



# STATE OF THE REGION: NORTH ASIA

APRIL 2018

## Economy

### GDP growth, selected countries

%change on a yr ago	2016	2017Q2	2017Q3	2017Q4
China	6.7	6.9	6.9	6.9
Chinese Taipei	1.4	2.5	2.9	3.3
Hong Kong	2.1	3.9	3.7	3.4
Mongolia	1.4	6.0	6.5	3.7
Emerging Asia	6.4	--	--	--
World*	2.5	2.9	3.2	3.2

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2017	Jan-18	Feb-18	Mar-18
US\$ broad index	120.0	117.2	117.6	118.1
Chinese renminbi (CNY)	6.51	6.29	6.33	6.29
Taiwanese dollar (TWD)	29.7	29.2	29.3	29.1
Hong Kong dollar (HKD)	7.8	7.8	7.8	7.8
Mongolian tugrik (MNT)	2429	2415	2390	2388

Source: Datastream, XE

### World oil and jet fuel price

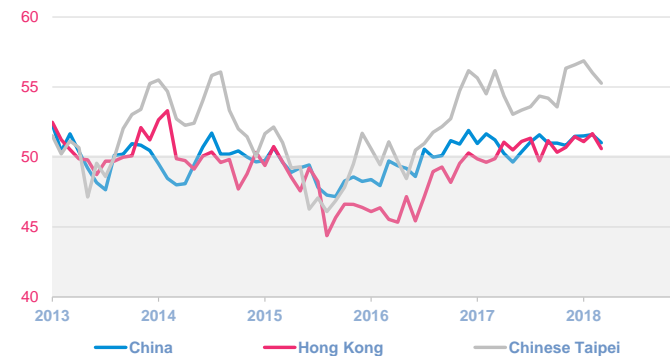
US\$/barrel (period ave.)	2017	Jan-18	Feb-18	Mar-18
Crude oil (Brent)	54.2	69.1	65.3	66.0
Jet fuel	65.6	82.0	77.7	78.0

Source: Platts, EIA Monthly average data

- ➔ Business sentiment in both China & Hong Kong ticked down slightly this month, giving up last month's modest gains. Softer sales & new export orders weighed upon employment & overall business confidence.

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



- ➔ In Chinese Taipei, demand conditions also showed signs of softening a little this month, however, & despite recent easing, confidence remains at an elevated level.
- ➔ On a trade-weighted basis, the US\$ rose again in Mar, up 0.4%. With the exception of the HKD (down 0.3%), the main regional currencies moved higher against the US\$ this month; the TWD & CNY both rose 0.6-0.7%.
- ➔ Brent crude oil & jet fuel prices moved modestly higher in Mar, up around 1% & 0.5% mom, respectively. Prices stepped up in the latter part of the month & into April on OPEC production cuts & renewed geopolitical concerns. Over the past year, oil & jet prices have both increased by around 30%.

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2017	Dec-17	Jan-18	Feb-18
<b>Region (registration basis)</b>				
Asia Pacific	10.2	9.5	5.0	10.1
World	7.6	6.5	4.5	7.6
<b>Routes (segment basis)</b>				
China domestic	13.3	14.7	5.9	11.8
Asia - Europe	9.5	7.0	4.8	7.1
Within Asia	11.2	11.5	5.1	9.4
Asia - Nth America	4.9	3.3	0.3	7.9
Asia - Middle East	7.3	3.5	3.5	5.8
Asia - S/w Pacific	9.2	7.4	2.7	7.6
Asia - Africa	4.1	7.3	4.5	13.5

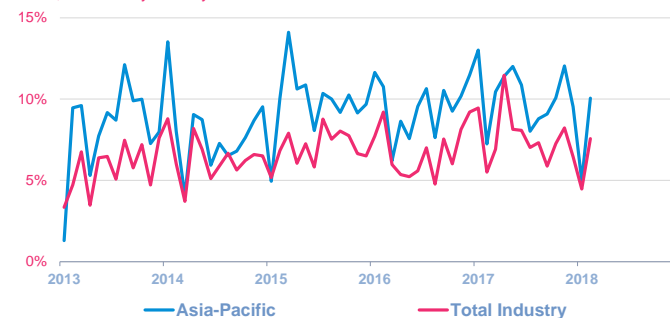
Source: IATA Statistics Asia-Pac incl North Asia

- ➔ As expected, industry-wide RPKs rebounded strongly this month, following the Lunar New Year (LNY) disruption last month. Global RPKs are up 7.6%yoy in Feb, a full 3pp higher than the Jan outcome.
- ➔ Unsurprisingly, passenger volumes for the AsiaPac carriers – the region most affected by the changed timing of LNY – similarly recovered strongly, with yoy RPK growth doubling to 10.1% in Feb.

- ➔ Highlighting the LNY effect, growth in pax volumes for the China domestic market also doubled in Feb, rebounding to a brisk 11.8%yoy, after slipping briefly to 5.9% last month.
- ➔ Of the larger international markets for the region, Within Asia is the strongest performer, with RPK growth of 9.4%yoy. The smaller Asia-Africa market has the strongest overall growth, with pax volumes increasing at a double-digit pace of 13.5%yoy currently.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



## Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Dec-17	Jan-18	Feb-18
<b>Region (registration basis)</b>				
Asia Pacific	7.8	5.9	9.0	6.5
World	9.0	6.2	8.5	6.8
<b>Routes (segment basis)</b>				
Asia - Europe	11.0	6.3	11.4	8.5
Asia - Nth America	8.7	6.2	7.8	7.8
Within Asia	13.0	9.5	12.5	4.7
Asia - Middle East	6.3	12.8	5.8	11.3
Asia - S/w Pacific	9.4	11.7	12.5	0.6
Asia - Africa	58.6	22.5	23.9	19.5

Source: IATA Statistics Asia-Pac incl North Asia

- Following a bring-forward in activity in Jan ahead of LNY, industry-wide FTK growth eased somewhat, to 6.8%yoy in Feb, from 8.5%. Taking Jan & Feb together, freight volumes are up 7.7%yoy, the fastest start to a year since 2015.
- AsiaPac carriers also saw FTK growth unwind in Feb, to 6.5%yoy, from an even 9.0% in Jan, slipping back to slightly below the industry-wide outcome.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK	2017	Dec-17	Jan-18	Feb-18
<b>Passenger</b>				
Asia Pacific ASK	8.4	8.6	6.3	9.3
PLF	81.0	81.2	80.5	82.1
World ASK	6.3	5.8	5.2	6.3
PLF	81.5	80.9	79.6	80.4
<b>Freight</b>				
Asia Pacific AFTK	1.4	3.4	2.2	7.2
FLF	56.1	56.6	53.0	51.3
World AFTK	3.0	4.1	4.4	5.6
FLF	45.4	46.6	43.4	44.4

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

- Over the past year, growth in industry-wide pax & freight capacity has lagged that of demand, with ASKs up 6.3% & AFTKs up 5.6%. The industry PLF moved back above 80% in Feb to 80.4% while the FLF also lifted, to 44.4%.
- AsiaPac airlines have grown capacity at a faster pace than the industry overall but, even so, the load factors for the region's carriers continue to outperform; in fact, the AsiaPac region has the highest PLF & FLF this month.
- The final data for Q4 point to an industry-wide financial performance that is broadly on par with that of a year ago, with an EBIT margin of 8.6% currently. The performance of the region's carriers exceeds that of the

### Airline operating (EBIT) margins\*

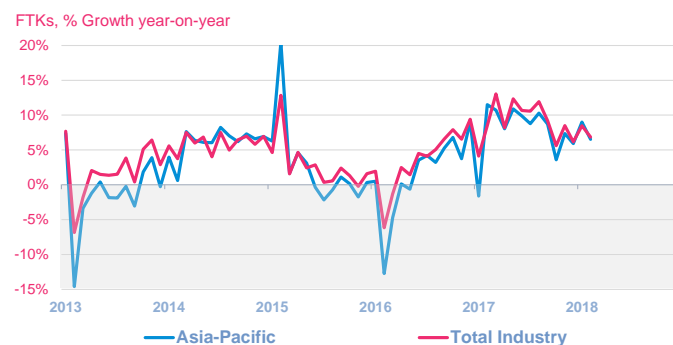
%revenues	2015	2016	2016Q4	2017Q4
Asia Pacific	8.0	10.0	12.9	10.6
Industry	8.5	8.8	8.8	8.7

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

IATA Economics: [www.iata.org/economics](http://www.iata.org/economics)

- While the two largest air freight markets for the region (Europe & NthAm) continue to record robust growth in the order of 8-8.5%yoy, the Within Asia market (ranked #3) has slowed in recent months.
- The same can be said for the smaller Asia-S/west Pacific market, with FTK growth of just 0.6%yoy in Feb. The Africa & Middle East markets are both growing at a double-digit pace; the strongest performers currently.

### Growth in air freight volumes



Source: IATA Statistics

industry overall, despite being a little softer vs a year ago, (at 10.6% vs 12.9% in Q4 2016). Recall that these data are not adjusted for seasonal variations.

- Passenger yields amongst the region's key markets are mostly a little higher than their level of a year ago, although not convincingly so. The Asia-Europe market is the strongest performer, with yields up 6.0%yoy. Yields remain lower in year-on-year terms for the markets between Asia and both Nth America & the Middle East.

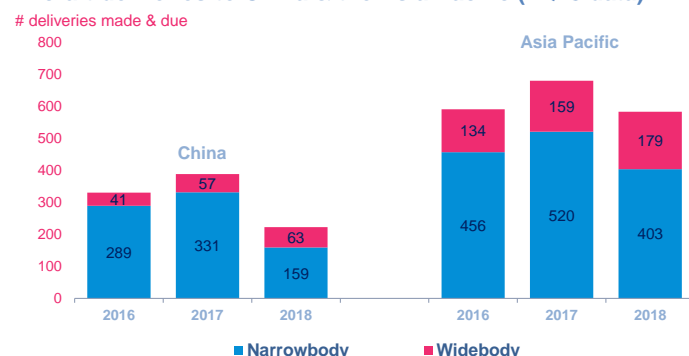
### Passenger yields (US\$, excl. surcharges & ancillaries)

%change on a yr ago	2016	Dec-17	Jan-18	Feb-18
China domestic	-7.6	4.9	1.5	1.6
Asia - Europe	-10.8	7.0	9.5	6.0
Within Asia	-10.3	0.2	1.6	2.7
Asia - Nth America	-7.3	-3.6	0.7	-1.2
Asia - Middle East	-10.7	0.5	1.3	-2.3
Asia - Sth America	-9.2	3.7	2.8	0.9
Asia - Africa	-8.9	7.4	2.8	2.6

Source: IATA PaxIS

Note: historical data may be subject to revision

### Aircraft deliveries to China & the Asia Pacific (1Q18 data)



Source: Ascend

Note: Asia-Pac incl North Asia

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