

State of the Region:

North Asia

IATA Economics

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GDP growth, exchange rates, oil & jet fuel price

- The trade-weighted US dollar index moved sideways in September. Amongst the key regional currencies, the TWD and MNT lost 0.5% against the US\$. Other FX movements were muted.
- Following the temporary weakness in August, average Brent crude oil and jet fuel price picked up by 5.9% & 7.8% respectively in September, reflecting rising optimism about fuel demand recovery.

GDP growth

<i>% change on a yr ago</i>	2020	Q4 2020	Q1 2021	Q2 2021
People's Republic of China	2.0	6.5	18.3	7.8
Chinese Taipei	3.1	4.9	8.7	8.4
Hong Kong (SAR), China	-6.1	-2.8	8.0	7.6
Mongolia	-5.4	-0.9	15.5	--
Emerging Asia	-1.0	--	--	--
World*	-3.5	-1.1	2.7	11.5

Exchange rates

<i>end of period, # per US\$</i>	2020	Jul-21	Aug-21	Sep-21
US\$ broad index	112.1	113.3	113.7	113.8
Chinese renminbi (CNY)	6.52	6.46	6.46	6.45
Taiwanese dollar (TWD)	28.1	28.0	27.7	27.9
Hong Kong dollar (HKD)	7.75	7.77	7.78	7.78
Mongolian tughrig (MNT)	2855	2863	2850	2863

Oil and fuel price

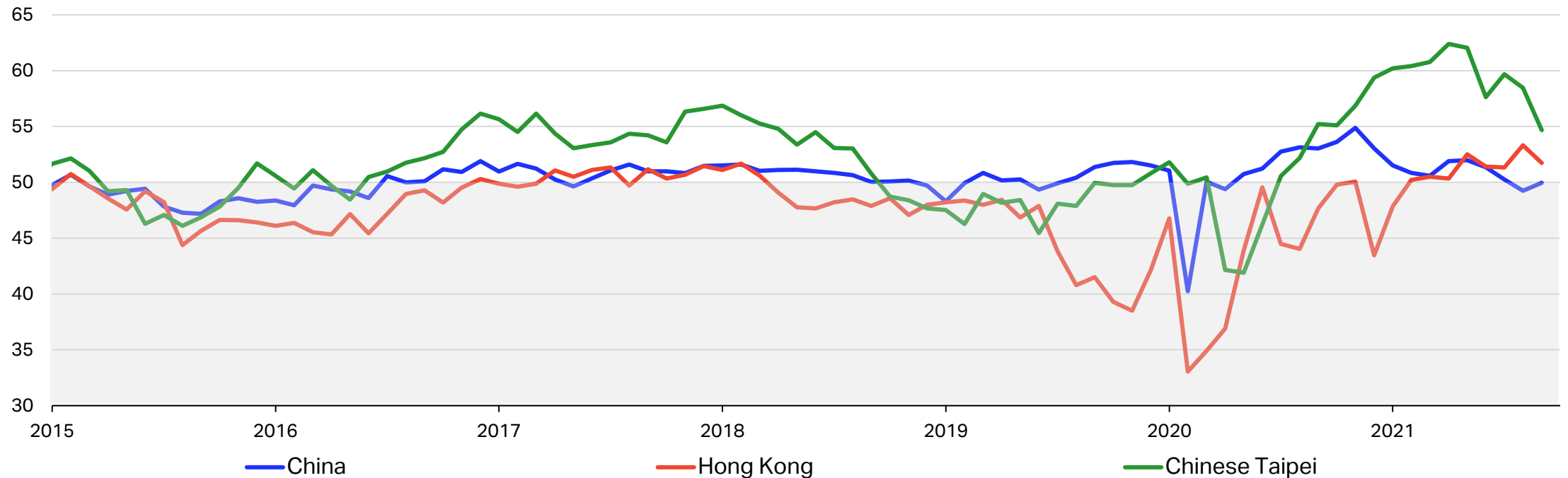
<i>US\$/barrel (period ave.)</i>	2020	Jul-21	Aug-21	Sep-21
Crude oil (Brent)	43.4	74.4	70.6	74.7
Jet fuel	46.3	79.5	76.9	82.9

Business confidence

- The growth momentum in the manufacturing sector slowed in Chinese Taipei and Hong Kong in September due to issues related to supply chain congestion. In China, operating conditions stabilized following the weakness in August on the back of rising sales and recovering manufacturing production.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Passenger market

- The spread of the Delta variant led to a slight deterioration in air travel in August. Industry-wide revenue passenger-kilometres (RPKs) fell by 56.0% vs. August 2019, following a 53.0% drop in July. This was entirely driven by developments in some of the key domestic markets.
- Contraction in Asia Pacific RPKs accelerated in August as COVID outbreaks reverted passenger traffic recovery in some of the key domestic markets, in particular in China where RPK contraction accelerated from 2.5% in July to 57% in August (both vs. 2019 levels).

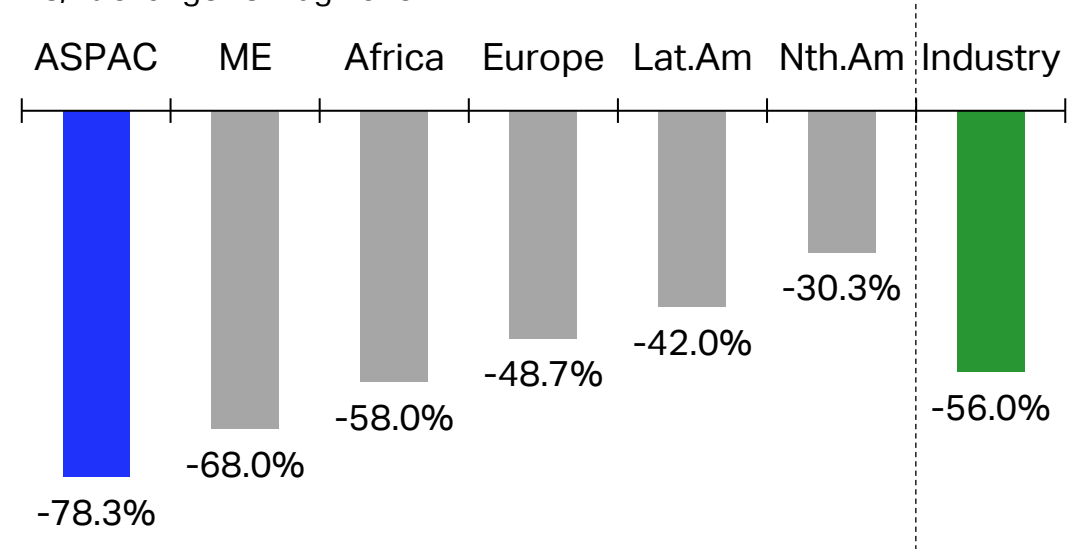
Revenue passenger kilometers (RPKs)

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

% ch vs. the same period in 2019	2020	Jun-21	Jul-21	Aug-21
Region (registration basis)				
Asia Pacific	-62.0	-66.0	-63.5	-78.3
World	-65.9	-59.9	-53.0	-56.0
Routes (segment basis)				
China domestic	-30.8	-10.8	-2.5	-57.0
Asia - Europe	-79.0	-91.0	-89.4	-88.4
Within Asia	-84.1	-97.5	-97.7	-97.4
Asia - Nth America	-80.1	-91.5	-89.5	-86.3
Asia - Middle East	-73.4	-84.3	-83.0	-78.7
Asia - S/w Pacific	-79.4	-97.6	-97.3	-97.6
Asia - Africa	-79.7	-91.5	-92.7	-91.7

Growth in passenger volumes, by region

RPKs, % change vs. Aug 2019



Air cargo market

- August was the fourth consecutive month of relative stability in air cargo. Industry-wide cargo tonne-kilometres (CTKs) rose by 7.7% vs. August 2019, compared with an 8.8% expansion in July.
- Asia Pacific CTKs fell by 2.1% in August compared with pre-crisis 2019 – a modest deterioration from the previous month. Looking ahead, the slowing growth momentum in the Chinese economy indicates that operating backdrop might be less supportive to the region's near-term cargo demand.

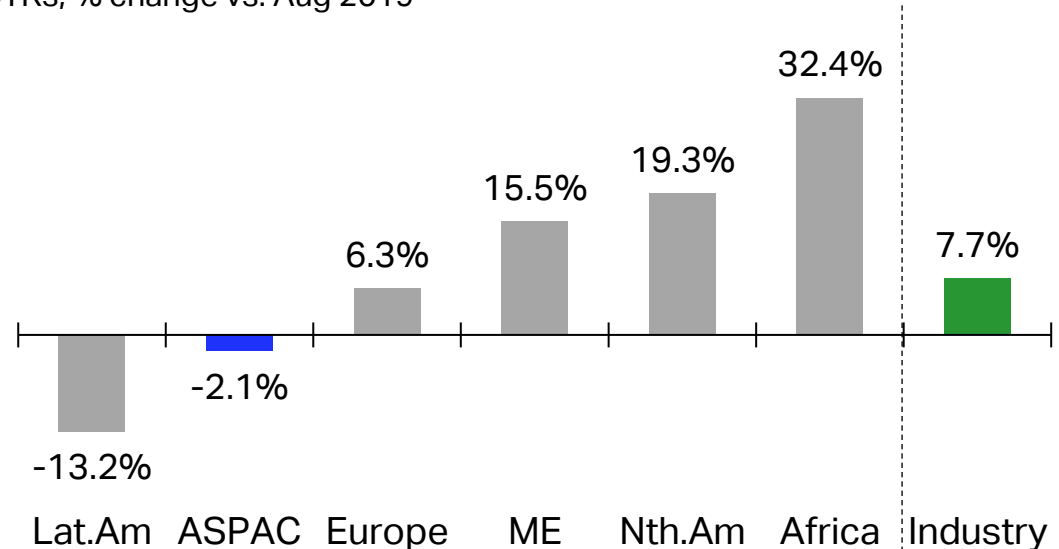
Cargo tonne kilometers (CTKs)

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

% ch vs. the same period in 2019	2020	Jun-21	Jul-21	Aug-21
Region (registration basis)				
Asia Pacific	-13.8	0.5	0.7	-2.1
World	-8.7	9.2	8.8	7.7
Routes (segment basis)				
Asia - Europe	-10.5	5.0	3.3	2.9
Asia - Nth America	7.5	27.6	29.4	28.4
Within Asia	-19.6	-3.2	-4.7	-4.5
Asia - Middle East	-6.3	18.5	15.6	16.4
Asia - S/w Pacific	-30.4	-26.5	-26.7	-26.4
Asia - Africa	9.0	43.4	35.1	26.4

Growth in cargo volumes, by region

CTKs, % change vs. Aug 2019



Capacity growth & load factors

- Contraction in seat capacity (ASKs) accelerated at the global level. The deterioration was largely driven by falling capacity in the Asia Pacific region, where new COVID restrictions led to flight cancellations in some key domestic markets. Passenger load factors remained well below pre-crisis levels across all regions.
- Recovery in global cargo capacity (ACTKs) was also adversely impacted by pandemic developments in Asia Pacific. With demand recovering significantly faster than capacity, cargo load factors were elevated across all regions.

Capacity growth and load factors

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

<i>ASK/ACTK: %ch vs. the same period in 2019, LF: % of ASK/ACTK</i>		2020	Jun-21	Jul-21	Aug-21
Passenger					
Asia Pacific	ASK	-54.1	-57.5	-54.9	-66.5
	PLF	67.7	65.9	67.2	54.5
World	ASK	-56.7	-51.4	-44.7	-46.2
	PLF	65.1	69.7	72.7	70.0
Cargo					
Asia Pacific	ACTK	-27.1	-21.7	-20.1	-28.1
	CLF	61.9	67.4	65.4	69.8
World	ACTK	-21.1	-11.9	-10.6	-12.2
	CLF	54.2	56.8	54.6	54.2

Airline EBIT margins & cash flow

- The latest financial results confirmed that pressure on airlines profitability eased in Q2 amidst signs of traffic recovery in some key domestic and short-haul international markets.
- Cash flow generation also improved in Q2 due to the rebound in passenger bookings in some markets. That said, Asia Pacific airlines continued to burn cash at the aggregated level.

Airline operating (EBIT) margins*

% revenues	2019	2020	2021Q1	2021Q2
Asia Pacific	3.7	-28	-26	-17
Industry	5.2	-30	-36	-14

* constant sample basis, not seasonally adjusted

Airline cash flow*

% revenues	2021Q1		2021Q2	
	Net cash	Free cash	Net cash	Free cash
	flow¹	flow	flow¹	flow
Asia Pacific	-6	-16	0	-9
Industry	-9	-22	20	10

¹ from operating activities, * constant sample basis, not seasonally adjusted

Jet aircraft deliveries made & scheduled

- As of October 2021, aircraft deliveries scheduled by Asia Pacific airlines are expected to increase by 85% in 2022 vs. 2021. Chinese carriers should receive 46% more deliveries over the same period.

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

deliveries made & due

