

State of the region: North Asia

March 2021

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	-6.1	-9.0	-3.6	-3.0
Mongolia	-5.4	-8.8	-2.7	-0.9
Emerging Asia	-1.7	--	--	--
World*	-3.7	-8.9	-2.7	-1.5

Source: Eikon Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2020	Dec-20	Jan-21	Feb-21
US\$ broad index	112.1	112.1	111.8	112.3
Chinese renminbi (CNY)	6.52	6.52	6.43	6.47
Taiwanese dollar (TWD)	28.1	28.1	28.0	27.9
Hong Kong dollar (HKD)	7.75	7.75	7.75	7.76
Mongolian tugrik (MNT)	2855	2855	2850	2855

Source: Board of Governors of the Federal Reserve System (US), Eikon Datastream

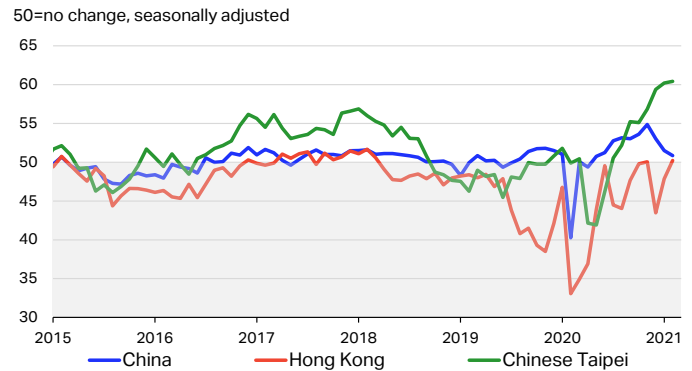
World oil and jet fuel price

US\$/barrel (period ave.)	2020	Dec-20	Jan-21	Feb-21
Crude oil (Brent)	43.4	50.4	55.2	62.4
Jet fuel	46.3	55.4	59.6	66.9

Source: Platts, Eikon Datastream (monthly average data)

- The growth momentum in the Chinese manufacturing sector softened for the third consecutive month amidst uptick in COVID-19 cases in the winter. That said, businesses are optimistic about the near-term outlook.

Business confidence - manufacturing PMIs



Source: Markit

- In Chinese Taipei, manufacturing PMI reached the highest level in almost 11 years as rising demand for goods boosted both employment levels and production. Operating conditions for manufacturers have improved also in Hong Kong as the pandemic gradually subsides there.
- The trade-weighted US dollar index rose by 0.5%, partly reflecting optimism about the US economic recovery. The CNY was the main mover amongst the key regional currencies, losing 0.7% vs. the US\$.
- Brent Crude oil and jet fuel price picked up for another month due to improving global economic outlook and OPEC+ supply cuts.

Market

Revenue passenger-kilometers (RPKs)

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

% ch vs. the same period in 2019	2020	Nov-20	Dec-20	Jan-21
Region (registration basis)				
Asia Pacific	-62.0	-61.8	-63.7	-71.5
World	-65.9	-70.4	-69.7	-72.0
Routes (segment basis)				
China domestic	-30.8	-6.3	-8.5	-33.9
Asia - Europe	-79.0	-93.2	-91.9	-92.9
Within Asia	-84.0	-97.6	-96.7	-97.1
Asia - Nth America	-80.1	-92.5	-92.2	-92.3
Asia - Middle East	-73.6	-85.9	-83.7	-81.7
Asia - S/w Pacific	-79.4	-97.6	-97.7	-98.1
Asia - Africa	-80.1	-93.9	-92.5	-93.2

Source: IATA Economics. Asia-Pac incl North Asia

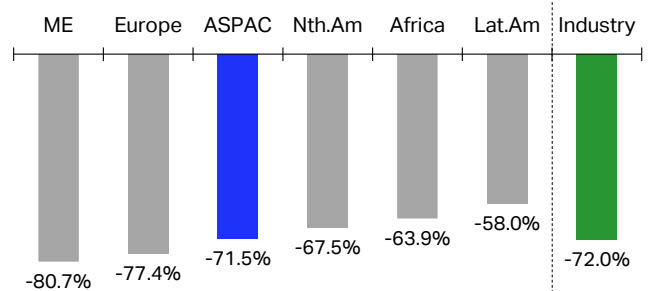
- After several months without any clear improvement, industry-wide revenue passenger-kilometres (RPKs) deteriorated in Jan 2021. They were 72% lower vs. Jan 2019, which represents a more accurate comparison due to the large moves in traffic in early-2020.
- Airlines based in Asia Pacific flew 71.5% fewer RPKs in January compared to two years ago. Asia Pacific international travel remained the weakest amongst regions (-94.6% vs. Jan 2019) since many countries

keep strict travel restrictions despite relatively controlled COVID-19 outbreaks. With slow vaccination plans, any improvement in int'l traffic is unlikely in the near-term.

- China domestic RPKs sharply deteriorated in January (down almost 34% vs. Jan 2019). The weakness resulted from stricter traffic controls and softer travel demand ahead of the Chinese New Year amid several localized COVID-19 outbreaks.

Growth in passenger volumes, by region

RPKs, % change vs. January 2019



Source: IATA Economics

Cargo tonne-kilometers (CTKs)

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

% ch vs. the same period in 2019	2020	Nov-20	Dec-20	Jan-21
Region (registration basis)				
Asia Pacific	-15.2	-9.9	-5.9	-6.8
World	-10.6	-6.1	-0.8	1.1
Routes (segment basis)				
Asia - Europe	-15.0	-13.1	-4.7	0.2
Asia - Nth America	2.1	7.8	12.5	20.2
Within Asia	-21.1	-18.9	-10.8	-8.8
Asia - Middle East	-7.5	2.5	5.7	15.1
Asia - S/w Pacific	-37.8	-45.0	-41.4	-45.1
Asia - Africa	8.6	-4.4	4.0	38.5

Source: IATA Economics. Asia-Pac incl North Asia

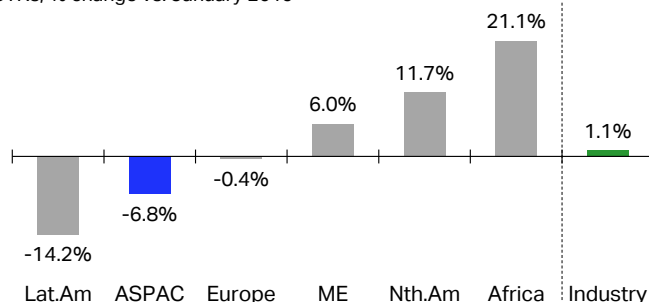
- Air cargo volumes rose sharply for another month and reached levels last seen before the pandemic started. Industry-wide cargo tonne-kilometres (CTKs) were higher by 1.1% vs. the pre-crisis levels (Jan 2019).
- Asia Pacific carriers reported 6.8% fewer CTKs in January compared with two years ago – the second weakest outcome after Latin America. The region has reported a relatively slow recovery in capacity, which

has likely contributed to the delayed CTK rebound compared to the other regions.

- Of the region's key international routes, the larger Asia-Nth.Am remained the strongest performer in January (CTKs up more than 20% vs. the pre-crisis levels), benefitting from booming US e-commerce demand for goods made in Asia.

Growth in cargo volumes, by region

CTKs, % change vs. January 2019



Source: IATA Economics

Industry

Capacity growth and load factors

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

ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK		2020	Nov-20	Dec-20	Jan-21
Passenger					
Asia Pacific	ASK	-54.0	-53.3	-52.6	-59.0
	PLF	67.7	66.6	62.5	56.6
World	ASK	-56.7	-58.8	-57.1	-58.7
	PLF	65.0	58.1	58.0	54.1
Cargo					
Asia Pacific	ACTK	-27.5	-21.9	-22.9	-29.4
	CLF	61.2	62.9	64.5	66.5
World	ACTK	-23.2	-19.1	-17.8	-19.5
	CLF	54.4	57.8	57.2	58.9

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

- New lockdowns stopped the recovery in seat capacity over the past two months. Industry-wide available seat-kilometres (ASKs) fell by 4.6%mom and were 58.7% lower vs. the pre-crisis period (Jan 2019). Asia Pacific airlines saw the ASKs down 56.6%% vs. Jan 2019.
- Despite the capacity cuts, demand continued to fall faster than supply, and therefore the global passenger load factor (PLF) deteriorated again. It fell by 25.7 ppts vs. Jan 2019 to 54.1%, a new all-time low for the month. Carriers based in Asia Pacific reported the PLF at 56.6%.
- The fall in passenger capacity resulted in renewed pressure on belly cargo capacity. The industry-wide available cargo tonne-kilometres (ACTKs) fell by 5%mom this January and were 19.5% lower vs. two years ago. Asia Pacific airlines flew 29.4% fewer ACTKs compared with the pre-crisis period.

- This month's decline in cargo capacity resulted in a sharp uptick in cargo load factors (CLF) which were already elevated during most of 2020. The industry-wide CLF reached 58.9%, while Asia Pacific carriers reported the load factor at 66.5% - the highest amongst regions.

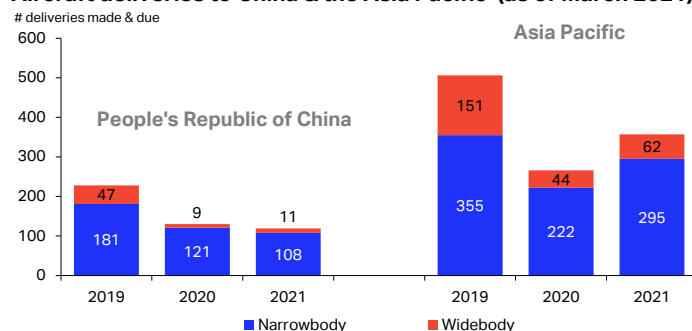
Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q4	2020Q4
Asia Pacific	4.7	3.7	7.3	-36
Industry	5.7	5.2	7.6	-50

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

- The latest financial results confirm that airlines continued to experience deep losses in Q4 due to stalling passenger recovery. Asia Pacific carriers reported relatively smaller net losses compared to the rest of the industry due to improving passenger demand in some of the key domestic markets in Q4.
- As of March 2021, aircraft deliveries scheduled by airlines based in the Asia Pacific region are expected to increase by 34% in 2021 compared with 2020 levels while the number of deliveries for Chinese carriers should be broadly unchanged.

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



Source: Ascend

Note: Asia Pacific includes North Asia