

State of the region: North Asia

August 2020

Economy

GDP growth, selected economies

% change on a yr ago	2019	Q4 2019	Q1 2020	Q2 2020
People's Republic of China	6.1	6.0	-6.8	3.2
Chinese Taipei	2.7	3.6	1.7	-0.2
Hong Kong (SAR), China	-1.2	-3.0	-9.1	-9.0
Mongolia	5.0	-0.7	-10.9	-8.8
Emerging Asia	5.5	--	--	--
World*	2.5	2.4	-1.7	-9.2

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	May-20	Jun-20	Jul-20
US\$ broad index	114.7	121.3	120.9	117.6
Chinese renminbi (CNY)	6.96	7.13	7.06	6.97
Taiwanese dollar (TWD)	30.0	30.0	29.5	29.3
Hong Kong dollar (HKD)	7.79	7.75	7.75	7.75
Mongolian tughrig (MNT)	2740	2811	2826	2847

Source: Datastream

World oil and jet fuel price

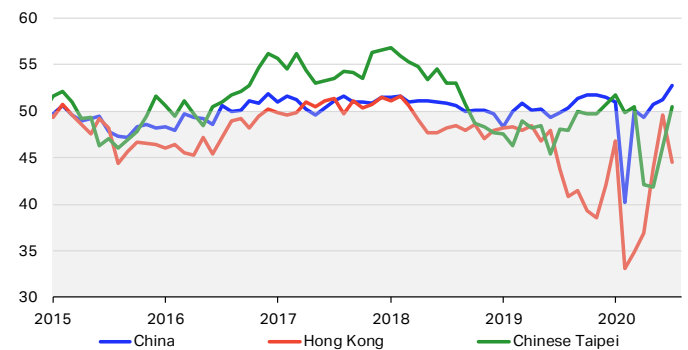
US\$/barrel (period ave.)	2019	May-20	Jun-20	Jul-20
Crude oil (Brent)	64.2	32.4	40.9	43.3
Jet fuel	79.6	29.6	41.8	45.5

Source: Platts, Datastream (monthly average data)

- Business sentiment in China increased for another month due to generally successful containment of the virus and is currently at the levels last seen in 2011.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

Business confidence also improved in Chinese Taipei amidst restarting economic activity. However, operating conditions deteriorated in Hong Kong as a new wave of COVID-19 infections emerged and restrictive measures were re-imposed.

- Uncertainty around virus developments in the US pushed the trade-weighted US dollar index down for the fourth consecutive month. Of the key regional currencies, the CNY ended the month up 1.2% against the USD. Other FX movements were relatively muted.
- Oil and jet fuel price continued to recover from the low point in April. However, oil demand outlook is downbeat amidst uncertainty about when the pandemic subsides.

Market

Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Apr-20	May-20	Jun-20
Region (registration basis)				
Asia Pacific	4.6	-87.9	-81.7	-76.4
World	4.1	-94.1	-91.0	-86.5
Routes (segment basis)				
China domestic	7.9	-64.6	-46.3	-35.5
Asia - Europe	6.7	-98.1	-98.2	-97.3
Within Asia	5.3	-98.8	-99.1	-98.9
Asia - Nth America	2.4	-96.9	-97.1	-95.8
Asia - Middle East	4.2	-98.4	-98.7	-96.8
Asia - S/w Pacific	6.0	-98.4	-98.7	-98.3
Asia - Africa	3.5	-99.0	-99.1	-98.5

Source: IATA Economics. Asia-Pac incl North Asia

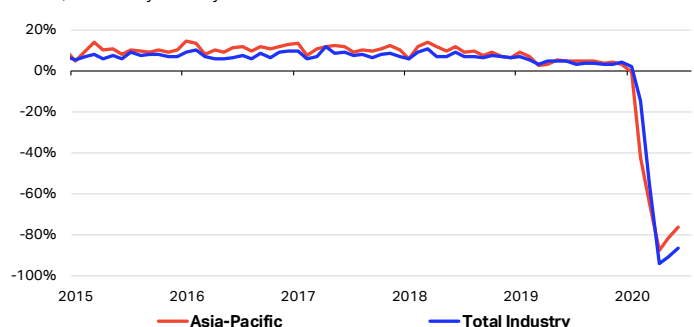
- Industry-wide revenue passenger-kilometres (RPKs) fell by 86.5% year-on-year in June, compared with a 91.0% contraction in May. The rebound continued to be dominated by rising demand in domestic markets.
- Asia Pacific airlines registered a 76.4%yoy fall in passenger volumes in June – the most resilient outcome of all regions. As was the case at the industry level, the demand improvement was driven by domestic travel since movements on

the international routes were still heavily restricted.

- China's domestic market led the improvement amongst the key domestic markets that we track, with RPKs down 35.5%yoy, up ~11 ppts vs. May. However, the gradual rebound of the market was hampered in June by the second wave of COVID-19 cases, which resulted in flight cancellations to/from Beijing. On a more positive note, July's flight data indicated a return to the upwards trend.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Economics

Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Apr-20	May-20	Jun-20
Region (registration basis)				
Asia Pacific	-5.6	-28.3	-22.0	-21.6
World	-3.2	-26.1	-20.1	-17.6
Routes (segment basis)				
Asia - Europe	-1.5	-25.7	-22.9	-22.6
Asia - Nth America	-3.7	-4.8	0.8	-0.7
Within Asia	-7.7	-38.2	-38.3	-31.6
Asia - Middle East	-2.3	-31.8	-20.0	-17.2
Asia - S/w Pacific	-6.1	-49.2	-48.8	-50.2
Asia - Africa	12.6	1.3	3.0	20.1

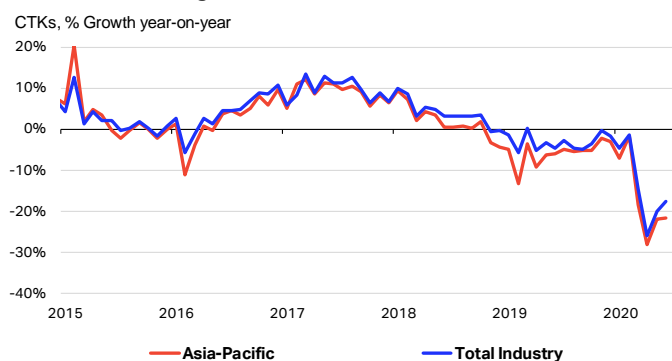
Source: IATA Economics. Asia-Pac incl North Asia

- Industry-wide cargo tonne-kilometres (CTKs) declined by 17.6%yoy in June, after falling 20.1% in May. Air cargo has been losing market share of total world trade in recent months, as buyers are turning to cheaper but slower means of transport.
- Asia Pacific airlines reported cargo volumes down by 21.6%yoy in June, pace broadly unchanged from May (-22%yoy). The slower improvement in demand can be

party attributed to a reduction in the PPE shipments that had been providing support in the previous months.

- Amongst the key regional markets, the smaller Asia-Africa routes posted the strongest performance in June, returning to double-digit expansion for the first time since December 2019. Asia-Nth.Am market also recorded a resilient outcome, with volumes close to last year's levels for another month.

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago,		2019	Apr-20	May-20	Jun-20
LF: % of ASK/ACTK					
Passenger					
Asia Pacific	ASK	4.3	-81.5	-76.6	-69.6
	PLF	81.9	53.8	62.6	63.8
World	ASK	3.3	-86.7	-85.7	-80.1
	PLF	82.6	37.1	51.2	57.6
Cargo					
Asia Pacific	ACTK	0.9	-46.2	-35.7	-36.1
	CLF	52.3	69.1	64.4	64.5
World	ACTK	2.0	-41.8	-34.8	-34.1
	CLF	46.8	59.2	57.8	57.3

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

- RPKs continued to fall faster than the industry-wide capacity (ASKs). As a result, the global passenger load factor reached an all-time low for the month of June, at 57.6%. At the regional level, the PLF for Asia Pacific carriers fell by 18.5ppts vs. a year ago, to 63.8%.
- In contrast, the industry-wide air cargo load factor remained close to record high levels amidst ongoing capacity crunch resulting from the lack of belly capacity. Asia Pacific airlines registered the cargo load factor up 11.9ppts vs. a year ago.
- Q2 2020 financial results show the extension of the severe negative impact of the pandemic on airline financials for another quarter. Profitability deteriorated

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q2	2020Q2
Asia Pacific	4.7	3.7	0.9	-54
Industry	5.7	5.2	9.2	-130

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

sharply as all regions were affected by groundings and travel restrictions for the entire quarter.

- Note that the yield data during the lockdown period should be interpreted with caution due to the dramatic fall in tickets being sold.

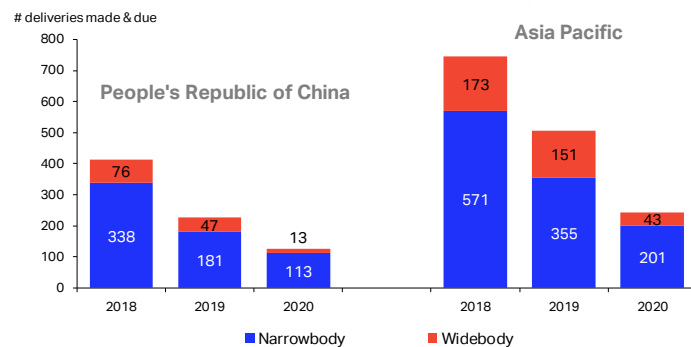
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Apr-20	May-20	Jun-20
China domestic	-6.1	-32.2	-31.4	-33.9
Asia - Europe	-7.7	-17.4	-8.5	-7.9
Within Asia	-4.5	-24.2	-26.2	-26.7
Asia - Nth America	-2.6	-10.0	0.8	5.0
Asia - Middle East	7.7	-7.2	-6.3	13.1
Asia - Sth America	-7.8	3.2	11.7	32.8
Asia - Africa	-5.8	45.0	40.4	63.0

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

- The latest data point to a 52% fall in the number of jet aircraft deliveries scheduled for Asia Pacific airlines and a 45% decline for Chinese carriers in 2020, compared with 2019.

Aircraft deliveries to China & the Asia Pacific (as of August 2020)



Source: Ascend

Note: Asia Pacific includes North Asia