

# State of the region: North Asia

January 2020

## Economy

### GDP growth, selected economies

% change on a yr ago	2018	Q1 2019	Q2 2019	Q3 2019
People's Republic of China	6.6	6.4	6.2	6.0
Chinese Taipei	2.7	1.8	2.4	2.9
Hong Kong (SAR), China	3.0	0.6	0.4	-2.9
Mongolia	6.8	8.6	6.2	4.2
Emerging Asia	6.4	--	--	--
<b>World*</b>	<b>3.2</b>	<b>2.7</b>	<b>2.5</b>	<b>2.5</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2018	Oct-19	Nov-19	Dec-19
US\$ broad index	128.5	130.2	129.9	129.4
Chinese renminbi (CNY)	6.88	7.04	7.03	6.96
Taiwanese dollar (TWD)	30.7	30.4	30.5	30.0
Hong Kong dollar (HKD)	7.83	7.84	7.83	7.79
Mongolian tughrig (MNT)	2640	2690	2716	2740

Source: Datastream

### World oil and jet fuel price

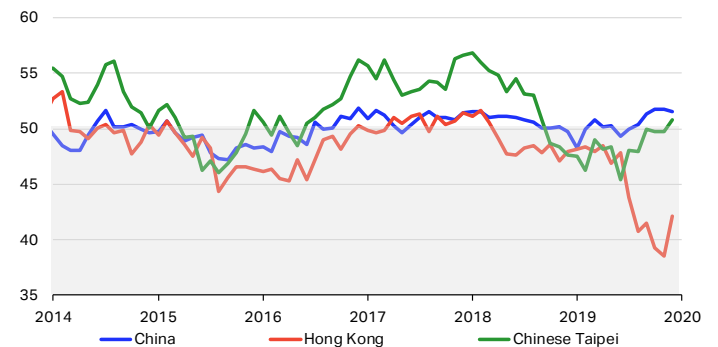
US\$/barrel (period ave.)	2018	Oct-19	Nov-19	Dec-19
Crude oil (Brent)	71.7	59.6	62.7	65.3
Jet fuel	86.4	78.7	78.2	80.1

Source: Platts, Datastream (monthly average data)

- Business sentiment in mainland China eased modestly in December but remained at a level pointing to expansion of the manufacturing sector, on the back of US-China trade deal progress.

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- In Hong Kong, operating conditions lifted into the year-end but remained at a low level. Business confidence in Chinese Taipei picked up, underpinned by higher domestic demand. The US-China trade situation remains a key uncertainty for the region going forward.
- Although the trade weighted US\$ index eased for the 3<sup>rd</sup> consecutive month in Dec, it was still 0.7% higher vs a year ago. Of the key regional currencies, the TWD gained 1.7% against the US\$ this month. Other FX movements were muted.
- Average oil and jet fuel price ticked higher in December amidst OPEC production cuts and optimism around US-China trade deal progress.

## Market

### Revenue passenger kilometers (RPKs)

% change on a yr ago	2018	Sep-19	Oct-19	Nov-19
<b>Region (registration basis)</b>				
Asia Pacific	9.3	5.0	4.0	4.4
World	7.3	3.6	3.3	3.3
<b>Routes (segment basis)</b>				
China domestic	12.1	8.6	5.9	5.3
Asia - Europe	7.2	5.1	6.3	6.2
Within Asia	11.3	7.9	6.8	8.4
Asia - Nth America	3.9	0.8	-0.1	0.9
Asia - Middle East	4.4	2.4	9.8	7.2
Asia - S/w Pacific	7.2	5.7	4.0	5.8
Asia - Africa	9.4	6.2	8.9	10.7

Source: IATA Statistics Asia-Pac incl North Asia

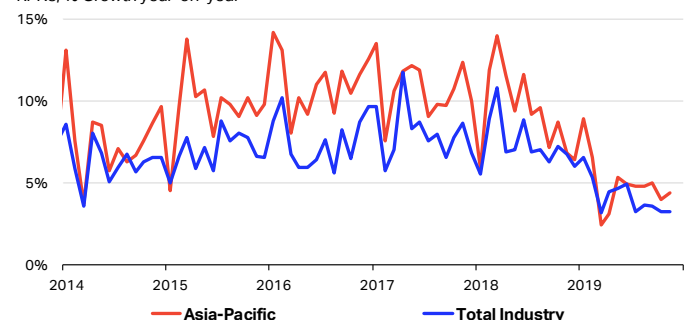
- Industry-wide RPKs increased by 3.3% year-on-year in November. This latest outcome signals another month of only moderate performance for passenger demand.
- Asia Pacific carriers recorded a modestly faster year-on-year expansion in RPKs in November compared with October (4.4% vs 4.0%) on the back of an improved performance in some of the region's important domestic markets.
- Domestic RPK growth in China slowed for the fourth

consecutive month in November, to 5.3% year-on-year. The outbreak of the Coronavirus in January will impact passenger volume data going forward.

- Of the key international markets, demand growth stabilized at 6.2%yoy in the larger Asia-Eur market and picked up modestly on Within Asia routes (8.4%yoy). The smaller Asia-Africa market continued to expand at a brisk pace, with RPKs underpinned by strong business connections between the two regions.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Sep-19	Oct-19	Nov-19
<b>Region (registration basis)</b>				
Asia Pacific	1.6	-5.2	-5.4	-3.7
World	3.7	-4.8	-3.8	-1.1
<b>Routes (segment basis)</b>				
Asia - Europe	1.1	-0.8	-1.1	1.9
Asia - Nth America	3.7	-4.0	-6.5	-1.0
Within Asia	0.6	-5.3	-7.3	-2.3
Asia - Middle East	4.1	-6.9	-2.8	-0.5
Asia - S/w Pacific	3.0	-9.5	-10.2	-5.7
Asia - Africa	-4.0	22.6	20.1	38.9

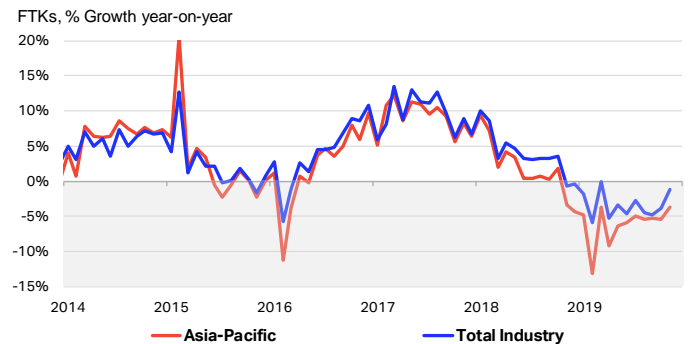
Source: IATA Statistics Asia-Pac incl North Asia

- Industry-wide freight tonne kilometres (FTKs) were 1.1% lower in November compared with their level of a year ago. The monthly data are, however, showing some modest improvement in freight volumes.
- Asia Pacific airlines recorded another month of year-on-year contraction in air cargo business (-3.7%), however, it was still one of the best outcomes in 2019.
- Amongst the region's key international markets, the larger Asia-Europe market reported positive year-on-

growth in FTKs for the first time in six months (1.9%yoy). Performance remained subdued across most of the other markets this month.

- As on the passenger side, the smaller Asia-Africa market continues to be the strongest performer this month, with FTKs supported by investment flows from Asia to Africa.

## Growth in air freight volumes



Source: IATA Statistics

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago,		2018	Sep-19	Oct-19	Nov-19
LF: % of ASK/AFTK					
<b>Passenger</b>					
Asia Pacific	ASK	8.7	5.8	3.2	3.2
	PLF	81.7	80.2	81.5	81.3
World	ASK	6.8	3.2	2.1	1.8
	PLF	82.0	81.9	82.1	81.1
<b>Freight</b>					
Asia Pacific	AFTK	3.5	2.8	1.2	1.8
	FLF	56.0	53.7	53.5	53.8
World	AFTK	5.2	2.4	2.2	2.9
	FLF	49.3	46.1	47.5	49.6

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

- As was the case in recent months, the industry-wide passenger load factor (PLF) achieved a record monthly high, at 81.1%. By contrast, the industry freight LF fell by a sizeable 2ppt vs a year ago as capacity continued to grow (2.9%yoy) against contracting FTKs.
- Asia Pacific airlines also achieved a record high PLF for the month. By contrast, the FLF was 3.1ppt lower vs a year ago as carriers were unable to adjust their capacity at the same rate as the slowing in demand.
- The final airline financial data for Q3 showed that industry-wide operating profitability improved slightly. However, margins weakened for Asia Pacific carriers amid intense competition and various disruptions.

### Airline operating (EBIT) margins\*

% revenues	2017	2018	2018Q3	2019Q3
Asia Pacific	6.3	4.5	8.0	6.2
Industry	7.5	5.7	11.7	11.9

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

- Passenger yields contracted in annual terms on the majority of the key international routes for the region. The Europe and Sth America markets are showing yields down more than 6.5%yoy, while yields are up ~6% for the ME. China domestic market yields are up 3.6%yoy – the best outcome in the past 19 months.

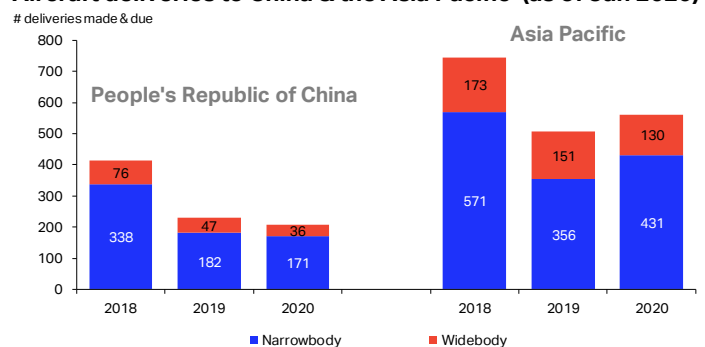
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Sep-19	Oct-19	Nov-19
China domestic	-0.2	-9.2	-3.2	3.6
Asia - Europe	-1.9	-8.4	-7.4	-6.6
Within Asia	-1.9	-5.7	-2.8	-1.8
Asia - Nth America	-2.7	-4.9	-5.2	-1.2
Asia - Middle East	-1.8	7.7	7.0	5.8
Asia - Sth America	0.7	-5.7	-8.7	-6.8
Asia - Africa	0.8	-6.3	-7.1	-5.1

Source: IATA Travel Intelligence Note: historical data may be subject to revision

- The latest data point to a modest decline in the number of jet aircraft deliveries scheduled for Chinese airlines in 2020 but an increase in orders for the Asia Pacific carriers as a whole compared to 2019.

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



Source: Ascend

Note: Asia Pacific includes North Asia