

Economy

GDP growth, selected economies

% change on a yr ago	2019	Q1 2020	Q2 2020	Q3 2020
People's Republic of China	6.1	-6.8	3.2	4.9
Chinese Taipei	2.7	1.7	-0.2	--
Hong Kong (SAR), China	-1.2	-9.1	-9.0	-3.5
Mongolia	5.0	-10.9	-8.8	-2.7
Emerging Asia	5.5	--	--	--
World*	2.5	-1.7	-9.1	-3.2

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	Aug-20	Sep-20	Oct-20
US\$ broad index	114.7	116.1	117.3	116.5
Chinese renminbi (CNY)	6.96	6.89	6.79	6.69
Taiwanese dollar (TWD)	30.0	29.3	29.0	28.6
Hong Kong dollar (HKD)	7.79	7.75	7.75	7.75
Mongolian tughrick (MNT)	2740	2857	2851	2845

Source: Datastream

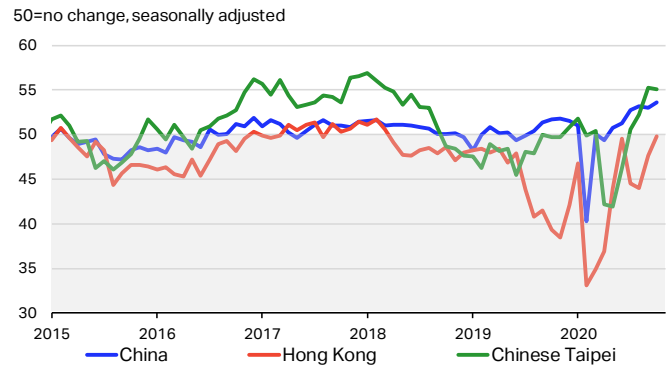
World oil and jet fuel price

US\$/barrel (period ave.)	2019	Aug-20	Sep-20	Oct-20
Crude oil (Brent)	64.2	45.1	41.9	41.6
Jet fuel	79.6	45.4	41.1	43.5

Source: Platts, Datastream (monthly average data)

- China continues its swift recovery from the COVID-19 crisis. It is one of the few economies that posted a robust positive (4.9%) annual Q3 GDP growth. Moreover, business confidence in the country is in elevated levels.

Business confidence - manufacturing PMIs



Source: Markit

- Business sentiment remained solid also in Chinese Taipei amid rising demand for manufactured goods. In Hong Kong, operating conditions stabilized, and more improvement is expected following the relaxation of COVID-19 restrictions in late-October.
- The trade-weighted US dollar index ended the month down 0.7%, partly offsetting the modest gain from September. Of the regional currencies, the CNY gained 1.4% vs. the US\$ amidst solid economic recovery.
- The Brent crude oil price fell further in October as renewed lockdowns weighed on global demand. The jet fuel price gained modestly compared with September but remained 45% lower compared with a year ago.

Market

Revenue passenger kilometers (RPKs)

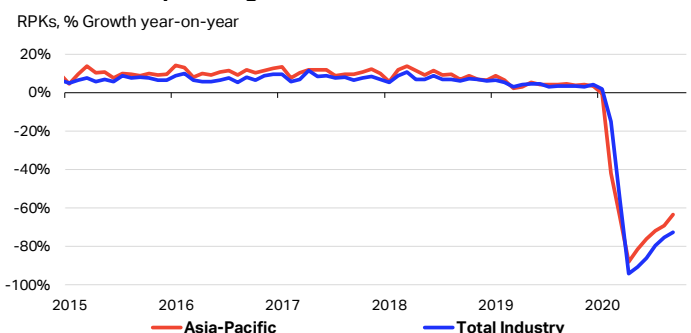
% change on a yr ago	2019	Jul-20	Aug-20	Sep-20
Region (registration basis)				
Asia Pacific	4.7	-71.9	-69.2	-63.5
World	4.1	-79.5	-75.3	-72.8
Routes (segment basis)				
China domestic	7.9	-28.4	-18.8	-2.8
Asia - Europe	6.7	-95.7	-94.5	-93.0
Within Asia	5.3	-98.5	-98.4	-98.3
Asia - Nth America	2.4	-94.4	-93.5	-93.7
Asia - Middle East	4.2	-93.3	-92.3	-90.0
Asia - S/w Pacific	6.0	-97.6	-97.4	-97.6
Asia - Africa	3.5	-97.6	-94.7	-93.6

Source: IATA Economics. Asia-Pac incl North Asia

- Industry-wide revenue passenger-kilometres (RPKs) declined by 72.8% year-on-year in September, a small improvement from the 75.3% fall in August. The recovery remained mostly driven by domestic markets.
- Carriers registered in the Asia Pacific region faced a 63.5%yoy fall in their passenger volumes in September, compared with 69.2% decline in August.

- Improvements in the region's international travel since the start of the crisis have been restrained amidst stringent flight restrictions.
- Domestic passenger traffic in China declined by 2.8% year-on-year in September, up 16ppts from contraction in August. The pace of the recovery increased recently, with signs that consumer spending and the overall economy are almost back to normal.

Growth in air passenger volumes



Source: IATA Economics

Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Jul-20	Aug-20	Sep-20
Region (registration basis)				
Asia Pacific	-5.6	-19.5	-18.8	-15.9
World	-3.2	-14.1	-12.1	-8.0
Routes (segment basis)				
Asia - Europe	-1.5	-19.7	-17.8	-17.8
Asia - Nth America	-3.7	3.2	3.3	3.4
Within Asia	-7.7	-27.4	-26.9	-23.3
Asia - Middle East	-2.3	-14.3	-3.1	1.8
Asia - S/w Pacific	-6.1	-46.1	-43.8	-44.3
Asia - Africa	12.6	5.4	16.1	21.6

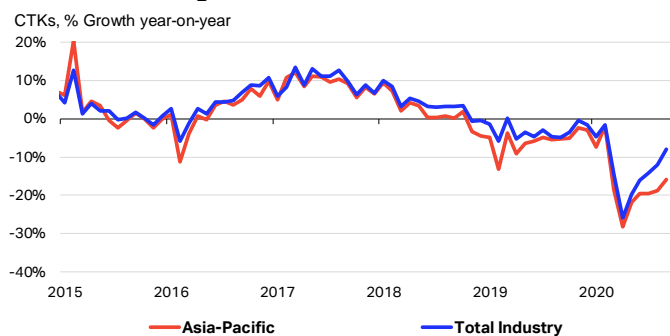
Source: IATA Economics. Asia-Pac incl North Asia

- Recovery in air cargo accelerated in September. Industry-wide cargo tonne-kilometres (CTKs) fell by 8.0% year-on-year compared with 12.1% decline in August. Month-on-month, CTKs showed the fastest growth since May, at 3.7%.
- Airlines based in the Asia Pacific region recorded a 15.9%yoy fall in CTKs in September. Following the

stagnation in the previous two months, the recovery in volumes modestly picked up as airlines added more capacity on the routes.

- Of the region's key international markets, Asia-North America and Asia-Africa were amongst the best performing on this occasion (up 3.4% and 21.6%yoy, respectively).

Growth in air cargo volumes



Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago, LF: % of ASK/ACTK	2019	Jul-20	Aug-20	Sep-20	
Passenger					
Asia Pacific	ASK	4.4	-64.6	-60.3	-57.7
	PLF	81.9	65.8	65.2	69.2
World	ASK	3.4	-69.8	-63.9	-63.0
	PLF	82.6	58.2	58.6	60.1
Cargo					
Asia Pacific	ACTK	0.9	-33.7	-32.2	-29.5
	CLF	52.3	63.0	61.5	64.2
World	ACTK	2.1	-30.8	-28.7	-25.2
	CLF	46.8	55.8	54.5	56.9

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

- Airlines slowed the return of capacity in Sept amidst rising COVID-19 cases. As a result, global passenger load factor improved slightly, reaching the highest level since Feb (but down 21.8ppts yoy). Asia Pacific airlines reported PLF at 69.2%.
- The industry-wide cargo load factor reached a new all-time high for September at 56.9% amidst continuous capacity crunch. Asia Pacific carriers posted the CLF up 10.4 ppts, at 64.2%.
- The initial sample of Q3 2020 financial results showed that airlines in all regions posted another quarter of negative EBIT margin due to the modest travel demand recovery in the summer quarter, which is seasonally

the strongest period in normal times. In 2020 as a whole, Asia Pacific airlines are expected to post combined losses of US\$31.7bn.

- Note that the passenger yield data should be interpreted with caution due to the small number of tickets being sold amidst the pandemic crisis.

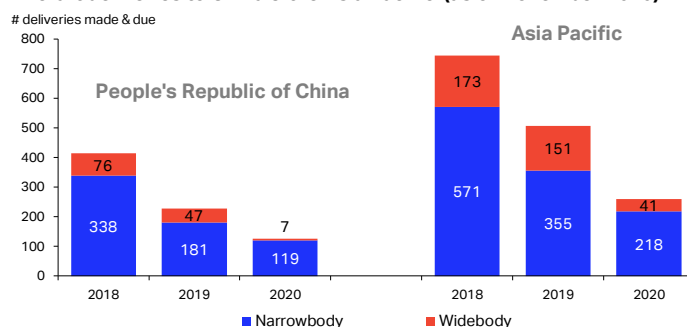
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2019	Jul-20	Aug-20	Sep-20
China domestic	-6.1	-37.7	-32.3	-6.4
Asia - Europe	-7.7	-11.8	-7.2	-3.9
Within Asia	-4.5	-25.6	-21.1	-4.8
Asia - Nth America	-2.6	3.7	-5.0	1.3
Asia - Middle East	7.7	19.8	28.3	47.2
Asia - Sth America	-7.8	20.4	11.6	8.8
Asia - Africa	-5.8	63.6	61.8	83.7

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

- Data from November indicate a 49% fall in the number of jet aircraft deliveries scheduled for Asia Pacific airlines and a 45% decline for Chinese carriers in 2020 compared with 2019. Throughout the year, carriers have been negotiating with manufacturers deferrals of deliveries to reduce their cash outflow.

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



Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q3	2020Q3
Asia Pacific	4.7	3.7	7.0	-39
Industry	5.7	5.2	13.3	-63

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