-20
Region (registration basis)				
Asia Pacific	-5.6	-21.9	-19.8	-17.7
World	-3.2	-19.8	-16.6	-13.5
Routes (segment basis)				
Asia - Europe	-1.5	-22.4	-21.9	-20.0
Asia - Nth America	-3.7	0.8	0.4	3.7
Within Asia	-7.7	-38.3	-31.4	-27.3
Asia - Middle East	-2.3	-20.0	-17.2	-14.3
S/w Pacific - N/S America	-8.5	-69.5	-71.1	-61.4
Asia - Africa	12.6	3.0	20.1	5.4

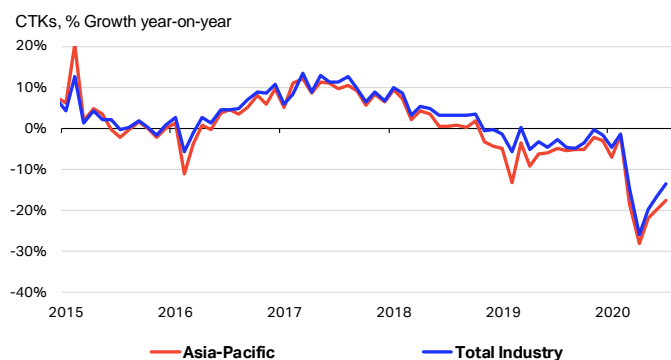
Source: IATA Economics. Note: historical data may be subject to revision

- Industry-wide cargo tonne-kilometres (CTKs) fell by 13.5% year-on-year in July 2020, the slowest rate of annual decline since February 2020.
- The overall recovery in the air cargo business has been slower than the rebound in economic indicators such as manufacturing output and new export orders so far. The weak outcome can be partly explained by the

ongoing shortage in air cargo capacity.

- Carriers based in Asia Pacific posted a 17.7%yoy decline in cargo volumes vs. a 19.8% fall in June. Of the larger international routes, Asia-Nth.Am posted the most robust outcome (+3.7%yoy), benefitting from solid US demand for e-commerce goods and a smaller capacity decline than in other markets.

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago,		2019	May-20	Jun-20	Jul-20
LF: % of ASK/ACTK					
Passenger					
Asia Pacific	ASK	4.3	-76.7	-70.0	-64.9
	PLF	81.9	62.7	64.0	65.7
World	ASK	3.3	-85.9	-80.3	-70.1
	PLF	82.6	52.0	57.7	57.9
Cargo					
Asia/Pacific	ACTK	0.9	-35.7	-35.4	-33.2
	CLF	52.3	64.5	65.2	63.9
World	ACTK	2.0	-33.8	-33.4	-31.2
	CLF	46.8	57.2	57.5	56.4

Source: IATA Economics. Note: LF=load factor. ASK=available seat kilometers. ACTK=available cargo tonne kilometers

- Since recovery in demand (RPKs) remained slower than the rebound in capacity (ASKs), passenger load factors stayed at or close to record lows at the industry level (57.9%) as well as for the Asia Pacific carriers (65.7%).
- In contrast, the industry-wide air cargo load factor (CLF) reached a new record high in July, as available capacity in the market remained limited. Asia Pacific airlines posted a CLF of 63.9%, up 12ppts compared with a year ago.
- The latest financial results from the second quarter of 2020 confirmed the severe impact of the pandemic on airline industry. The quarterly net post-tax loss (US\$31.6bn) surpassed the annual industry-wide loss in the 2008 financial crisis.

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q2	2020Q2
Asia Pacific	4.7	3.7	8.3	-39
Industry	5.7	5.2	10.0	-97

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

- On a positive note, some Asia Pacific airlines returned to profitability in Q2 after posting large losses in Q1, underpinned by reorganizing their cargo business and benefiting from high cargo yields.
- Note that the passenger yield data during the lockdown period should be interpreted with caution due to the dramatic fall in tickets being sold.

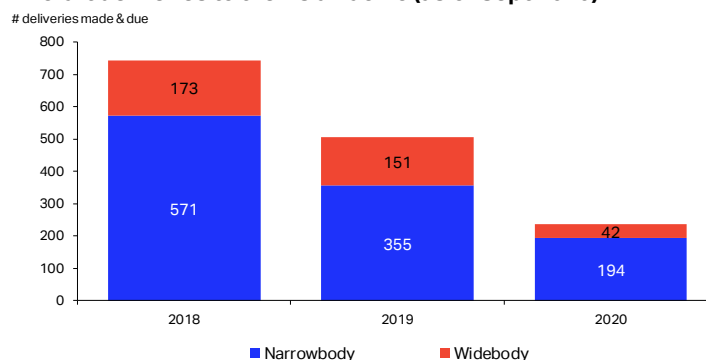
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	May-20	Jun-20	Jul-20
India domestic	3.3	-34.3	-27.3	-10.6
Australia domestic	-5.6	-6.8	10.4	14.1
Asia - Europe	-7.7	-8.5	-7.2	-11.6
Within Asia	-4.5	-26.2	-26.7	-25.7
Asia - Nth America	-2.6	0.7	4.8	2.8
Asia - Middle East	7.7	-6.6	12.3	21.3
Asia - Sth America	-7.8	11.8	31.9	19.7
Asia - Africa	-5.8	40.4	62.9	60.4

Source: DDS Note: historical data may be subject to revision

- The latest data indicate a 53% fall in jet aircraft deliveries scheduled for Asia Pacific carriers in 2020 versus 2019. This fall is driven by orders of both wide-body and narrow-body aircraft.

Aircraft deliveries to the Asia Pacific (as of Sept 2020)



Source: Ascend