

State of the region: Asia Pacific

June 2020

Economy

GDP growth, selected countries

% change on a yr ago	2019	Q3 2019	Q4 2019	Q1 2020
India	4.9	4.4	4.1	3.1
Japan	0.7	1.8	-0.7	-1.9
Indonesia	5.0	5.0	5.0	3.0
Korea	2.0	1.9	2.4	1.4
Australia	1.8	1.8	2.2	1.4
Thailand	2.4	2.7	1.5	-1.8
Malaysia	4.3	4.4	3.6	0.7
World*	2.5	2.5	2.4	-1.7

* Market exchange rate basis Source: Datastream

Exchange rates

end of period, # per US\$	2019	Mar-20	Apr-20	May-20
US\$ broad index	114.7	122.8	122.7	121.3
Japanese yen (JPY)	108.6	107.9	106.6	107.7
Australian dollar (AUD)	1.43	1.63	1.53	1.51
Sth Korean won (KRW)	1155	1219	1214	1236
Indian rupee (INR)	71.4	75.7	75.1	75.6
Indonesian rupiah (IDR)	13883	16310	14875	14610
Thai baht (THB)	30.0	32.8	32.4	31.8
Malaysian ringgit (MYR)	4.09	4.32	4.30	4.35

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2019	Mar-20	Apr-20	May-20
Crude oil (Brent)	64.2	33.9	26.8	32.4
Jet fuel	79.6	40.1	23.1	29.6

Source: Platts, Datastream (monthly average data)

Market

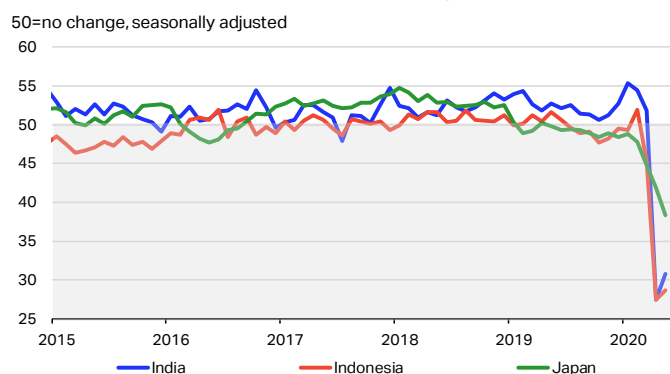
Revenue passenger kilometers (RPKs)

% change on a yr ago	2019	Feb-20	Mar-20	Apr-20
Region (registration basis)				
Asia Pacific	4.8	-42.0	-64.4	-88.5
World	4.2	-14.9	-55.4	-94.3
Routes (segment basis)				
India domestic	5.2	8.4	-32.5	-99.8
Japan domestic	3.9	-2.6	-54.1	-88.7
Australia domestic	0.7	-3.3	-38.7	-96.8
Asia - Europe	6.6	-20.4	-66.7	-98.3
Within Asia	6.4	-42.0	-82.4	-98.8
Asia - Nth America	2.0	-32.6	-72.8	-97.1
Asia - Middle East	3.5	-6.2	-55.0	-98.6
S/w Pacific - N/S America	4.8	1.3	-27.6	-96.1
Asia - Africa	5.0	-34.2	-64.7	-99.0

Source: IATA Economics Note: historical data may be subject to revision

- Industry-wide revenue passenger kilometres (RPKs) fell by 94.3% year-on-year in April, the largest contraction in recent history amidst widespread border closures and lockdowns linked to COVID-19. A modest improvement is expected in coming months as countries start to lift their restrictions.

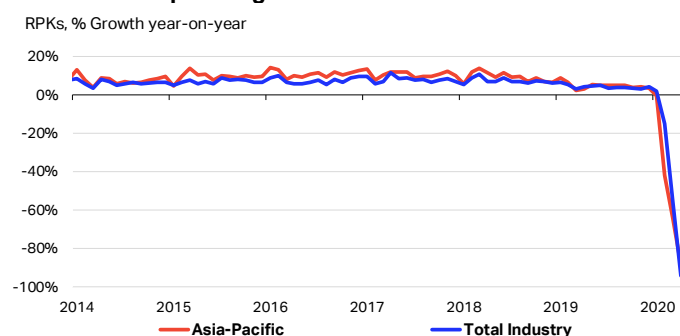
Business confidence - manufacturing PMIs



- Despite the modest improvement vs. the previous month, operating conditions remained under significant pressure in India and Indonesia amidst the COVID-19 shock. In Japan, business sentiment deteriorated further, reflecting faltering demand in domestic and international markets.
- Trade weighted US dollar index fell by 1.1% in May. Amongst the key regional currencies, the IDR and the THB gained ~1.8% against the US\$ while the KRW ended the month down 1.8%.
- The crude oil price rose in May on OPEC+ supply cuts and slower growth in US shale oil production. The jet fuel price also picked up as some restrictions began to be lifted and fuel demand started to recover.

- Airlines based in Asia Pacific registered an 89% annual contraction in RPKs – a significant deterioration from the 64%yoy decline in March.
- Unsurprisingly, the majority of the region's key markets posted a decline close to 100% as domestic and international aviation effectively came to a standstill. The only exception was Japan domestic market which registered an 89%yoy decline in RPKs.

Growth in air passenger volumes



Cargo tonne kilometers (CTKs)

% change on a yr ago	2019	Feb-20	Mar-20	Apr-20
Region (registration basis)				
Asia Pacific	-5.6	-1.7	-18.6	-31.0
World	-3.2	-1.6	-14.7	-27.7
Routes (segment basis)				
Asia - Europe	-1.6	-6.3	-20.2	-27.8
Asia - Nth America	-3.7	-1.7	-5.7	-7.3
Within Asia	-7.4	11.0	-16.7	-38.6
Asia - Middle East	-2.7	2.3	-18.6	-42.8
S/w Pacific - N/S America	-8.5	-5.2	-16.1	-66.0
Asia - Africa	12.0	6.9	8.6	-1.0

Source: IATA Economics. Note: historical data may be subject to revision

- The decline in industry-wide cargo tonne kilometres (CTKs) accelerated to 27.7% year-on-year in April amidst subdued demand compounded by the disruption in global manufacturing activity from the COVID-19 shock.
- Airlines based in the Asia Pacific region saw a 31% year-on-year contraction in air cargo volumes in April.

Industry

Capacity growth and load factors

ASK/ACTK: %ch on a yr ago,		2019	Feb-20	Mar-20	Apr-20
LF: % of ASK/ACTK					
Passenger					
Asia Pacific	ASK	4.5	-29.6	-49.1	-82.5
	PLF	81.9	68.3	57.2	53.8
World	ASK	3.4	-9.4	-38.2	-87.0
	PLF	82.6	75.8	59.2	36.6
Cargo					
Asia/Pacific	ACTK	1.0	-17.8	-31.0	-48.3
	CLF	52.3	54.7	65.4	69.1
World	ACTK	2.2	-3.8	-20.1	-42.0
	CLF	46.7	45.9	53.1	58.0

Source: IATA Economics. Note: LF=load factor. ASK=available seat kilometers. ACTK=available cargo tonne kilometers

- Although airlines placed around half of their fleet into storage in April, passenger demand continued to fall faster than capacity. As a result, the industry-wide passenger load factor declined by 47ppts year-on-year. The PLF for Asia Pacific carriers fell by 28ppts.
- In contrast, cargo capacity fell significantly faster than demand due to the lack of belly capacity, and the cargo load factor rose by a record 11.5ppts annually. At the regional level, Asia Pacific airlines posted 17ppts higher CLF compared to April 2019.
- Q1 2020 results confirm the severity of COVID-19 for airline financials, as the outbreak became global. The industry-wide EBIT margin was -12.3% of revenues, down from 5.1% in the same quarter a year ago.

Airline operating (EBIT) margins*

% revenues	2018	2019E	2019Q1	2020Q1
Asia Pacific	4.7	3.7	7.9	-18.4
Industry	5.7	5.2	5.1	-12.3

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

- The tentative rebound in the Asian manufacturing sector and the region's important role in the production of medical equipment underpinned the result on the larger Asia-Nth.Am market (-7.3%yoy).
- As was the case in March, the smaller Asia-Africa market posted the most resilient CTK growth outcome, -1%yoy. In contrast, another smaller market S/w Pacific -N/S America was the worst performer on this occasion, registering a 66% annual decline in April.

Growth in air cargo volumes



Asia Pacific airlines recorded an EBIT margin of -18.4%, compared to 7.9% in the same period of 2019.

- April passenger yield data (in US\$) provided a less representative estimate than we would typically expect due to a dramatically smaller number of tickets being sold. Therefore, the data need to be interpreted with more than the usual degree of caution on this occasion.

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

% change on a yr ago	2019	Feb-20	Mar-20	Apr-20
India domestic	3.3	-3.3	-12.2	-11.2
Australia domestic	-5.6	-4.3	-10.7	-5.5
Asia - Europe	-7.7	-5.9	-18.4	-14.6
Within Asia	-4.5	-17.0	-22.2	-23.8
Asia - Nth America	-2.6	3.6	-11.0	1.9
Asia - Middle East	7.7	-0.2	-9.8	-2.3
Asia - Sth America	-7.8	-4.4	-13.0	2.0
Asia - Africa	-5.8	-1.5	-0.3	55.8

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

- The latest data indicate a 42% fall in jet aircraft deliveries scheduled for Asia Pacific carriers in 2020 versus 2019.

Aircraft deliveries to the Asia Pacific (as of June 2020)

