Media center sponsor

cfm
The Power of Flight

Media Briefing
North Asia

Xie Xingquan
Regional Vice President, North Asia

IATA

Aviation Supports North Asian Economies

Chinese Mainland

- $253.6 billion to GDP (1.4%)
- 10.2 million jobs

Mongolia

- $1.0 billion to GDP (5.0%)
- 41 thousand jobs

Chinese Taipei

- $29.9 billion to GDP (4.0%)
- 500 thousand jobs

Hong Kong SAR China

- $37.7 billion to GDP (9.9%)
- 323 thousand jobs

IATA
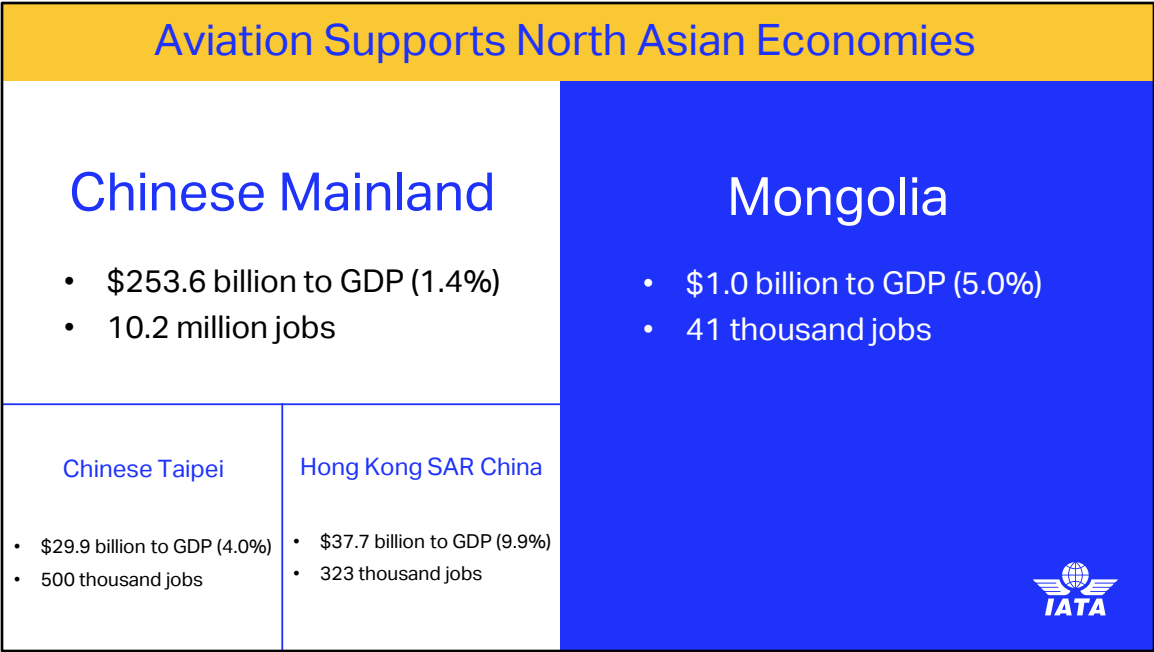
Aviation creates a range of social benefits that enhancing access to education, connecting friends and families, facilitating cultural exchange, and driving socio-economic development.

According to the statistics from 2023, in Chinese Mainland, the aviation industry is generating a total of USD 253.6 billion to GDP and 10.2 million jobs by the supply chain, employee spending, and tourism activities.

In Hong Kong (SAR), the contribution of aviation can even reach to around 10% of GDP, which reflects air industry's significant strategic positioning.

In Chinese Taipei, around USD 30 billion benefits are generated by aviation and creating 500 thousand jobs.

While in Mongolia, where it just celebrates 100 years of civil aviation, the aviation market grows steadily and fast with significant investment in advancing facilitation-related matters.

These figures underscore the robust performance and resilience of the aviation industry.
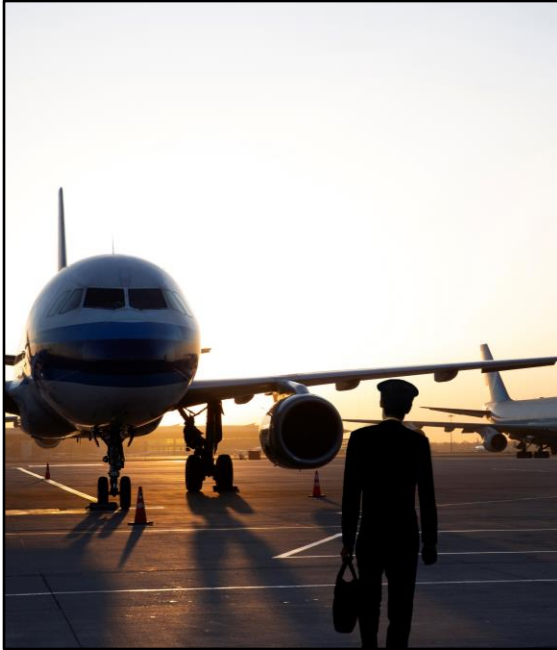
2025 Outlook

- $4.9 billion profit
  - Net profit margin of 1.9%
  - $2.6 profit/passenger
- Strong passenger growth expected
 - Demand (RPK) +9.0%
  - Capacity (ASK) +6.9%

Asia Pacific carriers are expected to see a $4.9 billion profit (from $4.0 billion in 2024). That is a net profit margin of 1.9% (1.6% for 2024) and $2.6 profit/passenger ($2.3 for 2024)

Strong demand is expected in the region, with RPK expected to grow +9.0%, and capacity at +6.9%. This is better than the global performance (RPK +5.8%, ASK +5.2%)

Asia Pacific's net profit margin is forecast to be 1.9% in 2025, which means only USD 2.6 profit per passenger. However, the Middle East's margin can reach 8.7%, and Europe's can reach to 4.3%。

In China, although the flight scheduling in new season shows flight number decreased by 3.3% compared to 2024, we still see the high competition with low ticket price bringing profitability challenges.
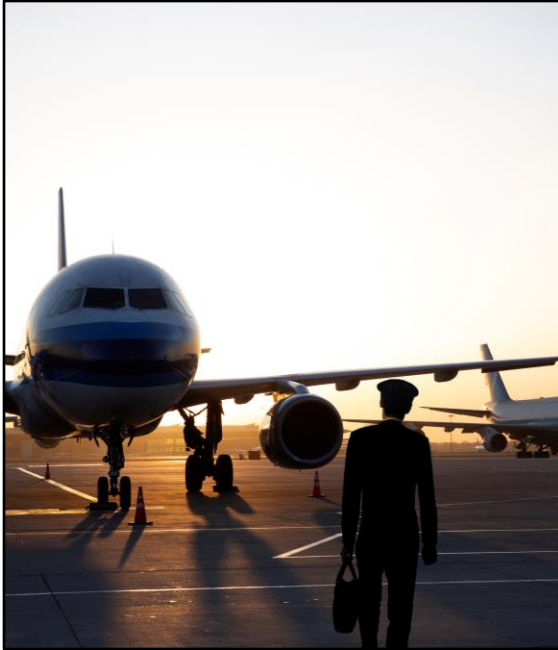
2025 Outlook

- Relaxation in visa requirements supporting demand
- Challenging economic landscape, including tariffs and trade wars
- US and China flights significantly below pre-COVID
- Overcapacity issues improving

- **China accounts for over 40% of Asia-Pacific traffic**
- **Relaxation in visa requirements will boost international tourism and travel**
  The industry has welcomed continued relaxations in visa requirements in China, and other Asian countries. After the implementation of the visa-free policy and 240-hour transit visa-free policy in China, the number of international inbound tourists have increased significantly. Take an example of Shanghai ports, after the visa-free policies implementation, the number of tourists from visa-exempt countries increased by 55% year on year.

- **Economic landscape, including tariffs and trade wars, poses challenges**
  The escalating global trade tensions present considerable challenges to the air cargo market. The potential for the increased tariff conflicts are generating growing unease. Recent trade frictions have exacerbated challenges for the already strained aviation industry supply chains. In the short term, the regional aviation industry will face challenges from rising operational costs and corresponding operational adjustments. In the long term, trade frictions impose greater pressure on China's civil aviation sector to seek import substitution and build self-sufficient supply chains.

- **Flights between US and China still limited to 100 weekly frequencies**
  Restrictions on flights to the US remain in place, which currently limit flights in either direction to 100 per week, down from more than 300 prior to 2020.

- **Overcapacity issues are improving with better fleet management between domestic and international**

Overcapacity issues are showing signs of improvement due to better fleet deployment between domestic and international travel. Despite these advancements, pressure on yields remains a concern.

Insights into North Asia

| Sustainability | Digitalization | Safety |

Progress on SAF

Chinese Mainland
- 7 SAF producers in China; >1 million tons production capacity
- Currently developing a SAF roadmap
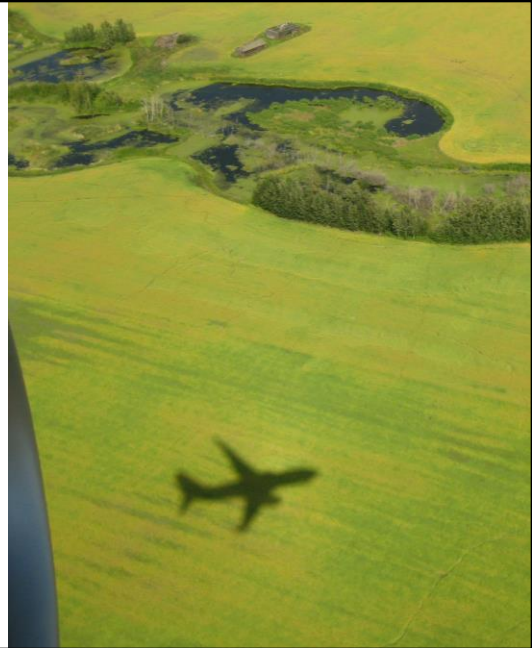- SAF deployment pilots are underway

Hong Kong SAR China
- SAF usage target expected in 2025

Chinese Taipei
- SAF supply since Apr 2025, with local carriers encouraged to 5% SAF

Policy support needed for SAF development

While advancements in infrastructure efficiencies, technological innovations, and operational enhancements are essential, a significant transition to sustainable energy sources is crucial, with a particular emphasis on deploying renewable liquid hydrocarbon fuels like SAF.

- Chinese Mainland has 16 SAF projects,
  - 8 are producing or expected to start producing in 2025
  - Production capacity exceeding 1 million tons in 2025
  - Exceeding 2 million tons in 2026

- Chinese Mainland is developing a SAF roadmap
  - With post 2025 targets and policy tools expected
    - Current SAF usage target for 2025: 20,000+ tons
    - Target for accumulated usage during 2021~2025: 50,000 tons

- SAF deployment pilot underway (Chinese mainland)
  - Now, 4 airports and domestic flights operated by national carriers with regular SAF supply
  - Aim to expand to more airports (perhaps 4 more major airports) in 2025

- Progress in Hong Kong (SAR) China and Chinese Taipei
  - Hong Kong: SAF supply in HKG since 2022, and HK aims to release a SAF usage target in 2025
  - Chinese Taipei: SAF supply since Apr 2025, local authority encourage local carriers to

use 5% SAF

- Key policy asks: Effective, facilitative and affordable policy is the key to enable SAF production and deployment. Based on proven experiences of solar and wind, strategic sequencing of policy release cannot be overstressed.

Digital Transformation is Underway

One ID
- Deployment across the region
  - HKIA, Beijing, Shanghai

- 2024 Proof of Concept: Cathay Pacific, HKIA and Narita Airport

- Priority
  - Adopt OneID standards
  - Participation in IATA working groups
  - Harmonize regulations

IATA

The progressive digitalization of China's aviation industry enables digital ID across the travel experience, visibility and piece level tracking for cargo transportation, and offers digital currency in IATA's Financial Settlement Systems.

In North Asia, there has been significant progress in One ID,
- Hong Kong International Airport has implemented a biometric system enabling passengers to use facial recognition across check-in, baggage drop, immigration and boarding.
- Airports such as Beijing and Shanghai are integrating biometrics for streamlined security and boarding, full OneID adoption remains incremental.
- 2024 PoC between HKIA and Narita Airport confirmed the compatibility of digital wallets with existing biometric systems, highlighting the potential for cross-border interoperability.
- More recently, a QR code version of digital identity has been announced by China's Ministry of Public Security, which can be a "game changer" in this market, IATA will work closely with Chinese stakeholders to initiate pilots, by integrating this digital ID with existing biometric solution.

We urge Chinese airlines and airports to:
- Adopt OneID Standards:
- Actively join IATA's working groups to influence digital transformation policies, ensuring regional needs are addressed.
- Collaborate with Governments to harmonize regulations, enabling seamless cross-border travel.

Digital Transformation is Underway

ONE Record

- >10 ONE Record Pilots have been conducted
- Implementation across the region
- North Asia Cargo Alliance
  - Formed Nov 2024
  - 16 airlines, airports, universities, forwarders, shippers, IT service providers

ONE Record is aiming to allow the data/information sharing for the entire supply chain, from shippers to consignees, covering all stakeholders, providing real time sharing, tracking to piece level, which is important for e-commerce.

North Asia is in leading region in the implementation of ONE Record. Supported by IATA subject matter experts, collaborating with Civil Aviation University of China, North Asia established the ONE Record Living Lab project, to develop the free and open source implementation tool to facilitate North Asia airlines for the implementation. The region also established a ONE Record local community "IATA Record Connect", currently with more than 110 members, making ONE Record guides and document available in Chinese language.

By now, more than 30 companies in the region have completed 10+ ONE Record pilots in 10 airports.

Action is needed

- Adopt the IATA ONE Record data sharing standards and technical specifications;
- Actively participate in ONE Record pilots and transferring from pilots to normal operations
- Expansion of pilots to include customs

Digital Transformation is Underway

Digital Renminbi in the China BSP

- Live for travel agents remittance since December 2024
- Reconciliation and payment to airlines are planned in 2025

The Digital Renminbi is the first digital currency to be offered in IATA's Financial Settlement Systems.

Since its 2021 pilot launch, E-CNY has surpassed 200 million users, recording CNY 7.3 trillion in transactions during the first half of 2024, an annual growth rate exceeding 700%. This innovation significantly enhances operational efficiency, accelerates cash flow optimization, and reduces reliance on intermediaries—slashing transaction costs and minimizing foreign exchange conversion losses.

IATA is also examining the potential to offer other digital currencies in its settlement systems based on the needs and requirements of the industry.

The experience gained in introducing the digital Renminbi will help IATA in onboarding other digital currencies in the future.

Safety

- Jet and turboprop hull loss rate of 0.00 in 2024
- Data is key to continuing improving safety — Global Aviation Data Management (GADM)
- Clear policies are needed to facilitate airlines participation in global data exchange

Based on the 2024 Safety Report, North Asia had no hull losses in 2024.

Data will be critical to improving safety. The IATA GADM program now has around 300 participants in the world.

For China and North Asia region, some major airlines have joined the Incident Data Exchange of GADM. Concerns over cross border data exchange compliance preventing more participation by Mainland carriers.

Clear policies are needed to promote airlines' participation in global data exchange especially for the flight data exchange.

IATA North Asia office is working on the data classification and legal assessment with the regional stakeholders to enhance the data exchange.

Questions