

State of the Region:

North Asia

IATA Economics

January 2022

Contact: economics@iata.org



GDP growth, exchange rates, oil & jet fuel price

- The trade-weighted US dollar (USD) index rose by 0.7% in December versus November on the back of recovering US economy and expectations about US Federal Reserve interest rate hikes in 2022. The TWD was the main mover among the key regional currencies in December, gaining a modest 0.5% against the USD.
- Jet fuel and Brent crude oil prices fell sharply in December due to concerns about the impact of Omicron disruptions on global fuel demand. However, despite the year-end weakness, the average 2021 Brent crude oil and jet fuel price was 63% and 68% respectively higher than in 2020. Moreover, the prices started to soar again in recent weeks amid optimism that the Omicron impact will be short-lived.

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	4.9
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	Oct-21	Nov-21	Dec-21
US\$ broad index	3.5%	114.1	115.0	115.8
Chinese renminbi (CNY)	2.3%	6.40	6.36	6.37
Taiwanese dollar (TWD)	1.5%	27.8	27.8	27.7
Hong Kong dollar (HKD)	-0.5%	7.78	7.80	7.80
Mongolian tugrik (MNT)	-0.2%	2860	2863	2860

Oil and fuel price

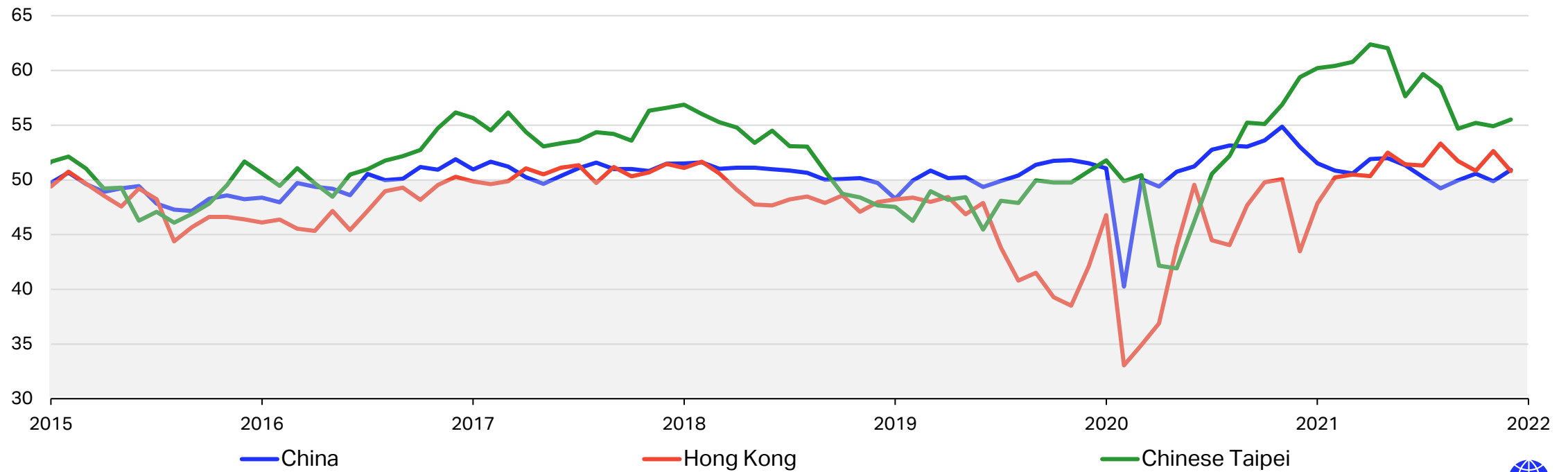
<i>US\$/barrel (period ave.)</i>	2021	Oct-21	Nov-21	Dec-21
Crude oil (Brent)	70.9	83.9	80.9	74.7
Jet fuel	77.7	95.6	91.8	87.1

Purchasing Managers' Index

- The latest manufacturing PMI surveys suggest that operating conditions improved slightly in both China and Chinese Taipei (more positive answers in the PMI survey than negative). This can be attributed to rising production and in the former also lower cost inflation. In Hong Kong business environment weakened at the end of the year due to slower growth in demand and output.

Purchasing Managers' Index - Manufacturing

50=no change, seasonally adjusted



Passenger market

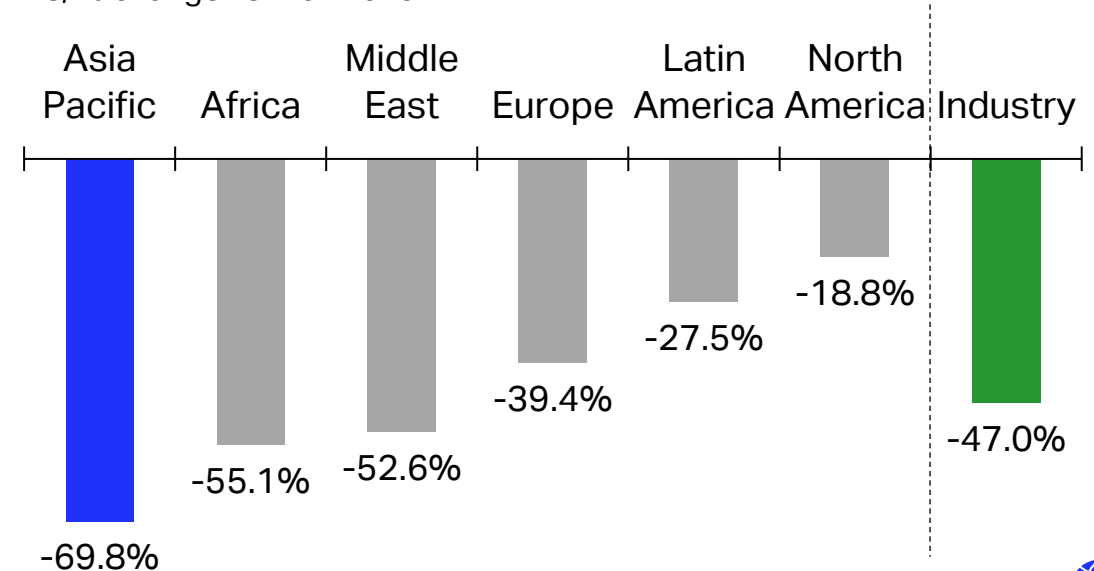
- Air-travel recovery continued in November ahead of the Omicron outbreak, but the traffic improvement was smaller than in the previous months. The industry-wide revenue passenger-kilometres (RPKs) fell by 47.0% versus November 2019, compared with a 48.9% contraction in October.
- Asia Pacific airlines reported a faster rate of RPK decline in November compared with October, at 69.8% and 65.8% respectively versus 2019. The deterioration was driven by developments in domestic China RPKs that were negatively impacted by new lockdowns. As for international travel, Asia Pacific carriers continued to lag the rest of the industry in November due to elevated travel restrictions on many key routes.

Revenue passenger-kilometres (RPKs)

% ch vs. the same period in 2019	2020	Sep-21	Oct-21	Nov-21
Region (registration basis)				
Asia Pacific	-62.0	-68.4	-65.8	-69.8
World	-65.8	-53.2	-48.9	-47.0
Routes (segment basis)				
China domestic	-30.9	-26.2	-25.7	-50.9
Asia - Europe	-79.0	-86.8	-86.3	-83.4
Within Asia	-84.1	-97.3	-97.0	-96.1
Asia - Nth America	-80.1	-88.4	-89.3	-85.7
Asia - Middle East	-73.4	-74.6	-71.6	-66.9
Asia - S/w Pacific	-79.4	-97.7	-97.7	-95.8
Asia - Africa	-79.7	-91.5	-91.9	-92.2

Growth in passenger volumes (RPKs), by region

RPKs, % change vs. Nov 2019



Air cargo market

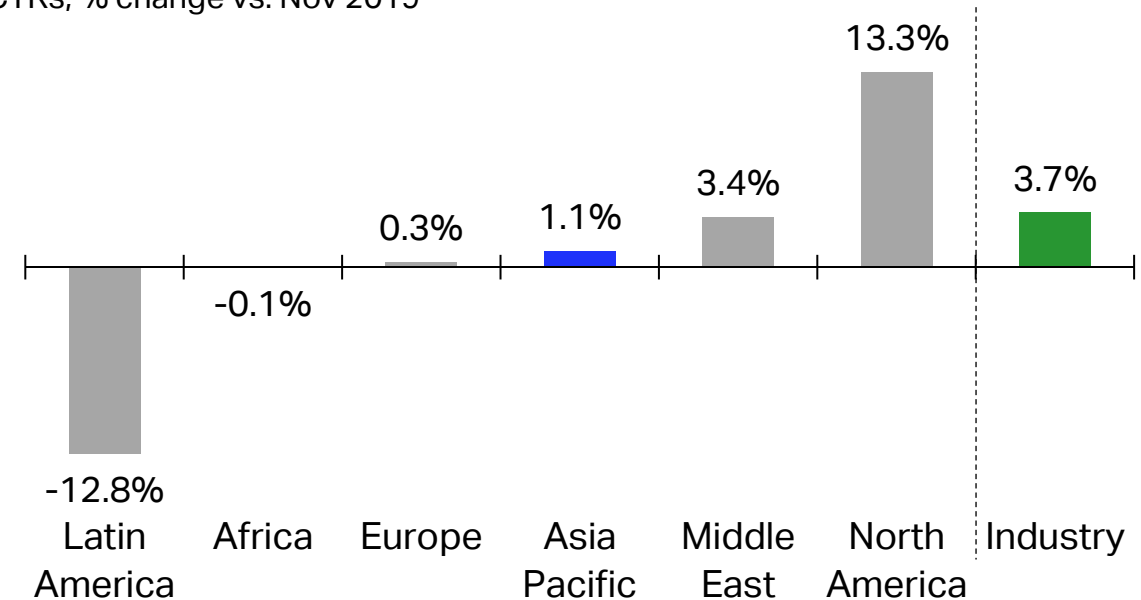
- Growth in industry-wide cargo tonne-kilometres (CTKs) slowed in November due to supply chain issues. CTKs were 3.7% above their November 2019 levels, after rising 8.2% in October versus October 2019.
- Airlines based Asia Pacific reported a 1.1% CTKs growth compared with 2019 – a modest deterioration from a 2.0% annual expansion recorded in October. The weaker growth outcomes compared with October were recorded across both domestic and international markets.

Cargo tonne-kilometres (CTKs)

% ch vs. the same period in 2019	2020	Sep-21	Oct-21	Nov-21
Region (registration basis)				
Asia Pacific	-14.9	-1.5	2.0	1.1
World	-9.9	7.6	8.2	3.7
Routes (segment basis)				
Asia - Europe	-10.4	-0.2	6.5	2.0
Asia - Nth America	7.5	27.1	28.2	23.4
Within Asia	-19.6	-3.2	-0.9	-3.5
Asia - Middle East	-6.3	21.3	14.7	8.0
Asia - S/w Pacific	-30.4	-27.5	-26.5	-22.5
Asia - Africa	9.0	36.8	25.5	12.5

Growth in cargo volumes (CTKs), by region

CTKs, % change vs. Nov 2019



Capacity growth & load factors

- Asia Pacific airlines were the only group in the industry that reported a faster rate of annual seat capacity decline in November compared with October (-58.9% and -55.8% respectively versus 2019). The capacity deterioration was largely driven by pre-Omicron pandemic disruptions in domestic China market.
- November saw significant difficulties in moving cargo at several key airports, such as New York's JFK, Los Angeles and Amsterdam. This was caused by labor shortages – partly related to workers placed in quarantine – insufficient storage space at airports, and a large backlog of shipments to process. Tellingly, annual contraction in Asia Pacific ACTKs accelerated from 13% in October to 15.7% in November (both versus 2019).

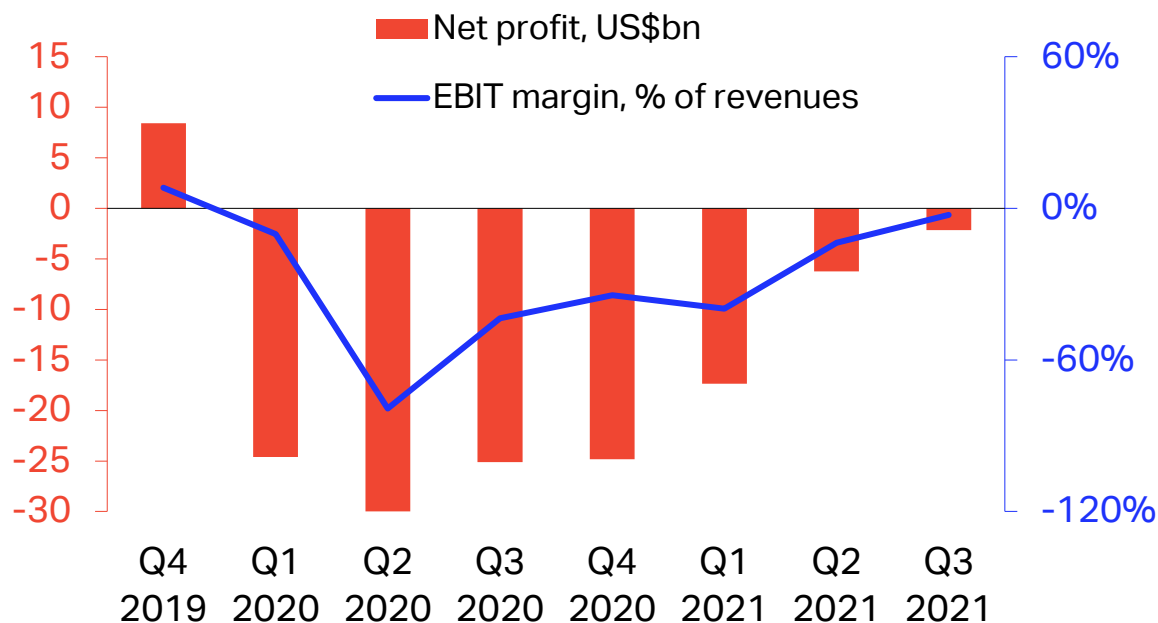
Capacity growth and load factors

<i>ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK</i>		2020	Sep-21	Oct-21	Nov-21
Passenger					
Asia Pacific	ASK	-53.8	-58.0	-55.8	-58.9
	PLF	67.4	60.4	63.0	59.7
World	ASK	-56.6	-43.2	-40.8	-39.7
	PLF	65.2	67.5	70.9	71.3
Cargo					
Asia Pacific	ACTK	-24.9	-18.7	-13.0	-15.7
	CLF	59.4	65.2	63.1	65.4
World	ACTK	-21.6	-9.4	-7.4	-7.6
	CLF	53.8	54.9	55.6	55.9

Airline EBIT margins

- The latest financial results confirm that the pressure on the industry's operating profitability eased in Q3 2021. In the sample of 87 airlines, the operating loss diminished from 13.6% of revenues in Q2 to 2.6% in Q3. All regions except from Asia Pacific contributed to this improvement.
- Financial performance of Asia Pacific airlines remained negatively impacted by international travel restrictions that remained stricter than in the other parts of the world in Q3.

Historical Profitability, full sample



Airline operating (EBIT) margins*

% revenues	2019	2020	2020Q3	2021Q3
Asia Pacific	3.7	-28	-15	-20
Industry	5.2	-30	-14	-3

Jet aircraft deliveries made & scheduled

- As of January 2022, Asia Pacific airlines are scheduled to receive 61% more aircraft deliveries in 2022 compared with 2021. Most of these deliveries are expected to be a narrow-body Max 737 (33% of the total) and A321 (21%). The regional subgroup of Chinese carriers will obtain 46% more aircraft deliveries this year – mostly Max 737 (36%).

Aircraft deliveries to China & the Asia Pacific (as of January 2022)

deliveries made & due

