

State of the region: North Asia

May 2021

Economy

GDP growth, selected economies

% change on a yr ago	2020	Q3 2020	Q4 2020	Q1 2021
People's Republic of China	2.0	4.9	6.5	18.3
Chinese Taipei	3.1	4.3	4.6	--
Hong Kong (SAR), China	-6.1	-3.6	-2.8	7.9
Mongolia	-5.4	-2.7	-0.9	15.5
Emerging Asia	-1.0	--	--	--
World*	-3.6	-2.6	-1.3	2.4

Source: Eikon Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2020	Mar-21	Apr-21	May-21
US\$ broad index	112.1	113.6	112.9	--
Chinese renminbi (CNY)	6.52	6.54	6.47	6.38
Taiwanese dollar (TWD)	28.1	28.5	27.9	27.6
Hong Kong dollar (HKD)	7.75	7.77	7.77	7.76
Mongolian tugrik (MNT)	2855	2861	2845	2861

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

World oil and jet fuel price

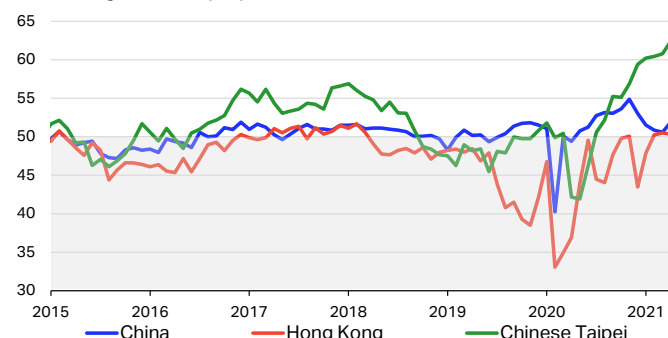
US\$/barrel (period ave.)	2020	Mar-21	Apr-21	May-21
Crude oil (Brent)	43.4	65.8	65.5	68.4
Jet fuel	46.3	69.0	69.1	73.4

Source: Platts, Eikon Datastream (monthly average data)

- Q1 GDP growth results confirmed swift economic recovery in North Asia despite new virus outbreaks. Countries in the region benefitted from recovering export demand in other parts of the world.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Latest manufacturing PMIs, which serve as a monthly proxy for business activity in the manufacturing sector, indicate that the region's economy has been improving further in Q2 – most swiftly in Chinese Taipei where the PMI reached the highest level since 2010.
- Amongst the key regional currencies, the CNY and TWD were the main movers, gaining 1.4% and 1.2% respectively against the US\$.
- Oil and jet fuel prices rebounded in May boosted by the global economic recovery and supply-side concerns despite surging COVID-19 cases in some regions.

Market

Revenue passenger-kilometers (RPKs)

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

% ch vs. the same period in 2019	2020	Jan-21	Feb-21	Mar-21
Region (registration basis)				
Asia Pacific	-62.0	-72.4	-75.0	-60.4
World	-65.9	-72.2	-74.9	-67.2
Routes (segment basis)				
China domestic	-30.8	-37.5	-51.2	-2.6
Asia - Europe	-79.0	-92.9	-93.0	-92.1
Within Asia	-84.1	-97.8	-98.3	-97.8
Asia - Nth America	-80.1	-92.3	-93.4	-93.3
Asia - Middle East	-73.6	-81.8	-82.0	-81.8
Asia - S/w Pacific	-79.4	-98.1	-98.4	-98.0
Asia - Africa	-79.7	-92.3	-91.7	-91.0

Source: IATA Economics. Asia-Pac incl North Asia

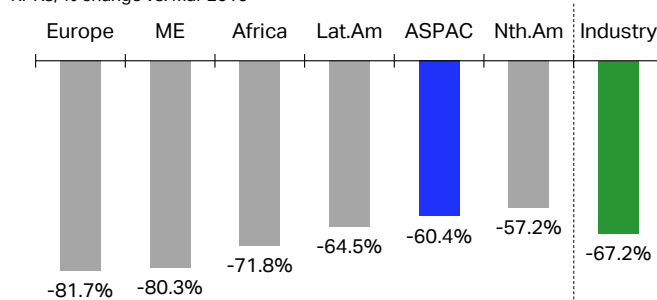
- Passenger traffic slightly improved in March amidst recovering domestic demand. Industry-wide revenue passenger-kilometers (RPKs) were 67.2% lower compared to the pre-crisis level (March 2019).
- Asia Pacific airlines flew 60.4% fewer RPKs compared with March two years ago. This represents the second-best performance amongst regions and can be attributed to demand recovery in some of the key domestic markets. However, Asia Pacific international traffic remained muted amidst ongoing travel

restrictions. Indeed, RPKs on most of the region's key int'l travel segments were down more than 90% in March compared with the pre-pandemic period.

- Domestic China market was the key contributor to the increase in the global domestic traffic following the relaxation of travel restrictions imposed in February. Domestic China RPKs were 2.6% lower vs. pre-crisis March – a significant improvement on a 51.2% contraction in the previous month.

Growth in passenger volumes, by region

RPKs, % change vs. Mar 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	Jan-21	Feb-21	Mar-21
Region (registration basis)				
Asia Pacific	-14.8	-3.9	8.3	-2.9
World	-9.1	3.8	9.2	4.4
Routes (segment basis)				
Asia - Europe	-10.6	6.9	15.2	3.7
Asia - Nth America	7.6	26.6	38.5	25.4
Within Asia	-19.6	-5.8	8.5	-5.3
Asia - Middle East	-7.0	16.9	26.9	16.9
Asia - S/w Pacific	-30.4	-33.0	-31.0	-37.2
Asia - Africa	9.0	38.2	111.2	38.7

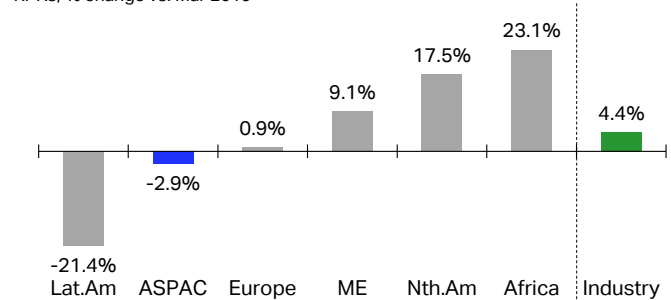
Source: IATA Economics. Asia-Pacific incl. North Asia

- Global cargo volumes reached the highest level in the history of our time series in March although their growth softened modestly compared with February. Industry-wide cargo tonne-kilometres (CTKs) rose by 4.4% vs. the pre-crisis levels and by 0.4% m-o-m.
- At the regional level, airlines based in Asia Pacific were amongst the weakest performers this month, posting a 2.9% CTK contraction after an 8.3% growth in Feb.

- The weakness was observed on the majority of the key trade-lanes connected with Asia. For now, it's unclear what caused the setback since we did not observe any significant deterioration in cargo capacity nor spike in cargo rates compared with February.
- Despite the softer outcome this month, cargo traffic on most of the key international trade-lanes remained well above the pre-crisis levels.

Growth in cargo volumes, by region

RPKs, % change vs. Mar 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	Jan-21	Feb-21	Mar-21
Passenger					
Asia Pacific	ASK	-54.1	-60.3	-64.8	-51.6
	PLF	67.8	56.5	58.7	66.9
World	ASK	-56.8	-59.4	-63.3	-56.8
	PLF	65.2	54.5	55.2	62.3
Cargo					
Asia Pacific	ACTK	-27.2	-28.5	-28.8	-18.6
	CLF	61.3	67.7	69.6	66.1
World	ACTK	-21.2	-17.1	-15.3	-11.7
	CLF	54.0	58.7	57.9	58.8

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

- Global available seat capacity continued to recover in March. Industry-wide available seat-kilometres (ASKs) fell by 56.8% vs. March 2019 – an improvement on a 63.3% decline in February. Asia Pacific airlines posted a 51.6% ASK contraction over the same period.
- Industry-wide passenger load factor (PLF) was at 62.3% in March, 19.7 ppts lower compared with March 2019. Asia Pacific carriers reported the PLF at 66.9% – the second highest after Latin America.
- Global cargo capacity has been recovering from the temporary fall in early-2021 when some airlines grounded pax aircraft amidst new virus spikes. Industry-wide available cargo tonne-kilometres (ACTKs) were ~12% below the pre-crisis levels. ACTKs of Asia Pacific carriers were down 18.6%.
- Cargo load factors were elevated across all regions since cargo capacity lagged the CTK recovery. Asia Pacific CLF was at 66.1%, up 10.7ppts vs. March 2019.

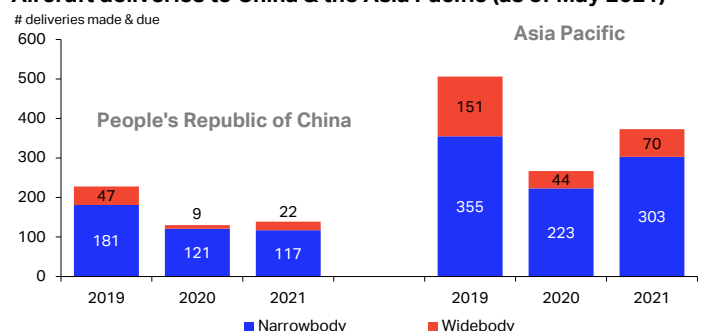
Airline operating (EBIT) margins*

% revenues	2019	2020	2020Q1	2021Q1
Asia Pacific	4.7	-27.0	-22.2	-45
Industry	5.2	-28.0	-11.8	-60

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

- Initial Q1 2021 results showed that at the global level the airline industry continued to post net losses similar to those in Q4. In Asia Pacific, losses increased since new COVID-19 waves inverted recovery in some domestic markets in early-2021.
- Looking ahead, airline financial performance will vary by region depending on the size of domestic markets and the pace of vaccine rollout. Higher fuel prices will be a challenge to a return to profitability for airlines when the traffic rebounds
- As of May, aircraft deliveries scheduled by Asia Pacific carriers are expected to increase by 40% in 2021 vs. 2020 but will remain 26% below deliveries in 2019. In China, airlines should receive a similar number of deliveries as last year but fewer than in 2019 (-39%).

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



Source: Ascend

Note: Asia Pacific includes North Asia