



STATE OF THE REGION: ASIA-PACIFIC

MARCH 2018

Economy

GDP growth, selected countries

%change on a yr ago	2016	2017Q2	2017Q3	2017Q4
India	7.9	5.7	6.5	7.2
Japan	0.9	1.6	1.9	2.1
Indonesia	5.0	5.0	5.1	5.2
Korea	2.8	2.7	3.8	3.0
Australia	2.6	2.0	2.9	2.4
Thailand	3.3	3.9	4.3	4.0
Malaysia	4.2	5.8	6.2	5.9
World*	2.4	2.9	3.2	3.2

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2017	Dec-17	Jan-18	Feb-18
US\$ broad index	120.0	120.0	117.2	117.6
Japanese yen (JPY)	112.6	112.6	109.2	106.8
Australian dollar (AUD)	1.28	1.28	1.24	1.28
Sth Korean won (KRW)	1068	1068	1068	1083
Indian rupee (INR)	63.9	63.9	63.6	65.2
Indonesian rupiah (IDR)	13636	13636	13362	13773
Thai baht (THB)	32.6	32.6	31.3	31.5
Malaysian ringgit (MYR)	4.05	4.05	3.90	3.92

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Dec-17	Jan-18	Feb-18
Crude oil (Brent)	54.2	64.4	69.1	65.3
Jet fuel	65.6	76.3	82.0	77.7

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

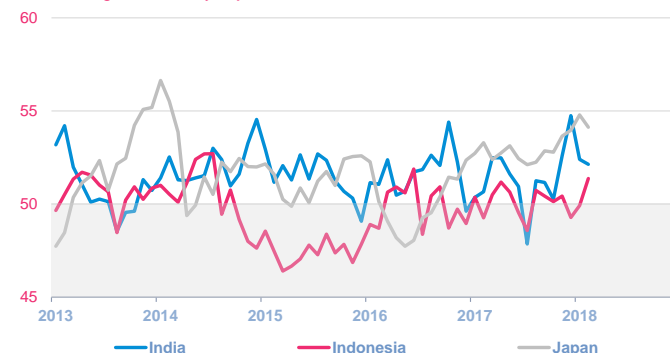
%change on a yr ago	2017	Nov-17	Dec-17	Jan-18
Region (registration basis)				
Asia Pacific	10.2	12.0	9.4	5.4
World	7.6	8.3	6.4	4.6
Routes (segment basis)				
India domestic	17.5	16.4	17.4	17.9
Japan domestic	5.8	6.9	2.1	2.8
Australia domestic	0.5	3.3	2.7	2.9
Asia - Europe	9.5	9.8	7.0	4.8
Within Asia	9.4	13.7	9.6	5.0
Asia - Nth America	4.9	5.4	3.3	0.3
Asia - Middle East	7.4	9.3	3.7	3.8
S/w Pacific - N/S America	5.9	3.7	8.2	5.9
Asia - Africa	4.1	2.0	7.3	4.5

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

- Industry-wide RPKs grew by 4.6%yoy in Jan, down almost 2pp from Dec & its slowest pace in nearly four years. However, the later timing of Lunar New Year (LNY) appears to account for a good part of this result & a rebound could reasonably be expected next month.
- Pax volumes for the AsiaPac carriers – the region most likely to be affected by the LNY disruption – eased

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



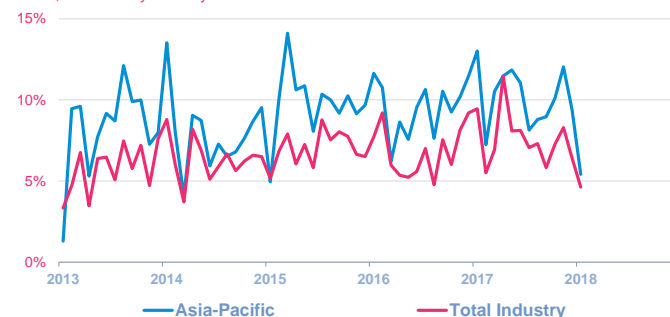
- Business confidence in Indonesia rose sharply this month, to its highest level since mid-2016, buoyed by a recovery in domestic demand. The latest data for both Japan & India showed a slight fall, but the confidence level remains consistent with robust economic activity.
- On a trade-weighted basis, the US\$ rose a modest 0.3% in Feb, after consecutive monthly declines. Key regional currencies were generally lower vs the US\$; the AUD, IDR & INR fell 2.5-3.5%. The JPY rose a solid 2%.
- Brent crude oil & jet fuel prices retraced some of their recent gains in Feb, easing by close to 5.5% in the month. However, the broader picture is that both are currently ~20% higher than their level of a year ago.

disproportionately, with RPK growth 4pp slower in Jan compared with Dec, at 5.4%yoy currently.

- Domestic India posted double-digit yoy RPK growth for the 41st consecutive month, at 17.9%. In contrast, the Japan & Australia domestic markets grew by ~3%yoy.
- Of the larger international markets for the region, Europe-Asia & Within Asia continue to be the strongest performers, with RPK growth of ~5%yoy. Asia-NthAm volumes are currently just 0.3% higher than a year ago.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Nov-17	Dec-17	Jan-18
Region (registration basis)				
Asia Pacific	7.8	7.4	5.1	7.7
World	9.0	8.5	5.8	8.0
Routes (segment basis)				
Asia - Europe	11.0	8.2	6.3	11.3
Asia - Nth America	8.8	8.0	6.4	7.5
Within Asia	12.2	11.0	8.4	12.5
Asia - Middle East	6.3	6.9	12.8	5.7
S/w Pacific - N/S America	31.1	25.7	30.5	5.7
Asia - Africa	58.6	45.8	22.5	23.9

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

- ➔ Although mindful of the potential LNY distortions for annual air freight outcomes also at year-start, industry-wide FTKs stepped up in Jan, increasing to a robust 8.0%yoy, from 5.8% in Dec.
- ➔ AsiaPac carriers also recorded a stronger growth outcome in Jan, with FTKs currently 7.7% higher than their level of a year ago – broadly in line with the industry-wide outcome.

Industry

Capacity growth and load factors

%ch on a yr ago, LF: %of ASK/AFTK		2017	Nov-17	Dec-17	Jan-18
Passenger					
Asia Pacific	ASK	8.4	9.0	8.4	6.6
	PLF	81.0	81.1	81.2	80.6
World	ASK	6.4	6.4	5.8	5.3
	PLF	81.5	80.4	80.8	79.6
Freight					
Asia/Pacific	AFTK	1.4	2.6	2.8	2.2
	FLF	56.1	59.0	56.5	52.4
World	AFTK	3.0	4.4	3.6	4.2
	FLF	45.5	48.8	46.7	43.3

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

- ➔ Industry-wide, annual pax capacity grew faster than demand for the first time in 15 months in Jan. The industry-wide PLF slipped below 80%, to 79.6%, an even 1pp below that of the AsiaPac carriers this month.
- ➔ The overall industry FLF also eased somewhat in Jan, down ~3.5pp to 43.3%, & remaining almost 10pp lower than the (industry-leading) 52.4% outcome for the AsiaPac airlines.
- ➔ The latest financial data for Q4 show an EBIT margin that is essentially unchanged for the region's carriers vs a year ago, at 9.4% currently. The performance of the industry overall is a little softer, currently 8.6%, down

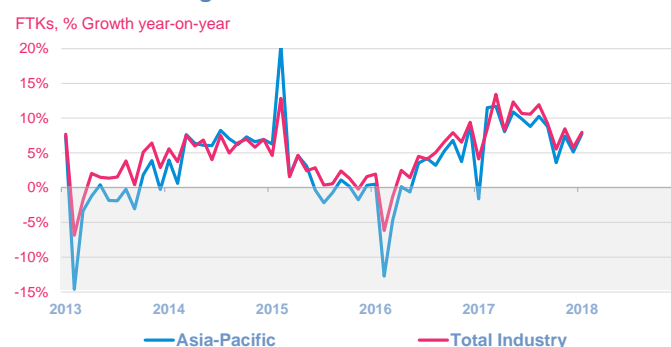
Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q4	2017Q4
Asia Pacific	8.0	10.0	9.3	9.4
Industry	8.5	8.8	8.9	8.6

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

- ➔ Of the region's key markets, Asia-Europe & Within Asia, along with the smaller Asia-Africa, are the standout performers, all showing strong, double-digit yoy growth.
- ➔ The latter continues to be underpinned by foreign investment flows, but the yoy growth rate will likely drop away in coming months, to a more 'normal' pace due to developments in the early part of 2017.

Growth in air freight volumes



Source: IATA Statistics

from 8.9% in Q3 2016.

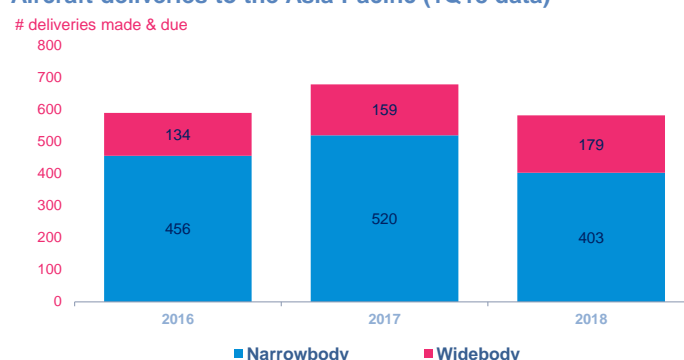
- ➔ Industry-wide passenger yields continue to broadly trend sideways as they have done for more than 12 months now. For the region's key markets, however, all yields are now higher than their level of a year ago, albeit only just in the case of NthAm-Asia (+0.7%). The strongest gain is in the Australia domestic market, where yields are up 11.4%yoy, followed closely by Asia-Europe (9.5%) & India domestic (8.0%).

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

%change on a yr ago	2016	Nov-17	Dec-17	Jan-18
India domestic	-15.3	5.1	3.0	8.0
Australia domestic	-9.2	7.0	6.9	11.4
Asia - Europe	-10.8	6.6	7.0	9.5
Within Asia	-10.3	-2.3	0.2	1.6
Asia - Nth America	-7.3	-2.9	-3.6	0.7
Asia - Middle East	-10.7	-1.8	0.5	1.3
Asia - Sth America	-9.2	-4.0	3.7	2.8
Asia - Africa	-8.9	2.3	7.4	2.8

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

Aircraft deliveries to the Asia Pacific (1Q18 data)



Source: Ascend