

State of the region: North Asia

April 2019

Economy

GDP growth, selected countries

% change on a yr ago	2017	Q2 2018	Q3 2018	Q4 2018
China	6.8	6.7	6.5	6.4
Chinese Taipei	3.1	3.1	2.3	1.9
Hong Kong	3.8	3.5	2.8	1.3
Mongolia	5.2	6.1	6.6	7.7
Emerging Asia	6.5	--	--	--
World*	3.2	3.4	3.1	2.9

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Jan-19	Feb-19	Mar-19
US\$ broad index	128.5	126.7	126.8	127.2
Chinese renminbi (CNY)	6.88	6.70	6.69	6.71
Taiwanese dollar (TWD)	30.7	30.7	30.8	30.8
Hong Kong dollar (HKD)	7.83	7.85	7.85	7.85
Mongolian tugrik (MNT)	2640	2627	2634	2630

Source: Datastream

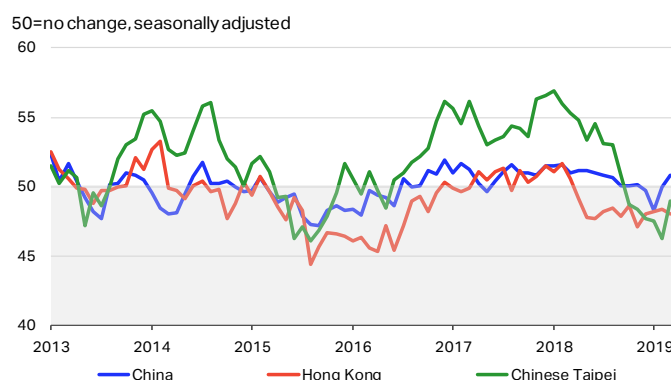
World oil and jet fuel price

US\$/barrel (period ave.)	2018	Jan-19	Feb-19	Mar-19
Crude oil (Brent)	71.7	59.9	64.4	66.9
Jet fuel	86.4	75.7	80.1	81.1

Source: Platts, Datastream (monthly average data)

- Business confidence in China left the territory associated with slowing activity in March, amidst faster growth in output and rising employment.

Business confidence - manufacturing PMIs



- Although below the 50-mark, sentiment also picked up in Chinese Taipei as the country's operating conditions showed tentative signs of improvement. In Hong Kong, confidence remains subdued amidst ongoing falls in new orders and output.
- On a trade-weighted basis, the US\$ rose by 0.3% in March, marking the 2nd consecutive month of modest growth. The CNY ended the month down by 0.3% against the US\$. Other FX movements were muted.
- OPEC supply cuts along with US sanctions imposed on Venezuela and Iran pushed oil and jet fuel prices higher for a third consecutive month.

Market

Revenue passenger kilometers (RPKs)

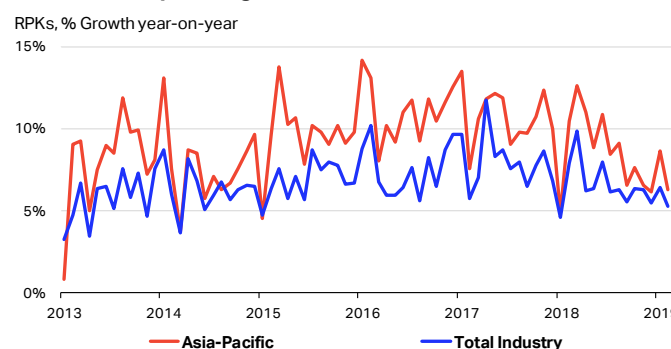
% change on a yr ago	2018	Dec-18	Jan-19	Feb-19
Region (registration basis)				
Asia Pacific	8.6	6.1	8.7	6.3
World	6.6	5.5	6.5	5.3
Routes (segment basis)				
China domestic	11.8	7.9	14.5	11.4
Asia - Europe	7.0	6.8	8.8	5.5
Within Asia	8.4	6.5	8.2	4.1
Asia - Nth America	3.9	1.4	6.3	-0.5
Asia - Middle East	4.4	1.4	0.6	1.0
Asia - S/w Pacific	7.2	5.6	9.5	5.1
Asia - Africa	9.4	9.7	11.6	-1.1

Source: IATA Statistics Asia-Pac incl North Asia

- Following a short-lived uptick to 6.5% last month, annual growth in industry-wide revenue passenger kilometres (RPKs) eased to 5.3% in February, marking the slowest year-on-year growth rate in passenger volumes in more than a year.
- The pace of growth for carriers based in Asia-Pacific, the market with the largest RPK share in the industry (34.5% of the total), slowed to 6.3%. However, it remains well above the industry-wide average.

- Domestic China topped the growth chart for the second consecutive month, with RPKs up a strong 11.4% year-on-year. This comes despite ongoing concerns regarding the impacts of the US-China trade tensions and indications of a slowing domestic economy in 2018.
- Of the key international markets, the larger Asia-Europe was the key performer this month, although the 5.5% growth was the weakest for the market in the past nine months. The smaller Asia-S/w Pacific market followed, with volumes up 5.1% vs a year ago.

Growth in air passenger volumes



Freight tonne kilometers (FTKs)

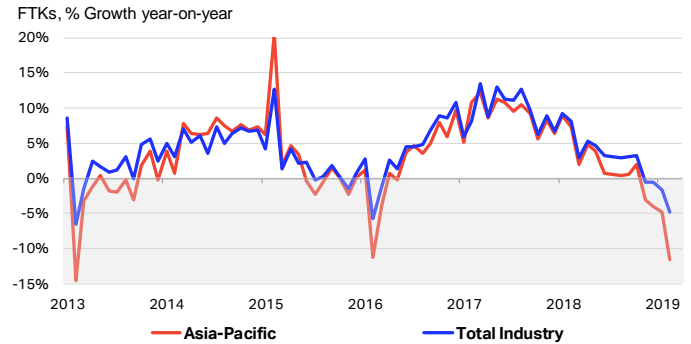
% change on a yr ago	2018	Dec-18	Jan-19	Feb-19
Region (registration basis)				
Asia Pacific	1.8	-4.0	-4.8	-11.6
World	3.5	-0.5	-1.6	-4.7
Routes (segment basis)				
Asia - Europe	1.1	-1.4	-4.5	-7.1
Asia - Nth America	3.7	-1.1	-3.7	-7.8
Within Asia	0.6	-8.5	-5.8	-15.5
Asia - Middle East	4.8	2.5	1.3	-3.8
Asia - S/w Pacific	3.0	-3.1	1.3	-6.2
Asia - Africa	-4.0	-4.2	-4.3	-22.0

Source: IATA Statistics Asia-Pac incl North Asia

- Industry-wide freight tonne kilometres (FTKs) for February were 4.7% below their level of a year ago, reflecting the weakness observed in world trade, and an easing in some global economic indicators and key air freight demand drivers.
- FTKs flown by AsiaPac airlines fell by a very substantial 11.6%yoy over the past year with the ongoing trade tensions between China & the US that impact the regional performance. Annual FTK growth has now been negative for four consecutive months.

- The weak performance at the regional level translated into poor growth outcomes for the region's key markets this month. Indeed, growth rates deteriorated compared to Jan across all main international routes.
- The larger Asia-Europe & Asia-NthAm markets saw volumes falling by 7.1% & 7.8% vs a year ago, respectively, while for Within Asia, FTKs were down 15.5% compared with Feb 2018, the worst outcome since early-2013.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2018	Dec-18	Jan-19	Feb-19
Passenger					
Asia Pacific	ASK	7.9	6.8	7.6	5.8
	PLF	81.5	80.7	81.1	82.6
World	ASK	6.1	6.4	6.4	5.4
	PLF	81.9	80.3	79.6	80.6
Freight					
Asia Pacific	AFTK	4.3	0.8	2.9	-3.7
	FLF	55.8	55.3	50.0	47.3
World	AFTK	5.2	3.8	4.7	2.7
	FLF	49.1	48.8	44.9	44.7

Source: IATA Statistics. Asia-Pac incl North Asia. LF=seasonally adjusted load factor. ASK=available seat kms. AFTK=available freight tonne kms.

- The industry-wide passenger load factor (PLF) ticked-up to 80.6% in Feb, up from 79.6% in the previous month. In contrast, the freight load factor (FLF) eased to 44.7%, the lowest level in about 3.5 years.
- Both the PLF and FLF for airlines based in Asia Pacific continued to outperform the industry average in Feb, most notably on the freight side.
- The latest airline financial data from the final quarter of 2018 indicate a decline in industry & regional performance vs a year ago. The industry-wide EBIT margin slipped to 4.7% from 7.2% and the regional outcome moved broadly in line with the industry in Q4.

Airline operating (EBIT) margins*

% revenues	2016	2017	2017Q4	2018Q4
Asia Pacific	7.4	6.7	7.6	4.6
Industry	8.5	7.7	7.2	4.7

Source: Airline Analyst * constant sample basis, not seasonally adjusted
Asia-Pac incl Nth Asia

- Pax yield developments over the year to Feb generally deteriorated for the region's key markets, with six out of seven markets posting negative growth rates. China domestic was the key underperformer this month, with yields down 13.0% vs a year ago, followed by Asia-Europe (-9.7%) & Asia-SthAm (-9.5%).

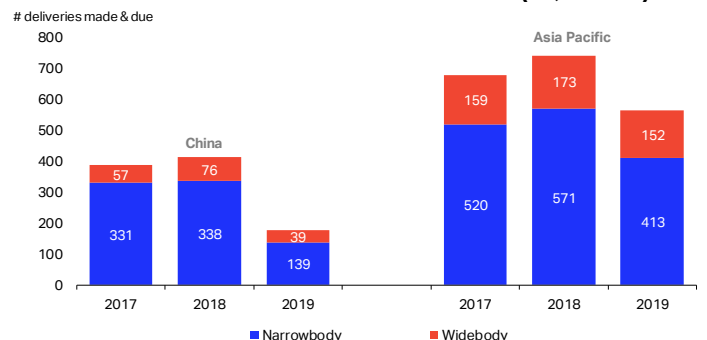
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Dec-18	Jan-19	Feb-19
China domestic	0.1	-12.8	-2.2	-13.0
Asia - Europe	-1.9	-4.1	-3.6	-9.7
Within Asia	-1.8	-7.7	-2.2	-9.0
Asia - Nth America	-2.7	1.8	5.2	-4.3
Asia - Middle East	-1.5	-0.6	3.1	2.8
Asia - Sth America	0.7	-6.7	-7.6	-9.5
Asia - Africa	0.8	0.3	-2.5	-6.3

Source: IATA Travel Intelligence Note: historical data may be subject to revision

- Latest data show a reduction in the number of jet aircraft deliveries to both Asia Pac and Chinese airlines in 2019 vs 2018.

Aircraft deliveries to China & the Asia Pacific (1Q19 data)



Source: Ascend

Note: Asia-Pac incl North Asia