

State of the region: The Americas

April 2019

Economy

GDP growth, selected countries

% change on a yr ago	2017	Q2 2018	Q3 2018	Q4 2018
United States	2.2	2.9	3.0	3.0
Brazil	1.1	0.9	1.3	1.1
Mexico	2.3	1.5	2.5	1.7
Canada	3.0	1.7	1.9	1.6
Argentina	2.7	-3.8	-3.7	-6.2
Colombia	1.4	2.6	2.9	2.9
Chile	1.5	5.0	2.8	3.3
Peru	2.5	5.5	2.4	4.8
World*	3.2	3.4	3.1	2.9

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2018	Jan-19	Feb-19	Mar-19
US\$ broad index	128.5	126.7	126.8	127.2
Brazilian real (BRL)	3.88	3.64	3.75	3.89
Mexican peso (MXN)	19.69	19.03	19.27	19.40
Argentine peso (ARS)	37.66	37.02	39.02	43.41
Colombian peso (COP)	3248	3106	3079	3185
Chilean peso (CLP)	694	653	655	680

Source: Datastream

World oil and jet fuel price

US\$/barrel (period ave.)	2018	Jan-19	Feb-19	Mar-19
Crude oil (Brent)	71.7	59.9	64.4	66.9
Jet fuel	86.4	75.7	80.1	81.1

Source: Platts, Datastream (monthly average data)

Market

Revenue passenger kilometers (RPKs)

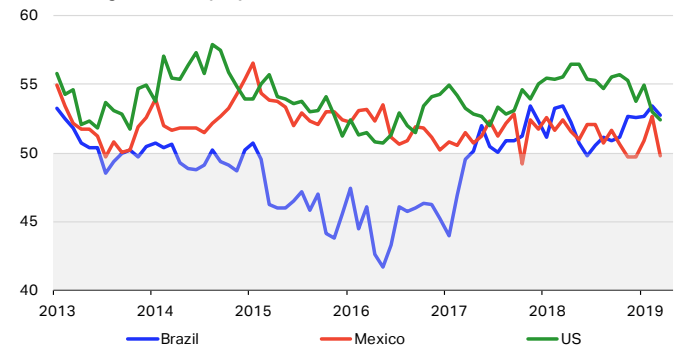
% change on a yr ago	2018	Dec-18	Jan-19	Feb-19
Region (registration basis)				
N America	5.0	3.9	5.5	4.2
Latin America	6.2	5.9	5.2	5.0
World	6.6	5.5	6.5	5.3
Routes (segment basis)				
US domestic	5.1	4.2	5.9	4.5
Brazil domestic	4.8	3.4	2.6	5.8
Nth America-Europe	4.4	5.9	6.0	9.4
Nth America-Asia	3.9	1.4	6.3	-0.5
Nth-Sth America	4.6	2.2	-0.4	-0.6
Sth America-Europe	9.3	11.0	6.9	5.2
Within Sth America	0.6	-1.6	0.8	2.5

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

- Following a short-lived uptick to 6.5% last month, annual growth in industry-wide revenue passenger kilometres (RPKs) eased to 5.3% in February, recording the slowest year-on-year growth rate in passenger volumes in more than a year.
- At the regional level, RPK growth moved broadly in line with the industry-wide average for Lat.Am airlines, at 5.0%yoy. By contrast, NthAm carriers saw RPK growth slowing to 4.2%yoy, from 5.5% in the previous month.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



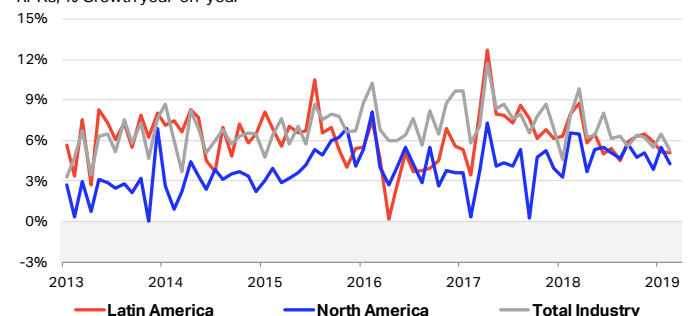
Source: Markit

- Business confidence ticked down in both Brazil and the US, with the latter driven by slower growth in new orders and output. After a short-lived improvement in February, sentiment also fell in Mexico, reflecting falling production and employment.
- On a trade-weighted basis, the US\$ rose by 0.3% in March, marking a second consecutive month of modest growth. All of the main regional currencies ended the month lower, with the ARS falling furthest, down 11.2% against the US\$.
- OPEC supply cuts along with US sanctions imposed on Venezuela and Iran pushed oil and jet fuel prices higher for a third consecutive month.

- In the US, the larger of the region's two main domestic markets, annual RPK growth eased back to its two-year average (4.5%) after a temporary improvement in Jan. By contrast, passenger growth in domestic Brazil more than doubled compared to last month, recording the fastest pace in seven months at 5.8%.
- Of the key international markets in the region, the larger NthAm-Europe market became the key performer this month with volumes up by 9.4% vs a year ago, the fastest pace of growth in about two years.
- That said, the two other larger markets, NthAm to both Asia & SthAm, saw yoy declines in passenger volumes, in the former case for the first time since April 2011.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

% change on a yr ago	2018	Dec-18	Jan-19	Feb-19
Region (registration basis)				
Nth America	6.4	1.7	3.4	-0.7
Latin America	5.9	1.5	0.2	2.8
World	3.5	-0.5	-1.6	-4.7
Routes (segment basis)				
Nth America-Asia	3.7	-1.1	-3.7	-7.8
Nth America-Europe	3.2	5.3	1.2	-0.1
Nth-Sth America	8.7	1.0	-1.4	-5.3
Sth America-Europe	7.7	1.3	-2.3	-0.2
Within Sth America	17.2	3.7	-4.0	10.4

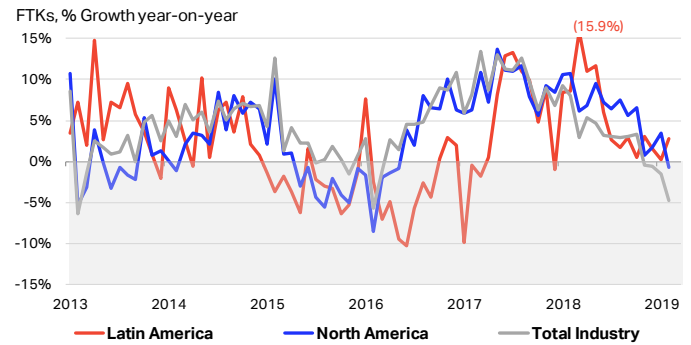
Source: IATA Statistics Note: historical data may be subject to revision

- Industry-wide freight tonne kilometres (FTKs) for February were 4.7% below their level of a year ago, reflecting the weakness observed in world trade, and an easing in some global economic indicators and key air freight demand drivers.
- At the regional level, FTK growth fell into negative territory for the NthAm carriers for the first time since May 2016, an outcome which is at odds with more

the upbeat export orders data. The story is more positive for airlines in Latin America, the only region that recorded positive yoy growth this month (2.8%).

- Cargo volumes were lower compared to a year ago on the majority of the key routes with the exception of the smaller Within SthAm market, which recorded robust double-digit growth this month (10.4%yoy).

Growth in air freight volumes



Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2018	Dec-18	Jan-19	Feb-19
Passenger					
Nth America	ASK	4.7	4.1	5.0	3.9
	PLF	83.8	82.5	79.5	80.8
Latin America	ASK	6.6	5.4	6.0	5.5
	PLF	81.5	81.8	82.4	81.3
World	ASK	6.1	6.4	6.4	5.4
	PLF	81.9	80.3	79.6	80.6
Freight					
Nth America	AFTK	6.8	4.7	8.4	7.1
	FLF	41.0	40.8	38.8	37.9
Latin America	AFTK	3.7	8.9	1.9	14.1
	FLF	33.9	28.8	29.2	29.7
World	AFTK	5.2	3.8	4.7	2.7
	FLF	49.1	48.8	44.9	44.7

Source: IATA Statistics. Note: LF=seasonally adjusted load factor. ASK=available seat kilometers. AFTK=available freight tonne kilometers

- The industry-wide passenger load factor (PLF) ticked-up to 80.6% in Feb, up from 79.6% in Jan. In contrast, the freight load factor (FLF) eased modestly by 0.2ppt to 44.7%, the lowest level in about 3.5 years.
- Both NthAm and Lat.Am carriers recorded a PLF above the industry-wide outcome, although only just for the former, at 80.8% & 81.3%, respectively. However, the region's FLF continues to lag behind the industry outcome, especially in the Lat.Am case.
- The latest airline financial data from the final quarter of 2018 indicate a decline in industry and regional

performance vs a year ago. The industry-wide EBIT margin slipped to 4.7% from 7.2% while the regional outcome is 9.2% of revenues for North America and 4.9% for Latin America in Q4 2018.

- Growth in passenger yields remained negative on the major routes in the region except for the NthAm-Asia market, where year-on-year growth recovered from the -1.0% observed in Jan, to a modest 1.7%. The smaller Within SthAm market remains the key underperformer this month with yields down almost 30% vs a year ago. Note that the data are not adjusted for exchange rate fluctuations.

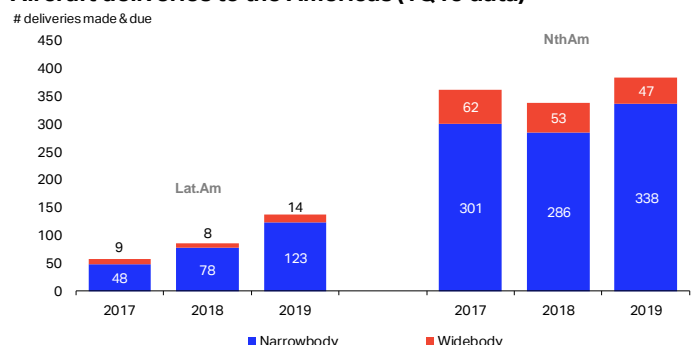
Passenger yields (US\$, excl. surcharges & ancillaries)

% change on a yr ago	2018	Dec-18	Jan-19	Feb-19
Nth America-Europe	4.5	-1.2	-4.0	-5.1
Nth America-Asia	-0.3	3.6	-1.0	1.7
Nth-Sth America	-38.8	-6.7	-15.1	-15.1
Sth America-Europe	-1.2	-12.1	-11.7	-17.6
Sth America-Asia	-0.3	-7.2	-6.3	-5.0
Within Sth America	-26.9	-28.6	-30.8	-28.1

Source: IATA Travel Intelligence Note: historical data may be subject to revision

- The latest data indicate a rise in jet aircraft deliveries for both the Lat.Am and NthAm carriers in 2019 vs 2018.

Aircraft deliveries to the Americas (1Q19 data)



Airline operating (EBIT) margins*

% revenues	2016	2017	2017Q4	2018Q4
Nth America	13.7	11.0	9.7	9.2
Latin America	5.6	6.9	6.7	4.9
Industry	8.5	7.7	7.2	4.7

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