



STATE OF THE REGION: THE AMERICAS

AUGUST 2017

Economy

GDP growth, selected countries

%change on a yr ago	2016	2016Q4	2017Q1	2017Q2
United States	1.5	1.8	2.0	2.1
Brazil	-3.6	-2.5	-0.4	--
Mexico	2.0	2.3	2.6	--
Canada	1.5	2.0	2.3	--
Argentina	-2.2	-1.9	0.3	--
Colombia	2.0	1.6	1.2	1.3
Chile	1.6	0.5	0.1	0.9
Peru	3.9	3.0	2.1	--
World*	2.3	2.6	2.6	2.8

Source: Datastream * Market exchange rate basis † Estimate

Exchange rates

end of period, # per US\$	2016	May-17	Jun-17	Jul-17
US\$ broad index	127.7	123.8	122.3	120.7
Brazilian real (BRL)	3.26	3.24	3.31	3.13
Mexican peso (MXN)	20.63	18.69	18.07	17.83
Argentine peso (ARS)	15.73	16.10	16.63	17.64
Colombian peso (COP)	2997	2916	3046	2986
Chilean peso (CLP)	668	673	664	651

Source: Datastream, XE

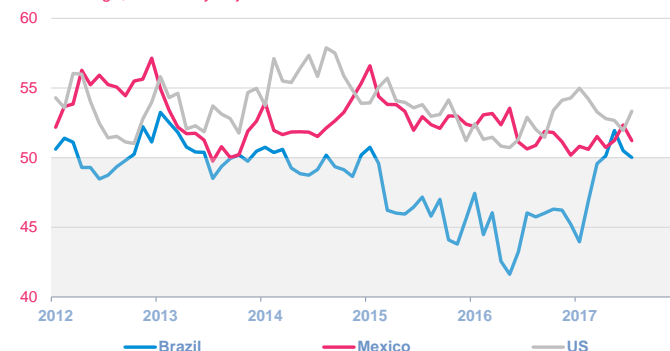
World oil and jet fuel price

US\$/barrel	2016	May-17	Jun-17	Jul-17
Crude oil (Brent)	52.4	50.3	46.4	48.5
Jet fuel	64.0	59.3	54.4	59.5

Source: Platts, EIA Monthly average data

Business confidence - manufacturing PMIs

50=no change, seasonally adjusted



Source: Markit

- Business confidence in Brazil softened again this month on further political & economic concerns. The US index recovered some of its recent losses, while Mexico gave back some of its recent gains.
- The US\$ repeated last month's performance, ending July 1.3% lower on a trade-weighted basis. Of the main regional currencies, the BRL gained a sizeable 5.5% vs the US\$, while the ARS fell by 6% in the month. The COP & CLP both gained ~2%.
- Brent crude oil & jet fuel prices both rose in July, the former up 4.5% to US\$48.50/bbl, & the latter up a hefty 9.4%, back to almost US\$60/bbl. The market continues to be strongly influenced by supply-side considerations.

Market

Revenue passenger kilometers (RPKs)

%change on a yr ago	2016	Apr-17	May-17	Jun-17
Region (registration basis)				
N America	3.4	7.0	3.9	4.0
Latin America	3.9	11.5	7.1	6.7
World	6.4	11.0	7.7	7.8
Routes (segment basis)				
US domestic	3.4	5.2	3.4	3.7
Brazil domestic	-5.5	3.3	2.5	1.6
Nth America-Europe	2.5	12.3	4.7	5.3
Nth America-Asia	6.4	8.6	5.8	5.3
Nth-Sth America	-0.5	4.6	1.2	2.7
Sth America-Europe	3.5	11.7	7.5	8.4
Within Sth America	8.0	16.2	11.1	7.7

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

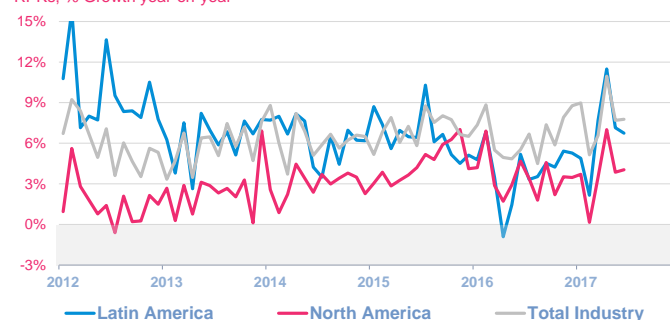
- At the industry-wide level, RPKs grew by a brisk 7.8%yoy in June & by a similar rate (7.9%) in 1H17 as a whole – the fastest first half in 12 years (since 2005).
- Yoy growth in passenger volumes for the NthAm carriers was also largely unchanged in June at 4.0%, while growth for the Lat.Am airlines eased modestly, to 6.7%.
- US domestic RPKs increased by 3.7%yoy in June & by 3.4% in 1H17 as a whole. The modest up-trend in seas-

adjusted volumes remains in place & consumer confidence surveys remain solid & supportive of growth.

- Domestic Brazil RPKs grew by a modest 1.6%yoy in June & are up 1.0% in 1H17 vs 1H16. Against the fragile political & economic backdrop, volumes are struggling to gain momentum & are still down 8% on their 2010 peak.
- Of the key international routes, the smaller markets of SthAm-Europe & Within SthAm have the strongest RPK growth currently, at 8.4% & 7.7%yoy, respectively.

Growth in air passenger volumes

RPKs, % Growth year-on-year



Source: IATA Statistics

Freight tonne kilometers (FTKs)

%change on a yr ago	2016	Apr-17	May-17	Jun-17
Region (registration basis)				
Nth America	2.2	6.3	13.4	12.7
Latin America	-4.1	-0.6	6.7	9.8
World	3.9	8.6	12.7	11.0
Routes (segment basis)				
Nth America-Asia	-1.2	8.0	11.1	10.6
Nth America-Europe	2.5	9.3	13.1	12.9
Nth-Sth America	-5.1	2.7	11.8	15.9
Sth America-Europe	1.2	4.3	0.5	6.7
Within Sth America	-18.6	-0.5	10.0	1.1

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

- Global FTK growth slowed a little in June, but maintained its double-digit pace, up 11.0%yoy. For 1H17 overall, FTKs grew by 10.4%yoy – the strongest 1st half-year since the rebound from the financial crisis in 2010.
- At the regional level, the yoy growth performance was mixed this month; lifting solidly for the Lat.Am airlines (to 9.8%) but easing slightly for NthAm (to 12.7%).

Industry

Capacity growth and load factors

ASK/AFTK: %ch on a yr ago, LF: % of ASK/AFTK	2016	Apr-17	May-17	Jun-17
Passenger				
Nth America ASK	3.9	4.5	3.6	4.1
Nth America PLF	83.5	84.2	84.0	86.3
Latin America ASK	2.2	6.1	5.4	5.2
Latin America PLF	80.8	81.8	80.4	81.6
World ASK	6.4	7.2	6.2	6.5
World PLF	80.5	82.1	80.0	81.9
Freight				
Nth America AFTK	3.5	0.9	3.4	3.0
Nth America FLF	34.4	36.2	36.5	36.2
Latin America AFTK	-1.8	0.4	7.1	2.9
Latin America FLF	33.3	33.5	33.7	33.5
World AFTK	5.4	3.7	4.8	5.2
World FLF	43.0	45.1	45.3	45.0

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

- Even with solid capacity growth, the industry-wide load factor outcomes remain robust, indeed the PLF posted an all-time high for the first half of a year (at 80.7%).
- Capacity growth for both the NthAm & Lat.Am carriers over the past year has been below the rate of the industry overall, & is only ~3%yoy for AFTKs.
- The PLF for NthAm carriers is the highest of all regions, at 86.3% in June & the Lat.Am carriers are also above 80%. However, the FLF performance for the region's

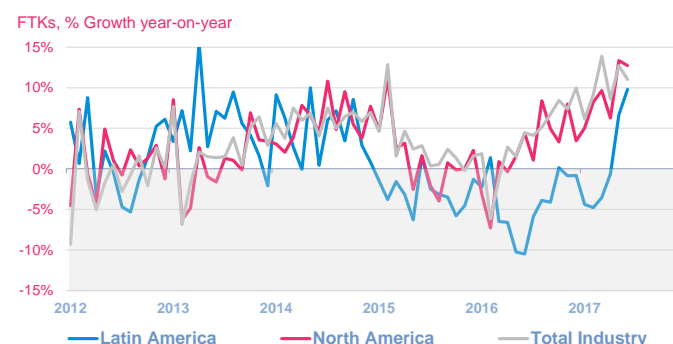
Airline operating (EBIT) margins*

%revenues	2015	2016	2016Q2	2017Q2
Nth America	14.8	13.2	17.5	16.7
Latin America	1.5	4.2	--	--
Industry	8.5	8.8	12.7	13.2

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

- The top 3 main markets recorded double-digit FTK growth again in June, with Nth-Sth America the standout at 16%yoy. For NthAm carriers generally, the up-trend in (seas-adjusted) internat. FTK volumes is very positive.
- For the two smaller markets (SthAm-Europe & Within SthAm), growth has been volatile in recent months but this primarily reflects developments in 2016.

Growth in air freight volumes



Source: IATA Statistics

carriers continues to lag the industry average by a sizeable margin of ~10pp.

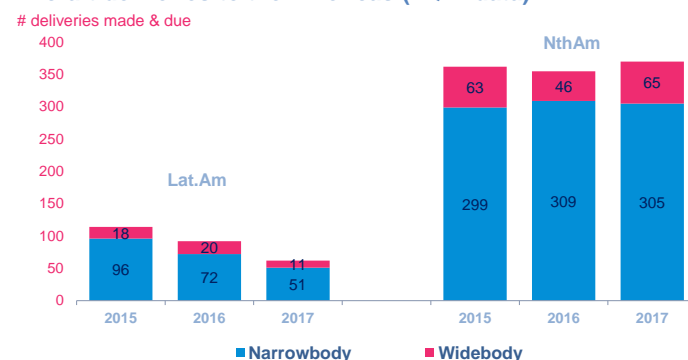
- The initial Q2 data point to an easing in the margin squeeze evident in Q1 for NthAm airlines & the industry (no Lat.Am data were available). For NthAm, the EBIT margin is 16.7%, down a little from a year ago (17.3%) but still above the industry-wide 13.2%.
- Global pax yields are currently around their level of a year ago. At the regional level, yoy yields have shown a general narrowing & have now risen in a number of markets; SthAm-Europe is the current standout (10.6%).

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

%change on a yr ago	2016	Apr-17	May-17	Jun-17
US domestic	-6.1	-1.1	2.6	3.7
Nth America-Europe	-8.3	-14.0	-2.7	-1.2
Nth America-Asia	-7.2	-2.2	-2.7	-1.8
Nth-Sth America	-17.4	-13.1	-1.3	9.7
Sth America-Europe	-17.3	-0.4	5.2	10.6
Sth America-Asia	-9.1	-1.8	-1.6	-1.3
Within Sth America	-13.8	2.3	6.1	6.5

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

Aircraft deliveries to the Americas (2Q17 data)



Source: Ascend