

# State of the region: North Asia

July 2020

## Economy

### GDP growth, selected economies

% change on a yr ago	2019	Q3 2019	Q4 2019	Q1 2020
People's Republic of China	6.1	6.0	6.0	-6.8
Chinese Taipei	2.7	2.8	3.6	1.9
Hong Kong (SAR), China	-1.2	-2.8	-3.0	-8.9
Mongolia	4.9	4.2	1.8	-10.5
Emerging Asia	5.5	--	--	--
<b>World*</b>	<b>2.5</b>	<b>2.5</b>	<b>2.4</b>	<b>-1.7</b>

Source: Datastream \* Market exchange rate basis

### Exchange rates

end of period, # per US\$	2019	Apr-20	May-20	Jun-20
US\$ broad index	114.7	122.7	121.3	120.9
Chinese renminbi (CNY)	6.96	7.08	7.13	7.06
Taiwanese dollar (TWD)	30.0	29.7	30.0	29.5
Hong Kong dollar (HKD)	7.79	7.75	7.75	7.75
Mongolian tughrick (MNT)	2740	2788	2811	2826

Source: Datastream

### World oil and jet fuel price

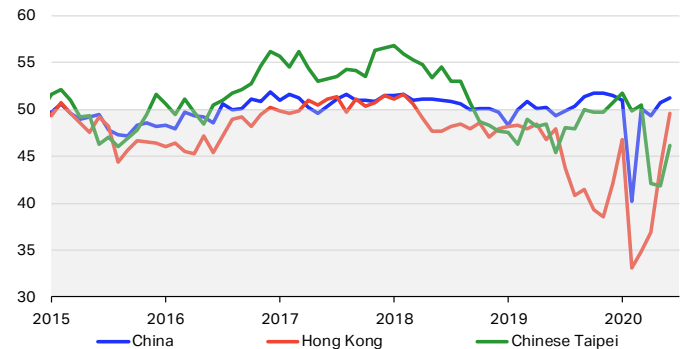
US\$/barrel (period ave.)	2019	Apr-20	May-20	Jun-20
Crude oil (Brent)	64.2	26.8	32.4	40.9
Jet fuel	79.6	23.1	29.6	41.8

Source: Platts, Datastream (monthly average data)

- Business sentiment ticked up for the second consecutive month in China, confirming the recovery in economic activity following the COVID-19 crisis.

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

China's Q2 GDP growth is estimated at 3.2%yoy – a weak performance compared with historical outcomes but still above analysts' expectations. Business sentiment also lifted in Hong Kong and Chinese Taipei, reflecting the positive impact of lockdown easing.

- The trade-weighted US dollar index eased modestly in June, down 0.3%. Of the key regional currencies, the TWD and CNY gained 1.7% & 1.0%, respectively against the US\$. Other FX movements were muted.
- Oil and jet fuel prices rose further amidst expectations about demand recovery with the reopening of markets. Sharp production cuts from OPEC and Russia also provided support to price increase.

## Market

### Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Mar-20	Apr-20	May-20
<b>Region (registration basis)</b>				
Asia Pacific	4.6	-64.4	-87.9	-82.7
World	4.1	-55.5	-94.0	-91.3
<b>Routes (segment basis)</b>				
China domestic	7.9	-68.7	-64.6	-49.9
Asia - Europe	6.6	-63.6	-98.2	-98.1
Within Asia	5.3	-82.6	-98.8	-98.9
Asia - Nth America	2.0	-72.8	-96.9	-97.0
Asia - Middle East	3.5	-55.3	-98.6	-98.7
Asia - S/w Pacific	6.0	-60.8	-98.4	-98.6
Asia - Africa	5.0	-64.7	-99.0	-99.2

Source: IATA Economics. Asia-Pac incl North Asia

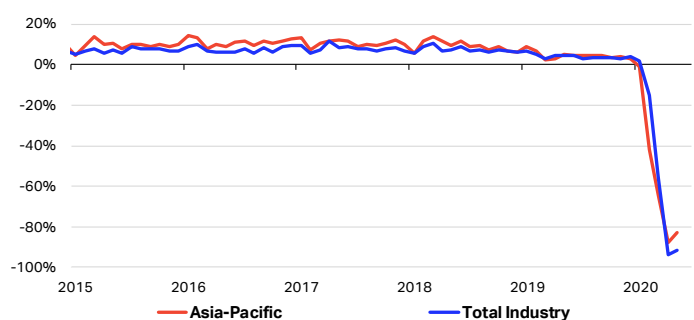
- Industry-wide revenue passenger-kilometres (RPKs) contracted by 91% year-on-year in May, compared to the 94% annual decline observed in April. The modest improvement this month was driven by developments in domestic markets.
- Airlines based in Asia Pacific registered an 83% year-on-year annual RPK contraction in May. This represents the most resilient outcome amongst all regions and

can be attributed mainly to tentative signs of recovery in the larger China domestic market where the RPK contraction slowed by 15ppts to -50%yoy.

- The region's key international routes continued to contract by close to 100% year-on-year. Looking forward, some improvement is expected since more countries started to loosen their lockdowns and airlines have been restoring some of their seat capacity.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Economics

## Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Mar-20	Apr-20	May-20
<b>Region (registration basis)</b>				
Asia Pacific	-5.6	-18.6	-28.1	-24.2
World	-3.2	-14.6	-25.6	-20.3
<b>Routes (segment basis)</b>				
Asia - Europe	-1.6	-16.5	-27.5	-23.9
Asia - Nth America	-3.7	-5.7	-5.7	-0.4
Within Asia	-7.4	-16.7	-36.1	-35.4
Asia - Middle East	-2.7	-18.8	-42.4	-37.0
Asia - S/w Pacific	-5.2	-19.8	-50.5	-47.8
Asia - Africa	12.0	8.6	-1.0	-0.4

Source: IATA Economics. Asia-Pac incl North Asia

- Industry-wide cargo tonne-kilometres (CTKs) fell by 20.3% year-on-year in May, a slight improvement from the 25.6% decline seen in April. This initial recovery partly comes on the back of stabilizing manufacturing output and new export orders.
- Airlines based in the Asia Pacific region recorded a 24.2% year-on-year CTK decline in May, compared with the 28.1% annual contraction in April.

## Industry

### Capacity growth and load factors

ASK/ACTK: %ch on a yr ago,		2019	Mar-20	Apr-20	May-20
LF: % of ASK/ACTK					
<b>Passenger</b>					
Asia Pacific	ASK	4.3	-49.1	-81.5	-77.6
	PLF	81.9	57.2	53.7	62.0
World	ASK	3.3	-38.6	-86.6	-86.0
	PLF	82.6	59.4	37.2	50.7
<b>Cargo</b>					
Asia Pacific	ACTK	1.0	-31.0	-46.1	-37.4
	CLF	52.3	65.4	69.1	64.3
World	ACTK	2.2	-20.8	-41.6	-34.7
	CLF	46.7	53.6	59.4	57.6

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

- Despite widespread aircraft grounding and flight cancellations, passenger demand fell faster than capacity. As a result, the industry-wide passenger load factor dropped by 31 ppts year-on-year to 50.7%. The PLF for APAC carriers fell by 18.4ppts vs a year ago.
- Cargo belly capacity increased in May, hinting that the capacity crunch observed since March might start to unwind soon. The industry-wide cargo load factor was 10.4ppts higher vs a year ago, while APAC carriers recorded the CLF up 11ppts.
- Q1 2020 financial results show the start of the severe negative impact of the pandemic on airline profitability. The industry-wide EBIT margin was -10.8% of revenues, down from 4.6% in Q1 2019.

### Airline operating (EBIT) margins\*

% revenues	2018	2019	2019Q1	2020Q1
Asia Pacific	4.7	3.7	7.7	-18.8
Industry	5.7	5.2	4.6	-10.8

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

- Shipments of personal protective equipment (PPE) continue to bring support to airlines in the region, and economies including China, South Korea and Vietnam have been able to restart their business activity to some extent.
- Of the region's key international routes, Asia-Nth.Am and Asia-Africa posted the most resilient outcomes, with cargo volumes down 0.4% year-on-year.

### Growth in air cargo volumes



Source: IATA Economics

At the regional level, airlines posted an EBIT margin of -18.8%, vs. 7.7% in the same period of 2019.

- Note that the yield data during the lockdown period should be interpreted with caution as the number of tickets being sold declined dramatically and part of the sales were arising from repatriation flights.

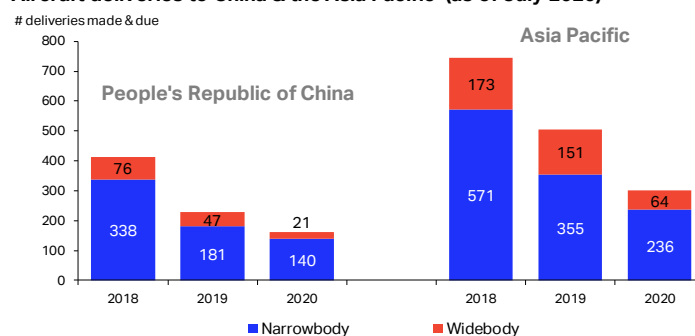
### Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Mar-20	Apr-20	May-20
China domestic	-6.1	-29.9	-32.0	-31.6
Asia - Europe	-7.7	-18.3	-13.2	-8.3
Within Asia	-4.5	-22.2	-23.8	-26.1
Asia - Nth America	-2.6	-11.4	1.4	20.4
Asia - Middle East	7.7	-10.4	-3.0	0.7
Asia - Sth America	-7.8	-13.0	-0.7	13.4
Asia - Africa	-5.8	-0.3	57.4	36.3

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

- The latest data point to a fall in the number of jet aircraft deliveries scheduled for both Chinese and Asia Pacific airlines in 2020 compared to 2019.

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



Source: Ascend

Note: Asia Pacific includes North Asia