



# STATE OF THE REGION: THE AMERICAS

APRIL 2017

## Economy

### GDP growth, selected countries

%change on a yr ago	2015	2016Q2	2016Q3	2016Q4
United States	2.6	1.3	1.7	2.0
Brazil	-3.8	-3.6	-2.9	-2.5
Mexico	2.6	1.5	2.0	2.4
Canada	0.9	1.1	1.4	1.9
Argentina	2.6	-3.7	-3.7	-2.1
Colombia	3.1	2.4	1.2	1.6
Chile	2.2	1.4	1.7	0.8
Peru	3.3	3.7	4.5	3.0
<b>World*</b>	<b>2.3</b>	<b>2.1</b>	<b>2.2</b>	<b>2.4</b>

Source: Datastream \* Market exchange rate basis † Estimate

### Exchange rates

end of period, # per US\$	2016	Jan-17	Feb-17	Mar-17
US\$ broad index	127.7	127.6	125.8	125.3
Brazilian real (BRL)	3.26	3.15	3.11	3.16
Mexican peso (MXN)	20.63	20.84	20.00	18.83
Argentine peso (ARS)	15.73	15.90	15.48	15.38
Colombian peso (COP)	2997	2922	2925	2884
Chilean peso (CLP)	668	648	650	662

Source: Datastream, XE

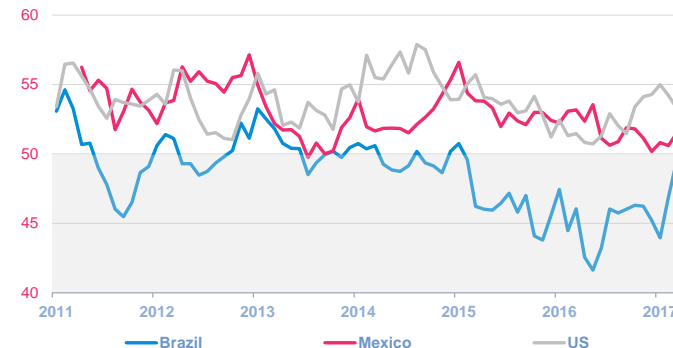
### World oil and jet fuel price

US\$/barrel	2016	Jan-17	Feb-17	Mar-17
Crude oil (Brent)	52.4	54.6	54.9	51.6
Jet fuel	64.0	63.6	65.0	60.7

Source: Platts, EIA Monthly average data

### Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence in Brazil surged again this month, & is fast approaching the key 50 index level. Confidence in Mexico also showed an improvement, but businesses in the US again modestly pared back their expectations of the outlook following the post-election gains.
- The US\$ eased slightly again in Mar, down 0.4% on a trade-weighted basis. For regional bilateral exchange rates, the MXN gained another 6% vs the US\$ in the month, reaching its highest level since the US election. Meanwhile, the BRL & CLP both fell by ~2% vs the US\$.
- Brent crude oil & jet fuel prices corrected sharply downwards in Mar, falling 6-6.5%, to US\$51.60/bbl & US\$60.70/bbl, respectively.

## Market

### Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	Dec-16	Jan-17	Feb-17
<b>Region (registration basis)</b>				
N America	3.2	3.1	3.3	-0.1
Latin America	3.6	4.9	5.1	2.4
World	6.3	8.6	8.9	4.8
<b>Routes (segment basis)</b>				
US domestic	3.4	2.4	3.5	-0.4
Brazil domestic	-5.5	-2.3	-1.4	-4.8
Nth America-Europe	2.6	3.2	1.2	0.0
Nth America-Asia	6.4	8.2	7.5	2.2
Nth-Sth America	-0.5	-2.7	-3.4	-3.7
Sth America-Europe	3.5	4.6	3.5	1.2
Within Sth America	8.0	10.1	11.5	10.4

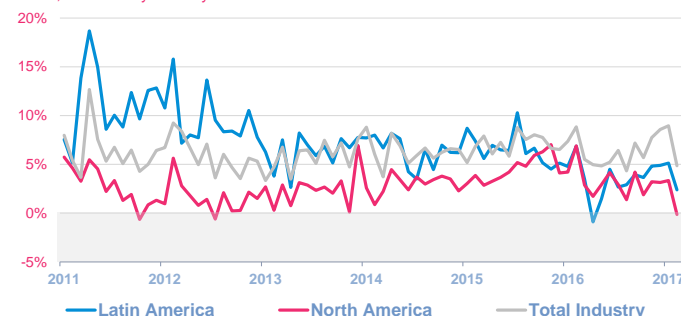
Source: IATA Statistics

- Growth in global RPKs fell sharply in Feb, to 4.8%yoy, from last month's 5yr high of 8.9%. Recall that at this time of year the data are more volatile than usual due to the impact of Chinese New Year &, on this occasion, the 2016 leap year.
- At the regional level, a similar pattern is evident, with pax volumes down ~3pp, to 2.4%yoy for LatAm & essentially zero growth over the past year for NthAm.

- The upward momentum in the US domestic market has slowed to a standstill over the past 6mths or so, while Brazil recorded the 19<sup>th</sup> consecutive month of yoy RPK decline for its domestic market.
- The Within SthAm market continued its double-digit growth performance this month &, despite its relatively small size, is the standout amongst the region's key markets. NthAm-Asia is next best with moderate growth of 2.2%yoy. Passenger volumes on Nth-SthAm routes are down a hefty 3.7%yoy.

### Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

## Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Dec-16	Jan-17	Feb-17
<b>Region (registration basis)</b>				
Nth America	2.0	3.5	4.5	5.8
Latin America	-4.2	-1.0	-4.1	-4.9
World	3.8	10.0	6.1	8.4
<b>Routes (segment basis)</b>				
Nth America-Asia	-1.2	8.5	5.6	7.7
Nth America-Europe	2.6	9.2	8.6	7.6
Nth-Sth America	-5.1	-0.5	1.5	-2.7
Sth America-Europe	1.2	6.5	1.6	1.5
Within Sth America	-18.6	-1.5	-20.1	-16.9

Source: IATA Statistics

- Global FTKs grew by a brisk 8.4%yoy in Feb, up from 6% last month & well above the 5yr average pace of ~3%, even without adjusting for the leap year or Chinese New Year impacts.
- At the regional level, NthAm FTKs strengthened further, to a robust 5.8%yoy pace this month. However, growth in freight volumes for Lat.Am carriers softened again in Feb, & are now almost 5% lower than a year ago.

## Industry

### Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK		2016	Dec-16	Jan-17	Feb-17
<b>Passenger</b>					
Nth America	ASK	3.7	3.0	4.1	-0.5
	PLF	83.5	83.1	80.0	79.4
Latin America	ASK	1.9	2.8	3.8	0.5
	PLF	80.8	81.1	83.3	80.8
World	ASK	6.3	6.6	7.4	2.7
	PLF	80.5	80.6	80.2	79.5
<b>Freight</b>					
Nth America	AFTK	3.5	-1.0	-0.3	-3.1
	FLF	34.3	36.1	35.1	35.8
Latin America	AFTK	-1.7	-4.0	-1.6	-7.2
	FLF	33.2	35.0	28.5	32.4
World	AFTK	5.3	3.5	2.9	-0.4
	FLF	43.0	46.1	42.0	43.5

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

- NthAm carriers have reduced both pax & freight capacity over the past year; ASKs are down 0.5% and AFTKs down 3.1%. Lat.Am carriers have also reduced AFTKs (down a sizeable 7.2%) & raised ASKs by just 0.5%. Industry-wide freight capacity has also fallen over the past year, down 0.4% but global ASKs are up 2.7%.
- The NthAm PLF is in-line with the industry figure of 79.5% this month, with both topped by the Lat.Am outcome of 80.8%. The FLF for both regions lags the

### Airline operating (EBIT) margins\*

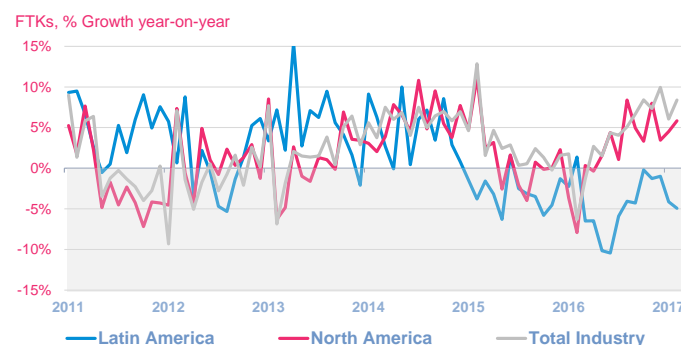
%revenues	2014	2015	2015Q4	2016Q4
Nth America	11.1	14.7	14.6	11.4
Latin America	2.1	1.9	6.1	8.0
Industry	4.7	8.3	9.3	8.3

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

IATA Economics: [www.iata.org/economics](http://www.iata.org/economics)

- FTK growth on the two main NthAm markets (those of Asia & Europe) remains strong, with volumes for both up 7.6-7.7%yoy. Recent gains in the US\$ will likely support US inbound flows, but dampen outbound traffic.
- In contrast, freight traffic for the Within SthAm market is more than 15% lower than its level of a year ago & growth in the Nth-SthAm market returned to negative territory this month after a short-lived respite.

### Growth in air freight volumes



Source: IATA Statistics

43.5% industry- wide figure by some margin.

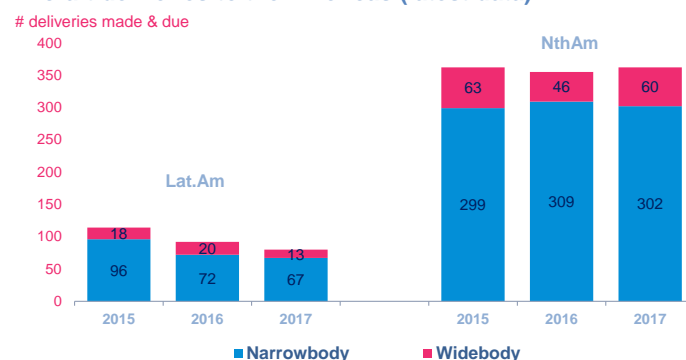
- The latest Q4 financials show the EBIT margin for the region's carriers straddling the industry-wide outcome of 8.3%. At 11.4% currently, the margin for NthAm airlines is down ~3pp on a year ago while the Lat.Am margin has *increased* by 2pp to 8.0% currently.
- Despite being 8-9%yoy lower, global average pax yields continue to show tentative indications of having possibly bottomed. At the regional level, yoy yields are lower but showing considerable variation across markets.

### Passenger yields, excl. surcharges & ancillaries

%change on a yr ago	2016	Dec-16	Jan-17	Feb-17
US domestic	-4.5	-5.3	-4.4	-2.8
Nth America-Europe	-8.3	-9.8	-10.8	-10.3
Nth America-Asia	-7.2	-4.3	-5.3	-2.3
Nth-Sth America	-17.4	-12.4	-17.3	-13.3
Sth America-Europe	-17.3	-8.8	-6.9	-2.7
Sth America-Asia	-9.1	-10.3	-10.7	-8.8
Within Sth America	-13.8	-5.7	-7.2	-3.3

Source: IATA PaxIS

### Aircraft deliveries to the Americas (latest data)



Source: Ascend

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