

State of the Region:

North Asia

IATA Economics

December 2021

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GDP growth, exchange rates, oil & jet fuel price

- The trade-weighted US dollar index picked up by 0.9% in November vs. October. Amongst the key regional currencies, the CNY ended the month up 0.6%. Other FX movements were muted.
- Jet fuel and Brent crude oil prices fell in November due to rising supply and concerns about the spread of the Omicron variant. That said, they remained above pre-crisis 2019 levels.

GDP growth

<i>% change on a yr ago</i>	2020	Q1 2021	Q2 2021	Q3 2021
People's Republic of China	2.0	18.3	7.8	5.1
Chinese Taipei	3.4	8.9	7.9	3.9
Hong Kong (SAR), China	-6.1	8.0	7.6	5.4
Mongolia	-5.4	15.5	--	--
Emerging Asia	-1.0	--	--	--
World*	-3.5	2.9	11.6	4.7

Exchange rates

<i>end of period, # per US\$</i>	% YTD 2021	Sep-21	Oct-21	Nov-21
US\$ broad index	2.9%	113.8	114.4	115.4
Chinese renminbi (CNY)	2.4%	6.45	6.40	6.36
Taiwanese dollar (TWD)	1%	27.9	27.8	27.8
Hong Kong dollar (HKD)	-0.5%	7.78	7.78	7.80
Mongolian tughrik (MNT)	-0.3%	2863	2860	2863

Oil and fuel price

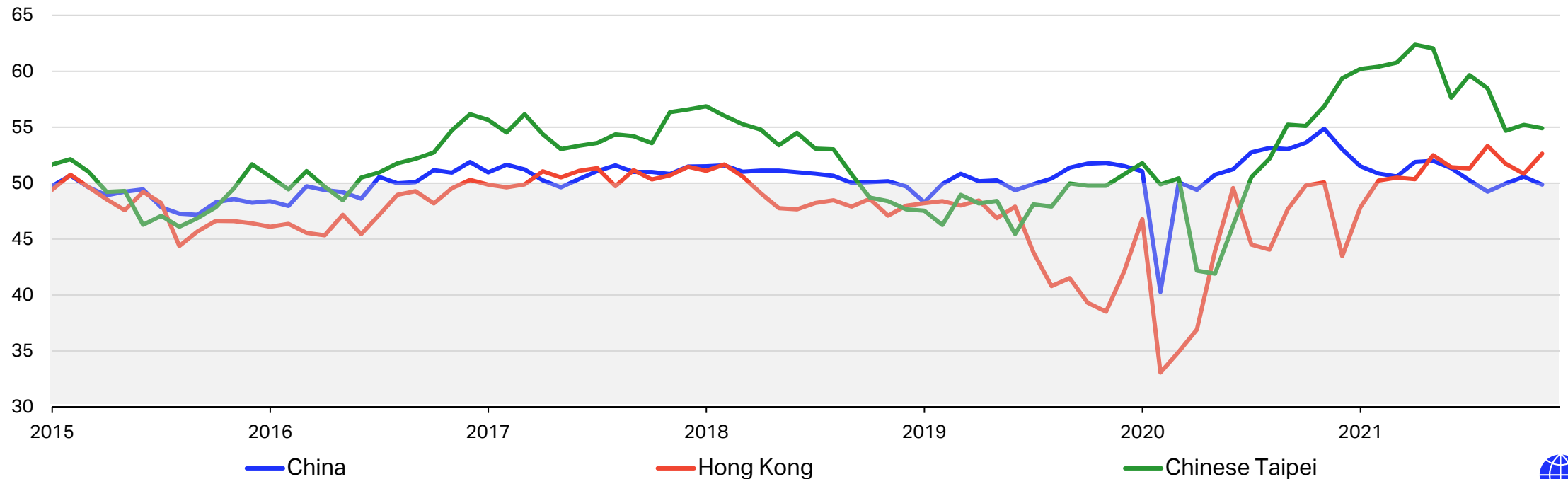
<i>US\$/barrel (period ave.)</i>	2020	Sep-21	Oct-21	Nov-21
Crude oil (Brent)	43.4	74.7	83.9	80.9
Jet fuel	46.3	82.9	95.6	91.8

Business confidence

- Operating conditions in China's manufacturing sector stabilized in November. Production picked up in the country after disruptions from power shortages eased, but total new orders fell modestly. Manufacturing growth eased in Chinese Taipei amidst softer demand and issues related to supply-chain congestion. In Hong Kong, operating conditions improved amidst lower number of COVID cases.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Passenger market

- Global air travel continued to slowly recover in October, with industry-wide revenue passenger-kilometres (RPKs) 49.4% below October 2019 values. Both domestic and international RPKs contributed to the recovery.
- RPKs of airlines based in Asia Pacific were 66.4% below pre-crisis levels. After a long period without any clear improvements, some tentative signs of a recovery in the region's international travel have appeared in the past 4-5 months. For example, the Middle East-Asia route is trending up at a consistent pace, driven by the return of traffic flows between India and Gulf countries.
- Domestic air travel in China surpassed 2019 levels around Q2 this year. But since then, renewed small-scale outbreaks have led authorities to reimplement travel restrictions within the country. This continued in October, meaning domestic RPKs were 25.7% below 2019 levels – little improvement on the previous month (-26.2%).

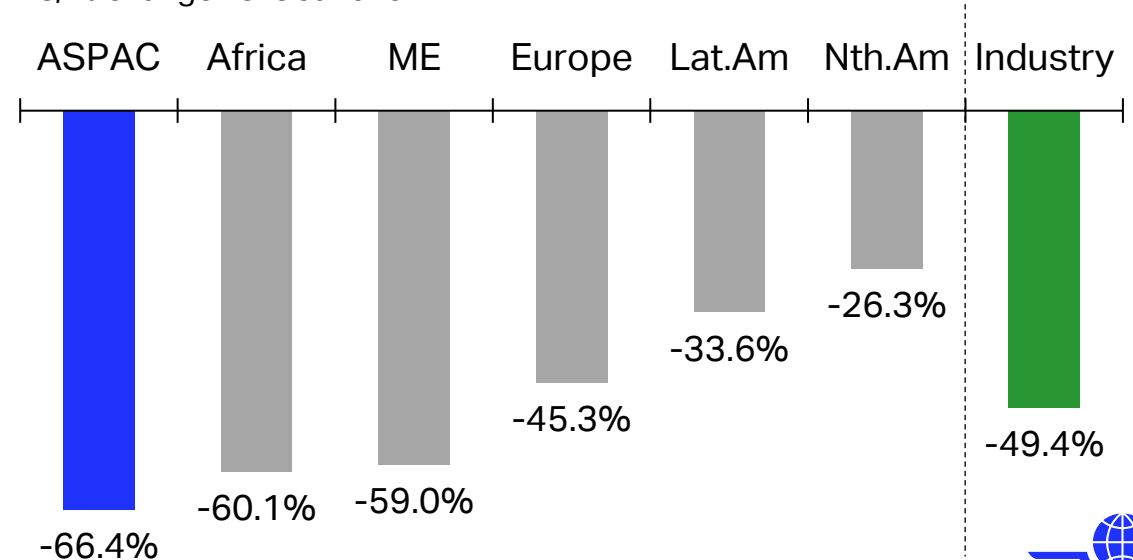
Revenue passenger kilometers (RPKs)

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

% ch vs. the same period in 2019	2020	Aug-21	Sep-21	Oct-21
Region (registration basis)				
Asia Pacific	-62.0	-78.3	-68.7	-66.4
World	-65.9	-56.2	-53.3	-49.4
Routes (segment basis)				
China domestic	-30.8	-57.0	-26.2	-25.7
Asia - Europe	-79.0	-88.4	-86.8	-86.2
Within Asia	-84.1	-97.4	-97.2	-97.0
Asia - Nth America	-80.1	-86.2	-88.4	-89.2
Asia - Middle East	-73.4	-79.1	-74.6	-71.6
Asia - S/w Pacific	-79.4	-97.6	-97.7	-97.8
Asia - Africa	-79.7	-91.7	-91.5	-92.3

Growth in passenger volumes, by region

RPKs, % change vs. Oct 2019



Air cargo market

- Industry-wide cargo tonne-kilometres (CTKs) grew by 9.4% in October 2021 compared to the same month in 2019. Air cargo volumes have trended sideways for the past six months or so, at elevated levels. Global manufacturing activity and trade have slowed amidst issues related to congestion and input and labour shortages but remain broadly supportive
- Airlines based in Asia Pacific saw their cargo volumes rise by 3.6% in October 2021 versus the same month in 2019, following a 0.5% contraction in September. The large Europe-Asia market segment was an important contributor to the above, partly because the reopening of some international passenger routes. Indeed, belly cargo capacity between Europe and Asia was down only 28.3% 2019 levels in October, compared to 37.9% in September, which is likely to have supported volumes carried.

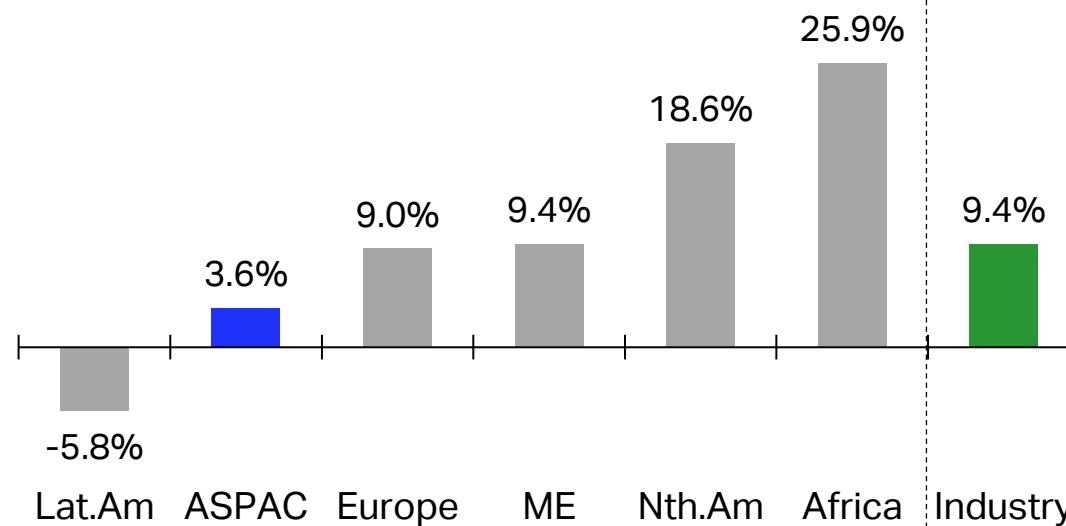
Cargo tonne kilometers (CTKs)

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

% ch vs. the same period in 2019	2020	Aug-21	Sep-21	Oct-21
Region (registration basis)				
Asia Pacific	-13.8	-0.2	-0.5	3.6
World	-8.7	7.5	9.1	9.4
Routes (segment basis)				
Asia - Europe	-10.4	2.9	-0.2	6.8
Asia - Nth America	7.5	26.8	27.1	28.6
Within Asia	-19.6	-5.1	-3.2	-0.8
Asia - Middle East	-6.3	18.0	21.3	13.6
Asia - S/w Pacific	-30.4	-25.8	-27.5	-32.6
Asia - Africa	9.0	26.9	36.8	25.3

Growth in cargo volumes, by region

CTKs, % change vs. Oct 2019



Capacity growth & load factors

- There was a second consecutive month of improvement in air passenger capacity in October. Industry-wide available seat-kilometres (ASKs) were down 41.2% compared to October 2019, an improvement from the 43.5% fall in September. The ASK recovery was broad-based across all regions. Asia Pacific airlines reported ASKs 56.5% below pre-crisis levels in October.
- Air cargo capacity also improved this month – industry-wide available cargo tonne-kilometres (ACTKs) were 7.2% below October 2019 levels. In September, the fall versus 2019 was at 8.8%. At the regional level, Asia Pacific airlines reported ACTKs down 15.7% – a robust improvement compared with the previous month (-21.5%).

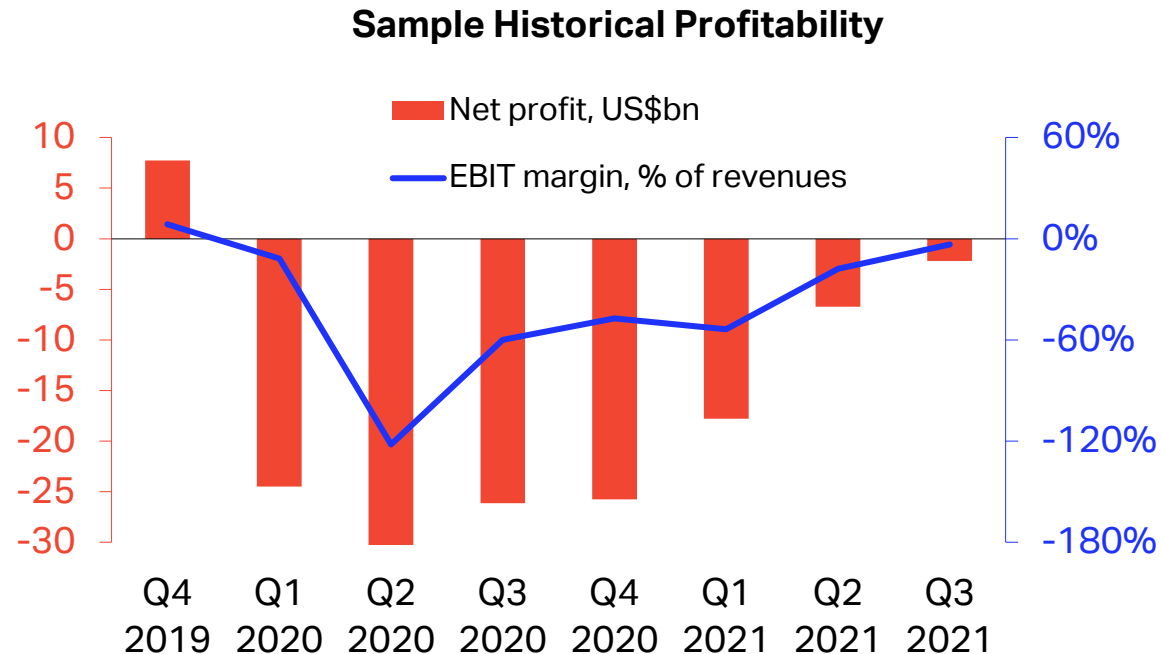
Capacity growth and load factors

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

<i>ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK</i>		2020	Aug-21	Sep-21	Oct-21
Passenger					
Asia Pacific	ASK	-54.1	-66.5	-58.7	-56.5
	PLF	67.7	54.4	60.7	62.9
World	ASK	-56.7	-46.5	-43.5	-41.2
	PLF	65.1	70.2	67.8	70.6
Cargo					
Asia Pacific	ACTK	-27.1	-27.5	-21.5	-15.7
	CLF	61.9	70.5	68.2	66.1
World	ACTK	-21.2	-12.5	-8.8	-7.2
	CLF	54.2	54.3	55.3	56.1

Airline EBIT margins & cash flow

- The latest sample of airlines' Q3 financial results confirmed that industry-wide losses diminished compared with Q2 amidst gradual air travel recovery and robust cargo revenues. However, operating losses increased compared with Q2 in Asia Pacific as new COVID outbreaks and the resulting lockdowns stifled the recovering domestic demand in many key markets (China, Australia, Japan) while international traffic remained subdued.



Airline operating (EBIT) margins*

% revenues	2019	2020	2021Q2	2021Q3
Asia Pacific	3.7	-28	-15	-20
Industry	5.2	-30	-18	-3

* constant sample basis, not seasonally adjusted

Jet aircraft deliveries made & scheduled

- As of December 2021, Asia Pacific airlines are scheduled to receive 61% more aircraft deliveries in 2022 vs. 2021. Chinese carries are expected to receive 46% more deliveries over the same period.

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

deliveries made & due

