

Economy

GDP growth, selected economies

% change on a yr ago	2019	Q4 2019	Q1 2020	Q2 2020
People's Republic of China	6.1	6.0	-6.8	3.2
Chinese Taipei	2.7	3.6	1.7	-0.2
Hong Kong (SAR), China	-1.2	-3.0	-9.1	-9.0
Mongolia	5.0	-0.7	-10.9	-8.8
Emerging Asia	5.5	--	--	--
World*	2.5	2.4	-1.7	-9.0

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	Jul-20	Aug-20	Sep-20
US\$ broad index	114.7	117.6	116.1	117.3
Chinese renminbi (CNY)	6.96	6.97	6.89	6.79
Taiwanese dollar (TWD)	30.0	29.3	29.3	29.0
Hong Kong dollar (HKD)	7.79	7.75	7.75	7.75
Mongolian tughrik (MNT)	2740	2847	2857	2851

Source: Datastream

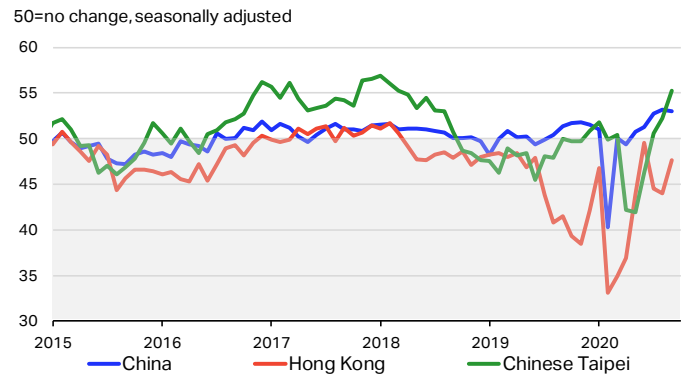
World oil and jet fuel price

US\$/barrel (period ave.)	2019	Jul-20	Aug-20	Sep-20
Crude oil (Brent)	64.2	43.3	45.1	41.9
Jet fuel	79.6	45.5	45.4	41.1

Source: Platts, Datastream (monthly average data)

- Business sentiment in China remained robust in September amidst solid domestic economic activity and recovery of foreign demand for Chinese goods.

Business confidence - manufacturing PMIs



- Chinese Taipei also benefitted from improving global demand and recorded business confidence at the highest levels since early-2018. In Hong Kong, business sentiment remained deteriorated amidst uncertainty about pandemic developments.
- The resurgence of COVID-19 and concerns about its impact on the global economy contributed to the rise in the trade-weighted US dollar index (+1%) in Sep. Of the regional currencies, the CNY gained ~1.6% vs. the US\$.
- The average jet and crude oil price fell in September as the second waves of COVID-19 led to pessimism amongst investors about future fuel demand recovery.

Market

Revenue passenger kilometers (RPKs)

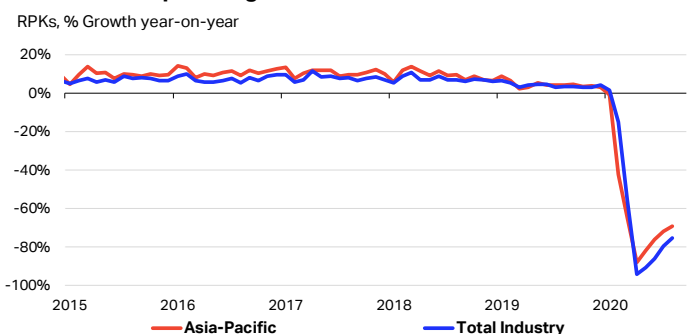
% change on a yr ago	2019	Jun-20	Jul-20	Aug-20
Region (registration basis)				
Asia Pacific	4.6	-76.3	-71.8	-69.2
World	4.1	-86.3	-79.5	-75.3
Routes (segment basis)				
China domestic	7.9	-36.5	-28.4	-19.1
Asia - Europe	6.7	-97.2	-95.7	-94.5
Within Asia	5.3	-98.9	-98.5	-98.4
Asia - Nth America	2.4	-95.7	-94.4	-93.5
Asia - Middle East	4.2	-96.9	-93.3	-92.3
Asia - S/w Pacific	6.0	-98.3	-97.6	-97.4
Asia - Africa	3.5	-98.5	-97.6	-95.1

Source: IATA Economics. Asia-Pac incl North Asia

- Industry-wide revenue passenger-kilometres (RPKs) contracted by 75.3% year-on-year in August, compared with a 79.5% decline in July. Domestic markets continued to drive the industry rebound.
- Airlines based in the Asia Pacific region reported a 69.2% annual RPK fall. This represents the best outcome of all regions for another month.

- Domestic RPKs in China contracted by 19.1%yoy – up 9.3ppts vs. July. The demand in the market has been stimulated by falling fares. Successful containment of the virus in Mainland China also underpinned the market's recovery.
- Traffic in the region's international markets remained subdued due to quarantine requirements and other COVID-19 related restrictions. All key int'l routes contracted by more than 90%yoy.

Growth in air passenger volumes



Cargo tonne kilometers (CTKs)

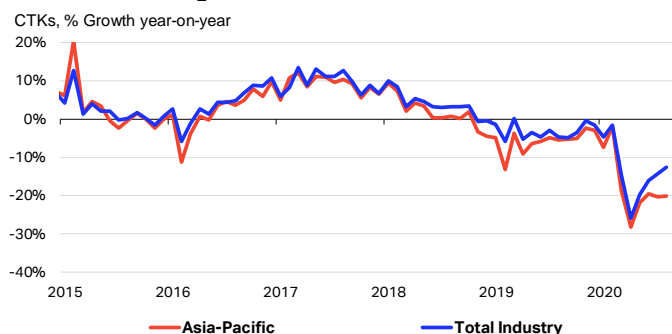
% change on a yr ago	2019	Jun-20	Jul-20	Aug-20
Region (registration basis)				
Asia Pacific	-5.6	-19.6	-20.3	-20.1
World	-3.2	-16.1	-14.4	-12.6
Routes (segment basis)				
Asia - Europe	-1.5	-21.9	-19.7	-18.6
Asia - Nth America	-3.7	0.4	3.2	3.5
Within Asia	-7.7	-31.4	-27.4	-26.9
Asia - Middle East	-2.3	-17.5	-14.3	-3.3
Asia - S/w Pacific	-6.1	-50.1	-46.1	-43.4
Asia - Africa	12.6	20.1	5.4	16.1

Source: IATA Economics. Asia-Pac incl North Asia

- Industry-wide cargo tonne-kilometres (CTKs) fell by 12.6% year-on-year in August compared with a 14.4% year-on-year decline in the previous month.
- The recovery in cargo volumes has been slower than the rebound in some of the leading economic indicators such as new export orders amidst insufficient cargo capacity on some routes.

- Cargo demand of airlines based in Asia Pacific fell 20.1% year-on-year in August, almost unchanged from the result in July (-20.3%).
- Of the key international markets, CTK growth continued to improve on trade lanes between Asia-Nth.Am (+3.5%yoy) due to a solid US demand for Asian goods. The smaller Asia-Africa also performed robustly (up 16.1%yoy).

Growth in air cargo volumes



Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago, LF: % of ASK/ACTK		2019	Jun-20	Jul-20	Aug-20
Passenger					
Asia Pacific	ASK	4.3	-69.8	-64.4	-60.3
	PLF	81.9	64.6	65.7	65.0
World	ASK	3.3	-80.2	-69.8	-63.8
	PLF	82.6	58.2	58.2	58.5
Cargo					
Asia Pacific	ACTK	0.9	-35.2	-35.1	-33.5
	CLF	52.3	65.2	63.7	61.6
World	ACTK	2.1	-32.6	-31.8	-29.4
	CLF	46.8	57.1	56.4	54.8

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

- Industry-wide capacity (ASKs) recovered faster than RPKs. As a result, the global passenger load factor reached an all-time low for August, at 58.5%. Asia Pacific airlines recorded load factor down 19ppts vs. a year ago, at 65.0%.
- For cargo, the industry-wide load factor was at a new maximum this month (54.8%), amidst the ongoing lack of belly cargo capacity. At the regional level, Asia Pacific carriers posted the CLF at 61.6%, up 10.3ppts compared with a year ago.
- The final sample of Q2 2020 financial results confirmed the severe impact of the pandemic on airlines' businesses as passenger demand collapsed.

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q2	2020Q2
Asia Pacific	4.7	3.7	8.3	-39
Industry	5.7	5.2	9.7	-71

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

- On the positive side, some airlines based in the Asia Pacific region returned to profitability with the help of their cargo business following large losses in the first quarter of the year.
- 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	Jun-20	Jul-20	Aug-20
China domestic	-6.1	-33.9	-37.8	-32.4
Asia - Europe	-7.7	-7.6	-11.5	-6.9
Within Asia	-4.5	-26.7	-25.8	-21.6
Asia - Nth America	-2.6	5.6	3.5	-5.3
Asia - Middle East	7.7	7.4	19.4	28.3
Asia - Sth America	-7.8	32.7	20.0	11.7
Asia - Africa	-5.8	65.6	63.5	61.8

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

- The latest data point to a 51% fall in the number of jet aircraft deliveries scheduled for Asia Pacific airlines and a 48% decline for Chinese carriers in 2020 compared with 2019.

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

