

# State of the region: North Asia

April 2021

## Economy

### GDP growth, selected economies

% change on a yr ago	2020	Q2 2020	Q3 2020	Q4 2020
People's Republic of China	2.0	3.2	4.9	6.5
Chinese Taipei	3.1	0.6	4.3	4.6
Hong Kong (SAR), China	-6.1	-9.0	-3.6	-3.0
Mongolia	-5.4	-8.8	-2.7	-0.9
Emerging Asia	-1.7	--	--	--
<b>World*</b>	<b>-3.6</b>	<b>-8.9</b>	<b>-2.7</b>	<b>-1.4</b>

Source: Eikon Datastream \* Market exchange rate basis

### Exchange rates

end of period, # per US\$	2020	Jan-21	Feb-21	Mar-21
US\$ broad index	112.1	111.8	112.3	113.6
Chinese renminbi (CNY)	6.52	6.43	6.47	6.54
Taiwanese dollar (TWD)	28.1	28.0	27.9	28.5
Hong Kong dollar (HKD)	7.75	7.75	7.76	7.77
Mongolian tugrik (MNT)	2855	2850	2855	2861

Source: Board of Governors of the Federal Reserve System (US), Eikon Datastream

### World oil and jet fuel price

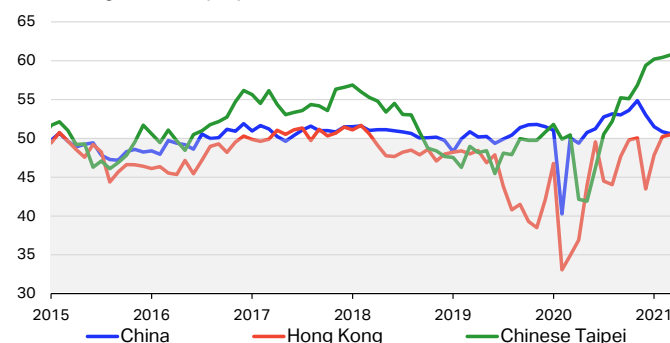
US\$/barrel (period ave.)	2020	Jan-21	Feb-21	Mar-21
Crude oil (Brent)	43.4	55.2	62.4	65.8
Jet fuel	46.3	59.6	66.9	69.0

Source: Platts, Eikon Datastream (monthly average data)

- Based on the latest PMI survey results, economic activity in China picked up in March after the successful containment of the virus spikes. However, while the country's service sector expanded robustly, the growth in the manufacturing sector slowed.

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- The manufacturing sector expanded at the fastest pace in 11-years in Chinese Taipei and stabilized after a protracted contraction in Hong Kong. The improvements result from the rising demand for goods made in Asia as the global economy recovers.
- The trade-weighted US dollar index rose for the second consecutive month, up 1.2% in March. The TWD was the main mover amongst the key regional currencies, ending the month down 2.4% vs. the US\$.
- Despite some volatility caused by European lockdowns and inflation concerns, average jet fuel and Brent crude oil price picked up in March, reflecting widespread optimism about the global economic recovery.

## Market

### Revenue passenger-kilometers (RPKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Dec-20	Jan-21	Feb-21
<b>Region (registration basis)</b>				
Asia Pacific	-62.0	-63.9	-72.6	-74.9
World	-65.9	-69.5	-72.2	-74.7
<b>Routes (segment basis)</b>				
China domestic	-30.8	-8.5	-37.5	-51.2
Asia - Europe	-79.0	-91.9	-92.9	-93.0
Within Asia	-84.1	-97.6	-97.8	-98.4
Asia - Nth America	-80.1	-92.2	-92.3	-93.4
Asia - Middle East	-73.6	-83.7	-81.7	-81.9
Asia - S/w Pacific	-79.4	-97.7	-98.1	-98.4
Asia - Africa	-80.1	-92.5	-93.2	-92.8

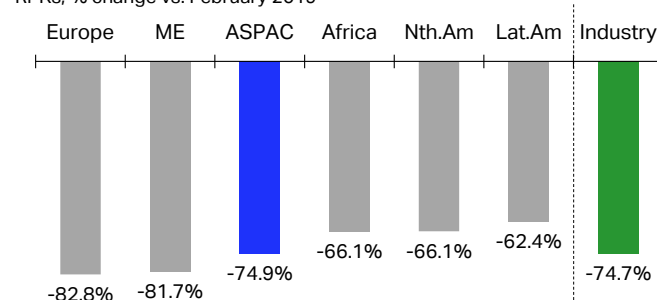
Source: IATA Economics. Asia-Pac incl North Asia

- Passenger traffic remained weak in February since new COVID-19 cases were elevated globally and governments maintained travel restrictions. Industry-wide revenue passenger-kilometres (RPKs) were 74.7% below pre-crisis levels in February 2019, compared to January's level which was 72.2% down.
- Airlines from the Asia Pacific region reported a 74.9% RPK decline in February compared with two years ago – performance broadly in line with the industry average.

- Domestic China RPKs contracted by 51.2% compared with February 2019 - a significant deterioration from late-2020 when they almost reached pre-crisis levels. The fall in passenger traffic within China was driven by government requests that citizens stay at home during the traditional new year travel period to limit the spread of the virus.
- The recovery in Asia-Pacific international traffic has been stalling. Indeed, the majority of the key int'l markets showed unchanged, or even sharper, RPK contraction compared with January.

### Growth in passenger volumes, by region

RPKs, % change vs. February 2019



Source: IATA Economics

## Cargo tonne-kilometers (CTKs)

To aid understanding, we make % comparisons with pre-crisis 2019 period.

% ch vs. the same period in 2019	2020	Dec-20	Jan-21	Feb-21
<b>Region (registration basis)</b>				
Asia Pacific	-14.8	-5.3	-3.9	7.1
World	-9.1	1.2	4.1	9.0
<b>Routes (segment basis)</b>				
Asia - Europe	-10.6	2.6	6.9	13.1
Asia - Nth America	7.6	19.4	26.6	38.6
Within Asia	-19.6	-9.1	-5.8	7.4
Asia - Middle East	-7.0	6.9	16.9	26.7
Asia - S/w Pacific	-30.4	-31.6	-33.0	-26.7
Asia - Africa	8.6	4.0	38.5	107.2

Source: IATA Economics. Asia-Pac incl North Asia

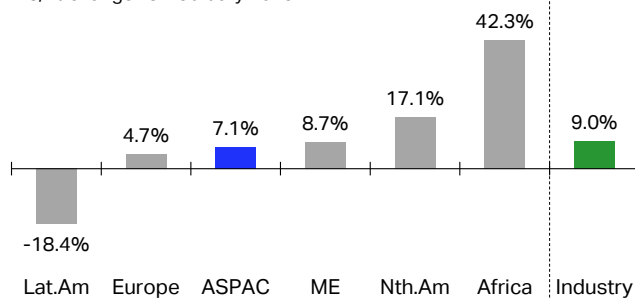
- Strong air cargo growth continued in February, supported by the wider economic recovery. Industry-wide cargo tonne-kilometres expanded by 9% compared with February 2019 – a robust improvement on a 4.1% growth in the previous month.
- CTKs of Asia Pacific carriers were up 7.1% in February vs. the same month in 2019. As the main global

manufacturing hub, the region has been benefitting from the swift recovery of the global manufacturing sector and economic activity in general.

- Indeed, all but one of the region's key int'l trade lanes are fully recovered with CTKs well above the pre-crisis levels. The larger Asia-Nth.America market was, in particular strong (CTKs up 38.6%), benefitting from the robust US demand for goods manufactured in China.

### Growth in cargo volumes, by region

CTKs, % change vs. February 2019



Source: IATA Economics

## Industry

### Capacity growth and load factors

To aid understanding, we make % comparisons with pre-crisis 2019 period.

ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK		2020	Dec-20	Jan-21	Feb-21
<b>Passenger</b>					
Asia Pacific	ASK	-54.0	-52.9	-60.3	-64.8
	PLF	67.7	62.6	56.2	59.1
World	ASK	-56.7	-57.2	-59.2	-63.1
	PLF	65.1	58.5	54.3	55.4
<b>Cargo</b>					
Asia Pacific	ACTK	-27.2	-22.5	-28.4	-29.2
	CLF	61.3	64.6	67.7	69.2
World	ACTK	-21.2	-14.6	-16.6	-14.9
	CLF	53.9	56.2	58.5	57.5

Source: IATA Economics. Asia-Pac incl North Asia. LF= load factor. ASK=available seat kms. ACTK=available cargo tonne kms.

- Industry-wide available seat-kilometres (ASKs) were 63.1% lower than pre-crisis outcomes in February 2019, after a 59.2% fall in January. Seat capacity of Asia Pacific airlines contracted by ~65%.
- February was another month of record-low passenger load factors (PLF), with the industry-wide metric down 25.3 percentage points compared with February 2019, at 55.4%. The average PLF of Asia Pacific carriers was at 59.1%.
- The recovery in global cargo capacity remained adversely impacted by the groundings of passenger aircraft in some regions. Industry-wide available seat-kilometres (ACTKs) fell by ~15% compared with two years ago. At the regional level, cargo capacity fell by ~29% over the same period.
- The global CLF reached 57.5%, a record high outcome for any month of February in our time series. Asia

Pacific carriers reported the CLF at 69.2% – the highest load factor amongst regions

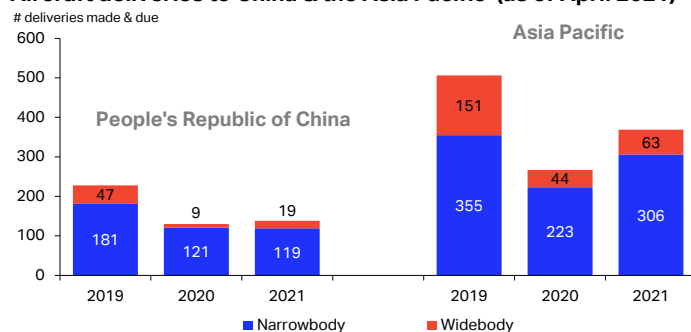
### Airline operating (EBIT) margins\*

% revenues	2019	2020	2019Q4	2020Q4
Asia Pacific	3.7	-27	11.0	-33
Industry	5.2	-28	8.2	-45

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

- Our latest sample of airline financial results shows further substantial losses in Q4 2020. The resurgence of virus cases and the renewed restrictive measures weighed on travel demand during the quarter. Looking ahead, financial performance will vary across regions but those with large domestic markets and rapid vaccine rollout should perform better in 2021.
- As of April 2021, aircraft deliveries scheduled by airlines based in the Asia Pacific region are expected to increase by 38% in 2021 compared with 2020 levels while the number of deliveries for Chinese carriers should pick up by a modest 6%.

### Aircraft deliveries to China & the Asia Pacific (as of April 2021)



Source: Ascend

Note: Asia Pacific includes North Asia