

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	-9.3

Source: Datastream * Market exchange rate basis

Exchange rates

end of period, # per US\$	2019	Jun-20	Jul-20	Aug-20
US\$ broad index	114.7	120.9	117.6	116.1
Chinese renminbi (CNY)	6.96	7.06	6.97	6.89
Taiwanese dollar (TWD)	30.0	29.5	29.3	29.3
Hong Kong dollar (HKD)	7.79	7.75	7.75	7.75
Mongolian tughrick (MNT)	2740	2826	2847	2857

Source: Datastream

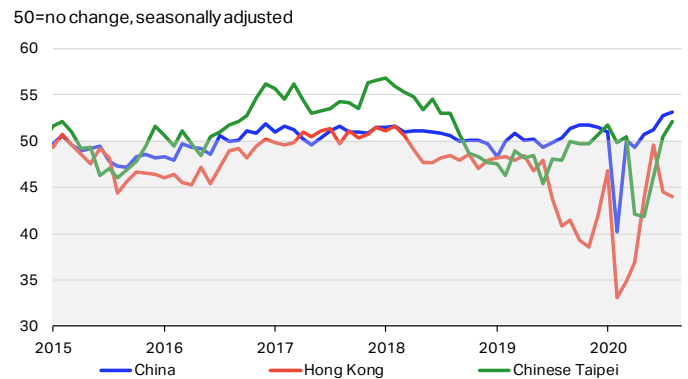
World oil and jet fuel price

US\$/barrel (period ave.)	2019	Jun-20	Jul-20	Aug-20
Crude oil (Brent)	64.2	40.9	43.3	45.1
Jet fuel	79.6	41.8	45.5	45.4

Source: Platts, Datastream (monthly average data)

- Business confidence in China rose further in August, confirming that the country has been successfully recovering from the adverse impacts of COVID-19.

Business confidence - manufacturing PMIs



- Business sentiment also ticked up in Chinese Taipei as businesses resumed and external demand improved. In contrast, operating conditions deteriorated in Hong Kong as additional COVID restrictions were imposed.
- The trade-weighted US dollar depreciated further in August, down 1.2%. Of the key regional currencies, the CNY gained 1.1% against the US\$. Other FX movements were relatively muted.
- Oil and jet fuel prices were stable in August, averaging ~45US\$/bbl. The average jet fuel crack spread narrowed as the second wave of COVID-19 in several regions raised concerns about air travel outlook.

Market

Revenue passenger kilometers (RPKs)

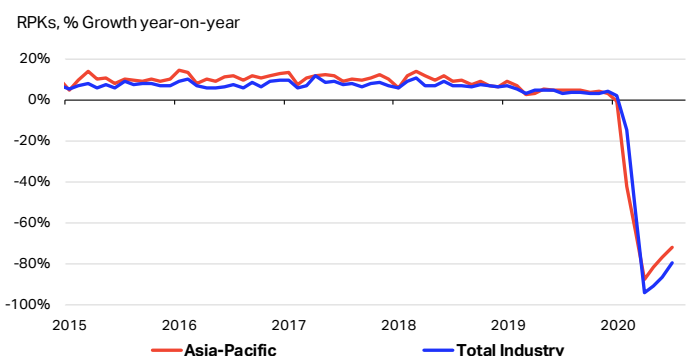
% change on a yr ago	2019	May-20	Jun-20	Jul-20
Region (registration basis)				
Asia Pacific	4.6	-81.9	-76.7	-72.2
World	4.1	-91.0	-86.6	-79.8
Routes (segment basis)				
China domestic	7.9	-46.3	-36.5	-28.4
Asia - Europe	6.7	-98.2	-97.2	-95.8
Within Asia	5.3	-99.1	-98.9	-98.4
Asia - Nth America	2.4	-97.1	-95.7	-94.4
Asia - Middle East	4.2	-98.7	-96.8	-93.3
Asia - S/w Pacific	6.0	-98.7	-98.3	-97.5
Asia - Africa	3.5	-99.1	-98.5	-97.6

Source: IATA Economics. Asia-Pac incl North Asia

- Industry-wide revenue passenger-kilometres (RPKs) contracted by 79.8% year-on-year in July vs. an 86.6% fall in June. The gradual rise in demand continued to be largely driven by domestic markets.
- Asia Pacific airlines recorded the slowest rate of annual RPK contraction of all regions in July, down 72.2%yoy. As was the case at the industry level, the recovery was dominated by improving demand on some of the key domestic markets.

- Domestic China passenger volumes fell by 28.4%yoy this month compared with 36.5% annual decline in June. China is one of the few domestic markets where the passenger load factor has recovered from record lows, showing the appetite of travelers to fly again.
- Demand on the region's main international routes remained subdued in July. All markets recorded an annual contraction above 90% for another month.

Growth in air passenger volumes



Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	May-20	Jun-20	Jul-20
Region (registration basis)				
Asia Pacific	-5.6	-21.9	-19.8	-17.7
World	-3.2	-19.8	-16.6	-13.5
Routes (segment basis)				
Asia - Europe	-1.5	-22.4	-21.9	-20.0
Asia - Nth America	-3.7	0.8	0.4	3.7
Within Asia	-7.7	-38.3	-31.4	-27.3
Asia - Middle East	-2.3	-20.0	-17.2	-14.3
Asia - S/w Pacific	-6.1	-48.8	-50.1	-46.9
Asia - Africa	12.6	3.0	20.1	5.4

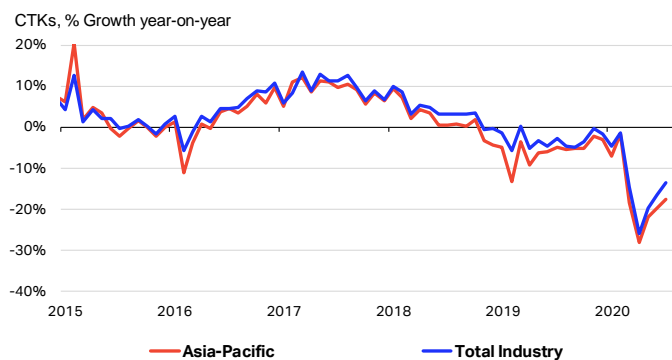
Source: IATA Economics. Asia-Pac incl North Asia

- Industry-wide cargo tonne-kilometres (CTKs) fell by 13.5% year-on-year in July 2020, the slowest rate of annual decline since February, when COVID-19 was still mostly impacting Asia.
- The overall recovery in the air cargo business has been slower than the rebound in economic indicators such as manufacturing output and new export orders so far. The weak outcome can be partly explained by the

ongoing shortage in air cargo capacity.

- Carriers based in Asia Pacific posted a 17.7%yoy decline in cargo volumes vs. a 19.8% fall in June. Of the larger international routes, Asia-Nth.Am posted the most robust outcome (+3.7%yoy), benefitting from solid US demand for e-commerce goods and a smaller capacity decline than in other markets.

Growth in air cargo volumes



Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago, LF: % of ASK/ACTK		2019	May-20	Jun-20	Jul-20
Passenger					
Asia Pacific	ASK	4.3	-76.7	-70.0	-64.9
	PLF	81.9	62.7	64.0	65.7
World	ASK	3.3	-85.9	-80.3	-70.1
	PLF	82.6	52.0	57.7	57.9
Cargo					
Asia Pacific	ACTK	0.9	-35.7	-35.4	-33.2
	CLF	52.3	64.5	65.2	63.9
World	ACTK	2.0	-33.8	-33.4	-31.2
	CLF	46.8	57.2	57.5	56.4

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

- Since recovery in demand (RPKs) remained slower than the rebound in capacity (ASKs), passenger load factors stayed at or close to record lows at the industry level (57.9%) as well as for the Asia Pacific carriers (65.7%).
- In contrast, the industry-wide air cargo load factor (CLF) reached a new record high for July, as available capacity in the market remained limited. Asia Pacific airlines posted a CLF of 63.9%, up 12ppts compared with a year ago.
- The latest financial results from the second quarter of 2020 confirmed the severe impact of the pandemic on airline industry. The quarterly net post-tax loss (US\$31.6bn) surpassed the annual industry-wide loss in the 2008 financial crisis.

Airline operating (EBIT) margins*

% revenues	2018	2019	2019Q2	2020Q2
Asia Pacific	4.7	3.7	8.3	-39
Industry	5.7	5.2	10.0	-97

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

- In positive news, some Asia Pacific airlines returned to profitability in Q2 after posting large losses in Q1, underpinned by reorganizing their cargo business and benefiting from high cargo yields.
- Note that the passenger yield data during the lockdown period should be interpreted with caution due to the dramatic fall in the volume of tickets being sold.

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

% change on a yr ago	2019	May-20	Jun-20	Jul-20
China domestic	-6.1	-31.4	-33.9	-37.8
Asia - Europe	-7.7	-8.5	-7.2	-11.6
Within Asia	-4.5	-26.2	-26.7	-25.7
Asia - Nth America	-2.6	0.7	4.8	2.8
Asia - Middle East	7.7	-6.6	12.3	21.3
Asia - Sth America	-7.8	11.8	31.9	19.7
Asia - Africa	-5.8	40.4	62.9	60.4

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

- The latest data point to a 53% fall in the number of jet aircraft deliveries scheduled for Asia Pacific airlines and a 50% decline for Chinese carriers in 2020 compared with 2019.

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

