

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	--	-9.0	-3.5	--
Mongolia	-5.4	-8.8	-2.7	-0.9
Emerging Asia	-1.7	--	--	--
World*	-3.7	-8.9	-2.7	-1.8

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2020	Nov-20	Dec-20	Jan-21
US\$ broad index	111.7	113.6	111.7	112.2
Chinese renminbi (CNY)	6.52	6.58	6.52	6.43
Taiwanese dollar (TWD)	28.1	28.5	28.1	28.0
Hong Kong dollar (HKD)	7.75	7.75	7.75	7.75
Mongolian tughrík (MNT)	2855	2861	2855	2850

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2020	Nov-20	Dec-20	Jan-21
Crude oil (Brent)	43.4	44.1	50.4	55.2
Jet fuel	46.3	47.7	55.4	59.6

Source: Platts, Datastream (monthly average data)

- The growth momentum has softened in China's manufacturing sector for the 2nd consecutive month amid the spike in COVID-19 and resulting restrictions.

Market

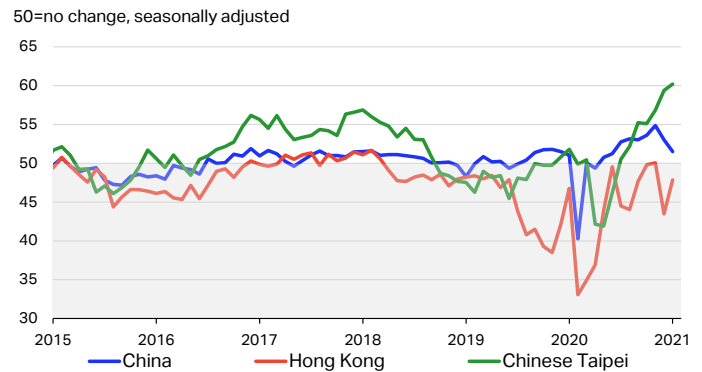
Revenue passenger-kilometers (RPKs)

% change on a yr ago	2020	Oct-20	Nov-20	Dec-20
Region (registration basis)				
Asia Pacific	-61.9	-61.4	-61.8	-63.8
World	-65.9	-70.6	-70.4	-69.7
Routes (segment basis)				
China domestic	-30.8	-1.7	-6.3	-7.6
Asia - Europe	-79.0	-92.9	-93.2	-91.9
Within Asia	-84.0	-98.2	-97.6	-96.5
Asia - Nth America	-80.1	-93.7	-92.5	-92.2
Asia - Middle East	-73.7	-86.6	-85.9	-84.3
Asia - S/w Pacific	-79.4	-97.6	-97.6	-97.7
Asia - Africa	-80.1	-93.1	-93.9	-92.5

Source: IATA Economics. Asia-Pac incl North Asia

- Industry-wide revenue passenger-kilometres (RPKs) fell by 69.7% year-on-year in Dec – confirming that the recovery in air travel had been stalling in Q4. In 2020 as a whole, passenger traffic plunged by 66%, which was by far the sharpest decline in aviation history.
- Contraction in RPKs flown by Asia Pacific airlines accelerated to 63.8%yoy in December, from -61.8%yoy in the previous month. Strict travel restrictions continue to weigh on the recovery in the

Business confidence - manufacturing PMIs

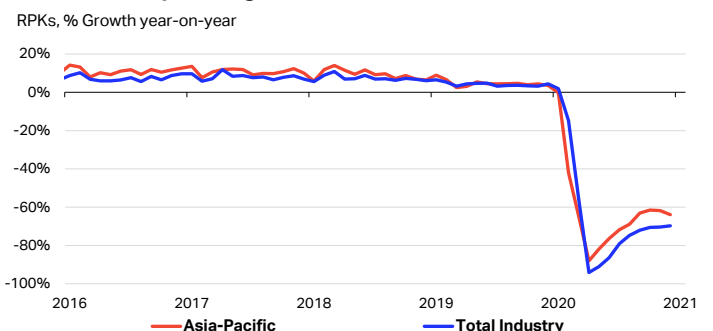


- In contrast, the manufacturing sector in Chinese Taipei expanded robustly, reflecting rising demand and employment as the country recovers from the crisis. In Hong Kong, pandemic effects continue to weigh significantly on the business environment.
- The trade-weighted US dollar index ticked up by 0.5% in January, following three consecutive monthly falls. Of the key regional currencies, the CNY gained 1.5% against the US\$.
- Brent Crude oil and jet fuel prices increased in January, reflecting Saudi Arabia's supply cuts and hopes that the new US stimulus package will boost oil demand.

Asia Pacific international market, which has been the weakest performer amongst all regions (ASPAC int'l RPKs down ~95%yoy in December).

- Asia Pacific airlines' full-year traffic plunged by 61.9% compared to 2019. All key international routes of the region were severely impacted by the pandemic with annual declines ranging from 73%-84%yoy.
- Contraction in domestic China RPKs accelerated to -7.6%yoy in Dec due to the new virus spike. However, despite this year-end weakness, the market showed one of the most resilient performances amongst the key domestic markets last year.

Growth in air passenger volumes



Cargo tonne-kilometers (CTKs)

% change on a yr ago	2020	Oct-20	Nov-20	Dec-20
Region (registration basis)				
Asia Pacific	-15.2	-13.7	-9.7	-5.6
World	-10.6	-6.1	-6.2	-0.5
Routes (segment basis)				
Asia - Europe	-15.0	-14.1	-13.1	-4.7
Asia - Nth America	2.1	5.4	7.8	12.6
Within Asia	-21.1	-20.4	-18.9	-10.8
Asia - Middle East	-7.5	5.1	2.5	5.0
Asia - S/w Pacific	-37.7	-43.4	-45.0	-40.8
Asia - Africa	8.6	4.3	-4.4	4.0

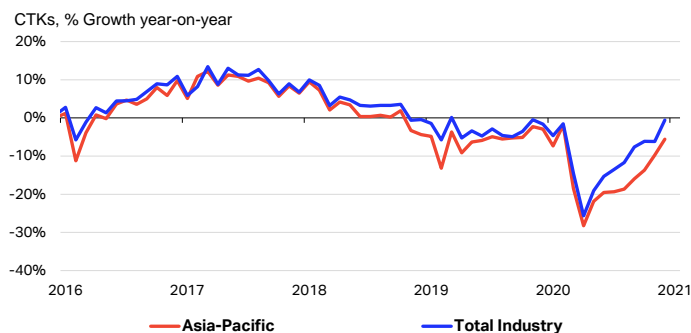
Source: IATA Economics. Asia-Pac incl North Asia

- Air cargo experienced a robust year-end, with industry-wide cargo tonne-kilometres (CTKs) down by only 0.5% in December compared with December 2019. In 2020 as a whole, CTKs fell by 10.6%.
- Asia Pacific airlines registered a 15.2%yoy fall in cargo volumes in 2020 and a 5.6%yoy fall in December. After a pause in the recovery in Q3, CTKs accelerated over

the recent months, driven by the rebound in manufacturing activity and export orders, notably from China and South Korea.

- Asia-North America was the region's best performing international market in 2020 (+2.1%yoy in 2020, +12.6%yoy in Dec) benefitting from strong demand from Nth.Am consumers for goods made in Asia.

Growth in air cargo volumes



Source: IATA Economics

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago,		2020	Oct-20	Nov-20	Dec-20
LF: % of ASK/ACTK					
Passenger					
Asia Pacific	ASK	-53.9	-54.4	-53.1	-52.1
	PLF	67.5	68.9	66.4	61.6
World	ASK	-56.5	-59.7	-58.6	-56.7
	PLF	64.8	60.0	57.9	57.5
Cargo					
Asia Pacific	ACTK	-27.4	-24.7	-22.2	-21.9
	CLF	61.2	61.8	63.3	63.9
World	ACTK	-23.3	-22.2	-19.3	-17.7
	CLF	54.5	57.4	57.9	57.3

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

- Overall, 2020 was a weak year for passenger load factors since many carriers struggled to adjust their capacity fast enough to changing regulations. On average, the global PLF was 17.8ppts lower vs. 2019, at 64.8%. At the regional level, the PLF fell to 67.5%.
- In contrast, air cargo load factors were elevated last year due to the lack of belly cargo capacity. The industry-wide cargo load factor picked up by 7.7ppts to 54.5%, while the CLF of Asia Pacific airlines picked up by 8.8ppts, to 61.2%.
- The initial sample of 4Q20 financial results showed that airlines' EBIT margins remained deep in contractionary territory. That said, the sample also indicated that the incurred losses were smaller than in Q3 due to drastic cost-cutting measures and robust cargo revenues.

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q4	2020Q4
Asia Pacific	4.7	3.7	9.0	-33
Industry	5.7	5.2	8.7	-51

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

- Looking forward, we expect air travel demand to gradually revive in 2H2021 following a weak first half of the year. Hence, airlines will continue to focus on limiting losses by implementing cost cutting measures and preserving cash balances.
- Note that the passenger yield data should be interpreted with caution due to the small number of tickets being sold amidst the pandemic crisis.

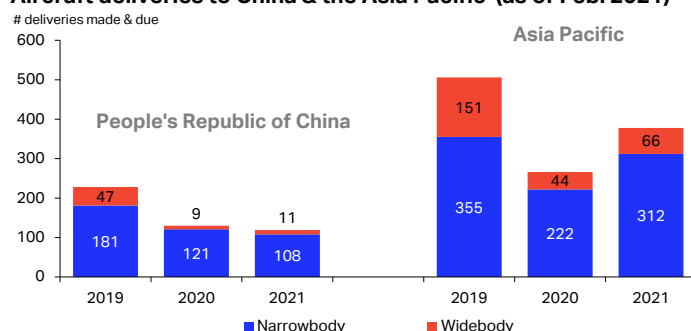
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2020	Oct-20	Nov-20	Dec-20
China domestic	-18.8	-8.1	-13.1	-7.8
Asia - Europe	-8.1	6.1	-1.2	11.3
Within Asia	-12.2	-6.4	-9.9	-9.3
Asia - Nth America	0.8	0.7	-6.6	-2.5
Asia - Middle East	2.4	57.0	34.3	33.7
Asia - Sth America	-2.1	4.9	6.4	8.3
Asia - Africa	17.0	104.9	74.8	80.7

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

- In 2021, Asia Pacific airlines are expected to receive 42% more aircraft deliveries compared with 2020. However, deliveries for Chinese carriers are expected to fall by 8%. Note that the figures will be most likely revised during the year, depending on the speed of air travel recovery and the rate of cash burn.

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



Source: Ascend

Note: Asia Pacific includes North Asia