

State of the region: Asia Pacific

March 2020

Economy

GDP growth, selected countries

% change on a yr ago	2018	Q2 2019	Q3 2019	Q4 2019
India	6.8	5.6	5.1	4.7
Japan	0.3	0.9	1.7	-0.7
Indonesia	5.2	5.1	5.0	5.0
Korea	2.7	2.1	2.0	2.3
Australia	2.7	1.6	1.8	2.2
Thailand	4.1	2.4	2.6	1.6
Malaysia	4.7	4.9	4.4	3.6
World*	3.2	2.6	2.5	2.5

* Market exchange rate basis † Estimate Source: Datastream

Exchange rates

end of period, # per US\$	2019	Dec-19	Jan-20	Feb-20
US\$ broad index	114.7	114.7	115.8	117.8
Japanese yen (JPY)	108.6	108.6	108.4	108.0
Australian dollar (AUD)	1.43	1.43	1.49	1.55
Sth Korean won (KRW)	1155	1155	1198	1209
Indian rupee (INR)	71.4	71.4	71.4	72.2
Indonesian rupiah (IDR)	13883	13883	13655	14348
Thai baht (THB)	30.0	30.0	31.2	31.6
Malaysian ringgit (MYR)	4.09	4.09	4.10	4.22

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Dec-19	Jan-20	Feb-20
Crude oil (Brent)	64.2	65.3	63.9	55.7
Jet fuel	79.6	80.1	76.2	65.1

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

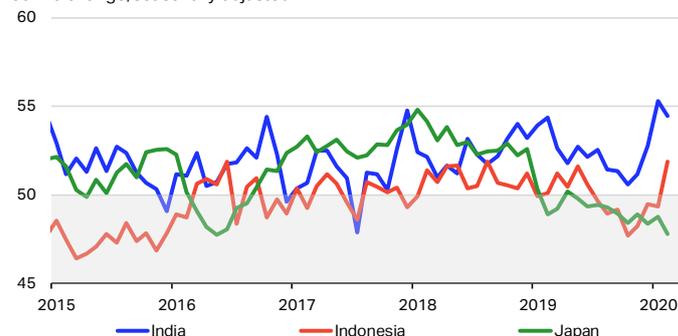
% change on a yr ago	2019	Nov-19	Dec-19	Jan-20
Region (registration basis)				
Asia Pacific	4.8	4.4	3.8	0.4
World	4.2	3.2	4.6	2.4
Routes (segment basis)				
India domestic	5.2	11.7	2.8	2.5
Japan domestic	3.9	3.4	2.1	3.8
Australia domestic	0.2	-0.1	1.9	0.1
Asia - Europe	6.6	6.2	5.1	4.1
Within Asia	6.4	6.5	5.2	4.7
Asia - Nth America	2.0	0.9	6.0	3.0
Asia - Middle East	3.5	7.5	5.2	5.2
S/w Pacific - N/S America	4.8	1.5	3.5	3.5
Asia - Africa	5.0	10.7	7.9	4.3

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

- Industry-wide revenue passenger kilometres (RPKs) rose by 2.4% year-on-year in Jan. This is the slowest growth outturn since Apr 2010 when European airspace was partly closed due to volcanic ash clouds.
- RPKs of airlines registered in Asia Pacific expanded by 0.4%yoy in Jan, 3.4ppts below the pace of Dec. The sharp slowdown was driven by the negative impact

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

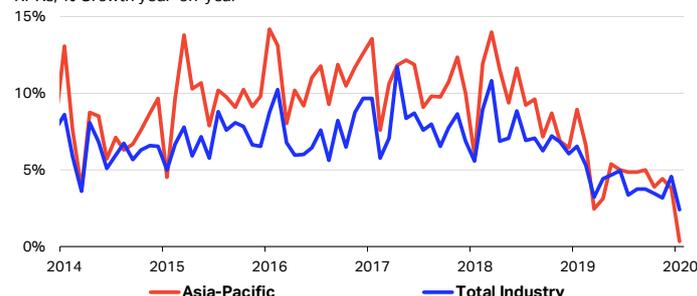
- Business confidence picked up in Indonesia and remained elevated in India in Feb as higher demand helped to outweigh concerns around COVID-19. In Japan, sentiment deteriorated further as operating conditions were adversely impacted by both disrupted supply chains and shrinking demand.
- The US\$ rose again this month, up ~1.7% overall. Of the key regional currencies, the IDR was the main mover in Feb, losing ~5% against the US\$, followed by the AUD (down 3.7%).
- The monthly average jet fuel and crude oil price collapsed following the COVID-19 outbreak in China. The jet fuel crack spread also narrowed as fuel demand from aviation was hit particularly hard by the crisis.

of COVID-19 on air travel in the region, exacerbated by a soft economic backdrop in several key economies.

- RPK growth in the India domestic market was broadly unchanged from the previous month at 2.5%. Domestic RPKs in Australia edged up by 0.1% annually, a pace broadly in line with its 2019 average.
- YoY growth either softened or stabilized vs December across the other key regional markets. The main mover this month was the smaller Asia-Africa market, where growth eased by ~3.5ppts to 4.3%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Nov-19	Dec-19	Jan-20
Region (registration basis)				
Asia Pacific	-5.7	-2.7	-2.8	-5.9
World	-3.2	-0.6	-1.4	-3.3
Routes (segment basis)				
Asia - Europe	-1.9	1.9	-1.5	-3.8
Asia - Nth America	-3.7	-1.0	-2.3	-3.0
Within Asia	-7.4	-2.4	-0.2	-9.4
Asia - Middle East	-2.7	0.6	1.0	-1.7
S/w Pacific - N/S America	-8.5	-13.4	-5.6	4.7
Asia - Africa	12.4	38.9	17.0	2.3

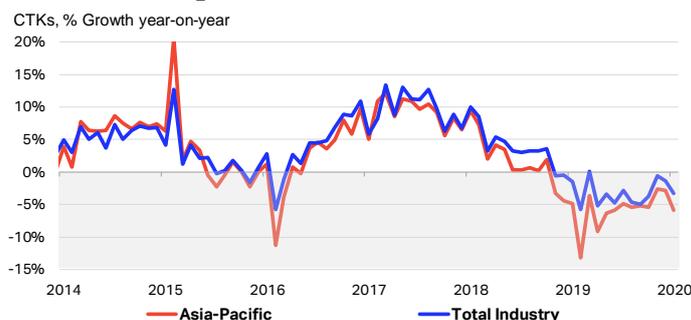
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide air cargo tonne kilometres (CTKs) contracted by 3.3%yoy in Jan. Since disruptions from COVID-19 partly coincided with Chinese New Year holiday when factories in China are typically closed, the initial impact of the virus on air cargo was muted.
- The impact, however, is more evident for the Asia Pacific region where CTKs contracted by 5.9%yoy, ~3ppts faster than in Dec. While partly reflecting the

change in timing of the New Year celebrations, the virus outbreak has also played a part in this month's regional outcome.

- Amongst the region's main air cargo markets, significant shifts are evident in the Within Asia market (unsurprisingly), as well as the Asia-Africa market, which grew at a strong double-digit pace in 2019.
- On a more positive note, growth returned to positive territory (4.7%yoy) in the smaller S/w Pacific – N/S America market for the first time in 10 months.

Growth in air cargo volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago,		2019	Nov-19	Dec-19	Jan-20
LF: % of ASK/ACTK					
Passenger					
Asia Pacific	ASK	4.6	3.1	2.8	2.2
	PLF	81.9	81.3	81.6	79.9
World	ASK	3.4	1.9	2.2	1.7
	PLF	82.6	80.9	82.2	80.3
Cargo					
Asia/Pacific	ACTK	1.1	2.0	2.7	0.0
	CLF	52.2	54.3	52.3	47.4
World	ACTK	2.2	3.2	3.8	0.9
	CLF	46.7	49.7	46.9	45.0

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

- Growth in industry-wide seat and cargo-tonne capacity (ASK/ACTK) slowed significantly in Jan amidst volatility around the Chinese New Year holiday and some preliminary COVID-19 related disruptions.
- With demand outpacing capacity, the passenger load factor (PLF) reached a record-high outcome for the month of Jan. On the cargo side, the industry-wide LF eased by 1.9ppts vs a year ago.
- At the regional level, Asia Pacific airlines recorded a PLF and CLF both below Jan 2019 levels, down 1.5ppts and 3ppts respectively.
- Airline financial data for Q4 2019 point to a moderate

Airline operating (EBIT) margins*

% revenues	2018	2019E	2018Q4	2019Q4
Asia Pacific	4.7	3.5	6.0	7.1
Industry	5.7	5.1	7.0	8.4

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

improvement in industry-wide profitability (up 1.4ppts vs Q4 2018) ahead of global disruptions from the virus. For Asia Pacific carriers, the EBIT margin improved by ~1ppt to 7.1% of revenues.

- Developments in passenger yields (denominated in US\$) were more positive in Jan. For several key markets, annual growth returned into positive territory (e.g. domestic India). For others, the speed of contraction eased significantly, incl. Asia-Europe.

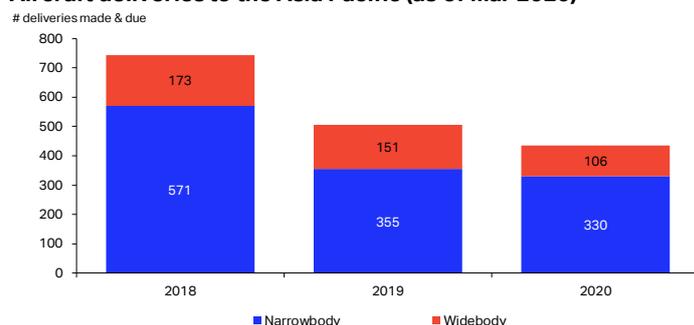
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Nov-19	Dec-19	Jan-20
India domestic	3.5	-4.6	-1.5	1.4
Australia domestic	-5.6	-6.2	-1.2	1.7
Asia - Europe	-7.7	-6.6	-6.7	-3.9
Within Asia	-4.5	-2.0	-2.8	3.6
Asia - Nth America	-2.6	-1.1	-4.6	2.6
Asia - Middle East	7.8	5.7	5.8	5.7
Asia - Sth America	-7.8	-6.8	-4.1	-2.1
Asia - Africa	-5.8	-5.1	-4.5	1.6

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

- The latest data show a slight fall in jet aircraft deliveries scheduled for Asia Pacific carriers in 2020 vs 2019.

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



Source: Ascend