



STATE OF THE REGION: THE AMERICAS

APRIL 2018

Economy

GDP growth, selected countries

%change on a yr ago	2016	2017Q2	2017Q3	2017Q4
United States	1.5	2.2	2.3	2.6
Brazil	-3.5	0.4	1.4	2.1
Mexico	2.7	3.1	1.7	1.5
Canada	1.4	3.7	3.0	2.9
Argentina	-1.8	3.0	3.8	3.9
Colombia	2.0	1.7	2.3	1.6
Chile	1.2	0.9	2.9	3.3
Peru	4.0	2.6	2.9	2.2
World*	2.5	2.9	3.2	3.2

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2017	Jan-18	Feb-18	Mar-18
US\$ broad index	120.0	117.2	117.6	118.1
Brazilian real (BRL)	3.31	3.18	3.24	3.31
Mexican peso (MXN)	19.66	18.62	18.82	18.23
Argentine peso (ARS)	18.62	19.64	20.12	20.14
Colombian peso (COP)	2985	2831	2864	2794
Chilean peso (CLP)	615	601	594	605

Source: Datastream, XE

World oil and jet fuel price

US\$/barrel (period ave.)	2017	Jan-18	Feb-18	Mar-18
Crude oil (Brent)	54.2	69.1	65.3	66.0
Jet fuel	65.6	82.0	77.7	78.0

Source: Platts, EIA Monthly average data

Market

Revenue passenger kilometers (RPKs)

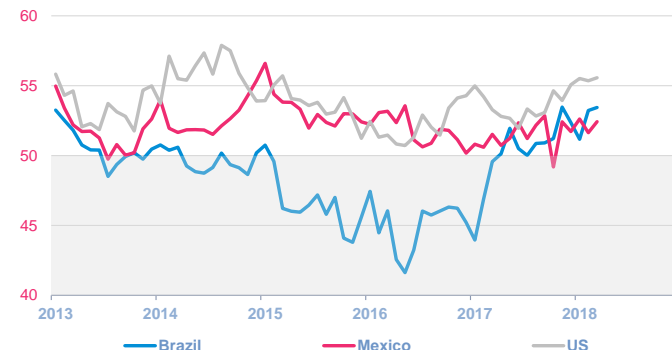
%change on a yr ago	2017	Dec-17	Jan-18	Feb-18
Region (registration basis)				
N America	4.1	3.9	3.4	6.5
Latin America	7.1	5.6	5.5	7.2
World	7.6	6.5	4.5	7.6
Routes (segment basis)				
US domestic	3.8	3.9	3.4	6.2
Brazil domestic	3.5	5.7	2.9	4.5
Nth America-Europe	4.1	0.4	0.1	1.4
Nth America-Asia	4.9	3.3	0.3	7.9
Nth-Sth America	0.9	1.7	5.1	8.8
Sth America-Europe	6.1	8.7	9.3	9.8
Within Sth America	10.5	8.8	8.1	6.3

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

- As expected, industry-wide RPKs rebounded strongly this month, following the Lunar New Year (LNY) disruption last month. Global RPKs are up 7.6%yoy in Feb, a full 3pp higher than the Jan outcome.
- A similar pattern was observed at the regional level, with RPK growth bouncing back this month, for both the North & Latin American carriers, to a robust 6.5% & 7.2%yoy respectively.

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



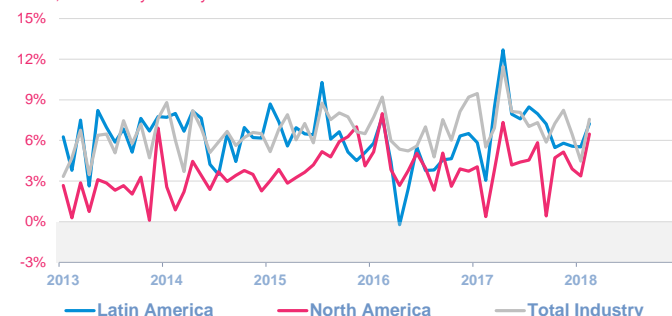
Source: Markit

- Business confidence lifted in each of our 3 key countries this month. In both Brazil & Mexico, robust demand conditions supported stronger jobs & output growth, while in the US the index rose to a 3yr high, on ongoing growth momentum & domestic policy announcements.
- On a trade-weighted basis, the US\$ rose slightly again in Mar, up 0.4%. Amongst key regional currencies, the MXN & COP both gained solidly against the US\$, up 2.5-3%mom, while the BRL & CLP both fell by ~2%.
- Brent crude oil & jet fuel prices moved modestly higher in Mar, up around 1% & 0.5%mom, respectively. Prices stepped up in the latter part of the month & into April on OPEC production cuts & renewed geopolitical concerns.

- Growth also recovered in the region's two main domestic markets – Brazil & the US – to 4.5% in the former & 6.2% in the latter. For US domestic, the current pace of growth is the highest in two years.
- With the exception of NthAm-Europe which is showing signs of recovery but is still lackluster, pax volumes on key international routes are growing strongly. SthAm-Europe is the current standout with RPK growth of 9.8%. Within SthAm growth went against the general trend this month, easing by ~2pp to a still healthy 6.3%yoy.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2017	Dec-17	Jan-18	Feb-18
Region (registration basis)				
Nth America	8.1	6.5	7.5	7.3
Latin America	5.6	4.9	8.1	8.7
World	9.0	6.2	8.5	6.8
Routes (segment basis)				
Nth America-Asia	8.7	6.2	7.8	7.8
Nth America-Europe	9.9	2.8	6.2	6.8
Nth-Sth America	0.6	2.3	9.8	14.6
Sth America-Europe	6.9	11.7	16.5	16.1
Within Sth America	3.2	-1.1	17.3	4.0

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

→ Following a bring-forward in activity in Jan ahead of LNY, industry-wide FTK growth eased somewhat in Feb, to 6.8%yoy, from 8.5%. Taking Jan & Feb together, freight volumes are up 7.7%yoy, the fastest start to a year since 2015.

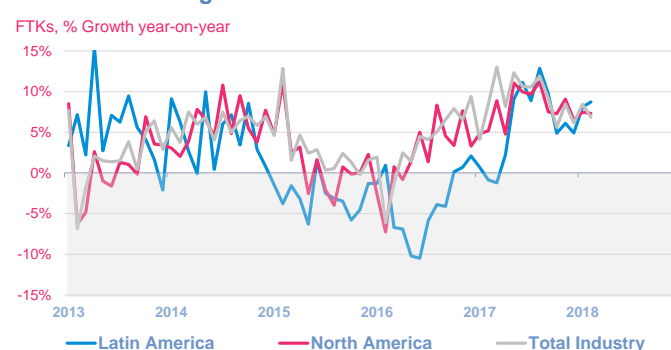
→ At the regional level, FTK growth in Feb was broadly unchanged in Nth America, at 7.3%yoy, & lifted moderately for the Lat.Am carriers, to 8.7%; both are

now growing faster than the overall industry pace.

→ Of the main international markets for the region, FTKs for both SthAm-Europe & Nth-Sth America are growing at a brisk, double-digit pace of 16.1% & 14.6%yoy respectively.

→ As noted previously, the sharp unwind in the FTK growth rate for the Within Sth America market primarily reflects volatility in the data from a year ago.

Growth in air freight volumes



Source: IATA Statistics

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: %of ASK/AFTK		2017	Dec-17	Jan-18	Feb-18
Passenger					
Nth America	ASK	4.0	4.0	4.0	5.0
	PLF	83.7	82.9	79.3	80.6
Latin America	ASK	5.7	5.2	5.1	6.1
	PLF	81.7	81.5	83.5	81.4
World	ASK	6.3	5.8	5.2	6.3
	PLF	81.5	80.9	79.6	80.4
Freight					
Nth America	AFTK	1.7	3.3	4.4	4.1
	FLF	36.5	37.0	36.2	36.7
Latin America	AFTK	3.2	11.7	5.9	6.9
	FLF	34.2	34.7	30.4	33.9
World	AFTK	3.0	4.1	4.4	5.6
	FLF	45.4	46.6	43.4	44.4

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

→ Over the past year, growth in industry-wide pax & freight capacity has lagged that of demand, with ASKs up 6.3% & AFTKs up 5.6%. The industry PLF moved back above 80% in Feb to 80.4% while the FLF also lifted, to 44.4%.

→ For both the North & Latin American carriers, the PLF is currently a little above the industry result, while the converse holds on the freight side, by a sizeable margin.

Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q4	2017Q4
Nth America	14.8	13.2	10.7	10.3
Latin America	1.5	4.2	6.9	8.8
Industry	8.5	8.8	8.8	8.7

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

→ The final data for Q4 point to an industry-wide financial performance broadly on par with a year ago, with an EBIT margin of 8.6% currently. The margin for Lat.Am airlines has lifted vs last year & is now in line with the industry outcome. Despite a slight moderation for NthAm carriers since Q4 2016, the double-digit margin highlights an ongoing robust financial performance.

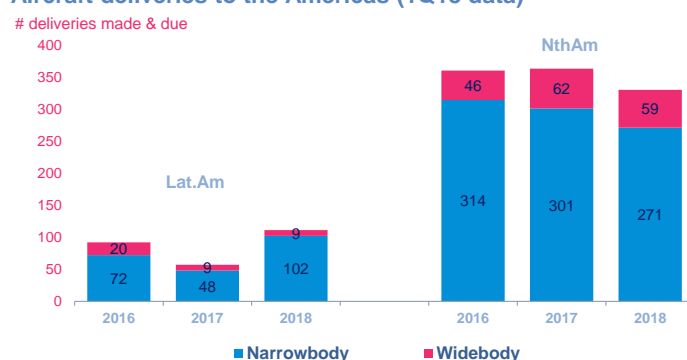
→ Passenger yields amongst the region's key markets are mixed. The Europe market is performing strongly, with double-digit yield increase over the past year. In contrast, yields are lower between NthAm & Asia.

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

%change on a yr ago	2016	Dec-17	Jan-18	Feb-18
Nth America-Europe	-8.5	6.2	8.2	12.1
Nth America-Asia	-7.3	-3.6	0.7	-1.2
Nth-Sth America	-17.5	9.3	8.3	7.5
Sth America-Europe	-17.2	14.8	15.6	12.5
Sth America-Asia	-9.2	3.7	2.8	0.9
Within Sth America	-13.4	3.4	2.1	3.1

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

Aircraft deliveries to the Americas (1Q18 data)



Source: Ascend